

POLITICAL ISLAM: CHALLENGES FOR U.S. POLICY

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Rapporteur's Summary

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The seventh annual conference on political Islam was held in Rome, May 26- June 1, 2008. The meeting focused on ongoing U.S. relations with Afghanistan, Pakistan, Iraq, Iran and the Arab Gulf States, and the continuing military conflict in the region.

The first day's discussion was led by Samina Ahmed, who focused on Afghanistan and Pakistan. The news is not all bad despite high casualties from the continued fighting and terrorism taking place in both countries. In Pakistan, after eight and a half years of military rule, democracy has emerged. There are many new actors now in play. But the country is in transition. The good news is that the two biggest parties are democratic. The Islamists did not succeed in the elections. Against the prevailing western view they only won six seats. Ninety-five percent of the seats went to the democrats. There are doubts about where the civilian government is heading. The coalition is fragile and a key issue concerning the judiciary—particularly the status of the chief justice, fired by Musharraf—has yet to be resolved. Musharraf remains President, and he still has the capacity to interfere and be a spoiler. The civilian government's ability to deliver on both security and civil rights issues will depend very much on the cooperation of the military. The military wants to appease the terrorists because they have had real trouble fighting them in the frontier regions.

Likewise in Afghanistan, the situation is very fragile. The representative institutions are not working because the country is in turmoil. The insurgency has expanded despite the huge resources put in to stop it. One reason is because it continues to have cross-border sanctuaries in Pakistan. There are constraints on NATO's International Security Assistance Force (ISAF) and U.S. forces operating against these sanctuaries. The high reliance on air power in counter-terrorist action has increased civilian casualties and therefore civilian resentment against the government and the allied forces. Because of the continuing violence, reconstruction has been delayed. This plays into Afghani xenophobia. The leadership in Kabul has not delivered what it promised. President Karzai has made compromises with political leaders with elections coming up; it is not the best time for accountable governance.

During the discussion, many complained that Pakistan has cut deals with the Taliban, which gives them a safe haven to operate in Afghanistan. Part of the problem is that there is ambiguity about who controls the Federally Administered Tribal Areas (FATA), and how to work with moderates in these regions. Nevertheless major reconstruction efforts of western governments and nongovernmental organizations (NGOs) continue despite huge problems. Kabul remains Asia's poorest capital. Another problem concerns overstretched allied forces. A major increase in U.S. and NATO

forces is not possible. This is not World War II. And there is a growing acceptance that ultimately Pakistan and Afghanistan will have to work out their own problems. Yet, while there remain difficulties in both countries, South Asia is different from the Middle East. The democratic ethos is very high and there is great support for rebuilding civil society.

There were a number of queries on the status of the Pakistani nuclear programs. This is the tenth anniversary for the Pakistani bomb. And we still do not have a clear understanding of the role of A. Q. Khan, the father of the Pakistan bomb and the person responsible for selling nuclear technology to North Korea, Iran and Libya. On the specific issue of Musharraf's continuing role, there is a sense that he is desperately trying to be relevant, and he could once again enforce marshal law. But technically only the Army Chief, Gen. Ashfaq Kayani, can do this, since he is now the senior military commander.

Concerning humanitarian projects, some felt the central focus of U.S. efforts should be on much smaller practical problem solving, such as providing fresh water. It was agreed that it would make a difference if the U.S. reordered its priorities. The vast majority of U.S. money goes to consultants and the military. The value of small projects such as fresh water and sanitation needs to be stressed. Perhaps the most important thing for the U.S. and its allies is to do no harm. There is an American tendency to rush in and try to create safe havens, when what both countries really need is stability.

In the discussion of the policy implications for the U.S., it was felt that Congress has an obligation to be more fastidious about what's going on in both countries. Congress relies too much on the administration. There is a need to be more assertive. We need to establish regular contact between the Congress and the new governments, particularly the coalition in Pakistan. We need to hold accountability for our military assistance to the same standards that we use for civilian projects. Currently, there is much less oversight of Pakistan's military budget than its civilian programs. On the specific issue of

nuclear weapons, the danger of a nuclear arms race between India and Pakistan is still serious. The United States needs to get more explicit about the future of A.Q. Khan given the suggestion that he may be given more freedom.

Another role for Congress is to prepare the next administration for the challenges ahead. The United States has power and influence in Pakistan. Following U.S. support for the earthquake victims, Americans were popular and there were good feelings towards us. The problem has been our continued support for Musharraf. It is necessary for the U.S. to have a national strategy and to realize what Congress can and cannot do. Part of the challenge is to identify conflicting ideas and prioritize them. We are dealing with heterogeneous societies and there are differences between short-term and long-term objectives. In the broader sense, we need a review of the meaning of the term the *Global War on Terrorism* and how it fits specifically with our policies towards Pakistan and Afghanistan.

The second day's discussion focused on Iraq, following the presentation by Anthony Cordesmen. Cordesmen suggested that while the United States can have great influence in countries such as Iraq, it cannot control history. If it's decided that U.S. troops should stay, it will be for at least the duration of the next administration. Al Qaeda losses have been high but it is not defeated. The fault line between the Arabs and the Kurds remains unresolved, and southern Iraq is a Pandora's Box with intra-Shia rivalry continuing. It is U.S. forces that hold Baghdad together with the establishment of gated communities. For the remainder of the year, the challenges concern our continuing confrontation with Al Qaeda in the north, how many Sunnis can be co-opted into the government, and the success of efforts to reduce unemployment levels. If elections are held it is unpredictable what would happen, but certainly new legitimate centers of local power could emerge. On the Kurdish front, some of the developments are reassuring; a referendum on

Kirkuk has been put off until boundary issues can be resolved. One of the biggest mistakes of the United States was to set benchmarks. Iraq faces an existential challenge and this is not subject to specific benchmarks. Concerning Iraqi forces, there are 102 brigades considered combat ready but only 35 can operate independently. Concerning the police, the effort is to build up the locals but the quality has been mixed. Within this context the absence of any effective criminal justice system is a deterrent. On financial issues, the good news is that Iraq will be spending far more than the U.S., in part because its oil revenues have increased.

In the discussion there were a number of questions about how long the U.S. should be prepared to stay, and what the role of Muqtada al-Sadr will be. These questions become particularly important with the new administration and the possible accelerated agenda to bring the troops home. There remain in Iraq a number of unresolved crises, including the dilemma of how to handle civilian refugees. The problem is that when internal refugees return to their place of origin they have no homes and no work. Also the United States has done very little to help those Iraqis who have worked for us and are threatened. We need to meet our obligations.

Iran's role was discussed. Clearly the Iranians are delighted that Saddam Hussein is gone and that Shiites are now in power. We really don't know what Iran would do if the U.S. had a clear plan to withdraw. The Iranians are opportunists. There is very convincing evidence that there is a flow of weapons into the south. Iran's position is that the U.S. is weaker in the Gulf as a result of the Iraq war and therefore will be deterred from invading Iran itself. The question was raised about Ayatollah Sistani and what his vision is for the future. He knows that the U.S. has to withdraw. But Sistani is a religious quietist, not a political agitator. He does not want to see an Iranian type theocracy imposed on Iraq.

Concerning the Kurds, their leaders have no illusion about independence. They are not functioning in a safe neighborhood. They need the

support of the Arab Gulf. As far as the Arab Gulf is concerned, while they do not like American policy and have been very critical of the operations in Iraq, they need us. And in this case it is probably better to be needed than to be loved.

There was some discussion of the trade-offs between an accelerated rather than a gradual withdrawal. The sense was that there should be no fixed time frame for withdrawal. If we move too quickly we will abandon a lot of equipment. Furthermore, we would need to give the Iraqis warning. We will need to reassure the Gulf States that we would continue to play a security role in deterring Iran should it try to interfere. There seemed to be a consensus that the U.S. must be careful how quickly it withdraws from Iraq or this would lead to chaos.

In this context, the discussion on policy options focused primarily on the speed with which the U.S. could draw down its forces in the country. Whatever happens, the U.S. should try to get it right when our forces leave. Some felt that the huge U.S. embassy being established in Baghdad sends the wrong signal to the region and the Iraqis. For this reason, it might be a good idea to turn the embassy into an international institution that would dilute the concerns about continued U.S. presence. For how we engage diplomatically with the region is important. We need to seek out neighbors, such as Turkey, to play a role. Nevertheless, when we leave, we must leave responsibly. While the Congress can complain about not being fully briefed, it was culpable for making the decision to go into Iraq. But it is not culpable for the administration's failure to manage the war.

On the third day, the focus was Iran and discussion was led by Suzanne Maloney. She began by discussing ten concepts about Iran that are not fully understood. First, forget ideology; everything in Iran is negotiable, they are a very opportunistic government. Second, internal discord is the norm, not the exception. Third, decisions do not reflect consensus; no one holds uncontested power in Tehran.

Fourth, the regime has survived wars, terror and domestic upheaval; it is adaptable. Fifth, only insiders matter. They are bound together by close ties and are protected. Sixth, they believe that strength is power. They have a Hobbsian view of the world and international law. If they give in on issues, they would be finished. Seventh, Iran will not play fair; it has never seemed constrained by international laws. Eighth, Iran is not a prison. Unhappiness is a problem and many Iranians are upset, but they seem to accept their semi-repressive system and have a preference for gradual change. Ninth, Iranian policies are not immutable; there have been reverses on everything from family planning to dialogue with Saudi Arabia to assassination policies. Finally, expect the unexpected. No analyst predicted Khatami's election in 1997 or the election Ahmedinejad in 2005.

The ensuing discussion focused on three main themes: first, the effectiveness of sanctions in changing Iranian behavior; second, the perils and benefits of bilateral and multilateral engagement; and third, questions about the use of force. On the issue of sanctions, there was no doubt that the U.S. can, with European help, tighten economic pressures on the Iranian regime. Many felt that they were not tight enough. But while tougher sanctions can certainly hurt the Iranian regime they will not likely change its policies. Iran is capable of circumventing many financial sanctions given high oil prices and access to other markets.

Some felt that the whole approach by the U.S. and its allies has placed too much emphasis on sticks and not enough on carrots. We need to craft a newer approach and take small steps to engage both sides. One reason is that current policies are not working. This raised the question of greater engagement. Some felt that bilateral engagement is fraught with peril and that we need a multinational framework to proceed. But, serious engagement won't happen until there is a new administration.

On the issue of force, we have a capacity to do great damage to the Iranians but there is no

guarantee this will destroy their nuclear capability. Certainly force would be the worst option for us to consider, but the administration continues to insist that the option is still on the table. The only real scenario where force might be considered is if we were drawn into conflict by the pre-emption of others (i.e. Israel), or the Iranians themselves do something utterly provocative.

There were further observations on the nature of the Iranian regime and why it is important to understand its complexities before considering policy options. Iran has a religious government but a secular society. U.S.-Iranian relations reflect domestic politics in both countries. And the common strategic interests of both sides are being ignored. One observer felt that the Iranian Republic doesn't want nuclear weapons but wants the capability to build the bomb. There is debate among Iranian policy makers about the downsides. The downsides of an Iranian bomb were stressed by others, including the high probability that this would lead to further proliferation in the region, and the reality that this would create a new strategic environment, where new sets of rules about deterrence would have to be applied. Any new balance of power in the Middle East caused by this change would require major American participation.

Iran itself, absent a nuclear capability, has weak conventional capability in comparison to the U.S. and its Gulf allies, but it does have a considerable capacity for asymmetric warfare. There was debate about U.S. reluctance to engage in Iran since some felt talk of engagement was the equivalent of talk of appeasement. Yet there is a long history of U.S. willingness to engage with the Iranians right up to 2003. It was pointed out that you can engage, while at the same time contain. It may be that no clear answers will come until the American election in 2008 and the Iranian election in 2009 are completed.

