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# **Iraq After Saddam -- Nation Building and Opposition Movements**

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US strategy towards Iraq is not an easy issue to address. The recent crisis has again shown that US and its allies face very real threats from the regime of Saddam Hussein. History has made it all too clear that there are no easy options for removing him from power and there are no good options for living with him. Saddam also is scarcely the only issue affecting US strategy in the region. While virtually any successor is likely to be less threatening, it is unclear that any likely successor will solve most of the underlying problems the US and its allies faces in dealing with Iraq.

These problems include:

- Iraqi nationalism and regional ambitions,
- Proliferation,
- The conventional military threat Iraq poses to Kuwait and its other neighbors,
- Evolving a stable government to replace the regime of Saddam Hussein,
- Moving Iraq away from Sunni-dominated tribalism and rule based on overlapping authoritarian security structures.
- Creating a regime based on the rule of law and respect for basic human rights,
- The Kurdish issue within Iraq and as a broader regional problem
- Phasing out UN sanctions, with or without continuing arms controls and controls on
- Dealing with potential Iraqi revanchism in reaction to the Gulf War and UN sanctions,
- Integrating Iraq into an effective energy supply strategy,
- Rehabilitating the Iraqi economy, and dealing with future trade and investment in Iraq.
- Dealing with the problem of Gulf War reparations and prewar debts,
- Iraq's future relations with Iran, its Southern Gulf neighbors, Turkey, and Jordan,

- Iraq's impact on the Arab-Israeli conflict and the peace process.

Removing Saddam would only be a first step in dealing with most of these issue -- even if Saddam can be removed. It is also unclear than any likely successor can find a solution to ruling Iraq's different ethnic groups without maintaining at least a quasi-authoritarian regime, will create a peaceful Iraq whose military forces and efforts to proliferate are no longer a threat., or will be highly effective in developing Iraq's economy and energy resources.

The challenge, however, is not to create a perfect Iraq. It is rather to choose the best strategy for dealing with the options the US actually has available. It is to look beyond the immediate problem of the sanctions crisis and to consider the kind of Iraq the US should seek to help create in the future. Iraq will outlive both Saddam and dual containment, and will eventually regain its place as a major oil exporter and a major power in the Middle East.

## **The Once and Future Iraqi State**

Saddam has been so much of problem, and the actions of his military forces have been so threatening, that US policy has tended focus on removing Saddam rather than on the fate of Iraq's people and its future as state. Containment, deterrence, and defense, however, are only part of the story. Iraq is a major potential oil exporter and will remain a major Gulf power with or without Saddam. Any discussion of US strategy must look beyond Saddam per se and consider the present and future nature of Iraq as a state.

### **Demographic and Human Issues**

Iraq presents a major human problem, both in terms of overall demographics and economic development. Iraq present population is around 21.4 million. The austerity enforced by UN sanctions has done nothing to reduce its population growth rate -- which averages around 3.69%, one of the highest rates in the world. Even a conservative estimate of future Iraqi population growth (a future average growth rate of 2.7% or less per year) indicates that Iraq's population will reach 31 million by the year 2010.<sup>1</sup>

Iraq also has an extraordinarily young population and this has major potential political and economic implications. Well over half has been born since Saddam Hussein first seized power

Roughly 48% of the entire population is 14 years of age or younger. Nearly 20% has been born in the eight years since Iraq first invaded invasion of Kuwait. Nearly 15% of Iraq's population has reached adulthood since the Gulf War, and most of Iraq's adults are the social, educational, and economic product of the nearly twenty years of constant crisis and war since 1980.<sup>2</sup>

The attitudes of much of the young population are now probably deeply hostile to the US and its Coalition allies. Even those who opposed Saddam often feel betrayed by the perceived failure of the US to remove him from power and because they -- not Saddam -- have paid most of the personal provide for sanctions. The issue of whether this hostility will be an enduring feature of Iraqi politics, and exhibits the kind of revanchist behavior that Germany exhibited after the Versailles treaty is an important question for US policy.

### **Ethnic Issues**

At the same time, Iraq's population is deeply divided and these divisions present major political problems in both finding ways to back the Iraqi opposition and in dealing with any successor to Saddam. The Iraqi government has never conducted a statistically meaningful census of the ethnic and religious distribution of Iraq's people. The CIA estimates, however, that Iraq's population is 60-65% Shi'ite, 32-37% Sunni, and 3% Christian. It also estimates that it is 75-80% Arab, 15%-20% Kurdish, and 5% Turkoman or other.<sup>3</sup> Informal estimates by British intelligence are very similar.

There is no way to know what portions of Iraq's population is loyal to the present regime or loyal to the concept of Iraq as a state -- as distinguished from exhibiting primary loyalty to a religious or ethnic group. It is obvious, however, that many Iraqis resent the fact that the present authoritarian regime is controlled by a small group of extended Sunni families. It is obvious that the regime has had to deal with major Kurdish and Shi'ite uprisings, and faces a continuing problem with a separate Kurdish enclave.

It is equally obvious that Saddam's rule on policies designed to divided and paralyze Iraq's ethnic factions while using Iraqi military forces, overlapping and competing Iraqi intelligence and security services, the Ba'ath Party, and paramilitary forces to ensure that they remain under control. In addition to some 350,000 members of the Republican Guards and regular military, Iraq

has at least 60,000 paramilitary security forces and probably another 50,000 to 60,000 men assigned to intelligence groups like the Amn Al-Khass and Estikhabarat, tribal militias, Popular Army, Ba'ath Party Military Bureau, Emergency Force units in the various governates, Fedayeen Saddam, etc.

### **The Shi'ite Issue**

Iraqi unity, however, is not a function of repression alone. Western and opposition rhetoric demonizes Saddam in ways that simply do not reflect the views of many Iraqis and the rest of the Arab world. The vast majority of Iraq's Shi'ites remained loyal during the Iran-Iraq War, and probably think of themselves primarily as Iraqi and Arab, rather than as Shi'ites. They may want equality or proportionate political power as Iraqis, but it is far from clear that they have any interest in a separate political entity or any ties to Iran.

It is unclear how many Iraqi Shi'ites think of themselves primarily in religious terms and have any interest in pursuing the kind of religious rule and traditions that Iran's Mullahs have forced on their people. It is one thing to be a Shi'ite Iraqi, it is another thing to see Shi'ism per se as a defining social and political identity. Furthermore, history has shown that only a relatively limited portion of Iraq's Shi'ites are willing to accept Iranian backing or future ties to Iran. Most probably think of themselves as Arab, and see Iran as a Persian threat.

One must be equally careful in dealing with the issue of Kurdish identity. Saddam practiced near-genocide against the Kurdish tribes he felt support Iran during the Iran-Iraq War, and has been ruthless in putting down the Kurdish uprisings of 1991 and threatening the Kurdish security zone. Iraq, however, has a total of roughly 3.2 million to 4.3 million Kurds and it is far from clear that a majority of them would choose independence or autonomy under a leader like Talibani or Barzani if Saddam was no longer in power or if any Iraqi regime made good on a long series of promises to give them more rights and a larger share of Iraq's oil wealth.

It is far more likely that Saddam will be brought down by an associate than by another Kurdish rising, and we must never forget how weak and divided the Kurdish-led opposition outside the country is. The INC and Hakim faction are better than nothing, but they are not the road to Baghdad. If anything, we will be far better off if we make it clear that we support an

independent Iraq free of Saddam, that we will encourage the creation of a government that respect of all of the groups in Iraq, and that we are prepared to take immediate and dramatic steps to improve the lot of all Iraqis if Saddam goes. This will offer an incentive to all Shi'ites; backing opposition factions in ways that take sides in Shi'ite ethnic politics is likely to do more harm than good.

### **The Kurdish Issue**

Most of Iraq's Kurds remained loyal to Iraq during the Iran-Iraq War, and only about half of Iraq's Kurds were involved at even the peak of the uprising in 1997. Iraqi Kurdish separatists represent a major force within Iraq, but they do not speak for the Kurds per se. The separatists are also deeply divided into rival factions that are never quite clear as to whether they are seeking rights and fair treatment, autonomy, or nation-hood. Iraqi Kurds also do not share any broad identify with Kurdish groups outside Iraq, and the Talabani faction seems to be the only separatist group that has shown serious past interest in creating a greater "Kurdistan" that involves Turkish and/or Iranian Kurds.

Once again, US policy must clearly distinguish between trying to ease the plight of the Shi'ites and Kurds under Saddam's rule and encouraging Shi'ite or Kurdish separatism, or the kind of opposition movements that could trigger civil war. Afghanistan, Bosnia, Haiti, Lebanon, Somalia, and Vietnam are all warnings of the problems inherent in trying to intervene in complex ethnic problems.

The enemy of our enemy is not necessarily our friend, and the fact that it is the loser who suffers does not make the loser moral or a natural ally. This does not mean that the US should reject a strategy of alliance with various Kurdish or Shi'ite opposition groups, but it does mean that the US should be very careful in forming such alliances, and should make no direct or implied promises it is not prepared to live with. The US also needs to be particularly careful about triggering forces that could lead to even more bitter regional struggles over the Kurdish issue without creating any form of stable, viable Kurdish enclave.

There is a strong reason not to rush out to try to make the Kurdish security zone a base for the Iraqi opposition, and not to support another military fantasy in which Field Marshall Chalibi

and the INC attempt to liberate the country. The INC is far too weak and the Kurds are too divided and militarily inept. The end result is more likely to provoke a “Bay of Kurdistan” than create opposition. It will create new problems with Turkey, and it may convince Iraqi nationalists that the US is backing Kurdish separatism.

At the same time, we need a clear declaratory policy that says we support Kurdish human rights, cultural and linguistic autonomy, and a political structure that ensure at least semi-autonomy within Iraq. The failure to clearly declare our goals and objectives is creating false hopes and the probably that we may again have to write off the Kurds in practice.

### **Economic Growth and Reconstruction**

There is no question that the Gulf War and the sanctions that have followed have had a major impact on Iraq’s economy. While any such estimates are highly speculative and present massive definitional problems, CIA and Department of Energy estimates indicate that Iraq’s GNP has dropped from a value well in excess of \$83 billion dollars in 1980 to levels well under \$15 billion in 1997, measured in constant 1997 dollars.<sup>4</sup>

### **Nearly Two Decades of Constant Decline and Suffering**

It is important to keep such figures in historical perspective. Iraq experienced a one-time oil boom following the fall of the Shah that raised its total export earnings to over \$74 billion in 1979, in constant 1979 dollars. It this massive surge in Iraqi export earnings drove Iraq’s GNP to over \$83 billion in 1980, although exports then dropped to only \$39 billion in 1980 and \$14 billion in 1981. Iraq’s GNP, which had leaped up from \$60 billion in 1988 and \$70 billion in 1989, dropped to around \$50 billion in 1981 and 1982. Far too many Iraqis, foreign companies, and foreign governments remember Iraq’s pre-Iran-Iraq War economy as the norm. It was not the norm, it was the equivalent of the Brazilian rubber boom.

Saddam has since tried to blame most of Iraq’s current economic decline on UN sanctions, but Iraq’s GNP dropped much further as a result of the Iran-Iraq War and lower oil prices before the Gulf War began. The World Bank estimates that Iraq’s GDP dropped by an annual average rate of 6.8% during 1980-1990, the worst economic performance of any of the more than 200 countries its surveys.<sup>5</sup> Iraq also exhausted virtually all of its national reserves and

went deep into debt. Estimates of Iraq's total foreign debt in 1990, including interest, range from \$80 billion to \$109 billion.<sup>6</sup>

The increases in Iraq's population interacted throughout this period with the decline in its economy to cut its Iraq's per capita income. Iraq's population increased from 13.2 million in 1980, to 18.4 million in 1990 -- an increase of 38%. Its GNP shrank by well over 65% during the same period. US and World Bank estimates indicate that Iraq's GNP per capita dropped by well over 50% from the beginning of the Iran-Iraq War to time Iraq invaded Kuwait.<sup>7</sup>

Any estimates of the trends since the Gulf War must be far more speculative, but CIA, EIA, and World Bank estimates indicate that Iraq's population increased by another 16% between 1990 and 1997, while its GNP shrank by at least another 55%. If one examines the impact of nearly two decades of continuous war, austerity, and sanctions, the Iraqi population rose by more than 60% during 1980-1996, while the GNP shrank by well over 80%.<sup>8</sup>

There is no way to know how the Iraqi people perceive the causes and patterns in Iraq's economic decline, but it seems likely that many blame the Gulf War for virtually all of their present suffering. Further, the oil boom in the Iraqi economy began a precipitous collapse in 1985. Given Iraq's demographics, most of today's adults have far more practical experience with the economic impact of sanctions than with the impact of the Iran-Iraq War.

### **The Limits of UNSCR 986**

The good news is that any major lifting of the limits on Iraq's oil exports could produce a massive sudden surge of economic benefits. This could greatly ease the political problems of dealing with a potentially revanchist Iraq. The bad news is that the level of exports presently permitted under UNSCR 986 cannot have this effect and Iraq is extremely unlikely to return to the level of development potential it had before the Iran-Iraq War at any point in the foreseeable future.

During the January to June 1997 period, Iraq sold an average of 665,000 barrels per day (b/d) of crude oil under the terms permitted by UNSCR 986. An estimated 57 percent of this oil flowed through the Iraq-Turkey pipeline, conforming to a UN Resolution 986 mandate that at

least half of the "oil-for-food" exports must transit through Turkey. Due to the recent fall in world oil prices, Iraq will likely sell more oil during the upcoming renewal period.

Deliveries of the goods purchased as a result of the oil sales slow to begin and there were immediate political problems. In early May 1997, a UN spokesman stated that about a quarter of the 2.2 million tons of food and aid had been transported to Iraq. The bulk of food shipments arrive at the Umm Qasr bulk terminal in the Gulf. In June 1997, Iraqi opposition leaders stated that the Iraqi government was stopping deliveries of UN humanitarian assistance to Shiite groups in southern Iraq.

The UN Security Council renewed UN Resolution 986 in June 1997 under the same terms that had allowed Iraq to sell \$2.14 billion worth of crude oil during the six month period between January and June 1997. The UNSCR now allows up to \$10.5 billion in actual revenues a year to ease the economic problems of the Iraqi people, but Iraq is unlikely to be able to sell more than \$6 billion. This total compares with about \$16 billion a year in the early 1980s, and a short term peak in export earnings of \$17 billion in 1989, driven by a one time burst of sales at a time when Iran had severe difficulty in importing. Iraqi imports averaged about \$12 billion a year during the Iran-Iraq War -- with a significantly smaller population. It would take about \$15 billion worth of exports today to finance the same level of per capita earnings that existed during the Iran-Iraq War.

### **Prospects for Economic Recovery**

Allowing Iraq much higher levels of exports would change this situation. It would produce a short term boom in the Iraqi economy, and a major increase in per capita income relative to present levels. It would also almost certainly be followed by massive investment in Iraq's oil sector the moment such investment was permitted. Seen from the perspective of 1997, this income and investment could move Iraq towards sustained development relative to nearly twenty years of non or "de"-development.

This, however, is only part of the story. Many Iraqis judge Iraq's economic potential by its high point from 1979-1982 -- whether or not they actually experienced the benefits as adults. The Iraqi economy of 1979-1982, however, was the equivalent of a Ponzi scheme. First, Iraq benefited

from a one-time flood of income after the fall of the Shah. Then, Iraq imported well over \$38 billion a year worth of goods during 1981-1982, while it only sold with only \$15-16 billion worth of exports. After 1980, Iraq essentially was promising to pay for the imports it used to sustain its prewar levels of "butter" with the kind of future oil revenues that had been a freak result of the Shah's fall and which were extremely unlikely to ever come again. Since that time, Iraq has seriously underinvested in the development of its economy for well over a decade.

