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One Year On: Nation Building in Iraq

A Status Report

**(CPA and DoD Data Updated from
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Executive Summary

After one year of nation building, the future of Iraq remains shrouded in uncertainty. The US-led Coalition Provisional Authority (CPA) has made some progress, all the more remarkable given that it had to improvise due to a lack of post-conflict planning. Schools are being rebuilt, police being trained, and a new Ministry of Defense and an intelligence service have been established. Many Iraqis are optimistic about the future and want Coalition forces finish the job. If US plans go forward, sovereignty will be turned over to the new Iraqi government June 30th – some 15 months after the fall of Baghdad on April 19, 2003 -- and the CPA will be replaced by a massive new US Embassy.

Yet these successes, however important, do not obscure the fact that Iraq is far from stable and still very much imperiled. Ethnic and religious tensions abound, and the Coalition's first major clash with a Shi'ite faction came of the weekend of April 3-4 – virtually the anniversary of the war. An ongoing “war after the war” developed with hard-line Sunni insurgents several months after the fall of Baghdad that changes in form but has not diminished in intensity. The US and its allies are still fighting a real war in Iraq that could suddenly escalate into a major civil conflict or broader struggle between Coalition forces and elements of both Iraq's Sunnis and Shi'ites.

When Iraq is given sovereignty on June 30th, it will acquire this sovereignty without a popular government and with almost every major issue affecting its future political structure still in flux. Iraq must still decide the exact role of Islam in the government, and the shape and strength of the central government. It will do so with a political calendar that requires major new national debates over a constitution and the creation of a true election government within the span of less than a year.

As the occupation fades, a major struggle for power is emerging between would be leaders and Iraq's main factions that will – at a minimum – last for years. Groups like the Sunni elite that found favor under the former regime resent their loss of privilege. Would be new leaders must struggle for visibility and power in a nation with no real political history other than Saddam and no meaningful political parties. The need for political struggle lends itself to demagogues and rule by ethnic and religious faction. It tends to divide Arab and Kurd, and Sunni and Shi'ite, but also to divide various groups within them by emerging leader. The whole issue of political legitimacy remains an unresolved question and leaders like the Moqtada Sadr have begun to emerge who challenge the entire plan for nation building.

A massive economic aid program might help win hearts and minds for the nation building process, but the flow of aid money is uncertain as is its success in actually creating the facilities and services Iraqis want and expect. The fledgling economy requires massive support and the creation of thousands of jobs is necessary to support the Iraqi youth explosion, but subsidized jobs do not create careers or lasting loyalty to a peaceful nation building process. Far too often, the aid effort is attempting to restore what existed under Saddam Hussein, rather than lay the ground work for meeting the actual needs of the Iraqi people, or solving critical structural economic problems in the oil, agricultural, and

industrial sectors. Billions of dollars may be spent on buying time rather than buying real progress.

The Iraqi security services have grown to over 200,000 men, and a new army is being created, but the training program is slow and the equipment program is experiencing critical delays and problems. Coalition funding for infrastructure projects and for the Iraqi security services is drastically lacking. While the only way to achieve lasting security is to train and equip newly formed Iraqi forces, Somalia and Yugoslavia show how quickly “national armed” forces can ally in an ethnic or religious conflict.

While there is progress and hope, Iraq’s future remains very much in question.

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Critical Issues in Iraqi Nation Building

It is always tempting to view Iraq in military terms, or in terms of the latest political crisis. In practice, however, what will happen in Iraq is dependent on a complex set of variables that will play out over a period of years. These include:

- How are the insurgents and firmly anti-new government Sunnis dealt with over time?
- Who comes to control oil revenues and aid money in the short run, and the process of oil exploration and development in the mid and long-term?
- Who controls the Iraqi armed forces and security services, and defines the role of the US and Coalition military forces?
- Who controls the process for determining the coming election, census, and media necessary to acquire political visibility?
- What is the future of the Kurds, where the issue is not simply power in the classic sense, but the need to absorb a mini state that has existed for 10 years, done most of its teaching in Kurdish, and is still squeezing Arabs and minorities out of the region?
- Who has control of the Shi'ite movement, where Ayatollah Ali Sistani faces a power struggle as the issue moves towards elections and the emergence of new Shi'ite leaders?
- Who controls Iraq's 27 ministries, 18 governorates, and urban governments?
- Who controls the process for determining who will draft the final constitution and then the approval of the resulting document?
- What happens to the members of the Governing Council, and the more unpopular "exiles?" Where do secular Shi'ite leaders come from? Sunni leaders?
- Who defines the future role of the US and UN?
- Can the Iraqi nation hold together over the entire nation building process or will see civil war and/or some division along ethnic and religious confessional lines?

As yet, no one has clear answers to any of these questions. Given the fact that at least initial answers must be found by the time an elected government takes over in 2005-2006, it is a good idea to examine developments in Iraq in a broader and longer-term context.

Popular Attitudes

Any discussion of Iraq's progress and problems in nation building needs to be prefaced with the fact that the choices will ultimately be Iraqi, not choices made by Americans or the Coalition. The transfer of sovereignty is now scheduled to take place on June 30, 2004, roughly 15 months after the beginning of the war. From that point on, the US and Coalition can propose, but Iraqis will increasingly dispose, and the US will be legally obligated to obey the decisions of the Iraqi government.

The Battle for Hearts, Minds, and Perceptions

The means that both nation building and the low-intensity conflict in Iraq will become even more of a battle for hearts and minds and Iraqi perceptions. This too is a struggle that Iraqis decide. No given aspect of the Coalition's efforts have been so signal a failure as its efforts to conduct political, public information, and psychological operations.

It seems fair to say that a divided and poorly coordinated US government was unready for virtually every aspect of post-conflict operations when Saddam Hussein fell on April 19, 2003. The Coalition military were not tasked, manned, trained, or equipped to secure the country, prevent looting, and deal with the initial emergence of a serious Sunni insurgency and the start of low-intensity conflict.

The US-led team that eventually became the Coalition Provisional Authority (CPA) was unprepared for the virtual collapse of governance at virtually every level, including basic police functions. The US expected to be greeted as a liberator, rather than barely tolerated by much of the population, and to rely heavily on exiles that have virtually no popular following. There was some preparation for the political side of nation building at the theoretical level, but almost none that had practical value.

The preparation for the economic aspects of nation building was confined largely to the possible burning of Iraq's oil fields and the risk of a crisis in food supplies that never took place because of prior stockpiling under the UN Oil for Food program. There was no real understanding of how serious Iraq's economic problems were and are, of the level of aid that was required, of the time it would take, or of the tensions that would arise between factions like Sunni and Shi'ite and Arab and Kurd.

In the year that has followed, the CPA and US-led Coalition military forces have been able to improvise and achieve progress in virtually every area. They have compensated in many ways for the lack of planning prior to and the problems that have developed after the invasion.

They have not, however, made such progress in developing effective media outlets, in convincing the Iraqis that the Coalition has effective political and economic plans, and in reaching hearts and minds beyond level of human contact and activity on the ground. This may, in part, be a function of the fact that the Coalition never had a clear idea of its objectives and never announced meaningful popular goals and objectives before and during the war. The end result, however, is that the US has managed to make significant progress in only three of the four pillars of nation building: political, economic, and security. When it comes to the ideological and psychological pillar, it has effectively left this to the Iraqis by default.

Iraq Attitudes Towards the End of the First Year of Nation Building

The situation in Iraq at the end of March 2004 was so dynamic and uncertain that it is unclear that Iraqis have firm views on many critical issues relating to nation building, and their views were almost certainly extremely volatile.

An ABC public opinion poll conducted in February 2004 showed that the Iraqi people as a whole had real hope for the future.¹ At the same time, the polls made it clear that there were deep divisions within Iraqi society that could block nation building, or even lead to civil war. The results of the poll were mixed. Some reflected the deep ethnic and religious differences in Iraq. Other results were more optimistic. Even if one looks at results for the least confident group – the Sunnis – it is obvious that most Iraqis saw life as getting better, understood that Iraq was in transition, and had hope for the future.

The ABC News poll found the following attitudes:

<u>Percent responding to Survey question</u>	<u>Sunni Arabs</u>	<u>Shi'ite Arabs</u>	<u>Kurds</u>
Life these days?			
Good	66	67	85
Bad	33	33	13
Life compared to one year ago			
Better	50	60	69
Worse	25	16	13
Expectations			
Better	61	72	83
Worse	12	4	2

The attitudes reflected in the ABC poll scarcely provided any guarantee of success, victory, and peace. Minorities generally shape violence and civil war, not majorities. It was clear from the broader range of results discussed throughout this analysis that there were Iraqis that remained extremely hostile to the Coalition. This was particularly true in particularly in Iraq's western province of Anbar and the most hostile cities in the Sunni triangle, but it was also true of some Shi'ites as well.

The evolving mix of insurgents that the US and Coalition had begun to fight in the late spring of 2003 also had significant popular support in their ethnic area. Anbar is the single most Sunni Arab-dominated province in Iraq, the area with violently hostile cities like Fallujah, and anger over the U.S.-led invasion spikes in that group, which was favored under Saddam Hussein's regime. ABC estimates that Anbar has some 5% of Iraq's population and is 92% Sunni and 91% Sunni Arab. It also accounts for 17% of all Sunni Arabs.

In a February ABC News poll of Iraq, 71 percent of respondents in Anbar viewed attacks on coalition forces as "acceptable" political action. Among all Iraqis, just 17 percent held that view. Similarly, 56 percent in Anbar said attacks on foreigners working alongside the CPA are acceptable, compared with 10 percent of all Iraqis. The ABC analysis found that Anbar residents are no worse off economically than most Iraqis. But they are less apt to say their lives are going well (52 percent in Anbar, compared with 70 percent in all Iraq); their expectations for the future are less positive; and above all, they are far more deeply aggrieved over the invasion and occupation.

- Eighty-two percent in Anbar say the invasion was "wrong," compared with 39 percent of all Iraqis. (Sixty-seven percent in Anbar say it was "absolutely" wrong, compared with 26 percent nationally.)
- Residents of Anbar are twice as likely as all Iraqis to say the invasion humiliated rather than liberated Iraq.
- Sixty-five percent in Anbar say coalition forces should leave now, compared with 15 percent of all Iraqis.
- More residents in Anbar prefer "a strong leader for life" than either a democracy or an Islamic state. In all Iraq, more prefer democracy.

Attitudes in Hostile Areas: The Sunni Triangle

The ABC poll figures for the attitudes in the entire Sunni triangle (Ramadi, Fallujah, Tikrit, Samara, Baquba, and Baaji) are only marginally more reassuring. This area has some 12% of Iraq’s population and is 81% Sunni and 79% Sunni Arab. It has 34% of all the Sunni Arabs in Iraq.

- Seventy-one percent in the Sunni Triangle say the invasion was “wrong,” compared with 39 percent of all Iraqis. (Fifty-six percent in Sunni Triangle say it was “absolutely” wrong, compared with 26 percent nationally.)
- Residents of Sunni Triangle are nearly twice as likely as all Iraqis to say the invasion humiliated rather than liberated Iraq.
- Thirty-eight percent in Sunni Triangle say coalition forces should leave now, compared with 15 percent of all Iraqis.
- More residents in Sunni Triangle prefer "a strong leader for life" than either a democracy or an Islamic state. In all Iraq, more prefer democracy. The ABC Poll found the following results and they seem likely to be equally true of the rest of the “Sunni triangle.”

