

INVESTING IN STABILITY

The Need for Intelligence Preparation for Economic Operations

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PHOTO: A Soldier assigned to Bravo Company, Task Force Gladius, 82d Airborne Division, provides security during a meeting with locals about their winter needs in the Kapisa province of Afghanistan, 4 November 2009. (U.S. Army, SPC Matthew Freire)

IN COUNTERINSURGENCY, stabilization and reconstruction, humanitarian assistance, peacekeeping (United Nations Chapter VI and VII missions), and myriad operations other than war, force is a necessary but not a sufficient instrument for mission success. The reason? As Field Manual 3-24, *Counterinsurgency*, notes, the local population is the “critical center of gravity of an insurgency” (and operations other than war missions as well).¹ Taking a comprehensive approach to the local population’s concerns and quality of life is vital to obtaining the political gains necessary to end an insurgency. Providing “basic economic needs” and maintaining infrastructure are important parts of the mission.²

It is often difficult for commanders to determine the best use for the development assets and resources at their disposal. Blindly throwing money and people at a problem is not a viable solution because the force rarely achieves the level of impact commanders seek, and in a world of scarce resources, more problems exist than there are assets to throw at them. Like battlefield operations, economic operations require the commander to develop and choose a course of action with its own unique requirements and risks. The Army needs to practice intelligence preparation for economic operations using “economic operations intelligence cells” that enjoy the level of dedicated support the Army gives to battlefield intelligence.

Economics and Security

A mutually beneficial relationship exists between a population’s economic well-being and a security force’s protection of it. If a local security force improves the economic condition in its area of operations, the population benefits and responds by helping the security force. As it receives more cooperation from the people it protects, the security force can better combat violent elements in the area. As the security situation improves, the local populace will be more willing to make long-term financial decisions and invest capital to spur economic growth. Because increased economic growth depends on the protection provided by the security force, the population becomes less tolerant of violent elements threatening its investments. When people increasingly turn to the security force to neutralize violent actors, the local economy eventually becomes stable enough to support its own security institutions.

This virtuous, upward spiral can also work in the other direction—as a vicious, downward spiral. The people can blame a stagnant economy or deteriorating quality of life on a security force if they think it is unable to deal with violence. This state of affairs forces the security force to expend more resources to achieve the same levels of security a smaller force provides when the population cooperates with it. When people hoard their money and flee an area instead of investing in it, the wealthiest and the most talented soon take the resources and skills necessary to rejuvenate the local economy to more stable areas, thereby making recovery all the more difficult and expensive.

Where and How to Invest?

Military economic operations are an investment in the commercial sense. Just like his counterparts in civilian commerce, the military commander seeks the maximum return on his investment. However, he measures his return on his investment not in dollars, but in physical and economic security, which are often difficult to quantify. The commander knows the local population's future quality of life depends on the presence of the commander's force and its successful completion of its mission.

When commanders select an investment strategy, they must choose between quick-impact projects and long-term development projects and estimate the economic impact their assets will generate given the investment opportunities available.

Economic projects prove a force's commitment and staying power. Quick-impact projects can improve the quality of life in an area in a way that is immediately noticeable by the inhabitants. A quick-impact project's timeline is usually two weeks to several months, depending on the size and complexity of the project; to keep the project in line with the deployment schedule of military units, it rarely exceeds a year. Traditional impact projects include school construction, irrigation improvement, well drilling, agricultural seed aid, small business loans, and medical and dental exams.

These projects garner immediate support from the security force from the inhabitants, build momentum, and advance the economic/physical security upward spiral. Bursts of activity at the start of the operation can make the security force mission easier in the end and reduce the cost and the time it takes to complete the mission.

On the other hand, quick-impact projects do not address structural deficiencies in the local economy, so total mission time can increase if the security force's short-term economic stimulus leaves behind a fragile local economy and a population under attack by insurgents. Long-term development projects may not have an immediate impact on the population that generates intelligence leads and goodwill, but they can bring about long-term employment opportunities and a deeper and richer empowerment of the marketplace. They usually have a one- to five-year time horizon and include more complex and expensive projects, such as the installation or rehabilitation of sanitation systems, power generation plants and grids, telecommunication networks, and port facilities. While conventional military planners prefer not to be bogged down in long-term development projects, experience shows that quick-impact projects and long-term projects reinforce each other's effects. The composition of the project and the timing of its completion are the critical factors.

Experience significantly influences the capabilities that go into designing a security force's economic operations. Because of the experiences of the French in Algeria, the British in Oman and Malaysia, and the United States in Vietnam, most Western militaries think of economic development as road construction, rice-paddy irrigation, school construction, well drilling, seed and livestock distribution, and the like. However, the economic imperatives that drove choices then were only appropriate in those times, economies, and cultural contexts.

