



IRAQ AS A FAILED STATE: A SIX MONTH PROGRESS REPORT

**Report #3
Executive Summary and Final Recommendations
April through September 2004**

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Data Interpretation & Methodological Note – Available Only in Full Report
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Preface

While there have been many reports on Iraq, there is no systematic evaluation that measures the success of U.S. policies in that country based on sustainable security trends over time. The Fund for Peace (FfP), which developed an analytical tool for this kind of evaluation, is applying it to Iraq at six-month intervals to monitor trends. The goal is to measure the progress toward sustainable security, the stage in which Iraq is deemed self-sufficient, largely peaceful, and capable of governing itself without external military or administrative oversight.

The methodology employed is detailed in the Methodological Note attached to this report. It is based on ratings of twelve top conflict indicators enumerated in the attached charts, five core political institutions, and possible “stings” or unanticipated events and factors. The graphs track indicator trends on a scale of 1 to 10. For each indicator, one means that tension is the lowest and 10 means that tension is highest. It is possible that others might rate the indicators differently. However, given the plethora of information on Iraq, such differences are not likely to be large. Moreover, the purpose of the ratings is to discover patterns and trends over time. A particular rating by one individual at one point in time is less significant than changes over time. Where no evidence of change was detected, the rating was presumed to be the same as that of the previous month. Ratings were reviewed carefully based on information gleaned from open-source English and Arabic language sources, government reports, studies by diverse organizations and groups that had conducted site visits in Iraq, and various scholars and journalists.

In addition to the Executive Summary and Recommendations, the main findings of this report are contained in the graphs following this Preface. The rest of the report contains supporting materials showing the evidence upon which our assessments were made. This evidence is presented in the form of brief summaries of Iraqi conditions, indicator-by-indicator, month-by-month. In our first report, we started with a pre-war baseline assessment and extended the review to a synopsis of changes, if any, each month. In this report, we include 18-month totals, from pre-war ratings until September 2004. For the sake of brevity, only the main points of evidence are included in this report, though other corroborating evidence was used. In some cases, there was insufficient information available, especially in prewar Iraq. Best estimates were made from international sources, such as UN studies, reports from humanitarian organizations, and media sources. Also contained in the monthly summaries, when relevant, are the “stings” – surprises, triggers, idiosyncrasies, unique events and unanticipated developments of significance.

The conclusions in this report are entirely the responsibility of the author, who has conducted years of research into failing states and internal war. She was ably assisted by outstanding students. For the first report, they included Gina King at Duke University, Mohamed Jourieh, a Syrian Fulbright scholar at Eastern Mennonite University, and Will Seuffert at American University. For the second report, Jennifer Doumato, from American University conducted most of the research with the assistance of Kavitha Joseph from U.C.L.A. The third report incorporated the efforts of Lauren O’Brien and Günther von Billerbeck from Georgetown University, Andrew Levin from George

Washington University, and Muwafaq Al-Serhan from Brandeis University. All were diligent researchers who brought creative skills, thoughtful insights, and critical minds to a topic that is highly complex and controversial.

Thanks also go to Anne Bader, Jason Ladnier, Krista Hendry, Isaac Borocz, and Mike Elder, who helped prepare the report and offered constructive criticisms. The Fund for Peace is grateful for their valuable contributions.

Pauline H. Baker
October 25, 2004

Executive Summary and Recommendations

Overview

In the first report in this series that covered the first six months of the occupation, we concluded that the insurgency in Iraq did not represent merely the lingering aftermath of the overthrow of the regime of Saddam Hussein which would eventually die down, as was commonly thought, but rather a symptom of a far deeper problem -- Iraq was a failed state. At that time, we warned that:

Should a protracted low-intensity insurgency continue, it will eventually make the country ungovernable and the U.S. military presence untenable, even if an elected Iraqi government comes to power. Moreover, when President Bush declared Iraq a central front in the war on terrorism, he increased the chances of a wider and longer war by conflating the security problems of a collapsed state with the global war on terrorism, in effect inviting a showdown with international terrorists that would be seen globally as a battle between Islam and the U.S. This could undermine the new transition plan and play into the hands of our enemies, as the fight would take place on terrain that is hospitable to them, not us, attacks would largely be at times of their choosing, not ours, and the nature of combat – hit-and-run and suicide tactics – would favor their military skills over our conventional capabilities. Iraqi civilians caught in the cross-fire would likely turn on the U.S., blaming their predicament on the occupation and, possibly, the new elected government. Few allies would join this fight, anti-Americanism would be enflamed and Iraq’s experiment in democratization would end up in failure.

This warning came to pass, earlier than anticipated, during the interim government. Our second report, covering the next six months of the occupation, showed that Iraq had descended into a “failed state syndrome,” a condition in which trends were reinforcing each other to produce a spiraling conflict that the country had little or no independent capacity to stop. Out of five possible scenarios, we projected that a civil war, like that which occurred in Lebanon in 1980s, was the most likely outcome if existing trends continued. The next six months would be the “make or break” period, we concluded. Either there had to be a serious start to building political consensus on unresolved issues, including power sharing, the constitution and political legitimacy, or the country would drift toward disintegration.

In the six months covered in this current report, that forecast has also, sadly, been fulfilled. The Lebanization of Iraq is underway, despite vigorous efforts by the occupation forces to quell the insurgency and by the interim government to generate public support. The violence has gotten significantly worse. Today, while there are pockets of relative calm in the country, no province has been untouched by militant activity. Nationally, the pace of deterioration has quickened.

Findings

The most disturbing finding is that by September 2004, every one of the twelve indicators examined rose to “alert,” the highest zone of conflict risk. This is the first time in 18 months that the threat of internal war in Iraq has reached such a dangerous level. The cumulative score for all twelve indicators by the end of the period was 108, a score that lies well within the high alert range (91-120). (By comparison, the pre-war baseline score was 101; the score at the end of the first six months was 98; and the score at the end of twelve months was 102.)

This score does not merely reflect the higher number of violent incidents. Rather, it measures deeper trends that show the impact of that violence on society as a whole. The situation, by indicator, is as follows:

- **Demographic pressures** have been consistently high. This trend can be seen in the growing rate of acute malnutrition among children nationwide, which has nearly doubled since March 2003 from 4% to 7.7%. The decline in health is not because of food deficiency, but because of infections caused by dirty water, spreading diseases, and a chronic shortage of medicines. Moreover, demographic pressures can also be seen in UN estimates of food dependency. Approximately 60% of Iraqis continue to be dependent on monthly distributions of free food rations from the central government, which go to every family in the country, consuming nearly one-fifth of the national budget.
- **Refugees and internally displaced persons (IDPs)** have not been resettled in large numbers, even including those from the first Gulf War. Internally, in areas such as Kirkuk, a city contested by Kurds and Arabs, the situation is coming to a boil as unresolved property claims and uprooted families pit one group against another. More than 150,000 Kurds have become displaced in the last six months alone. In addition, fighting in the north has displaced thousands of Turkmen. Sunni and Shia were forced out of their homes from insurgencies in Najaf, Fallujah and other towns. Currently, there are approximately one million IDPs in Iraq and hundreds of thousands of refugees awaiting repatriation in neighboring countries.
- **Vengeance-seeking group grievance** is worsening with ethnic and sectarian identities predominating over national identity. In addition to Kurd/Sunni/Shia rivalries, insurgents have targeted the small Christian community over the last six months. Intra-ethnic and intra-sectarian strife are also apparent, with divided neighborhoods, ethnic parties jockeying for power, assassinations of clerics and political figures, and struggles over control of mosques, property and benefits.
- **Chronic and sustained human flight** – the “brain drain” – is increasing after a period in which Iraqi exiles were returning to the country in hopes things would settle down. By September, emigration was up among the country’s intellectual, professional, and entrepreneurial classes due to insecurity and lack of economic

opportunity. Over 200 university professors were either killed or taken captive in the past 18 months, an extraordinarily high number. An estimated 5% of the 900,000 Christian community has left the country to join the 3 million Iraqi Christians living abroad. Since doctors are also targeted by extremists, many are reducing their work hours, cutting back on patients, fleeing or preparing to flee. So far this year, 301 doctors have applied for certificates to allow them to work outside the country.

