

EXIT FROM IRAQ

WELL, ITS FINALLY OVER -- FOR THE U.S., AT LEAST -- A LONG, NASTY WAR OF ATTRITION WHICH ENDED UP WITH NO CLEAR WINNER OR LOSER.

THE WHOLE EPISODE TOOK JUST UNDER 9 YEARS, MAKING IT THE LONGEST WAR IN U.S. HISTORY, EXCLUDING THE ONE CLOSE BY IN AFG.

AS WE ALL KNOW, THE COST IN DOLLARS AND LIVES WAS IMMENSE -- BETWEEN \$800 BIL AND \$1 TRILLION IN DOLLARS WITH CLOSE TO 4,500 U. S. SERVICE MEN AND WOMEN KILLED AND OVER 32K WOUNDED. TOTAL IRAQI CIVILIAN AND MILITARY DEATHS ARE THOUGHT TO NUMBER WELL OVER 200,000 --- MAYBE MANY THOUSANDS MORE -- NO ONE IS CERTAIN OF THE TOTAL. AT THE PEAK IN TROOP COMMITMENT IN 2007, THE U.S. HAD 170,000 TROOPS ON THE GROUND SPREAD OVER MORE THAN 500 BASES.

AFTER THE INITIAL EXCITEMENT FROM THE "SHOCK & AWE" WE SAW ON OUR TV SCREENS IN EARLY 2003, THE WAR TURNED IN TO A LONG, GRINDING BATTLE OF CONTAINMENT FROM WHICH NO ONE COULD WALK AWAY HAPPY IN THE END.

SO WHAT EXACTLY DID THE U.S. AND THE WEAK COALITION THAT BACKED IT LEAVE BEHIND?

DID WE LEAVE A WORKABLE POLITICAL AND JUDICIAL SYSTEM THAT WILL PROVIDE SOME SEMBLANCE OF DEMOCRATIC GOVERNANCE FOR IRAQIS? DID WE LEAVE AN ECONOMIC FRAMEWORK THAT OFFERS THE PROMISE OF A BETTER QUALITY OF LIFE FOR THE AVERAGE IRAQI? OF COURSE ITS TOO EARLY TO ANSWER THESE QUESTIONS, BUT FROM ALL APPEARANCES, WHATEVER POLITICAL OR ECONOMIC STRUCTURE WE

LEFT BEHIND ISN'T OFF TO A VERY PROMISING START.

IN FACT , THERE'S EVERY INDICATION IRAQ IS IN DANGER OF BECOMING DANGEROUSLY UNSTABLE. WHILE THE COALITION HELPED THE IRAQIS WRITE A CONSTITUTION AND HELPED CREATE A GOV'T STRUCTURE WITH EXECUTIVE & LEGISLATIVE FUNCTIONS, TODAY'S IRAQI GOV'T IS IN SERIOUS DANGER OF MALFUNCTIONING. IT IS BADLY HAMPERED BY A LACK OF COMMON PURPOSE, DEEP SECTARIAN STRIFE AND WIDESPREAD CORRUPTION.

THE CURRENT PRIME MINISTER, NURI AL-MALIKI, SEEMS TO BE VEERING TOWARD AUTHORITARIAN RULE, AND IS SHOWING A GROWING BIAS AGAINST SUNNIS IN GOV'T WHILE OVERTLY FAVORING SHIITE POLITICIANS AND SHOWING LITTLE INTEREST IN FORMING WORKABLE COALITIONS WITH MINORITY PARTIES. THIS BIAS CLEARLY REFLECTS THE HARSH REALITY THAT IRAQ REMAINS BADLY SPLIT ALONG RELIGIOUS LINES, A FACT THAT 8 YEARS OF TURMOIL HAS DONE LITTLE TO CHANGE.

IF ANYTHING THE DISTRUST BETWEEN SUNNIS AND SHIITES IS WORSE TODAY BECAUSE POWER HAS SHIFTED FROM SUNNI DOMINANCE UNDER SADDAM HUSSEIN TO SHIITE DOMINANCE IN THE POST-SADDAM ERA. GIVEN THAT SHIITES ARE A ROUGHLY 70% MAJORITY AND WERE TREATED AS SECOND-CLASS CITIZENS BY SADDAM, THEY ARE NOT ABOUT TO CONCEDE ANY POLITICAL GROUND TO THE MINORITY SUNNIS ANY TIME SOON.

OF COURSE THE COALITION WAS FULLY AWARE OF IRAQ'S SECTARIAN SPLIT AND TRIED ITS BEST TO CREATE A BALANCED, BI-PARTISAN POLITICAL STRUCTURE THAT WOULD BE INCLUSIVE OF BOTH SUNNIS AND SHIITES.

BUT AL-MALIKI'S RISE TO THE TOP OF THE HEAP IN THE INITIAL MANEUVERING SEEMS TO HAVE COMPROMISED ANY HOPES THE GOV'T COULD PUT THE NATIONAL GOOD AHEAD OF SECTARIAN LOYALTIES.