Building schools in an agricultural area ravaged by poverty and war is not a good idea. Such schoolhouses will remain empty if parents do not

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allow their children to attend school because their families' survival depends on the child working elsewhere. Yet, the local population may greatly appreciate water wells and irrigation systems that provide a dependable source of water. Schoolhouses may be feasible once the population has progressed beyond a subsistence and survival mind-set.

In addition, the manner in which the force undertakes an economic project can have unexpected consequences. Building in an unfamiliar place may involve construction techniques that are unknown locally. Western engineering units are used to working with concrete, while local populations in the more isolated areas of Afghanistan use all-stone construction. Adapting building plans to suit the region can shorten the time it takes to complete a project, increase the number of available subcontractors to do the work, and reduce the number of unemployed men who might join an insurgency for financial reasons.

Evaluating Investments

The commander's investment strategy should link resources to identifiable, if fleeting, investment opportunities that fit within a comprehensive approach, but he must make the best use of his available resources and quantify the risks he can expect.

The economic operations intelligence cell must identify a baseline of existing economic activity, structures, and norms before generating investment strategies and presenting them to the commander. Like any civilian economic intelligence unit that tries to analyze market mechanisms to establish prices, the cell must determine how individuals, households, and local businesses allocate their resources in a market environment. An economic operations intelligence cell must understand what drives demand for certain items, and determine how local businesses can meet this demand. This information has serious implications for the local security force. For example, Baghdad's bread bakers are not only food distributors but also retail bankers providing financial services for the city's inhabitants. Terrorist targeting of bakeries, their employees, and their flour distribution trucks alters the population's thinking about the availability of their bakery products. Residents associate the absence of bread with the ineptness of coalition forces, because they know they "at least had bread when Saddam was in power."

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Economic operations intelligence cells must deal with geographic areas that are, or have been, under the strain of conflict, sometimes for decades, and whose market system is so damaged and inefficient that development approaches that work well in stable economies do not achieve a lasting effect. For example, looting has sometimes made facilities built by security forces useless. Instead of resisting the destruction of facilities that benefitted their community, local residents decided to join in the looting themselves because they expected their neighbors to do so and believed terrorists might completely destroy the facilities during their next attacks.

An economic operations intelligence cell should survey an area of interest and ask—

- How does the local population gain access to financial services?
- What goods and services are essential to the survival, spiritual well-being, and morale of the local population?
- In what areas of economic activity is the local population superior to other areas?
- What are the number, size, and product offerings of local business entities?
- What is the nature of the competition between the local business entities?
- What is the level of unemployment?
- What is the state and talent of the local skilled and unskilled workforce?
- How do products, people, and capital move about in the area of interest?
- What is the condition of state-provided services and infrastructure?
- What expectations does the local population have regarding the future performance of the economy?
- If the force has been in place for some time, have the people been disappointed in any way that has eroded trust in future projects and programs?

Once the economic operations intelligence cell has a baseline on the economic situation, it must deter-

mine the business opportunities that exist and decide which to exploit with development. Unfortunately, a security force may arrive on scene with an asset mix that is inappropriate to the circumstances on the ground. Commanders often make the mistake of letting such assets go ahead and do what the security force is trained to do because they think the force will be unproductive if they do not. This is a platform-centric approach to economic operations. However, the situation calls for analyzing intended outcomes.

If the commander desires to build a security checkpoint to protect the approaches to a market place, how much does it really matter if he builds it out of stone or concrete? If we can do it faster and cheaper using local subcontractors, why should we divert organic engineering equipment from other projects that need concrete? By moving to a results approach to investing, the economic operations intelligence cell discovers the economic impact of the project over the entire life cycle of the finished good. It avoids projects that only provide temporary jobs and contribute nothing to the rehabilitation of local market mechanisms.

Much of U.S. military doctrine in the 1990s focused on leveraging existing development assets held by other agencies of the government, foreign governments, international government organizations, and private volunteer organizations. This was a compromise between acknowledging that peacekeeping and nation-building activities were a rising national security concern and the institutional imperative to remain focused on winning high- and medium-intensity conflicts despite the shrinking defense budgets of the post-Cold War era. Because of what has been called the Vietnam syndrome (reinforced by the Somalia experience), the Army believed that any long-term commitment in foreign endeavors would be politically unacceptable. Hence, militaries focused on rapidly deploying to trouble spots to deliver humanitarian assistance and conduct quick-impact projects if necessary, and then turning the areas over to other agencies, international government organizations, private volunteer organizations, and local entities.

