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From: TOM DODD
Tel:

NO. 0305

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NIGEL SHEINWALD

8 October 2003

UK IRAQ STRATEGY

The UK Iraq Strategy was circulated to Ad Hoc Group Ministers for comment on 26 September. Those Private Offices who responded indicated their Ministers endorsement. The International Development Secretary added that Ministers should return to the strategy before the end of the year. Minor updating amendments have been made, including to make clear the potential greater threat from Islamic extremist terrorists in line with recent JIC judgements. I attach the final version which may be of interest to the Prime Minister.

2. I am copying this letter and the enclosure to other Private Offices of the Ad Hoc Ministerial Group; PS/Home Secretary, PS/Caroline Flint, PS/Paul Boateng, PS/Margaret Beckett and PS/Hilary Benn; PS/C; Desmond Bowen, John Scarlett, Nick Cannon, George Fergusson, and ; the Iraq Senior Officials' Group; and to Jeremy Greenstock, IraqRep and Hilary Synnott, CPA South (via WLD).


TOM DODD

4 cc: D. Preece

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I don't see a need
for PM to see this.

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UK Iraq Strategy Paper

1. The UK is an occupying power in Iraq with the US. The Coalition Provisional Authority (CPA) published a strategy in July outlining its objectives and activities. Below we set out longer-term UK strategy for Iraq. This is broadly consistent with the CPA strategy but sets the framework for specific UK activities towards a common objective.

UK Objective

2. Iraq to become a stable, united and law-abiding state, within its present borders, co-operating with the international community, no longer posing a threat to its neighbours or to international security, abiding by all its international obligations and providing effective representative government, sustainable economic growth and rising living standards to all its people.

3. This is generally consistent with the US objective. We will pursue the UK objective with and for the benefit of the Iraqi people primarily in partnership with the US through the CPA. We will also engage the help of the UN and the IFIs, the EU, Iraq's regional neighbours and the remainder of the international community where possible.

Analysis

4. Over the past decade, the international community has intervened in and sought to reconstruct a number of states. A number of important points are of note for Iraq:

- We do not wish to remain occupying power of Iraq for any longer than is necessary. Prolonging the occupation will strain our relations not only with the Iraqis but also the Arab world and the wider international community.
- Our intervention in Iraq was controversial. We need the widest possible support to ensure the successful reconstruction of Iraq. Gathering international support for reconstruction will not be easy. Some in the region and elsewhere will want us to fail. The greater the involvement of the UN and IFIs the greater the chances of securing other support.
- Success in the reconstruction of Iraq will depend primarily upon the ability and willingness of the Iraqis themselves to engage in a concerted way to deliver progress, particularly in the medium and long-term. The US/CPA and potentially the UN have far greater resources than we do.
- However, our influence over US policy is limited. This will be increasingly governed by US domestic concerns as the 2004 elections approach. Our own approach will be vulnerable to shifts in US thinking.
- Iraq is a large and diverse country, the size of France. Ethnic, regional and sectarian loyalties have become more evident since the fall of

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Saddam. Iraq's national historical roots are weak but there is still a belief in the concept of an Iraqi state.

- While we are active at the national level, our assets are most concentrated in the south, where we are most exposed to the consequences of failure. Nevertheless, it is in our interest that Iraq has strong and stable national government. It will be up to Iraqis to decide their future constitutional arrangements but regional differences and decentralisation will need to be accommodated within a stable framework to prevent disintegration.
- The rule of Saddam Hussein caused Iraq immense damage. The country's institutional framework was severely undermined. The population were both traumatised by and dependent on Saddam's government. But not without justification, Iraqis expect the Coalition to put things right, even if expectations of dramatic progress are unreasonably high.
- Under-investment under Saddam, coupled with the impact of the conflict, sabotage and post-war looting, severely hampers our ability to ensure that basic services are delivered. There are few quick fixes for these problems. Providing sufficient electricity and water, and restoring other infrastructure to meet needs, will require multi-year projects even beyond the scope of the CPA if it receives \$20bn from Congress. Nevertheless, we need to demonstrate some visible progress in improving living standards soon in order to maintain local consent. For the UK in CPA South, this will necessitate more funding and more skilled personnel.
- Effective and honest communication with the Iraqis, the region and the international community is needed in order to manage expectations and win hearts and minds.
- Iraq is a potentially wealthy country, starting with a level of skills and natural resources much better than most failed states. It should not need major, long term international community engagement.

