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ACRONYMS

AAC	Afghanistan Air Corps	ISR	Intelligence, Surveillance, and Reconnaissance
ABP	Afghanistan Border Police	JFPR	Japanese Fund for Poverty Reduction
ADB	Asian Development Bank	JHQ	Joint Headquarters
AEOI	Atomic Energy Organization of Iran	JRTC	Joint Readiness Training Center
AHP	Afghanistan Highway Police	KRG	Kurdistan Regional Government
AIG	Afghanistan Islamic Government	kV	Kilovolts
ANA	Afghanistan National Army	LDC	Least developed country
ANATC	Afghanistan National Army Training Command	MACV	Military Assistance Command-Vietnam
ANCOP	Afghan National Civil Order Police	MFI	Microfinance Institutions
ANDS	Afghanistan National Development Strategy	Mha	Mega hectares
ANP	Afghanistan National Police	Mmcf/d	Million cubic feet per day
ANSF	Afghan National Security Forces	MoD	Ministry of Defense
AOR	Area of Operations	MoE	Ministry of Education
AQI	Al Qaeda in Iraq	MoI	Ministry of Interior
AUP	Afghan Uniformed Police	MOLSA	Ministry of Labor and Social Affairs
AWOL	Absent Without Leave	MW	Mega watt
bbl/d	Barrels per day	NATO	North Atlantic Treaty Organization
CAP	Community Action Program	NEPS	North-Eastern Power System
CAPTF	Combined Air Power Transition Force	NGO	Non-Governmental Organization
CBI	Central Bank of Iraq	NIIA	National Information and Investigation Agency
CBRN	Chemical, Biological, Radiological, and Nuclear	NP	National Police
CENTCOM	Central Command	NTC	National Training Center
CLC	Concerned Local Citizen	OEF	Operation Enduring Freedom
CNPA	Counter-Narcotics Police of Afghanistan Civil Operations and Revolutionary Development Support	OIF	Operation Iraqi Freedom
CORDS		OPEC	Organization of the Petroleum Exporting Countries
CPI	Consumer Price Index	OSV	Offshore Support Vessels
DBE	Directorate of Border Enforcement	PB	Patrol Boats
DRT	District Reconstruction Team	PDS	Public Distribution System
EPA	Environmental Protection Agency	PKK	Kurdistan Workers Party Political, Military, Economic, Social, Infrastructure, Information
FATA	Federally Administered Tribal Areas	PMESII	
FDI	Foreign Direct Investment	PPP	Purchasing Power Parity
FMS	Foreign Military Sales	PRT	Provincial Reconstruction Team
FPS	Facilities Protection Services	PS	Patrol Ships
GDP	Gross Domestic Product	RC	Regional Command
GSM	Global System for Mobile	SEPS	South-Eastern Power System
HIPC	Heavily Indebted Poor Countries Initiative	SOP	Standard Operating Procedure
HTS	Human Terrain System	Tcf	Trillion cubic feet

HTT	Human Terrain Team	UAE	United Arab Emirates
IA	Iraqi Army	UN	United Nations
IAF	Iraqi Air Force	UNESCO	United Nations Educational, Scientific, and Cultural Organization
ICJ	International Court of Justice	UNFA	United National Front of Afghanistan
IDB	Islamic Development Bank	UNODC	United Nations Office on Drugs and Crime
IED	Improvised Explosive Devices	USAID	United States Agency for International Development
IGO	Inter-Governmental Agency	USDA	United States Department of Agriculture
IIP	Iraqi Islamic Party	USGS	United States Geological Survey
IMF	International Monetary Fund	USIP	United States Institute of Peace
IPS	Iraqi Police Service	USJFC	United States Joint Forces Command
IRGC	Iranian Revolutionary Guard Corps	VSAT	Very Small Aperture Terminal
ISAF	International Security Assistance Force	WHO	World Health Organization
ISP	Internet Service Provider	WTO	World Trade Organization

INTRODUCTION

Once, the conditions in relatively small countries halfway around the world might have seemed of nominal importance to the United States. Before the advent of reliable international communication and transit systems, interdependence crossed land borders far more than oceans. More significant were cultural barriers; only the constant contact provided by modern media and communications provides the backdrop against which cross-cultural dialog occurs with the regularity seen today.

Geographical considerations today play a diminishing role in determining the United States' level of strategic interest in affairs throughout the world. It is becoming more clear that a country need not be large or even wealthy to exercise significant power in world events; in fact, international action is no longer the purview of states alone. In today's environment, economic and sociopolitical conditions halfway around the world can inspire actions which have repercussions in the United States. Therefore, attention to these conditions abroad is vitally important to continued national security.

The Middle East stands as a striking example of a region of the world now accessible to the U.S. geographically, but with significant cultural impediments to consistently productive dialog. Significant questions exist concerning the effectiveness of U.S. policies with nations and peoples across this region. An address of these questions begs an analysis of the economic and sociopolitical conditions in these countries, for these conditions inform their relationships with the U.S.

This report attempts to provide such an analysis for a cluster of countries chosen for particular strategic interest to the United States: Iraq, Iran, and Afghanistan. Current military conflicts in both Iraq and Afghanistan seek to provide a transition to stable, self-reliant, democratic states – a goal requiring economic development. In Iran, the government’s lack of responsiveness to both United States and international pressures on key policy issues requires new thinking.

In light of these needs, USCENTCOM was consulted in the preparation of three key questions concerning this region:

- What are the current political, social, and economic conditions in Afghanistan, Iraq, and Iran?
- How can the U.S. government encourage economic development in Afghanistan and Iraq?
- What are the short and long term effects of economic sanctions on Iran?

Because the three countries are dissimilar cases, a separate evaluation of the conditions in each country was necessary. In order to ensure that analysis of core impediments to economic development and recommendations follow directly from these evaluations, what follows is presented as three standalone country studies.

AFGHANISTAN

Afghanistan is of particular interest to the U.S. due to military involvement in the state. The objective for examining Afghanistan in the following sections is to determine possible ways to increase economic development with the eventual goal of promoting state stability. State stability is of military interest, of course, but the implications of a stable Afghanistan reach far beyond the current conflict. A stable Afghanistan might allow for military redistribution and, consequently, economic redistribution within the U.S. Additionally, a stable Afghanistan presents fewer threats to U.S. national security.

Background

To attain a broad understanding of the current conditions in Afghanistan, the PMESII framework was employed to present a thorough review of its current political, military, economic, social, infrastructural, and information conditions. A scarcity of information concerning some aspects of the Afghan condition has resulted in varying depths of analysis for each of these areas.

Political Overview

A concrete, national-level political environment in Afghanistan is only beginning to emerge. Since the fall of the Taliban regime, Afghanistan has made progress toward liberal democracy with the help of the United States and other members of the international community. Several trends may indicate progress toward a more pluralistic political environment: the relative success of the 2004 presidential election; the subsequent parliamentary elections in 2005; the ever-increasing involvement of women; and the variety of political views now represented from civil society. However, a lack of experience with democratic processes has created significant

problems in the emerging Afghan political structure. In particular, the Afghan government faces many challenges in establishing government authority beyond the capital city of Kabul.

In contrast with the desired outcome of a peaceful, democratic state, Afghanistan's history is typified by war and autocratic rule by kings, warlords, and religious extremists. Conflict between Britain and Russia led to the two Anglo-Afghan Wars in the late 1800s and early 1900s. This resulted in the official establishment of modern-day boundaries for Afghanistan with Britain maintaining effective control over Kabul's foreign affairs. Afghanistan declared independence from British rule in 1919.¹ Afghanistan suffered continuous civil conflict in the 20th century, particularly after the Soviet Union invaded in 1979 – an occupation that was fiercely opposed by the United States and many other nation-states.² The mujahedeen (guerilla fighters) battled for control and persisted in their efforts to overthrow Communist rule until Russia withdrew in 1989. After a series of civil wars, Afghanistan fell under Taliban rule in 1996. Between 1996 and 1998, most of the remaining mujahedeen were either defeated or co-opted by the new Taliban regime. Though many welcomed the reunification of Afghanistan under the Taliban, about 10% of the population, mostly Northern Alliance loyalists from the former Afghan Islamic Government (AIG), opposed the regime and continued to fight it from their territory in northern Afghanistan.³ In fact, the Northern Alliance was used as a proxy army during Operation Enduring Freedom.

¹ "Afghanistan." CIA World Factbook. 7 Feb. 2008. <<https://www.cia.gov/library/publications/the-world-factbook/geos/af.html>>.

² "Freedom in the World – Afghanistan." Freedom House. 2006. 28 Feb. 2008. <<http://www.freedomhouse.org/template.cfm?page=22&country=6905&year=2006>>.

³ "Afghanistan Review 2008." CountryWatch. 2008.

This collaborative effort eventually forced the Taliban out of Afghanistan in 2001. After such a long history of fighting amongst themselves and against foreign intruders, it may be assumed that the citizens of Afghanistan are accustomed to constant power struggles and rule by forceful domination rather than subscribing to an ideology of national unity and democracy.⁴

Following the defeat of the Taliban, the United States played a key role in designing democratic institutions in Afghanistan, to include a presidential system of government with a bicameral legislature.⁵ Figure 1 shows the structure of the government, including the judicial system.

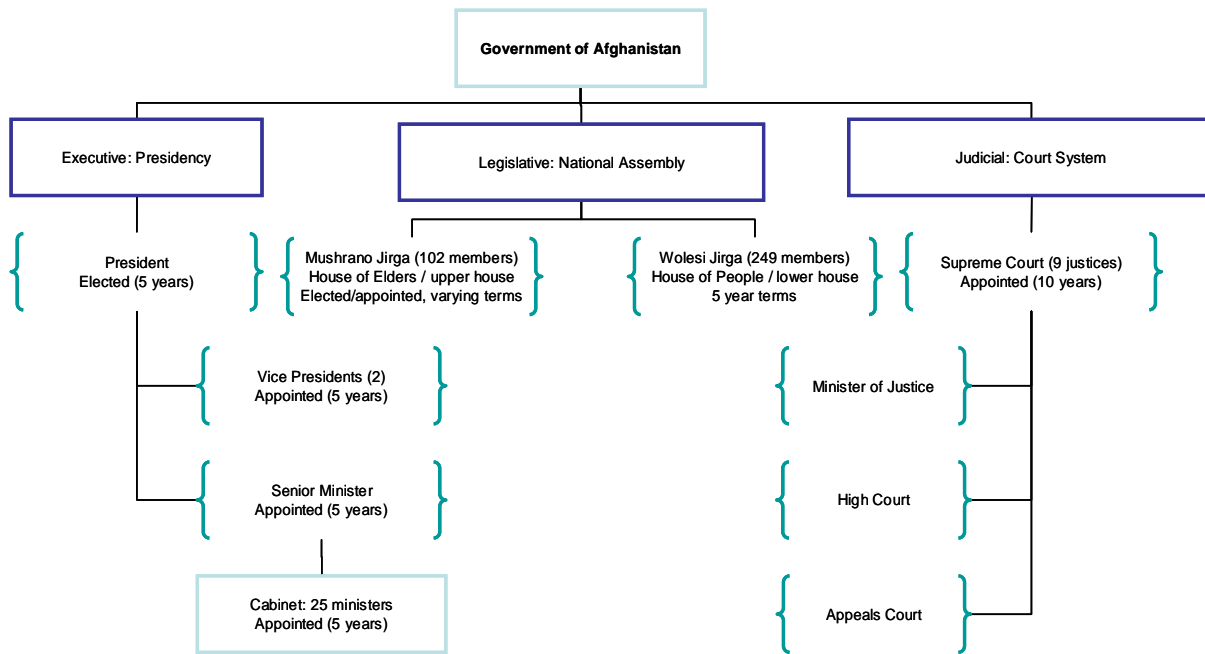


Figure 1: Organization of the Government of Afghanistan

⁴ Young, Dennis. "Overcoming the Obstacles to Establishing a Democratic State in Afghanistan." Strategic Studies Institute of the U.S. Army War College. Oct. 2007. 17 Mar. 2008. <<http://www.strategicstudiesinstitute.army.mil/pubs/display.cfm?pubID=818>>.

⁵ "Afghanistan." CIA World Factbook. 7 Feb. 2008. <<https://www.cia.gov/library/publications/the-world-factbook/geos/af.html>>.

In the Executive branch, Hamid Karzai became the first democratically elected president of Afghanistan in 2004. He serves as both chief of state and head of government until the next scheduled election in 2009. The cabinet is comprised of twenty-five ministers, plus one senior minister, and Karzai's two nominations for first and second vice-president, Ahmad Zia Masood and Abdul Karim Khalili respectively.⁶ All presidential appointments, regardless of branch, are subject to approval by the Wolesi Jirga (lower house).

In the Legislative branch, the appointment process for the Mushrano Jirga (upper house) is particularly notable: one third of the house members are elected from provincial councils for four-year terms, one-third are elected from local districts for three-year terms, and the remaining third are nominated by the president for five-year terms.⁷ Perhaps a reflection of Afghanistan's political progression, women currently hold 68 out of 249 seats in the House of People and 23 of the 102 seats in the House of Elders.⁸ Candidates for the lower house and the provincial councils sought election as individuals rather than members of any particular political party, but it remains to be seen if this will be the case in the upcoming elections in 2009.⁹

The Afghan legal system, from the Supreme Court to the High Court and Appeals Court, is based upon a combination of Shari'a and civil law, but is not party to International Court of Justice

⁶ "Country Report: Afghanistan." The Economist. Jul. 2007.

⁷ "Afghanistan." CIA World Factbook. 7 Feb. 2008. <<https://www.cia.gov/library/publications/the-world-factbook/geos/af.html>>.

⁸ Najibullah, Farangis. "Afghanistan: New Party to Focus on Women's Rights." Radio Free Europe/ Radio Liberty 20 Feb. 2008. 21 Feb. 2008 <<http://www.rferl.org>>.

⁹ "Country Report: Afghanistan." The Economist. Jul. 2007.

(ICJ) standards as Afghanistan is not yet a member.¹⁰ The U.S. Department of State currently sponsors a public-private partnership with American law firms and schools to help Afghanistan advance rule of law and build a core of legal professionals.¹¹ In spite of this and other efforts to build an effective political system, corrupt practices are the norm as government officials are known to demand bribes to carry out standard governmental functions. This corruption erodes public confidence in government institutions, making democratic consolidation difficult.¹²

There are more than 80 recognized political parties in Afghanistan¹³, including parties based on ethnic ties, prioritization of religion in state matters, and social movements, including progressive parties based on increasing focus on women's rights and issues.¹⁴ Factional interests, such as the Taliban, Northern Alliance, and Hezb-i-Islami, also wield influence in the Afghan government.¹⁵ Rivalries between these and other factions continually thwart government efforts to provide for rule of law.

Progress toward a stable democratic system is ongoing, but significant challenges remain. While peaceful political activity is relatively unrestricted in Kabul and some eastern provinces,

¹⁰ "Afghanistan." CIA World Factbook. 7 Feb. 2008. <<https://www.cia.gov/library/publications/the-world-factbook/geos/af.html>>.

¹¹ "Testimony of Richard A. Boucher, Assistant Secretary of State for South and Central Asian Affairs, Before the Foreign Relations Committee." U.S. Senate. 31 Jan. 2008.

¹² Young, Dennis. "Overcoming the Obstacles to Establishing a Democratic State in Afghanistan." Strategic Studies Institute of the U.S. Army War College. Oct. 2007. 17 Mar. 2008.

¹³ "Afghanistan." CIA World Factbook.

¹⁴ Najibullah, Farangis. "Afghanistan: New Party to Focus on Women's Rights." Radio Free Europe/ Radio Liberty 20 Feb. 2008. 21 Feb. 2008 <<http://www.rferl.org>>.

¹⁵ "Country Report: Afghanistan." The Economist. Jul. 2007.

intimidation and violence by militias and insurgent groups have caused significant reluctance to participate in politics in the southern and western parts of the country. Throughout 2006, the National Assembly gradually established itself as a viable component of the government which has helped bolster the framework for a parliamentary democracy in Afghanistan. However, concerns remain about the ineffectual role of nascent political parties, as well as the presence of many warlords in the legislature, which could hamper its effectiveness with regard to the executive branch. Female participation in political events is beginning to gain acceptance though women face a disproportionate amount of discrimination and intimidation. The central government seems to be a reflection of the will of the people, particularly those nearer the capital, but authority over outlying provinces is limited. The combination of weak rule of law, continuing insurgent activity, and violations of women's rights yields an insecure environment that slows progress.¹⁶

This uneven progress is reflected in Afghanistan's Freedom House report, which scores Political Rights and Civil Liberties worldwide each year. The scores, based on surveys and expert analysis, measures political rights, civil liberties with an emphasis on the level of restriction governments place on individuals, and freedom¹⁷ as defined by Freedom House: "the opportunity to act spontaneously in a variety of fields outside the control of the government and

¹⁶ "Afghanistan." CIA World Factbook. 7 Feb. 2008. <<https://www.cia.gov/library/publications/the-world-factbook/geos/af.html>>.

¹⁷ "Freedom in the World – Afghanistan." Freedom House. 2006. 28 Feb. 2008. <<http://www.freedomhouse.org/template.cfm?page=22&country=6905&year=2006>>.

other centers of potential domination”.¹⁸ Scores range from 1 to 7 with 1 being highest degree of freedom and 7 indicating the least amount of freedom.¹⁹ Afghanistan scored a 5 on both political rights and civil liberties. Furthermore, Transparency International publishes an index scoring each nation on a scale of 0 (highly corrupt) to 10 (highly clean); countries are then ranked based on these scores that are created using a combination of surveys of business people and expert analysis measures on the perceived level of corruption that exists among public officials and politician. Using this scale, Afghanistan was ranked 172nd out of 180 countries in the Corruption Perceptions Index..²⁰ Extensive corruption, abuses of the political process, and infringements on civil liberties create an unfavorable perception of Afghanistan for potential developers and investors.

The U.S. continues to play a large assisting role in improving political conditions and structures in Afghanistan. Though relations have been relatively smooth, tensions have been amplified recently due to increased U.S. attention on Iraq and the consequent surge in violence in Afghanistan. There is also a divergence of opinion between the U.S. and Afghanistan on the role of Iran in the War on Terror. Afghanistan has portrayed Iran as an ally whereas the U.S. contends that Iran is supporting Taliban operations.²¹ This relationship requires particular attention in light

¹⁸ Methodology. 2007. Freedom House. 18 Feb. 2008
<http://www.freedomhouse.org/template.cfm?page=351&ana_page=333&year=2007>

¹⁹ Methodology. 2007. Freedom House. 18 Feb. 2008
<http://www.freedomhouse.org/template.cfm?page=351&ana_page=333&year=2007>

²⁰ “2007 Corruption Perceptions Index.” Transparency International. 26 Sept. 2007. 28 Feb. 2008.
<http://www.transparency.org/news_room/in_focus/2007/cpi2007/cpi_2007_table>.

²¹ “Afghanistan Review 2008.” CountryWatch. 2008.

of Iranian efforts to repatriate Afghans after U.S. claims of increased stability; the return of former refugees places a burden upon an already taxed system.²²

The tense Afghan-Pakistani relationship is also notably important to Afghanistan for trade and security reasons. Along the border between Afghanistan and Pakistan's Federally Administered Tribal Areas (FATA), Afghan National Security Forces coordinate security measures with the Pakistani military. The common goal to apprehend Osama bin Laden and defeat Taliban and al Qaeda forces is undermined by historically difficult Pakistan-Afghan relations. Functional relations are impeded by the strain of refugee management, conflicts between tribal affiliations, and suspected Pakistani support, former or current, for Taliban operations. Aside from trade and security, Pakistan has a continuing interest in Afghanistan for reasons of contiguous ethnicity: large areas of both Afghanistan and Pakistan are primarily Pashtun, and have substantial ethnic interests shared across the border.²³ Continued tension between the two countries may prove difficult for the U.S. as well due to U.S. support for both countries.²⁴

²² "Country Report: Afghanistan." *The Economist*. Jul. 2007.

²³ Major General David Rodriguez (USA), and Combined Joint Task Force-82 Commander. "Major General David Rodriguez (USA) Holds a Defense Department News Briefing on Afghanistan." *FDCH Political Transcripts* (n.d.). Military & Government Collection. EBSCO. University of Nebraska, Lincoln, NE. 11 Feb. 2008. <<http://0search.ebscohost.com.library.unl.edu:80/login.aspx?direct=true&db=mth&AN=32V2984885462&loginpage=login.asp&site=ehost-live>>.

²⁴ "Testimony of Richard A. Boucher, Assistant Secretary of State for South and Central Asian Affairs, Before the Foreign Relations Committee." *U.S. Senate*. 31 Jan. 2008.

Military Overview

Under Taliban rule, Afghanistan lacked a national military system. Some army, air, national guard, border guard, national police forces and tribal militias existed, but these groups were factionalized to the point of ineffectiveness at the national level.²⁵ Afghanistan's current military system is taking shape slowly, but progress is hampered by the lack of capable, loyal soldiers, as well as rampant internal corruption.

Afghanistan's current military is comprised of the Afghan National Army (ANA) which includes the Afghan Air Corps (AAC). There are approximately 57,000 active members of the ANA who are currently conducting operations jointly with the United Nations (UN) mandated International Security Assistance Force (ISAF) under North Atlantic Treaty Organization (NATO) command.²⁶ They are structured into four regional command (RC) areas (North, East, South and West) with a regional command capital located in Kabul. Soldiers are credited with considerable expertise in maneuvering the difficult terrain of Afghanistan.²⁷ Afghan officials set an original goal for troop strength to reach 70,000. In anticipation of meeting this goal by April 2008, officials now hope to build a 200,000 man, all-volunteer force in order to meet the security needs.²⁸ This task will be difficult given the level of corruption within the system and persistent

²⁵ Military: Afghanistan – Army. Global Security. 8 Jul. 2008. 18 Feb. 2008. <<http://www.globalsecurity.org/military/world/afghanistan/army.htm>>.

²⁶ "Afghanistan: Army Remains a Liability." Oxford Analytica. 4 Dec. 2007.

²⁷ ISAF Regional Commands & PRT Locations. International Security Assistance Force. 6 Feb. 2008. 18 Feb. 2008 <http://www.nato.int/isaf/docu/epub/pdf/isaf_placemat.pdf>.

²⁸ Hamid Shalizi. "Afghanistan Army to Reach Targeted Strength by March." Reuters. 2 Dec. 2007. 4 Mar. 2008. <<http://www.reuters.com/article/worldNews/idUSISL5175520071202>>.

cultural influences that undermine recruitment efforts.²⁹ Procedures are in place, in many units, to respond to the unique concerns of Afghan soldiers regarding better safety standards and maintaining close connections with their families back home. However, it remains to be seen if these efforts will pay off as many Afghan soldiers leave the Army upon completion of their initial 3-year enlistments. In spite of the difficulties in recruitment and retention, the forces are developing as planned with two more Afghan brigade combat teams in RC-East expected to set out in the spring of 2008 with plans for more teams to follow.³⁰

The Afghan Air Corps is currently composed of 180 pilots, with 50 pilots flying on a consistent basis. The average AAC pilot is 43 and has around 2,500 hours of flying experience. The aging institution has not trained any new pilots since 1992, though the development of a formal technical training school in Kabul is an early step toward the ambitious goal of building the force from roughly 1,950 to 7,400 personnel by 2013. The AAC is currently conducting daily non-offensive operations, including supply and passenger transport. In the next three years, AAC mobility capability should improve to become a core component of self-sufficient Afghan national security; in fact, the Combined Air Power Transition Force goal is to assist in the

²⁹ Major General Robert Durbin (USA) and Defense Department. "Defense Department News Briefing on Ongoing Training and Equipping of Afghan Security Forces." FDCH Political Transcripts (13 Jul. 2006). Military and Government Collection. Lexis Nexis. University of Nebraska, Lincoln, NE. 19 Feb. 2008.

³⁰ Major General David Rodriguez (USA) and Combined Joint Task Force-82 Commander. "Major General David Rodriguez (USA) Holds a Defense Department News Briefing on Afghanistan." FDCH Political Transcripts (n.d.). Military & Government Collection. EBSCO. University of Nebraska, Lincoln, NE. 11 Feb. 2008. <<http://0-search.ebscohost.com.library.unl.edu:80/login.aspx?direct=true&db=mth&AN=32V2984885462&loginpage=login.asp&site=ehost-live>>.

development of the AAC in order that they will conduct their own offensive, intelligence, surveillance or reconnaissance missions by 2015.³¹

Afghan National Security Forces also include the Afghan National Police (ANP) and an interim Afghan National Auxiliary Police with approximately 61,000 officers. The ANP is further divided into the Afghan Uniformed Police (AUP), Afghan Border Police (ABP), Afghan National Civil Order Police (ANCOP), Afghan Highway Police (AHP), and Counter Narcotics Police of Afghanistan (CNPA).³² Although ANP coordination with ANA efforts has been more effective recently, the police are currently only self-sufficient in seven or eight districts in RC-East.³³ Development of the ANP has been slow for a variety of reasons; the institution is generally regarded as highly corrupt, with widespread bribery and extortion practices, and police officers have historically been ill-equipped and poorly trained to resist monetary temptation from the burgeoning illicit drug trade. Efforts to create a more effective police force have included rank reform, pay changes and an emphasis on the relearning process in order to give officers the

³¹ Brigadier General Jay Lindell (USAF), and Combined Security Transition Command-Afghanistan's Combined Air Power Transition Force Commander. "Brigadier General Jay Lindell (USAF) Holds a Defense Department News Briefing Via Teleconference from Afghanistan." FDCH Political Transcripts (n.d.). Military & Government Collection. EBSCO. University of Nebraska, Lincoln, NE. 11 Feb. 2008.

³² "Summary of the Afghan National Police (ANP)". Program for Culture and Conflict Studies. 2007. 15 Apr. 2008. <<http://www.nps.edu/programs/ccs/National/ANP.html>>.

³³ Major General Robert Cone (USA) and Combined Security Transition Command-Afghanistan. "Department of Defense Briefing with Major General Cone and General Wardak from the Pentagon, Arlington, VA." U.S. Department of Defense. 18 Oct. 2007. 19 Feb. 2008. <<http://www.defenselink.mil/transcripts/transcript.aspx?transcriptid=4065>>.

opportunity to replace lessons or behaviors that do not uphold the professionalism necessary to serve, protect and extend rule of law.³⁴

Regional and local private militias continue to complicate security issues in Afghanistan. Though demobilization is an ongoing process, regional militias still provide local security in many parts of Afghanistan.³⁵ While the goal is to transition away from regional powers, U.S. and international dependence on local militias has actually strengthened them in the post-war period of reconstruction.³⁶ Local and regional militias have the weight of tradition behind them, as well. Historically, localized militias were first mobilized during inter-tribal conflicts or foreign threats, but were also called upon in support of or against movements by the central government. Localized militias were particularly adept with guerrilla warfare tactics and were an integral component of Afghanistan's military institution.³⁷ The ANA has attempted to demobilize regional militias, with uneven success. Provincial warlords still maintain power and influence through personal armies and autonomous operations in many regions throughout Afghanistan.

³⁴ Major General Robert Durbin (USA) and Defense Department. "Defense Department News Briefing on Ongoing Training and Equipping of Afghan Security Forces." FDCH Political Transcripts (13 Jul. 2006). Military and Government Collection. Lexis Nexis. University of Nebraska, Lincoln, NE. 19 Feb. 2008.

³⁵ Jalali, Ali A. "Rebuilding Afghanistan's National Army." Parameters - U.S. Army War College Quarterly. 2002. 18 Feb. 2008. <<http://carlisle-www.army.mil/usawc/Parameters/02autumn/jalali.htm>>.

³⁶ Katzman, Kenneth. "Afghanistan: Post-War Governance, Security, and U.S. Policy." Congressional Research Service. 21 Jun. 2007.

³⁷ Jalali, Ali A. "Rebuilding Afghanistan's National Army." Parameters - U.S. Army War College Quarterly. 2002. 18 Feb. 2008. <<http://carlisle-www.army.mil/usawc/Parameters/02autumn/jalali.htm>>.

One estimate suggests warlords employ more than 200,000 scattered militia combatants to accommodate the illicit drug trade.³⁸

Economic Overview

Afghanistan faces a number of hurdles that inhibit continuous economic growth. Poverty, institutional resistance to free market ideals, indebtedness, a continuing emphasis on agriculture, and the illicit opium economy all prevent a quick, smooth transition to economic stability.

Afghanistan is exceptionally impoverished nation. Gross domestic product (GDP) was approximately \$21.5 billion as of a 2004 estimate, which was equivalent to a GDP per capita of \$800. A common metric for extreme poverty is the percentage of the population living on less than two dollars per day; Afghanistan's GDP per capita spread out into a daily figure is \$2.19. Given this low figure and a gross disparity in incomes between the wealthiest and the average Afghan, a large majority of Afghanistan's population is living in extreme poverty.

Unemployment as of 2005 was estimated at 40%.³⁹ Some economic measurements are less grim: the GDP real growth rate was 14% in a 2005 estimate, and more recent trends have roughly maintained this rate. Inflation declined to the single digits in 2006/7, but has risen in early 2007/8 because of increased prices for imported fuel and food. Returning entrepreneurs and foreign donations have stimulated the economy, but have done so without significantly expanding from standard markets involving carpets, horticulture, and mineralogical exports to new export

³⁸ "Afghanistan: Army remains a liability." Oxford Analytica. 4 Dec. 2007.

³⁹ "World Guide - Country Comparison Results." Intute. 18 Feb. 2008. 18 Feb. 2008 <<http://www.intute.ac.uk>>.

sectors. This is due to weak capacity for production, high cost of capital, and lack of stable provision of electricity. It is assumed that, with gradually increasing provision of electricity and security for facilities and workers, economic growth will primarily occur in the sectors of licit agriculture, mining supported by foreign direct investment (FDI), and general trade and services. The banking sector has experienced significant growth, but a weak legal framework for banking practices may cause problems if legislative support is not implemented. According to the International Monetary Fund (IMF), this support is one of two types of reform required for continued progress toward macroeconomic stability; the other is infrastructure development.⁴⁰

The government of Afghanistan desires to play only a regulatory (rather than command) role in economic matters in Afghanistan; specifically, the goal of the government is to stand back as much as possible to allow a market-based economy to develop and flourish. To this end, an independent central bank has formed, and laws concerning foreign exchange and land ownership by foreigners have been significantly liberalized.⁴¹ The IMF notes that though market liberalization is a goal of the Afghan government, government progress on privatization

⁴⁰ Islamic Republic of Afghanistan: 2007 Article IV Consultation and Third Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, and Request for Waiver of Performance Criterion—Staff Report; Staff Statement; Public Information Notice and Press Release on the Executive Board Discussion; and Statement by the Executive Director for Islamic Republic of Afghanistan. International Monetary Fund. Washington, D.C.: International Monetary Fund, 2008. 27 Feb. 2008 <<http://www.imf.org/external/pubs/ft/scr/2008/cr0876.pdf>>.

⁴¹ Cole, Beth E. United States. United States Institute of Peace. Afghanistan's Economy: on the Right Road, But Still a Long Way to Go. Nov. 2007. 27 Feb. 2008.

initiatives has been slow or non-existent. Also, discretionary protectionist measures, such as high tariffs on selected imports, have crept into the system, undermining free market initiatives.⁴²

Because of significant donor investment, the government is required to create and update a development plan, the Afghanistan National Development Strategy (ANDS). The task of developing a nation and its economy essentially from the ground up is not small by any means, and so creditors and world partners such as the IMF and the World Bank are allowing the Afghan government to focus on a few particular sectors (health, education, and roads) when completing cost exercises for the ANDS.⁴³

Afghanistan is deeply indebted to many nations that have provided financial, military, or reconstruction aid. The Paris Club, a coalition of major creditor countries⁴⁴, canceled more than \$10 billion of Afghanistan's debt in July 2006, an elimination of nearly 90% of the country's debt. Afghanistan also falls under the World Bank's Heavily Indebted Poor Countries Initiative (HIPC). In July 2007, Afghanistan reached the HIPC decision point. This is a target indicating

⁴² Islamic Republic of Afghanistan: 2007 Article IV Consultation and Third Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, and Request for Waiver of Performance Criterion—Staff Report; Staff Statement; Public Information Notice and Press Release on the Executive Board Discussion; and Statement by the Executive Director for Islamic Republic of Afghanistan. International Monetary Fund. Washington, D.C.: International Monetary Fund, 2008. 27 Feb. 2008
<<http://www.imf.org/external/pubs/ft/sctr/2008/cr0876.pdf>>.

⁴³ Islamic Republic of Afghanistan: 2007 Article IV Consultation and Third Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, and Request for Waiver of Performance Criterion—Staff Report; Staff Statement; Public Information Notice and Press Release on the Executive Board Discussion; and Statement by the Executive Director for Islamic Republic of Afghanistan. International Monetary Fund. Washington, D.C.: International Monetary Fund, 2008. 27 Feb. 2008
<<http://www.imf.org/external/pubs/ft/sctr/2008/cr0876.pdf>>.

⁴⁴ "Permanent Members and Other Official Creditors." Club De Paris. Club De Paris. 7 Mar. 2008
<<http://www.clubdeparis.org/sections/qui-sommes-nous/membres-permanents-et>>.

sustained macroeconomic stability, preparation of an Interim Poverty Reduction Strategy, and clearance of arrears with creditors. At the HIPC decision point, the Paris Club committed to cancellation of all remaining claims at the HIPC completion point,⁴⁵ a target indicating *maintenance* of macroeconomic stability under a low-interest lending program, completion of structural and social reforms, and completion of a Poverty Reduction Strategy for one year.⁴⁶

Debt relief is not the only benefit Afghanistan receives from other nations. Foreign direct investment and international donations have both stimulated and formed large segments of the economy. No economic sector in Afghanistan, however, rivals the illicit opium trade. Under the Taliban, opium production peaked at 4,600 tons and \$37 per kilogram in 1999.⁴⁷ In July of the following year with the price of opium at \$34 per kilogram, the Taliban issued a UN-supported *fatwa*, or religious edict, against opium production. The Taliban's consistent, strict enforcement of this fatwa is cited as responsible for an overall production decline in 2000 to 3,200 tons. By February 2001, the price was up nearly 700%, varying across the country from \$200 to \$350.⁴⁸ These high prices contributed (and continue to contribute) to increasing levels of production: in 2004, opium production accounted for more than half the domestic economy; in 2005,

⁴⁵ Islamic Republic of Afghanistan: 2007 Article IV Consultation and Third Review... International Monetary Fund. Washington, D.C.: International Monetary Fund, 2008. 27 Feb. 2008 <<http://www.imf.org/external/pubs/ft/scr/2008/cr0876.pdf>>.

⁴⁶ HIPC At-A-Glance Guide (Fall 2007) English. World Bank, 2007.

⁴⁷ "Afghanistan's Poppy Politics." The Economist 18 Sept. 1999. LexisNexis Academic. University of Nebraska, Omaha. 25 Feb. 2008. Keyword: Afghanistan Opium.

⁴⁸ "Afghanistan's Opium Fiends." The Economist 24 Feb. 2001. LexisNexis Academic. University of Nebraska, Omaha. 25 Feb. 2008. Keyword: Afghanistan Opium.

production doubled; in 2006, production increased again by 49% to 5,700 metric tons;⁴⁹ and in 2007, production increased by 34% to 8,200 tons, accounting for fully 93% of world production.⁵⁰ While effects of these increases will be left for later analysis, establishment of licit economic activities is significantly impaired by the availability of illicit production and trade that is so highly profitable.

In spite of a heavy emphasis on agriculture (licit or not), very little of Afghanistan's land is arable; it is a soil-poor country. It is not, however, poor in terms of resources. Afghanistan has proven natural gas reserves of 5 trillion cubic feet (Tcf) or approximately 141.6 billion cubic meters, and the possibility exists for sizable gas resources that have not yet been discovered. A 2006 U.S. Geological Survey determined that undiscovered petroleum resources in northern Afghanistan may include up to 36.5 Tcf of natural gas, 3.6 billion barrels of oil, and 1.3 million barrels of liquefied natural gas.⁵¹ In the 1970s, when natural gas output was at its peak, Afghanistan supplied 70 to 90 percent of its 385 Mmcf/d output to the Soviet Union's gas grid via Uzbekistan.

⁴⁹ Constable, Pamela. "A Wake-Up Call in Afghanistan." Journal of Democracy 18.2 (2007): 84-98. Project MUSE. University of Nebraska, Omaha. 25 Feb. 2008. Keyword: Afghanistan.

⁵⁰ Daly, John C. K. "Russia, Afghanistan, and the Drug Trade." Eurasia Daily Monitor 26 Feb. 2008. 27 Feb. 2008 <<http://jamestown.org/edm/>>.

⁵¹ Haidari, M. Ashraf. "Afghanistan: The Silk Road to Opportunities." The Embassy of Afghanistan. 25 Jan. 2008. 5 Mar. 2008. <<http://www.embassyofafghanistan.org/01.25.2008dip.html>>.

The Angot oilfield in the Sar-i-Pol Province produces approximately 300 barrels per day (bbl/d), a negligible quantity of crude oil.⁵² Afghanistan is also estimated to have 73 million tons of coal reserves primarily located in the northern part of the country between Herat and Badashkan. Production of this natural resource has fallen from 100,000 short tons in the early 1990s to only about 1,000 short tons in 2000. Gasoline, diesel and jet fuel are imported mainly from Pakistan and Uzbekistan with small quantities also coming from Turkmenistan and Iran.

Significant portions of Afghanistan's resources appear to be yet untapped. Preliminary surveys suggest that Afghanistan has rich deposits of copper, iron, gold, oil, coal, and precious gems such as rubies and emeralds; these deposits are still being mapped. The United States Geological Survey (USGS) is working on a one-year study of mineral wealth and oil and gas deposits. Studies of only 10% of the country have revealed abundant deposits of copper, iron, zinc, lead, gold, silver, gems, salt, marble, and coal. In addition to proven reserves, the USGS estimates that the northern portion of Afghanistan has about 700 billion cubic meters of untapped natural gas, and 300 million tons of oil. Soviet surveys suggest the existence of 2 billion tons of iron reserves.⁵³

A rather haphazard pattern of development regarding these resources is in progress and should prove highly beneficial to the country and, likely, the region. The Aynak copper mine is a particularly good example: the China metallurgical group has leased the mine for the next 30

⁵² "Afghanistan." Energy Information Agency Website, Feb. 2006. <<http://www.eia.doe.gov/cabs/Afghanistan/EnergyOverview.html>>.

⁵³ "Afghanistan Sitting on a Gold Mine." Agence France-Presse 21 Feb. 2008. Google News. 21 Feb. 2008. Keyword: Afghanistan.

years, and made a down payment of \$800 million on local infrastructure and social improvements to include a railroad, power plant, worker village, schools, clinics, and roads. The mine is estimated to possess 11 million tons of copper worth a total of \$88 billion. Its exploitation is expected to provide 5,000 jobs and \$400 million in annual tax revenues and fees; mining will commence within five years.⁵⁴

A key problem remains: many of the unexploited resources in Afghanistan require investment at a similar scale. An iron deposit (Haji Gak) about 60 miles west of Kabul needs \$2-3 billion in investment; investigation of oil and gas reserves will require \$100 million to \$1.5 billion. In addition to scale, other impediments to foreign investment exist, from expectations that investors provide basic infrastructure improvements to insurgency, and in some areas Taliban control.⁵⁵

Social Overview

Afghanistan has nearly 32 million people according to a 2007 estimate, with a population growth rate of 2.625%, 46.21 births per 1,000 population, and 19.96 deaths per 1,000 population. The age distribution is heavily weighted toward the young, with fully 44.6% of the population under the age of 15; life expectancy is about 42 years for both men and women.⁵⁶

As might be expected with terrain features which seem almost to be designed to separate, Afghanistan is sharply divided along many social lines. The country hosts countless ethnic

⁵⁴ "Afghanistan Sitting on a Gold Mine." 2008.

⁵⁵ "Afghanistan Sitting on a Gold Mine." 2008.

⁵⁶ "World Guide - Country Comparison Results." Intute. 18 Feb. 2008. 18 Feb. 2008 <<http://www.intute.ac.uk>>.

groups, including Pashtun, Tajik, Hazara, Uzbek, Turkman, Baluch, Pashai, Nuristani, Aymaq, Arab, Qirghiz, Qizilbash, Gujur, Brahwui, and others. The Afghan people are as linguistically diverse as they are ethnically; throughout the country, Pashto, Dari, Uzbeki, Turkmani, Baluchi, Pachaie, Nuristani, Pamiri, and other languages are spoken. Pashto and Dari (a Farsi dialect) are reserved as state languages, except in localities where another of the languages listed is spoken by a majority of the people; in these cases, the local majority language is reserved as a third official language.⁵⁷ The single factor which remains primarily uniform across the country is religion; 99% of Afghans are Muslim, 80% Sunni and 19% Shi'a.⁵⁸

Afghanistan is classified as a “fragile state” by the UN Educational, Scientific, and Cultural Organization (UNESCO), based both on status as a “least developed country” (LDC) and a state in armed conflict. Human capacity is low; basic literacy (defined by Afghanistan as “the ability to read easily or with difficulty a letter or newspaper”) is itself a metric Afghanistan currently struggles with.⁵⁹ From 1995 to 2004, the adult literacy rate was approximately 28.0%; projections suggest that adult and youth literacy rates will have grown to 35.8% and 48.6%, respectively, by 2015.⁶⁰

⁵⁷ Afghanistan. The Constitution of the Islamic Republic of Afghanistan. 26 Jan. 2004. 27 Feb. 2008 <<http://president.gov.af/english/constitution.msp>>.

⁵⁸ “Afghanistan.” CIA World Factbook. 7 Feb. 2008. <<https://www.cia.gov/library/publications/the-world-factbook/geos/af.html>>.

⁵⁹ United Nations. United Nations Educational, Scientific and Cultural Organization. Education for All by 2015: Will We Make It? 2007. 25 Feb. 2008 <<http://portal.unesco.org/education/>>.

⁶⁰ United Nations. United Nations Educational, Scientific and Cultural Organization. Education for All | Global Monitoring Report. 25 Feb. 2008. 25 Feb. 2008 <<http://gmr.uis.unesco.org>>.

Though education initiatives have improved, placing a priority on education is difficult when the necessities to sustain living are not readily available. The United Nations and the World Bank define basic poverty as subsistence on \$1 per day or less; a substantial segment of the Afghan population lives at or below this line. As basic necessities increase in price, livelihoods are placed at risk, and priorities shift. As an example, from November 2007 to February 2008, the price of bread rose by about 90%. Pakistan began to ban exports of wheat flour to Afghanistan, facing a similar shortage, and Afghanistan held no reserves to offset price shifts. In February, as a result, Afghans were spending more than 60% of their income on bread alone.⁶¹

While access to services has improved – basic healthcare service access has increased from 8% in 2001 to 80% in 2008⁶² – successes sometimes cause hardship for Afghanistan’s people equal to that of failures. For example, Iran began to forcibly expatriate Afghan refugees in 2007 based on government claims of successes in key areas such as provision of healthcare and education services. In 2007, Iran expelled 360,000 refugees, plus an additional 17,000 in January and February of 2008. This expulsion continued throughout the winter, in spite of an agreement between Iranian and Afghan governments that deportations would be stopped during hazardous winter months. As a result, refugees, subsisting on less than even the average poverty-stricken Afghan citizen, live in tent camps in major cities, often without access to clean water, electricity,

⁶¹ Afghanistan: Bread Price Hike Affects Millions. United Nations Office for the Coordination of Humanitarian Affairs. Kabul: Integrated Regional Information Networks, 2008. 21 Feb. 2008 <<http://www.reliefweb.int>>.

⁶² “Testimony of Richard A. Boucher, Assistant Secretary of State for South and Central Asian Affairs, Before the Foreign Relations Committee.” U.S. Senate. 31 Jan. 2008.

wood for warmth, oil, flour, and bread. Diseases spread amongst these ad hoc communities and go untreated by a healthcare system struggling to provide services under the best of conditions.⁶³

Infrastructure Overview

After more than two decades of civil and political strife, Afghanistan's roads, schools, buildings, and water systems have become severely dilapidated. Though many improvements are forthcoming, much of the infrastructure that exists is obsolete and unfit for supporting current demands, much less any potential growth.

The agricultural infrastructure in Afghanistan is suffering from years of neglect and degradation. Of the approximately 647,500 km² total land area, only 11.5% of the land is arable. The roughly 7.5 Megahectares (Mha) of arable land can be further subdivided into rain-fed and irrigated land. Use of rain-fed land, particularly in the Northern provinces, has dropped from 4 Mha to 0.5 Mha in recent years due to drought. Elsewhere, arable land is largely irrigated (about 2.6 of 3.5 total Mha); according to a 2003 estimate, this irrigated land provides 85% of all agricultural output, licit or otherwise. The irrigation systems used are typically informal river or spring diversion structures with only 15% of irrigation systems considered to be more formal. These structures

⁶³ Gopal, Anand. "AFGHANISTAN: Ousted by Iran, Afghan Refugees Languish At Home." IPS 26 Feb. 2008. 27 Feb. 2008 <<http://www.ipsnews.net>>.

are highly inefficient, wasting up to 75% of diverted flow.⁶⁴ Widespread overgrazing and erosion have also reduced agricultural productivity.⁶⁵

Afghanistan lacks substantial bodies of water; in particular, freshwater is in short supply. Potable water is as a result unavailable to more than half the population. Groundwater supplies to supplement freshwater resources have deteriorated due to agricultural and industrial runoff, and the overall quantity of water has been diminished by large-scale land clearing and desertification. Insufficient water treatment for the water supplies, limited as they are, has resulted in a high incidence of water-borne diseases.⁶⁶ Water distribution and sanitation systems are lacking but seeing some improvement with aid. The Rural Development Ministry recently finished construction of 2,900 meters of water pipes and 1,884 meters of canals in the provinces of Herat and Nurestan.⁶⁷ With support of the ministries, the United States Agency for International Development (USAID) constructed 1,700 wells, 2,350 latrines, 340 irrigation structures, 605 km of canals, and finally 18 km of water pipelines to provide water to Kabul, Kandahar, Ghazni, and Gardez.⁶⁸

⁶⁴ “Rebuilding Afghanistan’s Agriculture Sector.” Asian Development Bank. Apr. 2003. 13 Mar. 2008. <http://www.adb.org/Documents/Reports/Afghanistan/Agriculture/Rebuilding_Agriculture_Sector_AFG.pdf>.

⁶⁵ “Country Profile: Afghanistan.” Library of Congress. May 2006. 13 Mar. 2008. <<http://lcweb2.loc.gov/frd/cs/profiles/Afghanistan.pdf>>.

⁶⁶ “Country Profile: Afghanistan.” Library of Congress.

⁶⁷ “Afghan Ministry Says Fifteen Reconstruction Projects Completed in East, West.” Afghan Islamic Press. 3 Mar. 2008.

⁶⁸ “Afghanistan: Restoring Infrastructure.” USAID Website. 27 Jul. 2007. 4 Mar. 2008. <http://www.usaid.gov/locations/asia_near_east/countries/afghanistan/infrastructure.html>.

Afghanistan's highway system requires considerable reconstruction. Regional roads are in a constant state of disrepair. The road network in Afghanistan is extraordinarily sparse, with only 8,229 km of paved and 26,553 km of unpaved roadways (or a total of approximately 34,782 km of total roadways) as of 2004.⁶⁹ To put this into context, the state of Texas, which is approximately the same size as Afghanistan, has about 490,598 km of public roads.⁷⁰ The primary road system consists of a highway which connects the principal cities of Herat, Kandahar, Ghazni, and Kabul.⁷¹ USAID recently paved the 389-km Kabul to Kandahar highway - which links Afghanistan's two largest cities, Kandahar and Herat to Kabul.⁷² In 2007, a new bridge across the Pyanj River in northern Afghanistan provided the first road link with neighboring Tajikistan.⁷³ Improvements on roads between Afghanistan and Pakistan are incremental and may assist the identification of insurgents attempting to cross the border.⁷⁴

USAID estimates that over 60% of Afghans live within 50 km of the "Ring Road" connecting Herat, Kandahar, and Kabul in a circle, which makes it critical for sustainable commercial

⁶⁹ "Afghanistan." CIA World Factbook.

⁷⁰ Federal Highway Administration. "Highway Statistics 2005." U.S. Department of Transportation. Oct. 2006. 4 Mar. 2008. <<http://www.fhwa.dot.gov/policy/ohim/hs05/htm/hm10.htm>>.

⁷¹ "Afghanistan: Infrastructure." MILNET BRIEF. 1995. 26 Feb. 2008. <<http://www.milnet.com/pentagon/centcom/afghan/afginf.htm>>.

⁷² "Rebuilding the Roads of Afghanistan." U.S. Agency for International Development. 31 Mar. 2006. 18 Feb. 2008. <http://www.usaid.gov/stories/afghanistan/fp_afghan_roadparent.html>.

⁷³ "Afghanistan 'Ring Road's' Missing Link to Be Constructed." Asian Development Bank. 2 Oct. 2007. 4 Mar. 2008. <<http://www.adb.org/Media/Articles/2007/12178-afghanistan-roads-projects/default.asp>>.

⁷⁴ "Testimony of Richard A. Boucher, Assistant Secretary of State for South and Central Asian Affairs, Before the Foreign Relations Committee." U.S. Senate. 31 Jan. 2008.

operations.⁷⁵ Construction on the Ring Road, which is considered by most to be the backbone of Afghanistan's transportation system, is nearly complete with financing for one of the final portions of the road now in place as a result of an agreement with the Asian Development Bank (ADB) and the Japanese Fund for Poverty Reduction (JFPR).⁷⁶ This will complete a 143 km section of the Ring Road from Bala Murghab to Leman near the Turkmenistan border. Construction of the final 50 km section from Leman to Amalick has been funded by Saudi Arabia and the Islamic Development Bank (IDB) and is scheduled to be complete by 2010. Funding from the ADB to date has also included financing for restoration of 140 km of the Mazar-e-Sharif-Dara-I-Suf road and nearly 100 km of the Bamian-Yakawlang road. According to the ADB, about 10% of Afghanistan's population lives close to these particular roads, and restorations will improve their ability to extract coal and iron deposits in the region. Since 2001, the ADB has invested more than \$1 billion to improve the transportation, electric, and irrigation infrastructure making them the third largest contributor to Afghan reconstruction efforts.⁷⁷ Improving their transportation network allows Afghanistan to build a trade network with neighboring countries and reduce the cost of transporting goods both domestically and internationally. Development of transit capabilities through Pakistan in particular would allow for trade throughout Central Asia if access was provided to the Karachi seaport.