	Anbar	Entire Sunni Triangle (Ramadi, Fallujah, Tikrit Samara, Baquba, Baaji)	All Iraqis
Attacks “acceptable” on			
Coalition forces	71%	44	17
Foreigners working with CPA	56	33	10
Presence of coalition forces			
Support	9	9	39
Oppose	85	80	51
“Strongly” oppose	76	63	31
Say coalition forces should leave now	65	38	15
Invasion was			
Right	9	16	48
Wrong	82	71	39
Invasion was “absolutely” wrong	67	56	26
Invasion			
Liberated Iraq	9	14	42
Humiliated Iraq	83	75	41
Confident in CPA	12	14	28
Confident in occupation forces	9	17	25
Preferred political system			
Single leader for life	45	41	28
Islamic state	18	19	21
Democracy	18	26	49
No opinion	19	14	4
% Sunni	92	81	40

The Risk of Shi'ite Hostility

This mix of ethnic, regional, and national results does not imply that Iraq as a whole cannot reach agreement on a new government. The ABC poll data show a lack of interest in retribution with regard to the Ba'athists, and the desire (even in Kurdistan) to keep Iraq as a single nation in spite of extreme political fragmentation and wariness.

The polling does, however, reflect a host of problems that have been apparent on the ground ever since the fall of Saddam Hussein. These include high and unrealistic expectations for the future. They reflect ongoing public concerns and demands -- nationally and locally -- for such essentials of life as security, jobs and electricity. It also shows that US and Coalition success is critically dependent on Shi'ite goodwill. Or, to be more objective, success is dependent on Shi'ite tolerance and intelligent self-interest.

The first year of occupation showed that the Coalition could hope to win a fight against part of Iraq's Sunnis -- if it could eventually persuade the majority to support the nation building process and accept peaceful solutions. It showed the Coalition could largely count upon Kurds -- who had nowhere else to go -- if they remained unified and were willing to accept a realistic form of autonomy while respecting the rights of Arabs and other minorities. Sheer demographics made it clear, however, that the Coalition effort had no hope of dealing with a true popular uprising or rejection by the majority of Iraq's Shi'ites, or with the result of a serious civil war either between Sunni and Shi'ite or mass popular Shi'ite factions.

It is important to note in this regard that 37% of the Shi'ites felt humiliated by Iraq's defeat. 35% felt the invasion was wrong, 12% felt the Coalition should leave immediately, and 12% felt that attacks on Coalition personnel were acceptable. While only 7% of the Shi'ites polled preferred a religious leader, 32% preferred a strong leader versus 39% for democracy.

This is a significant and potentially violent Shi'ite minority, although the ABC poll also shows that Shias in the South -- a region heavily repressed under Saddam's regime -- are more likely than those elsewhere to say it was right for the coalition to invade, and to say the invasion liberated rather than humiliated their country.

	<u>Southern Shia Arabs</u>	<u>Shia Arabs elsewhere</u>
U.S.-led invasion was		
Right	56%	44
Wrong	28	47
Invasion:		
Liberated Iraq	49	34
Humiliated Iraq	27	53
What Iraq needs at this time:		
A gov't mainly of religious leaders	79	52
Preferred system		

Democracy	39	41
Islamic state	31	16
Single strong leader	18	33
Confident in religious leaders	57	44

ABC also found that nearly all Shias in Iraq – 96 percent – also identify themselves as Arabs. Sunnis, by contrast, include both Arabs and members of the Kurdish minority.

The Problem of “Winners” and “Losers”

The poll results, and the day-to-day results of the fighting, also indicate that there will be some violent and hostile areas indefinitely into the future. It is also almost inevitable that there will be cycles of violence and counterviolence that either sustain the present levels of attacks or increase them.

It is clear from such public opinion poll data that there are areas that will probably be actively hostile as long as the US is in Iraq, and which will remain the centers of terrorism and low-intensity conflict.

Areas like Anbar and the Sunni Triangle received subsidies, grants, job preference and other privileges under Saddam’s regime that they lost following his ouster. They will generally be “lasting losers” in terms of wealth and power indefinitely into the future. Moreover, the poorer cities like Fallujah have lost military industries, preference in employment in the government and security services, and had already seen a rise of Islamic extremism before the war as Saddam increasingly tolerated and encourage Sunni religious attacks on the US and West following the Gulf War, This will further fuel violence until the Iraqi economy diversifies and offers major new opportunities.

The divisions between Sunni, Shi’ite, and Kurd did not explode into violence during the first year of nation building, but they did raise serious political problems, divided the Interim Governing Council, and created serious problems for the creation of a constitution and Interim Law.

Iraq does have considerable intermarriage between such groups, and some mixed cities, but then so did much of the Former Yugoslavia. Iraq also is emerging as a pluralistic country where the majority Shi’ites will have a dominant role for the first time since the country’s founding. The Ba’ath regime systematically discriminated against Shi’ites in terms of power, money, and funds for religious buildings and shrines. From 1981 onwards, it fought a low-intensity conflict in the south, using methods ranging from torture and assassination to military sweeps and draining marsh areas.

There have been decades of brutal war between the Arab Ba’ath government and the Kurds and there is a long prior history of uprisings and conflict. The Kurds have operated as a mini-state under US and British protection since 1991, and show no willingness to give up their autonomy or risk returning to the kind of government that used chemical weapons, military incursions, and ethnic cleansing against them. At the same time, the Kurds remain divided against each other. The ABC poll found a sharp polarization between KDP and PUK by area of factional influence when Kurds were asked, “Which party would you vote for in a national election?”

PUK	10%	55
PDK	55	11

The Kurds are also using Saddam's fall as an opportunity to settle scores against Arabs and Kurds in the north, often in the form of "soft" ethnic cleansing and the forced dislocation of other ethnic groups.

The first year of nation building has also shown that the nation building process is deeply complicated by the heritage of blood purges of potential rival secular and religious leaders that Saddam began in 1979 and carried out repeatedly in the years that followed – not to mention the murderous feuds within key groups like the Shi'ite clergy.

Most countries have cadres of proven leaders, known to the public, with experience in political compromise and practical governance. The only such leaders in Iraq were part of the former Ba'ath regime and they were subordinated to the cult of the leader. Iraq must now try to resolve an entire national history of ethnic and religious divisions, as well as decades of gross misadministration and corruption with inexperienced leaders – many of which are now little known exiles who are often seen as self-seeking and corrupt.

Iraq must resolve the basic issue as to the role of Islam in government at a time this question is causing ferment throughout the Islamic and Arab worlds. Iraq must do so in the face of rising tension between Sunni and Shi'ite over fundamental shifts in power, with religious leaders with no real experience in politics and governance, and progress despite repeated terrorist attacks by insurgents who are seeking to divide Sunni and Shi'ite and Arab and Kurd.

Finally, the results of the ABC poll strongly indicate that the success of Iraqi nation building will be critically dependent on the Iraqi public's high expectations of material and security improvements in their lives. The fact that the Iraqis polled have such expectations is heartening, but, collectively, they are a double-edged sword. If such expectations go unmet – and meeting them seems an exceedingly difficult task – the efforts to create a stable political system, reduce insurgent violence to acceptable levels, maintain tolerance for the Coalition, and move forward towards creating a modern economy could all fail and might well still end in civil war.

Nation Building in a Continuing "War After the War"

The Iraqi calendar for nation building will be a wartime calendar indefinitely. The "war after the war" not only was not won in the months following the fall of Saddam Hussein, it became steadily more serious. Although the US had hoped in early February that the level of military activity was dropping, senior US defense officials reported on March 26th that this was not the case. The pattern of attacks actually rose at the end of March and the overall average remained high:

<u>Attack Patterns and Frequency Per Week</u>	<u>Week of</u> <u>26 March</u>	<u>8 Week Average</u>
Attacks on Infrastructure	3	5
Attacks on Iraqi Civilians	30	14
Attacks on Iraqi Security Forces	20	29-30
Attacks on Coalition forces	150	130
Total	203	179

US officials indicate that they no longer felt confident in providing rough estimates like the number of insurgents in the greater Baghdad area (which had remained constant at 5,000 from August to February), or of the number of operational cells.

The human cost of the war was also steadily increasing. Well over 700 US and Coalition and military and civilians have died as of March 25, 2004, but no official count exists of contractor, NGO and UN, and civil servant/government official deaths. The military casualty figures reported by the CPA, USCENTCOM, and DoD include 598 Americans, 59 Britons, 17 Italians, 11 Spanish, 5 Bulgarians, 4 Ukrainians, 2 Polish, 2 Thais, 1 Dane, 1 Salvadoran, and 1 Estonian.

A total of 514 US service personnel died between May 1, 2003 and April 7, 2004 (332 due to hostile fire) versus a total of 138 during the "war."ⁱⁱ A total of 3,419 US service personnel were wounded, 2,980 due to hostile causes.

It is important to note that no official or media report that refers to the number of casualties in terms of the number of killed as yet properly reflect the technical definition of casualty. Webster's and other dictionaries define the term casualty as "a military person lost through death, wounds, injury, sickness, internment, or capture or through being missing in action."

It is only possible to make a rough estimate of total Coalition wounded, but so far some 3,800 Coalition personnel have been wounded. These totals do not include several thousand Americans and other Coalition personnel that have been evacuated for reasons of physical and mental health. They also do not include at least 24 US military suicides. Personnel suffering from physical and mental ailments, including those who have committed suicide, are not technically considered casualties of war. Accurate data does not seem to be available on non-US military personnel who qualify as wounded. Technically speaking, such personnel should often be defined as "casualties."

While the patterns in total Coalition casualties and US have dropped since the peak of the fighting, they are still quite significant. The total fatalities and injured from all causes, drawn from an earlier source, total:

<u>Month</u>	<u>US Casualties</u>			<u>Total</u>	<u>Coalition Killed</u>	
	<u>Killed</u>	<u>Wounded</u>	<u>(Hostile Causes)</u>		<u>Total</u>	<u>Average/Day</u>
March 04	52	327	(300)	379	52	1.7
Feb 04	20	164	(147)	184	23	0.8
Jan 04	47	209	(187)	254	52	1.7
Dec 03	40	294	(187)	334	48	1.6
Nov 03	82	344	(332)	426	110	3.7
Oct 03	42	433	(422)	475	45	1.5
Sept 03	31	270	(244)	301	33	1.1
Aug 03	35	-	-	-	43	1.4
Aug-March 03*	-	1,425	(1,124)	-	-	-
July 03	47	-	-	-	48	1.6
June 03	30	-	-	-	36	1.2
May 03	37	-	-	-	41	1.3
April 03	73	-	-	-	79	2.6
March 03	65	-	-	-	92	7.7
Total	601	3,466	(3,022)	4,067	690	1.9

*USCENTCOM does not provide a monthly break out.

Source: (Based on count in <http://lunaville.org/warcasualties/Summary.aspx> as of 4-3-04, which is drawn from CPA, USECENTCOM, and DoD sources),

The Coalition and the US have deliberately chosen to understate the true human cost of the fighting. There are no reliable counts of contractor, civil government, and NGO personnel who have died or been wounded,

The Coalition and US also do not report Iraqi losses in their public casualty estimates. As a result, there is no reliable count of the number of Iraqis that have died since the fall of Saddam's regime. It is clear, however, that these casualties include at least 350 Iraqi police, and 1,200-1,400 casualties in the entire mix of Iraqi security services, plus other guards and government personnel. Some attacks on civilians were also extremely bloody. For example, five bombings killed 227 people in February and three bombings had killed 201 people as of mid-March.

NGO and outside efforts to estimate civilian casualties are notoriously uncertain and politicized. One such estimate of Iraqi civilian casualties during the war ranges from 8,800 to 10,600, although this count tends to be something of a worst case estimate, and seems to indicate that 1,500 to 3,250 out of this total have died since May 1, 2003. (<http://www.iraqbodycount.net/bodycount.htm>). No meaningful estimate exists of Iraqi wounded.

Key Political Milestones (As of March 31, 2004)

Under these conditions, it is hardly surprising that the political side of nation building in Iraq is still too uncertain to predict. The risk of confessional struggles between Sunni and Shi'ite is obvious, as is the risk of some form of power struggle between Arab and Kurd. The role of Islam in the state also remains undefined and could become a serious issue. At the same time, Iraqis have so far shown that are fully aware of the risks of such divisions, and are willing to compromise to avoid them.

