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Toward a New Approach to Economic
Growth Following Conflict or Disaster



Kauffman Foundation Expeditionary Economics Conference

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by Niall Ferguson

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*Born in Glasgow in 1964, **Niall Ferguson** was a Demy at Magdalen College and graduated with First Class Honours. After two years as a Hanseatic Scholar in Hamburg and Berlin, he took up a research fellowship at Christ's College, Cambridge, subsequently moving to a lectureship at Peterhouse. He returned to Oxford in 1992 to become fellow and tutor in Modern History at Jesus College, a post he held until 2000, when he was appointed professor of political and financial history at Oxford. Two years later he left for the United States to take up the Herzog Chair in Financial History at the Stern Business School, New York University, before moving to Harvard in 2004. His first book, *Paper and Iron: Hamburg Business and German Politics in the Era of Inflation 1897–1927* (Cambridge University Press, 1995), was short-listed for the History Today Book of the Year award, while the collection of essays he edited, *Virtual History: Alternatives and Counterfactuals* (Macmillan, 1997), was a UK bestseller and subsequently published in the United States, Germany, Spain, and elsewhere.*

*In 1998 he published to international critical acclaim *The Pity of War: Explaining World War One* (Basic Books) and *The World's Banker: The History of the House of Rothschild* (Penguin). The latter won the Wadsworth Prize for Business History and was also short-listed for the Jewish Quarterly/Wingate Literary Award and the American National Jewish Book Award. In 2001 he published *The Cash Nexus: Money and Power in the Modern World, 1700-2000* (Basic), following a year as Houlton-Norman Fellow at the Bank of England. In 2003 he wrote and presented a six-part history of the British Empire. The accompanying book, *Empire: The Rise and Demise of the British World Order and the Lessons for Global Power* (Basic), was a bestseller in both Britain and the United States. His most recent book is the best-selling *Ascent of Money: A Financial History of the World* (Penguin, 2008), which also aired on PBS. He has just completed a biography of the banker Siegmund Warburg and is now working on the life of Henry Kissinger.*

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Well, thank you very much indeed, Bob, for that wonderfully generous introduction. I'm just feeling so embarrassed that I forgot to bring my flag with me. Could you tell me next time that we're doing flags? When I heard, General, that there was a new field called "Expeditionary Economics," my spirits soared because I suddenly had this vision of Paul Krugman being sent to Somalia. But I shouldn't have gotten my hopes up. It's not quite that.

What I'm going to do briefly this evening is try and kick off this hugely important conference by saying some provocative things, some of which will annoy you, because I think you need to be annoyed in order to make a conference really succeed. This conference should have happened years ago. For years now—for seven years, perhaps longer if you go back to Kosovo and Bosnia—American military personnel have been asked again and again to do the one thing, really the only thing, that they are not trained to do. That is to start a free market economy. I used to say to my students, if you had to pick one group of Americans who knew nothing about the free market economy, you would pick the military, who are sheltered from it throughout their lives. And so, of course, it was an extraordinarily unrealistic task to say to the U.S. military, once you've kicked down the doors which you do so brilliantly, could you then please create a free market economy, not forgetting a stable democracy? So this should have happened years ago.

Well, years ago, I suppose I was thinking about these questions, and the question in particular that Carl Schramm raised in his superb *Foreign Affairs* piece, which I think launched the new subfield of "Expeditionary Economics." And I must admit, I was not a great optimist seven years ago, partly for the reason I've just given you: that we really were attempting to do something which we weren't equipped to do. I've pulled together some data here from four countries in which the United States military has played some part in recent years, merely to confirm Carl Schramm's point that, if we are to judge American military interventions by their economic results, it is certainly too early to declare victory, not with these unemployment rates: 18 percent in Iraq, 47 percent in Kosovo, 29 percent in Bosnia. Not when Afghanistan's economy grows because half of its GDP is the result of transfers, aid from abroad. We have a very long way, indeed, to go. And it's clear to anyone who thinks seriously about the subject that if we can't get the economics right, then our experiments with democratizing these countries are hardly likely to succeed.

In 2004, I published a book entitled, *Colossus*, which made everybody cross. It made everybody cross because it said that the idea of an American empire was in fact a good one—a power that could intervene to deal with the problem of failed states and rogue

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regimes. So that obviously antagonized the liberals. But then, having said it was a good idea, I proceeded to say why this idea was unlikely to succeed, which annoyed all the conservatives. So my friend, Andrew Sullivan, said, "Congratulations, Niall, you've been in this country for two years and you're about to alienate everybody." Let me, for those of you who passed this book by, just recap the argument that it made. I said that there were three basic problems with the project of American empire insofar as it was, despite not using that term, behaving a lot like empires in the past. If you go into Mesopotamia and you go into Afghanistan, you're not the first to do this, and all the previous contestants called themselves empires. So I said there are three deficits that this empire suffers from that make it highly unlikely to be as successful as its British predecessor, and the first deficit was a manpower deficit. I argued that there never were going to be enough American troops on the ground effectively to stabilize countries like Iraq. One way that I tried to show this was just to do some ratios. Remember, this was written in 2003–2004, well before the surge was even dreamt of. And one of the ratios that I pointed out was the ratio of British troops to Iraqis in 1920 when Britain successfully quelled an insurgency. In 1920, the population of Iraq was quite small, and the British force in Iraq was about the same size as the American force in Iraq has been in recent years. So the ratio of Iraqis was twenty-three to every one British serviceman. Compare that with the situation in 2007, when it was 160 Iraqis for every one American serviceman. And then the situation in Afghanistan last year, where the forces are even more thinly stretched. It's very hard to do what you've been doing, compared with the odds that previous imperial forces contemplated in places like Iraq and Afghanistan. This is a tough assignment, and one reason that the surge was so desperately needed was that, for a long period after 2003, there were not sufficient troops in Iraq to stabilize that country and prevent a civil war, which essentially broke out.

The second deficit that I suggested was a source of weakness for the United States was the attention deficit. By that I meant the attention of the public. The U.S. voter expects results in a two- to four-year time frame. This is not a realistic time frame for any exercise in state-building. Whatever undertaking you look at, and these are just the most recent polling data for Afghanistan—same story, of course, could be found for Iraq—public commitment to [the] difficult work of state-building and post-conflict reconstruction is very fickle. It fades. And this is quite different from previous great powers, which tended to have a much longer time horizon for their quasi-colonial or overtly colonial undertakings. So the proportion of Americans thinking that it's a mistake going all the way back to 2001 has just crept inexorably up. At worst, it was more than two-fifths. The third deficit that I want to talk about this evening was the one which I think was most prescient when I published the book. I said that the biggest deficit that would undermine America's nation-building or state-building projects was actually financial, and that the increasing reliance of the United States on foreign capital, even in good times, was likely a source of weakness. You see, in the past, if you wanted to run a country like Iraq or Afghanistan, you exported capital to it. That's how

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most imperial projects functioned. The British Empire was based on savings being exported to Asia, to Africa, to the Caribbean. But as I try to argue in *Colossus*, that's not the way the U.S. works. The U.S. for years has imported capital from the rest of the world to finance its deficits. I want to show you some numbers that I imagine you haven't seen, but they are sobering. These are projections for the ratio of debt—public debt—to gross domestic product for four countries: Portugal, Ireland, Greece, and Spain. You may have heard these countries referred to as the “pigs” by some rather impolite journalists. The Bank for International Settlements projects that if there were no change to policy in these countries, by 2040, the debt–GDP ratios would range from 300 percent to—in the worst case, Greece—400 percent. Even if these countries make adjustments to their fiscal policies, particularly tackling the problem of aging populations, they still have debt–GDP ratios above 100 percent. They never come down below that. Shocking. Hardly surprising there's a huge crisis in the Euro zone with countries behaving in this irresponsible fashion. Shame on the pigs. Right? Now let me show you the figures for the United Kingdom and the United States. Ladies and gentlemen, they're worse. They're markedly worse. The UK is actually the most atrocious. On present fiscal policy, we end up with a debt–GDP ratio of more than 500 percent, but the U.S. is worse than Greece—450 percent if we carry on the way we're going. Now, why am I telling you this? I'm telling you this because it has profound implications for the resources that will be available to you in the military as you carry out your roles in the years to come.

Here's what I call some nasty fiscal arithmetic. The IMF recently calculated what fiscal adjustment countries would have to make to stabilize their public debt burdens at a rate of 60 percent, looking ahead to 2030, making that the target. For the Japanese, it's the monumental task of tightening fiscal policy by 13 percent of GDP, either through tax increases or spending cuts. Britain is next in line: 12.8 percent. Then it's the pigs, except that before you get to Portugal, just behind Greece, is the United States. The United States would have to make a fiscal adjustment of 8.8 percent of gross domestic product to stabilize its public debt–GDP ratio, at pre-crisis levels. I liked the wine tonight, but I find myself sobered up very quickly by these figures.

Let me show you some more. Here we are. I actually wanted to call a recent article in the *Financial Times* “Pigs R Us,” but the editor wouldn't let me. If you calculate what the United States will be spending on interest on the debt if we don't radically change fiscal policy, you arrive at the astonishing conclusion that by 2040, all our federal tax revenues will be consumed by interest payments. All. Now, that isn't going to happen because it can't happen, but it tells you that this country and my country, that both of the major English-speaking powers, are on a completely unsustainable fiscal path, and I see no sign at this point in Washington of any will to address this. Why does this matter for military men? You know, sometimes people say to me at Harvard, “But I'm not interested in finance.” And I say, “But finance is interested in you,” and this chart illustrates just how interested it is.

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Over time, you can see a convergence between these two lines. One is the defense budget as a share of federal revenues, and as you can see it's in a historic downward trajectory. And the other is the percentage of federal revenues that go on interest payments on the debt. The chart is projected forward rather optimistically by the White House to 2015. In a short period of time, I believe by 2015, these lines could cross. It only takes a small increase in interest rates—as markets become spooked by the ever expanding scale of our borrowing—to be spending more on the interest on the debt than on the entire military of the United States. Think about how that will constrain us as it constrained—to name just one other power in the past—Britain after 1945. But meanwhile, as the Western world spends its way into a fiscal crisis, the “bottom billion” are still dirt poor. This is a little list of some of the poorest countries in the world, ranked by gross national income per capita, by the UN Human Development Index, because there's a close correlation to the degree of political and civil freedom, and the number of wars they've been involved in since the end of World War II: the Central African Republic, Uganda, Rwanda, Chad, Tajikistan, Tunisia, Eritrea, Guinea-Bissau, Liberia, Sierra Leone, Burundi, Ethiopia, the Democratic Republic of Congo, Afghanistan, Somalia. These are the problem cases, the worst cases, the broken states, the failed states, the places where not only poverty is most egregious, but also the places where some of the most dangerous organizations in the world—organizations that threaten our security—can flourish, can breed with impunity. What can we do about these countries, only a small number of which the United States has ever had any involvement in? Can we do anything?