⁷⁵ "Afghanistan: Infrastructure." USAID. Aug. 2007. 11 Feb. 2008. <<http://afghanistan.usaid.gov/en/Program.25b.aspx>>.

⁷⁶ Synovitz, Ron. "Afghanistan: Ring Road's Completion Would Benefit Entire Region." Radio Free Europe. 10 Oct. 2007. 4 Mar. 2008. <<http://www.rferl.org/featuresarticle/2007/10/7f9d2791-dc84-4928-90ce-4a1e6e8a02c6.html>>.

⁷⁷ "Afghanistan 'Ring Road's' Missing Link to Be Constructed." Asian Development Bank. 2 Oct. 2007. 4 Mar. 2008. <<http://www.adb.org/Media/Articles/2007/12178-afghanistan-roads-projects/default.asp>>.

Rail infrastructure in Afghanistan is nearly non-existent. It consists of two lines: one 9.6 km track from Gushgy (formerly Kushka) to Towraghondi and one 15.0 km track from Termiz (Uzbekistan) to the Kheyraabad trans-shipment point on south bank of the Amu Darya River, which forms part of Afghanistan's border with Turkmenistan, Uzbekistan, and Tajikistan.⁷⁸ The Amu Darya is Afghanistan's chief inland waterway, capable of accommodating barge traffic up to about 500 metric tons. The main river ports are located at Shir Khan and Kheyraabad. There are also a total of nine heliports and forty-six airports, twelve with paved runways.⁷⁹

Despite abundant natural gas reserves, Afghanistan lacks the critical infrastructure to support utilizing or transporting this resource. There are approximately 466 km of gas pipelines traversing Afghanistan – scarcely enough to carry this resource from the capital to Kandahar.⁸⁰ More than fifteen oil and natural gas fields have been identified in northern Afghanistan but they are largely unexploited.⁸¹ The Djarquduk, Khowaja, Gogerak, and Yatimtaq natural gas fields are all located within 20 miles of Sheberghan. A pipeline connects these natural gas fields to Mazar-i-Sharif. A limited amount of gas is currently supplied to a 48 Mw, or mega-watt, power plant near Mazar-i-Sharif (which is operating at less than one-third full capacity) and to a nearby

⁷⁸ “Afghanistan: Infrastructure.” MILNET BRIEF. 1995. 26 Feb. 2008. <<http://www.milnet.com/pentagon/centcom/afghan/afginf.htm>>.

⁷⁹ “Afghanistan.” CIA World Factbook. 7 Feb. 2008. <<https://www.cia.gov/library/publications/the-world-factbook/geos/af.html>>.

⁸⁰ “Afghanistan.” CIA World Factbook.

⁸¹ “Afghanistan.” Energy Information Agency Website. Feb. 2006. <<http://www.eia.doe.gov/cabs/Afghanistan/EnergyOverview.html>>.

fertilizer plant, which is only partially operational. Smaller pipelines supply gas to the Khwaja, Gogerdak, and Djarquduk gas fields with Sheberghan and nearby villages.

Afghanistan principally derives its electrical power from hydroelectric dams (see Figure 2), but provision to the populace is severely limited due to the lack of a functional electrical grid throughout most of the country.

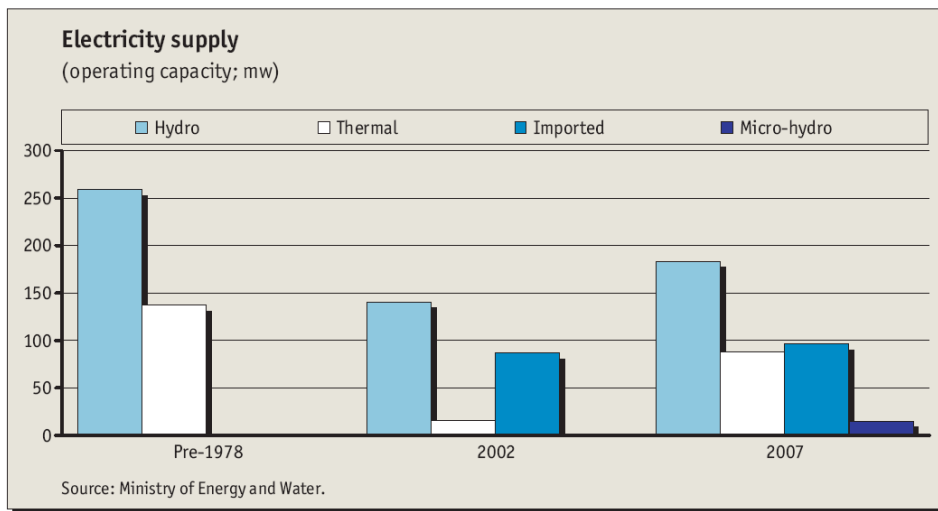


Figure 2: Sources of Electricity in Afghanistan – 2007

Hydroelectric power is particularly important for Kandahar and Kabul with up to six dams providing base load power to these areas. Many dams were damaged or neglected through years of conflict but reconstruction projects are in progress. USAID has committed \$150 million to Kajaki Dam reconstruction and another \$6.5 million for gas-powered plants near Lashkar Gah

and Qalat.⁸² The Kajaki Dam project alone will help supply power to approximately 1.7 million Afghans in the southern part of the country.⁸³ Progress on this project, however, has been postponed due to pervasive violence in the area. The Darunta hydroelectric power station near Jalalabad is also under reconstruction in order to provide power to 9,000 customers. Another \$150 million has been committed by USAID to build a 100 Mw power station in Kabul and a 100 Mw power station at Sheberghan. Neighboring countries, including Iran, Turkmenistan, and Uzbekistan, supply some electricity to border regions. Pamirenergy Company of Tajikistan recently built a 10-kV power transmission line connecting eastern Tajikistan to the Afghan district of Fayzabad and has commenced construction on a new transmission line to provide power for up to 200 households in the Shognan district in the Badakhshan Province during low-demand summer months. This project was completed with the financial assistance of the Afghan mobile phone operator Roshan, an affiliate of the Aga Khan Fund for Economic Development.⁸⁴

Reconstruction of schools and health facilities is ongoing but slow. To date, USAID has built over 675 hospitals and clinics as well as over 700 schools.⁸⁵ However, there are currently only 696 schools in operation across Afghanistan.⁸⁶ This is likely attributable to the prevalence of

⁸² “Afghanistan: Infrastructure.” USAID. 2007. 11 Feb. 2008. <<http://afghanistan.usaid.gov/en/Program.25b.aspx>>.

⁸³ “Afghanistan: Restoring Infrastructure.” USAID Website. 27 Jul. 2007. 4 Mar. 2008. <http://www.usaid.gov/locations/asia_near_east/countries/afghanistan/infrastructure.html>.

⁸⁴ “Tajikistan Begins Construction of New Power Line to Afghanistan.” Global Energy Network Institute. 15 Jan. 2008. 28 Feb. 2008. <<http://www.geni.org/globalenergy/library/technical-articles/transmission/bbc-monitoring/tajikistan-begins-construction-of-new-power-line-to-afghanistan/index.shtml>>.

⁸⁵ “Afghanistan: Restoring Infrastructure.” USAID Website. 27 Jul. 2007. 4 Mar. 2008. <http://www.usaid.gov/locations/asia_near_east/countries/afghanistan/infrastructure.html>.

⁸⁶ “USAID: Afghanistan.” Afghanistan Ministry of Education Website. Jan. 2008. 29 Feb. 2008. <<http://www.moe.gov.af/EDF/EDF-Presenations/USAID.pdf>>.

school closings due to violence in 2007.⁸⁷ Construction on more than ten Teacher Training Facilities is in process. Two high schools in Kabul are being rebuilt, and over 430 new classrooms are being added to existing schools in the Kabul Province. In addition to rebuilding existing school structures, construction efforts are also being focused on building cost-effective, earthquake-resistant facilities.

Information Overview

In spite of a constitutional guarantee on freedom of speech, the media environment in Afghanistan is not precisely “free.” Broad prohibitions on speech contrary to the principles of Islam or offensive to religions in general create an atmosphere which severely limits journalists. Sentiment appears to be turning in favor of increasing government control over media, eroding official support for media autonomy and freedom. Media outlets must register with the government, but most are granted permits – more than 400 publications, 60 radio stations, and eight television stations are functional. Internet access is mostly unrestricted, but practically limited to cities with the infrastructure to support it; only about 1% of Afghans could access the internet in 2006.⁸⁸

⁸⁷ “Afghanistan Update: January 1-31, 2008.” Center for Defense Information Website. 11 Feb. 2008. 29 Feb. 2008. <<http://www.cdi.org/program/document.cfm?DocumentID=4206>>.

⁸⁸ “Map of Press Freedom: Afghanistan (2007).” Freedom House. 2007. Freedom House. 18 Feb. 2008 <<http://www.freedomhouse.org/template.cfm?page=251&year=2007>>.

Afghanistan has very limited telephone, telegraph, radio, and broadcast services. Communications networks are now operational in 26 of the 34 provinces.⁸⁹ Though telephone connectivity is steadily increasing, there are currently only 39,608 landline telephone in use and 3.28 million Afghans using cellular phone service.⁹⁰ Four mobile phone operators provide service to these customers: Afghan Wireless Communication Company, Roshan, Areeba, and Etisalat. This new market is not impervious to threat, however; on February 25, 2008, the Taliban threatened to target offices and towers of these mobile providers unless they suspended service during evening and night hours in order to hamper coalition tracking of Taliban cell phone locations and activities.⁹¹ There are seventeen Internet Service Providers (ISP's) and four Global System for Mobile (GSM) communications companies in operation. There are also five Very Small Aperture Terminals (VSAT's) in Kabul, Herat, Mazar-e-Sharif, Kandahar, and Jalalabad that provide international and domestic Internet connectivity. Radio broadcasting is conducted via twenty-one AM, five FM, and one shortwave stations.⁹² There are also eight television broadcast stations in Afghanistan, one of which is government-run.⁹³

⁸⁹ "Afghanistan: Restoring Infrastructure." USAID Website. 27 Jul. 2007.

⁹⁰ Government of Islamic Republic of Afghanistan. "Internet Service Providers." Ministry of Communications and Information Technology. 2 Oct. 2007. 18 Feb. 2008. <<http://www.mcit.gov.af/OurPartners/isp.asp>>.

⁹¹ "Taliban Threatens Afghan Telcos." Techtree.com 26 Feb. 2008. 27 Feb. 2008 <<http://www.techtree.com/>>.

⁹² "Afghanistan." CIA World Factbook. 7 Feb. 2008. <<https://www.cia.gov/library/publications/the-world-factbook/geos/af.html>>.

⁹³ "Country Profile: Afghanistan." BBC News. 6 Mar. 2008. <http://news.bbc.co.uk/1/hi/world/south_asia/country_profiles/1162668.stm>.

Problems

From the previous background and PMESII framework, the project team identified two core problems in Afghanistan. The first is the large proportion of the Afghan economy dominated by the illicit production and trade of opium. The second is weak security and capacity provision – problems that feed into and off of each other, and also into the entrenching of criminal economies. These will be discussed singly for clarity, though it should be clear that the recommendations for each should optimally be combined so that successes in combating one problem might support successes in combating the other. In the absence of stability, uneven approaches undermine the success of all initiatives to build it.

Opium

The illicit production and sale of opium and other poppy-derivative drugs is of major concern in Afghanistan, currently the supplier of over 90% of these substances world-wide.⁹⁴ A Taliban-issued edict effectively halted production in 2001, but since the fall of the Taliban, the opium industry has achieved and in fact nearly doubled previous production records. Production of illicit poppy products now far exceeds global illicit consumption, and despite numerous

⁹⁴ Afghanistan: Opium Poppy Free Road Map and Provincial Profiles. United Nations Office on Drugs and Crime. 2007. 7 Apr. 2008 <<http://www.unodc.org/documents/regional/central-asia/BluePaper-19Dec07.pdf>>.

initiatives to curb production, the UN Office on Drugs and Crime estimates only a fractional decline in production for 2008.⁹⁵

In 1999 through September, Afghanistan produced 4,600 tons of opium – a record at the time – which priced out at \$37 per kilogram. The UN urged the Taliban, then in power, to curb production by enforcing a ban on cultivation of *Papaver somniferum*, the particular type of poppy which yields the latex from which opium (and other opiate products such as heroin, morphine, and codeine) is derived. The Taliban had little motivation to comply with this request; the U.N. would reward the Taliban with assistance building factories, for example, for promising to destroy only two tons (less than 0.05% of the overall crop) of stockpiled opium. Therefore, ensuring that efforts did not completely stop production served to provide a continuous supply of bargaining chips.⁹⁶

However, pressure from the UN continued, and in July of 2000, the Taliban issued a *fatwa* (religious edict) against opium production. The ban was strictly enforced, and Afghanistan produced 3,200 tons total in 2000 – a significant drop as compared with the previous year. At the time of this ban, opium was selling at approximately \$35-40 per kilogram.⁹⁷ An evaluation completed in 2005 jointly by researchers in the U.S. and U.K. concluded that the reduction in

⁹⁵ Afghanistan Opium Winter Rapid Assessment Survey. United Nations Office on Drugs and Crime. 2008. 31 Mar. 2008 <<http://www.unodc.org/documents/crop-monitoring/Afghan-winter-survey-Feb08-short.pdf>>.

⁹⁶ "Afghanistan's Poppy Politics." The Economist 18 Sept. 1999. LexisNexis Academic. University of Nebraska, Omaha. 25 Feb. 2008. Keyword: Afghanistan Opium.

⁹⁷ "Afghanistan's Opium Fiends." The Economist 24 Feb. 2001. LexisNexis Academic. University of Nebraska, Omaha. 25 Feb. 2008. Keyword: Afghanistan Opium.

production was, in fact, due to the enforcement of this ban. The net effect of this ban, however, was much more impressive than the 30% reduction in production over the previous year; the ban immediately reduced the opium poppy farming area in Afghanistan by 99%, reduced *worldwide* opium poppy production by an estimated 35%, and reduced the potential illicit heroin supply from 2001 harvests by 65%.⁹⁸

By February 2001, after the fatwa had had been in place for about seven months, the price of opium was up nearly 700%, selling for prices ranging from \$200-350.⁹⁹ Iran, fighting high numbers of heroin addictions domestically, stepped in the help the Taliban convert many Afghan poppy fields into wheat fields. Even as drug seizures abounded and street prices for the common 5 gram “mesquel” units soared from \$2.50 to \$9 (\$500 to \$1800 per kilogram, for reference), addictions continued to rise.¹⁰⁰

Production for the single whole growing season under the fatwa in 2001 was only 185 metric tons,¹⁰¹ a 96% reduction from the peak 1999 levels production; Farrell and Thorne call it possibly “the most effective drug control action of modern times”.¹⁰² The success of the

⁹⁸ Farrell, Graham, and John Thorne. "Where Have All the Flowers Gone?: Evaluation of the Taliban Crackdown Against Opium Poppy Cultivation in Afghanistan." The International Journal of Drug Policy 16 (2005): 81-91.

⁹⁹ "Afghanistan's Opium Fiends." The Economist 24 Feb. 2001. LexisNexis Academic. University of Nebraska, Omaha. 25 Feb. 2008. Keyword: Afghanistan Opium.

¹⁰⁰ "Drugs and Decay." The Economist 31 Mar. 2001. LexisNexis Academic. University of Nebraska, Omaha. 25 Feb. 2008. Keyword: Afghanistan Opium.

¹⁰¹ Buddenberg, Doris, and William A. Byrd, eds. Afghanistan's Drug Industry: Structure, Functioning, Dynamics, and Implications for Counter-Narcotics Policy. United Nations Office on Drugs and Crime/The World Bank. 2006.

¹⁰² Farrell, Graham, and John Thorne. "Where Have All the Flowers Gone?: Evaluation of the Taliban Crackdown Against Opium Poppy Cultivation in Afghanistan." The International Journal of Drug Policy 16 (2005): 81-91.

measure, however, necessitated the continued authority of the Taliban; when the Taliban fell, production rose once again to levels nearing the previous peak.

	1999	2000	2001	2002	2003	2004	2005	2006	2007
Hectares	90,583	82,171	7,606	74,100	80,000	131,000	104,000	165,000	193,000
Tons	4,565	3,276	185	3,400	3,600	4,200	4,100	6,100	8,200 ¹⁰³
\$ / kg	40	28	303	353	283	143	137 ¹⁰⁴	* 140	* 111 ¹⁰⁵

Table 1: Opium production and price, 1999-2007.

As shown in Table 1, opium production has continued to increase year over year since the fall of the Taliban. By 2004, illicit opium production and trade accounted for more than half the domestic economy, and in 2005, the UN was warning that Afghanistan was a budding narco-state.¹⁰⁶ In 2006 and 2007, in spite of increased focus and intervention initiatives, the industry continued to break records. In 2007, Afghanistan provided more than 90% of the world supply of opium and heroin; the 8,200 tons produced was far in excess of worldwide illicit consumption. With approximately 14% of the population – more than 3.3 million people – involved in the

¹⁰³ Afghanistan: Opium Poppy Free Road Map and Provincial Profiles. United Nations Office on Drugs and Crime. 2007. 7 Apr. 2008 <<http://www.unodc.org/documents/regional/central-asia/BluePaper-19Dec07.pdf>>.

¹⁰⁴ Buddenberg, Doris, and William A. Byrd, eds. Afghanistan's Drug Industry: Structure, Functioning, Dynamics, and Implications for Counter-Narcotics Policy. United Nations Office on Drugs and Crime/The World Bank. 2006.

¹⁰⁵ Afghanistan Opium Winter Rapid Assessment Survey. United Nations Office on Drugs and Crime. 2008. 31 Mar. 2008 <<http://www.unodc.org/documents/crop-monitoring/Afghan-winter-survey-Feb08-short.pdf>>. Yearly figures from this resource calculated from monthly averages.

¹⁰⁶ Constable, Pamela. "A Wake-Up Call in Afghanistan." Journal of Democracy 18.2 (2007): 84-98. Project MUSE. University of Nebraska, Omaha. 25 Feb. 2008. Keyword: Afghanistan.

production of opium in 2007,¹⁰⁷ the UN estimates only a slight decrease in production in 2008 from 2007 levels.¹⁰⁸

The continuing rapid inflation of the industry has combined with other identified problems – particularly weak institutions – into three easily identifiable effects: alliances between the drug trade and the Taliban; corruption, driven by the wholesale purchase of officials at every level; and a resurgence of warlordism.¹⁰⁹ Additional second order effects feed into the myriad problems faced by those trying to stabilize Afghanistan, including perpetual complications with regards to security provision and numerous troubles providing for and encouraging legitimate economic pursuits.

The effects of the illicit opium market are unsettling for many reasons. Perhaps the most salient is the self-perpetuating nature of the relationships formed with destructive forces. Farmers pay opium-funded protectionist taxes to the Taliban, which uses the profits to fund insurgency efforts. This funding has essentially reversed the Taliban position on opium. In spite of the highly successful ban in 2001 – in which they claimed that opium cultivation was immoral – the Taliban today embraces the practice, seen as less damaging to Afghan morality than the West.¹¹⁰

¹⁰⁷ Afghanistan: Opium Poppy Free Road Map and Provincial Profiles. United Nations Office on Drugs and Crime. 2007. 7 Apr. 2008 <<http://www.unodc.org/documents/regional/central-asia/BluePaper-19Dec07.pdf>>.

¹⁰⁸ Afghanistan Opium Winter Rapid Assessment Survey. United Nations Office on Drugs and Crime. 2008. 31 Mar. 2008 <<http://www.unodc.org/documents/crop-monitoring/Afghan-winter-survey-Feb08-short.pdf>>.

¹⁰⁹ Constable, Pamela. "A Wake-Up Call in Afghanistan." Journal of Democracy 18.2 (2007): 84-98. Project MUSE. University of Nebraska, Omaha. 25 Feb. 2008. Keyword: Afghanistan.

¹¹⁰ Constable, Pamela. "A Wake-Up Call in Afghanistan." Journal of Democracy 18.2 (2007): 84-98. Project MUSE. University of Nebraska, Omaha. 25 Feb. 2008. Keyword: Afghanistan.

These second-order effects mean that the interest of the United States in developing a strategy to reduce or eliminate opium production is not limited to counternarcotics; instead, developing such a strategy becomes part of an overall plan to promote economic prosperity and overall stability, both within the country, and the region overall.

Recommendations

On the face of it, strategies which eliminate opium production immediately and without significant investment costs seem optimal. However, if such a strategy existed which did not compromise other United States interests, one would guess that opium production would be a solved problem. The criteria by which potential strategies can be judged go well beyond the time and cost required for implementation. Some include:

- Time to implement
- Cost to implement
- Precedent, or prior use
- Cultural support (both *vis-a-vis* Afghanistan and the United States)
- Capacity support (human, infrastructure, and security)
- Secondary effects

In addition to these criteria, a baseline evaluation of the *workability* of the strategies in the specific context of Afghanistan can provide a useful method of filtering for successful transition away from dependence on opium production.

Immediate Intervention: Eradication

Eradication with regards to opium is *crop* eradication – the removal of the poppy crop where it grows. This removal can occur at any point during the growing cycle, from an early application of preventative chemicals to render the soil unsuitable for the cultivation of opium poppy, to the burning of finished poppy crops.

Eradication has several advantages, with regards to the selected criteria. First, eradication can be a relatively fast method of controlling opium production; crops can be controlled or destroyed within a single growing season or less. Second, crop eradication has netted some level of success in previous experiences in Bolivia and Peru in the 1990s. These two facts, combined with a U.S. State Department strategy which believes that the best way to reduce illicit drug supplies is to reduce illicit crops, makes eradication a favored counternarcotics method for the United States.¹¹¹

With eradication, along with the above advantages come some disadvantages. First, eradication is a catastrophically disruptive method of transitioning away from dependence on illicit opium production. Because eradication methods do work so quickly, farmers dependent on this production may easily be left without skills, knowledge, equipment, or stock on which to base alternative livelihood. Methods of eradicating crops that are partially dependent on local

¹¹¹ Vargas, Ricardo. "Strategies for Controlling the Drug Supply: Policy Recommendations to Deal with Illicit Crops and Alternative Development Programs." *Journal of Drug Issues* 35.1 (2005): 131-151. [Academic Search Premier](#). EBSCO. University of Nebraska At Omaha, Omaha. 17 Apr. 2008. Keyword: Colombia, eradication, success.

cooperation (such as manual destruction of crops) benefit less from uniformity of implementation due to the economic hardship imposed on those whose cooperation is needed.

Second, eradication methods which can be uniformly implemented may have significant human and environmental impacts where they are used. For example, crop eradication via aerial spraying with the herbicide glyphosate has been practiced in Colombia with United States authorization and support since 1987. The case of Colombia is selected due to numerous similarities with the Afghan condition: pervasive dependence on a drug economy, weak security provision, limited buy-in for government institutions, and continuing conflicts. A few key facts and findings may be applied to the Afghan case:

- Mandates require that the application of this herbicide in Colombia both conform to U.S. regulatory controls and do not pose unreasonable risks or adverse affects to humans or the environment.¹¹²
- Environmental Protection Agency (EPA) studies to determine potential and actual human and environmental impacts could be executed neither on-site nor with the actual chemical formulation used in Colombia. The general finding of the EPA study was that the formulation and application rate should be considered safe for non-agricultural use. However, in Colombia, drug crops (opium poppy and coca) are often interspersed with

¹¹² Weir, Joseph. "The Aerial Eradication of Illicit Coca Crops in Colombia, South America: Why the United States and Colombian Governments Continue to Postulate Its Efficacy in the Face of Student Opposition and Adverse Judicial Decisions in the Colombian Courts." Drake Journal of Agricultural Law 10 (2005): 205. DrakeJAL. Westlaw. University of Nebraska At Omaha, Omaha. 1 May 2008.

food crops, which means that spraying is not entirely non-agricultural; the chemical formulation used for spraying may be ingested at rates beyond EPA measurements.¹¹³

- Glyphosate is a broad-spectrum herbicide, affecting licit crops as much as drug crops. Even if consumption of sprayed food crops does not pose health risks, destruction of food crops creates human harm that is equally real.¹¹⁴

Aside from ecological and human health concerns, the aerial eradication campaign in Colombia has not been particularly successful. Through 2001, eradication did not significantly reduce the surface area of coca and opium poppy cultivation. There was a significant drop in cultivation in 2001 and 2002, but since 2003, in spite of eradication of a land area in *excess of the actual cultivated land area*, cultivation has increased.¹¹⁵

Immediate Intervention: Totalitarian Ban

The Taliban's *fatwa* on opium production, issued in 2000, is striking as an example of a successful wholesale elimination of drug production in a country. The international community

¹¹³ Weir, Joseph. "The Aerial Eradication of Illicit Coca Crops in Colombia, South America: Why the United States and Colombian Governments Continue to Postulate Its Efficacy in the Face of Student Opposition and Adverse Judicial Decisions in the Colombian Courts." Drake Journal of Agricultural Law 10 (2005): 205. DrakeJAL. Westlaw. University of Nebraska At Omaha, Omaha. 1 May 2008.

¹¹⁴ Weir, Joseph. "The Aerial Eradication of Illicit Coca Crops in Colombia, South America: Why the United States and Colombian Governments Continue to Postulate Its Efficacy in the Face of Student Opposition and Adverse Judicial Decisions in the Colombian Courts." Drake Journal of Agricultural Law 10 (2005): 205. DrakeJAL. Westlaw. University of Nebraska At Omaha, Omaha. 1 May 2008.

¹¹⁵ Neumann, Vanessa. "The Incoherence of US Counternarcotics Policy in Colombia: Exploring the Breaches in the Policy Cycle." The European Journal of Development Research 18 (2006): 412-434.

was astonished by the efficacy of the ban and its subsequent enforcement; in less than a year, the production of opium in Afghanistan amounted to a rounding error.¹¹⁶

But however successful it was in curbing opium production, the Taliban edict had some far reaching negative consequences. In fact, the head of research at the UN Office on Drugs and Crime (UNODC) said later that in spite of the success, the ban was “in humanitarian terms a major disaster.”¹¹⁷ Because of the extent of the disruption – just as with eradication – Afghan livelihoods quickly became unsustainable. Many Afghan farmers were in debt in a credit system which essentially mortgaged future opium crops for today’s bread and water. This increase in an already untenable level of poverty called into question the sustainability of the ban.¹¹⁸ William Byrd, a World Bank expert on Afghan opium, suggests that the short term success may have been more due to oversupply and large stocks from previous years. He further posits that the easy portability of cultivation of opium poppy may have resulted in a return to the practice if the Taliban had not fallen.¹¹⁹

Even if questions about the sustainability of a ban could be addressed, there remains the issue of enforcement. A ban on cultivation of opium poppy, issued by the Afghan government, already exists in Afghanistan. However, the authority and credibility required to enforce this ban do not

¹¹⁶ Jelsma, Martin. "Learning Lessons From the Taliban Opium Ban." *International Journal on Drug Policy* 16 (2005): 98-103.

¹¹⁷ Jelsma, Martin. "Learning Lessons From the Taliban Opium Ban." *International Journal on Drug Policy* 16 (2005): 98-103.

¹¹⁸ Jelsma, Martin. "Learning Lessons From the Taliban Opium Ban." *International Journal on Drug Policy* 16 (2005): 98-103.

¹¹⁹ Byrd, William A. Responding to Afghanistan's Opium Economy Challenge: Lessons and Policy Implications From a Development Perspective. The World Bank. The World Bank, 2008.

necessarily exist right now. Pervasive corruption has created an environment in which the most productive and successful growers and traffickers can simply buy off any enforcement effort. When arrests are actually executed, institutional capacity fails: between 2001 and April 2008, only 3 major traffickers had been arrested and charged, while most of the thousand or so minor offenders who were arrested either paid bribes to or negotiated negligible sentences with corrupt officials.¹²⁰ In particular, in 2004, the Afghan Special Narcotics Force arrested 20 mid-level traffickers, but could not convict them in the absence of a functioning justice system. Italy, at the time of publication, is working on the design of the justice system.¹²¹

Ultimately, in order to align with United States stated aims in the region – i.e., the promotion of democracy – enforcement of the Afghan government ban on opium production must be gradual and within the confines of the legal system as devised by the Afghan government. Substantial pressure outside of this structure undermines the confidence and buy-in the U.S. and the Afghan government need from the Afghan people.

Gradual Intervention: Crop Substitution

The concept of alternative development, or replacing illicit economies with licit alternatives, originated in the 1970s with crop substitution. The idea was essentially that legal crops could replace illegal drug crops, netting higher profits for growers and reducing overall world drug

¹²⁰ Bruce, Ian. "Britain's £143m Failure to Stem Afghan Drug Trade." *The Herald* 23 Apr. 2008. 7 May 2008 <http://www.theherald.co.uk/news/foreign/display.var.2217248.0.Britains_143m_failure_to_stem_Afghan_drug_trade.php>.

¹²¹ "After the Taliban; Afghanistan." *The Economist* 20 Nov. 2004. *LexisNexis Academic*. University of Nebraska, Omaha. 25 Feb. 2008. Keyword: Afghanistan Opium.

supplies. The International Narcotics Control Board (INCB) acknowledged that this simplistic model (in which rural livelihoods at growing sites are given focus to the exclusion of non-growing sites and/or urban areas) does not work. Rather, an integrated approach to transition gradually away from illicit production and trade is necessary.¹²² The INCB says that alternative development:

- Requires political will, funding, and long-term commitment;
- Should be consistent with sustainable development policies;
- Must take into account the complexity of livelihoods based on illicit crops;
- Requires full participation of crop growers, their families, and the community;
- Must be accompanied by law enforcement to create disincentives;
- Must include law enforcement to combat illicit crops at the trafficking level;
- Should integrate drug abuse prevention and education programs;
- Must be integrated into broader development initiatives.¹²³

Within this framework, crop substitution may form a critical component of an overall alternative development strategy. A significant problem is encountered when the numbers involved in the opium trade are examined. Referring to Table 1 (page 36), farm-gate prices for opium in 2007

¹²² United Nations. International Narcotics Control Board. Report of the International Narcotics Control Board for 2005. 1 Mar. 2006. 30 Mar. 2008 <http://www.incb.org/pdf/e/ar/2005/incb_report_2005_full.pdf>.

¹²³ United Nations. International Narcotics Control Board. Report of the International Narcotics Control Board for 2005. 1 Mar. 2006. 30 Mar. 2008 <http://www.incb.org/pdf/e/ar/2005/incb_report_2005_full.pdf>.

were at about \$111/kg, in spite of large stocks and an even larger harvest. From this number, an illustrative comparison can be constructed (in Table 2) with saffron, another agricultural product with a high market price, which has seen interest as a crop substitute as lately as 2004.¹²⁴

Opium	Saffron ¹²⁵	Wheat
45 kg opium (pre-morphine/heroin)	4-7 kg finished product (Greece)	2.78 tons (India's record yield, 1999-2000) ¹²⁶
Cultivation requires little intervention; somewhat arduous process to harvest.	400 hours day-and-night labor to harvest/dry; intensive, exacting requirements for cultivation	Optimal yields require machinery; not particularly drought-hardy.
\$111/kg or \$4995/hectare ¹²⁷	\$600/kg (Greece), \$2,400-4,200/hectare	\$430/ton, US price ¹²⁸ ; \$1195/hectare

Table 2: Comparing returns from opium, saffron, and wheat, per hectare

Using yields from Greece, where the climate is considerably more favorable for saffron cultivation, the market price for the yield from one hectare of saffron half to slightly less than that of a similar hectare where opium is cultivated. When the additional requirements for the growth of saffron – in particular, careful irrigation – are accounted for, it becomes difficult to believe that saffron would be seen as a viable alternative to opium without additional incentives, disincentives, and infrastructure support. Other alternatives, such as wheat, are far less likely to be drought-hardy and also unlikely to provide income even at the level of saffron. Monetary return is, of course, not the only factor in determining what crops are worthwhile. Increased wheat prices have caused more than 60% of Afghan incomes to be spent on bread alone, so

¹²⁴ "After the Taliban; Afghanistan." *The Economist* 20 Nov. 2004. [LexisNexis Academic](#). University of Nebraska, Omaha. 25 Feb. 2008. Keyword: Afghanistan Opium.

¹²⁵ Rangahau, Mana K. "Growing Saffron - the World's Most Expensive Spice." *Crop & Food Research* 20 (2003). 20 May 2008 <<http://www.crop.cri.nz/home/products-services/publications/broadsheets/020saffron.pdf>>.

¹²⁶ "India's Wheat Procurement Touches 13.5 Million Tonnes." *Domain-B.Com* 29 Apr. 2008. 9 May 2008 <http://www.domain-b.com/economy/trade/20080429_procurement.html>.

¹²⁷ United Nations. Government of Afghanistan Ministry of Counter Narcotics. Office on Drugs and Crime. *Afghanistan: Opium Winter Rapid Assessment Survey*. Feb. 2008. 25 Feb. 2008 <<http://www.unodc.org>>.

¹²⁸ El-Katatney, Ethar. "Waiting for Aish." *Egypt Today* May 2008. 9 May 2008 <<http://www.egypttoday.com/article.aspx?ArticleID=7989>>.

domestic production of wheat may be more a necessity than an option.¹²⁹ However, returns to alternate crops are unlikely to provide financial incentive for current growers of opium to switch. Thus, the recommendation of the project team is to use crop substitution only in conjunction with other methods and as infrastructure (particularly for irrigation) improves to support it.

Gradual Intervention: Industry Substitution

While substitute crops are unlikely to provide returns equal to or great than that of opium, substitute industries may well provide such returns. As was previously noted, Afghanistan is extraordinarily rich in natural resources, and in particular, minerals. Copper, iron, gold, oil, gas, coal, and precious gems are all present in abundance in Afghanistan, though USGS studies in progress have not yet determined the extents of these resources; a full-country analysis is expected within a year.¹³⁰

Mining these resources has the potential to be greatly lucrative for Afghans – more so even than opium production. While excessive dependence on exploitation of natural resources may cause problems in the long view, the mineral wealth Afghanistan possesses may be provide a transitional set of wealth generating endeavors for the Afghan people and state.

China, amid an economic boom requiring significant industrial resources, has already begun to invest in Afghanistan's natural resources. The China Metallurgical Group Corporation was in

¹²⁹ [Afghanistan: Bread Price Hike Affects Millions](http://www.reliefweb.int). United Nations Office for the Coordination of Humanitarian Affairs. Kabul: Integrated Regional Information Networks, 2008. 21 Feb. 2008 <<http://www.reliefweb.int>>.

¹³⁰ "Afghanistan Sitting on a Gold Mine." [Agence France-Presse](http://www.francepress.com) 21 Feb. 2008. Google News. 21 Feb. 2008.

Keyword: Afghanistan.

February finalizing a 30-year lease on the Aynak copper mine just east of Kabul. The exploitation of the mine is expected to create 5,000 jobs and generate \$400 million in revenue for the Afghan government per year after the mine commences operation in about five years. The China Metallurgical Group Corporation is making initial investments in infrastructure – rails, power, and a worker village¹³¹ – \$2.8 billion in all – demonstrating that the returns from these mineral deposits may in fact provide exactly the sort of broad-based infrastructure and capital development that Afghanistan sorely needs. More recently, the Afghan ministry of mines turned over rights to extract gold from a deposit in the northern Takhar province to an unnamed private Afghan mining company. The company is paying \$40 million for the rights to mine the deposit, which should provide another 4,000 jobs and return 50% of mining profits to the government. The sum of these two projects alone may provide sustainable employment and livelihood for nearly three percent of the Afghan population.¹³²

Three items should receive particular care to ensure that the successes of the nascent Afghan mining industry spread to the economy as a whole. First, the Afghan government must remain committed to free market principles as much as is possible. Limiting the urge to interfere excessively in the development of these industries will ensure that gains are maximized through basic competitive investment. Second, to protect the long-term viability of the various resources available, care should be taken to remove materials using the least destructive mining methods

¹³¹ "Afghanistan Sitting on a Gold Mine." Agence France-Presse 21 Feb. 2008. Google News. 21 Feb. 2008. Keyword: Afghanistan.

¹³² "Gold Mining Rights Being Awarded to Private Firm." Gulf Times 10 May 2008. 11 May 2008 <http://www.gulf-times.com/site/topics/article.asp?cu_no=2&item_no=217483&version=1>.

whenever possible. In particular, the current ad hoc excavation of gems using dynamite in the Panjshir valley region northwest of Kabul should be examined. If possible, this excavation should be transitioned to more sustainable mining methods.¹³³ Finally, where Afghan mining expertise is available, it should be preferred slightly over foreign investment, at least during a transitional period. The circulation of mining profits through the Afghan economy promotes further development, and availability of minerals may introduce increased industry and manufacturing capabilities. This step may help to prevent overdependence on this mineral wealth and promote competitiveness on a global scale.

Legitimization: The Senlis Council's Poppy for Medicine proposal

Opium is a precursor for morphine, currently regarded as the gold standard medicine for the relief of chronic or severe pain. This status is not lost on many investigating solutions to the opium problem in Afghanistan, and least of all the Senlis Council, an international policy think tank currently doing extensive research on global policy with regards to Afghanistan.¹³⁴ After researching the relationships between counter-narcotics, military, and development policies in the region, the Senlis Council developed a strategy to transition Afghan farming communities away from reliance on illicit opium poppy production. The strategy, at its plainest, calls for the

¹³³ "Afghanistan Sitting on a Gold Mine." Agence France-Presse 21 Feb. 2008. Google News. 21 Feb. 2008. Keyword: Afghanistan.

¹³⁴ "About Us." The Senlis Council. The Senlis Council. 12 May 2008 <http://www.senliscouncil.net/modules/about_us>.

legitimization of cultivation of opium poppy for use in morphine production for underserved nations.¹³⁵

The Poppy for Medicine proposal has several strengths, with regards to the selected criteria, largely due to its focus on village-level operation and enforcement. First, village-level operations imply that small pilot programs might be implemented within a short time period; this does not imply that the program would result in speedy wholesale removal of the opium economy, but quick, sustainable results may be possible on a small scale. Second, the very concept of legitimization with control allows for profits from the trade to be reinvested – whether that be into improving cultivation, manufacturing of finished medicines, or security demands. Third, the Poppy for Medicine proposal is one of the only strategies which leverages existing Afghan culture and capacity. Opium cultivation is ultimately familiar to many Afghans, and as such, does not require extensive education initiatives. Additionally, a history of eradication, bans, and other highly disruptive anti-opium measures have convinced some Afghans that the Afghan and U.S. governments are more concerned with removing opium than with their livelihoods. A strategy which did not reinforce this understanding would likely be beneficial.

Perhaps most salient are the previous successes in transitioning from illegal opium cultivation to licit production. In 1974, a few years after a failed attempt at wholesale eradication of its illicit opium cultivation, Turkey approached the UN to negotiate licensure for its opium for the purpose of medicine manufacture. Turkey is considered a success story in the transition away

¹³⁵ **Poppy for Medicine**. The Senlis Council. London: The Senlis Council, 2007. 18 Feb. 2008 <http://www.senliscouncil.net/documents/poppy_medicine_technical_dossier>.

from opium production for the black market; today, it exports raw materials for production of morphine and codeine, netting about \$60 million per year in the trade.¹³⁶ India has a similar licensing scheme, and is today the sole supplier of opium (rather than poppy straw) as a precursor for morphine and other opiates; however, India is considered to be less a success story due to some diversion of opium into illicit channels.

There are significant uncertainties associated with the Senlis Council's proposal, associated with capacity for finishing morphine products, security provision, and the demand for the morphine the program would produce. First, a substantial portion of the proposal hinges on adding value to Afghan opium by producing finished morphine products within Afghanistan. The process of converting the raw opium as harvested into morphine tablets is described as occurring in three steps: first, trained workers would sun-dry the raw opium material for 4-5 days, after which the dried opium would be transported to a district processing facility. At this facility, the dry opium would be transformed into morphine by professional pharmaceutical chemists, then further processed into morphine tablets.¹³⁷ What is ultimately not clear in the Senlis Council's proposal is the manner by which Afghanistan will acquire the necessary infrastructure and human capital to support this process; professional pharmaceutical chemists and district processing facilities do not appear instantaneously. Similarly, while the proposal's security model hinges first on village-level enforcement – a mechanism supported by the fractious nature of cultures in Afghanistan –

¹³⁶ Hurst, Lynda. "Turkey Did It. Can Afghanistan?" *The Star* 25 Feb. 2007. 27 Mar. 2008 <<http://www.thestar.com/printArticle/185452>>.

¹³⁷ *Poppy for Medicine*. The Senlis Council. London: The Senlis Council, 2007. 18 Feb. 2008 <http://www.senliscouncil.net/documents/poppy_medicine_technical_dossier>.

it suggests further enforcement specific to the project to be provided by the ANP. As will be discussed, the capabilities of this institution are currently very limited, even within the scope of current needs. Further requirements imposed by exceptions and specific enforcement details on a per-village basis would seem to be even more outside the current capabilities of the ANP.

Finally, the Senlis Council suggests that Afghanistan could sell finished medicines to “guaranteed” second-tier markets, particularly Brazil.¹³⁸ However, it is not clear that substantial and committed communications have occurred between the Senlis Council and any Brazilian entity with the authority and political will to bring such a partnership before the appropriate international channels for approval. It is in fact not clear that an increased supply to these markets would result in the delivery of needed medicines to “respond to a largely un-met need;” underserved populations in many locales appear to be underserved not due to a shortage in supply, but due to regulatory impediments and physician education problems.

Ultimately, the Senlis Council’s Poppy for Medicine proposal has significant strength in understanding of the Afghan culture, and because of this and its basis on successful precedent, it should not be wholly discarded. However, before further action can be taken on the proposal, it is suggested that a thorough review of the economic assumptions involved in the proposal should be undertaken. Every effort should be made to transform the proposal from the idea stage to something closer to a business plan – a document that describes where funding will come from, who will optimally implement each course of action, and what supporting activities (such as

¹³⁸ Poppy for Medicine. The Senlis Council. London: The Senlis Council, 2007. 18 Feb. 2008 <http://www.senliscouncil.net/documents/poppy_medicine_technical_dossier>.

physician education initiatives in targeted second-tier markets) will be necessary. If such an analysis proved economically viable, however, the strategy is recommended.

Opium Recommendations Summary

In summary, due to the overwhelming ill effects and animosity caused by eradication efforts and totalitarian enforcement of cultivation bans, these strategies do not have a place in the project team's recommendation. While crop substitution cannot be the whole of a plan to combat illicit opium production, substitution which specifically addresses Afghan livelihoods (with food crops such as wheat) may prove workable in spite of decreased returns simply due to food scarcity. Most workable of all the solutions examined is industry substitution, primarily with mining, due to Afghanistan's mineral wealth. The Senlis Council's Poppy for Medicine proposal might complement these last two options, after a thorough review of the economic assumptions made in the proposal.

It should be noted that none of the options studied specifically address illicit demand for opium at any level, as illicit demand is not something that can be controlled within Afghanistan. The links between supply, demand, and price are well-established – in general, a reduction in the supply of opium on the illicit market *without* a commensurate reduction in illicit demand simply drives the price for opium up. Higher prices make opium production more lucrative, possibly outweighing currently limited interdiction risks. Making this market more lucrative undermines efforts to provide substitutes, which often have trouble competing even with depressed prices for opium. Any strategies employed should acknowledge this relationship in two ways: first, by including demand-side initiatives in opium-consuming countries; and second, by reducing supplies slowly and in step with demand to avoid sharp spikes in market prices.

Weak Security Provision and Capacity

Of significant importance to Afghanistan's long term economic development is the weak level of security they are currently encountering. Security in this sense is best defined as safety and freedom from risk or danger. Another way of thinking about the provision of security is the measures taken to protect against all acts designed to, or which may, impair its effectiveness.

With an increasing level of violence and the inability of the international community to create a secure rural environment, development and reconstruction efforts have been inefficient and slow.

At the same time, building capacity is also a top priority for reconstruction and development in Afghanistan. Capacity itself can be defined as the ability of individuals, institutions and societies to perform functions, solve problems, and set and achieve objectives in a sustainable manner.

Human capacity refers to the provision of a trained work force. It includes the knowledge, skills, and abilities that are required by a society to acquire greater prosperity through the realization of human potential and the development of individual self-reliance. Institutional capacity can be defined as the attributes that define an organization's ability to perform its mandated functions. It encompasses a wide range of activities including making and enforcing laws; planning efficient government spending programs; building systematic capacity to absorb additional resources such as financial assistance; and improving the effectiveness of agencies to fight corruption and enhance governance.¹³⁹ Inasmuch as security and capacity build upon one another; these areas

¹³⁹ Saasa, Oliver S. "Enhancing Institutional and Human Capacity for Improved Public Sector Performance." Building the Capable State in Africa. 7th Africa Governance Forum. 7 Apr. 2008 <http://www.undp.org/africa/agf/documents/en/background_info/papers/Paper7-EnhancingInstitutionalandHumanCapacity.pdf>.

are integral to the success of reconstruction and developmental efforts in unstable environments such as Afghanistan and Iraq.

The security outlook for Afghanistan is unstable at best and has been even begun deteriorating in many areas. The number of deaths that have resulted from the conflict rose from 4,000 in 2006 to 6,000 in 2007. Over 900 Afghan police and 220 international soldiers were killed in 2007 as a result of intensifying insurgent attacks. There were more than twice as many air-strikes conducted by international forces in Afghanistan as in Iraq and at least 1,400 civilians were killed in 2007. The inability of the Afghan government, military, and international forces to provide a secure environment is a key motivator for Afghans to turn to the Taliban or other anti-government factions.¹⁴⁰

Violent attacks that have been linked to the Taliban are escalating particularly in the south and south-eastern provinces. Perhaps an indication of their increasing sophistication, larger attacks such as the one on a police academy bus in Kabul in June 2007 are expected to increase. Many fear that this is evidence of the Taliban's attempts to emulate bombings in Iraq. It appears that attacks are focused on international aid workers, Afghan and NATO soldiers, journalists, police and other provincial officials. There is also evidence that the Taliban is also targeting anyone who supports the Afghan government, its military or any international supporters. Students and teachers, primarily women, have also been targeted. The level of insecurity associated with this type of attack has forced the closure of many education and health facilities. The subsequent

¹⁴⁰ "Afghanistan: Development and Humanitarian Priorities." Oxfam. Jan. 2008. 7 Apr. 2008. <http://www.oxfam.org.uk/resources/policy/conflict_disasters/downloads/afghanistan_priorities.pdf>.

increase in civilian deaths and kidnapping is further eroding public confidence in both the Afghan government and NATO-led forces. The same is true for any attempts made by foreign forces to curb opium cultivation.¹⁴¹ Taliban forces recognize the importance of critical routes in Afghanistan's supply chain and they continue to undermine security particularly along routes where basic items, such as food, fuel and medical supplies, are transported.¹⁴² In recent months, the Taliban has been disabling cellular service by blowing up cellular phone towers.¹⁴³ The Kajaki Dam reconstruction efforts have been halted due to on-going violence despite NATO-led efforts to secure the area. This prompted US and UK military officers to inform district elders from the Sangin district, in which Kajaki is located, that construction workers would not come to the district to build roads and hospitals or to begin work on the Kajaki dam as long as locals continued to support Taliban insurgents.¹⁴⁴ It is clear that weak security provisions are deterring the international aid and foreign direct investment necessary to fuel economic growth in Afghanistan. Furthermore, continued attacks on critical infrastructure, including communications networks and roadways, are prohibiting long-term progress toward building the capacity, institutional and infrastructural, necessary for sustainable economic development.

Since the fall of the Taliban regime, Afghanistan's national security forces, in cooperation with NATO-led ISAF forces, have been responsible for providing security throughout the country. However, by all accounts, Afghanistan has never been able to create an effective national

¹⁴¹ "Country Report: Afghanistan." The Economist. Jul. 2007.

¹⁴² "Afghan TV Debate Says Taliban Launching Economic War on Government." National TV Afghanistan. 29 Feb. 2008.

¹⁴³ "Gunmen Attack Fourth Cell Phone Antenna in Afghanistan." Agence France-Presse. 3 Mar. 08.

¹⁴⁴ "Country Report: Afghanistan." The Economist. Jul. 2007.

security force. In addition to not having the financial resources available to support an army, cultural factors have also prevented the successful formation of a national non-tribal military. To begin with, it is difficult to instill Afghans with a sense of national pride rather than fierce loyalty to a tribe. The command structure of the army itself poses problems for soldiers who are accustomed to non-hierarchical tribal organization as opposed to submission to officers who typically attained their position via tribal or interpersonal ties. With rampant illiteracy, the only criterion for selecting Afghan officers is often whether or not they can read.¹⁴⁵ Afghan men are also averse to being geographically separated from their families which results in a high desertion rate particularly when the soldiers are paid and many go Absent Without Leave (AWOL) to return home in order to give their earnings to their families.¹⁴⁶ Also problematic is the number of languages spoken in Afghanistan which is only compounded by the fact that many are functionally illiterate in their own spoken language.¹⁴⁷ Training, at present time, is conducted in only a few Afghan languages. This method tends to preclude active participation by those that are only fluent in other dialects. The social-economic disparity among recruits is problematic to the point that basic training for new recruits often involves teaching them how to operate light switches and water faucets; technology many have not yet experienced. Poor retention is also of concern with only about 35% of trained soldiers re-enlisting after their initial three-year

¹⁴⁵ "Training Afghan Army Recruits." U.K. Ministry of Defence. 14 Feb. 2008. 28 Feb. 2008. <<http://www.mod.uk/DefenceInternet/DefenceNews/TrainingAndAdventure/TrainingAfghanArmyRecruits.htm>>.

¹⁴⁶ "Military: Afghanistan – Army." Global Security. 8 Jul. 2008. 18 Feb. 2008. <<http://www.globalsecurity.org/military/world/afghanistan/army.htm>>.

