

IRAQ: CREATING A STRATEGIC PARTNERSHIP

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Executive Summary

Iraq is changing rapidly, although the outcomes of many of these changes remain unclear. The country faces major challenges in many areas—ranging from quelling the ongoing violence to achieving political accommodation and economic stability. Each of these challenges is critical to the future security and stability of Iraq:

- Defeat the threat posed by the remnants of the Sunni insurgency, neo-Ba'athists, and Shi'ite militias.
- Deal with the risk of new forms of ethnic and sectarian violence—especially ethnic conflict between Arab, Kurd, and other minorities in the North.
- Create effective Iraqi security forces that can fully replace U.S. forces, defeat or reduce the various insurgent and terrorist groups to acceptable levels of activity, enforce the rule of law, and grow strong enough to ensure Iraq's security from threats or pressure from neighboring states.
- Restructure the Iraqi government to both reflect the results of the 2010 Parliamentary elections and create a level of effective governance that can bring together all of the nation's major factions.
- Accelerate the slow pace of political accommodation and meet the need for stable political compromises between each major faction so as to rebuild full national unity over time.
- Find a new balance between central, provincial, and local governance that effectively serves the needs of the Iraqi people, aids political accommodation, builds capacity, reduces corruption, and shifts the climate from one dominated by counterinsurgency to one focused on the rule of law.
- Cope with the challenges of poverty, unemployment, and underemployment; poor distribution of income; and key problems in the agricultural, industrial, and service sectors that affect large portions of the population.
- Move Iraq toward economic development in ways that deal with the complex heritage of nearly 30 years of war and internal conflict; massive population growth; and the need to create a competitive economy.
- Put Iraq's budget on a stable path toward developing effective Iraqi security forces and government services; helping fund economic reconstruction and development; dealing with the near phaseout of international aid and continuing foreign debt and reparations issues; and reducing the dependence of the government on uncertain levels of oil export earnings for the majority of its revenues.

It may well be a decade before Iraq can meet these challenges to the point where it achieves a convincing level of stability and security. Iraq faces serious immediate problems in each area, but all of the above challenges are “structural” in the sense that they require major changes in Iraq's present politics, governance, security structure, and economy that will take years to accomplish. This does not mean Iraq cannot make progress much earlier, and it already has in many areas. The scale of each challenge, however, is too great for such progress to quickly reach the point of lasting success. History takes time in Iraq, as it does everywhere else in the world.

This makes any current claims of “victory”—or successful “reconstruction”—premature and dangerous. It is far too early to say that Iraq can achieve lasting security and stability, maintain a pluralistic form of government, or avoid becoming caught up in another violent round of internal or regional power struggles.

Iraq's success will depend largely on Iraq's leaders and their decisions. Iraq is now a fully sovereign state that is rapidly assuming responsibility for every aspect of its policy

and security. The United States can, however, play a constructive role in helping Iraq as it reduces its aid programs and withdraws its forces.

The U.S.-Iraqi Strategic Framework Agreement (SFA) provides a potential framework to build upon that can serve both nations' strategic interests. It also provides a mechanism through which the United States can help Iraq during the critical period in which it chooses a new government, increases its petroleum exports and national income, deals with remaining elements of insurgency and internal conflict, and develops the capabilities necessary to deter any threat from its neighbors.

In fact, unless it makes effective use of the agreement to help Iraq during the withdrawal of its forces between 2010 and 2011, and unless it provides effective aid and advice during the critical transition period that follows, the United States runs a serious risk of seeing Iraq fail—in political accommodation, in developing effective governance and security forces, and in creating a climate where it can begin to fund its own economic development. The result could be an Iraq too weak and too divided to achieve either security or stability.

The Challenge of Continuing Violence

Security remains a key challenge even though Iraq has made real progress in defeating the insurgency and moving toward political accommodation. The level of violence in Iraq is sharply lower than the levels that peaked in 2007. It is now dropping below the average levels that existed at the beginning of the insurgency in 2004, and most of the violence related to the Sunni insurgency is now concentrated in Baghdad and in Diyala, Ninewa, and Salah ad Din provinces in central and northern Iraq. The threat posed by the militia of Moqtada al-Sadr, by various Shi'ite factions like the Special Groups, and by other Shi'ite militias is far lower than at the beginning of 2008, and the Sadr faction is now part of the Shi'ite political alliance. Fears that U.S. military withdrawal from Iraq's cities in June 2009 would trigger new rounds of internal violence have so far proved to be sharply exaggerated.

Iraq, however, is anything but secure if being "secure" means reducing violence to levels that allow civil society, the government and the economy to function without disruption from bombings and other large-scale incidents of violence, and reducing all of those threats to a level that largely eliminates the risk of new outbreaks of major ethnic and sectarian violence. Al Qa'ida in Iraq (AQI), other Sunni Islamist factions, and various neo-Ba'athist groups still carry out bombings and targeted attacks in parts of the country, and insurgent groups continue to try to trigger a new round of Sunni-Shi'ite fighting. Since April 2009, these attacks have included a series of large-scale bombings seeking to exploit the divisions between Shi'ite and Sunni and between Arab and Kurd, and to provoke a new round of civil conflict and sectarian and ethnic reprisals.

The Sadr militia, or "Mahdi Army," has fragmented into a mix of largely ineffective factions, and its influence and capabilities have continued to diminish. The main Sadr movement seems focused on politics rather than violence, and Sadr has done little to revitalize his militia's military capabilities since it was defeated by the Iraqi Army's operations in Basra and Sadr City in early 2008. However, there are still violent "special groups" that have splintered from the Mahdi Army and that attack U.S. and Iraqi

government targets. Iran still provides some supplies and training for such groups, as well as some support and training to both the Sadr and Supreme Council militias.

The decline in the Sunni Jihadist and Sadrist threats, however, has not eliminated internal political tensions that could trigger new forms of violence. These include serious tensions between Iraqi Arabs, Kurds, Turkmen, and other minorities in the north. Arab and Kurdish tensions are now the most serious near-term threat to Iraqi stability, and mostly involve political struggles over control of a broad band of disputed territory—from Mosul to the Iranian border in the area just south of Kurdistan – as well as over control of the nation’s petroleum reserves and government revenue.

These internal threats interact with problems in Iraqi politics and governance. Prime Minister Nuri al-Maliki and others have exploited Iraqi nationalism in their search for political support in the 2010 national elections. This has restricted the role the United States can play in dealing with the insurgency and preventing clashes between Iraq’s various factions, although the bombings since June 2009—and Kurdish-Arab tensions—have revitalized some aspects of U.S.-Iraqi security cooperation. Political rivalries between cabinet ministers have also hindered progress at the national level, producing a standstill in the government’s ability to produce and implement new legislation and reconstruction programs. Politicians have instead focused more attention on garnering political support.

In addition, Prime Minister Maliki may have taken excessive risks in rushing reductions in security barriers to show that Iraq is more secure than it is, and in failing to act more decisively to reduce Arab-Kurdish tensions and deal with Sunni sensitivities over issues like the treatment of the Sons of Iraq (SoI). Politics are not a substitute for effective security measures.

It is unlikely that the United States and Iraq can deal with these issues and shape a more lasting security structure as part of their strategic partnership until the new government is seated and formed as a fully functional entity. The timing of this may prove to be a problem. Even a fully successful election is unlikely to create a new, fully appointed Iraqi government until June. It could easily take until late 2010 before the new Iraqi government can agree on its policies, shape a budget, and create a functioning government in key ministries like the Ministry of Defense and Ministry of the Interior

This can pose major problems both in terms of how well the Iraqi government responds to its security problems over the next year, and in creating a more lasting security arrangement as part of a functional strategic partnership. There are substantial lead times in creating new forms of aid and assistance; ensuring that structures like the Provincial Reconstruction Teams (PRTs) are transformed into new advisory roles; and creating strong military and police advisory teams to help Iraq create military forces that can defeat the insurgency and deter outside threats and police forces that can fully support the rule of law. Major delays or failure to agree on structures that both respect Iraqi sovereignty and enable the United States to support a strategic partnership could well lead the United States to accelerate reductions in its forces and in its aid programs and could have a lasting impact on longer-term efforts to create a stable partnership.

Polls show that most Iraqis see ongoing improvements in their security but are still deeply concerned about the security outside their immediate neighborhoods. Moreover,

the threat posed by insurgents and terrorists and by ethnic and sectarian tensions, is only part of the problem. Iraq must now establish a rule of law to deal with crime and extortion and provide the civil order needed for lasting political accommodation and for economic reconstruction and development.

In short, the fact that levels of violence in Iraq are significantly lower does not mean that Iraq has reached the point of lasting stability and security. In the interim, jihadists, other violent factions, and the risk of new civil conflict will pose a significant threat to the government and to the country as a whole. Iraq will need substantial gains in political accommodation, successful national elections and improved governance, better security forces, and greater economic realism to achieve these goals. It will also need substantial outside security aid for at least half a decade after U.S. forces withdraw at the end of 2011—although that requirement will drop steadily with time, as Iraqi forces and government offices are able to operate largely on their own.

Finally, Iraq and the United States must look beyond Iraq's internal security. Iraq faces real and potential threats on all of its borders. Sunni insurgents still receive support from Syria. Iran still supports elements of various Shi'ite militias and Shi'ite extremists and actively seeks to influence, if not dominate, Iraq's Shi'ite majority.

Turkey has steadily improved its cooperation with the Kurdish government in the north, but is still deeply concerned over the presence of elements of the Kurdistan Workers' Party (PKK) near its border and the impact of Iraqi Kurdish autonomy on Turkey's Kurds. Saudi Arabia still sees infiltration from Iraq as a threat, and the Arab states have not yet fully accepted Iraq's Shi'ite-led government.

Regional security will be an enduring problem for Iraq, and so it must further develop its military forces and internal security capabilities if it is to deter outside pressure and threats while quelling violence within the country. At the same time, it must reach out to neighboring countries, forging relationships with those who will accept the GOI as a sovereign government and cooperate with it on regional issues.

The Challenge of Political Accommodation

Public opinion polls show that the vast majority of Arab Sunnis and Arab Shi'ites want a united Iraq. The provincial elections in early 2009 showed that Arab Sunnis participated fully in the political process and that elections could peacefully change the leadership in many provinces. However, there are still serious political tensions between every major faction in the country, and these tensions are the driving forces behind many of the struggles for political power the 2009 provincial elections as well as in the 2010 national elections. They also affect Iraq's ability to form an effective central government throughout 2010 and to create an overall structure of governance with effective ministries at the national as well as the provincial, district, and local levels.

There are also continuing ethnic and sectarian tensions and divisions *within* each major faction in Iraq. The two major Kurdish political parties remain relatively united, but both are increasingly separate from any major Arab party, and minority politics are constantly shifting and often adding to Arab-Kurdish tensions. The ruling Shi'ite coalition has fractured into power struggles between the Maliki faction, other factions in the former ruling Shi'ite coalition, and the emerging Sadr faction. A similar fragmentation has led to

political struggles between various Sunni factions—none of which has yet emerged as a leading voice for Sunni opinion. Some cross-sect parties have entered the political scene more recently, including Prime Minister Maliki's new State of Law coalition, which attempts to include representatives from both Sunni and Shi'ite parties, and the more Sunni-oriented Iraqqiya, which is headed by former prime minister Ayad Allawi, a Shi'ite, and Sunni Vice President Tariq al-Hashimi. Most parties, however, are not truly national; even though they may include limited elements of other ethnic groups, they remain largely sectarian.

It is not yet clear whether this complex series of political struggles will create major new divisions between Sunni and Shi'ite and Arab and Kurd, or lead to coalitions and compromises that bridge sectarian and ethnic lines. These political struggles, however, present a significant risk to political accommodation. The wounds of a half-decade of civil conflict—and decades of previous clashes and tensions—have not healed and will not heal quickly.

The Challenge of Governance

Iraq must do far more than reach political accommodation. It must create a form of governance that replaces a focus on counterinsurgency with effective governance at the central, provincial, and local levels.

Iraq's complex political structure makes forming a central government difficult. Iraq may not be able to fully seat a government until July of 2010. The new government will have to choose its Ministers,, and a new balance must be established between the prime minister and other leading officials and in the central government and the Council of the Republic. The Provincial Powers act will have to be translated from theory to some form of stable practice, along with decisions about how revenues are to be allocated at the provincial level. Long-delayed legislation will need to be passed, existing legislation will have to be put into practice, and Iraq will have to establish a post-conflict rule of law. This process may well take until 2011 and several years beyond.

Iraq must create a structure of governance that is based on an equitable sharing of the nation's wealth at a time when Iraq's economy is still on the road to serious recovery and growth – when foreign aid is phasing down to relatively low levels, and before the country's petroleum sector can expand to finance the government budget and development. Even with high oil revenues, Iraq cannot expect major increases in government revenues and national income before 2014–2016 because of the volatile nature of oil prices and the time it will take to build the necessary infrastructure. It must create governance that provides the day-to-day services Iraqis need, and must establish a rule of law that can deal with the local violence, crime, and corruption that underpin civil order and economic development.

Today's level of Iraqi governance is only beginning to plan and budget effectively. Corruption, waste, and bureaucratic barriers and delays are all at unacceptable levels. The transfer of responsibility for water, power, sewers, and other essential services is still problematic, and the results fall short of minimum public expectations. Planning and execution of these efforts are weak at the central, provincial, and local government levels. The central government has not yet shown that it can manage the recovery of key sectors of the economy like agriculture and state-owned enterprises (SOEs). Key sectors of

governance like education and public health operate at the crisis level and have actually declined in quality since 2003, in spite of U.S. aid programs.

A wide range of legislation and constitutional issues affect both political accommodation and governance. Again, it seems almost certain that these issues will not be resolved until the new national and provincial governments can show their ability to govern. The formation of a new national government will likely involve even more political struggles that will continue well beyond 2010. Creating effective provincial governments and determining how they will interact with the central government is a work in progress that is just beginning. Urban government is a major problem in several key cities, and plans for district elections have already slipped for years—with no date in sight. Creating a stable form of governance at the central, provincial, and local level will take at least half a decade.

The Challenge of Economic Development and Demographic Pressure

Economics and demographics are other major sources of instability that Iraq must now deal with on both a short-term and a structural basis. Iraq's immense petroleum reserves and water supplies may eventually make it a wealthy country. Its recent petroleum agreements with major British, Chinese, and U.S. oil companies are an important first step. Iraq is not a wealthy country today, however, and will not be for at least a decade. It will take at least that long to transform Iraq's resources into income, development, employment, and a proper distribution of the nation's wealth to its people.

In 2009 Iraq ranked 162nd in the world in per capita income—far behind any other Gulf state and not far ahead of Gaza (164) and the West Bank (166).¹ Its population is extremely young and some 50–60 percent of its young men are unemployed or badly underemployed—threatening their economic and social status, their ability to marry or support a family, and Iraq's security in the process. Those who are employed are often employed in the state sector, and in ways that are subsidized to the point they do little or nothing to build Iraq's economy. Iraq's educational system and public health system are grossly inadequate and near collapse. Civil society waits on full security, and income distribution is not only grossly inequitable but has been made far worse by the profiteering and corruption financed by post-2003 wartime expenditures, a failure to manage the aid process, and a combination of corrupt contractors and power brokers.

The result is that Iraq's stability is now critically dependent on using the bulk of its national budget to create jobs and pay salaries in the state sector—almost all of which is funded through oil export revenues. According to the International Monetary Fund, crude oil export revenues represented more than 75 percent of Iraq's GDP and 86 percent of government revenues in 2008.² Drops in world oil prices during the course of 2008 forced Iraq to cut its 2009 budget from \$80 billion to \$58.6 billion at a time it came to

¹ Central Intelligence Agency (CIA), "Iraq," *World Factbook*, <https://www.cia.gov/library/publications/the-world-factbook/geos/iz.html>, accessed December 2, 2009.

² Energy Information Administration (EIA), "Iraq," Department of Energy, June 2009, <http://www.eia.doe.gov/cabs/Iraq/Full.html>.

realize that it was both under-budgeting key expenditures like its security forces and under-costing development. Concurrently, most foreign aid was sharply reduced, as Iraq had already disbursed \$46.5 billion of the \$52.8 billion in U.S. aid that it had received since 2003.³

Increases in petroleum production and exports, and related increases in future oil revenues, are unlikely to be high enough to fund both state sector employment and Iraq's development for at least the next four to five years. Iraqi oil revenues from Iraq's current production capacity do seem likely to be higher than some worst-case predictions made in the spring of 2009, but they will still be far lower than what Iraq needs to meet its government payroll and subsidies and to fund economic reconstruction and development. In combination with the massive drop in foreign aid, the government has had to make major cuts in funding the development of the Iraqi security forces, infrastructure and development, and operating expenses in critical areas like health and education.

These economic tensions inevitably make the Arab-Kurdish and internal Arab power struggles worse, if only because there is so much less discretionary money to help "glue" various factions together. These rifts have been deepened and extended by Iraq's failure to pass meaningful investment laws, deal with problems like taxes and land rights, and move forward in passing oil laws and creating competitive proposals for international investment in its petroleum sector.

Moreover, Iraq's problems go far beyond short-term problems in oil revenues and a budget crisis. Much of its infrastructure is aging or damaged. Moreover, its economy and infrastructure have never grown in proportion to the massive population boom that has gone on for decades and that ensures that steadily larger numbers of young men and women will enter a stagnant labor force in the foreseeable future.

In fact, Iraq has not been able to move toward any form of stable economic development since it effectively went bankrupt early in the Iran-Iraq War in 1982. It has deep structural problems in its agricultural, industrial, and service sectors compounded by decades of state mismanagement. Iraq already faces a crisis in agriculture as result of years of drought, decades of state mismanagement and underinvestment, and population growth that sharply exceeds what the agricultural sector can productively employ.

Iraq's past failure to aggressively rehabilitate and expand its petroleum sector will undercut its economic recovery and development for at least several more years, and exacerbate its political tensions. Moreover, Iraq must move beyond "reconstruction" to create policies and goals that deal with its growing population, the need for far better

³ The United States has committed \$52.80 billion to the Iraq reconstruction program since 2003. Most of this money has been appropriated to four major funds: the Iraq Relief and Reconstruction Fund (IRRF), the Iraq Security Forces Fund (ISFF), the Economic Support Fund (ESF), and the Commander's Emergency Response Program (CERP). As of October 7, 2009, the United States still had not disbursed some \$6.31 billion in aid. Much of this aid was committed however, and only \$2.49 billion was economic aid (\$1.38 billion for ESF and \$1.11 billion for IRRF). The rest was aid earmarked for Iraqi security forces (\$3.47 billion) or CERP aid for the U.S. military (\$35 million). Special Inspector General for Iraq Reconstruction (SIGIR), *Quarterly Report to the United States Congress* (Public Law 108-106, as amended, and Public Law 95-452), October 30, 2009, 13.

distribution of income, and the need to create an economy that has a high degree of regional, ethnic, and sectarian equality. Economic development cannot be separated from political accommodation and demographic realities.

Redefining Iraqi-U.S. Relations and Creating an Iraqi-led Partnership

Iraq is now a fully sovereign state and is steadily reducing its dependence on U.S. forces and aid. Its domestic politics reflect both a desire for independence and a level of anger and distrust at the United States for its invasion and occupation, which together create strong pressures to accelerate the process of reducing its dependence. This means, however, that Iraq must take the lead in meeting the country's challenges, and must do so through positive and effective action. It must not fall into the trap of third-world impotence—complaining about the past and trying to export blame or responsibility to other states. No one should forget history, but only Iraq can shape Iraq's present and future. Iraq can only succeed to the extent it helps itself.

The United States has responsibilities of its own, as well as vital national security interests to serve. It must now redefine every aspect of its relationship with Iraq. It must act immediately to complete the shift from the role an occupier to that of a strategic partner, where it is clear to both sides that Iraq is the lead. In the process, the United States must complete a shift in leadership away from the Department of Defense, focused on armed nation building, to an initiative led by the State Department, focused on aid, advice, and support for the Iraqi government.

This process cannot be complete before U.S. military forces withdraw from Iraq at the end of 2011, and the United States must find ways to provide aid in the form of an integrated civil-military effort that creates a new U.S. mix of civil and military advisers and a new approach to aid that helps Iraq make the transition to full management and funding of its own programs. Given Iraq's current needs and national budget, and its economic problems, the U.S. aid effort may well have to continue for half a decade. It will be particularly important to handle the transition from dependence on U.S. forces and aid during the critical period between 2012 and 2014 and to ensure that Iraq can make a "soft landing" from this dependence.

Both Iraq and the United States need to recognize that they can benefit from translating their Strategic Framework Agreement into programs that help ensure Iraq's security and development. This requires a new form of partnership where Iraq is firmly in the lead and in control but where both nations work together toward Iraq becoming a nation that can play a major role in ensuring the stability of the Gulf and the world's energy supplies.

Iraq has every reason to ensure that its sovereignty is fully respected and that Iraqis alone shape and determine Iraq's future. At the same time, Iraq needs to recognize that it needs continuing U.S. aid and advice in developing its security forces and its economy. Much will depend on how realistic Iraqis are willing to be in recognizing these needs, communicating them to the United States, and seeking U.S. aid in time to get the U.S. action that it is needed.

The Need for a Strong U.S. Aid Team and Continuing Aid

Americans also need to understand how important such a strategic partnership will be, and that it is well worth maintaining enough aid to ensure a “victory” in the form of a stable and secure Iraq. Much will depend on how quickly the United States shows Iraq that it is a responsible strategic partner, how well it respects Iraqi sovereignty and leadership, and how willing it is to provide continuing aid and support.

As noted, this does not mean maintaining the expenditure levels of past years or continuing such aid indefinitely. The United States has already reduced aid far below earlier levels provided since 2003, and it is committed to reducing its troop levels to no more than 50,000 by mid-2010 and to eliminating its military presence by the end of 2012. These reductions are positive steps in fully restoring Iraq’s sovereignty, but they also pose serious risks to Iraq’s security and stability unless the United States finds ways to continue to assist Iraq during the critical transition period between 2010 and 2014.

While the U.S. Embassy and U.S. experts are still assessing the levels of aid required, it is clear that Iraq requires as strong a civilian and military U.S. advisory and aid mission as Iraqi governments are willing to accept. It will be at least half a decade before the U.S. Embassy in Iraq can become anything approaching a “normal” embassy. If the Iraqi government will accept such arrangements, the United States should seek to provide an embassy with a strong civilian aid team to help Iraq improve its governance, economic development, police, and rule of law. This aid effort should be supported by consulates that can provide local aid in critical areas in the north and south, and it should preserve a modified form of provincial reconstruction teams to help Iraq at the provincial and local levels.

U.S. experts have suggested creating a consulate in Irbil in the Kurdish area in the north, and one in Basra, which will be a key center for the Shi’ite provinces in the south as well as a national economic center. They have also suggested that much smaller numbers of a new form of local aid and advisory team should replace the present Provincial Reconstruction Teams. These would include aid teams in sensitive areas like Ninewa, Kirkuk, Diyala, Anbar, and Najaf—areas where Iraq is likely to have significant security and stability problems well into 2015 and beyond.

The United States cannot be a partner and interfere in Iraqi internal affairs. It must not attempt to impose its own approach to governance, economic development, police, and rule of law, and it should encourage international organizations like the United Nations and World Bank to play a strong role wherever possible. It is also clear that the United States cannot and should not provide major reconstruction aid at a time when Iraq must make its own decisions and learn to use its limited resources in ways that offer sustainable paths toward development.

There are, however, many areas where the United States can provide technical advice and improved planning and budgeting systems, encourage U.S. and other foreign investment, and help Iraq emerge from the nearly constant state of war and crisis it has experienced since 1980. There will be many cases where limited amounts of grant aid can help Iraqis do their own planning, become more efficient and competitive internationally, and understand the best ways to attract foreign investment and make the critical conversion from military and paramilitary security to normal policing and the rule of law. There are also crises in Iraq’s current public services—like health and education—that the United

States has largely failed to address in the past and where even limited aid can help Iraq deal with critical social and humanitarian needs.

At the military and police levels, the Iraqi security forces cannot possibly reach the minimum level of capability they need to provide security and stability before U.S. forces fully withdraw by December 31, 2011. The United States must be prepared to offer Iraq a strong and highly capable U.S. military assistance staff and an equally strong State Department effort to aid the police. Until it massively expands its oil exports in the period after 2015, Iraq will also need funds to improve the size and quality of its forces and continue paying sufficient salaries.

The United States should not encourage Iraq to expand its forces to levels it cannot afford to sustain and does not need. However, U.S. Multi-National Force–Iraq (MNF-I) and Multi-National Security Transition Command–Iraq (MNSTC-I) experts are almost certainly correct in estimating that major additional aid will be necessary both during the period before U.S. withdrawal and for several years thereafter. Combined with a limited civil aid program in other areas, the total could range from \$6 billion to \$10 billion during the period between FY2010 and FY2014. It would not be cheap, but as the past has made all too clear, it would cost far less than dealing with an unstable and insecure Iraq.

Such an effort is essential to helping Iraq reach the level of security and stability it has lacked since the late 1970s. It also is essential to serving U.S. strategic interests. A strong and stable Iraq will be a major bulwark against Iran without threatening Iran or serving as a new source of tension. Iraq will have no reason to return to the regional ambitions and tensions that have helped destabilize the Persian Gulf region since the British withdrawal in the 1960s. It can play a constructive role in resolving Kurdish tensions in the region, and it can serve as a moderate actor in dealing with Arab-Israeli tensions and searching for a stable peace. Expanding Iraq's oil industry to its full potential can help bring down oil prices and ensure the stability of a global economy that is as critical to the United States as to any direct importer of Gulf oil.

This is a critical mix of U.S. national strategic objectives. Success in achieving them is well worth the limited cost of continued American support. Failure will mean that the U.S.-led invasion of 2003 will have turned from a military victory to a grand strategic defeat. History has shown us that nations will remember how an occupying or invading country left, and what it left behind, for decades after its departure. The United States cannot change the past, but it can help shape the future.

Table of Contents

1. KEY SECURITY, POLITICAL AND ECONOMIC ISSUES.....	1
THE KEY CHALLENGES IRAQ NOW FACES	5
THE SENSITIVITIES SHAPING THE U.S.-IRAQI STRATEGIC PARTNERSHIP	6
2. THE UNCERTAIN SECURITY ENVIRONMENT IN IRAQ.....	11
LEVELS OF VIOLENCE.....	11
LEVELS OF CASUALTIES: OVERALL ASSESSMENT	20
VIOLENCE BY PROVINCE AND ETHNIC AND SECTARIAN IMPACT	27
IRAQI PERCEPTIONS OF SECURITY	40
THE ROLE THE US CAN PLAY	44
3. ARAB-KURDISH TENSIONS: POLITICAL ACCOMMODATION VERSUS THE POSSIBILITY OF CONFLICT AND DIVIDING THE ISF.....	46
UN EFFORTS TO EASE TENSIONS IN THE NORTH	48
CONTROL OF TERRITORY.....	50
SHIFTS IN POWER IN DISPUTED AREAS	50
<i>Tameem, Kirkuk, and the Draft KRG Constitution</i>	<i>51</i>
<i>Ninewa and Mosul</i>	<i>54</i>
THE CENSUS DELAY.....	56
THE ROLE OF THE PERSHMERGA	56
THE PETROLEUM SECTOR.....	57
POSITIVE TRENDS: JOINT SECURITY	63
POSITIVE TRENDS: THE KURDISH PROVINCIAL ELECTIONS	64
THE ROLE THE UNITED STATES CAN PLAY	65
4. THE SUNNI INSURGENCY AND SUNNI POLITICS.....	68
THE BROADER RANGE OF SUNNI-SHI'ITE TENSIONS AND INTRA-SUNNI POWER STRUGGLES	68
THE THREAT POSED BY THE SUNNI INSURGENCY	70
<i>Declassified Intelligence Estimates of the Threat</i>	<i>70</i>
<i>Key Sunni Groups</i>	<i>73</i>
<i>Threat and Security by Key Province.....</i>	<i>76</i>
SOURCE: USCENTCOM, SEPTEMBER 27, 2009,.....	80
FEWER INCIDENTS, BUT BOMBS AND ATTACKS REMAIN A SERIOUS PROBLEM.....	82
LARGE-SCALE BOMBINGS AND ATTACKS, BUT SO FAR, NO RETURN TO CYCLE OF SECTARIAN REPRISALS	87
THE ROLE THE US CAN PLAY	89
5. THE UNCERTAIN SECURITY AND POLITICS OF THE SOUTH.....	92
THE SADRIST AND SHI'ITE EXTREMIST THREAT	92
THE EVOLVING IMPACT OF THE JANUARY 2009 PROVINCIAL ELECTIONS	97
<i>Shi'ite Disunity at the National Level</i>	<i>97</i>
<i>Shi'ite Disunity at the Provincial Level</i>	<i>99</i>
THE SOUTH REMAINS FRAGMENTED	103
THE ROLE THE US CAN PLAY	107
6. THE ROLE OF EXTERNAL POWERS: IRAQI ATTITUDES TOWARDS OUTSIDE STATES AND COMPANIES	108
IRAQI NATIONALISM AND ATTITUDES TOWARD FOREIGN STATES	108
THE ROLE OF IRAN	109
THE ROLE OF SYRIA	110
OTHER ARAB STATES	111
TURKEY.....	112
FOREIGN COMPANIES VERSUS FOREIGN COUNTRIES	112

THE ROLE THE US CAN PLAY	112
7. THE UNCERTAIN POLITICS OF THE NATIONAL ELECTION AND FORMING A VIABLE GOVERNMENT	114
A NEW WINDOW OF OPPORTUNITY FOR THE INSURGENTS AND UNCERTAINTIES IN THE US-IRAQI STRATEGIC AGREEMENT	114
THE CHALLENGE OF FORMING AN EFFECTIVE NEW GOVERNMENT	115
THE PROBLEM OF GOVERNANCE	116
SHIFTING SHIITE COALITIONS	119
<i>Maliki and the State of Law Coalition</i>	119
<i>The Sadrist Movement</i>	120
<i>ISCI and the INA</i>	121
DIVIDED SUNNI PARTIES	122
PRE-ELECTION DEBATES.....	123
<i>The Struggle Over Passing an Election Law</i>	123
<i>Sunni Complaints</i>	126
<i>The “DeBa’athification” Crisis</i>	128
<i>Political Disputes and Security Concerns</i>	130
THE ROLE THE US CAN PLAY	131
8. THE COSTS AND RISKS OF DEPENDENCE ON THE PETROLEUM SECTOR.....	132
THE UNCERTAIN STATUS OF OIL EXPORT REVENUES	133
THE LAGGING DEVELOPMENT OF THE PETROLEUM SECTOR	135
OIL NATIONALISM AS A DOMESTIC ENEMY OF IRAQ	138
IRAQ’S MORE RECENT OIL DEALS AND SECURING FOREIGN INVESTMENT	139
UNCERTAIN IRAQI PROGRESS IN CREATING THE RIGHT CLIMATE FOR INVESTMENT	142
VIOLENCE AND THE LACK OF SUITABLE LEGAL PROTECTION	143
PETROLEUM SECURITY IN THE NORTH	145
PETROLEUM SECURITY IN THE SOUTH.....	146
SOME IMPROVEMENTS IN INVESTMENT LAWS BUT MORE IS NEEDED.....	147
DEVELOPMENTS IN NATURAL GAS	147
POPULAR REACTIONS, RESENTMENTS, AND THE “CHINA SYNDROME”	148
KURDISH-ARAB TENSIONS	150
THE ROLE THE UNITED STATES CAN PLAY	153
9. THE BROADER RANGE OF ECONOMIC CHALLENGES AND “THREATS”	156
LOOKING BEYOND PETROLEUM: THE INTERACTION BETWEEN GOVERNANCE AND ECONOMICS	156
DEMOGRAPHICS AND UNEMPLOYMENT.....	158
IRAQ’S BUDGET AND REVENUE CRISIS.....	161
GOVERNMENT ALLOCATIONS AND FUNDING	162
<i>Infrastructure</i>	173
<i>Iraq’s Health Care System</i>	173
<i>Iraq’s Education System</i>	175
THE NON-PETROLEUM SECTORS OF IRAQ’S ECONOMY	180
<i>The Financial Sector</i>	180
<i>The Industrial Sector</i>	182
<i>The Service Sector</i>	183
<i>The Agricultural Sector</i>	184
THE ROLE THE UNITED STATES CAN PLAY	190
10. IRAQI RECONSTRUCTION FUNDING.....	193
THE SCALE OF PAST RECONSTRUCTION FUNDING.....	194
U.S. FUNDING FOR IRAQI RECONSTRUCTION.....	198
TRANSITIONING OUT OF DEPENDENCE ON FOREIGN AID.....	200
TRANSFERRING RESPONSIBILITY TO IRAQ: A CONTINUING NEED FOR U.S. AID	203
<i>Failures in U.S. Reconstruction</i>	205

<i>The Coalition Provisional Authority (CPA)</i>	205
<i>The Post-CPA Aid Effort</i>	206
<i>The Present and Future</i>	207
THE ROLE THE UNITED STATES CAN PLAY	209
<i>Restructuring the U.S. Aid Effort in the Short Run</i>	209
<i>Developing Continuing U.S. Aid Programs</i>	210
<i>Making the Right Transition</i>	212
11. SHAPING THE CHARACTER OF U.S. WITHDRAWAL	216
THE STRATEGIC FRAMEWORK AGREEMENT (SFA) AND U.S. WITHDRAWALS	216
THE ACCELERATING PACE OF U.S. WITHDRAWALS	217
SHAPING THE CHARACTER OF THE U.S. WITHDRAWAL	217
THE SCALE AND PACE OF U.S. WITHDRAWAL	219
A REFERENDUM ON THE STRATEGIC FRAMEWORK AGREEMENT AND SECURITY AGREEMENTS?.....	222
THE FUTURE ROLE OF FOREIGN AND IRAQI PRIVATE SECURITY GROUPS.....	224
THE ROLE THE UNITED STATES CAN PLAY	225
12. IRAQI SECURITY FORCES	228
THE BUDGET CRISIS AND IRAQI SECURITY FORCES	233
<i>The MoD's Budget Problems</i>	233
<i>The MoI's Budget Problems</i>	234
<i>The US and Coalition Response</i>	234
<i>Uncertain Leadership at the Top</i>	238
STRENGTHS AND WEAKNESSES IN IRAQI MILITARY CAPABILITIES	239
LOOKING TOWARDS 2011 AND BEYOND	241
IRAQI MILITARY FORCES.....	244
<i>The Regular Armed Forces: Personnel and Leadership</i>	249
<i>The Regular Armed Forces: Procurement</i>	249
<i>Maintenance and Equipment Issues</i>	249
<i>The Regular Armed Forces: Land Forces</i>	254
<i>The Regular Armed Forces: Air Forces</i>	259
<i>The Regular Armed Forces: Navy</i>	262
IRAQI INTELLIGENCE SERVICES	263
IRAQI SPECIAL FORCES.....	263
STRENGTHS AND WEAKNESS IN THE MINISTRY OF INTERIOR AND IRAQI POLICE	265
<i>The Ministry of Interior</i>	266
<i>The Federal Police</i>	270
<i>The Iraqi Police Service and Other Elements of the Police</i>	272
THE ROLE OF THE RULE OF LAW, OIL POLICE, AND FACILITIES PROTECTION SERVICES	274
THE SONS OF IRAQ	276
<i>Other Key Issues</i>	280
THE ROLE THE US CAN PLAY	282
<i>Dealing With Iraqi Contingency Needs</i>	283
<i>Transitioning to Aid and Advice to the Iraqi Security Forces</i>	285
<i>The Special Problems of the Iraqi Police</i>	288
<i>Need For Continuing US Aid Through 2014</i>	289
<i>How Much is Too Little, How Much is Too Much</i>	293
<i>Individual Areas for Further Action</i>	294
13. THE IRAQI-US STRATEGIC FRAMEWORK AGREEMENT: US TROOP WITHDRAWAL AND THE SHIFT TO AID AND ADVISORY SERVICES	295
THE NEED TO REDEFINE IRAQ-US RELATIONS TO CREATE AN IRAQI-LED PARTNERSHIP	296
THE ROLE THE US CAN PLAY: THE NEED FOR A FULLY INTEGRATED AND FULLY IMPLEMENTED CIVIL- MILITARY ACTION PLAN TO MAKE THE STRATEGIC FRAMEWORK AGREEMENT A REALITY	297

List of Figures

<i>Figure I.1: Iraqi Attitudes toward the Iraq War, Coalition Activity, and U.S. Withdrawal, 2004–2009</i>	8
<i>Figure II.1: Overall Security Trends, Part One:</i>	12
<i>Weekly Security Incidents, January 2004 – October 2009 – Part One</i>	12
<i>Chart includes potential attacks (IEDs/mines found and cleared) and executed attacks.</i>	12
<i>Figure II.1: Overall Security Trends Part Two: Significant Security Incidents, 7/1/2009–10/20/2009</i>	13
<i>Figure II.2: Patterns in High Profile Explosions – Part One: Trend from May 2006 to October 2009</i>	14
<i>Figure II.2: Patterns in High Profile Explosions – Part Two: the bilateral Security Agreement (SA), the United Deaths Associated with Multiple-Fatality Bombings in Iraq, by Group Targeted, 1/1/2007–9/20/200</i>	15
<i>Figure II.3: Patterns in IED Explosions</i>	16
<i>Figure II.4 Patterns in Indirect Fire Attacks</i>	17
<i>Figure II.5: Patterns in Caches Found</i>	18
<i>Figure II.6: Patterns in Violence Before and After US Withdrawal from Iraqi Cities</i>	19
<i>Figure II. 7: Patterns in Civilian Casualties in Iraq</i>	23
<i>Figure II. 8: Patterns in Ethno-Sectarian Violence in:</i>	24
<i>Figure II.9 Patterns in ISF and US Military Deaths in Iraq</i>	25
<i>Figure II. 10: Patterns in Casualties Since US Withdrawal from Iraqi Cities in June 2009</i>	26
<i>Figure II.11: Trends in Violence by Province</i>	30
<i>Figure II.12: Security Incidents by Province: From January 1, 2009 to June 30, 2009</i>	37
<i>Figure II.13 –Part I: Ethnic Makeup of Iraqi Provinces</i>	38
<i>Figure II.13 –Part II: Ethnic Makeup of Iraqi Provinces</i>	39
<i>Figure II.14: Iraqi Perceptions of Security: August 2009</i>	42
<i>Figure II.15: The Trends in the Quality of Iraqi Central Governance: 2006-2008</i>	44
<i>Figure III.1: Disputed Territories Claimed by the KRG</i>	49
<i>Figure III.2: Why Iraq Is Not an Oil-rich Nation: Comparative GDP per Capita (\$US)</i>	58
<i>Figure III.3. Iraqi Petroleum Fields and Facilities by Governorate</i>	62
<i>Figure IV.1: Patterns in Sunni Insurgent Violence: 2006-2008</i>	79
<i>Figure IV.2: Patterns in Sunni and Shi'ite Insurgent Violence: August 2009</i>	80
<i>Figure IV.2: Patterns in Sunni and Shi'ite Insurgent Violence in Baghdad: 2006-2009</i>	81
<i>Figure IV.4: Major Bombings since January 1, 2009</i>	84
<i>Figure IV.5: Security Incidents versus High Profile Attacks: 2004-2009</i>	86
<i>Figure IV.6: Iraqi Preferences for Type of Government and National Unity</i>	88
<i>Figure IV.7: Iraqi Refugees and Internally Displaced Persons in 2009</i>	91
<i>Figure V.1: Shi'ite Militia and Insurgent Violence during 2007-2008</i>	96
<i>Figure V.2: The Evolving Politics of the South</i>	100
<i>Figure V.3: Provincial Governorships by Party</i>	102
<i>Figure V.4. Weapons Caches Found by Coalition and Iraqi Forces: January 3, 2005 – August 28, 2009</i>	106
<i>Figure VII.1: Iraq's Critical Problems in Governance</i>	118
<i>Figure 8.1: OPEC Net Oil Export Revenues, 1978–2009 (various years)</i>	134
<i>Figure 8.2: A Timeline of Recent 2009 Oil Activity in the Kurdistan Region</i>	153
<i>Figure IX.1: The Iraqi Population Leap</i>	160
<i>Figure IX.2: Government of Iraq Budget, Reserves, and Debt – Part I</i>	166
<i>Figure IX.2: Government of Iraq Budget, Reserves, and Debt – Part II</i>	167
<i>Figure IX.3: Iraqi GDP, Government Revenue, and Government Budget, 2005–2009 (\$ Billions)</i>	168
<i>Figure IX.4: Government of Iraq Budget Allocations by Ministry—Operations vs. Capital, 2008 and 2009*</i>	169
<i>Figure IX.5: Government of Iraq Budget Allocations by Ministry, 2008 vs. 2009</i>	170
<i>Figure IX.6: Government of Iraq Budget and Oil Price Assumptions, 2006–2010</i>	172
<i>Figure IX.7: Electric Power as a Case Study:</i>	177
<i>Average Daily Hours of Electrical Power per Province</i>	177
<i>Figure IX.8: Intermediate and Secondary School Enrollment Rates</i>	179
<i>Figure IX.9: Combined Wheat and Barley Production, 2006–2009</i>	189
<i>Figure X.1: Iraqi Reconstruction and Capital Funding Sources</i>	196
<i>Figure X.2: Overview of International Donors</i>	197

<i>Figure X.3: Status of Major U.S. Funds (\$ Billions)</i>	199
<i>Figure X.4: U.S. Appropriations for Iraq</i>	201
<i>Figure X.5: Projection of U.S. Funds Available for Iraq Reconstruction</i>	202
<i>Figure X.6 U.S. Reconstruction Management in Transition</i>	215
<i>Figure XI.1: Drawdown Progress since May 2009 and What Remains to Be Drawn Down through August 31, 2010, and December 31, 2011</i>	222
<i>Figure XII.1: US and Iraqi Security Forces in Iraq as of September 30, 2009</i>	232
<i>Figure XII.2: Past Growth of the ISF and Planned Growth in Late 2008</i>	236
<i>Figure XII.3: Iraqi versus U.S. Funding of the Iraqi Security Forces</i>	237
<i>Figure XII.4: Critical ISF Requirements During 2009-2011</i>	243
<i>Figure XII.5 Development of Iraqi Military Forces Through 2009</i>	248
<i>Figure XII.6: Equipment Drawdown</i>	252
<i>Figure XII.7: Iraqi Army Divisions</i>	257
<i>Figure XII.8: ISF Combat Battalion Operational Readiness Assessment</i>	258
<i>Figure XII.9: Iraqi Air Force</i>	261
<i>Figure XII.10: Iraqi Special Operations Forces</i>	265
<i>Figure XII.11: Development of Iraqi Interior Forces</i>	269
<i>Figure XII.12: The Iraqi Federal Police</i>	272
<i>Figure XII.13: Success in Absorbing the Sons of Iraq as of November 2009</i>	279
<i>Figure XII.14: Other ISF Challenges and Activities</i>	281
<i>Figure XII.15: Determining the Nature of the US-Iraqi Security Presence</i>	282
<i>Figure XII.16: How to Manage the Risks of US Withdrawal and Transition to Full Iraqi Mission Capability</i>	284
<i>Figure XII.17: Transition of Iraqi Police Training, 8/2009-12/2011</i>	289
<i>Figure XII.18: US Security Aid and Current Plans: 2003-2010</i>	291
<i>Figure XII.19: Iraq's Need for Continuing US Military Assistance: 2009-2012</i>	292
<i>Figure XII.20: Keeping ISF Force Size and Costs in Proportion</i>	293

1. Key Security, Political and Economic Issues

On November 27, 2008, Iraq and the United States signed a Strategic Framework Agreement (SFA), which called for U.S. and Iraqi cooperation in a wide range of areas. At the same time, they reached a Security Agreement (SA) that put Iraq in charge of its security and laid out plans for withdrawing all U.S. forces from Iraq. The Security Agreement took effect on January 1, 2009, and it set a timeline and requirements for the drawdown of U.S. forces.

The Strategic Framework Agreement describes detailed areas for long-term cooperation “to support the success of the political process, reinforcing national reconciliation within the framework of a unified and federal Iraq, and to build a diversified and advanced economy that insures the integration of Iraq into the international economy.” It states that this long-term relationship will “contribute to the strengthening and development of democracy in Iraq, as well as ensuring that Iraq will assume full responsibility for its security, the safety of its people, and maintaining peace within Iraq and among the countries of the region.” It provides seven detailed sections outlining the basis for “political and diplomatic cooperation, defense and security cooperation, cultural cooperation, economic and energy cooperation, health and environment cooperation, information and communications cooperation, and law enforcement and judicial cooperation.”

There is no way to be certain how real the Strategic Framework Agreement will ultimately turn out. It was written at a time when the United States was still a de facto occupier and when it played a key role in shaping U.S. policy under the terms of United Nations Security Council Resolution (UNSCR) 611 and 1790, and when Iraqi security was the responsibility of the Multi-National Force–Iraq (MNF-I) under the terms of Chapter VII in UNSCR 1790.

The actual level of strategic cooperation will depend heavily on the future leaders and politics of Iraq and on how well the United States shows it is an ally that both supports Iraq and places it in the lead, and how well it can overcome the anger and resentments of many Iraqis. In practice, the Strategic Framework Agreement will have meaning only to the extent to which the United States can help Iraq meet present challenges, win the support of the Iraqi people, and overcome past tensions.

President Obama set clear goals for the United States in implementing the Strategic Framework Agreement in a speech on February 27, 2009:

Let there be no doubt: Iraq is not yet secure, and there will be difficult days ahead. Violence will continue to be a part of life in Iraq. Too many fundamental political questions about Iraq’s future remain unresolved. Too many Iraqis are still displaced or destitute. Declining oil revenues will put an added strain on a government that has had difficulty delivering basic services. Not all of Iraq’s neighbors are contributing to its security. Some are working at times to undermine it. And even as Iraq’s government is on a surer footing, it is not yet a full partner—politically and economically—in the region, or with the international community

In short, today there is a renewed cause for hope in Iraq, but that hope rests upon an emerging foundation.

On my first full day in office, I directed my national security team to undertake a comprehensive review of our strategy in Iraq to determine the best way to strengthen that foundation, while

strengthening American national security. I have listened to my Secretary of Defense, the Joint Chiefs of Staff, and commanders on the ground. We have acted with careful consideration of events on the ground; with respect for the security agreements between the United States and Iraq; and with a critical recognition that the long-term solution in Iraq must be political—not military. Because the most important decisions that have to be made about Iraq’s future must now be made by Iraqis.

We have also taken into account the simple reality that America can no longer afford to see Iraq in isolation from other priorities: we face the challenge of refocusing on Afghanistan and Pakistan; of relieving the burden on our military; and of rebuilding our struggling economy—and these are challenges that we will meet.

Today, I can announce that our review is complete, and that the United States will pursue a new strategy to end the war in Iraq through a transition to full Iraqi responsibility.

This strategy is grounded in a clear and achievable goal shared by the Iraqi people and the American people: an Iraq that is sovereign, stable, and self-reliant. To achieve that goal, we will work to promote an Iraqi government that is just, representative, and accountable, and that provides neither support nor safe-haven to terrorists. We will help Iraq build new ties of trade and commerce with the world. And we will forge a partnership with the people and government of Iraq that contributes to the peace and security of the region.

What we will not do is let the pursuit of the perfect stand in the way of achievable goals. We cannot rid Iraq of all who oppose America or sympathize with our adversaries. We cannot police Iraq’s streets until they are completely safe, nor stay until Iraq’s union is perfected. We cannot sustain indefinitely a commitment that has put a strain on our military, and will cost the American people nearly a trillion dollars. America’s men and women in uniform have fought block by block, province by province, year after year, to give the Iraqis this chance to choose a better future. Now, we must ask the Iraqi people to seize it.

The first part of this strategy is therefore the responsible removal of our combat brigades from Iraq.

As a candidate for President, I made clear my support for a timeline of 16 months to carry out this drawdown, while pledging to consult closely with our military commanders upon taking office to ensure that we preserve the gains we’ve made and protect our troops. Those consultations are now complete, and I have chosen a timeline that will remove our combat brigades over the next 18 months.

Let me say this as plainly as I can: by August 31, 2010, our combat mission in Iraq will end.

As we carry out this drawdown, my highest priority will be the safety and security of our troops and civilians in Iraq. We will proceed carefully, and I will consult closely with my military commanders on the ground and with the Iraqi government. There will surely be difficult periods and tactical adjustments. But our enemies should be left with no doubt: this plan gives our military the forces and the flexibility they need to support our Iraqi partners, and to succeed.

After we remove our combat brigades, our mission will change from combat to supporting the Iraqi government and its Security Forces as they take the absolute lead in securing their country. As I have long said, we will retain a transitional force to carry out three distinct functions: training, equipping, and advising Iraqi Security Forces as long as they remain non-sectarian; conducting targeted counter-terrorism missions; and protecting our ongoing civilian and military efforts within Iraq. Initially, this force will likely be made up of 35-50,000 U.S. troops.

Through this period of transition, we will carry out further redeployments. And under the Security Agreement with the Iraqi government, I intend to remove all U.S. troops from Iraq by the end of 2011. We will complete this transition to Iraqi responsibility, and we will bring our troops home with the honor that they have earned.

As we responsibly remove our combat brigades, we will pursue the second part of our strategy: sustained diplomacy on behalf of a more peaceful and prosperous Iraq.

The drawdown of our military should send a clear signal that Iraq's future is now its own responsibility. The long-term success of the Iraqi nation will depend upon decisions made by Iraq's leaders and the fortitude of the Iraqi people. Iraq is a sovereign country with legitimate institutions; America cannot—and should not—take their place. However, a strong political, diplomatic, and civilian effort on our part can advance progress and help lay a foundation for lasting peace and security.

As a result, the U.S. mission in Iraq, and that of the remaining elements of the MNF-I, would change on and by August 31, 2010, to one of supporting the Iraqi government and its security forces. This change in mission has led to plans to reduce U.S. forces to 50,000 troops by August 31, 2010, and to completely withdraw all U.S. forces by December 31, 2011. Those moves will lead to two virtual “waterfalls” in U.S. troop levels.

The first “waterfall” is linked to the Iraqi national elections in February 2010: U.S. forces will be kept relatively strong until after the elections and will then have to drop sharply to meet the August 31, 2010 deadline. The second “waterfall” occurs in the fall of 2011, when the remaining advisory brigades rapidly drop from 50,000 troops to zero,

Current plans call for all elements of MNF-I to become a single headquarters, called United States Forces-Iraq, on January 1, 2010. This will include a 40 percent reduction in headquarters personnel. Moreover, U.S. brigade combat teams are already being replaced by the relatively new Advise and Assist Brigades that will become the only combat forces remaining in Iraq as of August 31, 2010. This force will “focus primarily on training Iraqi security forces while retaining the capability to conduct full-spectrum operations.”⁴ It is planned to consist of some 50,000 troops and some 75,000 contractors until the last four months of 2011, when all remaining U.S. troops and contractors will begin to leave so that withdrawal will be complete before the end of December 2011.

The United States has already begun reductions in the 128,000 troops and more than 119,000 contractors deployed as of August 2009. It will also close 295 U.S. bases in Iraq or transfer them over to Iraqi security forces, and withdraw or transfer more than 3.3 million pieces of Army equipment worth some \$45.8 billion.⁵ Once this withdrawal is complete, the United States will have only whatever small advisory force Iraq accepts. Its ability to support Iraq, if the Iraqi government requests support, will be limited to outside airpower, naval forces in the Gulf, and a limited number of quick reaction forces.

At the same time, the United States is sharply cutting military aid. Since 2003, the U.S. Congress has appropriated \$18.04 billion to the ISFF to support Iraq's Ministry of Defense (MOD) and Ministry of Interior (MOI) in developing the Iraqi Security Forces (ISF). The Multi-National Security Transition Command-Iraq (MNSTC-I) plans to hand control of these programs to the Iraq Training and Advisory Mission (ITAM) and Iraq Security Assistance Mission (ISAM) by January 2010. As of September 30, 2009, \$16.67 billion (92 percent) of the ISFF had been obligated, and \$14.57 billion (81 percent) had been expended. Nearly \$3.47 billion remained unexpended, and the Congress

⁴ Statement of William M. Solis, Director, Defense Capabilities and Management, General Accountability Office, “Operation Iraqi Freedom: Preliminary Observations on DOD Planning for the Drawdown of U.S. Forces from Iraq,” Statement before the Commission on Wartime Contracting in Iraq and Afghanistan, GAO-10-179, November 2, 2009, 1–2.

⁵ The GAO estimate is somewhat different from that of MNF-I. *Ibid.*, 3.

appropriated another \$1 billion in aid for FY2010. However, the amount that the Iraqi government plans to spend on force expansion and modernization by far exceeds these funds, and MNSTC-I estimated that Iraq would need substantial additional aid to meet even its most essential security requirements.⁶

These cuts in military forces and security aid coincide with a serious budget crisis that seems likely to continue into 2010 and 2011, along with the end of large-scale economic aid to Iraq. Cuts in projected oil revenues have forced the government to cut the FY2009 budget from \$80 billion, to \$68 billion, and then to \$58.6 billion—although the legislature has since proposed a \$1 billion supplemental for the end of the year. In spite of major cutbacks in Iraqi development and security programs, the government still projects a budget deficit of \$15.5 billion.

As for economic aid, the United States has disbursed \$46.5 out of the \$52.8 billion in all forms of aid it has provided so far to Iraq since 2003.⁷ The Iraq Relief and Reconstruction Fund (IRRF) was the largest U.S. reconstruction fund, comprising \$20.87 billion made available through two appropriations: IRRF 1 (\$2.48 billion) and IRRF 2 (\$18.39 billion). As of September 30, 2009, \$20.27 billion (97 percent) of the IRRF had been obligated, and \$19.76 billion (95 percent) had been expended. IRRF 2 expired for new obligations on September 30, 2008.⁸

The Congress also appropriated \$4.18 billion in Economic Support Fund (ESF) aid since 2003 to improve infrastructure and community security, promote democracy and civil society, and support capacity building and economic development. As of September 30, 2009, \$3.60 billion (86 percent) had been obligated, and \$2.80 billion (67 percent) had been expended. Nearly \$1.38 billion remained.⁹ The Congress has appropriated \$3.65 billion in Commander's Emergency Response Program (CERP) aid since 2004 to enable U.S. military commanders to provide targeted local relief and reconstruction throughout Iraq. As of September 30, 2009, \$3.48 billion (95 percent) had been obligated, and \$3.29 billion (90 percent) had been expended—leaving \$354 million unexpended.¹⁰

Much of this economic aid has gone to projects that present for Iraq as many problems as they do advantages. The projects often do not meet many well-validated Iraqi needs, or require major transfer efforts that the United States has not prepared, or has poorly

⁶ Special Inspector General for Iraq Reconstruction (SIGIR), *Quarterly Report to the United States Congress* (Public Law 108-106, as amended, and Public Law 95-452), October 30, 2009, Section II.

⁷ Most of the \$52.80 billion committed by the United States to the Iraq reconstruction program since 2003 has been appropriated to four major funds: the Iraq Relief and Reconstruction Fund (IRRF), the Iraq Security Forces Fund (ISFF), the Economic Support Fund (ESF), and the Commander's Emergency Response Program (CERP). As of October 7, 2009, the United States still had not disbursed some \$6.31 billion in aid. Much of this aid was committed however, and only \$2.49 billion was economic aid (\$1.38 billion for ESF and \$1.11 billion for IRRF). The rest was aid earmarked for Iraqi security forces (\$3.47 billion) or CERP aid for the U.S. military (\$35 million). SIGIR, *Quarterly Report to the United States Congress*, October 30, 2009, 13.

⁸ *Ibid.*, 28.

⁹ *Ibid.*, 25.

¹⁰ *Ibid.*, 30.

prepared, and Iraq is not prepared to fund. Like the U.S. military assistance efforts, these projects require careful U.S. planning to ensure Iraq can cope with the massive cutback in aid at a time it is still in crisis. As SIGIR notes,¹¹

[a]lthough the United States is transitioning to a more traditional diplomatic and development mission in Iraq, a substantial portfolio of reconstruction work remains for completion, closeout, and transfer to the GOI [government of Iraq]. While a general framework appears to be emerging, many key decisions related to organizational responsibilities, resource needs, program plans, and coordination mechanisms remain to be made.

...Reductions in personnel and resources may limit capacities for sufficient oversight, leaving the last tranche of reconstruction programs vulnerable to fraud, waste, or abuse. SIGIR remains concerned about whether these programs can be executed in an orderly fashion and with sufficient controls to ensure that they will be sustained by the GOI. A DOS [Department of State] OIG [Office of Inspector General] audit released in August concluded that staff shortages have affected DOS's ability to carry out projects; ITAO [Iraq Transition Assistance Office] projects remain ongoing, valued at almost \$700 million. Moreover, the audit found that DOS may need additional funding.

The United States has hard choices to make at a time when Iraq's stability and security remain uncertain. Iraq can still return to serious ethnic and sectarian violence or simply remain at far lower levels of progress and development than its people need and deserve. Iraq's future political structure is equally uncertain, as are its alignments with neighboring states, the role of Iran, and the future of the Iraqi-U.S. Strategic Framework Agreement. Iraq's economy is growing, but the country faces a major budget crisis and drastic cuts in aid at a time when no one can be sure that Iraq will approach the level of energy exports it needs to help support both its own development and the global economy. There is great potential, but there are also great risks.

The Key Challenges Iraq Now Faces

Both Iraq and the United States face major challenges in creating an effective strategic partnership. These challenges are complex and are driven by a wide range of factors. They include the need to

- Defeat the threat posed by the remnants of the Sunni insurgency and neo-Ba'athists, and Shiite militias.
- Deal with the risk of new forms of ethnic and sectarian violence—especially ethnic conflict between Arab, Kurd, and other minorities in the North.
- Create effective Iraqi security forces that can fully replace U.S. forces, defeat or reduce the various insurgent and terrorist groups to acceptable levels of activity, enforce the rule of law and grow strong enough to ensure Iraq's security from threats or pressure from neighboring states.
- Carry out an election in early 2010 involving a major realignment of virtually all the political factions in Iraq, especially Arab Shiites and Arab Sunnis, and then restructure the Iraqi government to both reflect the results of the election and create a level of effective governance that can bring together all of the nation's major factions.
- Accelerate the slow pace of political accommodation, and meet the need for stable political compromises between each major faction so as to rebuild full national unity over time.

¹¹ Ibid., 34–35.

- Find a new balance between central, provincial, and local governance that effectively serves the needs of the Iraqi people, aids political accommodation, builds capacity, reduces corruption, and shifts the climate from one dominated by counterinsurgency to one focused on the rule of law.
- Cope with the challenges of poverty, unemployment, and underemployment; poor distribution of income; and key problems in the agricultural, industrial, and service sectors that affect large portions of the population.
- Move Iraq toward economic development in ways that deal with the complex heritage of nearly 30 years of war and internal conflict; massive population growth; and the need to create a competitive Iraqi national economy.
- Put Iraq's budget on a stable path toward developing effective Iraqi security forces and government services; helping fund economic reconstruction and development; dealing with the near phase out of international aid and continuing foreign debt and reparations issues; and reducing the dependence of the government on uncertain levels of oil export earnings for the vast majority of its revenues.

Iraq faces serious immediate problems in each area, and all of these challenges are “structural” in the sense that they require major changes in Iraq's present politics, governance, security structure, and economy that will take years to accomplish. This does not mean Iraq cannot make progress much earlier, and it already has in many areas.

The scale of each challenge, however, is too great for such progress to reach the point of lasting success quickly. It is also a warning against U.S. policies that prematurely reduce U.S. support to Iraq. History takes time in Iraq, as it does everywhere in the world. This makes any current claims of “victory”—or successful “reconstruction”—both premature and dangerous. It is far too early to say that Iraq can achieve lasting security and stability, maintain a pluralistic form of government, or avoid becoming caught up in another violent round of internal or regional power struggles.

Iraq's success will depend primarily on its leaders and their decisions. Iraq is now a fully sovereign state that is rapidly assuming responsibility for every aspect of its policy and security. The United States can play a constructive role, however, by helping Iraq as it withdraws its forces. The U.S.-Iraqi Strategic Framework Agreement provides a potential framework to build upon that can serve both nations' strategic interests.

The Sensitivities Shaping the U.S.-Iraqi Strategic Partnership

The United States must do more than support Iraq; it must redefine its role from leader to partner, supporting Iraq with aid and advice in ways that fully respect Iraqi sovereignty, allow Iraq to be in the lead, and do not interfere in Iraqi affairs. The United States must be sensitive to the fact that many Iraqis, particularly Iraqi Arabs, opposed the U.S. invasion and see the United States as an “occupier” who went to war to seize Iraq's oil and control it as a state; and that many people want all U.S. forces to leave as soon as possible.

These Iraqi attitudes are summarized in **Figure 1.1**, which shows the results of a 2009 ABC/BBC/NHK poll. The United States needs to carefully consider these attitudes in every action it takes. The need for suitable sensitivity is particularly acute because of the region's history of colonialism and fear of "neocolonialism"; because most Arab states opposed or barely tolerated the U.S. invasion; and because Iran will make every effort to exploit Iraqi anger with the United States.

Figure I.1: Iraqi Attitudes toward the Iraq War, Coalition Activity, and U.S. Withdrawal, 2004–2009

A. Iraq War

1. From today's perspective and all things considered, was it absolutely right, somewhat right, somewhat wrong, or absolutely wrong that U.S.-led coalition forces invaded Iraq in spring 2003?

	-----Right-----			-----Wrong-----			No opinion
	NET	Absolutely	Somewhat	NET	Somewhat	Absolutely	
All Iraqis							
2/25/09	42	19	23	56	28	28	2
2/20/08	49	21	28	50	23	27	*
8/24/07	37	12	25	63	28	35	*
3/5/07	48	22	25	52	19	34	*
11/22/05	46	19	28	50	17	33	4
6/14/04	38	12	26	56	24	32	6
2/28/04	48	20	29	39	13	26	13
Sunni							
2/25/09	10	5	4	89	27	62	1
2/20/08	5	1	4	95	32	63	*
8/24/07	4	2	2	96	27	70	0
3/5/07	2	1	1	98	20	78	*
Shiite							
2/25/09	49	19	30	49	32	17	2
2/20/08	65	27	38	35	21	13	*
8/24/07	49	14	34	51	31	21	*
3/5/07	70	34	36	29	20	10	*
Kurdish							
2/25/09	79	46	34	19	15	3	2
2/20/08	87	43	44	13	11	3	0
8/24/07	71	26	45	28	21	8	*
3/5/07	83	36	47	17	9	8	*

2. Who do you think currently controls things in Iraq; is it the Iraqi government, the United States, somebody else, or no one?

	Iraqi government	United States	Somebody else	No one	No opinion
All					
2/25/09	32	53	9	3	3
3/5/07	34	59	4	3	*
11/22/05	44	24	17	6	9
Sunni					
2/25/09	20	65	9	1	5
3/5/07	7	88	2	3	0
Shiite					
2/25/09	42	45	9	2	2
3/5/07	50	44	3	2	*
Kurdish					
2/25/09	22	58	9	8	3
3/5/07	49	42	7	2	0

B. Coalition Activity

1. Since the war, how do you feel about how the United States and other coalition forces have carried out their responsibilities in Iraq? Have they done a very good job, quite a good job, quite a bad job, or a very bad job?

-----Good-----

-----Bad-----

No

	NET	Very	Quite	NET	Quite	Very	opinion
All							
2/25/09	30	11	19	69	30	39	1
2/20/08	29	6	23	70	35	35	1
8/24/07	19	3	15	80	32	48	1
3/5/07	23	6	18	77	30	46	0
11/22/05	36	10	27	59	19	40	5
Sunni							
2/25/09	8	3	5	90	28	62	1
2/20/08	7	*	6	93	40	53 *	
8/24/07	2	*	2	98	33	65	0
3/5/07	3	*	3	97	30	67	0
Shiite							
2/25/09	32	12	20	67	33	34	1
2/20/08	32	5	27	68	36	32	*
8/24/07	18	2	16	82	35	47	*
3/5/07	21	4	17	79	34	45	0
Kurdish							
2/25/09	62	23	39	36	22	14	2
2/20/08	63	19	44	36	23	13	1
8/24/07	53	14	40	42	22	20	4
3/5/07	74	22	53	26	19	7	0

2. Do you think there has been unnecessary violence against Iraqi citizens by U.S. or coalition forces?

	NET	Has occurred nearby within				Has not occurred	No opinion
		1-2 mos.	6 mos.	1 year	Longer		
All							
2/25/09	25	1	11	9	4	74	1
2/20/08	42	10	18	10	4	57	1
8/24/07	41	13	13	8	8	57	2
3/5/07	44	NA	NA	NA	NA	55	*
Sunni							
2/25/09	43	5	19	16	4	56	1
2/20/08	57	16	28	10	3	42	1
8/24/07	63	22	21	11	9	37	*
3/5/07	60	NA	NA	NA	NA	39	1
Shiite							
2/25/09	23	*	11	7	5	77	*
2/20/08	44	9	17	12	6	55	1
8/24/07	38	10	10	8	9	59	4
3/5/07	46	NA	NA	NA	NA	54	0
Kurdish							
2/25/09	3	0	1	2	*	97	*
2/20/08	9	2	1	3	3	91	0
8/24/07	7	2	1	1	2	93	0
3/5/07	8	NA	NA	NA	NA	92	0

C. U.S. Withdrawal

1. Do you think the Iraqi security forces are ready now to take up security without the U.S. and other coalition forces here, or are they not ready yet? (2/25/09)

	Ready	Not ready	No opinion
All	59	40	1
Sunni	38	61	1
Shiite	75	24	1
Kurdish	45	53	2

2. (IF "Not ready") How long do you think it will be before they will be ready to take up security—in the next year, in the next two years, longer than that, or never? (2/25/09)

	- Within next two years -			--- Longer/Never ---			No opinion
	NET	Next year	Next two	NET	Longer	Never	
All	63	24	38	34	26	8	4

Sunni	61	23	38	34	26	9	5
Shiite	71	35	36	24	23	1	5
Kurdish	54	14	40	46	30	16	0

3. An agreement between the Iraqi and U.S. governments says all U.S. troops are to be withdrawn by 2011. Do you think U.S. forces should leave sooner than that, stay longer than that, or is this timetable about right? (2/25/09)

	Leave sooner	Stay longer	Timetable is right	No opinion
All	46	16	35	2
Sunni	61	4	31	4
Shiite	47	15	38	1
Kurdish	23	41	31	5

4. How concerned are you that security may worsen after the U.S. and other coalition forces have withdrawn? Are you very concerned, somewhat concerned, not so concerned, or not concerned at all? (2/25/09)

	--- Concerned ---			--- Not concerned ---			
	NET	Very	Somewhat	NET	Not so much	Not at all	No opinion
All	42	7	35	57	36	21	1
Sunni	39	5	34	59	43	16	2
Shiite	39	3	36	61	36	25	*
Kurdish	52	23	29	45	24	20	3

Source: ABC Polling Unit, "Iraq: Where Things Stand, Dramatic Advances Sweep Iraq, Boosting Support for Democracy," ABC/BBC/NHK Poll, March 16, 2009.

The politics of the Iraqi national election to be held in 2010 have already shown that most Iraqis want leaders that are independent of the United States; they want U.S. combat forces to remain out of sight and be gone as quickly as possible; and they see Iraqi nationalism as a major issue. Rather than hold a national referendum on the Strategic Framework Agreement (SFA) and the Security Agreement (SA), the Iraqi government made a referendum on the SA by the end of July 2009 part of the original agreement. This referendum was never held, largely because enough members of the legislature agreed to delay it indefinitely. It is still on the books, however, and remains a continuing possibility.

Any serious mishandling of U.S.–Iraqi relations could force such a referendum to a vote and the possibility of Iraq rejecting the agreements. The United States needs to support Iraq both to achieve its strategic goals in the Gulf region and to achieve any form of lasting “victory.” It must also be extremely careful, however, to show Iraq’s people and leaders that it can be a valuable partner that treats them with suitable respect.

2. The Uncertain Security Environment in Iraq

Iraq has made significant progress in defeating the insurgency and improving its security. The level of violence in Iraq is sharply lower than the level at which it peaked in 2007. It is now dropping below average levels that existed at the beginning of the insurgency in 2004, and most of the violence related to the Sunni insurgency is now concentrated in Baghdad, with lesser pockets in the Diyala, Ninewa, and Salah ad Din provinces in central and northern Iraq. Although there have been several extraordinarily bloody bombings against ethnic, sectarian and government targets in 2009 – notably on July 31st, August 19th, October 25th, and December 8th. -- though Al Qa'ida in Iraq (AQI) and other Sunni insurgent and terrorist groups have lost much of their strength, influence, and ability to carry out frequent operations.

The threat posed by the Sadr militia, various Shi'ite factions like the Special Groups, and other Shi'ite militias has been sharply reduced and the Sadr and the Sadrist party are now part of the Shi'ite political alliance. Fears that the US military withdrawal from Iraq's cities in June 2009 would trigger new rounds of internal violence have so far proved to be sharply exaggerated.

The Iraq War, however, is anything but “won” if measured by a reduction in violence to such a level that civil society and the economy can function without bombings, large-scale incidents of violence, or the risk of new outbreaks of major ethnic and sectarian violence.

Levels of Violence

The level of violence in Iraq has dropped sharply since the years of open civil war during 2006-2008. **Figure II.1** to **Figure II.5** show the decline in levels of violent incidents by number and type. The drop in violence is clear since the surge against Sunni insurgents in 2007, and since the operations in Basra and against the Sadr forces elsewhere in the country in 2008.

Figure II.6 shows that there were no major rises in violence as the US withdrew from Iraqi cities in June 2009. This figure is particularly important because it shows that there is no longer a direct correlation between the size and presence of US forces in Iraq. It should be noted, however, that most US forces who did remain in Iraq became active in securing the perimeter of Iraqi cities, and continued to support the Iraqi Security Forces (ISF) in a variety of joint security missions inside urban areas.

Figure II.1: Overall Security Trends, Part One:

Weekly Security Incidents, January 2004 – October 2009 – Part One

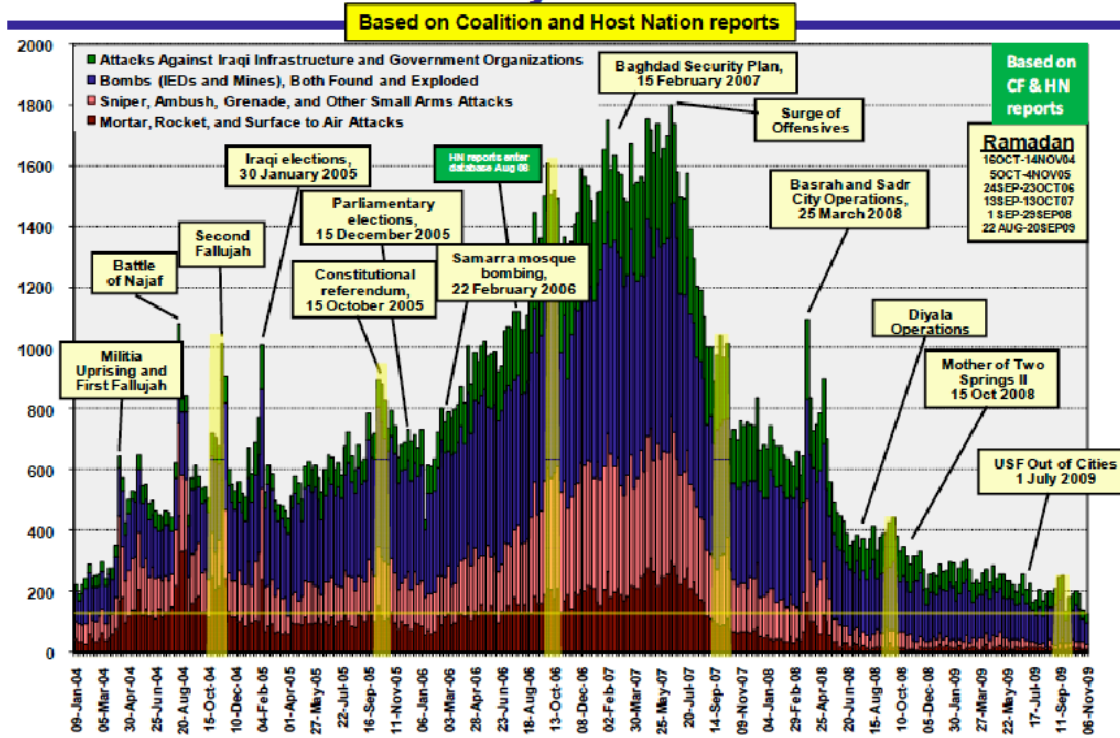
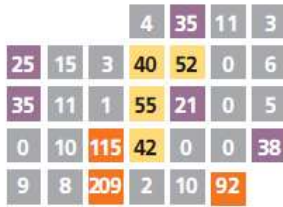


Chart includes potential attacks (IEDs/mines found and cleared) and executed attacks.

Source: Adapted from SIGACTS (CF & HN reports) as of 07-Nov-09

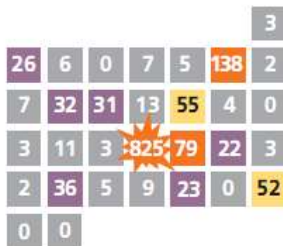
Figure II.1: Overall Security Trends Part Two: Significant Security Incidents, 7/1/2009–10/20/2009

July 2009



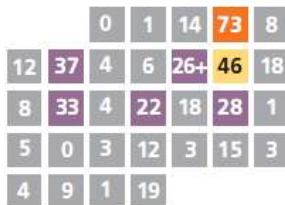
Tuesday, July 8: At least **31** Iraqis killed or wounded in two bombings in Mosul.
Wednesday, July 9: Approximately **52** Iraqis killed or wounded in a series of terrorist attacks in Tel Afar, Mosul, Baghdad, and Kirkuk.
Tuesday, July 21: At least **15** Iraqis killed and approximately **100** wounded in a series of attacks in Baghdad.
Friday, July 31: **92** Iraqis were killed and at least **60** were wounded in a series of bombings in Baghdad.

August 2009



Friday, August 7: **48** Iraqis killed and **90** wounded in a series of attacks in Mosul and Baghdad.
Thursday, August 13: **20** Iraqis killed and **35** wounded in a series of suicide bombings in Sinjar.
Wednesday, August 19: Multiple bombings partially destroy Iraq's Ministries of Finance and Foreign Affairs, killing over **100** people and injuring hundreds more.
Thursday, August 20: **6** Iraqis killed and **73** wounded in bombings in Babylon and Baghdad.

September 2009



Friday, September 4: **8** Iraqis killed and **65** wounded during a series of bombings near a shrine in Babylon.
Monday, September 7: **8** Iraqis killed and **18** wounded in suicide bombings in Ramadi, Baghdad, and Mosul.
Friday, September 11: **1** prisoner was killed and **40** were wounded during a riot at Abu Ghraib prison in Baghdad.
Tuesday, September 22: Attacks during the Eid were down this year, with one attack in Babylon resulting in **3** Iraqis killed.

October 2009



Wednesday, October 7: **9** Iraqis were killed and **30** wounded during a suicide attack in Falluja.
Wednesday, October 14: **9** Iraqis killed and **56** wounded during armed attacks in Baghdad and bombings in Kerbala.
Friday, October 16: **14** Iraqis killed and **80** wounded during an attack on a mosque in Tal Afar.
Tuesday, October 20: **13** Iraqis killed and **18** wounded during a series of attacks throughout Iraq.

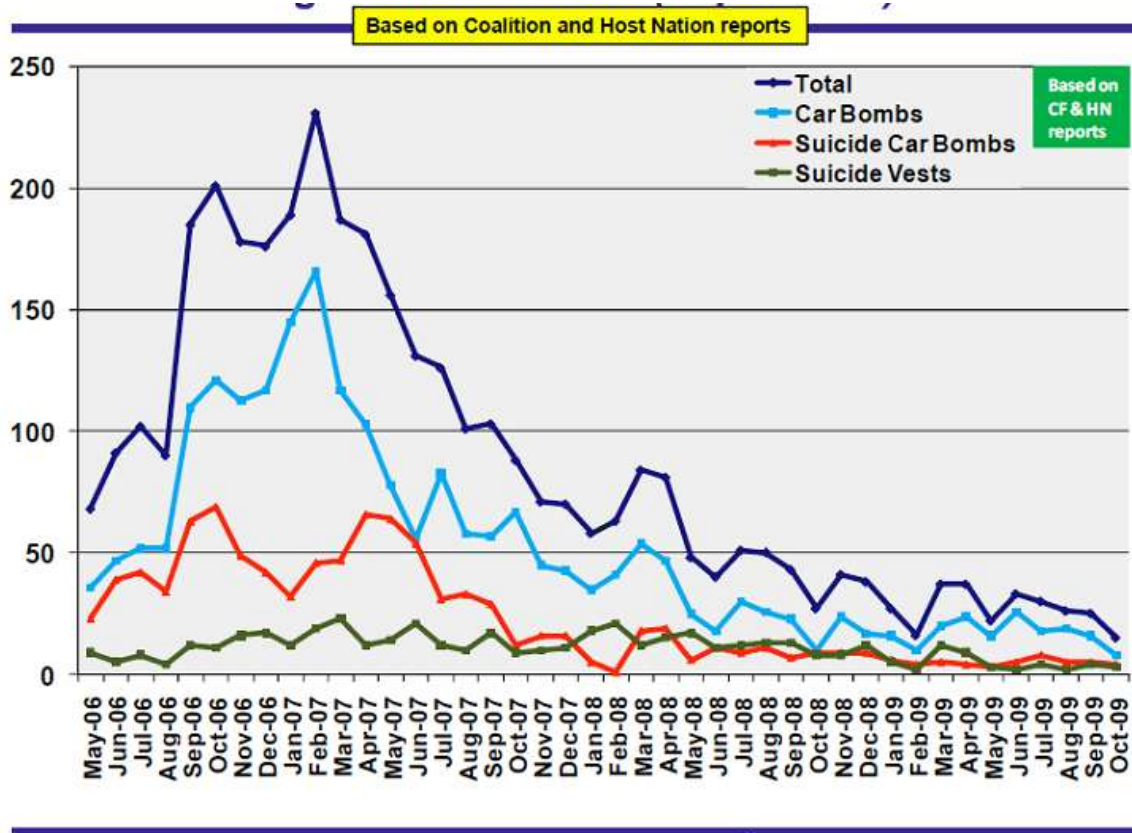


Note: The numbers represented in the calendar graphic are comprehensive estimates of total Iraqi casualties throughout the entire country on that particular day. The text to the right briefly describes significant attacks on select days and does not purport to comprehensively detail all security incidents that occurred on the specified day.

Sources: Information presented herein is based on SIGIR's analysis of open source and official English and Arabic documents, studies, and analyses. All figures based on best available casualty information and represent the sum of killed and wounded for each incident.

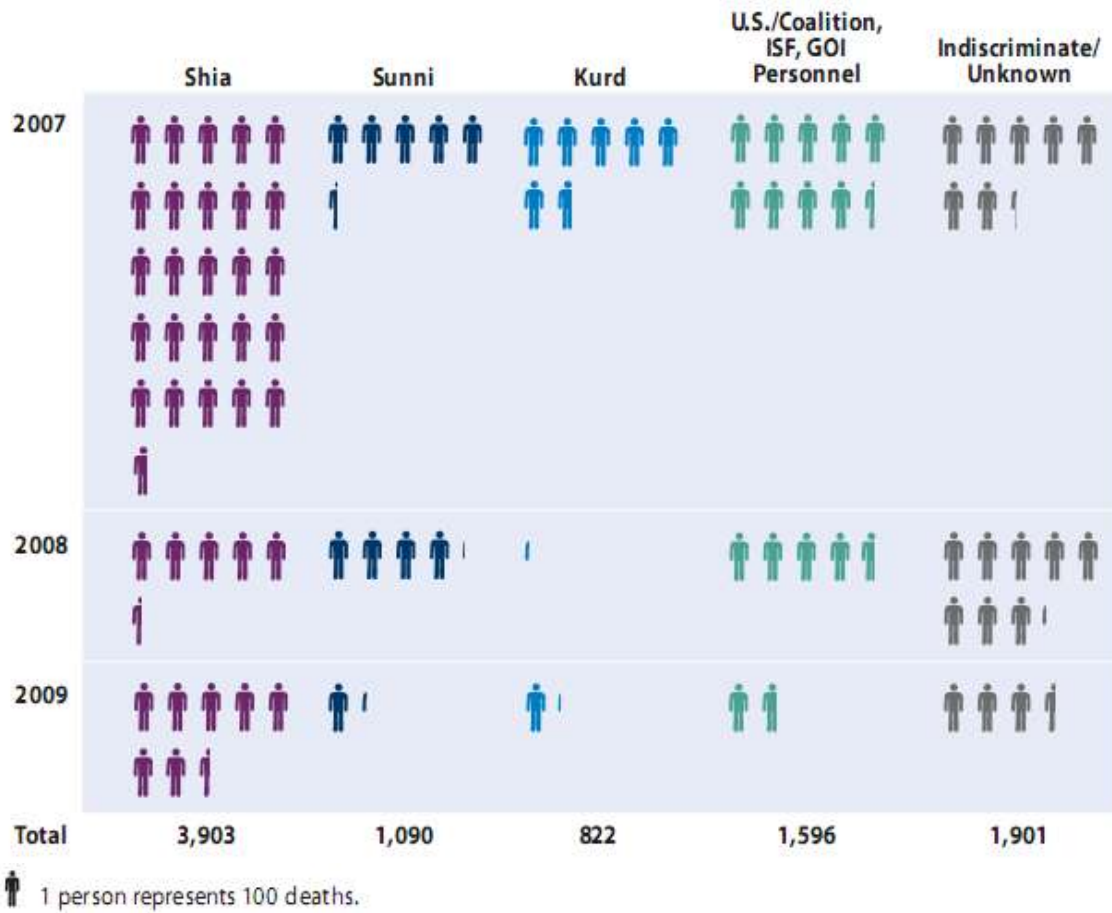
Source: Special Inspector General for Iraq Reconstruction (SIGIR), *Quarterly Report to the United States Congress*, (Public Law 108-106, as amended, and Public Law 95-452), October 30, 2009, p. 5.

Figure II.2: Patterns in High Profile Explosions – Part One: Trend from May 2006 to October 2009



Source: Adapted from SIGACTS (CF & HN reports) as of 07-Nov-09

Figure II.2: Patterns in High Profile Explosions – Part Two: the bilateral Security Agreement (SA), the United Deaths Associated with Multiple-Fatality Bombings in Iraq, by Group Targeted, 1/1/2007–9/20/200

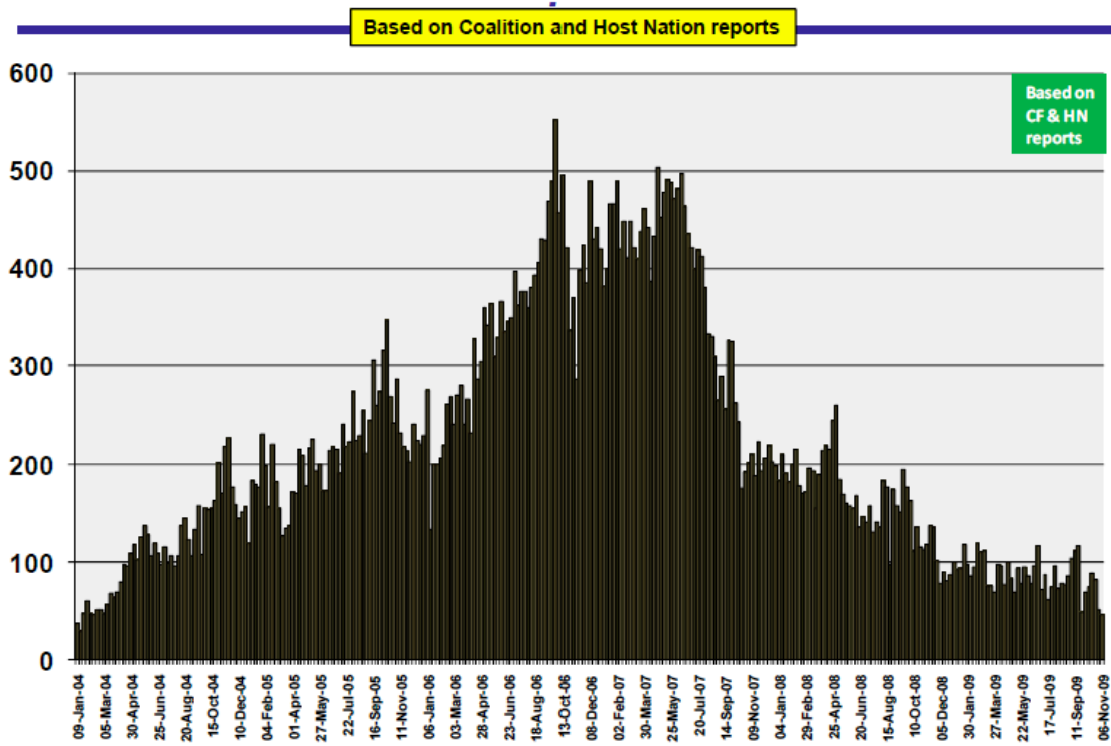


Note: Totals correspond with attacks that targeted a particular group or occurred in an area in which the group was in the majority. "Indiscriminate" bombings occurred in areas with mixed sectarian populations. "Unknown" corresponds with attacks where no sectarian information or location was reported.

Source: Brookings Institution, *Iraq Index*, 9/22/2009, pp. 9–10.

Source: Brookings Institution, *Iraq Index*, 9/22/2009, pp. 9–10, and Special Inspector General for Iraq Reconstruction (SIGIR), *Quarterly Report to the United States Congress*, (Public Law 108-106, as amended, and Public Law 95-452), October 30, 2009, p. 44.

Figure II.3: Patterns in IED Explosions



Source: Adapted from material provided by JIEDDO and SIGACTS (CF & HN reports) as of 07-Nov-09

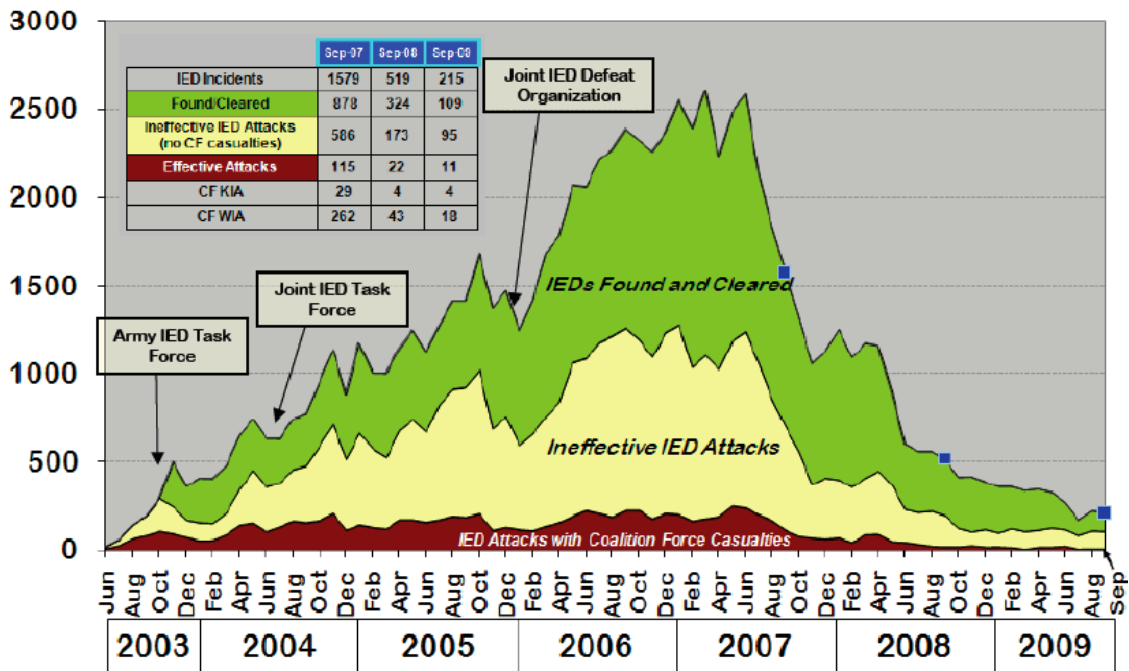
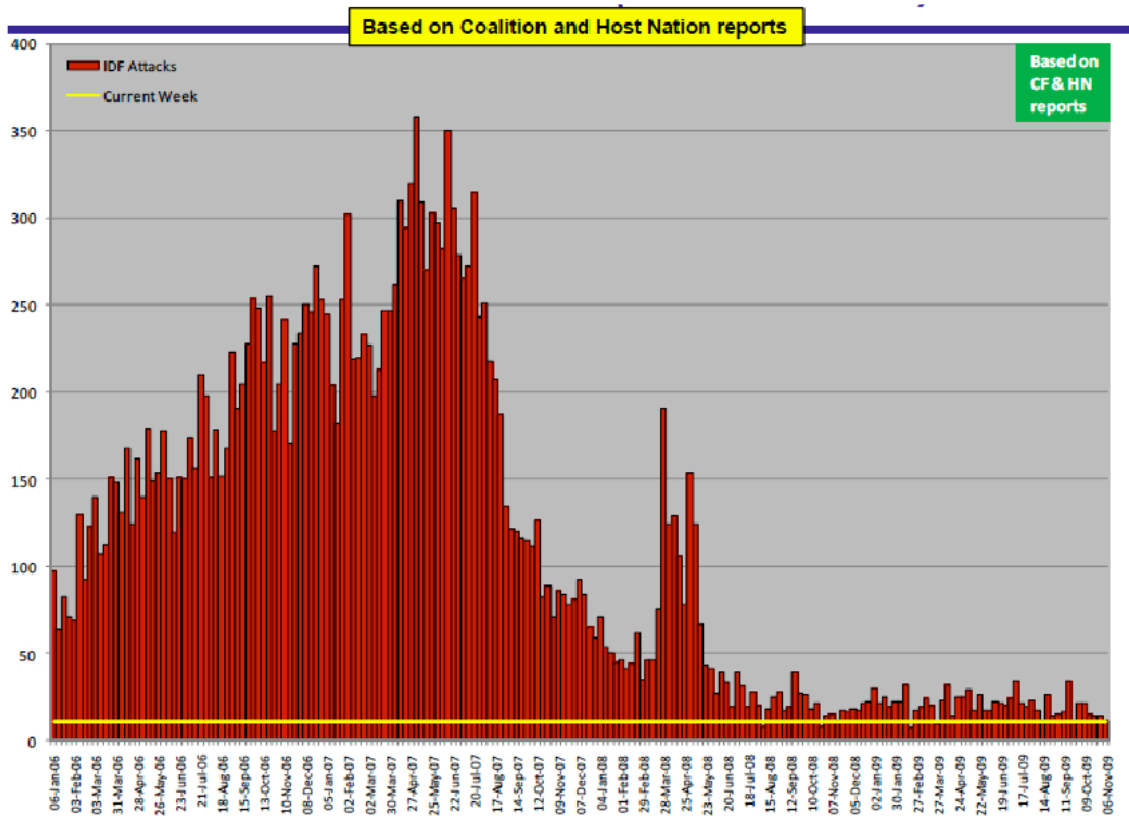


Figure II.4 Patterns in Indirect Fire Attacks



Source: Adapted from material provided by SIGACTS (CF & HN reports) as of 07-Nov-09

Figure II.5: Patterns in Caches Found

Source: Adapted from material provided by SIGACTS (CF & HN reports) as of 07-Nov-09

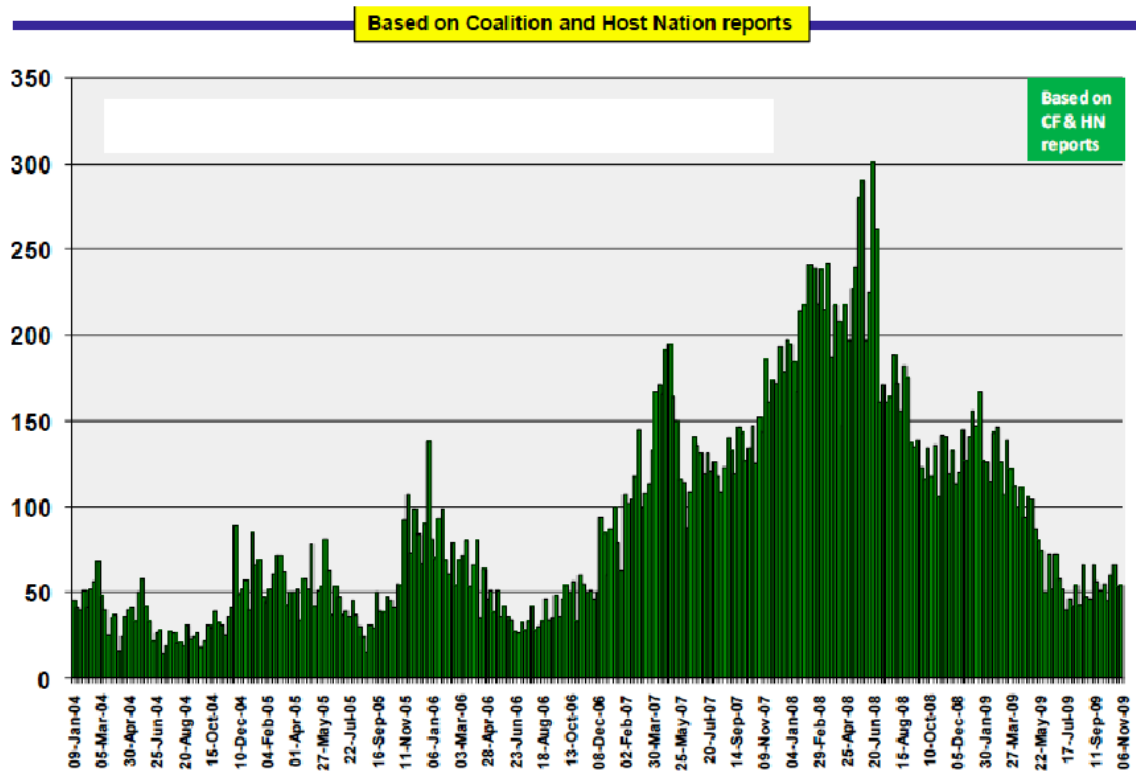
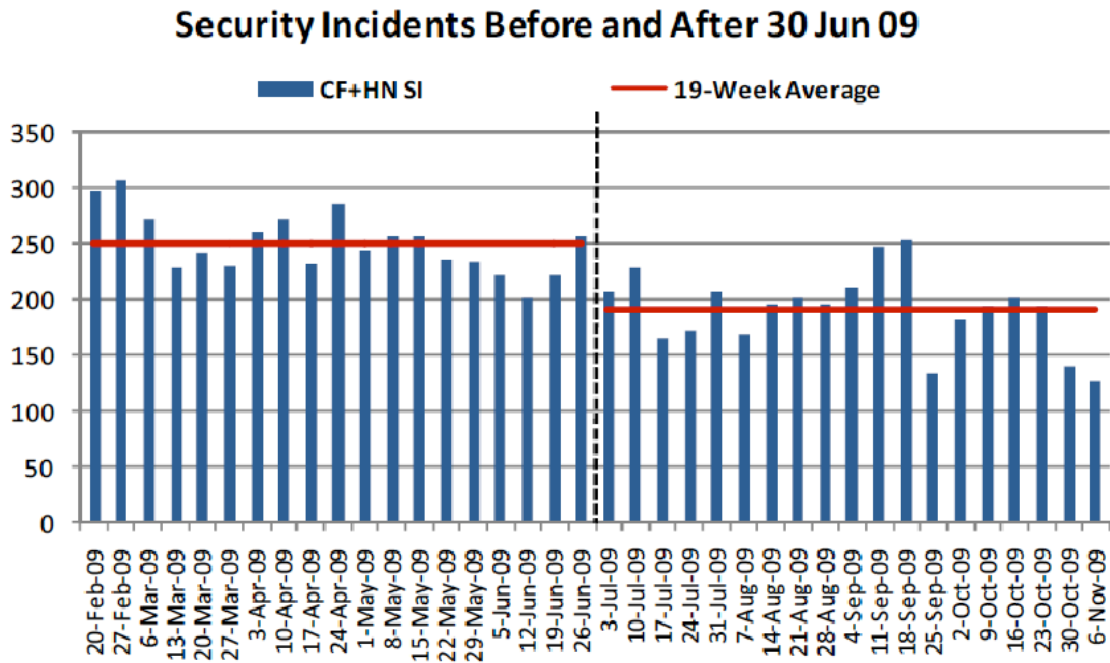


Figure II.6: Patterns in Violence Before and After US Withdrawal from Iraqi Cities



Source: Adapted from material provided by SIGACTS (CF & HN reports) as of 07-Nov-09

Levels of Casualties: Overall Assessment

It should be noted, however, that violence has scarcely ended, still obstructs investment and development, and could still trigger serious ethnic and sectarian fighting. In fact, the overall levels of violence in Iraq during 2009 have come close to those in Afghanistan – which remains the scene of an ongoing conflict and which has larger population and more territory. Figures II.7 to II.10 show that similar patterns emerge in the decline in civilian, ethno-sectarian, and military casualties. General Raymond Odierno, the commanding general of the Multinational Force-Iraq (MNF-I), testified before the House Armed Services Committee in September 2009 that overall attacks had decreased 85% over the past two years from 4064 in August 2007 to 594 in August 2009—with 563 attacks in September (through September 28th). In that same time period, US military deaths decreased by 93%, Iraqi Security Force (ISF) deaths decreased 79%, and ethno-sectarian deaths decreased 88%. Additionally, improvised explosive device (IED) explosions decreased 74%.

He stated that there were only 19 ethno-sectarian incidents in 2009 to date – update this statistic, compared to 978 in 2006. In fact, there was a noticeable decrease in ethno-sectarian incidents -- specifically during Ramadan , which had theretofore always coincided with a sharp increase in insurgent and extremist activity – although incidents did rise once Ramadan was over. Other reporting showed that the number of civilians killed during September 2009 dropped to 125, the lowest level since 2003. It compared to 224 deaths in July 2009.¹² It was less than half the total of 393 in August (which was driven by two truck bombings in populated areas), and less than half the total of 359 in September 2008.¹³

General Odierno also stated that,¹⁴

While statistics do not paint the whole picture, they help provide some context in understanding the progress made to date. The overwhelming majority of the Iraqi people reject extremism... We have seen no indications of a return to the sectarian violence that plagued Iraq in 2006 and 2007...

Odierno did warn, however, that the violence was not over. High profile explosions and bombings have steadily decreased, but “remain a concern especially following the two bombings in Baghdad on 19 August which targeted the Ministries of Finance and Foreign Affairs. These were horrific attacks, claimed and perpetrated by Al Qaeda in Iraq (AQI) and aimed specifically against Government of Iraq (GoI) institutions in order to undermine the public’s faith and confidence in the GoI.” He also expressed concern over Arab-Kurdish tensions, which he said were now the “number one driver of instability.”¹⁵

Although security is improving, it is not yet enduring. There still remain underlying, unresolved sources of potential conflict. I call these drivers of instability. From the beginning, security in Iraq has been a complex problem that has required nuanced, evolving approaches—and our strategy has reflected this. In

¹²Tim Cocks, “Iraqi Civilian Deaths are Highest Since April” *Reuters* (1 Sept 2009)

¹³ Reuters, “Iraq Says September Civilian Deaths Lowest Since War Began,” *Washington Post*, October 1, 2009.

¹⁴ Army Sgt. 1st Class Michael J. Carden, “Odierno: Continued Progress in Iraq Could Speed Withdrawal,” American Forces Press Service, September 30, 2009.

¹⁵ Army Sgt. 1st Class Michael J. Carden, “Odierno: Continued Progress in Iraq Could Speed Withdrawal,” American Forces Press Service, September 30, 2009.

this environment, we cannot focus on immediate and traditional security threats alone, especially as the United States continues to assist Iraq in rebuilding the foundations of their security, civil, political and economic institutions. We continue to assist the Government of Iraq (GoI) in addressing and finding ways to mitigate these root causes of instability.

Current drivers of instability include communal and factional struggles for power and resources, insufficient GoI capacity, violent extremist groups, and interference from external state and non-state actors. Iraq is a nascent democracy emerging from over 30 years of authoritarian rule based on ethno-sectarian privilege. Its future as a stable, multi-ethnic, representative state rests upon its ability to deal with the myriad of these challenges—and some of these issues will take time to resolve.

The national elections in early 2010 are critical to determining the path that Iraq will take into the future. The rules of the game are being debated in the Council of Representatives. Having just returned yesterday from the Eid holiday, they have a condensed timeline to pass an election law and many issues to discuss, including Kirkuk, open versus closed lists and a single versus a multiple district election. There is the potential to build a competent, capable and representative government, but there is also the potential to exacerbate societal divisions by appointing people based on their affiliations rather than their abilities.

