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From: David Quarrey
Date: 18 December 2004

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PRIME MINISTER

cc: Jonathan Powell
Nigel Sheinwald
Antony Phillipson
Kate Garvey
David Hill
Tom Kelly
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YOUR VISIT TO IRAQ

Attached are:

- the latest programme;
- press lines for Baghdad;
- recent telegrams, particularly focusing on elections;
- a JIC note on Syria and the Iraqi insurgency;
- rebuttal points on civilian casualties;
- a note on what we have found in Fallujah (Najaf follows);
- detailed FCO briefing; and
- personality notes.

Objectives

The overall objectives for your visit are:

- a) Baghdad:
- Bolster Allawi/IIG/IECI to ensure elections take place on time, in a secure environment and with broad participation by all Iraq's main communities.
 - Encourage Allawi/IIG to engage with Ashraf Qazi, UN Special Representative, and highlight the benefits to Iraq of the UN role, in support of the TNA, over the constitutional process in 2005.

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- Satisfy Allawi that we are engaged fully on his concerns (more Iraqiisation, restraining Iranian and Syrian troublemaking) but also press him on his political strategy.
- Specifically on Iraqiisation, (a) to impress on Casey the need for a strategic review, as you have agreed with Bush, drawing on the latest JIC view and (b) to steer Allawi toward realistic objects - leadership recruitment and training; better equipment (but not instant mechanized divisions); intelligence; and police commando capability.
- Boost the morale of UK civilian and military staff.

b) Basra:

- Boost morale of UK troops and civilian staff.
- Highlight progress in South on Iraqiisation (UK military, police and prisons trainers, additional UK funding for equipment), on normalisation (reopening of Basra airport to civilian traffic in time for Hajj) and on reconstruction by announcing some concrete project success.
- Reinforce UK's co-operative relationships with local political leaders and reassure them that UK is well focused on the interests of the South.
- Reinforce election message as above for Baghdad.

Baghdad

On arrival at Baghdad Airport you will be met by Deputy Prime Minister Barham Saleh, whom you know well. He will accompany you into the International Zone by helicopter and will then peel off and rejoin you at the Allawi meeting.

At the Embassy you will have a 30 minute briefing session with Edward Chaplin, General John Kiszely, Charles Heatly, Negroponte and General Casey. You will want to press them in particular on

- what more can we realistically press Allawi to do on political outreach before the elections;

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- are we doing everything we can to respond to Allawi's legitimate concerns on Iraqi-isation?;
- the pressing need to have a more effective system of delivering tangible reconstruction benefits, especially in post-conflict situations like Fallujah.

You will then meet Embassy and military staff. You will want to say a few words of thanks and encouragement and tell them you have brought a hamper for the Christmas party and a DVD of Jack Straw's Christmas message. You will have a few minutes to meet some of the staff informally. In both Baghdad and Basra, staff continue to live in basic accommodation (usually trailers, underground in Baghdad). The security threat is real: in Baghdad and Basra they often face mortar and sometimes rocket attack. Movement is usually very restricted. Waheed and Margaret have commented on the extraordinary commitment and high morale of staff despite the living conditions, heavy workloads and constant security threat.

You will then travel to the offices of the Independent Election Commission. This will be a brief drop-in, in a tight programme, so it would be best to stay on your feet throughout. We cannot be sure quite how it will work, as we will only be able to tell them you are coming on the day of the visit. You should have an opportunity to meet some of the IECI staff and have a quick look at the work they are doing. Condolence for yesterday's murders will be a key message. Some of the visit may be filmed, but we will not be able to film the staff, for security reasons (a point you should make in your presser with Allawi).

You should also be able to meet Ashraf Qazi, the UN Special Representative, and Carlos Valenzuela, who has done heroic work in driving the elections process. Your message to Qazi should be firm: the UN needs to engage unequivocally in the political and reconstruction processes.

You will then meet Allawi. There will be a Guard of Honour on arrival – you will be the first Head of Government to visit Baghdad since the IIG came to power.