No one should have any illusions that Iraq can return to 1980 in terms of per capita wealth, imports, or economic development potential. There is no way that a nation can go nearly though 20 years of economic decline and massive population growth without paying a long-term price.

Iraq also has never laid the ground work for effective economic development. Iraq did finance a massive building boom and expansion of its infrastructure before the worst years of the Iran-Iraq War, but it did little to reform its agricultural and production sectors and move towards diversification. It did not establish modern financial institutions, relied heavily on state planning, placed severe constraints on its private sector, and used foreign labor and imports as a substitute for real productivity. Since that time, Iraq has occasionally experimented with private sector options, but has generally expanded its state controls over the economy, has ceased to interact with other economies, and seen much of its educational system collapse.

Iraq also faces the continuing problem of reparations and debt. Estimates of Iraq's total foreign debt in 1990, including interest, range from \$80 billion to \$109 billion. Much of this debt is owed to Kuwait and Saudi Arabia.<sup>9</sup> The UN Commission dealing with reparations has only begun the complex legal process of validating claims for reparations, but they currently include demands of well over \$200 billion -- many from Kuwait and Saudi Arabia. On the one hand, forgiveness is a powerful potential political lever. On the other hand, claims and legal action could easily drag on for a decade and present serious economic problems even if sanctions are lifted.

In short, US strategy in dealing with Iraq must be based on realistic assumptions about Iraqi economic recovery and growth, the resulting prospects for the future, and Iraqi perceptions. It should not assume that UNSCR 986 is sufficient without a massive increase in the amount of

sales permitted by the UN. It should not assume that recovery will swiftly follow the lifting of sanctions. It should assume that debt and reparations are a major policy issue, and it should consider whether US strategy should include an emphasis on persuading Iraq to adopt economic policies that will move it towards reform and sustained growth.

### **Iraq's Future as an Oil Power**

Iraq does not need overall economic success to be a major oil power. Iraq has at least 10% of the world's oil reserves and will play a major role in shaping the future availability and price of oil. Iraq produced about 11% of all Gulf oil, and 3% of the world's supply before the Gulf War.

The world economy has been able to function without Iraqi oil since 1990 largely because of the surplus production capacity of Saudi Arabia and because the collapse of the Former Soviet Union occurred in a way where the decline in Russian oil and gas exports was much less precipitous than the decline in the overall oil and gas consumption of the entire FSU and Eastern Europe. This situation should end around the year 2000, however, and the pressure for added energy exports should increase steadily after that time.

The Energy Information Agency projects in its reference case that Iraq's oil production will rise from around 600,000 barrels per day in 1995 to 4.3 MMBD of oil production capacity by 2000, 5.8 MMBD by 2005, 7.0 MMBD by 2010, and 7.4 MMBD by 2015. Its highest estimate is that Iraq will have 8.4 MMBD of production capacity by 2010 and 8.9 MMBD by 2015.<sup>10</sup>

These estimates indicate that Iraq will produce 16% of all Gulf oil by 2015, and 7% of the total world supply. All of the EIA estimates indicate that Iraq will out-produce Iran by the year 2000, and have about 40% more production than Iran by the year 2015. If the EIA estimates are compared with those of the International Energy Agency, Iraq will bring more oil capacity on-line by 2010, relative to its 1990 level, than all of Central Asia and the Caspian Basin combined.<sup>11</sup>

Many experts in the oil industry feel that the EIA estimates are too high. A typical proprietary oil company estimate is 3.0 MMBD of oil production capacity by 2000, 4. MMBD by 2005, and 5-6 MMBD for 2010 and 2015. Virtually all estimates indicate that Iraq will be a critical producer, however, and many indicate that Iraq will produce as high a percentage of the

world's exports as the EIA forecast -- although at a lower level. US strategy must also consider the risk that other key oil producers like Iran, Russia, and Saudi Arabia may not expand their production at anything like the rate shown in EIA projections.

The US may choose to rely on market forces to resolve Iraq's future export levels, but if it does so, it must accept the fact that Iraq does not now operate as a normal part of the world oil market and has not done in any normal way for the last 17 years. One way or another, US policy will shape Iraq's energy development until sanctions are lifted and much will then depend on the role or non-role of US multinationals in developing Iraqi oil resources.

### **Iraq's Future as a Trading Power**

Oil exports will also make Iraq a significant trading nation, regardless of whether it diversifies and develops the rest of its economy. Its exports and imports each reached \$13-15 billion annually during the period before the Gulf War. If the IEA estimates of Iraq's oil exports are even close to being correct, Iraq will earn \$10-\$15 billion in export earnings by the year 2000 and that its exports will reach levels of \$20-\$25 billion annually in constant dollars by the year 2015.

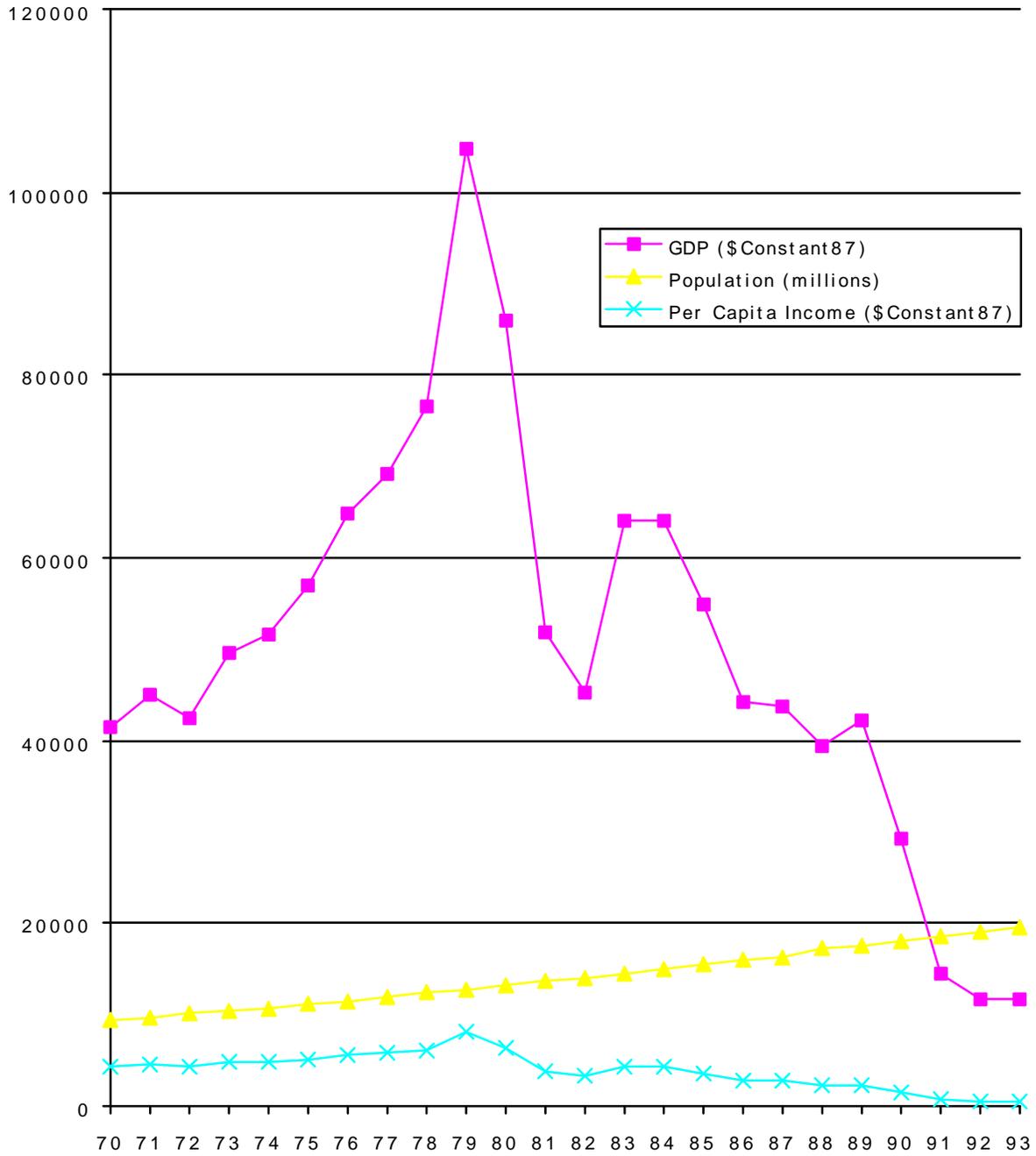
These levels of trade must be kept in careful perspective. Iraq will be a *significant* exporter, but not a *leading* exporter. Iraq will be major market for trading companies and investors, but it will not be able to sustain anything like its level of imports at the beginning of the 1980s. The world economy has also grown massively while most oil exporters have stood still. Even the highest estimate of Iraq's export earnings in 2015 only about one-third of the present level of exports of a true major trading nation like Taiwan, and Iraq will be hard pressed to reach total exports equal to even one-fifth of Taiwan's probable exports in the year 2015.

At the same time, Iraq will represent an important market for arms sales. Regardless of what regime is in power when the UN sanctions are lifted, Iraq will need to spend billions of dollars to recapitalize military forces that needed an average of well over \$3 billion a year worth of military imports from 1976-1990. To put this in perspective, Iraq signed roughly \$3 billion worth of new arms agreements even during the cash-starved period between the cease-fire in the Iran-Iraq War and its invasion of Kuwait: \$300 million with Russia, \$700 million with China,

\$500 million with the major West European states, \$500 million with other European powers, and \$1,000 billion with other countries.<sup>12</sup>

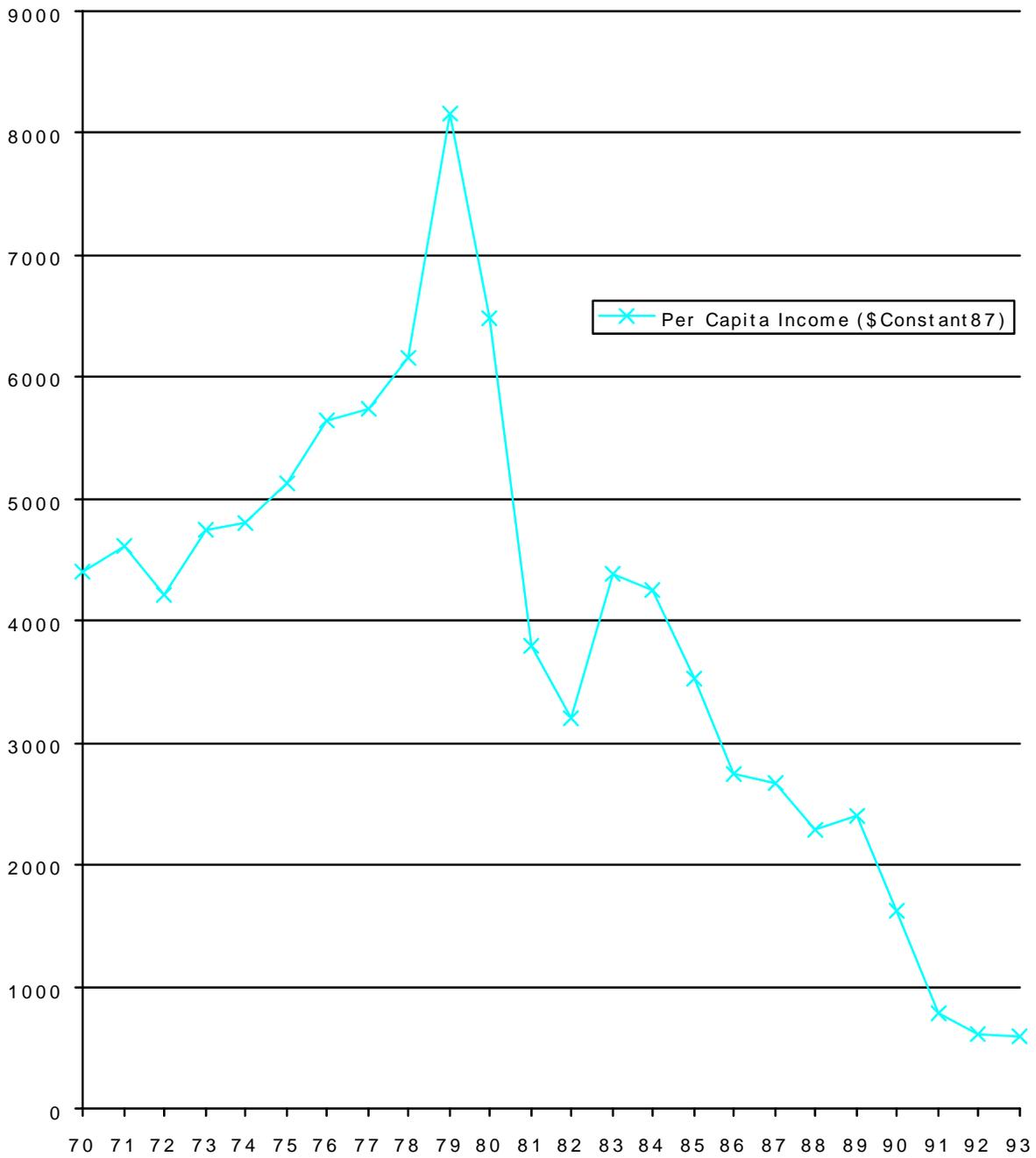
American policy towards Iraq must deal with both the economic issue of the role US industry can and should play in investing in and trading with Iraq, and the security issue of how the US should approach the issue of Iraqi arms imports during and after UN sanctions.

**Iraqi GDP, Population Growth in Millions and Per Capita Income  
in Constant 1987 US Dollars**



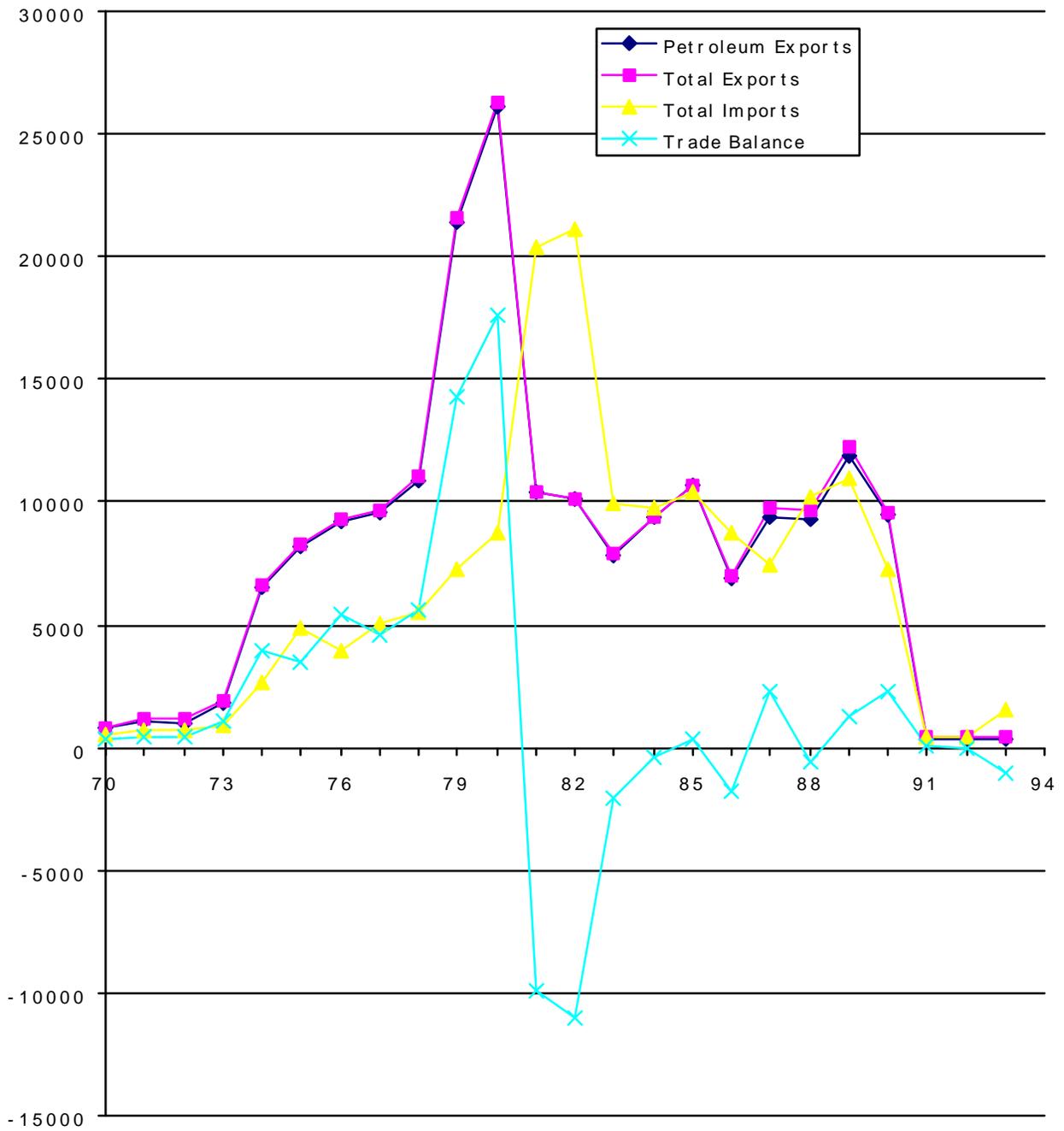
Source: Adapted by Anthony H. Cordesman from International Energy Agency (IEA) Middle East Oil and Gas, Paris, 1995, pp. 247-248.