In the final discussion of U.S. policy, the focus was primarily on the costs and benefits of engagement. Some thought that engaging for the sake of it adds little—we know what the

Iranians want and they know what we want. We need leverage. What are we going to do with Russia to make it a player? We need to have a clear plan and have sticks in place before offering any grand bargain.

Some felt that any engagement strategy has to be part of broader radical new approach to the Middle East and world affairs, particularly the need for a national energy strategy. It was felt that Congress needed more specific briefings on Iranian capabilities and scenarios that think through the energy consequences of a new crisis with Iran. It was stressed that the role of Congress was critical if any use of force against Iran were planned. How do you declare war against Iran without Congressional approval?

We know little about Iran; we need more intelligence from the Gulf States. We have to be careful about exaggerating an Iranian threat. The U.S.-Iranian relationship is asymmetric. Iran is not the U.S.'s new Soviet Union. We should be more confident about our capabilities, and we should not be paranoid. We need to react to Iran on the basis of the reality of what they want, and if we can afford it, give it to them. The implication is that time is on America's side, not Iran's. There was some agreement on this provided that the United States works strongly to achieve greater energy independence. This should be part of an effort in Congress to be much more informed on the military situation, the impact of sanctions and how we would establish a strategy in the region if Iran gets the bomb. The fear is that the United States is losing leverage in the region. Perhaps the most important thing for Congress to do is be much more assertive on the formulation of a national energy policy.

The final day's discussion on the role of the Arab Gulf States was led by Gregory Gause. The Gulf States are relatively stable and relatively pro-American. So why do we worry about them? There are questions about their stability; yet predictions that Saudi Arabia is on the verge of collapse have been around for years and the

regime has survived. The Gulf States may be weak internationally, but they are not weak domestically. However, we should not underestimate the negative affects on the new stability of an untimely U.S. withdrawal from Iraq.

The silver lining is that the Gulf States have so much money they can keep their locals happy and pay for American protection. Are they spreading radical Islam? Yes, but the Saudis in particular are aware of this and are trying to control it. The emergence of Sovereign Wealth Funds (SWF) in the Gulf harks back to the 1970s. In the past, the Gulf States were very conservative investors; this has changed. They're now prepared to invest in far more risky schemes than in the past.

Clearly, the key country, Saudi Arabia is playing a greater role in the Arab world and is now the major Arab state trying to block Iranian power. It has tactical differences with the U.S. It sees Iran as a power problem rather than as a Shia problem. In this regard the Saudis' own Shia community has been quiescent. At the tactical level the Saudis hate the Maliki government in Iraq. The King won't even see him or send an Ambassador. They have major differences with the United States on the Arab-Israeli peace process. Saudis want to bring Hamas and Fatah together. Saudis want to engage and contain Iran at the same time. They see themselves as the frontline in the confrontation with Iran. On the nuclear issue, Saudi Arabia will look to the U.S. for advice. If it cannot get help or rely on the United States, it can buy off the shelf from Pakistan. The fact is that the Gulf region is no longer just an American problem. Others want to be there. France and China are lining up for natural gas. Small Gulf states are more comfortable with the U.S. as a protector, and are used to having foreign troops on their soil.

The bottom line is that only the United States can protect them in the last resort. In the discussion there was concern about the continued Arab Gulf support for extremism, be it in the context of the Arab-Israeli conflict or in Pakistan, where the Saudis were complicit in the spread of Wahhabi Islam. Some felt the

Saudis had gotten a free pass over the fact that 15 of the 9/11 hijackers were of Saudi backgrounds. It was noted that Saudi Arabia was paralyzed at the governmental level after 9/11, but has subsequently gotten its act together and is now well aware of the terrorist problem. Now the Saudis are afraid that the United States is going to quit Iraq irresponsibly.

It was noted that there was a contrast between the Bush administration's democracy promotion strategy and the reality of power in the Gulf. Now we need protection for the dollar and this can only come from countries like Saudi Arabia. In this regard, it is difficult to put pressure on Saudi Arabia and others on the Arab-Israeli conflict if the United States itself has other priorities in the economic arena. Some felt that the democracy issue had run its course in the Arab world because the results have been seen and they have not been acceptable to either the United States or the moderate Arabs.

This raised a fundamental question for the Americans: Are the Arabs friends or foes? If they are friends, then it doesn't make sense to consistently criticize them and interfere in their internal affairs. If we have shared interests, they should be acknowledged. The Arab world was instrumental in the recovery of Europe after World War II because it provided cheap oil. And it is not good for the U.S. or Israel to think that Israel is the only ally that counts. The Arabs can and have been very supportive

of American policy over the years. On the Arab-Israeli issue it is important to note the small Gulf Cooperation Council (GCC) countries don't care too much about it. They won't take any initiatives. It is the Saudis that have an investment in the Palestinian issue.

Finally, when the session turned to policy implications, the focus came back to the need to reduce our dependence on foreign fossil fuels and whether and how much we will need to maintain our current engagement in the region. We need to think strategically, take into account long-term affects and develop closer personal ties to those in the region. There seemed to be a consensus that the United States ultimately will withdraw from Iraq, but must do so in a responsible way. At the same time it must look for ways to engage with the Iranians with a realistic set of carrots and sticks. The reality is that in dealing with the Middle East and the energy issue, we have a short-term oil problem and a long-term energy problem. We need to use time to resolve these two matters. Over the longer term, one cannot separate the energy issues from concerns about Iran's nuclear program. The problem of nuclear proliferation is becoming more important and could become the dominant factor in the years ahead. Some felt that the extraordinary complexities of the Islamic world, particularly in the Middle East, pose so many challenges that the United States cannot sustain a global war on terrorism if it spends \$15 billion a month on Iraq.

Pakistan and Afghanistan—Prospects for Stability

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A democratically elected government, in power for less than two months after eight and a half years of military rule, faces multiple challenges in Pakistan. Musharraf and his military's centralised rule have weakened the federation, the economy is in shambles and extremist violence has claimed hundreds of lives. More than 1,300 Pakistanis were killed in terrorist attacks in 2007 alone, including Benazir Bhutto, assassinated on 27 December.

If the democratic transition stabilises and consolidates, it could restore the faith of the citizens in the state, restore constitutionalism and rule of law, and effectively counter terrorist threats within Pakistan, and from Pakistan to its neighbours and the international community. The United States, however, is apprehensive, just weeks after the formation of the civilian government, that the civilian leadership which has replaced President Musharraf is taking steps that could increase terrorist threats from and within a country where al-Qaeda and the Taliban have found a safe haven and sanctuaries, particularly in the tribal belt that borders on Afghanistan.

The international, particularly U.S., concerns about the cross-border linkages of the insurgency in Afghanistan are understandable. More than six years after the Taliban's ouster, the insurgency has spread far beyond the Pashtun-majority Taliban's homelands in the south and east to even the provinces that ring on Kabul. While more than 8,000, mostly mili-

tants, died in insurgency-related violence in 2007, the violence is expected to increase even further this year. In the absence of security, development efforts are faltering. Absent development and good government, alienated youth are being coerced or cajoled into joining insurgent ranks. Backed by the combined military, political and financial support of some of the most powerful international actors, particularly the United States, the Karzai government is not likely to fall. Yet President Karzai and his international backers must urgently address the internal sources of discord feeding the growing insurgency if the democratic experiment in Afghanistan is to succeed.

Stabilising the Democratic Transition in Pakistan

The February elections provided more than ample evidence of the Pakistani people's rejection of military rule and support for the democratic transition. Held soon after Benazir Bhutto's assassination, not even the fear of terrorist attacks, which had claimed hundreds of lives weeks before the polls, deterred voters from exercising their right of franchise and their support for moderate democratic forces. Bhutto's centre-left Pakistan Peoples Party (PPP) emerged as the single largest party, followed by former Prime Minister Nawaz Sharif's Muslim League (PML-N), defeating President Musharraf's party, the Pakistan Muslim League (Quaid-i-Azam—PML-Q). The religious parties

too were routed, winning only six seats in the lower house of parliament and also losing their previous strongholds of Balochistan and Northwest Frontier Province (NWFP), the two federal units bordering on Afghanistan.

The election, however, was neither free nor fair. Selective pre-poll, polling day and post-poll rigging resulted in a hung parliament, depriving the PPP of a working majority in parliament. Musharraf's party, the PML-Q, won an inconceivably high 51 out of 342 seats in the National Assembly, the lower house of parliament. This exercise in selective rigging resembled the 1988 elections when army chief General Aslam Beg had used military intelligence to deprive the PPP of a stable majority. The military had refused to let Bhutto form a government until she accepted their control over crucial areas of domestic and security policy. With her hands tied, the high command then used the opposition to destabilise and finally oust her government.

This time around too, President Musharraf took almost two months to transfer power to the elected government, and then only reluctantly when attempts to create a coalition government between the PPP and the PML-Q proved futile. The PPP and the PML-N's decision to join hands raised hopes that the democratic transition would stabilise. A coalition between the two largest national-level moderate parties, it was hoped, would prevent the military from intervening as it did in the 1990s, when it played the two parties against each other, repeatedly disrupting and then ending the democratic transition through Musharraf's coup.

The ruling coalition, the Pakistan Democratic Alliance,¹ which formed a government in late March, is already unravelling. On 13 May, PML-N ministers in the federal cabinet resigned on the grounds that the PPP had not kept its promise to reinstate superior court judges, sacked by President Musharraf in November. Sharif has, however, pledged to remain a coalition partner to prevent the military from destabilising the transition. Refusing to accept the resignations, the PPP leadership

has also decided to retain their ministers in the PML-N coalition government in Punjab, Pakistan's largest federal unit.²

The differences between the two parties on the judicial issue might not appear irreconcilable. Both favour the restoration of judges sacked by Musharraf after the imposition of martial law on 3 November. The PML-N however refuses to accept the legitimacy of judges who had taken an oath of allegiance to Musharraf's Provisional Constitution Order and those who were inducted by the president after 3 November, while the PPP is hesitant to remove them. They also differ on the mechanism to restore the sacked judges, with the PML-N supporting the passage of a parliamentary resolution, followed by an executive order issued by the prime minister. The PPP intends to table a constitutional package that would give legal cover to the act of restoration, while, at the same time, restoring the balance between the prime minister and president, distorted by Musharraf's constitutional distortion.³

In the 1990s, the military used the president as proxy to dismiss successive elected governments. Musharraf could once again play this role, not necessarily on his own initiative but acting as the military's proxy. The PPP's proposed constitutional amendment would deprive him of that power. Should the two parties reach agreement on the PPP's constitutional package in parliament, particularly on the repeal of 58-2 (b), which gives the president the power to dismiss the government, the military's opportunities to divide and rule and to ultimately disrupt the democratic transition would be drastically reduced.

Should the PPP and the PML-N, however, fail to reach agreement, and their current differences result in Sharif leaving the ruling coalition, the democratic transition could be damaged beyond repair, undermining a fragile polity further at a time when the Pakistani state faces several challenges. These include a faltering economy, partly as a result of military ineptitude and partly due to global factors, including the increase in fuel prices. Food and ener-

gy scarcity aside, ensuring that education, health and other urgent social needs are met will prove an uphill task for the new democratic government that lacks adequate resources.

Yet even a few weeks of democratic governance have helped undo some of the damages of military rule. In Balochistan, for instance, the military government's attempts to forcibly suppress the demands of Baloch liberal forces for provincial political and economic rights has resulted in a province-wide insurgency. The PPP-led government's decision to reach out to the Baloch, releasing political leaders and initiating a dialogue on state rights, has eased tensions. If the talks succeed and the insurgency ends, the state could access the resources of the province that could provide the country with most of its domestic energy needs. The elected government's intentions to translate its Balochistan policy into practice are, however, already being hampered by the military. Despite the Prime Minister's directives that military operations must end in Balochistan, there are credible reports that such operations continue.

