

A PROBABLE WAR NEXT YEAR – WITH A BULLISH OUTCOME

There's an 80 percent chance that Saddam Hussein will be thrown out of power by next June. President Bush's speech in Cincinnati tonight may well have raised those odds. If Hussein doesn't accept timely exile by then – perhaps to Morocco, Algeria, Mauritania, or Belarus – he likely will be captured or killed by Iraqi resistance fighters, his own military commanders, or American forces. As the Washington rumor mill buzzes with warnings that Hussein has biological weapons that could kill one million Americans, George Bush has no choice but to act.

Skeptics who doubt that Saddam threatens world peace have no answer to the question: Why has Hussein absorbed \$160 billion in lost oil revenue due to decade-old, unrelenting economic sanctions if he isn't breaking international law by surreptitiously building exceptionally dangerous illegal weapons?

Intelligence experts agree that Iraq does not yet have a nuclear weapon. It's not for a lack of trying. In 1991, UN inspectors and the International Atomic Energy Agency began dismantling Iraq's nuclear weapons program, which was only two years away from success. Since the inspectors left in 1998, Baghdad has had four years to reconstitute a team of scientists and engineers to replace what the UN destroyed. A recent unclassified CIA analysis argues that Iraq could produce a nuclear bomb within a year if it were able to purchase weapons-grade fissile material on the black market. Believing in self-help, Saddam is thought to be making his own supply of enriched uranium by means of electromagnetic isotope separation or gas centrifuge. It could take him four years to achieve his goal this way.

As Saddam Develops a Nuclear Option, He Rebuilds His Chemical/Biological Threat

While Saddam does not yet have the bomb, experts believe he has extensive chemical and biological weapons. He had them before. Iraq claims that the chemical weapons that killed or injured more than 20,000 victims, along with biological weapons first tested in 1985, were destroyed by UN inspectors, or even by Iraq itself. Even if these claims are true – and many experts doubt that all of Saddam's stockpiles were discovered – Hussein has the production facilities and knowledge base to replace what he was forced to dismantle. He has had four years to do so, and the technological requirements for achieving these goals are easy compared to building a bomb.

Iraq's History of Chemical and Biological Weapons Research

Weapon/ Impact	Production Began	Results of UN Inspections	Current Intelligence Conclusions
Chemical Weapons		UN inspectors supervised the destruction of more than 40,000 chemical munitions	Iraq has stockpiled between 100 and 500 metric tons of chemical agents that can be delivered by bombs/rockets
Tabun/ nerve gas causes skin and respiratory complications, coma	1970s	Iraq abandoned R&D due to production problems; 30 tons destroyed by UNSCOM inspectors from 1992-98	Last known use was 1987, against Iranians
Sarin/ nerve gas causes respiratory complications or failure, coma	1980s	Iraq abandoned R&D due to production problems; 70 tons destroyed by UNSCOM inspectors from 1992-98	Intelligence indicates that Iraq has continued research on Sarin to overcome production flaws
Mustard Blister Agent/ causes eye, skin, throat irritation	1981	Production of 2,850 tons declared to UN in 1995; 600 tons destroyed by UNSCOM inspectors from 1992-98	There is no evidence that all produced mustard was used in warfare or destroyed
VX/ a potent nerve gas that induces respiratory failure	1987	Iraq admitted to having 3 250-gauge aerial bombs in 1995; 25 tons remain unaccounted for	There is no evidence that the missing 25 tons were destroyed
Bioweapons		In 1995, Iraqis admitted to having a large-scale production history; UN experts estimate that Iraq produced 2-4 times more agents than it declared	Intelligence indicates that legitimate vaccine and pesticide plants could be quickly converted to BW production facilities
Inhalation Anthrax/ breathing problems and shock, often leading to death	1985; field trials by aircraft done in '91	8,500 liters declared to UN; Iraq claims all anthrax was destroyed in Gulf War or by Iraq in July 1991	Iraq has the resources to quickly mass produce anthrax in concealed or mobile laboratories
Aflatoxin/ organ failure, cirrhosis, cancer	1988; field tested in rocket bombs during 1989	2,200 liters declared to UN; Iraq claims all Aflatoxin was destroyed in Gulf War or by Iraq in July 1991	Intelligence agencies believe that Iraq still has an aflatoxin stockpile and bombs to deliver the agent
Ricin, a castor oil processing residual/ organ failure	Field tested in artillery shells in '89	Iraq admitted testing Ricin as a BW; inspectors supervised castor oil production until '98	Iraq currently produces large amounts of castor oil to use as brake fluid

Sources: The Central Intelligence Agency, The Heritage Foundation

Why is Bush Waiting?