Well, let me offer you some historical and economic reflections on a very, very important question that needs to be clearly understood before there can be any economic expeditions, with or without Paul Krugman. There are two ways of thinking about poverty in countries of the sort I've just described. You can say they're poor for reasons beyond their control. Because of a lack of aid—we haven't given Jeff Sachs enough money to give them. Because of the wicked British or the Belgians; because of legacies of colonialism; because of the aftermath of colonialism, dependency. Remember dependency? Just because of where they are, its geography. Because it's so darn hot there, its climate. Because the disease is so rife; because they're cursed with resources. Some of them have got diamonds and some of them have got oil. The resource curse is why they're poor. Because their populations are so young. Because they're ethnically so divided. You can think of a great many reasons why a country can be poor despite the best intentions of the people who govern it. But there's a whole other way of thinking about this problem, which says that some countries have overcome those disabilities—and I'm not just talking about Alabama. We can, I think, more credibly explain the extreme poverty of the bottom billion in terms of civil war, authoritarian rule, the lack of the rule of law, rampant corruption, excessive bureaucracy, protectionism, tax evasion and chronic deficits, high inflation, [and] defaults of debt. And also, we can blame it on aid. One important line of argument that we could associate with the work of Bill Easterly or my friend, Dan Bisenmoyer [sp], points out that when we thought we were helping, we

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were in fact harming; that one of the biggest mistakes made in the period after 1945 was to think that [aid] could solve the economic problems of poor countries by throwing money at them. We were talking at dinner that this can work on a micro scale. You can destroy the economics of a village by giving them two thousand dollars. Even [in] the world of television documentaries, this works. I was filming recently in a very poor part of Peru and the one, the fixer I was working with said, "We're going to this village because we know it's safe." And I said, "What do you mean, safe? I don't do dangerous stuff. I'm a professor. That's why I became a professor." He said, "No, no, not shining path dangerous. It's just that there are some villages where *National Geographic* have filmed in the past and they've always been completely economically corrupted by that experience because of the amounts of money that Nat. Geo. have paid out to the locals. It doesn't take much."

The big challenge for this conference, it seems to me, is to accept the dichotomy, the dilemma that I've just sketched, and see if you can figure out a way of moving beyond doling out aid and creating dependency. The big question for expeditionary economics, which I think you have to grapple with tomorrow, is: How can you improve the incentives for potential entrepreneurs who we know are there, trapped in the dysfunctional societies of Somalia, of Sudan, of tribal Afghanistan, ethnically riven Iraq. They're there. We know from the success stories of Western economies and, as I'll say in a moment, Asian economies, what gets you out of poverty. It's entrepreneurs and innovation. It's start-up companies. How can we get that to happen there?

Well, you could begin with some of these countries. These countries are ranked according to the number of days that it takes you to start a company. In Guinea-Bissau, it would take you 213 days if you wanted to start a company because of the kind of chronic bureaucracy and red tape that Hernando De Soto has talked about. And these are just the world's worst. No surprises to find Haiti there in third place; then it's the DRC. Venezuela has the distinction of taking 141 days to set up a company, unless you're a friend of President Chavez, in which case it's 141 minutes. Notice, incidentally, we have some successes that we can boast about. That's something that works in Afghanistan now. If somebody wants to set up a company in Afghanistan, it's a week—a week's paperwork. But in Iraq, it's seventy-seven days, according to the World Bank. So, some of this is not actually tremendously difficult to do. We just need to make it easier for the entrepreneurs to start their businesses by stripping away the bureaucracy, the red tape—oh, and all the bribes that have to be paid.

The good news, ladies and gentlemen, is that there is a way out of poverty. We know the way out. We know the way out because there are countries that have found the way out, and they found the way out without our help, without aid. On the contrary, it was precisely because they didn't accept large checks from the West that countries like China and India and Brazil have been able to break out of the trap of decades, or indeed centuries of stagnation and grow in ways that, if Jim O'Neill at Goldman Sachs is right, will take China's economy ahead of the United States in terms of GDP by 2027—and India will overtake the

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United States, if this future is correct, by 2050. Notice it's a really exciting prospect. Jim and his friends at Goldman Sachs came up with the idea of the "Next 11," the eleven countries that they see following the footsteps of the bricks.

What makes our world so puzzling is that more and more countries are cracking the problem of how to get rich. It's just the hardened cases, that bottom billion of people, who can't seem to figure it out. But just think for a moment what these charts imply. Take a step back. This is the last point that I want to make. They imply that we have a new rival. A new rival that already is engaging in expeditionary economics, and that rival is China. Here's some data. In January of this year, Chinese investors made direct investments in 420 different overseas enterprises in seventy-five countries, totaling \$2.36 billion. That's one month's Chinese FDI. Most of this went either to Asia or to Africa, and it was overwhelmingly concentrated in two sectors: [in] communications and in transportation and petrochemicals. The number of Chinese being deployed overseas as labor service personnel is also startlingly high. It's up by, what, nine thousand nine hundred (9,900) according to the most recent data. Total labor service personnel overseas by the end of January this year: 770,000, and that is almost certainly an understatement.

So we are going to have a debate about "Expeditionary Economics," but we should be mindful that there is already an expedition out there, and it's out there operating in some of precisely the most unstable and impoverished countries that I've been talking about. China's model of expeditionary economics is very, very different from the one that I think Carl has in mind. It's a model in which Chinese monopoly companies do deals with local dictators; give them infrastructure in return for control of commodities. Deploy Chinese workers who settle, often permanently, in the places where they're employed. I don't think we can have this discussion without being mindful of that alternative model, because right now in many parts of the world, and particularly in sub-Saharan Africa, they are making the running. And I've been reflecting on what that might mean. Maybe, ladies and gentlemen, this is the old face of empire, the face we've grown all too familiar with, and maybe this—oh, how very annoying—maybe this is the new face of empire, and this is the real expedition that we need to worry about.

Kauffman Foundation Expeditionary Economics Conference

Luncheon Keynote Speech May 26, 2010

by General William E. Ward
Commander, U.S. Africa Command

*General **William E. “Kip” Ward** became the first commander of U.S. Africa Command in Stuttgart, Germany, on October 1, 2007. U.S. Africa Command is one of six unified geographic commands within the Department of Defense unified command structure, responsible for all U.S. military activities and relations within Africa. General Ward’s military service has included overseas tours in Korea, Egypt, Somalia, Bosnia, Israel, two tours in Germany, and a wide variety of assignments in the United States, including Alaska and Hawaii. Prior to assuming his current position, General Ward was Deputy Commander, Headquarters U.S. European Command, Stuttgart, Germany. He previously served as the Deputy Commanding General/Chief of Staff, U.S. Army Europe and Seventh Army. While in this capacity, he was selected by the secretary of state to serve as the U.S. Security Coordinator, Israel-Palestinian Authority, where he served from March through December 2005.*

I don’t have a clue why you all have an infantryman up here talking to you this afternoon. So when I finish this, if you can help me understand, maybe we’ll all achieve some measure of success. But in all seriousness, I am very, very happy to be here, because as I’ve listened to the things that have been discussed as this conference has proceeded, it is very plain to me that there are clearly Americans who are doing things that are concerned—correction, who are concerned—about what is happening in the interest of Americans globally. And a point was made on this last panel, and I think it may have been made by Bob, when he talked about how you have things that we are doing understood by folks in Kansas and Missouri and how important that is. And it gets to a saying that I often use as I have now worn the cloth of our nation for these almost 39 years. And that saying, or quote, that I use talks to how each of us has to get out of our foxhole, go down range, turn around, look back at it from someone else’s perspective and you see it totally differently. And we as Americans don’t do that enough.

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I was happy to come into the panel here and heard several points being made that talk to listening, and how listening is so instrumental; and understanding, and then that understanding that leads to implementation of programs that ultimately will, in fact, make a difference. And so I come here this afternoon certainly humbled with this opportunity, but at the same time eager to talk to this distinguished group of partners from a range of disciplines and areas, to address what I have come to know is such an important element in our ability to maintain stability globally, or at least help to do so.

Now maybe during the Q&A, I'll talk a bit about my command in more detail than I had intended to do in my prepared remarks. But I wanted to give you an idea of what I have experienced as I now go into this task that the president of the United States and the secretary of defense asked me to do as we stood up a brand-new command. I heard a couple of comments that really lets me know that even today still, what U.S. Africa command is about is still not well understood, and it's a result of how, quite candidly—and I'll be candid in this audience—how we got started. As you know, our process of how we are nominated by the president and confirmed by our Senate for these positions—the gag order gets placed on us and we can't say too much until certain points in time. Well, in my case, that point in time came about the 25th of September, 2007, once the Senate confirmed me for this position after having gone through a process very similar to that when I was confirmed as the deputy commander at U.S. European Command. And that was a four-star billet because, given the responsibilities that the Commander of EUCOM has as the Supreme Allied Commander—Europe, I had the day-to-day business of running the forces that were assigned to EUCOM, the United States Army Europe, United States Air Forces Europe, Naval Forces Europe, and Marine Corps Forces Europe. As Ray pointed out, when the decision was made to reorganize, to restructure how the Department of Defense looks at its programs and activities in Africa, that four-star billet at EUCOM went away as we created and stood up the United States Africa Command.

Having said all of that, the timing was right. It did need to occur because a part of the world that has a billion people—one billion people—it is three and a half times the size of the continental United States. To fly from the north of Africa to the south of Africa, it's like flying from New York to Moscow. To fly from the east coast of Africa to the west coast of Africa is like flying from St. Louis—even, say, Kansas City—to Honolulu. It is a huge continent. Fifty-three distinct, different, varying countries; 800 ethnicities; over a thousand languages and dialects. Now, if you want a complex environment, you start dealing with that and dealing with it in a way that does what Secretary Gates has asked me to do. He said, "Skip, we need to do our very best to help prevent crises as opposed to being in the position of having to react to a crisis." So that's what your—and it is *your*—United States Africa Command, is about.

But what I'd like to do now is give you some perspective insofar as the things that I see as its Commander, insofar as how what we do—not in a stovepipe vacuum—but what

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we do as it relates to other things that are being done; how we do that in a way that helps do two things, and this is talking to the folks here in Kansas: Protect American lives and promote American interests in a continent the size and complexity that I just told you about.

Before I get started, let me do something that my time in Africa has caused me to be very, very adept at, because this is a room full of potentates and dignitaries. So, since I might get chastised for not introducing each of you potentates individually, I'm going to say, "All protocol observed and I'm happy to be here with all of you as distinguished folks in this room." But there is a quick story, since this an economic—expeditionary economic—conference, that I think I'd like to mention to you.

You know, about five months ago, a very good friend of mine, of my wife Joyce and I, came to visit us and [he] lived in New York—lives in New York—and before coming to Germany where our headquarters was located, he went to one of the banks there in New York and walked in and asked for a \$5,000 loan. And the loan officer said, "Well, fine, but we're going to need some collateral." My buddy said, "Well, I've got a brand new car outside, just bought it, [would] that be okay?" The loan officer goes outside, looks at the car. It's a—and I'll be political correct being in America—it was a Cadillac as opposed to a BMW or a Mercedes. But this was a Cadillac. Brand new STS, top-of-the-line model. The loan officer said, "Well, \$5,000, that is adequate collateral," and said, "We're going to secure your loan." So the loan officer went and parked the car down in the garage of the bank, and my buddy came over and spent two weeks with us. Had a great time and we really enjoyed having him there. He goes back home and returns to the bank and said, "Okay, I'm going to pick up my car and repay the loan," and the tally was done and, well, \$5,000 plus the interest on the loan of two weeks, \$15 or \$16. He paid it and everyone was happy. The loan officer said, "But while you were gone, sir, we kind of did a bit of a check here." You know, Google—you can do anything on Google these days. They found out that my buddy was a millionaire. In fact, he's a multimillionaire. He's one of my special buddies. "And so why did you have to borrow \$5,000 from us to take this trip to Europe?" My friend looked at him and said, "Well, where else in New York can I park for two weeks for sixteen bucks?" Entrepreneur? He probably is.