Outputs

5. To help planning, we should consider Iraq's recovery in three phases: stabilisation to December 2003; recovery to the end 2004; and normalisation from the start of 2005. The issues for Iraq, as for most failed states, can be divided into three areas: security, political and reconstruction (including economic management). The phases are indicative and in reality there will be different rates of progress in each area; we should calibrate our engagement accordingly. The areas of each phases are examined below. We should focus our main effort in the south but sustain our capacity to influence CPA, US and Iraqi decision-makers by intervening elsewhere.

Stabilisation Phase to December 2003

6. By December 2003, our objective is that Iraq will have been restored to approximately pre-conflict levels of development and order. A political process will have been initiated. Detailed plans will be laid for security

sector reform, reconstruction and for forestalling, in so far as possible, major terrorist attacks capable of destabilising the political process.

Security

- Security situation stabilised. Capability established to disrupt and prevent terrorist activity and limit its consequences, and to constrain the inflow of foreign fighters. Ba'athist/extremist violence curbed. Saddam Hussein no longer of influence. Criminality down to socially tolerable levels.
- Security sector reform plans in place. Training of new Iraqi Army, police and customs force begun. Deployment of international police training force. Work to reopen courts and prisons in train. Plans to re-establish intelligence services drawn up.
- ISG fully operational gathering information on WMD and war crimes.

Political process.

- Governing Council in place. All interim ministers appointed and acting effectively. Constitutional Convention convened, with a significant number of women delegates. Timetable for representative government published.
- International/Arab recognition of Governing Council and full support for political process. Governing Council has observer status at Arab League.
- UNAMI fully operational. New UN Special Representative appointed. New UNSCR passed conferring wider legitimacy to Governing Council and wider mandate to UN.
- Revival of civil society. Free Iraqi media explaining political process to the people.

Reconstruction.

- Humanitarian crisis averted.
- Basic public services provided: power, water, waste, health and education provision back at pre-war levels.
- Transition from OFF completed successfully and replaced by DFI funding.
- CPA functional. All CPA regional offices and Governorate support teams operational.
- Work begun to make ministries, other central government institutions and Governorates functional in co-operation with Iraqi representative bodies.
- Oil production 80 per cent of pre-conflict levels (i.e. 2mpd as against 2.5mbpd with 1.5mpbd exported).
- Needs assessments completed. Iraq's financing needs for next 6 months agreed through successful Madrid donors conference. Budget for 2004 agreed.
- Sensible economic management policies. Private sector encouraged. Currency reformed. Debt sustainability analysis started. IAMB established. Banknote exchange underway. Trade bank established.

Recovery Phase to end 2004

7. By the end of 2004, we assume that Iraq will have exceeded the general pre-conflict level of development and order. Plans should be being implemented to generate Iraq's own capacity to provide public security, and lead economic and physical reconstruction. The political process should be well entrenched. The CPA will have passed all powers to a sovereign, representative Iraqi government.

Security.

- Situation further improved. Terrorist attacks and threat from Islamic extremism significantly reduced with most opposition activity political in nature.
- First division of new Iraqi Army formed. New Iraqi police force fully operational. UK and other Coalition forces reduced significantly. Basic national system of courts and prisons re-established. Procedures in place to account for war and legacy crimes.
- Work of ISG complete.
- Basrah and Baghdad airports open to commercial flights.

Political process.

- Constitution, with clear definition of powers, drafted and adopted. Electoral laws in place. Political parties established. Open and transparent national, Governorate and municipal elections held.
- Sovereign government formed, incorporating a cross-section of regional and sectarian interests.
- Role of women recognised in government and wider political process. Civil society continues to develop.
- CPA transformed into an advisory mission.
- Arab recognition of new Iraqi government. Iraq rejoins Arab League.

Reconstruction.

