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A Darker Middle East

A Collaborative Assessment of Middle Eastern Futures to 2006



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Summary

A panel of nongovernmental Middle East experts convened by the Directorate of Intelligence has generated six plausible paths that the region might take to 2006. No single factor is determinate in driving any of the six scenarios to outcomes that harm or favor US interests, but two predominate:

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- Whether an end to the Israeli-Palestinian conflict is found.
- If the United States pursues a ground war against Iraq, whether US forces replicate their overwhelming victory in Afghanistan or achieve victory only after a slow, destructive, and messy campaign.

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Favorable outcomes of both factors drive the future toward the "Transformation" scenario, which advances Western interests. Unfavorable outcomes of both, on the other hand, lead to a calamitous "Dark World":

- In "Transformation" an interim Israeli-Palestinian accord precedes a fast, successful US war against Iraq. An end to the violence between Israel and the Palestinians buys Washington policy flexibility with most Middle Eastern regimes—to include a relatively free hand against Iraq. This Arab support boosts US military effectiveness. Overall, successful application of US military force and political suasion points the region toward growth and stability.
- A successful but destructive and long war against Iraq in the "Dark World" scenario, mounted while the Israeli-Palestinian conflict remains intractable, costs the United States support from all levels of Arab society. In a region that is close to a tipping point—because of domestic political repression, economic frustration, and religious fanaticism—this additional negative development leads to upheaval.

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In the remaining four scenarios, the United States does not engage in a ground war against Iraq, but the state of the Israeli-Palestinian conflict still is key:

- In three scenarios, violence in the Holy Land and the absence of an Israeli-Palestinian settlement worsen US relations with Arab

governments. Anti-Americanism grows, and popular displeasure with regimes that are friendly to the United States rises. Unrest prompts police states to become harsher, decreasing prospects that governments will embrace needed political and economic liberalizations.

- In one scenario, an Israeli-Palestinian settlement helps the region move toward a better future. [redacted]

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Terrorist organizations populate all six scenarios in 2006. Panelists see the war on terrorism as a long slog, probably lasting as long as it takes to eradicate the social, political, and economic roots of al-Qa'ida and similar organizations. In some scenarios, al-Qa'ida adapts to setbacks, becoming urban based. [redacted]

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Scope Note

The findings in this paper reflect the views of 17 outside experts expressed in workshops sponsored by the Strategic Assessments Group of the Office of Transnational Issues and the Regional Analysis Unit of the Office of Near Eastern, South Asian, and African Analysis. The findings do not necessarily reflect the opinions of CIA analysts. This paper examines alternative paths for the Middle East over the next five years. The September 2001 terrorist attacks changed perceptions of plausible regional futures and invited reconsideration of earlier findings.¹ Regional experts from academia and the business world participated with CIA analysts in workshops in December 2001 and February 2002. Outside Middle East specialists first developed a range of plausible Middle Eastern political and security futures, defined by varying outcomes of four drivers: global terrorist activity, scale of the war against terrorism, regional support for the antiterrorist coalition, and regional political stability. Outside regional economists then estimated the economic implications of the scenarios. The scenario narratives appear in the appendix. Scenario summaries and numerical estimates of regional and global economic performance for each scenario appear in figures 1, 3, and 5. Because of links between events in the Middle East and South Asia since September 2001, the scenarios also include developments in Afghanistan, Pakistan, and India. We structured this exercise to encourage participants to think unconventionally in order to identify problems, linkages, and choices that Middle Eastern leaders may face over the next five years.

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¹ See DI Intelligence Report OTI IR 2000-158, NESAF IR 2000-40182 *The Middle East's Economic Future: How Much Change Is In the Offing?* (U), November 2000

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A Darker Middle East
 A Collaborative Assessment of
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A panel of nongovernmental Middle East experts believes that, among a variety of outcomes for the region, many are distinctly darker than today:

- The future of the Middle East, already an area with little promise, has darkened further with the rise of Islamic fundamentalism, fewer opportunities for its large and increasingly disillusioned youth population, tension and violence associated with the latest *intifadah*, the possibility of the spread of the war on terrorism, and the precarious position in which the war has placed regional regimes.
- The CIA's Directorate of Intelligence convened this panel in the aftermath of the 11 September terrorist attacks to consider plausible paths the region might take over the next five years. They generated six scenarios describing the Middle East from 2002 to 2006 (see figure 1 and appendix).

No single factor is determinate in driving any of the six scenarios to outcomes that harm or favor US interests, but two predominate:

- Whether an end to the Israeli-Palestinian conflict is found.
- If the United States pursues a ground war against Iraq, whether US forces replicate their overwhelming victory in Afghanistan or achieve victory only after a slow, destructive, and messy campaign.

Favorable outcomes of both factors drive the future toward the "*Transformation*" scenario, which advances Western interests. Unfavorable outcomes of

both, on the other hand, lead to a calamitous "*Dark World*":

- In "*Transformation*" an interim Israeli-Palestinian accord precedes a fast, successful US war against Iraq. An end to the violence between Israel and the Palestinians alters the tenor of relationships in the region. It buys Washington policy flexibility with most Middle Eastern regimes—to include a relatively free hand against Iraq, in the opinion of a number of panelists. Arab acceptance of US action against Iraq—ranging from "looking the other way" to active support—boosts US military effectiveness. The Iraqi people's positive attitudes toward their US liberators speed the advance. Overall, successful application of US military force and political suasion points the region toward growth and stability. Only the "*Turning the Corner*" scenario equals the regional economic growth rate in "*Transformation*."
- A successful but destructive and long war against Iraq in the "*Dark World*" scenario, mounted while the Israeli-Palestinian conflict remains intractable, costs the United States support from all levels of Arab society. In a region that is close to a tipping point—because of domestic political repression, economic frustration, and religious fanaticism—this additional negative development leads to upheaval. In the war against Iraq, the absence of assistance from Arab states burdens US forces, increasing mission distances, speed of response to fresh target information, supply chain length, and cost. Saddam Husayn's military conducts a stubborn defense from positions in heavily populated areas.

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This assessment was prepared by the Offices of Transnational Issues and Near Eastern, South Asian, and African Analysis. Comments and queries are welcome and may be directed to the Chief, Strategic Assessments Group, OTI,

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In the remaining four scenarios the United States does not engage in a ground war against Iraq, but the state of the Israeli-Palestinian conflict still is a driver:

scenarios, al-Qa'ida adapts to setbacks, becoming urban based.

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- The absence of an Israeli-Palestinian settlement burdens three of these scenarios. The chronic violence in the Holy Land and the plight of the Palestinians worsen US relations with Arab governments. It increases regional anti-Americanism and popular displeasure with regimes that are friendly to the United States. Unrest prompts police states to become still harsher, decreasing prospects that governments will embrace needed political and economic liberalizations. These scenarios— "*Stalemate*," "*Regional Cohesion*," and "*Security States*"—all describe a Middle East that fails to address important problems and is characterized by varying intensities of popular anti-American sentiment and behavior.

Primacy of Political Problems

In all six scenarios, strong economic growth in the Middle East must wait for political problems to be solved. Some panelists suggest that, if the Israeli-Palestinian and Iraq problems were resolved, a new era would begin as people in the region focus on economics. Governments could address security problems. Attitudes toward Westerners that now discourage foreign investment and weaken commercial ties might change.

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- Of these four scenarios in which there is no war with Iraq, only the "*Turning the Corner*" scenario features an Israeli-Palestinian settlement. It offers the only outcome of the four in which the region appears headed toward a better future, with strong economic growth and hopes for economic reform.

All scenarios assume that autocratic Arab regimes, particularly in Egypt, Saudi Arabia, and Syria, face increasing risks of upheaval the longer they continue without political and economic liberalizations:

- The "*Stalemate*" and "*Security States*" scenarios best portray this situation, with regimes ratcheting up repression to delay social explosions. In the former, Middle Eastern regimes permit and encourage popular assignment to America and Israel of blame for most regional ills because this deflects and substitutes for banned criticism of these regimes' political repression and massive economic failings. The result is a worsening of US relations with the region.

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Themes in the Scenarios

The six scenarios run the gamut from the truly horrific to unrest and warfare followed by improved regional prospects by 2006. The drift of events is mostly negative. Regimes do little to fix underlying economic, social, and political problems.

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Difficulty of Bringing the War on Terrorism to a Resolution

None of the six scenarios depicts victory in the war on terrorism. Organizations employing terrorist tactics, including al-Qa'ida, populate all scenarios in 2006, even the most benign ("*Turning the Corner*" and "*Transformation*"). Panelists see the war on terrorism as a long slog, probably lasting as long as it takes to eradicate the social, political, and economic roots of al-Qa'ida and similar organizations. In some

- In the "*Turning the Corner*" and "*Transformation*" scenarios, Israeli-Palestinian peace settlements afford regimes enough breathing room to try to save themselves through cautious liberalizations.

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- In "*Dark World*," nationalist Islamic revolutions sweep away the old elites.

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Rebuilding Iraq. Among panelists there is uncertainty over whether Iraq would hold together if Saddam's regime were removed. Some panelists suggest that damage in recent decades to Iraq's public institutions and civic culture has been so great that rebuilding state and society would be painstakingly difficult and slow. In both scenarios that include a war in Iraq, Iran insinuates itself into the postwar political reconstruction of Iraq, fostering divisions.

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Quotations From Individual Panelists About the Middle East Over the Next Five Years

“These Middle Eastern economies have managed to muddle through. They fix problems on the edges while creating a sense of stability. This may or may not be sustainable in the long run.”

“The larger problem is creating the kind of Middle East where democratization can take place. We have to talk about solving fundamental problems because they are what people are really angry about, even if they only talk about the Israeli-Palestinian problem. We need to remove the longer term sources of instability.”

“The regional economies are in a bad situation. The police states have kept things in check with Band-Aids, but with lower oil prices the status quo is more difficult to sustain. It is difficult to predict the breaking point. Government economic figures are not credible.”

“We need to hold up successful secular Islamic states as models for those who want to harness Arab nationalism to develop functional governments. Turkey is the best example. Strengthening Jordan is important.”

“Getting rid of Saddam and bringing peace to Palestine could open a new paradigm in the region for talking about economic reform.”

“The Saudi public is very conservative. Saudis do not talk about wanting US-style democracy (but they do want transparency, rule of law, and curbs on corruption). They believe that democracy would result in a medieval society—a ‘Talibanesque’ government, which, however, would not view itself as an enemy of the West.”

“Economic development in Asia will cause a commercial reorientation of the Middle East, especially of the Gulf states. They slowly will drift away from the United States and Europe and towards China and India.”

“Reduced demand for oil due to technological advances (less thirsty cars, more efficient extraction, alternative energy sources) can’t be done overnight, but such a trend in place would change expectations and strategy, and lessen Middle Eastern oil producers’ faith in their leverage over US policy.”