**Iraqi Population Growth in Millions and Per Capita Income  
in Constant 1987 US Dollars**



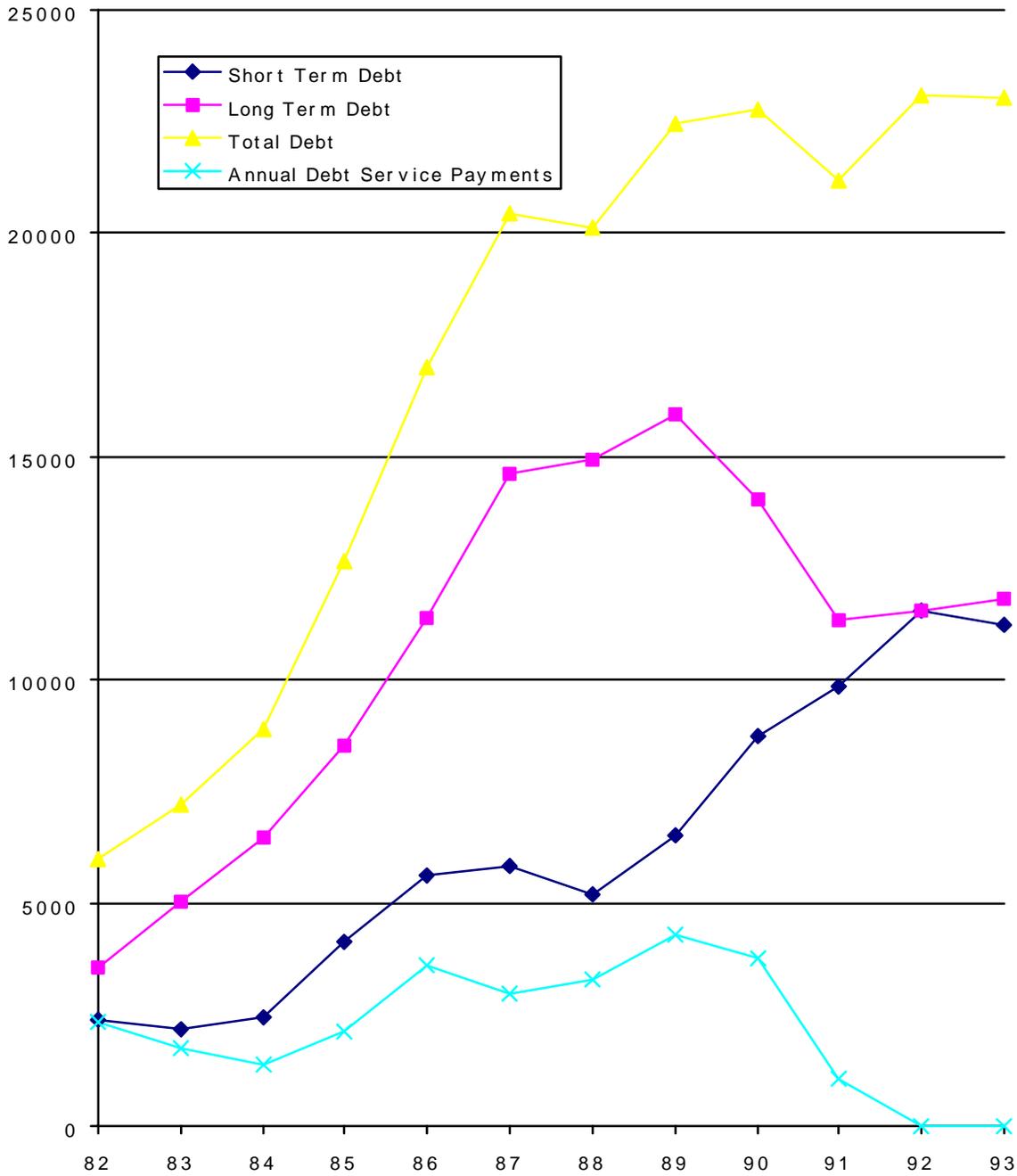
Source: Adapted by Anthony H. Cordesman from International Energy Agency (IEA) Middle East Oil and Gas, Paris, 1995, pp. 247-248.

**Iraqi Oil and Total Exports versus Total Imports in Millions of Current Dollars**



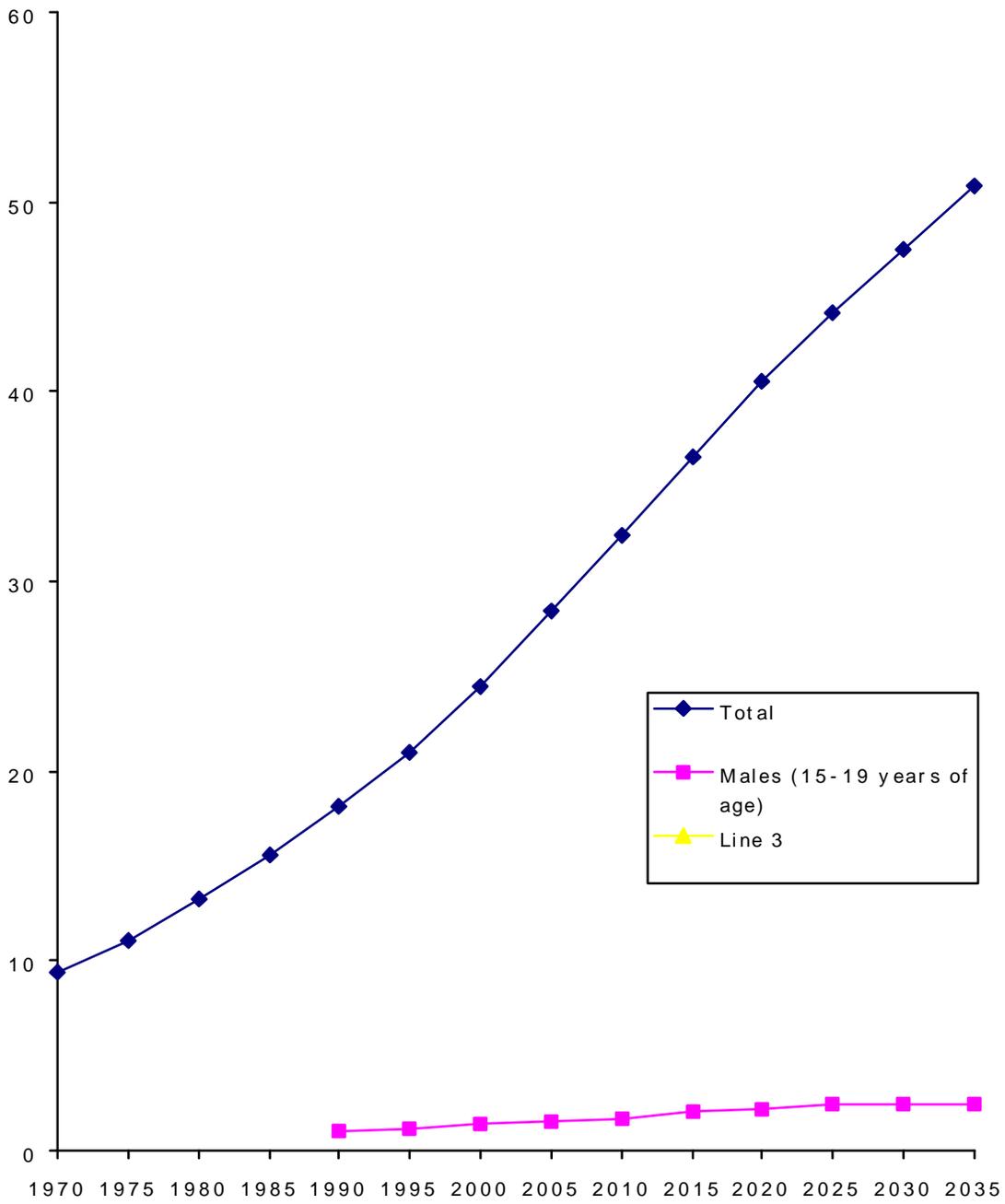
Source: Adapted by Anthony H. Cordesman from International Energy Agency (IEA) Middle East Oil and Gas, Paris, 1995, pp. 256-257.

**Iraqi Debt During 1982-1993 in Millions of Current US Dollars**



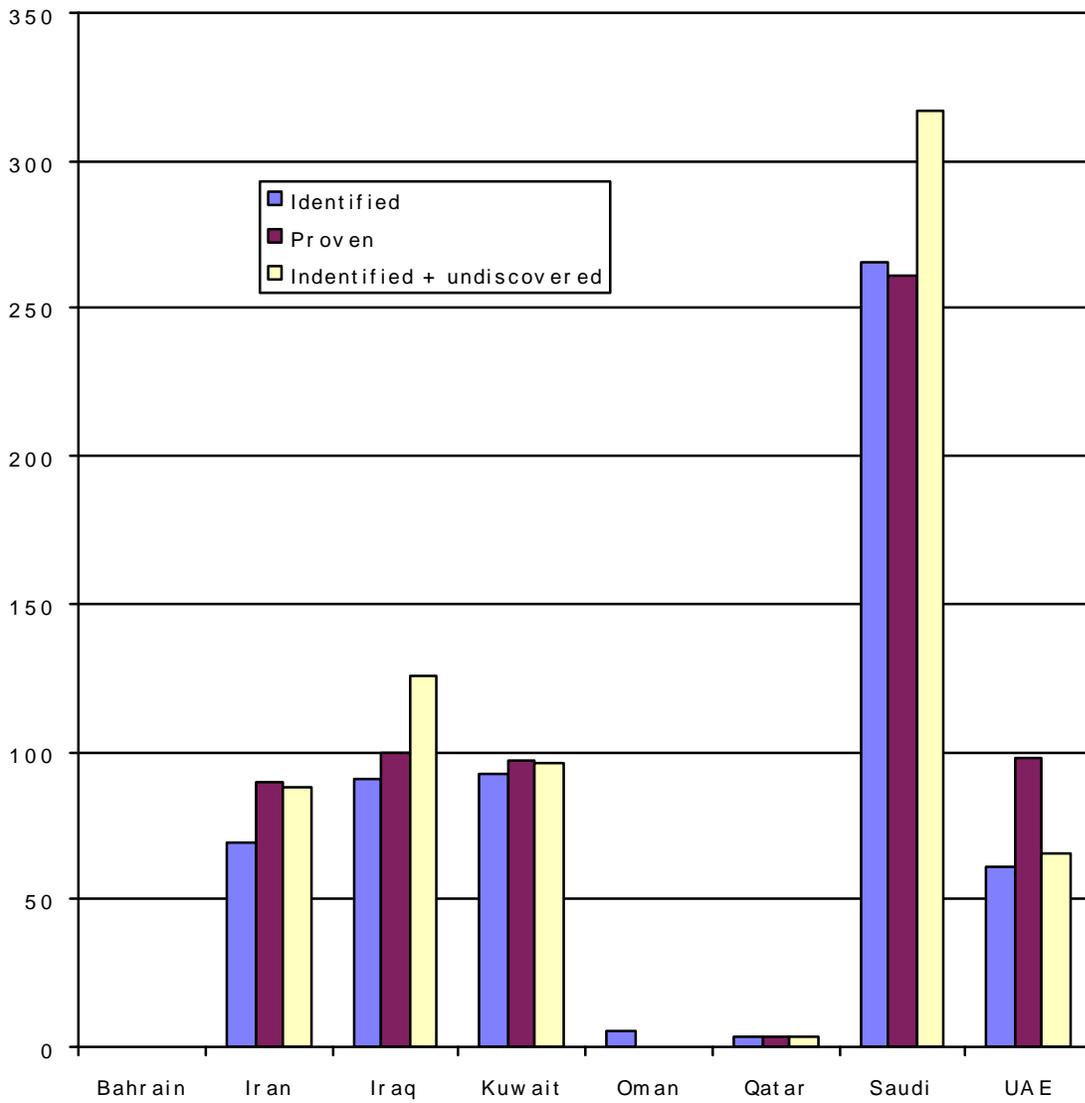
Source: Adapted by Anthony H. Cordesman from International Energy Agency (IEA) Middle East Oil and Gas, Paris, 1995, pp. 260-261.

### Estimated Trends in the Iraqi Population During 1990-2035



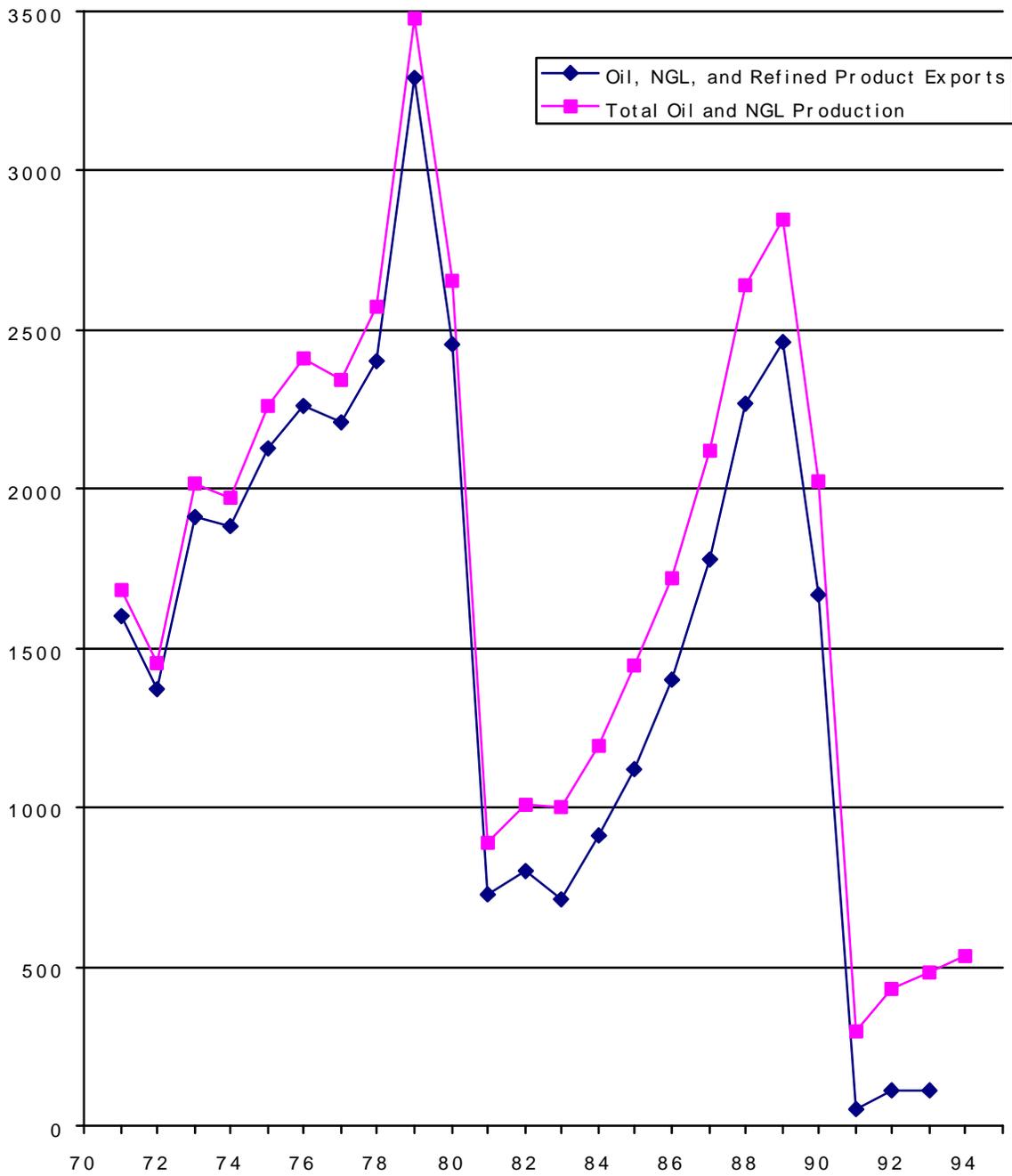
Source: Adapted by Anthony H. Cordesman from World Bank, World Population Projections, 1994-1995, Washington, World Bank, 1994 and material provided by the CIA.

