America’s Failed Strategy in the Middle East: Losing Iraq and the Gulf

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It is all too tempting for the United States to focus on the current crisis over the clash between Iran and the United States in Iraq. Events have steadily escalated since late December. Iran has sponsored attacks by Iraqi Popular Mobilization Forces on U.S. troops and facilities – as a result, the United States has launched retaliatory attacks on Iraqi PMFs. This has been followed by well-organized demonstrations and attacks on the U.S. Embassy in Baghdad, which was then followed by a U.S. drone strikes that killed Qasem Soleimani – the head of Iran’s Quds Force – and Abu Mahdi al-Muhandis – the head of Al-Hashd al-Shaabi, an Iraqi militia group tied to Iran that had been linked to attacks on U.S. targets.

Moreover, the Iraqi central government virtually collapsed even before these events. Its corruption, ineffectiveness, and failed economic policies led to massive popular demonstrations. Its legislature was virtually disbanded after legislation was passed calling for a different, locally elected, and more representative system. Prime Minister Mahdi had resigned but then stayed on in an uncertain “acting” capacity. The Kurdish regional government remained divided. All the while, the government failed to effectively aid the Sunni cities in the West that had been shattered in the fight with ISIS.

The central government’s Army and Air Force remained largely separate from the Kurdish forces in the north. Efforts to integrate the various Shi’ite and Sunni PMFs – that had helped fight ISIS – into the central government’s forces resulted in an unworkable system where these deeply divided forces – many with close ties to Iran – reported directly to a Prime Minister with no real authority who had lost his popular mandate.

The United States faces an all too real risk that events in Iraq will trigger a much more serious clash between the United States and Iran in Iraq – as well as Iran in the rest of the region – not to mention that the United States will face major Iraqi hostility over its use of force in Iraq despite opposition from the Iraqi government. The United States has again slashed its official presence in Iraq, and the U.S. Ambassador has warned U.S. citizens to leave the country. At the same time, Iraq has no clear path towards unity, the creation of either a workable political system or an effective government, or the prospects of economic recovery. Coping with a new crisis of each given day often seems beyond America’s reach.

Snatching Defeat from the Jaws of Victory for the Third Time

At the same time, focusing on the current crisis has now led to consistent failures in the U.S. strategy when dealing with Iraq and the Middle East for the last two decades – and has already turned two apparent “victories” into real world defeats. From the fall of Saddam Hussein in 2003 to the present, the United States has never had a workable grand strategy for Iraq or any consistent plans and actions that have gone beyond current events.

The United States has never defined workable grand strategic objectives, made effective efforts to create a stable post-conflict Iraq, or shown the Iraq people its presence actually serves their interests. At the same time, the Department of Defense has reported that it spent over $765 billion on the Iraq conflict and the fight against ISIS as of March 31, 2019 – and this is only a fraction of
the direct cost. There is no clear stream of reporting on State or USAID spending, but it seems to have reached another $100 billion.

The current Iraqi reaction to the U.S. military strikes in Iraq and the attacks on the U.S. Embassy in Baghdad warn that the United States may now be on the edge of snatching defeat from the jaws of “victory” for the third time since 2003.

In round one, the United States invaded Iraq in 2003 to meet a non-existent threat of proliferation and drive Saddam Hussein from power. It scored a massive military victory with no plan for what would happen once Saddam was removed. The net impact resulted in crippled Iraqi military forces, deep sectarian conflict and ethnic divisions, the empowerment of Sunni extremists, and the creation of a new war.

In round two, the United States and its allies ended up fighting these Islamic extremists from 2004 to 2010. Although the United States defeated these extremists in western Iraq with the aid of a massive surge of U.S. ground troops and the aid of Iraqi Sunni popular forces, the United States failed to create a stable Iraqi government and economy. The United States effectively abandoned its nation building efforts after 2009 and withdrew its combat forces at the end of 2011 – creating a power vacuum that opened up Iraq to ISIS – all the while, it was never able to decide on any active strategy for stabilizing Iraq or dealing with the Syrian civil war. It focused on defeating ISIS – relying heavily on Syrian Kurds in the process – and scored another “victory” in 2016-2018 by disbanding the ISIS “caliphate.”

However, the United States never developed any meaningful plan for dealing with Iraq’s political and economic crises, for dealing with Syria, or even for dealing with the tens of thousands ISIS prisoners that its “victory” created. In the process, it opened up Syria to Russia, Iran, and Hezbollah. While the United States was able to partially rebuild Iraq’s official military forces, it also saw Iran create a powerful Popular Mobilization Forces (PMF) tied to Iranian influence. The United States ultimately failed to ensure that most Iraqis saw the critical role that U.S. advisors and airpower played in defeating ISIS, to make any clear efforts to reform a failed Iraq government or boost the Iraqi economy, or to ensure that the populated areas shattered by the fighting would be rebuilt or receive effective aid.

Round three is still taking form, but no one can accuse the United States for not having any coherent strategy while dealing with an Iraqi political system that has no cohesion – its government so hopelessly corrupt and ineffective – and an economy that has been in a state of crisis as it failed to develop since at least the beginning of the Iran-Iraq War in 1979. There is no real Iraq government, just an acting Prime Minister and a President with no real power.