If an invasion proves necessary, the odds are against it beginning before February. First, it's likely to take until then for the world to become convinced that Saddam won't dismantle his weapons of mass destruction and that military force must be used. The world may soon be treated to the spectacle of 220 United Nations weapons inspectors trying to track down trucks carrying camouflaged chemical and biological weapons on dusty back roads in a nation the size of France. Hussein also could decide to haggle over inspector access to his eight "Presidential Palaces," which collectively exceed in size over half of the island of Manhattan.

Furthermore, it will take until February for the U.S. to replenish its supply of Joint Direct Attack Munitions (JDAMs). These exceptionally accurate and cost effective smart bombs reduce the number of aircraft bombing runs needed to destroy military targets. U.S. commanders very effectively used many JDAMs in the Afghanistan conflict. Although defense contractors are working overtime to replace them, they can't do so until early next year. Finally, American forces may have to wear protective suits to guard against chemical and biological attacks. Such suits are tolerable when Baghdad's February temperature averages 64 degrees, not 91 degrees, as it does now in October.

We Won't Be Alone

If the time comes, the U.S. will have many allies and few opponents. Some will be more enthusiastic than others. France and Russia, for example, have large commercial interests in Saddam's Iraq. Their foot-dragging at the United Nations reflects fears that the Saddam *won't* be toppled because the United States loses its resolve or Hussein unexpectedly hands over his weapons of mass destruction. Chirac and Putin see little reason to put national interests at risk by committing early, and they prefer to have compelling evidence that the U.S. will destroy Hussein before joining the anti-Saddam coalition. However, their calculations are expected to shift if a credible U.S. military force is in theater, and the State Department informs them that the time has come. If they don't switch by the moment of truth, then they put their investments at risk in another way, angering the new Iraqi government that will soon take power. Other, lesser Iraqi creditors now are making similar calculations: Express skepticism and caution now but don't bet on a dying horse.

As part of the international momentum building process, it is very significant that House Minority Leader Dick Gephardt (D-MO) committed his support to a House Resolution in negotiations with President Bush last week. White House vote counters now assume that the House will approve the Resolution authorizing the use of force this week or next week by more than a 2 to 1 margin. The Senate is expected to follow soon thereafter. This closing of the American ranks behind our Commander in Chief will not be lost on other nations as a separate negotiation to process a new United Nations Resolution or Resolutions intensifies in New York.

The behind the scenes struggle for consensus on the United Nations Security Council makes predictions on the exact time a Resolution will clear the UN perilous. However, a

resolution is likely by early November. The U.S. won't press for a vote until it has the votes to adopt something the Bush Administration finds useful. With or without meaningful United Nations approval, the U.S. should enjoy the backing of many NATO members and other European nations if it goes to war. Britain is expected to supply 30,000 troops. Spain, Portugal, and Italy are likely to provide logistical support and basing rights. Central European powers may prove eager to demonstrate their fidelity to the principle of collective action.

Nor will Arab support be lacking. Arab nations have fears similar to those of France and Russia. There is no percentage in announcing in advance their intentions to confront a murderous neighborhood bully until it's abundantly clear that a superior force will appear with a committed will to fight to the end. Discreet evidence of building support from the Arab nations of Turkey, Oman, Kuwait, Qatar, United Arab Emirates, Bahrain, and Saudi Arabia is starting to show. Ongoing U.S. military exercises in the Gulf are disguising a continuous increase in the number of U.S. servicemen in these countries. Heavy equipment is flowing into the region as well.

Ways the War Could be Fought

As a crippled country with fewer people than Afghanistan and no real allies, Iraq is no military match for the world's only superpower. Its armed forces are 60 percent smaller than in 1991, and much of the military equipment the U.S. destroyed then has not been replaced. Consequently, U.S. military planners have the luxury of debating the best way to win a U.S.-Iraq war. They don't worry whether victory is possible. They want to minimize many different types of costs: the number of American casualties, the financial expense of conducting the war, and the financial expense of keeping the peace after the war ends.

One important element in the plan to minimize American casualties is to convince Iraqi commanders not to obey orders to use weapons of mass destruction and not to fight when there is no prospect for victory. Leaflets are being prepared stating that anyone who uses biological or chemical weapons against American forces will face war crime tribunals after the war. Separately, U.S. intelligence is working on ways to contact Iraqi commanders after fighting breaks out. The goal is persuade Iraqi commanders to surrender and save their lives and the lives of their troops. As an adjunct policy, the U.S. has already launched a psychological campaign designed to persuade Iraqi soldiers that confronting the U.S. is suicidal. The credibility of these statements will be enhanced after Iraqi troops are exposed to American air power. As in Desert Storm, American warplanes will quickly clear the skies of enemy aircraft and anti-aircraft defenses. They also will attack communications nodes to degrade Hussein's ability to control the actions of his frightened and isolated subordinates. One possible way to minimize casualties is to seize Iraq's oil fields early in any war. Half of Iraqi oil production takes place in Kurdish areas in northern Iraq hostile to Saddam. If Iraqi troops know they won't get paid, they may desert. As this happens, over time U.S. forces could walk into most Iraqi cities without much opposition. This process could take four months.