- No humanitarian feeding programmes needed.
- Functional ministries and other central government institutions in place. Governorates functional.
- Reforms underway to strengthen the financial sector. Development of tax and tariffs. International negotiation of debt treatment. Strategies for privatisation of SOE's and efficient regulatory infrastructure in place. FDI encouraged.
- Oil production at 3mbpd by end 2004 with 2.5mpbd exported. Oil and other natural resources managed for the long-term. Unemployment reducing. Strategies for privatisation of SOE's and efficient regulatory infrastructure in place.
- Sustainable provision of basic public services: electricity generation, fuel supply and water and waste provision exceed pre-war levels.
- Plans in place and funding identified for long-term infrastructure development and the sustainable management of Iraq's natural resources.

Normalisation Phase from start 2005

8. From 2005 we assume that we will have generally met our objective. A sovereign and generally stable Iraq should be largely self-supporting, providing its own public services, internal security, with developed political institutions, and a growing market-based economy.

Security.

- Iraqi security forces conducting all security operations in a manner conforming to international human rights standards. Criminality/opposition on a par with that in Jordan/Syria. All UK and non-US Coalition forces apart from trainers withdrawn. Continuing foreign military presence with the express consent of the new Iraqi government.
- ISG withdrawn. UN-authorized procedure for continuous monitoring of international commitments in place.
- International security guarantees including regional non-aggression pact signed.

Political process.

- Government abides by constitution, including holding further rounds of national, governorate and municipal elections as mandated.
- Kurds and Shia seek to advance their interests only through the political process.
- Women fairly represented in government and wider political process. Flourishing civil society.
- Iraq joins GCC and accedes to/abides by major international agreements.
- Coalition advisory mission and UNAMI disbanded.

Reconstruction.

- Iraqi ministries and other central government institutions develop market-based policies independent of IFIs. Governorates' administrative capacity increased.
- Oil: the Iraqis in full control and making the decisions, including on long term production goals, and operating in a transparent manner.
- DFI wound up. Stable financial sector. International settlement of debt (Paris and London Clubs) and compensation claims. Privatisation of SOE's, economic diversification and development of SMEs encouraged. Sustained economic growth.
- Sustainable provision of public services and the management of natural resources for the long-term benefit of the Iraqi people.

Risks

9. Despite Iraq's advantages, the above scenario is ambitious. Slower progress is possible leading to the delay of national elections, the continuance of the CPA and presence of significant numbers of Coalition troops well into 2005. A protracted occupation would be costly, increase anti-Western sentiment across the region and provide further reason for terrorist attacks on US and UK interests:

- The pace of political and reconstruction progress could fall, leading to declining living standards. The Governing Council and other Iraqi institutions could be weakened or paralysed by factional competition, patronage and corruption. The CPA could bungle the OFF handover, foist unrealistic and inappropriate economic policies on a weak economy and fail to resolve its internal funding allocation problems. This could generate further popular Iraqi support for opposition groups; we could lose the general consent of the Shia in the south. **Risk:** Medium. **Counter-measures:** Keep up pace of reconstruction. Pressure on Governing Council to maintain political reform and on CPA/US to manage economy/food distribution sensibly and resolve funding problems.
- The resistance and acts of sabotage of forces opposing the Coalition, Ba'athists, Sunni and Shia extremists and foreign religious extremists, could escalate significantly, leading to a sustained insurgency. Terrorist attacks could become more frequent. A single or series of further terrorist spectaculars against the CPA, Coalition forces and Iraqi institutions would have significant practical and psychological impact on the overall Coalition effort and is the most serious threat to its success. The worst case scenario would be if major Islamist terrorist groups began to drive the opposition. Such terrorists, many of whom are not Iraqi, would have no interest in engaging in the political process and would not be amenable to economic inducements. The rest of country would become as dangerous as central Iraq. Parts of Baghdad and Basra could become no-go areas to Coalition forces. UN and other international staff could be unable to restore operations to the levels before the UN HQ bombing, hampering the delivery of OFF and the reconstruction effort. Coalition military and civilian casualties could increase. Coalition political leaders would then be faced with decisions about dispatching more troops. **Risk:** High/Medium. **Counter-measures:** More security forces, particularly local. Greater intelligence collection and co-ordination, particularly in order to facilitate counter-terrorist operations. Greater co-operation with and pressure on neighbours to secure borders. Security package for UN to allow it to resume work.
- Due to sabotage and a lack of investment, oil production could continue to lag. This, in turn, would reduce the revenues available for reconstruction and generate recurrent fuel shortages with violent protests. **Risk:** High. **Counter-measures:** Greater guarding of oil infrastructure/more rehabilitation schemes.
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- In the event of sustained high levels of Coalition/US casualties, US, British and (perhaps first) other Coalition support for the occupation could collapse. A future US administration could take the decision to withdrawn from Iraq as quickly as possible. Under these circumstances, Iraq's nascent national political consensus and representative institutions would be at risk. Iraq could either fall under a Saddam-like strongman, or break up. **Risk:** Low while prospect of planned US withdrawal in 2004.