This system turned out to be wholly inadequate in Afghanistan and Iraq. When violent activity was ongoing, international government organi-

zations and private volunteer organizations were reluctant to deploy to areas that needed them most. If they did deploy there, they refused to cooperate with the military for fear of supporting policies unpopular with the locals and/or their financial backers. U.S. agency employees with unique skill sets were unable to meet the challenge. Personnel from the U.S. Agency for International Development and the Departments of State, Treasury, Commerce, and Agriculture were too few in number to respond to the people's needs. Provincial reconstruction and civil affairs teams and engineering units became prime contractors, even though many of them had never trained for such assignments.

The economic operations intelligence cell should help the local commander identify where deficiencies exist and determine how to mitigate them. A commander normally has four investment strategies from which to choose:

- *Investing in companies.* The commander can choose to stimulate local marketplace actors through business loans, grants, or guaranteed business service contracts. Sometimes businesses exist in depressed areas, but they lack the capital to undertake operations without cash advances or payment guarantees. A stimulus allows a company to purchase durable and consumable goods, pay operating expenses, and fund expansion so consumers can start purchasing goods and services from the reinvigorated company, which will then hire more employees who in turn will spend their pay in the local economy, creating a ripple effect of prosperity.

- *Investing in infrastructure.* Investing in infrastructure rejuvenates public services and utilities, allowing many economic activities to resume. Electric and water services are normally the most pressing and difficult services to implement. Many businesses and industrial activities require electricity and water to run their equipment and carry out their operations. Without electric and water services, businesses must choose expensive power generation alternatives or shut down because they do not have access to large amounts of water.

Road construction is economical and easy to implement, and experience in Afghanistan demonstrates that pound for pound, it has the most impact. Trade and stability followed the road



U.S. Army, SPC Richard W. Jones Jr.

U.S. Army SFC Scott Lund talks with an Afghanistan National Policeman about local construction of a road in Logar Province, Afghanistan, 7 November 2009.

construction teams in Afghanistan as they opened up once isolated towns to the rest of the country.

- *Investing in people.* In some places where consumer demand exists and producers are operating, a lack of skilled labor prevents economic activity and growth. Implementing training programs can help provide businesses with employees, who then turn into consumers with money to spend. This can be difficult in areas with low literacy rates and jobs requiring several months of dedicated special training. The medical and information technology fields have proven to be the most challenging in Iraq and Afghanistan.

- *Investing in security.* We must not forget that security offers financial benefits to a community under attack from violent organizations. Resources diverted to security are useful as an insurance policy. When called upon, they will prove their worth. In agricultural communities, building a blast-hardened retaining wall around a grain silo will prove more beneficial to the community than building a wall around a schoolhouse. While it is unpopular to say so, we need to put the values of the local community and the immediate needs of the existing economic system first, so that more advanced activities like education can become feasible later.

The commander may use the assets available to him to pursue any or all of these strategies or elements. The economic operations intelligence cell should first evaluate the deficiencies of the community's economy and prioritize the needs of the population to determine an investment strategy and

how to implement it. The next step is to determine which of the commander's assets have the best probability of success in implementing the strategy. Then the economic operations intelligence cells must manage risk by identifying the probabilities of success and the costs and sources of potential failure. For example, it might identify the need to build a structure and determine that an engineering unit could perform the task with a high probability of success, but the lack of local concrete production capacity might prolong engineer work on the project for months, prevent engineers from working other projects, and delay the project's benefits for the local population. The cell should recommend using an alternative construction material, stone, which enables the engineering unit to outsource the work to local, out-of-work subcontractors. While the risk of project failure can increase because the prime contractor, the engineering unit, is unfamiliar with the technique, we gain the benefits of increased local employment, faster project completion, and the availability of more engineers for other projects. Of course, we will have to ensure that completion of the project does not depend on the use of concrete. It is the commander's decision to make, but if an economic operations intelligence cell makes him aware of the alternatives available, he will make a better decision.

In the March-April 2008 issue of *Military Review*, Colonel Patrick Donahue and Lieutenant Colonel Michael Fenzel examined Combined Task Force Devil's economic operations in Afghanistan. They

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described the value-added as the task force identified economic problems on the ground, assessed available development resources, and used a systems approach to leverage the projects of other international government organizations and the U.S. Agency for International Development. The Task Force Devil staff served in the capacity of an economic operations intelligence cell, coordinating the work of provincial reaction teams in the area and developing project timelines to achieve synergies and push important initiatives forward. By taking the lead in this way, Task Force Devil was able to attract other development entities to the area by demonstrating that there was goodwill on the ground and that development projects could be completed effectively.³

Building Capability

Intelligence preparation for economic operations is not an additional burden on a commander's staff,

but a value-added product we neglect at the commander's risk. It is up to the commander to decide if an economic operations intelligence cell should be an informal institution retained in his staff or a more formal entity like an information operations cell. In most current operations, commanders will find that they just do not have the personnel at hand to develop large, independent EOICs. We should not treat an EOIC like a stand-alone function, but incorporate personnel from all the staff elements and provide input to them. What makes intelligence preparation for economic operations unique are the collector's skills in providing the right kind of data to the economic operations intelligence cell and the analyst's skills in creating a worthy investment strategy.