IN RECENT MONTHS THE POLITICAL TONE HAS BECOME PARTICULARLY NASTY –

AFTER ASSURING PRES. OBAMA LAST DEC. HE WOULD PROMOTE A FAIR AND INCLUSIVE REGIME, AL MALIKI TURNED AROUND AND ISSUED AN ARREST WARRANT FOR HIS OWN VICE-PRESIDENT,

TARIQ AL HASHIMI, WHO JUST HAPPENS TO BE SUNNI. THE CHARGE, WHICH LOOKS TO BE LARGELY FABRICATED, IS THAT HASHIMI WAS PLOTTING WITH OTHER SUNNI POLITICIANS TO ASSASSINATE

LEADING SHIITE POLITICAL FIGURES. THE RESULTS WERE FAIRLY DRAMATIC ----- AL HASHIMI FLED TO KURDISTAN, WHERE HE'S NOW HIDING OUT, AND SEVERAL SUNNI POLITICIANS THEN BOYCOTTED

PARLIAMENT, WHICH IN TURN PROVOKED AL MALIKI TO STRIP THEM OF THEIR TITLES. SO FOR THE MOMENT THE GOV'T IS IN A STATE OF NEAR PARALYSIS, AND BOTH SIDES ARE DIGGING IN FOR WHAT COULD BE SOME PROLONGED DISFUNCTION.

NEXT ON THE PROBLEM LIST IS THE BROAD ISSUE OF REGIONAL AUTONOMY, LONG A CONTENTIOUS ISSUE FOR IRAQ.

THE KURDS IN THE NORTHEAST HAVE LONG ENJOYED A MEASURE OF INDEPENDENCE FROM BAGHDAD, EVEN UNDER SADDAM, WHO PREFERRED NOT TO PICK A FIGHT WITH THEM, GIVEN THE REPUTATION OF THE PESHMERGA, THE KURD'S INDIGENOUS FIGHTING FORCE.

DURING THE WAR THE KURDS CONSOLIDATED THEIR QUASI-INDEPENDENCE AND STRENGTHENED THEIR ECONOMY, WHICH HAD ALWAYS BEEN MORE ADVANCED AND ENTREPRENEURIAL THAN THE REST OF IRAQ. AND WITH THE EXCEPTION OF

CONFLICTED BORDER CITIES LIKE MOSUL AND KIRKUK, THE KURDS LARGELY ESCAPED THE PUNISHMENT THAT SO MANY CITIES IN CENTRAL AND SOUTHERN IRAQ SUFFERED.

AS WE SPEAK, AL-MALIKI IS TRYING TO PUT DOWN GROWING EFFORTS BY OTHER IRAQI PROVINCES, WHICH ARE ENVOIOUS OF KURDISTAN'S SPECIAL STATUS, TO WIN PARTIAL AUTONOMY FROM BAGHDAD. THE PROBLEM FOR AL-MALIKI IS THAT IRAQ'S NEW CONSTITUTION CLEARLY LEAVES THE DOOR OPEN FOR VARYING DEGREES OF REGIONAL INDEPENDENCE, WHICH RAISES POTENTIAL FOR MORE LOCAL INSURGENCY AND A POSSIBLE BREAKDOWN OF CENTRAL AUTHORITY. AND, TO NO ONE'S SURPRISE, THE LOUDEST CALLS FOR MORE AUTONOMY ARE COMING FROM THE SUNNI-DOMINATED PROVINCES. THE ISSUE HAS RECENTLY INDIRECTLY AFFECTED THE U.S., AS BAGHDAD HAS TOLD EXXON-MOBIL IT CAN'T PROCEED WITH AN OIL EXPLORATION DEAL IT RECENTLY SIGNED WITH THE KURDS.

AND THEN THERE'S THE DISRUPTIVE ISSUE OF REGIONAL INFLUENCE – AS WE ALL KNOW THERE IS MAJOR CONCERN THAT IRAN HAS BEEN SALIVATING AT THE U.S. WITHDRAWAL, AND IS SUPPOSEDLY INTENT ON IMPACTING FUTURE EVENTS IN IRAQ. THIS NATURALLY CONJURS UP SOME FAIRLY DISTURBING SCENARIOS FOR THE REGION.

HOWEVER, SOME OBSERVERS FEEL THE THREAT FROM IRAN IS BEING EXAGGERATED, POINTING TO THE HISTORIC ANIMOSITY BETWEEN ARABS AND PERSIANS, DESPITE THE FACT IRAN IS HEAVILY SHIITE. CERTAINLY THE 8 - YR. IRAN/IRAQ WAR IN THE 1980'S, WHICH CAUSED OVER A MILLION CASUALTIES, WON'T BE QUICKLY FORGOTTEN. ON THE OTHER HAND, THE FACT THAT AL-MALIKI, WHO HEADED UP A DISSIDENT POLITICAL PARTY BACK IN THE 1980'S, SPENT OVER 10 YEARS IN IRAN ON THE RUN FROM

SADDAM, HAS RAISED MORE THAN A FEW SUSPICIONS.

EXERTING INFLUENCE FROM THE OTHER SIDE IS SAUDI ARABIA, WHICH IS SUNNI-DOMINATED AND NATURALLY ALARMED AT THE THOUGHT OF IRAN GAINING CLOUT IN IRAQ. IRAN'S RECENT THREAT TO BLOCK THE STRAITS OF HORMUZ DOESN'T IMPROVE THE ALREADY BAD VIBES BETWEEN THE TWO. A CUTOFF OF THE STRAITS WOULD, IN A WORST CASE SCENARIO, FORCE THE SAUDIS TO SHIP CRUDE OIL BY PIPELINE TO THE RED SEA AND WOULD PRESSURE THEM TO SHARPLY BOOST PRODUCTION AS WELL.