Ensuring civilian supremacy over the military takes time in any democratic transition. In the Pakistani context, the international community's support, particularly U.S. support, will be crucial if the military is to be dissuaded from destabilising the transition. U.S. support is equally crucial if the military is to accept the civilian leadership's lead not just on domestic but also on security and foreign policy.

Countering Terrorism

On 30 March in his first address to parliament on his government's priorities and programs, Prime Minister Yousaf Raza Gilani emphasised that "the restoration of law and order and total elimination of terrorism will be (its) first priority". In several successive interviews, the latest after meeting President Bush at the World Economic Forum in May, Gillani stressed that the struggle against terrorism was Pakistan's fight; that his government would not bargain with militants and terrorists and would

not allow the Taliban to use Pakistani territory as a base to conduct attacks on Afghanistan.

The PPP government's policy certainly differs from the military government since it emphasises, at least in rhetoric, a comprehensive and integrated approach, including:

Negotiations: In Gilani's words, with "all those people who will lay down arms and adopt the path of peace".

Political reform: With an emphasis on the extension of political party activities banned by General Musharraf in the Federally Administered Tribal Areas (FATA) and repeal of the Frontier Crimes Regulations (1901), a colonial-era legal, judicial and administrative framework that has prevented the state from asserting its writ over the seven agencies and has, by keeping FATA out of the political mainstream, created an enabling environment for criminality and extremism to flourish.⁴

Economic development: Unemployment, poverty, under-development, the absence of social services and weak linkages to the national economy have helped Afghan and Pakistani extremists to find recruits for their cause and also feed into militant propaganda in FATA.

Law-enforcement: An emphasis on civilian law enforcement, without ruling out the use of military force.

The civilian government's stated preferences are certainly desirable and appropriate since countering the insurgency, and thus depriving terrorists of sanctuaries and bases of operations in the tribal belt and elsewhere in Pakistan, requires all the tools in the counter-insurgency tool box. However, ongoing negotiations with militants in FATA and the accord signed between the ANP-led NWFP government and militants in Swat, a district in the NWFP, negate the central government's declared policy and preferences.

Political reform and robust law enforcement, in particular, seem to have fallen by the wayside. On the contrary, in the accord reached on 21

May with a militant Sunni group in Swat, the Tehreek Nifaz Shariah Mohammadi (Movement for the Enforcement of the Shariah), the ANP-led NWFP government agreed to enforce and implement Shariah law in the district in return for verbal pledges by the militants to end attacks on security forces, government officials and installations. Although the militants have agreed to accept the government's writ, the implementation mechanism spells trouble, composed as it is of government representatives and the local Taliban.

While the government insists that negotiations are only being held with tribal 'elders' in FATA, negotiations are reportedly being held with the South Waziristan Agency-based leadership of the Tehrik-i-Taliban Pakistan (Taliban Movement in Pakistan—TTP), a group of pro-Taliban militants in FATA and NWFP. The leaked 15-point draft of an agreement with the TTP closely resembles the September 2006 accord in North Waziristan Agency that had, for all practical purposes, ceded the territory to the militants and resulted in a sharp increase in cross-border attacks against international and Afghan forces.

Questioned about the new government's approach during recent testimony to Congress, Deputy Secretary John Negroponte said: "(S)ome of the ideas about negotiations had been in existence well before a new government took office *and had been carried out more at the tactical level, if you will*". He added, "it remains a concern in our minds that there are elements of the government that appear to be interested in pursuing this track".⁵ Mr Negroponte's answer was partially but not wholly correct.

Having taken over government in NWFP, its home province, at a time when extremist violence, including suicide attacks, were claiming scores of lives, the ANP, a Pashtun party, rightly places priority on the security of its constituents. It, however, mistakenly believes that unconditional negotiations and accords, minus benchmarks, redlines, rigorous monitoring and law enforcement, could pay counter-insurgency

dividends. The more the party concedes its liberal agenda to the militants the more the militants are likely, as was witnessed even the day the accord was signed, to use terror tactics as a bargaining tool with the government.

But could the ANP, either as the senior partner in the NWFP coalition government or junior partner in the federal government, have reached a deal with militants in Swat without the military high command's support and acquiescence? Or did the party accept the military's preferences since they appeared to mesh with its priorities? The answer lies in the current history of negotiations with militants in Swat and FATA.

In November 2007, under the new army chief General Ashfaq Pervez Kayani's watch, following fierce clashes with army units, the military-led government began negotiations with the militants in Swat. It has also drafted a regulation to enforce Shariah law in the district with Islamic clerics advising civil judges, an amended version of which is a central feature of the ANP-led government's May 2008 accord.

Negotiations with Baitullah Mehsud's TTP, including the release of militants in exchange of army hostages, had begun in South Waziristan Agency well before the February elections, let alone the assumption of power by the elected civilian government. During on-and-off again negotiations conducted since November 2007, the military-led government had even pledged to honour the February 2005 Sra Rogah peace agreement. Mehsud had blatantly and repeatedly violated that deal which included ending attacks on government troops and ending shelter and assistance to al-Qaeda and other foreign forces. Since November too, the military-led government has held negotiations with pro-Taliban militants in North Waziristan Agency in a bid to revive the equally problematic September 2006 deal. A ceasefire in South Waziristan in early February 2008 was followed soon after by negotiations between the military and the militants.

On 2 April, General Kayani briefed the new

elected government on militancy and terrorism, and reportedly pressured and persuaded the civilian leaders to accept the military's preference for negotiations. By opting for short-sighted quick fixes aimed at minimising the human and material costs for the military, the high command has only empowered home-grown extremists further. Absent robust law enforcement, these accords will also enable the Taliban and al-Qaeda to retain sanctuaries and bases of operations on Pakistani soil. The civilian government will, however, take the brunt of the blame when these accords collapse and they inevitably will.

Stabilising Afghanistan

U.S. concerns about Pakistani policies of appeasing the militants and allowing terrorist groups free space on its territory are understandable. Under-Secretary of State John Negroponte told the Senate Foreign Relations Committee in May 2008: "We've been particularly concerned that some of the Taliban leaders have been able to find refuge in Pakistan and even engage in some of the operational activities".⁶ The Government Accountability Office, Congress' independent watchdog group, the National Intelligence Estimate and the 2008 Annual Threat Assessment had also concluded that al-Qaeda safe havens in the FATA serve as a staging area for attacks in support of the Taliban in Afghanistan.

Afghanistan's security challenges are more than evident. In 2008, insurgent violence in Afghanistan has already reached new heights, after a bloody year in which 8,000, mostly insurgents but also 900 policemen and 1,500 civilians were killed. U.S. and Afghan military and intelligence officials attribute this surge of violence to the sharp spike in cross-border attacks by the Taliban and other spoilers, Afghan and foreign, including Pakistanis.

If the Taliban were denied cross-border sanctuaries to recruit, raise funds, arm, train and plan, the international and national forces in Afghanistan would certainly find it easier to

curb the violence, and the resultant stability would enable state building, reconstruction and development. The international community must, however, also recognise the urgent need to rethink security efforts and to avoid the temptation of quick fixes. It was this approach that allowed the Taliban to re-emerge after the regime was ousted.

The initial U.S. preference to oppose International Security Assistance Force (ISAF) expansion beyond Kabul was motivated by the desire for operational autonomy in the hunt against Al-Qaeda. The reluctance of the U.S.'s Western allies to contribute troops in sufficient numbers also limited the international security presence to Kabul. In the five years that it took ISAF to finally expand to the south, the Taliban's Pashtun homeland, the insurgents had gained considerable ground.

As the security situation deteriorates, with suicide attacks and bombings claiming a growing number of international lives, troop-contributing countries have become even more hesitant to put boots on the ground, particularly in the insurgency-hit southern and eastern regions bordering on Pakistan. At present, the United States contributes more than half (34,000 of the 60,000) foreign forces. Additional troops from reluctant partners will make little difference so long as countries such as Germany place restrictions on deployment.⁷

Insufficient numbers of troops often force the foreign forces to depend on air power, raising the potential for civilian casualties, which feeds into Taliban propaganda and recruitment and also creates tensions between Kabul and its international allies. Instead of deploying sufficient forces, the United States and other Western partners have co-opted local, often corrupt and predatory leaders, fuelling local disillusionment and insecurity which also create a fertile ground for Taliban recruitment and support. The UN Secretary General report of March 2008 warns: "Despite tactical successes by national and international forces, the anti-Government elements are far from defeated. Thirty-six out of 376 districts, including most districts in the east, south-

east and south, remain largely inaccessible to Afghan officials and aid workers.”⁸

At a time when the international community should focus on the challenges at hand, debates are already occurring in capitals as far apart as Ottawa and Berlin on retaining forces in Afghanistan.

The only viable strategy for a withdrawal that would sustain the stabilisation process lies in the Afghan security agencies replacing international forces. Yet the army is far from ready to take over operational command in terms of size, equipment, training or experience.⁹ The U.S. failure to recognise that the police, and not the army, was the most appropriate instrument to defeat the insurgency, has resulted in a police force that lacks the resources allocated to the army. Even worse, absent police reform, and even under international oversight, a corrupt and predatory security force has been created which most Afghans see more as a threat than a source of protection. In fact, the growing violence owes as much to the absence of effective government.

Kabul is paying the price for neglecting institution building and development, justice and rule of law and curbing an exploding drug trade, which is both a symptom and a source of instability and corruption. The international community is paying the price for failing to hold Kabul accountable.

Stabilising Afghanistan’s Democratic Transition

President Karzai’s unwillingness or inability to deal with corruption, his reliance on predatory local leaders, and his failure to strengthen institutions is contributing in large part to the citizens’ declining faith in democracy and the growth of the insurgency. In 2004 and 2005, Afghans had braved insurgent violence to exercise their right of franchise, electing a president and parliament for the first time in the country’s history. With presidential elections currently scheduled for 2009 and parliamentary

polls for 2010, the ability of Afghans to vote their government in power will depend in large part on the security situation; their willingness to do so will depend on the belief that democratic governance can deliver.

Kabul’s failure, and that of its international supporters to strengthen rule of law and judicial functioning, is contributing as much to conflict as the cross-border support for the insurgents. Minus a legal system, criminals, including drug barons and human rights abusers, within and outside government, continue to flourish. Court houses and infrastructure do not exist in many regions. Past law has been lost and the relationship between customary, religious and civil codes has yet to be clearly defined.

As a booming drug economy feeds both the insurgency and criminality, threatening to transform Afghanistan into a narco-state, warlords and local commanders continue to reject the writ of the state. They have acquired power not just because they have managed, often with international patronage or at least acquiescence, to penetrate state institutions and security agencies but also because of the growing dependence of a weak central government. Instead of strengthening elected institutions such as parliament, Karzai has opted instead to support and work through patronage networks.

Afghanistan and Pakistan can only hope to defeat the insurgencies that threaten the lives of their citizens and the stability of their states if their governments and policymakers, civil and military, understand the importance of paying more than lip service to democratic governance. Both countries need and should urgently devise and implement comprehensive and integrated counter-insurgency and counter-terrorism strategies that include all vital instruments of state policy—political reform, economic development, rule of law, robust law enforcement and military force. U.S. national security would be far better served in supporting this effort than what has been, for almost a decade, a single-minded emphasis on the use of military force.