But all kidding aside, when I received the invitation—again, I was drawn to this event because of the basic question for the United States, How we as a nation can best mobilize our resources and our capabilities to help our partners and to help them prevent crises? Helping nations overcome the ravages of war and establish sustainable stability is hard to do. I say that from some multiple personal experiences, and I can also say that while we have done a lot of good in most of these situations, I believe we all agree we can and must do better, as our track record—as has been pointed out by a panel I just heard recently—is less than perfect. Even under favorable conditions, we know that there is work that needs to be done. We had a panelist who offered to be the expert, but citing Bosnia where we had the Dayton Accords and a robust international presence to ensure its implementation efforts

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across, I call them the “three Ds”—development, diplomacy, and defense—as my Command describes our work and how those things are being integrated. These three Ds were not adequately resources nor harmonized in Bosnia or Kosovo, as was pointed out.

So when we think about how to bring about economic stability and growth in future cases where conditions may be austere, the agreements not as rock solid or enforced and where international presence—and U.S. presence, for that matter—is limited, planning effective responses across the three Ds is complex indeed. And I’ve given some thought to this, as some of you know, and what I’d like to do is spend a few moments recapping a concept that I developed after my experiences in three post-conflict or unstable situations: My time in Somalia as a Brigade Commander in 1992 and 1993, as Commander of the Stabilization Force in Bosnia and Herzegovina in 2002 and 2003, and as a U.S. Security Coordinator in Palestine and Tel Aviv in 2005. Now, although all three were different in terms of the nature of the environment, the United States involvement in them, and the terms of peace that they presented, were notable in some very common points of reference.

First, the victims of the conflict suffered needlessly long after the end of hostilities. And there was little sense of lasting stability in any of those locations. Donated resources were either nonexistent or being too easily siphoned off through corruption, and I’ve heard about that this morning as well. Organized crime, violent extremism, and other groups surfaced where governance was weak and could not be restored.

Now, these reflected how strategic challenges in post-conflict situations were met with well-intentioned strategic responses that we’ve heard from several discussions of many of those, yet the tactical challenges were greater, and the tactical responses across the three Ds were not as successful. Achieving stability is first and foremost a tactical problem, seen and understood from the perspective of the individual people victimized by the conflict—again, a theme that you have heard repeated by members of the panel most recently before you.

I called my concept, “The Horizon of Hope,” and wrote about it four years ago in an article that appeared in the *Joint Forces Quarterly*, and it’s freely available from the National Defense University website still today. Now, my main point was that the most important thing to instill in the minds of the people affected by a crisis situation was the belief that things would be okay and that a decent acceptable to them, in their environment, was attainable over time. Now, that future might be off on the horizon, but the people would come to believe that through our assistance and their lead, there is a path to that horizon, and that path would not be straight, but as long as it was present and visible, stability was possible.

Now, I described the construction of that path as involving three lines of effort. And the Ds, as I said, we describe as defense, diplomacy, and development. Four years ago, I was talking about security, economic development, and societal development. What I stressed was how these lines of effort needed to reach each individual affected by the conflict, and

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at the strategic level—not just talk about broad brush strokes of making them work. But my experience in these situations is that the effectiveness of our response is measured tactically, and very deliberately, by the people. So it succeeds when very basic questions are answered in the minds of the victims: What will happen to me? Where will I get food and medical help? How will I provide for my family? How will I provide for them if they are sick or injured? Who will lead us? Will that leadership serve my interests? Will they help us or try to steal from us? What about tomorrow? Will I have some way of taking care of my family [tomorrow] and the day after? The same questions that human beings ask all over the world.

Now, I talked about that in the article, how we needed to have expeditionary responses along all three of those lines of effort to alleviate the immediate needs and concerns of the people so that they in fact do believe there is a horizon of hope. And the various programs that you just were engaged in hearing about, contributed to the dialogue about, all had those elements as a part of them, be they the Marshall Plan or any other post-conflict recovery scenario that we have experienced.

With those deliberate activities, the horizon of hope becomes closer to the people. Now, although my opinion is a little biased, I am very comfortable in saying that we have a good handle on both the expeditionary and deliberate aspects of crisis response on the security side, and I'm referring to more than just the defense aspects. I'm including police, border control, customs, [and] Coast Guards; but when I say "good handle," I mean that we understand that we need to define these aspects of the problem and deal with them in a very deliberate way: making deliberate plans, implementing those plans, and assessing the results. Now we may not get the resources that we need to make sure the environment eventually changes, but we know what's required to cause that change to occur. We're good at assessing risk and taking actions to mitigate that risk in the security domain, but we do struggle mightily on the economic side as has been pointed out here. There is so much more that is beyond anyone's single control. I experienced that firsthand in Bosnia as I saw how millions of dollars were donated—were supposed to spur economic development and growth—and ended up either disappearing or going into someone's pocket. That sometimes occur because the funds were sent directly to donors who thought that other things were [more] important than what the people needed and didn't address what, in fact, was important for the people. It goes back again to how we listen and how we understand.

As I was in the Middle East, [I] had the great fortune of working with Jim Wolfensohn, and as I was putting together the security aspects of that time, the withdrawal from Gaza, Jim Wolfensohn was working the economic plan that would cause that part of that country not to dissolve. The economic plan did not work. It sure wasn't because Jim Wolfensohn didn't know what was needed at the time. It was because of a lack of implementing the appropriate policies, the role that governments play in making sure that those policies are in place, and then allowing the entrepreneurial spirit that existed in that

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location to continue to flourish with a different set of procedures, from export regime to market identification—all established, but not allowed to function because of government policy.

Now, I want to talk a little bit about Africa in a broad sense because the U.S. has already engaged in post-conflict support in a couple of places there. But the conditions and the approaches to that support differ greatly from Iraq and Afghanistan now, or as I experienced in Somalia in 1993. I'll touch on what I think some of those differences are as may be instructive to this discussion as part of this conference agenda. First, some challenges we faced in Africa came about from conditions left unresolved from conflicts of the distant past—some back to independence movements over a half century ago. Social structures and governments built during that time tended to be fragile. They are often concentrated on the capitals. Governance and public service do not always extend throughout the country. Some security sectors are structured and organized for protection of the regime and not the people. The result? Routine episodes of instability, even among the stronger nations. You recall what happened in Kenya two-and-a-half years ago, where too often we see changes in constitutions so that leaders can stay in power longer, or coups, or the suppression of media or questionable elections.

Second, there are conditions that inhibit economic development now, in relative peacetime, that certainly come into play in post-conflict scenarios. As I was in Bosnia working with the United Nations Commissioner there, one of the things that we saw as an important step to take was a program called, The Implementation of—and at the time Paddy Ashdown called these things—Bulldozer Reforms: removing impediments to business development because of laws that existed, instituted by the government. And, as was pointed out, two governments in that federation, neither of which [was] doing what they ought to have been doing for advancing the country.

Corruption, piracy, trafficking of various commodities illegally, organized crime, illegal exploitation of resources, overfishing because countries don't have the ability to patrol their territorial waters, their economic exclusion zones, and pervasive poverty not being addressed: all conditions that inhibit economic growth. And while that is not news to any of us here, it is important to recognize that opportunities are indeed out there, and in great numbers, if we're not shy about leveraging these post-conflict scenarios to our advantage and to the advantage of the people. Our economic response has to be faster. Has to be faster. It is not given that a public U.S. face on the response is desirable. Right now, several of our closest partners in Africa are very clear that a visible U.S. presence is counterproductive. The Africans overall are much more sensitive about foreigners on their soil than other parts of the world. This was the source of much angst about the establishment of my command back in 2007, as some of our partners saw how we were conducting post-conflict stability and reconstruction operations in Iraq and Afghanistan, and how that they would not tolerate such intrusion anywhere on the African continent. Now, while we—just a little bit of an

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anecdote. Do you recall the notion of my Command when it was stood up; [that] we're going to be stationed in the continent of Africa [was] one of the big selling points. At least, one of the big talking points. Well, the first thing that I asked Secretary Gates: "Boss, we need to knock that off," because as we were approaching that from our point of view, it was being received by the Africans in a totally different perspective, counterproductive to what we wanted to be doing.

The good news is, he listened to me— "Skip, you're right" —and knocked it off, but it took us now these past three years to reverse some of the notion that we were another occupying force given the culture, the history of that continent, and the colonial past that was still fresh everywhere. As we have convinced many of them that we never intended to create such a presence in Africa of large bases, stationing garrisons and troops, squadrons, battalions, [and] wings, we have been able to reverse those perceptions and work in ways that are indeed taking advantage of the will that we now see. What the Africans really want is African solutions for African problems, and as Nelson Mandela has said, "But with the help of our friends." In that help, the economic peace absolutely critical and essential.

Now, my experiences thus far in Africa tell me that [this] will continue to be the case; that our solutions must be their solutions. We must be a part of the problem resolution; they must lead the problem resolution. We also have to be concerned about the things that we do that cause regional instability or potential thereto. Fifty-three nations, all different, diverse, and [with] a history. How do we understand that?

So what approaches do we consider as we look to improve our ability to rebuild war-torn economies and spur growth in post-conflict situations? I'm a soldier, and my experiences taught me one thing that I believe applies universally. It is vitally important, as I've said, to understand a situation from the perspective of our partners, because those perspectives will differ from ours and from our ability to do what we think is important on their behalf. They would drive us to different solutions once we listen to them than we might have otherwise developed on our own.

The angst expressed over the setup of U.S. Africa Command gives us useful examples. As many of you know, the Command was formed primarily because, as Ray pointed out, we needed to reorganize how we did our work on the continent. Africa is growing, and continues to grow in strategic importance to the United States. Even during our economic downturn, the economic growth of the continent of Africa was almost 3 percent— even during the downturn. It is projected to be, next year, 4.8 percent, and in 2012, 5.4 percent. Across the continent, there are technology leaps occurring like crazy.

As Africa in the past for us did not hold a top priority for any combatant command, our policy, our programs, [and] our activities were disjointed across the three Ds, across those areas I described as I wrote *The Horizon of Hope*. So establishing a U.S. Command whose focus was solely on Africa as its priority made a lot of sense then and still does today, and will

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be even more so fifty years from now. But because we didn't pay enough attention to African perspectives, the [inaudible] of the Command generated a wholly different reaction. Now we've—over time, these past three years—demonstrated that our goal is partnership and to provide tailored programs that help build their security capacity. Now, partners no longer have angst. They want to know what we can do to help as opposed to, Why are we there? But it took understanding from their perspective and applying that to our communications, our programs, and our activities, and then making a point to tell our partners that we do not impose our solutions on them. We listen. We learn, and we use their perspectives as the basis for building programs and activities that we provide on behalf of: Who? On behalf of the people of Kansas and the interests of the United States of America. Why? Because Africa is a continent of a billion people. By 2050, their population might double. Three-and-a-half times the size of the continental United States. Resources, minerals, [and] markets that we ignore at our peril if we aren't paying attention today.

