An Attack on Iraq:
The Military, Political, and Economic Consequences

A Background Paper on Risk Analysis and Scenarios

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I. THE MILITARY AND STRATEGIC FACTORS SHAPING AN ANALYSIS OF THE ECONOMIC CONSEQUENCES OF AN ATTACK ON IRAQ

There are major uncertainties about the military outcomes and political ramifications of an attack on Iraq. One key problem is that UN Security Council Resolution 1441 leaves the timing and probability of a war far more uncertain than it might be if the Bush Administration could choose the time and nature of an attack.

As such, it highlights the fact that there are three sets of scenarios that affect the economic impact of this crisis, not simply one, and that each of these sets of scenarios involves a wide range of largely independent variables that can play out in unpredictable ways. In broad terms, these three sets of scenarios involve:

- The prelude to war and the different ways in which war can occur.
- The actual process of conflict.
- The post-conflict occupation of Iraq and the way in which an independent Iraqi regime emerges.

It is important to note that no one can now predict the nature of the events in each case, the timing of such events, or the seriousness of their impacts on the market. Nominal economic analysis is certainly possible and useful. Prophecy is absolutely impossible.

II. THE UNCERTAIN PRELUDE TO WAR

A war still seems likely, and reasonable guesstimate would be a probability of 60%. The reasons a war remains likely are Saddam Hussein’s past history of confronting the UN, the US, and his neighbors; the commitment the Bush Administration has made to a war, and the fact that the core of the US and British military build-up will be complete no later than mid-January 2003.

The Bush Administration also claims that the UN resolution meets its three key criteria for future action. It finds Iraq in “material breach,” defines Iraq’s obligations in unambiguous terms, and threatens “serious consequences.” It also demands that UN inspectors be given, “immediate, unimpeded, and unrestricted access.”

At this point in time, however, the Bush Administration is committed to discussing any Iraqi violation it terms to be a material breach in the UN before it goes to war – provided that the issue is Iraqi interference with UNMOVIC and the IAEA. No such caveats apply to any act of Iraqi aggression, deployment of missiles and weapons of mass destruction, support of terrorism, or act such as shooting down a US or British aircraft flying Southern or Northern Watch.

- **The Impact of UN Resolution 1441**

The Bush Administration has said it will not react quickly or use some minor incident as a rationale for war, but it has also stated that it does not feel a Security Council vote or resolution is necessary to declare a “material breach” or that it is under any obligation to wait on further UN action. Preliminary reports from the Arab League also indicate that Iraq has said that it will accept the terms of the resolution.
If so, the resolution requires that Iraq confirm that it intends to comply in 7 days, and then provide a “currently accurate, full and complete declaration” no more than 23 days later. Inspectors have up to 45 days in which to begin their inspections, and 60 additional days in which to report to the Security Council. Given what Hans Blix and Mohammed El Baradei have said, this creates the following the near-term timetable:

- November 15: Iraq must accept the terms of the new resolution and promise to comply;
- November 18: The Chief UN inspectors, Hans Blix (UNMOVIC) and Mohammed El Baradei (IAEA) arrive in Baghdad with some 24 inspectors and set up communications, offices, transport, and laboratories;
- November 25: A advance team of UN inspectors arrives to prepare for work and begin spot inspections;
- December 8: Iraq must have provided the Security Council with a “full, accurate, and complete” declaration of all of its programs to develop and deliver CBRN weapons, as well as all of civilian materials and facilities that can be used for military applications;
- December 23: Weapons inspectors must have restarted their work. About 80-100 inspectors and support staff are expected to be in Iraq; and
- February 21, 2003: The last possible date for inspectors to give a report to the Security Council.

It is possible that Iraq could create a crisis that would effectively allow the US to go to war at any point during this period. If it does not, however, the rest of the inspection process can play out over a much more extended period of time, particularly if Iraq appeals decisions on dual use facilities, creates partial or gray area confrontations, or returns to asserting it has destroyed components or facilities unilaterally in ways that are difficult or impossible to verify.

- **Shifts in US War Planning and New Political Risks**

This opens up a Pandora’s box in terms of timing. The US can afford to continue deploying heavy combat equipment, completing the stocking of spare parts and munitions, and preparing facilities. It may also be able to keep forward elements of USCENTCOM operational staffs, the US Army’s V Corps, and the USMC’s 1st MEF in place.

The US cannot, however, afford to deploy large numbers of troops and leave them in the theater indefinitely. It faces serious problems in terms of sustained forward carrier and fast deployment logistic ship deployments and the deployment of certain low-density ISR and C4/BM assets. It seems unlikely that it will retain four carriers in the area, and it will probably return the Abraham Lincoln and George Washington to the US for refitting when the Constellation and Harry Truman enter the Gulf. The US will probably rotate some of the fighter units now in the Gulf and the brigade from the 3rd Infantry division now in Kuwait. (It has about twice to three times its normal Army strength in Kuwait including Special Forces and an AH-64 Apache battalion.)
Climate is an issue, although the US can fight effectively at any time of year. So, however, are the political problems of sustaining access to allied basing in Bahrain, Kuwait, Oman, Qatar, and Turkey. Unlike the US, the UK also does not have enough military assets to sustain the deployment of the weapons and munitions for its 1st Armored Division and a large RAF presence in the Gulf without virtually crippling its warfighting capabilities for any other contingency. The US also must now deal with major recent Islamist victories in Turkey and Bahrain and a probable sharp increase in the Islamist presence in Kuwait’s national assembly.

The break up of the coalition government in Israel adds another wild card. Public opinion polls show that some 80% of the population in the Southern Gulf states express active anger at the US over its support of Israel and perceived responsibility for Palestinian suffering in the Second Intifada. The more time passes, the more local populations may focus on the US build-up in their countries. Moreover, the coming Israeli election may hinge more on a contest as to who is the best hardliner – Sharon or Netanyahu – than any movement towards peace.

This may lead the US to carry out a lower profile build-up, quietly completing all of the equipment and munitions deployments, making facilities ready, but actually reducing the number of people forward deployed until Iraq does commit what the US feels is a reason for war. This could also change the US war plan – putting more emphasis on air and missile strikes and delaying or cutting the planned deployment of ground troops. Alternatively, it could mean two to three added weeks of delay to complete key aspect of the personnel build-up beyond early January that would only begin after a clear Iraqi act of provocation.

**THE “POSITIVE” SIDE OF THE UN RESOLUTION**

The other side of this equation is that if Iraq does anything openly foolish or gratuitously provocative, it will do so in a climate where far fewer in the Arab world and Europe will protest a war. Regardless of the fact that Hans Blix has stated that only the Security Council can declare a “material breech,” any UNMOVIC or IAEA report of a major Iraqi lie or effort to inhibit UN inspections will be a rationale for war without a further UN vote.

The negotiations surrounding the debate on the UN resolution have also created a climate where the UN inspectors have no doubt that they must be aggressive, where nothing in Iraq is out of bounds, and the US and Britain have quietly established arrangements for a much better flow of intelligence to the UN. Efforts to crack down on Iraqi smuggling have become more aggressive, import review under the oil for food arrangements are being quietly tightened, and process of UN inspection will inevitably improve some aspects of US targeting by improving our knowledge of Iraqi efforts.