¹⁴⁷ "Language Gap Holding Back Efforts to Train Afghan Army." International Herald Tribune. 7 Sept. 2007. 28 Feb. 2008. <<http://www.iht.com/articles/ap/2007/09/17/europe/EU-GEN-NATO-Afghanistan.php>>.

obligation. The lack of professionalism is also troublesome as many coalition trainers report that many ANA soldiers exhibit cowardice under fire and have a general lack of discipline.¹⁴⁸

Notwithstanding tremendous progress, the ANA is heavily dependent on NATO manpower, equipment, medical services, communication networks, and experience. In many ways, the Taliban and other anti-governmental forces are better equipped to be a capable fighting force than the ANA in its present condition. Organizational and technological deficiencies compound administrative problems as well. Officials are unable to properly monitor supplies, administer pay, or verify troop levels, particularly with high absenteeism and desertion rates.¹⁴⁹

The limited cultural awareness international forces exhibit as they conduct operations in multi-ethnic Afghanistan is also detrimental to reconstruction and development operations. Many Afghan civilians are wary of dealing with the U.S. military due to the excessive use of force they have experienced and the lack of empathy they perceive from international forces. Of particular concern is the inadequate sensitivity U.S. troops demonstrate for local customs, norms, laws and culture. To illustrate, consider the Pashtunwali philosophy which places more importance on the tribe over the individual. Hospitality, or Malmastia, is also emphasized. Nang (honor) for the tribe revolves around Zan (women), Zar (wealth), and Zameen (land). Violations of Nang require Badal (revenge) in order to restore honor to the individual or tribe.¹⁵⁰ U.S. troops have been known to physically abuse citizens, damage personal property, and subject females to body

¹⁴⁸ "Afghanistan: Army remains a liability." *Oxford Analytica*. 4 Dec. 2007.

¹⁴⁹ "Afghanistan: Army remains a liability." *Oxford Analytica*. 4 Dec. 2007.

¹⁵⁰ Johnson, Thomas H. "Developing IED Counter-Narratives: Building a Viable Foundation That Works the Culture." *Naval Post Graduate School*. 21 Mar. 2008.

searches all of which are a major insult to a family's honor.¹⁵¹ Many improvised explosive device (IED) attacks have been linked to villagers who have been forced to recover their family's honor by an act of revenge as a result of the unintentional acts of dishonor they have experienced by U.S. military personnel.¹⁵²

Despite considerable progress, government capacity is weak and corruption is widespread, which is hindering the timely and efficient delivery of public services and undermining public confidence in the state-building process as a whole. It is also evident that Afghans in general lack the ability to comprehend a democratic government and what that means to them as citizens. Because, historically, Afghanistan society has been largely tribal, fractious, and feudal in nature, it is impossible for modern Afghans to understand what a democratically reformed society means for them individually.

With decrepit or non-existent infrastructures in place for agriculture, water distribution, transportation, electricity, education, and health care, Afghanistan is in a poor position to support the current conditions. It is self-evident that the infrastructure is also insufficient to support sustainable growth and development. In their current state, Afghanistan lacks the wastewater treatment facilities and freshwater distribution systems necessary for any consistent improvements in the overall health and well-being of its inhabitants. The World Health Organization attributes the low water supply and poor hygienic conditions to Afghanistan's high

¹⁵¹ Johnson, Thomas H. and M. Chris Mason. "Terrorism, Insurgency, and Afghanistan." 28 Feb. 2007. 15 Mar. 2008. <http://www.nps.edu/programs/ccs/Docs/Pubs/chp24Johnson_Mason_Terrorism.pdf>.

¹⁵² Johnson, Thomas H. "Developing IED Counter-Narratives: Building a Viable Foundation That Works the Culture." Naval Post Graduate School. 21 Mar. 2008.

infant and child mortality rates.¹⁵³ Drought conditions and the lack of efficient irrigation systems in the Northern provinces have reduced the cultivation of cereal products by as much as 90%. Consequentially, food scarcity in this region is a problem.¹⁵⁴ Less than 10% of the country's population has access to electricity which means that most inhabitants use non-commercial energy sources such as wood.¹⁵⁵ The secondary impact of this way of life is that deforestation is prevalent throughout the country. Despite improvements in building the power infrastructure, attacks on transmission lines continuously interrupt the flow of electricity to consumers, and discourage further improvements by new investors. Transporting materials to construction sites, particularly in remote areas, is problematic due to the limited availability of paved roads.¹⁵⁶ The current lack of functional roadways is also hindering commerce and access to public resources. Afghanistan's culture of corruption is a way of life and of doing business which undermines the legitimacy of government institutions and impedes the extension of rule of law. Most of the corruption relates to the opium trade particularly with the wholesale purchase of government officials and the re-empowerment of regional warlords.¹⁵⁷ A police officer in a province with a rampant drug economy can pay up \$300,000 for his position in order to collect the hefty bribes drug smugglers will pay him or her in order to protect the route. The average Afghan household

¹⁵³ "Country Cooperation Strategy at a Glance." World Health Organization. May 2007. 13 Mar. 2008.

<http://www.who.int/countryfocus/cooperation_strategy/ccsbrief_afg_en.pdf>.

¹⁵⁴ "Rebuilding Afghanistan's Agriculture Sector." Asian Development Bank. Apr. 2003. 13 Mar. 2008.

<http://www.adb.org/Documents/Reports/Afghanistan/Agriculture/Rebuilding_Agriculture_Sector_AFG.pdf>.

¹⁵⁵ "Afghanistan." Energy Information Agency Website. Feb. 2006.

<<http://www.eia.doe.gov/cabs/Afghanistan/EnergyOverview.html>>.

¹⁵⁶ "Afghanistan: Restoring Infrastructure." USAID Website. 27 Jul. 2007. 4 Mar. 2008.

<http://www.usaid.gov/locations/asia_near_east/countries/afghanistan/infrastructure.html>.

¹⁵⁷ Constable, Pamela. "A Wake-Up Call in Afghanistan." Journal of Democracy 18.2 (2007): 84-98. Project MUSE. University of Nebraska, Omaha. 25 Feb. 2008. Keyword: Afghanistan.

is extorted by police official for up to \$100 annually out of their meager \$300 per year income.¹⁵⁸ This type of behavior erodes any confidence the population may have in the legitimacy of the government. Unrestrained corruption, real or perceived, also reduces the amount of confidence international investors have in Afghanistan's political stability and diminishes their willingness to invest in the economy. Then, very little of what money is raised ever ends up going to its intended destination as layer upon layer of corrupt government officials take a portion for themselves. This creates a pervasive state of mass poverty and public sector indebtedness which only increases the likelihood of more corruption.¹⁵⁹

Recommendations

Problems with security provision and capacity are intimately interconnected; attempts to provide security require development of capacity, and development of capacity fails without provision of security. In order to provide measurable gains in either area, both areas must see congruent effort. This way, developed human, infrastructural, and institutional capacity will not be stymied by continuing material threats, and security forces will not be slowed by lack of resources required for implementation. Recommendations will center around military involvement and development, cultural initiatives to respect differences at the district rather than regional level, and programs to build capacity in concert with military development.

¹⁵⁸“Summary of the Afghan National Police (ANP)”. Program for Culture and Conflict Studies. 2007. 15 Apr. 2008. <<http://www.nps.edu/programs/ccs/National/ANP.html>>.

¹⁵⁹ Young, Dennis. “Overcoming the Obstacles to Establishing a Democratic State in Afghanistan.” Strategic Studies Institute of the U.S. Army War College. Oct. 2007. 17 Mar. 2008.

NATO Commitment to Afghanistan

The ISAF is a multi-national military force that operates under NATO command. As such, it is responsible for a wide variety of military, reconstruction, and economic development projects in Afghanistan. Composed of forty nations contributing a total of forty-seven thousand troops, the ISAF was placed under NATO authority in August of 2003.¹⁶⁰

Since that time, ISAF has expanded its area of operations (AOR) from the immediate area around Kabul to the entire state. As of 2006, ISAF completed its force projection goal of nation-wide operative capability. As such, ISAF not only launches military operations throughout Afghanistan, but also assumes responsibility for large numbers of reconstruction and economic development projects. These projects are organized under five regional commands: Capital, East, West, North, and South. To date, over seven-thousand five hundred projects are underway, with a relatively impressive record of success.¹⁶¹

While the U.S. contributes approximately nineteen thousand personnel, NATO and other states fill out the balance of the reconstruction effort. For example, Norway and Latvia have teamed to implement an exceptionally large school building project in Meymaneh, with over eighty schools built to date. Several Eastern-European states are working together on a water canal project in Pol-e-Khomri. Additionally, the Netherlands and Australia are collaborating on a large project in Regional Command South to facilitate road construction in an effort to boost economic activity in that troubled region. Most of these projects are multi-lateral efforts in the truest sense,

¹⁶⁰ NATO. Progress in Afghanistan. Brussels (2008) 1-24.

¹⁶¹ NATO. Progress in Afghanistan. Brussels (2008) 1-24.

bringing together the World Bank, World Trade Organization (WTO), UN, and Non-Governmental Organization (NGO) assets in collaborative endeavors that would be difficult for the United States to manage by itself.¹⁶² Therefore, maintenance of cooperative relationships with NATO and ISAF member states will be critical to continuing reconstruction efforts.

It might be noted that several ISAF member states could contribute more resources and personnel to efforts in Afghanistan; Austria, Georgia, Ireland, Luxembourg, Singapore, and Ukraine contribute approximately twenty-four personnel *total* to ISAF efforts.¹⁶³ Even a modest increase in contributed forces from these nations could provide for continuing security and development operations.

Afghan Military-Family Initiative

The ANA is widely recognized as a legitimate fighting force; the ANA consistently ranks among the highest regarded public institutions in Afghanistan.¹⁶⁴ The ANA, in fact, has the potential to be the one way in which a sense of national identity can be fostered in Afghanistan. Therefore, development is critical even beyond the scope of security provision. Given the increasing level of violence, uncontrolled opium production, and the Afghan government's persistent inability to extend rule of law beyond Kabul, the ANA and ANP must become more self-reliant if a sustainable level of country-wide security is to be established.

¹⁶² NATO. Progress in Afghanistan. Brussels (2008) 1-24.

¹⁶³ NATO. Progress in Afghanistan. Brussels (2008) 1-24.

¹⁶⁴ "Afghanistan: Army remains a liability." Oxford Analytica. 4 Dec. 2007.

Afghan men place a great level of importance on the family unit, and as they are the primary recruits for the ANA, this must be considered. In order to boost recruitment and retention, therefore, Afghan soldiers should be encouraged to bring their family members with them to live and train in centrally-located military bases. This will instill soldiers with a greater sense of pride and security as they will then be able to provide the most basic necessities to their family. It would go far in reducing fears of insurgent retaliation against family members, and could result in fewer instances of soldiers going AWOL; they would no longer have to travel home to deliver paychecks to family members. This initiative could also increase societal buy-in for development and reconstruction efforts as benefits are extended to family members, not just ANA members themselves.

Although not an exact model of the current problem in Afghanistan, the U.S. military has faced a similar problem with its recruitment and retention of qualified soldiers during several periods in its history. The U.S. Army in particular has had to make significant changes to the recruitment process and the reenlistment incentives they offer in order to meet projections for troop demand. For instance, the Army Recruiting Command recently introduced new enlistment incentives of up to \$51,864 for a two-year commitment in more than 45 active-Army military occupational specialties.¹⁶⁵ The importance of family buy-in and quality of life initiatives for the successful retention of American soldiers has long been known by the U.S. Army. Maj. Gen. Sean Byrne,

¹⁶⁵ “U.S. Army Recruiting and Retention Fact Sheet as of June 11, 2007.” U.S. Army Public Affairs Office. 11 June 2007. 6 May 6, 2008.
<<http://www.armyg1.army.mil/docs/public%20affairs/Recruit%20and%20Retain%20fact%20sheet%2011Jun07.pdf>>

Commanding General of the United States Army Human Resources Command conveyed this in a 2006 interview when he said, “The Army continues to focus on and provide support to Soldiers’ families because it is the right thing to do, and because we know that we recruit Soldiers, but retain families”.¹⁶⁶ As a case in point, in response to the importance that military families have on the ability of the U.S. military to build increase retention and enhance soldier readiness, the Department of the Army created a program called Army Family Team Building. This program was established in 1994 as a result of lessons learned from the Gulf War on the importance of educating families about the Army and its mission. The organization itself is designed to increase the efficacy of military families by teaching them what the Army has to offer and what to expect from a military lifestyle. This basis of knowledge, in turn, helps establish a sense of belonging for military families, and has a positive influence on the soldier’s decision to reenlist.¹⁶⁷

The first step in implementing this strategy will be to communicate this new program to the Afghan public. A sophisticated understanding of the culture and language barriers to communicating this initiative is necessary as will be discussed in the following section. Cost-effective and semi-permanent structures will have to be built to provide housing, schooling, and medical care to a substantially larger population on Afghan military installations. To accomplish this, NATO should consult with the many NGOs, such as Shelter for Life International, that

¹⁶⁶ “Some Soldiers Eligible for MGIB Benefits Transfer.” Army News Service. 21 July 2006. 6 May 2008. <http://www4.army.mil/ocpa/read.php?story_id_key=9320>

¹⁶⁷ “Army Family Team Building (AFTB): Connecting Families to the Army One Class at a Time.” Department of the Army. 7 January 2008. 6 May 2008. <<http://www.usagj.jp.army.mil/ima/sites/local/top/acs/acs3.pdf>>

specialize in building low-cost and energy efficient housing in countries such as Afghanistan.¹⁶⁸

Food and fresh water provisions will have to be provided, at least in the short run, as family members learn to procure their own subsistence in their new environment.

This strategy is not without major barriers to execution – the first of which is acquiring the considerable increase in resources, both human and financial, that will be required to fuel such a change in operations. Significant efforts will have to be focussed on accommodating the language and cultural diversity that will exist on these installations. The opportunity for conflict among convening tribes and ethnicities presents challenges to the cooperative capabilities that will be required in such a communal environment. The limited infrastructural capacity at existing Afghan military installations will pose a significant obstacle for the expeditious realization of this strategy as will the limited ability of Afghan soldiers to transport their families to centralized locations. It also remains to be seen if Afghan land owners will be averse to leaving their land unattended. These and other barriers to implementation will require further investigation to achieve even a marginal degree of success.

Cultural Awareness Initiatives

The limited cultural sensitivity sometimes exhibited by members of international forces has often led to unintentional acts of dishonor which only perpetuates revenge-based violence. This necessitates greater cultural awareness training for providers of direct assistance as well as an increased emphasis on strategic communications.

¹⁶⁸ Kelly, Henry. “The Afghan Housing Crisis: Can New Technology Make a Difference?” The Journal of the Federation of American Scientists. 2003. 6 May 2008. <<http://www.fas.org/faspir/2003/v56n2/housing.htm>>

Although many programs are in place to provide cultural awareness training for U.S. troops, more must be done to prevent inadvertent acts that insult or bring dishonor to Afghans. More robust training is necessary for U.S. soldiers deploying to the area; culture can (and should) be integrated into directly into mandatory operational training. For example, U.S. Army pre-deployment training at the National Training Center (NTC) and the Joint Readiness Training Center (JRTC) can stress the impact of cultural differences on operations. This can also be accomplished at training centers for other branches such as the Marine Corps' Air Ground Combat Center in California. USCENTCOM's annual cultural awareness training at the Peace Operation Training Center in Zarqa, Jordan could be expanded to accommodate soldiers that are unable to travel to Jordan and could be offered more than once a year. Training could also include perspectives on Afghan culture rather than just Jordanian familiarity with the Arabic culture of neighboring Iraq.¹⁶⁹ Human Terrain System experts can assist with updating and maintaining a user-friendly ethnographic and socio-cultural database using their Mapping Human Terrain software which allows embedded teams to gather, store and use cultural data.¹⁷⁰

Afghanistan is intensely divided along tribal lines and strategic communication that respects these differences is necessary. This begins with ISAF's focus on messages, both oral and written, that leverage what is known about the distinctive cultural characteristics which define the various regions within Afghanistan. Attention must be paid to the diversity that exists even at the district

¹⁶⁹ "Cultural Awareness Training Set for February." *Army Times*. 29 November 2007. 7 May 2008.
<http://www.armytimes.com/news/2007/11/army_culturaltraining_071129w/>

¹⁷⁰ Kipp, Jacob, Lester Grau, Karl Prinslow, Don Smith. "The Human Terrain System: A CORDS for the 21st Century." *Military Review*. September 2006. 7 May 2008.
<<http://usacac.army.mil/CAC/milreview/English/SepOct06/kipp.pdf>>

level in order to respect the differences that persist from one tribe to the next (see Figure 3). For example, even within the Pashtun ethnic group, there are several distinctive tribes.



Figure 3: Ethno-linguistic Groups in Afghanistan¹⁷¹

It will be important for Afghanistan National Army Training Command (ANATC) and ISAF to produce strategic communications that disincentive the Taliban’s use of religion as a recruitment tool. These efforts should be locally tailored and designed to both attract additional Afghan soldiers for the ANA as well as deter Afghan cooperation with Taliban insurgents. Some examples of strategic communications may include:

- IEDs are for men with no honor.
- Sons are for prosperity.

¹⁷¹ “Ethno-linguistic Groups in Afghanistan.” *Global Security*. 6 May 2008. <<http://www.globalsecurity.org/military/world/afghanistan/images/ethnolingustic.jpg>>

- Q'uran says 'if you commit suicide you go to Hell.'
- Only a dog bites the helping hand.
- Proud Pashtuns, once so brave, are seeing their honor besmirched by cowards hiding bombs and running away.
- True Afghans do not fight in secret. The ANA stands tall.¹⁷²

These messages contain Pashtunwali subtexts which confer the major themes within this culture.

These messages leverage several ideas in particular: loss of honor as the ultimate bad; impoliteness of being rude to someone who is trying to help you; association with dogs being unclean; impoverishment in old age due to loss of sons; acting woman-like being undesirable.¹⁷³

Strategic communications should include both written and visual representations which are filtered through local Afghans to effectively combat pervasive whisper campaign which threaten to discredit international development efforts.

Lessons learned from U.S. experiences in dealing with an insurgency during the Vietnam conflict point to the need for a robust appreciation for the cultural and linguistic skills required for an effective counterinsurgency effort. The Civil Operations and Revolutionary Development Support (CORDS) program matched focused intelligence information with synchronized activities designed to win the hearts and minds of the South Vietnamese. CORDS was

¹⁷² Johnson, Thomas H. "Developing IED Counter-Narratives: Building a Viable Foundation That Works the Culture." Naval Post Graduate School. 21 Mar. 2008.

¹⁷³ Johnson, Thomas H. "Developing IED Counter-Narratives: Building a Viable Foundation That Works the Culture." Naval Post Graduate School. 21 Mar. 2008.

administered jointly by the South Vietnamese government and the Military Assistance Command-Vietnam (MACV) with the belief that victory in Vietnam was dictated by who ultimately won the loyalty of the people.¹⁷⁴ This premise is also evident in NATO efforts to defeat the Taliban insurgency.

Increasing cultural awareness will require a deeper understanding of each geographic area within Afghanistan. Given the extreme importance of studying the human dimension in this region, more social science experts will be required in order to gather information on the social groups and their distinctive interests, beliefs, and customs. Of course, this strategy is limited by the amount of resources dedicated to its use. Storing and disseminating this information may prove difficult as some data may be considered classified due to relevance to ongoing operations.

Building Human Capacity

USAID has determined that one of the core problems in Afghanistan is the lack of capacity, human, institutional and infrastructural, to absorb aid and support development. Most Afghans lack the job skills and self-efficacy required for even a moderately advanced economy. This may be due, in part, to the fact that more capable Afghans have been drawn to safer, more lucrative professions.¹⁷⁵

¹⁷⁴ Kipp, Jacob, Lester Grau, Karl Prinslow, Don Smith. "The Human Terrain System: A CORDS for the 21st Century." *Military Review*. September 2006. 7 May 2008.

<<http://usacac.army.mil/CAC/milreview/English/SepOct06/kipp.pdf>>

¹⁷⁵ "Afghanistan: Army remains a liability." *Oxford Analytica*. 4 Dec. 2007.

To increase human capacity, Afghan women and children should be given the opportunity to obtain education and job training. NATO and USAID should extend their collaborative efforts to create a more comprehensive training and education system particularly for the family members that take part in the aforementioned military-family program. Not only will this build and promote capacity, but the added benefits will help retention of the soldiers as well. Training can include anything from basic literacy to vocational areas critical to the economy such as food production, carpet weaving, shoe-making, jewelry-making and agri-business. One USAID program provides subsidized materials to women who operate bakeries that supply bread to the community.¹⁷⁶ This program also enables women to gain valuable on-the-job training in a particularly high-need area of the economy. Many NGOs, such as Women for Women International, are designed to provide vocational and technical skills training to equip women equip the means to earn an income, thereby helping them support their families and rebuild their communities.

The need for qualified teachers to support education can be addressed by expanding USAID programs designed to train teachers. USAID has several programs including the Master Trainer program, the Accelerated Learning program, and the Women's Teacher Training Institute. Through the Radio Teacher Training Program, more than 65,000 teachers in remote areas have

¹⁷⁶ "Providing Women the Tools to Earn a Living." USAID. 31 March 2006. 8 May 2008. <http://www.usaid.gov/stories/afghanistan/fp_afghanistan_bread.html.>

received training.¹⁷⁷ This program could be offered on a larger scale while facilities for more formal education are still being built.

Efforts to increase the level of education for Afghan children may be a source of contention for some Afghans. Girls, in particular, have not typically been given the opportunity to attend school due to strict Taliban rule. This is still a controversial issue for some and careful steps will have to be taken to give Afghans the time and information required to prove the merits of allowing all children to attend school. Protective measure will also be necessary as schools that allow girls have been frequent targets of Taliban attacks, particularly in the southern region of Afghanistan.¹⁷⁸

Building Institutional Capacity

Institutional capacity is believed by many to be a vital component of overall economic development within a state. From the perspective of USAID, building institutional capacity allows fragile states to create economic prosperity, develop indigenous capabilities to deal with disasters, disease, and crime, and to broaden trade and investment opportunities for developed states. USAID suggests that support for nascent institutions within developing states is the starting point. Assisting locally led institutions, not the amount of resources delivered, are the focus of this approach. In this view, if effective institutions are not present, foreign assistance can be simply mask or even damage state economic health and security.

¹⁷⁷ "Rebuilding Afghanistan." USAID. 29 June 2007. 7 May 2008.

<http://www.usaid.gov/locations/asia_near_east/countries/afghanistan/weeklyreports/050605_report.html>

¹⁷⁸ Constable, Pamela. "A Wake-Up Call in Afghanistan." Journal of Democracy 18.2 (2007): 84-98. Project MUSE. University of Nebraska, Omaha. 25 Feb. 2008. Keyword: Afghanistan.

USAID prioritizes this approach as follows:

- The goals of foreign aid must be clearly defined
- Resources must be aligned with those goals
- Strengthening institutional capacity must be emphasized
- Host country partnership, ownership, and participation must be stressed
- Absorptive capacity must be carefully examined
- The coordination of donor resources must be harmonized
- The transition from foreign aid to host nation self-reliance must be carefully measured

The implementation of this strategy involves several tactical initiatives.

- Short and long term employment in infrastructure construction and rehabilitation.
- Through local government figures or leaders, establishing and assisting garbage collection and cleanup programs.
- Community level programs to facilitate dialogue with local decision makers
- Using the model of the Provincial Reconstruction Teams (PRT) to assist local leaders to build institutional capacity in the delivery of power, water, and water treatment
- Encourage direct citizen participation in rehabilitation and reconstruction efforts
- Increase access to financial services for the populace to build the credibility of the financial system
- Strengthening agricultural sector through training and assistance

- Promoting small business development
- Advocating regulatory and transparency reforms to build confidence
- Working with regional and national government institutions and bureaucrats to assist in all efforts¹⁷⁹

Throughout all, the emphasis on building institutional capacity, both in the public and private sectors, is the touch stone of this philosophy. It emphasizes training the locals, transitioning control to them, and then gradually withdrawing assistance mechanisms once they are able to effectively manage matters on their own.

USAID suggests that the benefits to the U.S. are many. Building institutional capacity and emphasizing a transition strategy reduces threats from failed states while at the same time ensuring that aid and assistance is distributed in an efficient fashion. It emphasizes local accountability and leads to the development of states that can stand on their own.

USAID cites several successful cases:

- Several post-communist states, such as Lithuania, Slovenia, and Poland
- In Latin America: Chile and Mexico are cited as successes
- In South and South East Asia: India, Bangladesh, Sri Lanka, and Vietnam
- In East Asia: Korea, Singapore, Malaysia, and Thailand

¹⁷⁹ USAID. "USAID/Iraq Transition Strategy Plan." (2008): 1-8.

- In Africa: Uganda, Senegal, Tanzania¹⁸⁰

However, it also admits that many countries in these same regions have failed to develop as expected. Intuitively, USAID generally cites the failure of local political and military leaders to adopt institutional reforms that would build capacity.¹⁸¹ It is worth noting that most of the negative examples are autocratic governments or failed states. Presumably, leaders in such states are simply unwilling to “buy in” to processes requiring accountability.

When considering the transfer of this philosophy to Afghanistan, it would appear that this is a theoretically sound model with at least some chance of success. Counterintuitively, one might suggest that the implementation of this strategy would actually be easier in Afghanistan than in other states, because of the total lack of historic achievements in this regard. Any sort of progress would appear dramatic at the local level, and even weak institutions would be better than none at all.

District Reconstruction Teams

There are currently only 25 PRTs in action in Afghanistan. With an area roughly the size of the state of Texas to cover, these teams face incredible challenges when attempting to provide a discernible level of change in the quality of life for Afghans. It is also problematic for PRTs to accommodate the vast differences in culture and language they face even within the confines of one province. In response to these problems, the project team recommends breaking PRTs down

¹⁸⁰ Natsios, Andrew. “U.S. Foreign Aid: Meeting the Challenges of the Twenty-First Century.” USAID. (2004): 1-38.

¹⁸¹ Natsios, Andrew. “U.S. Foreign Aid: Meeting the Challenges of the Twenty-First Century.” USAID. (2004): 1-38.

into smaller units by creating District Reconstruction Teams (DRTs) that specialize in the language and culture of their district. Furthermore, DRTs should consult with U.S. Human Terrain System (HTS) experts and leverage their body of knowledge with regard to the multi-faceted realm of Afghan ethnographic and social science issues. With Human Terrain Teams (HTTs) situated at the Brigade Combat Team (BCT) and Division levels, DRTs should access the HTT's open-source Mapping Human Terrain database to gather cultural data specific to their district.¹⁸² However, the collaborative capabilities of the proposed DRT system and the HTS program warrants further investigation.

Referencing the districts in Figure 4, there are many ways in which DRTs can be put to use. With roughly 398 districts divided between 34 provinces, providing for DRTs would require a significant increase in manpower and resources. One way to increase the number of social scientists available to live and work in the extreme environment of Afghanistan would be to forgive the student loans of recent college graduates willing to provide their expertise for a pre-determined number of months or years.

¹⁸² Kipp, Jacob, Lester Grau, Karl Prinslow, Don Smith. "The Human Terrain System: A CORDS for the 21st Century." *Military Review*. September 2006. 7 May 2008.
<<http://usacac.army.mil/CAC/milreview/English/SepOct06/kipp.pdf>.>

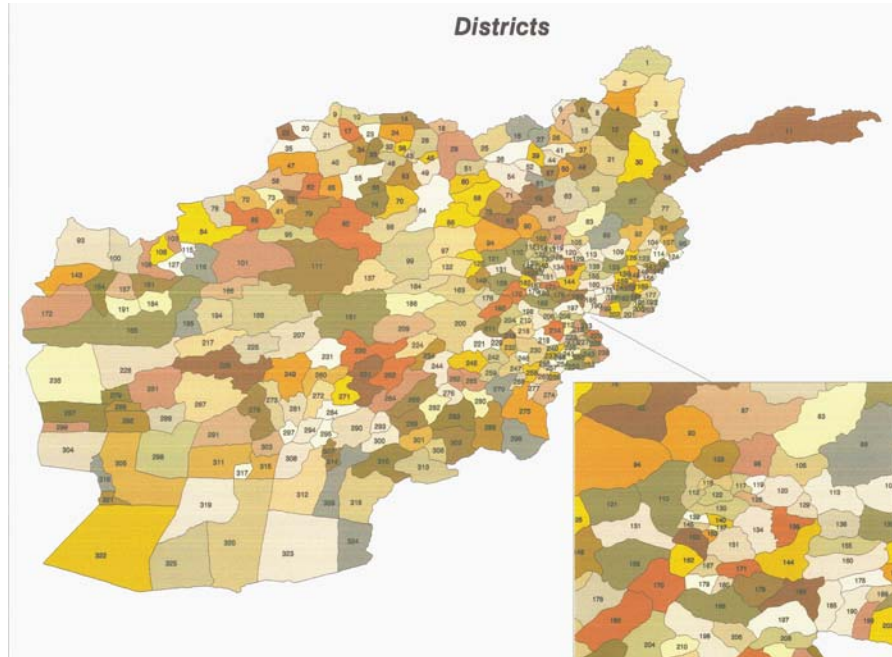


Figure 4: Districts in Afghanistan

This recommendation would also require a renewed commitment by NATO to bolster the financial and human resources that are currently employed in Afghanistan. This may prove to be a difficult obstacle to overcome, but it is one that is essential to winning over rural Afghans as many question the commitment and motivation of international forces to rebuilding Afghanistan. By robustly and earnestly improving the quality of life for all Afghans, NATO stands a better chance of preventing Afghans, particularly in the southern reaches of the country, from assisting insurgents in their fight to disrupt economic development and thus the empowerment of a democratic regime in Afghanistan.

IRAQ

Iraq is of particular interest to the U.S. because of its military, political, and economic stakes in the country. The objective for studying Iraq is to examine possible methods to improve economic development with the ultimate goal of state stability. In addressing the issue of economic development, key barriers to economic development are identified, then alternatives for addressing these barriers are explored. The following sections describe the background research, problems, and proposed solutions.

Background

In order to gain a holistic view of the current conditions in each country, the PMESII framework was utilized. This framework provides a review which breaks the country's conditions into the political, military, economic, social, infrastructure, and information sections. The key conditions in each category were used to form a foundation for the recommendations.

Political Overview

The Republic of Iraq is a parliamentary democracy. The bicameral Legislative branch consists of the Council of Representatives (CoR), whose 275 members are elected through a closed-list, proportional representation (PR) system and the yet to be defined Federation Council presumably with a selection process that would create equal representation across the 18 muhafazats, or governorates. A closed-list, PR system selects legislators based on the percentage of the popular vote each party receives. For example, if party A receives 75% of the vote and party B receives 25% of the vote, then party A would get roughly 206 seats and party B would get roughly 69 seats in the CoR. The closed-list means that voters are choosing their preferred party rather than

any select individual. The party then picks which people are to receive seats. Going back to the previous example, party B would take the first 69 members from their list and give them seats in the CoR.

The CoR elects the executive branch which consists of the Presidency Council (president and two vice-presidents), the prime minister, and two deputy prime ministers. The presidency council then chooses the 34 ministry portfolios in the government. The president serves as the chief of state and the prime minister serves as the head of government.

Three main issues confront the government of Prime Minister Nuri al-Maliki. The first is the inability of the numerous parties in Iraq to compromise or agree on many issues. The literature states this as a problem of national reconciliation. Many of the parties have not fully immersed themselves in the new political process; instead, the parties operate militias or refuse to engage in the political process. The stability of the current government, in terms of the prime minister and the 34 ministers, is in jeopardy because factions within their coalition are dropping out of the process. In August 2007, a large contingency of Sunni legislators resigned from their ministerial positions to protest the course of action the prime minister was taking.¹⁸³

The second political problem concerns the relations between the highly autonomous Kurdistan Regional Government (KRG) and the government in Baghdad. The KRG is significantly more

¹⁸³ "Iraq." Country Report. Iraq (Aug. 2007): 1-7. Business Source Premier. EBSCO. Reinert-Alumni Memorial Library, Omaha, NE. 18 Feb. 2008.
<<https://login.cuhs1.creighton.edu/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=buh&AN=26352832&site=bsi-live>>.

stable than its Baghdad counterpart. Disputes about oil revenue sharing and the integration of Kirkuk into the regional control of the KRG complicate many of the referendums and laws that the governments in Baghdad and the KRG try to push through.¹⁸⁴ Additionally, the presence of the Kurdish Workers Party (PKK) and its frequent incursions into Turkey are another point of contention; it has also soured relationships between Iraq and Turkey generally since Turkey blames the failure to stop the attacks on the KRG.¹⁸⁵

The third political problem stems from the failure to pass a draft oil law that would outline policies for oil revenue sharing and limitations on private and state-owned oil corporations. Compromise between regions with high resource availability and low resource availability is complicated by not only the instability in the government, but also by the highly contentious issue of resource distribution of oil revenues.¹⁸⁶

Using such international indexes as those previously mentioned (see Afghanistan: Political Overview), in 2007, the Transparency International Corruption Perceptions Index for Iraq was 1.5, a score which placed it 178th out of 179 countries scored. Such rankings thoroughly indicate

¹⁸⁴ "Country Report: Iraq." Country Report. Iraq (Aug. 2007): 1-7. Business Source Premier. EBSCO. Reinert-Alumni Memorial Library, Omaha, NE. 18 Feb. 2008.
<<https://login.cuhsl.creighton.edu/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=buh&AN=26352832&site=bsi-live>>.

¹⁸⁵ Blanche, Ed. "Kurdish powder keg." Middle East (Jan. 2008): 26-28. Academic Search Premier. EBSCO. Reinert-Alumni Memorial Library, Omaha, NE. 18 Feb. 2008.
<<https://login.cuhsl.creighton.edu/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=aph&AN=28073891&loginpage=login.asp&site=ehost-live>>.

¹⁸⁶ "Country Report: Iraq." Country Report. Iraq (Aug. 2007): 1-7. Business Source Premier. EBSCO. Reinert-Alumni Memorial Library, Omaha, NE. 18 Feb. 2008.
<<https://login.cuhsl.creighton.edu/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=buh&AN=26352832&site=bsi-live>>.

that corruption is widespread and common in Iraq.¹⁸⁷ Furthermore in 2007, Iraq scored 6 for both political rights civil liberties, scores which classify the country as not free. In its report on Iraq, Freedom House named the sectarian violence as the biggest contributor to the lack of freedom in Iraq. Although Iraq has made numerous strides in creating an atmosphere more conducive to freedom by means of elections and an independent judiciary, corruption in the government remains a huge problem when it is estimated that a quarter of all incoming aid being lost to corrupt government officials.¹⁸⁸

Military Overview

In the past 30 years, Iraq has been involved in three main wars, namely the Iran-Iraq War (1980-1988), the First Gulf War (1990-1991), and the Iraq War (Operation Iraqi Freedom, 2003-).¹⁸⁹

Currently, approximately 440,000 Iraqi military and police personnel have been trained for the Ministry of Defense (MoD) and the Ministry of Interior (MoI) forces, which in combination comprise the Iraqi Security Forces (ISF).

The MoI forces include the Iraqi Police Service (IPS), the National Police (NP), the Directorate of Border Enforcement (DBE), the Facilities Protection Services (FPS), and the National Information and Investigation Agency (NIIA). The MoI continues to improve its capabilities,

¹⁸⁷ Transparency International Corruption Perceptions Index 2007. 18 Feb. 2008
<http://www.transparency.org/policy_research/surveys_indices/cpi>.

¹⁸⁸ Country Report: Iraq. 2007. Freedom House. 18 Feb. 2008
<<http://www.freedomhouse.org/template.cfm?page=22&country=7197&year=2007>>

¹⁸⁹ United States. Federal Research Division. Library of Congress. Country Profile: Iraq. Aug. 2006. 12 Feb. 2008.

showing progress in some areas such as force generation, operational success, and reform efforts. However, corruption and sectarianism within the ministry serve as impediments to further success. Although there has been a dramatic increase in number of troops, not all of them have been trained since recruitment levels surpassed training academy capacity levels.¹⁹⁰

As of January 2008, trained Iraqi Security Forces numbered 425,345. Their ability to secure and maintain Iraq remains constrained in their readiness levels because of MoD and MoI deficiencies in logistics, combat support functions, and intelligence, as well as a shortage of officers at all operational and tactical levels. In addition to the Iraqi Security Forces, as of April 2008 approximately 155,000 U.S. troops are currently in Iraq, with approximately 10,000 additional non-U.S. coalition troops.¹⁹¹

The IPS comprises the majority of the MoI forces with approximately 225,000 personnel used for basic patrol, station, and traffic details. Their mission is to enforce the law, safeguard the public and provide security on a local basis. Although training continues to improve and provide more troops for security detail, troops at the local levels have been subject to armed militant or gang intimidation which dilutes their mission purpose, as well as having limited access to available or operational equipment.¹⁹²

¹⁹⁰ Measuring the Stability and Security in Iraq, December 2007, Report to Congress

¹⁹¹ O'Hanlon, Michael E., and Jason H. Campbell. Iraq Index: Tracking Variables of Reconstruction & Security in Post-Saddam Iraq. Vers. January 28, 2008. 28 Jan. 2008. The Brookings Institution. 18 Feb. 2008 <<http://www.brookings.edu/saban/iraq-index.aspx>>.

¹⁹² Measuring the Stability and Security in Iraq, March 2008, Report to Congress

The mission of the NP is to provide basic police services to local areas, and is reaching out to Sunnis and former regime officers for better representation of the Iraqi people. After experiencing extended periods of lacking operational readiness, the Coalition forces implemented a four-phase NP Transformation Program to standardize policies regarding human rights, rule of law, democratic policing, police ethics, and counterinsurgency tactics throughout the force.¹⁹³

The DBE, or Directorate of Border Enforcement, has two key missions, which include policing ports of entry into the country to ensure the smooth transition of legal goods and persons, and stopping illegal traffic in and out of the country, which could include smuggling of illegal goods and substances, people or terrorists and foreign fighter movements. This branch continues to make significant progress, but it lacks sufficient fuel supplies, maintenance capability of equipment, and as officers to run the operation. The FPS's main objective is to guard national facilities of all kinds. The NIIA includes 4,600 personnel, and functions as the lead intelligence tool of the MoI.¹⁹⁴

¹⁹³ United States. Cong. Report to Congress in Accordance with the Department of Defense Appropriations Act 2007 (Section 9010, Public Law 109-289). Washington: GPO, 2007.

¹⁹⁴ United States. 2007.

In terms of supplies, the MoI recently purchased \$192 million worth of supplies including one million rounds of ammunition, clothing and equipment for forces, as well as vehicles and parts through contractors and foreign military sales.¹⁹⁵

Corruption remains a problem for both the troops on the ground as well as the ministry directing them; the Internal Affairs Directorate investigations have led to forcible retirements and arrests of high-ranking military personnel, as well as thousands of additional personnel in an effort to clean up ministry.¹⁹⁶

The MoD forces include the Army, Air Force, and Navy, and the Counter-terrorism forces. Although 208,000 personnel were authorized, only 161,000 were on payroll at the end of 2007. The Army has 137,000 assigned soldiers and officers, and by the end of 2007, 3 additional brigades, 4 support companies, 5 infantry battalions, 1 motor transport regiment, 1 logistics battalions, and 1 infrastructure repair regiment were set to be created and operational. Between December 2007 and May 2008, the Infrastructure Repair Regiment will include a headquarters and service company, two security companies, an electric repair company, and a pipeline repair company. The MoD and Joint Headquarters (JHQ) are working with the Multi-National Security

¹⁹⁵ United States. Cong. Report to Congress in Accordance with the Department of Defense Appropriations Act 2007 (Section 9010, Public Law 109-289). Washington: GPO, 2007.

¹⁹⁶ United States. 2007.

Transition Command-Iraq (MNSTC-I) to transfer the responsibility for national level maintenance from contractors to the Iraqi Army (IA).¹⁹⁷

The Navy had approximately 1,100 assigned officers as of December 2007, which was set to increase to 1,500 by the end of February 2008. Although they are assigned to headquarters in Baghdad, the rest of the Navy is based in Umm Qasr, with a single operational headquarters, afloat squadron, support squadron, and battalion of marines for point defense of offshore oil platforms. The goal is to increase the Navy's forces to 2,500 personnel to support two offshore support vessels (OSV), four patrol ships (PS), and fifteen patrol boats (PB), all of which have been purchased commercially and should arrive by October 2009. Although the transition date from coalition forces to the Iraqi Navy has been set for late 2010, training remains a major roadblock in obtaining that goal.¹⁹⁸

The Iraqi Air Force (IAF) is projected to have approximately 1,500 troops by the end of 2007, with plans to ultimately have a force with more than 12,000 personnel. Currently, the IAF has 129 trained pilots, with 51 assigned aircraft. A rotary-wing fleet of 35 helicopters is located at the Taji Air Base in addition to the four Mi-17 helicopters currently owned as of January 2008. The IAF is also looking to add 14 more Iraqi-funded Mi-17s and eight U.S.-funded Mi-17s to the force for increased capability in counterterrorism missions. Additionally, the IAF owns three C-130E aircraft, and have requested an additional three from the U.S. Finally, the IAF has 13

¹⁹⁷ United States. Cong. Report to Congress in Accordance with the Department of Defense Appropriations Act 2007 (Section 9010, Public Law 109-289). Washington: GPO, 2007.

¹⁹⁸ United States. 2007.

Intelligence, Surveillance, and Reconnaissance (ISR) aircraft used for intelligence gathering missions. The latest estimations indicate that this branch is on-target for its transition from coalition-led control to Iraqi control.

The Counter-Terrorism Bureau has approximately 3,500 personnel divided into 4 battalions so far, which include the counter-terrorism battalion, the commando battalion, the support battalion, and the special reconnaissance battalion. As of December 2007, four expansion battalions are currently in progress of being implemented.¹⁹⁹

Concerned Local Citizen Groups (CLCs), also known as Awakening Councils, Sons of Iraq, or *Sahwa*, are coalitions between local tribal sheikhs and the coalition forces to ensure protection of the individual's own neighborhoods. They function essentially like neighborhood watch groups, where local citizens take part in the protection of local areas and neighborhoods against Al Qaeda in Iraq (AQI). Other groups take part in U.S.-funded contracts meant to protect critical infrastructure. With anywhere between 69,000-90,000 individuals involved, approximately 80% are Sunni, while the remaining approximately 20% are Shi'a.²⁰⁰

This tribal uprising among the Sunni Arabs began in the Anbar Province, and later moved to Baghdad and outward to other parts of the country. After the fall of Saddam Hussein, Sheikh 'Abd al-Sattar Biza'i al-Rishawi of the Albu Risha tribe became the leader of the Anbar

¹⁹⁹ United States. Cong. Report to Congress in Accordance with the Department of Defense Appropriations Act 2007 (Section 9010, Public Law 109-289). Washington: GPO, 2007.

²⁰⁰ United States. 2007.

Awakening through a rather convoluted manner; after the regime change in 2003, Sheikh ‘Abd al-Sattar led a group of highwaymen to facilitate in the movement of AQI by providing transportation, safe houses, and local guides. However, after AQI had its own people begin working directly as highwaymen, thus encroaching on Sheikh ‘Abd al-Sattar’s territory and cutting his profits along with killing his father and several brothers, the previously mutually beneficial relationship was broken, and the sheikh then turned on AQI and allied himself with coalition forces.²⁰¹

These groups are proving crucial to counterinsurgency effort, because many are former insurgents or from other illegally armed groups, and thus know not only the local political, social, and military landscape, but also the common enemy. The coalition’s efforts to engage local sheikhs and their tribes have been slow, but they have yielded important benefits. Because sheikhs usually have expert knowledge on the local area in which they and their tribe live, they often are a good source of information among various tribal and non-tribal networks. Besides information, sheikhs are often able and willing, given the right motivations, to provide advice and influence among their tribesmen. These groups that are involved with the *Sahwa* have aided coalition troops in the pursuit and apprehension of insurgents and former regime officials, the screening of detainees for insurgent ties, and the recovery of kidnapping victims. Although some groups may voluntarily aid the coalition forces, many work on the basis of *quid pro quo*, where

²⁰¹ Eisenstadt, Michael LTC. “Iraq: Tribal Engagement Lessons Learned.” Military Review September-October (2007): 16-31

they will offer help in return for a favor, usually construction or reconstruction contracts or positions within the government.²⁰²

While the coalition forces have experienced some success engaging tribal leaders in the safekeeping of Iraq, many problems have been encountered that work against the efficiency of the *Sahwa*. First, the slow integration of CLC members into government institutions has angered many of the sheikhs who are seeking positions. This slow integration appears to arise because of the government's aversion to having Sunni Arabs in governmental positions. The new Iraqi government is dominated by Shi'a Arabs, who historically have been denied positions of power, are hesitant to give them up now. Additionally, Prime Minister al-Maliki has expressed fears regarding these local citizen groups; although he recognizes they have so far been useful, al-Maliki fears these forces, now armed by the coalition forces and the Iraqi government, will return to insurgency when it is no longer beneficial to support the coalition forces.^{203 204}

A second problem involves the growing assault the *Sahwa* has come under not only by the Shi'a-led government, but also from AQI and from within the organization. Since October 2007, at least 147 members of the *Sahwa* movement have been targeted and killed by AQI, as well as many attempts made on one of the *Sahwa* founders, Sheikh Ali al-Hatem and the death of Sheikh

²⁰² Eisenstadt, Michael LTC. "Iraq: Tribal Engagement Lessons Learned." Military Review September-October (2007): 16-31

²⁰³ Dagher, Sam. "Split Surface in Iraq's 'Awakening'" Christian Science Monitor 100.55 (2008).

²⁰⁴ United States. Cong. Report to Congress in Accordance with the Department of Defense Appropriations Act 2007 (Section 9010, Public Law 109-289). Washington: GPO, 2007.

‘Abd al-Sattar Biza’i al-Rishawi by a car bomb in 2007, mentioned previously as one of the driving forces of the movement.²⁰⁵

An internal schism may hamper the efforts of the *Sahwa* as Sheikh ‘Abd al-Sattar’s successor, his brother Sheikh Ahmed, contends with Sheikh Hatem, who considers himself to be the next rightful chief of the *Sahwa*, for the top position within the movement. Sheikh Ahmed has forged alliances with Iraq’s top Sunni party, the Iraqi Islamic Party (IIP) has met with other tribal leaders in hopes of perhaps forming a new party for the upcoming provincial elections.²⁰⁶

Economic Overview

Reliable economic data indicators are hard to come by for Iraq. Much of the data available are from before 2003. Data from 2003 forward are usually estimates because of measurement problems stemming from the violence, instability, and lack of functioning infrastructure brought about by the war.

In the United States it is possible to get relatively good measures of inflation with the Consumer Price Indexes (CPI). The Bureau of Labor Statistics sends out economic assistants to find out the prices for certain goods in different urban centers around the United States. The prices are then compiled to give an index of the cost for buying such goods. An analysis of the CPI over time

²⁰⁵ Dagher, Sam. "Split Surface in Iraq's 'Awakening'" Christian Science Monitor 100.55 (2008).

²⁰⁶ Dagher, Sam. 2008.

can give a very good indication to the amount of inflation or deflation in the United States.²⁰⁷ In Iraq, no organization with the capacity of the U.S. Bureau of Labor Statistics exists. Similar indicators like GDP, trade statistics, and unemployment present the same issues. Although estimates are helpful, the team notes the need to qualify any kind of analysis performed, knowing the estimates used could be markedly different than reality.

The U.S. State Department and the Central Intelligence Agency estimate Iraq's GDP to be around \$55 billion on an exchange rate basis²⁰⁸ and around \$100 billion in terms of Purchasing Power Parity (PPP).²⁰⁹ GDP per capita is a modest \$3,600 for both exchange rate²¹⁰ and PPP.²¹¹ The growth rate, adjusted for inflation, of the economy using the latest data as of February 2008 was about 5%.²¹² In the Iraqi economy 5% of GDP comes from agricultural products such as wheat, barley, rice, vegetables, cotton, dates, cattle, and sheep, 68% from industrial products such as petroleum, chemicals, textiles, construction materials, food processing, fertilizer, and

²⁰⁷ Consumer Price Indexes: Frequently Asked Questions. 30 Nov. 2007. Bureau of Labor Statistics. 18 Feb. 2008 <http://www.bls.gov/cpi/cpifaq.htm#Question_1>

²⁰⁸ "Background Note: Iraq." Background Notes on Countries of the World: Iraq. United States Department of State Bureau of Near Eastern Affairs. 18 Feb. 2008 <<http://www.state.gov/r/pa/ei/bgn/6804.htm>>.

²⁰⁹ Iraq. CIA World Factbook. 12 Feb. 2008 <<https://www.cia.gov/library/publications/the-world-factbook/geos/iz.html>>

²¹⁰ "Background Note: Iraq." Background Notes on Countries of the World: Iraq. United States Department of State Bureau of Near Eastern Affairs. 18 Feb. 2008 <<http://www.state.gov/r/pa/ei/bgn/6804.htm>>.

²¹¹ Iraq. CIA World Factbook. 12 Feb. 2008 <<https://www.cia.gov/library/publications/the-world-factbook/geos/iz.html>>

²¹² "Background Note: Iraq." Background Notes on Countries of the World: Iraq. United States Department of State Bureau of Near Eastern Affairs. 18 Feb. 2008 <<http://www.state.gov/r/pa/ei/bgn/6804.htm>>.

metal fabrication/processing.²¹³, and the remaining 27% comes from the service sector.

Unemployment estimates are vastly different depending on the source, but the estimates are generally between 25% and 40%.

The fall of Saddam Hussein's regime marked a staggering 47% real growth rate in GDP in 2004²¹⁴, but this growth quickly tapered off to around 3% the following year with marginal increases after that. Both the Economist Intelligence Unit²¹⁵ and Global Insight see encouraging gains in the Iraq economy from 2006 onward. Analyses from both groups indicate that the level of GDP growth heavily depends on increasing oil production and a decrease in violence. Passage of the draft oil law is critical to the development of the oil industry and to attract foreign investors to rebuild much of the oil infrastructure.

Inflation varies greatly depending on the erratic cost of fuel but the State Department measured a reasonable amount of inflation in 2007 at 4.7%.²¹⁶ Global Insight and the Economist Intelligence Unit estimated inflation to be 66% in January 2007 before it dropped to 35% September²¹⁷ and

²¹³ "Background Note: Iraq." Background Notes on Countries of the World: Iraq. United States Department of State Bureau of Near Eastern Affairs. 18 Feb. 2008 <<http://www.state.gov/r/pa/ei/bgn/6804.htm>>.