The Iraqi interim constitution is a good example of this. Five of the Governing Council's Shi'ites originally refused to sign the document, citing their belief that it gave the Kurds the ability to block changes the constitution. These members fear that the Kurds will thwart all attempts to limit their federal autonomy enshrined in the current version of the constitution. Despite these concerns, the five Shi'ites eventually signed the document, reminding the council of its interim status. The seeds of tension exist, but the fact that the political side of nation building does not proceed smoothly does not mean that Iraqis cannot work out their differences over time.

In fact, some form of continued, cyclical political turbulence, and at least some incidents of low-level violence, seem inevitable for at least the next one to two years. No rival leader or political party has been allowed to function since Saddam's bloody purge of his rivals in 1979. Religious leaders have no open political experience for the same reason. The ABC poll found that no figures, even Sistani, as yet has a broad popular base and that some, like Ahmed Chalabi, have little popular support or respect. Even basic governance was precluded by Saddam's insistence on tight control from the top and refusal to delegate functional authority. Saddam's legacy is essentially a political and administrative vacuum and Iraqis have to feel their way towards a modern political system under extraordinarily difficult circumstances.

This helps explain why the calendar the Coalition had proposed for major milestones in Iraqi nation building as of the first anniversary of the war was so tentative and highly unstable. It also explains why each new milestone is even more dependent on the Iraqis, and particularly on how well they work together in creating a new government.

The Department of Defense projected the following key dates for political change as of March 26, 2004:

2004

March 8	Transitional Administrative Law signed
March 26	CPA will create a new Iraqi Ministry of Defense and a cabinet-level National Security Committee
April 1	Establishment of Election Commission (approximate date)
April 3	CPA announces creation of Minister of Defense, Ministerial Committee for National Security and Iraqi National Intelligence Service
April 15	Annex to TAL released describing selection process and powers of Interim Government (approximate date)
May 30	Selection of Interim Government (approximate date)
<i>Phase I (Interim Government)</i>	
June 30	Iraq Interim Government Takes Power
	US Embassy replaces CPA; Coalition Provisional Authority will cease to exist
July 30	New Iraqi government becomes fully operational

2005

January 31	Elections for the National Assembly complete: No later than January 31, 2005 (December 31, 2004 if possible)
January 31	At the same time, all Iraqi voters will elect governorate councils—again not later than January 31, 2005
<i>Phase II (Elected Government)</i>	
Early 2005	Iraqi Transitional Government takes power

— Legislative: National Assembly

- 275 elected officials

- Electoral law will aim to achieve at least one-quarter women and fair representation of all communities in Iraq
 - Executive: Presidency Council, Council of Ministers, Prime Minister
 - President and two Deputies elected by National Assembly
 - Presidency Council appoints Prime Minister and Council of Ministers
 - Prime Minister responsible for day-to-day government management
 - Judicial Authority
 - Higher Juridical Council will supervise federal judiciary
 - Federal Supreme Court – 9 members nominated by Higher Juridical Council and appointed by Presidency Council
- August 15 National Assembly completes draft of permanent constitution
- October 15 Referendum for constitution--a constitution written by the National Assembly must be presented to the people in a general referendum no later than October 15, 2005
- December 15 Elections for permanent government completed--a government elected under the terms of the new constitution, must be held no later than December 15, 2005--this fourth election will bring a directly elected government to power in Iraq
- December 31 Permanent government assumes office

At a minimum, every one of these dates involves major changes in the role of Iraqis in governing themselves, as well as some form of Iraqi struggle for power on a personal and factional level. Most dates involve serious changes in the role of the US and Coalition in unpredictable ways that will increasingly be defined by Iraqis – rather than Americans. Many could involve significant changes in the role of the UN and other powers.

The ABC poll indicated that Iraqis were relatively optimistic about political progress and avoiding civil conflict, but it is important to note that these results were obtained in February, and before any of the major milestones for nation building were reached. At the same time, the ABC poll shows that no secular leader has emerged with great support, and that the Governing Council lacks popularity.

New Iraqi leaders are certain to emerge during the nation building process, but no charismatic secular leader has yet come forward, and the timeline for such emergence is – to say the least – tight. Equally importantly, any such leaders can only arise through active competition with each other, and by competing for the support of Iraqi factions and crowds. This situation lends itself to demagoguery in an Iraq with half-formed political parties, without experience in leadership at a national level and in making practical compromises with other leaders, and having to govern untried institutions that the calendar shows will be in a constant state of change and turmoil.

Four key issues that will shape the second year of nation building are (i) whether the members of the Governing Council can hold on out of sheer momentum, (ii) who – if any one – will replace Sistani as a leading figure once the Shi'ites need a direct political leader, (iii) will new leaders emerge firmly committed to holding the nation together, and (iv) can they bridge over the religious and ethnic differences among Iraq's population as these involve steadily more difficult decisions about wealth and power over the months to come.

Moreover, the Department of Defense calendar only shows some of the milestones that must take place.

- Courts and legal systems have to be put in play.
- Iraq has to take over control of the security mission from the US and over the reshaping of its military and security forces.
- Some 37 ministerial bodies in the central government have to be brought under full control.
- Iraq has to take over full control of the efforts to modernize and rehabilitate the petroleum industry, industry, the financial sector, agriculture, and national media and communications.
- Elected bodies must be established to deal with the 18 governorates and local and urban governments.

The Turnover in the US National Building Effort

Equally important from the US perspective, there will be massive shift in the US nation building effort as a new US embassy, under State Department direction, takes over from the Coalition Provisional Authority. This shift will be far better planned than the start of the nation building effort in May 2003, where the US interagency process broke down in the face of a total lack of effective leadership from the National Security Council, the prior State Department and interagency effort to plan for nation building was effectively ignored, as were military warnings that large numbers of troops would be needed to secure the country. Ideologues in the Office of the Secretary of Defense and Office of the Vice President exaggerated Iraq's ability to create its own government and economy to the point no meaningful nation building effort and staff were ready when Saddam Hussein's regime collapsed.

The Bush Administration has recognized that the current Interagency process is ineffective and requires drastic changes and improvement. It has also taken steps to ensure there is no similar split between the State Department and Department of Defense as the new embassy team takes over.

The Department of Defense and State are now actively preparing for the transition from the CPA to a US Embassy in Iraq. The Department of Defense (DoD) has established five Transition Assessment Teams to work on the transition, under the direction of Lt. General Claude "Mick" Kicklighter, and with CPA and State Department membership.ⁱⁱⁱ

1. Security forces and military.
2. Personnel and transition to handover of critical missions.
3. Plan for managing money and control of aid funds.
4. Acquisition, contract management, logistics, and property management (control and management of aid process).
5. Transfer of communications and information technology.

The State Department has set aside its own teams to create the new Embassy and State Department structure under Ambassador Frank Ricciardone. There are daily contacts between Ambassador Ricciardone and Lt. General Kicklighter and they meet regularly with their teams and with CPA representation. The State and Defense teams meet regularly with General Abizaid and Ambassador Bremmer.

- Significant elements of the CPA will move over to the new US mission.

- The CPA will be restructured in the next few weeks to anticipate the way the embassy will perform and be organized.
- As of 31 May, the CPA will begin to operate as if it were a “soft embassy.”
- State leads more and more.

The transition to Iraqi sovereignty is also actively underway. This includes such activities as:

- Creating strong foreign advisor and liaison teams in the 27 Ministries. There will be a total of some 175 US and 30 foreign advisors.
- Planning for the continuity of the aid process. The US Army will continue in its present role of Executive Agent once the Embassy takes over, and the Program Management Office now controlled by Admiral David Nash will continue to function. (Evidently USAID is not staffed or ready to take over the contracting and management burden.)
- Plan to spend \$5 billion in new construction and \$5 billion in non-construction, out of the total of \$18.4 billion in FY2004 aid funds, during CY2004. Seeking to have all either under contract or in RFP form by 1 July 2004.
- Still planning how to structure the US teams in the 18 governorates. Now have FSOs, USAID, and US military in all 18. Considering rollback to teams in only 12-14 of governorates by 1 July. (Serious questions arose over this. (Many staffers in the field feel there is a need to expand local teams and reduce center, not create a strong embassy and even weaker regional teams.)

The transition teams hope a new ambassador to Iraq will be named during April, and feel it is critical to have the new man/woman in charge involved at this stage, rather than have the new ambassador inherit work of others. There also is now a comprehensive five phase interagency plan for the transition and aid process that covers the entire period through the full election of a new government in late 2005/early 2006.

US Military Command and Security Efforts

The US is also taking steps to create a more effective command structure in the Green Zone. There will not – as some rumors indicate – be a new four star command displacing USCENTCOM. Instead, there will be a new command with multinational and Iraqi representation. This new command will be under the ambassador, and will handle the strategy and overall structure of the fighting and security effort while the operational fighting and tactics will be left to CJTF-7, whose functions will continue. The new command will focus heavily on training Iraqis, developing joint plans, mentoring the new Iraqi security officials and ministries, and handling steady transfer of missions and sovereignty to Iraqis.

- The transfer will also take place at a time when the rotation of US troops in Iraq will have been complete for several months (It is already about 80% of the transfer of troops is completed.) Continuity during this rotation has proved to be an operational problem and is receiving serious attention, but has not been critical.
- The need to preserve key military and intelligence personnel and entities is also receiving special attention and this aspect of the transition will be handled differently.
- A comprehensive new intelligence architecture is being developed to better integrate US, allied, and Iraqi military and security efforts.

The US Transition and Turnover Problem

No matter how well-planned these aspects of change are, however, the US effort will inevitably be influenced by a massive turnover in US personnel when the CPA is dissolved and the new US embassy takes over. This will interact with the impact of the rotation of over 100,000 US military personnel during February-April 2004, and will compound the problems created by so many short tours, a lack of language and area expertise, and sudden changes in personal contacts and relationships in a society where personal trust and relations are critical.^{iv}

Some of the turnover may help correct the fact that the Bush Administration initially chose many people for the CPA whose experience was largely in domestic US affairs, who lacked area expertise, and who sometimes tried to substitute ideology for pragmatism. At the same time, there is no pool of US area experts who really have any experience with Iraq, or with the problems of trying to convert a dictatorship and command economy into a modern society.

Language skills and educational training in regional studies do not make a “nation builder,” and most of the new personnel for the embassy will have limited language skills – if any – and little practical working experience with Iraqi society. The US badly needs long service personnel who will stay in place and have time to build on their experience. At least during 2004, this is precisely what it will lack at every level.

The Interim Law also leaves critical issues hanging, and the US does not know:

- What the future role of the new Embassy will be in dealing with the new government, the 27 central government ministries, governorates, and local government.^v
- What kind of military command and interface with the Iraqi security forces it can maintain over time, and what its role will be in shaping the future structure of the Iraqi military forces.
- How nationalistic and religious the Iraq government will become over time.
- How its plans for economic aid will interface with the plans of the new government, how the new government will treat the management of aid contractors, and how the government will view the present contractor use of private security forces.

Key Economic Development and Aid Issues

One needs to be careful about criticizing the progress of economic development in Iraq, and not just because the CPA had to compensate from scratch for a near total failure in effective prior preparation and planning. Far too often, the task is described as reconstruction. This simply is not the case. From the early 1970s on, Iraq invested primarily in guns, and only invested in butter on a limited level. It never took effective steps towards agricultural reform; indeed, it was importing Egyptian peasants as workers when the Iran-Iraq War began. Its efforts at industrialization focused first on military industries and then on state civil industries. It did use its brief peak of oil wealth in the late 1970s and early 1980s to buy turnkey industrial projects from Europe, but virtually every such effort was badly planned and began to fail the moment the key was turned.

Iraqi Oil Wealth Ended in the early 1980s

The Iraq educational system, construction, and infrastructure were far better funded and managed, but far too few observers – including many Iraqis – seem to be aware that the

regime began to run out of money in 1982. By 1984, even massive aid and foreign loans meant that investment in civil development either ceased or suffered massive cutbacks while the regime tried to maintain education in spite of the Iran-Iraq War. The Iran-Iraq War lasted until 1988, leaving a legacy of massive debt. Saddam still spent on guns from 1989-1990, and the Gulf War and then UN sanctions followed. Between 1991-2003, a command economy turned into a command kleptocracy, where the Ba'ath elite took what it wanted, significant financial resources went to securing the regime, and the people took what they could simply to survive.

