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ECONOMICS IN COUNTERINSURGENCY OPERATIONS

by

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CGSC Foundation's
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for Interagency Cooperation

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Introduction

Money is my most important ammunition in this war.

Major General David Petraeus
101st Airborne Division (Air Assault)

But at the end of the day, when we look back at our approach to the rebuilding of Iraq, we're left with an overall sense that there were too many errors, that fraud was widespread and that there was an unnecessary amount of waste of U.S. taxpayer dollars.

Representative Ileana Ros-Lehtinen

In October 2005, Multi-National Corps–Iraq distributed a handbook to its commanders entitled "Commander's Guide to Money as a Weapons System." Recognizing the potential of money to have a positive and "non-lethal" impact on the battlespace, the handbook began by stating that "effective application of all available resources is vital to the success of our mission."[1] But if money is a weapon system in armed conflict, does the United States truly know how to employ it effectively? As U.S. forces approach an exit from Afghanistan, and with Iraq operations largely concluded, mounting evidence suggests that the answer to this question is no.

Efforts to employ economics in Iraq and Afghanistan have been many, whether measured by dollars spent, programs, or actors present. In Iraq, the Department of Defense (DoD), the United States Agency for International Development (USAID), and the Department of State invested approximately $60 billion in rebuilding the country. To date, these agencies have spent well over $100 billion on reconstruction in Afghanistan.[2] Programs such as Iraqi-First and Afghan-First, designed to infuse U.S. capital into host-nation businesses, and the Commander's Emergency Response Program (CERP) emerged as sanctioned policy for investing American and coalition dollars.[3]

But challenges to the effective use of wartime contracting as a tool for economic reconstruction were many in Iraq and Afghanistan, most notably "…the lack of physical security in a war zone, the inability of indigenous firms to perform contracted work, and the debilitating effects of corruption."[4] Security issues in Iraq proved particularly crippling to coalition rebuilding efforts.

> [R]epeated sabotage of pipelines and power lines impeded economic recovery and limited the success of early attempts to restore essential services. The deterioration of the security situation delayed reconstruction, interrupted supply delivery, and disrupted daily life across Iraq.[5]

The challenge of host-nation business capacity also limited the potential impact of the Iraqi-First and Afghan-First programs, as the underdeveloped private sector restricted the types and amounts of contracted work local companies could reasonably be expected to perform. Rampant corruption, from kickbacks and bribery to more egregious concerns that U.S. and coalition wartime contracts funneled funds to insurgent elements, took hold.[6] Additionally, the precarious security environment attributed heavily to a systemic lack of oversight for wartime contracting. The fate of the Strategic Roads project in Afghanistan demonstrated the security challenge, in that "three years and $270 million later, the program is being closed down, having completed one third of the planned 1,500 kilometers of roads, due mostly to the challenges of a steadily deteriorating security environment."[7]

The dynamic challenges of employing economics in stability operations clearly hampered the effectiveness of U.S. efforts in Iraq and Afghanistan. However, a lack of an overall unified strategy for economic reconstruction greatly magnified and exacerbated the challenges posed by the operating environment. As Representative Ileana Ros-Lehtinen, Chairman of the Committee on Foreign Affairs' Subcommittee on the Middle East and North Africa, stated in July of 2013:

> Yet for all the challenges that we faced and the deficiencies that we encountered, nearly all of them lead back to the fact that we did not have a proper plan in place beforehand, which hampered our ability to execute and oversee stabilization and rebuilding operations properly. We have spent nearly $100 billion in Afghanistan under similar circumstances as Iraq, yet we still find ourselves making many of the same mistakes that we cannot afford to make as we prepare to withdraw our troops from Afghanistan at the end of 2014.[8]

These mistakes have proved costly. The Commission on Wartime Contracting estimates that over the last ten years approximately $30–60 billion, nearly 30 percent of total expenditures, have been lost due to fraud, waste, and abuse in Iraq and Afghanistan.[9] When contemplating the additional costs inherent in the lack of efficiency of U.S. economic efforts, the lack of effective targeting of "money as a weapon system" becomes apparent. Furthermore, given the enormous fiscal pressures facing the U.S., tolerating and absorbing such staggering inefficiencies and losses in future stability operations will likely prove impossible, mandating the development of a more effective strategy.

The question of strategy for employing economics is not the only issue confronting the U.S. government for future counterinsurgency (COIN) campaigns. Another equally important question asks what agency, organization, or interagency construct offers the proper apparatus for leading the planning and implementation of economic programs in stability and COIN operations. As stated in the Special Inspector General for Iraq Reconstruction report "Hard Lessons: The Iraq Reconstruction Experience":

> [B]eyond the security issue stands another compelling and unavoidable truth: the U.S. government had neither the established structure nor the necessary resources to carry out the reconstruction mission it took on in mid-2003. As UnderSecretary of Defense for Policy Douglas Feith said, "Every time the United States has had a substantial stabilization and reconstruction project, pretty much from World War II forward, we've [had to] improvise.[10]

Relying on improvised ad hoc relationships and programs is an undoubtedly poor plan for cultivating the capacity to employ economics in future conflicts, a capacity the U.S. almost certainly must retain. Former Chairman of the Joint Chiefs of Staff Admiral Michael Mullen stated in October of 2010, "We're pretty lousy at predicting where we'll go. We're pretty lousy at predicting the kind of warfare we'll be in, if the last 20 years, or so, serve as an example."[11] Mullen's comments support a U.S. policy of retaining and further developing the ability to employ economics given the potential to face COIN challenges in the future. Further, U.S. Army guidance appears to signal an intent to stand ready to execute COIN operations in the future. Training Circular 7-100, *Hybrid Threats*, attempts to describe a future foe as one that "…can combine state-based conventional military forces—sophisticated weapons, command and control, and combined arms tactics—with attributes usually associated with insurgent and criminal organizations," thus calling on the Army to retain COIN capabilities.[12] Given the Army's edict that COIN operations "…require synchronized application of military, paramilitary, political, economic, psychological, and civic actions," the

U.S. must cultivate a more effective strategy for employing the economic instrument of power.[13]

Additionally, DoD, State, and USAID each espouse the need to work in partnership and cooperation with their U.S. counterparts in their individual economic efforts. For example, U.S. Army Doctrine Reference Publication (ADRP) 3-07, *Stability*, states, "Where military operations typically demand unity of command, the challenge for military and civilian leaders is to forge unity of effort or unity of purpose among the diverse array of actors involved in a stability operation."[14] The inefficiencies and shortcomings of the U.S. effort to employ economics in Iraq and Afghanistan, however, indicate tremendous difficulty in meeting this challenge. This inability stems in large part from vague and often conflicting guidance among U.S. government agencies as to how to employ economics effectively and the specific roles of each agency in a unified effort. Not only must more refined economic strategy emerge, but such strategy must provide a common framework for employing economics among the multiple U.S. agencies, in addition to identifying each agency's role. A lack of a common framework for the application of economics in COIN operations can be seen in the U.S. military's heavy reliance on CERP in Iraq and Afghanistan that in many ways ran counter to USAID's preferred techniques of focusing on establishing institutional capacity.

Absence of a common operating framework, vague and conflicting guidance, and a lack of an integrated and cohesive effort among U.S. government agencies in the employment of economics in COIN operations is apparent. While clearly uncomfortable with COIN campaigns as an institution, the U.S. military and the U.S. government as a whole must remain prepared for future operations of a similar nature. A failure to develop a sound strategy for the employment of economics would inevitably lead to a repeat of the same ad hoc methods and structures used in Iraq and Afghanistan. Worse, the same inefficiencies, waste, and abuse would likely be repeated as well, an issue clearly exacerbated by the immense fiscal pressures presently facing the U.S. military and the nation as a whole. This paper seeks to identify the fundamental cornerstones of sound economic strategy in previous COIN operations in the hope of contributing to a more unified and efficient effort in the future.

Case Studies: Economics in COIN

The lack of a comprehensive doctrine for the employment of the economic instrument of power in COIN can be at least partially traced to a lack of analysis and research on the subject. However, as U.S. engagements in Iraq and Afghanistan conclude, a growing volume of reports and assessments have emerged from various governmental and independent bodies charged with reviewing the various successes and failures in modern wartime contracting execution. In addition, a body of work of sufficient size and substance is available through which to discern what stratagem and tactics were employed in executing COIN efforts in previous conflicts. Various proposals identifying a basic doctrinal framework have also been published as of late. These works in aggregate provide a solid platform for identifying the basic tenets of successful strategy.

The Marshall Plan

The Marshall Plan is not widely-regarded as a COIN effort. However, while more commonly understood as a stabilization effort aimed at propping up the European economy, American motivations behind the Marshall Plan were significantly buoyed by the specter of Soviet Union influences and the need to bolster Western Europe as a buffer against communist-fueled insurgency. Significant communist elements were actively trying to undermine the standing governments in France and Italy, and were in fact successful in doing so in Greece. The post-World War II European security environment was arguably as difficult and problematic for the employment of economic tactics as the Vietnam War or modern-day conflicts in Iraq and Afghanistan. The Marshall Plan and the tactics and organizations used to implement it were, at least in part, employed in the midst of a contested security environment and are therefore appropriate for review and analysis in a study of the application of economics in COIN.

