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FCS/04/024

CHANCELLOR OF THE EXCHEQUER

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DESK OFFICER	
INDEX	PA

Iraq: Post-Transition Representation

18/1 12/2  
From: 10U  
cc: PS/Bns Symonds  
PS/PSJ  
Mr Buck  
Hr: 1PU  
Re 11/2

- ...
1. I enclose a paper setting out costed proposals for British representation in Iraq from 1 July 2004. These are based on working level consultations between the FCO and relevant other government departments.
  2. We need to move quickly. To stand a reasonable chance of having at least office accommodation ready on 1 July, we will need to finalise plans by the end of this month. The Americans have told us they are happy with the potential sites we have identified. Our estates and security experts are looking in detail at the feasibility of the sites. We hope this will be largely pinned down during a further visit of experts to Iraq next week.
  3. The price tag is high: aggregate (start-up plus recurring) costs of at least £50m in FY 04/05, and recurring costs in the region of £36m p.a. thereafter. There may be capital costs in the medium term, depending on the durability and adaptability of existing buildings for our longer term needs. Nor can we rule out the possibility that Iraqi property claims could give rise to extra costs in the future.
  4. We envisage the Embassy and Consulate General reducing substantially as Iraq stabilises in the medium term. We foresee an Embassy around the same size as Cairo by 2009, if not sooner.

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5. We will need to consider how the costs are shared and met. The attached table sets out our thoughts on cost shares in FY 04/05, reflecting the initial proportions of staff. My officials will pursue discussions with yours on this aspect.

6. In the meantime, I hope we can agree in principle that the proposals for British representation after 1 July are broadly right. I look forward to discussing this with you at our meeting on 12 February.

7. I am copying this minute to other members of the Ad Hoc Ministerial Group on Iraq, Sir Andrew Turnbull and Sir Nigel Sheinwald.

(JACK STRAW)

Foreign and Commonwealth Office

11 February 2004

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FY 2004/5

## POST-1 JULY IRAQ REPRESENTATION COSTS

£m

	<u>Start-up</u>	<u>Running</u>	<u>Staff</u>	<u>Total</u>
FCO	4.19	4.43	3.76	12.38
UK Visas	0.20	0.38	0.08	0.66
UKTI	0.88	1.08	0.40	2.36
DFID	5.43	5.55	2.80	13.78
MOD	2.06	2.29	0.32	4.67
Police <sup>1</sup>	5.01	5.09	TBA	10.10
British Council	0.39	0.59	0.08	1.06
OGD	2.13	2.61	0.56	5.30
Total	20.30	22.00	8.00	50.30

<sup>1</sup> police costs will be borne by the Global Conflict Prevention Pool

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## FUTURE UK REPRESENTATION IN IRAQ

### A. Medium Term Objectives of UK Representation.

1. A free, stable, prosperous Iraq at peace with herself and her neighbours, and playing a constructive international role, is critical for British national interests. The achievement of this objective over the next two to three years is far from certain. It will require a sustained UK effort on the ground in close co-ordination with the Americans and other international partners.

#### **Baghdad**

2. Objectives for a new British Embassy:
  - internal politics: the political players and networks which will emerge in and around the new National Assembly and Transitional Government will be largely new to us (and to the Americans). We will need quickly to establish connections, understanding and influence among them, to ensure the political process towards democracy stays on track.
  - regional/international politics: similarly, we will need to influence the new government and political class to ensure peaceful relations between Iraq and her neighbours, and the constructive reintroduction of Iraq into multinational institutions.
  - reconstruction: a major part of DFID's Country Assistance Plan is to build Iraqi government capacity. Much of this activity will be in Baghdad.
  - international coordination: we will need to co-ordinate our efforts closely with other key partners. In particular, we will need to maintain tight co-operation and influence with the Americans, and with the UN and IFIs as they re-establish themselves on the ground.
  - pol/mil: the presence and role of the multinational force in Iraq is likely to be a sensitive issue with the new Iraqi Government. The Embassy will need to co-ordinate closely with the MNF, develop working relations with the evolving Iraqi Defence Ministry and other parts of the Iraqi Government involved in the MNF presence, and possibly develop defence-related training programmes for the longer term.

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- policing: we will need to continue to contribute to building Iraqi security capacity, including in policing.
- commercial interests: as the Iraqi economy recovers, there will be significant commercial opportunities, increasingly with Iraqi partners as well as with international donors. These will be spread around the country, but Baghdad will be the major commercial centre and many of the opportunities will depend on strong links with the government. Links between British and Iraqi educational institutions, many of them Baghdad-based, will also be an important part of this effort.
- economics: many of the crucial elements of economic reform will now have to be implemented by the Transitional Government. We will need to influence this process, working closely with the IFIs and sometimes (as in the current phase) counterbalancing unhelpful US pressures. Expert understanding of the Iraqi economy will also be necessary for our commercial work.
- visas/consular: we do not expect large demand initially. But as smooth and open a service as possible will be important for our political, commercial and reconstruction objectives: security constraints will continue to restrict inward visits to Iraq from the UK; so we will want to encourage Iraqi politicians, businessmen, trainees, students etc to visit the UK. We will also have to provide a consular service for UK citizens in Iraq, although demand will not be high.
- PPA: we must be able to project a distinct British voice, while co-ordinating closely with the US and other partners.