- **Uneven development along group lines** persists, as the Sunni population believes that they will be excluded from economic and educational opportunities in the new Iraq, a sentiment underscored by economic decline in their area since the fall of the Ba'athist Party. In general, Sunnis have been on the downhill path ever since the occupation while most Shiites have had better job opportunities and access to public services. For their part, the Kurds, who thrived under the protection of the U.S. for the years between the 1991 and 2003 wars, are protective of the gains they have made.
- **Sharp and severe economic decline** is a product of stymied reconstruction efforts due to a combination of insurgent attacks, theft, corruption, looting, poor planning and slow distribution of U.S. aid. As of September 2004, the U.S. had not spent more than \$1 billion of the \$18.4 billion set aside for Iraqi reconstruction. Adults are desperate for jobs, with estimates of unemployment ranging as high as 60%. Foreign investors are not investing and are not likely to do so until the security situation improves substantially.
- **Criminalization and delegitimization of state** remains high despite the appointment of an interim government and national assembly, neither of which has gained widespread public confidence. The interim national assembly is regarded with suspicion and is seen as ineffective and self-serving, as members bicker over their own salaries and consider immunizing themselves from prosecution. Doubts are being raised about the viability and wisdom of holding elections in January and regional groups are beginning to discuss scenarios for autonomy or independence.
- **Public services** began to improve in several pockets of Iraq, but resources are being shifted to security needs. Hospitals still lack sufficient staff and medicines are in short supply. In spite of an increase in power generation, electricity supply is not reliable and does not keep up with demand. Water and sanitation are deteriorating. Significant progress was made in getting primary schools open, with higher teacher pay and new textbooks. Although schools have opened, approximately 25% of primary-school age children do not attend classes. Parents are apprehensive about allowing their children to attend due to security concerns.
- **The rule of law and human rights** is being applied in an uneven manner. While the tyranny of Saddam Hussein has ended and a new wave of freedom has been introduced, Iraq is far from being a country that operates under the rule of law, as

it engages in a war against itself. Moreover, there is little state capacity to apply the rule of law throughout the country, with the police, courts, and corrections systems evolving. Many towns have drifted into the hands of insurgents and extremists, who are applying their own codes of conduct. Moreover, the interim government has imposed press restrictions, suspended and then re-imposed capital punishment, and offered, then amended, an amnesty to insurgents. In the eyes of many Muslims, the stain of the prison abuse scandals discredits claims by the coalition forces and the Iraqi government to adhere to human rights standards. Allegations of wider abuses, torture, sexual abuse and killings continue to circulate.

- **The security apparatus is fractured into “states within the state.”** This indicator appears to be the principal driver of conflict. A proliferation of militias, foreign terrorist groups, and the various components of newly trained security forces are all competing for control of the country. Several towns have become “no-go” zones in which neither the interim government nor the occupation forces have an established presence. Security alerts have even been elevated in the fortified Green Zone, which has been hit by insurgents. Occupation forces and Iraqi civilians are taking more casualties, and the bloodshed is expected to increase as the election approaches. The frequency and viciousness of attacks have also increased. Videotapes of ghastly beheadings and executions of civilians, especially foreign workers, are distributed over the Internet and by CDs sold in local markets for psychological terror and political manipulation. Unofficial estimates put the number of insurgents at 20,000. According to a local Iraqi newspaper, there are at least seven groups fighting the occupation and nine groups conducting kidnappings and killings of foreigners, many of them divided into factions that keep changing. It is somewhat misleading to speak of a single insurgency, as several insurgencies operate independently. Some cooperate or form alliances in opposition to a common enemy – the U.S. and coalition forces – but they could turn their guns on each other when the occupation ends.
- **The rise of factionalized elites** continues unabated. The single most influential political figure in the country capable of mobilizing large numbers of followers is Grand Ayatollah Ali al Hussein al Sistani, a revered Shia cleric based in Najaf who professes no personal ambitions for political office. His fiercest rival is Shia militant Moqtada al Sadr, a younger firebrand with less stature but more fighters. He commands a growing militia, the Mahdi Army, whose recruits are young, unemployed men from the poorer neighborhoods of the Shia community. The Kurdish population has a political elite of experienced politicians divided into two well-established political parties. None of the members of the Iraqi political class has demonstrated a national following that crosses ethnic, regional or religious lines.
- **The intervention of other states and external actors** will remain at its highest level as long as the occupation lasts. Even when the occupation ends, Iraq will be dependent upon external military and economic assistance for years to come.

Conclusions

An honest assessment can no longer deny that Iraq is a failed state. The sooner this reality is recognized, the sooner an effective response can be mounted.

The power struggle under way in Iraq has become more than an internal war. It has become the vortex of the clash *within* Muslim civilization, a struggle that the U.S. and its allies unwittingly injected themselves into and exacerbated by depicting it as the centerpiece of the war on terrorism. Linking the perceived threat of Saddam Hussein's regime with America's war on terrorism, the U.S. set the stage for a self-fulfilling prophecy. For the first time in history, the U.S. is fighting a guerrilla war in a failed state that is the crucible of Muslim resistance to the West and a magnet for international terrorists.

The outcome will have serious geo-political consequences. For the region, a weakened Iraq will largely favor Iran and put other neighboring countries at risk from Muslim extremists who seek to establish theocracies throughout the Middle East. For the Muslim world as a whole, the war has given terrorists a "cause" they did not have before, fueling recruitment for extremist ideologies. For the world economy, the war is putting international access to a rich oil country at risk. And for America, the war is undermining Washington's international influence, driving a wedge between the U.S. and its allies.

It is time to reassess whether current plans can, in fact, bring Iraq closer to sustainable security. Domestic pressure within the U.S. to pull out is bound to grow. Americans do not tolerate long wars. Yet too much is at stake to leave without an exit strategy that can leave a relatively stable Iraq behind.

Recommendations

While current trends project a gloomy outcome, there may be a way to turn the situation in a more favorable direction.

First, the January elections should be postponed for six months. Other crisis zones have shown that bad elections can be worse than no elections. As UN Secretary General Kofi Annan observed, legitimate elections cannot be held if current security conditions persist. Even if the "no-go" zones controlled by insurgents are cleared out by coalition forces, the fighting will likely create bloodshed that would deepen resentments, turning the public against the interim government and the coalition before the voting takes place. Making political deals, city-by-city or group-by-group, as Prime Minister Iyad Allawi is doing, might reduce bloodshed in the short-term, but it does not build national consensus in the long-term. Past political deals have allowed insurgents to escape prosecution, retain their arms and regroup, rebuilding their capacity to strike again. Postponement of elections would give coalition forces more time to train and test Iraqi security forces, and it would provide the interim government and the UN with more time to prepare for elections. It would allow political parties to form beyond those dominated by exiles and

extremists and to campaign. And it would give Iraqi citizens greater ownership of the political process.