Deployed U.S. military units already conduct patrols for security and intelligence collection. Many units conduct human terrain mapping missions, and specialized mixed units possess skills in civil-affairs, human intelligence, psychological operations, and medical services. They can project security, collect information, and deliver soft-power effects.⁴ We can add an economic intelligence collector to these patrols at a low cost and give him a list of information requirements, many already needed for human terrain mapping. His skills would be similar to those of a general contractor, insurance appraiser, or financial manager. He could analyze

facilities, infrastructure, local businesses, and potential subcontractors and assess the economic viability of a business plan. Because such skills are more prevalent within the civilian economy, National Guard and Army Reserve units may have Soldiers with the requisite experience who might be of great value in an intelligence collection role. The United Kingdom's 28 Engineer Regiment has already put this concept to the test with great success with its development and influence teams in Helmand Province, Afghanistan.⁵



U.S. Army, LTC Trevor Bredenkamp

Brigadier General Donahue (then a colonel and brigade commander, left, with hand up) engaging Afghan tribal leaders on a more systematic approach to project development, 14 November 2005.

Much of the analysis to develop an investment strategy recommendation is the result of leaders and Soldiers using common sense after encountering glaringly evident deficiencies in areas of extreme economic neglect. The economic operations intelligence cell needs the expertise to perform financial risk management of investment strategies, assess their costs and probabilities of success, and summarize their findings in a logical and presentable format for the commander. Existing information technology infrastructure allows these cells to reach back to specialists in other agencies and leverage their expertise to create even better assessments. While such reach-back is not as valuable as having an economic adviser on site, it is a low cost, technically achievable, and rapidly executable solution.

In sum, an economic operations intelligence cell brings to the decision-making process an analysis that yields better returns on investment than unguided choices—and not just in economic matters.

Moving Forward

Using hard- and soft-power instruments in areas of degraded or collapsed social and economic stability is a daunting task even for those trained to do it. The contemporary security environment compels commanders to go outside their comfort zones. Commanders are investors with limited resources trying to get a maximum return on their security investment. If the commander invests his assets properly, he can build momentum on the economic front to help him achieve his security mission. Doing so will stimulate additional economic development. If the commander does not invest his assets wisely, the local economy may worsen, making the security mission difficult or untenable.

Economic operations are increasingly important as a force multiplier in the current operating environment. Using intelligence preparation for economic operations and establishing economic

Economic operations are increasingly important as a force multiplier...

operations intelligence cells is an operational and tactical imperative. Just as it is inconceivable to launch an infantry assault without gathering and processing battlefield intelligence, it should be inconceivable to begin development projects without economic intelligence. If a commander does not use such intelligence to help him make economic development choices, he runs the risk of wasting time and money on projects that are temporary successes but not long-term achievements that reduce or eliminate the need for a security force presence.

While there may be a learning curve, institutional knowledge exists within the government, particularly in the U.S. Agency for International Development and the Department of State, and other knowledge is available for no charge on the Internet. It is increasingly evident that units using economic analysis improve the security environment and quality of life in their areas of operations more than units that do not. Commanders who begin implementing intelligence preparation for economic operations programs will soon come to wonder what they would have done without this capability. **MR**

NOTES

1. U.S. Army Field Manual 3-24/U.S. Marine Corps Warfighting Publication 3-33.5, *Counterinsurgency* (Washington, DC: Government Printing Office, December 2006), 1-18.

2. *Ibid.*, 2-2.

3. COL Patrick Donahue and LTC Michael Fenzel, "Combating a Modern Insurgency: Combined Task Force Devil in Afghanistan," *Military Review* (March-April 2008): 25-52.

4. LTC Jack Marr, MAJ John Cushing, MAJ Brandon Garner, and CPT Richard Thompson, "Human Terrain Mapping: A Critical First Step in Winning a COIN Fight," *Military Review* (March-April 2008): 21.

5. LTC Phil Sherwood, "Reconstruction and Development in Afghanistan: A Royal Engineer Regiment's Experiences," *RUSI Journal*, October 2007, 2, 91-93.