A slow build up also is not necessarily a bad build-up. Many “rush” efforts such as biological warfare protection for our troops, bring Patriot units to readiness, and completing B-2 facilities at Diego Garcia could now be carried out on a more realistic schedule.
• **WHAT HAPPENS IF UNMOVIC AND THE IAEA “SUCCEED”**

The most serious problem in terms of trying to predict the prelude to war will occur if Iraq does appear to cooperate. If UNMOVIC/IAEA does go in, months of years of uncertainty could follow. The key variables would be:

- How will the US deal with a regime change – covert or open – under these conditions?
- Even a successful UN disarmament effort could simply push Iraq towards biological dual use and covert delivery.
- The current UN resolutions leave open-ended sanctions requiring monitoring, and prohibiting conventional arms imports.
- All current oil for food and future investment issues unresolved; so are all issues relating to a major Iraqi debt, reparations obligations, and contingency contracts.
- The Kurdish issue could explode independently, and the status of the No Fly/drive Zones and Northern and Southern Watch remains uncertain.
- The mid and long-term Iranian and Southern Gulf response is unpredictable and so is Iran’s effort in proliferation.
- We would face increasing problems in terms of keeping forces ready and prepositioned, and all of our actions will become increasingly known and politically controversial in the Gulf and Turkey. How long will allies stay on board? Can we fall back on missiles and air?

• **WILD CARDS AND POSSIBLE CAUSES OF WAR THAT ARE INDEPENDENT OF THE UN EFFORT**

At the same time, we will still face the fact that the timing of a war may come earlier than we anticipate and/or be dictated by factors beyond our control:

- A “golden BB” that shot down a US or UK aircraft could trigger a major military exchange and a different kind of crisis.
- Any evidence of an Iraqi covert attack or terrorist link could trigger war for different reasons.
- If Iraq felt a war was inevitable, some experts feel it would use is CB weapons to preempt and attack US forces, a port, a US Gulf ally, or Israel.
- Detection of any Iraqi effort to deploy forces to create a capability to launch or use weapons of mass destruction would create a narrow window of opportunity that could force the US to preempt without warning.
III. IF WAR COMES: THE KEY STRATEGIC VARIABLES

The most likely case is a US and British land-air offensive that begins with an intensive air campaign launched from bases in Turkey, Bahrain, Kuwait, and Qatar with support from bombers based in Diego Garcia and aircraft staged through Oman. This campaign will strike immediately at Iraq’s WMD and air defense targets, and quickly expand to strike at key military command and control sites, forces like the Republican Guards, the regime’s security forces, and key leadership targets. It will seek to pin down Iraq’s forces and to isolate the centers of power in Baghdad and Tikrit.

The US and Britain will use a combination of heavy and light ground forces with strong attack helicopter and assault helicopter forces to strike at Baghdad and Saddam’s key centers of power from locations in Kuwait, lopping around to attack from the West. The US will use air power to halt Iraqi land movements and concentration to check this advance, and bypass any strong points and major combat units that do not directly defend the regime’s survival. It will then concentrate on Saddam’s remaining centers of power and destroy them, while systematically continuing to suppress and destroy Iraq’s ability to use its weapons of mass destruction.

If things go well, the air phase might last 7-20 days, and the air-ground phase 7-14 days. The US would use about 30-50% of the airpower it used in the Gulf War – some 300-500 sorties a day – and the equivalent of around two division slices, possibly reinforced by follow-on reinforcements by a third.

- THERE ARE, HOWEVER, A WIDE RANGE OF WILD CARDS IN THIS WAR FIGHTING SCENARIO INCLUDING THE WAR PLAN.

Any estimate of the war plan has to be highly speculative. The US and British plan can change or be different from the one now being discussed in the Pentagon. There are still arguments among US military planners over the size of the land and air elements involved, and the role of the Iraq opposition. Questions exist about access to bases, although this situation seems to be easing. In spite of statements to the contrary, Saudi air space, if not Saudi facilities, might be available.

Some still argue for a lighter, more air-heavy attack plan, while others argue for a more conventional and larger attack force. It is unclear how much damage the US plans to do to Iraqi infrastructure and energy facilities as part of its air campaign, although this seems likely to be limited compared to the Gulf War – where actual combat damage was far smaller than many reports would indicate.

The problem of civilian casualties and collateral damage can always become a sudden political crisis in spite of US attempts to minimize it, complicated by a worst case in which allied attacks on Iraqi military facilities release significant amounts of chemical and biological weapons.

- SOME OF THE MOST SERIOUS VARIATIONS AND “WILD CARDS” ARE THOSE INVOLVING IRAQ’S RESPONSE.

The most important single wild card is the level of popular support Saddam Hussein will or will not have. The real world popularity and unpopularity of the regime among the
various elements of the armed forces and in areas of military operations is highly unpredictable. Loyalty may vary across different force elements, such as Republican Guards, Special Republican Guards, regular army with regular manning, and regular army with largely conscript manning.

No one can be certain of the real-world degree of popular resentment of Iraqi repression and tyranny versus the regime’s use of incentives, nationalism, and propaganda. The same is true of its ability to exploit like ethnic divisions, and exploit resentment of UN sanctions and the oil for food program, and the Second Intifada. The loyalty of Kurdish and Shi’ite factions is highly uncertain, as is the regime’s ability to arm “volunteers” for street fighting, and exploit human shields.

The second most important wild card is the ability of Saddam’s loyal forces to carry out a “redoubt strategy” and conduct effective urban warfare; and third, Saddam’s ability to use his weapons of mass destruction effectively against attacking forces, neighboring states, and Israel or in some form of state-supported terrorist attack against the US and Britain.

Other important, but less critical “wild cards” include the effectiveness of Iraq land-based air defenses, the behavior of the regular army in supporting Saddam, and Saddam’s possible use of scorched earth tactics like burning his oil fields.

- **The most dangerous – but not the most probable -- Iraqi “wild card” scenario would be the use of effective biological weapons like Smallpox or an advanced Anthrax agent -- or a stolen nuclear device -- against allied forces and basing facilities in the Gulf, a key Gulf population center or energy facility, or against Israel to seek to expand the conflict and turn the Arab and Islamic world against the US.**

Iraq seems to lack the capability to deliver such weapons at present, but the possibility cannot be dismissed. Iraq was also one of the last countries to experience a major smallpox outbreak and it might have infectious weapons. The existence of Iraqi launch on warning or launch under attack capabilities is uncertain, as is US capability to target and suppress Iraqi WMD forces.

The papers that US and British intelligence released in September and October 2002 made it clear that Iraq does retain significant warfighting capabilities. British intelligence concluded that Iraq has:

- Continued to produce chemical and biological agents;
- Military plans for the use of chemical and biological weapons, including against its own Shia population. Some of these weapons are deployable within 45 minutes of an order to use them;
- Command and control arrangements in place to use chemical and biological weapons. Authority ultimately resides with Saddam Hussein. (There is intelligence that he may have delegated this authority to his son Qusai);
- Developed mobile laboratories for military use, corroborating earlier reports bout the mobile production of biological warfare agents;
- Illegally retained up to 20 al-Hussein missiles, with a range of 650km, capable of
carrying chemical or biological warheads; and,

- Started deploying its al-Samoud liquid propellant missile, and has used the absence of weapons inspectors to work on extending its range to at least 200km, which is beyond the limit of 150km imposed by the United Nations.

The CIA concluded that:

- Baghdad has chemical and biological weapons as well as missiles with ranges in excess of UN restrictions; if left unchecked, it probably will have a nuclear weapon during this decade.

- Since inspections ended in 1998, Iraq has maintained its chemical weapons effort, energized its missile program, and invested more heavily in biological weapons; most analysts assess Iraq is reconstituting its nuclear weapons program.

- Iraq largely has rebuilt missile and biological weapons facilities damaged during Operation Desert Fox and has expanded its chemical and biological infrastructure under the cover of civilian production.

- Baghdad has exceeded UN range limits of 150 km with its ballistic missiles and is working with unmanned aerial vehicles (UAVs), which allow for a more lethal means to deliver biological and, less likely, chemical warfare agents.

- If Baghdad acquires sufficient weapons-grade fissile material from abroad, it could make a nuclear weapon within a year. Without such material from abroad, Iraq probably would not be able to make a weapon until the last half of the decade.

