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Director of Central Intelligence

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DCI Red Cell

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A Red Cell Report

Number 85

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Greasing Iraq's Political Transformation With Oil Money []

The quicker and more decisive a military victory in Iraq, the more likely large parts of the Saddam-era elite will remain in power—especially if elites help oust Saddam and expect a key role in the new order. A post-Saddam petroleum board under US-UK oversight that uses Iraq's oil money to build up stakeholders in a new political order might reduce the residual power of old elites, stabilize relations between post-war factions, and buy time for new leaders to emerge. Because the nexus between oil and political power is intuitive to Gulf leaders, reorganizing Iraqi politics based on creative revenue distribution schemes might defuse concerns about what US-sponsored change in Iraq means elsewhere in the region. []

The Red Cell speculated on post-Saddam political options and prospects for democratic transition in an Iraq that has had no experience of popular government. []

Quick Victory Means Intact Elites []

Iraq's history has been marred by deep differences among its elite Sunni groups. In our reading, the country has never developed a sense of nationhood that transcends key families and tribes. Iraq has maintained its unity only by autocratic leadership.

- Iraq is bereft of political traditions like Afghanistan's Loya Jirga that might provide an indigenous basis for democracy. And Saddam's active cultivation of anti-Americanism mixed with Iraqis' traditional abhorrence of foreign domination—probably the most potent unifying force in Iraq's history—poses a stubborn legacy, even if the overthrow of Saddam himself is welcome.
- Exile organizations such as the Iraqi National Congress (INC) have little legitimacy inside Iraq, where few are likely to accept the INC in leading roles unless imposed by allied arms. []

The quicker a military victory over Saddam, the more likely the Sunni elites that play a leading role under Saddam would remain in place, expecting to figure prominently in a new order—particularly if they desert Saddam at the right time. Although the Sunni elites have the expertise needed to keep the country running, most are also members of Saddam's hated Ba'ath Party. A longer, more destructive struggle would bring Iraq closer to a clean sweep of the slate that would approximate Germany's "year zero" in 1945.

- An Iraqi general might present the US and allies with a real dilemma by simply following the precedents of Iraqi history, knocking off Saddam, and declaring himself leader, backed by undamaged military units. Such a move would give the international community the satisfaction of a Saddam-free Iraq willing to surrender its WMD but otherwise preserving Iraq's authoritarian regime. []

In response to the events of 11 September, the Director of Central Intelligence commissioned CIA's Deputy Director for Intelligence to create a "red cell" that would think unconventionally about the full range of relevant analysis issues. The DCI Red Cell is thus charged with taking a pronounced "out-of-the-box" approach and will periodically produce memoranda and reports intended to provoke thought rather than to provide authoritative assessment.

Please direct questions or comments to the DCI Red Cell. []

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After decades of repression and exclusion from power by successive Sunni Arab governments, Iraq's other ethnic and religious groupings will be loath to reconcile with a regime identical to its predecessor except for the dictator's absence.

- In the north, the Kurds have their own political institutions—two competing sets, in fact—developed under the protection of US and UK air power. The Kurds are much better prepared than other groups for immediately assuming a post-Saddam political-military role. Anxious to press their political aspirations, they may act on a long-held desire for independence despite the risk of armed Turkish intervention. The Kurds also pose a threat to seize the rich oilfields immediately to their south.
- A majority of Iraq's population, the Shia of the south have long been suppressed and are poorly organized to press their interests—a managerial gap Iranian hardliners might be glad to fill as Saddam's grip is loosened. Longtime Shia resentment of their shabby treatment by Baghdad—as well as by foreign oppressors—might result in violence, as was the case in 1991 when Saddam was vulnerable. To stave off trouble, Saddam has relied more on tribal sheiks in Shia areas, which might provide a basis for a Shia political role post-Saddam. [REDACTED]

Oil Revenue as Agent of Political Change [REDACTED]

Using Iraq's oil wealth to facilitate a new political order may be a practicable way of easing potential post-Saddam frictions. By tapping Iraq's oil money and giving key groups a stake in how the revenues are used, the US and its partners might provide a major incentive for cooperation among Iraq's competing players while, for a time, keeping decisive influence in their own hands.

