



Atlantic Council

RAFIK HARIRI CENTER
FOR THE MIDDLE EAST

Report of the Task Force on the Future of Iraq

Achieving Long-Term Stability to Ensure the Defeat of ISIL

**Chair
Ambassador Ryan Crocker**

**Executive Director
Dr. Ntassalbah Younis**

Report of the Task Force on the Future of Iraq

Achieving Long-Term Stability to Ensure the Defeat of ISIL

Chair

The Honorable Ryan Crocker

Executive Director

Dr. Nussaibah Younis

The Atlantic Council is a nonpartisan organization that promotes constructive US leadership and engagement in international affairs based on the central role of the Atlantic community in meeting today's global challenges.

© 2016 The Atlantic Council of the United States. All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means without permission in writing from the Atlantic Council, except in the case of brief quotations in news articles, academic articles, or reviews. Please direct inquiries to: Atlantic Council, 1030 15th Street NW, 12th Floor, Washington DC 20005, +1 (202) 463-7226, www.atlanticcouncil.org

This report is written and published in accordance with the Atlantic Council Policy on Intellectual Independence. The authors are solely responsible for its analysis and recommendations. The Atlantic Council and its donors do not determine, nor do they necessarily endorse or advocate, for any of this report's conclusions.

ISBN:

Cover Photo Credit: REUTERS/Alaa Al-Marjani.

We chose the cover photograph to represent the common Iraqi demand for political reform, for security, for an end to corruption and graft, and for fair and equal economic opportunity. These demands cut across ethnic and religious boundaries, and are often articulated in mass protests that raise the Iraqi flag.

November 2016

CONTENTS

FOREWORD	4
EXECUTIVE SUMMARY	5
National Security Interests of the United States	5
The Case for Prioritizing Iraq	5
Recommendations for U.S. Iraq Policy	5
Maximizing Prospects for Success	6
US NATIONAL SECURITY INTERESTS IN IRAQ	7
Countering Violent Extremism through Meaningful Reform.....	7
Preventing Regional Instability.....	7
Ensuring Free Flow of Oil and Gas	8
Reasons for Optimism.....	9
GOOD GOVERNANCE DEFEATS EXTREMISM	11
Strengthening Governance.....	11
Supporting Economic Reform	13
Fostering Cross-Sectarian Inclusivity.....	15
Stabilization, Reconciliation and Reconstruction	16
STRENGTHENING THE IRAQI ARMY	18
Maintaining a Training and Advising Mission	18
Securing Ongoing Coalition Involvement	19
Additional Priority Areas: Disputed Territories, Intelligence, Ministry of Interior	20
MEDIATING BETWEEN BAGHDAD AND THE KRG.....	22
CONCLUSION.....	24
ENDNOTES	25

FOREWORD

The U.S. government and its coalition partners are on the brink of retaking all of the territories once occupied by ISIL in Iraq. In this report we offer a strategy for how the United States can build on this success to bring about a lasting defeat of ISIL, and to secure U.S. national security interests in Iraq over the long term.

Over the course of 2016, the Task Force on the Future of Iraq brought together the world's leading Iraq scholars, experts, and former policy practitioners to conduct a rigorous inquiry into how the United States could best protect its national security interests through targeted and effective engagement in Iraq.

The Task Force traveled to Baghdad, Erbil, Sulaimani, Najaf, Amman, Berlin and twice convened in Washington DC to listen to the perspectives of Iraqi political leaders, civil society actors, and religious leaders. We likewise listened carefully to international policy makers representing several countries engaged in the war against ISIL. Based on this research, the Task Force presents the following report with policy recommendations in order to help the United States to achieve its national security goals in Iraq and thereby in the wider region.

By consolidating the gains that the United States has made in this second war against extremism in Iraq, we hope to avoid becoming entangled in a third.

[Signature] Ryan Crocker

EXECUTIVE SUMMARY

National Security Interests of the United States

The objective of the United States is an independent, stable, and prosperous Iraq that is able and willing to work with the United States to defeat terrorism, to limit the expansion of Iranian influence, and to work constructively as part of the community of Arab states.

Over the last thirteen years, Iraq has been an incubator of terrorist movements that directly threaten U.S. national security interests. Although military force can limit the capacity of terrorist groups, it cannot eradicate extremism. Only an effective, responsive, and legitimate government can tackle the root causes of radicalization. This does not mean that the United States needs to engage in nation-building in Iraq, but, rather, that it should support progress on key legislative programs and reform initiatives that directly tackle Iraqi grievances.

The Case for Prioritizing Iraq

Advancing U.S. interests in Iraq will have a positive impact on the following U.S. national security interests across the Middle East:

- Denying safe haven to terrorist groups in Iraq reduces the strategic depth of connected groups operating in Syria, and limits their capacity to threaten U.S. and allied interests.
- Offering U.S. support to the Iraqi government will eventually reduce Iraq's reliance on Iran, and limit Iran's capacity to project power across the Middle East.
- Bringing key trade routes between Jordan and Iraq back online would help to strengthen the Jordanian economy, thereby stabilizing this vulnerable moderate country.
- Achieving Iraq's oil and gas export potential and modernizing its economy could fire a new and powerful engine of regional and global economic growth, potentially undermining the appeal of extremist ideology among youth in the Middle East.

The United States has already built an effective, multi-lateral architecture to fight ISIL. This alliance structure can now be repurposed towards strengthening the resilience of the Iraqi state. Although the sustained leadership of the United States will be important, the burden of dealing with Iraq's deficiencies in governance can and should be shared with allies, partners, and friends. Given the substantial gains that have already been made, a relatively modest additional investment in the stabilization of Iraq is likely to yield disproportionately positive results. By investing, rather than withdrawing, at this critical time, the United States can ensure that the gains made against ISIL are sustained in the long-term.

Recommendations for U.S. Iraq Policy

Publicly Commit to Engaging in Iraq in the Long-Term. U.S. policy in Iraq is undermined by Iraqi perceptions that U.S. engagement is superficial and transitory. Both ISIL and Iran promote the idea that the United States cannot be relied on for a long-term partnership. President Trump can assure the Iraqi government and the public that the United States is committed to helping Iraq even after the military defeat of ISIL.

