

JOINT, INTERAGENCY, AND INTERNATIONAL ORGANIZATION
ECONOMIC PLANNING INTEGRATION

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Joint Planning Studies

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The opinions and conclusions expressed herein are those of the student author and do not necessarily represent the views of the U.S. Army Command and General Staff College or any other governmental agency. (References to this study should include the foregoing statement.)

ABSTRACT

JOINT, INTERAGENCY, AND INTERNATIONAL ORGANIZATION ECONOMIC PLANNING INTEGRATION, by Major Lawrence R. Walton, 87 pages.

This paper examined how well does the integration of Military, Other Government Agencies (OGA), and International Organizations (IO) economic functions reduce the operational risks in achieving contingency campaign objectives. It investigated how economic development models and economic theory are incorporated into national strategy and military contingency operations. This analysis provided an understanding of how the functions performed by the Department of Defense, Department of State Coordinator for Reconstruction and Stabilization, United States Agency for International Development, Department of Commerce, Department of the Treasury, United Nations Development Program, World Bank, and International Monetary Fund shape the global economic environment and influence economic balance and development factors during each phase of contingency operations.

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ACRONYMS

ACT	Advanced Civilian Team (ACT)
AIDS	Acquired Immune Deficiency Syndrome
CRSG	Country Reconstruction and Stabilization Group
DOC	Department of Commerce
DOD	Department of Defense
DoDD	Department of Defense Directive
FDI	Foreign Direct Investment
FM	Field Manual
GNI	Gross National Income
HIV	Human Immunodeficiency Virus
IMF	International Monetary Fund
IMS	Interagency Management System
IPC	Integration Planning Cell
IO	International Organization
JP	Joint Publication
NGO	Non-Governmental Organization
NSPD	National Security Presidential Directive
OGA	Other (Non-DOD) Government Agency
OPLAN	Operational Plan
POI	Program of Instruction
S/CRS	Department of State Office of the Coordinator for Reconstruction and Stabilization
TREAS	Department of the Treasury

UNDP	United Nations Development Program
U.S.	United States of America
USAID	United States Agency for International Development
WB	World Bank

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CHAPTER 1

INTRODUCTION

Background

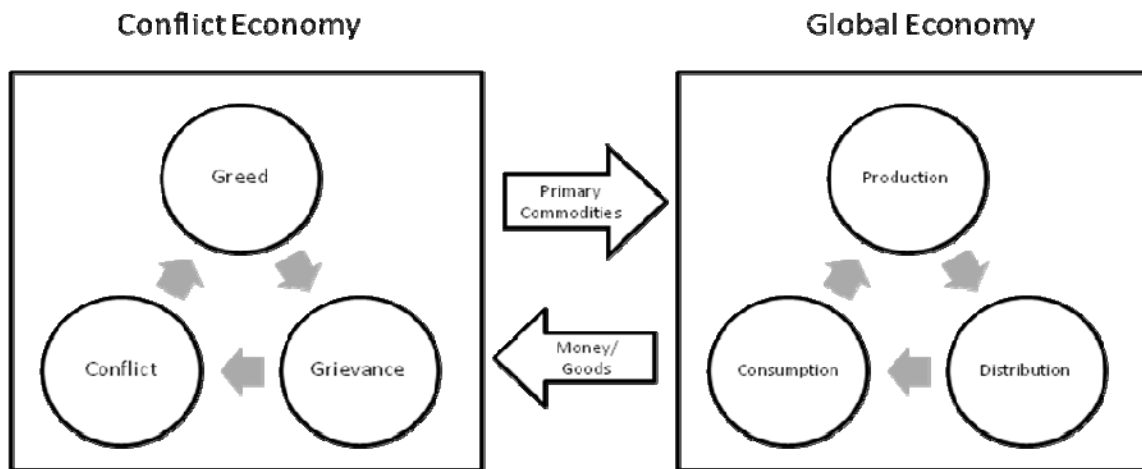
Objective, mass, and unity of effort have long been used as Principles of War. An objective is a clear obtainable goal and mass refers to merging the efforts of different organizations to achieve decisive effects. However, it is only possible to gain the necessary mass towards achieving an objective through unity of effort (JP 3-0, 2006).

There are four basic instruments of national power: diplomatic, informational, military, and economics. These instruments are interdependent but are controlled by separate government agencies. The President and National Security Council are responsible for insuring that the whole of government is unified towards achieving national strategic objectives. However, unity of effort at the national strategic level does not always translate into unity of effort at the operational and tactical levels.

The economic instrument of national power requires unity of effort between the military, Other Government Agencies (OGAs), and International Organizations (IOs) to achieve contingency operation objectives. While there are a large number of OGAs and IOs that perform economically related functions, there is a growing volume of evidence from current operations in Iraq and Afghanistan that suggests that these organizations have not been effectively integrated towards achieving economic campaign objectives. Ultimately, security gains are not sustainable without economic stability. An improved understanding of the relationship between governance, security and economy has led to important policy changes that require the military to become more directly involved in

economic development. The military, OGAs, and IOs must mass their economically related capabilities to achieve current and future contingency campaign objectives.

Research has shown that the economic aspect of conflicts is complex and far-reaching. While there are still no definitive answers on the factors that drive conflict, there is some general agreement on some broad issues. In the World Bank report *Greed and Greivance in Civil War*, Collier and Hoeffler presented a theory that the greed of a predatory group aimed at controlling a primary commodity causes inequality, exclusion, and relative poverty that create grievences in other groups. These excluded groups use the discourse of grievance to retaliate violently against the predatory group. This causes the predatory group to use more resources to defend its control of the primary commodity (Collier and Hoeffler, 2000). Once the cycle has started, it is very difficult to break.



Source: Created by author from Collier and Hoeffler, 2000

Figure 1. Conflict Economy and Global Economy Relationship

Due to globalization, the challenges of dealing with conflict economies require a very broad approach. As depicted in Figure 1, conflict economies provide commodities such as oil, drugs, and diamonds to markets around the world in return for money and finished goods. These resources provide the predatory group that controls the primary commodity with the incentive and means to expand their operations (Collier and Hoeffler, 2000). Research has also shown that conflict results in "skills, organizations and investments built up that are only of use through violence. Peace is costly for these interests and so they will look for opportunities to revert to conflict" (Collier, 2004, 10). With valuable commodities, there are many vested interests inside and outside the country that will resist change. Many countries have large ungoverned spaces that are locally controlled by armed forces. These groups depend on instability to retain their influence. Economic growth reduces the risk of conflict (Collier, 2000). It supplies the means necessary to provide essential services, employment, and security that reduce grievance factors.

Conflict economies reach across the strategic, operational, and tactical spectrum. Many of the problems require specialized expertise and resources to be effectively resolved. The capability to address these issues is inherently disconnected because no organization can be large enough to influence all the economic related factors. Therefore, unity of effort between organizations is essential to gaining the mass necessary to achieve economic campaign objectives.

Current operations in Iraq have clearly demonstrated the challenges of achieving economic campaign objectives. In Iraq, the sanctions did not cause the government to fall but instead caused the poor economic conditions that gave the government greater

latitude to manipulate the people (Rathwell, 2005). Ineffective governments often thrive on poor economic conditions because it gives them greater authority. The people are often destitute and will follow any one who provides them with existential resources. The early approach to economic development in Iraq resulted in the displacement of thousands of workers and fueled insurgent activities and resentment (Anderson, 2007). Many Iraqis were hoping that life would be better after the 2003 invasion. But, the lack of employment, essential services, and basic necessities left many Iraqi civilians disillusioned. The post-Saddam Hussein Iraq economy was largely an afterthought, resulting in unsustainable political and military gains (Looney, 2008). Governance, security, and economic issues must be addressed through comprehensive planning and extensive coordination between many organizations. The lack of economic growth created a vicious cycle that security forces alone couldn't solve. It became apparent that the capabilities of many government agencies, Non-Governmental Organizations (NGO) and International Organizations (IO) would have to be leveraged to resolve Iraq's economic problems.

Recent policy changes have directed the military to become more involved with economic development. National Security Policy Directive-44 (NSPD-44) states that the Department of State (DOS) will coordinate planning for stability operations (NSPD-44, 2005). This directive is important because it gave DOS the authority to coordinate economic planning involving the military and other government agencies. In order to coordinate with other agencies, the military must understand the functions that other organizations provide to support stability objectives. Even though economics is primarily addressed by OGAs and IOs, the military must have the capacity to understand their

functions and how they link with the military operations. DOD Directive 3000.05 states that one of its key stability operations tasks is to “revive or build the private sector, including encouraging citizen-driven, bottom-up economic activity” (DoD Directive 3000.05, 2005). This directive explicitly mandates that the military must understand economics and how to use its resources to enable economic development. Current policy makes it inherently clear that the military must be able to integrate with other agencies and organizations on economic planning matters. Unity of effort and decisively massing the institutional capabilities of the military, OGAs, and IOs is essential to achieving campaign objectives.

Research Question

This paper examined how well does the integration of Military, Other Government Agencies (OGA), and International Organizations (IO) economic functions reduce the operational risks in achieving contingency campaign objectives. In order to answer this primary research question, this paper will also investigate how well the operational risks to achieving contingency campaign objectives are reduced by integrating the Military, Other Government Agency (OGA), and International Organization (IO) functions that influence global economic, economic balance, and economic development factors?

Assumptions

In order to conduct this research, it is necessary to make some important assumptions. First, this research assumes that the plan for each phase developed is nested with the national and theater security strategies. Global and theater shaping activities can

have great influence on the success or failure of contingency operations. It is also important to assume that non-military agencies will participate in contingency planning. While they may not be able to participate in every aspect, it is important to ensure that the all government agencies provide the necessary support and resources required by the National Security Strategy and contingency operations. Finally, it is important to assume for this research that the organization of the U.S. government remains the same. In the past eight years, there were several changes made to the structure of the U.S. government related to the conduct of post-conflict planning. This research will use the U.S. government's organization as of September 2008. These assumptions are necessary in order to conduct this research efficiently.

Limitations

This research is subject to some important limitations. Despite the fact that there are operations currently being conducted in Iraq and Afghanistan, no classified information will be used. It is not possible to use classified information in this paper due to its release requirements. Next, the researcher was not able to travel to conduct first person observations. This research was conducted primarily at the Command and General Staff College at Fort Leavenworth, Kansas. Finally, this research focused on a limited number of organizations that perform economically related functions. While there are many other organizations that could be considered, it is not practical to analyze every organization that performs economically related functions within the size and time limitations of this research.

Scope and Delimitations

This research has some important delimitations. First, the scope of this research was strictly limited to discussing future situations similar to Afghanistan and Iraq involving regime change and nation building. This research addressed integrating the economically related functions of military, OGAs and IOs in contingency operations where all six campaign phases are planned. The model developed in this study may not be suitable for all potential situations. It does not account for the wide variety of other mission scenarios or joint operations described in JP 3-0 that the U.S. military may perform such as emergency response or civil support missions.

Significance of Study

This research will address a significant gap in the U.S. government's ability to simultaneously apply the Diplomatic, Informational, Military, and Economic instruments of national power. The results of this study can be used to begin a dialogue on the development of doctrine for planning and implementing the economic aspect of the National Security Strategy and contingency operations. There is currently a void between those agencies managing the economic and military aspects of the National Security Strategy. This research will provide an understanding of how these agencies can better integrate their functions and activities. It will also address the roles and function of the governmental agencies and international organizations in the planning and execution of the economic aspect of contingency operations. This study will provide an understanding of how these selected organizations support the economic line of effort for each Campaign phase.

Conclusion

This research paper will be organized in five chapters. The first chapter will define the problem and provide an introduction to the research paper. The next chapter will provide a review of the literature. It will explain the current body of knowledge and what gaps exist in answering our primary research question. The next chapter will outline the methodology to be used to analyze the research data. This chapter is followed by Chapter Four which will contain the analysis of the research data. Finally, Chapter Five will provide conclusions and recommendations to reduce the operational risks in achieving contingency campaign

CHAPTER 2

LITERATURE REVIEW

Introduction

The purpose of this chapter is to conduct a review of available literature to determine how well does the integration of Military, Other Government Agencies (OGA), and International Organizations (IO) economic functions reduce the operational risks in achieving contingency campaign objectives. The first body of literature to be discussed is the current policy and doctrine on the joint operations. The second body of literature will address the planning framework used by the military, OGAs and IOs. The third body of literature will provide a discussion of the selected organizations with their key functions and background. The fourth body of literature is a discussion of global economic factors that influence nations outside their borders. The fifth body of literature explains the economic balance factors that are essential to a stable economic environment. Finally, the sixth body of literature evaluates the accepted economic development theories in order to determine the key economic development factors. Collectively, the bodies of literature will provide the basis for the methodology and analysis to be conducted in the following chapters.