References

- 1 The four-party ruling coalition, the Pakistan Democratic Alliance has the PPP and PML-N as senior partners. The Awami National Party, a liberal Pashtun party, is a junior partner as is Maulana Fazlur Rehman's Jamiat Ulema-e-Islam (JUI-F), a Pashtun Islamist party that had, in partnership with Musharraf's PML-Q governed Balochistan and run the NWFP government. PPP co-chairman Asif Ali Zardari included the JUI-F, the largest Islamist party in the country, in the central and provincial governments on the grounds of "national reconciliation".
- 2 Pakistan has four federal units, Balochistan, Northwest Frontier Province, Sindh and Punjab. There are PPP-led coalition governments in Sind and Balochistan, a PML-N-led coalition government in Punjab and an ANP-led coalition government in NWFP.
- 3 Through the 17th constitutional amendment, Musharraf had gained the power to dismiss elected government, and to appoint military chiefs and judges of the superior courts.
- 4 FCR allows tribesmen to regulate their own affairs in parts of FATA, allows tribal jirgas to deal with civil and criminal offences, with the seven agencies kept outside the jurisdiction of Pakistan's regular court system. While citizens are deprived due process of law, the centre's representative, the FATA administrator (Political Agent), a civil bureaucrat, has executive authority to deal with law breakers and can impose harsh (or "collective") punishments on entire communities for crimes committed on their territory. FCR also denies representation to FATA citizens in NWFP's provincial legislature.
- 5 Emphasis added. Panel I of a Hearing of the Senate Foreign Relations Committee: Subject: Pakistan's Fata Challenge: Securing One of the World's Most Dangerous Areas, Chaired By: Senator John Kerry (D-Ma). Witness: John Negroponte, Deputy Secretary Of State, 20 May 2008.
- 6 Panel I of a Hearing of the Senate Foreign Relations Committee: Subject: Pakistan's Fata Challenge: Securing One of the World's Most Dangerous Areas, op.cit.
- 7 According to one recent estimate, the numbers of troops available for offensive combat range between 5,000 and 7,000. *Afghanistan: The Need for International Resolve*, Crisis Group Asia Report N°145, 6 February 2008.
- 8 Because of insecurity, UN agencies could not operate in 78 districts in southern Afghanistan. *The Internal Situation in Afghanistan and its Implications for International Peace and Stability*, Report of the Secretary General, General Assembly, Sixty-second session, Agenda item 19, 6 March 2008.
- 9 The Afghan National Army currently has a fielded strength of 49,000 of an authorised 80,000. The Afghan National Police has appointed 78,000 of an authorised strength of 82,000.

The Issues in Iraq: Stay, Leave, and Conditionality

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Iraq presents an extraordinarily complex mix of issues for the next Administration and the next Congress. There also is no guarantee that a new major problem, or new phase of communal conflict, will not emerge during the remaining months of this Presidency. If nothing else, the Congress will have to resolve a wide range of funding issues stemming from the gap between Congressional appropriations and the President's FY2008 supplemental request; and the Administration still has to present its real-world supplemental request for FY2009.

At some point in time, the U.S. is going to have to debate the mistakes and lessons of the way in which it went to war, and the mistakes it made from 2003 to the present. It is obvious that the U.S. will also need to look beyond this war and consider the combined lessons of the Afghan conflict, Iraq conflict, and Global War on Terrorism (GWOT) for reshaping the overall structure of U.S. forces, and the capability of the U.S. national security structure to establish an effective partnership between the military and the civilian departments and agencies to deal with counterinsurgency operations and armed nation building. Programs like "Building Global Partnerships" make a start, but only a start.

At this point in time, however, the challenge is to shape the way ahead in Iraq. In practice, this means deciding how to resolve the debate between maintaining a major U.S. presence, and early withdrawal. If this debate is resolved in terms of staying, the U.S. needs practical

plans to achieve some reasonable definition of success or "victory" within a timeframe the American people can support. If this debate is resolved in terms of withdrawal, the U.S. must have a clear plan for both the way in which it withdraws and for reshaping the U.S. strategic position in the region. This is particularly true because either decision will affect the main air bases the U.S. uses to transit into Afghanistan and the force levels the U.S. can deploy for that war. The U.S. cannot have an Iraq strategy that does not take into account the strategic importance of the Gulf, Iran, and the interactions between the Iraq and Afghan conflicts.

The Problem of Al Qa'ida in Iraq, Insurgency, and Terrorism

The fighting in Iraq in 2007 saw major victories against Al Qa'ida in Iraq. AQI is being squeezed towards northwestern Iraq and the Mosul area, and is steadily losing strength. Equally important, most of the Sunni Iraqi areas have turned against AQI, as have many of the other movements that were once hostile to the Iraqi central government and the U.S.

This military progress was partly a result of the U.S. "surge" and changes in U.S. tactics. It was also, however, made possible by the creation of local Sunni forces that are now called the "Sons of Iraq," and by the fact that the major Shi'ite threat, Moqtada al Sadr and his Mahdi Army militia, declared a ceasefire and

stood aside from the fighting. If this had not occurred, the surge would almost certainly have failed. The U.S. simply did not deploy enough troops to secure the greater Baghdad area, Anbar, and other high threat areas in the face of broader Sunni opposition and a serious threat from Shi'ite militias.

This raises a critical issue for the next Administration. At this point in time, the U.S. is likely to have 10-15 combat brigade equivalents, some 95,000-120,000 military personnel, and some 90,000-130,000 civilians and contractors still in Iraq at the start of the next Administration. On the one hand, this is a major military commitment. On the other hand, it is far too small to secure the entire country. The U.S. has not attempted to secure the ethnic fault line between Kurds and Arabs, and has only begun to become involved in the intra-Shi'ite fighting in the nine largely Shi'ite provinces in the south. The ongoing reductions from 20 to 15 brigade equivalents stretch a U.S. force that is now committed to forward deployments, and "win, stay, and build."

Moving Towards "Political Accommodation"

The U.S. country team in Iraq is careful not to use the phrase "political reconciliation," and is wise to do so. The phrase "political accommodation" is much more realistic. There has been too much fighting, too much suffering, too much sectarian and ethnic "cleansing" to hope for more than a reasonably stable modus vivendi in which a now much more divided Iraq has relatively secure Arab Shi'ite, Arab Sunni, and Kurdish-dominated provinces, and a few much more mixed areas including Baghdad.

Progress in political accommodation, however, has been necessarily slow. The leaders of a weak and divided central government are rivals to some extent and are dealing with existential issues. They are betting the future of their sect or ethnicity, and probably their own lives and those of their families. Regardless of U.S. pressure and threats to withdraw, they still consider

their own interests and survival, and Iraqi time moves at a different pace from U.S. time. As of late April 2008, the formal effort to reach political accommodation had reached the following point:

- *Provincial Elections*: The Iraqi national assembly, which is called the Council of Representatives (CoR) is currently reviewing the law, which will set the legal basis and structure of provincial elections.
- *Hydrocarbons Package*: The level of control allocated to the central government in the July 2007 draft version of the Framework Law (currently in CoR Committee) is the key point of disagreement; there may be more progress on the Revenue Management Law, currently with the Shura Council, in the coming months.
- *Amnesty Law PASSED*: CoR approved the law on February 13; the law was signed by the Presidency Council February 26 and was implemented March 2.
- *Pensions Amendment PASSED*: Published in the Official Gazette December 2007.
- *De-Ba'athification PASSED*: Approved by default by the Presidency Council February 2008. Reform published in the Official Gazette in mid-February.
- *Provincial Powers PASSED*: CoR approved the law on February 13; the law was vetoed by the Presidency Council February 26. The veto was rescinded on March 19.

This progress is slow, but it also may well be as fast as the existential issues dividing various Iraqi factions permit. In any case, the key issue is that an acceptable set of practices be put in place within the next 12-24 months. There is far too much Congressional emphasis today on formal legislation. Passing laws is only part of the story; creating facts on the ground is what counts. For example, Iraq needs oil laws which lead the central government to actually share the money and oil reserves fairly, and actually move Iraq towards renovating its fields, expand-

ing refinery and product production, and putting Iraq on the path to steadily increased export income.

Communal Struggles: Violence or Accommodation

If the U.S. stays in Iraq, it will have to accept the fact that there are many areas where it is impossible to establish “benchmarks,” and the U.S. can only seek to influence what must ultimately be Iraqi decisions. It will also have to accept the fact that sectarian and ethnic issues affect Iraq’s neighbors, including key states like Iran, Turkey, Syria, Egypt, Jordan, and the Gulf states.

That does not, however, mean the U.S. cannot set goals, defuse misunderstandings and conspiracy theories in Iraq and the region, and make it clear to the world what it is trying to do:

- *Political legitimacy and representative government in the south:* There is a clear need to end gang rule and violence in Basra, but the U.S. needs to be extremely careful about military and security developments that serve the interests of the two main Shi’ite political parties leading the government—Al Dawa and the Islamic Supreme Council of Iraq party or ISCI, which was formerly called the Supreme Council for the Islamic Revolution in Iraq or SCIRI—and tying the Iraqi Army and police to intra-Shi’ite power struggles. Even if the current power struggle between Dawa/ISCI and Sadr does not create a new form of insurgency, it will take years to shape a viable political structure in the south, determine the level of influence Iran can exert, and create a new balance of power within the Shi’ite dominated areas.

Even the fairest elections do not achieve real-world legitimacy; it takes truly representative and effective governance, local development efforts, and security that is not factional or dominated from the outside. If the U.S. stays in Iraq, it will have to help develop real local and provincial rep-

resentation, instead of relying on the present elites. It will have to show it is willing to work with local and provincial officials, provide aid and advice, and help Shi’ites find a stable path to political and economic development.

- *Helping Kurds, Arabs, and minorities find a working path to stable accommodation:* No formal agreement or referendum can ensure a stable and fair outcome in dealing with these critical ethnic issues. The U.S. will have to help Iraqis work towards a fair settlement, not favor any side, and again provide help in moving forward.
- *Stabilizing the greater Baghdad and mixed areas:* The U.S. has brought a limited degree of security to Baghdad, but largely through U.S.-shaped compartmentation of the city into Shi’ite and Sunni areas. Other mixed areas present serious problems, including Ninewa and Diyala. The U.S. needs to shift from a focus on Al Qa’ida to one that analyzes problems and progress in mixed areas, sets clear goals, and offers U.S. assistance and advice. Iraqi decisions will determine the influence, but the U.S. should make at least several years of sustained effort to influence the outcome.
- *Seeking a fair share of Sunni wealth and power, and stability and security in Sunni areas:* The U.S. is already playing a critical role in helping the Sunnis develop effective local and provincial government in Sunni areas, in encouraging development and governance, and in pressuring the central government to actually fund activity, support employment, and give Sunnis a larger role in both local security and the national forces and a fairer share of influence and power in the central government. If the U.S. stays in Iraq, it will take at least several years of further U.S. effort to influence the outcome of Iraqi decisions; this will be of critical importance.

There is also a clear interaction between the U.S. policies that will need to be adopted to deal with Iraq's internal issues, and U.S. efforts to deal with Iraq's neighbors:

- *Limiting Iranian influence and infiltration:* Dialogue with Iran will not change the regime or stop it from opportunistic efforts to exploit any power vacuum or division in Iraq. A continued U.S. presence may be critical to giving Iraq the time and security to reach political accommodation and create forces capable of some degree of national defense. The U.S. may need to speak more softly, do more to defuse war scares, and offer Iran incentives as well as "carry big sticks." The fact is, however, that Iran helps make Iraq a major regional problem and will continue to do so wherever it sees a window of opportunity. The U.S. should seek to deter Iranian adventures, and make every effort to persuade the Iraqi government to allow U.S. action against the Al Quds force and other hostile Iranian action, and to use Iraqi security forces for that purpose.
- *Turkey, the PKK, and Iraq's Kurds:* The U.S. should make it clear to Iraq's Kurds that U.S. support is contingent on them taking action against the PKK, and that the U.S. will continue to support limited Turkish military action in Iraq until they actually do so. This is not an issue diplomacy and negotiation alone can hope to deal with.
- *Syria:* There is only so much the U.S. can do, and it is already doing most of it. Once again, however, this requires a sustained U.S. effort well into the next administration as well as a sustained U.S. effort and presence.
- *The Arab states:* As Iraq moves forward and the U.S. gets a new Administration, the U.S. should continue its efforts to persuade Arab states to provide Iraq with aid and political support.