Even as Iraqi political system continues to mature, there is not yet consensus on the exact nature of Iraq's representative government that is accepted across ethnic, sectarian, and regional lines. Issues include the role and power of the central Iraqi government vis-à-vis the provinces, the integration and balance of ethnic and sectarian groups within the government, revenue sharing, and long-standing Arab-Kurd issues.

Iraqi governmental institutions continue to evolve and their ability to provide essential services is improving; yet, it will take time to develop the institutional processes and bureaucratic expertise necessary to sustain programs over time. Also, decades of infrastructural neglect require substantial capital investment, and the recent decline in the price of oil—the mainstay of the Iraqi economy—has resulted in budget shortfalls, negatively impacting the GoI's ability to fund its many requirements.

Violent external groups and external influences take advantage of seams within Iraq—such as the Arab-Kurd tensions. Al Qaeda in Iraq, Sunni extremist groups, and Shi'ite militant groups continue to pose threats to stability as they seek to exploit political fissures, destabilize the Government of Iraq and undermine the progress made to date. Interference from external actors continues to exacerbate the security situation within Iraq through either tacit or direct support to extremists and proxy groups. Both enhanced security and diplomatic measures are required to secure Iraq's borders with Iran and Syria.

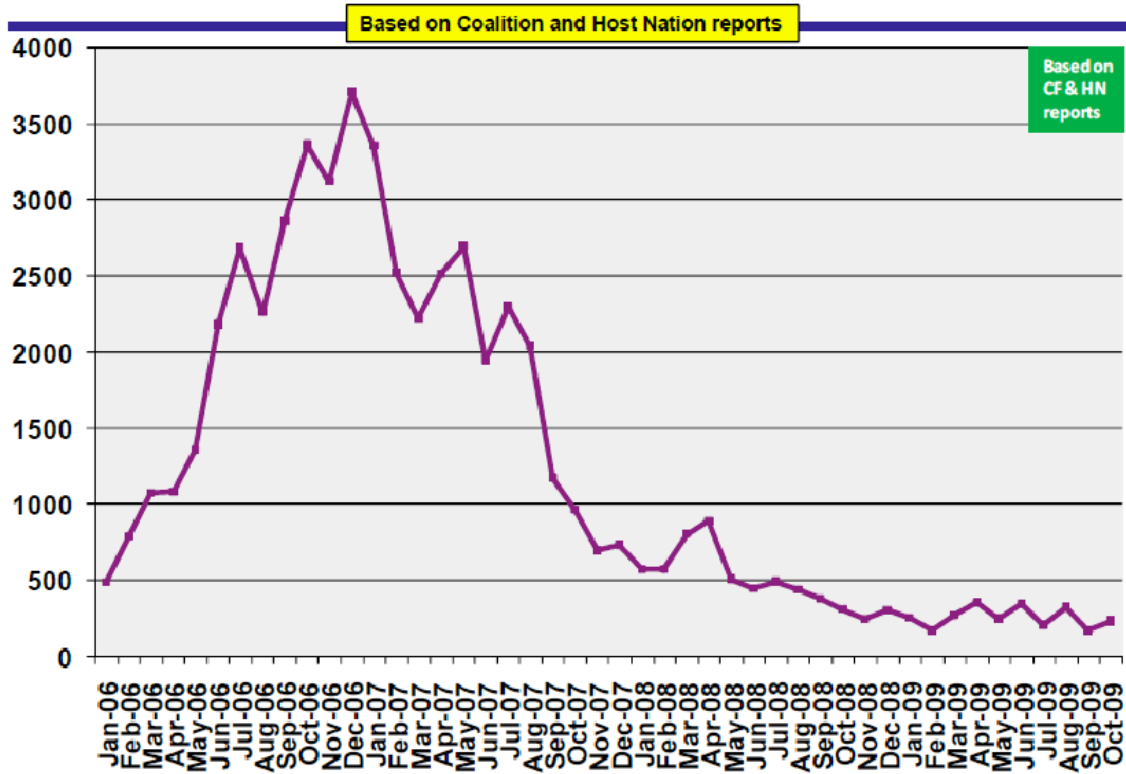
Experts like Michael Knights, Vice President for Analysis and Assessments at the security firm Olive Group, have warned that the rate of stabilization in Iraq may be slowing. Until September, the most significant improvements in security had taken place between March and October of 2008.¹⁶ The number of security incidents in Iraq rose slightly between February (1,103) and April (1,242) of 2009, although it was then followed by a sharp drop in attacks from May (1,040) to June (806). The number of attacks stayed at roughly this level through the summer of 2009, with 884 incidents in July and 917 in August – dropping again in September.¹⁷ At the same time, high profile attacks against key government and ISF targets, and against ethnic and sectarian population centers, continued throughout the year.

¹⁶ Ben Lando, "Q&A: Security Snapshot" *Iraq Oil Report* (24 Sept 2009)

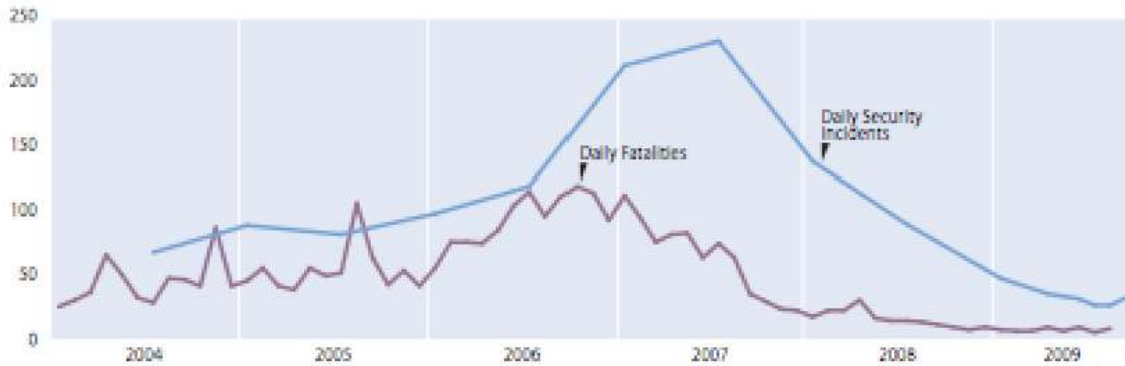
¹⁷ *ibid*

These patterns in the month-to-month security incidents in Iraq reflect a continuing level of violence that is designed to divide Iraqis along ethnic and sectarian lines, while furthermore discrediting government claims to have provided improved security via the ISF. The numbers are still far lower than they were at the height of sectarian violence between Sunnis and Shi'ites in 2007 – 1,773 Iraqi civilians were killed in August of that year. Nevertheless, it may be difficult to significantly reduce the current level of attacks without more political accommodation, progress in defeating the remaining insurgents, and the establishment of an effective, nation-wide rule of law. Moreover, a number of foreign companies – including some major US corporations – have made it clear in interviews that they still see Iraq as presenting serious security risks to outside investors.

Figure II. 7: Patterns in Civilian Casualties in Iraq



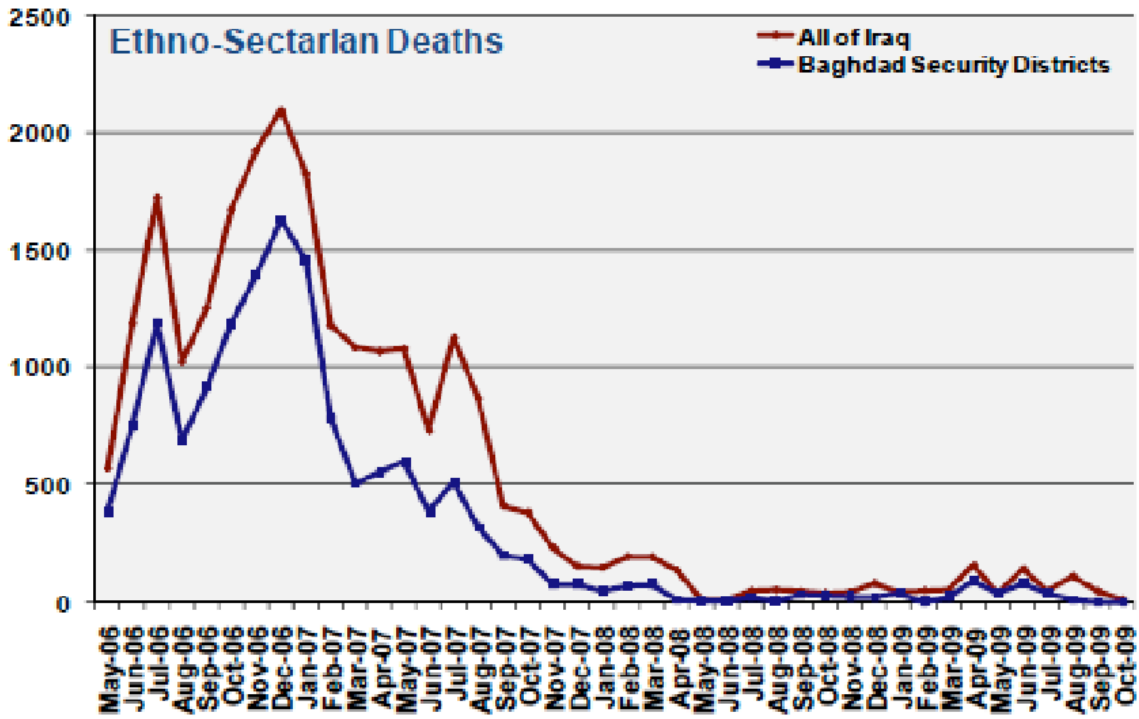
Source: Adapted from material provided by SIGACTS (CF & HN reports) as of 07-Nov-09



Note: Incidents include attacks against Iraqi infrastructure and government organizations; bombs that are found and cleared (including IEDs and mines); detonated bombs; sniper, ambush, grenade, and other small arms attacks; and mortar, rocket, and surface-to-air attacks. After June 30, 2009, the GOI began providing information on security incidents as part of the bilateral Security Agreement. MNF-I now includes this data as part of its reporting.

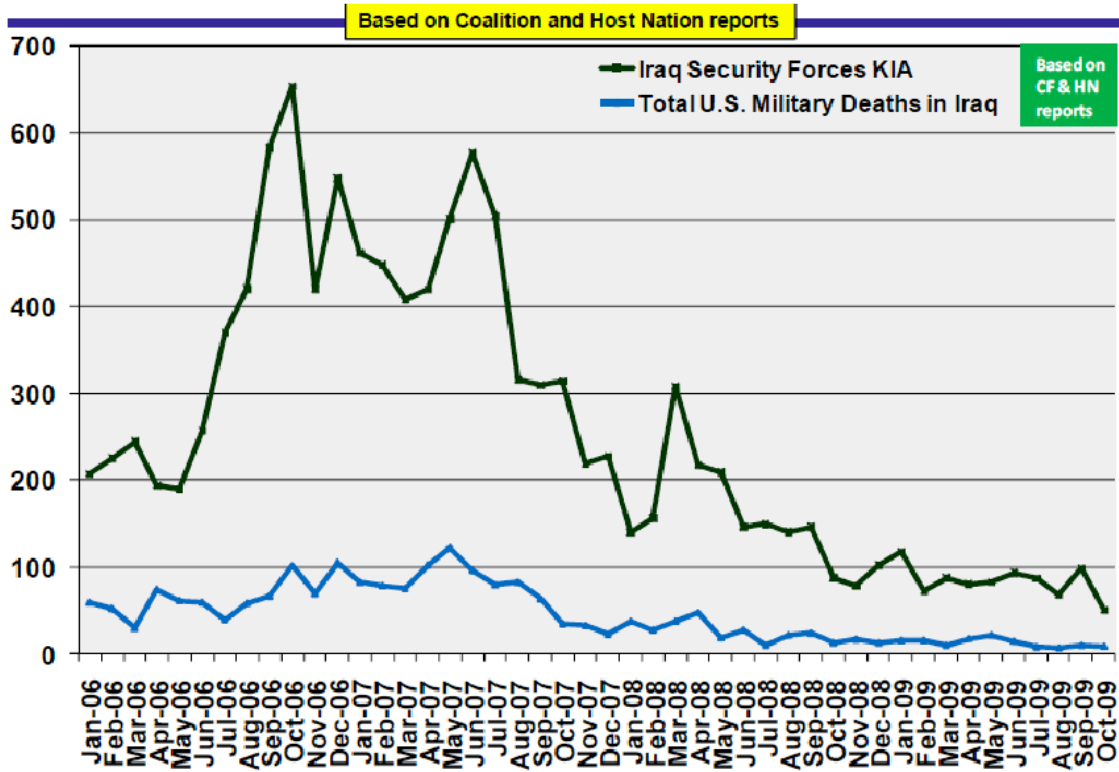
Sources: MNF-I, response to SIGIR data call, 9/30/2009; Brookings Institution, Iraq Index, 9/22/2009; Commander, MNF-I, testimony before the House Armed Services Committee, "The Status of Ongoing Efforts in Iraq," 9/30/2009, p. 2; and Special Inspector General for Iraq Reconstruction (SIGIR), *Quarterly Report to the United States Congress*, (Public Law 108-106, as amended, and Public Law 95-452), October 30, 2009, p. 44.

Figure II. 8: Patterns in Ethno-Sectarian Violence in:
 Nationwide Trends in Deaths – May 2006 to October 2009



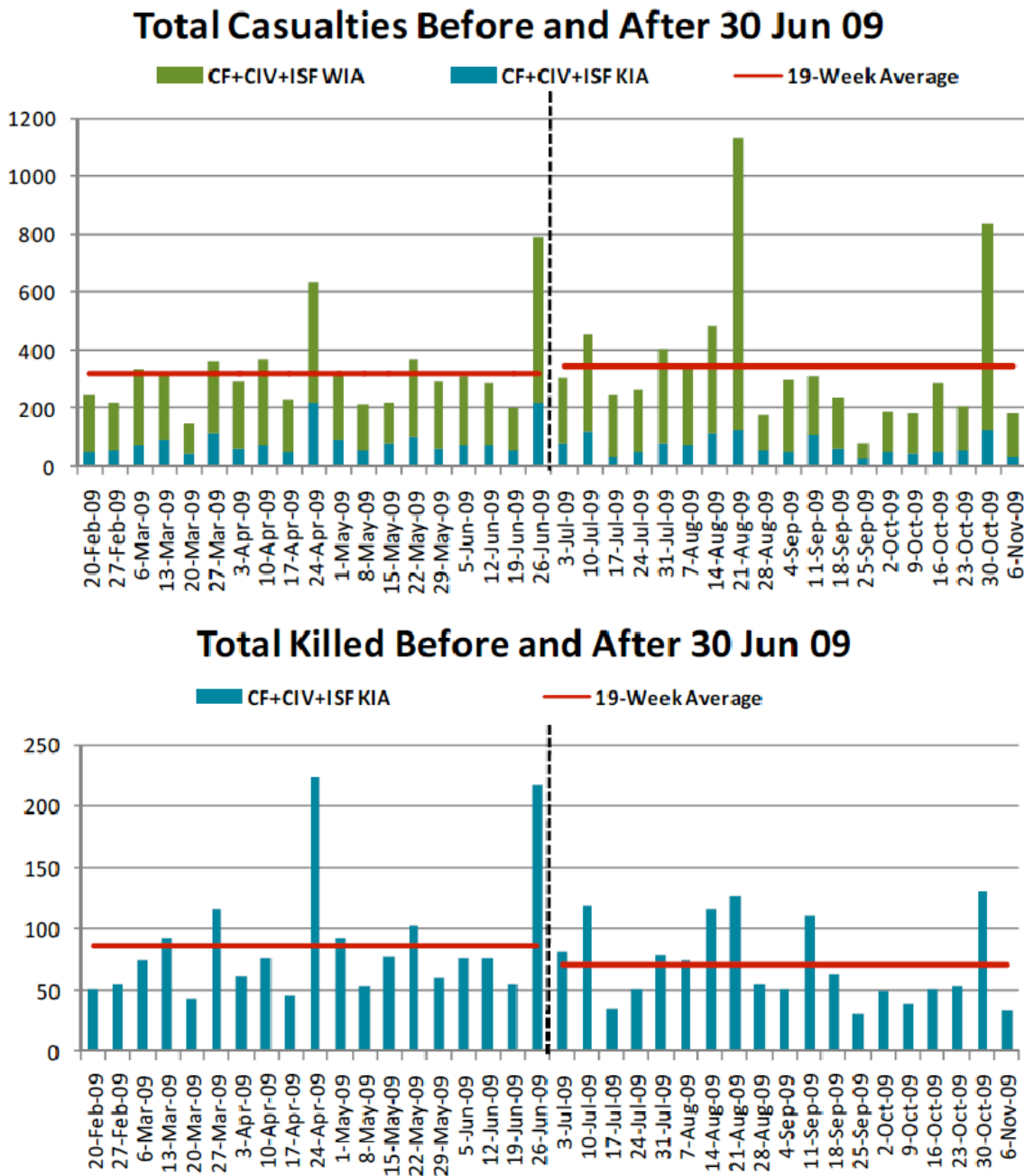
Source: Adapted from material provided by SIGACTS (CF & HN reports) as of 07-Nov-09

Figure II.9 Patterns in ISF and US Military Deaths in Iraq



Source: Adapted from material provided by SIGACTS (CF & HN reports) as of 07-Nov-09

Figure II. 10: Patterns in Casualties Since US Withdrawal from Iraqi Cities in June 2009



Source: Adapted from material provided by SIGACTS (CF & HN reports) as of 07-Nov-0

Violence by Province and Ethnic and Sectarian Impact

National trends are only part of the story and can sometimes disguise as much as they reveal. **Figure II.11** shows the patterns in violence by province between January 2004 and June 2009. It highlights just how much the patterns in Iraqi violence have, and continue to, vary by area. It also shows the areas where improvements in security have been most striking and the areas that are now relatively secure and where development and outside investment assume the least risk.

Figure II.12 shows that the of levels of violence have fallen in each province over the past year – with the decline ranging from 48 percent in Tameem to 77 percent in Diyala. Security incidents in Baghdad and Salah al-Din decreased by 78 and 79 percent, respectively, indicating a decline in Sunni-Shi'ite violence.¹⁸ These trends reflect an overall improvement of security in Iraq but there are some provinces in which the number of average monthly security incidents has risen from 2007 to 2009.¹⁹

Most of the violence in Iraq remains concentrated in provinces with mixed ethno-religious demographics, particularly in the areas surrounding Baghdad and in Northern Iraq, in territories shared by both Arabs and Kurds. Shi'ites and Kurds have been the most frequent targets in these attacks, most likely carried out by Sunni insurgents or AQI. The trends in the number of violent incidents in **Figures II.11 and II.12** can also disguise the fact that some incidents are far more important than others.

If **Figures II.12 and II.13** are compared to the data on the ethnic and sectarian distribution of the population in **Figure II.14** below, it becomes clear that the provinces where the number of security threats remains highest tend to be the most ethnically and religiously diverse regions, or ones tied to the presence of significant insurgent activity. The incidents are not the result of random violence or of an insurgent search for “visibility.” Most reflect a pattern directed at creating a broad climate of insecurity, efforts to discredit the government, and attacks that probe at ethnic and sectarian fault lines in an effort to provoke reprisals and new outbreaks of major ethnic and sectarian violence.

Insurgent groups like AQI have tried to exploit tensions between Arabs and Kurds in Northern provinces like Ninewa, Tameem and Diyala by deliberately targeting ethnic minorities to spark some type of sectarian violence. In the Ninewa province an average of 6 to 8 incidents were reported per day in 2009, most of them in the areas surrounding the main city of Mosul. In the province of Tameem, crime, corruption and ethnic disputes also contribute to daily reports of violence. Largely Sunni provinces like Salah al-Din and Anbar, past centers of Sunni insurgent activity, also experienced a relatively high number of attacks over the past few months. Again, these have mostly been attacks by Shi'ite insurgency groups and AQI trying to incite large-scale ethnic violence, although so far these attempts have not been successful.

¹⁸SIGIR, *Quarterly Report and Semi-Annual Report to the United States Congress* (30 July 2009)

¹⁹ A more up to date “snapshot, without a trend line, is provided in Special Inspector General for Iraq Reconstruction (SIGIR), *Quarterly Report to the United States Congress*, (Public Law 108-106, as amended, and Public Law 95-452), October 30, 2009, pp. 102-131.

The average number of monthly security incidents did rise in four other provinces: Karbala, Najaf, Sulaymaniya and Missan from 2007 to 2009. However, in each of these cases the number of incidents rose by fewer than eight attacks and each province reported fewer than 10 attacks per month in 2009. Therefore, the main areas of concern in Iraq remain provinces in which the number of violent incidents ranges in the hundreds, particularly in Baghdad and Ninewa. Although parts of these provinces have calmed down and experience relatively little turmoil, security conditions still vary by neighborhood in cities like Baghdad and Mosul.

If one examines the incidents involved in detail, most attacks tend to occur in high profile areas in or near Baghdad, and in regions where two or more ethno-religious groups share the same territory. These areas have been prime targets for insurgent groups trying to destabilize the government and reignite ethnic violence. This is especially true of high profile attacks in areas where different ethnic groups lay claim to the country's valuable natural resources. Political and social disputes over oil sharing contracts and foreign contracts are still the driving force behind ethnic tensions, particularly between Arabs and Kurds, and groups like al-Qaeda have tried to exploit these political divisions through their use of targeted attacks.

At the same time, violence in cities like Baghdad has taken place mainly between Sunni insurgents and the predominantly Shi'ite police. Although the number of security incidents increased from 181 in July to 231 in August, this increase came mainly from insurgents and Sunni civilians reacting to the Iraqi Army's counter-terrorism operations and to Shi'ite police patrolling predominantly Sunni neighborhoods.²⁰ There have been far fewer incidents of civilian-on-civilian violence, indicating that the chance of a return to large-scale sectarian violence remains low. (**Figure IV.2**, shown later in this report, shows this general downward progression of ethno-sectarian violence, comparing four different months from 2006 to 2009.)

Furthermore, unlike many of the suicide bombings from earlier in 2009, the most serious attacks in Iraq after the US withdrawal from the cities, including the October 25th bombing of government ministry buildings that killed over 155 people, seem to be aimed directly at the government and not at a particular group of civilians.²¹ Rather than attack Shi'ite mosques or Sunni marketplaces, bombers are now targeting government offices and police outposts with increasing regularity.

Iraqi officials suspect that neighboring Syria is harboring a lot of these insurgents, both al Qaeda operatives and former Ba'athists still loyal to Saddam Hussein's regime.²² The two countries recalled their ambassadors in August in response to Iraq official's allegations that Syria played a part in the August 19th and 25th bombings – another set of bombings targeting government facilities. Iraq has not shut down trade with Syria or placed further restrictions on travel to and from the country, nor does it have the number of security personnel necessary to completely secure the border, even if it were to shut down trade routes. Either

²⁰ Ben Lando "Q&A: Security Snapshots" *Iraq Oil Report* (24 Sept 2009)

²¹ Ana Maria Luca "Eyes on Syria" *Lebanon News* (27 Oct 2009)

²² *ibid*

way it seems that the ISF are in need of greater funds to hire and train additional troops and police to ensure that bombers targeting the government cannot sail through checkpoints as easily as they have.²³

Attacks on Iraqi security forces continue with some frequency but have not had a major impact on Iraqi politics and governance. Moreover, the transfer of power from coalition forces to the new Provincial Councils has gone relatively smoothly – without large-scale violence or a renewed threat of civil war. Although there was an initial spike in violence after the first mass withdrawal of US troops it does not seem to have sparked a broader conflict. Instead the Provincial Reconstruction Team (PRT) in Baghdad has been able to turn its attention to more mundane issues like recycling, garbage landfills and funding for a trash-collection program.²⁴

At the same time, the level of violence has not shown any consistent trend towards further reductions since April 2009. Groups like AQI still have the capacity to carry out large-scale attacks like the truck bombings at government ministries that killed 95 people on August 19th. The United States needs to continue funding reconstruction efforts, as well as help the Iraqi government provide salaries and additional training for its security forces to quell the day-to-day violence that still exists in a number of Iraqi cities.

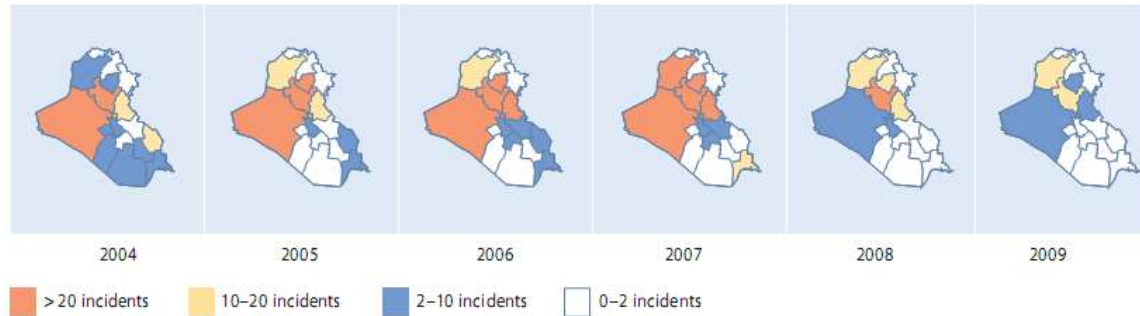
²³ *ibid*

²⁴ SIGIR, *Quarterly Report and Semi-Annual Report to the United States Congress* (30 July 2009), p. 135

Figure II.11: Trends in Violence by Province

Overall Trends: 2004-2009

ANNUAL SECURITY INCIDENTS PER 10,000 PEOPLE, BY PROVINCE



Note: Incidents include attacks against Iraqi infrastructure and government organizations; bombs that are found and cleared (including IEDs and mines); detonated bombs; sniper, ambush, grenade, and other small arms attacks; and mortar, rocket, and surface-to-air attacks.

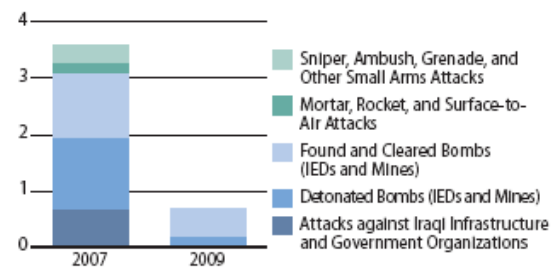
Sources: MNF-I, responses to SIGIR data call, 10/6/2008, 7/2/2009, and 9/30/2009; CENTCOM, response to SIGIR data call, 1/10/2009.

1. ERBIL

TOTAL SECURITY INCIDENTS, BY MONTH^f



AVERAGE MONTHLY SECURITY INCIDENTS^f

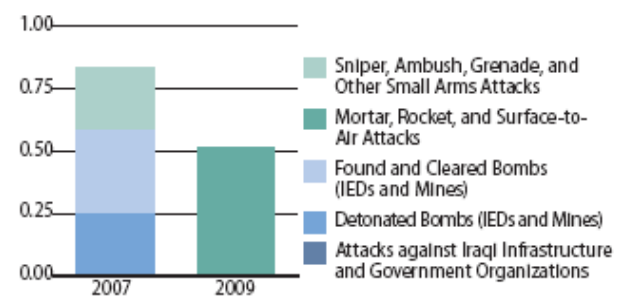


2. DAHUK

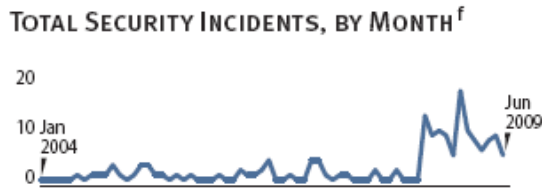
TOTAL SECURITY INCIDENTS, BY MONTH^f



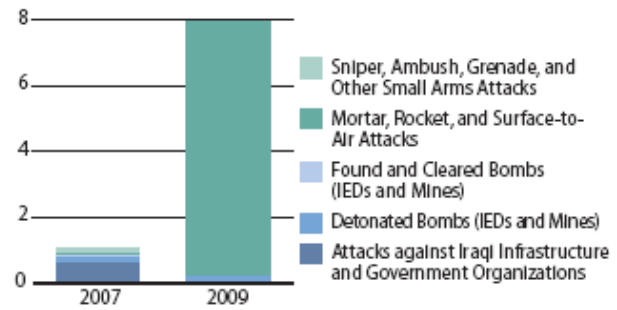
AVERAGE MONTHLY SECURITY INCIDENTS^f



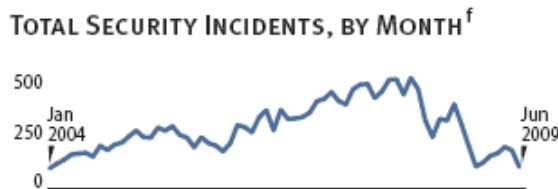
3. SULAYMANIYA



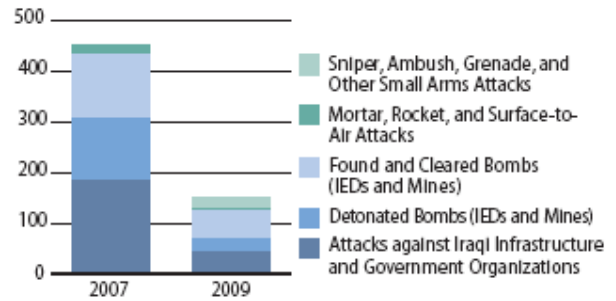
AVERAGE MONTHLY SECURITY INCIDENTS^f



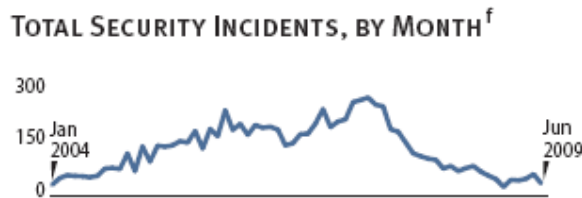
4. NINEWA



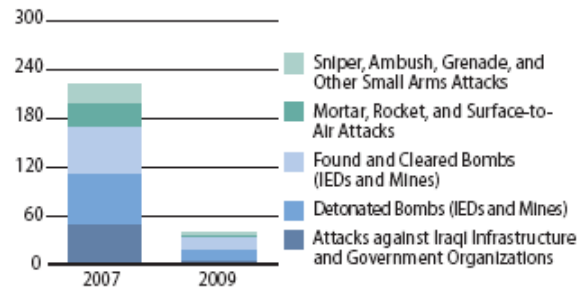
AVERAGE MONTHLY SECURITY INCIDENTS^f



5. TAMEEM

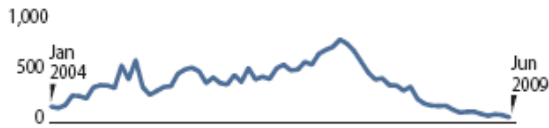


AVERAGE MONTHLY SECURITY INCIDENTS^f

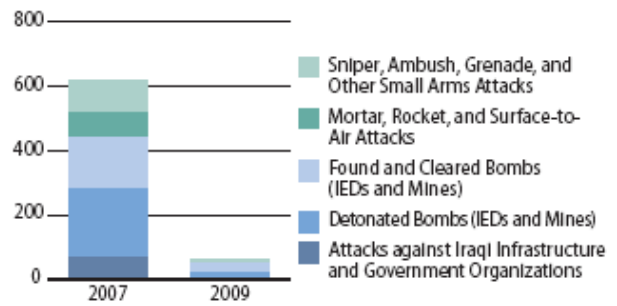


6. SALAH AL-DIN

TOTAL SECURITY INCIDENTS, BY MONTH^f

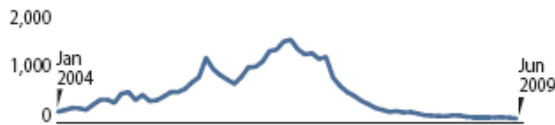


AVERAGE MONTHLY SECURITY INCIDENTS^f

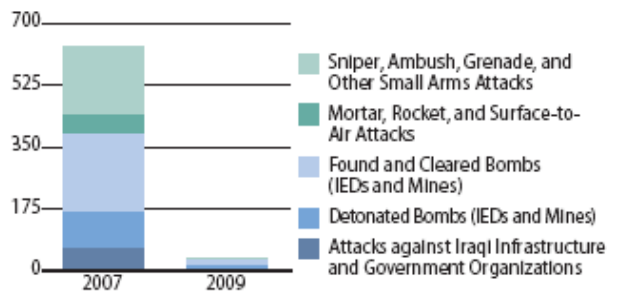


7. ANBAR

TOTAL SECURITY INCIDENTS, BY MONTH^f



AVERAGE MONTHLY SECURITY INCIDENTS^f

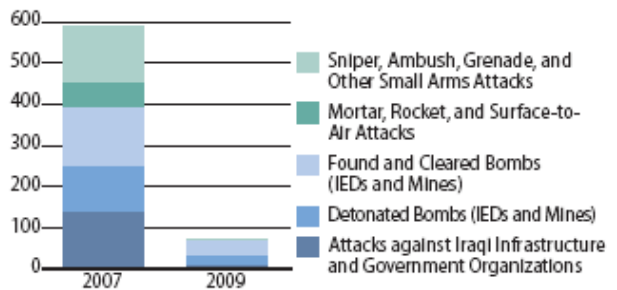


8. DIYALA

TOTAL SECURITY INCIDENTS, BY MONTH^f

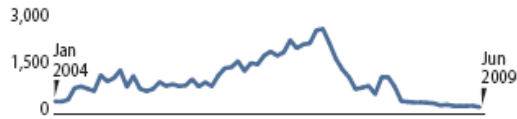


AVERAGE MONTHLY SECURITY INCIDENTS^f

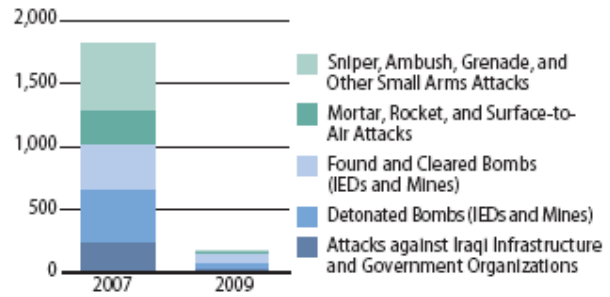


9. BAGHDAD

TOTAL SECURITY INCIDENTS, BY MONTH^f

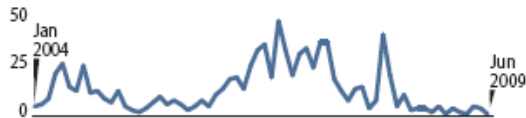


AVERAGE MONTHLY SECURITY INCIDENTS^f

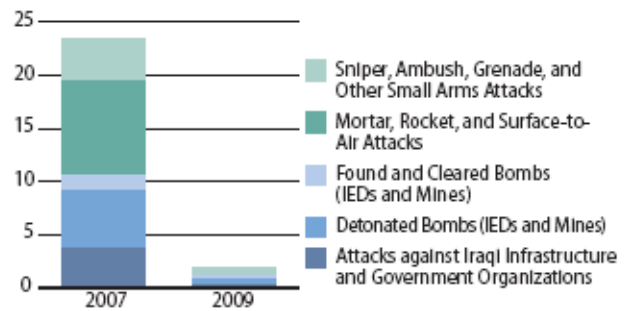


10. WASSIT

TOTAL SECURITY INCIDENTS, BY MONTH^f



AVERAGE MONTHLY SECURITY INCIDENTS^f

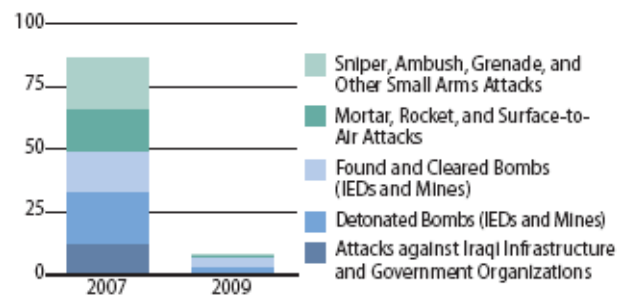


11. BABYLON

TOTAL SECURITY INCIDENTS, BY MONTH^f

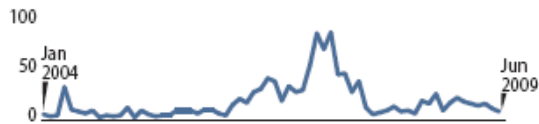


AVERAGE MONTHLY SECURITY INCIDENTS^f

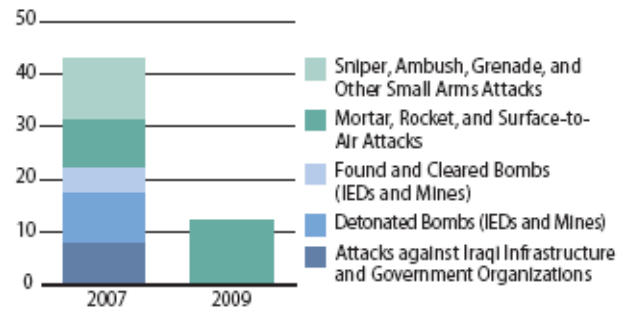


12. QADISSIYA

TOTAL SECURITY INCIDENTS, BY MONTH^f



AVERAGE MONTHLY SECURITY INCIDENTS^f

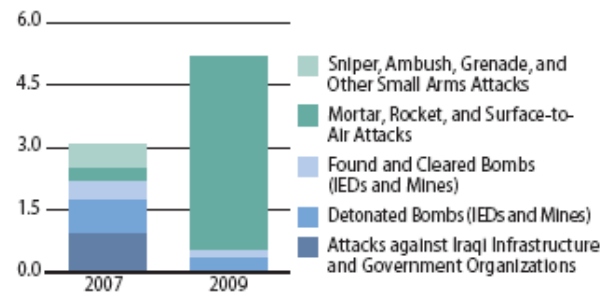


13. KERBALA

TOTAL SECURITY INCIDENTS, BY MONTH^f



AVERAGE MONTHLY SECURITY INCIDENTS^f

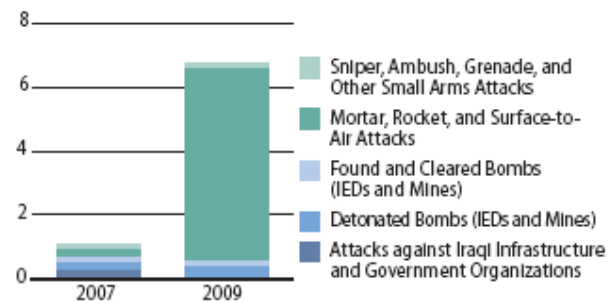


14. NAJAF

TOTAL SECURITY INCIDENTS, BY MONTH^f



AVERAGE MONTHLY SECURITY INCIDENTS^f

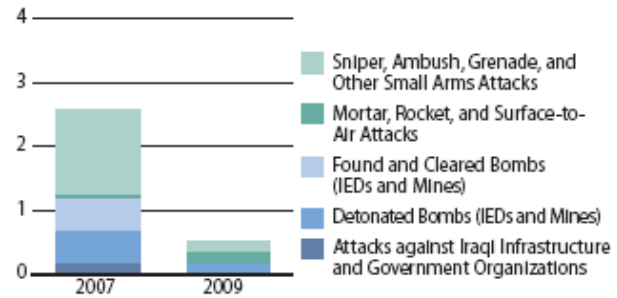


15. MUTHANNA

TOTAL SECURITY INCIDENTS, BY MONTH^f

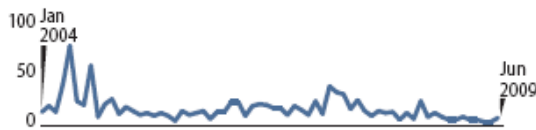


AVERAGE MONTHLY SECURITY INCIDENTS^f

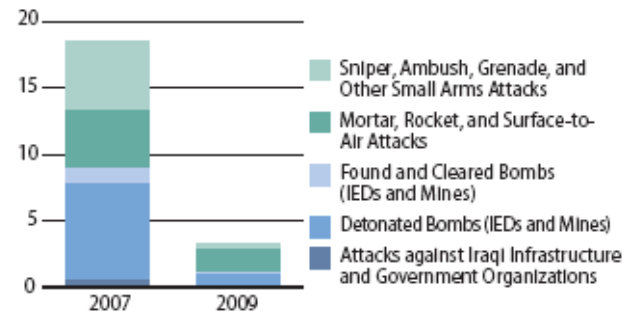


16. THI-QAR

TOTAL SECURITY INCIDENTS, BY MONTH^f



AVERAGE MONTHLY SECURITY INCIDENTS[†]

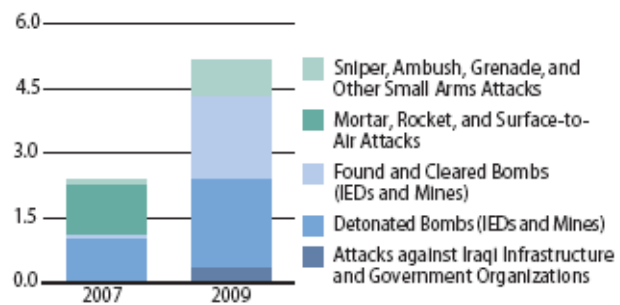


17. MISSAN

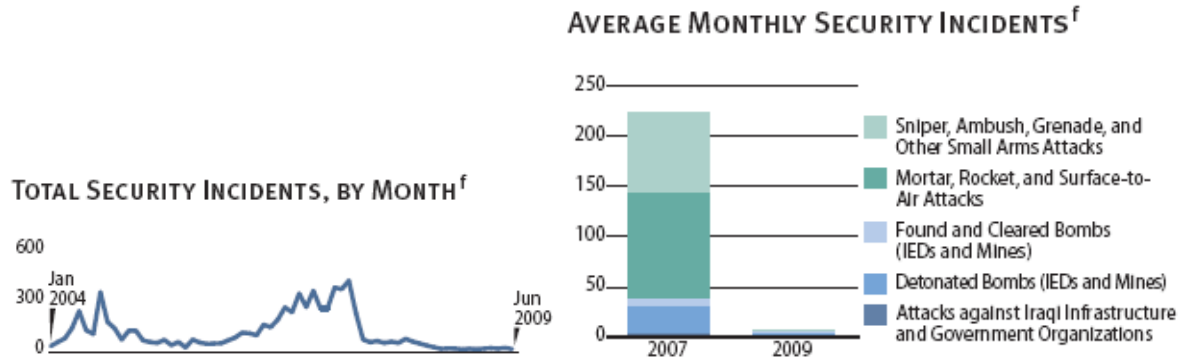
TOTAL SECURITY INCIDENTS, BY MONTH^f



AVERAGE MONTHLY SECURITY INCIDENTS^f



18. BASRAH



Source: adapted from SIGIR, *Quarterly Report and Semi-Annual Report to the United States Congress* (30 July 2009) and SIGIR, *Quarterly Report and Semi-Annual Report to the United States Congress* (30 October 2009), p. 90.

Figure II.12: Security Incidents by Province: From January 1, 2009 to June 30, 2009

PROVINCE	POPULATION	SECT				SECURITY INCIDENTS		
		SHIA	SUNNI	KURD	OTHER	TOTAL THIS QUARTER	CHANGE OVER QUARTER	CHANGE OVER YEAR
Dahuk	895,000	0%	0%	90%	10%	2	100%	100%
Erbil	1,409,000	0%	0%	95%	5%	2	0%	0%
Sulaymaniyah	1,574,000	0%	0%	95%	5%	22	-8%	NA
Ninewa	2,820,000	5%	55%	15%	25%	454	9%	-56%
Tameem	1,129,000	15%	20%	40%	25%	129	32%	-48%
Salah Al-Din	1,158,000	3%	96%	1%	0%	150	-26%	-79%
Anbar	1,427,000	5%	95%	0%	0%	92	-20%	-67%
Diyala	1,323,000	25%	55%	10%	10%	122	-60%	-77%
Baghdad	6,995,000	70%	29%	0%	1%	486	-12%	-78%
Wassit	1,056,000	90%	5%	5%	0%	7	75%	-79%
Babylon	1,574,000	85%	15%	0%	0%	15	-52%	-81%
Qadissiya	1,033,000	98%	1%	0%	1%	29	-31%	71%
Kerbala	902,000	85%	15%	0%	0%	15	0%	1,400%
Najaf	1,113,000	99%	1%	0%	0%	22	29%	450%
Muthanna	650,000	98%	2%	0%	0%	2	100%	0%
Thi-Qar	1,687,000	100%	0%	0%	0%	7	-42%	-59%
Missan	944,000	95%	1%	0%	4%	13	-24%	8%
Basrah	2,408,000	85%	15%	0%	0%	18	13%	-83%

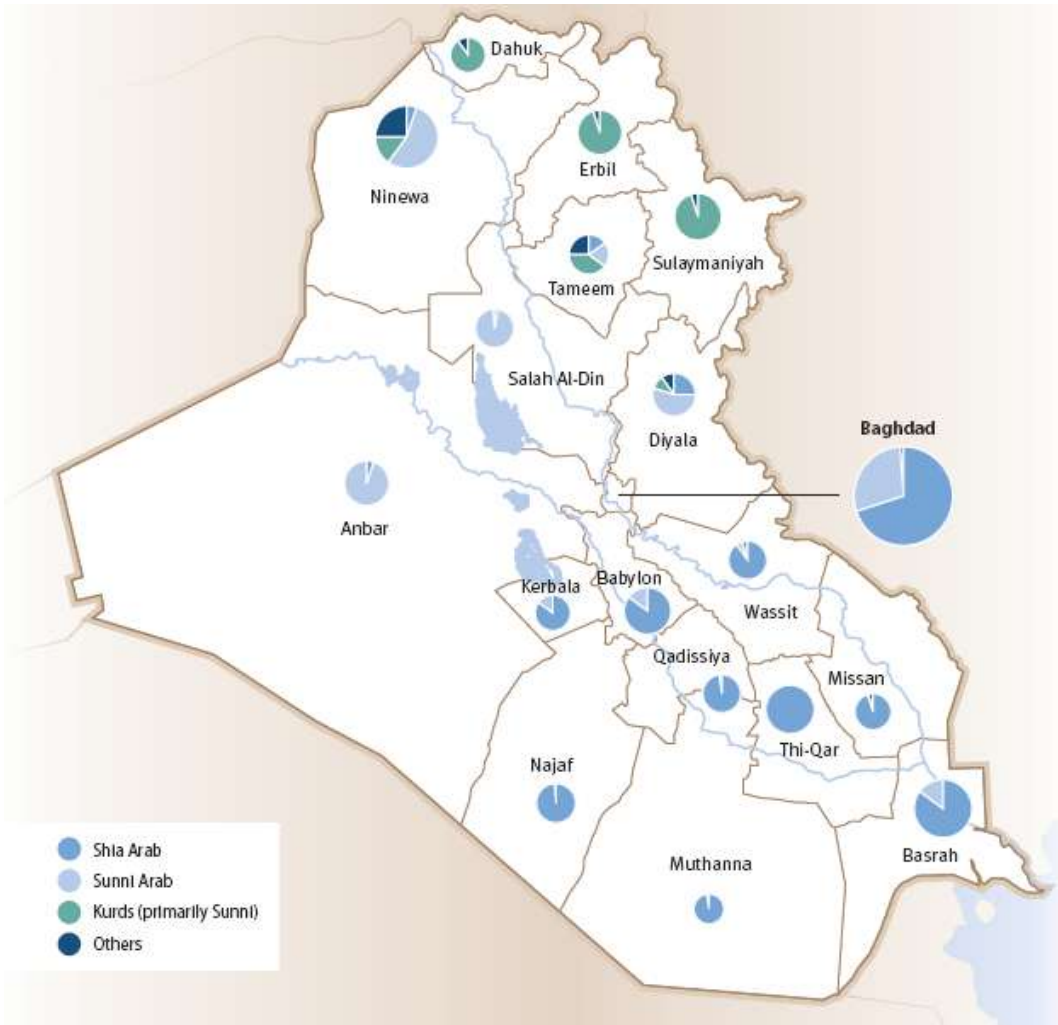
Source: adapted from SIGIR, *Quarterly Report and Semi-Annual Report to the United States Congress* (30 July 2009)

Figure II.13 –Part I: Ethnic Makeup of Iraqi Provinces



Source: USCENTCOM, (September 28, 2009)

Figure II.13 –Part II: Ethnic Makeup of Iraqi Provinces



Source: SIGIR, *Quarterly Report and Semi-Annual Report to the United States Congress* (30 July 2009)

Iraqi Perceptions of Security

Iraqi perceptions of security are improving, but mixed. The results of an August 2009 poll are shown in **Figure II. 14**. US government reporting indicates that Iraqis generally believe the security situation is better locally than nationally.²⁵ Surveys in August 2009 revealed that 72% of Iraqis described the security situation in their neighborhoods as calm, marginally lower than 77% in January 2009. When asked the same question about their government and Iraq as a whole, 58% said the situation was calm in their government, and 31% of Iraqis said the situation was calm nationwide. This showed a three-percentage point increase in perceptions of security at the governorate level and a two-percentage-point increase nationwide since January 2009.²⁶

The majority of Iraqis (91%) felt that the security situation has remained constant or improved in their neighborhood over the last six months. This was nearly unchanged when compared to January 2009. When asked about the security situation in the country as a whole, 87% felt it had either stayed the same or gotten better. This also was unchanged since January 2009. The August 2009 survey indicated that 43% of Iraqis feel safe traveling outside of their neighborhoods, basically unchanged when compared to the last report. Although many Iraqis felt safe traveling, 66% reported that their movements were sometimes restricted.

When asked about their perceptions of whether the Iraqi Security Forces (ISF) could now perform the security mission, 72% of Iraqis said they felt secure when they saw the Iraqi Army (IA) in their neighborhoods, and 68% said they feel secure when they saw the Iraqi Police (IP) in their neighborhoods. This showed a two-percent increase in trust in the IA and a four percentage- point increase in trust of the IP since January 2009. Nationwide, Iraqis had a substantially higher regard for the IA than the IP.

The August 2009 poll indicated that 64% of Iraqis believed that the IA was winning the battle against terrorists and that 57% of Iraqis believed the IP was winning the battle against crime. Some 64% of Iraqis believed that the IA was defeating terrorists. Additionally, 57% of Iraqis believed the IP was controlling crime. This was a significant drop in perception for both the IA and IP since April 2009.

When asked who they would go to first to report a serious crime, 47% of Iraqis said the IP, while 29% stated the IA. When asked who was most responsible for providing security in their neighborhoods, Iraqis responded that the IA (39%) and the IP (40%) are most responsible for providing security in their neighborhoods. In an earlier poll in April 2009, relatively few Iraqis said the SoI (3%), people from their tribe (6%), neighbors (2%), militias (0%), religious leaders (2%), or Multi-National Forces (2%) were most responsible for providing security.

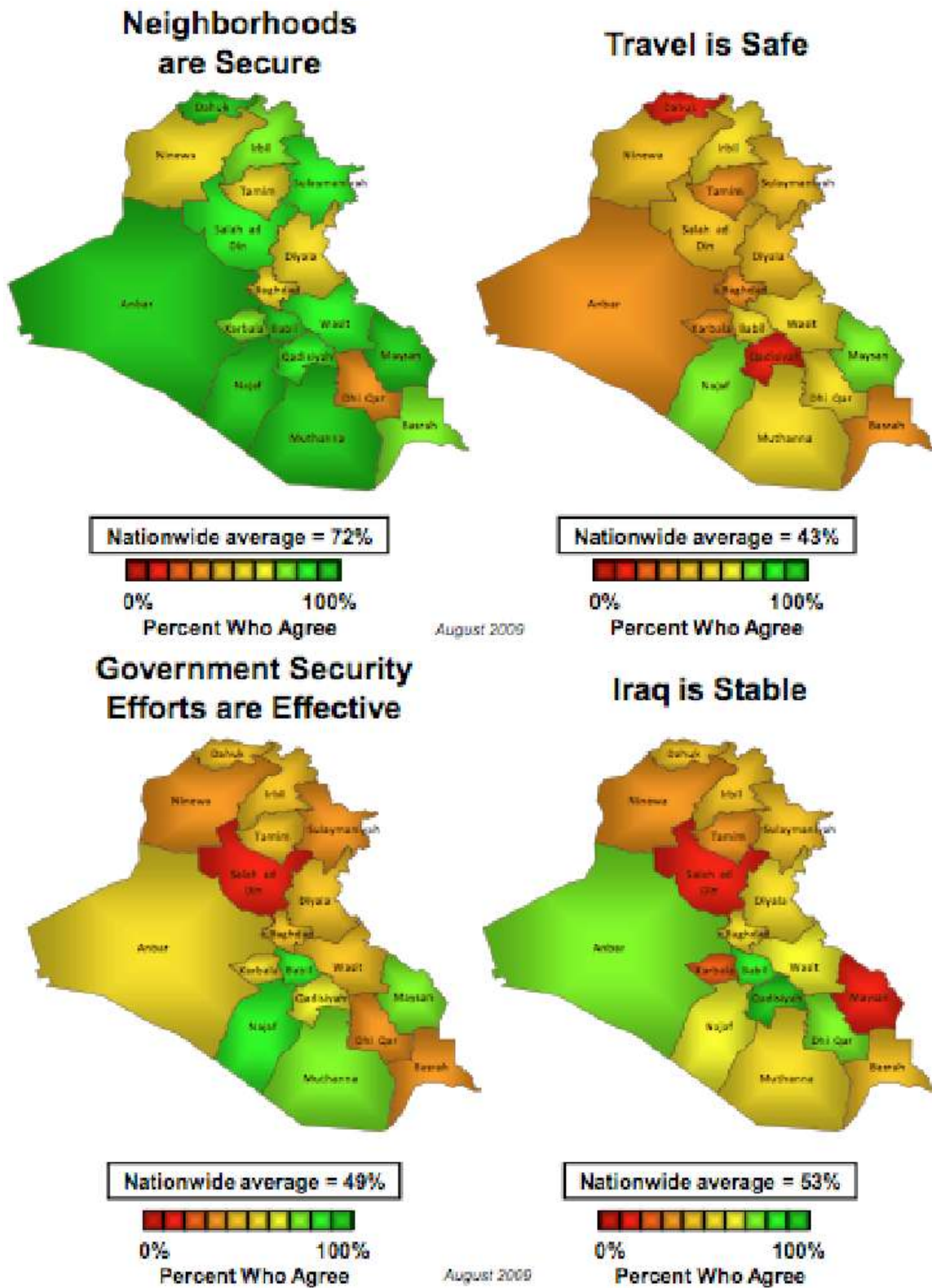
²⁵ These results are excerpted from Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252) August 2009, pp. 31-32.

²⁶ Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), October 30, 2009, pp. 31-32.

Iraqis had mixed confidence in the Government of Iraq (GoI). When asked if they believed the GoI was effective at maintaining security, 46% of Iraqis said the GoI was effective; this represented no change from the January 2009 data. When asked to rate the level of peace and stability of the country, 56% of Iraqis said Iraq was stable, a five-percentage-point increase since January 2009.

When asked in August 2009 if they had confidence in specific groups to protect them and their families from threats, Iraqis had the highest confidence in the IA (87%). When asked about other groups, 83% of Iraqis had confidence in the IP, 72% had confidence in their provincial government, 64% had confidence in their local government, and 74% had confidence in the national government. Confidence in the Multi-National Forces was much lower at 26%. In a continuation of trends from November 2007, Iraqis placed their highest trust and confidence in the IA, the IP, and the GoI to protect them and to provide security.

Figure II.14: Iraqi Perceptions of Security: August 2009



Source: USCENTCOM, September 23, 2009 and US Department of Defense, *Measuring Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008, (Section 9204, Public Law 110-252), September 2009, pp. 32 and 33.

The Role the US Can Play

There are sharp limits to what the US can now do to decrease levels of violence in Iraq or address the underlying challenges of political accommodation and governance that caused sectarian conflict to begin with. The provincial elections early in 2009 led to broad upheavals in Shi'ite Arab, Sunni Arab and mixed ethnic areas like Ninewa. In many cases the incumbent leaders were voted out, and there are still political struggles for power. Iraqi national elections are also leading to destabilizing political struggles, competition, and coalition building at every level.

Iraqi politics and nationalism increasingly restrict the role the US can play in dealing with problems in Iraqi governance at every level, including the rule of law. **Figure II.15** shows that the Iraqi central government has made significant progress, but also that many ministries still have serious problems and limited effectiveness which hinder their ability to guard against large-scale attacks. The same is true in many provinces, key urban areas, and at the local level. These problems in governance interact with Iraq's unstable politics and present a major challenge to Iraq's future security and stability.

The best strategy that the United States can adopt towards increasing the effectiveness of Iraqi security is to adopt an advisory effort that will continue to help train Iraqi security forces and police, as well as help fund the Iraqi government's continued efforts to increase their armed forces and better protect their cities. The ISF must ensure that Iraqi guards are well equipped to detect explosive materials and to stop bombers from bursting through security checkpoints and blast walls. Security forces are currently using questionable methods for detecting bombs including the use of the "magic wand," a British-manufactured detection device used widely in Iraq that has failed several product tests – Britain has since banned exportation of the device.²⁷ Instead the United States should help the ISF develop better methods for deterring attacks and upgrade their technology to better detect weapons.

Additionally, the United States should continue to promote political reconciliation, acting as a mediator for conflicts whenever necessary and pressuring Iraqi politicians to put competition aside in order to govern effectively. There is only so much that the United States can do to further this process; it is largely in Iraqi hands now. Nevertheless, if leaders continue to undermine each other for political gain then it will be far more difficult for them to prevent future large-scale attacks.

As the following chapters also suggest, the US can reduce the level of violence in Iraq by maintaining aid and advisory programs to promote governance, key sectors of the economy, and a cohesive rule of law. It can do this by showing the strategic patience necessary to sustain its advisory and aid programs to the Iraqi security forces, and by implementing the SFA and SA in ways that build both Iraqi unity and trust in the US. Over time, these roles may do as much, or more, to achieve the true meaning of victory as the US occupation and fighting against the insurgents.

Figure II.15: The Trends in the Quality of Iraqi Central Governance: 2006-2008

²⁷ "‘Magic Wand’ Probed in Iraq" *United Press International* (25 Jan 2010)

Ministry	Overall Trend	Output Sustainment	Long-term Plans and Processes	Financial Systems	Anti-Corruption	Civil Service	Use of Technology	Information Management System	Customer Outreach	Effective Use of Resources	Leadership	Capacity Develop.
Agriculture	↑	↔	↑	↑	↑	↔	↔	↑	↑	↑	2.50	2.00
Education	↔	↔	↓	↑	↑	↓	↔	↔	↑	↔	1.70	2.00
Electricity	↑	↓	↓	↑	↑	↓	↑	↑	↑	↑	2.33	2.67
Environment	↑	↑	↔	↑	↑	↔	↑	↔	No Data	↓	2.00	1.50
Finance	↔	↔	↔	↔	↑	↓	↔	↑	↓	↑	2.00	1.83
Health	↑	↓	↓	↔	↔	↑	↓	↑	↑	↑	2.75	2.17
Justice	↓	↔	↓	↑	↓	↓	↔	↔	↔	↓	2.25	2.67
Municipalities & Public Works	↑	↔	↑	↑	↑	↔	↓	↑	↑	↑	2.00	2.00
Oil	↔	↔	↔	↑	↔	↔	↓	↑	↑	↔	2.00	2.00
Planning	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	3.75	3.00
Trade	↑	↑	↑	↑	↑	↑	↔	↔	↑	↔	2.50	2.00
Water Resources	↔	↔	↔	↔	↓	↑	↑	↔	↑	↔	2.75	1.83
Displacement & Migration	↑	↑	↑	↑	↑	↑	↔	No Data	No Data	↑	2.75	1.83
Transportation	N/A	Review of Ministry of Transportation conducted only in 2008									2.00	1.00

3. Arab-Kurdish Tensions: Political Accommodation versus the Possibility of Conflict and Dividing the ISF

Serious as the insurgent threat still is, more is needed in Iraq than reducing the existing sources and levels of violence. Iraq is still years away from stable political accommodation, much less the kind of reconciliation that will allow Iraqis to put ethnic and sectarian differences behind them. Iraq's politics are still driven by the differences between Arab and Kurd and between Sunni and Shi'ite—differences that nations like Iran and Syria continue to exploit, and that inevitably involve Turkey and Iraq's southern Gulf neighbors.

These divisions have not moved Iraq back toward civil war, but the rivalries and competition involved are still bitter and unstable and sometimes teeter on the edge of violence. Any U.S.-Iraqi strategic partnership must recognize that Iraq may well need another 5–10 years to reach a level of political accommodation where there is little or no risk of major civil conflict or polarizing divisions along sectarian and ethnic lines, and that the United States will have to play a proactive role throughout this period to help Iraq move forward.

Many U.S. officials and other experts feel that Iraq's political stability presents more challenges than either the Sunni or Shi'ite insurgency, and that Arab-Kurdish tensions have become the most serious source of potential violence in Iraq. The Sunni insurgent pressures that once pushed the Kurds and Arab Shi'ites together have sharply diminished, while Arab-Kurdish tensions have risen over the disputed zones in the north. The result has been moments of serious tension between Kurdish and Arab leaders, and between the president of the Kurdistan region, Masoud Barzani, and President Nouri al-Maliki. There have been near clashes at the local level, and the Iraqi security forces have seen increasing tension and polarization between Kurdish and Arab elements in the Iraqi Security Forces.

Gen. Ray Odierno, commander of U.S. forces in Iraq, noted in testimony to Congress in September 2009:²⁸

In Iraq, many of the struggles are about power, land and resources that is reflective in the Arab-Kurd and GoI-KRG tensions. The key issues include the pending hydrocarbon law, revenue sharing and the disputed internal boundaries (DIBs) including areas in Ninewa and Diyala provinces and Kirkuk. We strongly support the United Nations Assistance Mission-Iraq (UNAMI) process promoting political dialogue and resolution.

A report by the Department of Defense in late October 2009 summarized Arab-Kurdish tensions as follows:²⁹

The operational environment approaching the elections may exert some influence on the pace of the U.S. drawdown, both in terms of posturing of forces in support of the elections and the U.S. presence after the elections. Of note is the potential for a national referendum on the SA [Security

²⁸ Gen. Ray Odierno, Testimony to the House Armed Service Committee, September 29, 2009, as circulated by OSD (Public Affairs).

²⁹ U.S. Department of Defense (DOD), *Measuring Stability and Security in Iraq*, Report to Congress in accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), October 30, 2009, v., 5

Agreement] during the 2010 elections. This referendum stipulated in a 2008 Iraqi law was originally scheduled for July 30, 2009. However, this did not take place due to a focus on preparations for the Kurdistan Regional Government (KRG) elections and the absence of clear CoR [Council of Representatives] guidelines for organizing the referendum. Whether the SA vote will occur in 2010 is indeterminate as is the anticipated results; however, should the SA be voted on and fail support, it could force an earlier than anticipated redeployment of U.S. forces.

The lack of progress in resolving contentious territorial issues in disputed areas continues to be a major source of tension between Arabs and Kurds. This is demonstrated in Ninewa where Kurdish leaders are reluctant to work with the Governor and his Al-Haadba dominated government. Kurdish leaders have maintained their boycott of the provincial council since April 2009 and do not recognize the authority of the governor in Kurdish areas, further complicating the situation. Additionally, the KRG Parliament recently passed a constitution for the Iraqi Kurdish Region. A regional referendum on the proposed constitution was originally scheduled to coincide with Kurdish regional elections in late July 2009, but has been postponed indefinitely.

Though a KRG Constitution is required by Article 120 of the Iraqi National Constitution, the KRG document contains a number of provisions in conflict with the Iraqi Constitution, causing a growing opposition among both Arabs and Turcoman. Sunni and Shi'a Arab parliamentarians and political leaders have expressed concern about apparent KRG land claims in the document, possible contradictions between the Kurdish and Iraqi National Constitutions, and resulting potential damage to Arab-Kurd relations. These tensions have resulted in intense political dialogue.

...The lack of progress in resolving territorial disputes, management of Iraq's hydrocarbons sector, and the integration of the Kurdish security forces into the ISF continue to be major sources of tension between Arabs and Kurds. KRG leaders agreed to not push for a referendum on the new KRG constitution on July 25, 2009, which would have been held concurrently with KRG parliamentary and presidential elections. Recognizing the provocative nature of the constitution, KRG leaders may postpone the referendum until after the Iraqi national elections in early 2010. GoI and KRG representatives also continued to meet under the auspices of the United Nations Assistance Mission for Iraq's (UNAMI) High Level Task Force on disputed internal boundaries (DIBs), although the late-July meetings were cancelled over the rhetoric surrounding the KRG Constitution and elections. Meetings resumed in late August 2009. ... Despite these disputes, the KRG agreed to export oil to Turkey through the GoI-owned and operated pipeline on June 1, 2009, with the central government receiving and managing revenue.

SIGIR reporting also focused on these tensions and the problems caused by displaced persons in the KRG, as follows:³⁰

... Security in the Kurdistan Region was stable ...with only sporadic outbreaks of violence reported mostly in the lead-up to regional elections. There were four incidents in which two or more people died. In neighboring disputed territories, however, the situation remains tense—particularly in Ninewa province, where a plan was put forth to invite Kurdish Peshmerga forces to patrol joint checkpoints with Iraqi Security Forces (ISF). RRT Erbil reported that KRG government officials had urged the establishment of the joint checkpoints. This proposal prompted an outcry from Arab provincial officials in Ninewa who opposed allowing the Peshmerga to operate these checkpoints with the ISF.

According to the International Organization for Migration (IOM), the Kurdistan Region hosts 39 percent of IDP [internally displaced person] families belonging to ethnoreligious minorities, including Kurds. Almost half of IOM-assessed IDPs in Dahuk are Christian. Most hail from Ninewa and Baghdad, and more than half reported that they would prefer to resettle permanently in the province.... Arab Sunnis and Kurds who fled their homes after being targeted for

³⁰ Special Inspector General for Iraq Reconstruction (SIGIR), *Quarterly Report to the United States Congress*, (Public Law 108-106, as amended, and Public Law 95-452), October 30, 2009, 106–107.

ethnosectarian reasons also constitute some of the IDP population in the region. Many IDP families are living in tent camps, and 10 percent are female-headed households.

UN Efforts to Ease Tensions in the North

The United States, the United Nations, and others have tried to quietly negotiate a settlement to these Arab, Kurdish, and minority disputes. These efforts, however, have had limited and mixed results. After more than a year of effort, the United Nations reported its suggested options in April 2009. The special UN representative in Iraq, Staffan de Mistura, presented the report directly to the Iraqi presidency and Council of Representatives and to the Kurdish leadership in the north.

The UN report identified 15 "disputed areas" along the Kurdish-Arab fault line and examined local conditions in detail. These areas included critical portions of Ninewa Province and areas around Mosul, a key center of Sunni power and the remaining elements of the Al Qaeda insurgency. They also included the oil- and gas-rich areas around Kirkuk.

The report did not include proposed solutions for the 15 disputed areas, but analyzed the situations there and offered detailed suggestions for confidence-building measures to defuse tensions while government officials agree on a settlement. The report did define four "options" for Kirkuk, which UN officials said were designed as "points of departure" for discussion on the province's political future. These disputed territories are shown in **Figure III.1**

U.S. reporting on this UN effort has been somewhat positive:

The second and final UNAMI report, including four possible courses of action for the transition of Kirkuk, was briefed to key GoI and KRG leaders in mid-April 2009 with copies provided to the leaders on April 22, 2009. The key leaders, including Prime Minister Maliki, President Talibani, Vice Presidents Hashimi and Mehdi, and KRG President Barzani, were asked to provide comments on the UNAMI reports.

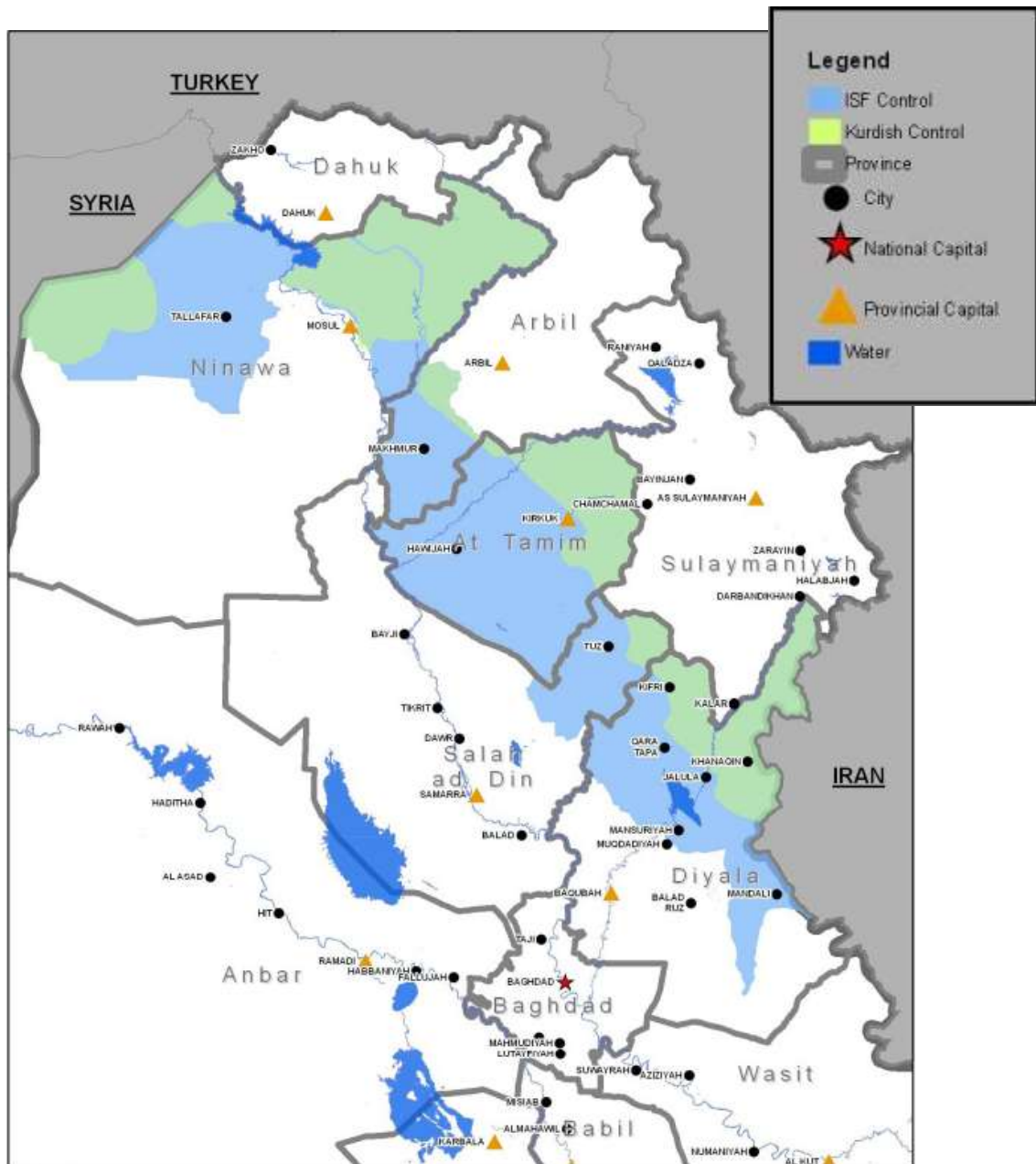
Both sides have expressed some criticism of the UNAMI recommendations but have agreed to use the UNAMI report as a starting point for discussions. It is not yet clear that the current political environment will allow all sides to compromise or maintain a flexible enough stance to facilitate settlement of DIBs.

The UNAMI DIBs report details the history, demographics, and security status in a way that may help determine the administrative status of these territories. It also recommends confidence-building measures for each district to improve the chance of long-term resolution of this issue. UNAMI also recommends that all parties pursue a follow-on political process, which will likely require persistent attention and encouragement from both UN and U.S. mediators to ensure progress in discussions toward resolution.³¹

So far, the practical impact of the UN approach seems to be that it gave both sides a much more precise picture of what divided them without convincing either side that there were compromises they could accept, and pushing them toward a single, workable solution.

³¹ Excerpted from DOD, *Measuring Security and Stability in Iraq*, August 2009.

Figure III.1: Disputed Territories Claimed by the KRG



Source: USCENTCOM, September 28, 21009

Control of Territory

The territorial disputes involved cover a substantial part of northern Iraq. As **Figure III.1** has shown, there is a broad belt of disputed territory along an ill-defined “ethnic fault line” that reflects both current ethnic demographics and disputes going back decades—especially to when Saddam Hussein displaced many Kurds, handing their territory over to Arabs and minorities, because of the legacy of civil conflict during the 1960s and 1970s, and the lack of Kurdish support during the Iran-Iraq War. This disputed territory has important pockets of minority populations within each respective majority group, and runs west from the Sinjar area on the Syrian border all the way across to Khanaqin near the Iranian border to the southeast.

These disputes have been a source of tension since the liberation of Iraq in 2003. They originally were to be resolved through a national referendum, required under Article 140 of the new Iraqi constitution, but politicians have delayed this process for several years. The more public dispute over a Kirkuk referendum was to be part of a broader plebiscite to decide which areas within the Iraqi governorates of Diyala, Kirkuk, Salah ad Din, and Ninawa would become part of the Iraqi Kurdistan region.

Shifts in Power in Disputed Areas

The Kurds have seen their power and influence erode as tensions have diminished between Arab Shi‘ites and Arab Sunnis. The nationwide provincial elections in January 2009 allowed Sunnis to reassert their political power in some disputed areas and generally weakened Kurdish influence in areas of mixed ethnicity. This was particularly true in the Ninewa province in the northwest (no vote occurred in Kirkuk). At the same time, the elections showed Shi‘ite Arab politicians that Arab nationalism had become a powerful issue, and gave them an incentive to seek Sunni support in the coming national elections.

The Department of Defense reported on these developments in March 2009:

The results of provincial elections in January 2009 reduced Kurdish influence in the disputed areas, including northern Ninewa, Salah ad Din, and Diyala. The transfer of power from the Kurds to the pro-Sunni al-Haadba Gathering in Ninewa, in particular, has increased Sunni representation but also contributed to Arab-Kurd tensions. Al-Haadba (the new Sunni governor) may call for the removal of Pesh Merga from the province, which would increase tensions further in the area and possibly lead to a standoff between IA units and Pesh Merga, similar to what occurred in Khanaqin in September 2008.

In fact, in many disputed areas adjacent to the KRG in Ninewa, Diyala, and Tamim Provinces, tensions have increased between the ISF and the Kurdish Pesh Merga. These areas are ethnically mixed and resource-rich, and both the KRG and GoI assert security primacy but have not worked out a clear political arrangement. As U.S. forces depart and the profile of ISF units such as the 12th IA division near Kirkuk increases, opportunities for miscalculation or provocation will be numerous. For now, it appears unlikely the IA or Pesh Merga will intentionally instigate a military confrontation, preferring to see whether negotiations can manage acceptable results. However, continued Coalition involvement is critical to help manage this delicate situation.³²

³² Excerpted from DOD, *Measuring Security and Stability in Iraq*, March 2009.

Follow up reporting in August 2009 indicated that

[t]here has been little progress on implementation of Article 140 of the Iraqi Constitution, which calls for normalization, a census, and a referendum on the status of disputed internal boundaries (DIB) in northern Iraq. Many stakeholders objected to UNAMI's first report, released in June 2008, which provided recommendations for four of the DIBs.

...The CoR Article 23 Committee was established in September 2008 by the Provincial Elections Law and given a deadline of March 31, 2009, to produce power-sharing solutions and recommendations for holding elections in Kirkuk. However, the Committee did not begin its work in Kirkuk until March 8, 2009. In addition to the late start, the CoR Article 23 Committee initially encountered resistance from a locally established Article 23 Committee, but both committees have worked through their initial friction and have begun to coordinate efforts. However, the committee missed its extended May 31, 2009, deadline to complete its recommendations.³³

Ethnic and sectarian political alignments remain unstable, as do Iraq's coalition politics. Many Shi'ite political leaders still fear Sunnis and neo-Ba'athists as much or more than they want to seek "Arab" support. The debates over the Election Law in November 2009 showed that Shi'ite-Kurdish coalitions are still a factor in Iraqi politics, and they are a warning that Iraqi politics can polarize and fragment along both ethnic and sectarian lines at the same time while further fragmenting within each faction. (These debates will be discussed further in chapter 13. They are also a warning as to just how difficult it may be over the next half decade for Iraqis to deal with the mix of problems they face in the north.

Tameem, Kirkuk, and the Draft KRG Constitution

The two most critical points of contention between Arabs and Kurds center around (1) Kirkuk and the oil fields in Tameem Province and (2) the complex mix of Kurdish, Arab, and minority populations in Ninewa. Kirkuk has been a particularly sensitive issue because a long-awaited referendum that was supposed to resolve the political arrangements in the city has never been held.

The government initially planned such a referendum on Kirkuk for November 15, 2007, but then delayed it until December 31, 2007, and then by a further six months. It delayed the referendum again as part a bargain to hold provincial elections on 3 January 31, 2009. Currently, there is no date for a referendum and growing uncertainty as to whether it will ever be held—except perhaps to cement some kind of political settlement between the two sides or one side's victory over the other.

The Kurds reacted to this process by taking unilateral action. The Kurdish regional parliament passed a draft constitution on June 22, 2009. As mentioned earlier, the draft Kurdish constitution claimed Kirkuk as a geographic part of the Kurdistan Region. It also augmented the powers of the Kurdistan Region's president and placed a number of territories outside the official borders of the KRG inside the Kurdistan region. These included the following parts of Ninewa: "the districts of Aqri, Sheikhan, Sinjar, Tel Afar,

³³ Excerpted from DOD, *Measuring Security and Stability in Iraq*, August 2009.

Tel Kayf and Qaraqosh (also known as Hamdaniya), and the sub-districts of Zummar (in Tel Afar district), Bashiqa (in Mosul district) and Eski Kalak (in Qaraqosh district).”³⁴

The draft originally was to be the subject of a referendum in the July 25, 2009, KRG elections, but Iraq’s Independent High Electoral Commission (IHEC) postponed the referendum, in part for fear that it would provoke serious ethnic conflict. The Kurdish constitution remains in draft form, however, and some are calling for a referendum in 2010. If so, any movement toward ratification could exacerbate tensions in the future.

At the same time, Arab-Kurdish tensions extended beyond Kirkuk to cover the entire province of Tameem. SIGIR reported in late 2009 that:³⁵

Tameem’s administrative status remains in dispute because the territory is claimed by both the GOI and KRG. Iraqi and international efforts to find a solution have thus far been unsuccessful. Article 140 of the Iraqi Constitution provides a path for a resolution beginning with a national census and a nationwide referendum, but to date, no census is scheduled. Because of the dispute, Tameem residents did not vote in either the provincial elections held last January or in the Kurdistan Region’s elections held this quarter. The Special Envoy of the U.S. Ambassador for Northern Regions relocated to Tameem this quarter to focus on finding a resolution to the territorial dispute.

PRT Tameem reported that the province’s unresolved issues hindered progress in governance and the investment climate. The security environment remained poor in Tameem province, with continued bombings and murders concentrated around the provincial capital, Kirkuk. At least 17 incidents resulted in the deaths of two or more people. Police were gunned down by assailants in Kirkuk and a roadside bomb killed a police chief in the neighboring town of Amirli. Gunmen kidnapped a former hospital administrator. The PRT also reported a growing sense of fatigue among PC members to address the province’s political situation.

A U.S. expert working in Tameem provided the more detailed analysis of these problems shown below and proposals for resolving them—an analysis that indicates why maintaining local expertise may be critical to helping Iraq achieve the necessary level of security and stability:

Disputed status of Kirkuk and the KRG boundary

Problem: The Iraq constitution, passed in 2005, recognizes the Kurdish Regional Government’s authority as the official government of areas that were held by Kurds on March 19, 2003 (to include Dohuk, Erbil, and Sulaymaniyah). The status of Kirkuk Province, which includes Kirkuk City, is not defined and should be resolved through the resolution of Article 23 (which involves elections in Kirkuk) and Article 140 (which states that all contested regions in Iraq have the right to determine who governs them locally).

Risks in 2010: Iraqis can’t solve this on their own. Kirkuk stagnates (forward progress is hindered by lack of external investment and internal posturing)

“Way Ahead”: Move Kirkuk to “Special Status” (2 viable options—“dual nexus” and “special status”): dual nexus = guarantees/protections/checks from both GOI/KRG; special status = distinct administrative territory)

(Perceived) Lack of legitimate, representative government/governance

³⁴ International Crisis Group, *Iraq’s New Battlefield: The Struggle over Ninewa*, Middle East Report No. 90, September 28, 2009, 16.

³⁵ SIGIR, *Quarterly Report to Congress*, October 30, 2009, 106–107.

Problem: There is a perception among Arab and Turkmen communities that the local government, which is largely Kurdish, is not representative of their interests in Kirkuk.

Risks in 2010: Loss of situational understanding (associated with “Responsible Drawdown of Forces”) creates (further) misperceptions

“Way Ahead”: Retain the Kirkuk PRT through (at least) 2012

Security forces, disputed forces, disputed legitimacy, disputed control, insufficiently representative

Problem: The 12th IA division has been directed by the MOD to “secure the Kirkuk province”. The 10th Pesh Merga brigade has been directed by the Minister of Pesh Merga affairs to “protect the northern part of Kirkuk”.

Risks in 2010: Security initiatives are politicized (and used to subvert existing political processes). IA subordinate IP activities (no IP primacy)

“Way Ahead”: Combined security forces in areas of mutual concern (formerly DIBs) Clear (mandated) authorities for IA and IP (IA = terrorist activities, IP = criminal activities; IA = external threats, IP = internal threats)

Insurgents

Problem: Kirkuk consists of coalescing violent extremist groups that include JRTN, AQI/ISI, and AAS

Risks in 2010: JRTN ascendancy. Insurgents coalesce (logistics, operations) = resurgence

“Way Ahead”: Embedded transition teams (continued training). Rule of law initiatives

Tensions between the Prime Minister and the KRG

Problem: Both the GOI and KRG have similar goals in Kirkuk—to preserve their state (or, region), protect national or popular interests, and to preserve gains made since 2003. These strategic and tactical objectives combine (or, separate) in Kirkuk, which works geographically (to, and from, Baghdad) and politically (to, and from, Baghdad, Kirkuk, and locally).

Risks in 2010: Kurdish pragmatism remains clouded by emotion about Kirkuk. Prolonged process may further polarize communities. Iraqis can’t solve this on their own

“Way Ahead”: Move Kirkuk to “Special Status” (above)

Oil – Control, Protection, and Exploitation

Problem: The oil industry remains central to any discussion of Iraq’s economy. The volume of oil production and exports continues to increase; however, the fluctuation of the price of oil creates unpredictable GOI budget levels. Oil revenue is vital to the well being (or, survival—depending on your perspective) of the GOI and KRG, and there is great potential for further oil production at other sites.

Risks in 2010: Status of Kirkuk is not defined, which further delays foreign investment in the area. Politicized security initiative(s) subverts the existing political process to leverage oil resources to the advantage of one community (Kurds, Arabs)

“Way Ahead”: Persistent engagement that enables constant communication of a consistent message that profit sharing, in a representative manner, is preferable to violence because violence may risk the rewards that oil revenues provide.

Land and Property Disputes

Problem: There are approximately 40,000 property disputes in the Kirkuk province, a result of generations of conflict, Arabization during Saddam Hussein’s regime, and post-Saddam Hussein activities. The average time to resolve a single property dispute by the Iraq Committee for the

Resolution of Real Property Disputes is 12 months. Most land and property disputes are tied to the larger issue of the resolution of Article 23 and 140.

Risks in 2010: A maturing political process creates a perception that one community may be advantaged over another, which may create personal disputes (as people realize that they will not get what they had hoped for) that may spiral into wider violence.

“Way Ahead”: Maintain transparency in the political process. Retain PRT presence in Kirkuk through (at least) 2012. Constantly engage all communities in Kirkuk with the message that the best way to solve this problem is politically (tied to Article 23, 140—or “special status”)

Unemployment

Problem: Unemployment and underemployment continue to challenge Iraq’s progress. Iraq’s Central Statistical Organization estimates that unemployment and underemployment remains at 17.6 percent (about 1.4 million people) and 38.1 percent (2.3 million people). Estimates are that unemployment may be as high as 18-20 percent in Kirkuk. Unemployment tends to be higher among the young, residents of urban areas, unskilled persons, and women. Iraqi women are 80 percent less likely to be in the labor force than Iraqi men.

Risks in 2010: 8,801 SOI are scheduled to transition in 2010. The job market is not capable of absorbing 8,801 people (there are not enough jobs).

“Way Ahead”: Ensure that SOI receive a line item as part of Iraq’s 2010 budget and retain them until conditions allow for a transfer to security forces or (stable) government jobs. “Special Status” (encourages external investment, which creates jobs). Invest in educational and vocational education opportunities (local)

Drought

Problem: Kirkuk is in the midst of one of the most serious droughts in 50 years (longest, with the lowest water levels). Water delivery systems are in disrepair. Arabs blame the Kurds for stealing water, which the Kurds resent.

Risks in 2010: Agricultural initiatives are at risk due to poor water delivery systems. Increased perceptions among Arab communities that Kurds are stealing water

“Way Ahead”: Invest in water delivery system repair and maintenance initiatives. Implement water conservation and education plans. Conduct aquifer and well assessments. Improve irrigation efficiency across Kirkuk

Ninewa and Mosul

Similar disputes exacerbate the complex struggles for control between the Arabs, Kurds, and minorities (Christian, Turcoman, Yazdi, and Shahbak) in areas in northwest Iraq—especially around Ninewa and Mosul.³⁶ The provincial elections in early 2009 led Sunnis to vote in large numbers for the first time and dramatically changed the power structure, especially in Ninewa.

A Sunni boycott of the January 2005 elections had initially given the Kurds control over the territory—a total of 31 out of 41 seats, while Arab Shi‘ites got 5. The Sunni Iraqi Islamic Party, a small group that did support the election, won only two seats that year. This created a Kurdish-dominated provincial government that had ties to Barzani and the KDP and that systematically exploited its power in favor of alignment with the KRG.³⁷

³⁶ International Crisis Group, *Iraq’s New Battlefield*, 1–47.

³⁷ *Ibid.*, 8–13.

The Kurds used this victory to drive Sunnis out of power and limit the role of the Iraqi police. This played a major role in making Sunnis turn to Al Qaeda in Iraq and neo-Ba'athist insurgent elements in Ninewa, and especially in Iraq's third-largest city, the largely Arab Sunni city of Mosul. Things then became worse when the Shi'ite-dominated central government sent in Shi'ite forces like the Wolf Brigade to deal with the insurgent threat.

The combination of Kurdish and Shi'ite abuses sharply increased Arab-Kurdish tensions and helped make the Mosul area a key center of Sunni insurgent power. This left a legacy that has allowed Al Qaeda in Iraq to maintain a major presence in the area. It also has created a direct interaction between Arab-Kurdish tensions and the Sunni insurgent threat—one that extends from Ninewa/Mosul into parts of Kirkuk, Diyala, and Salah al-Din provinces.

The massive Sunni vote in the provincial election in January 2009 reversed the balance of power in the province. It gave the Sunni al-Hadbaa National List more than 48 percent of the vote, the Kurds only 25.5 percent, and the Iraqi Islamic Party 6.7 percent. As a result, the Sunni al-Hadbaa National List won a total of 19 out of 37 seats and gained control over the provincial government in Ninewa.

The new Sunni governor, Atheel al-Nujayaf (the leader of al-Hadbaa), subsequently pushed the Kurds out of all political positions in the province and attempted to make all of Ninewa part of Arab-controlled Iraq.³⁸ The Kurds and Peshmerga actively resisted his efforts with KRG support, however, and were able to keep effective control of 16 of Ninewa's 30 administrative subdistricts. They also resisted efforts to have the Iraqi army and police move into Kurdish controlled areas—at least twice coming close to serious armed clashes over the control of key areas like the Mosul dam.

As is discussed in more detail in chapter 6, these splits posed additional dangers because Ninewa remained one of the key areas where Al Qaeda in Iraq was still active, along with neo-Ba'athist insurgents. AQI and other groups like the Jaysh Rijal Tariq Al Naqshbandi (Army of the Men of Naqshbandi, or JRTN) have since tried to capitalize on the situation with new bombings and attacks, but so far have had limited success—in part because of strong U.S. efforts to create joint intelligence and warning centers that can prevent and limit clashes; a series of checkpoints with U.S., Iraqi, and Kurdish forces; and joint patrols in sensitive areas.

A SIGIR report in late 2009 summarized the situation in Ninewa as follows:³⁹

Ninewa's boundaries are in dispute with Dahuk and Erbil provinces of the Kurdistan Region. The province's ethnoreligious demographic mix has led to tensions between Arabs and Kurds with a significant influence on provincial politics and security. Despite these obstacles, the PRT organized a successful first dialogue between Arab and boycotting Kurdish members of the Provincial Council (PC). Members of the Kurdish-backed Ninewa Fraternal List (NFL) continued their boycott of the PC in response to the lack of a power-sharing agreement with the majority al-Hadbaa Gathering after the provincial election.

³⁸ Ibid.

³⁹ SIGIR, *Quarterly Report to Congress*, October 30, 2009, 106–107.

...the PRT worked with both sides in an effort to get the NFL to end its boycott. In addition, the PRT coordinated with U.S. forces to garner political support for a proposal to include the Kurdish Peshmerga, the ISF, and U.S. forces in joint patrols of disputed areas of the province. In August, Peshmerga forces, which operate in the Kurdistan Region, were poised to man joint patrols with the ISF but the central government raised concerns about command and control, delaying implementation of the initiative.

...PRT Ninewa reported that the security situation remained “kinetic and unpredictable.” Most security incidents took place in the northeastern section of the province, in territory claimed by both Kurds and Arabs. The PRT reported that the unstable political environment had created an insecure band of territory that insurgents were able to exploit, carrying out a series of high-profile bombings.

The Census Delay

Arab-Kurdish tensions have also helped delay a long-needed Iraqi census—although Sunni-Shi‘ite and minority tensions have also been an issue. The Iraqi central government announced in August 2009 that it would not hold the census in October 2009 as planned. This meant delaying it—possibly until mid-2010, several months after the national elections in March, but possibly much later or even deferring it indefinitely.

Demographics are an explosive issue in Iraq, in part due to Kurdish efforts to expand the boundaries of their largely autonomous northern enclave to include Kirkuk and other disputed areas. Some ethnic groups in areas like Kirkuk, the contested oil-producing region that is home to Arabs, Turkmen, and Kurds, have opposed the census because they feel it might reveal demographic data that undermine their political ambitions.

These delays in holding a census make it difficult to assess the merits of competing ethnic and sectarian claims. At the same time, it makes sense for the Iraqi government to delay the census, as it may trigger violence and further delay the national elections. However, delaying the referendum has met much criticism from the Kurdish government, which claims that the referendum on Kirkuk—called for under Article 140 of the Iraqi constitution—is long overdue. The Barzani faction has been vehement in calling for such a vote. Many experts feel, however, that a vote could trigger at least local civil conflict by dividing northern Iraq into sections where the minority would not accept the result.

The Role of the Peshmerga

Additional Arab-Kurdish tensions have arisen over the future and funding of the Kurdish forces or Peshmerga. Kurds and some MNF-I experts feel that Prime Minister Maliki or his advisers have blocked efforts to use the national budget to fund the Peshmerga and to create two Kurdish divisions within the Iraqi National Army.

There is broader agreement among MNF-I experts that Maliki or his office has acted on occasions to tacitly or actively purge Kurdish officers from sensitive intelligence and command positions as part of a broader effort to exercise control over promotions and ability to appoint acting commanders to create forces that are more loyal to Maliki and his government. This is a source of tension not only with the Kurds but also with the Council of the Republic, other Shi‘ite factions, Sunni Arabs, and former Ba’athists.

The Petroleum Sector

Economics plays a critical role in both exacerbating and easing Arab-Kurdish minority tensions, as it does in every aspect of Iraqi tension and efforts to reach political accommodation. The petroleum sector dominates the Iraqi economy, accounting for more than 90 percent of foreign exchange earnings, 84 percent of the value of all exports, 86 percent of government revenues, and more than 75 percent of the GDP.⁴⁰

Iraq is only beginning to attract the foreign investment it needs and to create a sound legal base for economic development that will help ease tensions and resolve key issues like the Kurdish and Arab disputes over petroleum resources. The Department of Defense reported in late 2009 the following:⁴¹

On July 28, 2009, the CoM passed and sent draft legislation to the CoR that would re-establish the Iraqi National Oil Company (INOC). One of the four key pieces of pending oil sector reform laws, the INOC legislation would begin to reform Iraq's ability to manage its oil sector, reducing political interference and strengthening technical oversight of exploration, development, and production. Negotiations between the GoI and the KRG are stalled, though there have been some positive developments, such as the agreement allowing the KRG to export oil to Turkey from two fields with the central government collecting revenue. Still, fundamental differences remain [between] federal and regional authorities [over] contracting and management of the oil and gas sector. In the absence of new hydrocarbons legislation, both the KRG and the GoI have separately pursued development contracts with international oil companies; the GoI continues to maintain that contracts signed by the KRG are illegal, and vice versa.

Petroleum resources are critical both because they are the only way any given faction in Iraq can get substantial income, and because they are the only way to rapidly increase that income. As **Figure III.2** shows, decades of war and internal tension have pushed Iraq from the income levels of a near-developed state to one that now ranks 161st in the world—far below most of its Gulf neighbors—with massive unemployment and underemployment (at least 18 percent direct unemployment).

This situation is made worse by the fact that Iraq's population of 29.9 million people has a relatively large proportion of people under 30 years of age, and is steadily growing at more than 2.5 percent per year. Iraq also has an extreme imbalance in income distribution. Nearly 40 percent of the population (38.8 percent) is now 14 years of age or younger and 313,500 men and 304,900 women become old enough to enter the labor force each year.⁴² Control of petroleum resources and the flow of government revenues have a substantial impact on this portion of the population that is largely unemployed and prone to joining insurgent networks. Water, control of land, and industry are important, but have less immediate impact.

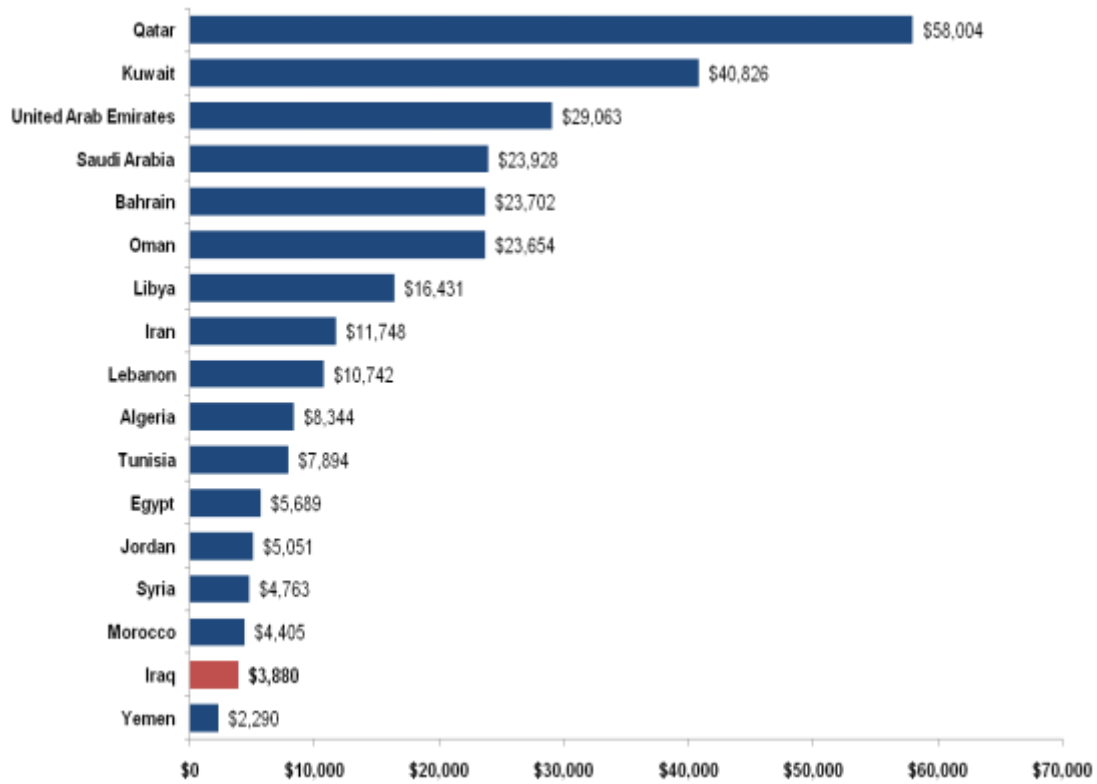
⁴⁰ CIA, *World Factbook*, 2009, https://www.cia.gov/library/publications/the-world-factbook/geos/countrytemplate_iz.html; Energy Information Administration (EIA), *Iraq Country Report*, June 2009, <http://www.eia.doe.gov/cabs/Iraq/Background.html>.

⁴¹ Excerpted from DOD, *Measuring Security and Stability in Iraq*, October 30, 2009, v.

⁴² CIA, *World Factbook*; EIA, *Iraq Country Report*.

Figure III.2: Why Iraq Is Not an Oil-rich Nation: Comparative GDP per Capita (\$US)

Country	Global Ranking	GDP Per Capita (PPP) (CY 2008)
Qatar	3	\$110,700
Kuwait	6	57,400
United States	10	46,900
UAE	21	39,900
Bahrain	28	37,300
UK	32	36,500
Israel	49	28,300
Saudi Arabia	59	20,500
Oman	60	20,200
Libya	79	14,400
Iran	87	12,800
Turkey	92	11,900
Lebanon	98	11,100
World	101	10,400
Algeria	126	6,900
Egypt	135	5,400
Jordan	139	5,100
Syria	142	5,000I
Iraq	161	3,700
Gaza Strip	165	2,900
West Bank	167	2,900



Sources: CIA, World Factbook, on-line edition, accessed September 2009. Data vary by year; primary source year is CY2008. U.S. Department of State Iraq Office, *Iraq's Economy* (March 2009)

Control over the petroleum resources in the Kurdish zone and over the oil and gas fields in disputed territories like Kirkuk is an especially contentious issue, as is the sharing of national oil export revenues (Kurds now get 17 percent although they probably have only 13 percent–15 percent of the population), as well as the KRG's ability to export oil through the national network of petroleum pipelines.

An estimated 20 percent of Iraq's total oil reserves are in the northern Iraq, near Kirkuk, Mosul, and Khanaqin. According to the U.S. Energy Information Administration (EIA),

The Ministry of Oil has central control over oil and gas production and development in all but the Kurdish territory through its three operating entities, the North Oil Company (NOC), the South Oil Company (SOC), and the Missan Oil Company (MOC), which was split off from the South Oil Company in 2008. According to the NOC's website, their concession and jurisdiction extends from the Turkish borders in the north to 32.5 degrees latitude (about 100 miles south of Baghdad), and from Iranian borders in the east to Syrian and Jordanian borders in the west. The company's geographical operation area spans the following governorates: Tamim (Kirkuk), Nineveh, Irbil, Baghdad, Diyala, and part of Babil to Hilla and Wasit to Kut. The remainder falls under the jurisdiction of the SOC and MOC, and though smaller in geographical size, includes the majority of proven reserves. MOC's oil fields hold an estimated 30 billion barrels of reserves. They include Amara, Halfaya, Huwaiza, Noor, Rifaee, Dijaila, Kumait, and East Rafidain.⁴³

These disputes involve not only Iraq's northern oil fields, but much of its gas reserves—which are centered around the Kirkuk fields, particularly the nonassociated gas that is easiest to export. They also involve use of Iraq's existing pipeline network. As **Figure III.3** shows, most exports now go through pipelines to the south and terminals in the Gulf. The pipeline that extends to a port in the Mediterranean through Turkey goes through Ninewa in the north, bypassing the Kurdish region and making the Kurds dependent on the national system for efficient exports.

The KRG has also issued a number of contracts for fields inside the KRG area and is now exporting oil from these fields. The Iraqi central government has strongly resisted such efforts, as have virtually all Iraqi Arabs. The government also disputes Kurdish control over petroleum even within the Kurdish zone.⁴⁴

The EIA reported that

The Kurdistan Regional Government (KRG), the official ruling body of a federated region in northern Iraq that is predominantly Kurdish, passed its own hydrocarbons law in 2007. Despite the lack of a national Iraqi law governing investment in hydrocarbons, KRG has signed oil production sharing, development, and exploration contracts with several foreign firms. In addition, more than a dozen contracts signed by the central government with international companies during Saddam Hussein's regime are being renegotiated or may come under review when Iraq's oil law and investment framework is in place. In the interim, the Iraqi Ministry of Oil has approved a request from the KRG to send 60,000 bbl/d of crude oil from the Tawke and Taq fields in the Kurdish region to the northern Iraq export pipeline, effective June 2009. KRG Natural Resources Minister Ashti Hawrami expects Kurdish production to reach 250,000 bbl/d by early 2010.⁴⁵

Reports of major new discoveries of oil resources in the Kurdish area in 2009 have sharpened these controversies and ongoing disputes over how to distribute revenues from

⁴³ EIA, *Iraq Country Report*, June 2009, <http://www.eia.doe.gov/cabs/Iraq/Background.html>.