If the improbable happens, and U.S. troops must engage in urban warfare in Baghdad to capture Saddam, American technology will prove decisive, with less loss of life than many expect. Among these assets would be thermal imaging devices that can spot enemy personnel hiding in buildings. If the occupants refuse to surrender, and most will yield when they are surrounded, tanks can open fire. If pressed, the Pentagon also could use previously undisclosed high tech direct energy weapons that deliver electric shocks and also release knock out gases. Both temporarily incapacitate but do not kill. Sixty percent of Baghdad's residents, by the way, are Shiites while Hussein and his supporters are their religious opponents, Sunnis. Most of Baghdad would view Americans as liberators and cheer – or help.

Financial estimates of fighting the war vary, depending on the invasion option analyzed. To prevent the war from widening, priority will be given to destroying Hussein's 25 to 50 SCUD missiles that can carry chemical and biological weapons, but must be fired from western Iraq to reach Tel Aviv. However, unless Colin Powell makes unexpected diplomatic breakthroughs, only Britain will help defray the direct costs of invasion by supplying troops.

American taxpayers probably will pay 90 percent of any war. If U.S. troops "go in heavy," eventually launching a land invasion mostly from Kuwait as the professional military seems to prefer, up to 220,000 soldiers will have to be transported and housed away from their bases perhaps for several months. Alternatively, President Bush might select the "inside out" option. Under this plan, which Secretary Rumsfeld reportedly supports, 50,000 to 100,000 soldiers would storm Baghdad and topple Saddam by surprise in a matter of days – but at the cost of more American deaths.

Under either plan, the U.S. would use JDAMs to their full advantage. In World War II, planners had to drop 100 bombs to be confident of destroying an intended target. Collateral damage, the polite term for civilian deaths, was considerable. In Desert Storm, only 3 or 4 bombs were needed, not 100. By relying on Global Positioning Satellite technology, a single JDAM kit attached to a bomb has a 75 percent to 90 percent chance of hitting the target. This halves air force costs, including fuel, maintenance, and munitions, by cutting in half the number of aircraft and aircraft sorties needed to achieve any military objective. If only budgets mattered, then a bombing campaign followed by the "inside out" strategy would be selected and might cost \$20 billion. If a slow land invasion were chosen, the costs could reach \$50 billion.

There are considerable difficulties estimating short-term and long-term Iraq occupation costs. Baker Spring, a former Senate staff colleague specializing in military affairs and now a respected Fellow at the Heritage Foundation, believes that 40,000 troops would be required. He envisions 5,000 to destroy Hussein's weapons of mass destruction and uproot Iraqi terrorist camps, another 5,000 to protect Iraq's oil fields against sabotage, and 30,000 to act as a trip wire to prevent Iran from invading Iraq and inciting southern Shiites or northern Kurds into seceding and joining Iran. Many of these occupation troops could be drawn from current Middle East postings, cutting costs. Total peacekeeping forces could reach 100,000. Most, however, are likely to come from allied nations. America may pay for the war, but others will help pay for peacekeeping.

The Bull's Case for Disarming Iraq

If the hawks are right, America would be a safer and more profitable country after Hussein is forced out and his weapons of mass destruction eliminated. Instead of an enemy, Iraq could emerge as a significant American military ally in the volatile Persian Gulf, much like the Shah of Iran was during the 1970s. From Iraq, U.S. forces could keep a close eye on Iran and Syria who also have long been on the State Department's list of sponsors of state terrorism. Chairman Mao is reported to have said, "Kill one to frighten ten thousand." The Iranian mullahs who neighbor Iraq and are also developing weapons of mass destruction would fear they are next and probably change course.

Crude oil floor traders claim that there is a \$4 to \$10 war risk premium built into petroleum prices now. As war clouds evaporate, because Hussein is forced out or unexpectedly disarms, the premium could disappear, as it did in previous conflicts. No doubt American oil companies would get chances to develop Iraqi oil fields after a successful war. However, we'd be a seller of companies that don't have a shot at such contracts. The value of their oil reserves will fall as the risk premium collapses, and they have nothing to show for it. The run-up to Desert Storm in 1991 demonstrated that the financial markets don't like pending war. At least some of the precipitous sell off in our equity markets in the second and third quarters is probably due to war jitters. If CAN is right about the timing and likely outcome of any conflict, those jitters unfortunately will continue until hostilities conclude, on favorable U.S. terms, next year.

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