Iraqi Force Development and Conversion to U.S. Strategic Overwatch

The Bush Administration has announced a broad strategy of steadily expanding Iraqi forces in ways that will allow them to replace U.S. forces, allow further U.S. withdrawals, and allow the U.S. to convert from combat missions to advisory roles and strategic overwatch. It has never, however, provided a nominal "conditions-based" picture of what the U.S. is seeking to do in Iraq over the coming years and indicated whether U.S. plans and goals are practical.

Part of the reason the Congress continues to demand more progress from the Iraqis than is really possible is that the problems and delays in shaping credible force plans, getting proper training facilities and throughput, imbedding competent advisors, and providing effective equipment have been constantly understated and the implied timelines for success have been unrealistic.

The real question for U.S. policy is whether more realistic timelines are acceptable. Both the head of the Multi-National Security Transition Command-Iraq (MNSTC-I) whose mission is to assist the Iraqi Government in development, organization, training; and the Iraqi Minister of Defense; made it clear in 2007 that creating an effective force to take over the counterinsurgency mission from the U.S. will take until at least 2012, and real-world Iraqi replacement of U.S. and allied forces in combat cannot happen until that force is created. This, however, means that it may be possible to reduce U.S. force levels to 10 and then 5 U.S. brigade equivalents by 2010-2012, even allowing for all of the uncertainties and "conditions" in Iraq.

The resulting savings could be a major one in blood and wounded, and end the strains on the U.S. all-volunteer force. It could also produce a major savings in dollars. Work by the Congressional Budget Office estimates that,

"Under the combat scenario that CBO considered, the United States would maintain a long-term presence of approximately 55,000 military personnel in Iraq,

deploying military units and their associated personnel there for specific periods and then returning them to their permanent bases either in the United States or overseas. The scenario also incorporates the assumption that units deployed to Iraq would operate at the same pace and conduct the same types of missions as the forces currently deployed there. In CBO's estimation, this scenario could have one-time costs of \$4 billion to \$8 billion and annual costs of approximately \$25 billion. (All costs...are expressed as 2008 dollars.)

“Under the non-combat scenario that CBO analyzed, the United States would maintain a long-term presence of approximately 55,000 military personnel in Iraq by indefinitely stationing specific units at established bases there in a manner similar to the current practice of assigning personnel to units based in Korea or Germany. The scenario incorporates the assumption of much less intense military operations than those under the combat scenario. Under this non-combat alternative, units stationed in Iraq would rarely, if ever, be engaged in combat operations. Up-front costs (mainly for construction) under the non-combat scenario would be approximately \$8 billion, with annual costs of \$10 billion or less, CBO estimates. (For the full text, see Congressional Budget Office, “The Possible Costs to the United States of Maintaining a Long-Term Military Presence in Iraq,” September 2007.)”

These costs are a small fraction of what the U.S. is now paying, and roughly the same for an entire fiscal year as what the U.S. paid per month during the peak spending period in 2007.

A U.S. Plan for Transitioning Development and Governance Expenditures in Iraq

Much of the current U.S. debate over the costs of the war focus on the peak cost per month of the “surge” in 2007. The U.S. is already phasing out much of its development

aid and transferring fiscal responsibility to Iraq. Creating more formal plans that make it clear that Iraq must assume full responsibility by 2010 or 2011 would give Iraq ample time in which to act while putting growing pressure on the Iraqi government over time.

The State Department's April 9, 2008 *Weekly Status Report* indicates that Iraqi oil revenues rose from \$31.3 billion in 2006 to \$41 billion in 2007, and are on a path that could exceed \$60 billion in 2008. It also indicates that the U.S. has already disbursed \$19.1 billion out of a total of \$20.3 billion in past U.S. Iraqi Relief and Reconstruction Fund (IRRF) I & II aid. The current U.S. economic aid request for FY2009 is evidently around \$700 million. Phasing that level down to the minimum necessary to maintain U.S. influence and leverage in critical areas does not present a major challenge.

Moreover, for all of the Congressional complaints that Iraq has not paid for its own aid in the past, the most recent report by the Special Inspector General for Iraqi Reconstruction (SIGIR) in the State Department (January 30, 2008, p. 17) shows that a total of \$50.6 billion worth of Iraqi funds have already been allocated to development. Some \$30.7 billion of this came from the Iraqi capital development budget for 2003-2008. This compares with a total of \$20.9 billion in U.S. IRRF funds, \$3.3 billion in ESF aid funds, and \$ 5.2 billion in other aid funds. (The U.S. funded an additional \$15.4 billion on Iraqi force development and \$2.7 billion in Commander's Emergency Relief Program (CERP) aid used to support U.S. operations and groups like the Sons of Iraq.) A phase out of U.S. aid expenditures will have to be conditions-based, but a combination of clearly-planned, conditions-based cuts in U.S. forces and the savings from largely eliminating aid over a clearly-defined period of a few years could be the key to both winning enduring U.S.-domestic support and pushing the Iraqi government into developing and implementing adequate plans of its own.

Political Accommodation and Elections

Iraqi plans to rapidly fix the quality of governance by the central government are not feasible and cannot have true legitimacy without much stronger local and provincial governments to compensate for the weaknesses of the central government, and without local representation for key cities, factions, and regions. Much depends on whether the central government sets forth a clear plan and framework to hold legitimate local and provincial elections in 2008 and national elections in 2009, and for resolving the issue of Iraqi federalism and Kurdish autonomy.

- There need to be UN-supervised elections with open lists and candidates with direct responsibility to the Iraqis that elect them. It should be clear that Sadrist and other militias will not be allowed to play a role, but also that Al Dawa and the Islamic Supreme Council in Iraq will not be allowed to exploit their control over the central government, budget, and Iraqi security forces to rig the elections. It should be clear that Iraq's Arab Sunnis will be able to choose from local candidates, and not see their options limited by today's half-formed Sunni national parties. It should be clear that Kurdish democracy does not impose standards that limit the ability of other Iraqis to run and vote.
- The U.S. should not insist on exact deadlines for either election, but the October 2008 date should not slip beyond the early spring of 2009. Holding open national elections reasonably close to schedule should be a make or break condition for the U.S. remaining in Iraq.

Money, Kurdish Autonomy, and Federation

Rushing into votes on federation and Kurdish autonomy is a different story. Iraq would have been far better off with a constitution that limited any special regional status to the issue of Kurdish autonomy, but that particular die is cast.

What Iraq cannot afford to do is to rush into any definition of a Kurdish region that does not take account of real-world ethnic boundaries, where no clear effort is made to define what a Kurdish dominated area can and cannot do given the needs of minorities, and without a UN-supervised referendum or agreement that produces credible and transparent results.

This may be another make or break condition for the U.S. remaining in Iraq.

- It should be made clear that the U.S. will only stay if Kurdish rights are protected, and equally clear that the U.S. will not support the Iraqi Kurds if they seek independence or to expand their control beyond what are clear Kurdish areas.
- The best solution to federation in the rest of Iraq would be no federation at all. Iraqi political accommodation—and sectarian and ethnic compromises, mixed areas, and zones—will be far better off if they are not enshrined in some form of formal federal structure. As is the case with the Kurds, however, the U.S. should make it clear that it will not stay if any vote is not legitimate, is abused by the current parties in the central government, or expands Shi'ite power at the expense of Sunnis.

Withdrawal and an Exit Plan

No one can promise or guarantee “victory” in Iraq, even within the limited definition of a state stable and secure enough to maintain its own internal security and able to move towards a mature democracy and development over time. There are too many internal tensions, too many external pressures, and the American people may decide the war is too costly in dollars and blood to sustain. The U.S. also should not adopt an open-ended policy of staying the course if it wants the Iraqis to assume responsibility for their own destiny.

As a result, the U.S. not only needs to consider how to develop a consensus for staying and for conditions-based “success,” it needs to

define what would lead to “conditions-based” withdrawal and how such a withdrawal should be conducted.

- The U.S. should make it formally and unambiguously clear to the Iraqi government that the U.S. will not stay if Iraq does not hold fair elections, if it is not more active in bringing Sunnis and more secular Shi’ites into the central government, does not create truly national armed forces, and does not take more active steps to protect minorities and mixed populations and act to halt sectarian and ethnic cleansing. It should be equally clear the U.S. will not stay or intervene in any major Iraqi civil war.
- It should be made clear that the U.S. will not stay if Iraq fails to move towards fiscal responsibility, and to create forces that actually take over from U.S. forces. It should be clear to both Iraqis and Americans that the U.S. will support the Iraqi government against insurgents, violent extremists, and Iranian efforts to support militias, *but* that the U.S. will not back any given party or side in using force. The U.S. has already pushed the limit in Basra and Sadr City.
- The Maliki government and any successor should not be allowed to push the U.S. into taking sides in an intra-Shi’ite power struggle. The U.S. should not support the Kurds if they do not seek a fair settlement in defining the nature of Kurdish autonomy and Kurdish controlled territory. The U.S. should make it clear that it will not support any form of “federalism” that fragments the nation, and will not stay in Iraq if central government inaction triggers serious civil-fighting between Sunni and Shi’ite.
- At the same time, the U.S. should take into account the fact that while the U.S. can rush out of Iraq, orderly U.S. withdrawals that remove U.S. stocks and equipment, and return U.S. units in a way that allows their smooth reintegration into bases and

career paths in the U.S. can only occur at a rate of roughly one brigade every 60-90 days. It must also be ready to show its Gulf allies that a withdrawal will not mean cuts in the U.S. strategic commitments to the Gulf states and that the U.S. will join them in containing and deterring any threat from Iran.

- The U.S. also must show its allies and enemies that it is not faltering in Afghanistan, and is not prepared to effectively “lose” two wars in ways that will encourage Iran or the main Al Qa’ida leadership and other hardline Islamists outside Iraq to probe or challenge the U.S.

If You Break It, You Owe It: A Moral and Ethical Responsibility to Iraqis as Well as Ourselves

U.S. decisions affect the fate of 28 million Iraqis, as well as key strategic interests like the U.S. position in the Gulf. Basic moral and ethical considerations interact with a selfish need to secure some 60% of the world’s proven oil reserves and 40% of its gas, contain Iran, and maintain a position in Gulf bases which are critical to U.S. operations in Afghanistan. It may be politically expedient to ignore the Iraqis at a time when the U.S. is so focused on its own concerns and interests, but it is also morally and ethically dishonest to do so.

Iraqi failures must be kept in context. Iraqis lived with their sectarian and ethnic differences in relative peace before the Ba’ath, Saddam, and the U.S.-led invasion. Sunni and Shi’ite Arab tensions and clashes occurred before the Ba’ath, but only at very low levels and in spite of the fact that the Turks and British deliberately favored the Sunnis as part of divide and rule tactics. The Kurds came under constant pressure, but there were a series of moves that could have provided for autonomy in the pre-Ba’ath era. It took massive repression and Iranian interference (which then had covert U.S. and British support) to put down the new round of fighting that started in the early 1970s.

It is true that the U.S. did not break Iraq, Saddam did:

- Iraqis have lived with war and tyranny since Saddam Hussein carried out a bloody purge of the Ba'ath Party and Iraq's other political parties in 1979. That is a period of nearly 30 years. Every Iraqi under 50 has lived through the turmoil of 8 years of war with Iran, an effective bankruptcy and dependence on foreign war loans that took place in 1984, the resulting collapse of much of Iraq's educational system and economy, and then with the consequences of Saddam's invasion of Kuwait in 1990 and the Gulf War in 1991.
- Between 1991 and 2003, the Gulf War was followed by a half decade of sanctions and shortages, and then by a failed and corrupt UN oil for food program between 1996 and 2003. The country was divided by Kurdish isolation in the north and by the regime's low-level civil war against the Shi'ites in the south and steadily growing discrimination against them. Iraq's political process was frozen around an authoritarian state rule, and the kleptocracy around Saddam. Iraq's population grew from some 16-17 million people at the beginning of the Iran-Iraq War to 26-27 million by 2003. Nearly 40% of Iraq's population had known nothing but Saddam, war, economic crisis, and the steady deterioration of education, the economy, and government services. Corruption and membership in the Ba'ath became the only way that much of Iraq's middle class could survive.

