



**ECONOMIC TOOLS IN COUNTERINSURGENCY
AND POSTCONFLICT STABILIZATION:
LESSONS LEARNED (AND RELEARNED) IN AL ANBAR, IRAQ, 2003-04**

By Keith W. Mines

On April 7, 1965, President Lyndon Johnson delivered a major address at The Johns Hopkins University. At the time, historian Barbara Tuchman writes, Johnson believed that to lose South Vietnam would be a catastrophe that would make the loss of China inconsequential by comparison.¹

Johnson believed every man had his price. In his speech, aimed directly at Ho Chi Minh, he proposed a vast Tennessee Valley Authority-style rural rehabilitation and flood-control project for the Mekong Valley to complement Operation Rolling Thunder, the bombing campaign that had just commenced. North Vietnam, Johnson promised, would share in the \$1 billion development project after it accepted a peaceful settlement. Ho wasted no time in rejecting the offer: the next day North Vietnam announced four preconditions for peace, one of which was the adoption of the National Liberation Front program for South Vietnam. Johnson, flabbergasted, returned to the military tool. In June, he authorized the introduction of conventional U.S. ground forces, and the escalation of the conflict began in earnest. It would be decades before the United States would directly fight another insurgency. When it did, it spent a good deal of time relearning the lessons of earlier insurgencies.

On August 22, 2003, CPA Administrator J. Paul Bremer gave his weekly speech to the Iraqi people. These speeches were meant to reassure the Iraqis and build support for the Coalition. That week, the insurgents were just beginning to find their footing, having destroyed the UN compound and delivered hard hits to the country's oil and water pipelines. Bremer announced that the attack on the oil pipeline was costing Iraqis \$7 million a day. "Sometimes it is hard to grasp what you can do with \$7 million," he said. "Let me put it this way: The money lost on Friday and Saturday could have renovated 400 primary schools. The money lost on Sunday and Monday could have renovated 130 courthouses. The money lost on Tuesday and Wednesday could have reconstructed two water treatment facilities big enough to bring safe water to over 200,000 people."

Bremer's appeal was not so much to the insurgents as to those who allowed them the space to operate. In the end, however, it was no more effective than Johnson's pitch to Ho. The Iraqi insurgents, we now know, were just warming up.

Both the promise of economic tools and their inability to deliver in the above examples raise the question, what is their proper role in countering insurgency and in postconflict stabilization?

MONEY CAN'T BUY SUCCESS; IT'S ALL ABOUT POLITICS

When the CPA took on the task of governing Iraq, it was assuming a clean slate. The old government had been swept away, the security forces had "self-dissolved," and the traditional statist economy was wide open for change. A few days of looting only added to the sense that the CPA really was starting from the ground up. In July 2003, Bremer wrote that the road ahead lay in progress in three key areas: 1) security and economic development, 2) the naming of a governing council to put an Iraqi face on the political structure, and 3) an economic program that restored basic services, created jobs, privatized state-owned enterprises, and established a social safety net and a system for distributing the benefits from Iraq's oil money.²

In Al Anbar province, in conjunction with the 82nd Airborne Division, we developed an operating template based on the three Ps: power-generation, police, and political process. We thought that if we could restore electricity, the economy would revive; if we could train and equip police, Coalition forces could withdraw from the cities, reducing the visible face of the occupation. Establishing a political process would show the residents that sovereignty would return soon enough. We later cashiered power for jobs when we saw that the restoration of electricity did not automatically increase employment, and we added reconciliation when we realized the importance of directly engaging former Sunni officials, disenfranchised by the de-Baathification policy, who were able to disrupt the transition. The three Ps thus evolved into JPPR--jobs, police, political process, and reconciliation.

The security, political, and economic areas are generally recognized as the three pillars of a successful counterinsurgency strategy. Analyst Peter Brooks writes that “the three strategic tracks to success in Iraq remain the same as ever: security, political and economic. Progress along all three vectors is essential to victory; each is dependent upon the other.”³ Colonel H. R. McMaster has affirmed, “The political, economic, and military have to go together. You have to isolate insurgents from external support. You have to develop security forces. You have to provide security for the population.”⁴

It was becoming increasingly clear by December 2003, however, that the three were not equal in importance, and that their sequencing was key. The primacy of politics was apparent. Military analyst Thomas Ricks later wrote that “military commanders say they have come to understand that they are fighting within a political context, which means the results must first be judged politically.”⁵ Anit Mukherjee, a former officer in the Indian Army with long service in Kashmir, recalls, “One of the first lessons taught to all soldiers deploying to Kashmir is that an insurgency can never be militarily defeated. It can only be managed until a political solution is found.”⁶