⁴⁴ Ibid.

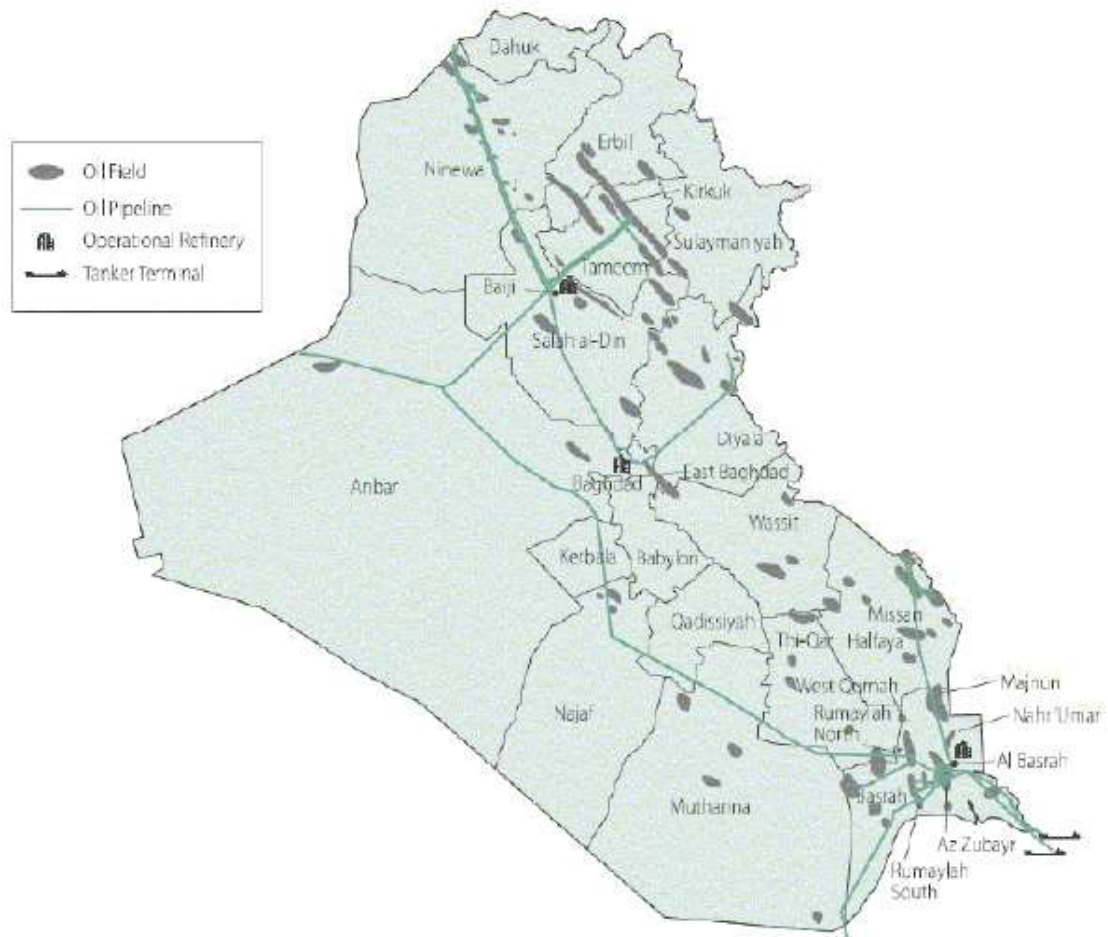
⁴⁵ Ibid.

exports in the Kurdish region that began to flow through the Iraqi national pipeline system in 2009. For example, Heritage Oil claims to have found nearly 2 billion barrels of oil at the Miran West One field in the Kurdistan region of northern Iraq, and the companies operating in the region continue to drill new wells.⁴⁶

46 Jad Mouawad, "Oil Industry Sets a Brisk Pace of New Discoveries," New York Times, September 23, 2009, http://topics.nytimes.com/top/reference/timestopics/people/m/jad_mouawad/index.html?inline=nyt-per.

Figure III.3. Iraqi Petroleum Fields and Facilities by Governorate

Source: CIA Country Profile Map



Positive Trends: Joint Security

There have been positive trends as well as negative ones. The U.S. presence in the north has been strong enough to help block at least two potential clashes between Iraqi security forces and the Peshmerga. More broadly, Prime Minister Maliki acknowledged the urgency of the situation in August 2009 and visited President Barzani in an effort to open a dialog to try to settle these differences. Although the visit scarcely put an end to tensions between the two leaders, it did move negotiations forward:⁴⁷

On August 16, 2009, MNF-I met with GoI and KRG leadership to lay preliminary groundwork for an interim security architecture along the fault line in the disputed areas. The GoI Ministers of Defense and Interior, the KRG Minister of Interior, and the Commander of the Peshmerga took part in the preliminary discussions. First and foremost, the group agreed on the primacy of protecting the Iraqi people. Additionally, a subcommittee on this security issue has been established with representatives from the GoI, the KRG, and U.S. forces. The members will provide recommendations on the security architecture inside the disputed areas, including intelligence sharing, coordination measures, command and control, and other appropriate security measures. This architecture will be consistent and in compliance with all measures of the SA and will not affect U.S. forces' responsible drawdown in Iraq.

MNF-I has since worked with the Ministry of Interior, the Kurdish Ministry of Interior, the Ministry of Defense, and the Peshmerga to develop a joint security agreement that will protect people in disputed areas like Kirkuk and reduce tensions between the Iraqi Army and Kurdish forces. This joint security command and control element for the disputed internal boundaries works in conjunction with the existing Provincial Operations Centers. As a result, three Combined Coordination Centers have been set up in Ninewa, Tameem, and Diyala, and smaller centers where appropriate. These centers have elements from the provincial government, KRG, Iraqi Army, Iraqi police, Oil Police, and Peshmerga, and the United States plays an advisory role. There also are 15 combined checkpoints near sensitive areas.

These developments came with the support of the request by both Prime Minister Maliki and President Barzani, and both sides agreed that the arrangement helped calm tensions as the UN continued to explore ways to reach some form of long-term political accommodation. Moreover, there are plans to conduct joint patrols along the disputed KRG-Iraq border area that would involve U.S., Iraqi government, and Kurdish Peshmerga forces. These patrols had not started as of December 2009 and were controversial for a number of reasons, largely because some felt they would legitimize the operation of Peshmerga units outside of the KRG. U.S. experts felt, however, that they would still go forward after the Iraqi national elections and a new Iraqi government would act on such plans. If such joint patrols do go forward, they might set a precedent that could ease the integration of the Peshmerga into the Iraqi Army and other elements of the ISF.

⁴⁷ Excerpted from DOD, *Measuring Security and Stability in Iraq*, October 30, 2009, v.

Positive Trends: The Kurdish Provincial Elections

The Kurdish provincial elections on July 25, 2009, had additional positive effects. Many political campaigns focused on practical issues like the effectiveness and corruption of the Kurdish government, and not on Arab-Kurdish tensions—in spite of the fact that public opinion polls showed that the majority of ordinary Kurds favor independence. According to the SIGIR October 2009 quarterly report,⁴⁸

On July 25, 2009, voters in the semi-autonomous Kurdistan Region (Erbil, Dahuk, and Sulaymaniyah provinces) elected a new president and parliament. The elections were the second ever held in the Kurdistan Region. Turnout was high: about 78 percent of the 2.5 million eligible voters cast ballots at more than 5,400 polling stations. All 111 seats in the Iraqi Kurdistan Parliament were at stake. Approximately 350 foreign election monitors and more than 7,000 local observers oversaw the elections.

In the presidential elections, the status quo prevailed as voters elected incumbent president Masoud Barzani of the Kurdistan Democratic Party (KDP) to another term in office. Barzani garnered about 70 percent of the vote against four other candidates. Opposition parties fared better in the parliamentary elections, dramatically reducing the size of the ruling KDP-Patriotic Union of Kurdistan (PUK) coalition's majority. The Kurdistan List—the formal name for the KDP-PUK alliance—captured 57 percent of the vote and 59 seats, down from 100 seats. The Change List party, led by a former high-ranking PUK official, won 24 percent of the vote and 25 parliamentary seats. Another opposition grouping, the Reform and Services List, won 12 percent of the vote and 13 seats. Under the Kurdistan Region's constitution, the remaining 11 seats were allocated among ethnic and religious minorities—6 for Christians and 5 for Turcoman.

...On September 16, 2009, the Kurdistan Parliament chose the PUK's Barham Saleh as the KRG's new prime minister. Saleh, the former GOI Deputy Prime Minister, won the support of 73 parliamentarians. In early October, Saleh began forming a new Kurdish government.

The new Gorran (Change) party did surprisingly well, garnering 26 seats.⁴⁹ Together with a number of smaller parties that ran during the election, Gorran may be able to break up some of the corruption and inefficiency that has affected KDP and PUK activity in the Kurdistan regional government in previous years, but there is little indication it will increase tensions in the north. Gorran does plan to run separately from the KDP-PUK alliance in the national elections in 2010, but not in ways that call for independence or that seem likely to fragment the Kurdish political structure to the point it cannot reach agreements with the new government in Baghdad.

All three of the Kurdish parties have agreed to vote as one bloc in the national legislature, giving them what is likely to be the single largest bloc in the parliament.⁵⁰ This seems likely to allow the Kurds to play a major role in the formation of a governing coalition, making them strong enough to push for autonomy without giving them the kind of political strength that could paralyze the new government.

⁴⁸ SIGIR, *Quarterly Report to Congress*, October 30, 2009, 7–8.

⁴⁹ Michael Knights, "National Implications of the Kurdish Election," *Arab Reform Bulletin*, Carnegie Endowment for International Peace, September 2009.

⁵⁰ *Ibid.*

The Role the United States Can Play

The United States cannot succeed in Iraq by treating it as if it has already achieved political accommodation and stability, or as if establishing a “normal” embassy would be adequate in giving Iraq the help it needs. The Arab-Kurdish tensions in Ninewa and Kirkuk and throughout the disputed areas form a potentially explosive situation that is going to require a strong and continuing diplomatic effort by the United States, the United Nations, and other interested parties.

It is important to note that there are several things the United States should *not* do:

1. The United States should not give the Kurds any indication that it will support their independence, that it has any interest in U.S. bases or military facilities in the Kurdish area, or will ever again provide the kind of security presence and aid in the Kurdish zone that it did during 1992—2003. A land-locked “Kurdistan” may be a humanitarian concern but it is a strategic liability and not a strategic asset.
2. The United States should not send any signals that humanitarian concerns are unimportant and it should assure all Iraqis that it will provide aid and support to the country regardless of what happens to the Kurds. The United States should not take sides, even by default. Its goal should be patient and consistent efforts to find the right territorial and economic balance to preserve the rights of all the Iraqis in the north, to give the Kurds a reasonable degree of autonomy, and to preserve Iraqi national unity. This may be too much of a “rational bargain” to succeed in the Middle East, but all of the alternatives are much worse.

At the same time, it is clear from the preceding analysis that there are areas where the United States should make continuing efforts both to aid Iraq and to lay the groundwork for an enduring strategic partnership:

- Arab-Kurdish tensions must **be** the central focus of both diplomatic and *military* attention, and the United States must do everything it can to keep the ISF from becoming polarized along Arab-Kurd lines—just as it must act to limit divisions between Sunni and Shi‘ite. The plan to create largely Kurdish 15th and 16th Divisions may now be financially and politically impossible, but some form of this option still seems highly desirable. Having largely Kurdish forces within the Iraqi Army still seems a good way to integrate a Peshmerga that now totals nearly 190,000 men into a smaller force that is both national and offers the Kurds some degree of security. The United States might also consider making it clear that the level of U.S. military aid and assistance will vary with the degree to which Kurdish officers are integrated into all of the elements of the ISF, including senior command positions.
- U.S. military advisory teams—and arms transfers, military assistance, and financial aid—may be able to provide powerful tools for preventing the ethnic and sectarian polarization of the ISF and for making it both a national and professional entity. It may be tempting to downsize this effort too quickly, to eliminate or reduce aid too much, or to focus on securing withdrawal. But the United States must resist this temptation. It should seek to maintain as strong a military aid effort as possible through 2011, and to institutionalize such an effort in 2012 and beyond. It is clear in talking to members of the ISF that most senior Iraqi officers want this type of aid and recognize that it is needed. It is also clear that Iraqi officers do see the need for a national, rather than polarized, ISF and that working with them can be a powerful force in developing Iraqi unity.

In practice, Kurdish-Arab tensions are so serious that the United States should continue to support joint security efforts even as U.S. forces steadily decline through December 31, 2011. While Iraqi politics and sensitivities must be considered, the United States should work with both sides to keep U.S. military officers active in joint checkpoints and patrols and in working with both Arab and Kurdish soldiers to oversee efforts that increase

communication, coordination, and cooperation between the two parties. If both sides consent, the United States should continue to provide on-the-scene security advisers and work directly with each side to provide rapid response to any incidents, seek compromises that could lead to longer-term solutions, and offer incentives in terms of aid. If not, the United States should consider whether such a role can be performed by the United Nations or with international peacekeeping support.

After 2011, the U.S. military advisory effort should work with the Arab and Kurdish elements of the ISF and with the Peshmerga to do everything possible to minimize clashes that could escalate far beyond the intent of either side. It also should find ways to help both sides integrate the Peshmerga into the ISF. Such efforts may be working out compromises to give the Peshmerga a degree of autonomy while integrating them into the Iraqi security forces, and in assisting the Iraqi police directly in becoming a local security force that could support political accommodation.

More generally, the United States should make sustained diplomatic efforts to persuade the Kurds to be realistic, to look beyond history and geography and to accept the fact that their position has changed since the period after 2003 when the Arab side was much weaker. The Kurds need to accept practical compromises and do so as quickly as possible, before a new legacy of tension and anger makes such compromise steadily more difficult.

The United States should make similar diplomatic efforts to persuade Iraqi Arabs. They will need a similar U.S. effort to persuade them to focus on achieving national unity, rather than on exploiting the Kurdish issue to score domestic political points in their own internal power struggles or focusing on Arab identity at the cost of political accommodation. The United States needs to work with the United Nations and other countries to convince Iraq's Arabs that the Kurds have legitimate reason to seek some degree of autonomy, to focus on the protections offered by the constitution, and to want Iraqi Security Forces to be structured in a way that gives the Kurds some guarantee of security and ensures that Kurdish officers have a fair share of command.

Both sides will need to be reminded that that their tensions cannot be separated from the need to complete the defeat of Al Qaeda and to limit the rise of Neo-Ba'athists to political roles—rather than empower Neo-Ba'athist insurgents.

One key tool in supporting such efforts would be to establish a U.S. consulate in the Kurdish zone, and U.S. aid teams in the Arab north, that could assume many of the roles previously played by PRTs. Specialists within such a consulate and aid teams could also assist the ISF and Iraqi government in counterinsurgency and counterterrorism activities tailored to a region that remains the center of Sunni neo-Ba'athist and jihadist threats.

Working out such arrangements must consider Iraqi sensitivities, and will require careful and continuing dialogue with the Iraqi central government to assure it that the United States is supporting its goals and not challenging its sovereignty. Establishing such consulates and aid teams will also present security problems, particularly in the Arab north, but U.S. diplomatic action in Iraq must become risk-oriented to succeed.

Lastly, the United States should continue to work with Iraqi leaders and members of the parliament to reach a more lasting agreement on Kirkuk along the lines outlined earlier in this chapter. Kirkuk is a key flashpoint and must be treated as such.

4. The Sunni Insurgency and Sunni Politics

Sunni Jihadists and neo-Ba'athist insurgents remain another serious threat to Iraqi security and stability. They are actively seeking to use terrorism and large scale bombings of Shi'ites and Kurds to provoke another round of civil conflict and reprisals. Nevertheless, it currently seems more likely that the vast majority of Sunnis will seek to play a peaceful role in Iraqi politics, rather than return to serious sectarian violence.

The insurgent threat, however, is only part of the story. Sunni politics remain fragmented and weak, and are inevitably impacted by the economic problems and demographic pressures described in later chapters. The lack of a cohesive Sunni political structure, Sunni anger at the loss of control over Iraq and perceived discrimination by Shi'ite and Kurdish political leaders, Shi'ite fits of neo-Ba'athist and Sunni political competition, and Kurdish tensions with largely Sunni Arab populations in the north will all be sources of serious internal tensions long after the scheduled withdrawal of US forces by December 31, 2011.

Once again, the US must be proactive in helping Iraq deal with these partners for at least half a decade in the future. A failure to do so again risks turning a key strategic partnership into a major strategic defeat.

The Broader Range of Sunni-Shi'ite Tensions and Intra-Sunni Power Struggles

Sunnis play a steadily growing role in Iraq's politics, and the Provincial elections in January 2009 showed that they could achieve a significant degree of political power through the ballot box. Polls and votes show that most Arab Sunnis and Shi'ites want an end to sectarian violence, and favor a unified nation with a strong central government.

Forced migration has also reduced the level of confrontation in mixed areas, although Sunnis make up the majority of the displaced persons inside and outside Iraq. This is a critical issue not only because UN High Commission on Refugees (UNHCR) reports that approximately 2.65 million Iraqis remain displaced inside Iraq, but also because approximately 1.90 million Iraqis are refugees residing outside Iraq.⁵¹ These totals include large percentages of Iraq's former political elite, professionals, doctors, lawyers, engineers, and technocrats – a major source of potential support for the Sunni insurgents and a pool of talent that is badly needed inside the country.

Nevertheless, the sectarian competition for power, wealth, and positions in the Iraqi government and security forces affects every aspect of the Shi'ite Arab and Sunni Arab politics in Iraq. Shi'ite Arabs and Sunni Arabs still need several years to find out whether they can develop a truly stable relationship. The ongoing fighting, divisive insurgent bombings, the budget crisis, and tensions over sharing Baghdad, Basra, and oil revenues all remain potential sources of tension and possible conflict.

⁵¹ Special Inspector General for Iraq Reconstruction (SIGIR), *Quarterly Report to the United States Congress*, (Public Law 108-106, as amended, and Public Law 95-452), October 30, 2009, pp. 80-81.

The fact that Iraqi Sunnis now recognize that elections are the key to power has triggered deep political rivalries between tribal elements and between the national Sunni parties that emerged at a time when most Sunnis stood aside from the elections. As a result Sunni power blocs are just emerging, fragmented, constantly shifting, and complex. Some are local, some are nationalist, some are “neo-Ba’athist” – which can range from secular political activist to Islamist insurgent, some are peacefully religious, some are largely anti-Kurd, and some organize against Arab Shi’ites while others ally with them. These competitions affect many aspects of Iraqi government and impact some elements of the security forces.

The Sunni party that now plays the largest role in the Iraqi legislature, the Iraqi Islamic Party, is the product of a time when most Sunnis stood aside from the political process. It has limited legitimacy and uncertain popular support. It came to office at a time when most Sunnis boycotted elections they saw as illegitimate, as dominated by Shi’ites and Kurds, and with a constitution imposed by an illegitimate foreign invader. It did not show that it could win large-scale Sunni support in the provincial elections. Consequently, key leaders like Vice President Tariq al-Hashmi, have broken with the party, as has Mahmoud al-Mashadani, the former speaker of Parliament who was pushed out of office in 2008.

However, other Sunni leaders are emerging, like the governor of Ninewa described in the previous chapter. This also includes tribal leaders like Ahmed Abu Risha, who emerged after his brother, a key leader in the Awakening and Sons of Iraq in Anbar was killed. At this point, however, it is unclear whether leaders like Risha will ally themselves on any stable basis with some new Sunni coalition based on elements of the Iraqi Islamic Party or with a coalition that includes Shi’ite leaders. There are reports that Risha will ally with Sunni leaders like Interior Minister Jawad al-Bolani (leader of the Constitution Party) and Saleh al-Mutlak, who has strong neo-Ba’athist ties), and others that he might eventually ally himself with the new Maliki-led State of Law coalition – which was formed in early October 2009 and includes some 40 of Iraq’s chaotic mix of 296 different political parties.⁵²

Other Sunni elements are still allied with nationalist parties like those led by former Prime Minister Ayad Allawi (a Shi’ite) – who now seems undecided as to whether to ally himself with some nationalist coalition party or with the Islamic Supreme Council of Iraq (ISCI). There is fragmentation among Sunni tribal leaders, the urban leaders, and among the neo-Ba’athists – some are now committed to the political process and others remain in the insurgency or in an awkward middle ground between politics and violence.

If things go well, this fragmentation – combined with that in the Shi’ite coalition -- could push both Sunni and Shi’ite leaders towards compromise and mixed coalitions. This seems to have been a key goal behind Maliki’s decision to leave the Shi’ite coalition

⁵² These alignments seem to vary by the day. See Anthony Sahdid, “Maliki Creates Coalition to Compete in Iraqi Vote,” *Washington Post*, October 2, 2009; Anthony Sahdid and Nada Bakri, “In Sign of Times, Alliances Shift Ahead of Iraqi Elections,” *Washington Post*, September 30, 2009; Steven Lee Myers, “Unity is Rallying Cry Ahead of Iraq Elections,” *New York Times*, October 1, 2009; Steven Lee Myers, “Iraqi Leader Creates Board Coalition,” *New York Times*, October 2, 2009.

party, the Iraqi National Alliance, to split with the Islamic Supreme Council of Iraq (ISCI), and instead form his own Rule of Law Coalition.

The debates over Iraq's election law in late 2009 have shown, however, that the end result could be a new polarization of Sunnis and Shi'ites before the election. There is also a risk that if some form of Shi'ite and Kurdish coalition dominates the formation of a new government in 2010, the resulting effort to control Iraq's revenues and the ISF could revive the Sunni insurgency. At this point, alignments are unstable at best. Trying to predict them is like trying to win a "shell game," or make rational sense of the classic Abbott and Costello routine, "Who's on First?"

The Threat Posed by the Sunni Insurgency

So far, these politics and Arab-Kurdish tensions have not halted the decline in Sunni insurgency activities. The broad patterns in the insurgency have already been described in Chapter II, and it is clear that the current threat is much lower than during 2006-2008. More detailed maps of the specific patterns in Sunni violence are shown in **Figures IV.1 to IV.3**, and they too reflect a decline in the intensity of the violence and the areas covered by Sunni insurgents – *although scarcely their defeat*.

Discussions with US experts in Iraq in late October and early November 2009 produced near unanimity that it would take years to fully put an end to the Sunni side of the insurgency, and that significant violence would continued into 2012 and well beyond. Progress is relative, and the achievement of major improvements in day-to-day security is very different from the elimination of insurgents' capacity to carry out attacks designed to undermine the Iraqi government and ISF, or the elimination of those that seek to exploit Iraq's sectarian and ethnic differences to engender renewed civil conflict.

Declassified Intelligence Estimates of the Threat

The Department of Defense summarized the status of the Sunni insurgency in Iraq as follows in August 2009:

Despite the recent increase in high-profile attacks (HPA) in April 2009, overall attack trends indicate that AQI is unable to return to the operational tempo it maintained in 2006 and early 2007 due to the ISF's increasing effectiveness, the maturation of the Sunni Awakening movement, and continued pressure on AQI networks by Coalition and Iraqi forces. AQI's ability to raise and disperse funding has been severely impeded, and Coalition targeting of key leadership and operatives constrains AQI's efforts to direct and carry out attacks. AQI does retain the ability to conduct HPAs, but Coalition and ISF operations have made it increasingly difficult. The ISF were in the lead in 14 of the 18 provinces during the transition of provincial governments, with Coalition assistance provided for planning and managing security details.

...The insurgency in Iraq continues to decline but remains dangerous. Several Sunni nationalist groups, including Jaysh Muhammed, Jaysh Al Islami, the 1920s Revolutionary Brigade, and the Jaysh Rijal al-Tariq al-Naqshabandi (JRN), remain in armed resistance and continue to conduct attacks against U.S. and Iraqi forces.

...Coalition and ISF operations continue to impede AQI's and other insurgents' and militants' freedom of movement and resupply capabilities. The ISF are taking the lead in operations in northern Iraq, and U.S. forces operate in supporting roles to the ISF.

Security operations in Basra, Baghdad, Ninewa, Maysan, and Diyala have produced encouraging results that further degraded the capabilities of AQI and reduced the activities of militias. Iraqi and Coalition forces have extended control over more areas of Iraq, and ongoing operations have severely degraded AQI activities, finances, and supply networks, leading to the capture of several high-value individuals. Extensive COIN operations in Mosul and Diyala continue to pressure AQI networks and clear areas that had been AQI strongholds. Although Iraq has achieved progress, AQI retains limited capability to conduct HPAs targeting civilians and ISF, mostly in Baghdad and the North.

...Reasons for Sunni Arab violence in Iraq are numerous, but some significant motivators include economic concerns, religious extremism, the continued presence of Coalition forces, the perception of GoI targeting of SoI leaders, and the perceived lack of assistance from the GoI for the Sunni community. Due to high unemployment and underemployment rates and an overall environment of economic difficulties, many low-level Sunni insurgents continue activities in order to earn an income.

Inter-group cooperation at lower levels to achieve mutual goals is common. In addition to money, a small number of hard-line Sunni insurgents continue to draw motivation from a desire to return to power in Iraq. These individuals will continue attempts to destabilize Iraq with the intent of discrediting the GoI.

Religion and nationalism also play a part for a small number of Sunnis who conduct attacks either to expel the "occupiers," remove perceived Iranian influences, or highlight instances where Islamic Law may have been violated. There is also an unknown level of Sunni violence attributable to common criminal activities, personal grudges, or tribal rivalries.

Despite significant leadership losses and a diminished presence in most population centers, AQI continues to conduct periodic, targeted HPAs, albeit at a reduced rate compared to 2006-2008. AQI is increasingly focusing its rhetoric and its attacks against Iraqis, including the GoI, ISF, and civilians, in an effort to discredit the GoI and incite sectarian violence as Coalition troops prepare to draw down. In upcoming months, AQI may attempt to take advantage of political and security changes, including detainee releases and growing ISF responsibility for security, in an effort to reassert its presence in some areas of Iraq.

AQI is experiencing significant hardship in northern Iraq, although Ninewa Province remains the group's logistical and support center. Improved security, combined with Coalition forces and ISF operations, continue to degrade AQI's leadership and operational capabilities. These internal network pressures in late 2008 caused AQI to reduce foreign fighter movement into Iraq. Despite the increase in high profile attacks in recent months, the overall low number of attacks, combined with AQI's degraded media apparatus, has diminished external support and funding for AQI. Nevertheless, AQI has remained viable by evolving into a more indigenous organization, increasingly relying on Iraqis for funding and manpower.⁵³

The Department of Defense did, however, report deterioration in some aspects of the situation:

Violence levels in Iraq, as measured by weekly overall security incident levels and including all reported attacks against civilians, the ISF, and Coalition forces, have averaged 147 per week this reporting period and remained consistent with the last reporting period.

Despite the consistent levels of violence, violent civilian deaths across Iraq have increased this reporting period, due to an increase in HPAs conducted in the month of April 2009.

⁵³ Excerpted from Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252) (Dated June 2009, but issued in August.)

The daily average number of civilian deaths due to violence increased from 7.7 per day to 9.2 per day. Although HPAs caused a number of civilian deaths during the reporting period, these attacks have not rekindled a cycle of ethno-sectarian violence, as evidenced by the fact that Iraq's reported murder rates remained at the lowest levels recorded by the Coalition.

Since the last reporting period, the average number of attacks executed daily increased. Four of the 18 provinces, Baghdad, Diyala, Ninewa, and Salah ad Din, contain approximately half of Iraq's population and accounted for 80% of these attacks. Attacks in Ninewa Province increased by 50%. Insurgents continue to adapt their tactics and have increased the use of RKG-3 anti-armor grenades to attack Coalition force convoys, a tactic primarily used in Baghdad and in the provinces north of Baghdad. Monthly RKG-3 attacks have almost doubled during this reporting period.

During this reporting period, the number of monthly HPAs, including HPAs found and cleared, increased from the previous reporting period, which had the lowest level since the spring of 2004. AQI retains the intent and capability to carry out spectacular attacks. During this reporting period, 60% of all casualties were from HPAs, mostly due to increased activity in April 2009. AQI's use of person-borne improvised explosive devices (PBIED) remains a key tactic, as PBIEDs continue to be a deadly weapon in the insurgent arsenal and are most commonly associated with AQI.⁵⁴

The Department produced similar conclusions in an updated analysis it issued in late 2009:

Security incidents throughout Iraq continue to show a decreasing trend of violence...the ISF and GoI continue to pressure violent networks, with inconsistent results, while U.S. targeting of key leadership and operatives constrained many AQI efforts to direct and carry out attacks. Although AQI is still able to conduct high profile attacks (HPAs), their fund-raising capabilities and freedom of maneuver remain degraded. These attacks are frequently intended to incite sectarian violence, but there is little support for continued violence among the majority of the populace. Other violent extremist organizations, both Shi'a and Sunni, continue to challenge the ISF. Many factors, including economic development, border controls, and sectarian tensions affect aspects of security.

... Security incidents remain at the lowest levels in more than five years, and progress in the security environment remains generally steady but uncertain. The ISF have increased capability and professionalism, paving the way for the re-positioning of U.S. forces in accordance with the SA. However, other areas continue to reveal significant challenges, including the development of the Iraqi justice and penal systems, control of border areas to reduce the import of lethal materials, and developing ministerial processes to coordinate sovereignty and security matters.

The insurgency in Iraq continues to decline, but remains dangerous. Several Sunni nationalist groups, including Jaysh Muhammed (JM), Jaysh Al Islami (JAI), the 1920s Revolutionary Brigade, and the Jaysh Rijal al-Tariq al-Naqshabandi (JRN), remain in armed resistance and continue to conduct attacks against U.S. and Iraqi forces.

...Security operations in Baghdad, Basrah, Diyala, Maysan, and Ninewa have produced encouraging results that further degraded the capabilities of AQI and reduced the activities of militias. Iraqi forces have extended control over more areas of Iraq, and ongoing operations have severely degraded AQI activities, finances, and supply networks, leading to the capture of several high-value individuals.

Extensive COIN operations in Mosul and Diyala have continued to pressure AQI networks and clear areas that had been AQI strongholds. Clearance operations in Diyala continue, but the focus

⁵⁴ Excerpted from Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252) (Dated June 2009, but issued in August.)

has shifted to stability and support operations as of mid-August 2009. Although Iraq has made progress, AQI retains a limited capability to conduct HPAs, targeting civilians and ISF primarily in mixed urban areas, such as Baghdad, Diyala, Mosul, and Kirkuk.⁵⁵

Key Sunni Groups

AQI and its cover structure -- the Islamic State of Iraq -- are still credited as being the most important Sunni insurgent group, although estimates of its strength, influence, and capabilities differ sharply among US experts.⁵⁶ Some experts feel that neo—Ba’athist groups like the Jaysh Rijal al-Tariq al Naqshabandi (JRN) are also emerging as more significant insurgent elements, and experts disagree over the level of coordination among AQI and such movements.

The US State Department provided the following declassified summary of the status of AQI in its April 2009 report on terrorism.⁵⁷

... In January 2006, in an attempt to unify Sunni extremists in Iraq, al-Qa’ida in Iraq (AQI) created the Mujahidin Shura Council (MSC), an umbrella organization meant to encompass the various Sunni terrorist groups in Iraq. AQI claimed its attacks under the MSC until mid-October, when Abu Mus’ab al-Zarqawi’s successor, Abu Ayyub al-Masri, took the first step toward al-Qa’ida’s goal of establishing a caliphate in the region by declaring the "Islamic State of Iraq" (ISI), under which AQI now claims its attacks. Although Iraqis compose at least 90 percent of the group’s membership, it is probable that the majority of AQI’s senior leadership is foreign-born. In an attempt to give AQI a more Iraqi persona, the AQI-led ISI was created and headed by Abu Umar al-Baghdadi.

Abu Ayyub al-Masri, Zarqawi’s successor, issued a statement pledging to continue what Zarqawi began, and AQI has continued its strategy of targeting Coalition Forces, Iraqi government groups, anti-AQI Sunni tribal and security elements, and Shia civilians to provoke violence and undermine perceptions that the Iraqi central government can effectively govern. AQI has claimed joint attacks with both Ansar al-Islam (AI) and the Islamic Army in Iraq (IAI);

⁵⁵ Excerpted from Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), October 30, 2009, pp. 22-23.

⁵⁶ AQI proclaimed an Islamic State of Iraq at the height of its success in 2006. It uses the name as a cover, often claiming the support of outside groups that are little more than cover groups, although there are real affiliates like Ansar al-Islam.

⁵⁷ While Western sources usually use one name for AQI, it has many names and titles: *Al-Qa’ida in Iraq (Tanzim Qa’idat al-Jihad Fi Bilad al-Rafidayn*, a.k.a. al-Qa’ida Group of Jihad in Iraq; al-Qa’ida Group of Jihad in the Land of the Two Rivers; al-Qa’ida in Mesopotamia; al-Qa’ida in the Land of the Two Rivers; al-Qa’ida of Jihad in Iraq; al-Qa’ida of Jihad Organization in the Land of The Two Rivers; al-Qa’ida of the Jihad in the Land of the Two Rivers; al-Tawhid; Jam’at al-Tawhid Wa’al-Jihad; Tanzeem Qa’idat al Jihad/Bilad al Raafidaini; Tanzim Qa’idat al-Jihad fi Bilad al-Rafidayn; The Monotheism and Jihad Group; The Organization Base of Jihad/Country of the Two Rivers; The Organization Base of Jihad/Mesopotamia; The Organization of al-Jihad’s Base in Iraq; The Organization of al-Jihad’s Base in the Land of the Two Rivers; The Organization of al-Jihad’s Base of Operations in Iraq; The Organization of al-Jihad’s Base of Operations in the Land of the Two Rivers; The Organization of Jihad’s Base in the Country of the Two Rivers; al-Zarqawi Network. The State Department analysis is drawn from Office of the Coordinator for Counterterrorism, “Terrorist Organizations,” [Country Reports on Terrorism 2008](http://www.state.gov/s/ct/rls/crt/2008/122449.htm), US State Department, April 30, 2009, <http://www.state.gov/s/ct/rls/crt/2008/122449.htm>.

however, ideological differences have prevented these groups from merging. More recently, IAI and the 1920 Revolution Brigades cooperated with Coalition Forces in targeting AQI.

The threat from AQI continued to diminish in 2008. AQI, although still dangerous, has experienced the defection of members, lost key mobilization areas, suffered disruption of support infrastructure and funding, and been forced to change targeting priorities. Indeed, the pace of suicide bombing countryside, which we consider one indicator of AQI's operational capability, fell significantly during last year.

High-profile attacks in 2007 included the suicide car-bombing attack of a mosque in Al Habbaniyah in February, the multiple suicide bombing attack of Shia pilgrims in Al Hillah in March, several chlorine gas canister bombings from January through June, an orchestrated bridge bombing campaign throughout Iraq aimed at isolating Baghdad Shia population concentrations and disrupting ground transportation from January through October, the suicide truck bombing of a market in Tall 'Afar in March, the suicide truck bombings of a market and Patriotic Union of Kurdistan (PUK) party offices in Amurli and Kirkuk in July, and the single deadliest attack of the Iraq war, the multiple suicide truck bombings of two Yazidi villages near Sinjar in August.

...Membership is estimated at 2,000-4,000, making it the largest, most potent Sunni extremist group in Iraq. AQI perpetrates the majority of suicide and mass casualty bombings in Iraq, using both foreign and Iraqi operatives. The selection of civilian targets, particularly in large urban areas, generates widespread media coverage, but garners public backlash against the group... AQI's operations are predominately Iraq-based, but it has perpetrated attacks in Jordan. The group maintains an extensive logistical network throughout the Middle East, North Africa, Iran, South Asia, and Europe. In Iraq, AQI currently conducts the majority of its operations in Ninawa, Diyala, Salah ad Din, and Baghdad provinces and to a lesser extent Al Anbar...AQI probably receives funds from donors in the Middle East and Europe, local sympathizers in Iraq, from a variety of businesses and criminal activities, and other international extremists throughout the world. In many cases, AQI's donors are probably motivated to support terrorism rather than an attachment to any specific terrorist group.

Major General Hussein Kamal, the chief of intelligence and investigation in the Ministry of the Interior, is reported to have said that AQI and neo-Ba'athist elements met on July 30th in Zabandani, in southwestern Syria near Lebanon, to plan a command strategy and major attacks.⁵⁸ Some US experts in Iraq questioned such reports, feeling that the Iraqi government has tried to make Syria a scapegoat to explain the lack of security in Iraq.

AQI may be down, but it is scarcely out. AQI is still active in Diyala and Baghdad, and controls small parts of Ninewa. It has the ability to execute suicide and vehicular bombings against populated areas throughout Iraq, and has shown considerable skill in infiltrating bombers into guarded areas and in some cases bribing ISF and other security personnel. Its August 19th and October 25th attacks targeted the Justice, Finance, and Foreign Ministries, as well as the provincial council in Baghdad.

These attacks showed AQI's continued ability to execute complex joint operations, and allowed AQI to launch a major propaganda attack on the Maliki government for being too weak to provide security.⁵⁹ They also showed that AQI could still obtain a wide range of explosives, include C-4, fertilizer, conventional explosives, and artillery shells, and

⁵⁸ Ernesto Londono, "Al-Qaeda in Iraq Regaining Strength," *Washington Post*, November 22, 2009, p. a16.

⁵⁹ For an interesting analysis of recent trends in AQI, see Myriam Benraad, "Iraq's Enduring al-Qaeda Challenge," *Policy Watch # 1604*, Washington Institute, November 18, 2009.

pack or deploy them in ways that had massive effect. More than 250 people died, and 1,000 wounded, in the two attacks.

Its leaders and membership now is largely Iraqi. It has far fewer foreign volunteers, and is more of a “national” Sunni movement.⁶⁰ One US expert indicated in November 2009 that only 4-5 foreign volunteers a month were now coming in through Syria. AQI has restructured its leadership to develop mobile cadres of leaders and enablers to carry out major local attacks and to reduce the vulnerability of its leadership. It has also brought at least some released detainees back into its structure. At the same time, it has capitalized on Iraq’s economic problems, poverty, and widespread underemployment to keep recruiting “expendable” part time volunteers.

AQI is more cautious in the way it deals with local Sunni populations and seems to be trying to avoid the abuses that helped trigger the Sunni uprising against it in Anbar, along with the creation of the Sons of Iraq. While it still targets Shi’ite and Kurdish populations, Shi’ite religious targets, and moderate Sunni clergy, it is far more cautious about claiming responsibility for such attacks and in openly denouncing Shi’ite beliefs. It publicly claims to attack the GoI as a tool of the US, and the US as an occupying power, rather than Iraqis. It also is making efforts to claim responsibility for US withdrawals and for “driving” the US out of Iraq.

As for other largely Sunni insurgent groups the Department of Defense lists as still active, most have at least some neo-Ba’athist elements. While they remain relatively small, these neo-Ba’athist insurgent networks appear to be growing rather than diminishing. They also have played an increasing role – if still a very limited one – in bombings in Ninewa and Salah al-din.

These groups include Ansar al-Islam, the Jaysh Muhammed (JM), Jaysh Al Islami (JAI), the 1920s Revolutionary Brigade, and the Jaysh Rijal al-Tariq al-Naqshabandi (JRN). The latter movement is an interesting fusion of a Sunni Sufi religious background and a proto-Ba’athist movement, which originated in Salah Al-Din Province and has increasingly joined AQI in conducting bomb attacks in the Mosul area and other parts of Iraq. As the following summary shows, most do not have an overt anti-Shi’ite or Islamist extremist character. At the same time, this does not mean they would not support ethnic and sectarian conflict if Iraq’s efforts at political accommodation fail.⁶¹

- *Ansar al-Islam (AI)*: a.k.a. Ansar al-Sunna; Ansar al-Sunna Army; Devotees of Islam; Followers of Islam in Kurdistan; Helpers of Islam; Jaish Ansar al-Sunna; Jund al-Islam; Kurdish Taliban; Kurdistan Supporters of Islam; Partisans of Islam; Soldiers of God; Soldiers of Islam; Supporters of Islam in Kurdistan. The US State Department reports that AI is a “Salafi terrorist group whose goals include expelling the U.S.-led Coalition from Iraq and establishing an independent Iraqi

⁶⁰ One unclassified source estimates that the number of foreign volunteers in Iraq has declined from a peak of 120 per month in 2007 to 40 in 2008, and 20 in 2009. Myriam Benraad, “Iraq’s Enduring al-Qaeda Challenge,” *Policy Watch # 1604*, Washington Institute, November 18, 2009

⁶¹ This list is partial, US experts in Iraq listed some 14 such groups in November 2009: Jaysh al-Islami, Anasar al Sunnah, Hamas al-Iraq, Islamic Front for Iraq Resistance, Political Council for Islamic Resistance, 1920s Brigade, Jaysh al Rashidin, Jaysh Muhammed, Jaysh al-Mujahideen Army, and radical groups like AQI/ISI, Ansar al-Islam, and the Army of the Naqshahbandi Order. One needs to be careful about unclassified characterizations of such groups, however, and of their activities and their strengths. Sources are weak and contradictory.

state based on Sharia law. AI was established in 2001 in Iraqi Kurdistan with the merger of two Kurdish extremist factions that traced their roots to the Islamic Movement of Kurdistan. In a probable effort to appeal to the broader Sunni jihad and expand its support base, AI changed its name to Ansar al-Sunna in 2003 in a bid to unite Iraq-based extremists under the new name. In December 2007, it changed its name back to Ansar al-Islam. AI has ties to the al-Qa'ida (AQ) central leadership and to al-Qa'ida in Iraq (AQI). Although AI did not join the AQI-dominated "Islamic State of Iraq", relations between AI and AQI have greatly improved and efforts to merge the groups are ongoing. Some members of AI trained in AQ camps in Afghanistan, and the group provided safe haven to affiliated terrorists before Operation Iraqi Freedom (OIF). Since OIF, AI has become the second-most prominent group engaged in anti-Coalition attacks in Iraq behind AQI and has maintained a strong propaganda campaign. ...AI has continued to conduct attacks against a wide range of targets including Coalition Forces, the Iraqi government and security forces, and Kurdish and Shia figures. AI has claimed responsibility for many high profile attacks in 2007, including the execution-style killing of nearly two dozen Yazidi civilians in Mosul in reprisal for the stoning death of a Muslim convert in April, the car-bombing of a police convoy in Kirkuk in July, the suicide bombing of Kurdistan Democratic Party offices in Khursbat in October, and numerous kidnappings, executions, and assassinations.... Precise numbers are unknown. AI is one of the largest Sunni terrorist groups in Iraq. (It operates p northern Iraq, but maintains a presence in western and central Iraq, and receives assistance from a loose network of associates in Europe and the Middle East.⁶²

- *Jaysh Rijal al-Tariq al-Naqshabandi (JRN)* is a neo-Ba'athist group that is associated with Sufi Sunni practices and seems to have originated in Salah Al Din. It is nationalist in character. It does not support or agreement with AQI and its call for an Islamic republic, and does not attack Shi'ite targets. It focuses on US, GoI, and ISF targets.
- *Jaysh Muhammed (Army of Muhammad; JM)* has both political and insurgent sections. Its political faction seems to be dominated by Ba'athist former members of the regime, many with past ties to Saddam Hussein. Its insurgent elements have been organized into "brigades" in the past and the group took credit for the bombing of the UN headquarters in August 2003. It claims to have only limited numbers of former fighters, and is associated with the Iraqi Islamic Patriotic Resistance (al-Muqawamah al-Wataniyah al-Islamiyah al-'Iraqiyah), the Salafi Movement for Propagation and Jihad (al-Harakah as-Salafiyah li-d-Da'wah wa-l-Jihad), the al-Qari'ah Organization (Tanzim al-Qari'ah), the Army of Partisans of the Sunnah (Jaysh Ansar as-Sunnah), and the Army of Muhammad.
- *Jaysh Al Islami (JAI)* is a more religious Sunni insurgent group that has clashed both violently and politically with AQI. It has rejected AQI's effort to say that Shi'ites and Sunnis that do not support AQI are not legitimate Muslims and most forms of ultraconservative Islamist extremism. It has denied ties to Ba'athists, and is reported to have negotiated with the GoI and US over becoming a non-militant political group.
- *Islamic Resistance Movement in Iraq, and its military wing the 1920 Revolution Brigades (Brigades of the Revolution of the Twenty)*, is said in some reports to also use the name "Islamic Resistance Movement HAMAS in Iraq" but this may actually be a splinter group." It has a large number of former members of the Iraqi Army, has strongly opposed AQI, and at least some elements have negotiated with the GoI and US. It does not attack Iraqis or Shi'ites, has focused on US targets, and is "nationalist" in character. Unlike AQI, it keeps ties to mainstream Sunni clergy.

Threat and Security by Key Province

The level of Sunni insurgent activity varies sharply by province, particularly in Sunni-dominated provinces or key mixed provinces like Baghdad. While many details affecting

⁶² Office of the Coordinator for Counterterrorism, "Terrorist Organizations," [Country Reports on Terrorism 2008](http://www.state.gov/s/ct/rls/crt/2008/122449.htm), US State Department, April 30, 2009, <http://www.state.gov/s/ct/rls/crt/2008/122449.htm>.

such estimates are classified, an unclassified SIGIR study still makes it clear that significant threats will remain in several key provinces as the US withdraws:

Anbar: Anbar remained one of Iraq's least secure provinces this quarter with security incidents concentrated in the far eastern corner of the territory. Suicide bombers targeted policemen and people waiting at checkpoints. At least 26 incidents left two or more people dead. PRT Anbar limited its movements in the provincial capital, Ramadi, following the June 30, 2009, redeployment of U.S. forces. All PRT movements this quarter required IP escort, which sometimes caused delays, though movements in rural areas were unaffected. PRT Anbar reported its monthly movements were about one-fifth what they were last winter. Provincial leaders, meanwhile, moved to crack down on imams, or prayer leaders, who sought to use the pulpit to foment political dissent. The PRT reported that the provincial governor is now requiring imams to obtain approval from government religious authorities before they can give sermons. In September, government authorities prevented seven prayer leaders from conducting Friday prayers because they did not have government Permission.

Salah Al-Din: As the home province of former President Saddam Hussein, Salah Al-Din has been one of Iraq's least secure places, but this quarter the level of violence was low. The province has suffered from waves of sectarian violence since the Golden Mosque was bombed in 2006 and again in 2007. Though the mosque's dome and minarets are once again standing, positively transforming a once painful symbol of nationwide sectarian violence, roadside bombings occurred throughout the province this quarter, particularly in the eastern half of the territory. In August and September, the PRT reported a spike in insurgent activities in Tooz and that the residents of the district traded in illegal weapons. However, the PRT reported that Samarra, the provincial capital, enjoyed relative peace and stability this quarter due to reconciliation efforts between local officials, Sons of Iraq leaders, and the Samarra Operations Center established in the wake of the 2006 and 2007 Golden Mosque bombings. With appropriate security protection, PRT members were generally free to travel anywhere in the province, but unreliable IP escorts and the inaccessibility of certain venues for tactical vehicles remained obstacles to movement.

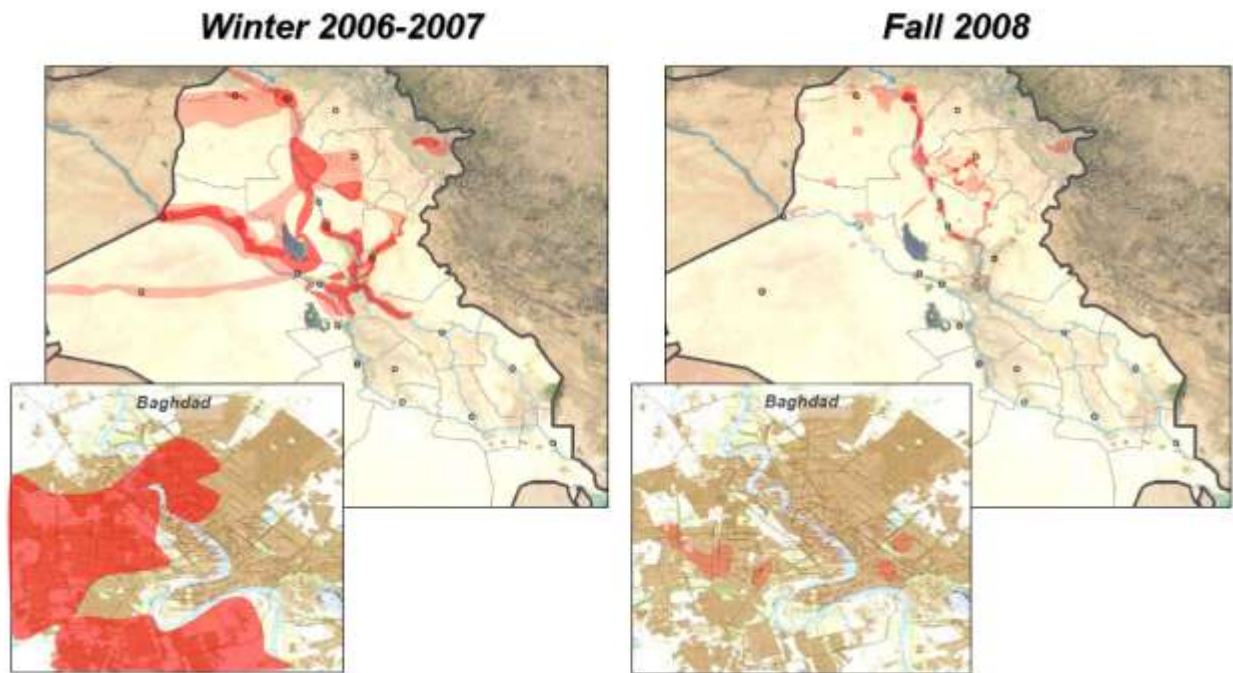
Diyala: Diyala's security situation remained volatile this quarter with at least 20 bombings, including the mid-July bombing of the office of a Sunni political party, killing five. Continued arrests and violence against Sunni leaders cast a shadow over provincial politics. The deputy governor returned to his duties in September after several weeks in hiding due to threat of arrest; a defense lawyer was gunned down outside a courthouse; a PC member's son was kidnapped and killed; and another member survived an apparent assassination attempt. Diyala's diverse ethnic composition of Kurds, Turkoman, and Arabs has led to widespread security problems and internal displacement. Approximately 80% of IDPs living in Diyala are originally from Diyala, having fled to other parts of the province to avoid being targeted for their ethnoreligious or political allegiances. Disputed boundaries with the Kurdistan Region also contribute to tensions, and although security has improved, the situation remains more tenuous than in most other areas of Iraq. PRT Diyala reduced its engagements with local officials following the June 30, 2009, withdrawal of U.S. forces from Iraqi cities, often because of a lack of IP escorts. The PRT reported that it was unclear whether ISF would be able to adequately secure the province. The PRT reported that the creation of the Diyala Defense Clinic was a key step toward developing a more functional judicial system. According to the PRT, many members of the Sunni majority in Diyala view the courts and prisons as badly biased against them, and many prisoners often either do not receive defense lawyers or do not trust them. Although court cases appeared to be moving forward—the PRT's RoL section found fewer prisoners at Ba'quba Prison than two months ago—there were still complaints of torture and abuse.

Baghdad: Roadside bombs, targeted killings, and kidnappings continued in Baghdad province this quarter, including two large coordinated bombings of the Foreign and Finance Ministries on August 19, 2009. Several Baghdad churches were bombed on July 11, 2009. The violence was concentrated in Baghdad City, with few incidents occurring in rural areas. At least 20 people were killed when a car bomb exploded outside a Shia mosque. A member of former Prime Minister Iyad Allawi's Iraqi National List was shot dead. Four people were killed in a bombing in a popular

market. The PRT and ePRTs reduced movements in Baghdad City this quarter and facilitated travel through informal, local understandings. The ISF has mostly cooperated to provide PRT and ePRT movement to government facilities and project sites in the city, with the exception of Baghdad's Sadr City neighborhood, where U.S. forces are not able to visit. The PRT expressed concern about the reappearance of extremist militias and their effect on social behavior.

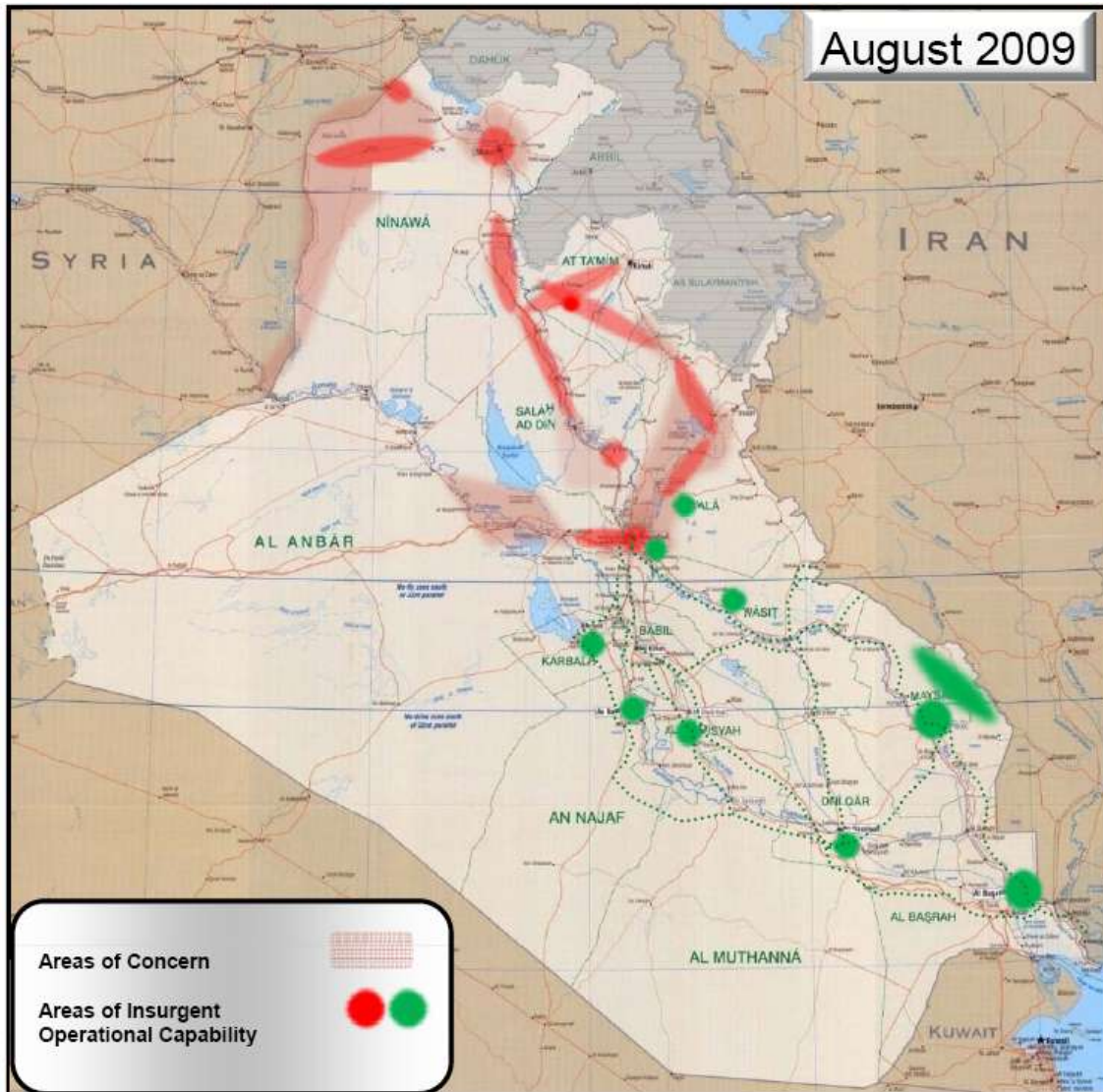
Wasit: PRT Wasit reported that the security situation in the province was generally stable this quarter despite an increase in security incidents directed against FOB Delta and convoys traveling in the province after June 30. Two separate bombings reportedly killed 15 Iraqi civilians in August—the first such attacks in some time. There were few security-related restrictions on movement this quarter, though certain communities presented greater relative danger to the PRT than others. The PRT predicted that as U.S. troops begin to withdraw further, its ability to travel throughout Wasit will decrease, and reconstruction efforts will need to be redirected to the most vital areas.

Figure IV.1: Patterns in Sunni Insurgent Violence: 2006-2008



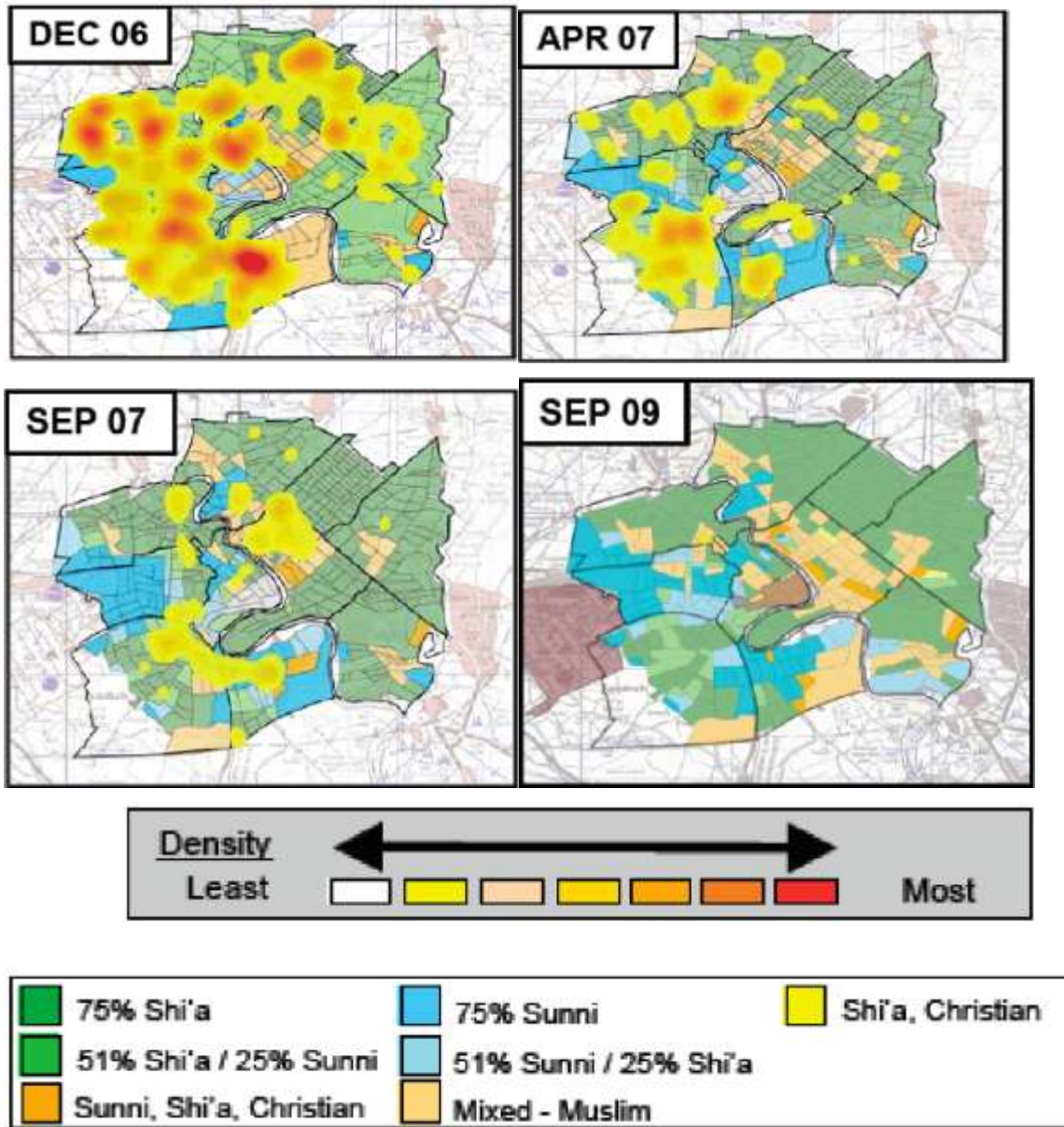
Source: General David H. Petraeus, "Iraq Update," October 7, 2008

Figure IV.2: Patterns in Sunni and Shi'ite Insurgent Violence: August 2009



Source: USCENTCOM, September 27, 2009,

Figure IV.2: Patterns in Sunni and Shi'ite Insurgent Violence in Baghdad: 2006-2009



Source: CIOC Trends (CF and Iraqi reports) as of 07-Nov-09; weekly beginning 01-May-06, and MNF-1, November 6, 2009.

Fewer Incidents, But Bombs and Attacks Remain a Serious Problem

While the data on major attacks and casualty trends continue to show much lower levels of violence, AQI and other active insurgent groups have also shifted their strategy to focus on fewer, larger, attacks. The total number of security incidents first dropped below 400 in June 2008, and remained close to 400 through November 2008. They have since averaged below 200, but figures have been far from zero. At the same time, bombings have become more lethal with a rising casualty count per bombing. AQI and groups the Jaysh Muhammed and Jaysh Al Islami have retained the ability to conduct four major types of attacks:

- Attacks against Iraqi Infrastructure and Government Organizations,
- Bombs (IEDs and Mines), both Found and Exploded,
- Sniper, Ambush, Grenade, and Other Small Arms Attacks, and,
- Mortar, Rocket, and Surface to Air Attacks

Figure IV.4 lists major bombings in Iraq since January 1, 2009, when a new U.S.-Iraqi security pact took effect.⁶³ It shows that many of these attacks were targeted against Kurds and Shi'ites in an effort to provoke reprisals and a cycle of new ethnic and sectarian violence. While Iraqi reports sometimes blame neo-Ba'athists with Syrian support or tolerance for such attacks, US experts feel they have been dominated by AQI. General Charles Jacoby, the commanding general of Multinational Corps-Iraq stated publically that the US believed that many of the most recent high-profile bombings had the signature of AQI attacks.⁶⁴ **Figure IV.5** shows the trends in such attacks relative to the overall pattern of attacks in Iraq.

More effective security does help. The number of bomb detonations at Iraqi police and army checkpoints has increased and indicates that Iraqi Security Forces may be somewhat more effective in preventing suicide bombers from reaching population centers within cities, an effort that the Iraqi government formally made a major goal in late August 2009.

Yet major new attacks did continue through **February 2010**, and these types of attacks are difficult to completely prevent in any society of normal social movement and business activity. The surviving insurgents now have years of experience, leaders and key cadres are more mobile and harder to detect, and key operations are better planned – often by cadres that move in and out of the area of operation and are thus harder to detect and attack.

Small cadres or individuals can execute such attacks. Iraqis are now doing most of the bombing and Iraqi bombers look like anyone else. Large-scale bombings can be triggered remotely at the time of an attacker's choosing. Insurgents can use women who are hard to search. They can make use of widows, men motivated by revenge and honor

⁶³ Chronology of major attacks adapted from numerous media outlets including CNN.com, Reuters FACTBOX, Associated Press, The Wall Street Journal, AFP, The New York Times, etc.

⁶⁴ DOD News Briefing with Lt. Gen. Jacoby from Iraq,
<http://www.globalsecurity.org/military/library/news/2009/09/mil-090910-dod02.htm>

killings, and young men who are virtually brainwashed in deviant forms of Islam to recruit suicide bombers. They have also shown a greater ability to use ISF uniforms and embed or recruit an agent in an ISF or government facility.⁶⁵

It is unlikely that they can be halted or reduced to token levels until the ISF become far more capable and sophisticated than they are today, nor until the point at which Iraq reaches a level of political accommodation wherein movements like AQI are rejected by virtually all elements of the Sunni population. Even the most effective security has limits so long as significant elements of the population do not actively oppose and report all insurgent activity – either suspected or confirmed, provide shelter for insurgent cadres, or can be recruited for money.

⁶⁵ For examples, see Ernesto Londono, “10 Killed in bomb blasts, assault on home in Iraq,” *Washington Post*, November 26, 2009, p. A20; Marc Santora, “In Iraq, Two Attacks Raise Concerns About a New Round of Sectarian Violence,” *New York Times*, November 26, 2009, A18.

Figure IV.4: Major Bombings since January 1, 2009**2010**

- Jan 26 – A suicide bomber attacks the Ministry of Interior, killing 21 people and wounding over 80 as part of a bombing campaign aimed at destabilizing the government
- Jan. 25 – coordinated car bombs attack three hotels frequented by Western journalists in Baghdad killing 41 people

2009

- **Dec. 8 – A series of car bombings attacks government buildings in the Dora district of Baghdad killing 127 people and wounding 448 others. The attack hit structures temporarily housing federal employees relocated after the October 25th bombing.**
- Nov. 16 – Gunmen disguised in Iraqi army uniforms killed 13 people execution style. The victims were members of a tribe that took up arms against AQI as part of the al-Sahwa movement
- **Oct. 25 – Twin car bombs do serious damage to three Iraqi government buildings in Baghdad in the worst attack since August 19th. They kill 132 and wound some 500 in a zone secured by Iraqi forces. The combination of the attacks on the 19th and 25th have hit the Foreign, finance, Justice, and Municipality and Public Works Ministries. They have also hit the headquarters of the Baghdad provincial government.**
- Oct. 16 – A suicide bomber killed 15 people and injured 100 more inside the Taqwq mosque in Tal Afar (a predominantly Sunni mosque)
- Oct. 11 – Three car bombs targeting a police station and government offices in Ramadi killed at least 25 people and injured 80 others.
- Oct. 7 – A pickup truck packed with explosives detonates at an outdoor market killing 9 people and wounding 31.
- Sept. 29 – A string of bombings around Baghdad primarily targeted at Iraqi security forces kills at least 18 people and wounds 16 more.
- Sept. 11 – Car bomb kills 25 people and injurs 43 in Wardak, a small Kurdish village outside Mosul.
- Sept. 9 – A car bomb kills a local Awakening Council leader and 7 members of his family in Kirkuk, injuring one other person.
- Sept. 7 – Three separate suicide bombers attack a Shi'ite mosque in Baquba, a bus near Kerbala and a police checkpoint just outside of Ramadi, killing 19 and wounding 39.
- Sept. 3 – Two bombs go off at Shi'ite burial sites in Musayyib and Muhauil and a truck bomber attacks a Kurdish village in Northern Iraq killing at least 28 people and wounding 91.
- Aug. 30 – Bombers strike a café in Baghdad and remote communities in northern Iraq, killing at least 18 people.
- Aug. 29 – Two truck bombers strike police garrison in Hamad and a market in Sinjar and another suicide bomber attacks a market in Baghdad, killing 16 and wounding 51.
- **Aug. 19 -- A series of bombings rocked Iraq's capital within one hour killing at least 132 people and wounding 563 others.**
- Aug. 13 – Two suicide bombers strike a popular café in the Yazidi city of Sinjar, killing 21 and wounding 30
- Aug. 10 -- Double truck bombing on eastern outskirts of Mosul, killing 28. Bombings in Baghdad kill 22.

- Aug. 7 -- Suicide truck bomber strikes a Shi'ite mosque north of Mosul, killing 44. Bombings against Shi'ite pilgrims in Baghdad kill seven. (At least 42 are killed and 154 wounded in Baghdad in five attacks on the Shi'ite religious holiday.)
- July 31 -- String of bombings target five Shi'ite mosques in Baghdad, killing 29.
- July 9 -- Two suicide bombers strike in northern city of Tal Afar, killing 38 people.
- July 9 -- Four separate bombings in Baghdad kill 18. (Series of attacks across Iraq kill at least 64 people and wound 167 others.)
- July 8 -- Car bombs explodes in two Shi'ite villages near Mosul, killing 16.
- June 30 -- Car bomb hits crowded outdoor market in the northern city of Kirkuk, killing 27.
- June 26 -- Booby-trapped motorcycle explodes in a motorcycle bazaar, killing 19.
- June 24 -- Bomb rips through crowded market in Baghdad's Sadr City, killing 78.
- June 20 -- Truck bomb explodes near a Shi'ite mosque in Taza, near Kirkuk, killing 82.
- June 10 -- Car bomb explodes in market near Shi'ite city of Nasiriyah, killing 30.
- May 21 -- Bomb in mainly Sunni area of Baghdad kills 15 people, including three Americans.
- May 20 -- Parked car bomb tears through restaurants in northwest Baghdad, killing 41 and wounding 83.
- May 6 -- Parked car bomb explodes at a produce market in southern Baghdad, killing 15.
- April 29 -- Twin car bombing in Baghdad's Shi'ite district of Sadr City kills 51.
- April 24 -- Back-to-back female suicide bombings kill 71 outside Shi'ite shrine in Baghdad.
- April 23 -- Suicide bomber hits Iraqis collecting humanitarian aid in Baghdad, killing 31.
- April 23 -- Suicide bombing in Muqdadiyah kills 53 people, including 44 Iranian pilgrims.
- April 6 -- Series of bombings in Baghdad kill 37 people.
- March 26 -- Car bomb tears through market in Shi'ite area in east Baghdad, killing 20.
- March 23 -- Suicide bomber strikes Kurdish funeral in Jalula, killing 27.
- March 10 -- Suicide car bomber targets tribal leaders at market in Abu Ghraib, killing 33 and 20 wounded in Baghdad.
- March 8 -- Suicide bomber strikes police academy in Baghdad, killing at least 30.
- March 5 -- Car bomb tears through livestock market in Hillah, killing 13.
- Feb. 13 -- Female suicide bomber targets Shi'ite pilgrims in Musayyib, killing 40.
- Feb. 11 -- Twin car bombs explode at a bus terminal and market area in Baghdad, killing 16.
- Jan. 4 -- Female suicide bomber strikes Shi'ite pilgrims in Baghdad, killing 38.
- Jan. 2 -- Suicide bomber hits tribal leader's home in Youssifiyah, killing 23.

Source: Chronology of major attacks adapted from numerous media outlets including CNN.com, Reuters FACTBOX, Associated Press, The Wall Street Journal, AFP, The New York Times, etc.

Figure IV.5: Security Incidents versus High Profile Attacks: 2004-2009

Total Security Incidents

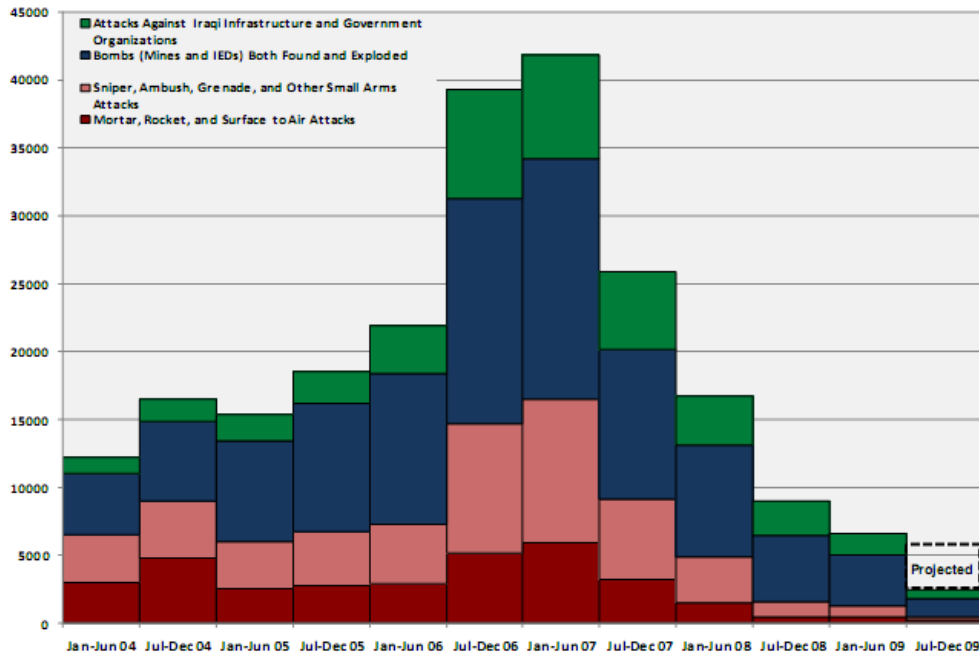
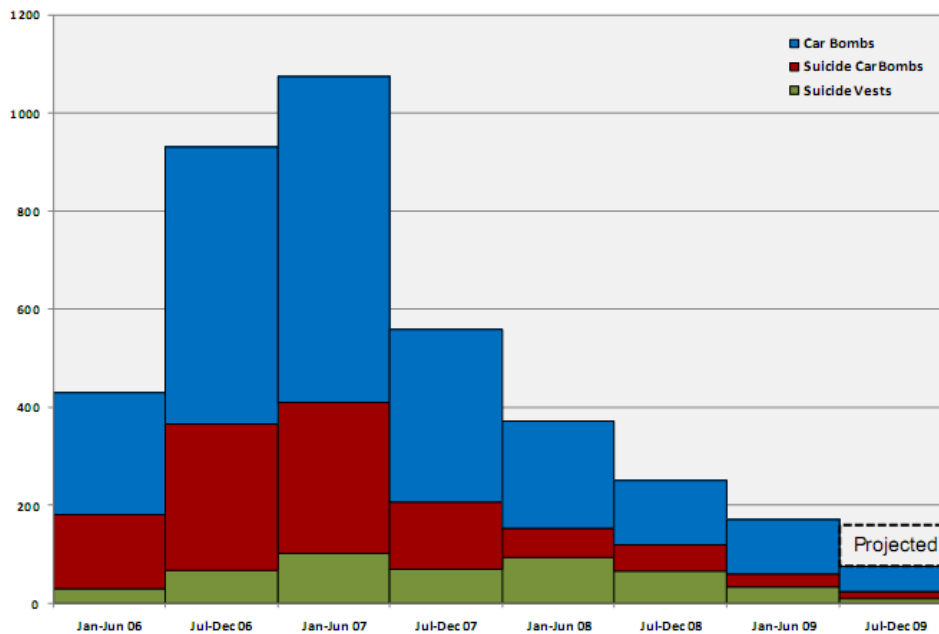


Chart includes potential attacks (IEDs/mines found and cleared) and executed attacks. Sources: SIGACTS (CF & HN reports) as of 25-Sep-09

HPA Explosions



Sources: SIGACTS (CF & HN reports) as of 25-Sep-09

Sources: SIGACTS (CF & HN reports) as of 25-Sep-09; DoD News Briefing, October 1, 2009, <http://www.defenselink.mil/news/briefingslide.aspx?briefingslideid=341>.

Large-Scale Bombings and Attacks, But So Far, No Return to Cycle of Sectarian Reprisals

Although many of the attacks were intended to provoke an ethnic or sectarian backlash, they have not sparked the deadly cycle of retaliation that took place during 2006-2008. If anything, they have angered Iraqis, and driven the Iraqi government to cooperate more closely with the US and Coalition forces. This reflects a relatively consistent trend in polling results shown in **Figure IV.6**, which illustrate a growing support for democracy and a significant amount of common support for both unity and political cooperation by both Sunnis and Shi'ites.

US officials and commanders warn, however, that the situation remains delicate. If the Iraqi political system does not produce more political accommodation and better governance, and if the Security Forces cannot do a better job of halting the bombings and suicide attacks by movements such as AQI (already spelt out acronym earlier) and Jaysh Rijal al-Tariq al-Naqshabandi (JRN), this patience may not endure. It is also important to understand that in spite of the massive drop in violence since the peaks of 2007 and early 2008, the average level of violence in Iraq since November 2008 has been roughly equal to that of the war in Afghanistan. Though even with this decline in violence, Iraq has scarcely reached a level of security where Iraqi citizens feel they move freely throughout the country.

Figure IV.6: Iraqi Preferences for Type of Government and National Unity

Views Towards National Unity Which of the following structures do you believe Iraq should have in the future: one unified Iraq with central government in Baghdad, a group of regional states with their own regional governments and a federal government in Baghdad, or a country divided into separate independent states?

	Central government	Regional government	Separate states	No opinion
All				
2/25/09	70	20	7	3
2/20/08	66	23	9	1
8/24/07	62	28	9	0
3/5/07	58	28	14	1
11/22/05	70	18	9	3
2/28/04	79	14	4	3
Sunni				
2/25/09	91	5	1	3
2/20/08	95	3	2	1
8/24/07	97	3	*	1
3/5/07	97	2	1	0
Shi'ite				
2/25/09	74	23	1	2
2/20/08	67	31	1	1
8/24/07	56	42	2	0
3/5/07	41	40	19	0
Kurdish				
2/25/09	18	39	39	3
2/20/08	10	35	52	3
8/24/07	9	42	49	*
3/5/07	20	49	30	1

There can be differences between the way government is set up in a country, called the political system. From the three options I am going to read to you, which one do you think would be best for Iraq now – strong leader, a government headed by one man for life; Islamic state, where politicians rule according to religious principles; or democracy, a government with a chance for the leader to be replaced from time to time?

	Strong leader	Islamic state	Democracy	No Opinion
All				
March 2009	14%	19	64	3
March 2007	34	22	43	0
November 2005	26	12	57	3
February 2004	28	21	49	4
Sunni Arabs				
March 2009	20	11	65	3
March 2007	58	4	38	0
Shi'ites				
March 2009	9	26	62	2
March 2007	19	40	41	0
Kurds				
March 2009	12	15	71	2
March 2007	25	10	66	0

Source: ABC Polling Unit, "Iraq: Where Things Stand, Dramatic Advances Sweep Iraq,

The Role the US Can Play

Iraqi politics and nationalism, along with the steady pace of withdrawal of US forces and the US' concomitant decline in influence, will increasingly limit what American forces can do. However, the US should offer Iraq as much military and security support as it can while US forces are still in Iraq. This includes maintaining as much security and intelligence support as it can provide.

After December 31, 2011, the US can offer a strong military and police advisory effort of the kind described in detail in Chapter XII. Sustained US military advisory teams, coupled with assistance and financial aid, provide powerful tools in preventing the ethnic and sectarian polarization of the ISF, and in making it both a national and professional entity. Continuing such military, intelligence, and security assistance not only aids security directly but makes negotiating efforts easier and more secure.

It may be tempting to downsize, to eliminate, or to reduce such aid too quickly and to focus instead on securing US withdrawal for cost and manpower reasons, or in an effort to create a "normal" embassy. The US must resist this temptation. The situation in Iraq is still too unstable for the US not to maintain as strong a military aid effort as possible through 2011, and it is still too unstable for the US to fail to help institutionalize a strong military, police, and intelligence advisory effort in 2012 and beyond. It may also be easier to get Iraqi agreement to such efforts than some think. Senior Iraqi officers made it clear in the spring and fall of 2009 that they want this type of aid and recognize that it is needed. Many Iraqi officers also see the need for a national, rather than polarized, ISF, and that working with them can be a powerful force in developing Iraqi unity.

Sharing technical intelligence is another powerful tool, and the US should offer Iraq continued joint intelligence support. It also should provide support from specialized platforms like Unmanned Aerial Vehicles, Unmanned Combat Aerial Vehicles, and advanced signals and communications intelligence assets as long as Iraq needs them, and Special Forces or intelligence cadres as needed. Many of these assets could operate covertly or from outside Iraq.

At the same time, the US diplomatic and civil aid effort should continue its efforts to heal Iraq's internal divisions. The US should show that it is not abandoning the Sunnis who supported it in Anbar, Baghdad, and other provinces during the Awakening. This is not simply a matter of applying pressure on the Iraqi government to create new jobs for the Sons of Iraq, it means continuing to reach out to Sunni leaders at the national and local levels, providing some form of continuing aid and contact, and doing so in ways that assure Arab Shi'ites that the US is supporting Iraq's national unity. So far, the US has focused too narrowly on the issue of the Sons, paying too little attention to the tribal and local leaders who participated in the struggle against Al Qaeda. They can still turn against a Shi'ite-dominated government in favor of neo-Ba'athist and anti-US leaders.

The US should consider creating a consulate or regional US aid teams to replace the PRTs in the Sunni areas in the north like Ninewa, Diyala, and Anbar to reach out to and

work with local Sunni leaders. It is possible that such activity can be managed from Baghdad, but experience indicates that specialized, on-the-scene efforts can be more effective, produce lasting contacts and human relationships while building greater trust.

Once again, much depends on how much flexibility and support future Iraqi governments would give to such a mission. It also, however, will depend on the way the US uses such efforts. If implemented, such US aid activities must clearly be in support of the Iraqi government and transparently serve Iraq's interests in development, political accommodation, and counterterrorism/counterinsurgency. If the US can obtain Iraqi government support for such activities, it should tailor any consulate or regional aid teams to provide the equivalent of PRT services to the Arab north and west in ways that help the Sunnis, and help reduce Arab-Kurd and Sunni-Shi'ite tensions.

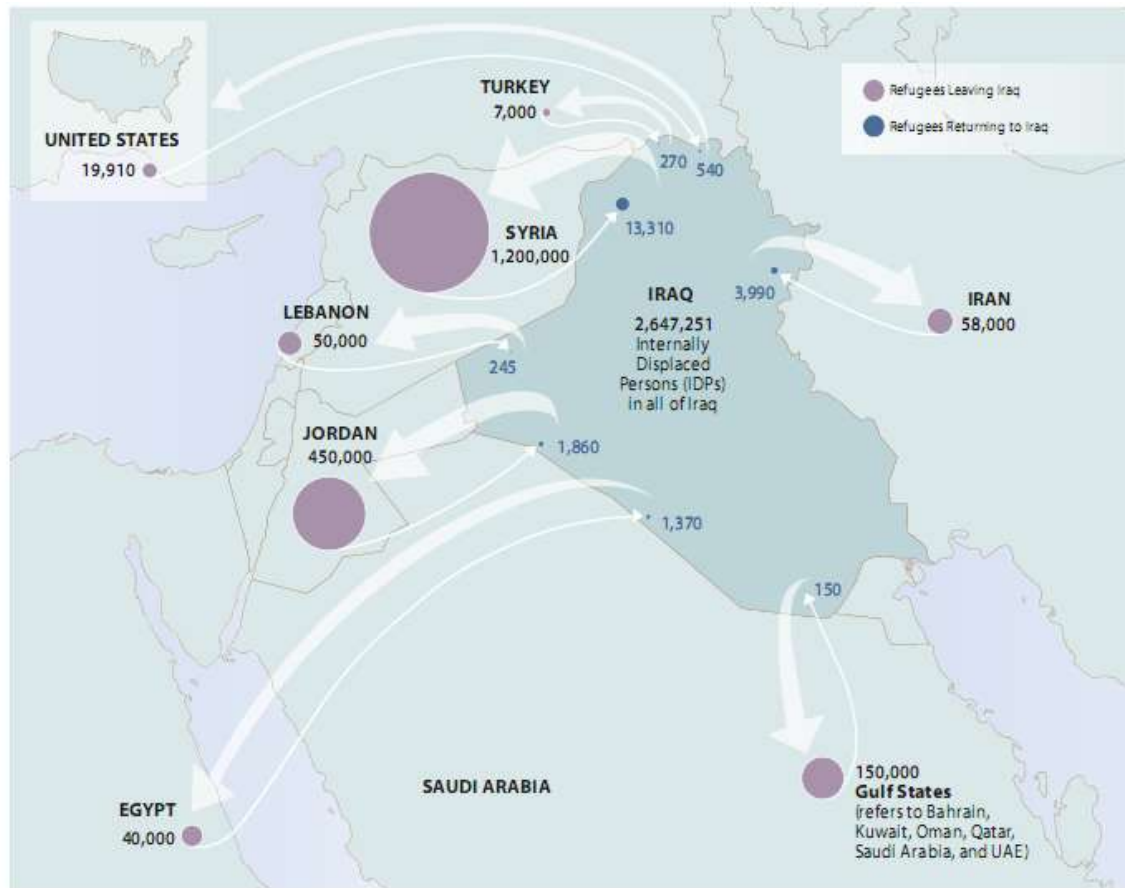
The US should not phase out all aid too quickly in the areas where there are ethnic and sectarian fault lines. Limited amounts of aid can be used to enhance dialogue, bridge differences, and engender the kind of positive action that can bring various sides together in political accommodation. The Embassy will need the resources and flexibility to use such tools quickly and flexibly, and to enhance negotiations as well as provide more conventional types of aid. The Obama Administration and the Congress need to understand that past mistakes in aid efforts and current financial pressures are not a rationale for cutting aid so quickly and so severely that it jeopardizes all that has been accomplished since the beginning of the surge.

Finally the US must encourage Iraq to develop a Sunni-Shi'ite balance in key government institutions and in the Iraqi security forces that will help achieve stable political accommodation. Part of this effort means working to help displaced Iraqis create a new life in Iraq. The seriousness of this problem is illustrated in **Figure IV.7**. The UN High Commission on Refugees (UNHCR) reports that approximately 2.65 million Iraqis remain displaced inside Iraq, and approximately 1.90 million Iraqis are refugees residing outside Iraq, as of January 2009.⁶⁶

The US is already making efforts to provide aid to displaced Iraqis, and to allow peaceful Ba'athists and Sunnis to return to Iraq, but it needs to examine whether more aid could accelerate this process and what other steps it could take. The US did much to remove the secular and nationalist core of Iraq when it made Shi'ite exile and religious parties the key force in Iraq following the invasion. The US has not been as proactive in helping Iraqi refugees return as it should be, and still seems to underestimate the number of Iraqi Sunnis and other "Ba'athists" who are really secular nationalists that only supported Saddam to survive – and who may provide key skills essential to economic and political growth. The US may now be unable to do much more than it is already doing, but it should constantly seek to expand its efforts.

⁶⁶ Special Inspector General for Iraq Reconstruction (SIGIR), *Quarterly Report to the United States Congress*, (Public Law 108-106, as amended, and Public Law 95-452), October 30, 2009, pp. 80-81.

Figure IV.7: Iraqi Refugees and Internally Displaced Persons in 2009



Note: Excludes refugee statistics for Europe and Australia.

Sources: UNHCR, "Country Operations Profile," www.unhcr.org/pages/49e486426.html, accessed 10/8/2009; USCIS, "Iraqi Refugee Processing Fact Sheet," http://www.uscis.gov/files/article/iraqi_refugee_fs_11feb09.pdf, accessed 10/8/2009; U.S. Embassy-Baghdad, response to SIGIR data call, 10/3/2009.

Source: Special Inspector General for Iraq Reconstruction (SIGIR), *Quarterly Report to the United States Congress*, (Public Law 108-106, as amended, and Public Law 95-452), October 30, 2009. p. 91.

5. The Uncertain Security and Politics of the South

The South has become more secure in military terms and some aspects of its politics have become more stable. It too, however, still presents risks. Once again, these are a mix of the threat posed by insurgent and radical groups, and those posed by internal political instability.

The Sadrist and Shi'ite Extremist Threat

This part of the threat has already been described earlier in Figures III.2 and III. 3. The patterns in Shi'ite violence during 2006-2008 are shown in **Figure V.1**. These data show that there has been a steady reduction in the level of violence and the military threat in the south. So do recent Department of Defense reports on Iraq.

The Department of Defense reported in March 2009 that:

...Most of the Shi'ite militants that formerly belonged to the Jaysh al-Mahdi (JAM) militia are transitioning away from violence due to organizational changes and ISF pressure, although some Shi'ite militants, particularly those in the Promised Day Brigade (PDB), Asa'ib Ahl-Haqq (AAH), and Kata'ib Hizbollah (KH), continue attacks against U.S. forces.

...Levels of explosively-formed penetrator (EFP) incidents remain low and are consistent with those seen in early 2006. With so many key extremist militant leaders detained, exiled, killed, or driven into hiding, multiple intelligence reports indicate the remaining lower-level fighters are struggling to obtain and place EFPs to execute attacks.

Increased border and clearing operations in southern and central Iraq also disrupt the movement and storage of EFP components to Shi'ite militants. Over the past four months, intelligence reports suggest arms and component facilitators are experiencing increasing difficulties in transiting the borders and accessing caches. However, those individuals and munitions that do make it into Iraq from Iran frequently have more sophisticated weapons and better training.

...ISF and Coalition forces continue to target Shi'ite extremist groups, impeding their operations. Nevertheless, leaders of these groups still trickle back into the country, maintaining a low profile to avoid attracting the attention of ISF and Coalition forces. Muqtada al-Sadr's primary objectives remain transforming the Sadrist movement and public outreach, in an attempt to repair the movement's negative public image in preparation for national elections.

Muqtada al-Sadr's statements...continue to convey anti-western and anti-Coalition sentiment but have become increasingly conciliatory toward the GoI. The recent increased public outreach is intended to draw Shi'ite back to his movement, undermine opposition groups, and demonstrate his personal control over the Sadrist support base.⁶⁷

The Department of Defense reported in August 2009 that:

Muqtada al-Sadr's primary objectives remain transforming the Sadrist movement and public outreach, in an attempt to repair the movement's negative public image in preparation for national elections. Muqtada al-Sadr's statements in January and March 2009 continue to convey anti-western and anti-Coalition sentiment but have become increasingly conciliatory toward the GoI. The recent increased public outreach is intended to draw Shi'ite back to his movement, undermine opposition groups, and demonstrate his personal control over the Sadrist support base.

⁶⁷ Excerpted from Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), March 2009.

Sadr's focus has been on transforming his JAM militia into the social, religious, and cultural group, *al Mumahiddun*. He has pursued a parallel effort in developing his militia wing, the PDB, which continues to slowly develop. While *al Mumahiddun* claims to be non-violent, the PDB has shown they have the capability to conduct attacks and has recently published video of attacks for which they claim responsibility.

Sadr maintains his focus on reestablishing his importance through the growth of *al Mumahiddun* and by using the PDB's continued militancy to recruit disenfranchised militants from his rival AAH. This effort is intended to unite those opposed to the presence of Coalition forces. Shi'ite extremist groups, including PDB, AAH, and KH continue to be plagued with internal problems, including personal rivalries, disagreements over plans, policy and direction, confusion over orders and operations, and the continued absence of leadership in Iraq, leaving them susceptible to increased ISF and Coalition targeting.

Shi'ite militant groups remain the primary threat to southern Iraq. During the last quarter, AAH and KH experienced difficulties in maintaining their networks and conducting operations in southern Iraq, while PDB struggled to solidify leadership and establish an operational capacity. AAH must compete with Sadr, keep members from leaving for the *Mumahiddun* or PDB, and avoid targeting by ISF. KH continues to suffer from degraded operational capability and the detention of leadership and lethal aid facilitators, but they are determined to rebuild. Leaders from both groups have attempted to return to Iraq from Iran, only to encounter unfavorable operating conditions. ISF control and positive presence in the Shi'ite South helps ensure violence maintains a downward trend. Despite the improving security environment, Shi'ite militant groups seek to reconstitute their damaged networks and demonstrate their capabilities through low-level residual violence. The lead-up to provincial elections saw tensions among areas in the mountains and have not led to significant numbers of refugees or collateral damage.

On March 31, 2009, U.S. forces took responsibility for Multi-National Division-Southeast as British forces transition home through the end of July 2009. Increased attacks on Contingency Operating Base (COB) Basra are anticipated as militias attempt to give the appearance that they have forced the British out of Iraq once again.⁶⁸

The Department's October 2009 report was even more positive:

Most of the Shi'a militants that formerly belonged to the Jaysh al-Mahdi militia are transitioning away from violence because of organizational changes and ISF pressure. Notably, the Shi'a militant group Asaib Ahl al-Haqq is currently in discussion with the GoI regarding national reconciliation and has ordered its members to suspend attacks. But some Shi'a militants, particularly those in the Promised Day Brigade and Kata'ib Hizbollah, continue to attack U.S. forces. Recent HPAs have reinforced the fact that even a small number of attacks from extremist, insurgent, or militant groups can have an impact on the political environment.

Regardless of these notable HPAs during July and August 2009, security incidents throughout Iraq continue to show a decreasing trend and remain at the lowest levels in more than five years. Many factors, including economic development, the provision of social services, border controls, and ethnic tensions, are increasingly dominant elements of overall security.⁶⁹

⁶⁸ Excerpted from Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252) (Dated June 2009, but issued in August.)

⁶⁹ Excerpted from Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), October 30, 2009, p. v.

At the same time, it was clear that the role of several important Shi'ite groups remained hostile or problematic:⁷⁰

Shi'a militants have reorganized themselves into three different entities. Many have transitioned away from violence due to organizational changes and ISF pressure. Trained and funded by Iran, the Promised Day Brigade (PDB) (the reorganized militant arm of Muqtada al-Sadr's movement) and Kata'ib Hizbollah (KH), continue to attack U.S. forces. Shi'a militant group, Asaib Ahl al-Haqq (AAH), is in serious discussions with the GoI concerning reconciliation and has taken some significant first steps. The ISF have the lead in operations in Iraq, and U.S. forces now act in supporting roles, both partnering with and enabling the ISF as the military jointly impedes AQI's and other insurgents' and militants' freedom of movement and re-supply capabilities.

Even US experts in Iraq disagree of the nature of the shifting alignments of Shi'ite militias, over how much the Sadrist movement is no longer a threat, and over the prospects for lasting political accommodation.⁷¹ These arguments make a detailed analysis of current alignments very uncertain, but US experts identify three key groups.

- The *Promised Day Brigade* was formed by Sadr in June 2008. He called upon breakaway groups from his militia, including elements of the Special Groups, to join the brigade. He said that it would now only attack US targets, but called upon his supporters to gather for prayers in Baghdad square to oppose the U.S.-Iraqi strategic agreement. Few reliable unclassified data are available, and activity seems low, but some attacks continue in the south and US and GoI forces have raided Promised Day Brigade facilities and cells.
- *Asa'ib Ahl al-Haqq* (the League of the Righteous) has previously been the source of significant numbers of Explosively Formed Penetrator and Improvised Explosive Device attacks, as well as kidnappings and sectarian killings. It has also had substantial Iranian backing. Leaders like Laith Khazali -- whose brother, Qais Khazali founded the group in 2006 after tensions with Sadr, -- began negotiations with the GoI in March 2009. These developments only came, however, after AAH had taken British hostages and had been the source of major attacks on Coalition and Iraqi forces, including a key attack on the Karbala Provincial Joint Coordination Center in January 2007. This attack on US and Iraqi forces led to the capture of Qais Khazali, Laith Khazali, and Ali Mussa Daquq (from the Lebanese Hezbollah) in a raid in Basra in March 2007. The negotiations resulted in a ceasefire in June 2009 and AAH registered as a political party in August. Since that time, experts have debated how lasting these shifts in the group's alignments are to be.
- The *Kata'ib Hezbollah* or Hezbollah Brigades have been active since 2007, and is another splinter group from Sadr and the Mahdi Army. Kata'ib Hezbollah is a separate and independent organization and is not part of the Mahdi Army and its Special Groups. It too receives funding, training, and equipment from the Quds Force. The US state department has also claimed Hezbollah provided weapons and training for the group. It puts videos of attacks against American forces on the internet, and has been the subject of US and Iraqi Forces raids. It has conducted numerous IED bombings, mortar, rocket and RPG attacks, and sniper operations, on US and Iraqi Forces and aid workers. Current activity levels appear low.

In any case, the fact that various radical elements and special groups are less active does not mean they will remain so, or cannot be further radicalized and become far more

⁷⁰ Excerpted from Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), October 30, 2009, p. 23.

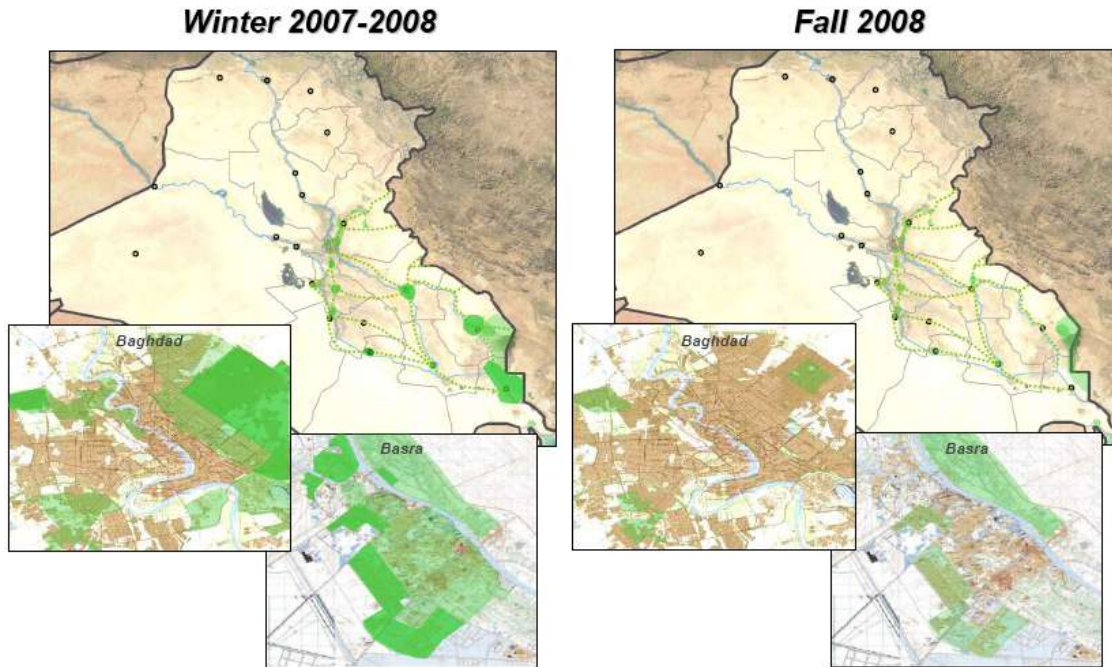
⁷¹ Based on interviews, news sources, material in Wikipedia and reports by the Institute for the Study of War.

violent in the future. They also have not abandoned their arms, and armed groups generally continue at least some form of paramilitary training.

Iran continues to provide limited amounts arms, funds, and training for Shi'ite militant groups. Members of the Iranian Al Quds force and intelligence also continue to be present in Iraq. This Iranian behavior currently appears to be more opportunistic than part of a targeted effort to subvert the Iraqi government. Nevertheless, it helps keep Shi'ite militias and insurgent groups active and gives Iran another card to play in its efforts to win influence over Iraq.⁷² It also allows Iran to play a waiting game to see what new opportunities may emerge, and whether US withdrawal is followed by a meaningful US-Iraq strategic partnership and an effective Iraqi government or by some form of power vacuum that Iran can exploit.

⁷² Interviews in Iraq in October and November 2009.

Figure V.1: Shi'ite Militia and Insurgent Violence during 2007-2008



Source: General David H. Petraeus, "Iraq Update," October 7, 2008

The Evolving Impact of the January 2009 Provincial Elections

The Iraqi provincial elections in early 2009 do seem to have had an impact in bringing greater stability to the South. The elections strongly favored Maliki and the more secular, nationalist parties. Virtually every incumbent faction in the south was replaced. As a result, the politics of the South have become notably less religious, many weak or corrupt incumbents have been removed, and the parties elected were ones that have shown little if any kind of Shi'ite federalism.

Shi'ite Disunity at the National Level

This stability, however, has been relative. The coming election can do as much to divide the Shi'ites and Iraq as it can to unite it. For example, the Islamic Supreme Council of Iraq (ISCI) reacted to the success of Maliki's State of Law party (SoL) in the provincial elections by forming a Shi'ite electoral alliance that could challenge Maliki in the national elections. In late August the ISCI teamed up with Sadrist parties to form the Iraqi National Alliance (INA). This alliance had a number of leaders with ties to Iran, or who had been in exile in Iran, and its main parties have received significant support from the Iranian government. Some of the negotiations on founding the INA were also held in Tehran.⁷³

Prime Minister Nouri al-Maliki negotiated with the INA, but failed to reach a settlement after months of negotiations with his former coalition partners. Reports indicate that these talks collapsed because of "Maliki's demand for a majority of seats in Parliament and assurances that he would be the group's candidate for Prime Minister."⁷⁴ In the process, he rejected the advice of Iraq's senior Shi'ite clerics to remain in a united Shi'ite coalition as well as Iranian efforts to maintain a Shi'ite bloc and oppose a more national structure in Iraqi politics and in the Iraqi government.

Maliki then restructured the State of Law Party he had created for the provincial elections in January 2009. In October, he announced that he would compete independently on a nationalist ticket. In the period before this announcement, he made a major effort to keep the support of his faction of the Dawa Party and win the support of Shi'ites who wanted a strong national, and more secular, Shi'ite leader.