“Al-Qa’ida will not attack oil facilities in Saudi Arabia. A Saudi-influenced movement will not do that. But the country can’t do without water. To bring the Saudi Arabian monarchy down, they would hit desalinization plants. If the al-Qa’ida leadership would ever become, for example, mostly Egyptian, then they might attack the oil infrastructure.”

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Economic Performance

On balance, the panelists believe that it is unlikely that events in the Middle East and the war on terrorism will have a major impact on the global or US economies (see figures 2 and 3). Panelists judge the main economic effects in the United States of Middle Eastern events to be variations in oil prices, rising risk premiums on international trade and investment, capital flight, the diversion of funds to military and homeland security spending, and terrorist

damage to economic infrastructure or psychological well-being:

- Only in the bloodiest scenario, “Dark World,” do events reach such an intensity that serious global economic setbacks occur.
- In the other scenarios the panelists believe that the limited degree of economic integration between the Middle East and the rest of the world would not be

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sufficient to transmit much damage, that the shocks to the oil market would be short-lived, and that the power of the terrorists to fundamentally alter the international flow of goods and capital outside the region is not great. Of course, several large terrorist attacks on the United States or its Western allies—not events that occur in any of the panel’s scenarios—would have greater economic effects.

export volume. If Iran and Iraq emerge from under their sanctions regimes and resume exports at volumes anywhere close to their potential, the economic pressure on Saudi Arabia and other Gulf states would intensify.

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- Only in the most optimistic scenarios (“Turning the Corner” and “Transformation”) is regional growth sufficient to begin to reduce unemployment.

[Redacted]

Root Causes of Instability and Terrorism

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Looking beyond resentment of American policies and deeper into possible causes of regional dynamics, panelists cite poverty and lack of opportunity as major factors behind Middle Eastern violence, disorder, and the rise of militant Islamism. While the region is not particularly poor compared to other non-OECD regions, it has not been improving much in recent years:

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Oil No Answer. Consistent with outside expert projections, in none of the scenarios do oil revenues grow enough to enhance Middle Eastern economic prospects:

- At a recent conferences on the geopolitics of oil, sponsored by the National Intelligence Council and the University of Maryland, a group of industry and academic experts believed that global oil demand would rise sharply in the next 20 years, with much of the rise in demand originating in East Asia.
- However, there was consensus that over the next 10 to 15 years global oil production probably will keep pace with increases in demand without requiring oil prices to average much above \$20 per barrel. Most of the group felt that sufficient new supplies would come on stream from non-OPEC producers to meet most of the projected increase in global demand.

[Redacted]

- Some experts also note maldistribution of income as a cause for violence and dissatisfaction, but the Middle East does not seem to be particularly disadvantaged compared to other regions. Indicators such as infant mortality, life expectancy, and literacy rates have continued to register substantial improvement in most Middle Eastern countries since 1985 despite low rates of economic growth.

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Nevertheless, economic prospects for Middle Eastern young people nearing the age of employment are not promising:

- In the next five years additions to the work force will outstrip overall population growth (3 percent per year versus 2.2 percent per year).
- To keep already high levels of unemployment from increasing further, the region’s economy will have to grow between 3.5 and 4 percent per year, far better than it has done over the last 15 years. To bring unemployment rates down to more politically palatable levels would require sustained economic growth above 4.5 percent per year.

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These projections pose a dilemma for Middle Eastern oil-producing states. Oil prices are not likely to rise much, if any, in real terms for the next decade—apart from occasional short-lived fluctuations—and neither will Middle East oil export volume rise much unless the region tries to keep up market share by undercutting prices. State budgets, then, especially of key oil exporters such as Saudi Arabia, could come under extreme pressure as the demand for funds to continue subsidizing living standards soars with rising populations, while state revenues fail to keep pace because of low oil prices and modest growth in

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Table 1. Average Gini Coefficient^a
(Most recent data, average of available countries by region)

Middle East	38.6
Latin America	49.6
South Asia	31.6
East Asia	39.8
Sub-Saharan Africa	46.6

^a A value of 0 would indicate income is evenly distributed; a value nearing 100 would indicate that income is concentrated in the hands of a very few. The value shown for the Middle East is not far above the US value. Note: the Middle East group contains data only for Iran, Egypt, Algeria, Tunisia, and Morocco.

Source: World Bank.

This table is

Less opportunity, particularly when combined with rising expectations, leads to unemployed people who are prime fodder for extremist groups peddling resentment. Academic research suggests Middle Eastern unemployment is most severe among young, semi-educated city dwellers. These young people have received enough education to raise their expectations and aspirations, yet the education system provides them with few skills to compete effectively for the scarce "good" jobs in the formal sector.

City life threatens family values in the Middle East, often leading to enhanced support for religious extremists who promise to resolve societal problems. The Middle East has seen massive social upheavals as largely agricultural states have become urbanized, breaking down the traditional economic structures and forcing massive changes in family, clan, tribe, and community life:

- Academic researchers cite that from 1950 to 1980 the urbanized population grew from roughly 27 percent to 48 percent. Between 1980 and 1999 alone, the urban population grew from 48 to 58 percent of the total population.

Panelists discussed the tension between stability and change in the Middle East and whether we are at a

tipping point on this issue. According to press reports echoed by panelists, many Middle Easterners assume potentially disastrous instability will result if autocratic power weakens, so they prefer autocracy and stability. They do not consider democracy and secular pluralism as realistic options:

- This stoic preference derives, in part, from failed Arab experiments with secular ideologies—Pan-Arabism, socialism, Communism, and secular nationalism. (Despite disillusionment with 1950s and 1960s Pan-Arabism, the "Regional Cohesion" scenario resonated with some panelists because a contemporary version of Arab nationalism provides Arab states with an independent security solution.)

- Today, those who want stability support the Arab autocrats, while many seeking change see no answer other than radical Islam.

Routine suppression by local regimes of Islamists—jailing, torture, and executions—encourages the emergence of secret, conspiratorial, and armed groups. These dynamics appear to their greatest degree in the "Security States" scenario. Groups struggling for national liberation—Palestinians, Chechens, Uygurs, Moros, and Kashmiris—play the Islam card to bolster their cases with religious elements. These causes have attracted a kind of Muslim "foreign legion" of radicalized, volunteer *mujahidin*, many of whom have gone on to join al-Qa'ida:

- Panelists highlighted that Islamists have a long list of grievances against the forces and policies that they perceive to be holding back Muslims, specifically Islamist movements. Many Islamists blame the United States for much, including supporting the status quo—which favors authoritarian regimes—to assure the free flow of oil. They say Washington is afraid of democracy and change because they might bring Islamist groups to power.

Table 2. Comparative Policy Challenges Posed in the Six Scenarios

Scenario		US Policy Challenges
<i>Dark World</i>	<ul style="list-style-type: none"> □ Destructive war removes Saddam, alienates Arab world, helps Islamist nationalist regimes come to power. □ Israeli-Palestinian conflict an intractable problem. □ Indo-Pakistani nuclear war. □ High oil prices. 	<ul style="list-style-type: none"> □ Preserve war on terrorism (WOT) coalition. □ Restore regional stability; aid refugees. □ Counter regional nuclear proliferation. □ Assure energy supplies. □ Combat terrorism. □ Deal with and develop relationships with Islamic regimes. □ Respond to upheaval's economic effects.
<i>Stalemate (Baseline Scenario)</i>	<ul style="list-style-type: none"> □ US attacks Iraqi weapons of mass destruction (WMD) facilities. □ Regional coalition members oppose targeting of Iraq, sour on the WOT. □ Regional growth insufficient to reduce unemployment, social tensions. 	<ul style="list-style-type: none"> □ Combat terrorism. □ Compensate for erosion of US influence in region; preserve and build coalition. □ Suppress Iraqi WMD capabilities. □ From a weaker regional position deal with the Israeli-Palestinian problem.
<i>Turning the Corner</i>	<ul style="list-style-type: none"> □ Soft antiterrorist coalition blocks attacks on Iraq. □ Israeli-Palestinian and Kashmir accords. □ Stronger regional growth. □ Reformers triumph in Iran. 	<ul style="list-style-type: none"> □ Combat terrorism, especially through nonmilitary measures; preserve WOT coalition. □ Contain Iraq; counter proliferation. □ Find ways to strengthen coalition. □ Encourage economic and political reform in region; promote trade and investment.
<i>Regional Cohesion</i>	<ul style="list-style-type: none"> □ <i>Intifadah</i> intensifies; outrage over plight of the Palestinians and blame for attacks on Mecca alienate Arab states from US. □ Saudi-Iraqi-Iranian rapprochement ends US-Saudi security relationship. □ Weakened US-Middle Eastern commercial ties. 	<ul style="list-style-type: none"> □ Rebuild damaged influence in region. □ Combat terrorism. □ Contain Iraq; counter proliferation. □ Work for Israeli-Palestinian peace settlement. □ Develop alternative partnerships in or near region.
<i>Security States</i>	<ul style="list-style-type: none"> □ Autocratic Middle Eastern regimes stick with WOT coalition; WOT expands; US attacks on Iraqi WMD facilities. □ Arab police states become more authoritarian; no reform. □ Many terrorist attacks. □ Low growth; high oil prices. 	<ul style="list-style-type: none"> □ Combat terrorism; contain Iraq; counter proliferation. □ Encourage economic and political reforms, but prepare for social explosions. □ Mitigate economic effects of WOT, terrorism, instability. □ Deal with migration out of Middle East to OECD countries.
<i>Transformation</i>	<ul style="list-style-type: none"> □ Israeli-Palestinian accord. □ US military removes Saddam's regime. □ Regional governments focus on domestic challenges. □ Terrorism continues. □ Kashmir dispute unresolved. 	<ul style="list-style-type: none"> □ Combat terrorism. □ Preserve WOT coalition. □ Support moderate reformers in region; promote pluralism in region. □ Help rebuild Iraq and Palestinian areas, support new governments. □ Promote trade and investment. □ Advance Kashmir solution.

□ Counter proliferation (principally in Iran).

Clearing the Deck—A Counterintuitive Geopolitical Observation

“Transformation” (a settlement of the Israeli-Palestinian conflict and removal of Saddam’s regime by the US military, but Kashmir festers) and *“Turning the Corner”* (Kashmir and Israeli-Palestinian peace agreements emerge, but Saddam remains in power) appear to deliver the outcomes among the six scenarios that best promote Western interests. However, even in these scenarios terrorism continues, and the region’s old, inflexible, autocratic regimes have barely begun to transform themselves by 2006. Thus, key elements of the status quo remain—and it was this status quo that created the conditions that spawned al-Qa’ida:

• Consequently, a panelist suggested that the catastrophic *“Dark World”* might best serve the long-term economic and strategic interests of the United States because it wipes away today’s Arab regimes (replacing them with nationalist Islamist governments). Washington no longer would be perceived as propping up local autocrats and working to preserve the status quo against the interests of the people of the region. America could deal with the region at arm’s length, avoiding involvement in local disputes.

• Technological change that promotes a decrease in OECD demand for oil, especially for transportation—judged by one panelist as feasible as early as 2010—would greatly facilitate such noninvolvement.

