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Business as Usual?
The Role of Department of Defense in Foreign
Economic Development

Business Transformation Agency Research Fellowship

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In the State of the Union address on January, 31, 2003, President George W. Bush made clear his conviction to use military force in Iraq if necessary: “We will consult, but let there be no misunderstanding: If Saddam Hussein does not fully disarm for the safety of our people, and for the peace of the world, we will lead a coalition to disarm him.”¹ Although the intelligence is now known to be faulty, President Bush articulated the case that Iraq’s suspected weapons of mass destruction (WMD) created an imminent threat to the United States and its strategic interests in the Middle East. President Bush appealed directly to the Iraqi people stating, “Your enemy is not surrounding your country, your enemy is ruling your country [...] and the day he and his regime are removed from power will be the day of your liberation.” In this speech, President Bush was very clear on the military force that he was willing to use, but his limited vision of liberation was that “we will bring to the Iraqi people food and medicines and supplies and freedom”.² Planning for the military invasion had been going on for months, yet a small, under resourced group had only begun to address the post-conflict planning that was supposed to turn food, medicines, and supplies into a sustained freedom for a broken society. WMDs were the clear rationale for entering the war, but there was no mention of how the US would exit Iraq.

On March 20, 2003, the US military stormed into Iraq. Within weeks the US forces had overrun the Iraqi military and the regime of Saddam Hussein fell. In May, with the full support of CENTCOM commander General Tommy Franks, President Bush declared the mission accomplished. However, the war destruction had created an environment that was to lead to lawlessness, humanitarian disaster, and insurgency, ultimately undercutting US strategic objectives. In the run-up to Operation Iraqi

Freedom, Tommy Franks was asked whether America would “finish the job this time [in Iraq]?”³ Franks responded confidently that America would finish the job; unfortunately for Iraq, America, and the world, the job to which General Franks referred short-sightedly ended with the primary military objective, the collapse of Saddam Hussein’s regime. Whose job would it be to clean up the mess that was left? Neither the Department of Defense (DOD) nor any other element of the United States government had a plan to ensure Iraq would function in a stable manner after the military reached its primary objective. Insurgency exacerbated by the economic distress of Iraq arose and the DOD was unable to respond to the immediacy of this threat. Because of this, lives of American soldiers were needlessly lost. The US may have won the war, but they were losing the peace.

DOD reconstruction efforts in Iraq were hindered from the beginning. Just a few months before the invasion, Secretary of Defense Donald Rumsfeld received control of the full spectrum of operations in Iraq, only then forcing CENTCOM to develop a plan for post-conflict development. For an organization that prided itself on its planning ability, the DOD fell short on this task. Although General Franks admitted that post-conflict operations “might prove more challenging than major combat operations”⁴, he neither coordinated with the civilian elements of the United States government to ensure that an integrated and comprehensive plan was in place, nor did he adequately resource those post-conflict operations. In the eleventh hour, the DOD post-conflict planners could not make up for lost time and barely got planning off the ground. The state of post-conflict planning on the eve of the US invasion was poorly coordinated and inadequate:

The US agencies were not ready, had no real understanding of what Iraq was like, and did not yet have a coherent plan. There was no clear demarcation between what civilians would run and what generals would run. Funding was still up in the air. The message was that if the military were hoping that the civilians had Phase IV under control it would be sorely disappointed.⁵

The US military did not immediately understand the importance of economic development. While the reign of Saddam Hussein had been brutal to the citizens of Iraq, he was at least able to keep Baghdad supplied with electricity. Yet months after President Bush declared that the US had accomplished the mission in Iraq, residents of the Iraqi capital could expect only a portion of the power that they once received.⁶ Basic commerce was stifled and residents were without the fundamental necessities. Even worse, this was happening in the presence of American troops and civilians that had flocked to Iraq to be part of rebuilding the country. The state of affairs was not lost on the average Iraqi: “[they] were mystified that a nation that had sent a man to the moon could not supply electricity.”⁷

The planning and execution phases that would occur over the next five years provide rich case studies for current and future defense leaders. In the five-plus years since the major combat operations of Operation Iraqi Freedom, the US has begun to correct for the economic development lapses demonstrated in the initial occupation of post-war Iraq. The US has transitioned governance to a sovereign Iraqi government, the DOD has transitioned the lead responsibility for reconstruction to the Department of State, and many positive signs point to gradual economic development for the Iraqi people. The DOD corrected for their earlier economic development planning omissions

by establishing the Task Force for Business Stability Operations (TFBSO) that, in conjunction with the surge, turned the tide of reconstruction in favor of the US and the fledgling Iraqi government.

It is an optimal time to address the DOD's role in foreign economic development due to improved conditions in Iraq resulting from economic stabilization coupled with a new presidential administration. Interagency reform efforts are underway to address the shortcomings of the past eight years. The current interagency construct, based primarily on the National Security Act of 1947 and 1986's Goldwater-Nichols Act, was designed to meet threats and challenges posed by the Cold War. President Obama and his national security advisor, James Jones, have begun to reshape the National Security Council (NSC) to meet the demands of national security in the 21st century.⁸ Additional reform may be forthcoming to ensure better interagency coordination within the executive branch of government. Policy-makers will continue to examine lessons from the Iraq and Afghanistan campaigns, especially those related to post-conflict nation assistance. Many questions will be raised regarding the role of the US in developing governance, law, and commerce in fragile or failed states. The analysis will likely place a heavy emphasis on the role and nature of military intervention in achieving the strategic outcomes developed for the targeted regions of the world. Given that US foreign policy since the end of World War II has been based on the spread of democracy, policymakers must align the numerous components of the United States government along with those of the international community to best achieve stable, peaceful, and prosperous states.

Secretary Robert Gates has been vocal about the need for the defense establishment to continue to transform to avoid mistakes from the recent past. Instead of

funding expensive, technology driven programs that take years to develop and are aimed at a direct involvement against another industrialized state, Gates has repeatedly called for “employing indirect approaches”⁹ where building the capacities of allies, partners, and of fragile states will be just as important as the kinetic approaches generally favored by the US military:

The requirement for the US military to maintain security, provide aid and comfort, begin reconstruction, and prop up local governments and public services will not go away [...] to achieve victory as Clausewitz defined it – to attain a political objective – the United States needs a military whose ability to kick down the door is matched by its ability to clean up the mess and even rebuild the house afterward.¹⁰

Given this clear direction provided by the Secretary of Defense, coupled with the imperative of change and reform driven by the new administration, the US military must formalize its responsibilities and capabilities in the economic aspects of stabilization and reconstruction activities. While the DOD is largely cognizant of its role in achieving stabilization through security, other elements of post-conflict operations, especially economic development, remain an enigmatic subject area. The US military must assume an active support role in this interagency reform process to define its responsibilities in foreign economic development aspects of stabilization and reconstruction operations. Yet today, the DOD still does not possess an approach to direct and successfully guide the requisite Manning, training, planning and execution of economic development operations. The DOD lacks the policy, doctrine, and organizational structure to address it within the broader arena of reconstruction and stabilization operations. This will have to

change in order to win tomorrow's battles, to defend America from attack, and save the lives of American soldiers.

Before the DOD transforms to meet economic development challenges, it must understand what foreign economic development (FED) encompasses. Economic development is one of the major pillars of nation assistance (or stability and reconstruction) operations. It fully integrates with the other areas of nation assistance: maintaining security, developing governance structures, and instituting rule of law.¹¹ These elements of nation assistance are mutually dependent upon each other; in the case of economic development, security, government, and legal frameworks provide the infrastructure required to allocate an equitable distribution of resources to provide a relatively prosperous way of life for a given population. The military defines nation assistance in aggregate primarily through its primary operational doctrine, *Joint Publication (JP) 3-0, Joint Operations*.¹² Further guidance is provided through supporting documents *JP 3-57, Civil-Military Operations*¹³ and *JP 3-07.1, Joint Tactics, Techniques, and Procedures for Foreign Internal Defense*¹⁴ and *DOD Directive (DODD) 3000.5 Military Support for Stability, Security, Transition and Reconstruction (SSTR) Operations*.¹⁵ While these publications accept nation assistance and its core pillars as part of DOD operations such as crisis response and limited contingency operations; military engagement, security cooperation, and deterrence; and foreign internal defense and development, economic development only receives passing mention. There is no specific definition, scope, or guidance provided specifically to foreign economic development. As such, models and lexicons from outside the DOD must be used as a baseline understanding of the subject. The most robust construct developed by the US

government to date is from the Department of State. Leveraging the essential task list developed by the Department of State's Office of the Coordinator for Reconstruction and Stabilization (S/CRS)¹⁶, Appendix A displays the primary activities of economic development. The S/CRS essential task list denotes three main phases that apply to each pillar¹⁷: Initial Response (short-term), Transformation (mid-term), and Fostering Sustainability (long-term) with specific tasks defined and clarified for each phase of reconstruction. The S/CRS model also stresses the interrelation of tasks between technical areas. For instance, a security task may be interrelated to an element of economic development. For this reason, it is important to assess the DOD's role in economic development from the broader perspective of all stabilization and reconstruction efforts.

Not all of these elements of foreign economic development are the DOD's responsibility; however, future operations will require the DOD to integrate into a larger construct where its activities will directly affect the success or failure of such activities. Appendix A is an initial attempt to classify each of the essential reconstruction and stabilization tasks based on their impact on developing prosperity within a society along with a preliminary level of DOD responsibility in each area. Although debatable, the task classifications provided in the appendix provide the baseline scope of foreign economic development referenced in this paper.

The broad and emerging activity that is foreign economic development is much larger than the scope of this research.¹⁸ This paper will concentrate specifically on the DOD's role in foreign economic development within the context of interagency reform; however, capabilities and responsibilities of other agencies will be addressed with respect

to DOD overlap, gaps, or interface requirements. Historical precedent and policy precedent will argue an active role of the DOD in foreign economic development and comparative advantage to perform such activities based on capabilities. Historical examples of the US military performing economic development activities will present key themes necessary for leaders to consider. Then, by linking foreign economic development to the nation's national security strategy and the military's core capabilities, DOD's active participation in future foreign economic development efforts will be argued. Finally, this paper will provide both short-term and long-term recommendations for defense leadership to consider in promoting improved development capabilities into the future that support the larger strategic needs of the United States government.

Historical Perspective

Foreign economic development operations are not new to the United States military. While recent studies of past military operations has highlighted the general importance of the military in stabilization and reconstruction efforts¹⁹, very little attention has been paid to the military's specific role in economic development tasks. Without this institutional understanding, military leadership must continue to re-invent its approach towards foreign economic development, or worse, they fail to consider these factors at all in their planning and execution of a mission.

Besides supporting the argument for continued military involvement in economic development operations, reviewing the military's historical involvement provides hints towards the nature of future conflict. There is overwhelming historical evidence highlighting the reality that America will inevitably engage in frequent efforts at post-

conflict nation assistance.²⁰ This has not been lost on Colin Powell, a leader who understands the nature of both military and diplomatic power. Once a noted proponent of the use of overwhelming military force in war, Powell has shifted towards the use of overwhelming economic and political force in this post-September 11 world, drawing comparison to George C. Marshall, perhaps the most prominent economic warrior in this nation's history.²¹ The lessons of the Marshall Plan, as well as other major economic reconstruction efforts, will be vital to the military planners of tomorrow.

It is natural to study the most recent examples of Iraq and Afghanistan in planning for future engagements. While the US can learn numerous lessons from these efforts, it is critical to understand the larger historical context to avoid planning to fight the last war. This section will highlight economic development activities within the broader strategic context of past conflicts of the United States, and then draw out themes for consideration by military leadership.

The Civil War

While the Union's strategic objectives of the Civil War were clear, there was much debate as to the nature of the reconstruction that was to follow. Abraham Lincoln was in favor of pardoning the southern states for their secession and supporting them in their return to the Union; others pushed for a more penal approach. The reconstruction, lasting from 1865 through 1877, saw both elements at play as all sides fervently advocated their position. However, in peace, just as in war, the military was a central component of the post-conflict rebuilding that was to take place.

The reconstruction following the United States' Civil War is very applicable to many of the post-conflict situations in which the United States has found itself during

recent times, more so than the more frequently cited post-World War II examples of Germany and Japan. The Reconstruction experience saw local resistance to the US military occupying force, residue from a pre-war regime that was not completely destroyed or discredited, new groups vying for power, strong ethnic and racial components, and a lack of overwhelming US military presence.²² It is rare to hear post-Civil War reconstruction referenced in modern efforts, yet the political and military lessons learned are critical to the understanding of the topic. This was the United States' first nation assistance attempt, and it showed.

The US's job of economic reconstruction was much more difficult due to the legacy of destruction left by Union troops in the south. These forces completely destroyed enemy railroads, burned entire towns, and displaced thousands of civilians. Weary Confederate soldiers returning from the war often found nothing left to support their families. The war decimated both the physical and social infrastructures. While Union General William T. Sherman justified the civilian destruction by its impact on the length of the war and reduction of northern soldier casualties, his actions retarded the economic infrastructure of the South and fueled a hatred of the North that would complicate the Army's subsequent task of reconstruction.²³

The United States Army had the prominent role in executing Civil War reconstruction. It was charged with enforcing the reconstruction policies developed by Congress and the President, but it had little to do with shaping the policies or the strategic direction. Congress established military districts in the South and used Army personnel to administer the region until it could establish new governments loyal to the Union. Policing, focusing on the health, safety, welfare, and morals of the community, came

under military supervision. Specific roles varied widely depending on local conditions. The military effort focused primarily on executing governance and rule of law within the districts, although it also provided basic economic stabilization services. Typical tasks included collecting garbage, disinfecting alleys and streets with lime, enforcing speed limits for carriages, whitewashing of tree trunks, patrolling vagrancy and prostitution, distributing of food, and reopening schools²⁴. However, the Army did little to address the underlying economic causes of the war in the first place. Nor was there any large scale effort of the military to rebuild the damage that they inflicted on southern industry or infrastructure. The military served as a baby-sitter of the status quo; allowing the politicians in Washington, D.C. to wage the reconstruction fight.

Overall, the reconstruction effort after the Civil War is generally seen as a failure. While the blame for this failure cannot be put solely on the military, the occupying generals did not do enough to address the underlying economic issues that drove the balance of power. The Army focused more on enforcing civil law than on establishing an economic infrastructure that would enable the conditions necessary to sustain a healthy political and legal system. Ultimately, the imbalance of economic power between the newly freed slaves and the ruling white establishment led to embittered sectional relations and segregational struggles that would be fought out throughout the decades following. Reconstruction formally ended with the negotiated election of Rutherford B. Hayes who promptly withdrew the remaining troops from the southern statehouses.

Two major themes from the reconstruction effort dominate the lessons learned: insufficient troop levels and inadequate direction. Approximately 250,000 troops remained in the South in the weeks immediately following the surrender, but those

numbers would fall to approximately 20,000 troops in just over a year. They performed a wide variety of different duties without adequate training. Commanding generals, many of whom were not regulars, often had to act on their own judgment or a highly general letter of instruction from superiors. The war had ended with a military surrender, not a treaty of peace, and the future policy of the government was unsettled. Exacerbating the lack of direction that the Army commanders received was the great policy debates between the executive and legislative branches. The military provided basic economic services, but not enough to shape the social forces in the south to drive to a more sustainable change. It would be almost another century before that change would come to the region.

Philippines

The US intervention in the Philippines marked its introduction as a true world power. The US had recently defeated Spain in the Spanish-American War, in the process gaining control over Cuba, Guam, and the Philippines. Now a colonial power, the US established civil commissions to govern these acquired territories. Nevertheless, the Philippines, which had been waging revolutionary battles against Spain for the better part of the preceding decade, continued its nationalistic fight against the United States. The US willingly took on this foe as an opportunity to certify its new place on the world stage. Americans who advocated annexation evinced a variety of motivations: desire for commercial opportunities in Asia, concern that the Filipinos were incapable of self-rule, and fear that if the United States did not take control of the islands, another power (such as Germany or Japan) might do so.²⁵

The Philippines were the first land campaign outside of the western hemisphere for the United States. The war with Spain had proven the technological advancement of the US and the new supporting logistical capabilities, especially in the battles in the Pacific. Despite the naval superiority available to the Americans, the war in the Philippines would be primarily a land-based form of guerilla warfare. The fighting occurred in the jungles and in the streets from town to town. Both sides sustained numerous dead and wounded with evidence of severe atrocities committed. But despite the brutal physical force applied to the native Philippines hoping for their own independence, the US forces learned to utilize other elements of power to defeat their enemy.

The Philippine-American War (1899-1902) provides the earliest example of the United States military's deliberate use of economic development as part of its full arsenal of tools to combat an enemy. The Philippines were not yet entirely civilized, but it was far from the savage society portrayed in the press at the time. The Philippines possessed abundant raw resources that fed the growing American manufacturing industry. The Americans immediately established a military government to administer the Philippines. The Army was in control in Philippines, focusing on schools, hygiene, security, civil law, and economic development. Experiences with corrupt and inefficient civilian governments during the preceding Reconstruction period led the Army to its conclusion that "the military leader on the scene was the best agent for local pacification".²⁶ The Army and the military government had to provide acceptable political, economic, and social alternatives superior to those put forth by the revolutionaries. The American military government combined military endeavors with soft efforts to convince the

Filipinos that US-rule had advantages. Actions such as the regularization of trade, the building of roads and railways, the revamping of the legal system, the constructing of hospitals and schools, and the awarding of amnesties to surrendering insurgents induced a substantial proportion of the population, revolutionaries, elites, and average Filipinos alike, to make their peace with the Americans.

The effort in the Philippines was not without bloodshed. However, through the coercive soft power economic measures, “it was successful enough that when, more than 40 years later, the son of Arthur MacArthur returned to the Japanese-occupied Philippines at the head of a vast American armada, Douglas MacArthur was greeted as a liberating savior.”²⁷ The Army maintained control of the governance of the Philippines, continuing to restore the norms of a civil society. They continued to build schools and roads, refurbish markets, and improve health and sanitation. Even after the official war ended in 1902, Americans continued to lay the foundation for Pilipino modernization, ultimately building towards the nation’s independence in 1946.

The lessons learned during this intervention are straight-forward. First, the importance of economic elements in undermining the Pilipino insurgents was clear. The US military could shape a better society than the revolutionaries that the US fought. Next, the US effort confirmed its expeditionary and logistical capabilities as it conducted these operations outside of the Western hemisphere. Finally, it demonstrated successful pacification brought by the unity of effort between the military government and the warfighter. The US aligned its operations among the scattered regional tactical operating units all the way to the military leader and governor at the top. It took decades to build the foundation for Pilipino independence, but US efforts were instrumental in creating a

sustainable independent Philippines. Secretary of War Elihu Root summed it up best when he said, "It is evident that the insurrection has been brought to an end both by making a war distressing and hopeless on the one hand and by making peace attractive."²⁸

Banana Wars

The Banana Wars were a series of operations undertaken by the United States in the early 20th century to preserve American commercial interests throughout the Caribbean and Latin America. When US business interests were threatened in the Caribbean and/or Latin America, the military became the tool by which to establish alternative governing regimes that would best support US economic growth. These efforts were an extension of the early US empire movement. While not establishing colonies per se, the US did attempt to use its considerable power, both hard and soft, to align its neighbors in the western hemisphere to US objectives. The Banana Wars were not equal in kinetic scale to efforts in the Philippines, but their non-kinetic efforts were. The numerous skirmishes in Panama, Cuba, Honduras, Dominican Republic, and other countries were in line with President Theodore Roosevelt's corollary to the Monroe Doctrine which exerted the right of the US to govern those states in the western hemisphere that could not meet their debt obligations.

At the core of the military mission were economic interests of the United States, and the military was a key tool in affecting necessary economic outcomes. Its bickering politicians, warring countries, and lawless underdeveloped societies characterized Latin America at the time. Major US corporations such as United Fruit Company and Standard Fruit Company faced great risk to their investments and looked to the US government to protect their interests. The US Marine Corps primarily conducted the Banana Wars.

Fighting was brief, localized, and guerilla in nature. In order to execute the necessary military government responsibilities that came during and after the fighting, Marine officers were appointed to varied special duties such as captains of the ports, district commanders, inspectors of customs, internal revenue collectors, and provost judges and marshals. These inherently commercial responsibilities were not lost on perhaps the most famous Marine to come out of the Banana Wars, Major General Smedley Butler. Butler described himself as a “muscle man for big business, for Wall Street, for big bankers”, going as far as comparing himself to Al Capone, noting that Capone only operated in three districts whereas Butler performed his business across multiple continents.²⁹

The efforts of the US military were beneficial for American businesses that operated in the region. In turn, the economic and political dominance exerted by the corporations led to relative stability and economic growth that had not been previously present in most of those countries. This stability lasted in most of these countries until the US pulled its military assets from the region during the Depression and WWII. These events provided an opportunity for the indigenous populations to regain control over their countries from US commanders. However, the local leaders did not inherit a sustainable economy. While the US corporations had invested in infrastructure and other economic drivers during their time in charge, those investments were mainly to benefit their own operations and not general economic well-being among the society. For instance, in Guatemala, the US neglected roads, as they would compete with the railroad monopoly built by the United Fruit Company.

While the Banana Wars have generally been relegated to the back pages of American history, the Marines learned a critical lesson. The Marines’ understanding of

the importance of irregular warfare directly led to the publication of their *Small Wars Manual*³⁰, which is still a relevant read for Marines and soldiers today. This work endorses soft power tools such as economic development as an integral tool in a Marine's arsenal. The manual provides a pragmatic approach without prescribing specific rules or tactics to perform. The manual recognizes the ambiguous conditions that will be prevalent in these operations and recognizes that diplomatic efforts must occur in parallel to military action. Most importantly, "it recognizes that ultimate victory will only be possible if the root causes for resistance are addressed to the population, be they social, political, or economic"³¹.

Another takeaway was that the US forces addressed each intervention in each separate country on its own merits. Conducting these small wars requires an inherent understanding of the local customs, culture, and economics in order to cut-off or redirect the source of any insurgent ideologies. Soldiers on the ground adapted the general doctrine to their environment when undertaking their specific mission. The fact that leadership clearly articulated the economic outcomes as primary mission aims and distributed the message completely through the ranks clearly helped the matter. Long-term indigenous development was never part of the mission, just the immediate protection of economic interests, but if it had been, it is likely that the Marines would have been just as successful.

Germany (World War II)

The reconstruction of Germany post-WWII may be the most famous example of US military foreign economic development and has been cited in many recent operations conducted by the United States. Economic development and other aspects of civil affairs

were an inherent part of the allied military campaign in Europe even as the US waged war. Lieutenant General Dwight Eishenhower in a letter to Army Chief of Staff George C. Marshall in 1942 during the North African campaign lamented on his immersion in non-combat concerns, “I think I live ten years each week of which at least nine are absorbed in political and economic matters”.³² This certainly was not lost on Marshall, who directed the development of a plan to shape the reconstruction of Germany during the war. The result was a 400 page document³³ created over three years that helped guide the military occupation government that was established. This robust plan included the approach to de-mobilizing the German army, what infrastructure to rebuild, and which industries should be salvaged and rebuilt. The plan provided a governance construct to administer reconstruction locally with centralized strategic control. The Allied forces developed and executed plans to re-establish certain industries that would kick-start the German economy while limiting its ability to re-mobilize, heavily supporting local agriculture. Overall, the approach was bottoms-up;³⁴ the US military and civil affairs teams applied numerous resources to local efforts allowing headquarters to integrate the results into a coordinated, strategic outcome.

While historians ultimately recorded the outcome of German reconstruction as successful, it is important to note that not every aspect was as positive at the time as it may seem today. First, even as the Germans obtained self-rule in 1949, Americans administered Germany until 1955. This long occupation was in part due to policy debate that plagued the early stages of reconstruction.³⁵ Initially, Occupational Military Government of the United States (OMGUS) intended to turn Germany into an agricultural society with only a light industrial footprint.³⁶ This approach called for

demobilization of the military and the industrial complex that supported it. The economy of Germany in the early years of occupation was on life support, only saved by the large amounts of aid brought by the Marshall Plan and the policy shift that accompanied it. It took time for OMGUS to realize that Germany would also need to rebuild parts of its manufacturing and light industry in order to establish a healthy economy that fully utilized German comparative advantages.

Given the enormity of the reconstruction, there are numerous lessons to remember in today's foreign economic development. First, the reconstruction effort in Germany showed the importance of integrating post-conflict planning into the overall war effort by the top levels of military command. Endorsement of the economic development objective provided clear direction to the millions of troops that would be required during occupation. These troops performed the complex tasks at the ground level, allowing the leadership to focus on strategic issues. Second, the efforts in Germany also reconfirmed that post-conflict economic development takes years to achieve. The reconstruction effort required many small, localized efforts to be melded into a broader economic outcome that the US could not achieve overnight, nor by merely throwing money at the endeavor. Finally, the effort in Germany serves as perhaps the greatest example of civil-military coordination in post-conflict reconstruction. Civil affairs soldiers and civilians were specially trained through US universities and integrated into the force structure during the war as troops entered Germany.³⁷ Economic stabilization began even as the war raged. General Marshall's subsequent appointment as Secretary of State surely helped the civil-military integration. He established his Marshall Plan through the military occupying authority as well as the civil organizations created in the midst of

World War II. While the tactical approaches applied were dependent on the geopolitical situation of the day, many of the strategic nation assistance takeaways still are applicable today.

Japan (World War II)

The reconstruction of Japan was strategically very similar to the German effort. The country was to be demilitarized. Industry, which was strong before the war, had to be rebuilt from the ground up as the Allied attacks had devastated the economic infrastructure. Quickly stabilizing the economy was especially critical to remove any opportunity for communism to take hold in the country. As in Germany, the US established a military occupational government to lead the reconstruction. The policies developed by the US occupation, headed by General Douglas MacArthur, would lay the foundation to what would become the Japanese miracle.

General MacArthur also understood the importance of microeconomic development in the reconstruction of Japan. MacArthur aimed his reforms at empowering the entire Japanese population, particularly the workers.³⁸ The US gave laborers powers to organize themselves, strike, and bargain collectively. MacArthur also instituted a land reform program that gave land to tenant farmers that worked it. These efforts aimed at balancing the power of the predominant war time political powers: the Zaibatsu financial conglomerates and the agrarian landowners. MacArthur artfully neutered the power of these large political factions without disbanding them. MacArthur even allowed the Japanese to retain their emperor in the new government construct developed, albeit in a ceremonial role. MacArthur was aware that most of the industrial and economic knowledge needed to meet US economic reconstruction objectives resided

in the Zaibatsu and other institutions, so he guardedly retained these groups, implementing a system of checks-and-balances to restrain their power.³⁹ As in Germany, the transition to complete Japanese rule was slow. MacArthur did not immediately democratize the economy. Instead, he began to liberalize women's rights, education, labor, and the judicial system. Understanding the "nexus between economic security, prosperity, and democracy", MacArthur slowly democratized the Japanese economy through the reforms previously mentioned.⁴⁰ However, there was no doubt that his rule was absolute.⁴¹

The effort to rebuild Japan was just as successful as Germany. The Americans built a foundation from which Japan could re-establish its industrial capabilities, ultimately redefining manufacturing and quality techniques to become one of the most productive economies in the world. There are multiple shared lessons from the reconstruction with its axis-counterpart. Like Germany, Japan's reconstruction was long and resourced effectively. Japan also benefited from strong senior leader support, in this case MacArthur, providing unity of command and effort. But whereas the US rebuilt German institutions and industry from scratch into new identities, MacArthur reformed existing pieces of Japan's economic system. In the short-term, it appeared that this approach might not lead to the strategic goals expected by the US; however, MacArthur deftly made smaller changes at the margin over an extended period to get the results beneficial to the US. The final solution, reached over many years, would be more sustainable by the Japanese as it was relatively familiar to them.

Panama

During the Cold War, the US military remained focused on the use of hard power that would affect its ability to win peace in its first conflict following the collapse of the Berlin Wall. The US military was sent into Panama in order to remove Manuel Noriega from power and restore democracy to the country. This was especially important given the US economic interests vested in the Panama Canal. Noriega's rule jeopardized US trade and greatly affected American economic health. The US forces were so successful in their operations that the Panamanian defense forces evaporated almost immediately. This left a security vacuum that the United States did not anticipate.⁴² What followed were days of looting and lawlessness that wrecked havoc on the Panamanian economy which was already in a fragile state. This forced an immediate review and update to the civil-military plan, which was then implemented as Operation Promote Liberty.

Unfortunately, the military task force assigned to execute the post-conflict stabilization, the Military Support Group (MSG), did not possess subject matter experts on economic development.⁴³ The MSG was unable to coordinate with other organizations, nor adequately prioritize relief and development funding that was available. Most of this funding aimed at bolstering the new Panamanian government and police.⁴⁴ The lack of planning for the post-conflict economic environment guaranteed ad-hoc performance in a non-integrated fashion that severely limited economic development. Economic development was clearly a critical factor in Panama's long-term stabilization, yet was not a priority of the MSG.

The key lesson of this case study is that the military did not adequately plan for or execute economic development after hostilities ceased. While a post-conflict plan was actually developed, it never received prioritization from the military leadership

responsible for developing it, nor did it undergo interagency review.⁴⁵ This would complicate matters in establishing a new, functioning government after the removal of President Manuel Noriega from office, which was the primary military objective. In addition, the interagency process did not effectively address planning and execution to facilitate an integrated civil-military approach or even to coordinate the necessary hand-offs from the military to organizations that would follow. This case showed that regime change requires a robust economic plan to support the new administration put in place.

Post Cold War Multi-Lateral Nation Assistance Operations

Following Panama was a succession of US interventions in the 1990's that involved military participation in operations that were less than full warfare where the US did not adequately address foreign economic development. In Somalia, Haiti, Bosnia, and Kosovo, the military performed a security role that begged the question of its role in greater nation assistance efforts. These events also hinted towards a new post-Cold War reality where military intervention would target failing or failed states with little economic capability, sparking great debate across the US government and society about the responsibility of the US to intervene with its military in such efforts. However, the military repeatedly entered into volatile environments to spread a blanket of security upon which to build a functioning economy and governance structure. The military was responsible for the distribution of humanitarian aid in the form of food and supplies. They built up the infrastructure by building and repairing roads, schools, hospitals, and markets. As the military established the conditions necessary for more advanced economic development, civilian government agencies and NGOs took over the bulk of the development effort. The debate and tension between the military and civilian

development agencies would lead President Clinton in 1997 to sign *PDD-56*, which outlined the administration's policy on conducting complex contingency operations. While the military was strategically reeling from the loss of its near-peer rival in the Soviet Union, President Clinton formalized the reality that nation assistance would be occurring more frequently in the future and success in these operations would require an integrated, whole of government approach.

The key take-away from operations in Somalia, Haiti, and the Balkans is that the US needs to develop a balanced military, economic, and political approach to emerging security concerns that clearly defines the operational mission of the US military in nation assistance. Due to unclear strategic intentions that confused policy direction and mission scope, limited interagency interaction, and a complex chain of command that was exacerbated by UN involvement, the US suffered undue casualties and were relatively ineffective in their ability to carry out their mission. Relying on a 'do something' approach without a coherent strategy can exacerbate the length and severity of the conflict while placing a greater risk on American troops. *PDD-56* was a good first start in codifying a nation assistance strategy, but it did not go far enough towards integrating the strengths of the military with those organizations possessing lead responsibility for development. In this environment, the expeditionary ability of the military and its logistical strength makes it an important supporting actor. The military proved in Somalia and Haiti that the basic humanitarian supplies could not reach those that needed it without the DOD. However, the role of a foreign economic developer was not one that was clearly assigned to the military in any of these operations. As the administration of George W. Bush took control in 2001, it rejected Clinton's use of the military in activities

other than war. However, the experiences in Afghanistan and Iraq were about to test that approach.

For a majority of the past decade, US military forces have been operating in Afghanistan and Iraq, yet only a small portion of that time has been in full combat operations. The rest of the effort has seen US troops perform a wide-range of functions intended to ultimately secure and stabilize those countries. Analyzing these current operations will show that US government leaders would relearn many of the lessons from the historical precedents, causing undue injuries and deaths to all parties involved. The US succeeded in winning the war, but ended up losing the peace. Successful economic development is a critical component of winning a sustainable peace.

Afghanistan

The strategic goal in Afghanistan was to remove the Taliban government from power due to its support of al-Qaeda and the attacks of 9/11. The military achieved its objective quickly with a transformational combination of technological prowess with special operations efficiency. The US forced the Taliban from the major population centers to disparate locations throughout the countryside. This effort appeared to nullify the ability of al-Qaeda to operate effectively, yet the recent rise in violence requiring the need to apply additional U.S. forces begs for additional attention on the post-conflict approach.

After the fall of the Taliban, the character of the war shifted to a multifaceted counterinsurgency effort with complementing civil-military efforts to assist the new Afghani government in providing security, governance, and economic development.⁴⁶ In the aftermath of the removal of the Taliban, real GDP grew by 60% due mainly to the

inflows of international aid coupled with the work done by the limited numbers of military remaining in country along with civilian development organizations that moved into the country.⁴⁷ The GAO found that in the years immediately following the invasion of Afghanistan, humanitarian and quick-impact assistance accounted for more than 75% of US spending in the country.⁴⁸ Aid efforts have addressed macro country-level issues across all nation assistance pillars, but have also led to repairs to infrastructure, agriculture, and housing among local populations. While reconstruction funds began to lead to measurable gains through 2004, security concerns threaten the fragile economic situation. In 2009, Afghanistan faces a potential surge of troops to deal with the deteriorating security and increased opium production that continues to undermine economic activity.⁴⁹ Ashraf Ghani, the former Afghan Finance Minister and director of its central bank, describes Afghanistan at the split of two divergent economic paths that will determine whether the country can achieve stability and growth. The first is the “the road of narcotics, criminalization of the economy, corruption of governance and the erosion of trust of the population leading to prolonged conflict, instability and violence” whereas “the second alternative road...is predicated on a competitive economy revolving around the agriculture, mining and services, an effective state that performs all functions for its citizens and a national identity that renews the tolerant and cosmopolitan values of our Afghanistan's Islamic civilization and embraces a place in our global society.”⁵⁰

It is clear from Mr. Ghani’s comments that economic development is central to transforming Afghanistan into a state inhospitable to terrorist groups. However, economic development requires an improved approach from the effort provided thus far. To date, the international community has not tailored its approach to the Afghan context.

In addition, without strict coordination between military and civilian strategies, the counterinsurgency efforts have been ineffective, leading to Taliban resurgence. The primary instruments employed by the US to develop the economy, both in NATO-led and US-led occupational authorities, are provincial reconstruction teams (PRT). PRTs as organized in Afghanistan are primarily military organizations that report to the area military commander.⁵¹ These teams can be as large as 150 members, consisting of representatives from the Department of State, USAID, and the Department of Agriculture.⁵² As the military performs its primary security mission, the integrated civilian agency presence helps to advise military decision-making and to establish local relationships from which to build sustainable economic growth. The military has also established human terrain teams (HTTs)⁵³ that consist of social scientists that translate the local economic and social elements to area military leadership. These constructs are to support the design of counterinsurgency operations in a manner that bases its strategy for securing, governing and developing within an Afghan context. The military, through PRTs and HTTs, has clearly positioned itself as the primary entity to align the layered levels that comprise Afghan government, from the isolated local tribes all the way to the national state institutions.

Afghanistan was the first challenge of the 21st century to our inherited international economic development institutions of the 20th century.⁵⁴ The US performance has been mixed as these organizations have failed to overcome security, diplomacy and development organizational stove pipes. Due to the recent “reconstitution of the Taliban and Al-Qaeda and other extremist elements, a corresponding spiral downward in security, [...] the emergence of considerable corruption problems, the

expansion [...] of poppy production and numerous challenges in developing governmental institutions and local police”,⁵⁵ the efforts to date have been incomplete. While the PRTs have carried out useful work and are a genuine attempt to integrate the nation assistance effort, they have not been resourced sufficiently to meet requirements. The PRTs also have not coordinated their efforts sufficiently with other region’s PRTs, nor the myriad of Afghan authorities that will ultimately be responsible for sustaining the resulting PRT projects. The US faces key policy considerations as to whether an increased civilian capacity is required to meet possible future complex contingency requirements such as found in Afghanistan.

In spite of the uncertainty of current development operations and the fragile security situation, Afghanistan provides a number of lessons learned. The foremost lesson deals with the level of resources applied to the nation assistance effort. The numbers will have to go up in Afghanistan to suppress this insurgency in order to advance developments, advance economic development, infrastructure development and governance. The complex international effort has not provided adequate resources to any of these areas, although recent signs point to improvement in this area. US forces have grown to 36,000 troops, well more than the single brigade present in December 2006. The US has also increased the focus of these additional resources towards non-kinetic efforts by creating a new Deputy Commanding General for Stability, a one-star billet.⁵⁶ In addition, multiple Marine and Army brigades will likely deploy to Afghanistan as efforts are underway to begin the troop drawdown in Iraq.

The second lesson from Afghanistan is that economic development is a core element of counterinsurgency operations. As U.S. Army General David Petraeus, now

Commanding General of CENTCOM and the father of modern counterinsurgency strategy, has frequently stated, “You can’t kill your way out of an insurgency.”⁵⁷ The US bases its counterinsurgency doctrine on a shape, clear, hold, build model;⁵⁸ economic development is synonymous with the build aspect. Counterinsurgency operations stress the importance of securing and serving the population, living among the people in order to adapt to the unique economic, social, and political features of the area. The U.S. Army and Marine Corps 2006 counterinsurgency manual demonstrates an acceptance of economic development as an element of providing counterinsurgency security: “Military efforts are necessary and important to counterinsurgency efforts, but they are only effective when integrated into a comprehensive strategy employing all instruments of national power.” In the Konar province in eastern Afghanistan, a U.S. Army battalion working with a very capable Afghan National Army (ANA) exhibited this behavior. The combined security forces performed the traditional military role of clearing the area. They then negotiated deals with local tribes to provide security in return for the US/ANA to provide economic development “in the form of roads, bridges, schools and health clinics.”⁵⁹

A corollary to the previous lesson learned is that the military’s security role necessitates an active supporting role in economic development at the local and regional levels where their footprint is much greater than that of civilian counterparts. Comments from US military officials in Afghanistan acknowledge that their role in “civilian capacity building is a ‘supporting’ one”,⁶⁰ but they quickly identify their unique capability to link together the various levels of government inherent in this theater. Since

security is bound to the other elements of nation assistance, military strategy, in turn, is not easily separable from the grand development strategy for Afghanistan.⁶¹

The next critical takeaway from events in Afghanistan is that that communication and coordination between all of the entities with economic development responsibilities is poor. This is mostly due to the lack of a clear, comprehensive US strategy for Afghanistan. The strategic ambiguity causes misaligned efforts at the operational and tactical levels. This condition is exacerbated by the multiple military commands present as part of the international coalition. As experienced in Somalia in the early 1990's, a complex international command structure denies unity of command and hinders unity of effort. Between the military command structure and the multiple civilian agencies and NGOs on the ground, there is no integrator of US policy at each level of governance to speak on behalf the international aid and development teams to the corresponding Afghan officials. For example, each of 4 country security teams that make up RC-South "tends to lobby the relevant Afghan Ministers in Kabul for assistance to 'its' province".⁶² The regional commander "has never been empowered to give comprehensive guidance to the other nations in that RC command".⁶³ This ambiguity has led to strained communications between the regional commands and the PRTs. PRTs, despite direction to report regularly to the military commands on their activities, have not shared information under the perception that it is ignored by the operational commanders, nor has the information correlated to additional resources or any help in return. The lack of a total picture of PRT activities frustrates military leadership, both in the US and NATO. Afghan and UN officials also experience frustration based on these arrangements, as resources cannot be applied strategically towards requisite development efforts.

The last lesson learned by the military is that reconstruction and job creation is a critical element of one of the US military's primary tasks in Afghanistan: training the Afghan security forces. Most Afghan soldiers are amenable to giving up their arms and positions within insurgent organizations if presented a viable economic alternative. However, without more jobs and commerce, "US initiatives on army training could ironically create a security problem rather than solve one, if soldiers not admitted into the army join informal armed groups who offer them money."⁶⁴ Without a robust and coherent economic development plan, it is doubtful that the Afghans can establish a national security force. This will force an expensive permanent international security presence or risk the strategic objective that originally led the US to invade Afghanistan. The US had to relearn these lessons all over again in Iraq.

Iraq

All justifications used in the Iraq invasion pointed to the same outcome: the removal of Saddam Hussein from power. Fresh from its quick dismantling of the Taliban in Afghanistan using special operations forces coupled with precision bombing, the US envisioned a similar plan of attack for Iraq. Once the oppressive regime of Saddam was to fall to the overwhelming US forces, planners saw a democratic Iraq rising immediately from the rubble. Military leadership did not heed advice to the contrary, resulting in little planning effort towards post-conflict operations that would ultimately define the Iraq intervention.

Before the oppressive regime of Saddam Hussein destroyed it, the economy of Iraq was the most advanced in the Middle East. Iraq had a well-educated class of professionals leading an able commercial sector and industrial base. Coupled with the

country's access to oil, the necessary elements were in place for sustained economic growth and prosperity. But that all changed once Saddam took over. Years of war with its neighbors consumed much of the country's wealth. Saddam's regime controlled all elements of the economy in a manner to sustain its own power to the detriment of Iraqi society. A major brain drain occurred; those that opposed the regime's economic directives became targets and were forcibly neutralized. As America invaded in 2003, the fragile infrastructure crumbled and most commerce came to a halt.

Iraq has seen numerous phases of economic reconstruction since the fall of Saddam Hussein's regime. The first was the DOD's Office of Reconstruction and Humanitarian Assistance (ORHA) that was established late in the operational planning for the Iraqi invasion. ORHA never received a clear mission and focused mainly on supporting humanitarian operations immediately following the initial hostilities.⁶⁵ It was not long after the fall of Baghdad that the inadequacy of ORHA's uncertain economic development mission became evident. The organization was inaccessible to the Iraqis that it was supposed to serve, and the lack of leadership and strategy did not appear to be improving any time soon, prompting someone familiar to the situation to observe, "[ORHA Director General (Ret.) Jay] Garner and his team of 60-year-old generals are well meaning, but out of their depth."⁶⁶ ORHA did not have a chance to succeed.

Misalignment between the various elements of the US government tasked with rebuilding Iraq persisted throughout the entire campaign. In planning, the US compartmentalized information within the highest levels of CENTCOM to minimize leaks.⁶⁷ This led to the lack of integrated foreign economic development planning. The DOD attempted for months in their war planning to "maneuver around the legal

requirement that no goods be brought into Iraq without a license from the Treasury Department”.⁶⁸ The DOD had an “aversion to dwelling on worst case scenarios that may diminish support for the invasion”⁶⁹ when planning for the post-conflict operations in Iraq. In the reconstruction plan established by OHRA, certain actions were planned in Basra shortly following the outset of the invasion. Yet, the military was not going through Basra until Baghdad was taken. Garner developed administrative zones that did not link to Iraqi provinces, nor to the US military operations.⁷⁰

Once operations had begun, communication was critical given multiple organizations working side-by-side under strenuous conditions, often up to 15 hours a day, 7 days a week. Yet there are numerous examples of communications failures in Iraq across the disparate players. From the beginning, there was no standard pre-brief provided to OHRA officials related neither to overall culture nor to the specific technical areas of assignment.⁷¹ When OHRA staffers arrived in Baghdad, they realized that the US military had targeted the Iraqi phone infrastructure with “so many precision-guided bombs that it looked like Swiss cheese”.⁷² They did not have a means to communicate because they did not have satellite phones. Overall, the US presence in the field never achieved unity of command, nor unity of effort during the initial reconstruction period. Instead, it was every entity for itself, with no overall coordination to determine which party was responsible for any particular aspect of economic development.

After the initial combat operations, the US quickly handed over reconstruction responsibility to the newly formed Coalition Provisional Authority (CPA), a DOD-controlled entity that focused its approach towards economic reconstruction and development on remaking Iraq in America’s image. The CPA was mostly ignorant of the

state of Iraqi economic foundations and culture. The Green Zone, the American enclave from which the CPA ran the reconstruction of Iraq, provided a microcosm of this trait. It was difficult for the American civilians to venture outside the walls of the compound to interact with the Iraqis that they were trying to help. From their isolated perch, the Americans had little to no contact with the greater Iraqi culture. American restaurants and food were abundant; food prepared in the Green Zone did not even come from Iraq. Contractors imported low wage foreign workers from Pakistan, India, and other locales. In general, things worked inside the Green Zone as if it was in America, but it was a different story just outside the compound walls in Baghdad. The US conducted a “full-scale occupation with imperial Americans cloistered in the palace of a tyrant, eating bacon and drinking beer, surrounded by Gurkhas and blast walls”.⁷³

Like in Afghanistan, the CPA proved that inadequate communication and coordination was a barrier to successful development efforts. Once the CPA took over the more comprehensive reconstruction responsibilities, no newsletter or communication channel was established; information along with rumor was shared word of mouth across the massive compound.⁷⁴ Communication breakdowns put US service members needlessly in harm’s way. For example, the CPA did not send notice to soldiers responsible for an area where an Iraqi newspaper was to be shutdown for its anti-American statements that in turn fueled insurgent activities against the troops. In another part of Baghdad, a ICAV patrol killed eight Iraqi workers hired by American authorities as they were mistakenly thought to be laying IEDs.⁷⁵ The ability of the US to truly understand the economic requirements of the Iraqi population was hindered by the disconnect between the dispersed military operations throughout local communities and

the reconstruction efforts that were centrally managed in Baghdad through the CPA. Because the US did not integrate reconstruction efforts with the local military presence, programs had little chance to resonate with the targeted population. These miscommunications were avoidable and hindered strategic success.

Another economic development lesson learned from the CPA is that concentrating on the desired long-term strategic outcomes without the necessary tactical short-term operations upon which to build efforts hindered the overall outcome. It is unreasonable to think that a state can leap to an efficient, modern economy within a matter of years, especially when war, autocracy, and numerous other conditions retard economic development. In Iraq, the US repeatedly ignored short-term tactical success in pursuit of immediate strategic success that was unrealistic. This conflict between short-term realities and long-term desires is best captured by the debate over state-owned industry vice private-ownership in Iraq. Once Saddam's government fell in Baghdad, most of the state-owned factories came to a grinding halt. Never efficient models of operation, the outdated and undercapitalized factories had suffered from rampant looting and destruction after the war. The CPA pushed for the privatization of industry in order to achieve an immediate transition to open market capitalism. Privatization was a foreign concept to the Iraqis who managed and worked in these factories. Each factory was part of a heavily subsidized network that often had state-defined inputs and outputs, meaning they could hardly be successful in the open international market. In addition, these industries were not attractive targets for investment.⁷⁶ The factories that were operational were running well under capacity. In the short-term, returning Iraqi society to a sense of normalcy was more important than the drastic economic transformation attempted

immediately by the Americans. The expectation should have been to establish a long-term plan with the Iraqis and investors to reach privatization over time by focusing on a comprehensive assessment of the industries that should be restarted.

The US approach should have prioritized achieving smaller goals throughout the country that focused more on fixing what the war had broke. Generally, US-guided large-scale investment opportunities trumped the necessary micro-projects needed to build a foundation for economic development.⁷⁷ Gaps arose where the US built water treatment plants and power plants without required distribution infrastructure.⁷⁸ While these large infrastructure projects looked great on paper, they often did not happen quickly, thus providing minimal impact on local economic development. In addition, many of these macro aid packages only served to solidify the ruling elite at the expense of the working class whose development is critical to reaching long-term economic growth. The large infrastructure projects were often invisible to the average Iraqi, generated negligible employment, and pumped little cash into the economy. It is doubtful that any of the locals would prioritize those projects among their most important.

The CPA never learned that localized, bottoms-up development is critical to economic development success and the military is best positioned to affect those efforts. In this phase of Iraq's economic reconstruction, US officials were espousing the requirement of local participation and leadership. In order to develop sustainable economic systems that will survive once foreign aid ceases the local leadership must systems must understand, accept, and manage these systems. However, the US was implementing top-down programs that often ran counter to those goals. The CPA

centrally controlled development as Saddam had done previously. The CPA generally did not devolve decision-making to the local microeconomies that would actually power economic reform and growth. An example of the inability of US officials to listen to the needs of Iraqis was in the reestablishment of the Iraqi stock exchange.⁷⁹ Damaged by war and the looting that followed, the exchange had shut down in the wake of the war and the subsequent US occupation. The Iraqi traders quickly lobbied US officials to resume market operations as they had existed before, which is to say in a very antiquated, manual manner. The US insisted on developing a larger program aimed at developing a modern trading system; this led to unnecessary delays, wasted money, and an end-state that ultimately did not meet Iraqi needs. This was not what the Iraqis asked for and was not something that they would sustain.

Throughout the CPA's time in power, economic development activities consisted primarily of macroeconomic projects undertaken in conjunction with the fledgling ministries of national government. Much of the effort focused on budget formulation and government revenue generation through oil production, transforming state-owned industries into a private capitalistic model, and rewriting trade policies in accordance with international standards. Most of this work was done from Baghdad with the majority performed within the Green Zone. The military focused on large scale infrastructure projects, struggling to rebuild the national power grid. When the CPA was in charge, the resources assembled by the CPA, whether they were suited for the task or not, performed this work.⁸⁰ Based on the results, it appears that more often than not those resources were not well-suited or well-positioned to perform the necessary foreign economic development tasks.

In 2004, after more than a year in Iraq, the CPA ceded control to a new Iraqi government without achieving much in the way of economic stabilization. The State Department assumed control for US development support efforts to the Iraqis. The resulting insurgency and breakdown of security meant that neither the Iraqis nor the civilian elements of the US government could effectively support the reconstruction. Development efforts stalled and the military focused on defeating the present insurgent threat. In 2006, in conjunction with a surge of US troops, the DOD established the Task Force for Business Stabilization Operations (TFBSO), its third phase of economic reconstruction. Since then, the TFBSO has been a primary actor in the improving economic development climate experienced in Iraq.

The lack of economic stabilization contributed to the insurgency that the military was facing in 2006. The commanding generals in the field quickly realized that employment and commerce was critical to neutralizing the insurgents. At the insistence of General Petraeus, the DOD established the TFBSO to develop employment opportunities for the disenfranchised Iraqis that had turned their energies to fighting Americans. Over time, the TFBSO would establish itself as an economic development coordinator at the tactical and operational levels, coordinating microeconomic opportunities and linking these value chains into the macroeconomic constructs being built at the ministry level.⁸¹ Distinctly entrepreneurial and opportunistic, the TFBSO influenced the DOD towards a bottoms-up approach to economic development that leveraged the troop surge to quell the insurgency and set the conditions locally for growth.

Besides making course corrections of earlier tactical mistakes in economic development, the most important lesson from the TFBSO phase is that sufficient resources in both people and dollars are required to deliver successful economic development. Economic conditions improved in Iraq in correspondence to both the troop surge and refocusing DOD assets through the establishment of the TFBSO. The TFBSO has provided a focal point for economic development that coordinates necessary capabilities possessed by the military, the Department of State and USAID, the Department of Agriculture, the Department of Treasury, the Department of Commerce, and the US private sector towards accomplishment of a unified mission. The TFBSO has also been successful in acquiring adequate funding to its projects to bolster the efforts of the human resources it employs and influences.

Overall in Iraq the US re-invented economic development efforts during each of the three phases of reconstruction. The lack of a formal US government framework to guide foreign economic development left a vacuum that allowed parochial interests and ideological biases to dictate the course of action. The US lacked reconstruction professionals and a managed body of knowledge against which actions could be assessed. Ideologues in the administration, especially in DOD, were able to “bypass the national security process to ways that led to critical failures in key strategic areas of nation assistance due to compartmentalization of leadership”.⁸² It took years to overcome these mistakes, but the tide is now turning in Iraq. If US quickly draws down troops in Iraq, will the TFBSO be able to continue the improved trend of economic growth? More importantly, will the lessons of Iraq and Afghanistan be institutionalized to be applied to

future interventions? The DOD must consider these questions today as they transition their forces to meet tomorrow's needs.

Key Themes from Historical and Current Operations

The examples provided show a rich history of US military involvement in economic affairs. In general, direct US military involvement in economic reconstruction required significant investment of both financial and human investment over the period of many years, but ultimately established a more sustainable peace and advanced the national security interests of the United States. Below are specific findings from these historical case studies.

Nation assistance operations are occurring more frequently and are progressively greater in scope since the end of the Cold War

The United States military has conducted nation assistance operations coupled with counterinsurgency and foreign internal defense efforts regularly since the demise of the Soviet Union. There is no sign that operations of this nature will diminish in the future, making use of economic development and other elements of soft power critical. The character of the struggle against global terror will focus US military efforts on failed or failing states that are currently not connected to the global economy and institutions that support economic growth. The global interconnectedness of the economy points to increased economic development efforts for the United States in its foreign affairs.

Although stability and reconstruction operations are occurring more frequently, the objective of economic development is often not clear at the outset, nor is the perceived role of the military and DOD in supporting these operations. By not directly

addressing economic development requirements during the planning phases and by attempting to frame every intervention in traditional combat terms, the military is undercutting US strategic goals and putting soldiers in greater risk of being unprepared for the asymmetric warfare that they are likely to experience.

All military operations consist of economic facets that affect successful accomplishment of strategic goals

In many cases, economic conditions are a root cause leading to war. Whether access to natural resources are a factor, or a group or individual has managed economic aspects of society to distort power in their favor, an understanding of these facets are essential to designing both war and post-war operations to win a sustainable peace. Ignoring the underlying economic factors will likely mean that the society will fall back into instability and violence shortly after military victory. Economic considerations often factor into military operational plans as well. Military planners consider the affect of kinetic operations on population centers, infrastructure, and other elements that affect the ability of the enemy to sustain itself. Modern warfare has found the enemy closely integrated into the general population meaning that the entire economic structure of the host environment is in play. The reconstruction of what the military destroys becomes an essential consideration for military planners to win the peace ultimately.

Economic conditions are also a critical factor in the backend of military operations in that they should help to inform the exit strategy of US forces as kinetic operations cease and nation assistance begins. As was seen in Iraq, Afghanistan, and Panama, post-conflict security was completely interrelated with economic stability. The DOD could not begin to think about withdrawing troops until it established sustained

security in each of those theaters. However, in each of those instances, economic unsteadiness under the military's watch led to a break down in security requiring unexpected effort on the part of US forces. The military must plan all the way through post-conflict economic development in order establish a realistic exit out of the theater.

While there is no blanket approach for foreign economic development, the military has not developed a sufficient foreign economic development framework by which to guide future efforts or to enable inter-agency cooperation

It is critical that the forces responsible for post-conflict stabilization and reconstruction understand the geo-political elements in a particular environment. Military planners must consider the level of pre-conflict economic development; political and economic systems employed; the level of ethnic, cultural, and socio-economic division and interaction within the population, the root causes of the conflict, and the extent of damage resulting from the military operations on the population and the commercial infrastructure. The nature of the Marine Corps' *Small Wars Manual* exemplifies this concept by outlining basic guidance, but does not prescribe detailed tactical procedures to follow.

Also very important is the careful selection of applicable case studies to use in support of planning for post-conflict economic development. Each case study should be compared across the dimensions relevant to the environment in question. It is not likely that any one historical example will fit nicely with a future conflict. Instead, planners need to be prepared to pick appropriate elements from multiple examples. This requires a detailed understanding of historical economic development efforts to discern which policies were or were not effective in a given circumstance and why that was. Moreover,

if a particular element of economic development is not working, leaders must be flexible and try another approach. There are too many variables involved for any plan to survive the first exposure to reality on the ground; leaders must adapt their tactical approach to the conditions given known factors.

The military has treated each of these previous economic development efforts as anomalies, never fully internalizing the lessons from any of them. This puts the planners and operators of the next conflict in a perilous position, forcing them to waste time recreating plans from scratch, or even worse, relearning lessons in the field. The ambiguity instilled into the situation without coherent executive guidance leaves the necessary planning and coordination, both within the joint military commands and within the greater inter-agency effort, to chance. Often, the lack of clear guidance gives the misleading impression that economic development is someone else's job that they are to achieve once military operations cease. Just what that point is and to whom that handoff occurs is never made explicit before conflict.

The DOD's keystone operational doctrine, *JP 3-0*, along with supplemental documents that relate to civil military operations, stability operations and reconstruction do not adequately address foreign economic development. *JP 3-0* "sets forth joint doctrine to govern the activities and performance of the Armed Forces of the United States in joint operations and provides the doctrinal basis for interagency coordination and for US military involvement in multinational operations".⁸³ It identifies the broad areas of military operations and points out generally where the military should consider economic development as part of nation assistance. While it provides strategic considerations that are important to economic development, neither *JP 3-0* nor

supplemental doctrine such as *JP 3-57*, *JP 3-07.1* or *DODD 3000.5* address the specifics of foreign economic development. The documents state that civil-military operations are an “inherent command responsibility”⁸⁴ that includes economic aspects, but there is no task detail that provides clear understanding of the elements and nuances of economic development. The general planning considerations and identification of broad organizational resources beg for more explicit info to guide commanders and planners.

The phasing model of joint operational activities provided in *JP 3-0* and included in Appendix B, is an attempt to communicate to joint commanders and planners where economic development and other nation assistance activities fit within military operations along with the level of effort required of the military.⁸⁵ It clearly accepts that the military has responsibility to leverage soft power in the initial shaping phase and the stabilizing and enabling civil authority phases following major combat. However, in practice this model has led military planners to artificially segregate and outsource responsibility for these civil-military operations to civil counterparts that do not necessarily recognize that model. Instead of the coherent cradle to grave planning intended by this model, assignments are thrown over the wall with insufficient integration and resourcing to achieve a sustainable peace following conflict. Whether intended or not, the model insinuates low levels of military effort in shaping operations prior to conflict and a sharp draw down of military resources following the dominating phase of primary combat operations. The model also scales the phase of dominating activities to show it as the longest phase outside of shaping, yet the historical examples have repeatedly shown us that stabilization and building civil capabilities often are much longer than the actual fighting itself.

Short-term microeconomic projects initiated and managed at the tactical level need to be undertaken in parallel with macroeconomic projects in order to build an environment for sustainable economic growth

In foreign economic development operations as well as stabilization and reconstruction operations writ-large, there is a tendency to jump from the current, often fragile, economic state to an advanced American model. However, in most successful post-conflict operations, a slower, the US has undertaken a more pragmatic approach that has led to more sustainable and enduring successes.

Practical approaches often run counter to the ideological views generally held by politicians, policy makers, and the public. These groups have come to expect the kinetic power employed by the military will bring quick victory on the battlefield, allowing our troops to return home quickly and safely. They believe that all efforts to rebuild a country after conflict should be led and predominantly funded by the local population, should establish the democratic, free-market models employed by the developed world, and be done quickly. As one can see from past examples, an occupying military force and government may be necessary for a long period in order to begin to mold the society towards long-term economic health. Many difficult decisions regarding the status of existing institutions face those tasked with rebuilding the state. Given the nature of states in which we intervene militarily, it is likely that many elements of their economic institutions do not mirror American systems. Yet it is likely that the host state will need these institutions to provide initial capability immediately after the conflict. Where the US can leverage these institutions or systems to provide basic services, there is an opportunity to avoid the breakdown of economic and social stability. In this

environment, the reconstruction team can then set forth on a plan of gradual reform towards more advanced systems that better match those of the developed free-world while providing a better, more stable life for its citizens in the short-term.

Although not a post-conflict example, the Asian growth model from the past 30 years validates a slow, practical approach. For example, China's development was more evolution than transformation and serves as a strategic comparison to recent US foreign economic reconstruction efforts.⁸⁶ The Chinese have built a new economy using their old communist institutions as a foundation. Growing their economy in a controlled manner over a period of decades, China has moved away from state-owned businesses by cultivating a system of family-owned enterprises that have created a merchant class that may one day lead to reforms of the overall political system. In this model, China has not had to radically alter its top-down policies or macro-institutions; instead it has built a system of family-based business based on trust and familiarity. Reform of the Chinese legal and regulatory systems will likely emerge over time based on the importance of the economic reform and subsequent increase in international power experienced as a result by China. This is not to say that this model can be applied to any post-conflict situation that the US may face, but it is instructive to the salvageable and prolonged nature of successful development efforts.

Successful foreign economic development operations resulted from military leadership clearly accepting, planning, resourcing, and executing economic development efforts

When DOD leadership clearly articulates the military's role in undertaking foreign economic development operations, such as in the Philippines, the Banana Wars, and in both WWII examples, chances of achieving both operational and strategic

outcomes increases greatly. This approach not only provides clear strategic direction and expectations to those organizational elements responsible for planning and executing economic development operations, but it also provides an arena to engage the civilian agencies, NGOs, and Congress in establishing an integrated political, military, and economic plan that can be resourced adequately.

Commitment to economic development from the very top is critical to securing the resources necessary to carry out economic development. DOD leadership must commit these resources especially when policy makers from outside the defense establishment do not clearly define the strategic outcomes of a mission for which the US military is proposed. By not assuming a strong policy position concerning its role and capability, the DOD places the lives of service members at risk and jeopardizes the national security objectives of the United States. Direct support from senior leadership for foreign economic development operations leads to increases in the resources dedicated to stabilization and reconstruction efforts, both in dollars and bodies. The DOD must help policy makers understand the importance of not only winning the war, but also that there is a price to winning the peace after conflict. Serving as an honest broker and resisting myopic focus on kinetic operations is a key responsibility of senior military leaders. Once leadership sets the vision, it must then secure the resources by which to execute its foreign economic development mission. History has shown repeatedly in nation assistance that there exists a positive correlation between resource levels and success in meeting strategic objectives in a given locale. The DOD must assign capable leaders with sufficient organizational stature to foreign economic development roles.

Successful economic development outcomes incorporated economic development before post-conflict period began

As mentioned earlier, the phased operational model established through joint doctrine insinuates that the military is to address economic development after it achieves its primary kinetic objectives. Yet history has shown a greater chance of overall strategic success when the military is involved with planning for the post-conflict environment as an integrated part of its war planning and execution. The Philippines, the Banana Wars, Germany and Japan in WWII, and our most recent experience in Iraq underscore the correlation between warfighting and foreign economic development. In cases where there was no clear direction regarding economic development, such as in the Civil War, Panama, Somalia, Haiti, Afghanistan, and Iraq, military success was compromised to a certain extent and soldiers ultimately were left in an ambiguous position as all parties attempted to determine how to win the peace after the war had already been won.

Arguments for Active DOD Involvement in Foreign Economic Development

The case studies demonstrate a long history of the US military's involvement in economic development operations in conjunction with conflict. There are many reasons why this responsibility has fallen upon the services and civilian leadership in the DOD. This section will present the reasons that the DOD is well-suited to support foreign economic development, first by linking it to our country's national security strategy, then by detailing the DOD capabilities that make it a key player in likely future missions requiring reconstruction and development. Some common counter-arguments to this role for the military will also be addressed.

Economic Development as Part of US National Security Strategy

Developing economies of fragile states to a more advanced state is a key element of the US National Security Strategy. In the most recent national security strategy document, President Bush promised to invest the numerous “political, economic, and military” assets that our country possesses in order to “create stability in various regions throughout the world”.⁸⁷ President Bush went further in defining the responsibility of the United States in proactively spreading economic development when he said the following at the International Conference on Financing for Development in 2002:

We must accept a higher, more difficult, more promising call. Developed nations have a duty not only to share our wealth, but also to encourage sources that produce wealth: economic freedom, political liberty, the rule of law and human rights.⁸⁸

The emphasis on wealth generation and the role of economic freedom provides the main thrust of our strategic goals with respect to foreign policy. President Bush made it clear, not only in words, but also in actions, that the US will actively engage with foreign states where stability has eroded in order to achieve more prosperous outcomes. The National Military Strategy articulates this and defines the role of the military in achieving these strategic aims when it states “...military post-conflict operations will integrate conflict termination objectives with diplomatic, economic, financial, intelligence, law enforcement, and information efforts”.⁸⁹ JP 3-0 echoes the National Military Strategy in stating, “As a nation, the United States wages war employing all instruments of national power — diplomatic, informational, military, and economic. The President employs the Armed Forces of the United States to achieve national strategic objectives.”⁹⁰ The

strategic importance of foreign economic development will likely remain strong in the new administration judging by President Obama's foreign policy priority of fighting global poverty, in his mind a primary cause of terrorism and instability.⁹¹

As foreign economic development is so critical to our national security, it is therefore of critical importance to the United States military, the organization charged with defending the interests of the United States against foreign threats. The military is a cornerstone of achieving strategic economic objectives through its ability to affect security, a condition precedent to any other type of socio-economic progress⁹². Paul Collier, an Oxford University economist and leading expert on developing economies, "argues that external peacekeepers and robust economic growth have proven to be more critical than political reform in preventing a return to conflict".⁹³ The military cannot separate its role in defense and peacekeeping with that of foreign economic development.

The new presidential administration of Barack Obama along with the more recent improvement in operations in Iraq and Afghanistan will provide the US with an opportunity to assess the strategic importance of foreign economic development. There is a strong feeling among policymakers around Washington, DC that greater resources need to be provided to the State Department and USAID (possibly at the expense of the Pentagon) to balance America's foreign policy.⁹⁴ In addition, Washington insiders are calling for interagency reform to avoid mistakes made in the decision making leading up to the decision to invade Iraq. President Obama's selection of strong personalities to key national security posts hint towards a re-balancing of power and responsibilities among the executive foreign policy team. These factors may lead one to argue for a reduced DOD involvement with foreign economic development matters, especially given the

recent increase in civilian agency involvement in Iraq and Afghanistan in addition to other areas of the world in which the US has not engaged militarily. Based on the inter-relatedness of economic development to the other elements of reconstruction along with its likely continued importance in our national security, the military must take a greater interest in foreign economic development by integrating it with the greater capabilities of the United States government. In historical operations and in the latter phases of current operations, the US military has proven its ability to support this key element of our national strategy. The current global economic meltdown ensures that development will take on even greater importance in both domestic and foreign policy in the years to come.

DOD Security-Provider Role

The military will have an inherent role in the start of any post-conflict reconstruction effort due to the critical nature that security plays in the success of such an operation. If the military is responsible for security, and security is a prerequisite for economic development, then by transitivity the DOD is responsible for supporting foreign economic development operations. Former Secretary of State and retired general Colin Powell recognized this when he noted, “reconstruction and security are two sides of the same coin”.⁹⁵ Incoming National Security Adviser James Jones also recognized the relationship between defense and economics when he said, “Economic competitiveness is going to be the battleground.”⁹⁶ *JP 3-0* acknowledges that civil-military operations to include foreign economic development support counterinsurgency programs in a “preventive manner by [addressing] root causes of instability, in a reconstructive manner after conflict”.⁹⁷ The ever-changing complexity of warfare will require the defense

community to continually develop these non-traditional capabilities to successfully meet US national security objectives.

Whenever the US military intervenes in any theater, “the intervention itself will change power relationships within that society and among its neighbors”.⁹⁸ Military activities will shift and distort power of many of the key stakeholders, and it may create vacuums that draw in new actors. Within this unstable environment, parties will gain economic advantages or be burdened by disadvantages, resulting in drastic shifts of power. Those that gain in economic standing will likely leverage that position to establish a power base; those disadvantaged are candidates to continue the fight through both kinetic and non-kinetic means to upset the occupying authorities.⁹⁹ The DOD must understand and address the relationship between economic standing and conflict arising from insurgent power struggles.

The DOD cannot wait until after the achievement of the main kinetic mission to address economic conditions. By starting with the desired end-state in mind, even if that is merely achieving a stable and secure environment, the military will reduce risk of its entanglement in an insurgency or additional conflict by doing what it can to manage economic conditions. “Security, even in the absence of economic assistance, will thus produce some economic growth, while economic assistance in the absence of security will produce neither peace nor prosperity.”¹⁰⁰

It is not only in the best interest of the US for the military to be directly involved with economic development operations, but it also reduces the physical risks encountered by every soldier. Research has shown a strong linkage between poverty and physical violence. These studies show that approximately “forty percent of all post conflict

countries return to violent conflict within a decade”, likely meaning that US military activities will be extended or called upon again to quell the violence.¹⁰¹ A country that cannot establish a functional economy that adequately meets the needs of its society is a prime target for terrorist activity given the relative ease by which insurgents can inflict instability through economic sabotage.¹⁰² Addressing root economic conditions allows the military to proactively limit factors that drive conflict. If the US military does not integrate economic development operations into their overall mission, “invariably some other great powers will be compelled to do so on their own.”¹⁰³ Outside actors, likely less well-intentioned than the US, will not only gain opportunities to improve their own well-being, but they can also undercut US interests in terms of US security and political standing. Ignoring foreign economic development in post-conflict societies effectively donates any economic returns gained through the US’s intervention investment to the most opportunistic party, whether they be the Chinese, Russians, or any other insurgent entity looking to better itself while gaining leverage on the US.

DOD Resource Capacity

The DOD receives a much greater budget than any other element of the United States’ national security apparatus. In a time of war, that amount of funding drastically increases, creating an even greater disproportion than the other “D’s” of foreign policy: diplomacy and development. Until those numbers strike a greater balance, the US will call upon the DOD to provide economic development services, handing off to civilian counterparts much further down the timeline than many in the military might desire.

A recent report¹⁰⁴ shows the disparate gap between the military and civilian efforts in Iraq and Afghanistan. Spending from 2001 through early 2009 shows that the

DOD's actual direct budgetary costs, including both base and supplemental funding, totaled \$816 billion as compared to the \$45 billion appropriated to foreign assistance and development. The DOD number does not even include the \$40 billion appropriated to indigenous security forces necessary to build a sustainable stable environment upon which to develop a healthy economy. This report also projects a proportional gap in funding between development and the DOD continuing out to 2018. As long as the DOD receives the lion's share of the resources, the US government will be look upon it to achieve the bulk of the strategic outcomes associated with the effort.

National security strategist Thomas Barnett feels that in the current environment, the State Department's efforts to establish a coordinator for stabilization and reconstruction will ultimately be a failure.¹⁰⁵ Barnett, calling for the creation of a "system admin" capability for the US government, feels this "must grow within, and eventually grow beyond, the confines of the Defense Department".¹⁰⁶ The new administration has hinted towards correcting the resourcing discrepancies that hinder the State Department and other civilian agencies. However, this change will not be immediate. The DOD will be required to play an active role in economic development operations for the near future. They will continue to possess the dollars, the human capital, and the infrastructure necessary to surge and support these efforts in austere environments across the globe.

DOD Logistical and Communication Capabilities

Expeditionary, logistical, and communications capabilities are critical to deliver microeconomic aid, especially in a non-stable environment. The ability of the US military to project its power into multiple theaters simultaneously across the globe is such

a distinguishing factor that no other organization in the world can match. This expeditionary capability requires a logistical foundation that not only supports combat operations, but also allows expansive, sustained occupation. Given the US technological advantages, it is tempting for military planners to rely on a quick, surgical, and high-tech approach to waging war, with a light human footprint. However, this approach does not attempt to influence the collective will of individual citizens. By distributing US troops throughout theater with a goal of supporting economic development as early as possible, the ability of insurgents to “separate the population from the government and acquire its active support” is greatly reduced. Mao Tse-Tung argued that the power to wage war was best drawn from the masses of the population;¹⁰⁷ the military is in a unique position to redirect those same forces that drive insurgencies towards growing local economies.

Free movement within theater is the basis for effective of microeconomic development. No civilian entity has the necessary logistical resources to safely maneuver throughout an entire theater to effectively conduct economic development operations. In a post-conflict environment, it is likely that the war will have severely damaged institutional and physical infrastructure, making reconstruction dependent on delivering a logistical capability to bridge the gap until the civil infrastructure can be reestablished in a sustainable manner. Army General Ray Odierno recognized the link between the Army’s logistical capability and economic reconstruction during his command in Iraq. Odierno’s first principle was to expand the military strategy outside the city limits of Baghdad. He implored his planners to get out in the field to “understand the environment and develop plans from an environmental perspective”.¹⁰⁸ The US could not apply this approach without the ability to travel among the population centers within the theater.

The US military also provides the most complete set of supporting capabilities that can enable foreign economic development. Its engineering, logistical, and civil affairs units can build or repair buildings, construct roads and infrastructure, and provide medical and veterinary services. It possesses the logistical capabilities through trucks, heavy machinery, and airlift to deliver services throughout an area of operation. Its logistical and engineering support capabilities are unmatched by any other organization in the world. Without these capabilities, economic development is virtually impossible.

The ability to communicate effectively across a theater is the glue that holds the entire logistical network together. The DOD has invested heavily in developing command, control, communications, computers, and intelligence (C4I) systems. The DOD is the only government organization that can field the systems, tools, and networks necessary to communicate effectively across theater in austere conditions. The US must integrate this capability into the operations of other major US development agencies in the field. USAID recognizes the need for tools to collect, access, and distribute economic information in helping to restore market functions¹⁰⁹, but does not possess near the resources to acquire a system as exceptional the DOD's. Communications is yet another area in which the DOD has built up unique capabilities through decades of massive investment that are well suited for the large, field-based microeconomic development support.

Especially in Iraq, the US approach towards economic development was too slow to involve the military, limiting the expeditionary nature of operations. The US conducted economic development out of the Green Zone with limited forays into Iraqi ministry offices, "as though governments somehow birth functioning societies and

economies instead of the other way around.”¹¹⁰ While macro governance and economic policy is necessary to create an environment for development, the post-conflict condition of society requires a greater bottom-up microeconomic effort that only the military can lead initially due to their expeditionary capacity fueled by logistics and communications.

DOD's 'Can-Do' Culture

The DOD operational culture is generally focused on mission achievement above all other factors. There are few organizations in the United States government, let alone the world, that can match the dedication towards meeting the specific outcomes assigned to them. This trait comes from repeated success in translating abstract strategic goals into actionable results at the operational and tactical levels. This quality is needed to meet the challenges posed by foreign economic development, which often is indefinite at the strategic level and is difficult to decompose into discrete, operational and tactical events that can actually be executed by those responsible.

The mission-focused nature of DOD operations is an essential piece of the overall foreign policy mechanism of the US government. The DOD, more than any other element of government, affects the execution of the US grand strategy through its operational and tactical prowess. The NSC dominates the grand strategy level with certain members playing a larger role depending on administration. Below the grand strategy level is a policy layer that resides across each agency and in theory should be aligned to the grand strategy guidance provided by the NSC; however, the policy level is where most bureaucratic in-fighting resides resulting in disparate strategic guidance between and within the agencies. The policy level then informs the operational level; the DOD dominates this level. As evidenced by the resourcing of the DOD compared to

other elements of the national security construct of the US, there is no peer to the DOD in the ability to execute operational and tactical operations to support strategic aims, whatever they may be. In the area of economic development, USAID is the closest in scale to the DOD, but USAID is still not nearly as equipped as the DOD to reach the necessary microeconomic elements necessary to drive economic growth within a post-conflict environment.

While the military decision-making model drives outcome-oriented results at the tactical level by personnel dispersed throughout the field, strategic and operational commanders need to aggregate those results to ensure that the US is achieving its strategic outcomes. Following the Observe-Orient-Decide-Act (OODA) loop enables tactical commanders to reach a practical outcome, keeping soldiers safe while still advancing towards mission goals. Yet this simple process can undermine advancement of strategic goals if regional and theater commanders are not trained in the role economic development plays in strategic outcomes to be achieved or if they do not instill that vision in subordinate officers. Long-term strategic economic development goals must be deconstructed by senior leaders into achievable elements by those elements in the field; it is therefore critical that those field commanders utilize those techniques that make the DOD such a formidable achiever of operational results in such a way that strategic outcomes are still advanced.

DOD Transformation

The DOD began a transformation before 9/11 to a lighter, more agile force to deal with the asymmetric threats prevalent in the current environment. This shift was validated and accelerated by the wars in Afghanistan and Iraq that followed. A key

outcome derived from transformation was an acceptance of the military's role in reconstruction and stabilization efforts in conjunction with traditional kinetic requirements. While current doctrine and policy documents do not provide specific economic development direction, many of the security and civil affairs elements of the services have advanced their operations to meet the challenges of the recent wars.

Military strategists generally appreciate that asymmetric warfare requires expanding the DOD's arsenal to include non-kinetic operations. This is in large part due to recognition of the risk, both physical and political, to the military if it cannot sustain the peace won through traditional kinetic operations. In order to win the peace, "there is a need to create military forces with extensive experience in civil-military action in addition to forces that can use aid as effectively as weapons—dollars as well as bullets".¹¹¹ *JP 3-0* best demonstrates the DOD's commitment towards an active role in stability operations to win the peace by establishing the realm of stabilization and reconstruction operations as part of its core operational mission along with *JP 3-57* that provides more specific doctrine to stability and support operations. The military is transforming its concept of conflict termination from one that entails physically destroying its enemy to one that "seeks to resolve the root causes of conflict and instability while building the capacity of local institutions to forge and sustain effective governance, economic development, and the rule of law".¹¹² Much of this is a direct result of experience gained on the ground in the recent conflicts by Army leadership to include General David Petraeus, General Pete Chiarelli, and General Ray Odierno.

These generals as the primary commanders of the forces in Iraq, not only helped define stability operations in general, but also emphasized foreign economic development

specifically in their planning and execution orders. In a memo to his forces, General Odierno focused his troops on meeting their primary mission of protecting and serving the population of Iraq.¹¹³ But he went further by stating that in order to achieve that mission, US soldiers and marines would be required to foster local governance, provide basic services, maintain infrastructure and help lead economic revitalization. He directed US forces to develop an “environment that creates honorable work, rewards honorable behavior, and emphasizes honorable treatment for all”.¹¹⁴ It is no mistake that he led that point with the creation of jobs, a fundamental economic outcome that would lead to a better way of life for the Iraqi people while reducing the risk for continued violence. These leaders set the tone from the top by integrating civilian and military efforts to achieve economic growth. General Chiarelli echoed this theme when stating that a key objective of his Task Force Baghdad was to “[create] opportunities for economic independence through a free-market system”.¹¹⁵ It is clear that top leadership guiding the current war effort understand the necessary role of the military in establishing an environment of economic development. In transforming an agile hybrid force that expands its non-conventional means without sacrificing its traditional military capabilities, the DOD must recognize economic development for its primary role in establishing a sustainable peace.

Concerns Regarding DOD Involvement in Foreign Economic Development Operations

There is substantial concern both within the defense community and within the civilian elements of government that the DOD will continue to participate in foreign economic development activities. Civilian organizations argue that the primary responsibility of nation assistance, with exception of the foundational element of security,

belongs to the Department of State (diplomacy) and USAID (development), with specialized support as needed from other civilian agencies and organizations such as Department of Commerce, Department of Treasury, Department of Agriculture, OPIC, World Bank, International Money Fund, and many others. Much of this argument is based upon bureaucratic competition for limited resources. DOD interest, action, and success in improving economic stability in a post-conflict region may directly challenge the core competency of civilian organizations that have been insufficiently resourced to perform their mission with respect to the ambitious strategic foreign policy goals of the US. The military is thus seen as squeezing additional power and resources of these weakened organizations.

Another claim levied by the diplomatic and development communities is that the DOD lacks the organizational tact necessary to effectively conduct soft power operations such as economic development. At times, outsiders see the military as far too forceful and direct; their ability to apply decisive physical force along with their focus on achieving tactical mission success may impede successful economic development. This may be evidenced by hospitals that are built by the military that cannot be sustained by the local population or by the opening of a school that is dedicated in the prominent presence of US defense officials, a mass of soldiers, and armored equipment that contradict the symbol of economic normalcy that the school provides to the community. Undertaking projects just because it can and because it is expedient does not equate to being beneficiary to the host community. It is argued that, in general, the DOD lacks the desire that is required to effectively deliver soft-power operations following conflict in a given theater.

Within the defense community, many fear that taking on non-kinetic operational responsibilities will dilute the core kinetic capabilities that are primary to the military's mission. Peacekeeping missions in Somalia, Haiti, Bosnia and Kosovo that preceded the current operations in Iraq and Afghanistan all led to a general fear of diminishing the warrior culture critical to its traditional mission. Resources allocated to economic development and stability operations potentially threaten the defense industrial base also as less money would be available to spend on major weapons systems required to address near-peer threats of great power nation-states. While there has been a shift in attention paid to stability operations through the update of policy documents, there is still a long way to go towards mass cultural acceptance of soft power economic development operations within the world of defense.

Instead of arguing each of these points separately, it is far more instructive to contrast these opinions against the current reality necessitating the DOD's recognition and acceptance of economic development responsibilities. Iraq and Afghanistan each posed environments where kinetic operations were decisive. But the transition from conflict to post-conflict in each of these arenas did not provide an environment for non-military organizations to perform effectively across the full-spectrum of economic development requirements due to their limited ability to affect local, microeconomic stability and growth. Initial reconstruction efforts, in the case of Iraq led initially by the DOD, were ineffective; various insurgencies arose taking the lives of both the host population and American soldiers were as a result. Later, the Department of State regained its traditional lead role in the reconstruction efforts, but conditions proved too difficult to penetrate the microeconomic root of development and growth. Facing greater

physical dangers as a result, the DOD had no choice but to fill the operational vacuum. Since committing military resources to microeconomic stabilization and development, security operations have become more effective, macroeconomic programs have taken hold, and the host population finds itself in the best position of a lifetime to improve its overall standard of living. The US military must build upon this experience to accept its role in supporting the broader US government's foreign economic development responsibilities in pursuit of the nation's strategic objectives.

Recommendations

Evolving foreign economic development capabilities within the DOD is not overly complex, even if some elements of economic development are. There is no silver bullet to reaching advanced capabilities in providing foreign economic development. The problem of and solution to supporting the development of foreign economies does not fall neatly within just the walls of DOD; it is spread across government, international organizations, and the private sector. This capability is not one that can be simply bought from a vendor; it requires a combination of requirements definition, prioritization, collaboration, reorganization, communication, training, and most of all, strategic patience. This is not an easy sell as the defense budget is under attack due to domestic fiscal conditions, the military is stretched thin from two major ongoing operations, and the grand policy of the new administration has not been fully developed throughout each of the agencies yet. However, it is necessary for DOD leadership to follow the example of those commanding generals in Iraq that fought for the unpopular troop surge which

negated the insurgency in order to push for a continued examination of the need for improved foreign economic development capabilities within the department.

The remainder of this paper will focus on recommended areas of assessment by DOD leadership in the strategic realm of foreign economic development. Recommendations will be directed towards DOD action; some will require defense efforts within the greater interagency community while others will be specific to internal DOD matters. The recommendations are not intended to be prescriptive tactical guidelines to help the US military fight the last war; instead, recommendations provided will address broader, strategic considerations applicable to future stabilization and reconstruction missions in which the DOD may find itself. Lastly, the recommendations are divided into short-term and long-term efforts. For this analysis, short-term is defined to be within 4 years while long-term is 4-8 years to consider realistic policy expectations in line with the length and timing of presidential administration cycles. The actual timing of such efforts depend on numerous unknown factors such as the effect of an overall net draw-down in US forces deployed in the Middle East and the current financial crisis that has drawn so much focus and energy from all elements of the US government. It is recognized that military planning looks past 8 years; it is expected that military foreign economic development capabilities will continue to be assessed as part of these broader strategic analyses. More important than the timing of any specific recommendation is the generation of healthy debate related to the role of the DOD in future economic development efforts along with any required changes to meet those requirements.

Short-Term Recommendation: Formalize DOD Approach Towards Foreign Economic Development

As demonstrated through the historical experiences presented, the lack of formally defined policy, doctrine, and organizational constructs related to economic development causes uncertainty throughout the DOD, risking operational and strategic success of future campaigns. The department must fully assess the overall importance of possessing economic development capabilities, then design and resource the necessary elements to meet the defined requirements.

The DOD cannot take a passive approach, nor can it deny its supporting role in economic development. In formalizing the DOD approach towards economic development as part of military missions, leadership should consider the paradigm of social epidemics defined by Malcolm Gladwell in his book *The Tipping Point*.¹¹⁶ Economic growth is essentially a positive social epidemic, spread at the grassroots level by interaction among individuals through micromarkets. In order for a social epidemic to catch on and spread, three distinct types of actors are necessary: Mavens, connectors, and salesmen. Mavens hold deep subject matter expertise and are eager to share it with those that are interested. The mavens in economic development would be those development professionals across civilian agencies and organizations such as Department of State, USAID, Treasury, Commerce, and others. Salesmen are the actors that convince others of the social importance of the activity or movement, represented by senior leadership and policy makers among the NSC and its principal members to include the DOD. However, the DOD's biggest contribution would come as a connector. Connectors provide the linkages between all of the mavens, salesmen, and the target population. They develop the network through which information flows and the epidemic is able to spread. With its expeditionary positioning coupled with its web of

logistical and communication tools, the military is the means that allow the parts to come together in a functioning system promoting a more prosperous economic environment.

Formalizing the DOD's approach first requires clear sponsorship from both the civilian and military leadership of the department. Then the current stabilization and reconstruction doctrine must be updated to specifically address economic development. As stated before, joint service doctrine has been recently revised to provide a starting point related to overall stabilization and reconstruction requirements and considerations. These documents provide an excellent base from which to add specific elements of foreign economic development. Each of the services, especially the Army and the Marines, should assess their doctrine in conjunction with the development of the joint doctrine. Recording the formal doctrine will avoid the ad-hoc approach relied on Afghanistan and Iraq, allowing planners to better scope the overall war effort and providing operators with guidance that will ultimately reduce risk to the troops on the ground.

The lack of formal direction and controls permeated throughout the efforts in Iraq and threaten all future post-conflict missions. The fact that "no roadmap exists that would help a military planner develop a hand-off plan that would embrace all tools available on the civilian side"¹¹⁷ guarantees that the DOD will spend much effort on coordination and administrative in-fighting that will produce sub-optimal results. The problem is "exacerbated by separate funding streams, time lines, operational speeds, and legislative requirements"¹¹⁸ that comes from the bureaucratic confusion caused by a lack of top-level direction. Without a common foreign economic development framework, each successive commander is left to determine his own approach, often after military

operations are underway. Despite where “post-conflict efforts have worked in the past, there has been no gap in between the end of conventional military actions and a seamless transition to post-conflict operations”, there exist no controls to ensure that “planning for the post-conflict period must begin in concert with the planning for military operations, and it must begin as military operations are ongoing”.¹¹⁹ Each government element involved then takes matters into their own hands leading to a chaotic environment and suboptimal results.

Along with enhanced policy and doctrine development, the department should assess the organizational constructs required to keep an emphasis on economic development along with maintaining the necessary skill sets to plan and deliver such operations. At a minimum, the DOD should expand on *DODD 3000.5* by assigning specific economic development responsibilities in policy, doctrine, and execution to the relevant DOD organizations responsible for general SSTR tasks. Per *DODD 3000.5*, the Under Secretary of Defense for Policy (OUSDP) currently holds the primary policy accountability for DOD nation assistance activities, delegating specific responsibility to the Office of the Deputy Assistant Secretary of Defense for Stability Operations Capabilities. This office should create a specific suborganizational entity to focus entirely on foreign economic development policy tasks in line with the general SSTR responsibilities. Besides determining foreign economic development policy, this group should be the central coordinator with the other SSTR actors identified in *DODD 3000.5* to include the under secretaries responsible for intelligence; personnel and readiness; acquisition, technology, and logistics; resource management; public affairs; network management; the Joint Staff; the COCOMs; and the services while having primary liaison

responsibility among the external economic development actors.¹²⁰ If DOD leadership designs and resources the economic development policy group appropriately with a strong charter and support from the top levels of DOD, the other organizations identified in *DODD 3000.5* would not necessarily need to develop corresponding suborganizational units for foreign economic development as long as they were resourced adequately to support direction coming from OUSD(P).

DODD 3000.5 tasks OUSD(P) with establishing a stability operations center to “coordinate stability operations research, education and training, and lessons learned”.¹²¹ This is a good foundation, but additional responsibilities may be necessary. The office responsible for operational activities related to foreign economic development should work hand-in-hand with both the COCOMs and the individual services to develop and maintain a comprehensive and integrated capability for the department as a whole. The operational office would provide a central coordination role to ensure planning and mission activities are reflective of necessary economic development features to include supporting development of foreign economic development contingency plans with the COCOMs. These contingency plans would be reviewed up through the Joint Chiefs of Staff and could be coordinated with Department of State and USAID planners. The operational office would also assist in integrating the civilian actors into the combat or post-combat environment. This office would also be able to assist COCOMs during the shaping phase of operations by providing the necessary resources to work with host nations in addressing economic issues related to instabilities in the microeconomic arena. The operational office should expect to have to maintain an expeditionary stance both in peace and in war to ensure that foreign economic development policy is disseminated

sufficiently throughout the department to the boots on the ground that will ultimately execute those missions.

The operational office should also coordinate with the services to ensure that the Title 10 functions of manning, equipping, and training the force incorporate economic development requirements. In order to provide stabilization and reconstruction capabilities that lead to strategic economic development goals, the services must increase the number of civil affairs soldiers that are trained in economic development and possess both interagency and joint-military experience. The operational office should also be responsible for collecting and assessing joint capabilities requirements and developing the necessary acquisition programs to acquire any materiel solutions. Constructing an entrepreneurial entity at the joint level will be critical to herding the individual services towards a more robust foreign economic development capability. There will be friction in this interaction; resources required for nation assistance will draw from a limited and already stretched pool. The non-kinetic nature of economic development along with its greater time requirements will exacerbate the services' pushback. A nimble joint office with the necessary organizational stature is necessary to grow the required capabilities.

Currently, there does not exist a permanent office responsible for executing economic development at the DOD level. In this vacuum, the DOD formed the impermanent TFBSO under the Deputy Under Secretary of Defense for Business Transformation (DUSD-BT) using Global War on Terror (GWOT) funding. The new office proposed for executing foreign economic development should be a permanent evolution of the TFBSO. The department should conduct an analysis to determine the best operational construct to develop and provide foreign economic development

services. The permanent organization construct should maintain the senior leader support experienced today along with the entrepreneurial outlook necessary to transform military operations within the bureaucracy. As a more permanent operational entity is developed, the DOD should assess if business transformation is an appropriate discipline in which to house foreign economic development capability. While the DUSD-BT was established to inject leading business practices from industry to better support the warfighter, foreign economic development operational office does not necessarily fit well into this domain. The best approach may be to create a new Deputy Under Secretary of Defense for Foreign Economic Development that would be solely devoted to FED operations.