### The South

#### 3. Objectives for a new British Consulate General in Basra:

- local politics/governance: we have played a major role in the south through the UK military presence and our leadership of CPA South. The US have made clear that they expect us to continue playing a leading role in the south. Keeping the Shia onside will be an indispensable part of the political process. We will need to influence the emerging political players to ensure they develop solid democratic structures, a constructive relationship with the national government, and good links with the region, particularly the Gulf States. We will need to provide liaison as necessary between the UK military and local government.
- reconstruction: DFID's Country Assistance Plan includes a particular focus on the south.
- commercial interests: Basra is Iraq's gateway to and from the Gulf. Trade is already developing quickly and will increase as transport links are improved. The southern oil

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fields and the port at Umm Qasr will need considerable investment in infrastructure.

- international co-ordination: Hilary Synnott has argued that the current CPA(S) operation should be maintained beyond transition as an international assistance office under British leadership. We need to consider carefully whether this is the best option. But, in whatever form, there will need to be close international co-ordination. We are best placed to ensure such co-ordination in the south.

## The North

4. The UK has maintained good links with the Kurds since the first Gulf War. They are another key element in the political process, and the north (particularly Kirkuk) is of commercial importance. Our small presence there has given us disproportionate profile and influence. Jeremy Greenstock judges that this influence will continue to be valuable through the transition.

Objectives for an office in Kirkuk or Mosul:

- local politics/governance: The north will be a politically sensitive area for some years as the question of federalism, and the status of the Kurds and other ethnic groups are sorted out. There is much potential for internal division and regional misunderstanding. Our influence has played an important role in containing these problems and can continue to do so.
- commercial: the north is safer than other areas of the country, and will benefit from the reconstruction of the oil industry, which needs considerable investment. Both Kirkuk and Mosul should be among the main economic centres in Iraq.

## Governorates

5. Preliminary US thinking includes the possibility of "Provincial Liaison Offices" in the Governorates, i.e. some continuation of existing Governorate Teams. DFID are considering whether we might want to participate, or even lead, particularly in some of the southern Governorates.

## B. Staffing, Sites and Resources

### Staffing

6. In order to achieve our medium term objectives we shall need:
7. In Baghdad a senior Ambassador, a large political section, a small consular and visa section, an economic/energy section, a defence section, a commercial section, a DFID presence and the British Council. We are planning to post a number of key officers to

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IraqRep and the CPA towards the end of the transition who will then move to the new Embassy and Consulate. Suggested staffing for the Embassy is set out in Annex A.

8. In **Basra** we will require a smaller political section, a military liaison link, and minimum staffing from UKTI and the British Council. There will initially be a significant DFID presence (mainly through consultants), but this will diminish as programmes come to an end. Suggested staffing for the Consulate is set out at Annex B.
9. In **Mosul/Kirkuk** we would require an office staffed by one FCO D6 officer. The office would serve as a base for regional visits by UKTI, DFID and the British Council.
10. Annex C shows the numbers of staff in Baghdad and Basra by department.
11. We plan to recruit staff for one year postings if possible, or six months renewable if necessary. Postings will be unaccompanied. Some staff already in Iraq will transfer into the Embassy or Consulate General on 1 July. Recruitment will not be easy. As one incentive, we plan to offer staff the option of having their families in, eg, Kuwait.

## Sites

12. We are planning on the assumption that security constraints will remain as they are now for the foreseeable future. For security reasons we recommend locating the UK missions (including staff accommodation) in the secure zones in Baghdad and Basra. In both cases we have identified potential sites which the Americans have agreed we could use. We are now working on the details of feasibility with our estates and security experts. We will need to have detailed plans in place by late February if we are to have buildings ready by the end of June.
13. In **Baghdad** the former UK Embassy site will be unsuitable for security reasons. We are investigating how and when we should best dispose of it. Whichever site we chose for the new Embassy, we are planning to move the flat pack Embassy from the former Embassy site to the new site and to construct additional office and living accommodation. We will need to construct hardened cover for the flat pack Embassy to protect against rockets and mortars.
14. Public access to the secure zone is strictly limited. At the moment our public interface is at the British offices in the Convention Centre at the edge of the zone, where there is slightly greater public access. We should maintain our office space at the Centre until public access to the secure zone is easier.
15. In **Basra**, the best option will be to use two buildings in the area of the Al Sarraji compound now occupied by the UK military: the Quartermaster's Building and 20<sup>th</sup>

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Brigade Force Protection Unit. We would need to construct temporary living and working accommodation in what is now an adjacent car park. We will need early clarification of UK military intentions. 75% of the Al Sarraji compound currently houses the British Brigade Headquarters. Plans to reduce the military footprint in Basra will have implications for FCO security planning.