Since then, Iraq has lived through the impact of a U.S.-led invasion in 2003, and five years of occupation by U.S. and allied forces. Every young man and woman in Iraq, nearly 10% of a very young population, has come to adulthood at a time when the U.S. has dominated Iraq's efforts at nation-building, political development, economic development, the creation of Iraq's security forces, and the counterinsurgency campaign.

The U.S. took a broken Iraq and made it worse:

- It went to war without any plan to provide stability operations, or replace Saddam with a viable approach to governance, security, and development. It empowered Shi'ite exiles in ways that disenfranchised much of Iraq's best-educated and most secular population or drove them out of the country. It had no aid plan when it invaded, and then effectively spent what SIGIR reports is over \$30 billion in Iraqi funds—as well as misspent over \$40 billion of its own money—on rushed and improvised aid efforts that did at least as much to benefit foreign contractors as Iraqis, and almost nothing to create sustainable jobs.
- The U.S. helped disband the Iraqi forces, denied the rise of an insurgency when it began, and then spent at least three of the last five years failing to properly plan, fund, and staff efforts to create effective Iraqi security forces. It rushed into a constitutional process under conditions almost designed to provoke sectarian and ethnic conflict, and then made things far worse by delaying meaningful local and provincial elections and creating a “closed” system for national elections that made no allowance for true representative government and forced Iraqis to vote for entire lists of unfamiliar candidates dominated by Shi'ite and Kurdish parties.

Half a generation of today's Iraqis have now lived with insecurity, and with unemployment and underemployment levels affecting more than 50% of the population. It is certainly true that Iraqis need to take responsibility for their actions, but we need to take responsibility for ours. Regardless of the reasons the U.S. went to war, or what Americans may now think of the war, America's leaders cannot afford to forget how much our own actions and failures have impacted an entire nation, and one to which we now have a major moral and ethical obligation. To paraphrase Colin Powell, “if you break it, you owe it.”

Iran: Confrontation, Containment, or Compromise

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On the walls surrounding what once was the U.S. Embassy compound in south-central Tehran, one of the cruder slogans made infamous by Ayatollah Ruhollah Khomeini remained emblazoned only a few years ago: ‘America cannot do a damn thing.’ At the time, an effort to reform Iran’s Islamic system was on the ascendance, and the fading street propaganda seemed a relic of the heady atmosphere and tragic miscalculations that transpired as a result of the 1979 revolution. Today, both Khomeini’s words and the aura of triumphal defiance they reflected have been revived by an Iranian leadership that sees itself as empowered and invulnerable to adversaries at home or in the region.

For Washington, it is a return to painfully familiar territory. Over the past thirty years, dealing with the Islamic Republic of Iran represents one of America’s most durable strategic dilemmas. Since the first rumblings of the Islamic Revolution, the U.S. has struggled to develop an enduringly effective approach to Iran. A patchwork policy—comprised mainly of comprehensive economic sanctions, episodic international cooperation, and the threat (and sporadic use) of military force—has succeeded in containing the array of serious strategic challenges posed by Iran. However, a conclusive resolution to Iranian antagonism and the threat posed to U.S. interests has eluded successive American administrations.

After a flirtation with regime change in the aftermath of Saddam Hussein’s ouster, the cur-

rent Bush administration in its second term sought to address comprehensively the multiple issues of U.S. concern, including Iran’s nuclear ambitions, its bankrolling of terrorism, its bid to fill the “huge power vacuum” in Iraq and Afghanistan, and its repression of its own citizenry. The second-term Bush strategy was intended to present Iranian leaders with a stark choice between moderation or isolation, and for a period Washington enjoyed unprecedented success in persuading a wide coalition of allies and international actors to support its efforts. Iran itself contributed greatly to uniting the world against it, by virtue of its leaders’ appalling rhetoric and its encroaching influence across the region.

Nonetheless, the latest U.S. approach to Iran has borne little fruit. Tehran balked at demands for suspending its uranium enrichment program in exchange for talks, instead its nuclear program has advanced with alacrity, and its influence in Iraq and Afghanistan appears undiminished. Despite efforts to put Tehran on the defensive around the region and Washington’s defense relationships with the Arab states of the Persian Gulf, Iranian leaders enjoy considerable popularity even on the historically hostile Arab street as well as the reluctant tactical accommodation of their governments. High oil prices have absorbed the financial costs and potential political implications associated with new sanctions. Moreover, the regional environment has helped hard-line

Iranian conservatives consolidate their control over all the levers of state power.

The View From Tehran

Taming Tehran will require a far more informed and nuanced understanding of the dynamics that shape its decision-making than the current U.S. administration has demonstrated for the simple reason that it is almost impossible to influence a regime without some appreciation of what drives its policies and choices. Iran's ruling system is the product of its revolution—a competing, multi-pronged beast that incorporates a wide array of aims, interests, and actors. At every point in the regime's history, its leadership has engaged in fratricidal partisanship. Even Khomeini, whose charismatic authority was almost undisputed, could not enforce obedience to his every mandate within the regime, and the ferocity of factional disputes has only intensified since his 1989 death. The contested internal political battlefield shapes all policy outcomes in Iran. At the same time, no single individual wields complete or uncontested power. Iran's multiple spheres of influence, jockeying political factions, and semi-autonomous institutions make it virtually impossible for any political actor to move absent broad buy-in. This is the hidden strength of the system, as well as the source of its opacity, inconsistency, and inefficiency.

Iranian leadership operates from within a worldview that is fundamentally conflicted, hence the schizophrenia that is evident in both its rhetoric and its actions. Tehran sees itself as besieged from all directions by Washington—a product of both its deeply engrained paranoia as well as actual facts on the ground. At the same time, Iranian leaders—in particular President Mahmoud Ahmadinejad—are buoyed by a sense of confidence, even arrogance, about the country's domestic and regional status. What this bifurcated view of the world translates to in practice is a tendency to equate assertiveness as equivalent to, or an effective substitute for, power—both in internal politics and in foreign policy. This Hobbesian

worldview encourages adventurism and discourages compromise. Molded by their perception of an inherently hostile world and the conviction that the exigencies of regime survival justify its actions, Iranian leaders seek to exploit every opening, pursue multiple or contradictory agendas, play various capitals against one another, and engage in pressure tactics—including the limited use of force—to advance their interests. Tehran's power projection reflects a basic opportunism, seeking to maximize avenues of influence and exploit its adversaries' vulnerabilities.

Nonetheless, at its basic conception Iranian foreign policy is fundamentally pragmatic. Ideology matters, but only so far. Every Iranian leader has routinely sacrificed revolutionary and religious orthodoxy in service of more mundane national, personal, or regime-survival interests. Suspicion of U.S. government motives and actions remains visceral and deeply engrained among the Islamic Republic's senior leaders, but today, Israel remains the sole sacred cow of the theocracy's foreign policy—the only issue where dogma dictates policy—and that is as much a function of domestic politics as ideological fervor. Despite the prevailing perceptions and its leadership's relentless sloganeering, Iran and its policies are not immutable. In response to changing internal conditions and regional circumstances, Iranian foreign policy has evolved considerably over the years. This evolution continues even as the domestic environment has regressed, for example with the unprecedented 2006 endorsement by Iran's supreme leader of dialogue with Washington—a position that only a few years before risked a prison term when voiced by dissidents.

Confrontation

This framework for the Iranian political sphere underscores why a resort to military force would represent the worst of all possible approaches to dealing with the array of challenges posed by Tehran. The reality is that we simply do not have a viable military option available to us that would generate a better outcome

for our interests across the Middle East. A military conflict with Tehran would significantly harm all of our security objectives in the region. With respect to the nuclear program, force is not likely to provide an effective solution. Iranian leaders learned from Iraq's Osirak experience (an Iraqi nuclear reactor that was bombed by Israel in 1981 and later fully destroyed by U.S. aircraft in the 1991 Gulf War), and as a result their nuclear installations are hardened, dispersed, and located near population centers. Moreover, given the failures of American intelligence in Iraq, there is little reason for confidence that any American air campaign would conclusively or permanently incapacitate Iran's nuclear program.

Whatever limited benefits in terms of delaying Iran's capacity to cross the nuclear threshold by a handful of years would be overwhelmingly offset by a wide range of negative consequences. A strike would galvanize Iran's profoundly nationalistic population, and thoroughly consolidate public support for their unpopular government—including its nuclear ambitions. The regime's retaliatory reach would be felt throughout the region, particularly by American allies, and the aftermath would almost surely doom any prospects for revitalizing the peace process or wresting a stable outcome from Iraq. The sole beneficiaries from a military conflict between Washington and Tehran would be the forces of radical anti-Americanism throughout the Islamic world. For this reason, many of America's closest regional partners have long viewed the consequences of an attack on Iran as more threatening than the obvious dangers of a nuclear Iran.

The November 2007 National Intelligence Assessment on Iran's nuclear program has left a thorny legacy for future policymakers if they contemplate military action as a means of thwarting Tehran's nuclear ambitions. While the report did not—as some media accounts suggested—acquit Iran of seeking a nuclear weapon, the conclusion that Tehran had shelved its weapons design efforts significantly complicates the case for the military option,

both with fence-sitters in the international communities and among a war-weary American public and political class. Threatening military action under these circumstances makes a mockery of American credibility.

Beyond the nuclear issue, the regional environment obviously presents fertile ground for confrontation between Tehran and Washington. American troops are present along each of Iran's lengthy borders, and Tehran's forceful assertion of its influence in Iraq and Afghanistan has long cultivated concerns that a direct military encounter could easily escalate beyond either side's original intentions. In both countries, Tehran has played a dual role—first and foremost through an extensive official relationship with the formal governments in Kabul and Baghdad, and secondly through support to insurgents in Iraq as a means of maximizing its own position within the country and leverage vis-à-vis Washington and protecting its allies in the event of full-fledged civil war. From Tehran's vantage point, the regime has an existential interest in ensuring a friendly government in Baghdad, one that is no longer capable of threatening Iran directly or on behalf of the international community. This focus is a product of the 1980-88 war, which inculcated a persistent sense of strategic vulnerability and a willingness to do whatever is necessary to ensure the survival of both the Iranian nation and the Islamic state.

Over the past year, Washington has moved more forcefully against Iranian activities within Iraq, but the rarity of direct or sustained clashes between American troops and Iranian agents speaks to the powerful disincentives for all sides in expanding the battlefield. Iran is a considerable part of the problem in Iraq, but its leadership ultimately shares a broad interest in Iraqi stability with Washington and Baghdad, and recent developments in Basra demonstrate its value as a mediator. Moreover, the real means of protecting Iraq's sovereignty from intrusive neighbors does not involve expanding U.S. presence and responsibility within the country. In the long term, Iraqi leaders will only begin to dif-

ferentiate themselves from Tehran when they are forced to grapple independently with the painful alternatives of governing and assume greater responsibility for their country's security.

Nonetheless, the next Administration is very likely to revisit the dilemma of coercive discourse as a way of dissuading Iran from its current course and persuading American allies to utilize their leverage with Tehran. Washington needs to consider carefully the impact of American rhetoric on Iran's internal political dynamics. It is not clear that the vague references to American willingness to use force carry significant credibility in Tehran given the logistical and policy constraints that stem from our involvements elsewhere in the region. Moreover, embellished by references to "World War Three" and "nuclear holocaust" by the American president, such rhetoric serves only to strengthen Iranian hard-liners and reinforce the most paranoid fears of a leadership already steeped in suspicion of American motives and objectives. For all those Iranian political actors, such as Ahmadinejad, who have dismissed the possibility of a U.S. military strike on the country, there are others from each end of the political spectrum who have expressed fears that a desperate Washington might attack Iran to vindicate and/or extricate itself from its failed intervention in Iraq.

