



Iraq After US Withdrawal: *US Policy and the Iraqi Search for Security and Stability*

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**Note: This draft is being circulated for comments and suggestions. Please
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EXECUTIVE SUMMARY

"Americans planted a tree in Iraq. They watered that tree, pruned it, and cared for it. Ask your American friends why they're leaving now before the tree bears fruit."

--Mahmoud Ahmadinejad.¹

Iraq is in an ongoing struggle to establish a new national identity, and one that can bridge across the deep sectarian divisions between its Shi'ites and Sunnis and the ethnic divisions between its Arabs and its Kurds and other minorities. At the same time, it must build a new structure of governance, economic, and social order after a period of dictatorship, war, sanctions, occupation and civil conflict that began in 1979 and has continued ever since. It must cope with a steadily growing population, and diversify an economy that is so dependent on petroleum exports that they provide some 95% of its government revenues. This struggle can still end in a new round of serious civil conflict and even in the division of the country. At the same time, Iraq does have great potential and its political divisions and ongoing low-level violence do not mean it cannot succeed in establishing stability, security, and a better life for its people.

The rising tensions between Iraq's main ethnic groups and political parties over autonomy, authority, and control of Iraq's vast natural resources have strained relations as each side views the others with growing suspicion in this high-stakes competition. The possibility of a new round of major internal violence and civil strife presents a critical risk following the withdrawal of US troops and a diminished international role in the middle of a broad regional crisis in political stability and declining aid. As frustration builds over the stalled implementation of the 2010 Erbil power-sharing agreements, Iraq's governing coalition continues to be tested.

Current events in Iraq aggravate tensions between the central government in Baghdad and factional groups that feel disenfranchised from Iraq's political and economic system. In fact, as tensions mount among Iraq's ethnic and political factions, with Sunnis and Kurds threatening to withdraw support from and sever with Baghdad's central government, a political crisis seems likely if not inevitable. These issues and others are analyzed at length in this report.

This internal crisis may well prove to be far more important in terms of both Iraq's future, and US strategic interests in the region, than US competition with Iran, but the two cannot be separated from each other. The US has gone to great lengths to counter Iranian influence in Iraq, including using its status as an occupying power and Iraq's main source of aid, its role in training and advising Iraqi security officials, as well as through information operations and more traditional press statements highlighting Iranian meddling. However, containing Iranian influence, while important, is not America's main goal in Iraq. It is rather to create a stable democratic Iraq that can defeat the remaining extremist and insurgent elements, defend against foreign threats, sustain an able civil society, and emerge as a stable power friendly to the US and its Gulf allies.

Iraq's domestic challenges also interact with the broader patterns of instability in the region. Iraq is caught up in the political struggles between the US, Arab states, and Iran. It is a key focus of the competition between the US and Iran, but also between Iran and the Southern Gulf states. It is caught up in the civil conflict in Syria, and the broader struggles between Sunni and Shi'ite that now affect much of the Islamic world.

Iraq's Critical Political, Military, Economic Challenges

The presence of US troops in Iraq through the end of 2011 partially suppressed the severity of Iraq's internal political, military, and economic challenges. In the months since the US withdrawal, however, increased tensions have begun to fray a fragile coalition government, and have underscored Iraq's significant political, military, and economic challenges.

While many had hoped that 2012 would mark an era of newfound independence in which Iraqi leaders would address the numerous problems their country faced, any such hopes were quickly dashed by increased political instability and the threat of more violence. As has been touched upon earlier, the severity of Iraq's deep political divisions became apparent just days after President Obama's December 2011 White House press conference with Prime Minister Maliki. With the withdrawal of US troops, it became clear that US-Iranian competition in Iraq was to play out in an increasingly uncertain and unstable environment. It became evident, as the New York Times reported early this year, that "finally confronting the social, economic, and religious divisions that were papered over by the presence of American troops" would pose a greater challenge than previously anticipated.²

The current pattern of divisions between Iraq's Shi'ites, Sunnis, and Kurds dates back to its 2010 elections. In those March 2010 elections, Ayad Allawi's Iraqiyya bloc and Maliki's State of Law coalition contested for the right to form the national government, and with it, control over many of the levers of Iraq's political system. Rival political and sectarian factions throughout Iraq saw the drawdown of major US military presence as an opportunity to revive the fight for power.

This political struggle continues and has become steadily more violent and divisive. If left unresolved, the resulting crisis and the other problems the country currently faces could lead to the collapse of Iraq's fledgling democracy and serious civil conflict. There is no way to predict how sectarian and ethnic internal violence will emerge out of the power struggles now going on in Iraq. However, the existing levels of violence are relatively high, Data from the US National Counter Terrorism Center (NCTC) show that Iraq had a consistently higher level of violence than Afghanistan during 2009-2011, with no consistent reduction in violence since mid-2009.

The Department of State Annual Report on Human Rights Practices for 2011 states that Iraq faced significant human rights problems over the course of the past year:³

"During the year the most significant human rights developments were continuing abuses by sectarian and ethnic armed groups and violations by government-affiliated forces. Divisions between Shia and Sunni and between Arab and Kurd empowered sectarian militant organizations. These militants, purporting to defend one group through acts of intimidation and revenge against another, influenced political outcomes. Terrorist attacks designed to weaken the government and deepen societal divisions occurred during the year.

The three most important human rights problems in the country were governmental and societal violence reflecting a precarious security situation, a fractionalized population mirroring deep divisions exacerbated by Saddam Hussein's legacy, and rampant corruption at all levels of government and society." –US Department of State Annual Report on Human Rights

There is a growing Shi'ite split with the Kurds and Sunnis, and if Iraq becomes increasingly violent and the Shi'ite dominated Iraqi government looks for outside aid, this may push it towards dependence on Iran. If Iraq does move towards serious civil violence without US forces being present, or if the Iraqi Shi'ite government should fall apart, this might trigger more active

Iranian intervention. Moreover, Iran is already pressuring Iraq to support Iranian goals in keeping Assad's regime alive in Syria, and may come to treat Iraq as a kind of hostage to any US intervention against Iran in the Gulf. These actions could present major problems for both Iraq and the US because the level of continued US security assistance is now uncertain, and because Iraq lost virtually all of its military capabilities to defend against Iran as a result of the 2003 invasion.

There is no one scenario for Iraq's future, and civil war and ethnic and sectarian division is only one possibility. The more likely scenario still seems to be one of lower levels of continued sectarian and ethnic rivalry struggle without going back to the civil war of 2005-2008. This could either force Iraq into a real national government or to turn back to the US. It is also possible that sheer popular "war fatigue" and several years of adjustment will create a political climate and mix of Iraqi security forces that will become steadily more competent on their own.

What is probable in virtually all near term scenarios is that the US and Iran will continue to compete for influence in Iraq, especially in aid, political development, military sales, and security training. This competition will not only have a major impact on Iraq, but the far broader range of US and Iranian competition in the Arab world – especially the Southern Gulf, in Turkey, and in dealing with Iran's efforts to create an area of influence that includes Iraq, Syria, and Lebanon and which poses a major challenge to Israel.

Iraq's Economic, Social, and Petroleum Challenges

Iraq's political and economic challenges now dominate both its internal politics and relations with the US, Iran, and Iraq's other neighbors. Iraq needs trade and cross-border support from Iran, just as it needs aid, diplomatic, and military support from the US. Iraq's much-reduced military capabilities make it dependent on aid, military sales, and training from the United States, and Iraq still lacks the resources and cohesion to resist against Iranian coercion and to defend against Iranian aggression.

Moreover, Iraq's economy remains crippled by a lack of local security in many areas, and it is important to understand just how serious its other problems are. Iraq has a level of corruption that Transparency International ranked 175th out of 183 countries in 2011 – making it the seventh most corrupt country in the world.⁴ In spite of more than half a decade of faltering legislative efforts, Iraq has failed to pass effective investment, tax, and property laws to secure both domestic and foreign investment as well as to create effective security forces to protect its infrastructure and businesses.

A budget crisis that lasted from 2008 to 2010, and a political crisis that began long before the March 2010 election that produced a de facto stalemate in many aspects of governance, have added to these economic problems as well as sharply delayed critical qualitative improvements in every branch of Iraq's national security forces. Iraq has not been able to absorb and support many of the aid projects funded during the US occupation, and its problems in national governance have been compounded by corruption, political infighting, and sectarian and ethnic struggles at the provincial and local levels.

Virtually all of Iraq's disposable wealth comes from its petroleum sector, and related services, which the CIA describes as follows:⁵

“Iraq's economy is dominated by the oil sector, which provides over 90% of government revenue and 80% of foreign exchange earnings. Since mid-2009, oil export earnings have returned to levels seen before Operation Iraqi Freedom and government revenues have rebounded, along with global oil prices. In 2011 Baghdad probably will increase oil exports above the current level of 1.9 million barrels per day (bbl/day) as a result of new contracts with international oil companies, but is likely to fall short of the 2.4 million bbl/day it is forecasting in its budget.”-CIA World Factbook

While the existence of vast oil reserves in Iraq are not in question, the country's petroleum sector faces many challenges that have limited its ability to produce, export, and deliver this valuable natural resource. Iraq's oil resources are critical to Iraq's future and are an indirect area of competition between the US and Iran.

With some of the world's largest untapped energy reserves, Iraq is seeking to reach an output of 10 million barrels a day by 2017, and to increase production from around 2.9 million barrels in the spring of 2012 to 3.3 million in 2013.⁶ In reality, however, Iraq faces massive development challenges and is vulnerable to exploitation by local, regional, and international actors angling for a share of Iraq's precious resources. Although the Energy Information Administration described Iraq as “one of the few places left where vast reserves, proven and unknown, have barely been exploited”, development of Iraq's energy sector is limited by war, ethnic conflict, and political crises.⁷

Battle over Iraq's natural resources has a significant impact on its domestic politics and divisions. Iraq faces political fallout between the central government and the Kurdish regional government (KRG) over energy contracts and the right to invite and award lucrative contracts to international companies. In April 2012, the KRG halted its supply of oil for export through Iraq's national pipeline, claiming that the central government owed over \$1.5 billion in operating costs to companies in the Kurdish region.⁸ For its part, the government in Baghdad has threatened to simply deduct that lost oil revenue from what the KRG's portion of the Iraqi budget. At the same time, Iraq's oil-rich Shi'ite provinces want a larger share of the country's export earnings while other Arab Shi'ite and Sunni provinces want the distribution of these shares based on need of their portion of Iraq's total population.

At best, Iraq will find it difficult to meet these competing demands and to fund both jobs and development. Iraq is unlikely to meet its ambitious goal of producing 10-12 million barrels a day by 2017, according to many familiar with Iraq's energy sector.⁹ Disputes between the central government and regional authorities, as well as resources committed to rebuilding Iraq's war-torn infrastructure factor into what many believe will be reduced oil production targets.

Moreover, Iraqi domestic demand is sharply increased by subsidies that distort demand, and even if these subsidies were removed and Iraq built enough refineries to meet growing domestic demand, its export capability will still be steadily reduced by increased in domestic use of its output. UNDP estimates that petroleum subsidies already reduce the price by more than 50% and cost Iraq some \$11.3 billion a year, and the end result is that Iraqis consume over 750 million barrels a day of Iraq's oil production.¹⁰ The Iraqi Oil Ministry reported June of 2012 that the country's crude exports dropped 2.2 percent from April to May of 2012 due to increased demand.¹¹ Ministry spokesman Assem Jihad stated that oil exports decreased from an average of 2.508 million barrels a day in April to an average of 2.452 million barrels a day in May.

Internal disputes between the central government and Iraq's oil rich regions, as well as poor infrastructure, political uncertainty, sabotage, and internal demand will further limit Iraq's ability to produce and export oil. Few analysts believe that Iraq will meet its goal of increasing oil output fivefold by 2017. Herman Franssen of the Center for Strategic and International Studies and a former chief economist at the International Energy Agency asserts that "There's hardly anybody who believes that target. What people do believe in is that they could reach half of it by 2017. That would still be very ambitious, but at least more realistic".¹² Production levels as low as 6 million barrels may be more likely.¹³

This could have a serious mid and long-term impact on the US and the global economy as it recovers and the demand for energy imports increases. The US Department of Energy *Annual Energy Outlook for 2011* estimates that the US will only reduce its dependence on petroleum imports from peak levels of around 60%, and 52% in 2009, to 35-41% in 2035 in its reference case – and these estimates do not include indirect petroleum imports in the form of major imports of manufactured goods from regions like Asia – which are becoming far more dependence on petroleum imports from the Gulf.¹⁴

"US imports of liquid fuels (including crude oil, petroleum liquids, and liquids derived from nonpetroleum sources), which grew steadily from the mid-1980s to 2005, have been declining since 2005. In the AEO2011 Reference and High Oil Price cases, imports of liquid fuels continue to decline from 2009 to 2035, although they provide a major part of total US liquids supply over the period. Tighter fuel efficiency standards and higher prices for liquid fuels moderate the growth in liquids demand, even as the combination of higher prices and renewable fuel mandates leads to increased domestic production of both oil and biofuels. Consequently, while consumption of liquid fuels increases steadily in the Reference case from 2009 to 2035, the growth in demand is met by domestic production.

The net import share of US liquid fuels consumption fell from 60 percent in 2005 to 52 percent in 2009. The net import share continues to decline in the Reference case, to 42 percent in 2035...In the High Oil Price case, the net import share falls to an even lower 24 percent in 2035. Increased penetration of biofuels in the liquids market reduces the need for imports of crude oil and petroleum products in the High Oil Price case. In the Low Oil Price case, the net import share remains flat in the near term, then rises to 56 percent in 2035 as demand increases and imports become cheaper than crude oil produced domestically." –US Department of Energy

If these projections are correct, the high price oil case could lead to a faster increase in the production of alternative liquids and in conservation and efficiency, but would also mean major increases in the cost of energy throughout the US economy. They would leave the US driven by international oil prices, dependent on indirect imports of petroleum in the form of manufactured goods, and as strategically dependent on the secure flow of global petroleum exports for a steadily more globalized US economy as if the percentage of direct US petroleum imports was the same as in the reference or high price oil case. It should be noted, however, that noted experts like Edward Morse feel that the DoE projections sharply understates the increased being made in domestic US oil and gas output, and export capacity in other areas. .

The Iranian Role in Iraq

Iraq faces problems in its relations with all of its neighbors, including the other Arab states and Turkey. However, its primary outside challenges comes from Iran. At a minimum, Iran wants Iraq to become a de facto strategic partner and a bridge that extends Iranian influence across the Middle East through Syria and Lebanon. Iran seeks to ensure that Iraq does not serve as a base for the US, serve US interests, or reemerge as a threat to Iran. Iran shares a long and porous border with Iraq, and seeks to create a stable but reliant ally, not a regional competitor. It seeks to rid the country of American influence – particularly of American military personnel – to the greatest extent possible. Iran has aggressively used its networks, patronage, economic ties, religious ties, aid money, and military support to various factions in Iraq to achieve these goals.

Moreover, Iran now sees Iraq as playing a critical role in its efforts to keep the Assad regime in power in Syria, preserve its alliance with Syria and its influence in Lebanon, and find ways to avoid the political upheaval in the Arab world from undermining Iran's strategic interests and ambitions. The near civil war in Syria threatens to deprive Iran of its only important ally in the Arab world, and pressuring the Maliki government to support Assad in spite of his use of violence against his own population, and seeking to limit Sunni arms transfers through Iraq to Sunni opposition movements in Syria, has become a significant Iranian objective – one which if fully successful would raise the specter of a real “Shi'ite crescent” that includes Iran, Iraq, Syria, and Lebanon.

The “bad news” is that Iran now enjoys deep ties to the ruling Shi'ite parties and factions in a country with which it once fought a fierce and bloody eight-year war. It plays an active role in mediating between Iraqi political leaders, it has ties to the Sadrists that are now one of the largest parties in Iraq's ruling coalition, and the IRGC has significant influence over elements within the Iraqi security forces. During the past seven years, Iran has also deployed a large mix of cultural, military, and economic resources available to influence Iraq. Iran will leverage its resources to ensure Iraq prevails as an ally. Yet Iran's role in Iraq is complex, and it will be no simple task to mold Iraq into the ally Iran wishes it to be.

The “good news” is that there remain stark differences between Iran's Persian religious establishment, and Iraq's Arab Shiites. Most Iraqi Shiites are “quietist” and as such do not support Iran's concepts of an Islamic revolution or a Religious Supreme Leader. Sunnis and Kurds do not welcome Iranian influence in Iraq for obvious reasons, and polls show that both Sunni and Shi'ite Iraqi Arabs see themselves as having a very different cultural and national identity from Iranian Persians. Many of Iran's actions and economic activities since 2003 have led to tensions with various factions in Iraq.

Iraq and the Arab World

The struggle between Sunni and Shi'ite has also affected Iraq's relations with the Arab world, and its “Arab identity” at a time of growing tension between Sunni and Shi'ite in much of the rest of the Islamic world. Iraq has reached to the Arab world with limited success – but Arab states still have great reservation about Iraq's relations with Iran and shift from a Sunni-dominated to Shi'ite dominated political structure.

Iraq hosted a meeting of the Arab League's foreign ministers in Baghdad in a meeting on May 28th, 2012 – a meeting that highlighted the fact that Iraq must find a balance between relations

with Iran and the Arab world, as well as deal with competition between Iran and the US. Iraq has also acted to limited arms transfers and outside interference in the political struggles in Syria, has avoided taking sides in the power struggles over Iran's nuclear programs, and has not supported Iran in its political confrontation with Israel

In short, it is far from clear whether the US and Arab states, or Iran, will become the dominant competitors in Iraq. It seems far more likely that Iraq's internal political struggles will do more to shape its near and mid-term future. What is clear is that outside powers are locked in an intense competition without a predictable end. Iraqi political instability, its sectarian and ethnic divisions, its political power struggles at the top, and its growing security problems on the ground – and the risk of a new round of civil fighting – all contribute to both this uncertainty and each side's efforts to find new ways to gain influence at the expense of the other.

Coming to Grips with the Post US Withdrawal Reality in Iraq

Even though Iraq's internal struggles are likely to dominate its future, the US cannot ignore the need to do what it can, and the grim reality of its ongoing competition with Iran in trying to shape Iraq's future. As Iraq balances its newfound independence against growing domestic turmoil, US-Iranian strategic competition is playing out in an increasingly uncertain climate. Today, the US and Iran each possess distinct challenges and advantages in pursuing their interests in Iraq, as well as their ongoing strategic competition with one another.

US policy must be based on the reality that many of the past US plans for a strategic partnership have faltered. The future US role in Iraq is certain to be much smaller than it planned in 2011, and Iraq may not receive the US aid and support it needs to rebuild its military forces to the level where they can defend Iraq against outside threats. The US focus in the region has also shifted to the risk of a military confrontation in the Gulf or preventive strikes against Iran – raising the risk Iraq might become involved in such conflicts

Iraq's Critical Strategic Importance and Iran's Role Cannot Be Ignored

Iran has developed a significant level of influence in Iraq while playing an important role in influencing Iraq's politics. Iran has ties to many of Iraq's Shi'ite political leaders and has built up a significant commercial and religious presence in Iraq. Iran's Qods Force and other military advisors are active and have ties to both the Sadrist movement and some of Iraq's Shi'ites militias.

So do elements of Iran's Ministry of Intelligence and National Security of the Islamic Republic of Iran (MISIRI), its secret police and primary intelligence agency. These agents are embedded throughout Iranian embassies in Iraq and all over the world, as well as in Iranian commercial, education, NGO, and religious groups). (The MISIRI is more commonly referred to as the VEVAK (Vezerat-e Ettela'at va Amniyat-e Keshvar), VAJA, or MOIS (Ministry of Intelligence and Security)

At the same time, many Iraqis remember the cost and sacrifices of the 1980-1988 Iran-Iraq War. Iraq's Sunnis and Kurds have little reason to admire or trust Iran. Iranians and Iraqi Shi'ites do not always share the same views; particularly over Iran's claim to have a Supreme Religious leader and efforts to increase its influence in Iraq's Shi'ite holy cities. There are tensions over Iran's exports to Iraq – which undercut Iraqi farmers – and some Iraqis feel Iran has profited from Iraq's suffering.

As for Iraq's current leadership, Prime Minister Maliki and Iraq's Shi'ites face an serious dilemma in dealing with the competition between the US and Iran. To date, PM Maliki has balanced his relationships with the US and Iran, partnering with each country where necessary and expedient, without becoming fully dependent on either. In fact, Maliki's rejection of the US request to keep American troops in Iraq after the December 2011 deadline, and Iraq's hosting of Arab partners during the Arab League Summit in Baghdad in March 2012 demonstrated Iraq's ability to balance interests between these competing powers.

Prime Minister Maliki visited Washington shortly after the final withdrawal of US troops to highlight a continuing strategic relationship with the US. Within days of that visit, however, he became caught up in a new power struggle with Iraq's Sunnis and Kurds. Maliki kept up ties to Iran and his April 2012 visit to Iran underscored the historic religious and cultural ties between the Shiite governments in Baghdad and Tehran.

The US must recognize that Iraq faces a difficult balancing contest indefinitely into the future, and one linked as much to Iraq's internal politics as US and Iranian competition. It must be prepared to deal with the fact Iran is a serious challenge in Iraq and will remain so regardless of any near-term shifts in Iraqi politics and leadership

Focusing on the Strongest Possible US Country Team

This means the US must recognize that its only real option is to create the strongest possible country team in Iraq it can, backed by ongoing efforts in Washington. The Administration and the Congress also need to recognize that aid funds will be a major issue even though the US has not maintained a troop presence and is cutting back on many of its previous goals for creating a strategic relationship with Iraq. As the previous analysis has shown, resources are already a problem.

US forces have fully withdrawn, provincial reconstruction teams have ended, and the State Department now has control of far more limited operations than the US originally sought under the SFA. State must work in an integrated effort with the Department of Defense and other US agencies to try to influence Iraq through diplomatic presence, development assistance, police development, and modernization of the Iraqi Security Forces.¹⁵ At the same time, State and Defense must try to build on the relationships characterized in the SFA, including important advisory roles that can be maintained without a large US troop presence.

Much will depend on the country team's political, economic, and military efforts to bolster Iraq's capacities and to counter Iranian influence, and the efforts of the US military become partners in giving Iran the mix of counterinsurgency and conventional forces it needs. Aid in governance and economic policies that encourage outside and domestic investment may be as critical as security aid. Many of the broader initiatives that encourage measures that stem corruption and enforce rule-of-law are long overdue and might prove as important as military and police training

It is far from clear, however, whether the US Congress and Administration as whole understand the level challenges involved. In February 2012, the *Washington Post* reported that "Congress is pushing for a smaller embassy with an eye toward cutting some of its \$6 billion budget." One senior official told the *Washington Post* "I don't want to say we miscalculated, but we initially built a plan based on two things that have not played out as well as we had hoped. One was the politics [in Iraq], and the other was security".¹⁶

The domestic US politics surrounding the future foreign affairs budgets of both the State and Defense Departments are volatile to say the least, and there will almost certainly be further cuts to expenditures in Iraq unless the Administration and the congress both realize how serious the stakes really are.

Providing Enough US Resources to Compete?

The country team will need funds for traditional technical assistance to government ministries and provinces through agencies like USAID and the DOJ. It will also need funds for less familiar roles, such as the coordination of the largest Foreign Military Sales (FMS) and Foreign Military Financing (FMF) programs in the world Funding continuing US military, and police training presence in Iraq and. US arms transfers will be particularly critical. The size, composition, and ultimate success of the military training mission are particularly crucial and uncertain. It is not clear whether US aid programs can successfully be scaled back without compromising their intended goals. It remains uncertain how an influx of contractors will perform, and whether or not State can effectively manage them.

In June of 2012, long after the US troop withdrawal, the Washington Post reported that the State Department planned to spend another \$115 million to upgrade its massive embassy in Baghdad.¹⁷ These actions demonstrate the consolidation of various consulates within the compound in Baghdad, as well as the continued US commitment to invest and compete for influence in Iraq.

The country team will also need funds to try to maintain a range of US installations within Iraq,¹⁸ including consulates in Erbil and Basra and ten OSC-I sites.¹⁹ The lack of continued US troops will complicate many of State's efforts and raise their cost. US forces in Iraq performed several key functions prior to State taking the lead, including training, equipping, advising and supporting the ISF, conducting partnered counterterrorism operations with Iraqi forces, and protecting civilian capacity building efforts.²⁰ Not only will State take on oversight of many of these functions, but there will also be a heavier reliance on Iraqi forces to fill security voids. This effort cannot be cheap— although it will cost substantially less than the original US plan to spend \$6.83 billion. Unfortunately, the politics surrounding the foreign affairs budget of both the State and Defense Departments are volatile, and there may be significant further cuts to expenditures in Iraq. It is far from clear how firmly and fully the US Congress and Administration as whole understand the challenges involved.

Making a Fundamental Shift in the US Strategic Objectives in Iraq

Moreover, the US must make a fundamental shift in its policy goals within Iraq. Iraq will not be a “strategic partner” if this means confronting Iran or tying its interest and internal politics to US interests. It will only exercise its Strategic Framework Agreement with the US to the extent Iraq's leaders feel this serves Iraq's interests or is necessary to aid in Iraq's defense. As a result, the US goal in Iraq needs to change to one that does everything possible to ensure Iraq emerges as a strong, stable independent state that can resist outside pressure from Iran and any other state in the region.

The US goal in Iraq should be to aid Iraq in developing effective political unity, in creating better and less corrupt governance, and in using its own resources to sever the interests of its people. US security policy should focus on help Iraq both put an end to its violent extremist elements and creating strong enough military forces to deter and defend against Iraq and other outside

states without threatening its neighbors. This goal is challenging enough – although it requires far less US military and other aid than the strategic objectives the US had at the end of 2011.

The US Role from Outside Iraq

Much will also depend on what the US does outside of Iraq to deter and contain Iran, or to show how its evolving posture serves the broader interests of Iraq and the Arab Gulf states. The US has so far done little to explain the new security posture it will establish in the Gulf, Jordan, and Egypt. On December 16, 2011, Ben Rhodes, the deputy national security advisor for strategic communications, is reported to have said that the US could revert to a pre-1990 posture in the Gulf, and there was no real need to either deal with Iran or change the US strategic and military posture in the region. Rhodes explained that, “the scaling back of the US military presence in the Gulf was part of the administration’s strategy to “demilitarize” US foreign policy and shift to an approach that favored counter-terrorism tactics.” He also said the end of the war in Iraq -- and eventually the war in Afghanistan -- proved that large military deployments are not necessary to deny terrorists safe haven in foreign countries.”²¹

“I don’t think we’re looking to reallocate our military footprint in any significant way from Iraq. They won’t be reallocated to other countries in the region in any substantial numbers ... The argument several years ago... was that you needed to have a very large US military footprint so that you could fight the terrorists ‘over there,’ so they wouldn’t come here. But we’ve demonstrated the opposite, that you don’t need to have a large US military footprint in these countries, that you can shrink them and focus on al Qaeda in a far more specific way... and still very much accomplish your national security goals....

“That allows us in many respects to demilitarize elements of our foreign policy and establish more normal relationships...That’s our posture in the region and its far more in line with where we were before 1990.

...President Obama has kept a core promise of his to the American people. He opposed the war in Iraq as a candidate for Senate in 2002, before it started. He put forward a plan to end the war as a senator and promised to end the war as a candidate. And now we can definitively say he has kept that promise as president...America is safer and stronger because of the way we ended the war in Iraq.” _Ben Rhodes, US Deputy National Security Advisor

In fairness, it is clear that the Obama Administration did carry out extensive planning for a new approach to shaping the US force posture in the region in late 2011. The new strategy the Obama Administration advanced in January 2012 did take Iraq into account, it made the Gulf and Middle East equal to Asia as one of the two critical priorities for US strategy, and the Department of Defense carried out contingency planning and war games both examined the threat posed by Iran in great detail and developed specific force plans and plans for improved cooperation with other Gulf states.

The fact remains, however, that the public stance of the Administration, the Congress, and opposition Presidential candidates is at best what might politely be called a bipartisan intellectual vacuum. The US is drifting from invasion and occupation towards strategic neglect, ignoring the reality that Iraq plays a critical role in the stability of the Gulf, world petroleum exports, the global economy, and the containment of Iran.

Iraqi Security and Stability

In summary, the current drift towards US strategic neglect of Iraq cannot be allowed to continue. Iraq is not yet on the edge of civil war, but the threat is growing. Iraq stability and security now

depend on the ability of Iraq's leaders to create a central government that can bridge over the growing differences between their factions, and serve the common interests of Shi'ite, Sunni, Kurd, and Iraq's smaller minorities. No amount of US aid will be able to compensate for the lack of political unity that now exists at the top, the resulting failures in Iraqi governance, and US success will depend primarily on the limited extent to which it can help the Iraqi government move towards some form of viable political unity and form of effective governance.

The advancement of Iranian ambitions following the US withdrawal depends on how successful US efforts are in building an enduring strategic partnership with Iraq. Much will depend on the level of continued US diplomatic, advisory, military, and police training presence in Iraq, and on Iran's ability to exploit the diminished US presence.

At the same time, even the best US effort will fail unless Iraqis recognize that they must take more responsibility for their own future. Iraq's future will ultimately depend on whether Iraqis can find a real solution to their internal political divisions, and can avoid a new round of civil conflicts. A strong, independent Iraq with political leadership that focuses on Iraq's national interests and serves all of its people would find it far easier to balance US and Iranian competition, and possibly take advantage of them. It would be a critical buffer between Iran and its Arab neighbors as well as help contain the pressure on Syria and Lebanon, and tensions between Israel and Iran.

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HISTORICAL BACKGROUND

The US has faced strategic problems in dealing with Iraq ever since the bloody coup that destroyed its monarchy in 1958. The US became the dominant outside power in the Gulf region following British withdrawal from “East of Suez” in the 1960s. During the 1970s, Iraq became a focus largely because of the Cold War and Iraq dependence on Soviet arms transfers.

From roughly 1953 to 1979, the US back Iran against Iraq, and from the late 1960s to 1979, the US saw Iran as a key strategic partner or “twin pillar” in its security structure in the Gulf. Iran and Iraq remained rivals as long as the Shah remained in power, but avoided large-scale conflict. The Shah’s support for revolts by Iraqi Kurds in the early to mid-1970s helped force Iraq to accept a border settlement favorable to Iran in return for the Shah ending aid to the Kurds. The Iranian revolution, however, exploited tensions and provided the perceived instability that would lead to war between the two countries.

This situation changed radically in 1979, when a revolution in Iran toppled the US-installed Shah. That same year, Saddam Hussein formally assumed power. These events brought to power two regimes that were hostile to the United States. That same year the new Iranian leadership took Americans hostage at the US embassy, and President Jimmy Carter placed Iraq on a list of states sponsoring terrorism.²²

The Iran-Iraq War

The new Iranian regime was actively hostile to Iraq both on religious grounds and because of the Iraqi government’s treatment of Khomeini after he had fled to Iraq due to his opposition to the Shah. Although Saddam Hussein initially supported the Iranian revolution, it soon became clear that Iran’s new leader sought to export his religious revolution to Iraq, and sent “guides” to Iraq in an effort to persuade Iraq’s Shi’ites to overthrow the Ba’ath regime. At the same time, Iran seemed divided and vulnerable, with uncertain loyalties among its military forces.

The end result was that Saddam Hussein prepared an invasion of Iran that he launched in 1980, initially claiming that this was to liberate the Arab population of southwestern Iran – the area that has most of Iran’s energy resources. This began the Iran-Iraq War, which lasted until the summer of 1988, and became one of the bloodiest wars in modern history.

The US opposed Iraq’s invasion of Iran and did not support its ambitions to acquire territory and influence in Iran in spite of its growing tension with Iran and the Iranian hostage crisis. This policy changed in 1982, after Iran was able to throw back Iraqi forces and went on the offensive in Iraq. Iraq had to turn to the West and the Southern Gulf states for aid, while the US feared an Iranian conquest of Iraq that could destabilize the Gulf.

President Reagan began tilting towards Saddam in an effort to check Iran’s efforts to invade Iraq.²³ The Reagan Administration removed Iraq from its list of sponsors of terrorism and began providing money, weaponry, and intelligence to help Iraq in its war. This included “dual use” technology,²⁴ and industrial goods for missile, chemical, biological and nuclear weapons programs and weapons.²⁵²⁶ A National Security Directive stated that the U.S would do "whatever was necessary and legal" to prevent Iraq from losing its war with Iran.

The US also became embroiled in the Iran-Contra scandal, which involved transferring arms to Iran in an effort to buy the freedom of hostages being held in Lebanon by Iranian-backed Hezbollah, even as it steadily became more active in supporting Iraq. In 1987 the US began

reflagging Kuwaiti tankers to prevent Iranian attacks on tankers and other targets in the Gulf that supported Iraq. The US role in the “Tanker War” was an important factor in Iraq’s ability to keep fighting and eventually force Iran into a ceasefire.

The 1991 Gulf War

The Iran-Iraq War ended in a 1988 ceasefire, leaving Iraq the largest military power in the region, but crippled economically and with massive debt to Kuwait and Saudi Arabia. Saddam first sought payment from the Southern Gulf states for Iraq’s “defense” against Iran, and then invaded Kuwait in August 1990, seeking to annex Kuwait, seize its assets, and pressure the other Arab Gulf states into debt forgiveness and aid. He acted to avoid the repayment of Iraq’s war debt, end disputes over Kuwaiti oil production and gain control of its oil resources, and at least demonstrate to Saudi Arabia that Iraq had the potential to invade it as well.

Saddam’s invasion of Kuwait presented a major threat to US strategic interests. The US responded with Operation Desert Shield, an American mission to deter attacks against Saudi Arabia. It then launched Operation Desert Storm, a US and Saudi-led and UN-approved military campaign to drive Iraq out of Kuwait.²⁷

In spite of a massive Coalition military victory that liberated Kuwait, Saddam Hussein’s regime survived – largely due to the US calculation to avoid the chaotic aftermath of Saddam’s removal and to maintain his utility as a counterweight to Iran. Saddam moved from a defensive posture to one that threatened Kuwait and succeeded in repressing internal uprisings and dissent. The US subsequently worked with its Gulf, British, and French allies to maintain “no-fly zones” to protect Iraq’s northern Kurds and southern Shi’ites, while UN Security Council sanctions on Iraq virtually halted its military modernization, though had a devastating effect on Iraqi society. This situation lasted until the American invasion of Iraq in March 2003.

The sanctions and no-fly zones also helped secure Iran from Iraq. There was little Iran could do in Iraq except sponsor weak exile movements until another US-led coalition destroyed Saddam’s regime and Iraq’s remaining military power in the spring of 2003.

The 2003 Invasion of Iraq

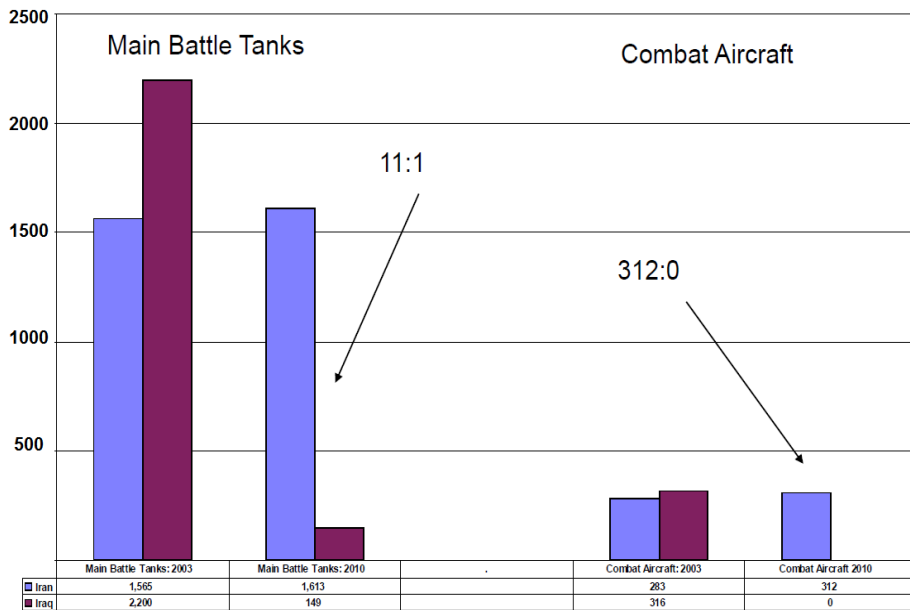
The US invasion in 2003 did bring down a remarkably unpleasant dictatorship, but at cost of some eight years of turmoil and conflict, some 5,000 US and allied lives, 35,000 wounded, and over 100,000 Iraqi lives. The Congressional Research Service estimates that the dollar cost of the war to the US alone is over \$823 billion through FY2012, and SIGIR estimates that the US and its allies will have spent some \$75 billion on aid – much of it with little lasting benefit to Iraq.

As **Figure VII.1** below shows, the 2003 invasion weakened Iraq’s forces to the point where they ceased to be a key check on Iran’s influence in the region. Yet, the swift destruction of Saddam’s forces gave rise to Iranian fears that Iran would be next, and coupled with the invasion of Afghanistan, created a situation in which the US effectively occupied two of Iran’s neighbors. These led Iran to reshape its forces and military exercises out of fear that the US would invade Iran or otherwise intervene militarily. These fears were fueled by both official US warnings about military options to prevent Iran from acquiring nuclear weapons and a long series of speculative and inaccurate media reports about US invasion plans and preparations for such actions.²⁸

After the US-led invasion, Iran initially took a wait-and-see approach to Iraq and made sure that it avoided confrontations with the Coalition.²⁹ At the same time, the Coalition Provisional Authority sought to persuade Iran to play a constructive role vis-à-vis Iraqi Shi'ites, who make up between 60-65% of Iraqis.^{30,31} Whether it was sincere or not, Iran initially offered to cooperate with the United States in Iraq, as it had in the invasion of Afghanistan.

When the US rebuffed the offer, Iran began to call for the withdrawal of US troops, challenge the legitimacy of the Coalition Provisional Authority, push actively for Iraqi self-governance, and call for elections that it knew would bring Iraqi Shi'ites into power.³² Iran pursued a strategy of backing pro-Iranian or sympathetic Iraqi Shi'ites, and to a lesser extent Iraqi Kurds, in order to promote a weak federal state susceptible to Iranian influence. This strategy had significant success, although the risk of a popular nationalist backlash against Iran was ever-present.

Figure VII.1: Iran and Iraq Military Balance in 2003 and 2010



Category	2003			2010		
	Iraq	Iran	Force Ratio	Iraq	Iran	Force Ratio
Active Manpower	424,000	513,000	8:10	191,957	523,000	2:5
Reserve Manpower	650,000	350,000	19:10	0	350,000	NA
Main Battle Tanks	2,200	1,565	7:5	149	1,613	1:10
OAFVs	1,300	815	8:5	505	725	7:10
APCs	2,400	590	4:1	1,479	650	23:10
Towed Artillery	1,900	2,085	9:10	0	2,010	NA
SP Artillery	150	310	1:2	0	310	NA
MRLs	200	889	1:5	0	876	NA
Combat Aircraft	316	283	11:10	0	312	NA
Attack Helicopters	100	85	6:5	0	50	NA
Major SAM Launchers	225	205	11:10	0	234	NA

Source: The IISS Military Balance, various editions, and Jane's Sentinel series.

The Aftermath of the Invasion

The US invasion of Iraq soon proved to have unleashed forces the US had not predicted, was almost totally unprepared for, and could not control or contain. The US found it had gone to war for the wrong reasons – focusing on threats from weapons of mass destruction and Iraqi-government sponsored terrorism that did not exist. It had no meaningful plan for either stability operations or nation building. It let Iraq slide into a half decade of civil war, and failed to build an effective democracy and base for Iraq's economic development. Its tactical victories – if they last – did little more than put an end to a conflict it help create, and the US failed to establish anything like the strategic partnership it sought.

Iraqi politics rapidly became so complex and unstable that neither the US nor Iran has been able to exert dominant or consistent influence. Since 2003, the US position in Iraq has been undermined by US failures to plan for or execute effective stability operations following the overthrow of Saddam Hussein's regime. The US rushed a poorly planned and underdeveloped nation-building effort that many Sunnis felt favored Shi'ites, while it also faced opposition from Shi'ite leaders like Muqtada al Sadr.³³ The resulting rise of Iraqi Shi'ites and drift towards civil war opened the door to increased Iranian influence in Iraq.

The US made other significant missteps. For example, the head of the Coalition Provisional Authority, L. Paul Bremer, issued Order Number 2 on May 23, 2003 that formally dissolved the Iraqi army, leaving a Sunni-dominated officer corps and 400,000 soldiers unemployed.³⁴ More broadly, however, the US was unprepared to carry out armed nation building in the critical period immediately after the fall of Saddam's regime, which contributed to the release of deep divisions between Shi'ites and Sunnis as well as between Arabs and Kurds.

By late 2004, this mix of mistakes helped trigger a Sunni-dominated insurgency and a civil conflict where Sunni Islamists gradually replaced the supporters of Saddam Hussein, and the leading insurgent movements became tied to al Qai'da. It also led to the creation of rival Shi'ite factions, and growing tensions between Iraq's Arab, Kurds, and other minorities.

Iran, in turn, supported the Shi'ites and saw the developing conflict as an opportunity to limit US influence and power. Iran took advantage of the porous border, newfound freedom of communication and transportation between the two countries, and post-war chaos to develop unprecedented and broad-based influence in Iraq. Iran also sought to extend its influence across a wider spectrum of liberal secularists, the Kurds, and Shi'ite Islamists.³⁵ Reports by coalition forces show that Iran used money, weapons, training, and other forms of support to bolster both Shi'ite and non-Shi'ite allies inside Iraq, in order to disrupt US forces and ensure Iraq was too weak to pose a challenge to Iranian security and interests.

According to a State Department memo obtained by Wikileaks, Iran provided \$100-200 million a year to its clients in Iraq.³⁶ It also sought to prevent and discourage an American attack on Iran, create a buffer zone against invasions from its west, cultivate an Arab partner, and counteract Sunni religious extremism.³⁷ According to some analysts, Iran also exploited the crisis in Iraq to help counter against criticisms of its nuclear program, offset international sanctions in response to its nuclear programs, weaken the American military by keeping it preoccupied in Iraq, and help suppress Iraqi-based Iranian dissidents like the Mujahedin-e Khalq Organization.³⁸

2007-2011: A Shift to More Realistic Goals

By 2007, the US had changed its approach toward Iraq from one of trying to transform the politics, governance, rule of law, and economy of Iraq to one of helping Iraqis build as unified a state as possible and security forces capable of defeating extremists and insurgents, as well as eventually becoming capable of deterring and defending against external threats. The US also sought to create an Iraq that was not reliant on Iranian aid or vulnerable to Iranian influence, and which is tied to a strategic partnership with the US.

On November 13, 2009, the US embassy in Baghdad laid out a much more modest approach in a memo that was among the US diplomatic cables made public by Wikileaks:³⁹

“Our objective in Iraq should be less about countering all-things Iranian, and more about developing viable alternatives and approaches that gradually alter the GOI’s political, economic, and social worldview. Development of viable international alternatives in Iraq is one of the most effective measures of countering Iranian ambitions and, ultimately, integrating Iraq as a constructive member of the international community. Specifically, our ongoing efforts to bolster the GOI through capacity building and assistance within the Strategic Framework Agreement (SFA) and to remove Iraq from Chapter VII remain our most valuable tools in this regard. Given the value placed on the SFA by the GOI and the Iraqi public, our ability to recognize, enhance, and exploit the value of the partnership will constitute an essential element of any effort to counter “malign” Iranian influence.”

The US, however, has had limited and uncertain success in meeting these far more modest goals. By the time US troops left Iraq in December 2011, few Iraqis felt that the US occupation of Iraq had provided them with anything like the benefits they hoped for. Today, the American goal of maintaining influence in Iraq since the withdrawal of US troops faces massive challenges. Violence stemming from Iraq’s deep ethnic divisions and insurgent groups continues to hinder progress towards a stable government, economy, and society. While the US has reduced its footprint in Iraq, retaining less than 13,000 personnel on the ground, this shift from a military presence to a civilian one came gradually.

What was clear within days of the formal departure of the last US combat forces was that Sunni tension with the central government was rising in Anbar and Diyala Provinces, and Arab-Kurdish tension remained serious rising in Mosul and Kirkuk. Iraq’s economy remained weak, and its per capita income was so low that it ranks 161st in the world. Provincial and local governance was poor, and corruption was rampant. The US not only faced the challenge of Iran’s presence in Iraq, but the fact that Iraq remained a fragile state with uncertain security and political and economic stability.⁴⁰ Adding to the US challenge of confronting Iranian influence in Iraq is uncertainty over US-Iraqi strategic agreements, as well as America’s domestic budgetary concerns.

The Strategic Framework Agreement (SFA) and the US-Iraq Status of Forces Agreement (SOFA)

Uncertainty over US-Iraqi strategic agreements has further compounded the challenge of confronting Iranian influence. In 2008, the United States and Iraq signed two agreements related to the rights, responsibilities, scope, and duration of US troops in Iraq: the Strategic Framework Agreement (SFA) and the US-Iraq Status of Forces Agreement (SOFA), otherwise referred to as the Strategic Agreement (SA).

The Strategic Agreement (SA) was a three-year status of forces agreement between the host country of Iraq and the US. The SA governed the US security relationship with Iraq, specifically the US presence, activities, and eventual withdrawal from Iraq.⁴¹ The SA was agreed to for a period of three years, and expired at the end of 2011, when US and Iraqi officials failed to agree to terms negotiating its extension. The primary disagreement was over the legal status of remaining US troops, with Iraqi officials rejecting US demanding of immunity.

US concerns over the expiration of the SA included worries that existing political disputes would worsen to the point that Iraq could still become a failed state, to those who believed that US troops were required to secure that “Kurd-Arab tensions in northern Iraq did not escalate into an all-out conflict”. Over the course of 2011, US officials made several high-profile visits to Iraq aimed at convincing Iraqi leaders to accept some continued troop presence in their country. In July and April 2011, then Chairman of the Joint Chiefs of Staff, Admiral Mike Mullen, Speaker of the US House John Boehner, and US Defense Secretary Leon Panetta made separate visits to Iraq to encourage Iraqi political leaders that US troops would be required for the continuation of US logistical and operational requirements.⁴²

In the face of ardent opposition from the Sadrists, however, Iraqi officials refused to extend legal immunity for remaining US troops, a condition the US Defense Department could not accept. The failure of US and Iraqi officials to agree led to President Obama’s announcement that US troops would fully withdraw from Iraq by the end of 2011, as stipulated by the SA.

Following the US troop pullout, US officials provided limited information as to the continuing US presence in Iraq. Speaking before the Senate Armed Forces Committee in November 2011, Defense Secretary Panetta and Chairman of the Joint Chiefs of Staff General Martin Dempsey remarked that:⁴³

- An Office of Security Cooperation—Iraq (OSC-I), under the authority of the U.S. Ambassador to Iraq, would continue to train and mentor the Iraq Security Forces (ISF). OSC-I has nearly 1,000 total personnel, of which about 147 are U.S. military personnel and the remainder are mostly contactors. The office, working out of the U.S. Embassy in Baghdad and 10 locations around Iraq, helps train and mentor the Iraqis, and manages nearly 370 Foreign Military Sales (FMS) cases totaling over \$9 billion worth of pending arms sales to Iraq. The largest FMS case is the sale of 36 U.S.-made F-16 combat aircraft to Iraq, notified to Congress in two equal tranches, the latest of which was made on December 12, 2011 (Transmittal No. 11-46). The total value of the sale of 36 F-16s is up to \$6.5 billion when all parts, training, and weaponry are included.
- The United States continues to cooperate with Iraq on counter-terrorism, naval and air defense, and cooperation through joint exercises.
- U.S. personnel (mostly contractors) continue to be “embedded” with Iraqi forces as trainers not only tactically, but at the institutional level (by advising Iraqi security ministries and its command structure). Ongoing discussions with the Iraqis will determine whether these personnel would accompany Iraqi forces on counter-terrorism missions.

The Strategic Framework Agreement (SFA) is a broadly termed document committing both sides to “a relationship of friendship and cooperation...based on mutual respect, recognized principles and norms of international law and fulfillment of international obligations”. Unlike the SOFA that expired at the end of 2011, the SFA does not have a set expiration date. According to the April 2012 SIGIR report, the SFA still remains as the “primary document governing political,

economic, and security relations between the United States and the Government of Iraq (GOI).⁴⁴

A February 2012 CRS report, “Iraq: Politics, Governance, and Human Rights”, outlined the main provisions of the SFA.⁴⁵

- U.S.-Iraq cooperation “based on mutual respect,” and that the United States will not use Iraqi facilities to launch any attacks against third countries, and will not seek permanent bases.
- U.S support for Iraqi democracy and support for Iraq in regional and international organizations.
- U.S.-Iraqi dialogue to increase Iraq’s economic development, including through the Dialogue on Economic Cooperation and a Trade and Investment Framework Agreement.
- Promotion of Iraq’s development of its electricity, oil, and gas sector.
- U.S.-Iraq dialogue on agricultural issues and promotion of Iraqi participation in agricultural programs run by the U.S. Department of Agriculture and USAID.
- Cultural cooperation through several exchange programs, such as the Youth Exchange and Study Program and the International Visitor Leadership Program

The Steadily More Dominant Impact of Iraq’s Internal Political Divisions

The political crisis that has unfolded since the US troop pullout suggests that Iraq’s security situation may get worse before it gets better. Cleavages between divergent ethnic groups have exacerbated existing tensions as groups struggle to assert their own interests in the space created by the withdrawal of US troops. In addition to dealing with internal Iraqi disputes, American challenges have been compounded by Iranian intervention on a number of levels.

Pro-Iranian forces have pursued a multi-pronged approach aimed at minimizing America’s presence and influence in Iraq, while strengthening their own economic, political, religious, and military ties to their Iraqi neighbor. Tehran’s aims of maintaining a Shi’a-led government in its neighboring Iraq is driven by their desire to project influence throughout the region, subvert Western interests, and benefit commercially through trade. Additionally, while Tehran seeks to avoid instability along its western border, it also has little interest in a military, culturally, or economically robust neighbor that could contest it for regional power in the future. Among the shifting landscape of the Iraqi terrain is the new face of the US mission in Iraq. While US military personnel have been primarily replaced with Embassy staff, the US State Department directs this new, largely civilian force. Even after the withdrawal of US troops from Iraq, the State Department planned to invest another \$115 million to renovate the US Embassy in Baghdad.⁴⁶ This signals that despite budget constraints, troop withdrawal, and decreased Congressional appropriation, “the United States is far from out of Iraq”, as the Washington Post reported on June 27, 2012.