Current Policy

One of the main functions of the national government is to provide for the nation's defense. While there are many policies and laws that address national security, National Security Presidential Directive (NSPD)-44 and Department of Defense

Directive (DoDD)-3000.05 provide important changes to the roles and responsibilities of the military and other government agencies (OGAs). This section will discuss the role of these policies and their impact on the economic aspect of military campaign planning.

National Security Presidential Directive (NSPD)-44 provides updated policy guidance on the roles and functions of U.S. government agencies regarding stabilization and reconstruction operations. It establishes the Department of State Office of the Coordinator for Reconstruction and Stabilization (S/CRS) and the Policy Coordination Committee (PCC) for Stability and Reconstruction (NSPD-44, 2005). While NSPD-44 provides the framework for some important changes to government operations, it has some important shortcomings. Although it provides guidance on integrating the government's effort in stability and reconstruction operations, it does not address the aspects of contingency operations. Furthermore, it only gives S/CRS authority to coordinate military and OGA planning and operations. The lack of command authority inhibits its ability to maintain unity of effort and reduce its ability to efficiently reach non-military objectives.

Department of Defense Directive (DoDD)-3000.05 provides guidance on the training, planning, and execution of stability operations. It establishes stability operations as a core mission comparable with combat operations. It also states that there are many stability operations that are best performed by host nation and U.S. government civilians. However, the military must be prepared to perform all tasks until civilians can do so. It states that the military must have the ability to "revive or build the private sector, including encouraging citizen-driven, bottom-up economic activity and constructing necessary infrastructure (DoDD 3000.05, 2005). The military must also be prepared to

integrate its stability operations with OGA, NGOs, and IOs. While this document provides clear guidance to the military, there are no specific details on how the military will integrate with OGAs and IOs on economic operations. This document specifically tasks the Under Secretary for Personnel and Readiness with responsibility for providing personnel for tours of duty in other government agencies and recruiting personnel with relevant expertise (DoDD 3000.05, 2005). While this task is an important step towards integration, there are no specific deadlines for implementing this directive.

Military Doctrine

The operations in Iraq and Afghanistan have driven several revisions to doctrine. In particular, Joint Publication (JP) 3-0: Joint Operations, U.S. Army Field Manual (FM) 3-0: Operations, U.S. Army Field Manual (FM) 3-24: Counterinsurgency, U.S. Field Manual (FM) 3-07: Stability Operations provide important changes to military operations. This section provides a discussion of these documents and how they address the economic aspect of military campaigns.

Joint Publication (JP) 3-0: Joint Operations discusses how economics fits into operational design. Operation design starts with developing an understanding of the strategic and operational situation. Leaders must begin with a systems analysis of how the U.S. diplomatic, informational, military, and economic instruments of national power are related to friendly, adversary, and neutral political, military, economic, social, infrastructure, and information (PMESII) systems (JP 3-0, 2006). Once the termination criteria are determined by the President or Secretary of Defense, the military endstate and objectives are established based on the environmental conditions identified previously. Termination criteria differs from culmination criteria in that culmination may be point

where the enemy force has no capability to resist. But, termination criteria are met after the country is stabilized and civilian authority has been reestablished (JP 3-0, 2006).

Based on an operational understanding of the situation and desired effects, the center of gravity (COG) is identified. The COG is the “source of power that provides moral or physical strength, freedom of action, or will to act” (JP 3-0, 2006). In many cases, the national will is the strategic COG and the enemy force is the operational COG. Critical capabilities are essential for the COG to function and accomplish its objectives. (JP 3-0, 2006) These critical capabilities are identified during PMESII analysis. Critical requirements are “essential conditions, resources, and means for a critical capability to be fully operational” (JP 3-0, 2006). In economic terms, these critical requirements may be industrial facilities or infrastructure. “Critical vulnerabilities are an aspect of a critical requirement which is deficient or vulnerable to direct or indirect attack that will create decisive or significant effects” (JP 3-0, 2006). There are many vulnerabilities that have both military and economic significance.

Based on an understanding of the center of gravity and its related components, decisive points can be determined. “A decisive point is a geographic place, specific key event, critical factor, or function that, when acted upon, allows commanders to gain a marked advantage over an adversary or contribute materially to achieving success” (JP 3-0, 2006). Once these decisive points have been determined, they are arranged in logical lines of operations that take either a direct or indirect approach towards reaching the center of gravity. “A logical line of operation (LOO) connects actions on nodes and/or decisive points related in time and purpose with an objective” (JP 3-0, 2006). The economic LOO has an interdependent relationship with the other LOOs. It is possible to

make progress on security that is undermined by economic instability or build a strong economy that is undermined by poor governance. Understanding the relationships between decisive points is essential to developing a comprehensive plan.

U.S. Army Field Manual (FM) 3-0: Operations was released in February 2008 and contains many changes that were driven by DoDD 3000.05. It addresses the importance of unified action, joint interdependence, and adds stability operations as an Army mission equal to offense and defense (FM 3-0, 2008). There are over 50 references to economics in this document including a discussion on some of critical factors to consider in planning. Unfortunately, there is very little discussion of the Army's specific economic functions versus other OGAs and IOs. It also provides very little detail on how Army's economic operations vary through the spectrum of conflict and the campaign phases outlines in JP 3-0.

FM 3-24, Counterinsurgency Operations, provides a great deal of guidance not only on the economic component of counterinsurgency operations but also integrating civilian organizations into these operations. In fact, Chapter 2 specifically addresses the importance of integrating military and civilian efforts and attaining unity of effort between these organizations. It also provides a description of the key mechanisms for integrating organizations including the National Security Council (NSC), Joint Interagency Coordination Group (JIACG), Country team, Civil-Military Operations Centers (CMOC) and tactical level integration (FM 3-24, 2006). Unfortunately, it does not speak to the economic factors that each one of these coordinating groups are supposed to address. Additionally, it does not explain the roles of the Department of State Coordinator for Reconstruction and Stabilization. While this document contains

over 100 references to economics, it does not recommend that the military expand its economic expertise in economic development. Instead, it only recommends that commanders identify personnel with functional expertise in their units (FM 3-24, 2006, 8-16). It also describes the importance of economics and does not identify how different organizations will integrate their functions to address economic issues at different levels.

FM 3-07, *Stability Operations*, provides a tremendous amount of detail on the economic component of stability operations. There are over 200 references to economics in this document. In addition to economics, it highlights the whole of government approach to meeting national strategy objectives (FM 3-07, 2008). It also discusses the role of S/CRS and the Interagency Management System (IMS). The IMS consists of a Country Reconstruction and Stabilization Group (CRSG) for strategic level policy coordination, Integration Planning Cell (IPC) to support the combatant commander, an Advance Civilian Team (ACT) to enhance country mission efforts. The IMS is designed to improve coordination between the military, allied countries, OGAs, and IOs. It is not intended to replace current organizations but enhance policy and program coordination when a crisis occurs (FM 3-07, 2008). Once the S/CRS is fully manned, it will have the capability to coordinate and lead the whole of government efforts at the strategic, operational, and tactical levels in stabilization and reconstruction operations. Unfortunately, this manual does not provide any specific details on how the military, OGAs and IOs will integrate their economic functions in support of economic objectives. Even when fully manned, S/CRS will not provide many civilian experts in economics at the operational and tactical level.

While the economic line of operation is considered essential to most contingency operations, these doctrinal references only address economics in general terms. They do not provide sufficient detail on the functions of OGAs and IOs to effectively integrate the capabilities of these organizations into military operations. In order to improve future operations, leaders must have a better understanding of how economic factors contribute to campaign objectives.

Planning Framework

This body of literature addresses the planning framework using by various military, OGAs and IOs. It is necessary to understand how each organization views the structure of conflict. This section will provide the mission, key functions, track record, effectiveness and interoperability for each of the selected organizations.

The Department of Defense (DOD) has developed doctrine for war and contingency operations. DOD uses six phases to describe the different components of a conflict (see Figure 2 below). The Shape and Deter phase activities are part of the Geographic Combatant Commander's Theater Security Cooperation Plans while the subsequent phases are described in operational plans. While these phases are depicted sequentially, they do not necessarily occur in order or even happen at all. In some cases, it is possible to go straight into a stability operation without having conducted the previous phases.

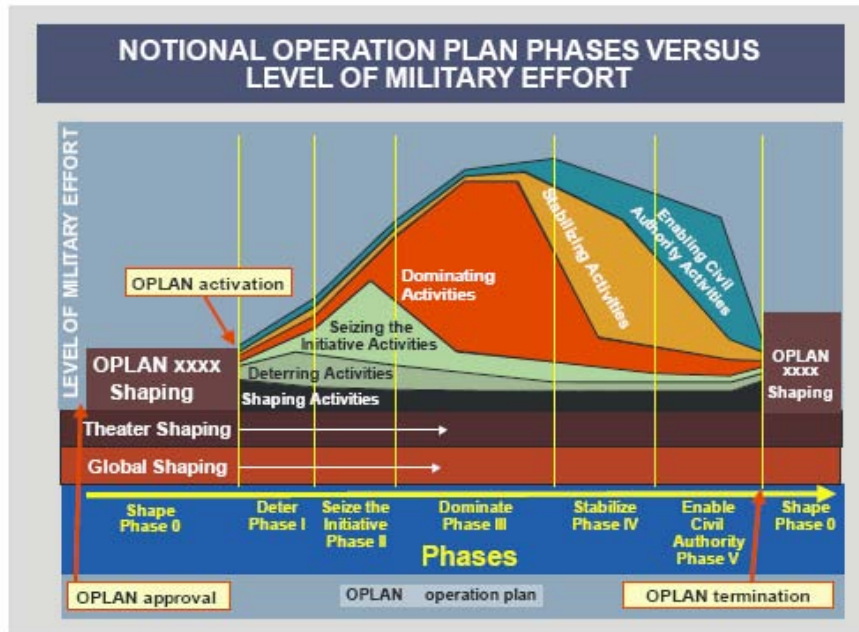


Figure IV-6. Notional Operation Plan Phases Versus Level of Military Effort

Figure 2. Joint Operational Planning Phases

Source: Department of Defense. *Joint Publication 3-0: Joint Operations*. Washington, DC: 2006, p IV-26.

It is also possible that conditions vary between different parts of the area of operations. For example, it is possible to conduct combat operations in one area and stability operations in another area. Some organizations may not be willing to invest in a country until all parts of a country have reached the final phase. The key considerations for each phase are provided in Table 1 below. The economic component of the campaign should support these considerations.

Table 1. Campaign Phase Planning Considerations	
Phase	Considerations
Phase 0: Shape	<ul style="list-style-type: none"> • Dissuade/deter potential adversaries • Assure/solidify relationships with friends and allies • Enhance international legitimacy • Gain multinational cooperation • Shape perceptions & influence behavior of both adversaries and allies • Develop allied and friendly military capabilities for self defense and coalition operations • Improve information sharing and intelligence sharing • Provide US forces with peacetime and contingency access
Phase I: Deter	<ul style="list-style-type: none"> • Deter undesirable adversary action by demonstrating the capabilities and resolve of the joint force • Supports and facilitates the execution of subsequent phases of the operation/campaign • Continue to engage multi-national partners • Coordinate with OGAs, IGOs, and NGOs to set conditions for execution of subsequent phases of the campaign
Phase II: Seize the Initiative	<ul style="list-style-type: none"> • Execute offensive operations • Force enemy culmination • Set conditions for decisive operations • Get access to theater infrastructure • Expand friendly freedom of action • Degrade enemy capabilities • Establish conditions for stability • Provide immediate assistance to relieve conditions that precipitated crisis
Phase III: Dominate	<ul style="list-style-type: none"> • Break enemy's will for organized resistance • Control operational environment • Drive the enemy to culmination • Set conditions for transition to next phase • Relieve suffering
Phase IV: Stabilize	<ul style="list-style-type: none"> • Required when there is limited or no functioning, legitimate civil governing entity present • Perform limited local governance • Integrate efforts of supporting/contributing multinational, OGA, IGO, and NGO participants • Ensure provision of essential services • Reduce threat to manageable level • Ensure situation leading to original crisis does not reoccur • Transfer regional authority to legitimate civil entity
Phase V: Enable Civil Authority	<ul style="list-style-type: none"> • Enable the viability of the civil authority • Enable the provision of essential services • Influence the attitude of the population • Conduct redeployment operations • Coordinate with other nations and OGAs to achieve national strategic objectives

Source: Created by author from JP 3-0, 2006

The Department of State Coordinator of Reconstruction and Stabilization (S/CRS) will fulfill a vital role in coordinating all governmental agencies in the post-conflict period when fully established. In their planning documents, there is no reference to the six joint operation planning phases. In its Essential Tasks matrix, S/CRS breaks down reconstruction into three phases: Phase I-Initial Response; Phase II-Transformation; Phase III-Fostering Stability (S/CRS, 2005, iii). This three S/CRS phases overlap with the military campaign Stabilize phase (Phase IV) and Enable Civil Authority phase (Phase V). The fact that DOD and S/CRS do not use the same operational planning model is very important. While DOD planners may expect S/CRS teams to be part of the entire campaign, S/CRS personnel are primarily concerned with only the post-conflict period. Despite the fact that they are not active participants in each phase, it is important for DOD and S/CRS to collaborate continuously in order to ensure that they are ready for the post-conflict period.