The "new" State of Law Party adopted a nationalist, pan-ethnic platform, stressing Iraqi unity over sectarian politics. In addition to Maliki's faction of the Dawa party, it included a number of smaller Sunni and secular parties, and even a few Kurdish parties. The SoL coalition did not, however, contain any major national parties likely to attract large blocs of votes.⁷⁵ It also did not include any of the main Sunni Awakening parties, at least as of October 2009. Many had expected some to join the coalition, particularly

⁷³ Reidar Visser, "After Sadr-Badr Compromise in Tehran, the Iraqi National Alliance (INA) Is Declared." *Historiae.org* August, 2009. <http://historiae.org/INA.asp>

⁷⁴ Shadid, Anthony. "Maliki Creates Coalition To Compete in Iraq Vote." *The Washington Post*. October 2, 2009. Pg. A12.

⁷⁵ Meyers, Steven Lee. "Iraqi Prime Minister Forms Broad Coalition as Part of Unity Strategy." *New York Times*, October 2, 2009.

because the two groups appeared to have had a tacit electoral alliance during the provincial elections.⁷⁶

Electoral politics withstanding, Maliki still has significant advantages, for he controls much of the government and the ISF. He also scored significant political gains after he launched the military operation in Basra in early 2008, and defeated the Sadrist resistance in Baghdad. He has since tried to show that he is a strong, decisive national leader who can bring security, that he can do so with little or no help from the US, and that he is now the strongest political force in Iraq.

Maliki does face serious challenges, however, and his current position does not guarantee him victory and power in the future. He only came to power in the first place because the previous Prime Minister, Ibrahim al-Jafari, was seen as too involved in Iraq's sectarian strife and too ineffectual, and because Sadr blocked the choice of Adel Abdul Mahdi.

Maliki has alienated at least some voters who supported him after his victories over Shi'ite insurgents in 2007 and 2008 by seeking power so aggressively, and altering the command structure of the ISF in his favor. He has also distanced himself to some degree from Iraq's Shi'ite clerics – who called for him to stay in the Shi'ite coalition. A February 2009 poll found that 42% of Shi'ites, 47% of Sunnis, and 32% of Kurds felt he was concentrating too much power in his office. Maliki has also experienced growing problems in dealing with other parties and the Council of the Republic.

The Iraqi National Alliance, however, has also experienced mixed success. Its influence grew after the Moqtada al-Sadr faction realigned itself with the Iraqi National Alliance, but at the same time, it was weakened by the fact that the Islamic Supreme Council of Iraq (ISCI) performed so poorly in the provincial elections in January 2009.

The ISCI also grew weaker after its leader, Sayyed Abdul Aziz al-Hakim, died of cancer in August of 2009, although the full impact of his death remains to be seen. Abdul's son, Ammar al-Hakim, was quickly nominated to take over ISCI.⁷⁷ However, as previous chapters have mentioned, Abdul is an untested leader and it is unclear whether he will be able to exert the same influence as his father.

Abdul is a religious leader and not a politician. It does not appear that he will lead ISCI's electoral alliance (the Iraqi National Alliance) in the upcoming national election, and he is a religious figure rather than a logical candidate for Prime Minister. Other ISCI leaders like Adel Abdul Mahdi are potential rivals – although his reputation has been somewhat damaged by the fact that several of his bodyguards were convicted of killing security officers in a bank robbery.

No one can rule out some kind of future alliance between the SoL and INA, although many observers feel Maliki might not be able to stay Prime Minister. It now seems, however, that most of the major political parties have chosen sides for the upcoming elections.

⁷⁶ Reidar Visser, "Maliki Re-Launches the State of Law List: Beautiful But Is It Powerful Enough?" *Historiae.org* (1 Oct 2009) <http://historiae.org/state-of-law.asp>

⁷⁷ Myers, Steven Lee. "Son to Succeed Father as Iraqi Shi'ite Leader." *New York Times*. Sept 1, 2009.

The three main Kurdish parties will run as one bloc and almost certainly capture a large percentage of the Kurdish vote. The SoL will run on a nationalist platform, and will likely pick up some smaller parties and perhaps some medium sized Sunni parties. And finally, the INA will run as a Shi'ite party, with tacit backing from Iran. However, a number of Sunni, nationalist, and secular parties remained uncommitted as of October 2009. This means that there will be continued political maneuvering in efforts to win the national elections through early March 2010, and what then may be another six months of maneuvering to form stable coalitions and governments.

Shi'ite Disunity at the Provincial Level

As was the case with the Kurds and Arab Sunnis, national politics are only part of the story. The parties in each province have jockeyed for positions ever since the election, with most provinces having selected governors by May. Despite its gains, Maliki's State of Law Party had mixed success in forming coalitions and electing governors in the recent provincial elections. For the most part, SoL has sought to form coalitions in order to exclude and minimize the power of its main rival, ISCI, which is led by the Hakim faction and is the largest Shi'ite part in the Council of the Republic. Only in Basra did the State of Law have enough seats to govern without forming a coalition. Nonetheless, SoL was able to form a ruling coalition in every province except Muthana.

As **Figure V.2** and **Figure V.3** show, the present coalitions and politics in each province vary widely, and each is now the source of local political struggles in the run-up to the national election. Maliki was able to form a number of coalitions that had "a clear and aggressive anti-ISCI edge" in Babel, Qadisiyya and Dhi Qar, yet worked with ISCI to varying degrees in Maysan and Wasit.⁷⁸ At the same time, the ruling SoL coalition was given both ISCI and Sadrist representatives important committee assignments in some provincial councils like Karbala when they had power to give out all committee assignments to representatives from their coalition. The relationship remains competitive but not necessarily contemptuous.⁷⁹

It is too soon to determine what this means in terms of regional politics. The newly elected leaders only took office during late March to early April, and most have little real experience with governance and politics. They must also deal with the present central government – with heavy ISCI/Hakim influence -- until the national elections take place. Until that time, provincial power struggles will interact with both parliamentary politics and national politics.

Moreover, the formation of the Iraqi National Alliance may upset the provincial council coalitions discussed above. While still in flux as of September 2009, if Sadrist parties remove support from the SoL in provincial councils, several of the governing coalitions

⁷⁸ Visser, Reidar. "Maliki Suffers Setbacks as Samarrai Is Confirmed as New Speaker and More Governors Are Elected South of Baghdad." *Historiae.org* April 19, 2009. <http://historiae.org/samarrai.asp>

⁷⁹ Comments from a source familiar with local Iraqi politics.

that SoL formed may fall apart. SoL could lose some of the provincial governorships it now has, particularly in Najaf, Dhi Qar and Muthana.⁸⁰

Figure V.2: The Evolving Politics of the South

Babel

Ruling coalition: SoL, “Noble” Sadrists, Allawi, Jafari, locals

Opposition: ISCI

The Governor, Hasan al-Zarqani, is a “Maliki-friendly independent . . . with support also from Sadrists and Iraqiyya, with ISCI abstaining.” Kadum Majid Tuman, a Sadrist, is the council chairman.

Basra

Ruling coalition: SoL

The provincial council chairman, Jabbar Amin, and the new governor, Dr. Sheltagh About Sherad, are Maliki allies and were selected by SoL.

Dhi Qar

Ruling coalition: SoL, “Noble” Sadrists, Jafari

Opposition: ISCI

Unclear: Fadilah

The governor, Taleb al-Hassan, is from the Dawa party, and the council chairman, Qusai al-Ibadi, is a Sadrist.

Karbala

Ruling coalition: SoL, Amal al-Rafidayn (a faction of SoL), Habbubi (an independent party with one seat)

Opposition: ISCI, Sadrists

The Sadrist Mohammed Hamid al Musawi was elected chairman of the council, and Amaledin Majeed Hameed Kadhem (known as Amal ad-Din al-Hir) from Dawa was elected governor.

Maysan

Ruling coalition: SoL, ISCI

Opposition: Sadrists, Jafari

SoL chose to ally with ISCI in Maysan, running counter to its strategy followed in most southern provinces. Muhammad al-Sudani of the Dawa party is governor, Hashim al-Shawki of ISCI’s Hizballah wing is council chairman.

Muthanna

Ruling coalition: ISCI, Locals

Opposition: SoL, Jafari, Sadrists, Locals

The governor of Muthana, Ibrahim al-Mayyali, was listed as a SoL member but switched to ISCI upon taking office. The council chairman is Abd al-Latyif Abbas al-Hasani, from ISCI.

⁸⁰ Reidar Visser, “The Battle of the Coalitions Is Heating Up.” *Historiae.org* September 14, 2009. <http://gulfanalysis.wordpress.com/2009/09/14/the-battle-of-the-coalitions-is-heating-up/>

Najaf

Ruling coalition: SoL, Locals,

Opposition: ISCI, Sadrists

Unclear: Jafari

The council chairman, Fayad al-Shamari, was selected by SoL. The governor is Adnan Abd Khudeir al-Zarfi, an independent, although his appointment is being legally challenged by ISCI.

Qadisiyah

Ruling coalition: SoL, Allawi

Opposition: ISCI, Jafari, Sadrists, Fadilah

Both the council chairman, Jubeir al-Juburi, and governor, Salim Hussein are from Dawa.

Wasit

Ruling coalition: SoL, ISCI

Opposition: Sadrists, Allawi, Local DawaBabel

Lateef Hamad al-Tarfa was re-appointed governor by Dawa. The council chairman, Mahmoud Abdulrida Talal, was named by ISCI.⁸¹

Source: This list is adopted from two sources: Meyerson, Thomas. "Provincial Governments in Southern Iraq." *Institute for the Study of War*. May 28 2009. http://www.understandingwar.org/files/Backgrounder_41.pdf; and Visser, Reidar. "Maliki Suffers Setbacks as Samarra Is Confirmed as New Speaker and More Governors Are Elected South of Baghdad." *Historiae.org* April 19, 2009. <http://historiae.org/samarrai.asp>.

⁸¹ This list is adopted from two sources: Meyerson, Thomas. "Provincial Governments in Southern Iraq." *Institute for the Study of War*. May 28 2009. http://www.understandingwar.org/files/Backgrounder_41.pdf; and Visser, Reidar. "Maliki Suffers Setbacks as Samarra Is Confirmed as New Speaker and More Governors Are Elected South of Baghdad." *Historiae.org* April 19, 2009. <http://historiae.org/samarrai.asp>

Figure V.3: Provincial Governorships by Party



Source: SIGIR, *Quarterly Report and Semi-Annual Report to the United States Congress* (30 July 2009)

The South Remains Fragmented

Shi'ite politics, and the risk of some new form of sectarian fighting, are scarcely the only challenges involved in Iraqi reconstruction. Government capacity at the regional and local level in Southern Iraq remains fragmented, and varies sharply by individual area and faction. State Department surveys show slow progress in modernizing and rehabilitating infrastructure (although some is good). It reports high levels of unemployment in many areas, limited investment and industrial activity, and serious and growing problems in irrigation and modernization of the agricultural sector.

- The regional elections did not make a political transition; they only began one. The realignment of players, shift in power and patronage, forming of coalitions, and practical power of the governor and local officials will evolve steadily until the national elections and probably for six months afterwards.
- There are still significant numbers of Sunnis and other minorities living in Shi'ite areas in the South, and there are still serious Sunni-Shi'ite tensions and Shi'ite minority enclaves in Diyala and other central provinces. At the same time, many of the past tensions seem to have been resolved by cuts in the level of insurgent activity, migration into divided areas, and acceptance of minority status and the status quo. Clashes and tensions can still break out at any time, but the pressure seems to have eased.
- Shi'ites in general seem to welcome foreign businesses and private enterprise more than Sunnis, particularly in the West and areas with serious Ba'athist ties. This has included many of the younger mainstream clergy. The Sadrists, however, have been far more populist, tied to religious welfare programs, and are anti-Western and anti-US. Any generalization is dangerous, particularly where opinion depends heavily on what a given group or faction gets rather than an acceptance of market forces, and where the global economic crisis will increase economic pressure.
- Governance and government services remain weak through the South. Transparency and accountability remain weak at every level of government, although they are slowly improving.
- The future development of Iraq's petroleum resources remains highly controversial, and there still is considerable fear of foreign penetration and exploitation – fear the Sadrists are certain to exacerbate. Many Iraqis, including many Sunnis, still feel the US went to war to seize Iraqi oil. This is compounded by the fact that some 74% of Shi'ites (89% of Sunnis) do not trust US occupation forces, and 44% of Shi'ites (65% of Sunnis) believe the US still somehow controls Iraq rather than the Iraqi government.
- Iraqis expect foreign governments to intervene actively in support of their national companies, and to some extent see foreign companies as an extension of their national governments. This may make it easier for “non-threatening countries,” and their business, although Iraqis who support foreign businesses may equally go for the most powerful country or simply following the money. Given the general populist character of the Sadrist movement, and the past history of colonial exploitation, it is also important to remember that the mainstream “quietest” Shi'ite clergy will judge behavior heavily on the basis of social and charitable activity and much depends on how local and tribal leaders feel they have gotten their share, rather than broad nationalist feelings.
- The Iranian footprint in South is complex and opportunistic. They still support militia groups, targeted investment, religious activity, and support both the Sadrists (which seems to be a diminishing contingency support) and the ISCI/Hakim faction. Iran seems to have notably less success with the Maliki faction and with the more nationalist and secular groups. Iran is most present in the border area and Basra, but has a presence in Najaf and Karbala. Depending on the level of US-Iranian tension, Iran will seek to limit any US commercial influence, and could use its Al Quds force to try to make US business and commercial activities a target.

- Demographics and population growth will be a sustained problem as will unemployment. The Economist estimates youth unemployment at 26%, and that 40% of all household members are under 15 years of age.

None of these issues provide clear causes for an outbreak of large-scale sectarian or intra-Shi'ite violence, and Sadr's militias are not the only Shi'ite forces that have seen a decline in their military capabilities. ISCI's Sadr organization is no longer a major militia, although it still has significant influence in some elements of the Army and police. Nevertheless, Shi'ite struggles over control of Sadr City in Baghdad and Basra are particularly sensitive issues and it is not clear what will happen in Basra when the US troops that have replaced the British depart. Iran also continues to maintain contacts with every Shi'ite faction, and continues to train and equip militia forces, including hard-line splinter groups and elements of the Mahdi Army.

The Shi'ite heartland in the South has also been relatively quiet, although there are still important signs of insecurity. This is reflected in a SIGIR analysis of security in each province in the fall of 2009:⁸²

Babylon: PRT Babylon reported that public reaction in Babylon to the June 30 redeployment of U.S. forces was muted, and the popular mood was a mix of "indifference" and "apprehension" over security. The PRT characterized provincial security as "good" and the province as "stable," but also reported a slight uptick in roadside bombs in July. Also in July, unknown gunmen attacked police in two different incidents, and an SOI checkpoint came under fire. In August, 8 car bombs exploded (killing 3 and wounding 39), a grenade exploded at the office of the Iraqi National Stream party, gunmen killed the brother of a ministry director, and the PRT reported potential for an increase in tribal disputes. One local politician warned that late payments to SOI members could jeopardize security. The PRT reported that the rise in violence represented a change from previous quarters. Babylon had been relatively safe—safe enough that less than half of the IDPs residing in the province told pollsters that they wanted to return home, though a portion hoped to resettle in a third location. Despite the deteriorating security situation, the Shia holiday of Shabaniya was celebrated without a significant security incident

Qadisiya: The PRT reported that Qadisiya enjoyed a relatively stable security environment, though this quarter there was an apparent assassination attempt on the director general for agriculture. The province is secure enough that almost half of the province's IDP population reported that they hoped to stay in Qadisiya despite poor infrastructure and limited job opportunities.

Kerbala: PRT Kerbala reported that security concerns remained low this quarter. There were two roadside bombs, but neither caused damage or injury. Similarly, no security problems were reported during the Shia holy day of Shabaniya, which drew an estimated six million to seven million pilgrims to the province's main shrine. The ISF implemented a successful security plan that included an additional 20,000 security personnel, emergency medical support, and air surveillance.

Najaf: The PRT reported that security incidents were rare in Najaf this quarter, but noted that its movements were limited in some areas, such as the old city of Najaf and nearby Kufa, due to the influence of Iran and the presence of the Mahdi Army, the armed wing of Shia cleric Muqtada al-Sadr's party.

⁸² Excerpted from Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress in accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), October 30, 2009, p. 117-132.

Muthana: PRT Muthanna reported that the security situation in the province remained calm this quarter.

Thi-Qar: Thi-Qar had few security incidents this quarter, though local police found caches of weapons and defused bombs. Despite the success touted in the arrest of the sheik on corruption charges, the PRT reported that the province's chief judge complained that provincial police and judges did not know how to use technology to build cases and did not cooperate with one another.

Missan: The PRT reported an "improved yet irregular" security situation that included more willingness by Iraqi Police escorts to assist in movements around the province. However it reported continuing small arms fire directed against the U.S. military's FOB.

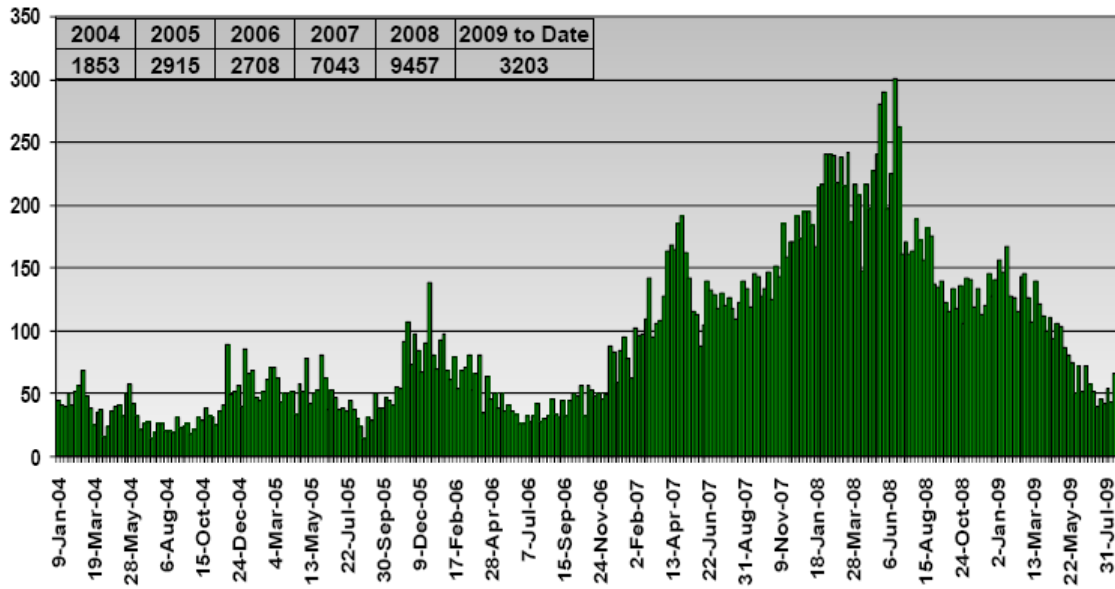
Basra: There were few security incidents in Basrah this quarter, with only three incidents occurring in which more than two people were killed, including the murder of two minority Mandaeans. The PRT reported that COB Basrah continued this quarter to receive indirect fire and that one such attack had killed three soldiers in July. Military movements also came under attack. The PRT noted a need for additional troops to secure movements and allow the PRT to move during the 2010 elections

This quiet could change rapidly, however, if there were outbreaks of sectarian violence, if the competing Shi'ite factions turn to violence, if the Iraqi political process and national election fail, or if more effective political accommodation and governance do not take place after the election. Like the rest of Iraq, the Shi'ites are in a "waiting mode," and any analysis needs to take account of the fact that low, but significant levels of violence continue.

Recent reports show that that the ISF still find numerous caches of new weapons in the Shi'ite South, and add to warnings that the South is still far from stable and could relapse from relative peace into violence before elections this year. Arms caches also present a broader security problem. **Figure V.4** shows the number of weapons caches held by all insurgent groups and militias found by security forces from January 2004 to August 2009. Although the number of discoveries has decreased since 2007, the ISF continues to find new stockpiles, indicating that the level of violence has not yet reached sustainable levels.

The recent manufacture dates of many of these weapons also makes it seem likely they were acquired some time after a crackdown ordered by Maliki in the first half of 2008 against Shi'ite militias that had then held sway in southern Iraq. The discoveries of handguns, sniper rifles, grenade launchers, silencers, automatic weapons, roadside bombs and explosives (many of which appear to have originated in Iran) suggest that the recent spike in bloodshed from bombings in Baghdad and northern Iraq may soon be mirrored in the South.

Figure V.4. Weapons Caches Found by Coalition and Iraqi Forces: January 3, 2005 – August 28, 2009



Source; Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), August 2009

The Role the US Can Play

The US faces the same need to aid and advise the ISF in order to bring lasting security and stability to the Shi'ite areas in the South as it does in dealing with the Arab-Kurdish-minority issues in the North and in the Sunni issues in western and central Iraq. The US must make continued efforts that help develop political accommodation, strengthen the Iraqi security forces, provide intelligence and special support capabilities. It again should use targeted aid to support improvements in regional Shi'ite governance, development, and rule of law where this can have a significant catalytic effect.

The US also, however, must deal with the complex mix of Shi'ite politics, threats, and development needs in different ways than it does in dealing with Arab-Kurdish and Sunni issues. As is the case elsewhere in Iraq, there is a strong case for a regional presence if this is politically acceptable to the GoI and Iraqis. Such a presence could be provided by establishing a consulate in Basra, and for setting up aid teams to replace the PRTs in other areas of the South. This should be part of a lasting outreach to all Shi'ite factions – including the Sadrists and those tied to Iran – that extends well beyond US withdrawal by the end of 2011.

Basra is the key city in terms of Shi'ite politics and population centers, trade and petroleum exports, monitoring Iran, and dealing with the problems raised by Shi'ite militias. The US does not have to trust Sadr to deal with Sadrists, many of which are far more interested in local development than confrontation. It also should never assume that because Iraqis have past ties to Iran, that they are loyal to Iran. Most of these exiles reached out to Iran more out of necessity than affection.

Aid teams in a more central province like Najaf could provide a mix of carefully targeted aid and advisory efforts to replace the PRTs. Teams of specialized advisors could provide direct aid to the Iraqi security services. The consulate, in particular, could play a key role in giving the Iraqi government and ISF specialized intelligence and support in counterterrorism tailored to regional needs.

6. The Role of External Powers: Iraqi Attitudes Towards Outside States and Companies

Iraqis may have deep sectarian and ethnic fracture lines, but as the previous polling data have indicated, most Iraqis want national unity. Iraq's Arabs have long been nationalistic since they rose up against Britain in the 1920s and won independence in 1932. Every regime since the fall of the monarchy in 1958 has reinforced such nationalism among Iraqi Arabs. The US-led occupation of Iraq has had a mixed impact, but only the Kurds have shown persistent support for the invasion and US presence, and this support may be waning.

Pan-Arabism and anti-colonialism are also strong elements of Iraq's political heritage, along with fears of exploitation by foreign oil companies and businesses. Like virtually every country in the Gulf, Iraqis have had only limited reason to trust foreign companies since the oil boom of the early 1970s. Some companies have worked well with Iraqis, but many have exploited contracts or made corrupt deals with Iraq's leaders that did nothing to help the Iraqi people.

Iraq has also had little reason to trust its neighbors. For all of Iraq's pan-Arab rhetoric in the past, Iraqi relations with the southern Gulf States have been mixed at best. Iraq has had continuing problems in its relations with Syria as well. Only Jordan has supported Iraq in recent years, in spite of the bloody murder of much of the Hashemite royal family (the Iraq branch) in 1958. All Iraqis remember the long war with Iran from 1980-1988, and only a few exile groups seem willing to forget it. Relations with Turkey have been civil, but Turkey has repeatedly invaded Iraq since 1980 to conduct attacks on Turkish Kurdish rebels in the Kurdistan Workers Party (PKK), who have established partial sanctuaries in Iraq's northern border area.

Iraqi Nationalism and Attitudes toward Foreign States

Public opinion polls confirm the fact that the most Iraqis, and the vast majority of Iraqi Arabs, still reject any form of foreign presence or interference in their country's affairs. These polls have consistently shown that the Kurds have been the only group in Iraq that broadly welcomed the invasion and US military presence since 2003.

The results of ABC/BBC and other polls reinforce the following points:

- *There is no gratitude to the US among most Iraqis: they want the US out as soon as possible, and many fear that the US will seek some form of covert control or that it already exercises it.* The Iraqi central government recognizes its continued dependence on US help, but is deeply divided over facts and how soon to push for US withdrawal. In general, the political pressure for US withdrawal has grown with time. It has, however, eased recently within some elements of the Maliki government because of the budget crisis, freeze on expanding Iraqi security forces, and recognition of Iraq's need for outside investment and help in developing its oil resources. This is not true, however, of the Oil Minister, most members of the CoR, or most Iraqi political parties.
- *Roughly similar attitudes apply to Britain, compounded by anti-colonial resentment.* No Coalition country seems to have been popular at the national or local level, with the possible exception of Italy – whose limited role in training paramilitary forces has gotten considerable praise. Poland is particularly unpopular in the area where it operated.

- *Non-coalition countries are seen as an important counterbalance to the US and to threats and pressure from neighboring states.* This is not the equivalent to liking or trust. They are viewed as opportunistic and seeking to gain whatever advantage they can at a time of Iraqi weakness. Nations like France, China, and Russia do, however, have the advantage that they were seen as helping Iraq during the Iran-Iraq War, opposed the US invasion, do not support Israel, and are counterbalances to US influence.
- *Iran is not popular but has ties to the Supreme Council, continues to have ties to elements in the Sadr and splinter militias, and has influence in a number of areas.* Most Iraqis, including most Shiites polled, do not support Iran or trust it. This mistrust has been compounded by Iran's support of a mix of rival Shiite militias, occasional support of Sunni insurgent elements in the past, and current support for splinter groups in the Sadrist movement. Iran is also resented because it undersells Iraqi firms at both the industrial and market level, is seen as investing to expand its own influence, and its presence is seen as self-seeking. Iran has won little support for its investments in Basra, Karbala, and Najaf, although it has a significant presence in these areas. So far, Iran's deals with Iraq have given it some leverage over the government, but have produced little gratitude.

The Hakim (ISCI) faction is seen as pro-Iranian (and probably is) but suffered significantly in the provincial elections for this reason. This does not mean that Iran does not have influence or that Shi'ites would not turn to Iran if they had no choice. However, religious affinity does remain an issue. Iraqi and Iranian practices do differ, there is rivalry over shrines and seminaries, and Iraqi clerics generally reject the concept of the Supreme Leader – although Hakim and ISCI have sometimes accepted it.

- *Syria has some support from Ba'athists because of its tolerance for Sunnis supporting the Ba'ath and giving some sanctuary, but also is seen as too close to Iran and ruled by a non-Sunni and suspect Alawite elite.*
- *Turkey is seen as increasing its role in the Middle East, and both Arab Sunnis and Shiites see it as a counterbalance to Iraq's Kurds and one that forces the Kurds to limit their demands for independence and autonomy.* At the same time, Turkey's investment in Iraqi Kurdish areas and efforts to split Iraq's PUK and KDP from the Turkish PKK have had some success.
- *Iran, Syria, and Turkey all reject Kurdish independence and want to see sharp limits to the autonomy and influence of Iraqi Kurds.*

The Role of Iran

Two countries play a particularly critical role that affects both Iraqi security and stability and the US-Iraqi strategic partnership: Iran and Syria. The previous chapters have already described many of the problems Iraq faces with Iran, and the US State Department report on terrorism issued in April 2009 summarized these problems as follows.⁸³

The Qods Force, an elite branch of the Islamic Revolutionary Guard Corps (IRGC), is the regime's primary mechanism for cultivating and supporting terrorists abroad. The Qods Force provided aid in the form of weapons, training, and funding to HAMAS and other Palestinian terrorist groups, Lebanese Hizballah, Iraq-based militants, and Taliban fighters in Afghanistan.

Despite its pledge to support the stabilization of Iraq, Iranian authorities continued to provide lethal support, including weapons, training, funding, and guidance, to Iraqi militant groups that targeted Coalition and Iraqi forces and killed innocent Iraqi civilians. Iran's Qods Force continued to provide Iraqi militants with Iranian-produced advanced rockets, sniper rifles, automatic weapons, and mortars that have killed Iraqi and Coalition Forces as well as civilians. Tehran was

⁸³ Office of the Coordinator for Counterterrorism, "State Sponsors of Terrorism, [Country Reports on Terrorism 2008](http://www.state.gov/s/ct/rls/crt/2008/122436.htm), US State Department, April 30, 2009, <http://www.state.gov/s/ct/rls/crt/2008/122436.htm>.

responsible for some of the lethality of anti-Coalition attacks by providing militants with the capability to assemble improvised explosive devices (IEDs) with explosively formed projectiles (EFPs) that were specially designed to defeat armored vehicles. The Qods Force, in concert with Lebanese Hizballah, provided training both inside and outside of Iraq for Iraqi militants in the construction and use of sophisticated IED technology and other advanced weaponry.

Iran remained unwilling to bring to justice senior al-Qa'ida members it has detained, and has refused to publicly identify those senior members in its custody. Iran has repeatedly resisted numerous calls to transfer custody of its al-Qa'ida detainees to their countries of origin or third countries for trial.

Much like its neighbors, Iran will continue to pursue its own security interests in Iraq. However, Iran will approach such efforts encumbered by a litany of security fears borne out of the Iran-Iraq War. It will see Iraq as the one neighboring state that can be influenced to create a Shi'ite dominated regime, and perhaps one where at least some influential Iraqis can be pushed into acknowledging the status of Iran's Supreme Leader. This would not only suit the ideology of Iran's religious revolution but serve key Iranian security interests by giving it an Arab partner and a buffer against rival Arab states in the Gulf. It would also serve to counteract Sunni religious extremism that challenges Shi'ite religious legitimacy

There is no practical prospect that Iranian security concerns and opportunism will change Iranian behavior in the foreseeable future. Iran will exploit every window of opportunity, internal division, and power vacuum that it can to gain influence in Iraq. Only Iraqi political accommodation, unity in dealing with Iran, and strong Iraqi security forces can change this situation. Moreover, tacit US security guarantees will be vital until the ISF grows strong enough to deter any Iranian effort to exploit Iraq's current military weakness.

The Role of Syria

As is the case with Iran, the previous chapters have already described many of the problems Iraq faces with Syria. The State Department report on terrorism summarized these problems as follows:⁸⁴

Throughout the year, Syria continued to strengthen ties with fellow state sponsor of terrorism, Iran. Syria's Minister of Defense visited Tehran in May and initiated a Memorandum of Understanding on defense cooperation. Syria also allowed leaders of HAMAS and other Palestinian groups to visit Tehran. President Asad repaid a 2007 visit to Damascus by Iranian President Ahmadinejad with a visit of his own to Tehran in early August, his third visit since 2005. Asad continued to be a staunch defender of Iran's policies, including Iran's "civil" nuclear ambitions.

Syria increased border monitoring activities, instituted tighter screening practices on military-age Arab males entering its borders, hosted two Border Security Working Group meetings with technical experts from the Iraqi Neighbors group, and expressed a desire to increase security cooperation with Iraq. At the same time, Syria remained a key hub for foreign fighters en route to Iraq.

⁸⁴ Office of the Coordinator for Counterterrorism, "State Sponsors of Terrorism, [Country Reports on Terrorism 2008](http://www.state.gov/s/ct/rls/crt/2008/122436.htm), US State Department, April 30, 2009, <http://www.state.gov/s/ct/rls/crt/2008/122436.htm>.

The USG designated several Iraqis residing in Syria along with several Iraqi-owned entities, including Mishan Al-Jaburi and his satellite television channel Al-Ra'y, under Executive Order 1348 for providing financial, material, and technical support for acts of violence that threatened the peace and stability of Iraq. The United States also designated known foreign fighter facilitators based in Syria, including members of the Abu Ghadiyah network, which orchestrated the flow of terrorists, weapons, and money from Syria to al-Qa'ida in Iraq, under Executive Order 13224.

Despite acknowledged reductions in foreign fighter flows, the scope and impact of the problem remained significant. Syria continued to allow former Iraqi regime elements to operate in the country. Attacks against Coalition Forces and Iraqi citizens continued to have a destabilizing effect on Iraq's internal security. Though Syrian and Iraqi leaders met throughout the year both publicly and privately to discuss border enhancements and other measures needed to combat foreign fighter flows, there were few tangible results. While Syria has taken some positive steps, the Syrian government could do more to interdict known terrorist networks and foreign fighter facilitators operating within its borders.

Syria remained a source of concern regarding terrorist financing. The Commercial Bank of Syria remained subject to U.S. sanctions. Industry experts reported that 70 percent of all business transactions were conducted in cash and that nearly 90 percent of all Syrians did not use formal banking services. Despite Syrian governmental legislation requiring money-changers to be licensed by the end of 2007, many money-changers continued to operate illegally in Syria's vast black market, estimated to be as large as Syria's formal economy. Regional "hawala" networks remained intertwined with smuggling and trade-based money laundering, facilitated by notoriously corrupt customs and immigration officials, raising significant concerns that Syrian government and business elites are, at the very least, complicit in illicit financing schemes.

In spite of continued Iraqi-Syrian negotiations, relations with Syria grew tenuous in 2009. In September the GoI broadcast a confession of a man claiming to have organized a large bombing in Baghdad at the behest of Syrian operatives. Maliki has frequently accused Syria of being a haven for Ba'athists, and for providing a major transit route for insurgents into Iraq. In early September Iraq sent thousands of extra police officers to the Syrian border in order to prevent continued infiltration of these insurgents into Iraq.⁸⁵

Most US experts believe that Maliki's charges are exaggerated, but that Syria will continue to play its own game in Iraq as long as the country is politically divided. There is a minor irony in the fact that Syria and Iran have a de facto alliance in dealing with Lebanon and Israel, but Syria's Alawite-dominated regime backs Sunni extremist movement and neo-Ba'athists, rather than Iraq's Shi'ites. At the same time, Alawites are not in any sense Shi'ites -- regardless of recent cosmetic claims to the contrary. Ba'athist heritage and Pan Arabism are all factors that will likely keep Syria involved in Iraq until Iraq is strong enough to resist it.

Other Arab States

There is little evidence that any other Arab state is playing an active role in Iraq -- although substantial amounts of private Arab money does seem to be flowing to Sunni parties and sometimes to groups like AQI. It is obvious, however, that states like Egypt, Jordan, and Saudi Arabia want Iraq to keep its Arab identity and will not fully accept an

⁸⁵ "Iraq Sends Thousands of Police to Syria Border to Stop Insurgents." *New York Times* September 5, 2009. Pg. 5.

Iraq that is Shi'ite-dominated at the expense of Iraq's Sunnis. This limits their current willingness to deal with Iraq, and compromise on issues like debt and reparations.

Much depends on the outcome of the current election and their confidence that the US will help Iraq resist any Iranian pressure. The situation could also change radically if Sunnis and Shi'ites went back to any form of armed struggle – particularly after US forces left. It seems probable that this would trigger at least covert intervention on the behalf of Iraq's Sunnis and possibly a significant increase in tensions with both the Iraqi government and Iran.

Turkey

Turkey too has its own game to play in Iraq, and the rules are simple. It will accept a high degree of Kurdish autonomy and invest and trade with such a KRG. It will not accept Kurdish independence or a Kurdish regional government that tolerates PKK operations on its soil against Turkey. If the Iraqi Kurds do not follow these rules, Turkey is likely to use military force.

The Iraqi Kurdish axiom that the “Kurds have no friends” also extends to Iran and Syria, and Kurdish realism in accepting this fact is critical. So is that of the United States, The US has legitimate concerns about Kurdish human rights, but every strategic interest in resisting Kurdish territorial ambitions that block Iraqi political accommodation. It has no strategic interest in supporting Kurdish independence, and every reason to openly separate itself from Iraq's Kurds if they make the mistake of pursuing it.

Foreign Companies versus Foreign Countries

Iraqis distrust foreign companies as well as foreign countries. They have little faith and show little trust in companies involved in any aspect of economic or humanitarian aid, and view them as largely corrupt and ineffective. This a reasonably accurate assessment of the overall situation. The private companies operating in Iraqi since 2003 have had a dismal record of corruption, waste, and failure. As multiple reports by the Special Inspector General for Iraqi Reconstruction (SIGIR) have made clear, there is not one foreign company that has won, or remotely deserved, Iraqi support and respect.

A majority of Iraqis likely still favor state industries and Iraqi state control. They also remember that efforts to get European support for Iraqi state and private key projects in the past did little more than produce major European profits for projects that failed to help Iraqi civilians. Prime Minister Maliki, the Finance Minister, and many Iraqis who have been educated and have worked in the West have different views, but these elites are the exception.

Establishing a successful corporate presence in Iraq is going to take innovation, not imitation.

The Role the US Can Play

The United States will need several years to change its image from occupier to strategic partner. Other chapters suggest a wide range of options for such activity, but above all else the United States needs to consistently demonstrate to Iraq that it sees its security as

a major goal in all of its regional diplomatic activities. It needs to be ready to assist Iraq in ensuring that it is not pressured or threatened by Iran or Syria. It also needs to work with Turkey and the GCC states to develop regional partnerships with US friends and allies.

In the process, the United States must have no illusions. Neither its war nor its occupation have been broadly popular or inspired any functional degree of gratitude. Iraqis still deeply distrust the United States at every level, so the US government must be extremely careful to make it clear that its goal is not to create a client state, but a strong and independent Iraq whose very independence and security is the best possible guarantee of both Iraqi and regional security and stability. US diplomacy must let the GOI take the lead in all regional issues directly affecting Iraq. It may propose, but it must not impose.

The US must walk an equally fine line in assisting US industry and encouraging US private investment and partnerships. As is suggested in other chapters, one key goal is to focus on helping Iraq revitalize and expand its petroleum sector so it can use the revenues to achieve internal stability and economic development. However, the United States needs to embark on a much broader effort to bring US industry together with both the Iraqi private sector and Iraq's state owned enterprises.

It will be critical that the United States does not impose its own economic models on Iraq, or try to sell US industry in ways that appear "neo-colonial" or that favor the American companies at Iraqis' expense. This kind of deal may help a few companies or temporarily serve some policy interest, but it will deprive the US of credibility, and inevitably exacerbate Iraqi anger against the United States and exacerbate fears of foreign investment.

The US government will be far better off if it provides commercial services and advice that help US companies establish contacts with Iraqi enterprises and government agencies, understand Iraqi conditions and make their own deals. At the same time, the United States should seriously consider an aid program that will help Iraqi officials receive training in venture analysis and international business – both in Iraq and in the US. It should help Iraqis to understand what their economy needs to be globally competitive and how to do business in the US and obtain foreign investment. It should also provide the Iraqi government with objective advice on investment laws, bidding proposals, tax laws, land laws, and security. Finally, the US should encourage Iraq to meet all the conditions set for membership in the WTO, a policy that has had some success in other Gulf States.

7. The Uncertain Politics of the National Election and Forming a Viable Government

Although there has been political progress over the past few years, Iraq has not yet reached acceptable levels of political accommodation, or been able to put aside sectarian issues to the point where it can make the necessary level of improvements in governance or ensure adequate representation of all sects and ethnic groups. The provincial elections of 2009 did result in the ousting of some divisive figures and the election of more secular and nationalist candidates that vowed to maintain security gains, reduce corruption and increase the availability of basic goods and services.⁸⁶

However, the months leading up to the March, 2010 elections were filled with political bickering and sectarian strife – between Shi’ites and Sunnis, and between Arabs and Kurds. This infighting did little to achieve the kind of political reconciliation vital to avoiding a reprisal of violence. It is far from clear how the 2010 elections will shape Iraqi politics in the long run – whether they will ease sectarian and ethnic ties or heighten them.

This bickering has also caused external and internal parties to question the legality of the election and it is unclear whether all the elements of the general population will accept the results as fair and legitimate. Efforts to remove a significant number of Sunni candidates from the voting lists on the ground they were Ba’athist have undermined the credibility of the outcome. These uncertainties will be compounded by any effort to manipulate voting and by any attempts by insurgent groups to discredit the election, attack key officials or candidates, provoke ethnic and sectarian tension, or use attacks to try to intimidate blocs of Iraqis into staying away from the polls.

A New Window of Opportunity for the Insurgents and Uncertainties in the US-Iraqi Strategic Agreement

The delays and debates over the elections have also opened a new window of opportunity for AQI and other insurgent movements. They have provided more time for insurgents to carry out targeted attacks against the government and the ISF, and more chances to try to renew ethnic and sectarian conflict with bombings and high profile attacks. These attacks generally aim to undermine the government’s political standing, particularly that of the ruling Shi’ite coalition.

For example, Maliki was forced to go to parliament in December 2009, after a particularly successful series of large-scale attacks in and around Baghdad. To mollify public anger he fired the head of Baghdad security and his entire handling of Iraq’s security effort came under attack. Moreover, in an effort to strengthen his “nationalist”

⁸⁶ Marisa Cochrane Sullivan “Iraq’s Parliamentary Election” *The Backgrounder from the Institute for the Study of War* (21 Oct 2009)

standing, he was forced to delay a meeting with Secretary Gates while dealing with the crisis in parliament.⁸⁷

It is also unclear how much the new government will favor US-Iraqi strategic partnership, and if so, on what terms. It is possible that the new government may want to weaken or end the strategic partnership agreements. It also is still possible that Iraqi politics will lead to a national referendum over the Strategic Framework Agreement (SFA) for a strategic partnership, and in ways that affect the Security Agreement (SA) and the pace of withdrawal.

The Iraqi Council of Representatives only approved the strategic agreement after a compromise that called for it to be submitted for approval to the Iraqi electorate in a national referendum. This vote was originally scheduled to be held by mid-2009, but was then delayed to January 2010 and then again to March. There is far less pressure to hold it now it is clear that the US has truly transferred power to the Iraqi government and its force really are leaving, and it could be delayed again. It remains a legal requirement, however, and any negative vote could disrupt every aspect of US and Iraq relations as well as affect the US schedule for withdrawal and all aid activity.

The Challenge of Forming an Effective New Government

What is clear is that these elections are the prelude to a complex process in forming a new government, and that even if Prime Minister Maliki should win enough votes to remain in office, many top positions in the Iraqi government will change. Under the best conditions, it will take the Iraqi Higher Election Commission some 30-45 days to fully certify election results and it will then take several months to formally appoint every senior official in office, and make the new government function. It will then take 6 to 12 months for the new officials and ministers to develop the skills and relationships they need to work together and fully exercise their responsibilities.

Iraq will face a remarkable complex set of milestones in forming a new set of governing coalitions in order to enact and implement legislation. The calendar for government formation is not rigid, but US experts have developed the following time schedule to illustrate how long the process may take:

Action	Time Frame (in Days)	
	Phase	Cumulative
Special needs voting and Election Day	3	3
Tally of results and preliminary results	4-7	7-10
Complaints and adjudications: Provisional Results	30	37
Appeals and Certification of Results	15	52
First Session of Council of Republic; negotiations for selection		

⁸⁷ Elisabeth Bumiller, "Defense Secretary's Trip Encounters Snags in Two Theaters," *New York Times*, December 13, 2009, p. 20.

Cordesman: Iraq - Creating a Strategic Partnership	2/3/10	Page 116
of Speaker (maximum of 30 days after certification)	21	73
Speaker elected	30	103
Council of the Republic elects President and other members of the Presidential Council	30	133
Prime Minister nominated (maximum of 15 days)	15	148
Prime Minister picks Council of Ministers. (maximum of 30 days)	30	178
Prime Minister and Council of Ministers sworn in. (Presidential Council must designate new Prime Minister in 15 days if Council of Ministers fails to gain vote of confidence.)	30	208

Effective leadership may take even longer to develop – particularly as power changes hands and new coalitions form within Parliament. As **Figure VI.1** shows, the precedents are not good. The first post-invasion parliamentary election was held on December 15, 2005. The Shi'ite coalition that emerged as the dominant party was paralyzed by internal political splits, and only named Nouri al-Maliki as a compromise Prime Minister on April 22, 2006. It then took until May to name ministers and June before the government could begin to function.

The Problem of Governance

If the new parliamentary leaders fail to govern effectively, or if Iraq becomes the scene of new ethnic and sectarian struggles, it could waste many of the political and security gains of the last few years and do much to discredit democracy at the political level. Iraqis may disagree on many things, but polls consistently show they want an effective government – one that can show it provides security, key services, a rule of law, and economic progress. In practice, the quality of governance will ultimately be more important than the quality of the election and the way in which a new government is formed.

The West tends to focus on elections as a source of legitimacy and stability. The reality, however, can be very different. As **Figure VII.1** shows, Iraq now has poor levels of governance, and it will be 5-10 years before these standards are likely to be raised to the highest levels of regional performance. It is unclear just what level of governance the Iraqi people will tolerate during this period, particularly if it is perceived as corrupt, fails to meet key needs, favors part of the country on a sectarian or ethnic basis, or cannot fund itself through increases in petroleum exports and other sources of revenue. The electoral outcome of the 2010 elections is less important than the period of time that will follow, when the Iraqi government proves whether or not it can put sectarian issues aside for the sake of improving governance and meeting the needs of the Iraqi people.

US experts have identified a long series of near-term risks that will coincide with the election and formation of a government, the period of US withdrawal, and the period before major increases can be made in oil revenues. These risks include:

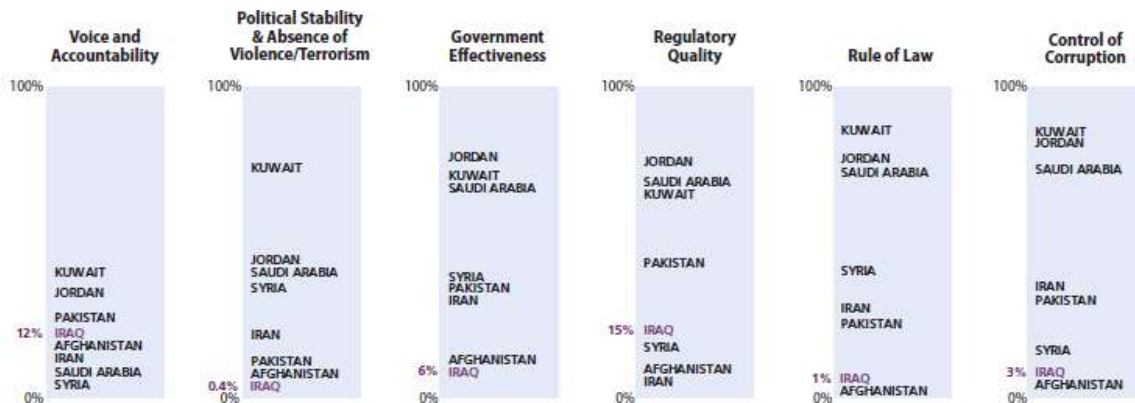
- Iraq's regional neighbors continue to prefer a weak Iraqi government and intervene to undermined the development of a strong state.

- Debates over the Election Law delay the election, make effective campaigning difficult or impossible, and/or discredit the election and election process with a significant number of Iraqis.
- Pre-election posturing and rhetoric undermines relations between groups and leads to turmoil.
- Council of Representatives (CoR) votes to withdraw confidence in the IHEC.
- Small-scale terrorist acts around the country undermine public confidence and inhibit participation on election day.
- Extended delay in government formation post-election:
 - Losing factions seek to undermine results by calling IHEC's objectivity into question.
 - Sunnis fail to secure a strong stake in the new government and walk out.
- Fractious, loose coalition in new government ineffectual; unable to make and implement decisions.
- New government seeks to recentralize powers, ignoring balance ensured in Provincial Powers Act,
- GoI and Council of the Republic fail to approve and implement legal and economic reforms:
 - Failure to attract investment undermines job creation.
 - Released former militia members are vulnerable to recruitment.
- An uptick in violence overwhelms the Iraqi Security Forces, undermining public confidence in their abilities.
- GoI and KRG withdraw from negotiations to resolve allocation of hydrocarbon resources, DIBs, and security forces, and violent conflict ensues.

There is little or no practical prospect that the 2010 elections will bring stability and security without years of additional uncertainty, effort, and luck. It is critical that the elections succeed, but only because they are an important prelude to political accommodation and effective governance.

Figure VII.1: Iraq's Critical Problems in Governance

Comparative Governance Indicators: Percentile Performance Ranking of Countries



Note: The aggregate governance indicators reflect a statistical compilation of responses on the quality of governance given by a large number of enterprise, citizen, and expert survey respondents. Countries are ranked relative to each other, but relative positions are subject to margins of error.

- **Voice and Accountability**—the extent to which citizens are able to participate in selecting their government, freedom of expression and association, and free media
- **Political Stability and Absence of Violence/Terrorism**—the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means
- **Government Effectiveness**—the quality of public services, quality of the civil service and its independence from political pressures, and quality of policy formulation and implementation
- **Regulatory Quality**—the ability of the government to formulate and implement sound policies and regulations that permit and promote private-sector development
- **Rule of Law**—the extent to which agents have confidence in and abide by the rules of society, and in particular, the quality of contract enforcement, property rights, the police, and the courts
- **Control of Corruption**—the extent to which public power is exercised for private gain, including both petty and grand forms of corruption

References: Worldwide Governance Indicators Project, “Aggregate Governance Indicators 1996–2008,” 6/2009, <http://info.worldbank.org/governance/wgi/pdf/wgidataset.xls>, accessed 10/19/2009;

Daniel Kaufmann, Aart Kraay, and Massimo Mastruzzi, “Governance Matters VIII: Governance Indicators for 1996–2008,” World Bank Policy Research, 6/2009,

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1424591, accessed 10/19/2009; CIA, *World Factbook*, www.cia.gov, accessed 10/14/2009; World Health Organization, *Country Profiles*,

www.emro.who.int, accessed 10/13/2009; U.S. Embassy-Baghdad, response to SIGIR data call, 10/3/2009.

Source: Special Inspector General for Iraq Reconstruction (SIGIR), *Quarterly Report to the United States Congress*, (Public Law 108-106, as amended, and Public Law 95-452), October 30, 2009, p. 73.

Shifting Shiite Coalitions

The official process of forming a government is only the first step to political accommodation. As the previous chapters have shown, major shifts are taking place in past parties and coalitions and a host of small or largely personal parties are emerging. Several popular incumbents have been challenged by relative newcomers and several politicians are abandoning past alliances to try to win greater support from different ethno-religious sects in the country. This process will continue beyond the 2010 elections and politicians build coalitions within Parliament to rule on several important issues still left undecided like the status of Kirkuk and a national oil law.

At the same time, this shift in coalitions has been accompanied by a political witch hunt to bar candidates from entering the elections. In mid-January the Accountability and Justice Commission banned over 500 candidates from running in the March elections, claiming that these candidates retained Ba'athist ties – an accusation widely perceived as anti-Sunni.⁸⁸ Although several opposing candidates have called for a reconsideration of the ban, Maliki has tacitly supported the decision, bringing into question the legitimacy of his government and the elections.

This process is now in so much flux that any analysis can only illustrate how unstable it really is. Nevertheless, even a brief review of some key developments in late 2009 shows just how much the next government may differ from the exist one, and that the election may or may not help Iraq move towards political stability.

Maliki and the State of Law Coalition

One of the most important developments in the run-up to the 2010 election was Maliki's decision to split from the Shi'ite coalition that named him Prime Minister in 2005 in order to form his own nationalist party, the State of Law (SOL) coalition. The announcement of his new multi-ethnic coalition came on October 1st, a few months after Maliki campaigned successfully in the 2009 provincial elections for several nationalist (non-sectarian) politicians.⁸⁹ The coalition was made up of elements from more than 40 parties, including some Sunni tribal leaders and politicians as well as moderate Shiite ministers and lawmakers.⁹⁰

The Sunnis and secularists who have joined State of Law do seem to represent serious constituencies – they are not simply token minorities that Maliki can use to claim that his coalition is non-partisan (as does the Iraqi National Alliance). More importantly, Maliki's formation of SOL has sent an important political message that Iraq should focus on putting ethnic and sectarian differences aside to form a more effective central

⁸⁸ Anthony Shadid, "Iraqi Commission Bars Nearly 500 Candidates from Parliamentary Vote" *The New York Times* (15 Jan 2009)

⁸⁹ Gina Chon "Iraq Premier Announces Broad New Coalition Ahead of Polls" *The Wall Street Journal* (1 Oct 2009)

⁹⁰ Gina Chon "Iraq Premier Announces Broad New Coalition Ahead of Polls" *The Wall Street Journal* (1 Oct 2009)

government, and Maliki has continued to reach out to tribal leaders and disenfranchised Sunni politicians from the main Sunni alliance, the Iraqi Accord Front.⁹¹

Despite this cooperation the SOL party did not receive support from prominent Sunni parties like Iraqiyya, Hiwar, Najayf, Habubui or influential Sunni politicians like Ahmad Abu Risha, the Anbar leader Maliki teamed up with in the local elections.⁹² Furthermore, any progress that Maliki made towards political reconciliation with Sunni officials may be undermined by his compliance with the decision to ban over 500 candidates – many of them secular nationalists – from the March elections. In addition, Maliki's relations with Barzani and most Kurds have been poor at best, although the debates over the election law in November 2009 seemed to bring the two factions together in opposition to the Sunnis.

The SOL also faces important challenges from Shi'ites. ISCI, the party that helped propel Maliki to victory in 2005, is now the Prime Minister's biggest threat to reelection. Although his State of Law party did well in the 2009 provincial elections, ISCI has regrouped and joined the Sadrists to form the Iraqi National Alliance, similar to the alliance that Maliki's former party, Dawa, formed with ISCI in the previous elections. It is difficult to tell whether the party will have much success in 2010, but they may have a chance to surpass Maliki given his recent decline in popularity.

Moreover, Maliki has not done well in winning the support of Iraq's fracture Arab Sunnis and faces serious tensions in dealing with Barzani and other key leaders of the KRG. These problems compound other difficulties. Maliki has tried to consolidate his power within the office of the Prime Minister in ways that have alienated other Iraqi politicians, and created fears of – not support for -- “a strong leader.” At the same time, he has inherited all of the problems caused by Iraq's long history of war and poverty from 1979-2005, a government with weak capacity to govern at every level, a budget crisis from diminished oil revenues, and security forces that are still too weak to perform all of the security functions previously performed by US troops.

The Sadrist Movement

Leaders of the anti-American Sadrist movement made changes to their political role and election strategy leading up to the 2010 elections. On October 16, 2009, loyalists to the Shiite cleric Muqtada al-Sadr held Iraq's first primary election in an attempt to restore the party's popularity after its losses in the local elections of 2009.⁹³

The Sadrists reported that the primaries had an impressive turnout, with crowds lined up outside voting centers in Sadr City to cast their ballots. Signs on the walls and slogans blaring from loudspeakers -- complete with an election song, “I am Sadrist and I vote

⁹¹ Reidar Visser “Maliki Re-Launches the State of Law List: Beautiful but Is It Powerful Enough?” *historiae.org* (1 Oct 2009) <http://historiae.org/state-of-law.asp>

⁹² Reidar Visser “Maliki Re-Launches the State of Law List: Beautiful but Is It Powerful Enough?” *historiae.org* (1 Oct 2009) <http://historiae.org/state-of-law.asp>

⁹³ Jenon Hussein and Mohammad al Dulaimy “An Iraqi primary election draws crowds but lacks safeguards” *McClatchy newspapers* (16 Oct 2009)

Sadrists” -- were used to support the movement.⁹⁴ The Sadrists claimed to allow voters to select candidates, rather than have party leaders select them behind closed doors, and reported that some 800 candidates participated in the primary, conducted at over 400 polling stations.⁹⁵ Sheikh Salman Faraj, the cleric overseeing the primaries, asserted that, “the Sadrist movement is not about politics, it is about people [and] the will of the people is above everything.”⁹⁶

The primaries were concentrated mainly in predominantly Shiite neighborhoods around Baghdad (like Sadr City). Furthermore, there were few safeguards in place during the elections to prevent double-voting fraud. Although Sadrist officials claimed that 1.5 million people voted in the primary that day, other sources indicate that only 250,000 had registered as late as two days prior to the primary, totaling only 17 percent of the claimed final tally.⁹⁷

Regardless of the size of the primary, it did demonstrate that the Sadr movement had embraced the upcoming elections, rather than writing them off as they did in 2005. It was clear that their goal was to increase their representation in Parliament from only 35 out of 275 seats. Their decision to join the INA also reflects how the Sadrists are trying to become a part of national politics and participate in the elections.⁹⁸

ISCI and the INA

Conversely Ammar al-Hakim, the new leader of ISCI, the most prominent party in the Iraqi National Alliance, has not made major changes in political strategy since 2005. He continues to follow his father’s platform, and supports dividing the country into several different governorates based on ethnicity.⁹⁹ This is a departure from what most other Iraqi politicians are now saying. Representatives of several Shiite and Sunni parties including Dawa, Iraqiyya, Hiwar and the Sadrists have come out in favor of imposing restrictions on federalism and expressed skepticism about the creation of any new federal states.¹⁰⁰ This could cause the Iraqi National Alliance to lose influence particularly if these groups band together in the kind of coalition that Maliki hopes to form in Parliament.

However, ISCI has changed and expanded its circle of allies to include the Sadrist party in its new governing coalition the Iraqi National Alliance (INA) – as opposed to the alliance it formed with Dawa in 2005. Gaining support from the Sadrists has been an

⁹⁴ Jenon Hussein and Mohammad al Dulaimy “An Iraqi primary election draws crowds but lacks safeguards” *McClatchy newspapers* (16 Oct 2009)

⁹⁵ Liz Sly “Iraqi primary election ordered by Muqtada Sadr draws voters” *LA Times* (17 Oct 2009)

⁹⁶ Jenon Hussein and Mohammad al Dulaimy “An Iraqi primary election draws crowds but lacks safeguards” *McClatchy newspapers* (16 Oct 2009)

⁹⁷ Jenon Hussein and Mohammad al Dulaimy “An Iraqi primary election draws crowds but lacks safeguards” *McClatchy newspapers* (16 Oct 2009)

⁹⁸ Liz Sly “Iraqi primary election ordered by Muqtada Sadr draws voters” *LA Times* (17 Oct 2009)

⁹⁹ Reidar Visser “Hakim Still Dreaming about Regions” *Historiae.org* (8 Oct 2009), <http://gulfanalysis.wordpress.com/2009/10/08/hakim-still-dreaming-about-regions/>

¹⁰⁰ Reidar Visser “Hakim Still Dreaming about Regions” *Historiae.org* (8 Oct 2009), <http://gulfanalysis.wordpress.com/2009/10/08/hakim-still-dreaming-about-regions/>

important step for the Iraqi National Alliance in re-uniting Iraq's Shiites, forming a strong opponent to more national parties like Maliki's SOL coalition. This alliance between the two largest Shiite parties in Iraq, both of which have close ties to Iran, has replaced the main Shiite alliance that dominated parliamentary elections in 2005 and secured Maliki's position as Prime Minister.

Although Shiite parties did not do as well in the 2009 provincial elections, Maliki's main concern is still that he does not have enough support from Sunni parties or candidates to really outweigh the advantage that a Shiite bloc would have in Parliament. Despite the recent trend towards nationalist, Shi'ites will still play an influential role in any future government.

Divided Sunni Parties

Sunni politics remain fragmented, although efforts are being made to create more effective parties. Ahmad Abu Risha, the Sunni leader in Anbar, announced in October that he would head a new coalition named the Unity of Iraq Alliance (UIA), along with several current and former cabinet ministers.¹⁰¹ UIA says it nominate both Sunni and Shiite candidates for office including interior minister Jawad al-Bolani, an independent Shiite, and former defense minister Saadun al-Dulaini, a secular Sunni.¹⁰²

While it is too early to judge the UIA's success, Abu Risha was one of the most influential Sunni leaders to join US forces in the fight against the insurgency in 2006. His brother, Sheikh Abdul Sattar Abu-Risha was the leader of the Sahwa or "Awakening" movement, a militia of former Sunni insurgents that fought (and continue to fight) against organizations like AQI in the Anbar province. Ahmad Abu Risha took over the Sahwa after his brother's assassination in 2007.

Abu Risha's announcement marks the second formation, after Maliki's new SOL party, of a second-generation political alliance between candidates of different sect and ethnicity – an alliance based on ideological preferences rather than one formed on religious identity.¹⁰³

Along with UIA and SOL, other prominent Sunni candidates like defense minister Abdul-Kader Jassem al-Obeidi and head of the National Dialogue Front Saleh al Mutlaq have joined former Prime Minister Ayad Allawi, a Shi'ite, to form another coalition that had been particularly favored in underrepresented Sunni provinces. However, al-Obeidi and Mutlaq were among the 500 candidates banned from the elections on account of their suspected Ba'athist affiliations...

The largest Sunni bloc, the Iraqi Concord Front, no longer has the same dominance over Sunni politics it did during the time when it could exploit the fact that most Sunnis refused to participate in drafting the constitution or voting in the Iraqi elections. It has,

¹⁰¹ "Key Sunni Leader at Helm of New Iraqi Political Bloc" *Associated Foreign Press* (21 Oct 2009)

¹⁰² "Key Sunni Leader at Helm of New Iraqi Political Bloc" *Associated Foreign Press* (21 Oct 2009)

¹⁰³ Reidar Visser "The Unity of Iraq Alliance: Another Second-Generation Coalition" *Historiae.org*
<http://www.historiae.org/risha-bulani.asp>

however, announced 49 candidates for the 2010 presidential and parliamentary elections.¹⁰⁴

The Islamic Party, the Iraq branch of the Muslim Brotherhood, has also lost some of its former allies. It still has support from 7 MPs from the Conference for the People of Iraq coalition and from a couple of Kurdish and Turkmen factions, but members of other Sunni parties like the National Dialogue Council of Sheikh Khaled al-Alayan and the Independent Arab Bloc have strayed from the main coalition, approaching rival parties and preparing to run candidates of their own.¹⁰⁵ Another alliance has been formed between influential Shiite leader Ayad Allawi and Salih al-Mutlak's prominent Sunni party, Hiwar, both of whom turned down offers to ally with Maliki's State of Law party.¹⁰⁶ Some tribal leaders have even decided to ally with the main Shiite bloc, the Iraqi National Alliance.

These developments could weaken the sectarian and ethnics alliances that defined Iraqi politics in 2005. Non-sectarian rhetoric and alliances are growing in popularity and several parties are taking note, forming unofficial political alliances even past the deadline for setting coalitions, which expired on October 25th.¹⁰⁷

Still, the Accountability and Justice Commission's decision to ban candidates from participating in the elections because of suspected ties to Saddam's former Ba'ath party threatens to derail any progress that has been made towards political cooperation and reconciliation. Furthermore, several prominent Sunni candidates have been singled out by the commission, which further discourages Sunni voters from participating in the elections, particularly if they feel they have not been properly represented. In order to

Pre-Election Debates

Several controversies have risen in the months preceding the March, 2010 elections that threaten to divide Iraqi politics further along sectarian lines. Debates over the election laws, the status of Kirkuk and the Accountability and Justice Commission's decision to ban "Ba'athist" candidates all contribute to overall levels of hostility between different ethnic groups in Parliament, further inhibiting the process of reconciliation.

The Struggle Over Passing an Election Law

The national elections law should have gone into effect by October to meet the election deadline originally set by the Independent High Electoral Commission on January 30, 2010. However, disagreements over the technicalities involved in mapping districts and changing the list system held up the legislation until lawmakers finally reached a compromise in late November. There are still several issues that lay behind this political

¹⁰⁴ "Iraq Sunni splits offer hope of less sectarian politics" *Associated Foreign Press* (19 Oct 2009)

¹⁰⁵ "Iraq Sunni splits offer hope of less sectarian politics" *Associated Foreign Press* (19 Oct 2009)

¹⁰⁶ Reidar Visser, "Allawi-Mutlak: Consolidation at the Centre of Iraqi Politics" *Historiae.org* (27 Oct 2009)

¹⁰⁷ Reidar Visser, "Parliament Closed until Sunday; Deadline for Forming Coalitions Extended" *Historiae.org* <http://gulfanalysis.wordpress.com/2009/10/27/allawi-mutlak-consolidation-in-the-centre-of-iraqi-politics/>

infighting but elections are now back on track, set to occur about a month later than the original deadline, on March 7th, 2010.

Three contentious issues delayed legislation on Iraq's national election law, and all involved political tensions that will continue to play out in the future:

- *The first was whether the ballot should follow the current list system in which voters choose an electoral list, or an open list system in which voters elect individual candidates of their choice.* Iraq's leading Shiite cleric, Grand Ayatollah Ali Sistani came out against the current law, arguing that parliament should change the system to allow voters to choose candidates from an open list in order to bring new politicians into the government.¹⁰⁸ It is not necessarily that voters don't know who they are voting for under a closed-list system. The names of candidates are still available to the public; voters just are not allowed to rank the candidates in order of preference. In a closed list system the party ranks the candidates and in an open list voters can choose their own order. Therefore, keeping the closed list system makes it more difficult for a non-partisan candidate to take office.

There is broad agreement, at least among Arab parties, over implementing this rule. It would be difficult for Shiite politicians to defy Sistani, so they will probably continue to support some version of the open system, and open lists are in the Sunnis' favor since there are many nationalist Sunni candidates running for office.

- *The second issue holding up legislation was how votes should be counted in Kirkuk, where demographic reports have yet to determine the ethnic makeup of the region.*¹⁰⁹ Arabs, Kurds and Turkmen all claim rights to the oil-rich province and disagree over whether all of the residents of Kirkuk should be eligible to vote.¹¹⁰

In the past few years, thousands of Kurds have migrated back to Kirkuk after being expelled by Saddam Hussein, who relocated the Kurds from the province in order to settle Arabs there.¹¹¹ Arabs and Turkmen have argued that this massive influx of Kurds by far outweighs the effects of Saddam's "Arabization" policy and gives them an unfair advantage in the national elections. So far the Kurds have rejected any proposal to treat Kirkuk as a special case and the compromise to rule on voter fraud after the elections may just delay a final decision, further prolonging the problem.¹¹²

- *The third issue was how to allow votes from Iraqis outside Iraq and how to count them.* This issue is particularly sensitive because so many of the displaced Iraqis outside Iraq are Sunnis, have some Ba'athist ties, or are relatively "nationalist" and "secular."

The politics of the Election Law process are difficult to keep in perspective. Iraqis have a tendency to push debates and time limits to the point where the need for a decision creates an apparent crisis, and then suddenly resolve the issue through backroom compromises.

Timing became critical in October when the Iraqi parliament missed the second deadline set by the Independent High Electoral Commission (IHEC) and Federal Supreme Court to come up with a legal framework for the national elections on October 20th. This led to

¹⁰⁸ Nada Bakri "Iraqi Politicians Unable to Agree on Election Specifics" *The Washington Post* (14 Oct 2009)

¹⁰⁹ Reidar Visser "A Closed Assembly will Produce a Closed List" *Historiae.org* (16 Oct 2009)
<http://gulfanalysis.wordpress.com/2009/10/16/a-closed-assembly-will-produce-a-closed-list/>

¹¹⁰ "Disputes over Kirkuk delay new election law" *LA Times* (19 Oct 2009)

¹¹¹ "Disputes over Kirkuk delay new election law" *LA Times* (19 Oct 2009)

¹¹² "Disputes over Kirkuk delay new election law" *LA Times* (19 Oct 2009)

new debates about whether or not this meant that elections would use the same closed-list system that they did in 2005 or if Iraq should simply postpone elections until lawmakers come to a consensus, despite the fact that the Constitution specifies that elections should take place before January 30th.¹¹³

Faraj al-Haidari, the head of the IHEC urged Parliament to come up with an election law immediately because of his concerns over the amount of time needed to prepare for the technical aspects of the election – i.e. ballot printing, exiled and displaced-person registration, census-taking.¹¹⁴ IHEC and UN experts have estimated that Iraq needs at least 90 days to accurately prepare for the election.¹¹⁵ Because legislators failed to pass an election law before that 90-day marker, the IHEC halted all preparations to go ahead with the election in January and has now decided to aim for a later date in early March.

Nevertheless, deadlines for passing the 2009 election law came and went as Iraqi politicians failed to come to a consensus on Kirkuk. The Political Council for National Security had come up with three possible compromises on the Kirkuk issue: (1) to revise the electoral registers of 2004, which do not include the increase in voters as the 2005 law does, (2) to divide Kirkuk into two electoral districts, distinguishing between voters who live in Kirkuk as opposed to those who are registered there (the former group would be eligible to vote in the district) and (3) postpone the elections in Kirkuk until after surveys are conducted to determine the region's true demographics.¹¹⁶

Each time Iraqi politicians and UN officials proposed some form of these solutions to the problem, and seemed to come to reaching a compromise, the legal committee of the Parliament held a brief session without results and adjourned for the day without a final decision. On October 26th, for example, it seemed that Iraqi politicians had drafted a compromise that would finally push legislation on the election law through Parliament. Partly in response to the devastating bomb attacks that occurred the day before, a “tri-lateral meeting of the presidents,” headed by PM Maliki, President Talabani and Speaker of Parliament Samarraie, came to an agreement over the dispute based on the three recommendations given by the Political Council for National Security.

However, negotiations fell apart over objections from the Iraqi elections commission (IHEC), supported by the Kurds and UNAMI (the UN Assistance Mission for Iraq). UNAMI tried to block at least two, if not three, of the proposals drafted by Iraqi leaders, on account of the “technical problems” that those options might present in planning for the election.¹¹⁷ UNAMI instead favored adopting the 2009 register of voters followed by a study to conclude whether there are irregularities in registration (with a wide margin of 33%), an option that only managed to garner support from Kurdish officials.¹¹⁸

¹¹³ “Disputes over Kirkuk delay new election law” *LA Times* (19 Oct 2009)

¹¹⁴ Bureau of Near Eastern Affairs, US Department of State, *Iraq Status Report* (14 Oct 2009)

¹¹⁵ Norland “Deadlock Over Election Law in Iraq” *The New York Times* (21 Oct 2009)

¹¹⁶ Reidar Visser “More Alternatives for Kirkuk Emerge” *Historiae.org* (26 Oct 2009) <http://gulfanalysis.wordpress.com/2009/10/26/more-alternatives-for-kirkuk-emerge/>

¹¹⁷ Reidar Visser, “What exactly is UNAMI up to in the Iraqi Parliament?” *Historiae.org* (28 Oct 2009)

¹¹⁸ Reidar Visser, “Objections by the Kurds, the IHEC and UNAMI; The Legal Committee Comes Up with Two More Alternatives for Kirkuk” *Historiae.org* (Oct 29 2009)

The IHEC then proposed a second alternative that would guarantee some kind of minimal communal representation to each of the four main ethnic groups in the region (Sunni, Shiite, Kurd and Turkmen) and would allow Kirkuk to remain competitive with 5 representatives chosen by the electorate.¹¹⁹ This proposal seemed to be a workable compromise by leaving the potential for cross-sect voting in Kirkuk while guaranteeing each sect a spot at the table.

Iraqi politicians did reach an initial compromise over the Kirkuk issue on November 8th – the compromise was similar to the UNAMI plan but without specific mention of retroactive allocation of seats. Iraqi politicians did seem come to a consensus when they passed a law on November 8th (although this agreement soon faced further criticism from different factions claiming underrepresentation).

The agreement, brokered by the United States and the UN, stated that Iraq would use the 2009 voter registration lists in Kirkuk, and Parliament would review the results after the election to determine whether the number of voters of a particular sect in any given district seems suspiciously high.¹²⁰ If they did find discrepancies in the voting, a team overseen by the United Nations would further investigate the matter to determine if fraud had occurred. The new election law also contained other expected provisions including open lists, governorate-level constituencies and minority seats for Christians, Sabaeans, Yazidis and Shabak.¹²¹

It is difficult to tell whether this compromise over Kirkuk will help solve the broader issue or merely delay drafting a solution to the conflict until the new government is seated. There is a chance that some Arab representatives in Parliament will contest the results, causing strife with Kurdish parties and with the UN, which has leaned heavily towards the Kurdish side during these debates. But at least for the meantime legislators have reached a compromise on the issue, allowing elections to go through even if it means delaying a decision on Kirkuk until later in 2010 or beyond any set time frame.

Sunni Complaints

Other uncertainties in Iraqi political accommodation then threatened to delay or disrupt the election. On November 17th Sunni Vice President Tareq al Hashimi vetoed the election law on the grounds that it did not guarantee enough seats to Iraqi refugees living abroad.¹²² He objected to the fact that the law limited the proportion of “compensatory” seats in Parliament that would go to displaced Iraqis to 5%, which is 10% lower than it was in 2005. Hashimi asked Parliament to raise the number back up to 15% for the 2010 elections.¹²³ Most Iraqi refugees are Sunni Arabs, and Hashimi argued that failing to include them would give Shiite and Kurdish parties an unfair advantage in the 2010 elections.

¹¹⁹ Reidar Visser, “Objections by the Kurds, the IHEC and UNAMI; The Legal Committee Comes Up with Two More Alternatives for Kirkuk” *Historiae.org* (Oct 29 2009)

¹²⁰ Timothy Williams, “Iraq Passes Crucial Election Law” *The New York Times* (8 Nov 2009)

¹²¹ Reidar Visser, “The Election Law is Passed: Open lists, Kirkuk Recognized as a Governorate with ‘Dubious’ Registers” *Historiae.org* (8 Nov 2009)

¹²² Rod Nordland, “Veto of Iraq’s Election Law Could Force Delay in Vote” *The New York Times* (18 Nov 2009)

¹²³ Sameer N. Yacoub, “Iraqi official’s threat puts vote in question” *The Los Angeles Times* (15 Nov 2009)

However, Hashimi's plan backfired as Shiite and Kurdish lawmakers banded together and instead of addressing the vice president's complaints, passed an amendment on November 4th that effectively reduces the number of Parliamentary seats for Sunni districts. The amendment expanded the number of Parliamentary seats from 275 to 320 – giving more seats to Shiite and Kurdish areas and reducing the amount allocated to Sunni districts.¹²⁴ The revision rearranged the distribution of seats in the country to reflect 2005 Trade Ministry registered voter statistics with a 2.8% population increase, instead of the 2009 population census.¹²⁵ This Iraqi version of gerrymandering favored Shiite and Kurdish candidates by expanding their districts while further limiting the number of Sunni candidates likely elected to office.

The Hashimi veto thus had the unintended effect of both reducing Sunni representation and pushing Shiite and Kurdish factions towards the alliance they had back in 2005. It also undermined at least part of the improved relationship that Sunnis and Shiites have forged over the past few months. As a result, several Sunni lawmakers walked out of the pre-vote session in protest, arguing that Shiite legislators were focusing mainly on appeasing Kurdish factions in order to establish a majority alliance that could override the presidential veto. This resurfacing of political alliances against Sunni lawmakers worries US officials, who do not want to see disenfranchised Sunnis retaliate violently against the government.¹²⁶

In a last minute decision, brought on by heavy US pressure, Iraqi politicians came to a compromise over the issue on December 7th and passed the final law, delaying elections until March.¹²⁷ The compromise proposal redistributes vote allocation and expands the total number of Parliamentary seats from 275 to 325 to include various ethnic and religious factions. The revised law states that the votes of Iraqis abroad will be counted in their province of origin, which alleviates concerns that caused Hashimi to veto the law in the first place. The new law also includes 15 compensatory seats – eight at-large seats for Christians and seven seats that will be distributed by the top election winners.¹²⁸

Hashimi lauded the final compromise stating, "The past 12 days have made our democratic process stronger. This outcome will change Iraq from a sectarian state to a civilized state."¹²⁹ The compromise does seem to satisfy most parties although some still disagree with the revised bill. Kurds were hoping to secure additional seats – 48 total for the Kurdish provinces – but they ended up 43 seats, around the same figure that they originally had.

The total distribution of seats was as follows:

Baghdad: 68 seats

¹²⁴ "Iraq election law faces second veto" *The Associated Press* (24 Nov 2009)

¹²⁵ "Iraqi elections face delay" *The Associated Press* (24 Nov 2009)

¹²⁶ Nada Bakri "Iraqi lawmakers pass amended election measure" *The Washington Post* (24 Nov 2009)

¹²⁷ Ernesto Lodoño, "Iraqi lawmakers reach deal on seat allotment ahead of election" *The Washington Post* (7 Dec 2009)

¹²⁸ Ernesto Lodoño, "Iraqi lawmakers reach deal on seat allotment ahead of election" *The Washington Post* (7 Dec 2009)

¹²⁹ Ernesto Lodoño, "Iraqi lawmakers reach deal on seat allotment ahead of election" *The Washington Post* (7 Dec 2009)

Nineveh: 31
Basra: 23
Thi Qar: 18
Babylon: 16
Sulimaniyah: 17
Anbar: 14
Irbil: 14
Diyala: 13
Kirkuk: 12
Saladin: 12
Najaf: 12
Wasit: 11
Qadisiyah: 11
Maysan: 10
Duhok: 10
Karbala: 10
Muthana: 7
(Kurdistan territory: 43 seats)¹³⁰

Some Kurdish lawmakers complained that the United States pressured representatives into passing the law and that the final version does not give Kurds adequate representation. Some Sunnis also criticize the vice president for protecting the rights of displaced Iraqis at the expense of allowing the Kurds to have more seats. The new compromise does not do much to reassure Sunni lawmakers; nor does it bode well for politicians hoping to forge some kind of unity in Parliament. Shifting coalitions are not a sign of unity – they demonstrate that each sect is still looking out for its own interests above the collective interests of the country.

At the same time the process does demonstrate that Iraqis can reach workable compromises, and that careful US efforts to push through compromises can still help when all three parties have come to an impasse.

Another remarkable aspect of the compromise decision is the fact that the Kurds and Shiites backed down from their original threat to simply bypass Hashimi's veto – they did have enough votes in Parliament to push the legislation through without his approval. Instead, some ISCI and Sadrist members, specifically Hadi al-Amiri and, according to some sources, Nassar al-Rubaie, did attend emergency meetings with Sunni and Nationalist lawmakers including Hashimi, Rafi al-Isawi and Ayad Allawi.¹³¹ This kind of cooperation stands in stark contrast to the kind of sectarian fighting that dominated Iraqi politics in 2005. Although it is clear that some of these issues do still exist, and that the United States played a large role in pushing through this legislation, it is also important to recognize the progress that Iraqi politicians have made in the past five years.

The “DeBa’athification” Crisis

An additional sectarian crisis occurred during the run up to the election. In early January, 2010, the Accountability and Justice Commission announced its plans to ban over 500

¹³⁰ Reidar Visser, “No Second Veto: The Election Law is Approved by Tariq al-Hashemi and the Iraqi Presidency” *Historiae.org* (6 Dec 2009)

¹³¹ Reidar Visser, “No Second Veto: The Election Law is Approved by Tariq al-Hashemi and the Iraqi Presidency” *Historiae.org* (6 Dec 2009)

candidates from the March elections on account of their ties to Saddam's former Ba'athist party. Among the candidates banned for participating in the elections were defense minister, Abdul-Kader Jassem al-Obeidi and Saleh al-Mutlaq, a Sunni head of the National Dialogue Front who allied with former Prime Minister Ayad Allawi, a Shi'ite, for the 2010 ballot.

The process of excluding candidates itself has been shrouded in secrecy. The chairman of the Accountability and Justice Commission announced the decision on Al Arabia, a Dubai-based television channel, without informing either Iraqi or American officials.

One set of explanations of the decision was that the constitution prohibited those tied to the Ba'ath from running. In addition, some Shi'ite leaders stated that it was supporters of the Ba'ath party that had participated in high profile attacks on government buildings in August, October and December of 2009.¹³²

Other politicians, however, questioned whether the decisions made by the commission were binding or legal.¹³³ They charged that the decision was really made to exclude candidates because they were Sunni and sometimes because they did not support the Prime Minister. They felt that the Accountability and Justice Commission has continued to serve the same purpose as its successor, and has banning former Ba'athist candidates regardless of circumstance and whether they joined the Ba'ath simply to survive under the pressures enforced by the regime of Saddam Hussein..

Such critics also raised questions about the Commission. They noted that its director, Ali Faisal al-Lami was the former chairman of the De-Ba'athification Commission set up by L. Paul Bremmer set up in 2003 to ban all members of the former party from public office.¹³⁴ They also charged he was closely linked to Ahmed Chalibi, and that Chalibi pushed the decision both for his own political reasons and at the urging of Iran.

Both Sunni and Shi'ite politicians banded together to protest the ruling – Mr. Allawi stated that it was “a process of severe intimidation and threats [and] it is clear that they want to get rid of their opponents.”¹³⁵ However, Maliki's government did not challenge the decision, possibly because some of the candidates that were eliminated posed a threat to the Prime Minister's reelection.

The United States and United Nations tried to help negotiate a deal with the Accountability and Justice Commission but both have made it clear that Iraqis are in charge of the situation. Regardless, it is important that the elections be perceived as fair and legitimate for Iraq to further its political progress. If candidates are banned for political gain, this will undermine the elections and could provoke a violent reaction.

¹³² Anthony Shadid, “Iraqi Commission Bars nearly 500 Candidates from Parliamentary Vote” *The New York Times* (15 Jan 2010)

¹³³ Anthony Shadid, “Iraqi Commission Bars nearly 500 Candidates from Parliamentary Vote” *The New York Times* (15 Jan 2010)

¹³⁴ Anthony Shadid, “How an Inflammatory Term, Baathist, Bars Candidates in Iraq” *The New York Times* (20 Jan 2010)

¹³⁵ Anthony Shadid, “Iraqi Commission Bars nearly 500 Candidates from Parliamentary Vote” *The New York Times* (15 Jan 2010)

Political Disputes and Security Concerns

Delaying elections also extended the amount of time when Iraq did not have a fully functioning government and security apparatus. The officials in charge of security – particularly Prime Minister Maliki who controls the Baghdad Operational Command and Interior Minister Jawad al-Bolani who oversees the nation’s police – led competing lists in the 2010 elections. This political rivalry has had a detrimental effect on coordination between government agencies. The lack of cooperation between Maliki and Bolani, who barely speak to each other, according to Iraqi officials, has created a security gap that will be difficult to mend in the run up to the elections.¹³⁶

Many Iraqis blamed Maliki for failing to prevent several Baghdad attacks including large-scale attacks on government buildings in August, October and December of 2009 – each of the attacks killed and wounded hundreds of people – and the attack on hotels frequented by westerners in January, 2010 which killed over 30 civilians. In response to pressures from Parliament and other Iraqi officials, Maliki dismissed his Baghdad Security Commander, Gen. Aboud Qanbar, in December after a bombing that killed 127 people and wounded 400 others.¹³⁷ The Prime Minister also addressed Parliament, acknowledging the political differences undermining security, albeit without taking much personal responsibility for the situation. Maliki went on to place further blame on the United States for policies that he said led to the deterioration of security in Iraq.

Yet, Maliki’s efforts did little to silence his critics who are more concerned with fixing the overall security structure than firing one general. The mix of politics and violence reminds many of the period after the 2005 elections when it took five months to seat Parliament – a period of turmoil that allowed insurgent to instigate a violent civil war.¹³⁸ Nor are Iraqi politicians likely to focus their blame elsewhere, as it benefits many of them to continue chastising Maliki for flaws in the security system to bolster their own chances of defeating the State of Law party in 2010.

In sum, all of these developments are a further warning that elections are not an end in themselves; it is the quality of the governance that follows that counts – and that is the true measure of political legitimacy. It is also all too clear that the effect of the security and the other problems raised by Iraqi election politics will not end until a new government is in place and actually shows its ability to govern and improve security.

This is unlikely to take place before the late summer of 2010, and demonstrating a truly effective capability to govern might well lag into 2011 and beyond. The end result may not be a “perfect storm” – Iraq has progressed beyond that point – but political uncertainty and unproven governance will probably interact with an ongoing budget crisis, the end of most major outside aid, and US security withdrawals that are timed far too closely to the date of the election with little foresight as to the practical problems in

¹³⁶ Marc Santora and Riyadh Mohammed “In Iraq, Politics is Seen Trumping Security” *The New York Times* (10 Dec 2009)

¹³⁷ Ned Parker, “Maliki Fires Baghdad Security Commander” *The Los Angeles Times* (10 Dec 2009)

¹³⁸ Marc Santora and Riyadh Mohammed “In Iraq, Politics is Seen Trumping Security” *The New York Times* (10 Dec 2009)

creating a new government that can actually govern and the limits to how quickly the ISF can improve.

The Role the US Can Play

Iraqi politics and nationalism, and the steady pace of the withdrawal of US forces and decline in US influence, limit what the US can do beyond continuing the quiet advisory and negotiating efforts already under way. Iraq is now a sovereign country, and any type of US military intervention can do as much or more harm than good. The US must, however, use its remaining influence as effectively possible -- while demonstrating that it is acting in Iraq's interest in an effort to achieve fair and balanced political accommodation in ways that can benefit all sides in Iraq's internal disputes.

The United States should continue to push members of Parliament to draft an agreement on Kirkuk. US officials are already working with Maliki to further this legislation but so far it has produced limited results. If necessary the US could conduct an independent survey of Kirkuk in coordination with the UN, making sure not to step on any toes in the process and ensure that outside organizations like UNAMI do not interfere with the process of reaching a compromise. The US should at least offer to oversee any surveys or make sure that an independent organization oversees them to ensure that special interests do not interfere with data collection. Furthermore, the US can oversee negotiations on proper representation for Iraqi exiles to help lawmakers come up with an agreement on the issue.

The United States should also encourage the government to conduct fair and legitimate elections in which all viable candidates are allowed to participate. This should include an honest recognition that many Iraqis became Ba'athist during the time of Saddam Hussein to survive, to obtain an education or professional status, or simply because that was the then legitimate path to political power. Moreover, many more secular Iraqis saw the Ba'ath as the best route to national progress, and others supported it because it was the patriotic thing to do during the Iran-Iraq War. It is one thing to oppose tyranny and human rights abuses, and condemn those who support terrorism and violence. It is another to condemn people for living with the political realities of the day, for being Sunni, or simply for being political opponents.

Although it cannot interfere in the electoral process, the United States should try to pressure the GOI when Iraqis protest the decisions of organizations like the IHEC's ruling to exclude 500 candidates from the 2010 elections. This kind of abuse of power should be condemned not only by the United States but at an international level to ensure that the election process does not discriminate against any one group, which could bring about a reprisal of ethnic violence.

In sum, the United States needs to adopt the role of mediator when necessary while making sure that it does not infringe on Iraq's sovereignty. There will be political conflicts that the US will not be able to resolve, given its limited capacities as an outside party. However, the US should continue to engage Iraqi politicians on all sides of political disputes and urge them to work towards compromises that further reconciliation and do not undermine the progress that Iraqis have made up to this point.

8. The Costs and Risks of Dependence on the Petroleum Sector

Economics are as important to Iraq's stability and political accommodation as security and governance, and they are equally critical to creating a successful strategic partnership between Iraq and the United States. It is far from easy, however, to analyze many of the key factors and trends involved Iraq's economic growth and development. The data available are weak and sometimes absent. U.S. and Coalition forces generally failed to look in detail at many of Iraq's most serious economic problems, or they issued heavily politicized reporting designed to show that Iraqi "reconstruction" had been far more successful than it was.

It is clear, however, that any analysis of a U.S. and Iraqi strategic partnership must examine these issues, which fall into four major categories:

- Iraq's near-term and mid-term dependence on its petroleum sector for much of its economic growth and most of its government revenue and self-financed development and security efforts.
- The critical problems in other sectors of the Iraqi economy, including industry and agriculture, and in many areas of government services like health and education.
- The impact of outside aid, where the Special Inspector General for Iraqi Reconstruction (SIGIR) and other reporting indicates that U.S. and other international aid efforts have fallen far short of their goals and sometimes done more harm than good.
- Iraq's ability to develop levels of security that will allow a normal economy to develop, which will reassure investors that foreign and domestic investment is safe, and that will ensure that investments in infrastructure and development are not attacked.

This chapter addresses Iraq's petroleum sector and the fact that reliance on oil revenues not only prevents Iraq from diversifying its private-sector economy, but also makes Iraq entirely dependent on export revenues that are highly unpredictable and subject to sudden major drops in price. The constant stream of failed efforts to predict oil prices and revenues since 1973 is a grim warning about the ability to turn a temporary trend into a lasting prophecy. Yesterday, peak oil prices seemed a new constant for the future. Today, oil prices are far lower, but much higher than at the beginning of 2009. Tomorrow, a major global economic recovery may radically change Iraq's current economic position. No one can predict when and how sharply such a turnaround will take place.

The fact remains, however, that Iraq's political and internal stability depends heavily on both its ability to increase oil revenues to pay for economic recovery and development, and its ability to share petroleum earnings so that each major faction feels it has something approaching an adequate share. Oil revenues must also sustain government employment, move Iraqi toward long-term development, and provide a level of overall economic activity that will produce acceptable levels of employment and income. Years of war and sanctions, a decline in industry and agriculture, and decades of systemic government mismanagement have left Iraq with an economy in which crude oil export

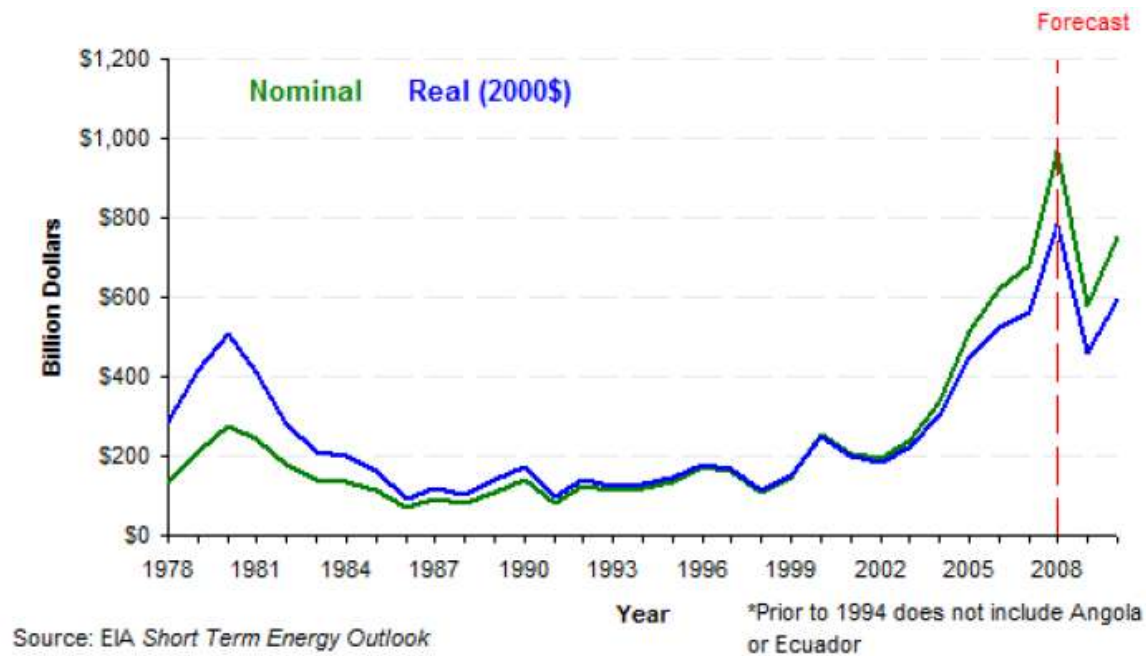
revenues represented more than 75 percent of GDP (in 2008), and 86 percent of government revenues, according to estimates by the International Monetary Fund.¹³⁹

The Uncertain Status of Oil Export Revenues

Analytic graveyards are littered with the statistical corpses of failed efforts to predict oil revenues. The problems involved are further complicated by the fact that estimates are made in current and constant dollars, but the purchasing power of the dollar has altered radically over time and has dropped sharply in 2009—making Iraq’s oil earnings much less valuable in terms of exports to non-US countries.

Two sets of data illustrate the challenges these problems pose for Iraq. **Figure 8.1** shows the long-term patterns of instability in world oil prices and just how unpredictable current prices have been—swinging from new peaks to major drops, followed by another rise. **Figure 8.1** also shows the recent trends in Iraqi oil revenues relative to other states in the region, the impact of the dollar’s loss of value, and how unpredictable even experts find oil revenues to be.

¹³⁹ “Iraq and Its Oil: Deterring Foreign Investors,” *The Economist*, September 24, 2009.

Figure 8.1: OPEC Net Oil Export Revenues, 1978–2009 (various years)

OPEC Country	Nominal (\$ billions)				Real (2000\$ billions)			
	2008	2009	2010	Jan-Nov 2009	2008	2009	2010	Jan-Nov 2009
Algeria	\$68	NA	NA	\$38	\$55	NA	NA	\$30
Angola	\$67	NA	NA	\$38	\$55	NA	NA	\$30
Ecuador	\$10	NA	NA	\$5	\$8	NA	NA	\$4
Iran	\$82	NA	NA	\$49	\$66	NA	NA	\$39
Iraq	\$60	NA	NA	\$33	\$49	NA	NA	\$27
Kuwait	\$79	NA	NA	\$41	\$64	NA	NA	\$33
Libya	\$57	NA	NA	\$31	\$46	NA	NA	\$24
Nigeria	\$69	NA	NA	\$41	\$56	NA	NA	\$33
Qatar	\$38	NA	NA	\$21	\$30	NA	NA	\$17
Saudi Arabia	\$284	NA	NA	\$139	\$230	NA	NA	\$111
UAE	\$91	NA	NA	\$46	\$74	NA	NA	\$37
Venezuela	\$59	NA	NA	\$30	\$48	NA	NA	\$24
Total OPEC	\$965	\$575	\$759	\$512	\$781	\$459	\$598	\$409

Source: Energy Information Agency (EIA), U.S. Department of Energy, OPEC Revenues Fact Sheet, December 2009, http://www.eia.doe.gov/emeu/cabs/OPEC_Revenues/Factsheet.html.

The Lagging Development of the Petroleum Sector

Iraq's tapped oil reserves amount to approximately 115 billion barrels, which places it third after Saudi Arabia and Iran for housing the world's largest oil reserves. There is some speculation that the amount of oil in Iraq's untapped reserves is just as great, which would place it at the top of the list.¹⁴⁰ The Department of Energy's Energy Information Administration (EIA) estimates that the oil in Iraq's 10 known undeveloped oil fields would fill about 41 million barrels worth nearly \$3 trillion.¹⁴¹

Iraq's petroleum sector has been badly undercapitalized, however, and its operating oil fields have been overproduced. Ever since Iraq began to go bankrupt in the early years of the Iran-Iraq war, it continued to concentrate on finding new export routes to compensate for Iran's seizure of its export terminals in the Gulf and Syria's cut-off of its pipelines to the Mediterranean. It has not modernized or rehabilitated most of its petroleum facilities and oil fields, nor its distribution and export systems.

EIA reported in June 2009 that¹⁴²

Iraq's oil sector has suffered over the past several decades from sanctions, and its oil infrastructure is in need of modernization and investment. As of March 31, 2009, the United States had allocated \$2.05 billion to the Iraqi oil and gas sector to begin this modernization, but ended its direct involvement as of the first quarter of 2008, and does not have any ongoing construction projects in the oil and gas sector. The 2009 Iraqi budget allocated \$3.2 billion to the Ministry of Oil, a 50 percent increase from the 2008 base budget, to continue this work.

... Iraq's immediate goal is to boost production by 300,000 bbl/d by the end of 2010 to 2.7 million bbl/d. Iraq's 10-year strategic plan for 2008–2017 set a goal of increasing crude oil production capacity by 1.5 million bbl/d within 3–4 years, and by an additional 2 million bbl/d to a total of 6 million bbl/d within 10 years.

...According to reports by various U.S. government agencies, multilateral institutions, and other international organizations, long-term Iraq reconstruction costs could reach \$100 billion or higher, of which a third will go to the oil, gas, and electricity sectors. In addition, the World Bank estimates that at least \$1 billion in additional revenues needs to be committed annually to the oil industry just to sustain current production. Investment by the international oil companies will be aided by the passage of the proposed Hydrocarbons Law, which governs oil contracting and regulation. The law has been under review in the Council of Ministers since October 26, 2008, but has not received final passage.

According to the *Oil and Gas Journal*, Iraq's proven natural gas reserves are 112 trillion cubic feet (Tcf). An estimated 70 percent of these lie in Basra governorate in the south of Iraq. Probable Iraqi reserves have been estimated at 275–300 Tcf, and work is currently underway by several IOCs and independents to accurately update hydrocarbon reserve numbers. Iraq's proven gas reserves are the tenth largest in the world, and two-thirds of resources are associated with oil fields, including Kirkuk, as well as the southern Nahr (Bin) Umar, Majnoon, Halfaya, Nassiriya, the Rumaila fields, West Qurna, and Zubair. Just under 20 percent of known gas reserves are non-associated; around 10 percent is salt "dome" gas. The majority of non-associated reserves are concentrated in several fields in the North, including Ajil, Bai Hassan, Jambur, Chemchemal, Kor Mor, Khashem al-Ahmar, and al-Mansuriyah.

¹⁴⁰ United Press International, "Violence Threatens Oil Deals," August 27, 2009.

¹⁴¹ "Iraq and Its Oil: Deterring Foreign Investors."

¹⁴² Energy Information Administration (EIA), *Iraq Country Report*, June 2009, <http://www.eia.doe.gov/cabs/Iraq/Background.html>.

...Iraqi natural gas production has risen since 2003, and has returned to levels reached during the mid-1990s. However, its 2006 dry natural gas production of approximately 104 billion cubic feet (Bcf) per year is still far below its peak level of 215 Bcf reached in 1989. The Ministry of Oil reported that approximately 60 percent of associated natural gas production is flared due to a lack of sufficient infrastructure to utilize it for consumption and export. Significant volumes of gas are also re-injected to enhance oil recovery efforts. In addition, the flaring of the natural gas has meant lost Liquefied Petroleum Gas (LPG) output of an estimated 4,000 tons per day, while at the same time there are LPG shortages requiring imports of 1,200 tons per day. To reduce flaring, the state-owned South Gas Company signed an agreement with Shell in September 2008 to implement a 25-year project to capture flared gas and provide it for domestic use, with any surplus sent to an LNG project for export.

Iraq's 10-year strategic plan for 2008–2017 set a goal of increasing natural gas production to 2.5 trillion cubic feet per year, and to end the flaring of natural gas. As part of this plan, Iraq planned three licensing rounds. The first was announced June 30, 2008, and included an expected \$5 billion investment for natural gas fields with 22 Tcf of reserves, including Akkas in the western desert and al-Mansuriyah in the east. The contracts to develop these fields are planned for mid-2009. The second bidding round with 26 Tcf of reserves was planned for 2009, and includes the Siba field in the Basra area.

...The non-associated gas fields reportedly slated for priority development are mostly in the northern governorates near Kirkuk, including al-Mansuriyah and the nearby Khashem al-Ahmar and Jaria Pika, Kor Mor, Akkas, Chemchemal and Siba. It is also been reported that the government of Iraq plans to capture more associated gas at Rumaila and Az-Zubair within five to ten years.

Since the 2003 invasion, Iraq has done a poor job of renovating its petroleum sector and opening it up to expansion and foreign investment, although it did finally begin to make large-scale oil deals in 2009. The impact of civil conflict has been matched by political infighting, poor planning, and poor execution. Iraqis are deeply divided over whether the petroleum sector should be developed by the government or opened to private investment and over the level of outside investment to be tolerated and on what terms.

Oil exports and production have been relatively stable during 2009, and the central government has made progress securing oil deals with oil giants like CNPC, BP, and Exxon Mobil, plus oil companies in a number of other countries. Revenue was still 22 percent below target rates in 2009, however, because of an unexpected drop in prices and lower-than-expected export volumes, and the oil deals involved 20-year service contracts that will take years to produce major increases in oil revenues, that present serious security risks, and that have sometimes been awarded in the context of impossible promises regarding levels of job creation.¹⁴³

Iraq also faces problems because it still depends on imports of petroleum products. Iraq's refineries produce a total of 600,000 barrels of refined petroleum per day, but are operating below capacity because of poor and antiquated infrastructure. Even if they were operating at capacity, the output would fall far short of the petroleum products necessary to meet domestic demand.¹⁴⁴ Although Iraq is increasing its crude oil exports and is increasing refinery capacity, it has not yet managed to secure the same level of

143 U.S. Department of Defense (DOD), *Measuring Stability and Security in Iraq*, Report to Congress in accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), October 30 2009, 15.

¹⁴⁴ EIA, *Iraq Country Report*.

investment for downstream development. As a result, Iraq continues to import high volumes of light oil and gas products from neighboring countries, relying on imports for one-fourth of the petroleum it consumes.

Iraq's current 10-year plan aims to increase its refining capacity to 1.5 million bbl/d by 2017 by constructing five new refineries.¹⁴⁵ However, the Ministry of Interior has not outlined any set goals to increase the productivity of its existing refineries. Maintaining physical capital and training people to use it properly is often less expensive and more effective at increasing capacity than embarking on new infrastructure projects. Iraq's refineries are currently operating below 65 percent of capacity, far below the level needed to meet domestic demand, which totals about 600,000 bbl/d—this is roughly equal to the estimated capacity of Iraqi refineries.¹⁴⁶ Although Iraq should aim to increase its production in the long run, it should also focus on updating and increasing the efficiency of these existing plants.