• As for working with a region dominated by Islamist leaders, one panelist noted, “If these people have ideas and vision on how to turn Islam around, then we ought to contemplate dealing with them.”

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Appendix

Six Alternative Views of the Middle East in 2006

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- *“Dark World”* Terrorism: Major activity.
- *War on Terrorism (WOT)*: Large war effort beyond Afghanistan.
- *Unrest*: Extensive popular unrest, violent regime change.
- *Coalition*: Failed.

standstill. People and capital flee the region seeking safehaven abroad.

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The United States successfully ends its military campaign in Afghanistan, overthrowing the Taliban and destroying al-Qa’ida in Afghanistan. Americans leave a limited number of troops in Afghanistan to help with peacekeeping and nation building. Faced with the decision of where next to take the WOT, American decisionmakers determine that eliminating terrorism requires toppling the regime in Baghdad. Those supporting this decision note the performance of the US military in Afghanistan, which, in their view, suggests similar results can be achieved against Saddam’s forces at bearable cost and rather surgically. They place stock in proxies coming to the fore in Iraq. Further, they calculate that military success against a widely hated regime probably will not produce unintended consequences that cancel the benefits of a successful operation.

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A bloody and destructive ground war removes Saddam Husayn’s regime, but at the cost of alienating the Arab world and abetting the overthrow of “friendly” Arab governments by nationalist Islamist regimes. The Israeli-Palestinian conflict remains an intractable problem; terrorism has not been suppressed. The catastrophe of a limited nuclear exchange between India and Pakistan does not deter several other regional states from seeking the bomb. Production facilities are damaged in Iraq by the coalition offensive and some terrorist attacks are carried out on facilities in the Gulf and elsewhere, but supply disruptions are short-lived and all producers continue to be eager to sell their oil despite anger toward the United States. Oil prices average about \$25 per barrel over the five-year period.

In response to the US-driven WOT and the prospect that Washington will push it beyond the victory in Afghanistan, probably to states in the Middle East, most regional states adopt policies of damage control, working with the WOT coalition to play for time and influence from within. Initially they say “yes” to US demands for intelligence sharing, cooperation, and other forms of relatively benign support but down the road expect to set conditions. Further, nearly every country uses the WOT as formal vindication for hardline policies against domestic opponents and minorities.

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The region’s people are on average worse off than before—per capita incomes have declined over the five years. Economic stagnation makes resentment over corruption and wealth disparities in the region more acute, especially because government resources available to buy off dissent shrink. Warfare, civil unrest, terrorism, and violent regime changes combine to shrivel economic activity. Economic and educational reforms are put on hold, investment activity is dampened, and foreign investment is at a

2003

The United States attacks Iraq in February. US planners intend for heavy aerial bombardment to create safehavens for Iraqi opposition forces, which

will move in coordination with a coup against Saddam and his lieutenants. When Iraqi defenses have been weakened, the opposition will advance on the ground with assistance from US Special Operations Forces (SOF). Pentagon officials believe that the campaign will be swift. [REDACTED]

After some initial successes, the coup fails, leaving Saddam in command. However, Washington remains committed to force Saddam from power and continues its air assault against Iraq. [REDACTED]

The Arab League denounces the attack on Iraq. Even Saudi Arabia and Egypt condemn the campaign. Arab sources suggest privately that their strong condemnation of the WOT's "Phase II" is necessary for domestic consumption. They indicate that regional states will tolerate a swift removal of Saddam—and many will welcome it. But they caution against a long-drawn-out war that would provoke the Arab "street." [REDACTED]

By June, four months of US bombing have failed to dislodge Saddam's regime. The Iraqi regime prepared well by building impenetrable leadership bunkers. The bombing campaign has taken a toll on the Iraqi military, but the Iraqis learned force protection lessons from the Gulf war. Many formations remain intact by dispersing to hiding locations and moving into urban areas. Kurdish forces expand their zone of control, taking Kirkuk and Mosul, but decline to declare an independent Kurdish state, not wanting to invite Turkish and Iranian wrath. The northern oilfields escape damage. More serious for the US war effort, Kurdish forces refuse to move south—they are uninterested in spilling Kurdish blood to liberate non-Kurdish areas, see no reason to generate more Iraqi Arab ill will toward the Kurds, and suspect that if they wait the Americans probably will remove Saddam themselves. Iraqi forces withdrawn from the Kurdish north defend the middle and south. In southern Iraq, the Shia "safehaven" fails to materialize. Remembering what happened in 1991, the Shia, at this stage, refuse to revolt. Negative Arab

popular sentiment toward the campaign in Iraq places great pressure on US-allied regimes to further distance themselves from Washington. The Arab League sponsors a successful UN General Assembly resolution calling for an immediate halt to the bombing. Believing it to offer a necessary "pressure valve," Gulf regimes temporarily lift censorship of the media and Internet and tolerate virulent anti-American reports. [REDACTED]

With the "Kosovo/Afghanistan model" not working, Washington proposes a significant buildup of US ground forces in Kuwait, Saudi Arabia, and Turkey in preparation for a full-scale ground invasion of Iraq. Arab officials reject this, warning that their populations will not tolerate 500,000 US troops on their soil. They say that such a buildup would play into the hands of Usama Bin Ladin's many followers throughout the Arabian Peninsula, who decry the American "occupation" of the "land of Muhammad." However, in response to US pressure and offers of hegemonic influence over Iraq's Kurdish regions and access to the oil in Kirkuk, Turkey supports the war against Saddam. Arab states mince no words in expressing their displeasure at Ankara's decision. [REDACTED]

Acting on credible intelligence, American SOF stage a daring commando raid in July on an Iraqi convoy thought to be carrying Saddam and other top leaders through the heart of Baghdad. While two cabinet ministers and three generals are present, "Saddam" turns out to be one of the doubles that he frequently uses. During a bloody firefight that kills everyone in the convoy (about 60 people), an errant Iraqi rocket-propelled grenade hits a nearby school. Iraqi officials tell CNN that 232 civilians are killed in the raid. US forces lose one helicopter. Although it really came from the north, rumors that the Americans launched the commando raid from Saudi Arabia or Jordan set off massive protests in those countries. In an unprecedented display in a country where dissent is strictly controlled, more than 100,000 Saudis march in Riyadh in opposition to the war in Iraq. Officials in

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[redacted]
[redacted] In Jordan, angry protestors carry photographs of the dead Iraqi schoolchildren and dead American soldiers. Reports from Zarqa in northern Jordan describe the suppression of a small rebellion by an army unit stationed in that largely Palestinian city. [redacted]

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erupt throughout the Arab world as well as in Iran, but the government there does not support them, and they soon end. However, moderate states led by Egypt prevail at an Arab summit: governments recall their ambassadors rather than break diplomatic relations with Washington. Realizing that Gulf oil flow disruptions are possible, Washington obtains commitments from non-Middle Eastern oil producers—especially Russia—to increase production if needed. [redacted]

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Unable to dislodge the Iraqi regime through airpower, persuade Arab regimes to host an invasion force, or encourage effective internal revolts from within Iraq, the United States is nevertheless able to develop an invasion plan. In October, eight months after the start of the aerial bombing, US amphibious forces land on the now-deserted Faw Peninsula, airborne formations drop into the southwest desert, and ground forces move through the Kurdish areas from Turkey. The plan is to build up the forces in the south and then proceed on three fronts to Baghdad. The US buildup in southern Iraq is subjected to several attacks from Iraqi short-range ballistic missiles carrying chemical warheads. US aircraft aggressively hunt for Iraqi missiles throughout the country. [redacted]

A US force of 250,000 soldiers makes significant progress in its march in October and November. It meets pockets of resistance, primarily in urban areas, which it overcomes quickly. Iraqi forces are most effective hiding in densely populated areas and then attacking at close range. US casualties are substantial—about 7,000 to 10,000—but Washington remains committed to continuing the campaign. The Republican Guard repeatedly employs chemical weapons. One Iraqi oil refinery is damaged when Iraqi troops seek refuge in it; retreating Iraqi units destroy another. Despite projections to the contrary, the United States is not as successful as it was in Afghanistan in getting locals to turn against government forces. As a result, and in order to protect its own soldiers, US forces employ heavy fire in urban areas, leading to significant civilian casualties. Pictures of the casualties are quickly posted on the Internet and broadcast by al-Jazirah television, prompting further outrage not only in the Arab world but also from global human rights groups. By the end of December, US forces are on the outskirts of Baghdad. [redacted]

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(b)(3)

During the US force buildup in the Gulf before the invasion Washington goes out of its way to assure Tehran that the US operation is directed exclusively at Iraq. Tehran since 1991 has enjoyed having a crippled Iraq on its western border and would prefer that Saddam remain in power, but US determination to remove Saddam is clear. In response to US entreaties, the Iranian military neither repositions its forces nor goes on highest alert, but Tehran decides to make the best of a bad situation. Without informing or coordinating with Washington, Iran inserts proxies into the conflict in Iraq. It has organized a Shia guerrilla force to move against Saddam's power structure in the south, ahead of the US advance. On the ground at the tactical level, the Shia and US forces manage to deconflict and cooperate. [redacted]

2004

Trapped in Baghdad, Saddam orders the launch of three extended-range Scud variants with chemical warheads at Tel Aviv on 4 January. These missiles were hidden in caves in western Iraq in areas bypassed by US forces. The attack kills scores of Israelis and prompts calls for immediate and severe retaliation. Palestinian celebrations in response to the chemical attack on Tel Aviv are widely reported to a

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Governments around the world condemn the ground invasion, citing America's failure to provide a convincing rationale for attacking Iraq. Street protests

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repulsed Israeli public. [redacted]

[redacted]

In February the United States declares victory in Phase II of the WOT. Its occupying forces face sporadic opposition, with an average of two US soldiers killed every week in Iraq. The need for US peacekeeping probably will last for several years. The provisional government set up by the American occupiers is weak. Iran exerts significant influence over the new government by virtue of its ties to the Iraqi Shia. Iran appears to gain the most strategically from Phase II. Much of Iraq's oil production of 2 million barrels per day has gone offline because of combat damage to pumping stations, pipelines, and terminals in southern and central Iraq, but the damage is not extensive, and some exports from the south resume by mid-2004. [redacted]

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The Palestinian Authority (PA) has been hard pressed to maintain control in the West Bank and Gaza since the death of Yasir Arafat in his sleep in late 2003. Local militias—Tanzim, Hamas, Islamic Jihad, and the Popular Front for the Liberation of Palestine—have continued attacks against Israelis. During the turmoil after the chemical attack on Tel Aviv, Hamas executes its most deadly mission ever: five suicide bombers attack the main relief staging ground in Tel Aviv, killing over 200 relief workers. Within 24 hours, two more traumatic events occur:

- US forces enter Baghdad among heavy civilian casualties. Remaining Iraqi forces are destroyed with heavy loss of life. US forces kill or capture most senior Iraqi officials.
- Israel declares war on the PA. Israeli military forces enter all areas of the West Bank, rounding up tens of thousands of mostly young men. They take the men to an enormous staging area in the Jordan valley and force them east across the Jordan River. [redacted]