The other government agencies and international organizations do not plan or synchronize operations using a campaign phasing framework. Their functions are performed continuously and are not specifically focused on conflicts. While the military shaping functions are outlined in Security Cooperation Plans, OGAs and IOs activities are only addressed in general terms even though their organizations conduct most of the shaping activities. In addition to the lack of Shaping activities integration, IOs and Non-Governmental Organizations (NGOs) are not part of operational planning and may not even be allowed to see the plan due to security considerations. However, these problems can be overcome with careful coordination between agencies.

Organizational Functions

The next body of knowledge addresses the key governmental agencies (OGA) and international organizations (IO) involved in the economic aspect of contingency operations. The key governmental agencies to be discussed are the: Department of Defense (DOD), Department of State Office of the Coordinator for Reconstruction and Stabilization (S/CRS), United States Agency for International Development (USAID), Department of Commerce (DOC), and Department of Treasury (TREAS). The key international organizations to be discussed are the: United Nations Development Program (UNDP), World Bank (WB), and International Monetary Fund (IMF). While these are not the only organizations involved in the economic aspect of conflicts, they provide a representative set of military, OGA, and IO economic functions and capabilities.

The United States Department of Defense's (DOD) mission is to "provide the military forces needed to deter war and to protect the security of our country" (DOD, 2008). Although DOD is focused mainly on security, it performs several functions that are invaluable to improving the economic conditions of a region and facilitating the work of other agencies in the high threat environments following major combat operations. Its primary functions are to conduct security cooperation activities, conduct combat operations, conduct intelligence operations, conduct logistics, and conduct stability operations (DOD, 2008). The U.S. military is very well equipped and manned relative to other governmental agencies. It is highly respected for its capabilities both inside and outside the U.S. In terms of interoperability, it has the ability to assist other agencies and organizations with planning, logistics, and force protection. However, the military's

culture and information security procedures make it difficult for other organizations to effectively coordinate with.

The United States Department of State's Office of the Coordinator of Reconstruction and Stability's (S/CRS) mission is "to lead, coordinate and institutionalize U.S. Government civilian capacity to prevent or prepare for post-conflict situations, and to help stabilize and reconstruct societies in transition from conflict or civil strife, so they can reach a sustainable path toward peace, democracy and a market economy"(S/CRS, 2008). Its key functions are in conflict prevention, planning, civilian response operations, strategic communications, and resource management (S/CRS, 2008). This agency does not have a very long track record. It was created in 2005 and has yet to be fully manned and equipped to perform its role as the lead agency for reconstruction. Yet, it is responsible for managing the efforts of all government agencies during stability and reconstruction including DOD.

The United State Agency for International Development's (USAID) mission is to "provide economic, development and humanitarian assistance around the world in support of the foreign policy goals of the United States" (USAID, 2008). Its key functions are in "global health; economic growth, agriculture, and trade; democracy, conflict, and humanitarian assistance" (USAID, 2008). USAID has personnel with experience working in foreign environments and along side DOD personnel. USAID was once a very large agency but has been stripped down to a skeletal staff spread across the globe.

The United States Department of Commerce's mission is to "create the conditions for economic growth and opportunity by promoting innovation, entrepreneurship,

competitiveness, and stewardship” (DOC, 2004, 11). The DOC functions are more closely related to economic operations than other organizations. Many of its functions affect the economic condition of the United States and other countries everyday. Its functions are to “collect and manage economic data, promote U.S. exports, enforce international trade agreements, and regulate sensitive goods and technologies, issue patents and trademarks, protect intellectual property, forecast the weather, provide stewardship over living marine resources, develop and apply technology, measurements and standards, formulate telecommunications and technology policy, foster minority business development and promotes economic growth in distressed communities” (DOC, 2008). The DOC activities have a direct impact on both friendly and threat countries. The DOC also has a great deal of subject matter expertise that may be helpful in developing personnel and commerce policy in other countries. The DOC functions are usually kept separate from the DOD. It is well resourced to manage U.S. commerce but is not readily equipped to support military operations.

The United States Department of Treasury’s (TREAS) mission is to “serve the American people and strengthen national security by managing the U.S. government’s finances effectively, promoting economic growth and stability, and ensuring the safety, soundness, and security of U.S. and international financial systems” (U.S. Treasury, 2007, 5). Its key functions are to manage the U.S. government’s budget, taxes, currency production and circulation, combat terrorist financing, programs against money laundering, counterfeiting, and narcotics trafficking, enforce economic sanctions and embargos, oversee U.S. financial markets, manage government lending, collect data on international financial movements, foreign technical assistance, financial stability

standards, develop economic policy and negotiate international economic treaties (TREAS, 2008). This agency also has a very long history. It is very effective at its primary functions but is not organized to support contingency operations.

The United Nations' Development Program's mission is to "support countries to accelerate progress on human development" (UNDP, 2007, 4). Its key functions are to promote "democratic governance, poverty reduction, crisis prevention and recovery, environment and energy, and HIV/AIDS reduction" (UNDP, 2008). The UNDP has a relatively short track record compared to U.S. governmental agencies. However, it is very involved in developing countries throughout the world and has been moderately successful, UNDP is limited in its effectiveness by financial and personnel resources constraints. UNDP does not work for the U.S. government but does share similar objectives. S/CRS and USAID are responsible for coordinating U.S. actions with them.

The World Bank's mission is to "fight poverty with passion and professionalism for lasting results. To help people help themselves and their environment by providing resources, sharing knowledge, building capacity and forging partnerships in the public and private sectors" (World Bank, 2008). Its key functions are to generate funds, provide loans, provide grants, provide analytic and advisory services, and build capacity (World Bank, 2008). Since its inception, the World Bank has provided billions of U.S. dollars in development loans and aid to support projects throughout the world. U.S. economic operational activities should be coordinated with the World Bank to avoid duplication of effort particularly on projects best supported by the World Bank.

The International Monetary Fund's (IMF) mission is to "promote international monetary cooperation, exchange stability, and orderly exchange arrangements; to foster

economic growth and high levels of employment; and to provide temporary financial assistance to countries to help ease balance of payments adjustment” (IMF, 2008). Its key functions are “monitor international economic and financial development, lend to countries with balance of payments difficulties, to provide temporary financing and to support policies aimed at correcting the underlying problems; provide loans to low-income countries aimed especially at poverty reduction, provide countries with technical assistance and training in its areas of expertise” (IMF, 2008). It has been effective in helping some countries but not others. Critics have blamed the IMF for encouraging investors to take unnecessary risks, wasting taxpayer money, and demanding policies changes that are counterproductive to economic growth (U.S. Congress Joint Economic Committee, 1998). Although it does work closely with the U.S. Treasury Department, it does not have a close relationship other U.S. departmental agencies.

Global Economic Factors

There are numerous global economic factors that influence the economic conditions of nations throughout the world. These factors are: International Trade, Foreign Direct Investment, Foreign Aid, Regional Economic Integration, Foreign Exchange Markets, the Global Capital Market, and Foreign Financing. While the U.S. agencies and international organizations do not control these factors, they can take actions to influence them positively or negatively.

International Trade is simply the exchange of goods and services between nations. The theories developed by Adam, Ricardo, and Heckscher-Ohlin provide empirical proof of the benefits of trade (Hill, 2007, 169). While most people understand the benefits of trade, they also do not like the idea of domestic workers losing their jobs to foreigners

(Krugman and Obstfeld, 1997, 4). Nations that trade are more wealthy than those that practice protectionism. This is because nations that trade are able to use their resources more efficiently to produce products and services where they have a comparative advantage (Hill, 2007, 175). When sanctions limit trade, they make products and services much more expensive and targeted nation's economy much less efficient.

Foreign Direct Investment (FDI) occurs when companies and investors make investments outside of their home country's borders (Hill, 2007, 11). FDI can create many benefits for home and host nations. It often provides employment, technology transfer, and management and technical expertise to host nation (Hill, 2007, 249). Developing markets can benefit tremendously from FDI.

Foreign Aid and Development assistance consists of "emergency relief, food aid, assistance for refugees, and grants" (Nafziger, 1997, 440). While there are many groups that advocate for developed nations to give more to the undeveloped world, there is a counter argument from many experts that aid does more to help repressive regimes than help people in need (Nafziger, 1997, 440). It is still an important tool in influencing nations in the developing world.

Regional Economic Integration describes trade agreements and trade organizations that have been formed to promote trade and reduce trade barriers (Hill, 2007, 276). While organizations like the World Trade Organization (WTO) have grown in importance, regional trade organizations are much faster at negotiating agreements and improving trade. The North American Free Trade Agreement (NAFTA) and European Union (EU) are some of the most well known trade organizations. Trade provides a means of building strong relationships and trust between a country and its neighbors.

Foreign Exchange Markets determine the value of the nation's currency in the international market. The currency's value affects the cost of imports and exports in the home and foreign markets (Krugman and Obstfeld, 1997, 8). For example, when the currency value is high, a nation's exports become less attractive and more difficult to sell. This situation can cause a recession in the country's home market when producers have to make reductions.

The Global Capital Market describes the network of capital markets throughout the world. It is the means used to facilitate investment between nations (Krugman and Obstfeld, 1997, 8). This market has gained in importance over the previous decade as it can significantly affect the flow of money in and out of countries.

Foreign Financing describes the debt that is owed to external governments, businesses and institutions (Nafziger, 1997, 440). While loans provide a means for countries to meet their financial obligations, servicing the debt become more difficult without capacity improvements. Undeveloped countries often lack the institutions and leadership to efficiently manage their debt. Debt servicing can seriously reduce a nation's ability to invest in infrastructure, education, and other economic, security, and social systems.

Economic Balance Factors

In addition to military campaign objectives, it is important to consider the factors that influence economic stability. Many economists agree that these factors are: employment, inflation, balance of payments, Gross National Income Growth, and equitable distribution of national income (Carbaugh, 2007, 500). These factors greatly affect the ability for development efforts to be successful.

Employment is a concern for all nations. While unemployment is easy to define, underemployment is more difficult to define. Employment problems are a major source of social unrest and political discontent (Nafziger, 1997, 440). When normal employment levels vary by region, it is important that governments take action to get employment levels as high as possible to maintain stability.

Inflation greatly affects the purchasing power of money. Countries that are politically and economically unstable often have wildly fluctuating inflation rates. Inflation can make life very difficult for the average citizen and contribute greatly to political and social unrest (Krugman and Obstfeld, 1997, 8).

Balance of payments refers the deficits between imports and exports and international financial transactions. A deficit creates a debt that must be serviced. If the debt is not serviced, it can lead to trade sanctions and credit constraints (Nafziger, 1997, 435). Having to service large debt can affect currency exchange rates and international capital investments leading to unemployment and inflation.

Gross National Income (GNI) growth relates to a nation's total output of product and services (Krugman and Obstfeld, 1997, 303). A growing economy helps to stabilize inflation, reduce unemployment, and service for debts. It also contributes towards attracting FDI and increasing the currency exchange rate. As a significant measure of effectiveness, military, OGA, and IO planners should ensure that economic operations contribute to GNI growth.

The equitable distribution of income refers to income inequalities (Nafziger, 1997, 440). Severe income inequality can lead to class struggles, political instability, and civil war. In underdeveloped countries, there are usually small groups of extremely

wealthy and very large groups of poor people. The poor groups become more assertive during the post-conflict period when power and resources may be redistributed. It is important to promote policies that lead to a more equitable distribution of income in order to decrease the potential for instability.

Economic Development Factors

The final body of the literature to be discussed is about economic development theory. In order to understand how the economic condition of a country is changed, it is important to understand economic development theory. Theory provides an understanding of key economic development factors that can be used in the analysis to determine whether military and interagency economic planning can be integrated through modeling.

Although there are many theories on economic development, some of the most popular theories are the Linear-stages-of-growth model, Structural-change theory, International Dependency Theory, and Neoclassical theory. These models were developed over the past century and have been used to varying degrees of success in numerous situations.