The same dire caveats should apply to any consideration of externally-orchestrated regime change. The Islamic Republic is unpopular at home, but Iran remains far away from any revolutionary change. Rampant popular dissatisfaction has yet to evolve into organized opposition, and there is no coherent challenge to the system. Dissidents who leave Iran are inherently and often unhappily irrelevant, and permanent expatriates can only be bystanders to Iran's ever-evolving political dynamics. The vast majority of Iranians grudgingly accept the system, and all its flaws, finding it preferable to uncertainty and/or chaos. More importantly, however, given Iran's generalized antipathy toward "external intervention" and specifically the legacy of the Mossadeq era (when the CIA helped organize a

coup in 1953 that led to the ouster of then Prime Minister Mohammed Mossadeq and reinstated the shah), any suggestion of American involvement with Iran's internal politics would undoubtedly taint all concerned, and further entrench the current regime.

Compromise

Understanding the Iranian political sphere also helps illuminate why diplomatic engagement is an appropriate and potentially effective tool for addressing our deep differences with Tehran. Understandably, as Iran's politics have shifted in a more radical right-wing direction, the appeal of engagement might seem to have diminished even to those who advocated it during the brief advent of a reformist president and parliament during the late 1990s. However, the most legitimate argument for engaging with Iran was never predicated on the relative palatability of our potential interlocutors, but on the seriousness of the differences between our governments and the centrality of the U.S. interests at stake. The international reprobation aimed at Ahmadinejad and his clique is well earned, and yet it is ultimately an insufficient excuse for constraining our own tools for dealing with Tehran. The aim of diplomacy is to advance interests, not to make friends or endorse enemies.

Engagement with Iran is not an automatic path to rapprochement, nor should it imply a unilateral offer of a 'grand bargain.' Rather it would entail a return to the long-held American position that we are prepared to talk with Iranian leaders, in a serious and sustained way, in any authoritative dialogue as a means of addressing the profound concerns that its policies pose for U.S. interests and allies. This was in fact the standing policy of every American administration, including the Bush Administration, prior to 2003, when in the early exhilaration of the Iraqi invasion the decision was made to curtail two years of constructive official dialogue with Iran over Afghanistan.

If we are to be effective, engaging Iran can-

not be left to happenstance; rather, it should incorporate the development of a diplomatic process for making progress on the discrete but complex array of issues at stake, including identifying a persuasive set of incentives and disincentives that might be proffered by both sides and the designation of an authorized and empowered negotiator. One possible mechanism worth pursuing derives from a 2004 Council on Foreign Relations Task Force chaired by former national security advisor Zbigniew Brzezinski and Defense Secretary Robert Gates, serving at the time as president of Texas A&M University. The Task Force recommended outlining a basic statement of principles, along the lines of the 1972 Shanghai Communiqué signed by the United States and China, to provide the parameters for U.S.-Iranian engagement and establish the overarching objectives for dialogue.

In committing U.S. policy to engagement with Tehran, we must recognize that the ideal opportunity for dealing with Tehran will never come. Timing matters in negotiations, and the concern about the impact of regional dynamics is justifiable, but to avoid diplomatic interface because of a perceived power imbalance is effectively to consign the countries to permanent antagonism. Our interest in addressing the challenges posed by Iran cannot be deferred until we have achieved the most conducive regional balance of power, or until Iran has finally elected the most amenable array of leaders. The objective of American policy must be to create the grounds for progress with Iran even if the Iranian internal environment remains hostile or the regional context continues to present challenges.

Engaging with the Iranian regime does not imply forsaking our vocal commitment to criticizing Tehran's abuses of its citizens' rights. We can and should speak out in favor of greater social, political, and economic liberalization in Iran, and we should press vigorously against the regime's repression—greatly increased in recent years—of dissidents, activists and stu-

dents. In lieu of our high-profile, low-impact democracy program—which has alienated the very dissidents and activists it was intended to support—we should dramatically expand opportunities for Iranians to interact with the rest of the world through exchange programs, scholarships and enhanced access to visas.

Containment

In the absence of better diplomatic or military options, Washington inevitably reverts to containment, the default American approach toward Tehran. It is undoubtedly a second-best strategy, as it falls short of providing a conclusive resolution of the Iranian challenge; however, containment promises the considerable virtue of being an achievable aim of U.S. policy. By rebalancing U.S. security relationships with the Persian Gulf states, and giving priority to some sustainable posture in Iraq leading to an exit strategy from that country, Washington can check Iran's capacity for regional troublemaking and begin to shift the burden of any future sectarian instability onto Tehran.

Effective containment of Iran must begin in the Persian Gulf, not with the sort of massive arms package that was the Bush administration's recent response to regional uncertainty, but with a serious effort to work with the Gulf states to shape a framework for long-term regional security. A key dimension of this effort must be articulating a credible vision for an inevitably downsized U.S. role in Iraq as a means of building confidence among America's Iraqi partners and regional allies. Financial pressures against Iran can also play a role well beyond their relatively minimal economic cost to Tehran, by heralding the creeping return to isolation of a proud people. No one should be under any illusions that financial measures will quickly or decisively alter the leadership's calculus. As part of a patient strategy of seeking diplomatic openings, however, sanctions can affect the balance of competing views within the Iranian regime.

Conclusion

In January 2009, President Bush's successor will confront these choices on how best to manage the Iranian challenge, with even less time available to forestall Iran's crossing of the nuclear threshold. The change in U.S. administrations may present a brief window of opportunity, but ultimately the complexity and intractability of Iran policy means that there will be no quick fixes

or silver bullets. Ultimately, we will have to utilize multiple instruments and approaches to contend with a newly ascendant Iran—containment, active deterrence, and even accommodation and engagement. The challenge for the next Administration will be to fashion an approach that transcends the historic legacy, reshapes the regional environment, and regains the strategic advantage to create a path for a permanent resolution of U.S.-Iranian hostilities.

The Gulf Monarchies: Uncomfortable Pivots

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The six Arab monarchical states of the Persian Gulf (Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates and Oman), which make up the Gulf Cooperation Council (GCC), are pivotal for American strategy in the Gulf and the wider Middle East, for the world oil market and, increasingly, for the global financial system. While they are basically stable states with long histories of cooperation with the United States, we remain uncomfortable with their pivotal status. Many Americans see them as anachronisms, liable to be toppled by the next regional ideological wave. We do not like their lack of democracy and their stance on women's issues and workers' rights. We remember that 15 of the 19 hijackers on September 11, 2001 were from Saudi Arabia and two were from the UAE. For their part, the Gulf monarchies are uncomfortable not only with their exposed regional security position but also with many aspects of our policy in the region. They do not like our war in Iraq (with the possible exception of Kuwait). They fear that they will be drawn into an Iranian-American military confrontation, but equally worry that our reaction to the Iraq mess will be to leave the region entirely. They worry that our Arab-Israeli policy will alienate their own citizens and make the maintenance of their relations with us more difficult.

These mutual worries and complaints are not enough to rend the long-standing security and economic relations between the U.S. and these states. They realize that they need us for their

security, and they have no one else to whom to turn to provide that security. Successive American administrations have seen these states as central to the American regional position. Even our post-9/11 tensions with Saudi Arabia did not lead to a fundamental change in the relationship. For better or for worse (to coin a phrase), the United States is married to the GCC states, and it is a Catholic marriage—no divorce, and annulments are hard to get. Like any marriage, this one has its issues and will be much happier as long as both sides work on them.

The Gulf Monarchies and the Third Oil Boom

We are living through the Third Oil Boom (the first being 1970-74 and the second being 1979-81), with oil prices having increased from just over \$30 per barrel at the beginning of 2004 to over \$100 per barrel in April 2008. As a percentage increase, the current oil boom almost matches the 400% increase in oil prices in the First Boom. The Gulf monarchies are benefiting enormously from it. For example, Saudi Arabia's government revenue (the vast majority of which is from oil) went from \$150 billion in 2005 to \$245 billion in 2008, a jump of almost two-thirds. All of the GCC states are benefiting from the Boom, particularly the major oil producers (Saudi Arabia, Kuwait and the UAE) and the big gas producer, Qatar. The Third Boom has made these states even more pivotal on the regional and global stages:

- **Global Oil Market:** The big three GCC oil producers account for approximately 45% of global oil reserves and about 16% of global oil production (2007 average production). Perhaps even more importantly, Saudi Arabia, Kuwait and the UAE are among the only oil producers who have any spare capacity—who can bring more oil onto the market quickly. Other oil producers basically produce as much as they physically can on any given day. The Saudis have about 1.5 million barrels per day (mbd) of spare capacity; the Kuwaitis and the Emirates a few hundred thousand barrels per day between them. In this rising market, if a political crisis or weather event reduces production elsewhere, putting even more upward pressure on prices, only the Gulf states can immediately increase production to level off market pressures, if they want to.
- **Global Capital Market:** Gulf sovereign wealth funds (SWFs), estimated today to manage \$1.5 trillion in assets, are forecast by the IMF to double in size by 2010. The Gulf SWFs are not the only players in this market, as they are not the only players in the world energy market, but they have enormous disposable capital in comparison to their small populations. This is not a new phenomenon for them; they were similarly situated in the 1970s. Then, the Gulf states had few investment options; their capital was recycled to London and New York. Now, with the global capital crunch and the vastly increased investment options, the Gulf fund managers have more choices and are more savvy players on the world scene. In the 1970's, most Gulf funds and central banks played a very conservative investment game, keeping their money in short-term paper and government bonds (Kuwait was an exception). Now, through their new SWFs, they are set to pursue more aggressive investment strategies.
- **American Military Strategy:** The GCC states host the American military infrastructure in the Persian Gulf. Without access to their territory and facilities, we could not have fought the Iraq War, we cannot maintain our forces in Iraq and, when the time comes, we will not be able to withdraw from Iraq. We have bases in Kuwait (Camp Doha—ground forces), Bahrain (the headquarters of the Fifth Fleet) and Qatar (al-Udayd air base); we have access to airfields in the UAE and Oman; the port of Dubai sees more U.S. Navy ships than any port outside of the United States. Our forces have left Saudi Arabia since the fall of Saddam Hussein, but access to Saudi airspace and facilities was instrumental in the Iraq War. When we do decide to leave Iraq, the only way out for us is through Kuwait.
- **Middle East Regional Politics:** Saudi Arabia, strengthened by its new oil wealth, is playing a major role in regional politics, leading efforts to challenge the rise of Iranian influence in the Arab world. The Saudis are particularly active in Lebanon and among Palestinians, and increasingly in Iraq. With Iraq a playing field rather than a player, Egypt focused on internal issues and without the resources it had in the past and Syria in Iran's camp, the Saudis are the only major Arab state with the resources and the regional clout to challenge the Iranians. We and the Saudis do not always agree on how that should be done, but we share that same basic goal.

Stable Pivots, but Uncomfortable

Given these points, the stability of the Gulf monarchies is an important American interest. So, how stable are they? Every generation of American Middle East specialists, in government and out, has confidently predicted the demise of the Saudi monarchy (and, by extension, those of the smaller states). In the 1950s and 1960s, it was assumed that the Saudis would

be swept away by a military coup led by Arab nationalist and socialist officers, as the monarchies of Egypt and Iraq had been. In the 1980s, it was the Iranian revolutionary model which would cross the Persian Gulf and bring the Saudis down. Saddam Hussein in 1990 tried to fuse both tropes—Arab nationalism and Islam—to pressure the Saudis after he had conquered Kuwait. Some recent American advocates of Middle East democracy thought that a splendid success in Iraq would not only shake the anti-American authoritarians in Iran and Syria, but also the pro-American authoritarians in Riyadh (and Cairo), and that would be a good thing. None of these forecasts have come to pass. The Gulf monarchies have weathered every storm so far. They are weak international players, in that they do not have the military power to stand up to their neighbors, but they are not weak states internally. They have their problems, but also strong elements of regime stability.