The United States had some 5,200 advisors and train and assist forces trying to rebuild the Iraq military forces for the second time since 2003, however, it has no clear plan for the future, has done nothing to convince the Iraqis that U.S. efforts are in their interest, and has effectively abandoned any serious efforts at economic reform, stability, and growth. Iran has committed many errors of its own, but it clearly is seeking to push the United States out of Iraq as it has strong ties to key militias and Shiite political movements. The United States has the bare shell of a full embassy, no clear plans to influence Iraq’s future, and a U.S. President who talks about withdrawal as well as a level of victory over ISIS that never occurred.

More broadly, the United States has steadily lost the confidence of its Arab strategic partners in the Gulf region. The United States ignored their advice during the invasion in 2003 – making Iran
the dominant military power in the northern Gulf while also turning Iraq into a constant source of unstable weaknesses and concern. Beginning with President Obama, the United States has bullied its allies over burden sharing even when they were spending some 10% of their GDP on military forces – raising growing questions about U.S. willingness to main its military role in the Gulf and support the security of its allies. The United States has instead sanctioned and provoked Iran – without effectively deterring it or properly reacting to Iranian military actions – stood by as China created a major base and port facility in Djibouti, and enabled Russia, Turkey, and China to become growing players in Gulf affairs. The United States takes a hardline stance against Iran without acting decisively on its words, and the U.S. President cannot seem to decide whether the United States will be withdrawing or staying in Iraq based on the day of the week.

**Iraq Is the Key Strategic Interest for U.S. Policy Action in the MENA Region as Both a Partner and Truly Independent State**

The United States has already lost too much ground to have good options in Iraq and the Gulf, but it must at least avoid decisively losing round three. The Gulf is far too important to “leave,” particularly if leaving means ceding Iraq to an unpredictable mix of extremism, civil conflict, failed states – like Syria and Yemen – and its adversaries – like Iran, Russia, China, and an Erdogan-led Turkey.

There are all too many cases in the Middle East where the options are too bad for effective U.S. action unless unpredictable internal events radically change a given state. Libya, Syria, Lebanon, and Yemen have all become “failed states” that are highly unstable tragedies – with Algeria and Tunisia as possible new cases to be added to the list. At the same time, all have only tertiary priority in terms of U.S. strategic interests. Other strategic partners like Morocco, Egypt, and Jordan do have higher priority, but they do not face the same level of instability and threats – requiring less outside U.S. effort.

Iraq, however, is a different story. It has critical strategic priority in securing the Gulf, in countering Iran and extremism, and in ensuring the stable flow of global petroleum exports to meet the growing needs of the global economy. If the United States and its allies can prevent Iraq from becoming the “weak man of the Gulf” – or being dominated by Iran – the overall security of the Gulf will be relatively easy for the United States to secure if it can only make up its mind to stay in the Gulf and give the region its proper strategic priority.

A strong and unified Iraq not only is the best practical defense against regional extremism, it becomes a critical buffer that limits Iran as a threat. Our strategic partners in the Arabian Peninsula and Israel will be relatively secure. In spite of the lack of any clear strategy in the White House, the U.S. military and U.S. CENTCOM have already taken most of the other steps necessary to defend and deter against Iran. ISIS and extremism will remain an enduring threat but not to the concern that would require major new levels of U.S. attention if Iraq is capable of resisting another division between Sunnis and Shi’ites in the face of rising extremism.

**The True Scale of the Iraqi Challenge**

“Saving” Iraq, however, is a far more serious challenge than simply dealing with its current political divisions, the remnants of ISIS, or the short-term challenges posed by Iran. Iraq is a failed state in many other ways and faces far more serious problems than many analysts seem ready to admit.
Rebuilding the American image in Iraq will be a critical challenge, as will be creating any form of effective governance. However, these challenges are only part of the story. The current public protests and public upheavals in Iraq are not simply the result of current anger at foreign intervention, corruption, poor economic conditions, or a lack of meaningful employment opportunities.

Iraq’s problems are the result of deep structural problems that have combined together over decades of war and political crises – with factors like high population growth, hyper-urbanization, a breakdown of traditional economic structures, acute over-employment in unproductive state industries, growing water and climate problems, and the equivalent of a deeply divided petro-kleptocracy that claims a far too large share of the nation’s oil wealth.

Iraq not only needs to “recover” from the fight against ISIS but also from the ongoing ethnic and sectarian upheavals triggered by the U.S. invasion that removed Saddam without any clear plan to replace him as well. The United States is rebuilding the entire Iraqi economy and political system – over a period that will probably take a decade – and attempting to create an honest and effective enough political and governance structure to actually implement a comprehensive reform of the national economic distribution of the nation’s wealth.

Iraq must also match this civil progress with a security structure that can create a strong and independent enough Iraq to secure the Gulf region and the broader structure of the Middle East. No amount of investment in the other Arab Gulf states that are already America’s strategic partners – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, the UAE, (and Jordan in actual practice) – can do as much to deter and defend against Iran and secure Gulf petroleum exports – 20% of the world’s daily supply – as a strong and unified Iraq that can defend itself and serve its own economic and political interests.