Focus on Improving Governance. Extremism flourishes in societies where the government is seen as corrupt, weak, and illegitimate by its population. The United States can most effectively

tackle extremism in the long-term by pressing the Iraqi government and the Kurdish Regional Government to better meet the needs of the Iraqi people; (and embark on reform packages already adopted by cabinet and parliament+ combat corruption+ adopt recent initiatives on reconciliation)

Strengthen the Iraqi Economy. The Iraqi state needs a functioning economy in order to fight extremism, provide employment for youth vulnerable to radicalization, and to protect itself from Iranian intervention. The U.S. should continue to support the Iraqi economy through direct financial assistance and support for UN, IMF, World Bank, and multi-national aid. (Foreign investments are required; more important than mere injection of aid, which strengthens “rentierism”).

Keep Training Iraqi Forces. Iraqi security forces need to be prepared for the long-term defense of Iraqi territory from resurgent extremism. This can be achieved by maintaining an appropriate contingent of U.S. troops in Iraq beyond the liberation of Mosul, and by pursuing a long-term mission to advise, train, and equip Iraqi Security Forces.

Mediate between Baghdad and KRG. Any military conflict between Baghdad and the Kurdistan Regional Government would seriously undermine U.S. efforts to achieve a permanent defeat of extremism in Iraq. The U.S. should continue to mediate between Baghdad and the KRG and escalate its support for United Nations in such mediation.

Avoid Direct Confrontation with Iran in Iraq. The United States should avoid, where possible, direct verbal and operational confrontation with the Iranians in Iraq. This is necessary to ensure the protection of U.S. forces deployed in Iraq and to maintain the support of the Iraqi government and the population.

Turkey: Mediate negotiations with Turkey to end its military presence in due course (?).

Maximizing Prospects for Success

Engage with the Iraqis: The United States can only be successful in Iraq with the support of the Iraqi government and the Iraqi people. Secretary of State Rex Tillerson could make an early trip to Iraq to listen to the concerns and needs of Iraqis, and on that basis draw up a strategy that dovetails with the Iraqi will and capacity to support U.S. engagement.

Ensure Dedicated White House Support. It is essential that President Trump and his National Security Advisor are fully on board with a governance-focused strategy for Iraq. The White House must remain directly engaged, rather than sub-contracting Iraq to a special envoy.

Consult with Congress. The U.S. Congress should be fully consulted in the preparation and execution of this strategy. By embracing an inclusive process, the Trump administration is likely to gain invaluable guidance, in addition to the support and backing of Congress.

Engage the American Public. It will be important to explain to the American public that future U.S. efforts in Iraq do not represent a return to the days of nation-building. Rather, the strategy should be explained as a strategic engagement designed to protect U.S. security interests.

Maintain a Multilateral Approach. Leverage the counter-ISIL coalition to develop an ongoing stabilization partnership between Iraq and the international community. Build on the strength of European engagement to share costs, divide responsibility, and better tackle sensitive areas in which the U.S. is not seen as neutral.

Take a Long View. By measuring success according to governance, rather than military, indicators, the Trump administration can ensure that it is on the path to achieving a real and lasting defeat of extremism in Iraq. Success will take years, rather than months, but it will be meaningful once achieved.

US NATIONAL SECURITY INTERESTS IN IRAQ

The Iraqi policy of the United States has swung between hyper-ambitious interventionism and dangerous disengagement. The war in Iraq cost the United States some \$1.7 trillion and the lives of 4,491 U.S. servicemen and women. Hundreds of thousands of Iraqis died in the process. There can be no question of returning to this level of intervention.

But the Obama administration's withdrawal from Iraq was also reckless. When the United States withdrew its military forces from Iraq in December 2011, it also abandoned intelligence collection partnerships, it slashed civilian and military training and reconciliation programs, and it downgraded the diplomatic relationship with the country.¹ It was in this context that the breakdown of Iraq's fragile peace settlement and the rise of ISIL was ignored by the United States.

At the start of the Trump administration, it is worth thoroughly re-assessing U.S. national security interests in Iraq, and devising a truly interest-based policy.

Countering Violent Extremism through Meaningful Reform

Existing U.S. policy in Iraq prioritizes the defeat of ISIL, because of the threat that violent extremists pose directly to the United States and its allies. But progress in the battle against extremism cannot be measured solely in terms of the number of ISIL fighters killed and the scale of territory retaken from the group.

Extremism flourishes in societies where state institutions are seen as oppressive, ineffective, and illegitimate. As an ideological trend or extremist militant, ISIL has always been a minority; it is the result of failed state in as much as it is itself a false remedy to this failure. Any long-term defeat of extremism in Iraq must overcome the failure of the Iraqi state to win the trust and support of wide swathes of the Iraqi population (through widening the channels of participatory mechanisms in terms of policy and decisions making: Nussaybah : this crucial). This does not mean that a mammoth state-building effort is required, but rather that Iraqi progress on key legislative programs and reform initiatives should be seen as a critical part of an overall effort to defeat violent extremism in Iraq.

In our interviews, one senior Iraqi government official told us that the message he was hearing from the United States was: "forget about reforms, focus on ISIS." If such messages are being conveyed, even inadvertently, they are counter-productive. Governance reforms are key to the battle to defeat ISIL, and it is in the interests of the United States to promote that message and outcome relentlessly.

Preventing Regional Instability

Iraq's volatile conditions have become a destabilizing factor in the Middle East, and its continued volatility has a significant impact on surrounding countries. The presence of ungoverned spaces in Iraq offers strategic depth to criminal, insurgent, and extremist networks in neighboring countries. Militant groups in Syria, including ISIL, benefit from supply routes through Iraq. And the export of Iraqi Shi'a fighters into Syria, organized by the Iranian Revolutionary Guard Corps, further exacerbates the conflict in Syria.

Insecurity in Iraq impacts trade flows, shutting down the cross-border trade that is critical to the economies of neighboring countries such as Jordan, and stymieing investment and development projects that could contribute to enhancing wealth, employment, and stability in the wider region. And outflows of Iraqi refugees, in conjunction with other regional refugee movements, reinforce economic and political pressures on surrounding states, and on the European community.