ANOTHER BIG FLY IN THE OINTMENT IS A FAMILIAR NAME FROM THE PAST – MOQTADA AL-SADR, THE RADICAL ANTI-AMERICAN MILITANT WHO CAUSED THE COALITION MAJOR HEADACHES OPERATING OUT OF HIS STRONGHOLD IN SADR CITY. AL-SADR'S PARTY ALREADY HAS A SIZABLE REPRESENTATION IN PARLIAMENT, AND AL-MALIKI HAS JUST EXTENDED AN OLIVE BRANCH TO AL-SADR DESPITE THE FACT THE TWO HAVE CLASHED IN THE PAST. AMONG OTHER THINGS AL-SADR HAS PUBLICLY THREATENED TO TREAT THE FUTURE AMERICAN DIPLOMATIC STAFF IN IRAQ AS “ ENEMY COMBATANTS”.

THEN THERE'S THE CURSE OF CORRUPTION, AN ENDEMIC PROBLEM IN AUTOCRATIC COUNTRIES ALL OVER THE WORLD. IRAQ HAS ALWAYS HAD ITS FAIR SHARE, WHICH AMONG OTHER THINGS CONTRIBUTED TO THE MISAPPROPRIATION AND WASTE OF SO MUCH U.S . AID DURING THE WAR. ITS HARD TO PUT A NUMBER ON THE COST OF CORRUPTION, BUT HERE'S JUST ONE EGREGIOUS EXAMPLE OF MANY– THE PREVIOUS HEAD OF THE ELECTRICITY MINISTRY WAS RECENTLY FIRED LATE LAST YEAR AFTER IT WAS DISCOVERED HIS STAFF HAD SIGNED \$1.7 BIL. IN CONTRACTS WITH NON-EXISTENT FOREIGN COMPANIES.

AND HOW ABOUT IRAQ'S ECONOMY? WHILE THINGS ARE DEFINITELY LOOKING UP, IT APPEARS THAT THE HUNDREDS OF BILLIONS OF \$ IN U.S. AID AND INFRASTRUCTURE INVESTMENT OVER 8 YEARS HAS HAD SURPRISINGLY LITTLE POSITIVE IMPACT ON THE ECONOMY.

OIL PRODUCTION IS OF COURSE THE KEY VARIABLE, AND THERE THE SIGNS ARE IMPROVING BUT STILL LAG EXPECTATIONS DUE TO POOR INFRASTRUCTURE, AGING PORT FACILITIES AND THE USUAL INGRAINED CORRUPTION.

CURRENT OIL PRODUCTION IS GETTING CLOSE TO 2.7 MILLION BARRELS/DAY, WELL UP FROM A LOW OF UNDER 2 MIL. DURING THE WAR BUT STILL WELL DOWN FROM THE 3.5 MIL. DURING SADDAM'S RULE.

AN INTERESTING FACT IS THAT WHILE MANY SKEPTICS THOUGHT THE U.S. GOT INVOLVED IN IRAQ "TO GET AT THE OIL", VERY FEW AMERICAN OIL COMPANIES

HAVE BEEN ABLE TO WIN CONTRACTS TO DEVELOP NEW OR EXISTING OIL FIELDS IN IRAQ – THE BULK OF THE FUTURE E & P WORK WILL BE DONE BY OTHERS, INCLUDING THE CHINESE. AND THE RELIABILITY OF IRAQ'S CRUDE SUPPLY IS STILL PARTLY HOSTAGE TO REGIONAL INSTABILITY -- THE OIL FIELDS AROUND KIRKUK IN THE NORTHEAST LIE PARTLY IN KURDISH TERRITORY, ANOTHER REASON FOR THE KURDS AND THE CENTRAL GOV'T. TO BE AT LOGGERHEADS.

IN WHAT SOUNDS LIKE SOMEWHAT OF A STRETCH, THE IRAQ OIL MINISTRY THINKS IT CAN BOOST PRODUCTION TO 12 MM B/D BY 2017, WHICH WOULD BE MORE THAN THE SAUDIS PUMP NOW -- A VERY UNLIKELY SCENARIO. STILL, DESPITE ONGOING SECURITY CONCERNS, THE OUTLOOK FOR IRAQ'S OIL PRODUCTION IS POSITIVE ENOUGH TO HAVE LURED MAJOR GLOBAL OIL PLAYERS LIKE BP, ENI

AND EXXON TO COMMIT TO PLOWING \$100 BIL. INTO EXPLORATION OVER THE NEXT DECADE.

YET THE POSITIVE OUTLOOK COULD PROVE VULNERABLE TO A BIG DROP IN WORLD OIL PRICES ---- OIL MAKES UP FULLY 90% OF THE GOV'T'S REVENUE AND 80% OF IRAQ'S FOREIGN EXCHANGE EARNINGS.