A Strong and Independent Iraq Is Critical; Creating a New Strategic Partner Is Not

The United States needs to clearly understand that its key goal should support Iraq’s ability to be strong and independent rather than to create a new strategic partner. Iraq would make an ideal addition to the current list of U.S. strategic partners – and this goal should be possible if it meets the expectations and desires of enough Iraqis. Iraqi polls – aggravated by the anger over U.S. attacks on PMF targets – is a warning, however, that it may well be too late to accomplish this goal.

Accordingly, U.S. policy should be based on the understanding that “partnership” is not anywhere near as critical as limiting the influence of other outside states – specifically Iranian economic and security interference inside Iraq. There also is no need for Iraq to base U.S. combat forces during peacetime if its forces are strong enough on its own – but creating such forces scarcely means Iraq must return to the kind of militaristic state that existed under Saddam Hussein.

It will be enough if Iraq has security forces that are unified and strong enough to deal with internal unrest, can resist Iranian intervention and the rise of extremism, limit the flow of arms and “volunteers” to Lebanon and Syria, check any “gray area” threats from Iran and outside powers, and keep Iraq secure long enough so its Arab neighbors and the United States can come to its aid in the case of a real emergency.
Ultimately, the United States might also find that an independent Iraq – rather than a formal strategic partner – might be the key to any lasting security arrangements in the Gulf that guarantees Iraq’s security without leaving the rest of the region vulnerable.

**Iraq’s Role in Petroleum Exports and the Health of the Global Economy**

Equally, the United States needs to update its strategic thinking in ways that shape a strategy that reflects a proper understanding of Iraq’s current importance as an oil power and its role ensuring the stable flow of world oil exports. The United States may be reaching some form of net surplus in petroleum exports, but it has also steadily become far more dependent on the overall health of the global economy than on its direct oil imports, particularly from the Gulf. Moreover, the economic growth and stability of the developing world will remain dependent on fossil fuels – and Gulf energy exports – for at least the next generation.

The flow of petroleum through the Strait of Hormuz increased from 17.2 million barrels per day (MMBD) in 2014 to 20.7 MMBD in 2018 – an increase of 20%. The export of liquid natural gas (LNG) increased to 4.1 trillion cubic feet (Tcf) per year. Virtually, every major U.S. trading partner in Asia is dependent on the stable flow of Gulf oil – and Europe is a key importer as well.¹

Developing states throughout the world are dependent on Gulf oil ports to keep prices affordable. The fact that the United States is no longer a net exporter does not mean U.S. petroleum prices will not immediately rise to world levels the moment a crisis on Gulf exports occurs. In the real world, “energy independence” is an economic oxymoron. As is the case with nations that are far more directly dependent on Gulf oil, every American job and business is more dependent today on the stable flow of Gulf oil than they were in the year 2000.

Not only is Iraq the most critical and uncertain aspect of Gulf security, it is a key part of this flow of oil. Iraq has very real “oil wealth” in one sense of the term. It has over 147 billion barrels of proven oil reserves – some 9% of the world’s supply – and a very high ratio of reserves to actual production (4.6 MMBD in 2018). It also has 125.6 Tcf of gas reserves, which could feed its industrial development while reducing its oil production costs.²

**Iraq’s “Oil Wealth” Kleptocracy**

Iraq’s “oil wealth” is also very limited in another sense: meeting the demands of its people. The U.S. Department of Energy indicates that Iraq’s total oil expert earnings in 2018 totaled $91 billion. There are many different estimates of the total size of Iraq’s economy, but this figure would be some 40% of the World Bank estimates of Iraq’s GDP in 2018. More importantly, from the perspective of Iraqi stability and security, Iraq would only provide about $2,300 in annual per capita income – or 39% of the World Bank’s estimate of a total per capita income of $5,878.³

This level of per capita oil wealth does not come close to the oil wealth for the average Iraqi – the vast majority of Iraqis see very little of this money, and what they get tends to take the form of subsidies and other government expenditures that come at the expense of real economic growth and benefits.

There is no way to know how much of this money is actually taken by Iraq’s extremely corrupt political and economic elite – but even if one assumed Iraq’s government was not a kleptocracy, Iraq’s total per capita oil income is less than one-third of the income received by the much wealthier and more stable economies of Saudi Arabia and the UAE, and at most about one-seventh of the per capita oil income of Kuwait and Qatar.
More importantly, Iraqis base their hopes and expectations on a past when Iraq was a leader in the development and economic growth of the region. They also base their expectations on the total per capita income and economic development that has now been reached by their wealthier Arab neighbors—a fact that is all too visible to an Iraqi population that has lived through continuous war and crisis ever since 1980.

The World Bank estimates that Iraq’s 2018 GDP per capita was only $5,834, but Bahrain’s—which has almost no oil—was $24,051, Kuwait’s was $34,244, Oman’s—with a far shorter history of development—was $16,419, Qatar was $69,027, Saudi Arabia’s was $23,219, and the UAE’s was $43,005. Few Iraqis have any idea of these numbers, but every Iraqi can see the difference of income reflected in every aspect of their day-to-day life. As a result, this gap alone is enough to explain Iraqi anger and contempt for their ruling elite.