The Marshall Plan was the moniker assigned to the more formally named European Recovery Program (ERP), with oversight from the European Cooperation Administration (ECA). The ERP was in place from April 1948 to September 1951 and was the ultimate outcome of Secretary of State George C. Marshall's famous speech at Harvard University on June 5, 1947. Massive in ambition, scope, and scale, by its conclusion the Marshall Plan had served to distribute over $11.8 billion in grants and $1.1 billion in loans to sixteen different nations.[15]

The origins of Marshall's Harvard speech and the ensuing Marshall Plan can be found in the deteriorating conditions of post-war Europe and Truman administration assessments of its implications. Under Secretary of State Dean Acheson, who delivered a speech in Cleveland, MS, more than a month prior to Marshall's Harvard speech highlighting the issues in Europe, described administration concerns in *Present at the Creation*:

> [W]ill Clayton, ill and on a plane to Tucson for a short rest before going to Europe, penned an urgent memorandum on the same subject. He was deeply disturbed, he wrote, by the world situation and its implications for our country. Only immediate assertion of world leadership by the United States could prevent war in the next decade. In every nation in the eastern hemisphere, and in some in the western, systematic campaigns were going on to destroy national integrity and independence. "Feeding on hunger, economic misery and frustration," he wrote, "these attacks have already been successful in some of the liberated countries." Prompt and effective aid for gravely threatened countries was essential to our own security. The President and the Secretary of State must shock the country into a realization of its peril by telling it the facts which daily poured in through our cables. He advocated a Council of National Defense of leading Cabinet officers and members of Congress and an emergency fund of five billion dollars.[16]

Other accounts, such as William Hitchcock's *The Struggle for Europe: The Turbulent History of a Divided Continent, 1945-2002*, confirm this assessment. Hitchock's analysis of the turmoil in Europe is particularly incisive and offers significant confirmation of the deteriorating security environment the U.S. was fearful the Soviet Union would exploit. Hitchock describes how Italy's Prime Minister, Alice De Gasperi, appealed to the U.S. for aid on the basis of a rising communist-fueled insurrection.

> De Gasperi therefore remained at the helm of a government torn by internal dissension, unable to solve the economic crisis. Frequent strikes and demonstrations broke out in the fall. In October 1946, 20,000–30,000 people tried to storm the Interior Ministry in Rome in protest against job layoffs. The police fired into the crowd, killing 2 and injuring 119.[17]

Hitchcock contends that De Gasperi was successful in garnering American aid and helped to provide stimulus for the eventual creation of the Marshall Plan by appealing to U.S. concerns over the spread of communism in a manner similar to crises in Turkey and Greece in late 1946.[18] In fact, Hitchock characterizes the entire Western European theater the Marshall Plan aimed to influence as one fraught with instability. "Throughout the late 1940s, Western European society was profoundly divided by the problem of how to rebuild the political life of the continent. Strikes, street brawls, open conflict with the police, industrial action, trade union militancy, all were at their peak in this period."[19]

In *Rebuilding Europe: Western Europe, America, and Postwar Reconstruction,* David Elwood further confirms the deterioration of security and stability and the opportunity for communist influence.

> Looking at Greece, Yugoslavia, Romania, Hungary, Austria, and Italy, Allied Force Headquarters in Italy produced in June 1945 an unusually thoughtful analysis of the consequences of food shortages in liberated areas, an analysis which would reappear in economic surveys of postwar Europe all the way down to the Marshall Plan. This concentrated on the breakdown in economic relations between town and country as a cause of social unrest, noting that most of these countries were largely agricultural in nature while possessing significant numbers of industrial workers who depended on the surplus from the country for essentials, together with a margin of cheap imports. The workers in return supplied the country with basic manufactured products, from shoes to textiles and tools. With the disruption of production and trade brought by the war, money had lost almost all its purchasing power, the town-country exchange had broken down and the black market flourished. The reaction of the starving workers was to press for ever more aggressive action from their representatives, who were of course Communists and socialists.[20]

Perhaps the most compelling account of the Marshall Plan's aims of addressing European destabilization and vulnerability to communism can be found in the memoirs of President Harry Truman. President from 1945–1953, Truman authored *Memoirs: 1946-52, Years of Trial and Hope* and offered significant insight into his own assessments and motivations for pursuing the Marshall Plan. Truman's account leaves no doubt of the intent of the Marshall Plan to deter communist in-roads in the region. In reflecting on the potential for Greek communists to gain an upper hand in the 1946–1947 crisis, Truman asserts that if the U.S. did nothing, its "lack of interest would lead to the growth of domestic communist parties in such European countries as France and Italy, where they already were significant threats. Inaction…could result in handing to the Russians vast areas of the globe now denied to them."[21]

In fact, considerable aid did flow to Greece and Turkey, two countries in the midst of significant communist-fueled turmoil. In a special address several months before the Acheson and Marshall speeches, President Truman implored Congress "to provide authority for assistance to Greece and Turkey in the amount of $400,000,000…" on the basis that "it must be the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressure."[22] In announcing what would be known as the Truman Doctrine, the President described the plight of Greece, stating: "The very existence of the Greek state is today threatened by the terrorist activities of several thousand armed men, led by Communists, who defy the government's authority at a number of points, particularly along the northern boundaries."[23] President Truman's address established precedent for American use of the economic instrument of power in an attempt to quell violence and provide stability to deter communist insurrection.

Perhaps the most noteworthy tactic for the employment of aid can be found in the origins of the Marshall Plan itself, the Harvard speech:

> It is already evident that, before the United States Government can proceed much further in its efforts to alleviate the situation and help start the European world on its way to recovery, there must be some agreement among the countries of Europe as to the requirements of the situation and the part those countries themselves will take in order to give proper effect to whatever action might be undertaken by this Government. It would be neither fitting nor efficacious for this Government to undertake to draw up unilaterally a program designed to place Europe on its feet economically. This is the business of the Europeans. The initiative, I think, must come from Europe. The role of this country should consist of friendly aid in the drafting of a European program and of later support of such a program so far as it may be practical for us to do so. The program should be a joint one, agreed to by a number, if not all European nations.[24]

Marshall's overture to partner and work in concert with European governments was met with a rapid and enthusiastic response. Upon learning of the address via radio report, British Foreign Secretary Ernest Bevin immediately labeled the idea a "lifeline" and within days joined French Foreign Minister Georges Bidault in Paris to determine a response. Bevin and Bidault issued a communique on July 3, 1947, inviting a host of nations to Paris.[25] Sixteen nations (Austria, Belgium, Denmark, France, Greece, Great Britain, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Sweden, Switzerland, and Turkey) responded and met throughout the summer of 1947 as participants of the Committee for European Economic Cooperation (CEEC).[26]

At the conclusion of their deliberations, the CEEC submitted a request for $22.3 billion in assistance. The CEEC's request was replete with promises to raise agricultural production to prewar levels, achieve a larger increase in industrial production, stabilize their currencies, reduce trade barriers, and expand exports, each an echo of American recommendations. Additionally, the CEEC established the Organization for European Economic Cooperation to cement and grow European economic integration.[27]

Once received, the individual nations of Western Europe employed ERP aid in varying manners. Britain, not faced with an internal communist threat, spent the bulk of the $2.8 billion it received on foodstuffs and paying down its own national debt. France employed Marshall Aid to fund the Monnet Plan, "a state-designed plan to channel investment into key sectors of the economy like steel and coal production, railway and transport, cement, housing, and agriculture."[28] West Germany's economic revival, eventually grudgingly accepted by France and others as a necessary prerequisite for European stability, was sparked by the introduction of a new currency and investment in heavy industries such as electricity, coal mining, railways, and shipping.

The American role in the execution of the Marshall Plan was largely an advisory one. Hundreds of experts were dispatched throughout European factories, plants, farms, and fisheries. Productivity Councils were also established. The brainchild of ECA director Paul Hoffman and his colleagues in private enterprise, the Productivity Councils extended opportunities to European managers, politicians, and businessmen to tour various industrial facilities in the U.S.

> They were invited to witness steelmaking in Pittsburgh, tire manufacturing in Ohio, and the long assembly lines of the Ford Motor Corporation in Michigan. They were also shown the full car parks outside the factories, department stores, and the benefits of a consumer society. Hoffman's hope was that these visitors would go back home sufficiently impressed to think of introducing, in their own enterprises, some of the institutions and practices they had seen across the Atlantic. He did not expect them to copy everything, but develop variants that took account of indigenous traditions and attitudes. Although there's been some discussion of Americanization and its limits of this kind, the impact of this program on gradual economic change in Europe should not be underestimated.[29]

Throughout the duration of the Marshall Plan, the ECA and its lieutenants continued to implore European nations to focus on production capacity, integration across the continent, and currency stabilization.

The difficulty in assessing the impacts of the Marshall Plan lies in attempting to extrapolate what might have become of postwar Western Europe had the U.S. not intervened in such a robust fashion. Some, such as German Minister of Economics Ludwig Erhard, maintained the Marshall Plan was marginally effective at best, and suggested national and overall European resurgence was a function of organic ingenuity and motivation.[30] In contrast, Harry Bayard Price, official historian of the ERP, claimed "that the program probably prevented a collapse of Europe and the Mediterranean area, with a resulting spread of communism to the west."[31]

That a tremendous resurgence did occur is without question. From 1949 to 1963, industrial production nearly tripled in France, Italy, and West Germany, while Austria, Greece, and Spain showed less dramatic but nevertheless impressive growth. Agricultural productivity skyrocketed as well, with France matching or surpassing pre-war levels in wheat, barley, corn, and dairy output. German sugar beet crop growth showed exponential improvements in the 1950s, as did Dutch milk production. External trade indices similarly demonstrated expansion, with both French and West German imports and exports in 1960 tripling 1950 rates.[32]

Determining to what extent the Marshall Plan was responsible for this boon is problematic however, not only because the methods Western European nations chose to employ the aid were not uniform, but also because other factors and forms of aid influenced the recovery. In fact, the ERP did not become law until April 3, 1948, followed by the arrival of aid in May and June of that year, a full year after Marshall's famous address at Harvard. Yet "in the full year since Marshall's dire warnings of imminent collapse, Europe did not implode, but in fact began to turn itself around. By the end of 1947, both Britain and France had reached or surpassed their prewar levels of industrial production. Italy, Belgium, and the Netherlands, among others, would do so by the end of 1948."[33] Furthermore, when measured against the gross national product (GNP) of Western European countries, aggregate Marshall aid amounted to rather minuscule sums. For example, the ERP contributed only "2.4 percent of Britain's GNP, 6.5 percent of France's, 5.3 percent of Italy's, and only 2.9 percent of West Germany's."[34]