- Baghdad has begun renewed production of chemical warfare agents, probably including mustard, sarin, cyclosarin, and VX. Its capability was reduced during the NSCOM inspections and is probably more limited now than it was at the time of the Gulf war, although VX production and agent storage life probably have been improved.

- Saddam probably has stocked a few hundred metric tons of CW agents.

- The Iraqis have experience in manufacturing CW bombs, artillery rockets, and projectiles, and probably possess CW bulk fills for SRBM warheads, including for a limited number of covertly stored, extended-range Scuds.

- All key aspects—R&D, production, and weaponization—of Iraq’s offensive BW program are active and most elements are larger and more advanced than they were before the Gulf war.

- Iraq has some lethal and incapacitating BW agents and is capable of quickly producing and weaponizing a variety of such agents, including anthrax, for delivery by bombs, missiles, aerial sprayers, and covert operatives, including potentially against the US Homeland.

- Baghdad has established a large-scale, redundant, and concealed BW agent production capability, which includes mobile facilities; these facilities can evade detection, are highly survivable, and can exceed the production rates Iraq had prior to the Gulf war.
Iraq maintains a small missile force and several development programs, including for a UAV that most analysts believe probably is intended to deliver biological warfare agents.

- Gaps in Iraqi accounting to UNSCOM suggest that Saddam retains a covert force of up to a few dozen Scud-variant SRBMs with ranges of 650 to 900 km.
- Iraq is deploying its new al-Samoud and Ababil-100 SRBMs, which are capable of flying beyond the UN-authorized 150-km range limit.
- Baghdad’s UAVs—especially if used for delivery of chemical and biological warfare (CBW) agents—could threaten Iraq’s neighbors, US forces in the Persian Gulf, and the United States if brought close to, or into, the US Homeland.

Intelligence experts feel that Iraq does not have advanced missile warheads or bombs that can non-destructively disseminate chemical and biological agents efficiently at the proper altitude, or efficient aircraft and drone line-source dissemination technology. These capabilities can alter the real-world lethality of CB weapons by an order of magnitude. They note, however, that Iraq may have made major progress in developing dry, storable, biological micropowders that would be far more lethal than the “wet” agents available at the time of the Gulf War. They doubt that Iraq can tactically deliver “dusty” chemical and biological weapons that can defeat most US protection systems, but note that Iraq has conducted research in these areas.

There is a broad consensus that Iraq can deliver significant amounts of CB agents using artillery rounds and rockets, and is capable of equipping forces for highly lethal covert attacks.

- **An Iraqi urban warfare or redoubt capability would be another dangerous case.**

Extended urban warfare would create major military and civilian casualties on both sides, and greatly increase civilian casualties and collateral damage. The situation would be particularly serious if Iraqi forces throughout the country maintained control of all urban areas and rallied to Saddam for nationalistic or other reasons. The US attack plan does not seem to be sized for this contingency.

It is important to note in this regard that the US may assume that urban warfare can be limited to the Sunni areas most loyal to Saddam – an area normally said to include the area in north-central Iraq around Baghdad, and which includes the area west of Ar Ramadi, Bayji and Kirkuk (which shield Tikrit), As Sadiyah and Manadli to the east, and Salman Pak and Al Iskandariyah to the south.

One serious problem in this case is the potential use of chemical or biological weapons at the tactical level as the US is forced to concentrate for urban warfare or deal with barriers in the redoubt area. The US can probably suppress Iraqi air attacks quite well. It cannot hope to suppress Iraqi artillery except though direct defeat of the forces involved.

Other questions exist in this case as to whether the last ditch defense would include Tikrit and and/or Baghdad. Baghdad offers the best option in terms of area, places with narrow roads and access routes, existing air defenses, and access to air bases. There are two military air bases in the greater Baghdad area (Muthenna and Rasheed), Saddam
International Airport is less than five miles away from the suburbs, and Al Taji military airport is about 10 miles to the northeast.

There are exports that note, however, that Iraq’s best urban warfare strategy is national, not local and could include deliberate efforts to burn oil fields and create water barriers. Even small urban battles in places like Mosul and Basra would create serious problems for the US in terms of media images and the dispersal of forces.

Stay behind, sabotage, covert action, and rear area attacks are also ways in which to broaden the problems the US faces. So is the idea of broadly arming the countryside – knowing the regime has nothing to lose as the US advances, but the end result could “poison” the rear area security and occupation problem.

- **Factionalism and warlordism are risks during the fighting and during the peace.**

  The divisions within Iraq between Sunni and Shi’ite, along tribal and clan lines, and between Arabs and key minorities like the Kurds and Shi’ites could transform the war into internal power struggles. There are still tribal and clan divisions, and the urbanized population often behaves very differently even within a given region.

  The CIA says the population is 75-80% Arab, 15-20% Kurds, 3% Assyrian and Turcoman, but does not report on extensive intermarriage. Similarly, it says that the population is 97% Muslim, but the CIA estimates that 60-65% are Shi’ites and 32-37% Sunni. Once again, there are crossover tribes, secular vs. religious.

  Other potential fault lines include:

  - The Iraqi opposition in exile: led by the Iraqi National Congress (INC) and Ahmad Chalabi, will assume that they deserve the spoils of war; they may be present with U.S. units. They promise a broad coalition crossing the ethnic, political and sectarian elements but Chalabi and the INC are known quantities and unpopular inside Iraq.
  
  - The Iraqi National Accord: led by a former general and a Baa’th Party refugee, and other once-prominent military and political defectors will demand their share of the pie as well.
  
  - Iraq Sharif Ali, representing the Constitutional Monarchists (he is convinced that Iraqis will choose this path if only they were given the choice);
  
  - There are still tribal and clan divisions, and the urbanized population often behaves very differently even within a given region.
  
  - The Kurds have two major factions, the Barzani-led Kurdish Democratic Party and the Talabani-led Patriotic Union of Kurdistan. There are also many assimilated Kurds and some Islamist Kurds tied to Iran. The Kurds have made broad claims to the major oil fields here and in Kirkuk.
  
  - Some 65 percent of the population is Shia. Much of it is represented in the pro-Western Iraqi opposition, but other key factions include the Iran-based Supreme Council for the Islamic Revolution in Iraq (SCIRI) led by Ayatollah Muhammad Baqr al-Hakim. SCIRI forces have been able carry out minor attacks and sabotage in the Karbala shrine area to the southwest of Baghdad, and in towns nearer the
border with Iran like Al Kut and Al Amarah. There are hundreds of thousands of Iraqi exiles in Iran that may seek to return to the country,

- There are large numbers of Iraqi exiles – many Sunni – in Jordan.
- A pro-Saddam force of Iranian exiles is deployed near the border with Iran which is called the National Liberation Army has some 8,000-15,000 men and is equipped with Iraqi tanks, artillery, and BMPs.
- There are trace elements of the Turkoman, Assyrian and Christian communities. Christians are seen as largely pro-Saddam
- Defections by key Iraq commanders and their efforts to replace Saddam could lead to warlords, and the US would have particularly serious problems if such defections occurred before the US attacks or before US ground forces can secure an area. The war does not have to end with Saddam’s fall, and internal civil conflict might do more to damage Iraq’s economy and energy facilities than the US/British campaign.

**OTHER SERIOUS “WILD CARDS” INCLUDE THE ACTIONS OF IRAQ’S NEIGHBORS.**

US power and fear of confronting the US is likely to limit such “wild cards.” However, no one can be certain of how key nations will act under the pressure of war:

- **Iran seems likely to be deterred from any adventures,** either in supporting Iraq or allowing the Hakim faction to try to gain influence and control in the Shi’ite areas, but this possibility cannot be dismissed. Some Iranian hardliners feel the US is going into Iraq with Iran next in line. Others fear that the US will remove Saddam but leave a Sunni elite in change. There is the possibility that Iran will seek to influence Iraqi Shi’ites to try to create some kind of religious autonomy or power sharing based on recognition of a Shi’ite role.