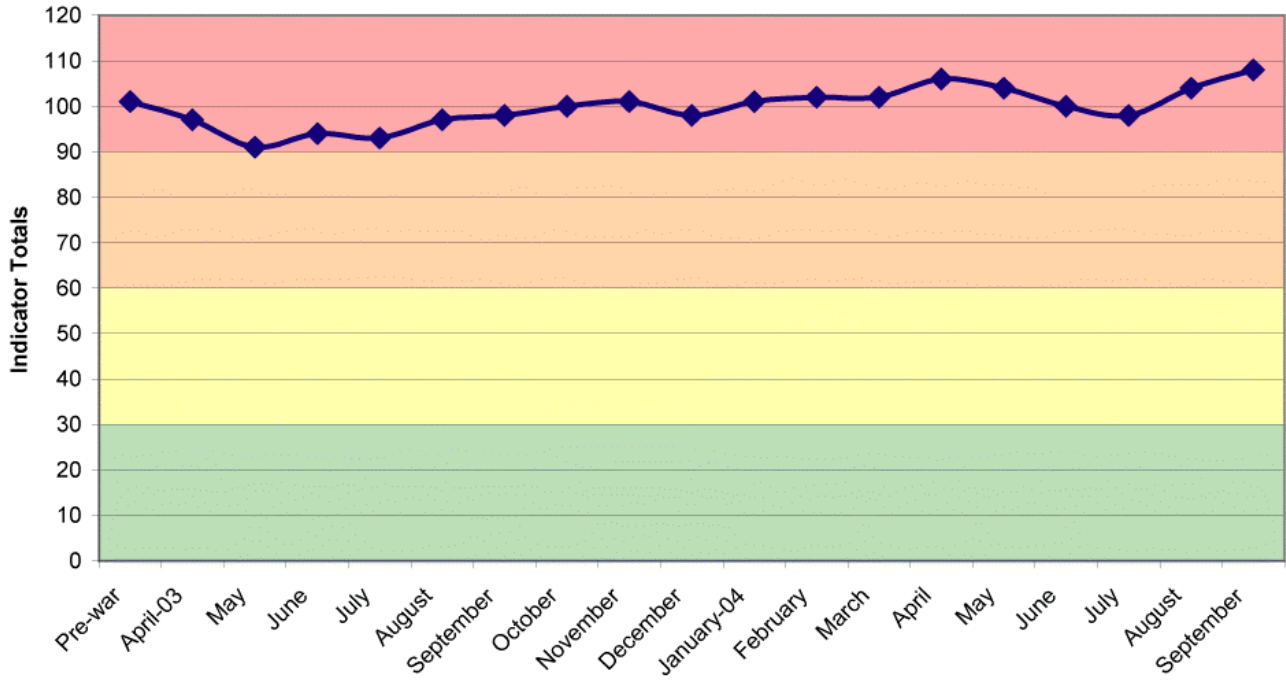
Second, Prime Minister Iyad Allawi, with the support of the UN, should expand the national electoral commission and charge it with a new task of reviewing the existing plan for holding the elections. While most electoral commissions tend to be highly technical in nature, in this environment it is important to recognize the political nature of the process. The electoral commission must be more representative of major political groups, including delegates nominated by Ayatollah Ali al-Sistani, the popular Shia cleric who has raised objections to existing election plans. Giving Sistani and other notable leaders from diverse groups the opportunity to shape elections, with the interim government and technocrats appointed by the UN who have experience in the conduct of international elections, would build more legitimacy and confidence into the political process, hopefully launching consensus-building that has not taken place in Iraq. Such an electoral commission is likely to attract others who have rejected elections, such as Sunni clerics who have announced that they are against participating in the January elections, and Moqtada al-Sadr, a militant Shiite cleric who is considering entering the political process. No single group or its representatives should be given the power to dominate the commission. By the same token, it would be unrealistic to ignore the fact that the election, if it is to be successful, must generate a broad voter turnout, be conducted in an atmosphere of relative stability, and be perceived publicly as a legitimate exercise in a wider political transition in which all groups have a fair chance of achieving representation. Much still needs to be done to meet these minimum standards.

Third, the U.S. should expedite the disbursement of the \$18 billion earmarked for Iraq. More money needs to be invested in public works projects that create jobs and change people's lives. A fast-track authority is needed, with full transparency and audit mechanisms. A request should be made to Congress for quick disbursement authorization, with more contracts given to Iraqis rather than Americans as fast as possible.

Fourth, since Iraqi security ultimately rests with the Iraqi security forces who are being trained, NATO needs to expedite its training programs. While some NATO training is underway, more needs to be done. Full NATO training is not expected to be up and running until January. NATO must cut through the red tape. Iraq cannot afford delays.

These steps are no panacea. Elections may not be a turning point for Iraq, even if they are postponed. But when they are held, they must be given a decent chance to work. If current trends continue through January, or if a military offensive against the insurgents ends with large numbers of civilian casualties, elections could polarize the situation further. Worse, premature elections will offer militants an opportunity to derail the political process, discredit the results, propel their own candidates to the forefront, and sabotage the one last chance Iraq may have to choose legitimate political leadership. This would forfeit the possibility of turning Iraq in a more favorable direction, leaving the Lebanon scenario to take its course.

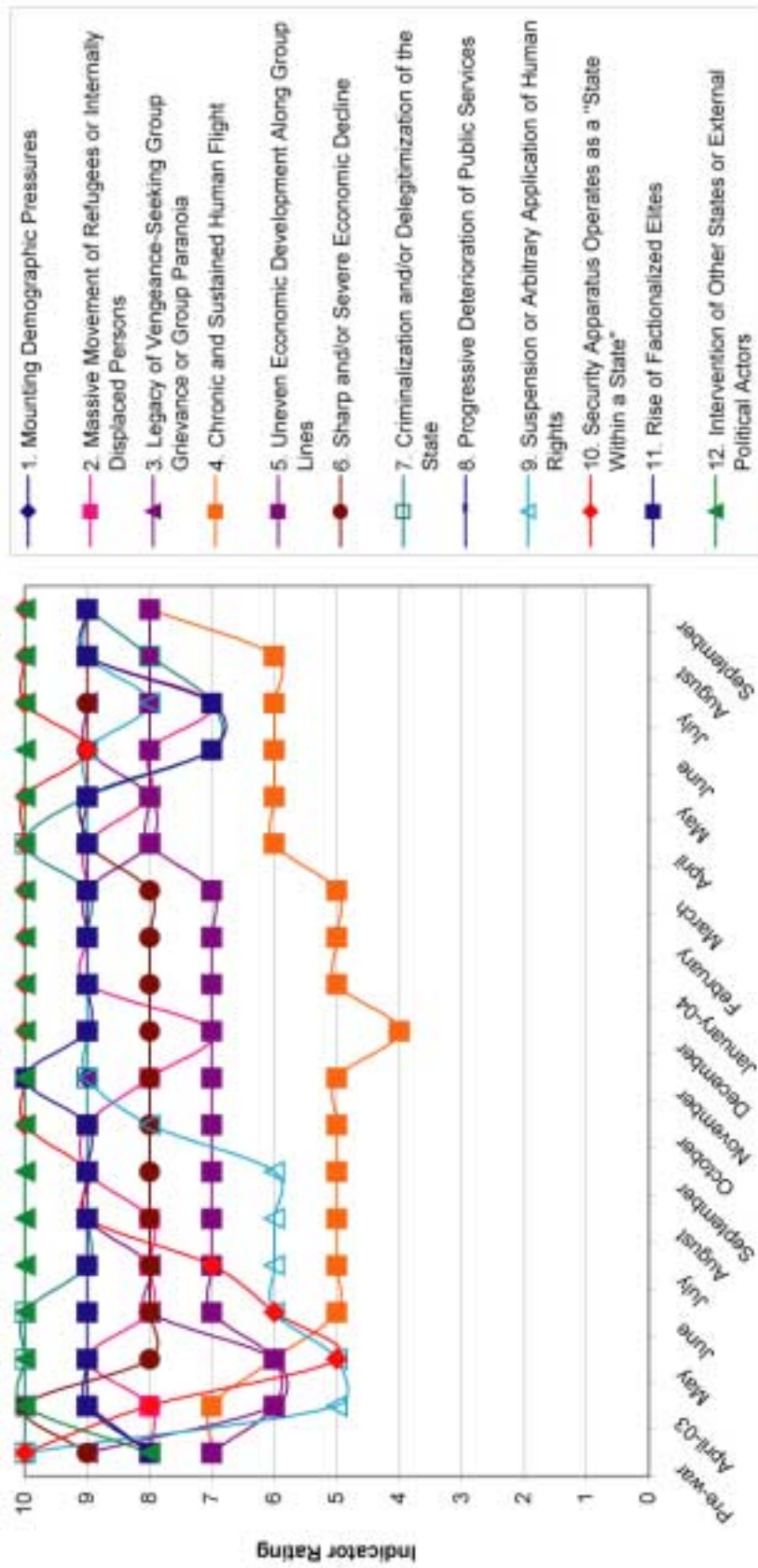
Iraq Indicator Totals (pre-war through September 2004)