Now, there are a lot of things that we try to do, and I know from my experiences that differences in perspectives have an impact on many of our discussions about social as well as economic models, including post-conflict reconstruction. Terms like democracy and capitalism can be disturbing to some, and the appearance of us imposing our form of the business model or the government model sometimes just doesn't work, teammates. So what do we do? How do we deal with that in a place that's important where other sovereign nations are also involved?

I believe that the solution does, indeed, lie in approaches that meet the immediate needs of the people; that capitalize on their needs; that take into account their desires and use their talents to move ahead in providing stability and certainty so that they indeed see the "horizon of hope;" and then engage them in ways that allows them to rebuild their lives as well as their nation. As I said, it may not necessarily match the way we think is most efficient in the long run, but it will build trust. Also, as I heard earlier today, this business is about sustained security engagement. There are no quick fixes. We have to build relations, build trust and confidence. That requires engagement, and that's what your United States Africa Command is doing in conjunction with our interagency partners, our international partners, and our nongovernmental partners: building that trust that will last.

Now, another point concerns other people's perceptions about the acceptability of military presence or the military lead, and I've heard a couple of comments about that as well. And since there have been some provocative statements made early in the conference, I think I may make a couple here if you'll permit me to do so.

Now, I recall in Bosnia how the stabilization forces had such a visible role in stability and were seen as very effective by the people. But many years after Dayton, the other organizations were seen [as] less effective. Things weren't happening, and there were times when the military wanted to push things along, or others thought that perhaps the military

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should take a greater role in the overall implementation of the Dayton Accords. People were saying, "Well, if that organization can't do it, can't the military get the economy going? Maybe they can help, or maybe they can do it better." I don't think so. But in the absence of anything going on, it is our nature to do something. And as I was talking to one of the leaders of one of the African nations when he asked me about taking care of his neighbor, I said, "Mr. President, you don't want me to take care of your neighbor. You need to take care of your neighbor." This was a negative situation going on with his neighbor. When the U.S. military performs civil military operations, it is always under the authority of a U.S. government agency, and our construct is to the Department of State and U.S. Agency for International Development. For the past two years, Secretary of Defense Bob Gates, Admiral Mike Mullen, and each of the combatant commanders—Kip Ward included—have testified before Congress that our interagency construct needs to be more robust, and even to the point of the secretary saying, "If it means taking resources from the Department of Defense." Because we know that the long-term guarantor of stability is not at the end of a tank round or a 500-pound bomb; it comes from development that is sustained and works for the people. Our agencies charged with doing that—as has been mentioned here several, several times—don't have that capability, but that doesn't mean it is okay not to continue to push for it. And that's why we remain advocates for our interagency partners in that regard.

We do have training. We can dig wells, we can build clinics, we can clear mine fields, but other agencies have the mission and skills to manage various reconstruction efforts when properly resourced and when properly integrated. Fully resourcing USAID, fully resourcing the Department of State to do this, is a message that we will continue to put forward. And the fact that it doesn't work isn't reason for [us] not to continue to push for it to work. We have a saying that we kind of use, and that is: What do we do to cause our teammates to be better every day? And then [in] U.S. Africa Command—that's my charge to every one of the teammates. How you do things today to cause your teammate to be more successful at what she does? And in our context, it's across the gym, the joint interagency, [and] international programs that we deal with, such that our efforts are more coherent and cohesive and moving ahead.

Now, I'll come to a close here shortly for some questions. I heard the comment about the Command, and who we are and what we do, and how we have integrated into the Command construct [in] the interagency. I will tell you simply, it is not where I see it going in the future, but it is not because of a lack of will and intent on the part of our interagency partners. It goes back to a resourcing issue that I think, if addressed over time, those things that AFRICOM is doing as well as Southern Command, European Command to a degree, Pacific Command, and eventually Central Command, are reflective of the increasing importance of the partnership amongst the interagency.

What we know is that predicting what the future will be doesn't happen. As Yogi Berra says, and you know the famous quote from Yogi Berra, "One thing about that future;

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we just can't predict it." So what do we do today to posture ourselves for that unpredictable future? You've got to kind of start where we are, take those constructs and make them as flexible, as adaptable, as you possibly can to cause our ability to be preventive as opposed to reactive—the very best that it can be.

My challenge that I would assign to myself as well as to you is that we all place ourselves in the shoes of the women, the men, [and] the children that we seek to help. Why? Because a stable continent of Africa is good for the people of Missouri. It's good for American interests and, when we do that, we will indeed do what those of us who wear this cloth are asked to do—protect and preserve our Constitution. And that's what we do. The ideas that will emanate from this conference, [insofar] as they help us get after that key piece of stability—and I am in violent agreement; it is the economic stability that's important—will do just that. We will continue to make this our priority, but in addition to that, we will also continue to cause our efforts as best we can to be integrated with the efforts of other partners who operate in that environment—not just our interagency partners, not just our international partners, but also our business partners who have the talent, the skills that will cause economic development to exist that will indeed cause this horizon of hope to be present, that will prevent those scourges of terror [and] instability that threaten us all, wherever we may be.

Kauffman Foundation Expeditionary Economics Conference

Dinner Keynote Speech Wednesday, May 26, 2010

by Richard Haass
President, Council on Foreign Relations

Richard Haass is president of the Council on Foreign Relations, a position he has held since July 2003. The Council on Foreign Relations is an independent, nonpartisan organization in the United States dedicated to the study of and dissemination of ideas on American foreign policy. Until June 2003, Haass was director of policy planning for the Department of State as well as U.S. coordinator for policy toward the future of Afghanistan and U.S. envoy to the Northern Ireland peace process. Previously, Haass was vice president and director of foreign policy studies at the Brookings Institution. He also was special assistant to President George H.W. Bush and senior director for Near East and South Asian affairs on the staff of the National Security Council from 1989 to 1993. Haass is the author or editor of eleven books on American foreign policy, including *War of Necessity, War of Choice: A Memoir of Two Iraq Wars* (Simon and Schuster, 2009) and one book on management. A Rhodes Scholar, he holds a BA from Oberlin College and both master and doctor of philosophy degrees from Oxford University. He has received honorary doctorates from Hamilton College, Franklin & Marshall College, Georgetown University, and Oberlin College.

Bob set the bar high. Get prepared to be disappointed. There's nothing worse than being told you're witty and funny. You're bound to disappoint. But, to cut to the chase at the other end, there's actually no relationship between the quality of the plan and whether it ends up in the circular file or not. And I don't—so there's no lesson to be learned from that, other than, if you can, choose who you give your plan to. That's really the only lesson of that.

I'm going to talk for a bit. As you would know/expect, I got no guidance whatsoever from either Carl or Bob, so this is going to be a little bit random and rambling. And then I'll try to reserve the bulk of the time for you all to raise points and all that—

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questions, comments, criticism...though go easy on the criticism. As every married man in this room knows, the entire concept of constructive criticism is so overrated. So just go easy on me.

Iraq. I'm going to talk about Iraq. I'll say a few minutes about it and then talk about some of the lessons and try to tie it into the work here of Professor Schramm who wrote—who was actually made famous by an important magazine. It was the magazine that carried the freight here. And it's an inside joke at the Council on Foreign Relations. And then afterwards, we can talk a bit—I don't feel, you know, we can talk about Afghanistan. I have been singularly unsuccessful in the course of my career in dealing with multiple aftermaths; not just Iraq, but also Afghanistan. And in some cases, I was so unsuccessful I never reached the aftermath, such as Cypress. But we'll talk about it.

Iraq, as you know, the decision was made to go to war in the spring or summer of 2002. I found that out personally one day when I went into my regular meeting with the national security advisor, then Condi Rice, saying that I had gathered momentum, was moving towards going to war, and I thought that was a particularly bad idea. And when I was in about reason two, I got cut off and Condi said, "Save your breath. The president's already made up his mind." And what was interesting about that, again, it was July 2002 and there had never been a National Security Council meeting on the subject to weigh the pros and cons of going to war. But be that as it may, that was the decision, and we also know it wasn't just me who reached that conclusion. The Downing Street memoranda that were published by Richard Dearlove, the same conclusion was reached. It was around late spring, early summer of 2002. We can talk about why that was done, but my own hunch was, after 9/11, the president and the administration wanted to send a large message to the world, and that Afghanistan, however successful it looked at the time, was not simply—was not deemed to be large enough to send a sufficient message. The accomplishment—and it was a real accomplishment at the time—was simply not seen as large enough. And then for the roughly next six to eight months, from the middle of 2002 to early 2003, what the administration essentially did was prepare the public case, prepare the congressional case, and it ultimately culminated in Colin Powell's presentation to the United Nations in early 2003. You know, before that, you had the passage of Resolution 1441, which if you are a student of UN resolutions was a remarkable resolution and accomplishment. But again, it's an interesting historical question whether the administration would have taken yes for an answer. At the end of the day, that question was never quite raised because Saddam was saying—he never gave an unqualified yes. He gave what you might call a qualified yes, but not quite an unqualified yes. So the march to conflict continued.

Before the war began in early 2003, already though, there had been planning for the aftermath because it seemed highly likely that we were going to get there. The Office of Special Plans at the Pentagon was set up in the fall of 2002 at the direction of Doug Fife. We ourselves, in September, wrote the longest memo I've ever been associated with in

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government about the aftermath. Any of you who have worked in government know that anything over three pages is death. This was a fifteen-page memorandum with appendices. The secretary shared it—Secretary of State Powell shared it with the president, the vice president, national security advisor, the secretary of defense, the chairman, and others. I don't know if it did end up in the circular file, but it certainly had, from what I can tell, zero impact whatsoever. ORHA, the Office of Reconstruction and Humanitarian Assistance, which Jay Garner ultimately took over, was set up early in 2003, in January. And what's interesting about it is not just that it was set up so late, but it was put under the control of the Defense Department, and one of the lessons I would say is [that] planning should by and large, I think, not be put under the purview of one agency. It's inherently involving a whole range of activities, and either I would have the NSC or some cell that reports to the NSC be in charge of it. And Garner's appointment was very interesting also because his one previous principal experience that made him the choice was that he was involved in the large humanitarian effort at the end of the previous Iraq war, when all the Kurdish refugees were streaming towards the Turkish border. And many people in government this time around thought that the only problem after this current Iraq war was going to be humanitarian crisis, like the other, and that informed a lot of the initial thinking. They thought it was essentially going to be a replay of that and, hence, the choice in many ways of General Garner. And even before all this had become [...] was the Department of State's Future of Iraq project when that began as early as late 2001, and this was umpteen various studies looking at specific parts of Iraq. Jim Fallows and others have written about it. My own hunch is, having looked at a lot of it and watched at the time, I thought it bore almost no relationship to reality, and you had all these experts brought in, producing reams and reams of material, but actually I wasn't that surprised that it didn't have a lot of traction. It was—and in a funny sort of way, there is a danger in planning getting too detailed. And this was that, because you can't predict exactly how everything is going to work out. So it's a plan down to several orders of detail [that] seemed to me to be a mistake. But if you haven't looked at it and you're interested, it's interesting because particularly the one on the economy and infrastructure called for "a new economic empowerment system to increase simultaneously the supply of capital and entrepreneurship." And they talked about a flourishing private sector and so forth, and set out all the things that would hopefully bring that about. But again, it wasn't read by anyone as far as I could tell. And as I said, General Garner was appointed early in 2003, two months barely before the war began in late March.

