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Reference

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PS/Secretary of State

UK/US/AUSTRALIA TALKS IN WASHINGTON: 22 JANUARY

I will be representing DFID at inter agency talks with the US and Australia on the 22nd January which are a follow up to the UK / US talks last November.

2. The attached paper went to Jack Straw on Friday evening and may be sent to the prime minister after the meeting. It has also been sent to Bill Burns in advance of the meeting. This was put together rapidly but DFID was able to feed in a number of issues. These included: the importance of establishing a secure environment for humanitarian aid; the need to factor in the risks of operating if cbw are used; the requirement for affordable financing arrangements for relief and reconstruction especially if OFF collapses; and the importance of moving from dependence on handouts to an Iraqi led economic recovery.

3. Whitehall is unanimous on the need for a UN role in an interim administration. In response to US scepticism the paper aims to engage them on this issue whilst recognising the political realism of influencing most US departments. This meeting is an opportunity to feed in DFID concerns in more detail.

4. This debate will also need to be taken forward at ministerial level and between the Prime Minister and Bush when they meet on the 31st January.

5. In addition I will take the opportunity to have further discussions with USAID including their contributions to OCHA, their relationship with the UN and preparing for the implications of cbw. I will report back on my return.

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Second round of US-UK talks, Washington: 22 January 2003

Annotated agenda/overarching paper

INTRODUCTION

1. These 'day-after' talks assume that military action will have taken place to enforce Iraq's compliance with its UN Security Council's obligations and that Saddam Hussein's regime will have been removed from power (see UK paper on 'Scenarios for the future of Iraq post Saddam'). We believe that strategic decisions on the issues in this paper are needed very soon so that planning can proceed and hope that some follow up mechanism can be agreed.
2. The issues have been set out thematically. The paper could have set them out chronologically. We need to bear in mind the sequencing or phasing of different elements of this work. Another important consideration is the interdependency of the different themes. For example, there will be no lasting economic recovery without security and no long-term relief from food handouts without economic recovery.

SECURITY

3. An urgent task will be to **establish a secure environment** to facilitate humanitarian operations and to provide the foundation for normal society to flourish and self-sufficient development to begin. Dismantling Iraq's oppressive secret security agencies will be a priority for the coalition military. We shall need quickly to provide legitimate and transparent law and order and the necessary civil structures, backed by the coalition military, to deliver it. Ideally, the ordinary Iraqi police should cooperate. But will they? And what is the basis of the law to be enforced – is it Iraqi law or something else?
4. We shall also want to prevent internecine violence. Our handling of the defeated Iraqi forces will be critical. We shall need a DDR plan for them, consistent with our vision for the future of Iraq's armed forces. Experience in Sierra Leone and Afghanistan has shown that we need to ensure consistency between first steps and a longer-term vision on **security sector reform**. As well as ensuring the efficient use of our own resources, we shall want to find a way to allow partners to join in SSR implementation. Does this work require new impetus? (See UK paper on 'Security Sector Reform' of 10 December 2002.)

RELIEF AND RECONSTRUCTION

5. The scale of the challenge will depend on the extent of damage and displacement following conflict and the extent of disruption to oil production. Over 60% of the Iraqi population depend for their food on OOF. Even a short conflict that disrupts OOF risks worsening the existing humanitarian crisis if distribution is disrupted. If the conflict is a long one and Iraq uses CBW, the risk of a regional catastrophe cannot be discounted. We could face the challenge of managing a humanitarian crisis in one part of the country while conflict continues in others. The main humanitarian issues are:

(a) How will the basic needs of the Iraqi people – food, medicine, shelter, power, emergency reconstruction and protection/personal security - be met? The UK view is that the Iraqi rationing and distribution systems used by OFF will continue to offer the most effective way of distributing essentials to the Iraqi people for some time after a war. Military action will disrupt the involvement of expats and NGOs in the distributions systems, though most of the 3,400 Iraqi UN staff will probably still be able to work. They will be better placed than new arrivals to ensure continuity. We need to prepare for the initial messy period, which will begin before the day-after, when these systems will not be working adequately. We assume other UN agencies (UNHCR, WFP, UNICEF etc) and the ICRC would be best placed to cope with refugees and IDPs, although there may be a period when they cannot get access to them. How advanced is US thinking on civil/military co-operation?

(b) **Who will pay for humanitarian operations? What is the future of OFF?** We do not know now the cost of humanitarian and reconstruction operations after military action. Ideally we would like OFF, funded by Iraqi oil revenues, to continue to meet post-conflict humanitarian needs. But this depends on the extent to which the conflict disrupts oil revenues and on the speed with which normal production capacity resumes. (The potential shortfall of funds, if oil revenues cease all together, that external donors would have to find might range from US\$9-14 billion in the first year, depending on the % scale-up of OFF.) OFF was never designed for the reconstruction of Iraq. Turning OFF into a reconstruction programme would require a substantial increase in OFF development expenditure and bigger OFF administrative capacity. It is important that OFF be integrated into the Government of Iraq's (GoI) own budget structures as soon as possible (cf Afghanistan). The extent of external aid to fund reconstruction costs will also depend on UN compensation claims and external debt obligations. (The UK would only be able to provide a limited contribution to total costs.) Do the US think there is much potential for Iraq to borrow against future oil revenues to fund reconstruction?

(c) There is a danger that SH will use **CBW** to create a diversionary, humanitarian catastrophe. Does US military planning factor in how to fight the war and deal with such a catastrophe? What plans exist for dealing with zones contaminated by the use of CBW?

(d) There will be a need to move quickly from **relief towards reconstruction** and generating local Iraqi economic activity – particularly agriculture, which OFF has smothered. 'Cash for work' schemes (the World Bank is considering them) may be suitable as a first step. It will be particularly important to promote security and the rule of law at the local level to allow this to happen.

POLITICAL

6. We want to replace SH's regime with something much better. **How high should our level of ambition be in promoting political reform?** To what extent should we commit ourselves publicly to this? The recently published UK policy objectives referred to Iraq 'providing effective and representative government for its own

people'. Is a western-style democracy possible? Should we be prepared to accept a strong leader, albeit of a more humanitarian and law-abiding cast? How do we reconcile **Kurdish and Shia aspirations** for greater autonomy with maintaining the territorial integrity of Iraq? (And how do we prevent Turkish opportunism?)

7. Ordinary Iraqis are unlikely to see us as liberators for long, if at all. Soon after taking control of the country, we shall have to address the question of legitimising the coalition presence in Iraq – both for the Iraqi people and in the eyes of the region and internationally. Does **international legitimacy** matter? What relevance does it have to securing lasting political reform? Does it help provide an exit strategy for coalition forces? Would we need a new UNSC resolution to achieve it?

8. We envisage that coalition military control should give way, as soon as practically possible, to an interim **civilian administration under UN auspices**. We believe this would be strongly in US interests – for the reasons set out in our short paper 'Interim administrations in Iraq: why a UN interim administration is in the US interest' of 18 December 2002.

9. We have no prescription for the **shape of a civilian administration (whether or not UN-led)**. But we shall want an arrangement that gives the coalition military the freedom to operate alongside the UN interim administration without putting their forces under UN command and control. The coalition military will want to find the evidence of WMD, stabilise the country, maintain its territorial integrity, and arrest the leading members of SH's regime. What sort of arrangements should there be linking the coalition military to the overall UN operation? Is there something better than the Kosovo model, where the UN authorised parallel security and civilian presences and where the security presence was an international force, not under UN control, but with responsibility to support and co-ordinate closely with the civil presence? What resumed role – eg destruction of material, resumption of OMV - do we envisage for UNMOVIC/IAEA after military action and how soon? What sort of courts should we have for bringing individuals in SH's regime to justice? (See the UK paper: 'Interim Administrations for Iraq: what, who and how?' of October 2002)

10. A linked question is the extent to which we **replace Iraqis with international civilian** staff in the interim administration. We should probably dismantle the security agencies completely. But many ministries may be turned around with just a few changes at the top. (The UK paper on interim administrations addresses this.) To what extent shall we need to root out Ba'ath party elements? The key may be for the interim administration to carry out an early assessment of the capacity of the new management to deliver improvements to the Iraqi people. (See the UK paper 'Interim administrations in Iraq' of 12 December 2002.)

11. The interim administration will need to set in hand **a process to allow new political structures to emerge**. We shall need visible Iraqi participation in such a process at an early stage. It should be for the Iraqi people themselves to produce the ideas. There is a read-across to the work of the Iraqi exile community, which has produced some interesting ideas, although the status within Iraq of many individuals in the exile community is low. (See UK paper of 16 January 2003 on a 'Bonn process' for Iraq.)

ECONOMIC

12. The interim administration will also have an important economic reconstruction and reform task. One of the keys to this will be ensuring that **Iraq's oil revenues** are maximised, consistent with the effect on the global oil market. We shall need to consider whether this is best achieved by returning control of Iraqi oil exports from an international civilian administration to Iraq rapidly or in slower time. (Should we honour oil exploration contracts signed by SH's regime with foreign companies? And who should represent Iraq in OPEC?) The provision of foreign investment in Iraq's oil (and other) infrastructure to maximise its oil revenues can only follow the suspension or lifting of UN sanctions. The UK preference would be to suspend/lift sanctions shortly after the installation of the interim administration, while maintaining a broad and rigorous arms embargo on Iraq.

13. To what extent do we leave the task of **promoting economic reform** - moving from a centrally controlled, military-industrial economy to an open, free market one - to the IMF and World Bank? How much does the US know about World Bank/IMF thinking? A critical issue will be debt restructuring. What is US thinking on rescheduling Iraq's \$100bn+ debt to external creditors and the IMF - and on UNCC compensation claims? How do these calls on oil revenues compete with the need to find urgent multibillion-dollar funding for relief and reconstruction needs? (See UK paper 'Economic issues in Iraq after regime change: internal policy and external engagement'.)

ENVIRONMENTAL

14. SH may sabotage the oil industry rather than let it fall into his enemies' hands. Are we prepared for putting out oil fires, as in Kuwait? He may deliberately spill oil into the great rivers of Iraq or into the Gulf. Do we have an **environmental clean-up plan**?

Middle East Department
Foreign and Commonwealth Office
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