- **Turkey seems likely to go along with the US,** at least in terms of providing air bases and facilities, and to avoid any effort to seek territory or to exploit the situation as long as the US prevents any Kurdish efforts at independence, makes good on its promises of aid to compensate Turley, and takes account of Turkish concern over the Turkoman issue. There are, however, risks here. Turkey has just elected an Islamic government. Substantial elements of the Turkish military do not endorse US military action, and Turkey might react to any major instability in the Kurdish security zone by occupying (or even seizing) part of Iraq.

- **The Arab states will probably go along to get along.** Bahrain, Qatar, Kuwait, and Oman have already allowed the US to build-up for such a campaign. Saudi Arabia has eased some aspects of its opposition to US use of its facilities, and has said in the past it will act to keep the oil market stable. Egypt and Jordan will probably tolerate — if publicly oppose — US/British action, and Jordan will probably host some US special forces and quietly support US transit over Jordan and efforts to seize air bases in Western Iraq.

- This Arab willingness to go along does, however, depend on the avoidance of some form of horrific incident involving collateral damage and Iraqi casualties,
any Iraqi success in a major WMD strike on Arab states, some explosive escalation of the Second Intifada or Israeli involvement in the war, and/or series of US actions and statements that seem to transform the conflict in a broader attack on the Arab and Islamic worlds.

- **Israel will act in self-defense but show restraint.** If Iraq does attack Israel, the resulting attacks probably will not produce mass casualties or any kind of existential threat. Israel will be aware that Saddam’s regime and a key threat to Israel is being destroyed and it could complicate the situation. It will carry out limited military action against purely military Iraqi targets, declaring its restraint in return for a quid pro quo in terms of added US aid.

- If, however, there are significant Israeli casualties, all bets are off. The Israeli election may also make the Israeli government less willing to show restraint, both in dealing with the Second Intifada and in striking back at Iraq.
IV. IF WAR COMES: IRAQI TACTICAL MILITARY ISSUES

The US is by far the most advanced military force in the world, and it has made immense advances in its precision strike capabilities, targeting and intelligence systems, and battle management capabilities since the Gulf War. For example, only 7% of the air munitions it used in the Gulf War were precision munitions, The figure for Afghanistan was over 70%. It has already been deploying land and air equipment into the region for over five months, and will have largely completed all preparation by early January 2002.

- **IRAQ IS A REAL MILITARY THREAT**

Iraq, however, will not be a “cakewalk.” Although Iraq’s forces have many serious defects, Iraq remains the most effective military power in the Gulf, despite the Gulf War, and the loss of some 40% of its army and air force order of battle. Iraq still has armed forces with around 424,000 men, and an inventory of some 2,600 main battle tanks, 3,700 other armored vehicles, and 2,400 major artillery weapons. It also has over 300 combat aircraft with potential operational status.

- **The Iraqi army still can deploy some 375,000 men, organized into seven corps, with two Republican Guards corps and five regular army corps.** These forces include six Republican Guards divisions (3 armored, 1 mechanized, and 2 infantry) plus four Special Republican Guards brigades. The regular army has some 16 divisions, and while 11 are relatively low-grade infantry divisions, 3 are armored divisions and 3 are mechanized divisions. The regular army also has five commando and two special forces brigades.

  There units lack modern training and the regular army units are heavily dependent on conscripts, over one third are full time regulars or long-service reservists, At least half of the regular army has manning levels of about 70% of authorized strength or lowersome infantry units have very poor manning levels, and are heavily dependant on Shi’ite, Kurdish and Turkoman conscripts, However, about half of the 23 Iraqi divisions have manning levels of around 8,000 men, and “a fair state of readiness,”Republican Guards Divisions have an average authorized strength of around 8,000 to 10,000 men, and seem to average at least 80% of authorized strength.

  The end result is a force of approximately 20-23 division-equivalents, versus 35-40 division-equivalents in the summer of 1990, and 67-70 division-equivalents in January 1991 -- just before the Coalition offensives began in the Gulf War.

- **Iraq also has extensive internal security and paramilitary forces.**

  The entire police and law enforcement system performs internal security functions, and there are parallel internal security services with units in virtually every town and city. The Republican Guards and Special Republican Guards units are specially trained for urban warfare and security operations, as well as conventional military operations, and there are three paramilitary forces. The security troops have some 15,000 men, the border guards around 9,000, and Saddam’s Fedayeen consist of 18,000 to 20,000 men.

- **The Iraqi Air force has around 30,000 men. It still has some 316 combat aircraft, although only about 50-60% are servicable.**
Senior pilots still fly 60-120 hours a year depending on the aircraft, but junior pilots fly as few as 20. Jane’s provides a different estimate number estimated to be in service are shown in parenthesis: 40(0) F-7, 30 (13) Mirage F-1EQ, 36 (15-25) MiG-21, 35 (15-20) MiG-23, 6 (3-6) MiG-25, 17 (1) MiG-29, 33 (15-18) Su-20/22, 21 (6-11) Su-25, 2 T-22, and 3 Tu-16.iii

Air Force air-to-air and air-to-ground training is limited and unrealistic. In the past, command and control has been over-centralized and mission planning has often set impossible goals. The two No Fly zones have further limited air training and combat experience. There are no modern airborne sensor, command and control, or intelligence capabilities, other than a small number of UAVs. Air control and warning is still heavily dependent on outdated ground-based intercept capabilities. The Air Force has, however, practiced penetration raids by single low-flying aircraft, and has shown that it can conduct independent offensive operations at the small formation level.

- **The heavy surface-to-air missile forces of the Air Defense Command are still organized into one of the most dense defensive networks in the world.**

There are four regional air defense centers at Kirkuk (north), Kut al Hayy (east), Al Basra (south), and Ramadia (west). Major command facilities are underground and hardened. Additionally, there is a network of redundant radars and optical fibre command links. Reports differ over the extent to which China has helped Iraq create a modern and highly survivable optical fibre command net. There are unconfirmed reports of more modern radars being smuggled in from the Ukraine.

Iraq has learned to rapidly move its fire units and sensors, use urban cover and decoys, use “pop-on radar” guidance techniques, and optical tracking. Its mix of SA-2s, SA-3s, and SA-6s is badly outdated, but some modifications have been made. Iraq has developed some countermeasures to US anti-radiation missiles since the Gulf War, and has recently begun to get significant equipment through Syria.

The system is backed by extensive low-altitude anti-aircraft (AA) guns, and SA-8b, SA-11, and SA-13 short and medium range missiles. The Sterla 2 and 10 (SA-7 and SA-10) are used for terminal defense of key buildings.

Iraq has learned a great deal about land-based air defense operations from the Gulf war and more than ten years of operations against the US and British aircraft enforcing the “No Fly Zones”. Iraq provided significant aid to Serbia in air defense tactics during the fighting in Kosovo, and helped Serbia make effective use of decoys, “pop-on” and remotely linked radar activity, various ambush tactics, and the use of deployments in civilian areas.

Iraq is certain to have developed contingency plans to move and disperse some elements of its land-based air defenses in the event of a major US-led attempt to overthrow the regime, and to try to concentrate such defenses to protect the regime and try to use them to partially compensate for the lack of an effective Iraqi Air Force.

- **The 2,000 man Iraqi Navy has never been an effective force and was devastated during the Gulf War.**
It now has only 6 obsolete Osa and Bogomol guided missile patrol craft, and three obsolete Soviet inshore minesweepers. Iraq does, however, retain all of the shore-based Silkworm and other anti-ship missiles it had at the time of the Gulf War, and extensive stocks of mines -- some of them relatively modern and sophisticated. The US, however, never succeeded in targeting land-based Iraqi anti-ship missiles during the Gulf War, and the US and British Navies entered Iraqi mine fields without detecting their presence.