Furthermore, the government needs to better address the disparity in the distribution of oil revenues by sect. Because most of Iraq's oil is located in the Shi'ite and Kurdish regions of the country, most of the money earned from exports tends to make its way back to those communities, excluding Sunnis from a lot of the revenue.¹⁴⁷ This does little to provide work for unemployed young men in these provinces or to quell the Sunni insurgency that still exists in many regions of the country. The government needs to distribute oil revenues more evenly, assuring that the benefits reach all communities in Iraq—not just the ones in power.

Even in predominantly Shi'ite provinces like Basra, where more than 80 percent of Iraq's oil is produced, people often do not see the positive effects of increases in oil production.¹⁴⁸ Four of the country's five largest fields are in and around Basra, yet is one of Iraq's poorest cities—with over 3 million residents. Childhood cancer rates in the city are among the highest in the country, people have very limited access to clean drinking water, the streets are filled with garbage, and almost everyone is unemployed.¹⁴⁹ Although the number of oil jobs is increasing in the region, most residents of Basra lack the education and experience needed for those jobs. Corruption is also rampant and even educated Iraqis sometimes have to dole out bribes to get jobs in the oil industry.

Government officials in Basra have called for a fee of \$1 on every barrel of oil produced to go back to residents, but this brings up another issue: technically it is illegal to live on government property – in this case on an oil field. People in villages all around Basra live on a giant oil field so the government does not want to give them money to improve the infrastructure in that region– they want to drive them out to clear the way for future drilling. This only adds to the resentment that many local Iraqis feel toward the government and oil companies.

¹⁴⁵ Ibid.

¹⁴⁶ Saadallah al Fathi, "Major Bottlenecks in Iraq's Oil Refinery Sector," *Gulf News*, April 5, 2009.

¹⁴⁷ EIA, *Iraq Country Report*.

¹⁴⁸ Timothy Williams "Marooned on Sea of Oil, but Unable to Tap Its Wealth," *New York Times*, November 7, 2009.

¹⁴⁹ Ibid.

Oil Nationalism as a Domestic Enemy of Iraq

Iraqi lawmakers in the Council of Representatives, trade unionists, and local politicians have been strong advocates of state management of petroleum reserves. In contrast, Prime Minister Maliki and Oil Minister Shahrastani, have shown more interest in getting as much foreign investment, help, and technology as quickly as possible in the effort to raise oil and gas export revenues, although Maliki seems to favor independent foreign efforts while Shahrastani has focused heavily on building up a nationally controlled, state industry-driven effort.

In an ineffective compromise, the Iraqi government has offered contracts on terms most outside companies will not accept, while leaving serious uncertainties over taxes, facility security and protection, land rights, and how future governments will treat any current contracts.

U.S. experts summarized the status of Iraqi efforts, and oilfield security as follows in August 2009:¹⁵⁰

Despite higher crude oil production and exports in 2008, technical issues relating to wellhead equipment, field infrastructure, and field management—complicated by poor maintenance—will likely cause reductions in production throughout 2009.

Overall, crude oil production peaked at 2.54 million barrels per day ... in July 2008 and leveled off at approximately 2.36 [million barrels per day]...in the later months of the year. Iraq earned an estimated \$41 billion from crude oil exports in 2007, an increase of about \$10 billion over 2006. Oil revenues increased significantly to an estimated \$61.6 billion in 2008, primarily because of high world oil prices in the first half of the year. Production and exports appear stable for the first three months of 2009, but revenue is 35 percent below targets due to price and export volume deficiencies.

Security improvements have helped maintain production, exports, and increased domestic distribution. While there have been several minor pipeline interdictions over the last six months, none have impeded production, export, or refining. Iraqi technicians have conducted over 3,000 repairs since May 2008 on the Bayji-to-Baghdad pipeline corridor.

In December 2008, technicians re-commissioned the 16-inch natural gas line that provides fuel to power plants in North Baghdad. An Oil Pipeline Company repair team is currently repairing the 16-inch refined product line from Bayji to the Hammam Al Aleel depot near Mosul, and two other teams have carried out repairs on the 12-inch Naft Khana crude line. These repairs will increase the supply of crude to the Doura refinery in Baghdad and greatly increase the Ministry of Oil's (MoO) ability to distribute fuel to the largest city in the North. The Pipeline Exclusion Zone (PEZ) projects are incomplete due to MoD and MoI disagreements over contracts for guard towers along the three PEZs. The U.S.-funded piece of the Bayji-to-Baghdad PEZ program, currently 96 percent complete, remains on track. The U.S.-funded construction on the Doura-to-Hillah PEZ is complete.

Despite improvements, much of Iraq's crude oil infrastructure remains outdated, poorly maintained, and under-resourced. The MoO is initiating a series of project proposals aimed at modernizing and expanding production, specifically in the refining sector. Additionally, a strategy to restructure and revitalize the Iraqi oil sector and realign policy and responsibilities was supported by the Prime Minister in the early part of 2009. The CoM has approved a renegotiated contract with the China National Petroleum Corporation for the Ahdab field in Wasit; the previous production-sharing contract was signed in 1997. The seismic survey began in March 2009 and expectations are for four new wells and renovation of seven older ones. In September 2008, the GoI [government of Iraq]

¹⁵⁰ DOD, *Measuring Stability and Security in Iraq*, October 30, 2009.

signed a Heads of Agreement with Shell for a 25-year project to capture flared gas for domestic use and for export. The GoI also launched two rounds of bidding on contracts to develop major oil fields, the second of which was announced on December 31, 2008. Bids from international companies are due mid-2009 after which the MoO will review and select bids. Given the length of the contract process, it is unlikely that there will be any significant foreign involvement in the Iraqi oil infrastructure before mid-2010.

After significant delays, Iraq has taken initial steps toward rebuilding its southern oil export infrastructure. The Southern Export Redundancy Project will provide redundancy and expansion of the Al-Basra and Khor Al-Amaya Oil Terminals (KAAOT), rehabilitate undersea pipelines, and eventually increase export capacity from 1.6 million barrels per day to 4.5 million barrels per day. The front-end engineering design contract was signed on December 21, 2008, and the kick-off meeting took place in March 2009. Surveys for unexploded ordnance in the Northern Gulf commenced in February 2009, and bathymetric surveys began at the end of April 2009. The progress on this project is still slower than might be expected given the strategic risk, impeded by a lack of good project management and timely decision-making. Iraq's water originates from outside its borders. Iraq and Turkey have discussed the possibility of releasing more water from the Euphrates and Tigris Rivers to increase irrigation. Negotiations on responsible water sharing between Turkey, Syria, and Iraq are ongoing.

Iraq's More Recent Oil Deals and Securing Foreign Investment

Iraq's oil negotiations improved in late 2009. After several months of negotiations, the Iraqi government finally got several oil companies to agree to lower terms of investment—securing deals with CNPC, BP, Exxon Mobil, Shell, Nippon, Eni, Occidental, and the Korea Gas Corporation to develop the country's largest oil and gas fields. Despite this success, many international firms were still wary of doing business in Iraq because of security issues, tensions between the KRG and the government in Baghdad, the country's lack of a hydrocarbons law, and its uncertain business laws and practices.

The first round of bidding on Iraqi oil and gas fields by international oil companies in June 2009 had only limited success. Eight international companies submitted offers, but the government awarded only one contract. The contract went to a consortium of BP and the China National Petroleum Corporation to develop the giant Rumaila field in southern Iraq, the largest in the country. Iraq approved the joint venture only after the companies cut their fees-after-development cost to \$2 a barrel from their original offer of \$3.99.¹⁵¹ The deal was finalized on October 8, 2009, when officials from the two oil companies signed the contract with Iraq's South Oil Company.¹⁵² All other companies refused to lower their prices to meet Iraqi demands.

The months following the first round of oil deals were far more successful. The Iraqi government signed deals for three more oil fields before even starting the second formal round of negotiations. In September 2009, Iraq auctioned off two more giant oil fields. Italy's Eni announced on October 13, 2009, that it was signing a contract to develop the Zubair field in a consortium with California's Occidental Petroleum and the Korea Gas

¹⁵¹ Associated Foreign Press, "Iraq Aims to Increase Oil Production by up to Four Times," August 25, 2009.

¹⁵² "Iraq Signs Deal for Rumalia Field," *Financial Times*, October 8, 2009.

Corporation (Eni heads the consortium, with a 40 percent stake, and Occidental had 25 percent).¹⁵³ The Iraqi government said that the Eni consortium had agreed to the \$2 per barrel it originally asked for in June 2009. In addition, the central government announced in October 2009 that it had accepted a bid from the Japanese company Nippon over other competitors to develop the Nassiriya oil field in southern Iraq. Nippon expects to increase production in Nassiriya from 20,000 bbl/d to 100,000 bbl/d in one year and up to 200,000 bbl/d in two years.¹⁵⁴

These successes led Iraq's government to argue that its negotiating tactics were succeeding in attracting foreign investment on Iraqi terms, and following events seemed to confirm this assertion. In November 2009, the Iraqi cabinet approved another deal with a consortium headed by Exxon Mobil and Royal Dutch Shell to develop the giant West Qurna oil field (phase one).¹⁵⁵ The consortium agreed to a \$1.90 per barrel remuneration fee, even lower than the government of Iraq's original offer in June.¹⁵⁶ Other companies, including Shell, Conoco Phillips, and France's Total, also entered talks with the GOI and considered lowering their initial offers for Iraqi oil fields.¹⁵⁷

Of the 10 oil fields up for auction in the second round of negotiations on December 11–12, 2009, the Iraqi government managed to award seven contracts, mostly with companies from China, Russia and Europe. Two petroleum deals were secured on the first day. The first was by a consortium led by Royal Dutch Shell with Petronas, a state-owned Malaysian company, which beat CNPC and Total by bidding \$1.39 a barrel to win the giant Majnoon oil field (containing an estimated 12.6 billion barrels). The second was by a consortium led by CNPC, together with Petronas and Total, which won the Halfaya field (containing an estimated 4.1 billion barrels). That consortium beat out three other competitors for a bid of \$1.40 per barrel.¹⁵⁸ The GOI then issued five more contracts for development rights on December 12 for a total of seven fields.

The December auctions were particularly successful for Iraq because all the major oil companies agreed to sign service contracts, in which they accept a fee for each barrel produced, rather than production-sharing contracts, in which the company holds an equity stake in the venture. Furthermore, all companies agreed to accept fees under \$2.00 per barrel—some companies went as low as \$1.40 per barrel—the same fee that only CNPC was willing to accept in the first round of negotiations. Companies may now be changing their minds because the government is offering lower taxes to firms operating in the oil industry, or because they want to get a foot in the door in what they know will be a profitable enterprise in the future.

¹⁵³ Ben Lando, "Ministry Claims Oil Policy Vindication," *Iraq Oil Report*, October 16, 2009.

¹⁵⁴ Ben Lando, "Nippon Consortium Wins Nassiriya," *Iraq Oil Report*, October 20, 2009.

¹⁵⁵ Associated Press, "Iraqi Cabinet Approves Exxon Mobile-Shell Oil Deal," November 10, 2009.

¹⁵⁶ *Ibid.*

¹⁵⁷ Ben Lando, "Meetings Move Iraq Closer to Next Oil Field Auction," *Iraq Oil Report*, October 19, 2009.

¹⁵⁸ Ben Lando, "Halfaya Field Goes to China," *Iraq Oil Report*, December 11, 2009.

It is striking that few U.S. companies were willing to aggressively bid for these deals, partly for security reasons and partly because of uncertain costs and profitability.¹⁵⁹ Meanwhile, state-driven firms from China, Russia, and Malaysia and major European firms like Royal Dutch Shell, Eni, British Petroleum, and Statoil were willing to make riskier investments, in part because they have cheaper labor demands and because many of them do not answer to stockholders. Exxon Mobil was the only U.S. firm—out of seven major companies—to lead a major consortium, and Occidental was the only other U.S. firm to join a bid.¹⁶⁰

On January 31st, 2010, the Iraqi government finalized the last of the ten oil contracts issued in 2009.¹⁶¹ Baghdad ratified the last of these seven deals at a much faster rate than the first three, putting Iraq on the right track to increase production, although some barriers do remain. Iraqi officials again claimed this showed that they were protecting Iraq's riches and ensuring that all oil contracts are in the best interest of the country and the Iraqi people.¹⁶² Iraqi officials have predicted that the contract winners will boost Iraqi oil production capacity to more than 13 million bpd by 2023.¹⁶³ Oil Minister Shahrstani further asserted Iraqi production would exceed that of any other OPEC country within the next six to seven years.¹⁶⁴

At the same time, problems clearly remain. To begin with, there have been several disputes between Parliament and the central government over whether or not the Ministry of Oil can issue contracts without approval from the Council of Representatives. Shortly after the negotiations, the chairman of the parliament's oil and gas committee warned executives that lawmakers considered the newly signed contracts illegal.¹⁶⁵ He also called for the resignation of Oil Minister Hussain al-Shahrstani. Any companies entering contracts to do business in Iraq should be aware of the political disputes that may hamper negotiations or ultimately nullify oil deals that have already been made.

In addition, no contracts were secured on three of Iraq's undeveloped fields—including the East Baghdad field near Sadr City—mostly because of security concerns.¹⁶⁶ Al Qa'ida in Iraq has a heavy presence in the region, and Arab-Kurdish tensions often produce violent attacks that may hamper production.¹⁶⁷ As Iraq's security situation improves, the government might be able to secure contracts for those fields in unofficial negotiations, as it did in the months following the first round of bidding. However, the government must also be willing to compensate for the risks associated with working in

¹⁵⁹ Williams, "Iraq Auctions Development Rights to More Oil Fields; Londono, "US Firms Lag in Bids for Iraqi Oil."

¹⁶⁰ Ibid.

¹⁶¹ Tamsin Carlisle "Baghdad signs final deals for biggest oilfields," *The National* (31 Jan 2010)

¹⁶² Timothy Williams, "Under Tight Security, Iraq Sells Rights to Develop Two Oil Fields," *New York Times*, December 12, 2009, A8; Timothy Williams, "Iraq Auctions Development Rights to More Oil Fields, Hoping for Big Production Rise," *New York Times*, December 13, 2009, 20; Ernest Londono, "US Firms Lag in Bids for Iraqi Oil," *Washington Post*, December 13, 2009, A22.

¹⁶³ Tamsin Carlisle "Baghdad signs final deals for biggest oilfields," *The National* (31 Jan 2010)

¹⁶⁴ *ibid*

¹⁶⁵ Londono, "US Firms Lag in Bids for Iraqi Oil."

¹⁶⁶ Williams, "Under Tight Security, Iraq Sells Rights to Develop Two Oil Fields"; Williams, "Iraq Auctions Development Rights to More Oil Fields"; Londono, "US Firms Lag in Bids for Iraqi Oil."

¹⁶⁷ Ben Lando, "No Bidders for Eastern Fields," *Iraq Oil Report*, December 11, 2009.

the area and be more flexible on costs, as well as concentrate on improving oil security in the region.

There also was no firm guarantee that the new government will fully honor the oil contracts after the 2010 elections, or that the “more secure” fields would be secure enough to be developed on schedule. There are still many restrictions for foreign companies operating in Iraq, and nationalist sentiments remain strong. The parliament has strongly opposed several of the oil contracts already signed by the central government, and finalizing previous deals has been a slow process. As of December 2009, only the Rumaila contract had been finalized, while the Ministry of Oil kept delaying other approvals, claiming that it was still working on the details.

Uncertain Iraqi Progress in Creating the Right Climate for Investment

Iraq is gradually trying to create a better climate for investment in its petroleum sector and the rest of its economy.¹⁶⁸ In October 2009, for example, more than 300 Iraqi politicians and businesspersons met in Washington for a two-day conference sponsored by the U.S. Chamber of Commerce. More than 800 companies took part in the conference to discuss the possibility of investing in Iraq. President Obama heralded the conference as a sign of the transition in the relationship between the United States and Iraq to discuss issues beyond security like economics, trade, and commerce.¹⁶⁹ At the forefront of subjects discussed at the conference was that of repealing UN economic sanctions and resolutions that have been in place since Saddam Hussein’s invasion of Kuwait in 1990. Measures to cancel these sanctions are expected to happen sometime in the next few months to help bolster Iraqi investment.

This, however, was scarcely the first conference on Iraqi investment. Ten other meetings had been held since 2003 with the same purpose, and all failed to drum up much excitement for investing in Iraq, and Iraqi delegates left the gatherings with little to show for their attendance. Abbas Shamara, owner of an Iraqi investment group, describes the situation as “a lot of speeches but not much action.”¹⁷⁰ Most companies still cite Iraq’s poor investment climate as the reason for their hesitancy to do business in the country.

Iraq’s opaque bureaucracy, nascent financial institutions, widespread corruption, and lack of business laws all combine to deter foreign investment. Improving security may provide greater incentive for petroleum companies to move into Iraq but it will not tip the scales. Iraq needs to offer better contract terms to compensate for these problems in the short run, but, as recent evidence shows, terms are negotiable and companies will sometimes settle for fees below their asking price. It is far more important for the Iraqi government to concentrate on establishing legitimate investment laws and practices. Securing a contract is one thing, but launching new projects and ensuring that ongoing projects run

¹⁶⁸ Reuters, “Iraqi Investment Still Hindered by Politics, Bureaucracy,” October 7, 2009.

¹⁶⁹ Steven R. Hurst, “Obama Renews Pledge on Troops,” *Independent Online*, October 21, 2009.

¹⁷⁰ *Ibid.*

smoothly requires greater attention to detail, both in planning and legislating terms of investment.

Iraq still needs to advance legislation on investment and petroleum, and modernize its financial sector. Iraq still relies on Saddam-era oil legislation to guide the process of investment, which brings the legitimacy of Iraqi contracts into question both abroad and at home.¹⁷¹ Iraq may benefit more from conferences on proper business practices, transparency, investment legislation, and financial innovation than from the kinds of investment conferences the United States has hosted so far – aimed mostly at generating interest from foreign companies. As Patricia Halsach, the U.S. ambassador to Asia-Pacific Economic Cooperation stated in an interview on Iraq's efforts to increase investment, "The ball is in their court now. They can't just say 'we want you in invest here.' It's going to take commitment from the government of Iraq to make the necessary changes. That means the elected officials and the ministries have to make the hard decisions."¹⁷²

Violence and the Lack of Suitable Legal Protection

The way Iraq has structured its past requests for bids and proposals has been only part of the problem. Violence in Iraq, the lack of oil laws and well-structured investment laws, threats of excessive taxation, and a lack of land ownership rights all combine to deter foreign companies from investing in Iraqi petroleum unless they can secure a deal that compensates for these risks.

International companies still have good reason to worry about the combined impact of security problems, political turmoil, and the lack of long-term legislation governing the oil and gas sectors.¹⁷³ Several politicians in the Iraqi parliament still support the idea of nationalizing the oil industry—which is of no comfort to international investors—and there is little chance that the Iraqi government will draft an oil law until the new government settles in. Almost all legislation has been set aside for later half of 2009 as politicians focus on gaining or maintaining power by playing to popular fears and xenophobia.¹⁷⁴

Iraq has few business laws on its records and does not have a strong history of conducting international business transactions. In 2009, Iraq fell six places on the World Bank's *Ease of Doing Business* index from 152 to 181.¹⁷⁵ International investors may have reservations about doing business in Iraq for a number of reasons, including:

- **No immunity from Iraqi laws:** According to the Security Agreement that went into effect on January 1, 2009, foreign companies must abide by all Iraqi laws. They are subject to both criminal and civil liability in Iraq and must adhere to all legal and regulatory requirements for doing business there (e.g., entry and exit procedures, tax laws, vehicle registration requirements).
- **Tax payments:** According to the law, all Iraqis and non-Iraqis residing in Iraq must pay taxes on

¹⁷¹ Ben Lando, "First Rumalia Hurdle Cleared, Many Remain," *Iraq Oil Report*, October 8, 2009.

¹⁷² Bureau of Near Eastern Affairs, U.S. Department of State, *Iraq Status Report*, October 14, 2009.

¹⁷³ Ben Lando, "Iraqi Forces Step up Oil Protection," *Iraq Oil Report*, September 24, 2009.

¹⁷⁴ Ben Lando, "Locals Look for Benefit in Oil Boom," *Iraqi Oil Report*, September 8, 2009.

¹⁷⁵ U.S. Department of State, Iraq Office, *Iraq's Economy*, March 2009.

income earned from commercial activities in the country or activities of a commercial nature. Taxes for joint stock companies and limited liability companies are fixed at 15 percent although there are several loopholes and exceptions to what category a company fits under. All foreign individuals and companies must also obtain a business license from Iraq, which can be a convoluted, overly bureaucratic process.

- **Owning property:** Foreign citizens are prohibited from owning property in Iraq, although the Iraqi government does allow long-term leases and is considering changing the law.
- **Political risk:** Although the security situation in Iraq has improved, some areas of the country still experience frequent attacks. There is also some antagonism from political leaders and militias toward foreign companies operating in Iraq.
- **Corruption:** Iraq ranks near the bottom in Transparency International's annual Corruption Perception Index. Other foreign companies have had local partners forced on them and have faced problems in receiving full payments for services or products. Furthermore, U.S. companies operating in Iraq must be careful not to violate the U.S. Foreign Corrupt Practices Act that prohibits providing anything of value to influence an award of government business.
- **Enforceability of agreements:** Iraq is not yet a signatory to the New York Convention, the main treaty that ensures enforcement of foreign arbitral awards, and it has few investment laws on its records.
- **Entry and exit:** Visa processes for entering and exiting Iraq can take anywhere from a few weeks to a few months to process; companies are pushing for a policy that would guarantee entry and exit for the employees of any foreign company with an investment license.¹⁷⁶

The Iraqi government has addressed some of these issues, but it has yet to pass the most important measure toward securing foreign investment: the hydrocarbons law. There are no laws mapping out how the government must ratify contracts with foreign companies, which allows the parliament to frequently question the legality of agreements made by the Ministry of Oil. The lack of an oil law has also caused friction between the central government and the Kurdish Regional Government, which has signed dozens of contracts with foreign oil companies without the central government's approval. In response, Baghdad has stopped issuing payments to all companies operating in the Kurdistan region.

These kinds of disputes create an unpredictable business environment that few companies are eager to operate in. There are always fears that the parliament will nullify a contract and exert state control over the oil industry or that the central government will stop issuing payments if it deems an agreement illegal. The uncertainties that underlie these contracts are often a deterrent to doing business in Iraq, one that the government must eliminate by establishing a clear set of practices to govern the way these contracts are formed.

In addition, the lack of transparency in Iraq's oil sector and inconsistencies in the actions of the Iraqi government raise problems for foreign industries. The Norwegian firm DNO, one of the first companies to sign an exploration contract with the KRG, saw its shares drop by 50 percent on the Oslo Stock Exchange (Oslo Børs) after an insider trading

¹⁷⁶ "Doing Business in Iraq: 10 Smart Rules," *Business Week*, September 14, 2009.

scandal involving the KRG minister of natural resources, Ashti Hawrami.¹⁷⁷ The stock exchange accused Hawrami of playing middleman in a \$29.7 million sale of DNO stock to the KRG-contracted firm Genel Enerji of Turkey.¹⁷⁸ It also accused DNO of illegally concealing information about the sale from its investors, prompting the KRG to put a temporary freeze on all DNO assets.

The stock exchange cleared the KRG of any blame in the investigation, and Kurdish officials continue to assert that they “were never subject to investigation. We never did anything wrong. The issue was only with DNO and the way they handled their obligations vis-à-vis a regulator.”¹⁷⁹ The KRG said it bought the shares to help DNO when the global financial sector was in turmoil and the firm was struggling to finance its projects. Rather than mediate the sale between DNO and another company, the KRG found it easier to just buy the shares (in October 2008) and sell them later (in April 2009).

Some media sources still claim that the KRG made a profit from the sale and engaged in illegal activities.¹⁸⁰ Although the Oslo Stock Exchange did not charge the KRG with any wrongdoing and dropped insider trading charges against DNO, those allegations still tarnish the government’s reputation, making it more difficult to attract investment

Petroleum Security in the North

The Iraqi government has taken some measures to ease these concerns and cultivate a business and security environment that is friendly to foreign investors. For starters, oil infrastructure security is very good in Iraq. The government has taken great steps to improve security and make faster repairs to any damage to its pipelines and other oil facilities.¹⁸¹ The oil sector is no longer an easy target for insurgents, and when attacks do happen Iraqi security forces have responded quickly and efficiently.¹⁸²

Petroleum operations in the north have experienced the greatest amount of security risk since the first Iraq War in 1991, but the region has recently seen significant improvement. At the height of sectarian violence in 2006 and 2007, Iraq had to switch to short-term individual tender sales, selling oil by the tanker-load rather than on long-term contracts, because delivery was so erratic.¹⁸³ The government also incurred high demurrage costs for deliveries delayed more than 65 hours. The Kirkuk-to-Bayji pipeline was closed 92 percent of the time in 2006, costing Iraq more than \$30 million per day in lost revenue. The pipelines from the Kirkuk fields cut southwest to Bayji, then south to Baghdad and north to the Turkish border, creating along the way a slew of easy targets for insurgents.¹⁸⁴

¹⁷⁷ Ben Lando, “DNO Lashes out at Bors,” *Iraq Oil Report*, September 24, 2009.

¹⁷⁸ Ibid.

¹⁷⁹ Ben Lando, “KRG: Cleared by Oslo Stock Exchange,” *Iraq Oil Report*, September 28, 2009.

¹⁸⁰ Ibid.

¹⁸¹ Ben Lando, “Q&A: Security Snapshots,” *Iraq Oil Report*, September 24, 2009.

¹⁸² Lando, “Iraqi Forces Step up Oil Protection.”

¹⁸³ Lando, “Q&A: Security Snapshots.”

¹⁸⁴ Ibid.

All this changed in 2007 after a joint U.S.-Iraqi project set up new Pipeline Exclusion Zones (PEZs) lined with berms, fences, razor wire, walls, and trenches and secured by several armed guards at intermittent bases along the pipeline. Since then, oil exports have been able to reach the Turkish port of Ceyhan uninterrupted. In a significant turnaround, the Kirkuk-Bayji pipeline was open 94 percent of days in 2008, and daily production rates rose from 520,000 bbl/d to 600,000 bbl/d in just three months (from November 2007 to February 2008).¹⁸⁵ The \$43-million PEZs paid for themselves in just two days.

In 2009, there were only eight attacks on Iraq's oil infrastructures, only one of which the U.S. Department of Defense assessed as effective.¹⁸⁶ There were no attacks on oil infrastructure in the last quarter of 2009. The Northern Oil Police Center also graduated 1,342 new Iraqi security officers in the same quarter to join the Iraqi Oil Police.¹⁸⁷

Petroleum Security in the South

The oil sector in southern Iraq has always been relatively calm and Iraqi forces continue to patrol the area successfully. The oil police in the southern region of Basra, for example, have planned a three-level cordon for all oil facilities and an increase in 24-hour patrols. There have been few attacks in the region and exports are rarely interrupted.

The Ministry of Oil has also started paying members of local tribes to protect the pipelines rather than tapping into or attacking them. The Shi'ite-led government has not formally conscripted these forces into the Iraqi Security Force, however, and some tribesmen have even complained that they are not being paid.¹⁸⁸ Smuggling still occurs frequently throughout the country, although the government is trying to step up its efforts to thwart these operations.

There were some breaches in security in late 2009 that could affect foreign investors' willingness to do business in Iraq. On October 17, 2009, for example, Iraqi insurgents—most likely members of Al Qaeda in Iraq (AQI)—detonated explosives on two bridges in Anbar province.¹⁸⁹ The insurgents used a truck full of explosives to destroy the first bridge near Fallujah, connecting Anbar to Baghdad and Karbala.¹⁹⁰ One day later, they blew up the Warrar Bridge west of Ramadi, which sits on a main highway and connects Iraq to neighboring Syria and Jordan. The attacks paralyzed traffic for hours and delayed business transactions around the country.

These attacks were fairly sophisticated in nature. The insurgents used a 40-pound roadside bomb in the second attack, planting it next to the bridge without arousing suspicion from local security forces. In Ramadi, insurgents were able to smuggle

¹⁸⁵ Ibid.

¹⁸⁶ Special Inspector General for Iraq Reconstruction (SIGIR), *Quarterly Report and Semi-Annual Report to the United States Congress*, October 30, 2009, 60.

¹⁸⁷ Ibid.

¹⁸⁸ Ibid.

¹⁸⁹ Uthman al-Mokhtar, "Insurgents Destroy 2 Bridges in Anbar," *Washington Post*, October 17, 2009.

¹⁹⁰ "Suicide Truck Bomb Destroys Key Bridge in Western Iraq," *Xinhua*, October 17, 2009.

explosives past several checkpoints set up to control traffic in and out of the city.¹⁹¹ If insurgents can still conduct these kinds of attacks with limited interference from Iraqi police, then they continue to threaten the regular flow of commerce in and out of the country. Stationing additional forces along key intersections like bridges may help reduce these kinds of disruptive attacks in the future.

Some Improvements in Investment Laws But More Is Needed

Iraq's government has also taken measures to ease investment laws in order to attract foreign business. In October 2006, the government enacted the National Investments Law granting foreign companies 10 years of tax-free treatment, guaranteeing full repatriation of investment profits in licensed projects, and giving companies a three-year exemption on import fees for equipment required for projects. The law also gave companies the right to employ foreign workers.¹⁹² The Kurdistan regional government passed its own investment law as well, with even more lenient conditions for foreign companies.

The fact remains, however, that the Iraqi government must develop a more realistic picture about how internationally competitive bidding systems work and the real-world incentives necessary to attract foreign ventures. Despite its success at securing oil investments in late 2009, the government still has a long way to go in finalizing these contracts and attracting foreign investment in other sectors of the Iraqi economy. Oil may be in high demand in the short-run but without established business practices and investment laws the GOI will have a difficult time maintaining relationships with foreign companies and expanding their role in international markets.

Developments in Natural Gas

There are some positive, if precarious, developments in Iraq's natural gas industry. On August 24, 2009, Royal Dutch Shell announced that Mitsubishi would take a 5 percent stake in a joint venture to produce natural gas in southern Iraq. Currently 800 million cubic feet of gas flare every day in southern Iraq as a byproduct of oil production. As a result, the country loses about \$40 million worth of natural gas each day because it lacks the infrastructure and technology to capture and commercialize the fuel.¹⁹³ Iraq would own 51 percent of the joint venture with Shell and Mitsubishi (Shell would take 44 percent).

In September 2008 Shell and Iraq's South Gas Company made plans to finalize the contract and start production by the end of 2009 but the Iraqi government may delay finalizing its deal with Shell mid 2010 (after the national elections).. Prime Minister Maliki and Oil Minister Shahrastani both support the deal, but it faces opposition from Iraqi lawmakers, politicians, and trade unions, who want the agreement to go through the parliament first. Consequently, Maliki may delay signing the contract until after the elections for fear that it could hurt his chances of re-election.

¹⁹¹ al-Mokhtar, "Insurgents Destroy 2 Bridges in Anbar."

¹⁹² "Doing Business in Iraq: 10 Smart Rules."

¹⁹³ Ben Lando, "Oil Ministry Productive Despite Politics," *Iraq Oil Report*, September 3, 2009.

Popular Reactions, Resentments, and the “China Syndrome”

On the domestic side, Iraqi citizens often complain that they will not benefit from international contracts. Companies doing business in Iraq are not legally obligated to hire Iraqi employees; nor will Iraqis benefit directly from these new sources of energy, since the country exports most of its oil and natural gas. Processed gas has a very short shelf life, and without flexible and alternative routes to deliver to domestic consumers, it may sit on the market too long and be burned when it can no longer be used.¹⁹⁴ This does not bode well for either businesses or customers in a country where weeklong power outages are a frequent occurrence.

Local interests and disputes present serious obstacles to issuing oil and gas contracts to international firms. As the central government tries to secure deals with foreign companies to develop its oil fields, local Iraqi citizens complain that they are not sharing in the revenue and employment benefits that come with foreign investment. Consequently, members in the Iraqi parliament continue to voice criticism of foreign companies coming into the country to “steal Iraq’s oil.”¹⁹⁵

Iraqis have good reason to remember the iron grip that major oil companies had on Iraq from 1900 to 1960, and nationalization remains a popular policy in the country. The *Iraq Oil Report (IOR)* notes the following:

- Progress, gaining momentum now, hasn’t been easy. An oil and gas law and revenue sharing law have been slow moving, as have laws to reorganize the ministry into more of a regulatory body and the reconstitution of the Iraqi National Oil Co. The government relies on Saddam-era regulations of the oil sector largely because it hasn’t held a national discussion over the future of the oil sector, which begs disputes over the post-Saddam constitution and critics with every step the Oil Ministry takes.
- The backlash to almost any form of privatization has been spearheaded by civil society groups, especially the oil unions. Officially considered illegal—due to one of a few other Saddam-era laws kept on the books by subsequent American and Iraqi governments—the unions have gone as far as briefly stopping production over worker rights and privatization. Five union leaders are currently in the United States, guests of the American union federation AFL-CIO, which along with other American and international labor groups have helped modernize the unions. Even the unions, however, have said there is room for some level of foreign participation in Iraqi oil.
- Around the beginning of this year CNPC, the Chinese firm partnered with BP in Rumaila, began work on the one-billion-barrel Ahdab field in Wasit province. The Iraqi government held CNPC’s Saddam-era contract was still legitimate, but negotiated better terms for the country. Soon after work began, however, local residents and officials began to complain that promises of jobs and investment went unfulfilled. Equipment began to be sabotaged, a reminder to country and company that local needs must be attended to. In this way, Dhi Qar officials are being proactive, said Muna al-Safi, a member of the provincial council’s economic committee, who attended the Nassiriya oil field tour.¹⁹⁶

¹⁹⁴ Ibid.

¹⁹⁵ Ibid.

¹⁹⁶ “Locals Look for Benefits in Oil Boom,” *Iraqi Oil Report*, September 8, 2009, <http://www.iraqoilreport.com/the-biz/locals-look-for-benefits-in-oil-boom-2231/>.

The difficulties that CNPC and BP have faced in Iraq are emblematic of a larger “syndrome” that may affect other foreign operations in the country. The companies have had a great deal of trouble operating in the Wasit province where local Iraqis have protested by cutting electricity lines and destroying generators.¹⁹⁷ If local residents do not feel that they are benefiting from foreign oil ventures or that foreign companies are taking advantage of Iraq’s dire situation, resentments may manifest themselves in this kind of violence and sabotage, further deterring investment in Iraqi oil.

Residents must see the benefits that they derive from having international companies extract oil in their country. The payoff must be noticeable, and the government cannot leave it up to oil companies to ensure that it is. A company’s primary objective is to turn a profit, whether or not that is at the expense of Iraqi civilians. Consequently, the Iraqi government must have a quick turnaround for oil revenues—investing the money it earns from these ventures in security, infrastructure, and development programs so that residents understand how they are benefiting from international oil deals.

In the meantime, Iraqi politicians have taken on the responsibility of championing their cause. Two of the most prominent politicians on the Iraqi parliament’s Oil, Gas, and Natural Resources Committee have denounced the Rumaila deal with CNPC and BP—as well as other similar deals—as illegal, arguing that it must go through the parliament before the government can sign a contract with the foreign consortium.¹⁹⁸ They argue that Iraq should play a much larger part in its oil industry, not just the 25 percent share agreed to with CNPC and BP. Policymakers have gone so far as to challenge the Rumaila contract in Iraq’s federal court, and the parliament approved a request from members to question the oil minister.¹⁹⁹

Ben Lando of the *Iraq Oil Report* explains that it is common for the opposition to an oil contract to call it “illegal,” just as the parliament has done with the Rumaila contract and the central government has done with contracts issued by the KRG.²⁰⁰ The problem stems mainly from the lack of an oil law governing the sector, legislation that has been pushed back again and again and caused much political infighting.

The Ministry of Oil still uses the guidelines set by Saddam-era oil legislation to govern foreign investment deals. Without a new law, there is no way to determine whether the Rumaila contract, or any other contract, is legal. Making accusations that such deals are “illegal” is, therefore, more of a political move than a governing tool. To correct the situation and ensure that future contracts are legally binding—which will also put investors at ease—the government needs to draft an oil law that clearly defines the parameters and procedures of awarding petroleum contracts.

Unfortunately, there is little hope that any of these things will happen before the 2010 national elections. For now, Iraqi politicians feel “obliged to beat the nationalist oil drum, unable to tell voters that the country will earn more from its oil only if foreigners are

¹⁹⁷ “Deterring Foreign Investors,” *The Economist*, September 26, 2009.

¹⁹⁸ Ben Lando, “First Rumalia Hurdle Cleared, Many Remain,” *Iraq Oil Report*, October 8, 2009.

¹⁹⁹ *Ibid.*

²⁰⁰ *Ibid.*

drawn in.”²⁰¹ Instead, this responsibility will probably fall to the party that wins the national elections.

Kurdish-Arab Tensions

As discussed in earlier chapters, the Arab and Kurdish governments in Iraq dispute whether the KRG should be able to award contracts to foreign companies without going through the central government. The borders of the autonomous Kurdish region are still under debate, as is oil-sharing legislation that will determine how to split revenues from the massive oil fields located within Iraqi Kurdistan. The *IOR* reports:

- In the autonomous three northern provinces of Iraqi Kurdistan another dispute lingers. The Kurdistan Regional Government has signed two dozen oil exploration and production contracts with foreign oil companies. The KRG has struck success as two of the first contracts have begun exporting oil as of June 1 [2009]. But the companies have not been paid yet. The Iraqi government considers all but the earliest KRG deals an illegal usurpation of the federal government’s right to be the sole oil deal-breaker.
- Other provinces have floated the idea of signing oil deals on their own, including Basra ... Its demand to be at the negotiating table helped stall the Shell gas joint venture. The state-run South Oil Co. exports 73 percent of Iraq’s crude, most of which comes from the Basra province. Missan province, immediately east of Dhi Qar, was given its own national oil company from the least productive slice of Iraq’s most productive state company, the South Oil Co.
- Many Iraqi provinces would be happier with the Baghdad-controlled system if it had a bigger payoff.²⁰²

Tensions between Baghdad and the KRG have intensified ever since China’s Sinopec Group took over development of the Taq Taq oilfield in northern Kurdistan through its purchase of Switzerland-based Addax Petroleum. Baghdad has repeatedly stated that it is opposed to the autonomous Kurdish region signing its own contracts; meanwhile, the KRG continues to sign dozens of contracts with foreign firms. In response to Sinopec’s move into Kurdistan, the Iraqi Oil Ministry has declared all contracts issued by the KRG to be illegal, threatening to blacklist any companies that do business in Iraq without the approval of the central government.²⁰³

The Iraqi government has stated that it will not allow Sinopec Group to participate in the second round of negotiations if the company completes its purchase of Addax and moves into Kurdistan. Similarly, the government stated that the Korean firm SK Energy will also be blacklisted from future bidding if it goes forward with its plans to sign an oil contract with the KRG.²⁰⁴ Sinopec has already missed out on the opportunity to develop the Zubair field in a consortium with Eni, as the two companies had originally planned. The chief executive of Eni stated that Sinopec was no longer a part of the consortium because the Iraqi government asked them to exclude the company from the contract.²⁰⁵

²⁰¹ “Deterring Foreign Investors.”

²⁰² Ibid.

²⁰³ “Iraq’s Kurdish Oil: Kurdistan Goes Glug, Glug,” *The Economist*, May 28, 2009.

²⁰⁴ Ben Lando, “Blacklist Enlarged and Challenged,” *Iraq Oil Report*, October 1, 2009.

²⁰⁵ Reuters, “Sinopec ‘Seeks Communications’ with Iraq on Oil Talks,” October 16, 2009.

The KRG has responded by halting all petroleum exports from Kurdistan until Baghdad pays all companies operating in Kurdistan; so far, Baghdad has not issued any payments for exports from the region.²⁰⁶ The KRG began exporting petroleum from its two main oil fields, Tawke and Taq Taq, on June 1, 2009, but the central government has refused to pay the companies because it considers their contract with the KRG illegal. Kurdish oil accounts for only 100,000 bbl/d out of Iraq's total production of 2.4 million bbl/d. But with the rising cost of government programs and the increasing pace of production in Kurdish areas, any freeze in production will have an impact on Baghdad. International companies looking to invest in Iraqi oil may hesitate to do business with the KRG if the central government will not pay them.

On the other hand, the KRG tends to offer foreign investors better terms in its oil contracts than the central government does. The Kurds have signed production-sharing agreements (PSAs) in which foreign companies share in a percentage of the profits they earn from oil sales, while the central government has offered only service contracts under which the government pays each company a fixed fee per barrel and keeps most of the revenue.²⁰⁷ Foreign companies generally profit more from PSAs, so many of them have approached the KRG about signing contracts to develop its oil fields despite objections from Baghdad. As of December 2009, 35 companies, including Addax and SK Energy, have signed production-sharing agreements with Kurdistan.²⁰⁸ If the two governments cannot cooperate on a way to issue oil contracts and agree on the terms for foreign investors, this problem may persist and jeopardize future oil negotiations.

The central government contends that the KRG should be responsible for paying the companies operating the fields because it does not submit its oil contracts to the central government for approval.²⁰⁹ The KRG continues to argue that the central government should pay the companies because it exports all of its oil through Iraqi pipelines. Past attempts to organize conferences and meetings to resolve the conflict have often ended in political bickering, with one side trying to embarrass or undermine the other rather than work toward a compromise.²¹⁰

As previously stated, most of these arguments stem from the lack of a national hydrocarbons law, which has failed to pass several times. Without a law to govern the procedures the government needs to follow to ratify oil contracts, all parties act at their own discretion and end up fighting over the legality of agreements with foreign companies. The Council of Representatives has stated that it will not review the package of hydrocarbon laws again until 2010.²¹¹ Until then, the central government continues to refuse to pump oil from the Kurdistan region or pay the companies operating there, including Sinopec, DNO international, and Genel Enerji.

²⁰⁶ Timothy Williams, "Kurdistan Halts Oil Exports," *New York Times*, October 13, 2009.

²⁰⁷ Ahmed Rasheed, Reuters, "China Starts Iraq's First Foreign Oil Work in Decades," January 2, 2009.

²⁰⁸ Lando, "Blacklist Enlarged and Challenged."

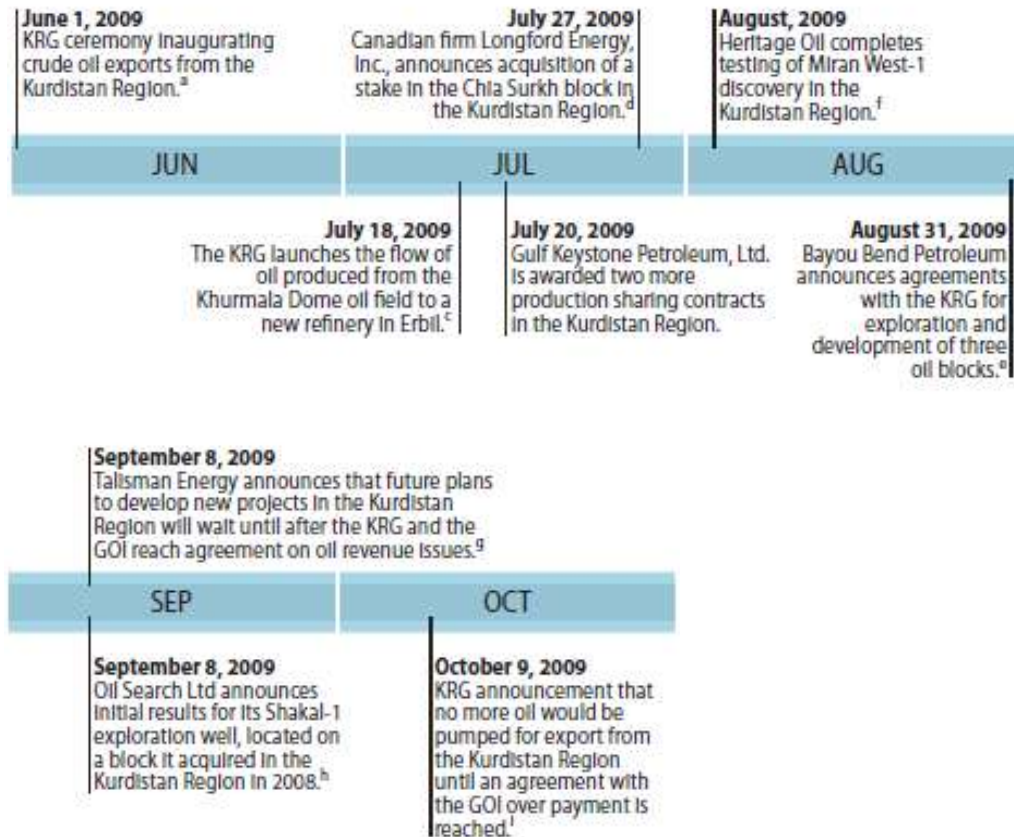
²⁰⁹ SIGIR, *Quarterly Report to Congress*, October 30, 2009, 59.

²¹⁰ Ben Lando, "Baghdad Sends Delegation to KRG," *Iraq Oil Report*, November 17, 2009.

²¹¹ SIGIR, *Quarterly Report to Congress*, October 30, 2009, 59.

Regardless, the KRG continues to push contracts. The KRG Minister of Natural Resources has stated that, as of October 2009 the regional government has awarded contracts to more than 30 companies. **Figure 8.2** gives a timeline of oil activity in the Kurdistan region between June and October 2009.²¹²

²¹² Ibid.

Figure 8.2: A Timeline of Recent 2009 Oil Activity in the Kurdistan Region

Source: SIGIR, *Quarterly Report and Semi-Annual Report to the United States Congress* (30 Oct 2009), 60.

The Role the United States Can Play

Regardless of future oil prices, Iraq needs to do everything possible to increase oil production and exports *as soon as possible*. Iraqi politics and domestic needs will put constant pressure on the budget for at least the next decade. Iraq must do far more to meet civilian needs. At the same time it will have to fund the development of the ISF now that the United States has drawn down funds to train Iraqi security forces. Rapid rehabilitation and expansion of the petroleum sector is the only possible source of money at this time.

The U.S. government has not pursued consistent policies toward the development of Iraq's petroleum sector since 2003, although it has pursued initiatives in working with Iraqi officials and potential investors to "show those outside Iraq that this country is rich

with potential.”²¹³ It still needs to develop a more aggressive strategy to help the Iraqi government secure foreign investment contracts and move things forward with oil production. The United States must persuade Iraqis that doing so is in their best interest, and it must do its best to assure outside companies that they will have proper security and legal support in Iraq.

As for members of the Iraqi government, they still need to do more to make outside investment attractive. They must provide the security necessary to reduce risks and help companies deal with the Iraqi people and local interests in ways that ensure suitable progress. The Iraqis we met with tended to talk about the right to make market-driven oil deals, but then to revert to asking for U.S. government pressure to make companies invest. They also focused on the size of the prize, rather than on mapping out a plan to create the real-world conditions necessary to attract foreign investment.

The United States needs to center its economic policy toward Iraq on the fact that Iraqi progress in the petroleum sector will do as much to determine Iraq’s future security and stability as will any other aspect of Iraqi or U.S. government activity. The United States will need to be extremely careful here. Some forms of U.S. government support for American petroleum firms will simply reinforce domestic fears that the United States is trying to steal Iraqi oil rather than encourage Iraqis to work with U.S. firms.

The United States also needs to be realistic about the international character of petroleum companies. The fact that some of these companies are headquartered in the United States does not mean that their success will lead to more U.S. jobs or to greater payments or increases in taxed income. Many “U.S.” firms avoid taxes and repatriate profits to their stockholders, whether U.S. or foreign.

Accordingly, the United States will accomplish more by providing Iraq with technical advice and broad-based venture analysis than by simply promoting investment in Iraq for U.S. companies. One key tool that might help Iraq move forward in the petroleum, industrial, and agricultural sectors is to go beyond the conventional project focus on aid and concerns with Iraq’s financial stability and to help Iraq see its future in terms of business models and show it how to compete in a global economy.

It is clear that the Iraqi government does not yet fully understand the mix of laws, security, profitability, and return on investment necessary to ensure that either Iraqi firms or foreign investors will act as quickly and decisively as possible to give Iraq the added petroleum income it so desperately needs. As is the case with so much of the Gulf, Iraq still fears neocolonialism and seeks to control all foreign investment. However, the government must not focus on the size of the prize but rather on the actions it must take to obtain the outside support the country needs.

This is too sensitive an area for the United States or any outside power to try to teach Iraq what it should do. It is also an area where building Iraqi expertise is critical, and where enough Iraqis need to be involved in any analysis so the result has credibility in Iraqi terms. One option would be to get the World Bank involved in Iraqi business planning. Yet another option would be to bring together Iraqi academic and business experts with

²¹³ Reuters, “Iraqi Investment Still Hindered by Politics, Bureaucracy.”

experts from Arab oil companies like state-owned Saudi Aramco to develop business models based on real-world conditions that are transparent and to show Iraqis and outside investors alike what can and cannot work.

These same techniques can be applied separately to key aspects of Iraqi state-owned enterprises and options for developing private industries that go beyond the small- and medium-enterprise stage. As suggested earlier, they could also be applied to key aspects of Iraqi agricultural development.

9. The Broader Range of Economic Challenges and “Threats”

U.S. and international aid efforts since the invasion in 2003 have provided important benefits, but they have failed to address the broad range of real-world economic problems that affect ordinary Iraqis and shape the security and stability of Iraq. The United States alone had spent some \$52.3 billion in aid as of July 1, 2009, had obligated close to \$43 billion, and had disbursed \$38.5 billion.²¹⁴ Much of the civil portions of this aid, however, have produced as many failures as successes.

As the Special Inspector General for Iraqi Reconstruction has documented all too clearly in numerous reports, much of the international aid effort has been poorly structured and managed, and has involved substantial amounts of corruption and waste. Far too often, projects have not been tied to suitable analysis of Iraqi requirements. To exacerbate the situation, many of these efforts are now largely being phased out without a clear plan about how to transfer aid projects to Iraq.²¹⁵

The United States bears responsibility for many of these failures and has failed to address the full range of issues involved. Far too much of recent U.S. analysis of the Iraqi economy has focused on macroeconomics and survey data without examining income distribution by sector, unemployment, corruption, and other economic security problems that affect ordinary Iraqis. Far less attention has been paid to the growing level of poverty since the beginning of the Iran-Iraq War, the failures of development projects, the lack of real-world reconstruction in virtually every effort, breakdowns in the quality of education, and demographic pressures.

Looking Beyond Petroleum: The Interaction between Governance and Economics

It is Iraq's leaders and government, however, that have primary responsibility for Iraq's current economic failures. Iraq must now cope with an economy that has not been properly funded since the country effectively went bankrupt during the Iran-Iraq War of 1982, when it had to turn to its Gulf neighbors for enough money to survive the war. A combination of war, misrule, low oil prices, and years of neglect and failure in other sectors of the Iraqi economy have produced a wide range of serious problems. Some have been driven by failures of governance by both Iraq and the occupying powers after 2003. Some are the results of factors like demographic pressures, and some are the result of structural problems in key sectors of the Iraqi economy:

²¹⁴ Since 2003, the United States has committed \$52.27 billion for the reconstruction of Iraq. The U.S. Congress appropriated more than 89 percent of this money to four major funds: the Iraq Relief and Reconstruction Fund (IRRF)—\$20.86 billion; the Iraq Security Forces Fund (ISFF)—\$18.04 billion; the Economic Support Fund (ESF)—\$4.18 billion; and the Commander's Emergency Response Program (CERP)—\$3.63 billion. As of June 30, 2009, more than \$42.59 billion had been obligated from these four major funds, and \$38.49 billion had been expended. Nearly \$3.54 billion remains available to be obligated, and \$8.22 billion is unexpended. The preponderance of unexpended U.S. funds is in the ISFF, which supports Iraq's military and police forces.

²¹⁵ SIGIR has provided massive amounts of documentation about these failures. The best summaries are in its quarterly reports, which can be found at <http://www.sigir.mil/reports/Default.aspx>.

- As has been noted earlier, Iraq is often described as an oil-wealthy country, but its oil wealth is limited when measured in terms of GDP or export income per person. As of November 2009, the CIA estimates that Iraq's per capita income is roughly \$3,700, which ranks 161st in the world.²¹⁶ Moreover, its national income is very poorly distributed, with wealthy Iraqis taking a very large share. To put Iraq's position in perspective, Iran—another oil country with a large population and weak economy—has a per capita income of \$12,800 and ranks 87th. Other countries in the region: Bahrain, per capita income of \$37,000, ranks 28th; Kuwait, per capita income of \$57,400, ranks 5th; Qatar, per capita income of \$103,500, ranks 2nd; Saudi Arabia, per capita income of \$20,700, ranks 59th; and the United Arab Emirates (UAE), per capita income of \$40,000, ranks 21st.
- Iraqi demographics put a major burden on the economy. Iraq's population was 9.4 million in 1970, 23 million when the United States invaded in 2003, and nearly 30 million in 2009. The U.S. Census Bureau estimates it will rise to 33 million in 2015 and 40.4 million in 2025.²¹⁷ Nearly 39 percent of Iraq's population is 14 years of age and younger, and the annual burden in creating new jobs will increase steadily for at least two more decades.
- Reporting on unemployment and underemployment is uncertain at best, as is reporting on the development industry and the service sector. The United States reported in the summer of 2009 that underemployment (less than 35 hours of work per week) fell to 29.4 percent (from 37.8 percent in 2007), while unemployment increased slightly to 18.3 percent (from 17.6 percent in 2007). Most notably, the data revealed that over a third of the full-time work force was employed in the private sector, an increase from only 24 percent in 2007. Based on population demographics, Iraq's labor pool is growing at a rate of more than 200,000 people per year. The growth in jobs has roughly kept pace with the expanding labor pool. Additionally, Iraqis continue to be challenged by underemployment, as many are overqualified for the positions they hold or can only find part-time employment. Unemployment may be exacerbated by the return of displaced persons to Iraq as security conditions improve, as well as by the release of detainees who will seek to re-enter the work force.
- Some estimates put these figures much higher. Other U.S. government reporting indicates that there are at least several million unemployed and underemployed males.
- Money has been the glue that has helped hold Iraq together but major aid is running out; employment is at the crisis level in many areas, and there are serious problems in every sector of the economy. The Iraqi economy is heavily reliant upon oil revenues. Although the economy averaged 6 percent annual economic growth from 2007 to 2009, that growth was driven by large increases in oil export earnings and government spending. Achievement of high growth projections depend on further increases in oil production and private-sector activity. In response to lower oil prices, Iraq's 2009 budget set spending 25 percent below the original proposal.
- The United States reports that debt remains an issue. Iraq's Paris Club debt relief now totals nearly \$42.3 billion (80 percent of total Paris Club debt). Iraq has also received roughly \$13 billion in debt relief from non-Paris Club countries and \$20.9 billion in commercial debt relief. Iraq's neighbors and China are its largest remaining creditors. The UAE committed to complete relief of nearly \$7 billion but has not signed an agreement yet. Saudi Arabia has publicly committed to debt relief comparable to Paris Club levels (80 percent), although owed interest remains a point of contention. The U.S. Treasury estimates that Iraq's remaining bilateral debt outstanding (including that owed to the Paris Club) is between \$48.9 billion and \$76.9 billion.
- Infrastructure is improving, but there still are critical problems in water, sewers, power, and other key services, and the improvements fall far short of Iraqi expectations.

²¹⁶ Central Intelligence Agency (CIA), *World Factbook*, available at <https://www.cia.gov/library/publications/the-world-factbook/index.html>.

²¹⁷ U.S. Census Bureau, International Data Base (IDB), <http://www.census.gov/ipc/www/idb/country.php>.

- National polling indicates that only 28 percent of Iraqis are either somewhat or very satisfied with health services, 9 percentage points lower than in November 2007.²¹⁸
- The United States reports deep problems in Iraq's agricultural sector, although in ways that have a peculiar positive "spin": "Iraq's agricultural industry, which accounts for 10 percent of the GDP and 25 percent of employment, is now rebounding in areas where security has improved, and access to working irrigation systems has counteracted the effects of the 2008 drought. Although agricultural output has increased, domestic food production remains below Iraq's potential due to restrictive government policies, outdated technology, unstable electric power, and a breakdown of the long-standing irrigation water-management system. Traditional GoI farmer support programs will likely be limited in 2009 due to budget shortfalls. Still, Iraqi farmers have made gains in production, particularly those with access to private financing. In January 2009, for example, 87 percent of Iraqis have reported that they have enough to eat at least some of the time."²¹⁹
- Ministry of Agriculture (MoA) programs, projects, and initiatives were limited in 2009 because of a reduced ministerial budget. In addition, given the low rainfall during the 2009 grain season and the likely shortage of water for irrigation, grain production in 2009 was expected to be only slightly better than the poor production in 2008, which resulted from the worst drought of the past decade.²²⁰
- According to the United Nations World Food Program report, an estimated population of 930,000 (3.1 percent of the households sampled) were classified as food insecure. The findings of this survey also indicate that an additional 9.4 percent of the population (2.8 million) is extremely dependent upon the Public Distribution System food ration, without which they could be expected to become food insecure.²²¹

U.S. efforts to shape a strategic partnership with Iraq must address these problems in far more depth and with far more objectivity than in the past. Iraq will need help in addressing chronic problems in the agricultural sector, growing water and irrigation issues, and a lack of growth and modernization in industry. It will need help in dealing with unemployment, underemployment and productivity problems, overdependence on state-sector employment, the need to maintain and replace aging infrastructure, and a lack of competitiveness in the service sector. Even with such aid, Iraq will need most of the next decade to complete reconstruction and put all of its critical sectors on the path to broad-based, successful development.

Demographics and Unemployment

The United States still does not have accurate data on Iraqi unemployment, underemployment, and total population. U.S. and Iraqi economic analyses tend to ignore or understate the impact of demographics, its interaction with problems in income distribution, and how youth unemployment and underemployment affect the prospects for security. Even after half a decade of occupation, there are still limited data on these basic

²¹⁸ U.S. Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress in accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), June 2009 (issued August 2009).

²¹⁹ DOD, *Measuring Security and Stability in Iraq*, March 2009.

²²⁰ DOD, *Measuring Security and Stability in Iraq*, June 2009 (issued August 2009).

²²¹ Ibid.

employment metrics, which are important to measure the progress of different sectors of the Iraqi economy.

Nevertheless it is clear that Iraq faces major demographic and employment problems. The CIA estimates that Iraq's labor force numbers about 7.74 million and direct unemployment is at least 18.2 percent with unofficial estimates as high as 30 percent. This puts the number of unemployed Iraqis anywhere from 1.4 million to 2.3 million.²²² A large portion of this population consists of young men, those most likely to join insurgency movements.

Any effort to build a stable U.S. and Iraqi strategic relationship must take Iraqi population dynamics into full account. While there are no fully reliable data, the U.S. Census Bureau estimate in its International Data Base tends to have accurate information about Iraq demographics. **Figure IX.1.** shows a rate of explosive population growth that experts estimate will continue through 2050.

As shown, Iraq's population was only 5.2 million as recently as 1950. It was more than 2.5 times higher in 1980—13.2 million—when the Iran-Iraq War began. It was 18.1 million when the first Iraq war began in 1990 and was about 23 million when the U.S.-led invasion occurred in 2003. Today, it is over 28 million, and predictions are that it will rise to 56 million by 2050.

Reports indicate that underemployment fell to 29 percent in 2008 from 38 percent in 2007, and unemployment fell to 12.5 percent in the fourth quarter of 2008 from 17.6 percent in 2007.²²³ Although these numbers appear to be falling, they are still quite high. Furthermore, the estimated unemployment rate for males aged 15 to 19 in 2008 remained high at 59 percent.²²⁴ The government needs to pay greater attention to providing either employment or education opportunities for this part of the population, as they are the greatest recruiting pool for insurgency movements.

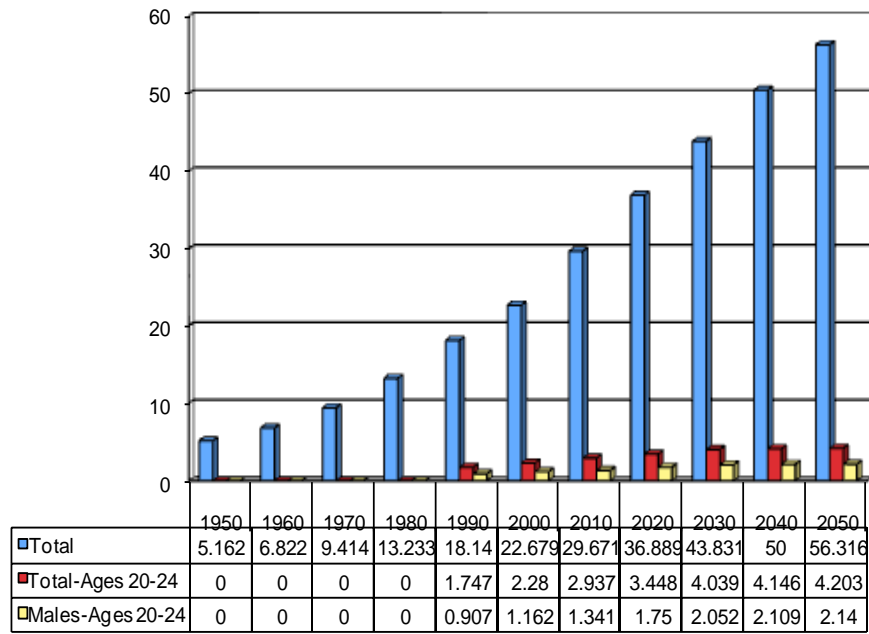
These dynamics show why “reconstruction” and development data that base their metrics and goals on static population figures are meaningless. This is particularly true if one looks at the results of focus groups from Iraq's younger population, unemployment figures for ages 20–24, or the lack of economic status for the young males that make up the core of the insurgency.

²²² Based on data in CIA, *World Factbook*, accessed September 27, 2009.

²²³ DOD, *Measuring Security and Stability in Iraq*, October 2009 (issued November 2009).

²²⁴ *Ibid.*

Figure IX.1: The Iraqi Population Leap
(In millions)



Source: U.S. Census Bureau, International Data Base, Iraq, accessed September 26, 2009.

Iraq's Budget and Revenue Crisis

Iraq's recent progress in securing oil contracts will reduce its future budget expenditures. As most of the central government's revenue comes from petroleum, the volume of production has a large impact on how well Iraq can fund its government programs and reconstruction projects. However, the price of oil will always fluctuate unpredictably, and oil contracts with companies like CNPC and Exxon Mobil will take at least a year to finalize and start increasing production. Iraq must take this into account and base its FY2010 and FY2011 budgets on modest increases in petroleum exports and lower world prices. In addition, it must find a way to continue funding reconstruction projects when its revenues fall short of its expenditures, most likely by borrowing from other countries or asking for increases in economic aid.

Although some sources project that the Iraqi economy will still grow by more than 5.0 percent in 2009, this rate has dropped from a 7.8 percent annual growth rate in 2008.²²⁵ As has been the case since 2004, much of this growth was also driven by massive amounts of aid and wartime spending, and not by development. Such resources are not distributed in ways that produce productive and lasting employment and investment; rather, they distort Iraq's economy and support subsidized and often "dead end" jobs and projects.

The portion of Iraq's GDP growth that is driven by its own earnings continues to depend largely on oil exports and government spending. The government of Iraq had to cut its 2009 budget by 25 percent in response to lower oil prices and use much of its available fiscal reserves to fund a substantial deficit.²²⁶ Major aid expenditures are coming to an end, and U.S. and other Coalition expenditures in Iraq are dropping sharply.

This means that Iraq's near-term to mid-term success in developing its economy, and in its efforts to improve political accommodation and fully defeat terrorism and insurgency movements, depends heavily on government expenditures—which in turn depend on future oil prices and revenues:

- Cuts in projected oil revenues have forced the government to abandon dreams of an \$80 billion budget, and then of a \$68 billion budget. Falling oil prices prompted the government to lower the expenditures in the 2009 Iraqi budget. After extended debate and another round of spending cuts, the Council of Representatives passed the 2009 Iraqi budget on March 5, 2009.
- The Presidency Council approved the final 2009 budget schedules on April 2, 2009, and the budget was published in the *Official Gazette* on April 13, 2009. The 2009 Iraqi baseline budget was \$58.6 billion, representing an \$8.7 billion (17 percent) increase over the 2008 baseline budget of \$49.9 billion. Most of this increase correlated to operations, including salary and wage increases. The 2009 budget also included \$2.1 billion for provincial capital expenditures and \$9.6 billion for security capital and operating expenditures (\$5.5 billion for the Ministry of Interior and \$4.1 billion for the Ministry of Defense)—compared to \$3.3 billion for the 2008 provincial capital

²²⁵ Special Inspector General for Iraq Reconstruction (SIGIR), *Quarterly Report and Semi-Annual Report to the United States Congress*, April 30, 2009, 10.

²²⁶ DOD, *Measuring Security and Stability in Iraq*, June 2009 (issued August 2009).

base budget and \$9 billion expenditures for security in the 2008 base budget. The projected budget deficit was \$15.9 billion.

- Although lower than initial drafts, the new budget continues the trend of an overall increase of approximately 19 percent *in expenditures* over the previous year. Approximately 17 percent of the 2009 Iraqi budget is marked for MoD and MoI.
- Some 70 percent of salaried jobs are directly or indirectly financed by the government, and some experts (Vice President Adil Abd al Mahdi) estimate that operating costs could consume up to 80 percent of the remaining budget.
- Reporting from the U.S. Embassy in Baghdad indicates that oil revenue could be below \$36 billion. This situation has forced Iraq to make difficult budgetary decisions. These involve serious cutbacks in infrastructure modernization, education, health, and most public services, and a failure to fund projects transferred by aid donors.
- If current price and production trends continue or increase only moderately, the government will have to take additional money from its reserves, reduce its spending significantly, or find alternative sources of funding or means for financing its spending. Iraq does have (or had) some \$35 billion in various accounts. It talks about spending an additional \$20 billion in 2010, but it is already clear that such a spending effort will present major problems and will mean cutting reconstruction projects and eliminating efforts to take up the slack from a near end to large-scale foreign aid.
- Unless oil prices rise significantly, Iraq will need to use most of its available fiscal reserves to fund future budget deficits. Low oil prices and stagnant oil production will place significant fiscal strains on the Iraqi economy and budget in both 2009 and 2010. Although crude oil production and exports increased in 2008, technical issues caused a slowdown in production in the south, a trend that may continue in the near future. Through the first quarter of 2009, Iraq was already 35 percent below its 2009 revenue target due to export volume and price deficiencies.
- Drawing additional money out of the reserves under current economic conditions will result in a smaller budget in 2010 because there simply will not be enough money remaining in the reserves to offset shortfalls in national revenue stemming from lower than anticipated oil production and prices. If the recession continues, and the government continues to expend its reserves, the budget situation in 2011 could continue to decline.

Government Allocations and Funding

Iraq has had to deal with a serious budget crisis and major problems in allocating government funds that seem likely to continue until Iraq can significantly increase its oil export revenues. The Council of Representatives finally passed a \$58.6 billion budget on March 5, 2009, after three revisions to cut the draft budget. The Presidency Council ratified the budget on April 2.²²⁷ This budget was still a 17 percent increase over the government's 2008 budget of \$49.9 billion. The government estimated that it would earn \$36.5 billion from oil revenues and only \$6.22 billion from all other sources, including customs, levies, taxes, and other fees.

Depending on actual oil export revenues, Iraq will have to pay for the rest of its reconstruction projects and salary expenses using previous years' surpluses. **Figures 9.2 and Figure IX.3** illustrate how the government's budget has grown during 2005–2009,

²²⁷ SIGIR, *Quarterly Report to Congress*, April 30, 2009, 10.

how much money has been spent, and how much the government will earn from oil revenues to cover its spending.

The graphs indicate a slight decrease in oil revenue in 2009 along with an increase in spending. The year 2009 is also the first year in which the government's budget exceeded its revenues. Although the government had a stockpile of funds carrying over from previous years' surpluses to cover the spending gap in 2009, it will not be able to cover all of its expenses in the long run – at the end of 2009 alone Iraq had amassed a deficit of over \$19 billion.

As discussed in chapter 8, there have been some improvements in the government's ability to secure oil contracts with foreign companies, which will boost oil exports in the coming years. However, given the slow nature of negotiations over these oil contracts, significant increases in oil output are unlikely before 2011. In the meantime, Iraq must find a way to fund its increasing budget. The situation will no doubt improve over the next couple of years but until then the government will need to rely on loans from other countries and will most likely accrue a larger budget deficit over time.

SIGIR data show that the government of Iraq's 2009 budget included:

- *A projected deficit of \$15.9 billion:* The deficit will be covered by unspent revenues from previous years.
- *\$45.9 billion in operating costs:* The five ministries receiving most of the operating funds in 2009 were Finance, Interior, Education, Defense, and Trade. The Ministry of Defense's operating budget was down 21 percent, declining from \$4.92 billion in 2008 to \$3.85 billion in 2009. The Ministry of Interior's operating budget, however, was up 2 percent, from \$5.16 billion in 2008 to \$5.27 billion in 2009.
- *\$12.7 billion in capital expenditures:* The Ministries of Oil, Electricity, Finance, Water Resources, and Industry and Minerals received the largest allocations from the government's capital budget.²²⁸

Figures 9.4. and 9.5 provide a summary and a detailed account of government spending by sector for 2008 and 2009. (Note: information is not available for all Iraqi ministries.)

Iraq's National Investment Council predicts that the government's national development strategy will cost about \$187 billion from 2009 to 2012.²²⁹ Given the current price of oil, petroleum revenues will not be able to fund this plan. The Ministry of Planning has already started addressing Iraq's need for alternative sources of income by finding ways to further develop its industrial, agricultural, and tourism sectors. In the long run, this strategy may prove profitable, but over the coming years Iraq may still need greater financial support from international donors, especially the United States.

In the third quarter of 2009, the Council of Representatives submitted a supplemental budget request of \$4.6 billion, which would increase the government's 2009 budget to

²²⁸ Ibid.

²²⁹ Ibid., 11.

\$63.6 billion. The request was based on an increase in the price of oil in October 2009.²³⁰ The extra funding is supposed to cover gaps in spending for salaries for the Sons of Iraq and for election costs.²³¹ Although this is a relatively conservative estimate, and the government does need the funds to pay for its election and security services, the government may be overestimating future oil revenues, especially given the recent volatility in oil prices.

A committee reviewing Iraq's 2010 budget proposals has recommended that the government base its expected revenue calculations on an average oil price of \$60 per barrel and average crude exports of 2.15 million barrels per day (similar to production amounts for 2009). Although Iraq plans to nearly quadruple production in 2010 by issuing service contracts to develop 10 new oil fields, the time it will take to auction off all of the fields and finalize contracts will probably extend beyond 2010.

On October 13, 2009, the Council of Ministers submitted its draft budget of \$66.7 billion for 2010 to the Council of Representatives,—, which represented a 14 percent increase over the 2009 budget of \$58.6 billion.²³² The government made these projections with two underlying assumptions, according to the October 2009 SIGIR report to Congress:

- *Price:* The 2010 budget is based on the assumption that oil prices will average \$60 per barrel next year. This is 20 percent higher than the export price of \$50 per barrel assumed for 2009. For July – September 2009, the average price per barrel of Kirkuk crude oil on the global market was \$68.54.)
- *Export levels:* The draft budget also assumes export levels of 2.15 million barrels per day for 2010. This is an increase of 7.5 percent over the 2009 target of 2 million bbl/d. Iraq, however, averaged exports of 1.85 million bbl/d between October 1, 2008, and October 1, 2009, or 8 percent less than its desired target for 2009 and 16.2 percent under the 2010 goal.²³³

Figure IX.6 compares the weekly oil price with the government's projected budget and price assumptions for 2006–2010. The trend in prices does appear to be heading upward, but as the graph indicates, price levels of oil have fallen rapidly and unpredictably in the past—particularly from 2008 to 2009. Furthermore, even if the price of crude oil does average \$60 per barrel in 2010, the probability that Iraq will increase exports by 16 percent seems unlikely, given that it failed to meet its 2009 production target by 8 percent.

As mentioned earlier, one of the main barriers to increasing the production of petroleum has been the failure of the central government and the KRG to reach an agreement on revenue sharing and pass a hydrocarbons law. As long as the two government branches continue bickering over the terms of issuing and signing oil contracts, negotiations will be drawn out and the chances of increasing production to desired levels in 2010 will be much lower. The government must move quickly on this legislation so that the contracts it has already agreed to can go through and international companies can start increasing the productivity of Iraq's largest oil fields.

²³⁰ SIGIR, *Quarterly Report to Congress*, October 30, 2009, 1011.

²³¹ DOD, *Measuring Security and Stability in Iraq*, October 2009.

²³² SIGIR, *Quarterly Report to Congress*, October 30, 2009, 11.

²³³ *Ibid.*

In July 2009, the UN Secretary General released a report warning the Iraqi government that “much remains to be done before a fully operational control and measurement system over oil production, distribution, and export sales can be comprehensively implemented in Iraq,” estimating that the earliest these measures could be implemented would be 2011.²³⁴ The Iraqi government needs to keep in mind that without improvements in policy, organization, and infrastructure, it will not be able to increase output at the rate it has predicted. Therefore, if it wants to continue funding the development projects that will help its economy grow in the long run, the government must find a way to fill the gap between its revenue stream and proposed budget, most likely by borrowing from other countries.

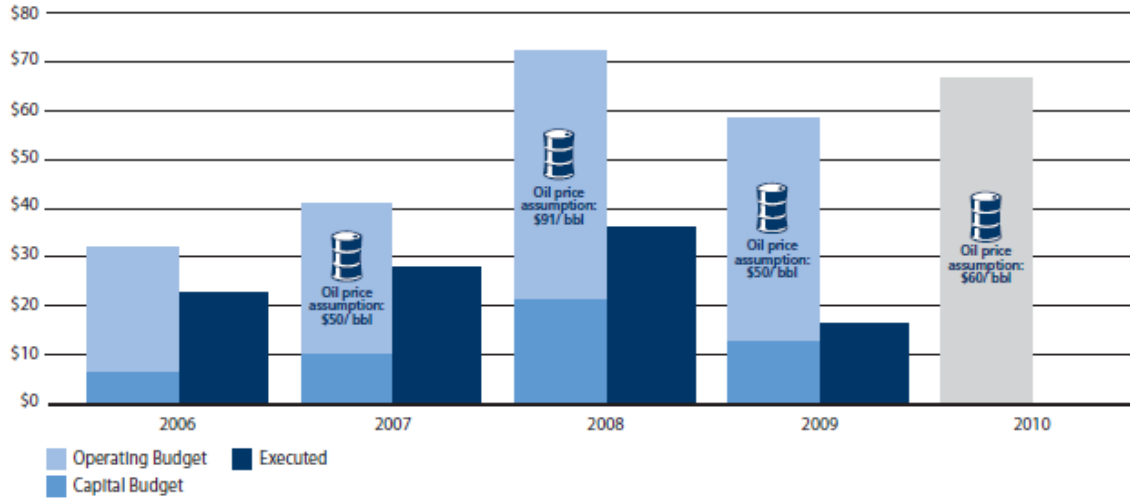
²³⁴ Ibid.,12.

Figure IX.2: Government of Iraq Budget, Reserves, and Debt – Part I

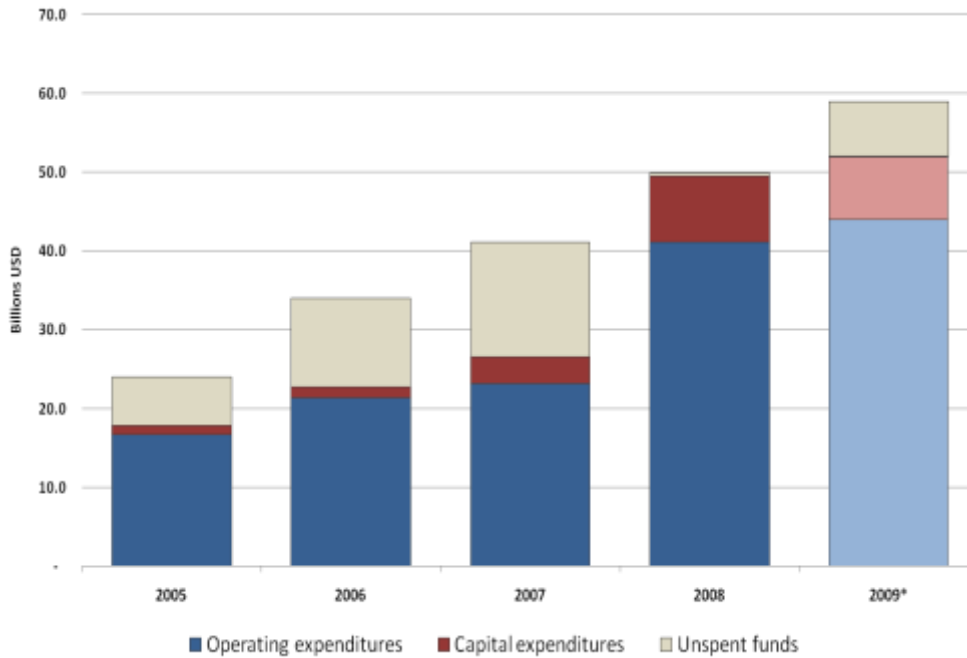
Budgets:

2006-2010

GOI BUDGET AND BUDGET EXECUTION, 2006–2010
\$ Billions



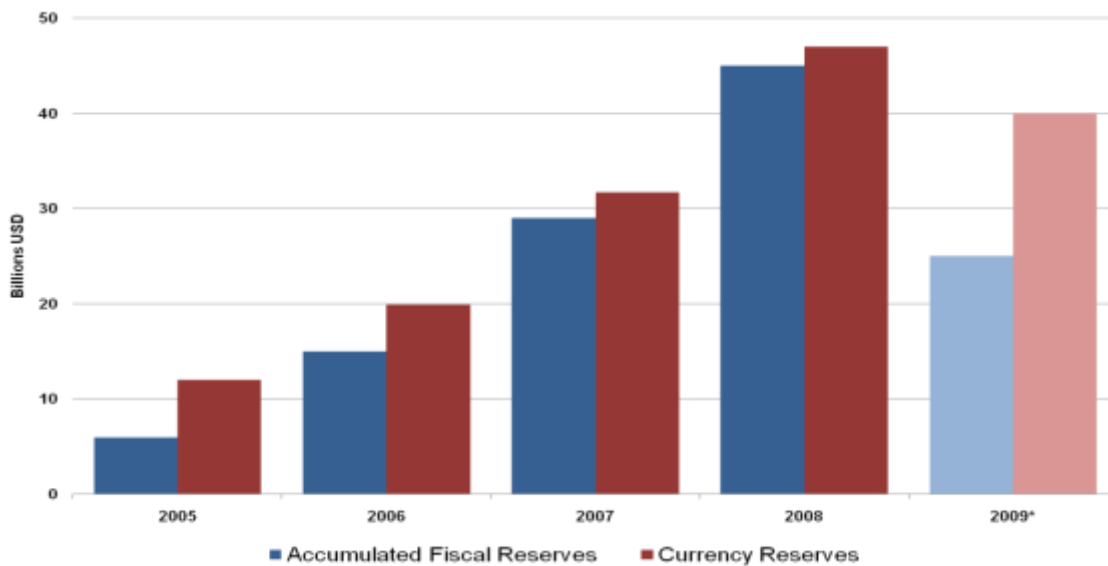
Spending: 2005-2009



Sources: SIGIR, *Quarterly Report to Congress*, November 30, 2009, 84.

Figure IX.2: Government of Iraq Budget, Reserves, and Debt – Part II

Fiscal and Monetary Reserves: 2005–2009



Note: Currency reserves are legally unavailable for government expenditures; Source: Ministry of Finance.

Debt: 2003 vs. 2009

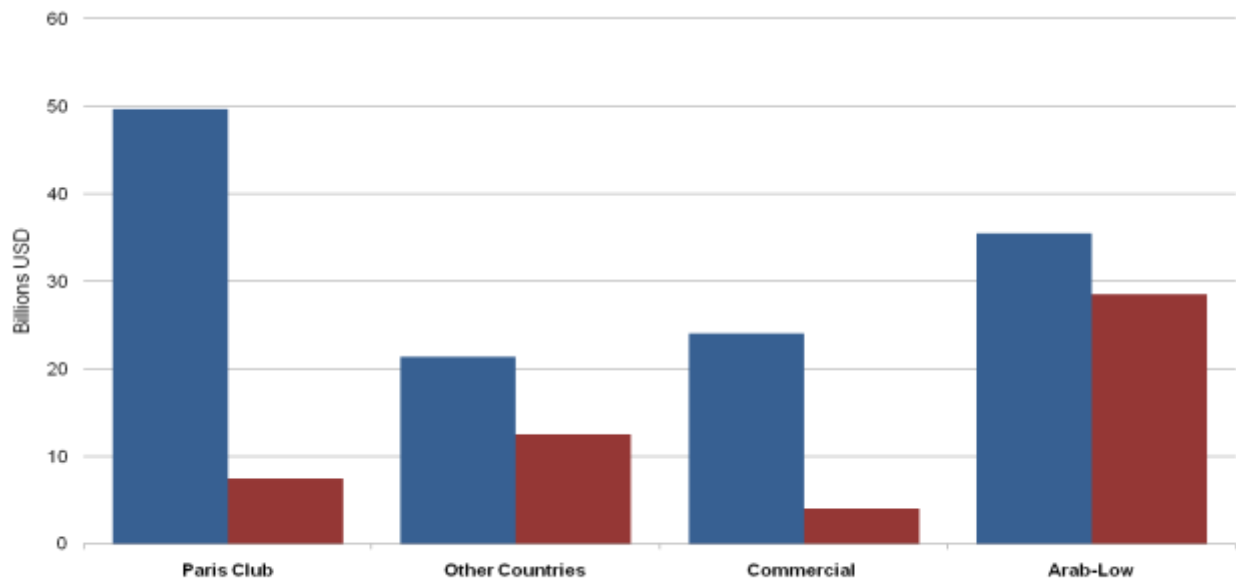
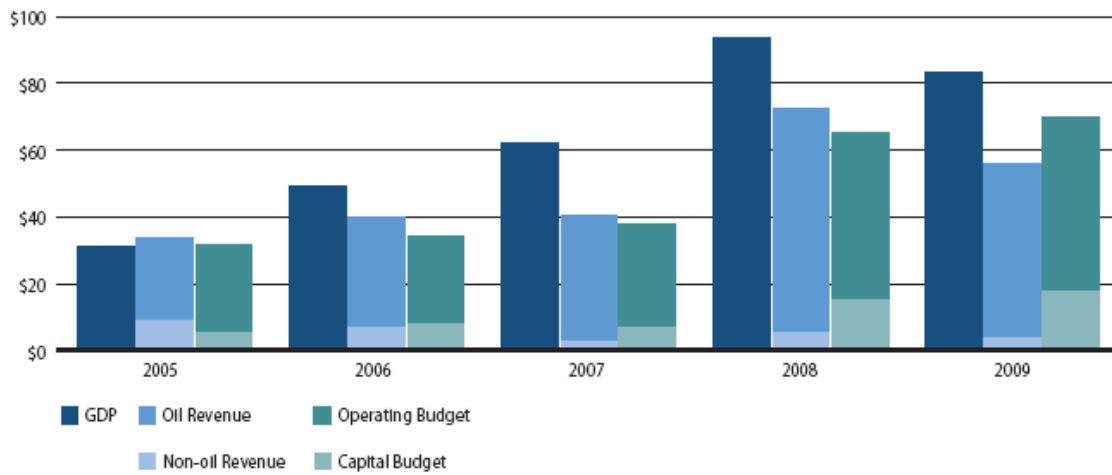


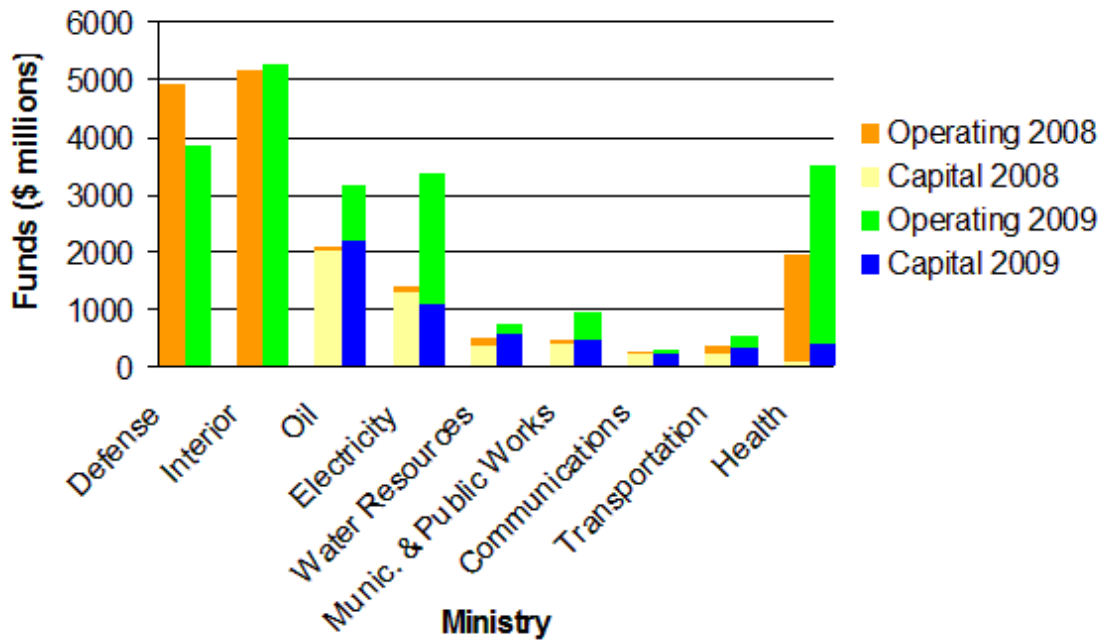
Figure IX.3: Iraqi GDP, Government Revenue, and Government Budget, 2005–2009 (\$ Billions)



Note: Numbers affected by rounding. IMF-estimated data for 2005–2006; IMF-projected data for 2007–2009. Non-oil revenue includes grants. Budget excludes contingency funds.

Source: SIGIR, *Quarterly Report to Congress*, July 30, 2009.

Figure IX.4: Government of Iraq Budget Allocations by Ministry—Operations vs. Capital, 2008 and 2009*



* Statistics on government allocations not available for all ministries (e.g., Finance, Education, Trade); capital costs not available for Ministries of Defense and Interior.

Source: Adapted using statistics from SIGIR, *Quarterly Report to Congress*, April 30, 2009).

Figure IX.5: Government of Iraq Budget Allocations by Ministry, 2008 vs. 2009**GOI ALLOCATIONS TO THE MINISTRY OF OIL**

\$ Millions

BUDGET TYPE	2008	2009	% CHANGE
Operating	\$103.7	\$954.4	820% ↑
Capital	\$2,000.0	\$2,206.4	<1% ↑
Total	\$2,103.7	\$3,160.8	50% ↑

GOI ALLOCATIONS TO THE MINISTRY OF ELECTRICITY

\$ Millions

BUDGET TYPE	2008	2009	% CHANGE
Operating	\$89.1	\$2,310.3	2,492% ↑
Capital	\$1,300.0	\$1,080.1	17% ↓
Total	\$1,389.1	\$3,391.1	144% ↑

GOI ALLOCATIONS TO THE MINISTRY OF WATER RESOURCES

\$ Millions

BUDGET TYPE	2008	2009	% CHANGE
Operating	\$109.6	\$168.6	54% ↑
Capital	\$375.0	\$563.5	50% ↑
Total	\$484.6	\$732.1	51% ↑

GOI ALLOCATIONS TO THE MINISTRY OF MUNICIPALITIES AND PUBLIC WORKS

\$ Millions

BUDGET TYPE	2008	2009	% CHANGE
Operating	\$42.6	\$479.6	1,026% ↑
Capital	\$416.7	\$468.2	12% ↑
Total	\$459.3	\$947.8	106% ↑

GOI ALLOCATIONS TO THE MINISTRY OF COMMUNICATIONS

\$ Millions




BUDGET TYPE	2008	2009	% CHANGE
Operating	\$14.4	\$88.2	513% ↑
Capital	\$250.0	\$216.1	14% ↓
Total	\$264.4	\$304.3	15% ↑

GOI ALLOCATIONS TO THE MINISTRY OF TRANSPORTATION

\$ Millions

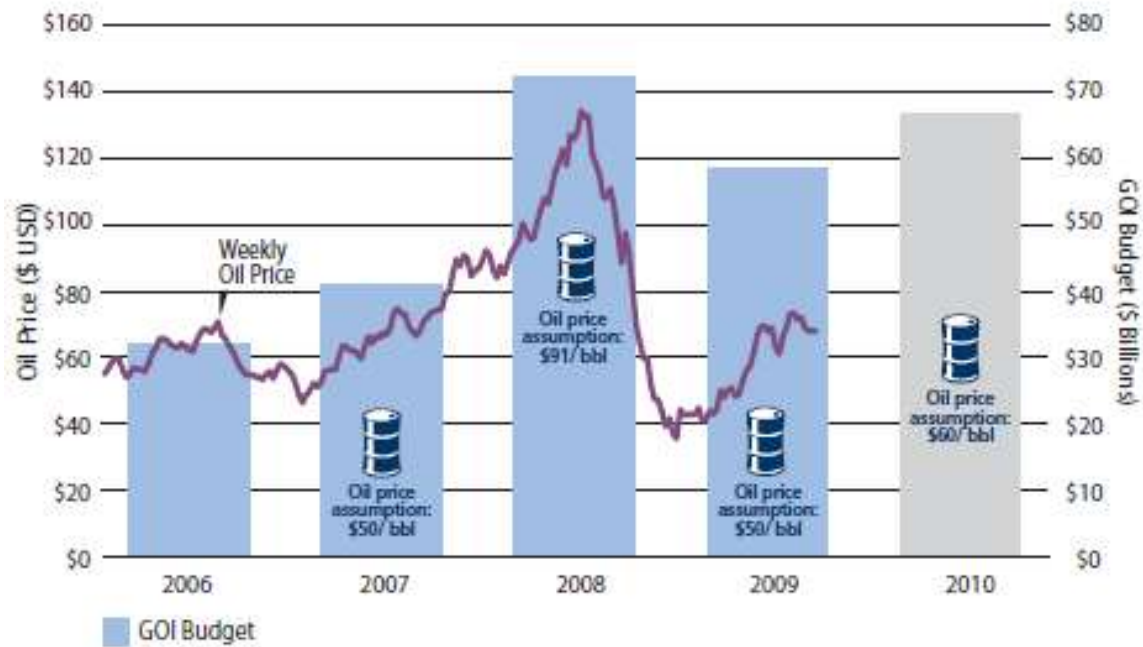
BUDGET TYPE	2008	2009	% CHANGE
Operating	\$121.6	\$209.7	72% ↑
Capital	\$250.0	\$324.2	30% ↑
Total	\$371.6	\$533.8	44% ↑

GOI ALLOCATIONS TO THE MINISTRY OF HEALTH
\$ Millions

BUDGET TYPE	2008	2009	% CHANGE	
Operating	\$1,872.8	\$3,095.0	65%	
Capital	\$83.3	\$408.1	390%	
Total	\$1,956.1	\$3,503.1	79%	

Source: Adapted from SIGIR, *Quarterly Report to Congress*, April 30, 2009.

Figure IX.6: Government of Iraq Budget and Oil Price Assumptions, 2006–2010



Source: SIGIR, *Quarterly Report to Congress*, October 30, 2009, 11.

Infrastructure

The impact of these budget problems on reconstruction is analyzed in depth in chapter 10 and their impact on security is analyzed in chapter 12. It is important to understand just how serious some of the impacts are. There are still critical problems in water, sewers, power, and other key services, and the improvements fall far short of Iraqi expectations.

For example, recent U.S. reports note that “despite gradual and steady increases in electricity generation, years of neglect and lack of maintenance continue to hamper electricity generation and distribution in Iraq. An average of 100 megawatts (MW) per day in capacity is lost due to the lack of fuel and the need for improvements in transmission.... Approximately half (51 percent) of Iraqis now feel they get the electricity they need at least some of the time, seven percentage points more than in January 2009. However, only 25 percent of Iraqis are somewhat or very satisfied by the amount of electricity they receive, down from 34 percent who felt satisfied in November 2007.”²³⁵ The practical impact of these pressures is shown in **Figure IX.7**.

Similar problems emerge in key areas like water and sewage treatment:

In April 2009, nearly 68 percent of Iraqis reported being able to get safe, clean drinking water at least some of the time, indicating no significant change from January 2009. Although the majority of Iraqis can get safe drinking water, only 34 percent are satisfied with the availability of drinking water, a two-point increase from January 2009. Only 46 percent of Iraqis state that they have a working sewage disposal system at least some of the time, down two percentage points from November 2007. The percentage of Iraqis satisfied with sewage disposal services is 29 percent, a three percent increase from January 2008.²³⁶

Iraq's Health Care System

Iraq faces a crisis in critical areas like health and education. Coalition forces, NGOs, international organizations, and private donors have worked with the Ministry of Health (MoH) to develop Iraq's long-neglected health care system, which suffers from poor facilities and equipment, low salaries for physicians, and limited access to foreign innovations and technologies. Since 2003, however, the MoH has not made much improvement. The sector still suffers from a lack of health facilities, medicine, experienced physicians, and emergency health care services (ambulances).

In addition, health care prices are too high for the average Iraqi, who earns only \$70 per month. The average cost of a private primary care visit alone is \$25, more than one-third of the average monthly salary.²³⁷ The mortality rate for children under 5 years in Iraq is 125 in every 1,000, which is disproportionately high compared with just 33 in every

²³⁵ DOD, *Measuring Security and Stability in Iraq*, June 2009 (issued August 2009).

²³⁶ Ibid.

²³⁷ Dr. Mike Bunning, Health Adviser, Baghdad Provincial Reconstruction Team (PRT), “Background Paper: Status of Iraq Health Care System,” September 1, 2009.

1,000 in Egypt. Iraqis also experience relatively high rates of cerebral palsy and cancer.²³⁸

Part of the problem is coordination. Before the invasion, International Medical Corps and several leading NGOs established the Joint NGO International Medical Corps in Iraq to address problems of coordination between organizations like the World Health Organization (WHO) and UNICEF operating in the country. They then established the NGO Coordinating Committee for Iraq to coordinate efforts, exchange information, monitor humanitarian issues, and provide the NGO community with shared services.²³⁹

After the UN headquarters bombings in August and September of 2003, however, all agencies participating in this program left Iraq for Jordan. This effectively ended any coordination of health activities, although NGOs did not have much interaction with the Coalition Provisional Authority or the military to begin with. In its place, the MoH adopted a strategy of implementing several disjointed, short-term projects, a system it follows today. These projects include the construction of a new maternity hospital (without adequately staffing the facility) while other primary medical facilities in desperate need of funds, staff, and equipment fall by the wayside.

Because health coordination in the past was handled primarily by the World Health Organization coalition forces did not pay much attention to health care in their reconstruction plans and have not filled this role since the WHO left in 2003. As a result, half of Iraq's current primary care clinics are understaffed. Ninety percent of Iraq's 180 medical facilities do not have basic medical and surgical supplies, and in some cases hospitals do not even have a physician on call.²⁴⁰ According to the WHO, in 2008 Iraq had 6.1 physicians and 12.6 hospital beds for every 10,000 persons; in comparison, Saudi Arabia had 21 physicians and 22.1 hospital beds and Jordan had 26.7 physicians and 18 hospital beds per 10,000 persons.²⁴¹

This disparity has a lot to do with the fact that hundreds of thousands of Iraq's educated professional class, including doctors, nurses, engineers, and scientists, have either fled the country or were killed in the war.²⁴² Furthermore, although the United States has invested considerable money in reconstructing and equipping hospitals, it has not spent much money on training and educating Iraqi doctors on how to use the new equipment, making it useless.

For example, the Ministry of Health recently closed Ibn Sina Hospital in Baghdad, the U.S. military's largest medical center in the country, explaining that it lacked the staff and equipment to reopen it.²⁴³ The U.S. military claims it left behind \$7.9 million worth

²³⁸ Timothy Williams, "US Fears Iraqis Will Not Keep up Rebuilt Projects," *New York Times*, November 21, 2009.

²³⁹ Bunning, "Background Paper: Status of Iraq Health Care System."

²⁴⁰ Williams, "US Fears Iraqis Will Not Keep up Rebuilt Projects."

²⁴¹ SIGIR, *Quarterly Report to the United States Congress*, November 30, 2009, 78.

²⁴² Williams, "US Fears Iraqis Will Not Keep up Rebuilt Projects."

²⁴³ *Ibid.*

of equipment in the hospital, which indicates that Iraq simply does not have enough trained professionals to operate the equipment. Similarly, the \$165 million Basra Children's Hospital has yet to open after four years of delays, and when it does open the MoH predicts that it will not have enough doctors and nurses to staff the facility.

This shortage of medical facilities and personnel has fueled the insurgency in several ways. Iraqis have become frustrated with a lack of government effort to improve the affordability and accessibility of health care. Lacking options at home, many Iraqis have been forced to seek treatment outside Iraq, particularly in Syria and Iran, strengthening their ties to these countries. Many more cannot afford to seek medical care outside the country, as medical visas are difficult and expensive to obtain, so they are forced to remain in Iraq without adequate access to medical care, a situation that further contributes to poor mortality rates and anger toward the government.

To begin to remedy the situation, the United States and the Iraqi government should re-establish a coordinated effort among all NGOs, private donors, and international organizations to better implement changes in the health care system. Iraq must spend more money on training and hiring medical professionals rather than on superfluous facilities and equipment that few Iraqis are trained to operate. The government must also conduct regular surveys to establish which parts of the system are most in need of assistance. It must focus more on long-term strategic goals than on individual projects that will have only a small effect on the overall health of the Iraqi population.

Finally, it must allocate more resources to the health care system: current levels of funding are simply not enough to make health care both affordable and accessible to most Iraqis. To do this the government must better inform politicians on the status of Iraqi health care, the areas that need improving, and how funding can contribute to that improvement.

Iraq's Education System

Iraq's education system faces equally critical problems, especially considering the progress the country has made in other sectors of its economy. Iraq joins Yemen and Egypt as the three Middle Eastern countries with the largest populations of uneducated young people.²⁴⁴ Iraq's education system has been in decline since the 1980s, which is why older generations of Iraqis tend to be the best-educated out of the general population.

Although primary school enrollment for 6–11-year-olds averages 84.4 percent, intermediate and secondary school rates are far lower, particularly in rural areas and among women. **Figure IX.8** shows the intermediate and secondary school enrollment rates for both boys and girls in urban and rural areas. Intermediate school enrollment ranges from 45.5 percent for urban boys to 16.6 percent for rural girls. Secondary school enrollment drops even further to around 25 percent for both urban boys and girls and down to 7.2 percent for rural girls.²⁴⁵

²⁴⁴ SIGIR, *Quarterly Report to Congress*, November 30, 2009, 79.

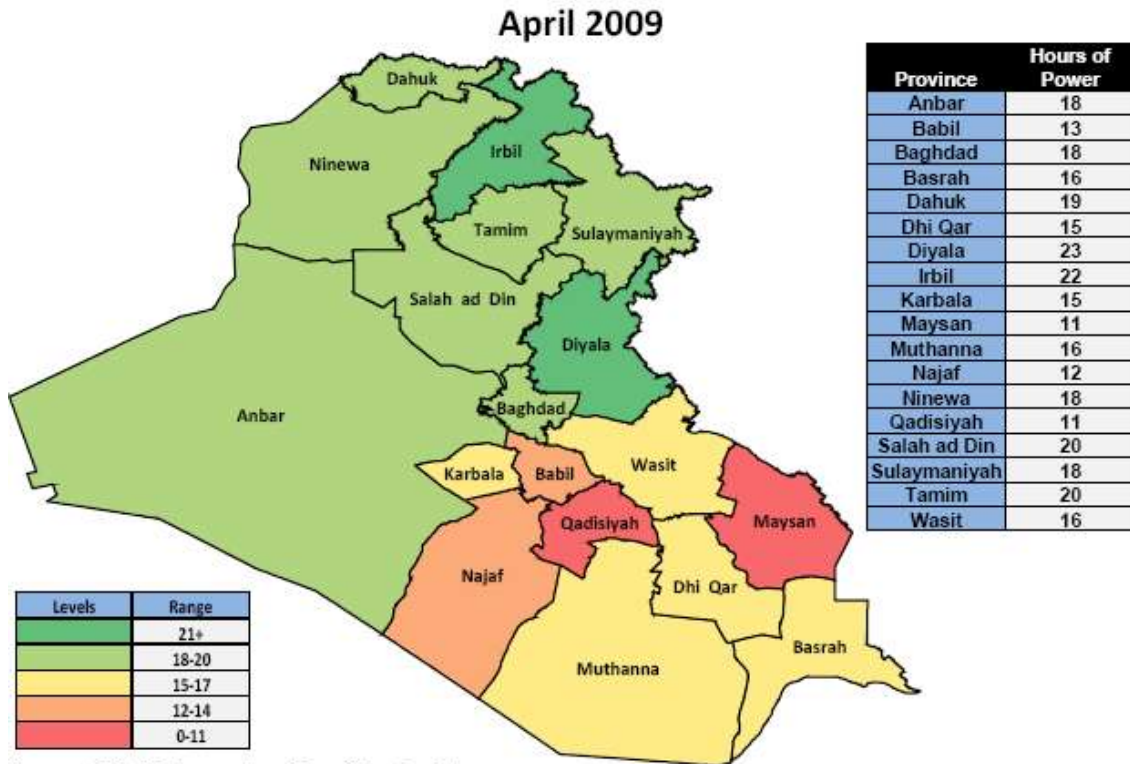
²⁴⁵ *Ibid.*

As the previous demographic analysis has shown, Iraq is a very young country with more than 40 percent of the population under 15 years of age. If the education system does not improve soon, it will produce a staggering population of young, uneducated, and unemployed men and women, who have always been the largest recruiting pool for insurgent groups. Even if the government manages to stabilize the security situation in Iraq now, it will face more problems down the road if it cannot manage to educate and employ its young population.