However, Marshall Plan funds represented only a percentage of total American financial support to the region. Prior to the creation of the ERP, over $2.5 billion flowed to the nations of Greece, Italy, Poland, Yugoslavia, and Czechoslovakia at the direction of the United Nations Relief and Rehabilitation Administration. While this administration was under U.N. control, its primary donors were almost exclusively the U.S. and Great Britain. Additionally, alongside the U.N.'s contribution, the U.S. extended over $11.2 billion in loans and credits prior to the creation of the ERP, a sum nearly equal to total Marshall aid. These grants and credits served as the genesis of the pre-ERP European resurgence and "allowed the purchase of food and raw materials like coal and oil."[35]

Regardless of quantities or timing, evaluating the effectiveness of Marshall Plan aid cannot be reduced to simple measures of dollar value alone. Truman's ambitions were more far-reaching than the mere provision of basic aid. ERP goals instead sought to restructure European economies and promoted lower tariffs, stabilization of currency, and increased trade among the European nations.[36] The impact of the Marshall Plan is perhaps best characterized as a "deep transformation of the values framework of an important part of European societies. One has therefore to take into consideration the birth of a Euro-American model of modern society with different nuances adapted to each national European nation."[37]

The Marshall Plan endeavored to restore European economic health as a means to thwart the potential spread of communist influences throughout the continent. In fact, several European nations had begun to recover prior to the arrival of ERP aid. However, the important role of the Marshall Plan in supporting and abetting Western Europe's economic resurgence is clear. Historian William Hitchcock's *The Struggle for Europe* offers an appropriate summary of Marshall Plan effectiveness:

> Benevolent and effective as it was, the Marshall Plan did not in itself provide the resources that triggered the swift economic recovery visible in the 1950s. Yet its impact was nonetheless significant. For it was the U.S. government that ceaselessly urged Europeans to pursue national strategies of recovery that stressed exports, lower tariffs, and high investment in technology and new industrial plant. American planners believed that the lessons of the war years were clear: tariffs slowed growth, hurt productivity, hindered expansion and employment, and contributed to political instability. The Marshall Plan sprang from the belief that stability and peace required economic expansion; and while the sixteen different governments that received Marshall aid might quibble over which national economic strategy suited its needs best, none of them

disagreed with this basic premise. It is in this general sense of transforming the mentality of the major states of Europe that the Marshall Plan had its greatest impact. If the United States did not "save" Europe in the 1940s, it certainly helped Europeans chart out a path to a new era of peace and prosperity.[38]

Barry Machado in a paper entitled "A Usable Marshall Plan" compares U.S. difficulties in achieving similar successes in Iraq or Afghanistan to Marshall Plan successes. Machado is remarkably scathing in his criticism of U.S. government officials for ignoring lessons of the Marshall Plan that could have better guided strategy in Iraq.

> The place to begin, cautiously, is with the words of Ambassador Paul Bremer, head of the civilian Coalition Provisional Authority, or CPA, which oversaw reconstruction for 13.5 months, from mid-May 2003 until late June 2004. To mobilize domestic support for his effort Bremer equated his agency's work to the Marshall Plan in testimony before Congress….While the head of CPA embraced the historical analogy, the Marshall Plan never served him as a guide to follow in discharging his duties. In fact, Bremer and David Nash, his chief of reconstruction who ran the Project and Contracting Office, or PCO, appear to have been unmindful of the historical ERP's strengths and weaknesses….One might say, without undue exaggeration, that CPA's rehabilitation and reform efforts in Iraq prior to its dissolution essentially repudiated principles, values, methods and practices that contributed to ERP achievements in Western Europe. Americans in charge disregarded history's warnings, and their untutored labors approximated a nearly immaculate misconception. Ostensibly, invoking the Marshall Plan never meant comprehending its salient features, or its limitations. Although CPAers wrapped themselves in historical references, they did not study the Marshall Plan's complexity before their foray into the Middle East. They treated Marshall Plan lessons as if they were deeply submerged and irretrievable secrets.[39]

Continuing to chastise U.S. ignorance of the Marshall Plan's lessons in crafting reconstruction strategy and tactics, Machado highlights the Marshall Plan as a multi-lateral approach to problem-solving focused on capacity building within the framework of a national, and eventually regional, economy. In contrast, "Paul Bremer's CPA was antithetical, an exercise in unilateralism and bilateralism."[40]Additionally, the Marshall Plan included the cooperation and partnership of the host nations, as opposed to the "sweeping ban on Ba'athists" that vastly undermined postwar Iraq's indigenous capacity.[41]

The Vietnam War

The U.S. government committed American resources to the Vietnam War in accordance with the "domino theory." This concept postulated that if the U.S. allowed a country to fall to communism, surrounding nations would eventually capitulate as well, ultimately leading to regional communist domination and the expansion of Soviet influence.[42] Thus the U.S. fought to support South Vietnamese independence from the communist government of North Vietnam. Opposing U.S. efforts were two distinct but complementary fighting forces. The People's Army of Vietnam, more commonly known as the North Vietnamese Army (NVA), fought a conventional war against South Vietnam. The Viet-Cong, also known as the National Liberation Front, pursued a guerrilla campaign against the South Vietnam government.[43]

American involvement in Vietnam came first in the form of advisors from the mid-1950s to the early 1960s under the Kennedy administration. The American advisor role changed from providing counsel to a peacetime army to advising an army at war, ultimately permeating every echelon of South Vietnam's army. As the conflict escalated based on NVA aggression, America's involvement became more overt, first with the employment of special operations forces in the early 1960s along with pronounced American air support. The American presence was also characterized by ever-increasing troop levels, levels that surged significantly after the approval of the Gulf of Tonkin Resolution by the Congress.

Passed in response to a series of skirmishes between a U.S. Navy destroyer and several North Vietnamese torpedo boats, the resolution authorized President Lyndon Johnson to increase the "official" U.S. military presence in Vietnam. Regular combat units began to deploy in 1965.[44] However, continued and effective operations by the Viet-Cong dictated U.S. pursuit of the Strategic Hamlet concept in the mid-1960s.[45] A program designed to isolate the insurgency from the local population, the U.S. initiated the Strategic Hamlet concept, while the military implemented and continued a search and destroy campaign against the conventional NVA threat.[46] Despite convictions that the U.S. military need only close with the enemy in order to defeat him, search and destroy proved to be an unsuccessful tactic.

The Strategic Hamlet initiative was one of many attempts to address and pacify the Viet-Cong threat. The Office of Civil Operations (OCO) was another attempt, ultimately followed by the establishment of the Office of Civil Operations and Revolutionary Development Support (CORDS). However, the Tet Offensive of 1968, executed by both the Viet-Cong and the NVA, fundamentally altered the conflict. The offensive failed to yield a tactical victory for North Vietnam, yet the perception that the U.S. was ensnared in a quagmire that Tet produced among the American populous would eventually lead to the withdrawal of the U.S. military.[47]

With the election of President Nixon, the U.S. began the phased withdrawal under a program known as Vietnamization, which consisted of the gradual escalation of South Vietnam's ownership of warfighting responsibilities coupled with a commensurate decrease in American obligations. President Nixon had campaigned heavily on a platform of ending the war and proposed to shift the U.S. focus toward aiding South Vietnam's war efforts rather than fighting the war itself. In implementing Vietnamization, the Nixon administration assumed that any U.S. withdrawal would be unilateral, that such a withdrawal would occur in increments followed by an assessment of the impact of the force reduction, and that South Vietnamese military forces would assume greater responsibility for the war.[48] Ultimately, Vietnamization as planned would result in only a small American support and advisory force remaining in South Vietnam. Nixon pursued Vietnamization despite warnings from DoD, State, and the Central Intelligence Agency (CIA), each expressing doubt in the ability of South Vietnam to face the North Vietnamese Army and Viet-Cong alone.[49]

The ultimate outcome of Vietnamization was a rout of the South Vietnamese by the North Vietnam Army. Despite the original planning assumptions behind Vietnamization, the administration executed American troop withdrawals regardless of conflict conditions. As a result, despite a massive infusion of American equipment and material and robust training and combined operations programs, South Vietnamese forces proved incapable of sustained combat operations absent the support of American airpower. A March 10, 1975, North Vietnamese offensive concluded in fifty-five days with the defeat of South Vietnam, signifying the failure of Vietnamization and the American war effort as a whole.[50]

U.S. efforts to employ economics in the Vietnam War were just one component of the larger pacification effort. Prior to the establishment of CORDS, attempts at pacification were typically impeded by a tremendous lack of synchronization and unity.

> Lack of coordination and centralized direction had long characterized the American effort in South Vietnam, despite a general understanding that the ambassador headed the "country team," which consisted of all in-country U.S. agencies. The American ambassador in Saigon presided over a large and unwieldy apparatus…. Short of the president himself, no single agency, task force, or individual controlled American policy and operations in South Vietnam. American support of pacification, involving more agencies of the U.S. government than any other program in South Vietnam, represented the epitome of this