The Third Oil Boom has solidified that stability. These states are all, to one extent or another, patronage states. They use their oil (and gas) revenues to provide for their citizens. They placate, co-opt and coddle their citizens (and beat up those, relatively few these days, who choose not to be placated, co-opted and coddled). The windfall from the Third Oil Boom gives the regimes more carrots to give to their people and provides them the wherewithal to get more sticks to beat them up, if necessary.

Moreover, many (though not all, and not to the same extent) of the regimes have adopted developmental strategies before the Third Boom that are promoting better use of their windfall than was the case in the 1970s. In the earlier booms, enormous investments were made in infrastructure, but there was a sense that the money would continue to roll in, and thus one did not have to plan productively. The oil busts of the 1980s (in 1986 prices briefly dropped below \$10 per barrel) and the 1990s (in 1998 prices again briefly fell below \$10 per barrel) taught the rulers that they had to plan for the lean times while things were fat.

Dubai in the UAE has gone the furthest on

this, becoming a world center for trade and tourism, in effect weaning itself from the oil spigot. Qatar and Abu Dhabi (UAE) have made major investments in encouraging private Western educational institutions to locate branches in their capitals. Saudi Arabia is playing catch-up educationally with plans for a new science and technology university. Bahrain has an historic strength in the banking industry, though it no longer has a regional monopoly on that sector. All the Gulf states have developed much more sophisticated private sectors—still connected to the regimes, as oil and gas are still the economic drivers in all these countries, but comfortably linked to the global economy. New economic sectors, like telecommunications, are being left to the private sector, not (as was the case in the 1970s) being absorbed by the state. Non-oil GDP growth in these states has recently exceeded oil GDP growth even during the Third Boom. While these are still oil states, they have developed somewhat more diversified economies.

So things are not bad in the Gulf monarchies. There are domestic and regional problems, to be sure. The economic models of all the states are still built on large amounts of foreign labor (the foreign population exceeds the citizens in Kuwait, Qatar and the UAE, in the latter two countries by a margin of 4 to 1). Foreign labor is cheaper than domestic labor and easier for bosses to control. So, despite the economic boom, all of these states have problems finding jobs for their young adults, who constitute a disproportionately large portion of their populations because of population growth during the earlier booms. The Third Boom, along with global economic trends, has brought inflation into these economies as a serious issue for the first time since the 1970s. If you ask an average Gulf citizen what his or her biggest problem is today, he or she is unlikely to talk about democracy or human rights or the threat of the spill-over of Iraqi violence. He or she will most likely talk about the cost of living.

The increasing education and sophistication of the local populations, along with the pres-

sure felt by Gulf rulers from global democratic trends, has led to some limited political reforms throughout the Gulf states. None are truly democratic. Kuwait and Bahrain have real elections to legislatures with some power. Oman and the UAE have managed elections to legislatures with little to no power. Saudi Arabia has an appointed consultative council. Qatar has plans for an elected legislature. But in none of these countries is there a trajectory for real democratic politics. The rulers keep the real decisions in their own hands.

So far, these very limited political reforms have kept opposition, for the most part, above-ground and relatively tame. Saudi Arabia has faced a serious but manageable challenge from al-Qaeda sympathizers. They conducted a number of attacks within the kingdom from 2003 through 2007. In recent years, the security forces have taken the offensive and it seems that they have the problem in hand, though not completely quelled. The sectarian fighting in Iraq and fears of growing Iranian power have exacerbated sectarian tensions, particularly in Bahrain, where Shi'a form a majority of the population and have historically not shared proportionately in the country's power and wealth. The sectarian issue is a perennial in Bahrain; it is more salient in Kuwait (where Shi'a make up about 30% of the citizen population) now with the regional tensions.

The U.S. and the Gulf States: The Issues on the Table

It might not be a particularly close marriage, but it still serves the interests of both sides. Still, there are a number of issues in the relations of the U.S. with the Gulf states that bear consideration:

- **Oil:** It is a legitimate question to ask the Saudis (and Kuwaitis and Emiratis) why they are not producing at capacity to help bring down the current, historically high oil prices. A good argument can be made that it is in their long-term interest not to push consumers to alternative sources of energy.

- **Sovereign Wealth Funds:** There is no evidence that Gulf fund managers have been particularly political or nefarious in the past. It is our political system that has seen Gulf investment, on occasion, as sensitive (Dubai Ports World). But we can require the SWFs (not only from the Gulf) to adopt basic rules of transparency as the price for admission to our markets.
- **Terrorist Groups and *Salafi* Islam:** The Gulf states, particularly Saudi Arabia, remain important sources of funding for al-Qaeda and sympathetic groups. None of the states is encouraging this, but pressure needs to be kept on, particularly Saudi Arabia and the UAE, to be vigilant in dealing with terrorist financing issues. Saudi Arabia for decades has been a supporter of the spread of its interpretation of Islam (Wahhabism or, as the Saudis prefer, *Salafi* Islam). The Saudi regime since 2003 has realized that al-Qaeda and its sympathizers have been nurtured in Saudi-funded international Muslim organizations. The Saudis have taken steps at the ideological level to discredit al-Qaeda, but they must be encouraged to continue these efforts and monitor very closely the international Islamic organizations (inter-governmental and non-governmental) which they sponsor.
- **Iraq:** Saudi Arabia and some of the smaller states will take a more active role in Iraqi politics as we disengage. The Saudis are already more active in Iraq, supporting the Awakening Movements. Such involvement currently serves immediate American interests. But that is no guarantee that we will be on the same Iraqi page in the future. Saudi reluctance to deal with the Maliki government is an immediate issue.
- **Iran:** The Gulf states fear both growing Iranian power, including the Iranian nuclear program, and the prospect of a direct Iranian-American military con-

frontation. The Saudis are taking the lead in a subtle strategy of both engaging Teheran directly and working to roll back Iranian influence in the Arab world (Lebanon, Palestinians, Iraq). We are cooperating with them, particularly in Lebanon. But the tactical differences between Riyadh and Washington on how to deal with the Iranians could create frictions. In the past, Saudi Arabia has mobilized *Salafi* Islam to counter revolutionary Iranian Shi'ism. But that strategy helped to create the atmosphere from which al-Qaeda emerged.

- **Arab-Israeli Peace Process:** The Gulf states basically share the American goal of

a stable peace between Israel and its Arab neighbors, including the Palestinians. However, there are important tactical differences, most notably in terms of dealing with Hamas. Saudi Arabia has encouraged Hamas-Fatah reconciliation, to limit Iranian influence with Hamas. Other Gulf states also do not seem to have the problems with Hamas which we do.

- **Arms Sale:** Part of our effort to bolster the Gulf states in the face of growing Iranian power is the proposed \$20 billion arms deal with them. The debate over the arms sale could be a good vehicle for raising many of these issues with the Gulf leaders.

Political Islam: Challenges for U.S. Policy

PARTICIPANTS

Rome, Italy
May 26-June 1, 2008

Members of Congress

Senator Evan Bayh
and Susan Bayh
Senator Bob Bennett
and Joyce Bennett
Representative Howard Berman
and Janis Berman
Senator Jeff Bingaman
Representative Earl Blumenauer
and Jon Blumenauer
Representative Charles Boustany
and Bridget Boustany
Representative Geoff Davis
and Pat Davis
Representative Susan Davis
and Steve Davis
Representative John Duncan
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Representative Rush Holt
and Annie Lancefield
Representative Nita Lowey
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Political Islam: Challenges for U.S. Policy

AGENDA

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Pakistan and Afghanistan: Prospects for Stability

Samina Ahmed, International Crisis Group, Islamabad

The assassination of former Pakistani Prime Minister Benazir Bhutto in December 2007 was the most dramatic of a series of violent events that have engulfed Pakistan and put in jeopardy the authoritarian rule of President Pervez Musharraf. Faced with a serious domestic terrorist threat and an increasingly disillusioned population, Musharraf's political survival is now in doubt. The parliamentary elections in February 2008 resulted in a victory for anti-Musharraf parties and the formation of new government. The United States has vital strategic interests in Pakistan, not the least because it is a fully fledged nuclear weapons state and the key ally in the West's fight with al Qaeda and the resurgent Taliban in Afghanistan. It remains unclear whether the new government will be a more effective partner for the U.S. in the struggle against terrorism or whether it will strive for more distance from U.S. policy. How the new parliamentary leadership behaves has profound consequences for U.S. policy in the region, especially in Afghanistan.

Issues for Discussion

- Can Musharraf survive the strong pressures to oust him?
- What sort of relationship will the United States have with the Pakistani military and the new government?
- How weakened have Pakistan's Islamist parties been in the new elections? Are they willing to work with the major secular parties who have the most seats in a newly-elected Parliament?
- Is President Karzai of Afghanistan still regarded as the Mayor of Kabul with little authority over large areas of the country?
- How viable is the Taliban's resurgence? How important is the drug trade to their financing?
- How long will the European members of NATO be prepared to keep significant forces in Afghanistan?

Iraq: Next Steps

Anthony Cordesman, Center for Strategic and International Studies

Although the military surge in Iraq has helped to reduce the levels of violence in Baghdad and the western provinces, Iraq's political and economic stability is far from assured. Political assassinations continue and sectarian rivalries remain serious obstacles to national unity. The Kurdish region in the north exercises virtual autonomy over its affairs, and a similar pattern is emerging in the Shia provinces in the south. Iran continues to have considerable influence over Shia politics, and criminal elements flourish throughout the country. Based on current conditions it is inevitable that the new American administration will continue to be deeply involved in Iraq's problems well into the first term.

Issues for Discussion

- How successful has the surge been in ending the al Qaeda threat? Could al Qaeda regroup and once more become a key factor in the security equation?
- What is the current state of political reconciliation and how effective are Iraq's ministries at improving the conditions for ordinary citizens?
- When can the U.S. safely begin major withdrawals of forces? What residual force will be required and for how long?
- What is the status of the Iraq oil industry and the distribution system? When will new oil laws become effective?

Iran: Compromise, Containment, or Confrontation

Suzanne Maloney, Brookings Institution

How to manage relations with the Islamic Republic of Iran remains a primary challenge for the U.S. Pundits and politicians are divided as to the preferred policy approach. Should the U.S. compromise with Iran in the hope of reestablishing a more stable and normal relationship? Alternatively, what containment strategy should the U.S. and its allies adopt if Iran goes ahead with a nuclear weapons program and compromise doesn't work. And at what point, if ever, should the U.S. contemplate the use of force and, if so, for what purpose? To set back the nuclear program? To bring about regime change? These are critical questions that will face the next administration as it grapples with the continuing crises in neighboring Iraq, Afghanistan and Pakistan.

Issues for Discussion

- How serious are the internal disputes among the conservative leaders in Tehran? What lessons can we draw from the Parliamentary elections?
- How weak is the Iranian economy and how sensitive is it to fluctuations in the price of oil?
- What are Iran's nuclear intentions and what is its strategy towards Iraq?
- What would be realistic policy options for a new U.S. administration?

The Super-Rich Gulf States: Their Role for the Future of the Region and the U.S.

Gregory Gause, University of Vermont

The smaller but extremely rich countries of the Arabian peninsula, especially Kuwait, Qatar and the United Arab Emirates have emerged as important players in both the security infrastructure of the region and as important sources for investment capital. They are undertaking massive construction programs and are determined to become vital hubs and tourist destinations catering to the European, Middle East and Asian markets. Yet all these “city states” have huge vulnerabilities including dependency on foreign labor, primarily from Asia, and security, primarily from the U.S. How the U.S. and these small states manage their relations in the coming years will have a profound impact on the emerging Gulf security environment and the future stability of the region.

Issues for Discussion

- How vulnerable are the small Gulf states to falling oil prices or terrorist threats?
- Which state has the most viable business plan for long-term profit and growth?
- To what extent should the U.S. urge the small states to establish common markets, common defense and common currencies?
- Can the small states contain Islamists?
- What are their respective relations with Iran and Saudi Arabia?