A small portion of Iraqi students do receive grants from the government and from other countries to earn their bachelors and masters degrees abroad. Those students are supposed to return to Iraq after graduation, but many try to circumvent the rule and continue to live abroad rather than return to their country. The Iraqi government must step up its efforts to channel funds toward Iraqi schools if it wants to produce a more educated population that can contribute back to the economy and help stabilize the country.

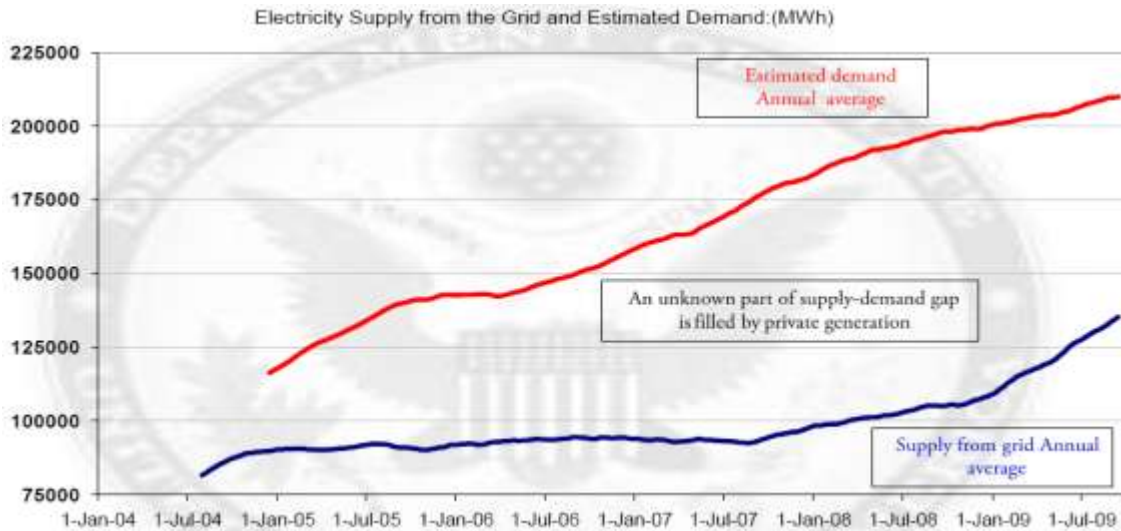
Figure IX.7: Electric Power as a Case Study:

Average Daily Hours of Electrical Power per Province

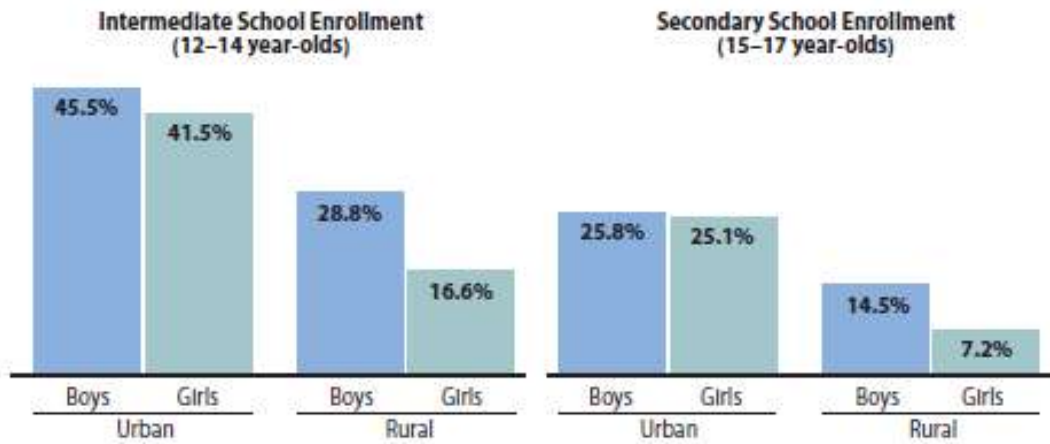


Source: U.S. Embassy Iraq Transition Assistance Office (ITAO)

Source: U.S. Department of Defense (DOD), *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252) (Dated June 2009, but issued in August.)



Source: U.S. State Department, *Iraq Weekly Status Report*, September 16, 2009, 15,
<http://www.state.gov/p/nea/rls/rpt/c28011.htm>.

Figure IX.8: Intermediate and Secondary School Enrollment Rates

Source: SIGIR, *Quarterly Report to Congress*, October 30, 2009, 79.

The Non-Petroleum Sectors of Iraq's Economy

As is the case with Iraq's petroleum sector, it is not possible to separate government activity from the other key sectors of the economy. Iraq's budget problems affect the scale of state employment and subsidies as well as the prospects for state and private investment. Although government officials assert that they are trying to build up the private sector, the government still interferes in virtually every area.

Similarly, government activity has a major impact on private investment. Although Iraq has tried to attract foreign investment in its private sector, it faces a multitude of problems, from widespread drought to a lack of electricity and machinery. In 1980 Iraq was self-sufficient in producing wheat, rice fruits, vegetables, and poultry products. It also exported a variety of manufacturing goods including textiles, leather goods such as purses and shoes, steel, and cement.²⁴⁶ But years of war, sanctions, poor management, international competition, and underinvestment have all but wiped out these once profitable industries.

The Financial Sector

Like everything else in Iraq, the financial sector has been severely hampered by nearly three decades of war and sanctions. Before the U.S.-led invasion, all industry in Iraq was state-owned and had little to no interaction with international businesses and markets.

Previous regimes held tight control over the state-run banking system. Private banks were not allowed to operate until 1992, and even then the government forbid them from conducting international transactions. The entire banking sector remained isolated from technological advances and new business practices until the collapse of Saddam's regime in 2003. At the time of the 2003 invasion, Iraq's banking sector was so crippled that it had no way of processing electronic payments and used an outdated system for clearing checks. Even documents and correspondence between branches of the same bank had to be carried by hand between buildings.²⁴⁷

Despite some moderate improvements, not much has changed in Iraq's banking sector. CIA estimates show that the state-owned banks Rafidain and Rasheed, the two largest banks in the country, still account for 86 percent of all financial assets.²⁴⁸ In December 2008, a private accounting firm conducted financial and operation audits of Rafidain and Rasheed and identified several weaknesses with the state-run businesses, including the following:

²⁴⁶ Timothy Williams "Idle Iraqi Date Farms Show Decline of Economy," *New York Times*, August 15, 2009.

²⁴⁷ Iraqi National Investment Commission—Iraq by Sector,
<http://www.investpromo.gov.iq/?q=en/node/20>.

²⁴⁸ SIGIR, *Quarterly Report to Congress*, April 30, 2009, 101–103.

- No documented strategy, business plan, or objectives.
- No clear operational regulations or rules for employees.
- No clearly allocated reporting requirements and responsibilities.
- Inadequate and outdated information technology and infrastructure.
- Inadequate risk management.
- Limited product offerings, including no letters of credit.²⁴⁹

Both the U.S. Treasury and the World Bank are currently helping restructure these banks to help them incorporate modern business practices and technologies into their systems. The Task Force for Business and Stability Operations (TFBSO), established by the Department of Defense in 2006, has also helped improve the interbank lending system in Iraq by updating banks' electronic fund transfer systems and integrating them with international standards and practices. Still, the government must focus more attention on coming up with aggressive strategies to revamp the financial sector—particularly new means and channels for issuing loan services.

The number of private banks in Iraq has risen since 2003. As of August 2009, the government had issued 31 licenses for private banks and 22 of them were operating in Iraq.²⁵⁰ However, most Iraqis are suspicious of private banks and tend to have greater trust in the few state-owned banks that have been around since the Saddam era. Private banks also give out fewer loans because they are smaller and more risk-averse, and many of them lack credit departments. Furthermore, most of the directors of private banks in Iraq live outside the country—mostly in Amman, Jordan—and have little communication with the government or with other private banks operating in Iraq. TFBSO has done a lot to help with interbank exchange, but private banks still do not offer financial services to a large portion of the population.

The U.S. Treasury has identified several other problems with private banking in Iraq, particularly with the availability of loans and other financial services:

- Loan decisions are delayed because of the poor quality of loan applications and lack of credit officer experience. When potential bank customers seek financing, they draw on savings or relatives first and microfinance institutions last.
- The main source of bank revenue is not interest earned from loans: it is transaction fees for electronic funds transfer and the processing of state-owned enterprise transactions, such as direct deposits and cash disbursements. Reliance on fee income is safer because credit risk cannot be reliably assessed.
- There are no guidelines or manuals at the branch level to assess credit risk and no uniform loan application process. Disclosure standards and audit requirements are not available.
- Opening a personal or commercial bank account is a cumbersome and costly process at the private banks. Many types of identification, certifications, and approvals are required. The banks assess a

²⁴⁹ SIGIR, *Quarterly Report to Congress*, January 30, 2009, 98.

²⁵⁰ *Ibid.*, 120–122.

2 percent fee for making a deposit. ATM usage is minimal, although the SmartCard biometric debit card issued by state-owned banks seems to be gaining popularity.²⁵¹

There is some hope that the banking sector will grow to become a profitable industry—particularly the private banking industry, which grew 80 percent in 2009.²⁵² That growth is coming off of a small base, but financial experts expect to see the same kind of double-digit growth in 2010, although a bit lower. While the banking sector in most countries took a large hit following the economic meltdown in 2008, Iraqi banks have been flourishing because of the kind of lending they do. Most of them are lending to small, family-run businesses like restaurants and shops that have seen a large growth in profits since the decline in violence after 2007.²⁵³

Despite gains, however, Iraq's banking system lags so far behind international institutions that it will probably take several years before it catches up to the rest of the world. A well-funded, efficient banking system is the cornerstone of economic growth; and judging by the current financial system in Iraq, it will take a long time for Iraq to stabilize its economy. In the meantime, the banking sector needs more resources, greater oversight, more investment in human capital and technology, and better long-term planning.

The Industrial Sector

Progress in the industrial sector has also gotten off to a slow start. In early 2009, the Iraqi minister of planning and development cooperation named privatization as the key to success for state-owned enterprises (SOEs) in Iraq, but as of November 2009 only one joint venture existed between Iraqi SOEs and private international investment consortiums.²⁵⁴

The Task Force to Improve Business and Stability Operations has provided \$100 million to restructure and revitalize Iraqi SOEs, but these efforts have been difficult to evaluate due to a general lack of baseline data.²⁵⁵ TFBSO has failed to record such statistics as the number of Iraqis employed by SOEs before and after 2003 and average factory production levels. This may be because security concerns prevented data gathering or because SOE officials failed to cooperate with the program. Either way, it is difficult to get a clear picture of the effects of the program on profits and employment without this information. Some audits by SIGIR also revealed that many SOEs did not provide TFBSO with copies of invoices to verify how they had spent the funds or how much they had spent.

²⁵¹ Ibid.

²⁵² Reuters, "Private Banks Flourish amid Iraq's Chaos," November 16, 2009.

²⁵³ Ibid.

²⁵⁴ Ibid.

²⁵⁵ SIGIR, *Quarterly Report and Semi-Annual Report to the United States Congress*, January 30, 2009, 101.

Furthermore, most investors are still put off by the lack of cooperation they receive from the Iraqi government, the unreliable power supply, and the uncooperative, and at times hostile, work force. Before Iraq can really diversify its industrial sector it must focus on using government revenues to fund infrastructure projects essential to private business and on developing sound business practices in order to attract foreign investment.

There is some hope for increasing Iraq's exports and foreign investment. In November 2009, Iraq held its first international trade fair since the invasion of 2003, with more than 400 foreign companies in attendance.²⁵⁶ Turkish and Iranian firms were the most prominent at the convention, although the United Arab Emirates still led the field with \$31 billion in Iraqi investments.²⁵⁷ Surprisingly, given the United States' substantial investment in Iraq's security and infrastructure, U.S. companies have invested only about \$400 million in Iraqi projects. This is partly because U.S. companies are still cautious about operating in Iraq because of security concerns, but it is also because the Iraqi government has been trying to distance itself from the United States and work more with companies from the region.²⁵⁸

The Service Sector

Information on Iraq's service sector is scarce but the overall picture looks bleak. Like most businesses, service industries have seen increasingly more activity each year due to the improving security situation, but it is still generally difficult for people in Iraq to start up new businesses. As noted, access to capital is problematic and the financial sector is rather weak, decreasing the availability of loans for small businesses. Industries like tourism are practically nonexistent in Iraq although the country does benefit from some local tourism and religious tourism to Iraq's holy Shi'ite sites. Most tourists come from neighboring countries, particularly from Iran, to cities like Najaf, home to more Shi'ite holy sites than any other city in the region, including the Shrine of Imam Ali, the son-in-law of the prophet Mohammad and a central figure in Shi'ism.²⁵⁹ Iraq is not yet secure enough to seriously attract other foreign tourists, and so far there are few commercial flights into the country, although construction on the new Najaf National Airport finished in September 2009.²⁶⁰

The Iraqi government is also taking several measures to broaden the scope of tourism to include visitors from abroad. In November 2009, Iraqi Airways, Iraq's national airline, announced plans to resume flights between Baghdad and Paris for the first time in 20

²⁵⁶ Reuters, "Baghdad Holds First Trade Fair in Over Six Years," November 2, 2009.

²⁵⁷ Rod Nordland, "Rebuilding Its Economy, Iraq Shuns U.S. Businesses," *New York Times*, November 13, 2009.

²⁵⁸ Ibid.

²⁵⁹ Roy Gutman, "In Najaf, Iraq's Shiite Clerics Push for Direct Elections," McClatchy Newspapers October 19, 2009, available at <http://www.mcclatchydc.com/homepage/story/77413.html>.

²⁶⁰ Bureau of Near Eastern Affairs, U.S. Department of State, *Iraq Status Report*, September 23, 2009.

years.²⁶¹ Iraqi Airways also began offering direct flights to Stockholm and has opened airline routes to several other cities around the Middle East. Attracting tourists is still somewhat difficult given the country's tentative security situation, but many new campaigns have appropriately begun to target tourists "seeking adventure."²⁶² World Travel Market chairman Fiona Jeffery lauds these efforts, saying, "It may be in its infancy but Iraq has the potential to become a viable tourism destination, just like Vietnam."²⁶³

For now, Iraq's other service sector industries consist mostly of local businesses that spring up in small, individual communities. Transportation and communications are also growing businesses. Before the 2003 invasion, Iraq's fixed-line telecommunications system was limited and the country had no broad-based cell phone network. By 2002 Iraq had a fixed-line density rate of only 3.5 percent.²⁶⁴ For many years the Saddam regime forbade cell phone use, considering it a security threat, and later on sanctions prevented the country from purchasing a network. In 2003, Iraq was the only country in the Middle East that still did not have a cell phone network.²⁶⁵ Since 2003, cell phone use has skyrocketed, with millions of new users every year. Cell phones have become one of the largest service sector industries in the country—many Iraqis now spend a large portion of their income on cell phone use, and many consider it a necessity.

Otherwise, large-scale service sector industry will likely take some time to develop. Until then the government should focus on gathering better data about how many people the service sector actually employs and what percentage of annual GDP comes from these industries, and on acquiring foreign investment to expand current industries.

The Agricultural Sector

Population growth, growing water problems, war, mismanagement, and a lack of competitiveness with neighboring states all have had a major impact on Iraq's agriculture sector. Once a country that exported food around the region, Iraq is now one of the world's biggest rice and grain importers.

Iraq has more water than most Middle Eastern states, but that can be misleading. The CIA estimates that only a little more than 13 percent of Iraqi land is arable and only 0.6 percent can support permanent crops. Some 67 percent of Iraq's population is urbanized rather than living on the land. The CIA estimates that only 5 percent of Iraq's GDP comes from agriculture, although some past estimates indicated the sector employs up to

²⁶¹ Reuters, "Iraq to Resume Baghdad-Paris Flights after 20 Years," November 9, 2009.

²⁶² Reuters, "Iraq Tries to Lure British Tourists in Search of Adventure," November 5, 2009.

²⁶³ Ibid.

²⁶⁴ Iraq National Investment Commission, *Iraq by Sector: Telecommunications Sector*, <http://www.investpromo.gov.iq/?q=en/node/35>.

²⁶⁵ Ibid.

17 percent of the country's work force.²⁶⁶ Iraq also recently was affected by serious drought, a problem that may grow if climate change is a factor.

Key areas in the agricultural sector have suffered a particularly sharp decline, a situation best illustrated by the country's struggling date farms. Iraq once produced three-quarters of the world's dates, growing 629 different varieties. It now lags behind Egypt, Iran, and Saudi Arabia and produces roughly half the level of dates it did in the 1980s.²⁶⁷ The number of date palms in the country has fallen from 33 million in the 1950s to 9 million. In a normal year, one date palm would produce 130 to 175 pounds of fruit, but in 2008 the average tree produced only 30 pounds. The number of date processing plants has also dropped, to 6 from the 150 that existed before the U.S. invasion in 2003. Iraqi dates are now packaged in the United Arab Emirates.

Production of wheat and aromatic rice also declined significantly in the past few years because of drought, insects, poor irrigation, red tape, salty water, and disease. Thirty years ago, Iraq exported these crops throughout the region, but today it relies heavily on imports to provide food for the general population.

Figure IX.9 shows recent trends in Iraqi grain production. A longer-term analysis could show just how much agricultural output has lagged behind the growth of population, but accurate data are not available. The same is true of trends in agricultural productivity, capital investment, growth in irrigated land, improvements in efficiency, and competitiveness with imports from Iran, Turkey, and other countries. War, sanctions, and decades of state mismanagement have all combined to have a brutal impact on this aspect of the Iraqi economy.

A 2009 USDA report described wheat production in Iraq:

- Iraq is experiencing its second consecutive drought-reduced wheat harvest owing to well-below-normal rainfall and significant irrigation supply shortages. Crop area is expected to be much below normal in major northern rain-fed provinces after poor autumn rainfall caused many farmers to abort sowing operations. Crop yields are also expected to be significantly reduced in major southern irrigated provinces this year owing to critical shortages of irrigation water in the Tigris and Euphrates river systems during the wheat growing season.
- Deficient moisture availability crippled many growers' ability to salvage a decent harvest this season, with overall vegetative crop development as bad as or worse than last year's severe drought. Total wheat production is expected to be little changed from last year, ranking as one of the worst harvests in the last decade. Given that winter grain crops usually account for 85 percent or more of total annual food grain production in Iraq, a significant domestic grain supply shortage is expected, requiring another year of above-normal grain imports in the 2009/10 marketing year.
- Cumulative rainfall in most of Iraq's provinces during the autumn 2008 and spring 2009 (2009/10 marketing year) winter grain growing season was only slightly improved compared to last year's extreme drought. Total rainfall accumulations averaged between 25 and 65 percent of normal for most of the primary wheat producing regions. This amounts to an average of 4–8 inches of rainfall

²⁶⁶ CIA, *World Factbook*, 2009, [https://www.cia.gov/library/publications/the-world-](https://www.cia.gov/library/publications/the-world-factbook/geos/countrytemplate_iz.html)

[factbook/geos/countrytemplate_iz.html](https://www.cia.gov/library/publications/the-world-factbook/geos/countrytemplate_iz.html); Energy Information Administration (EIA), *Iraq Country Report*, June 2009, <http://www.eia.doe.gov/cabs/Iraq/Background.html>.

²⁶⁷ Williams, "Idle Iraqi Date Farms Show Decline of Economy."

during the eight months between September 2008 and April 2009. Well-below-normal rainfall conditions predominated in all but a handful of upland and far eastern growing areas.

- In the major non-irrigated grain provinces of northern Iraq, rain-bearing weather systems were scanty and infrequent. Huge areas apparently went unplanted, as autumn rains failed to arrive in sufficient quantity to ensure seed germination. This adversely affected potential crop area in Ninewa, Arbil, and At Tamin provinces that collectively account for 35 percent of the nation's wheat production.
- In addition, severe irrigation water shortages developed during the winter months when water levels dropped precipitously along the Tigris and Euphrates rivers owing to restricted releases of water from upstream reservoirs in Turkey. These shortages caused extensive harm to Iraq's irrigated winter grain crops, with severe moisture stress causing significant crop yield reductions over vast areas. The provinces of Diyala, Wasit, and Al Qadisiyah were heavily affected by these shortages, resulting in both reduced wheat area and production. These provinces typically account for 32 percent of total wheat production in Iraq.
- A comprehensive evaluation of winter grain establishment across Iraq was conducted during the 2009/10 winter growing season, comparing the current seasonal situation to those of recent years.[...] The results of the analysis clearly depicted a significant drought-related decline in grain production potential owing to a lack of grain crop emergence and establishment in several major rain-fed grain growing areas, as well as late season moisture stress on non-irrigated crops that did get established.
- The severity of the decline in 2009/10 crop vegetation was exceeded only by the extremely poor situation last year. The worst declines in crop vegetation compared to normal in the northern rain-fed wheat producing governorates occurred in Ninewa, Arbil, At Tamin, and Sulaymaniyah, which together account for 36 percent of the country's wheat crop. Ninewa on its own is particularly hard-hit, and is the country's leading wheat producing region, normally accounting for 20 percent of total wheat production. In addition to these problem areas, the satellite image comparisons showed that grain area and/or crop vigor in primarily irrigated regions had also declined from normal. The most seriously affected areas were in the governorates of Diyala, Wasit, Al Qadisiyah, and Maysan that typically account for 37 percent of the nation's wheat output.
- There were significantly improved vegetative crop conditions in several northern Kurdish governorates that share borders with Turkey and Iran this year, but their combined production rarely exceeds 2-3 percent of the national total. The increased grain production prospects in these northern areas in 2009 are not expected to compensate for losses in the country's major producing regions, though they will provide a semblance of local grain self-sufficiency.²⁶⁸

Overall, Iraq's wheat harvest in 2009 dropped 40 percent below normal levels due to a rainfall decline of roughly 50 percent, the fourth consecutive year of drought in the country. Iraq produced less than 1 million tons of wheat compared to the 2.5 million tons it produced annually from 2000 to 2007. As a result, the country had to import 4 million tons of wheat to meet its annual demand of 5 million tons.²⁶⁹

This shortage of water has been a main cause of the decline in Iraqi agriculture. Iraq was once one of the most fertile countries of the region, but a severe four-year drought significantly dried up the country's water sources. This not only affects agricultural

²⁶⁸ Adapted from U.S. Department of Agriculture, *Iraq: Drought and Irrigation Shortages Decimate Wheat Harvest in 2009/2010*, May 1.2, 2009 <http://www.pecad.fas.usda.gov/highlights/2009/05/iraq/>.

²⁶⁹ Anthony DiPaola and Caroline Alexander, "Iraq Drought Cuts Harvest, Boosts Imports as Oil Cash Slips," Bloomberg, August 5, 2009.

output but also reduces the supply of electricity in Iraq—particularly southern Iraq—by an estimated 50 percent. Two of the country’s four power-generating turbines stopped working as of August 2009 due to the rapidly falling levels of the Euphrates River, and the other two were expected to fail if water levels dropped any further.²⁷⁰ Low rainfall is only part of the water problem. Hydroelectric dams in neighboring countries like Turkey and Syria have also cut the flow of water that travels down the Tigris and Euphrates rivers and into Iraq, eliciting angry accusations from Iraqi officials.²⁷¹

On a positive note, Iraq’s water resources minister has reached out to these neighboring governments for the first time since Saddam Hussein took power. In September 2009, the water ministers from all three countries met to discuss the issue, which resulted in the first water-sharing agreement between the neighboring states. On September 18, 2009, Turkey’s energy minister announced that Turkey had agreed to increase the flow of water to Iraq and Syria over the next month to alleviate the regional drought. He agreed to ensure an average flow of 550 cubic meters of water per second into Iraq—up from 517 cubic meters per second—for one month, until October 20, to help alleviate the effects of the dry season.²⁷² Syria also agreed to increase its flow of water into Iraq, and both countries agreed to boost energy cooperation as well.

This is one of the few signs of real progress that Iraq has made in furthering its private sector through regional cooperation, and the government should try to establish as many of these agreements as it can in the future. Still, the agreement is temporary and Iraq must continue pursuing this kind of cooperation on water-sharing between neighboring countries to ensure long-run prosperity and avoid future droughts.

If the government cannot find alternative ways to irrigate crops and power residential and commercial buildings then Iraq will continue to struggle in its efforts to expand its exports beyond petroleum.

Iraq has taken some positive steps towards this goal. In fall 2009, the government was trying to put together a 30-year plan for managing the country’s limited water resources.²⁷³ Still, there is little evidence that Iraq can regain its status as one of the leading agricultural exporters in the region. Production is nowhere near the level that it could or should be at. Thirty years ago, the country had a much smaller population, so it was easier to grow food for export. Today, Iraq’s rapid population growth has caught up to the agriculture industry, making it more difficult for Iraq to reclaim its role as a crop exporter, especially when it has a hard enough time meeting domestic demand.

A combination of overproduction, land misuse, and mismanagement has decreased the amount of arable land available in the country. The industry has taken the sharpest blow from the three decades of war and sanctions, which have left its agricultural infrastructure

²⁷⁰ Martin Chulov, “Water Shortage Threatens 2 Million People in Southern Iraq,” *The Guardian*, August 26, 2009.

²⁷¹ Reuters, “Iraq Seeks 30-Year Plan to Fight Drought,” September 15, 2009.

²⁷² Forbes, “Turkey Gives More Water to Iraq, Syria,” September 18, 2009.

²⁷³ Reuters, “Iraq Seeks 30-Year Plan to Fight Drought.”

in shambles. Although Iraq may not become a net exporter of agricultural goods, it at least has the potential to be a self-sufficient supplier of domestic produce with investments in physical and human capital.

Unfortunately, reliable statistics on Iraqi agriculture remain scarce and suspect, which make it difficult to evaluate exactly what the sector needs for growth. The information collected so far, with questionable data collecting methods – for example, the U.S. Foreign Agricultural Service (FAS) estimates annual crop yields using satellite data – gives only a vague picture of the inefficient and stagnant industry.²⁷⁴ Further statistics about production and markets are needed to evaluate of the real potential of Iraq's agricultural sector.

Aside from production problems, Iraqi crops have a hard time competing with foreign products. Unlike governments in most countries, the Iraqi government does not protect or subsidize most of its farmers. As a result, Iraqi produce is more expensive than fruit and vegetables from countries like Iran, Syria, and Egypt.²⁷⁵ These regional states heavily subsidize their farms and consequently flood neighboring markets with cheap food. Iraq also has to import most of its feed for sheep, goats, and cattle, thus raising the price of domestic livestock as well.

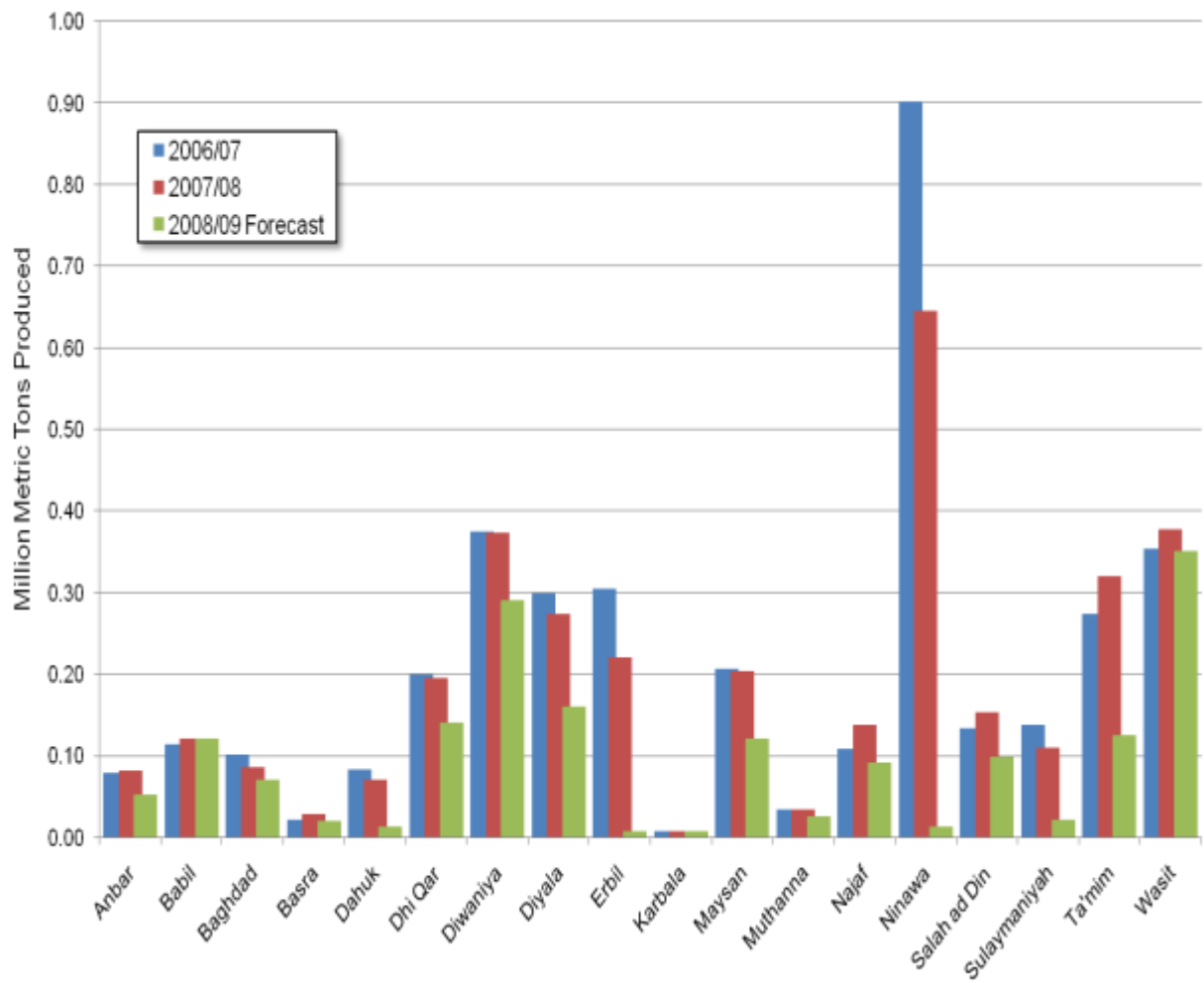
The government has sponsored regional infrastructure programs, such as building greenhouses, teaching better farming practices, and running workshops. But none of this will make a difference if Iraqi products cannot compete in domestic and foreign markets. To evaluate the role agriculture will play in the country, the government needs to confer with private organizations and experts to find a way to either make the industry profitable or reduce national dependence on imports.

As noted, it is unlikely that Iraq will regain its position as a prominent regional exporter of agriculture anytime soon. The more immediate goals for the government should be self-sufficiency and sustainability. If Iraq can grow enough rice and grain to meet domestic demand and bring down the price of locally grown produce, then it can reduce its dependence on agricultural imports and contribute to a trade surplus. In addition to expanding infrastructure and irrigation systems that can enable farmers to grow and distribute their products throughout the country, Iraq should also expand regional diplomacy efforts to increase water flow to the country and create markets for domestic produce.

²⁷⁴ Mike Tharp, "Once World's Bread Basket, Iraq Now a Farming Basket Case," McClatchy Washington Bureau, July 17, 2009, <http://www.mcclatchydc.com/226/story/72051.html>.

²⁷⁵ Ibid.

Figure IX.9: Combined Wheat and Barley Production, 2006–2009



Source: Adapted from U.S. Department of Agriculture, *Iraq: Drought and Irrigation Shortages Decimate Wheat Harvest in 2009/2010*, May 12, 2009, <http://www.pecad.fas.usda.gov/highlights/2009/05/iraq/>.

The Role the United States Can Play

To begin with, the United States needs to make massive improvements in the quality of its own analysis of the Iraqi economy. It needs to focus its analysis, advisory, and aid efforts on the issues and challenges that Iraq must overcome to achieve internal stability and security, rather than on studies designed to show that the United States has succeeded when it has failed. Rather than base economic success on Iraq's stability in the international financial system, the United States must focus on the government's ability to meet the needs of the Iraqi people.

The United States needs to pay attention to the following specific issues:

- The United States seems to have the right priorities for creating suitable investment laws, but it is unclear that it has a set of defined goals and actions to get laws and practices in place. A slow process of reform may be more politically acceptable, but the question arises as to whether it will meet the needs Iraq faces from 2010 to 2012. Once again, Iraqis seem to focus on the size of the prize instead of evaluating prospects for major investment. There seems to be more urgency than either side currently is responding to.
- Iraq needs aid to understand the real world margins, conditions, and incentives necessary to encourage investment and develop the private sector. Showing Iraq models of how ventures actually work, and the present level of comparative Iraqi incentives and disincentives, and then regularly reporting on Iraqi progress might help bring these economic realities home.
- Part of this process involves gathering data on Iraqi banks and cooperating with organizations like the IMF to develop better lending and borrowing networks for Iraqi businesses and consumers. Greater oversight and communication between different banks must be encouraged to create a more transparent and efficient banking sector. Without a strong financial system, Iraq will never see the kind of growth it needs to sustain its economy in the long run.
- Although the United States does emphasize agricultural reform, water, and related needs for power, these efforts seem fragmented and are often shaped around project-level efforts as ways of leading by example. Iraq's agricultural problems are deep structural problems. They need action and reform on a large scale and detailed economic analysis and planning.
- Given the scale of Iraq's agricultural problems, labor needs, and reliance on imports, there seems to be a need for a clear analysis of what can be done in national agricultural reform and how best to move Iraq forward more quickly. The broader question is how to help Iraq develop a far more comprehensive and realistic understanding of what it can and cannot do. The United States must help Iraq to develop and revitalize its agricultural sector so that domestic products can compete with imports (and deal with Iranian dumping). The goal is not to turn Iraq back into a regional agricultural supplier but to ensure self-sufficiency and food security in the country without spending vast amounts of money on imports. Furthermore, Iraq needs to learn how to honestly assess the impact of population growth relative to efficiency and to look at water and irrigation problems at both the national level and in terms of the probable increased use of water by upstream countries.
- Iraq must not fall into the trap of focusing on limited gains rather than structural reform, or repeat the mistakes aid agencies have made in so many other countries by focusing on agricultural potential (the "bread basket" fallacy) instead of real-world possibilities. One option would be to have the World Bank draw up an assessment of where Iraq should be in 10 years. Another would be to create a long-term U.S. aid project that would fund such planning with the help of Iraqi officials, agricultural experts, and farmers—supported by U.S., and outside expertise—to ensure that Iraqis are vested in the effort.
- There are few "magic bullets" that can quickly create thousands of jobs through one single project. State-owned enterprises, however, seem to be the best platform for both job creation and giving

current state employment a meaningful degree of productivity. It is unclear whether beginning efforts in this direction will be sustained or move toward significant lasting success.

- Similarly, as privatization moves forward and increases in scale, the advisory and planning effort must look beyond the small- and medium-enterprise (SME) level. Iraq may need a much clearer plan to encourage proper use of the SOEs and success for larger-scale SMEs, and to ensure that modernizing the SOEs has suitably high priority.
- Iraq needs major infrastructure reconstruction, and better government services are a critical part of this effort. It is not clear that U.S. aid will properly fund long-term construction and maintenance of new infrastructure. Nor is it clear how the United States will help the Iraqi government develop future plans and incorporate its current projects into the JCP.
- One solution to help Iraq plan its long-term reconstruction goals would be to create a joint Iraqi-World Bank commission to oversee the process. The commission could take advantage of Iraq's improved security to do the accurate survey work that aid agencies have failed to conduct in the past, look at the country's real-world options given its income and capacity for capital spending, and develop regularly updated studies as a basis for Iraqi government action and future aid efforts. As with so many aspects of Iraqi development, there needs to be a reliable basis for judging what is needed and what is possible.
- Iraq needs sustained aid to improve the overall quality and capacity of government services. This need may also increase significantly once Iraq shifts from election politics to actual governance. It is not clear that detailed plans and options have been developed for such aid, particularly in the form of an integrated and properly prioritized approach versus a series of useful individual but only partly coordinated efforts.
- The United States and Iraq need better regional and sectoral economic metrics. Both the United States and Iraq need to avoid falling into the trap of relying on nationwide data and analyses that blur the very real differences between areas, sects, and ethnic groups. We also need to drill down far below the largely useless macroeconomic data to begin to determine income distribution, the true scale of the employment problem, what is really happening in the petroleum sector, progress with SOEs and SMEs, progress in investment, problems with infrastructure and water, the nature of problems in agriculture, and the modernization of the financial and service sectors.
- Both the United States and Iraq need to focus on the human impact of Iraqi economics, not gross statistics; only the former will determine the stability of the country. It is progress by sector that will determine development. Ensuring that budgets and development are spread throughout the various regions and across Iraqi fracture lines is what will bring about progress and political conciliation. These reporting systems need more development, and it is time to eliminate the word "reconstruction" from all cable traffic and U.S. government reporting. That term never made much sense. The goal has always been stability and development, not the standards of 2003.

Speaking generally, the United States can assist Iraq both by helping it do the kind of economic analysis it really needs and by conducting regular, independent analysis that will provide an objective picture of developments available to all Iraqis. It should encourage the Iraqi government to honestly address key issues and provide advice to outside investors. In an ideal world, the United States can turn this into a multilateral effort by asking the IMF or World Bank to assume some of the burden. However, past efforts to do this have focused on institutional needs and have rarely been timely or transparent.

Furthermore, there must be greater transparency and communication between different departments as to what they have actually spent government funds on, and there must be a way to measure how successful this spending has been. Measuring the success of a project by certain rubrics will help determine what types of future projects the United States should direct its funds toward and what types are less effective.

Several individual projects undertaken by local commanders using funds from the Commander's Emergency Response Program, or CERP, have done little to improve crucial aspects of life in Iraq like education and health care. Some of these projects include a sports complex in Baghdad that cost several hundred thousand dollars, a \$2.7 million hotel at Baghdad International airport, and expansion of the \$34 million-plus Baghdad economic zone.²⁷⁶ Regardless of the economic or political benefits those projects may have, CERP funds would be better spent on projects that address more immediate needs like constructing new educational and medical facilities and hiring and training more teachers and physicians. The following section will discuss U.S. spending in greater detail.

Such projects should have a broader purpose; they should aim to influence factors in a certain sector or province (e.g., unemployment, distribution of income) or they should solve a specific problem (e.g., produce more electricity, cleaner water). Without those goals in place it is difficult to measure how effective the use of funds is and how future use of funds will affect other aspects of Iraq's security and stability. The first step to defining whether a project improves the current situation is to measure what that situation is. To do this the United States should expand the scope of its data collection to include several sectors of the Iraqi economy and the effect that economic activity has on the Iraqi population in different regions of the country.

One thing is clear. The United States cannot advise on what it does not understand. Individual elements of the U.S. government and advisory effort do have considerable understanding, and SIGIR has provided analysis in some areas. But one has only to look at the State Department maturity model, the USAID Web page, and the econometric analysis in the Department of Defense quarterly reports on Iraq to see how shallow and self-serving much of the open source analysis by the U.S. government has been to date.

The United States badly needs an effort that is fully integrated under one leader and staff and is truly relevant to Iraqi needs. This should be a key aspect of both the Joint Campaign Plan and the integrated civil-military plans that are needed for the future.

²⁷⁶ SIGIR, *Quarterly Report to Congress*, October 30, 2009, 4.

10. Iraqi Reconstruction Funding

Outside aid has been critical in largely defeating the insurgency and in helping Iraq recover from the impact of the invasion in 2003 and the civil conflicts that followed. It has also helped reduce the impact of previous decades of war, civil conflict, and misrule. At the same time, much of that aid has gone to waste, distorted Iraq's economy, or left a legacy of projects Iraq does not need or cannot afford to support—the result of what the Special Inspector General for Iraq Reconstruction's report on the “hard lessons” of aid described as

[t]he blinkered and disjointed prewar planning for postwar Iraq; the CPA's large and ultimately too ambitious expansion of the reconstruction program; the security-driven reprogramming required by the exploding insurgency; the strongly resourced response of the surge; and the rise of Iraq's role in its own reconstruction.... beyond the security issue stands another compelling and unavoidable truth: the U.S. government had neither the established structure nor the necessary resources to carry out the reconstruction mission it took on in mid-2003.... The overuse of cost-plus contracts, high contractor overhead expenses, excessive contractor award fees, and unacceptable program and project delays all contributed to a significant waste of taxpayer dollars.²⁷⁷

Security, war, and Iraq's lack of capacity have all been issues, but SIGIR is all too correct on focusing on the fact that the United States has years of failure to account for. As SIGIR describes in painful detail, U.S. efforts have been driven by²⁷⁸

- the dramatic and frequently reactive course-changes in reconstruction strategy,
- the turbulence engendered by continual personnel turnover at every level,
- the waste caused by inadequate contracting and program management practices, and
- the poor integration of interagency efforts caused by weak unity of command and inconsistent unity of effort.

The United States and Iraq cannot force a strategic partnership that ignores these realities, particularly given the challenges Iraq faces in politics, governance, and security. Iraq, the United States, and other foreign donors must now try to make sense out of past efforts at Iraqi reconstruction and Iraq must determine what now must be done to fund development and reconstruction. This must include an honest recognition of the failures in past efforts while finding the best way to shift from aid-driven activities to programs that are largely Iraqi-led and Iraqi-funded. This requires the U.S. government to do more than issue reports from SIGIR and the General Accountability Office. The U.S. State Department and other civil departments must become operational enough to act on their suggestions.

²⁷⁷ Special Inspector General for Iraq Reconstruction (SIGIR), *Hard Lessons: The Iraqi Reconstruction Experience* (Washington, D.C.: Government Printing Office, February 2009), vii–viii, available at http://www.sigir.mil/hardlessons/pdfs/Hard_Lessons_Report.pdf.

²⁷⁸ *Ibid.*, viii.

The Scale of Past Reconstruction Funding

There has been massive spending on Iraqi reconstruction since 2003. **Figure X.1** shows that \$140.29 billion had gone to the relief and reconstruction of Iraq as of June 30, 2009. These funds came from three main sources:

1. Iraqi capital budgets and the Development Fund for Iraq, overseen by the Coalition Provisional Authority (CPA): \$71.20 billion
2. International pledges of assistance from non-U.S. sources: \$17.01 billion
3. U.S. appropriations: \$52.80 billion²⁷⁹

Figure X.2 shows that international donors have contributed another \$17 billion to Iraqi reconstruction efforts since 2003: \$5.26 billion in grants and \$11.75 billion in loans. These donors have committed \$9.86 billion of the pledged funds thus far.²⁸⁰ The largest donors to relief and reconstruction after the United States have been Japan (\$3.6 billion) and the European Commission (\$0.72 billion). In the last quarter of 2009, Japan pledged an additional \$780 million in soft loans to fund projects in western Iraq.²⁸¹

In addition, multinational organizations like the World Bank and the IMF have set up development assistance programs—providing both loan commitments and pledges—to help with Iraqi reconstruction. In 2004 a multinational effort created the International Reconstruction Fund Facility for Iraq (IRFFI) to help donor nations channel their funds through one coordinated program. This facility encompasses two components: the World Bank Iraq Trust Fund and the United Nations Development Group Iraq Trust Fund. As of June 30, 2009, these donors had contributed \$1.84 billion to the Iraqi reconstruction effort.²⁸²

The practical problem, however, is that so much of this aid money has been misspent or wasted, that large-scale aid has largely ended; and that Iraq's National Investment Council predicts that the Iraqi government's national development strategy will cost about \$187 billion more over the next three years.²⁸³ Although experts disagree over the scale of the problems involved, virtually all agree that Iraqi petroleum revenues will not be able to fund such plans, given the probable price of oil and Iraq's net oil revenues.

They also agree that broadening the base of the Iraqi economy will take well over half a decade. The Ministry of Planning has already started addressing Iraq's need for alternative sources of income by finding ways to further develop its industrial, agricultural, and tourism sectors, but this is very unlikely to have a significant impact on near- and mid-term needs. It may have a major impact in the long run, but over the coming years Iraq will probably need greater financial support from international donors, especially the United States.

²⁷⁹ SIGIR, *Quarterly Report to the United States Congress*, July 30, 2009, 26.

²⁸⁰ Ibid.

²⁸¹ SIGIR, *Quarterly Report*, October 30, 2009, 20.

²⁸² SIGIR, *Quarterly Report*, July 30, 2009, 28.

²⁸³ SIGIR, *Quarterly Report* April 30, 2009, 11.

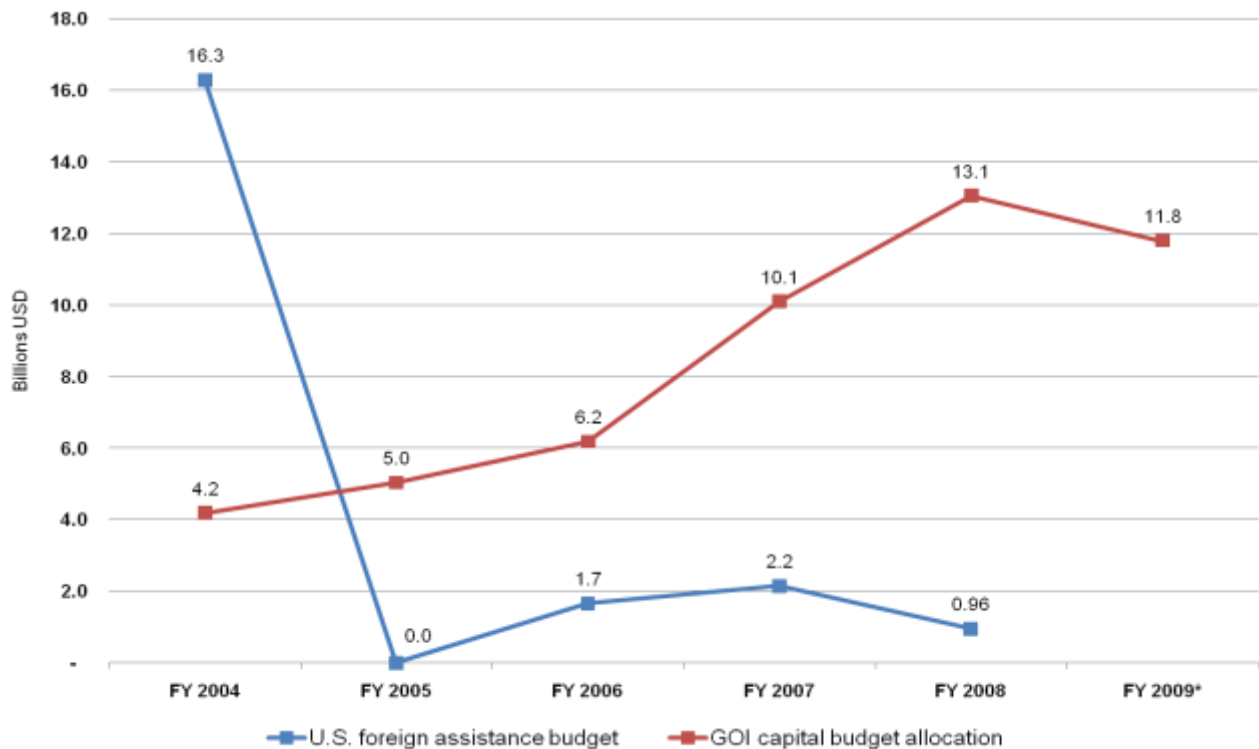
The planning and execution of such efforts will be a critical problem. Much data exists on what has been allocated in terms of funds. There are far too few meaningful data on the effectiveness of this spending in meeting current and future Iraq needs, and there often are no plans for Iraq to pick either the future development that is needed or the cost of maintaining the projects that have been accomplished.

Figure X.1: Iraqi Reconstruction and Capital Funding Sources
Reconstruction Funding (SIGIR)



Source: SIGIR, *Quarterly Report and Semi-Annual Report to the United States Congress*, October 30, 2009, 20.

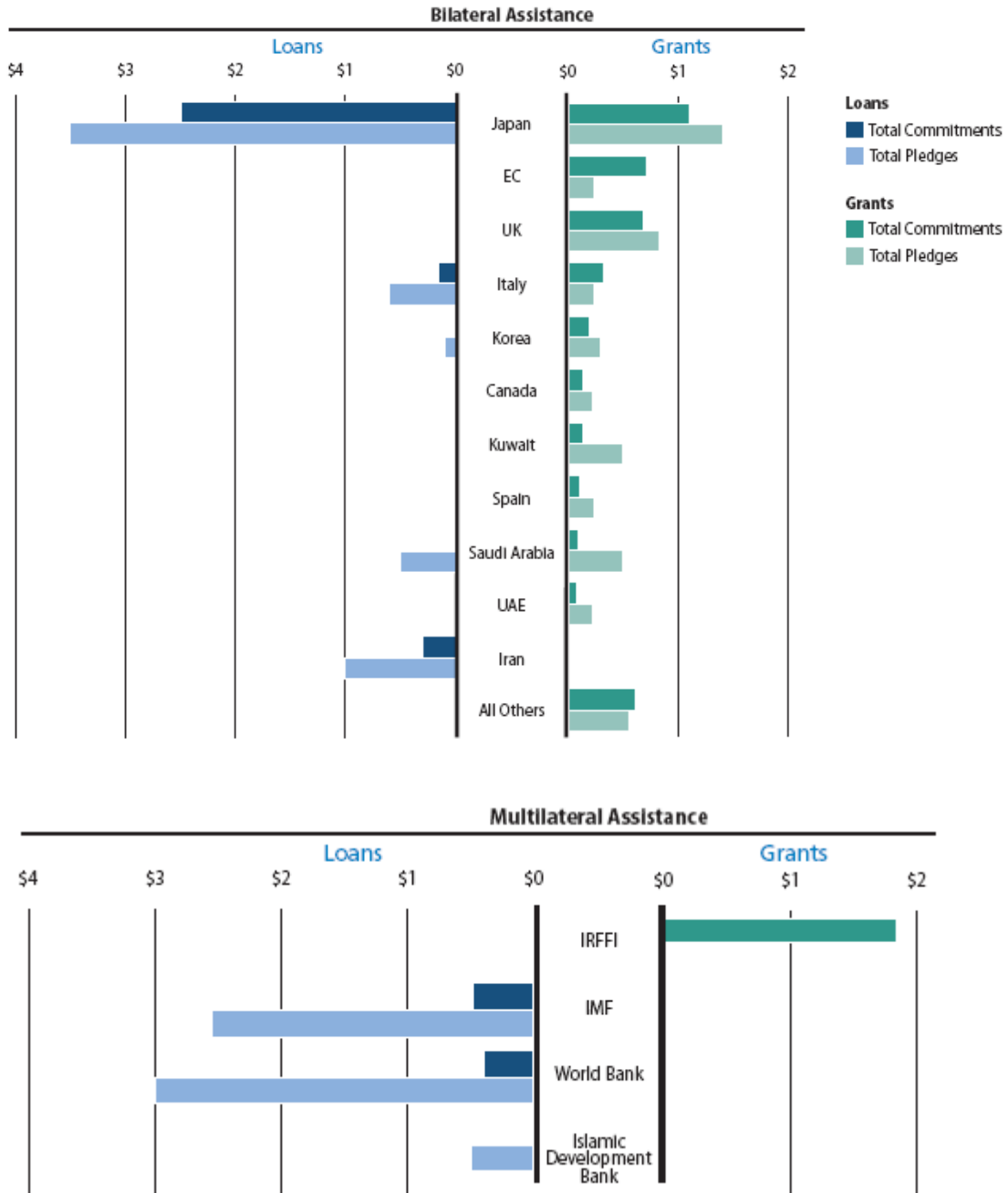
Capital Funding—Before 2009 Iraqi Budget Crisis (U.S. Embassy)



Sources: U.S. Department of State, Bureau of Near Eastern Affairs-Iraq (NEA/I); Iraqi Ministry of Finance. * Budget requests for FY09 supplemental and FY10 base budget pending.

Figure X.2: Overview of International Donors

INTERNATIONAL GRANTS AND LOANS, PLEDGED VS. COMMITTED, BY DONOR
\$ Billions



Source: SIGIR, Quarterly Report and Semi-Annual Report to the United States Congress, July 30, 2009.

U.S. Funding for Iraqi Reconstruction

U.S. funding remains focused on strengthening the Iraqi security forces, building the capacity of governing institutions, and developing Iraq's economic and social infrastructure. The U.S. Congress has channeled funds through four main programs detailed below by the Special Inspector General for Iraqi Reconstruction (SIGIR):

Since 2003, the United States has committed \$52.80 billion for the reconstruction of Iraq. The Congress appropriated more than 89 percent of this money to four major funds: the Iraq Relief and Reconstruction Fund (IRRF)—\$20.86 billion; the Iraq Security Forces Fund (ISFF)—\$18.04 billion; the Economic Support Fund (ESF)—\$4.18 billion; and the Commander's Emergency Response Program (CERP)—\$3.65 billion. **Iraq Relief and Reconstruction Fund (IRRF)**. At \$20.86 billion, the IRRF is the largest U.S. Reconstruction fund, but only \$534 million remains available to be expended for ongoing projects.

- **Iraqi Security Forces Fund (ISSF)**. \$18.04 billion has been appropriated to the ISSF to support the infrastructure, equipment, training, and sustainment needs of the Iraqi Security Forces. The ISFF represents 60 percent of unobligated U.S. funding and 62 percent of funds remaining for expenditure.
- **Economic Support Fund (ESF)**. \$4.18 billion has been appropriated for the ESF. Administered by the U.S. Department of State, the ESF supports projects in three program tracks: security, economic, and political.
- **Commander's Emergency Response Program (CERP)**. At \$3.65 billion, the CERP is the smallest of the major reconstruction funds. The Congress intends CERP to be used by U.S. military commanders to address the urgent relief and reconstruction needs in their areas of responsibility.

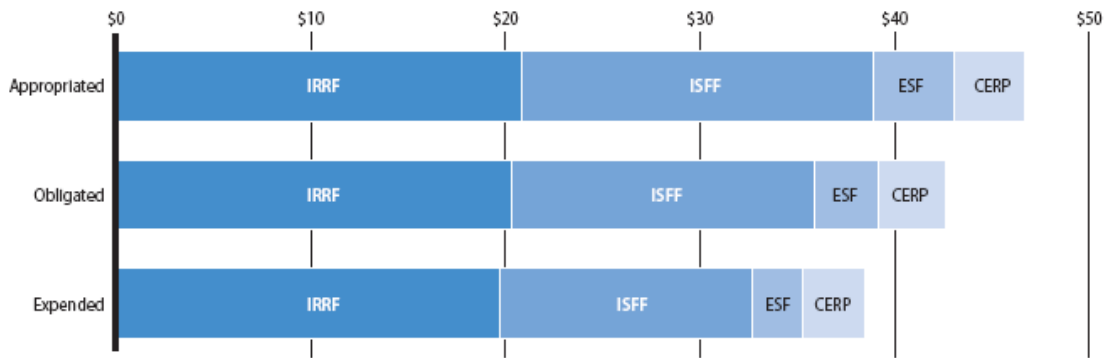
As of September 30, 2009, \$44.03 billion (94 percent) of these funds had been obligated, and \$40.41 billion (86 percent) have been expended by the four major funds.²⁸⁴ These funding profiles are summarized in **Figure X.3**. To put these data in context:

- More than \$42.59 billion had been obligated from these four major funds as of June 30, 2009, and \$38.49 billion had been expended. Nearly \$3.54 billion remains available to be obligated and \$8.22 is unexpended. The majority of unexpended U.S. funds are in the ISFF, which supports Iraq's military and police forces.
- The supplemental Appropriations Act enacted in 2009 made \$439 million available for ESF programs, including \$118 million specifically for democracy and civil society initiatives. The act also provided an additional \$453 million in CERP funds for Iraq and Afghanistan.
- MNF-I stated that it will reduce the amount of CERP funds that it originally intended to spend in Iraq during FY2009 by \$247 million—from \$747 million to \$500 million. One reason for the reduction was the termination in spring 2009 of U.S. financial responsibility for the Sons of Iraq (SOI) program.... The program has now fully transitioned to the GOI.²⁸⁵

²⁸⁴ SIGIR, *Quarterly Report*, October 30, 2009, 21.

²⁸⁵ SIGIR, *Quarterly Report*, July 30, 2009, 6–7.

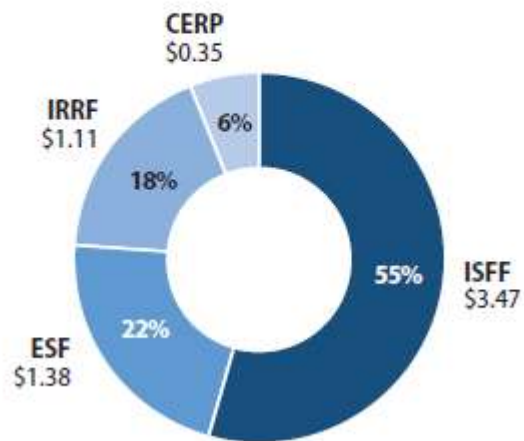
Figure X.3: Status of Major U.S. Funds (\$ Billions)



UNEXPENDED FUNDS

\$ Billions

Total: \$6.31



Source: SIGIR, *Quarterly Report to the United States Congress*, July 30, 2009 and October 30 2009.

Transitioning Out of Dependence on Foreign Aid

Iraq must now transition away from dependence on U.S. aid. The United States has stopped spending money on new projects in most regions of Iraq so as to finish works in progress before U.S. troops are scheduled to leave the country in 2011.²⁸⁶ This leaves the burden of reconstruction up to the Iraqi government, a responsibility that it may not be ready for, politically or financially.

U.S. spending to date from 2003 to 2008, and planned spending for FY2009, is shown in **Figure X.4**. For the period 2007–2009, the U.S. government reduced overall expenditures in Iraq from \$8.52 billion for FY2007 to \$1.44 billion in new reconstruction funding for FY2009.²⁸⁷ For FY2010, the administration requested \$800 million, \$500 for Foreign Operations and only \$300 for CERP funding, which represents less than 1 percent of the total request for Operation Iraqi Freedom (OIF).²⁸⁸

Both Defense Department and State Department funding for Iraqi reconstruction have decreased since 2007 and are expected to decrease again. This is largely because of cuts in the ISFF and ESF. The change in strategy of the Obama administration will result in another decrease in funding for Iraq reconstruction in **FY2010** largely due to the absence of a request for ISFF funds and a 23 percent decline in the ESF.²⁸⁹ Rather than rely on U.S. troops, the training of the Iraqi military will be conducted by an Iraq Training and Advisory Mission, or ITAM, and the State Department will take over training of the Iraqi police.²⁹⁰

SIGIR estimates that all U.S. funding for major reconstruction projects in Iraq will end at some point between FY2012 and FY2014. **Figure X.5** gives a projection for U.S. funds that will be made available for Iraqi reconstruction in the next four to five years. This means that the Iraqi government must develop the capabilities to fully fund its own reconstruction programs in four years. Whether the government can do this will depend on its ability to secure oil deals and come to a consensus on oil contracts in order to expand production and increase exports. This is the only way, at least in the short run, that Iraq's government can accrue a greater amount of revenue to fund its projects.

²⁸⁶ Sam Dagher, "In Anbar Province, New Leadership, But Old Problems Persist" *New York Times*, September 12, 2009.

²⁸⁷ Congressional Research Service (CRS), *Iraq: Reconstruction Assistance*, August 7, 2009, 3

²⁸⁸ SIGIR, *Quarterly Report* (30 Oct 2009), 24

²⁸⁹ CRS, 8

²⁹⁰ *Ibid.*, 13

Figure X.4: U.S. Appropriations for Iraq**Table 1. U.S. Assistance to Iraq**
(appropriations in \$ millions)

Fiscal Year	2003	2004	2005	2006	2007	2008	2009	Enacted Total 2003-2009
Iraq Relief and Reconstruction Fund (IRRF)	2,475.0	18,389.0 ^a	—	10.0 ^b	—	—	—	20,874.0
Economic Support Fund (ESF)	—	—	—	1,535.4	1,620.8 ^c	429.0	541.5	4,126.7
Democracy Fund	—	—	—	—	250.0	75.0	—	325.0
INCLE (Int'l Narcotics & Law Enforcement)	—	—	—	91.4	170.0	85.0	20.0	366.4
IFTA (Treasury Dept. Tech Asst.)	—	—	—	13.0	2.8	—	—	15.8
MRA (Migration & Refugee Asst.)	—	—	—	—	65.0	179.5	249.0 ^d	493.5
NADR (Nonprolif, Anti-Terror, De-mining)	—	—	3.6	—	19.4	20.4	35.5	78.9
IMET (Int'l Mil. Ed & Training Program)	—	1.2	—	—	1.1	—	2.0	4.3
IDA (Int'l Disaster Assistance)	—	—	—	7.9	50.0	80.0	45.0 ^d	182.9
Other USAID Funds	469.9	—	—	—	—	—	—	469.9
Total IS0 Account	2,944.9	18,390.2	3.6	1,657.7	2,179.1	868.9	893.0	26,937.4
DOD - Iraq Security Forces Fund (ISFF)	—	—	5,391.0	3,007.0	5,542.3	3,000.0	1,000.0	17,940.3
DOD - Iraq Army	51.2	—	210.0 ^a	—	—	—	—	261.2
DOD - CERP	—	140.0	718.0	697.5	748.4	1,280.8	— ^f	3,584.7
DOD - Oil Repair	802.0	—	—	—	—	—	—	802.0
DOD - Iraq Freedom Fund - Business Support	—	—	—	—	50.0	50.0	—	100.0
Total OS0 Account	853.2	140.0	6,319.0	3,704.5	6,340.7	4,330.8	1,000.0	22,688.2
Total U.S. Reconstruction Assistance	3,798.1	18,530.2	6,322.6	5,362.2	8,519.8	5,199.7	1,893.0	49,625.6

FY 2010 APPROPRIATIONS REQUEST AND RECOMMENDATIONS

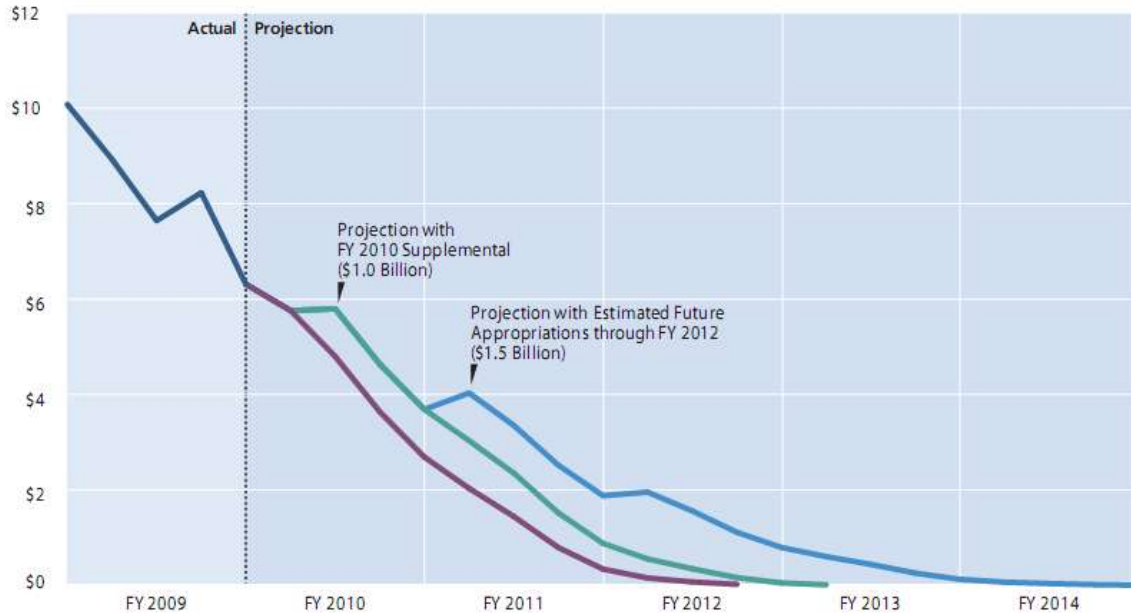
\$ Millions

	FUND	REQUEST	HOUSE REPORT/BILL	SENATE REPORT/BILL
Defense	ISFF	0	0	0
	CERP ^a	300.0	*	200.0
Foreign Operations	ESF	415.7	400.0	375.0
	INCLE	52.0	52.0	52.0
	NADR ^b	30.3	*	30.3
	IMET	2.0	2.0	2.0
Total		800.0	*	659.3

Note: Data not audited. Numbers affected by rounding.^a The House Appropriations Committee recommended \$1.3 billion total for the CERP—\$200 million below the request—but did not recommend specific allocations for Iraq and Afghanistan.^b The House Appropriations Committee did not recommend a specific allocation for Iraq from the Nonproliferation, Anti-Terrorism, Demining and Related Programs (NADR) fund.**Sources:** Congressional Research Service, *Iraq: Reconstruction Assistance*, August 7, 2009; SIGIR, *Quarterly Report to the United States Congress*, October 30, 2009.

Figure X.5: Projection of U.S. Funds Available for Iraq Reconstruction

Appropriations Less Expenditures, \$ Billions



Note: Data not audited. Numbers affected by rounding. Projections include CERP, ESF, IRRF, and ISFF and assume that all appropriated funds not yet expired will be obligated and that all obligated funds will be expended. Projected rates of obligation and expenditure by quarter are based on historical obligation and expenditure rates in that respective quarter. The projected rate of obligation per quarter is equal to quarterly obligations divided by available appropriations (appropriations less obligations) as of the beginning of the respective quarter, averaged over the previous four years. The projected rate of expenditure is equal to quarterly expenditures divided by available obligations (obligations less expenditures) as of the beginning of the respective quarter, averaged over the previous four years. All three projections assume that the Congress will appropriate the entire \$575 million recommended by the Senate Appropriations Committee for FY2010. The middle projection assumes that an additional \$1.0 billion in supplemental funds will be appropriated in FY2010. The final projection assumes \$1.0 billion in FY2010 supplemental funds, \$1.0 billion in appropriations for FY2011, and \$500 million in appropriations for FY2012.

References: NEA-I, response to SIGIR data call, 10/7/2009; DFAS, response to SIGIR data call, 4/10/2009; DoS, response to SIGIR data call, 4/5/2007; Treasury, response to SIGIR data call, 4/2/2009; USAID, responses to SIGIR data calls, 4/13/2009 and 10/14/2009; USTDA, response to SIGIR data call, 4/2/2009; OSD, responses to SIGIR data call, 10/13/2009 and 10/14/2009; U.S. Embassy-Baghdad, responses to SIGIR data call, 7/6/2009, 7/16/2009, and 10/3/2009; USACE, GRD, response to SIGIR data call, 10/2/2009; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 3/2004–7/2009.

Source: SIGIR, *Quarterly Report to the United States Congress*, October 30, 2009, 25.

Transferring Responsibility to Iraq: A Continuing Need for U.S. Aid

Iraq has made some progress in directly funding its reconstruction and development efforts. Since 2003, the government of Iraq has increased its financial role every year and now provides the bulk of funds that go to relief and reconstruction. Nearly 95 percent of oil revenues go to the government's Development Fund for Iraq (DFI), accruing more than \$71.01 billion in annual capital budgets. However, Iraq's government still lags behind the United States in spending. At the end of FY2008, unspent appropriations contributed to a \$21.5 billion surplus—although the government now faces a budget deficit of nearly \$19 billion deficit as a result of lower oil prices and higher public spending.²⁹¹

There also is considerable concern from SIGIR and other observers that as the United States completes large-scale construction projects like power plants, sanitation systems, and oil facilities, Iraqi authorities may not have the financial or technical capacity to maintain them.

Power plants built using U.S. funds have already stopped operating because of inadequately maintained equipment and a lack of adequately trained personnel. A \$270 million water treatment plant in Nasiriya operates only at a fraction of its intended capacity because few Iraqi employees know how to work the machinery, and several hospitals handed over to Iraqis closed because the government could not staff them with enough doctors, nurses, and technicians.²⁹²

Transitioning management to Iraqi hands is, however, a primary objective of U.S. infrastructure construction programs. Consequently, a considerable amount of the Economic Support Fund budget (nearly \$300 million in FY2009) has been used to provide training for the personnel to operate and maintain these facilities.²⁹³ Similarly, at the ministry level the United States is helping to develop laws that promote the efficient use and maintenance of physical infrastructure.

Despite this funding, most Iraqis still lack access to clean water, electricity, and basic health and education services. Part of the problem has been poor management on the part of the Iraqi government but the United States also shares some of the blame.—American authorities rarely ask Iraqis what types of facilities they need, and the United States spends a very small portion of its reconstruction budget on training Iraqis to operate and maintain the facilities. The United States cannot continue to overlook this expense. It is often equally if not more important than constructing the facilities in the first place. These projects are wasted expenses if Iraqis lack the training to assume responsibility from American officials once the United States withdraws from Iraq.

The transition away from dependence on the United States is occurring at a time when Iraq is experiencing a budget crisis and lacks anything close to revenue projections that are stable enough to make accurate long-term reconstruction or development plans. There

²⁹¹ Ibid.

²⁹² Timothy Williams, "U.S. Fears Iraqis Will not Keep up Rebuilt Projects," *New York Times*, November 21, 2009.

²⁹³ CRS, *Iraq*, 13.

also are serious questions about the quality of many aspects of Iraqi planning: a lack of validated requirements, uncertain cost and schedule estimates, overreliance on the state sector, and stove piping of some aspects of the planning process are just some of these concerns.

The government of Iraq did approve a draft of a five-year, \$65.7 billion reconstruction spending plan in April 2009. This plan allocates funds for housing (\$25 billion), agriculture (\$17.8 billion), transportation (\$9.3 billion), water (\$5.5 billion), and electricity and schools (\$8.1 billion altogether).²⁹⁴ The feasibility of actually funding this plan, however, depends primarily on the success of oil export sales in the coming years. Fluctuations in the oil market could negatively affect the level of revenue available to the government and prevent it from fulfilling its ambitious reconstruction plans.

The speed of cuts in U.S. aid may also have a detrimental effect on Iraqi politics. U.S. cash and contracts are what convinced most tribal leaders to renounce the insurgency and cooperate with coalition forces in the first place. By putting a stop to the funding of new reconstruction projects the United States now leaves a power vacuum in its wake. Without U.S. patronage, political and economic rivalries between tribal leaders, coupled with public dissatisfaction, may spark new waves of large-scale violence——particularly in Sunni provinces.

As has been reported earlier, insurgents appear to be regrouping in provinces like Anbar, which enjoyed improving levels of security over the past two years. In addition, insurgents are still able to carry out large-scale attacks like the ones that killed several hundred people and destroyed government buildings in August and October of 2009 and January of 2010. Complaints of fraud and corruption in local governments have also increased since the United States reduced its oversight role in Iraqi cities. If the Iraqi government cannot raise enough revenue through oil contracts to continue funding reconstruction projects once the United States has pulled out of Iraq, violence may continue to escalate.

Much depends on the quality of U.S. planning to deal with these issues, and this will be a key challenge to both the U.S. country team in Iraq and the State Department as it takes the lead from the Department of Defense in aiding Iraq with reconstruction. New efforts are already under way:²⁹⁵

U.S. reconstruction efforts now focus on building the capacity of Iraq's governing institutions, completing remaining projects, and strengthening Iraq's security forces. Moreover, as the security situation has improved, the international community has gradually re-engaged and now supports a modest array of capacity-development programs aimed at improving Iraq's political, social, and economic infrastructure.

The U.S. Embassy in Baghdad is reorganizing to meet the evolving mission in Iraq. Since 2004, the Embassy has operated the reconstruction program through a series of temporary offices. As the program winds down, these offices have concomitantly been reduced in size and scope. Recently, the Embassy established a second Deputy Chief of Mission position for transition assistance specifically to manage continuing U.S. reconstruction initiatives and to improve the transfer

²⁹⁴ SIGIR, *Quarterly Report*, July 30, 2009, 8.

²⁹⁵ SIGIR, *Quarterly Report* July 30, 2009, 8.

process of projects and programs to the GOI.²⁹⁶

The military withdrawal will occur against the backdrop of several other milestone events that will reshape the U.S.-Iraq bilateral relationship.... The military drawdown will directly affect continuing U.S. reconstruction efforts. For example, by the end of July 2009, several of the major reconstruction support entities—including the Gulf Region Division of the U.S. Army Corps of Engineers (USACE) and the Joint Contracting Command-Iraq/Afghanistan—will move from the International Zone to Camp Victory on the outskirts of Baghdad. Additional USACE pullbacks will include the closure of its northern Iraq district office. For the rest of 2009, the Provincial Reconstruction Teams (PRTs) will maintain current levels—16 PRTs and 7 embedded PRTs (ePRTs)—but more program drawdowns will begin in 2010.

Failures in U.S. Reconstruction

The United States is largely responsible for the lack of planning and coordination that continues to undermine the reconstruction and development process in Iraq. The United States invaded Iraq in 2003 without meaningful plans for stability operations and any aspect of nation building, and then rapidly created a massive aid program without prior planning and without anything approaching the mix of data and expertise necessary to make that plan effective. It turned to contractors and ideologues to implement these programs during the initial phases of the occupation in 2004. After that time, it turned to a State Department bureaucracy that lacked operational capability and expertise, and a USAID effort crippled by congressional action, constraints, and years of underfunding. The end result was a mix of poor initial planning and constant efforts to claim a level of success that was totally lacking in realism and integrity.

The U.S. reconstruction effort has suffered from poor management, a lack of planning and understaffing, and gross overdependence on a mix of contractors that have focused more on profiteering than performance. The United States went into the Iraq War without detailed or properly coordinated post-war plans, and as a result it had to rely on quickly assembled, ad-hoc organizations to whip up reconstruction plans on a moment's notice, with limited resources and little capacity, in an increasingly hostile and violent environment. Since then, U.S. officials have had to play a constant game of catch-up in response to each new development in Iraq— all the while trying to put together a coherent development strategy that meets a wide spectrum of needs.

The Coalition Provisional Authority (CPA)

U.S. and Coalition armed forces entered Iraq thinking that they were going to stay only for a few months. As a result, the Coalition Provisional Authority devoted limited resources and personnel toward the formidable task of rebuilding Iraq's physical and political infrastructure. A DOD team sent to assess the CPA's personnel situation in 2003 reported that the CPA was "a pick-up organization [seeking] to design and execute the most demanding transformation in recent U.S. history."²⁹⁷

Secretary of State Colin Powell also made it clear that the effort had to be improvised after the State Department was virtually excluded from all aspects of pre-invasion planning: "I have no idea what CENTCOM was planning, and I have absolutely no idea what

²⁹⁶ Ibid., 4.

²⁹⁷ SIGIR, *Hard Lessons*, 83/

the Joint Chiefs of Staff were planning," he stated. "I do know that the political guidance they were getting from Rumsfeld, the NSC, and the White House was, 'You got about three months to get [the postwar Iraqi government] up and running.'"²⁹⁸

Until its dissolution in June 2004, the CPA operated with roughly two-thirds of the people it needed to cover reconstruction projects, and experienced high turnover rates. Only seven people served for the entire 14-month period, with many employees leaving after only two or three months.²⁹⁹ Furthermore, because the CPA was so desperate to fill positions, most of its personnel were unqualified and many were hired based on political affiliation rather than experience.

Early reconstruction efforts by the CPA suffered even more from poor planning and management. In 2003, the CPA described the U.S. mission statement for Iraq in a new detailed framework titled *Achieving the Vision to Restore Full Sovereignty to the Iraqi People*. The report was overly ambitious and drawn up on a very short timeline. Among the goals listed were training 30,000 Iraqi police, re-establishing the Iraq Border Guard, reopening all courthouses, building 11 new prisons and detention centers, reforming the ministries, improving electricity generation capacity to 4,000 megawatts, restoring basic health care services, rehabilitating 1,000 schools, and reopening the airports and railroads—all within three months and with limited resources and staff.³⁰⁰

Furthermore, the CPA did not consult Iraqis on almost any of these projects. Without any input from Iraqis about what the country needed, it was difficult to assess which projects would be effective, and it was even more difficult to hand the projects over to Iraqis once U.S. forces left the country. As a result reconstruction plans were often broad and simplistic, leaving out several important aspects of development like agriculture, which the CPA did not mention in its request despite USAID requests—USAID argued that agriculture would provide jobs for young men and keep them from moving to cities where insurgency movements could recruit them.³⁰¹

Most CPA projects focused on constructing physical infrastructure and left little money for running elections, rebuilding local governance, building a university system, or expanding the health system—even though officials from USAID had outlined those objectives as key aspects of any reconstruction mission.³⁰²

The Post-CPA Aid Effort

These tensions between USAID and the CPA over reconstruction planning still influence the U.S. aid effort in Iraq to this day. As a result there has been a lack of coordination between U.S. officials experienced in development work and those actually implementing reconstruction projects. This is not an easy problem to fix—the Departments of State and Defense have operated independently of each other since 1947.³⁰³ Only recently has

²⁹⁸ Ibid., 3.

²⁹⁹ Ibid., 83.

³⁰⁰ Ibid., 98.

³⁰¹ Ibid., 99.

³⁰² Ibid., 110.

³⁰³ Ibid., 325.

the U.S. government actively tried to coordinate civilian and military efforts in overseas conflicts.

Civilian and military officials have become much more adept and effective over the past six years at funding and implementing reconstruction programs, mostly because of increases in funding and personnel. The Iraq reconstruction effort has moved away from a large infrastructure approach to an Iraqi-led effort focused on self-sustainment and political capacity.³⁰⁴

But the initial lack of planning has continued to hamper the United States' and Iraq's ability to deal with new problems and adequately plan for future needs, and it has been further hindered by structural problems in the U.S. government. Cuts in U.S. aid, a shift to funding international organizations, and large chunks of self-managed aid automatically appropriated for Israel and Egypt have left USAID staff with only a limited capacity to offer emergency aid and contract out longer-term projects to other organizations. The U.S. State Department never created an effective overall structure for planning or managing aid in Iraq, nor did it ever come up with well-defined measures of effectiveness, and it had no operational capability to deal with the massive national building challenges that emerged in Afghanistan and Iraq.

Successive secretaries of state proved both incompetent and unwilling to address these issues, and it took years to even try to develop the required cadres of professional and well-trained civilians necessary to carry out reconstruction projects in Iraq. Major contracting efforts were turned over to the Corps of Engineers and Department of the Army, and then to U.S., regional, and Iraqi contractors. The State Department also failed to adequately validate aid plans and requirements, manage and audit funds, and measure contractor performance and effectiveness.

The State Department lived in a world of denial, constantly trying to claim failure was success and relying on short-term contract hires and the military to make up for the fact that far too many career Foreign Service Officers lacked competence and/or were unwilling to serve in Iraq. The situation was salvaged in part by the limited number of dedicated career professionals who did serve, often on extended tours and at great personal cost, but there were never the numbers and authority to make up for the broader structural failures in a department whose most senior leaders failed to lead.

The Present and Future

The United States has yet to show that it is even minimally capable of exerting either "soft" or "smart" power in cases like Iraq, and it may be years before it can reorganize its aid efforts, the State Department, and its overall national security structure to do so— if, in fact, today's well-meaning and largely vacuous rhetoric can ever be translated into efficient operations and practice. The immediate challenge, however, is not to be efficient or "smart." It is to stop making critical mistakes while the United States ends large-scale aid and carries out the transition of all reconstruction responsibilities from the Defense Department to the State Department and, on a larger scale, carries out the transition in security from the U.S. government to the Iraqi government

³⁰⁴ Ibid., 324.

Limiting funds and reducing the number of personnel in the country will make things much more difficult for U.S. officials remaining in Iraq. Until the Iraqi government shows that it has a strong capacity to take over all reconstruction efforts, the United States must provide adequate resources and management to support Iraq's government in its efforts.

The United States lacks the political support to go on with major reconstruction aid efforts, and Iraqi leaders do want to assert their own sovereignty and assume responsibility for all large-scale projects while the United States draws down its presence in the country. A sudden, total cutoff in aid can, however, severely restrict Iraq's ability to make the transition as well as threaten its security and efforts to create a strategic partnership. The United States must help Iraq make a soft landing with small, well-focused aid efforts that will support Iraqi politicians in their efforts to provide for the Iraqi people.

The United States needs to establish a well-organized, coordinated system for implementing reconstruction projects after U.S. forces withdraw from Iraq. Adequate planning and coordination will go a long way toward implementing the right projects and doing so effectively.

Both Iraq and Afghanistan are warnings, however, that United States also needs to make fundamental reforms in the way it plans, funds, and manages aid; and needs to develop an operational capability for future relief and reconstruction operations. This requires action by both the secretary of state and the National Security Council to reform the structure of the U.S. foreign aid system. It also requires action by Congress, and bipartisan action may be possible. The Reconstruction and Stabilization Civilian Management Act (RSCMA) of 2008, part of the Duncan Hunter National Defense Authorization Act for 2009, has already outlined several duties and responsibilities for future operations, including:

- Coordinating the development of interagency contingency plans and procedures to mobilize and deploy civilian personnel and conduct reconstruction and stabilization operations for various types of crises;
- Identifying personnel in state and local governments and in the private sector who are available to participate in the Civilian Reserve Corps or otherwise participate in reconstruction and stabilization activities;
- Taking steps to ensure that training and education of civilian personnel to perform reconstruction and stabilization activities are adequate and are carried out, as appropriate, with other agencies involved with stabilization operations;
- Planning, in conjunction with USAID, to address requirements, such as demobilization, disarmament, rebuilding of civil society, policing, human rights monitoring, and public information, that commonly arise in reconstruction and stabilization crises; and
- Maintaining the capacity to field on short notice an evaluation team consisting of personnel from all relevant agencies to undertake on-site needs assessments.

Such legislation at least begins to address the issues involved in conducting a counterinsurgency mission and planning for political and economic reconstruction. In the future the United States should engage several government agencies in a lengthy planning process before attempting any type of campaign of this size or magnitude— as well as in its humanitarian and development missions.

An effective plan requires unity of action and that one agency be totally responsible and totally in charge. The reconstruction experiences in Iraq and Afghanistan both show that contingency relief and reconstruction operations are extremely complicated and require coordinated and cross-jurisdictional structures, planning, resources, and management.³⁰⁵ At the same time, a large coordinated effort between different government agencies will always run into problems with chain of command, ultimately inhibiting unity of effort. In order to achieve this coordination, there must be strong leadership at the top—in this case, a single office or agency within the executive branch. The United States will also need to develop a better interagency system with new structures, resources, and approaches that will be able to coordinate civilian-military efforts in the future, now that these operations are becoming far more common.

The Role the United States Can Play

Near- and mid-term success in Iraq will depend on immediate efforts to act on lessons from the past, and realism about just how far Iraq still is from fully functional political accommodation, governance, and security capabilities. The Iraqi election in March 2010 is not a magic deadline. Neither is full U.S. withdrawal by December 31, 2011. All that counts is the reality that actually emerges in Iraq over time. The United States needs to act now to restructure the U.S. aid effort for strategic partnership, and on continuing U.S. aid at high enough levels to maintain influence and give Iraq an incentive to act quickly and effectively.

Restructuring the U.S. Aid Effort in the Short Run

The United States needs to both maintain the ability to provide quick reaction aid and to develop longer-term plans and programs that provide Iraq with incentives without imposing U.S. policies on the Iraqi government. This requires action to:

- *Ensure the flow of CERP/quick reaction civil aid:* The United States must pay special attention to ensuring the continuation of flexible, immediate aid. Cuts in major infrastructure and development programs should not deprive the PRTs, AI Brigades, and civil aid efforts of pools of the funds they need to effectively support the Iraqi government. The United States must give Iraqis the incentives to do things on their own while still providing proper economic and political support when they need it most. It is not clear what the post-FY2009 aid plan will really be and whether the United States will provide sufficient funding to transition from a military to a civilian-led reconstruction effort in 2010 and beyond. An integrated aid plan and funding profile seems to be needed.
- *Establish plans for multiyear aid funding.* A successful U.S. effort will need congressional and public support for continuing civil and military aid efforts. The country team needs to make their case for why the government should fund this program and why it is so important to continue updating information on future plans and budgets. This does not necessarily mean that it should provide an OMB-approved set of numbers or a specific request to Congress. It does mean making clear through budget planning that the United States will provide some aid, seed money, leveraged military aid, and help in equipment sales.
- *Avoid downsizing the Provincial Reconstruction Team effort too quickly or ending it too soon.* The PRT effort is being radically restructured. However these changes seem tailored more toward force reductions than toward creating a clear plan for how the State Department will shape its aid effort in Iraq, or how it will proceed after Iraq's presidential election in early 2010 and the

³⁰⁵ Ibid., 341.

U.S. withdrawal in 2011. The United States needs to develop a clear long-term plan for manning and supporting the advisory effort in Iraq.

- *Ensure that efforts to trace the history of the PRTs and lessons learned be transformed into more standardized models and reporting systems.* Careful attention needs to be placed on comparing the lessons of Iraq and Afghanistan. This is an urgent need that cannot wait for the normal pace of historical analysis, given the pace of the AfPak conflict.

Developing Continuing U.S. Aid Programs

The United States still has some \$3.54 billion in unobligated funds—\$0.85 billion for Economic Support Fund (ESF) aid, \$0.22 billion for the Commander's Emergency Response Program (CERP), and \$2.47 billion for Iraq Security Forces Fund (ISFF) aid.³⁰⁶ The U.S. aid effort also seems to have corrected many of its past problems and is now seeking goals outlined above.

The Department of State has requested \$500 million to spend on Iraqi reconstruction in FY2010 to assist those who have been displaced from their homes, consolidate security gains, and “end the war [and] help Iraqis assume responsibility for their own political and economic future.”³⁰⁷ Non-humanitarian foreign operations assistance for FY2009 will come out to about \$605 million, which is about the same amount Congress appropriated in 2008 but well below the \$2 billion appropriated for FY2007..³⁰⁸

The \$482 million foreign operations request breakdown is as follows: \$415.7 million for the Economic Support Fund (ESF), \$52 million for the International Narcotics and Law Enforcement (INCLE), \$30.3 million for Nonproliferation, Anti-Terrorism, De-Mining, and Related (NADR), and \$2 million for the International Military Education and Training Program (IMET).³⁰⁹ In comparison, the State Department has requested \$4.4 billion for operations in Afghanistan and Pakistan for FY2010.

The State Department specifies that the \$415.7 million for ESF will be used to fund anti-corruption programs, assist with national elections, train Iraqi security forces, and promote broad-based economic growth and diversification by strengthening agricultural programs and private-sector industries.³¹⁰ However, it seems that the main focus of spending is to facilitate the transition of power to Iraqi leaders. The State Department is also requesting \$300 million to help provide humanitarian assistance for Iraqi refugees in Jordan, Syria, Lebanon, and other countries in the region.³¹¹ A portion of this money will go to help relocate internally displaced persons in Iraq and improve the security situation in parts of the country.

The Department of Defense outlined similar plans in its FY2010 Budget Request Summary Justification report for Overseas Contingency Operations. It has requested \$1.5 billion for the CERP, which it will divide between Iraq and Afghanistan.³¹² The funding

³⁰⁶ SIGIR, *Quarterly Report*, July 30, 2009, 6.

³⁰⁷ Department of State, *Congressional Budget Justification: Foreign Operations FY 2010*, 16.

³⁰⁸ CRS, *Iraq*, 4.

³⁰⁹ *Ibid.*, 5.

³¹⁰ Department of State, *Congressional Budget Justification*, 39.

³¹¹ *Ibid.*, 73.

³¹² CRS, *Iraq*, 1.

for Iraq will be used to draw down the U.S. military presence and help the Iraqi government build up its security forces and political institutions. The document states that “by this time, U.S. forces will have completed the transition from combat and counterinsurgency to a more limited mission set focused on training and assisting the Iraqi Security Forces (ISF); providing force protection for U.S. military and civilian personnel and facilities; and conducting targeted counterterrorism operations and supporting civilian agencies and international organizations in their capacity-building efforts.”³¹³

The FY2010 budget requests show a much sharper decline in Defense Department assistance compared to the decrease in State Department spending. In FY2009 the Department of Defense banned the use of ISFF funds for infrastructure projects for Iraqi security forces like border forts, training facilities, and police stations. Congress approved this measure in the Duncan Hunter National Defense Authorization Act (S. 3001, P.L. 110-417), agreeing that Iraqis should start providing such infrastructure using their own resources rather than relying on U.S. funding.

In its budget requests for FY 2010 the Defense Department made no request for the Iraqi Security Forces Fund (ISFF). Instead, the administration and Congress approved the release of \$1.0 billion appropriated for FY2009 for use until September 30, 2010.³¹⁴ This is the first time since 2003 that there has been no large funding request for the training and equipping of Iraqi forces.³¹⁵ As of now, the ISFF is restricted to the remaining \$1.0 billion, \$58 million of which has been obligated and \$300,000 expended.

Instead, the State Department is to assume responsibility of advising and assisting Iraqi police, using additional funding from the INCLE fund.³¹⁶ Additionally, the IMET fund may be used to fund training Iraqi soldiers, but as of September 30, 2009, only \$6.5 million has been appropriated for training activities in Iraq.³¹⁷ Either way, the United States will be cutting overall funding for the program, handing it over to the government of Iraq with some supervision by the State Department. It is still unclear what role the Defense Department will play in further training Iraqi forces or how the State Department will serve as a military adviser to the ISF.

President Maliki has expressed concern over the drawdown of U.S. funds for security forces, complaining that the cost of maintaining the ISF payroll is taking funds away from other reconstruction projects.³¹⁸ He brought up the possibility of security force reductions as the United States pulls out of Iraq that may prove dangerous if the level of violence rises. At the very least, it will hinder efforts to reduce the number of attacks that already occur in the country each month. To avoid this situation, the United States should continue to help Iraq fund its security forces as U.S. troops leave the country.

³¹³ Department of Defense, *FY 2010 Budget Request Summary Justification: Overseas Contingency Operations*.

³¹⁴ SIGIR, *Quarterly Report*, October 30, 2009, 27.

³¹⁵ CRS, *Iraq*, 8.

³¹⁶ SIGIR, *Quarterly Report*, October 30, 2009, 27.

³¹⁷ Ibid.

³¹⁸ “Al-Maliki Complains about the Cost of Security,” *St. Louis Post-Dispatch*, October 9, 2009.

Much will depend on how well the U.S. country team in Iraq restructures both the civil and military parts of its joint campaign plan to create an integrated, long-term U.S. effort to aid Iraqi through 2011 and beyond. Much will depend on how decisive the Obama administration and the U.S. Congress are in supporting and sustaining such efforts.

It will also depend on the skill with which the United States avoids its past mistakes in aiding reconstruction and can refocus its efforts on broad-based reconstruction. Today, the Provincial Reconstruction Teams focus on creating jobs and building local economic stability. This has also been the focus of organizations like USAID, the Department of Treasury, and other civil departments. What is not clear is that there is any unity of effort tied to a cohesive strategy and plan to handle the transition of building up effective governance once the national election takes place, or a cohesive effort to push Iraq toward the level of economic reform and progress necessary to bring about stability and development.

The United States must now find the best way to transition from using dollars as bullets, and from using aid to do the job for Iraqis, to helping Iraq help itself. Nevertheless, much of the current U.S. aid effort still seems to focus on pursuing individual stove-piped programs. There is no better example of this than the use of funds from the Commander's Emergency Response Program. Projects are often chosen indiscriminately and there is little oversight of funds. The purpose and scope of CERP has never been well defined, and the House of Representatives has proposed a hold on \$500 million of appropriations until it can execute a "thorough review of CERP, its purpose, use, and scope."³¹⁹

The U.S. Army Audit Agency (USAAA) recently preformed an audit to assess the effectiveness and use of CERP funds. In its findings it stated that documents were often missing or lacking details like financial forms and memorandums of agreement. It also identified problems with lapse in oversight, questionable accounting activity, and shortfalls in the training and experience level of personnel performing management oversight and execution of the fund.

Furthermore, there often seems to be no clear relationship between projects or programs that perform narrowly structured "good works" and those needed to achieve the broader results necessary to strengthen Iraq's governmental services and overall economy.

Making the Right Transition

The United States is currently trying to transition to a more traditional diplomatic and development-orientated mission in Iraq, limiting its military role and decreasing the presence of reconstruction teams in the provinces. However, a large amount of reconstruction work has yet to be completed and transferred to the Iraqi government, and the U.S. government still does not seem to have a clear idea of how it will accomplish this. Although a general framework is emerging, details on organizational responsibilities, resource needs, program plans, and coordination mechanisms have not

³¹⁹ SIGIR, *Quarterly Report*, October 30, 2009, 30.

been planned out, and the U.S. Embassy in Baghdad is still assessing how best to allocate the remaining \$6.31 billion in unexpended U.S. funds.³²⁰

Right now the overall plan is to consolidate all reconstruction responsibilities under the Department of State and USAID while simultaneously downsizing all U.S. military and civilian programs in Iraq. This strategy will produce a shortage in personnel and resources, which will limit the State Department's capacity for sufficient oversight and execution of reconstruction projects.

There are also two major changes in reconstruction management that the United States is trying to undertake in this process:

- Adjusting the responsibilities of the U.S. Army Corps of Engineers Gulf Region District (GRD) and U.S. Embassy-Baghdad's Iraq Transition Assistance Office (ITAO) as the capacities of both organizations are simultaneously diminished
- Downsizing the U.S. presence in the provinces and the capacity for administering more than \$650 million in new reconstruction aid planned for the coming year³²¹

Along with its reduction in troops, the United States plans reduce the number of PRTs in the country from 23 to 16 in 2010, and down to 6 by 2011.³²² Additionally, the administration wants to transfer funds from the CERP, which operates under the Defense Department, to the Office of Provincial Affairs (OPA) under the State Department, which manages the PRTs and other reconstruction teams.³²³ **Figure X.6** gives a more detailed description of the transitions in reconstruction management. The Defense Department has already begun transitioning its responsibilities to the State Department, which now faces its own reductions in staff and funding.

Since CERP provides additional support to communities where U.S. military units still operate, it will be difficult to manage CERP funds once the United States begins reducing its troop presence in Iraq. Therefore, the Defense Department has asked the PRTs to embed reconstruction personnel with military units managing CERP programs so that U.S. Forces-Iraq (USF-I) can later consolidate these activities under the State Department.³²⁴

However, if the United States continues to reduce the overall size and scope of the PRT program, it will face serious difficulties undertaking these additional responsibilities—in terms of failing to provide the necessary scale of effort and to maintain the ability to deal with Iraq's regional, ethnic, and sectarian problems. If the United States is to consolidate an effective aid program under the State Department, then it must make every effort to create strong consulates in Irbil and Basra, and PRT-like aid teams in critical parts of the country, and provide enough increased funding and resources to ensure that it has the capacity to carry out the necessary transition efforts after U.S. withdrawal in 2011.

The United States also needs to create an “operational,” and not a “normal,” embassy in Baghdad. As U.S. Mission-Iraq (USM-I) takes over from MNF-I, it must establish the

³²⁰ Ibid., 34.

³²¹ Ibid.

³²² Ibid., 3.

³²³ Ibid., 35.

³²⁴ Ibid.

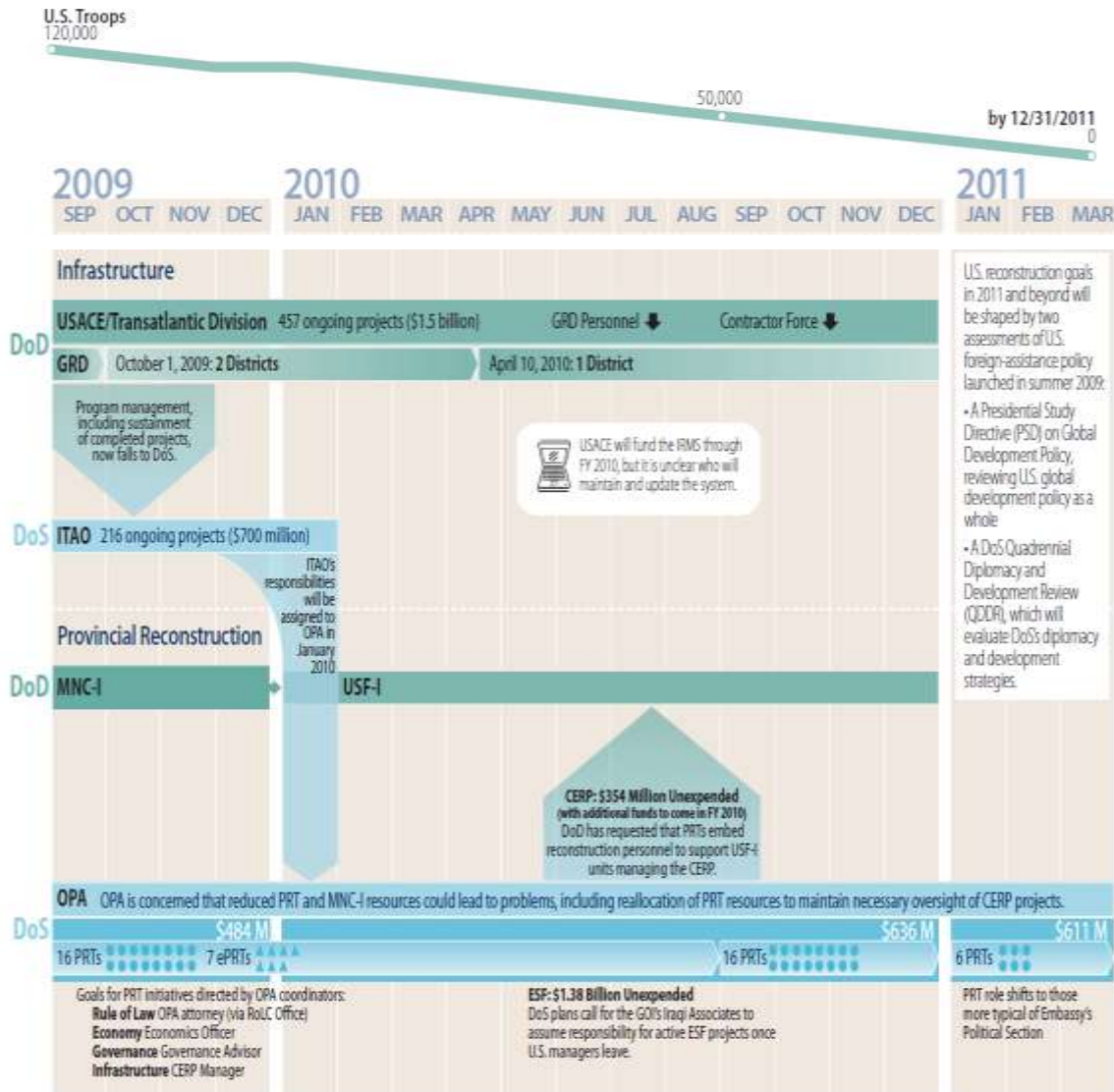
kind of independent embassy that can carry out the additional responsibilities of shaping and managing a US-Iraqi strategic partnership. The embassy now plans to reduce its size, security staff, and capabilities for operational and information management.³²⁵ It will phase out temporary organizations like the ITAO and consolidate all reconstruction programs under the State Department and USAID.

This creates the risk that the United States could adopt a policy of simultaneously shifting responsibilities and shrinking capacity at a rate that could prove detrimental to the overall reconstruction program in Iraq. If anything, the transition from Defense Department to State Department should be structured in ways that ensure the State Department has the proper number of trained and operational aid personnel— particularly at the management level. They will be needed in both the embassy and the field. The embassy will also need the ability to purchase private-sector designs, contract oversight services to replace the United States Army Corps of Engineers (USACE) services, and assume responsibility for reconstruction projects from the Defense Department. Rather than embed PRT officers with military units, for example, USF-I can assign military commanders in charge of the CERP program to work with individual PRT units in order to provide the PRTs with support and guidance during the transition.