You will probably want to start the meeting either tête-à-tête or with +1 on each side (Nigel for us), expanding to a wider meeting when you have covered the most sensitive points. The key issues will be:

- pressing Allawi on his campaign and outreach strategies. He needs to make the running in this election. There are (just) enough Sunni names on

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- the electoral slates, and the game has moved on from getting to Sunnis to run. The key now is Sunni turnout. Allawi must do more on outreach, and do it publicly, to encourage Sunnis to vote in respectable numbers;
- emphasising to Allawi that we are taking his concerns on Iraqi-isation seriously, and that you have agreed with Bush that we need to look afresh at this early in the New Year. His messages are finally getting through in Washington. He must be realistic in his ambitions, but we will help in any way we can. He needs to set out his plans in a comprehensive, public security plan;
 - encouraging him to work as closely as possible with the UN. They have a key role to play in the political process for 2005, and are showing signs of understanding this;
 - briefing Allawi on our approach to Iran and Syria. He needs to know that we share his concerns and are putting pressure on both (though with limited success so far). You will want to steer Allawi away from out and out confrontation, with the Syrians at least.

The meeting will be followed by a joint press conference (draft lines attached), after which you will have a cup of tea with Allawi while the media file, and then return to Baghdad Airport.

Basra

We are working on plans for a short ceremony at Basra airport which is about to re-open to civilian traffic. The first flights will leave - carrying Hajj pilgrims - on 28 December.

You will then travel by helicopter to Shaiba Logistics base to meet British troops. Kate is working on the details of this, but it will include a short address followed by time to talk informally to the troops. You will have a hamper to hand over.

Subject to security and timing concerns, you will then helicopter to the Consulate General, where you will:

- have a short meeting with local Iraqi politicians, including Governor al-Rashid. This will be an opportunity to emphasise our commitment to supporting Iraqi-isation and reconstruction in the South-East and our sensitivity to their particular concerns (e.g. Baghdad not giving the South its fair share, especially of oil revenue and power supply). They are likely to praise the UK's political and military approach in the South;

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- meet civilian staff who are involved in a range of political and reconstruction work (another hamper from you, another DVD from Jack).

From the CG we return by helicopter to Basra airport and then travel to Israel by C130.

A handwritten signature in cursive script, appearing to read "David Quarrey".

DAVID QUARREY

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PRIME MINISTER'S VISIT TO IRAQ

Political Process – Update

Registration closed on 15 December, although the IECI has given another five days to coalition to adjust their lists. As of 19 December, Allawi and President Al-Yawer were still running two separate lists. They are unlikely to merge them. Sunni elder statesman Adnan Pachachi also has his own list, although some of his names have defected to Allawi's list. Dividing up the secular vote between three lists may prove to be a tactical error, although Allawi and Yawer are likely to agree on a pact of mutual support and have made clear in public that they will do so.

The Transitional Government is likely to be negotiated between the main groups after the elections. A Shia list candidate, e.g. Hussein Shahrastani may be a strong challenger for the post of PM, although Allawi retains appeal as a national unity candidate. There will be equally vigorous discussions over the composition of the Transitional National Assembly's constitutional drafting committee. Sistani, for instance, will be much more interested in this than the composition of the Transitional Government. While not a certainty, a sizeable Shia bloc may yet form in the Assembly, in which case the decision as to who will lead it will be an important one.

Outreach

The IIG's efforts at outreach have so far been limited, and not visible enough to have any impact on those eg in the region and the UN who are worried about Sunni Arab under-representation. Allawi has persuaded some Sunni tribal sheikhs and notables to join his list, but his efforts have been aimed at co-opting moderate Sunni leaders, rather than drawing genuine opponents into the process. **Real scepticism remains in the region that the IIG has done all it can to encourage an inclusive process.** The risk is of Sunni under-representation persuading Arab countries to declare that the elections lack legitimacy. Their (exaggerated) fears of a coherent Shia Islamist bloc dominating the Assembly are likely to grow the closer we get to elections. **The IIG therefore needs to persuade Arab countries now to throw their weight behind the process and encourage Sunnis to vote (we are already lobbying). We should:**