SINCE FEW RELIABLE FIGURES ARE AVAILABLE TO TRACK IRAQ'S ECONOMY, ITS HARD TO TELL HOW RAPID A RECOVERY THE REST OF ECONOMY IS MAKING. THE MAJOR CITIES ARE COMING BACK TO LIFE, WITH COMMERCE ON THE UPSWING, BUT UNEMPLOYMENT IS A MAJOR PROBLEM -- ITS LOOSELY ESTIMATED THAT BETWEEN 25 AND 35% OF IRAQIS ARE EITHER UN- OR UNDEREMPLOYED, AND THAT ROUGHLY A QUARTER ARE LIVING BELOW THE POVERTY LINE.

MEANWHILE WEAK SECURITY AND POLITICAL UNCERTAINTY IS KEEPING FOREIGN INVESTORS IN A WAIT-AND-SEE MODE.

AND IRAQIS ARE STILL ANGRY THAT DESPITE \$58 BILLION OF U.S. SPENDING ON BASIC INFRASTRUCTURE IMPROVEMENTS, THE ELECTRICITY SUPPLY IS STILL ERRATIC AT BEST, WITH SOME URBAN AREAS LIMITED TO 4 OR 5 HRS. OF POWER A DAY. A COFFEE SHOP OWNER IN BAGHDAD REPORTS HE SPENDS A QUARTER OF HIS REVENUE TO BUY A PRIVATE SUPPLY OF DIESEL POWERED ELECTRICITY JUST TO KEEP THE LIGHTS ON ALL DAY.

ADDING TO THE DISCONTENT, THERE STILL IS LITTLE TRASH PICKUP IN BAGHDAD, FORCING MOST FAMILIES TO BURN THEIR TRASH ON THE STREET. AS WELL, MOST ROADS ARE IN POOR SHAPE AND THE RAIL AND PORT SYSTEMS NEED A MAJOR OVERHAUL. ITS HARD TO BELIEVE ALL THAT SPENDING COULD HAVE RESULTED IN A WORSENING OF BASIC PUBLIC SERVICES FOR THE AVERAGE IRAQI.

SECURITY, WHILE BETTER THAN IT WAS A YEAR OR SO AGO, REMAINS A SORE ISSUE THRUOUT THE COUNTRY.

A LOOK AT THE PRESS TELLS US SUICIDE BOMBINGS AND OTHER TERRORIST ACTS ARE STILL PART OF DAILY LIFE, THO OVERALL THE REPORTS ARE FEWER AND FARTHER BETWEEN THEN AT THE HEIGHT OF THE BLOODSHED IN 2007. MOST IRAQIS NOW CAN AT LEAST VENTURE OUT IN THE STREET WITHOUT FEAR, BUT THERE ARE ENOUGH KILLINGS TO KEEP THE COUNTRY ON EDGE. THIS IS DESPITE A HUGE INCREASE IN NATIONAL SECURITY FORCES, WHICH NOW NUMBER ABOUT 670,000, UP FROM 400,000 THREE YEARS AGO. MOST OBSERVERS FEEL THE IRAQI FORCES ARE POORLY TRAINED, ONLY MARGINALLY EFFECTIVE AND FREQUENTLY SPLIT ALONG SECTARIAN LINES.

FROM A MILITARY STANDPOINT

ITS HIGHLY DOUBTFUL IRAQ COULD DEFEND ITSELF NOW AGAINST AN OVERWHELMING INSURGENCY OR OUTRIGHT INVASION. IT HAS VIRTUALLY NO NAVY TO SPEAK OF, ITS AIR DEFENSES ARE NIL AND ITS SMALL AIR FORCE IS LIMITED TO TRANSPORT, RECONISSANCE AND TRAINING AIRCRAFT. IT WILL BE AT LEAST 2 YEARS BEFORE THE FIRST OF 18 F-16'S ARE DELIVERED BY THE U.S. TO GIVE THE AIR FORCE DEFENSE AND STRIKE CAPABILITY. AND WHILE IRAQ HAS AN 800,000-STRONG ARMY, IT FALLS WAY SHORT IN TERMS OF TRAINING, LOGISTICAL SUPPORT AND MILITARY INTELLIGENCE. BUT THIS SCENARIO WILL CHANGE FAIRLY DRAMATICALLY IN THE NEXT FIVE YEARS AS THE U.S. PREPARES TO SELL IRAQ OVER \$13 BILLION WORTH OF NEW TANKS, HELICOPTERS, ALONG WITH 18 ADDITIONAL F-16'S.

AND WHILE THE TROOPS MAY BE GONE, THE U.S WILL CONTINUE TO HAVE A SIZEABLE FOOTPRINT IN THE FORM OF THE HUGE U.S. EMBASSY THAT'S

BEING BUILT ALONG THE TIGRIS RIVER. COSTING OVER \$700 MIL, AND COVERING 104 ACRES, THIS HUGE FORT OF A BUILDING IN THE GREEN ZONE WILL BE THE BIGGEST U.S EMBASSY IN THE WORLD, WITH A MIND-BOGGLING STAFF OF OVER 16,000, AND ANNUAL OPERATING COSTS WELL INTO THE BILLIONS. BUT WAIT, THAT WAS THE PLAN UP UNTIL A MONTH AGO, WHEN THE STATE DEPT. REVEALED IT HAS SHARPLY CUT BACK THE INTENDED SIZE AND SCOPE OF THE EMBASSY PROJECT. WHETHER THE CHANGE MEANS THE U.S. PROFILE IN IRAQ IS LIKELY TO BE DOWNSIZED ISN'T CLEAR AT THIS POINT --- MAYBE IT OCCURRED TO SOMEONE THAT THE ORIGINAL PLAN WAS JUST A LITTLE BIT TOO GRANDIOSE.