In 1968, Nguyen Van Thieu, a member of the NLF central committee, published the treatise “Our Strategy for Guerrilla War.” He concludes:

We will never have more weapons, more tanks, more planes than the Americans. The real problem of revolutionary war is not primarily military. It is political. The secret of our success is that we strive to mobilize the people, resolve the peasant question, coordinate the town-countryside struggle, resolve the problem of national minorities and religious sects, and elevate the level of organization and political consciousness.⁷

In another insurgency, the Afghan struggle against the Soviets in the 1980s, the guerrillas did not even bother with an overt political organization, but it was still at its heart a political struggle by religious nationalists resisting occupation. Gerard Chaliand reported in 1980 that:

The resistance fighters have no general strategy, no coordination, no organization other than traditional ties to tribe, region, and family. The resistance has scarcely any political or social program, and no vision of the future. Unlike virtually all of the guerrilla movements of Asia, Africa, or Latin America, the Afghan rebels have nothing new to show the visiting observer: no newly elected village committee, for example, no program for the integration of women into the struggle, no newly created people’s stores or medical centers, no small workshops contributing to economic self-sufficiency of the sort one finds in guerrilla camps throughout the world.⁸

All this occurred at a time when the Soviets were pouring hundreds of millions of dollars into improving the Afghan economy, in many areas producing an infrastructure for the first time in the country’s history.

In Al Anbar, we learned that the Sunnis had their own variation on this theme. While they were not against the money being spent in Iraq, young Iraqis I spoke with made clear that they found insulting the idea they would support the occupation against the insurgency solely for economic opportunity. Their motivations were more complex but were grounded in the evolving political settlement and where it left their province and their people.

The most basic and essential tool in counterinsurgency, therefore, is a broadly accepted political framework, followed by widespread protective security, or, in the case of a party that rejects a legitimate political process, coercive security. Together, these facilitate economic development, leading to a cycle of overall stability and progress. They may appear almost simultaneously, but a good political settlement without economic aid can still lead to stability, while no level of macroeconomic support can produce stability absent a viable political process.

We in the CPA ignored this basic ordering. Our first two directives not only failed to support the political process, they were politically counterproductive. De-Baathification and the disbanding of the Iraqi Army sent a clear signal to the Sunnis that they did not have a place in the new Iraq. The reality for Iraqis was that the fall of the regime produced winners (Kurds and Shiites) and losers (Sunnis), which fueled Sunni opposition to the Coalition.

The key issue in Iraq remains how to empower the previously disenfranchised Shiites and Kurds in a way that does not disempower the Sunnis. Until this is settled, no amount of security forces or economic programs will bring success. Money can’t buy stability.

ECONOMIC TOOLS REINFORCE STABILITY

If economic tools will not compensate for the lack of a viable political and security framework, they can nonetheless be a major support to counterinsurgency efforts in support of a well-crafted strategy, especially at the local level. To be effective, they should be short-term, focused on people, and flexible.

SHORT-TERM FOCUS

Even if it had been bolstering a viable political process, the CPA economic program was probably ill-suited for a country going through Iraq’s transition. The elements of what would become the CPA economic strategy were laid out in an early document--“Moving the Iraqi Economy from Recovery to Sustainable Growth”: a neo-liberal shock treatment to get the economy on track and ensure Iraq did not become a lopsided petro-state. Its main pillars were to privatize Iraq’s industries, modernize the Baghdad Stock Exchange, reform the central bank, establish a new currency, provide Iraqi businesses with fresh credit, create a legal framework compatible with private ownership, production, and distribution, and rewrite the tax

and tariff system.⁹

CPA headquarters was fixated on achieving an early transition to a free-market system, encouraged by Washington analysts who were reluctant to give up on any piece of their ideology in the interest of bolstering stability. Even as late as September 2003, with the insurgency in full bloom and U.S. casualties rising, Heritage Foundation analysts James Phillips and Marc Miles wrote that the United States should “bolster freedom, not dependence, in Iraq” by “abrogating the Iraqi constitution and legal edicts that obstruct economic reform, preparing Iraqis for comprehensive structural reforms and privatization, and preparing a comprehensive economic reform package.”¹⁰

In the same period, during which the emphasis would normally be on macroeconomic continuity and job creation, Ambassador Bremer told field officers and governance coordinators that they needed to be prepared for the effects of a series of economic shocks that were necessary if the country was to assume a proper free-market economic framework.