In short, the United States needs a more focused approach in shifting its aid efforts and management from reconstruction to strategic partnership—one that clearly outlines responsibilities and provides sufficient resources for executing changes. Otherwise, the State Department will find itself short-staffed and underfunded, which will limit its capacity to undertake the tasks needed to help the government of Iraq ultimately assume responsibility for Iraqi reconstruction.

³²⁵ Ibid., 34.

Figure X.6 U.S. Reconstruction Management in Transition



Source: adapted from SIGIR, *Quarterly Report and Semi-Annual Report to the United States Congress* (30 Oct 2009), 36

11. Shaping the Character of U.S. Withdrawal

No one should underestimate the importance of dealing with Iraq's challenges in political accommodation, governance, rule of law, demographics and employment, and economics over the coming decade. There cannot be a meaningful military victory in Iraq. Successful nation building is not an accessory to lasting victory; it is the victory. At the same time, the United States and Iraq must come to grips with two key aspects of security. One is implementing full U.S. withdrawal by the 2011, which is addressed in this chapter. The second is the need for continuing efforts to build Iraqi security forces, which is addressed in chapter 12.

The Strategic Framework Agreement (SFA) and U.S. Withdrawals

Much has already taken place since the Strategic Framework Agreement (SFA) and Security Agreement (SA) became effective on January 1, 2009, and both have already had a major impact. Until January 2009, the Coalition had provided much of the planning and management of security in Iraq. U.S. forces were still present in most Iraqi cities and population centers, and the United States had a high degree of freedom of action in carrying out security operations.

The SFA stated, however, that “the temporary presence of U.S. forces in Iraq is at the request and invitation of the sovereign Government of Iraq and with full respect for the sovereignty of Iraq...The United States shall not use Iraqi land, sea, and air as a launching or transit point for attacks against other countries; nor seek or request permanent bases or a permanent military presence in Iraq.”³²⁶

When the Strategic Framework Agreement became effective, this resulted in the transfer of all security responsibility to the Iraqi government, although not all of the provinces had completed the PIC (Provincial Iraqi Control) transition process by January 1, 2009. At the request of the GoI, a new Joint Sub-Committee for Provincial Security was formed under the auspices of the Security Agreement to assess conditions in the remaining five Iraqi provinces that did not transition to PIC before January 1, 2009. This subcommittee met for the first time in January 2009.

Article 24 of the Security Agreement required “all U.S. forces to withdraw from all Iraqi territory no later than December 31, 2011.” It called for “U.S. combat forces to withdraw from Iraqi cities, villages, and localities no later than the time at which Iraqi Security forces assume full responsibility for security in an Iraqi province, provided that such withdrawal is completed no later than June 30, 2009.” The agreement stated that the United States could withdraw faster at “any time,” and it “recognizes the sovereign right of the Government of Iraq to request the departure of the United States Forces from Iraq at any time.”

³²⁶ Strategic Framework Agreement for a Relationship of Friendship and Cooperation between the United States of America and the Republic of Iraq, November 17, 2008, Section II, Articles 3 and 4.

The Accelerating Pace of U.S. Withdrawals

The United States had already begun to withdraw its forces from Iraq when the SFA went into effect on January 1, 2009. MNF-I delivered a list of all facilities and areas currently occupied by Coalition forces to the GoI in February 2009. As of February 21, 2009, MNF-I had 50 large Contingency Operation Bases (COBs) and Contingency Operation Sites (COSs), approximately 202 Contingency Operation Locations (COLs), and 134 other training facilities and sites.

MNF-I delivered a second list by June 30, 2009. This list identified those MNF-I bases that would remain after U.S. combat forces were removed from cities, villages, and localities in accordance with the SFA and the SA. It showed that the MNF-I had already returned or closed 36 bases in the International Zone (IZ or "Green Zone") and across Iraq since July 2008. It also reported that the United States was scheduled to return or close 11 COSs, 49 COLs, and four other facilities over the coming six months. The remaining bases were then to be returned on a "conditions-based" basis until all bases were returned in accordance with the Security Agreement (no later than December 31, 2011).

A total of 34 U.S. military units redeployed from Iraq without replacement between January 1, 2009, and April 31, 2009. By March 31, 2009, the number of Multi-National Divisions in Iraq had decreased from five to four and U.S. forces took responsibility for Multi-National Division–Southeast as British forces began to transition home by the end of July 2009.

U.S. forces carried out the withdrawal from Iraqi cities, villages, and localities ahead of the scheduled deadline of June 30, 2009, and relocated to locations designated by a joint U.S.-Iraqi commission called the JMOCC. As a result, the size of the U.S. footprint in Iraq is steadily dropping, while all other Coalition forces have left or are leaving the country.

Shaping the Character of the U.S. Withdrawal

The Strategic Framework Agreement and the Security Agreement did not require all U.S. combat troops to leave in 2010. They instead stated that U.S. troops should cease being in combat—which would allow the United States to keep troops ready to provide help if the Iraqi government asked for such help under the terms of the Strategic Framework Agreement.

The need for such help became clear during 2009, although it so far has involved far lower levels of violence and combat than in the past. Gen. Raymond Odierno explained the challenges involved in an interview in May 2009: "I won't say that the insurgency is in [its] last throes. And it's not going to end, OK? There will always be some sort of a low-level insurgency in Iraq for the next 5, 10, 15 years. The issue is: what is the level of that insurgency? And can the Iraqis handle it with their own forces and with their government? That's the issue."

In May of 2009 General Odierno stated that he was concerned about suicide attacks but that overall violence was at or near its lowest levels since the summer of 2003. He said it was difficult to distinguish between violence driven by the insurgency and criminals working for money. He said he expected low levels of violence in the country up until

2024, and would never say, as former vice president Dick Cheney once did, that the insurgency was in its last throes.

He also set the stage for the reorganization of U.S. efforts in Iraq, noting that because the United States would be the only military force remaining in Iraq, the Multi-National Forces-Iraq and Multi-National Corps-Iraq would be renamed U.S. Forces-Iraq. He also made it clear that U.S. forces would have to restructure their relationship with the ISF.

He stated that the Strategic Framework Agreement would theoretically allow US troops to re-enter and patrol Iraqi cities at the invitation of the Iraqi government. The United State and Iraq have not yet worked out the full details of this agreement, particularly the circumstances that would call for such an arrangement.

Iraqi security now focused on difficult issues like the Arab-Kurd tensions, Sunni reconciliation and the central government's relationship with provincial governments, and the quality of Iraqi governance and leadership. "Those are the more complex issues that we're now dealing with," stated Odierno. "The hardest thing for a military is to start stepping back and allowing the Iraqis to do it. And how do we best enable them to be successful?"

Odierno further explained that moving U.S. forces out of Iraqi cities did not mean that the United States would stop support the ISF, particularly in Baghdad and Mosul—although he declined to put an actual number on the combat troops that might operate in Baghdad and Mosul after June 30, 2009. He said, "I could give you a number today," General Odierno said. "It will be different tomorrow, it will be different the next day."

Since June 30, Iraqis and Americans have negotiated how American combat troops might be redeployed inside the cities if the Iraqis decide they need them. In the case of Baghdad, for example, U.S. troops now stay at the Camp Victory base complex, which houses more than 20,000 soldiers, many of them combat troops. Camp Victory is only a 15-minute drive from the center of Baghdad and sprawls over both sides of the city's boundary. Iraqi officials have agreed to consider Camp Victory as outside the city.

In early 2009 Prime Minister Maliki called for full U.S. withdrawal from all populated areas and for full Iraqi control over all U.S. operations outside the remaining U.S. bases. Iraqi forces took over responsibility for the security of Baghdad and the prime minister had most of the security barriers dividing the city into safe sectarian and security areas removed. It became clear that Iraq wanted to assert full control as quickly and visibly as possible—that this was popular with the majority of Iraq's highly nationalistic population. Maliki saw this limiting of the U.S. role as even more of a political card to play in the 2010 elections than U.S. planners had initially estimated.

It became clear, however, that his plan weakened security in Baghdad and other cities and delayed major operations in Mosul. The ISF took time to establish security control in Baghdad and did not have the planning, technical, and disciplinary capabilities to establish the same level of security as U.S. forces had. This allowed Al Qaeda and other insurgent elements to carry out many of the bombings and attacks discussed in chapters 2 and 3, and limited operations in the north for several months. The ISF did, however,

steadily improve its performance over time. The number and intensity of insurgent attacks dropped and the ISF resumed major operations in Mosul in early October 2009.³²⁷

Other issues are involved. Some provincial authorities, local councils, and sectarian and ethnic leaders are concerned about the withdrawal of U.S. troops because they feel that without U.S. support power may become more centralized in the hands of a few.³²⁸ For example, Council members, who have been top targets of insurgent attacks, feel that the withdrawal will leave them helpless at the hands of national politicians and the ISF. Without U.S. troops, they fear a return to violence in a struggle for power.

U.S. commanders previously acted as intermediaries between the central and local governments, getting municipal and ministry officials to address problems brought up by local councils. Without the U.S. support, many council members feel that they have lost that power and that the central government will take advantage of this. As one council member put it, "Every party is working in Saddam's shadow. Everyone wants to be a Saddam. Everyone wants power in their own hands."³²⁹ It is still too soon to tell how these political battles will play out and whether local councils will really lose influence to the central government.

It also is far too soon to determine whether Iraqi forces can sustain security on a broader level without some form of direct U.S. combat support, but they have been more successful to date than many U.S. officials and officers estimated in the spring of 2009. In general, Iraqi operations steadily improved during the course of 2009, and Iraqi forces showed they could increasingly plan and execute operations with only limited or no U.S. support.

The Scale and Pace of U.S. Withdrawal

One potential source of U.S. and Iraqi tension has been sharply eased by U.S. actions. The United States has continued to show it will honor its agreements and that it is transferring bases and removing its forces from Iraq. **Figure X.1** is taken from reporting by the Government Accountability Office (GAO) in November 2009, and shows an estimate of the U.S. forces, contractor personnel, tracked and wheeled vehicles, and bases that have been drawn down since the initiation of drawdown; that must be drawn down by the August 31, 2010; and that will be drawn down by December 31, 2011 The Department of Defense reported in March 2009 that

MNF-I will continue to return and close bases as security improves throughout Iraq but will ensure that sufficient facilities are maintained to support ongoing COIN efforts to ensure security gains are maintained or improved. The methodology for these closures and returns is to seek partial base turnovers with the ISF to maintain the partnership between the Coalition and the ISF. When agreeable, MNF-I will maintain forces as tenants at these locations and will continue transitioning from partnering to enabling and advising.³³⁰

³²⁷ Associated Press, "Extremists Are Detained in Iraqi City," *New York Times*, October 3, 2009, A6.

³²⁸ Ernesto Londono "After Six Years, 'We're Worthless,'" *Washington Post*, October 8, 2009.

³²⁹ Ibid.

³³⁰ Department of Defense, *Measuring Stability and Security in Iraq Report to Congress in accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252)* (30 March 2009)

U.S. withdrawal plans have not slowed, and in fact accelerated throughout 2009. In addition, senior U.S. officers have reported that they might further accelerate troop withdrawals through 2010. The plans the United States issued in early 2009 called for 120,000 U.S. personnel to remain in Iraq through the end of 2009, followed by a relatively quick drawdown in 2010 although since that time General Odierno has accelerated troop withdrawal by about 10,000 personnel.

General Odierno testified to Congress on September 30, 2009 that about 122,000 military members were still deployed in Iraq, and that the number would decrease by 2,000 during October—a milestone Odierno said was “faster than anticipated.” This was a reduction of more than 40,000 troops since 2008, and he stated that the reduction to 50,000 United States troops and their conversion to an advisory role may happen sooner than the August 31, 2010, target the United States had set at the start of 2009:³³¹

As outlined by the President, on 1 September 2010—eleven months from now our combat mission will end. Our transition force in Iraq will then focus on training and advising Iraqi Security Forces; conducting targeted counter-terrorism missions by, with and through the Iraqis; protecting U.S. forces and others operating around the country, while providing support to civil capacity-building missions with our interagency partners and the UN.

We are reducing our footprint in Iraq by about 60% to an initial strength of 50,000 boots on the ground by 31 August 2010. Our transition force will consist of three Division Headquarters and six “Advise and Assist” Brigades (AABs), which are specifically tailored to support Iraqi civil development. We have already begun deliberately drawing down our forces—without sacrificing security. From over 143,500 troops and 14 Brigade Combat Teams on the ground in January, we have approximately 124,000 troops and 11 Brigade Combat Teams operating in Iraq today. By the end of October, I believe we will be down to 120,000 troops in Iraq. As we go forward, we will thin our lines across Iraq in order to reduce the risk and sustain stability through a deliberate transition of responsibilities to the Iraqi Security Forces.

We have reduced our base footprint by nearly 100 bases so far and will continue to close bases deliberately and systematically. We have also reduced contractors from 149,000 in January to just over 115,000 contractors today saving over \$441 million. On 1 January 2010, we will also combine six headquarters elements of Multi-National Force-Iraq into a single headquarters called United States Forces-Iraq (USF-I). This will reduce our headquarters force structure by 40% while maintaining the overall capacity to command and control the force as we transition more and more responsibility to the GoI through the end of our mission in 2011.

By October 2009, the United States had already shipped 150,000 pieces of gear out of Iraq through Turkey, Jordan, and Kuwait. Urgently needed gear had been sent to Afghanistan—for example, 19 sets of route clearance gear were shipped to reduce the IED threat.³³² A major drawdown had also begun in contractors—at least 34,000 contractor jobs had disappeared since January 2009. U.S. military withdrawals did, however, lead to a temporary increase in private security personnel. As U.S. soldiers leave, State Department personnel must take over many of their duties, such as overseeing reconstruction projects and training Iraqi police officers. On September 1, 2009, MNF-I awarded a \$485 million contract to several private firms to provide security

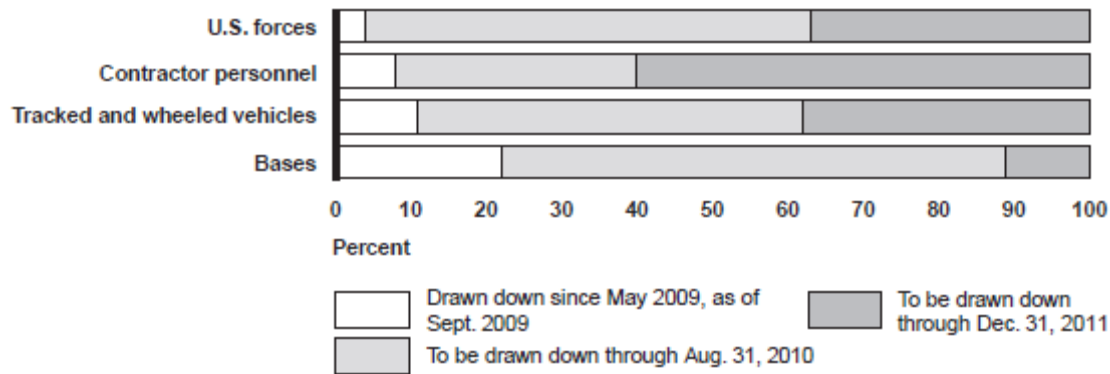
³³¹ Gen. XXXXXXXXXXXXX, Testimony to the House Armed Services Committee, September 29, 2009, as provided by OSD (Public Affairs), September 30, 2009.

³³² Louis E. Martinez, ABC Political Unit, September 30, 2009.

at U.S. bases over the next two years. SIGIR predicted that the cost for private security at U.S. facilities in Iraq will grow in size to a potential \$935 billion.³³³

³³³ Walter Pincus, "With U.S. Forces in Iraq Beginning to Leave, Need for Private Guards Grows," Washington Post, September 8, 2009, 13.

Figure XI.1: Drawdown Progress since May 2009 and What Remains to Be Drawn Down through August 31, 2010, and December 31, 2011



Source: Statement of William M. Solis, Director, Defense Capabilities and Management, General Accountability Office, "Operation Iraqi Freedom: Preliminary Observations on DOD Planning for the Drawdown of U.S. Forces from Iraq," Statement before the Commission on Wartime Contracting in Iraq and Afghanistan, GAO-10-179, November 2, 2009, 8.

A Referendum on the Strategic Framework Agreement and Security Agreements?

In an ideal security environment, the United States might have withdrawn more slowly from Baghdad, Mosul and Ninewa, which are now the most critical combat areas in Iraq. It would have withdrawn more slowly from Baghdad, with a phased approach that showed that Iraqi security forces could handle each part of the city, would not contribute to Sunni flight from Baghdad, and would secure Sadr City. The United States might also have been slower to move out of the Basra area, where it quietly deployed some 14,000 U.S. troops, many of them combat forces.

It is not clear, however, that either Iraqi or U.S. politics will allow any slow-down in the future, and current pressures may well speed up U.S. force cuts significantly. There also is always the "wild card" risk that some incident involving U.S. forces could trigger a wave of Iraqi political pressure to speed the U.S. departure or that some other event—a rebirth of AQI or an Iranian threat—could lead the Iraqi government to seek a new arrangement that would keep U.S. forces in the country.

Iraqi politics remain highly nationalistic. Arab Sunnis and Shi'ites are united in wanting U.S. forces to leave as soon as possible, and limiting the U.S. role in Iraq has become a key political issue in the election campaign. The level of Iraqi pressure could also increase sharply during the final months of the campaign, particularly if a promised referendum is held on the Strategic Framework Agreement and the Security Agreement between the United States and Iraq.

This referendum presents so many political risks that popular anger and desires to have the United States leave could impede any lasting form of U.S. and Iraqi strategic cooperation and force U.S. troops out of Iraq before the ISF are ready. This might be why Iraqi political leaders attempted to avoid holding the referendum—partly on the grounds that the United States had already shown the Iraqi people that it would withdraw as fully

and quickly as possible. If the new administration rejects the SFA and the SA, this could be critical to Iraq's future. The Iraqi government would then be forced to re-debate the issue or require U.S. forces to leave on an even more accelerated timetable.

At least at present, therefore, the key force driving this aspect of the U.S.-Iraqi strategic relationship is not security but politics and nationalism. The issue is how fast the United States can leave, even if this means leaving faster than Iraq is yet ready to deal with. This, in turn, confronts the United States with major challenges simply in completing the physical aspects of its withdrawal from Iraq. As SIGIR noted in July 2009,³³⁴

Over the next 30 months, the United States will withdraw most of its troops and dismantle much of its military support infrastructure in Iraq. One of the paramount issues raised by the withdrawal is what to leave behind for the GOI's use and what to transport back to the United States. The Government Accountability Office has noted that at least 173,000 pieces of equipment worth about \$16.5 billion are subject to return to the United States.

These pressures help explain why the United States is reshaping its efforts to focus on military advice, aid, and the civil side of the Strategic Framework Agreement. As U.S. government reporting notes,³³⁵

the U.S.-Iraq Security Agreement and the Strategic Framework Agreement now govern the relationship between the United States and Iraq. Section 24 of the agreement mandated that all U.S. combat forces withdraw from Iraqi "cities, villages, and localities" no later than June 30, 2009.... In compliance with these terms, MNF-I moved its final combat units out of the cities in late June 2009. However, U.S. advisory and training detachments remain(ed) in Iraq's cities and towns to mentor Iraqi army and police units. Further, U.S. combat forces, in partnership with the ISF, continue to conduct operations outside of Iraq's cities and towns.

As of July 2009, approximately 130,000 U.S. troops were serving in Iraq, but that number will be significantly reduced over the next year as the U.S. combat mission in Iraq is scheduled to conclude by August 2010. Thereafter, approximately 35,000 to 50,000 U.S. military advisors and trainers will remain to assist the ISF through December 2011, when almost all remaining U.S. troops are expected to leave Iraq.

Since January 1, 2009, the United States has closed or turned over to the GOI at least 142 military bases, reducing the total number of bases currently manned by U.S. forces to about 320.... Remaining facilities include larger Forward Operating Bases, such as Camp Victory, and smaller border forts. Most urban Combat Operations Bases occupied by U.S. forces during the height of the "surge" have been turned over to the ISF or restored to their former civilian uses.

The Multi-National Security Transition Command-Iraq (MNSTC-I) was established on June 28, 2004, to direct and support training and equipping the ISF. On December 31, 2009, MNSTC-I is scheduled to formally conclude its mission. As currently planned, the Iraq Security Assistance Mission (ISAM) and the Iraq Training and Advisory Mission (ITAM) will assume MNSTC-I's duties by the end of the year. ISA will be the operational center of the U.S. Embassy's Office of Security Cooperation. ITAM will eventually transfer the police-training mission to the Department of State (DoS)...the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL) will assume full responsibility for training Iraqi police,

In May 2009, the Department of Defense (DoD) announced the formation of the first Advise and Assist Brigades (AABs), which will deploy to southern Iraq this year. The AAB is specifically designed to enhance interagency reconstruction and stability operations. Pre-deployment training for

³³⁴ Special Inspector General for Iraq Reconstruction (SIGIR), *Quarterly Report and Semi-Annual Report to the United States Congress*, July 30, 2009, 3.

³³⁵ *Ibid.*, 3-5.

soldiers assigned to AABs emphasizes civil affairs, city management, and border security, in addition to traditional combat operations. The AAB slated for southern Iraq will have the primary mission of supporting the PRTs and helping to train the ISF. DoD reports that at least six AABs are in the pipeline.

The Future Role of Foreign and Iraqi Private Security Groups

There is an additional aspect of U.S. withdrawal that will require Iraqi attention. Iraqis resent the presence of foreign security firms and the fact that they seem to have circumvented international law in the past. The Iraqi Security Forces want such foreign groups out as soon as possible. The ISF tolerates them only because their presence is seen as the price for continuing good relations with the U.S. Embassy and other high-priority foreign organizations. The general public has a much lower tolerance for these foreign private security firms, and it might only take a single high-profile incident or mistake by a given firm to lead to their expulsion on short notice.

The Iraqi-U.S. Security Agreement now gives Iraq primary jurisdiction over all civilian contractors, bringing up serious questions about contractors' ability to use lethal force even in self-defense, and denying them the right to detain Iraqi citizens. There are no rigid deadlines as yet for total withdrawal of private security firms, but it is difficult to believe that the Iraqi government will tolerate their presence even up to the deadline for the withdrawal of the U.S. forces in 2011.

This could present problems as the United States withdraws from Iraq. According to the GAO,³³⁶

MNF-I has set a target for reducing the number of contractor personnel in Iraq to 75,000 by September 1, 2010. According to MNF-I officials, this target was based on the historic ratio of contractor personnel to service members in Iraq, rather than requirements for contracted support. However, as GAO has previously reported, the drawdown of forces may create additional requirements for contracted support, and officials in Iraq have acknowledged that additional contractor personnel will be needed to provide services currently being provided by U.S. forces. For example, according to DOD, in the third quarter of fiscal year 2009 the number of armed private security contractors in Iraq went from 10,743 to 13,232, a 23 percent increase. This increase in private security contractors was due, in part, to an increased need for private security contractors as the military began drawing down its forces.

The United States will need to be extremely careful to ensure there are no further security contractor abuses in Iraq. At the same time, the GOI needs to determine the degree to which foreign firms, investors, embassies, international organizations, aid groups, and NGOs can hire foreign and Iraqi security contractors, and what their legal rights and status should be. Iraq should not prohibit security firms from performing personal and facility protection functions, even if it prohibits them from performing paramilitary functions. Total expulsion of security companies may deter investment, seeing as Iraq does not have a long enough history of being able to defend foreign projects from insurgent attacks using its own security forces. The Iraqi government should allow these

³³⁶ Statement of William M. Solis, Director, Defense Capabilities and Management, General Accountability Office, "Operation Iraqi Freedom: Preliminary Observations on DOD Planning for the Drawdown of U.S. Forces from Iraq," Statement before the Commission on Wartime Contracting in Iraq and Afghanistan, GAO-10-179, November 2, 2009, 10.

firms to operate, limiting the scope of their activities or requiring that they forge partnerships with Iraqi firms that would allow them to operate in joint ventures.

One key question is going to be what U.S. and other embassies, international organizations, NGOs, and foreign firms will ask for, and how this will play out in negotiations. The Iraqi government has largely thrown out the older model of allowing mobile, independent security groups to operate in the country and will probably phase out this practice entirely as Iraqi security forces guard the Green Zone and take control of populated areas, and as U.S. forces increasingly shift to major bases outside of urban areas. The question is whether the government can create a new structure that limits the role of these companies while still providing security for foreign organizations and firms and whether the general population will tolerate any such effort if the process does not involve Iraqi citizens.

The Role the United States Can Play

The main roles the United States can now play to support Iraq are to execute the U.S. withdrawal smoothly and on time, assist the ISF in ways that encourage their development and ability to operate on their own, transfer equipment the United States no longer needs or that is vital to improving the capabilities of the ISF (discussed in the next chapter), and show Iraqis that the United States is keeping its word and is actually withdrawing.

Much will depend on how well the United States executes its withdrawal. A GAO study of U.S. plans and actions in October 2009 found a number of problems:³³⁷

While DOD's primary focus remains on executing combat missions and supporting the warfighters in Iraq, several DOD organizations have issued coordinated plans for the execution of the drawdown from Iraq within designated time frames. Furthermore, in support of these plans, processes have been established to monitor, coordinate, and facilitate the retrograde of equipment out of Iraq. Additionally, several organizations have been created to oversee, synchronize, and ensure unity of effort during the drawdown. Moreover, DOD reports that it has exceeded its goals during the initial months of the drawdown.

Several unresolved issues may impede effective execution of the drawdown in accordance with time frames set by the President and the Security Agreement and which are encompassed in MNF-I's phased drawdown plan. These include:

- contract services that have not been fully identified;
- potential costs and other concerns of transitioning key contracts that may outweigh potential benefits;
- longstanding shortages of contract oversight personnel;
- some key decisions about the disposition of equipment that have not yet been made;
- longstanding information technology system weaknesses; and
- a lack of precise visibility over some equipment.

Without resolution, these issues may inhibit the efficient and effective execution of the drawdown.

³³⁷ Ibid., 4, 5, and 8.

Efficient execution of the drawdown from Iraq may be complicated by crucial challenges regarding several unresolved issues that, if left unattended, may hinder MNF-I's ability to meet the time frames set by the President, the Security Agreement, and MNF-I's phased drawdown plan. These challenges include:

The GAO also found, however, that,³³⁸

[a] number of DOD organizations have issued orders outlining a phased drawdown from Iraq that meet the time frames set forth in the Security Agreement and presidential guidance, while being responsive to security conditions on the ground. Additionally, much has been accomplished to prepare for the retrograde of materiel from theater, including establishing processes to monitor, coordinate, and facilitate the flow of equipment out of Iraq. Furthermore, several organizations have been created to facilitate the retrograde of equipment and support unity of effort. To date, these efforts have contributed to MNF-I meeting or exceeding its targets for drawing down forces, retrograding equipment, and closing bases. While DOD has made significant progress executing the drawdown, there remains a large amount of personnel, equipment, and bases that must be drawn down within the established timelines.

Headquarters, Department of the Army, MNF-I, and its subordinate command responsible for executing the drawdown in Iraq—Multi-National Corps-Iraq (MNC-I)—have issued plans outlining how the drawdown should be managed over time. These plans also endeavor to provide flexibility to commanders on the ground to conduct ongoing combat operations while simultaneously executing the drawdown. For example, in order to balance operational needs with the requirement to meet drawdown goals, commanders have the discretion to choose which of their equipment is no longer essential for ongoing operations, and can therefore be retrograded. Subsequent phases will see an increase in the flow of equipment retrograded from Iraq as the pace of the drawdown quickens.

In support of these plans, processes have been established to monitor, coordinate, and facilitate the retrograde of equipment out of Iraq. As we reported in September 2008, MNF-I had processes in place to manage the retrograde of various types of equipment from Iraq. Since that time these processes have been refined and new elements have been established to improve them. For example, partly in response to our previous work, representatives from the Office of the Secretary of Defense's Lean Six Sigma office conducted six reviews to optimize theater logistics, one of which focused on the process for retrograding equipment from Iraq. This work informed the development of a new data system, referred to as the Theater Provided Equipment Planner, which is intended to streamline the retrograde process by facilitating the issuance of disposition instructions for theater provided equipment while it is still in Iraq. In addition, a second new data system, Materiel Enterprise Non-Standard Equipment, has also been developed to facilitate the issuance of disposition instructions for non-standard equipment.

In addition to refining the retrograde processes, several organizations have been created to oversee, synchronize, and ensure unity of effort for the retrograde of equipment from Iraq. In September 2008, GAO reported that the variety of organizations exercising influence over the retrograde process and the resulting lack of a unified or coordinated command structure was not consistent with joint doctrine, led to increased confusion and inefficiencies in the retrograde process, and inhibited the adoption of identified mitigation initiatives. To bolster unity of effort, MNF-I has created a Drawdown Fusion Center, the mission of which is to provide a strategic picture of drawdown operations, identify potential obstacles, address strategic issues, and assist in the development of policy and guidance related to several aspects of drawdown. To accomplish this mission, the Drawdown Fusion Center provides guidance on the disposition of materiel, monitors and advises on transportation options, tracks and monitors the capabilities of ports through which materiel is shipped, tracks logistics actions that impact disposition during drawdown, and acts as a focal point for all external agencies and the Government of Iraq in matters related to the drawdown.

³³⁸ Ibid., 5–7.

Assisting the Drawdown Fusion Center is U.S. Army Central's Support Element-Iraq, a liaison element established to enhance synchronization and coordination among MNF-I; MNC-I; U.S. Army Central; Headquarters, Department of the Army; and Army Materiel Command. It also generates theater and Department of the Army disposition guidance for all forces and materiel redeploying and retrograding out of Iraq. Finally, the Department of the Army, with Army Materiel Command as the lead agency, created a Responsible Reset Task Force to facilitate the provision of disposition instructions for materiel retrograding out of Iraq and synchronize those instructions to facilitate the reset of Army equipment.

DOD organizations reported that their efforts to reduce personnel, retrograde equipment, and close bases in the initial months of the drawdown have exceeded targets. First, according to the MNF-I commanding general, U.S. forces have already begun drawing down in Iraq without compromising security. For example, since May 2009, the number of U.S. service members in Iraq has been reduced by 5,300. Furthermore, the MNF-I commander testified on September 30, 2009, that another 4,000 service members will likely be drawn down in October 2009—earlier than originally planned—due to improvements in Anbar province. Second, as of August 2009, the Army reported that it has exceeded its target figure for the retrograde of rolling stock by 1,800 pieces. Finally, the Army has reported that as of August 2009, it had closed three more bases than originally planned.

While DOD's progress since May 2009 has exceeded its targets, a large amount of personnel, equipment, and bases remain to be drawn down within the established timelines. To meet the presidential target of reducing the number of U.S. forces in Iraq to 50,000 by August 31, 2010, MNF-I must reduce its forces by almost 60 percent by next summer. Furthermore, to meet the other targets established by MNF-I and the Army for August 2010, MNF-I must draw down 32 percent of its contractor personnel workforce, retrograde over 50 percent of its tracked and wheeled vehicles, and close 67 percent of its bases in Iraq. The remaining forces, contractor personnel, and equipment will have to be drawn down during the final 16 months, from September 2010 to December 31, 2011, during which time some of the largest bases in Iraq will also need to be closed or transferred to the Government of Iraq, a task the commanding general of MNF-I stated could take 9 to 10 months to complete..

These points illustrate the scale of the effort the United States must accomplish at a time it needs to keep U.S. forces in Iraq as long as possible in any given phase of its withdrawal to ensure that it can provide the maximum possible support to the ISF, and to provide Iraq with as much military training as possible in the process. They also illustrate the need to create a U.S. training and support mission in ways that can provide continuity in the U.S. effort during 2010–2011 and beyond and that is not caught up in the withdrawal process—one that will be the primary mission of U.S. forces during the last months of 2011.

At the same time, the United States will need to show Iraqis that it is leaving. It will need a strategic communications program to show that the withdrawal is real, and that it is in response to their elected government—and not in response to any series of attacks insurgents may launch during U.S. withdrawal in an effort to show that they drove the United States out of Iraq. The United States needs to build trust at every level, and transparency will be the key to creating that trust.

12. Iraqi Security Forces

Iraq now faces the challenge of assuming responsibility for virtually all international security activity once the US withdraws by December 31, 2011. This makes the continued improvement of all elements of the Iraqi Security Forces (ISF) vital to stability in the region, both during 2010-2011 and in the years that follow. Iraq is already steadily assuming greater responsibility in such efforts, but Iraq will need US advice and aid through at least 2014, and may well need US support at a lower level for many years in the future. Accordingly, building the right kind of US support for the ISF is one of the single most critical aspects of a US-Iraqi strategic partnership.

Fortunately, there already is much to build upon. **Figure XII.1** provides an estimate of the comparative strength of US and Iraqi forces in Iraq at the end of September 2009. These force levels are in constant fluctuation, however, and estimates differ in detail. MNSTC-I estimated that the ISF had over 645,000 authorized personnel, and some 662,874 assigned personnel, as of September 30, 2009.³³⁹ There were another roughly 17,000 men in the Facilities Protection, which included the security forces of other ministries, many of which were being transferred to the Ministry of Defense. These totals make the ISF one of the nation's largest employers, as well as one of the most expensive items in its limited budget.

The key components of the ISF come under the Ministry of Defense (MoD) and Ministry of the Interior (MoI). The forces under the MoD had approximately 250,000 personnel authorized and over 225,000 assigned in September 2009. It had 198,633 men in the Army, 46,038 more in Army Training and Support Forces, 3,332 in the Air Force and 2,595 in the Navy.³⁴⁰

The MoD is developing a total of 14 Army divisions (13 infantry and one mechanized) and support forces, a Navy of 2,700 personnel, including two marine battalions, and an Air Force of 6,000 personnel. The MoD is developing logistics units and enabling capabilities for tactical units, such as engineer, bomb disposal, medical evacuation, signal, and intelligence, surveillance, and reconnaissance (ISR) assets. The MoD has ambitious plans for further force expansion and the procurement of modern weapons. These goals would have raised the total strength of the ISF to 646,000 by 2010 if they had been fully funded, but the budget crisis in 2009 has made all such plans highly uncertain.³⁴¹

There is also an Iraqi National Counterterrorism Force (INCTF), with 4,025 men in Special Operations, which reports directly to the Prime Minister as part of Iraq's COIN effort. Some reports indicate that the INCTF had a projected end strength of 8,500 as of

³³⁹ Multinational Security Transition Command-Iraq (MNSTC-I) briefing of November 6, 2009.

³⁴⁰ Multinational Security Transition Command-Iraq (MNSTC-I) briefing of November 6, 2009.

³⁴¹ Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), October 30 2009, p. 40.

late 2009.

The Ministry of the Interior (MoI) has a much larger mix of forces than the MoD. The forces under the MoI had an estimated strength of some 408,251 on September 30, 2009.³⁴² These included 294,185 in the Iraqi Police Service (IPS), and 41,879 in the paramilitary Federal Police Service (FP) – which had previously been called the National Police. There were 40,538 more men in the Border Enforcement force, 29,636 in the Oil Police, and 2,013 in the Point of entry Enforcement force. Like Iraq's military forces, there were no stable plans for an ultimate force size, but it was clear that the MoI wished to expand its forces to a total number of more than 400,000 authorized personnel in the Iraqi Police Service (IPS), National Police (NP), and Directorate of Border Enforcement (DBE) alone.³⁴³

The key US and Coalition advisory body that has supported the development of the ISF has been the Multinational Security Transition Command-Iraq (MNSTC-I). Its role has been reshaped by the fact that US forces withdrew from urban areas and villages on June 30, 2009, in compliance with the Security Agreement. Following the withdrawal a new partnership-oriented approach to combat operations has emerged. A more sweeping change of mission will take place on August 31, 2010, which will mark the end of US combat operations in advance of the departure of US forces and end of mission on 31 Dec 11.

MNSTC-I reported in November 2009 that all MNF-I combat operations in Iraq were now being conducted with the IA, and in accordance with the Security Agreement. It also reported that the ISF were almost fully in the lead for operations in areas of Iraq that were generally secure and had a low threat of violence. In other areas where the threat required major operations, Coalition forces took a larger role in partnering with the ISF to conduct clear, hold, and build-type operations.³⁴⁴

General Odierno described the progress of the ISF as follows in testimony to the House Armed Service Committee on September 30, 2009:³⁴⁵

... I remain confident that the Iraqi Security Forces continue to learn, improve and adjust. After the 19 August attacks, the GoI responded promptly and effectively. They reassessed security measures, made adjustments and increased operations, aggressively enhancing security in the cities—all enabled by US forces. And they continue to reassess today. GoI leaders reinforced national unity, and the people responded. To date, the extremists' efforts to destabilize Iraq have failed, the overwhelming majority of the Iraqi people have rejected extremism. We see no indications of a return to the sectarian violence that plagued Iraq in 2006-2007.

³⁴² Multinational Security Transition Command-Iraq (MNSTC-I) briefing of November 6, 2009.

³⁴³ Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252) (Dated June 2009, but issued in August.)

³⁴⁴ Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252) (Dated June 2009, but issued in August.)

³⁴⁵ OSD Public Affairs, September 30, 2009.

...Overall, the professionalism and operational effectiveness of the approximately 663,000- strong Iraqi Security Forces—including 245,000 Soldiers and over 407,000 Police—continue to improve, thus bolstering public confidence and trust in the ISF. Supported by US forces, the ISF recently provided safe and secure environments for two mass Shiite pilgrimages in July and August in which millions of pilgrims participated. Iraqis are beginning to share more information with security forces who are also conducting more active patrolling resulting in an increasing number of weapon caches found ...You can honestly feel a difference amongst the people in Baghdad and around the large majority of Iraq.

The Iraqi Army and Federal Police continue to improve counter-insurgency implementation, planning and execution. In some cases, police primacy has been established in the cities, but this is still a work in progress. The NATO-Training Mission-Iraq (NTM-I) continues to focus on institutional training for the Iraqi Security Forces, enhancing their long-term professionalism. Although small, improvement continues in logistics and the sharing and integration of intelligence and operations. Their regional Operations Centers and Provincial Joint Coordination Centers continue to improve.

The Iraqi Security Forces are now in the lead across the entire country, with US forces advising, assisting and enabling operations in the cities and providing full-spectrum partnership outside the cities. The ISF are conducting more and more precision intelligence-driven operations, most of which are unilateral, US-enabled operations, relying on US intelligence, surveillance, reconnaissance (ISR), communications, aviation, and logistical support. We are seeing improved integration of GoI Human Intelligence (HUMINT) and US technical intelligence. Outside the cities, ISF continue a combination of independent, US-enabled and US-partnered full spectrum operations.

In addition, we continue to see great strides in GoI counter-terrorism operations. In May we began national, integrated operations with the Iraqi Special Operations Forces, facilitated by the Iraqi Operations Coordination Group (IOCG)—a standing Iraqi interagency organization—collocated with US counter-terrorism forces.

Every day we conduct jointly planned and executed counter-terrorism operations—with increasing tempo and results. I believe that by 2011, the Government of Iraq will have a national counter-terrorism force capable of dealing with a variety of extremist threats.

...Since 2006, we have systemically decreased the number of foreign fighters entering Iraq and significantly reduced al Qaeda in Iraq to a small ideological core that recruits disenfranchised Iraqis and criminals. In the north, AQI and some remnants of Sunni insurgent groups continue in their attempt to reestablish a foothold with the objective of expanding back into Anbar and Baghdad.

We are working with the Iraqi Security Forces to establish a defense in depth across Iraq. With the ISF in the cities and US forces conducting partnered, full spectrum operations in the surrounding belts and borders to deny extremist safe havens and reduce the flow of foreign fighters and lethal aid into Iraq, we believe the ISF will develop the capacity to conduct internal and basic external defense over the next two and one half years as we continue to drawdown our forces.

Progress, however, does not mean that that ISF will have anything like the overall mix of capabilities it will need once US forces fully withdraw, nor that it can acquire such capabilities for several years after 2011. As General Odierno also noted,³⁴⁶

... Despite their increased capacity and progress in providing security, the Iraqi Security Forces continue to face shortcomings and budget constraints, due in part to declining oil revenues that affect their current and future operational capacity including logistical support across the ministries. We continue to assist and advise the Ministries of Defense and Interior as they

³⁴⁶ OSD Public Affairs, September 30, 2009.

prioritize their minimum essential capabilities for a foundational defense capability—land, sea and air—before the withdrawal of US forces in December 2011. Critical gaps remain in controlling and protecting Iraqi ground airspace and territorial waters.

Other experts cite three main challenges to Iraq's force development efforts: a sharply constrained total government budget, limited ISF combat enabler and sustainment/logistics capabilities, and a lack of strategic planning, budgeting, and acquisition process. They note, however, that there are initiatives to improve prioritized force generation and modernization, to create special Ministerial and force capabilities, to improve professionalization, to improve the border force, and to improve the quality of the police, and to give such projects a much higher priority.

Figure XII.1: US and Iraqi Security Forces in Iraq as of September 30, 2009

SERVICE		ASSIGNED PERSONNEL	TREND	STATUS
U.S. Forces		120,000	↓	Drawdown continues—100,000 by end of 2009
Private Security Contractors ^a		25,500	↓	DoD continues to reduce the number of contracted security personnel
Iraqi Security Forces				
Ministry of Defense ^b	Iraqi Army (IA)	218,300	↑	All combat operations now conducted with the IA
	Training and Support	23,452	—	Implementing a training assessment program and generating a new Training Assessment Manual
	Air Force	2,100	↑	Developing Airmen cadre; foundational capability expected by 12/2010
	Navy	1,900	—	Initiatives underway to counter 2009 budgetary constraints
	Total MOD	245,752	↑	
Ministry of Interior ^b	Iraqi Police	292,400	↑	Continues to work toward independent force management
	Iraqi Federal Police	53,200	↑	Renamed this quarter from National Police
	Border Enforcement	42,431	—	Preparing for the drawdown of U.S. forces
	Oil Police	29,411	—	Budgetary constraints keep hiring freeze in place
	Facility Protection Service (FPS) ^c	90,000	↑	Pending reform legislation to make FPS a formal department under MOI
	Total MOI	507,442	↑	
Counter-Terrorism	Special Operations	4,160	—	Pending CoR reform legislation to become a new Iraqi ministry
ISF Total		757,354	↑	
Grand Total		902,854	↑	

Source: Special Inspector General for Iraq Reconstruction (SIGIR), Quarterly Report to the United States Congress, (Public Law 108-106, as amended, and Public Law 95-452), October 30, 2009, p. 47.

The Budget Crisis and Iraqi Security Forces

Iraq's budget crisis has had a major impact, further extending Iraq's need for US aid. In late 2008, the Iraqi security forces still planned for the major expansion shown in **Figure XII.2**, as well for major investments in equipment and facilities. The Iraqi Ministry of Defense had also developed ambitious plans to convert the Iraqi armed forces from a counterinsurgency force to one that could defend Iraq against threats from Iraq's neighbors, and the Ministry of Interior plans to create and expand a much wider range of specialized police functions.

For the reasons discussed earlier, however, the MoI and MoD faced serious budget constraints in 2009, coupled with the phase down of US aid shown in **Figure XII.3**. These financial problems led to a budget-driven hiring freeze that limited the expansion of Iraqi forces, and left Iraq with having to decide how to treat an additional 100,000+ personnel in the Ministry of Oil and other elements of the Facilities Protection Service (FPS), in addition to how it should treat a large number of private security guards. Furthermore, the budget shortfall resulted in cuts in other areas, including weapons procurement, operations, and maintenance funds.

The MoD's Budget Problems

These latter problems were virtually forced upon the MoD and MoI by the fact that so much of the ISF budget has to be devoted to salaries and personnel costs. This means that the Iraqi government had very limited discretion over its national security spending. The Ministry of Defense's 2009 budget was approximately \$4.1 billion, down from an initial forecast of \$4.9 billion. Salaries and life support -- which are non-discretionary expenditures -- comprised about \$2.9 billion, or 71% of the total. This left about \$370 million remaining for goods and services (O&M, in US terms), \$470 million for non-financial assets (procurement, in US terms), \$270 million for infrastructure (new construction), and \$6 million for other expenditures.

MoD budget execution remains a problem, although it has improved significantly in recent years. Nonetheless, the DoD reports that "The MoD shows improvements but continues to struggle, particularly in the areas of support, sustainment, and infrastructure projects. Inter-ministerial budget coordination between the MoD and the Ministry of Finance (MoF) remains problematic due to cumbersome analog procedures."³⁴⁷

These budget problems have already had a major impact in slowing the development of Iraq's armed forces, although the full ramifications remain unclear. According to the DoD, the current budget "will marginally sustain the current ground force and cannot support desired growth."³⁴⁸ The MoD is still revising its spending goals, and has not yet

³⁴⁷ Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), October 30 2009, p. 40

³⁴⁸ Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), October 30 2009, p. 53

developed a detailed and comprehensive plan, program, and budget for review. Until the MoD budget is more stable, and develops more realistic plans, it will be impossible to assess how well it will shape its future efforts. A number of efforts, however, have already been put on hold, including: the formation of a new 18th Division (four brigades), the formation of maneuver brigades for 6th, 12th, and 17th Divisions (three brigades), the formation of corps-level sustainment brigades, and the addition of more artillery components.³⁴⁹

The MoI's Budget Problems

The Ministry of Interior (MoI) has faced even more severe problems. Its budget was \$5.7 billion versus a planned level of \$7.8 billion. About \$4.3 billion of its actual budget for 2009 went to salaries and life support, putting 79% into non-discretionary expenditures. This left the MoI about \$1.1 billion for procurement, O&M and infrastructure -- \$620 million for goods and services (O&M, in US terms), \$310 million for non-financial assets (procurement, in US terms), \$220 million for infrastructure (new construction), and \$2 million for other expenditures. There was not only little money for procurement, the MoI had to drastically curtail its spending. From January through December 2008, the MoI executed \$4.3 billion of its \$5.7 billion allocated budget, some 75% of its total budget.³⁵⁰ The MoI has, however, greatly improved its ability to execute its budget, with the 2009 operating and capital budget expected to be "fully" executed within the fiscal limits imposed by the budget crisis.³⁵¹

Like the MoD, the MoI has yet to develop and release the details of its 2009 budget and revised force development and expansion plans. It is clear, however, that it will find itself hard pressed to cover all of its bills as it assimilates police forces from other ministries, accelerates its training, invests increasingly in equipment and maintenance, builds new police stations, and continues to take over security missions from the Army.

The US and Coalition Response

Coalition advisors have had to recommend that the security ministries employ a set of priorities that focus their limited discretionary funds on the most critical needs. They are encouraging the Iraqis to focus first on sustaining operations and then on building foundational capabilities.³⁵² Further, they have urged the ministries to begin multi-year

³⁴⁹ Multinational Security Transition Command-Iraq (MNSTC-I) briefing of November 6, 2009; Elliot, D.J. "Iraqi Logistics and Training." *Montrose Toast*. August 25, 2009. <http://home.comcast.net/~djyae/site/?/blog/view/26/>

³⁵⁰ Multinational Security Transition Command-Iraq (MNSTC-I) briefing of November 6, 2009. Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252) (Dated June 2009, but issued in August.)

³⁵¹ Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), October 30 2009, p. 45

³⁵² "Foundational capabilities" for the ground forces include combat support and combat service support units necessary to sustain and support the current force, which is focused on fighting the insurgency and maintaining security. For the Iraqi Air Force foundational capabilities include sustaining a helicopter fleet that supports counterinsurgency operations and building a training capability for a future fixed wing force.

programming and budgeting based upon sound forecasting – although MNSTC-I projections indicated there was little prospect that the MoD and MoI budgets would increase in 2010 and 2011 – and begin to allow either ministry to compensate for the impact of a US withdrawal that is to be completed by the end of 2011 by improving the quality and strength of the ISF.

At the same time, MNSTC-I could not ignore the = need to improve three critical aspects of the ISF making their completion critical goals for both the Coalition and the US Joint Campaign Plan.³⁵³

- **Lead - Localized security - Aggressive growth of ISF**
 - Acceleration of COIN force.
 - Provide sufficient quantity of sufficiently capable military and police forces.
 - Begin to develop supporting capabilities
- **Partner - Sustainable security – Complete COIN Force; Rapid Growth of Supporting Capabilities:**
 - Complete ground COIN force
 - Accelerate supporting capabilities.
 - Continue professionalism.
- **Enable & Advice - Secure Stable State: Improve Capability in Police and Military Forces; Transition Security; Increase Ministerial Capacity:**
 - Transition to police security in cities.
 - Complete build up of supporting units.
 - Accelerate Air Force and Navy
 - Build Borders and POE capability
 - Bilateral operations
 - Continue professionalization

All of three of these goals must be achieved in order to provide Iraq with suitable security and stability once US forces withdraw in 2011. As this withdrawal is completed, much will depend upon both future Iraqi budgets and the quality of US advice and support. It is furthermore clear that the Iraqi military still has much more ambitious goals in rebuilding a modern army and air force.

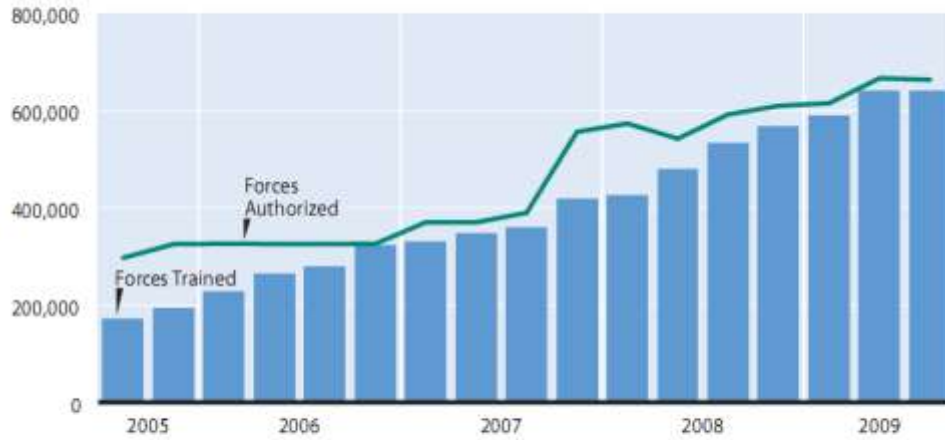
This capability will require the purchase of advanced fixed wing training aircraft (such as the T-6). The Navy's foundational capability encompasses protecting its two oil platforms in the Gulf and providing basic Maritime Security. Key to these capabilities is the purchase of modern patrol boats.

³⁵³ MNSTC-I, briefing, June 3, 2009.

Figure XII.2: Past Growth of the ISF and Planned Growth in Late 2008

Past Growth

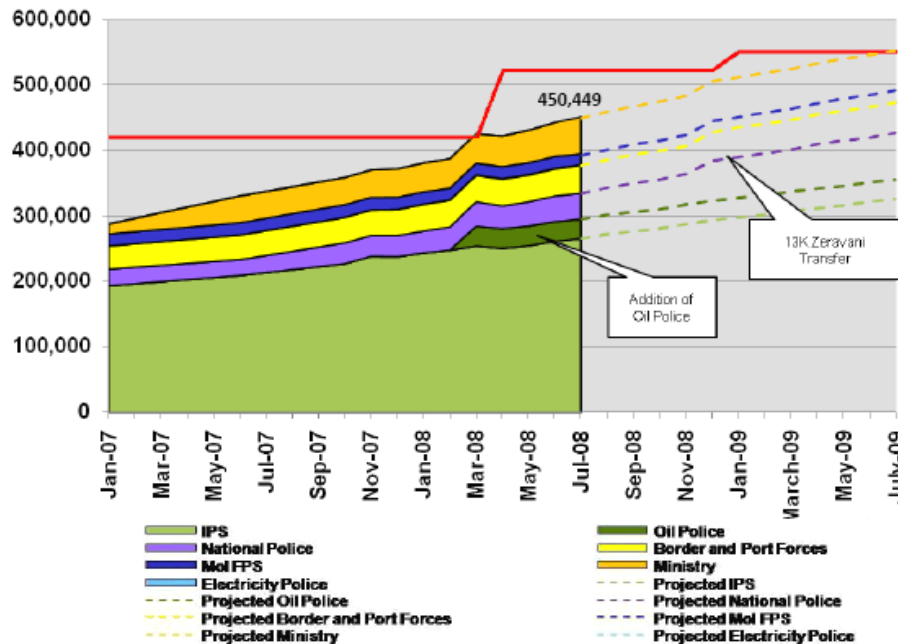
ESTIMATED ISF FORCE STRENGTH, CUMULATIVE, BY QUARTER



Note: Cumulative number of Iraqi Army, Air Force, Navy, Iraqi Police, National Police, Border Enforcement, and Special Operations Personnel. June–September 2009 data are SIGIR estimates.

Sources: DoD, *Measuring Stability and Security in Iraq*, 7/2005, 10/2005, 2/2006, 5/2006, 8/2006, 11/2006, 3/2007, 6/2007, 9/2007, 12/2007, 3/2008, 6/2008, 9/2008, 12/2008; DoS, *Iraq Status Report*, 3/18/2009; OSD, responses to SIGIR data call, 7/14/2009 and 9/30/2009; Commander, MNF-I, testimony before the House Armed Services Committee, "The Status of Ongoing Efforts in Iraq," 9/30/2009.

Planned Growth (as of Late 2008)

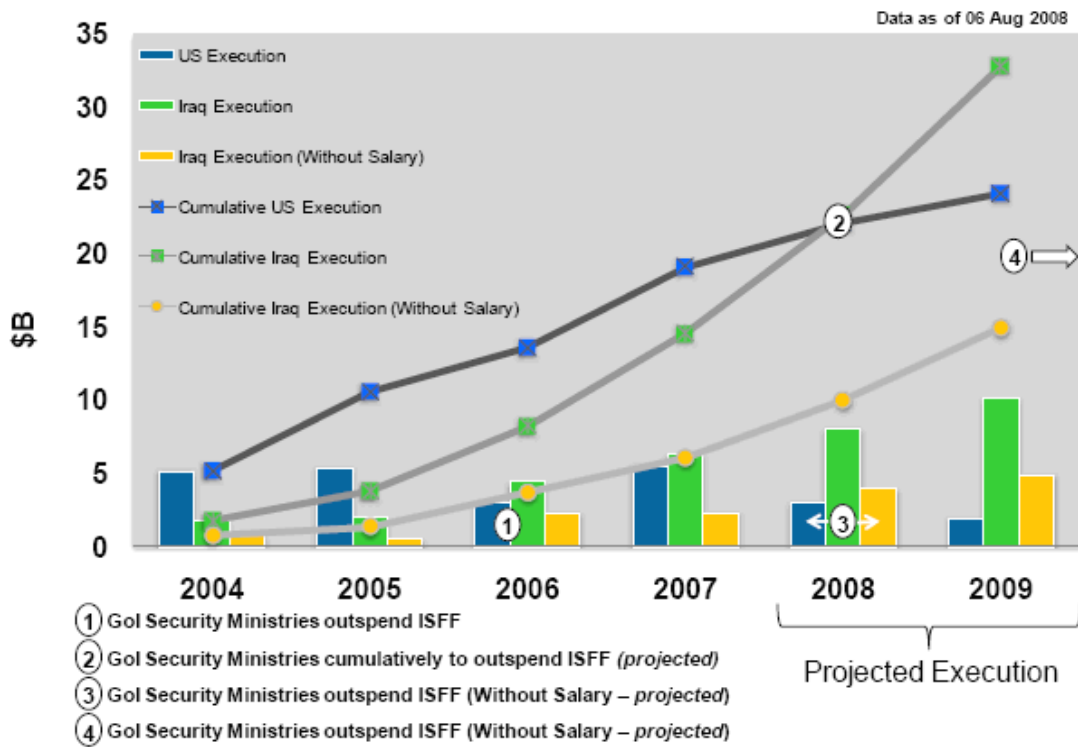


****Info does not include Kurdish numbers****

Footnote: Estimated 12% annual training attrition

Source: Source: Special Inspector General for Iraq Reconstruction (SIGIR), Quarterly Report to the United States Congress, (Public Law 108-106, as amended, and Public Law 95-452), October 30, 2009, p. 48; and MNSTC-I, September 2008.

Figure XII.3: Iraqi versus U.S. Funding of the Iraqi Security Forces



Source: MNSTC-I, September

Uncertain Leadership at the Top

Achieving these goals, and continuing to build up Iraqi forces in 2012 and beyond, will not be easy. Iraq still faces a multitude of political, leadership, and resource problems. Control over the ISF is a major political issue in Iraq. Prime Minister Maliki has pushed hard to place his own officials and senior officers in key roles, often by giving them temporary appointments that bypass the confirmation process and then keeping them in the role indefinitely. He has progressively pushed Kurdish, Sunni, and less loyal Shi'ite officers aside or removed them. At the same time, he has stressed the readiness of the ISF to replace US forces, even when the ISF are not by any means ready.

Maliki removed security barriers more quickly in Baghdad than either senior Iraqi or US officers advised, and has taken other risks in an effort to show that he is a strong leader in the run-up to the national elections. This has undercut some operations – like the fight against insurgents in Ninewa – and has made it easier for insurgents to carry out bombings in populated urban areas. In some cases, the Iraqi government has limited the role American forces can play in cities – even in joint operations with Iraqis. This has sometimes negatively affected American intelligence-gathering capabilities.³⁵⁴

Politics have interacted with the budget crisis to limit the integration of the Kurdish Pesh Merga into the ISF, including the formation of two additional Iraqi Army divisions – the 15th and 16th – that would have been largely Pesh Merga.

They have also affected the development of the forces within the MoI. While Minister of Defense, Abd al-Qadir al-Mufriji, is a technocrat who has stayed out of politics, the Minister of the Interior, Jawad al-Bulani, is running for the office of Prime Minister. This has caused considerable friction between Maliki and Bulani, and led to efforts to remove Bulani from office – efforts which have affected the functioning of the MoI. In early September, 2009 Maliki removed three high ranking MoI officials without any formal review or investigation, ostensibly in response to police failures in not stopping major bombing attacks in late August.³⁵⁵

Corruption causes additional problems. A recent report by the inspector general of the Interior Ministry paid particular attention to the problems caused by bribery at security checkpoints – if insurgents can pay security guards to let them pass without inspection then they can easily reach their targets without being stopped.³⁵⁶ The blast that killed over 150 people at the Justice Ministry on October 25th was carried out by two trucks filled with explosives that had to pass through several checkpoints before reaching their destination, which indicates that inspection techniques are not sufficient to stop these kinds of attacks or that the insurgents were able to pass through with the help of Iraqi police.

Corruption, however, has also been pervasive at higher levels of authority – money is skimmed off salaries, contracts are manipulated, commanders list non-existent police

³⁵⁴ Sly, Liz. "U.S. Troops Cope With Iraq Rejection." *Los Angeles Times*, September 7, 2009.

³⁵⁵ Allam, Hannah. "Maliki Accused of Purging Rivals Before Election," *Philadelphia Inquirer*. Sept. 9, 2009.

³⁵⁶ Marc Santora "Corruption Rattles Iraq's Fragile State" *The New York Times* (29 Oct 2009)

officers on their rosters and police officers are sometimes fired without cutting funding for their pay. Furthermore, criminals and insurgents can buy their own freedom with a well-placed bribe and detainees are often abused by guards to extort money from their relatives.³⁵⁷

There have been reports of bribery and money laundering at all levels of the security apparatus in Iraq and no clear solution has emerged as to how the government can curb these types of corruption. The Board of Supreme Audits has found that the only way they can only successfully monitor the use of funds is by visiting every local and federal police station in the country every day.

But these audits have high financial and personal costs in some cases. People often wield their power to prevent the Board from reporting their misuse of funds. When the head of the Board of Supreme Audits, Abdul Bassit Turki, issued an audit report on the Iraqi Supreme Criminal Court (set up to rule on crimes committed during Saddam Hussein's rule) one of the judges issued an arrest warrant for him for "the extermination of the human race." This charge was later changed to "fraud."³⁵⁸

At a different level, local and provincial leaders seek control or influence over the elements of the ISF in a given area, and the police have become an increasing part of local political power. Control over the Ministry of Defense and Ministry of Interior jobs, promotions, procurements, and contracts are all elements of political power and will inevitably be affected by the coming national election – as will the real world policies shaping the sectarian and ethnic balance within the ISF, and any further efforts at de-Ba'athification. Depending on the results of the election, this could lead to considerable political turbulence within the ISF for at least the first six to eight months of 2010.

Strengths and Weaknesses in Iraqi Military Capabilities

The Ministry of Defense and the Iraqi military forces are still deeply involved in basic institution building, and need help in developing core competence in a number of areas. Interviews with Coalition experts produced a list of the following major weaknesses that the ISF still needed to overcome in November 2009.

- Limited staff capability.
- Dysfunctional organization; analog.
- Centralized, deferential, and ground-centric culture. The Minister and senior officers do not delegate properly, and often bypass the chain of command and proper procedures – effectively administering by "by cell phone."
- Lack of effective budgetary programming.
- Need to increase Iraqi autonomy and confidence.
- Need to improve maintenance and sustainment capability.
- Continued focus on education, training, and promotion by merit.

³⁵⁷ Marc Santora "Corruption Rattles Iraq's Fragile State" *The New York Times* (29 Oct 2009)

³⁵⁸ Marc Santora "Corruption Rattles Iraq's Fragile State" *The New York Times* (29 Oct 2009)

While the ISF has made significant progress in its COIN capabilities and in many other areas, the ISF are still very much a work in progress, and it is unlikely that all of these problems can be overcome during 2009-2012.

The ISF also remain a force with a divided military culture at a time when it is transitioning to full self-sufficiency. Some officers see the need for attention to issues like the prudent use of resources, proper operations and maintenance, and effective sustainment. Some older officers still tend to assume that they will be given anything they need. Key developments, like a shift to the use of modern, well-trained non-commissioned officers (NCOs) are making major progress, but require continuing aid and support. Support for modern, demanding training and merit-based promotion also remain issues, as does honest reporting on readiness and manning levels.

A host of smaller problems in the ISF show up in ways that can sometimes have a serious impact on mission capability. For example, some of the key devices that Iraqi security forces are relying on to detect bombs and weapons at most checkpoints have been proven ineffective by several US military and technical experts. The Iraqis have used small, hand-held wands that supposedly can detect explosives, although the United States never uses them. The National Explosive Engineering Sciences Security Center at Sandia Labs, which does testing for the Department of Defense, has tested several of the devices and found that “none have ever performed better than random chance.”³⁵⁹

Iraqi users (and the manufacturers of the wand) often cite human error in accounting for the discrepancies. They claim that the operator must be well-rested, with a steady pulse and body temperature in order to properly operate the device.³⁶⁰ Even if the devices actually worked, this would be problematic for police officers, working in a hot desert climate, trying to stop trucks filled with tons of explosives from passing at the risk of their own lives.

The Ministry of Interior bought 800 of them from a British company called ATSC for \$32 million in 2008 and another shipment for \$53 million this year, spending about \$60,000 per wand when they could easily be purchased for \$18,500, according to the Iraqi inspector general for the Interior Ministry.³⁶¹ The same amount of money could buy six to eight guard dogs for each checkpoint, which have been proven far more effective at detecting explosives.

However, Iraqi policemen argue that searching with dogs takes too long and holds up traffic. This matter of efficiency vs. safety has been the crux of most issues surrounding Maliki's policies toward security measures, although other factors are of course involved. For example, there is a cultural aversion to dogs in most of Iraq. This attitude, more than their inconvenience to the populace, explains the aversion to this particular security measure.

³⁵⁹ Rod Nordland, “Iraq Swears by Bomb Detector U.S. Sees as Useless” *The New York Times* (4 Nov 2009).

³⁶⁰ Rod Nordland, “Iraq Swears by Bomb Detector U.S. Sees as Useless” *The New York Times* (4 Nov 2009).

³⁶¹ Rod Nordland, “Iraq Swears by Bomb Detector U.S. Sees as Useless” *The New York Times* (4 Nov 2009).

Taking down the blast walls that once kept entire neighborhoods safe helps increase commerce in an area, but it also increases the risk that an insurgent may conduct a successful attack in an outdoor marketplace or social gathering. Using questionably effective hand-held wands to detect explosives might speed up traffic but it increases the risk that bombers may pass sail through checkpoints undetected. It might be best to reach some kind of compromise and install dogs at checkpoints closer to government buildings, which have been the main target in the most recent insurgent attacks.

Looking Towards 2011 and Beyond

The ISF cannot possibly deal with all of these challenges alone during the wind-down of US operations, and the US may very well lose the peace in Iraq if it does not face this fact and respond effectively over the period between now and whatever timeframe actually proves to be required. Whatever the justification for invading Iraq, the Obama Administration and the US Congress will waste all of the billions of dollars, all of the lives spent these past seven years fighting, and all of the gains made to date if it does not develop an effective mix of security policy and operations that look far beyond 2011, rather than simply concentrating on “responsible” withdrawal.

The real question is how much improvement Iraqi forces can make in their most critical areas, and over time, how much support the US can provide, and how much aid Iraqis are willing to accept. MNSTC-I and US experts indicate that the various elements of the ISF will need advice, assistance, and training to achieve both the necessary “minimum essential capabilities” by December 31, 2011, and improvements in other areas. This includes help in improving the planning, budgeting and execution process of the MoD and the MoI, all of which are key, along with broad improvements in training, in effecting enduring and self-sustaining security capabilities. The equipment of Iraqi divisions will do little to give the ISF “minimum essential capabilities” if they are not properly trained.

Experts cite the following areas where further improvements are necessary to achieve necessary “minimum essential capabilities:

- Internal security capabilities**

- Tactical mobility of police forces
- Institutional/tactical support/sustainment
- Air support to maintaining stability and security
 - Ground tactical support units, fixed-wing airlift maintenance and support, airfield operations, and C2

- Basic ground self-defense against external aggression**

- Modernized and fully equip 1 mechanized division
- Fully equip 3 infantry divisions
- Provide various echelons above division sustainment and transportation units

- Initial air control / sovereignty**

- Air surveillance
- Initial air defense/protection

- Maritime security and defense of key infrastructure (oil platforms and ports)**

- Defense of port infrastructure

- Sustainment packages and training to support this force**

Figure XII.4 shows how these critical requirements divide out by ministry and service, and the range of improvements that must be made to ensure that the US can make a responsible withdrawal, and to ensure a reasonable degree of Iraqi security and stability. It reflects MNSTC-I's assessment of where Iraqi security forces and ministries will be in relation to the "minimum essential capabilities" (MEC) they need December 31, 2011. Green means that force/ministry will reach MEC. Yellow means the US must allocate additional resources to achieve MEC by end of mission. Red means the ISF cannot achieve MEC by December 31, 2011, and that the US must thus have a transition plan that includes a mitigation strategy to provide the capability (i.e. hand off to US Embassy, Office of Security Cooperation (OSC), etc.) beyond 2011 and which is consonant with a strategic partnership. The critical requirements list the highest priority avenues for resource allocation to affect MEC.

Figure XII.4: Critical ISF Requirements During 2009-2011

	2009	2010	2011	Priority Critical Requirements
MOI				<ul style="list-style-type: none"> • Install communications infrastructure & IT Network backbone: C4I • Install/Train Human resource management system • Install/Train logistics, financials, acquisitions systems • Build interoperability • Enhance leadership expertise commensurate with position • Establish Supply Chain Enterprise- operational sustainment IOC
POLICE				<ul style="list-style-type: none"> • Train/Equip Provincial counter explosives capability • Train/Equip Basic Investigations, forensics skills and equipment • Enhance Border/POE security capabilities – IA reinforces • Improve emergency response/incident management
INTEL				<ul style="list-style-type: none"> • Enhanced training throughput for sustainable/enduring ISF intelligence organizations • Sustainable/enduring, multi-disciplined collection capability • Production of multi-source and predictive intelligence assessments/reports shared across ministries
INCTF				<ul style="list-style-type: none"> • CTS a recognized government entity • Budget authorization/allocation • Available pool of manpower as well as the ability to hire
MOD				<ul style="list-style-type: none"> • Capability-based / requirement-driven budget submission and execution
ARMY				<ul style="list-style-type: none"> • Complete the COIN Force build • Bridging, C2, TCC, SIG Maint Pit/warehouse/PLL • Modernization of the 9th IA Division and NET support – with continued NET support under the OSC
NAVY				<ul style="list-style-type: none"> • Additional personnel • 15/4/2 force generation of new vessels • C4ISR Implementation
AIR FORCE				<ul style="list-style-type: none"> • Mi-17 MM delivery • C2 facility and network completion • Personnel and training • Complete airspace control requirements

Source: MNSTC-I, as of November 17, 2009.

Iraqi Military Forces

A US-Iraqi strategic partnership must focus on two broad foci of effort: The regular armed forces under the MoD and the security and police forces under the MoI. Responsibility for assisting the regular Iraqi forces will remain under the Department of Defense once MNF-I becomes a US command, and the Department will continue to staff and support such efforts as part of the US Embassy country team after all US forces withdraw in 2011.

Iraq's military forces have already assumed much of the day-to-day security role in Iraq, and the Ministry of Defense is making progress in improving its planning, command, and control capabilities, as well as in its plans for the creation of a more effective Joint Headquarters. As the Department of Defense reported in October 2009, however, it still faces numerous challenges – many of which affect the MoI and MoI forces.³⁶²

- ...[L]ack of a sustainment-funding plan and a centralized decision-making process continue to inhibit MoD force improvements. The Minister of Defense still reviews almost all procurement and maintenance funding decisions and approves most equipment purchases.
- From January through December 2008, the MoD executed \$2.9 billion of its \$5.2 billion budget (55%). The major challenge facing the MoD in 2009 is a limited budget of \$4.1 billion, as opposed to the \$8 billion in requirements.
- Exacerbating the budget shortfall is the need to purchase logistics support and enabler unit equipment with associated sustainment costs. These requirements will constrain capital growth programs beyond 2009. In short, the economic downturn and concurrent drop in oil prices will drastically curtail the rate at which the Iraqi military forces can achieve foundational capabilities and purchase equipment
- In August 2008, the Minister of Defense implemented a recruiting and hiring freeze for all positions. The following month, the Minister of Finance established a 253,000 personnel cap based on estimates of affordability related to the 2008 defense budget. Based on June 2009 pay data, the Iraqi Armed Forces, including military, civilians, and contractors, currently exceed the personnel cap by almost 10,500 personnel.
- Growing concerns with funding have resulted in personnel not being paid and stagnant personnel actions. Significant shortages in key enlisted, NCO, and junior officer positions are offset by excessive numbers of entry-level soldiers. These imbalances, when combined with growing operational demands and the current Iraqi leave policy, affect the ability to conduct current operations and to train and equip units simultaneously.
- Serious problems still exist in budgeting, planning, and acquisition management. defense policies and plans. MoD leadership often disregards the requirements generated by its subordinate staffs and is resistant to tying capability requirements to national security documents. The linkage among capability requirements, strength levels, equipment purchasing, and budgeting is marginal
- The MoD's acquisition branches are marginally developing the capacity to routinely acquire the goods and services necessary to sustain and modernize the IJF. Responsibility for authorizing relatively low-level acquisitions, such as routine replacement of spare parts, requires decision approval by general officers. the lack of a multi-year acquisition strategy, weak requirements determination, late release of requirements funding, overly centralized decision-making authority,

³⁶² Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), October 30 2009, pp. 53-58.

inadequately trained and inexperienced staff, and insufficient use of

- The MoD still does not place a priority on facilities sustainment and recapitalization. The MoD maintenance budget for 2009 is only \$8.5 million. A conservative estimate for sustainment maintenance alone is \$360 million. Until the MoD and the GoI make maintenance a priority, facilities will continue to deteriorate at a rapid rate.
- Logistics and sustainability capabilities are weak at best and often fall far short of minimal essential levels. It will be several years before these problems can be corrected.
- Approximately 40% of civilian positions across the MoD remain unfilled.
- Despite the JHQ's progress, the Iraqi national security C2 architecture continues to be poorly defined and overly centralized, which inhibits planning, decision making, and the ability to execute coordinated operations at all levels.
- The MoD is still working to develop plans to revise and fill the modified table of organization and equipment (MTOE) positions with capable employees and to develop and execute a veterans program and improve the retirement process.
- The payroll feature remains the MoD's number one priority...However, the MoD must continue to use the functioning paper-based system for at least three more years.
- As of July 2009, there are more than 1,300 MoD detainees in custody with 90% held in the seven largest detention facilities. In some of the facilities, persistent overcrowding creates difficulties for both guards and detainees and contributes to an environment where human rights violations can

The Department of Defense summarized plans for the Iraqi armed forces circa October 2009 as follows in: "the MoD had approved a force structure for COIN operations that included 14 Iraqi Army (IA) divisions (13 infantry and one mechanized) and support forces; a Navy of 3,800 personnel, including two marine battalions; and an Air Force of 6,000 personnel. In addition, the INCTF, with a projected end strength at steady state of 9,200 personnel, was contributing significantly to the COIN effort."³⁶³ **Figure XII.5** shows the level of development the Iraqi armed forces had reached by mid- 2009 in more detail.

The Department of Defense described overall the progress of the Iraqi armed forces with the following:

IA combat battalions continue to increase in both number and capability. As of June 2009, there are 189 IA combat battalions conducting operations, as well as six Iraqi Special Operations Forces (ISOF) battalions.

The Iraqi Air Force (IqAF) continues to expand its operational capability as the Iraqi Air Operations Center (IAOC) now provides scheduling, command and control (C2), and execution support for over 350 operational and training sorties per week.

The IqN continues to strengthen its ability to patrol Iraqi territorial waters and provide security for the port and towns of Umm Qasr and Az Zubayr. The IqN is responsible for point defense for one of two major oil platforms and conducts an average of 46 independent patrols and 12 commercial ship boardings per week, maintaining or exceeding the required in-commission capability rate of 80% of the Iraqi fleet

³⁶³ Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), October 30 2009, p. 40.

ISF intelligence organizations, the National Information and Investigations Agency (NIIA) in the MoI, and the Directorate General for Intelligence and Security and Joint Headquarters (JHQ) Directorate for Military Intelligence in the MoD, have shown progress in conducting credible intelligence operations and providing legally sufficient evidence for the Iraqi judicial process.”³⁶⁴

The Department also reported, however, that the, “MoD...continues to struggle, particularly in the areas of support, sustainment, and infrastructure projects. Inter-ministerial budget coordination between the MoD and the Ministry of Finance (MoF) remains problematic due to cumbersome analog procedures. In light of the decline in the market price of oil, MoD and MoI funding increases will be constrained by declining Iraqi revenues and large budget deficits.”³⁶⁵

Interviews with Coalition experts in late 2009 indicated that the ISF needed to make immediate progress in dealing with the following issues:

- Enabler capability.
- Shortage of trained officers and NCOs.
- Limited MoD institutional capability:
 - Cumbersome analog process.
 - Limited procurement capability.
- Centralized decision-making.
- Budget

As has been noted earlier, budget problems have led to a significant drop in unit manning levels and to cutbacks in force expansion plans, rendering it unlikely that the ISF will have sufficient armor, air defense, air strike, naval, artillery, ISR, logistics, or procurement capabilities by 2011. For instance, the creation of a logistics depot in Najaf to supply forces in southern Iraq was put on hold due to budget constraints.³⁶⁶ Logistics problems like this one strain the overall Iraqi logistics system, affecting virtually every level of ISF development.

Some MNF-I experts in Iraq warned in November 2009 that these problems would be serious enough to prevent the Iraqi Security Forces from being ready take over all of the necessary security missions by the end of 2011. Experts also stated, however, that armed forces continue to carry out a number of ongoing initiatives:

- Integrate and reinforce logistic capability.
- Field enablers (Communications, engineers, IS&R, bomb disposal).
- Force generation 2009 – as step towards goals for 2020.

³⁶⁴ Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), October 30 2009, pp. 41-42

³⁶⁵ Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), October 30 2009, p. 40.

³⁶⁶ Elliot, D.J. “Iraqi Logistics and Training.” *Montrose Toast*. August 25, 2009. <http://home.comcast.net/~djyae/site/?/blog/view/26/>

- Force modernization: M1A1, CI30J, ARH, T-6, F-16, P&A.
- English language training.
- Develop Ministerial capacity (acquisition, budgeting).
- Medical and heal care initiatives.

Figure XII.5 Development of Iraqi Military Forces Through 2009

Defense Forces	<u>Current Set</u>		<u>Target Growth 2009</u>
	Personnel	Key Units/Forces/Capabilities	Key Units/Forces/Enablers
Iraqi Army	201,423	14 DIV HQs, 54 BDEs, 182 BNs	+3 Location Commands
Tng & Support	27,614	1 <i>Mech Div</i> ; 13 <i>Light Div</i>	+12 Field Workshops; +12 Ordinance Parks
Total Army	229,037	(9 th IA Div is the Mech Div) 10 Location Commands 1 Engineer Infrastructure BN; GTR 12 Motorized Transport Regiments	+48 Provisioning Platoons; +1 MP Co +1 Sig Co; +13 Sig TOCs; +3 ISR Co +13 LLVI Plts; +13 Lt. MTR Recon Plts +6 Engineer Battalions; +1 EOD Regiment Mortar: +20 82mm; +10 120mm Platoons
Iraqi Air Force	2,888	Open Operations Center 35 Fixed & Rotary Wing Training Acft 37 Fixed & Rotary Wing Mobility Acft 17 Fixed-Wing ISR/Ground Attack Acft Training School & Flight Training Wing	+23 total aircraft 2009 +10 Fixed & Rotary Wing Training Acft +12 Rotary Wing +1 Fixed Wing Ground Attack
Iraqi Navy	2,453	45 Small Vessels 2 Marine BNs (IOC) VBSS (IOC) Point Defense of KAA Oil Terminal	+50 Vessels +1000 personnel 2 Bn Marines (FOC) C4SIR system (IOC) Piers for new vessels Training Simulators
Total MoD	234,378		
With ISOF	238,796		

Source: MNSTC-I, June 3, 2009

The Regular Armed Forces: Personnel and Leadership

Political and sectarian influence over the Iraqi Army (IA) continues to be a problem, although this has improved greatly since 2006-2007. According to Najim Abed Al-Jabouri, the former governor of Tal-Afar and current fellow at NDU,

“The majority of these [Iraqi Army] divisions are under the patronage of a political party. For example, the 8th IA division in Kut and Diwana is heavily influenced by the Dawa party; the 4th IA division in Salahadeen is influenced by President Jalal Talabani’s Patriotic Union of Kurdistan; the 7th IA division in Anbar is influenced by the Iraqi Awakening Party, and the 5th IA division in Diyala is heavily influenced by the Islamic Supreme Council of Iraq.”³⁶⁷

While the extent to which these parties influence IA divisions is unclear, sectarian and/or political influence remains a problem in the IA and ISF.

Leadership is improving at both the higher level of command and the small unit level in spite of these problems. The number of battalions that can operate on their own continues to increase, as do capabilities at the brigade, division, and rear area support level. MNSTC-I reported in November 2009 key elements of Iraqi military forces do continue to expand and improve in quality. It estimated that over 90% of Iraqi Army Combat Battalions (167 of 186) were “in the lead” in operations. These included battalions in the Infantry, Armor, Special Operations, National Police, and Emergency Response Unit Battalions.

Nevertheless, Iraqi forces still need U.S. partner units, embedded advisers, help with logistics and sustainability, artillery and armor support, air combat and helicopter support, and support in intelligence, surveillance, and reconnaissance (IS&R) until the ISF can acquire all of the capabilities it needs to replace them. The ISF must also address a wide range of additional problems in force quality. In the case of the regular armed forces, there are still major shortages of qualified officers and NCOs. Yet training competent officers takes time, and there is little action that the US can take now to change this.

The Regular Armed Forces: Procurement, Maintenance and Equipment Issues

Budget constraints, poor planning with the MoD and the Services, corruption, and a lack of proper evaluation procedures and fiscal controls all negatively affect Iraq’s ability to procure weapons systems. According to the DoD “The MoD faces numerous challenges, including the lack of a multi-year acquisition strategy, weak requirements determination, late release of requirements funding, overly centralized decision-making authority, inadequately trained and inexperienced staff, and insufficient use of technology to optimize processes.”³⁶⁸ Iraq has already scaled back its weapons purchases since the fall

³⁶⁷ Al-Jabouri, Najim Abed. “Iraqi Security Forces after U.S. Troop Withdrawal: An Iraqi Perspective.” Strategic Forum. August 2009, pg. 4.

³⁶⁸ Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), October 30 2009, p. 54

of oil prices in 2008. Yet due to the budget crunch, Iraq does not have enough cash on hand to purchase even the scaled-back weapons systems it had planned.

Most of Iraq's procurement is done through the U.S. FMS system. Yet the credit requirements of this system do not allow Iraq, with its poor credit rating, to purchase weapons using loans. Iraq continues to face problems in executing FMS orders, as the DoD noted in November, 2009 "Execution of FMS cases in Iraq continues to be hindered by several factors, including diminishing budgets, a deficiency of ministerial staff capacity to define requirements and to process FMS Letters of Offer and Acceptance, lack of a budget planning and execution process that allocates funds for identified requirements, and unrealistic program expectations regarding life cycle costs for a defense article, including the costs to purchase, train, sustain, and operate the defense article."³⁶⁹

Iraq has several FMS purchases in the pipeline that have been approved by Congress. However, only its initial order of 140 M1 Abrams tanks has been paid for. Other DSCA (the Defense Security Cooperation Agency which is in charge of the FMS system) or Congressionally approved orders that are currently being held up due to lack of funding include: a request to buy Humvees, Mine Resistant Ambush Protected (MRAP) vehicles, 400 M1126 infantry carrier vehicles and 400 M2 .50-caliber machine guns; a request to buy 26 Bell helicopters, 26 Rolls Royce engines, 26 .50-cal machine guns and 26 Hellfire guided missile launchers in a deal worth \$366 million; and a sale of 80 Armored Security Vehicles and 400 Stryker vehicles.³⁷⁰ There were indications in late 2009 that the IA would begin receiving M1126 Strykers.³⁷¹

While FMS purchases have faced delays, purchases of non-American weapons systems have also run into trouble. Iraq has a poor record since 2003 of botched, corrupt or renege weapons deals with various non-American arms suppliers. Despite reforms and an increased reliance on the FMS system, these problems continue. The U.S. has been trying to purchase Russian Mi-17 helicopters for Iraq for two years. Despite paying \$322 million and signing a contract with a Russian firm to have the helicopters delivered by February 2009, as of September not a single helicopter had been delivered.³⁷²

US equipment transfers do offer a way to ease many of the ISF's acquisition problems. The US military has imported an enormous amount of equipment in order to carry out its mission in Iraq since 2003. While most of this equipment will be removed from Iraq along with US combat forces in 2011, it is likely that the US will leave some of it to the ISF. The departure of so many American men and material from Iraq in the next two years gives the US a unique opportunity to cheaply and efficiently transfer some of it to the ISF.

³⁶⁹ Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), October 30 2009, p. 44

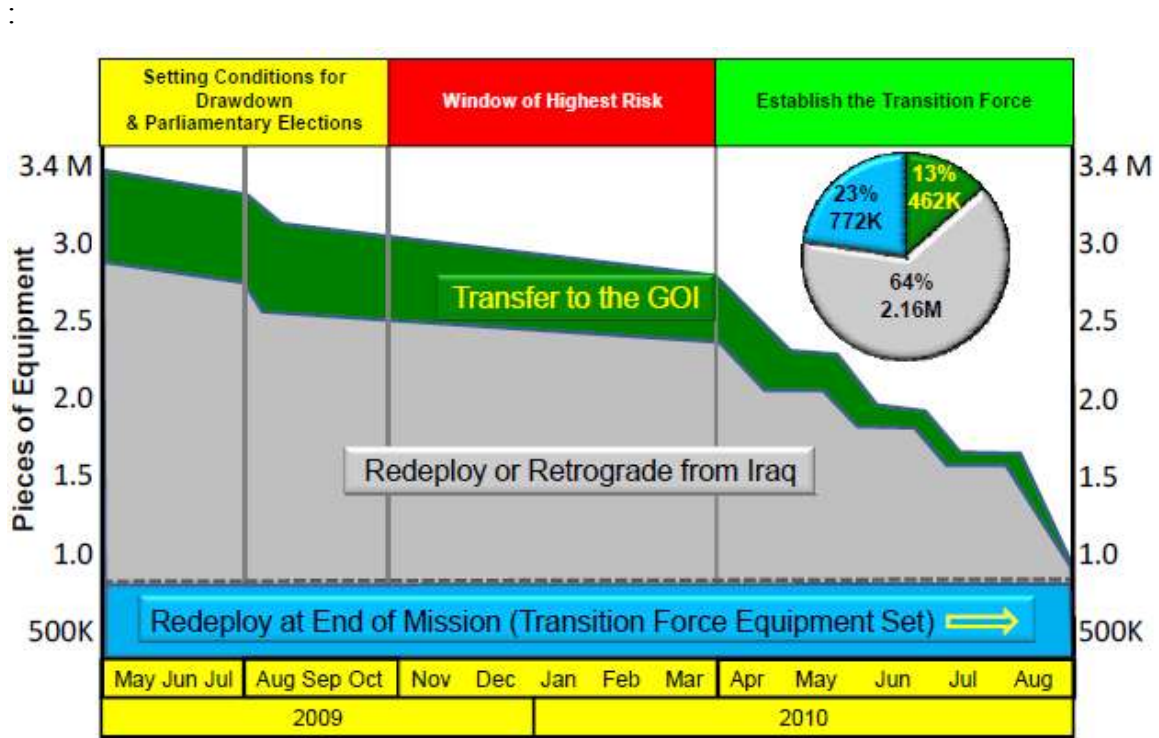
³⁷⁰ Osborn, Kris. "Poor Cash Flow Delays Iraqi Deals" *Defense News* July 20, 2009.

³⁷¹ Elliot, D.J. "Iraqi Security Force Update - December 2009" *Montrose Toast*. <http://home.comcast.net/~djyae/site/?/blog/view/41/>

³⁷² Weinberger, Sharon. Helo Fiasco: U.S. pays \$322 Million, Still No Choppers (Updated)" *Danger Room*. April 1, 2009.

The US military team in Iraq has developed plans to provide such transfers. As an initial estimate, they could involve some 158,000 items ranging from small items to major combat vehicles, equipment which could cost Iraq hundreds of millions of dollars if it were to buy them new at market prices. The key items would total roughly 60,000 pieces of equipment. Some 76% are surplus already in Iraq. Another 20% are excess items not in Iraq, and the final 4% would have to be purchased as Foreign Military Sales (FMS). The Iraqi MoD has agreed to pay some \$200 to \$500 million as its share of the costs of transferring such equipment, and these transfers could play a critical role in helping the Iraqi armed forces and police deal with their equipment problems, but such agreements have not yet been approved and much depends on what will be needed for the conflict in Afghanistan. The DoD plan for its equipment drawdown is shown in **Figure XII.6.**

Figure XII.6: Equipment Drawdown



Source: Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), October 30 2009, p. 36.

As GAO statements indicate, however, the US needs to act decisively in determining its transfer plans as it withdraws from Iraq.³⁷³

DOD plans to transfer military equipment to the Government of Iraq in order to achieve U.S. objectives in Iraq, but decisions still need to be made by DOD on what can and will be transferred to the Government of Iraq, contributing to planning uncertainty. Multi-National Security Transition Command-Iraq, an MNF-I subordinate command responsible for training and equipping the Iraqi security forces, has prepared a list of equipment it believes will enable the Government of Iraq to provide for its own security after U.S. forces have left Iraq.²⁶ This list comprises about 1.5 percent of the estimated 3.3 million pieces of equipment in Iraq, with a projected value of about \$600 million.

This list is currently undergoing progressively higher levels of review within DOD, for potential approval by the Military Department Secretaries and the Secretary of Defense. Until this list is approved, and an appropriate transfer mechanism determined, the equipment that will be transferred to the Government of Iraq remains uncertain. Currently, no decision has been made as to what authorities will be used to transfer these items to the Government of Iraq. While certain authorities exist that may permit the transfer of excess defense articles, DOD has also requested additional authority to transfer non-excess defense articles...Section 1234 of the National Defense Authorization Act for Fiscal Year 2010 provides an additional authority, requested by the Department of Defense, under which the Secretary of Defense, with the concurrence of the Secretary of State, may transfer certain equipment to the Government of Iraq without the Military Departments declaring it excess to their needs...

Because this provision does not specify a In addition, other DOD officials expressed strong reservations about section 1234 prior to its passage, arguing that existing authorities, such as those which underpin Foreign Military Sales, are sufficient to transfer U.S. military equipment to the Government of Iraq, but are not fully understood within the department. Clarification of authorities to be used for transferring equipment to the Government of Iraq will help facilitate decisions on which equipment will be transferred, and will assist in ensuring that DOD will meet its stated timelines. mechanism for reimbursing the Military Departments for the transfer of non-excess equipment, the loss of which may affect unit readiness, senior Army officials expressed concern about it prior to its passage, and the conference report accompanying the Act urged the Secretary of Defense to develop a plan to reimburse the Military Departments for such items...

The complexity of issues surrounding transfer authorities has already presented obstacles to transferring equipment to the Government of Iraq. For example, beginning in May 2009, MNC-I undertook an initiative to turn over the Ibn Sina hospital, located in the International Zone, to the Government of Iraq as a fully equipped, fully operational hospital. However, 100 of the approximately 9,800 pieces of equipment in the hospital, such as intensive care unit beds, trauma centers, and patient vital signs monitoring equipment, were ineligible for transfer because, according to Army officials, the Army could not declare them as excess to the needs of the Army...As a result, officials had to seek alternate means to transfer or sell the remaining pieces of equipment necessary to outfit the hospital. Ultimately, the hospital was transferred to the Government of Iraq on schedule. However, Army officials stated that after exhausting all legal options for transferring or donating the remaining equipment, the hospital was transferred without these 100 pieces of important equipment.

According to the Army, disposition for nearly all currently identified non-standard equipment in Iraq has been determined, but all items needing disposition have not yet been identified. Non-

³⁷³ The GAO estimates that 65% of these items (2,143,699) are unit owned/authorized equipment, 18% (604,623) or contractor acquired property, 11% (369,296) are theater provided equipment, nonstandard, and 6% are theater provided equipment (standard.) Statement of William M. Solis, Director Defense Capabilities and Management, General Accountability Office, "Operation Iraqi Freedom: Preliminary Observations on DOD Planning for the Drawdown of U.S. Forces from Iraq," Statement Before the Commission on Wartime Contracting in Iraq and Afghanistan, GAO-10-179, November 2, 2009, p. 3.

standard equipment is mainly theater provided equipment that has been issued to units that is not listed on their modified table of organization and equipment... Non-standard equipment includes a wide range of items such as construction equipment, materiel handling equipment, flat screen televisions, certain types of radios, and MRAPs. To facilitate the retrograde of non-standard equipment, the Army is implementing a new process in which the Life Cycle Management Commands are cataloguing all types of non-standard equipment in Iraq for entry into a new database... The Army then determines the location to which each type of item will be shipped upon retrograde from Iraq. Army officials state that they have determined disposition for the majority of types of non-standard equipment already identified in Iraq. However, these officials also state that additional types of non-standard equipment are still being entered into the database as efforts to gain accountability over non-standard equipment continue. Until this effort is complete, the disposition of some types of non-standard equipment in Iraq may be delayed.

The MoD also faces problems maintaining its facilities and its infrastructure. Maintenance is simply not a priority to the MoD, as it is clearly facing a gargantuan number of more-pressing issues. Yet its lack of concern for maintenance will end up costing a huge amount in years to come if facilities are allowed to deteriorate. Currently, the MoD has allotted only \$8.5 million for maintenance in the 2009 budget. However, according to the DoD “A conservative estimate for sustainment maintenance alone is \$360 million.”³⁷⁴

The Regular Armed Forces: Land Forces

Each element of the Iraqi armed forces will require a different form of support. The current structure of the Iraqi Army is shown in **Figure XII.7**. The army provides the core of real counterinsurgency capability and is the key to building effective national defense capabilities. Yet it is still relatively small for this task. In early 2009, it only had 250,000 authorized personnel, and was overmanned to compensate for leave and desertions with 225,000 assigned. These personnel had to be divided into 165 combat battalions. Iraqi Special Forces (ISF) have a relatively high level of operational competence, and are operating 6 battalions.

Coalition experts listed the following mix of accomplishments, initiatives, and challenges in the summer of 2009:

- **Accomplishments**
 - Maneuver Forces: 14 DIV HQs, 54 BDEs, 182 BNs
 - Training Base
 - 6 RTCs: BTC, MOSQ, NCO Training, SQD to BN collective training
 - 11 DTCs: Individual Training, SQD to BN collective training
 - CTC: Individual to CO collective training; C-IED training, Mortar FDC, and MIA1 training
 - Logistics Affairs Training Institute (LATI)
 - Support Forces

³⁷⁴ Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), October 30 2009, p. 54

- Taji Supply and National Maintenance Depots
- General Transportation Regiment
- 12 Motor Transportation Regiments; 9 Location Commands
- **Initiatives**
 - Grow Enablers: ISR, Div signal, Eng BNs, mortars, and Log units
 - Transform Training Base: Centers of Excellence
 - IED Center of Excellence
 - Modernize Equipment: UAH, M16, SINCGARS
 - M1A1 Program Management
 - C2: Joint Ops Center/Iraqi Logistics Ops Center (ILOC)
 - Professionalize the Force
 - Warrior Training Program
 - Senior NCO Course; Tactical CDR's course
 - Institutionalize After Action Review Process
 - Military Values, Principles, and Leadership Development
- **Challenges**
 - Logistics/sustainment structure "Under Construction"
 - Degrading infrastructure
 - Force Generation expectations
 - Force Management understanding
 - Centralized decision-making
 - "New School vs. Old Camp"

Iraq is only beginning to create the kind of armored, artillery, armed helicopter, and other "heavy" combat units it needs to fully defend itself. It is seeking to correct these problems by taking steps like the purchase of American M1A1 tanks and M1126 Stryker APCs. Yet due to budget constraints Iraq can neither purchase nor field these units in large quantities. The first order of 140 M1A1s began arriving in Iraq in March 2009, although all 140 will not be delivered until September 2010.³⁷⁵

This means Iraq must rely primarily on its existing armored forces for the next several years. These forces now include:³⁷⁶

- Two T72/BMP1-equipped tank battalions,
- Two T72/BMP1-equipped armored cavalry battalions,
- Two T55/BMP1-equipped tank battalions,
- Two BMP1-equipped "tank" battalions,

³⁷⁵ Elliot, D.J. "Iraqi Armor Developments" *Montrose Toast*. June 30, 2009. <http://home.comcast.net/~djyae/site/?/blog/category/1/>

³⁷⁶ Elliot, D.J. "Iraqi Armor Status Change." *Montrose Toast*. August 21, 2009. <http://home.comcast.net/~djyae/site/?/blog/view/25/>

- One Type 63-equipped mechanized reconnaissance battalion,
- Two M113-equipped mechanized reconnaissance battalions,
- One EE9-equipped light armored reconnaissance battalion,
- Three BTR80-equipped mechanized battalions.
- Three BMP1-equipped “tank” battalions,
- One salvaged wheeled APC equipped motorized battalion, and
- At least two M113-equipped mechanized or mechanized engineer battalions.

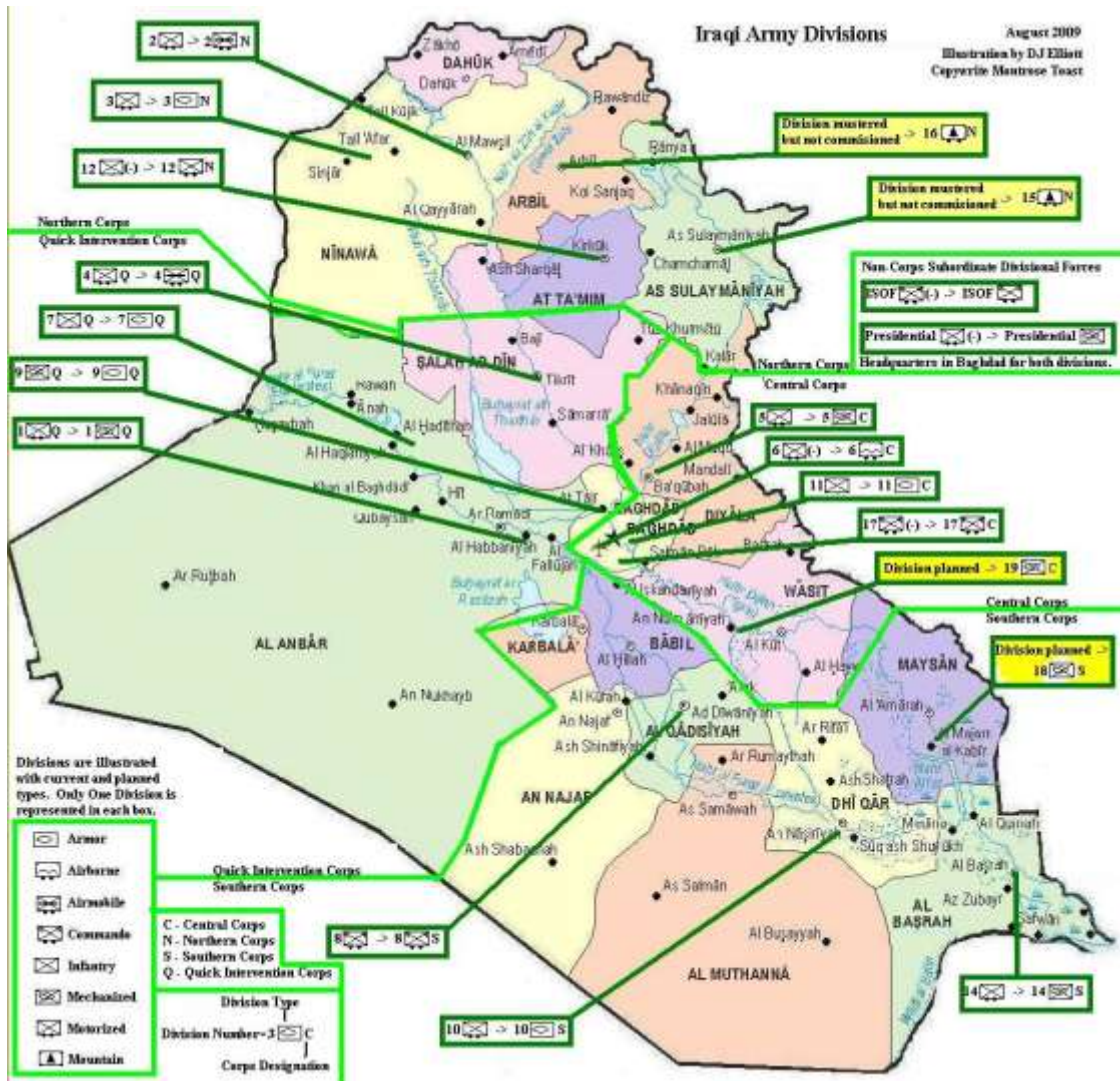
In addition, two more battalions of T72s are being donated by NATO. Most of these forces are currently in the 9th division.³⁷⁷ While Iraq clearly has some armored forces, much of these are Soviet era systems and are clearly outdated. The creation and fielding of modern armored forces will take several more years.

The Army’s equipment problems, however, may be less important than its readiness problems. **Figure XII.8** shows an estimate of the readiness of Iraqi Army and other key combat battalions. It has taken four years of intensive effort to bring Iraqi forces up to the level where enough key battalions can stand on their own to ensure Iraq can defeat insurgents and move towards a national self-defense capability. The Iraqi budget crisis has virtually halted all improvements in readiness at precisely the time they are most needed to ensure that Iraqi forces can take over as US forces withdraw.

Moreover, these readiness ratings are largely based on the material and training resources that the units involved have had in the past. They do not reflect actual performance in combat, the quality of leadership, and the impact of key factors like retention and dependence on outside support in areas such as enablers and sustainment. All of these aspects of readiness will become steadily more important as the US withdraws, and a new and more demanding form of readiness assessment seems to be needed.