(b)(3)

To placate international public opinion following its mass expulsion of Palestinians from the West Bank, Israel withdraws from the Gaza Strip and announces it recognizes an independent Palestinian state there—but it simultaneously announces the annexation to Israel of “Judea and Samaria.” [redacted]

(b)(3)

US and Israeli diplomats and businessmen in various European, Asian, and Latin American countries are targeted in an assassination campaign. Several truck bombs explode in the United States and at US businesses and US Government facilities in the Gulf and Egypt. Terrorist attacks on oil facilities in Saudi Arabia cause insufficient damage to disrupt production or deliveries. Some of these attacks are attributed to a “second generation” al-Qa’ida, a loosely organized body requiring little funding, planning, or infrastructure and pursuing targets of opportunity. The assassinations show some Palestinian involvement as well—both Islamist and leftist. Hardliners in the Iranian Qods pressure a reluctant Syrian President Bashar al-Asad to permit widened Hizballah activities as counters to Israeli actions against the PA. [redacted]

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Israel does not attack Iraq, however. The Arab world is rife with rumors that the United States and Israel have a secret agreement that Israel not respond to Iraq's attack in exchange for the United States' turning a blind eye to Israel's “ethnic cleansing” of the West Bank. In reality, nothing remains of Saddam's regime that the Israel Defense Forces (IDF) can target. [redacted]

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The regime in Saudi Arabia has been under extreme pressure from both the United States and its own population since the beginning of the WOT. Bin

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Ladin's ideas are popular across the peninsula, and clerics speak out against the royal family. Washington persists in its demands to Riyadh to shut off funding to most overseas Wahhabi and Salafi groups.

[Redacted]

[Redacted] They ask US forces to leave the country. Kuwait, Bahrain, and Qatar echo like requests. Saudi Arabia calls for a return of the Arab boycott of companies dealing with Israel and asks the entire Muslim world to observe it. It continues exporting oil but announces its determination to sustain oil prices above \$30 per barrel and warns Washington that, unless greater balance is shown soon between US-Israeli and US-Arab relations, Saudi Arabia will no longer welcome US businesses. It declares its right to support nonviolent Islamist movements and accuses the United States of attempting to destroy Islamic education by promoting "secularism and atheism."

[Redacted]

Hosni Mubarak's regime, largely discredited for its cooperation with Washington, becomes more authoritarian in response to chronic, low-level, urban, antiregime violence mainly from students. As the United States presses for more arrests of Islamist elements, the military removes Mubarak and establishes a nationalist, moderate Islamist government with considerable Muslim Brotherhood representation. The new government renounces the peace treaty with Israel and declares its unwillingness to cooperate further in the WOT.

2005-06

Pakistan was the first state to be compelled to fully sign onto the WOT, at great risk and cost to its internal stability. President Pervez Musharraf did a remarkable job keeping the lid on during the Afghan phase of the war and quelling the Kashmir crisis of 2002. But now the extremists and the Inter-Services Intelligence Directorate are determined to punish Musharraf for his betrayal of the Islamist cause and

Pakistan's strategic interests. Army majors and colonels sympathetic to Deobandi-style Islam overthrow Musharraf in 2005. An Islamic-oriented government akin to Muhammad Zia ul-Haq's in the 1980s comes to power. Kashmir again becomes the primary focus of Islamic activism, leading to rising tensions with India. As the crisis peaks in 2006, India invades Azad Kashmir to wipe out terrorist bases. Indian satellite photography reveals unusual activity at Pakistani nuclear weapon storage facilities. India interprets this as strike preparations and launches preemptive conventional strikes against Pakistani nuclear facilities. Pakistan uses its two remaining nuclear weapons to strike Indian cities near Pakistan. India delivers a single, larger nuclear weapon on Rawalpindi and occupies Islamabad to complete its denuclearization of Pakistan. The postnuclear situation, including the humanitarian catastrophe, incites massive instability on the subcontinent. There are doubts about the survivability of what remains of a Pakistani state.

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By 2006 Islamist nationalist governments are in power in most Middle Eastern states, repudiating US policies in the region. Arabs are prepared to support the Palestinian armed struggle indefinitely. US forces have left Iraq, which rebuilds its military strength in consultation with Gulf Arab states and cooperates with Iran to achieve a Gulf that is free of US influence. Europe, Russia, and China sell arms to the region. Nuclear capability is not far off for Iran, Turkey, and Egypt. Israel says that such proliferation is unacceptable and will move to eliminate it.

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By 2006 the region's people are on average much worse off than they are today: per capita incomes have declined, unemployment has soared, and economic discontent has grown. Arbitrary, authoritarian practices continue to stifle both local and foreign investment. Natural resource degradation has gone so far as to be virtually impossible to reverse. Social services and infrastructure continue to crumble. European labor markets are closed to the

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entry of labor from the Middle East, which encourages illegal migration. [redacted]

Iraq's economy is the worst hurt because of the physical destruction and breakdown of the state. The economy starts to recover in 2005, but it will take many years for the disastrous economic effects of Saddamism to disappear. The Saudi economy is also badly hurt. The Saudi Government hesitates to take any steps to restructure the economy, knowing that almost any action will upset some key interest group and provoke further unrest. Iran's economy is one of the least hurt. It avoids war and internal terrorism and enjoys higher oil export revenues, but it still suffers from increased internal unrest, capital outflows, and a heightened disinclination of outsiders to trade, travel, or invest in the region. [redacted]

This scenario also imposes significant economic costs on the rest of the world. Higher average oil prices and higher volatility negatively affect growth in all OECD countries. The US growth slowdown is exacerbated by a series of demoralizing terrorist attacks and by the increasing shift of resources to nonproductive uses promoting security. Growth in the Third World is negatively affected. Higher oil prices hurt most developing countries, but more important is a general rise in risk aversion that leads to less trade and foreign investment growth. [redacted]

"Stalemate" [redacted]

- *Terrorism*: Moderate activity.
- *WOT*: Some overt military action beyond Afghanistan.
- *Unrest*: Little unrest; no violent regime change.
- *Coalition*: Faltering. [redacted]

A gradual and cautious expansion of the WOT avoids another ground campaign but is open ended. Arab

coalition members are exasperated by continued targeting of Iraq, US promotion of the WOT's political agenda, embarrassing revelations about sources of terrorist funding, and domestic anti-US sentiment. They see no benefit from staying in the coalition and gradually fall away. They wean themselves away from US security guarantees. [redacted]

There is underlying tension in the region preventing rapid economic growth. The old state monopoly/socialism model clearly is not delivering satisfactory economic performance, but no regime in the region is willing to implement sufficient policy reforms to make a fundamental difference. The heightened state of crisis in Palestinian areas, the underlying threat of terrorism, and the possibility of a much greater level of warfare all act to dampen economic activity and keep foreign investment at low levels. Regional growth is 3.5 percent per year, resulting in a disappointing 1.2 percent per year increase in per capita income. This rate of growth is probably not enough to keep unemployment among the soaring population of young males from rising, thus raising social tensions as years pass. There is consequently uncertainty whether the low rate of regional economic growth will lead to a wave of regime failures or will be sufficient to allow the region to muddle along without dramatic upheaval. [redacted]

Oil prices average about \$20 per barrel, putting little pressure on OECD prices, balance of payments, or growth. With Middle East growth rates this low, however, there will be increasing pressure to emigrate from the region, especially to Europe. There will also be increasing calls for monetary assistance—particularly from Egypt—to stave off financial collapse. [redacted]

2002

The Taliban has collapsed, and US forces are scouring Afghanistan for al-Qa'ida leaders. In the Afghan phase of the WOT, coalition support has been

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as much as Washington might have hoped for. In some cases regional states—Iran and now Yemen—have contributed more to the WOT than expected but, in other cases, less. Pakistani leadership has sided strongly with the WOT at great risk to its own future—though it is unlikely that any Pakistani government can be considered to have a future featuring low risks to its survival. All states in the region support the WOT in principle, but some use it as a club against domestic opposition and expressions of discontent. [redacted]

Internal politics in the region are stable, except for chronic and disturbing Israeli-Palestinian violence. A degree of stability has come to Afghanistan, although there will be a long, messy political struggle over the future of the country. No strong regime in Kabul will soon be constituted; effective power will devolve to regional/ethnic/tribal/warlord-dominated principalities. Iran, Uzbekistan, Pakistan, Russia, India, and others fish in Afghan waters. With much publicity in the fall of 2002, Washington and London withdraw some forces from Afghanistan. Terrorism, however, continues. A suicide bomber attacks the offices of a US corporation in Europe; minimal casualties occur. An attack on US soil is thwarted. [redacted]

Washington, of course, drives the war. However, US policy often is determined through compromise, a byproduct of struggle among competing elites and competing perspectives. It is in this context that the war widens, but not exactly as those who wish to march on Baghdad prefer. The relatively easy victory in Afghanistan gives ammunition to those who argue that anything but a widened war will reflect cowardice and lost opportunity. On the other hand, the messy political aftermath of the Afghan campaign, the tightening net of restrictions on civil rights at home, quarrels with European allies and Russia, fear of Saddam’s use of unconventional weapons against US troops or the Israelis, the lack of proxies on the ground, an inability to fathom the successor government, and arguments that the

unexpected is to be most expected push policy toward covert operations and sanctions short of sustained armed intervention (in Iraq or elsewhere). These measures are tailored for specific objectives in specific countries drawing on friends who have helped in the past with such operations—countries such as Britain, France, Egypt, and perhaps Saudi Arabia, Oman, Israel, or Ethiopia. This array of operations is similar to those the United States sponsored in the 1980s in its effort against the Soviets in Afghanistan. Consequently, US SOF conduct operations against al-Qa’ida targets in Yemen and Sudan. Both governments publicly protest but covertly support the attacks. [redacted]

2003

Arab publics see cooperation with the United States in the WOT as tainting their governments. Washington understands this dynamic, but it is difficult to lessen America’s regional profile. US officials also are finding that the political agenda associated with the WOT is difficult to advance. In some cases, regime actions make a mockery of the US effort to encourage more open societies in the Middle East. Israel points to the unresponsiveness of Arab governments as a sign of their unreliability. [redacted]

In addition to the risks posed by the unpredictability of the WOT, Washington is unable to avoid the risks inherent in a kind of military/political “Peter Principle.” The United States is slowly widening the war beyond its successful prosecution in Afghanistan absent a clear set of “priors” about objectives, acceptable costs, and exit strategies. [redacted]

“No fly zone” enforcement above Iraq continues with occasional attacks on Iraqi SAM and antiaircraft artillery sites. New to the mix are US attacks, launched from aircraft carriers in the Gulf and from Diego Garcia, on Iraqi weapons of mass destruction (WMD) facilities. These attacks follow repeated Iraqi refusals to allow UN inspectors back in. The attacks are not UN-sanctioned. Several regional states quietly

grant overflight permission for the strikes, but criticism of these counter-WMD missions is vocal in the Arab "street." [REDACTED]