Legend

91-120	Alert
61-90	Warning
31-60	Monitoring
1-30	Sustainable

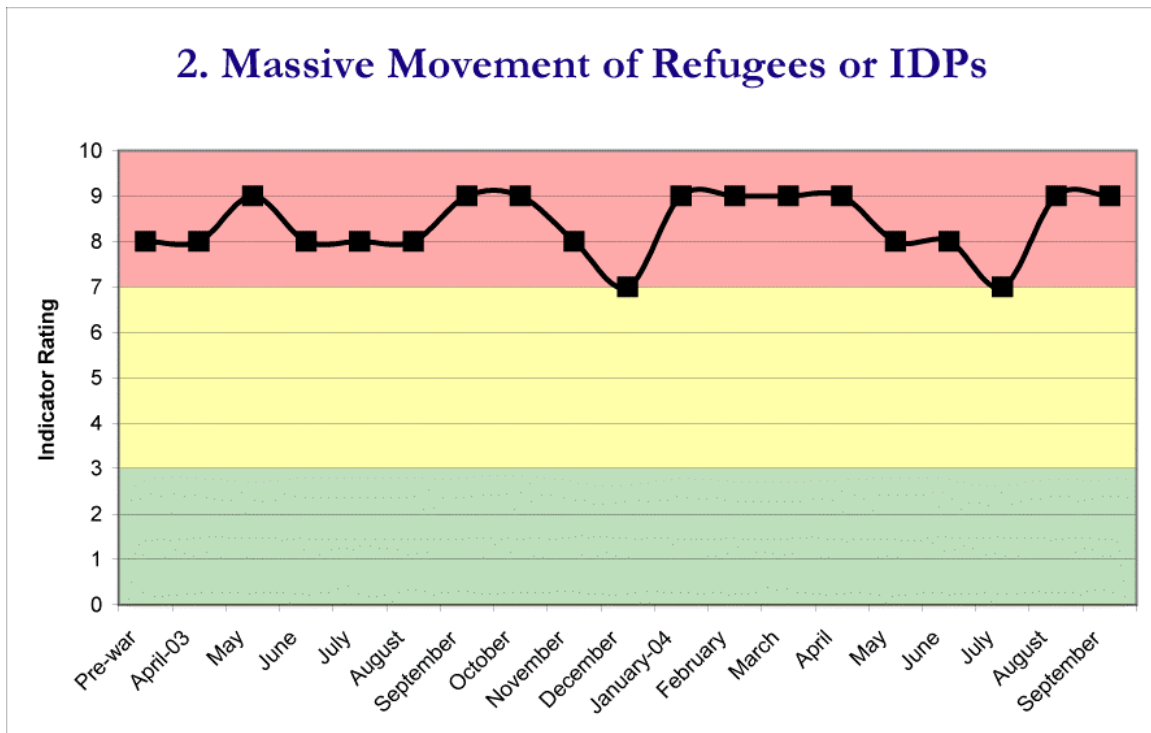
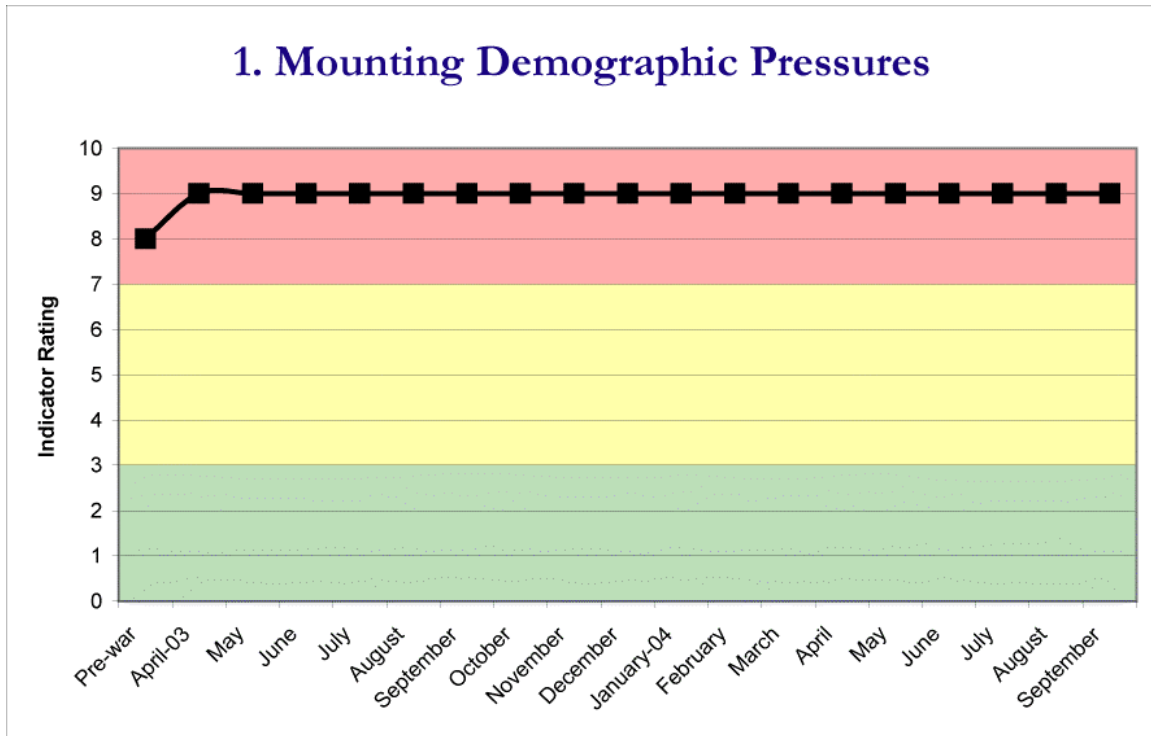
Trend Lines by Indicator (pre-war through September 2004)



