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31514/06

Classification  
eGram Number  
From  
Date Created  
Date Registered  
Action Immediate  
Action Routine  
Info Immediate  
Info Routine

CONFIDENTIAL  
31514/06  
BAGHDAD  
20/07/2006 10:56:00  
20/07/2006 10:00:16  
eP FCO

Caveat

FCO Distribution  
Lead  
Military Action Imm  
Military Action Rtn  
Military Info Imm  
Military Info Rtn  
Subject  
Summary

ePL MIDDLE EAST POSTS;ePL ISLAMIC POSTS;ePL SECURITY  
COUNCIL POSTS; ;eOGD CABINET OFFICE;eOGD  
ATTORNEY GENERAL;eOGD DFID;eOGD HM TREASURY;eOGD  
HOME OFFICE;eOGD JTAC;eOGD LEADER HOUSE COMMONS;eOGD  
NO 10;L  
eDL IRAQ/KUWAIT  
eD IRAQ DIRECTORATE

LOCSEN; NOSEC: IRAQ: VALEDICTORY  
Minor typos corrected

Corrected Version, original eGram Number: 31444/06

Strategic failure in Iraq a distinct possibility but not inevitable. A lot is riding on Maliki's Government. We and the US will need to stay the course if he is to succeed. The best job I have had. As long as we continue to attract dedicated staff who relish the challenge we can make a difference.

SIC

1. The prospect of a low intensity civil war and de facto division of Iraq is probably more likely at this stage than a successful and sustained transition to a stable democracy. Even the lowered expectations of President Bush for Iraq, "a government that can sustain itself, defend itself and govern itself and is an ally on the war on terror" must remain in doubt.
2. Iraq faces the same complex web of social, ethnic, religious and ideological conflicts that hindered the process of state formation in the 1920s. The political system we imposed then was eventually

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overwhelmed by the rivalries of Sunnis, Shia, Kurds, Turkmen, the tribes, pan-Arabists and Iraqi nationalists. Saddam Hussein only managed to contain these rivalries through a combination of co-option and brutal repression. In recent times international terrorism and a rising Islamic trend have been added to the mix.

3. Since the transfer of sovereignty in 2004 we have made considerable progress in developing the political process; a new constitution, democratic elections and formation of a Government of National Unity. But the process itself has also exposed the sectarian divisions in the country. One of the consequences of our success in persuading the Sunnis to participate was an electoral outcome in December 2005 that essentially reflected the deep sectarian division in the country. The centrist and non sectarian parties like Allawi's Iraqiya were squeezed out. The UIA were persuaded to accept that without a more inclusive government there was no prospect of an end to violence.

1.

4. The current levels of violence are as high as they have ever been and the increasingly bold and sectarian nature of the violence is the most troubling aspect. There is little doubt (and this analysis is shared by most Iraqis) that the precipitate departure of Coalition Forces from Iraq would lead to open civil war.

5. Maliki's Government has a limited amount of time to steer the country in the right direction. There is broad agreement between us on what is needed; a process of national Reconciliation, national recovery and a new international partnership to underpin recovery and reconciliation. In today's Iraq it is easier to get agreement on broad principles than to get the sort of sustained commitment necessary to deliver. It reality we are dependent on Maliki's untested leadership skills and the energy of a few others to deliver. But he is constrained to

The continued ambivalence of some Sunni politicians towards insurgent/terrorist violence fuels this and is in turn stoked by the activities of the death squads. Iranian influence is malign but Maliki at least appears to recognise this.

6. Maliki knows he must reduce and eventually eliminate the power of the militias but does not feel he has sufficient forces at his disposal or cover within his own political circles to do so whilst terrorism and the insurgency show no signs of abating. We are in a catch - 22; those insurgents who might consider joining the political process are unlikely to do so until the militias have been disbanded or disarmed. As long as AQI and other groups are bombing Shia markets and mosques the militias will continue to pose as a better security option than the ISF and to assuage the desire for revenge. Without progress on security the encouraging start made by DPM Barham Saleh and his economic team will be still born. The exodus of businessmen and the Iraqi middle class continues due to security concerns. They will take some persuading to return a second time but their entrepreneurial skills will be vital if the country is to thrive.