It is, however, only part of the story. All of the Gulf states—including Iran—funnel off a vast amount of their oil and other government-controlled income for their royal, religious, political, economic, and security elites. Much of the money, however, eventually ends up in the hands of other citizens. Once one examines Iraq’s governance and political system, it is clear that far too much of Iraq’s oil export income never reaches ordinary Iraqis—although the failure to quantify the relative level of corruption and kleptocracy is one of the many critical issues in both international economic statistics and virtually all economic development plans.

What is clear is that the level of Iraq’s kleptocracy has reached the point where it impacts every Iraqi who does not benefit from the current system. The failure to create real jobs with real salaries results in the use of bribes to access the legal system, jobs and promotion, government services, education and medical services, and the “market price” of law enforcement.

**Looking beyond the Demonstrations, Protests, and Current Rounds of Attacks**

The United States does have to deal with both the present crisis and the elements which will increasingly devolve as a consequence of Iraq’s status as a failed state. There is no doubt that many analyses of Iraq, which focus on the immediate problems—with political instability, the structural problems in Iraqi elections and governance, and the equally immediate need to create more effective security forces—are correct. These problems are real, and they require short-term action that has to quickly react to the pressure of current events. So does dealing with immediate humanitarian needs—created by Iraq’s ethnic and sectarian divisions as well as the gaps between Iraq’s regular forces and the PMF.

At the same time, the United States cannot continue to ignore the critical long-term aspect of nation building while also focusing on the short-term action that narrowly deals with the surviving elements of ISIS and the more direct threats posed by Iran’s Quds Force and popular militias.

There are good reasons why the current text of the *CIA World Factbook*’s section on the Iraqi economy includes passages like:

Iraq’s largely state-run economy is dominated by the oil sector, which provides roughly 85% of government revenue and 80% of foreign exchange earnings, and is a major determinant of the economy’s fortunes. Iraq’s contracts with major oil companies have the potential to further expand oil exports and revenues, but Iraq will need to make significant upgrades to its oil processing, pipeline, and export infrastructure to enable these deals to reach their economic potential.
... Iraq is making slow progress enacting laws and developing the institutions needed to implement economic policy, and political reforms are still needed to assuage investors’ concerns regarding the uncertain business climate. The Government of Iraq is eager to attract additional foreign direct investment, but it faces a number of obstacles, including a tenuous political system and concerns about security and societal stability. Rampant corruption, outdated infrastructure, insufficient essential services, skilled labor shortages, and antiquated commercial laws stifle investment and continue to constrain growth of private, nonoil sectors.

International organizations like the World Bank, IMF, and United Nations Development Program tend to make rote predictions on progress – when only some aspects of Iraqi government carry out partial systematic reforms – but if one looks at the actual data they provide on the Iraqi economy, one finds warnings that are far more grim:

At 48.7 percent, the country has one of the lowest labor force participation rates in the world, and in the region especially for women (12 percent) and youth (26 percent). The unemployment rate, which was falling before the ISIS and oil crises hit, has increased beyond the 2012 level to 9.9 percent in 2017/18. More-over, almost 17 percent of the economically active population is underemployed. Underutilization is particularly high among internally displaced persons, with almost 24 percent of IDPs unemployed or underemployed. The crises have eroded the gradual progress in the women’s employment; female unemployment rate rose from 11.3 percent before the crises to 20.7 percent in 2017. Also, more than a fifth of the economically active youth (ages 15-24) do not have a job, and more than a fifth of the economically active youth is neither in employment nor in education or training (NEET).

In the World Bank’s October 2019 overview of the economy of Iraq, the initial optimism that “Iraq’s economy is gradually picking up following the deep economic strains of the last four years” is followed by assessments that – buzzwords aside – have a very different character:

Non-oil growth is expected to remain positive on the back of higher investment needed to rebuild the country’s damaged infrastructure network, private consumption and investment. However, the recently approved 2019 budget presents a sizable increase in recurrent spending, and unless there is a significant reorientation in fiscal policy to a comprehensive recovery approach, there will be limited fiscal space to sustain post-war recovery and longer-term development.

... Social conditions remain challenging reflecting under-investment and weak institutional capacity, a gap that becomes glaring for predictable crises such as the seasonal electricity and water problems, especially in Basra. Fiscal institutions have yet to adapt to volatility in oil prices and the risk of pro-cyclical policies remains very high. A decline in oil revenue, without continued structural reforms, and the continuous rise in budget expenditure according to 2019 budget, will lead, sooner or later, to crisis-driven adjustments and stop-go recovery. It could be difficult to finance the deficit in the 2019 budget with domestic resources and there are uncertainties in the availability of external financing especially in frontier market conditions applicable to Iraq. As before, highly suboptimal adjustments in the form of arrears and one-off infrastructure deals could reemerge.