The end result is that much of Iraq's economy, infrastructure, educational system, and overall development are sized more for a nation of 16-18 million than one of 25 million.^{vi} Moreover, as of March 2004, Iraq was still burdened by some \$125 billion worth of foreign debt that Saddam Hussein's regime had accumulated from the early 1980s onwards, a similar amount of reparations, and unresolved additional claims for reparations dating back to the Iran-Iraq War and invasion of Kuwait.^{vii}

The Macroeconomic Challenges of Development

Iraq does have immense oil reserves of some 113.8 billion barrels, but its flow of oil export income has been limited for years, and oil exports accounted for some 90-95% of all foreign exchange earnings before the Coalition invasion and for virtually all government revenue.^{viii} While its GNP had climbed back to \$58 billion in 2002, in purchasing power parity terms, its monetary GNP was far smaller, and its GNP declined by 3% in the year before the war. It had an extremely young population – more than 40% of the population was 14 years of age or less – and the CIA estimated its labor force was only 6.5 million for a nation of 25 million.^{ix}

According to the CIA, this still gave Iraq a per capita GNP of \$2,200 in 2002 in purchasing power parity (PPP) terms. However, such PPP estimates are notoriously uncertain, and Iraq's per capita oil income was only around \$500 per capita in 2003 versus \$4,900 in 1980, measured in constant \$US 2000.^x The distribution of income was skewed to benefit the regime rather than the people. Rather than real oil wealth, Iraq had an economy that had been severely distorted by past oil income, and which the CIA estimated had a GNP that consisted of 81% services and oil income in 1993 versus only 6% agriculture and 13% industry in 1993 – even before UN sanctions began to critically distort the economy.^{xi}

Iraq had had a rapidly growing population in spite of war and sanctions, with a growth rate of 2.78% before the war. The improvement in medical services and living standards since the war means this population growth rate will increase – at least in the short and mid-term. The resulting strain on the Iraqi economy and society is illustrated by the fact that the US Census bureau estimates that Iraq's population grew from 5.1 million in 1950, to 6.8 million in 1960, 9.4 million in 1970, 13.2 million in 1980, 28.1 million in 1990, and 22.7 million in 2002. Even at prewar growth rates, the Census Bureau estimates that it will grow to 29.7 million in 2010, 36.9 million in 2020, 43.9 million in 2030, 50.5 million in 2040, and 56.4 million in 2050.^{xii}

Moreover, the problems created by unemployment rates of 50-60% immediately after the war, and 25-35% as of March 2004 after a massive flow of aid and subsidized jobs, will be compounded by a virtual “youth explosion.” Iraq had some 2.7 million young men and

women in the age group entering the labor force in 2000 (ages 15-19). This will increase steadily to 4.1 million in 2025 and continue to increase through at least 2040 because of population momentum. The means progress in nation building cannot be measured in anything like current requirements. It must simultaneously deal with the need to create far more jobs than in the past, massively diversify the economy, and massively reduce dependence on oil exports – regardless of any foreseeable increases in oil exports over the next half-century.

Spending During the First Year of Nation Building

The good news is that Iraqis learned to live with very little, with poor services and infrastructure, and limited opportunity. The bad news is that most Iraqis probably care more about their own material progress and security than they do about the political calendar, and it is economic progress on the ground is critical to winning hearts and minds for the new government and a peaceful political process.

Even here there is a considerable amount of good news. Substantial expenditures have already been made in achieving such progress. The US seized some \$926.2 million from the former regime during March 2003-February 2004. Much of this money went to operations rather than development. Out of \$748.2 million committed as of February 29, 2004, some \$711.8 million had actually been spent. Out of this total, some \$30.8 million went to stipends, \$257.2 to keep Ministries running, \$90 million for fuel, and \$140,000 for Manpad buybacks. This money had a direct impact on Iraqi nation building capability, however, and another \$168 million was spent on repairs, reconstruction, and humanitarian assistance, while \$200.1 million was spent on the regional director’s and Commander’s Emergency Response Fund (CERF).^{xiii}

The Development Fund for Iraq (DFI) is funded largely out of Iraqi oil revenues, UN oil for food money, and repatriated funds under a monitoring board supervised by the IMF, World Bank, and Arab Development Board. As of March 1, 2004, that fund totaled \$13.2 billion and had spent \$4.9 billion.^{xiv} These totals included:^{xv}

<u>Category</u>	<u>Money Spent</u>	<u>% of Total</u>
Electricity Infrastructure	\$75,326,236	1.55%
Oil Infrastructure	409,521,678	8.40%
Oil For Food	663,660,270	13.62%
CERP And Regional Response Programs	349,673,925	7.18%
Currency Exchange Program	163,853,913	3.36%
Ministry Of Finance Budget	2,633,837,658	54.05%
Other Ministry Operations	6,266,124	0.13%
Infrastructure	38,545,234	0.79%
Misc.	62,582,392	1.28%
Letters Of Credit	469,890,251	9.64%
Sub-total –	\$4,873,157,681	

As of March 16, 2004, the US Department of State had spent \$30,0 million out of an FY2003 appropriated funds program that had a total value of \$100.8 million, and another \$10.1million out of a FY2004 program that had a total value of \$933.1 million. The FY2003 Iraq Relief and Restoration Funds were expended on \$8.8 million worth of relief funds, \$8.2 million of humanitarian de-mining, and \$13.0 million of prisons and police training. An additional \$10.1 million had been spent in security and law enforcement.

USAID had also been given \$1.830 million by Office of Management and Budget (OMB) for FY 2003 IRRF activities, plus \$335 million in additional funding was added to implement Iraqi reconstruction. As of February 29, a total of \$660.4 million out of a total of \$2.16 billion had been spent. This included \$263.0 million to restore critical infrastructure, \$52.3 million for education and human services, \$15.8 million to expand human economic opportunity, \$27.9 million to improve the efficiency and accountability of government, \$36.3 million for transition initiatives, \$233.9 million for emergency relief, and \$12.1 million in operating expenses.

As of March 13, 2004, other countries and NGOs had donated another \$851 million in humanitarian aid. This total did not include the U.N. Oil For Food program or U.S. contributions. A meeting in Madrid, Spain, for the International Donors Conference for Iraq Reconstruction on October 23 and 24, 2003, drew representatives from 73 countries and 20 international organizations, and resulted in pledges of \$13 billion in loans and grants. There were potential pledges of \$3.7 billion in additional loans from the International Monetary Fund (IMF) and World Bank. The United Arab Emirates (UAE) in Abu Dhabi on February 28 and 29, 2004 hosted a follow-up conference.^{xvi}

Uncertain Development Milestones to Date

It is clear from these figures, that the nation building effort has spent enough money to create new facts on the ground in many areas, and that far more was in the pipeline before the US Congress appropriated some \$18.4 billion in additional funds for FY2004. The material impact of such spending is clear from the data the US government issued on progress in nation building in Iraq in March 2004 -- although most of these data consist of the strange -- almost Soviet-like -- measures of progress:^{xvii}

- In a key area like electric power, for example, Iraq was generating some 4100 MW in March 2004 versus 3,000 MW in April 2003. However, the CPA's interim goal for total power generation had risen from around 4,400 MW to 6,000 MW by June, with a total MWH production goal of 120,000.^{xviii} The totals disguised major regional issues:

MW/H	North	Center	South
Pre-War	1200	2300	500
Current	1575	1225	691
Oct 03 Goal	1700	2100	600
Jun 04 Goal	2330	2350	1320

* Source: Department of Defense unclassified *Iraq Status Draft Working Papers*, released April 4, 2004.

- USAID had rehabilitated some 2,350 schools, and funds were available to rehabilitate 1,047 more. The World Bank may contribute funds for 1,000 more, and teacher salaries had risen from \$40 a month in 2002 to 120 in 2004. However, the CPA calculates that a total of 11,939 need repairs, and some 4,500 new schools must be built to provide adequate education.
- Iraq needed some 1.4 million new housing units, and the CPA had issued contracts for only 3,528.
- The goal for diesel fuel had risen from 14 million liters per day to 18 million in March 2004, and only 88% of this requirement was available. About one-third was imported. Production and imports roughly totaled 108% of the goal.^{xix}
- Potable water supplies had increased from only 13 million liters per day before the war, and 4 million in April 2003, to 22 million in January 2004. However, the CPA and interim Iraqi government still lacked any clear mid and long-term plan for water and sewer improvement. The US reports consumer attitudes, and that 48% of those surveyed feel the availability of clean water is bad.
 - Progress in providing potable water continued. The rehabilitation and expansion of the Sharkh Dijlah water plant in Baghdad was scheduled for July 2004, adding 225,000 cm/day of water and meeting the needs of 640,000 people. Work was still continuing on 19 major water plants including 14 that were part of the Sweet Water canal system in the south.^{xx}
 - Some 70 non-functioning water pumping stations in Baghdad had been rehabilitated, but eight sewage plants in Baghdad were still being worked upon. Problems existed in many areas, and the existing system was grossly inadequate.
- Food services were adequate in virtually every area, and new procurements and accelerated delivery schedules were steadily improving the situation.
- Some \$224 million had been spent on rebuilding airports, \$125 million to increase port capacity, and \$273 million to improve railways. Mosul, BIAP, and Basra airports all were open. Umm Qasr received a peak of 46 ships in January and 40 in February, versus 23 in September.
- Fixed telephone lines were at about 700,000 versus 833,000 before the war, but roughly 315,000 phones supplemented these lines in Iraq's new cell phone system. As a result, there were some 1,045,000 telephone subscribers. About 26% more than before the war.^{xxi} Only four telephone switches out of a total of 203 remain inoperable. Telephone service was reported to meet 96-100% of the subscriber list in April 2003 everywhere in the country except the greater Baghdad level – where the figure was 73%.^{xxii}
- The Coalition claimed that the Iraqi national health budget had increased from only \$16 million in 2002 to \$950 million in 2004. Since the end of the war, some 30,000 tons of pharmaceuticals and health care supplies had been delivered, and more than 30 million doses of children's vaccines had been delivered. Some 2,140 hospitals and 1,200 primary health centers were operating. The overall level of medical care at hospitals and clinics did seem to be back to prewar levels, but was far short of the levels Iraq enjoyed through 1988-1989. The CPA turned the management of the aid effort over to the Ministry of Health on March 29th, but there was little evidence that either the Ministry or CPA could efficiently manage the allocation of such aid, deal with emergency requests and needs, or monitor the success and failures of the aid activity in the field. The infant mortality rate was still 108 in 1,000 as of February 2004, one of the highest in the world. The allocation of medicine and equipment in the field remained poor, and Iraqi doctors and medical professionals were just beginning to compensate for more than a decade of inadequate training, education, and experience with modern equipment and adequate facilities.
- While kerosene and gasoline/benzene supplies are described as adequate, (103% of goal, and 102% of goal), the current goals do not reflect a vast influx of some 300,000 new vehicles, nearly doubling Iraq's prewar total to 600,000.^{xxiii}
- Current liquefied petroleum gas production and imports equaled 61% of the production goal of 6,000 tons per day.^{xxiv}

- Unemployment has shrunk from 50-60% to 22.5-35%, but only because of subsidies, aid jobs, and a reduction in those looking for work. The Ministry of Planning announced unemployment rate of 28% and underemployment rate of 21.6%, a total of 49.6% affected. The CPA stated that it had created approximately 395,000^{xxv} jobs while the CJTF-7 C-9 estimates that CPA has created 379,721 jobs for Iraqis (45 percent of the CJTF-7 target of 850,000):
 - Security / National Defense: 220,923
 - CJTF-7: 51,673
 - Civilian contractors working under CPA contracts: 68,154
 - Governorate Teams: 1,550
 - In the recent Oxford Research Int. survey, 69% rated the availability of jobs as bad, however 73% expect improvement over the next year

- Oil production averaged around 2.388 MBPD in March peak levels of 2.5 MBPD before the war. Exports are averaging around 1.4 MPBD. Total oil export revenues dropped from \$13.2B in 2002, however, to only \$5.1 billion in 2003. Revenues for the new year reached \$3.4 billion by March 21, 2004. If they continue at the current rate, they will reach \$12-15 billion in 2004, but this will only fund about one-third of the Iraqi budget. Current long-term target capacity is 2.8-3.0 MBPD.