IN SUMMARY, IT LOOKS LIKE THE NEW IRAQ, IF YOU CAN CALL IT THAT, IS OFF TO A WOBBLY START AND COULD POTENTIALLY BE AT RISK OF DETERIORATING IN TO A FAILED STATE. WHEN ALL IS SAID AND DONE, IT APPEARS THE WAR REALLY JUST PAPERED OVER THE DEEP RELIGIOUS, SOCIAL AND ECONOMIC DIVISIONS THAT HAVE ALWAYS HAUNTED THE COUNTRY. A NOTABLE IRONY IS THAT LAST DECEMBER, AT A WHITE HOUSE CEREMONY MARKING THE FINAL TROOP WITHDRAWAL, PRES. OBAMA , WITH NURI AL-MALI KI AT HIS SIDE, DESCRIBED IRAQ AS BEING “SOVEREIGN, STABLE AND SELF RELIANT”. WE CAN JUST IMAGINE HOW HARD OBAMA BIT HIS LIP WHEN HE UTTERED THOSE WORDS.

AFGHANISTAN

WELL IF WE THINK THE U.S. MAY BE LEAVING IRAQ IN A SORRY STATE, IT WOULD BE HARD TO FIND A LESS ENCOURAGING SITUATION THAN AFG. OF COURSE WE'RE NOT OUT OF THERE YET, AND WON'T BE, ACCORDING TO OBAMA'S TIMETABLE, UNTIL 2014. THERE MAY BE A SLIGHT CHANCE POLITICAL AND ECONOMIC CONDITIONS COULD CHANGE FOR THE BETTER OVER THE NEXT 2 YRS., BUT FOR A LOT OF REASONS THE PROBABILITIES SEEM PRETTY DIM AT THIS POINT.

AS WE KNOW, PRES. OBAMA MOVED LAST YEAR TO EXPEDITE OUR WITHDRAWAL OF TROOPS IN AFG., AND WE NOW PLAN TO PULL OUT 33K BY THIS SUMMER AND GRADUALLY DRAW DOWN THE REMAINING 68K BY MID-2014. FOR ITS PART, NATO INTENDS TO MAINTAIN A LIMITED PRESENCE IN THE COUNTRY AFTER 2014, BUT THAT PRESENCE ISN'T LIKELY TO OFFSET A COMEBACK BY THE TALIBAN, WHICH SHOULD BE ABLE TO RE-EMERGE STRONGER IN THE ABSENSE OF EFFECTIVE MILITARY OPPOSITION.

THE FACT THE U.S. CLEARLY ANNOUNCED ITS DEPARTURE SCHEDULE VIRTUALLY GUARANTEES THE TALIBAN WILL BE EAGERLY WAITING IN THE WINGS FOR BETTER DAYS AHEAD.

HOW AFG. EMERGES AFTER 2014 IS LARGELY A FUNCTION OF TWO KEY VARIABLES -- ONE, WHETHER THE KARZAI GOV'T WILL BE WILLING, OR ABLE, TO BETTER SERVE THE AFGHAN PEOPLE BY BECOMING MORE EFFECTIVE, CUTTING CORRUPTION AND PROVIDING BASIC GOV'T SERVICES, AND TWO, WHETHER THE TALIBAN CAN REMAIN COHESIVE, MODERATE THEIR EXTREMISM AND MOVE TO WIN THE HEARTS AND MINDS OF EVEN MORE OF THE POPULATION.

AT THIS POINT THE CHANCES THE KARZAI REGIME WILL SIGNIFICANTLY CHANGE ITS STRIPES SEEM PRETTY REMOTE. THE RECORD SO FAR IS TELLING -- A DECADE OF MIS-MANAGEMENT, CORRUPTION AND DECLINING CREDIBILITY THAT HAS LED A SIZABLE PORTION OF THE PUBLIC TO LOSE TRUST IN THE GOVT.

AS TO THE TALIBAN, THEIR ABILITY TO WIN POPULAR SUPPORT IN MUCH OF THE COUNTRY, DESPITE THEIR TERRORIST TACTICS, HAS BEEN QUITE IMPRESSIVE AND BEEN A REAL SPOILER TO THE GOV'T'S EFFORTS TO GENERATE PUBLIC SYMPATHY. SO IF I HAD TO BET, IT SEEMS UNLIKELY THE DYNAMICS WILL CHANGE A LOT BY 2014. CHANCES ARE THE KARZAI REGIME WILL STILL BE HANGING BY ITS THUMBS, WHILE THE TALIBAN WILL BE IN A BETTER POSITION TO OPERATE MORE FREELY IN THE ABSENCE OF FOREIGN ADVERSARIES.

OUR TROUBLES WITH MR. KARZAI ARE BY NOW AN OLD STORY -- SINCE THE WAR BEGAN HIS BEHAVIOR HAS BEEN ERRATIC, UNPREDICTABLE AND ENDLESSLY FRUSTRATING FOR THE U.S. ESPECIALLY IRRITATING HAS BEEN HIS PERMISSIVE ATTITUDE TOWARD CORRUPTION. ONE OF THE THINGS COLORING HIS VIEWS ON CORRUPTION MAY WELL BE HIS BROTHER'S ALLEGED ROLE AS A DRUG LORD. WHETHER TRUE OR NOT, THERE'S NO QUESTION CORRUPTION AT ALL LEVELS PERMEATES JUST ABOUT EVERY ASPECT OF LIFE IN THE COUNTRY.