The Linkage between the Economic Crisis and the Security Crisis

These issues are examined in far more depth in an earlier Burke Chair study – Why Iraq is “Burning”. Events since that time have made it brutally clear that no U.S. policy towards Iraq can be successful if it only focuses on the short term and is based on false optimism and rote analysis – particularly when none of the economic policy studies of Iraq seem to recognize its ongoing needs for security expenditures. Notably, these specific expenditures are only partially reported in the Iraq budget – though IISS reported 9.95% of the GDP in 2016, 10.02% in 2017, and 7.47% in 2018.

Although these security costs should fall with the break-up of the ISIS “caliphate,” Iraq must now go on to fund the forces it needs for national defense. The Iraqi government’s brutal repression of popular protests over the last six months, however, has made it clear that it needs to totally reform
its internal security forces as well as find ways of reducing the level of corruption and abuses in all of its security forces. Looking at the open source data on Iraq, it is unclear if Iraq can afford the force development it needs without spending an average of around 6% to 7% of its GDP on security for at least the next five years.

To put this spending burden in perspective, Iraq will need to spend more than three times the 2% of its GDP goal set by NATO – a goal which most NATO countries fail to meet. It is roughly twice the percentage of GDP needed to fund the baseline expenditures of the U.S. Department of Defense.

So far, Iraq has not announced any realistic plans to deal with these issues, and the United States has not addressed its estimate of Iraq’s needs or the aid levels required. The existing level of progress in Iraq’s forces involved issues that IISS addressed briefly in its Military Balance for 2019 (pp. 327-329), but the report still does not acknowledge the critical role of U.S. advisors and U.S. and Coalition air support/ground support played in defeating ISIS.

The IISS report also does not address the need for reform of Iraq’s police and internal security forces or for the creation of national defense force that can deter and defend against Iran or other outside powers. It does show that the total personnel in Iraq’s forces in 2019 totaled only 64,000 versus 523,000 for Iran. Iraq had only 393 main battle tanks versus Iran’s 1,513. Iraq had only 1,085 artillery weapons versus Iran’s 6,798+. Iraq’s air force is growing and has 65 combat capable aircraft, but Iran has 336 combat capable aircraft and a virtual monopoly on ballistic and cruise missiles and surface-to-air defense forces.

The U.S. Lead Inspector General’s reports to Congress on Operation Inherent Resolve have also warned that Iraq’s combat forces still have major quality problems, require extensive outside support and advice, and are not capable of effective joint land-air operations on any serious scale. The July 1, 2019-October 25, 2019 Report addressed a number of topical issues – including cuts to the U.S. personnel in Iraq that have had a major impact on both military training and the relatively small remaining levels of U.S. civil aid as well as the risks created by Iranian influence through some PMFs.

The report also warned, however, that many elements of Iraq’s forces would not be able to stand on their own. These warnings were very similar to those of U.S. experts when the United States precipitously withdrew in 2011, creating the power vacuum that led to ISIS’s initial success.10

U.S. forces have been training the ISF since OIR began in 2015, with the goal of creating a self-sufficient, sustainable, and independent fighting force capable of fighting ISIS. Towards that end, U.S. forces have trained Iraq’s elite CTS, its army, Federal Police, Border Guards, and other units. For the last two years, U.S. forces have undertaken a sub-operation called Operation Reliable Partnership that seeks to build up ISF overall capabilities and tactical superiority over ISIS.

This quarter, CJTF-OIR reported that training has resulted in ISF capabilities to conduct security operations in and around population centers and to assault a target once the target is identified. However, CJTF-OIR also identified the ISF’s ability to “find and fix” a target as a “major shortfall,” and said that its exploitation capability is “virtually non-existent” without Coalition assistance. CJTF-OIR said that most commands within the ISF will not conduct operations to clear ISIS insurgents in mountainous and desert terrain without Coalition air cover, intelligence, surveillance, and reconnaissance (ISR), and coordination. Instead, ISF commands rely on the Coalition to monitor “points of interest” and collect ISR for them. Despite ongoing training, CJTF-OIR said that the ISF has not changed its level of reliance on Coalition forces for the last 9 months and that Iraqi commanders continue to request Coalition assets instead of utilizing their own systems. According to CJTF-OIR, the ISF continues to rely on Coalition ISR due to cultural factors and this reliance needs to end.
In addition to this general reliance on the Coalition, the level of capability of different ISF forces varies, sometimes from one unit to another, and often despite specific training. For instance, CJTF-OIR said, some CTS units are well-equipped, led, and supported, while others are “virtually combat ineffective.” A CTS unit located in southern Iraq has been “largely neglected and not utilized” because of its geographic location, CJTF-OIR said. Overall, gaps remain among all CTS units in intelligence collection assets, intelligence data fusion, and logistics. The CTS also lacks secure data communications systems, which undermines its ability to rapidly share intelligence within the organization and communicate securely via phone or email with one another or with the Coalition.

Citing other examples, CJTF-OIR reported that although the Federal Police has begun utilizing mortars while conducting clearance operations against ISIS, its use of mortars remains “largely inaccurate even after Coalition training.” This quarter, the ISF command in Anbar province did “not show a major increase in fires capability,” or use its own drones, relying instead on the Coalition’s unmanned aerial systems, CJTF-OIR said.