By late 2003, new concerns emerge as governments supporting the WOT see increasing signs of popular displeasure that the WOT is really a "War Against Islam." In Oman at a small demonstration at Sultan Qaboos University against continued sanctions against Iraq and the bombing, slogans call for a halt to "America's War Against Arabs." Police enter several campuses in Morocco to stop demonstrations. Arab intellectuals voice similar views on al-Jazirah television and in the Lebanese press. [REDACTED]

The Saudi monarchy, in an effort to reduce resentment of its unacknowledged but not concealed support for the WOT, begins to advocate more pro-Iraqi policies. The Saudis are walking a fine line: they are happy with the status quo, which holds Iraq in check, and thus do not want to help Saddam too much. Saudi Arabia authorizes flights carrying disabled and infirm Iraqis to Saudi medical facilities. Saudi television plays up Iraqi children being treated in the kingdom. [REDACTED]

2004

The cause of Kashmiri "freedom fighters" resonates in the Muslim world. From Morocco to Indonesia, demonstrations call for intervention to stop "anti-Muslim violence" in Kashmir. Dramatic video brings the Kashmir conflict to the foreground of the Arab media. Pakistan offers a safehaven to the freedom fighters/terrorists. Pakistani leaders do their best to keep them from further action, but elements of the Pakistani security forces, sympathetic with the goals of the freedom fighters, carry out their orders with lassitude. India escalates punitive actions against the freedom fighters/terrorists, conducting several hot pursuit raids into Pakistan. India asserts that again, as in 2002, its actions are part of the WOT. Pakistan calls on the United States to hold India in check. The Pakistani leadership is concerned about public opinion and signs of dissatisfaction among the

Pakistani military. US calls for both sides to show restraint are mocked in the Arab press, which is quick to draw analogies to US policy on the Arab-Israeli conflict. [REDACTED]

US strikes on Iraqi WMD facilities continue at the rate of one mission every two or three weeks. The United States also conducts two successful Special Forces raids on covert Iraqi missile storage facilities. Saddam, convinced he can outlast the Americans, remains adamant in refusing inspections. [REDACTED]

Meticulous efforts by US, European, and East Asian financial regulators and private-sector banking officials expose and cut off many terrorist funding conduits. Exposed as contributors to al-Qa'ida or its front organizations are business and government leaders in every Gulf state. These revelations are embarrassing and aggravate relations with the United States but unexpectedly generate some knowing approval from the Arab street for these autocrats who have been hedging their bets. [REDACTED]

Al-Qa'ida remains dangerous. Sporadic terrorist attacks on US Government and business facilities in the region continue. Most al-Qa'ida targets are American. [REDACTED]

2005-06

Periodic US strikes on Iraqi WMD facilities continue, as do occasional Special Forces raids and aggressive pursuit of financial aspects of the WOT. [REDACTED]

Increasingly concerned with their internal security, the Gulf Cooperation Council (GCC) states judge that overt cooperation with the Americans carries a high price. The heads of intelligence of many regional security forces think there is too much emphasis on tracking down al-Qa'ida. They worry that circumstances are ripe for the growth or creation of parallel terrorist organizations dedicated to the overthrow of governments in the region. The Saudi royal family asks for a reduction in US forces in the region and pressures other GCC members to limit US

presence. Fearing internal unrest, the GCC, Egypt, and Syria in essence revive the 1991 Damascus agreement—Cairo and Damascus recognize that the GCC states will look to them for defense in case of internal or external attack. The pact proves popular. It aids Syria's economic normalization and expands the role of the Syrian military. Washington is concerned that Israel sees the pact as a threat. Pressure from Washington offsets urgings from Israel's hardliners to Prime Minister Ariel Sharon to mount a preemptive strike against Syria, using Shabaa Farms or any other flashpoint as an excuse. [REDACTED]

Israel has increasingly become an enclave society. Shas supporters often live together. One of the few things that brings Israelis together is the hardline approach to terrorism. Suicide bombings continue, together with less publicized attacks by settler reservists against Arabs. [REDACTED]

After the Afghan phase of the WOT, Washington continues to support Central Asian regimes. These governments, more confident now with US support, increasingly challenge Russian regional hegemony. Russia is concerned about these more independent regimes on its southern tier. In response, Moscow assists Central Asian opposition groups (except for terrorist movements). These rivalries complicate US-Russian relations. [REDACTED]

By 2006, the US commitment to promoting pluralism in the Middle East sounds increasingly hollow. The idea of greater political and economic openness and participation in decisionmaking remains a risky and unproven one for the regimes of the region. Regional leaders fail miserably in renegotiating the social contract to confront questions surrounding social safety nets, income equality, and stable family units. Economic development is mainly a "holding action," designed to prevent further deterioration and the consequent breakdown of order. Al-Jazirah television and several other voices offer limited outlets for public expression, but little else has happened. Regional security services have kept simmering

antiregime discontent in check; they see repression as a factor of "orderly growth." [REDACTED]

By late 2006, the WOT has expanded until Middle Eastern regional cooperation has mostly fallen away. Europe, East Asia, Turkey, Russia, India, and Israel still cooperate in the war. [REDACTED]

"Turning the Corner" [REDACTED]

- *Terrorism*: Moderate activity.
- *WOT*: No overt military effort beyond Afghanistan.
- *Unrest*: Some popular unrest; no violent regime change.
- *Coalition*: Strengthens [REDACTED]

In this scenario the price for the United States of extending the war beyond Afghanistan, with or without cooperation from some regional governments, is increasing political instability in most of the region. Given this constraint, the outcome consistent with US and regional interests is a truncated set of US objectives. This preserves internal political stability and cooperation within an antiterrorist coalition. Gradually increasing US credibility, the application of US pressure, and changes in governments allow Israeli-Palestinian and Kashmir agreements. Without the distraction of those cross-civilization conflicts, governments across the region begin to focus more on difficult domestic problems including implementing gradual political, economic, and educational reforms. [REDACTED]

2002

The United States has accomplished its initial objectives in Afghanistan. The Taliban is smashed, and al-Qa'ida has sustained much damage. By fall the United States withdraws its combat forces from the Afghanistan area of operations. It supports efforts by the United Kingdom, Turkey, Iran, France, and others

to help restore internal security and, with the UN and nongovernmental organizations (NGOs), provide relief. Traditional rivalries among leading Afghan groups, however, lead to clashes that divide Afghanistan into ill-defined regions under Pashtuns, Hazaras, and the Uzbek-Tajik-dominated Northern Alliance. Outside powers acting under the UN mantle maintain Kabul as an open, demilitarized zone where rival groups meet under a nominal governing council to broker deals and avoid open civil war. [REDACTED]

The United States refocuses its efforts in the WOT. Al-Qa'ida cells scattered around the world remain dangerous and are the main target of a relentless US campaign to disrupt them. Washington cooperates with local authorities when possible but acts unilaterally, often covertly, when necessary. A parallel campaign to interdict terrorist funding injures al-Qa'ida but exposes its financial links to prominent local figures in Saudi Arabia and the Gulf. These revelations offend national senses of honor and contribute to cooling relations. To worsen matters, terrorist attacks cause extensive damage and casualties at several US facilities in the region and at police headquarters and financial institutions. These attacks discourage foreign investment and encourage expatriate departures. [REDACTED]

Iraq is a US target in Phase II of the WOT, not because of definitive Iraqi connections to al-Qa'ida but because of growing concern about Iraq's WMD capabilities and potential to supply WMD to terrorists who could use them against US assets or regional friends. Voices in Washington argue that the Iraqi regime should be toppled. To achieve this militarily, the United States needs airpower and US ground forces based on the territory of friendly states. Following the Afghanistan model, this plan also requires support from Kurds in the North and Shias in the south of Iraq. Washington seeks to gauge potential support for such a mission with European allies, Russia, and regional members of the 1990-91 coalition. The response ranges from ambivalence to rejection. Turkey and Saudi Arabia do not want

attacks launched from their soil. The sticking point is the absence of proof of Iraqi involvement in the 11 September 2001 attacks or Iraqi support for al-Qa'ida. In addition, Pakistan, Europe, and the UN ask Washington not to shift attention away from Afghanistan—nation building will be a huge task. [REDACTED]

The Palestinian *intifadah* and Israeli efforts to repress it continue, with many casualties on both sides. Al-Jazirah television broadcasts images of the violence from the West Bank and Gaza. The Arab press escalates accusations of Western indifference to Palestinian and Iraqi suffering, casting the United States increasingly as anti-Arab and anti-Muslim. Arab and Muslim capitals boil with protests. Hizballah engages Israeli forces in border skirmishes, which invite Israeli bombing of Hizballah assets in Lebanon. Traditional regional allies of Washington send strong signals that not only is all cooperation with the WOT at stake, but also their stability and long-term US interests in the region. [REDACTED]

Faced with deteriorating regional conditions, a lack of regional interest in pursuing Iraq, and concern about maintaining regional counterterrorism cooperation, the United States backs down on Iraq. However, Southern Watch reconnaissance overflights over southern Iraq continue from US Navy aircraft carriers in the Gulf. Iran accuses the United States of an aggressive military buildup in the Gulf but takes no action. Washington applies additional pressure on Saddam by toughening a mid-2002 proposal for the return of UN inspectors and implementation of "smart" sanctions. The coalition supports this approach in exchange for not extending the war to Iraq. [REDACTED]

2003

In the third year of the Palestinian *intifadah* there is always enough violence to block progress toward an Israeli-Palestinian accord. [REDACTED]

President Musharraf of Pakistan emerges as a major beneficiary of US success in Afghanistan. His cooperation with the United States, in light of the outcome, wins him respect from most Pakistanis—but so does his strong hand in crushing domestic militants and terrorists. Although Afghanistan remains a troubled neighbor, Pakistan retains an acceptable level of influence across the border. Musharraf realizes another goal when Washington, employing new leverage and credibility gained from its role in encouraging Pakistan's counterterrorist crackdown, in early 2003 successfully pressures the Bharatiya Janata Party (BJP) government in New Delhi to accept US-brokered talks over Kashmir. Increased domestic stability and Musharraf's rising prestige allow the Pakistani economy to begin to recover. Increased aid and access to US markets help boost growth. [REDACTED]

Determined to carry on with the WOT, the United States focuses on the financial and political side of the war. US authorities identify hundreds of charities, financial institutions, and individuals as suspected conduits for al-Qa'ida, other terrorists, and militant Islamic movements. Washington transmits to friendly governments demands to freeze assets, suspend operations, and apprehend individuals. The new lists of suspected conduits include prominent individuals, banks, and charities linked to elites in the Middle East. The lists appear on the Internet and in the media. Only the United Kingdom responds with immediate cooperation; other Europeans indicate they will investigate. [REDACTED]