KARZAI HAS SHIFTED FROM COZYING UP TO THE U.S. ONE DAY, THEN LASHING OUT AT IT THE NEXT FOR INTERFERING IN AFG. AFFAIRS, BLITHELY IGNORING THE EFFORTS WE'VE MADE TO SHORE UP HIS REGIME. MUCH OF HIS RHETORIC PLAYS TO THE DOMESTIC

AUDIENCE AND AFGHAN PRIDE, BUT HIS CARPING HAS OFTEN STRAINED U.S. – AFG RELATIONS TO THE BREAKING POINT. DESPITE THIS. THE U.S. AND THE COALITION SEEM TO HAVE CONCLUDED THAT WHILE THEY WOULD LOVE TO LIVE WITHOUT KARZAI, IN REALITY THEY REALLY CAN'T LIVE WITHOUT HIM. OUR FRUSTRATION WAS OBVIOUS BACK IN 2008 WHEN JOE BIDEN WALKED OUT ON A DINNER WITH KARZAI, TOTALLY FED UP WITH HIS REFUSAL TO EVEN ACKNOWLEDGE CORRUPTION WAS AN ISSUE IN HIS REGIME.

A SIMPLE STATISTIC REFLECTS THE DISILLUSIONMENT WITH KARZAI ON THE PART OF THE PUBLIC. AFTER 70% OF THE ELECTORATE TURNED OUT TO VOTE IN THE 2004 ELECTION, ONLY 39% WENT TO THE POLLS IN 2009.

BUT TALK ABOUT DISILLUSIONMENT --- WE'RE ALL TOO FAMILIAR WITH THE TWO EVENTS OVER THE PAST FEW MONTHS THAT HAVE TAKEN DISILLUSIONMENT TO NEW HEIGHTS AND BADLY SOURED U.S. - AFGHAN RELATIONS IN THE PROCESS. THE BURNING OF THE QURANS AND THE KILLING OF CIVILIANS BY THE ROGUE AMERICAN SOLDIER HAVE BEEN BOTH A GIFT TO BOTH THE TALIBAN AND TO THOSE WHO WANT TO ACCELERATE OUR EXIT.

WHENEVER WE EVENTUALLY LEAVE, THERE ARE MANY ADDITIONAL FACTORS THAT COULD TILT THE BALANCE ONCE WE'RE GONE. THE FIRST IS THE MASSIVE INFLOW OF FOREIGN AID AND MILITARY SPENDING THAT HAS PUMPED UP THE ECONOMY FOR A DECADE. IN FACT, AFG. HAS BECOME ALMOST TOTALLY FOREIGN AID-DEPENDENT, WITH CLOSE TO 90% OF THE GDP OF \$19 BIL. COMING FROM FOREIGN FINANCIAL SUPPORT. WHILE IT WON'T ALL GO AWAY IN 2014 AND BEYOND, THE INFLOWS WILL SURELY DECLINE SHARPLY, AND ITS HARD TO FIGURE WHAT IS GOING TO PLUG THE GAP. THE COALITION TROOP

PRESENCE PROVIDED JOBS AND MONEY TO AN ECONOMY THAT HAS ALWAYS BEEN SORELY LACKING IN RESOURCES. THE UPCOMING EXIT IS SURE TO BE A BIG NEGATIVE FOR THE ECONOMY, AND CUTS IN DIRECT AID PROGRAMS AFTER THAT WILL SURELY BE A BIG ADDITIONAL DRAG.

AFG. HAS HISTORICALLY HAD ONE OF THE WORLD'S MOST FEEBLE ECONOMIES, WITH A MINIMAL MANUFACTURING BASE, HEAVY RELIANCE ON IMPORTS AND A POORLY DEVELOPED INFRASTRUCTURE. ITS CURRENT PER CAPITA INCOME OF ABOUT \$550 IS ONE OF THE LOWEST IN THE WORLD AND IS LESS THAN 20% OF THAT OF IRAQ. FULLY 78% OF THE POPULATION WORKS IN AGRICULTURE, AND THE BIGGEST SOURCE OF AGRICULTURAL INCOME COMES FROM POPPY GROWING, WHICH SUPPLIES AN ESTIMATED 80-90% OF THE WORLD'S OPIUM.

WE'VE ALL HEARD ABOUT EFFORTS BY THE GOV'T AND THE COALITION TO GET POPPYFARMERS TO SHIFT TO OTHER CROPS, AND THE EFFORT DID WORK FOR A WHILE SEVERAL YEARS AGO WHEN OPIUM PRICES FELL DUE TO OVERSUPPLY ON THE WORLD MARKET. BUT SUBSEQUENTLY PRICES ROSE AND PLANTINGS INCREASED AGAIN.

THE ECONOMICS ARE SIMPLE -- IN GOOD YEARS OPIUM FARMERS CAN MAKE 8 TO 10 TIMES ON POPPIES WHAT THEY CAN ON WHEAT, BARLEY OR OTHER CROPS, EVEN WHEN THE WHEAT SEEDS ARE PROVIDED FREE.

