

DECLASSIFIED
CONFIDENTIAL



Foreign &
Commonwealth
Office

20 September 2002

Anna

*I have failed to do
anything with this. Still I*

London SW1A 2AH

Dear David,

Am 24/10

*cc MR
JP*

Iraq - Consequences of Conflict for the Region and Beyond

...

I enclose a paper produced by our Directorate for Strategy and Innovation on the impact of war with Iraq on the region and beyond. It has been cleared widely within the FCO at official level.

The aim of the paper is to highlight a range of possible unforeseen consequences in order to stimulate thinking about the sorts of problems we could face and might need to start planning for. The intention is not to paint an unduly bleak picture of what might happen in the event of war, but to help us to avoid being taken by surprise by unforeseen events, as we were by the oppression of the Kurds in 1991 and the humanitarian crisis in Kosovo.

I am copying this letter and the paper to David Omand, John Scarlett, Sir Kevin Tebbit (MoD), Suma Chakrabarti (DfID), Gus O'Donnell (HMT), Brian Bender (DEFRA), John Gieve (Home Office), Robin Young (DTI), Sir David Wright (BTI), Sir Richard Mottram (DTLR) and "C".

David 3/10

Yours sincerely,

[Signature]

(Mark Sedwill)
Private Secretary

*I think Jim O'Donnell's
group have taken this into
account in their work -
see his separate summary
note to you.*

*(I don't think need anything
more that will be new to you).*

Sir David Manning KCMG
10 Downing Street

*Anna
1/11*

DECLASSIFIED
CONFIDENTIAL

CONFIDENTIAL
DECLASSIFIED

IRAQ – CONSEQUENCES OF CONFLICT FOR THE REGION AND BEYOND

- 1 This paper identifies some of the possible impacts of war with Iraq on the immediate region and beyond over the short term. One of the aims is to identify the unintended consequences which could easily produce problems (cf the displacement of Kurds in 1991). **The intention is not to predict catastrophe. But by preparing for the worst, we should be better placed to avoid it.**
- 2 Some country-specific comments are included at Annex A.

General

- 3 Much would depend on how the military campaign was conducted and how quick it was. But it is possible to identify the following general risks:-

Humanitarian emergency in Iraq

- 4 Unless it ended quickly, war could create a humanitarian emergency in Iraq itself. Normal trading patterns would be disrupted, causing food and other shortages. Critical infrastructure could be damaged or destroyed, causing eg problems of sanitation and the spread of disease. Large numbers of civilians could be injured in the cross-fire, or if directly targeted by Saddam, and require medical treatment. There could be flooding, intentional or otherwise. Controlling mass panic - stopping people from fleeing unnecessarily or encouraging them to move in the right directions - could be a major challenge.
- 5 The international community would come under intense pressure to respond, eg by providing food, water/medical treatment, other essential supplies, and to do so urgently. The UK would be expected to play a major part. It could be hard to get to the right areas quickly, particularly if fighting were still going on. To be effective, any international effort would probably need military support and to be coordinated with the military campaign. This would be difficult. The US military are unlikely to want humanitarian agencies etc on the ground complicating things.

Refugee Crisis

- 6 Connected with this, prolonged or inconclusive conflict in which the Iraqi regime targeted parts of the Iraqi population could lead to a mass exodus. Where refugees headed for and in what numbers would depend on where and how serious the fighting was. Most Iraqis would probably prefer to go to Jordan, Syria and Saudi Arabia, given cultural, religious and other links. But ultimately they would take the quickest route to safety. Since most of Iraq's population is in the arc between Mosul and Basra, this means many would also head for Iran and Turkey. Kuwait is perhaps the least likely destination on the basis that the main military thrust would come

CONFIDENTIAL
DECLASSIFIED

CONFIDENTIAL
DECLASSIFIED

from the south.

- 7 Iraq's neighbours would not welcome this. Most would try to shut their borders, unless the international community provided substantial assistance, practical and financial. Even then, their preference would be to keep refugees in camps just inside Iraqi territory.
- 8 Feeding, clothing and housing a massive number of refugees (potentially hundreds of thousands) would be a significant challenge. Many of those fleeing could be injured and require urgent medical treatment. Again, the international community would need to play a major role. Dealing with refugee crises could be potentially destabilising for some of Iraq's neighbours.
- 9 Many of the refugees might ultimately set their sights on the UK/Europe. Iraqis already make up the largest single group of asylum seekers in this country. This would be a major incentive for the UK/EU to provide humanitarian aid quickly. An increase in Iraqis seeking asylum in the UK could present security concerns.
- 10 Senior figures within the Ba'athist regime would probably flee if/when it became clear Saddam was going to fall, seeking to blend in with other refugees. Jordan would perhaps be the preferred destination, given the Iraqi population there. Those fleeing could certainly expect a difficult reception in some of the other neighbouring countries (eg Iran, Kuwait). There might need to be some sort of screening process to identify those we would wish to interrogate and possibly bring criminal charges against.