Middle Eastern cooperation with financial and political aspects of the WOT is slow and patchy, burdened by perceptions that the United States is on a campaign to remake Arab culture. Young unemployed males become increasingly politicized through the radical Islamist message that dominates discourse at mosques, revulsion over the Palestinian-Israeli conflict, and disillusionment over bleak job opportunities. Governments fear the consequences of cracking down on financial, religious, and

philanthropic entities that enjoy popular support. As a consequence, governments punish only a few financial contributors to violent or terrorist groups. [REDACTED]

As preparations for 2004 Iranian elections get under way, clashes between reform groups and security forces increase. The public realizes that Iran's limited democracy is unable to sustain reform. President Mohammad Khatami and the reformist-dominated Majlis are virtually powerless before Supreme Guide Ali Khamenei, the clerical-dominated judiciary, and the Council of Guardians. [REDACTED]

2004

After no major terrorist incidents on US soil in 2002 or 2003, an al-Qa'ida attack occurs in early 2004. Attacks also take place in Britain and Turkey. The attacks do not cause large numbers of casualties but jar people out of complacency. US and European stock markets remain volatile weeks after the attacks. [REDACTED]

With al-Qa'ida learning to operate without camps and safehavens, the United States seeks to renew the WOT. Some in Washington again are ready to go it alone against Baghdad. But while the American public may have been willing to accept large casualties in 2001, things have changed by 2004, especially given the risks associated with a ground war in Mesopotamia without regional support or participation. The soft regional coalition forces the United States to stay with the strategy of containing terrorism, as opposed to literally waging war on it. As such, the campaign focuses even more on economic and political objectives. [REDACTED]

Palestinian leader Arafat dies quietly at home after a period of sharply declining health. The initial scramble to succeed him features confrontations and narrowly avoided shootouts, but the Palestinian National Assembly, long undercut by Arafat as a potential rival, arranges credible elections. A younger, nationalist, but pragmatic leadership sees a

chance for a tough-minded settlement with Israel. As a final tribute to Arafat, the new leadership calls for and receives the seven days of absolute quiet demanded by Prime Minister Sharon, who faces his own election campaign in 2005. Under attack from former Prime Minister and Likud party leader Binyamin Netanyahu, Sharon talks with the Palestinians. [REDACTED]

Iranian voters elect another reformist-dominated Majlis, and the following presidential election is hotly contested. During the pre-campaign a relatively radical reformer emerges. His platform, calling for a plebiscite on constitutional reform, catches the popular Iranian imagination, and before the clerical system can move against him his popularity gives him virtual immunity. He overwhelmingly defeats his opponent. Khamenei, who had long seen his role as that of arbiter rather than ruler, moves toward the political center to protect his institutional position in advance of inevitable sweeping political change. [REDACTED]

2005-06

In the spring 2005 election in Israel, Sharon—who retained his position as Likud leader by outbidding Netanyahu on the right—loses to a candidate of the consolidated former Labor party coalition. The margin of victory in the parliament, under a revised election law, is sufficient to allow formation of a government without Likud or the religious parties. With US support, peace talks begin in earnest, concentrating on the tough core issues. Gradually, cautious confidence in the validity of the revived peace process develops in surrounding Arab states. Despite sporadic violence, Israeli and Palestinian leaders lead public opinion toward accepting essential painful compromises. Syria signals that it is prepared to reengage under US auspices. A peace settlement jump-starts growth in Israel and Palestine and helps to revive growth in Jordan, Syria, and Lebanon as well. In India, an improbable grand coalition between the BJP and Congress allows politicians to move ahead on Kashmir talks—neither coalition partner

will be able to pin on the other compromises made to achieve an agreement. [REDACTED]

Egypt struggles with low growth in 2002 and 2003, but President Mubarak keeps the lid on domestic turmoil. With the United States gradually getting the upper hand in the WOT with a minimum level of violence and with things breaking right in Iran and particularly in Israel and Palestine, the social situation calms enough in Egypt to allow some progress on consolidating the state budget, reducing the role of state enterprises, and rationalizing the social welfare scene. Foreign investment and tourism pick up as does overall economic growth. [REDACTED]

Lower fertility rates in the 1990s and gradually maturing age structures in most of the Arab world have provided the region the biggest demographic gift in its modern history and of all developing regions in the world in the early 21st century. This “new demography” is characterized by declining dependency ratios, rising savings rates, and young Arab cohorts making ever-increasing contributions to growth. The region, despite the pessimistic predictions of many economists some years ago, is able to capture some of the benefits of this demographic “window of opportunity” for rapid economic expansion. It still, however, faces formidable challenges in creating millions of new jobs to keep pace with new entrants into the labor market. And even though private and foreign investment has picked up, maintaining these flows will require greater governmental accountability and more transparent rules of the economic game. [REDACTED]

As US credibility with Arab governments and publics recovers, WOT cooperation expands. Regional governments prosecute dozens of individuals under the WOT (some are terrorists, others are political opponents) and close some charities and financial institutions. US military tribunals offer regional governments an expedient way to rid themselves of politically troublesome prisoners. Iraqi WMD

capabilities remain a concern, and the coalition strengthens to the point at which it tolerates tighter sanctions against Iraq. US officials report having spoiled a number of terrorist plots to attack US and Middle Eastern facilities as a result of cooperation with regional governments. Yet, al-Qa'ida retains an ability to operate as an urban underground organization based around the Gulf and in Egypt. [REDACTED]

As public condemnation of US policies in the region begins to die away, official and commercial relations between the United States and the Arab world improve. Increased economic activity in the Middle East has only a modest effect on growth elsewhere. Oil prices are low and less volatile, the "terrorism tax" the United States and other OECD countries must pay for enhanced security is reduced, and more opportunities for exporters and investors open up in the Middle East. The risk premium on economic activity in other developing countries also diminishes as war and terrorism fears recede. [REDACTED]

Scenario 4—"Regional Cohesion" [REDACTED]

- *Terrorism*: Major activity.
- *WOT*: No overt military effort beyond Afghanistan.
- *Unrest*: Major civil disturbances.
- *Coalition*: Failed. [REDACTED]

Contacts and commerce between Americans and Arabs decline. There is tighter cohesion among Arab countries and between them and Iran. Arabs are outraged over Israeli treatment of Palestinians and direct their anger at the United States as well as Israel. The Arab street is willing to believe disinformation about US attacks on Islam. US-Arab relations deteriorate badly as governments, especially the Saudi royals, find security solutions that free them from dependence on US protection. In terms of its

prestige within the region, Iraq gains significantly under this scenario. [REDACTED]

2002

As the WOT concludes in Afghanistan, measures applied by the United States against terrorists begin to take a toll on US-Arab relations. Continued bloodshed in the West Bank and Gaza along with US support for Israel also burdens the relationship. Travel to the United States by business people and tourists from the region comes to a near halt, reflecting Arab apprehensions of possible humiliation by US immigration and customs officers, airline pilots and crews, local police, or anti-Muslim bigots. The US designation of Hamas, which Arabs and Persians almost without exception regard as a legitimate movement of resistance to Israeli occupation, as a terrorist organization generates acrimony. Gulf Arab investors, concerned about political risk in America, begin to cash out. US corporations, concerned about terrorism, downsize their Middle Eastern operations. [REDACTED]

In November, US forces locate and kill Bin Ladin in a firefight with his bodyguards. Three weeks later Al-Jazirah television receives and airs video in which Bin Ladin calls on all Muslims to defend the Islamic holy places in Jerusalem, Medina, and Mecca against attempts by Israel and the United States to deny access by worshippers as a culminating move in their joint war against Islam. This posthumous exhortation primes the Arab street for events during the 2003 hajj. [REDACTED]

2003

Muslim extremists seize the grand mosque and areas around the Ka'aba in Mecca in February. Three million panicked pilgrims take to their cell phones. Throughout the Islamic world rumors spread attributing the seizures to agents of Mossad and CIA. As Saudi forces fight their way house-to-house toward the Ka'aba, the American embassies in Amman, Cairo, Islamabad, Jakarta, Kuala Lumpur, and Rabat and the consulates at Jiddah and Karachi

are attacked by hysterical mobs. The American Consulate General in Jiddah barely manages to destroy classified documents and equipment before it is overrun. The al-Qa'ida operatives who lead the mob into the Consulate use the Internet to broadcast video of the Jiddah captives and "proof" that Americans and Israelis are behind the events in Mecca. Many Friday sermons throughout the Muslim world condemn the United States and Israel. In Palestinian areas, Hamas announces that, given the US declaration of war on Islam, Hamas is declaring war on the United States. [REDACTED]

As fighting continues in Mecca, senior members of the Saudi royal family convene at Riyadh. Shortly thereafter, the family announces that King Fahd and Crown Prince Abdullah have abdicated because of ill health. The new King is former Defense Minister Sultan bin Abd al-Aziz al Saud. The Crown Prince is his brother, the former Minister of Interior, Nayif bin Abd al-Aziz al Saud. King Sultan, assisted by his son, Khaled (newly named as Minister of Defense and Aviation), takes personal charge of the battle in Mecca and pacifies the badly scarred city. Visiting Mecca, the King declares that the prompt repair of the mosque and city will be his priority. He awards the contract for this

\$8 billion task to a previously unknown construction company (whose major shareholders are sons of the new King and Crown Prince). [REDACTED]

In May 2003, as the last US forces withdraw from Afghanistan and Central Asia, King Sultan asks that the US Air Force significantly reduce its activities and number of personnel in Saudi Arabia, citing the ongoing mayhem in the Holy Land and the increasing difficulty of protecting US forces from a now openly anti-American public. [REDACTED]

The West Bank and Gaza are in a state of near anarchy. No governmental authority remains above the municipal level. Sooner rather than later, Israel faces a choice between abandoning its settlements and military installations in the lands it captured in

1967 or reoccupying them to restore a measure of order and security. [REDACTED]

Regional economic growth is poor. The intensified fighting in Palestinian areas, the blood bath in Mecca, rioting and terrorism throughout the region, and the sense that corruption continues unabated chill investment and entrepreneurship. Tourism in the region, already pummeled, declines further. The new Saudi Government focuses on lining its own pockets rather than instituting economic reforms or attracting foreign investors. World oil prices, already low, start to decline further as Saudi Arabia, whose oil facilities are untouched by rioting, begins to ramp up production to pay for repairs to Mecca. [REDACTED]

2004

In the UN, US efforts to craft a tightened sanctions regime for Iraq are once again supported only by the United Kingdom and rebuffed by other members of the Security Council. However, in February the US President calls in Prince Bandar (whom Bandar's father, the new King, has kept as Ambassador in Washington) to ask for Saudi support for military action to replace the regime in Baghdad. With new evidence of links between Iraq and terrorism, the United States wants to move against Saddam. Bandar flies to Riyadh. King Sultan tells Bandar that the President's request requires consultation with the royal council. [REDACTED]

Before the royal council meets, word arrives of Saddam's death from cancer. Iraqi media announce that Uday has succeeded him. Uday sends telegrams to Arab leaders inviting them to establish new relationships with a new Iraq in the interest of opposing Israel. Algeria, Egypt, Lebanon, Morocco, Syria, and the United Arab Emirates accept the Iraqi initiative. Jordan is silent. Uday's initiative passes unreported in the Kuwaiti and Saudi press. He also seeks to reopen contacts with Iran. [REDACTED]

The royal council convenes in Riyadh in March. The US and Iraqi proposals are on the table. Sultan's

conservative instincts incline him to hold to the grand Saudi-American bargain struck by the kingdom's founder, Abd al-Aziz al-Saud, with Franklin Roosevelt at the Great Bitter Lake in 1945—exchanging assured access to Saudi energy supplies for US security guarantees—which, Sultan considers, has served the kingdom and its ruling family well and can continue to do so. Religious conservatives in the family disagree, citing the corrosive effects of close association with the United States on Saudi society and values. More secular-minded members of the al Saud, most in their thirties and forties, argue for rapprochement with Baghdad and solidarity with it against Israel. They remember the Gulf war not as vindicating a Saudi-American strategic partnership but as demonstrating the rapacity with which the Americans are prepared to exploit Saudi wealth. They state that Saudi Arabia has little to gain by perpetuating a relationship in which Americans answer Saudi respect and affection with contempt for the kingdom's governing style, customs, and religious heritage. The kingdom, they add, cannot afford continuing association with US policies that demonstrate indifference to Arab opinion by underwriting Israel's racist treatment of Arabs.