**Total Oil Reserves of the Gulf States  
in Billions of Barrels**



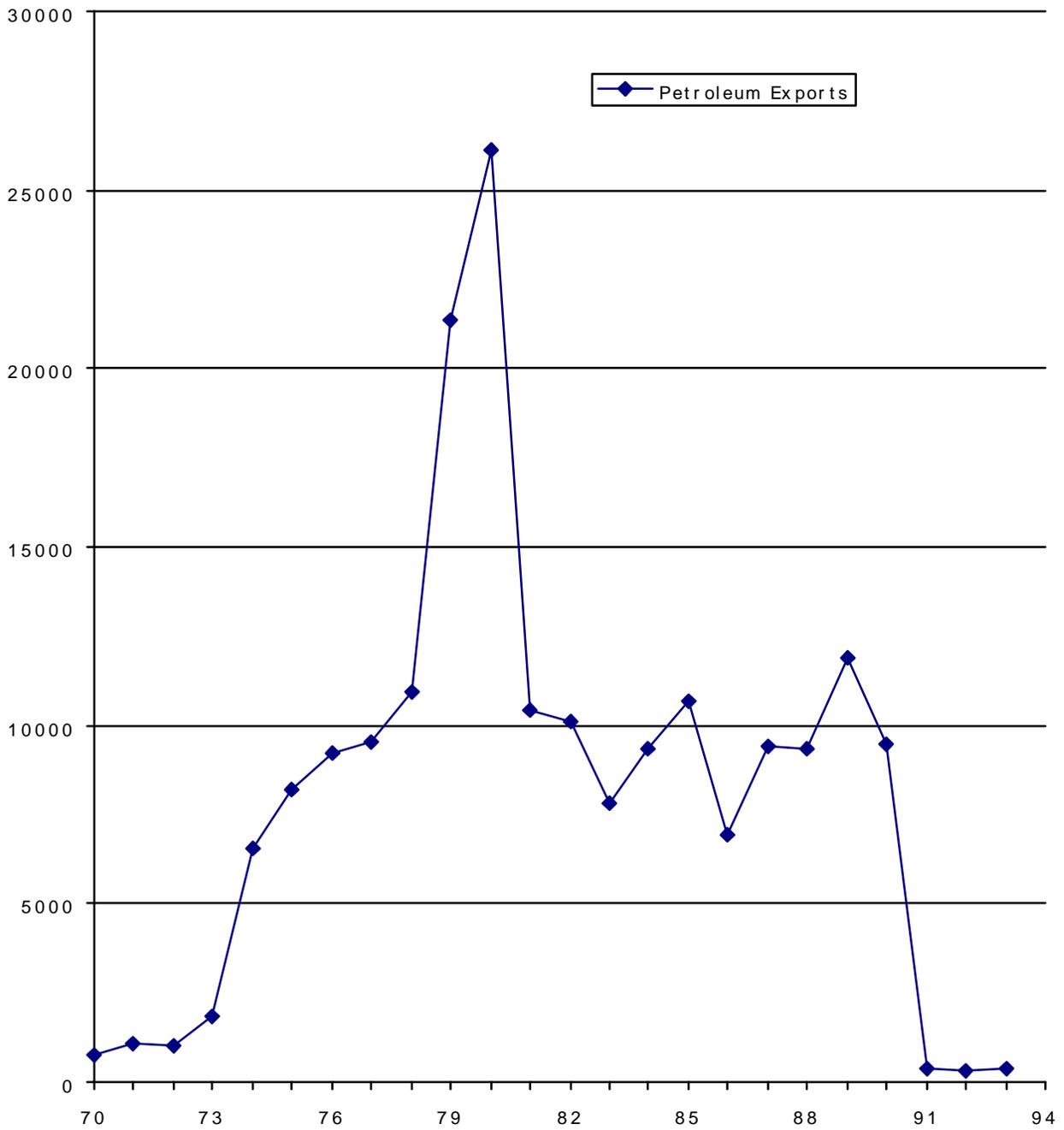
Source: IEA, Middle East Oil and Gas, Paris, OECD, IEA, 1995, Annex 2, and data provided by Bahrain and Oman. Bahrain's reserves are only 350 million barrels and do not show on the chart because of scale.

**Iraqi Oil and Natural Gas Liquids Total Production and Exports in Thousands of Barrels Per Day**



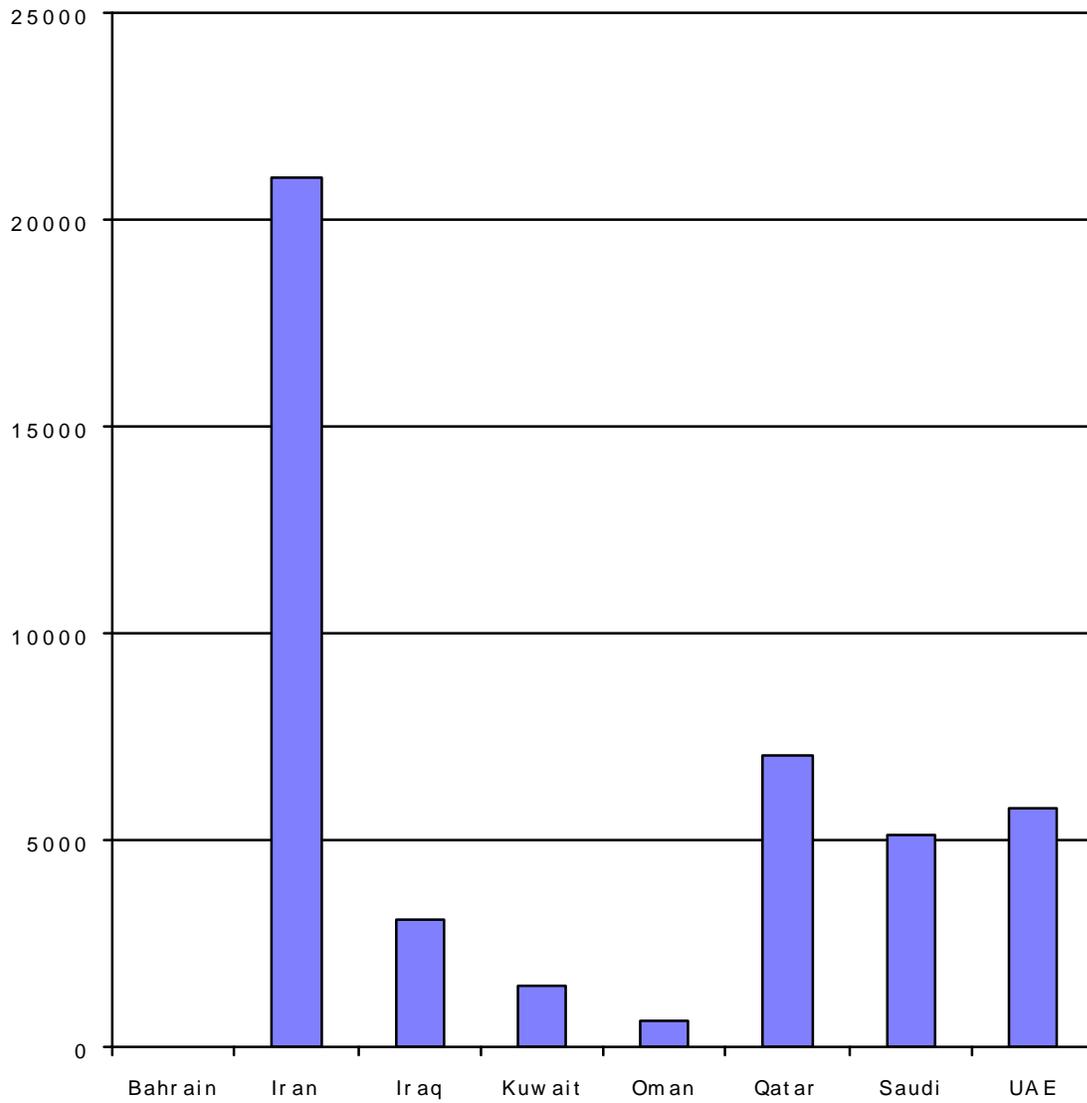
Source: Adapted by Anthony H. Cordesman from International Energy Agency (IEA) Middle East Oil and Gas, Paris, 1995, pp. 252-256.

### Iraqi Oil Exports in Millions of Current Dollars



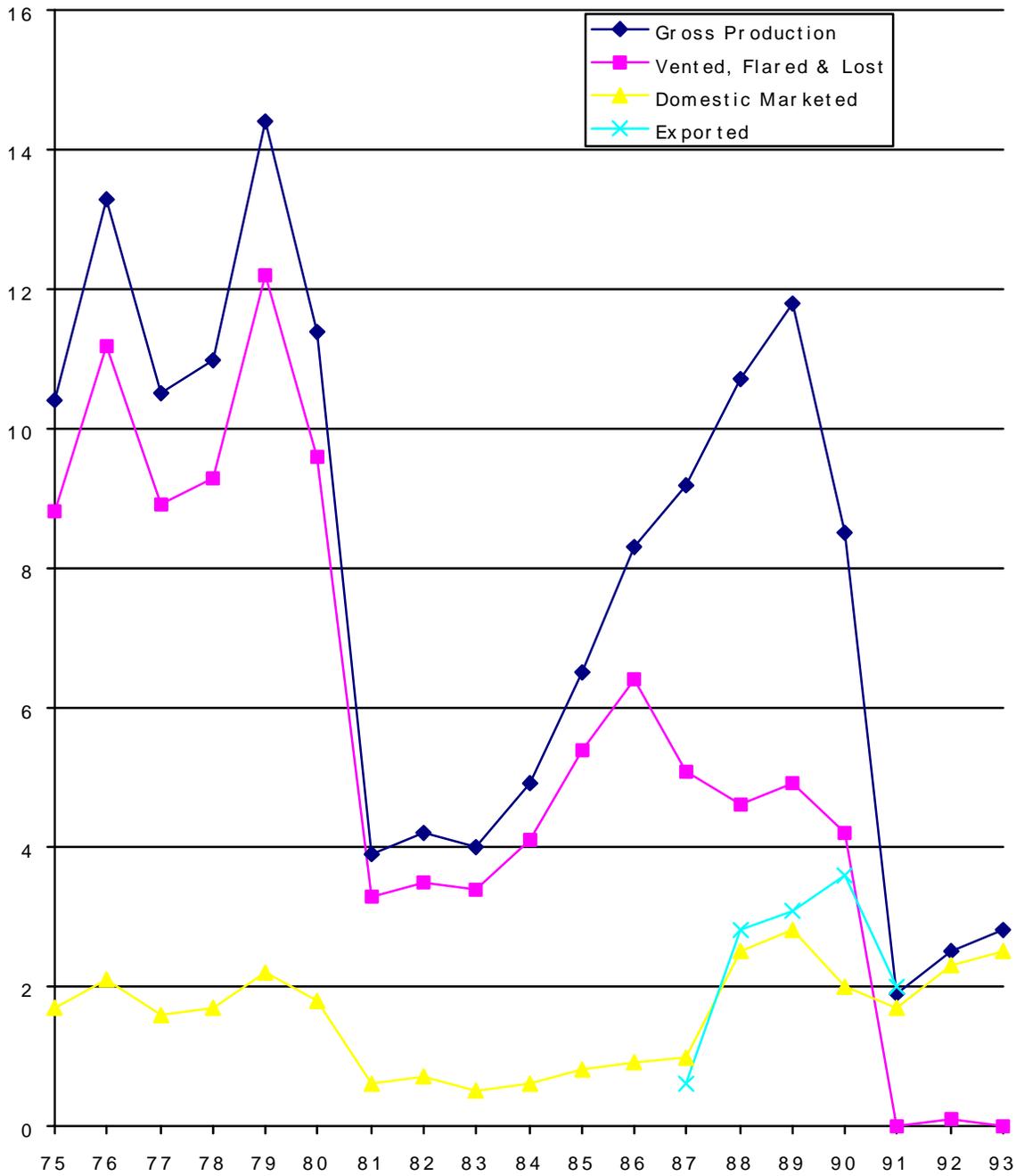
Source: Adapted by Anthony H. Cordesman from International Energy Agency (IEA) Middle East Oil and Gas, Paris, 1995, pp. 256-257

**Total Gas Reserves of the Gulf States  
in Billions of Cubic Meters**



Source: Adapted by Anthony H. Cordesman from IEA, Middle East Oil and Gas, Paris, OECD, IEA, 1995, Annex 2, and data provided by Bahrain and Oman. Bahrain's reserves are too small to show on the chart because of scale.

**Iraqi Natural Gas Production in Billions of Cubic Meters**



Source: Adapted by Anthony H. Cordesman from International Energy Agency (IEA) Middle East Oil and Gas, Paris, 1995, pp. 252-256.