CJTF-OIR reported that the CTS remains unable to execute operations quickly against ISIS. It said that the CTS’s highly centralized command and control structure contributed to its inability to take decisive action against ISIS because tactical units do not have much freedom to act swiftly on local intelligence. The CTS’s ability to conduct operations is “undermined by micro-management from the operational and strategic level,” CJTF-OIR said.

CJTF-OIR reported that the ordered departure of U.S. personnel from Iraq temporarily delayed the vetting of individuals within the ISF for ties to terrorist organizations, which the DoS conducts when a foreign force is to receive U.S. funding. According to CJTF-OIR, these delays ranged from 6 weeks to up to 75 business days and “severely affected” the training and equipping of ISF personnel. To ameliorate the effects of a reduced U.S. Embassy staff, CJTF-OIR said that all vetting requests for training of Iraqi personnel and transfers of equipment to the ISF are submitted three months in advance.

The Lead Inspector General’s report also warns that,

One year after a summer of violent protests in Basrah over the government’s failure to provide jobs, electricity and clean water, and to end corruption, Iraqi youth again led large-scale demonstrations in Iraq seeking meaningful jobs, improved public services such as water and electricity, and an end to endemic corruption. The protesters faulted the al Mahdi government for failing to make meaningful progress on providing jobs and services. These widespread protests highlighted Iraq’s longstanding governance failures that the government must address to help eliminate the conditions that gave rise to ISIS and previously al Qaeda in Iraq.

The demonstrations, organized on social media, started around October 1, and were unusual in a country where rallies are typically called for by politicians or religious figures. However, prominent Shia clerics Muqtada al Sadr and Ammar al Hakim quickly announced their support for the protesters’ demands while criticizing the Prime Minister. Iraq’s senior Shia cleric, Ayatollah al Sistani, endorsed the protests and issued a stark warning that “the people will come back even stronger” unless the government takes “clear and immediate steps” before it is too late. Ayatollah al Sistani singled out the Iraqi government and political parties for their failure to fight corruption.

The demonstrations began in Baghdad with more than 5,000 young men protesting at Baghdad’s Tahrir Square on October 1. Government security forces used tear gas, water cannons, and live fire to disperse the demonstrators. The protests quickly expanded to the south, erupting in the Shia holy city of Karbala and then further south to Basrah, Najaf, Diwaniyah, and Nasiriayah.

In an attempt to contain the spread of anti-government protests, the Iraqi government suspended access to social communications networks, including Face Book Messenger and WhatsApp. The Prime Minister declared a curfew in Baghdad and three southern cities, which the protesters ignored. Confrontations between the protesters and government security forces grew even more violent before ending on October 7. An Iraqi government committee appointed by Prime Minister Abd al Mahdi reported that Iraqi security forces killed 149 people and more than 3,000 wounded, with more than 70 percent of the deaths caused by shots to the head or chest, as of October 22.
Talking to U.S. train and assist personnel, some are impressed with the progress Iraq is making in improving its Army and Air Force and the quality of some of their Iraqi military counterparts. They feel, however, that the steps taken to cut U.S. personnel, the lack of confidence growing out of the U.S. “withdrawal” from Syria, the uncertainties in the U.S. response to Iran’s attacks, and the lack of any clear U.S. response to the political upheavals in Iraq have all sharply undermined Iraqi confidence in the United States – even from Iraqis who previously had faith in U.S. efforts.

**U.S. Personnel Cuts and the USAID Program**

The civil program is a different story and was also a serious issue before the attacks on the U.S. Embassy and the withdrawal of even more U.S. personnel. The Lead Inspector General’s report also raised critical questions about this aspect of U.S. personnel cuts and the low level of the civil aid program:

Since the ordered departure of U.S. personnel from Iraq in May 2019, USAID has had on average 6 expatriate staff in country versus 26 at the start of 2019. Some of the USAID personnel previously based in Iraq have been evacuated to Washington, DC, while a small group operates out of satellite offices in Germany. USAID reported that relocating third country nationals—many of whom have more than 10 years of experience working with Embassy Baghdad—to other overseas posts has proven particularly complicated, and remains a significant challenge. USAID employees are charged with planning, managing, and overseeing a $1.16 billion portfolio of development, stabilization, and humanitarian assistance programs.

This quarter, USAID officials reported to USAID OIG that staff reductions associated with the ordered departure have had significant adverse effects on program planning, management, and oversight activities in Iraq. There is no longer USAID humanitarian staff present on a permanent basis in Iraq; on August 31, USAID’s Office of Foreign Disaster Assistance (OFDA) and USAID’s Office of Food for Peace (FFP) began conducting all humanitarian program management remotely. USAID continues to manage a $430 million humanitarian assistance portfolio in Iraq.

Because of the ordered departure, USAID staff are monitoring humanitarian programs remotely via phone calls and implementer reports, as well as through temporary duty deployments. USAID OFDA and FFP staff are participating remotely in key in-country meetings. According to USAID, under these conditions, staff are only able to engage in the bare minimum coordination with other parts of the U.S. Government, with Government of Iraq, and other parts of the international community.