The case of Hungary was often given to support this shock treatment. This was a horrible misreading of the Eastern European example, ignoring as it did the sequencing of political transitions. In Hungary, economic shock treatment did not begin in earnest until after the first freely elected government had completed the country’s initial four-year postcommunist term, the political class knowing that it need those crucial years to achieve political stability before asking any socioeconomic concessions from the citizenry. And this transition occurred in a peaceful, homogenous and consensus-driven country with a long history of representative government.

In Iraq, the United States was trying to implement a “no pain, no gain” policy while at the same time fighting an insurgency and dodging IEDs. In counterinsurgency, there is no long-term, only short- and shorter-term. If the price for reinforcing stability in the crucial first year of a difficult transition is bad economic policies, so be it. Otherwise, there will never be an opportunity to implement good economic policies.

SPEND ON PEOPLE FIRST

Colin Powell offered this basic guidance for staff officers and commanders: the field is always right. By this, he meant we should not second-guess the judgment of those who are feeling the heat of battle. In Iraq, there was a fundamental disconnect between those in the field and those in headquarters over where to focus spending. The field invariably opted for large-scale jobs programs, while headquarters preferred infrastructure.

We had the same dilemma in Haiti. If one chooses short-term jobs programs over large-scale infrastructure projects, there is no concrete improvement at the end of the spending that will anchor future growth. If, on the other hand, one puts everything into costly, highly technical infrastructure projects, high levels of unemployment will feed a cycle of instability. Of the two choices, one should opt for the one that produces the most stability.

During counterinsurgency and the early phase of a transition, spending on direct job creation—money-targeting people first—is essential to anchor the political process and shore up security. We came to this realization late, conceding in January 2006 that, as the Brookings Institution’s Michael O’Hanlon puts it, “The initial U.S. effort had been focused too much on large infrastructure.” O’Hanlon advocates, in addition to spending on local infrastructure and health care, a massive job creation program “to reduce the number of Iraqis willing to fire grenades at passing police officers, plant explosives along the routes of troop convoys, or otherwise aid and abet the insurgency.”¹¹

AEI analyst Michael Rubin, who served briefly in Iraq in the early CPA days, takes this a step further. He believes we are competing against Shiite militias who, following the Hezbollah pattern, are pouring large amounts of money into the provision of basic services in impoverished Shiite neighborhoods where government services are weak or nonexistent. He notes that while the U.S. has little to show Iraqis for its money spent, Iranian-funded militias have opened branches of Shahid al-Mihrab (Establishment for Promoting Islam) throughout southern Iraq, distributing food and money in return for allegiance. He quotes a U.S. official as having said, “We don’t believe in bags of money in the middle of the night like the Iranians do.” As Rubin notes, “In principle this is fine; in reality it is a recipe for defeat: While Tehran understands the importance of patronage networks, Washington does not. While U.S. funds go to Bechtel and Halliburton, Iran-backed groups address Iraqis’ immediate needs.”¹²

Of the many complaints we heard on a daily basis from Iraqis, lack of jobs was the most common. A Baghdad small businessman said it best: “It is easy for the Americans to say, ‘We are doing reconstruction in Iraq,’ and we hear that. But to make us believe it, they should show us where the reconstruction is. Maybe they are doing this reconstruction for them in the Green Zone. But this is not for the Iraqis. Believe me, they are not doing this, unless they consider rebuilding of their military bases reconstruction.”¹³ To be effective, money must be spent directly on people.

FLEXIBILITY

One of the unique things about Iraq was the availability of tens of billions of dollars in seized, frozen, or confiscated assets. Some of this money became available for military units in the form of the Commander’s Emergency Response Fund (CERP).

Before I deployed in August 2003, the best policy advice I received was from 504th Parachute Regiment XO Michael Fenzel, then working in Mosul, who urged that I preserve this vital and very creative economic tool. Commanders at all levels liked its flexibility. Since it wasn’t congressionally appropriated, it wasn’t subject to the bureaucratic rules and oversight that often

made development funds so difficult to spend that they became ineffective.