IRAQ'S CONTINUING LEVELS OF INTERNAL VIOLENCE

All of the political and economic issues in Iraq must be evaluated in the context of the patterns of violence that still threaten to divide the country. These patterns represent far more serious problems than the US anticipates as it left the country. In late-November, 2011, the US Commander in Iraq, General Lloyd Austin, summarized US-Iraqi relations as follows:

“As we leave, we can expect to see some turbulence in security initially, and that’s because you’ll see various elements try to increase their freedom of movement and freedom of action,” despite better conditions than at any other point, “there will probably be unfinished business for many, many years to come...Al Qa’ida will continue to do what it’s done in the past, and we expect that it’s possible they could even increase their capability...If the Iraqi security forces and the government of Iraq are able to counter that, it will be a good thing. If they can’t, they’ll continue to grow in capacity.” In addition, he warned against militias, such as Asaib Ahl al-Haq and the Promised Day Brigade, which could threaten the remaining US civilian presence. He stated, “These are elements that are really focused on creating a Lebanese Hezbollah kind of organization in this country...As we leave, if those elements are left unchecked, they will eventually turn on the government, and they should be concerned about that.” He did conclude that “there’s likely to be setbacks, some tough times in the days ahead...But I’m very hopeful we’ll stay on course...This is clearly not an endpoint...We really intend to remain engaged with Iraq, and we look forward to having Iraq as a great strategic partner in the future.”⁴⁷

The level and types of violence that have occurred since the US withdrawal might be explained as part of this initial turbulence. However, the economic and demographic pressures on Iraq, coupled to ongoing sectarian and ethnic tensions that divide the country have led to higher levels of violence than were expected. In addition, a [political crisis at the top of the Iraqi government, and cut backs in the US and other military assistance efforts have compounded the risk of more serious patterns of violence in the future.⁴⁸

The Underlying Causes of Violence

Iraq faces massive structural challenges in dealing with the impact of constant crisis and instability since 1979, and massive demographic pressures. The US Census Bureau estimates Iraq experienced a surge in population from 5.1 million in 1950 to 6.8 million in 1960, 9.4 million in 1970, 13.2 million in 1980, 18.1 million in 1990, and 22.7 million in 2000. The rate of growth has declined sharply under economic and demographic pressure, but the US Census Bureau still estimates that Iraq will reach 38.9 million in 2020, 43.8 million in 2030, 50.5 million in 2040, and 56.3 million in 2050.⁴⁹

These pressures interact in turn with failed overall development and growing water problems caused by climate change and increased Syrian and Turkish damming and use of the waters of the Tigris and Euphrates. Iraq still is not on anything approaching a stable path to development. Corruption and a weak rule of law present major problems, and the CIA estimates that Iraq’s per capita income ranks only 161st in the world, compared with 2nd for Qatar, 20th for Kuwait, 99th for Iran, and 55th for Saudi Arabia.⁵⁰

Roughly 25% of Iraq’s current population of 31.1 million lives below the poverty line, its direct unemployment is at least 15% and its real direct and indirect unemployment probably is at least 25% -- heavily weighted toward youth unemployment in a nation experiencing massive demographic pressure and with nearly 40% of its population 14 years of age or younger.⁵¹

Iraq's agricultural sector is rife with challenges. The agricultural sector, which accounts for some 22% of its labor force, only accounts for 9.7% of its GDP even when it is measured in PPP terms, and Iraq's farmers are so under-capitalized, limited by transport and food processing facilities and costs, and by growing problems in water that they cannot compete with Turkish and Iranian food imports.

Figure VII.2 shows US estimates that nearly half of Iraq's minorities have been driven out of Iraq since 2003.

Figure VII.2: The Impact of Internal Conflict on Smaller Minority Groups 2003-2011

POPULATION ESTIMATES AND DESCRIPTIONS OF MINORITY COMMUNITIES IN IRAQ, 2003 AND 2011

		2003	2011
Christians	Predominantly Assyrian, Chaldean, Armenian, and Syriac; most live in or around the Kurdistan Region; a small number of Armenians live in Basrah.	1.4 million	400,000 to 600,000
Turkmen	Descendants of Ottoman Empire-era soldiers and traders, about 60% of Turkmen are Sunni Muslim and the rest are Shia.	800,000	200,000
Sabaeans	Gnostics who follow John the Baptist, Sabaeans do not accept converts and must live near a river to observe religious rites; concentrated in southern Iraq.	60,000 to 70,000	5,000 to 10,000
Yazidis	Ancient group with religious traditions drawn from Zoroastrianism, Manicheism, Islam, Christianity, and Judaism; Yazidis do not accept converts or marry outside the faith; concentrated around Sinjar Mountain west of Mosul.	600,000 to 700,000	Less than 500,000
Shabaks	Most identify as Shia and the rest as Sunni, but do not observe all pillars of Islam and draw religious traditions from Yazidis and Sufism. Shabaks have lived along the Ninewa Plains since 1502.	400,000 to 500,000	200,000 to 500,000
Feyli Kurds	Ethnically Kurdish Shia, the Feyli live mainly in Diyala province along the Iranian border, in Baghdad, and in Iran. Under Saddam Hussein's regime, they were stripped of Iraqi citizenship.	1 million to 1.5 million	100,000 to 120,000
Kaka'is	Kurds who speak their own dialect, Kaka'is draw religious traditions from Yazidis, Zoroastrianism, and Shia Islam. They live primarily in Kirkuk and Mosul.	200,000	60,000 to 70,000

Note: Some population estimates were obtained from community leaders who met with the Minority Rights Group International; others were taken from SIGIR interviews with community leaders and U.S. government reports.

Sources: DRL, *International Religious Freedom Reports, 2006 and 2010*, www.state.gov/drl/irf/2010/148821.htm, accessed 6/5/2011; SIGIR Interviews with members of Sabaeen community, 6/29/2011; Minority Rights Group International Report, "Still Targeted: Continued Persecution of Iraq's Minorities," 2010; Minority Rights Group International, Information provided to SIGIR, 10/18/2011.

Source: SIGIR, *Quarterly Report, October 30, 2011*

Current Patterns in Violence

It is also clear that while the level of violence did decline during part of 2011, and through the first part of 2012, it remains high and preliminary data on the trends in June 2012 seemed to warn that the political tensions described in the next section could drive Iraq back towards higher levels of sectarian and ethnic violence. These patterns are partially illustrated in the following metrics:

- The broad patterns in violence are shown in **Figure VII.3**, and **Figure VII.4**;

- **Figure VIII.5** shows recent patterns in arrests by region;
- **Figure VII.6** shows the patterns in violence by key event;
- The graphs associated with **Figure VII.7** show the locality of key acts of terrorism; and
- **Figure VIII.8** shows that extremists now concentrate many of their attacks on Iraqi troops and police.

GOI data show that 2,645 Iraqis were killed in 2011 alone, including 1,578 civilians, 609 police personnel, and 458 soldiers.⁵² Over 4,400 Iraqis were wounded in violence. And while December 2011 marked one of lowest monthly death tolls (155 killed) in Iraq since 2003, December 22, 2011 was the bloodiest day in Iraq in since 2009. That one day saw 31 incidents, including 21 IED attacks killing over 60 Iraqis, and a suicide attack against a government building in Baghdad that left 32 people dead.⁵³

On February 16, Michael Knights of the Washington Institute for Near East Policy's wrote in the *National Interest* that, "There has been a rapid and widespread deterioration of security in Iraq since the mid-December end of the U.S. military mission there".⁵⁴ According to Knights, Iraq had also suffered 36 confirmed attempted mass-casualty attacks just in January 2012 alone. Officially reported deaths in Iraq also continued to rise, with 340 civilian deaths in Iraq in January 2012, compared to 155 in December 2011.

Reporting by the Special Inspector General for Iraqi Reconstruction for the first quarter of 2012 made it clear that in spite of some claims that the violence is ending, there was still a significant level of violence inside Iraq, and it is clear from later parts of this analysis that show extremist groups will continue to threaten Iraq in the future.⁵⁵

In an interview published March 5, Prime Minister al-Maliki commented on the state of Iraq's ethnosectarian divide in the period since Saddam Hussein was deposed, saying that Iraq had "reached and entered into a civil war... the ugliest and most dangerous of wars to the stability of countries." But, in effect he declared that war "finished":

We have adopted the principle of national reconciliation... Today we do not fear civil war. Yes, we may have disagreements: the central government may disagree with the provinces or at times the central government with KRG, but naturally we refer to the Constitution.

The GOI reported that violence in March reached its lowest level since 2003. To safeguard the Arab League summit, held at the end of the month, the GOI took extraordinary measures: nearly 100,000 Iraqi Army (IA) and police personnel were deployed to Baghdad to provide security, and the MOI ordered government employees not to report to work during March 20–29

Yet mass-casualty events continue, as do assassination attempts directed at government security forces, state officials, and unsuspecting citizens whose ethnosectarian profile appears to motivate violence. At the same time, tensions arising in the course of governance have spilled over into arrest warrants being issued for senior government officials who, in turn, have fled the jurisdiction of the national courts. Large-scale arrests and recent increases in court-sanctioned executions have raised human rights concerns.

Notwithstanding the challenges that persist, the MOI announced that Iraq's armed forces would relinquish their role in internal security and shift to protecting the borders of the country by July 2012. The GOI reported that 413 Iraqis were killed in terrorist attacks this quarter—a 15% decrease from the number of fatalities reported by United States Forces-Iraq for the same period in 2011. The casualty total in March 2012 reportedly fell to 112, the lowest monthly level since the 2003 Coalition invasion.³³⁶

According to data compiled by the UN, however, 1,048 Iraqis died this quarter, more than 150% higher than the total attributed to the MOI.³³⁷ The Washington Institute for Near East Policy also has reported

higher casualty numbers, emphasizing the “rapid and widespread deterioration of security in Iraq since the mid-December end of the U.S. military mission there.”³³⁸ Analysis by the International Institute for Strategic Studies notes that violence in specific areas is on the rise:

The latest bombings—in Kirkuk, Kerbala, Samarra, Baghdad and other cities—are part of an upsurge in violence following the withdrawal of U.S. troops.... In the first three months since troops left... there were 204 bombings—a 70% increase on the same period last year. With no more real U.S. military targets in the country, the spike necessarily means that Iraqi-on-Iraqi violence has increased, and illustrates the need for a strengthened local security force.

Although violence around the Arab League summit was low, the ISF faced a wave of coordinated mass-casualty attacks earlier in the quarter. On January 19, a suicide car bombing at the Baghdad Police College killed 15 people. On February 23, more than 21 bombings around Iraq killed at least 42 Iraqis and wounded approximately 285. Other mass-casualty and coordinated attacks this quarter included:

- January 24—A car bomb killed 11 people in Sadr City; multiple vehicle-borne improvised explosive device (VBIED) and improvised explosive device (IED) attacks killed 12 and wounded 80 in predominately Shia areas of Baghdad.
- January 27—A suicide car bomb killed 12 in Baghdad.
- February 19—A suicide car bomb killed at least 14 police and recruits in Baghdad.
- February 29—A VBIED killed 3 and wounded 11 in Baghdad.
- March 5—Coordinated attacks targeting ISF members killed 26 officers and wounded 3 in and around Haditha.

Attacks continue against members of the Sons of Iraq (SOI) and their families, but reports indicate that they sustained lower total casualties this quarter than last. The largest MOI force, the Iraqi Police, and the largest Ministry of Defense (MOD) force, the IA, sustained higher wounded totals this quarter, but the number killed in action reportedly dropped.

Apparent targeted political violence against civilian and military officials continued this quarter. During January 11–April 10, 2012, at least 73 government officials (including some SOI commanders and their families) were assassinated...As a result of assassinations and attempted assassinations over the past year, the CoR budgeted for the purchase of armored sedans and sport-utility vehicles for senior government officials, drawing sharp criticism from cleric Muqtada al-Sadr.

The United Nations Mission in Iraq (UNAMI) was even more critical in its annual report on human rights in May 2012, and its report provides the best – if little read – overall assessment of the trends in Iraqi security. It reported that,⁵⁶

Levels of violence in Iraq (outside of the Kurdistan Region) remain high, and the number of civilians killed or injured in conflict-related incidents has only slightly decreased compared with figures for 2010. UNAMI figures show that during 2011 some 2,771 civilians were killed¹ and some 7,961 civilians were wounded². Most of the violence was concentrated in and around Baghdad, Ninawa and Kirkuk. Violent incidents also occurred in Anbar and Diyala, while the south around Basra saw very few such incidents. Despite a decline in the overall number of incidents compared with 2010, those that did occur were often more deadly, with a few such attacks claiming scores of victims. As in 2010, attacks specifically targeting political leaders, government officials and security personnel, as well as of community and religious leaders, and legal, medical and education professionals continued. A destabilizing factor in relation to security was the steady withdrawal of remaining United States forces (USF-I) – a process completed by 18 December 2011.³ Shifting relationships between various political blocs, parties and factions, compounded by tribal, ethnic, and religious differences also contributed to a deterioration in the human rights environment.

Civilians continued to suffer from attacks based on their ethnic, religious and other affiliations. There were

several large-scale attacks on Shi'a pilgrims and on places of worship. Members of the Christian community were also targeted – as were members of the Turkoman community (particularly around Kirkuk) and members of other religious and ethnic minorities, such as Yazidi, Shabaks, Sabian Mandaeans, and Manichaeans. Members of sexual minorities also suffered from killings and widespread social and State sanctioned discrimination – with Iraqi security forces and other State institutions failing to protect them.

The administration of justice and the rule of law remained weak. Iraqi citizens continued to suffer from arbitrary arrest and detention. A large number of arrests took place from the end of November and continued until the end of 2011 involving persons accused of being former members of the Ba'ath Party and allegedly linked to terrorist activities. UNAMI received credible reports that many of these detainees have been held without access to lawyers or family members. It is alleged that many have been detained because of political, ethnic or sectarian affiliations, and that some have been subjected to threats, abuse and mistreatment in order to force them into signing confessions.

Conditions in some prisons and detention facilities remain of serious concern, with many falling below accepted international standards in terms of overcrowding, lack of hygiene and lack of prisoner rehabilitation programmes. In many detention centres convicted prisoners were not adequately separated from those awaiting trial – and alternatives to detention for prisoners on remand remained under utilized. UNAMI continued to receive reports from detainees and their relatives that many face abuse and mistreatment, and on occasion, torture. State prosecutors were often under resourced, contributing to a lack of due diligence in investigation of accused persons and in bringing such persons to trial in a timely manner. While in some instances trials were conducted professionally, the judicial system continued to be plagued by under-resourcing – and there continued to be an over-reliance on confessions to found convictions, even when there is information or evidence suggesting that such confessions were obtained through coercion. There is on-going deep concern at implementation of the death penalty in Iraq.

... UNAMI documented indiscriminate attacks against civilians and civilian objects, attacks targeting Iraqi security forces that resulted in civilian deaths and injuries - including the deliberate targeting of public officials, judges, religious figures, education professionals and members of diverse ethnic groups and minorities.

Ascertaining precise numbers of civilians killed and wounded as a result of violent conflict is difficult in Iraq. Figures from UNAMI's direct monitoring indicate that a minimum of 2,771 Iraqi civilians were killed and 7,961 were injured in armed conflict and violence during 2011.⁶ This represents a slight decrease compared to 2010, when UNAMI recorded 2,953 civilian deaths. According to the Ministry of Human Rights (MoHR) during 2011 around 2,781 civilians were killed in conflict related circumstances, including 184 women and 96 children. A further 10,386 civilians were injured, including 833 women and 382 children. The Iraq Body Count (IBC)⁷ recorded 4,087 civilian deaths from violence in Iraq during the year under review, slightly higher than the 4,045 civilian deaths recorded in 2010.

Irrespective of the precise figures, Iraq has one of the highest number of conflict-related civilian casualties per capita. Identifying trends is extremely challenging, although most sources are in agreement that the rate of decline in civilian casualties has considerably slowed since 2009, compared with the significant reduction in civilian casualties seen from the height of the violence in 2007, when almost 18,000 people were reportedly killed, and in 2008, when under 7,000 died.

The frequency of violent incidents, particularly the use of Improvised Explosive Devices (IEDs) and Vehicle-Borne Improvised Explosive Devices (VBIEDs) by insurgent and terrorist groups, suggests a pattern of sustained, *ad hoc* violence which has the potential to continue for the foreseeable future. On an average day during 2011, UNAMI data shows that there were some 21 violent incidents in Iraq, the most common being IEDs and small arms fire resulting in 7.5 civilian deaths.... UNAMI data indicates that violence continued to be concentrated in Baghdad and the surrounding regions, and in the Disputed Internal Boundaries (DIBs) areas, notably Mosul and Kirkuk. There were also attacks, but of lesser frequency, in Anbar Governorate. The south of the country, around Basra, saw the fewest numbers of violent attacks and resulting civilian casualties. Baghdad and the North-central region suffered 865 and 739 recorded civilian deaths and 3,024 and 2,002 injuries respectively. South-central region recorded 433 civilian deaths and 1,165 injuries; the north region had 293 deaths and 692 injuries; the Western region had 212 deaths and 400 injuries; while the south region had 111 civilian deaths and 293 injuries. January witnessed a peak of

violence, with 307 civilians reportedly killed, although in December the number of civilians killed rose significantly – being the highest for that month recorded since 2008. The second half of 2011 was more violent than the first half: 1,515 civilians were reportedly killed from July to December, compared with 1,256 from January to June 2011.

Examples of attacks carried out by armed insurgents that resulted in the death and injuries to civilians, include the suicide bomber in Tikrit on 18 January, consequently 64 people were killed and at least 150 injured as they queued in a line at a police recruitment center. On 27 January, between 48 and 64 people were killed in what may have been a sectarian motivated attack when a car bomb exploded, destroying a funeral tent in the Shula area of Baghdad. On 24 February, up to 14 people were killed and 15 were reportedly wounded when a suicide bomber attacked a cultural center in Ramadi. On 6 March up to 12 people were killed – including women and children – when a roadside bomb struck a passing bus in the Al-Maqil area of central Basra, although the intended target may have been a USF-I convoy. On 29 March, up to 71 people, mainly members of the Iraqi police force were killed and over 100 were wounded in a complex attack of suicide bombers and hand grenades outside the city council building in Tikrit. The Islamic State of Iraq (ISI) claimed responsibility for this attack.

On 11 April, 10 members of a Shi'ite farming family were killed by bombs in their fields. On 3 May, up to 16 civilians were killed when a car bomb exploded outside a cafe in Abu Dsheer, Baghdad. On 3 June, in Tikrit, up to 18 worshippers were killed and more than 20 were injured (including children) in a mosque when attacked by a suicide bomber. On 11 June, at least fifteen people were killed and fifty-two others were injured in two VBIED attacks targeting an army patrol in Al-Dwoasa in Mosul. On 20 June in Mosul, two boys were killed and three other civilians injured in a roadside bomb explosion. On 23 June, at least 34 people were killed in the Al-Shurta Al-Rabaa area of Baghdad, when three bombs went off in quick succession - one targeted a Shi'ite mosque, while two targeted a market where people were shopping. On 26 June, 27 people, mostly civilians, were killed in Diwania when a suicide car bomb exploded outside the house of the governor.

On 28 July, at least 12 people were killed and 28 injured in a twin bombing in Tikrit: the first bomb exploded outside a State-run bank, followed by a suicide bomber seemingly timed in order to target emergency workers who had arrived at the scene. On 15 August, one of the most violent days of the year, more than 70 people were killed and hundreds injured in a wave of attacks in cities across Iraq. In the day's worst incident, 37 people were killed when two bombs exploded in a busy market in the city center of Kut. In total, some 40 attacks were reported for which the Government blamed the Islamic State of Iraq.¹¹ On 13 October at least 16 people were killed in the Sadr City area of Baghdad when two roadside bombs were detonated - although some sources indicated to UNAMI that up to 61 people were killed by the twin blasts. On 27 October, in Baghdad's Ur district 18 civilians were killed in two explosions: the first bomb was detonated outside a music store, and then a second was detonated as people rushed to assist the victims.

In another series of attacks, on 22 December, at least 69 people were killed and around 200 injured in a coordinated series of nine car bombs and six roadside bombs targeting civilian infrastructure including markets, grocery stores, cafes and government buildings in a dozen mostly Shiite neighbourhoods in Baghdad. According to media reports, the Al-Qa'eda affiliated group, the Islamic State of Iraq, claimed responsibility.

As noted, armed opposition groups continued to deliberately target civilians. Many attacks targeting Iraqi security forces also employed asymmetric and indiscriminate tactics, such as the use of IEDs or VBIEDs on roadsides or near police checkpoints, government buildings and installations. Such attacks were often carried out in crowded public areas such as markets, cafes or mosques and churches, revealing an intent to kill and injure a maximum number of civilians, or with indifference to the number and type of casualties.

The motives for such attacks were diverse. Some appear to have been sectarian, targeting members of particular religious communities, their residential areas, and places of worship, including mosques and churches. A large number of such attacks were perpetrated against the Shi'a community, but there were also a sustained level of attacks against Christians and other minority religious groups, including Yezidis, Manicheans, and Sabian Mandaeans. Many attacks were directed at particular ethnic groups, such as members of the Turkoman community in Kirkuk. Reported tensions between members of ethnic groups may have led to violence, particularly between Christians and Yezidis in Ninawa. Attacks on Iraqi security

forces, in particular on the police, frequently had political motives, aimed at undermining public confidence in the capacity of the Government and its institutions to maintain security. However, many such attacks also might have had underlying sectarian or other motivations. In the DIBs areas, violence appears to have been largely sectarian or ethnic in nature. There were a number of incidents, including killings and kidnappings, which although superficially motivated by criminal gain, may also have had sectarian, political or other motivations.

All such attacks constitute serious violations of Iraqi criminal law and of applicable international humanitarian law and international human rights law. While UNAMI recognises the enormous difficulties facing the Iraqi government in its efforts to restore and maintain law and order, the Government of Iraq is required to do all it can, within the limits of the law and in compliance with its international legal obligations, to bring the perpetrators of such crimes to justice and take all legal and appropriate measures to curb the violence and to protect civilians and civilian infrastructure from the effects of conflict.

... The Kurdistan Region continued to be relatively free of armed conflict and violence.¹⁵ There, UNAMI recorded 12 civilian deaths and injuries during the year. This figure is lower than in 2010 when 22 deaths were recorded. In relation to this, there were concerns about the impact on civilians of military operations conducted along the Kurdistan Region's borders with Turkey and Iran by foreign military forces, which resulted in the deaths of at least ten civilians and injuries to at least 20 others, and the displacement of families.

...The frequency of targeted killings remains of concern, constituting serious violations of IHL and international human rights law. Many such attacks were carried out with IEDs placed on roadsides or in vehicles, or shootings by small firearms equipped with silencers. According to UNAMI during 2011 there were 296 such killings and attempted killings, resulting in 73 deaths and injuring 41, significantly higher than in 2010.

Those most frequently targeted were members of the Iraqi Police, including retired officers and family members of serving police personnel. Other victims included government officials, members of governorate councils, civil servants, journalists, education and medical professionals, judges, traditional leaders, members of ethnic and religious minorities and persons engaged in religious events and activities.

In some incidents, bombs detonated in public areas often killed and injured civilians, then, as police arrived at the scene, further bombs were detonated, with the intention of killing members of the security forces. Bombs detonated outside police stations or government buildings often harmed civilian bystanders. Incidents of such killings frequently left family members of the intended victim dead or injured.

Across Iraq, incidents of killings targeting Government officials increased compared to 2010. Based on UNAMI figures, the most affected cities were Baghdad, Kirkuk, Mosul and Tikrit. Among such incidents¹⁶ on 20 March in Baghdad, an official from the Oil Ministry was killed in a drive by shooting. On 19 April, an employee of the Education Ministry was killed by a magnetic car bomb in Doura, Baghdad. On 30 April, an employee of the Ministry of Industry and his daughter were killed in their home in a targeted shooting. On 26 May, the Chair of the Accountability and Justice Commission, Ali Faisal Al-Lami, was killed in a drive-by shooting in Baghdad. On 30 May, the Deputy Governor of Ninawa Province survived an assassination attempt when his convoy was targeted by an IED whilst en route to Tampa, west of Sharqat in Mosul. On 1 June in Baghdad, there was an attempted assassination of the Deputy Minister for Human Rights, Abdul-Karim Abdullah. On 3 June, following an earlier attack on a mosque, a suicide bomber blew himself up inside Salahadin Teaching Hospital killing two Iraqi Police personnel and leaving four injured, including a physician. The suicide bomber was targeting Al Iraqiya Parliament Member, Mr. Mutashar Husain Elewy, who was visiting people injured during the earlier attack. On 7 June, the son of a Defence Ministry official was shot dead in a drive by shooting in Jamiaa, Baghdad. On 25 September gunmen using silenced weapons killed a Foreign Ministry employee in Jamiaa, west Baghdad. On 25 September, a sticky bomb attached to the car of Mr Saad Fetealah, the head of the international relations department within the Ministry of Human Rights killed Mr Fetealah's driver. In a rare attack inside Baghdad's "Green Zone", on 28 November a bomb exploded outside of the parliament building. Reports indicated that the bomb may have targeted the Speaker of Parliament, or the Iraqi Prime Minister himself. The Islamic State in Iraq claimed responsibility for this attack. The Islamic State in Iraq¹⁷ also claimed it was responsible for the December 26 attack on the Interior Ministry, in which 7 people were killed. Also on

28 November, the house of a member of Kirkuk Provincial Council, a Turkman Shi'a was targeted by four bombs, which killed two civilians and injured.

...In further violence aimed at disrupting the functioning of government institutions and undermining the rule of law, attacks on judicial and legal professionals continued. Among the cases recorded by UNAMI¹⁹ on 2 January, the nephew of a judge in Al-Rufei'at was killed by a bomb inside the judge's residence. On the same day a lawyer working for an association defending Iraqi prisoners was shot dead in eastern Baghdad. On 4 January, a female lawyer was killed in a drive-by shooting on the airport road in Baghdad. On 18 March, a prominent lawyer in Kirkuk was shot dead near his home. On 19 April, a teacher, a lawyer and one other were killed by gunmen in their family home in Kirkuk. On 30 April, a judge was shot and killed by gunmen in his residence in Baghdad. A number of other people also reportedly died in the attack. On 9 June, a judge was shot and killed in a drive-by shooting in Baghdad. On October 19, a judge and his driver were shot dead in a western area of Mosul. On 13 December, gunmen attacked a vehicle carrying judges in Fallujah. Three people were killed, and five others wounded, including three judges. On 21 December, a judge and his guard were killed when a bomb attached to his vehicle exploded in Kirkuk. The judge's daughter and two pedestrians were reportedly injured. A second bomb was later detonated under a vehicle belonging to one of the judge's guards, which had been used to transport the injured to hospital, injuring a further five civilians.

...UNAMI recorded at least 35 attacks targeting educational and medical professionals during the reporting period.²⁰ Motives for such attacks were not uniform and were often unclear. It is possible that some could have been targeted for personal or criminal motives, but in some cases there might have been political, ethnic or sectarian motivations.²¹ On 17 February, a university professor was shot dead in his home in Al-Khadhra, west Baghdad. On 26 February, a teacher at a technical university was shot dead in Saydiya, Baghdad. On 8 March, a faculty member of the Department of Basic Education, University of Mosul was shot dead by unidentified armed men in Barid, east Mosul. On 26 March, a professor specialising in cancer research was assassinated in al-Nisour Square, Baghdad. On 29 March, in Mansour, Baghdad, the Dean of Dentistry at Mustansiriya University was killed by a magnetic bomb attached to his car. On 4 April, up to six people were killed in an attack on the family home of a college professor. On 5 April, a teacher was reportedly shot dead in his home in Tarmiyah. On 9 April, a teacher was killed by a „sticky bomb“ attached to his car in Falluja. On 1 May, a teacher was reportedly killed by a „sticky bomb“ attached to his car in west Baquba. On 11 June, in Al-Dour a teacher and four members of his family were shot dead in their home.

On 21 June unidentified armed men kidnapped a doctor while he was heading out from his clinic in Kirkuk. The kidnappers contacted the doctor's family demanding USD\$300,000 to release the victim. A ransom was later paid and the doctor released. On 25 June, unknown armed men kidnapped the nine year old son of a dentist in Kirkuk city. He was released on 28 June. It is unknown whether a ransom was paid to secure his release. On 22 of July a doctor was shot dead in Kirkuk when he resisted a kidnap attempt. On 24 July a nurse was shot dead in a clinic in the village near the town of Garma north west of Baghdad. On 26 July gunmen broke into a medical clinic in al Tahrir neighborhood, east Mosul and shot dead Dr Haifa Jum'aa. On 23 August, a professor from Baghdad University was shot dead outside his home in the Adil district of Baghdad. The professor's son was injured in the attack. On 5 September neurologist Yeldrim Abbass was reportedly killed along with his brother by gunmen in Kirkuk. Also in Kirkuk, on 11 September, armed men in two vehicles kidnapped a Turkoman nurse. On 22 October a teacher and his daughter were reportedly killed in a drive by shooting in Tikrit. On 5 November, unidentified armed men dressed in uniform kidnapped the head of Kirkuk University and another professor, both Turkmen Shi'a. The two professors were released one month later on payment of a ransom. On 15 November a doctor was killed when gunmen opened fire in his clinic in a village near Qaiyara, north of Baghdad. On 27 December, the head of the Red Crescent in Kirkuk was targeted by a magnetic bomb on his vehicle, severely injuring him.

...Sectarian violence, in particular large scale attacks targeting religious events, continued to claim large numbers of civilian casualties. For instance, presumed Sunni militias attacked the Shi'a religious festival at Karbala in January. Such attacks on crowded areas routinely resulted in massive casualties. On 20 January, up to 56 Shi'a pilgrims were killed when two car bombs were detonated on roads used by thousands of pilgrims converging on Karbala for the Arba'een commemorations. Four days later, more than 33 pilgrims

were killed by two car bombs which were detonated a few hours apart, the first targeted a bus terminal, while the second targeted the Da'oum area in the center of the city, where pilgrims were organising processions. In possibly retaliatory attacks, Sunni imams were reportedly targeted in Falluja. According to Iraq Body Count, two Imams were killed in drive-by shootings on 24 January and 31 January.²² In February, at least 46 Shi'a pilgrims were killed by two suicide bomb attacks targeting a religious ceremony in Samarra. In the first attack on 8 February, eight people were killed and around 30 wounded when a suicide car bomber attacked a group of Shi'a pilgrims heading to the city, where a religious commemoration for the death of an Imam was taking place. On 12 February, another suicide bomber blew himself up near a crowd of Shi'a pilgrims at a bus depot. According to media reports, 38 people were killed and 74 wounded in this second attack.²³

On July 15 and 16, four car bombs in Karbala, targeting Shi'ite pilgrims during a religious festival, killed 15 and injured 84. On 28 August, a suicide bomber blew himself up in the main area of the Umm al-Qura mosque during prayers in the western Baghdad neighbourhood of al-Jamiaah: Iraqi police and hospital officials reported that 29 worshippers were killed and at least a further 30 injured. On 12 September, 22 Shi'ite pilgrims were shot dead when unidentified gunmen boarded the bus and killed all those on board as they were travelling through al-Anbar governorate on their way to a holy shrine in Syria. On 30 September, 25 people were killed and 27 wounded when a car bomb was detonated among mourners at a Shi'ite funeral in the city of Hilla. At least 32 people were killed during different sectarian attacks during the Shi'ite Ashura festival. On 5 December, 15 people including women and children were killed by a car bomb targeting a religious procession in Hilla. A second attack, also in Hilla on the same day, killed at least six more people. A number of other attacks targeting individual clerics were recorded by UNAMI.²⁴ On 17 February, a leading Sadrist cleric was shot dead in a drive by shooting in west Karbala. On 18 February, a religious leader, Sheikh Ali Fakhri was reportedly shot dead by unidentified armed men in front of his home in Al Rashidiya, north Mosul. On 19 April, three members of the family of a Sunni imam were shot in their home in Baquba. On 19 May, a Shi'a cleric was killed by a „sticky bomb" attached to his car in the Bab al-My'adham area of Baghdad. On 31 May, unknown armed men kidnapped a prominent Imam, a member of Iraqi Scholars Council – Kirkuk Branch. The imam was also an active member of Iraqi Islamic Party in Kirkuk. On 13 August, Adil Jaijan, an imam, was killed in a drive by shooting in eastern Baghdad. On 9 September, an imam was shot dead near his mosque in Baghdad's Zaafaraniya district. On 25 October, near the town of Hilla a bomb was detonated at the house of Sheikh Safa Jasim, killing his wife and son, and injuring him and three other sons.

There were also attacks perpetrated against members of other religious minorities, including Christians, Shabaks and Yazidi.

Attacks against members of the ISF were frequent in 2011. According to UNAMI figures, some 1,052 members of the ISF were killed and 2,596 injured. Such attacks were carried out by various insurgent groups, apparently aimed at undermining public confidence in the Government's ability to maintain security.

Large-scale assaults on Iraqi police and police stations often result in the arbitrary loss of life and injury of civilians. Attacks targeted against individual police officers frequently led to loss of life of family members and innocent bystanders.

The majority of such attacks took place in the cities of Mosul, Kirkuk and Baghdad. In Mosul alone, UNAMI recorded 118 attacks against the Iraqi police during the first six months of the year. At least 82 security personnel were killed along with 78 civilians in these attacks.

UNAMI received reports of civilian deaths resulting from criminal acts, such as robberies of banks and jewellery stores. While such acts are criminal in nature, there are reports that armed groups carried out such robberies in order to obtain financing and to purchase weapons.

In Kirkuk, UNAMI received over twelve reports of kidnappings for ransom. For example, kidnappers demanded a ransom for the release of three Turkish citizens seized on 15 February. The three businessmen were released following an operation led by USF-I on 25 April. No details were available on whether a ransom was paid. On 18 July, a prominent businessman was kidnapped in Kirkuk. The man was released after five days following the payment of a ransom.

During the first six months of 2011, the draw-down of remaining USF-I forces continued, pursuant to the agreement between Iraq and the United States. The process was completed by 18 December 2011.

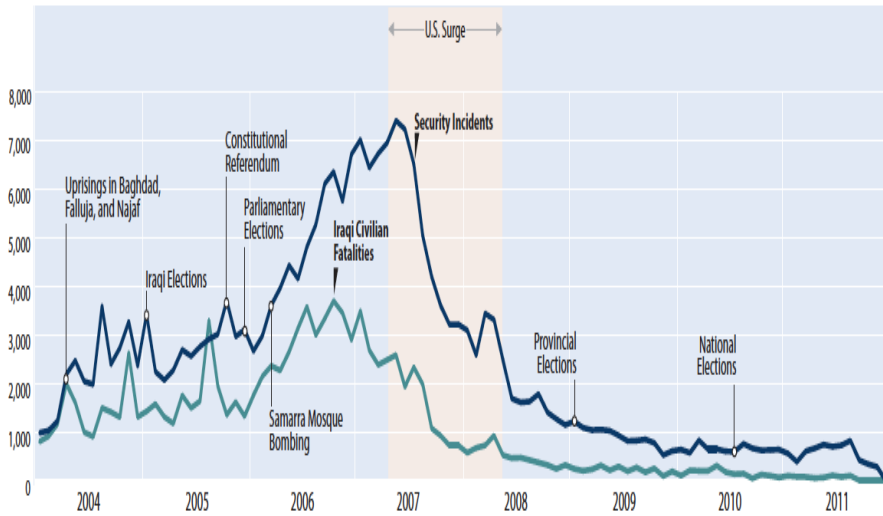
Nonetheless, there were a total of three incidents alleging civilian casualties caused by military operations of USF-I reported by the media, but only one was confirmed by UNAMI.²⁵ On 15 June one Iraqi civilian was killed and three injured in a rare USF-I raid, reportedly including air support. USF-I claimed that the victims were insurgents and that equipment for firing rockets was found at the scene of the raid. The raid was in response to an indirect fire attack on the US military base in Basra earlier the same day.

On 25 April one civilian was killed and five injured during clashes between Iraqi army soldiers and Kurdish *Asayesh* in a street in central Kirkuk.

...From mid June, there were occasional aerial bombardments and mortar attacks on border areas in the Kurdistan Region by foreign forces, aimed at dislodging PKK and PJAK rebel groups allegedly active there. By mid July, 176 families were displaced from the villages of Aliarash, Suney, Sarkhan, Pirdabardin and Barquislan to the town of Gojar. On 21 August, UNAMI confirmed that aerial bombardments killed seven civilians in the Pishdar area of Sulaymaniyah governorate. The victims were members of the same family travelling in a vehicle which was hit during the raid. Among the victims were four children aged 6 months, 4 years, 10 years and 11 years. According to UN agencies, an additional 120 families were displaced from the villages of Zargali, Bokriskan and Prdashal as a result of the attacks. In early October, shelling reportedly caused damage to villages in border areas of eastern Erbil and north-eastern Sulaymaniyah provinces, although no civilian casualties were reported. Shelling continued to affect border areas around Sidakan and Zap during the week of 16 October. Kurdistan Region security sources stated that one civilian was slightly injured on 19 October in the Zap area as a result of the shelling. On 21 November, one civilian was reportedly killed near Sidakan as a result of aerial bombings.

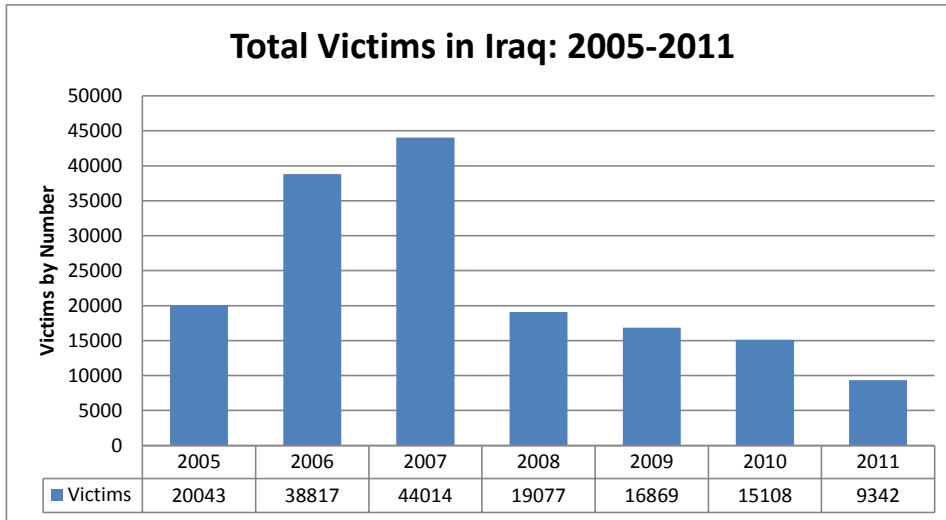
Figure VII.3: The Continuing Pattern of Violence in Iraq

MONTHLY SECURITY INCIDENTS AND CIVILIAN FATALITIES, 1/2004–12/2011



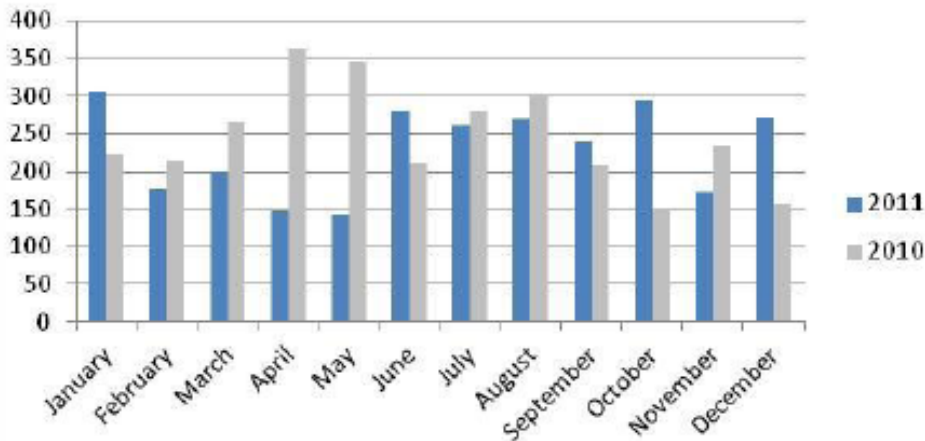
Sources: SIGIR, Quarterly Report, January 30, 2012, p 65

Figure VII.4: NCTC and UNAMI data on Total Victims In Iraq and recent Trends in Civilian Victims, 2005-2011



Source: National Counterterrorism Center (NCTC) Worldwide Incident Tracking System (WITS) data.⁵⁷

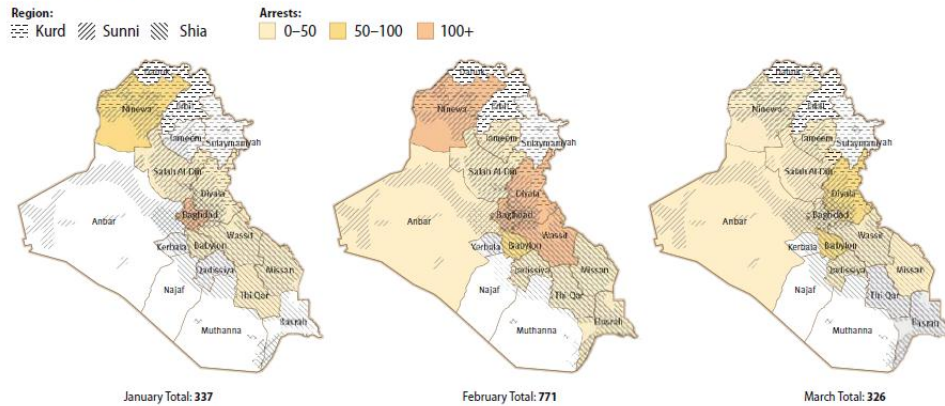
Reported civilian deaths from armed conflict in Iraq: January - December 2011



Source: UNAMI Human Rights Office/OHCHR, Report on Human Rights in Iraq: 2011, May 2012, Baghdad, p. 6.

Figure VII.5: Arrests on Terrorism Charges (1/14/2012-4/10/2012)

SELECTED ARRESTS ON TERRORISM CHARGES,
1/14/2012-4/10/2012



Note: This table provides examples of arrests this quarter. It does not purport to be all-inclusive, nor presume to imply the guilt or innocence of those arrested. Analysis of incidents based on best available information, as of 4/10/2012.

Source: SIGIR analysis of open-source documents in Arabic and English, 1/2012-4/2012.

Source: SIGIR Quarterly Report, April 2012, page 81.

Figure VII.6: Selected Acts of Apparent Targeted Violence, 1/11/2012–4/10/2012

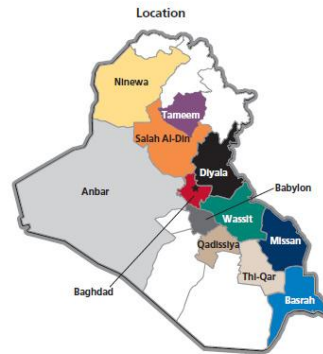
TABLE 4.2
SELECTED ACTS OF APPARENT TARGETED VIOLENCE, 1/11/2012–4/10/2012
Non-security Officials and Other Prominent Civilians

TARGETS/VICTIMS	LOCATION	DATE	CIRCUMSTANCES	RESULT
MOF official	●	1/29	Gunman attack	Killed
Deputy of al-Bayda' party	●	1/31	IED and VBIED attack on home	Unharmed; many others injured
Correctional deputy	●	2/7	Gunman attack	Killed
Baghdad Investment Commission Chairman	●	2/11	Gunman attack (silencers used)	Unharmed; guard injured
Tribal sheik	●	2/11	Gunman attack on family	Killed; wife, child, and brother killed
Tribal sheik	●	2/18	Gunman attack on home	Killed; son wounded
Criminal judge	●	2/18	Gunman attack on home	Killed
College professor	●	2/25	Gunman attack on home	Unharmed; 2 sons injured
Criminal judge	●	2/25	IED attack on home	Unharmed
Deputies to Ayatollah al-Sistani	●	2/27	Hand grenade attack on home	3 unharmed
Tribal sheik	●	2/28	Gunman attack on convoy	Killed; wife and 2 children injured
Lawyer	●	3/2	Gunman attack	Killed
Deputy to Ayatollah al-Sistani	●	3/3	IED	Unharmed
Assistant director of Civilian Affairs	●	3/4	SVBIED attack on car	Unharmed; daughter unharmed
Investigative judge	●	3/6	IED attack on office	IED disarmed
Doctor	●	3/7	Gunman attack on home	Unharmed; 2 family members injured
Al-Iraqiya deputy/MP	●	3/11	IED attack on convoy	Unharmed

Security Officials

TARGETS/VICTIMS	LOCATION	DATE	CIRCUMSTANCES	RESULT
SOI commander	●	1/18	Gunman attack on home	Killed; 4 children killed
SOI member	●	1/19	Gunman attack on home	Killed; wife and mother killed
MOI intelligence officer	●	1/24	IED attack on home	Killed; 10 family members killed
Iraqi Police officer	●	1/24	Gunman attack on home	Killed; 4 family members wounded
Police officials	●	1/25	Gunman attack on home	2 killed
Iraqi Army officer	●	1/29	SVBIED attack	Injured; 2 students injured
Iraqi Army officer	●	1/31	SVBIED attack	Injured
SOI commander	●	1/31	IED attack on home	Injured
SOI member	●	2/1	Gunman attack	Killed
Iraqi Army officer	●	2/7	Gunman attack on home	Unharmed; wife killed; child injured
MOI official	●	2/11	Gunman attack on car	Killed
Iraqi Army officer	●	2/13	Gunman attack	Killed; 2 assistants killed
Iraqi Police officers	●	2/13	Gunman/grenade attack on home	Killed; wife and sons killed
Iraqi Army brigadier general	●	2/14	Gunman attack (silencers used)	Killed
Iraqi Army brigadier general	●	2/18	Gunman attack on car	Injured
MOD brigadier general	●	2/18	Gunman attack on car (silencers used)	Several injured

Continued in next column

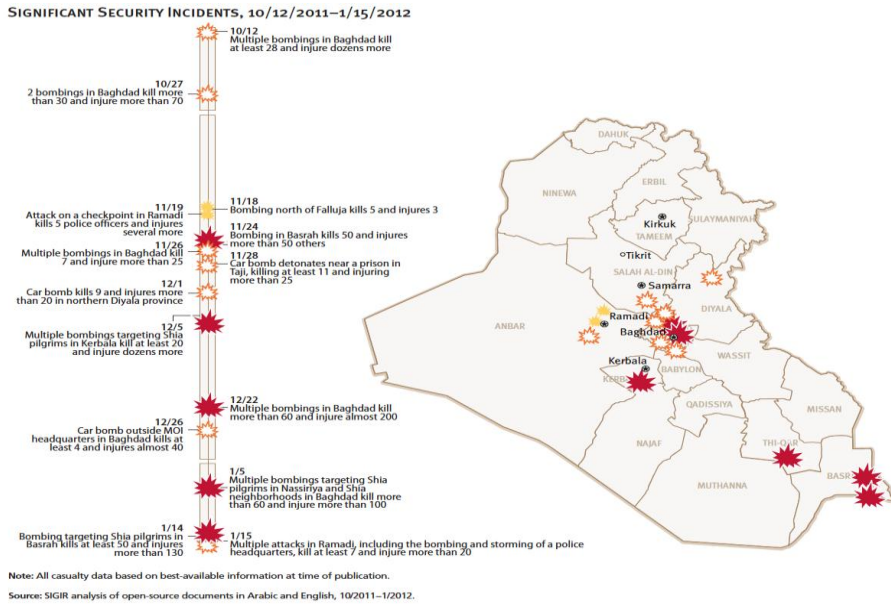


TARGETS/VICTIMS	LOCATION	DATE	CIRCUMSTANCES	RESULT
Police officials	●	2/19	Gunman attack on SOI Checkpoint	2 SOI killed; 1 Iraqi Police officer killed
Police colonel	●	2/20	SVBIED attack	Killed
Iraqi Army officer	●	2/26	Gunman attack on checkpoint	Killed
SOI commander	●	2/26	IED attack on SOI convoy	Killed; 1 soldier injured
Witness protection official	●	2/27	Gunman attack on Criminal Court	Killed
Iraqi Army officers	●	2/27	IED attack on convoy	2 injured
Correctional security officer	●	2/29	Explosives attack on convoy	Killed; 3 others injured
MOI officer	●	3/1	Gunman attack on home/car	Killed
MOD officer	●	3/4	IED attack	Injured
Iraqi Police officers	●	3/5	Gunman attack on checkpoint	3 killed; 3 injured
Iraqi Police officers	●	3/6	Suicide bomb	4 injured
Iraqi Police officers	●	3/7	IED attack on convoy	1 killed; 2 injured
Iraqi Police investigator	●	3/8	SVBIED attack on car	Killed
Iraqi Police officer	●	3/10	IED attack on home	Unharmed; 1 other killed, 4 injured
SOI member	●	3/10	Gunman attack	Killed
Iraqi Police officers	●	3/12	Gunman attack	5 killed; 2 wounded
Iraqi Police officers	●	3/14	Gunman attack	2 killed; 3 wounded
SOI member	●	3/15	IED attack on home	Killed
SOI member	●	3/18	IED attack	3 killed
SOI member	●	3/19	Gunman attack on home	Killed; 4 family members killed
Iraqi Police officers	●	3/20	Explosives attack on convoy	1 killed; 2 wounded
Iraqi Army officer	●	3/27	IED attack on Army patrol	1 killed; 1 injured
Iraqi Army colonel	●	3/28	IED attack on home	Unharmed
SOI member	●	3/31	Gunman attack on home	Killed; wife and son killed

Note: This table provides examples of assassinations, attempted assassinations, and other small-scale acts of violence that appear to have been aimed at specific persons or groups this quarter. It does not purport to be all-inclusive, nor presume to imply the attackers' respective motives.

Source: SIGIR Quarterly Report, April 2012, page 78.