- press Allawi on his idea of sending a delegation of 30-40 Sunni and Shia notables to the neighbours to explain the electoral process and drum up regional support.
- explore with him the potential benefits of some sort of national event, perhaps organised by the Interim National Council with support from the UN, as a way of generating public interest in the elections and encouraging Sunni turn out (as well as increasing the UN stake in successful elections);
- encourage IIG and IECI efforts to focus on ensuring Sunni turn out. The IIG, IECI and UN can all help by stepping up education programmes. IIG efforts

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- should include a discreet dialogue with Sunni rejectionist groups to try to persuade them to drop calls for a boycott;
- encourage him to make public evidence of insurgent intimidation. We need to get across the message to Iraqis and the Arab world that the major threat to effective Sunni representation in new Iraqi political institutions - and thus Sunni long-term interests - is insurgent intimidation. At the same time, to avoid panic Allawi will need to demonstrate that the IIG has a plan to contain violence on election day;
 - emphasise the importance of continued work on outreach after elections and the broadest possible consultation in the constitutional drafting process, where the UN could play a key supporting role;

Iraqisation

Allawi remains frustrated about the pace of progress. We will want to explore with him how best we can help. Details are set out in the JIC paper. Allawi may have some ideas of his own, in which case he is likely to look to us for help, especially in persuading the US of their merits (if so, the Embassy will provide a separate brief). Quantity of soldiers and police trained in the Petraeus plan is basically on target. Quality is a different matter. The MNF-I Campaign Progress Review acknowledges the operational record of the ISF has been uneven. A crack-down on absence without leave has begun to have an effect but it remains a serious problem (the 4th brigade for example had 63% AWOL on 1 December).

Nor is this the only problem - ISF combat effectiveness is also uneven. Overall the ISF made a contribution to the fighting in Najaf, Samarra and Fallujah but this was disproportionately achieved by a hard core of effective troops; we need others to match that standard. The factors that MNF-I believe influence this include the competence and commitment of the troops' Iraqi leadership, the length and quality of their training and the extent to which they are integrated with MNF units.

Police

The Iraqi police have a worse record of effectiveness against the insurgents - only the Tactical Support Units (TSUs) and police commandos have been consistently able to act against insurgents (or armed criminals) without MNF or ING backing. MNSTC-I is looking at ways to address the problem and we are reviewing what we can do to help nationally, both in Baghdad, in terms of support to the Minister of Interior, and in the South where training projects are well developed but now need to be taken to the next stage. **We are looking, for example to develop a forensics and scene of crime capability to allow them to improve performance in tackling crime.**

Poor leadership, including from the top - which we will try to address through our Ministry of the Interior reform project, which starts in February - low rates of pay and over-recruitment of ineffective or disloyal personnel are among the factors for poor performance. Interior Minister Naqib's performance has improved over recent months

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but he still finds it hard to push changes through the bureaucracy. Allawi needs to be ready to take ineffective Ministers to task, () and use Ministerial committees to put more pressure on them.

The Army, IIF and ING also need equipment, whose supply by MNSTC-I is falling behind schedule - insurgent attacks, intimidation and occasional airport closures being the reasons for this. **The Iraqis own efforts to procure equipment from overseas have been somewhat chaotic and will raise difficulties in terms of support and compatibility later on unless a more strategic approach is taken. The UK MOD supply of \$73 m of equipment for the ISF in the South is progressing. Parliament has been informed of the first tranche of \$17.5 million. Two MPs have objected. Ministers will have to decide whether to allow this to slow the procurement.** The US have set aside over \$2 bn to meet the need to equip an Iraqi mechanised division at Allawi's request. This will not come through any time soon, not least because the project director has just been assassinated. The immediate need for the counter-insurgency campaign is to develop the training and provide - on time - the basic equipment (guns, protective gear) for the IIF, ING and TSUs. Allawi has written to the Ministry of Finance insisting on an additional \$500 million for the defence budget in 2005 (on top of the \$1.3 billion already agreed).

MOD are preparing a list of Iraqisation-related activities which countries such as Germany and Pakistan could reasonably be asked to undertake.