One should not assume these figures mean Iraq is not moving forward. A lot of money and activity is in the pipeline, and the results should be much more visible as projects begin to be completed from early summer onwards. It is clear, however, that much needs to be done and the critical tasks of rehabilitating the petroleum, industrial, and agricultural sectors of the economy have just begun.

Furthermore, progress needs to be measured in far less Stalinized terms than gross measures of “inputs” like power, gross employment, and project starts. The issue is what key projects are completed, how well services meet actual needs, how much employment is coming from real and lasting jobs, and how the Iraqi economy is progressing by sector and region. The entire history of economic planning shows that “input” measures do not provide meaningful measures, and progress must be measured in terms of “outputs” that actually benefit the economy and the people.

FY2004 Cash Flow and Contracting Problems

Progress in nation building also must be judged in light of the fact that Iraqi requirements are extremely high and cannot be judged by the standards of what a failed and corrupt regime achieved before the war. Expectations are rising, serious problems remain in virtually every area, and there is ethnic and sectarian rivalry for aid funds. In spite of the progress to date, Iraqis are not yet seeing the benefits on the ground from Coalition aid activity in many areas, or such benefits are far too small to meet their expectations.

The backlog of FY2003 US aid and international pledges in the pipeline will help, but this backlog remains small relative to requirements and expectations. Success depends heavily on how quickly the \$18.4 billion in FY2004 US aid produces material results and benefits.

So far, only \$3.6 billion of this \$18.4 aid supplemental for 2004 has been committed to Iraqi relief and reconstruction efforts, about 35% of the goals set for July 1, 2004. Out of this total, only \$2.1 billion has actually been obligated, and no data are available on actual projects begun or completed.

One way to look at this aspect of progress is to compare the rate of obligation as a percent of the FY2004 aid budget by project type – *remembering that even “obligated” does not mean that Iraqis are seeing any real progress in terms of actual project completions:*

<u>Category</u>	Total in 2207 Report (AidRequest)	<u>Obligated</u>	Percent <u>Obligated</u>
Security & Law Enforcement	3,243	351.6	11%
Electricity Sector	5,560	1,038.2	18%
Oil Infrastructure	1,701	451.6	27%
Justice, Public Safety, and Civil Society	560	32.1	6%
Democracy Building	458	155.3	34%
Education, Refugees, Human Rights, Governance	280	155.3	55%
Road, Bridges, and Construction	370	4	1.1%
Health Care	793	0	0
Transportation and Telecommunications	500	6.3	1.3%
Water Resources & Sanitation	4,332	38.9	0.9%
Private Sector Development	184	0	0
Total	18,439	2087.5	11%
Construction	12,611	1,355.3	11%
Non-construction	5,370	576.6	11%
Democracy	458	155.3	34%

Another way to look at the problem is to compare the financial target for awarding procurement contracts by March 15, 2004, against actual commitment of funds as of 21 March.

<u>Category</u>	<u>Construction Procurement (\$M)</u>			<u>Non-Construction Procurement (\$M)</u>		
	<u>Target</u>	<u>Committed</u>	<u>%</u>	<u>Target</u>	<u>Committed</u>	<u>%</u>
Transport/Communications	367	3.5	.9%	234	77.8	33.2%
Roads/Bridges	-	-		4	4	100%
Education/Human Services	371	29	7.8%	247	10	4%
Water	722	31.2	4.3%	139	8.5	6.1%
Health	-	-		325	0	0%
Security/Justice	749	518.2	69.2%	540	2848	527.4%
Oil	865	45.2	5.2%	836	733.8	87.8%
Electric	1993	1288.5	64.7%	86	38.2	44.4%
Democracy	-	-		458	200	43.7%

Problems in the Management and Allocation of Aid

The slow progress to date in many critical areas is not necessarily discouraging, although it helps explain why so large a US aid program has so far had a limited impact on Iraqi attitudes towards the US and “hearts and minds.” It takes time to spend money wisely, the US contracting procedure is cumbersome and highly regulated, and the US only planned to spend about \$10-\$14 billion of the \$18.4 billion during calendar 2004. While the target date for awarding all FY2000 contracts was mid-March 2004, the nominal start work date was April 2004, the final commitment date for some programs was July 2004, and some slippage is virtually inevitable.

While Iraqi needs are urgent, there are also reasons to be careful. The Defense Contract Audit Agency reviewed some \$7 billion in reconstruction projects through February 2004. It conducted some 1287 audits and found \$132.6 million in questionable costs and \$307 million in unsupported cost. These costs are significant, the funding of some \$176.5 billion in billings were suspended, and the contracting costs of major firms like Titan Corp, Flour Federal Services, Permi Group, and Washington Group International were under investigation.^{xxvi} It was also clear that substantial funds – on the order of at least several hundred million – had gone to commissions, bribes, and contracts to the friends and associates of members of the Interim Governing Council and other Iraqi officials.

At the same time, such problems were relatively limited in scale given the wartime and emergency character of the aid effort. Several billion dollars worth of prior aid money had been spent on completed projects as of March 2004, and Iraq oil revenues and recoveries of Saddam's money had helped finance further projects. However, these figures do reflect a very slow rate of progress in a number of critical areas, given the urgency of taking action, and it is clear that they indicate that many projects will just be starting or will still be unobligated when the new Iraqi government and US embassy team takeover. For example, CPA officials have talked about some 2,300-construction projects over a four-year period,

The inspector general of the Interim Authority also reported to the US congress in March 2004 that there were serious problems in terms of cost escalation with the first \$10 billion worth of contracts. These cover about 1,500 contracts, and security costs have risen to the point where they consume 10-15% of the total value. The US is also still engaged in excessive sole sourcing. While only 4% of the contracts awarded during FY2003 were awarded without competition, they were so large that they totaled more than \$3.2 billion, and many supposedly competitive awards are being awarded under terms that are so restrictive and/or arcane that they are not really competitive. Awards made from the money seized from Iraq and taken from its oil revenues also had little central control through February of 2004.^{xxvii}

Longer-Term Structural and Financing Problems

As of March 2004, many critical long-term structural problems have not been addressed in an effective material way.

- **The slow rate of progress in the oil sector** was particularly disturbing because Iraq may be overproducing its oil reservoirs in some areas, and compromising long-term recovery. It is also clear that while many Iraqis in the Ministry and oil companies are personally competent, war and sanctions have ensured that they have almost no practical experience with the new exploration, drilling and reservoir management technology that has come to dominate cutting edge petroleum operations in the Gulf. Moreover, studies necessary to examine the problems in reservoir maintenance and production do not seem to have yet been obligated, much less completed. As of March 21, crude oil export revenue had reached approximately \$3.4 billion for 2004.^{xxviii}
- **Insufficient effort seems to have been undertaken to look at the problems of converting the agricultural sector to a true market-operated and efficient system** – rather than the command-oriented system that existed under Saddam. This critical because the government provided seed and fertilizer and bought crops regardless of quality. This will be the first growing season in years where something approaching market conditions will function, and water availability may also be a problem.

- **Dealing with the conversion of state industries and aggressive efforts to encourage the private sector seem to have been deferred to the new Iraqi government.** Subsidized employment is not a career, either in state industries or as a result of aid. Iraq must rapidly develop a real economy for what now is a heavily urbanized society, and not only break away from a command kleptocracy, but one where military industry and construction have played far too large a role.

These problems are compounded by financing difficulties. A great many projects will be started and facilitated that cannot possibly be finished with the available aid funds. The Bush Administration has pledged to Congress that it will not seek FY2005 aid funds, but the CBO report of January 2004 on Paying for Iraq's Reconstruction estimates some \$50-\$100 billion will be needed for nation building during 2004-2007.

The CBO notes that this \$50-\$100 billion total does not begin to cover the full cost of creating a new economy and meeting a backlog of human needs. It may still sharply underestimate the scale of the funding required, even if war and sabotage do not add further major burdens. Total reconstruction expenses and government budgets could range from \$94 to \$160 billion during this period, and oil revenues are estimated to range from \$44 to \$89 billion, and seem likely to total well under \$70 billion. The revised 2004 Iraqi budget was \$19.9 billion.^{xxix}

Many projects are being built to US standards, rather than Iraqi ones, and the history of such aid projects is that they often are not sustained once turned over to the recipient country. The overall planning of aid also had to be improvised after May 2003, and often without anything approach a realistic survey of Iraqi needs. Furthermore, at least some of the planning was done more on the basis of US experience and a free market ideology than an effort to deal with economic reform in Iraqi terms.

Many projects are likely to be partial successes at best, and many will need to be recast and restructured once an Iraqi government takes over. The problem will also be compounded by the fact that State will take over from Defense, but it is Defense that has previously had charge of the aid effort. As of March 8, some \$5 billion of contracts had been awarded to some 17 companies in seven major sectors. Almost all were formulated by the Department of Defense, and to date, the State Department has had authority over around 10% of the projects funded and planned. The CPA's Program Management Office may continue in some form once State has taken firm control of the embassy, but at some point, bureaucratic politics almost ensure that a new State team will take over in the middle of rapid transitions between Iraqi governments.

The overriding issue, however, is where the overall aid process is headed, what kind of new economy the Iraqis want to create, and how some longer-term plan and effort can be created that its tailored to Iraq's real needs and expectations – an aspect of creating a new Iraqi government that currently does not seem to be a high priority on anyone's calendar. Iraq's economic and social problems will continue well beyond 2010, even under the best of circumstances. Iraq can also only approach the progress it needs to make if it is not crippled by loan repayments well in excess of \$100 billion, and reparations claims that are even larger.

The New Ministry of Defense and National Intelligence Service

The CPA recreated a Ministry of Defense, Ministerial Committee for National Security, and Iraq National Intelligence Service on April 3, a little less than a year after the fall of Baghdad and Saddam's regime. While the officials involved were announced, and the new organization has no track record to show their authority, and competence, it was clear that the CPAQ is not waiting for June 30 to create one of the most important functions of Iraqi sovereignty.^{xxx}

The Ministry of Defense

The CPA announced that the Ministry of Defense would be responsible for policy oversight, financial management, administration and the logistics of the Iraqi Armed Forces (IAF). The IAF will consist of the Army, Air Force, Coastal Defense Force, reserve components, Iraqi Civil Defense Corps, and the Iraqi Counter-Terrorism Force. It will also include those members of the Facilities Protection Service employed by the MOD for the defense of its installations.

The mission of the MOD is to secure, protect, and guarantee the security of Iraq's borders and to defend its citizens. In fulfilling this mission, the MOD shall serve all Iraqis regardless of religious, sectarian, tribal, ethnic, or political affiliations.

The CPA press announcement of the creation of the ministry stated that the CPA Administrator would appoint an interim Minister of Defense, after consultation with the Governing Council. This Minister was appointed on April 4th, and is Ali Abdul-Amir Allawi, a financier who served as interim trade minister, and was educated at MIT and a former employee of the World Bank.

The interim Minister will be responsible for management and employment of the IAF. The MOD will operate under the authority, direction, and control of the CPA Administrator pending transfer of full governance authority to the Iraqi Interim Government.

The interim Minister will ensure that the organization is structured to provide civilian oversight of all aspects of defense, including defense policy, budget and financial matters, human resources, recruitment and training, acquisition, logistics, infrastructure, and defense intelligence analysis and requirements.