ONLY WHEN PRICES FALL SHARPLY LIKE THEY DID SEVERAL YEARS AGO IS THE RATIO ANYWHERE CLOSE TO EVEN. IN THE MEANTIME THE TALIBAN IS SKILLED AT CONVINCING FARMERS TO GROW POPPIES -- THEY GUARANTEE PROTECTION FOR A REASONABLE PRICE -- NORMALLY ABOUT 10% OF THE FARMER'S TAKE. AND THE NUMBERS ARE BIG --- ESTIMATES ARE THE OPIUM TRADE BRINGS

IN ROUGHLY \$4 BIL. ANNUALLY TO AFG. FARMERS AND THE LOCAL OFFICIALS AND POLICE THEY BRIBE TO STAY IN BUSINESS. THE TALIBAN'S TAKE OF CLOSE TO \$400 MIL. BUYS A LOT OF LAND MINES, ROCKETS AND SUV'S.

AND HERE'S A PERFECT INSTANCE OF HOW CORRUPTION MAKES MATTERS EVEN WORSE – THE VERY POLICE WHO FINE FARMERS FOR GROWING POPPIES ARE NOTORIOUS FOR BEING HAPPY TO TAKE BRIBES TO LOOK THE OTHER WAY. IN FACT, MANY OF THEM ARE HOOKED ON OPIUM THEMSELVES. THE KARZAI GOV'T KNOWS THAT'S HOW THE SYSTEM WORKS, BUT DOESN'T HAVE THE WILL OR ENERGY TO DO MUCH ABOUT IT.

SO THE ECONOMIC OUTLOOK IS OMINOUS TO SAY THE LEAST, A FACT WHICH RECENTLY LED THE WORLD BANK TO ISSUE A REPORT WARNING THAT AFG. WILL POSSIBLY SUFFER TOTAL ECONOMIC COLLAPSE IF THE SUPPLY OF FOREIGN AID IS EVER TURNED OFF.

OF LITTLE HELP IS THE FACT THE AFG. GOV'T IS OFTEN AMBIVALENT ABOUT ACCEPTING FOREIGN AID, FOR REASONS OF PRIDE, AND WHEN IT IS ACCEPTED MUCH OF IT IS EITHER MISALLOCATED, GOES UNSPENT OR ENDS UP IN SOME BUREAUCRAT'S BANK ACCOUNT.

OPTIMISTS POINT TO THE FACT AFG. IS RELATIVELY RICH IN MINERAL RESOURCES, INCLUDING BIG DEPOSITS OF COPPER AND IRON ORE. THE CHINESE HAVE AGREED TO DEVELOP A MAJOR COPPER FIND NEAR KABUL, BUT PROGRESS HAS BEEN SLOW DUE TO SECURITY PROBLEMS AND IT COULD BE YEARS BEFORE REVENUES FLOW TO THE ECONOMY.

ON THE POLITICAL FRONT THERE IS LITTLE REASON TO FEEL THE KARZAI REGIME WILL BE ABLE TO REGAIN MAJOR TRUST FROM THE MAN

ON THE STREET BY 2014.

ON THEIR PART THE TALIBAN HAVE BEEN SKILLFUL AT WINNING THAT TRUST, MOSTLY IN RURAL AREAS, BY PROVIDING PUBLIC SERVICES INCLUDING EDUCATION, THAT THE CENTRAL GOV'T SEEMS INCAPABLE OF PROVIDING.

IN A SURPRISING SHIFT, THE TALIBAN HAVE RECENTLY BEGUN TO PROJECT A NOTICEABLY MORE LIBERAL AND TOLERANT FACE TO THE PUBLIC, ACTUALLY ENCOURAGING IMPROVED SCHOOLING FOR BOTH SEXES, AND IN A BIG CHANGE, ARE DE-EMPHASIZING THE RADICAL ADHERENCE TO SHARIA LAW THAT EARLIER SEEMED TO DEFINE THEIR MISSION.

AT THE SAME TIME THEY ARE INCREASINGLY EFFECTIVE AT PLAYING THE ETHNIC CARD, APPEALING TO THE DOMINANT PASHTUN POPULATION, 42% OF THE TOTAL, AND STIRRING UP RESENTMENT AT THE MINORITY TAJIKS, WHO HAVE TRADITIONALLY HAD AN OUTSIZED ROLE IN RUNNING THE AFGHAN GOV'T. TO THE GOV'T'S DISMAY, THE TALIBAN IS ALSO INCREASING ITS RECRUITING OF MINORITIES LIKE THE HAZARAS, AND UZBEKS, WHO ARE BECOMING LESS AND LESS ENAMORED WITH THE CENTRAL GOV'T.

THE TALIBAN'S JOB HAS BEEN MADE A LOT EASIER BY THE SHODDY, CORRUPT BEHAVIOR OF THE DOMESTIC POLICE FORCE, WHICH CONTINUES TO PERFORM INEPTLY DESPITE YEARS OF TRAINING BY THE COALITION. ONCE FOREIGN TROOPS HAVE LEFT, THE COUNTRY'S SECURITY WILL BE LARGELY TURNED OVER TO THIS 350,000 MAN FORCE, WHICH IS LIKELY TO PROVE NO MATCH FOR THE TALIBAN. IN FACT, JUST LAST WEEK THE COALITION ANNOUNCED A PROJECTED DOWNSIZING OF THE FUTURE POLICE FORCE BY ABOUT 100,000 MEN, WHICH WILL OBVIOUSLY REDUCE ITS IMPACT. MEANWHILE, THE AFG. ARMY, ABOUT 1/3 THE SIZE OF THE POLICE FORCE, IS HELD IN HIGH REGARD BY AFGHANIS BUT ISN'T FOCUSED ON LOCAL SECURITY.