The meeting leaves the royal family divided. As discussions continue, it is apparent that a majority favors a strategic reorientation—but realizing it will require changes. Members of the third generation, the grandsons of Abd al-Aziz, especially those in senior military positions, begin quietly to discuss how this might be accomplished. But internal machinations against Sultan become moot when seven weeks later a petitioner at the King's twice-weekly majlis detonates a suicide bomb, killing the King and many aides. Investigation reveals that the petitioner was a member of al-Qa'ida, which continues to view the overthrow of the al-Saud as first among its objectives and is determined to advertise its continued existence despite the loss of its former leadership. Crown Prince Nayif convenes the royal council in an effort to gain its acclaim as king, but it is withheld. The

following day, younger Saudi royals in military positions oust Nayif as regent in a bloodless coup. This group proclaims as King one of their own, Minister of Defense and Aviation Khaled, son of King Sultan and commander of the Arab and Islamic forces during the Gulf war. King Khaled, in turn, appoints an obscure but religiously well-connected great grandson of the kingdom's founder as his Crown Prince.

In July, King Khaled privately invites Uday to visit Riyadh. With no prior notification to foreign governments and to the delight of ordinary Saudis, Uday arrives in Riyadh in August. Saudi Arabia and Iraq have both been on the receiving end of US antiterrorist criticism and pressure, and their leaders sense that they can gain by cooperating. The next day Saudi Arabia and Iraq announce the reestablishment of diplomatic relations and commit themselves publicly to cooperate against the threat to the peace posed by Israeli aggression and expansionism. Separately, the Saudi Minister of Defense and Aviation notifies the US Ambassador that the US Air Force must completely withdraw from the kingdom by the end of the year. After a Saudi envoy visits Kuwait, the Kuwaiti Government informs Washington that it has accepted an Iraqi offer to negotiate a treaty of peace and nonaggression and that US forces in Kuwait should plan to withdraw if the negotiations succeed.

Sanctions withering, Iraq finds more oil outlets and starts ramping up production. European and Asian countries find ways to invest in Iraq and provide much-needed equipment and know-how. The world oil price falls to between \$10 and \$15 per barrel even though demand is picking up.

2005-06

The Middle East has settled into new relationships. Iraq has been welcomed back into Arab councils. All Muslim states, including Kuwait, have normalized relations with Baghdad. UN sanctions against Iraq have collapsed.

Saudi Arabia and Iran, which began to cultivate close ties in the late 1990s, continue to grow closer, mainly for pragmatic reasons. Both believe themselves to be geopolitical losers in the WOT. In fact, Riyadh's understandings with Iraq and rapprochement with Iran reflect a common interest of all three that developments in the region should not conform to a US-Israeli-Turkish design. [redacted]

There is a degree of Arab unity in actions against Israel not seen since the 1970s. Arab and Iranian aid is flowing in increasing quantities to the insurrection in the West Bank and Gaza. Terrorist acts inside Israel proper continue to take a high weekly toll. Washington is braced for further acts of mass murder from a range of organizations that conduct operations against Israel. Israel and the United States classify these acts as terrorist, but all Arab governments and Tehran regard them as justifiable self-defense. [redacted]

The US 5th Fleet remains headquartered in Bahrain and the US Air Force has redeployed from Saudi Arabia to Qatar and Oman, but all three states have asked the Americans to draw down and be gone within the next two years. The number of sailors and airmen deployed to the Gulf is a fraction of what it had been. Arab defense contracts go to European, Chinese, and Russian suppliers. After suspending relations with Israel and developing much closer relations with Iraq, Cairo is considering phasing out its military relationship with Washington. [redacted]

The diminishing US presence in the region has failed to do anything to boost economic growth. Oil prices remain low throughout the scenario with only occasional modest spikes related to sporadic acts of violence and temporary global demand/supply imbalances. The new Saudi leadership concentrates on solidifying its power and marginalizing al-Qa'ida. It has no energy or political capital left over to launch economic liberalization. Saudi economic growth is very low these five years, and unemployment and underemployment rise sharply. Exxon-Mobil still

engages in gasfield development in partnership with Saudi Aramco, but there are now fewer than 5,000 Americans in the kingdom. The Egyptian economy is also badly hurt. Improving political ties to other Arab states does nothing to expand markets for Egyptian goods nor can its new allies absorb any new Egyptian migrant workers. Iran's economy is badly hurt by the fall in oil prices. Europeans are interested in getting back into the Iranian oil industry, but, with a glut from renewed Iraqi production, not much new investment takes place. Iraq, of course, is the solid winner in this scenario. Oil production reaches 4 million barrels per day by 2006 and is heading up. Iraqi economic growth is strong, and government coffers are flooded with oil export revenue. OPEC decides to denominate oil exports in euros as a further way to distance the Middle East from the United States. [redacted]

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Scenario 5—"Security States" [redacted]

- *Terrorism*: Major activity.
- *WOT*: Warfare beyond Afghanistan.
- *Unrest*: Major civil disorder.
- *Coalition*: Holds. [redacted]

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The war expands with scattered Special Forces operations and strikes on Iraqi WMD facilities. To keep the antiterrorist coalition together and focused, the United States looks the other way as Arab "security states" go after both terrorists and domestic opponents and suppress antiregime and anti-US dissent. For these states, moving away from political systems based on repression will be a long process. [redacted]

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2002

All in all, as far as many and perhaps most people in the Middle East are concerned, conditions in 2002 are

as bad as, if not worse than, they were before the Gulf war. [REDACTED]

For much of the population, especially the young, prospects for social mobility, a higher standard of living, and even a job are declining. Economic growth for the region averages only about 2 percent per year, far below the rate needed to absorb the rapidly growing work force. Unemployment rises. [REDACTED]

There is a large and growing gap between rich and poor. The burdens of underdevelopment are not shared equitably. Despite economic difficulties, there are islands of affluence and privilege, often involving luxury and excess. [REDACTED]

There is general understanding that elite membership is determined in most instances not by ability, dedication, or service to society but by personal and political connections. The result is a system in which patronage and clientism prevail. [REDACTED]

There are few established mechanisms by which the public can register complaints or participate in the political process. [REDACTED]

Understandably, many Arabs have little good to say about their rulers. In 1990-91 there was little sympathy in the street for Kuwait, judged to be arrogant and selfish. The anti-Iraq coalition included Saudi Arabia and other "bad Arabs," as well as foreign elements. In the view of many young Arabs then and now, during the Gulf war the sole motivation of the sultans of the Gulf, Mubarak, and even Hafiz al-Asad was to remain in power, protect personal interests, and defend themselves against their own people, whom they feared. [REDACTED]

Disappointment with America also characterizes popular attitudes. After the Gulf war the American administration talked about democratization in the Middle East, development, resource sharing, security, and Arab-Israeli peace. Ordinary men and women applauded these goals, even as they wondered whether

meaningful change actually would take place. It turned out that their skepticism was justified. Despite early diplomatic initiatives, political and economic life in the region never moved away from business as usual. The Israeli-Palestinian peace process was a partial exception—the breakthrough Oslo accords produced a moment of optimism in 1993, but it faded. [REDACTED]

Most of the Arab regimes that supported Desert Storm are partners in the WOT. Many are important partners, providing valuable information about individuals and groups suspected of terrorism. However, there is something new in the attitude of these regimes. Officials of Egypt, Algeria, and several other countries eagerly note, "We told you so." They almost gloat over the subject of US military courts. "How interesting that you are following our lead. Now you understand!" they say. [REDACTED]

As the war in Afghanistan winds down, the United States works with the Afghans to establish a viable coalition government. Washington continues to provide significant amounts of humanitarian aid. Propaganda value aside, these are important accomplishments. The United States points with understandable pride to the Afghan people's celebration of their liberation from Taliban totalitarianism. But Washington's continuing actions under the WOT do not respond to the desires for freedom of people in countries ruled by Arab governments allied with the United States. [REDACTED]

2003

The United States expands the war, inserting Special Forces into Yemen, Somalia, Sudan, and Iraq and conducting air strikes on Iraqi WMD facilities. Popular anger against the attacks takes the form of sympathy for Saddam—viewed as a "man of action" who stands up to the superpower—and antipathy toward the United States. [REDACTED]

Partners in the WOT know that the United States cannot pursue the war or pressure Iraq without their

cooperation. They are confident that this US dependence on their support immunizes them against all but superficial US questioning of their internal security and counterterrorist actions. Consequently, many Arab states cooperating in the WOT are emboldened to expand domestic repression in the name of fighting terrorism. There is legitimate concern about terrorism—no one counsels inaction in the face of real terrorist dangers. The problem, however, is that some Arab governments, particularly Egypt, act against any individual or movement perceived to threaten the state's monopoly on power. Elites in Egypt and elsewhere in the region, many educated in the West, sense further erosion of Middle Eastern economic opportunity and leave for Europe and North America, making this one of the most dramatic "brain drain" periods in the region's recent history. [REDACTED]

In addition to pursuit of the war, terrorist attacks in the United States and against US and local government facilities in the Gulf, Egypt, and Turkey dominate US attention. US officials have little time to prosecute the WOT's never fully crystallized political agenda—a program to encourage political liberalization and expand opportunity and thus address conditions in the Arab world that generate willing recruits for al-Qa'ida. In many exchanges with Arab counterparts, all that US officials manage to convey are admonishments to be tireless in the fight against terrorism. [REDACTED]

2004

The kinds of anti-status-quo demonstrations that shook many countries in the 1980s again erupt in the Middle East and North Africa. Despite rhetoric about addressing grievances and a few tepid and calculated reforms, Arab police and security services reestablish order. Many incidents involve civilian casualties and arrests in the hundreds. Finally, a tense calm prevails, but economic growth is retarded by the violence and the lack of government interest in pursuing change. [REDACTED]