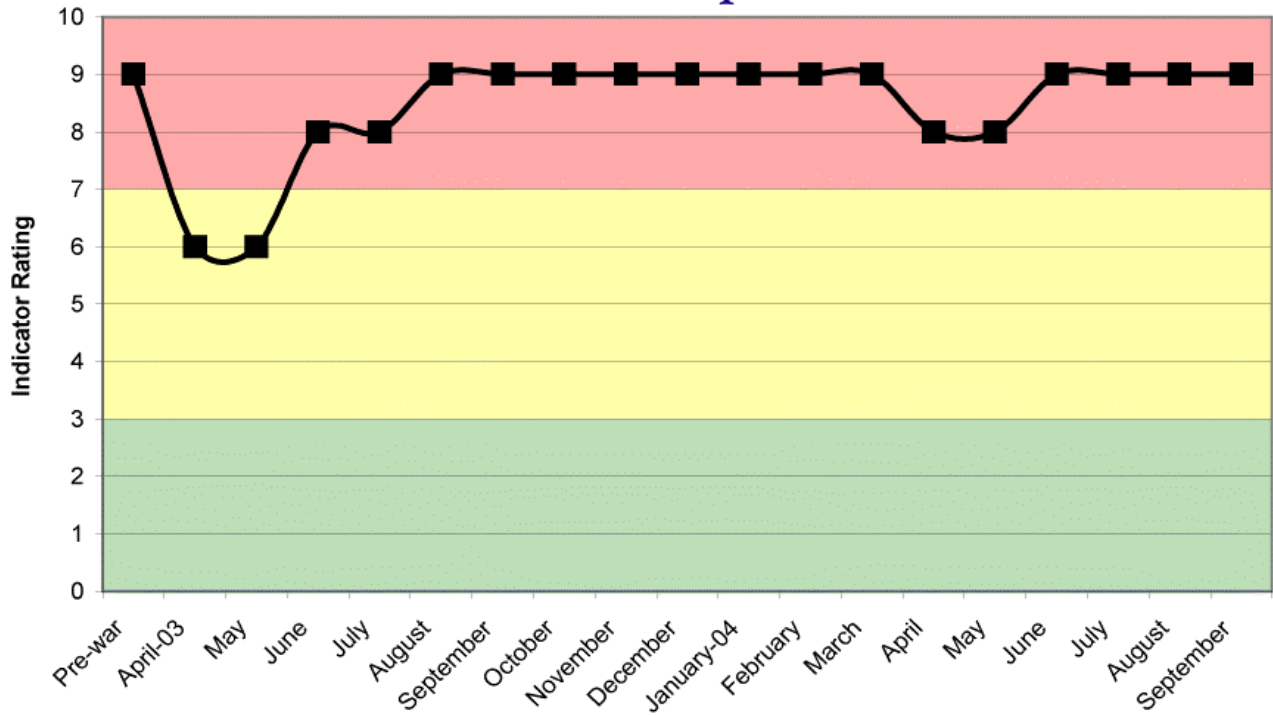
Individual Indicator Trend Lines (Pre-war through September 2004)

Legend

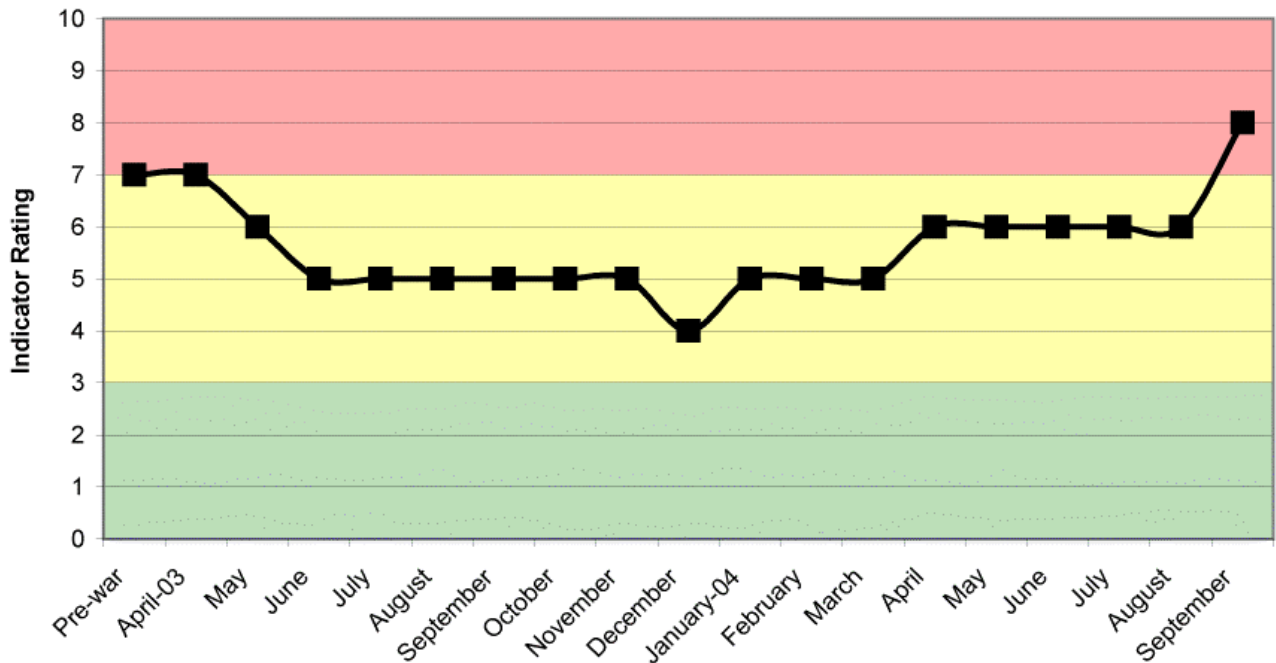
7-10	Alert
4-6	Warning
1-3	Sustainable



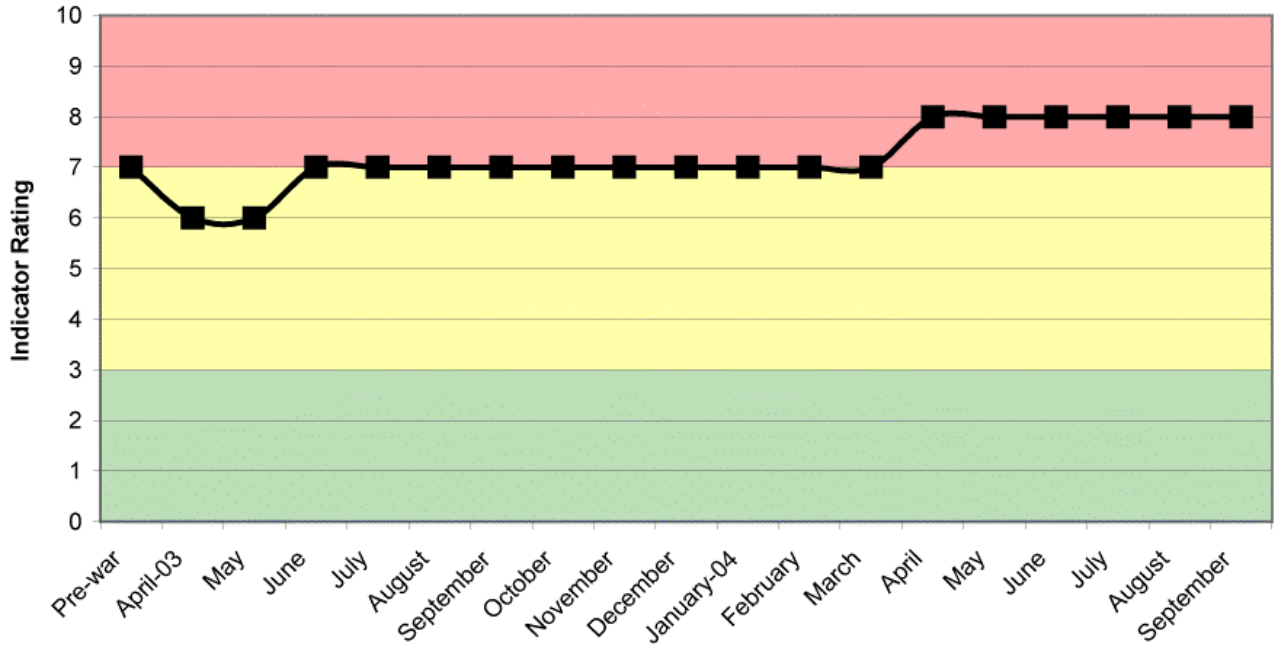
3. Legacy of Vengeance-Seeking Group Grievance or Group Paranoia