²¹⁴ "Iraq." Iraq Country Monitor (4th Qtr. 2007) Business Source Premier. EBSCO. Reinert-Alumni Memorial Library, Omaha, NE. 18 Feb. 2008.

²¹⁵ "Country Report: Iraq." Country Report. Iraq (June 2007): 1-35. Business Source Premier. EBSCO. Reinert-Alumni Memorial Library, Omaha, NE. 18 Feb. 2008.

²¹⁶ "Background Note: Iraq." Background Notes on Countries of the World: Iraq. United States Department of State Bureau of Near Eastern Affairs. 18 Feb. 2008 <<http://www.state.gov/r/pa/ei/bgn/6804.htm>>.

²¹⁷ "Country Report: Iraq." Country Report. Iraq (June 2007): 1-35. Business Source Premier. EBSCO. Reinert-Alumni Memorial Library, Omaha, NE. 18 Feb. 2008.

16% in November.²¹⁸ The State Department may exclude the cost of fuel in its inflation figures and this may account for the disparity between estimates. Both the Global Insight and the Economist Intelligence Unit state that the Central Bank of Iraq (CBI) has made great strides in controlling the monetary supply in Iraq and attributes the continued decreases in inflation to the CBI. Projections for 2008 have the rate of inflation staying around 31%.²¹⁹ If fuel costs decrease and the Iraqi dinar continues to appreciate through the efforts of the CBI, inflation could fall even lower than the 31% inflationary projection.

Iraq is heavily dependent on trade both to export oil and to import food. Total exports, as estimated by the U.S. State Department in 2007, topped \$34 billion. A reported, 84% of exports were crude oil, 8% from other crude materials, and 5% from food and live animals. Iraq imported \$23.09 billion worth of goods, mostly food, medicine, manufactured goods, and refined petroleum products.²²⁰

	Imports	Exports
Products	Food, medicines, manufactured goods, refined petroleum products	Crude oil (84%), other crude products (8%), food and live animals (5%)
Countries	Syria (26.5%), Turkey (20.5%), U.S. (11.8%), Jordan (7.2%)	U.S. (46.8%), Italy (10.7%), Canada (6.2%), Spain (6.1%)

Table 3: Trade balance, Iraq

The trade situation generally consists of exporting oil in order to import much needed food. The economy is heavily export dependent with \$34 billion of Iraq's estimated \$55 billion economy

²¹⁸ "Iraq." Iraq Country Monitor (4th Qtr. 2007) Business Source Premier. EBSCO. Reinert-Alumni Memorial Library, Omaha, NE. 18 Feb. 2008.

²¹⁹ "Iraq." Iraq Country Monitor (Jan. 2008): 1. Business Source Premier. EBSCO. Reinert-Alumni Memorial Library, Omaha, NE. 18 Feb. 2008.

²²⁰ "Background Note: Iraq." Background Notes on Countries of the World: Iraq. United States Department of State Bureau of Near Eastern Affairs. 18 Feb. 2008 <<http://www.state.gov/r/pa/ei/bgn/6804.htm>>.

being sent to other nations. This is hardly surprising given the resource bounty that Iraq possesses.

Social Overview

Iraq shares borders with Kuwait (240 kilometers) and Saudi Arabia (814 kilometers) to the south, Jordan (181 kilometers) and Syria (605 kilometers) to the west, Turkey (352 kilometers) to the north, and Iran (1,458 kilometers) to the north and west. Iraq possesses a total land area of 437,072 square kilometers, and within this area approximately 27,499,638 Iraqis reside. The majority of the population lives in the alluvial plain between the Tigris and Euphrates Rivers and the northeast portion of the country, leaving the southwestern portion of the country, dominated by the Syrian Desert, largely uninhabited. Although the life expectancy at birth for the total population is 69.31 years, the greater part of Iraqis are under the age of 65, with 39.4% of Iraqis being 0-14 years, 57.6% being 15-64 years, and only 3% being over 65 years.²²¹

Iraq is divided into two main ethnic groups that make up almost the whole population; Arabs comprise anywhere between 75-80% of the population, the Kurds comprise approximately 15-20% of the population, and smaller ethnicities such as Turkoman or Assyrian comprise the remaining 5% or less.²²²

²²¹ "Iraq." The World Factbook. 12 Feb. 2008. Central Intelligence Agency. 18 Feb. 2008 <<https://www.cia.gov/library/publications/the-world-factbook/geos/iz.html>>.

²²² "Iraq." The World Factbook. 12 Feb. 2008. Central Intelligence Agency. 18 Feb. 2008 <<https://www.cia.gov/library/publications/the-world-factbook/geos/iz.html>>.

Although the Arabs comprise the majority of the country, they themselves are divided along religious factions, which include Shi'a and Sunni Muslims. The Shi'a may represent the majority of Muslims, but they were often excluded from official governmental positions under Saddam Hussein's long reign. The Shi'a and the Kurds were often targets of persecution and as a result, tensions are high between the groups even today.

The Kurds are located in the northeast portion of Iraq in the area they call Kurdistan. Although approximately 4 million Kurds inhabit Iraq, many more are located throughout the Middle East with communities in Iran, Turkey, Syria, and the Caucasus region. The Sunni Arabs have dominated Iraq not only during Saddam Hussein's regime, but also before that with various Iraqi governments since the British creation of the state in the 1920s. Since they represent approximately 20% of the population, the Sunni often worry about being displaced in terms of governmental power in Iraq.²²³

Estimated to make up approximately 65% of Iraq's population, the Shi'a Arabs are the largest ethnic group in the country. The Shi'a inhabit mostly the southern portion of the country, although many were forced to move north as part of Saddam Hussein's "arabization" programs. The Shi'a were persecuted along with the Kurds under the Sunni-ruled Baathist government, and although they attempted to rebel after the First Gulf War, the uprising was crushed by Iraqi troops, and the Shi'a people were subsequently massacred to prevent additional rebellions. The

²²³ Karon, Tony. "Understanding Iraq's Ethnic and Religious Divisions." Time. 24 Feb. 2006. CNN. 12 Feb. 2008 <<http://www.time.com/time/world/article/0,8599,1167476,00.html>>.

Shi'a now have a large number of members on the Iraqi Governing Council and in governmental positions.²²⁴

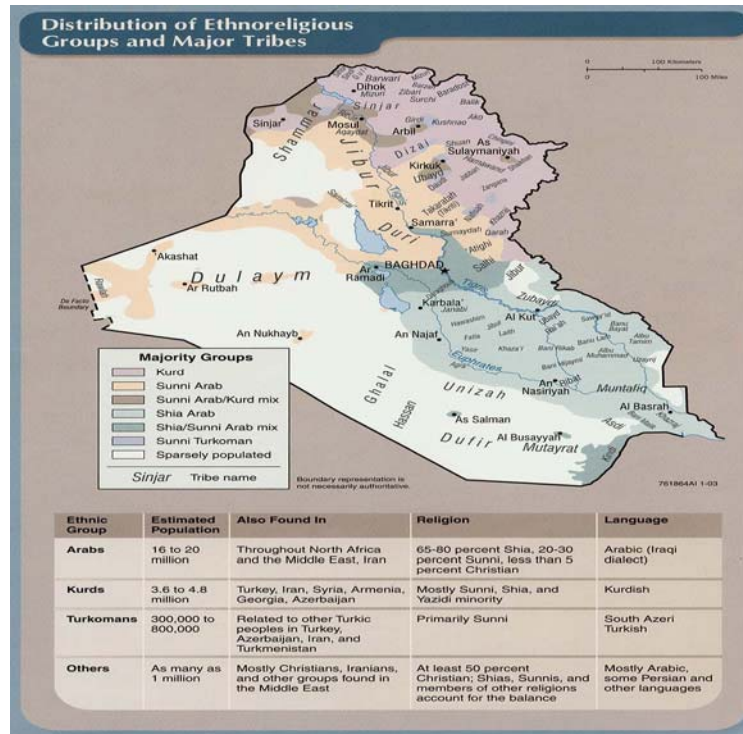


Figure 5: Tribes and Ethnic Groups in Iraq²²⁵

Although there are few ethnic divisions in Iraq, those populations are divided many times over into different tribes. A tribe is a form of political identity based on common claimed descent. Many tribes vary structurally and may embrace markedly different kinship rules, types of

²²⁴ "Beyond Baghdad: People and Politics." *Frontline*, 12 Feb. 2004. PBS. 12 Feb. 2008 <<http://www.pbs.org/wgbh/pages/frontline/shows/beyond/etc/map.html>>.

²²⁵ "Distribution of Ethnoreligious Groups and Tribes in Iraq." Map. *Perry-Castañeda Library Map Collection*. University of Texas. 14 Feb. 2008 <http://www.lib.utexas.edu/maps/middle_east_and_asia/iraq_ethno_2003.jpg>.

political authority, structures, and lifestyles.²²⁶ Tribes are organized hierarchically, with the family being the lowest and most important part of the base, which then combine to form into lineages or tribal subsections, which then combine to form clans or tribal sections, a number of which make up a tribe, and multiple tribes ultimately comprises a tribal confederation.²²⁷ Thousands of clans, hundreds of tribes, and approximately two dozen tribal confederations exist today, each with its own head (or sheikh). States and governments in the past have dealt with sheikhs as local power brokers to aid in ruling a local area.

Tribal values continue to be of the utmost importance in Iraqi society, and also influence political culture. Common values include group solidarity, desire to preserve autonomy of the tribe, personal and group honor, sexual honor of the family's females, manliness (which includes such traits as courage, loyalty, generosity, and hospitality), and pride in one's ancestry.²²⁸

Seventy-five percent or more of Iraq's total population is a member of a tribe or have kinship ties to one. The largest tribes in Iraq include the Shammar, which includes 1.5 million members, the Dulaym, the Jibur, Tikriti-al, and Khaza'il-al.

As Saddam Hussein's regime fell in 2003, many Iraqis looked to their family, tribe, or ethnic group for support in the challenges that were often encountered. This vacuum made way for

²²⁶ Eisenstadt, Michael LTC. "Iraq: Tribal Engagement Lessons Learned." Military Review September-October (2007): 16-31

²²⁷ Hassan, Hussein D. United States. The Library of Congress. Congressional Research Service. Iraq: Tribal Structure, Social, and Political Activities. Congressional Research Services, 2007.

²²⁸ Hassan, Hussein D. 2007.

stronger tribal identifications than Iraq has seen for many years. Dealings in post-Saddam Iraq have included contacting sheikhs in various areas and aiming to engage them in the effort to stabilize Iraq and defeat armed militants and sectarian violence. Although the authority of the sheikh ultimately depends on the local circumstances and conditions, many are willing to aid the coalition and Iraqi forces in eradicating armed militants that continue to drive the violence in Iraq. The coalition's efforts of tribal engagement have produced some positive results; sheikhs, often well connected with various tribal and non-tribal networks, are often considered useful sources of information and advice concerning the local people and area.²²⁹ Additionally, the efforts to work with tribal units at decreasing violence in tribal areas has been successful when the correct favors are exchanged (such as construction projects, reconstruction contracts, freeing of detainees), often significantly reducing the lethality and number of attacks.²³⁰

Religion plays a very important role in the social interactions of Iraq. The religion of Islam suffered a serious schism in its followers after the death of Mohammad, their prophet, in 632 A.C.E., regarding the interpretation of his final words and prophecies left behind. When their prophet died unexpectedly, he left no instructions as to who should succeed him to lead the religion, or how his subsequent successors should govern the territorial empire he had consolidated during his rule. While many believed that Mohammad would have wanted his son-

²²⁹ Otterman, Sharon. "Iraq: the Role of Tribes." Council on Foreign Relations. 13 Nov. 2003. Council on Foreign Relations. 14 Feb. 2008 <<http://www.cfr.org/publication/7681/iraq.html>>.

²³⁰ Eisenstadt, Michael LTC. "Iraq: Tribal Engagement Lessons Learned." Military Review September-October (2007): 16-31

in-law, Ali, to take control, Abu Bakr, the father of one of Mohammad's wives was named as the prophet's successor (or *caliph*).

The Sunnis are followers of Abu Bakr, and believe that the people should always elect the *caliph*, and the position should not transfer because of hereditary ties. The Shi'a are followers of Ali, and believe that the only true leaders of Islam can be direct descendents of Ali.²³¹

Shi'a make up the majority of Arabs in Iraq, approximately 65%, and Sunnis represent approximately 32% of the population.²³² Historically, Iraq has functioned as the epicenter for Shi'a globally, and has attempted to accommodate their religious identity with the overarching framework of the Iraqi state. Although it is often believed that the Shi'a and Sunni have always had contentious relations, in modern times there have been periods of peaceful interactions between the two religious sects, particularly when they joined together to fight secularism, first against the European colonialism of the early 20th century and then against the Arab nationalist movements in the 1970s.²³³ More recently, the relations between the two sects has become more strained, particularly as Arab nationalism died down and troubles began to radiate throughout the country. Each sect blamed the other for economic and political problems, exacerbating long-

²³¹ Luft, Gal, and Anne Korin. "Islam's Divide--and Us." Commentary 124 (2007): 41-45.

²³² "Iraq." The World Factbook. 12 Feb. 2008. Central Intelligence Agency. 18 Feb. 2008 <<https://www.cia.gov/library/publications/the-world-factbook/geos/iz.html>>.

²³³ "Shia-Sunni Relations." Global Security.Org. 22 June 2005. Global Security.Org. 14 Feb. 2008 <<http://www.globalsecurity.org/military/world/iraq/religion-shia-sunni.htm>>.

standing resentments over the Sunni-dominated Iraqi governments of the past and the Shi'a majority within the country lines.²³⁴

Though the country is divided by ethnicity, tribes, and religion, most people in Iraq speak the same language. According to the constitution that was signed in 2005, Iraq has two official languages: Arabic and Kurdish (which is official in regions where Kurds are the majority).²³⁵

There are two main regional dialects of Arabic that is spoken in Iraq: Mesopotamian, which is spoken by 11.5 million Iraqis, and North Mesopotamian, which is spoken by 5.4 million Iraqis. Many other languages are spoken in Iraq, though by much smaller populations; some of these languages include Armenian, Assyrian and Chaldean Neo-Aramaic Assyrian, and Azerbaijani.²³⁶

Prior to the early 1990s, Iraq had one of the best education systems in the region in terms of enrollment rate and literacy rate.²³⁷ When Saddam Hussein and his Baath party rose to power in the 1970s, they transformed the Iraqi education system into one of indoctrination and propaganda, which could be seen in the curricula and the textbooks schools had to use. Examples that clearly exhibit the doctrine the Baathist regime was forcing upon the education system are the required chants of "Bush, Bush, listen clearly: We all love Saddam," during physical

²³⁴ Nasr, Vali. *The Shiite Revival: How Conflicts Within Islam Will Shape the Future*. New York: W,W, Norton, 2006.

²³⁵ United States. Federal Research Division. Library of Congress. Country Profile: Iraq. Aug. 2006. 12 Feb. 2008.

²³⁶ Gordon, Raymond G., Jr. (ed.), 2005. *Ethnologue: Languages of the World*, Fifteenth edition. Dallas, Tex.: SIL International. Online version: <<http://www.ethnologue.com/>>.

²³⁷ "UNESCO and Education in IRAQ Fact Sheet (28 March 2003)." UNESCO. 04 Nov. 2003. The United Nations. 19 Feb. 2008 <http://portal.unesco.org/en/ev.php-URL_ID=11216&URL_DO=DO_TOPIC&URL_SECTION=201.html>.

education classes and math textbooks that taught multiplication tables by calculating “the casualty count of shooting down four planes with three U.S. pilots in each plane.”²³⁸

Before the economic sanctions were imposed by the United Nations in 1990, the Iraqi education system experienced significant growth since the late 1970s due to increased government investment, free education from primary school to the university level, and the creation of a national campaign to eradicate illiteracy. During this time, women experienced an increase in education levels obtained as a result of the free and compulsory education; at the primary school level, female enrollment levels were close to that of males, although the differences in enrollment rates in favor of males increased in the non-required levels of education.²³⁹

After the sanctions were imposed, money that was previously devoted to the education system was funneled elsewhere, and the education system faced a number of problems, particularly with maintaining adequate school buildings, procuring an adequate number of qualified teachers, needing Ministry of Education-approved textbooks, lacking available technology and an updated curriculum. Enrollment rates at all education levels dropped significantly, as did the literacy rates, which experienced a sharp decline from 87% in the mid-1980s to 45% in 1995.²⁴⁰

Besides being negatively impacted by the economic sanctions, Iraq has been engaged in war for almost the past 30 years, shifting the focus away education and onto the military. As a result, the

²³⁸ Wang, Tina. "Rewriting the Textbooks." Harvard International Review (2005): 28-31.

²³⁹ De Santisteban, Agustin V. "Sanctions, War, Occupation and the De-Development of Education in Iraq." International Review of Education 51 (2005): 59-71.

²⁴⁰ De Santisteban, Agustin V. 2005.

education system suffered a serious decline that is just beginning to turn around today.²⁴¹

Because of such underfunding, by 2003, approximately 80% of Iraq's 15,000 schools were in need of major rehabilitation and often lacked basic sanitary facilities, libraries, laboratories, text books, and pay for teachers. Prior to the regime change in 2003, approximately 3.5 million children were enrolled in primary schools nationwide, and 1.1 million children were enrolled in middle schools and high schools nationwide.²⁴²

As of March 2008, 4.3 million children were enrolled in primary schools nationwide (a 5.7% increase), and 1.4 million children were enrolled in middle schools and high schools (a 27% increase).²⁴³ Following the regime change in 2003, the Coalition Provisional Authority pushed through a complete reform of the Iraqi education system. Included in this overhaul was the removal of previously Baathist ideology from curricula, substantial increases in teacher salaries and training programs, and the creation of the National Curriculum Commission to revise curricula in all subject areas.²⁴⁴

Education is mandatory only through the sixth grade, after which a national test determines whether or not a student may continue into the upper grades. If students do not progress into the

²⁴¹ "USAID: Assistance for Iraq." USAID. 4 Dec. 2007. U.S. Agency for International Development. 19 Feb. 2008 <http://www.usaid.gov/iraq/accomplishments/education_year1.html>.

²⁴² United States. Federal Research Division. Library of Congress. Country Profile: Iraq. Aug. 2006. 12 Feb. 2008.

²⁴³ O'Hanlon, Michael E., and Jason H. Campbell. Iraq Index: Tracking Variables of Reconstruction & Security in Post-Saddam Iraq. Vers. January 28. 2008. 28 Jan. 2008. The Brookings Institution. 18 Feb. 2008 <<http://www.brookings.edu/saban/iraq-index.aspx>>.

²⁴⁴ "Human Development Reports." United Nations Development Program. The United Nations. 12 Feb. 2008 <http://hdrstats.undp.org/countries/data_sheets/cty_ds_IRQ.html>.

upper schools, many then enter directly into the workforce. No private schools currently exist, and boys and girls generally attend separate public schools.²⁴⁵

Like the educational system, the healthcare system of Iraq was once touted as the best in the region, but the rerouting of money reversed that trend. In the 1990s, Saddam Hussein cut public health funding by nearly 90% to devote more resources to military expenditures and oil production. As a result, the healthcare system deteriorated significantly during that time, and the population consequently suffered from many manageable health issues and diseases, such as increased maternal and infant mortality rates, malnutrition, water-borne diseases, typhoid, cholera, malaria, and tuberculosis.²⁴⁶

After the 2003 regime change, substantial international aid was used to reopen and build 240 hospitals and 1,200 primary health centers as well as provide medical materials, training medical professionals, and inoculations for children for common diseases.

In addition to increased training for medical professionals, doctors' salaries have increased from approximately \$20 a month before OIF to anywhere between \$120-\$180 a month. The Ministry of Health currently employs approximately 100,000 medical professionals, including 22,000 physicians, and 35,000 nurses and nursing assistants.²⁴⁷

²⁴⁵ United States. Federal Research Division. Library of Congress. Country Profile: Iraq. Aug. 2006. 12 Feb. 2008.

²⁴⁶ United States. Federal Research Division. Library of Congress. Country Profile: Iraq. Aug. 2006. 12 Feb. 2008.

²⁴⁷ "Facts About the New Iraqi Healthcare System." The White House. 13 Dec. 2003. 12 Feb. 2008
<<http://www.whitehouse.gov/news/releases/2003/12/20031215.html>>.

Despite such advances in the system after the war, many health care professionals, particularly doctors, continue to emigrate due to hazardous working conditions and lack of protection. Since the regime change in 2003, approximately 2,000 doctors have been murdered, and half of the total population of doctors has left the country to seek safer conditions. Although the institutional framework for the medical and healthcare system continues to be enlarged and improved by the government, many facilities lack basic equipment, drugs, and the capacity to handle large number of people at once. Healthcare professionals are also liable to take bribes for medical supplies and treatment.²⁴⁸

Infrastructure Overview

The infrastructure in Iraq is in a state of constant flux: oil wells work one day and not another; electricity is available but only for a few hours per day; the road system, though extensive, are unsafe at times.

Iraq uses around 13% of its land for farming crops.²⁴⁹ Despite plenty of arable land, Iraq remains to be net food importer. The draining of the southern marshes and the eradication of the “Marsh Arab” culture by the Baath regime destroyed much of the arable land in the southern region.²⁵⁰

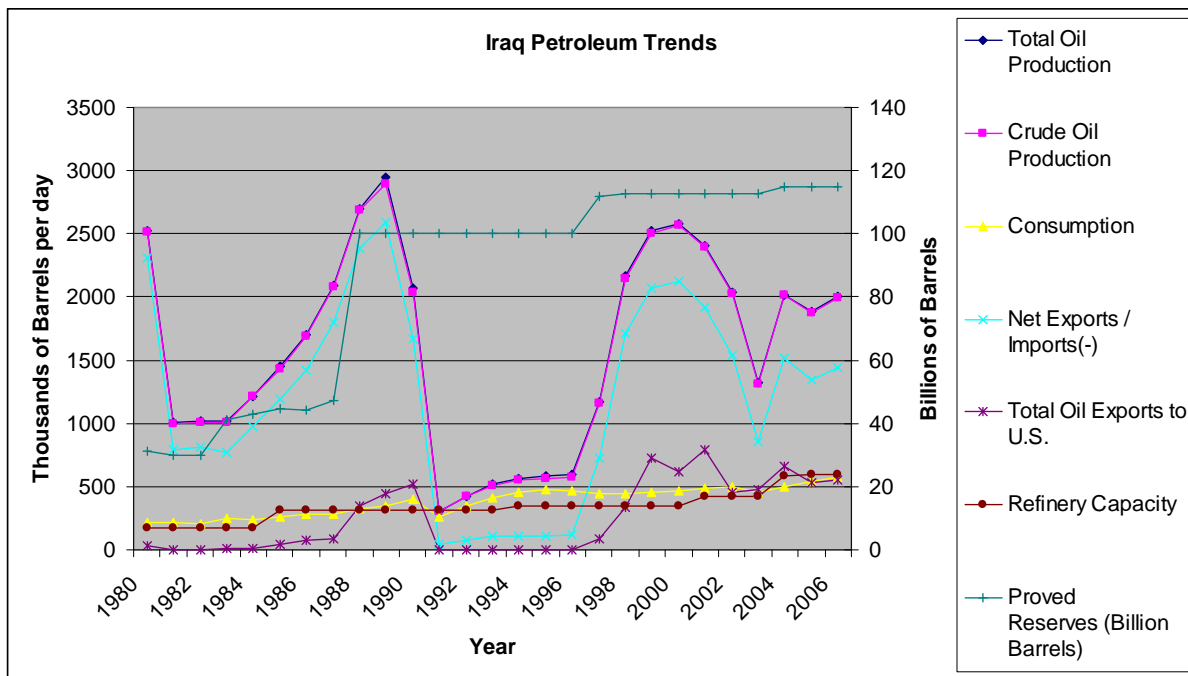
²⁴⁸ O'Hanlon, Michael E., and Jason H. Campbell. Iraq Index: Tracking Variables of Reconstruction & Security in Post-Saddam Iraq. Vers. January 28. 2008. 28 Jan. 2008. The Brookings Institution. 18 Feb. 2008 <<http://www.brookings.edu/saban/iraq-index.aspx>>.

²⁴⁹ Iraq. CIA World Factbook. 12 Feb. 2008 <<https://www.cia.gov/library/publications/the-world-factbook/geos/iz.html>>

²⁵⁰ "Background Note: Iraq." Background Notes on Countries of the World: Iraq. United States Department of State Bureau of Near Eastern Affairs. 18 Feb. 2008 <<http://www.state.gov/r/pa/ei/bgn/6804.htm>>.

USAID and the United States Department of Agriculture (USDA), have begun major projects to restore the capacity for agricultural production in this area.

The proven oil reserves in Iraq have recently topped 115 billion barrels.²⁵¹ However, Figure 6 shows that crude oil production is only two million barrels per day, one and a half million barrels of which are exported to other countries. Those exports comprise 60% of Iraq’s GDP and 89% of government revenues.²⁵²



²⁵¹ [Iraq Energy Profile](http://tonto.eia.doe.gov/country/country_energy_data.cfm?fips=IZ). 18 Jan. 2008 Energy Information Administration. 18 Feb. 2008

²⁵² [Country Analysis Briefs: Iraq](http://www.eia.doe.gov/emeu/cabs/Iraq/pdf.pdf). Aug. 2007. Energy Information Administration. 18 Feb. 2008

Figure 6: Iraq Petroleum Trends²⁵³

Natural gas is another plentiful resource available in Iraq with a proven reserve of 112 trillion cubic feet. However, it is estimated that 60% of the 87 billion cubic feet that is produced is flared off because there is nowhere to use the natural gas; this waste amounts to about \$4 billion losses.²⁵⁴ Figure 7 summarizes the trends in the natural gas industry since 1980. Besides a sharp jump in production between 1987 and 1992, production and consumption of natural gas has been exactly the same, indicating that Iraq is not doing enough to exploit the use of this resource. There is no export of natural gas; whatever is produced is used domestically. There are a number of entities that have expressed interest in developing various natural gas fields around the nation, but the final contracts are pending or subject to the final passage of the Draft Oil Law.

²⁵³ [Iraq Energy Profile](http://tonto.eia.doe.gov/country/country_energy_data.cfm?fips=IZ). 18 Jan. 2008 Energy Information Administration. 18 Feb. 2008
<http://tonto.eia.doe.gov/country/country_energy_data.cfm?fips=IZ>

²⁵⁴ [Country Analysis Briefs: Iraq](http://www.eia.doe.gov/emeu/cabs/Iraq/pdf.pdf). Aug. 2007. Energy Information Administration. 18 Feb. 2008
<<http://www.eia.doe.gov/emeu/cabs/Iraq/pdf.pdf>>

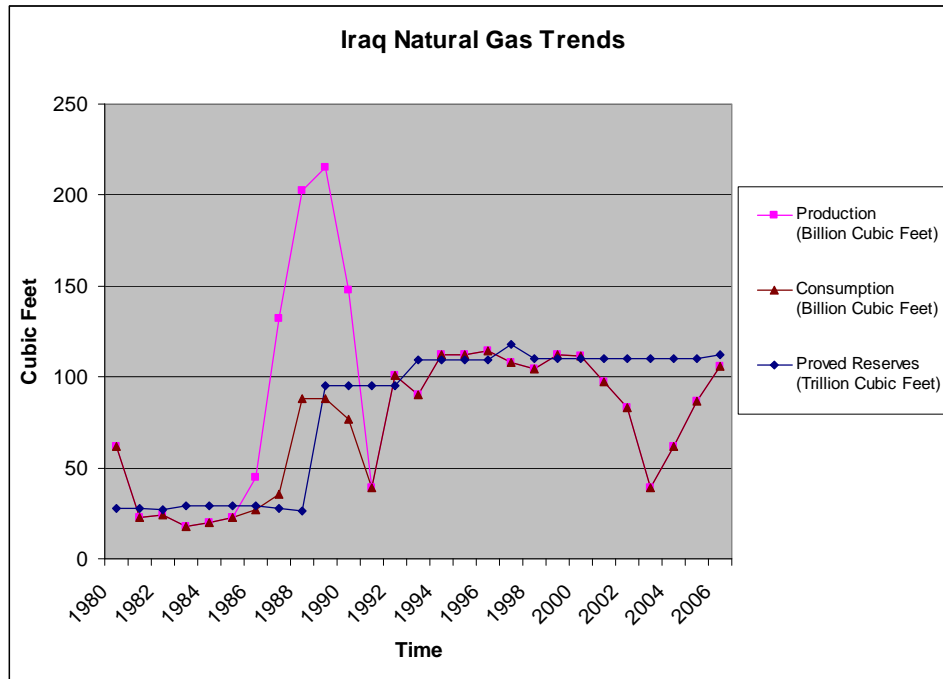


Figure 7: Iraq Natural Gas Trends²⁵⁵

Electricity infrastructure in Iraq is, like the majority of the infrastructure, in disrepair. The U.S. Iraq Relief and Reconstruction fund has already allocated more than \$4.24 billion for investment into the electricity sector but the International Monetary Fund (IMF) estimates that an additional \$20-\$25 billion is needed to rebuild the flagging industry. There is an installed capacity to produce 11,120 Mw, but average domestic electricity generation was around 4,000 Mw. The time electricity is available is much higher in areas outside of Baghdad at 12-14 hours per day in 2006 and 6.5 hours per day inside Baghdad. Estimates for 2007 are a little higher, but the continued problem of transmission prevents significant progress. Sabotage of transmission and

²⁵⁵ [Iraq Energy Profile](http://tonto.eia.doe.gov/country/country_energy_data.cfm?fips=IZ). 18 Jan. 2008 Energy Information Administration. 18 Feb. 2008
 <http://tonto.eia.doe.gov/country/country_energy_data.cfm?fips=IZ>

distribution facilities has resulted in the loss of around 1000 Mw of the energy produced on a given day. Additionally, political tensions among regions, especially the KRG Regional Government and Baghdad, have prevented effective power sharing. Shortages of generated power are driven by a lack of fuel (natural gas, water flow for hydroelectric).²⁵⁶ Figure 8 shows the history of electricity generation and consumption since 1980.

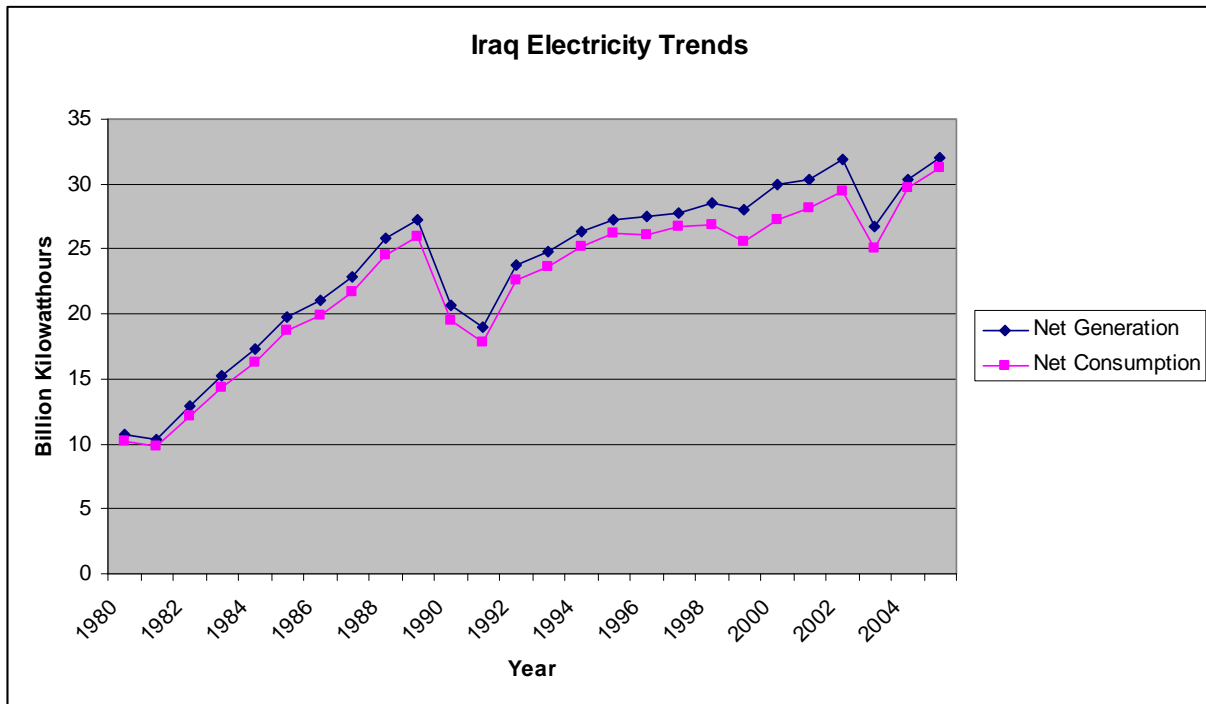


Figure 8: Iraq Electricity Trends²⁵⁷

²⁵⁶ Country Analysis Briefs: Iraq. Aug. 2007. Energy Information Administration. 18 Feb. 2008 <<http://www.eia.doe.gov/emeu/cabs/Iraq/pdf.pdf>>

²⁵⁷ Iraq Energy Profile. 18 Jan. 2008 Energy Information Administration. 18 Feb. 2008 <http://tonto.eia.doe.gov/country/country_energy_data.cfm?fips=IZ>

Information Overview

According to Freedom House's Freedom of the Press Survey of 2007, the Iraqi Press is not free despite the fact that the right to a free press is written into the constitution signed in 2005. The constitutional framework includes a provision that guarantees freedom of the press and of its expression in a way that "does not violate public order or morality." In 2006, authorities imposed restrictions on the media that could jeopardize news diversity and freedom of reporting. Many journalists and news workers have been detained by Iraqi security forces or arrested by the U.S. military for "inciting violence;" television stations and newspaper outlets have also been threatened by the Iraqi government to stop showing or printing violent footage or pictures of events that occur within Iraq.²⁵⁸

Continued violence and ongoing instability continue to be major threats to not only the freedom of the press, but also to reporters and news workers as well. Armed militants often target journalists who work with the foreign media, or for the government, or for the coalition army and accuse them of being spies.²⁵⁹ Since the regime change in 2003, 174 media personnel were killed in the line of duty, 44 of which were killed in 2007.²⁶⁰

Iraq has more than 100 daily and weekly publications, along with many new private television and radio channels. Most media outlets are owned and operated by private individuals, but many

²⁵⁸ "Map of Press Freedom: Iraq (2007)." Freedom House. 2007. Freedom House. 18 Feb. 2008 <<http://www.freedomhouse.org/template.cfm?page=251&year=2007>>.

²⁵⁹ United States. Federal Research Division. Library of Congress. Country Profile: Iraq. Aug. 2006. 12 Feb. 2008.

²⁶⁰ "Attacks 2007: Middle East and North Africa." Committee to Protect Journalists. 2007. 14 Feb. 2008 <<http://www.cpj.org/attacks07/mideast07/iraq07.html>>.

affiliate themselves along ethnic, sectarian, or partisan groups, thus affecting what types of news stories are reported.²⁶¹

Although Iraq had limited access to telecommunication services before the regime change in 2003, the war further disrupted services in all of Iraq. Since the U.S. has been in Iraq, USAID has utilized U.S. contractors to repair and build new telecommunication infrastructure throughout the country.²⁶² Despite the rapid expansion of the number of telephone lines from approximately 1 million in 2003 to almost 10 million in April 2007, an insufficient technical infrastructure has delayed the replacement of conventional telephone lines with fiber-optic lines. This replacement continues to happen, and telephones continue to become more accessible. Additionally, mobile phones have increased in popularity since mobile-phone systems began to be constructed in late 2003. By 2008, approximately 8 million mobile phones were in service, and additional towers continue to be built.²⁶³ One major issue with such infrastructure is that it has been a frequent target of sabotage by armed militant groups.

Furthermore, Internet access expanded very quickly after the regime change in 2003. Internet access was previously controlled by the state under Saddam Hussein, but now four hosts provide Internet access to approximately 261,000 people. Although individuals can subscribe for this

²⁶¹ United States. Federal Research Division. Library of Congress. Country Profile: Iraq. Aug. 2006. 12 Feb. 2008.

²⁶² "USAID: Assistance for Iraq." USAID. 4 Dec. 2007. U.S. Agency for International Development. 19 Feb. 2008 <http://www.usaid.gov/locations/middle_east/countries/iraq/>.

²⁶³ United States. State of the Union 2008. 17 May 2008.

service, many individuals access the Internet in hotels and Internet cafes, which are by and large unregulated sources for the Internet.²⁶⁴

Problems

There are four main barriers to economic development which the team has identified in Iraq. Unemployment is a continuing problem with estimates of unemployment between 25% and 40%. The large number of idle Iraqis is a significant security threat as well as a major barrier to the growth of the economy. The poor condition of infrastructure in Iraq is also a barrier to development. Without properly functioning utilities, businesses and the people of which they are comprised have no incentive to invest in Iraq. In addition to the poor infrastructure, the political gridlock in the government has prevented the passage of key legislation that will attract foreign investors to invest in Iraq's oil industry and infrastructure. The last barrier is the lack of a unified reconstruction effort that is headquartered in Baghdad. There is only a nominal amount of inter-agency collaboration between United States departments and agencies working in Iraq.

Unemployment

The labor market in post-conflict Iraq is inadequate, unstable, and unpredictable. Staggering rates of unemployment and underemployment are hindering economic development. In recent years, the unemployment rate has ranged between 25% and 40%. Even more startling is that 8-10% of the population is estimated to be living in absolute poverty, living on less than \$1 per

²⁶⁴ United States. Federal Research Division. Library of Congress. [Country Profile: Iraq](#). Aug. 2006. 12 Feb. 2008.

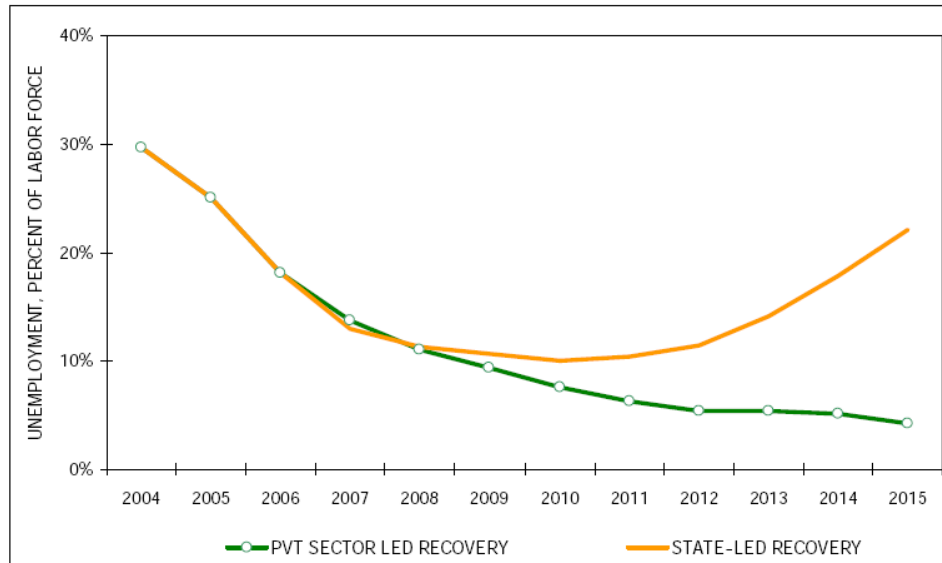
day, while an additional 12-15% is vulnerable to declining into absolute poverty.²⁶⁵ Many of the unemployed population are young, previously militant males, a population which presents a high level of risk if its needs are not met. Workers who are unable to acquire a job are contributing to the growing unrest in the country, which is a clear threat to stability. Providing more jobs to employ a large portion of the workforce is also an obvious solution to increasing the country's GDP. If the U.S. wanted to increase its rate of GDP growth, it would need significant gains in productivity; Iraq need only employ a significant portion of its workforce. With these facts in mind, the recommendations to resolve the unemployment issue will focus on job creation.

Recommendations

Having reviewed potential job creation strategies in Iraq, it is the project team's view that focus should be placed on three promising areas: microfinance, agriculture, and Iraqi-led reconstruction efforts. It is important to balance the short term and long term goals of economic development. Although in the short term mostly public-sector emergency job creation projects are necessary and must continue, the project team's recommended areas are not hindered by the limitations of such efforts. Establishing and expanding the private sector will be key for long term development. Taking on this task has proven to be critical to many recovering states; oftentimes, states focus on the public sector to the detriment of private investment, and although in the short term jobs are created, this imbalance ultimately evolves into unemployment problems. States that work from the beginning to promote a healthy private sector have had more

²⁶⁵ Rebuilding Iraq: Economic Reform and Transition." February 2006. World Bank. 9 April, 2008. <<http://siteresources.worldbank.org/IRFFI/Resources/IraqCEM-finalComplete.pdf>>

success in curbing long term unemployment.²⁶⁶ Figure 9 provides the World Bank’s comparison of unemployment forecasts for Iraq based on which of these routes the country pursues, private or state led recovery.



Source: World Bank staff estimates.

Figure 9: World Bank Economic Recovery Estimates

This forecast supports the recommended approaches. Furthermore, each of the recommended areas has seen success in the early post-invasion years but holds a great deal of potential for expansion. The recommendations are interrelated and benefit from each other’s successes.

²⁶⁶ Rebuilding Iraq: Economic Reform and Transition.” February 2006. World Bank. 9 April, 2008. <<http://siteresources.worldbank.org/IRFFI/Resources/IraqCEM-finalComplete.pdf>>

Microfinance

Microfinance and microloans came into popularity when the 2006 Noble Peace Prize was given to Muhammad Yunus for his work with microfinance and the Grameen Bank which supplied microloans to women in India. Yunus found that loaning small amounts of capital can help alleviate the burdens of the poor and in some cases provide the resources a person might need to pull themselves out of the cycle of poverty. He started by giving out 42 loans of \$27 each in 1976. Now the Grameen Bank has over 5.5 million members with more than \$5.2 billion in dispersed loans.²⁶⁷

These small loans can be used for just about anything from a child's visit to a doctor to welding supplies for a fledgling bicycle repair business. Microloans increase access to funds for people who lack the collateral or credit history to qualify for a loan through traditional banking services. Loans are dispersed based on system of trust and collective responsibility. Loans are often approved to groups of individuals whose collective pressure encourages the members to support each other in the event that someone is unable to make payments on the loans. The added incentive of increasing loan amounts in the future also encourages people to uphold their agreements to repay their loans.²⁶⁸ While microloan institutions encompass the availability of credit, microfinance includes many other financial services like savings, deposits, and insurance.

²⁶⁷ Sengupta, Rajdeep, and Craig P. Aubuchon. "The Microfinance Revolution: An Overview." Federal Reserve Bank of St. Louis Review. January/February 2008, 9-30. EBSCO. Reinert-Alumni Memorial Library, Omaha, NE. 17 Apr. 2008

²⁶⁸ Sengupta, Rajdeep, and Craig P. Aubuchon. "The Microfinance Revolution: An Overview." Federal Reserve Bank of St. Louis Review. January/February 2008, 9-30. EBSCO. Reinert-Alumni Memorial Library, Omaha, NE. 17 Apr. 2008

Essentially, the concept of microfinance involves creating standard financial services, on a small local level, to serve people who are largely ignored by traditional banking services.

USAID currently funds over \$150 million in microloan programs in Iraq. These programs have a repayment rate of 99%, which is better than the repayment rate of several traditional banks in the U.S. These loans have been dispersed through a network of nine microfinance institutions (MFI) under the umbrella program called *Izdihar*, Arabic for “prosperity.”²⁶⁹ The expansion of microloan programs in Iraq is recommended to help address the problem of unemployment, but with a few modifications.

The current loan programs should add savings and insurance services to create comprehensive microfinance institutions. James Shircliffe’s recommendation for microfinance in Iraq identifies credit, savings, and insurance services as the three most essential to development in Iraq.

Although loans can vary from \$5 to \$25,000, the simple fact is that many businesses in underdeveloped countries like Iraq do not need large amounts of money to start or increase a business. Underdeveloped countries, however, often do not have the ability to extend to many poor people a safe way to store their money safely. People often stash their savings in their home or convert their cash into something that is regarded as a stable commodity, such as jewelry. Situations like this are not favorable to economic growth; by offering citizens a more secure manner to store their money safely, and potentially earn interest on it, a micro-finance system can give residents a safe way to accumulate wealth, creating goodwill for the stabilization forces.

²⁶⁹ USAID Program in Iraq Tops \$150 Million in Micro-loans. 25 Mar. 2008. USAID. 17 Apr. 2008. <<http://www.usaid.gov/press/releases/2008/pr080325.html>>.

Furthermore, in an unstable environment, insurance at any level works not only as a hedge against risk, but also helps the policy holder feel protected from the effects of possible unfortunate incidents both with property and life insurance. Both forms help the policy holder feel that something valuable will be replaced if destroyed or his or her family will be cared for in the event of death.²⁷⁰

Efforts to expand the microloan program should be coordinated through USAID. This is contrary to Shircliffe's recommendation of creating military microfinance teams. The USAID program should be augmented by the military. The military and USAID should work collaboratively to overcome the obstacles that prevent the expansion of the microloan program, and the military should assist these programs by providing material and security support. Many of the limitations of microfinance in post-conflict states, such as Uganda or Iraq, are directly related with security problems.²⁷¹ Table 4 shows many of the recommended strategies and "best practices" for implementing microfinance institutions in post conflict states and many of them are attempts to curb security problems. The table presents recommendations captured from a case study of post-conflict microfinance implementation in Uganda and should not be considered a comprehensive or coherent strategy. In fact this table recommends both offering and not offering deposits for security reasons. However, the recommendations are still valid; they just need to be filtered through the requirements of different situations and localities.

²⁷⁰ Shircliffe Jr., James E. Stabilizing Influence: Micro-Financial Services Capability. March-April 2008. Military Review. 17 Apr. 2008. <<http://usacac.army.mil/CAC/milreview/English/MarApr08/ShircliffeEngMarApr08.pdf>>.

²⁷¹ Desai, Sameeksha. Post-conflict Microfinance: Assessment and Policy Notes for Iraq. Sept. 2007. Max Plank Institute of Economics and George Mason University. 17 Apr. 2008. <http://zs.thulb.uni-jena.de/servlets/MCRFileNodeServlet/jportal_derivate_00047002/wp_2007_060.pdf>.

Strategy	Effect
Offer insurance programs	Provides security for client assets in case of recurrent conflict
Provide initial relief service or community support	Demonstrates concern for community and builds bonds of trust. Provides evidence that conscientious members will benefit from their affiliation during times of trouble.
Create and train partner organizations	Prevents need to compete with other organizations for [scarce] reliable local partners. Provides opportunity to offer training, develop skilled and dedicated staff.
Do not offer deposit services	Reduces threat of client assets being lost to violence, theft, or other crimes
Provide remittance services	Offers a useful service to community that is widely used in post-conflict areas
Provide housing or capital assets loans	Allow clients to rebuild pre-war life and meet daily [needs] before establishing economic venture
Add new methodologies or products	For example, agricultural loans or solidarity group lending. Specialized products meet the specific needs of the community and can help [an] institution weather instability or conflict.
Offer deposit taking and/or mandatory savings	To protect client assets and provide security. Mediate with local banking system or provide service within institution.
Offer short term solidarity group loans to refugees	By focusing on inventory and working capital, activities that can be conducted in multiple places, and activities that don't need large equipment or production investments, can offer refugees ability to earn income.
Suspend operations during conflict and restart when stability resumes	Protects institutional viability and sustainability
Initially offer lower interest rates or grace periods, then increase rates as normalcy returns	Earns respect of community and provides assistance when people are unable to make payments
Deliver more training and design more detailed incentive systems. Place priority on human resource development	To retain staff and ameliorate conflicts between work loyalty and concern for family in difficult times. Also prepares new cadre of leaders to replace those who were killed or fled.
Use neutral NGO to distribute financial services to previously warring factions	Maintains neutrality and promotes community reconciliation
Provide business development services	This is especially helpful to refugees or ex-combatants with little or no experience
Offer loans at market interest rates	Ensures organizational sustainability
Reduce frequency of repayments and disbursement	Reduces security threats caused by monetary handling and transfers
Increase security measures	Ensures security and organizational viability.
Limit expatriate visits	Ensures security and reduce image of money being transferred
Use sturdier, more reliable vehicles	Ensures security, reduces likelihood of vehicle being robbed during money transfer
Consider ethnic makeup of staff	Reduces divisions and ethnic tensions within community
Decrease size of lending groups	Addressees trust issues
Have plans ready to leave operations to local staff	Ensures that institution will continue to operate in the absence of expatriates
Use satellite offices to reduce travel time	Reduces exposure and ensures staff security
Restrict times when staff can visit borrowers or promote program and conduct visits on random days	Reduces exposure and ensures staff security
Offer community problem solving teams	Diffuses local tensions and garners respect for institution
Keep as little cash on hand as possible	Reduces exposure and ensures security
Make loans in-kinds or through transfers	Reduces the use of cash and decreases threat of theft
Keep low profile and utilize dilapidated store front	Reduces exposure and ensures security
Develop local institutions that can manage projects	Increases likelihood of sustainability
Have directors bring large amounts of cash when no one, including staff, is aware of it	Reduces exposure and ensures staff and institutional security

Table 4: Strategies for Post-Conflict Service Delivery²⁷²

²⁷² Jacobson, Jessica L. Uganda: The Provision of Microfinance in the Wake of Conflict. May 1999. School of Advanced International Studies, Johns Hopkins University. 17 Apr. 2008. <<http://www.gdrc.org/icm/country/uganda-jessica.html>>.

Loans and financial services need to be expanded into the middle-class market. Microloans given to the poorest demographic have low job creation potential because the loans are most often used for self-employment purposes.²⁷³ Loans that are slightly above the micro-level, those greater than \$10,000, are more likely to be used to expand a business that in turn creates additional jobs. The middle class is often neglected in discussions of microfinance and poverty reduction because microfinance is aimed at helping the poorest, while traditional banking helps the wealthiest. Expanding microfinance to include larger loans to the middle class will have a much high job creation potential.