- THE FOLLOWING “INTANGIBLES” AND UNCERTAINTIES REGARDING IRAQI TACTICAL WARFIGHTING CAPABILITY INEVITABLY AFFECT ANY ASSESSMENT OF WAR FIGHTING SCENARIOS”
  
  o Impact by combat element of more than 10 years without open access to world arms market,
    o Limited discretionary funding for force maintenance and modernization;
    o Inability to react to lessons of the Gulf War and other recent wars.
    o Limited ability to smuggle in parts, weapons, and munitions and problems in coherent smuggling, service, and modernization.
    o Systems integration problems for awkward fixes, mix and match approaches.
    o Risk of “sucker’s bets” like Ukrainian radars.
    o Uncertain sustainability of current stock of munitions and spare parts.
  
  o Quality of training, and leadership experience by unit and force element.
    o Gulf War showed dangers of rigid fixed TO&E approach to Iraqi army.
    o WWI approach works better in developing world.
    o Cannot count on divisional cohesion.
    o Forward defenses in Gulf War showed remarkable differences. US intelligence failed to spot.
  
  o Reliance on a rigid logistic system,
    o Emphasizing “flood forward” techniques to make up for a lack of response to the needs of commanders and the tactical situation by moving supplies forward in large amounts, regardless of the immediate need.
    o Probably will try to solve this war’s problems by using cities as depots, strong point defense.
  
  o Progress in reducing the past rigidities and over-centralization of the command system, and its failure to allow for independence of action.
    o Current status of joint warfare and combined arms expertise, and improvement in such expertise, if any.
  
  o Lack of training for night warfare, lack of night vision aids.
- Thermal range issues.
- Open warfare.
- Night warfare
- **Ability to make effective use of water barriers and earth barriers;**
  - Ability to tie combat engineering to real world military tactics in the face of US airpower and helicopter mobility.
  - Cohesive maneuvering capability and ability to use helicopters to overcome water barriers and to reinforce.
- **Problems in beyond visual range combat capability:**
  - Helicopters, UAVs limited and not survive.
  - Little tactical artillery experience.
  - Cannot characterize movements, maneuver.
  - Very heavy reliance on cell phones, media, otherwise trivial data sources.
- **Since 1991, improvements in artillery tactics and methods to acquire long-range targeting capabilities and manage and switch fires.**
  - Limited advantage of weapons range.
  - Al Fao gun limits.
  - Mass arty versus maneuver.
  - Urban?
- **Ability to effectively deploy and concentrate air defense assets for tactical purposes, versus exploit largely fixed SA-2/SA-3, and SA-6 system.**
  - Short and medium-term wartime survivability of heavy surface-to-air missile defenses.
- **Real-world ability to execute urban warfare and military operations in built up areas;**
  - The ability to shelter in populated areas, and use human shields, without popular uprisings or action.
  - Impact of ethnic divisions, tribal loyalties, etc. in given areas.
  - Knowledge of terrain vs. night vision, BVR, precision artillery.
  - Problem of decoys, hostages, collateral damage.
  - No great US ability in BDA/Targeting – Strategic-interdiction problems.
  - What happens if combine CB weapons and urban warfare.
- **Real world value of hard targets in terms of deep shelters.**: Advantage or trap.
- Level of improvement in air operations and in ability to conduct effective air-to-air and air-to-ground combat using dispersed forces capable of independent operations.
  - Probably non-issue
- Efficiency of dispersal techniques and human shields, plus decoys and deception, in limiting the efficacy of US intelligence and strategic reconnaissance (ISR), targeting, and air strike capabilities.
  - War of images problem.
  - US failed to counter charges on civilian deaths, collateral damage.
  - Targeting, BDA a major problem area.
- Planning and real-world capability to execute asymmetric warfare, covert warfare, and use terrorist proxies.
- Effectiveness of the security and paramilitary forces in the face of any serious popular opposition.
- Size and effectiveness of Iraqi opposition forces, if any.
V. IF WAR COMES: HOW THE US AND BRITAIN WILL FIGHT

US and British war plans are likely to evolve steadily over time if the UN disarmament effort is successful for any extended period of time. Enough reporting has emerged, however, to provide a reasonably good picture of how the US and Britain now plan to fight.

• THE CURRENT US AND BRITISH WAR PLANS

If the US and Britain execute their present war plans, the most likely attack is a US and British land-air offensive that begins with an intensive air campaign launched from bases in Turkey, Bahrain, Kuwait, Qatar, and Oman. These will be supported from bombers flying from Diego Garcia, the UK, and US, by four carrier task forces, and by extensive cruise missile launch forces.

Key targets will include leadership centers, facilities and forces capable of using weapons of mass destruction, key hardened and underground command centers, major communication systems, military POL facilities, the major security forces headquarters and facilities, and the core strength of the Special Republican Guards, Republican Guards, and key regular Iraqi divisions believed to be loyal to the regime. The suppression of surface-based air defenses will have high priority. So will the suppression of Iraqi air and helicopter forces, but this is seen as much less challenging than suppressing Iraq’s surface to air missiles.

The US and Britain will have at least three heavy division equivalents ready to move through Kuwait plus extensive light forces and attack and assault helicopter forces. Special forces will enter Iraq early in the air campaign to help suppress Iraqi missile launches and weapons of mass destruction, and seize air bases. There is a significant probability that Jordan will provide some facilities for such operations and that the US will quietly overfly Israel and Jordan.

Some reports also indicate that the US and Britain intend to deploy the US 101st Airborne Division and similar British forces into Northern Iraq through Germany and Turkey. These forces would secure the region, acquire air bases, take advantage of the Kurds and any Iraqi defections, and prevent any Turkish action in the area. US Marine and British forces would also seek to rapidly seize air bases in the south in the desert areas on the periphery of Basra, both to ease the basing problem and deter Iranian adventures.

The US and Britain will rely heavily on air power to destroy the regime’s ability to control the country and armed forces. It will seek to isolate ground forces outside the regime’s centers of power and push them to defect. It will rely on speed and shock and will bypass Iraqi resistance in areas of secondary importance. Rather than divert ground forces to securing the flanks and rear areas of its main advancing thrusts, it will use airpower. Civil-military units, special forces, and rangers will provide an immediate security, occupation, and humanitarian relief effort as US forces advance.

The US will actively seek to avoid Israel involvement by suppressing Iraqi Scud-launch capabilities and will be prepared for CB warfare. It will also be prepared for major bridging operations, and urban warfare in key areas.
A major force protection and Homeland defense effort will take place. This could involve a large call up of the National Guard.

- **These war plans raise the following issues regarding the US strategic position and the limits to US and British warfighting capabilities.**

For all their military capabilities, the US and Britain still face the following major strategic and tactical uncertainties:

  - **Access to Basing,**
    - Continued cooperation of key allies and tolerance of Saudi Arabia.
    - Reliance on Kuwait for all major initial ground movements.
    - Fact US and UK saturated all air basing in Southern Gulf in Gulf War. Had 23 based, and 11 of the largest and best were in Saudi Arabia.
    - European overflight, staging, and transit rights could be uncertain in some cases.
    - Ability to rapidly seize air and other bases in Western, northern, and southern Iraq.

  - **Need to Fight by a Different Standard,**
    - Certainty of hostile regional media and problems with civilian casualties and collateral damage.
    - Need to provide immediate security and humanitarian assistance in occupied areas.