## **Iraq - Military Overview**

- The broad trends in Iraqi central government expenditures, military expenditures, and arms spending reflect the virtual collapse of Iraq's economy, and a near cut off of military imports since 1991.
- Iraq's military effort placed a massive burden on its economy throughout the Iran-Iraq War and during August 1988 through July 1988. Its efforts to rebuild its forces since the Gulf War have involved such high military expenditures relative to Iraq's GDP that they have reached the crisis level and have been a critical factor in the decline in living standards in Iraq.
- The trends in terms of military expenditure per capita versus GDP per capita are even worse than the trend in gross military expenditures versus total GDP. Iraq clearly has a government which cares little for the welfare of its people, and which emphasizes guns over butter even at the cost of a devastating cut in per capita income.
- A detailed comparison of the trends in the Iraqi economy versus the Iraqi military and arms import effort reveals that Iraq began to encounter critical problems in funding its military efforts as early as 1985. It also reveals that Iraq has chosen guns over butter since the Gulf War at an immense cost in terms of the resulting share of GDP.
- As a result, Iraq began to experience a crisis in recapitalizing its military forces as early as 1985, and the Gulf War turned this crisis into a virtual catastrophe. Iraq's military machine may retain a massive order of battle, but Iraq's lack of arms imports means that its military readiness and sustainability is only a fraction of what it was in 1990.
- Iraqi purchases matched Saudi purchases during the mid-1980s, but Iraqi deliveries in current US dollars dropped from \$11 billion annually during 1988-1991 to below \$200 million annually in 1992-1995.
- Comparisons of Iraqi new agreements and arms deliveries by supplier country reveal a drastic decline in new agreements before the Gulf War that would have seriously compromised Iraq's import-dependent forces even without the Gulf War.
  - New agreements with Russia dropped from \$11.8 billion in 1983-1986 to \$4.1 billion in 1987-1990, before dropping to zero after 1991.
  - New agreements with China dropped from \$1.7 billion in 1983-1986 to \$0.6 billion in 1987-1990, before dropping to zero after 1991.
  - New agreements with E. Europe dropped from \$4.0 billion in 1983-1986 to \$1.0 billion in 1987-1990, before dropping to zero after 1991.
  - In contrast, new agreements with the major West European states rose from \$1.0 billion in 1983-1986 to \$2.7 billion in 1987-1990, before dropping to zero after 1991 -

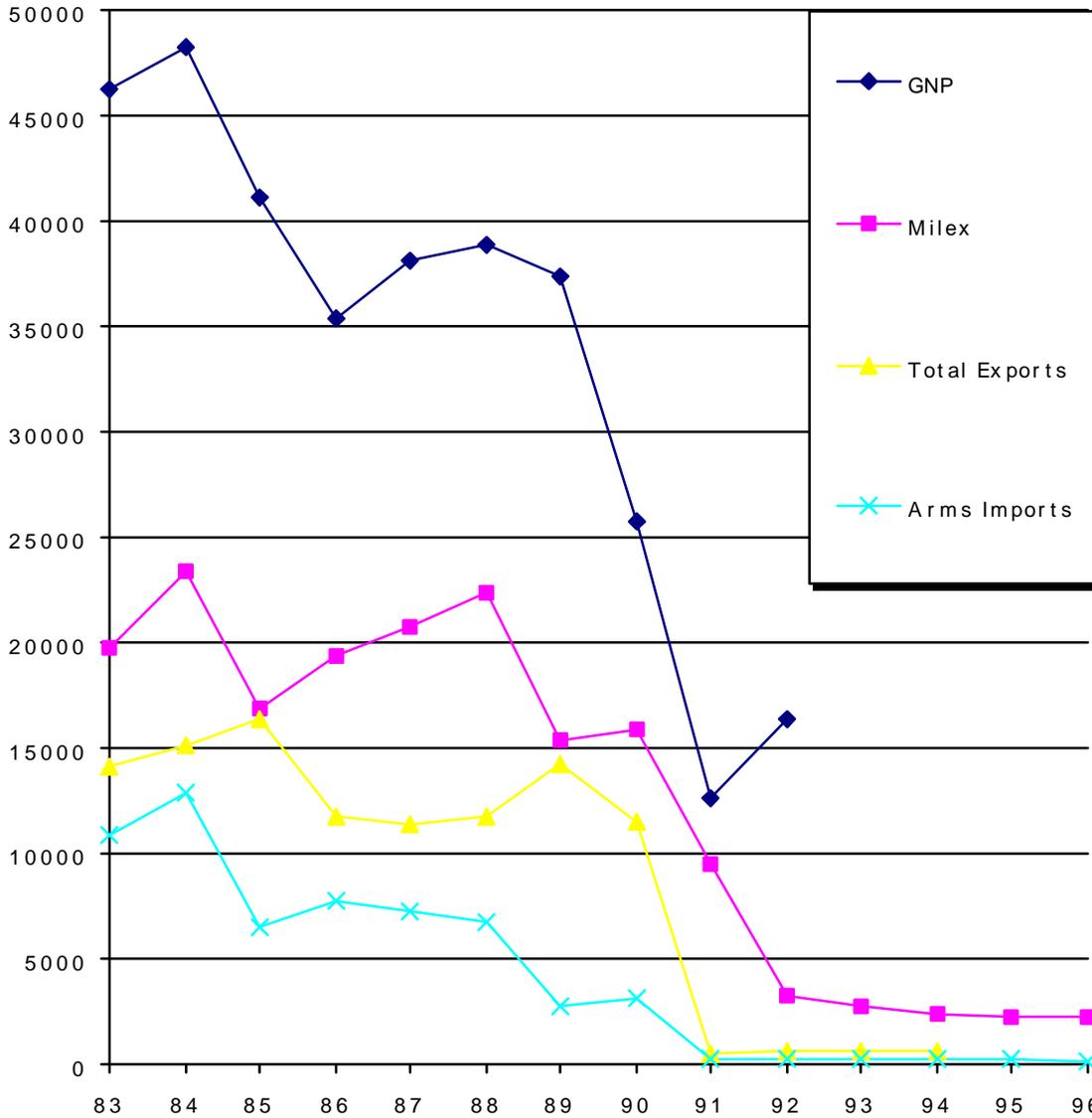
- reflecting Iraq's growing interest in advanced military technology before the cutoff of arms imports.
- In spite of various claims, Iraq's domestic production capability can only play a major role in allowing Iraq to sustain its modern weapons and ability to use advanced military technology. Iraq remains an import dependent country.

## **Iraq - Overview**

- Iraq's past pattern of arms imports makes it highly dependent on access to a wide range of suppliers -- particularly Western Europe and Russia. Even if one nation should resume supply, Iraq could not rebuild its military machine without broad access to such suppliers and would be forced to convert a substantial amount of its order of battle to whatever supplier(s) were willing to sell.
- In spite of some smuggling, Iraq has had negligible export earnings since 1990, and faces significant long term limits on its ability to import even when sanctions are lifted.
- Iraq will encounter severe problems after UN sanctions are lifted because of the inability of the FSU to provide efficient deliveries of spares and cost-effective upgrade and modernization packages.
- No accurate data are available on Iraqi military spending and arms imports since 1991, but estimates of trends in constant dollars, using adjusted US government data, strongly indicate that Iraq would need to spend sums approaching \$20 billion to recapitalize its force structure.
- Major modernization efforts to counter US standards of capability could add \$10 billion each to key modernization efforts like land-based air defense, air defense, air and missile strike capabilities, armored modernization, modernization of other land weapons, and reconstitution of the Iraqi Navy. Modernization to match Saudi levels of capability would be about half these totals.

### Iraqi Gross National Product, Military Expenditures, Total Exports, and Arms Import Deliveries

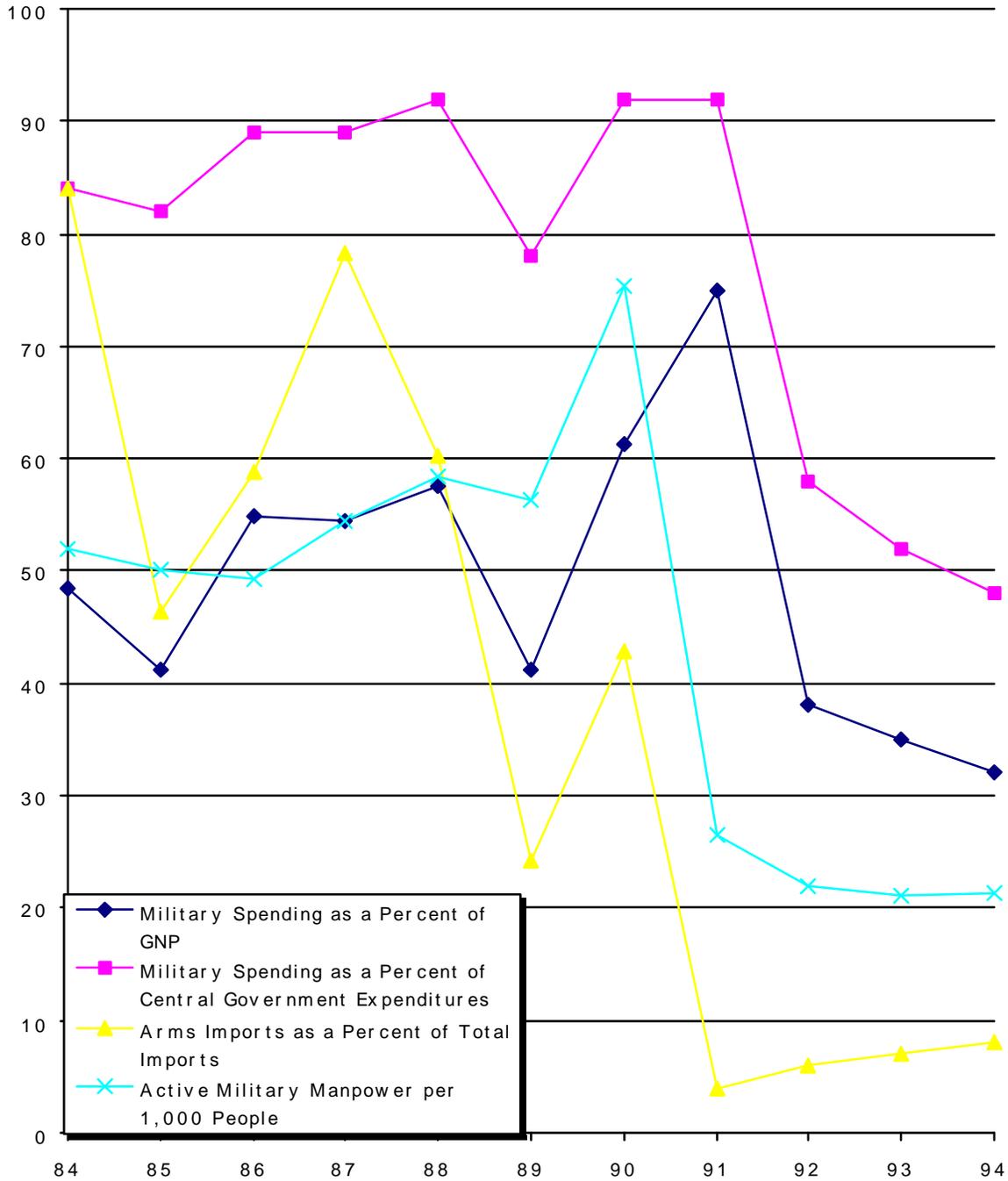
(Constant \$94 millions)



Source: Adapted by Anthony H. Cordesman from ACDA, World Military Expenditures and Arms Transfers, 1993-1994, ACDA/GPO, Washington, 1995

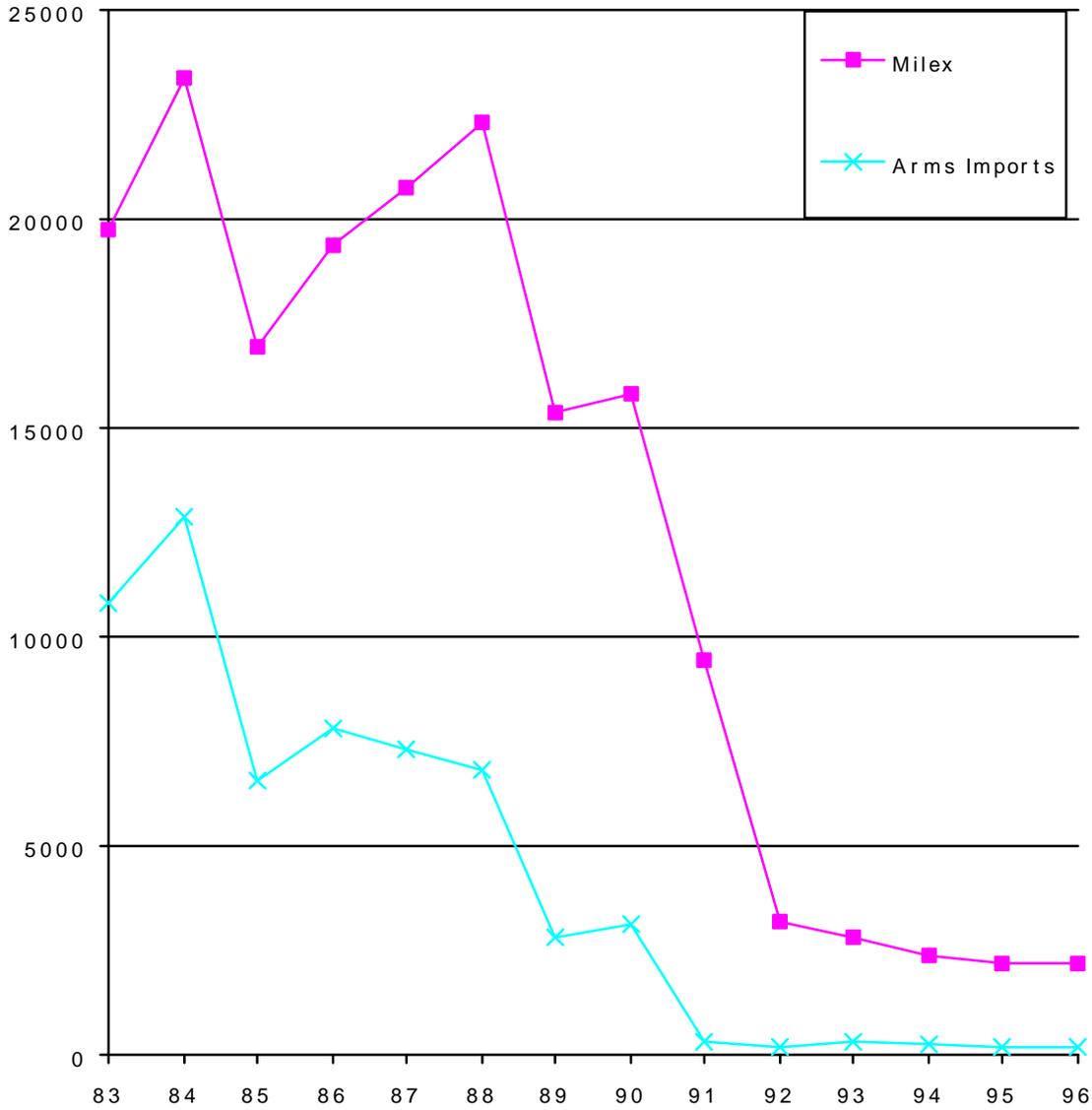
### Iraqi Military Efforts as a Percent of GNP, Government Expenditures, Imports and Total Population: 1984-1994

(All percentages are measured in absolute manpower and constant 1984 US dollars.)



Adapted by Anthony H. Cordesman from ACDA, WMEAT, various editions.

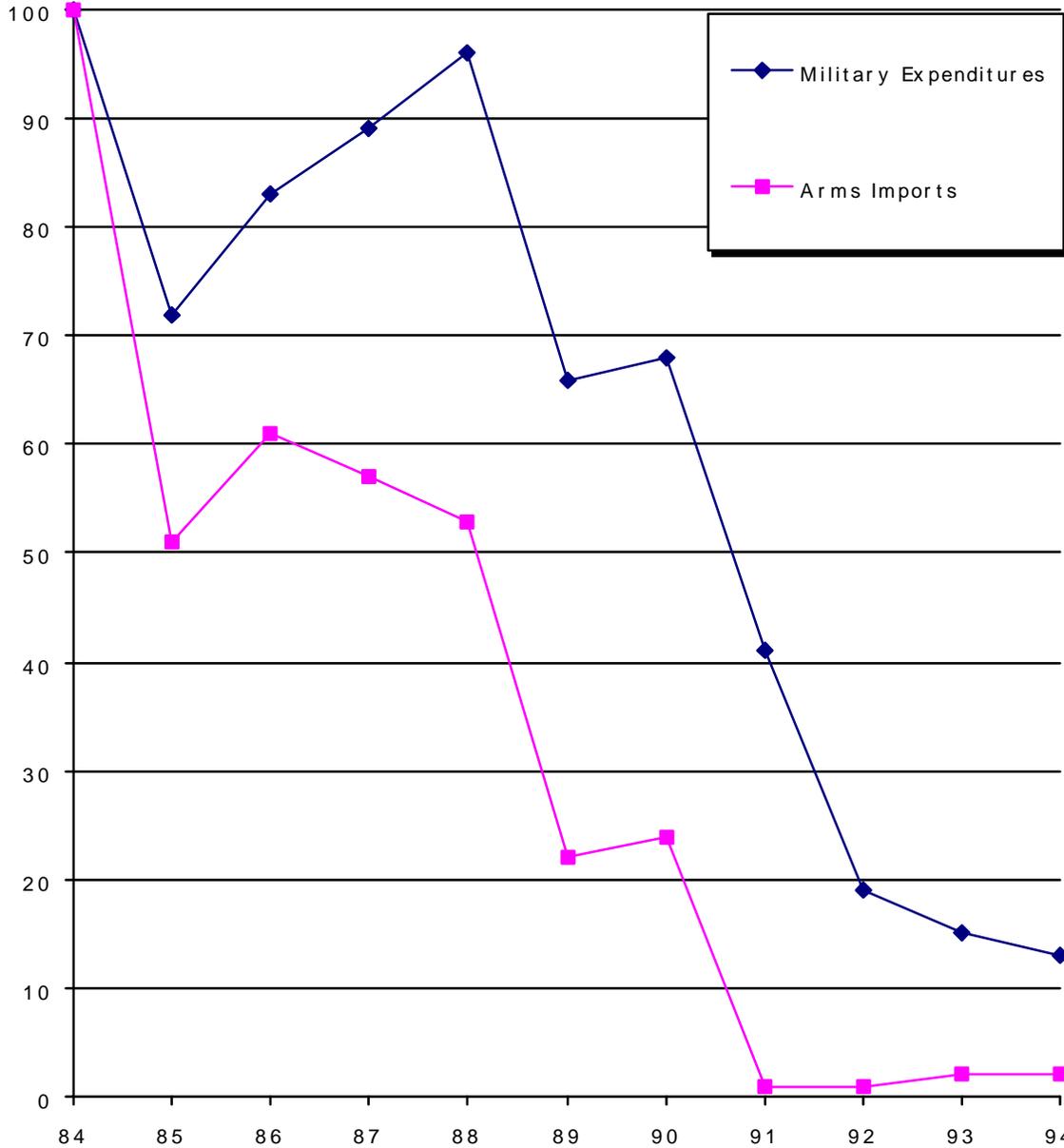
### Iraqi Military Expenditures and Arms Transfers (Constant \$94 millions)



Source: Adapted by Anthony H. Cordesman from ACDA, World Military Expenditures and Arms Transfers, 1993-1994, ACDA/GPO, Washington, 1995

### Iraqi Military Expenditures and Arms Imports as a Percent of 1984 Total: 1984-1994

(Measured in \$94 Constant Millions)



Source: Adapted by Anthony H. Cordesman from US Arms Control and Disarmament Agency, World Military Expenditures and Arms Transfers, 1995, GPO, Washington, 1996.

## Iraqi Military Expenditures and Arms Transfers by Major Supplier

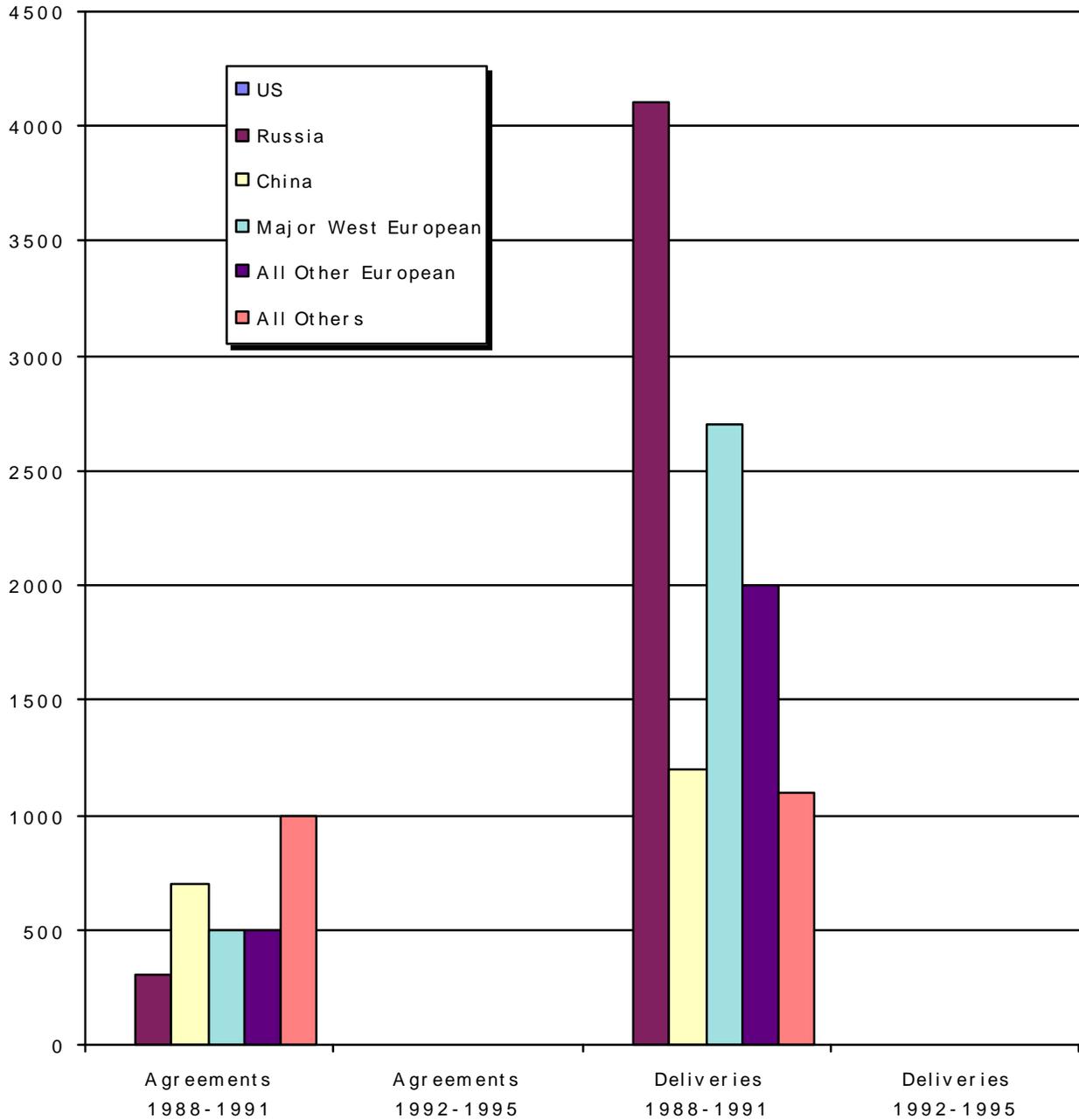
(in millions of US dollars)

	<u>Military Expenditures</u>		<u>Arms Imports</u>	
	<u>\$Current</u>	<u>\$94 Constant</u>	<u>\$Current</u>	<u>\$94 Constant</u>
1983	13530	19740	7900	10824
1984	16880	23360	9300	12870
1985	12670	16920	4900	6544
1986	14890	19370	6000	7802
1987	16480	20770	5800	7310
1988	18400	22330	5600	6796
1989	13230	15360	2400	2787
1990	14210	15820	2800	3116
1991	8828	9462	280	300
<i>1992</i>	<i>3050</i>	<i>3200</i>	<i>195</i>	<i>200</i>
<i>1993</i>	<i>2725</i>	<i>2800</i>	<i>296</i>	<i>300</i>
<i>1994</i>	<i>2400</i>	<i>2400</i>	<i>220</i>	<i>220</i>
<i>1995</i>	<i>2300</i>	<i>2200</i>	<i>206</i>	<i>200</i>
<i>1996</i>	<i>2350</i>	<i>2200</i>	<i>182</i>	<i>170</i>

(a) Source: Adapted by Anthony H. Cordesman from ACDA, World Military Expenditures and Arms Transfers, 1995, Washington, GPO, 1996, Tables I & II. Data for 1994-1996, and all data in italics, estimated by Anthony H. Cordesman

### New Arms Agreements and Deliveries to Iraq by Supplier Country: 1988-1995

(\$Current Millions)



0 = less than \$50 million or nil, and all data rounded to the nearest \$100 million.

Source: Adapted by Anthony H. Cordesman from data provided by Richard F. Grimmett in Conventional Arms Transfers to Developing Nations, 1988-1995, CRS 96-677F, August 15, 1996.

**Iraqi Arms Transfers by Major Supplier: 1983-1995**  
(in millions of current US dollars)

<u>Agreements</u>	<u>1983-1986</u>	<u>1987-1990</u>	<u>1991-1994</u>	<u>1992-1995</u>
Soviet Union/ Russia	11,815	4,090	0	0
China	1,760	615	0	0
United States	0	0	0	0
Major West European	1,005	2,665	0	0
All Other European	3,990	1,020	0	0
All Others	1,920	1,575	0	0
<b>TOTAL</b>	<b>20,490</b>	<b>9,965</b>	<b>200-500</b>	<b>240-600</b>
<u>Deliveries</u>				
	<u>1983-1986</u>	<u>1987-1990</u>	<u>1991-1994</u>	<u>1992-1995</u>
Soviet Union/ Russia	12,179	7,370	0	0
China	3,180	820	0	0
United States	0	0	0	0
Major West European	5,225	1,180	0	0
All Other European	3,615	2,765	0	0
All Others	1,920	1,310	0	0
<b>TOTAL</b>	<b>26,110</b>	<b>13,445</b>	<b>200-500</b>	<b>240-600</b>

Source: Adapted by Anthony H. Cordesman from material provided by the US Government and Richard F. Grimmett, Conventional Arms Transfers to the Third World, 1983-1990, Washington, Congressional Research Service, CRS-9 1-578F, August 2, 1991, Conventional Arms Transfers to the Third World, 1984-1991, Washington, Congressional Research Service, CRS-92-577F, July 20, 1991, Conventional Arms Transfers to the Third World, 1987-1994, Washington, Congressional Research Service, CRS-95-862F, August 4, 1995, and Conventional Arms Transfers to the Third World, 1988-1995, Washington, Congressional Research Service, CRS-96-667F, August 15, 1996. 0 = data less than \$50 million or nil. All data are rounded to the nearest \$100 million. Major West European includes Britain, France, Germany, and Italy.

## **The Problem of Military Production**

- Iraq developed significant ammunition, small and light arms, and gun barrel production facilities before the Gulf War, and many survive and function. However, focused most resources on weapons of mass destruction.
- Left even high tech service (e.g. French and Russian aircraft) to foreign technical support teams. Did not attempt to develop major in-house capabilities.
- Pre-1991 production was heavily prototype-oriented and largely prestige-oriented in nature.
- Did import T-72 kits, in theory as transition to production facilities. However, far from clear that Iraq has industrial base for such manufactures.
- Iraqi modifications sometimes succeeded, but many failed and had an “impress the maximum leader character.” E.g. T-72 upgrades.
- Historically, assembly of major weapons does not lead to technology transfer or effective reverse engineering capability without extensive foreign support. Net impact is to create over-specialized facilities, waste resources.
- No developing state, including India and China, has yet demonstrated that it can successfully mass manufacture an advanced fighter plane or tank, even on a turn-key basis.
- Few nations have made useful major equipment upgrades for armor and aircraft. Jordan and South Korea, Turkey are among few successes. Egypt, India, Pakistan are more typical.
- Iraq has effectively been cut off from all major imports of parts and specialized equipment since 1990s, although dual use items, civilian electronics and sensors, and computer gear are not effectively controlled.
- Black market imports, substitution, and local manufactures can only provide an erratic and inefficient substitute for large scale resources.
- Some indications that Iraq is giving priority to importing equipment for weapons of mass destruction.

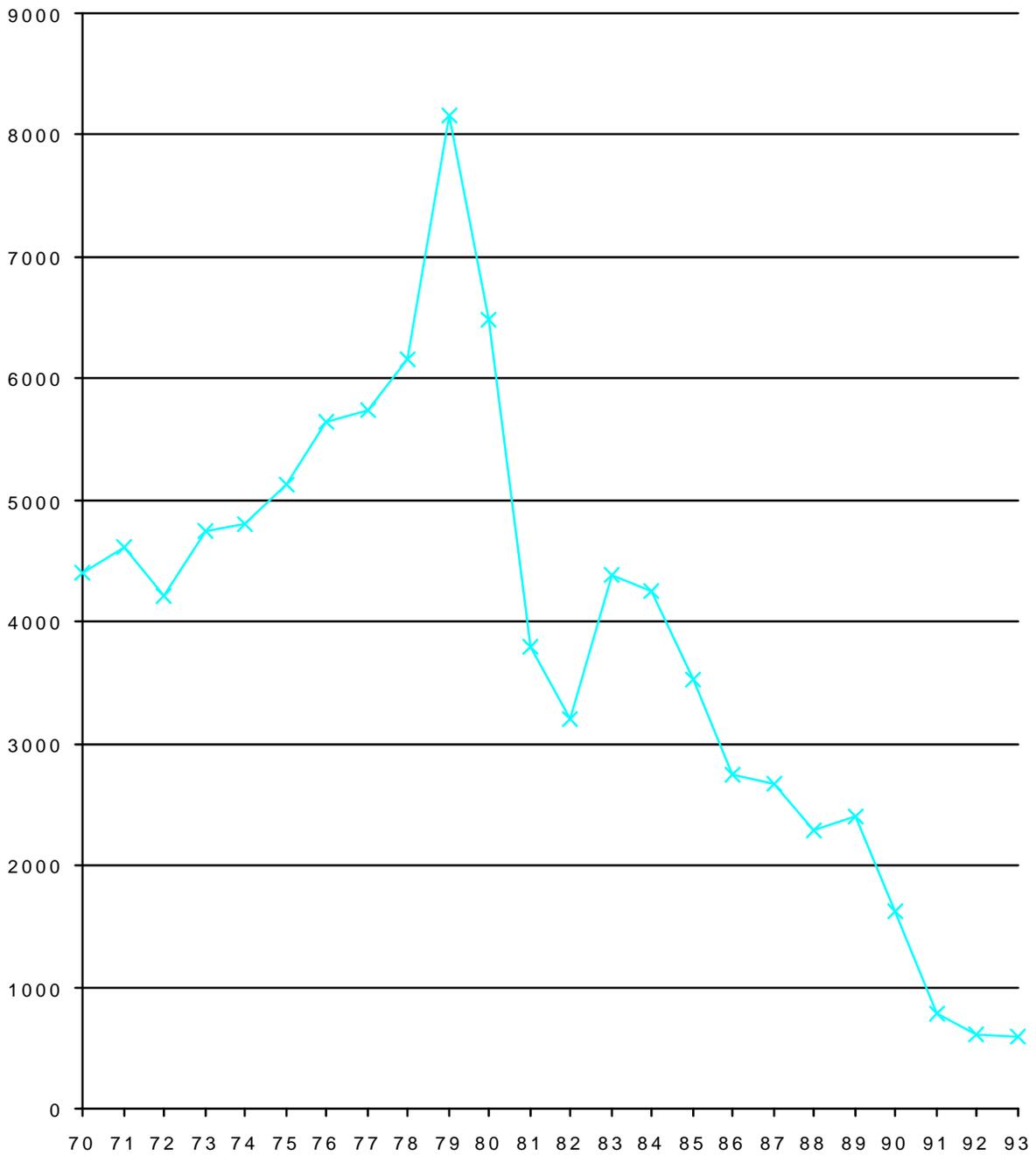
## **Major Iraqi Military Production Facilities**

- Tank assembly plant operating under Polish and Czech licenses at Al-Amen.
- Major armor refitting center at Base West World (Samawa).
- Manufacture of proximity fuses for 155 mm and cluster munitions at April 7 (Narawan Fuse) Factory.
- Manufacture of 122 mm howitzers, Ababil rockets, tank optics and mortar sights at Sa'ad 5 (Sa'ad Engineering Complex).
- Manufacture of wheeled APCs under East European license, other armor, and artillery pieces at Al Taji).
- Manufacture and repair of artillery, vehicle parts, and cannon barrels at SEHEE heavy engineering complex (Al Dura).
- Aircraft assembly and manufacturing plant under construction at Sa'ad 38. (Fao)
- Manufacture of aerial bombs, artillery pieces, and tungsten-carbide machine tool bits at Badr (al Yusufiyah).
- Production of explosives, TNT, propellants, and some vehicle production capability at Al Hiteen (Al Iskandariyah).
- Production of cluster bombs and fuel-air explosives at Fao.
- Production of aerial bombs, TNT, and solid rocket propellants at Al Qaqa.
- Manufacture of small naval boats at Sawary (Basra).
- Production and modification of defense electronics at Mansour (Baghdad).
- Production and modification of defense electronics, radars, and frequency-hopping radios at Sa'ad 13 (Salah al Din - Ad Dawr).
- Digital computer software, assembly of process line controllers for weapons plants, and plastic castings at Diglia (Zaafarniyah).
- Precision machining at Al Rabiya.
- Manufacture of non-ferrous ammunition cases at Sa'ad 21 (Mosul).
- Liquid nitrogen production at Al Amil.
- Production of ethylene oxide for fuel-air explosives at PCI.
- Production of HMX and RDX explosives at Fallujah chemical plant at Al Muthanna.
- Manufacture of gas masks at Sa'ad 24 (Mosul).