Microfinance is a much better approach to economic development and job creation because it is locally based and driven by Iraqi entrepreneurship and innovation. It creates viable financial networks where none may have existed before. But, most importantly, it is profitable. Average returns investments in microfinance funds are 5.8%²⁷⁴ which is significantly better than current returns on 5 year U.S. Treasury bills at 3.17%.²⁷⁵ The potential profitability of microfinance will eventually encourage private enterprise to get involved in the economic development in Iraq.²⁷⁶ For now, the U.S. government must remain involved in developing this nascent market.²⁷⁷

²⁷³ Bourdreaux, Karoll, and Tyler Cowen. "The Micromagic of Microfinance." *Wilson Quarterly*. Winter 2008: 27-31. *Academic Search Premier*. EBSCO. Reinert-Alumni Memorial Library, Omaha, NE. 17 Apr. 2008

²⁷⁴ Bourdreaux, Karoll, and Tyler Cowen. "The Micromagic of Microfinance." *Wilson Quarterly*. Winter 2008: 27-31. *Academic Search Premier*. EBSCO. Reinert-Alumni Memorial Library, Omaha, NE. 17 Apr. 2008

²⁷⁵ *Bonds*. 3 May 2008. CNNMoney.com. 3 May 2008. <<http://money.cnn.com/markets/bondcenter/>>.

²⁷⁶ Chu, Michael. "Profit and Poverty: Why It Matters." *Forbes*. 20 December 2007. 17 Apr. 2008. <http://www.forbes.com/2007/12/20/michael-chu-microfinance-biz-cz_mc_1220chu.html>.

²⁷⁷ Littlefield, Elizabeth. "The Changing Face of Microfinance Funding." *Forbes*. 20 December 2007. 17 Apr. 2008. <http://www.forbes.com/2007/12/20/elizabeth-littlefield-microfinance-biz-cz_el_1220littlefield.html>.

Agriculture

The agriculture sector is critical to Iraq's survival; it is already the country's largest employer and the second largest contributor to GDP. The country presents a variety of agricultural and agribusiness opportunities which can be leveraged for sustainable job creation. This job creation method has been selected for a number of reasons including this sector's obvious potential for increasing employment opportunities, its ability to establish food self sufficiency, and the potential for private sector development. Job creation potential in the agriculture sector is excellent, especially given that investment does not require large amounts of capital; this is due in part to the fact that agriculture is inherently a labor intensive industry. The potential for expansion also indicates the strength of job creation opportunities. Currently, an estimated 26% of the country's total land, approximately 28 million acres, is cultivatable. Although it is estimated that a majority of this has been used for agriculture at various points in the recent past, current estimates place the amount of annually cultivated land at 7-12 million acres.²⁷⁸ This is due primarily to soil salinity and political instability. For a better illustration, Figure 10 below details these figures as approximated percentages.

²⁷⁸ "U.S. Working in Iraq—Agricultural Projects." 22 March, 2006. USDA. 16 April, 2008. <<http://www.fas.usda.gov/icd/iraq/iraqprojects.asp>>

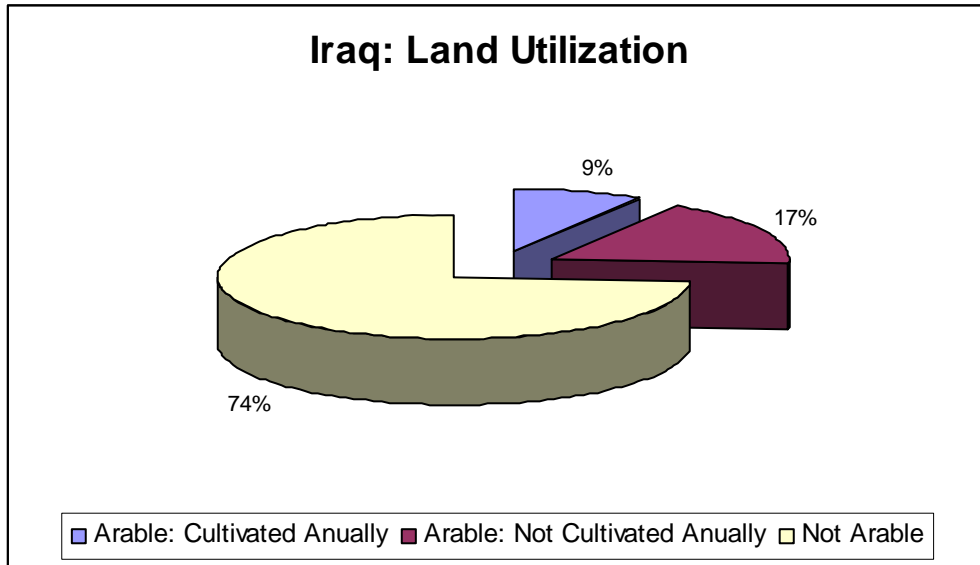


Figure 10: Iraq Land Utilization²⁷⁹

Revitalizing the agriculture sector would also help Iraq to achieve food self sufficiency and security. Improvements in Iraq’s food self sufficiency are necessary as an estimated \$3 billion per year will be required to continue importing food.²⁸⁰ Of course, being self-sufficient in food production would be a step toward alleviating reliance on foreign aid. Investments in agriculture and agribusiness such as seed, tractors, fertilizer, and some infrastructure are also more widespread, less visible, and thus less targetable to insurgents. By encouraging private sector development, this recommendation coincides with the Iraqi National Development Strategy, which envisions the private sector as the chief job creator in the country.²⁸¹ Private sector

²⁷⁹ “Rebuilding Agriculture and Food Security in Iraq.” March 2008. USDA. 16 April 2008. <<http://www.fas.usda.gov/icd/iraq/iraq.asp>>

²⁸⁰ “Improving Agriculture in Iraq.” November 2008. ESRI ArcNews. 16 April 2008. <<http://www.esri.com/news/arcnews/winter0708articles/improving-agriculture.html>>

²⁸¹ Rebuilding Iraq: Economic Reform and Transition.” February 2006. World Bank. 9 April, 2008. <<http://siteresources.worldbank.org/IRFFI/Resources/IraqCEM-finalComplete.pdf>>

development should create jobs which are more sustainable than those created by temporary public sector job creation strategies.

War, sanctions, and poor crop and soil management have depressed Iraq's agricultural capabilities for many years: modern farming has been nonexistent; the country lacks fertilizers, machinery, technology, and the knowledge to improve yields; the irrigation infrastructure is only partially functional; and the country's irrigated land faces salinity issues due to poor soil and crop management practices. Soil salinity refers to the amount of mineral salts in the soil; too much can be devastating to crop production. Recent estimates have determined that 74 % of Iraq's irrigated acres suffer from excessive soil salinity.²⁸² A recent effort to combat this issue was taken in 2006 when the U.S. Department of Agriculture's Foreign Agricultural Service placed advisors on the Iraqi Provincial Reconstruction Teams (PRT) to provide an increase in funding and expertise.²⁸³ Along with farming, the project team recommends that livestock production and processing should be encouraged with complementary development in other areas of agribusiness. Livestock production has suffered in the years following the Gulf War; a shortage of hay for livestock feed is a major contributor to this issue, one which could be remedied through improved agricultural production.

Using the agricultural advisors of the PRTs, programs that encourage a wide variety of agricultural activity can more easily be implemented. Such efforts have already been applied and

²⁸² "Rebuilding Agriculture and Food Security in Iraq." March 2008. USDA. 16 April 2008. <<http://www.fas.usda.gov/icd/iraq/iraq.asp>>

²⁸³ "Rebuilding Agriculture and Food Security in Iraq." March 2008.

shown to be successful, such as providing free fertilizers and seed for startup and struggling farmers. USAID has put forth several successful programs with their agriculture redevelopment program, which vary from seed cleaning to crop management awareness.²⁸⁴ Although these efforts are currently being done to some extent, the project team has identified this as a critical area for sustainable job creation and therefore recommends that these efforts are amplified on a widespread scale. Coupling these influences with the microloan recommendations previously discussed would promote private investment in farming and food processing. Experts in soil salinity management should be brought in to consult with the PRTs to help prevent further damage and oversee this growing issue. The teams must also organize efforts to educate the farming workforce on modern farming practices, a step which will not only result in higher yields, but also promote safety. Table 5 lists some of the various options the PRTs could implement to promote safety, higher yields, and expansion of the agriculture sector.

Increase Yields and Safety	Expansion
Free and discount seed	Irrigation repair and expansion
Free and discount fertilizer	Soil salinization repair
Tractor and equipment repair	Grants for startup farmers
Crop management farmer training	Ag. Infrastructure development and repair
Ag. support services vocational training	Donate tractors
Safety procedures training	Ag related vocational training (mechanics, etc.)
Seed Cleaning	Create and rehabilitate market systems and farmer cooperatives
High Value Crop Substitution	Test Salt Tolerant Crops
	Provide Agribusiness Grants and Loans

Table 5: Potential PRT Agriculture Programs

Once funding is increased from foreign aid, the Iraqi government, and private financiers, and distributed through the central government and the PRTs, agriculture expansion and job creation

²⁸⁴ “Improving Grain Production in Iraq.” June 2006. USAID. 30 April 2008.
 <http://www.usaid.gov/iraq/updates/jun06/iraq_fs29_060206.pdf>

will follow suit. Some jobs that would be created include farmers, farmhands, food processing jobs, mechanics, machinery dealers, fertilizer and seed dealers, crop consultants, irrigation workers, bankers, and many more. Jumpstarting the agriculture sector has been a proven method in similar situations to employ ex-militants, such as in Bosnia and Herzegovina, primarily because they often desire to be self-employed.²⁸⁵ With the past successes and future potential of such a strategy in mind, it is the project team's basic recommendation to increase the funding flowing into the agriculture sector and to promote the PRTs positive influence on farming and agribusiness.

Reconstruction

The extensive amounts of reconstruction effort that has been and continues to be prevalent in Iraq present an excellent opportunity for employing many skilled and unskilled Iraqi laborers. The 2003 United Nations' World Bank Joint Needs Estimate calculated the cost of reconstruction sector by sector. Table 6 provides a brief overview of the report's estimated costs. Clearly, there are a variety of public and private sector jobs which will be created as a result of reconstruction efforts. Primarily, it is evident that construction and engineering companies will play a large role in rebuilding many of the assessed sectors. With the high involvement of these types of private sector companies in mind, encouraging development of domestic construction and engineering firms follows the Iraq National Development Strategy's objective to have the economy driven by the private sector. Increased domestic firm involvement in reconstruction

²⁸⁵ "Job Creation in Post-Conflict Societies." January 2006. USAID. 23 April 2006.
<http://digitalcommons.ilr.cornell.edu/key_workplace/274/>

efforts is sure to boost job creation, especially in the labor intensive sector of construction.

Coupling the encouraged development of such private sector entities along with construction and engineering companies' access to hiring skilled and unskilled domestic workforce, can work to provide a major source of job creation in the next few years. This strategy for job creation would provide an effective short term solution; however, in terms of long term job creation, it also presents a high degree of sustainability as higher levels of economic development will emerge following these early reconstructive years. This potential for long term economic development is sure to require adequate construction and engineering firms. Thus, the proposed recommendation works to rapidly develop sustainable jobs. These private sector businesses could be encouraged in any number of ways. A few key examples would include promoting the creation of new companies through government grants, as well as working to increase access to loans. Loans could be provided via the microfinance recommendations for smaller scale companies and projects, as well as through traditional banking systems, foreign and domestic. The government and PRT program could assist by offering business advisement for interested firms. It will be advantageous to couple these tactics with the development of human capital recommendations, which will be addressed in the following section.

**Cumulative Iraq Reconstruction Needs
by Sector on a Commitment Basis
Calendar Years 2004, 2005-2007 (in US\$ millions)**

Sector	2004	2005- 2007	TOTAL
<i>Government Institutions, Civil Society, Rule of Law & Media</i>	99	288	387
<i>Health, Education, Employment Creation</i>	1,880	5,310	7,190
Education: Primary, Secondary & Higher	1,005	3,800	4,805
Health	500	1,100	1,600
Employment Creation	375	410	785
<i>Infrastructure</i>	5,836	18,368	24,204
Transport & Telecommunications	1,043	2,366	3,409
Water, Sanitation, Solid Waste	1,881	4,961	6,842
Electricity	2,377	9,745	12,122
Urban Management	110	303	413
Housing & Land Management	425	993	1,418
<i>Agriculture and Water Resources</i>	1,230	1,797	3,027
Investment in Agriculture	1,230	1,797	3,027
<i>Private Sector Development</i>	176	601	777
State-Owned Enterprises	61	295	356
Financial Sector	71	10	81
Investment Climate	44	296	340
<i>Mine Action</i>	80	154	234
Total	9,301	26,518	35,819

**CPA-Estimated Needs
in Sectors Not Covered by the UN/World Bank Needs Assessment
Calendar Years 2004, 2005-2007 (in US\$ millions)**

Sector	2004	2005- 2007	TOTAL
Security and Police	5,000	0	5,000
Oil	2,000	6,000	8,000
Culture ²⁸⁶	140	800	940
Environment	500	3,000	3,500
Human Rights	200	600	800
Foreign Affairs	100	100	200
Religious Affairs	100	200	300
Science & Technology	100	300	400
Youth & Sport	100	200	300
Total of CPA Estimates	8,240	11,200	19,440

Table 6: Cumulative Recovery Needs²⁸⁶

²⁸⁶ "United Nations/World Bank Joint Iraq Needs Assessment." October 2003. UN/WB. 18 April 2008.
<<http://siteresources.worldbank.org/IRFFI/Resources/IraqCEM-finalComplete.pdf>>

The project team's job creation recommendations include encouraging development of domestic private sector entities which will be pivotal in the reconstruction process, as well as to encourage the hiring of Iraqi domestic workforce in the reconstruction process. This will work to rapidly employ a large number of citizens in a sustainable fashion, as a means of promoting long-term economic growth.

Weak Infrastructure

When addressing the issue of economic development in Iraq, the country's weak infrastructure, in terms of both physical and human infrastructure, presents a multitude of barriers. The lack or insecurity of physical infrastructure presents complications to both establishing security as well as to promoting investment and economic expansion. In order to remedy this issue, the country must address both its short and long term goals. Short term goals include getting the most vital infrastructure back online with a real focus on sustainability of reconstruction. Long term goals would include promoting a broad range of public and private sector economic development by meeting the infrastructure requirements as well as human capital requirements.

In the short term, the most vital infrastructure is most likely composed of basic human services as well as electricity infrastructure. A lack in basic human infrastructure is not only a hindrance to humanitarian goals but also compounds the security problem in Iraq. It creates a threat in that the people of Iraq who feel that their basic human needs are not being met by the government are likely to feel more inclined to oppose or actively work against the government. Once electricity infrastructure and other vital infrastructure is in place, focus can shift to securing areas in which money and labor can be invested. This overarching goal is to create stable, secure locations with adequate resources available for private sector investors; this may include agricultural land,

office space, sites with natural resources, and cities which provide safe environments for service industries. Although such goals are important to achieve, it is the project team's view that these goals will only be achieved with a bottom-up approach achieved through increased involvement from the Iraqi population to encourage ownership and pride in the reconstruction process. When addressing infrastructural issues, human capital development was deemed to be a critical component and must also be addressed in order to provide an adequate workforce for economic development. Iraq's human infrastructure faces a number of issues, which include a lack of skilled workforce, inadequate education systems, and "brain drain". In this sense, the project team recommends an approach which addresses these issues by invigorating the workforce through a combination of vocational training and expanding educational and professional incentives with an emphasis towards combating brain drain.

Recommendations

Develop Physical Capital

The inadequate physical infrastructure has been a topic of interest in recent years as the U.S. continues to devote money to rebuilding infrastructure, oftentimes only to see it damaged and brought offline by insurgents. A prime example of this viscous cycle was in the early post-invasion days, when Bechtel, a U.S. corporation, was given a \$3 billion reconstruction contract. Although most of Bechtel's contracted projects were completed, many have been since been ruined as a result of the lack of security and insurgent activity. This is evident in the electricity situation; during its operations in the country, Bechtel worked to bring approximately 1,300 Mw

of additional electricity online. However, total country production has only increased around 480 Mw in the same time period because of the lack of security; gains, therefore, are offset by losses.²⁸⁷

To combat this problem, the project team's physical infrastructure recommendations will focus on ensuring the involvement of the Iraqi population to a high degree so that they garner pride and ownership for the rebuilding process. The project team feels that this approach is the only way to provide sustainable infrastructure repair and expansion. Iraqi involvement is important for a number of reasons, not the least of which is promoting better security. Involving the Iraqi population also creates many jobs for the numerous unemployed citizens, which should be leveraged and improved to promote security and stability. Finally, employing the population in the rebuilding process ensures money flows that remain within Iraq instead of recycling reconstruction funds through U.S. or other international companies. The project team recommends two major strategies for accomplishing the outlined goal. First, reconstruction efforts need to be increasingly contracted to Iraqi companies and citizens. Second, the PRTs must work to promote grassroots Iraqi involvement in infrastructure repair and expansion from the start of the process to the end.

Award New Contracts to Iraqi Companies

In order to encourage Iraqis to take the lead in rebuilding their country, contracting options must be addressed. Since the beginning of reconstruction in Iraq, U.S. companies have been most

²⁸⁷ Baker, David R. "Bechtel ends Iraq rebuilding after a rough 3 years." November 1, 2006. [San Francisco Chronicle](http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2006/11/01/BECHTEL.TMP). March 3, 2008. <<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2006/11/01/BECHTEL.TMP>>

commonly employed. Iraq has shown in the past to have qualified engineers and construction companies which can be put to work on contracting projects and these resources should be capitalized.

Although the Iraqi workforce should be utilized as much as possible, there are instances where a foreign company's management is necessary. One example of this may be the electricity infrastructure, large contracts for which have recently been posted by the Iraq Ministry of Electricity, urging U.S. companies' involvement. Through a completion date of 2016, these contracts are to total around \$27 billion.²⁸⁸ While the U.S. companies' involvement may be necessary in such scale of contracts, their own workforce involvement should be minimized in such a large task while being replaced with laborers from the Iraqi workforce. Addressing this issue may require some changes in workforce development strategies in addition to expanded employment agencies in order to help companies find local workers more easily, issues which the team's outlined recommendation of strengthening the Ministry of Labor and Social Affairs will address in the following sections.

A related issue concerns U.S. companies that subcontract to other companies. When subcontracting, many international players are considered and some contracts even go to Iraqi companies. This, however, promotes a "middle-man" policy, which simply eats away at reconstruction funds. If adequate Iraqi companies exist to handle these subcontracts, they should be offered to bid on the contract from the beginning, and even given priority over foreign

²⁸⁸ "Iraq's Minister of Electricity Urges U.S. Companies to Bid on Iraq Projects." 10 Dec. 2007. International Trade Administration. 18 April 2008. <<http://www.trade.gov/iraq/>>

companies. Therefore, it is the project team’s recommendation that the capabilities of Iraqi engineering and construction companies first be assessed to determine their level of capability. As current contracts expire and new ones are created, a preference should be directed towards capable local companies and workers. Since the regime change in 2003, the U.S. has placed reconstruction teams and knowledgeable experts on the ground who are capable of assessing which projects are a priority and the timeframe in which they could or must be completed. Table 7 highlights some of the key costs and benefits upon which the project team based its recommendation of switching the reconstruction contracting policy to a more Iraqi led approach.

Contracting to Iraqi Companies	
Costs	Benefits
U.S. Companies lose contracts and money	Employs numerous Iraqis
More Iraq government oversight and funding is needed to assess capabilities and award contracts	Eliminates contracted "middle-man" policy
Engineering quality may suffer	Encourages private sector development
U.S. companies tend to charge more	Creates grassroots support for reconstruction
	Reduces unwanted American influence and target-ability of project
	Iraqi construction companies tend to charge less
	Companies competing for contracts means lower prices
	Creates skilled jobs (engineers, electricians, etc.)

Table 7: Contracting to Iraqi Companies

Increase Community Involvement

As of mid-December 2007, the expansion of the PRT program has worked to establish 28 PRTs, located in all 18 of Iraq’s provinces. The teams play a critical role in the reconstruction and stabilization of Iraq. The PRT program provides the best resources and capabilities to meet the goal of creating a government which demonstrates that it can meet its citizens’ needs. According to the U.S. Embassy in Iraq, these teams are tasked with developing a transparent and sustained capability to govern, promoting increased security and rule of law, promoting political and economic development, and providing provincial administration necessary to meet the basic needs of the population by assisting provincial and local governments to deliver essential needs

like schools, roads and sewage and water services. A major focus is to build local and regional capacity in governance.²⁸⁹

In light of the increasingly important role which these teams will play in reconstruction, it is recommended that the PRT program continue to expand, in terms number of teams and funding. It is also recommended that they actively participate in promoting Iraqi involvement in every aspect of reconstruction. This means Iraqi citizens should be consulted from the beginning, such as for project formulation and deciding which projects are most important. To accomplish this task, the project team recommends the creation of community action groups which meet to discuss such items, and in this manner promote community response and unification. This includes even the smallest projects; smaller projects incorporate Iraqis more easily, allow for faster and better completion rates, and are less targetable to insurgents. Such projects could include cleaning streets, communities, schools, and hospitals, drilling a water well, or painting a public building. USAID used, in other venues, Community Action Programs (CAP), which have been successful in discovering and implementing grassroots level projects which encourage the citizen involvement. CAP expertise should be brought in and leveraged to assist the PRTs in this task. In addition to promoting the repair and reconstruction of infrastructure at the community level, when looking at these recommendations from an unemployment standpoint, they will help to create jobs, both temporary and long term, which will work to boost stability and security.

²⁸⁹ "PRT FACT SHEET." 20 March, 2008. Embassy of the United States, Baghdad. 16 April 2008. <http://iraq.usembassy.gov/pr_01222008b.html>

Develop Human Capital

Having analyzed solutions to the material infrastructure issue, human capital development will also be crucial in these early years of Iraqi reconstruction. Investment in workforce development must be addressed in order to train the skilled employees necessary to operate and drive the new infrastructure and economy. Additionally, employment training opportunities give the militant youth of the country, who know little aside from fighting, a means of assimilating into the population. Such efforts will also help to combat “brain drain” or the international transfer of resources in the form of human capital and mainly applies to the migration of relatively highly educated individuals from developing to developed countries. The dilemma of such migration patterns is that many of the people who migrate from developing to developed countries, the highly educated and skilled, are the very people that such Third World nations can least afford to lose. Because most of these emigrants move away from their home country permanently, it represents not only a loss of valuable human capital but could also prove to be a serious constraint for the future of economic growth and progress in developing nations.²⁹⁰ Key factors that often contribute to brain drain include poor salary offers, suboptimal working conditions, an oppressive political climate, and the persecution and discrimination of intellectuals. Researchers cite a lack of funding, poor facilities, limited career opportunities, and poor access to scholarly journals or information. Other reasons for emigrating may be personal, and could include

²⁹⁰ Beine, Michel, Frédéric Docquier, and Hillel Rapoport. "Brain Drain and Human Capital Formation in Developing Countries: Winners and Losers." *The Economic Journal* 118 (2008): 631-652. Google Scholar. 17 Apr. 2008. Keyword: brain drain international solution.

security, the threat of violence, and the desire to procure high-quality education for their children.²⁹¹

Creating a skilled workforce has proven to be essential in other development situations. One such example, the United Arab Emirates (UAE), created a multitude of skilled jobs before developing their national workforce. Now the country faces the problem of flushing out some of the expatriate workforce it once brought in to fill these skilled jobs in order to employ its newly trained nationals. A strategy of job creation coupled with adequate workforce development therefore must be put into place to minimize this type of effect. Accordingly, the recommendations which the project team presents will address the responsibilities of the Ministry of Labor and Social Affairs (MOLSA), as well as an in-depth look at education and professional options for the country. The combination of these areas will work to meet short term and long term workforce development goals. Short term return would most likely come from the vocational training provided by MOLSA along with the return of skilled professionals due to the educational and professional incentives, where as long term return would come from an improved and expanded education system.

Strengthen the Ministry of Labor and Social Affairs

MOLSA has and will continue to play a critical role in developing Iraq's human capital. The ministry, which was fundamentally non-operational before the regime change in 2003, has since been developed into a functioning ministry. The ministry is tasked with providing services

²⁹¹ Chang, Shirley L. "Causes of Brain Drain and Solutions: the Taiwan Experience." *Studies in Comparative International Development* 27 (1992): 27-43.

including social security, social welfare, programs for the disabled, employment agencies, and vocational training; the latter two being of most interest to the project team’s recommendations. As of publication, the ministry has 25 operational training centers and 21 employment centers. A detailed listing of MOLSA’s centers for training and employment is included in Table 8.

MOLSA Training Centers		MOLSA Employment Centers
Popular Training Center	Vocational Training Center	Baghdad
Al-Sadir City	Al Waziriah	Tikrit
Hay Ur	Al Zafraniah	Dyala
Al-Shaab City	Al Shula	Karbala
Al-Shatra	Abu Ghraib/Food Ind.	Najaf
Al-Salihia	Abu Ghraib/Welding	Diwania
	Al-Waleed	Wasit
	Aml-Mutasim	Al-Muthana
	Al-Rusafa	Missan
	Nainava	Thi Qar
	Kirkuk	Basrah
	Al-Najaf	Anbar/Fallujah
	Al-Kut	Anbar/Ramadi
	Arbil	Babylon
	Thi Qar	Nineveh
	Al-Zubair	Erbil
	Al-Basrah	Sulaimania
	Abu Al-Khaseeb	Kirkuk
	Al-Mutaz	Dihok
		Al-Qaim
		Hawija

Table 8: MOLSA Centers²⁹²

Due to the ministry’s lack of bureaucratic development, it has in recent years displayed a lack of resources, human and physical, to properly attend to all of its responsibilities.²⁹³ Once the ministry develops full capacity to handle its responsibilities, many positive effects will follow suit. The responsibilities of highest interest to this particular study include creating employment agencies, expanding and improving vocational training programs, and improving the ability to

²⁹² Dr. Riyadh. H . M .Ali. “Ministry of Labor and Social Affairs, Labor and Vocational Training Directorate.” June 2007. MOLSA. 18 April 2007. <www.iraqihands.org/speeches/MOLSA%20Presentation.ppt>

²⁹³ Davis, Craig. “Reinserting labor into the Iraqi Ministry of Labor and Social Affairs.” June 2005. International Report. 2 May 2008. <<http://www.bls.gov/opub/mlr/2005/06/intlrpt.pdf>>

act with general oversight. Critical to Iraq is the creation of employment agencies through MOLSA that can work with foreign and domestic employers to employ more of the Iraqi workforce. These employment agencies could be leveraged to help accomplish the project team's recommendation of involving the Iraqi population in the reconstruction effort by rapidly providing adequate labor to reconstruction companies. A more productive MOLSA would also work towards training the Iraqi workforce via vocational training programs. As of April 2007, approximately 8,000 students had been put through the ministry's new vocational training programs, receiving training in a range of vocations such as electrical installation, computer operation, auto mechanics, welding, and other construction trades. Although this number is encouraging, if each of the vocational centers were running close to or at full strength of one shift of classes per day, 25,000 students could be put through the program per year.²⁹⁴ In line with the microfinance recommendation, the ministry has taken an active role in such efforts and has expressed interest to increase their role. The initial microcredit program which they introduced was geared towards college graduates, displaced citizens, and the owners of the shops destroyed by terrorists.²⁹⁵ Important to this topic is that the implementation of such microfinance programs could include managing information on loans, applicants, providing general oversight to non-governmental microfinance institutions. These and other similar oversight and information management responsibilities will require up-to-date information technology as well

²⁹⁴ "VoTech Grads to Pour into Iraqi Labor Pool." 23 April 2007. U.S. Department of Defense, American Forces Press Service. 18 April 2007. < <http://www.defenselink.mil/news/newsarticle.aspx?id=32909> >

²⁹⁵ Dr. Riyadh. H . M .Ali. "Ministry of Labor and Social Affairs, Labor and Vocational Training Directorate." June 2007. MOLSA. 18 April 2007. <www.iraqihands.org/speeches/MOLSA%20Presentation.ppt >

as skilled employees to operate it, both areas where MOLSA lacks adequate resources. Ideally, a single secure network with all the MOLSA employment agencies and vocational training centers would be created in order to improve communication between centers, acquire more quality data with less redundancy, as well as help align the policies of all MOLSA locations. With these points in mind, it is the project team's basic recommendation to increase funding and resources to MOLSA. Upon completion of this recommendation the ministry should be able to operate closer to full capacity. Rapid and extensive amounts of vocational training will then be able to take place. This will work to inject the Iraqi workforce with skilled laborers, effectively solving a great deal of the short term workforce development issues within the country.

Provide Educational and Professional Incentives

Since 2003, Iraq has been drained of many of its academic scholars, business professionals, and journalists because they are often targeted by criminal kidnapping rings and sectarian death squads. Examples of professional limitations are abundant; institutions of higher learning and professionals face enormous challenges in regaining the regional and international prestige they once enjoyed. Iraqi academics had been under strict curriculum guidelines under Saddam Hussein, and so their access to information has been severely limited until the regime change in 2003. Three major wars and 13 years of sanctions placed limitations on universities, restricting their access to current information, new technology, and Western academic journals, as well as their ability to travel outside the country. A total of 210 journalists and media assistants have been killed since March 2003. The Iraqi Interior Ministry has initiated investigations into their

deaths, but so far only a few of these investigations have resulted in the arrests of those responsible. The overwhelming majority of these murders continue to go unpunished.²⁹⁶ Additionally, doctors and physicians in Iraq are often targets of kidnapping or violence; although Iraq had approximately 34,000 registered physicians before the regime change in 2003, since then, approximately 17,000 have left because of the lack of security and fear of violence, 2,500 have been murdered, and another 250 have been kidnapped.²⁹⁷ The flight of so many in the professional class severely limits the amounts of human capital present in Iraq, and those that do remain often lack the necessary skills to keep its institutions, bureaucracy, and economy running efficiently. Without these skilled professionals, no one will be available to train and teach a new generation of Iraqi students, which makes rebuilding a successful and independent nation difficult, if not impossible.²⁹⁸

In order to improve the institutions of higher education in Iraq, the project team proposes three solutions that could be implemented separately or in combination. The first solution would create community-based education programs in affiliation with larger, already established, institutions of higher education. In setting up these satellite centers, this affords a larger portion of the university-eligible students the opportunity to attend an accredited institution of higher learning.

²⁹⁶ Reporters Without Borders, Hundreds of journalists forced into exile in five years since launch of US-led invasion of Iraq, 19 March 2008. Online. UNHCR Refworld, available at: <http://www.unhcr.org/cgi-bin/texis/vtx/refworld/rwmain?docid=47e23f162> [accessed 24 April 2008]

²⁹⁷ O'Hanlon, Michael E., and Jason H. Campbell. Iraq Index: Tracking Variables of Reconstruction & Security in Post-Saddam Iraq. Vers. March 31, 2008. 31 Mar. 2008. The Brookings Institution. 18 Feb. 2008 <<http://www.brookings.edu/saban/iraq-index.aspx>>.

²⁹⁸ Senanayake, Sumedha. "Iraq: Brain Drain Poses Threat to Future." Global Security.Org. 16 Nov. 2006. Global Security.Org. 12 Apr. 2008 <<http://www.globalsecurity.org/wmd/library/news/iraq/2006/11/iraq-061116-rferl02.htm>>.

Since the universities are not operating at full capacity and have stretched resources as it is, the team's proposal keeps this financial and human capital burden in mind when suggesting a method of "resource rotation" to ensure equitable, high-quality education in the satellite centers. Resource rotation would entail rotating professors and their materials between the different satellite schools each semester.

A simplified example of this method is as follows: assume there are 10 satellite centers and 30 available professors that teach mechanical engineering classes. Each semester, three professors would be located at each of the 10 satellite centers, ensuring equal distribution of the resources. Professors would bring with them the necessary materials provided by the Ministry of Education (MoE) to teach their area of specialty, including books, lab materials, etc. A unified curriculum for specific majors would be established by the MoE, and each professor will teach a particular engineering class, like Thermodynamics, Material Science, or Statics. After teaching for one semester, the professors would then transfer to a different satellite center to teach the same classes to different students. This way, students receive the same education taught by the same professors, just in different time frames, and limited resources are used as efficiently as possible.

Additionally, the project team recommends enhancing foreign exchange programs for both students and professors to various countries like the U.S., or the U.K. Besides obvious benefits such as learning new skills that can be used to improve conditions in Iraq, foreign exchange programs also achieve additional advantages that have far-reaching implications on foreign relations. Through such exchanges, many students and professors will be given the chance to

experience a very different culture than they ever have before; this novel foreign encounter helps encourage cultural understanding and awareness and promote public diplomacy.²⁹⁹ International education programs and cultural exchanges are one of the most effective means of developing lasting and meaningful relationships with other countries.³⁰⁰

Programs within the U.S. are already active in promoting and funding additional academic exchange, and should be enhanced to ensure additional exchange. For example, since 2003, USAID has increased the amount of grants focused on increasing academic exchange programs and devoted over \$20 million to encouraging institutions of higher learning in the U.S. like Jackson State University and the University of Oklahoma to work with Iraqi institutions of higher learning such as the University of Mosul, University of Al-Anbar, University of Basrah, and Salahaddin University to assist the universities in Iraq in becoming premier institutions for education and research, as well as provide access to research and academic databases and provide technical expertise.³⁰¹

Additionally, one of the requirements for obtaining an F, M, or J Visa is that applicants can provide evidence that they have enough funds to cover expenses in the United States; this prevents many from applying or being granted a visitor's or student's visa.³⁰² In an effort to

²⁹⁹ Hoge, JR, James F. "The Benefits of Public Diplomacy and Exchange Programs." National Council for International Visitors. 12 Mar. 2003. Na <http://www.nciv.org/media/2003_Hoge.pdf>.

³⁰⁰ "Exchange Visitor (J) Visas." Travel.State.Gov. 2008. U.S. State Department. 7 May 2008 <http://www.travel.state.gov/visa/temp/types/types_1267.html>.

³⁰¹ USAID Press Office. United States. USAID. Press Release. 2 Dec. 2003. 15 Apr. 2008 <<http://www.usaid.gov/press/releases/2003/pr031202.html>>.

³⁰² "Exchange Visitor (J) Visas." Travel.State.Gov. 2008. U.S. State Department. 7 May 2008 <http://www.travel.state.gov/visa/temp/types/types_1267.html>.

increase the number of foreign nationals that meet U.S. State Department requirements, the U.S. State Department could offer grants or scholarships to account for educational expenses as well as daily living expenses, or work with individual universities throughout the U.S. to provide reduced-price or free tuition, books, or living quarters.

Alternatively, to encourage U.S. students to travel to Iraq in an exchange program, the U.S. government could offer substantial scholarships or implement a loan-forgiveness program.

The final recommendation promotes free higher education in Iraq. Administered through the Ministry of Education, public universities would continue to offer free higher education to students. Since the governmental programming and structure is already in place to provide oversight for free higher education, augmenting the amount of funds or aid directed to this program will do much in increasing the professional population within Iraq. At the end of secondary education, students sit for the national baccalaureate exam; those that do well, despite their origins or access to funding, receive a free education in the country's colleges or could be sent abroad with scholarships or grants, a fact which serves to equal out the disparities between potential university students.³⁰³ By providing books, materials, living quarters or aid for daily expenses, the MoE would provide an incentive for students to remain in Iraq to obtain a higher education.

³⁰³ Dawisha, Adeed I., and Karen Dawisha. "How to Build a Democratic Iraq." *Foreign Affairs*. May-June 2003. Council on Foreign Relations. 7 May 2008 <<http://www.foreignaffairs.org/20030501faessay11218-p40/adeed-i-dawisha-karen-dawisha/how-to-build-a-democratic-iraq.html>>.

Strict regulations would need to be implemented, however, to ensure that those who do receive a free education at the expense of the state do not emigrate and further add to the brain drain problem. To promote a more effective civil service sector in Iraq, a mandate should be implemented that states that those who accept free education also therefore agree to remain in Iraq and practice their area of specialization for a certain amount of time, most likely 3-5 years, in a civil service program that could be labeled the Iraqi Education Corp. By working for the government in a civil service program, the government benefits from the augmentation of its civil service sector, which can continue to aid in the reconstruction process, and the time requirement of 3-5 years allows enough time for new graduates to be trained and subsequently take over for those who exit the Iraqi Education Corp. This would work to increase the capacity of the civil work force to efficiently operate the bureaucracy of the government, which as of right now is inadequate and its people undertrained.³⁰⁴

Though education is a very important aspect to developing human capital in Iraq, it requires a more long-term approach to building and maintaining an effective capacity. As previously mentioned, the flight of other professionals from Iraq also presents a problem with maintaining a professional workforce. Besides working to just keep professionals from emigrating, the U.S. government and the Iraqi government should work together to encourage emigrated professionals to return to Iraq to aid in the reconstruction process. In the past few decades, Taiwan has also experienced significant brain drain of both college students that study abroad

³⁰⁴ Dawisha, Adeed I., and Karen Dawisha. "How to Build a Democratic Iraq." *Foreign Affairs*. May-June 2003. Council on Foreign Relations. 7 May 2008 <<http://www.foreignaffairs.org/20030501faessay11218-p40/adeed-i-dawisha-karen-dawisha/how-to-build-a-democratic-iraq.html>>.

and fail to return, as well as established professionals. From 1971-1985, 62,430 students left for foreign study, and only 11,206, or approximately 18%, returned. Whether students and professionals were pulled to the United States because of better teaching/research facilities, better career aspects and opportunities, higher salary potential and job satisfaction, or a family considerations, Taiwan has drastically increased its recruitment efforts by both its government and private enterprise, efforts which should be adopted by Iraq at least in part.³⁰⁵

Taiwan's official government policy involves improving and strengthening the institutions of higher learning at home, as well as to encourage emigrants to return to Taiwan to use their talents to better Taiwan's national development. The Taiwanese government offers several incentives to convince scholars and other professionals to return from abroad; these incentives include travel subsidies for the individual and his/her family, job placement assistance for those seeking employment as well as institutions seeking employees, business investment assistance through loans and grants for overseas professionals in science and engineering who wish to establish a business in Taiwan and import new technology, a visiting professors or experts program which provides a high salary for a short amount of time to a professor or expert to return, a recruitment program that focuses on offering competitive salaries, improved working conditions, better

³⁰⁵ Chang, Shirley L. "Causes of Brain Drain and Solutions: the Taiwan Experience." *Studies in Comparative International Development* 27 (1992): 27-43.

housing facilities, and children's schooling assistance, and links with overseas Taiwanese professionals.³⁰⁶

As a result of such incentive programs, Taiwan has seen an increase in the retention rates of both students and professionals. Much like Iraq, Taiwan has been and continues to undergo an economic shift from an economy that was more labor-intensive to one based on specialized skills. As Iraq continues to move toward "developed country" status, the need for a highly skilled workforce will be more important than ever. Though many conditions in Iraq are different, the underlying situation remains similar: both countries are experiencing brain drain as they shift from a labor-intensive economy to a capital-intensive economy, and must implement incentive programs to ensure professional and skilled worker retention. Like Taiwan, Iraq could offer various incentives to professionals and scholars to encourage them to remain in Iraq or return from abroad. Such incentives have been shown to work, and could aid the reconstruction process in terms of developing human capital.

Incentives that should be implemented could be targeted for professionals in Iraq; professors could be given higher salaries and access to international journals, research, and conferences. Benefits for family should be extended in all cases, such as life insurance for the Iraqi professionals. Sadi Jawad, director of the state-owned national insurance company, has launched the first program that offers life insurance against terror attacks directed towards professors and

³⁰⁶ Chang, Shirley L. "Causes of Brain Drain and Solutions: the Taiwan Experience." *Studies in Comparative International Development* 27 (1992): 27-43.

other business professionals.³⁰⁷ This policy covers death by acts of sectarian violence, terrorism, kidnapping, torture, and homicide bombings in addition to accidental death. Though most would prefer to live in conditions that do not require such insurance, this policy is an attempt to keep frightened professors and business professionals from simply fleeing by providing some assurance that their families will be taken care of if the worst were to happen.³⁰⁸ Furthermore, providing education for children, healthcare benefits, and stable housing and access to food and other resources could go a long way in providing a stimulating environment for professional growth with adequate funding, facilities, markets, and an intellectual community.³⁰⁹

Political Gridlock

The United States Institute of Peace (USIP),³¹⁰ an independent, nonpartisan, national institution established and funded by Congress, and the Congressional Research Service³¹¹ have identified political gridlock as a major barrier to progress, economic or otherwise, in Iraq. The high level of fragmentation in the Council of Representatives (CoR), the Iraqi legislative body, has contributed greatly to the problem of gridlock. Numerous pieces of legislation have not been passed because the disparate factions in the CoR have been unable to compromise. In the

³⁰⁷ Piper, David. "Iraq's New Insurance Policy Against Brain Drain." Fox News. 11 Mar. 2008. 04 Apr. 2008 <<http://www.foxnews.com/story/0,2933,336448,00.html>>.

³⁰⁸ Piper, David. "Iraq's New Insurance Policy Against Brain Drain." Fox News. 11 Mar. 2008. 04 Apr. 2008 <<http://www.foxnews.com/story/0,2933,336448,00.html>>.

³⁰⁹ Pang, Tikki, Mary Ann Lansang, and Andy Haines. "Brain Drain and Health Professionals." *British Medical Journal* 324 (2002): 499-500. 15 Apr. 2008 <<http://www.pubmedcentral.nih.gov/articlerender.fcgi?artid=1122434>>.

³¹⁰ Kritz, Neil, Sermid al-Sarraf, and J Alexander Thier. Constitutional Reform in Iraq: Improving Prospects, Political Decisions Needed. Sept. 2007. United States Institute of Peace. 17 Apr. 2008. <http://www.usip.org/pubs/usipeace_briefings/2007/0903_constitutional_reform_iraq.html>.

³¹¹ Katzman, Kenneth. "Iraq: Government Formation and Benchmarks." Congressional Research Service. 31 Jan. 2008.

December 2005 elections, there were over 300 parties registered.³¹² The main problem is the delayed passage of the Draft Oil law. This law would set the provisions for foreign direct investment in the oil industry in Iraq. The longer it is delayed the longer a much need influx of investment is delayed from revitalizing Iraq's waning oil infrastructure. There have been signs of progress in the ability of the CoR to pass legislation. The simultaneous passage of the Provincial Powers Law, the Amnesty Law, and the 2008 budget is seen as a sign that the CoR is learning how to use the legislative process to win votes to pass key legislation.³¹³ Despite these early signs of progress, the ability of the CoR to move on and pass legislation is low.

The phenomenon of political gridlock is also called policy stability. While stability has a positive connotation, in the case of policy it breeds instability in the rest of the governmental system. If the government is unable to change policy according to different demands, then the viability of the government is threatened. This idea is articulated by George Tsebelis in his book Veto Players³¹⁴ and, specific to Iraq, by Peter Casey and Selwa Ahmad in their working paper "The Problem of Policy Stability in Iraq."³¹⁵ Both of these pieces provide a theoretical explanation to the principal that governments work best and are most stable when there are a small number of parties. This idea was empirically explored by Michael Taylor and V.M. Herman in 1971. They

³¹² O'Hanlon, Michael E., and Jason H. Campbell. Iraq Index: Tracking Variables of Reconstruction & Security in Post Saddam Iraq. 28 Jan. 2008. The Brookings Institution. 18 Feb. 2008 <<http://www.brookings.edu/saban/iraq-index.aspx>>

³¹³ Gluck, Jason. From Gridlock to Compromise: How Three Laws Could Begin to Transform Iraqi Politics. Mar. 2008. United States Institute of Peace. 17 Apr. 2008. <http://www.usip.org/pubs/usipeace_briefings/2008/0319_iraqi_politics.html>.

³¹⁴ Tsebelis, George. Veto Players. New York: Russell Sage Foundation, 2002.

³¹⁵ Casey, Peter Colum, and Selwa Nasser Ahmad. "The Problem of Policy Stability in Iraq." Unpublished Draft. 29 Mar. 2008. Creighton University, Omaha

found, in a survey of 196 governments from 19 different countries government stability was very much influenced by the number of parties and the size of the largest party. Essentially, the higher the number of parties and the smaller the size of the largest party, the less likely the government would stay in power. The “Veto Players” theoretical framework proposes that this governmental instability is brought about by the policy stability of a politically fragmented parliament.

Riccardo Pelizzo and Joseph Cooper explored the stability of governments in Italy based on a number of criteria including the number of parties in the legislature and the size of the parties and confirmed the general findings of Taylor and Herman.³¹⁶ The common theme of this literature stresses that more parties in a legislature causes more policy stability which leads to government instability.

A review of Iraqi electoral laws from the Independent Electoral Commission of Iraq (IECI) shows the most recent election was run under proportional representation (PR) rules.³¹⁷ Table 9 shows the UN’s rationale for using a PR electoral system in Iraq. While the basis for a single national district no longer applies under the rules for voting in the 18 individual governorates, the rationale for inclusiveness is one of the UN’s most compelling argument for using the PR system.

³¹⁶ Pelizzo, Riccardo, and Joseph Cooper. “Stability in Parliamentary Regimes: The Italian Case.” Legislative Studies Quarterly. May 2002: 163-190. JSTOR. . Reinert-Alumni Memorial Library, Omaha, NE. 17 Apr. 2008. <<http://links.jstor.org/sici?sici=0362-9805%28200205%2927%3A2%3C163%3ASIPRTI%3E2.0.CO%3B2-7>>.

³¹⁷ Elections Law (English Unofficial). Independent Electoral Commission of Iraq. 17 Apr. 2008. <http://www.ieciraq.org/English/Frameset_english.htm>.

Advantage	Rationale
Inclusive:	The main purpose for the national assembly in the transition is to form a constituent assembly. The legitimacy of the constitution will depend heavily on broad inclusiveness and representation of interests amongst the national assembly. The PR system is most effective in gaining inclusive representation for a range of groups, rather than a “winner-take-all” system (plurality-majority systems), where large groups can secure an overwhelming majority.
Simple and transparent:	The PR system allows a voter to cast one vote, which simplifies the voting process – lowering the voter education requirements – and creates a more transparent system. The simplicity of the system also makes it more operationally feasible to implement.
No census data required:	The system can be implemented on a single national district without census data and a lengthy and controversial exercise to determine sub-national electoral districts. In so doing, it also minimizes difficulties and controversy of population movement within the country (e.g. Kirkuk).
Best for women and minorities:	The system accommodates the goal for achieving women’s representation and fair representation of minorities, as they will be able to vote collectively from around the country for the same list or candidate. (If the elections were conducted in sub-national districts, their votes would be restricted to localized parties or large national groups with the resources to compete around the country.)
Encourages alliances and moderate positions:	The system encourages political groups to form alliances around the country and appeal to as many constituencies as possible. Similarly, this need to appeal to differing constituencies tends to moderate a groups position. At the same time, the PR system also allows independent candidates to be elected, without forcing them to join political parties.
Permits local representation:	By not requiring national coverage/presence and permitting partial lists (of as few as 12 candidates), as well as independent candidates – the system permits a basis for localized representation to emerge.
Least vulnerable to security problems:	The national district permits candidates to campaign with less disruption caused by localized violence or insecurity. By being placed on a national ballot, the effectiveness of targeted political violence against candidates is minimized. Similarly, lists of candidates reduce the ability to individually target and intimidate.
Most accommodating to out-of-country voting:	The system accommodates a practical response to out-of-country voting. A national district permits out-of-country voters to participate in the process, as their vote does not have to be counted towards a sub-national location, which can be highly controversial. The IECI has decided to pursue a limited (will occur in several countries) out-of-country operation that is estimated to cost about US\$90 million. (The countries in which out of country voting may occur have not been determined at this time.)

Table 9: Advantages of a Proportional Representation Electoral System³¹⁸

Proportional representation systems are used in about 70 different countries around the world and are a good way to elect legislators. However, there is the high probability of excessive fragmentation when an electoral threshold is not used. This is the case in Iraq; 307 parties were registered for the last round of elections and about 30 of these parties were elected into the CoR.³¹⁹ Iraq uses a natural threshold which means that the number of votes needed to gain a seat is based on the number of seats apportioned for each governorate divided by the total number of votes with the parties with the largest remainders receiving the excess seats. Figure 11 shows the process by which seats are allocated. National seats are generally favored for small national

³¹⁸ Iraq: Electoral Fact Sheet. Electoral Assistance Division, United Nations, New York. 17 Apr. 2008. <<http://www.un.org/News/dh/infocus/iraq/iraq-elect-fact-sht.pdf>>.

³¹⁹ FAQ – Council of Representatives Elections. Independent Electoral Commission of Iraq. 17 Apr. 2008. <http://www.ieciraq.org/English/Frameset_english.htm>.

parties that did not win enough votes to secure a seat in a governorate. In this way the electoral system and way of allocating seats favors small parties.

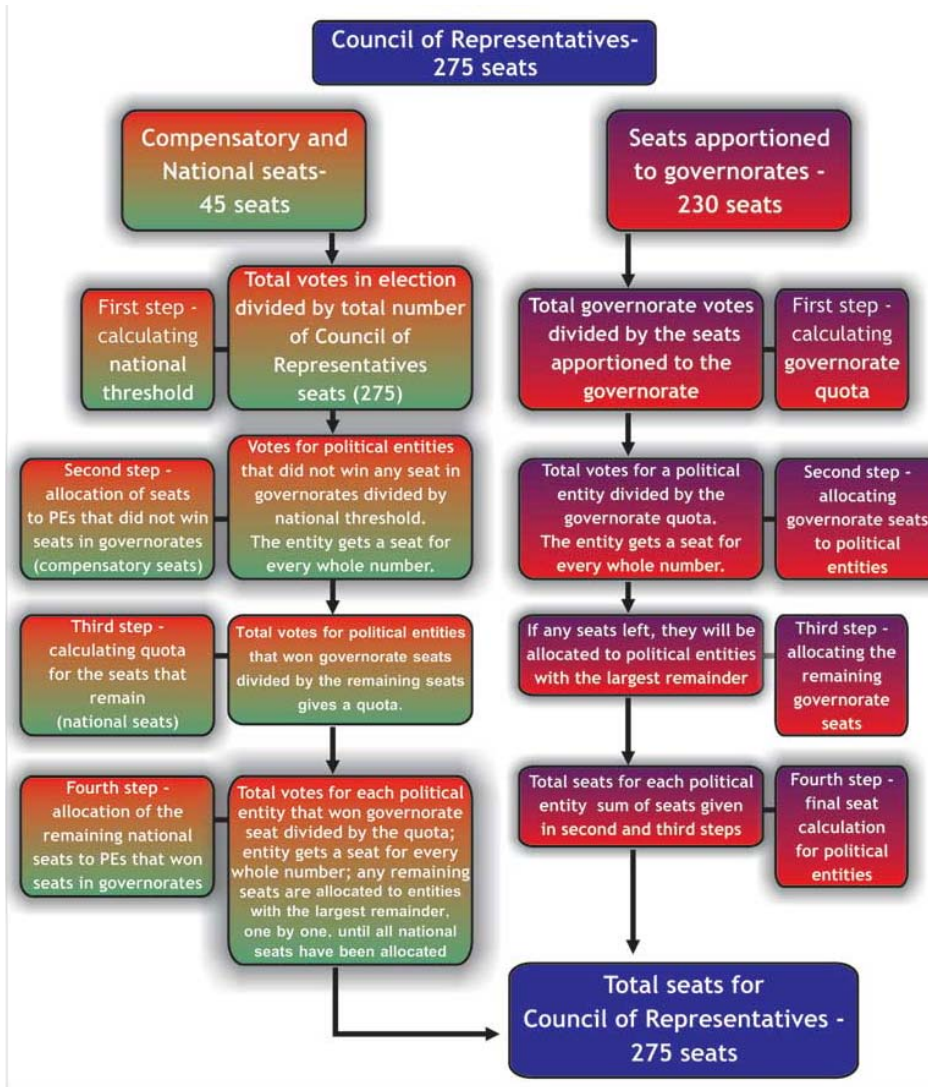


Figure 11: Seat Allocation for the CoR Elections³²⁰

³²⁰ Seat Allocation for the Council of Representatives Elections. 15 Dec. 2005. Independent Electoral Commission of Iraq. 17 Apr. 2008. <http://www.ieciraq.org/English/Frameset_english.htm>.