16. In **Mosul/Kirkuk** we should seek to co-locate our small Consulate with the US for security and resource reasons.

## Resources

### Start-up Costs

17. We estimate start-up costs for FY 04/05 will be £13.6m for Baghdad and £6.7m for Basra. These estimates assume that our preferred site options are feasible.

### Recurring Costs

18. We estimate annual recurring costs will be (figures in £m):

	Baghdad	Basra	North	Kuwait
FCO staff	2.7	1.5	0.1	0.4
UK Visas staff	0.1			
UKTI staff	0.4	0.1		
DFID staff	1.5	2.0		
MOD staff	0.3	0.1		
British Council staff	0.1			
OGD staff	0.4	0.3		
Security costs	14.5	6.0	1.2	
Other running costs	3.2	2.0	0.6	
Totals	23.2	12.0	1.9	0.4

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[These figures do not include police staff and deployment costs. These will be covered by the Global Conflict Prevention Pool. Nor do the figures include the staff costs of advisers to the Iraqi MOD, for which we do not yet have estimates.]

Aggregate recurring costs will therefore be in the region of £37.5m pa. (But in FY 04/05, they will be around £30m as the Embassy and Consulate General will not open until July.) The Kuwait costs allow for reinforcement of the Kuwait Embassy management section to service the logistical hub for our Iraq posts, and to accommodate Iraq staff families who wish to live in Kuwait.

By way of comparison, the annual cost of running the FCO's Middle East and North Africa network (overseas posts and London departments) is £44m.

19. NB that around £22m of the estimated annual running costs are security-related. These should come down as the security environment improves.
20. The estimates above do not yet include 'life support' (food etc). These services are currently provided to our staff in Iraq free of charge under a US-funded contract with Kellogg Brown & Root. We are seeking a quote from Crown Agents, who are providing similar services to USAID in Baghdad.
21. Based on the estimates above, aggregate FY04/05 HMG costs for representation in Iraq from 1 July –start-up plus recurring - will be at least £50m.

## C. Implementation

### Project Management

22. The FCO has created a project management team in Iraq Directorate and is appointing Project Managers in both Baghdad and Basra. The FCO team has set up a cross-Whitehall Transition Project Management Group including representatives of interested government departments. We have seconded an FCO Officer to the State Department's own transition team. The CPA's Civil Affairs Director (a Brit) is a member of the CPA's transition planning team.

### Timing

23. We will aim to have both Embassy and Consulate infrastructure and key staff in place by the end of June. The priority will be to have working accommodation in place by then, even if we need to carry on using current living accommodation for a little longer.

### US Plans

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24. The Americans are in only the early stages of planning their post-transition arrangements. In Baghdad, the US are thinking in terms of an Embassy in a new location within the secure zone, but with most of its 700 staff working in what is now the CPA palace. In addition to the Embassy, there will be a Project Management Office of around 500, a self-contained USAID operation, and a Military Co-operation Mission. The Americans have not yet identified a site for their new Embassy building. They envisage the Convention Centre will continue to be used for various Coalition purposes. They appear happy to develop plans in close co-ordination with us. No other governments have yet approached them about possible sites (but many already have existing Embassies in Baghdad). The US appear not to have thought about Basra in any detail, but are planning to have a consulate. The Project Management Office will have a branch in Basra.

## Legal Issues

25. Property rights are unclear. The Americans have agreed to work with us on this and on arrangements for diplomatic immunity. We will explore ways of ensuring, as far as possible, that agreements made with the current Governing Council are maintained through the transition. But property claims could give rise to additional costs for HMG in the future.

## Next Step:

26. If Ministers agree, we will put a comprehensive package of proposals to the Americans. This would cover
- formal agreement on the sites and arrangements we want in Baghdad and Basra;
  - the legal/title issues;
  - the possibility of collocating a UK representative with the Americans in Kirkuk/Mosul;
  - our ideas on "provincial liaison offices" (to be agreed with DFID);
  - (if we chose this option) arrangements for international assistance in the South.
27. When US agreement has been confirmed we shall immediately begin developing sites and recruiting staff.