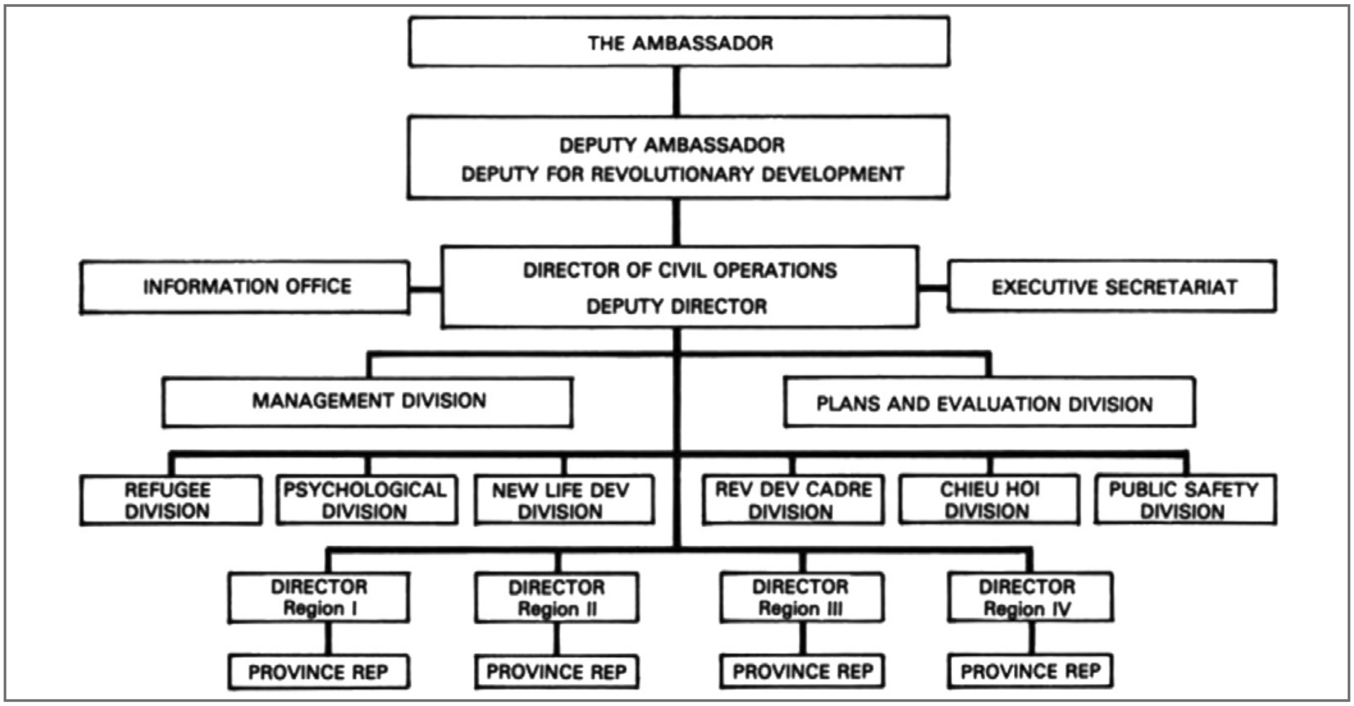

Figure 1: Structure of the Office of Civil Operations within the U.S. Mission, December 1966–April 1967

(Source: Thomas W. Scoville, *Reorganizing for Pacification Support*, Center of Military History, Washington, 1991, p. 57)

disunity. No single office in South Vietnam took pacification as its central task or was willing to subordinate its interests to allow another to take full responsibility for the entire program. In the minds of some U.S. officials, insufficient coordination of advice and support reduced American effectiveness in dealing with the South Vietnamese. The primary way the Americans could directly bolster pacification was to consolidate support.[51]

It was against this backdrop of disunity that the OCO was established under the leadership of the President's special assistant for national security affairs, Robert W. Komer. OCO unified the efforts of the multiple U.S. government civilian agencies at work in South Vietnam, with the exception of the CIA. OCO's creation served to provide some unity of effort among pacification activities; however, the organization faced several obstacles.

First, recruiting and retaining qualified civilian personnel willing to operate in South Vietnam for an extended duration proved to be highly difficult given the dangerous operating environment. Second, OCO lacked sufficient authority and resources to effectively execute its programs without requesting assistance from the military, which Komer estimated held 80 percent of the necessary assets. "Integrated civil-military pacification plans, which were one way to get military support, lacked substance and were not binding."[52] At the conclusion of a 90-day trial period of the concept, the experiment that was OCO primarily served to demonstrate that an integrated civil-military approach to pacification was required. Komer's fervent support of a unified approach, under the control of Military Assistance Command Vietnam (MACV), ultimately persuaded President Johnson, and CORDS was born.

CORDS was established as a department within MACV, with Komer installed as its head. His official title was deputy to the commander, United States Military Assistance Command, Vietnam (COMUSMACV) for CORDS, or DepCORDS. CORDS unique feature was to incorporate civilians into a military chain of command. In building the new organization, Komer devised a single chain of command that consolidated control of the pacification support. He exercised control of all pacification personnel from Saigon to the provinces. At each level, pacification advice and support were

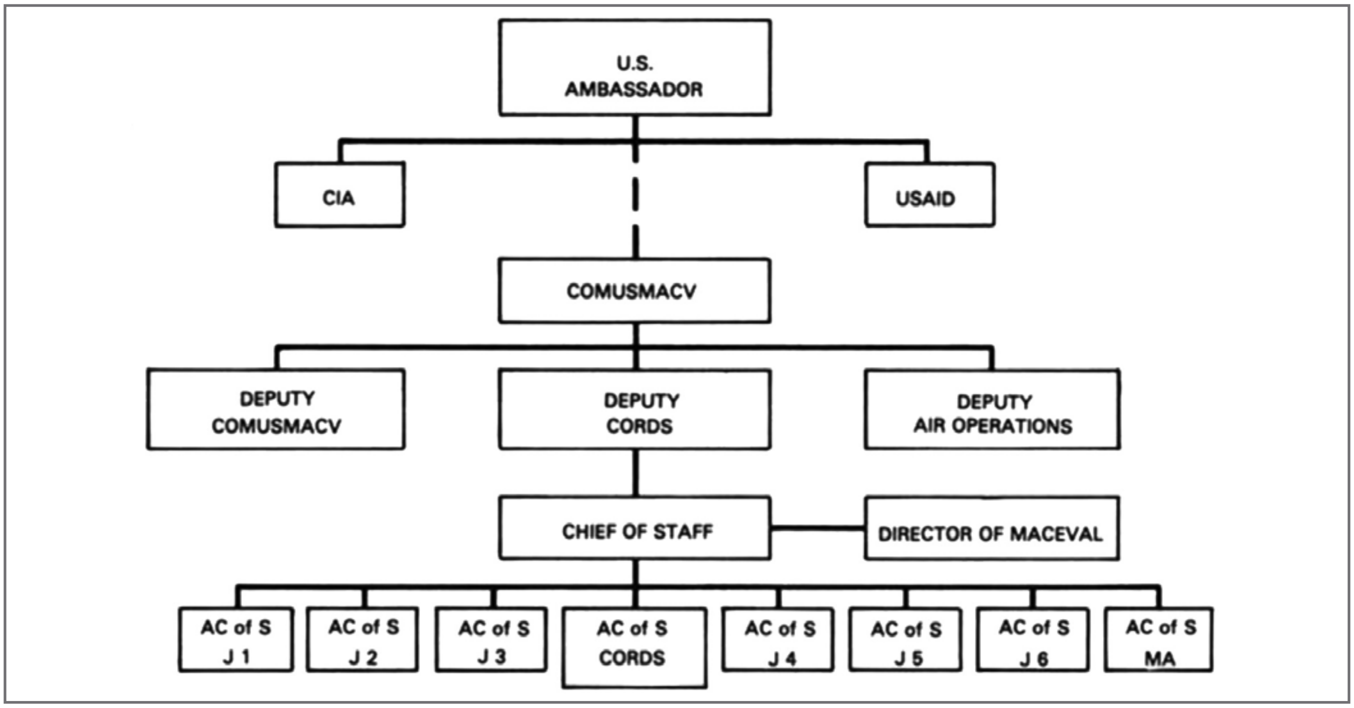

Figure 2: Structure of U.S. Mission Showing Position of CORDS, May 1967

(Source: Scoville, p. 58)

placed under one man. CORDS interleaved civilian and military personnel throughout its hierarchy.[53]

One of the immediate priorities Komer and the CORDS staff pursued was to encourage a similar consolidation of pacification program management in the South Vietnamese government. Komer coordinated with all levels of the South Vietnamese government, including the president, vice-president, and prime minister, a method that was employed from the debut of CORDS and was redoubled following the Tet Offensive and the pursuit of a nationwide recovery effort. A special U.S. office in the President's palace to help coordinate these efforts was also established.

This tactic of close partnership with the South Vietnamese government was emulated throughout the CORDS theater of operations. Komer personally extolled CORDS personnel to "make frequent visits to prod the field. I sent almost everyone out; I went out myself seven times in one year. Our concept of management was that you can't really run 'the other war' from eleven thousand miles away. You've got to really get out to the field."[54] Province and district adviser teams created and cemented close working relationships with their South Vietnamese counterparts.

CORDS was effective not only in creating unified American pacification programs and unified South Vietnamese efforts, but also in fostering military and civilian cooperation.

In addition to the unity that CORDS brought to the American pacification advisory effort and, eventually, to the South Vietnamese effort, CORDS also greatly improved cooperation between military and civilians. After CORDS was created, such terms as "non-military actions" and "the other war" fell out of the official vocabulary. Although the military contributed a preponderance of people, money, and resources, civilians held most of the key policy making and directorial positions in pacification advisory support. That and Komer's aggressiveness went a long way toward allaying the fears the civilians may have entertained that they would be swallowed by a large and powerful military organization. After several months of civilians and military working together, the distinctions between the two began to break down. For the civilians, CORDS was

> an invaluable managerial and operational experience of the type few of them had been exposed to before.[55]

Under a unified command structure and in close partnership with the government of South Vietnam, CORDS pursued a multitude of aggressive economic initiatives. These programs included massive self-help initiatives such as the New Life Development and Village Development Programs, a national highway program led by USAID, along with robust efforts to accelerate rice production and overall agricultural capacity. Economic efforts were in fact at the very heart of CORDS pacification efforts.

> This was one of my favorite projects. Farmers seem to be the same the world over. They are interested in making more money on their crops. Farmers have a very acute ear for price changes. They know what the crop is likely to bring, and they make rational economic decisions. The Vietnamese farmer is no exception. He is a very smart fellow. So I thought that while we weren't very good at plugging the psywar theme that the government in Saigon was much better than the government in Hanoi, we could still get at the farmer by providing him first, security and second, a range of economic improvements—the ones that would affect his pocketbook. Also, if land reform wasn't going anywhere fast we could still help the farmer this way. Opening roads and waterways also meant that commerce would move, pigs could get to Saigon, watermelons, etc.[56]

The New Miracle Rice program trained farmers to cultivate a new rice variant in previously infertile land, while concurrently coordinating with the South Vietnamese government to correct pricing imbalances that had previously harmed farmers. The New Life Development program established village self-help warehouses, which provided villagers with raw materials in support of their own local projects. Opening roads and waterways became a major point of emphasis, an effort heavily supported by Navy Seabee units and increasingly emphasized after the Tet Offensive in 1968.[57]

Given general acceptance of the notion that the U.S. lost the Vietnam War, one might assume that CORDS and the employment of economics in the conflict was also a failure. Such an assertion fails to recognize, however, that the ultimate defeat of South Vietnam following the U.S. withdrawal came at the hands of the conventional threat, the NVA. CORDS pacification efforts were intended to thwart the activities of the insurgent Viet-Cong. In this regard and in other aspects, CORDS was quite successful, particularly in the eyes of the administration that created it.