Intelligence

If the counter-insurgency is to improve in effectiveness, the MNF-I and the IIG need better intelligence and more focused intelligence led operations. There is now recognition within the MNF-I that the Former Regime Elements constitute the main and most enduring threat to stability in Iraq. Accordingly, a Joint Inter-Agency Task Force (JATF) led by an American Brigadier general has been established to fuse all source intelligence on the FRE, and to draw up an agreed prioritised targeting list to disrupt and detain the insurgency leadership.

Iraqi intelligence capability remains weak. The Iraqi National Intelligence Service (INIS), which has been operational for less than eight months, has recovered from a number of assassinations conducted against its personnel during the autumn which caused a number of support staff to resign. Notwithstanding the losses incurred, the operational officers, have begun to develop useful lines of exploitable intelligence.

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The **military** and the **police** have little or no intelligence capability that can contribute to the counter-insurgency campaign. The **MOI** has a low level criminal intelligence service that could help tackle terrorism and the insurgency. We are considering a request from the Minister to improve their intelligence capability.

MNF cohesion

Iraqi intervention with MNF allies is increasingly essential if they are to remain in the Coalition.

The Foreign Secretary may be writing on this to Zebari. We have previously raised with Allawi who said he would designate Deputy Prime Minister Shaways to visit the Czech Republic and Portugal - but the visits have not happened. **It does not need to involve a visit abroad - IIG Ministers already travel too much - a phone call, press release or letter might work instead. The main message is that the smaller contributors need to feel their contribution is valued by the Iraqis.**

Iran and Syria

We have detected little sign of improvement in either country's approach to Iraq, although both attended the meeting of Group of Neighbours' Interior Ministers in Tehran last month. Allawi has not visited Tehran and would appear unlikely to do so before the elections. We continue to deliver tough messages, which we know have an effect, but do not completely stop Iranian unhelpful activity and make them more careful to cover their tracks. **We should aim off slightly for Allawi's vehemently anti-Iranian views. His tough approach is the right one, but needs to be coupled with high level engagement.**

The Syrians have taken some steps to tighten border security, but our main concern remains Syrian support for New Regional Command figures in Damascus with links to the insurgency. Allawi has just sent another toughly worded message to Bashar. **The Syrians keep saying, give us the evidence. We are preparing a list of names and details of their activities for use with the Syrian government - before taking**

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action, we will want to co-ordinate with the IIG and US over both the key figures we want to target and messages. But we could usefully encourage him to think carefully before implementing suggestions like supporting Syrian opposition groups or cutting trade to exert leverage, where Syrian capacity to retaliate is considerable (e.g. Syria supplies Mosul with electricity).

More generally we should aim to use the idea of a follow up mechanism to Sharm el-Sheikh as way of increasing pressure on the Syrians and Iranians to behave. The Egyptians are planning to arrange a follow-up meeting in Egypt in either January (perhaps just involving Embassies) or in February, of officials from capitals.

Bilateral

Basrah Airport

HMG and IIG have signed an agreement to facilitate the reopening of Basra International Airport (BIA) to commercial flights. Under the agreement UK forces have agreed to provide certain services at Basra airport until September 2005, while the Iraqi Ministry of Transport trains personnel and installs new equipment. The reopening of BIA will bring economic regeneration and boost the reconstruction of southern Iraq. Most importantly it means Hajj flights will soon start from southern Iraq to Mecca.

Enforced Returns to Iraq

The Prime Minister spoke to Allawi in November and raised the signing of an MOU on enforced returns to Iraq of failed asylum seekers. UK and Iraqi officials are in contact. We hope to see early agreement on this.

Oil

UK is involved in a range of assistance for oil sector (workshops, scholarships, training, consultants working on transparent petroleum contracts regime). BP and Shell keen to be involved in Iraq. BP hope to be selected for the Ramalah tender. Shell had offered assistance on a gas master plan and were offering training support to ECL if they win the Kirkuk tender. Hope to see positive outcomes for key British companies.