Demonstrations, riots and political stability

- 11 Military action would heighten popular hostility to the West in the Arab and wider Muslim world, adding to anger over eg Israel/Palestine. There would be demonstrations and riots in many Muslim countries in the Middle East and elsewhere. Their intensity would probably increase the longer the campaign continued.
- 12 Some of the demonstrations and riots could present a threat to British nationals and interests. We are actively considering tightening security at some posts and British Council offices. In view of the possible retaliation by Iraq against regional countries providing basing for the military action, we expect to send home non-essential staff and dependants, and to advise British nationals to leave in advance. There may be requirements for even more close protection teams.
- 13 Popular discontent could be destabilising for or even targeted against governments in the region, particularly if they supported or were perceived as supporting US-led action. Much would depend on how we carried out the war on Iraq (eg do we get the UN's support? Who is

CONFIDENTIAL
DECLASSIFIED

DECLASSIFIED
CONFIDENTIAL

involved in the coalition?) and what happened during the fighting (eg How would Israel react if attacked?).

- 14 However, on balance we would not expect popular uprisings to lead to regime change in any of Iraq's neighbours or other Muslim countries in the short term. The regimes have experienced major unrest before and should be able to weather the storm. But it would not be easy.

Terrorist attacks

- 15 War on Iraq would distract the US and others from the campaign against terrorism, perhaps creating in some places an easier environment for terrorists to operate in. It would create a new incentive to act. Hostility towards the West would increase financial and other support for terrorists, including Al Qa'ida. UK Embassies and other interests could be attractive targets.
- 16 From the terrorists' perspective, it would be an ideal time to carry out an attack – maximum impact, given increased anger in the Middle East and heightened nervousness in the West. It is possible Al Qa'ida or another well organised group would be able to exploit the opportunity to launch a major or even spectacular attack. We could also expect an increase in smaller, opportunistic attacks.

Environmental

- 17 A major environmental clear-up operation could be necessary if Saddam pursued a scorched earth policy, by setting fire to oil wells or using WMD (eg contaminating rivers, livestock and agricultural land), or flooded the country. He might release crude oil into the Persian Gulf in an attempt to put desalination plants in GCC countries out of action. He did this in 1991, but it was ineffective.

Non-related but potentially linked crises

- 18 There are a number of crises which could easily flare up whilst, and partly because, our attention was on Iraq. The main concerns are Afghanistan and India/Pakistan.
- a) Afghanistan: There is a risk war in Iraq would lead to the diversion of US, UK and other military resources and ministerial attention at a critical juncture. This could hamper decision-making (eg on expanding a military presence to the provinces) and cause difficult initiatives requiring a strong lead to stall (eg army reform, DDR). It could encourage others to increase their meddling. Failure in Afghanistan would damage our credibility for any post-conflict reconstruction in Iraq. We would not expect heightened

DECLASSIFIED
CONFIDENTIAL

DECLASSIFIED
CONFIDENTIAL

tension in the Muslim world generally to increase antipathy to the coalition- most Afghans would be more concerned with their own country. But it might give succour to various rejectionist groups still active, including Al Qa'ida. This could lead to an increased threat to the Afghan Transitional Administration and other UK interests in Afghanistan.

- b) India/Pakistan: War with Iraq would fan Islamic extremism in Pakistan, making it harder for the Pakistani Government to retain control, possibly encouraging further terrorist attacks. The situation is already fragile and could easily escalate again, particularly given forthcoming elections in both Pakistan and Kashmir. If it did, increased instability in Pakistan could limit Musharraf's room for manoeuvre.

- 19 Russia might use the opportunity to increase suppression of the Chechens (but this has already happened since September 11) or to turn the heat up on Georgia, with more incursions and bombings there.

Economic

- 20 The main initial economic impact would come from a significant rise in oil prices. There is currently said to be about US\$8 per barrel in the oil price reflecting the perceptions of risks to stability in the Middle East. With any military build up this would increase, probably quite sharply as hostilities got closer.
- 21 Most commentators expect any rise in oil prices to be short term, followed by a sharp fall as the situation stabilised, provided that the war was short and limited to Iraqi territory. Although oil demand is likely to increase as we go into the fourth quarter, there is spare capacity within OPEC and elsewhere. They do not expect the major producers to use oil as a weapon, since they are highly dependent on oil revenues.
- 22 These judgements are plausible. But what if they are wrong? We cannot discount the possibility that some of the major oil producers might choose not to take steps to compensate for cuts in Iraqi exports, driven partly by a wish to benefit from high prices and partly by domestic political pressure not to be seen to be helping the US.
- 23 There are a number of other risks. Iraq might be able to disrupt Gulf oil exports, eg by attacking Kuwait or tanker traffic in the Gulf. Tanker owners could become reluctant to allow their ships to enter the Gulf because of the perceived risk of doing so. Insurance companies might refuse cover to ships operating there.
- 24 The uncertainty caused by war would probably also hit world stockmarkets; dampen consumer confidence; and cause businesses to