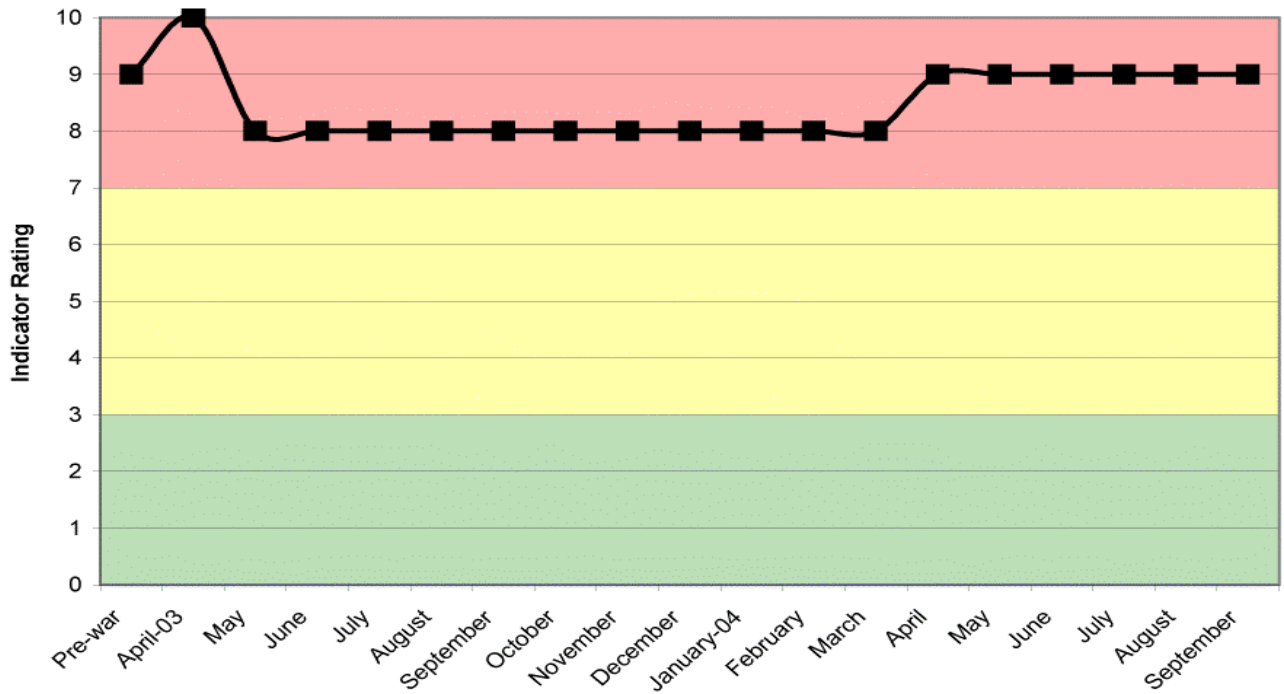
4. Chronic and Sustained Human Flight



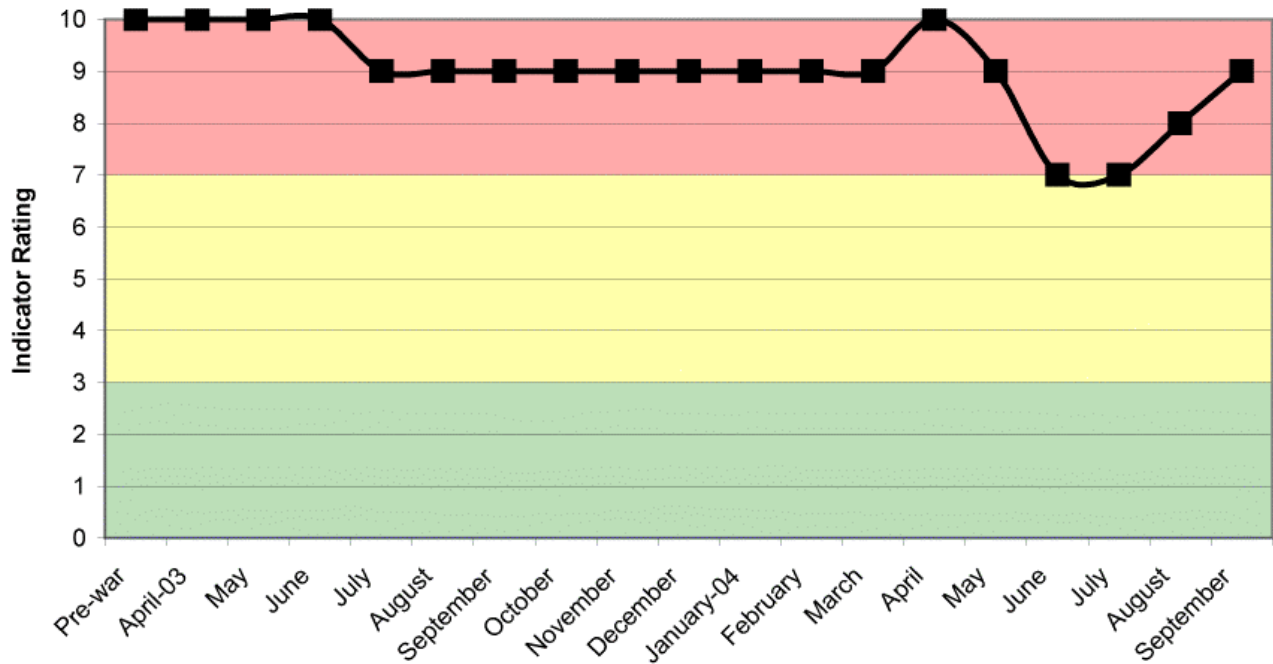
5. Uneven Economic Development Along Group Lines