Washington is unsure how to respond. Debates occur within the US Government about the reasons for the disturbances and whether to retain or reduce ties to Arab regimes. [REDACTED]

Some US officials argue that opponents of the status quo are motivated by sentiments that do not deserve consideration, such as a hatred of Western civilization inspired by Islamic extremism. They say that the protesters resent the West because of its success over the past 500 years compared with lack of progress in the Muslim world. They judge that the protesters are unwittingly advancing the terrorists' agenda. [REDACTED]

Others offer a competing analysis. Addressing the conditions that give rise to desperation and rage best fights the war against terrorism. The United States "lost" Iran not in spite of but because of support for the Shah; Islamists won elections in Algeria not because the government had been too tolerant but because it had not been tolerant enough. Who could blame people for being angry at unsavory, authoritarian regimes and at the foreign powers who support them? [REDACTED]

Those who argue in favor of sticking with America's traditional Arab friends admit that many governments in the region are indeed repressive, corrupt, and hated by their own people—but there is no clear alternative to working with them. "Too much is at stake. The risk is too great. With whom would we work if not the established regimes?" are the realpolitik assessments that carry the day. Accordingly, the United States not only continues but also increases its military and counterterrorist cooperation with key Arab governments. [REDACTED]

2005-06

The alliance between the United States and its traditional allies in the Middle East continues intact. The WOT continues. Many genuine terrorists or would-be terrorists are killed, captured, or forced to flee. There is still occasional call for Special Forces operations and even airstrikes in odd corners of the [REDACTED]

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world in which terrorists attempt to rebuild indoctrination and training infrastructure—in remote areas of the Sahel and parts of Yemen, Tajikistan, and Indonesia poorly controlled by central governments. But, of course, America’s traditional Arab allies also have grafted suppression of opposition onto their interpretation of the WOT. This may or may not be a viable long-term strategy. [redacted]

Popular anger at the status quo in the Arab world does not subside. It is difficult to tell just how close Egypt, Saudi Arabia, and others are to revolution. In some ways they resemble Iran in the late 1970s, but perhaps these “security states” can keep the lid on for years or decades. The economic and social penalties encountered with this policy choice are high: lost opportunity; noncompetitive and noninnovative societies; exclusion from many wealth-creating effects of globalization; and slipping further behind not only the West but East Asia, Latin America, and even India in meaningful measures of progress, such as living standard, educational levels, public health, or commercial competitiveness. But none of these penalties affects the well-being of Arab elites—assuming that the lid stays on [redacted]

World oil prices rise in this scenario—averaging about \$22 per barrel—because Iraqi production increases are stymied by the ongoing conflict with the coalition. Terrorist acts and random bouts of civil disorder cause frequent oil price spikes. Higher oil prices do not spur higher regional growth because they are offset by civil disorder and repression. [redacted]

Scenario 6—“Transformation” [redacted]

- *Terrorism*: Moderate activity.
- *WOT*: Major warfare beyond Afghanistan.
- *Unrest*: Minor civil disorder.

• *Coalition*: Holds. [redacted]

Regional transformation begins with an interim Israeli-Palestinian accord in late 2002, attained only with new leadership and after exhaustion of both sides by the violence. Characterized in 2002 by surgical special operations, the WOT transforms in 2003 into a short, bloody, and successful ground and air war against Iraq. Anti-US demonstrations occur throughout the Arab world but do not threaten Arab regimes—which are emboldened to start confronting domestic problems now that Saddam is gone, the US security presence is diminishing, and Israel and Palestine have reached a final peace settlement. [redacted]

2002

In Afghanistan the Taliban is vanquished in the WOT. The transition in Afghanistan from provisional to permanent government is relatively smooth, with the new government enjoying various degrees of support, from strong to grudging, from regions and ethnic groups. Aid from Western governments and NGOs is starting to repair the damage to physical and social infrastructure wrought since the 1970s. Lawlessness outside the cities is a serious problem, but construction from the ground up of police forces and an Afghan army is proceeding with much Western assistance. India, Pakistan, and Iran all have their hands in internal Afghan affairs, but, in a curious way, that is a sign of a return to the sort of normalcy experienced by Afghanistan in the 1950s and 1960s. [redacted]

Al-Qa’ida was badly mauled in Afghanistan, but parts of the organization have reconstituted elsewhere. The geographic scope of the WOT expands, with surgical Special Forces operations that root out al-Qa’ida attempts to regroup in mountain, desert, jungle, and island refuges from Africa to Southeast Asia—in areas beyond the effective control of central governments. These operations also target groups allied with al-Qa’ida as well as terrorist organizations without known al-Qa’ida connections. Where there

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are functioning national governments, they usually are willing to cooperate, to gain US assistance and to assert control over remote regions. [REDACTED]

The world press never learns about some of these counterterrorist actions; others create headlines. Public opinion in Muslim countries is critical of the WOT but is far more upset about the plight of the Palestinians. There are anti-American demonstrations from Morocco to Indonesia, but local governments control them; they do not threaten government stability. [REDACTED]

Among Arab elites, opinion is mixed over the WOT. Almost all are delighted that the United States is ridding them of al-Qa'ida, a task that they had been unwilling to initiate on their own. Some see the WOT as a useful excuse to tighten controls on elements critical of their regimes. But they also are fearful of unknown consequences of a possible expansion of the WOT to Iraq. Other, younger members of governments and royal families and some intellectuals recognize the emergence of al-Qa'ida as a wake-up call, alerting the establishment to the need to change conditions that create terrorists. [REDACTED]

Indeed, the United States works more seriously to create political space for a "middle way" in the Middle East. For example, Washington builds on Fulbright and other exchange programs (including some military-to-military exchanges) to develop and support reformist rather than radical discourse and to encourage "elites" as well as the "elite masses" that have good religious credentials. An increasing number of US policymakers and scholars appear on al-Jazirah television to air their views and engage on a range of topics. Most important, Washington uses a light touch behind the scenes to help the region's leaders—who fear popular mobilization and where it may lead—develop a vision for the future. [REDACTED]

Saudi Crown Prince Abdallah finally succeeds in giving more voice and space to reformers to counter the appeal of Islamic radicals. There is hope of

bringing about acceptable and sustainable political, economic, and social changes—and of coping with crumbling infrastructure and still rising unemployment. In what many see as a minor press item, Abdallah receives international praise for implementing mandatory school attendance for those 17 and younger (in mid-2002, fewer than half of Saudi teenagers are in school despite free education). [REDACTED]

By late 2002 the violence has exhausted Israel and the Palestinians. The Palestinians are impoverished and living in chaos. Antiwar protest in Israel has divided the country. Company-size regular IDF units disobey orders, refusing occupation duty. Unprecedented numbers of Israelis are emigrating to the United States and back to Russia. Further, the Israelis and Palestinians have new leadership, in both cases as a result of assassination. With much outside assistance and pressure, the sides explore, internally debate, and declare a truce—and it holds. US and EU officials facilitate talks, which proceed surprisingly quickly now that both sides feel they must bargain. An interim accord is signed in six weeks. It features a cease-fire and pullback while negotiations on an endstate continue. The United States and the EU provide emergency aid for Palestinian areas, including assistance to restore basic services and rebuild infrastructure. [REDACTED]

2003

After no major terrorist attacks in North America or Europe in 2002, a radiological dispersion device explodes in the United States in early 2003, killing several score and exposing thousands to radioactivity. A similar attack against London is foiled. A short time later, US officials obtain documentary evidence and oral statements from an informant that the Iraqi Mukhabarat provided the radioactive material used in these devices. Washington and London agree that it is time to rid the world of Saddam Husayn's regime. [REDACTED]

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US and UK planners finalize their concept for a military campaign against Iraq. Wherever possible they will follow the "Kosovo/Afghanistan model" of using airpower to support local insurgents on the ground. But it soon becomes apparent that Kurdish fighters in the north and Iraqi Shia in the south are too poorly organized and trained to be of help. Instead, new, light, and fast US armor formations; air cavalry; and Special Forces will assume the battlefield role of the Northern Alliance in Afghanistan. Air forces operate from Turkish bases and aircraft carriers in the Persian Gulf. Heavy bombers fly from distant bases. Hostilities begin in March with massive airstrikes on Iraqi antiaircraft defenses, command centers, and ballistic missile and WMD sites. Local contamination and civilian casualties result from attacks on chemical weapon depots. US airborne troops create a staging point in Iraq's western desert. Light US ground formation, move toward Baghdad from the west and north. Although the US force is too small to engage in fights for occupied cities, it is able to draw out Iraqi forces, allowing them to be targeted for airstrikes. After Iraq's military is destroyed as an effective fighting force, regime authority collapses. Bunker-penetrating munitions eliminate Saddam and his family. The war is short, bloody, and successful. As soon as the shooting stops, the first order of business is a countrywide search to uncover all ballistic missile and WMD sites and destroy them.

are difficult for the police to contain. However, as it becomes clear that the war will be short and decisive and will cause less damage than many expected, the fury drains out of the demonstrations. A quick war neutralizes opposition.

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Cleanup in Iraq is far easier than in Afghanistan. Iraqis are thankful at being released from the grip of Saddam's police state. US and British troops usually are greeted as liberators. The fighting ends with the formal surrender of Iraqi generals. The few hardcore resisters are members of Saddam's secret police or elite guards. Western governments facilitate the return of thousands of Iraqi exiles, members of the educated middle class that suffered greatly under Saddam. Returnees and a number of Iraqi regular army officers make up a transitional government. Shia and Kurds participate in this caretaker regime. Relatively few foreign peacekeeping troops are needed; regular Iraqi police, purged of Saddam's thugs, are able to maintain order. As in Afghanistan, aid from the West and from Muslim humanitarian organizations meets the immediate needs of the population, but Iraq's own oil revenues—wisely spent, for a change—finance the nation's recovery. To this end, Iraq tries to move as much crude and petroleum products into world markets as possible.

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Most regional regimes can live with the narrow US war objectives. Some governments quietly provide assistance, such as granting overflight permission or temporary use of remote desert locations. Arab leaders shed no tears over Saddam's demise—it is their gain to be rid of him, and they are required to do little to achieve that outcome. Although they have some concern that Iran not take advantage of a prostrate Iraq, their principal worry is for domestic stability during the US campaign in Iraq.

2004

The Israeli Government and a range of Palestinian leaders reach a final settlement in May 2004. The borders of a Palestinian state, composed of the West Bank, East Jerusalem, and Gaza, are close to the 1967 demarcation. A parallel peace agreement with Syria adopts the 1967 border, with demilitarization of the Golan Heights and retention of observers. The Palestinians abandon their right of return to Israel. Jerusalem becomes the capital of both states. The package includes pledges of extensive US, European, Japanese, and Gulf Arab aid and investment for Palestine. Palestinian independence is scheduled for 1 September 2004. Decades of ill will between Israelis and Arabs will not dissipate quickly, but a

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Demonstrations against the war in Iraq occur all over the Arab world. They are primarily anti-American—not against regional regimes. