

USAWC STRATEGY RESEARCH PROJECT

**ECONOMIC ASSESSMENT: STABILITY, SECURITY, TRANSITION AND
RECONSTRUCTION OPERATIONS**

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ABSTRACT

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Recent United States major combat operations have been characterized by "rapid defeat" of the threat with limited destruction of the infrastructure through effective use of intelligence, information superiority, precision weapons, and rapid maneuver. Post conflict operations are characterized by stabilization, security, transition, and reconstruction (SSTR) operations during the post combat phase. In order for this phase to be successful and national objectives accomplished, a stable, viable and growing economy must be in place and functioning. In Operation Iraqi Freedom, the U.S. Government did not adequately plan for the unique requirements associated with the establishment of a flourishing economy. History provides a number of useful examples from the Japanese War to Afghanistan to illustrate the necessity of a stable economy for successful stabilization and reconstruction operations, demonstrating the direct correlation between an established economy and successful SSTR operations. This paper will highlight economic recovery strategies from historical nation building operations to include Iraq. From these strategies lessons can be learned to apply to present SSTR operations in Iraq and future conflicts the United States may undertake.

ECONOMIC ASSESSMENT: STABILITY, SECURITY, TRANSITION AND RECONSTRUCTION OPERATION

Stabilization and Reconstruction

“Success...is not the planting of a flag nor is it re-drawing boundary lines...”

- General L.L. Smith, USAF

8 December 2006

Overview

For years, military commanders at all echelons have found themselves conducting tasks such as resettling displaced populations, restarting economies, forming local governing councils and running town hall meetings, rebuilding schools, training local police and security forces, and rebuilding the basic physical and societal infrastructure of war-torn states and regions around the world. Ongoing operations in Iraq and Afghanistan, as well as, global humanitarian and crisis intervention missions are clear examples of the employment of combat resources in the role of executing non-kinetic missions, in situations with human needs and of strategic importance. While our technological superiority and professionalism make us the greatest Army the world has ever known, training and technology does not necessarily translate into success in “nation-building,” “post-conflict reconstruction,” or “stabilization and support operations.” This point is driven by the fact that military end state seldom equals political end state. During Stability, Security, Transition and Reconstruction (SSTR) operations our leaders are challenged to examine their own perceptions and assumptions, and to understand the norms and assumptions of other cultures – not just in foreign societies, but also between different governmental and non-governmental organizations of the United States. Leaders at all levels routinely struggle with difficult moral, ethical, and legal considerations and situations, while simultaneously learning required skill sets, such as inter-cultural communication and negotiations. Not only do our leaders have to plan and execute kinetic missions, but they are also faced with the challenges associated with democratization and nationalism, specifically tasks of conducting elections, rebuilding economies and essential services.

Over the past decade and a half, there has been an evolution in the vocabulary used to refer to the aforementioned activities that are undertaken to maintain, enforce, promote and enhance the possibilities for peace in failed or failing states. “Peacekeeping” and

“peacemaking” have been the traditional generic terms for the operations undertaken for those purposes by the United Nations and other international organizations, and sometimes ad hoc coalitions of nations or individual nations. Use of any term with the word “peace” created a semantic dilemma, conveying the misleading impression that an operation is without risk, when in fact peacekeeping operations can place soldiers in hostile situations resembling war. More recently, in an attempt to capture their ambiguity and complexity, and perhaps also to avoid the stigma of failure attached to peacekeeping, they have become known as “stabilization and reconstruction” operations, or, more simply, “stability” operations which by definition is “Military and civilian activities conducted across the spectrum from peace to conflict to establish or maintain order in States and regions.”¹

The experiences from numerous post cold war peacekeeping operations contributed to our understanding about the conditions needed to establish peace. Operations increasingly included extensive nation-building (or state-building as some prefer to call it) components to build or reform government structures. The term “peacekeeping” was used, when U.N. operations mostly fit a narrow definition: providing a force to supervise the keeping of a cease-fire or peace accord that parties in conflict had signed, with peace enforcement being the mandate to use force to maintain peace. Peace building followed as a term for activities that are designed to prevent the resumption or spread of conflict, including disarmament and demobilization of warring parties, repatriation of refugees, reform and strengthening of government institutions (including re-creating police or civil defense forces), election-monitoring, and promotion of political participation and human rights. Organizing and providing security for humanitarian relief efforts can be a part of peacekeeping and peace enforcement operations. Recently, the Department of Defense titled the aforementioned missions as “Military Support to Stability, Transition and Reconstruction (SSTR)”².

The 2005 Department of Defense Directive 3000.05, Stabilization, Security, Transition, and Reconstruction operations provide policy guidance for rebuilding nations. Such operations are defined as “Department of Defense activities that support Government plans for stabilization, security, reconstruction and transition operations, which lead to sustainable peace while advancing U.S. interests.”³ SSTR activities also encompass the diverse ongoing operations in Afghanistan and Iraq, to include stability operations, such as humanitarian and civic assistance, counterterrorism, counter-drug, and counter-insurgency (i.e., foreign internal defense) efforts, initiatives to restore and stabilize economic infrastructure and activity with the aim of bringing all combat operations to a halt.

Leveraging U.S. economic power is vital to conducting SSTR operations; in some ways, economic development can actually substitute for kinetic solutions. The ability to invigorate failing or failed economies, whether through direct cash loans, grants or other means, helps to provide employment, to begin to solve endemic infrastructure shortfalls and when properly checked, to overcome corruption that is a serious obstacle to establishing a host government economic growth. The economic reconstruction of post-conflict countries requires a variety of interventions from both the international donor community and the private sector. The lack of indigenous resources, public sector finances, and institutional capacity make reconstruction difficult. Reconstruction efforts are even more difficult when official development assistance, and domestic and foreign, private capital are absent. Furthermore, the ability to leverage the economic instrument of power to gain coalition support for SSTR operations in support of economic growth and stability also proves to be extremely beneficial.⁴

Economic growth and stability is so important that it is highlighted in United States policy and guidelines. The National Security Strategy clearly states,

“Once peace has been restored, the hard work of post-conflict stabilization and reconstruction must begin. Military involvement may be necessary to stop a bloody conflict, but peace and stability will last only if follow-on efforts to restore order and rebuild are successful. The world has found through bitter experience that success often depends on the early establishment of strong local institutions such as effective police forces and a functioning justice and penal system. This governance capacity is critical to establishing the rule of law and a free market economy, which provide long-term stability and prosperity.”⁵

The immediate goal of SSTR operations often is to provide the local populace with security, restore essential services, and meet humanitarian needs. The long-term goal is to help develop indigenous capacity for securing essential services, a viable market economy, rule of law, democratic institutions, and a robust civil society.⁶ President Bush cited,

“The United States has a significant stake in enhancing the capacity to assist in stabilizing and reconstructing countries or regions, especially those at risk of, in, or in transition from conflict or civil strife, and to help them establish a sustainable path toward peaceful societies, democracies, and market economies. The United States should work with other countries and organizations to anticipate state failure, avoid it whenever possible, and respond quickly and effectively when necessary and appropriate to promote peace, security, development, democratic practices, market economies, and the rule of law. Such work should aim to

enable governments abroad to exercise sovereignty over their own territories and to prevent those territories from being used as a base of operations or safe haven for extremists, terrorists, organized crime groups, or others who pose a threat to U.S. foreign policy, security, or economic interests.”⁷

Throughout our history, the United States strategy has incorporated economic stability as a central part of post-combat operations and nation building. A viable, growing economy has also been a way to achieve the desired strategic end state of war. The naming convention for post conflict activities has evolved, but one prevalent theme throughout the evolution has been that during nation building missions, the necessity and importance of a stable and viable economy is paramount. Recent United States major combat operations have been characterized by "rapid defeat" of the threat with limited destruction of the infrastructure through effective use of intelligence, information superiority, precision weapons, and rapid maneuver. Post conflict operations are characterized by stabilization, security, transition, and reconstruction (SSTR) operations during the post combat phase. In order for this phase to be successful and national objectives accomplished, a stable, viable and growing economy must be in place and functioning. This paper will attempt to highlight the importance and application of the economic element of national power as an integral part of nation building. History provides a number of useful examples from the Japanese War to Afghanistan to illustrate the necessity of a stable economy for successful stabilization and reconstruction operations, demonstrating the direct correlation between an established economy and successful SSTR. This paper will further highlight economic recovery strategies from historical nation building operations to include Iraq. From these strategies lessons learned can be gleaned and applied to present SSTR operation in Iraq and to future conflicts the United States may undertake. From these insights I will conclude that conflicts ending in stability, transition and reconstruction operations ultimately require a stable and growing economic system for SSTR operations to be deemed a success in nation building.

Japan

As we look back on history in view of Japan's current status, the conclusion can be drawn that the U.S. occupation of Japan was, from an economic point of view, a resounding success. The Japanese economy was crushed after the war. Economic sabotage by Japanese took some toll, but there was no profiteering by Americans. Liberal economic policies inspired by the New Deal gave the Japanese government a larger role in the economy. One apparent positive effect of post war activities is the realization of a non military focused highly skilled laborer

workforce. Engineers and trained laborers used their war machine expertise and applied it to non military projects such as railroads, supertankers, and heavy construction equipment and as seen today electronics experts and products with global economic impacts.⁸

The acceptance by Japan of the terms of the Potsdam Declaration cleared the way for the Allied powers to direct activities to stabilize and reconstitute the Japanese state. In total the U.S. assistance to Japan for 1946-1952 was roughly \$15.2 billion in 2005 dollars, of which 77% was grants and 23% was loans. Most of these funds were provided through GARIOA grants. Of the \$2.2 billion in total aid, an estimated \$655 million, or almost a third, went to categories that would mostly contribute directly to economic recovery (industrial materials, including machinery and raw goods; petroleum and products; and transportation, vehicles, and equipment).⁹ The execution of the Potsdam Declaration produced results that benefited the economic growth and stability of the Japanese economy.

A parallel can be drawn between the degree of stability of the growing Japanese economy and the overall success of the stability, transition and reconstruction operations. In Japan, economic recovery and SSTR were both deemed a success. Two major trends seen in the Japanese recovery strategy that may be applicable for future operations are, first, concentration of the power to make economic policy decisions in the hands of a single authority facilitated economic recovery,¹⁰ second, "Delegating implementation of economic policy decisions to local governing elites, with their own priorities, can significantly dilute the effectiveness of changes."¹¹ The Potsdam Declaration and its imbedded economic development strategy was the catalyst for highly successful SSTR operations in Japan. In much the same manner that the terms of the Potsdam Declaration paved the way for economic recovery for Japan, the Marshall Plan became the overarching document that drove economic recovery, and directed SSTR operations in war torn Germany.

Germany

"Our policy is directed not against any country or doctrine, but against hunger, poverty, desperation, and chaos." George C. Marshall

Much in the same manner as Japan, post war objectives in Europe were achieved by demobilizing the German military, holding war crime tribunals, helping construct democratic institutions, and providing substantial humanitarian and economic assistance.¹² In contrast to Japan, the United States assumed a more dominant occupation role in Germany. "In time the Federal Republic of Germany (FRG) consisting of the former U.S., British, and French zones

developed into a robust democratic state with a thriving economy. These achievements, however took many years, and the early international efforts were not uniformly successful”¹³ “The Marshall Plan significantly reduced the suffering and time West Europe took to recover from the war. The program--whose official title was "European Recovery Program"--aimed at: (1) increasing production; (2) expanding European foreign trade; (3) facilitating European economic cooperation and integration; and (4) controlling inflation.”¹⁴ For Germany, in constant 2005 dollars the United States provided a total of \$29.3 billion in assistance from 1946-1952 with 60% in economic grants and nearly 30% in economic loans, and the remainder in military aid. Beginning in 1949, the Marshall Plan provided \$1.4 billion with the specific objective of promoting economic recovery.¹⁵ United States economic support to the European continent was considered to be a primer and was for a limited term until the European economy could be self sustaining.

An item of special attention here is that a set period of four years was established to ensure American taxpayers that support to Europe vice Germany would not be indefinite. Already the cost “some \$13 billion of economic and technical assistance—equivalent to around \$130 billion in 2006—was given to help the recovery of the European countries.”¹⁶ Over the next two decades, many regions of Western Europe would enjoy unprecedented growth and prosperity. Economic stability served as a tool for reconstruction as well as the catalyst for integration as outlined in the Marshall Plan.

The Marshall Plan has also long been seen as one of the first elements of European integration, as it erased tariff trade barriers and set up institutions to coordinate the economy on a regional level. An intended consequence was the systematic adoption of American managerial techniques. “The years 1948 to 1952 saw the fastest period of growth in European history. Industrial production increased by 35%. Agricultural production substantially surpassed pre-war levels.”¹⁷ In similar fashion to the post conflict Japan, there are economic based SSTR lessons to be learned. First, “Defeated countries often need sizable transfers to cover basic government expenditures and quickly provide humanitarian assistance after the conflict.”¹⁸ Second, “Reparations immediately after the end of the conflict are counterproductive. The economy must grow before a country can compensate the victims of the conflict.”¹⁹ Finally, “Permitting more than one power to determine economic policy can significantly delay economic recovery.”²⁰

In similar fashion to the post conflict Japan, the Germany reconstruction success is directly related to the magnitude of economic growth and stability of Europe. Germany’s recovery took somewhat longer than that of Japan and may have delayed SSTR operations

success, however, this seems to be due to the requirement to stabilize and ensure the European continent's economic recovery vice just Germany. In contrast, an example of a delayed economic recovery and potential unsuccessful SSTR is post Operation Uphold Democracy in Haiti.

Haiti

In the aftermath of a coup d'etat in September 1991, Haiti experienced a dramatic deterioration of its economic and social conditions. The country's economic performance and social indicators worsened dramatically, accentuating the downward trend of the 1980s. Preliminary estimates indicated that real gross domestic product (GDP) declined by around 20 percent in 1992 and 1993, and by an additional 10 percent in 1994, bringing the cumulative decline in economic activity since the military coup to some 30 percent.²¹ The Haitian military was abolished, and a new civilian police force was created. Local and national elections were held and the U.S. led reconstruction efforts achieved some goals, such as restoring President Aristide to power.

Despite Operation Uphold Democracy achieving all of its principal objectives, and, no matter how successful the Haitian people were at establishing a secure environment or building democratic and legal institutions, stability eluded them without strong, steady, broad-based economic growth. Haiti had a per capita income of about \$200 a year, making it one of the poorest countries in the world. It also had one of the worst infrastructures of any country in the world, including the most expensive, least efficient port in the western hemisphere. Its roads were almost non-existent, and it had among the world's fewest telephones per capita. Bringing the economy to life was Haiti's most difficult task, and would require massive assistance from the U.S.²²

“U.S. assistance focused on helping Haiti in four key areas: preparing for free and fair elections; meeting the health and humanitarian needs of its citizens; reviving the country's economy by promoting jobs and growth; and strengthening the rule of law. The American intervention in Haiti was successful. Indeed, our help was essential: only we can lead the international effort to help Haiti strengthen its democratic institutions and build its economy. The United States provided funding and technical assistance to Haiti's government ministries, judiciary and health infrastructure, as well as to the Haitian National Police.”²³

The intent of the Uphold Democracy Operation was met and considered to be a successful mission, however, “U.S. forces departed before a competent Haitian administration could be created, self sustaining democratic structure could be put in place, or meaningful economic reforms instituted.”²⁴ As military forces re-deployed to their respective bases, many of

Haiti's poor conditions, attributed to its history of unstable regimes, remained. This departure of forces allowed the United States to execute economic restoration efforts in Haiti in a semi-conflict free environment.

To bolster the stability of Haiti's fragile democracy, the U.S. has led the effort to rebuild Haiti's economy. The U.S. has been the largest donor since 1973, with a total aid package of \$135 million in 1996 and \$96 million in FY1997. In addition to financial support, the U.S. provided human resources. The U.S. also contributed extensively to the reform of Haiti's economy with a focus on the following areas: USAID appropriations in FY1996 for Haiti totaled \$135 million, consisting of \$60 million in Economic Support Funds, \$24 million in Development Assistance, and \$51 million in PL-480 food aid.²⁵ In addition to an ongoing \$52 million economic development and humanitarian assistance program, the U.S. began an urgent three-year jobs program, which provided tens of thousands of jobs to improve municipal infrastructure and created jobs in Port-au-Prince, Cap Haitien, Gonaives and other locations as needed.²⁶

In conclusion, the Haiti military operation began well, and ended on schedule but resulted in minimal transformation. Outwardly Operation Uphold Democracy may seem a success but it is evident there is limited economic growth. One item to consider for future SSTR operations as it relates to economic stability is "Privatization can be a prerequisite for economic growth, especially where government officials use state owned enterprises for their own private purposes."²⁷ Instability and destruction in Haiti did not compare to that of Japan and Germany, however, the speed of successful SSTR operation much like the two aforementioned conflicts was directly related to economic recovery. Most noteworthy in this example is the requirement for massive amounts of U.S. capital investment since 1991 until the present. In the case of Haiti, it has taken longer to realize the benefits of a stable economy. Due to the latency of economic recovery, and its direct relationship to successful SSTR operations, Operation Uphold Democracy can be deemed a partial success. This example highlights the trend for successful SSTR operations, as it relates to a stable economy, to take years to complete and require large amounts of external financial capital as seen in the Haiti. Analysis of SSTR operations in the Balkans (Bosnia and Kosovo), further, demonstrate this trend and reinforce the necessity for a stable and growing economy in order to successfully complete SSTR operations.

Bosnia

Bosnia made political and economic progress but it took more than seven years after the Dayton Accord. The agreement for peace in Bosnia was the Dayton Accord which incorporated economic concerns. As of this writing, Bosnia is not yet a self-sustaining political or economic

entity. However, based on its impressive economic recovery and sustained social stability, supported by high levels of international assistance, the country is considered a post-conflict success story. The war caused extensive destruction of physical capital and a huge loss of output. Real GDP plummeted by 80 percent and over 2 million people - nearly half the prewar population - became refugees, either abroad or internally. In 1996, a major donor assistance program set the stage for reconstruction and economic recovery. Overall, donor commitments were estimated at US\$5.4 billion.²⁸ The international community's long-term financial commitment has been crucial for economic growth in Bosnia. Economic growth was very rapid in the years immediately following the Dayton Accord, driven by the peace and by foreign assistance. In 2002, the Bosnian economy first showed signs that growth would be sustained as economic assistance was reduced. Because of Bosnia's acrimonious interethnic politics and the weak constitutional authority of the national government, decisions to reform the economy were made very slowly. Key decisions on the national currency, taxation, budget, and privatization have only been made because of Office of the High Representative (OHR).

More than seven years after the Dayton Accord, OHR still plays a key role in economic policymaking in Bosnia. Although the Dayton accord did not readily produce economic results more quickly, it ultimately provided a number of important economic recovery warnings and strategies for use during SSTR operations. First, organized crime can emerge as the greatest obstacle to economic transformation.²⁹ Second, successful reconstruction in poor and divided countries requires substantial long-term financial commitment from donors.³⁰ Finally, "foreign donors need to take an active role in economic policy in countries with stalemated or ineffective governments."³¹ Much like Germany and Japan, these principles aimed at economic recovery may be applicable to SSTR operations in Iraq because, here again we see that economic recovery has a direct relationship to the success or failure of SSTR operations, and my analysis is that successful of SSTR operations require substantial amounts of U.S. and foreign capital investment to resuscitate the national economy. Furthermore, the recovery process is a long drawn out process and can be gauged in terms of years to complete. The Dayton accord called for many complex political reforms, however the Bosnians, and as we will see in the next section, the people of Kosovo were also faced with enormous economic challenges.

Kosovo

Initially, the idea of rebuilding economic infrastructure and institutions, and putting the economy on a sound growth path presented major challenges. "In 1999, USAID provided direct assistance for economic stabilization and recovery."³² The USAID program of economic

support for the reconstruction of Kosovo began almost immediately upon the cessation of hostilities in 1999. In fiscal year 1999 approximately \$70.1 million of Support for East European Democracy (SEED) funds were allocated to Kosovo for the sole purpose of stabilization and economic recovery.³³ Extraordinary international financial flows and expatriate-staffed institutions of governance gave the economy a quick and significant boost as reconstruction got under way. However, USAID recognized quickly that the economic gains would be transitory unless a domestic economic dynamic developed to take the place of reconstruction-related activity as it began its eventual phase down.³⁴

In late 2000 it became apparent that significantly greater resources were required to stabilize and transform Kosovo into an economically viable territory as part of the entire Balkan region. "Progress in the democratization, economic development, and eventual integration of the Balkan region as a whole reduced destabilizing pressures within Kosovo and increased the prospect that its final status would be resolved peacefully someday."³⁵ U.S. foreign assistance was designed to foster geopolitical stability and economic prosperity in Southeast Europe, and was critical in promoting rapid economic, political, and social stability in post-conflict Kosovo.³⁶ Kosovo's economy depends heavily on international aid, the need for a two-fold transition: from a socialist economy to a market economy and from an underground war economy to an economy of peace.³⁷

From an economic strategy perspective, Kosovo is a definite success story and touted by some as the best managed of the U.S. post Cold War ventures in nation building. U.S. and European forces demilitarized the Kosovo Liberation Army (KLA), national elections took place and economic growth has been strong. One valuable lesson learned is "Large scale assistance can rapidly restore economic growth in conjunction with effective economic institutions."³⁸ Recovery in Kosovo continues and as with the other examples is measured in terms of years. The requirement exists for massive amounts of external financial assistance. Economic stability in Kosovo was a precedent for successful SSTR operations. The Balkan region of the world is more stable due to its economic stability and non-kinetic environment versus the environment found in Afghanistan where SSTR operations are also ongoing.

Afghanistan

Between 2001 and 2006, Afghanistan's economy relied on foreign aid to stay afloat. According to the World Bank, Afghanistan's operating budget for 2005 was \$600 million, with half of that coming from taxes and the other half from international donors. The economy has improved significantly since 2002 due to the infusion of over 18 billion U.S. Dollars in

international assistance, dramatic improvements in agricultural production, and the end of a four-year drought in most of the country.³⁹

However, even substantial international aid to Afghanistan has fallen short of total economic recovery. Although the international community came together to raise \$15 billion in aid for Afghanistan in the five years following the invasion, less than half of the funds have reached Afghanistan and even less the hands of the poorest Afghans. The United States, the largest donor with \$3.64 billion in aid, has touted the improvements made in Afghanistan's rebuilding. The International Monetary Fund reported that the country's GDP had risen to \$8.87 billion, up from \$2.71 billion in 2000. Despite the growing amount of aid, 80 percent of the rural population still lived in poverty in 2006 and many of those involved in the rebuilding effort said not enough money was being invested in improving Afghan lives. The Afghan government estimates it will need \$27.5 billion through 2010 to continue rebuilding the rest of the country's infrastructure.⁴⁰

Limited economic growth has been seen in the real gross domestic product (GDP). Excluding outlawed opium production, GDP is estimated by the International Monetary Fund to have grown by almost 30% in the fiscal year (FY) 2003 (ended 21 March 2003). GDP was expected to continue growing at a rate of about 20% through FY2004.⁴¹ This snapshot of the Afghan economy and its limited success can be translated in to limited SSTR operation success.

At first glance operations in Afghanistan might well be considered a limited success. Operation Enduring Freedom (OEF) is still characterized with both ongoing combat operations and reconstruction operations. Although it might be too early to conclude as to the success or failure of economic resurrection in Afghanistan, it provides some real time lessons learned with regard to the connection between stable economies and successful SSTR. In this case it can be seen that potential threats to continued economic growth are based on security, and a secure environment is just as important as external financial aid and time. "The lack of adequate security outside the capital has hindered the flow of international assistance and limited resumption of normal economic activity."⁴² "In the absence of pervasive security, the prospects for widespread economic recovery or political development are very limited."⁴³ For the most part, limited macroeconomic stability has brought some signs (though dismal) of economic recovery.

These dismal economic circumstances, however, have not discouraged the government or the international government and business community from envisioning Afghanistan as a future center of economic activity in Central Asia.⁴⁴ It is the positive attitudes of the Afghanistan

government and the international community that continue to strive for economic stability and growth in order to successfully complete SSTR operations, creating a stable country to help stabilize the South West Asia region of the world. Successful SSTR operations in Iraq will also create stability in the region.

Iraq

Iraq is in a political and economic crisis that will have dramatic effects on world events far beyond its borders.⁴⁵ Within Iraq's borders, operations do not seem to be achieving much success. Based on previous examples discussed in this paper the connection can be made between successful SSTR execution and a stable and growing economy. It is not enough that Iraq's prewar economy was already in a state of emergency, but to compound this failing economy with a all out war presents major economic reconstruction challenges for the U.S. and the international community "If the United States assumes control of Iraq, it will therefore assume control of a badly battered economy."⁴⁶

Healing the bruised Iraq economy followed by building a sustainable market economy in Iraq will likely continue to be a long-term effort. As with most Arab states Iraq's economy is based heavily on oil revenue. Iraq's centralized economic and political structure will require fundamental changes similar to those that are taking place in the countries in the Balkan region of the world. Nation building in Iraq has begun; even in the absence of a policy vision, there continues to be calls for massive foreign aid and spending.

Conrad Crane estimates the cost of reconstructing Iraq's economy is \$30 - \$100 billion⁴⁷ Attempts have been made to overlay the Marshall Plan on Iraq reconstruction efforts. "Rebuilding Iraq will be much more challenging than rebuilding postwar Europe."⁴⁸ Unlike post war Europe, the focus of Iraqi reconstruction effort needs to be based on correct policies for immediate growth and prosperity. Those include sound currency, freedom of trade and exchange, and private property rights for all citizens.⁴⁹

In September 2004, the International Monetary Fund approved approximately US\$436.3 Million in Emergency Post-Conflict Assistance to begin reestablishment of the Iraqi economy.⁵⁰ "The Fund's Emergency Post-Conflict Assistance was a crucial step toward putting Iraq back on the path to economic stability and strong, sustainable growth."⁵¹ Presently the coalition's rehabilitation strategy focuses on restoring essential services, and revitalizing economic activity. As part of the U.S. government's contingency planning for Iraq, the U.S. Agency for International Development (USAID) mobilized significant development resources and technical assistance to restore the economically critical infrastructure. Reconstruction assistance will

rehabilitate critical infrastructure to help maintain stability, ensure the delivery of essential services, and facilitate economic recovery. Assistance will also restore the power supply to health and educational facilities, water supply facilities, and infrastructure that contribute to the local economy and employment generation.

Leaving aside immediate humanitarian needs, experts estimate that reconstruction will cost between \$25 billion and \$100 billion. Repairing existing oil-export installations will require \$5 billion, and restoring Iraq's electrical-power infrastructure to its pre-1990 capacity could cost \$20 billion. Given that Iraq's annual oil revenues are currently in the neighborhood of \$10 billion, significant financial support will have to be generated by neighboring states, multilateral institutions, and Western partners.⁵² The scale of Iraq's problems makes it essential that the administration move to swiftly integrate development planning by the UN Development Programme and the World Bank with its plans for immediate humanitarian assistance. Mindful that the new Iraqi regime could be crippled by its foreign debt of upwards of \$60 billion, the administration should seek to lighten that burden by convening the earliest possible meetings of Iraq's creditors in the London and Paris Clubs.

Even as recent as Operation Iraqi Freedom, it is evident that a stable and growing economy is a necessity for SSTR operations to succeed. Much in the same manner as with Japan and Germany, the time to attain success can only be expressed in terms of years. As seen in Kosovo large scale financial assistance is required to restore economic growth and effective economic institutions which has a direct relationship to the success of SSTR.

CONCLUSION

The synthesis of doctrine, historical case study, and recent operations answers the question of the importance of a stable and growing economic system for SSTR operations to be successful. This document provides that answer and also addresses the lessons learned applicable to future operations. An effective theater strategy for post conflict campaigns must have economic stability and growth objectives nested within the strategy especially for those countries experiencing vicious conflict.

Countries emerging from violent conflict face extraordinary constraints while mobilizing the resources urgently required for relief, recovery and economic reconstruction. The fundamental challenge in most cases of post-conflict economic recovery is relief and recovery assistance. It is critical that recovering nations take the lead in pulling together a system for economic resurgence. To this end they must acquire the capabilities for making key decisions on economic reform and the allocation of resources. It is particularly critical that nations acquire this

capability in a reasonable timeframe after the conflict phase of operations. The requirements are building capacities for economic management, the delivery of basic services, and building the capacity of communities to sustain local economic initiatives.

A few conclusions can be drawn from the historical examples in this paper, first, subsequent to the fog of war, chaos and destroyed economy, funding for relief, recovery, and economic reconstruction during the initial post-conflict phase most always will be provided from external sources.

Second, in all of the examples, near-term economic assistance focused on humanitarian and reconstruction needs, however, it can be concluded that in order to foster long-term economic stability for long term SSTR success, the requirement exists for fundamental changes in internal institutions and laws that underpin market economies, and as with economic transitions, this transition is likely to face substantial challenges and will take a long time.

Third, a core prerequisite for economic recovery is the establishment of a safe and secure environment. While limited economic activity can exist in dangerous and unstable environments, full-fledged economic development requires that people can move around safely, are not forced to waste time and energy on ensuring their own personal safety, and have a degree of confidence in their ability to predict future economic developments.

Fourth, in cases where post-conflict economic environment stability came to maturation in a very slow manner, the slow rate of growth was the resulting of inadequate security: However, the amount of financial aid from outside sources had a direct correlation to the degree of success in economic growth and consolidation of stability.

CONSIDERATIONS

First, the United States must relinquish control of economic decisions and U.S. money and let nations define their own priorities and make their own mistakes. Even after transferring power to the new government, the United States must allow the nations the opportunity to control spending of its reconstruction funds. The new national leadership must be given the opportunity to decide the economic course for their respective countries, even if that means walking away from some UN sanctions. The economic institutions must also have the final decision in defining their national priorities for spending U.S. and other international reconstruction funds. Nations need to rally around their own respective government leadership to witness their own government charting the economic future of their country, including deciding whether to continue with a market-oriented economic program or not.⁵³

National buy-in is critical if the nation's population is to have any hope of realizing a new economy that is diversified, attracts foreign investment, creates jobs, and ultimately brings prosperity for the people. It also presents the potential that the economic aims will align with those proposed by the United States. This document focused on implementation and use of the United States economic element of National Power during post conflict operations. As stated earlier it is vital for conducting stability operations. What has not been discussed is after leveraging external sources; host nations must develop the strong, viable financial institutions that facilitate economic growth. These institutions do much to reassure the population that their currency will be reasonably stable and investments will be safe and their government and execution of the economy will be free of corruption.⁵⁴

SUMMARY

Overall, re-creating a viable economy after prolonged violent conflict remains one of the most serious challenges of development. However, as proved in the historical examples highlighted above, a thriving and robust economy is a prerequisite for SSTR operations to be classified as successful. Furthermore, a nation's rigorous oversight of the management of public finances, national resources, and the establishment of robust systems of public control and oversight of the economy are necessary prerequisites for post-conflict economic recovery.

Some countries have emerged from such conflict and succeeded within a few years to re-position themselves within a normal development trajectory. However, as seen above some nations have had great difficulty jumpstarting their post conflict economy. For future reference the United States might benefit by considering two final thoughts below for post-conflicts operations when the attention is on strategies to stabilize economies of war torn nations.

Endnotes

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