Figure VII.7: Significant Security Incidents Part One: Incidents During 10/2011-1/2012

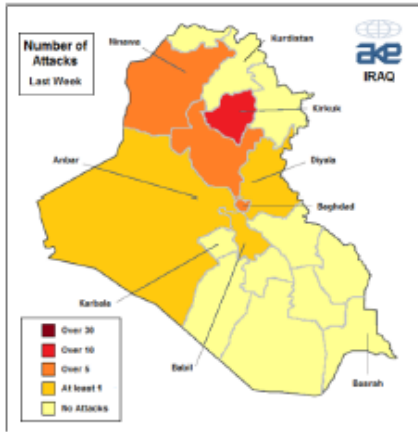


Source: SIGIR Quarterly Report, January 2012, page 8

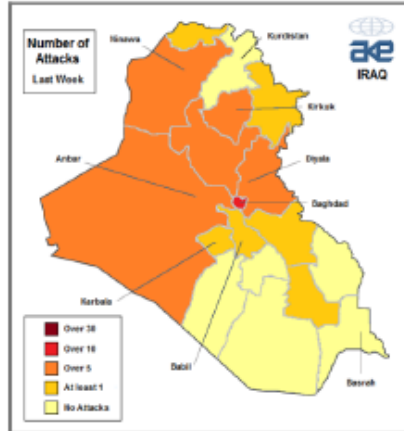
Figure VII.7: Significant Security Incidents Part Two: Incidents During January 2012

Below is a weekly reporting by [AKE](#) of attacks occurring within Iraq. The map is organized by province. An attack constitutes a bombing, shooting, rocket/mortar attack, kidnap or stabbing.

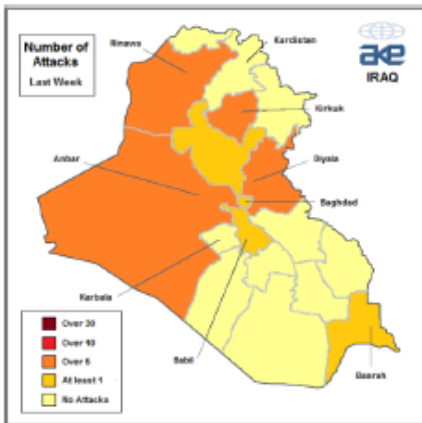
Weekly Security Update 04 January



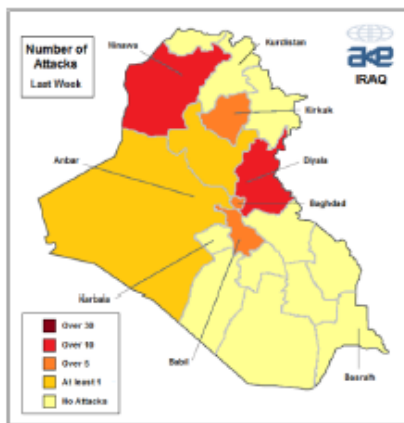
Weekly Security Update 13 January



Weekly Security Update 18 January



Weekly Security Update 26 January



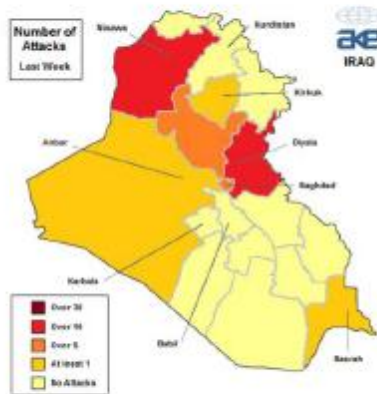
Source: [Iraq Business News](#)

Source: Civil-Military Fusion Center, *Iraq: A Month in Review, January 2012, p. 1*

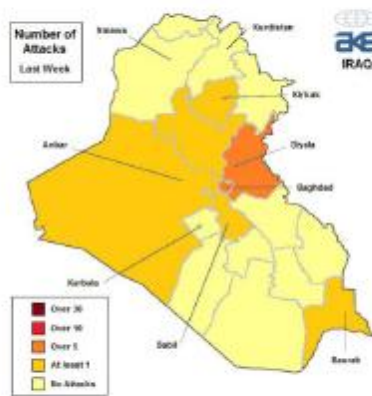
Figure VII.7: Significant Security Incidents Part Three: Incidents During February 2012

Below is a weekly reporting by *AE* of attacks occurring within Iraq by province. *AE* considers an attack a bombing, shooting, rocket/mortar attack, kidnap or stabbing.

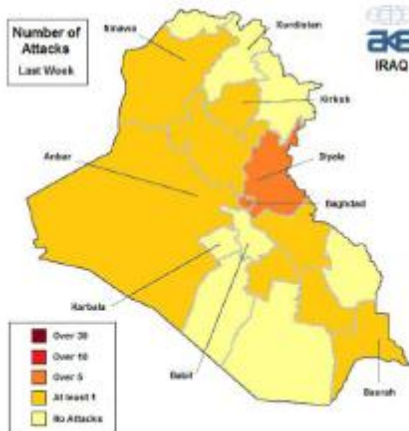
Weekly Security Update 09 Feb



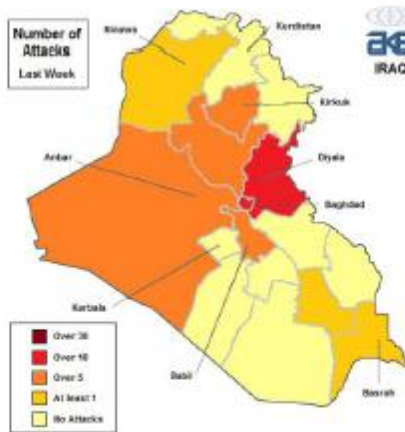
Weekly Security Update 15 Feb



Weekly Security Update 22 Feb

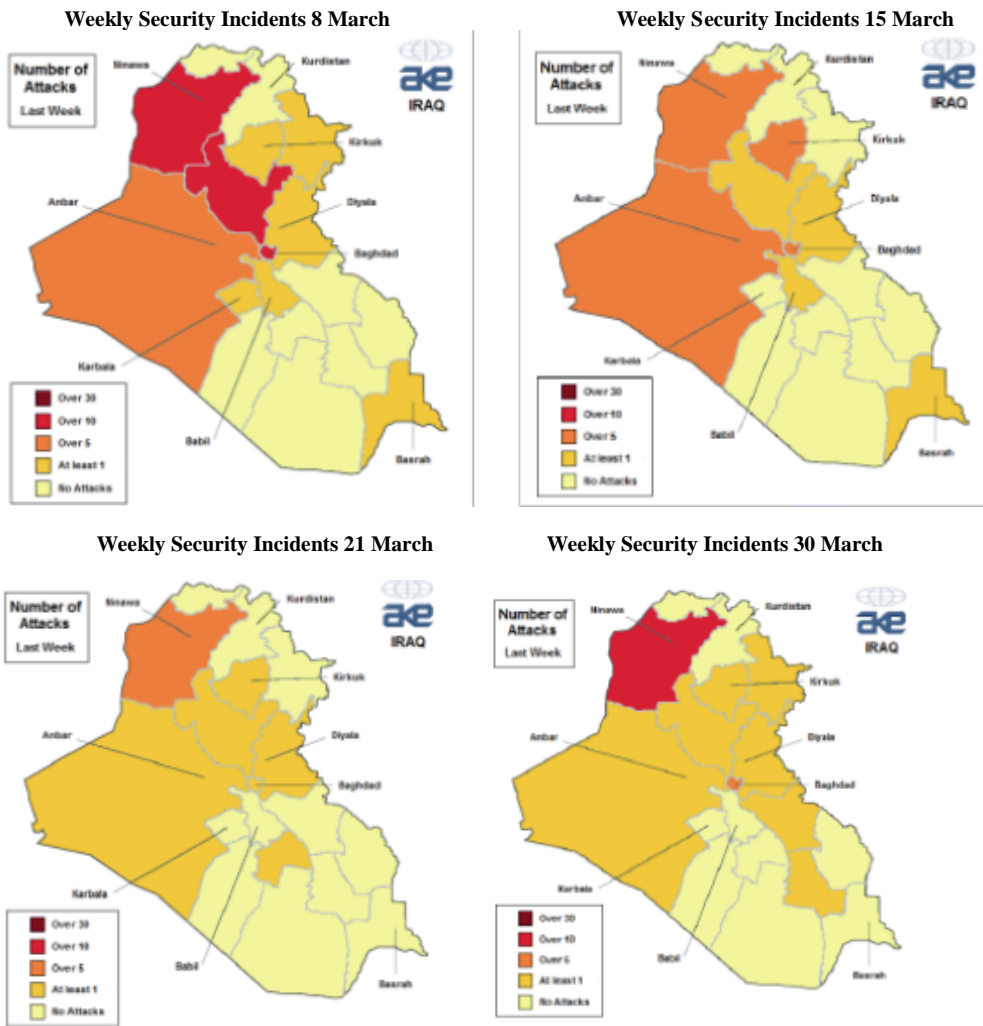


Weekly Security Update 01 Mar



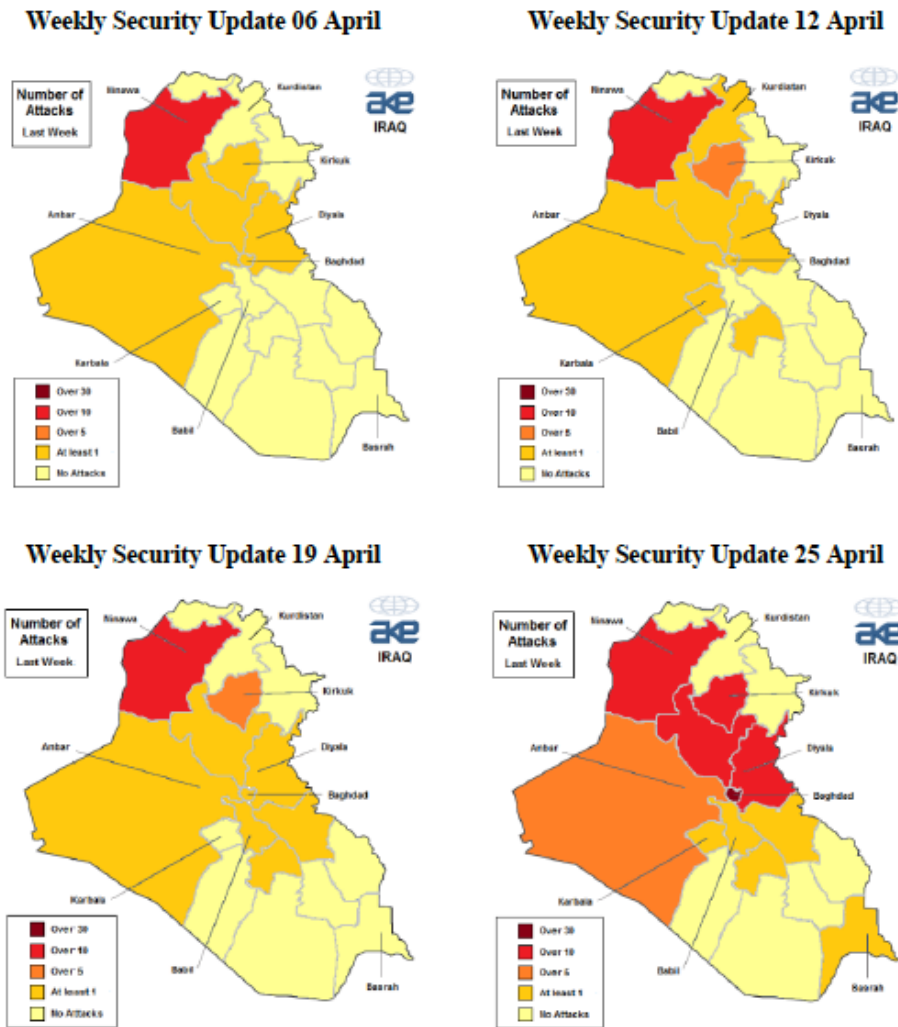
Source: Civil-Military Fusion Center, Iraq: A Month in Review, February 2012, p. 1

Figure VII.7: Significant Security Incidents Part Four: Incidents During March 2012



Source: Civil-Military Fusion Center, Iraq: A Month in Review, March 2012, p. 1

Figure VII.7: Significant Security Incidents Part Five: Incidents During April 2012

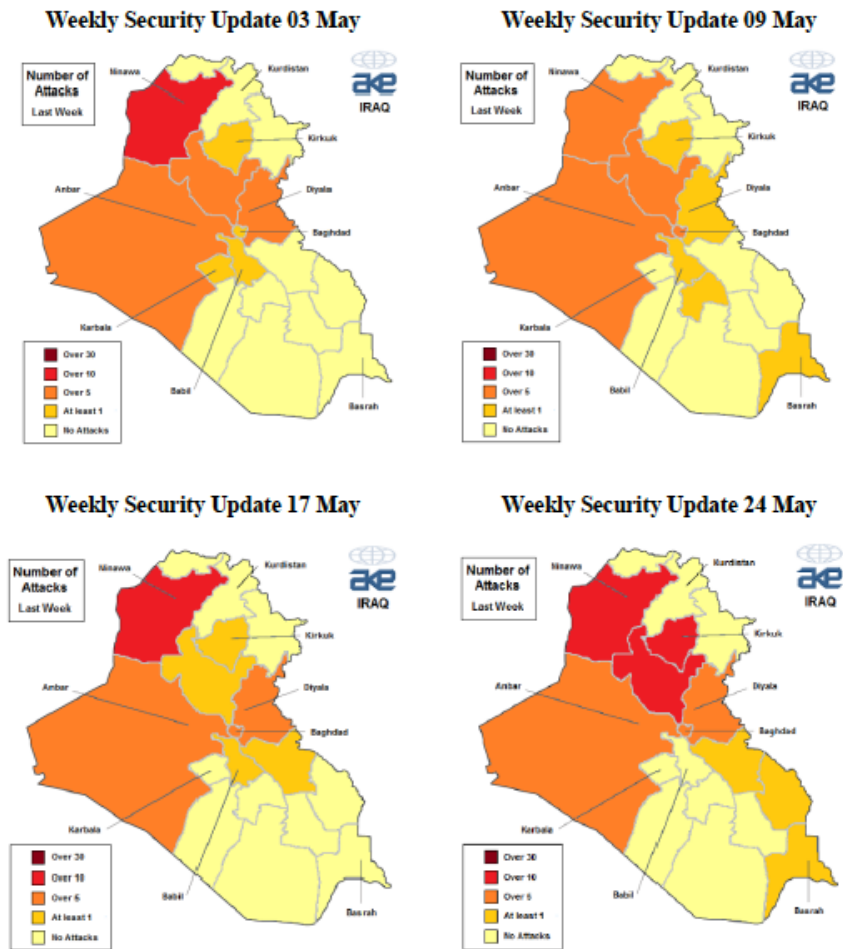


Source: [Iraq Business News](#)

The above, is a weekly reporting by [AEI](#) of attacks occurring within Iraq. The map is organized by province. An attack constitutes a bombing, shooting, rocket/mortar attack, kidnap or stabbing.

Source: Civil-Military Fusion Center, Iraq: A Month in Review, April 2012, p. 1

Figure VII.7: Significant Security Incidents Part Six: Incidents During May 2012



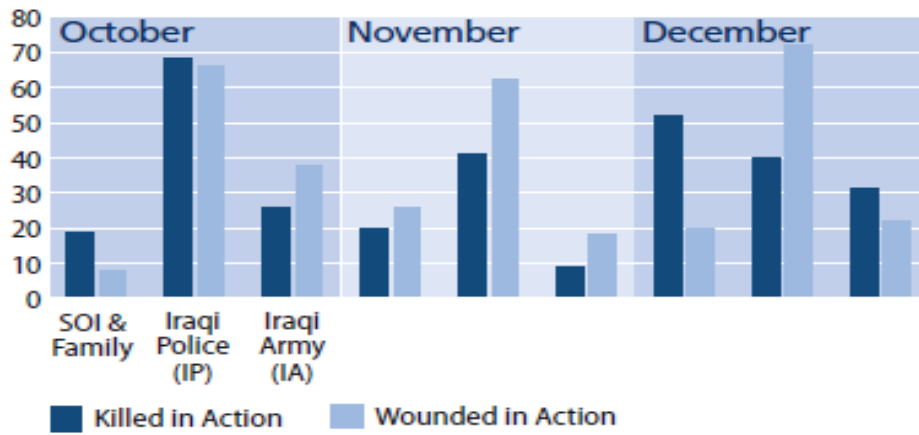
Source: [Iraq Business News](#)

The above, is a weekly reporting by [AEI](#) of attacks occurring within Iraq. The map is organized by province. An attack constitutes a bombing, shooting, rocket/mortar attack, kidnap or stabbing.

Source: Civil-Military Fusion Center, *Iraq: A Month in Review, May 2012*, p. 1

Figure VII.8: Attacks on Iraqi Security Forces and Sons of Iraq

SOI & FAMILY, IRAQI POLICE, AND IRAQI ARMY CASUALTIES, 10/2011–12/2011



Source: GOI, MOI, information provided to SIGIR, 1/22/2012.

Sources: SIGIR, Quarterly Report, January 30, 2012, p. 68

The Impact of Political, Ethnic, and Sectarian Divisions

As the next section of this analysis makes clear, the continuing level of violence is also driven by both the range of political crises at the national to the local level, and by sectarian and ethnic divisions described in the next section. In January 2012, for example, a Shiite governor threatened to blockade a strategic commercial route from Baghdad to northern Kurdish region if Kurdish officials did not hand over the indicted VP Hashemi who they were harboring.⁵⁸

At the same time, Some Sunni political leaders began to talk about seeking some form of “federalism” or more independent status even in mixed provinces like Diyala, and Kurdish leaders are reassign the need to keep Kurdish security forces strong and independent from the rest of the Iraqi security forces.

All of these issues interact with the fact that Al Qaida in Mesopotamia and a range of other Sunni and Shi’ite violent extremist groups still threaten security, and

The Continuing Role of Violent Extremist Groups

Despite limited signs that a few insurgent groups may be ready to lay down their arms in exchange for becoming legitimate participants in the political process, the circumstances on the ground demonstrate that most groups remain committed to using violence to achieve their goals. The Department of State’s Annual Human Rights Report -- released May 2012 – highlights the impact of terrorist attacks carried out by groups such as al-Qaida in Iraq and others. The report states that:⁵⁹

“Terrorist groups such as al-Qaida in Iraq committed attacks against a wide swath of society, including Sunnis, Shia, and members of other sects or ethnicities, security forces, places of worship, religious pilgrims, economic infrastructure, and government officials. Their means were suicide bombings, attacks with improvised explosive devices, drive-by shootings, and other acts of violence aimed at weakening the government and deepening ethnosectarian divisions. Certain militant organizations, such as those influenced by Iran, also committed numerous terrorist attacks, primarily against foreign embassies and foreign military forces.” – US Department of State, Iraq Country Report on Human Rights Practices for 2011

The attackers include the following rival ethnic and sectarian factions that account for most of Iraq’s devastating violence.⁶⁰

- **Al Qa’ida in Iraq:** Since 2010, terrorist attacks have primarily targeted Iraqi security forces and government officials, but they have also been aimed at stirring ethnic tensions. AQI has been operating primarily in regions with majority Sunni Arab populations, particularly focusing its efforts in and around Baghdad and Ninewa, but appears unable to command territory or population centers. The degradation of AQI’s capacities is expected to continue under the pressure of an ISF now more capable of targeting, capturing, and detaining terrorists and disrupting their networks. However, according to DoS, AQI has adapted to the changing security conditions and remains capable of coordinated mass-casualty attacks and assassinations. AQI will likely attempt to exploit widening political rifts that occur along sectarian lines.
- Other Sunni terrorist groups remain active as well. **Ansar al-Islam**, with both Kurd and Arab membership, operates in northern Iraq. The group has claimed responsibility for the second-largest number of Sunni terrorist attacks in Iraq (behind only AQI). Another group operating in northern and central Iraq, the Jayish **Rijal al Tariq al-Naqshabandi**, emphasizes what it claims to be the religious justifications for its attacks. Shi’a extremist groups – backed by Iranian funding, training, and weapons – also present a threat to Iraqi and US military forces. DoS reported that attacks by these groups have decreased this year, but their Iranian-supported networks continued to operate throughout Iraq’s southern provinces.

- Shi'a militias in Iraq **Jayish al-Mahdi (JAM)** and its successor, the **Promised Day Brigade**, are the militant arm of the Sadrist movement led by cleric Muqtada al-Sadr. Since the militia's inception in 2003, JAM has engaged in countless attacks on US forces, Iraqi forces, and Sunni civilians. The group was responsible for some of the most gruesome sectarian violence in Iraq. Early in 2007, at the beginning of the US military surge, al-Sadr ordered his followers to stand down, and shortly thereafter, he left for Iran. Following the military campaign in Basra, Sadr City, and al Amarah in the spring of 2008, al-Sadr disbanded his militia. Several months later, he announced the transition of his movement into a non-violent organization called the Munahidoon, but he maintained a small group of Iranian-supported militants called the Promised Day Brigade.
- **Assaib Ahl al Haq (AAH, or League of the Righteous)**: Having emerged in 2006, AAH is led by Qais Khazali, who broke with al-Sadr and was officially named the leader of the Iranian backed AAH. Khazali's fighters traveled to Iran for special training by the Revolutionary Guards and members of the Lebanese Hezbollah. They received four to six weeks of training in the camps in the use of mortars, rockets, sniper tactics, intelligence gathering, kidnapping operations, and explosively formed penetrators. AAH conducted attacks on Coalition forces from as early as the summer of 2006 and continues intermittently, also engaging in kidnappings and sectarian attacks. In early 2012, Maliki allowed AAH into the political arena, stating they had renounced violence and were therefore welcome. AAH also serves as a potential counter weight to a loss in confidence of Maliki across the political spectrum.
- **Kata'ib Hezbollah (KH, or the Hezbollah Brigades)** Active in Iraq since 2007, KH operates mainly in Shi'a areas of Baghdad, such as Sadr City, and throughout southern Iraq. Like AAH and the Promise Day Brigade, it is supported by Iran. KH is independent from Muqtada al-Sadr and has operated separately since its inception, albeit with some cooperation and operational overlap. Since 2007, KH members have conducted multiple attacks against US forces using rocket-propelled grenades and improvised rocket-assisted mortars. Since the beginning of 2011, the majority of Iranian-backed attacks have occurred in southern Iraq, with sporadic incidents taking place in northern provinces and in Baghdad. Toward the end of the quarter, Iran-sponsored attacks in northern provinces appeared to be subsiding, although USF-I officials reported that these networks still possess the capacity to conduct operations
- **The Islamic State of Iraq (ISI)** is an umbrella organization of a number Iraqi insurgency groups established on October 15 2006. The group is composed of and supported by a variety of insurgency groups, including its predecessor, the Mujahideen Shura Council, Al-Qaeda, Jeish al-Fatiheen, Jund al-Sahaba, Katbiyan Ansar Al-Tawhid wal Sunnah, Jeish al-Taiifa al-Mansoura, and other Sunni groups. It aims to establish a caliphate in the Sunni dominated regions of Iraq. It claims a presence in the governorates of Baghdad, Al Anbar, Diyala, Kirkuk, Salah ad Din, Ninawa, and parts of Babil and Wasit, etc. It initially claimed Baqubah as its capita.⁶¹

The Mujahedin-e Khalq Organization (MEK)

The Mujahedin-e Khalq Organization (MEK), or the People's Mujahedin of Iran (PMOI), is a 5,000-10,000-member organization located in Camp Ashraf, Iraq claimed to be dedicated to toppling the Iranian regime.⁶² The group is a strange mix of a radical cult centered around its leaders – the Rajavis, and opposition to the Iranian regime. Under the Shah, it killed US and Iranian officers and officials, including the murder of Colonel Lewis Hawkins in front of his family.⁶³ After the Shah's fall, it carried out terrorist attacks against Iranian targets inside Iran. When it lost its power struggle with Khomeini in the early 1980s, it moved to Iraq and got funding, arms, and training from Saddam Hussein.

During the Iran-Iraq War, the MEK was forced from their bases near the Iranian border and its leaders relocated to Paris in 1981. In 1986, the MEK relocated to Iraq with the support of the Iraqi government. After the US invasion in 2003, 3,400 members of the MEK were disarmed, isolated in Camp Ashraf, Iraq, and given protected status under the Geneva Convention.⁶⁴

Iran has pressured Iraqi leaders to eliminate the MEK. The State Department designated the MEK as a terrorist organization, but this move and the decision to disarm and protect the MEK did not satisfy Iran.⁶⁵ Although the MEK has been weakened in recent years, its revelations of Iranian nuclear facilities in Natanz and Isfahan in 2002 lead to international concern over Iran's nuclear program and altered their significance.⁶⁶ The group also alleged in September 2010 that Iran has another nuclear site near Qazvin, 70 miles west of Tehran.⁶⁷

In recent years MEK supporters have lobbied Washington to end the group's isolation at Camp Ashraf and to remove its name from the list of foreign terrorist organizations. Among its supporters, the MEK enlists several current and former high-level US diplomats, politician, and military leaders.⁶⁸ The MEK tightly safeguards its funding, but has long devoted large amounts of money to lobbying Congress and attracting powerful figures to their cause.⁶⁹ In 2007, the State Department stated that the MEK still had the "capacity and will" to commit terrorist acts and also rejected any notion that the group was a viable opposition movement in Iran.⁷⁰ Several US think tanks, including RAND, have categorized the MEK as a cult.⁷¹

In May of 2012 it was reported that the US Treasury Department had issued subpoenas to 11 high-ranking US officials, including recent Pennsylvania governor Ed Rendell, former Chairman of Joint Chiefs of Staff, Hugh Shelton, and former director of Homeland Security, Tom Ridge. These individuals are charged with accepting money from an outfit associated with the MEK in exchange for publically supporting the group, which the State Department designates as a Foreign Terrorist Organization (FTO).⁷²

Iran has put increasing pressure on Iraq to deal with the MEK while attacking the US for its continued existence. In May of 2011, Iranian state media reported that the US was actively training the MEK at Tajil military base in Iraq. The report states that the US is training the MEK in bombing and other terrorist operations, and characterized the MEK as wishing to "break away" the oil-rich Iranian province of Khuzestan.⁷³

The US withdrawal may still lead to targeted violence against the MEK. Both Shi'a and Kurdish groups believe the MEK was used by Saddam to quell uprisings in 1991, and Iran continues to push the Iraqi government to expel the MEK.⁷⁴ In September 2011, ISCI leader Ammar al-

Hakim stated that the MEK must leave Iraq for past terrorist acts and for betraying the Islamic Republic of Iran.⁷⁵

In late-December 2011, a deal was announced where MEK members would leave Camp Ashraf and move to a former American military base near Baghdad's international airport, with the UN eventually relocating the residents to other countries. However, the group has not yet agreed to the deal. Maliki gave the group a six-month extension in late December to come up with a solution.⁷⁶

The MEK cannot be dismissed out of humanitarian concerns and they are a mild irritant to Iran. The fact remains, however, they are now little more than the ineffective remnants of a cult whose history has strong anti-American elements, and has committed terrorist acts that involved killing US personnel. It is now little more than a pointless sideshow in US and Iranian competition.

Polls Show Growing Popular Fears and Dissatisfaction

This violence affects the cohesion of the state at the popular level. There are strong indications that the continuing level of violence has led Iraqis have less faith in their security and the future. The January 2012 Quarterly report of the Special Inspector General for Iraqi Reconstruction notes that,

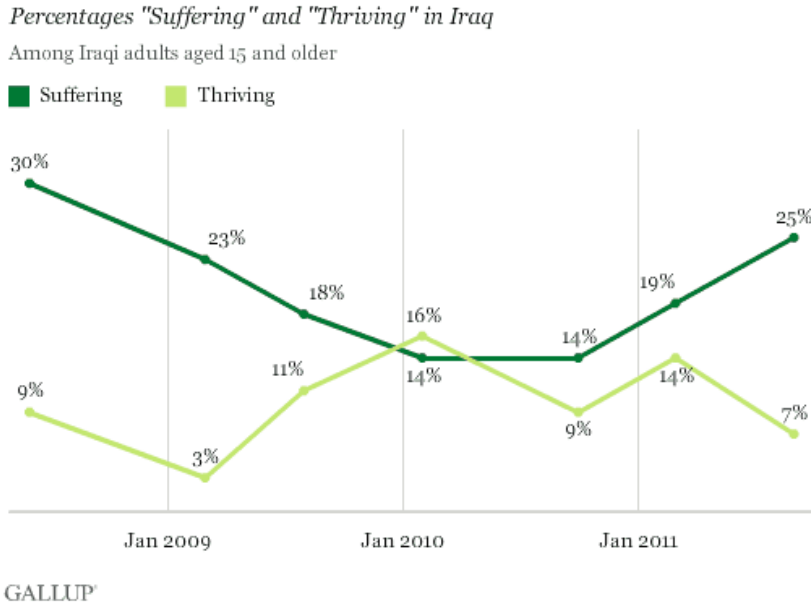
The results of two surveys, both taken in 2011 before the final drawdown of U.S. troops, portray a relatively high level of discontent among the people of Iraq. One survey found that 25% of the 1,000 Iraqis interviewed in September considered themselves to be "suffering" (as opposed to "thriving" or "struggling"), up from 14% less than a year earlier. According to Gallup, the percentage of Iraqis who rate their lives this poorly is among the highest in the Middle East and North Africa region. The percentage that said they were "thriving"—just 7%—is among the lowest in the region. The number of Iraqis who reported experiencing stress during much of the day preceding their survey doubled between June 2008 and September 2011, rising from 34% to 70%. The percentage experiencing anger increased from 38% to 60% over the same period.²

Earlier in the year, a more comprehensive survey of the 28,875 Iraqi households provided additional details on specific areas of concern. The Iraq Knowledge Network (IKN) survey is part of a socioeconomic monitoring system being developed by the Iraqi Ministry of Planning and Development Cooperation (MoPDC). Its aim is to provide reliable data for planning and improving government services. Partial results of the survey were released in December and included the following:

- Almost 8 out of 10 households rated electricity service as "bad" or "very bad," and 6 out of 10 rated their sanitation facilities in one of those categories.
- 57% of adults (age 15 and older) said they were neither working nor looking for work.
- More than half felt that corruption had become more prevalent in the previous two years. A different type of survey, this one conducted in 2011 by New York-based consulting firm Mercer, rated the quality of living and personal safety in 221 cities around the world. Baghdad ranked last in both categories. The survey weighed the political, social, and economic environment along with housing, schools, public services, health care, and climate in determining its calculation, describing the Iraqi capital as "the world's least safe city."

The trends involved are illustrated below in **Figure VII.9**

Figure VII.9: Percentages of Iraqis Who Say They Are “Suffering” or “Thriving”



Note: Survey was taken of Iraqi adults (age 15 and older).

Source: Stafford Nichols, Gallup, “‘Suffering’ in Iraq Highest Since 2008,” 1/9/2012, www.gallup.com/poll/151940/Suffering-Iraq-Highest-2008.aspx, accessed 1/12/2011

IRAQ'S CRISIS IN LEADERSHIP AND GOVERNANCE

The most important single crisis in Iraq is now the level of division at the top of its leadership, and the result lack of effective governance and progress towards development and removing the underlying causes of violence.

The presence of US troops in Iraq artificially suppressed the severity of Iraq's internal political, military, and economic challenges. As the New York Times reported, "finally confronting the social, economic, and religious divisions that were papered over by the presence of American troops" would pose a greater challenge than previously anticipated.⁷⁷ Rival political and sectarian factions throughout Iraq saw the drawdown of major US military presence as an opportunity to revive the fight for power, territory, and control, as new lines of influence were being negotiated in the vacuum left by the US withdrawal.

In the months after the US withdrawal, increased tensions divided a fragile coalition government, and underscored Iraq's significant political, military, and economic challenges. Secretary of Defense Leon Panetta anticipated these problems, warning, "Let me be clear: Iraq will be tested in the days ahead-by terrorism, by those who seek to divide it, economic and social issues, by the demands of democracy itself."⁷⁸

The First Round of Iraqi Governments and Elections

Outside players help shape a current crisis that has its root in Iraq's political development since 2003. Iran has played a critical role in backing given candidates and parties, as well as brokering post-election political agreements to form the majority government in every one of Iraq's elections since 2003. Ironically, American efforts to produce a representative government in Iraq did much to serve the Iranian goal of creating a Shi'ite-dominated government.

This first became clear in June 2004, when the US Coalition Provisional Authority transitioned control to a sovereign Iraqi Interim Government with Iyad Allawi as its prime minister. The creation of Allawi's government was intended to provide another half year for the US to continue to shape Iraq's governance before elections created a new and more lasting body. In practice, however, the lack of Iraqi Sunni participation in the elections on January 30, 2005, was a boon to Iran and a blow to the American goal of creating an inclusive political process that would bring stability to Iraq.

The elections were supposed to form a broadly based 275-member National Assembly that would write Iraq's new constitution. However, the Sunni boycott was apparent in the results, as 240 of the 275 seats were won by three parties: the Shi'ite United Iraqi Alliance (UIA) won 140 seats, the Kurdistan Alliance won 75 seats, and the Iraqiyya List, led by Iyad Allawi, won 40 seats.⁷⁹

Iran played an important role in bringing together the UIA coalition, which included most of Iraq's Shi'ite political groups, most prominent of which were the Abdul Aziz al Hakim-led Islamic Supreme Council of Iraq (SCIRI) and Nouri al Maliki's Dawa Party.⁸⁰ The two major parties in the Kurdistan Alliance were the Kurdistan Democratic Party (KDP) and the Patriotic Union of Kurdistan (PUK). The PUK's leader Jalal Talibani became President of Iraq and Massoud Barzani became President of the Kurdistan Regional Government. Ibrahim al Jaafari of the Dawa Party became Prime Minister.

A second round of elections on December 15, 2005, created a new 275-member Council of Representatives with a five-year term. The Shi'ite-dominated United Iraqi Alliance was again the largest bloc, winning 128 seats. This time, Muqtada al Sadr's followers joined the bloc, and the end result put Islamic parties, with many leaders who had been exiled in Iran, in leading positions. The Kurds won 53 seats. The Sunni-Arab Tawafuq party, also known as the Iraq Accord Front, won the third most seats with 44. Allawi's former coalition Iraqiyya List joined others to form the Iraqiyya National List, which won only 25 seats.

Iran was instrumental in assembling the United Iraqi Alliance, whose formation of the government that followed saw Nouri al Maliki of the Shi'ite Dawa Party replace Jaafari as Prime Minister, SCIRI gain several important ministerial posts, and five Sadrists take ministerial posts.⁸¹

The January 2009 Governorate Elections

More recent Iraqi elections did much to divide Iraq, challenge its progress in governance, and make it difficult for Iraq and the US to move forward in reaching viable plans to implement their Strategic Framework Agreement. The January 2009 provincial elections saw the fragmentation of the Iranian-backed coalition that had formed the United Iraqi Alliance. Maliki's Dawa Party separated from ISCI (formerly SCIRI) and formed a new list called State of Law.

The three major Iraqi Shi'ite parties were competing with each other, further reducing Iran's influence.⁸² State of Law came in first in most Shi'ite governorates, while ISCI's best performance in the South was in Najaf, where it tied with State of Law for seven seats each out of 28 in the governorate council. Sadr's list performed even worse, failing to win any governorate outright.⁸³ Although Iran's attempt to revive the United Iraqi Alliance failed, post-election complications gave Iran a major role in forming the next Iraqi government.

The March 2010 Parliamentary Elections

The March 7, 2010 parliamentary elections resulted in a very different outcome than previous elections, and one that virtually paralyzed many aspects of Iraq's political, economic, and security development. Iyad Allawi's Iraqiyya list won the most seats with 91, while Maliki and his allies – who split from the United Iraqi Alliance to form the State of Law list – won 89. The successor to the UIA, the Iraqi National Alliance, won 70 seats and the Kurds 57.⁸⁴

These results initially seemed encouraging to the US, as the two candidates seen largely as more secular and less connected to militias had scored the most votes, and the possibility for an inclusive government seemed promising. Iran had pushed for a unity Shi'ite alliance, though according to Reidar Visser, it only wanted to allow Sunnis token power. Allawi had also often warned in Iraq and foreign cities of the danger of Iranian influence.

Allawi initially had broad-based appeal.⁸⁵ In one poll, 56% of Iraqis said they would not see the government as fully legitimate if Allawi was not part of it, while 31% said they would see it as "legitimate" or "somewhat legitimate."⁸⁶ Maliki both challenged the integrity of the vote, and acted quickly to create a coalition that gave him more votes in Parliament than Allawi. He remained in office and effectively excluded Iraqiyya list and his main rivals from power.

This coalition not only allow Maliki to govern by gave him control over much of the budget and the ability to dominated Iraq's security forces – including the ability to place loyalist in many

key command positions by making “temporary” appointments, and tolerating the sale of other positions and profiteering with the security structure by those he considered loyalists.

Non-Government by Paralysis

It also soon became clear that the March 2010 election had produced near legislative paralysis as two conflicting coalitions struggled for power without showing the ability to compromise. Ramzy Mardini of the Institute For The Study Of War, wrote later that: “Iraqiyya...defeated Maliki’s State of Law coalition. But Iraq’s judiciary, under political pressure from the prime minister, re-interpreted the constitutional rules... This allowed Maliki to merge with another Shi’a bloc post elections, giving him the first opportunity to form government.”⁸⁷

This gave more power to the Sadrist – the largest victor on the Shi’ite side. The subsequent stalemate to form a majority coalition that could appoint a new prime minister lasted eight months, setting an international record for the longest period of time between elections and the seating of a government.

With Iranian encouragement, Shi’ites – including Sadr – came together and supported Maliki continuing as Prime Minister. While experts have different views of Iran’s role, some feel that Iran, with the strong support of Iranian Majlis Speaker Ali Larijani,⁸⁸ worked hard to establish a Shi’ite led government. Iran played a role in the Independent High Electoral Commission’s decision to ban Sunni and secular candidates from the vote.⁸⁹

Iran’s efforts to include the supporters of both Maliki and Sadr in the new government followed a long-standing strategy in which Iran has supported diverse Shi’ite factions in order to serve their interests regardless of the outcome. Iran was able to overcome the tensions between Maliki and Sadr to create an Iraqi government beholden to Iranian influence. Iran may also have provided \$8 million a month to Muqtada al Sadr’s party for the 2010 election.⁹⁰ Without Iranian backing, Sadr is left with a far less durable foundation, while Iran is far less influential in Iraq without Sadr.⁹¹

Some do argue, however, that this impasse had some indirect positive outcomes. The bureaucratic machinery in the Iraqi government has been forced to mature as it ran the country while Iraq’s politicians have struggled to form a new government. The judiciary was threatened but also partially empowered, first in declaring it unconstitutional for the Council of Representatives to not meet, therefore pushing the parties to come to a deal, and second, in declaring the powers of the presidency set out in bylaws to be unconstitutional.⁹²

The Erbil Agreement (or Lack of It)

In any case, an awkward combination of US and Iranian political pressures, and Allawi’s and Iraqiyya’s inability to compete directly with Maliki, led Allawi’s Iraqiyya bloc and the Kurds to eventually agree to participate in what was supposed to be a national government. In November 2010, the outlines of a new government took shape. Maliki remained as Prime Minister, Jalal Talibani remained as President, and the speakership of the Council of Representatives went to Osama al Nujeifi – a member of Iraqiyya with a tense relationship with the Kurds, especially regarding Kirkuk’s future.⁹³

Allawi was supposed to have an independent role in national security and other decision-making as part of what came to be called the Erbil Agreement between Iraq’s rival leaders. The Erbil

Agreement also had Iranian support—although more as road to Shi'ite control than national unity. It produced a nineteen-point agreement that was supposed to create a unified government and give the Sunnis and Allawi's faction an important role.⁹⁴

The agreement had the following terms:⁹⁵

- 1- Commitment to the Iraqi Constitution, with all of its articles without exception, and protection of Iraq's federal, democratic system.
- 2- A coalition government in which all major Iraqi components participate.
- 3- Commitment to the principle of partnership and participation in decision-making through:
 - a. Establishment of a Council on National Security, to be created through the passing of a special law at the same time as the government is formed.
 - b. Drafting of bylaws for the Council of Ministers that would give it added legitimacy and institutionalization. Through joint decision-making, the Council would ensure that administrative and financial powers are shared between the Prime Minister and his deputies.
 - c. Adherence to the principle of consensus.
- 4- Formation of a Federal Council within the first year of this Parliament. The President and his deputies have the right to veto legislation until this Council is formed.
- 5- Amendment of the current electoral law to guarantee that all Iraqis are represented fairly.
- 6- The census should be conducted on time in October 2010.
- 7- Review of the structures of the security and military forces to reflect a fair representation of all Iraqis in these forces.
- 8- Introduction of checks and balances in all Ministries and state Institutions.
- 9- Implementation of Article 140 of Iraq's Constitution and allocation of the necessary budget within a period that does not exceed two years following the formation of the government.
- 10- Passage of a law for water resources within the first year of the government formation on the basis of the latest agreed-upon draft.
- 11- Passage of a law for oil and gas within the first year of the government formation on the basis of the latest agreed-upon draft.
- 12- Supplying the Peshmerga forces with arms, equipment, and funds as part of the Iraqi national defense system.
13. Support for the Kurdistan Region's candidate for the post of President of the Republic.
- 14- Compensation for the victims of the former regime, including the victims of the Anfal campaign and chemical bombings of Halabja and other places.
- 15- The Kurdistan Region's blocs should have a fair representation within the sovereign ministries and other institutions based on national gains in the elections.
- 16- The Kurdistan Region should have the right to cross-examine candidates for the posts of minister of any sovereign ministries and those ministries that are relevant to the Region.
- 17- The Kurdistan Region's negotiating team should elect a candidate for the post of the Secretary of the General Secretariat of the Council of Ministers.
- 18- In the event that the Kurdistan Region's blocs withdraw from the government due to a clear breach of the Constitution, the Iraqi government would then be considered dissolved.

19- The Prime Minister's bloc in both the Parliament and the Council of Ministers must make a commitment to the implementation of the above terms.

US officials applauded the 2010 Erbil agreement, and hopeful that such cooperative arrangement would provide a political breakthrough among Iraq's leadership, and allow them to address the country's problems. They also pointed to the influence the US had in pushing for the outcome, including the adoption of an American suggestion that Allawi head a new, "National Council for Security Policy".

However, the National Council for Security Policy powers were poorly defined and some critics argued that the power-sharing arrangement would sharply reduce the quality of governance. It was never clear how the National Council for Security Policy could fit into the legal framework of Iraq, since it was not mentioned in the constitution.

Moreover, Maliki and Allawi could never agree on a functional role for the Council. Moreover, serious Sunni and Shi'ite differences remain, and key sources of tension between Arabs and Kurds have not been resolved. For example, the Kurds won Maliki's tentative acceptance of the international oil deals it was making outside of the federal government's authority, but it is still far from clear the extent of what this means in practice.

As a result, the creation of a new "unity" government resulted in a Shi'ite majority leadership in Iraq that benefitted Prime Minister Maliki, who has continuously sought to increase and consolidate his hold over Iraqi politics. Ayad Allawi, the Shi'ite leader of Iraqiyya's coalition, failed to achieve any lasting political gains, and the agreement only served to further strengthen the Prime Minister's hold on power.

Prime Minister Maliki's efforts to Consolidate Power

The resulting situation left a power structure at the top that could do little to eliminate the remaining sectarian tensions between Sunni and Shi'ite, and ethnic tensions between Arabs and Kurds. Increased tensions over the failure to implement any of the Erbil agreements substantive provisions, have led to growing struggles between Maliki and his political rivals. These struggles began in October 2011, and which reached the crisis point when Maliki had the Ministry of Interior issue an arrest warrant for Iraq's Sunni Arab Vice-President, Tariq Hashemi on December 19, 2011. Tensions reached the point where Massoud Barzani, the president of Iraq's autonomous Kurdish region, called for crisis talks to prevent the "collapse" of the government, warning that "the situation is headed towards deep crisis."⁹⁶

The origins of this crisis began in October-December of 2011 when Maliki's opponents claim the prime minister began a crackdown on some 600 rivals who he accused of being former Ba'ath Party members. This led to an increasing public confrontation between Maliki and key Iraqi political leaders, including Vice President Maliki, but also others such as Finance Minister Rafa al-Issawi and Deputy Prime Minister Saleh al-Mutlaq who heads the prominent Sunni parliamentary bloc, the Iraqi National Dialogue Front.

Tensions between Maliki and Mutlaq came to a head during an October 2011 cabinet meeting the former Ba'ath party member, Mutlaq, threatened to stir public dissent against Maliki if he continued his de-Ba'athification campaign. In response, Maliki enacted constitutional powers to remove cabinet ministers with the consent of Parliament, dismissed his deputy, and presented three options to parliament in resolving the Mutlaq issue; (1) Mutlaq must resign his post; (2)

Iraqiyya must fire Mutlaq and replace him with another politician from their ranks; or (3) Mutlaq must apologize to Maliki. To date, Mutlaq has not offered an apology.⁹⁷ Since that time, tension between Maliki and his critics has escalated.

In June 2012, a group of Iraqi MP's requested a no-confidence vote against the Prime Minister, however they fell short of reaching the number of signatures required to force the vote.⁹⁸ Analysts Maliki's political opponents have continued to accuse the Prime Minister of consolidating power and taking undemocratic actions.

In the current retaliatory nature of Iraqi politics, Maliki's allies appealed for a parliamentary debate on the performance of parliament speaker, Usama al-Nujayfi. Reider Visser reported that "the Maliki-Nujayfi struggle has the characteristics of a tit for tat escalation between Maliki's Shia Islamist State of Law bloc and Nujayfi's secular and Sunni-backed Iraqiyya."⁹⁹

On June 25, the Washington Post reported that Iraqi free press organizations condemned actions by the Maliki government to close independent media outlets.¹⁰⁰ While the government claimed it was only going after unlicensed operators, human rights groups alleged Maliki was seeking to silence political opponents by threatening to shut down those outlets critical of the PM.

In response to increased criticism and calls for his resignation, Prime Minister Maliki threatened to hold early elections at time when his support among Iraqi public is strong.¹⁰¹ While the PM's office has stated publicly that they would like to resolve the current impasse through negotiations, a decisive electoral win threatens to further sideline his political opponents while increasing the PM's hold on power. These examples illustrate the tense political climate between PM Maliki's State of Law party and its political rivals, and the continuing efforts of each side to challenge, contest, and out-manuever the other.

The Hashemi Crisis

Although Iraq's major Sunni, Shi'ite, and Kurdish leaders had agreed to share power as part of an agreement they signed in Erbil in 2010, the situation reached the point in later 2011 where the Prime Minister Nouri al-Maliki's government first has accused Iraq's Sunni Vice President, Tariq al-Hashemi and his bodyguards of plotting to overthrow the government by assassination. It then charged Iraq's Vice President, Tariq al-Hashemi, with attempted murder.

In response, Vice President al-Hashemi first fled to the Kurdish Zone in Iraq. The fact Kurdish leaders protected Hashemi – and conflicts between the KRG and central government over oil concessions and finances – raised tensions to the point where Kurdish Regional Government (KRG) leader Masoud Barzani threatened to separate the KRG from Iraq during his visit to Washington in April 2012.

Hashmei then went to Qatar and to Saudi Arabia. Hashmei claimed in an interview in Al-Jazeera on April 4, 2012 that accusations that he ran a death squad "have a sectarian dimension." He claimed that he was the "fifth Sunni figure to be targeted" by the Shiite-led government, and that, "More than 90 percent of the detainees in Iraq are Sunnis." al-Hashemi said he would return to Iraq to carry out his vice presidential duties, despite Prime Minister Nouri al-Maliki's demands that he face trial.