In light of the current emergency situation within Iraq, and consistent with Iraq's stated desire to join other nations in helping to maintain peace and security and fight terrorism during the transitional period, all trained elements of the IAF will be under the operational control of the Commander of Coalition Forces for the purpose of conducting combined operations and providing other support.

The interim Minister will appoint personnel to serve in the following positions for three-year terms:

- Secretary General to act in the capacity of the senior civil servant;
- Senior Military Advisor to provide independent advice military issues;
- Chief of Staff of the IAF responsible for operational command and control of all Iraqi military forces;

- Directors General, as needed, to oversee and manage groups within the MOD; and
- A General Counsel to provide legal analysis and advice on matters affecting the MOD and employment of the IAF.

The Ministerial Committee for National Security

The Ministerial Committee for National Security (MCNS) will facilitate and coordinate national security policy among the Ministries and agencies of the Iraqi government with responsibility for national security. It is the primary forum for Ministerial-level decision making on national security issues. It meets weekly. It does not interfere in or manage the work of individual ministries, but rather ensures that the work of individual ministries and agencies is part of a coherent security strategy.

The permanent members of the MCNS shall be the head of government, the Minister of Defense, Minister of Interior, Minister of Foreign Affairs, Minister of Justice, and Minister of Finance. Other Ministers may also be invited to participate in specific meetings if an issue being discussed is in that Minister's area of responsibility. In the event a Minister is unable to participate due to travel or disability, a deputy or other designated senior ministry official may represent him or her.

The MCNS shall also include, as permanent advisory members, the National Security Advisor, Senior Military Advisor, and Director General of the Iraqi National Intelligence Service (INBIS).

Until transfer of sovereignty to the Iraqi Interim Government, the MCNS shall operate under the authority, direction, and control of the Administrator of the CPA, and shall be chaired by the Administrator. Upon transfer of authority to the Iraqi government, the head of the Iraqi Interim Government will chair the MCNS. Upon the formation of the Iraqi Transitional Government and dissolution of the Iraqi Interim Government, the Prime Minister will chair the MCNS.

The National Security Advisor is the primary advisor to the head of government and the MCNS on national security matters, and shall manage and supervise the National Security Advisory Staff. This person has two roles: 1) to provide balanced, impartial advice to the head of government and MCNS, and 2) to facilitate coordination among the ministries and agencies, which must be a continuous process, not limited to the weekly meetings of the MCNS.

The Administrator will appoint the National Security Advisor, after consultation with the Governing Council. Upon formation of the elected Iraqi Transitional Government, this appointment authority will rest with the Prime Minister for selection of future National Security Advisors. The National Security Advisor shall be appointed for a term of five years

The Iraqi National Intelligence Service

The CPA press release states that the Iraqi National Intelligence Service will provide Iraq's government with timely and accurate information about terrorism, domestic insurgency, narcotics production and trafficking, espionage, weapons of mass destruction, serious organized crime, and other issues related to the national defense or threats to its democracy. The INIS is forbidden from reporting on domestic political

issues or involving itself in the political process. The INIS may, however, investigate individuals and groups with ties to hostile foreign powers that pose a threat to Iraq's national security.

Mohammed Abdullah Mohammed Shehwani, a career Iraqi Army officer, who had fought alongside Coalition forces, was appointed Director on April 4, 2004.

The INIS is designed to provide the utmost protection of individual rights and liberties. To this end, the INIS will take no action to further or undermine the interests of any Iraqi citizen or group based on race, religion, sect, gender, language, origin or tribal affiliation, or any legal Iraqi political party or official within the Iraqi government. The INIS will conduct its activities in accordance with the fundamental freedoms and human rights protected by the transitional administrative law, and in the permanent Constitution, when adopted. Furthermore, the INIS will not have power to arrest or detain individuals. Iraqi citizens may raise complaints through their elected officials or file lawsuits against the INIS if they feel their rights have been violated.

The CPA Administrator, in close consultation with the Governing Council, will appoint an interim Director General. The head of the elected government may retain this person or appoint a new one, subject to confirmation by the National Assembly. The Director General will be the principal adviser to the head of government and the Ministerial Committee on National Security. An Inspector General will be appointed to conduct evaluations of INIS activities. A committee of the legislative body will carry out legislative oversight of the INIS. This committee will examine INIS expenditures, administration, and policies, and may request information on specific activities of the INIS.

The Director General, in consultation with the CPA, will choose the candidate employees for the service. People will be selected on the basis of their abilities; their selection may not be based on religious, ethnic, or political affiliation.

The Road Through Good Intentions

It is all too clear from these statements, however, that the CPA was also seeking to dictate a great deal of the future structure and behavior of the Iraqi government before a transfer of sovereignty took place. This is desirable in theory, but there is no way to be certain of how it will work out in progress or how much new Iraqi governments (and Iraqis) will or will not resent the end result.

Equally important, the creation of such organizations, and the security services and armed forces discussed below, can play both a powerful role in unifying a country and help trigger power struggles that tear it apart. The four factors most likely to trigger a civil conflict are struggles over current wealth and power, struggles over territory, struggles over future oil wealth, and struggles over control of internal security and the armed forces. As of the first year of nation building all of these factors still had at least some potential to trigger civil war.

The Security Forces Problem

As for military commitments and the broader aspects of the security assistance effort, the US clearly had no plans to abandon Iraq. As of April 2004, it planned for US troop levels

in excess of 100,000 men until the insurgency campaign is ended – at this point through at least early 2006. It is also clear that the US and its Coalition allies recognize the need to give Iraqis a primary role in shaping their own security. Like the aid program, their security program has many flaws, but also like the aid program, it is a tribute to the CPA and US military that so much could be improvised and accomplished given the lack of meaningful planning and preparation before May 2003.

It is also striking that this effort made at least initial progress in winning the support of the Iraqi people. The ABC poll reports that the Iraqi security forces are the big winner in terms of gaining public trust – and that rebuilding them has probably been the coalition's greatest success. In the poll, 68 percent of Iraqis expressed confidence in the new Iraqi police, up from 45 percent in November; and 56 percent expressed confidence in the new Iraqi army, up from 39 percent in November. At the time of the poll, in February 2004, they were the two most trusted "government" entities in the country.

% Confident in	Now	November
New Iraqi police	68	45
New Iraqi army	56	39

These attitudes, however, predated any large-scale independent action by either body, occur at a time when most Iraqis are glad to see Coalition forces move out of their daily lives, and are expressed before the various security forces come under Iraqi control. It is far from clear how popular they will be if they continue to be seen as ineffective, badly trained and equipped, unable to achieve enough security to keep Coalition forces from constantly intervening, and unable to halt crime and terrorism.

It is equally unclear how effective or popular the security services will be after the U.S. presence in Baghdad is reduced from twenty-four bases to two by May 2004, with only six bases remain outside the city. Moreover, while the numbers of Iraqi security personnel are high, training and equipment levels are not. The police and security forces remain badly equipped in terms of communications, protection, and weapons. The US Army contracting effort to equip the new Iraqi Army has been little short of a disaster and has delayed the flow of equipment for months.

As for the training situation, the Department of Defense reported the following status for Iraqi forces as of 22 March:

<u>Service</u>	<u>Required</u>	<u>On Payroll</u>		<u>On Duty</u>		<u>In Training</u>	<u>Total</u>
		<u>Untrained</u>	<u>Partially Qualified</u>	<u>Partially Qualified</u>	<u>Fully Qualified</u>		
Border Police	8,835	0		8,259	0	521	8,780
Dept of Border Enforcement	25,727	14,070		9,177	0	179	23,426
Police Service	75,000	54,573		13,286	2,865	1,417	75,000
Iraqi Civil Defense Corps	40,000	0		0	33,560	1,933	35,493
Iraqi Armed Forces	40,000	0		0	3,005	2,169	5,170

Facilities
Protection

Service	55,000	0	0	73,885	107	73,992
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The good news is that there are 213,085 warm bodies to meet a requirement of 235,727. It is also significant that the new forces have generally remained surprisingly loyal, and have often taken serious casualties without breaking up or deserting. Some 350 Iraqi policemen have died since the police forces began to be reconstituted, and this is only one element of the security services. While the services certainly have been infiltrated by insurgents who provide their fellow combatants with intelligence, the majority seem dedicated to providing their fellow Iraqis with real security and supporting the creation of a new Iraqi state.

The bad news is that almost none of them have full training, and many do not have anything approaching adequate training. The facilities Protection Service is shown as trained simply because it effectively is a night watchman/security guard service that needs no training. The ICDC is shown as qualified on the grounds it is being continuously trained on the job, but this reflects a major cutback in the original training plan and again puts it into the night watchman/security guard service category until it can be given a real training program.

The “quality forces” are the police services and armed forces, and it is clear that they are just getting started. The CPA and US military in the field clearly recognized the training problem, but had to rush many men into service because of the insurgency campaign. Some of this lack of training is being compensated for by experience in the field, and by cycling key military and police personnel through Jordan and the US. Fixing the training problem will take time, however, and an eight-week course is in any case not a substitute for years of experience. Moreover, the gross personnel numbers discussed above disguise a rapid turnover in training and other personnel that compounds the problem.

The CPA, the US military in the field, and Department of Defense seem to have been far slower in addressing the equipment needs of the security forces either in terms of assessing what was required or contracting to have it delivered. Many police posts did not even have telephones as of March 2004. Many lacked weapons, vehicles, and personnel projection equipment, and pay was erratic at best (some units had not been paid in three months). Some were holding stockpiles of weapons like mortars and RPGs gathered from Iraq’s arms depots, but did not have small arms.

The border police and border guards not only were very badly equipped, many lacked even basic facilities. Some were never given uniforms, much less desert terrain vehicles, metal detectors, and weapons that could compete with the mortars and RPGs held by the smugglers. A \$310 million program was underway to provide some 8,200 new guards and computerized passport controls, but it has made little progress. These problems occurred in a climate where some 60,000 people without proper travel documents were detained between June 2004 and March 2004 at the Munthriya border crossing alone, and Iranian pilgrims immediately reacted to the closing of border crossings by hiring smugglers to bring them in.^{xxxii}

The Coalition was forced to close some 16 out of 19 border crossing points with Iran in March as much because of a lack of personnel and equipment as a result of any security

reasons. The Iraqi forces could not control the border outside many of the official crossing and US forces had to be deployed. The CPA also recognized that its goal of 16,892 personnel was largely an arbitrary estimate of what could be done, and some 10,000 personnel short of the actual requirement.^{xxxii}

As of March 26, senior US defense officials stated that they hoped that 75% of the Iraqi police could be rushed through an eight-week training program in Iraq, Jordan, or Kuwait by November 2004. They also stated that US clearly recognized that the equipment program was a serious failure but could not specify any date at which the necessary equipment would arrive. The US Administrator, L. Paul Bremer, stated on March 29, 2004, that “There simply is no way to speed up; it simply can’t be done. And it’s going to take another year. We have to be honest about that...The key is to have professional police, not just to add people who aren’t trained. Many of the people who are already in the police force are corrupt, they don’t understand human rights, and some of them are engaging in attacks on the coalition...We’re not going to bring in any more untrained police. It’s not going to happen.”^{xxxiii}

The lack of a well-trained and equipped mix of security forces could prove critical if the country drifts towards civil war. It not only is not suitable to deal with the insurgents, it also cannot deal with criminals in a nation that is still heavily armed and where large numbers of automatic weapons, RPGs, Manpads, mortars and munitions were still being seized every month as of the end of March 2004.

The shortfalls in the security forces could also present growing problems if ethnic and sectarian tensions increase because so many Iraqi factions and militias have significant arms, and the degree to which the key militias will actually be integrated into the security forces remains unclear. These militias include the Kurdish Peshmerga (forces divided between the Barzani and Talibani factions that claim 50,000 men), the Badr Brigades (run by the Shi’ite Supreme Council for Islamic Revolution in Iraq); Moqtada Sadr’s Mahdi Army (claimed strength of 5,000-10,000); the smaller Shi’ite Dawa Party Militia; a small militia belonging to Abdel-Medi Salami (a Shi’ite cleric in Najaf); the forces of the various tribal confederations, bodyguard forces for various Shi’ite leaders, and what Michael Knight of the Washington Institute reports are over 130 small Shi’ite “militias.”