> All these achievements of CORDS were unquestionably far greater than any official in Washington, including President Johnson, could have expected when the new organization came into being in May 1967. That the President no longer had to concern himself with pacification was one indicator that CORDS worked organizationally; and it worked well enough and built up enough momentum to last until American withdrawal in early 1973 despite attempts to reduce its role, despite increasing lack of support for it from civilian agencies, and despite a complete change in the top officials.[58]

Regarding the economic tactics of CORDS, several indices suggest significant improvement in South Vietnam. From the creation of CORDS in 1967 to American withdrawal in 1973, the GNP of South Vietnam nearly doubled.[59] Industry, services and wholesale and retail trade sectors showed annual growth of 3.9, 7.4, and 8.5 percent, respectively, alongside a national domestic product growth rate of 4.9 percent.[60]

Douglas Dacy attests to the boon to South Vietnam's economy in his book *Foreign Aid, War, and Economic Development.*

> Economic growth in Vietnam during this period was characterized by widespread gains. There were real gains in every sector of the economy.... Agriculture, responding perhaps, to new hybrid rice seed, fertilizer, and land reform, as well as the improved

> security and government policies that allowed agricultural prices to rise, led the economy into what could have been considered at the time to be a new era for Vietnam. It was an era of Vietnamization of the economy as well as the war, and it began to appear as if Vietnam might be able to succeed as a viable economy and political entity.[61]

Rice production and agriculture as a whole validated the New Miracle Rice program in particular. Rice production showed a dramatic near-30 percent growth between 1968 and 1971, owing to the "introduction of IR-8 rice and the adaptation to modern agricultural techniques, including widespread use of inanimate energy." In addition, during this period over 400,000 small engines were sold in support of irrigation, fertilizer usage increased by 272,000 tons, and the application of pesticides became standard practice. Even livestock death rates fell precipitously as the result of the introduction of new vaccines.[62]

However, growth and development in many other sectors of the South Vietnam economy proved short-lived once U.S. aid no longer flowed. Dacy employs an interesting comparison to the U.S. military withdrawal under Vietnamization.

> A useful parallel with Vietnamese military affairs can be drawn. Despite the emphasis placed on Vietnamization of the war after 1968, the military never became self-reliant. It was dependent on U.S. advice, U.S. airpower during the Communist Easter offensive in 1972, and U.S. promises. Even after it became apparent to most analysts that military logistic support would decline following the truce in 1973, high-ranking Vietnamese officers still believed that the United States would intervene to save them from catastrophe. When the high command started to ration ammunition to the field forces, morale worsened, and corrupt practices by military personnel became widespread. The poor performance of the Vietnamese Army following the fall of Ban Me Thout in March 1975 was due to a crisis in confidence that developed with the withdrawal of U.S. forces and subsequent curtailment in logistic support. Among Vietnamese businessmen there was a similar lack of confidence in their economy.[63]

In short, sectors of the economy in which CORDS had failed to develop organic South Vietnamese capacity, rather than a dependency on U.S. aid, did not maintain sustained positive growth. While the aforementioned agricultural techniques served to increase national agricultural capability and provided for sustained growth, development in other sectors fell short in this regard. For instance, under the Commercial Import Program, Vietnamese importers received specific instructions from their American advisers as to which commodities and in what volumes they could import.[64] This sort of control ultimately proved crippling to protracted growth once the South Vietnamese were left to their own devices. Richard Hunt's *Pacification: the American Struggle for Vietnam's Hearts and Minds* confirms this assessment of the vital nature of developing host nation capacity and in synchronizing pacification efforts.

> Although civil affairs programs would have benefited from even greater U.S. Army involvement, they were no real substitute for the efforts of South Vietnamese officials. Civil affairs projects were easily undone by inadequate South Vietnamese follow-up efforts, corruption, or resurgence of VC activity….From these varied approaches emerged a keener appreciation of the limits of the American military role in the war for the villages and a clearer recognition of the need to harmonize the civil and military approaches to pacification.[65]

CORDS and the economic tactics it employed proved successful in pursuing a pacification strategy that deterred and diminished the insurgent threat. South Vietnam enjoyed high levels of economic performance as a result of improved security and CORDS-provided training and assistance from 1968 until the withdrawal of U.S. forces. Ultimately, however, CORDS was unable to develop sufficient capacity for prolonged development in the bulk of

South Vietnam.

Ironically, as the U.S. military became ensnared in unanticipated COIN efforts in Iraq and Afghanistan, an effort to reinvestigate and rediscover the lessons of COIN from the Vietnam War emerged. In the spring of 2006, *Military Review* published one such analysis of the pacification efforts employed during Vietnam. "CORDS/Phoenix: Counterinsurgency Lessons from Vietnam for the Future," authored by Dr. Dale Andrade and Dr. James Willbanks analyzes how the U.S. military could benefit from applying the tactics of the CORDS program in Iraq and Afghanistan. While recognizing significant differences in the nature of Iraq and Afghanistan from the Vietnam conflict, Andrade and Willbanks contend that CORDS offers a template for better integrating the efforts of civilian agencies and the military in a COIN effort.

> In most historical COIN efforts, military forces concentrated on warfighting objectives, leaving the job of building schools and clinics, establishing power grids, and bolstering local government (popularly referred to today as nationbuilding) to civilian agencies. The reality is that neither mission is more important than the other, and failure to recognize this can be fatal. Virtually all COIN plans claim they integrate the two: The Provincial Reconstruction Teams in Afghanistan and the defunct Coalition Provisional Authority in Iraq were attempts to combine and coordinate civilian and military agencies, although neither really accomplished its objective. In this respect, the development of the CORDS program during the Vietnam War offers a good example of how to establish a chain of command incorporating civilian and military agencies into a focused effort.[66]

Andrade and Willbanks conclude by offering several lessons from CORDS, most notably the need for unity of effort among government agencies and the need for the development of host-nation capacity.[67]

Operation Enduring Freedom and Operation Iraqi Freedom

President George W. Bush established the Office of Reconstruction and Humanitarian Affairs on January 20, 2003. This office was created to consolidate responsibility for postwar reconstruction activities in Iraq under one organization, housed within DoD.[68] However, it soon give way to the Coalition Provisional Authority (CPA) under Ambassador Paul Bremer. The challenges Bremer would face in the wake of the U.S. invasion of Iraq were enormous.

> Ambassador Bremer took charge of a country in political and economic chaos, with no government, no electricity, and no functioning security forces. Not a single drop of oil flowed to export spigots. He now faced the daunting task of restoring virtually every aspect of Iraqi life, from reopening ministries to paying government salaries, from restarting essential services to providing healthcare, and from collecting garbage to cleaning sewage from the streets.[69]

Under Ambassador Bremer's direction the CPA pursued many broad and sweeping programs. The CPA initiated multiple contracts to restore, repair, or replace Iraqi infrastructure and created the Project Management Office, staffed largely by contractors, to provide oversight of these restoration projects.[70] However, no decision made by Bremer would be more sweeping in scale and in effect than his decision to purge the "new" Iraqi government of any personnel known to be members of Saddam Hussein's Ba'ath Party.

> Ambassador Bremer issued CPA Order Number 1, a de-Ba'athification directive that stripped certain former members of Saddam's Ba'ath Party of political influence in Iraq. In his April 16 Freedom Message, General Franks already had done away with the Ba'ath Party, which had about two million members in 2003. Conceived in Washington and promulgated with little Iraqi involvement, the de-Ba'athification