Committing to a dedicated organization chartered to establish foreign economic development policy and operations will reduce the risk to the department and its personnel, avoiding lessons from past conflict when military leaders found themselves responsible for economic development and re-invented approaches on the fly. *JP 3-0* describes this creative but reactive approach as operational art.¹²² That the commanders, officers, and troops on the ground could eventually integrate foreign economic development tasks into their overall mission is a testament to the skill, knowledge, experience that they possess. Yet the time lost in organizing and providing trained resources specifically assigned and trained to support and promote foreign economic development efforts led to numerous lives lost and compromised strategic objectives, undermining the success that the military achieved during battle.

Short-Term Recommendation: Assess Appropriateness of Funding Mechanisms for Foreign Economic Development Operations

The other short-term effort that the DOD can undertake is to assess its financial management construct to better plan and manage for foreign economic development operations. Overall, foreign affairs budgeting is not conducive to long-term planning. Without consistent multi-year program commitment, the foreign economic development activities that are critical to the overall success of US foreign intervention will be conducted in an ad-hoc, reactive manner that is likely under-resourced. This does not bode well considering that stabilization and reconstruction costs have “outpaced those of major combat operations by 4-to-1”.¹²³ The DOD is currently not structured to effectively financially manage these lengthy and costly foreign economic development operations.

There are too many funding lines today related to efforts that can be categorized as foreign economic development activities. The US government funds each of the major pillars of stabilization and reconstruction out of different accounts with different budget authorities spread across agencies and with different Congressional oversight. Most of these accounts are still based on Cold War paradigms¹²⁴ and do not support wars with smaller amounts of kinetic operations and increasing levels of non-kinetic operations. Much of the funding provided to the DOD is to establish large infrastructure projects that undermine the greatest capability of the military to serve as a catalyst to drive local microeconomic growth. The funding structure issues are evident across both the DOD and the civilian agencies. However, the DOD cannot expect to coordinate among the external players until it is able to more ably manage its own affairs.

The DOD must map the required foreign economic development activities that they must perform to the sources of the funding that have supported those efforts in Iraq

and Afghanistan to determine a more coordinated resourcing strategy. The US military can provide numerous financial elements in their early operations within a theater, including Commander's Emergency Response Program (CERP) funds, grants, and micro-finance tools. Each of these elements has been used to varying effects in recent operations; each comes with varying constraints. The DOD must not only define which components are responsible for particular activities, but they must make available funding directly for that purpose. DOD components are known for experiencing infighting when operations are funded by more than one service.¹²⁵ As most DOD monies finance increasing military readiness and not foreign aid, military planners must present Congress with a coherent funding strategy for critical DOD foreign economic development that is coordinated across the civilian agencies. Most importantly, the approach must be transparent to allow for more efficient oversight by Congress and better accountability in order to assess the strategic outcomes.

Specifically, the DOD must carefully assess the use of CERP funds. While CERP funds have received positive attention in many quarters, the use of these funds to drive economic growth may be counterproductive in the long-run. First, Congress appropriates these funds annually, which does not support long-term approaches necessary to meet the strategic prosperity goals set by the US. Second, the large infusion of funds directly from the military or other US entities such as Provincial Reconstruction Teams (PRTs) can lead to an over-reliance on non-sustainable foreign aid and may drive inflation in the local economy, a debilitating hazard of any war that must be restrained as much as possible. Finally, the constraints placed on CERP funding by Congress may drive the

military towards large, disparate infrastructure projects that undercut the military's ability to promote economic growth.

The importance of the funding analysis ultimately is to develop mechanisms complete with guidelines that will help govern the inevitable funding debates surrounding development operations. Without guidelines, unity of command, unity of effort, and unity of resourcing is almost impossible. Leading development experts have proposed levels of macro, long-term development funding.¹²⁶ The DOD must decompose this guidance into each of its elements to improve unity of effort and coordination. In turn, with a focused approach based on the macro guidelines, the DOD can submit a coherent, defensible budget request to Congress that has a greater likelihood of being funded in a timely manner, thus better supporting the troops in theater. These guidelines must be realistic and recognize the broader efforts of external stakeholders; the criteria set by many of the NGOs responsible for global economic development disqualify many of the states where the DOD must ultimately intervene. There is currently no forum for rational deliberations regarding funding economic development efforts in any foreign intervention in which the DOD is involved.

A more formal approach to funding foreign economic development operations will also promote better interagency coordination. Money talks; at any given time the biggest player in economic development will be the entity with the largest amount of money to spend whether or not it is the best suited to perform elements of the mission. Appropriations given to specific departments become a self-fulfilling prophecy; the bureaucracy becomes focused on organizational stature and performance to the detriment of the combined U.S. government mission. Since it is so difficult to shift funding

appropriated by Congress through the current constructs, each agency involved in foreign economic development needs to have a common baseline that can be the basis for integrated budget and supplemental requests to Congress. In Iraq, the DOD had more economic development responsibilities thrust upon it because they were the only adequately funded entity for operations in such a severe environment. A coordinated approach by the DOD and the relevant civilian agencies, perhaps governed by memorandums of agreement, will strengthen the argument for the necessary funding arrangements ultimately determined by Congress that will best support the operators on the ground responsible for mission success.

The DOD should explore the resourcing model employed by the United Kingdom in stabilization efforts. The UK's three primary ministries responsible for post-conflict defense, diplomacy, and development operate on a "triple-key" system where each must approve of the reconstruction team's efforts in the field.¹²⁷ Their approach gives a stronger voice to the diplomatic and development arms of the government that the more resource-laden defense force may otherwise ignore. Even though NSPD-44 shifted reconstruction and development from the DOD to the State Department, the policy shift cannot overcome the fundamental funding imbalance.¹²⁸

Long-Term Recommendation: DOD Should Push to Establish an Integrated Inter-Organizational Construct for Foreign Economic Development Operations within US Government

Once the DOD establishes a foundation within its own walls from which to formally contribute to foreign economic development operations, it can then turn its attention towards establishing an interagency construct sufficient to drive global

prosperity. While this is not the DOD's intrinsic responsibility, it should take advantage of its recent foreign economic development role and its considerable leverage to convene the major actors in foreign economic development to develop a framework for the US government. Such proactive effort will go a long way towards reducing interagency misalignment in future civil-military operations.

The good news is that the US government does not have to build a capability from scratch; the difficulty will be in bringing all of the players to the table to define a whole-of-government approach that integrates each complementary element. Foreign economic development spans the most elements of the US government of any of the pillars of nation assistance. Appendix C summarizes the breadth of activity that was first captured in a report by the Institute of Peace¹²⁹. With such varied and specialized players, it is clear that the DOD should not be the lead of development efforts; the DOD primary mission focus will always relate to the application of physical force to establish a stable environment primed to receive foreign aid and development assistance. However, as articulated earlier, the US military possesses unique skills that are critical towards establishing the necessary environment for economic growth, especially at the microeconomic level. For the most part, the US government inadequately resources, inadequately structures, and insufficiently charters other actors in economic development to affect comprehensive foreign economic development. Most focus on direct US interests; sub-elements within certain organizations that have emerged to specifically address foreign economic development have collided with the traditional US-focused agency responsibilities. At DOS and USAID, agencies that possess a balance between

foreign economic development and US foreign policy interest, inadequate resourcing has forced them in a secondary role to the DOD.

A move to an enterprise approach would begin to address the main bureaucratic issues that bind foreign economic development in the current interagency construct. While bottoms-up entrepreneurial innovation has traditionally driven economic growth, the government approach is to provide large appropriations to specific agencies; these appropriations become a self-fulfilling prophecy that becomes an organization's reason for being no matter what conditions in the field may otherwise suggest. Agency appropriations lead to stovepiped execution that in turn prevents a coherent, overarching strategy from being developed.¹³⁰ Those executing foreign economic development operations are left to work without law or precedence; the absence of procedure leads to suboptimal efforts resulting from uncertainty of responsibility, authority, and legality. It is easier for the operators to do nothing or to undertake minimal, low-risk projects that will not interrupt the stream of funding for the agency. A corporate-approach would provide a centralized coordinating body that could fund efforts most relevant to the current situation across the most-capable elements of government. This would provide a single source of oversight for Congress and a more streamlined management structure for the President. The current US approach "adheres to specific agency missions, thus reinforcing a civilian/military mission that does not exist in real life".¹³¹

The most obvious lead for coordination is the National Security Council, which already incorporates two of the three major reconstruction players in the Departments of State and Defense. Based upon the current movement for interagency reform, it is likely that the NSC will play a key role in future foreign economic development effort. The

NSC exhibits many positives and negatives as a potential coordinating body for foreign economic development operations. The most important characteristic of the NSC is its proximity to the President. Individual presidential preference directly influences the NSC's role and importance. Theoretically, the council is responsible for the overall coordination of the primary elements of US foreign policy with respect to national security. In both the Bush 43 and Clinton administrations, the NSC has provided broad direction as to the role of specific agencies in stabilization and reconstruction efforts through NSC directives. Despite its adjustable construct, its position as a direct advisory body to the president that includes both the secretaries of the major foreign policy departments lends itself to coordinating foreign economic development efforts. In the realm of US foreign policy coordination, there is no equal.

However, there are characteristics of the NSC that detract from its role in coordinating foreign economic development operations. First, its previous activity in coordinating interagency efforts have been largely unsuccessful as documented earlier. The NSC develops grand strategy; it has not been able to govern more specific interagency interaction, nor has its efforts led to an articulate, focused resourcing outcome from Congress. In addition, the NSC staff has no expeditionary footprint of its own. While its constituent members have a footprint outside of the beltway, the NSC staff may not understand the microeconomic factors critical to foreign economic development and the military capabilities that enhance the chance of US success. This Washington-centric position also leads to a much more ideological-based approach than one acquired through a forward-deployed stance. The NSC will continue to play a large role in shaping current and future administrations' foreign policy, but historically it has

lacked the necessary bureaucratic framework to execute large scale operations on the scale of foreign economic development.

A more progressive approach could see a government coordination board established that would include all of the major actors involved in foreign economic development with a revolving chair position that reports directly to the president or vice-president. An interesting construct from which to design the foreign economic development organization is that of the Overseas Private Investment Corporation (OPIC), an independent government entity. A senior executive appointed by the President leads this group, but also houses a board of directors made of agency leads from across relevant government organizations along with representatives from private industry that meet certain criteria. The US could apply a similar approach to a dedicated foreign economic development organization. The whole of government organizational construct and associated policy must become apolitical to extend past individual presidential administrations. However, a comprehensive body, acting as a board of directors, should have strategic input into the grand economic development strategy, operational planning, and oversight of mission execution. This strategic body would have direct communication with the White House on a regular basis. While this is similar to the construct of the NSC, the NSC does not include all of the necessary foreign economic development players.

Whatever construct chosen, there are certain considerations that should be regarded in determining the construct that best manages interagency efforts towards foreign economic development operations. First and foremost is that the construct requires senior leader attention and support in order to be effective. In establishing the

TFBSO, the DOD created that top-down support by placing a Deputy Under Secretary of Defense in the lead of this effort. Any effort that is not directly linked to the top levels of each of the stakeholder executive elements will have little chance of succeeding. A successful organization construct for foreign economic development will also ensure that all relevant government actors are included. Recent efforts have seen many actors participating in an “under the radar”¹³² approach. This undermines the ability of the government to provide a single face to the host government and other external entities involved. Ultimately, multiple US players acting on their own initiative outside of centralized coordination leads to policy discrepancies, redundant resourcing, and confusion to the host population. The selected approach should also be designed to be effective in both peace and in war. There should not be a rush to build a mechanism solely based on the Iraq experience; the next operations may not require the same approach. The interaction and preparation undertaken during periods between conflicts is just as important as the attention paid to foreign economic development during war. Investment during the less stressful peacetime efforts will provide an environment in which each of the foreign economic development actors can come together to meld cultures and develop a unified approach. Whereas the top leadership is firmly planted in Washington, DC, organizational reform must extend outside the beltway. Only addressing the interagency reform at headquarters will not likely translate to mission success by itself. The US should provide extensive change management and training to development professionals in a coordinated fashion across agencies, perhaps through a formal program developed through the Industrial College of the Armed Forces or another entity within the National Defense University. In foreign economic development

operations, the US must strike a delicate balance between autonomy in field operations with institutional control of headquarters in Washington. The construct applied should attempt to balance the needs of these groups.

Long-Term Recommendation: DOD Should Establish Conditions to Support New Paradigms Required of Foreign Economic Development Operations

The cultural transformation of the DOD is the most difficult challenge to effectively increase foreign economic development capabilities. This is especially difficult to the DOD because of the abstract nature of foreign economic development compared to kinetic warfare. In addition, there is not an obvious connection between military capabilities as they support the development of an environment accepting of economic growth. The DOD is steeped in tradition and very methodical in updating its methodology; changing the status quo roles and responsibilities will be an on-going challenge. However, it is a necessary challenge required to address US national security interests. Indifference by policymakers cannot be accepted:

You've got to make sure you stand up and you put across the points that are going to make the operation work and anything you see that doesn't make sense, you've got to stand up and talk about it, just like Eric Shinseki, former Chief of Staff of the Army, did when he said, 'we don't have enough people.'"¹³³

Economic development is not a place for politicos or 'yes-men'; the DOD must develop a culture that encourages a professional approach. A group of dissenting generals that pushed for a drastic increase in troops required to address the economic and security instability in the country¹³⁴ led the strategic turnaround in Iraq. The following areas will

require long-term reform over many years to establish the necessary culture conducive to meeting strategic economic development goals.

Personnel Management. To be successful in foreign economic development operations, the US government must develop a long-term pragmatic approach that is executed by a force of professionals deployable to military areas of operation. In the economic development efforts undertaken in Iraq by the CPA, there was a large disconnect between officials in Washington and the expeditionary officials in the field. The US government developed policy based on ideological leanings without proper input from the field. Washington would challenge any reports that came from the field over insignificant matters especially if those reports questioned grand strategic policy in any way.¹³⁵ An ideological approach that is micromanaged thousands of miles away out of Washington will undercut the effort in the field and lead to suboptimal results.

Moving as much of the necessary bureaucracy out of Washington into the theater is an important first step, but the transformation does not end there. The DOD and each of the major foreign economic development actors must develop an integrated personnel management approach that melds the myriad legal and human resource considerations of both the military and civilians, whether government or contractor, working in combat zones. This should include consistent personnel qualifications, compensation, and deployment cycles. The centralized interagency construct is a critical element to improve personnel management with respect to foreign economic development operations. Policy elements relating to human resources and service contracting need to be aligned and managed in a whole of government approach. For example, the security policies of the State Department are much more risk-averse than those of the DOD. In Iraq, the State

Department's travel warning severely hindered the ability of any civilian to operate outside of the Green Zone and scared away most private entities from exploring investment opportunities in Iraq. This thrust responsibility for preliminary economic development squarely on the DOD, a responsibility for which most units had not prepared. An understanding of each respective foreign economic development actor's capabilities and limitations at the very least will allow for realistic expectations; at best this amalgamation will force debate and rationalization of the disparate policies into an integrated construct.

The US government must be ready at the outset of war to send the necessary resources into theater to begin development operations. Failing to proactively maintain such a roster and the mechanism to enable reasonable deployment will lead to the application of unqualified and/or insufficient resources. Once the government identifies and mobilizes its resources, development personnel must deploy into the field as extensively as possible. It is not sufficient to operate solely out of the capital; "reform efforts that neglect to engage stakeholders outside the capital city may reinforce pre-existing social conflicts while failing to build broad consensus for implementation".¹³⁶ The DOD can be the catalyst to achieving this distribution. Through its ability to establish security and its logistical prowess, the DOD is an integral part of the expeditionary nature of economic development activities. While the construct and the overall effectiveness of PRTs is debatable and worthy of its own analysis, their effectiveness is in part dependent on their integration with military operations in the area.

In most major operations, active government personnel will have to be reinforced with additional resources that are not active government employees. For the DOD, this

means the reserve and guard components, private contractors, and private firms interested in foreign direct investment (FDI) opportunities. Resources from the military reserve and guard components are the original corporate warriors; many possess financial and economic skills that are critical to the foreign economic development tasks required. Many guard and reserve units are already trained to provide civilian affairs capabilities. The DOD should implement in the necessary tools to identify and manage the critical skills and experiences of its reserve corps outside of military just as it does inside the military. In Iraq, there are examples of junior officers and enlisted soldiers that are successful businesspeople in their civilian lives. The military must appropriately identify and assign those resources to economic development tasks. The rank of these specialized resources was an issue that military leaders faced in Iraq. In some cases, an individual's civilian experience and skills clearly outweighed their military rank potentially complicating their ability to work alongside both Iraqi and US counterparts at the development tasks. The services should consider arrangements that may address this issue that may in turn attract additional resources to the guard and reserve ranks.

The role of the private sector in conflict and unstable post-conflict situations is very controversial. However, the heavy dependence on these resources highlights that the strategic mission requirements far outpace the organic military capabilities available. It is likely that the military and the US government as a whole will continue to bolster its resource footprint from outside of government. In doing so, new complexities complicate an already complex situation. Contracting policies and activities should be coordinated among government agencies to avoid buying duplicative capabilities. A more unified approach also leads to greater economies of scale, potentially lowering price. The

specialized skills and the ability to resource and mobilize quickly make private contractors a valuable resource. However, it is still up to the government officials (hopefully those in the field) to manage and assess those contractors to ensure mission success. As the DOD continues to enhance its stabilization and reconstruction doctrine, especially in the area of economic development, it should consider developing ongoing relationships with applicable firms much in the same way that it does for major weapon system purchases. The investment up-front will pay dividends far down the road.

As the DOD has found through the TFBSO, the private sector can also play an indirect, yet effective role through FDI. Business decisions on whether to invest in a post-conflict emerging market hinge on the following questions:

- What is the current security situation?
- Where do I get security for a visit?
- Where do I stay (logistics)?
- How do I transact business in this country?¹³⁷

The DOD is integral to answering each of these questions and thus is a catalyst for generating private economic development in post-conflict environments. The TFBSO actively took on this role in Iraq, working alongside the US Department of Commerce to provide the necessary security, logistical, and business capabilities to effectively apply US economic power to the fight. Besides the unique capabilities it brings to this effort, the DOD is a symbol to American business that cannot be ignored. Personal attention paid to private industry by the military as part its broad mission has helped to spread the message that Iraq is open for business.

As Jim Collins recognized in his study of successful businesses¹³⁸, a common theme in transformation is first who, then what. The DOD and US government must put development professionals with the necessary communication and strategic skills in place

to develop an integrated approach towards foreign economic development. With the right team in place, then leadership can address specific issues. Ronald Reagan kept a sign on his desk that read, “There is no limit to what you can accomplish if you don't care who gets the credit.”¹³⁹ Government foreign economic development operations will be successful when the organizations responsible see the mission above their individual interests.

Localized Focus. Economic development is more than just a portfolio of projects that create temporary jobs; efforts must create local ownership and local capital flows.¹⁴⁰ The US must develop support for local investment and business development while ensuring that it meets social spending needs. These efforts are less glamorous than undertaking large infrastructure projects or macro-level policy decisions, but they lay the groundwork for economic sustenance that will achieve the strategic goals, albeit years down the road.

Local authority of economic development greatly enhances the ability to build a democratic state. Current economic theory argues that the development of a middle-class that arises with economic growth provides a better educated populace with the time and resources to become more active in its own governance.¹⁴¹ The distribution of wealth and resources among the people provides an economic freedom that forces a greater political equality. Research of democratic nations in Europe and Latin America in the 1950s showed that they achieved more economic development than comparative non-democratic states. Studies that followed showed that this was also true in other parts of the world and more importantly, “economic growth tends to contribute to the creation of democracy, not vice-versa”.¹⁴² Engaging the populace through grassroots economic

development efforts drives greater participation than broad macro policy and infrastructure projects, creating an environment of micro-markets and greater income equality. This in turn generates a liberal political voice legitimized by its economic power. This localized approach provides a flexibility that is critical for success. Just as no two reconstruction efforts are the same at the nation-level, regional and localized distinctiveness can threaten any broad economic policy implemented in a fragile state. There are too many factors involved when establishing broad national policy across a broken economy to expect broad success at the microeconomic level. It is a much more practical approach of the US to fuse together smaller, local programs developed and managed by local leaders with a central policy-making body's macroeconomic approach.

Based on its expeditionary position and interaction with elements of local governance throughout a theater, the DOD has as great an impact on indigenous capabilities as any other US government entity. As all local politics is ultimately economic, the DOD must develop a broad understanding of the economics of developing societies, then execute within that framework. Current analyses of underdeveloped economies show a completely different economic model than enjoyed in the United States. Development officials, including the troops on the ground, must assess development activities through the lens of the local perspective that will ultimately be responsible for sustained governance and increasing prosperity. The countries and economies in which the US directly intervenes are likely to be very poor.

Macroeconomic-focused institutions will provide a future interface to the host country by the globalized economic infrastructure, but microeconomic development will ultimately drive any growth. In the midst of the poor and ravaged population, the US economic

development teams should not consider them a charity-case but instead view them as “a resilient and creative entrepreneurs and value-conscious consumers”.¹⁴³ This view will generate a broader understanding of the power of this market, driving the investment in product development and distribution models by the private sector to effectively serve these people. There are billions of people across the world that live on a few dollars a day. While margin might be low in serving this market, the level of revenue that firms can realize based solely on population numbers coupled with the relatively small capitalization required to provide basic products and services required by these societies surely provide a compelling financial incentive for business involvement. However, firms cannot enter these markets alone; they require the support of the military, civil organizations, and local governments to develop these economies at the bottom of the economic pyramid.¹⁴⁴

The DOD, positioned among the local population during combat and for the initial time following combat, can set the tone for local governance and economic growth in this alternative model. The DOD may be directly administrating the area of operations, or they may be supporting a fledgling host government. Either way, it must actively drive an indigenous-focused economic plan. Poverty-riddled societies are often the result of local rackets exhibiting forced monopolies, inaccessible markets, lack of infrastructure to establish distribution channels, and corruption in the form of legislated (formally or informally) middle-men; all are acceptable and recommended targets of military efforts after primary operations. The DOD can also assist local governments and leaders in providing the means to connecting with other indigenous elements to build an economic network. Consumers in underdeveloped countries are finding ways to connect

to their potential trading partners.¹⁴⁵ They are not technophobes. They need access to basic economic information that war and power imbalances have likely impeded. The US military is in a prime position to solicit these actors and work with them to establish basic information flows that will quickly establish economic activity. In some societies, farmers that were given electronic access to market prices for crops were able to avoid the “extra-legal and quasi-legal systems imposed” upon the society that had previously retarded economic growth and relative prosperity.

In these poor, fledgling economies, capital is ultra-critical, yet relatively scarce. Any investments made should be conservative and practical. The military should reconsider their past tendency to promote and execute large infrastructure projects that the local government cannot sustain after initial construction. Scarce capital would be better suited to fund small and medium size projects as part of a broader integrated program where each individual project integrates into the economic ecosystem present at that time.¹⁴⁶ The DOD can direct funding and aid to help to build small, dedicated value chains from the economic elements that work, from which a larger network of economic activity can grow. The DOD can indoctrinate interested private firms to this economic paradigm prior to any visit with the hope that manufacturers will adapt their marketing to this untapped environment. Encouraging consumption and choice through smaller, more affordable unit packages and adopting distribution channels to take advantage of abundant, cheap, and locally-knowledgeable native entrepreneurs will spark economic energy from the earliest days following conflict.¹⁴⁷

All reconstruction efforts of the US government talk to generating local capacity to sustain trade, govern, and to establish justice. Yet the US often applies a distinctly

western model that is far too advanced to gain traction in such an embryonic state and ultimately contradicts local needs. A true understanding of the economic needs of the host population and a framework to provide the guidance and services that will address those needs is an area well-suited to the DOD and is a requisite of the overall approach of the US government. From this foundation, America will reap the rewards of a more stable partner society that, once it generates sufficient growth, can advance past the initial economic aid benefit¹⁴⁸ to a more rationalized trading relationship, furthering the integration of the host country and advancing American long-term economic interests.

Acquisition Reform. Secretary Gates provides the best summary of the need to refocus the defense acquisition to better meet the fight the US will likely encounter in the post-9/11 world:

The Department of Defense's conventional modernization programs seek a 99 percent solution over a period of years. Stability and counterinsurgency missions require 75 percent solutions over a period of months. The challenge is whether these two different paradigms can be made to coexist in the U.S. military's mindset and bureaucracy.¹⁴⁹

The sizable defense acquisition community must adapt to provide greater quantities of lower unit-cost, less-technological solutions that can support not only the asymmetric battles to be waged, but also sustained operations to win the peace.

Entire new economic weapons systems must be developed and acquired to support economic growth in underperforming states. Many of the greatest opportunities for technological development in foreign economic development operations align with current areas of expertise or research and development within the DOD. Energy is an

important area in which the DOD hopes to spark technological advancement. Today, the DOD's focus is to make itself more energy efficient and less dependent on outside sources. In line with that research, the DOD should invest in developing "hybrid energy systems that are local, economic, and sustainable [challenging] reliance on grid-based electricity".¹⁵⁰ Building on previous arguments, large infrastructure projects built on western models are more likely to fail, either as a primary target of insurgent violence or as the inability of the host to sustain such an effort. A quicker, lower-cost, and more sustainable solution that delivers more results to a greater amount of the population will ease the society into true economic rebuilding and ultimately reduce threats to security. The US military can expect to operate globally in areas with little or no infrastructure; investment must be made in expeditionary systems that provide basic civil services with open standards so that new features can be easily adapted providing a network for economic growth.¹⁵¹ Building a strong initial capability locally with a light initial footprint will allow the local population to be unburdened by large capital investments and to develop to a point where technological generations can be leapfrogged, allowing the society to catch up to the more developed world.

In addition to basic needs of power, water, and sanitation, the US can implement relatively simple, yet effective programs to affect more advanced economic development in the nature of Secretary Gates' 75% solution.¹⁵² The DOD can leverage the billions that they spend annually with the world's largest software developers to create information systems capable of the most basic governance activities required in an emerging local government. Analysis shows that multiple simple systems to handle specific elements of administration are better than one complex integrated enterprise tool.¹⁵³ The US can also

make available simple tools to national and local private banking entities that provide electronic banking capabilities. A simple and cheap electronic banking system, especially integrated into the administrative components of the overall financial structure, can benefit the military in multiple ways. First, it can help to track financial transactions to root out corruption or other malevolent behavior. Second, it provides a safer environment as there is less need to physically transport large sums of money across potentially hostile territory. There are numerous other ways that technology development can support foreign economic development operations. The DOD must commit its acquisition community to spark technological creativity towards creating these products, in the process supporting operational success along with strategic US objectives while also advancing the US technology community.

Acquisition reform must also include how the large amount of military spending during intervention can support the local economies. The post-conflict effort in Iraq highlighted the importance of maintaining an expeditionary contracting capability. This capability needs to mobilize significant numbers of scarce acquisition resources, many of which are civilian, into unstable areas of operation to supply both US troops and the host population with a large amount of tools and supplies unique to the mission. Current acquisition regulations, designed to provide the 99 percent technological solution over cost and schedule constraints, do not necessarily apply in full to the realities of expeditionary operations. The DOD should include in its acquisition reform measures that enhance contracting in post-conflict environments while still providing transparency and oversight to capture any misconduct or negligence in a timely manner. Best value should be reflective of mission effectiveness, more so than on other factors such as cost

and schedule. In a non-stable expeditionary environment, the DOD may be forced to pick winners¹⁵⁴ in order to achieve mission, focusing on the indigenous sectors likely to have the broadest and most immediate impact. DODD 3000.5 actually addresses this more broadly in stating, “The Department of Defense shall support indigenous persons or groups – political, religious, educational, and media – promoting freedom, the rule of law, and an entrepreneurial economy, who oppose extremism and the murder of civilians.”¹⁵⁵ Similar allowances need to be made to contracting within the stability and reconstruction environment. The leadership in the field can only determine these decisions; micromanagement by Washington using regulations ill-suited for the task is a recipe for failure.

The US must address multiple legal considerations in acquisition reform supporting foreign economic development. The overall complexity of the Federal Acquisition Regulations (FAR) “results in missed opportunities to act quickly in restoring essential services”. Contracting officials are afraid of making a mistake that inadvertently violates the FAR despite the fact that the FAR was not developed with foreign economic development operations in mind.¹⁵⁶ This also reinforces conducting smaller projects that administratively are easier to manage. Expeditionary contracting requires leveraging the large amounts of money coming through the DOD to infuse the local economy. The DOD should establish a baseline target of contracting with host entities with congressional approval prior to future wars to avoid difficulties experienced in Iraq. With this, the military should analyze their security policies to maintain the well-being of US troops while encouraging local jobs supporting the US forces. Security measures instituted in Iraq severely restricted access of Iraqis onto American forward

operating bases (FOB). Any opportunity to establish trade relations with the local population is essential to commencing economic activity and reducing violence against US forces.

Information Environment. The US military and government as a whole have struggled to manage information to drive successful outcomes in post-Cold War interventions. Lord Ashdown, the former British High Representative to Bosnia and Herzegovina, declared:

Modern wars, whether we like it or not, and especially modern peace stabilization missions, are fought in the theater of public opinion, and you have to win there quite as much as you have to win on the theater of the battle and the operational theater that you're referring to.¹⁵⁷

An important component of DOD strategic communications should be the efforts to develop sustainable economic development focused on host prosperity rather than direct economic advancement of the US. To this end, economic development should be the primary factor in establishing the performance measures as opposed to the military's input-oriented metrics that track level of effort applied as opposed to the impact received by the target population. Setting this condition will force collaborative civil-military planning intent on achieving strategic objectives. Ultimately, actions speak as loud as the words used; the US must better align their information management operations with positive outcomes received by the local recipients of our economic development support.

Information management starts with intelligence capability; based on development activities in Iraq, intelligence regarding economic activity either was lacking or was not adequately processed by military planners and operators. As

Ambassador Dobbins notes in his comprehensive guide to reconstruction, the US requires several types of intelligence for stability operations.¹⁵⁸ He notes that a root-cause understanding of the security threat, to include economic matters, is critical to the intelligence assessment. Along with those impacts on the current security environment that may necessitate military intervention, a deep understanding of target demographics are critical to the planning of any military operations.¹⁵⁹ Intelligence must focus on more than just military capability and threat assessment; information is required to determine potential military targets and to understand the secondary and tertiary effects of military activities in the following reconstruction planning.

In Iraq, there was no basic census-type data upon which to base planning and execution of economic development activities. Intelligence reports must include the demographic make-up of the population with respect to economic measures. Planners must know the education levels and economic abilities of the population, the state of industry across regional locales, and the key factors of economic productivity within the state. If that intelligence does exist, then the intelligence system must distribute the information not only to military planners, but also to those leading the reconstruction efforts. In Iraq, most economic assessment data was collected well into the post-conflict period wasting critical time at the beginning of reconstruction efforts that could mean success or failure of the foreign economic development operations that follow.

Even with an understanding of the economic conditions facing the US reconstruction teams, the US applied fundamentally flawed measures of success from the beginning. Prior to US intervention, Baghdad was one of safest cities in the world to non-dissidents.¹⁶⁰ The ruling regime provided supporters the necessities to live their

lives. This was the baseline by which the United States would be measured post-conflict no matter what metrics US officials used to measure their success. Without a true intelligence estimate integrated into the reconstruction plans and operations, the US created empty measures that provided a false sense of achievement and drove actions of operators towards sub-optimal outcomes:

Self-congratulatory measures of achievement are mindless. Who cares how much money the US spends or how many buildings it creates, unless this effort goes to the right place and has a lasting impact. The number of school buildings completed is irrelevant unless there are books, teachers, furniture, students and security, and the buildings go to troubled areas as well as secure ones. Bad or empty buildings leave a legacy of hostility, not success. Empty or low capacity clinics don't win hearts and minds. Increasing peak power capacity is meaningless unless the right people actually get it.¹⁶¹

The US unfortunately cannot set the standards for economic reconstruction success. As mentioned previously, the local populations that should be leading economic development efforts to ensure sustainability after the US has left will determine success. Developing accurate and realistic measures of success are critical to articulate expected outcomes to both the US public and to all interested international stakeholders, most important being the local population. President Bush has often described the struggle against terrorism as a long war, yet most of the measures of success in rebuilding Iraq focused on short-term aims. Resources provided, money spent, facilities (factories, schools, etc.) rebuilt, and electricity produced were the key measures collected by reconstruction officials and provided to the highest levels of US government. Yet these

measures merely beg the question as to whether these activities have actually produced any real economic development. It is certain that the Iraqis and Afghans had little say in those measures just as it is certain that the US government pushed those metrics onto the American public as proof of success when in reality they were not actually tied to any substantial outcomes. The measures used to manage economic development efforts are critical framing the overall strategic intent of the US.

Not only do outcome-oriented metrics need to be developed, but also these economic development measures need to be implicitly integrated in the strategic communications as part of the government's overall information operations. Admiral Fallon recognized this early as CENTCOM commander. He refused to allow CENTCOM to refer to the operations in Iraq and Afghanistan as a long war. He "[believed] real victory in this struggle [would] be defined in economic terms first, and so the emphasis on war struck him as 'too narrow'".¹⁶² This attention to accurately defining the strategic objectives of the United States, then carefully integrating the operational and tactical levels of information required to manage execution towards those objectives greatly increases the likelihood that all parties involved understand their responsibilities and impact towards the strategic end-state. In initial planning for Iraq's reconstruction, this was clearly missing. Planning sessions occurring on the eve of war led by OHRA lacked guidance from the administration on "what level of efficiency was to be achieved in housing, health care, and military infrastructure".¹⁶³ This led to unclear operational planning that ended up focusing mostly on humanitarian relief as opposed to long-term reconstruction, ultimately losing time that the US would need once the main stages of combat had ceased and reconstruction was to begin.

The DOD should also reassess its manner of communicating its tactical successes while undertaking economic reconstruction activities. There are many instances in Iraq when the US would hold a ceremony to mark the completion of an important reconstruction project. While it is important to take credit for its efforts in economic development activities, the DOD may gain advantage by not taking such a prominent position in these events. The sight of US officials, especially DOD officials, military leaders, and soldiers complete with their supporting military transports and equipment may not send the best message when observing the opening of a civilian resource such as a school, a hospital, a power plant, or any other public work not intrinsically military in nature. Possibly a less direct acknowledgement of the military's contribution would satisfy the organizational and personal egos while not undermining the strategic and tactical successes achieved through the effort.

Personalities do matter in the strategic communications effort of the US related to foreign economic development. Individuals have been historically successful in various tactical aspects of nation assistance. They can set the tone for US forces, fight for additional resourcing in Washington, and influence host actions. Ultimately, actions speak louder than words. Outcomes are more important than inputs. In addition, the DOD, even if the major reason for a particular accomplishment, may not be the best channel for public broadcast of the feat. Setting expectations of the Washington bureaucracy and the American public at-large about the importance of economic development is critical. Holding a military parade for every hospital or school opening is counterproductive. In Iraq, the CPA mishandled its strategic communications. The CPA public affairs teams focused its message towards American political officials, all but

ignoring the matters important to Iraqis.¹⁶⁴ They did next to nothing to develop an Iraqi media that could publicize the efforts of those in the Green Zone to communities throughout the country. It is no wonder that the Iraqis barely appreciated work of the Americans; no one knew what was actually taking place. Under the TFBSO, the focus of most strategic communications addressed Iraqi needs, but the audience was still predominantly US-focused, driven by individual personalities, and not integrated within a larger strategic communications construct. Al-Qaeda must rely on ideological battles to advance its cause as the US has damaged their organization through physical force. The US must ultimately win upon this ideological battlefield.