He also claimed that that but also that “Corruption in the country is widespread,” that the prime minister’s policies were undermining “the unity of Iraq,” that al-Maliki’s government was giving “military assistance” to Syrian President Bashar al-Assad’s regime, arguing that his support for Syria’s leadership, and that, “There is information about Iraqi militias fighting alongside the Syrian regime,” al-Hashemi told Al-Jazeera. He also stated that there were “unconfirmed reports that Iraq’s airspace was being used to help [Assad’s] regime,” and hinted at Iranian involvement.¹⁰²

In April 2012, four of Iraq’s top political leaders sent a letter to PM Maliki urging him to accept the terms of the 2010 Erbil power-sharing agreement. In that letter Muqtada al-Sadr, Ayad Allawi, Kurdish Regional President Masoud Barzani, and Speaker of Iraq’s Council of Representatives Usama al-Najayfi threatened a vote of no confidence against PM Maliki, undermining the PM’s mandate to rule.¹⁰³ It should be noted, however, that Maliki’s ramifications for ignoring the letter remain unclear since there are no constitutional provisions requiring he implement any such reforms. Additionally, Sadr’s spokesperson recently stated that the powerful Shiite cleric has “called for supporting the current government and not overthrowing it, on the condition that all Iraqis should participate in it”.¹⁰⁴

As **Figure VII.10** shows, Ayad Allawi’s Sunni Iraqiyya party boycotted meetings of parliament and cabinet, threatening to turn a dysfunctional government into a non-functioning one. In response, Prime Minister Maliki then stripped the boycotting Ministers of their posts, which drew accusations of authoritarianism. Iraqiyya was forced to end its boycotts without securing any political rewards.¹⁰⁵ In this vein, Maliki has continued a process of centralizing power in Baghdad under the pretext of bolstering weak local institutions, in direct opposition to provincial leaders who are pressing for greater autonomy and have explicitly sought regional status.¹⁰⁶

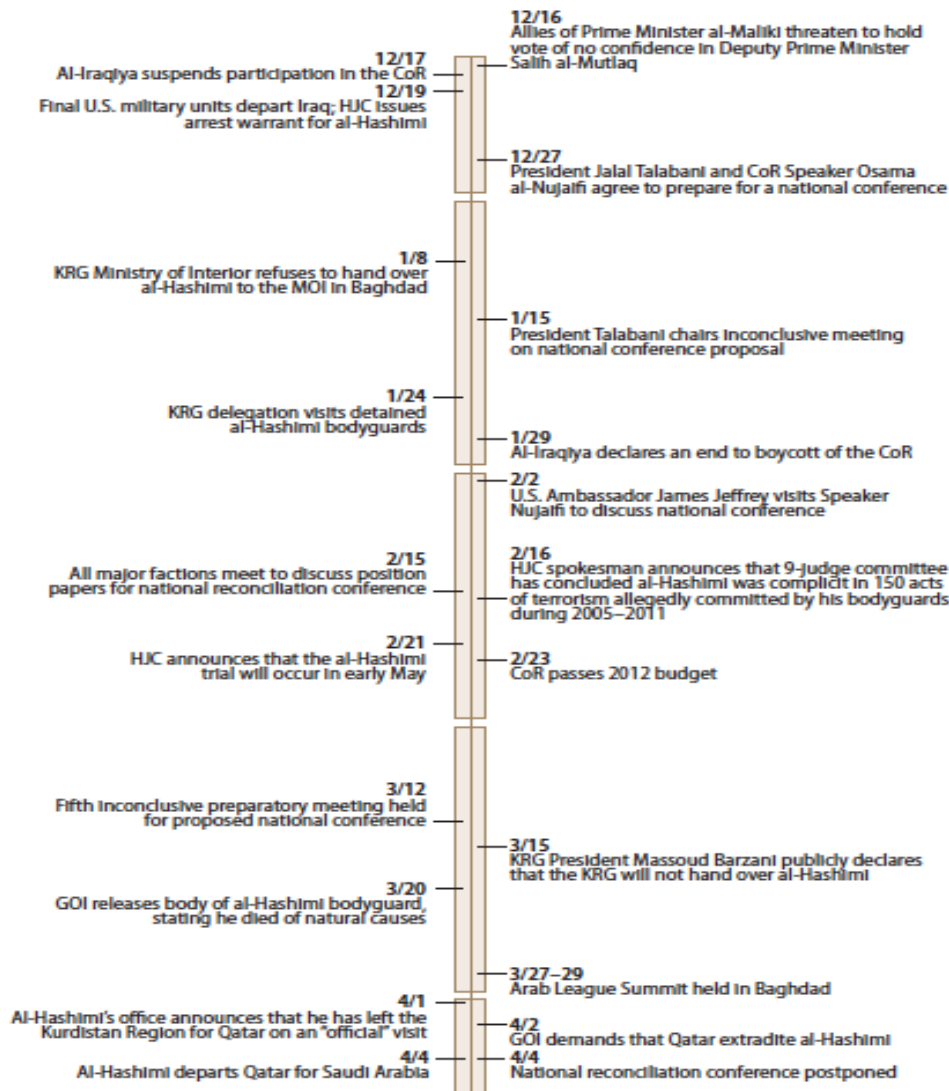
Analysts like Reidar Visser have highlighted the fact that Iraqi political leaders faced severe limits in how far they could push for reforms:¹⁰⁷

“The problems are however about more than the sheer timing of the no confidence initiative. A second set of issues relates to the modalities for getting rid of Maliki envisaged in the proposal. In the leaked letter the Shia alliance is given the job of finding a suitable replacement, because “it is considered the framework for choosing the prime minister” ...The constitutional problems here are perhaps best understood through a little bit of prospective history writing. If indeed the Shia alliance votes to change Maliki, it will likely break apart. Now, if all or nearly ally of Maliki’s alliance defects in solidarity with him, the rump National Alliance is no longer the biggest bloc in parliament, and hence has no right to appoint the next PM. Nor has Iraqiyya, which has already dwindled in size to 85 deputies with indications it would be [further reduced to at least 75](#) if an attempt were made to force out Maliki. To avoid Maliki’s bloc getting hold of the nomination of the next PM, Iraqiyya would need to first form a bloc with the Kurds or the Shiite Islamists, agree on a bloc leader and so on. Incidentally, this would imply a negation of their [own interpretation of article 76](#) of the Iraqi constitution on the prime ministerial nomination procedure....” - Reidar Visser, Iraq and Gulf analysis

As for the Kurds, their history of discrimination and suffering, and their search to broaden their area of control and develop their petroleum resources helped lead to another set of tensions with the central government. The April 2012 ICG report on “Iraq And The Kurds” does well to illustrate this point. Referring to the Kurdish situation, the report stated:¹⁰⁸

“They know that when Baghdad is weak, they can take steps to bring their dreams of statehood closer to reality, but that when the center is strong it will use its superior resources to push them back into their place-or worse. This is why the Kurds are so alarmed at attempts by Prime Minister Nouri al-Maliki to amass power at the expense of his rivals, and build a strong state, armed with US weaponry, under his unchallenged control...Yet, this approach contains elements of a self-fulfilling prophecy: by pressing their advantage, Kurds inevitably aggravate matters, convincing the federal government that they are aiming for secession....”-ICG Report, April 2012, “Iraq and the Kurds”

Figure VII.10: Timeline of Dispute between Prime Minister al-Maliki and Members of al-Iraqiya, 12/15/2011–4/4/2012



Source: SIGIR analysis of open-source documents in English and Arabic, 12/2011–4/2012.

Source: SIGIR, *Quarterly Report to Congress*, April 30, 2012, p. 67

The Challenge of Federalism

Moreover, the issue of federalism emerged as a new form of Sunni-Shi'ite problem. The Iraqi Constitution has an Article 119, which establishes the process of forming federal regions, and allows provinces to obtain increased autonomy from the government in Baghdad. As provincial demands for increased autonomy and official "regional" status grew and threatened Maliki's centralization concentration of power, Maliki moved to expand his grip on Iraqi politics.

SIGIR described the situation as follows at the end of 2011,¹⁰⁹

Iraq's Region Formation Law (Regions Law) provides that any province or group of provinces may choose to form a semi-autonomous federal region via popular referendum. But, before such a vote may occur, one-third of the Provincial Council members (or one-tenth of the voters) in the relevant provinces must submit a request to hold a referendum. If a simple majority of voters approves the measure in the referendum, a region is formed.¹⁶ This quarter, several provinces revived the issue of region formation, potentially further complicating their relations with Baghdad:

- **Salah Al-Din.** In late October, the Provincial Council issued a statement purporting to declare the overwhelmingly Sunni province to be an administrative and economic region. This move toward regionalism came as the GOI ordered the arrest of hundreds of prominent Sunnis in the province, accusing them of ties to the outlawed Ba'ath Party.
- **Anbar.** In late November, a Provincial Council member announced that about half of the members had agreed to move toward transforming the province into a region.
- **Diyala.** In December, the Provincial Council voted to declare the province a region unilaterally setting off demonstrations opposing such a step in many of the ethnically diverse province's Shia areas.

Prime Minister al-Maliki believes that Iraq's national structure is not ready for additional semiautonomous federal regions. Instead, he has been exploring various options to devolve some powers to the provincial governments. Previous regionalism movements arose in the Shia south. For example, in 2008, officials in the oil-rich province of Basrah made a serious push toward establishing a region. Their efforts failed, and subsequent attempts to transform Basrah into a region have also foundered. By the end of the quarter, efforts toward forming regions in other provinces appeared to have stalled, at least for the moment.¹⁷ Thus, as of mid-January, the Kurdistan Region (comprising Dahuk, Sulaymaniyah, and Erbil provinces) remains Iraq's only federal region.

A Constantly Evolving Political Crisis at the Top...

While many had once hoped that 2012 would mark an era of newfound independence in which Iraqi leaders would address the numerous problems their country faced, any such hopes were quickly dashed by increased political instability and the threat of more violence. The extent of the US challenge in Iraq and the severity of Iraq's deep political divisions became apparent just days after President Obama's December 2011 White House press conference with Prime Minister Maliki. With the withdrawal of US troops, it became clear that US-Iranian competition in Iraq was to play out in an increasingly uncertain and unstable environment.

The political crisis between Prime Minister Maliki and his political rivals has since continued through the first half of 2012. In April, four of Iraq's top political leaders sent a letter to PM Maliki urging him to accept the terms of the 2010 Erbil power-sharing agreement. In that letter Muqtada al-Sadr, Ayad Allawi, Kurdish Regional President Masoud Barzani, and Speaker of Iraq's Council of Representatives Usama al-Najayfi threatened a vote of no confidence against PM Maliki, undermining the PM's mandate to rule.¹¹⁰

It should be noted, however, that Maliki's could largely ignore the letter since there were no constitutional provisions requiring he implement any such reforms. Additionally, Sadr's spokesperson stated that Sadr had, "called for supporting the current government and not overthrowing it, on the condition that all Iraqis should participate in it".¹¹¹

Other developments followed. In April 2012, Prime Minister Maliki also ordered the arrest of Faraj al-Haidari, the head of Iraq's Independent High Electoral Commission (IHEC).¹¹² This latest episode may stem from differences between Haidari and PM Maliki over Iraq's contested 2010 elections, in which Maliki's bloc barely lost to Ayad Allawi's Iraqiyya party.

Some Iraqi leaders charged that Haidari found himself in the Salhayah police station for refusing to acquiesce to the Prime Minister's petition to throw out thousands of votes for Iraqiyya. Kurdish Member of Parliament and spokesman, Muaid al-Tayab, called the move "undemocratic and illegal". In a written statement, Shia leader Muqtada al-Sadr stated, "This arrest should be done under the law, not under dictatorship".¹¹³ Still, Sadr recognizes the need for a unifying government amidst Iraq's political turmoil, and has stated publicly that he is against the fall of the Iraqi government.¹¹⁴

It is easy to call for national unity, and criticize the Prime Minister. No element of Iraqi politics is without fault, however, and it is important to note that Maliki does face serious challenges and threats from his rivals, and it is unclear that anyone can govern Iraq without taking a strong stand on security. Still, the current political crisis has done Iraqi immense damage and resolving in favor the Shi'ite at the expense of the Sunni and Kurds can offer little hope for stability and security in the future.

and its Impact on Governance, justice, Corruption, and the Security Services

At the same time, it is important to understand that the end result has been to effectively paralyze progress in many forms of governance and the rule of law, and to polarize the Iraqi military, police, and security forces along lines of loyalty to give power brokers or ethnic and sectarian factions. The end result has been to continue the kind of "crisis government" that has existed in Iraq since Saddam Hussein seized full control of power in 1979, to keep the state a dominant and large corrupt and incompetent force in many aspects of the economy, and create a situation where many of the reforms the US and its allies attempted to make in the Iraqi security forces have quickly faded back into past methods of operations coupled to new levels of favoritism and corruption.

These problems do not simply exist at the top, but Iraq's deeply flawed and overcentralized constitution and lack of meaningful representative government made them worse. Strong provincial and local government is not possible, but serious ethnic and sectarian splits exist throughout mixed areas in much of the country. Reliance on petroleum export dominated revenues coming from the central government, and past flows of flows of outside aid that involved minimal planning and fiscal controls compound the problem by feeding dependence on the central government and outside for jobs, investment, and operational funds that are often allocated without regard to economic need or priority for economic development.

Acute problems with Corruption, a "grey" and "black" economy, and crony capitalism are all made worse by the lack of progress in governance and effective business laws and regulation and

criminal justice. Many Iraqis are forced to use any opportunity they can to profiteer off of the “system” to survive or because they have no reason to be confident that their jobs or positions will continue or that a merit-based career will exist. On December 8 2011, *Iraq Business News* announced that,¹¹⁵

Iraq has improved its position in Transparency International’s Corruption Perceptions Index from 4th worst to joint 8th worst. This places it ahead of Somalia, North Korea, Burma (Myanmar), Afghanistan, Uzbekistan, Turkmenistan, and Sudan, and on a par with Haiti. The improvement is to be praised, but being behind countries such as Venezuela, the Democratic Republic of Congo, and Zimbabwe, is hardly cause for celebration..

Iraqis correctly note that there is no real way to make such rankings, but virtually every analyst sees Iraq as one of the most corrupt countries in the world, and it is one of the few where the problems are so open that the head of its national SWAT team was arrested for Brigadier General Numan Dakhil was “caught during a sting operation in which he was filmed taking a \$50,000 bribe from a contractor.”¹¹⁶

Similarly, AKNews reported on March 7, 2011, that, “The Parliamentary Integrity Commission revealed on Sunday the most corrupt government ministries, indicating that they are currently investigating the cases and that more details will follow. Bahaa al-Aaraji, the chairman of the committee told AKNews that the most corrupt ministries are those of health, trade, defense, sports and youth, as well as the Secretariat of Baghdad. ‘All legal proceedings will be taken against the ministers and director generals and others who are implicated in corruption in these ministries, even if the officials are currently abroad.’ “ Rahim Hassan al-Uqailee [Judge Rahim al-Akili; al-Ugeily], the head of Iraq’s Integrity Commission was then forced to leave office in September 2011, and did so while openly criticizing official interference in his inquiries, and saying he no political support for his anti-corruption efforts.¹¹⁷

This corruption exists in many provincial and urban governments, as well as in the Kurdistan Regional Government, or KRG, where both major parties (Barzani/KDP and Talibani/PUK) are seen as highly corrupt and as having profited extensively off of the misuse of aid and outside investment since the KRG was created in 1992, and the fixed share of Iraq’s petroleum export revenues it received after 2003..

US and other outside military observers noted by mid-2011 that US withdrawal had triggered a similar process of corruption throughout much of the Iraq military and police with appointments and promotions being openly sold, or awarded on the basis of nepotism, ethnic and sectarian ties, and political influence. The affected all ranks, and helped lead to a sharp decline in the quality and role of NCOs and junior officers. They also noted an almost immediate growth in the level of corruption and influence peddling in contract awards by the Ministry of Defense and Ministry of Interior.

While there are still; islands of high integrity and competence within the Iraq security structure, these problems have grown steadily worse since the withdrawal of the last US combat forces at the end of 2011. In some cases, bases and facilities transferred to Iraqi forces have been partially looted, and in other cases the money that should have gone to operations and maintenance has never come or been stolen. This has compounded serious transition problems that come out of a past Iraq military culture that paid far too little attention to maintenance, repair, and sustainability.

Other outside expert report that these problems are made still worse by politics that lead the Prime Minister to appoint many commanders on a temporary basis to bypass parliamentary review and confirmation, and the entire command chain by having members of the Prime Minister's office issue direct order by cell phone. They also report that the Prime Minister's office makes use of use of "loyal" units in the National Police, intelligence services, counter-terrorism forces, and Army to bypass the overall command chain and help secure the Prime Minister's position.

At the same time, the KRG maintains its own Pesh Merga forces, the regular police have become steadily more closely tied to local governments, and at least some Sunni militia element have reemerged. The Iraqi security forces can still be relatively effective, but their quality and integrity continues to deteriorate in many areas, and their coherence and loyalty to the state – as distinguish from the Prime Minister and given factions is deteriorating, There is no way to measure these trends, but there seems to be a broad consensus among both outside and Iraq experts that they are real and they exist.

As for the rule of law, policing has often reverted to the passive, confessions-based system that existed before the invasion, training has become pro forma and influence-based with positions sold, and influence peddling has dominated instead of a weak court and justice system. The problems in the courts are compounded by a lack of clear laws and regulations, and by the lack of competence in the various protection forces in the Ministry of Interior that are supposed to provide day-to-day security for commercial operations. As UNAMI documents in great detail, along with the human rights reporting of the US State Department, the end result is what these sources describe as a failed justice system tied to major human rights abuses.¹¹⁸ The US State Department annual human rights report, issued in May 2012, notes that,¹¹⁹

The Iraqi Security Forces (ISF) consist of internal security forces in the Ministry of Interior (MOI) responsible for domestic law enforcement and maintenance of order and conventional military forces in the Ministry of Defense responsible for external defense but cooperating regularly in internal security missions with the MOI. Human rights violations committed by ISF personnel were rarely investigated and perpetrators were seldom punished.

The MOI disciplinary and criminal court system for internal security forces heard more than 11,100 cases with 3,800 convictions between January and September; the remaining cases resulted in acquittals or were ongoing.

Impunity for security forces continued. A significant number of abuses were reported during the year. For example, elements of the 46th and 47th Brigades used live fire against antigovernment protesters and police in Kirkuk and Hawija on February 25, killing six persons and injuring more than 10. Despite photographic evidence of the events, no action was taken against the army units. There were continued reports of torture and abuse throughout the country in many MOI police stations and MOD facilities; the incidents generally occurred during interrogation. The MOI Internal Affairs Division did not release the number of officers punished during the year, and there were no known court convictions for abuse.

Security force officials were rarely pursued for suspected crimes because ministers can legally block an arrest warrant. Article 136(b) of the criminal procedure code gives ministers the opportunity to review and prevent the execution of arrest warrants issued by judges presiding over criminal investigations of employees in their ministry (see sections 1.e. and 4).

Although oversight by MOI and MOD internal affairs increased, problems persisted with the Iraqi Police regarding sectarian divisions, corruption, ties to tribes, and unwillingness to serve outside the areas in which they were recruited. The army and Federal Police recruited nationwide and deployed their soldiers and police to various areas, reducing the likelihood of corruption because of personal ties to tribes or militants.

The KDP and PUK parties maintained their own security apparatus, organized along military lines, dating from the struggle against the regime of Saddam Hussein and earlier. There were approximately 22 Peshmerga (Kurdish militia) brigades, all originally under the control of the two main Kurdish parties. Under the constitution, the KRG has the right to maintain Regional Guard Brigades, supported financially by the central government but under KRG control. Accordingly, the KRG established a Ministry of Peshmerga Affairs. By the end of the year, eight of these Peshmerga brigades moved from party control to the control of the ministry, but the central government had not provided financial support for any of the Peshmerga.

KRG security forces and intelligence services detained suspects in KRG-controlled areas. The poorly defined administrative boundaries between the IKR and the rest of the country led to confusion about the jurisdiction of security and courts. The KDP maintained its own internal security unit, the Asayish, and its own intelligence service, the Parastin. The PUK maintained its own internal security unit, also known as the Asayish, and its own intelligence service, the Zanyari. The PUK and KDP security organizations remained separate and effectively controlled by political leaders through political party channels.

The net impact of these trends is as hard to measure as the problems in the security forces per se, but there again is a broad consensus among expert that they exist, and are at least partly the result of Iraq's political struggles at the top and the lack of progress towards effective governance. It is unclear that these trends can be reverse unless a truly functional national government can be created, and it is all too clear that they cannot be reverse quickly.

POLITICAL COMPETITION BY KEY FACTION

Extremist violence and the crisis at the top of Iraq's government is only part of the challenge to national development any stable and secure future Every major element of Iraq's population and power structure is divided along sectarian and ethnic lines, and this is exacerbated by the role Iran has played in dealing with Iraq's Shi'ites.

The Shi'ites

Iran and the US compete for Shi'ite support on many levels. The US has strong ties to many Shi'ites who are more "national" and "secular," but Iran has exploited both sectarian divisions and divisions among the Shi'ites. Iran continues to provide both overt and covert support to various Shi'ite groups in Iraq, while many Iraqi Shi'ites have openly express their gratitude.

In the initial period after the US invasion, Shi'ites in the Governing Council praised Iran's role in Iraq, particularly for harboring the opposition prior to 2003.¹²⁰ Sayyid Abd el-Aziz al-Hakim of SCIRI even suggested Iraq pay reparations to Iran for the Iran-Iraq War.¹²¹ As sectarian violence, political infighting, and economic hardship have ebbed and flowed, Iran has maintain its influence through close ties to Iraqi Shi'ites.

The US, in turn, has sought to limit Iranian influence by focusing Shi'ite parties on security and governance, while persuading Iraq's Shi'ites to move toward conciliation with its Sunnis and Kurds through a national and independent government.¹²² The US has had some success in meeting these goals, but the 2003 invasion reopened linkages between Iran and Iraq that Iraqi Shi'ites rely on at critical junctions. Previously, Ba'athist rule suppressed open cultural connections to Persian culture and Iran.¹²³ Iraqi Shi'ites lost contact with relatives in Iran, and some Iraqis even received financial incentives to divorce their spouses if they were suspected of having Persian ancestry.¹²⁴ Some urban Iraqi Arab Shi'ites stopped celebrating Nowruz, the Iranian New Year, though Kurds continued to celebrate it.¹²⁵

This situation changed quickly in Iraq's Shi'ite-dominated areas following the invasion, and movement across the Iran-Iraq border became easier. Iranian religious books in Arabic began to replace those from Lebanon and Egypt, and the Iranian government sponsored popular book fairs at Baghdad universities.¹²⁶ At the same time, even independent Iraqi clerics like Grand Ayatollah Sistani benefitted from Iranian knowledge of media and the Internet, which expanded the distribution of their work.¹²⁷ Moreover, Iranian and Iraqi ties built upon the fact that some senior commanders in the Iranian Revolutionary Guards Corps, members of the Iranian judiciary, and other Iranian leaders were born in Iraq, in addition to some Iraqi expatriate businessmen being based in Iran.¹²⁸

Iran has been able to extend broad support to Shi'ite Islamic groups. In 2005, the London Times identified eight significant Islamic groups with Iranian ties: the Badr Brigades, the Dawa Party, the Mahdi Army, the Mujahedin for Islamic Revolution in Iraq, Thar Allah (Vengeance of God), the Jamaat al Fudalah (Group of the Virtuous), al Fadilah (Morality), and al Quawaid al Islamiya (Islamic Bases).¹²⁹ One estimate placed the amount of Iranian aid per month to Shi'ite militias like the Mahdi Army at \$3 million in 2009.¹³⁰ In 2006, Iranian and Iraqi Shi'ite interests aligned to an even greater degree against Sunni resumption of power in Iraq. Clerics were mainly silent about Iran's role in Iraq, while Iranians continued to visit Shi'ite holy sites in Najaf and Karbala, and trade boomed between the two countries.

Competition for Religious Influence

Iran's ability to compete with the US in Iraq is limited by the fact that tensions between Iranians and Iraqi Shi'ites continue to exist. Iraqis – including Iraqi Shi'ites – have not forgotten that the two countries fought an eight-year war that involved trench warfare, human wave attacks, mustard gas, over a million deaths, and millions more wounded and displaced.¹³¹ Relations between Iraqi exile groups in Iran and the Iranian regime before the US invasion were fraught with tensions and resentments.

Iran also had to contend with the power of Iraq's Shi'ite leader Grand Ayatollah al Sistani, in spite of the fact he was born in Iran and is said to speak Arabic with a Persian accent.¹³² Like many other Iraqi clerics, Sistani belongs to the "quietest" trend of Shi'ite Islam, tending to separate the religious from the political. However, he faces competition from other Shi'ite religious leaders who want to see closer integration between religion and politics, including Kazim al Haeri of Qom, who would be a leading replacement for Iraq's Shi'ite community if anything were to happen to al Sistani.¹³³

Sistani and most Iraqi Shi'ites do not accept the Iranian Ayatollah as a Supreme Leader of the world's Shi'ites. Sistani rejects the religious legitimacy of a velayat-e faqih, or supreme religious leader, much less the religious authority of Iran's Ayatollah Ali Khamenei.¹³⁴ One Shi'ite cleric, Sayyid Iyad Jamaluddin, who later joined Allawi's list in the December 2005 elections, argued "The leadership of the jurist as in Iran is unique in the history of the Shi'a sect...Ayatollah Khomeini did not rely on specific religious texts to implement the doctrine of the rule of the jurist."¹³⁵ Most Shi'ite parties no longer even support the idea of a theocratic state, though there was some support from Shi'ite quarters for an Islamic state when Iraq's leaders initially drafted its constitution.¹³⁶ In 2004, Sistani criticized Iran's strategy of what some call "managed chaos".¹³⁷

"Iran's policy in Iraq is 100 percent wrong. In trying to keep the Americans busy they have furthered the suffering of ordinary Iraqis...We are not asking them to help the Americans, but what they are doing is not in the interests of the Iraqi people; it is making things worse. We [Iranians] have lost the trust of the Iraqi people [Mardom-e Aragh az dast dadeem]."¹³⁸

Sistani has also often used his moral authority to reduce violence in Iraq and bridge Sunni-Shi'ite and Arab-Kurd tensions that Iran has at times sought to exploit against the US. In 2004, for example, he struck a deal to end a bloody three-week siege of Najaf's Imam Ali shrine between Muqtada al Sadr and the Iyad Allawi's government.¹³⁹

Iraq's Shi'ite religious leaders may have ties to their counterparts in Iran, but most remain their own masters. Sistani has always pursued his own agenda, sometimes to the benefit of US interests in Iraq and sometimes not. It was Sistani's nod of approval that allowed the US to delay Iraq's first elections with minimal unrest.¹⁴⁰ According to a leaked State Department memo, Sistani's "domineering authority and religious credibility" is Iran's "greatest political roadblock."¹⁴¹

These differences must be kept in perspective. The relationships between Iranian and Iraqi Shi'ites is far more complex than one where Sistani and the Najaf hierarchy are polar opposites to Iranian clerics, as some proponents of the Iraq War suggested they would be.¹⁴² Iran has also made headway with at least some Iraqi Shi'ite clerics that are not Sadrists. A State Department source claimed that Sistani prevents Iranian students from enrolling in the religious seminary, or

the howzeh, to curb Iranian infiltration; however, according to State Department cables, other imams are “in the pocket of the Iranians’, despite their proclaimed loyalties to Sistani.”¹⁴³

Furthermore, Sistani has long supported Shi’ite unity and has opposed blocs that would cut across sectarian lines. Sistani allegedly opposed the United Iraqi Alliance’s plans to ally with Kurds and Sunnis in 2006.¹⁴⁴ In February 2012, amidst the post-US withdrawal political crisis, Ahmed Safi, who often speaks for Grand Sistani, said that the cleric believed that Iraq’s leaders were taking the country “into the unknown,” and “politicians must work fast and make concessions to solve the crisis.”¹⁴⁵

Iraqi and Shi’ite

Polls still show that Iraqi Arabs remain Iraqis first rather than Shi’ites or Sunnis. Polls since 2003 have repeatedly shown that most Iraqi Arabs – Sunni and Shi’ite – see themselves as Iraqi and Arab, although the situation with Shi’ite extremists is very different. In a poll conducted in 2008 by the Iraq Center for Research and Strategic Studies of Iraqis, 69.8% of respondents identified themselves as Iraqi before any other identity.¹⁴⁶

Moreover, Sistani has continued to call for national unity. In December 2011, following a series of major explosions throughout Baghdad that killed 60 and injured over 200 people, Sistani blamed Iraq’s top politicians for the ongoing crisis. Speaking through his representative, Ahmed al Safi, Iraq’s top Shi’a cleric said, “The prestige of the government must be preserved ... part of its prestige is punishing abusers. People can be patient with lack of electricity, or lack of services, but not blood. They cannot be patient over their blood. Why don’t you exert your efforts to preserve the blood of these people?”¹⁴⁷ In February 2012, after reports that Turkey would host a conference to promote confidence and dialogue between Iraq’s leaders, Grand Ayatollah Sistani agreed to send a representative to Turkey to head the Shi’a delegation.¹⁴⁸

A key question is what will happen if Sistani dies? Iran is already positioning a cleric to replace him, and since Sistani seems to be increasingly ill, another power struggle and crisis is waiting in the wings.

Maliki’s Role in dealing with Iran and the US

Prime Minister Nouri al-Maliki’s personal and political relationship with Iran has a long and complicated history, and one that illustrates the complex relationship between Iraq’s Shi’ite leaders and those of Iran. Maliki fled to Iran in 1979, where he and the Dawa Party were granted space for a rebel training camp.¹⁴⁹ However, tensions between Dawa and the Iranian government culminated in Iran’s initiative in 1982 to organize the Shi’ite resistance in the form of the Supreme Council for Islamic Revolution in Iraq (SCIRI), peeling away members from Dawa and turning over Dawa’s training camp to SCIRI.

As a senior member of Dawa in exile in Iran, Maliki cooperated with Iran to run missions against Saddam Hussein’s regime. However, Maliki chafed under his Iranian handlers and could never fully trust them. Many of those memories still rouse Maliki. On one occasion, he was told he needed to travel twelve hours to reach the one Iranian official who could grant him a travel permit he needed, only to have the official reject his request.¹⁵⁰ On another occasion, Maliki’s recalls his wife giving birth in Ahwaz as the city was under threat from a Saddam bombing, and no Iranians would help him evacuate his wife.¹⁵¹

Iran played an important role in bringing together the United Iraqi Alliance, which chose Maliki as their compromise candidate for Prime Minister in May 2006 following five months of negotiations. Iran thought, as Jeffrey White, a former Defense Intelligence Agency Middle East analyst, put it, "he was weak and pliable."^{152 153} At the same time, Maliki initially faced critics who saw him as America's lackey and reportedly once told then-Ambassador Zalmay Khalilzad, "I'm a friend to the United States, but not America's man in Iraq."¹⁵⁴ Maliki also resisted early American requests to outlaw Shi'ite militias because he depended on their political support.¹⁵⁵

Maliki also put distance between himself and the US by criticizing a US raid on Sadr City, condemning US forces and security contractors for civilian deaths,¹⁵⁶ and proposing amnesty and eventual political reconciliation for insurgents, even those who had killed Americans.¹⁵⁷ US displeasure with the amnesty proposal led to the sacking of the official in Maliki's government who had leaked the proposal.¹⁵⁸ Rumors began to circulate in late 2006 that the US was looking to replace the Maliki government for being weak on Shi'ite militias compared to efforts against Sunni insurgents, and its inability to rein in Shi'ite death squads within the Iraqi security forces that were feeding the sectarian civil war.¹⁵⁹¹⁶⁰

More broadly, Maliki demonstrated that Iraqi political leaders would steadily assert their own identity. He gradually emerged as a much stronger politician than his critics (and supporters) initially assumed. He maintained close ties with both Iran and the US. He worked with ISCI and the US to combat Shi'ite militias. He battled the Sunni insurgency, convinced disenfranchised Sunnis to participate in the government, integrated militia groups into the government's security forces through the Sons of Iraq program, and won important battles against Sadr's Mahdi Army.

Maliki had to carefully balance Iraq's relationship between the United States and Iran. He depended on American forces to bring stability to Iraq, but needed to maintain an image of independence from the US. Only close cooperation could create enough stability for American forces to leave. According to some sources, Maliki was frustrated by his impression that the US was not committing enough equipment and training to Iraqi security forces, while the US was frustrated that US weapons would fall into the hands of rogue Shi'ite soldiers because Maliki had not done enough to break ties with Shi'ite militias.¹⁶¹

Maliki maintained a relationship with Tehran while he fought against Iranian weapons smuggled into Iraq and increasingly committed forces to fight the Sadrists militias who were funded by Tehran.¹⁶² Appearing with Ahmadinejad in Tehran in August 2007, he called Iran's role in Iraq's security "positive and constructive."¹⁶³ In early 2008, he almost unilaterally shaped a major offensive against Sadr's militias and other Iranian-backed Shi'ite militias in Basra. While the success of the offensive depended on the US rapidly deploying forces and aid, it played a critical role in expanding the central government's control in Shi'ite areas and limiting Iranian influence.

By late 2008, this campaign and overall patterns in the fighting already had a major impact on the pattern of US and Iranian competition. It produced increased stability that served both Iraqi and American interests and began to create the conditions that made it possible for US forces to drawdown. This success impeded Iran's strategy of supporting unrest in Iraq, but it did not necessarily reduce Iran's political power. Iran continued to build up both its political and economic ties to a more stable Shi'ite south and its political leaders. Iran was strong enough to play a major role in shaping the creation of a compromise Iraqi government following the 2010 election, and it also played a major – if not fully understood – role in getting Sadr to throw his support behind Maliki after the 2010 elections.

The end result was an almost complete reversal of most of the more critical the initial judgments of Maliki. Where Maliki was once seen as weak, his critics are now concerned with Maliki's consolidation of power and authority. Since late 2010, Maliki has served as both acting Minister of Defense and acting Minister of Interior. Protesters, rival politicians, and journalist who speak out against corruption, lack of services, or criticize the government, have been intimidated, beaten, and detained. When tens of thousands protested in February in solidarity with the Arab uprisings elsewhere, 19 were killed and thousands more arrested. Iyad Allawi remains outside of the political system and his party has referred to Maliki as "authoritarian and despotic."¹⁶⁴

As noted earlier, the signs of Maliki's increased aggressiveness and determination to marginalize political rivals are also becoming steadily more evident. Maliki's arrests of some 600 Sunnis and Ba'athists in October-December 2011 have reinforced this position, as did his calls for Sunni Deputy Prime Minister Mutlaq to be expelled from the Council of the Republic over a spat during a October 2011 cabinet meeting in Baghdad. Increasingly bold and belligerent, Maliki stormed out of that meeting threatening Mutlaq, "We're coming for you and all of your people".¹⁶⁵

The continuing challenges to Maliki's authority, however, are illustrated by Maliki's crisis with Vice President al Hashemi, for whom Maliki issued an arrest warrant on charges of terrorism. Thisd caused al Hashemi to flee to the Kurdish region, and he remains in de-facto political exile. Experts disagree on how much this has been a power grab and how much it reflects Maliki's feelings of insecurity, but it is clear that Maliki's unilateral actions have alienated Iraqi political opponents, increased tensions with the US over the failure to agree on a continued troop presence, and alienated other Arab leaders. This situation most clearly benefits Iran, who can operate more freely without US and other Arab interference, and is hardly a formula for a more unified and stable Iraq.

The Sadrists

The Sadrist faction has played a major role in both Iraq's political crises, and the US and Iranian political competition over Iraq's Shi'ites. The Sadr's have long been a prominent family in Iraq, both for religious scholarship and their resistance against Saddam. Mohammad Baqr Sadr, the founder of the Dawa Party in the late 1950's was hanged by Saddam Hussein in 1980. Baqr al Sadr was an ally of Ayatollah Khomeini during his years in exile in Najaf from 1964-1978.¹⁶⁶ Saddam Hussein also ordered the execution of Muqtada al-Sadr's father, Mohammed Sadiq al-Sadr, in 1999.¹⁶⁷

Baqr al-Sadr's cousin, Muqtada al-Sadr, emerged as a key voice of Shi'ite opposition to the US after the fall of Saddam Hussein, and whose followers began attacking coalition forces in Iraq. Muqtada al-Sadr's base of support is in Sadr City, a Shi'ite neighborhood in Baghdad, and encompasses mainly lower-class Iraqi Shi'ites.¹⁶⁸ His Mahdi Army, 60,000-strong in 2003,¹⁶⁹ relied on Iranian funding and arms through Iran's Qods Force. Sadr used the Mahdi Army to challenge the US occupation and attack Sunnis between 2004 and 2008.

The Mahdi Army attacks on US troops were serious enough by 2004 to threaten postponement of the 2005 elections.¹⁷⁰ This could have produced a level of instability and division between Shi'ite factions that did not serve either Iranian or US interests. Iran pressured Sadr into a ceasefire, and the elections proceeded in 2005 as scheduled, bringing to power an Iran-friendly coalition of the

United Iraqi Alliance, the PUK, and the KDP.¹⁷¹ The end result helped both Iran and Sadr. The Sadrist Trend won 30 seats in the December 2005 elections, the largest group in the United Iraqi Alliance, which was the largest bloc with 128 seats.¹⁷²

Sadr, in turn, maintained links to Iran, and Iran to Sadr and Iraq. In 2006, Sadr pledged to support Iran if it were attacked.¹⁷³ At the same time, Sadr had problems in maintaining his political position, personal security, and controlling his militia and followers. The Mahdi Army's killings of Sunnis increased, especially after the February 2006 bombing of the Al Askari Mosque,¹⁷⁴ a Shi'ite mosque in Samarra built in 944 C.E. where Shi'ites believe the 12th Imam hid, marking the first time a religious site was targeted in Iraq after the invasion.¹⁷⁵ Although Sadr was the formal leader of the Mahdi Army, he was not completely in control of violence committed by his loyalists. On October 27, 2006, his deputy denounced the dissidents as "people who violated and stood against the wise and honorable leadership."¹⁷⁶

In early 2007, Sadr fled to Iran,¹⁷⁷ fearing arrest by the Iraqi government or Coalition forces, as well as various assassination threats. In Iran, he purportedly split his time between living in Tehran and studying at an Islamic seminary in Qom, where he would boost his clerical standing.¹⁷⁸

Writing for the Carnegie Endowment for International Peace on May 29, 2012, Reidar Visser stated that:¹⁷⁹

"Given the heavy influence that Iran wields over the Sadrists, their new position can shed much light on Iran's current strategy in Iraq. While Sadr's movement was once considered a native Iraqi movement with considerable autonomy from regional patrons, its followers were pushed into Iran's arms after the U.S. army began to target them—at times with lethal force—after 2007. Their leader, Muqtada al-Sadr, resides in Iran for long periods—further adding to Tehran's influence and leverage over him—and it seems unlikely that Iran would allow him to travel freely between the two countries if his activities were seen as subversive to Iranian interests. Thus, if Iran truly feared a move to unseat al-Maliki, it would have plenty of economic and security-related leverage to employ against the Sadrists"

Shifts also took place in 2007 that limited both Sadr and Iran's influence. Maliki had initially prevented the US from forcefully attacking Sadr's Mahdi Army in order to maintain the Shi'ite political alliance that Iran had played a role in creating.¹⁸⁰ In 2007, that alliance broke down and the US launched a "surge" that targeted both Sunni and Shi'ite extremists.¹⁸¹ This was a major factor in Sadr's declaration of a ceasefire in August 2007 and helped lower the level of violence in Iraq.¹⁸² Maliki, SCIRI, and government forces cooperated with the US to combat Sadr's Mahdi Army, which was suffering backlash from Iraqi Shi'ites, especially after it took over Karbala's religious sites.¹⁸³

Another major turning point in the power struggle between Sadr and Maliki occurred in 2008, when Maliki retook Basra from the Sadrists using government forces, Badr fighters, and SCIRI loyalists in "Operation Charge of the Knights."¹⁸⁴¹⁸⁵ During the Battle of Basra, Iraqi security forces recovered weapons from Sadrists marked "Made in Iran."¹⁸⁶ Iran played an integral role in the ceasefire reached between Sadr and government forces.¹⁸⁷ Sadr's defeat in the Battle of Basra helped bring stability, while it shifted the power balance among Iran's allies. Iran took advantage of the subsequent fracturing of Muqtada al-Sadr's Mahdi Army into Special Groups to increase its influence across these more independent Shi'ite groups.

Sadr's faction failed to win outright control of any province in the 2009 provincial elections. However, it gained several key appointments in southern Iraq through post-election deal making. Sadr did, however, come to benefit from the broad perception on the part of Iraq's Shi'ites and others that SCIRI and other more moderate Shi'ite parties failed to govern effectively, were often corrupt, and served their own interests.

The 2010 parliamentary elections took a striking anti-incumbent course, greatly diminishing the strength of other Shi'ite parties. The Sadrist Movement, as part of the Iraqi National Alliance, won 70 seats, compared to Iraqiyya's 91 and State of the Law's 89. After eight months of deadlock following the elections, Iran likely brokered the deal that brought Sadr and Maliki together to represent a majority bloc. However, the "Irbil Agreement" reached in November 2010, which preceded the formation of the Iraqi government, was pushed by US diplomats and did not give any concessions to Sadr.¹⁸⁸

The Sadrist faction gained control over several ministries, although this may ultimately lead Iraqi voters to hold them responsible for some of Iraq's on-going problems. This included appointments to several service-related ministries, including Housing and Construction, Labor and Social Affairs, and Water Resources, making it difficult for Sadr to indiscriminately blame outside actors for Iraq's problems.¹⁸⁹ As of November 2011, Sadrist also chaired the Integrity Committee, Public Works, and the key post of Minister of Planning and Development Coordination.

Sadr returned to Iraq in January 2011, after almost four years of self-imposed exile in Iran. Many hailed his return as a sign of strength and a new era in Iraqi politics. However, threats to his safety again cropped up in 2011, this time from a Mahdi Army splinter group known as Asaib al Haq. Sadr returned to Iran just two weeks after his initial return to Iraq.¹⁹⁰ In July 2011, the US accused Sadr's militias for the elevated level of US troop deaths in June 2011. The officials also accused Iran of arming the militias with upgraded rocket-propelled munitions, possibly in an effort to ensure a full US withdrawal and to claim credit for forcing that withdrawal.¹⁹¹

Sadr remained adamant that US troops should withdraw by the December 2011 deadline and threatened to reinstate his Mahdi Army if this deadline was not met.¹⁹² In May of 2011, Maliki called on Sadr to accept an extension of US troops in the country if it was backed by a solid majority of Iraqi political parties, the possible result of several high-level US visits with Iraqi leaders in 2011 urging Iraq to make such a request.¹⁹³ Maliki stated a request might be made if there were a "consensus" among political blocs, which could be achieved without Sadr's support.¹⁹⁴

In a May 13, 2011 sermon, Sadr hinted that he might retract the withdrawal demand if a consensus was formed among Iraqi people that US troops should stay. Sadr stated, "The matter of the lifting of the freezing of the Mahdi Army is connected to the public and political agreement among Iraqis."¹⁹⁵ However, two weeks after this sermon, Sadr supporters held a massive march to demand US troops leave on schedule,¹⁹⁶ and on August 9, 2011, Sadr again threatened direct retaliation against any US troops remaining past the deadline,¹⁹⁷ including those used to train Iraqi forces.¹⁹⁸

In September 2011, Sadr suspended his attacks on the US and other targets, stating, "Out of my desire to complete Iraq's independence and finish the withdrawal of the occupation forces from our holy lands, I am obliged to halt military operations of the honest resistance until the

withdrawal of the occupation forces is complete,” but went on to state that, “if the withdrawal doesn’t happen...military operations will be resumed in a new and tougher way.”¹⁹⁹ How Sadr reacts to a limited US advisory presence is a critical aspect of future US-Iranian competition.

Since that time, Sadr has continued to be a major barrier to any meaningful implementation of the Strategic Framework Agreement as well as a major divisive force in Iraq’s internal politics and one with obvious – if sometimes faltering -- links to Iran. In February 2012, Sadr commented that the US had not sufficiently left Iraq following two episodes, one involving four armed Americans in Baghdad believed to be CIA operatives and another involving a US helicopter that made an emergency landing just outside of Baghdad. Sadr stated that the US has failed to “disarm.” He also posted a statement saying, “I ask the competent authorities in Iraq to open an embassy in Washington, equivalent to the size of the U.S. Embassy in Iraq, in order to maintain the prestige of Iraq.”²⁰⁰

Sadr also remains a pivotal player in Iraqi politics, especially since his return to Iraq. Sadr’s relevance was demonstrated as recently as January 2012, when visiting Turkish Foreign Minister Ahmed Davutoglu met with him amidst accusations by Maliki of Turkish meddling and support of Sunni factions.²⁰¹ As a supporter of Iraqi unity, Sadr is a critical component of Maliki’s legitimacy and further distancing between the two would undermine Maliki’s authority. Still, in December 2011, pro-Sadrists politicians supported dissolving the Parliament and holding new elections, and Sadr’s officially disbanded Mahdi Army occasionally threatens to rearm and remobilize .

Muqtada al-Sadr’s also called Maliki a dictator, suggesting that he now intended to distance himself from the Prime Minister, or at least oppose Maliki’s centralization of power. In February 2012, Sadr stated that “The dictator of the government is trying to make all the accomplishments as if they were his accomplishments...”²⁰² Sadr’s influence also reaches beyond his own supporters. Members of Iraq’s al Ahrar bloc revealed in February 2012 that members of the Financial Committee in Parliament promised to include the demands of the Sadrists in the 2012 budget law draft.²⁰³

al-Monitor reported in May 2012:²⁰⁴

“The events of April 28 are a big win for Sadr and his patron, Iran. Sadr as power broker reminds Maliki and the prime minister’s rivals that all such negotiations go through Sadr and Tehran. Sadr probably also enjoys some payback with Maliki, especially after US-backed Iraqi forces, under Maliki’s direction, crushed Sadr’s forces in Basra in 2007. Sadr does not want Maliki to run for a third term in 2014, the ninth point in the ultimatum.

In perhaps a sign of Maliki’s effort to appease Sadr, an Iraqi court this week ordered the release of senior Hezbollah operative Ali Musa Daqduq, who directed the training of Iranian al Quds (the armed wing of the Palestinian Islamic Jihad) operatives in Iraq and had admitted his role in kidnapping and killing [five American soldiers](#) in Najaf in 2007. The release is a finger in the eye of the United States, which had transferred custody of Daqduq to Iraq in December, when US forces left Iraq. President Obama raised Daqduq’s case with Prime Minister Maliki when they met in Washington that month.”

Sadr also has important options. He could attempt a Sadrist break with Maliki that attempted to bring Maliki’s government down; launch an attempt by the Sadr faction to position itself as a

peacemaker and power broker; launch an attempt at increasing the Sadr factions power using its splinter organization, AAH, join the broader political sphere; or simply exploit populist opinion to build up his power while his rivals are tied down in power struggles over control of the government.

SCIRI/ISCI

The Islamic Supreme Council of Iraq (ISCI), formerly known as the Supreme Council for Islamic Revolution in Iraq (SCIRI), has strong ties to Iran that began with SCIRI's refuge in Iran during the Saddam Hussein era. ISCI's originally followed the *vela yet-e faqih* and the Iranian Ayatollah, while the Iranian Revolutionary Guard Corps trained and staffed its 15,000-member militia, now called the Badr Organization,²⁰⁵ during the Iran-Iraq War.²⁰⁶²⁰⁷ US intelligence officials claim that members of SCIRI were closely tied to Iranian intelligence during the period immediately after the invasion and that the group was heavily funded by Iran.²⁰⁸ ISCI also served to bolster Iran's influence in Iraq through ISCI member Bayan Jabr's tenure as Minister of Interior, when he inserted the Badr Brigade into the Iraqi Security Forces.²⁰⁹

The leadership of ISCI has, however, undergone many changes over the years and has been more independent of Iran than these initial US assessments indicate. Mohsen Hakim was the foremost Shi'ite leader in the world from 1955 to 1970²¹⁰ and his sons Ayatollah Sayed Mohammed Baqir al-Hakim and Ayatollah Sayed Mohammed Baqir al-Sadr were among the founders of SCIRI.²¹¹ Sayed Baqir al-Hakim was his father's representative and eventually worked with Sayed Baqir al-Sadr to establish the Islamic Movement, a political group opposed to the Ba'athists.²¹² Baqir al-Hakim was arrested and tortured in 1972, and re-arrested in 1977.²¹³ He was eventually released in 1979, but in 1980 fled to Iran, shortly after his brother Baqir al-Sadr was assassinated by Saddam's regime.

Sayed Baqir al-Hakim played an important role in forming SCIRI in 1982 while in Iran during the Iran-Iraq War.²¹⁴ The next year, Saddam's regime arrested 125 members of his family;²¹⁵ his brother Mahdi al-Hakim was assassinated in Sudan in 1988.²¹⁶ In 1991, ISCI led a failed Shi'ite uprising against Saddam Hussein.²¹⁷ Over the years, the Hakim family claims over 60 members of the family were killed by the Saddam regime.²¹⁸ Sayed Baqir al-Hakim rose in the ranks of Iraqi Shi'ite leadership, and in 2003, he became a grand ayatollah and the leading Shi'ite cleric.²¹⁹ In his speech after his return to post-invasion Iraq, he thanked Iran for its help and condemned the American occupation.²²⁰ However, he later participated in the new Coalition-supported Iraqi government and claimed to support separation of church and state.²²¹

In August 2003, Sayed Baqir al-Hakim and about 75 others died in a car bomb attack on the Imam Ali Mosque, Shi'ite Islam's holiest mosque.²²² Baqir Hakim's brother, Abdel Aziz al-Hakim, took over the leadership of SCIRI. Despite Abdel Aziz Hakim's connections to Iran, he reformed the organization and even built a relationship with President George W. Bush.²²³ He also changed the movement's name from SCIRI to the Islamic Supreme Council of Iraq (ISCI), removing the word "Revolutionary," which ISCI officials said was in reference to the Saddam Hussein regime.²²⁴ That same year, ISCI distanced itself from Iran by stating that it would place more importance on the leadership of Iraq's Grand Ayatollah Ali Sistani.

Under Aziz al-Hakim's leadership, ISCI pushed for greater decentralization and for a period advocated the creation of an autonomous region of nine Shi'ite-majority provinces, much like the Kurdistan Region.²²⁵ In 2008, al-Hakim collaborated with Maliki in getting the Iraqi Army and

ISCI's Badr Organization to cooperate in fighting against Muqtada al-Sadr's Mahdi Army in Basra. The resulting victory strengthened Maliki's hand in security and was a turning point in the civil war.²²⁶

Since that time, however, the Hakim faction and SCIRI have lost a significant amount of their influence and power. In 2007, Abdel Aziz al-Hakim, formerly a heavy smoker, was diagnosed with lung cancer in Houston and went to Iran for treatment.²²⁷ He died in August 2009.²²⁸ Ammar al-Hakim followed in his father's footsteps to take over the formal leadership of ISCI.

This was followed by sharply diminished support for ISCI in the elections that followed. The provincial power law of 2008 enacted prior to the 2009 provincial elections favored the ISCI's desire to decentralize power. However, splits among Shi'ite factions contributed to major losses for ISCI in the 2009 elections, including in Baghdad, Najaf, and Basra.²²⁹ ISCI joined with the Sadrists, the Iraqi National Congress, and other groups in the Iraqi National Alliance, to win 70 seats in the March 2010 elections. However, ISCI placed a disappointing third after Iraqiyya and State of Law.

This may explain why Ammar al-Hakim traveled to Iran in April of 2010. ISCI agreed to accept Iraqiyya's inclusion in the government. Iran simultaneously echoed this public support, which was considered as a possible calculation by Iran that its interests were best served through stability.²³⁰ The ISCI's continued reluctance to support Maliki as prime minister contributed to the long impasse that followed. However, Ammar al-Hakim was among Iraq's leaders that supported the Irbil Agreement that brokered the impasse with the help of US diplomats.²³¹

In spite of its losses in the 2010 election, ISCI remains a powerful Shi'ite group in Iraq. It is also one that still seems to have strong ties to Iran, although such information is dated. According to a State Department memo released by Wikileaks in November 2009, Iran provides an estimated \$70 million to ISCI each year.²³² Ammar al-Hakim consistently rejected the idea of extending the US troop presence past the December 2011 deadline. In addition, ISCI has staunchly opposed the dissolution of parliament that has broader support following the post-withdrawal political tension.

The Kurds

The Kurds have actively sought to create a de facto federal Kurdish entity, to expand their area of control in mixed areas outside the current boundaries of the KRG, and to obtain independence in dealing with their petroleum resources. They have a long history of tension and warfare with the Iraqi central government, and have reason to fear its growing strength and the impact of potential Arab Shi'ite domination of the regime.