Local commanders and CPA officials saw the CERP fund as one of the most effective tools they had in winning local support. The basic model was that each battalion commander would have a replenishable fund of \$50,000 to disburse for small projects, with Brigade commanders controlling \$100,000 and the division commander \$250,000. The money was easily accessed and flexible enough to be used as seed money if a project required it. From August to December 2003, I had a similar fund from the CPA so that the Ramadi civil-military team could pool its engineering and project assets to develop a centralized project list throughout the province. At a time when Bechtel, which had won a nationwide project to refurbish schools, had curtailed its work in Al Anbar because of an attack one of its teams suffered en route to a project, we could identify, contract and have a school refurbished in 30 days. Military commanders, who could tailor the program to encourage cooperation, could use these funds to engage local sheikhs and community leaders, who often benefited very directly from the administration of this program.

The program had its downsides, as oversight, especially in places like Fallujah, was often difficult, and managing contracts in a culture where there had never been contracts was problematic to say the least. We now know much of the money was not well spent, with no small amount lost to corruption and theft, something that requires new procedures to improve. But the flexibility and unit-level accountability of this program is vital and should be formalized as a core postconflict tool for U.S. appropriated funds, not just foreign seized assets. Postconflict chaos requires a large-scale infusion of funds by those closest to the action, and the clock is running.

NEW POLICIES AND CAPABILITIES

The lack of an operational doctrine for the economic tool in counterinsurgency and postconflict stabilization is a standalone issue that deserves attention. It could, however, be evidence of a more basic issue. If we are to be successful at postconflict stabilization anywhere, core operating assumptions about its place in our national priorities will have to change. Counterinsurgency has always been the doctrinal and operational stepchild to conventional military operations. Its political counterpart, postconflict stabilization, falls similarly behind conventional diplomacy--one of the least funded, most politicized, and least consistently supported enterprises in the foreign affairs realm. For a variety of reasons, none very compelling, the U.S. political-military apparatus has never institutionalized or systematized these approaches. We continue to pay a heavy price for not elevating them to the core place they deserve in our foreign operations.

This phenomenon differs sharply from the world of conventional military operations, where generations of lessons learned are built upon.

Finance Minister Allawi said of the contracting procedure the United States brought with it to Iraq that it may have worked in the United States, but "once you brought it in the context of Iraq, it fell flat on its face."¹⁴ In a larger sense, we also brought to Iraq a faulty paradigm that undervalues postconflict reconstruction and nation-building. We will spend billions on military operations but cannot find millions to buy stability. We have developed history's most technically advanced and well-led armed forces to prosecute war but have no equivalent force to secure the peace. For this latter task, we need an entire new doctrine and operational capacity, within which the economic tool in counterinsurgency will have a place.

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¹ Barbara Tuchman, *The March of Folly, From Troy to Vietnam* (New York: Ballantine, 1984), p. 319.

² J. Paul Bremer, "The Road Ahead in Iraq--and How to Navigate It," *New York Times*, July 13, 2003.

³ Peter Brooks, "Back to Rebuilding," *New York Post*, Feb. 13, 2006.

⁴ *Ibid.*, p. 19.

⁵ Thomas E. Ricks, "In the Battle for Baghdad, U.S. Turns War on Insurgents," *Washington Post*, Feb. 26, 2006.

⁶ Anit Mukherjee, "Lessons from Another Insurgency," *New York Times*, Mar. 4, 2006.

⁷ Nguyen Van Thieu, "Our Strategy for Guerrilla War," in Gerard Chaliand, ed., *Guerrilla Strategies, An Historical Anthology from the Long March to Afghanistan* (Berkeley: University of California Press, 1982), p. 316.

⁸ Gerard Chaliand, "The Bargain War in Afghanistan, in *ibid.*, p. 325.

⁹ Robert Looney, "The Neoliberal Model's Planned Role in Iraq's Economic Transition," *Strategic Insight* (Monterrey: National Security Affairs Department, Naval Postgraduate School), p. 5.

¹⁰ James Phillips and Marc A. Miles, "Bolster Freedom, not Dependence, in Iraq," *Heritage Foundation Executive Memorandum #900*, Sept. 19, 2003.

¹¹ Michael O’Hanlon, “We Can’t Stop Rebuilding Iraq,” *Washington Post*, Jan. 24, 2006.

¹² Michael Rubin, “Are We Playing for Keeps?” *Wall Street Journal*, Feb. 17, 2006.

¹³ Ellen Knickmeyer, “U.S. Has End in Sight on Iraq Rebuilding,” *Washington Post*, Jan. 2, 2006.

¹⁴ James Glanz, “Auditors Find Widespread Waste and Unfinished Work in Iraqi Rebuilding Contracts,” *New York Times*, Jan. 31, 2006.