The preference for small parties in the allocation of seats breeds policy stability and gridlock in the CoR which, as was discussed before, prevents the passage of legislation critical to the development of Iraq. Small parties are not necessarily bad. However, the preponderance of small parties in Iraq does not allow for the formation of strong coalitions and governments that can pass legislation. Small parties often represent small limited interests that have very little to compromise on.

Recommendations

In an effort to overcome the political gridlock present in Iraq, the team recommends the adoption of an electoral threshold. Electoral thresholds make it more difficult for parties that receive a small proportion of the votes in an election to gain seats in a legislature. A threshold of 3% would require a party to win at least 3% of the popular vote in order to gain at least one seat. This is different than the natural threshold that is currently in use in Iraq because a party would have to acquire a certain percentage of the votes to even be considered in the calculations of seat apportionment. Of the 70 democracies that use a proportional representation system, 90% of those democracies use a threshold. The average threshold used is 4%.³²¹ Even the KRG in Iraq has a threshold of 7%. It should be no surprise then, that the KRG is much more effective at passing legislation than the legislature in Baghdad.

The implementation of a threshold should be done with a measure of caution. Eliminating small parties will increase the efficacy of the government and the CoR, but it could do so at the

³²¹ Calculations based on data from Carr, Adam. [Psephos: Adam Carr's Election Archive](http://psephos.adam-carr.net/). 17 Apr. 2008. <<http://psephos.adam-carr.net/>>.

expense of minority representation. A threshold that is too high, such as Turkey's at 10%, could lead to accusations of misrepresentation and could cause renewed violence and instability. Therefore, a very low threshold should be used initially. A threshold of 1% could be implemented first and then gradually raised to a level that creates an optimum level of parties. A preferential system would require voters to designate a second or third choice of party when voting. This would prevent votes from being wasted on parties that fail to meet the threshold requirements. The votes from the party that fails to meet the threshold would go to the voter's second or third choice.

Limited Inter-Agency Collaboration

US government efforts regarding reconstruction in Iraq, as well as ongoing economic development projects, are generally regarded as disorganized, with a large variety of organizations often providing services or sponsoring projects in a large haphazard way. Communication between the various tasked agencies is poorly managed, and a variety of "turf wars" have developed. Finally, contradictory and overlapping projects are relatively common, wasting resources, expertise, and time. There is a nominal amount of collaboration between the seven or eight different U.S. departments or agencies but, generally, these departments and agencies work independently from one another. This free market approach would be acceptable if the departments and agencies were private sector businesses that could compete with one another. In 2006, the U.S. Joint Forces Command (USJFCOM) developed a web portal to help

support humanitarian assistance and disaster relief.³²² Whether or not this was effective at promoting interagency collaboration has yet to be seen, but the effort was there. Additionally, the U.S. Department of State is looking to create an “Iraq Policy and Operations Group” that would coordinate several State Department offices in their dealings with Iraq.³²³ This kind of organization should be expanded to include all offices and departments that are working in Iraq. Figure 12 shows the current organization of the reconstruction effort.

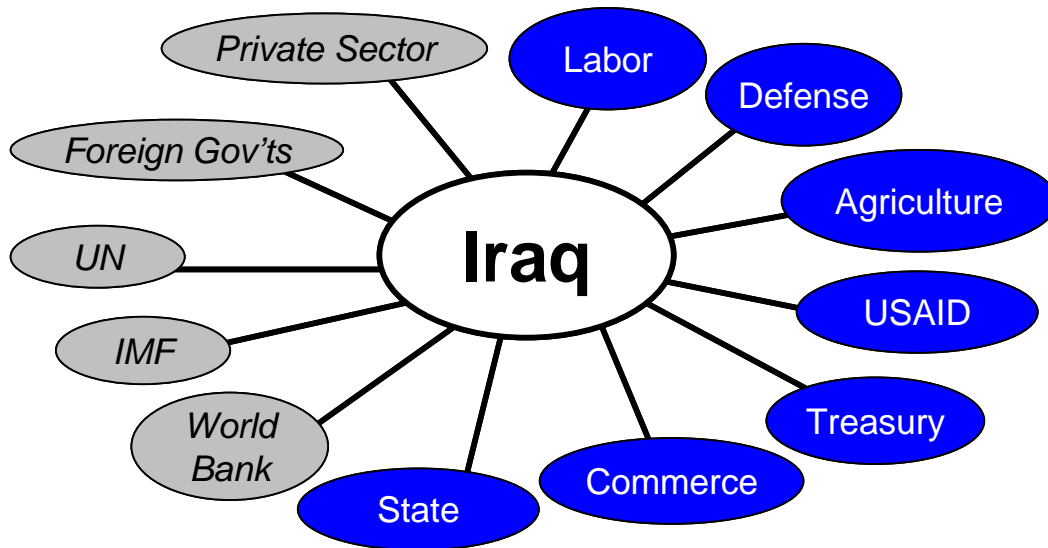


Figure 12: Current Iraqi Aid Delivery System

³²² HARMONIEWeb, an Interagency Collaboration Portal for US Joint Forces Command that Supports Humanitarian Assistance and Disaster Relief World-wide. 17 Apr. 2008. <<https://solutionfinder.microsoft.com/SDK/Solutions/SolutionDetailsView.aspx?solutionid=a2386c974b844525b4c771dd0c569d3e&partnerid=8eea1bf4-4ca4-4453-92a0-219a6e82f417>>

³²³ R – Iraq Policy and Operation Group (IPOG) Support. 13 Feb. 2008. Federal Business Opportunities. 17 Apr. 2008. <https://www.fbo.gov/?s=opportunity&mode=form&tab=core&id=2e81fb0d37cc4476a803ca59ce873041&_cview=0>

A review of academic literature, especially in the field of public administration, reveals that such difficulties are relatively common in both domestic and international programs of many government agencies.³²⁴ It seems likely that the larger the problem, the more these sorts of dilemmas occur. However, the team's review of this literature also reveals a framework that can be utilized to harmonize these issues through a matrix of decision-making and leadership. Furthermore, this framework allows for the incorporation of external elements, such as non-governmental agencies (NGOs), inter-governmental agencies (IGOs), private sector elements, and native advisors. These elements can be forged into a single collaborative unit, geared towards a results oriented process. This framework can be called "The Development Manager" structure.³²⁵ Figure 13 shows the feedback process in the Development Manager Framework.

³²⁴ Brinkerhoff, Derick and Jennifer Coston. "International Development in a Globalized World." *Public Administration Review* 59 (1999): 346-361.

³²⁵ Brinkerhoff, Derick and Jennifer Coston. "International Development in a Globalized World." *Public Administration Review* 59 (1999): 346-361.

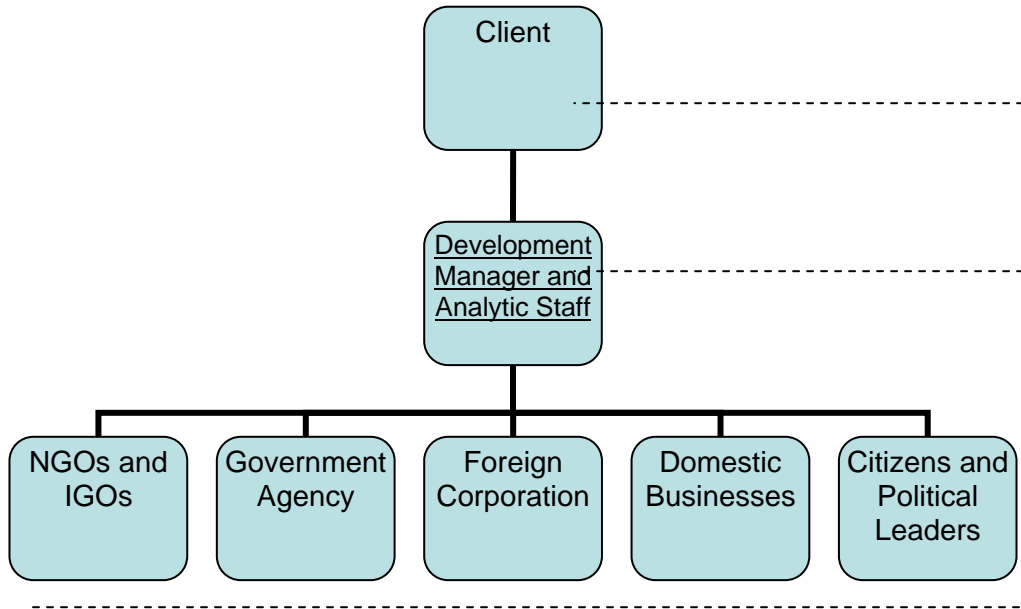


Figure 13: Feedback in the Development Manager Model

This structure begins and ends with the client. The client, in this case the Iraqi citizens and political leaders most closely associated with the project, let the Development Manager know what they want. The Development Manager then filters this through their analytic staff, who pinpoint the agencies, NGOs, IGOs, and businesses that can most specifically meet those needs. A project plan is developed, and communicated back to the client, and the project is begun. As the project proceeds, feedback ensures that goals are being met and that the client is kept informed of progress or setbacks. It is important to note that the Development Manager must be allocated a fairly significant amount of authority and resources; in this way, cooperation between parties can be ensured.

This process allows all elements to buy in the process and to remain informed as to the status of work. It also leverages the strengths and talents of government, non-governmental, and private sector elements. Finally, and perhaps most important, this process would incorporate a motive beyond a simple process driven institution. Instead, the process is results driven, with

commercial business interests and the benefits of the average citizen taken into account. In this way, the projects could be sustainable, with processes and operating procedures institutionalized by the cooperating partners.

The team envisions that this framework could be used to manage multiple programs across the theater of operations. Each Development Manager would be tasked with a specific problem to address, thus preventing a “one size fits all” or “lead agency” mentality. This process can be flexible and avoid bureaucratic pitfalls. For the project team’s purposes, this process could be used to address the specific Iraq-related problems tasked to us by the client.

Recommendations

The project team recommends placing the U.S. Department of State into the Development Manager position. As the official face of the U.S. government in the foreign arena, it makes sense to coordinate all reconstruction activities out of State Department offices. The USIP recommends putting the State Department in charge of reconstruction³²⁶. They do not follow the Development Manager framework but still recognize the State Department as the most appropriate agency for coordinating reconstruction activities. Foreign or international organizations are not included in the U.S. structure because it would be much more difficult to coordinate and work with international organizations. It will be hard enough getting U.S. agencies to work in sync with each other as it is. Figure 14 shows the proposed organization of

³²⁶ Mendelson-Forman, Johanna, and Merriam Mashatt. Employment Generation and Economic Development in Stabilization and Reconstruction Operations. Mar. 2007. United States Institute of Peace. 17 Apr. 2008.<<http://www.usip.org/pubs/specialreports/srs/srs6.pdf>>.

future reconstruction efforts. All efforts and projects are tasked and funneled through the development manager, the Department of State.

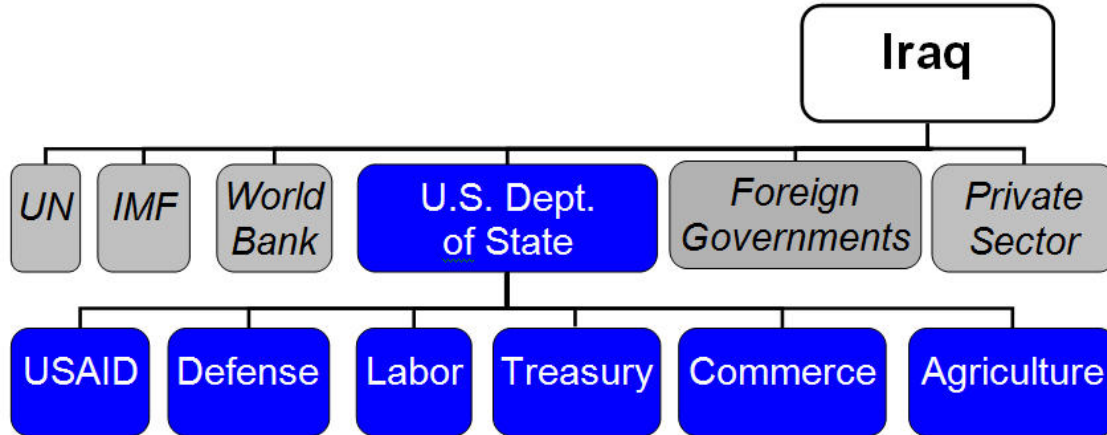


Figure 14: Proposed Organization for Aid Delivery

It may help to conceptualize this model in terms of a joint command. The U.S. Military has several joint commands that bring all branches of the armed forces together in a collaborative environment for a specific area of responsibility. Central Command’s area of responsibility spans from eastern Africa to western Asia. Strategic Command’s area of responsibility is global security operations and deterrence. Special Operations Command is in charge of special operations around the world. The Development Manager Framework would function as sort of Development Command. However, Instead of being a purely military entity, numerous civilian organizations would be integrated into the command structure. The Department of State would be the primary gatekeeper of all action, but would consult with the various agencies encompassed in this development command structure. This collaborative environment would ensure that the most agencies that have the skills to address a certain problem are tasked with solving that problem and have the resources and support from other agencies to solve that problem. Making development the primary responsibility of the organization would focus efforts

and reduce spending on extraneous projects that do not deal explicitly with the development of the Iraqi economy. With the development efforts consolidated under and controlled by the Department of State, redundancy can be reduced and a more clear and focused effort can be created. An ad hoc, haphazard approach can be replaced with a focused, efficient, and coordinated effort.

IRAN

U.S. relations with Iran have been troubled for several decades. The Iranian Islamic revolution in 1979 and subsequent hostage crisis, Iran's support for international terrorism and recent efforts to develop a domestic nuclear program have kept U.S. Iranian relations on a mutually antagonistic track. In order to enrich the project team's understanding of the context of the client's question regarding the short and long term effects of sanctions on Iran, the research team employed the PMESII framework. This framework is used to examine Iran's political, military, economic, social, infrastructure, and information aspects. This general analysis is presented first. In the second section, the work specifically examines sanctions regimes and Iran, as well as to provide recommendations using an analytical structure outlined in that section.

Background

Though the project team's eventual aim with regards to Iran – analyzing the short and long term effects of sanctions – is different than its aims with Afghanistan and Iraq, an overview of the current conditions in the country is crucial in developing an informed analysis. Therefore, the team has again employed the PMESII framework to examine the political, military, economic, social, infrastructure, and information conditions specific to Iran.

Political Overview

Iran's political situation is a paradox. Its internal political relationships exhibit a great deal of complexity, both in structure and in practice. Conversely, Iran has developed a relatively coherent foreign policy platform based on traditional balance of power politics. The initial thrust of this analysis will address the internal complexities of Iran's political institutions and actors,

along with any notable trends. The second section will detail the relatively straight forward nature of Iran's foreign policy agenda. A final section will examine U.S. policies in relation to Iran.

Officially, Iran became an "Islamic Republic" in 1979, after the overthrow of the monarchy and the exile of the Shah. This revolution was broad based, incorporating virtually every sector of civil society. However, it was spearheaded by an unlikely coalition of middle class business interests and conservative Shi'a clerics.³²⁷ Soon after the revolution, political power was seized by the clerical forces that quickly imposed a theocratic state based on a strict interpretation of Shi'a Islam. Widespread and systemic oppression of regime opponents, in addition to religious and ethnic minorities soon followed, a trend intensified by the 1980-1988 war with neighboring Iraq. Despite the creation of these autocratic institutions, Iran's constitution also mandates a series of weakly empowered plural institutions. This creates a rather unstable environment in which proto-democratic plural structures compete for power with a diffuse yet powerful set of autocratic institutions.

After the revolution, religious authorities established a series of un-elected and autocratic institutions designed to safeguard the ability of the theocracy to maintain power and control political and social life within the state. A visual representation of these relationships can be viewed in the form of Figure 14, below. Led by the office of the Supreme Leader, these institutions included the powerful Guardian Council, the Expediency Council, the Judiciary, and

³²⁷ "Iran." Freedom House Website. 25 Feb 2007.
<http://freedomhouse.org/inc/contents/pubs/fiw/inc_country_detail.cfm?year-2007>.

the Assembly of Experts.³²⁸ The armed forces also wield considerable political power within Iran.

Despite the considerable and ubiquitous powers allotted to these authoritarian structures, Iran's revolutionary constitution does incorporate elements of pluralism. A popularly elected legislature, or Majles, does exist, composed of 290 directly elected from the various provinces of Iran. The parliament has formal legislative powers, as well as the power to approve or impeach government ministers and the power to impeach the President.³²⁹

Although candidates for the Majles are vetted by the Guardian Council, a situation that one might suggest would create a rubber stamp body for the autocracy, there are frequent disputes between the Parliament, the President, and the various autocratic institutional bodies. While the backlash against reform minded parliamentarians by the autocracy over the past eight years has resulted in a more unified law and order oriented social policy, serious disputes over economic policy have continued to erupt in recent years. These disputes often require the private or, in some particularly tense cases, the public intervention of the Supreme Leader himself to resolve the disputes.³³⁰

³²⁸ "Iran: Who Holds the Power?" BBC Website. 25 Feb 2007. <http://news.bbc.co.uk/2/shared/spl/hi/middle_east/03/iran_power/html/default.stm>.

³²⁹ "Islamic Republic of Iran." Psephos Website. 25 Feb 2007. <<http://psephos.adam-carr.net/countries/i/iran/statsiran.shtml>>.

³³⁰ "Tensions at the Top In Iran." BBC Website. 23 Jan 2008. <http://news.bbc.co.uk/2/hi/middle_east/2404590.stm>.

As noted previously, the internal political structure of Iran is formulated around the concept of creating a political structure and polity that are compatible with a strict interpretation of Shi'a Islam. As such, concepts of “conservatives” and “reformers” are not usually transferable to western notions of such labels, and do not necessarily indicate the influence of Western-minded secular democrats. In an Iranian context, “reform” generally indicates a desire for a somewhat more expansive definition of personal and public freedoms, subservient to an economic model of reform that encourages free enterprises and greater wealth distribution under a banner of Shi'a Islam. Thus, economics come first, freedoms second in the minds of most Iranian reformers.

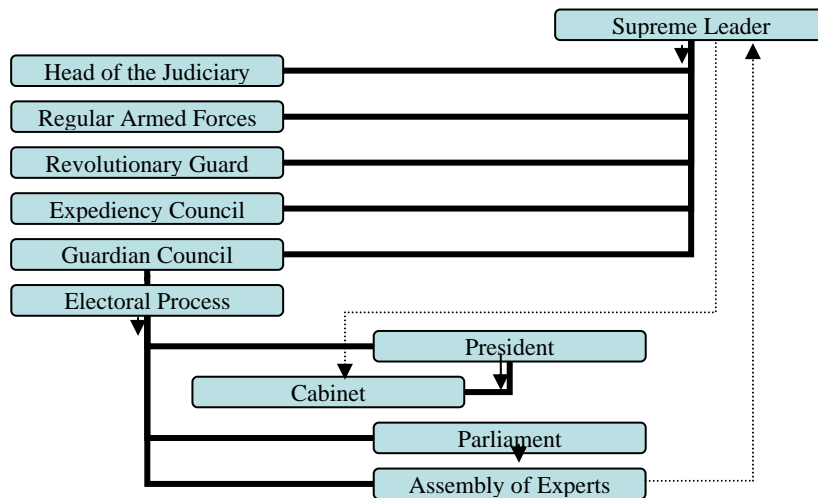


Figure 15: Government Structures in Iran

Despite these interesting aspects of the paradoxical nature of the Iranian regime, the situation regarding the potential for democratic reforms is currently grim. Political freedoms and civil liberties are under siege by conservative elements, and freedom of speech and the press are also under serious attack. Since 2004 many media outlets have been closed by the police, and others have been threatened with closure. The vetting procedures of the Guardian Council have dramatically reduced the representative nature of the Parliament, and the actions of the Judiciary have effectively suppressed public dissent by student and labor groups. Additionally, elements of

the Revolutionary Guards and Basij militias are frequently implicated in the extrajudicial imprisonment, beating, and execution of ethnic minorities, regime opponents, and politically active reformers.³³¹ Backed by a conservative clerical hierarchy and fueled by huge oil profits, the regime seems unlikely to face any serious political challenges to its rule in the near future.

Immediately following the revolution in 1979, Iran's foreign policy resembled that of the former Soviet Union in the years following its tumultuous birth. As did the Comintern with with socialism, Iran began to advocate Islamic revolution against secular states. Iran also fervently supported the destruction of Israel. As such, Iran moved to the forefront of training and supplying terrorist groups around the world.³³² Most notable amongst the groups that yet survive is Hezbollah. Iran also sought to reduce or eliminate "foreign" influence in the region and to purge the region of secular governments. These policy guidelines were put into practice with huge financial commitments to Hezbollah and other terrorist groups, the assassination of Iranian regime opponents in foreign countries by intelligence operatives, and support for revolutionary movements in Bahrain, Kuwait, and Saudi Arabia.³³³ These policies lead to the diplomatic and economic isolation of Iran during the 1980s.

³³¹ "Iran." Freedom House Website. 25 Feb 2007.
<http://freedomhouse.org/inc/contents/pubs/fiw/inc_country_detail.cfm?year-2007>.

³³² Charles C. Meyer, National Security to Nationalist Myth: Why Iran Wants Nuclear Weapons (Monterey: Naval Post Graduate School, 2004) 8.

³³³ "Iran's Revolutionary Guards." Council on Foreign Relations Website. 25 Oct 2007.
<<http://www.cfr.org/publication/14324>>.

The war with Iraq reportedly forced Iran to severely curtail the ideological components of its foreign policy.³³⁴ While it still is a supporter of Hezbollah, it has expanded its participation in international organizations and has solid diplomatic relationships with many EU nations, as well as Asian nations such as China and Japan.³³⁵ It is the opinion of many scholars that Iran seeks to be a regional power, and has adopted the tenants of balance of power, or realist, paradigms to guide its foreign policies.³³⁶ Evidence of this philosophical shift is evident in Iran's lack of support for Muslim Chechens in their battles against Russia, its support of some U.S. initiatives following the September 11th attacks, and its strong economic ties with China.³³⁷ Most recently, the Iranian Foreign Ministry has negotiated directly with the United States concerning security matters in Iraq, albeit at a relatively low level.³³⁸

In each case, the current Iranian regime has placed state interests before ideological concerns. As such, state security and power come first. The Iranian regime has shown itself capable of rational negotiations over a wide range of foreign policy matters with ideological incompatible interlocutors. It should be noted, however, that Iran maintains its formal opposition to Israel and remains an active supporter of Hezbollah.

³³⁴ "Iran's Revolutionary Guards." Council on Foreign Relations Website.

³³⁵ "Iran." CIA World Factbook. 25 Feb 2008. <<https://www.cia.gov/library/publications/the-world-factbook/print/ir.html>>.

³³⁶ Charles C. Meyer, National Security to Nationalist Myth: Why Iran Wants Nuclear Weapons (Monterey: Naval Post Graduate School, 2004) 23.

³³⁷ "Iran." CIA World Factbook. 25 Feb 2008. <<https://www.cia.gov/library/publications/the-world-factbook/print/ir.html>>.

³³⁸ "U.S., Iran, Iraq to Form Group to Address Iraq's Security Problems." CNN Website. 24 July 2007. <<http://www.cnn.com/2007/WORLD/meast/07/24/iraq.main/>>.

In practical terms, the foreign policy of Iran is crafted and implemented by the Supreme Leader and his advisors through the Foreign Ministry and the Revolutionary Guards. Despite popular journalist reports, President Mahmoud Ahmadinejad has little, if any, formal power or influence over foreign policy matters.³³⁹

Officially designated as a state supporter of terrorism by the U.S. State Department and currently embroiled in public disputes over its nuclear program, support of Iraqi Shi'a insurgencies and ballistic missile proliferation, Iran is a frequent topic of U.S. government criticism. Further disputes between the two states include a failure to resolve outstanding issues concerning the revolutionary era embassy takeover, hostage crisis, and subsequent freezing of Iranian assets in the United States, as well as issues related to U.S. operations against Iranian military assets attempting to close the Persian Gulf to Iraqi oil tankers during the Iran-Iraq War in the 1980s.³⁴⁰

Trade between the two states, although steadily growing, is severely restricted by a number of Presidential Executive Orders and formal laws.³⁴¹ The United States does not have an embassy in Iran, although its interests are represented by a small office in the Swiss embassy in Tehran. Correspondingly, Iran does not possess an embassy in the United States, but maintains an interest office in the Pakistani embassy in Washington D.C.³⁴²

³³⁹ Charles C. Meyer, National Security to Nationalist Myth: Why Iran Wants Nuclear Weapons (Monterey: Naval Post Graduate School, 2004) 60.

³⁴⁰ William Robert Love, History of the U.S. Navy. (Harrisburg: Stackpole, 1992) 787.

³⁴¹ "Trade in Goods with Iran." U.S. Census Bureau-Foreign Trade Statistics. <<http://www.census.gov/foreign-trade/balance/c5070.html>>.

³⁴² "Iran." CIA World Factbook. 25 Feb 2008. <<https://www.cia.gov/library/publications/the-world-factbook/print/ir.html>>.

Formally, Iran and the U.S. have periodically signaled their willingness to cooperate on a variety of international issues, most recently regarding security issues in Iraq. Informally, there are various reports of periodic U.S. and Iranian cooperation on a number of issues over the years since the revolution, most recently regarding the detention and interrogation of suspected Al Qaeda members after the 9/11 attacks. However, substantive and ongoing cooperation on major issues has not been forthcoming.

Military Overview

The armed forces of Iran are composed of two parallel organizations.³⁴³ The first organization, known as the Artesh, is composed of regular army, navy, and air forces. The second organization, the Revolutionary Guards, or Sepah-e Pasdaran-e Enqelab-e Eslami, is an institution that incorporates separate army, naval, and air forces, along with an elite Special Forces group known as the Qods force, in addition to irregular paramilitary forces known as the Basij.³⁴⁴ The Revolutionary Guards forces are smaller in overall numbers than the regular armed forces, but tend to be better funded, have access to more extensive training, and wield considerably more influence within the political structures of Iran, especially since the election of Islamic Revolutionary Guards Corps (IRGC) veteran President Ahmadinejad in 2005.³⁴⁵

³⁴³ Cordesman, Anthony. Iran's Revolutionary Guards. Washington: CSIS, 2007.

³⁴⁴ Cordesman, Anthony. Iran's Revolutionary Guards. Washington: CSIS, 2007.

³⁴⁵ Cordesman, Anthony. Iran's Revolutionary Guards.

What little is publically known of Iranian military doctrine focuses on a limited defense orientation for the traditional armed forces.³⁴⁶ Certainly borne of a rational assessment of their own capabilities, Iranian military forces are primarily tasked with protecting Iranian territory. Certainly force projection is not currently possible for the Iranian armed forces due to material and logistic difficulties imposed by U.S. and international sanctions.³⁴⁷ Organized much as the old Soviet Red Army, it is oriented toward large mechanized operations in pursuit of limited and largely defensive objectives.³⁴⁸

The IRGC is skilled in asymmetric warfare. As such, it maintains relationships with notable terrorist groups such as Hezbollah and Iraqi Shi'a insurgent groups, and Iranian influence upon these groups is considerable. The IRGC reportedly is well-versed in these proxy warfare operations.³⁴⁹

Additionally, its special warfare capabilities would be quite useful in a defensive sense; oriented towards a war of attrition against an invading enemy and its rear area command, control and supply apparatus.³⁵⁰

³⁴⁶ Cordesman, Anthony. Iran's Revolutionary Guards.

³⁴⁷ "Iran Has Raised Efforts to Obtain U.S. Arms Illegally." Washington Post Website. 17 April 2006. <<http://www.washingtonpost.com/wp-dyn/content/article/2006/04/16/AR2006041600779.html>>.

³⁴⁸ "Iran's Revolutionary Guard." Council on Foreign Relations Website. 25 Oct 2007.< <http://www.cfr.org/publication/14324>>.

³⁴⁹ Cordesman, Anthony. Iran's Revolutionary Guards. Washington: CSIS, 2007.

³⁵⁰ Cordesman, Anthony. Iran's Revolutionary Guards. Washington: CSIS, 2007.

The reported control of surface to surface missile programs, its involvement in Iranian defense industries and chemical, biological, radiological, and nuclear programs (CBRN), are also testimony to the political and economic influence of the IRGC within the Iranian political structure. It is worth repeating that IRGC reports directly to the Supreme Leader and other leading clerics. It is not subject to the influence of other components of the Iranian government.³⁵¹ Thus, its actions and missions may reflect a more accurate view of Iranian strategic political and military objectives in the region than an assessment of its traditional military forces might.

Economic Overview

The Iranian economy is a complex transitional economy. Once entirely dependent on the sale of petrochemicals, Iran's government has sought in recent years to diversify, devoting considerable resources to the development of alternative economic sectors. Despite its petrochemical wealth, Iran faces a series of growing energy problems, primarily related to electricity production and distribution.³⁵² The presence of entrenched political patronage networks have also slowed the government's ability to privatize, and foreign domestic investment, although growing, remains relatively low, depriving the government of the ability to bring large public sector economic

³⁵¹ Cordesman, Anthony. Iran's Revolutionary Guards. Washington: CSIS, 2007.

³⁵² "Islamic Republic of Iran." International Atomic Energy Agency Website. 18 Feb 2008. <<http://www-pub.iaea.org/MTCD/publications>>.

projects online. Domestically, Iran faces serious budget and price parity problems, as well as growing unemployment.³⁵³

Table 9 (below) lists commonly used macro-economic data regarding Iran’s economy. Following this table, the research team will address the major components of Iran’s economy. Various international trade relationships of Iran will also be examined with a special note regarding U.S.-Iranian trade relationships. Additionally, the paper will provide some analysis of the Iranian government’s economic and fiscal policies, and examine some of the problems faced by Iran in the management of their economy.

Macroeconomic Indicator	Data	Trend
Gross Domestic Product, Purchasing Power Parity	\$852.6 billion	Rising
GDP (PPP) Growth	4.30%	Moderate Growth
GDP (PPP) Per Capita	\$12,300	Rising
Inflation	Estimated at 15% to 20%	Rising
Unemployment	Estimated at 11% to 25%	Rising
Exports	\$75.6 billion	Rising
Imports	\$45.5 billion	Rising
Public Debt	23.2% of GDP	Flat
Public Subsidies	40% of State Budget	Rising
Foreign Economic Aid Received	\$104 million	Flat
Revenues	\$104.6 billion	Rising
Expenditures	\$104 billion	Rising
Direct Foreign Investment	\$4.5 billion	Flat
Exchange Rate	\$1=9404 Rials	Increasing Value vs. \$

Table 10: Iran's Macroeconomic Indicators (Source: CIA World Fact Book)

Despite efforts to diversify, Iran’s economy is still dominated by the extraction and sale of petrochemical products. Iran is among the top three holders of proven oil and natural gas reserves in the world.³⁵⁴ A member of OPEC, or the Organization of Petroleum Exporting

³⁵³ “Iran” CIA World Fact Book. 7 Feb 2008. <<https://www.cia.gov/library/publications/the-world-factbook/print.ir.html>>.

³⁵⁴ “Islamic Republic of Iran.” International Atomic Energy Agency Website. 18 Feb 2008. <<http://www-pub.iaea.org/MTCD/publications>>.

Countries, Iran is the fourth largest exporter of crude oil in the world, and the second largest producer after Saudi Arabia. However, Iran's oil and gas industries have not reached their full potential, in part due to U.S. trade sanctions preventing American firms from providing material support, supplies, or technical expertise to the Iranian oil industry. These sanctions also tend to make assistance to the Iranian oil industry difficult for foreign suppliers with U.S. relationships.³⁵⁵ Compounding this issue is the overall dilapidated state of the Iranian oil industry. In recent years, development of several discovered, yet untapped, oil and gas fields has begun, incorporating some foreign direct investment, primarily by Chinese firms.³⁵⁶ It is also notable that a growing amount of Iran's petrochemical resources are being devoted to domestic energy production.³⁵⁷

Iran's agricultural sector is dominated by commercial farming interests. Employing approximately 30% of the labor force, agriculture is focused on rice and wheat production, along with fresh and dried fruits, nuts, animal products, and spices.

Farming in Iran is primarily focused in the Caspian region, with some farms located along the Persian Gulf. Agriculture in Iran suffers from a lack of infrastructure to both provide adequate irrigation and to deliver products to market. Despite the gains made by moving from subsistence

³⁵⁵ "Iran." Energy Information Agency Website. Oct 2007. <<http://www.eia.doe.gov/cabs/Iran/Background.html>>.

³⁵⁶ "Islamic Republic of Iran." International Atomic Energy Agency Website. 18 Feb 2008. <<http://www-pub.iaea.org/MTCD/publications>>.

³⁵⁷ "Iran." Energy Information Agency Website. Oct 2007. <<http://www.eia.doe.gov/cabs/Iran/Background.html>>.

farming to commercial operations, Iran is a net importer of food stuffs, a situation the government hopes to ameliorate in the coming years.³⁵⁸

Iran's principle manufacturing industries are focused on petrochemical derivatives such as fertilizers, but are slowly expanding.³⁵⁹ Steel and copper production mills are present, and Iran is rapidly expanding its automobile, consumer appliance, and industrial equipment manufacturing capacity.³⁶⁰ Other notable achievements include an active and growing pharmaceutical industry with sales of \$1.2 billion annually, along with traditionally popular crafted goods such as leather products, carpets, and ceramics.³⁶¹

Iran's mineralogical potential is striking, with sizable known deposits of coal, copper, iron ore, lead, zinc, chromium, barite, uranium and gold.³⁶² However, the mining industry in Iran has not been fully developed by the state. The lack of privatization efforts in Iran's economy is largely responsible for this lack of development, compounded by political restrictions imposed by Iran's oil elite and lack of adequate industrial capacity to properly exploit these resources.³⁶³

³⁵⁸ "Iran-Agriculture." Library of Congress Website. 7 Feb 2007. <<http://countrystudies.us/iran/73.htm>>.

³⁵⁹ "Iran." CIA World Fact Book. 7 Feb 2008. <<https://www.cia.gov/library/publications/the-world-factbook/print/ir.html>>.

³⁶⁰ "Made In Iran." CNN Money Website. 12 September 2006. <http://money.cnn.com/magazines/fortune/fortune_archive/2006/09/18/8386173/index.htm?postversion=2006091209>.

³⁶¹ "Health Services and Pharmaceuticals to Iran." Australian Government Trade Website. 27 Feb 2008. <<http://www.austrade.gov.au/Health-services-and-pharmaceuticals-to-Iran/default.aspx>>.

³⁶² "The Mining Industry of Iran." Parstimes Website. 27 Feb 2008. <http://www.parstimes.com/library/mineral_industry_2004.pdf>.

³⁶³ "Mining to Iran." Australian Government Trade Website. 27 Feb 2008. <<http://www.austrade.gov.au/Mining-to-Iran/default.aspx>>.

Export Partners	% of Total	Import Partners	% of Total
Japan	14.00%	Germany	12.00%
China	12.90%	China	10.50%
Turkey	7.20%	UAE	9.40%
Italy	6.30%	France	5.60%
South Korea	6.00%	Italy	5.40%
Netherlands	4.60%	South Korea	5.40%
		Russia	4.50%

Table 11: Iran's Trading Partners (Source: CIA World Fact Book)

After the Iran-Iraq war, Iran developed a variety of economic relationships with EU and Asian states. Among these relationships, Japan and China are the principle importers of Iranian goods, primarily petrochemical products, while Germany and China are leading suppliers of industrial products and food stuffs to Iran.³⁶⁴

Despite the official restrictions imposed by U.S. trade sanctions against Iran, a variety of goods are available for trade between the U.S. and Iran. Agricultural products and a variety of medical supplies and equipment are not sanctioned by the U.S., and a brisk, albeit small, stream of trade flows between the two states. From nearly non-existent levels in the decade of the 1990s, the annual flow of exports and imports between the U.S. and Iran has grown to more than \$318 million dollars over the past several years.³⁶⁵

Iran is a statist economy. As such, most of its economic activities are directed by a variety of bureaucratic institutions within the structure of the state itself. While various attempts to privatize the economy over the past twenty years continue, the effects of these reforms have been extremely limited thus far. Scholars and economists suggest that a coherent fiscal policy is

³⁶⁴ "Iran." CIA World Fact Book. 18 Feb 2008. <<https://www.cia.gov/library/publications/the-world-factbook/countries/iran.html>>.

³⁶⁵ "Trade in Goods with Iran." U.S. Census Bureau Website. 18 Feb 2008. <<http://www.census.gov/foreign-trade/balance/c5070.html>>.

difficult to discern within the overall framework of Iran's economic policies. It is suggested that this is primarily due to political conflicts between the aforementioned political and military institutions.³⁶⁶

Furthermore, all banks in Iran are nationalized to one degree or another. The Central Bank is known as the Bank Markazi Iran. It is responsible for issuing currency and oversees all state and the limited number of private banks that exist in the state.³⁶⁷ However, the attempts of the Central Bank to institute policies are often countermanded or superseded by government policy.³⁶⁸

The government of Iran has also launched various sufficiency campaigns over the years in an attempt to develop its own industries.³⁶⁹ Again, these policies are at odds with various economic and military concerns, as many of these actors would prefer to increase the levels of foreign direct investment in order to spur further development.³⁷⁰

The administration of President Ahmadinejad has attempted to continue the privatization efforts of former Presidents, but has also used economic policies to promote his populist agenda.³⁷¹ Real wages and subsidies have risen dramatically during his term, compounding the sense of confusion

³⁶⁶ "Country Report-Iran." The Economist Intelligence Unit Website. Aug 2007. <<http://eiu.com>>.

³⁶⁷ "Country Report-Iran." The Economist Intelligence Unit Website.

³⁶⁸ "Iran's Central Bank Chief Resigns." The Emirates Economist. 27 Aug 2007. <<http://emirateseconomist.blogspot.com/2007/08/irans-central-bank-chief-resigns.html>>.

³⁶⁹ "Country Report-Iran." The Economist Intelligence Unit Website. Aug 2007. <<http://eiu.com>>.

³⁷⁰ "Iran Promotes Foreign Investment." Payvand Website. 30 Oct 2002. <<http://www.payvand.com/news/02/oct/1111.html>>.

³⁷¹ "Country Report-Iran." The Economist Intelligence Unit Website. Aug 2007. <<http://eiu.com>>.

regarding Iran's fiscal and economic policies. It should be noted that subsidies already represent 40% of Iran's annual budget, a figure rated as the highest in the world.³⁷²

Iran's economic problems are multi-fold. First, Iran's expansionary fiscal policies, along with its tremendous oil exports, have caused inflation to rise dramatically. This situation is unlikely to change in the near future, barring a major and effective series of economic reforms.³⁷³ Second is unemployment. Analysts suggest that Iran's economy would have to grow at a rate of 5% or higher for the foreseeable future in order to provide jobs for the 900,000 citizens entering the work force each year. When one considers the low age of Iran demographically, this perhaps constitutes the most serious problem Iran faces.³⁷⁴ Third is a deficit in electricity generation. Although scholars disagree on the root causes, it is clear that Iran faces a deficit in electricity production that is likely to continue to grow. These deficits could become critical within three to five years.³⁷⁵ Fourth, Iran is, despite efforts to diversify, wholly dependent on its oil exports for revenue. Due to the lack of industrial diversification, Iran could be vulnerable to oil shocks. State control and lack of privatization also creates problems for Iran. Many Iranian government officials concede that most state industries are not profitable. The lack of viable domestic industries requires continued government subsidies.³⁷⁶ Finally, Iran's economy is stymied by a

³⁷² "Iran." Energy Information Agency Website. Oct 2007. <<http://www.eia.doe.gov/cabs/Iran/Background.html>>.

³⁷³ "Iran." CIA World Fact Book. 7 Feb 2008. <<https://www.cia.gov/library/publications/the-world-factbook/print/ir.html>>.

³⁷⁴ "Why Iran Will Fight, Not Compromise." Asia Times Website. 30 May 2007. <http://www.atimes.com/atimes/Middle_East/IE30Ak03.html>.

³⁷⁵ "Iran." Energy Information Agency Website. Oct 2007. <<http://www.eia.doe.gov/cabs/Iran/Background.html>>.

³⁷⁶ Anthony Cordesman, Iran's Revolutionary Guards, (Washington: CSIS, 2007) 3.

lack of foreign direct investment. Iran's sufficiency policies, combined with state control of most industries and the effect of a variety of U.S. and international sanctions, has caused critical oil and industrial infrastructure to become dilapidated. The economic growth that Iran will need to produce an improved unemployment situation is not likely under the current policy regime; the research would suggest that Iran will need to liberalize their investment policies in order to address these problems.

Social Overview

Islamic religions dominate Iranian society. 89% of Iranians are Shi'a Muslim and 9% are Sunni Muslim. Small communities of Baha'i, Jews, and Christians also exist.³⁷⁷ Ethnically, Iran is quite diverse. Persians account for 51% of the population, followed by Azeri at 24%, and Kurds at 7%.³⁷⁸ Other minority groups with significance include Gilaki, Lor, Mazandarani, Baluchi, Arab, Bakhtiari, Turkmen, and Armenian. Many minorities have faced various periodic hardships and discrimination based on their ethnicity.

Iranian healthcare, in terms of quality and quantity, varies regionally. In urban areas, however, the stress of rapid expansion has been taking its toll. Currently, only 80% of citizens have access to health care. Life expectancy for men stands at 69.12 years, while life expectancy for women is

³⁷⁷ "Iran." CIA World Fact Book. 7 Feb 2008. <<https://www.cia.gov/library/publications/the-world-factbook/print/ir.html>>.

³⁷⁸ "Iran." CIA World Fact Book.

at 72.07 years.³⁷⁹ In recent years, a campaign to improve health care has experienced some success, with a significant drop in maternal and child mortality rates. Child mortality rates in particular have fallen 60% since 1960.³⁸⁰ Schools in Iran are relatively good, and education is mandatory until high school.

Higher education is available, at a reasonable price, at any of the approximately 100 institutions, although religious and ethnic minorities face significant obstacles to attendance. Although the recent surge in crude oil prices has boosted Iran's economy, these funds have not found their way into the healthcare and education sectors. This economic inefficiency coupled with the inadequate foreign and domestic investment levels has failed to produce an adequate amount of skilled jobs. As such, many educated citizens face underemployment, an increasing problem for Iran as they invest money to educate students which either leave the country for better opportunities or perform jobs for which they are overqualified.³⁸¹

The concept of family in Iran is very important. Iranian families are traditionally patriarchal, relationships between parents and children are strong. Iran is a very male-centric society; men are usually the primary wage earners. However, there has been a recent movement towards increased education for women and entry in the work environment.

³⁷⁹ "Iran." CIA World Fact Book. 7 Feb 2008. <<https://www.cia.gov/library/publications/the-world-factbook/print/ir.html>>.

³⁸⁰ "Islamic Republic of Iran." 22, Jan 2008. Unicef. 20, Feb 2008. <http://www.unicef.org/iran/media_4426.html>

³⁸¹ "Iran." CIA World Fact Book. 7 Feb 2008. <<https://www.cia.gov/library/publications/the-world-factbook/print/ir.html>>.

Iran's terrain is dotted with historic ruins and archaeological sites. Many of these sites include ancient cities, buildings, and religious monuments from Persian empires of antiquity. Although tourism is currently almost non-existent, these sites present a wealth of opportunity for tourism. Large scale poverty has impacted many aspects of Iranian social structure, not the least of which includes social services. High unemployment rates, coupled with relatively high levels of poverty, create societal discontent. Despite extremely high government subsidies totaling billions of dollars per year, these problems are persistent. Government provided national health care exists, providing low cost or free care in government-run city hospitals and village clinics. A social security system is also in place for retirees.³⁸² Iran's distinctive art style can be seen in everything from their pottery and rugs to their architecture. Several museums exist including carpet museums as well as art and ceramic exhibitions. Many ancient literary works exist in Iran, dating back as far as 600 BC, as well as more recent classic literature and poetry.³⁸³ Westernization in Iran has been increasingly limited. Before the Islamic revolution in 1979, Iran was undergoing a process of westernization. However, the Islamic government strives to reduce the impact of western culture and values in periodic campaigns.

Infrastructure Overview

Iranian infrastructure has faced mounting problems in recent years. Perhaps the most significant problem revolves around the rapid expansion of urban areas coupled with high overall economic

³⁸² "Iran." Microsoft Encarta Online Encyclopedia 2007. 20, Feb 2008. <<http://encarta.msn.com>>

³⁸³ "Epic Literature of Ancient Iran." 16, Feb 2008. Art-Arena. 20, Feb 2008.< <http://www.art-arena.com/epic.htm> >

growth. Urban expansion has been proceeding at an unprecedented rate that seems unlikely to subside. As will be detailed below, much of the necessary current infrastructure exists and is, in many cases, relatively well maintained. However, it is unlikely that current infrastructure will meet future demand.

Iran is a country comparable in size to Alaska. The interior of Iran is basically a plateau surrounded on nearly all sides by mountain ranges. The terrain of the plateau is mostly desert and the areas most settled are near the foothills of the mountain ranges. The transportation/shipping infrastructure in Iran is composed of roads, railroads, waterways, ports, and airports. Iran has a total of 4,852 km of railway, most of which is single tracked.³⁸⁴ The major north-south line is the Trans-Iranian railway which runs for approximately 1400 km from Bandar Turkman on the Caspian Sea in the north through Tehran and southwards to Bandar Imam Khomeini on the Persian Gulf. The major east-west link will be the Qom-Zahedan Line.³⁸⁵ Though incomplete, it will link Europe with India through Iran.

Major national highways are the northern A1 highway (2100 km), which runs from Basargan on the Turkish border to the Afghanistan border, and the southern A2 highway (2500 km), which runs from the Iraqi border to Mir Javeh on the Pakistan border.³⁸⁶ Although an extensive roadway network exists, roads are often in poor condition, overly complex, and not sufficient to

³⁸⁴ "Iran." CIA World Fact Book. 7 Feb 2008. <<https://www.cia.gov/library/publications/the-world-factbook/print/ir.html>>.

³⁸⁵ "Iran." CIA World Fact Book.

³⁸⁶ "Iran: Infrastructure." 2004. MILNET BRIEF. 12, Feb 2008. <<http://www.milnet.com/pentagon/centcom/iran/iraninf.htm>>

handle increased traffic loads.³⁸⁷ Urban transportation infrastructure currently suffers from rapid population expansion. To curb this mounting problem, mass transit has been instituted in all major cities, currently in the form of busing. Tehran also has an underground rail system and several other cities have begun constructing similar systems.

The principle navigable river in Iran is the Karun, flowing south through the oil fields into the Shatt al Arab waterway, emptying into the Persian Gulf near Abadan. The river is usually navigable by maritime traffic for about 130 km.³⁸⁸ Iran has numerous ports and harbors, the busiest commercial port being Bandar Shahid Rajai which handles 75% of the cargo passing through Iran's Persian Gulf ports. Khorramshahr, Iran's largest capacity port, has been repaired after being largely destroyed in fighting during 1980-88 Iran-Iraq war but has been in limited operation since November 1992.³⁸⁹ The main oil terminal is Kharg Island. Iran has the largest oil tanker fleet in the Middle East, which includes 30 ships. The country is also home to a large fleet of merchant ships, including numerous cargo and bulk carrier ships.³⁹⁰ Iran has 129 paved-surface runways, 40 of which are over 3047 m long.³⁹¹ Iran's major international airports are located in Tehran and Abadan. Primarily due to the extensive and long term U.S. sanctions on

³⁸⁷ "Iran." Energy Information Agency Website. Oct 2007. <<http://www.eia.doe.gov/cabs/Iran/Background.html>>.

³⁸⁸ "Iran: Infrastructure." 2004. MILNET BRIEF. 12, Feb 2008. <<http://www.milnet.com/pentagon/centcom/iran/iraninf.htm>>

³⁸⁹ "Iran." CIA World Fact Book. 7 Feb 2008. <<https://www.cia.gov/library/publications/the-world-factbook/print/ir.html>>.

³⁹⁰ "Iran: Infrastructure." 2004. MILNET BRIEF. 12, Feb 2008. <<http://www.milnet.com/pentagon/centcom/iran/iraninf.htm>>

³⁹¹ "Iran." CIA World Fact Book. 7 Feb 2008. <<https://www.cia.gov/library/publications/the-world-factbook/print/ir.html>>.