The war itself went on, as you recall, for about, I don't know, six or seven weeks. May 1 was the "mission accomplished" banner, and then quickly, when the United States wasn't able to follow up, you had the looting and the rest, and I would simply point that out because the looting and the initial disarray created a far greater challenge than what would have been the case had it not happened—both physically in the destruction of the infrastructure of Iraq, but also psychologically. It bred a certain contempt for authority that

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I believe Iraq still hasn't recovered from. But one of the lessons, obviously—to get ahead of myself—is that all things being equal, you want to use more troops rather than less. Colin Powell was on to something. Better to have too many than too few.

And second of all, early really matters. There's very little in life, I've discovered, whether it's raging conflicts or negotiations or what have you, that resemble[s] French wine: Very little about these situations improve with age. But rather, the passage of time can really work against you, and that's what happened here. Every day that went by, the scale of the problem grew significantly. In any case, several months later in 2003 it was clear that things were not working. Jerry Bremer was announced, that he would replace General Garner. Bremer arrived in Iraq in May. We can [...] lots of historical dispute, but basically the important decisions were made to disband the military or to accept the fact that it had self-disbanded, if you will, and not to try to rebuild it, to bar from political life not just the top echelon but [a] fairly significant slice of the Baath party. That experiment lasted for about a year with the Coalition Provisional Authority. Formal, rather than some ways actual, authority was transferred to the Iraqis about a year later—in June 2004, if my dates are right, and over the next several years, as everyone here knows, things deteriorated significantly through about 2006, give or take. You had then the height of the civil war. You then had the so-called series of Security Council—National Security Council decisions that led to the so-called surge. This was actually a lot more than that. Again, I expect most or all of you know: changes in strategy as well as simply adding more forces, and [an] attempt to win over many of the Sunnis, and that began the beginning of the improvement in the security situation in Iraq, and we're now therefore at the point [that] we are now several years into the status of forces agreements, various milestones. The biggest one by the end of 2011, all U.S. forces to be out of the country. The situation's improved rather dramatically. I gather you talked about it today. We can talk about it afterwards. My own sense is it's still in no ways out of the woods. It's not passed the kind of Malcolm Gladwell "irrevocably positive tipping point." I would say things could still unravel, though I don't think they are likely to unravel to where they were three or four years ago. But what matters, to some extent—there's degrees of messiness, and I think degree matters.

I would simply say one thing about the aftermath, which is, when you look at the war, if you look at March and April, which were the two months of the conventional phase of the battle—[the] so-called battlefield phase, the combat phase—139 U.S. troops lost their lives during that phase. Or, as another way of saying it, 99 percent of those American soldiers who lost their lives came in the aftermath phase, and similar percentages with the dollars spent. That the cost again at the battlefield phase was something on the order of fifty-odd billion [dollars]. I know Michael O'Hanlon's here and these numbers can be crunched different ways, but on the order of magnitude fifty-odd billion. And that's less than one-tenth by far, or one-fifteenth, of the money that was spent subsequently, all of which just underscores the importance of aftermaths.

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[I] talked a little bit about the place. Let me talk about some of the lessons of all that, because clearly the aftermath proved to be far more difficult and far more costly by every measure than people thought. The first lesson I would suggest, and it's so obvious that it's borderline dumb, is to have a plan. The idea that aftermaths take care of themselves, or a lesser included case, is to me the single worst idea out there. It's not a lesser included case. It's neither lesser nor included. It's maybe in many ways more difficult, and it certainly is not included. It's qualitatively different. It's got to be tailored for the country in question. You really have got to look at what it is you're inheriting. And as I said here, the lack of a plan made the inheritance much worse because of what happened the first few months.

And then you've also got to think really hard about what your goals are; what level of ambitions you have. You may decide in some cases, you know—Dave Petraeus used to use the phrase, "Iraq good enough." Well, you've got to decide in every one of these cases, every situation, what is good enough for you? How ambitious are you going to—do you want to have a place where everyone's going to be reading the Federalist papers in translation? Okay. Well, that's one definition of good enough. You can have more modest definitions of good enough, and indeed if you'll look a little bit at the differences now, say, between what we're doing in Afghanistan and what we're doing in places like Somalia and Yemen, I actually think the "good enough" debate is beginning to enter into American foreign policy because we can't do ambitious interventions across the board. We simply lack the capacity to do it. And all I'm suggesting is you ought to think hard about that beforehand, because your definition of what is good enough will have consequences, obviously, for resourcing as well as for strategy. What made it more difficult in the case of Iraq is [that] these questions were simply not asked, but less answered.

[The] second, I think also fundamental, issue is the question of security and governance. And let me just take a step back, because I'll talk about this a little bit more later. But in all of these aftermaths, there really are these three components of the security, the politics, and the economics. And I actually think you can only have a fair debate about the idea that Carl has developed in this context. Because the world is not academic departments. On college campuses, you have departments of economics, departments of politics, and the rest. Well, in Iraq and Afghanistan, you don't. You simply have one place, and economics and politics and security all come together. And so I don't think you can—I don't believe you can think clearly about the economic component of this without thinking about the relationship with the others—questions of priority and questions of sequence. And I actually think that's the beginning of wisdom. It's not the answer, but I think it's the beginning, or at least it's the right question, which is: What do you see as the proportionality and what do you see as the sequencing, because you can't have economics that will succeed absent a context. And it's the politics and the security that, as much as the economics, forms the context.

It's interesting though, as I say, because so much of the debate in the academic literature is between the political people and the economics people. Do you want democracy

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first or development first? And my answer is: neither. You want security first. I think it was Robert Benchley who was once asked, when he was a student like 150 years ago, and he was unprepared for the question, for the exam at Oxford. And it was, "Please write an essay of a thousand words on the Cod War between the British and the Norwegian governments." And Benchley said, "I'm sure both the British and Norwegian governments have very interesting positions, but I for one would like to take the position of the fish." And in this case, the security, I think, is the fish that one has to give a lot of attention. You can't have reconstruction absent security. Investors will not invest. Local businesses cannot function. Reconstruction, as soon as it happens, projects will get destroyed. The security concerns won't become a funnel, or will essentially divert all the funds that would otherwise go into an economic activity. Again, it argues for more troops early on. Always easier to draw down than build up, and you want to make use of local forces, in part, because you don't want all those people being unemployed going on the market. What we've learned the hard way is young men who get demobilized quickly become angry young men. Most of them don't have tremendous skill sets. They've got fairly limited skill set[s], and you want to keep them busy doing what they're doing. And what it took us five years to do in Iraq should never have even had to happen. Or, if it was true as some claim that the army had self-demobilized, it should have been then—the first order of priority should have been to remobilize it, to have people recreate their units as best we could. But there was nothing worse than having hundreds of thousands of unemployed young men. Even worse, with their guns, with nothing else to do. And you couldn't create other jobs for them overnight. They didn't have the skills; you didn't have the conditions. So one of the things you want to do is keep locals busy in what they're doing; in this case, in security. It makes you also want to think twice before you overly demobilize local security establishments.

I mentioned the politics before. You want to think twice before you do things like elections. I think elections should largely wait for as late in the process as you can, rather than early on.

Okay, talk about the economic side. Important. When we wrote our memo in September 2002 about it, we, like others, were pretty optimistic about Iraq. And the memo we wrote, and I quote from it, said, "Iraq enters a post-conflict economic situation with certain advantages. There are significant oil resources that should provide a ready supply of cash." And then we even said, "We are very optimistic," and said, "Reconstruction in Iraq could break the historical mold and become self supporting." One of the few times Paul Wolfowitz and I ever agreed was when he testified several months later in March 2003 and said, "The oil revenues of that country could bring between \$15 [and] \$100 billion over the course of the next two or three years. We're dealing with a country that can really finance its own reconstruction." Well, we were all wrong. Everybody was wrong in the optimism. What didn't matter was whether they had the oil in the ground or what the price of oil was. What mattered was whether the conditions existed to get the oil out of the ground and, quite

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honestly, the conditions didn't exist. Companies couldn't pump, couldn't drill. People couldn't explore or wouldn't explore given the deteriorating security situation. It's only recently that oil production levels have probably approached prewar levels because, again, investment has been very slow to come back into Iraq.

Other than no worrying about security, what else would we say are lessons? More consistent with what Carl was saying is that local entrepreneurs and employees should be involved as much as they can. There's one extraordinary story in *Imperial Life in the Emerald City*, which was written by a *Washington Post* Iraq correspondent who talked about one U.S. contractor that sent the laundry of civilian officials in Baghdad to Kuwait to be washed. I mean, you don't have to read *Foreign Affairs* to know that that is really nuts, that things had reached that point. There is a case, I think, for some decentralization and localization of grant-making authority, and you say, "Sure, we're going to make some mistakes. There's going to be some corruption and the rest, but that's the immediate advantage of having things decentralized as soon as possible—you get money out, and again, yes, you'll make some mistakes." But better to basically get some hits, even though you're going to have some out sooner rather than later. If you wait to get everything organized and perfect, you will miss many opportunities to make a difference. I think you want to have as much role as the external power you need to, but not more than you need to. And I think it's obviously a delicate balancing act, but again, you want to keep things small. One of the interesting case studies in Iraq, and I don't know if anyone's done it seriously, should be about electricity generation. It has proved a frustrating—I mean, even now in Iraq you still don't have twenty-four hours, in most places, a day of available electricity. It's about, I think, eighteen hours a day even now, plus or minus. One of the mistakes we made, and this is actually again very consistent with Carl's thinking, is we wanted to build these large power stations. Well, the problem with building large power stations is: It costs a lot of money, it was all done at the top, it took a long time, and they made wonderful targets for terrorists. I really think we would have done a lot better early on if we'd gone into a couple of Wal-Mart's and we'd bought as many generators as we could and brought them over, and we could have had something that could have been quickly dispersed, much less expensive, and wouldn't have provided a target for terrorists. And again, it may not have had economies of scale; it may not have been elegant. But again, there's something to be said for down-and-dirty approaches that just work.

Also, what you want to do, and something I have some experience with in Northern Ireland and Cypress, is where you can, you want to create programs that—either inherently or through various types of challenges for participation—benefit more than one group in a society. And the whole idea is to get buy in from different groups. It forces a degree of cooperation. In the case of Cypress, for example, when I was the U.S. envoy, I went to Congress and I got a several hundred million dollar pot of money created for a reconstruction fund, and monies could only be dispersed if the projects helped both the Greek and Turkish

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communities. And I think those kinds of conditional funding approaches are not bad for some of these conflicts, particularly in places like Iraq where, in the center, you had all the communities pretty much cheek by jowl anyhow. So there were some opportunities to do that.