Under the Shah, Iran supported Iraqi Kurd's fight against Saddam as a way of putting pressure on Saddam concerning Iran-Iraq border issues and control of the Shatt al-Arab. The Khomeini government, however, ruthlessly suppressed Kurdish independence movements during the Iran-Iraq War. Iran has maintained offices in Irbil and Sulaimaniya since the Kurdish security zone was established in 1992.²³³

At the beginning of the Iraq War in 2003, Iran maintained relatively good relations with the Patriotic Union of Kurdistan (PUK) and Kurdistan Democratic Party (KDP).²³⁴ However, Iran's internal Kurdish problem has continued to complicate its relationship with Iraqi Kurds. Like Syria and Turkey, Iran does not want to see Kurdish independence and wants to limit Iraqi

Kurdish influence. Meanwhile, President Jalal Talibani, a Kurd, has spoken out against Iran's regional influence.²³⁵

A leaked State Department cable suggests that Iran may have tried to give indirect financial assistance to Gorran, a small Kurdish group that ran in the March 2010 elections, by funding the Jaff tribe, the largest Kurdish tribe in Iraq, some of whom are members of Gorran.²³⁶ Stephen Zunes, who chairs the Middle Eastern studies program at the University of San Francisco, suggests that this may be because Iran saw Talibani as inching too close to the US.²³⁷

As with Azeris and Baluchis, the United States has worked with Kurds to limit Iranian influence and help them resist Iranian pressure. Tensions exist between Iran and the Kurds namely because Iraqi Kurdistan gives sanctuary to the Kurdish resistance group Party for a Free Life in Kurdistan (PEJAK), which has carried out successful attacks on Iran.²³⁸

Iran also accused the United States of funding PEJAK.²³⁹ In retaliation, Iran has carried out limited operations against Kurdish opposition groups inside the Iraqi border.²⁴⁰ After a bombing in Iran killed 10 civilians in late 2010, Iran publicly announced that it had carried out an anti-terrorist operation in Iraq that Kurdish leaders denied took place.²⁴¹ In August 2011, Iran again shelled PJAK targets in northern Iraq, spawning Kurdish President Talabani's request in front of the UN General Assembly in September that both Turkey and Iran stop bombing Iraqi territories in the Kurdistan region, saying it caused innocent civilian deaths.²⁴²

Arab-Kurd tensions in northern Iraq are still a major concern. Land disputes over the oil-rich area continue without proper attention from Baghdad. Tensions between Kurdish fighters and the Iraqi Army remain high despite US-led programs to encourage collaboration. In November 2011, a standoff occurred between the two sides as the Iraqi Army attempted to assume control over a US base in Kirkuk due to be transferred in the coming weeks. A compromise was negotiated, though details of the incident highlight the mistrust Kurds have for Baghdad and the measures Maliki may consider simply to showcase his control.²⁴³

Kurdish support for Vice President Hashemi further jeopardizes the tenuous relationship between the KRG and Baghdad. This is particularly the case since al Hashemi fled to the Kurdish region to escape accusations by Maliki of running a sectarian death squad. Tensions are further threatened by Maliki's threats to withhold funds from the Kurdistan Regional Government, and to fire Babakir Zebari, the Kurdish chief of staff of the Iraqi Army, in response to Kurdish sheltering of al Hashemi.²⁴⁴ This has both led to new Kurdish threats to seek independence, and growing Kurdish efforts to win US support for the Kurdish position – efforts which link the Kurds more closely to the US than an Iran which often been ruthless in repressing its own Kurdish population.

The Sunnis

Like the Kurds, Iraqi Arab Sunnis have strong incentives to support the US rather than Iran, and do so in spite of the tensions that followed the US invasion in 2003. Former Prime Minister Iyad Allawi, though a Shi'ite, has strong ties with Sunnis and has often criticized Iran for interfering in Iraq. When he rose to power in post-invasion Iraq, he was supported by Jordan, Egypt, the UAE, Qatar and Rafik Hariri in Lebanon.²⁴⁵

Ali A. Allawi, who served as an Iraqi political advisor, former Minister of Defense, and former Minister of Finance, has since argued in *The Occupation of Iraq* that the underlying objective of

the Interim Government was to limit Iran's influence in Iraq prior to the 2005 election, which would likely see increased Iranian influence and domination by Iraqi Shi'ites.²⁴⁶

As long as Allawi was the head of the Interim Government, the US and regional Arab states had an ally in place who would limit religious Shi'ite power in the government.²⁴⁷ The UAE and Qatar supported the Interim Government and voiced support for Allawi again when he ran in January 2005.²⁴⁸ As the 2005 elections approached, Allawi's Minister of Defense, Hazem Sha'alan, denounced Iran by calling it "Iraq's number one enemy" and accused Iran of seizing border posts, sending spies into Iraq, and infiltrating the Iraqi government.²⁴⁹ Iran's support for Shi'ite militia groups who targeted Sunnis further deepened Sunni mistrust of Iran.

The low turnout of Sunnis brought the legitimacy of the January 2005 elections into question and sharply undercut the viability of American efforts in Iraq by giving Iran more influence in the government. This situation eased, however, as the December 2005 elections approached, which saw a rise in Sunni voter participation. Sunni leaders again criticized Iranian influence in the election, such as Interim President Ghazi al Yawer, and the possibility of a religious state working in Iraq.²⁵⁰ However, in both sets of 2005 elections Sunnis did not fare well.

A key turning point occurred in 2008 when Sunnis turned on al Qa'ida and other insurgents and cooperated with coalition forces in what became known as the Sunni Awakening. Many Sunnis were alienated by de-Ba'athification laws, the disbanding of the Iraqi military, and exclusion from the 2003 Governing Council -- where Shi'ites and Kurds close to Iran gained power.²⁵¹ As foreign fighters poured across Iraq's western border, many Sunnis in Anbar province were enticed into insurgency by Qa'ida, who offered post-invasion security and a rationale that insurgency was their religious duty.²⁵²

However, Sunni attitudes towards al Qa'ida began to shift as they became familiar with al Qa'ida's methods. al Qa'ida's harsh intimidation tactics, including using suicide bombers, were largely unacceptable to Iraq's Sunnis. Sunni tribes increasingly saw al Qa'ida as a foreign entity that posed a greater threat to their livelihood than Iranian or Shi'ite dominance.²⁵³

US attitudes towards Iraq's Sunnis also began to change around this time. The US began to openly acknowledge the importance of Sunni tribes in post-Saddam Iraq and quickly took advantage of growing anti-al Qa'ida sentiments. The 2007 US troop surge subsequently supported the Sons of Iraq program -- a US initiative to transfer the success of the indigenous Sunni Awakening to other Sunni areas in Iraq. The Sunni Awakening had a considerable impact on the scale of al Qa'ida in Iraq from the end of 2006 through the fall of 2008.²⁵⁴

The relative absence of al Qa'ida intimidation contributed to Sunnis participating in large numbers in the January 2009 provincial elections and the March 2010 parliamentary elections. Allawi's Iraqiyya slate presented an appealing option for many Sunnis, though likely undercut the success of other Sunni parties, namely the Iraqi Accordance.²⁵⁵ Members of the Awakening also did not fare well as candidates.²⁵⁶ However, Allawi's inability to form a majority coalition, and Sadr's acceptance of Maliki as prime minister under Iranian influence, was a setback for Sunnis hoping to see Allawi as prime minister.²⁵⁷ The long-term acceptance of Allawi's Iraqiyya bloc and Maliki's willingness to ease his grasp on power and lead with an even hand, could dictate the level of acceptance Sunnis have for Iraqi government institutions.

The disqualification of nearly 500 Sunni candidates by the Justice and Accountability Commission (JAC) prior to the 2010 elections was also a major setback for Sunnis. The JAC

was headed by Ali al Lami, a Shi'ite under US custody in 2005-2006 for assisting Iranian agents in Iraq.²⁵⁸ General Odierno described al Lami, and his predecessor Ahmed Chalabi, as "influenced by Iran" and working to undermine Iraqi elections.²⁵⁹ Chalabi was also a main contributor of pre-war intelligence and has been accused of giving US secrets to Iran.^{260,261}

Many Sunnis who fought under the Awakening and Sons of Iraq program anticipated integration into the ISF, appointment to government posts, and payment for their sacrifice. All of these entitlements have been slow to occur and Sunnis have become increasingly frustrated with the Shi'ite-led government. The Awakening fighters have reported being harassed by both sides – by a reemerging al Qa'ida threat and Shi'ites who question their allegiances. These frustrations have contributed to many Sunnis rejoining al Qa'ida.²⁶² In February of 2011, US Ambassador to Iraq James Jeffrey testified that Sunnis were experiencing no payment difficulties under Awakening agreements, and as of August 2011, the US reported more than half, or 50,000, had been integrated into the ISF or given civilian government jobs.²⁶³

As has been described earlier, Prime Minister Maliki's continued consolidation of power, and further repression of various Sunni elements, has become an alarming trend since US troops withdrew. Sunnis have been denounced or arrested as "Ba'athists" even when it was unclear they had any ties to current Ba'athist movements, had ever been supporters of the Ba'ath, or had held more than low-level positions of the kind where party membership was necessary to have a job or career. His actions have alienated many Sunnis, particularly in Anbar and Mosul provinces. Many Awakening members are former insurgents and Ba'ath Party members who fought in the Sunni uprising early in the war. As US troops withdraw, these groups remain heavily armed, outside of the Iraqi police force and army, and increasingly keen on establishing autonomy.

The October 2011 SIGIR report to Congress acknowledged the job placement of Sunnis promised under the Sons of Iraq program was stalled. The GOI was considering reforming the program to ensure that the SOI in heavily dominated Sunni provinces like Anbar receive equal compensation as their counterparts in Baghdad. As of November, 2011, the Sons of Iraq continued to operate in nine provinces and numbered approximately 48,000.²⁶⁴ However, within two weeks of the complete US withdrawal in December, reports suggested these units still remained outside the Iraqi police force and army, yet continued to operate independently while the GoI required their dismantling by the end of 2011.²⁶⁵

Signs of Sunni resistance to Maliki's increasing centralization of power have increased since that time. In June 2011, Speak Nujeifi warned that Sunnis in Iraq may seek separation from the Shi'ite-run government, or demand more autonomy by pressing for the establishment of more independent regional status.²⁶⁶ Sectarian divisions are becoming more apparent as several predominantly Sunni provinces seek regional status. In October 2011, Salahuddin Province declared itself an "administrative and economic region in a united Iraq".²⁶⁷ While this move was unconstitutional (provinces can request regional status but cannot unilaterally declare themselves as such), and Salahuddin council eventually backed off, the move nonetheless demonstrates the growing discomfort of Sunnis to Maliki's centralization of power.

US estimates of Al Qai'da's current threat have been discussed earlier. Although al Qa'ida in Iraq is weaker than it was at the height of the Sunni insurgency, analysts suggest it is shifting its tactics and strategies to exploit gaps left by the withdrawal of US troops in an attempt to rekindle sectarian conflict. Instead of attempting to control territory and impose their ideology, it has gone underground and periodically conducts large-scale attacks. In November 2011, General

Buchanan stated there were 800 to 1,000 members of al Qa'ida in Iraq. The military reported in July 2010 there were approximately 200 "hard core" fighters.²⁶⁸ In addition, in February 2012, US Intelligence officials told Congress that al Qa'ida in Iraq was likely behind a series of bombings in Syria.²⁶⁹

Since October 2011, however, the Maliki government has acted on the basis that there are other major Sunni threats. Anonymous Iraqi officials reported intelligence provided by Libya which uncovered a planned Ba'athist coup- with the backing of Muammar Qaddafi-to be carried out after US troops withdrew from Iraq,; this claim is highly unlikely given the fact that the Libyan leader was in the process of being captured and killed during these dates. Nevertheless, Maliki responded by arresting over 600 alleged Ba'athist conspirators.²⁷⁰ An unidentified source within the Iraqi government later stated the intelligence tip never occurred. Though the scale of these arrests is unprecedented, similar actions had occurred before. The previous month, for example, 145 university employees in Tikrit were arrested for being Ba'athists.²⁷¹ As recently as December 2011, Maliki sought to expel and arrest Sunni politicians, such as Deputy Prime Minister Saleh al Mutlaq and Vice-President Tariq al Hashemi.

The Sunni response has been symbolic calls for autonomy from Baghdad – which, have been met by Maliki with a warning of "rivers of blood" if Sunnis seek an autonomous region.²⁷² In addition, several political blocs have boycotted parliament. These developments, combined with a resurgent al Qa'ida and Maliki's authoritarian streak, are a troubling pattern of sectarian tensions following the US troop withdrawal. Indeed, the political crisis that occurred in the aftermath of the US withdrawal has only widened the gap between Sunnis and Shi'ites. A growing number of Sunnis see the government as exclusively Shi'a in power, while Sunni leaders face unfounded accusations, including terrorism.

Moreover, the number of attacks that are either linked to al Qa'ida or deemed looking "similar in nature as previous al Qa'ida attacks" has increased drastically. These attacks often involve suicide bombers, armed men dressed as police and military, and attacks on Shi'a religious sites. The Islamic State of Iraq, which includes several terrorist groups including al Qa'ida, has claimed responsibility for several waves of deadly bombing since the US withdrawal, including a failed assassination attempt on Prime Minister Maliki.²⁷³ This increase in attacks might contribute to accusations against Sunni politicians and create a cycle that threatens long-term security. Anecdotal accounts by Sunnis suggest Iraq is again segregating along sectarian lines.²⁷⁴

In February 2012, the US Department of the Treasury announced sanctions against the Iranian Ministry of Intelligence and Security (MOIS) stating, among other things, the ministry had helped al Qa'ida agents in Iran and provided them with identity cards and passports and had given money and weapons to al Qa'ida in Iraq.²⁷⁵

ECONOMIC PROBLEMS AND THE SEARCH FOR STABILITY

Iraq is making economic progress in spite of all of these problems. However, progress is still very mixed, heavily dependent of massive subsidies and state employment, and is affected by Iraq's political crisis, corruption, and major problems in the distribution of income. The World Bank's most recent country report notes that,²⁷⁶

Twenty-five years of dictatorship, international sanctions, and war have undermined Iraq's institutions and crippled its economy, and the country now faces substantial development challenges. Chief among these is the need to rebuild its infrastructure and institutions, a task made difficult by the prospect of political instability and the excessive dependence on one commodity, crude oil, for its revenues. Amidst a challenging political and security environment, Iraq has achieved considerable progress toward macroeconomic stability. It has achieved single-digit inflation, economic growth has resumed; and both the fiscal balance and current account balance have improved (after having deteriorated in the wake of the global financial crisis). In addition Iraq's debt to GDP ratio has been on a downward trajectory thanks to the debt restructuring with the Paris Club and other creditors. Iraq's economic growth prospects are favorable due to rising oil prices; however, a stable macro economy is not sufficient to ensure continued prosperity. The lack of economic diversification makes Iraq's economic growth vulnerable to oil price and volume shocks, and undermines its ability to conduct fiscal policy with a medium-term orientation. Economic diversification is, therefore, a challenge for the Iraqi government—both to create jobs and to promote income-creating opportunities for a majority of the Iraqi population.

Although a lack of data impedes knowledge of the full picture, poverty and human conditions in Iraq worsened in the 1990s and have not improved considerably in recent years. Overall unemployment is at 11.7%, higher among younger adults (20-24 years old) - 16.9% for men and 35.7% for women; labor force participation is very low and most Iraqis who do work in the formal sector work for the government. Service delivery continues to be unreliable; in water, only 12.5% of people whose dwelling is connected to the public network report that their supply of water is stable. In electricity, only 22.4% can rely solely on the public network for their housing units. Overall, Iraq's poverty headcount index stands at 22.9 percent. In rural areas, the poverty rate is 39.3 percent, more than twice the 16.1 percent rate in rural areas.

Iraq has made notable strides in improving management of its vast oil wealth with the renewal (outside UN supervision) of the Development Fund for Iraq and its compliance with the Extractive Resources Transparency Initiative. Its macroeconomic management has remained on course over the last two years and its management and implementation of the public budget has improved and become more transparent. The Government also committed to public financial management reform, making notable progress in budget design and implementation. Going forward, Iraq faces the challenge of improving security, restoring the rule of law and strengthening public sector governance which in turn will enable much-needed private sector development. Continued volatility in oil prices is a clear reminder of Iraq's dependence on oil revenues. However, with prudent management and a robust policy environment, Iraq's abundant natural and human resource base can be a source of economic and social revival.

The CIA notes that,²⁷⁷

An improving security environment and foreign investment are helping to spur economic activity, particularly in the energy, construction, and retail sectors. Broader economic development, long-term fiscal health, and sustained improvements in the overall standard of living still depend on the central government passing major policy reforms. Iraq's largely state-run economy is dominated by the oil sector, which provides more than 90% of government revenue and 80% of foreign exchange earnings.

Since mid-2009, oil export earnings have returned to levels seen before Operation Iraqi Freedom. As global oil prices remained high for much of 2011, government revenues increased accordingly. For 2012, Iraq's draft budget forecasts oil exports of 2.6 million barrels per day (bbl/day), a significant increase from Iraq's average of 2.2 million bbl/day in 2011. Iraq's contracts with major oil companies have the potential to

further expand oil revenues, but Iraq will need to make significant upgrades to its oil processing, pipeline, and export infrastructure to enable these deals to reach their economic potential. Iraq is making slow progress enacting laws and developing the institutions needed to implement economic policy, and political reforms are still needed to assuage investors' concerns regarding the uncertain business climate. The government of

Iraq is eager to attract additional foreign direct investment, but it faces a number of obstacles including a tenuous political system and concerns about security and societal stability. Rampant corruption, outdated infrastructure, insufficient essential services, and antiquated commercial laws stifle investment and continue to constrain growth of private, nonoil sectors. In 2010, Baghdad signed agreements with both the IMF and World Bank for conditional aid programs designed to help strengthen Iraq's economic institutions. Iraq is considering a package of laws to establish a modern legal framework for the oil sector and a mechanism to equitably divide oil revenues within the nation, although these reforms are still under contentious and sporadic negotiation. Political and economic tensions between Baghdad and local governments have led some provincial councils to use their budgets to independently promote and facilitate investment at the local level.

The Central Bank has successfully held the exchange rate at about 1,170 Iraqi dinar/US dollar since January 2009. Inflation has remained under control since 2006 as security improved. However, Iraqi leaders remain hard pressed to translate macroeconomic gains into an improved standard of living for the Iraqi populace. Unemployment remains a problem throughout the country. Encouraging private enterprise through deregulation would make it easier for both Iraqi citizens and foreign investors to start new businesses. Rooting out corruption and implementing reforms - such as bank restructuring and developing the private sector - would be important steps in this direction.

The IMF reports that,²⁷⁸

Iraq is estimated to have the world's second-largest oil reserves, with reserves recently revised upward from 115 to 143 billion barrels, based on new geological surveys. By the 1970s, Iraq's oil resources had enabled the country to reach middle-income status, with a modern infrastructure, and good education and healthcare systems. Since then, however, Iraq has suffered through three devastating wars, a long period of economic and financial mismanagement, and international sanctions imposed during the 1990s. These events traumatized the population, severely damaged political and economic institutions, and undid earlier economic and social gains. By 2004, per capita GDP had fallen to less than US\$800, and the country suffered from a crippling debt burden.

The task of rebuilding the country after 2003 has been—and remains—immense and was made harder by sectarian politics and prolonged violence. Iraq's reconstruction requires not only the rebuilding of its infrastructure, but also of its economic and social institutions, and the creation of a business environment that attracts capital and brings with it new technology and skills to modernize the economy. Iraq's huge oil reserves could, in principle, provide the resources needed to finance the reconstruction, but with the oil industry in disrepair and subject to attacks by insurgents, translating these resources into revenues has not been easy. Nevertheless, Iraq's longer-term outlook is strong as domestic and foreign investment in the hydrocarbon sector starts to bear fruit, and oil production and exports are projected to increase considerably in the years ahead.

As the World Bank, CIA and IMF analyses also show, however, Iraq's potential cannot be discounted, and it is clear Iraq would move forward far more quickly and decisively if it could achieve any real degree of political unity and effective governance. Unlike many developing countries, Iraq is not dependent on outside aid for development, or crippled by a lack of resources. The key question for Iraq is not whether other nations can help Iraq, but whether Iraq can take responsibility for helping itself.

Increased Iraqi Funding of Development and Employment

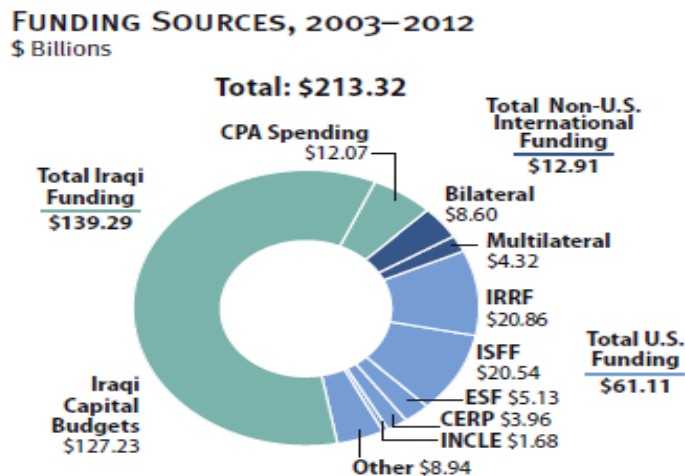
The Government of Iraq (GoI) has begun using its resources to match funds committed by US and international donors and agencies. For example, in FY 2008 the US Congress enacted a requirement mandating that all U.S. appropriated civilian foreign assistance funding, civilian reconstruction funding, and ISFF-funded projects be matched by financial contributions from the GOI. Similar fund-matching requirements have been mandated by the Department of State and USAID.²⁷⁹

In April 2012, SIGIR reported that from 2003 through 2012, Iraq had provided \$139.3 billion towards its own relief and reconstructions efforts through Iraqi funds and budget appropriations. It can be expected that as US funding decreases in proportion to a reduced presence, Iraq will be more financially responsible for its own development. SIGIR's April 2012 report supported these trends.²⁸⁰

"The Council of Representatives (CoR) approved \$31.88 billion for capital investment projects and \$68.56 billion in operational spending. The change in capital investment represents a 24% increase over the 2011 budget. Between 2005 and 2012, the capital investment portion of the Iraqi budget has increased from 14% to 32%. The \$11.18 billion (20%) increase in operational spending, when compared with the 2011 budget, is driven mainly by a \$4.86 billion (40%) increase in the amount allocated to the Ministry of Finance as well as a \$1.87 billion (30%) increase in the amount allocated to the Ministry of Interior."

Figure VII.11 illustrates the various funding sources for Iraqi reconstruction from 2003-2012, as well as a chronological comparison of US, Iraqi, and Non-US International funding for Iraqi reconstruction.

Figures VII.11: Status all Aid Funds as of 4/30/2012



Note: Data not audited. Numbers affected by rounding.

Source: SIGIR Quarterly Report to Congress, April 2012, page 16

Figure VII.12 indicates that the Iraqi economy is improving and that increased oil revenues have reduced Iraqi dependence on both Iran and the US. Iraq is now largely funding its own development with outside support from other organizations. Reporting by SIGIR notes that oil revenues have risen sharply and moved Iraq out of the major budget crisis it encountered during 2008-2009:

As of September 30, 2011, the GOI had received \$56.07 billion in oil receipts for the year, exceeding the amount received in all of 2010. Annual oil receipts to date are 57% more than the \$35.60 billion received during the first nine months of last year and 22% more than the \$45.95 billion projected through September 30, 2011

Overall, the 2011 GOI budget estimated that 89% of annual revenue would come from oil exports...So far this year, price levels and export volumes are both higher than what they were in 2010. As of September 30, 2011, Iraq had received an average of \$102.83 per barrel of oil exported – well above the average of \$74.56 per barrel received in 2010. Oil export volumes averaged 2.1 million barrels per day (MBPD) during the first nine months of the year — 4% less than the projected rate of 2.2 MBPD, but more than last year's average of 1.9 MBPD. Iraq had record-high annual oil receipts of \$58.79 billion in 2008; at the current pace, the GOI will surpass that amount by mid-October.²⁸¹

Maliki announced a National Development Plan in July 2010 estimated to cost \$186 billion between 2010 and 2014, with over half of the funding from the government and the rest coming from the private sector. In February 2010, the IMF approved a two-year, \$3.7 billion loan package for Iraq for the purpose of budget support, structural reforms, and macroeconomic stability.²⁸²

As **Figure VII.13** shows, Iraq's oil revenues are now capable of funding larger budgets – a factor that makes Iraq less dependent on both Iran and the US. At the same time, the use of such funds is critically dependent on both high oil revenues and an effective level of governance and political action that does not yet exist and may not exist for years to come.

In February 2011, the GOI approved a budget of \$82.62 billion, while projecting \$69.18 billion in revenues – creating a deficit of \$13.44 billion. The budget figures are dependent on oil production and prices. An estimated 89% of the budget was dependent on oil revenues. The GOI took in \$20.11 billion in oil-export receipts the 3rd quarter of 2011, setting a post-2003 record.²⁸³ As of November 2011, Baghdad received \$56.07 billion in oil revenues for the year, more than all of 2010 combined.²⁸⁴ As of November 2011, the GOI was debating a preliminary 2012 budget of more than \$100 billion.²⁸⁵

The IMF projected Iraq's real GDP growth rate for 2011 at 9.6%, up from less than 1% in 2010.²⁸⁶ However, it is far from clear that such growth reflects a real increase in the GDP per capita of anything like this rate – if any – particularly if any adjustment is made for income distribution, growth in demand for jobs, and the real growth of the GDP in PPP terms. Iraq ranks 161st in the world in per capita income and has a population that has risen from 18.1 million in 1990, to 30.4 million in 2011, and will have a UN estimated 64 million in 2050.²⁸⁷ If anything by way of a meaningful GINI index was available, it would probably show that a narrow elite has had major benefits from aid, petroleum income, and state support since 12003; but that many ordinary Iraqis have had little or no benefit at all.

In late 2011, SIGIR reports that the Council of Ministers approved a draft budget of \$100.1

billion, with a projected \$14.7 billion deficit for 2012.²⁸⁸

The budget was predicated on crude oil not falling below \$85 per barrel and the country's ability to export an average of 2.625 MBPD during the year. As shown in Table 4.4, the draft represents a 21% rise in projected spending over the 2011 budget, and it follows substantial increases both last year and in 2010. In 2009, the budget was set at \$58.61 billion.

The CoM's 2012 draft budget, which requires CoR approval to become law, calls for \$31.8 billion of new capital spending—a 24% jump over 2011—which is likely to be put toward further rebuilding of the country's obsolete and rundown infrastructure. Proposed operational spending of \$68.3 billion for such recurrent items as government salaries, support for state-owned enterprises, and food subsidies is 20% higher than in 2011. The Ministries of Oil and Electricity have the largest capital budgets.

These steps, however, can only fund the first steps toward recovery and development, and much depends on security and political stability far more effective planning and management of funds, and efforts to reduce the massive level of corruption that permeates the Iraqi economy. These figures are far more impressive when no one questions how honestly and effectively the money is spent, or deals with the massive levels of corruption, influence peddling, and crony capitalism that mean that much of the money does little to help the Iraqi people or produce any progress towards development.

The fact that the World Bank and IMF touch upon these problems but make no attempt to analyze their scale or the size of the black and grey economy in Iraq -- coupled to the major uncertainties in even basic estimates of the GDP and population and lack of any meaningful income distribution data -- raise critical questions as to the accuracy and value of any econometric data on Iraq.

There are little meaningful data available on the effectiveness of the education and health system. Little attention is paid to how much of the funds the state does spend on the people consists of state-driven employment with little productive output -- if any. The CIA, for example, estimates that one of the poorest countries in the world in per capita income terms, has 60% of its work force in the "Service" sector, but only gets 30% of its GDP from that sector.²⁸⁹

It is clear that massive problems exist in the integrity of the financial sector and state banking. Water, population pressure, and decades of mismanaged state interference ever since the fall of the monarchy have created serious sectoral problems in many areas of Iraqi agriculture -- a sector the CIA estimates produces only 9.7% of the GDP but has 21.6% of the nation's labor force.²⁹⁰ The government has also mismanaged many aspects of state-owned enterprises since at least the last 1970s.

Finally debt and reparations remain a problem. While estimates differ, SIGIR reports that,²⁹¹

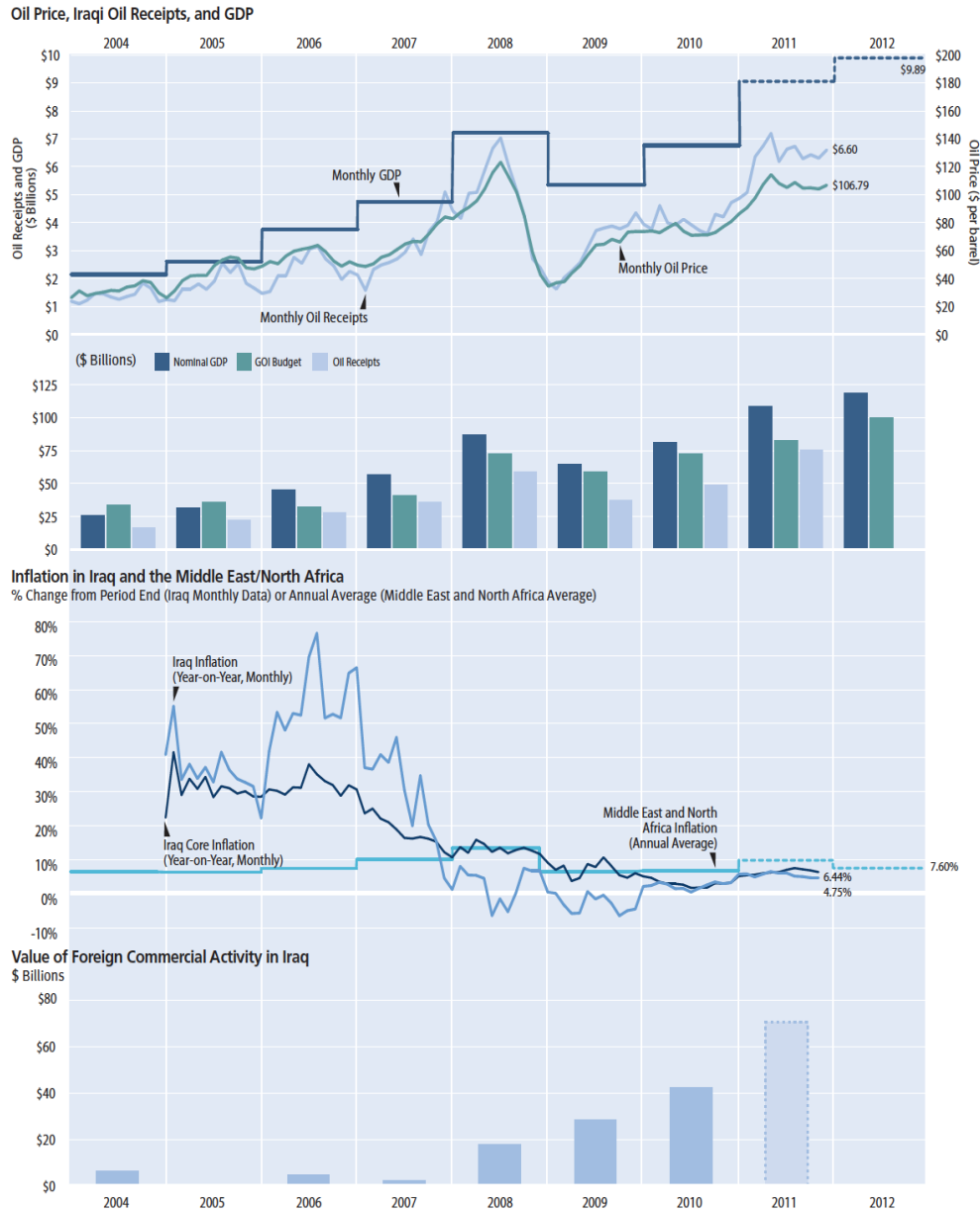
The GOI established a committee this quarter to deal with Iraq's public debt, most of which stems from the Saddam era. Estimated at between \$130 billion and \$140 billion in 2003, the government debt had fallen to \$92 billion in 2010 according to the CBI. About \$45 billion of this amount is eligible for debt-reduction negotiation under the same terms of the 2004 Paris Club agreement under which 19 nations, including the United States, wrote off 80% of outstanding debt. Among the remaining sovereign creditors, Arab neighbors—including Saudi Arabia, Kuwait, Qatar, and the United Arab Emirates—are collectively still owed about \$40 billion. Iraq owes Poland \$850 million.

In addition to this debt, Iraq also owes war reparations stemming from Saddam's invasion of Kuwait in 1990. At the end of 2011, Iraq owed just over \$18 billion in reparations—mainly to Kuwait. Iraq uses 5%

of its crude oil income to pay these reparations.

The US has long sought Saudi and Kuwait forgiveness of these debt burdens, and such action might do much to both improve Iraqi stability over time, and help tilt Iraq away from Iran.

Figure VII.12: Progress in the Iraqi Economy: 2004-2011

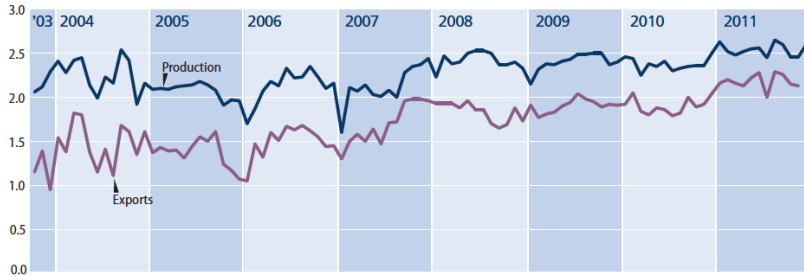


Note: Data not audited. Numbers affected by rounding. All dollar values are in current prices. GDP figures for 2011 and 2012 are estimates. Value of foreign commercial activity in Iraq for 2011 is an estimate. GOI budget for 2012 is CoM draft.

Figure VII.13: Oil Revenues vs. the Iraqi Budget: 2004-2011

CRUDE OIL PRODUCTION AND EXPORTS, BY MONTH, 10/2003-12/2011

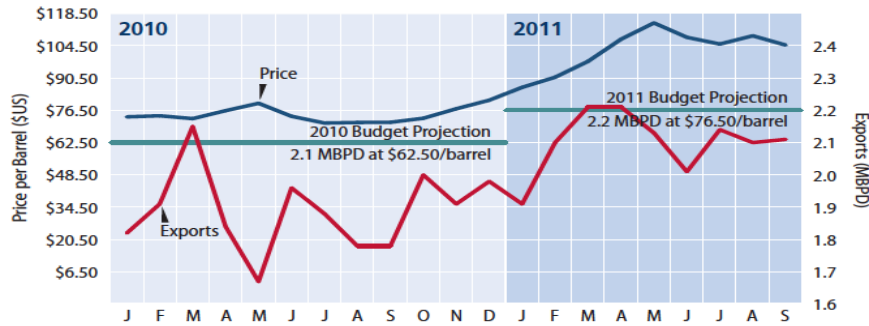
Million Barrels per Day



Note: Exports include crude oil from the Kurdistan Region; production figures do not.

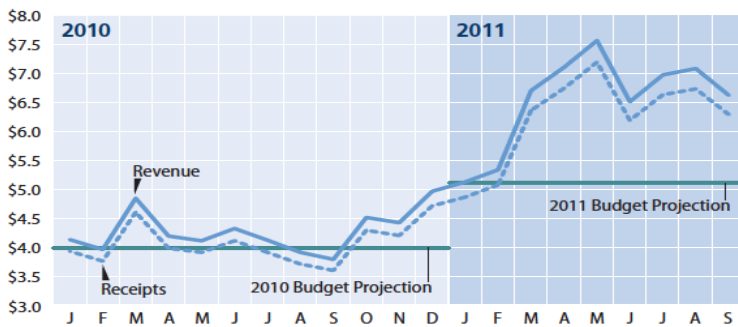
Sources: NEA-I, responses to SIGIR data calls, 6/4/2010, 7/6/2010, 1/11/2011, 4/5/2011, 7/7/2011, 10/17/2011, and 1/6/2012.

Monthly Oil Price and Exports vs. Projections



Monthly Oil Revenues and Receipts vs. Projections

\$ Billions



Note: Data not audited. Numbers affected by rounding. Not all oil export revenue accrues to the GOI; 5% is paid in war reparations to Kuwait, which accounts for the difference between the Receipts and Revenue lines in this chart. Monthly price per barrel is derived by dividing the monthly revenue by monthly exports.

Sources: U.S. Treasury, response to SIGIR data call, 10/11/2011; GOI, CoR, "Federal Public Budget Law for the Fiscal Year 2010," 1/27/2010; GOI, CoR, "Federal Public Budget Law for the Fiscal Year 2011," 2/23/2011.

SIGIR, Quarterly Report, October 30, 2011, p. 28, and January 30, 2012, p. 87

V. IRAQ'S PETROLEUM CHALLENGES

Iraq's oil resources present both an opportunity and a challenge in shaping Iraq's future. The current patterns in Iraq production and exports are shown in **Figures VII.13-16**. With some of the world's largest untapped energy reserves, Iraq is seeking to reach an output of 10 million barrels a day by 2017, and to increase production from around 2.9 million barrels in the spring of 2012 to 3.3 million in 2013.²⁹²

In reality, however, Iraq faces massive development challenges and is vulnerable to exploitation by local, regional, and international actors angling for a share of Iraq's precious resources. Although the Energy Information Administration described Iraq as "one of the few places left where vast reserves, proven and unknown, have barely been exploited", development of Iraq's energy sector is limited by war, ethnic conflict, and political crises.²⁹³

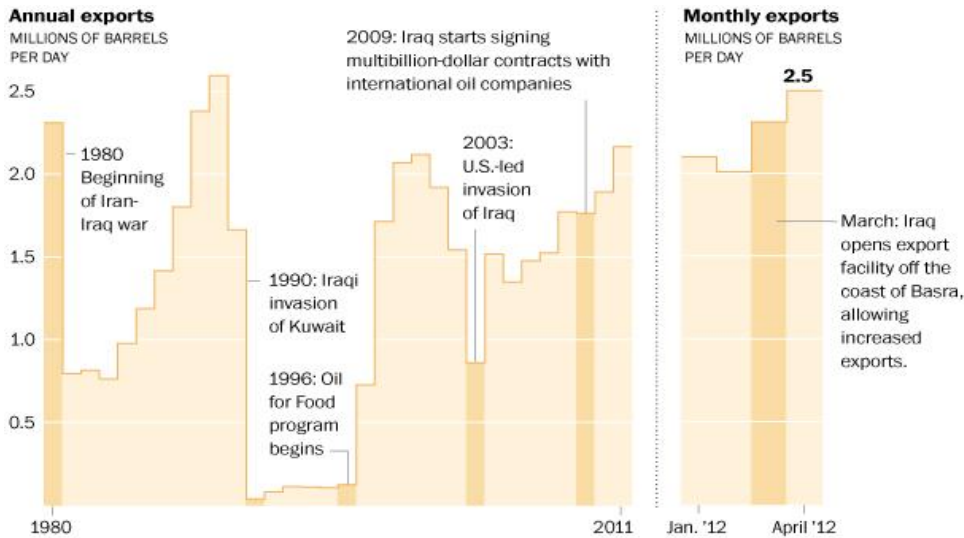
Iraqi domestic demand is sharply increased by subsidies that distort demand, and even if these subsidies were removed and Iraq built enough refineries to meet growing domestic demand, its export capability will still be steadily reduced by increased in domestic use of its output. UNDP estimates that petroleum subsidies already reduce the price by more than 50% and cost Iraq some \$11.3 billion a year, and the end result is that Iraqis consume over 750 million barrels a day of Iraq's oil production.²⁹⁴ The Iraqi Oil Ministry reported June of 2012 that the country's crude exports dropped 2.2 percent from April to May of 2012 due to increased demand.²⁹⁵ Ministry spokesman Assem Jihad stated that oil exports decreased from an average of 2.508 million barrels a day in April to an average of 2.452 million barrels a day in May.

Internal disputes between the central government and Iraq's oil rich regions, as well as poor infrastructure, political uncertainty, sabotage, and internal demand will limit Iraq's ability to produce and export oil. Few analysts believe that Iraq will meet its goal of increasing oil output fivefold by 2017. Herman Franssen of the Center for Strategic and International Studies and a former chief economist at the International Energy Agency asserts, "There's hardly anybody who believes that target. What people do believe in is that they could reach half of it by 2017. That would still be very ambitious, but at least more realistic".²⁹⁶ Production levels as low as 6 million barrels may be more likely.²⁹⁷

Iraq also faces political fallout between the central government and the Kurdish regional government (KRG) over energy contracts and the right to invite and award lucrative contracts to international companies. In April 2012, the KRG halted its supply of oil for export through Iraq's national pipeline, claiming that the central government owed over \$1.5 billion in operating costs to companies in the Kurdish region.²⁹⁸ For its part, the government in Baghdad has threatened to simply deduct that lost oil revenue from what the KRG's portion of the Iraqi budget.

Moreover, the petroleum sector is one of the least job intensive forms of economic activity once facilities are operating, and petroleum income is notoriously hard to distributed effectively either in terms of income or development.

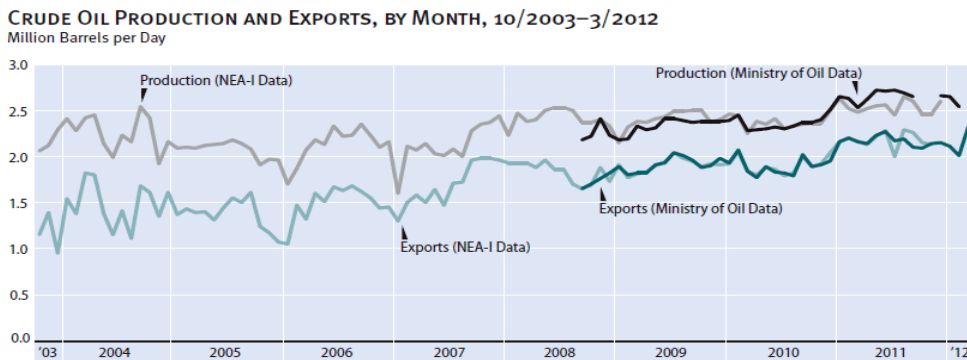
Figure VII.14: Iraqi Oil Exports



Sources: Iraqi Oil Ministry, US Energy Information Administration, The Washington Post

Graphic from The Washington Post, May 8: http://www.washingtonpost.com/world/iraqi-oil-exports-surgin/2012/05/08/gIOAJmdWBU_graphic.html

Figure VII.15: Iraq Crude Production & Exports October 2003-March 2012

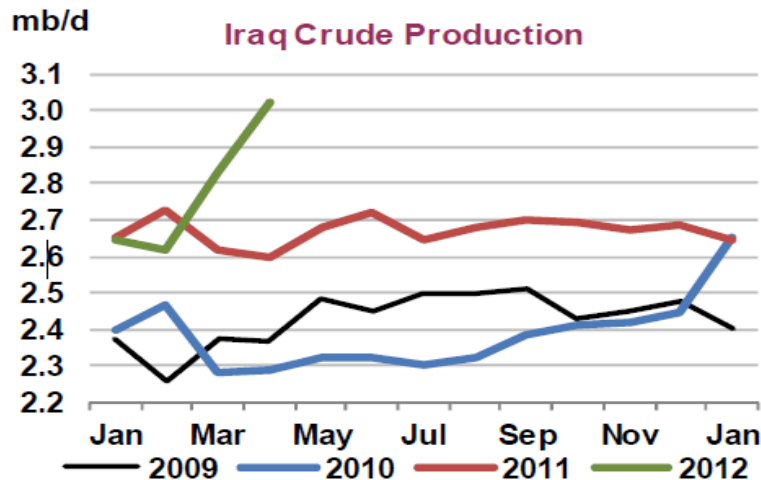


Note: In previous Quarterly Reports, the data that SIGIR reported on crude oil production and exports was obtained from NEA-I. Because NEA-I is no longer able to provide that data, SIGIR is now using data reported by the Ministry of Oil. Both sets of available data are shown in this figure. Exports include crude oil from the Kurdistan Region; production figures do not.

Sources: NEA-I, responses to SIGIR data calls, 6/4/2010, 7/6/2010, 1/11/2011, 4/5/2011, 7/7/2011, 10/17/2011, and 1/6/2012; GOI, Ministry of Oil, "Domestic Consumption" and "Crude Oil Exports," www.oil.gov.iq, accessed 4/23/2012.

Source: SIGIR Quarterly Report to Congress, April 2012, page 87

Figure VII.16: Iraqi Crude Oil Production By Year, January 2009 - January 2012



Source: International Energy Agency, "Oil Market Report", April 12, 2012

<http://omrpublic.iea.org/currentissues/full.pdf>

Plans and Prospects for Increase Production and Exports

Iraq is unlikely to meet its ambitious goal of producing 10-12 million barrels a day by 2017, according to many familiar with Iraq's energy sector.²⁹⁹ Disputes between the central government and regional authorities, as well as resources committed to rebuilding Iraq's war-torn infrastructure factor into what many believe will be reduced oil production targets.

On the positive side, both the IMF and the Central Bank of Iraq (CBI) anticipate Iraqi GDP to grow by 12% in 2012. Moreover, while Iraq has not been able to fully survey its oil and gas reserves, or invest efficiently in their development since the Iran-Iraq War began in 1980; the most recent country analysis of Energy Information Agency of the US Department of Energy notes that,³⁰⁰

"Iraq's proven oil reserves are 115 billion barrels³⁰¹, although these statistics have not been revised since 2001 and are largely based on 2-D seismic data from nearly three decades ago. Geologists and consultants have estimated that relatively unexplored territory in the western and southern deserts may contain an estimated additional 45 to 100 billion barrels (bbls) of recoverable oil. Iraqi Oil Minister Hussain Shahrastani said that Iraq is re-evaluating its estimate of proven oil reserves, and expects to revise them upwards.

A major challenge to Iraq's development of the oil sector is that resources are not evenly divided across sectarian-demographic lines. Most known hydrocarbon resources are concentrated in the Shiite areas of the south and the ethnically Kurdish north, with few resources in control of the Sunni minority.

The majority of the known oil and gas reserves in Iraq form a belt that runs along the eastern edge of the country. Iraq has 9 fields that are considered super giants (over 5 billion bbls) as well as 22 known giant

fields (over 1 billion bbls). According to independent consultants, the cluster of super-giant fields of southeastern Iraq forms the largest known concentration of such fields in the world and accounts for 70 to 80 percent of the country's proven oil reserves. An estimated 20 percent of oil reserves are in the north of Iraq, near Kirkuk, Mosul and Khanaqin. Control over rights to reserves is a source of controversy between the ethnic Kurds and other groups in the area.

...Iraq has begun an ambitious development program to develop its oil fields and to increase its oil production. Passage of the proposed Hydrocarbons Law, which would provide a legal framework for investment in the hydrocarbon sector, remains a main policy objective. Despite the absence of the Hydrocarbons Law, the Iraqi Ministry of Oil signed 12 long-term contracts between November 2008 and May 2010 with international oil companies to develop 14 oil fields. Under the first phase, companies bid to further develop 6 giant oil fields that were already producing with proven oil reserves of over 43 billion barrels. Phase two contracts were signed to develop oil fields that were already explored but not fully developed or producing commercially. Together, these contracts cover oil fields with proven reserves of over 60 billion barrels, or more than half of Iraq's current proven oil reserves.

As a result of these contract awards, Iraq expects to boost production by 200,000 bbl/d by the end of 2010, and to increase production capacity by an additional 400,000 bbl/d by the end of 2011. When these fields are fully developed, they will increase total Iraqi production capacity to almost 12 million bbl/d, or 9.6 million bbl/d above current production levels. The contracts call for Iraq to reach this production target by 2017.

That same EIA analysis warns, however, that,³⁰²

...Iraq faces many challenges in meeting this timetable. One of the most significant is the lack of an outlet for significant increases in crude oil production. Both Iraqi refining and export infrastructure are currently bottlenecks, and need to be upgraded to process much more crude oil. [Iraqi oil exports](#) are currently running at near full capacity in the south, while export capacity in the north has been restricted by sabotage, and would need to be expanded in any case to export significantly higher volumes.

Production increases of the scale planned will also require substantial increases in natural gas and/or water injection to maintain oil reservoir pressure and boost oil production. Iraq has associated gas that could be used, but it is currently being flared. Another option is to use water for re-injection, and locally available water is currently being used in the south of Iraq. However, fresh water is an important commodity in the Middle East, and large amounts of seawater will likely have to be pumped in via pipelines that have yet to be built. ExxonMobil has coordinated initial studies at water injection plans for many of the fields under development. According to their estimate, 10 -15 million bbl/d of seawater could be necessary for Iraq's expansion plans, at a cost of over \$10 billion.

...According to the Oil and Gas Journal, Iraq's proven natural gas reserves are 112 trillion cubic feet (Tcf), the tenth largest in the world. An estimated 70 percent of these lie in Basra governorate (province) in the south of Iraq. Probable Iraqi reserves have been estimated at 275-300 Tcf, and work is currently underway by several IOCs and independents to accurately update hydrocarbon reserve numbers. Two-thirds of Iraq's natural gas resources are associated with oil fields including, Kirkuk, as well as the southern Nahr (Bin) Umar, Majnoon, Halfaya, Nassiriya, the Rumaila fields, West Qurna, and Zubair. Just under 20 percent of known gas reserves are non-associated; around 10 percent is salt dome gas. The majority of non-associated reserves are concentrated in several fields in the North including: Ajil, Bai Hassan, Jambur, Chemchemal, Kor Mor, Khashem Ahmar, and Mansuriyah.

Iraqi natural gas production rose from 81 billion cubic feet (Bcf) in 2003 to 522 Bcf in 2008. Some is used as fuel for power generation, and some is re-injected to enhance oil recovery. Over 40 percent of the production in 2008 was flared due to a lack of sufficient infrastructure to utilize it for consumption and export, although Royal Dutch Shell estimated that flaring losses were even greater at 1 Bcf per day. As a result, Iraq's five natural gas processing plants, which can process over 773 billion cubic feet per year, sit mostly idle.

...Furthermore, Iraq's oil and gas industry is the largest industrial customer of electricity, with over 10 percent of total demand. Large-scale increases in oil production would also require large increases in power

generation. However, Iraq has struggled to keep up with the demand for power, with shortages common across Iraq. Significant upgrades to the electricity sector would be needed to supply additional power.”
–Department of Energy, Iraq Country Report

The EIA *International Energy Forecast for 2011* also projects a far slower increase in Iraqi oil production than Iraq does. It estimates that Iraqi production will increase from 2.4 million barrels per day (MMBD) in 2009 to the follow levels under direct scenarios:³⁰³

- 2.9 MMB in 2015, 4.5 MMBD in 2025, and 6.3 MMBD in 2035 in the high oil price case
- 2.7 MMB in 2015, 3.2 MMBD in 2025, and 3.9 MMBD in 2035 in the high oil price case.
- 3.2 MMB in 2015, 5.8 MMBD in 2025, and 8.9 MMBD in 2035 in the traditional low oil price case.

These production levels indicate Iraq will be very lucky to reach half of its goal of 12 MMBD in 2017.

Iraq’s Internal Barriers to Iraqi Petroleum Development

There are many reasons why the EIA and many other energy experts project that Iraq is unlikely to meet its current goals. Iraq has been slow in establishing the laws necessary to secure investment, political support for outside investment, a solution to Arab-Kurdish power struggles over its reserves (that may soon be followed by Sunni-Shi’ite struggles), an effective oil police and security structure, and electricity and water capacity.