  - **Real World Efficiency of Precision Strike Capability,**
    - Lack of proven strategic and interdiction bombing doctrine.
    - Difficulty in deal with hard and sheltered targets.
    - Problems in targeting dug-in and scattered infantry forces.
    - Problems raised by decoys, use of human shields, collateral damage.
    - Weaknesses in battle damage assessment and targeting capability, decision-making cycle, and ISR “jointness.”
    - Uncertain ability to locate, target, and suppress or destroy Iraqi forces with missiles and weapons of mass destruction.

  - **Capabilities for Urban Warfare and Combat in Built-Up Areas,**
    - US advantages in night vision, precision strike, and ISR versus Iraq defensive positions, knowledge of terrain and possible numbers.
    - Ability to bypass Iraq strong points by land and pin down Iraqi forces and isolate them using US airpower.

  - **Capabilities for Bridging and Rapid Maneuver,**
0 US advantages in using helicopters, speed, and new bridging equipment versus Iraqi exploitation of terrain and water barriers.

0 Ability to use air power to substitute for ground forces in securing rear areas and the flanks.

0 Ability to sustain rapid armored movement and use attack helicopters and lift to leapfrog and bypass Iraqi forces.

0 **Capabilities for Summer and High Temperature Warfare.**

0 US advantages in using helicopters, night vision and thermal sights, and air-conditioned combat vehicles versus difficulty of maneuver, water problems and heat.

0 Special problems of potentially having to use protection gear and decontamination systems in summer.

0 **Capabilities for Chemical and Biological Warfare.**

0 Shortfalls and problems in detection and characterization systems and in protection gear, decontamination equipment.

0 Lack of effective missile defenses, problems in Patriot system.

0 Uncertainties surrounding ability to detect and suppress or destroy Iraqi Scud, rocket, and air attacks.

0 Problem of CB warfare in urban areas.

0 **Force Protection and Homeland Defense Capabilities.**

0 Difficulty of securing forces and facilities against sabotage and attacks.

0 Possible covert attacks on US and British homeland.

0 Spillover into attacks on Gulf oil facilities, desalination, etc.

0 Uncertain role of proxy or pro-Iraq independent terrorists.
VI. WAR FIGHTING SCENARIOS

Given this background, it should be clear that no one can predict the exact nature, time, and intensity of the fighting. In fact, it is impossible to predict whether there will be fighting, particularly in the context of present political, military, and economic conditions. (What is the energy market and global economy like if the war begins in August 2004?)

It should also be clear that scenarios must be based on somewhat arbitrary sets of independent variables that are logically groups to illustrate the possible outcomes of the war. Put differently, there is a nearly 100% probability that actual combat will not neatly conform to any scenario developed before the war, and that some variables postulated in one scenario will actually prove to be most important in another.

The convenient corollary of these uncertainties, however, is that expert arguments over how to structure given scenarios are largely irrelevant. One should not have to be an expert in complexity theory to understand that arguing over the probability of any given mix of low probability events actually occurring in the postulated way is largely a waste of time.

In broad terms, it is still possible to talk about three major sets of outcomes and scenarios that help bound the analysis of economic effects provided that the US and Britain are able to choose the moment and way in which they go to war.

- **BEST CASE: IRAQ ONLY/QUICK VICTORY**

  The best and most probable case (40-60%) is the one in which the US and Britain win a quick and decisive victory in a period of 4-6 weeks. In this case, the fighting would have the following major characteristics:

  o Quick, decisive victory in 4-6 weeks.
  o Shock and are key, not killing mechanisms or destruction.
  o Regime largely collapses.
  o Minor urban fighting localized to a few areas and regime loyalists like Saddam’s feddayeen and Special Republican Guards
  o Limited civilian deaths and little, if any, critical collateral damage or loss of key infrastructure,
  o No meaningful Iraqi use of WMD against U.S. troops, Israel, or region.
  o No escalation of 2nd Intifada,
  o No major problems with any ally, or complications from Israel, or Iran.
  o UN passive, or supports US and British operations.
  o No reduction in oil production/exports by OPEC, and Saudi Arabia both increases production and gives some forms of covert military support.
  o No major popular challenges in allied countries to the US presence or friendly regional governments.
- No major force protection attacks or major sabotage or covert attacks in friendly countries.
- No major acts of terrorism or covert attacks in the US, UK, or allied countries.
- Ends with US in control; no major factional divisions or warlords. No defections or rival power centers challenging US/UK ability to have Iraqi’s work out some kind of effective republic or federal arrangements.
- No long-lead or significant damage to oil producing capacity in Iraq, or elsewhere.

It does not take great vision to say that this list is too good to be true. At the same time, the fact that real-world problems are certain to emerge in some areas does not mean that this case will not occur in general terms or that the war should be approached as if major problems would occur for the oil industry or global economy.

Perhaps the key caution is that to the extent the market operates on the basis of “fools rush in” or “panic whenever you don’t understand what is happening,” there will be some incidents, moments when the war appears to go wrong, friction with our allies, etc. Since some investors and energy executives always panic in a perceived crisis, and there will be incidents, the question is how much do stupidity and over-reaction matter?

**Intermediate Case: Light Damage to Oil Facilities/Oil Market Becomes Politically Unstable**

It is all too easy to describe a case in which things go moderately or seriously wrong. Such a war has a moderate probability (30-40%), and could extend the fighting to 6-12 weeks, although time may not be the key variable. The US is more likely to escalate its way out of its military problems than to accept a longer war. Even in the case of urban warfare, brief periods of intense escalation tend to be more decisive with less cumulative casualties and collateral damage than slower and less intense combat that may do less damage on any given day.

The problem lies in giving some mix of such events a meaningful probability and bundling them into given sets of variables. There is no way to do this in predictive terms, but it is possible to do so in ways that illustrate a possible case.

Risk analysts must, however, understand what this really means. From the viewpoint of risk analysis, the focus should be on the variables, and not on the bundle or package. The question is which “go wrong” would really matter and how wrong really matters. In this sense, effects-based analysis is more important than the scenario. It is a historical reality, however, that it is more probable that several things will go moderately wrong than one variable will go so wrong that it drives the entire scenario.

One possible way of grouping the key variables would be a scenario in which:

- There is unexpectedly protracted military resistance in Iraq
- Low-level civil tensions and clashes occur in Iraq after the main fighting ends in given areas. Some terrorist attacks on U.S. forces, allies, or interests.
o A major covert effort to attack targets in the US and UK is discovered but either prevented or damage and loss of life is limited.

o Shock and awe are still are important but the active US and British use of killing mechanisms and actual destruction are far more important than in the previous case.

o Regime control better than think, key elements of people more loyal.

o Serious urban warfare in some areas, particularly Sunni corps. Localized to hostiles.

o Moderate civilian deaths,

o Serious collateral damage to Iraq infrastructure, and some aspects of Iraq’s oil and petroleum facilities.

o Iraq attacks oil facilities in region, with limited damage but serious political and economic effects.

o Iraq makes limited tactical or largely ineffective strategic use of WMD – effects more in delaying troops, panic, tensions with Israel than war fighting.

o Escalation of the Second Intifada, or serious parallel images of Palestinian suffering

o Iraq attacks Israel, U.S. troops but not with WMD effective enough to trigger a major response or have highly lethal effects

o There is limited Israel intervention in war; rising political unrest in region. However, Israeli activity is limited to retaliation at the conventional level and focused on attacking the Iraqi regime and military.

o Minor Turkish and/or Iranian adventures in northern Iraq or the Shi’ite areas in the south.

o Passive Saudi cooperation, and oil production is increased, but slowly and there are political complications.

o Iraq is much more successful it exploiting the images of Iraq suffering. The Arab and much of the European media are filled with negative images n: Collateral damage, civilian deaths, Iraqi “Jenins.”

At least some of these cases are likely to emerge in some form, with a timing and intensity that no one can predict. It is very unlikely, however, that all will ever emerge in any form. Furthermore, one reason for focusing on the previous issues and uncertainties is that no scenario can include all of the variables that might have a major impact. There are more “wild cards” than can ever be bundled into one scenario.