Situated between Iran and Saudi Arabia, developments in Iraq fuel tensions and heighten the risk of conflict between the two regional powerhouses. The expansion of Iranian influence in Iraq has shifted the balance of power in the region, and has emboldened Iran in its sponsoring of violent sub-state actors across the Middle East. The rise of Iran has also has fueled Saudi insecurity, which has directly contributed to the devastating Saudi military campaign in Yemen, and could contribute to a further proliferation of regional proxy conflicts, exacerbating communal mistrust and animosities, which, in their turn, disrupt the much needed national integration.

Saudi-Iranian competition may also lead to an arms race, potentially involving the acquisition of chemical and biological weapons in addition to conventional weapons. This would pose a direct threat to any U.S. presence in the region. And if terrorist groups were able to find and employ these weapons, they could directly threaten the U.S. homeland.

The Iraqi government has also proven to be vulnerable to outsized influence from Iran. Iran considers Iraq its first line of defense and has heavily invested in securing substantial power in the country. The objectives of the Iranian government are to undermine Iraq's military strength, to extract gain from the Iraqi economy, and to exercise substantial influence over the Iraqi political process. Iran has been successful in each of these objectives, and the strength of its posture in Iraq has enabled it to project power more forcefully across the Middle East – including in Syria, Lebanon, and Yemen. Iraq's national interest in enhancing stability and democracy has been weakened. So are the interests of the United States in the Middle East; they are undermined by Iran's destabilizing activities – which ratchet up sectarian tensions, fuel violent extremism, and in some cases pose a direct threat to U.S. personnel in the region.

By limiting Iranian ambitions in Iraq, and restoring stability to Iraq, the United States could positively influence developments across a number of strategically critical countries in the Middle East.

Ensuring Free Flow of Oil and Gas

Iraq is currently the fourth largest oil producer in the world, pumping some 4.5 million barrels a day, which is an all-time high for the country. Ongoing instability in Iraq could reduce oil outputs, and a political crisis in Iraq could lead to a shock in oil markets that would damage the global economy. It is in the interests of the regional and world oil producers, as well as the United States that oil flows freely onto global markets and that oil prices remain relatively stable.

Iraq could also reduce its reliance on Iranian gas imports, and could act as a substantial resource to the gas-starved Middle East, if it were to develop its substantial untapped gas reserves. The best way to ensure the free flow of oil and gas from Iraq is to support the Iraqi government in its efforts to govern effectively, to secure the support of its population, and to defend its territory from extremism.

Reasons for Optimism

Today, Iraq is full of challenges, and engagement looks expensive and cumbersome. But if the United States invests in this relationship with strategic patience, and measures progress in years rather than in months, the future could be very promising. Iraq has a level of freedom of expression almost unparalleled in the Middle East, a burgeoning and vibrant civil society, a wealth of diversity and ambition amongst its youth, vast potential oil and gas wealth, and the ability to become a positive force for stability in the region.

Although there is certainly baggage from the 2003 invasion in this relationship, in some ways the United States has had the opportunity to reset. Having left in 2011, and returned at the explicit request of the Iraqis, the United States can build on this more positive engagement going forward. The vast majority of Iraqis engaged by the Task Force, whether Shi'a, Sunni or Kurds, expressed a desire for a continuing and significant U.S. military and diplomatic presence in Iraq.

And the United States does not have to engage alone. The hard work that has gone into building the counter-ISIL coalition should not stop once ISIL has been driven from its territory in Iraq. Instead, coalition partners must be pressed to continue to support Iraq militarily, politically, and economically, so that collective goals can be achieved at a lower cost.

GOOD GOVERNANCE DEFEATS EXTREMISM

Strengthening Governance

The best way to defeat extremism is to support the evolution of an effective, responsive and legitimate Iraqi government. Extremism flourishes in communities that feel marginalized and oppressed by the government. Tackling this driver of radicalization is key to achieving a permanent victory against ISIL in Iraq.

An effective U.S. strategy in Iraq would require that the United States and its partners place good governance at the heart of an ongoing advisory and assistance mission in Iraq. Effective governance involves the professional delivery of public services, the predictable application of the rule of law, and transparent and accountable government. These elements are foundational to state stability, and promoting them should be a cornerstone of the U.S. approach to Iraq.

One in five Iraqis lives below the poverty line, despite residing in a country with vast oil wealth that experienced rapid rates of growth over the last decade. The concentration of wealth in the hands of a corrupt political elite damages the legitimacy of the state, and in some cases drives people towards embracing extremist ideologies.

Corruption has permeated all aspects of public life in Iraq, leading to poor service delivery and a monumental waste of public funds. Government procurement contracts are controlled by political parties that either auction them off, or set up shell companies to award contracts to themselves. These contracts are then sub-contracted, or simply never fulfilled, with funds siphoned off by beneficiaries on the way. There are tens of thousands of ghost employees, who either pay their supervisor half of their wage in order to not show up for work, or who are created by supervisors who keep the entire allocated wage. And corruption trickles down through the system, with local officials extorting businesses, and forcing civilians to pay arbitrary 'fees' whenever they come into contact with the state bureaucracy. The humiliation that accompanies these routine interactions alienates citizens from state institutions that are supposed to serve them, and renders the state increasingly vulnerable to instability and violence.

In the first instance it is important to recognize that governance structures can only be effectively overhauled by a concerted political effort by the Iraqi government. Governing elites and their political parties benefit the most from corrupt practices and are deeply invested in maintaining the status quo. Nonetheless, pressure from Iraqi civil society, which has mounted mass protests against corruption across Iraq over the last two years, may bring about the political conditions in which change is possible. The United States should work with its international partners to bring significant pressure to bear on the political establishment to introduce substantive reforms, starting by cutting off the highest ticket corrupt practices: those usually tied to procurement carried about by ministries.

One approach would be for the Iraqi government to publish online the amounts allocated to particular development projects along with details of the contractor chosen. That way, local communities could track whether or not this investment results in the completion of the project commissioned, and can hold both the government and the chosen contractor to account.