Conclusion

The failure to achieve a sustainable peace in Iraq and in Afghanistan exposed a systematic failure of the US government. Though it recognizes the importance of each of the elements of nation assistance as part of its overall mission, the DOD has not developed an adequate structure to enable foreign economic development. Taking an active role in economic development has been the right thing to do for both the safety of DOD personnel and the benefit of US strategic interests. Yet the DOD leadership misapplied over a century's worth of history confirming its economic development responsibilities as an inherent part of the war effort. As a result, the US jeopardizes not meeting national strategic goals.

The battles of the 21st century will be fought in global markets and in corporate boardrooms as much as in more traditional combat venues. The Cold War ended with a whimper as the Soviet Union went bankrupt competing with American defense spending

while ignoring the economic needs of its people. Terrorist organizations seek out failing states to establish their headquarters and networks using the economic disadvantages of the populations to recruit enemies against American ideals. It is no surprise that the main target of al-Qaeda's attacks on America was the financial center of the world. Even our most powerful near-peer rival, China, has softened its military stance while intending to subvert US power through economic means. Russia also appears willing to flex its economic muscle through its outflows of energy to achieve greater advantage over its European neighbors and US allies. The current global economic crisis threatens stability and security throughout the world. The Department of Defense (DOD) must develop a class of economic warriors that will be able to lead the country in these non-conventional battles.

Evolving the culture of the DOD to meet foreign economic development challenges will not be easy, but it does not involve starting from scratch. First, there is a long history of DOD involvement in nation assistance tasks that include economic development. The lessons learned from past experiences need to be internalized and registered for training and reference of tomorrow's civil affairs soldiers and civilians. Coupled with the intrinsic traits that enable foreign economic development, including its assertion to employing all instruments of national power in waging war to achieve US strategic interests, its role as a security provider, its expeditionary stance enabled through superior logistical and communications capabilities, and its commitment to transform to meet new challenges and threats to US interests, the military clearly plays an important supporting role in improving the economies of host nations when they cannot do so on their own. Acceptance of foreign economic development does not diminish from the

military's ability to apply decisive force to defeat an opponent; instead it provides additional tools by which to project US power in support of national interests. It also protects American lives by stabilizing areas of conflict and by reducing the chance of future instability that would potentially require additional US military intervention. With directed efforts, the DOD can leverage experiences and military capabilities to improve its ability to wage foreign economic development operations. It will require assessments of doctrine, organization, resources, interagency coordination, and institutional culture. However, there is not much choice in the matter; business as usual will provide many opportunities for global actors to disrupt the US's ability to shape its foreign affairs to achieve a more stable, prosperous, and democratic world.

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- ¹³⁶ *A Guide to Economic Growth in Post-Conflict Countries* (Washington, DC: Economic Growth Office, Bureau for Economic Growth, Agriculture, and Trade, U.S. Agency for International Development, [2007]).
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- ¹⁴² Ibid.
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Appendix A – S/CRS Essential Task List

The matrix below depicts the essential post-conflict activities as defined by the State Department's Office of the Coordinator for Reconstruction and Stabilization (S/CRS) through an inter-agency vetting process.¹⁶⁵ The activities are divided into five technical areas¹⁶⁶ (Security, Governance and Participation, Humanitarian Assistance and Social Well-Being, Economic Stabilization and Infrastructure, and Justice/Reconciliation) that map neatly into the four traditional pillars of nation assistance: Security, governance, economic development, and rule of law. The S/CRS essential task list also denotes three main phases that apply to each technical area¹⁶⁷: Initial Response (short-term), Transformation (mid-term), and Fostering Sustainability (long-term). Tasks are defined and clarified for each phase of reconstruction. The S/CRS also stresses the interrelation of tasks between technical areas. For instance, a security task may be interrelated to an element of economic development. For this reason, it is important to assess the DOD's role in foreign economic development from the broader perspective of all stabilization and reconstruction efforts.

Based on the description of the activities provided by the S/CRS, a determination was made in this research as to the level of relative impact of the activity towards achieving sustained prosperity within the targeted state, scored as H (high impact), M (medium impact), or L (low impact). Also for each activity, an assessment of the DOD's ideal role due to historical precedent, legal or policy precedent, or comparative advantage based on capabilities was made, scored as Primary Involvement (P), Secondary Involvement (S), or No Involvement (N). Primary involvement does not necessarily mean lead authority or responsibility of the DOD; instead, it determines that the DOD is a

key actor in the planning and execution of the noted activity. Secondary involvement would mean that the DOD should be generally aware of the approach and status undertaken by the key actors of a noted activity as there may be impact on primary DOD tasks, or residual responsibilities that fall out of the activity that become the responsibility of the DOD.

As the S/CRS qualifies in its presentation of the essential task list, this is meant to be a living document that provides a medium to capture the relevant activities and to discuss the roles and responsibilities between the interagency actors involved in any conflict scenario. Given the uniqueness of any specific intervention, it is doubtful that this general list would receive unanimity related to the tasks themselves, the tasks' impact on prosperity, or the DOD's role in performing those tasks. For the basis of this research, this provides a familiar and defensible construct from which to define foreign economic development activities and to argue for a greater incorporation of the DOD in delivering these tasks in future scenarios.

Stabilization and Reconstruction Activity	Activity's Impact on Developing Prosperity	DOD Role in Activity
Security		
Disposition of Armed and Other Security Forces, Intelligence Services and Belligerents		
Cessation of Hostilities	H	P
Enforcement of Peace Agreements and/or Other Arrangements	H	P
Disposition and Constitution of National Armed Services	M	P
Disarmament	M	P
Demobilization	H	P
Reintegration of Combatants	H	P
Territorial Security		
Border and Boundary Control	H	P
Freedom of Movement	H	P
Identification Issues	H	P
Public Order and Safety		
Protection of Non-Combatants	H	P

Stabilization and Reconstruction Activity	Activity's Impact on Developing Prosperity	DOD Role in Activity
Interim Policing	H	P
Controlling Crowds and Disturbances Control	H	P
Clearance of UXO	M	P
Protection of Indigenous Individuals, Infrastructure and Institutions		
Private Institutions and Key Leaders	H	P
Witness and Evidence Protection	M	P
Official Civilian Stabilization and Reconstruction Personnel and Facilities	H	P
Contractor and NGO Stabilization and Reconstruction Personnel and Facilities	H	P
Security Coordination		
International Security Forces	M	P
Intelligence Support	M	P
Coordination with Indigenous Security Forces	M	P
International Civilian-Military Coordination	M	P
Regional Security Arrangements	M	P
Public Information and Communications		
Disseminate Security Information	M	P
Governance		
National Constituting Processes		
National Dialogue	M	N
Constitution	M	N
Transitional Governance		
International Transitional Administration	M	S
National Transition Administration	M	S
Executive Authority		
Executive Mandate and Structure	H	S
Civil Service Staffing	H	S
Revenue Generation and Management	H	S
Government Resources and Facilities	H	P
Legislative Strengthening		
Mandate	M	N
Citizen Access	H	S
Staffing and Training	M	N
Resources and Facilities	M	N
Local Governance		
Local Governance Mandate	H	P
Staffing and Training	H	S
Services, Resources and Facilities	H	P
Transparency and Anti-Corruption		
Anti-Corruption	H	S
Oversight	H	P
Elections		
Elections Planning and Execution	M	S
Elections Monitoring	M	S
Elections Outreach	M	P

Stabilization and Reconstruction Activity	Activity's Impact on Developing Prosperity	DOD Role in Activity
Political Parties		
Party Formation	L	N
Party Training	L	N
Civil Society and Media		
Civil Society Environment	H	P
Civic Education	H	S
Strengthening Capacity and Partnerships	H	P
Professionalism and Ethics	M	N
Media Business Development	M	S
Media Environment	M	S
Public Information and Communications		
Disseminate Governance Information	H	P
Humanitarian and Social Well-Being		
Refugees and Internally-Displaced Persons		
Prevention of Population Displacements	H	P
Refugee Assistance	H	P
Internally Displaced Persons (IDPs) Assistance	H	P
Refugee and IDP Camp Security	H	P
Trafficking in Persons		
Anti-Trafficking Strategy	H	P
Assistance for Victims	H	S
Anti-Trafficking Legislation	H	S
Food Security		
Famine Prevention	H	P
Emergency Food Relief	H	P
Food Market Response	H	P
Shelter and Non-Food Relief		
Non-Food Relief Distribution	H	P
Shelter Construction	H	P
Humanitarian De-mining		
Mine Awareness	M	P
Mine Detection	M	P
Mine Clearance	M	P
Survivor Assistance	M	P
Public Health		
Potable Water Management	H	P
Sanitation and Waste Water Management	H	P
Medical Capacity	H	S
Local Public Health	H	S
Hospital Facilities	H	S
Human Resources Development for Health Care Workforce	H	N
Health Policy and Financing	H	N
Prevention of Epidemics	H	S
HIV/AIDS	H	S
Nutrition	H	N

Stabilization and Reconstruction Activity	Activity's Impact on Developing Prosperity	DOD Role in Activity
Reproductive Health	H	N
Environmental Health	H	P
Community Health Education	H	S
Education		
Human Resources	H	S
Education - Schools	H	P
Education - Universities	H	S
Curriculum	M	N
Literacy Campaign	H	N
Social Protection		
Social Protection	M	S
Assessment, Analysis and Reporting		
Humanitarian and Social Well-being Assessment, Analysis and Reporting	M	S
Census	H	P
Land Registers	H	S
Public Information and Communications		
Disseminate Humanitarian and Social Well-Being Information	M	P
Economic Stabilization		
Employment Generation		
Public Works Jobs	H	P
Micro and Small Enterprise Stimulation	H	P
Skills Training and Counseling	H	S
Monetary Policy		
Central Bank Operations	H	N
Macro-Policy and Exchange Rates	H	N
Monetary Audit	H	N
Monetary Statistics	H	N
Fiscal Policy and Governance		
Fiscal and Macro-Economic Policy	H	S
Treasury Operations	H	S
Budget	H	P
Public Sector Investment	H	P
Revenue Generation, Tax Administration	H	S
Customs Reform and Enforcement	H	P
Tax Policy	H	S
Fiscal Audit	H	S
General Economic Policy		
Strategy/Assessment	H	S
Prices and Subsidies	H	S
International Financial Assistance—Donor Coordination	H	N
Public Sector Institutions	H	P
Financial Sector		
Banking Operations	H	S

Stabilization and Reconstruction Activity	Activity's Impact on Developing Prosperity	DOD Role in Activity
Banking Regulations and Oversight	H	N
Banking Law	H	N
Bank Lending	H	S
Asset and Money Laundering	H	S
Non-Banking Sector	H	N
Stock and Commodity Markets	H	N
Debt		
Debt Management	H	N
Arrears Clearance	H	N
Trade		
Trade Structure	H	N
Trade Facilitation	H	P
Market Economy		
Private Sector Development	H	P
Small and Micro-enterprise Regime	H	P
Privatization	H	P
Natural Resources and Environment	H	P
Legal and Regulatory Reform		
Property Rights	H	S
Business/Commercial Law	H	N
Labor	H	N
Economic Legal Reform	H	N
Competition Policy	H	S
Public Utilities and Resources Regulation	H	P
Economic Enforcement and Anti-Corruption	H	S
Agricultural Development		
Agricultural Land and Livestock	H	S
Agricultural Inputs	H	P
Agricultural Policy and Financing	H	S
Agricultural Distribution	H	S
Social Safety Net		
Pension System	H	S
Social Entitlement Funds	H	S
Women's Issues	H	N
Infrastructure		
Transportation		
Transportation Sector Policy and Administration	H	P
Airports Infrastructure	H	P
Roads Infrastructure	H	P
Railway Infrastructure	H	P
Ports and Waterway Infrastructure	H	P
Telecommunications		
Telecommunications Policy and Administration	H	P
Telecommunication Infrastructure	H	P
Energy		
Fossil Fuels Production and Distribution	H	P

Stabilization and Reconstruction Activity	Activity's Impact on Developing Prosperity	DOD Role in Activity
Electrical Power Sector	H	P
Energy Infrastructure	H	P
General Infrastructure		
Engineering and Construction	H	P
Municipal Services	H	P
Disseminate Economic Stabilization and Infrastructure Information	H	P
Justice and Reconciliation		
Interim Criminal Justice System		
Interim International Criminal Justice Personnel—Judges	L	N
Interim International Criminal Justice Personnel—Prosecutors	L	N
Interim International Criminal Justice Personnel—Defense Advocates	L	N
Interim International Criminal Justice Personnel—Court Administrators	L	N
Interim International Criminal Justice Personnel—Corrections Staffs	M	N
Interim International Criminal Justice Personnel—Police/Investigators	M	N
Interim International Legal Code	M	N
Organized Crime	H	P
Law Enforcement Operations	H	S
Indigenous Police		
Indigenous Police Personnel	H	S
Essential Police Facilities	H	S
Accountability /Oversight	H	S
Judicial Personnel and Infrastructure		
Vetting and Recruitment	M	N
Training/Mentoring	M	N
Judicial Support Facilities	M	P
Citizen Access	M	S
Property		
Prevent Property Conflicts	H	S
Legal System Reform		
Legal System Reorganization	M	N
Code and Statutory Reform	M	N
Participation	M	N
Institutional Reform	M	N
Human Rights		
Abuse Prevention	H	S
Capacity Building	H	S
Monitoring	H	P
Corrections		
Incarceration and Parole	H	S
Corrections Facilities	M	P

Stabilization and Reconstruction Activity	Activity's Impact on Developing Prosperity	DOD Role in Activity
Training	M	N
War Crime Courts and Tribunals		
Establishment of Courts and Tribunals	M	S
Investigation and Arrest	M	S
Citizen Outreach	M	P
Truth Commissions and Remembrance		
Truth Commission Organization	M	N
Reparations	H	S
Public Outreach	M	S
Community Rebuilding		
Ethnic and Intercommunity Confidence Building	M	S
Religion and Customary Justice Practices	M	S
Assistance to Victims and Remembrance	L	N
Women	M	N
Vulnerable Populations	M	S
Evaluating and Learning	M	S
Public Information and Communications		
Disseminate Justice and Reconciliation Information	M	S

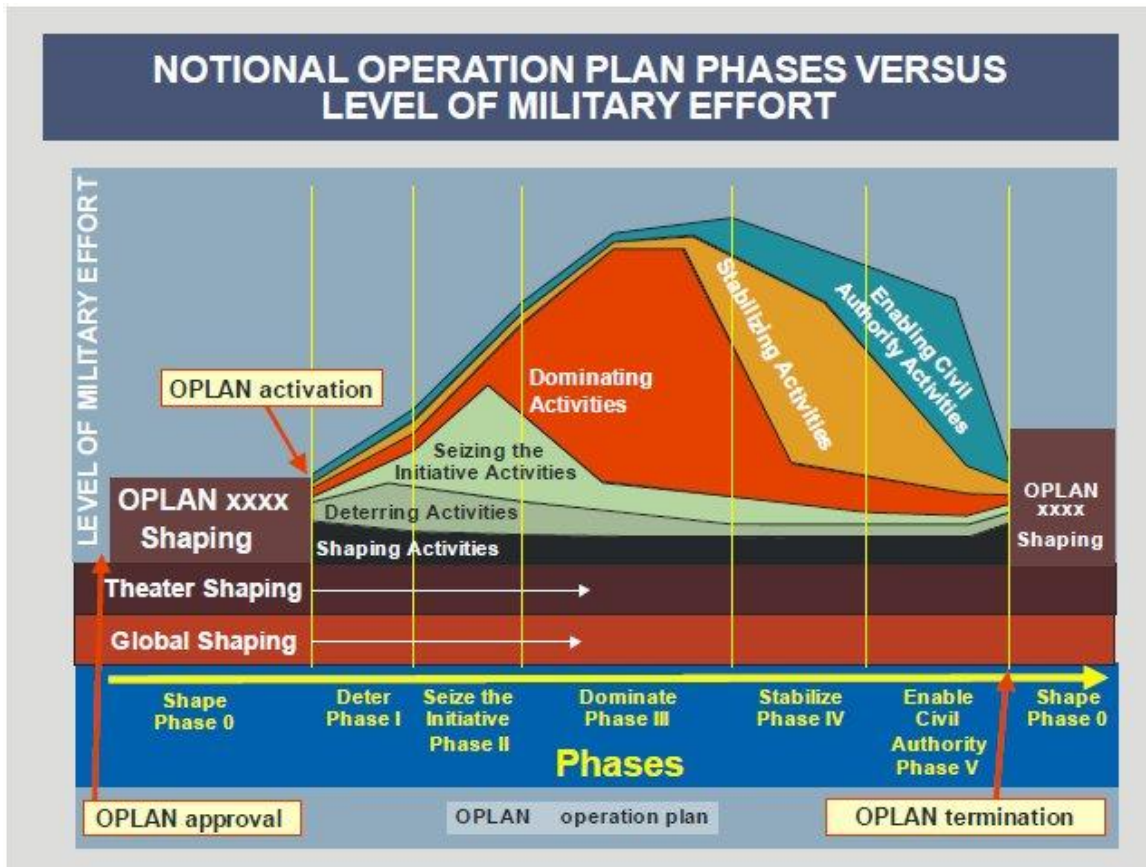
Notes

¹⁶⁵ U.S. Department of State, *Post Conflict Reconstruction Essentials Tasks Matrix*, 54pp

¹⁶⁶ *Ibid.*

¹⁶⁷ *Ibid.*

Appendix B – Joint Publication 3-0 Phasing Model¹⁶⁸



Notes

¹⁶⁸ Joint Chiefs of Staff, *Joint Publication 3-0: Joint Operations*.

Appendix C – Organizational Actors in Foreign Economic Development

Operations¹⁶⁹

<u>U.S. Government</u>	<u>United Nations Organizations</u>	<u>NGOs</u>
U.S. Agency for International Development	U.N. Development Program	World Bank
Department of State	United Nations High Commission for Refugees	International Monetary Fund
Department of Defense	United Nations Children's Fund	Export – Import Bank
Department of Labor		International Labor Organization
Department of Commerce		Center for International Private Enterprise (an institute of the National Endowment for Democracy)
Department of Treasury		U.S Chamber of Commerce
Department of Agriculture		
U.S. Trade Representative		
U.S. Trade and Development Agency		
Overseas Private Investment Corp		
U.S. Trade and Development Agency		

Notes

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