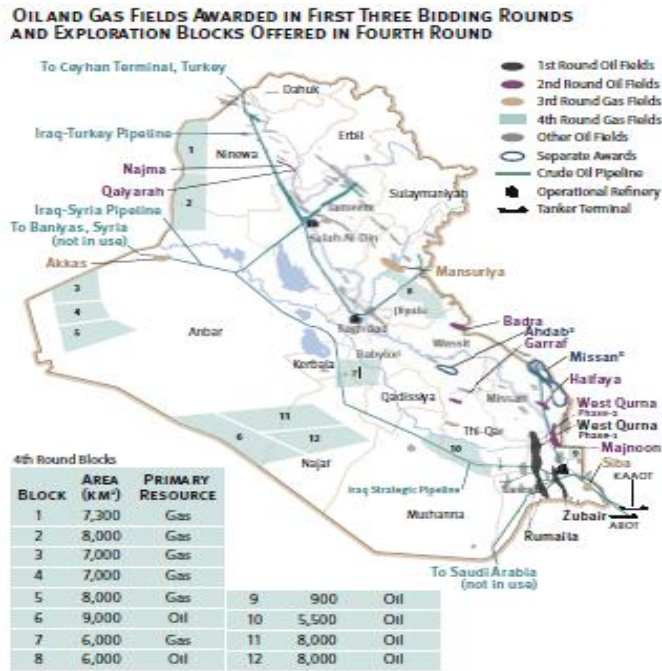
Iraq heavily subsidizes domestic petroleum prices in ways that reduce export capacity and increase domestic demand in inefficient ways, and is only slowly acquiring the refinery capacity to avoid having to make major imports of refined products. Both the US EIA and the International Energy Agency also estimate that Iraq’s future production will increase at a far slower rate than those claimed by Iraq’s oil ministry.

Iraq’s success obtaining outside investment and technology, while significant, has done little as yet to show Iraq can move towards its current goals without major improvements in bidding terms, taxation, security, other legal barriers, and levels of corruption.

Figures VII.17 and VII.18 show that non-US firms have dominated the bidding for Iraq’s efforts to rehabilitate and expand its oil and petroleum-related sector. Progress in the petroleum sector has been aided, however, by several American companies working in Basra, namely Halliburton, Baker Hughes, Schlumberger, and Weatherford,³⁰⁴ while Exxon circumvented Baghdad and signed deals with the Kurds in late 2011.³⁰⁵ Halliburton is working with Shell to develop the Majnoon oil field 37 miles from Basra.³⁰⁶ Majnoon is one of the world’s largest oil fields, named after the Arabic word for “crazy” because of the size of its oil reserve estimates of up to 25 billion barrels.³⁰⁷ However, the leading investor in Iraq’s oil industry is not the United States, but China.³⁰⁸

Iraq has had success in more recent bidding, but there is still no evidence that it can expand its production and exports at the rate it desires.

Figure VII.17: Oil and Gas Fields Awarded Through April 2012



Note: These second-round fields or projects received no bids: East Baghdad (north and central), Middle Furat (north, West Kiri, Marjari) and Eastern fields (Glibat, Khazem al-Ahmar, Nau Doman, Qumar).
 * The Ahadab field contract was first negotiated as a joint-venture in 1997 then reaffirmed and signed as a technical services contract in 2008.
 * The Missan contract was signed in May 2010.
 Sources: GOI, Ministry of Oil, www.pci-iraq.com/, accessed 1/4/2010, and "CNOOC Reviews Its Plans To Develop Mayan Oil Fields," www.oil.gov.lq/moo/feeds.php?lang=en&page_name=news&id=29, accessed 4/4/2012; China National Petroleum Corporation, "CNPC in Iraq," www.cnpc.com.cn/infocenter/worldwide/iraq/, accessed 4/4/2012; The Washington Institute for Near East Policy, "Gulf Energy Exports: Existing Alternative Pipeline Routes," www.washingtoninstitute.org/imaging/48581/aid0916.pdf, accessed 4/4/2012, and "Iraq: Oil Infrastructure," www.washingtoninstitute.org/imaging/41115dc3ed8cd.pdf, accessed 4/4/2012; "Fourth Time Lucky? Oil & Gas Middle East, Iraq Supplement, 11/2011," www.arabianonline.com/magazines/oe_81.php, accessed 4/4/2012.

Source: SIGIR Quarterly Report to Congress, April 2012, page 88

Figure VII.18: Results of the First Two Rounds of Bidding for Oil Development in Iraq

Results of Oil Field Bidding Rounds					
First Bidding Round (brownfields)	Operators	2009 Prod. 1,000 bbl/d	Target Prod. 1,000 bbl/d	Target Incr. 1,000 bbl/d	Reserves (billion bbl)
Rumaila	BP, CNPC, SOMO	1,000	2,850	1,850	17.8
West Gurna, Phase I	ExxonMobil, Shell, NOC	270	2,325	2,055	8.6
Zubair	Eni, Occidental, Kogas, Misan Oil	205	1,200	995	4.0
First Round Total (billion barrels)		1,475	6,375	4,900	30
Second Bidding Round (greenfields)					
West Gurna, Phase II	LUKOil, Statoil, Oil Exploration CO.	0	1,800	1,800	12.9
Majnoon	Shell, Petronas, Misan Oil	55	1,800	1,745	12.6
Halfaya	CNPC, Petronas, Total, South Oil	3	535	532	4.1
Gharaff	Petronas, JAPEX, North Oil	0	230	230	0.8
Badra	Gazprom, KOGAS, Petronas, TPAO, Midlands	0	170	170	0.1
Qayarah	Sonangol, Nineveh	2	120	118	0.9
Najmah	Sonangol, Nineveh	0	110	110	0.9
Second Round Total (billion barrels)		60	4,765	4,705	32
Totals - Rounds 1 & 2		1,535	11,140	9605.0	62.7

Source: EIA, Iraq, A Country Study, September 2010, <http://www.eia.gov/countries/cab.cfm?fips=IZ>

A Simmering Oil Crisis Between Baghdad and the Kurds

Disputes between the Kurdistan Regional Government (KRG) and central government over territory and oil resources, exacerbated by the absence of an existing hydrocarbon law, also affect Iraq's petroleum development although in ways that only affect a limited part of its potential resources.

What is more significant is that they have become a critical issue that divided the country, and a number of Iraq's Shi'ite provinces also want a larger share of oil export revenues. As Figure VII.17 below illustrates, Iraq has made progress in expanding its oil production and obtaining foreign technology and investment. However, as tensions between Iraq's Kurds and central government over disputed resources and territories continue, its leaders face ongoing challenges in achieving political and economic stability.

In April 2012, the KRG suspended its supply of oil through the national Iraqi pipeline, over complaints that Baghdad had not paid operating costs to companies operating in the Kurdish region. Kurdish officials angered by Baghdad's nonpayment of some \$1.5 billion it owes, reduced their oil exports by half to 50,000 barrels day, and threatened to stop contributing entirely. In response, Iraqi Oil Minister Hussain Al-Shahristani threatened to punish the Kurds by deducting the lost revenue caused by the KRG's oil suspension from the annual budget sent to Kurdistan from Baghdad.

While Baghdad currently holds the upper hand over its control of the country's oil export pipelines, the June 2012 Iraq Oil Report has stated that may not be the case for long. The Iraq Oil Report stated that the initial phase of construction has begun on a pipeline in the semi-autonomous Kurdish region which could "within two years...send crude directly from Kurdistan's oil fields to a Kurdish-controlled oil depot station four kilometers from the Turkish border".³⁰⁹

The June 2012 Iraq Oil Report also stated that: "From there, the crude connects to the final metering station on the Iraqi side of the Iraq-Turkey Pipeline. There are no formal plans to avoid that Baghdad-controlled link, but it appears governments and private firms on both sides of the border are thinking seriously about it.

In a stark assertion of its autonomy, the KRG has announced a wide range of prospective bilateral energy export arrangements with Turkey — including oil and gas pipelines and refining agreements.

Most immediately, Kurdistan is preparing to export crude oil to Turkey, which has agreed to refine it and send back the fuel. An agreement has not yet been reached with Baghdad, according to a senior Turkish official. Such a trade would violate a red line for the Iraqi central government, which claims sole authority to export the country's oil."

Both Kurdish and Turkish officials have expressed optimism over the pipeline. Kurdistan Regional Government Minister of Natural Resources Ashti Hawrami stated "Hopefully within a year or so, we'll have a pipeline built to capture all of the producing fields now." While Turkish Energy Minister Taner Yaldiz expressed "We are ready to get their oil and then supply our oil products."³¹⁰ Further analysis of these and other oil negotiations are available through the Iraq Oil Report, referenced in this report.

Adding to the existing tensions, the semi-autonomous Kurdish government signed a deal in October 2011 allowing ExxonMobil to explore several tracts of land, three of which are located

in territories claimed by both Kurdistan and Baghdad, and still pending final settlement. The move incensed the government in Baghdad, and placed ExxonMobil “at the heart of the conflict, potentially accelerating the centrifugal forces that are tearing at the Iraqi fabric”.³¹¹ ExxonMobil insists it has involved itself in an effort to bring Baghdad and Erbil together on a hydrocarbons law.

In June 2012, the White House confirmed that it received a formal letter from Prime Minister Maliki requesting the Administration to intervene and block Exxon Mobil from exploring in the Kurdish region. According to initial reports, Maliki has argued that Exxon Mobil’s activities with the KRG would further destabilize the country politically. Such moves have been seen to play to the Administration’s policy of maintaining stability in Iraq, which it has recently pursued by issuing executive orders to that effect. The White House refused to comment publicly until they had responded to PM Maliki.³¹²

For their part, the government in KRG may be exploiting Iraq’s political instability in order to advance their own goals of statehood and total independence. While Arabs and Kurds have lived together for nearly a century, their coexistence has always been uncertain and unhappy. Having been born out of the aftermath of colonial rule, and forced to cohabitate to varying degrees of repression and discrimination, the Kurds look forward to the day they no longer need Baghdad’s consent to pursue their regional interests.

The ICG’s April 2012 report titled *Iraq and the Kurds: The High-Stakes Hydrocarbons Gambit*, provides the following description of the intentions behinds the Kurds’ decision to act now:³¹³

“They know that when Baghdad is weak, they can take steps to bring their dream of statehood closer to reality, but that when the center is strong it will use its superior resources to push them back into their place – or worse.

They seek to reverse a legacy of discrimination and economic neglect but also to create an escape route should relations with Baghdad sour beyond repair. Yet, in many ways, this approach contains elements of a self-fulfilling prophecy: by pressing their advantage, Kurds inevitably aggravate matters, convincing the federal government that they are aiming for secession – and aiming to take with them a good chunk of disputed territory that Kurds claim as historically part of a notional Kurdistan but that also appears to be immensely rich in oil and gas.” -ICG Report: Iraq and the Kurds, April 2012

Most troubling to the government in Baghdad, however, are independent actions taken by the KRG inviting international companies, such as ExxonMobil, to “explore and exploit the region’s hydrocarbon wealth”, leaving Baghdad outside the territory-and incredible potential revenues-from these contracts.

The Kurds face their own problems; they are land-locked, and therefore do not have the means to export their oil without Baghdad’s assistance. The government in Baghdad has taken advantage of the Kurds’ predicament by maximizing its control of national pipeline, as well as the revenues generated from oil sales in efforts to keep the Kurds in line.

Ankara plays into this situation as it has become the Kurds eye neighboring Turkey as an eager market to export oil to. Kurdish officials hope that Turkey’s growing desire for oil and gas can play into their own desire for statehood.

“For Kurdish leaders, economic dependency on a democratic neighbour with an attractive window on the West is far preferable to a continued chokehold by a regime displaying

authoritarian tendencies – all of which raises the question of what Ankara would do if the Kurds ask it to take their oil without Baghdad’s approval.” - ICG Report: Iraq and the Kurds

US and Iranian Issues Affect Iraq’s Petroleum Development

The degree to which Iraq’s petroleum development will impact the competition between the US and Iran into the future is still uncertain. The following section addresses the nature of Iraq’s petroleum development and its relationship with both the US and Iran.

The US and Iraqi Petroleum Development

The US has an obvious interest in any effort that increases the world supply of petroleum on market terms, helps stabilize the global economy and security of energy exports, and reduces world petroleum prices. The scale of this strategic interest is, however, a subject of increasing debate.

The US Department of Energy *Annual Energy Outlook for 2011* estimates that the US will only reduce its dependence on petroleum imports from 52% in 2009 to 35%- 41% in 2035 in its reference case – and these estimates do not include indirect petroleum imports in the form of major imports of manufactured goods from regions like Asia – which are becoming far more dependence on petroleum imports from the Gulf.³¹⁴

US imports of liquid fuels (including crude oil, petroleum liquids, and liquids derived from nonpetroleum sources), which grew steadily from the mid-1980s to 2005, have been declining since 2005. In the *AEO2011* Reference and High Oil Price cases, imports of liquid fuels continue to decline from 2009 to 2035, although they provide a major part of total US liquids supply over the period. Tighter fuel efficiency standards and higher prices for liquid fuels moderate the growth in liquids demand, even as the combination of higher prices and renewable fuel mandates leads to increased domestic production of both oil and biofuels. Consequently, while consumption of liquid fuels increases steadily in the Reference case from 2009 to 2035, the growth in demand is met by domestic production.

The net import share of US liquid fuels consumption fell from 60 percent in 2005 to 52 percent in 2009. The net import share continues to decline in the Reference case, to 42 percent in 2035...In the High Oil Price case, the net import share falls to an even lower 24 percent in 2035. Increased penetration of biofuels in the liquids market reduces the need for imports of crude oil and petroleum products in the High Oil Price case. In the Low Oil Price case, the net import share remains flat in the near term, then rises to 56 percent in 2035 as demand increases and imports become cheaper than crude oil produced domestically.

While the current EIA projects indicate that the high price oil case does lead to a faster increase in the production of alternative liquids and in conservation and efficiency, it could also mean increases in the cost of energy throughout the US economy. It still leaves the US beholden to international oil prices, dependent on indirect imports of petroleum in the form of manufactured goods, and strategically dependent on the secure flow of global petroleum exports for a steadily more globalized US economy, as if the percentage of direct US petroleum imports was the same as in the reference or high price oil case. It should be noted, however, that the DoE and EIA estimates seem to lag in taking account of the gain being made in gas fracturing, tight oil, and other areas of domestic US production, and that experts like Ed Morse feel the US could become far less dependent on energy imports than DoE and EIA estimate.

Iran and Iraqi Petroleum Development

Some experts feel oil cooperation between Iraq and Iran could strengthen Iraq's ties to Iran and increase Iranian ability to deal with sanctions. However, the evidence to date is more negative. Construction of a proposed pipeline between Basra, Iraq and Abadan, Iran is still stalled at the doorstep of the Iraqi government, six years after both countries signed a Memorandum of Understanding.³¹⁵ The pipeline would transport up to 150,000 barrels of crude a day from Iraq to Iran, and Iranian refined products would ship back to Basra.³¹⁶ Iraq's Kurdish region also exports oil through Iran, incentivizes Iraqi cooperation with Iran, and allows Iran to soften the impact of American-backed sanctions.³¹⁷

The key problem this presents for Iran is that both Iran and Iraq have long competed to be the more important "oil power" – competition that has scarcely ended. When Iranian troops crossed the Iraqi border and took control of Well 4 of the Fauqa Field in 2009, crude oil futures increased by 2.2%.³¹⁸ Energy competition led both states to suddenly raise their claims for oil reserves during the Iran-Iraq War – an experience they have recently repeated. In 2010, weeks after Iraq announced crude oil reserve estimates of 143.1 billion barrels, Iran announced a new estimate of 150.31 billion barrels.³¹⁹

Both were significant increases that had little substantive evidence to support them: Iraq's estimate was 25% higher than its previous estimate, while Iran's was 9% higher.³²⁰ The timing of the announcements could indicate the intensity of oil competition between the two countries and Iran's intention not to be outdone by its neighbor. A former oil minister who served under Saddam Hussein, however, said both estimates are politically motivated and unreliable.³²¹ Iraq still has yet to rejoin OPEC's production quota system.³²²

THE REGIONAL RESPONSE TO DEVELOPMENTS IN IRAQ

There are other outside pressures, particularly from Iraq's Arab neighbors and Turkey. Once again America's Arab friends and allies play a critical role. Iran's influence in Iraq, and the growing uncertainty over the future nature of the US role in Iraq, has led key regional actors, especially Saudi Arabia and Jordan, to express reservations and criticisms of Iran's role. They worry about the development of "a Shi'ite crescent" of influence – from Hezbollah (the only active militia in Lebanon) and Syria (ruled by Shi'ite Alewites) to Iraq and Iran.³²³ Prior to the January 2005 elections, leaders in Iraq and in the region accused Iran of coaching candidates, pouring money into campaigns, and even rigging the election.³²⁴ Jordan's King Abdullah II claimed that over a million Iraqis went to Iraq to vote in the election and Iran was giving money to the unemployed in order to influence their vote.³²⁵

The Role of Other Arab States

The Saudis, other Gulf Arabs and Jordanians have expressed growing concern over Iran's role in Iraq and are worried about the spread of the Iranian model of Shi'ite governance, terrorists flowing from Iraq to Saudi Arabia, and the long-term oil issues in Iraq.³²⁶ In September 2005, Saudi Prince Saud al Faisal, Saudi Arabia's Foreign Minister, said, "The Iraqis now go in this pacified area that the American forces have pacified, and they go into every government of Iraq, pay money, install their own people, put their own – even establish police forces for them, arms and militias that are there and reinforce their presence in these areas."³²⁷

That same year, a leaked State Department memo shows, Saudi Arabia's King Abdullah privately expressed anger over the fact that, "whereas in the past the US, Saudi Arabia and Saddam Hussein had agreed on the need to contain Iran, US policy had now given Iraq to Iran as a 'gift on a golden platter.'"³²⁸ Experts like Ellen Laipson, President and CEO of the Stimson Center, counter with the argument that Saudi Arabia and Iraq's other Arab neighbors made few investments of political capital to counter Iranian influence despite their rhetoric and complaints to US diplomats.³²⁹ Whether this is their fault a lack of credible opportunities, or clearly defined US efforts to show Arab states that it supported such intervention, is a matter of debate.

Saudi Arabia has named an ambassador to Jordan, Fahd al-Zaid, to also serve as a "non-resident ambassador to Iraq." However, it has not yet opened an embassy in Baghdad. Other Gulf countries (with the exception of the UAE) have assigned permanent ambassadors to Iraq and established diplomatic ties with the country.³³⁰

The Impact of Iraq's Power Struggles

These Arab concerns interact with Iraq's internal political splits, and Sunni-Shi'ite tensions, which are tending to polarize Iraq's political system in ways that could benefit Iran. Prime Minister Maliki's crackdowns on Sunni political leaders and some 600 suspected "Ba'athists" -- many from Saddam Hussein's birthplace and former stronghold of Tikrit -- during October-December 2011 -- alleged to result from a tip from the Libyan transitional government -- have increased these tensions.

As part of Prime Minister Maliki's efforts to consolidate power, his government pursued a nationwide round of de-Ba'athification, going so far as to disqualify candidates from elections on

the grounds that they were too close to the now defunct Ba'ath Party. Many of those arrested had no current ties to the Ba'athists or any element seeking to overthrow the government. Maliki's actions were clearly more over a power grab than the result of legitimate fears of some form of coup or threat.

The Maliki government also failed to sustain its efforts to create jobs for the Sons of Iraq, the Sunni military force that did much to fight Al Qaeda from 2007 onwards, and tensions increased steadily with both Sunnis in Provinces like Anbar and Diyala, and Kurds in the area around Kirkuk.³³¹

Most importantly, Maliki split with key Sunni political leaders. On December 17, 2011, Maliki asked the Council of the Republic for a vote of no-confidence against Saleh Mutlaq, a Sunni deputy prime minister, on the grounds that al Mutlaq lacked faith in the political process. This led Iraq's Sunni Vice President Tariq al Hashemi to take his Shi'ite party out of the "unity" government. On December 19, 2011 Maliki followed up a failed effort to arrest Iraq's Sunni Vice President Tariq al Hashemi on suspected links to terrorism, the day after the final convoy of US troops left Iraq, by issuing a warrant for his arrest.

The facts in these disputes are unclear, and it is not possible to determine which side is correct. Major General Adel Daham, a spokesman for the Ministry of Interior, said the warrant was based on confessions by suspects identified as Hashemi's bodyguards, that tied the vice president to killings and attacks on Iraqi government and security officials: "An arrest warrant has been issued for Vice President Tariq al Hashemi according to Article 4 of the terrorism law and is signed by five judges... this warrant should be executed."

The MoI showed taped confessions on the state-run Iraqiya television and other local media of men it claimed were 13 members of Hashemi's security detail who said they had been paid by al Hashemi's office to carry out killings. At this point, al Hashemi was reported to be in Kurdistan where he could not be arrested without the permission of the Kurdish authorities.³³²

These actions pushed at least some Sunnis towards some form of separate political status or "federalism." In June 2011, Speaker Nujeifi warned that Sunnis in Iraq might seek separation from the Shi'ite-run government, or demand more autonomy by pressing for the establishment of more independent regional status.³³³ Sectarian divisions are becoming more apparent as several predominantly Sunni provinces seek regional status. In October 2011, Salahuddin Province declared itself an "administrative and economic region in a united Iraq".³³⁴ While this move was unconstitutional (provinces can request regional status but cannot unilaterally declare themselves as such), and Salahuddin council eventually backed off, the move nonetheless demonstrates the growing discomfort of Sunnis to Maliki's centralization of power.

Not surprisingly, the Gulf Cooperation Council (GCC) states severely criticized the Maliki regime during its meeting in December 2011, and senior Arab officials privately expressed their concern that he was making Iraq into a Shi'ite state and possible future threat.

The Role of Turkey

For its part, Turkey is primarily concerned with the Kurdish separatist movements in northern Iraq, and their support of Kurdish oppositionists inside Turkey. Kurdish-Turkish tensions occasionally spill over into skirmishes, as in October 2011 when Turkish troops attacked the anti-Turkey Kurdistan Workers' Party (PKK) bases in northern Iraq, after the PKK killed 24

Turkish soldiers.³³⁵ More recently, in late June 2012, Turkish airstrikes struck at Kurdish rebels within Iraq's borders, killing dozens of Kurds.³³⁶ While incursions like this are not new—cross border skirmishes between Turkey and Kurds seeking regional autonomy have become somewhat regular over the years—their persistence at a time when Iraqi leaders face widespread instability is particularly troubling.

US POLICY TOWARD IRAQ: AN INCREASINGLY UNCERTAIN FUTURE BASE FOR COMPETITION WITH IRAN

The US has dominated aid to Iraq in the past, as demonstrated in **Figures VII.19 and VII.20**. Moving forward, however, the US now faces a steadily more uncertain base for both dealing with Iran and establishing a stable relationship with Iraq because of Iraq's internal problems, Iranian efforts, and US internal problems in providing the necessary resources and support for an effective US country team effort. It also faces serious problems in the US confrontation with Iran should turn to war, or Iran should conduct a more direct effort to win control or dominant influence in Iraq.

The SFA commits the US to defending Iraq in the event of an attack, but the balance of influence is changing. Real world Iraqi support for a strategic relationship is uncertain to say the least. The SFA is more a piece of paper than a functioning agreement, and Iran may have played a major role in limiting its effectiveness. There are reports that Iran, through its influence over Iraqi Sadrists, played a major role in blocking US efforts to negotiate a strong Strategic Framework Agreement (SFA) with Iraq. A BBC report dated November 14, 2011 claimed that,³³⁷

Washington had lobbied hard, and publicly, for a new agreement that would allow the US to keep a contingent of several thousand soldiers in Iraq. After months of indecision, in October, the government in Baghdad said no - or at least not under conditions acceptable to the Pentagon.

Some detected the hand of Iran behind the decision. Adviser Sa'ad Youssef al-Mutalabi says that while the decision had been Iraq's, Iranian sensitivities had played their part. "It is taking Iran into consideration. We understand that there is a certain sensitivity. And we do not want an excuse for the Iranians to intervene in Iraq on the pretext that you have American troops."

That same BBC report noted, however, that Iran's role was uncertain,

Michael McClellan is the spokesman for the US embassy in Baghdad says: "We are not being pushed out and I don't think it's at the behest of Iran. Since 2003, our objective here has been to have an Iraq that is sovereign, stable and self-reliant... They are sovereign because they did make their own decision. We did not just come back at them and say: 'Sorry but we're going to keep our troops here anyway.'"

What is clear is that Iran seeks to capitalize on the situation in Iraq through manipulating its patronage channels to Iraq's Shi'ite political parties. Iran seeks to limit or eliminate US influence in Iraq, and benefit from future commercial opportunities with its regional neighbor. One the issue of Iranian influence in Iraq, Kenneth Pollack of the Brookings Institution has said that:³³⁸

"There is no question that Iran has huge equities in Iraq, that it intends to maximize its influence there, and that Iran's goals in Iraq are mostly inimical to our own. Because of Iraq's intrinsic importance coupled with its significance to the Persian Gulf region, preventing Iran from achieving its maximal goals in Iraq will be crucial to America's interests in the region."

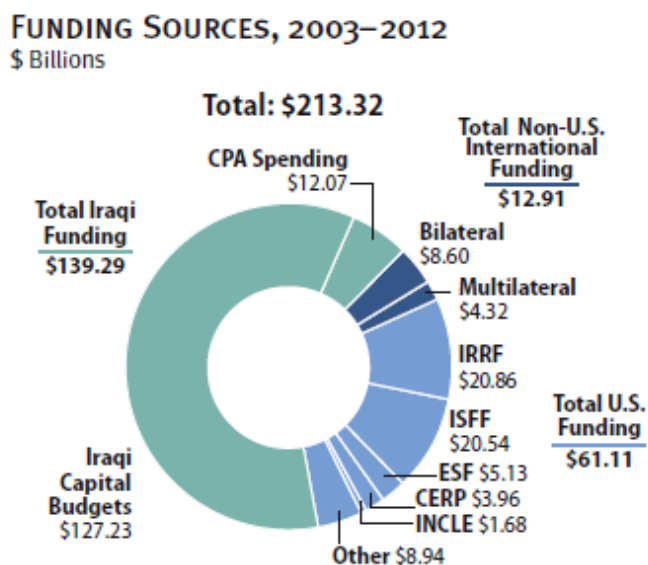
Yet, Iran faces many problems as well. The history of the Iran-Iraq War – which lasted from 1980-1988 -- has left a legacy of anger and resentment that at least partially matches Iraqi anger and resentment of the US occupation. Many in the Iraqi security services see rebuilding Iraq's conventional military forces and creating a capability to defend against Iran as a vital national interest.

Iraq is a largely Arab country, and this creates some tension with Iranian “Persians.” Most Iraq Shi’ite clerics are “quietists” that do not support the political activism of Iran’s clergy or support the idea of a Supreme Leader who speaks for the missing Imam – particularly one that is Iranian. Sadr may be a partial exception, but his views have shifted over time and his ties to Iran seem highly opportunistic in character. Iraqi Arabs are conscious that most Gulf Arabs see Iraq’s current ties to Iran as a threat to Iraq’s Arab identity and status.

Iran’s ability to influence Iraqi politics remains complicated; however, as rival Shi’ite parties such Iraq’s Dawa Party or the Supreme Council for the Islamic Revolution in Iraq (SCIRI), remain divided on many issues, and are wary of being controlled by Iran, with whom many still harbor resentment over the bloody, eight year Iran-Iraq war. Iran did work with Iraqi Shi’ite political leaders to form a new government in 2010, but continued to bolster the political importance of Sadrists and support various Shi’ite militias. Iran has no support from Iraqi Sunnis and Iraqi Kurds are aware that Iran has been little more tolerant of Iran’s Kurds than Saddam Hussein was of Iraq’s

Iran’s aid and greatly expanded commercial ties make Iran one of Iraq’s most important trade partners. Iraqi imports of Iranian goods may reach \$10 billion by 2012, and Iraq is increasingly dependent on Iranian energy imports.³³⁹ Many Iraqis, however, feel Iran is exploiting Iraq’s current economic weakness, underselling Iraqi goods, buying up property cheaply, and severing its own interests.

Figure VII.19: Total Iraq Funding Sources, 2003-2012



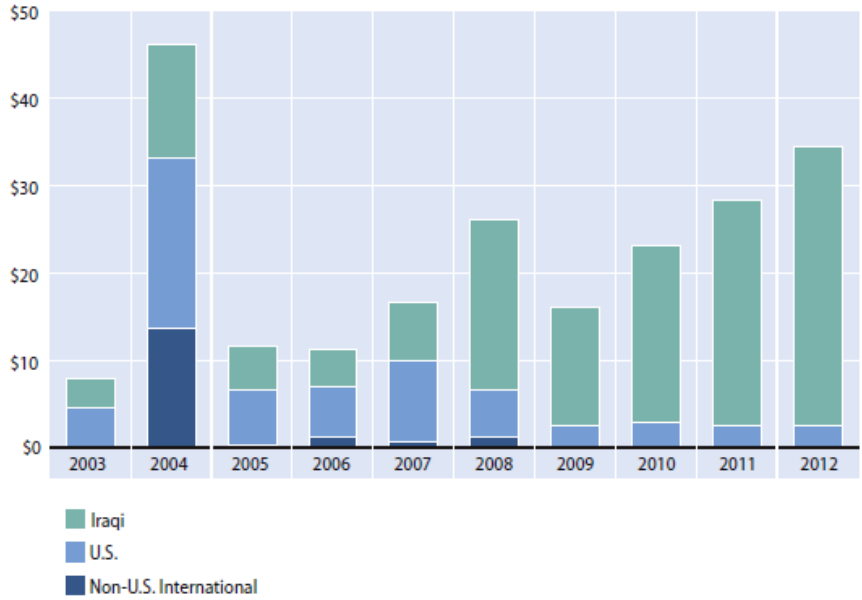
Note: Data not audited. Numbers affected by rounding.

Source: SIGIR April 2012 report, p 16

Figure VII.20: US, Iraqi, & Non-US International Reconstruction Support, 2003-2012

U.S., IRAQI, AND NON-U.S. INTERNATIONAL SUPPORT FOR RECONSTRUCTION, 2003–2012

\$ Billions



Note: Data not audited. Numbers affected by rounding. U.S. Contributions are represented by U.S. fiscal year. Iraqi and non-U.S. international contributions are represented by calendar year. Iraqi funding reflects capital budgets for 2003–2005 and 2011–2012, as well as actual capital expenditures for 2006–2010. The earliest available data for non-U.S. international contributions dates from 2004; therefore, all 2003–2004 non-U.S. international contributions are represented as having been made in 2004.

Source: SIGIR April 2012 report, p 16

The Declining Size of US Aid

US policymakers are now faced increased budgetary constraints and “Iraq War fatigue” as they try to reshape the US mission in Iraq and compete with Iran. The withdrawal of US combat troops, uncertainty over future funding levels, and a reduction in overall US Government personnel in Iraq all contribute to a reduction in funding, and spur the transition from a mainly military presence to a primarily civilian one.

As previously mentioned, budgetary constraints, a decreased US troop presence, in addition to other factors have led to the decline of US aid to Iraq. US military and civil aid has been an important source of America’s influence in Iraq, but has been declining in proportion to the reduction of US troops, and will continued to do so. **Figure VII.21** below, from the Center for Strategic and Budgetary Assessment, shows CSBA’s predictions that US funding to Iraq in the coming years would soon be as low as pre-invasion levels.

The Problem of Past Waste and Overspending

Selling the civil and military aid program the US now needs to carry out in Iraq will not be easy. The Special Inspector General for Iraqi Reconstruction (SIGIR) has written study after study of the failures in the past US effort, and the results are anything but impressive for a mixture of US, foreign, and Iraqi spending aid that reached a total of \$213 billion between 2003 and 2013.

SIGIR notes that this aid came through three main sources:³⁴⁰

- Iraqi funds overseen by the Coalition Provisional Authority (CPA) and the Iraqi capital budget—\$139.29 billion, including \$31.88 billion made available for capital expenditure in Iraq’s 2012 budget
- U.S. Appropriations—\$61.11 billion, including \$2.55 billion made available through FY 2012 appropriations
- International commitments of assistance and loans from non-U.S. sources—\$12.91 billion

The US provided approximately 30% of this money. SIGIR reported in April 2012 that “since 2003, the United States has appropriated or otherwise made available \$61.11 billion through FY 2012 for relief and reconstruction efforts in Iraq”, including building physical infrastructure, establishing political and societal institutions, reconstitution of security forces, and the purchase of products and services for the benefit of the people of Iraq.³⁴¹ SIGIR also reported in April 2012 that, “Of the \$61.11 billion made available as of March 31, 2012, nearly

\$52.18 billion has been provided through five major funds, three of which remain available for obligation to new activities.”³⁴² These funds include:

- **Iraq Security Forces Fund (ISFF)** — \$20.54 billion appropriated, \$18.64 billion obligated, \$17.94 billion expended, and \$1.28 billion available for obligation to new projects
- **Economic Support Fund (ESF)** — \$5.13 billion appropriated, \$4.45 billion obligated, \$4.04 billion expended, and \$429 million available for obligation to new projects
- **International Narcotics Control and Law Enforcement (INCLE)** — \$1.68 billion appropriated, \$1.01 billion obligated, \$900 million expended, and \$669 million available for obligation to new projects

The two funds that are no longer able to be applied to new projects are:

- **Iraq Relief and Reconstruction Fund (IRRF)** — \$20.86 billion appropriated, \$20.34 billion obligated, and \$20.08 billion expended
- **Commander's Emergency Response Program (CERP)** — \$3.96 billion appropriated, \$3.73 billion obligated, and \$3.73 billion expended

As of March 31, 2012, only \$1.50 billion of the total obligated from the five major funds remained unexpended. Only some of this money can now be obligated, however, and aid levels are dropping steadily. SIGIR notes in its April 2012 quarterly report to Congress that,³⁴³

“The \$2.55 billion in FY 2012 funding made available for Iraq relief and reconstruction programs was \$0.52 billion less than the Administration’s \$3.06 billion request for FY 2012, but almost the same as the \$2.56 billion made available in FY 2011. The \$2.55 billion in FY 2012 funding does not include a combined \$3.49 billion for the D&CP and the Embassy Security, Construction, and Maintenance accounts—or additional funds for military operating expenses—some of which support reconstruction activities.

On February 13, 2012, the Administration re-leased its congressional budget request for FY 2013,⁴⁴ which requests \$2.69 billion for Iraq reconstruction.⁴⁵ For a comparison of the Administration’s FY 2012 and FY 2013 budget requests and the amounts made available for Iraq relief and reconstruction programs in FY 2011 and FY 2012, see Table 2.3.

According to DoS, in FY 2011—before the U.S. military’s withdrawal from Iraq—the U.S. government as a whole spent approximately \$48 billion on Iraq. For FY 2013, the Administration’s proposed government-wide request for Iraq is less than \$8 billion, including operating expenses, which is a reduction of more than 80% in two years...”

IRRF and CERP funds can no longer be used for new obligations. Nearly half of the unexpended obligations are within the ISFF. The Congress has also allocated \$10.45 billion in smaller funding streams.³⁴⁴

Cuts in Current and Requested Aid

The Congress has already made cuts in current US aid requests and has shown increasing resistance to large amounts of future funding. On April 15, 2011, after several temporary extensions, a total of \$3.7 billion was appropriated for FY2011 to Iraq versus a request of \$5.05 billion. Just \$2.3 million of that amount (one-tenth of 1%) was obligated from ISFF, ESF, and INCLE, while \$42 million was obligated from the CERP, or 64% of its FY2011 appropriation.³⁴⁵

The FY2012 budget request totaled \$6.83 billion. There was no request for ISFF funding in the FY2012 budget; instead requests were made for \$1 billion each for Foreign Military Financing (FMF) and in INCLE to support ISF as part of “Overseas Contingency Operations.”³⁴⁶ Under the US Budget Control Act of 2011, Contingency Operations would not be constrained by discretionary caps.³⁴⁷ Congress has passed short-term funding for operations in Iraq on several occasions, including through November 18, 2011, while the FY2012 budget was being considered.

In February 2012, the US acknowledged it would be cutting the funding for the US Embassy in Baghdad by 10 percent in 2013, as part of the \$4.8 billion spending plan the State Department is

requesting for the mission for the 2013 fiscal year that begins October 1, 2012.³⁴⁸ Michael W. McClellan, the embassy spokesman, stated that to compensate for the cuts the embassy was planning to hire “Iraqi staff and sourcing more goods and services to the local economy,”³⁴⁹ Additionally, as previously stated in this piece, the Center for Strategic and Budgetary Assessment’s *2012 Defense Budget Analysis* reports that:³⁵⁰

The FY 2012 budget requests a total of \$118 billion in additional funding for the wars of which \$107.3 billion is designated for operations in Afghanistan and \$10.6 billion for Iraq. This is a substantial decline from the level of funding enacted in FY 2011, 27 percent in real terms, and brings total annual war funding to the lowest level it has been since FY 2005. Nearly all of the reduction in war funding from FY 2011 to FY 2012 is due to Iraq, where costs are projected to decline by 77 percent in real terms as troop levels drop to less than 4,500 in the first quarter of FY 2012 and to zero after December 31, 2011, the date by which all military forces must be withdrawn from the country according to the status of forces agreement.

The future cost of the wars depends on a number of external factors that cannot be known in advance, such as operational tempo, fuel prices, and the number and composition of forces required in future years. Previous analysis by CSBA has demonstrated a strong correlation between the number of troops deployed and the total annual cost.¹¹ However, as the troop levels in Iraq fall to zero in FY 2012 and the State Department assumes the lead for the U.S. mission, the correlation between cost and the number of troops will no longer hold true. The cost of operations in Iraq will likely remain in the range of \$5–10 billion dollars annually as long as U.S. support for the Iraqi government continues as planned.”

The Challenge the State Department and Country Team Now Faces

The State Department has assumed primary responsibility for the remaining US mission in Iraq in the aftermath of the US troop withdrawal. Based out of the expansive US Embassy in Baghdad, as well as consulates in Erbil, Basra, and Kirkuk, the US mission in Iraq represents the new civilian face of US Government, and numbers around 12,755 personnel. These State Department personnel are made up of 1,369 civilian government employees and 11,386 contractors, and responsible for various aspects of the US mission in Iraq.³⁵¹

SIGIR (April 2012) reports that since 2003, “the US has appropriated or otherwise made available \$61.11 billion for relief and reconstruction efforts in Iraq”, as shown in Figures VII.2 and VII.3 below.³⁵² (For complete details of the administration’s budget request for Iraq in FY 2013, see SIGIR’s April 30, 2012 Quarterly Report to Congress, table 2.3.)

These budgetary concerns have prevented the State Department from maintaining the previously planned levels of personnel in country. In February 2012, US State Department officials asked each component of its massive diplomatic mission in Baghdad to “analyze how a 25 percent cut would affect operations”, in an attempt to reduce the size of the US embassy in Iraq.³⁵³

Deputy Secretary of State Thomas Nides announced in February 2012 that the State Department was looking at ways to reduce the budget, and create a “more normalized embassy presence” in Baghdad. In February 7, 2012, the New York Times reported that the US State Department was planning to reduce the size of its embassy in Iraq by as much as half. Nevertheless, Thomas Nides asserted, “As much as I would love to continue to reduce numbers of people and cost, I will not sacrifice the security of our people”.³⁵⁴

In a Special Briefing on the 2013 State Department and USAID budget, Deputy Secretary of State for Management and Resources Thomas Nides and USAID administrator Rajiv Shah presented the Obama administration's budget request for the State Department and USAID.³⁵⁵ In relation to the administration's request for Iraq, Deputy Secretary Nides reported that:

"First, the 23 percent – or \$11.9 billion of requests goes in defending our now security interests in the frontline states of Iraq, Afghanistan, and Pakistan. Our Civilian Overseas Contingency Operations budget, better known for OCO, funds the temporary extraordinary cost associated with these missions. Using the same methodology from the last year's request, we've asked for \$8.2 billion in OCO, and \$3.7 billion in our base budget for a total of \$11.9 billion for the frontline states. And let me now just break it down to you specifically.

In Iraq, we're requesting \$4.8 billion for next year, which is about 10 percent less than last year. The transition is already saving American taxpayers a great deal of money. With now – with State in the lead, and with the troops no longer on the ground, the government is spending \$40 billion less this year than last. And as discussed during last week's press briefing, we're continuing to be thoughtful about the rightsizing of our presence in Iraq, hiring more local staff, procuring more goods locally, which should further reduce our spending." –Deputy Secretary of State Thomas Nides, Special Briefing on FY 2013 budget

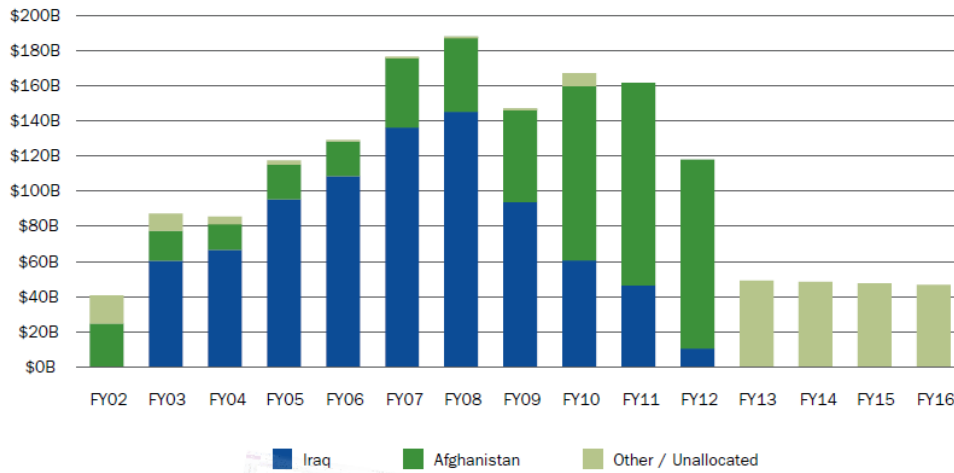
Additionally, the Center for Strategic and Budgetary Assessment's *2012 Defense Budget Analysis* reports that FY 2012 funding for the Iraq war was the lowest it has been since FY 2005:³⁵⁶

"The FY 2012 budget requests a total of \$118 billion in additional funding for the wars, of which \$107.3 billion is designated for operations in Afghanistan and \$10.6 billion for Iraq. This is a substantial decline from the level of funding enacted in FY 2011, 27 percent in real terms, and brings total annual war funding to the lowest level it has been since FY 2005. Nearly all of the reduction in war funding from FY 2011 to FY 2012 is due to Iraq, where costs are projected to decline by 77 percent in real terms as troop levels drop to less than 4,500 in the first quarter of FY 2012 and to zero after December 31, 2011, the date by which all military forces must be withdrawn from the country according to the status of forces agreement.

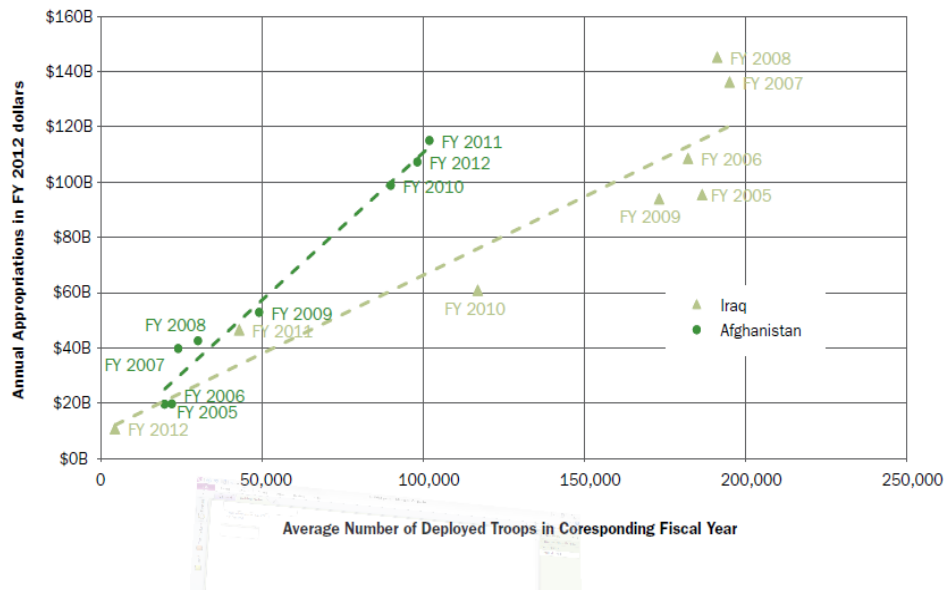
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Figures VII.21 and VII.22 further illustrate the above points on past and projected war funding, and the correlation between annual appropriations and troop levels.

Figure VII.21: DOD War Funding, Past and Projected, FY 2002-2016
(In FY 2012 Dollars)



Source: Center for Strategic and Budgetary Assessments, 2012 Defense Budget Analysis, page 6

Figure VII.22: Annual Appropriations vs. Number of Troops (FY 2005-2012)

Source: Center for Strategic and Budgetary Assessments, 2012 Defense Budget Analysis, page 12

Security Constraints and the US Ability to Operate in Iraq

In addition to US budgetary concerns are Iraq's continuing security issues. State's problems in moving through Iraq were compounded by "severe" kidnapping warnings that, as of December 2011, drastically limited the movement of US officials. US experts believe Shi'ite militant groups affiliated with Iran were the biggest threat, though Sunni extremists linked to al Qa'ida were responsible for most kidnappings in the early years of the war. These security concerns forced the State Department to rely on contractors to provide transportation, food, maintenance, and security to the embassy in Baghdad, and the consular outposts in Basra, Kirkuk, and Erbil.

The presence of these contract security forces is particularly sensitive to Iraqis. Security contractors remain targets and certain groups will continue to fuel sectarian tensions, and it is unclear that Iraqi forces can take up the burden of either internal security or protecting the kind of US presence that is currently planned after 2011. Threats from both Sunni and Shi'ite hardline extremists – and their growing pattern of attacks on other targets in 2011 and early 2012 – make it clear that the US troop withdrawal has not put an end to violent attacks on either US or GOI targets. The difficulty of this challenge is captured in a statement by a contractor with experience in Iraq. Speaking anonymously, the contractor noted that Iraqi's do not want Americans as mentors or advisors. He added that even if they did, "no Iraqi is going to go on record saying he wants something from America".³⁵⁷

The Critical Role of Aid and the US Country Team

In spite of these challenges, US success in Iraq still depends heavily on the success of future State Department-led political, economic, and security training efforts to bolster Iraq's ability to maintain security and offset Iranian influence. The quality of the US security assistance effort will be critical. At the same time, the US ability to help Iraq create the broader economic and political reforms, legal incentives necessary for economic development, and Iraqi government's capacity in these areas, remains as important as military and police assistance and training. Measures that reduce ethnic and sectarian tensions, stem corruption and enforce rule-of-law will be necessary to give the Iraqi government legitimacy and build the foundation for both stability and security.

US AND IRANIAN COMPETITION IN IRAQ'S ECONOMY

The quality of US aid and the scale of US private investment will be key factors in both competition with Iran and in meeting Iraq's needs for economic development and stability. In spite of massive spending, past US aid has had an uncertain impact on America's image in Iraq. According to the SIGIR's October 2010 report, American reconstruction programs had too low a profile among Iraqi citizens.³⁵⁸ Safia al-Souhail, a member of the Council of Representatives and of Maliki's State of Law coalition, told the SIGIR, "If you lived in a community and someone donated money to expand the water treatment plant in your neighborhood, it is unlikely the average household would know who donated the money."³⁵⁹

The Uncertain Quality of US Aid and the Need to Focus on Advice and US Private Investment

The US is now focused on small programs to help Iraq build capacity in key areas, though these efforts are likely to have limited visibility and impact on Iraqis and US and Iranian competition. USAID now has five such projects; two ongoing and three new. SIGIR reports that the ongoing projects include:

The Iraq National and Provincial Administrative Reform Project (called *Tarabot*, or "linkages" in Arabic), with \$151 million from the ESF. The new initiative follows the long-running National Capacity Development Program (called *Tatweer*, or "development," in Arabic), which was concluded on July 31, 2011. Like *Tatweer*, *Tarabot* aims to support the GOI by strengthening federal, provincial, and sub-provincial government entities while working to increase provincial control over public-policy decision-making and government resources. The project is scheduled to conclude in 2015.

The Governance Strengthening Project (GSP), a \$131million ESF-funded effort that aims to continue the work of the Local Governance Program (LGP), which ended in September. The project will aim to develop Iraq's provincial governments amid concerns raised in evaluations of the LGP about the ability of the central government to devolve power to the provinces.³⁶⁰

These US projects are shown in **Figure VII.23**, and it is clear that they are relatively small and narrowly focused. Major new funding will be needed to sustain these efforts – and US competition with Iran – in FY2013 and beyond.

While the US may be able to partially compensate for cuts in aid by focusing on the technical advice and expertise Iraq needs to use its own resources effectively, the US aid levels involved and their visibility are very low. Congress significantly reduced aid to Iraq in FY2011 and FY2012, and may well do so again in FY2013 and beyond. Moreover, the General Accountability Office reported in February 2012 that Iraq had a major budget surplus in 2009, and was now capable of funding its own governance and development.³⁶¹

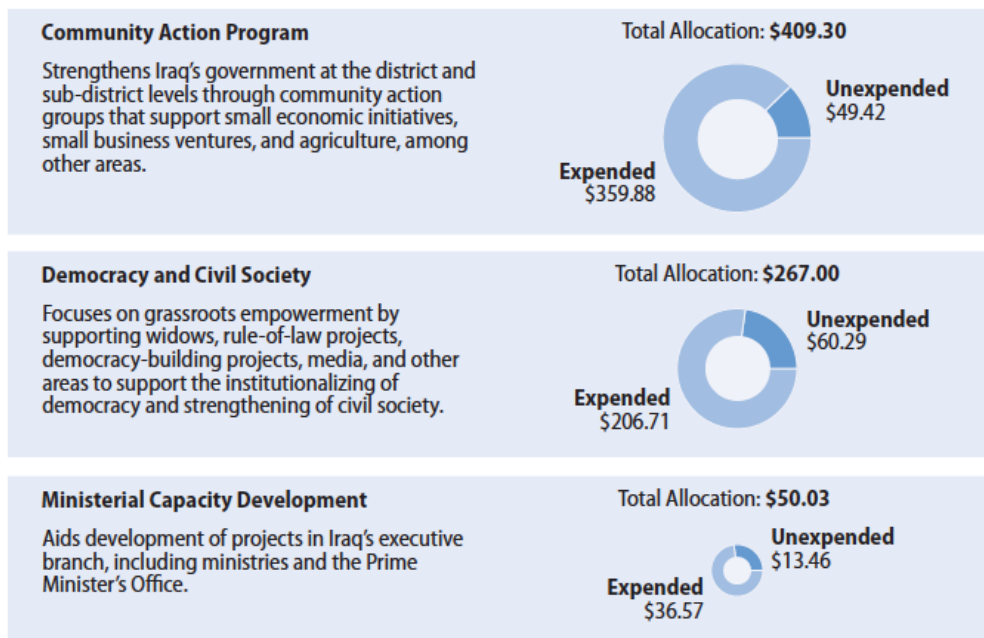
GAO analysis of Iraqi revenue and expenditure data through the end of 2009 showed that Iraq generated an estimated cumulative budget surplus of \$52.1 billion. This estimate is consistent with the method that Iraq uses to calculate its fiscal position. Adjusting for \$40.3 billion in estimated outstanding advances reduces the amount of available surplus funds to \$11.8 billion. For 2010, Iraqi Ministry of Finance and Central Bank of Iraq data show that the Iraqi government generated a \$600 million cash deficit (rather than the \$19.6 billion deficit budgeted) due to higher-than-predicted revenue and less-than-planned expenditures. In addition, during the first 6 months of 2011, the government of Iraq collected \$7.9 billion more in oil revenue than it

originally budgeted. GAO does not have more recent data on outstanding advances that would allow for an update to the amount of available surplus. The International Monetary Fund, however, has determined that the Ministry of Finance should review the outstanding advances as a benchmark the government of Iraq needs to achieve under its current stand-by arrangement.