Iran, the country has had difficulty updating its commercial air fleet and thus many of the airplanes in operation are out of date and reputedly dangerously maintained.³⁹²

As one of the world's largest petroleum producers, Iran's oil infrastructure is critical to its economic health. Oil and natural gas industries in Iran are government controlled. The country's wells have been struggling to meet the rising demand for oil and the proper upgrades have not been put into place to maximize the output and efficiency of these wells. Much of the oil infrastructure in Iran dates back to the era of the Shah. The lack of short term return on investment has led to such negligence along with a lack of foreign investment brought about in part by ongoing U.S. sanctions and political pressure. Many untapped oil reserves exist, however production is stalled by lack of foreign or domestic investment capabilities.³⁹³ Crude oil and gasoline production capacity in Iran is also a topic of interest. Current refining capabilities allow the country to produce 10.5 million gallons of gasoline per day, where as current consumption stands at 17 million gallons per day.³⁹⁴ The government maintains a policy of heavy subsidies on many products including gasoline. The low prices, allowed by subsidies, encourage the high consumption of gasoline in the country, which makes Iran reliant on imports. Projects are

³⁹² "Iran: Infrastructure." 2004. MILNET BRIEF. 12, Feb 2008.
<<http://www.milnet.com/pentagon/centcom/iran/iraninf.htm>>

³⁹³ "Iran Guzzles at Its Own Costs." 4 July 2005. Washington Post Foreign Service. 13 Feb. 2008.
<<http://www.washingtonpost.com/wp-dyn/content/article/2005/07/03/AR2005070301042.html>>

³⁹⁴ "Iran Guzzles at Its Own Costs." 4 July 2005.

currently underway to boost refining capabilities in order to reduce import costs. These costs totaled over \$4.5 billion dollars in 2005.³⁹⁵

Manufacturing industries are also prevalent in Iran. In fact, Iran is the world's third largest steel producer with an output of 6.7 million tons in 1997-1998.³⁹⁶ The agriculture sector is vital to the country, although much of the land is arid, irrigation systems are prevalent. The importance of agriculture cannot be overstated. This sector currently accounts for about 1/5 of GDP, and more importantly employs nearly 1/3 of the workforce. Nearly 10 percent of the country's total land is arable, and common crops and products include wheat, rice, other grains, sugar beets, sugar cane, fruits, nuts, cotton, dairy products, wool, and caviar.³⁹⁷

The remaining infrastructure in Iran which will be addressed includes, power, communications, water supply, sanitation, hospitals, schools, and other public services. Iran has power production capabilities which are constantly being improved upon out of necessity. The rapid population expansion of Iran has led to such a movement. Currently most of Iran's power production is from thermal and fossil fuel based sources (97.1%), with a majority of the remainder coming from hydro-electric stations.³⁹⁸ Construction on the country's only nuclear power production facility was initiated in the 1970s with the help of international collaboration. However, this plant

³⁹⁵ "Iran Guzzles at Its Own Costs." 4 July 2005.

³⁹⁶ "Iran, Country Overview." Nations Encyclopedia. 13 Feb. 2008. <<http://www.nationsencyclopedia.com/economies/Asia-and-the-Pacific/Iran.html>>

³⁹⁷ "Iran." CIA World Fact Book. 7 Feb 2008. <<https://www.cia.gov/library/publications/the-world-factbook/print/ir.html>>.

³⁹⁸ "Iran." CIA World Fact Book. 7 Feb 2008.

remains largely off-line. Recently, Iran has contracted with the Russian Federation for assistance with finishing the project. However, this assistance has been criticized by the international community, stalling the project.

In the communications sector, microwave radio relays extend throughout country with the system centered in Tehran. There are also approximately 35 telephones in use per 1,000 persons, 72 AM, 5 FM, and 28 TV broadcast stations, as well as HF and microwave radio relay to Turkey, Pakistan, Syria, Kuwait, Tajikistan, and Uzbekistan.³⁹⁹ Finally, a submarine fiber optic connection has been constructed between Iran and the United Arab Emirates.⁴⁰⁰ Communications infrastructure also includes the recent addition of space satellite capability, launched by Russia.

Iran's total water withdrawal was estimated at 109 km³ in 1993, which is about half of their available renewable water supply. Much of this water comes from groundwater supplies (57 km³) and river dams.⁴⁰¹ Sanitary water supply is available to most of the population.

Iran's urban expansion has led to increased waste production. Currently the country produces 40,000 tons of waste daily and recently there has been a campaign to implement waste management in rural areas. Recycling is uncommon in Iran.⁴⁰²

³⁹⁹ "Iran." CIA World Fact Book. 7 Feb 2008.

⁴⁰⁰ "Iran." CIA World Fact Book. 7 Feb 2008.

⁴⁰¹ "Iran." 1997 FAO (Food and Agricultural Organization of the United Nations). 12, Feb 2008. <<http://www.fao.org/ag/agl/aquastat/countries/iran/main1.htm>>

According to the statistical center of Iran, the country possesses 773 medical establishments (e.g. hospitals, maternities, sanatoriums) with a total of 116,000 beds.⁴⁰³ Although Iran's health care system and facilities have been improving recently, there is concern with the rapid growth of the country, as currently approximately 50% of the population is under 20.

Information Overview

Iran has been internally battling over freedom of press for many years. Movements in the late 1990s by former President Khatami, regarded as Iran's first reformist president, began a campaign to improve democratic conditions in Iran. This effort involved removing some restrictions on the press. However, this was met with extreme opposition by many conservatives. These conservatives believed the media was becoming the voice of a reformist movement which was not beneficial to the principles of the revolution. Thus, government organizations such as the Guardian Council and elements of the IRGC have launched a crack down on press outlets over the last several years. Members of parliament then used these raids and controversies as grounds to pass laws which restricted the media from producing content which is deemed controversial in the eyes of certain government officials. These security laws also allow the government to suppress nearly any individual for any action which it perceives as critical of its policies. With

⁴⁰² "Freshwater and Sanitation Country Profile the Islamic Republic of Iran." 2004. United Nations. 12, Feb 2008. <<http://www.un.org/esa/agenda21/natlinfo/countr/iran/Iranwatersanitf.pdf>>

⁴⁰³ "A Glance at Iran: Health." 2006. Statistical Center of Iran. 20, Feb 2008. <http://www.sci.org.ir/portal/faces/public/sci_en/sci_en.Glance/sci_en.health>

these laws in place, as of 2007 Iran became the world's 4th leading jailor of journalists.⁴⁰⁴ Thus, although the Iranian constitution gives its people freedom of the press, in actuality this is not the case.

Since this latest round of suppressive measures, Iranian citizens' access to information distribution systems such as newspapers, television news, and the internet has been severely restricted. Public access to television broadcasts in Iran is limited. As with all media, the government regulates the content on its country's channels, and has placed a ban on satellite dishes which allow Iranians to access western television broadcasts. Although such restrictions are in place, television is very popular in Iran. According to BBC news, 80% of Iranians are considered regular viewers. Also, illegal use of satellite dishes is commonplace. Iranian internet access has seen substantial growth recently, with an estimated at 5 million users.⁴⁰⁵ Recently, with the spread of broadband, the government has restricted internet service providers, limiting speeds to 128 kbps. Although internet access growth in Iran is among the most rapid in the world, the government has begun to heavily filter internet based information. Iran, using China as a model, has become one of the worlds leading countries in internet filtering.

Propaganda use by the Iranian government is commonplace and pushes the agenda of the current regime in power. Propaganda produced by other internal organizations in Iran is under heavy scrutiny by the government, in the same manner as the rest of the media. In fact, recently a group

⁴⁰⁴ "Special Report 2007." 5, Dec 2007. Committee to Protect Journalists. 15, Feb 2008. <http://www.cpj.org/Briefings/2007/imprisoned_07/imprisoned_07.html>

⁴⁰⁵ "Internet Filtering in Iran in 2004-2005: A Country Study." 2005. Opennet Initiative. 15, Feb 2008. <http://www.opennetinitiative.net/studies/iran/ONI_Country_Study_Iran.pdf>

of 54 members of the religion Bahai were jailed for producing propaganda in Iran which was declared to be anti-regime.⁴⁰⁶ The United States' ability to communicate with Iranian citizens is limited at best. However, there are several possible methods for communicating with the Iranian public and the current administration has made it clear that they wish do so. In 2006 the Bush administration pressed Congress to pass a bill which would allocate \$75 million to a strategic communication campaign in Iran. The primary means of such a campaign would be broadcasting US radio and television programs into Iran, helping to pay for Iranians to study in America, and supporting pro-democracy groups inside the country. The plan also included increasing the broadcast time of Voice of America's Farsi service.⁴⁰⁷ Of course, western influence is poorly regarded by the current regime. There is also the potential to reach Iranian citizens via the internet, although this influence may be limited by the regime's recent efforts to expand internet filtering.

To summarize the PMESII investigation, the project team's research indicates that Iran is a rapidly growing country, both in terms of population and economic might. However, it employs a complex political structure that makes decision making difficult and concentrates power and influence in shifting groups of elites. The project team's investigations reveal that Iran is trending toward a more autocratic state, with numerous restrictions on personal and political liberties becoming prevalent. It is clear that the political elite have concentrated economic power,

⁴⁰⁶ "Iran sentences Bahais for 'anti-regime propaganda.'" Jan 29, 2008. Agence-France Presse. 15, Feb 2008. <http://afp.google.com/article/ALeqM5g_3HkxkL10uB8rPF4P4GJLuSm-7g>

⁴⁰⁷ "Bush plans huge propaganda campaign in Iran." 16, Feb 2006. Guardian.co.uk. 15, Feb 2008. <<http://www.guardian.co.uk/media/2006/feb/16/usnews.iran>>

and use this influence to force political decisions that are to their advantage. However, the research would suggest that Iran's economy has a number of pressing problems that the regime has failed to address. Militarily, Iran has a parallel structure of convention and asymmetric warfare units that are often used to repress the people.

Sanctions Regimes and Iran

Economic sanctions are an integral part of U.S. policies toward Iran. Imposed shortly after the Iranian Revolution in response to the seizure of the U.S. Embassy and subsequent imprisonment of U.S. personnel, a regime of sanctions has been in place for the last twenty nine years.

Occasional U.S. efforts to reduce sanctions have been somewhat haphazard and typically swept up in geopolitical events such as the military clashes between Iranian forces and the U.S. Navy during the 1980-1988 Iran-Iraq War. Recently, targeted sanctions have sought to impede the financial activities of certain individuals or institutions with Iran, and to curtail the ability of foreign companies with whom the U.S. does business from dealing with Iranian companies.

These targeted financial sanctions have largely been in response to Iranian efforts to build a domestic nuclear fuel cycle, allegedly for the production of weapons grade uranium.⁴⁰⁸

Additionally, these have also been applied in an effort to change Iranian policies regarding their suspected support for terrorist groups such as Hezbollah and insurgent groups in Iraq.⁴⁰⁹

⁴⁰⁸ United Nations. "Resolution 1737 (2006)." United Nations Security Council Report (2006): 1-9.

⁴⁰⁹ Cordesman, Anthony. "Iran's Revolutionary Guards." CSIS (2007): 1-18.

A large volume of literature exists concerning the effects of sanctions in general. However, there are a limited number of studies specifically focused on the effects of sanctions on Iran. Scholars and policy experts do agree that sanctions are generally ineffective in achieving a policy change within autocratic and oil-rich states.⁴¹⁰ Using time series data and game theory testing models, these scholars provide a substantial body of evidence to suggest that this is the case.⁴¹¹ Others suggest that traditional game theoretic models require a government structure able to employ a flexible and rapid reciprocity strategy in order to assess the nature of sanctions, particularly regarding sender-target relationships.⁴¹² For instance, while sanctions are meant to persuade elite actors within a state to change a particularly onerous policy, research indicates that their implementation provides these very same actors with the ability to enhance their own power, thus providing unintended beneficial consequences for the target. The research indicates that this may be in the case in Iran. The research team has come to this conclusion by crafting a series of research questions and guiding an inquiry using the “levels of analysis” theoretical approach. This approach was pioneered by Dr. Graham Allison and Dr. Philip Zelikow in their landmark work, Essence of Decision, a study of the Cuban Missile Crisis.⁴¹³ Enriched by literature review, this analytical framework is used to investigate these matters and to provide policy recommendations regarding pertinent issues.

⁴¹⁰ Smith, Benjamin. “Oil Wealth and Regime Survival in the Developing World, 1960-1999.” American Journal of Political Science 48 (2004): 232-246.

⁴¹¹ McGillivray, Fiona, and Allan C. Stam. “Political Institutions, Coercive Diplomacy, and the Duration of Economic Sanctions.” The Journal of Conflict Resolution 48 (2004): 154-172.

⁴¹² Bolks, Sean M. and Dina Al-Sowayel. “How Long Do Economic Sanctions Last: Examining the Sanctioning Process Through Duration.” Political Research Quarterly 53 (2000): 241-265.

Literature Review

When examining the effects of sanctions on Iran, it is important to consider what data are available, and how research questions might be framed with informed and inclusive sources. The research team has chosen to highlight the spectrum of literature by focusing on academic research and policy expert pieces. Further context is provided by interviews with native Persians and journalistic reporting.

An open source review of the scholarly literature regarding sanctions reveals that a tremendous amount of work has focused on the subject. This research tends to be of a comparative nature. As such, they tend to be cross-national and cross-temporal. There are many studies that examine the effects of sanctions over wide swaths of time, and on democratic or autocratic regimes. These studies are quantitative in nature and tend to base their conclusions on rigorous statistical analysis.

Before delving into this academic literature, it is important to consider the assumptions made by these scholars that form the basis of their works. In the literature the team reviewed, scholars tend to assume that sanctions are applied by states to other states in order to produce a policy change within the offending state. They tend to discount the concept of applying sanctions as a purely punitive action designed to reduce state power. For example, the U.S. and other states applied sanctions to South Africa in order to convince South African leaders to end their policy of apartheid. Another example might involve the threat of sanctions on the EU by the WTO as a

⁴¹³ Allison, Graham and Philip Zelikow. Essence of Decision. New York: Longman, 1999

result of protectionist economic policies. This literature assumes that once the offending policy has been changed, the sanctions will end.

The vocabulary used by the comparative political scientists as they relate their findings is important to consider. Political scientists tend to describe the state or states that impose sanctions as “the sender”. Correspondingly, they describe the state or states upon which sanctions are imposed as “the target”. Another term used by these scholars is “reciprocity”. The use of this term has evolved from game theory studies. Reciprocity implies that an action by a state can be responded to in one of two ways: comply or retaliate. Thus, a state that complies would modify or end the offending policy, while a state that retaliates would keep it in place or accelerate it.

An important question asked by this literature revolves around the effectiveness of sanctions in producing policy change. Specifically, they seek to determine the circumstances in which sanctions have effectively caused policy change in the target. These studies indicate that while sanction oriented relationships between democracies tend to result in relatively quick comply behavior, sanctions sent by democratic states to autocratic targets tend to be much less effective.⁴¹⁴ This effect is further muted by the presence of oil wealth in the target regime.⁴¹⁵

Another subject examined by scholars involves the duration of sanctions. Again, results suggest that democracy on democracy sanctions tend to be brief in nature, while autocratic regimes tend

⁴¹⁴ Dorussen, Han. “Mixing Carrots with Sticks: Evaluating the Effectiveness of Positive Incentives.” Journal of Peace Research 38 (2001): 251-262.

⁴¹⁵ Smith, Benjamin. “Oil Wealth and Regime Survival in the Developing World, 1960-1999.” American Journal of Political Science 48 (2004): 232-246.

to be far more resistant. Furthermore, scholars again suggest that target oil wealth extends the duration of sanctions considerably. Notably, the status of the sender does not seem to have a statistically significant effect on the duration of sanctions. For instance, major power status, or a regime of sanctions imposed by a coalition of states, are not significant factors in their duration.⁴¹⁶

Military readiness is also a topic considered by sanctions oriented scholars. These studies suggest that these sanctions tend to be of shorter duration than other types. However, it must be noted that the results presented by this analysis, while being statistically significant, do not display relationships that are as significant as previously mentioned relationships.⁴¹⁷

Another topic examined by scholars interested in sanctions involves the effect of political changes within a state on comply-retaliate behavior. This study finds that leadership change, peaceful or otherwise, in the target state often results in the end of sanctions regimes. Conversely, the results indicate that leadership change in the sender state does not.⁴¹⁸

In a similar vein, other scholars are interested in investigating the relationship between sanctions and the stability of the target leadership. They find that sanctions are likely to destabilize democratic target leadership elements, but are much less likely to cause this effect in

⁴¹⁶ Bolks, Sean M. and Dina Al-Sowayel. "How Long Do Economic Sanctions Last: Examining the Sanctioning Process Through Duration." *Political Research Quarterly* 53 (2000): 241-265.

⁴¹⁷ Bolks, Sean M. and Dina Al-Sowayel. "How Long Do Economic Sanctions Last: Examining the Sanctioning Process Through Duration." *Political Research Quarterly* 53 (2000): 241-265.

⁴¹⁸ McGillivray, Fiona, and Allan C. Stam. "Political Institutions, Coercive Diplomacy, and the Duration of Economic Sanctions." *The Journal of Conflict Resolution* 48 (2004): 154-172.

autocracies.⁴¹⁹ In fact, some scholars provide evidence suggesting that sanctions have an entrenching effect on the targeted leadership.⁴²⁰

Furthermore, some scholars are interested in alternative strategies that may be more effective than sanctions. Results suggest that incentives that can be provided by the sender to the target may be more effective in producing policy change, even in autocratic states, than the application of sanctions.⁴²¹

Scholars also are interested in the relationship between military threats or action against targets and sanctions. This literature reveals that military threats against the target tend to increase the duration of sanctions, especially when made against autocracies. It also suggests that sanctions targeting autocratic regimes are not necessarily a prelude to military action by the sender against the target.⁴²²

Policy experts provide a more focused view of the effect of sanctions on the Islamic Republic of Iran, and examine the development of various U.S. sanctions regimes. These analyses trend from straightforward assessments to normative arguments with an agenda. Strict assessments first will be examined first, followed by those that advocate a certain policy agenda.

⁴¹⁹ Marinov, Nikolay. "Do Economic Sanctions Destabilize Country Leaders?" American Journal of Political Science 49 (2005): 564-576.

⁴²⁰ Drury, A. Cooper. "Sanctions As Coercive Diplomacy." Political Research Quarterly 54 (2001): 485-508.

⁴²¹ Drury, A. Cooper. "Sanctions As Coercive Diplomacy." Political Research Quarterly 54 (2001): 485-508.

⁴²² Bolks, Sean M. and Dina Al-Sowayel. "How Long Do Economic Sanctions Last: Examining the Sanctioning Process Through Duration." Political Research Quarterly 53 (2000): 241-265.

The assessment based experts suggest that while unilateral and multilateral sanctions have curbed Iranian conventional military forces, their effect on Iranian economic growth has been minimal.⁴²³ However, they do report that sanctions have been detrimental to the Iranian oil and gas industries at some level. Moreover, others suggest that any loss in productivity has been more than offset by the rise in prices caused by supply and demand relationships.⁴²⁴ Some have also suggested that the economic problems faced by Iran are primarily caused by internal policy disputes and mismanagement rather than the effect of sanctions.⁴²⁵

Other policy experts note that while the U.S. maintains a set of strict sanctions against Iran, most other states do not. As such, they conclude that these sanctions are of limited value.⁴²⁶ More recently, policy experts have examined the U.S. government's attempts to coerce foreign corporations with U.S. and Iranian interests to restrict or end their commercial relationships with Iran.⁴²⁷ Again, many suggest that these efforts have been largely unsuccessful. Experts conclude that most EU states, as well as many others, see engagement with Iran as a more productive venue for affecting policy change than sanctions.⁴²⁸ Other states, such as China and to a lesser

⁴²³ Deane, Michael. "Iran Workshop." Country Workshop Series 1 (2006): 1-15.

⁴²⁴ Schott, Jeffrey. "The Iran and Libya Sanctions Act of 1996: Results to Date." Peterson Institute Website 23 July 1997. <<http://www.iie.com/publications/papers/print.cfm?doc=pub&ResearchID=285>>.

⁴²⁵ The Economist Intelligence Unit. "Iran." Country Report (2006): 1-16

⁴²⁶ Deane, Michael. "Iran Workshop." Country Workshop Series 1 (2006): 1-15.

⁴²⁷ Deane, Michael. "Iran Workshop." Country Workshop Series 1 (2006): 1-15.

⁴²⁸ Katzman, Kenneth. "The Iran Sanctions Act (ISA)." CRS Report for Congress (2007): 1-6.

extent Russia, reportedly are not strictly interested in Iranian policy change, viewing their relationships with the Islamic Republic through the lens of economic benefit.⁴²⁹

Having concluded that the current regime of unilateral and multilateral sanctions are not achieving stated goals, some policy specialists suggest that changes are needed in order to produce results. These authors cite the internal political effects of sanctions on Iran as evidence for the possibility of policy change. These experts suggest that some leadership elements within Iran actually welcome sanctions. These analysts cite statements by Iran's Supreme Leader Khamenei indicating that sanctions actually encourage Iranian technological and economic self-sufficiency, an oft-stated goal of some political elements in the regime. These analysts also suggest that internal political considerations and institutional characteristics make it unlikely that sanctions have impacted Iran's thinking on the policies that have offended the West and the U.S. in particular.⁴³⁰ Furthermore, it is reported that hard line elements, particularly in Iran's Revolutionary Guards Corps and in the clerical structure, have a vested interest in maintaining a hostile relationship with the U.S.⁴³¹ This relationship allows them to consolidate and expand their economic and political influence.⁴³²

⁴²⁹ Katzman, Kenneth. "The Iran Sanctions Act (ISA)." CRS Report for Congress (2007): 1-6.

⁴³⁰ Sadjadpour, Karim. "Reading Khamenei: The World View of Iran's Most Powerful Leader." Carnegie Endowment for International Peace (2008): 1-35.

⁴³¹ Sadjadpour, Karim. "The Wrong Way to Pressure Iran." Carnegie Endowment for International Peace (2008): 1-2.

⁴³² Sadjadpour, Karim. "Reading Khamenei: The World View of Iran's Most Powerful Leader." Carnegie Endowment for International Peace (2008): 1-35.

Journalistic reporting on Iran and sanctions tends to focus on specific business aspects of the application of sanctions. For instance, some journalists have reported on the convoluted business practices that Iranian entrepreneurs employ to evade sanctions.⁴³³ Others detail the application of targeted sanctions to specific Iranian financial institutions such as Bank Markazi.⁴³⁴ Others discuss the economic policies of Iranian officials who attempt to ameliorate these effects through inflationary spending practices.⁴³⁵ Additionally, some suggest that domestic investment opportunities are being ignored by Iranians as tensions with the international community rise.⁴³⁶ Others also report that foreign investors are leery of commitment as well, although these reports include the impact of Iranian economic policy as a major factor in this reticence.⁴³⁷ As with most journalistic reports, these works are generally limited to citing the opinions of various experts and officials. Therefore, they have a limited analytic value, but are significant in their ability to provide context.

Personal interviews with Iranian ex-patriots tend to capture the essence of all of the professional resources consulted. The ex-patriots view the presence of U.S. and international sanctions as a tool used by the religious elite within Iran to justify repression. They also indicate that the

⁴³³ Simpson, Glenn R. "U.S. Weighs Sanctions On Iran's Central Bank." Wall Street Journal 25 February 2008, day final ed.: A1.

⁴³⁴ Fassihi, Farnaz and Chip Cummins. "Iranians Scheme to Elude Sanctions." Wall Street Journal 13 February 2008, day final ed.: A1.

⁴³⁵ BBC General Report. "Iranian Economic Reform Falters." BBC.com 16 August 2004.
<<http://news.bbc.co.uk/2/hi/business/3568712.stm>>

⁴³⁶ Taheri, Amir. "Iran's Economic Crisis." Wall Street Journal Online 9 May 2007.
<<http://opinionjournal.com/extra/?id=110010051>>.

⁴³⁷ Taheri, Amir. "Iran: Looming Economic Crisis." Arab News.com. 20 January 2007.
<<http://www.arabnews.com/?page=7§ion=0&article-91155&d-20&m=1&y=2007>>.

elimination of non-military oriented sanctions would remove a major lynchpin of Iranian propaganda efforts. Furthermore, they frequently mention the impact of demographics on Iran. They view the increasing population, and trends within that population towards youth, as indicative of a situation in which new leaders may emerge that are more accessible to U.S. leadership.⁴³⁸

In summary, Iran appears to be a poor target for sanctions. The team's research indicates that Iran's autocratic government and their considerable oil wealth dilute the effects of sanctions. Additionally, the lack of international consensus on sanctions further reduces their effectiveness. Additionally, a wide range of sources indicate that U.S. sanctions have actually had counter-productive effects, reinforcing and entrenching the very elites the sanctions are meant to persuade.

Research Questions

The client initially proposed the question "What are the effects of sanctions on Iran?" In further discussions amongst project team members and with input from the client, the research team focused the subject matter to produce these questions:

"What are the practical effects of U.S. Sanctions on Iranian political, military and economic institutions?"

⁴³⁸ Anonymous Iranian expatriates. Personal Interviews. March 27th, 2008.

In the team's examination of this question, the work will discuss the results of the investigation into the revenue and capability effects of U.S. sanctions on Iranian economic and infrastructure elements.

“What are the political effects of U.S. sanctions on Iranian political, military and economic institutions?”

In the team's analysis of this question, the research team will examine the reactions of Iranian political institutions to the policy of U.S. sanctions. Additionally, this line of inquiry suggests another question:

“Are U.S. sanctions providing the intended results?”

In studying this issue, the team's research will determine if U.S. sanctions have produced changes in Iranian policy. Additionally, unintended results and reactions of U.S. sanctions within an Iranian context will be discussed.

Finally, the research team proposes the following policy question:

“What can the U.S. do to increase its influence on Iran?”

The team believes that these questions will provide a solid basis from which to make policy recommendations that relate to this broad topic. In the next section, the work will examine how to refine the inquiry to address the specific institutions and actors involved in these questions.

The Levels of Analysis Approach

Pioneered by Graham Allison in his seminal work Essence of Decision, the levels of analysis approach is a theoretical tool used to refine and direct inquiry regarding decision making

processes.⁴³⁹ In Essence of Decision, Allison uses this approach to analyze the events surrounding the Cuban Missile Crisis.⁴⁴⁰ It is an attempt to use a theoretical model of decision making to understand why and how decisions at various levels of government are made. The approach has three “levels” that are examined in order to answer research questions.

The first level uses the rational actor model. This model assumes that states matter the most, and that unitary states make decisions according to rational state interests. These interests are focused on gaining power and increasing security for the state as a whole. Thus, policy experts speak about “Iran’s policy towards Iraq” or “U.S. policy regarding China”. At this, the highest level, scholars are simply looking at what beneficial or detrimental effects a policy can have on a unitary state’s power and security.

The second level uses the organizational behavior model. This approach examines a level below the rational actor model: it examines the rules and functions of bureaucracies in approaching how policies are implemented. It assumes that once a bureaucracy has a set of goals, it creates rules and procedures designed to produce a certain output. It trains its employees on how to perform those tasks, and has a certain structured way of working through projects. As anyone familiar with military rules and regulations might relate, these rules and procedures can be extremely difficult to understand, much less to modify. As such, these familiar bureaucratic procedures,

⁴³⁹ Allison, Graham and Philip Zelikow. Essence of Decision. New York: Longman, 1999.

⁴⁴⁰ Allison, Graham and Philip Zelikow. Essence of Decision. New York: Longman, 1999.

rules and project management processes are extremely challenging for leaders to modify and often have inertia of their own accord.

The third level uses the government politics model. This model examines the role of rational choice within government. Specifically, it asks what actors or institutions within a government may benefit from a certain policy. For example, this analysis will discuss the benefits of a nuclear weapons program to sectors of the Iranian political structure. In the case of sanctions, the work will examine which sectors of the Iranian government and society are alternatively hurt, or helped, by the presence of U.S. sanctions. For instance, the project team's research indicates that some elites within the Revolutionary Guard use the presence of U.S. sanctions to increase budgets and standing within the political structure. Additionally, the effect on sanctions on members of the Expediency Council is an important consideration. The potential reaction of political factions within institutions like this one is significant. Furthermore, the work will consider the effects of the reduction of sanctions as a means to strip the rhetoric and propaganda of the IRGC and President Ahmadinejad of its legitimacy. In this way, it may be possible to enhance the reputation and power of more accommodating political entities. For this project's purposes, the research team will examine the effects of sanctions on Iran in this way as well.

The point of examining all three levels with regard to the team's questions about sanctions is that it provides a straightforward "cost/benefit analysis" to each of these levels. It allows the U.S. to understand the motivations of actors at each level, and allows for the creation of policy recommendations that address specific segments of the Iranian political structure. In the following sections, the research team will apply these models to a study of the effects of U.S. sanctions on the Iranian political structure.

A Rational Actor Analysis of U.S. Sanctions on Iran

Using a rational actor model to analyze the effects of sanctions on Iran is clearly the easiest of the team's three models to employ. A rational actor approach is a "neorealist" model. Such models place the acquisition and maintenance of power and security as the highest priority for unitary state actors. Unitary state actors seek to increase power or security for the state, and seek to minimize power and security gains for other states. As such, this model assumes world in which gains by enemies are viewed as a net loss of power. However, actors are willing to negotiate when the stakes are configured in such a way as to produce net power and security gains for the state. In this case, this would indicate that religious or political ideology would not play a central role in Iran's view of sanctions. Bargaining and negotiating is possible if both players value mutual goals that maximize power and security for each. This paradigm also allows the state to participate in international regimes such as the U.N., as a means to enhance state security.

Therefore, when examining the question, the Iranian view of U.S. sanctions would clearly revolve around the net loss of power caused by the sanctions. The research would suggest that as a unitary state actor, Iran could have several reactions to these sanctions:

Iran could seek to expand its economic relations with states that are in economic or political competition with the United States.

Iran could signal its willingness to negotiate on sanctions issues by initiating discussions on alternative issues of interest to the United States.

Iran could signal its displeasure at the pace or breadth of negotiations by using proxy elements to pressure the United States.

One may note that a central problem of all of these reactions revolves around trust. This is a classic information problem reflected in rational actor models. What does one side know about the intentions of the other-will they follow through with their commitments? Having noted this information problem, one might expect Iran to offer small and tentative steps towards a solution. Negotiations in such a context would be slow and offer limited levels of progress. Additionally, it should be noted that these information problems are exponentially increased in times of instability. Therefore, rational actors can be expected to value the information gains that state stability provides in international relationships.

The research team will now examine a rational actor view of how a unitary Iran would view the application of U.S. sanctions. It is important to consider that a rational actor analysis of the application of these sanctions implies that the U.S. is pursuing sanctions to reduce Iranian power and security. Therefore the work will consider the following in this context:

Iran has been unable to modernize its electrical infrastructure as a result of sanctions. This has prevented Iran from keeping up with public demand for electricity.⁴⁴¹

⁴⁴¹ Sadjadpour, Karim. "Guidelines for Approaching Iran." Carnegie Endowment for International Peace (2008): 1-7.

Iran has had difficulty in modernizing its petroleum fields and refining capacity. As such, it is a net importer of gasoline and has been unable to increase oil and gas production from pre-revolution levels.⁴⁴²

Iran has been unable to systematically repair and upgrade all branches of its military due to lack of spare parts. Analysts suggest that Iran's military has yet to reach the capacities it possessed before the Iran-Iraq War.⁴⁴³

Clearly, all of the effects of these sanctions affect Iranian power and security. The inability to provide enough electricity to its people causes domestic instability and affects economic development. The inability to thoroughly modernize its oil and natural gas fields and production infrastructure lowers oil revenues and forces Iran to be a net importer of gasoline. Finally, Iran's military forces suffer from a lack of modern equipment and spare parts due to sanctions regimes. This creates an inability to maintain levels of readiness required to effectively protect the state.

In keeping with the rational actor model, the research team will examine Iranian foreign policy for evidence of a realist paradigm at work. Again, the research would suggest that Iran will seek to increase its influence, power, and security, with little regard for political or ideological concerns. In assessing this matter, the team finds evidence that supports this contention.

However, the research team also suggests that there is a great deal of support for the suggestion that Iran's foreign policy is driven by more complex factors.

⁴⁴² Schott, Jeffrey. "The Iran and Libya Sanctions Act of 1996: Results to Date." Peterson Institute Website 23 July 1997. <<http://www.iie.com/publications/papers/print.cfm?doc=pub&ResearchID=285>>.

⁴⁴³ Cordesman, Anthony. "Iran's Revolutionary Guards." CSIS (2007): 1-18

In reviewing Iran's foreign policies to uncover evidence of realism, the research team finds that Iran has expanded its trade relationships with states that are in economic and political competition with the United States. Iran's economic and military relationships with China and Russian are particularly interesting in this regard.⁴⁴⁴ Additionally, its quasi-security alliance with Syria also provides some evidence of this.⁴⁴⁵ Actions of this sort could be construed as an effort to "balance" against U.S. interests, a staple of realist theory.

Additionally, Iran has periodically signaled its willingness to negotiate with the U.S. on a variety of issues. For instance, Iran has cooperated with the U.S. on matters related to Al-Qaeda suspects, and has established a low-level dialogue with the U.S. regarding security matters in Iraq.⁴⁴⁶ The outcome of both of these issues is clearly of state interest to Iran.

Proxy forces, thought by realist theorists to be employed by states whose power is not judged great enough for a direct confrontation, are used by Iran in the form of Hezbollah.⁴⁴⁷ Additionally, U.S. intelligence has linked the IRGC to Shi'a insurgent groups in Iraq, although independent confirmation of this relationship is lacking.⁴⁴⁸

⁴⁴⁴ Halliday, Fred. Iran and the Middle East: Foreign Policy and Domestic Change. Middle East Report 220 (2001): 42-47.

⁴⁴⁵ Hughes, Robin. "Iran, Syria Sign A Further Defence Cooperation Agreement." Janes Defence News Website 27 July 2006. <http://www.janes.com/defence/news/jdw/jdw060627_1_n.shtml>.

⁴⁴⁶ Corera, Gordon. "Iran's Gulf of Misunderstanding with US." BBC.com 25 September 2006. <http://news.bbc.co.uk/2/hi/middle_east/5377914.stm>.

⁴⁴⁷ Lewis, David. "Party of God." PBS Website May 2003. <<http://pbs.org/frontlineworld/stories/lebanon/thestory.html>>.

⁴⁴⁸ Cordesman, Anthony. "Iran's Revolutionary Guards." CSIS (2007): 1-18.

Stability, especially in surrounding states, is another key element of realist, state power oriented theory. States which judge themselves unable to force resolution of power issues are thought to value stability as a means to preserve and increase state power. Iran has engaged with both the Iraq and Afghan governments, providing evidence of this outlook. As previously mentioned, Iran has also participated in negotiations with the U.S. regarding stability and security in Iraq.

The project team would also suggest that there is additional evidence that further enhances the potential of this model. This evidence is presented below.

The widely publicized murder of several Iranian diplomats by the Taliban in Afghanistan in 2000 did not produce a military response by Iran. This suggests an awareness of military capabilities and the ability to rationally assess Iran's ability to craft a military response.

Iran has made significant economic agreements with several Gulf States that it had previously condemned as apostate regimes due to their predominantly Sunni allegiances. This lack of adherence to ideology suggests that economic and stability concerns are important to the regime. Iran's relationship with Syria, a secular authoritarian regime, could also be viewed in a similar light.

Iran has, according to open source materials, failed to actively support Muslim insurgencies in Chechnya and did not actively support Muslim forces in the Balkan conflicts.⁴⁴⁹ Notably, Iran has forged significant relationships with Armenia, a predominantly Christian nation, and with

⁴⁴⁹ Halliday, Fred. Iran and the Middle East: Foreign Policy and Domestic Change. Middle East Report 220 (2001): 42-47.

China, a communist state with a significant Muslim minority population.⁴⁵⁰ Such relationships would be difficult to justify if Iran's foreign policy was guided purely by ideological concerns.

During the Iran-Iraq War, the Iranian regime negotiated the clandestine exchange of U.S. and Israeli military aircraft spare parts and armaments for infantry weapons with Israel and the United States.

Thus, the team concludes that there is a great deal of evidence in support of a rational actor analysis of Iran's foreign policies. However, a closer look reveals several troubling issues.

While a unitary state/rational actor model does provide the simplest explanation for Iran's responses to sanctions by the U.S., the team would suggest that it fails to appreciate the complexity of the situation as a whole. Iran is hardly a model for would-be totalitarians. Despite the seemingly powerful role of the Supreme Leader, there are many other institutions within Iran vying for power. For a period of time during the late 1990s, the Presidency and the Parliament attempted to introduce economic and social reforms. While this reform movement was ultimately unsuccessful, it cannot be debated that it did occur, causing significant consternation within conservative circles within Iran.

Additionally, while Ahmadinejad is widely believed to be a hand picked example of what "conservative clerics" want in a President, he has also attempted to increase his power base within the state and has come into political conflict with the Parliament and the Supreme Leader

⁴⁵⁰ Hen-Tov, Elliot. "Understanding Iran's New Authoritarianism." *The Washington Quarterly* 30 (2006): 163-179.

on several occasions.⁴⁵¹ Some sources also suggest that his re-election in 2009 is not at all a certain outcome.⁴⁵² This is interesting when one considers that the latest parliamentarians were carefully vetted for loyalty to the “conservative” ethic, a philosophy supposedly embodied by Ahmadinejad. One would assume that such a parliament would be an example of a “rubber stamp” legislative body; however, this has not been the case. Furthermore, the influential Council of Guardians has clashed with both Ahmadinejad and the Parliament. Additionally, the Expediency Council has recently been increasing its influence under the leadership of former President Rafshanjani, a noted pragmatist and political opponent of Ahmadinejad.⁴⁵³ Finally, analysts have suggested that the Revolutionary Guards have been actively increasing their political and economic influence as well.⁴⁵⁴

Regarding specific policy measures, the research team would also suggest that Iran is not as simple as a rational actor/neorealist model might suggest. For instance, why would Iran develop significant trade relationships with traditional U.S. allies such as Germany and Japan when these relationships are subject to U.S. pressure? One might also note that Iran has failed to attract significant levels of foreign direct investment, not only due to its half-hearted attempts to develop self-sufficient industrial capacities, but also due to the draconian terms of their proposed

⁴⁵¹ Saba, Sadeq. “Tensions at the Top in Iran.” [BBC.com](http://news.bbc.co.uk/2/hi/middle_east/7204590.stm) 13 January 2008. <http://news.bbc.co.uk/2/hi/middle_east/7204590.stm>.

⁴⁵² Saba, Sadeq. “Tensions at the Top in Iran.” [BBC.com](http://news.bbc.co.uk/2/hi/middle_east/7204590.stm) 13 January 2008. <http://news.bbc.co.uk/2/hi/middle_east/7204590.stm>.

⁴⁵³ BBC. “Who Holds the Power?” [BBC.com](http://news.bbc.co.uk/1/shared/spl/hi/middle_east/03/iran_power/html/electorate.stm) 20 February 2008. <http://news.bbc.co.uk/1/shared/spl/hi/middle_east/03/iran_power/html/electorate.stm>.

⁴⁵⁴ Cordesman, Anthony. Telephone Interview. 24 March 2008.

agreements with foreign investors.⁴⁵⁵ Analysts suggest that these deals have been scuttled by elites who stand to lose political and economic influence in a more open economy.⁴⁵⁶

Furthermore, Iran's troubling inflation and unemployment problems are correlated by analysts with their extreme levels of internal subsidies. These policies do not present a picture of a single minded rational actor. Moreover, these policies appear to sap Iranian national power rather than enhance it.

All of these developments suggest that a view of Iran as a unitary actor may be too simple. The evidence suggests that Iran does not speak with one voice. Clearly, there are actors within the system as a whole that have divergent interests and priorities. Additionally, there may be processes and programs within each of these opaque institutions that produce policy outputs on their own accord. However, the team would suggest that there are very solid indications of rational, utility maximizing efforts on behalf of these organizations and institutions. Happily, the concept of an Iran guided by overriding and unified ideological concerns is inaccurate.

An Organizational Behavior Analysis of Sanctions On Iran

To review, an organizational behavior analysis examines the functions of bureaucracies in approaching how institutions achieve results. It assumes that policy outputs are heavily influenced by these rules and functions. These factors are often difficult if not impossible for

⁴⁵⁵ The World Bank. "Iran, Islamic Republic Data Profile." World Bank Website 18 February 2008 <<http://devdata.worldbank.org/external/CPProfile.asp?CCCode=Irn&PTYPE=CP>>.

⁴⁵⁶ Sadjadpour, Karim. "Guidelines for Approaching Iran." Carnegie Endowment for International Peace (2008): 1-7.

leaders to change once they have acquired history and bureaucratic momentum. When considering the basis of an organizational behavior model for analyzing the impact of, and reactions to U.S. sanctions on Iran, it is necessary to briefly review the policy issues that caused the U.S. to impose sanctions. Essentially, these issues revolve around the Iranian seizure and imprisonment of U.S. Embassy personnel during the 1979 revolution, Iranian support for Hezbollah and other terrorist organizations, and, more recently, Iran's nuclear program and efforts to create a domestic nuclear fuel cycle. The work will examine these issues in depth in the following subsections.

U.S. Embassy Attack and Hostage Crisis

A wide ranging regime of sanctions was imposed on Iran in response to the 1979 U.S. Embassy seizure and the subsequent hostage crisis. While space does not permit a full listing of the events, the team would suggest that this event is clearly a major factor in the U.S. mindset regarding the continued application of punitive sanctions.

Support for Hezbollah

When studying alleged Iranian support for Hezbollah, it seems likely that a bureaucratic support apparatus has existed for some time. Allegedly established in response to the Israeli invasion of Lebanon in 1982, Hezbollah quickly established itself as one of the preeminent terrorist organizations in the world.⁴⁵⁷ Widely held to be responsible for the deaths of hundreds of American citizens and soldiers in a variety of attacks spanning the globe, Hezbollah is regarded

⁴⁵⁷ Smick, Elisabeth. "Profile: Imad Mugniyah." [Council on Foreign Relations Website](http://cfr.org/publication/11317/profile.html) 13 February 2008. <<http://cfr.org/publication/11317/profile.html>>.

as a highly dedicated and professional organization.⁴⁵⁸ Iran's support of Hezbollah is reputed to extend back to its founding, with Revolutionary Guards supplying funds, training, and weapons since its inception in the early 1980s.⁴⁵⁹

Far from just a terrorist group, Hezbollah might be better described as a guerrilla movement within Lebanon. It has established a network of social services within the large swaths of Lebanese territory that it controls, including television and radio stations, several websites, as well as schools and hospitals.⁴⁶⁰ Hezbollah also maintains representatives in the Lebanese legislature. Widely popular within the Islamic world, Hezbollah gained even greater prestige during the 2006 war between Israel and Hezbollah. In turn, some suggest that Iran's Revolutionary Guards also gained a measure of this prestige through its relationship with Hezbollah.⁴⁶¹ Iran's influence over Hezbollah is thought to be far from complete, however. Analysts suggest that while Iran has some sway, it does not maintain operational control over Hezbollah.⁴⁶² Despite this, Hezbollah is reputed to receive the vast majority of its funding from Iran.⁴⁶³

⁴⁵⁸ Cordesman, Anthony. "Iran's Revolutionary Guards." CSIS (2007): 1-18

⁴⁵⁹ Lewis, David. "Party of God." PBS Website May 2003.
<<http://pbs.org/frontlineworld/stories/lebanon/thestory.html>>.

⁴⁶⁰ Smick, Elisabeth. "Profile: Imad Mugniyah." Council on Foreign Relations Website 13 February 2008.
<<http://cfr.org/publication/11317/profile.html>>.

⁴⁶¹ Smick, Elisabeth. "Profile: Imad Mugniyah." Council on Foreign Relations Website 13 February 2008.
<<http://cfr.org/publication/11317/profile.html>>.

⁴⁶² Cordesman, Anthony. "Iran's Revolutionary Guards." CSIS (2007): 1-18.

⁴⁶³ Smick, Elisabeth. "Profile: Imad Mugniyah." Council on Foreign Relations Website 13 February 2008.
<<http://cfr.org/publication/11317/profile.html>>.

As such, a fair amount of the impetus for general and targeted U.S. sanctions on Iran can be linked to the Iranian relationship with Hezbollah. As noted, Hezbollah is a notorious enemy of the U.S. with a long history of attacking U.S. interests. Furthermore, it is viewed as a destabilizing force in Lebanon, creating a situation that many analysts list as a prominent road block obstructing a general Middle East peace accord.

Iraqi Insurgent Groups

While Iran figures prominently in discussions of Hezbollah, its role in supporting Iraqi insurgent groups is less clear. U.S. military sources have publically suggested that the Revolutionary Guards have been active in supplying material and intelligence support to prominent Shi'a insurgent groups in Iraq. While one might infer that such a relationship is likely given that many important Shi'a leaders took refuge in Iran during the reign of Saddam Hussein, open source evidence confirming the allegations of U.S. military commanders is lacking. However, the latest round of targeted financial sanctions imposed by the U.S. was directly linked to IRGC support of these groups.

Iranian Nuclear Program

Iran's nuclear program extends back into the mid 1970s when Iran was a U.S. ally under the rule of the Shah. After the revolution, the nuclear program was halted by Ayahtollah Khomeini, who suggested that nuclear energy, nuclear weapons, and other unconventional weapons programs were the tools of apostate regimes. However, leading clerics persuaded the Supreme Leader to

reexamine these programs in light of the Iran-Iraq War and the aggressive Soviet military presence in Afghanistan.⁴⁶⁴

Nuclear programs apparently proceeded with some vigor during the decade of the 1990s. Analysts suggest that the primary impetus behind them evolved around the direct threat posed by Saddam Hussein's Iraq, the existential threat posed by the Israeli nuclear program, and further afield, by the United States' presence in the region.⁴⁶⁵ If one can view the surrounding "neighborhood" through Iranian eyes, the deterrence, stability and prestige that nuclear weapons might provide the state of Iran would certainly make their acquisition understandable given the context under which the programs were initiated.

Regardless of their alleged private strategic military concerns, Iran has consistently denied that its nuclear program has an agenda of weapons development. Iran's nuclear program, as run by the Atomic Energy Organization of Iran (AEOI) is publically framed as part of a wider program of economic and industrial self-sufficiency.⁴⁶⁶ The public goal of this agency is to provide the burgeoning Iranian population and under developed rural areas with sufficient electricity, an argument that, in fact, does address a key and ongoing problem in Iran.

⁴⁶⁴ Mayer, Chris. National Security to Nationalist Myth: Why Iran Wants Nuclear Weapons. Monterey: Naval Post Graduate School, 2004.

⁴⁶⁵ Mayer, Chris. National Security to Nationalist Myth: Why Iran Wants Nuclear Weapons. Monterey: Naval Post Graduate School, 2004.

⁴⁶⁶ Mayer, Chris. National Security to Nationalist Myth: Why Iran Wants Nuclear Weapons. Monterey: Naval Post Graduate School, 2004.

Although the recent U.S. National Intelligence Estimate suggests that weaponizing experiments stopped in 2003, the U.S. and other states remain deeply concerned with these programs. This is understandable in light of Iran's extensive ballistic missile programs and the opaque nature of Iranian intentions.

Iran and the U.S. Embassy Hostage Issue

Little evidence suggests that Iran's current organizational behavior regarding this particular issue would prevent negotiations on sanctions from an Iranian perspective. While the embassy seizure is a celebrated event in Iran, there is really only one major issue related to it that would need to be resolved between the two states. This involves the status of Iranian funds frozen in U.S. accounts in response to this event.

Terrorist Groups

The same cannot be said of Iran's relationship with Hezbollah. Iran is closely tied to Hezbollah, and the organization was once thought of as being at the forefront of Iran's efforts to foment a world-wide Shi'a revolution.⁴⁶⁷ While certainly not transparent, the transport of material assistance and support to Hezbollah is almost certainly institutionalized by the IRGC. Although open source materials cannot accurately identify the procedures and doctrine under which the IRGC and Hezbollah cooperate, one must assume that rules and functions are delimited by both organizations. As noted, these "outputs", such as the abduction of Israeli soldiers during a time when negotiations between Israel and Syria on the status of the Golan Heights may have been

⁴⁶⁷ Cordesman, Anthony. "Iran's Revolutionary Guards." CSIS (2007): 1-18.

gaining momentum, may not be in Iran's national interests. Yet, it would be operationally difficult for Iran to distance itself from Hezbollah, especially considering the influence of elite branches of the IRGC.⁴⁶⁸ This institutional relationship, and subsequent "output" as Hezbollah military and political action, may be difficult for Iran to modify, particularly when considering the history that exists between the two organizations.

Regarding IRGC organizational behavior and Iraqi insurgent groups, if such a relationship exists, it seems likely that the Iraqi groups are more inclined to follow Iranian direction than Hezbollah. Hezbollah also seems to have access to a wider range of weaponry and tactics than are presently available to Iraqi insurgents, implying a greater level of operational command by the IRGC. For example, despite the number and frequency of attacks attributed to these groups in Iraq, they certainly do not seem capable of fighting the kind of pitched battles witnessed in Hezbollah's summer war against Israel. If anything, given Iran's public support for Iraqi stability, it seems likely that the IRGC maintains a greater level of operational control over these groups than it enjoys with Hezbollah.

Iran's Nuclear Program

Analysts suggest that the continuing presence and funding of Iranian nuclear projects is in part due to organizational behavior models.⁴⁶⁹ The two institutions with Iran that command attention in this regard are the IRGC, which manages Iranian special weapons projects, and the AEOI. The

⁴⁶⁸ Cordesman, Anthony. Telephone Interview. 24 March 2008.

⁴⁶⁹ Mayer, Chris. National Security to Nationalist Myth: Why Iran Wants Nuclear Weapons. Monterey: Naval Post Graduate School, 2004

research team must note that an outsider would have difficulty understanding the labyrinth of Iranian standard operating procedures (SOP) processes, and pre-determined organizational goals for even the simplest aspects of these programs. It is also quite certain that these are considered state secrets of the highest value. However, one must also consider that each of these organizations, along with their corresponding agents, have developed a multitude of complex plans and processes to move their programs forward to operational stages, now or in the future. A cursory review of military weapons development programs in the U.S. would reveal that multi-billion dollar programs cannot simply be shut down or even modified without coherent, informed, and sustained efforts by a variety of agents. The team would suggest any consideration of the questions addressed by this paper should take these processes into account in order to minimize information problems.