This case also illustrates the fact that the will be real moments during the fighting when markets cannot anticipate the outcome. Unlike the false panics in the Best Case scenario, the variables in this case may actually have a substantive impact on energy availability. They would sharply raise the cost of a war, and they could involve very serious internal problems in the US and UK as both nations try to react in terms of Homeland Defense.
The “Anthrax Panic” of 2001 might be a “cakewalk” compared to the reaction to any major Iraqi or pro-Iraqi attack in the US or Britain.

**THE “WORST CASE:” ENOUGH GOES WRONG TO HAVE A MAJOR GLOBAL IMPACT**

“Worst Case” scenarios are always relative. In the real worst case, we are all already dead. The problem again is in identifying which variables should really be considered in a case that is designed to illustrate the more serious problems that can occur.

There are no magic answers. Things can go terribly wrong and such cases probably have a probability of around 10%. In general, however, things go terribly wrong because people acting at the time ignored what turned out to be a key variable or fundamentally misunderstood it. It should be noted in this regard that terms like “crisis avoidance” and “crisis management” tend to be mathematical oxymorons from the standpoint of probability theory.

We do, however, already know that some very important things can go wrong, and one possible combination might include a scenario in which:

- Protracted military resistance takes place in Iraq. There is intense urban warfare in more than one part of the country. There are significant casualties, collateral damage, major US reinforcements required. Costs escalate sharply.

- There are major US and/or British casualties, and serious political problems develop with anti-war movements.

- The Iraqi people become actively hostile to the US and Britain at a broad popular level. Arab and global media clearly communicate this. The US loses support in the UN.

- Britain, Turkey, or one Gulf ally drops out/turns off.

- The Second Intifada blows up as the US and Britain are fighting. There is a coup attempt or successful coup attempt in Jordan.

- Saudi Arabia cease to cooperate in on oil production, and firmly closes its airspace...

- Iraq attacks oil facilities in region with WMD. There is significant damage and/or contamination of key export and/or production facilities. This leads to a broad political and economic crisis, as well as with the target country.

- A similar Iraqi attack is successfully directed at Arab/Turkish bases, cities, or desalination facilities.

- Iraq attacks U.S. troops with WMD in attacks effective enough to trigger a major response or have highly lethal effects.

- Iraq proves able and willing to conduct sustained CB attacks on US forces operating in an urban environment.

- Iraq attacks Israel with WMD in attacks effective enough to trigger a major response or have highly lethal effects.
The Iraqi attacks on Israel provoke serious Israel intervention in war, and at least the tacit Israel threat to use weapons of mass destruction, creating massive political unrest in region.

- Serious terrorist attacks take place on U.S. and British interests in the region.
- Iraqi – or its proxies or sympathizers -- is successful in carrying out a World Trade Center level covert attack(s) in the US and/or Britain.
- Significant civil conflicts develop in Iraq during the military conflict. The US is unable to control these conflicts, or intervene without appearing to attack Iraqis claiming their own independence.
- The US civil-military and humanitarian effort proves to be horribly inefficient or inadequate. The US is seen as the cause of massive Iraqi suffering.
- Turkey intervenes to prevent Kurdish separatism and does not retreat and/or Iran actively intervenes in the south.
- The war has serious lingering effects in terms of the need to repair oil facilities, collateral damage and infrastructure.
- There is an enduring human tragedy in terms of medical complications.
- The US and UK not only face a hostile Iraqi population, but years of broader Arab hostility. The result actively discredits the US in many other countries, its ability to attract allies, and its international freedom of action.

There is virtually no chance that this particular mix of events will happen. This list deals largely with individual variables, and the chances of everything going this wrong are miniscule. At the same time, history is filled with unpredicted worst cases that did happen. The real issue for risk analysis is which possibilities are most important and how the world would react to an extended, far more intense war, with at least some of the characteristics of a political defeat.
VII. KEY WARTIME UNCERTAINTIES AND EFFECTS

Seen from this perspective, the key wartime uncertainties and effects may be summarized as follows:

- **THE WAR AGAINST IRAQ AND IRAQI RESPONSE**
  - Speed and cost of victory
  - Civilian casualties and collateral damage.
  - Divisions and factions within Iraq; rise of “warlords”
  - possible Iraqi attack against oil facilities in region
  - possible Iraqi destruction of Iraqi oil fields and facilities.

- **IRAQI USE OF WMD**
  - Level of effectiveness.
  - Strikes on oil or critical facilities in the Gulf.
  - Use against allied troops.
  - Use against Israel

- **ISRAELI RESPONSE**
  - no use of conventional weapons or WMD against Israel; no Israeli involvement
  - Use of weapons with limited effectiveness.
  - use of effective WMD against Israel and Israeli response.
  - Status of peace talks and Second Intifada.

- **RESPONSE OF KEY EXPORTERS AND OPEC**
  - oil producers make up for lost Iraqi oil production
  - oil producers do not make up for lost oil production
  - oil producers impose embargo/cut oil production
  - response to damage to Iraqi fields
  - response to damage or threat to other Gulf oil facilities.

- **REACTION IN FINANCIAL MARKETS AND BY ENERGY CONSUMERS**
  - Level of panic buying
  - Perception of global economic impacts.
  - Role of IAEA and SPR
  - Effect on global equity markets and risk premia
• **POLITICAL REACTION OF ARAB COUNTRIES**
  o limited domestic political unrest
  o significant political instability/increased power of extremists

• **REACTION OF OTHER KEY NEIGHBORS:**
  o Iran
  o Turkey

• **TERRORISM RESPONSE**
  o no increased incidence of terrorism against U.S. interests
  o increased incidence of terrorism
VIII. KEY ISSUES AFFECTING CONFLICT TERMINATION AND POST WAR ECONOMIC EFFECTS

War is an extremely serious business, and pre-war risk analysis inevitably focuses on what might happen during a conflict. History shows, however, that even the most dramatic military victory merely defeats the enemy, it does not shape or win the peace. With few exceptions, the uncertainties and problems of peace also last longer than those of war. Moreover, nations and societies have tremendous resilience, and reassert their character over time. Wars do not end all wars or make the world safe for democracy. In general, they at best defeat internal forces in ways that allow nations to follow a better path in shaping their own destiny.

In the case of Iraq, the US and Britain are dealing with a highly nationalistic society with little tolerance of any vestiges of colonialism, but with deep divisions, many reasons for internal feuds and revenges, and tensions with its neighbors that will not disappear with Saddam Hussein.

It is a reality that unless the US and Britain approach any victory as partners in allowing the Iraqis to shape their destiny, they are likely to quickly be seen as enemies. Even the best intended effort can make enemies out of some factions, and the Arab world and the rest of the world will set very demanding standards. In short, the war isn’t over when Saddam is gone and the major fighting stops. There is a very high probability that the world faces years of tension and uncertainty as the internal future of Iraq is decided, and as it establishes new relations with the West and the nations around it. Put differently, the hope for quick post-war stability is probably futile.

The following key variables will help determine the outcome:

- Quality of US/British-international planning for peace making and nation building
  - Effectiveness of peacekeeping and intervention to bring Iraqi factions together.
  - Humanitarian and economic aid.
  - Ability to limit interference by neighbors, minimize regional competition for influence in Iraq.
  - Ability to restructure Iraqi economy away from command to modern economy.
  - De-Saddamization of the state system, including national oil company.
  - Legal status of Iraq as new or inheritor state and impact on debt, reparations, and existing contingency and ongoing contracts.
  - How the Iraqi oil industry is reshaped, repaired, renovated, and expanded.
  - Role of Iraq in OPEC
  - Status of damage to non-Iraqi facilities in the region.
Arab and Islamic perceptions of war, conflict termination, and nation building effort – pro or con.