³⁷⁷ Elliot, D.J. “Iraqi Armor Status Change.” *Montrose Toast*. August 21, 2009. <http://home.comcast.net/~djyae/site/?/blog/view/25/>

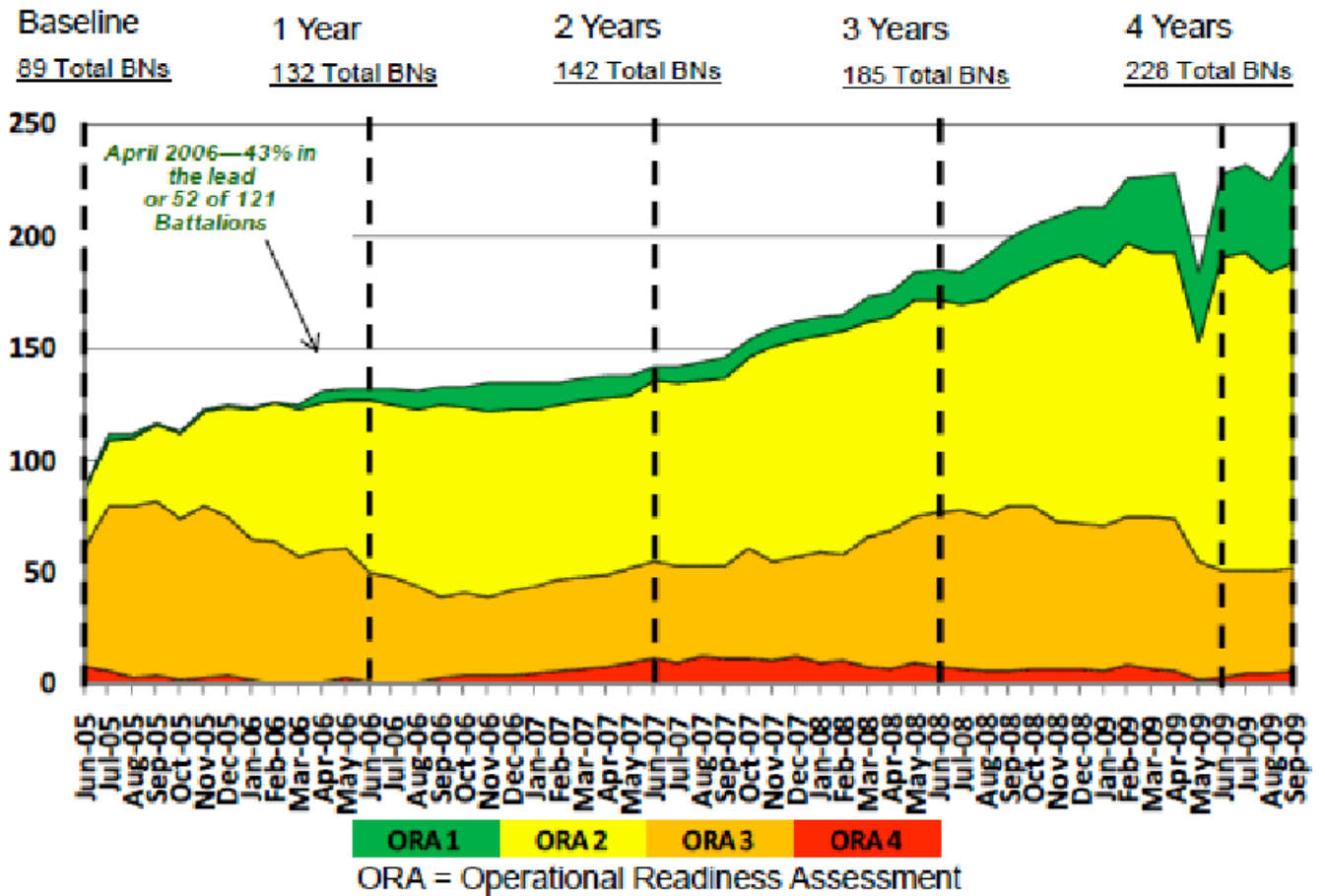
Figure XII.7: Iraqi Army Divisions



Elliott, D.J. "Iraqi Army: Now and in the future." Montrose Toast. August 19, 2009.

<http://home.comcast.net/~djyae/pwpimages/Iraqi%20Army%20Divs.JPG>

Figure XII.8: ISF Combat Battalion Operational Readiness Assessment



Note: Over 90% or 167 of 186 Iraqi Army Combat Battalions were rated as “in the lead” for operations in September 2009

Source: Iraqi Assistance Group. As of 20 SEP 09.

The Regular Armed Forces: Air Forces

The deployments and structure of the Iraqi Air Force are shown in **Figure XII.9**. The Iraqi Air Force (IqAF) has plans to build a small but effective force, although it is not clear that Iraq has the resources to do this in the next decade. The Iraqi Air Force only began to order small numbers of modern combat aircraft in mid-2008, and these will not be combat ready for years. Therefore a large gap will exist between US withdrawal in 2011 and the IqAF's ability to even minimally defend its airspace.

Recognizing this problem, Secretary Gates hinted in late July 2009 that Iraq could buy used American aircraft.³⁷⁸ This would most likely be cheaper and faster than buying new ones. The USAF is retiring 134 F-16s in 2010, and these would be an obvious choice to lend, lease, or give to Iraq.³⁷⁹ As of October 2009 no official contracts for used American planes had been announced.

While the IqAF is making slow progress in fielding basic combat and transport aircraft, other areas like air defense have not yet begun to develop. Iraq has no modern surface-to-air missile defenses, nor any immediate plans to acquire them. While man-portable anti-aircraft weapons are relatively easy to acquire, a national air defense network is costly and complex, requiring multiple radar and missile sites, as well as specially trained personnel. The IqAF also still needs to decide whether to procure fighter control aircraft an equipment, such as the AWACS system. The lack of such systems, and a modern network of ground-based air control and warning systems, now serious limits Iraqi defense capabilities.

IqAF also has manpower problems. It had some 3,332 men on October 1, 2009, and an adequate number of pilots. Its younger personnel were good, but like the Iraqi Army, its older personnel still have problems in adjusting to the need to manage resources effectively,

Coalition experts listed the following mix of accomplishments, initiatives, and challenges in the summer of 2009:

- **Accomplishments**

- Aircraft 93: 37 training, 37 mobility, 18 ISR, 1 ground attack
- Personnel doubled in 2008 from 1,300 to over 2, 500
 - Specialty Codes
- AOC command & control of over 350 sorties/week
- 7,500 fixed-wing flight training hrs; 18 pilots graduated
 - 103 pilots in pipeline (67 in-country & 36 out-of-country)
- Initial-entry rotary-wing training began Jan 09; 12 students
- Operational sorties: ISR, airlift, battlefield mobility; MEDEVAC

³⁷⁸ Gates, Robert. DoD News Transcript. July 29, 2009. <http://www.defenselink.mil/transcripts/transcript.aspx?transcriptid=4455>

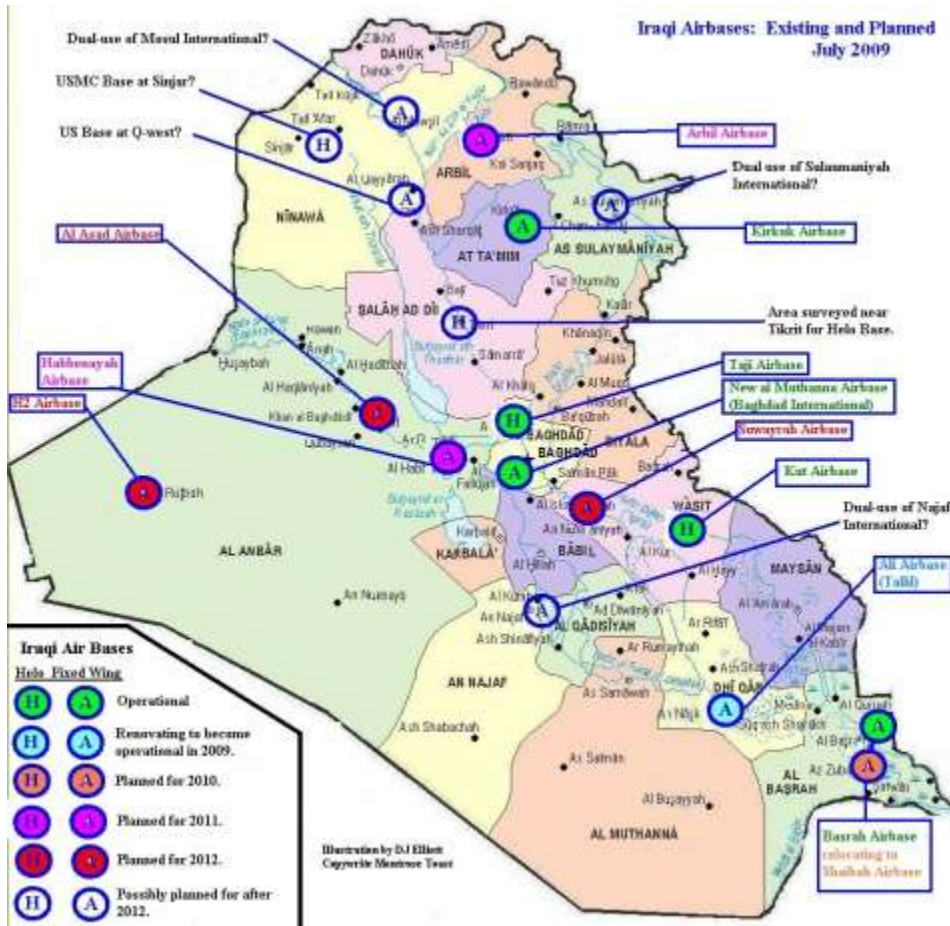
³⁷⁹ Rolfsen, Bruce "Iraq may get U.S.'s used F-16s." *Air Force Times*. August 29, 2009. http://www.airforcetimes.com/news/2009/08/airforce_iraqi_f16_082909w/

- Supported operations in Basrah, Diyala, Karbala, Sadr City

- **Initiatives**
 - IqAF HQ move to Victory Base
 - Battlefield Mobility / Spec Ops support capabilities w/ Mi-17
 - T-6 Bed Down / Air Force College at Tikrit
 - Long-Range Radar / Spec Ops Center at Ali Base
 - Air-to-Ground Attack capability
 - AC-208s, Mi-17s, Gazelles
 - Partnering Opportunities w/ Coalition operational forces
 - Aircraft acquisition: C-130J, Armed Scout Helo, F-16
 - Integrated C2 System / ISR

- **Challenges**
 - Lack of real staff sections for full air force operations and planning.
 - No clear strategy for force development and employment.
 - Lack of direct budget and execution; everything flows through the MoD.
 - Training People
 - 3-5 years to train pilots, maintainers, and air traffic controllers
 - English Language Training is IqAF foundational capability
 - Proper logistics management and use of contract support.
 - Weak maintenance and support efforts.
 - Sustainment: delayed GOI-funded cases impacting operations
 - Infrastructure
 - IqAF needs to expand airfield infrastructure
 - Need for Coalition-occupied space at IqAF airfields
 - Airspace Management
 - Partnering vs. Security

Figure XII.9: Iraqi Air Force



Source: Elliot, DJ. "Iraqi Aviation: Status and predicted force." Montrose Toast, July 31 2009. <http://home.comcast.net/~djyae/site/?/blog/view/18/>

The Regular Armed Forces: Navy

Iraq has a small Navy that totaled roughly 2,595 men in November 2009. It currently plans to acquire 2 offshore support vessels, 4 Italian patrol ships, 15 patrol boats and some \$160 million worth of infrastructure. Like the Air Force, however, the Navy does not have funds to acquire all the combat systems its needs. As of late 2009, only 2 of the planned 4 Italian patrol ships had been delivered.³⁸⁰ These shortfalls are compounded by serious problems in mobility forces, intelligence, surveillance, reconnaissance (ISR) and battle management assets, and furthermore by the amount of resources needed for combat logistics and sustainability.

Coalition experts listed the following mix of accomplishments, initiatives, and challenges in the summer of 2009:

- **Accomplishments**
 - Naval Squadron at 30 vessels – limited capability
 - 2 Marine Battalions
 - 1st for Vessel Boarding Search and Seizure (VBSS) and Oil Platform security
 - 2nd for Umm Qasr & Az Zubayr port security
 - 50 patrols per week (300% increase over last year)
 - Assumed approximately 30% security responsibility of oil platforms and 100% of port security at Umm Qasr
 - Built in sustainment capability through contractor assistance, lacking in the Army and Air Force.
- **Initiatives**
 - Training
 - USMC MiTT
 - English Language
 - 4 Patrol Ships due from Italy in next 9 months
 - Navy Intelligence cadre
 - Command and Control facilities on oil platforms
 - Handover full security of KAAOT in Dec 09
 - Umm Qasr Naval Base Infrastructure
- **Challenges**
 - Infrastructure – magazine, warehouses and simulators
 - Overcome IMOD Maritime Blindness to generate Navy
 - *15 Patrol Boats – training and integration*
 - 4 Patrol Ships – return to Umm Qasr
 - *2 Offshore Vessels*

³⁸⁰ MNSTC-I. “Iraqis celebrate arrival of Patrol Ship Nasir.” November 13, 2009. http://www.mnf-iraq.com/index.php?option=com_content&task=view&id=28654&Itemid=128

- Review doctrine and professionalize the force
- Command and control
- 21 Dec 2011 – delivery of Maritime Security

The Iraqi Parliament did make progress in expanding the Navy on October 13th, 2009. It passed a security agreement to train and support Iraqi Navy forces responsible for protecting the Um Qasr port.³⁸¹ The agreement, aimed at protecting important oil terminals in southern Iraq, outlines that the UK will send 100 members of the British Navy to train Iraqi forces so that they are able to secure Iraq's only access point on the Persian Gulf.

Trade through the Um Qasr port is the country's second largest source of revenue (after oil) and Iraq ships most of its petroleum through two main terminals off the coast of Basra. This is an important step to rebuild Iraq's struggling Navy, which hopes to expand by 50 percent, from 2,000 to 3,000 personnel, by 2010.³⁸² It also hopes to purchase combat patrol boats and other vessels from the British Navy.

Iraqi Intelligence Services

The capabilities of Iraq's intelligence services are increasing, but years of continued US aid in both internal security operations and in dealing with threats like Iran will be needed. This will involve training, equipment, and intelligence sharing. The details involved are too sensitive for an open-source analysis, but the requirement will exist indefinitely into the future.

The Iraqi intelligence services also now lack the full range of necessary legal guidelines. Iraq does not have an intelligence law, and in its absence a number of intelligence agencies have been formed. The relationships, areas of operation, and even legality of some agencies remains unclear. According to the DoD "The absence of an Iraqi intelligence law that delineates roles and missions of organizations, with clear legal established mandates and command and control mechanisms, continues to hamper progress between the organizations. Additionally, the absence of standardized security and clearance protocols continues to have a negative impact on sharing of information among IqIC members and between the IqIC and U.S. partners."³⁸³

Iraqi Special Forces

One key force stands aside from both the MoD and MoI, although its position is deeply controversial. The Iraqi National Counter-Terrorism Force (INCTF) is headed by the ministerial-level Counter-Terrorism Bureau (CTB). It includes the Counter-Terrorism Command (CTC) and Iraqi Special Operations Forces (ISOF). Current ISOF deployments are shown in **Figure XII.10**. The CTC is the operational headquarters for

³⁸¹ Gina Chon "British Security Pact Passes" *Wall Street Journal* (14 Oct 2009).

³⁸² Gina Chon "British Security Pact Passes" *Wall Street Journal* (14 Oct 2009).

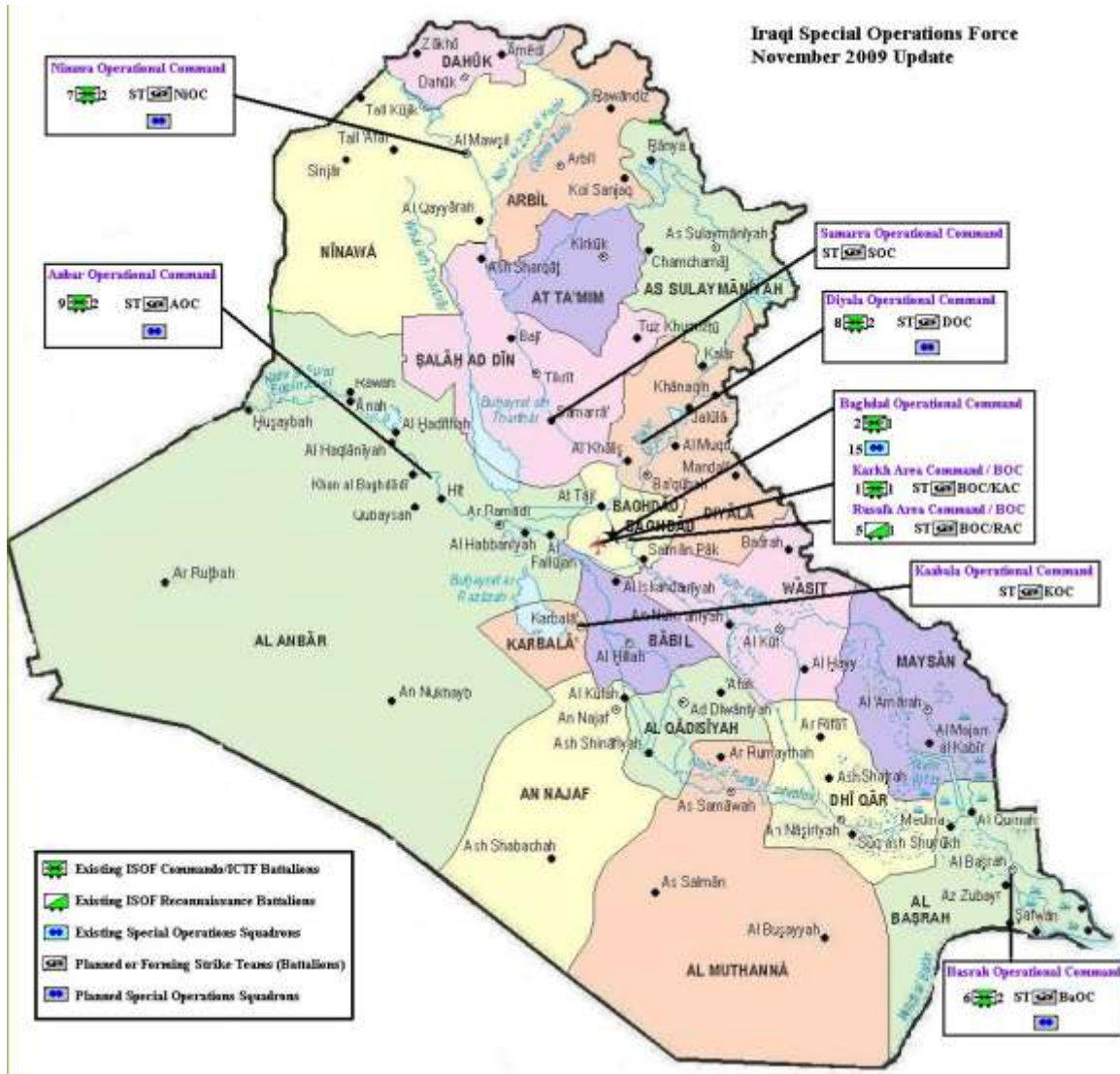
³⁸³ Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), October 30 2009, pp. 42

combating terrorism in Iraq. It exercises command and control over ISOF units that execute combat operations. INCTF advisors also monitor personnel accountability, promotions, and personnel policies of ISOF. At the same time, one of its key functions is to improve coordination between the INCTF, MoD and MoI in strategic-level planning, targeting, and intelligence fusion.

The problem now impeding the development of the INCTF is political. Control of the INCTF, CTB, and Iraqi Special Forces has been the subject of controversy and a power struggle between Prime Minister Maliki and the CoR. Under Prime Minister Directive 61, signed in April 2007, the INCTF has been independent of both the MoD and MoI. Legislation awaiting Council of Representatives (CoR) approval is intended to make the CTB its own ministry, which would give the Prime Minister direct control over the CTB and Iraq's Special Forces. According to the DoD, "The CoR's delay in addressing the CTS Law makes the Prime Minister's ability to fund CTS problematic and is impacting maintenance and sustainment programs in the CTS."³⁸⁴

³⁸⁴ Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), October 30 2009, pp. 63

Figure XII.10: Iraqi Special Operations Forces



Source: Elliot, DJ. "Iraqi Special Operations Force Growing and Adding Light Armor?" Montrose Toast. November 11, 2009. <http://home.comcast.net/~djvae/site/?blog/view/36/>

Strengths and Weakness in the Ministry of Interior and Iraqi Police

The second major area of US-Iraqi security cooperation is in improving the Ministry of the Interior and the police forces. Responsibility for this aspect of the US advisory and assistance effort will transfer to the State Department and its Bureau of International Narcotics and Law Enforcement Affairs (INL) during the course of US withdrawal from Iraq. INL has responsibility for promoting modernization of and supporting operations by foreign criminal justice systems and law enforcement agencies, but its functions focus on law enforcement and the counter-terrorism mission rather than paramilitary or combat missions. This had presented serious problems in the past when the forces INL was training and supporting were thrust into combat and when their mission included more demanding paramilitary tasks. It is far from clear whether INL will be able to handle the task of supporting the development of the MoI and police forces once the US military hands responsibility over.

The Ministry of Interior

The US effort to assist the Ministry of the Interior will involve many of the challenges affecting the Ministry of Defense. **Figure XII.11** shows the structure and strength of MoI forces in June 2009. The MoI and its forces have made major progress since 2007, and have made some recent progress in spite of Iraq's current budget crisis. The MoI has improved its planning and budget execution efforts, developed a three year strategic plan for 2010-2012, and begun to coordinate its planning with the provinces. It has developed better financial management and tracking systems and has improved its acquisition system, is currently creating a steadily more effective National Command Center (NCC), improving the level of near time coordination with other national-level command centers and other ministries, and has set up Provincial Joint Coordination Centers (PJCCs).³⁸⁵

At the same time, the MoI has faced serious budget problems. Its operating budget is \$5.3 billion compared to a \$7.8 billion requirement. Approximately 83% of the operating budget is allocated to salaries and labor programs, which leaves limited capacity for other major budget programs. Its capital budget is \$216 million compared to the \$265 million requirement, which results in the MoI not fully funding some 98 projects. It is under a hiring freeze and has serious personnel shortfalls, and its detention facilities are inadequate and present human rights problems. Professionalization and training need improvement at every level, operational planning and execution need improvement, and logistics and sustainability present serious problems.³⁸⁶

More broadly, Iraq is just beginning to integrate its police efforts with an effective justice system, fostering the conditions that can create an effective rule of law. There is a serious lack of coordination between the police and judiciary and often serious tension. There is furthermore a failure to coordinate in ways that allow evidence to be gathered,

³⁸⁵ Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), October 30 2009, pp. 46-47.

³⁸⁶ Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), October 30 2009, pp. 44-49.

and then cases to be effectively developed and prosecuted. The Department of Defense reported in October 2009 that,³⁸⁷

...courts reflect an improving judicial infrastructure working to deliver outcomes that are transparent, predictable, and accountable...The MoI court system continues to evolve, and significant progress is being made in judicial capacity building. Since hearings began in July 2008, the number of cases heard has increased each month, and the number of cases accepted with sufficient preliminary investigation has improved from a low of 8% in August 2008 to above 90% in June 2009. These trends indicate a steady increase in the knowledge and professionalism of investigators and lower court judges and growing improvement in police evidence handling. However, a lack of knowledge of the relevant MoI laws persists within the ISF. Thus, the continued professionalization of judicial officers remains a priority. The MoI is working to promote legal instruction at all ISF training centers, establish legal libraries at each court, and develop a strategy to research, publish, and disseminate legal decisions of the courts.

Similarly, SIGIR noted that,³⁸⁸

U.S. government personnel are...working with the MOI and the Iraqi courts—IJs in particular—to improve the operating relationships between IJs and police. One goal of this ongoing effort is to mitigate the delay caused when investigative files are transferred between police and judges for further investigation. To this end, Rule of Law Advisors (RoLAs) working in the Provincial Reconstruction Teams (PRTs) have established Criminal Justice Coordination Councils to encourage Iraqi police, judges, and military to work together and share information.

In the long term, INL is developing the Iraq Higher Judicial Council Court Administration Project, which will allow the HJC to increase its capacity in all aspects of judicial administration, including standardizing a national case management system (initially, via a manual system, and thereafter, through a phased-in computer system). The HJC currently lacks a central system for case management, and often there is little case tracking.

Furthermore, the MoI faces other challenges that affect its civil operations. A lack of governance, essential government services, and government spending help create further sectarian and ethnic problems, making it difficult for these forces to deal with high levels of crime and corruption. It still is more dangerous to be a member of the Iraqi police than to be an Iraqi soldier, and police support and facilities are inadequate.

This explains why the Ministry of Interior and all elements of the Iraqi police forces face continuing challenges in institution building, and will require help in developing core competence in a number of areas. Interviews with Coalition experts in 2009 revealed that help would be needed in the following key areas:

- Assimilation, professionalization, and specialization.
- Strategic planning and programming, linked to shrinking budget.
- Utilizing information technology.
- Land jurisdiction issues,
- Transition to police primacy.

³⁸⁷ Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), October 30 2009, pp. 44-49.

³⁸⁸ Special Inspector General for Iraq Reconstruction (SIGIR), *Quarterly Report to the United States Congress*, (Public Law 108-106, as amended, and Public Law 95-452), October 30, 2009, p. 53.

- Limited staff capability.
- Fully developing specialist units.
- Need to improve maintenance and sustainment capability.
- Continued focus on education, training, and promotion by merit.

Interviews with Coalition experts also revealed the following additional challenges:

- Force growth under a limited budget.
- Assimilation of other police forces (Oil, FPS, Electricity, etc.)
- Officer manning,
- Absorb part of Sons of Iraq
- Training backlog (police, oil police, FPS).
- Lack of key trained personnel and forensic skills and equipment.
- Inadequate detention facilities operating far beyond capacity with no real survey of the scale of the problem. Poor handling of juveniles.
- Border police ineffective, often illiterate (40%), and cannot provide surveillance.
- Port of entry police poorly trained, corrupt, and subject to political influence.
- Large numbers of Federal Police and regular police devoted to personal security details (PSDs) for senior Iraqi officials.
- Limited retention of trained personnel, and many locally recruited forces are poorly trained or lack training.
- Tensions between judges and the officials in the justice system and the police, and poor communication and trust between them, Lack of police training to provide evidence and proper investigations necessary to ensure convictions now that Iraq is increasingly returning to the rule of law.

Experts did report, however, that the MoI forces were making continued progress, and listed the following ongoing initiatives:

- Ministerial vision translated to planning.
- Strategic communications.
- Information technology.
- Foster ethical, professional, non-sectarian behavior.
- Border focus – security and throughput.

Figure XII.11: Development of Iraqi Interior Forces

Interior Forces	<u>Current Set</u>		<u>Target Growth 2009</u>
	Personnel	Key Units/Forces/Capabilities	Key Units/Forces/Enablers
Iraqi Police	300,373	1193 police stations	+5 Headquarters contracted +40 Stations contracted +117 River Patrol Boats
Federal Police	42,430	4Div HQs 15 BDE 1 Sustainment BDE 52 BNs	+18K to finish forming 4 th Div, 5 th Div +260 Armored Vehicles
Border Enforcement	40,722	13BDE; 48 BNs 6 Commando BNs	+13K (to include PoE) +260 UAH +2 Tugs; +20 Patrol Boat; +6 Gunboats
POE	2,087	29 Points of Entry (POE) 17 Land; 7 Air; 5 Sea	+Enhanced Technologies +Standard POE design
Oil Police	29,954	1 Directorate HQ, 3 Regional Directorate HQ 8 Pipeline Security BN 1 Emergency BN 35 Sections (pt security)	+7 BNs +45 Fuel & Water Tankers; +40 Busses =80 Cargo Trucks; +10 Road Graders
<i>Total Police</i>	<i>415,566</i>		
<i>With FPS</i>	<i>433,214</i>		

Source: MNSTC-I, June 3, 2009

The Federal Police

Each of the forces under the MoI has different needs. The Federal Police (the renamed National Police) have largely corrected the massive problems they faced with corruption and sectarianism from 2006 to 2007. While major problems remain, widespread corruption and sectarian or ethnically-motivated killings and intimidation seem to be a thing of the past. Their current structure is shown in **Figure XII.12**.

The Federal Police now are composed of four divisions and 17 brigades, with 42,000 personnel.³⁸⁹ The 2009 authorization for the FP has risen to 46,000 personnel, and the force may expand to as many as 86,000 by 2012.³⁹⁰ The FP are currently expanding to put a brigade headquarter in every province of Iraq, including in the KRG region.³⁹¹ While the overall hiring freeze remains in place, the FP has been expanding by retraining and converting provincial Emergency Response Units (ERUs) into FP. Experts estimate that the FP can convert 6 brigades per year from provincial ERUs.³⁹² The FP stationed in the KRG will most likely be composed of the Kurdish Special Police that are transferring into the FP. The FP also appear to be establishing an aviation squadron.³⁹³

The Department of Defense reported in October 2009 that the Federal Police had also become an important paramilitary force, one and reorganized to the point at which it now serves as an effective national force, rather than as a source of sectarian abuses:³⁹⁴

“The Iraqi FP continues to improve the effectiveness of its units. Based on this improvement, U.S. advisors have shifted their focus from battalion-level advising to advising at the brigade-level and above. The exception is the newly-formed FP battalions that require more assistance to develop a capability for unilateral operations. U.S. advisors continue to assess FP unit capabilities and distribute and realign training teams to units requiring additional assistance. The Italian *Carabinieri* continue to train, advise, and assist with the professionalization of the FP through the NTM-I.”³⁹⁵

The newly-designated Iraqi Federal Police...will expand with the completion of the 3rd Division units in the northern region and continue generation of the 4th Division HQs and units in the southern region; however, the budget for 2009 will limit desired growth. Additionally, the FP will

³⁸⁹ Multi-National Security Transition Command – Iraq. Public Affairs Office, Phoenix Base. “Iraqi National Police Renamed Federal Police.” August 3, 2009. http://www.mnf-iraq.com/index.php?option=com_content&task=view&id=27481&Itemid=128

³⁹⁰ Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), October 30 2009, pp. 50

³⁹¹ Multi-National Security Transition Command – Iraq. Public Affairs Office, Phoenix Base. “Iraqi National Police Renamed Federal Police.” August 3, 2009. http://www.mnf-iraq.com/index.php?option=com_content&task=view&id=27481&Itemid=128

³⁹² Elliot, D.J. “Iraqi “Nationalization” Program.” Montrose Toast. December 8, 2009 . <http://home.comcast.net/~djyae/pwpimages/Nationalization-mod.JPG>

³⁹³ Elliot, D.J. “Iraqi Security Force Update: September 2009.” *Montrose Toast*. September 2, 2009. <http://home.comcast.net/~djyae/site/?/blog/view/29/>

³⁹⁴ Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), October 30 2009, pp. 41-42.

³⁹⁵ Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), October 30 2009, pp. 49-50.

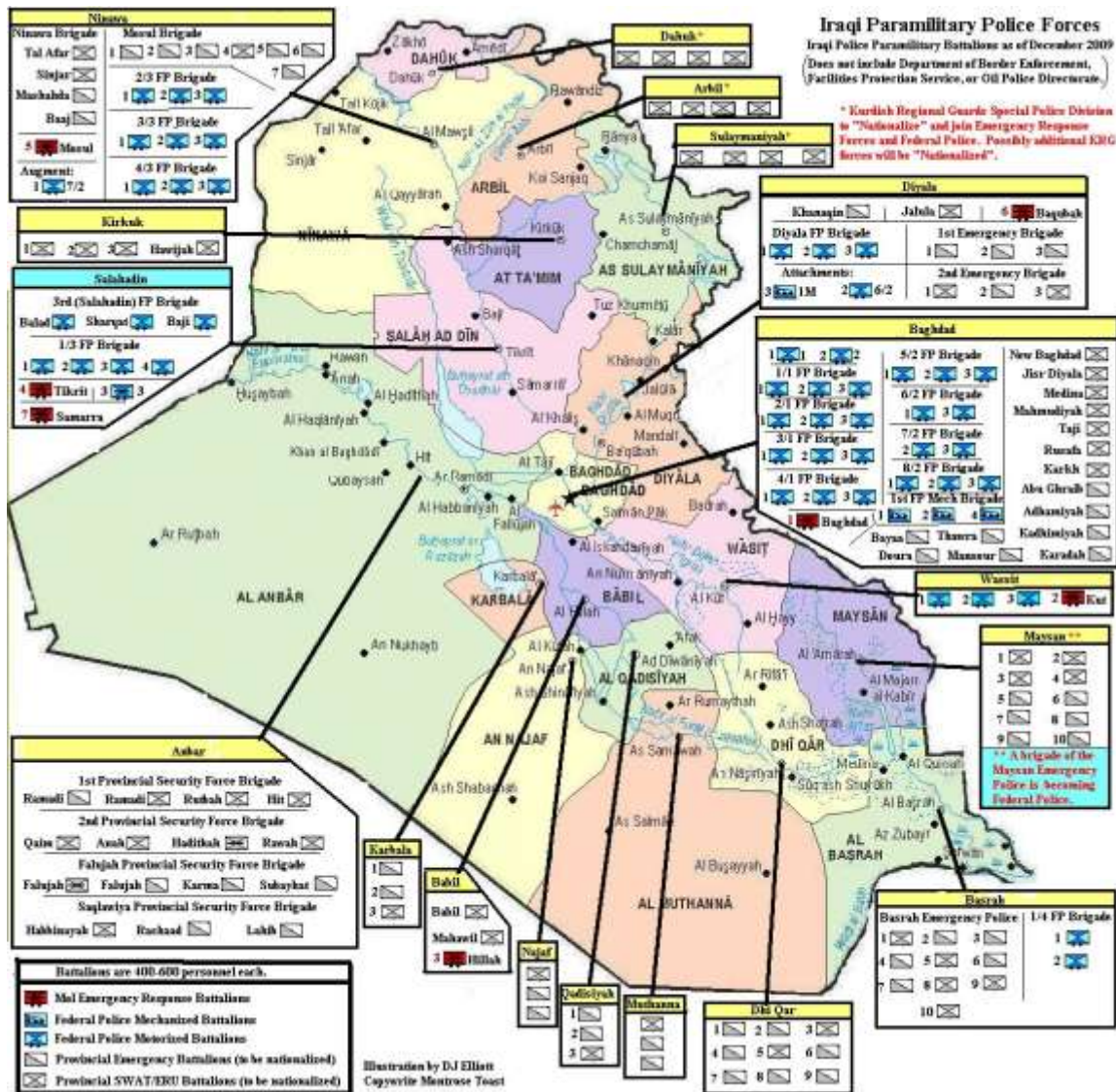
assume three new security force missions (the Central Bank of Iraq Security Force, Embassy Protection Force, and the Antiquities and Ruins Security Force) once force generation resumes.

With these additional missions and in consideration of budget restraints, the 2009 authorization for the FP has increased to more than 46,000 members. The FP Commander envisions expansion to more than 86,000 by 2012. The FP wants to recruit and train to complete formation of the new 3rd and 4th Division units. However, MoI budget shortfalls for 2009 will limit the FP's ability to hire, train, and equip the personnel required reach the desired end strength.

The FP have taken up an additional role since the withdrawal of most US forces from the cities in June 2009: providing escort duty to US convoys through Iraqi cities. As of September 2009 they appeared to be carrying out this duty effectively.

Figure XII.12: The Iraqi Federal Police

(Map includes MoI Emergency Response Battalions, Provincial Emergency Response Battalions, and Provincial SWAT battalions as well)



Source: Elliot, DJ. "Iraqi "Nationalization" Program." Montrose Toast. December 8, 2009. <http://home.comcast.net/~djyae/pwpimages/Nationalization-mod.JPG>

The Iraqi Police Service and Other Elements of the Police

MNSTC-I and the Department of Defense report that the Iraqi police and other forces under the Ministry of Interior have made significant progress in a number of areas. The Federal Police have become an effective paramilitary and counterterrorism force, and there are some 108 battalions of provincial or "regular" police.

The Department of Defense reported in October 2009 that the Iraqi Police Service consisted of, “all provincial police forces (station, patrol, traffic, and special units) assigned to the 18 Iraqi provinces in more than 1,300 police stations across Iraq. The IPS directs policy and strategic planning and has technical control over the training, vetting, and hiring of *Shurta* and officers. It also reported that, “IPS operational performance has improved with each operation; it is increasingly becoming a professional force that has begun to support the rule of law throughout Iraq in conjunction with the maturing court system. The disparate elements that make up the IPS are also starting to provide cross-department support to each other.”³⁹⁶

At the same time, discussions in November 2009 with US experts in Iraq made it clear that bringing the various elements of the Iraqi police to the proper readiness needed to ensure sufficient security and stability was likely to require continuing effort through at least 2014. For all of their progress, many elements of the Iraqi Police service (IPS) still had low competence, showed little initiative, and only about half of their assigned personnel had any real training.

In addition, the forces of the Directorate of Border Enforcement forces presented major problems in quality and literacy, and Point of Entry Enforcement forces had serious problems with training as well as with corruption. These forces are important as both a source of revenue and for security purposes. The DBE and Ports of Entry Directorate (PoED) are supposed to protect Iraq’s 3,631 kilometers of international borders and 28 air, land, and sea ports of entry (PoEs) to, “prevent smuggling, sabotage, and infiltration activities...leading to increased security throughout the nation.”

The Department of Defense reported in October 2009 that,³⁹⁷

The DBE is organized into five regions, with 13 brigades and 51 battalions, in addition to the Coastal Border Guard, which is under the command of Region 4 located in Basrah. There are 7 DBE battalions that are mobile commando battalions under the command of the regional commanders. Although the DBE is currently authorized approximately 45,500 personnel by the MoI, the force is envisioned to expand to more than 60,000 by 2012...The PoED is responsible for administration and security of 13 land PoEs throughout Iraq, as well as having some presence at the six air PoEs and five seaports. An additional four PoEs in the KRG are not recognized or managed by the GoI.

...There are still a number of challenges that must be overcome; the most significant is increasing the effectiveness of the DBE and PoED sustainment systems. Poor management and the lack of fuel supply, electricity generation, and maintenance have hampered all aspects of border and PoE operations. In addition, the DBE and PoED are combating reported incidents of corruption, with ongoing ethics training for employees, re-assignment of personnel between PoEs, and routine swapping of DBE unit areas of operation on the borders.

There are, however, competent elements within each service. The key will lie in finding the right mix of local and professional security for a given operation, finding some way to

³⁹⁶ Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), October 30 2009, pp. 49-50.

³⁹⁷ Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), October 30 2009, pp. 51-52.

hire key cadres and get them assigned, and then carefully providing the kind of additional pay and privileges to “rent” real loyalty.

Coalition experts list the following mix of accomplishments, initiatives, and challenges:

- **Accomplishments**
 - Expand IPS forces to assume police primacy
 - Develop Training and Qualifications Institute
 - Build 175 of 232 programmed local police stations
 - Periodic Provincial Police Conferences
 - Develop/equip four forensic laboratories
 - Female basic/officer course; coed commissioner’s course
 - Develop IP and NP strategic visions
- **Initiatives**
 - Complete force generation (MoF cap 476K)
 - Increase Officer Strength (25%)
 - Professional training programs
 - Growing Iraqi K-9 program from 30 to 450 in 3 years
 - Right-sizing of police training centers
 - Leader development programs in foreign countries
 - MoA between Ministry of Interior and Ministry of Oil
 - Define Special Police roles/responsibilities
- **Challenges**
 - Shift from force generation to professionalization
 - Minimum training and performance standards for all MoI police training
 - Oil Police force size determination
 - Equipping an expanding force
 - Completing infrastructure requirements
 - Ensure qualified instructors/leader development

The Role of the Rule of Law, Oil Police, and Facilities Protection Services

Much will depend on how well Iraq can establish a broader rule of law with effective police and courts, and on how well Iraqi security forces will be able to protect major facilities. So far these forces have been fairly ineffective, deterring investors and causing Iraqis to demand better protection.

The Iraqi Oil Police (OP) are responsible for protecting all oil production infrastructure, including oil fields, pipelines, refineries, convoys, and retail stations throughout Iraq along distribution lines in both remote and urban areas. The OP operates 47 Battalions in three districts—south, central, and north. The Department of Defense reported in October

2009 that,³⁹⁸

The OP has 47 battalions with personnel strengths that vary depending on the location and priority of resource being protected. The MoI OP are scheduled to assume full responsibility for this mission in late 2010. The IA presently guards four major sections of pipeline throughout Iraq, including three critical PEZs. The OP are developing four Mobile Emergency Battalions to execute an emergency response mission capability but still lack required basic equipment. The MoI and the OP are acquiring \$33 million worth of vehicles, communications gear, and other specialty equipment to fill shortfalls.

As of July 1, 2009, approximately 90% of the existing OP force has achieved training certification through the four-week OP course. OP leaders are actively involved in their organizations and are qualified for their positions with most officers trained in a police or military academy. The only significant shortfall in leadership is found in the junior officer and non-commissioned officer (NCO) ranks due to a lack of post-BRT training. This training gap must be reviewed within the MoI. The OP are planning to expand their training facility located within the Al Dora Oil Refinery. This expansion will create more classrooms and improve life support, which will allow them to provide better and more diverse training, such as NCO professional development. As with other police directorates, the OP is impacted by the lack of a MoI supply chain distribution system. Lack of fuel, spare parts, and power generation hamper daily operations. The law still lingers between the CoM and the CoR, and no movement is expected in the near future.

The OP still lack basic equipment required to perform its mission. Furthermore, the government still has not transitioned the OP from the MoO to the MoI, which continues to hamper their capabilities. It is still unclear which government office is responsible for supporting the OP, although the MNSTC-I is coordinating a memorandum of agreement between the MoO and MoI to clarify responsibilities, including C2.³⁹⁹

A separate force, the Facilities Protection Service (FPS), is responsible for the protection of critical infrastructure throughout Iraq, including government buildings, mosques and religious sites, hospitals, schools and colleges, dams, highways, and bridges. FPS forces have previously been little more than low grade security guards. They also have been decentralized and divided by ministry and province. They have, however, made significant progress over the last year, and a pending FPS Reform Law may consolidate all FPS within the MoI except those FPS forces currently detailed to the MoO and MoE, as well as those currently detailed to the HJC.

The Department of Defense described the FPS as follows in October 2009,⁴⁰⁰

As of July 31, 2009, the MoI FPS had approximately 17,000 IP employees, and another 75,000 FPS contractors worked in other ministries. These contractors have met MoI hiring criteria, signed

³⁹⁸ Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), October 30 2009, p. 52

³⁹⁹ Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252) (Dated June 2009, but issued in August.)

⁴⁰⁰ Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), October 30 2009, p. 52

contracts, and receive their salaries through the MoI. Handover of operational control will occur when the FPS consolidation law is passed. The contract signing and payment by the MoI mark a significant step toward consolidation. The projected end strength of this force may be as high as 104,000 when consolidation is complete in late 2009.

...All MoI FPS personnel have been trained as of June 1, 2009. MoI FPS personnel are trained in the 240-hour IP course. Currently, 485 MoI FPS personnel who were trained when a three-week course was standard are being retrained in an IP course. A plan is being made to train contractors to the MoI IP standard. The United States, in cooperation with the MoI, is building a FPS training facility in Al Kut, Wasit Province, with a completion date expected in 2010. The FPS has traditionally been the unit with the lowest priority for equipment issue within the MoI and currently has less than 10% of its authorized equipment on hand.

This is a case where the Department's descriptions are distinctly more favorable than those of many MNF-I advisors and other personnel in the field. These remain marginal forces at a time when the physical security of Iraqi petroleum and other facilities will be critical to success in attracting and sustaining foreign investment and creating a normal economy. In practice, the OP and FPS still have serious problems in the quality of their training and leadership, and they may require significant further assistance.

The Sons of Iraq

The Sons of Iraq (SoI) present challenges of a different kind. The task is to absorb some of them into the ISF and employ the rest, rather than continue to sustain them as a separate entity. They were vital to the reduction of violence in 2007-2008, but they have had difficulties re-integrating into the ISF and other security positions. As **Figure XII.13** shows, the problems in absorbing the SoI also vary sharply by province and furthermore constitutes a large problem involving Iraqi Sunnis.

As of August 2009, only 13,000 of over 100,000 SoIs had been integrated into the ISF.⁴⁰¹ Another 3,300 had been given other positions in the GoI. General Odierno reported continuing progress in September 2009, but also stated that the situation remains somewhat problematic,⁴⁰²

As you are aware, the Sons of Iraq program succeeded in drawing many out of the insurgency, giving them the opportunity to serve their communities and earn salaries to support their families. In April, the Government of Iraq assumed responsibility for the Sons of Iraq (SoI) program. Over 23,000 former SoI have transitioned to the Iraqi security forces and other non-security employment since 2008, including over 5,500 in Baghdad over the last two months. In October, over 5,000 more will transition in Baghdad.

Despite budget cuts across the Government of Iraq, the GoI has maintained funding for this program, understanding its importance not only to security but also to building greater trust between the Sunni community and the government. SoI payments through the summer are complete and September pay is ongoing. The GoI goal is to integrate all of the SoI into the ministries at the end of the year, but we do not believe they will meet this deadline. We will continue to monitor the progress of this program very closely.

⁴⁰¹ Barnes, Julian E., "Analysts See Iraq on Edge," *Chicago Tribune*. August 23, 2009.

⁴⁰² Testimony to the House Armed Services Committee, September 29, 2009, as provided by OSD (Public Affairs), September 30, 2009.

SIGIR reported in October 2009 that,⁴⁰³

The GOI plans to transition 20% of the 95,000 Sons of Iraq (SOI) members into the ISF and reintegrate the remaining 80% into public or private employment, a goal unchanged since the initiative began a year ago. As of September 30, 2009, however, only about half of the 19,000 members slated to enter the ISF have transitioned, about 6,800 have gone to the GOI, and about 8,800 members have transitioned into jobs outside of the security sector. The GOI assumed responsibility for paying the SOI in May 2009, reporting that payments continue in all provinces where the SOI have been operating. 161 DoD reports that the slow pace of integration has the potential to undermine Sunni confidence in the GOI, and if not corrected, could undermine security progress... In response to the increased use of female suicide bombers in Iraq, the Multi-National Corps-Iraq (MNC-I) and community leaders began calling for women to join the Daughters of Iraq (DOI), a female counterpart to the SOI community policing program. Although the DOI force remains at 800, this progressive initiative has attracted much attention.

Reporting by the Department of Defense in late 2009 was more favorable, but still noted that problems remained.⁴⁰⁴

All of the 89,344 SoI in nine provinces are now under GoI control. As of May 2009, the GoI has control over all SoI and is responsible for paying all SoI salaries. U.S. forces continued to work with GoI officials on ensuring timely pay and transitioning SoI to other viable employment. Transitions began in Baghdad, where 3,331 SoI were moved to GoI ministries on August 2, 2009. During August 20-31, the GoI transitioned 2,262 SoI from the Rusafa district into ministries. Along with the previous 4,081 SoI who transitioned to private enterprise non-security employment, this brings the number of SoI transitioned to non-security employment to approximately 9,600. Since the start of the SoI program in June 2007, 13,342 SoI have been transitioned into the ISF.

SoI members continue to make significant contributions to security, and the GoI is working to remedy pay issues and uphold its commitment to transition the SoI. In Baghdad, 47,000 SoI skills and education questionnaires have been evaluated to determine placement into appropriate ministries with other provinces planning to follow suit.

...Transition of SoI members into the ISF last occurred in December 2008. The MoI and MoD are under a temporary hiring freeze while they conduct internal audits of their personnel rosters. It is likely that the four-phase Baghdad transitions alone will last through the end of 2009 and may continue into 2010 and the Iraqi election period. As this is the pilot program to transition the rest of the SoI, most of the remaining SoI may not be integrated by the end of 2009.

... Additionally, concerns remain within the Sunni community over the continued arrests of SoI leaders and charges of late and non-payment of salaries, particularly in Diyala Province, which had a substantial number of SoI not on the demobilization, disarmament, and reintegration (DDR) pay roster. Key leader engagements between U.S. leaders and the IFCNR have been held to discuss the cumulative effect of Sunni leader arrests, AQI targeting, and SoI pay issues, which create a perception of intimidation against the Sunni population in Diyala. Also, though declining, targeting and attacks against SoI by insurgent groups continue to be cause for concern among SoI leaders, most commonly in Diyala, Kirkuk, and Salah ah Din.

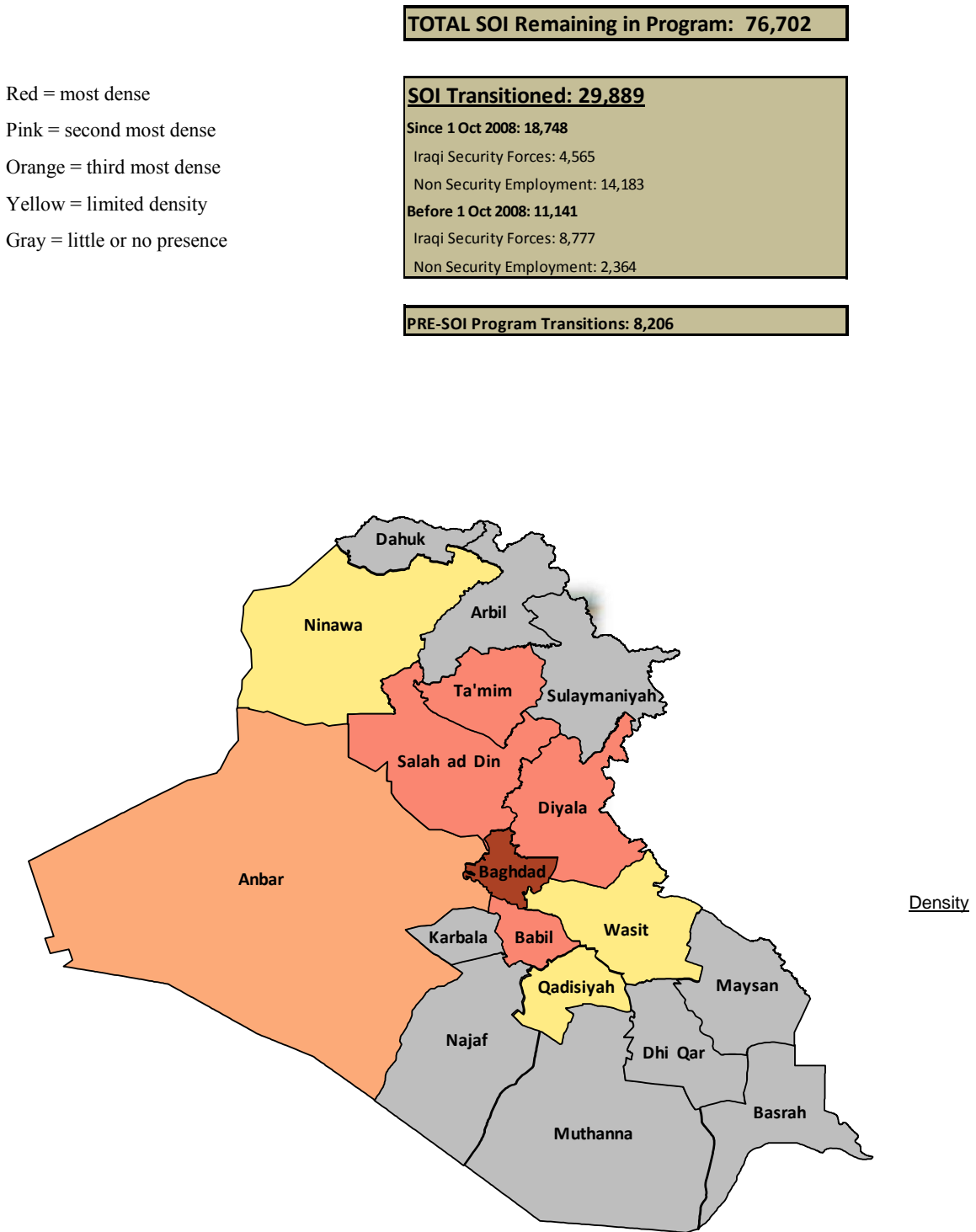
It is critical to understand, however, that a focus on the SoI alone ignores the far more critical factor that there are millions of other young Iraqis – Sunni, Shi'ite, Kurd, and minority – that do not have productive jobs or a form of employment that gives them real

⁴⁰³ Special Inspector General for Iraq Reconstruction (SIGIR), *Quarterly Report to the United States Congress*, (Public Law 108-106, as amended, and Public Law 95-452), October 30, 2009, p. 49.

⁴⁰⁴ Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252), October 30 2009, pp. 23-24.

careers. The SoI are an important security issue, but the overall level of employment and economic development discussed in previous chapters will be far more important to Iraq's stability and security, and to the US-Iraqi strategic partnership.

Figure XII.13: Success in Absorbing the Sons of Iraq as of November 2009



Source: US experts, November 2009

Other Key Issues

The US must help the ISF in dealing with several other key challenges. They are summarized in **Figure XII.14**, and they include the problems outlined below:

- The recent elections have done little to alter the balance of power among the militias and threat groups. The Sadr militia fragmented long before the elections, but still represents a force to be reckoned with and still has Iranian training and support. Fadhila and Maliki never had real militias, and the Badr Organization is more an arm of ISCI whose best members are now in the Iraqi Security Forces rather than the militia. The main threats to Iraqi security are hard-line Sadrist groups, some now with criminal or rogue elements, raids or bombings by elements of AQI, independent tribal or criminal groups, and the possible threat of indirect attacks by Iran.
- All aspects of infrastructure are potential targets and must be treated as such. Water security is no exception. Most insurgent attacks consist of one or two high profile killings or the bombing of government facilities. These kinds of attacks on key corporate, official, infrastructure, or project buildings may make dissuade foreign NGOs or countries from operating in Iraq.
- US military and security services should be considerate of the steadily diminishing US presence, and broad hostility to the US “occupation.” The US should strive for a partnership between the US Embassy and the Iraqi military with a shared goal to share as much intelligence, security, and contingency support as possible. The right balance would diminish the role of US military forces, which are generally unpopular and widely perceived as violent symbols of occupation.

Figure XII.14: Other ISF Challenges and Activities**INCTF-TT**

- ISOF expansion throughout Iraq
 - 1st ISOF Brigade (CT Bn, CDO Bn, SPT Bn, Recce Bn, Garrison Spt)
 - 2nd ISOF Brigade (4 x CDO Bns throughout Iraq)
- Develop CT rotary-wing air requirements
 - Establish Regional CT Centers to Enhance Intelligence Fusion
 - Develop professional NCO Corps for SOF
 - Unilateral operations within Iraq
 - Target approval Process
 - Warrant Based Operations

ISAM

- Improve the LOR-LOA approval and budget process with MoD and MoI
- Continuing education of both US and Iraqi personnel on FMS process
- Foster direct involvement between Iraqi acquisition personnel and state-side security assistance apparatus
- Improve Out-of-Country Training process
- Improve transportation and delivery accountability
- Plan the transition of operations from military to Department of State Office of Security Cooperation

INTEL-TT

- Increase capacity – improve intelligence infrastructure
- Improve and increase training and schools – New courses, greater throughput
- Multi-INT ISR – Going beyond HUMINT
- Improve institutional performance & professionalism; security programs
- Operating as an intel community; ops-intel coordination & intel sharing
- Refining police intel & investigator career paths

NTM-I

- National Police Training... 900 per course and T3 (50 by EOY 2009)
- Advice and mentoring of National C2
- Iraqi Training and Doctrine Command – Officer professionalization / NCO training
- Specific Training Augmentation Teams
- Equipment Donations

- Out of Country training
- NATO Long Term Agreement

The Role the US Can Play

The US must now cope with both near-term military tasks, and the need to build-up a new form of security relations wherein Iraq leads and the US performs advisory and aid functions. This means it must answer the questions as to the nature of the security aspects of its strategic partnership shown in **Figure XII.15**.

Figure XII.15: Determining the Nature of the US-Iraqi Security Presence

1stOrder Questions

•What security capabilities beyond MEC does the USG want to assist the ISF in achieving over the long term?

- How much?
- How fast?

•What should the nature of the bilateral US-Iraq security relationship be?

- Scope (e.g., combined ops/training, intel/ info sharing, interoperability, tech transfer)?
- Depth?

•What bilateral/multi-lateral relationships should the USG encourage / facilitate?

- In the region? Beyond?
- Under what strategic framework?

2ndOrder Questions

•What level of resourcing is the USG willing to commit to over the long run?

- Forces / People
- Money
- Time

•What set of security cooperation activities should the US pursue in its partnership with Iraq?

- Training/Advising/Equipping?
- Operational?

•What should the organization(s) that supports the long-term US-Iraq security partnership look like?

- Office of Security Cooperation

Source: Adapted from MNSTC-I briefing, November 6, 2009.

The US must answer these questions in ways that take full account of Iraqi sensitivities, sovereignty, and pride, and that build capacity rather than dependency. US advisors stress that the goal must now be to support the Iraqi plan, not to give them the plan. They also stress the need to institutionalize and not simply provide a series of one time fixes, to build Ministerial capacity as well as forces, and to develop Iraqi sustainment and maintenance capabilities, not simply active forces.

General Odierno on how the US should pursue these tasks in his testimony to Congress on September 29, 2009,⁴⁰⁵

...the focus of our forces is shifting from security to capacity building, our strategic goal remains to foster a long-term partnership with a sovereign, stable, and self-reliant Iraq. We have a good plan that we are executing. I am confident in our way ahead.

⁴⁰⁵ Testimony to the House Armed Services Committee, September 29, 2009, as provided by OSD (Public Affairs), September 30, 2009.

Iraq is a state and a society under construction, struggling to define its identity and its place in the world after decades of oppression and violence. The way in which we draw down our forces will impact not only the relationship between US and Iraq into the future, but also the nature of the new Iraq. Our presence through 2011 provides psychological and physical support to the Iraqi people, the Government of Iraq and the Iraqi Security Forces. It provides the opportunity for different groups to build up their constituencies, to participate in politics, to form alliances and to reach consensus. The level and nature of US engagement with the Iraqis will continue to change as the US military draws down. Iraq is making steady progress, but has a long way to go. We must have strategic patience.

Through the Strategic Framework Agreement, the US has a mechanism for supporting Iraq to develop its institutional and human capacity. Success will be defined by our ability to support Iraq's developing institutional capacity— from governance to economics—that will sustain Iraq's long-term stability. The ISF have made steady progress and our efforts over the next two and a half years will help solidify the foundation of a professional and competent Iraqi Security Forces. We must leave Iraq with a security force capable of providing defending the Iraqi people and protecting GoI institutions.

Dealing With Iraqi Contingency Needs

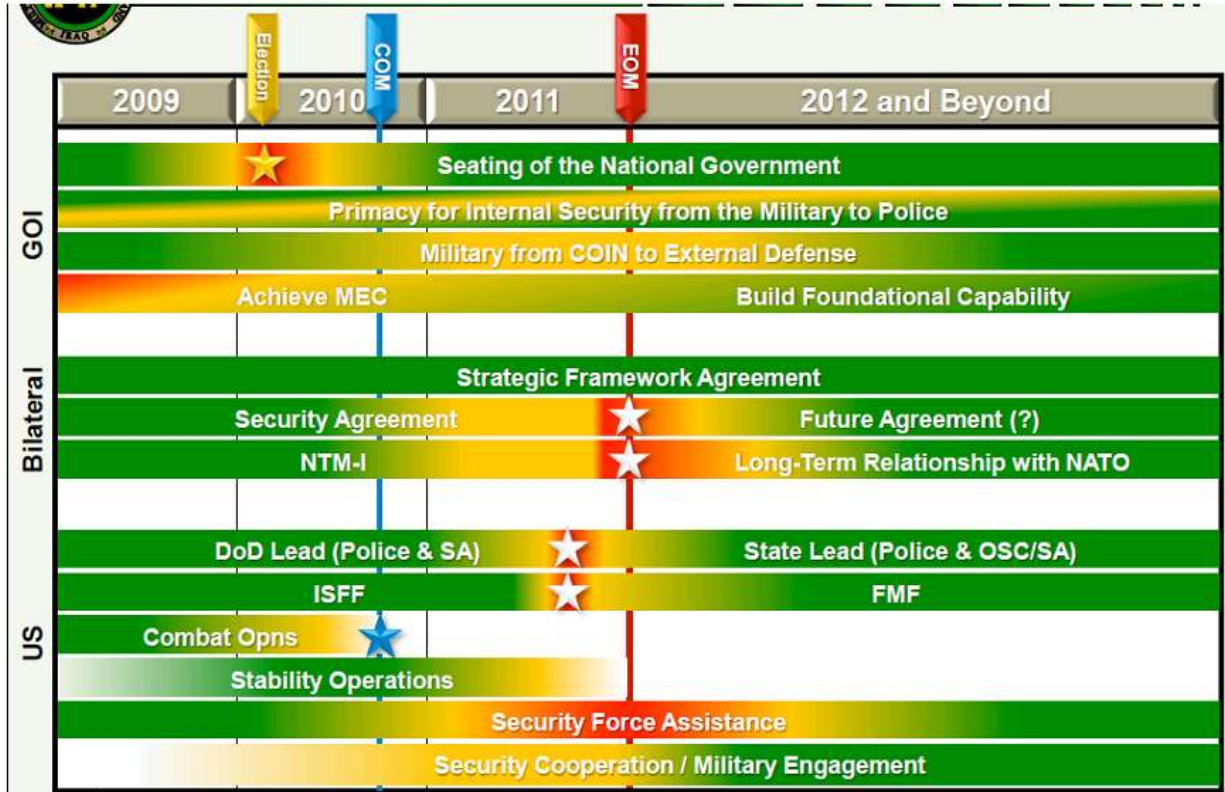
In short, the US must plan to help the ISF in dealing with insurgency, terrorism, and the risk of civil conflict between now and the end of 2011 – and for several years beyond. The US must also be ready to provide Iraq with continued military support should it request it. There is a growing recognition among Iraq's military leaders that the ISF will need US support beyond 2011. According to the Washington Times, Gen. Nasier Abadi indicated that Iraqi commanders would welcome continued training by U.S. forces despite the withdrawal deadline set late last year.⁴⁰⁶

At the same time, the US cannot focus simply on ISF development or on managing the withdrawal of its forces, and particularly not doing so as if everything will go according to plan. The US must maintain contingency plans and options for dealing with serious crises – recognizing that its leverage and ability to intervene are rapidly diminishing as its force levels drop and Iraqi politics dominate.

Figure XII.16 shows an MNSTC-I estimate of how the US should manage the problems posed by the transition to responsible withdrawal and fully empower the ISF to take over the security mission:

406 Lake, Eli. "Iraqi army wants U.S. help past withdrawal." Washington Times. December 8, 2009.

Figure XII.16: How to Manage the Risks of US Withdrawal and Transition to Full Iraqi Mission Capability



Assumptions

- Elections will occur
- The USG and GoI will adhere to the Security Agreement, and the GoI will not request an early withdrawal of forces
- The ISF is capable of maintaining internal security, and violence will be manageable throughout the transition of government
- The GoI requests for US assistance during this transition period will be largely limited to enablers
- Period of heightened risk extends only 60 days after elections
- The greater the public perception of legitimate and fair elections, the less chance there will be for heightened tensions between political and sectarian groups – and a shorter period of risk
- AQI will attempt to make high profile attacks to disrupt or interfere with free and fair elections

Risks

- Lengthy delays in seating new government and/or an exceptionally lengthy transition period could:
 - Delay key security-force-related decisions/ activities, thereby postponing the achievement of MEC and
 - Delay the signing of necessary FMS cases (LOAs), thereby unhinging the readiness of key systems
 - Delay key transition timelines (e.g. OSC, INL, etc)
- Budget is not passed and Iraq enters an extended period of "continuing resolution"
- Rising corruption as "lame duck" leaders attempt to enrich themselves direct contract sales related graft
- Newly elected government may not be interested in pursuing a robust, long-term security partnership with the US, thereby:
 - Undermining the good advisory relationships MNSTC-I enjoys with the MOD, MOI and CTF
 - Impairing MNSTC-I's ability to achieve MEC
- Election-related violence could pose a significant threat to MNSTC-I's security and mission posture
- Further politicization of MOD and MOI, which undermines inter-ministerial cooperation in key security matters

Source: US experts, November 2009

Transitioning to Aid and Advice to the Iraqi Security Forces

This requires a two-phased US effort. During 2010-2011, US military missions in Iraq will be able to provide a combination of a contingency capability to provide military support or enablers, focus on “responsible withdrawal,” and find ways to “put the Iraqis in the lead.” After that time, US forces will have been withdrawn aside from whatever level of advisory mission Iraq chooses to request.

From 2012 onwards, the US role will be to provide military and civilian advisors, military assistance, FMS and other arms sales to create as strong and independent an Iraq as possible. This requires continuing efforts to create armed forces that can make Iraq a strategic partner that can both defend its own interests and help bring security and stability to the Gulf. It also requires continuing efforts to create police and security forces that can help the nation make the transition to domestic peacetime security and rule of law.

Much of this planning is already underway. On January 1, 2010, MNF-I, MNC-I and MNSTC-I will merge staffs to become USF-I. The USF-I Deputy Command General for Advising and Training (DCG (A&T)) will assume the roles and mission of MNSTC-I. DCG (A&T) will continue to advise, assist, and train until US forces’ end of mission on December 31, 2001. The US will convert its remaining forces into six Advisory Assistance Brigades in 2010 -- two each in MND-Noth, MND-Center, and MND-South. They will focus on the development of the ISF as a key mission.⁴⁰⁷

SIGIR reports that,⁴⁰⁸

The Multi-National Security Transition Command-Iraq (MNSTC-I) was established on June 28, 2004, to direct and support training and equipping the ISF. On December 31, 2009, MNSTC-I is scheduled to formally conclude its mission. As currently planned, the Iraq Security Assistance Mission (ISAM) and the Iraq Training and Advisory Mission (ITAM) will assume MNSTC-I’s duties by the end of the year.

ISAM will be the operational center of the U.S. Embassy’s Office of Security Cooperation (OSC). ITAM will eventually transfer the police-training mission to the Department of State (DoS); the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL) will assume full responsibility for training Iraqi police.

In May 2009, the Department of Defense (DoD) announced the formation of the first Advise and Assist Brigades (AABs), which will deploy to southern Iraq this year. The AAB is specifically designed to enhance interagency reconstruction and stability operations. Pre-deployment training for soldiers assigned to AABs emphasizes civil affairs, city management, and border security, in addition to traditional combat operations. The AAB slated for southern Iraq will have the primary mission of supporting the PRTs and helping to train the ISF. DoD reports that at least six AABs are in the pipeline.

It is important to note that these SIGIR comments imply that a decision has already been taken to create an OSC. It has not been finalized; and while ISAM will most likely move over to a traditional OSC structure, it still operates as the US Security Assistance Office and will fall under USF-I for the foreseeable future.

⁴⁰⁷ MNSTC-I, November 18, 2009.

⁴⁰⁸ SIGIR, *Quarterly Report and Semi-Annual Report to the United States Congress* (30 July 2009), p. 9

Some other developments, however, are already taking place. The first of these Advisory Assistance Brigades is already being deployed. It will be part of a force of some 50,000 military and some 75,000 support contractors that will remain in Iraq from August 2010 to late 2011. Hopefully, this will be a strong enough combination of combat forces and advisors to meet the ISF's needs during this period.

Other changes will be equally important. On December 31, 2009, the current duties of the Multi-National Security Command-Iraq (MNSTC-I) will transfer to two new organizations. SIGIR reports that the first is the Iraq Security Assistance Mission (ISAM)—“an enabling agency that facilitates procurement of equipment, services, and training (formerly the Security Assistance Office) [which] will be ramping to 91 personnel.” It will have the following roles:⁴⁰⁹

- Enhancing Force Capability. Facilitate procurement to equip police forces and assist the equipping of a self-defense capability.
- Force Professionalization and Specialization. Expand training programs and ensure adequate resources; translate Foreign Military Sales (FMS) Letters of Request and Letters of Acceptance; facilitate the development, processing, and preparation of candidates for the International Military Education and Training Program and for training and service abroad.
- Enhancing Ministerial Capacity. Improve strategic planning and policy development, improve GOI resource management, and expand regional exercises and engagement programs in support of a future security cooperation relationship with the GOI.

The second is the Iraq Training and Advisory Mission (ITAM)— which current plans indicate will comprise 337 personnel assigned to support the MoD and MoI, along with 574 International Police Advisors (IPAs) to train the Iraqi police forces. It is currently planned to perform the following roles:⁴¹⁰

- Enhancing Force Capability. Develop a competent and professional police force; enhance screening to control Iraq's borders; improve command and control throughout Iraq; develop a credible self-defense capability; and enhance ISF medical, logistics, and maintenance programs.
- Enhancing Ministerial Capacity. Improve strategic planning and policy development; synchronize planning and programming decisions; improve GOI resource management; develop life-cycle management programs; improve recruiting, training, manning, and equipping; and expand engagement and strategic communications programs.
- Force Professionalization and Specialization. Expose Iraqis to Western values and culture to promote tolerance, expand training programs and ensure adequate resources, increase interoperability with U.S. or Coalition forces, and improve medical training and equipment.
- Rule of Law Primacy. Strengthen anticorruption programs, improve leader accountability, enhance judicial security, and improve inspection programs.

⁴⁰⁹ Special Inspector General for Iraq Reconstruction (SIGIR), *Quarterly Report to the United States Congress*, (Public Law 108-106, as amended, and Public Law 95-452), October 30, 2009, pp. 37-38.

⁴¹⁰ Special Inspector General for Iraq Reconstruction (SIGIR), *Quarterly Report to the United States Congress*, (Public Law 108-106, as amended, and Public Law 95-452), October 30, 2009, pp. 37-38.

These two organizations, however, will be interim steps. USF-I is planned to transition its missions for enhancing ministerial capacity, force capability, and police primacy to U.S. Embassy-Baghdad control, under the Office of Security Cooperation-Iraq (OSC-I) in 2011, and to INL in the State Department. This latter transfer is more demanding than the first. The US must decide how large an OSC and advisory group it wants, and Iraq must decide what it wants and will approve since all 50,000 US forces remaining after August 2010 must currently leave by December 31, 2010.

Some planners have talked about only 100-300 personnel, perhaps with a large number of support contractors. This seems likely to fail to meet Iraq's real world needs. A much larger mission seems to be needed and there is a strong case that the US should offer Iraq a much more robust post-2011 assistance office in the form of either a larger Office of Security Cooperation or through a long-term US Military Training Mission – similar to the kind that has been so successful in Saudi Arabia. This means giving high priority to obtaining and keeping the right kind of US personnel. These may have to include much larger numbers of military. It is not clear that Iraq will welcome contract support given the events of the last five years.

The US will also need to provide IMET training funding, military aid funds, and rapid response for Foreign Military Sales to help Iraq and to provide the incentives needed for lasting cooperation, the professional development of the ISF, interoperability, and suitable contingency capabilities. These resources will help the US come to the aid of Iraq quickly and effectively in an emergency. The post-2011 US team will also need to work closely with Iraq so that it can regain the capability to defend its own territory from neighboring states like Iran and other potential threats. This will require US support in foreign military sales, and the transfer of lead system like the M-1 tank and F-16 fighter.

At the same time, a State Department team will need to be ready to take over the mission of assisting the Ministry of the Interior and Iraq's various civil police forces as Iraq moves towards civil order and a conventional rule of law. US support of the other Iraqi police and forces under the MoI will transfer from MNSTC-I and the US military to the US Embassy and the new advisory team will be a State Department program run by I&L. This will be supported by a parallel US advisory effort to help Iraq develop a fully effective civil rule of law. Such help can ensure that Iraq develops both the military forces it needs and a justice system that combines effective courts and detention procedures with an effective mix of police forces.

Finally, the US must make a major effort to look beyond immediate needs and help Iraq create a coherent long-term force development effort. One approach that members of the US country team have suggested is to set up a planning cell that combines US military, diplomatic, and intelligence expertise to author regularly updated plans to help develop ISF forces and deal with contingency options. Such a cell could help bring together the civil and military side of the US effort, take advantage of the expertise that only an in-country presence can give, and help ensure that US efforts really do give mid and long term efforts the level of attention they need.

MNSTC-I has established a Partnership Strategic Group that already seems to provide the kind of focus on 2012 and beyond that is flexible enough to adapt to constant change

without losing sight of the longer-term objective. The cell that MNSTC-I has set up has people dedicated to looking at the future through 2012, and to keep part of the team looking beyond present issues. This kind of unit needs to be institutionalized at every level. The present is so challenging that it is tempting to constantly deal with the next immediate critical deadline or the present tour of duty. However, the US must consistently look to the future and constantly recalibrate its plans to reflect new developments.

The Special Problems of the Iraqi Police

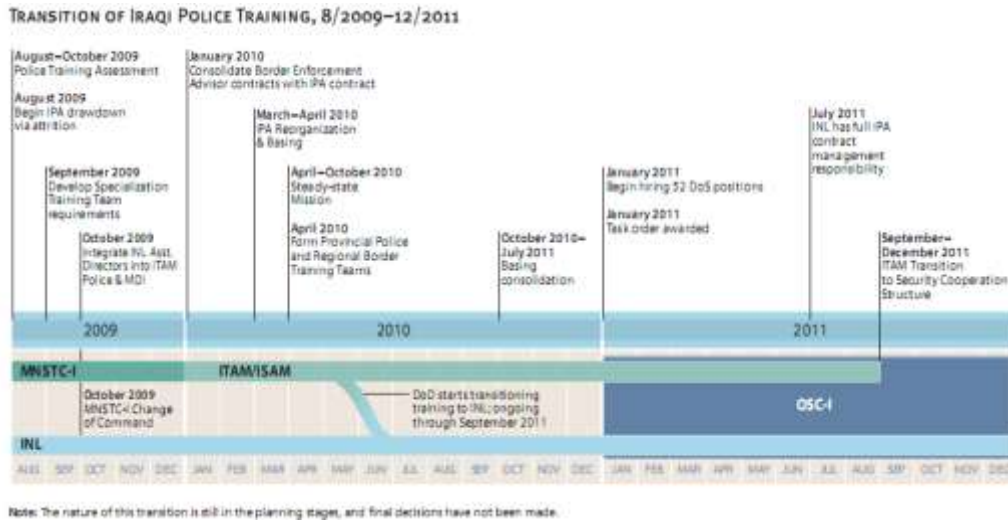
The problems in transitioning to an advisory role will be more complicated in the case of the police. Any truly successful effort to give Iraq lasting security and stability requires that the ISF change its current roles and missions to transition to police primacy for internal security. This has been a major theme in the MNSTC-I advise, assist, and train role. It also requires that police primacy be supported by other critical measure on the civil side such as evidence based warrants, the rule of law, and effective corrective institutions.

This mission cannot possible be accomplished before US forces complete their withdrawal on December 31, 2011. It also is a mission that will be taken over by the State Department. This transition is shown in **Figure XII.17**. It presents serious potential problems if the transition is not handled effectively, is not properly staffed, and if the US does not provide sustained aid beyond 2011.

As has been touched upon earlier, the police training mission will transfer from the Department of Defense to INL in the Department of State by July 2011, and radically downsize in the process. SIGIR reports that, "INL believes that the basic components of training the Iraqi police services have been largely accomplished, and it reports that it will focus on executive development, managerial training, and other specialized programs such as forensics. According to current plans, by 2011 the police training mission will have decreased its presence from 38 primary training centers to just 3 hubs: Baghdad, Erbil, and Basrah."⁴¹¹

At present, however, it is far from clear that INL can carry out the mission on a timely basis without far more resources in personnel and funds than are currently programmed, and current plans seem to assume far more current progress within the Iraqi police than has actually taken place. In practice, the INL training mission may have to be substantially larger than currently planned, and creating a police force with the need capabilities may only be possible if this support continues through at least 2014.

⁴¹¹ Special Inspector General for Iraq Reconstruction (SIGIR), *Quarterly Report to the United States Congress*, (Public Law 108-106, as amended, and Public Law 95-452), October 30, 2009, p. 38.

Figure XII.17: Transition of Iraqi Police Training, 8/2009-12/2011

(Public Law 108-106, as amended, and Public Law 95-452), October 30, 2009, p. 38.

Need For Continuing US Aid Through 2014

More broadly, Iraq cannot make a secure transition to creating the mix of armed forces, security forces, and police forces it needs without additional US financial aid. Its budget problems are too great and it will be years before its new petroleum programs produce a major increase in Iraqi government revenues. For all of the reasons analyzed earlier, Iraq will need several years of continued US financial aid.

Part of the problem is the sheer scale of past US aid and the difficulty Iraq faces in funding its forces without such support. The United States allocated \$24.52 billion in aid to develop the ISF, construct related infrastructure, and support increased capacity for the rule of law between 2003 and September 30, 2009. It obligated \$23.09 billion, and expended \$20.72 billion.

Current US aid plans are shown in **Figure XII.18**. An estimate of the changes needed in the plans for FY2010 onwards, and the additional aid required during the transition from US forces to full Iraqi capability, is shown in **Figure XII.19**. This figure shows both that Iraq is projected to fund most of the ISF and gradually take over the burden of funding discretionary expenditures. It also shows, however, that past US aid funds will expire on September 30, 2010, and that US experts estimate that Iraq will need \$1 billion worth of reprogramming in FY2010, some \$2.5 billion in additional ISFF aid in FY2011, and approximately \$1 billion in FMF aid each year from FY2012 to FY2014.

This funding is essential to ensure Iraq's security and to ensure that the US does not lose all of the gains it has made since the surge by rushing out of Iraq before Iraq is ready. It will minimize the risks of US withdrawal, demonstrate to Iraqis that the US is truly serious about building a strategic partnership, and send a vital message to America's allies in the region that the US will not leave a power vacuum in Iraq that Iran and other outside powers can exploit.

These are serious funds but they still represent a fraction of the peak monthly US costs of being in Iraq at the time of the surge, and are far cheaper than any future US military

deployment to try to compensate for the failure of the ISF to meet its mission. Such spending is more than justified by the threats posed by Iraq's neighbors, the needs of the Iraqi people after some 30 years of conflict, the importance of the security of the Gulf and world oil exports, and America's spending on the global economy.

Figure XII.18: US Security Aid and Current Plans: 2003-2010**Use of Major US Funds: 2003-September 30, 2009 (\$US billions)**

AREA	SECTOR	STATUS OF FUNDS			QUARTERLY CHANGE	
		ALLOCATED	OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Security	Equipment	7.29	6.82	6.03	0.57 (9%)	0.94 (19%)
	Training	6.11	5.68	5.45	0.31 (6%)	0.42 (8%)
	Infrastructure	5.81	5.55	4.84	0.08 (1%)	0.13 (3%)
	Sustainment	2.55	2.41	2.17	0.10 (4%)	0.06 (3%)
	Rule of Law	1.50	1.48	1.27	-	-
	Related Activities	1.27	1.15	0.97	0.04 (4%)	0.03 (3%)
	Subtotal		24.52	23.09	20.72	1.10 (5%)

Note: ISFF data provided by OSD is preliminary for the quarter ending September 30, 2009. OSD does not report allocation, obligation, and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. The "Unaccounted for CERP Allocations" total is the difference between the top-line allocation, obligation, and expenditure data provided by OSD and the categorical data available from IRMS. U.S. Embassy-Baghdad did not provide updated allocation, obligation, and expenditure data for the Democracy and Civil

Society, Iraqi Refugees (Jordan), and Regime Crimes Liaison Office sectors. Values for these sectors are carried over from the previous quarter.

Planned Spending on Iraqi Security Forces: FY2008-FY2010 (\$US Millions)**IRAQ SECURITY FORCES FUND SPEND PLANS**

\$ Millions

SUB-ACTIVITY GROUP	FY 2008/FY 2009		FY 2009/FY 2010		
	PREVIOUSLY APPROVED (9/2008)	REVISED SPEND PLAN	FY 2009 BRIDGE REQUEST	SPEND PLAN	
MoD	Sustainment	154.7	173.9	91.8	91.8
	Equipment	917.9	925.0	1,030.1	260.1
	Training	116.1	192.4	234.0	196.5
	Infrastructure	298.5	298.5	—	—
	Subtotal	1,487.2	1,589.8	1,355.9	548.4
MoI	Sustainment	106.0	66.0	20.0	20.0
	Equipment	392.0	432.0	125.6	125.6
	Training	650.0	650.0	417.2	231.0
	Infrastructure	110.0	110.0	—	—
Subtotal	1,258.0	1,258.0	562.8	376.6	
Other	Related Activities	254.8	152.2	96.2	75.0
Total		3,000.0	3,000.0	2,014.9	1,000.0

Note: Data not audited. Numbers affected by rounding.

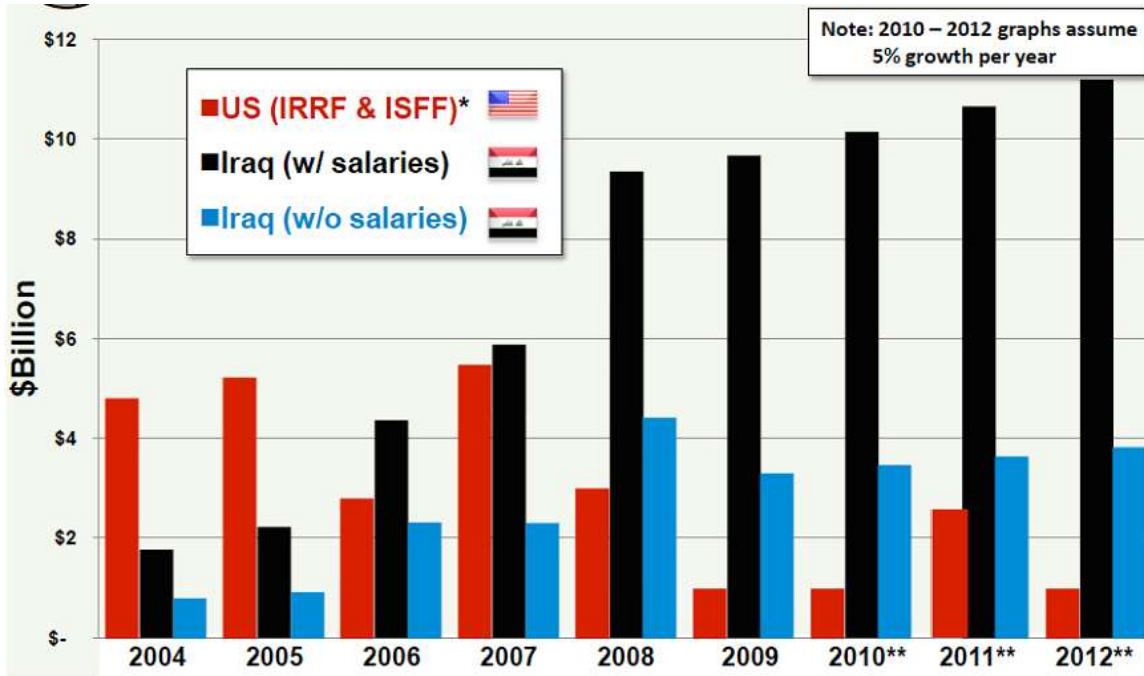
Source: OSD, responses to SIGIR data calls, 7/2/2009 and 9/30/2009.

Note: Data not audited. Numbers affected by rounding.

Source: Special Inspector General for Iraq Reconstruction (SIGIR), Quarterly Report to the United States Congress, (Public Law 108-106, as amended, and Public Law 95-452), October 30, 2009, pp. 42 & 51.

Figure XII.19: Iraq's Need for Continuing US Military Assistance: 2009-2012

Iraqi Spending vs. Estimated Requirement for US Aid



Required Security Assistance Funding



* US Execution is reflected for the FY that ISFF was authorized
 ** Numbers reflect *projected* vice executed
 *** Reflects projected FMF instead of ISFF

Source: US experts, November 2009

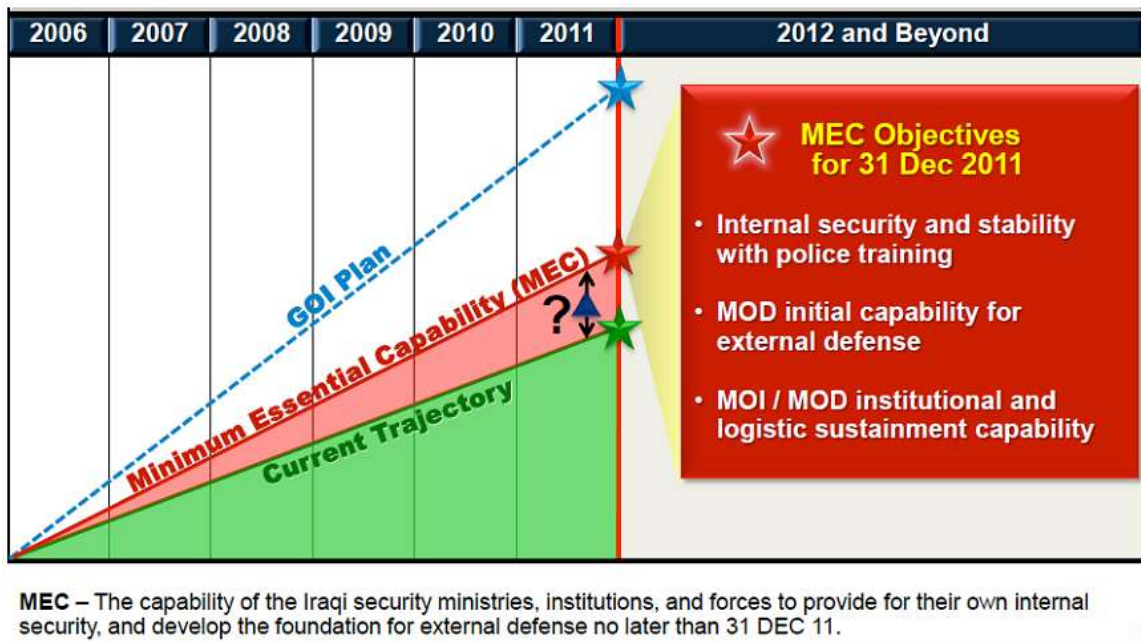
How Much is Too Little, How Much is Too Much

At the same time, **Figure XII.20** shows that the US must be careful to ensure that Iraq does not try to sustain too large and too costly a mix of ISF forces. It must help Iraq set goals that can create a supportable mix of ISF forces. While this chart is more symbolic than a quantified measurement of trends, it is fully accurate in showing that the current level of defense spending falls well short of MNSTC-I assessments of where the ISF needs to be in achieving minimum essential capabilities by December 31, 2011—in the face of current fiscal realities—and much further short of where the GoI would like to be.

Iraqis still have overambitious goals. If these plans were executed, the total size of the MoD and MoI security forces could exceed 700,000 to 800,000 in a country where this pool of men -- particularly literate and fairly skilled men within it -- makes up a significant percentage of the labor force.

Iraq needs forces large enough to consolidate victory and security first, but as MNSTC-I fades out and the AA Brigades come in, the US advisory team will need to carefully address how to reduce force quantity and sustain critical areas of force quality while eliminating key gaps in support and enablers.

Figure XII.20: Keeping ISF Force Size and Costs in Proportion



Source: US experts, November 2009

Individual Areas for Further Action

There are other aspects of the US effort that need attention:

- *Today's top commanders need to carefully consider their own eventual rotation and the fact that much of the most experienced team members will rotate out, presenting major problems in terms of continuity, influence, and relations with Iraqis.* There will be a real need to avoid bloc rotations, provide special incentives for continuity, and ensure a careful hand-off during the critical transition period from 2011 to 2012.

This raises the issue of whether special cadres of US military and civilians are needed that are recruited to spend several years to provide continuity to the US effort and above all to maintain US relationships with Iraqis on a personnel level. There needs to be a better bridge across rotations. Even when these involved personnel with multiple tours, they sometimes involve one year of experience in different areas at different tasks. Providing special pay and incentives could be of great importance, particularly given the turbulence in US-Iraqi relations that will come from downsizing the US presence and shifting to civilian lead.

At the same time, the strain of years of effort and repeated tours of duty requires special attention to avoiding sudden changes in assignments, extensions of duty, cancellations of leave, etc. It may take some special arrangements but I would try to ensure longer overlaps, earlier arrivals of rotations, and some surplus of critical personnel to avoid any risk of burn out.

- *Create a full spectrum I/O campaign to communicate US actions, intentions, and help to the Iraqi people.* There are reports that a long term I/O plan for the transition is being developed. This seems critical. It would be far better if the Iraqi government took the lead, but the US needs to keep Iraqis and others in the region steadily informed about the pace of US force cuts, shifts in the role of the remaining US forces, the value of US advice and aid, economic and governance reform and support efforts, investment, etc. This needs to show trends, report progress and go far beyond the PAO type of announcement of individual developments to try to shape public understanding. It was not clear that the Iraqi government had yet made the proper level of effort even to explain the withdrawal of US combat forces from the cities, and if it does not, we must.
- *The country team also needs to carry out an I/O campaign in the US.* It needs to constantly remind the US of the strategic value and benefits of the effort in Iraq in the most specific terms possible. It is far too easy in the US to forget that the goal is not winning the war but creating an enduring strategic relationship in a critical region. Constantly talking about energy, the global economy, the regional threat of terrorism, Iran, etc, may seem redundant, but it is not. Constantly highlighting the benefits to the US and Iraq of the best outcome of the Strategic Framework Agreement is equally important. Given AfPak, the financial crisis, etc, there simply are too many distractions and other priorities to let this slip, and there is a tendency to assume understanding.

In short, the US must make a consistent effort to move beyond both the past military focus on stability and security and the past problems in US and international aid efforts. It must make a clear shift to a cohesive State-led effort that can take over from the military during 2010-2011 and sustain itself in the future.

These also are not tasks the US can dodge by claiming premature success or trying to shift the burden to international organizations or to its allies. Either the US side of the Iraqi force development effort will succeed, or the Iraqi side will fail. Moreover, any sustained US success in Iraq will hinge on how well the US can replace its forces with an effective and lasting US advisory effort and the essential level of military aid after US forces are withdrawn in 2011.

13. The Iraqi-US Strategic Framework Agreement: US Troop Withdrawal and the Shift to Aid and Advisory Services

Iraq and its political leaders now have the responsibility for meeting all of the challenges addressed in this analysis: political accommodation, civil governance and rule of law, and reconstruction and economic development. Iraq is also rapidly taking control of its own security and assuming the operations of US forces – now the only remaining military element of the Multinational force–Iraq (MNF-1). MNF-I reported that the ISF were already in the lead in 14 of the 18 provinces as of December 31, 2008. A total of 13 of Iraq’s 18 provinces had successfully transitioned to Provincial Iraqi Control (PIC) as of 2009, and the ISF had taken the lead in an additional province while transition was still in progress.⁴¹²

This analysis shows, however, that the US retains significant influence in Iraq, and that its military presence in Iraq will play an important role through 2011. It also shows that how the US leaves Iraq, and the degree to which it provides continued aid and assistance during the critical transition period from 2012 to 2014 will do much to determine Iraq’s future and how well a US-Iraqi strategic partnership can serve both Iraqi and US interests.

The US-Iraqi Strategic Framework Agreement provides a clear basis for such a partnership in all of the key areas addressed in this study. It describes areas for long-term cooperation “to support the success of the political process, reinforcing national reconciliation within the framework of a unified and federal Iraq, and to build a diversified and advanced economy that insures the integration of Iraq into the international economy.”

It states that this long-term relationship will, “contribute to the strengthening and development of democracy in Iraq, as well as ensuring that Iraq will assume full responsibility for its security, the safety of its people, and maintaining peace within Iraq and among the countries of the region.” It provides seven detailed sections outlining the basis for, “political and diplomatic cooperation, defense and security cooperation, cultural cooperation, economic and energy cooperation, health and environment cooperation, information and communications cooperation, and law enforcement and judicial cooperation.”

There is no way to be certain how real the US and Iraqi cooperation called for in the Agreement will ultimately turn out to be. It was written at a time when the US was still a de facto occupier and when it played a key role in shaping US policy under the terms of UN Security Council Resolutions 611 and 1790, and Iraqi security was the responsibility of the MNF-I under the terms of Chapter VII in UNSCR 1790.

The actual level of strategic cooperation will depend heavily upon the future leaders and politics of Iraq, and on how realistic Iraqis are about their own needs for help in giving

⁴¹² Interviews and Department of Defense, *Measuring Stability and Security in Iraq*, Report to Congress In accordance with the Department of Defense Supplemental Appropriations Act 2008 (Section 9204, Public Law 110-252) (Dated June 2009, but issued in August.)

Iraq the level of security and stability it needs to stand on its own. It will depend as much, however, on how well the US presents Iraq with well-shaped plans for continued civil and military assistance, and shows that it is an ally that both supports Iraq and places it in the lead, and whether it can overcome the anger and resentments of many Iraqis. The Strategic Framework Agreement will only have practical meaning to the extent the US shows the way it leaves Iraq, helps it meet present challenges, and can win the support of Iraqis and overcome the tensions of the past.

The Need to Redefine Iraq-US Relations to Create an Iraqi-led Partnership

Both states need to recognize that they can benefit from translating their Strategic Framework Agreement (SFA) into programs that help ensure Iraq's security and development. This requires a new form of partnership whereby Iraq is firmly in the lead and in control, but both nations work together in ways that move from occupation to making Iraq a nation that can play a major role in ensuring the stability of the Gulf and the world's energy supplies.

Iraq's domestic politics reflect both a desire for independence and often anger and distrust at the United States for its invasion and occupation. Iraq has every reason to ensure that its sovereignty is fully respected, and that Iraqis alone shape and determine Iraq's future. This means, however, that Iraq must take a steadily increasing lead in meeting its challenges, and it must do so by taking positive and effective action. It must not fall into the trap of third world impotence – complaining about the past and trying to export blame or responsibility to other states. Iraq can only succeed to the extent it helps itself.

At the same time, Iraq needs to recognize that it will need continuing US aid and advice for several years beyond 2011 to develop its security forces and its economy. Much will depend on how realistic Iraqis are willing to be in recognizing such needs, communicating them to the US, and in seeking such US aid in time to get the US action that is needed.

Americans too, however, need to understand how important such a strategic partnership will be. Much will also depend on how quickly the U.S. shows Iraq that it is a responsible strategic partner, just how well it respects Iraqi sovereignty and leadership, and that the US is willing to provide continuing aid and support. It is clear from the preceding analysis that the US is already reducing most aid far below the levels it has provided since 2003, and that it is committed to reducing its troop levels to no more than 50,000 by mid-2010 and to eliminating its military presence by the end of 2012. These reductions are positive steps in fully restoring Iraq's sovereignty, but they will pose serious risks to Iraq's security and stability unless the US finds ways to continue to assist Iraq that are acceptable to both its leaders and its people.

The Congress, the media, and the American people need to understand that there is a continuing need to provide Iraq with advisors and forms of aid. They need to understand that providing continued support does more than meet Iraqi needs and help Iraq reach the level of security and stability it has lacked since the late 1970s.

A strong and stable Iraq will be a major bulwark against Iran without threatening Iran or serving as a new source of tension. It will have no reason to go back to the regional ambitions and tensions that have helped destabilize the Gulf since British withdrawal in the 1960s. It can play a constructive role in the resolution of Kurdish tensions in the region, and as a moderate voice in Arab-Israeli tensions and the search for a stable peace. Making Iraq a far larger oil exporter will limit oil prices and help ensure the stability of a global economy that is as critical to the US as any direct importer of Gulf oil.

Helping Iraq meet critical national strategic objectives is well worth the limited cost of continued American support. Failure will mean that the US-led invasion that took place in 2003 will have turned from a military victory to a grand strategic defeat. It is also a fact of history that nations remember how an occupying or invading country left, and what it left behind, for decades after its departure. The US cannot change the past; it can help shape the future.

This means the US must complete the shift from the role of an occupier to that of a strategic partner wherein it is clear to both sides that Iraq is the lead. In the process, the US must complete a shift in leadership away from the Department of Defense, focused on armed nation building, to an initiative led by the State Department, focused on aid, advice, and support for the Iraqi government.

As the previous chapters have shown all too clearly, however, such an effort cannot be carried out in Washington by an Executive Branch which lacks effective civilian partners for the US military, nor by a State Department which lacks operational capability and the willingness to change. It also requires hands-on expertise from those serving in Iraq, from those who have day-to-day contact with the realities on the ground.

This means that effective action depends upon the country team in Iraq. Given the challenges involved, such a team must be in place well before US military forces withdraw from Iraq at the end of 2011, and it must take the form of an integrated civil-military effort that creates a new US mix of civil and military advisors, and that creates a new approach to aid that helps Iraq make the transition to full management and funding of its programs. Given Iraq's current needs and national budget, and the issues it faces in the realization of economic progress, this could easily take a half a decade. It will be particularly important to handle the transition from dependence on US forces and aid during the critical period between 2012 and 2014, and to ensure that Iraq can make a "soft landing" from this dependence.

The Role the US Can Play: The Need for a Fully Integrated and Fully Implemented Civil-Military Action Plan to Make the Strategic Framework Agreement a Reality

Even the strongest country team can only be effective if it works from a fully integrated civil-military action plan that has the depth and extended timeframe necessary to make the strategic framework agreement a reality. The previous chapters have outlined a wide range of ways the US can develop a full civil-military strategic partnership with Iraq. This partnership is critical to creating a strong, independent, and friendly Iraq -- which is the only meaningful definition of "victory" in the Iraq War. At present, however, the US is placing too much focus on current problems raised by near term deadlines, like

withdrawal from the cities and the national elections, and too little focus on the problems it will face in future years.

Troop withdrawal is a critical issue, but the US cannot afford to declare victory and leave. Iraq is too critical a state for the US to leave without making every effort to ensure that Iraq that is both fully independent and secure. The US needs need to sustain the kind of relations with Iraq that can help build a nation wealthy and secure enough to prevent further crises with neighboring countries like Kuwait and Saudi Arabia. It needs to help build an Iraq that can bridge over the sectarian tensions in the Arab world, rather than become another source of extremism or a proxy for Iranian power. The US needs to help Iraq reassure the Arab Sunni states, rather than add to regional struggles between them, and help it win influence in the region.

This requires an integrated civil-military effort by the US country team in Iraq that makes the Strategic Framework Agreement a central part of US policy, rather than simply focusing on "responsible withdrawal." It requires the staffing and aid resources for that team to be effective to 2014 and beyond, and it requires sustained support from the Department of State, the Department of Defense, other Departments and agencies, and the US Congress. Experience has shown that such efforts cannot be planned and led from Washington. At the same time, no "whole of government" approach can work without strong support in its success.

Success will also require the President and the Obama Administration to provide the visible leadership needed to explain such programs to the Congress and the American people. "Strategic communications" is as important in the US as anywhere outside, and speeches and testimony need to be supported with convincing plans and reports to show both why action is necessary and that it can be – and is being -- successful.

Americans will not make additional sacrifices in Iraq unless they are asked to make sacrifices. They need to be shown that US operations in Iraq must involve far more than simply leaving. They must be shown why such efforts are necessary, and that US aid resources are being used far more effectively than in the past. Even the best civil-military effort in Iraq will only have meaning if it has the sustained support of the American people, the Congress, suitable support from the media, various think tanks, and other "influencers" of domestic public opinion. This is especially true at a time when the US is caught up in the "AfPak" conflict, a domestic/international financial crisis, Iran, North Korea, and so many other competing problems and demands.

The American people, the Congress, and media will need suitable support and transparency from the Country team and from the US government in Washington to see what kind of phased effort is planned, what level of continued aid and spending is needed, why the Strategic Framework Agreement and Status of Force Agreement are important and contingency action is needed, and what level of progress is being made. They also need to be prepared for reversals and the potential problems that may come, and to understand the limits of how much can be done in a given period of time. If I may criticize the positive nature of most current reporting, they need to be prepared for the risks. The proper communications strategy is to under-promise and over-perform -- *not*

the reverse. Some testimony has had this frankness, but far too much of the formal reporting has not.

This requires a major change in the way the country team and USG communicates what is happening in Iraq and what needs to happen in the future. It is time to move from reporting on the situation to providing a clear public case for the JCP and the kind of continued US effort and funding that will be needed through at least 2011, and through 2014/2016 on the civil and military advisory level.

One key shift would be to make the present DoD Quarterly Report on Iraq into a quarterly report on the overall level of progress being made to meet the goals set in the Joint Capabilities Plan (JCP) through 2012. This report should add a suitable risk assessment, which focuses on the transition to civil leadership and from combat to a US military advisory role, and should show why various forms of aid are necessary and how they are being used. One thing is clear: the present JCP is going to have to evolve through at least several crises yet to come; implementing it is going to take support for people and money. Underfunding and understaffing could waste both years of military sacrifice and success and a major opportunity to both help the Iraqi people and to serve a critical set of US national strategic interests.

Such a report will need to transition to becoming a State or joint document, as well as to one that focuses on overall progress and goals to 2012 and beyond rather than current security developments. In the process, it should be updated on a quarterly basis to keep it the focus of media and political attention.

If there is any lesson that has emerged out of a near decade of failure and two wars, it is that the present structure of the US government and State Department are incapable of planning, executing, and assessing a complex operation of the kind taking place in Iraq. The key to success at every level is the unity and effectiveness of the US country team in Iraq, and this includes reporting and strategic communication.

This means the country team needs to make a far more effective and frank effort to broaden the scale of testimony, outreach, and reporting to focus on the need for a sustained effort. It needs to concentrate on realism, rather than spin, and on honest timeframes, not artificial deadlines. It also needs to provide simultaneous translation of all material into Arabic to explain US policy and goals in far more depth to both the Iraqis and Arabs outside Iraq. There are risks in such communication. However, there are far greater risks in not making a major shift in communication and seeking the kind of sustained support that will be vital to success. It is also far easier to deal with the Congress and media if you warn of risks, have clear plans, develop simple measures of effectiveness and establish continuity and credibility in moving forward.