## D. Longer Term

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28. As Iraq stabilises, establishes a permanent government and ceases to rely on international assistance, we should be able to reduce UK representation. We hope that by 2009 our Baghdad Embassy will be comparable in size to our Embassy in Cairo. Sooner than that (2006/7), the Consulate General in Basrah should be reduced significantly as DFID's assistance programme winds down. UKTI may want to increase our office in the North for commercial purposes.
29. We may need to construct a purpose-built Embassy (designed for the smaller, long-term requirement) in due course, and may need to do the same for the Consulate General in Basra. This could give rise to capital costs of some £30m during the SR 2004 period. But we hope the existing buildings on the sites we have identified in Baghdad and Basra will be sufficiently durable and adaptable to avoid this.

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## ANNEX A

### BAGHDAD EMBASSY STAFF STRUCTURE

1 x HMA (SMS 3)

1 x PA/HOM (B3)

1 x DHM (SMS 2)

1 x PA/DHM, Chancery (A2)

#### Chancery

1 x Political Counsellor (SMS1)

2 x D6 (Pol)

1 x D6 (Pol/Mil)

1 x D6 (UN)

1x Legal Adviser (SMS4)

1 x C4 (GCPP/GOF)

1 x D6 (PPA – Spokesperson)

1 x C4 (Press)

1 x B3 (Visits)

1xB3 Registry/Comms

1xA2 Registry/Comms

3xLE2

LE3/4

#### OGD

1xD7

3xD6

2xC5

2xC4

1xB3

#### Economic/Energy

1 x D6 (Economic)

1 x D6 (Energy)

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## MOD/SSR

1xDA  
3xSupport Staff  
1 x Police Attache\*  
6 x Advisers to Iraqi MOD\*  
10 x Police Advisers\*

## Commercial

1 x D6  
2 x C4  
1 x B3

1 x LE1  
2 x LE2  
1 x LE4

## Management

1 x C5  
1x C4 (Management and ECM)  
1 x STMO/TMO (C5)  
1 x TWO (C5)  
1 x TWS  
1 x Security Manager (B3)  
1 x Transport Manager (B3)  
1 x B3 (Management and 30% Consular)

LE3 Systems Admin  
LE3 Accountant  
LE4 Bookkeeper  
LE2 Assistant MO  
LE3 Assistant MO  
LE3 Transport  
LE3 Residence Manager  
LE4 Receptionist  
4xLE5 Messengers  
6xLE5 Artisans  
4xLE5 Drivers  
6xLE5 Cleaners  
4xResidence Staff

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## Visa

1 x ECO (B3)

1xLE1

2xLE2

1xLE4

(Increasing to full visa service in the longer term)

## DFID

4 x UK staff

6 x LE support

4 x Public Administration Reform Consultants (resident from Feb 04)

5 x Economic Reform Policy Advisers (resident from Apr/May, may become visiting Dec 04)

2 x Other Policy Advisers (resident for 12 months)

Up to 20 visiting consultants and DFID staff during peak activity.

## British Council

2 x UK staff

5/6 x LE staff

## Total

78 resident UK staff (including police and MOD advisers)

20 visiting consultants

55/56 LE staff

\*may be accommodated with UK military

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## ANNEX B

### BASRAH STAFF STRUCTURE

Consul General (SMS)  
1 x PA to CG (A2)  
Deputy Consul General (D7)

#### Chancery

1 x D6 (Pol)  
1 x C4 (Political)  
1 x C4 (PPA)  
1 x B3 (Visits)  
2 x Registry/Comms (A2)

2xLE2

#### OGD

1xD7  
1xD6  
1xC5  
2xC4  
2xA2

#### Commercial

1 x C4

1 x LE2  
1 x LE3

#### Defence/SSR

1 x Military Liaison Officer  
1 x Police Adviser  
30 x Police Trainers \*

#### Management

1 x (Management) (C5)  
1 x Security Manager (C4 )  
1 x TWS  
1 x Transport Manager (B3)  
1 x (Management/Accounts) (B3)

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LE3 Accounts  
LE3 Systems Admin  
LE3 AMO  
LE3 Transport + drivers etc.  
LE3 Residence Manager  
LE4 Receptionist  
3xLE5 Cleaners  
2xLE5 Messengers  
2xLE5 Drivers  
4xLE5 Artisans  
3X Residence staff

## British Council

2 x LE staff

## DFID

2 x UK DfID staff  
4 x LE support  
20 x DfID funded reconstruction/development posts (approx 6-12 months, then reducing to 10)  
5 x Resident Consultants on poverty programme  
  
10 x DFID/consultants visiting per month (max)

## Total

81 resident UK staff (including police)  
10 visiting consultants  
30 LE staff

\* may be accommodated with UK military

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## ANNEX C: RESIDENT UK STAFF IN BAGHDAD AND BASRA

	<u>Baghdad</u>	<u>Basra</u>
FCO (excluding Management)	18	9
FCO Management	8	5
UKTI	4	1
UK Visas	1	-
DFID	15	27
MOD	10	1
Police	11	31
British Council	2	-
OGD	9	7
	—	—
	78	81

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