DECLASSIFIED
CONFIDENTIAL

CONFIDENTIAL
DECLASSIFIED

postpone investment decisions. Again, all of these effects should be relatively short term, unless the war was prolonged. International tourism could take longer to recover, hitting the aviation industry and a number of countries (eg Egypt, Turkey, Indonesia) hard. War could have a significant impact on some of the weaker regional economies. Jordan looks particularly vulnerable given the importance to its economy of trade with Iraq.

- 25 A war would be expensive. Last time Germany, Japan and Saudi Arabia were major payers. Would they be this time? There could also potentially be significant costs associated with post-war reconstruction and Iraqi debt.

Problem Multipliers

- 26 There are two key exacerbating factors:-

WMD Usage

- 27 Use of WMD by Saddam, whether directly against US/coalition forces, the Iraqi population or other countries in the region, including Israel, could magnify the problems we faced. Much would depend on what exactly was used. Most likely would be the use of chemical and perhaps biological weapons against coalition forces. Our current assessment is that Saddam has limited delivery means, restricting his ability to launch successful long-range WMD attacks. But if he were able to do so, the psychological impact could be enormous even if there was limited effect.
- 28 The mere fact of usage could increase population movements within Iraq and into neighbouring countries. This could dramatically increase contagion. Iraq's neighbours would be even more likely to shut their borders, arguing they needed to prevent contamination. This could create a highly volatile situation on the borders.
- 29 Dealing with people injured/infected by WMD would present additional challenges. The relief agencies would be ill-equipped to handle them and lack the necessary experience. They would need support, eg protective equipment, experts, training, medicines.
- 30 In the run up to the conflict, we would probably be asked to provide support and assistance to other countries in the region, particularly Israel and those supporting the coalition, given the risk they would be targeted by Saddam's WMD. This could include requests for anti-ballistic missile systems, protective equipment, medicines etc. British citizens in the region would probably call for protective equipment also.
- 31 Any WMD attack on another country - even if unsuccessful - could cause panic in the target country and elsewhere. This could possibly lead to

CONFIDENTIAL
DECLASSIFIED

DECLASSIFIED
CONFIDENTIAL

wider population movements from actual and potential target countries, including the exodus of British nationals. However, this did not happen in 1991 when we fully expected the Iraqis to launch Scuds with CW warheads.

- 32 The fact that WMD had been used could possibly cause the financial markets to re-evaluate the risks in a number of other areas (eg India/Pakistan, North/South Korea) and increase market risk premia. This could be more damaging for the world economy than a temporary squeeze on oil prices.
- 33 War with Iraq might increase the risk of terrorists gaining access to WMD. It is possible Saddam would supply terrorists with WMD for use against the West. Or terrorists might be able to acquire expertise and materials in the chaos following any conflict.

Israel/Palestine

- 34 War with Iraq would probably encourage even more terrorist attacks on Israeli targets and a clamp down by the security forces. The Israelis might also use the opportunity to intensify activities against the Palestinians. They might embark on new measures, such as selective expulsions of Palestinian militants to Jordan or Lebanon. The peace process would be frozen; there would be no Palestinian elections, however much the Palestinians might want to hold them.
- 35 These developments might get little attention in the Western media. But they would be headline news in the Arab media, further ramping up anger in the Arab and Muslim worlds and exacerbating tensions on eg Israel's north border.
- 36 Saddam would be almost certain to attack Israel. Israel is better prepared for such attacks than in 1991, but it is hard to be confident such an attack would not get through. If the Israelis retaliated, this would inflame sentiment within the region, increasing pressure on Arab/Muslim regimes. Persuading the Israelis not to do so would be extremely difficult, probably impossible if significant casualties were caused or WMD were used. Sharon publicly criticised failure to retaliate to Scud attacks during the Gulf War and has said Israel would respond to any such attacks this time round.



directorate for strategy and innovation

DECLASSIFIED
CONFIDENTIAL

DECLASSIFIED
CONFIDENTIAL

Annex A

Country Specific Points

- 1 The reaction of and impact on many of the regional countries has been or will be covered in more detail by the JIC. But the following country-specific points are worth making:-

Saudi Arabia

- 2 There is not enough concerted opposition to threaten the regime. Public protest would be limited. But the extremist mullahs would get more of a hearing leading to more terrorist recruits and financing for Al Qa'ida and others. Saudi Arabia is particularly important given the large British expatriate population and commercial interests.