While the Department of Defense warned that this surplus did not take account of the barriers to Iraqi spending and its future needs, it is clear that US fiscal problems make it increasingly unlikely that the US will provide major amounts of aid in the future. This makes the lag in American energy investment and commercial ties even more important. It is also unlikely that near- to mid-term US private investment will be able to replace American aid or compete with Iraq's trade relationship with Iran. Some American companies have been increasing investment in Iraq, but many have been risk-averse.

US Ambassador Jim Jeffrey has actively encouraged American investment, but American businesses have been slow to jump into Iraq's business environment, which ranks 166th out of 183 countries in a World Bank report.³⁶² It also ranked as the tenth most difficult country to start a business, fifth most difficult for cross-border trade, and seventh most difficult to enforce a contract.³⁶³ Iraq made no business sector reforms in 2010.

Figure VII.23: New US Aid Projects in 2011



Source: SIGIR, *Quarterly Report*, October 30, 2011, p. 45.

While there is little doubt that Iran seeks to leverage its cultural, political, and religious ties with Iraq for economic gain, some of the most recent data on foreign commercial activity in Iraq

suggests that Iranian economic activity in Iraq has been notable, but limited. This trend can be attributed to international pressure to curb Iraq's business transactions with Iran, as well as Iran's own internal problems stemming from international economic sanctions on its nuclear program.

A recently published report on foreign commercial activity in Iraq by Dunia Frontier Consultants demonstrates states that Iran, among other regional and international countries "made significant entries into the Iraqi marketplace in 2011 with numerous multimillion-dollar deals".³⁶⁴ Iran ranked seventh on the list of countries that had conducted deals under \$1 billion in Iraq over 2011.³⁶⁵

Iraq is making economic progress in spite of its political and security problems, but largely because of high oil revenues and its per capita income remains on the lowest in the world. SIGIR reported in January 2012 that,³⁶⁶

Iraq's gross domestic product (GDP) grew at a projected rate of 9.6% in 2011, nearly twice the average for oil-exporting nations in the Middle East, North Africa, Afghanistan, and Pakistan (MENAP) region and well above the 0.8% growth rate Iraq registered in 2010. The rise came as foreign business activity picked up and multibillion-dollar infrastructure and housing projects began to supplement rising crude oil production as significant contributors to economic activity. The International Monetary Fund (IMF) expects Iraq's GDP growth to exceed 12% in 2012—more than three times that projected for the region's oil-exporting nations as a group.

Crude oil continued to account for about 98% of Iraq's export earnings and around 95% of all government income in 2011. This quarter, the GOI earned \$19.35 billion in receipts from the sale of crude oil, a drop of \$297 million over the previous quarter. But the combination of higher crude oil prices on global markets and increased export volume meant that Iraq's crude oil earnings for the entire year were \$75.42 billion, or 54% more than those registered for 2010.

Buoyed by higher than- expected crude oil prices through much of 2011, Iraq's net foreign currency reserves rose from just under \$45 billion to \$58 billion during 2011. However, there was evidence this quarter that inadequate crude oil export infrastructure may have prevented the country's earnings from being even higher than they were.

Year-on-year core inflation dropped in October to 6.9%, the second consecutive monthly decline and the first time since June 2011 that the figure fell below 7%. Regionally, Iraq's 2011 inflation rate remained well below the average for other oil-exporting countries in the region and is forecast to remain that way through 2012 even if a tariff regime is implemented.

... Iraq's most recent official unemployment rate of 15.3% is from 2008 and was not updated in 2011, although unofficial estimates made during the course of the year and formal remarks by the Communications Minister in Istanbul in October placed the percentage of working-age jobless at closer to 30%.

The US-Iran competition for economic influence in Iraq has seen Iran take the lead through growing Iranian trade and investment. Trade between Iran and Iraq has steadily increased since the US invasion and Iran is now Iraq's biggest trading partner.³⁶⁷ Legal trade now consists of building materials, chemicals, consumer goods, and foodstuffs, much of it via the border at Mehran and Mundhirriya/Qasr Shirin.³⁶⁸

Iran has also implemented electricity deals with Iraq that were negotiated after the CPA era.³⁶⁹ According to the Iranian ambassador to Iraq, Iran supplied 750 megawatts of electricity to Iraq daily, in mid-2010.³⁷⁰ Two Iranian banks, Parsian and Karafarin, have been approved to open up

branches in Iraq.³⁷¹ As early as November 2003, President Talibani signed protocols on investment, oil, construction, and transportation with Iran.³⁷²

Iran's Growing Economic Role in Iraq

Many Iraqis, as well as some Arab states, resent Iraq's post-invasion shift towards trade with Iran.³⁷³ Iran and Iraq compete industrially and commercially, and in terms of agricultural products, this creates tension because Iran has the upper hand for the time being. Moreover, its investments in real estate and businesses in Basra, Karbala, and Najaf have been seen as exploitative rather than winning gratitude from Iraqis.

However, there is evidence that Iran has economic influence in at least some local communities. In 2005, for example, there were reports that finding a job in Basra required the sponsorship of an Iranian-backed group, and only those with leanings towards Iran filled teaching posts. Traders in parts of southern Iran increasingly speak Farsi³⁷⁴ and many accept Iranian currency. Many Iraqis also receive medical care in Iran. Iranian exports include electricity, refined oil products, and cars.

In October 2011, a growing trend in Basra was reported showing the basis for its connections to Tehran. Many Basrawis feel they have been unfairly treated by Baghdad, Washington, and its Kuwaiti neighbor, so have turned to Iran for its development needs. Basra is a potential economic hub and contains the majority of Iraq's oil. At the core of Basra's complaints towards Baghdad is revenue sharing. Basra sends \$50 billion each year to Baghdad from oil and gas sales, or 75% of the Iraqi government's total revenue, yet sees only \$1 billion in return.³⁷⁵ They blame Kuwait for developing ports and using drilling methods that infringe on Basra's economic livelihood. Washington has ignored Basra's complaints, which has opened up an opportunity for Tehran.

However, Iran's influence does not necessarily go beyond the pragmatic self-interest of given groups of Iraqis. Najaf, the spiritual capital of Shi'a Islam, is an example of the limits to Iranian influence. Najaf is home of the leader of Iraq's Shi'a community and quietist school of Shi'ism, Ayatollah Ali Sistani. In late 2011, when reports emerged that Iranian-linked Ayatollah Mahmoud Hashemi Shahroudi was moving to Najaf, potentially as a successor to Sistani, residents were outraged. They voiced anger over Iranian attempts at manipulation and reverberated a common sentiment that Iranian Shi'ites are Iranian first and believe they are superior to Arabs.³⁷⁶ Similarly, while Iraqis in Basra take advantage of Iranian money, they ultimately identify as Arab Shi'ites, and possess little support for either Iran or the US.

Iran-Iraq economic ties are strong, and have been encouraged to some degree by the impact of international sanctions on Iran in other markets. In August 2010, Iran's ambassador said Iran would double its trade volume with Iraq.³⁷⁷ Iranian officials have indicated that they welcome a strong economic integration between the two nations: "Our message to Iraqi brothers in my visit is that Iran is fully ready to expand ties with Baghdad. We announced that Tehran is prepared to put its scientific, technical, engineering, economic and commercial potentials at the disposal of Iraq."³⁷⁸

A leaked State Department memo from November 2009 noted that Iran's geographic proximity and willingness to take business risks in the insecure environment help make it an important trading partner for Iraq:

With annual bilateral trade estimated at USD 4 billion (up 30 percent since 2008) and comprised mostly of Iranian imports (approximately 48 percent of Iraq's imports are Iranian goods), the IRIG [Islamic Republic of Iran Government] continues to jockey for economic domination in Iraq through targeted development assistance, focused largely on refurbishment of Shi'a religious shrines, and trade deals and bilateral agreements aimed at fostering greater Iraqi economic dependency on Iran. This measure has been successful, largely because of Iran's geographic proximity and access to Iraqi markets that are otherwise financially or politically less appealing to other states, notably the United States, Europe, and other industrialized nations. Turkey, on the other hand, remains Iran's biggest economic competitor, particularly in the Kurdistan Regional Government (KRG).³⁷⁹

Mohsen Milani has different numbers for this trade, but they reflect the same trends and note the importance of Iran in providing electricity to Iraq:

Iraq is Iran's second-largest importer of non-oil goods. In 2003, Iraq's non-oil imports from Iran totaled \$184 million; by 2008, this figure was \$7 billion and is expected to top \$10 billion by 2012. Iraq is also largely dependent on energy imports from Iran. In 2009, it imported \$1 billion in energy -- 40 percent of which was electricity and 30 percent refined petroleum products. Iran has also been involved in rebuilding Iraq's energy infrastructure. In 2007, for example, Tehran signed a \$150 million contract to build a 300-megawatt power plant in Baghdad, and in 2008 it agreed to build a 400-megawatt electricity line between Abadan, a port city in southwestern Iran, and Alharasa in southern Iraq. Iran is also heavily invested in Basra, a strategically important port and Iraq's second-largest city: Iran plans to develop a free-trade zone there and build crude oil and oil-product pipelines between the city and Abadan. Its commercial relations with Kurdistan have expanded as well; there are more than 100 Iranian companies operating there, and Kurdistan has been exporting its surplus oil to Iran in exchange for the import of Iranian electricity.³⁸⁰

As Iraq struggles to build its electricity infrastructure, Iranian influence in this sector will continue to be vital to Iraq's growth. Overall Iran provides about 5% of Iraq's electricity, although in some border areas this figure is much higher.³⁸¹ As power shortages persist across most of Iraq, still affecting about 80% of the population in late 2011,³⁸² Iran might be relied on to a greater extent.

Iran's economic ties to Iraq have come at a price to many Iraqis. Many Iraqi business owners complain of cheap Iranian goods and food that are subsidized by Tehran being dumped on the Iraqi market. This has retarded growth in Iraq's light manufacturing and Agriculture sectors.³⁸³ At the same time, Iran might be leveraging its resources to effectively bolster Iraqi Ministers who align with Iran.

COMPETITION FOR INFLUENCE IN IRAQ'S SECURITY FORCES

Ever since the 2003 invasion, the US and Iran have competed for influence over the Iraqi security forces. This competition has now reached a critical stage as the US and Iraq must decide the degree in which a strategic partnership is formed, including military, police, and security training and advising.

Reducing US Strategic Goals in Iraq

The US has clearly fallen far short of the goals it set as late as the fall of 2011. The last active US combat forces left Iraq in August 2010, marking the end of Operation Iraqi Freedom and the beginning of Operation New Dawn.³⁸⁴ Some 49,000 advisory troops, four advisor assistance brigades, and a limited number of special operations forces (SOF) remained to train, advise, and assist Iraq's security forces after that date, including the military, intelligence, and police.³⁸⁵ These US troops continued to serve a number of other important security functions: carrying out kinetic operations against Iranian-backed and other militant groups; providing training to the ISF; taking part in joint patrols along the borders of the Kurdish provinces and helping integrate ISF and Kurdish forces; and acting as a deterrent to Iraq's neighbors – in particular Iran.³⁸⁶

Both the US command in Iraq and many senior Iraqi officers and officials felt that US forces should continue to play such role after December 2011 as part of the Security Framework Agreement. Moreover, several US allies in the region, including Saudi Arabia and Israel, voiced concerns that withdrawing all US troops would leave Iraq open to Iranian influence.³⁸⁷

Nevertheless, implementing a meaningful Strategic Framework agreement and extending a US troop presence after December 2011 presented problems on both sides. In the US, public support for a strategic relationship with Iraq was uncertain, and budget pressures and war-weariness created a strong incentive to withdraw all US troops. Indeed, even the more modest plans for the State Department and USAID to take over much of the US effort in Iraq faced growing budget pressures, and leaving even a fairly small number of US troops in Iraq entailed a bigger price tag. A slight rise in American combat deaths in Iraq in 2011 did not help matters. Neither did the perception that Iraqi security forces were not doing enough to go after the Shi'ite groups attacking Americans.³⁸⁸ Neither President Obama nor President Maliki was publicly backing plans to keep US troops in Iraq after 2011.

On the Iraqi side, Prime Minister Maliki had to deal with Sadr, Iranian pressure, and accusations that he was an American stooge, at the same time he had to fend off accusations of being too close to Iran. Whatever his private views may have been, he ruled out extending the US troop presence in the past, stating, "The last American soldier will leave Iraq...this agreement is not subject to extension, not subject to alteration. It is sealed."³⁸⁹ Any plan to extend the US troop presence would also have to be approved by the Iraqi Parliament, which would prove difficult.

Public opinion was another factor that influenced all Iraqi politicians. Most Iraqis supported withdrawing US troops by the end of 2011. According to a 2009 ABC News poll, 46% of Iraqis felt that US troops should leave sooner than the end of 2011, with only 16% wanting them to

stay longer, and 35% feeling that the withdrawal timetable was right. Sunnis were particularly opposed, with 61% in favor of a faster timetable and only 4% wanting troops to stay longer.³⁹⁰

These issues became steadily more critical to politicians and policymakers in both the US and Iraq as the deadline for removing US forces approached. In May 2001, Maliki had stated that a request for US troops might be considered if a 70% concurrence among Iraq's political blocs were reached.³⁹¹ On August 3, 2011, the major factions, excluding the Sadrists, gave Maliki their backing to negotiate,³⁹² and in September, the US publically acknowledged negotiations were taking place.³⁹³

Both sides still continued to privately examine options for extending the presence of at least a small number of US troops. The senior US commander in Iraq, Gen. Lloyd J. Austin III, originally recommended some 14,000-18,000 troops, while other reports speculated leaving 10,000 troops. In September 2011, Secretary of Defense Leon Panetta endorsed keeping a smaller force of 3,000-4,000 as what one senior official called, "a small, temporary military presence," as part of a plan to create a major American Embassy presence in five different parts of Iraq that would support security contractors in a police advisory effort. This plan also included a strong Office of Security Cooperation staffed by civilians and military personnel to support training and equipping Iraqi Security Forces.³⁹⁴

NATO agreed to keep a small force in Iraq for training purposes; as of September 2011, there were 160 NATO staff conducting training operations in Iraq, 12 of which were American.³⁹⁵ Military and intelligence officials also pushed for greater CIA involvement following the withdrawal US troops to counter Iranian influence and thwart arms smuggling.³⁹⁶ In February 2012, reports again suggested that the CIA would maintain a large clandestine presence in Iraq long after the withdrawal of US troops in order to monitor the activity of the Iraqi government, suppress al-Qai'da's affiliates, and counter the influence of Iran.³⁹⁷

By September, however, the total force was far smaller than the force desired by top US military officials and drew growing criticism from several US politicians. Iraqis across the sectarian spectrum also voiced their discomfort with such a small US force, while others still remain adamantly opposed to any presence. Many Iraqis remained conflicted over a desire for the US to withdraw and feelings of mistrust and fear towards Iraqi institutions.³⁹⁸

In early October 2011, Iraq's political leaders finally agreed to keep US military trainers in Iraq past the December deadline, but failed to agree US troops could operate with immunity from Iraqi law. The US had stated previously that any such restriction would prevent it from keeping US forces in Iraq. As a result, the Obama administration decided to withdraw all forces aside from a small office linked to the US Embassy.³⁹⁹

An announcement was made that the US would work with Kuwait to keep US forces stationed at Kuwaiti bases that could react to crisis scenarios in Iraq. The US had 23,000 in Kuwait as of January 2012, and had deployed at least a combat battalion in Kuwait – sometimes reaching a full combat brigade. It also had propositioned supplies for a larger force if one had to be deployed to the region.⁴⁰⁰⁴⁰¹ As of late-December 2011, there was reportedly a Brigade Combat Team from the US Army's 1st Cavalry Division in Kuwait, in addition to a Marine Expeditionary Unit likely headed to Kuwait for the foreseeable future.⁴⁰² In addition, there are approximately 7,500 US troops in Qatar, 5,000 in Bahrain, and 3,000 in the UAE, with very

small numbers in Saudi Arabia and Oman. There are also forces deployed as part of two aircraft carrier task forces in or near the Gulf at any given time.⁴⁰³

Shaping Iraq's Security Forces

Giving Iraq the security forces it needs for both internal security and external security remains a major challenge – particularly given the growing level of corruption, politicization, and deterioration in some elements of these forces and within the Ministry of Defense and Ministry of Interior described earlier in this report

As **Figures VII.24 and VII.25** demonstrate, the US funded a significant portion of fighting, and provided most of the forces during Iraq's civil struggles between 2005 and 2011. These figures also demonstrate that the appropriation of US funds to Iraq is directly correlated to the number of US troops there. As the size of the US troop presence in Iraq decreases, so too will the amount of US funds to the country. The US also took the lead in the development of the Iraqi security forces from the Iraqi Ministry of Defense and Ministry of Interior after 2003. From 2003-2011, it trained, partly funded, armed and equipped Iraqi forces, and increasingly fought beside them.

This US presence and role in creating post-invasion Iraq not only gave the US influence over the shape of Iraqi security forces, but also developed important relationships between the US and Iraqi security leaders. Western intelligence agencies developed close ties to the Interim Government's Defense Minister, Hazem Sha'alan; Interior Minister, Falah al-Naqib; and the head of Iraq's intelligence services, General Muhammed Shahwani, each of who warned of the influence of Iran.⁴⁰⁴

The future level of such US influence is uncertain. At the end of December 2011, the US military will be reduced to an advisory role and to providing arms transfers, intelligence, surveillance, and reconnaissance (IS&R) support. Funding for this role is also at risk as Congress contemplates funding cuts.

Moreover, no one can be certain how the decisions of the Iraqi government will affect a US strategic partnership after December 2011. In December, General Frank Helmick, Deputy Commander of US forces in Iraq, stated that Iraqi security forces were unable to maintain their capabilities and equipment, let alone meet new challenges. He also highlighted the fact that US training missions are exclusively for Iraqi police, and there are no training agreements for the Iraqi military post-withdrawal.⁴⁰⁵

Even before the US left, Maliki used temporary command appointments to put loyalists in key top positions ranging from combat unit commands to intelligence. By doing so, he took de facto control of the Iraqi Federal Police, Special Forces elements, and counterinsurgency forces. US estimate of the continued effectiveness and integrity of Iraqi forces proved to be grossly wrong.

American advisors soon found military commissions and positions were for sale in many units. Loyalties often rapidly divided along sectarian and ethnic lines, and the military NCO system often reverted to roles where NCO (and often junior officers) were allowed little initiative and authority. Police corruption and ties to power brokers, as well as local ties to political leaders became a growing problem, as did the lack of effective links between police and the courts and the abuses of detention and confession based justice. Iraqi units also showed limited willingness to maintain the facilities transferred by the US. As in Vietnam and Afghanistan, the US did

accomplish a great deal, but it also tried to do far too much too quickly with more emphasis on numbers than quality, and grossly exaggerated unit quality in many cases.

This scarcely means that many Iraqi forces are not effective, but it illustrates the fact that force building takes far longer than the US military is generally willing to admit. It also demonstrates that the US needs to be much less ambitious in trying to change Iraq, and far more willing to do things the Iraqi way. These circumstances also underscore that military force building efforts are inevitably tied to the political struggles in a country, and Western-style police building efforts can only succeed if the police are part of a functioning mix of the rest of a justice system and government that have the loyalty of its people.

Iraq is probably a decade away from creating the kind of conventional forces that can stand on their own against Iran, and must buy and absorb large numbers of conventional weapons in spite of its present problems. It is far from clear that the US will have the Iraqi political support it needs to carry out this mission, and it is unclear it will get US domestic political support as well.

If the Obama Administration and the US Congress fund enough aid to support a strong US advisory effort and seed money to encourage US military sales where Iraq comes to pay for most purchase in the future, such a US effort, and the Iraqi government supports such US efforts, the Office of Security Cooperation - Iraq (OSC-I) will be the channel for all military ties between the US and Iraq in the coming years. The OSC-I will manage military sales, train the ISF on weapons systems, conduct joint military exercises, and lead additional trainings and exchange programs.⁴⁰⁶

Reporting at the end of 2011 showed that OSC-I had approximately 150 personnel who provide security cooperation and assistance for approximately 64 Foreign Military Sales (FMS) cases valued at approximately \$500 million. By January 2012, the OSC-I was expected to support no more than 763 Security Assistance Team (SAT) members at 10 sites in Iraq, and administer nearly 600 cases valued at approximately \$9.9 billion. In the July 2011 SIGIR Quarterly Report, plans for OSC-I were said to be “significantly behind schedule.”⁴⁰⁷ The April 2012 SIGIR Quarterly report to Congress echoed the same sentiments, expressing that in regards to OSC-I managed program funding, “the commitment of available funding to projects and programs in Iraq slowed considerably over the past year.”⁴⁰⁸ This is in large part due to uncertainty over future budgets and funding, and the significant reduction in US presence.

At these levels, there are not enough US personnel to support the numbers of Iraqi security forces, which **Figure VII.26** puts at over 900,000. Moreover, the US still provides intelligence, surveillance, reconnaissance, logistics, and air support to the ISF. According to USF-I, the ability of the ISF to integrate the effects of artillery, armor, and attack aviation with infantry against a conventional force is “really at the beginning stage, and will take some years to develop.”⁴⁰⁹

Support for US efforts is, however, uncertain. The GAO has reported to congress that Iraq may be able to fund all of its purchases and it is unclear how much support there will be to fund the kind of advisory and aid effort that is needed. The GAO reported in February 2012 that,⁴¹⁰

Iraqi government data indicate that security spending under the Ministries of Defense and Interior increased from \$2.0 billion in 2005 to an estimated \$8.6 billion in 2009. In addition, these ministries set aside about \$5.5 billion over this period for the purchase of equipment, training, and services under the U.S. Foreign Military Sales (FMS) program. In certain instances, the United States has provided an incentive for these ministries to increase their security spending by

leveraging U.S. funds to supplement Iraq's FMS purchases. The Iraqi government also funded the Iraq-Commander's Emergency Response Program and assumed responsibility for the salaries of almost 90,000 Sons of Iraq—nongovernmental security contractors hired by U.S. and Coalition forces to help maintain security in their local communities. While security spending has increased, GAO's analysis of data for the Iraqi government, the Department of Defense (DOD), and the Trade Bank of Iraq showed that the ministries did not spend or set aside between \$2.5 billion and \$5.2 billion of their 2005 through 2009 budgeted funds—funds that could have been used to address security needs.⁴ Department of State (State) and DOD officials cited overly centralized decision making and weak procurement capacity as reasons for the ministries' inability to spend these funds. In April 2010, Ministry of Defense officials received Ministry of Finance approval to use \$143 million of their unspent 2009 funds for FMS purchases. Ministry of Interior officials planned to use more than \$300 million of their unspent 2009 funds for similar purposes.

In its fiscal year 2012 budget request, the administration requested more than \$2.4 billion in U.S. funding to support the training and equipping of forces under Iraq's security ministries. Specifically,

- State requested \$1 billion for Foreign Military Financing to purchase training and equipment for Iraqi security forces. According to State, this request for Iraq is a replacement for DOD's Iraq Security Forces Funding and is in addition to the \$25.5 billion that has already been provided since 2003. In the 2012 Consolidated Appropriations Act, Congress appropriated \$1.102 billion for Foreign Military Financing for Overseas Contingency Operations/Global War on Terrorism.⁵ The Conference Agreement accompanying the act explains that the amount is for the extraordinary costs of contingency operations, including in Iraq, Pakistan, the Philippines, and Yemen.
- State also requested \$886 million to fund its new Police Development Program in Iraq, of which 15.5 percent (\$137 million) will be used to deploy approximately 190 police advisors and 82 percent (\$723 million) will be used for security and support costs. These funds are in addition to the \$757 million that was available in fiscal years 2010 and 2011, for the Police Development Program's start-up and initial operating costs. Congress appropriated \$983,605,000 for International Narcotics Control and Law Enforcement for Overseas Contingency Operations/Global War on Terrorism. The conference Agreement accompanying the act explained that the amount is for the extraordinary costs of contingency operations, including in Iraq, Pakistan, Afghanistan, Yemen, Somalia, and for African counterterrorism partnerships.
- DOD requested \$524 million to establish its Office of Security Cooperation-Iraq, which will be responsible for administering Iraq's FMS and Foreign Military Financing program, among other responsibilities. Congress authorized that from the funds made available to DOD for Operation and Maintenance, Air Force, up to \$524 million could be used to fund the operations and activities of the Office of Security Cooperation-Iraq and security assistance teams, including life support, transportation and personal security, and facilities renovation and construction.

Iraq generated an estimated cumulative budget surplus of \$52.1 billion through December 2009. Adjusting for outstanding advances, at least \$11.8 billion of this surplus was available for future spending. In light of these resources, Iraq has the potential to further contribute toward its security needs, even as it addresses other competing priorities. GAO recommended in September 2010 that Congress should:

- consider Iraq's available financial resources when it reviews future budget requests for additional funds to train and equip Iraqi security forces.

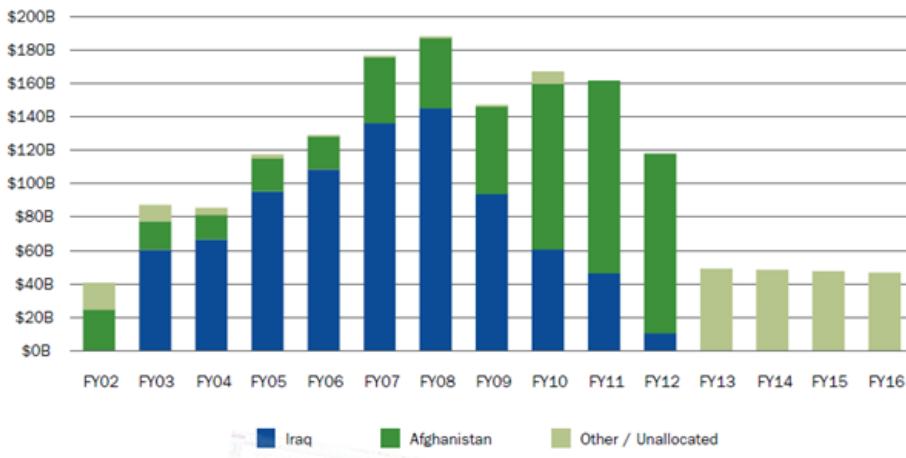
Additional clarity is needed on Iraq's outstanding advances to determine the financial resources Iraq has available for future spending. To this end, GAO recommended in September 2010 that the Secretaries of State and the Treasury should

- work with the Iraqi government to identify these resources by assisting Iraq in completing International Monetary Fund-required review of outstanding advances.

While some aspects of the FY2012 request – such as the police development program – seem far too ambitious in terms of both US aid capability and Iraqi desire for the program, and ignore both the corruption and politicization of the police; the FMS and OSC programs are a critical part of any US effort to maintain strategic influence in Iraq, compete with Iran, and have tacit leverage to encourage Iraqi political consensus and reform.

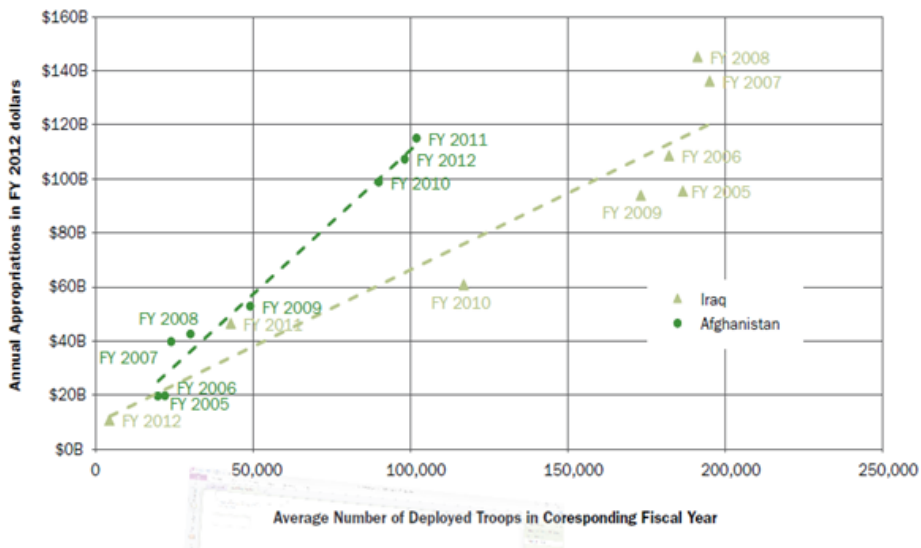
Nevertheless, the President's request FY2013 request for the State in the FY2013 budget was for only \$4,019 million – which compared with \$4,802 million in FY2012. The request for the Department of Defense for FY2013 was for 2,855 million versus \$9,604 million in FY2012 and \$45,044 million in FY2011. It was clear even at the time this request was submitted that both the State Department and Defense Department requests for FY2013 were likely to have major further cuts as Congress acts on the request.⁴¹¹

Figure VII.24: DOD War Funding, Past and Projected, FY 2002-2016
(In FY 2012 Dollars)



Source: Center for Strategic and Budgetary Assessments, 2012 Defense Budget Analysis

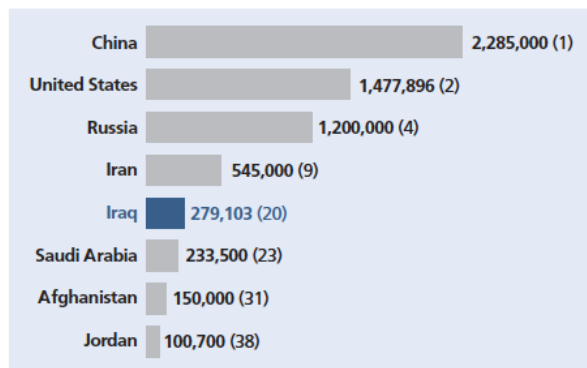
Figure VII.25: Annual Appropriations vs. Number of Troops (FY 2005-2012)



Source: Center for Strategic and Budgetary Assessments, 2012 Defense Budget Analysis

Figure VII.26: Iraqi Security Forces as of October 10, 2011

		ASSIGNED PERSONNEL
Ministry of Defense	Iraqi Army	200,000
	Training and Support	68,000
	Air Force	5,053
	Navy	3,650
	Army Air Corps	2,400
	Total MOD	279,103
	Ministry of Interior	Iraqi Police
Facilities Protection Service		95,000
Training and Support		89,800
Department of Border Enforcement		60,000
Iraqi Federal Police		45,000
Oil Police		35,000
Total MOI		649,800
Counter-Terrorism Force	4,200	
Total	933,103	

Comparative size of Active Military Forces:

Note: Numbers affected by rounding. Assigned numbers illustrate payroll data; they do not reflect present-for-duty totals.

Sources: GOI, MOI IG, information provided to SIGIR, 1/12/2012; SIGIR, Quarterly Report, January 30r 30, 2011, p 68; GlobalFirepower.com, "Active Military Manpower by Country", www.globalfirepower.com/active-military-manpower.asp, accessed, 12/12/2011; GOI, MOI IG, information provided to SIGIR, 10/10/2011

The US Role in Shaping the Iraqi Army

As reported elsewhere in this report, the future US role in shaping the Iraqi Security Forces is limited in light of the failure of Iraqi and US officials to agree to terms extending the Security Agreement's mandate over US troop presence, the restrictive terms of the existing Strategic Framework Agreement (SFA), and a decline in US funding. It is also increasingly affected by the political struggles at the top of the Iraqi government.

The SFA mandates the following measures regarding the US military presence in Iraq:⁴¹²

- An Office of Security Cooperation—Iraq (OSC-I), under the authority of the U.S. Ambassador to Iraq, would continue to train and mentor the Iraq Security Forces (ISF). OSC-I has nearly 1,000 total personnel, of which about 147 are U.S. military personnel and the remainder are mostly contactors. The office, working out of the U.S. Embassy in Baghdad and 10 locations around Iraq, helps train and mentor the Iraqis, and manages nearly 370 Foreign Military Sales (FMS) cases totaling over \$9 billion worth of pending arms sales to Iraq. The largest FMS case is the sale of 36 U.S.-made F-16 combat aircraft to Iraq, notified to Congress in two equal tranches, the latest of which was made on December 12, 2011 (Transmittal No. 11-46). The total value of the sale of 36 F-16s is up to \$6.5 billion when all parts, training, and weaponry are included.
- The United States continues to cooperate with Iraq on counter-terrorism, naval and air defense, and cooperation through joint exercises.
- U.S. personnel (mostly contractors) continue to be “embedded” with Iraqi forces as trainers not only tactically, but at the institutional level (by advising Iraqi security ministries and its command structure). Ongoing discussions with the Iraqis will determine whether these personnel would accompany Iraqi forces on counter-terrorism missions.

The April 2012 SIGIR report to Congress stated “Two things remain clear: New FMS (Foreign Military Sales) have slowed” in relation to previous periods, and the “ISFF (Iraqi Security Forces Fund) program execution is behind schedule”, with almost 86% yet to be obligated. Reporting in April 2012 on the future of US-funded Defense programs in Iraq, SIGIR stated that:⁴¹³

“OSC-I also has execution authority over Foreign Military Financing (FMF), which in FY 2012 was made available to Iraq for the first time. Of the \$1.1 billion that the Congress appropriated to the FMF in the Consolidated Appropriations Act, 2012 (P.L. 112-74), DoS allocated approximately \$850 million for operations in Iraq. The Administration requested an additional \$911 million in FMF for Iraq in FY 2013.” –April 2012 SIGIR report to Congress

The SIGIR report did not address either the political problems in supporting the Ministry of Defense and Ministry of Interior and the various elements of the Iraqi security forces, or the problem posed by corruption, politicization, and sectarian and ethnic divisions within every element of these forces. Congress has already begun cutting US funding requests and has shown increasing resistance to large amounts of future aid. In April 2011, Congress appropriated just \$3.7 billion for FY2011 to Iraq, as opposed to a request of \$5.05 billion.

The US Role in Shaping the Iraqi Army

The Iraqi Army (IA) has made progress in its ability to defend Iraq's borders, due in part to a concerted effort in 2011 by US military advisors towards more traditional defensive operations.⁴¹⁴ However, it continues to lack logistical and intelligence capabilities – areas that OSC-I will focus on improving.⁴¹⁵ Political interference in command positions, the sale of other positions at every level, corruption in other areas, a failure to maintain the facilities and systems transferred by the US, and a host of other issues also increase the challenge.

Many Iraqi security experts and military officers believe Iraq should depend on the United States to provide a counterbalance against Iran due to existing tensions between Iraq and Iran, particularly over the Shatt al-Arab⁴¹⁶ and Iranian incursions into northern parts Iraq.

Much will depend on the nature and scale of future US arms transfers. Earlier plans for the US sale of some \$4.2 billion in arms to Iraq included land force weapons, naval systems, reconnaissance equipment, and several air force weapons systems, but these plans are increasingly uncertain.⁴¹⁷ The Iraqi Army is only beginning to build up units with modern heavy weapons. In the third quarter of 2010, Iraq received 11 US M1 Abrams tanks.⁴¹⁸ By December 2011, 129 more will arrive, but this will produce a total strength of less than one light armored division's worth of main battle tanks and the Iraqi Army will lack a balanced mix of other heavy arms.⁴¹⁹

The US Role in Shaping the Iraqi Air Force

The basis for US-Iranian military competition in Iraq differs by service. Iraq's undeveloped air force means that it will need to continue to depend on some outside power for its air defenses. As with many other issues, the late formation of Iraq's government after the March 2010 elections made it difficult to clearly define the US's role in improving the Iraqi Air Force after the 2011 US transition. However, progress developing Iraqi air capabilities has generally been slow.

The \$4.2 billion security package mentioned earlier would include reconnaissance equipment, Raytheon AIM-9 Sidewinder air-to-air heat-seeking missiles, laser-guided bombs, and 36 Lockheed Martin F-16 strike jets,⁴²⁰ along with Sidewinder missiles to arm them.⁴²¹ In June 2011, the US Army Corps of Engineers completed construction of the \$5.38 million Ali Air Base in southern Iraq, with an air defense system that allows Iraq's Air Force to secure its borders against air attack.⁴²²

In July 2011, Maliki expressed interest in the purchase 36 F16s, double the original number.⁴²³ Although Iraq had previously attributed the delay in F16 purchases to national protests that diverted funds to the national food ration program,⁴²⁴ eventually Iraq wants 96 of the F-16s, along with Sidewinder missiles to arm them.⁴²⁵ Deliveries from the US and other foreign sources from the third quarter of 2011 included: 8 Russian Helicopters, 36 Abram Tanks, 41 Howitzers, 31 Heavy Equipment trucks/trailers, and 16 Armored Security Vehicles.⁴²⁶

If the Iraqi Air Force continues to seek support from the US, much depends on US willingness to help Iraq train personnel, develop logistics, and strategize on the use of the Air Force.⁴²⁷ The July 2011 SIGR report suggested that one of the main objectives of a continued US presence in Iraq should be to provide an air-defense umbrella for Iraq while the Iraqi Air Force develops its capacity to conduct independent operations.⁴²⁸

The US Iraqi pilot training program has trained more than 60 Iraqi pilots and 30 instructor pilots since its inception in 2008. Currently, 10 Iraqi pilots are being trained in the US to fly the first set of F-16s due to arrive by 2014.⁴²⁹ As of September 30, 2011, the Iraq Training and Advisory Mission-Air (ITAM-Air) had nearly 1,200 personnel directly engaged with Iraq's air force personnel. Iraqi General Zibari emphasized that, "an army without an air force is exposed" and stated that Iraq will not be able to defend its own air space until 2020, at the earliest.⁴³⁰

On December 12, 2011, the Defense Security Cooperation Agency notified Congress of a possible Foreign Military Sale to Iraq for 18 F-16IQ aircraft and associated equipment, parts, weapons, training and logistical support for an estimated cost of \$2.3 billion. The sale also includes requests for Sidewinder missile, various air-to-ground missiles, laser guided bomb units, and a variety of other equipment.⁴³¹ The sale is widely seen as part of a US focus on increasing the capabilities of the Iraqi air force.

The US Role in shaping the Iraqi Navy

The US role in shaping the Iraqi navy inevitably affects Iranian and US military competition. US support is critical to securing the flow of Iraqi commerce and deterring against external threats. The Iranian threat to Gulf energy exports is a key reason the US often deploys two US aircraft carrier groups in the Gulf region.⁴³² According to the Department of Defense, Iraq's oil infrastructure is vulnerable to the Iranian Republican Guard Corps Navy (IRGCN)⁴³³ and Iraq's offshore oil loading points are vulnerable to attack.

Recent naval incidents are a reminder that Iranian and Western relations in the Gulf remain tense. The IRGC captured 15 British soldiers in Iraqi waters in March 2007. On January 6, 2008, five armed Iranian speedboats maneuvered aggressively towards and issued radio threats against three American Navy warships in international waters while entering the Strait of Hormuz.⁴³⁴ According to Pentagon officials, the American commander was close to issuing an order to fire on one of the speedboats which came within 200 yards of the warship – and within range of one of the machine guns aimed at it – before it suddenly veered away.⁴³⁵

In 2007, Iraq had a 1200-man navy, 2 afloat squadrons, and 4 marine companies. It was also adding offshore support vessels, patrol ships and boats, and smaller vessels.⁴³⁶ In October 2010, the Iraqi navy inaugurated the first of 15 \$20 million US-built Swift Class patrol boats⁴³⁷ and two more in August 2011, to bring the total to 5 of 12 ordered.⁴³⁸ Iraq will also receive two \$70 million US-built offshore support vessels in 2011.⁴³⁹ In July 2011, SIGIR reported Iraq's navy had grown to over 3,600 assigned personnel.⁴⁴⁰ One of OSC-I planned ten locations will be in Umm Qasr, the primary location of Iraq's Navy.

As part of the transition to State Department lead in Iraq, the US Coast Guard Maritime Security Advisory Team (MSAT) began oversight of maritime training and reports to the US Embassy. In partnership with the Department of Homeland Security, OSC-I Basra, and INL, MSAT will develop Iraq's capacity to secure, regulate, and manage its coastal water and rivers. This includes developing legislative and regulatory authorities and instructing courses on small-boat operations.⁴⁴¹

Much is still undetermined regarding the future of US-Iraq security ties. Like its air force, Iraq's navy remains underdeveloped and critically deficient compared to its neighbors. Budgetary

issues are concerns for both the US and Iraq; however, the US willingness to deter Iran and secure the Gulf is constant.

The US Role in Supporting the Iraqi Police force and Ministry of Interior

The US faces even more serious problems in supporting the Iraqi police force and Iraq's Ministry of the Interior – where the analysis of Iraqi security and politics earlier in this report indicate that political divisions and corruption are now more the rule than the exception, the force is reverting to a passive, confessions-based force, and key supporting institution in the courts, legal, and detention systems present major problems.

.On October 1, 2011, State's Bureau of International Narcotics and Law Enforcement Affairs (INL) began its police-assistance program. This effort is downsized from its predecessor, from 350 to 115 advisors. FY2012 appropriations will dictate future numbers. Since 2003, the United States has spent approximately \$8 billion to train, staff, and equip Iraq's police forces and moving forward will focus on developing better lines of communication between the MOI and the Embassy.⁴⁴²

The Department of State launched its Police Development Program (PDP) on October 1, 2011, with over 100 senior trainers and advisors from various government and civilian agencies. The program includes working directly with senior Iraqi Interior Ministry and police officials to increase a variety of capabilities, ranging from forensics to explosive ordinance disposal. However, establishing credible oversight, management, and transparency continues to be the broad, primary objective. These US advisors conducted baseline assessments of Iraqi capabilities as of December 2011. Dozens of reviews were submitted to experts for analysis that will lead to a final assessment report, which in turn will be used to refine and execute future assistance.⁴⁴³

The October 2011 SIGIR reported, however, that State lacked a viable assessment of Iraqi police force capabilities, has not drafted a detailed plan providing specifics on what is to be accomplished, or outlined costs and performance outcomes. In addition, only 12% of current spending plans will directly assist the Iraqi police and State has yet to secure commitments from Iraq regarding its planned financial commitments to police programs.⁴⁴⁴ Other reporting since that time – which has not been formally published – indicates a steady decline in the police effort, with growing corruption and internal political divisions. This reporting is confirmed by discussions with US experts and with observers in country.

The State Department is seeking to continue bilateral relationships outlined under the Strategic Framework Agreement, but GAO and other reporting quoted in this analysis indicates that it lacks strict parameters, personnel requirements, or funding to be affective on its own. State's mission will rely on consulates in Basra and Irbil, though embassy branch offices in Mosul and Kirkuk were cut due to budget constraints. In addition, the ten OSC-I sites will be responsible for most military-to-military cooperation.

State's heavy reliance on private security contractors has creates another set of issues and their use has been a sensitive issue among Iraqis that has led to a steady down scaling of the State effort. The July 2011 SIGIR Report noted that a system for monitoring serious incidents involving private security contractors was still absent. SIGIR reported that this will likely remain

unchanged through 2011 and the State Department would not provide SIGIR any information on how they would likely govern PSCs.⁴⁴⁵

The failure of the Obama administration and the Maliki government to reach agreement on the size and scope of US troops in Iraq after December 31, 2011 dealt a considerable blow to America's concurrent interests in the region. The aims include achieving stability in Iraq after eight years of war and massive investment of US blood and treasure, the potential to benefit from future commercial deals with Iraq, and the ability to deter Iranian aggression and expansion. Having failed to agree to reach agreement on a limited, but continued, US troop presence in Iraq leaves Iraqi police and military without the training and support they need, and invites subversive elements to wait out the US withdrawal and resume destabilizing sectarian violence.

Other SIGIR, GAO, and media reporting note serious problems in efforts to stem corruption and enforce rule-of-law that are necessary to give the Iraqi government legitimacy while building the foundation for security in spite of the fact that USAID has long made efforts to improve governance and anti-corruption programs and seems to spend \$263 million in FY2012.⁴⁴⁶ Fraud, nepotism, intimidation, and corruption are rampant in Baghdad. Iraqi oversight bodies, like the Commission of Integrity, remain incapable of doing their job, while senior officials lack the incentives to correct their actions.

As noted elsewhere, the State Department has been forced to reduce the size of its mission in Iraq by half. The US embassy in Baghdad, which has swelled to a size of 16,000 personnel and a budget of \$6 billion, is facing significant cuts, according to US Department of State officials as recently as February 2012. These cuts will significantly curtail the State Department's ability to continue to fund training and support of Iraqi police and military.

Finally, political interference, the role of power brokers, corruption, sale of positions and promotion, reversion to a confessions-based approach to policing, the lack of effective courts and adequate detention facilities, long-standing tension between the police and the courts, and sectarian and ethnic issues all present future challenges. The US and its allies had major problems with all of these issues before US withdrawal, and -- in general -- contract advisors performed poorly at massive expense. It is unclear that the State Department can meet these challenges even if Iraq gives it the opportunity to try.

The Iranian Role in Iraqi Security

Iran is certain to exploit every cut and weakness in the post withdrawal US security effort, and every opportunity to gain influence through Iraq's political leaders or a direct role in advising -- and sometimes bribing -- Iraqi personnel. Iran has played a significant spoiler role in Iraqi security, both in an effort to ensure Iraq does not reemerge as a threat or rival, and to eliminate US influence and the prospect of a strong US-Iraqi security relationship. Iran has supported insurgents and militias while also extending its influence through the infiltration of Iraq's security forces and ministries.⁴⁴⁷

Iran's support of Shi'ite groups in Iraq has sometimes meant that Iran's ability to restrain those same groups has been decisive in reducing violence. As violence increased in 2006, Iran pushed Iraqi Shi'ites to not retaliate against Sunnis.⁴⁴⁸ This along with the Sunni Awakening and the US troop surge led to a decrease in violence over the second half of 2007. Iran has also been

anything but helpful in the fight against al Qaeda, refusing to bring to justice, identify, or transfer its al Qaeda detainees.⁴⁴⁹

In 2010, leaked US intelligence reports outlined Iran's support for Shi'ites militias between 2006 and 2009 that targeted both Americans and Iraqis. In July 2010, General Odierno stated that the IRGC was using the Hezbollah Brigade to train would-be US attackers in Iraq.⁴⁵⁰ This came five months after US and Iraqi forces raided various Hezbollah Brigade locations in Amarah, Iraq and Maysan province, areas known to be under the influence of Iran's Qods Force.⁴⁵¹ In 2011, the US again accused Iran of supplying militias with weapons and training which led to a spike in US casualties in the summer of that year.⁴⁵²

Iran's Broader Role in Iraqi Security

Iranian and Iraqi security interests have coincided in some areas. Iran has given some funding to Iraq's security forces. In 2005, for example, Iraq and Iran agreed to a billion dollar aid package, some of which went to the Ministry of Defense.⁴⁵³ However, Iraq had to assure the United States that Iran would not train Iraqi security forces. Some Iraqis also see Iran's efforts to acquire nuclear weapons in the context of the Arab-Israeli conflict, and thus as a "Muslim bomb, and not as a threat to Iraq."⁴⁵⁴

Iran has, however, focused on undercutting the security arrangements between the US and Iraq. The Commander of the Multi-National Force-Iraq at the time, General Odierno, said in October 12, 2008, that Iran likely tried to bribe members of the Council of Representatives to vote against the Status of Forces agreement.⁴⁵⁵ Iran managed to convince the Iraqi government to include a December 2011 withdrawal date for US forces and a provision that Iraqi land, sea, and air not be used as a launching or transit point for attacks against other countries.⁴⁵⁶

Some Iraqi military and intelligence officials fear that Iran has significant influence over elements of the Iraqi Ministry of the Interior, and have accused Iran of providing shaped charges and artillery to Iraqi militants. Iran has also recruited thousands of Iraqis for intelligence gathering⁴⁵⁷ and has had intelligence agents in northern Iraq for at least 20 years.⁴⁵⁸ One estimate puts the number of Iranian intelligence officers in Iraq in 2007 at 150.⁴⁵⁹

While some Iranians see the rise of the Iraqi military as a threat, others have attempted to use Iraq's military as a wedge to force the US out of Iraq. According to Iran's Foreign Minister Ali Akbar Salehi, "Considering the fact that the Iraqi Army can provide security, their presence in the country is not justifiable."⁴⁶⁰

Iran has been adamant in pushing Iraq to reject any modifications to the US-Iraq security agreement that would allow US military forces to stay in Iraq after 2011. Not surprisingly, Iran sees the presence of US military forces in Iraq as a direct threat to its interests in the country, as well as a possible launching pad for attacks on Iran itself. A number of senior Iranian officials have expressed their opinions regarding the US and Iraq:

"Occupiers of Iraq will be forced to escape the quagmire of Iraq sooner or later." - Ali Akbar Rafsanjani, current head of the Expediency Council, May 17, 2011.

"Based on the security agreement, the US forces should leave Iraq by the end of 2011 and Iraq insists on the issue too." - Ali Akbar Salehi, Iranian Foreign Minister, May 17, 2011.

"The United States does not do anything in the interest of the regional nations. Whatever they have done so far has been against the regional nations." - Ayatollah Khamenei, June 4, 2011.

"Iran has announced many times that the US should leave Iraq and leave administration of the country's affairs to its people." - Esmae'il Kosari, Vice-Chairman of the National Security and Foreign Policy Commission, July 13, 2011.