As best, loyalty and security will remain problems until a new Iraqi government firmly takes hold, which now cannot happen until 2006. At worst, the history of factional fighting in areas like Lebanon and Somalia also shows how quickly locally recruited forces, split along ethnic and religious lines, can become part of the problem, rather than the solution, unless they are well trained and disciplined. If civil fighting starts, the militia could soon fracture into ethnic and religious segments that join the fighting.

The Iraqi Armed Forces

The Iraqi armed forces present additional problems. The CPA and Coalition are often criticized for disbanding the Iraqi military after the war. Much of this criticism seems to be somewhat naïve or disingenuous. It assumes that the regular Iraqi Army was somehow less political and corrupt than the Republican Guards, and ignores the fact that conscripts forced into the army by the regime manned many units. It also ignores the fact that the Iraqi armed forces had become a politicized structure with over 10,000 general officers.

Such criticism forgets the history of confrontation with the Kurds, the low-intensity war against the Shi'ites from 1991 on, and the bloody series of purges of career officers from mid-1988 onwards. It also seems to be unaware that the army largely disbanded itself after being crippled by a massive land campaign and an air campaign consisting of some 18,000 air strikes with precision guided munitions.

Rightly or wrongly, however, Iraqis see strong military forces as an essential part of nation building, and of Iraq's status and dignity as a nation. They remember the successes of the Iran-Iraq War and the very real courage of many Iraqi units in the Gulf War and Iraq War.

Current US plans are not adequate to meet these goals. The Department of Defense plans for rebuilding the Iraqi Army, issued in February 2004, assume, "No major external conventional threat to Iraq in the near term (FY05-06)." It also calls for Coalition forces to remain in Iraq until the army and police can deal with internal security threats. Many Iraqis see this as necessary, but many also see it as a plan for occupation. They also assume that the police will have primacy for internal security and that the Iraqi army will not.

The CPA issued Order 22 to create a new Iraqi Army in August 2003, and called for a force of 9 battalions. It quickly became apparent, however, that this force was too small and Secretary Rumsfeld approved an expansion to up to 9 brigades (27 battalions), and elements of an Air Force and Coastal Defense Force in September 2003.

Most of the officers for this force are being trained and retrained in Jordan, and 25 potential senior commanders have been trained in the US. The force plan calls for elements of nine brigades to be established by September 30, 2004, with the ICDF and IAC to follow. This is to be followed by establishing Defense Council and the elements of a Joint Force Headquarters. The organization chart seems to call for a mix of British, US, and Iraqi approaches to creating this headquarters.

The mission statement, or operational requirements, for the Iraqi Armed Forces (IAF) include:

- *Border operations:* Army and Air Force role in recon, surveillance, security, and interdiction missions.
- *Infrastructure and LoC Security:* Air Force and Army.
- *Military Assistance to Civil Authorities Operations (Army, Navy, Air Force):* Support to civil authorities in law enforcement and civil action (liaison with local leaders, medical assistance, community engineering projects, disaster assistance).
- *IAF/ICDC joint operations (Army and Air Force).* Precursor to reserve force integration and creation of a reserve force headquarters.
- *Coalition/ Iraqi Armed Forces combined operations (Army, Navy, Air Force):* Defensive counter air operations' cordon and search operations, maritime intercept operations, and search and rescue.

The short-range force goals for the Iraqi armed forces – as of September 30, 2004, are:

- *Iraqi Army:* 30 battalion equivalents with 27 motorized battalions, and 3 engineer battalion equivalents (9 companies), plus 3 Division, 9 brigade, and 27 battalion headquarters.
- The division headquarters are administrative, not combat units. They will each have 3 brigades (each with 3 motorized battalions and engineer company; an HQ company, and a military police company).

- There will also be substantial MP and explosive ordnance disposal elements.
- *Iraqi Coastal Defense Force*: 1 Battalion and 2 patrol craft.
- *Iraqi Air Components*: 2 C-130 and 6 UH-1.

The longer-range force goals for the Iraqi armed forces are unclear but include:

- Improved divisions, which adds a fire support brigade with an artillery battalion, armored car battalion, and HHC to each division.
- Improved brigades, which replace the three motorized battalions with 3 light armored battalions, replace the engineer company with an engineer support battalion, and add a military police battalion.

It is far from clear that the Iraqis will support these plans once they have independence, or that each shift in government will accept leaving the Iraqi forces under US and Coalition command. The CPA has tried to deal with this by creating a Ministry of Defense on March 26, as well as announcing that a National Security Advisor is to be appointed with a term of five years, and that the general officers are the ones that have been trained in the US.

This assumes, however, that the US can make decisions now that bind an Iraqi government in the future. In practice, the US has no legal basis for doing this, and the only real pressure on the Iraqis to go along will be their need for the US and Coalition forces. Dependence on the US is at best likely to be a temporary relationship, and Iraq's emerging local politics may lead to differences with the US over security and command of the armed forces even if this is against the interests of the new government in some ways.

Moreover, the US "zero-based" approach to recreating the Iraqi armed forces is in serious trouble for a number of other reasons. One is material. The US Army failed to issue a proper contract for equipping the Iraqi army and has had to cancel the initial one issued to the Nour Company. There may be good reasons for this action. Nour was a firm with no prior history or experience in the field that bid a \$327.5 million charge for the contract. The lowest competing bid came from the Polish state firm Bumar, which deliberately low-balled its bid at \$560 million, expecting to win the contract by losing at least some money on the deal. There are reports that Nour's chairman has ties to Ahmad Chalabi, a member of the Governing Council, and that US Army failed to make the award to Nour on properly competitive terms. The end result, however, is that the equipment for proper training and equipage is months behind schedule.^{xxxiv}

More generally, the force has no real armor or combat aircraft and lacks "status." This lightly equipped force may well not be acceptable to a new Iraqi government.

The US may also be miscalculating the military role Iraqi forces need to play in the counterinsurgency campaign and the level of status and unity they need to help present civil conflict. The CPA plan for the new Iraqi Army is predicated on US and Coalition troops providing security and doing much of the fighting through 2005, and having effective command. This too seems likely to become politically unacceptable over time. This is particularly true if the Army must work with the security forces to deal with Arab-Kurdish and Sunni-Shi'ite tension. There are some security missions where US and Coalition forces offer the advantage of neutrality or the role of an honest broker. There

are others where only Iraqis can ultimately deal with internal tensions and complete the counterinsurgency campaign.

The new Iraqi Army may well be the best solution to having Iraq pick up much of the burden in conducting military and security operations against Islamist extremists. There is growing evidence that the threat is becoming less and less tied to former regime loyalists and more and more tied to a mix of Iraqi Sunnis who fear the transition to a new state, native Islamic extremists, and foreign Islamic volunteers.

In the past, US intelligence focused largely on former regime loyalist cells, particularly a total of some 14 “Ba’athist” cells in the greater Baghdad area. By March 2004, US officers were talking about a mixture of cells set up by Saddam’s regime, Iraqi Sunni and Shi’ite nationalists with no apparent ties to the former regime, Iraqi Sunni Islamists, foreign fighters – some with possible funding by Al Qaida, and criminals, new local Sunni movements like Ansar al-Sunna and some six foreign Islamist cells in the greater Baghdad area as well as 8-10 such cells in Anbar Province in the West. The funding of much of the insurgent effort also seems to have shifted from Ba’athist to local and Islamic groups.^{xxxv}

These problems were particularly severe in the Sunni triangle, and in relatively poor cities like Fallujah, where unemployment was high, the security climate was too dangerous for many types of aid projects, and it was becoming increasingly clear to the residents that not only were the Shi’ites emerging as the dominant power but that their towns and cities would never receive either the bounty they had gotten from Saddam’s regime or the past preference in government jobs and in the military and security services. Such areas have never had any clear economic reason for their privileges and promised to be the permanent losers in the change in regime.

The US-led Coalition force may be able to defeat organized insurgent forces in clashes and eliminate individual cells, but it is far from clear that outsiders are the best way of defeating an ideological threat in detail – particularly if the insurgents continue to shift from the US and the Coalition as their primary target and concentrate on their fellow Iraqis and the nation building process, and exploit Arab-Kurd and Sunni-Shi’ite tensions. (Roughly twice as many Iraqi security personnel and civilians have now died as a result of bombings and insurgent attacks as Coalition troops and civilian personnel)

Winning such a campaign means creating the ability for Iraqis to target who the enemy really is, and having the Iraqi people see that it is Iraqis fighting for an Iraqi government that are creating security – albeit with US and Coalition backing. This requires winning “hearts and minds” on a level that probably can only be won by a combination of Iraqi political success, economic success, and effective operations by Iraqi military and security forces.

Ethnic and Sectarian Attitudes Towards the Insurgency, and the Future of Nation Building

Finally, as has been stressed throughout this analysis, everything depends on the ability of Iraqis to make a peaceful transition from a small Sunni-dominated elite to some form of federal structure in which a Shi’ite majority may dominate, but Sunni and Kurd have a fair share of power and see that their rights will be protected.

This kind of peaceful evolution may take place. Active ethnic tensions and clashes so far have been limited, and the key debates between Sunni Arab, Shi'ite Arab, and Kurd have not involved threats of violent separation. As of the end of March 2004, the majority of Iraqis still seemed to support the overthrow of Saddam and the Coalition's efforts at nation building, and seemed willing to maintain unity through political compromise.

However, it is the risk of civil conflict, or of the Shi'ites becoming hostile to the Coalition, that must be kept constantly in mind in looking at the future. As has been touched upon throughout this analysis, ABC News poll clearly showed that Iraqis feared the risk of ethnic and religious clashes. It also reflected deep difference among and within Iraq's key factions:

Percent responding to <u>Survey question</u>	<u>Sunni Arabs</u>	<u>Shi'ite Arabs</u>	<u>Kurds</u>
Was Iraq Humiliated Or Liberated?			
Humiliated	66	37	11
Liberated	21	43	82
Was the invasion right Or wrong?			
Right	24	51	87
Wrong	63	35	9
Coalition should leave now?			
Yes	29	12	2
Attacks on Coalition forces			
Acceptable?	36	12	2
Unacceptable?	57	85	96
Preferred Political System			
Democracy	35	40	70
Strong leader for life	35	23	6
Islamic state	15	26	8
Preferred Political System in One Year			
Single strong leader	65	44	20
Democracy	14	24	60
Religious leaders	5	18	2
Preferred Political System in 5 Years			
Single strong leader	49	32	16
Democracy	31	39	67
Religious leaders	6	7	2

Some aspects of these figures are reassuring, particularly when one remembers that Iraq is 60% Arab Shi'ite, 20% Arab Sunni, 15% Kurd, and 5% Turcoman and other.^{xxxvi} However, if there is any conclusion to an analysis of the first year after the invasion of Iraq, and as to its probable future aftermath, it is to stress that the histories of countries

like Lebanon, Yugoslavia, and Somalia show how quickly militias and armed factional groups can become a threat if religious or ethnic tension becomes violent. Such histories also show how quickly supposedly “national” security and military forces can join a given ethnic or religious side if the central governing structure breaks down and civil conflict becomes widespread.

Moreover, the fact that most Iraqis did not oppose a coalition military presence in February must be qualified with other results from the ABC survey. Most Iraqis wanted the coalition forces to leave once a new government was restored, and only 20% wanted those forces to stay until security was restored.

How long should coalition forces remain?

Until Iraq gov't is in place	36%
Until security is restored	18
Leave now	15
Six months or more	10
Few months	8

Success in Iraq will at best be a hard won race to win a low-intensity conflict, promote economic and security conditions that create real popular support, and simultaneously transfer power to Iraqis while establishing a new structure of government and politics. The outbreak of anti-US and anti- Coalition fighting by the Sadr Militia on the weekend of April 3-4 – just a year before the fall of Baghdad – is yet another warning that the risk of civil fighting in Iraq is still all too real and that this race remains too close to call.