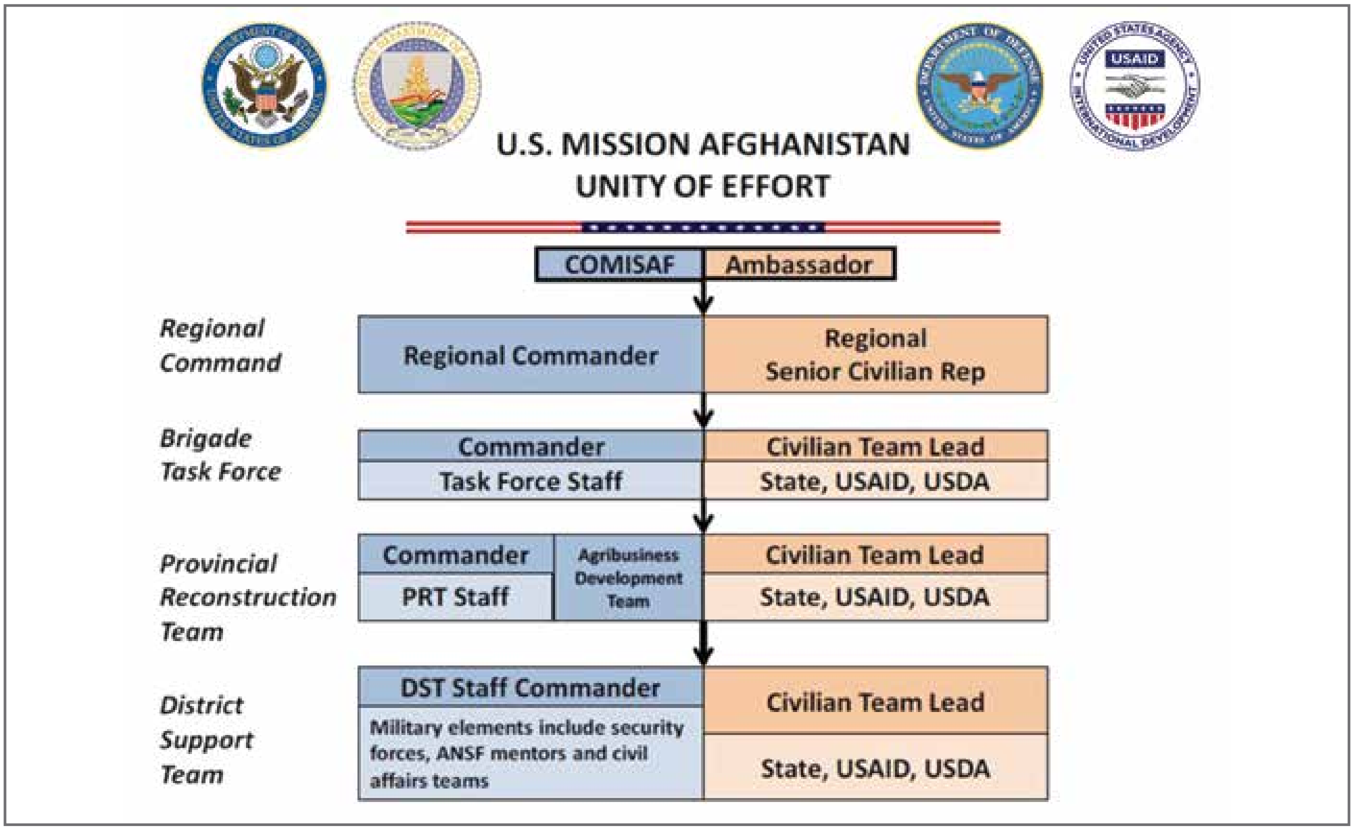

Figure 3: U.S. Mission in Afghanistan Field Structure

(Source: Special Inspector for Afghanistan Reconstruction, SIGAR Audit 11-2 Strategy and Oversight Civilian Uplift, Office of the Special Inspector General for Afghanistan Reconstruction, Arlington, VA , October 2010, p. 3.)

order eliminated all Ba'ath Party structures and banned "Senior Party Members"—those in the top four ranks of the party—from serving in Iraq's public sector. The order also provided for the immediate dismissal of anyone in the top three layers of management in any government institution (including ministries, state-owned enterprises, universities, and hospitals) if he or she had been a "full member" of the Ba'ath Party. Because the vast majority of senior officials in Saddam Hussein's regime were Ba'ath Party members, the order effectively fired most senior leaders in Iraq's government, severely depleting the bureaucracy of key personnel.[71]

The CPA would eventually be replaced by another agency in June of 2004 after it yielded governing authority to the Iraqi Interim Government. Reconstruction efforts fell under the purview of the U.S. Embassy mission, which established the Iraqi Reconstruction and Management Office (IRMO) and the Project and Contracting Office (PCO). Challenges that plagued the CPA in coordinating the different agencies at work in Iraq would impede these offices as well.

> IRMO and PCO reported to different masters, the Multi-National Security Transition Command-Iraq managed its own affairs, and USAID continued to control its own programs. In practice, the chief of mission was only nominally in charge of the overall reconstruction program. The diffusion of authority limited Ambassador Negroponte's ability to integrate reconstruction programs, weakened management capacity, and fed interagency tensions, all of which impeded progress.[72]

Reconstruction efforts in Afghanistan have been executed under a similar parallel command-based construct, as evidenced by Figure 3.

Under this organizational model, one of the most prevalent programs and funding sources used by the DoD to employ economics in OIF and OEF was CERP. The "Commander's Guide to Money as a Weapons System" describes CERP as enabling "local commanders in Afghanistan and Iraq to respond with a nonlethal weapon to urgent, small-scale, humanitarian relief, and reconstruction projects and services that immediately assist the indigenous population and that the local population or government can sustain."[73] Additionally, the guide references the DoD definition of urgent as "any chronic or acute inadequacy of an essential good or service that in the judgment of the local commander calls for immediate action. Prior coordination with community leaders increases goodwill."[74] The guide describes 22 different permissible uses of CERP funds considered to meet the DoD definition of urgent, to include "economic, financial, and management improvements," "projects that remove trash…or perform beautification," and a nebulous "other urgent or humanitarian reconstruction projects.[75]

Another concept employed by DoD was the Iraqi First and Afghan First programs. The Commanding General of Joint Contracting Command–Iraq/Afghanistan Major General Darryl Scott conceived the Iraqi First and Afghan First programs in mid-2006. The programs actively encouraged the award of U.S. contracts to firms owned by Iraqi or Afghan individuals, even allowing for modest premiums in order to award to these companies. In the first half of 2007 alone, it provided Iraqi businesses with more than a billion dollars of business. By early 2008, more than 4,100 Iraqi companies were registered with the Coalition, which awarded 85 percent of them at least one contract. Overall, 90 percent of reconstruction projects awarded by the U.S. Army Corps of Engineers were going to Iraqi firms.[76]

An additional tactic was the emergence of the provincial reconstruction team (PRT). PRTs debuted in Afghanistan and later Iraq and served as an example of tactical unity of effort between the military and civilian agencies. The PRT's mission, set forth in a joint cable to the Secretary of State, was to "assist Iraq's provincial governments with developing a transparent and sustained capability to govern, promote increased security and rule of law, promote political and economic development, and provide the provincial administration necessary to meet the basic needs of the population." PRTs harkened back to the CORDS program in Vietnam, in which USAID and military personnel worked on rural development as part of a counterinsurgency campaign.[77]

The remarkably ad hoc and reflexive nature of U.S. organization and tactics in both Iraq and Afghanistan would prove to impact efforts to apply economics in support of the COIN campaigns. Economic COIN efforts were executed through the continued employment of an essentially parallel command structure, with no real forcing mechanisms at the operational level to ensure the unity of effort the DoD, State, and USAID professed to embrace. The lack of a unified approach and effective interagency coordination continually hampered development operations in Iraq and Afghanistan.

Transforming Wartime Contracting: Controlling Costs, Reducing Risks, the Commission on Wartime Contracting in Iraq and Afghanistan's final report of August 2011, is replete with anecdotes illustrating the inefficiencies and waste caused by a lack of interagency coordination. In summer 2008, insurgents destroyed numerous bridges on the Kabul–Kandahar Ring Road constructed by USAID. Three years after an interagency consensus on the counterinsurgency imperative of reconstructing the bridges as soon as possible, agreement on using CERP for funding, and on USAID serving as the executing agency, none of the bridges was complete. The final report goes on to say that among other problems, interagency consensus was frustrated by the slow transfer of funds from Defense to USAID. In addition, the lack of common protocols for sharing resources and responsibilities among Defense, State, and USAID meant thousands of Afghan nationals might receive weapons without proper vetting, training, registering, or effective oversight. Before agencies finally arrived at a consistent interagency approach to contractor and subcontractor vetting, hundreds of millions of dollars had already flowed out to the networks of warlords, criminals, and insurgents, at huge cost to the COIN mission.[78]

The lack of effective central governance and supporting institutions in favor of tribal rule and a widespread reliance on poppy cultivation have served to undermine efforts to develop enduring capacity in Afghanistan. In Iraq, Ambassador Bremer's draconian move to pursue de-Ba'athification exponentially multiplied the challenge of developing institutional capacity in the new Iraqi regime. For example, in the summer of 2005, more than two full years after the U.S. invasion, electrical production had not returned to even prewar levels. One of the primary culprits of such limited development, according to U.S. officials, was "limited ministerial production."[79]

> Whatever its reach should have been, the consequences of the de-Ba'athification order quickly became clear: it reduced the ranks of Iraq's capable bureaucrats and thus limited the capacity of Iraqi ministries to contribute to reconstruction. "The impact of this de-Ba'athification order was devastating," said Lieutenant General Sanchez, Commander of Coalition forces in Iraq at the time. "Essentially, it eliminated the entire government and civic capacity of the nation. Organizations involving justice, defense, interior, communications, schools, universities, and hospitals were all either completely shut down or severely crippled, because anybody with any experience was now out of a job."[80]

The impact of the near-overnight dissolution of Iraqi institutions had far reaching effects. The absence of these institutions made the notion of partnering with a host-nation government in a manner consistent with the lessons learned in postwar Europe or Vietnam nearly impossible. As a result, well-intended and justified efforts to restore antiquated infrastructure went to waste for lack of a corresponding responsible Iraqi body.

> All across Iraq, in late 2005 and beyond, a series of SIGIR inspections discovered that physical infrastructure put in place by U.S.-funded reconstruction was breaking down and coming off-line. Failures plagued both refurbished and new facilities in the water, electrical, sewer, and oil sectors. It was not just a question of maintaining individual plants and teaching Iraqi engineers who ran them to master more advanced machinery. It was about building the systems and processes within Iraq's government to sustain the infrastructure it had just received.[81]

According to Machado, the CPA's fateful decision to ban Ba'athists "undercut postwar Iraq's very capacity for national self-help but probably left Washington more vulnerable to an 'imperial temptation.'"[82] Such temptations were evident in the early stages of America's presence in Iraq, when the CPA produced a *Vision for Iraq* outlining proposed reconstruction goals and priorities. Coordination with the government of Iraq was minimal at best.[83]

In addition to de-Ba'athification, the emergence of CERP as a means to fund reconstruction efforts also served to undermine capacity development, as well as highlight the lack of cohesion among U.S. agencies. Deemed a valuable tool for "winning hearts and minds" by military commanders, CERP unquestionably spiraled well beyond its originally intended scope and scale. In an August 2008 article appearing in the *Washington Post*, one of the original supporters of the creation of CERP, Senator John Warner, expressed his own concerns with the growth of the program. "We never had in mind that it would be for major development," said Warner. "This was to help our troops fight the counterinsurgency and to help civilians get on their feet. It is looking like it is a bank for development."[84] The heavy reliance on CERP occurred much to the dismay of USAID personnel far more experienced and trained in the application of economics.

> In the view of some civilians on PRTs, the set of metrics used by the military to measure CERP progress placed too much emphasis on spending money and not enough on achieving the right effects. "They are being graded on how many projects are being carried out, how much money is flowing to the districts.," said Tim Zuniga-Brown, team leader of the Rasheed ePRT. "They should be graded on how many projects are being turned over to the

Iraqis and how much less money they are spending. That would be a better indicator of success." "Success," Zuniga-Brown said, "is getting Iraqis to deliver their own services using their own funds and their own people." Still other PRT officials viewed this type of Coalition assistance as wholly counterproductive. "The best thing we could do," one ePRT official said, "is cut off CERP money," adding that the Iraqis are less likely to "spend their money when we're just pumping in ours."[85]

Indicators of the health of both the Iraqi and Afghanistan economies suggest measurable improvement. In Afghanistan, nominal GDP has risen from $4.1 billion in 2002 to $21 billion in 2013. Total capacity for electrical production has more than quadrupled during this time period as well.[86] In Iraq, GDP has risen to $233.3 billion from a low of $36.6 billion, while oil revenues reached $94.1 billion in 2012, a substantial increase from the $5.1 billion figure of 2003. However, whether or not these indicators represent sustained development of internal capacity or are simply buoyed by robust U.S. aid and investment remains to be seen.

U.S. Government Agency Doctrine and Guidance

No DoD doctrine specifically identifying the military's role in applying economics in COIN exists. Joint Publication (JP) 3-24, *Counterinsurgency Operations,* does provide guidance regarding the military's roles and responsibilities in COIN efforts. It quickly recognizes the need for civilian expertise in prosecuting a COIN campaign, stating: "COIN is primarily political and incorporates a wide range of activities, of which security is only one. Unified action is required to successfully conduct COIN operations and should include all host nation, U.S., and multinational agencies or actors. Civilian agencies should lead COIN efforts."[87]

Army Field Manual (FM) 3-24, *Counterinsurgency*, echoes the call for unified action among U.S. government agencies in COIN efforts, stating: "COIN thus involves the application of national power in the political, military, economic, social, information, and infrastructure fields and disciplines. Political and military leaders and planners should never underestimate its scale and complexity; moreover, they should recognize that the Armed Forces cannot succeed in COIN alone."[88]

FM 3-24 also hints at the potential expansion of the U.S. military's role in COIN efforts: "Political, social, and economic programs are most commonly and appropriately associated with civilian organizations and expertise; however, effective implementation of these programs is more important than who performs the tasks. If adequate civilian capacity is not available, military forces fill the gap.[89]

USAID guidance appears to be in full agreement with DoD in regards to the need for coordinated effort. A September 2011 policy document entitled *The Development Response to Violent Extremism and Insurgency* identifies ways that USAID can work with its interagency partners and amplify the development voice within the U.S. government.[90] A noteworthy distinction is made in USAID guidance with regards to its assumptions about the role the military will play, however. In *A Guide to Economic Growth in Post-Conflict Countries,* USAID clearly indicates an expectation that the military will be relegated to transportation, logistics, and security operations.[91]

As the lead agency for economic development, USAID's guidance is clearly focused on long-term stability and capacity development: "Although not all stabilization impacts will require sustained program support, many will, particularly to build capacity and systems to strengthen resiliency to violent extremism and insurgency."[92] Additionally, as a logical extension of this capacity-building focus, USAID guidance repeatedly extols the value and importance of pursuing development in close partnership and coordination with the host-nation government.

> In program assessment, design, implementation and evaluation, USAID will engage a wide range of country

> stakeholders—from the community to the national level—who are committed to addressing the development related drivers of violent extremism and insurgency. Country ownership is a key ingredient of effective, sustainable development. This can include host government institutions, civil society, customary local authorities, communities and/or local populations—each of which can have an important role to play.[93]

The *U.S. Government Counterinsurgency Guide*, released in January 2009, represents an attempt to clearly identify the specific roles each agency should play in a COIN effort. While labeled as a "guide" and not as a mandated regulation, the document was jointly signed by Henrietta Fore, Administrator for USAID; Robert Gates, Secretary of Defense; and Condoleeza Rice, Secretary of State. The guide, remarkably tardy given the lengthy history of COIN efforts already having transpired in Iraq and Afghanistan by the date of its publication, was essentially an effort to tie together the key capabilities of each agency. The guide was woefully inadequate in that it failed to mandate an organizational construct that would truly link the varying efforts of each agency. However, the guide did specifically identify the exact role each agency should play in a COIN campaign. State would lead diplomatic efforts that shape the international environment and help the affected government to reform, mobilize support, marginalize insurgents, and extend its control throughout its territory. USAID would lead development efforts that help the affected government meet essential needs, develop infrastructure, and build economic capacity. And DoD would lead both diplomacy and development that are enabled by and contribute to security activities.[94]

The massive and nearly uninhibited nature in which CERP funds have been expended in Iraq and Afghanistan is just one example of how DoD has not restricted itself to "security activities." The guide is clearly inconsistent with the tactics and constructs that have actually been employed in Iraq and Afghanistan. Nevertheless, the guide is valuable in that the signatures of the leader of each organization suggest approval of the demarcations of responsibility outlined in the document.

Conclusions

An analysis of the Marshall Plan, the Vietnam War, and Operations Enduring Freedom and Iraqi Freedom suggest three common tenets for the employment of economics in a COIN effort. These tenets are host-government partnership, capacity development, and unity of control. In addition to the obvious prerequisite of sufficient security, the presence or absence of these fundamentals has proven essential or detrimental in each of the case studies analyzed in this paper.

Partnership with recipient or host governments was a fundamental assumption of the Marshall Plan, as evidenced by Secretary Marshall's comments to that effect in his Harvard speech. The establishment of the Committee for European Economic Cooperation, the drafting of bilateral agreements regarding aid stipulations, and the European Cooperation Administration's management of aid through direct provision to the recipient government demonstrate the spirit of partnership pervasive throughout the European Recovery Program. The closely related tenet of capacity development was also fundamental to the Marshall Plan. Aid was employed by the various governments of Western Europe to reform institutions, stabilize currencies, procure raw materials to support production capacity, and integrate the continent, all in the name of sustained growth. Despite the enormity of the undertaking, both in terms of the massive amounts of allotted funds and in the number of participant nations, the entire program was executed under the purview of one organization, the European Cooperation Administration, a demonstration of unity of control.

A similar demonstration of unity of control can be found in U.S. efforts in the Vietnam War.

Attempts at pacification did not take hold until the efforts of multiple U.S. agencies were consolidated under CORDS, which placed both military and civilian entities under one lead. Economic tactics focused on capacity development delivered sustained growth in the agricultural sector, while a failure to develop capacity in other sectors served to undermine continued development in South Vietnam. CORDS's successes in pacification and delivering an improved security environment were also accomplished in close coordination and partnership with the South Vietnam government, even imploring the government to adopt the unity of control of CORDS.

In contrast, de-Ba'athification and the resulting lack of functioning governance in Iraq and a similarly weak and corrupt government in Afghanistan have significantly hampered reconstruction efforts in both countries. The lack of responsible government agencies have made the development of institutional capacity particularly problematic in both countries as well, a difficulty exacerbated by economic tactics like CERP that are far more focused on immediacy of impact than long-term capacity. Further exacerbating these difficulties in Iraq and Afghanistan has been the presence of multiple agencies applying economics in each theater, without the direction and coordination of a single governing body to synchronize and deconflict their efforts.

Contextual differences among these case studies certainly color any attempts to extract commonalities. The Marshall Plan represents the application of the economic instrument of power among Western cultures, an environment rooted in largely different values and mores than the Middle East theaters. The Vietnam War can best be understood as a Cold War proxy conflict, in which the U.S. fought both conventional and guerrilla forces simultaneously in its attempts to enable South Vietnam's resistance to the spread of Communism. OIF and OEF represent conflicts in which U.S. invasions gave rise to the insurgencies, in effect creating the necessity for COIN and the supporting application of economic tactics.

These contextual differences do not render attempts to identify commonalities between them invalid, however. The nature of the conflict or the culture of the populous, among other factors, may serve to influence the degree to which any of these proposed tenets are important or influential. However, the fact that the presence or absence of government partnership, capacity development, and unity of control can be identified in each of these case studies of varying conflict origins and cultures emboldens the notion of the universality of these concepts and their treatment as tenets.

Recommendations

> Despite billions of dollars in reconstruction spending and the hard work of the U.S. military, State Department, and other agencies over the past decade, only a meager body of research exists on how U.S. resources in the form of wartime contracts can be used most effectively to rebuild a war-torn economy.
>
> –*Contracting Under Fire*, 2012

The question of how to effectively apply the tenets of host-government partnership, capacity development, and unity of control is essentially a question of strategy, wherein the U.S. must determine how to employ economics in future COIN efforts. Dr. Harry Yarger proposed one of the more prominent models to emerge as a means of evaluating strategy in his 2006 monograph, "Strategic Theory for the 21st Century: The Little Book on Big Strategy." Yarger offers criterion of suitability, feasibility, and acceptability as a means to evaluate strategy:

> Strategy has an inherent logic of suitability, feasibility, and acceptability. These would naturally be considered as the strategy is developed, but the strategy should be validated against them once it has been fully articulated. Thus the strategist asks:

> Suitability – Will the attainment of the objectives using the instruments of power in the manner stated accomplish the strategic effects desired?
>
> Feasibility – Can the strategic concept be executed with the resources available?
>
> Acceptability – Do the strategic effects sought justify the objectives pursued, the methods used to achieve them, and the costs in blood, treasure, and potential insecurity for the domestic and international communities? In this process, one considers intangibles such as national will, public opinion, world opinion, and actions/ reactions of U.S. allies, adversaries, and other nations and actors.
>
> The questions of suitability, feasibility, and acceptability as expressed above are really questions about the validity of the strategy, not risk. If the answer to any of the three questions is "no," the strategy is not valid.[95]

Yarger's model is primarily intended as a means for evaluating strategy rather than crafting it. However, in using Yarger's criterion, an appropriate framework for applying economics in COIN is readily identifiable. Yarger's references to costs in treasure and public opinion clearly resonate when applying the criteria of acceptability to economic COIN strategy. In order to pass as an acceptable strategy, the strategy cannot rely on the development of new capabilities or organizations or heightened investments in U.S. capital. In light of the Budget Control Act of 2010 and the resulting sequester, combined with expected declines in funding commensurate with a withdrawal from Afghanistan, there is likely little support among the U.S. populous or elected officials for an investment in a new apparatus for applying economics in COIN. The fact that the capabilities needed to apply economics in COIN have been developed and are resident among the various agencies of the federal government, suggesting any further investment is a function of inefficiency rather than necessity, magnifies this lack of acceptability. An interagency approach is therefore required and is the only solution with the potential to pass Yarger's feasibility criteria, given the aforementioned fiscal environment that will likely preclude developing additional capabilities in any of these agencies. Finally, a mechanism for applying the tenet of unity of control must be identified that is also "suitable" in accordance with Yarger's model and could actually accomplish economic COIN objectives within available resources and capabilities.