Transparency in the bidding process for contracts would also help to tackle the locus of the most costly corruption in the Iraqi state. If the bids submitted were available online, the government would be forced to pick the most competitive bid, and the public could trace the project through to completion and attempt to hold all parties to account in the process. Preventing sub-contracting is also important to keeping the original bidder liable for fulfilling the terms of the government contract.

Chile is one example of a country that has launched a transparent, online public procurement and hiring system to help tackle corruption. ChileCompra has been a great success, and in 2012 it completed 2.1 million purchases through the platform.² By investing in technologies such as these, the U.S., its partners, and international financial institutions can help the Iraqi government address the core grievances of the Iraqi population, and to support the longevity of the Iraqi state.

The United States and European countries can also redouble their efforts to ensure that senior Iraqi politicians are forced to account for their money when they seek to invest it the Western world. Stricter controls on property investment in particular can prevent political elites from safely parking the proceeds of corruption in Western capitals.

Allocating reconstruction, development and technical assistance to provincial governments, with strict accountability criteria, may prove more effective than distributing the same resources to Baghdad. The proximity between provincial governments and the citizens they serve makes accountability easier, it better enables the allocation of resources to the places of greatest need, and it tackles suspicions that particular areas are deprived because of their ethnic or sectarian identities. The key will be to ensure that provincial governments have the budgets, capacity and technical capability to perform the tasks assigned to them.

The legal framework for such devolution already exists in Iraq. The constitution allows for the extensive empowerment of local governments, and a 2008 Law outlining the rights of provinces was radically expanded in 2013. The obstacles to implementing greater devolution are now political rather than legislative. The Iraqi state has a deeply ingrained centralist mentality, and there is a tendency for decision-making to be monopolized by the center. The United States and the United Nations Assistance Mission for Iraq have both pressed the Iraqi government to do more to implement devolution, and this issue should continue to be a key policy priority in ongoing dialogues with the Iraqi government. There have also been a number of initiatives supported by the UN and by USAID, such as the Tarabot program, to help build capacity in local governorates to enable them to take on these new roles.³ It is critical that such training is expanded.

The devolution of security management could also be a positive step in repairing trust between Iraqi citizens and the government. Locally recruited police, reflecting the ethnic and sectarian makeup of the towns in which they work, should direct internal security in close co-operation with federal counter-terror units and intelligence services. In this regard they could benefit from participating in training and equipping missions provided by the international community. Having police connected to the local area manage security could diffuse tensions that come with having federal police or security forces inserted from elsewhere in the country. And effectively trained but locally rooted police forces could become the best, first lines of defense against the ongoing Islamic State insurgency.

Supporting Economic Reform

Defeating extremism in Iraq also requires that the local population has access to employment, and that the Iraqi government can maintain fiscal solvency. Without a secure underpinning for its economy, the Iraqi state risks becoming increasingly vulnerable to extremism and to the myriad paramilitary groups backed by Iran – groups that can provide economic benefits to local supporters.

Receipts from oil exports account for over 90 percent of the Iraqi state's revenues, so the halving of global oil prices in 2014 saddled the country with a \$20 billion budget deficit. The government reacted to the shortfall by suspending investment expenditure, defaulting on payments due to international oil companies, and seeking to finance the deficit by using its foreign currency reserves, borrowing from state banks, and seeking international financial assistance. With the Iraqi economy in freefall, the government began negotiations with the IMF, and, with significant help from the United States, it secured a three-year Standby Agreement, through which Iraq will receive a total of \$15.6 billion inclusive of \$5.34 from the IMF itself.

In December 2016 Iraq passed its first review after the implementation of the IMF Standby Agreement. The government had made progress in some areas, including by escalating payments to international oil companies which was vital to maintaining a positive climate for investment in the country. But the IMF found that more work needed to be done, especially on diversifying the state's sources of revenue, reducing payroll expenditure, and strengthening anti-corruption measures.

The conditions attached to the disbursement of funds from the IMF are positive inducements for Iraqi government reform, but they will not lead to a fundamental restructuring of the Iraqi economy.

The IMF conditions do not mandate an overhaul of the salary, pension, and social welfare payments that account for a vast proportion of the government's expenditure. This omission reflects fears that the Iraqi government could collapse in the face of already widespread popular opposition if it attempted to pass such controversial reforms. The Standby Agreement, therefore, represents a short-term fix to help the Iraqi state finance the war against ISIL. However, this is not the roadmap for the fundamental economic restructuring that Iraq needs to achieve sustainable fiscal health.

In January 2017 the United States took the positive step of signing a loan guarantee agreement that will enable Iraq to access up to \$1 billion in financing from international capital markets at an affordable rate. The support of the United States has reinforced that offered by the IMF and the World Bank, and is helping Iraq to successfully navigate its financial crisis.

Beyond these positive initial steps, more needs to be done. Promoting private sector growth is key to reorienting the Iraqi economy away from its near-exclusive dependence on oil, and to insulating it from the volatility of commodity markets. One of the significant barriers to private sector development is a complex regulatory framework that is open to exploitation by corrupt local officials and contributes to uncertainty for businesses.

Simplifying the legal steps to starting and running a business and clamping down on officials who extort local companies will be critical first steps toward enabling the expansion of the private sector. The lack of credit available to entrepreneurs and to small and medium enterprises also prevents growth, and the United States, its partners, and international financial institutions can support the availability of credit by mandating that a proportion of their assistance be made available as credit to SMEs.

International investment in Iraq can also be substantially aided by regulatory reform, by a much more permissive visa system, and by the formation of a high level commission (perhaps housed in the Prime Minister's office) that can help international companies cut through the deeply obstructive bureaucratic system that is currently limiting foreign direct investment. The Commercial Law Development Program housed in the U.S. Department of Commerce has provided years of excellent technical assistance to the Iraqi government, including helping to develop a commercial law framework and creating an investment guidebook, but much of the implementation of this technical work depends on senior diplomats exerting the political pressure that is needed to tackle the private interests that continue to obstruct progress.