Rostow's Linear Stages of Growth model serves the purpose of this research best (see Table 2 below). Rostow's Growth Model was developed during the Marshall Plan period following World War II. In his book, *The Stages of Growth: A Non-Communist Manifesto*, Rostow theorized that a country's development can be sped through capital accumulation. This capital accumulation can come from internal or external savings (Nafziger, 1997). One of the key aspects of this model is its five phases.

Economic Development Factors	Rostow's Development Phases				
	Phase I Traditional	Phase II Transition	Phase III Take off	Phase IV Drive to Maturity	Phase V High Mass Consumption
Industrialization	Agriculture	Agriculture Mining	Manufacturing	Diversification	Service
Trade	Barter	Limited Trade	Moderate Trade	Increasing trade	High trade volume
Technology	Limited advances	Some Agricultural & Mining	Manufacturing focused	Diversified focus	Research & Development/ Service Focused
Entrepreneurship	Limited	Initial Industrial businesses	Manufacturing focused	Increasing amount	Large number of entrepreneurs
Skilled Labor	Primary Vocational	Secondary Vocational	University Vocational	Post-Graduate Technical	Post-Graduate Technical
Infrastructure	Transportation	Transportation Energy	Transportation Energy	Transportation Energy Communications	Transportation Energy Communications
Capital	No surpluses	Agriculture Focused	Manufacturing focused	Diversified focus	Research & Development/ Service Focused
Institutions	Limited	Legal	Legal Regulatory	Legal Regulatory	Legal Regulatory Environmental
Investment	None	Domestic	Domestic	Domestic Foreign	Domestic Foreign

Note: This table describes the change to economic development factors for each Rostow's development model phase.

Source: Created by author from Nafziger, 1997

The first phase is the traditional society phase. Not only are most underdeveloped countries in this development phase but also many post-conflict countries where most of the government institutions and infrastructure have been destroyed. In this phase, the capital acquired by trading agricultural products is re-invested in the form of better seeds, fertilizers, and farming equipment. The increase in productivity leads to a surplus in capital and labor (Welkers, 2008). The capital surplus comes from trading a larger quantity of agricultural produce. The labor surplus is the result of increased efficiency in

agricultural production. It no longer requires the same number of workers to produce the required amount of agricultural products. As a result of the increase in agricultural efficiency, some surplus laborers are temporarily unemployed. These workers will eventually find jobs in the industrial or service sectors where there is a demand for labor. The second stage development is the transition phase. This phase occurs when the infrastructure is in place to fully support the movement of agricultural products. This increased efficiency drives up trade surpluses which then lead to larger capital surpluses and investment. This is also the phase where non-agricultural entrepreneurs start to emerge. The take-off phase begins when industries emerge that are more profitable than farming. This profitability leads to a migration of labor from farming into these industries. This phase is also when political and social changes begin to occur. The drive to maturity phase is based on the continued growth to the countries key industries and the growth of supporting and related industries. This cluster of industries provides a comparative advantage against foreign competition and drives technological innovation. The final phase, High Mass Consumption, is characterized by a large service sector and a high technology industrial sector providing most of the capital. This capital is used to improve infrastructure and advance education and research (Tutor2u, 2008).

Another important economic theory is the Lewis Structural-change theory (Figure 3). It is based on the transition from an agricultural based economy to a more modern manufacturing based economy (Welkers, 2008). It argues that as capital investments are made in agricultural that the surplus labor can be moved to urban manufacturing sectors. The resultant capital can be reinvested into manufacturing to increase the jobs available for surplus labor from agriculture. Critics have cited that this theory favors urban

development over rural development. It also does not account for the seasonal nature of agricultural labor surpluses (Virtual Zambia, 2008). For the most part, the importance of the capital and movement of labor from agriculture to the manufacturing sector is the same as Rostow's model. Although, this model lacks the five phases of the Rostow model and does not address trade.

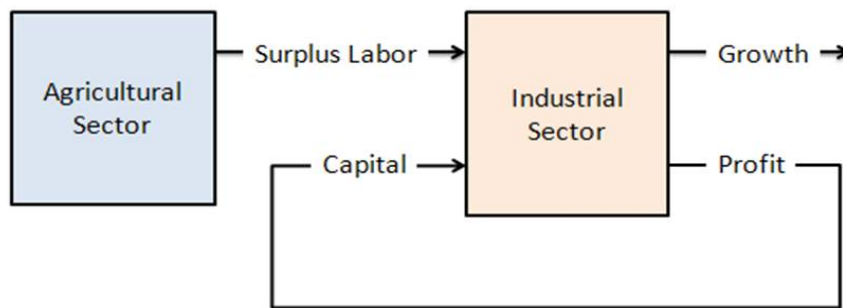


Figure 3. Lewis' Structural Change Model of Growth

Source: Created by author from Nafziger, 1997,

The International dependency theory (see Figure 4 below) was developed from the idea that developed countries use trade to take advantage of underdeveloped countries (MSN Encarta, 2008). In this theory, underdeveloped countries trade their raw materials from cheap finished products. This trade pattern makes it difficult for underdeveloped countries to develop their industrial capacity. The theory also describes how multinational companies play part in exporting the capital that should be used for investment. In order to contend with unfair practices of developed countries, underdeveloped countries should isolate themselves from international trade. They

should restrict international trade and prevent foreign investment, and multi-national corporation operations in their country. Under these conditions of economy isolation, the government allocates resources instead of the forces of supply and demand. (MSN Encarta, 2008)

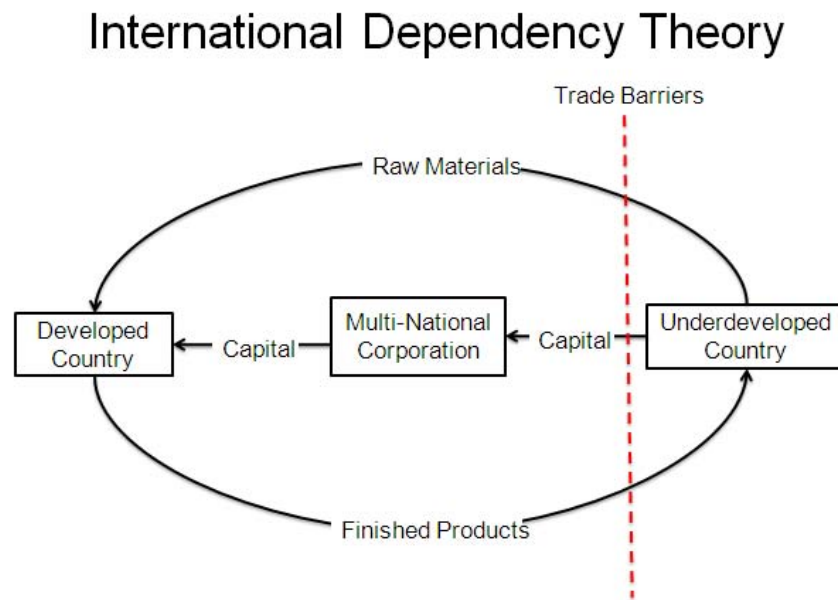


Figure 4. International Dependency Theory

Source: Created by author from Tutor2u.net, 2008.

This theory has many positive and negative aspects. The protectionist trade barriers allow domestic industries to grow without foreign competition. These barriers protect certain jobs but ultimately lead to high prices and greater vulnerability to internal supply disturbances. For example, a drought year may cause more problems for an isolated country than a country with open trade. Customers will also pay more for products and there will be less aggregate demand than under free market conditions.

These policies usually lead to waste and corruption since resources are not being used as efficiently as under free market conditions.

Neoclassical theory (see Figure 5 below) is a radical departure from Dependency theory. It is argued that government should not have a big role in the economy and that the free market forces of supply and demand will result in the best allocation of resources (Stone, 2008). In other words, the profit or loss that businesses experience will force them to sell better products, improve their production efficiency, and invest in the education. Government's role should be restricted to certain macroeconomic activity such as government savings, interest rates and currency management. This model strongly advocates the benefits of free trade and comparative advantage.

Neoclassical Theory

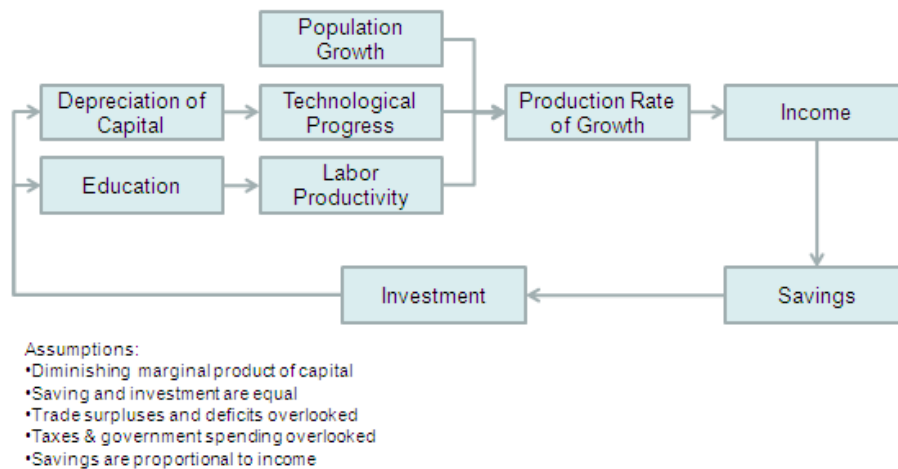


Figure 5. Neoclassical Growth Model

Source: Created by author from Stone, 2008.

This model also stresses the importance of capital accumulation and investment. However, it emphasizes the importance of education and technological development in increasing the production rate of growth. While Rostow's model describes the overall pattern of growth, this model describes the relationship between the various aspects of development in better detail.

While the Rostow's Linear Growth, Lewis Structural Change, International Dependency, and Neoclassical Growth economic theories are important to understand, Rostow's model was selected for this analysis based on its acceptance, linear phasing, and level of detail. Since Rostow's model was developed over 50 years old, it has been widely accepted as a valid model for economic development. The other theories are newer and have not been used in as many economic development situations. Rostow's model has five linear phases. These phases can be used to help understand countries at different levels of development. The other models do not have any phases which make them harder to apply to countries at different developmental levels. Rostow's model explains economic development in greater detail than the other models. It explains how several economic variables change from one economic development level to another. The other models have fewer variables and oversimplify the economic development process. Rostow's model provides the best means to analyze the economic functions of the selected organizations.

Conclusion

This chapter provided a review of the literature on the key development promoting organizations and their functions. It also discussed the planning framework used by these organizations. Global Economic, Economic Balance, and Economic Development factors were also discussed to show how they influence the targeted area of operation. This information will provide the basis for determining how well does the integration of Military, Other Government Agencies (OGA), and International Organizations (IO) economic functions reduce the operational risks in achieving contingency campaign objectives.

CHAPTER 3

RESEARCH METHODOLOGY

Introduction

In this chapter, the methodology used to determine how well does the integration of Military, Other Government Agencies (OGA), and International Organizations (IO) economic functions reduce the operational risks in achieving contingency campaign objectives will be discussed. In order to determine if these organizations can integrate effectively, this research compares their functions to global economic, economic balance, and economic development factors that were just discussed. This comparison will provide an understanding of the commonalties and operational risks in achieving contingency campaign objectives. This understanding will provide the basis for determining the implications for military contingency planning and developing recommendations for future operations.

As demonstrated in the literature review, there are many considerations that must be made in order to integrate the economic planning of so many organizations. For this research, selected organizations and their economically-related functions were compared to global economic, economic balance, and development factors. In order to make this comparison, it was necessary to organize some of the information introduced in the literature review. It is important to understand what every organization contributes before their functions can be integrated. Table 3 provides a summary of the economically related functions for each U.S. government organization under consideration.

Organization	Economic Functions
DOD	Conduct security cooperation activities, conduct combat operations, conduct intelligence operations, conduct logistics, and conduct stability operations.
S/CRS	Promote conflict prevention, planning, and civilian response operations,
USAID	Promote Economic Growth, Agriculture, and Trade; Conflict Recovery, and Humanitarian Assistance
DOC	Collect and manage economic data, promote U.S. exports, enforce international trade agreements, and regulate sensitive goods and technologies, issues patents and trademarks, protects intellectual property, develop and apply technology, measurements and standards, formulate telecommunications and technology policy, fosters minority business development and promotes economic growth in distressed communities
TREAS	Manage the U.S. government's budget, taxes, currency production and circulation, combat terrorist financing, programs against money laundering, counterfeiting, and narcotics trafficking, enforce economic sanctions and embargos, oversee U.S. financial markets, manage government lending, collect data on international financial movements, foreign technical assistance, financial stability standards, develop economic policy and negotiate international economic treaties
UNDP	Promote poverty reduction, crisis prevention and recovery, environment and energy
WB	Generate funds, provide loans, provide grants, provide analytic and advisory services, and build capacity
IMF	Monitor international economic and financial development, lend to countries with balance of payments difficulties, to provide temporary financing and to support policies aimed at correcting the underlying problems; provide loans to low-income countries aimed especially at poverty reduction, provide countries with technical assistance and training in its areas of expertise

Source: Created by author

Table 4 shows how the organizational economic functions shown in Table 3 relate to the military campaign phases first introduced in Figure 1. This determination required some prudent judgment since none of the organizations, except the military, use phasing concepts as part of the planning. The arrangement of functions into campaign phases provides the basis for analyzing the integration of the organizations in collectively influencing global economic, economic balance, and economic development factors.