Now, all this said, Iraq is the example of one tremendous success, and it's called Kurdistan. Kurdistan is the successful case of post-conflict development, and it's so interesting because that's where you've had security from day one; you've had a political process. And even though you have tremendous oil wealth and the top-down approach, which is always a mixed blessing, you also had conditions that allowed for bottom-up approaches. And you had essentially the natural, if you will, entrepreneurship, and business activity of the Kurds has been allowed to take root. So what's so interesting about Iraq is that, for those of you who like case studies, it is at once a case study of what to do and what not to do—simultaneously in the same country—and I don't know if that's unique, but my hunch is it might be.

So what else would I say about aftermaths? And then I will stop. When you think about the aftermath phase in terms of economics, I do think it's useful to disaggregate the relief phase from the development phase. It's the kind of debate we're having about Haiti now. Because I think in the relief phase, in the initial phase, I'm not sure you have the luxury of certain types of decentralized, bottom-up approaches. Sometimes, in the relief phase, you've got to get things right. You've got to get maximum help in quickly for maximum number[s] of people. It probably requires a larger state role because, again, your purpose at this stage is not to make the patient well, but it's the emergency room. The purpose of this phase is to keep the patient alive. And only once you get them through the phase of relief, of the post trauma, whether it's an earthquake or a major storm or a civil war, only once you stabilize the person can you move them out of the emergency room. So I think in the first phase of relief, I do think it makes sense to have a largely top-down, centralized approach, and then later on, I think, as things get more normal, then I believe the opportunities for decentralization come up a lot more.

Second of all, before you go into a situation—or more broadly before you invade a country—it's really a good idea to understand it. This may also seem borderline dumb, but I'm impressed by how often in American history we forget it. Indeed, one of the principal books about Vietnam was *Fire in the Lake* by Frankie Fitzgerald. And the principal conclusion of the book is [that] the United States never understood enough about Vietnamese culture to get as involved as we did in the sinews of that society. And one of the sad things to me about Iraq, it's one of the signs that Americans probably don't read history, is why we got involved in Iraq and didn't really understand a lot of the things going on inside it, which we now have learned. But it's been a fairly expensive and painful education.

Thirdly, as anyone who has gone through the Kennedy School would know, policies and plans are no better than the assumptions they're based on. So if you assume that you're

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going to be met by a welcoming population and there's not going to be any friction in the rest, you plan accordingly. But someone might want to question the assumption, and assumptions just seem to me extraordinarily dangerous things, and one of the areas where the Bush administration—this is forty-three—did themselves no favor was by not having a process that systematically challenged assumptions. Though I will say, to their credit, because the intelligence community got a lot of blame for having been wrong on weapons of mass destruction and the rest, the intelligence community did call it right on the aftermath. Time and time again, the National Intelligence Council and others produced papers that said, "This is what the aftermath is going to look like. It is: The potential for chaos is extraordinarily high given the nature of Iraqi society and culture. The potential for sectarian strife is extraordinarily high." I know this because I worked with Paul Pillar, and I actually commissioned several of these studies about the aftermath. And in part, I commissioned them because I thought I had a pretty good sense of where they were going to come out, and I wanted to influence the planning for the aftermath. But again, this was rejected because it was seen as inconsistent with some of the policy preferences, and many people were worried that, if the aftermath was seen as extraordinarily difficult, it may cause second thoughts about the decision to go to war itself. So there was tremendous institutional resistance to what the intelligence community was correctly predicting about the aftermath.

Another conclusion is, obviously, the policy execution, and implementation is at least as important as policy design. And that comes through time and time again.

All this said, I think we have to be careful to not overlearn the lessons of Iraq. I'm not sure there's that many more Iraqs in our future, something of that scale and that ambition. Indeed, I actually think Iraq and Afghanistan are likely to be seen as exceptions. I mean, if we had been having this dinner twenty years ago, it would have been inconceivable that we would have said in the post-Cold War moment, given the strategic opportunities of the United States, that the two great investments for American foreign policy were going to be Iraq and Afghanistan; it would have been inconceivable that any person in this room would have said that. And, I think, for good reason, because I actually think it's strategically seriously flawed that we have allowed ourselves to be so diverted by these two cases. But I would also say that I think looking forward, looking at everything from the world strategically to our fiscal situation, it's very hard for me to imagine that these are going to become models. And so, to think that future aftermaths are going to begin essentially on the Afghan/Iraq scale is an assumption at least I would not accept, and we might want to think about much lighter approaches with much lighter footprints than necessarily doing, if you will, a third extraordinarily large aftermath.

Whichever way we go, heavy or light, I don't think this ought to be the principal role for the military. I actually feel one of the problems in American society is we ask the military to do way too much because it's the most competent organization I know. It invests in its people more than any other institution I know, and as a culture saying "can do." But I

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do not believe that doing aftermaths in the economic or political sense ought to be the role of the military. I think the military ought to be there as security providers initially, directly if necessary, but then as trainers. But the role of aftermaths [would go to] either locals or international types, NGOs, or—if I had my way—we would create a civilian reserve to do this. Model it on the military reserve, but we would have the civilian reserve of Americans who would train up a weekend or month, bring whatever skill sets and language sets they have, and they would be called upon to do these kinds of operations, working with locals and working with other people. But I do not believe this ought to be what the American military ought to do.

One last thought and then I'll stop. Where do I come out on all this with aftermaths, looking at Iraq—would also color my experiences with Afghanistan, is this concept of macro and micro, if you will. Of macro security or security at large. But you then have, over time, micro development. I don't think it can begin from day one. As I said, the relief stage, I do believe, has to be largely centralized. You've got to create some of the basic infrastructure. In a funny sort of way, you've got to create enough at the beginning so then the process of entrepreneurship and a decentralized ground-up approach can gradually, over time, take root.

So, to put it another way, I think the two are actually complimentary: that if you don't have from the outset a macro security-type context, I do not believe a micro approach to development can work. It just won't be able to gain traction. On the other hand, if you don't foster micro development—you don't allow it to happen over time—I don't think the macro security will ultimately last. I think order will break down. So it's not an either/or question, but like is so often the case, it's a question of timing, sequencing, and priorities. So I think there's obviously, you know, an important central role for the ideas that you're kicking around this conference; but again, I do think they've got to be carefully meshed with the process of trying to promote governance and with the process of trying to promote security.

Kauffman Foundation Expeditionary Economics Conference

Closing Luncheon Keynote Speech May 27, 2010

by Lieutenant General Robert G. Caslen, Jr.
Commanding General, U.S. Army Combined Arms Center,
Fort Leavenworth, Kansas

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Thank you very much. It really is an honor to be here. And, Carl, sir, thank you very much for what you've done—and Bob Litan too, what you've done to try to pull this thing together, to host with us, to work with the Foundation—and the little time I've been here at Fort Leavenworth and seen the work of the foundation and the work that they've done, and to partner with the Kauffman Foundation really means an awful lot to all of us. This conference really, in my opinion—just from the experiences I've had in Iraq here recently as MND-North Commander—this is the conference that our Army and our military and our interagencies must absolutely have to have this level of discussion. Not only at the macro level, but also at the micro level.

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I'm truly honored to be here with all the great people that, you know, I haven't seen for many years. [*Inaudible*], great to see you, and Mr. Kagan, thank you sir for being here, and some of the work you've done—some of the intellect. Everybody from yesterday that I had a chance to meet, the level of intellect is almost daunting. I'm kind of humbled to be here with a 400 on my SATs and be in their presence. So I'll do the best I can.

You know, when I hear the discussion about what Bob was saying, whether it's the State Department or the military that's going to have to do this, we don't have any choice. We all are doing it. We all have to do it. And I'll explain what I mean by that. But we were all in the middle of this and we had no choice. If we are going to do counterinsurgency operations, we have to build governments, and governments that are effective, that are legitimate. In order to be legitimate, they've got to provide security, rule of law, and they've got to provide for the essential services. And then, if you don't have the essential services, you don't have the security, [and] then you don't have the means to transport goods and services across it so the economy can't grow. So, because it's so intricately involved in how we do our counterinsurgency doctrine, what we were doing as a military is an absolute essential part of all of this. And to point to the—as the 25th Division was getting ready to deploy to Multi-National Division North and we were doing our mission analysis to get ready to develop our campaign plan, we were going to be in charge of the seven northern provinces, which was going to be the size of the state of Pennsylvania, Ohio, plus—a huge area—and it included some of the most controversial and conflicted areas of all of Iraq, all the way from the Diyala Province, which was very sectarianly divided and ethnically divided on the eastern part of Baghdad along the Iranian border to Salah ad Din Province, which was the home of the former Baathists—very Sunni—and it's got Samara, as you know. And then you also have Kirkuk Province. Kirkuk Province, which has got Kirkuk City, which is the heart of the ethnic issues between Kurdistan and the Arab provinces. And then all of that played out, the absolute—to the most in Ninawa Province, which not only had the foreign fighters coming through from the west in Syria, but it [also] had Mosul. When we had the effectiveness of the decreasing in—because of the surge, increasing violence in Baghdad, everybody seemed to go out of Baghdad; they went north to Mosul. So we were still smack in the middle of the insurgency up there. And then, of course, we have the huge conflicted ethnic issues that occurred between the northern Kurdistan provinces and the southern Arab ones.

As we developed our campaign plan, we developed four lines of effort, and one of those lines of effort was to improve the Iraqi economy, as simple as that. So, as we looked at how do you improve the Iraqi economy and what kind of strategy would be necessary for that line of effort, we said, "What are going to be our ends? What's going to be our goal?" And we really didn't even think that; we had no idea what our goal ought to be. How do you really measure that you're going to improve the Iraqi economy? So we just pulled something out of the hat and this ended being our goal: It was 10,000 jobs per province per month. So that was the end state. No one else had anything else they could offer us,

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and what were our means to accomplish this? It was going to be us working with the PRT [Provincial Reconstruction Team] and then working with the governments once they were up and running because, when we got there, we were still under the first provincial election. They had ineffective provincial governments. So then the key thing in the strategy [of] “ends, ways, means” [is] the ways. So we turned and said, “Well, how do we go about doing this?” We had no idea. We had nowhere to turn. So we started thinking about what to do and where to go and all that. So, matter of fact, I asked two of our people who led our line of effort to actually come here to participate in this conference: Nancy Blacker and Charlie Kim. They’re sitting back there. Please stand up, really. Because these two are right there. After my talk, I’m not sure you’re going to, you’ll want to—you’ll probably want to take that applause back. But—no, they’re—these are the economic warriors of the United States Army right there. When you look at who is rebuilding the economy in Iraq in partnership with the PRT, it’s Nancy Blacker and Charlie Kim and people like that. And that’s what they did. So what we did, before we deployed, is we went to Washington and had visits with the Department of Energy, the Department of Agriculture, USAID, [the] Department of State, [the] Department of Treasury and the World Bank. And then we went down to Hawaii, we went to the University of Hawaii. We found out that there were some Iraqi dissidents that lived in—that came from the north, and they knew a lot about how their economy worked, and we sat and talked with them quite a bit. And this is how we tried to educate ourselves on how to build an Iraqi economy. There were no ways that would help a division commander [who] had a key responsibility to build the Iraqi economy. It just didn’t exist in the United States Army or the military. And I’m not sure it does today. That’s why I think—that’s why I think this conference is so important.