Incentivizing public sector employees to transition into the private sector will require the government to limit the extremely generous pensions offered by the public sector, and to use the resources saved to jump-start a pension system open to private sector employees. Balancing out the benefits available to public and private sector workers is critical to reducing the massive burden placed on the public purse by a bloated public sector currently seen as a lifelong financial guarantee for those who work in it. The Iraqi government should also implement steps that encourage public sector workers to move on. One program suggested by the Iraqi Prime Minister would offer public sector employees the opportunity to take a five year sabbatical at half pay on the condition that they find private sector employment. Such initiatives could be a positive step towards cutting government expenditure while also injecting new energy into the private sector.

Tackling entrenched corruption is tough but necessary to reducing the massive market distortions that prevent a balanced economy from taking root. Partnering with technology companies can offer one way of reducing opportunities for graft in the system. The Iraqi government's partnership with a private company to pay public sector employees through a biometric card system has been one successful initiative reducing the vulnerability of the previous cash based payment system to corruption, but the system needs to be rolled out more comprehensively. Diversifying sources of income also requires the Iraqi government to enforce its tax and customs collections system, and instituting automated deductions could significantly help in this process.

It is also imperative that the Iraqi government continues to prioritize investment in the oil and gas sector, and works to maximize the efficiency of the institutions that deal with foreign companies working in the sector. These resources provide the foundation of the Iraqi economy, and even a transition away from oil dependency will require that they are effectively deployed.

Renegotiating contracts with oil companies could make this more manageable. The government could benefit from moving away from its technical-service agreements, which levy high fees per barrel on the government at a time when oil prices are low and which fail to incentivize cost efficient investments in infrastructure on the part of oil companies. Speeding up decision-making

processes and strengthening institutional capacity are also important to maintaining and growing international investment in the sector.

The United States has been fearful of rocking the boat by pressing too hard for economic reform during the war against ISIL, but there will be opportunities to strengthen U.S. policy in the years that will follow the liberation key Iraqi territories. The United States can use direct economic assistance, loan guarantees, its influence with the IMF and the World Bank, and its relationships with donor countries and multilateral development banks to condition the continued transfusion of support into the Iraqi economy on the implementation of structural reform measures. A tougher approach to economic reform in Iraq will be politically difficult in the short term, but is absolutely crucial to ensuring the solvency of the country, and therefore its stability, over the long term.

Fostering Cross-Sectarian Inclusivity

ISIL was able to seize a third of Iraq's territory partly because of massive Sunni disaffection with the Iraqi state. In the early days after Mosul fell to ISIL, some Sunnis believed that they had been liberated from the Iraqi government by a Sunni-led revolution mounted by former military officers, Ba'athists, and Sunni armed groups. Such delusions have long since been put to rest, but the Iraqi government needs to address Sunni perceptions of marginalization and disenfranchisement if it wants to defeat violent extremism in Iraq.

In the process of our consultations with Sunni Arab Iraqis, the number one concern that they communicated to us was security. Whether they are fleeing ISIL territory, waiting in IDP camps, traveling back to their homes, or trying to rebuild their lives – they fear arbitrary arrest and imprisonment, revenge activities of occasional rogue militias, and the ubiquitous unexploded ordnance that ISIL has planted in homes and civic buildings.

Many of the Sunnis we met with expressed concerns about the rise of Shi'a paramilitary forces – especially those groups backed by Iran, which have now become a legal part of the Iraqi security infrastructure. There have been cases of Shi'a paramilitary forces (and some federal police) carrying out extra-judicial killings, torturing Sunnis, kidnapping and extorting them, and looting and burning their homes. And regardless of the limited scale of such abuses, their presence often makes Sunnis feel insecure.

Despite there being a wide range of Shi'a paramilitary units, with some behaving much more positively than others, the United States should continue to work for all paramilitary units to withdraw from Sunni areas. Local security is best managed by local police recruited from local areas, and this is a clear demand expressed across the Sunni political spectrum. And by strengthening the professionalism and the capacity of the Iraqi Army and federal and local police, the United States can ensure that the Iraqi state and local communities do not need to rely on security provided by Popular Mobilization Units.

There is also an urgent need to reform judicial procedures when it comes to holding ISIL members to account. To date there has been a dangerous proliferation of official and unofficial lists of accused ISIL supporters. In some areas individual militia units, tribal entities, and government agencies each hold their own lists of suspects. The existence of such lists puts

thousands of potentially innocent Sunnis at risk of arbitrary arrest, imprisonment or even murder, and may also endanger their families and other relations.

The international community can work with the Iraqi government to institute rigorous, evidence-based standards that must be met for individuals to be included on the list of suspected ISIL supporters, and the government should try to enforce the use of a single, consistent, and accurate list across all of its agencies.

It is also crucial that judicial systems be established in liberated areas as quickly as possible, to offer a venue in which those who committed crimes during ISIL rule can be held to account, and, where appropriate, to enable victims to receive compensation from the Iraqi State. Unfortunately much of the good work done to strengthen Iraq's judicial system between 2003 and 2011 has been undone. Provincial administrations are struggling to cater to the overwhelming demand for judicial services in the aftermath of liberation. By providing effective judicial services at the local level, it is possible to preclude victims from pursuing revenge attacks or from turning to militias for justice. And giving Sunnis fair and predictable access to justice is one of the best ways to tackle their perception of insecurity and victimization, and can help to repair the relationship between Iraq's Sunni community and the state.

Stabilization, Reconciliation and Reconstruction

If liberated areas remain devastated and impoverished after the war to defeat ISIL, they risk producing a marginalized and economically deprived generation of Iraqis who are once again vulnerable to extremism. At the very least, liberated communities must be offered comparable services to those offered at the height of ISIL rule, and beyond that hope must be restored to local communities that there is a future for them in their home towns.

The immediate demands of mine-clearing, and rebuilding of basic infrastructure have thus far dominated international efforts – which have been largely coordinated through the UN's Funding Facility for Immediate Stabilization (FFIS). There have been many successful efforts in immediate stabilization, significantly aided by the pressure that the United States has brought to bear on partner countries to contribute resources. The United States should continue to encourage donations to stabilization work in Iraq, and could benefit from ramping up its efforts to ensure that pledges are swiftly transformed into cash contributions.

In April 2016 UNDP opened a Funding Facility of Expanded Stabilization (FFES). The goal of this mechanism is to raise funds for reconstruction of institutions, such as universities and public hospitals, which can provide employment and services for thousands of locals, and to invest in electricity, agriculture and to restore connections between liberated towns and surrounding areas. This funding mechanism has been largely neglected to date, with just \$50 million of the \$2.1 billion pledged at the July donor conference dedicated to this work. Although it is a struggle given the demands of humanitarian relief and immediate stabilization work, the Trump administration should recognize that it will need to work with its partners to invest in medium to long-term reconstruction in Iraq.

There is understandable reluctance in agencies of the United States Government to become embroiled in another costly reconstruction effort. But, investing in reconstruction is far more cost effective than engaging in yet another counter-extremist military effort. Moreover, the United

States has the opportunity to learn from its experience of stabilization and reconstruction operations in the years after 2003, and can enhance the efficacy of its engagement. Moreover, the United States can work with partner countries and the United Nations to limit the cost of its own contribution.

The Final Report from the Special Inspector General for Iraq Reconstruction, issued in March 2013, offers some particularly salient lessons.⁴ One is that pursuing smaller, and more achievable projects is more likely to achieve results and less likely to squander resources through corruption. This does not mean that big ticket items, such as rebuilding sanitation systems, do not need to be pursued – but rather that phases of the project should be broken down into smaller, measurable constituent parts so that they can be better tracked and managed. It is also critical that robust oversight be instituted over all stabilization and reconstruction initiatives to ensure that valuable funding is not lost through corruption or ineptitude.

The report also notes that engaging local Iraqi stakeholders in all reconstruction projects is important to ensuring that these initiatives meet local needs, and that they will be sustained by the local community once they are handed over. This means that non-Iraqi contractors should only be used where skills gaps exist locally, and that these contractors should train local counterparts to take over these tasks. Even if this extends the timeline of reconstruction projects, it makes them more sustainable and therefore more likely to positively impact the community in the long term.

STRENGTHENING THE IRAQI ARMY

In the long term, only the development of a strong, capable, and professional Iraqi Army can prevent the Iran-backed elements of the Popular Mobilization Units from expanding their influence in Iraq and enable the state to establish and maintain a monopoly on the legitimate use of physical force.

Maintaining a Training and Advising Mission

Almost every senior Shi'a, Sunni, and Kurdish political official we met with expressed a strong desire for the United States and coalition forces to remain in Iraq beyond the liberation of Iraqi territory from ISIL. They recognize that recapturing territory from ISIL will not signal the defeat of the group, but rather a transition back into a traditional insurgency posture, for which U.S. assistance will continue to be required. They believe a capable, well-trained and properly equipped army is essential to preventing resurgent extremism.

There has been some success in U.S. training efforts in Iraq, including years of training of Iraq's elite Counter-Terror Forces. These units have performed exceptionally on the front lines against ISIL. And the training efforts undertaken during the war against ISIL have yielded positive results. Iraqis contributing to our work wish to build on that momentum with an ongoing training relationship, which can help to strengthen the capacity of the Iraqi army for the long term.

There has been frequent criticism of the U.S. training effort in Iraq, particularly after substantial investment in training the Iraqi Army in the years since 2003 failed to produce a force able to defend the country from ISIL in 2014.⁵ It is important to note, however, that former Prime Minister Maliki undermined the professionalism of the Iraqi Army once the United States withdrew in 2011, replacing competent generals with party apparatchiks and undercutting the chain of command by directly issuing orders to mid-level officers.

The former Prime Minister's policies also alienated significant portions of the Iraqi Sunni population and, when combined with the escalating civil war in Syria, the Iraqi Army suddenly found itself facing an extremely challenging landscape of threats. Moreover, the U.S. training effort had been heavily focused on counter-insurgency efforts, while ISIL mounted a somewhat conventional attack. The recent training has introduced Iraq forces to new skills sets that are tailored to the specific conditions that they face in the fight to retake territory from ISIL, and to the challenges of holding recently liberated areas. This training, alongside the ongoing support and assistance offered by the United States, has been critical to defeating ISIL without directly deploying U.S. troops in battle. But this success must be sealed by the onset of legitimate governance supported by capable security forces. A sudden, post-ISIL withdrawal from Iraq by the U.S. would set the stage for the return of violent extremism.

The Trump administration should make clear its intention to remain engaged in Iraq, and reassure the Iraqi government that a sustained training, advising, and equipping mission will remain at the bedrock of the Iraq-U.S. relationship. A commitment to maintain a troop level in Iraq commensurate with a long-term training mission will signal to U.S. allies in Iraq that they will not be abandoned, and will give Iraqi politicians the confidence to hedge against Iran by working with the United States. Transforming the Iraq Army has to be a gradual process, and

success will be more about consistency and longevity of effort rather than about short-term injections of resources.

An effective training and advising mission should include the embedding of U.S. advisers at the operational level in major units across a wide range of locations, including in volatile areas. This vantage point will enable U.S. advisers to assess the equipment needs of the brigade, and will allow for hands on training in intelligence collection, strategizing, and targeting. It will also give advisers the opportunity to monitor for abusive or corrupt behavior, and to act to prevent it.

A straightforward way to institute an ongoing training mission may be to extend the mandate of the Combined Joint Task Force – Operation Inherent Resolve, with the permission of the Iraqi Prime Minister. The mandate of Operation Inherent Resolve is to defeat ISIL ‘in order to enable whole-of-coalition governmental actions to increase regional stability.’ The ongoing training of Iraqi troops could continue under this mandate, and perhaps preclude having to undergo political turmoil associated with passing a new Status of the Forces Agreement. There could also be an arrangement specifying that, as the Iraqi economy begins to recover, the Iraqi government will pay for an increasing proportion of the training effort.

Until these costs can realistically be shared with the Iraqi government, however, the U.S. should extend the mandate of the Iraq Train and Equip Fund, and signal to the Iraqi government that it is committed to solidifying the gains made against ISIL, and to stabilizing the country.