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7. There are signs of different groups positioning themselves for the de facto if not de jure division of the country. The Kurds are already well set and looking to recover traditional Kurdish areas split off by Saddam Hussein and to absorb Kirkuk. Aspirations for a predominantly Shia region in the South remain alive with Sadristes traditionally hostile to the concept beginning to make more receptive noises. The Sunnis who had been the most vociferous opponents of federalism, harbouring as they do aspirations to run the whole country once again, are beginning to talk of the attractions of their own federal region. This raises the spectre of a new "Waziristan" right next to Jordan. The sectarian killings are hastening the day when mixed areas of Sunnis, Shias and Kurds will be a thing of the past. Baghdad is the main battle ground and the future of Iraq will be decided here. It was over three years ago that John Sawers then Special Representative for Iraq wrote that "we need a Baghdad First Strategy and it is the one place we can't get it wrong". We are still a long way from success.

8. But the position is not hopeless. I have become what David Brooks of the International Herald Tribune has described as a "pessimist who refuses to panic about Iraq". Our strategy must be to get the Iraqis to increasingly take the lead and responsibility. This will produce some uncomfortable moments but in the long run is the only solution. Considerable progress has been made in building up Iraqi military capability and further significant milestones will be achieved by the end of the year. It should be possible to ensure that the Iraqi Government has a near monopoly of force by the time the Coalition withdraws the bulk of our forces. Our ability to help them transform the National Police into a capable non sectarian force will be dependent on tackling the issue of militias. This in turn will be the key to bringing local police forces up to snuff although the civil institutions they report to require considerably more work. As direct US assistance in the security field is reduced the Iraqis will need to devote more of their own money to the task. Higher oil prices will help and the international community should be ready to assist to help them bridge the gap. The Iraqis will need to present a realistic and honest assessment for the International Compact.

9. We will through our continued presence over the next few years need to provide the Iraqis with the necessary breathing space to build up their capabilities. Maliki will need our support and pressure to build the necessary political constituency to neutralise the militias. This will be through a combination of political and military means but he will need to have made significant progress in reducing the insurgency and breaking the back of the militias within the next year and some tangible signs of progress within the next few months will be vital. Efforts against both insurgency and militias can be mutually reinforcing.

10. We will need to be careful to avoid the impression that we are ready to take on Shia militias in order to restore Sunni dominance. Some Sunnis are already attracted to that scenario and whilst it is tempting to play them along in the hope of co-opting them politically it would backfire with the Shia community and Sistani in particular. Sticking to the task of building up the necessary structures to enforce the rule of law will be the key.

11. If we are to avoid a descent into civil war and anarchy then preventing the Jaysh al Mahdi (JAM) from developing into a state within a state, as Hizbullah has done in Lebanon, will be a priority. It

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should be possible to convince Maliki and others that leaving JAM unchecked is a bigger threat to his Government than confronting them. But Maliki will need a significant return in terms of reduced Sunni on Shia violence and a greater commitment from some Sunni insurgent groups to give up violence and enter the political process. Our efforts must be in support of a clear Iraqi Government strategy and we should avoid getting into a position where we are seen to be confronting the militias alone. In Basra this will mean a greater role for the Iraqi Army than we have achieved to date.

12. This is a 5-10 year project and it will be messy and difficult. Commentators are prone to saying that the next 6 months will be crucial. That is true of the next six months but also the six months after that and so on for sometime to come. Our posture here will change with Iraqis assuming greater responsibility over the next two years for security and significant reductions in Coalition forces but we should be ready to sustain a longer political/economic/military/policing commitment if we are to help the Iraqis succeed. The consequences of failure are very high indeed. We need to get the balance right about assuring our friends that we will not abandon them and a credible exit strategy. Too much talk of an early exit could weaken our position. .

13. This has been the most challenging, rewarding and enjoyable job I have had. I have been privileged to work with a dedicated group of talented and brave officers from FCO and other government departments who have willingly put up with the risks and privations of Iraq. It has not been difficult to motivate them. They understand the importance of what we are doing here and continue to rise the challenge. As long as we continue to attract such staff we can make a difference.

**Sign Off**  
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**Attachments**

PATEY  
WILLIAM PATEY



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