Kuwait

- 3 Kuwait might be a direct target (eg its oil facilities) for Iraqi retaliation/diversionary tactics, but Saddam is unlikely to be able to launch a sustained attack. A large influx of refugees would be a significant problem for the small state.

Iran

- 4 The Iranians would be torn between their strongly felt desire to see the back of Saddam, Iraq disarmed and an end to Iraqi-backed opposition activity (the MEK); and their concerns that US action against Iraq might be a prelude for action against Iran, as another member of the "axis of evil". Iran would want to avoid a repeat of its experience in Afghanistan, where the Iranians believe they were helpful but then subject to accusations of interference.
- 5 Whatever policy adopted (positive or negative neutrality are the realistic options), Iran would want to have a large say in post-Saddam arrangements and to prevent the establishment of a Kurdish state. Its support would be important for the viability of any post-war settlement. This means the US and Iran would almost certainly have to deal with each other in the aftermath of the war.
- 6 Iran already has 500,000 to 1 million Iraqi and 1 to 1.5 million Afghan refugees. It has stated it would not allow any further Iraqi refugees into the country. It does little trade with Iraq so is unlikely to suffer major economic damage from a conflict.
- 7 There is a small risk Iraq would take retaliatory action against an Iranian offshore oil rig run by a Western company in the Persian Gulf. Shell's

DECLASSIFIED
CONFIDENTIAL

DECLASSIFIED
CONFIDENTIAL

platform in the Soroush Norouz field is perhaps the closest obvious "western target".

Jordan

- 8 Jordan is the most vulnerable of Iraq's neighbours, given its large community of Iraqi exiles and the fact that a majority of Jordanians are of Palestinian origin, who strongly support Saddam. This would make life difficult for the Jordanian Government if, as is likely, it provided support to the Americans. Jordan's Palestinian population makes it highly sensitive to what Israel does. Jordan and, to a lesser extent, Syria are the two countries where war with Iraq and MEPP intersect most closely.
- 9 Jordan is entirely dependent on Iraqi oil, which (remarkably) kept flowing in 1991. It is a major beneficiary of trade with Iraq and its weak economy would be hit hard by any disruption to this. It is not well placed to handle an influx of Iraqi refugees (or forced Palestinian migrants from the Occupied Territories) given limited resources.

Syria

- 10 Action against Iraq would be uncomfortable for the Syrian regime. It would want to maintain some kind of relationship with Washington, and avoid being classified as part of the Axis of Evil, whilst its population would be angered by the Western treatment of Iraq. The economic consequences would be significant. Syria has burgeoning trade links with Iraq, although they are not as important as Jordan's.
- 11 Syria is the only Arab country on the Security Council. It would be important for the legitimacy of any action against Iraq that Syria did not vote against any resolutions, but abstained. Achieving this would require significant diplomatic activity.

Turkey

- 12 War with Iraq would not be easy for Turkey – given political weakness, economic problems, secular/Islamist tensions and the Kurdish dimension. The Turks would look to ensure few concessions were made to the Iraqi Kurds and to prevent the emergence of any self-governing Kurdish entity, fearing the possible implications for their Kurdish minority. It is possible they would take the opportunity to launch an attack on the KDP in Northern Iraq.
- 13 Turkey would be concerned about the economic impact of any military action. Trade with Iraq is important to it, as is international tourism. It would be most unwilling to take in any Kurdish refugees from Iraq.

DECLASSIFIED
CONFIDENTIAL

CONFIDENTIAL
DECLASSIFIED

- 14 It is not clear what would happen if Iraq attacked Turkey and the Turks invoked Article 5. It could put some NATO members in a difficult position. Similarly, it is hard to predict what impact (if any) war would have on other sensitive issues (eg EU Accession negotiations, Berlin Plus, Cyprus). But Turkish support for war in Iraq would probably ensure strong US support for its negotiating positions with the EU.

Egypt

- 15 Egypt is particularly important in shaping opinion across the Arab world, given its large population and political weight. As elsewhere, there would be demonstrations and riots, but we would expect the security forces to keep control. The Egyptians would continue normal military cooperation on the Suez Canal passage and overflights. Only if the regime faced a revolt by the armed forces would these be in jeopardy. That is unlikely to happen over Iraq per se. Egypt's economy would suffer. It has good trading links with Iraq. Tourism would collapse. Suez Canal receipts would fall. A maverick attempt to block the canal could pose problems. But the Egyptians would be alert to this danger – it is not new.

CONFIDENTIAL
DECLASSIFIED