## **The Problem of Future Wealth**

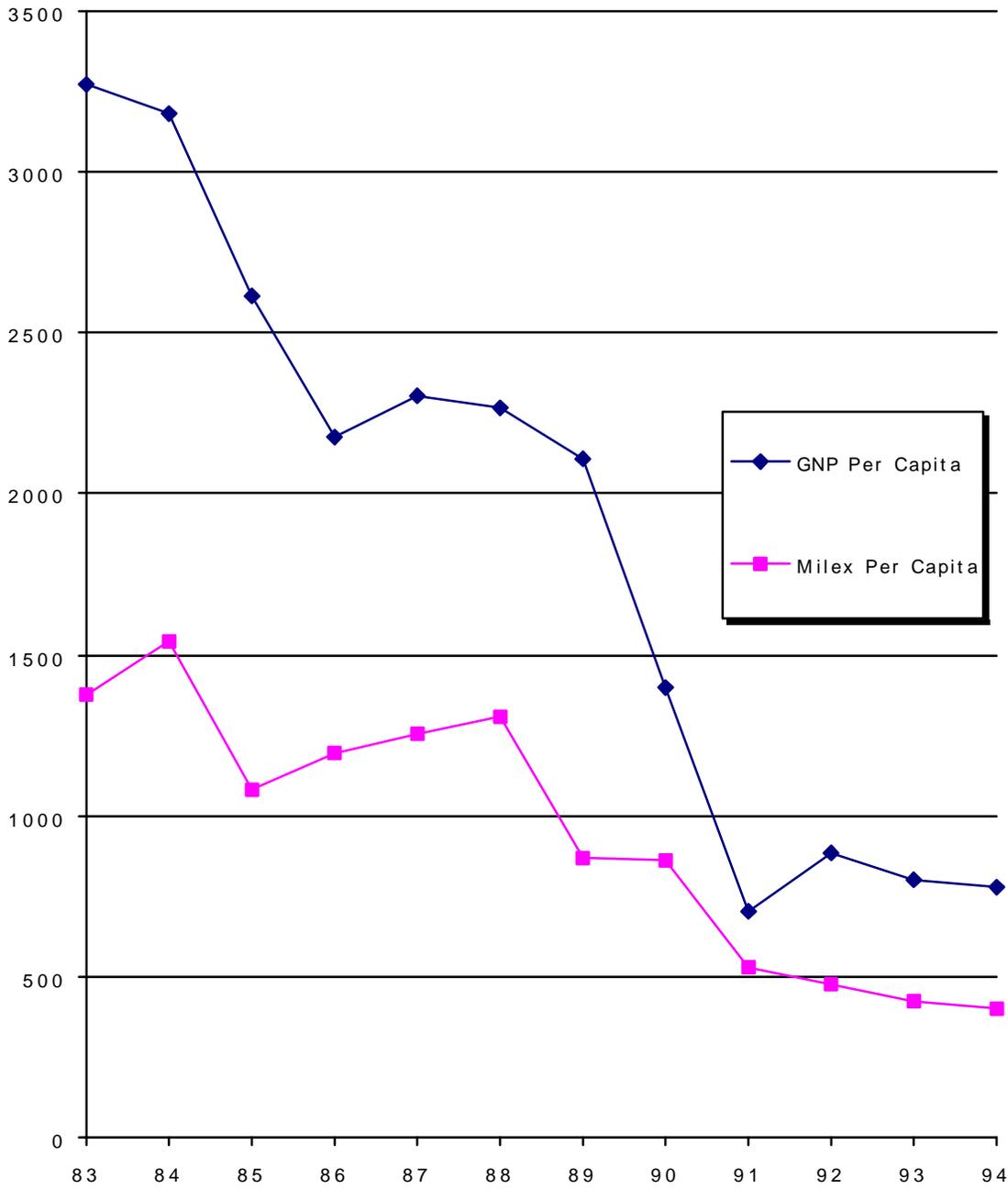
- Iraq seemed to be on the edge of sustained economic development in 1979. It was a nation of 12.8 million people with a per capita income well in excess of \$10,000 in constant \$US 1994. However, its economy was dependent on oil wealth and construction and infrastructure oriented with massive distortions in the state and agricultural sector.
- By 1986, the worst year of the Iran-Iraq War in economic terms, Iraq's per capita income was down to \$2,174, and its population was up to 16.2 million.
- By 1991, the last year for which we have hard data on the Iraqi economy in market terms, Iraq's per capita income was down to \$705, and its population was up to 17.9 million. Iraq's GNP in constant \$1994 had dropped from \$48.3 billion in 1984 to \$16.3 billion.
- Iraq's current per capita income is probably under \$1,000. The World Bank estimates that its population will climb from 21.0 million in 1995 to 24.5 million in 2000, 28.4 million in 2005, and 32.5 million in 2010.
- Iraq's capital holdings in hard currency are probably about 1/18th of the 1980 level.
- Iraq's limited efforts at reform have so far been largely offset by authoritarian crack downs, corruption, distortion of rationing, etc., etc.
- The present oil export agreement does not provide enough hard currency to the central government to do more than slow down the impact of sanctions. It puts off any major relief on the military side of sanctions 1998 and beyond.
- DOE/EIA estimates Iraq had a nominal oil production capacity of 2.2 MMBD in 1990 and of 0.6 MMBD in 1994. It estimates Iraqi production capacity as reaching 4.4 MMBD in 2000, 5.7 MMBD in 2005, 6.7 MMBD in 2010, and 7.2 MMBD in 2015. The near-term estimates seem grossly exaggerated. The US has effectively denied Iraq the resources and equipment needed to sustained such production levels and major increases to levels above the 1990 level will probably take 2 to 4 years after the full lifting of sanctions.
- Iraq has an authoritarian government which can generate major military spending regardless of the hardship for Iraq's people, but the Iraqi economy will require both the lifting of sanctions and massive sustained structural reform to approach the level of wealth necessary to sustain the 1979-1984 level of military effort.
- Recapitalization and restructuring to react to the lessons of the Gulf War will require levels of spending Iraq could not sustain in near term without crippling recovery and expansion of oil production.
- Past experience indicates that Iraq will be highly inefficient in dealing with the management of the recapitalization and technological restructuring of its forces.
- Resources may well be allocated to weapons of mass destruction.
- Force numbers may be kept too large.

### Iraqi Per Capita Income (in Constant 1987 US Dollars)



Source: Adapted by Anthony H. Cordesman from International Energy Agency (IEA) Middle East Oil and Gas, Paris, 1995, pp. 247-248

### Iraqi GNP Per Capita Versus Military Expenditures Per Capita (Constant \$94)



Source: Adapted by Anthony H. Cordesman from ACDA. World Military Expenditures and Arms Transfers, 1993-1994, Washington, ACDA-GPO, 1995, Table I

## **The Problem of Wartime Losses**

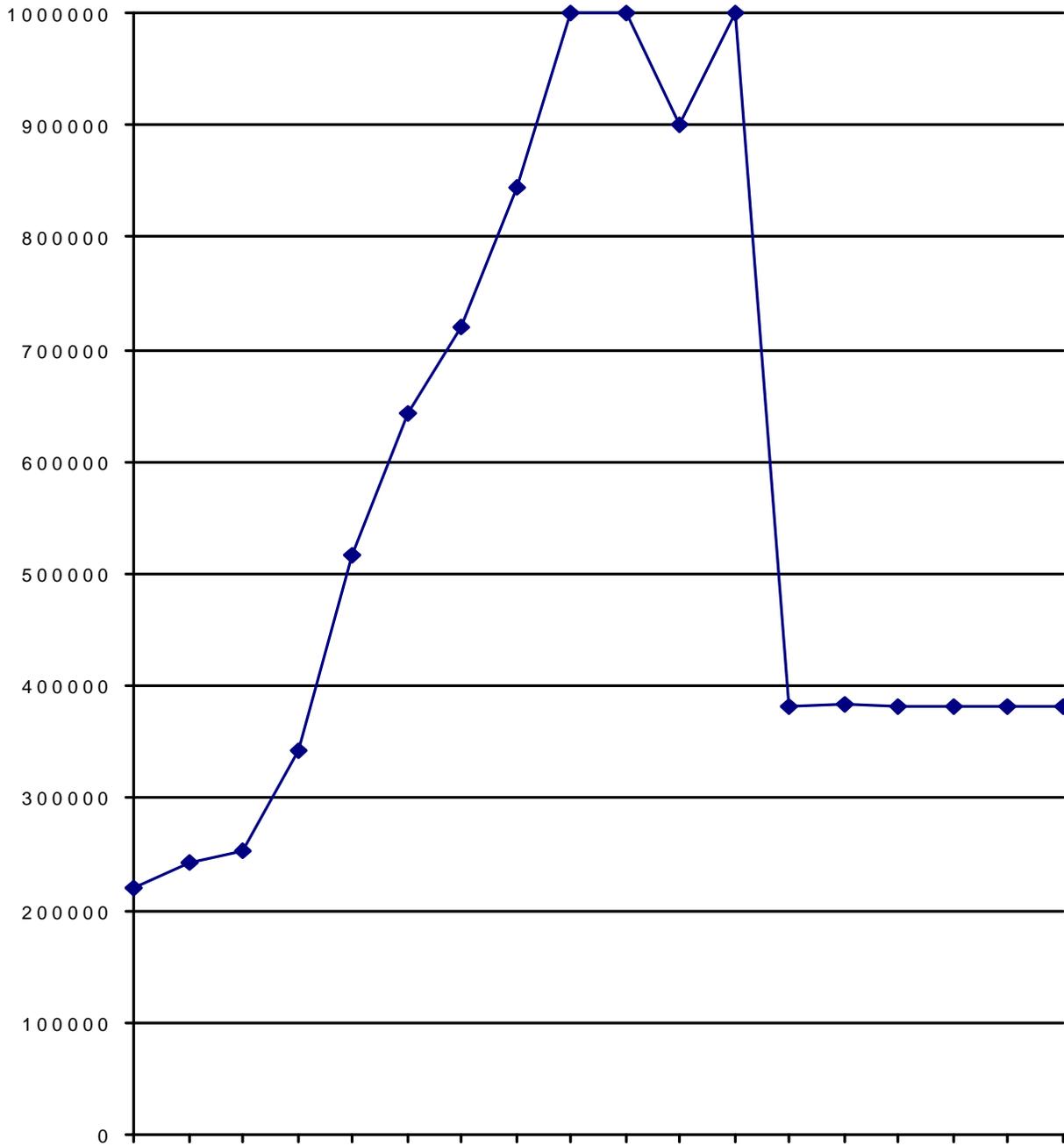
- Estimates of losses were sharply reduced as a result of reappraisal after the COW study.
- Iraq does have the capacity to repair/renovate much of its damaged land force equipment.
- Iraq had massive stocks of ammunition and major supplies before 1990. No major reappraisal seems to have been made of CENTCOM damage estimates after the war.
- Iraq succeeded in reconstituting much of its ground force structure between 1992-1995.
- Air force cannibalization and restructuring far more uncertain.
- Most of SAM/ground based air defense system survived or seems to have been recoverable.
- Iraq has restructured and consolidated its ground forces with an emphasis on the Republican Guard. It has reconstituted much of its surface-to-air missile defense system, and is increasing sortie rates for its remaining aircraft.
- There are, however, severe limits to its recovery capability, and Iraqi spending on such activity seems to have decline steadily since late 1994.
- The quality and sustainability of many Iraqi efforts will also be highly uncertain. Life-span of complex missiles and electronics very difficult to estimate. LRU-type losses are difficult to calculate, and NSA has miserable history of analysis in this area.
- Past experience indicates that Iraq will be highly inefficient in dealing with the management of the recapitalization and technological restructuring of its forces.
- Most resources may well be allocated to weapons of mass destruction.
- Force numbers may be kept too large to allow efficient consolidation and recovery.

**The Impact of Coalition Air and Land Forces on Iraqi Equipment Strength in the Kuwaiti Theater of Operations (KTO) at the Time of the Cease-Fire**

	<u>Tanks</u>	<u>APCs</u>	<u>Artillery</u>
Total in KTO on January 16, 1991, at start of Air Campaign (Imagery)	3,475	3,080	2,474
Total left at beginning of the land campaign	2,087	2,151	1,322
Total destroyed or abandoned during the during land campaign (USCENTCOM estimate)	2,159	521	1,465
Destroyed by air	(451)	(224)	(353)
Destroyed by land or abandoned	(1,708)	(297)	(1,112)
Total destroyed or abandoned during the during land campaign (Imagery Based)	1,245	739	1,044
Total destroyed during air campaign and land offensive (Imagery Based)	2,633	1,668	2,196
Still in Iraqi Control on March 1, 1991 (Imagery)	842	1,412	279