Table 4. Key Organization Economic Functions by Campaign phase						
	Phase 0 Shaping	Phase I Deter	Phase II Seize the Initiative	Phase III Dominate	Phase IV Stabilize	Phase V Enable Civil Authority
DOD	<ul style="list-style-type: none"> Conduct Security Cooperation activities 	<ul style="list-style-type: none"> Conduct deterrence operations 	<ul style="list-style-type: none"> Conduct combat operations 	<ul style="list-style-type: none"> Conduct combat operations 	<ul style="list-style-type: none"> Conduct stability operations 	<ul style="list-style-type: none"> Conduct stability operations
S/CRS	<ul style="list-style-type: none"> Conduct conflict prevention 	<ul style="list-style-type: none"> Conduct conflict prevention 	<ul style="list-style-type: none"> Conduct civil response 	<ul style="list-style-type: none"> Conduct civil response 	<ul style="list-style-type: none"> Conduct civil response operations 	<ul style="list-style-type: none"> Conduct civil response operations
USAID	<ul style="list-style-type: none"> Promote economic growth Promote democracy 	<ul style="list-style-type: none"> Conduct conflict prevention 	<ul style="list-style-type: none"> Provide Humanitarian Assistance 	<ul style="list-style-type: none"> Provide Humanitarian Assistance 	<ul style="list-style-type: none"> Provide humanitarian Assistance Promote economic development 	<ul style="list-style-type: none"> Promote trade Provide humanitarian Assistance Promote economic development
DOC	<ul style="list-style-type: none"> Collect economic intelligence Manage trade policy Regulate Sensitive technologies Promote domestic economic growth 	<ul style="list-style-type: none"> Enforce trade sanctions 	<ul style="list-style-type: none"> Enforce trade sanctions 	<ul style="list-style-type: none"> Enforce trade sanctions 	<ul style="list-style-type: none"> Enforce trade sanctions 	<ul style="list-style-type: none"> Provide trade policy development assistance Negotiate trade treaties
TREAS	<ul style="list-style-type: none"> Manage domestic fiscal policy Manage domestic monetary policy Manage economic policy Oversee financial markets Combat terrorist Financing Negotiate economic treaties Manage government lending Collect financial movement data 	<ul style="list-style-type: none"> Enforce economic sanctions 	<ul style="list-style-type: none"> Enforce economic sanctions 	<ul style="list-style-type: none"> Enforce economic sanctions 	<ul style="list-style-type: none"> Provide economic policy development assistance Combat terrorist/insurgent financing Manage government lending 	<ul style="list-style-type: none"> Negotiate economic treaties
UNDP	<ul style="list-style-type: none"> Promote poverty reduction Crisis prevention and recovery 				<ul style="list-style-type: none"> Promote economic development Provide humanitarian support 	<ul style="list-style-type: none"> Promote economic development
WB	<ul style="list-style-type: none"> Generate funds Provide loans Provide grants Provide analytic and advisory services Build capacity 				<ul style="list-style-type: none"> Generate funds Provide loans Provide grants Provide analytic and advisory services Build capacity 	<ul style="list-style-type: none"> Generate funds Provide loans Provide grants Provide analytic and advisory services Build capacity
IMF	<ul style="list-style-type: none"> Monitor international economic and financial development Lend to countries with balance of payments difficulties Provide temporary financing Provide loans to reduce poverty Provide technical assistance and training 				<ul style="list-style-type: none"> Lend to countries with balance of payments difficulties Provide temporary financing Provide loans to reduce poverty Provide technical assistance 	<ul style="list-style-type: none"> Lend to countries with balance of payments difficulties Provide temporary financing Provide loans to reduce poverty Provide technical assistance

Source: Created by author

As discussed earlier, there are many factors that need to be considered in economic planning. These factors, reflected in Figure 6, show the general relationship between each category. Global economic influence factors are in the outside ring. They are arranged in this fashion to show the external elements that influence a nation's economic environment. The inner two rings represent factors that influence a country's internal economic situation. The economic balance factors facilitate or constrain economic activities. The economic development factors are the resources necessary for businesses to operate. They are influenced by both the global economic factors and economic balance factors with no distinction made between the relative importance of one factor over another.

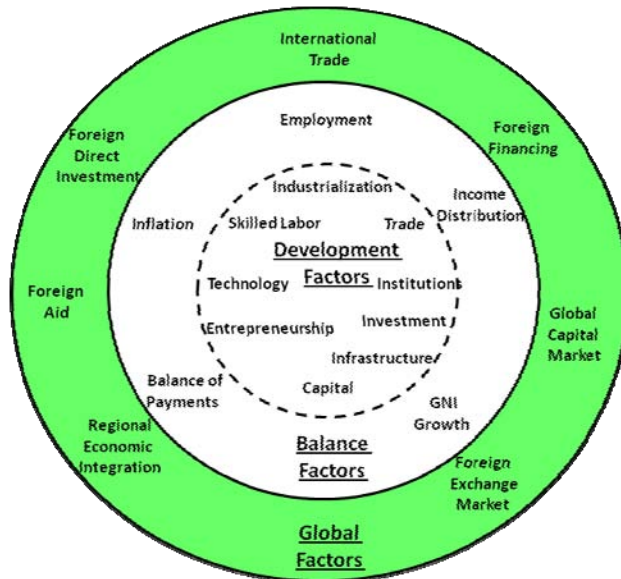


Figure 6. Economic Planning Factors

Source: Created by authors

Research Methodology

The analysis for this research project was based on comparing the economic functions to the global economic, economic balance, and economic development factors that were influenced in each phase. This comparison provides an understanding of how well organizations are integrated in addressing these factors.

Integration is important because it translates into operational capability. The level of integration is based on two different viewpoints. First, organizations that perform common functions can integrate more efficiently. If there are organizations with the similar functions, the combined capability of the organizations is greater because they are able to more easily maintain unity of effort towards mutual objectives. Second, integration also addresses whether all factors are addressed through the collective effort of the selected organizations. The difficulty of maintaining unity of effort is directly related to the number of organizations required to influence all the economic factors. There is risk inherent in only limited organizations having the capability to address certain economic factors.

Research Validity

This research was based on qualitative analysis. Since qualitative analysis is not based on the comparison of quantitative data, validity was ensured through the measures taken during the research to maintain objectivity. Scholarly secondary research was used to develop and corroborate the methodology used for this analysis.

Conclusion

This chapter provided a description of the methodology used in this research paper. It described how the data was reduced into a format that could be analyzed. It also described how the reduced data was used to examine the commonality between organizations and the capability to address global economic, economic balance, and economic development factors. It also described how the implications for the military will be determined. Finally, it discussed the steps taken to ensure the validity of the research. The analysis provides the basis for determining how well does the integration of Military, Other Government Agencies (OGA), and International Organizations (IO) economic functions reduce the operational risks in achieving contingency campaign objectives.

CHAPTER 4
ANALYSIS

Introduction

The following is an analysis of how well does the integration of Military, Other Government Agencies (OGA), and International Organizations (IO) economic functions reduce the operational risks in achieving contingency campaign objectives. It will explain how the economic functions of the selected organizations address the global, balance, and development factors introduced earlier. This analysis will provide an understanding of the commonality between organizations and the capability to address all economic factors.

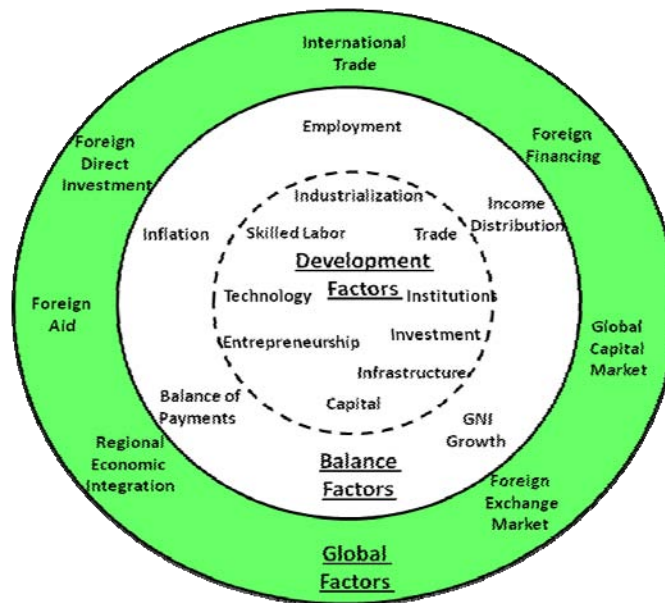


Figure 7. Economic Planning Factors

Source: Created by author

The global, balance, and development factors (Figure 7) collectively account for economic influences in an area of operation. International trade, foreign direct investment, foreign aid, foreign financing, debt relief, regional economic integration, foreign exchange market, and global capital market are global factors that externally influence the area of operation. While no nation has direct control over these global factors, U.S. agencies and international organizations can influence them to some extent. Economic balance is based on employment, inflation, balance of payments, Gross National Income (GNI) growth, and equitable distribution of income. These factors must be managed carefully to ensure that the conditions are set for healthy business growth. As previously discussed, economic development is a function of industrialization, trade, technology, entrepreneurs, skilled labor, infrastructure, capital, institutions, and investment. These factors progressively improve as nation's progress upwards on Rostow's linear development model. They are important to economic planners because they describe the key factors necessary to improve the local economic conditions in the area of operation. These factors provide a framework for economic planning at the strategic and operational level.

The subsequent analysis discusses how well does the integration of military, OGA, and IO economic functions reduce the operational risks in achieving contingency campaign objectives. The level of integration is based on two different viewpoints. First, organizations that perform common functions can integrate more efficiently. If there are organizations with the similar functions, the combined capability of the organizations is greater because they are able to more easily maintain unity of effort towards mutual objectives. Second, integration also addresses whether all factors are addressed through

the collective effort of the selected organizations. The difficulty of maintaining unity of effort is directly related to the number of organizations required to influence all the economic factors. There is risk inherent in only limited organizations having the capability to address certain economic factors. This chapter will provide the basis for conclusions and recommendations to be discussed later.

Global Economic Factors

No country can escape globalization. To varying degrees, every country is connected to the global economic system. During military campaigns, organizational functions are integrated to influence global economic factors. As described in Figure 7 above, these factors are the major components of the global economy. As shown in Figure 8 below, organizations must integrate the functions that influence global economic factors to achieve campaign phase objectives.

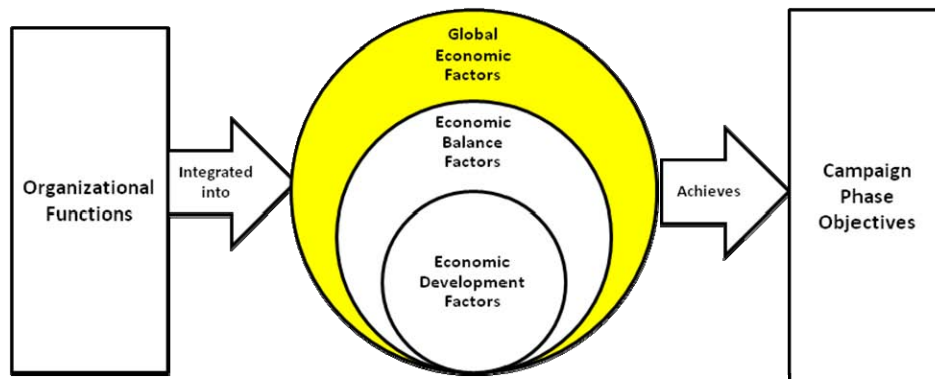


Figure 8. Economic planning model overview (Global Economic)

Source: Created by author.

As Figure 8 depicts, military campaign objectives, described previously in Table 1, are achieved through the integrated effort of organizations to influence global economic factors. Organizations, using the functions outlined in Table 4, influence the global economic environment during each phase of the military campaign. Figure 9 shows the organizations that perform functions to influence specific factors.