The Role of the Iranian Revolutionary Guard, the Qods Force, the Ramadan Corps, and the Special Groups

Iran began to funnel aid to militias in Iraq via the Qods Force – a branch of the Islamic Revolutionary Guard Corps – immediately after the fall of Saddam in 2003.⁴⁶¹ The Qods Force also provides or has provided funding, weapons, operatives, and training to groups in Palestine, Islamic militants in Bosnia, fighters in south Sudan, Hezbollah in Lebanon, and the Taliban in Afghanistan.^{462 463}

The Qods Force provides training, funding, and weapons in Iraq, and much of Iranian policy affecting security towards Iraq is formulated and carried out by the Qods Force. Both of Iran's post-2003 ambassadors, Hassan Kazemi-Qomi and Hassan Danaifar, served in the Qods Force.⁴⁶⁴ Mahan Abedin, director of research at the London-based Center for the Study of Terrorism, argues that Qods training largely focuses on gathering and utilizing intelligence, which is key to successful operations in a place as fluid and complex as Iraq.⁴⁶⁵ One official estimate in 2007 puts the number of Qods and Iranian intelligence personnel in Iraq at 150, though some US commanders believe there was only one or two per Shi'ite province.⁴⁶⁶

The US was slow to grasp the full extent of Iran's expanding role in Iraq. On July 19, 2005, the United States sent Iran a secret cable stating that a British soldier was killed by an explosive supplied by Iran.⁴⁶⁷ Iran denied any involvement, leading to more public confrontations over the issue beginning in December of that year.⁴⁶⁸ The then-Commander of the Multi-National Force-Iraq, General Petraeus, stated in his September 2007 testimony to Congress that "none of us earlier this year appreciated the extent of Iranian involvement in Iraq, something about which we and Iraq's leaders all now have greater concern."⁴⁶⁹

The Qods Force has been a key Iranian tool in indirect attacks on the US military and disrupting American interests in Iraq. In 2007, General Petraeus stated, "There should be no question about the malign, lethal involvement and activities of the Qods Force in this country."⁴⁷⁰ He went on to add that Iran was "responsible for providing the weapons, the training, the funding and in some cases the direction for operations that have indeed killed US soldiers."⁴⁷¹ American officials have typically avoided accusing the Qods Force of directly attacking Americans and have been careful to say that they do not know to what extent the top leadership of the Iranian government knows of or is involved in the Qods Force's activities.⁴⁷² On February 14, 2007, President Bush said that he was certain that explosively formed projectiles, rocket-propelled grenades, and mortars used in Iraq came from the Qods Force, but "what we don't know is whether or not the head leaders of Iran ordered the Qods Force to do what they did."⁴⁷³

A message Qods Force leader Qassem Suleimani sent to General Petraeus in 2008 during the Battle of Basra is revealing. General Petraeus paraphrased the message as saying:⁴⁷⁴

General Petraeus, you should know that I, Qassem Suleimani, control the policy for Iran with respect to Iraq, Lebanon, Gaza, and Afghanistan. And indeed, the ambassador in Baghdad is a Qods Force member. The individual who's going to replace him is a Qods Force member. Now, that makes diplomacy difficult if

you think that you're going to do the traditional means of diplomacy by dealing with another country's Ministry of Foreign Affairs because in this case, it is not the ministry. It's not Mottaki who controls the foreign policy, again, for these countries, at least. It is, again, a security apparatus, the Qods Force, which is also carrying out other activities.

A leaked November 2009 State Department memo indicates that the Qods Force has remained a central implementer of Iranian policy in Iraq and competitor with the US in trying to shape Iraqi security.⁴⁷⁵

Since at least 2003, Brigadier General Qassem Suleimani, the commander of the Islamic Revolutionary Guards Corps-Qods Force (IRGC-QF), has been the point man directing the formulation and implementation of the IRIG's Iraq policy, with authority second only to Supreme Leader Khamenei. Through his IRGC-QF officers and Iraqi proxies in Iraq, notably Iranian Ambassador and IRGC-QF associate Hassan Kazemi-Qomi, Suleimani employs the full range of diplomatic, security, intelligence, and economic tools to influence Iraqi allies and detractors in order to shape a more pro-Iran regime in Baghdad and the provinces.

Suleimani enjoys long-standing close ties with several prominent GOI officials, including President Talibani, Vice-President Adel Abdal Mahdi (ISCI), Prime Minister Maliki (Dawa), former PM Jaafari, and more recently, Speaker Samarra'i (Septel [a separate telegram] reports Iranian Speaker Larijani's November 4-7 visit to Iraq at Samarra'i's invitation.). Khamenei, President Ahmadinejad, Speaker Larijani, and former president Rafsanjani consult regularly with visiting GOI officials as part of the IRIG's broader "strategic" council of advisers seeking to influence the GOI.

US intelligence reports leaked in 2010 also describe the extent of Iran's hand in the 2006-2009 violence. The reports show that the IRGC often used Hezbollah to train militants in Iran prior to their crossing into Iraq. General Petraeus had publically corroborated Hezbollah's role in a 2007 report to Congress.⁴⁷⁶ The reports draw on testimony from detainees, captured diaries, and weapons originating in Iran – including “explosively formed penetrators”, “sticky bombs”, and surface-to-air missiles.⁴⁷⁷ The reports conclude that Iran was behind the training and resourcing of specific attacks, including assassinations of Iraq ministry officials, mortar attacks on the Green Zone, and kidnappings of American soldiers.

Iran has also been implicated in using lethal force to shape politics in Iraq. For example, Gen. Petraeus implicated Iran in the 2007 car bomb assassinations of two southern Iraqi governors.⁴⁷⁸ Besides using Hezbollah to train terrorists, the reports point to both the Badr Corps and Mahdi Army as allies in Iranian efforts.⁴⁷⁹

According to *The Long War Journal*, which draws heavily on interviews with mid-level and senior military and intelligence officials, the Qods Force streamlined its operations in Iraq by creating the Ramadan Corps.⁴⁸⁰ The Corps, which the spokesman for the Multinational Forces Iraq said was responsible for most of Qods Forces operations in Iraq in 2007, is composed of the Nasr command in the north, Zafar command in central Iraq, and Fajr command in the south.⁴⁸¹

The various recipients of Qods Force aid include the Mahdi Army, the Badr Brigades, the Qazali Network, and the Sheibani Network, among other groups. Their targets have included political rivals, the Iraqi Security Forces, and Coalition forces.⁴⁸² When the Badr Brigades and SCIRI integrated into the government, other Iranian-backed groups began targeting them as well.⁴⁸³ Brigadier General Kevin Begner stated on July 2, 2007, that Iran supplied the Iraqi militias with \$3 million per month.⁴⁸⁴

In 2011, the US again voiced concern over Iran's covert involvement in Iraqi violence. The US claimed the rising number of American deaths over the summer of 2011 was due to Iran's

support for Iraqi militants. In June, 2011, Secretary of Defense Leon Panetta stated “We're very concerned about Iran and weapons they're providing to extremists here in Iraq...And the reality is that we've seen the results of that — in June, we lost a hell of a lot of Americans ... and we cannot just simply stand back and allow this to continue to happen.”⁴⁸⁵

In July 2011, Admiral Mike Mullen stated, “Iran is very directly supporting extremist Shi'a groups which are killing our troops...and there's no reason...for me to believe that they're going to stop that as our numbers come down...There's no question they want to influence, and particularly in the south they are shipping hi-tech weapons in there...which are killing our people and... the forensics prove that.”⁴⁸⁶ Admiral Mullen also accused Iran of supplying militias in Iraq in an attempt to take credit for American troops withdrawing at the end of the year.⁴⁸⁷

Iranian Arms Smuggling

Iran has smuggling arms into Iraq to attack Americans and Iraqis alike. Abu Mustafa al-Sheibani, a former member of SCIRI and the head of the Sheibani Network, is one of many suspected of operating a smuggling network for Iran's Qods Force. Suspected Iranian arms given to militants in Iraq have included 122-millimeter mortars fired at the Green Zone in Baghdad,⁴⁸⁸ improvised explosive devices (IEDs), explosively formed projectiles (EFPs), and missiles. Iranian 107 mm rockets can carry 100 pounds of explosives that turn them into “flying bombs” known as “Improvised Rocket Assisted Munitions.”⁴⁸⁹

EFPs have been particularly deadly. Militants use EFPs to penetrate the armor of Humvees and have been responsible for at least 200 American deaths in Iraq.⁴⁹⁰ According to a *The Long War Journal* interview with US military officials, the EFPs are manufactured in Iranian factories in Ahvaz and Mehran.⁴⁹¹ Documents obtained by Wikileaks also demonstrate that officials in the US State Department believe the EFPs are from Iran.⁴⁹² In 2005, Shi'ite militias in Iraq began to place the EFPs in foam blocks that resembled rocks. Lebanon's Hezbollah, a close ally of Iran, began adopting the technique in 2006 against Israel.⁴⁹³

Leaked documents show that some officials in the State Department believe that Iran had indirectly supplied 50 82mm rockets with neuroparalytic agents to Iraqi militants in January 2006, although the rocket's explosion might have rendered the chemical agents useless.⁴⁹⁴ Another Iranian plot, according to the leaked documents, was to combine poisonous chemicals with a car bomb meant to be detonated in the Green Zone, though bomb experts contend that the plot would have been impractical.⁴⁹⁵

In 2006, the Bush Administration authorized killing Iranian security agents in Iraq.⁴⁹⁶ From the winter of 2006 to the end 2007, the US performed high-profile raids that resulted in the arrests of several Iranian security officers. Since then, the US has killed several Qods Force members.⁴⁹⁷ Others captured have included a commander in the Ramazan Corps, Mahmud Farhadi; a senior member of Lebanese Hezbollah, Ali Mussa Daqduq; and Qais Khazali, a former Sadrist leader and head of Asa'ib Ahl al-Haq (AAH, or the League of the Righteous).^{498,499} In 2007, the US also captured the deputy commander of Lebanese Hezbollah Department 2800, which assisted the Qods Force in Iraq.⁵⁰⁰

Additional Shi'ite militants and extremists have taken the form of Special Groups, many formed from former elements of the Mahdi Army. According to General Petraeus, Iran armed these

groups as a “Hezbollah-like force to serve its interests and fight a proxy war against the Iraqi state and coalition forces.”⁵⁰¹ Gen. Petraeus accused Asaib Ahl al-Haq of carrying out a January 2007 attack on Karbala’s provincial Joint Coordination Center, which killed five American soldiers.⁵⁰²

AHH leader Khazali was released in December 2009 in exchange for a British hostage⁵⁰³ and as part of an American effort to reintegrate Shi’ite militias into Iraqi politics.⁵⁰⁴ Asaib Ahl al-Haq since reconciled with the Iraqi government, while the US designated Keta’ib Hezbollah as a Foreign Terrorist Organization.⁵⁰⁵ However, Khazali still leads AAH and it remains a magnet for Shi’ite militants, as well as a threat to target US personnel and destabilize Iraq after the US withdraw deadline.⁵⁰⁶ Despite the concerns voiced by the US, Maliki allowed AAH to join the political process in January 2012. Maliki’s spokesman stated, “We welcome those who want to join the political process and give up their weapons, no matter whether they are Sunni or Shiite.”⁵⁰⁷

Iran has consistently denied that it arms and supports militias inside Iraq. A number of senior Iranian officials have made statements denying that Iran’s military is meddling in Iraq:

“Such claims are a blame-game on part of the US officials” - Ahmad Vahidi, Iran’s Minister of Defense, July 15, 2011.

“These comments are repetitious and display the United States’ trouble in earning the attention of the Iraqi parliament and government for extending its presence in Iraq...These remarks are a lie and aim to put the blame on the other countries...Americans are seeking an excuse to implement their Iranophobia plans and stir doubt and anxiety among Iraqi politicians and statesmen. They want to pretend that Iraq would be threatened by Iran, if Americans leave Iraq” - Hassan Danayefar, Iran’s Envoy to Baghdad, July 13, 2011.

“The groups that wage terrorist attacks in Iraq today have all been created by the US.” - Parviz Sorouri, member of the parliament’s National Security and Foreign Policy Commission, July 12, 2011.

“The issues raised by the Americans and their allegations that the IRGC supplies weapons to different groups in Iraq and Afghanistan and stirs insecurity is a big lie.” - Rahmin Mehman Parast, Foreign Ministry spokesman. July 5, 2011.⁵⁰⁸

“The Islamic Republic of Iran is prepared to expand its ties with the friendly and brotherly country of Iraq in different economic fields because it always considers Iraq’s progress as its progress. Today there are cooperation fields in the oil, energy and reconstruction sectors that can be used for taking effective steps towards expansion of ties”. - Vice President for International Affairs, Ali Saeedlou, February 19, 2012,

Iranian statements became less defensive as the US withdrawal neared, instead focusing on branding the withdrawal as a defeat for the US. Iranian press characterized the “victory” in terms of an Islamic awakening and, as Iranian Foreign Ministry Ramin Mehmanparast stated, a result of the resistance and opposition of the Iraqi people. In late-November 2011, IRGC Commander Major General Mohammad Ali Jafari stated, “America abandoned Iraq without any achievement,” and continued, “In Iraq only the Qods Force was involved...the Americans have implemented every measure but, in the end, they failed. These are great successes that were achieved despite all of the pressures.”⁵⁰⁹ In February 2012, the Commander of the Qods Force, General Soleimani when further, stating, “These regions (Iraq and Lebanon) are one way or another subject to the control of the Islamic Republic of Iran and its ideas.”⁵¹⁰

The US has made a series of efforts to help Iraqi security forces deal with these threats, as well as other unilateral and multilateral approaches. The US pushed the UN Security Council to include a ban on arms exports by Iran in Resolution 1747 on March 24, 2007.⁵¹¹ On October 25,

2007, the United States named the Qods Force a Specially Designated Global Terrorist, along with naming four state-owned banks sponsors of terrorism, though it did not go as far as designating the IRGC itself as a terrorist organization.⁵¹²⁵¹³

The US also placed sanctions on the Qods Force and the banks serving it. In 2007 and 2008, the US built bases near the Iranian border to block the smuggling of Iranian weapons into Iraq.⁵¹⁴ On September 26, 2007, the US Senate approved a resolution urging President Bush to designate the IRGC as a sponsor of terrorism.⁵¹⁵ On September 16, 2008, the United States froze the assets of a deputy commander of the Qods Force and a Mahdi Army leader, in addition to several others and a Syrian television station.⁵¹⁶

However, the designations only escalated what were already strong sanctions on Iran that have been in place since 1979 and have shown to be mostly symbolic.⁵¹⁷ In February 2012, the US Department of the Treasury announced sanctions against the Iranian Ministry of Intelligence and Security (MOIS) stating, among other things, the ministry had helped al Qaeda agents in Iran and provided them with identity cards and passports and had given money and weapons to al Qaeda in Iraq.⁵¹⁸

The Impact of the Power Vacuum in Iraq: The Iran – Iraq Military Balance

All of these developments must be considered in the light of the near power vacuum in the Iran-Iraq military balance, previously illustrated in **Figure VII.1**. As has been shown earlier, the US invasion and later disbanding of Saddam's army eliminated Iraq as a major military competitor of Iran. While the Iraqi Army (IA) suffered readiness problems and equipment shortages after the first Gulf War in 1991, it maintained a rough parity or even superiority with Iran in most major military capabilities. The Iranian military is structured to face a multitude of threats, but up until 2003 had seen Iraq as one of its main opponents, and countering an Iraqi invasion had been a major preoccupation for Iranian military planners.

Some US analysts have hoped that Iraq can again play the role of military competitor of Iran in the future. Despite a number of former ISCI members joining the IA, and some pro-Iranian military leaders, many in the Iraqi Army do view Iran as a potential threat. While Iraq may someday be a realistic check on Iranian military power, the timelines involved are quite long. As the previous figures have shown, the Iraqi military now poses virtually no conventional threat to Iran, nor can it hope to successfully oppose an Iranian invasion. The IA will remain quite weak for many years to come.

This is not a matter of authorized manpower numbers, although at this point there are no meaningful unclassified data on how many personnel are actually present, or how many officers, NCOs, and technicians are present or qualified. The Iraqi military has grown impressively since 2003, and it is not far behind Iran in terms of sheer size: 200,000 men in the Army, 68,000 more in Army Training and Support Forces, 5,053 in the Air Force, and 3,650 in the Navy, as of the end of 2010.⁵¹⁹

But these numbers hide some serious weaknesses in addition to the endemic problems of corruption, sales of position and promotion, and the politicization of the force. The Iraqi military was almost exclusively a COIN-focused force until 2010. Building up the IA into a conventional force is very complex, time-consuming, and an expensive task. Iraqi plans call for a phased

transition into a more conventional force focused on external threats, but this transition will not be completed until 2020, even under very favorable conditions. The recent political deadlock and budget crises in Iraq do not bode well for this transition meeting a 2020 deadline.

Iraq's military weaknesses vis-à-vis Iran are too numerous to examine in detail, but some of the most important problems can be summarized as follows:

- *Air defenses:* Iraq has no indigenous air defense capabilities. This is Iraq's most glaring conventional military shortcoming. Iraq has no SAMs (not even MANPADs), no air defense radars, and only acquired its first modern jet fighters in late 2011. Iraq expressed interest in used French Mirage 2000s, is in the process of acquiring a total of 36 US F16s, and was reported to be considering 24 Chinese J17s.⁵²⁰ Air defense systems are extremely complex and expensive, and Iraq currently has no clear plans to acquire one in the near future. The Iranian air force may be obsolete by western standards, but it is decades ahead of Iraq.
- *Armor:* Iraq has only 140 modern M1A1 Abrams tanks, and a small number of less-advanced Soviet tanks. While Iraq has plans to purchase more, and to convert several infantry divisions to armored, further M1A1 purchases have been postponed due to budget shortfalls. Iraq's insistence on buying modern, but very expensive, American tanks will result in it taking a decade or more before the IA has enough tanks to realistically resist an Iranian invasion.
- *Artillery:* The IA has very little in the way of artillery, and what it does possess is mostly light and outdated. The IA has virtually no counter-battery capabilities. Iran, despite readiness and training problems, maintains a large number of artillery units.
- *Antitank Capabilities:* Iraq's only current real anti-tank capabilities are its small number of tanks, as well as a small number of ATGWs on its armored personnel carriers. The only anti-tank capability Iraqi infantry possess is short-ranged RPGs. Iraq has a light helicopter force, but no real anti-tank helicopter capability, nor plans to procure one.⁵²¹ Anti-tank weapons, particularly man-portable systems, are cheaper and somewhat easier to operate than many of the other weapons systems that Iraq needs to acquire in order to oppose Iran. However, as of yet no clear plans to obtain a serious anti-tank capability have been announced by the IA.

Iraqi efforts to rebuild its forces and capabilities to deter and defend against Iran will now be shaped by Iraq's politics, but Iraq does have significant security concerns. The two countries also technically remain at war, and incursions by the Iranian military are a constant threat. Their border is not clearly demarcated, particularly in the waterways in the south. Many border areas remain contested.

A minor clash at the Fakka Oil field on the Iran-Iraq border served to underline Iraqi fears of Iranian encroachment. The Fakka field is very close to the border, and while it has been in Iraqi hands since the Iran-Iraq war, its ownership is still in dispute.⁵²² On December 18, 2009, a small number of Iranian troops backed by armor seized oil well number 4 in the Fakka field and set up defensive positions.⁵²³ Iraqi troops massed nearby and the Iranians quickly retreated back across the border. The incident avoided serious confrontation, with no shots fired by either side. However, had Iran chose to reinforce its position and defend the well it seized, there would be limitations to what Iraq could do without US help. The incident galvanized Iraqi public opinion and has contributed to a nationalist backlash against Iranian meddling in Iraq.

The Fakka incursion was only one in a series of Iranian military incursions across Iraq's border. On average, Iran shells Kurdish rebel camps in northern Iraq twice per month. Incursions by Iranian unmanned aerial vehicles have occurred since the late 1990s. In June 2010, Iranian ground forces penetrated ten kilometers over the border near Penjwin to destroy rebel arms

caches. Iranian helicopters have undertaken rocket attacks in northern Iraq and Iran has fired artillery against targets in Iraqi territory.⁵²⁴

In July 2011, Iranian troops crossed the border into Iraq to pursue Kurdish separatist forces; Roughly 5,000 IRGC personnel deployed along the border with Iraqi Kurdistan, with an unknown number having crossed the border. According to the IRGC, they inflicted a “heavy and historic defeat” on the Kurdish separatist group PJAK (Free Life Party of Kurdistan). The PJAK also claimed to have killed 53 Iranians in the fighting.⁵²⁵ In August 2011, Iran again shelled PJAK targets in northern Iraq at the same time Turkey bombed PKK fighters. In September 2011 in front of the UN General Assembly, Kurdish President Talibani requested that both Turkey and Iran stop bombing Iraqi territories in the Kurdistan region, saying it was causing many innocent civilian victims.⁵²⁶

COMPETITION IN DIPLOMACY AND FOR IRANIAN ABILITY TO CREATE AN “AXIS” OF INFLUENCE IN IRAQ, SYRIA, AND LEBANON

Diplomatic efforts to encourage US-Iranian collaboration, rather than competition, in Iraq have failed, and this aspect of competition continues to expand. Following the December 2006 Iraq Study Group recommendation to include Iran in stabilization efforts in Iraq, the US and Iran took part in three regional conferences on Iraqi stability between March 2007 and April 2008.⁵²⁷ Bilateral talks between the US and Iran took place between May and August of 2007, but produced several impasses and did not continue.⁵²⁸ The US and Iran have since competed diplomatically to shape Iraq’s political system and each has intervened in Iraqi political deadlocks to broker agreements favorable to their interests.

Diplomatic Competition

Iran sees diplomacy in Iraq as a key area to compete with the US, and one where it can win with little compromise or cooperation. This is illustrated by the role of the Qods Force over Iran’s diplomacy and in the background of Iranian ambassadors and other officials in Iraq. The current Iranian ambassador to Iraq, Hassan Danafar, and his predecessor, Hassan Kazemi-Qomi, were members of the Iranian Revolutionary Guard Corps (IRGC).⁵²⁹

In October 2007, General Petraeus claimed that Kazemi-Qomi was still a member of the Qods Force.⁵³⁰ Qomi had previously helped organized Hezbollah in Lebanon.⁵³¹ Danafar was commander in the IRGC, deputy commander in its navy, and also a member of the Qods Force.⁵³² Danafar is a native of Baghdad but was expelled by Saddam’s regime for ethnic ties to Iran.⁵³³ During the Iran-Iraq War, he was an IRGC ground forces operations commander and was responsible for the planning and operations division of Khatam-ol-Anbia (“The Last Prophet”), an Iranian company under IRGC control.⁵³⁴⁵³⁵

Khatam-ol-Anbia, which employs 40,000 people and has ties to Chinese oil companies, is responsible for projects in oil, industry, natural gas, transportation, and construction.⁵³⁶ Danafar was also Secretary of the Department of Iran-Iraq Economic Development and headed the Mobayen Center, a cultural center that Iran Focus News and Analysis accuses of training Iraqis to work with the Qods Force. The oppositionist National Council of Resistance of Iran also accuses the Qods Force of having its members pose as Iranian businessmen.⁵³⁷ Immediately before assuming the post of ambassador, Danafar headed the Center for Reconstruction of Holy Sites.⁵³⁸

The Problem of Syria

US-Iranian competition in Iraq cannot be separated from recent events in Syria. The current protracted Syrian conflict draws in both Washington and Tehran, as each power seeks to advance its aims and undermine those of its rival. US hopes of regime change in Syria seem less likely as the Assad regime digs its heels in and continues its crackdown of opposition forces. While the Syrian government pays lip-service to a diplomatic solution and political reforms such as term limits and more political representation, its security forces seem to have withstood the worst of

the opposition's onslaught, and the regime's resilience does not bode well for those who would like to see it fall.

As US competition with Iran plays out in this arena, US CENTCOM Commander General James Mattis has stated that the fall of the Assad regime would constitute "the biggest strategic setback for Iran in 25 years."⁵³⁹ To be sure, if Assad fell Iran's ability to arm Hezbollah would be significantly curtailed, and with it Tehran's ability to project power throughout the region.

For the US, the ideal situation is the removal of the Assad regime and the emergence a government that could seek to downgrade Syria's ties to Iran. However, the ability of the US to affect any outcome decisively is limited, at least in part, due to a reduced regional troop presence, and the local and regional complexities of the Syria crisis. Given the low probability of a rapid return to stability in the short term, and the uncertain nature of what type of regime would follow in the long term, American policymakers may have to moderate their position, settling instead for some semblance of reform in a region already wrought with instability.

For their part, the Iranians must also be concerned about prolonged instability in Syria, but for very different motivations. A March 2012 analysis of the Syrian crisis by Aram Nerguizian and Joy Aoun of the Center for Strategic and International Studies reports that:⁵⁴⁰

"For Iran, the risks of Syrian instability include at least a partial loss of its ability to influence the Arab-Israeli conflict or to provide support via Syria to militant Palestinians and Iran's Shi'a allies in Lebanon, chief among them Hezbollah. Iran is allegedly providing assistance to the Assad regime as it tries to suppress the latest round of protests. But there is only so much Iran can do to influence the course of events in Syria, and Iran finds itself in a mainly Sunni Arab Middle East that has fewer and fewer reasons to emulate the Islamic Republic."

A violent crackdown by President Bashar al-Assad's security forces against protesters in Syria led to widespread condemnation in much of the Arab and Western world, while Iran remained one of Syria's few supporters in the Middle East. Recent competition in diplomacy involving Iraq's relations with Syria has made Iraq's response to the crisis a critical component of an uncertain regional challenge.

While the Iraqi government has stopped short of defending the actions of the Assad regime, it has refrained from taking part in Arab League trade embargos against Syria. While the government in Iraq publicly supports reforms in Syria including constitutional reform, power sharing, and elections, it must contend with its own internal socio-economic and political pressures, and is much more concerned with stability in neighboring Syria.

A February 2012 CRS report on Iraq states that Maliki's reluctance on Syria stems from his fear that, should Assad fall, the next Syrian leader will be Sunni, and thus side more naturally with Saudi Arabia than Iraq.⁵⁴¹ The Arab League summit in March 2012 could have provided Iraq with a high-profile opportunity to establish its position on Syria. The meeting was overshadowed, however, by Syria's announcement on the eve of the summit that it would accept Kofi Annan's six-point peace plan; a move that can now be seen as little more than a ploy to buy time.⁵⁴²

Another flashpoint of competition between the US and Iran that involves both Iraq and Syria has to do with Iran funneling arms through Iraq to its proxies in Syria. In March 2012, the Washington Times reported that the Iraqi government had refused to ban Iranian cargo flight to Syria over Iraqi airspace despite pleas from US officials who insisted the shipments transport

tons of illegal weapons to President Bashar al-Assad's regime.⁵⁴³ Former US Ambassador to Iraq James Jeffries pressed Maliki to ban Iranian flights reportedly carrying arms to Syria on several occasions throughout his tenure. Additionally, Vice President Biden personally raised the issue in a March 12, 2012 phone call with Prime Minister Maliki, making the flight issue a "high priority". Several days later, Maliki's office issued a statement denying that Iran was shipping arms to Syria over Iraqi airspace.⁵⁴⁴

Iraqi Prime Minister Maliki's claims that the shipments contain "humanitarian goods, not weapons" highlighted the extent of Iranian influence, Iraqi strategic concerns over being surrounded by Sunni states, as well as the severity of the US challenge. On the issue of US-Iranian strategic competition, Kenneth Pollack of the Brookings Institution has said: "This is another sign that the US has lost a tremendous amount of influence inside Iraq. We're leaning on Maliki heavily but he's just not cooperating. Maliki's not looking gratuitously to piss us off, but at the end of the day Iran is wielding a lot more in Iraq than we are."⁵⁴⁵

The April 2012 ICG presented another angle on how the crisis in Syria plays out between Iraq, Iran, and US interests:⁵⁴⁶

"Another potential event could be presenting itself in the evolving Syria crisis. If and when the Assad regime falls, Iraq's Sunnis might feel empowered vis-à-vis a Shiite Islamist-dominated government in Baghdad they despise, thus aggravating their already tense relationship. More-over, having just seen the demise of a key Arab ally (the Assad regime) and, in the process, having lost easy access to another (Hezbollah), Iran might devote more resources to the Maliki government, which itself would feel threatened by a potentially Sunni Islamist-led Syria. This would further compound Iraq's internal crisis and raise the specter of a return to the days of sectarian conflict."-ICG Report: Iraq and the Kurds, April 2012

On the one hand, an Iraq that tilts too far toward Iran and Syria, could find it difficult to deal with its Arab neighbors in the future. However, that other Arab states – like Jordan and Lebanon – also find it difficult to shape a coherent policy on Syria is a testament to how concerned neighboring states are of negative spillover effects should Syria deteriorate further.

Iran's support for Assad has affected Turkey's willingness to counterbalance Iranian influence in the region, and Turkey has joined Iraq's Southern Gulf neighbors and the rest of the Arab League in pressing for a stronger Iraqi stand on Syria. In September 2011, Turkey agreed to house the sophisticated X-Band, or AN/TPY-2, US radar system in Kurecik, Turkey, 435 miles from the Iranian border. The agreement came amid Turkey's reservations over Iran's evolving missile capabilities and concern over Iran's support for Assad.⁵⁴⁷ Turkey was adamant that the agreement not pinpoint Iran as the motive behind the agreement, but as part of a broader NATO/Turkish defense system. Turkey enjoys close economic ties to Iran and has criticized the US posture on Iran's nuclear program. Iran has stated the deal will only escalate regional tensions.

The American radar will be part of a larger system that will include sharing intelligence with Israel – a major point of contention within Turkey. The deal, however, is still a milestone in improving US-Turkish relations. Turkey also permits US drones that monitor Kurdish rebels in Iraq's north to be launched from their soil and has confirmed talks for their continued use after the US leaves Iraq. It is unclear whether armed drones or just surveillance drones would be considered.⁵⁴⁸

IMPLICATIONS FOR US POLICY

Even though Iraq's internal struggles are likely to dominate its future, the US cannot ignore the need to do what it can, and the grim reality of its ongoing competition with Iran in trying to shape Iraq's future. As Iraq balances its newfound independence against growing domestic turmoil, US-Iranian strategic competition is playing out in an increasingly uncertain climate. Today, the US and Iran each possess distinct challenges and advantages in pursuing their interests in Iraq, as well as their ongoing strategic competition with one another.

US policy must be based on the reality that many of the past US plans for a strategic partnership have faltered. The future US role in Iraq is certain to be much smaller than that planned in 2011, and Iraq may not receive the US aid and support it needs to rebuild its military forces to the level where they can defend Iraq against outside threats. The US focus in the region has also shifted to the risk of a military confrontation in the Gulf or preventive strikes against Iran – raising the risk Iraq might become involved in such conflicts

Iraq's Critical Strategic Importance and Iran's Role Cannot Be Ignored

Iran has developed a significant level of influence in Iraq while playing an important role in influencing Iraq's politics. Iran has ties to many of Iraq's Shi'ite political leaders and has built up a significant commercial and religious presence in Iraq. Iran's Qods Force and other military advisors are active and have ties to both the Sadrist movement and some of Iraq's Shi'ites militias.

So do elements of Iran's Ministry of Intelligence and National Security of the Islamic Republic of Iran (MISIRI), its secret police and primary intelligence agency. These agents are embedded throughout Iranian embassies in Iraq and all over the world, as well as in Iranian commercial, education, NGO, and religious groups). (The MISIRI is more commonly referred to as the VEVAK (Vezerat-e Ettela'at va Amniyat-e Keshvar), VAJA, or MOIS (Ministry of Intelligence and Security)

At the same time, many Iraqis remember the cost and sacrifices of the 1980-1988 Iran-Iraq War. Iraq's Sunnis and Kurds have little reason to admire or trust Iran. Iranians and Iraqi Shi'ites do not always share the same views; particularly over Iran's claim to have a Supreme Religious leader and efforts to increase its influence in Iraq's Shi'ite holy cities. There are tensions over Iran's exports to Iraq – which undercut Iraqi farmers – and some Iraqis feel Iran has profited from Iraq's suffering.

As for Iraq's current leadership, Prime Minister Maliki and Iraq's Shi'ites face a serious dilemma in dealing with the competition between the US and Iran. To date, PM Maliki has balanced his relationships with the US and Iran, partnering with each country where necessary and expedient, without becoming fully dependent on either. In fact, Maliki's rejection of the US request to keep American troops in Iraq after the December 2011 deadline, and Iraq's hosting of Arab partners during the Arab League Summit in Baghdad in March 2012 demonstrated Iraq's ability to balance interests between these competing powers.

Prime Minister Maliki visited Washington shortly after the final withdrawal of US troops to highlight a continuing strategic relationship with the US. Within days of that visit, however, he

became caught up in a new power struggle with Iraq's Sunnis and Kurds. Maliki kept up ties to Iran and his April 2012 visit to Iran underscored the historic religious and cultural ties between the Shiite governments in Baghdad and Tehran.

The US must recognize that Iraq faces a difficult balancing contest indefinitely into the future, and one linked as much to Iraq's internal politics as US and Iranian competition. It must be prepared to deal with the fact Iran is a serious challenge in Iraq and will remain so regardless of any near-term shifts in Iraqi politics and leadership

Focusing on the Strongest Possible US Country Team

This means the US must recognize that its only real option is to create the strongest possible country team in Iraq it can, backed by ongoing efforts in Washington. The Administration and the Congress also need to recognize that aid funds will be a major issue even though the US has not maintained a troop presence and is cutting back on many of its previous goals for creating a strategic relationship with Iraq. As the previous analysis has shown, resources are already a problem.

US forces have fully withdrawn, provincial reconstruction teams have ended, and the State Department now has control of far more limited operations than the US originally sought under the SFA. State must work in an integrated effort with the Department of Defense and other US agencies to try to influence Iraq through diplomatic presence, development assistance, police development, and modernization of the Iraqi Security Forces.⁵⁴⁹ At the same time, State and Defense must try to build on the relationships characterized in the SFA, including important advisory roles that can be maintained without a large US troop presence.

This will be difficult. As **Figure VII.27** shows, the US has sharply cut its presence in Iraq, but is still attempting to maintain a substantial nation-wide presence. This poses major challenges in terms of Iraqi support and acceptance, security, transport, and funding.

Figure VII.27: The Planned US Presence in Iraq: June 2012



Source: GAO analysis of Department of State and Defense data.

Adapted from Statement of Michael J. Courts, Acting Director International Affairs and Trade, *MISSION IRAQ State and DOD Face Challenges in Finalizing Support and Security Capabilities*, Testimony Before the Subcommittee on National Security, Homeland Defense, and Foreign Operations, Committee on Oversight and Government Reform, House of Representatives, June 28, 2012

So far, however, the US has tended to react to every problem in its relations with Iraq by cutting its presence and role. In February 2012, the US acknowledged it would be cutting the funding for the US Embassy in Baghdad by 10 percent in 2013, as part of the \$4.8 billion spending plan the State Department is requesting for the mission for the 2013 fiscal year that begins October 1, 2012.⁵⁵⁰ Michael W. McClellan, the embassy spokesman, stated that to compensate for the cuts the embassy was planning to hire “Iraqi staff and sourcing more goods and services to the local economy.”⁵⁵¹

As touched upon earlier, outside sources like the Center for Strategic and Budgetary Assessment’s *2012 Defense Budget Analysis* have noted the problems involved:⁵⁵²

“The FY 2012 budget requests a total of \$118 billion in additional funding for the wars, of which \$107.3 billion is designated for operations in Afghanistan and \$10.6 billion for Iraq. This is a substantial decline from the level of funding enacted in FY 2011, 27 percent in real terms, and brings total annual war funding to the lowest level it has been since FY 2005. Nearly all of the reduction in war funding from FY 2011 to FY 2012 is due to Iraq, where costs are projected to decline by 77 percent in real terms as troop levels drop to less than 4,500 in the first quarter of FY 2012 and to zero after December 31, 2011, the date by which all military forces must be withdrawn from the country according to the status of forces agreement.

The future cost of the wars depends on a number of external factors that cannot be known in advance, such as operational tempo, fuel prices, and the number and composition of forces required in future years. Previous analysis by CSBA has demonstrated a strong correlation between the number of troops deployed and the total annual cost.¹¹ However, as the troop levels in Iraq fall to zero in FY 2012 and the State Department assumes the lead for the U.S. mission, the correlation between cost and the number of troops will no longer hold true. The cost of operations in Iraq will likely remain in the range of \$5–10 billion dollars annually as long as U.S. support for the Iraqi government continues as planned.”

The GAO also reported in late June 2012 on the growing problems in the US effort – although it again did not address the additional problems created by Iraq’s political struggles, corruption, and the weak structure of Iraqi governance,⁵⁵³

State and DOD planned for a robust presence in Iraq. For fiscal year 2012, Mission Iraq planned to have more than 16,000 personnel at 14 sites), making it the largest diplomatic presence in the world. Of the 16,000, about 14,000 were to be contractors primarily responsible for security and logistical support. As of May 2012, State and DOD shared responsibility for managing U.S. personnel and sites in Iraq: State managed 8 sites and DOD, under Chief of Mission authority, managed 6 sites. Mission Iraq also planned to have the largest State-led police and military security assistance programs in the world—the Police Development Program and the DOD-administered Office of Security Cooperation-Iraq (OSC-I). According to DOD officials, U.S. Forces-Iraq planning for OSC-I assumed that a follow-on U.S. military force would be approved by both governments and provide OSC-I with additional support functions. The bilateral decision not to have a follow-on force led to a reassessment of U.S. military-to-military engagement planning, resulting in an increase in the OSC-I presence.

...As of May 2012, State and DOD were reassessing the Mission Iraq presence, and State had a plan to reduce the presence to 11,500 personnel at 11 sites by the end of fiscal year 2013. Even with the reductions, Mission Iraq would remain the largest U.S. diplomatic presence in the world. State and DOD allocated an estimated \$4 billion for the civilian-led presence for fiscal year 2012, 93 percent of which was for security and support costs. In addition, State requested \$1.9 billion in police and military assistance and \$471 million in other foreign assistance for fiscal year 2012. State officials said they are lowering their fiscal year 2012 and 2013 budget estimates as a result of reducing the presence.

... For example, the number of advisors expected for the Police Development Program has decreased from a planned 350 in early 2010 to well under 100 planned today. State and the Government of Iraq are further refining the program to be smaller and more narrowly focused. Furthermore, State also intends to turn over the primary Police Development Program and OSC-I sites to Iraqi control by the end of fiscal years 2012

and 2013, respectively

...The Government of Iraq's commitment to the U.S. presence has remained unclear. The Iraqi Foreign Minister questioned the size, location, and security requirements of U.S. sites. As of May 2012, Iraq had not signed all land-use, program, or operations agreements; State officials voiced concern about Iraq's ability to finalize these agreements. Iraq acknowledged a U.S. presence at 12 sites, but State held title or had land-use agreements or leases for only 5 sites.

... The United States and Iraq have not finalized certain agreements regarding the U.S. presence and are no longer pursuing others. As of May 2012, Iraq had not signed all land-use, program, or operations agreements, and State officials expressed concern about Iraq's ability to finalize these agreements. For example, State legal officials noted that Iraq had acknowledged a U.S. presence for 12 of the 14 sites at which Mission Iraq currently operates. However, State held title or had signed land-use agreements or leases for only 5 of the 14 sites. According to State officials, Mission Iraq also was unable to secure a written program agreement for the Police Development Program, has decided to stop pursuing a formal agreement, and, as mentioned previously, plans to dramatically reduce the size and scope of the program. In addition, while Mission Iraq and the Iraqi government exchanged diplomatic notes concerning OSC-I, according to DOD officials, Mission Iraq has been unable to secure an explicit agreement that would allow OSC-I to conduct its full range of security cooperation activities.

...Mission Iraq support functions were operational, but did not fully meet the three mission-capable support criteria by the planned target date of October 1, 2011. First, in establishing basic infrastructure and life support, Mission Iraq faced delays in housing, waste treatment, and food services. For example, State terminated one of its construction contractors for nonperformance, which led to delays. Second, though medical services were in place by October 2011, as of May 2012, Mission Iraq was still completing contingency plans for emergency evacuation from Iraq. Third, while not all communications systems were in place as planned by October 1, 2011, communication services were functional at all Mission Iraq sites as of May 2012.

Iraq is a "critical threat" post with additional special conditions, State's most dangerous designation, and Mission Iraq personnel and facilities face numerous threats, including routine rocket and mortar attacks, car and roadside bombs, small arms fire, and kidnapping. This environment requires extraordinary funding to provide additional security and support capabilities, primarily provided by contractors. Mission Iraq security capabilities were operational but did not fully meet mission-capable security criteria by the planned target date of October 1, 2011. State and DOD identified three security criteria for Mission Iraq to be considered fully mission capable: completion of secure and protected facilities, provision of secure ground and air movement, and provision of emergency response capability.

State and DOD security capabilities are not finalized. Construction of security features was not expected to be completed at State-managed sites until February 2013 and at DOD-managed sites until September 2013, in part due to contractor performance. To mitigate resulting vulnerabilities, Mission Iraq frequently employs "field expedient" measures.³ State and DOD also experienced difficulty in recruiting, vetting, and training their 7,000 contractors to provide security support for Mission Iraq and, as a result, had to extend existing DOD security contracts.

Mission Iraq's secure movement capability was operational but not fully mission capable by the planned date of October 1, 2011. For example, in October 2011, vehicle communication issues in Basrah prevented State from carrying out some secure movements. Based on our review of State and DOD documentation, emergency response capability was operational but was not fully mission capable by the planned date. However, as of May 2012, emergency response was fully mission capable.

... as of May 2012, construction of site security features was not expected to be completed at all Mission Iraq sites until September 2013. State and DOD also experienced difficulty in recruiting, vetting, and training site security contractors and, as a result, had to extend existing DOD security contracts. Second and third, Mission Iraq's secure movement and emergency response capabilities were operational but not fully mission capable by the planned date of October 1, 2011.

However, as of May 2012, emergency response was fully mission capable. In addition, State and DOD agreed that each department would establish secure facilities at the sites each managed and would apply

their own enhanced security measures. As of May 2012, State had conducted security assessments at its sites and had taken mitigating steps to address vulnerabilities. U.S. Forces-Iraq conducted security assessments at DOD-managed sites. DOD officials reported some efforts to address the vulnerabilities identified by the assessments, but DOD did not fully document such efforts. DOD officials noted that the assessments assumed a follow-on military force and said that DOD was not obligated to address the vulnerabilities identified by U.S. Forces-Iraq. DOD has plans to conduct new vulnerability assessments of its sites by July 2012.

Other reporting on congressional hearings in late June 2012 emphasized the security problems the US now faced,⁵⁵⁴

- Iraq security forces routinely have been detaining U.S.-hired private security contractors at checkpoints, and the Iraq government is restricting airspace for U.S. aircraft, jeopardizing potential escape routes.
- Iraq's objections to the United States transporting people to meetings using the 60 MRAPs (Mine Resistant Ambush Protected vehicles) that the departing U.S. military turned over to the Baghdad embassy.
- Lack of cooperation from Iraqi law enforcement agencies with the U.S. Agency for International Development on prosecuting fraud cases.
- Difficulties in getting Iraqi entities to sustain projects that United States has poured billions of dollars into.

Much will depend on the country team's political, economic, and military efforts to bolster Iraq's capacities and to counter Iranian influence, and the efforts of the US military become partners in giving Iran the mix of counterinsurgency and conventional forces it needs. Aid in governance and economic policies that encourage outside and domestic investment may be as critical as security aid. Many of the broader initiatives that encourage measures that stem corruption and enforce rule-of-law are long overdue and might prove as important as military and police training

It is far from clear, however, whether the US Congress and Administration as whole understand the level challenges involved. In February 2012, the *Washington Post* reported that "Congress is pushing for a smaller embassy with an eye toward cutting some of its \$6 billion budget." One senior official told the *Washington Post* "I don't want to say we miscalculated, but we initially built a plan based on two things that have not played out as well as we had hoped. One was the politics [in Iraq], and the other was security".⁵⁵⁵

The domestic US politics surrounding the future foreign affairs budgets of both the State and Defense Departments are volatile to say the least, and there will almost certainly be further cuts to expenditures in Iraq unless the Administration and the congress both realize how serious the stakes really are.

Making Do With Too Few US Resources to Compete?

The country team will need funds for traditional technical assistance to government ministries and provinces through agencies like USAID and the DOJ. It will also need funds for less familiar roles, such as efforts to help Iraq to make a broad transition to more effective economic planning and governance, and to improve the integrity and honesty of development efforts. The coordination of the largest Foreign Military Sales (FMS) and Foreign Military Financing (FMF) programs in the Funding continuing US military, and police training presence in Iraq and. US arms transfers will be particularly critical if the US is to deal with the growing political divisions and corruption in Iraqi security forces. The size, composition, and ultimate success of the military training mission are particularly crucial and uncertain. It is not clear whether US aid programs can successfully be scaled back without compromising their intended goals. It remains

uncertain how an influx of contractors will perform, and whether or not State can effectively manage them

The country team will also need funds to try to maintain a range of US installations within Iraq,⁵⁵⁶ including consulates in Erbil and Basra and ten OSC-I sites.⁵⁵⁷ The lack of continued US troops will complicate many of State's efforts and raise their cost. US forces in Iraq performed several key functions prior to State taking the lead, including training, equipping, advising and supporting the ISF, conducting partnered counterterrorism operations with Iraqi forces, and protecting civilian capacity building efforts.⁵⁵⁸ Not only will State take on oversight of many of these functions, but there will also be a heavier reliance on Iraqi forces to fill security voids.

This effort cannot be cheap— although it will cost substantially less than the original US plan to spend \$6.83 billion. Unfortunately, the politics surrounding the foreign affairs budget of both the State and Defense Departments are volatile, and there may be significant further cuts to expenditures in Iraq. It is far from clear how firmly and fully the US Congress and Administration as whole understand the challenges involved.

Making a Fundamental Shift in the US Strategic Objectives in Iraq

Moreover, the US must make a fundamental shift in its policy goals within Iraq. Iraq will not be a “strategic partner” if this means confronting Iran or tying its interest and internal politics to US interests. It will only exercise its Strategic Framework Agreement with the US to the extent Iraq's leaders feel this serves Iraq's interests or is necessary to aid in Iraq's defense. As a result, the US goal in Iraq needs to change to one that does everything possible to ensure Iraq emerges as a strong, stable independent state that can resist outside pressure from Iran and any other state in the region.

The US goal in Iraq should be to aid Iraq in developing effective political unity, in creating better and less corrupt governance, and in using its own resources to sever the interests of its people. US security policy should focus on help Iraq both put an end to its violent extremist elements and creating strong enough military forces to deter and defend against Iraq and other outside states without threatening its neighbors. This goal is challenging enough – although it requires far less US military and other aid than the strategic objectives the US had at the end of 2011.

The US Role from Outside Iraq

Much will also depend on what the US does outside of Iraq to deter and contain Iran, or to show how its evolving posture serves the broader interests of Iraq and the Arab Gulf states. The US has so far done little to explain the new security posture it will establish in the Gulf, Jordan, and Egypt. On December 16, 2011, Ben Rhodes, the deputy national security advisor for strategic communications, is reported to have said that the US could revert to a pre-1990 posture in the Gulf, and there was no real need to either deal with Iran or change the US strategic and military posture in the region. Rhodes explained that, “the scaling back of the US military presence in the Gulf was part of the administration's strategy to “demilitarize” US foreign policy and shift to an approach that favored counter-terrorism tactics.” He also said the end of the war in Iraq -- and eventually the war in Afghanistan -- proved that large military deployments are not necessary to deny terrorists safe haven in foreign countries.”⁵⁵⁹

"I don't think we're looking to reallocate our military footprint in any significant way from Iraq. They won't be reallocated to other countries in the region in any substantial numbers ... The argument several years ago... was that you needed to have a very large US military footprint so that you could fight the terrorists 'over there,' so they wouldn't come here. But we've demonstrated the opposite, that you don't need to have a large US military footprint in these countries, that you can shrink them and focus on al Qaeda in a far more specific way... and still very much accomplish your national security goals...."

"That allows us in many respects to demilitarize elements of our foreign policy and establish more normal relationships...That's our posture in the region and its far more in line with where we were before 1990."

...President Obama has kept a core promise of his to the American people. He opposed the war in Iraq as a candidate for Senate in 2002, before it started. He put forward a plan to end the war as a senator and promised to end the war as a candidate. And now we can definitively say he has kept that promise as president...America is safer and stronger because of the way we ended the war in Iraq." _Ben Rhodes, US Deputy National Security Advisor

In fairness, it is clear that the Obama Administration did carry out extensive planning for a new approach to shaping the US force posture in the region in late 2011. The new strategy the Obama Administration advanced in January 2012 did take Iraq into account, it made the Gulf and Middle East equal to Asia as one of the two critical priorities for US strategy, and the Department of Defense carried out contingency planning and war games both examined the threat posed by Iran in great detail and developed specific force plans and plans for improved cooperation with other Gulf states.

The fact remains, however, that the public stance of the Administration, the Congress, and opposition Presidential candidates is at best what might politely be called a bipartisan intellectual vacuum. The US is drifting from invasion and occupation towards strategic neglect, ignoring the reality that Iraq plays a critical role in the stability of the Gulf, world petroleum exports, the global economy, and the containment of Iran.

Iraqi Security and Stability

In summary, the current drift towards US strategic neglect of Iraq cannot be allowed to continue. Iraq is not yet on the edge of civil war, but the threat is growing. Iraq stability and security now depend on the ability of Iraq's leaders to create a central government that can bridge over the growing differences between their factions, and serve the common interests of Shi'ite, Sunni, Kurd, and Iraq's smaller minorities. No amount of US aid will be able to compensate for the lack of political unity that now exists at the top, the resulting failures in Iraqi governance, and US success will depend primarily on the limited extent to which it can help the Iraqi government move towards some form of viable political unity and form of effective governance.

The advancement of Iranian ambitions following the US withdrawal depends on how successful US efforts are in building an enduring strategic partnership with Iraq. Much will depend on the level of continued US diplomatic, advisory, military, and police training presence in Iraq, and on Iran's ability to exploit the diminished US presence.

At the same time, even the best US effort will fail unless Iraqi recognize that they must take more responsibility for their own future. Iraq's future will ultimately depend on whether Iraqis can find a real solution to their internal political divisions, and can avoid a new round of civil conflicts. A strong, independent Iraq with political leadership that focuses on Iraq's national interests and serves all of its people would find it far easier to balance US and Iranian

competition, and possibly take advantage of them. It would be a critical buffer between Iran and its Arab neighbors as well as help contain the pressure on Syria and Lebanon, and tensions between Israel and Iran.

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