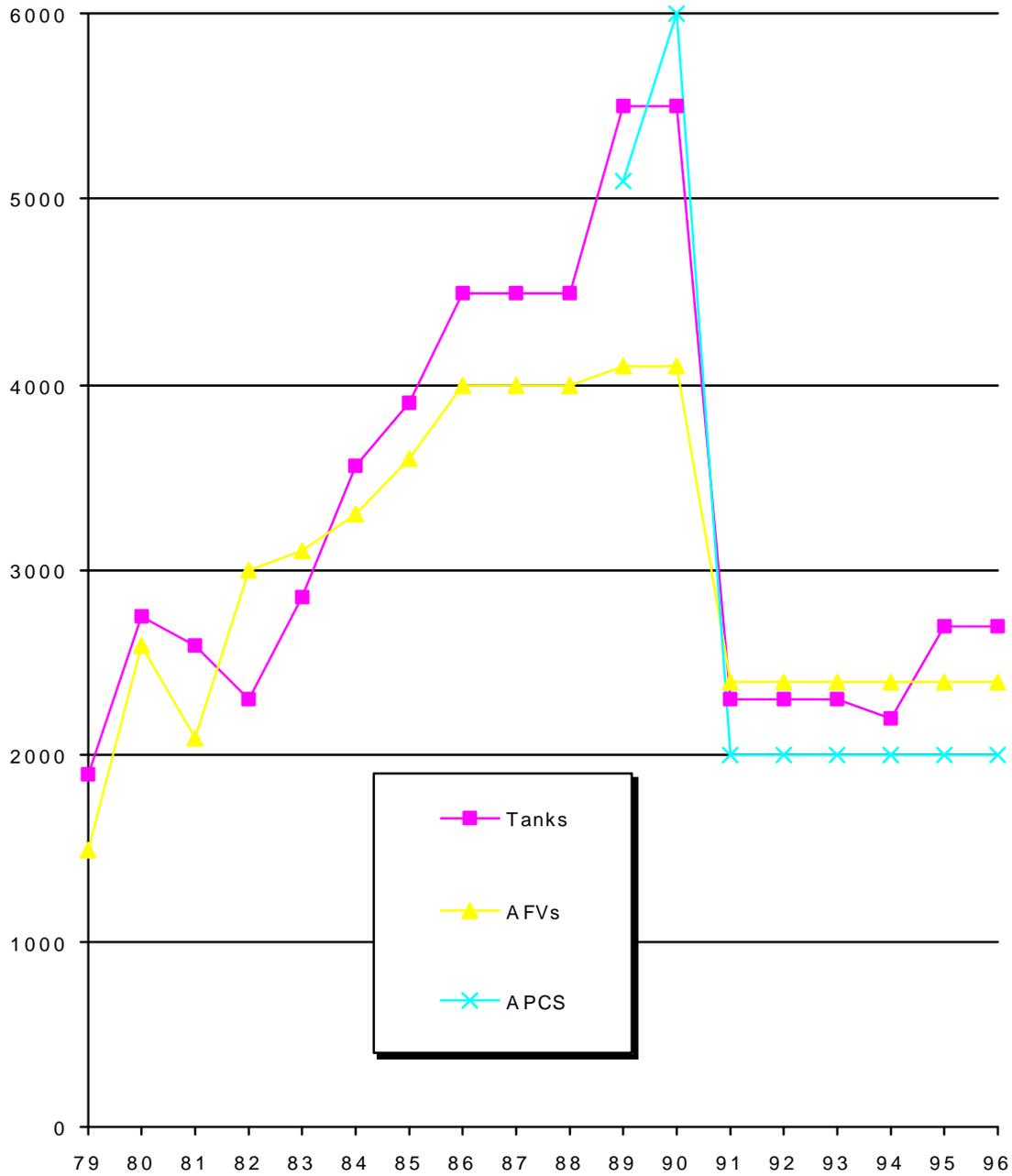
Source: Adapted by Anthony H. Cordesman from work by Eliot Cohen, ed., Gulf War Air Power Survey, Volume II, Section II, pp. 259-261 and interviews.

### Trends in Iraqi Total Active Military Manpower: 1979-1997



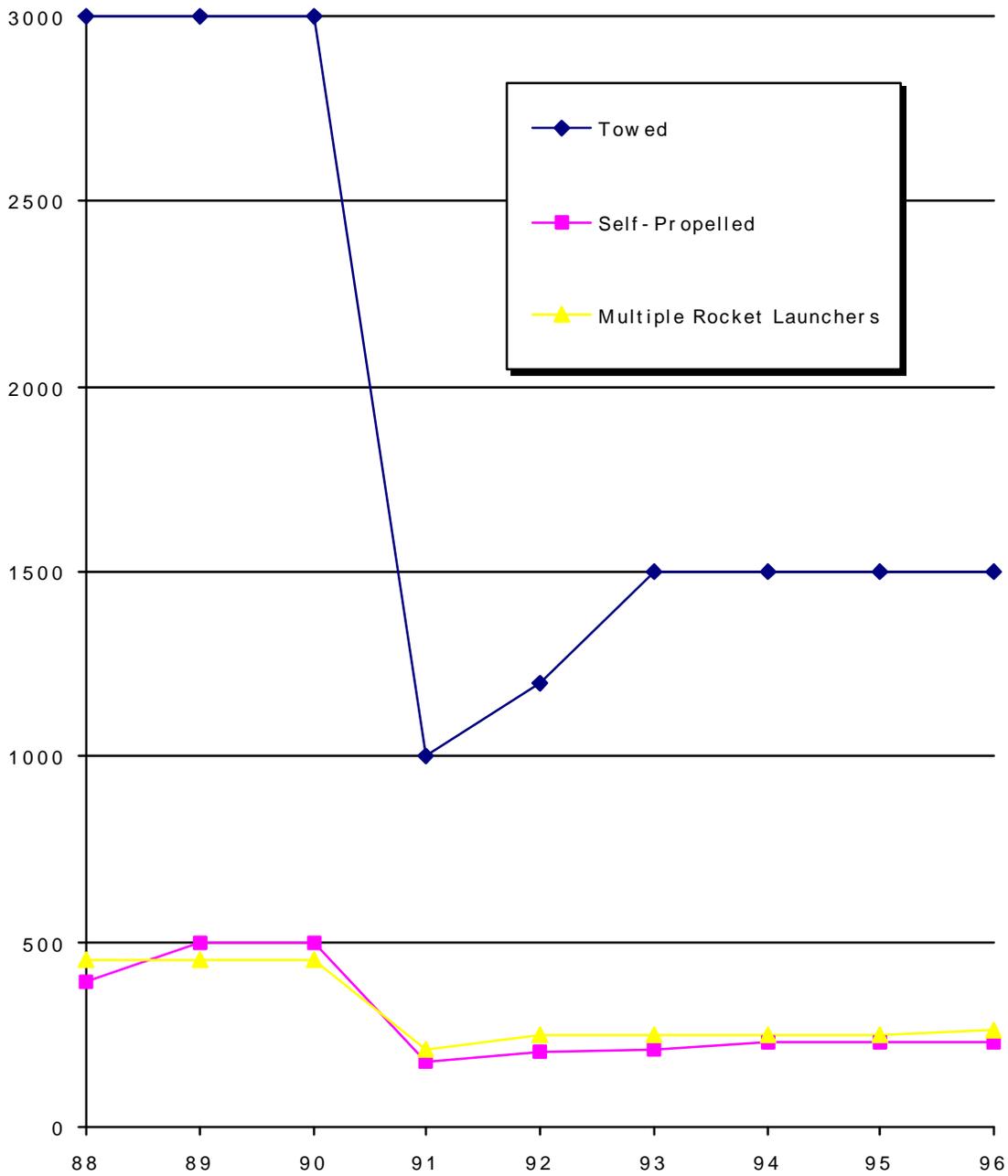
Source: Estimated by Anthony H. Cordesman

### Iraq Armored Weapons Strength - 1979-1997



Source: Adapted by Anthony H. Cordesman from various editions of the IISS, Military Balance, the JCSS, Military Balance in the Middle East, and material provided by US experts.

### Iraq: Artillery Weapons Strength - 1988-1997



Source: Adapted by Anthony H. Cordesman from various editions of the IISS, Military Balance, the JCSS, Military Balance in the Middle East, and material provided by US experts.

## Iraqi Air Strength in Desert Storm

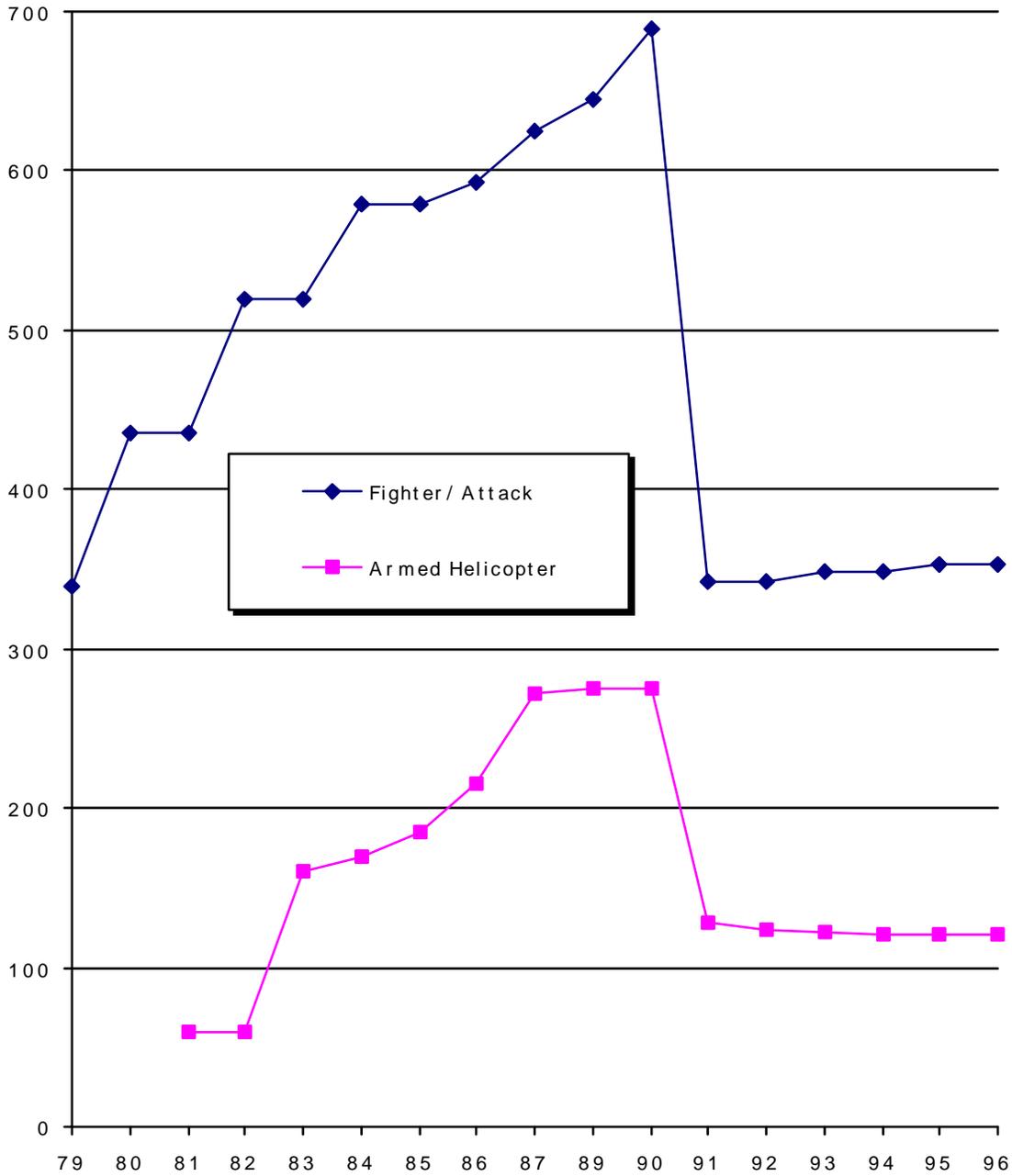
	<b>Element of Force Strength</b>			
	August 1, <u>1990</u>	January 1, <u>1991</u>	February 1 <u>1991</u>	April 1, <u>1991</u>
<u>Air Force</u>				
Personnel	18,000	18,000	18,000	18,000
Fighters/fighter bombers	718	728	699	362
Bombers	15	15	9	7
Reconnaissance	<u>12</u>	<u>12</u>	<u>12</u>	<u>0</u>
Subtotal	745	755	720	369
Combat capable trainers	<u>370</u>	<u>400</u>	<u>400</u>	<u>252</u>
Total	1,115	1,155	1,120	621
Helicopters	517	511	511	481
Transports	76	70	70	41
Civil Transports	59	60	60	42
<u>Air Defense Force</u>				
Personnel	17,000	17,000	17,000	17,000
Surface-to-air missile Batteries	120	120	200	85
Anti-aircraft guns	7,500	7,600	7,600	5,850

## Iraqi Combat Aircraft Losses in Desert Storm

<u>Aircraft Types</u>	<u>Number on January 12, 1991</u>	<u>Lost in Air Combat</u>	<u>Total Destroyed</u>	<u>Fled To Iran</u>	<u>Remaining on March 1, 1991</u>
Mirage F-1	75	8	10	30	35
Su-24 Fencer	25	0	2	14	9
MiG-29 Fulcrum	41	5	9	7	25
Su-7/17/20/22 Fitter	119	5	14	34	71
MiG-25 Foxbat	33	2	8	0	25
Su-25 Frogfoot	61	2	4	7	50
MiG-23 Flogger	123	8	17	10	96
MiG 21 Fishbed	<u>208</u>	<u>4</u>	<u>16</u>	<u>0</u>	<u>192</u>
TOTAL	685	34	80	102	503

Source: Adapted by the author from Lt. General Walter E. Boomer, "Desert Storm, MARCENT Operations in the Campaign to Liberate Kuwait," US Marine Corps Headquarters, August 31, 1991, and Eliot Cohen, ed., Gulf War Air Power Survey, Volume V, Part I, pp. 17-19 and 653-654.

### Iraq: Fixed Wing and Rotary Wing Combat Air Strength - 1979-1996



Source: Adapted by Anthony H. Cordesman from various editions of the IISS, Military Balance, the JCSS, Military Balance in the Middle East, and material provided by US experts.

## **Possible Iraqi Military Scenarios**

- Sudden invasion of Kuwait: Attempt to create “hostage state/people.”
- Repeated movements south towards Kuwait to disrupt Kuwait, force mobilization.
- Creation of biological strike capability, purchase nuclear weapon(s) to intimidate region, seek to decouple US and Saudi Arabia from defense of Kuwait.
- Use of mines or missiles against tanker traffic to Kuwait.
- Desperation strike at Kuwait
- Clashes with Turkey or Iran over Iraqi efforts to attack its Kurds, or support of Kurds hostile to Iraq and Iran.
- Mid-intensity conflict with the US over a major Iraqi attack on the Kurds in the Kurdish security zone.
- War with the Kurds in the Kurdish security zone. Conflict with Iran over Iraqi treatment of the Shi'ites in Southern Iraq, and/or Iranian attacks on the Iraqi front group, the People's Mujahideen.
- Major clash resulting from refusal to allow UN inspection, over challenges to "no-fly zones", and incursions into Kuwait.
- Military confrontation growing out of US or UN attacks in response to Iraqi support of terrorism or use of unconventional warfare.
- Use of chemical or biological terrorism.
- Unconventional attacks on facilities and ships in Gulf.
- Confrontation with Syria over Syrian peace agreement with Israel or some other factor.
- Strike at Jordan
- Wars of “intimidation”
- Other forms of terrorism or proxy wars: Use extremist movements, use Iraq as cover, support “Afghani,” aid Bahraini and Saudi extremists, etc.
- Civil war for power

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<sup>1</sup> World Bank, World Development Indicators, 1997, pp. 34-35.

<sup>2</sup> CIA, World Factbook 1966.

<sup>3</sup> CIA, World Factbook 1966.

<sup>4</sup> EIA, On-line country data base, Iraq, Internet accessed August 15, 1997; CIA, World Factbook 1966.

<sup>5</sup> World Bank, World Development Indicators, 1997, pp. 130-132.

<sup>6</sup> Author's estimate based on interviews, EIU reports, the IISS, Military Balance, , and CIA, World Factbook.

<sup>7</sup> Based on the data based used by ADCA in World Military Expenditures and Arms Transfers, 1991-1992, p. 67.

<sup>8</sup> Based on the data based used by ADCA in World Military Expenditures and Arms Transfers, 1991-1992, p. 67; CIA, World Factbook 1966; EIA, On-line country data base, Iraq, Internet accessed August 15, 1997.

<sup>9</sup> Author's estimate based on interviews, EIU reports, the IISS, Military Balance, , and CIA, World Factbook.

<sup>10</sup> EIA, International Energy Outlook, 1997, DOE/EIA-0484 (97) April 1997, pp. 157-160.

<sup>11</sup> Unlike Iran, Iraq lacks the resources to be a major gas exporter. It may have enough surplus gas, however, to sharply reduce the growth of its domestic consumption of oil, and Iraq has only about one-third of Iran's population.

<sup>12</sup> Richard F. Gimmet, Conventional Arms Transfers to the Developing Nations, 1988-1995, CRS 96-667F, August 15, 1996, pp. 53-55.