Broader Political ramifications in the region.

Post conflict terrorism response if any

It is very difficult to make predictions. The Bush Administration has set only vague goals for the aftermath of the war, and there are deep divisions within the Administration over what the President should say. There are neoconservatives who believe the US should occupy and reshape Iraq into a modern democracy and that the example will catalyze region-wide change. There are many area experts who believe that (a) the US must rely as much as possible on the Iraqis themselves, and (b) other states are not going to be heavily influenced by internal political developments in Iraq.

THERE IS GROWING TALK WITHIN THE ADMINISTRATION OF THE NEED TO CREATE SOME FORM OF REPUBLIC BUT:

There are deep divisions within Iraq and it is far easier to talk about creating a new structure than get the Iraqis to reach a lasting agreement:

Outsiders vs. Insiders: INC, INA, Hakim: Enemy of our enemy is not our friend.

The national "interests" include conflicting political lifestyles, competing economies based on the same resource or lack thereof-oil, sectarian and tribal enmities, and level of comfort in a prolonged U.S. military presence in the region.

Of Iraq's 23 million population, more than 3 million are in exile today, primarily in Jordan, Europe, and the United States. Many of them represent the cream of Iraqi society-its scholars, writers, scientists, intellectuals, technicians, and craftsmen.

The wars and the long years of sanctions have decimated the ranks of Iraq's middle class-the talented, educated, doctors, lawyers, professional bureaucrats and civil servants-who ran the government civil service, schools, offices, and hospitals.

Those who remained belonged to the Baa’th Party, but most were probably members for the perquisites a Party credential guaranteed-education, careers, and the promise of a secure future, albeit one in a dangerous political environment.

INSIDERS VERSUS OUTSIDERS

Major factions already exist which could lead to future instability:

The Iraqi opposition in exile, led by the Iraqi National Congress (INC) and Ahmad Chalabi, will assume that they deserve the spoils of war; they may be present with U.S. units. They will promise a broad coalition crossing the ethnic, political and sectarian elements that comprise
Chalabi and the INC are known quantities and extremely unpopular inside Iraq.

The Iraqi National Accord, led by a former general and a Ba’ath Party refugee, and other once-prominent military and political defectors will demand their share of the pie as well.

Iraq Sharif Ali, representing the Constitutional Monarchists (he is convinced that Iraqis will choose this path if only they were given the choice);

Kurds representing the 2 major factions, the Barzani-led Kurdish Democratic Party and the Talabani-led Patriotic Union of Kurdistan

65 percent of the population that is Shia, represented by the Iran-based Supreme Council for the Islamic Revolution in Iraq (SCIRI) led by Ayatollah Muhammad Baqr al-Hakim;

Trace elements of the Turkoman, Assyrian and Christian communities.

Moreover, coalitions have an unlucky history here-none have survived long enough to govern, the last being the 17 July 1968 coalition that the militant Baptists and Saddam Husayn replaced 2 weeks later.

**FEDERALISM AND SOLVING SECTARIAN AND ETHNIC PROBLEMS:**

Iraq will face related problems in trying to restructure its government to deal with regional, sectarian, and ethnic divisions:

- Iraq has no democratic tradition-not under the British, not under the King, and certainly not under the authoritarian military- and party-dominated regimes that have ruled Iraq since 1920.
- No political parties, and serious risk of service politics.
- Mutually conflicting lines of demarcation, particularly over oil and oil revenues.
- No rule of law, functional legal system.
- No stable pattern of separation of executive and legislative. Both presidential and parliamentary systems offer risk of Saddam B, or one man, one vote, one time;
- It will have to build a new political institutions that are democratic, pluralistic, transparent, and diverse. At the same time, Iraq's Kurds talk about federalism and many outside Iraq believe Iraq can be easily divided among its ethnic and religious communities.
- It cannot be so easily divided. Kurdish and Arab areas seem reasonably clear-cut until one hears the Kurds' demand for control of oil-rich Kirkuk, claimed also by the Turkmen and controlled by the Arabs.
- Iraq's Sunni Arabs are probably the most concerned about the implications of any democratization, pluralism, or federalism. Only 17 percent of the
population, they have ruled Iraq since Ottoman times and many tend to regard the Shia and Kurds as irrelevant.

- Many Iraqis, and not just Saddam or his Ba`thist minions, still believe Kuwait should be the 19th province someday. They also harbor deep distrust of Iran.

  **THE MILITARY AS AN INSTITUTION REMAINS RESPECTED IN IRAQ**

Restructuring the security and military forces will present both regional and internal problems:

- To reflect the shape of the new government, it will have to be turned into a more diverse institution-bringing in once again Kurdish and Shia recruits into all echelons of the military.
- Some Kurds were/are among the senior ranks now but the number is not known;
- Shia recruits were nearly 80 percent of the regular army but few made it to the Republican Guards or senior leadership.)
- Under Saddam the Iraqi Regular Army was stripped of its status, prestige, and weapons and subordinated in the 1980s to the Republican Guard, whose members are recruited from especially loyal Sunni Arab tribes, including the al-Ubayd, al-Jabbur, al-Shammar, and al-Ani.
- Virtually untouched by the Kuwait War-they were withdrawn from Kuwait to Baghdad-they emerged from the war with whatever was left of military hardware, continued to train, and effectively put down the rebellion in southern Iraq.
- They were prevented from similar success against the Kurds only by Operation Provide Comfort (now Northern Watch).

  **SADDAM HAS RECENTLY TURNED TO TRADITIONAL TRIBAL CHIEFS AND LEADERS, ESPECIALLY OUTSIDE THE LARGE CITIES AND IN THE MORE ISOLATED SOUTH AND WEST.**

Tribal issues could be a problem:

- Saddam restored tribal rights to administer local justice and impose taxes so long as they did not contravene national law and maintained law and order. tribal elements manned local police and security posts and that the national police and security organizations manned border posts, major
- Baath Party members once patrolled the streets of the cities and helped maintain law and order, but some sources report that since the Kuwait War and imposition of sanctions these Iraqis are too busy working 2 or 3 jobs to feed their families and too demoralized to care.
**ECONOMICS MAY BE MORE URGENT THAN POLITICS:**

Even if the war is not highly destructive, there are likely to be immediate economic problems and internal debates. Iraq now has a large escrow with the UN because of “oil for food,” but it must now deal with the following realities:

- History shows cannot trust any aspect of international aid pledges and operations.
- Dependent on oil for food and black sector to operate. Heavily dependent on food imports since late 1970s. Some estimate a 70% dependence on food imports once the economy recovers.
- Medical and educational crisis.
- Many artifacts of a command economy that has been centered around a dictatorship for three decades.
- Some solid economic institutions but no real market system in terms of distribution, banking, uniform commercial code, insurance, interest.
- Industrial development is weak and has a poor history. At peak, in 79-81, imported Egyptian Fellahin for agricultural labor, turnkey projects with no market need, and foreign labor.
- Steady decline in relative wealth since 1982, not 1991; 70% of cut in GDP per capita before Gulf War.
- Oil revenue and development issue is critical, as is sharing revenue, but NIOC has its thugs and killers. Saybolt indicates waterflooding and overpumping; 24 of 73 fields working, and 20-40% of wells at risk.
- Critical issue of successor state: $140B in debt. $100B plus in reparations. Oil contingency deals for 12 years with Russia, AGIP/TOTAL/Fina.

**DISARMAMENT COULD BE AN ONGOING PROBLEM**

The US can probably get rid of existing Iraqi capabilities, but not destroy the technology base and dual use facilities will present a major problem. Iraq will retain the ability to rapidly go back to biological and chemical weapons and will exist in a region where most other major local power already proliferate.

Estimate first provided by USCENTCOM in June, 1996 plus interviews.