ADDING EVEN MORE UNCERTAINTY TO THE OUTLOOK IS THE BEHAVIOR OF PAKISTAN, WHICH, AS WE ALL KNOW, HAS FOR YEARS COVERTLY

SUPPORTED THE TALIBAN. MOST OF THE TALIBAN LEADERSHIP LIVES IN THE NEARBY MOUNTAINOUS BORDER AREAS OF PAKISTAN, A FACT THE PAKISTANIS ARE FULLY AWARE OF.

PAKISTAN HAS LONG PLANNED ON PLAYING A SIGNIFICANT ROLE IN POST-WAR AFG., LARGELY TO COUNTER THE PERCEIVED INTENTIONS OF INDIA TO DOMINATE AFG. WHEN THE FOREIGN TROOPS LEAVE. WHETHER THAT CONCERN IS MERITED IS ANOTHER QUESTION ENTIRELY. EVEN THOUGH PAKISTAN IS CONFLICTED BECAUSE OF AL QAEDA-SPONSORED TERRORISM WITHIN ITS BORDERS, IT SEEMS TO BE CALCULATING THAT THE TALIBAN WILL PREVAIL OVER THE CENTRAL GOV'T ONCE THE WEST PULLS OUT. IRAN'S INTENTIONS IN AFG ARE A QUESTION MARK -- WHILE THE IRANIANS HAVE CHanneled WEAPONS TO THE TALIBAN IN ORDER TO SPEED THE COALITION'S DEPARTURE, IRAN WANTS TO SEE A STABLE AFG. GOING FORWARD SO IT ISN'T FLOODED WITH REFUGEES IN CASE THINGS UNRAVEL COMPLETELY.

FOR THE RECORD THERE'S A SLIM BUT DIMINISHING POSSIBILITY THE KEY PLAYERS MAY BE ABLE TO NEGOTIATE SOME RESOLUTION TO THE CONFLICT. ITS WELL KNOWN THAT THE U.S HAS ON OCCASION TALKED DIRECTLY OR THROUGH INTERMEDIARIES TO SOME OF THE TALIBAN LEADERSHIP OVER THE LAST FEW YEARS. SO FAR, LITTLE HAS MATERIALIZED, BUT THE COALITION HAS BEEN ABLE OVER TIME TO PAY OFF A SMALL NUMBER OF TALIBAN FIGHTERS TO LAY DOWN THEIR ARMS.

A CHALLENGE TO ANY NEGOTIATIONS IS THE MURKY NATURE OF THE TALIBAN LEADERSHIP AND THE SHIFTING INFLUENCE OF VARIOUS GROUPS AND CLANS WITHIN THE

MOVEMENT. THE NOTORIOUS HAQQANI NETWORK, WHICH HAS INFLICTED EXTENSIVE CASUALTIES ON THE COALITION AND SEEMS TO HAVE CLOSE LINKS TO AL-QAEDA, IS A PRIME EXAMPLE. THE SEVEN COORDINATED TERRORIST ATTACKS LAST SUNDAY AROUND THE COUNTRY ARE WIDELY THOUGHT TO BE THE WORK OF THE HAQQANIS.

THE NEW GLIMMER OF HOPE I MENTIONED COMES FROM THE TALIBAN'S ANNOUNCEMENT A FEW WEEKS AGO THAT IT WAS PLANNING TO SET UP AN OFFICE IN QATAR, PRESUMABLY WITH THE INTENT OF PROMOTING ITS AIMS AND POSSIBLY AS A VENUE FOR NEGOTIATIONS WITH THE WEST. BUT TALIBAN SPOKESMEN HAVE MADE IT CLEAR THAT THEY ONLY INTEND TO DISCUSS THE RELEASE OF TALIBAN PRISONERS, AND HAVE NO INTENTION OF TALKING WITH THE KARZAI REGIME, WHICH THEY CALLED A "BUNCH OF STOOGES".

SKEPTICS ARE ALREADY THROWING COLD WATER ON THIS MOVE BY THE TALIBAN, CLAIMING ITS MOST LIKELY A PLOY TO WIN SYMPATHY FOR THEIR CAUSE BEFORE THEY MAKE A GRAB FOR POWER AFTER THE WAR.

SO TO SUM UP, THERE APPEARS TO BE LITTLE CHANCE THE TALIBAN HAVE MUCH INTEREST IN NEGOTIATING ANYTHING AT THE MOMENT, AND WHY SHOULD THEY ?--- THEY CAN SEE THEIR STAR RISING JUST TWO YEARS DOWN THE ROAD NOW THAT THE BIGGEST OBSTACLE TO THEIR SUCCESS IS ALMOST CERTAIN TO GO AWAY FOR GOOD, RIGHT ON A PRE-ANNOUNCED SCHEDULE.