Providing such a valuable training, advising and equipping effort would give the United States leverage in Iraq, which should be used to advance political reforms critical to stabilizing the country in the long-term. Most immediately, the United States should ensure that Iraqi Security Forces are recruiting sufficient numbers of Sunnis and minorities. And beyond that, there should be an effort to link expansion of the training mission with progress in the political arena.

Securing Ongoing Coalition Involvement

One of the positive hallmarks of U.S. strategy in Iraq has been the involvement of international partners in security cooperation. In contrast to the 2003-2011 period, when the coalition was heavily dominated by British and American forces, today many NATO and G20 nations are working in Iraq.

A priority for the Trump administration should be to preserve this international support for Iraq, while helping to transition partnerships away from involvement in kinetic operations toward intelligence-sharing, and training, equipping and assisting Iraqi Security Forces. Key focus areas for coalition support could include continued training for special operations forces, intelligence training with a specific focus on counter-terror operations, development of border security and logistical capacities to support operations in ungoverned spaces, and counter-insurgency training for the Iraqi Army and the federal police.

In particular, European engagement in Iraq should continue to be encouraged and developed. The refugee crisis and terror attacks in Europe have exposed Europe’s vulnerability to shocks from the Middle East, and has led the ‘big three’ European states of France, Germany and the UK to agree that defeating ISIL is an absolute foreign policy priority. The UK and France are today key contributors to the air campaign against ISIL, Germany is arming and training Kurdish

Peshmerga on the Northern front lines, and Italy is heavily involved in training the Iraqi federal police.

The United States should strengthen and build on this new commitment by continuing its leadership role while facilitating increased responsibility for European partners. Such an approach would reduce the costs of U.S. engagement in Iraq, while enabling Europe to tackle critical threats to its own national security. A multi-lateral security partnership with Iraq would also be less politically sensitive both in Iraq and for the U.S. public. And European states not involved in the 2003 invasion have greater latitude to work in Iraq without courting the controversy that often dogs the United States in the country. The strength of German relationships with the Kurdish Regional Government (KRG), for instance, could enable Germany to support mediation between the KRG and Baghdad, and perhaps also in the internal political conflicts inside the KRG. The Trump administration should immediately begin a discussion with European partners on collective long-term goals in Iraq, and begin to define a joint strategy and division of labor for Iraq stabilization beyond the defeat of ISIL.

Additional Priority Areas: Disputed Territories, Intelligence, Ministry of Interior

A priority issue for the United States and its coalition partners in Iraq should be keeping a lid on tensions in the territories along the southern border of the KRG, which are claimed by the Iraqi government, by the KRG, and by local minority communities. The districts where control passes from Iraqi Security Forces to the Peshmerga have been vulnerable to Islamic State attacks, and ethnic tensions in these areas can be quickly inflamed and lead to localized violence that has the potential to ignite a wider civil conflict. The coalition could organize a series of intelligence-sharing and de-confliction committees and hotlines geared toward quickly de-escalating violence in disputed areas. Strong coalition attention to these territories will also incentivize moderation among the Peshmerga and Iraqi Security Forces, and could prevent a new ethnic conflict from engulfing Iraq's disputed territories.

A second priority area will be strengthening Iraq's intelligence capability. Iraq's intelligence services suffered a severe setback when U.S. forces withdrew in 2011, and in the years since they have struggled to penetrate and dismantle extremist networks. Preventing the mass-casualty car bomb attacks that ISIL continues to inflict on Iraqi civilians is a high priority for Iraq's political establishment. The United States should take this opportunity to help the Iraqis to effectively use intelligence to prevent a future resurgence of Islamist extremism in the country.

A final area of emphasis should be U.S. relations with Iraq's Ministry of Interior. The Ministry is dominated by the Badr Organization, which is key player in the Popular Mobilization Units (PMUs), close to Iran, and traditionally wary of the United States. Nevertheless, the Ministry is the largest in Iraq, and is responsible for the Iraqi police forces. It will certainly play a key role in stabilization.

Recognizing that this will be a sensitive and gradual process, the United States should begin to deepen its ties with the Ministry of Interior and perhaps offer support to its forensic and intelligence departments, and to help train its emergency response division in counter-terrorism strategies. The United States could also encourage partner states in the coalition to take a lead in training the Iraqi federal police, as the Italians have been doing, and to take on highly sensitive

areas, including the treatment of prisoners. The shortcomings of the Ministry of Interior have been extremely damaging for intra-sectarian relations in Iraq, and working to strengthen the professionalism and competence of the Ministry must be an important part of any strategy to stabilize Iraq.

MEDIATING BETWEEN BAGHDAD AND THE KRG

There is a fundamental lack of trust and good faith in the relationship between Baghdad and the KRG, with the KRG feeling victimized by Baghdad, and Baghdad feeling exploited by the KRG. The KRG believes that Baghdad has never paid it the full proportion of the federal budget to which it is entitled. In particular, Baghdad usually refuses to pay for the Peshmerga, and has balked at paying operating costs of oil producers that the KRG has contracted independently of Baghdad. Baghdad argues that the Peshmerga are a regional expense, rather than a sovereign expense that would fall under Baghdad's remit, and that it has no responsibility to subsidize agreements that the KRG has independently signed with international oil companies.

Over the years, the KRG began slowly to export oil independently of Baghdad, keeping the revenues to make up for the perceived shortfall in the budget transfers from Baghdad. In early 2014 Prime Minister Maliki decided to slash federal payments to the KRG, saying 'The equation is simple: you take 17 percent of the wealth, you hand over the oil you have.'

The KRG responded by ramping up its independent oil sales, but was unable to close the shortfall left by the loss of revenues from Baghdad, partly because of collapsing oil prices and partly because doubts about the legality of these exports forced them to sell below market price. A new deal was struck between the two capitals in December 2015, whereby the KRG would export 550,000 barrels per day through Iraq's state oil marketing company (SOMO) in return for Baghdad transferring 17 percent of the federal budget to KRG coffers.

The deal failed to take off. In the first month Erbil sent only 145,000 barrels of oil per day through SOMO, and Baghdad transferred just \$208 million to the KRG. By June 2016, the KRG stopped transferring any oil through SOMO, and has been independently selling some 600,000 barrels per day since, but it is still unable to generate the revenue levels that it had when Baghdad was transferring 17 percent of the federal budget.