- Oil money is a traditional tool of control in the region and has provided a basis for political legitimacy in Iraq and other oil rich states. Indeed, Iraq's oil wealth has been one of its few sources of national identity.
- Although the danger exists that Saddam might try to destroy Iraq's oil production capabilities, we believe that as Saddam's demise appears imminent the odds will increase that many technocrats would refuse to destroy their national treasure—just as Speer and others refused to obey Hitler's "scorched earth" orders in 1945. Visible steps to protect the oilfields—either with military forces or a clear message to the workforce of rewards for those who hold their posts and punishment for those who destroy facilities—might reduce the risk. [REDACTED]

After Saddam's ouster, the creation of a "petroleum board" consisting of key Iraqi political groups may be a way to help dilute the authority of any one group (especially remnants of Saddam's regime who help the US and its partners during the war), promote political cohesion, and lay the groundwork for democratic development. Rather than turning the revenues over to a new regime or having them directly managed by foreigners, key post-Saddam groups could be given a stake in dealing with resource sharing and the compromises needed to make it work.

- In the post-Saddam era, without clandestine weapons programs and the dictator's household expenses, Iraq will probably have more oil revenue available for the needs of its populace. If Iraq's oil facilities remain intact, production might approach double the current level. Income would receive another boost from eliminating discounts on Iraqi oil sold in violation of sanctions. [REDACTED]

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To complement an oil board that reaches out to key post-Saddam figures, states with financial and political interests in Iraq might be receptive to a UN-sponsored "Iraq Advisory Commission" designed to link favorable domestic political change to the interests of important outsiders. Such a Commission might be made up of states already on the ground with military forces as well as others—perhaps including Iran, Russia, and Turkey—that contributed to Saddam's deposal and hold special equities in any succession arrangements.

- An "Iraq Advisory Commission" might also link allocation of oil revenue to the repayment of Iraq's foreign debts, which might speak to Russian and French calculations about how far to support the policy of regime change. [REDACTED]

In our reading of Iraq's likely post-Saddam environment, institutions like a "petroleum board" and an "advisory commission" offer several potential advantages:

- The key political players in Iraq would need to cooperate to get their share of oil revenues. This would provide tangible economic incentives for cooperation and for developing processes of political bargaining and compromise.
- As the petroleum board helped restore order to Iraq's economic house, a measure of "breathing space" for building a new political order would result. Indeed, given the lack of institutions and traditions to build on—other than those closely associated with Saddam or the Kurds—a political process linked to oil revenues might buy the time for new political groupings and personalities to emerge.
- A political transition based on bargaining over oil revenues would, on the surface, look familiar to Gulf states and may be more likely to win acceptance by reducing perceptions that the US will impose a new political order. While US-UK predominance in an oil board would be expected, transparency in dealings would show both Washington and London to be "honest brokers" among post-Saddam Iraqi groups. This may allay concerns in the region and elsewhere that the real US goal is Iraq's oil wealth. [REDACTED]

Such a scheme has associated risks, as would be the case with the creation of any institution and its resulting politics. Indeed, post-Saddam politics could be defined as opposition to foreign-dominated institutions such as an oil board, much as late 19th century Muslim critics defined nationalist politics by opposition to the European-dominated debt commissions that controlled Egypt and the Ottoman Empire and that were seen as serving the interests of foreigners.

- In other states, oil boards have become corrupt and liable to be viewed as serving narrow political interests. To the extent an oil board is perceived as creating economic—and political—winners and losers, a dangerous "zero-sum" mentality might emerge and play to old Iraqi suspicions. That said, as long as such debates transpire an open environment guaranteed by the US and its partners, a healthy learning process might result. [REDACTED]

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