Global Economic Factors	ECONOMIC EFFECT					
	Ph III	Ph II	Ph I	Ph 0	Ph IV	Ph V
International Trade	DOD DOC	DOD DOC	DOD DOC	DOC TREAS	DOC TREAS	DOC TREAS
Foreign Direct Investment	TREAS DOC	TREAS DOC	TREAS DOC	TREAS DOC WB IMF	TREAS DOC WB IMF	TREAS DOC WB IMF
Foreign Aid/ Development				USAID UNDP WB IMF	DOD USAID UNDP WB IMF	DOD USAID UNDP WB IMF
Regional Economic Integration	DOC TREAS	DOC TREAS	DOC TREAS	DOC TREAS	S/CRS DOC TREAS	S/CRS DOC TREAS
Foreign Exchange Market	TREAS	TREAS	TREAS	TREAS IMF	TREAS IMF	TREAS IMF
Global Capital Market	TREAS	TREAS	TREAS	TREAS WB IMF	TREAS WB IMF	TREAS WB IMF
Foreign Financing	TREAS	TREAS	TREAS	TREAS WB IMF	TREAS WB IMF	TREAS WB IMF

Figure 9. Global Economic Factors Phase Comparison

In the *Shaping* phase (Phase 0), organizations can influence global economic factors to either promote or constrain economic activity in a targeted country. As shown in Figure 9, the high level of common capabilities reduces operational risk in achieving

campaign phase objectives. USAID, UNDP, WB, and IMF play a role in providing both foreign aid and development assistance to countries around the world. They provide expertise and resources to help countries address development issues. They also help ensure that foreign aid does not inadvertently create dependency or support rebel group activities (Taylor et al., 2003, 11). The WB and IMF provide loans and technical assistance to nations. This assistance is necessary for countries that lack robust education systems and adequate expertise to build financial institutions. The TREAS, WB, and IMF influence the ability of nations to access global capital markets. They conduct financial assessments of countries. These evaluations are used by nations, investors, lending institutions, and businesses to assess the risk of conducting business and investing in foreign countries. DOC and TREAS can directly influence U.S. trade policy. In conjunction with other agencies, they have the ability to promote or retard trade. In some cases, it is possible for economic and trade policy to conflict with national security strategy (Collier and Hoeffler, 2000, 22). S/CRS conducts planning and preparation in this phase and is not responsible for coordinating government activities. Unity of effort is critical to successfully maintaining peace and shaping objectives. If shaping efforts fail, the organizations must collectively transition to deterrence operations.

Deterrence (Phase I) efforts should prevent conflict. Operational risk is increased because there is less commonality and capability to influence each factor in this phase. DOD, DOC, and TREAS play roles in restricting international trade. While TREAS and DOC restrict trade through sanctions, DOD may be directed to physically blockade the targeted nation. Their actions should prevent diaspora or other sympathetic groups from providing threat regimes or rebel groups with funding and other resources (Collier, 2004,

8). DOD, DOC, and TREAS perform functions that reduce support to countries from neighboring states. Isolating the threat regime or rebel faction is critical to success in this phase (Collier, 2004, 8). Unilateral sanctions without the support of neighboring countries will not succeed. TREAS and DOC also negotiate with trade organizations to increase the participation and enforcement of sanctions. Cooperation is vitally important to the success of deterrence operations. It is possible that international organizations do not support U.S. deterrence actions. In this type of situation, the U.S. government must attempt to influence the international organizations to stop performing functions that work against U.S. interests. These efforts should be easier if there is a high level of United Nations and international support for the operation. S/CRS does not play an active role in this phase. If deterrence operations fail, the military will likely be directed to initiate major combat operations.

In Phase II and III, organizations continue to perform the same functions as the deterrence phase. However, DOD military force will be used more aggressively to isolate the enemy force from outside support. OGAs and IOs will continue to influence allies or neighboring states in support of campaign objectives. S/CRS prepares for the transition to stability and reconstruction operations during this phase. Unity of effort is critical to forcing rapid culmination of major combat operations.

In Phase IV and V, operational risk is reduced because there is a high degree of commonality between organizations in this phase. S/CRS has responsibility to lead and coordinate all government agencies in this phase. DOD, USAID, UNDP, WB, and IMF have the capacity to provide foreign aid during the stability period. It is critical that aid money clearly supports long term economic development goals (Mills, 2006, 16).

Foreign aid is essential to quickly establishing government capacity. TREAS, DOC, WB, and IMF help to coordinate/facilitate foreign direct investment (FDI). The skilled management and technical expertise brought into a country as part of FDI are badly needed in the post-conflict period. S/CRS, DOC, and TREAS promote regional economic integration, global capital market, and foreign financing. In the post-conflict period, external capital and investment can reduce the time needed for recovery. DOC and TREAS can provide assistance to establishing interim trade policies and establishing the flow of goods into the post-conflict country. It is important to ensure that systems are developed quickly for establishing legitimate international trade (Mills, 2006, 8). Formal trade structures will greatly reduce the influence of informal markets and provide a source of revenue to the government. Successful execution of Phase IV and V operations will enable organizations to transition back to *Shaping* activities.

In today's world, global economic factors can greatly influence a nation's economy. In Campaign Phases 0, IV, and V, operational risk is reduced due to the high degree of commonality in organizational focus of effort while there is less commonality in the other phases. It will be difficult to successfully integrate organizational activities through all phases. If these global factors are applied successfully, it will be easier to stabilize the national economy. These factors will be analyzed in the next section.

Economic Balance Factors

At the national level, economic balance factors, previously described in Figure 7 are conditions necessary for economic stability. These factors can enable or constrain economic development. Organizations must integrate their functions in influencing these

economic balance factors to achieve campaign phase objectives as shown in Figure 10 below.

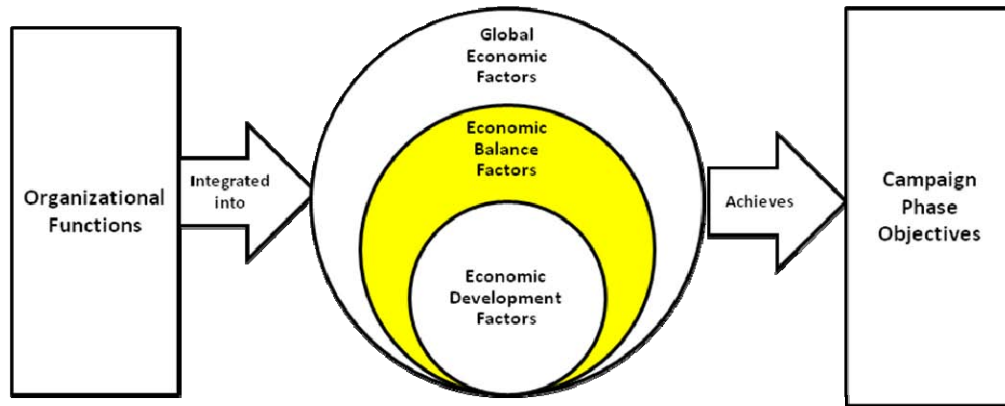



Figure 10. Economic planning model overview (Economic Balance)

Source: Created by author.

As described previously in Table 1, military campaign objectives are achieved through the integrated effort of organizations to influence economic balance factors. Organizations, using the functions outlined in Table 4, influence economic balance factors during each phase of the military campaign. Figure 11 shows the organizations that perform functions to influence specific factors.



<u>Economic Balance Factors</u>	Ph III	Ph II	Ph I	Ph 0	Ph IV	Ph V
	Employment	DOD DOC TREAS	DOD DOC TREAS	DOC TREAS	DOC TREAS USAID UNDP WB IMF	DOD S/CRS DOC TREAS USAID UNDP WB IMF
Inflation	TREAS	TREAS	TREAS	TREAS WB IMF	TREAS WB IMF	TREAS WB IMF
Balance of Payments	TREAS	TREAS	TREAS	TREAS IMF	TREAS IMF	TREAS IMF
GNI Growth	DOC	DOC	DOC	DOC TREAS USAID UNDP WB IMF	DOC TREAS USAID UNDP WB IMF	DOC TREAS USAID UNDP WB IMF
Equitable Distribution of Income	DOD	DOD		UNDP WB IMF	UNDP WB IMF	UNDP WB IMF

Figure 11. Economic Balance Factors Phase Comparison

In the Shaping phase, operational risk is reduced due to the high level of commonality between organizations. All organizations perform functions that affect employment levels. Coordination is necessary between organizations to ensure that economic shaping efforts are complimentary. TREAS, WB, and IMF provide technical and analytical support to countries with inflation problems. It is essential to stabilize inflation in order to have an environment suitable for business and consumer activity. The TREAS and IMF provide loans in order to help countries with balance of payments deficits. The WB, IMF, and UNDP help governments to create policies that will promote the equitable distribution of income. According to Oxford economics researcher Paul

Collier, the most important economic risk factor is severe income inequality (Collier, 2004, 3-4). It is very important to promote policies that will reduce the potential for future conflict. All the organizations directly or indirectly conduct activities that support GNI growth. Sustainable economic development is enabled through capital accumulation. By increasing employment, reducing inflation and trade imbalance, there will be greater accumulation of capital. S/CRS does not actively lead or coordinate government agencies in this phase. Organizations should be prepared to transition to Deterrence if Shaping operations fail.

In the Deterrence phase (Phase I), a negative change in economic balance factors can greatly increase stress on commercial activity. Operational risk is increased because there is a significant decrease in commonality between organizations in this phase. UNDP, WB, and IMF do not have a role in directly supporting deterrence. They are peace promoting organizations and do not support military operations. DOC and TREAS actions to sanction trade and financial support will have a great effect on employment within the targeted country. The TREAS has the ability to freeze foreign assets within the U.S. and may influence other banks to do the same. These actions can reduce the targeted country's monetary means to influence. DOC actions to constrain trade can cause the GNI growth to significantly slow or even decrease. S/CRS conducts planning and preparation during this phase. Ideally, deterrence should dissuade the opposing regime or group from violence. If deterrence fails, the military will initiate combat operations.

Like the deterrence phase, Phase II and III can negatively influence economic balance factors. Many of the functions will remain the same. However, combat

operations have a dramatically negative effect on the economy. The shortage of products and services is inherently inflationary and increases the economic stress on the population. Ideally, economic instability will speed enemy culmination. This stress may subsequently reduce their support of the conflict. However, it may backfire as well. Conflicts usually drive “capital flight as a rational business response to protect financial assets” (Mills, 2006, 8). This likely exacerbates the income gap between classes during conflict. This income gap can increase the challenge of creating stability between warring factions. Understanding changes, caused by conflict, is essential to creating economic stability during post-conflict period.

During the Phases IV and V, operational risk is reduced because there is a high degree of commonality. Although, unity of effort is difficult due to the large number of organizations involved. S/CRS is responsible for ensuring unity of effort between all government agencies in this phase. All organizations provide programs and funds to stimulate employment. While these efforts are beneficial, they do not necessarily lead to the creation of sustainable jobs. Military, OGAs and IOs often create a superficial economy to support their own operations (Doyle, 1998, 51). When these organizations leave, the jobs also go away. This creates a cycle of dependency where the local economy relies on foreign organizations for support. It is important for organizations to coordinate their spending in the local economy in order to ensure that they do not undermine sustainable GNI growth. UNDP, WB, and IMF perform functions that reduce the inequitable distribution of income. Conflict creates warlords that take advantage of groups of desperate people to support their cause (Mills, 2006, 16). A strong and stable government is harmful to their interests and they will resist efforts to reduce their power.

Employment programs must be focused on demobilized soldiers and combatants. They are typically politically oriented and have an entitlement mentality that undermines the values of capitalism (Doyle, 1998, 20). Also, employment programs should be designed to draw back skilled labor. This group will leave the country permanently if not attracted back shortly after the conflict. The currency exchange rate is often very volatile both in the foreign exchange markets and on the street. Research has shown that inflation has to be controlled before a skeletal banking infrastructure can be developed (Doyle, 1998, 10). TREAS, WB, and IMF play important roles in stabilizing inflation. These organizations must work with the interim government to quickly develop and implement a monetary and fiscal policy to stabilize inflation. All organizations perform functions that promote GNI growth. Economic stability is essential to meeting campaign termination objectives.

Changes in economic balance factors can enable or constrain the economic development environment. The benefits from economic development projects can not be fully realized until the economy is stabilized. Like global economic factors, there is a great degree of commonality in Phases 0, IV, and V. Military, OGAs and IOs must coordinate carefully to maintain unity of effort through all phases. If they are successful in influencing these factors, the conditions will be set for successful economic development.

Economic Development Factors

Economic development factors, previously described in Figure 7, were derived from Rostow's development model. Accumulated capital, reinvested into the economy, enables societies to progress from one developmental level to another. As depicted in Table 2, there are five different developmental levels. The military, OGAs and IOs

should insure that their functions are properly focused on the appropriate developmental level necessary to achieve campaign phase objectives as shown in Figure 12 below.