The United States and its partners have worked tirelessly to restore a revenue sharing deal between Erbil and Baghdad, and these efforts must continue. The United States can encourage the KRG to calculate what the value of independent exports are as compared to federal transfers, and what kind of compromises they would be prepared to accept. And the competing Kurdish political parties need to formulate a single ask of Baghdad.

The current array of policies emerging from the various Kurdish parties independently visiting Baghdad encourage Baghdad to pursue a 'divide and conquer' strategy towards Iraqi Kurds that is counterproductive and makes it harder to reach a final agreement. Rather than considering the KRG simply as a financial burden, Baghdad should also be pressed to reflect on the value of the KRG to Iraq, in providing a route to Turkey, a hub for trade, and a safe place for international investors to base their Iraqi operations.

Mediation efforts by the United States paid off in a small but significant way in August 2016 when the KDP came to an agreement with Baghdad to restart production from the three Kirkuk oilfields currently operated by the state North Oil Company and to share the profits. Baghdad had shut down production from the three oil fields in March 2016 after the KRG failed to remit revenues to Baghdad. American diplomats helped to broker a deal whereby the pumping of some 150,000 barrels per day would resume from the fields, with revenues being split evenly between

Baghdad and the KRG. Both sides also committed to using these revenues to pay public servants in Kirkuk, where these oil fields are located. This deal was modified after Iraq came to an agreement with OPEC to cut oil production. Now, Baghdad's share is transferred to Kurdish oil refineries rather than exported through the state oil marketing company. The move represents a positive, pragmatic step on the part of Baghdad and could bode well for further negotiations with the KRG.

The appointment of a new oil minister in Baghdad could also represent an opportunity for the advancement of KRG-Baghdad negotiations. Jabbar al-Luaibi, former head of the state South Oil Company and a respected technocrat, has made conciliatory statements towards the KRG since his inauguration as oil minister and could prove an energetic partner in efforts to reach a resolution. And the financial strain in the KRG means that the region is eager to reach a deal with Baghdad.

The United States and the coalition engaging in Iraq should seek to capitalize on this potential opening by continuing to put pressure on both sides to reach a sustainable compromise. Such a settlement may require that Baghdad recognize the reality of continued independent Kurdish oil exports, which is symbolically important to the KRG in its gradual pursuit of self-determination. And restoring fiscal transfers from Baghdad may require the KRG to make a conscious effort to position itself as a contributing partner within the Iraqi state.

For the Iraqi public, there is frustration with the KRG's stated intention of remaining in Iraq only so long as it is a financial net positive for them. There is an increased questioning of why Baghdad should want the KRG to remain as part of the country, and the KRG must make the case of how it contributes to the state and why it makes sense for Baghdad to restart fiscal transfers. Reaching a revenue sharing deal will also involve discussions over the KRG annexation of disputed territories, and a final deal may involve the KRG relinquishing control of oil fields in some disputed areas in return for fiscal transfers from Baghdad.

CONCLUSION

As Iraq draws closer to ejecting ISIL from its territorial hold in the country, it will be tempting to declare victory and to move on. But this would be a catastrophic mistake. ISIL is simply being driven underground, and is already reverting to its old playbook by mounting mass-casualty attacks on civilian targets across Iraq. If the United States withdraws from Iraq, ISIL will have the opportunity to regenerate and gradually restore its capacity to threaten U.S. interests in Iraq, across the Middle East, and perhaps even in the United States. Achieving a permanent defeat of ISIL requires that the United States maintains a robust military, assistance, and diplomatic presence in Iraq. By doing so, the United States can help the Iraqi Army to continue to root out ISIL elements and it can enable the Iraq government to address the underlying drivers of extremism in the country. The key to lasting success will be in supporting the Iraqi government's efforts to reform its approach to governance, to re-establish its legitimacy among its citizens, and to stabilize to its economy.

Withdrawing from Iraq would also be tantamount to ceding this strategically critical territory to Iran. The Iranian state and its revolutionary guard forces have already benefited substantially from its deep-rooted influence in Iraq. They have gained economically, they have developed a new network of paramilitary forces, and they have shifted the balance of power in the Middle East towards the anti-American axis comprised of Iran, Syria, Hezbollah, and now parts of Iraq and Yemen. This influence can best be contested by demonstrating to the Iraqi government and to the Iraqi people that the United States is a better partner to Iraq – that it supports positive reform, that it encourages the government to act in the interests of its citizens, and that it brings stability and prosperity with its presence. If the United States withdraws, Iran will immediately expand its activities and influence, and will benefit wherever we fail to capitalize.

We have offered here the elements of a strategy for Iraq that aims in the end to keep Americans safe from terrorism. It will require of the United States and its allies an effort long on strategic patience and costly in terms of investment. Yet those costs will only increase exponentially if we declare victory once ISIL is vanquished and come home, leaving Iraq and its people to the tender mercies of an aggressive and sectarian Iran and to Islamist extremists who will bide their time until reemergence is feasible. The fact that American forces have returned to Iraq after prematurely departing in 2011 should make the point.

Our national security dictates that we do our best to help bring about an Iraq that is independent, stable, and prosperous: one at peace with its neighbors; one reflecting legitimate and effective governance; and one strongly inclined to cooperate closely with the United States in the Middle East and beyond.

ENDNOTES

¹ https://www.washingtonpost.com/world/national-security/promises-unfulfilled-how-a-state-department-plan-to-stabilize-iraq-broke-apart/2016/08/15/82e2324e-5a8c-11e6-831d-0324760ca856_story.html

² <http://unpcdc.org/media/142496/story%20of%20an%20institution%20-%20accountability.pdf>

³ <http://tarabot-iraq.org/>

⁴ <https://www.gpo.gov/fdsys/pkg/CHRG-113hhrg81868/pdf/CHRG-113hhrg81868.pdf>

⁵ <https://warisboring.com/the-u-s-military-s-poor-record-training-the-iraqi-army-328bee4315a9#.mjd8c9i3x>