The model that clearly emerges when measured against these criteria is the CORDS model, in which a civilian position was created and inserted within the military chain of command, and served as the single focal point for the application of economics, and in which interagency capabilities were similarly interwoven into the military hierarchy. The CORDS experience in Vietnam demonstrates the potential for such a framework to leverage the tenets of unity of control, host-nation government partnership, and capacity development, as evidenced by the success of CORDS in quelling the insurgency and in developing sustained growth in South Vietnamese agricultural industries.

Perhaps the most notable proposal to emerge as an alternative strategy for the application of economics in future COIN efforts is the notion of "expeditionary economics," postulated by Carl Schramm, former president and CEO of the Kaufmann Foundation. Schramm argues fervently that the U.S. military is the appropriate institution to apply the economic instrument of power and must develop its capacity to do so.[96] In his article "Expeditionary Economics: Spurring Growth After Conflicts and Disaster," Schramm argues that the unique access of the military makes it the default agency for employing economics in a "bottoms-up approach."[97] Defining expeditionary economics as "a new field of inquiry that treats economic reconstruction as part of any successful three-legged strategy of invasion, stabilization or pacification, and economic reconstruction," Schramm ultimately advocates for U.S. government to develop a new and permanent organic capacity of economic assistance expertise in the military.[98] In arriving at this proposal, he justifies an investment in military economic expertise by pointing to a history of the military turning to U.S. and international development agencies or nongovernmental organizations for practical guidance on improving local economic conditions only to find that the putative experts are of little help.

The efficacy of Schramm's proposal must therefore first be evaluated for suitability: whether or not the development of organic ability and expertise in the military for the employment of economics in COIN efforts would accomplish stated objectives Schramm's concept could likely be successful in applying the tenets of host-nation government partnership, capacity development, and unity of control. While some host-nation governments might be initially averse to uniformed economic advisers as opposed to a civilian alternative, such aversions would be unlikely to completely impede military efforts. The tenet of capacity development could similarly be applied without any major impediments. In addition, the military's ability to apply economics without the need for interagency coordination would clearly satisfy the tenet of unity of control. Schramm's proposal of expeditionary economics as an organic military capability is therefore "suitable."

The proposal's "feasibility" and "acceptability" are other matters. In fairness, Schramm did not offer his proposal armed with insights into the implications of the ongoing fiscal pressures facing DoD. Nevertheless, it is clearly not feasible to suggest that the military establish a standing economic advisor capability and invest in such a capability accordingly, in an era of significant force drawdowns across all military services. Furthermore, Schramm's proposal essentially suggests that the military invest in developing capabilities already in existence in other government agencies, solely on the basis of past difficulties in coordinating efforts with these agencies. Such an investment of resources in capabilities already inherent in the U.S. government is likely not acceptable in the court of public opinion. Schramm's notion of expeditionary economics as a permanent organic military capability is therefore not a valid strategy for future COIN efforts according to Yarger's model.

U.S. strategy must focus on creating a CORDS-like model for applying economics in future COIN efforts. While the 2009 *U.S. Counterinsurgency Guide*, signed by the senior executives of DoD, State, and USAID, serves as a positive step in identifying mutual expectations as to the roles of each agency, mandatory interagency policy must now evolve in order to move beyond the soft promises of unity of effort to the concrete binds of unity of control. The Commission on Wartime Contracting postulated a similar concept in *Transforming Wartime Contracting*: "Lessons can be harvested as they emerge from the Afghan and Iraq contingencies. In the absence of an overriding policy and body of operating procedures, however, members of the interagency community are doomed to re-create processes and procedures once a new contingency begins."[99] The Commission also recommended creating a dual-hatted senior position at the Office of Management and Budget and on the National Security Council staff to "provide oversight and strategic direction" and "oversee and ensure coordination of interagency contingency operations."[100] Unfortunately, an August 1, 2012, Government Accountability Office report entitled *Agency Actions to Address Recommendations by the Commission on Wartime Contracting in Iraq and Afghanistan* found that no action had yet been taken to act on this recommendation.[101] The U.S. must be prepared for future COIN operations. However purposefully the U.S. military and the nation might seek to avoid COIN efforts in the future, the fact remains that of the many conflicts the U.S. has become involved in since the institutional debacle of the Vietnam War over forty years ago, only the Persian Gulf War can be labeled as the "classic" conventional war the U.S. military would clearly prefer to fight. Stability operations, to include COIN, are a far more likely form of military engagement for the U.S. Furthermore, the OIF experience demonstrates how rapidly the U.S. can potentially be ensnared in a COIN campaign despite its desires to avoid such a conflict.

The challenge before the U.S. military and the government as a whole is to avoid the same institutional errors that resulted in a failure to capture the many lessons learned available from the Vietnam War. Whether or not the military and government will answer this challenge is in doubt, however. In addition to the Government Accountability Office report of the failure of government agencies to comply with the recommendations of *Transforming Wartime Contracting*, the emergence of the Air-Sea Battle Concept and the increasing focus on the Pacific region apparent in national strategy (however justified) hint at an institutional eagerness to put the experiences and lessons of Iraq and Afghanistan behind us. These signs suggest that the U.S. may again be found developing hurried ad hoc organizations, and employing uncertain and untested tactics in the employment of economics in future COIN campaigns.

Analysis of the Marshall Plan, the Vietnam War, OEF, and OIF reveal that host-nation government partnership, capacity development, and unity of control are fundamental tenets for economic COIN strategy. To properly apply these tenets in future COIN efforts, the U.S. must establish a contingency framework similar to the CORDS model as a matter of binding policy. Failure to follow these recommendations will likely yield a future COIN campaign hampered by the same waste and disjointed inefficient effort demonstrated in our most recent COIN endeavors.

Finally, this paper is based on the assumption that the U.S. will continue to pursue the establishment of a stable and sustainable economy as a component of its strategy in any future COIN operations. Army Doctrine Publication (ADP) 3-07, *Stability*, defines a sustainable economy as "one in which the population can pursue opportunities for livelihoods within a predictable system of economic governance bound by law. It is characterized by active competition policies, rule of law, rules that encourage trade and investment, and sound fiscal and monetary policies."[102] This definition closely links the development of a sustainable economy with another component of U.S. COIN strategy, the establishment of stable governance, which ADP 3-07 defines as "the state's ability to serve the citizens through the rules, processes, and behavior by which interests are articulated, resources are managed, and power is exercised in a society."[103] Army FM 3-24 reiterates this concept in stating: "Long-term success in COIN depends on the people taking charge of their own affairs and consenting to the government's rule."[104]

These doctrinal references clearly communicate an underlying assumption of the primacy and importance of a central state-based government as a universally applicable concept, a decidedly Western assumption. Lawrence Freedman in his essay "The Counterrevolution in Strategic Affairs" speaks to the challenges inherent in this assumption :

> Humanitarian interventions also generated long-term and expensive responsibilities to those places where intervention took place. Initially, the action might have been prompted by evidence of acute but short-term humanitarian distress, but once engaged, the intervenors felt obliged to undertake wholesale reconstruction of the target countries by setting them on the road to democracy. The same impulse was evident in Iraq and Afghanistan. But as the United States became bogged down in Iraq, it let its own liberal standards drop in the conduct of interrogations and counterinsurgency operations. At the same time it demonstrated an inability to reshape local political structures according to its own preferences. Unless a functioning democracy was created, it was argued, there could be no guarantee that the conditions that created the problem in the first place would not recur. Why costly military exertions should be used to reestablish an authoritarian regime was hard to explain. The only way out was to work with the local political grain, which was not necessarily a natural support for the practices and norms on which liberal democracy depends and which would be under additional strain as a result of the internal violence that had prompted the intervention.[105]

The case study analysis accomplished in this paper supports Freedman's assertions and further calls into question the validity of the underlying doctrinal assumption of the primacy and importance of central government. In expounding on the virtues of the Marshall Plan, Machado points to the fact that "Marshall Planners constructed a framework, or process, within which those nations committed to a 'New Europe' could debate those willing to be rebuilt or reformed."[106] Furthermore, Machado points out that Marshall Planners "did not impose their will on Europeans" in stark contrast to American efforts to import and install democratic governments in Iraq and Afghanistan.[107]

The Marshall Plan emerges from this paper as the most successful U.S. application of economics, an example of sustainable development pursued in partnership with Western governments as opposed to the non-Western entities of Vietnam, Iraq, and Afghanistan. Such a comparison between these case studies further suggests that the notion of stable central governance may not be as readily exportable as U.S. military doctrine assumes. Current U.S. difficulties in establishing stable governance in Afghanistan may in fact be attributable to the possibility that tribal and religious influences enjoy greater importance in the lives of the nation's populous than a central government could ever hope to. Further research and investigation into the validity of the assumption of the importance, and feasibility, of establishing stable governance in COIN efforts is clearly necessary. COIN efforts intended to develop sustained economies in "systems of economic governance bound by law" are ultimately fruitless if such governance cannot reasonably be established, or if governance establishment is actually ineffective in quelling an insurgency because of the culture of the host nation. ***IAS***

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