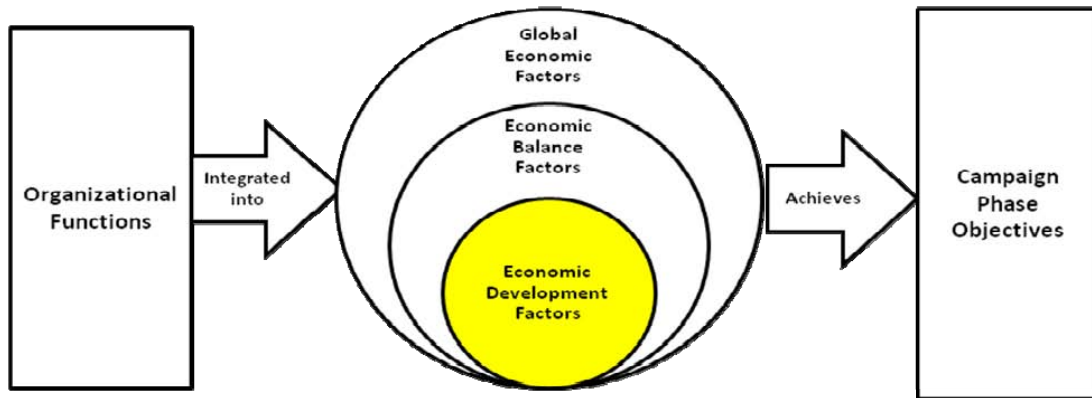



Figure 12. Economic planning model overview (Economic Development)

Source: Created by author.

Economic development is critical to achieving the military campaign objectives, described previously in Table 1. Using the functions outlined in Table 4, organizations, influence economic development factors during each phase of the military campaign. Figure 13 shows the integration of organizations that influence these specific factors.



<u>Economic Development Factors</u>	Ph III	Ph II	Ph I	Ph 0	Ph IV	Ph V
Industrialization	DOD	DOD		USAID UNDP WB	DOD USAID UNDP	DOD USAID UNDP
Skilled Labor	DOD	DOD		USAID UNDP WB	USAID UNDP	USAID UNDP
Technology	DOD DOC	DOD DOC	DOC	DOC	DOC	DOC
Entrepreneurship	DOD	DOD		USAID UNDP WB	DOD USAID USAID	DOD USAID UNDP
Capital	TREAS	TREAS	TREAS	TREAS WB IMF	TREAS WB IMF	TREAS WB IMF
Infrastructure	DOD	DOD		USAID UNDP WB	DOD USAID UNDP	DOD USAID UNDP
Investment	DOC TREAS	DOC TREAS	DOC TREAS	DOC TREAS WB IMF	DOC TREAS WB IMF	DOC TREAS WB IMF
Institutions	DOD	DOD		S/CRS USAID DOC TREAS UNDP WB IMF	S/CRS USAID DOC TREAS UNDP WB IMF	S/CRS USAID DOC TREAS UNDP WB IMF
Trade	DOD DOC TREAS	DOD DOC TREAS	DOC TREAS	DOC TREAS	DOC TREAS	DOC TREAS

Figure 13. Economic Development Factors Phase Comparison

Source: Created by author.

During *Shaping operations*, operational risk is reduced by the redundant functions performed by many organizations. USAID, DOC, TREAS, UNDP, WB, and IMF provide technical and analytical support for the development of government and private sector institutions. These institutions provide the legal and regulatory framework necessary for businesses to grow. In addition to government institutions, separate

regulatory agencies should be created to insure proper checks and balances (Hoeffler, 1999, 42). USAID, UNDP, and WB support the development of critical infrastructure. Growth potential is limited without sufficient infrastructure (Mills, 2006, 10). These organizations should coordinate to ensure that development projects are mutually supporting. DOC, TREAS, WB, and IMF can provide support to developing banking and investment systems. Businesses need the capital provided through these systems to grow. USAID, UNDP, and WB support programs that help to develop skilled labor, entrepreneurship, and industrialization. It may be politically sensitive for U.S. government agencies to use taxpayer money to develop other economies. While these development efforts help to prevent conflicts, domestic jobs may be lost along the way. It is essential for the President and Congress to effectively articulate the benefits of using the economic tools of national power to promote peace and prosperity. TREAS and DOC can provide expertise in establishing trade for the accumulation of appropriate capital. Economic development occurs when societies use accumulated capital to improve their productive capacity to meet sophisticated demand (Porter, 1990, 137). These organizations not only help U.S. companies to export or establish joint ventures in other nations but they also help other nations to understand U.S. and foreign demand. This understanding will enable entrepreneurs to leverage capital and local comparative advantages to build sustainable economies through trade. S/CRS conducts planning and preparation during this phase. Unity of effort is essential to building economic stability in other countries.

The Deterrence phase (Phase I) causes organizations to shift from promoting to constraining development. Operational risk is increased because there is less redundancy

between organizations in this phase. Although deterrence is an aspect of national security, it is non-military government agencies and IOs that play the key roles. Maintaining unity of effort is essential to effectively isolating the targeted country. All organizations will likely stop providing support to economic development in this phase. The lack of support creates conditions for the informal sector to grow. Criminal interests and increased operating costs attributable to the informal market keep businesses small and inefficient (Mills, 2006, 12). This informal sector activity continues throughout the conflict and can be very difficult to overcome in the post-conflict period. The sanctions imposed by the DOC and TREAS will reduce the amount of trade revenue, products, and technology transfer into the targeted nation. Effective sanctions can influence national will and enemy force capacity to resist but only in the short term. Eventually, other nations that do not support U.S. interests and informal market groups will work around sanctions. UNDP, WB, and IMF do not have direct roles in this phase. However, it is important to ensure that their actions do not conflict with U.S. interests. S/CRS is not responsible for leading government agencies in this phase. If deterrence fails, then combat operations could become necessary.

In Phase II and III, there is a low degree of commonality. DOD operations have devastating effects on almost all development factors in the targeted country. To varying degrees, combat operations may destroy a great deal of the infrastructure needed to provide essential services and support the economy. The damage caused by conflict can greatly reduce capacity to provide essential services (Mills, 2006, 20). Non-DOD OGAs and IOs should liaison with the military to ensure that critical infrastructure is identified and targeting issues are properly resolved. The amount of physical destruction can retard

economic development within the country making it even more difficult to rebuild after combat operations. Additionally, a great deal of skilled labor and capital leaves the country during a conflict (Doyle, 1998, 11). While the flight of skilled labor and capital will degrade enemy force capacity, it also makes recovery more difficult. DOC and TREAS continue to isolate the country from trade, technology transfer, and foreign investment. Neighboring countries play major roles in prolonging conflict (Taylor et al., 2003, 7). The military can not effectively influence these countries without expanding the war. DOC, TREAS, WB, and IMF capabilities are critical to influencing these countries. USAID plays a role in providing humanitarian assistance during these phases. While this assistance is necessary, it can also make the transition to a market economy more difficult if the population is accustomed to subsidized prices for food, shelter, electricity, water, and other necessities. Combat operations should be followed quickly by stability and reconstruction operations that will enable the transition back to civil authority.

As the country transitions out of conflict during Phase IV and V, economic development is critical to enabling sustainable security and governance. Operational risks are reduced by high level of redundant capabilities in this phase. Comprehensive planning is needed to address security, governance, and economic issues simultaneously (Taylor et al., 2003, 11). S/CRS is responsible for coordinating and leading government agencies in this phase. S/CRS, USAID, DOC, TREAS, UNDP, WB, and IMF support the development of financial institutions and provide loans. Financial institutions are critical to facilitating savings, investment, and the transactions necessary for businesses to grow. These organizations also support infrastructure development. While DOD has

both the capacity to build some limited infrastructure and to establish contracts for small scale infrastructure development, other organizations have the capacity to direct larger and more important project contracts. Infrastructure is a critical aspect of economic development. Military, OGA, and IO planners should ensure that infrastructure development in the stability period is properly focused on restoring essential services and reducing transportation, production, and communication costs for the main local industries that will lead the economic recovery. DOC and TREAS play vital roles in providing the expertise necessary to reestablish trade systems. Revenue from trade will increase the government's capacity to provide security and essential services. In order to enable local production, DOD, USAID, and UNDP have programs that promote entrepreneurship through micro-lending. Local entrepreneurs should be involved in the delivery of services following conflict (Mills, 2006, 19). Government agencies are usually not as quick or efficient as small business. Organizations should consider local resource conditions, demand, rivalry, and supporting industries when providing loans to entrepreneurs (Porter, 1990, 137). These loan programs should support the overall development strategy and not be given arbitrarily. Unity of effort is essential between the many different organizations involved the post-conflict period. Sustainable economic development will enable civil authority to meet the security and essential service conditions necessary to satisfy termination criteria.

Economic development is critical to stability and reconstruction. While Global Economic and Economic Balance factors are important, most people do not understand their effect on the local economy. In the eyes of the population, economic development relates directly to job creation and quality of life. For example, the training programs

conducted to increase skilled labor create the capacity to deliver more sophisticated products and services. Military, OGAs, and IOs must carefully coordinate to ensure that economic development factors are addressed in conjunction with global economic and economic balance factors. Successfully influencing economic development factors will lead to the achievement of campaign objectives.

Conclusion

In this chapter, the functions of each organization have been compared to the Global Economic Factors, Economic Balance Factors, and Economic Development Factors. The analysis discussed how well does the integration of Military, Other Government Agencies (OGA), and International Organizations (IO) economic functions reduce the operational risks in achieving contingency campaign objectives. The final conclusions and recommendations, based on this analysis, are discussed in the next chapter.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

Introduction

This research was conducted to determine how well does the integration of Military, Other Government Agencies (OGA), and International Organizations (IO) economic functions reduce the operational risks in achieving contingency campaign objectives. Additionally, it provides military, OGA, and IO leaders with a better understanding of each other's contribution to the economic component of military campaign planning. Operational risk is a key consideration in planning and conducting operations. For example, the failure to constrain economic support to the fielded adversary force increases the operational risk of friendly defeat as well as failing to promote economic activity in occupied territory increases the operational risk caused by instability. Therefore, the conclusions derived from the analysis should be considered in terms of risk to strategic and operational success. Through an improved knowledge of the economic factors that must be incorporated into planning and the functions performed by different organizations, leaders can act proactively to develop relationships and collaborate on plans for current and future operations.

In practical terms, the ability to integrate organizations translates into operational capability. The level of integration is based on two different perspectives. First, organizations that perform similar functions can integrate more efficiently. If there are organizations with the similar functions, the combined capability of the organizations is greater because they are able to more easily maintain unity of effort towards common objectives. Second, it is important to consider whether all necessary functions are

performed through the collective effort of the selected organizations. For this research, each global economic, economic balance, economic development factors is considered equally necessary to the success of the operation. The challenge of maintaining of unity of effort is directly related to the number of organizations required to influence the economic factors.

Due to the linkage between integration and capability, operational risk is related to the level of integration between the selected organizations. If there is a high level of integration, the operational risk is lower. If there is a low level of integration, the operational risk is higher. Leaders are responsible for taking actions to mitigate risk. Therefore, this research provides leaders with an understanding of the risks to operational success based on the level of integration between military, OGA, and IO economic functions.

Conclusions

This research was based on an operational problem. As discussed in the first chapter, current operations in Iraq and Afghanistan have demonstrated the importance of economic component of military operations. Also, NSPD-44 and DOD Directive 3000.05 have directed the military to have the capability to address economic problems and coordinate with other agencies and organizations on economic components of National Security Strategy and Operational Campaigns. Clearly, there is a need to integrate military and interagency economic planning. The analysis indicates that integration of military, Other Government Agencies (OGA), and International Organizations (IO) economic functions will not reduce the operational risks in achieving contingency campaign objective without extensive education and coordination. The next

sections will discuss the results of the secondary research questions used to answer the primary research question.

Global Economic Factors

First, there is increased operational risk to achieving contingency campaign objectives due to the lack of effective integration of military, OGA and IO economic functions that influence global economic factors. As shown in Figure 14, the organizations lack commonality across the phases. There is a clear risk that the massed capabilities necessary to achieve the desired effects may not be achievable. The lack of commonality between organizations greatly increases the challenges of maintaining unity of effort towards a common objective. Additionally, all factors are addressed but the capability to influence all the factors is widely dispersed across the organizations. The fact that the capacity to address all these factors is spread so thinly across the organizations greatly increases operational risk. If one organization fails to perform, the whole effort to influence these global economic factors could be undermined. However, the TREAS and DOC can, to some degree, collectively address all the factors. It is imperative that the military coordinates with these departments to ensure that their efforts support security objectives. The lack of commonality between organizations and array of institutionally unique capabilities greatly increases the challenges of integrating economic planning between these organizations.

Global Economic Factors	Ph III	Ph II	Ph I	Ph 0	Ph IV	Ph V
	International Trade	DOD DOC	DOD DOC	DOD DOC	DOC TREAS	DOC TREAS
Foreign Direct Investment	TREAS DOC	TREAS DOC	TREAS DOC	TREAS DOC WB IMF	TREAS DOC WB IMF	TREAS DOC WB IMF
Foreign Aid/ Development				USAID UNDP WB IMF	DOD USAID UNDP WB IMF	DOD USAID UNDP WB IMF
Regional Economic Integration	DOC TREAS	DOC TREAS	DOC TREAS	DOC TREAS	S/CRS DOC TREAS	S/CRS DOC TREAS
Foreign Exchange Market	TREAS	TREAS	TREAS	TREAS IMF	TREAS IMF	TREAS IMF
Global Capital Market	TREAS	TREAS	TREAS	TREAS WB IMF	TREAS WB IMF	TREAS WB IMF
Foreign Financing	TREAS	TREAS	TREAS	TREAS WB IMF	TREAS WB IMF	TREAS WB IMF


Figure 14. Global Economic Factors Phase Comparison

Source: Created by author

Economic Balance Factors

Next, there is increased operational risk to achieving contingency campaign objectives due to the lack of effective integration of military, OGA and IO economic functions that influence economic balance factors. When considering economic balance factors (See Figure 15 below), there are many potential challenges to integrate the functions of the selected organizations. Operational risk is increased in phases where there are very few organizations addressing the same factor. Mass and unity of effort are critical to achieving the desired effects. The combined efforts of the DOC, TREAS, and USAID are required to address all the factors in each phase. It is critical that their actions

are synchronized with military efforts. The failure to address all factors could lead to greater military and operational challenges.



<u>Economic Balance Factors</u>	Ph III	Ph II	Ph I	Ph 0	Ph IV	Ph V
Employment	DOD DOC TREAS	DOD DOC TREAS	DOC TREAS	DOC TREAS USAID UNDP WB IMF	DOD S/CRS DOC TREAS USAID UNDP WB IMF	DOD S/CRS DOC TREAS USAID UNDP WB IMF
Inflation	TREAS	TREAS	TREAS	TREAS WB IMF	TREAS WB IMF	TREAS WB IMF
Balance of Payments	TREAS	TREAS	TREAS	TREAS IMF	TREAS IMF	TREAS IMF
GNI Growth	DOC	DOC	DOC	DOC TREAS USAID UNDP WB IMF	DOC TREAS USAID UNDP WB IMF	DOC TREAS USAID UNDP WB IMF
Equitable Distribution of Income	DOD	DOD		UNDP WB IMF	UNDP WB IMF	UNDP WB IMF

Figure 15. Economic Balance Factors Phase Comparison

Source: Created by author

Economic Development Factors

Finally, there is increased operational risk to achieving contingency campaign objectives due to the lack of effective integration of military, OGA and IO economic functions that influence economic development factors. As shown in Figure 16, the degree of commonality between organizations varies greatly between factor and phase. In the case of institutional development, there is greater commonality. The selected

organizations should maintain strong communications to ensure a coordinated approach. However, some factors are not addressed by many organizations. There is very little shared capacity to address the development of skilled labor or technology transfer. This capacity shortfall will greatly slow development due to the challenge of developing competitive products and services for domestic and global consumption. It requires almost all organizations to address all the economic development factors and a great deal of planning and coordination to achieve the concentration of effort necessary to be successfully meet economic objectives.

Economic Development Factors	ECONOMIC EFFECT					
	Ph III	Ph II	Ph I	Ph 0	Ph IV	Ph V
Industrialization	DOD	DOD		USAID UNDP WB	DOD USAID UNDP	DOD USAID UNDP
Skilled Labor	DOD	DOD		USAID UNDP WB	USAID UNDP	USAID UNDP
Technology	DOD DOC	DOD DOC	DOC	DOC	DOC	DOC
Entrepreneurship	DOD	DOD		USAID UNDP WB	DOD USAID USAID	DOD USAID UNDP
Capital	TREAS	TREAS	TREAS	TREAS WB IMF	TREAS WB IMF	TREAS WB IMF
Infrastructure	DOD	DOD		USAID UNDP WB	DOD USAID UNDP	DOD USAID UNDP
Investment	DOC TREAS	DOC TREAS	DOC TREAS	DOC TREAS WB IMF	DOC TREAS WB IMF	DOC TREAS WB IMF
Institutions	DOD	DOD		S/CRS USAID DOC TREAS UNDP WB IMF	S/CRS USAID DOC TREAS UNDP WB IMF	S/CRS USAID DOC TREAS UNDP WB IMF
Trade	DOD DOC TREAS	DOD DOC TREAS	DOC TREAS	DOC TREAS	DOC TREAS	DOC TREAS

Figure 16. Economic Development Factors Phase Comparison

Source: Created by author

There are many challenges to integrating these organizations. As shown in Figure 17, the selected organizations place different levels of emphasis on global economic, economic balance, and economic development factors. Organizations with similar capabilities integrate their operations more easily. Based on their related functions DOD, USAID, and UNDP form a group that have the greatest capability to integrate on development issues. DOC, TREAS, WB, and IMF form another group that has the capability to integrate global and balance issues. S/CRS has limited capacity but its structure provides the ability to bridge the gap between the two groups. Military, OGA, and IO leaders should understand each other’s contribution to the operation and establish the necessary linkages to improve unity of effort.

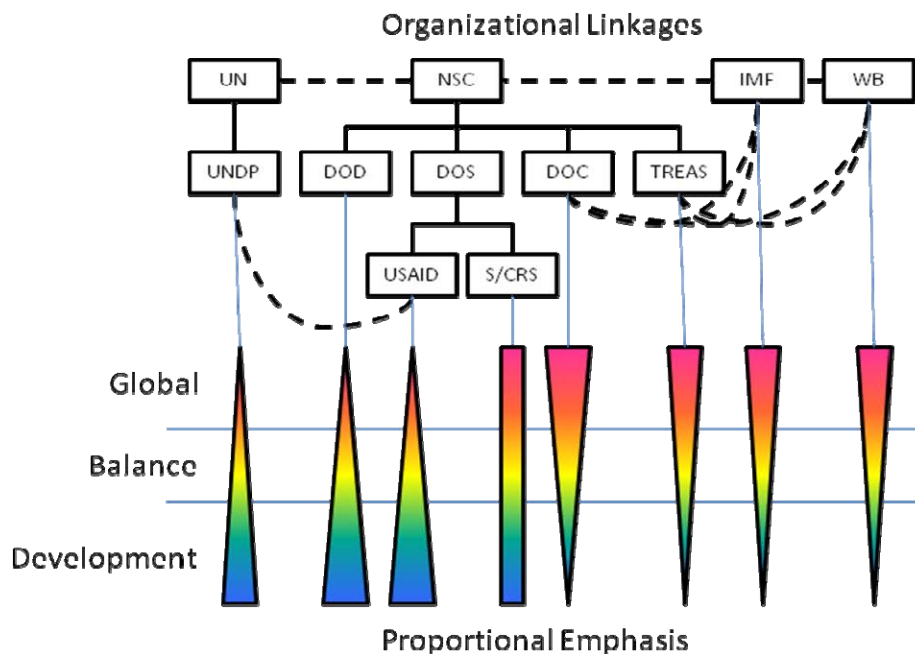


Figure 17. Organizational Linkages

Source: Created by author

Recommendations Based on the Analysis

Leaders should understand the relevant global economic, economic balance, and economic development factors and how organizations contribute to operational objectives. Operational risk is reduced by fulfilling economic objectives that support security and governance objectives. The economic aspect of contingency operations requires significant coordination and negotiation between the military, OGAs and IOs.

Based on the need to integrate groups of organizations that focus on global economic conditions and other groups that focus on economic development, S/CRS is uniquely postured and organized to facilitate coordination between these different groups. Its structure should be expanded to provide Advanced Civilian Teams (ACT) down to the tactical level during contingency operations because it is the best conduit to link organizations performing disparate functions. As discussed, DOC, TREAS, WB, and IMF perform functions that have global implications. They can do so because they are empowered by laws and international agreements. Other organizations can not perform their functions even if they have the expertise. DOD, USAID, and UNDP have the personnel and resources to actually affect economic development at the ground level. These capabilities are inherently disconnected due to the specialized resources and expertise. Coordination is essential since no organization has the capacity to perform all necessary functions. S/CRS adds a capability needed to improve coordination between military, OGA, and IO efforts at strategic, operational, and tactical levels.

DOD should create an economics specialty for military personnel. Within this specialty, there should be trained experts who understand international economics, economic policy and development economics. Along with current DOD civilian

economic specialists, these military personnel would provide an improved capacity to coordinate efforts between the military, OGAs, NGOs, and IOs through a shared understanding of the economic component of national power, theater level security cooperation plans, and contingency campaign plans. Their knowledge would be invaluable to intelligence, targeting, and information operations. This recommendation is also supported by the research conducted by David A. Anderson, and Andrew Wallen in their Military Review article, “Preparing for Economics in Stability Operations” (Anderson and Wallen, 2008, 92). It is critical that the DOD has the economic expertise necessary to leverage capabilities of other agencies and organizations.

Economic integration can be improved through education. The economic component of national security strategy and campaign planning should be taught at all Armed Forces Command and General Staff Colleges, the War College, and National Defense University. All military leaders and staff officers should understand the critical economic factors and the functions performed by OGAs, NGOs and IOs. It is also recommended that the military support Advanced Civil Schooling for officers who wish to obtain advanced degrees in Economics. As the most critical aspect of battle command, understanding the critical economic factors and how various organizations influence the economic environment is essential to a military leader’s ability to visualize the linkages that need to be made with other organizations.

An exchange program can increase understanding and facilitate the integration of the military and OGAs. This program is a specified task in both NSPD-44 and DoDD 3000.05 that has not been fully implemented yet. As shown in Figure 17, the organizations form two groups with different levels of focus. Leaders from organizations

with similar functions can build relationships that will lead to successful collaboration. Leaders from organizations with different functions can develop a better understanding of how their organization contributes to contingency operations. In this exchange program, organizations would exchange personnel for short internships to build relationships and knowledge of how the organization functions. The importance of personal relationships cannot be underestimated in raising the ability of the military to effectively integrate with OGAs.

The military should consider changes to its force structure to reduce capability gaps. While many of the global economic and economic balance factors are beyond the capability of the military to influence, many of the economic development factors can be addressed by the military with additional force structure. In particular, the military should have the capability to address the factors in Table 5 below. It is essential to establish economic stability and begin working on the policies and infrastructure necessary for long term economic viability as quickly as possible after major combat operations. Since the military is often the only organization capable of working in a non-secure environment following combat operations, it should have the capabilities necessary to address employment and infrastructure issues before OGAs and IOs can take them over when the situation permits (FM 3-07, 2008, 3-14). The lack of economic development capabilities directly affects the number of Soldiers, resources, and time necessary to meet combat and stability objectives.

Table 5. Military Economic Development Capability Gaps	
Factor	Capability Needed
Industrialization	Provide expertise to assist local manufacturers to restore production capacity.
Skilled Labor	Provide secure education centers for build local expertise on business, international trade, and technical vocations
Technology	Establish cellular and data network essential for commerce
Entrepreneurship	Provide small business training programs and microlending programs.
Capital	Provide interim national financial system
Infrastructure	Provide forces and/or resources necessary for economic infrastructure development
Investment	Provide communications, protection, and sustainment to foreign investors conducting research or conducting business in local area.
Institutions	Provide expert and technical assistance to local government leaders on the development of economic institutions
Trade	Provide communication, protection, and sustainment to multinational companies conducting research or establishing operations in the local area.

Source: Created by author

Recommendations for Future Research

This research focused on determining if military and interagency economic planning could be integrated through modeling. During the course of this research, there were some issues identified that should be considered for future study.

Currently, joint doctrine on the economic component of military operations is insufficient. This research used global economic, economic balance, and economic development factors from non-military sources to compare organizational functions. This is because doctrine does not have the level of detail necessary to perform this analysis. Further research is needed to develop doctrine that specifically addresses the

economic component of military operations at the strategic, operational, and tactical levels.

Based on the recommendations, there should also be a study conducted to determine the best program of instruction (POI) for mid-career and senior leaders on economics at service schools. It is important for officers to understand economic development since it is critical aspect of military campaigns. The POI should be focused on preparing officers to address economics as a component of strategic, operational, and tactical planning. Officers should be capable of developing and implementing comprehensive plans that adequately address all governance, security, economic, and informational factors.

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