ⁱ The ABC News poll in Iraq was the first media-sponsored national public opinion poll conducted in that country. Based on a nationally representative, multi-stage random probability sample, the survey was conducted Feb. 9-28, 2004, with fieldwork by Oxford Research International of Oxford, England. Trained Iraqi nationals conducted all interviews in person; the sample included 2,737 Iraqi respondents, with a margin of sampling error of plus or minus 2 percentage points. Full ABC News analyses at <http://abcnews.go.com/sections/us/PollVault/PollVault.html>.

ⁱⁱ DoD <http://www.defenselink.mil/news/Apr2004/d/20040407.oas.pdf> and <http://datacenter.ap.org/car/casualtyquery>

ⁱⁱⁱ Department of Defense unclassified *Iraq Status Draft Working Papers*, released April 4, 2004.

^{iv} New units began flowing into the region in December. The rotation is expected to continue through May, when 110,000 service members will be in place, replacing 130,000 troops serving in the region. The new units deploying work with units in Iraq to plan movements and learn their missions. As of the end of March 2004, approximately 95 percent of the service members deploying to Iraq had arrived in the region.

- More than 90 percent of the cargo had arrived.

- More than 60 percent of personnel due to return to their home stations had done so.
- *Units rotating out included:*
 - The 101st Airborne Division (Fort Campbell, Ky). They have been replaced in Mosul by Task Force Olympia, which includes the Stryker Brigade from Fort Lewis, Wash.
 - The 82nd Airborne Division (Fort Bragg, N.C.)
 - The 3rd Armored Cavalry Regiment (Fort Carson, Colo.)
 - The 1st Armored Division (Germany and Fort Riley, Kan.)
 - The 173rd Airborne Brigade from Vicenza, Italy;
 - The 4th Infantry Division (Fort Hood, Tex., and Fort Carson, Colo.).
- *Arriving Army units included:*
 - The 1st Cavalry Division (Fort Hood, Tex.), which will command the 39th Brigade Combat Team from the Arkansas National Guard. The Division will relieve the 1st Armored Division in Baghdad around April 15.
 - 1st Infantry Division (Wurzburg, Germany, and Fort Riley, Kan.) has relieved the 4th ID and the 173rd Airborne Brigade. The 30th Brigade Combat Team of the North Carolina National Guard is part of the 1st ID.
- *Arriving Marines included:*
 - The 1st Marine Expeditionary Force (Camp Pendleton, Calif.) relieved the 82nd Airborne and the 3rd Armored Cavalry Regiment in Fallujah, Ramadi and western Iraq in the third week of March.
 - The 1st MEF will command the 1st Brigade of the 1st Infantry Division from Fort Riley and the 81st Armored Brigade of the Washington State National Guard.
- These rotations involved major shifts in weapons and equipment:
 - The departure of the 101st takes the Army's only air assault division out of Iraq. Instead of using helicopters to taxi around Northern Iraq, they will now use 323 Stryker vehicles.
 - The Army will pull out 75% of its 600 M1 tanks. There will be just about 150 tanks left after the rotation. With the Republican Guard smashed, they aren't needed. They also are very labor intensive to maintain. So pulling them out means freeing up plenty of tank support staff to return home as well.
 - Howitzers in Iraq will drop from 250 to about 100.
 - All 94 of the Multiple Launch Rocket Systems will be removed from Iraq.
 - From 140 Apache attack helicopters to just under 100 Apaches and Cobra variants, which will be used by the Marines.
 - From 350 UH-60 Black Hawks and other tactical helicopters to to about 200.
 - From 75 CH-47 Chinook helicopters to 60.
 - From 125 OH-58 helicopters to about 80.
 - Mechanized infantry vehicles (like M2, M3 and Stryker) will increase from 600 to 850.
 - Uparmored humvees, a more fortified version of the vehicle, will be "significantly increased." "Every soldier who gets out of a tank [will get] into an uparmored humvee."
- Soldiers who are coming into Iraq will receive a variety of "sensitivity and awareness" training that was not given to the troops who are here now. Those troops were trained to fight their way to Baghdad and kill everything in their path. These new troops are being trained to the mission as it now exists.
- New soldiers spend five days "riding in the right seat" with the soldiers they are replacing. Then they spend five days driving in the left seat with the soldiers. Then they take over.

^v The 18 governorates include Al Anbar, Al Basrah, Al Muthanna, Al Qadisiyah, An Najaf, Arbil, As Sulaymaniyah, At Ta'mim, Babil, Baghdad, Dahuk, Dhi Qar, Diyala, Karbala', Maysan, Ninawa, Salah ad Din, Wasit

^{vi} The CIA estimated Iraq's population to be 24.7 million in July 2003. It estimated that it was divided as follows: Arab 75%-80%, Kurdish 15%-20%, Turkoman, Assyrian or other 5%. Religions: Muslim 97% (Shi'a 60%-65%, Sunni 32%-37%), Christian or other 3%

Languages: Arabic, Kurdish (official in Kurdish regions), Assyrian, Armenian.

^{vii} The debt estimate is taken from a speech by James Baker, AP, 04/01/04 21:43 EST

^{viii} Estimates of future oil wealth are extremely uncertain, as are estimates of the required investment. The US Energy Information Agency cites an Iraqi national Oil Company estimate that Iraq's oil development and production costs are amongst the lowest in the world, ranging from as low as \$750 million for each additional million bbl/d day in Kirkuk, to \$1.6 billion per million bbl/d near Rumaila, and as high as \$3 billion per million bbl/d for smaller fields in the northwestern part of the country. In contrast, Cambridge Energy Research Associates (CERA) estimates an average cost for Iraqi oil development of \$3.5 billion per million bbl/d for the country as a whole, which is higher than Tariq Shafiq's estimates, but still relatively low by world standards. Either way, Iraq is considered a highly attractive oil prospect, with only 17 of 80 discovered fields having been developed, and few deep wells compared to its neighbors. Overall, only about 2,300 wells reportedly have been drilled in Iraq (of which about 1,600 are actually producing oil), compared to around 1 million wells in Texas for instance.

In addition, Iraq generally has not had access to the latest, state-of-the-art oil industry technology (i.e., 3D seismic, directional or deep drilling, gas injection), sufficient spare parts, and investment in general throughout most of the 1990s. Instead, Iraq reportedly utilized sub-standard engineering techniques (i.e., over pumping, water injection/"flooding"), obsolete technology, and systems in various states of decay (i.e., corroded well casings) in order to sustain production. In the long run, reversal of all these practices and utilization of the most modern techniques, combined with development of both discovered fields as well as new ones, could result in Iraq's oil output increasing by several million barrels per day.

^{ix} CIA, World Factbook, 2003.

^x Based on US Census Bureau and CIA population statistics, and the oil revenue data provided by the Energy Information Agency of the US Department of Energy, "OPEC Revenues Factsheet, <http://www.eia.doe.gov/emeu/cabs/opecrev.html>.

^{xi} CIA, World Factbook, 2003.

^{xii} <http://www.census.gov/cgi-bin/ipc/idbsum?cty=1Z>.

^{xiii} Coalition Provisional Authority, Inspector General, http://www.cpa-ig.org/reports_congress.html.

^{xiv} **Sources Amount Percentage**

U.N. Food Programs (Repatriation) \$5,912,364,574 44.63%

U.N. 1483 Repatriated Funds (See Table F-2) 751,095,285 5.67%

Deposits – Vested NY 15,310,389 0.12%

Oil Proceeds 5,986,010,312 45.18%

Collections Baghdad 536,861,843 4.05%

Investments, Other Deposits 46,422,989 0.35%

^{xv} **Reconstruction Pledges as of March 1, 2004**

Donor Madrid Conference

Australia \$45,590,974

Austria 5,478,165

Belgium 5,890,500

Bulgaria 640,000

Canada 187,466,454

China 25,000,000

Cyprus 117,810

Czech Republic 14,659,023

Denmark 26,952,384
European Community 235,620,000
Estonia 82,467
Finland 5,890,500
Greece 3,534,300
Hungary 1,237,005
Iceland 2,500,000
India 10,000,000
Iran 5,000,000
Ireland 3,534,300
Italy 235,620,020
Japan 4,914,000,000
Korea 200,000,000
Kuwait 500,000,000
Luxembourg 2,356,200
Malta 265,073
Netherlands 9,424,801
New Zealand 3,351,975
Norway 12,867,617
Oman 3,000,000
Pakistan 2,500,000
Qatar 100,000,000
Slovenia 419,382
Saudi Arabia 500,000,000
Spain 220,000,000
Sweden 33,000,000
Turkey 50,000,000
United Arab Emirates 215,000,000
United Kingdom 452,326,416
United States 10,000,000

Sub-Total \$8,043,325,365

Reconstruction Pledges as of March 1, 2004

Donor Madrid Conference

IMF (low range) \$2,550,000,000
World Bank (low range) 3,000,000,000

Total \$13,593,325,365

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^{xvii} Some data provided by the Coalition Provisional Authority are taken from reporting by Tom Brown of Brookings. www.brook.edu/iraqindex.

^{xviii} Department of Defense unclassified *Iraq Status Draft Working Papers*, released April 4, 2004.

^{xix} Department of Defense unclassified *Iraq Status Draft Working Papers*, released April 4, 2004.

^{xx} Department of Defense unclassified *Iraq Status Draft Working Papers*, released April 4, 2004.

^{xxi} Department of Defense unclassified *Iraq Status Draft Working Papers*, released April 4, 2004.

^{xxii} Department of Defense unclassified *Iraq Status Draft Working Papers*, released April 4, 2004.

^{xxiii} Department of Defense unclassified *Iraq Status Draft Working Papers*, released April 4, 2004.

^{xxiv} Department of Defense unclassified *Iraq Status Draft Working Papers*, released April 4, 2004.

^{xxv} Iraq Fact Sheet, April 1, issued by the Joint Staff and the CPA.

^{xxvi} Washington Post, March 31, 2004, p. E-3.

^{xxvii} Washington Post, March 31, 2004, p. E-3.

^{xxviii} Department of Defense unclassified *Iraq Status Draft Working Papers*, released April 4, 2004.

^{xxix} Iraq Fact Sheet, April 1, issued by the Joint Staff and the CPA.

^{xxx} The follow descriptions are paraphrased or taken verbatim from the CPA press releases of April 3, 2004.

^{xxxi} Los Angeles Times, March 30, 2004.

^{xxxii} Los Angeles Times, March 30, 2004; Philadelphia Inquirer, March 30, 2004

^{xxxiii} Philadelphia Inquirer, March 30, 2004, Los Angeles Times, March 31, 2004, p. 1.

^{xxxiv} Wall Street Journal, March 30, 2004, p. 4.

^{xxxv} For further background, see Christian Science Monitor, March 30, 2004, p. 1.

^{xxxvi} There is no meaningful census data, and most estimates make no effort to identify mixed populations by religious sect or ethnicity. The 2003 estimate of the CIA World Factbook estimates that the population distribution is as follows:

Ethnicity: Arab 75%-80%, Kurdish 15%-20%, Turkoman, Assyrian or other 5%

Religions: Muslim 97% (Shi'a 60%-65%, Sunni 32%-37%), Christian or other 3%

Languages: Arabic, Kurdish (official in Kurdish regions), Assyrian, Armenian

<http://www.odci.gov/cia/publications/factbook/geos/iz.html>

The author's experience with Iraqi population data dates back to 1973, and indicates that there has been a strong bias towards undercounting Shi'ites and ethnic minorities in the past, and within minorities, against accurate counts of smaller minorities like the Turcomans. Population growth has been extremely high for several decades, however, and a combination of such growth and urbanization can produce significant shifts in this aspect of population distribution. Errors of at least +/- 3% are almost certain in the percentage of larger groups and could reach +/- 5-7% at the extremes.