So the bottom line is [that] we didn’t have the people, didn’t have the experience, we didn’t know where to turn; but we were going to have to make it up as we proceeded. And the best manual that helped me personally as a division commander was not necessarily a manual; it was Linda Robinson’s book about—when she wrote the book about General Petraeus, telling me how this ends. Because the chapters in there that General Petraeus—when he was in the north and what he did to work on the economy, was the best advice I got on what to do in the Iraqi economy. It was Linda Robinson’s book. So the first thing we realized, especially in hindsight, is that we—it was critically important, even before you start to rebuild the economy, to understand the environment. Because, when you do something in the Iraqi system and network, it has second- and third—not only second- and third-, but fourth- and fifth- and sixth-order effects. And it’s critical to understand the history and the history of the tribes, and not so much the history of the area or of the sectarian piece or even of the country, [but] the history of the tribe and the history of the relationships between the tribes. Because you have to understand that tribal dynamic that existed in there: their religions, their sects, their ethnicities, the tribes themselves, who were the leaders, who were the historical leaders, and who were the Saddam tribal leaders—the Saddam-placed tribal

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leaders, because if you know what Saddam did and how effective he was, he manipulated them in order to preserve the power. So we had to understand who was there, who was not, who was in power, [and] who was not in power and should have been. We looked at it from the political perspective, from the provincial to the Qadaa to the Nahiya, and then within the cities from the mayors to the districts, and then the neighborhoods, because you had to understand the artificial power, and then you had to understand the natural order of power with the tribes and how all of that intersected. And then we had to understand the security forces, the army, the police, the border security, the national police, and the Iraqi police. And critical was rule of law in all of that, and I'm going to talk about that in a second some more.

But key to all of this in your understanding was we had to understand who was marginalized and who was not; who was empowered and, then, who was not. Who was marginalized that should have been—should not have been marginalized, and who was in power that should not have. And the guiding standard was the natural order of law or the natural-order hierarchy—the natural hierarchy within Iraqi governance. If we understood that the way it was, from a natural historical standpoint, then we were able to understand all these folks and elements that were marginalized and shouldn't have been. And that's just basic counterinsurgency principles because the fundamental principle, as you know, of counterinsurgency is legitimacy. Where does legitimacy reside and where should it reside. And that's what we had to understand.

The second- and third-order effects of everything we did—sometimes it was intended and sometimes it was unintended, and we always strove for an Iraqi solution. But I would argue that striving for an Iraqi solution and building an economy is not where you really need to go. You need to go to the next level, because an Iraqi solution will normally marginalize somebody else, and then you've got to determine whether or not that's okay or not within the natural hierarchy of things. And that's the—what I'm trying to describe to you is the level of understanding that's so critical in all of this. Then we had to understand the networks, because there were networks out there that had to be disabled, and then there were networks that had to be enabled. And obviously the ones that had to be disabled were the insurgent networks and the VBIED [Vehicle Borne Improvised Explosive Device] networks, the suicide VBIEDs and the IEDs and all that—those sorts of things. And that's for another discussion. But the ones that really needed to be enabled were primarily your security forces and then your—the tribal ones that were legitimate, and then the security apparatus, so, we looked at that.

Part of the networks that had to also be enabled [was] the infrastructure, because understanding the infrastructure turned out to be a very key component in building the economy, because—the principle was [that] if the infrastructure was in place, then you had something that the flow of goods and services could go across and [that] would enable the economy to begin to take off. So we said, How do you define the infrastructure? Someone yesterday had mentioned SWEAT. Well, we really—it's really SWEAT-MTA and I'll tell you—no

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kidding—I mean, to our level, this was probably the best level of understanding of where we needed to go to rebuild the economy, because SWEAT-MTA is: sewage, water (both drinking and irrigation), the electric, the agriculture, trash, [and] then the medical, the transportation (to include the roads, getting products to market), and then the schools. And the theory was that, if you can rebuild this infrastructure—if you understood it first and then rebuild it—then you had something that would start the flow of goods and services.

So, what does an essential service network look like? So, for example, the canal system would have water in the Tigris River and if you wanted to get water into the field using, you know, the old-fashioned historical technique of irrigation—flood irrigation—you know, they're proceeding with drip economies and stuff like that, but everybody was still familiar with flood irrigation. But the water would come from the Tigris River. There had to be some sort of pump to get it into a canal; and then it had to flow down the canal; and the canal had to be sufficient enough that it didn't have breaks and there [was] not intentional seepage that came out of it illegitimately; and you had to understand where they occurred; and then you had obstructions in the canal like weeds and things like that, and dirt and soil. And then you had to get it out of the canal knowingly, into either a secondary canal—and then ultimately had to get it out of the final canal into the field. And each one of these required some sort of pumping system that was either run by a generator that needed some sort of operating maintenance and gasoline, or was run off of the electrical grid. And [you had to know] whether or not you had electricity that was going to be standardized. But when you understand the flow of water and where it really needed to go at the end, then you understand that this canal system and this distribution system [were] based on fifties technology and it had really fallen apart because it was run by the former Baathists. They were really in charge of that when, all of a sudden, the regime fell back in 2003.

So what would it take to have to rebuild all that sort of thing? People were complaining in Iraq that they had insufficient water, and they really looked at and measured water from the precipitation that came out of the sky. And, I would argue, Iraq didn't have necessarily a drought problem. Iraq had a water distribution problem and what was critical in all this was, What was it going to take to rebuilt the canal systems? And that's what we started to do.

So in order to understand the economy, we had to make assessment[s] of all these networks, identify the key nodes, and then to fix them and get them operational. Let me switch a little bit to the insurgent piece up in Mosul, for example, because this goes back to basic counterinsurgency strategy of clear, hold, and build. And then, as you know, you clear, and then you hold your security gains, and then you start rebuilding, and this is something that was very important because Mosul was a mess when we got up there. There was still a very active insurgency that was up in that area, and we started going through neighborhood by neighborhood and using old-fashioned clearing and then working very closely to hold security gains and then [undertaking] the whole effort to build and rebuild. What did you

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have to rebuild that was necessary? And I could [tell] you a lot of stories about that, but it was critically important. It was probably best illustrated to me when the governor in Najaf, who was the governor from the provincial elections who ran—he was a very Sunni-focused person; he ran on an anti-Coalition platform—was elected with a great majority [and] became the governor and didn't like the Coalition at all. We really had to work on a relationship and we finally had to prove our relationship through clear, hold, and build, and what we were doing through the reconstruction. And I'll never forget the time, you know, a couple months after he was elected, that we were at a press conference with myself and him there, [that] he put his arm around me and in the press conference said, "This is my friend, General Caslen. He used to be—we used to see him as the occupier. Now we see him as the one who is going to rebuild our province." So not only were we trying to work the economy, we were also trying to work the strategic engagement piece and we did that not by just getting a message out there, but by really developing a partnership with some of the key leadership. And I thought that was important.

Part of all of this successful building of clear, hold, and build, though, has to be the security. Because it was mentioned here numerous times that, in order to get the economy going, you've got to have the security so the institutions can stand in place. So there's a lot—there's a lot to the security piece of this. Policing, someone had mentioned yesterday, is critically important because, especially in the cities and the neighborhoods, it's not going to be the army, because the army is going to go out and work outside the cities and the borders. It's going to be the police. And in order for us to get the police up and running—it was difficult because they come from a culture where police are in the back of Toyota pickup trucks running up and down the MSRs, the main roads, shooting weapons in the air through intimidation and control. The whole concept of community policing is just not in their culture, and it just took—it just took a lot to get there.

I told you I was going to come back to rule of law, and this is where I'd like to talk about it. But rule of law ended up becoming so important that I really believe that we are not going to ever have security unless we really have rule of law. So if the economy's going to work, security's got to be in place. If security's got to be in place, rule of law still has to be in place. A good example is a gasoline truck that would come out of the Bayji oil refinery and then would be shipped all the way back up to Mosul. And we would watch this thing, you know, on the UAVs and all that sort of thing, and it had up to six stops before it got to another refinery where a whole bunch more stuff was downloaded—the good gas—and they pumped in there all the bad gas from this other oil refinery, and then it got stopped a couple more times and then finally made it up to the oil distribution site up near Mosul. And it was stopped—you just name it. And it was stopped by the people that worked at the refinery, it was stopped by al-Qaeda, it was stopped by the army, it was stopped by the police, and so you could just see where the corruption in all this is. And you've got to say, you know: rule of law. The truck driver himself, you know, would put some—take some out and fill a couple of

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the plastic things and then bring them downtown and sell them on the street. So rule of law in culture is significant.

So, what's the application of all this sort of thing for a battalion and a brigade and a division commander, and how do we learn from this? And what were our best tools that we had in order to make all this work? And I would just say that—and it was mentioned here—the CERP program and the micro grant program, at our level, at the micro level, were the ones that were really most effective to us.

A couple [of] points in this. First of all, we were very fortunate, I would say, because the price of gas on the public market dropped significantly when we were over there. Iraq's income dropped as well. And since Iraq's income dropped, the central government was unable to push the money down to the provincial governors that they needed to. And, because the provincial governments did not have the money that they needed to run their provinces, they really trusted and really relied on us providing the CERP. And the CERP was not necessarily the provincial budget—you know, the budget for the province itself. But the CERP itself ended up being valued by the Iraqis in a big way as a result of that kind of dynamic.

[When] we use[d] the CERP primarily though, is when we did our infrastructure analysis; we identified the key nodes of what needed to be repaired—what was broken and what needed to be repaired. A key node, for example, would be the pumping station that would take [water] out of the Tigris River and put it into the major canal, or even to an individual farmer's field that was going to take it out of the tertiary canal and from there into the field, or the generator that ran it. So as we analyzed where the key nodes were, those became the focus of our CERP projects in order to rebuild that, because that's what we wanted to do was rebuild—really rebuild the infrastructure first. And that was our focus.

When we first got to Iraq, it was before the security agreement, and we were still doing a lot of unilateral operations and we were under the old provincial governments. At least in the north, for the most part, they were—I would just say they were pretty much ineffective. They just didn't know how to manage things. They didn't know how to manage projects and that sort of thing. So as a result, our CERP projects—we just went in there and started working CERP projects, and we wanted to do that quick to get some sort—[we had] two purposes. One [was] to get the infrastructure fixed as quickly as possible; and second [was] to try to get some money into the economy.

What happened after the elections: The elections took place in January, and [in] about March, when they finally seated the provincial governments, in each one of the provinces we began to see effective governance. And this was very helpful because, when the government became effective, then we were able to take the CERP projects and work them through the government. So the government identified where the projects needed to be based; we provided a lot of assistance and a lot of engineering expertise; and they came

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up with a priority and they established all of that. And then they went ahead and found the contracts, and then we were, you know, kind of the bank that was able to provide the money to the contract. And it worked a lot, because not only did it help build the economy, but it provided the Iraqi face on it. And then it also empowered the Iraqi government, which was our other line of influence—I mean, our other campaign plan that we had as well: the economy and [to] build up the Iraqi governments. So initially we were doing it by ourselves, and then afterwards, what we did [was] we really worked and integrated through the provincial governments and the provincial councils in order to build up legitimacy. That also, by the way—since a lot of you understand the PRT concept—since the PRTs were working with the provincial councils, it also really empowered the PRTs because they got very much involved in the micro grants and the CERP projects, working with the provincial councils in prioritizing the projects throughout the province. I mean, that really became a very powerful and very effective sort of government and partnership that we had.