Summary of Organizational Behavior Analysis

In conclusion, while it is difficult for open source analysts to gain access to the organizational standards, operating procedures, and goals of the organizations that drive Iran's connections to Hezbollah and control its nuclear programs, any familiarity with large organizations implies that they exist. Clearly, the IRGC, and, to a lesser extent, the AEIO, play a large role in how the world perceives Iranian intentions. Specific to the questions, each maintains operational standards and programs that may be difficult for political forces within Iran to stop or modify in response to proposed negotiations over sanctions. Policy makers should be aware that organizational inertia may inadvertently affect efforts towards resolving these issues. Careful management would be required to prevent these effects from derailing genuine political efforts.

A Governmental Politics Analysis of U.S. Sanctions on Iran

Iran's political environment is complex. A variety of competitive institutions and actors attempt to move their agendas to the forefront on a regular basis. Networks of elites also broker influence and decision-maker access throughout each of these institutions. This environment lends itself well to a governmental politics analysis of the issues the team raises in this analysis. As the reader will recall, the governmental politics level of analysis asks what actors or institutions within a government may benefit from a certain policy. The research team believes that this particular approach may provide tremendous insights into the effects and perceptions of U.S. sanctions on the Islamic Republic.

As this approach examines the rules of the political game within Iran, the work will begin with a review of the various formal institutions of the Iranian political structure and their corresponding powers. The research team will then identify a typology of political ideologies that appear to guide the actors within these groups. Finally, the consequences of the "rules of the game" will be examined in the context of the intended effects of U.S. sanctions on Iran by presenting a matrix of these institutional factors that may identify potential negotiating points and strategies.

Iranian Formal Political Structure and Trends

Elected Institutions

The Iranian government is comprised of several institutions. As a whole these institutions can be divided into two types: directly elected and appointed. Elected institutions include:

- The President
- The Parliament, or Majlis

- The Assembly of Experts

The President is directly elected to a four year term. While maintaining considerable influence in economic matters, most of his actions are reviewable by the Majlis, with whom the office of the Presidency has had frequent political conflicts.⁴⁷⁰ It is notable that these conflicts have continued during the Ahmadinejad administration, despite the fact that the Majlis has been thoroughly vetted by the Guardian Council to ensure its political reliability. While popular journalistic accounts seem to provide the Presidency of Iran with considerable powers, the team has found that the influence of his office is quite limited, regardless of the occupant of the office itself.⁴⁷¹ For instance, former President Rafshanjani failed to push through economic reforms due to resistance from the un-elected government and the Majlis. Former President Khatami (1997-2004) failed to enact social and economic reforms even with the support of the Majlis. Finally, current President Ahmadinejad, despite his populist appeal, has been stymied in his campaign for economic austerity. He is reportedly deeply unpopular with the people and the Majlis, as well as elements within the clerical establishment.⁴⁷² His re-election is not a certain matter. Finally, despite his incendiary foreign policy statements, his formal and informal powers in this arena are

⁴⁷⁰ BBC. "Who Holds the Power?" [BBC.com](http://news.bbc.co.uk/1/shared/spl/hi/middle_east/03/iran_power/html/electorate.stm) 20 February 2008.
<http://news.bbc.co.uk/1/shared/spl/hi/middle_east/03/iran_power/html/electorate.stm>.

⁴⁷¹ [Constitution Finder](http://confinder.richmond.edu/). 2008. University of Richmond. Accessed 12 March 2008.
<<http://confinder.richmond.edu/>>.

⁴⁷² Anonymous Iranian expatriates. Personal Interviews. March 27th, 2008.

practically non-existent, as they are formally reserved to the Supreme Leader and practically deployed by the IRGC.⁴⁷³

The Majlis has, on paper, considerable influence over the Presidency. It can call on the President to answer questions, and has the power to approve his ministers and censure them. It also has the power to impeach the President, and can approve or disapprove of his proposed negotiations and treaties. However, the Majlis also suffers from the ability of the Guardian Council to both vet its members for Islamic loyalty and to approve the legislation it passes.⁴⁷⁴ While the Guardian Council more frequently vetoed Majlis legislation during the time when the Parliament was dominated by legislators sympathetic to reform minded President Mohammed Khatami, it has also invalidated legislation during Ahmadinejad's term, leading many to consider the Majlis as a representative body in name only.⁴⁷⁵

The Assembly of Experts is a group of clerical theologians and legal experts led by cleric Ayatollah Ali Meshkini.⁴⁷⁶ Its purpose is to review the actions of the Supreme Leader, and to select a new Supreme Leader if the current office holder is deemed incapable of providing the

⁴⁷³ Constitution Finder. 2008. University of Richmond. Accessed 12 March 2008. <<http://confinder.richmond.edu/>>.

⁴⁷⁴ Constitution Finder. 2008. University of Richmond. Accessed 12 March 2008. <<http://confinder.richmond.edu/>>.

⁴⁷⁵ Saba, Sadeq. "Tensions at the Top in Iran." BBC.com 13 January 2008. <http://news.bbc.co.uk/2/hi/middle_east/7204590.stm>.

⁴⁷⁶ Mayer, Chris. Telephone Interview. 19 March 2008.

proper leadership or passes away.⁴⁷⁷ It is directly elected by the people, although candidates are thoroughly vetted by the Guardian Council. As a body that meets only infrequently, its influence and power are probably minimal for the purpose of these discussions.

In summary, none of these quasi-democratic institutions within Iran appears to wield the sort of decision making power that would define it as a proper negotiating partner. While elements of these elected institutions might have vested interests and views on U.S. and international sanctions, it is unlikely that substantive change could be achieved in negotiations with them aimed at modifying the policies and programs responsible for their application.

Appointed Institutions

Parallel to the elected institutions of the Iranian regime, the appointed institutions appear to wield considerably more influence and power than the elected bodies do. These appointed institutions are list below:

- The Supreme Leader

- The Judiciary

- The Guardian Council

- The Expediency Council

⁴⁷⁷ BBC. "Who Holds the Power?" [BBC.com](http://news.bbc.co.uk/1/shared/spl/hi/middle_east/03/iran_power/html/electorate.stm) 20 February 2008.
<http://news.bbc.co.uk/1/shared/spl/hi/middle_east/03/iran_power/html/electorate.stm>.

- The conventional Army, or Artesh
- The IRGC

The team has identified three of these institutions as particularly influential in the assessment of the effects of sanctions. These same institutions, and the individuals who lead them, would also be those most able to influence negotiations over the issues that drive U.S. and international sanctions regimes. These institutions are listed below, and are visually represented by Figure 15.

- The Supreme Leader
- The Expediency Council
- The Revolutionary Guards

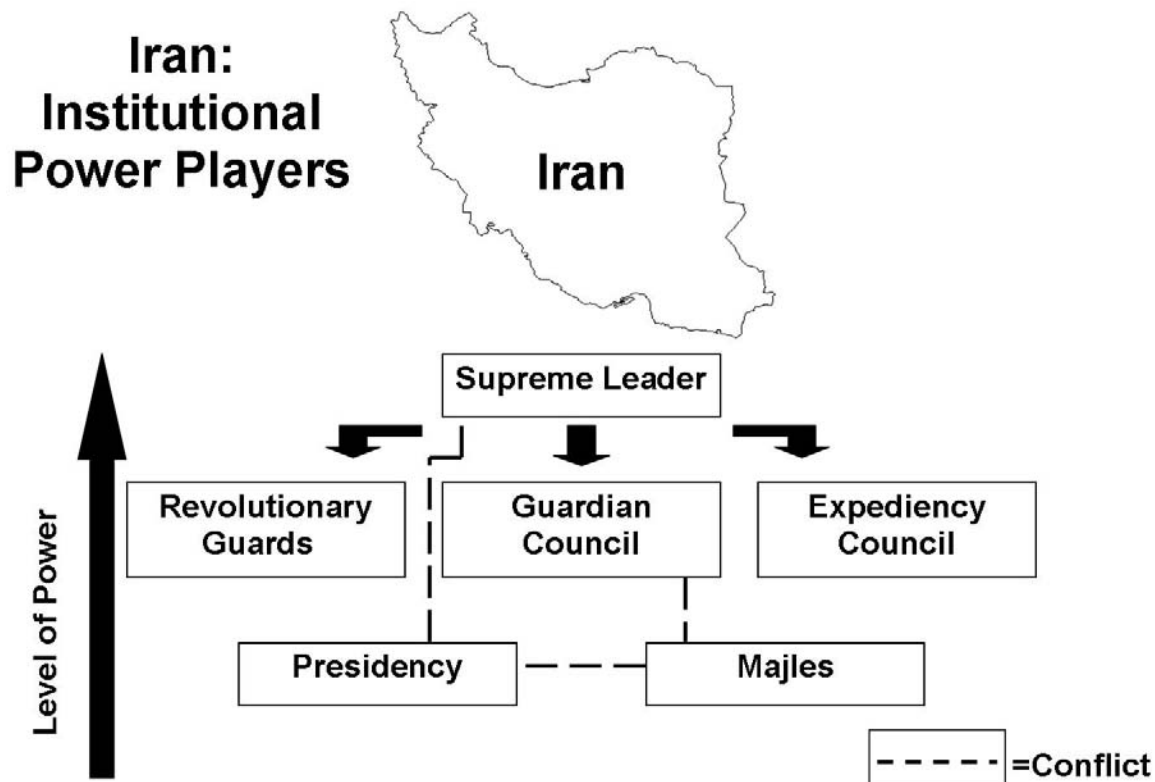


Figure 16: Institutional Power Players

The Supreme Leader Ayatollah Ali Khamenei is the ultimate power broker and decision maker in the Iranian political structure. He appoints the leaders of all of the un-elected institutions, and they report directly to him on important domestic policy matters of all types. However, he is less of an absolute ruler than an arbitrator. Khamenei’s influence runs throughout the Iranian system, and in any negotiations with the U.S., he would have final approval.

Nominally tasked with moderating disputes between the Guardian Council and the Majlis, as well as providing advice to the Supreme Leader on policy matters, the Expediency Council has recently been tasked by Ayatollah Ali Khamenei with overseeing and supervising all branches of government, a power that had previously been reserved to the Supreme Leader. Thus, its influence is considerable. It is currently chaired by former President Rafshanjani, defeated

opponent of current President Ahmadinejad.⁴⁷⁸ Its members represent the elite of the Iranian clerical hierarchy. These men possess vast economic assets through the Bonyad system, a semi-official structure of charitable organizations and business interests.⁴⁷⁹ This body and its members should be considered highly influential in any negotiations.

The IRGC and its military, industrial, and intelligence connections enjoy tremendous influence as well. It should be noted that President Ahmadinejad is a former member of the Basji, a branch of the IRGC, and has stocked many government offices with former members of this organization.⁴⁸⁰ The IRGC are allegedly responsible for Iran's CBRN programs and are integrated into command and control structures throughout the state.⁴⁸¹ They are also rumored to have direct operational links to Hezbollah and other terrorist groups.⁴⁸² As such, their membership and networks have been targeted by recent U.S. and international sanctions. Clearly, their interests also would be directly affected by any negotiations involving these issues.

Ideological Paradigms

In assessing the general political environment of Iran, the team's analysis has revealed a general typology of political and religious paradigms that flow around and through the various political organizations. This typology moves beyond the popular view of "conservatives" and "reformers"

⁴⁷⁸ BBC. "Who Holds the Power?" [BBC.com](http://news.bbc.co.uk/1/shared/spl/hi/middle_east/03/iran_power/html/electorate.stm) 20 February 2008.
<http://news.bbc.co.uk/1/shared/spl/hi/middle_east/03/iran_power/html/electorate.stm>.

⁴⁷⁹ Sadjadpour, Karim. "Guidelines for Approaching Iran." *Carnegie Endowment for International Peace* (2008): 1-7.

⁴⁸⁰ Hen-Tov, Elliot. "Understanding Iran's New Authoritarianism." *The Washington Quarterly* 30 (2006): 163-179.

⁴⁸¹ Cordesman, Anthony. "Iran's Revolutionary Guards." *CSIS* (2007): 1-18.

⁴⁸² Cordesman, Anthony. "Iran's Revolutionary Guards." *CSIS* (2007): 1-18.

that have so often confused Western observers. This typology may provide a great deal of explanatory power in examining the power conflicts that occur within the Iranian political structure.

Committed Clerics

These are largely religious scholars and veterans of the 1979 revolution. They are highly religious and are committed to a state guided by Shi'a principles in all of its affairs.

Economically, they promote stringent state self-sufficiency and the development of internal industrial and agricultural capacities. Internally, they favor severe restrictions on social and political freedoms. Their foreign policy concepts are guided by their devotion to Shi'a Islam and can be expected to fervently support groups such as Hezbollah. However, many amongst them reject the Iranian nuclear program on religious principles. An institution that might be most clearly identified with this paradigm would be the Guardian Council.

Pragmatic Clerics

While these clerics are also veterans of the revolution, they are willing to set aside their religious views in examining policy matters. Economically, they are committed to developing external economic relations with a variety of states, and are open, to the extent the constitution allows, to foreign assistance in doing so. They encourage domestic economic reforms and foreign relationships, so long as such arrangements can be made in Iran's favor. From a societal standpoint, they believe in the concept of an Islamic autocracy with limited political and social freedoms, but are not as fervent about this as the committed clerics. In the realm of foreign policy, they are of a decidedly realist paradigm. As such, they are willing to negotiate with any regional or international power when the negotiations may provide the opportunity for increasing the power and influence of Iran. Regarding the support of groups like Hezbollah, they most

likely view these groups as a means to pressure opponents such as Israel and the U.S. Finally, they support the development of the Iranian nuclear program because of the prestige, power, and negotiating position that such a program is believed to provide. Pragmatic clerics are found at all levels of the Iranian political structure, but are most prevalent in the Expediency Council and the Majlis.

Clerical Reformers

While clerical reformers were more prominent in the past, it is clear that these figures continue to wield some influence within the un-elected side of the government. However, most of them have moderated their calls for greater social freedoms, choosing to focus on the implementation of economic reforms. Of the various paradigms the team has examined, they are the most oriented towards Western thought. Economically, they are committed to participating in global markets, and in developing economic relationships with a wide range of states. Socially, it would not be accurate to identify them as democrats, though they support the loosening of religious restrictions on social and political life to a much greater degree than other elites within the power structure. While they publically support groups such as Hezbollah, it can be surmised that their support may be more inspirationally oriented than practical in nature. Reformers tend to support the Iranian nuclear program as a right of any developed state, and a necessary part of developing energy resources and technologies needed for economic growth. Clerical Reformers have been marginalized in recent years, but the research suggests that their interests might be best represented in the Majlis and, to a lesser extent in the Expediency Council.

Nationalists

Of the four groups identified, the Nationalists have perhaps the most ominous characteristics. From a religious standpoint, they use the language of the committed clerics and appear to enjoy

their favor. However, it should be noted that most Nationalists are not clerics, but rather professional members or veterans of the IRGC and its ubiquitous state security apparatus. They publically combine religious dogma with a fierce nationalistic rhetoric. Economically, they are committed to self-sufficiency, but are probably not as devoted to this ideal as the Committed Clerics appear to be. It is possible that their devotion to self-sufficiency is more attuned to preserving their own economic interests, which are considerable.⁴⁸³ Socially, they are committed to a strictly controlled state with few political or social freedoms. However, their reasoning appears more motivated by a desire to emulate a more conventional autocracy rather than a theocracy.

In the foreign policy arena, Nationalists fully support the Iranian nuclear energy program. They also support Hezbollah and other foreign groups through their connections within and through the IRGC. Thus, they have vested interests in seeing both of these relationships developed and expanded. Nationalists are well represented in President Ahmadinejad's cabinet, within the IRGC itself, and, to a certain degree, within the Majlis.

While discussing these typologies, it should be noted that it is not always possible to neatly categorize particular individuals into one type or another. The team would suggest that this be more accurately considered as a continuum, or spectrum, of Iranian ideologies. However, it does provide greater insight into the complex political structures within Iran, and, as such, is useful in illuminating the desires and goals of certain institutions and groups. As such, the research team

⁴⁸³ Bruno, Greg. "Iran's Revolutionary Guards." Council on Foreign Relations 25 October 2007. <<http://www.cfr.org/publication/14324/>>.

presents a matrix at the end of this section that brings these goals and ideologies, and the focus of this study, into a clearer perspective.

The project team would suggest that the various actors and the institutions that they participate in create a political game within Iran. This game has a multiplicity of goals and outcomes for the players within it, revealing a complexity that is far beyond the scope of this paper. However, the team can certainly examine what this game reveals about the application and effects of U.S. and international sanctions.

For the Committed Clerics, sanctions are simply the actions of a foe that is ideological opposed to the regime. Most of these clerics would be decidedly against any relaxation of tensions with the West. Such developments would damage the legitimacy of their rule. Thus, the research would suggest that sanctions actually benefit Committed Clerics in that they provide a justification for their world view.

The Pragmatic Clerics are aware of the rationale behind U.S. sanctions, and through their realist perspective, are cognizant of Iran's national interests. The research would suggest that the economic vitality of the Iranian state is a primacy concern for them. However, they are intimately familiar with the history of Iran's relationship with the West and their place within the power structure of Iran. Thus, they would be unlikely to offer dramatic concessions in negotiations regarding sanctions.

The Clerical Reformers clearly would have the most to gain from a relaxation of sanctions. However, their diminished state, and lack of presence within the truly influential institutions leads us to conclude that they are a relatively impotent negotiating partner. Furthermore, any hint

of cooperation with the U.S. on these matters would probably be seized upon as treasonous by their opponents within the political structure.

Of the four groups, the Nationalists appear to stand to gain the most from an adversarial relationship with the U.S. and the West. Their economic policies encourage self-sufficiency and condemn the purchase and trade of western goods. Their foreign policy agenda is aggressive, and pursues a nuclear agenda with little consequence for political and military realities. While many of them have been directly targeted in the latest rounds of sanctions, they have developed secretive and robust financial and military pipelines that require other elements within Iran to negotiate with them for access. Thus, the research team would suggest that the Nationalists would be deeply damaged by a relaxation of sanctions regimes. Figure 16 below summarizes this analysis.

Political Actors in Iran

Pragmatic Clerics

- State Interests
- Economic Liberals
- Model: China
- Example: Rafshanjani

Clerical Reformers

- Islamic Democracy
- Economic Liberals
- Model: Turkey
- Example: Khatami



Committed Clerics

- Ideologically Committed
- Sanctions are welcome
- Paranoid World View
- Model: North Korea

Nationalists

- Power consolidation
- Client relationships
- Economic and Military Power
- Model: Soviet Union
- Example: Ahmadinejad

Figure 17: Political Actors In Iran

Results of Levels of Analysis Approach

The project team has presented three levels of analysis in the study of the effects of sanctions on Iran. The Rational Actor model, focused on state level interests, suggests that Iran has been damaged both economically and militarily by sanctions. It also suggests that it is in Iran's interest to negotiate with the West for a relaxation of these sanctions, and that Iran, as a state, has largely implemented a foreign policy in line with rational principles. However, given Iran's complex political situation, the team would suggest that it is a bit too crude for the intended purpose.

The Organizational Behavior model, focused on bureaucratic rules, regulations, and programs within Iran, does not provide direct insights into this opaque and complex subject. This is primarily due to information problems and lack of native context. However, the team would infer from the research that the number and complexity of these programs must be considered in order to prevent misunderstandings during potential negotiations.

Finally, the Bureaucratic Politics model reveals that Iran's political players can be defined into four groups, each with competing and complementary goals. It suggests that certain players may have differing objectives and derive unexpected utility from international sanctions. The team would suggest that the groups most likely to benefit from a relaxation of sanctions would be the Pragmatic and Reformer Clerics, while the Committed Clerics and Nationalists would lose influence if sanctions were relaxed. This counter intuitive finding is perhaps the most important insight of this work.

Results, Implications, and Policy Suggestions

As a review, here are the questions the research team's study proposed:

“What are the practical effects of U.S. sanctions on Iranian political, military and economic institutions?”

“What are the political effects of U.S. sanctions on Iranian political, military and economic institutions?”

“Are U.S. sanctions providing the intended results?”

“What can the U.S. do to increase its influence on Iran?”

Regarding the Practical Effects of Sanctions

Scholars and analysts have suggested that, at a state level, Iran is not a particularly viable target for sanctions.⁴⁸⁴ However, it is clear that the regime of sanctions imposed on Iran have damaged its ability to improve its infrastructure and modernize its military forces.⁴⁸⁵ They have not, however, produced an appreciable change in the objectionable policies the team has noted; i.e., support for Hezbollah and the transparency of their nuclear program. If the goal of U.S. sanctions is to modify Iranian policy, the team concludes that these efforts have been unsuccessful.

⁴⁸⁴ McGillivray, Fiona, and Allan C. Stam. “Political Institutions, Coercive Diplomacy, and the Duration of Economic Sanctions.” *The Journal of Conflict Resolution* 48 (2004): 154-172

⁴⁸⁵ Katzman, Kenneth. “Iran: U.S. Concerns and Policy Responses.” *CRS Report for Congress* (2005): 1-40.

Regarding the Political Effects of Sanctions

Counter intuitively, the team’s analysis reveals that the application of broad based sanctions has actually reinforced the very elements within Iran that the sanctions are meant to damage. Both the Nationalists and the Committed Clerics receive a political legitimacy bonus from the political effects of sanctions. In short, international sanctions and tensions provide them a rationale for oppressive actions that are concordance with their ideology and goals. Figure 17 below summarizes this analysis.

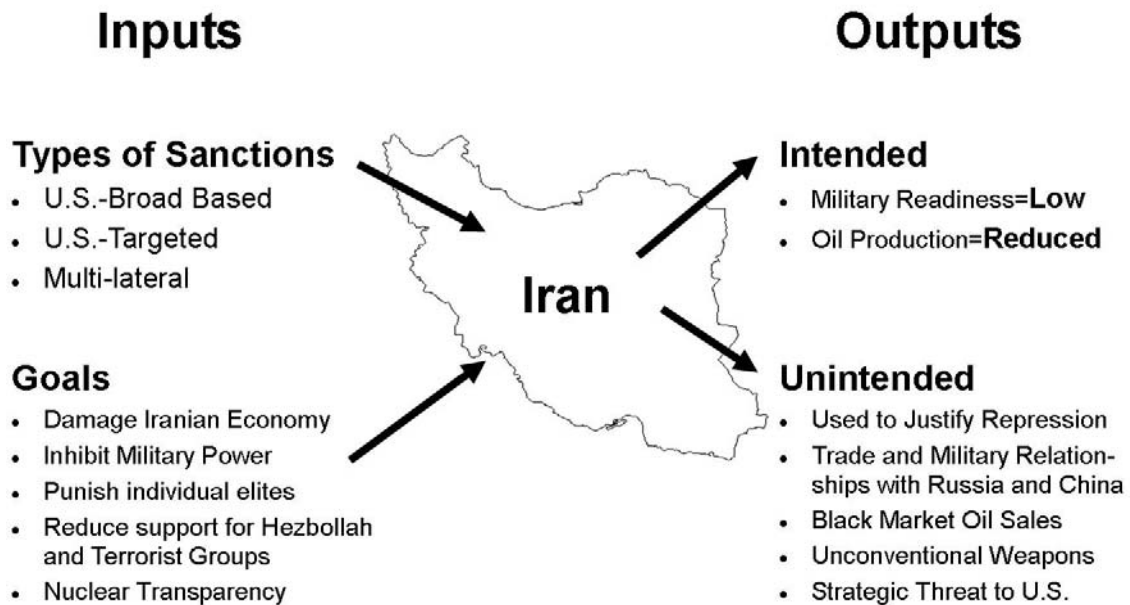


Figure 18: The Effects of Sanctions On Iran

Are U.S. Sanctions Providing the Intended Results?

While sanctions have impacted Iranian oil and gas infrastructure and military readiness, they clearly have not changed Iranian policies regarding their support for Hezbollah nor the status of their nuclear program. Additionally, the team finds that these sanctions may have damaged the

very elements of the Iranian polity that may be more amenable to negotiating with the West.

Therefore, the research team concludes that sanctions have not achieved results intended by the U.S. or the international community, and are, in fact, producing a counter productive result.

Policy Recommendations

The project team would suggest a careful and circumspect approach to increasing U.S. influence on Iran based on maximizing relationships that benefit those political entities within Iran that can use the political and economic benefits to their advantage. Using the ideological framework, the U.S. should seek to enhance the Pragmatic and Reformist Clerical groups within the Expediency Council and the Majlis, while marginalizing the ideologies of the Committed Clerics and Nationalists within the Presidency and his supporters in the Majlis. The team suggests three potential negotiating strategies. These strategies could be used independently or as a multi-faceted strategy.

Reciprocal Relaxation

The United States should reduce sanctions on limited classes of commercial goods and products. This relaxation should be a measured process requiring reciprocity. Reciprocal responses from Iran should be in the form of Iranian assistance in stabilizing Iraq, making their nuclear program more transparent, and, eventually, reducing support for international terrorism. Steps on both sides should necessarily be small. However, the team suggests that United States should take the first step-in response to Iran's recent actions in promoting stability in Iraq. Failure to reciprocate should result in retaliatory steps backward.

Enhance Targeted Sanctions

The United States should continue, refine, and increase targeted sanctions on individuals and institutions that the project team's analysis identifies as un-cooperative or operating in fields that run counter to U.S. interests. The U.S. should continue to develop international consensus regarding the threats posed by these individuals and institutions, and work to damage their financial interests whenever possible.

New Players in the Game

In response to reciprocal and verifiable progress on core issues, the U.S. should facilitate diplomatic initiatives designed to bring natural economic partners together with Iran. In this study, the research team suggests that Vietnam, the Baltic States, and Brazil may be interesting partners in this regard. The team would also suggest that neighboring states such as Turkey and Afghanistan should be enticed to provide intermediaries in facilitating such negotiations. Policies should especially seek to match Iran with states requiring labor resources. These proxy relationships should benefit the U.S. by lessening tensions with Iran and increasing trade with the partner states. Such an initiative would also be of little financial or political cost to the U.S., and would allow Iran to not be publically viewed as directly cooperating with the U.S. This last point is critical. The ability of Pragmatic and Reformist Clerics to present such relationships as self-initiated is politically vital. Any perception of complicity with the U.S. would be damaging to their interests.

Conclusions

In conclusion, the research team suggests that U.S. and international sanctions have proven ineffective in forcing the Iranian regime to change its policies. In fact, the team would suggest that their implementation has actually resulted in the reinforcement of political entities in Iran that the U.S. should attempt to marginalize. However, the team would suggest that there are

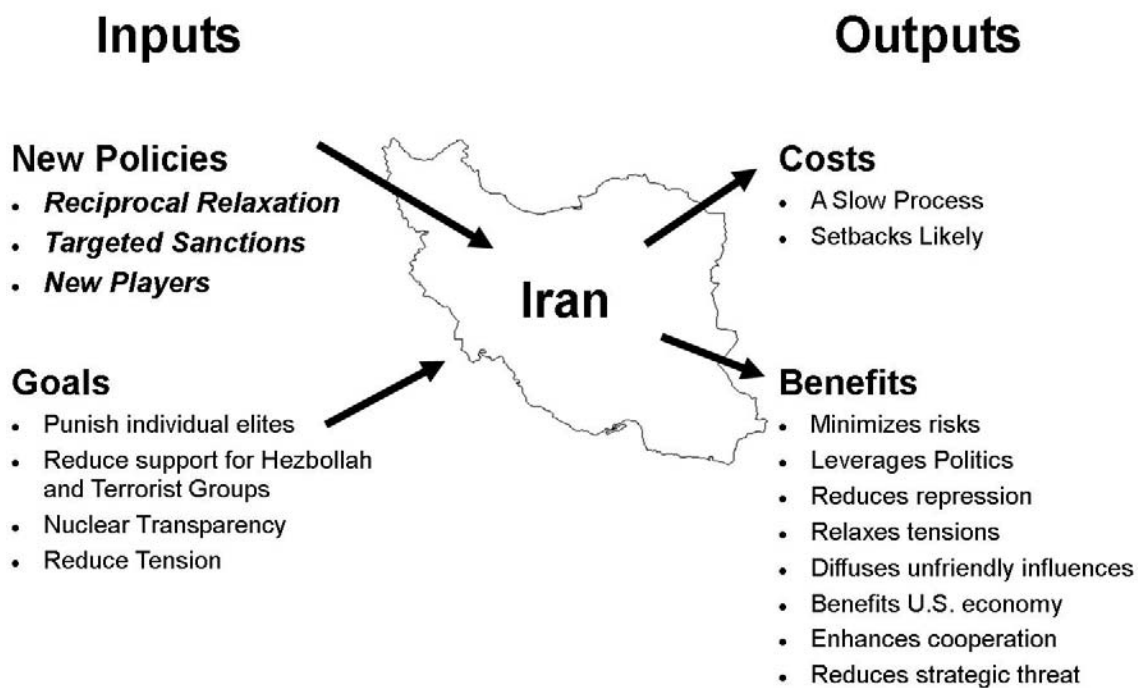


Figure 19: Costs and Benefits of Policy Recommendations

political elements within Iran with a rational interest in reducing sanctions, and that these entities are also most likely to negotiate at some level regarding onerous policies. It is also clear that many Iranian elites consider economic issues as key to the health and welfare of the state in future years. Therefore, the team concludes that the potential for negotiations regarding a range of issues is possible. The conclusions are summarized in Figure 18 above.

However, the research team would caution that any negotiations with Iran should be expected to be slow and laborious. There is little possibility of an all-encompassing diplomatic détente. The mindset and political environment of these potential negotiating partners should prevent dramatic breakthroughs in the short term. Additionally, the team would suggest that publicity regarding these negotiations be kept to an absolute minimum. This would prevent the perception of complicity with the U.S. from damaging the ability of Iranian political elements to maneuver, and would reduce the impact of potentially problematic organizational behavior issues or geopolitical events.

In this way, the overall stability of Iran and its neighbors would be greatly enhanced by this three track approach. Such an approach would not directly result in a democratic Iran, but it would reinforce those elements within Iran with which the U.S. can bargain. The ability to work with an Iran focused on rational state interests would increase information flows for all parties, create a varied level of interests with which to negotiate further, and may also contribute to Middle East stability in general. Such an approach may reduce the influence of China and Russia in the region, while enhancing U.S. leverage with developing states in their regions.

Clearly there are risks to these initiatives. However, given the stated goal of keeping negotiations at a low level and requiring small steps towards progress, this risk should be minimal for both sides. This analysis is limited by the use of open source materials and the qualitative approach necessitated by their use. Their success may be greatly enhanced by refining them using classified information to initiate a more empirical analysis. However, if the goal of the U.S. is to achieve Iranian policy changes regarding Hezbollah, Iraq, and the Iranian nuclear program, these initiatives provide a potentially fruitful and low cost avenue for exploring these issues with the

Iranian regime. Additionally, such changes may result in the removal of a significant tool used by the regime to justify repression. The possible benefits of such strategies surely outweigh the costs of continuing to pursue a dysfunctional and quite possibly counter-productive regime of sanctions.

RECOMMENDATIONS FOR FURTHER RESEARCH

After addressing the project questions, the project team has determined that some additional research on certain topics that fell outside the scope of the project should be addressed. The recommendations for additional research include a deeper analysis of the Senlis Council's "Poppy-4-Medicine" program, an investigation of the possibilities of cooperation between Human Terrain Teams and the proposed DRT solution, as well as the ongoing monitoring of political developments regarding the Sadrist movement and the Kurdistan Regional Government's pursuit of private oil investment. Finally Iranian elites which are willing to negotiate with US interests should be identified and capitalized for the benefit of the U.S. Focusing on these additional research areas will do much in furthering the knowledge and identifying potential solutions for economic development in the region.

The Senlis Council's Poppy for Medicine Proposal

In order to develop the idea behind the Senlis Council's Poppy for Medicine Proposal into an actionable strategy – something like a business plan – a number of uncertainties must be addressed. It is the project team's suggestion that further research be undertaken to answer the following questions:

Who will fund the project? Who will implement the project?

Who, specifically, will purchase the finished morphine products the program produces?

What are viable alternatives to security provision via the ANP?

On what timeline should projects be implemented (i.e., single-village pilot, single-district pilot, multi-district pilot, full implementation)? Is there seasonally optimal time to begin a pilot program?

What districts fit particularly well with selection criteria to become program sites?

What supporting initiatives (such as a physician education campaign in client countries) are necessary to ensure produced medicines are distributed and used for legitimate medical needs?

Are professional pharmaceutical chemists to be provided from donor countries? Is a program to train Afghans to fill these roles necessary? Desirable? Feasible?

How can the international community be approached and negotiated with such that Afghanistan fulfills its regulatory obligations in implementing Poppy for Medicine?

Kurdistan Regional Government vs. Baghdad

Although the Kurds in Northern Iraq, unified by their common ethnicity, history, and language, have enjoyed more national rights and autonomy than Kurds in any other country, they have still been subject to extreme governmental restrictions and persecutions by multiple Iraqi governments.

Iraq's defeat in the First Gulf War in 1991 granted Kurdistan de facto statehood as protected by a no-fly zone put in place by the United States and the United Kingdom; no one recognized this de

facto state, however, because of its potential to threaten the stability of the regional state system.⁴⁸⁶ Using this newfound protection, on October 2, 1992, the Iraqi Kurdish parliament called for “the creation of a Federated State of Kurdistan in the liberated part of the country,” a move which caused great concern for Iraq’s leaders, as well as the leaders of Iran, Syria, and Turkey, who feared that this move for a federal system would escalate into a quest for full independence, despite the fact that the Kurdish parliament noted that this federated state did not question the territorial integrity of the greater Iraq.⁴⁸⁷

Kurdistan is dominated by two main political parties: the Kurdish Democratic Party (KDP) led by Massoud Barzani and the Patriotic Union of Kurdistan (PUK) led by Jalal Talabani. Although these parties experienced armed clashes over territorial control and sharing of joint revenues, the two sides reconciled under the Washington Declaration and later became active leaders in the new Iraq.⁴⁸⁸

The two major problems that will require additional monitoring that have been identified for Kurdistan are interrelated; the official incorporation of the city of Kirkuk into Kurdistan control and the Kurdistan Draft Oil law that has been passed are both explosive issues in Iraq, and besides the potential political ramifications of both, they both focus on oil, a resource critical to the well-being of Iraq.

⁴⁸⁶ Gunter, Michael M., and M. Hakan Yavuz. "The Continuing Crisis in Iraqi Kurdistan." *Middle East Policy* 12 (2005): 122-133.

⁴⁸⁷ Katzman, Kenneth. *United States. Cong. The Kurds in Post-Saddam Iraq*. 110th Cong. Washington: GPO, 2008.

⁴⁸⁸ Katzman, Kenneth. *United States. Cong. The Kurds in Post-Saddam Iraq*. 110th Cong. Washington: GPO, 2008.

The topic of the city of Kirkuk is considered to be a major concern to both Kurdistan and Iraq. Kirkuk is one of Iraq's most ethnically diverse cities, with the approximate population breakdown as follows: 35% Arab, 35% Kurdish, 26% Turkmen, and 4% others. Social tensions remain high between the groups, with Kurds wishing to join Kurdistan, and Turkmen and Arabs wishing that Kirkuk remains under Baghdad's control; Kirkuk, on the tip of where most of Iraq's ethnic and sectarian divisions meet, is a microcosm of Iraq's ethnic and sectarian tensions and a likely place for a possible civil war to ignite.⁴⁸⁹

The Kurds, who have recently enjoyed considerable power within Iraq and hold the second most seats in the National Assembly, insist that Kirkuk be included within the Kurdistan National Government's territory.⁴⁹⁰ This assertion arises because the Kurds claim historical significance to the city; much of Kurdistan roughly corresponds with the ancient Kingdom of Gutium, which has been mentioned in cuneiform records dating back to 2,400 B.C.E, a kingdom that had its capital in the city of Arrapkha, now known as modern-day Kirkuk.⁴⁹¹ The Kurds, therefore, have maintained the same area of residence with relatively little change for a very long time until 1991

⁴⁸⁹ Gunter, Michael M., and M. Hakan Yavuz. "The Continuing Crisis in Iraqi Kurdistan." *Middle East Policy* 12 (2005): 122-133.

⁴⁹⁰ Jervis, Rick, and Cyrille Cartier. "Below the Surface in Kirkuk: Oil and Tension." *USA Today* 24 May 2005. Academic Search Premier. EBSCO. University of Nebraska-Lincoln. 27 Mar. 2008. Keyword: Kirkuk, oil.

⁴⁹¹ East, W Gordon. *The Changing Map of Asia: a Political Geography*. East P, 2007. 1 Apr. 2008 <<http://books.google.com/books?id=yISzwrG42qYC&pg=PP5&dq=east+political+changes+asia+landscape&sig=yRjNNJvgYcblCQ1xBURRD31YSpq>>.

when Saddam's regime began its process of "Arabization," which included expelling Kurds and Turks from Kirkuk and replacing them with Arabs from the south.⁴⁹²

Kurdish leaders consider this to be an "existential issue" and if Kirkuk does not formally join Kurdistan through a proposed referendum, it could cause Kurdish leaders to pull out of the national government, thus threatening fission within the already unstable national government.⁴⁹³

A referendum was scheduled at Kurdish leader's insistence to be conducted on December 31, 2007, but pressure from the Bush Administration to wait until Iraq's overall security situation has stabilized put a hold on the referendum process until June 30, 2008, after which the Kurdish government will put the vote to the residents in Kirkuk.⁴⁹⁴ This referendum is the main reason the project team recommends waiting to see the results instead of attempting to offer solutions to resolve this issue. Besides disrupting relations with Baghdad, a vote of this magnitude could reduce the city to sectarian violence no matter the results of this explosive issue; either way, whether the Kurds win and the city is incorporated, or the Arabs and the Turks win and the city remains under the control of Baghdad, one group will be left extremely unhappy.

Furthermore, the Kirkuk issue has adversely affected politics in Baghdad; as politicians attempted to write the new constitution and erect a government capable of functioning on its own, this dispute almost wrecked the creation of the new government. The Kurds refused to

⁴⁹² Jervis, Rick, and Cyriille Chartier, USA Today, 2005

⁴⁹³ Katzman, Kenneth. United States. Cong. The Kurds in Post-Saddam Iraq. 110th Cong. Washington: GPO, 2008.

⁴⁹⁴ Katzman, Kenneth, United States Cong. 2008

support the new government without an agreement that Kirkuk would be granted to Kurdistan control, while the Shi'a, who hold the most seats in the National Assembly, refused to give in, bringing the National Assembly to a standstill. While the issue has not been resolved, both sides ultimately agreed to postpone the decision until a later date.

In addition to these mounting social and political tensions, the city also sits on estimates that range from 10-40% of Iraq's overall proven oil reserves of about 112 billion barrels.⁴⁹⁵,⁴⁹⁶ Whoever controls the city also would control a considerable amount of Iraq's oil revenue, totaling billions of dollars in oil revenues. Neither the KRG nor the national government in Baghdad wants to lose this oil-rich opportunity, and sets up an explosive situation for the country.

⁴⁹⁵ Katzman, Kenneth, United States Cong. 2008

⁴⁹⁶ Jervis, Rick, and Cyrille Cartier. "Below the Surface in Kirkuk: Oil and Tension." USA Today 24 May 2005. Academic Search Premier. EBSCO. University of Nebraska-Lincoln. 27 Mar. 2008. Keyword: Kirkuk, oil.

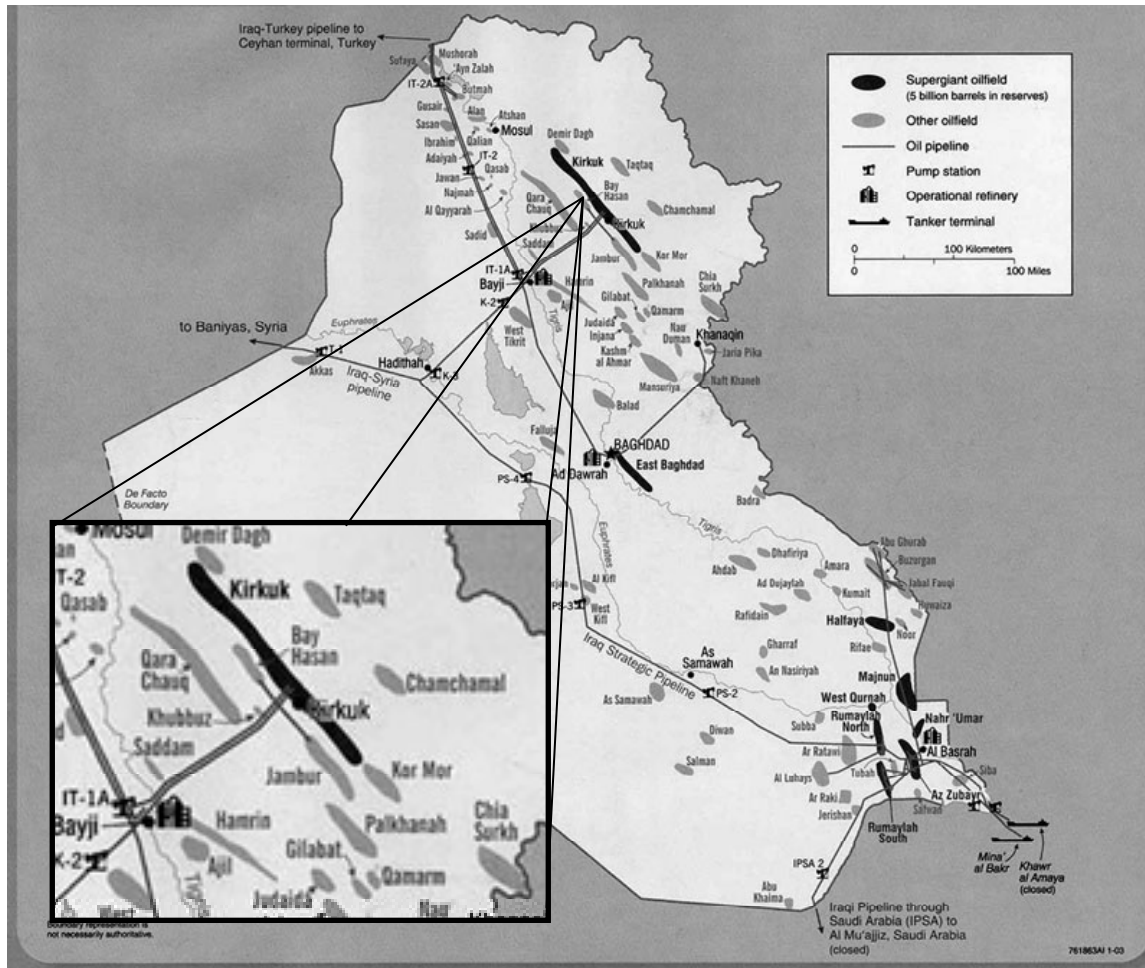


Figure 20: Kurdistan Oil Fields and Infrastructure⁴⁹⁷

Control over oil revenues is one of the most hotly contested issues between the KRG and the Baghdad government to date. Currently, revenue that is earned from the oil fields in the Kurdish region is deposited into the national treasury, but the Kurds want to maintain control over such revenues. A draft oil law for Iraq was approved by the Iraq's cabinet in February of 2007, but Kurdish representatives withdrew their support from a revised version passed by the Iraqi cabinet

⁴⁹⁷ "Iraq Oil." Perry-Castaneda Map Collection. University of Texas. 27 Mar. 2008 <http://www.lib.utexas.edu/maps/middle_east_and_asia/iraq_oil_2003.jpg>.

in July 2007 on the grounds that it, and its related implementing laws would centralize control over oil development and administration. A related draft law would allow the federal government to collect oil and gas revenue, and reserve 17% of oil revenues for the KRG. However, in February 2008, Arab parliamentarians delayed passage of a national 2008 budget on the grounds that 17% of national oil revenues for the KRG were too much based on population estimates. The Arabs of Iraq want the oil industry to be nationalized, and the Kurds want it to remain private. To date, the federal Draft Oil law has not been passed and no agreements can be made on the topic; this lack of consolidation has led to political gridlock and prevented outside investors from furthering the oil industry in Iraq.

To protect its control over the oil in the Kurdish region, the KRG passed its own oil law in August 2007. According to the KRG, the Kurdistan Region Petroleum Law is a simple, unambiguous, and investor-friendly law that coincides with the powers that are granted to the KRG by the Iraqi constitution.⁴⁹⁸ Since the passage of the oil law, Kurdistan has signed development deals with many different companies, including the small Turkish firm Genel, U.S.-based Hunt Oil, UAE-based Dana Gas, Britain's BP, Norway's DNA Asa, Austria's OMV, and South Korea's SK. Baghdad has responded to Kurdistan's oil law by threatening to cut off oil sales to investors in the northern part of Iraq's energy fields.

⁴⁹⁸ Kurdistan Regional Government. The Spokesman. Kurdistan Regional Government. KRG Publishes Final Kurdistan Region Draft Oil Law, Model Contract, Exploration Blocks. 29 June 2007. 3 Apr. 2008 <<http://www.krg.org/articles/detail.asp?smap=02010100&lngnr=12&rnr=223&anr=18746>>.

Once again, until this issue has been decided within Iraq, the project team has refrained from proposing any solutions that could easily be undone with political or sectarian fighting that is almost certain to emerge given the sensitivity and importance of the issue. While Baghdad remains embroiled in a political deadlock over its own oil law, Kurdistan continues to benefit from this lack of competition and its political unity that allows it exploit the resources in the Kurdish region. Therefore, the situation should continue to be monitored for further developments.

The Iraqi Sadrism Movement

Another issue that requires additional monitoring in Iraq is the Sadrism movement that has emerged of late to be an important and influential galvanizing force for many Shi'a Muslims. Muqtada al-Sadr is a young and fiercely anti-U.S. Shi'a cleric who is head of the Imam Medhi Army, an armed militia that has waged intermittent insurgency against the U.S. forces that are currently in Iraq.⁴⁹⁹ As the son and nephew of two of Iraq's most powerful Shi'a clerics, al-Sadr bases his claim to authority on his lineage, leadership in the current rebellion, and immense popular support by many Shi'a. Most of his supporters are young, impoverished Iraqi Shi'a in Sadr City, which is actually a slum of Baghdad with approximately two million people, Najaf, Basra, and Kufa. By setting himself in opposition of Iraqi senior cleric al-Sistani, al-Sadr represents a smaller, but quickly growing portion of Iraqi Shi'a who condone the use of violence

⁴⁹⁹ Otterman, Sharon. "Iraq: Muqtada Al-Sadr." Council on Foreign Relations. 1 Sept. 2004. Council on Foreign Relations. 9 May 2008 <<http://www.cfr.org/publication/7637/>>.

to achieve political ends.⁵⁰⁰ With estimates of troop levels that range from three to ten thousand, al-Sadr has led some instrumental uprisings against the U.S. troops and the Iraqi security forces that brought his issues to the forefront of U.S.-Iraqi relations.⁵⁰¹

With an estimated support base that ranges from at least 3-5 million poor Shi'a across the country, his stature and support base continues to grow among those who are disillusioned with the reconstruction efforts that have occurred so far in Iraq and after every confrontation al-Sadr has with the U.S.⁵⁰² Though his popularity among the mainstream Shi'a is more limited, he continues to earn ground in political endeavors. Sadr has proven to be increasingly adept at playing the political game; he has approximately 30 members of Parliament in support of his movement, as well as ministers within Prime Minister Maliki's cabinet.⁵⁰³ In addition to being a strong military force, Sadr is also a political patron.

Al-Sadr continues to gain power and followers because he is able to uphold his image as a victim that is marginalized by both the U.S. and Iraqi governments while still maintaining significant strongholds on the political scene. He strategically capitalizes on this image as the one true Iraqi patriot that Americans fear most to bolster his ranks and political standing room. If more Iraqi citizens continue to live in poverty and fail to see the benefits from the reconstruction process,

⁵⁰⁰ Otterman, Sharon. "Iraq: Muqtada Al-Sadr." Council on Foreign Relations. 1 Sept. 2004. Council on Foreign Relations. 9 May 2008 <<http://www.cfr.org/publication/7637/>>.

⁵⁰¹ Crain, Charles. "How Muqtada Al-Sadr Won in Basra." Time Magazine. 1 Apr. 2008. CNN. 9 May 2008 <<http://www.time.com/time/world/article/0,8599,1726763,00.html>>.

⁵⁰² Otterman, Sharon. "Iraq: Muqtada Al-Sadr." Council on Foreign Relations. 1 Sept. 2004. Council on Foreign Relations. 9 May 2008 <<http://www.cfr.org/publication/7637/>>.

⁵⁰³ Crain, Charles. "How Muqtada Al-Sadr Won in Basra." Time Magazine. 1 Apr. 2008. CNN. 9 May 2008 <<http://www.time.com/time/world/article/0,8599,1726763,00.html>>.

there is great potential that his ranks could significantly increase, and the levels and frequency of violence could increase as well. Because of this militaristic and political strength and his potential to upset normal processes in Iraq, the project team believes that the Sadrist movement should be closely monitored in the future to gauge additional recruitment efforts, violent outbreaks, and political sway al-Sadr represents in Iraq.

Iranian Elites

The successful implementation of the recommendations presented regarding sanctions and Iran require some additional research. Much of this suggested research would require information that would allow for the differentiation of elite utility. In essence, the purpose of the research would require knowledge of Iranian elites and how to leverage them. The team would suggest that cultural and economic research would be useful to discover these levers. Additionally, classified sources would be most useful in determining the identities of elites who might be willing to negotiate with the West, and, alternatively, individuals and institutions that could be objective of enhanced targeted sanctions.

CONCLUSION

Afghanistan, Iraq, and Iran are strikingly dissimilar countries, in spite of regional proximity. In spite of this dissimilarity, the future of each of these countries will, in some part, paint the future of the United States. Perhaps the significance to be drawn from a study of the three is, in fact, in the dissimilarities, and the dissimilar approaches they require from the U.S. Afghanistan, a state without true security and credibility in governance, requires that these things be built, partially through direct assistance and partially through economic development initiatives. Political gridlock in and diaspora from Iraq requires shifts in governance, as well as economic incentives to attract skilled citizens to return. In Iran, U.S. attempts to achieve political aims via economic harms are blocked by a structure of elites. Clearly, economic means provide a powerful tool for the promotion of stable, reasonable states – but not the *only* tool. In order to ensure that future relations with these countries remains (or *becomes*) positive, the U.S. must reach both for, and beyond, the carrot and the stick.

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