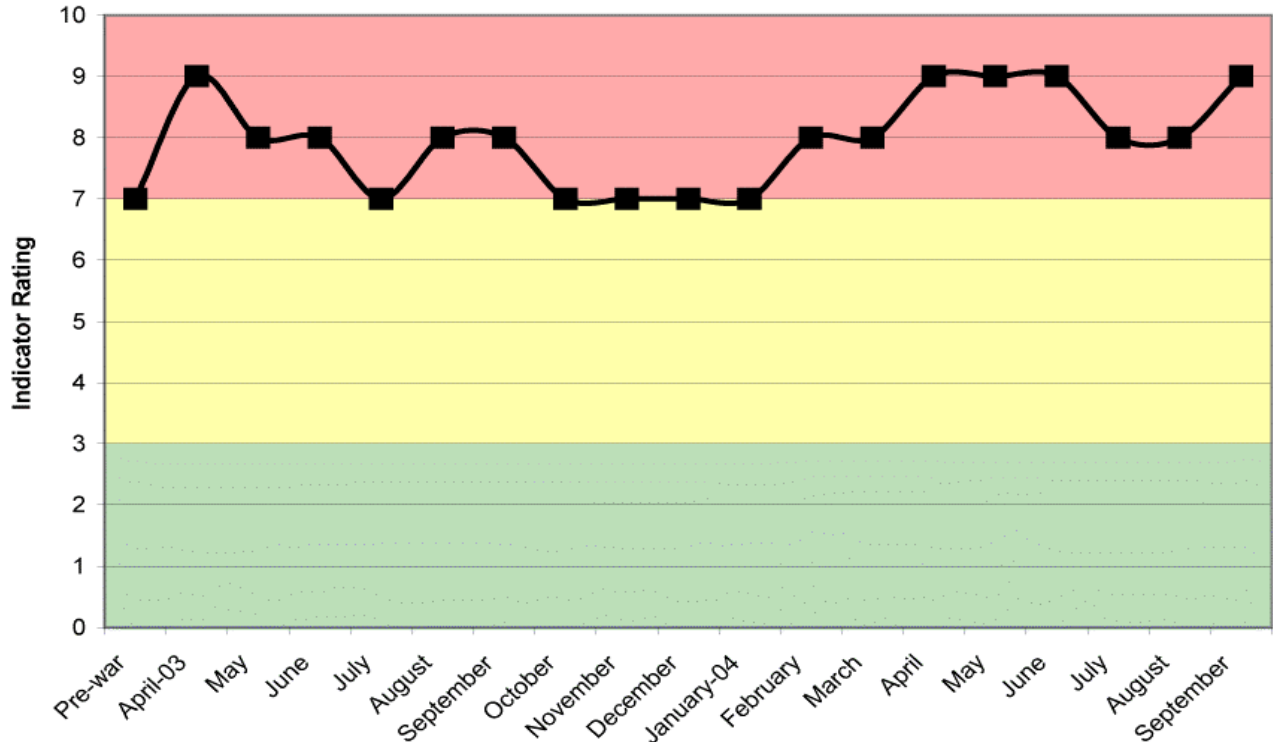
6. Sharp and/or Severe Economic Decline



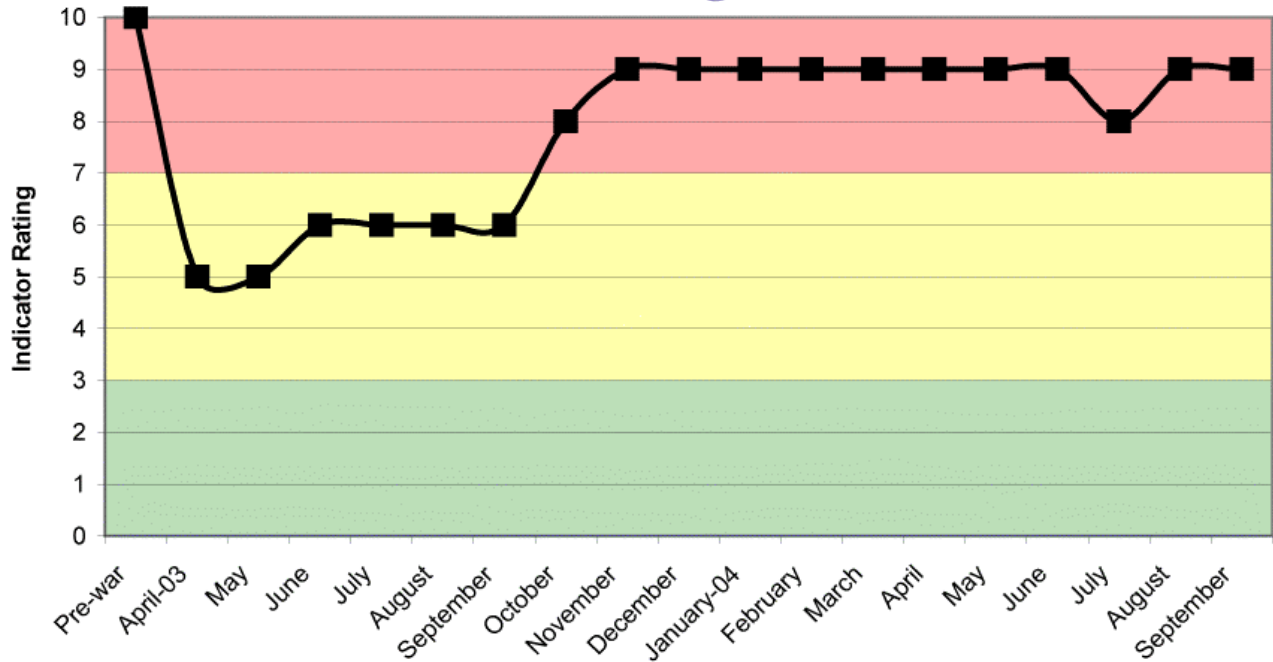
7. Criminalization and/or Delegitimization of the State



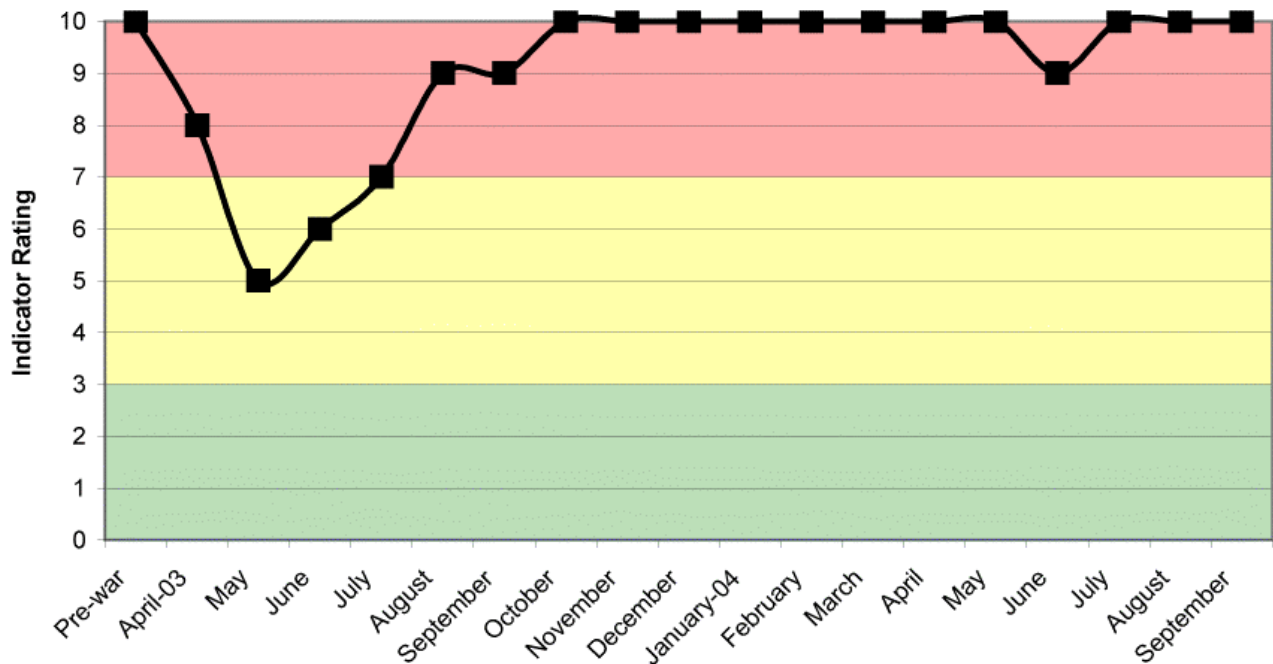
8. Progressive Deterioration of Public Services