An added complication is that staff operating remotely work Monday-Friday, while Baghdad and Erbil operate Sunday-Thursday, effectively losing one workday each week. Further, all USAID expatriate staff members, including third country nationals and direct hires, entering Iraq must first be approved by the DoS, which USAID reports to be a slow and opaque process. Remaining USAID staff in Baghdad and Erbil reported to USAID OIG that in addition to, and instead of, their assigned duties, they were spending 30 to 100 percent of their time on staffing configurations associated with the drawdown.

. . . As of mid-November, USAID is responsible for managing a $1.16 billion assistance portfolio in Iraq that contributes directly to DoS’s objectives identified in the Integrated Country Strategy for Iraq: countering Iran, defeating ISIS, and supporting religious and ethnic minorities to recover from genocide. The staffing reductions coupled with the large portfolio create uncertainty as to how programs will be overseen remotely and whether USAID will have access to a regional platform to support its oversight activity. Uncertainty around staffing levels also raises questions about USAID’s continuing ability to effectively oversee its high-priority, high-risk portfolio.

Moreover, almost all of the U.S. civil aid effort is now focused on the short-term issues affecting minorities and the return of internally displaced persons – with some concern for development in the south and ending the separate oil export programs between the central government and the Kurdish Regional Government. Like the military assistance effort, there are no clear long-term U.S. goals or indications that the United States is actively addressing the broader economic reform issues addressed at the start of this analysis.
Looking toward the Future and Shaping a Longer-term Strategy

These problems are so serious that it is unclear that Iraq can create stable political progress or avoid another round of civil fighting. It is equally unclear that the United States will retain the presence and leverage it needs to help Iraq address them. The Iraqi reactions to the U.S. air strikes on December 30, 2019 – and the attacks on the U.S. Embassy in Baghdad – have made it all too clear that the U.S. attacks on Iranian backed Iraqi PMFs have brought tensions between the United States and Iran to the point where it is unclear if the United States will have the ability to play a major role in Iraq’s short-term problems – much less play a key role in helping Iraq address its structural and long-term issues.

The past U.S. focus on ISIS – to the exclusion of Iraq’s problems and needs, the suffering triggered by a whole series of events since the U.S. invasion in 2003, and the U.S. air strikes on Iraqi PMFs – may end up blocking the United States from playing a major future role in Iraq even if the U.S. government can finally decide to give Iraq the strategic priority and enduring level of effort that Iraq needs. Regardless of how many Iraqis resent Iran’s presence and interference in Iraqi affairs, an equal or greater number now seem to resent the presence of the United States. Iran can bring immense political pressure on many key factions in Iraq, as well as use Iraqis to both demonstrate against or attack American targets.

From an American perspective, the United States may have had the right to defend itself from entities that attacked U.S. forces and facilities, the pro-Iranian PMFs, and General Soleimani. From an Iraqi perspective, however – assumed from statements made by key figures like the President of Iraq and the acting Prime Minister – Iraqis oppose the attacks on the PMF and Soleimani as they see unilateral U.S. actions as a violation of Iraqi sovereignty.

Prime Minister Adel Abdul-Mahdi has called the U.S. airstrikes on the PMFs “a violation of Iraqi sovereignty and a dangerous escalation and threat to the security of Iraq and the region.” The most senior Iraqi Shiite cleric, the Grand Ayatollah Ali al-Sistani, has condemned the American attack on the PMF, stating that the Iraqi government must “ensure that Iraq does not become a field for settling regional and international scores,” and warned that regardless of whether the U.S. strikes were “retaliation for illegal actions,” it should have been Iraq authorities that dealt with them, not American forces.11

As for the air strikes on Soleimani and Abu Mahdi al-Muhandis, leaders of several Iraqi militias have vowed to avenge their deaths. The Shia cleric and leader of the Badr militia, Muqtada al-Sadr, described the strike against Soleimani as “targeting jihad, the opposition and the revolutionary spirit of the state.” The Shia cleric and leader of the Al-Hikma movement, Ammar al-Hakim, said the attack was a “flagrant violation of Iraq's sovereignty.” Al-Hakim also stated that this strike “puts the region on a hot tin roof.” Iraqis re-tweeted what they said was a photocopy of a statement by Qais al-Khazali, the secretary-general of Asaib Ahl al-Haq (the League of the Righteous) militia, in which he pledged to avenge the death of both leaders and pledged that the “pain and grief” over the death of Soleimani and Muhandis would turn into “enthusiasm, rage and revolution.” The Al-Nujaba Movement, a major Shia group said to be funded by Iran, issued a statement that warned the United States that it would “regret the foolish act it committed.”

These developments have led the United States to strip its Embassy down to even more of a core operation – and now it no longer has an effective civil presence in Iraq especially after the Ambassador warned U.S. citizens to leave after the killing of Solemani. The United States has
focused almost exclusively on Iran and has shown no clear interest as of yet in either the future of Iraq or the U.S. role in the country.