The micro loans were interesting, and I would say that they were somewhat effective. We thought it was—some people said it was a great success. I think it had some marginal success. Our focus was on mom-and-pop shops which primarily had the opportunity, because the micro grant was going to double their employment anywhere from, you know, two people to four, or four people to ten, or something like that. But it was really designed to build free enterprise from the bottom up in a free market environment. And it also was designed to influx capital into some of these neighborhoods where they really needed it in a bad way. What we also wanted to do, though, is the micro grants were not—because we knew a micro grant that was decided by us, you know, was going to have some very negative effects in the second-, third-order effects of the natural hierarchy of things in an Iraqi society. So we started to get the micro grants integrated with the Iraqi government as well. And, even still, we had to understand each one of the officials in the government, you know—they had loyalties to tribes and other folks, and we had to understand when they started to apportion out the micro grants—we had to understand where they were influenced as well, because [when] you empower somebody, you're going to marginalize somebody else at the same time. We had to understand where that was going to occur.

The other thing that was very helpful with the micro grants, and we worked this very hard to varying degrees of success, was to transition the Sons of Iraq into private business. Because the Sons of Iraq was a program that finally became—that the Iraqi government took ownership of, [and] managed very poorly by the way. And because it was poorly managed, it became a huge driver of instability and it still is. So we knew that what we had to do was to get each one of those Sons of Iraq employed as quickly as possible, and the way we were going to do that [was] through [the] micro grant program into the private enterprise as much as we could, and that's what we tried to do. I'll never forget the time I went to see a tribal leader of the Sons of Iraq and he was complaining [that] the government wasn't paying him—wasn't paying him on time—and he had received a couple of micro

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grants and he set up a chicken farm, and he was standing—I was standing there with him in the middle of this chicken farm. Hundreds and thousands of chickens as far as you can see. He's got about twelve or fifteen of the Sons of Iraq that he's hired to work with him. He's paying them as a result of the chicken farm that the micro grant got going, and he's complaining that he's unemployed; he can't get any money from the government because the Sons of Iraq program is falling apart. But still he was able to put food on his table and, you know, instead of being someone who just was making a decision, debating whether to go back into the insurgency, he was helping out.

I want to talk a little bit about our relationship with the PRTs, and also I want to first talk about how the Iraqis viewed the PRTs. There was one time, at another press conference, where one of my brigade commanders was in Salah ad Din, standing next to the governor of Salah ad Din Province, and standing also with him was the PRT chief, the three of them. And then on TV, he said, "I really value Colonel Piatt and what he's done for Salah ad Din. He has brought security to our province." And then he took his arm and put it around the PRT guy, and he says, "But this is the future of Iraq. Our relationship with the PRT as a diplomat of the United States of America is where we want to go in Salah ad Din Province." So when you stop and think about that, I would argue there's a lot of symbolism in that. Although they value what the United States military did, they see—they recognize the importance of the transition; that the future relationship is not going to be measured by a relationship with the military. What they value—what Iraqis value is a relationship that is based on diplomacy through the United States State Department. And the Salah ad Din Province, the Salah ad Din governor was fighting a lot. He was trying to make the case that there ought to be a consulate, a United States consulate in Salah ad Din Province. But that's what they value, and that's where they see the future relationship with the United States of America. Not with the military: definitely with the State Department—a relationship, a diplomatic relationship, with the State Department.

The PRT were seen as valuable. They advise and assist. They understood the relationships, but they were limited primarily on—you know, just like any of us—the varying degrees of effectiveness of relationships that they would establish, not only their part, but [also] how Iraqis received them, and they were also limited on mobility. But I'll tell you, right before we left, General Odierno did something that I think was strategically important. He published the next version of the Op Order and said that all of you, all United States forces, are now in support of Iraqi Security Forces and in support of PRTs. So our relationship with the PRTs was not a partnership. Now, we were [committed] to a supporting relationship. Huge. In one of our brigades, as a brigade [*inaudible*] in, and they came in in Diyala Province, the brigade commander took his artillery battalion and he kind of ripped it apart. He took the battalion commander and the battalion staff and assigned them to the PRT, so that PRT now had a battalion staff working for him. He took each one of the batteries and assigned them to the maneuver battalion commanders, and their whole mission in life was to work projects

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for the PRT who was working projects for the provincial government, and they were the ones that were going to push projects through. And that's the relationship.

So what you see now is a military that kind of had the PRT advising them, [from] a partnership with the PRT, to the PRT now up front. And again, you know Op Order but for the mobility and the security, they're going to require the military to get them around. But I'll tell you, that's where we're transitioning, and that's how that model really should transition. But it really makes the case that the future of Iraq is going to require—is going to rely more and more on what these PRTs are doing, their knowledge, [and] the intellect base that they bring, and interesting with the point I made before is how the Iraqis view the PRTs primarily from a diplomatic relationship, and that's the one they value.

I want to tell you one success story and then I'll wrap it up, and this is around Balad. We had a battalion commander, Dave [*inaudible*], great guy, [who] had a tremendously complex AO. It was the Salah ad Din Province: tough area, multiple tribes, multiple religious sects, still an insurgency going on—it was the bread basket not only of Salah ad Din, but for the entire region. What he did [was], in order to get the economy going, he found a couple of Iraqis that were well off. [He] had a couple of meetings with them and said, "Would you mind pooling your money so that by pooling your money we can get a couple of businesses started?" So they did. So they were—for example, because there was no Iraqi capital in Iraq, what he did was he created a bank, for lack of anything else, and they went ahead and started lending money out based on Islamic usury and interest and things like that. But they actually started—and the biggest success story is the Balad Canning Factory, if you've seen anything about that. The Balad Canning Factory would take tomatoes and other products in the agricultural sector of that whole area and they would make tomato paste and things like that, and potato chips and all that. The other thing that was good about the Balad Canning Factory is that it had a lot of spin-out businesses because you had to get the wrappers and you had to get—somebody had to make the wrappers and someone had to do all the other things. But to get that business up and running, it just was not that easy because they had this huge boiler that was sitting in Syria that someone had to clear the tariffs or something. I forget the whole story, but we had to get that thing from Syria. It took tremendous effort to get that boiler, but that's what we had to do to get the economy up and running in that area. I mean, those are some of the things that you had to do. Tremendous success.

And then the other spin-out business that, because it was on [*inaudible*], they started setting up truck stops and then, because there were truck stops, they started setting up restaurants, and then that's our success story of the Balad Canning Factory—all because this battalion commander had this vision of increasing capital by creating an Iraqi bank, and he created the Iraqi bank by finding a couple of rich Iraqis and pooling their money together. The next thing he did is [that] he rebuilt the canal system so they get water to the farmers, so they can start growing the tomatoes to get them back into the tomato factory.

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We did have a lot of challenges as we went on in the year. Probably our biggest challenge, this is from my perspective, is that a lot of the macro programs in the national—the programs at the national level— they, being coordinated out of the embassy were—I think in some ways they were, for example, a task force BSO (business stability in ops), which comes out of OSD. Their major focus was to go to the state-run programs, the state-run industries from the Saddam regime, and get those up and running first; get a whole bunch of people employed and then start to transition them to the private sector. And I think that was—some of that was good. We tried to work very closely to try to get them into our area as much as we could, but I think the coordination could have been done better. We're trying to build the economy from the bottom up, and then the Embassy is trying to build the economy from the top down, through a lot of the different macro programs that we talked about here yesterday and before. But the coordination and the integration of those is something we really needed to work on and do, and I don't know how to do that. But that is something we needed to wrestle on.

One other quick story [to show] that also, we need a whole bunch of engineering expertise, primarily in building the infrastructure. I was with the governor of As-Sulaymaniyah up in the Kurdish area and I said, "What can we do for you?" He said, "Sir, we need some water. Can you—we've got to pump; we've got to bring a lot of water in here." I said, "Well, you're right on the edge of the mountains. There's got to be water in the mountains someplace. Every mountain range I know in the world has water in it." He goes, "Well, no one, I don't know where to drill. I don't know where to pull it from." So what we try to do is, we've got to try to find somebody who had the expertise that can say, here's where you need to drill, and then to bring the necessary infrastructure in place to begin the drilling so you can get water to As-Sulaymaniyah Province. So things like that are things that we try to do.

Let me wrap it up with this. When we came back to Schofield Barracks, Hawaii a few weeks later, we had our welcome home ceremony. We invited all of our parents—our Gold Star parents of soldiers that we had lost while we were over there. We invited them back and the father of one of our soldiers that we lost went to the Battalion Commander and said, "Colonel, I want to know whether my son's sacrifice was worth it. I want to know whether his sacrifice was worth it." And when you stop to think about it, you've got to say, What does it mean in this? What we have done here, that the sacrifice of those four-thousand-plus men and women is worth it? How do you define that? It's a theoretical question. I'm not going to attempt to define that. Other than, let me go back to my governor friend from Ninawa Province, who has some former Baathist ties. He went to go see some of his former Baathist friends in Syria. He came back and was telling me about his visit with these former Baathists, and he said, "You know, General Caslen, these former Baathists said that you've got to get the Baathists back running the military." And I said, "What did you say, Mr. Governor?" He said, "Well, I told them they are, because these are the ones that have

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been vetted and they're cleared and they are doing it, and they're running the military and doing a good job." And he says, "You've got to get the Americans out of Iraq when they say they're going to go." And the governor said, "They will, because when they said they were going to leave the cities, we didn't think they were, and they did. And we know that when they say they're going to leave Iraq, they're going to leave Iraq." And then he asked a very, I guess, a thoughtful question. He said, "Well, what do you think our relationship ought to be with the United States when they finally leave at the end of 2011? January 1, 2012: What should our relationship be with the United States? Should that relationship be like the United States relationship is with Syria? In other words, [that] we don't have a relationship. Or should that relationship be like the United States relationship with Jordan or the Emirates?" Kind of a thought-provoking question. And certainly, with the sacrifice—and if you look at where Iraq is strategically on the western flank of a potentially nuclear-armed Iran, at the crossroads of so many different economic, and the fact that it sits on significant reserves of our energy resources for the world—you probably can make the case that we probably ought to be an important strategic relationship, given the sacrifice of so many, when the last American soldier leaves on December 31, 2011.

So that relationship is important. But I would argue that that relationship, which probably might answer the question, "Was my son's sacrifice worth it?" is also going to be defined by not so much where [we] were from security [or] where we were diplomatically, but it's also going to be defined [by] what we have done to build the Iraqi economy. Because if we can't build the Iraqi economy, or if the Iraqi economy is not built, or if we still have the same endemic symptoms of unemployment and lack of infrastructure on January 1, 2012, it puts a lot of the work that was done at risk. Critical with all of that work has got to be, in parallel, the rebuilding of that economy.

So I go back to where I started, and then I'll be happy to take your questions. Who's the next division commander going to Iraq, or who's the next division commander going to Afghanistan? And, as he looks at his campaign plan and develops his lines of effort—and [if] that line of effort is to rebuild the Afghan economy—where does that division commander turn to understand what he's got to do in order to develop the ways to accomplish whatever those strategic ends are going to be in defining or rebuilding the Afghanistan economy? At the division commander level, where is he going to turn to do that? And that's what I'm hoping this conference will generate, and that's what I'm hoping this conference will be able to answer.