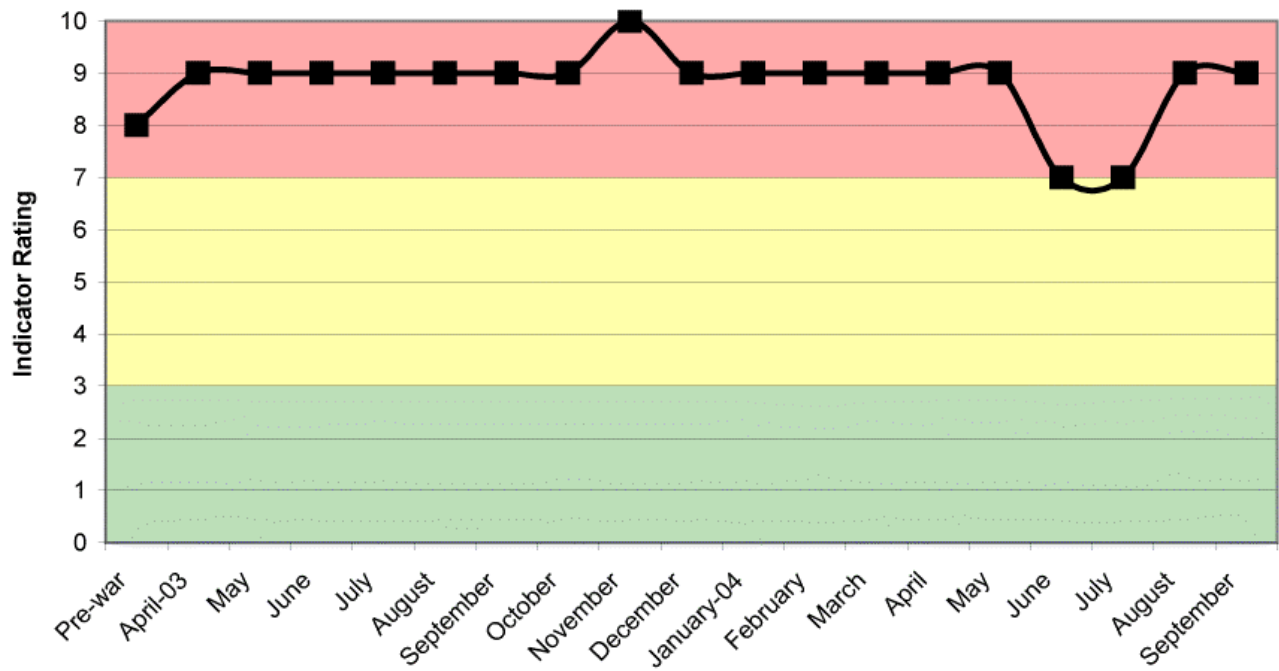
9. Suspension or Arbitrary Application of Human Rights



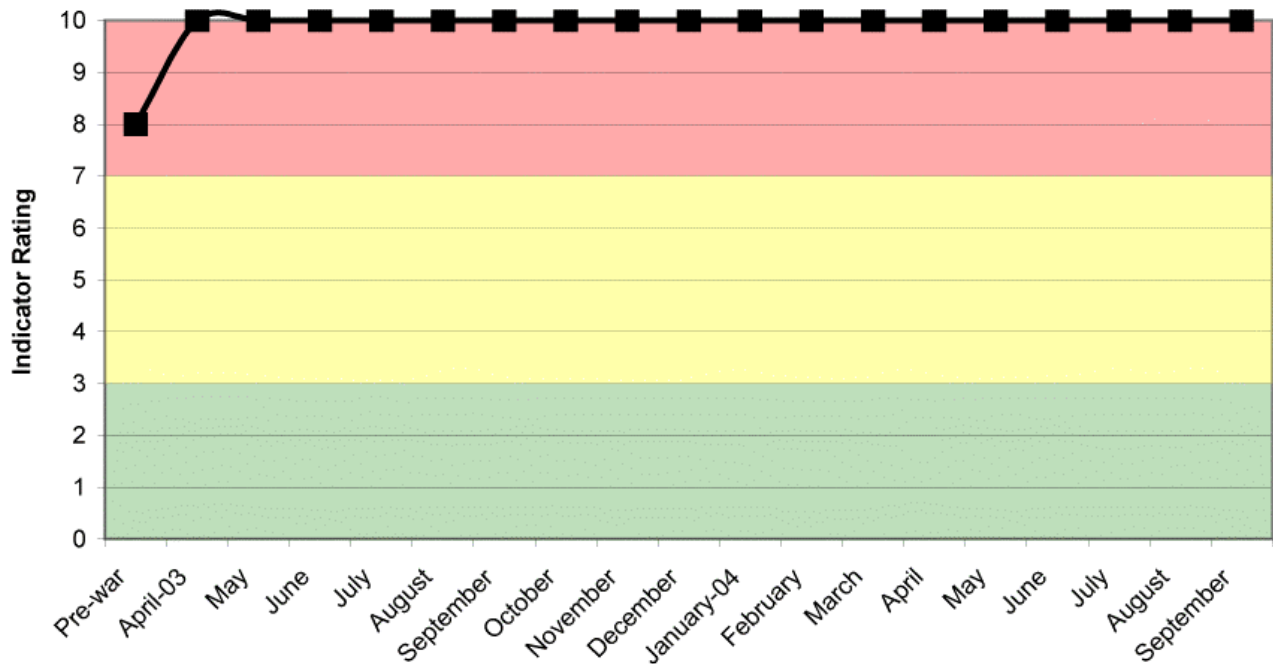
10. Security Apparatus Operates as a "State Within a State"



11. Rise of Factionalized Elites



12. Intervention of Other States or External Political Actors





Iraq: Summary Indicator Ratings (Pre-war through September 2004)

Indicator	Pre-war	Apr 03	May 03	Jun 03	Jul 03	Aug 03	Sep 03	Oct 03	Nov 03	Dec 03	Jan 04	Feb 04	Mar 04	Apr 04	May 04	Jun 04	Jul 04	Aug 04	Sep 04
1. Mounting Demographic Pressures	8	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9
2. Massive Movement of Refugees or Internally Displaced Persons	8	8	9	8	8	8	9	9	8	7	9	9	9	9	8	8	7	9	9
3. Legacy of Vengeance-Seeking Group Grievance or Group Paranoia	9	6	6	8	8	9	9	9	9	9	9	9	9	8	8	9	9	9	9
4. Chronic and Sustained Human Flight	7	7	6	5	5	5	5	5	5	4	5	5	5	6	6	6	6	6	8
5. Uneven Economic Development Along Group Lines	7	6	6	7	7	7	7	7	7	7	7	7	7	8	8	8	8	8	8
6. Sharp and/or Severe Economic Decline	9	10	8	8	8	8	8	8	8	8	8	8	8	9	9	9	9	9	9
7. Criminalization and/or Delegitimization of the State	10	10	10	10	9	9	9	9	9	9	9	9	9	10	9	7	7	8	9
8. Progressive Deterioration of Public Services	7	9	8	8	7	8	8	7	7	7	7	8	8	9	9	9	8	8	9
9. Suspension or Arbitrary Application of Human Rights	10	5	5	6	6	6	6	8	9	9	9	9	9	9	9	9	8	9	9
10. Security Apparatus Operates as a "State Within a State"	10	8	5	6	7	9	9	10	10	10	10	10	10	10	10	9	10	10	10
11. Rise of Factionalized Elites	8	9	9	9	9	9	9	9	10	9	9	9	9	9	9	7	7	9	9
12. Intervention of Other States or External Political Actors	8	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
Totals:	101	97	91	94	93	97	98	100	101	98	101	102	102	106	104	100	98	104	108