It seems all too possible that the end result could be another U.S. departure from Iraq – either because of Iraqi pressure or because of high-level decisions by the United States to cut its presence in Iraq to the point that it no longer is a major player. At best, the United States faces a remarkably difficult set of short-term challenges, at a time when an effective U.S. approach to Iraq not only requires the United States to deal with the most immediate problems but also requires a focus on the three long-term objectives addressed in this paper:

- The need to help Iraq achieve internal peace and stability by providing aid in reforming its governance and economy while also meeting the needs of all its people.
- The need to help Iraq create security forces that give both internal stability and security with sufficient levels of deterrence and defense capabilities to stand on its own without having to fear or depend on any neighboring power or outside power.
- The need to convince Iraqis that the United States is acting in their interests and not simply serving only U.S. interests as a de facto occupying power, but instead plays a key source of support for the Iraqi Army and Air Force.

There are clear dangers in making specific suggestions as to how the United States can address these objectives when events are so unpredictable and the challenges are so great. It is clear that there are no simple answers, that specific plans require a full interagency approach, and that any effective effort can only really begin with a level of presidential leadership and congressional support that currently face major challenges at this point in American politics. It is also clear that many past U.S. failures have been the result of setting unrealistic and oversimplified goals, lacking continuity in its efforts, spinning uncertain progress into images of success, and denying the complexities and uncertainties involved. There are, however, lessons that the United States clearly needs to learn from its past failures:

- First, deal with Iraq as a key long-term U.S. strategic objective and as a key to rebuilding U.S. influence and capability in the Gulf and the Middle East. The United States will need to be flexible and adaptive, but it needs to set clear grand strategic goals and focus on both Iraq’s immediate problems while creating an effective state with long term stability.
- Second, show Iraqis that the United States is acting in their interests by providing both civil and security support that will help Iraq unite, develop, and be fully independent. Far too often, the United States has failed to show that its presence and actions serve Iraq’s interests, go beyond short-term U.S. goals, and can offer a better future.
- Third, focus on the art of the possible – support Iraq in meeting the objectives it can clearly achieve that address the worst problems and concerns its people feel so they can best serve their nation and their priorities. Accept the reality that help from the United States is necessary but that transformational efforts based on rapidly imposing American values are a near certain road to failure. In broad terms, Iraqi priorities are likely to be focused on the conditions of life, employment, and effective government services without gross corruption. Progress will be slow, and, in most cases, it will be better to support the areas where Iraq can change than fight against its limits and failures in the areas where most Iraqis are content with the status quo.
• Fourth, use USAID and State efforts to address Iraq’s needs when possible but recognize the fact that USAID has yet to demonstrate broad competence in many aspects of nation building and that a U.S.-led effort has inherent limits. In an ideal world, the UN would be a possible tool for internationalizing the civil, governance, and economic programs Iraq needs. In practice, the core competence of its professional staff is more than offset by the divisions among its top-level national leaders. The UN essentially left after the first major attack in Iraq, but no element of the aid effort in Afghanistan failed as definitively as UNAMA.

There does not seem to be a good choice for creating the kind of international aid effort Iraq needs, but the World Bank may be the closest to such an option. In any case, whether the United States or another international body attempts such aid, there are some clear lessons from the last seventeen years. There is no point in funding more efforts than Iraq can make succeed – and whatever body manages the aid effort must be ruthlessly realistic. It will have to adapt its focus to bringing stability to the internal divisions in Iraq, honestly address the challenges of corruption and authoritarianism to the point which actually forces the government to improve all the key elements that need change as demanded by the Iraqi people, and make the flow of outside aid ruthlessly conditional on the honesty and success of Iraqi efforts by publicly cutting off funding and support to the corrupt and incompetent. The United States cannot help an Iraq that does not help itself.

• Fifth, focus on making Iraqi security forces effective in realistic terms – a process that will take at least another half decade. The Iraqi armed forces do not need to be reinvented, but they need help and guidance in rebuilding their country by doing things “their way” only better. They will need to build to the point where they can deter and defend, but this is the level where the U.S. effort should stop.

Even with substantial aid, Iraq cannot afford to both develop and return to anything like its past level of military forces. At the same time, reducing the complex forms of corruption in the Iraqi military will be just as important of a challenge as reducing corruption in the civil government and state-owned enterprises.

And, in the internal security area, the first priority will be to stop the forces involved doing harm through repression, overreaction, and corruption or extortion. The second will be to ensure they can operate without unacceptable levels of outside influence and political interference. The third will be to ensure that the methods used by the security forces work within the standards and the limits set by the Iraq legal system.

Finally, the United States does not need a “normal embassy” in Iraq; it needs a stable mission that can help Iraq address both its civil and security needs. It needs a U.S. effort that provides consistent support and help – one that does not consistently express indecision or a constant change in its course. The United States must adapt to its circumstances, have concrete plans for its levels of aid that will be provided over time, maintain a level of presence that provides support that is actually needed, and demonstrate that it is acting in the interest of every major element in Iraq. Once again, making Iraq a strategic partner is desirable, but creating a strong and independent Iraq is the goal that really matters.
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Cordesman: Iraq is the Key Strategic Objective.