Halcrows/Grand Port at Fao

Allawi remains keen on this flagship project being led by Halcrows, in collaboration with the UAE (who he hopes will provide most of the finance). His latest proposal is for an MOU between the three governments, preferably signed in January, to provide a framework for private sector action – and a safeguard against others who will see the project as competition to their own facilities.

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IRAQ RECONSTRUCTION

Economy. The IMF and World Bank expect a 60% rise in GDP in 2004 following a 30% decline in 2003. Much of this is due to the high oil price, but there is good growth in transport, trading, construction and new business registration. The CPA made some bold reforms (single currency, independent Central Bank, simplification of taxes and import duties). The IMF agreed a programme within three months of the Interim Government taking office and the Paris Club has agreed to an 80% debt reduction. The US has agreed 100%, using some of its Madrid pledge to fund the cost. The high oil price has eased the Iraqi budget, reducing some demands on donors. But there is a lot more to do. 50% of Iraq's budget is spent on subsidies. All Iraqis are entitled to virtually free food under the public distribution system, fuel costs less than a cent per litre and utility bills are rarely paid. The banking system is still dysfunctional. State Owned Enterprises need reform, and the Ministry of Finance and Planning compete over running the economy.

Reconstruction has been slow. Iraq's infrastructure suffered years of under-investment by Saddam Hussain, sanctions and damage from post-conflict looting. Since then the situation has stabilised but power generation requires massive new investment and the Iraqis need to charge for power so that the private sector has an incentive to invest. Oil production is around 2.4 million barrels per day, close to target. There have been some improvements to water and sanitation. Schools and health facilities are functioning but need major investment. National polio and measles vaccination programmes were completed in September 2004. Food distributions systems have continued to function. A new mobile phone system has over 1 million subscribers compared to none pre-conflict and there are 110,000 Internet subscribers compared to less than 12,000 pre-conflict. There are 80 radio and 21 TV stations and about 250 new newspapers and magazines.

Donors pledged \$32 billion for Iraq at Madrid, including over \$18 billion from the US. Few donors are on the ground in Iraq. The main constraint is security. The US has by far the largest presence. It claims to have 1,000 projects underway. But its programme is tightly controlled by Congress, administered by two new organisations (IRMO and PCO) as well as USAID, and its energy is focused increasingly on immediate post conflict responses in the major Sunni towns around Baghdad. It has delivered little in the south so far.

The UK pledged £544 million for humanitarian assistance and reconstruction at Madrid. Most flows through DFID's budget. It currently provides public administration support at the centre of government; an economic team that has helped facilitate the IMF programme and debt deal in the absence of World Bank and IMF staff in Iraq; support to the election process including staff for the IECI, and the Political Participation Fund; emergency infrastructure and employment generation in the south; support to the UN and World Bank Trust Funds which have been slow to start but are now delivering benefits on elections, education and health.

The Iraqis should lead the reconstruction effort. Projects selected in Washington with little consultation with the Iraqis are unlikely to deliver sustainable benefits. The

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National Development Strategy, announced to donors at the Tokyo Conference in October, needs to be followed through with more detail on Iraqi priorities and be made consistent with the Iraqi budget.

The IIG will decide soon on the date to start returns to Fallujah, based on advice from Allawi's coordination team (mostly staffed by DFID). Returnees will be angry at the damage done, and find US forces uncompromising on security. This risks humanitarian problems because returnees will rely on normal commercial arrangements being re-established quickly, which the US may not allow.

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KEY MESSAGES

Economy and Reconstruction

- Pleased with the IMF programme and Paris Club deal. Important to tackle subsidies in 2005 to release money for security and reconstruction. Will help you work through subsidy reductions to avoid social problems.
- [If asked to follow US in giving 100% debt reduction. Believe Paris Club agreement was fair. Better to spend our money on reconstruction now than debt relief that brings benefits in a few years.]
- Want to see reconstruction move faster. Important that you lead set priorities through that National Development Strategy. Best that we concentrate our bilateral reconstruction projects in the south where the needs are greatest.
- Want to continue to support you at centre of government. Hope the next government will clarify roles of Finance and Planning in running the economy. Solution may be to merge them.
- Pleased we have helped you to co-ordinate response to Fallujah.

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