Activities

10. Although we will continue to be active in a number of areas, Ministers have decided that we should focus our engagement with the CPA and Iraqis in the areas of economic management, security sector reform and oil. We are working within CPA plans for the reconstruction of Iraq as a whole, but have a particular role in southern Iraq where the UK leads and provides the majority of troops to Multinational Division (South East), the leadership of the CPA South regional office and two out of four of its Governorate Teams. It falls to the UK to provide security in the region and to make CPA South work, particularly by encouraging the local political process, assisting the recovery of basic services and reconstruction in general and building the capacity of local security forces, including Iraqi Civil Defence Corps and police.

11. An action plan covering the stabilisation phase concentrating on priority areas of our engagement is being developed based on the existing short-term action plan already approved by Ministers. Further action plans will be drawn up for phases two and three in due course.

Resources

International

12. The chief source of funding for the reconstruction of Iraq is the Development Fund for Iraq (DFI), into which 95 per cent of oil export revenue and all unencumbered frozen assets from overseas are deposited. The DFI provided \$1.2bn in revenues for the 2003 budget and early estimates are that oil revenues and Iraqi assets should provide around \$13bn in 2004.

13. The CPA also has its own resources, voted by the US Congress \$4bn in FY 03/04, up to an additional \$20bn to follow. There are expected to be some 130,000 US forces in Iraq into 2004. Other Coalition partners are supplying some 20,000 troops and development assistance. The new UN Resolution, if passed, could attract further troop and police contributions. The IFIs and other non-Coalition donors are expected to make financial contributions to a UN/World Bank trust fund at the Madrid donor's conference in October, although they may be deterred by the scale of US bilateral programme.

UK

14. UK force numbers in Iraq, currently 11,500, in Iraq are kept under review. Further increases are possible. An occupation force of this size will cost something in the order of £1bn to sustain in this financial year, less in future years with fewer capital costs. The MOD was given £10m to spend on quick impact rehabilitation projects. A further £10m is being requested from the Treasury.

15. The DFID programme for FY 03/04 is £201m (all committed). DFID has also provided 19 per cent of EC funding in Iraq, some EURO100m. The Treasury has created an additional £60m drawdown facility which can be accessed to fund humanitarian and reconstruction needs as necessary. We have Sir Jeremy Greenstock and Sir Hilary Synnott in key positions in Baghdad and CPA South, respectively. We currently have approximately 100 UK staff in the CPA. This will at least double by yearend. We will supply 100 police trainers to police training schools planned for Jordan and Basra. Home departments cover the pay and pension costs of their staff seconded to Iraq. Other costs are met by FCO, DFID, MOD and the reserve. FCO have been allotted £5m to cover additional costs of UK CPA staff and £16m for their security. DFID is bidding for the remaining £40m. The Global Conflict Prevention Pool Iraq Strategy has allocated £7.5m to Iraq, mainly for police.

16. Departmental bids for funding of Iraq costs in FY 04/05 will be the subject of negotiation with HM Treasury. An appropriate level of UK contribution to the development/reconstruction effort is being considered in the light of the needs assessment and budget processes, the contributions of other Coalition and international donors and UK resources.

**Cabinet Office
7 October 2003**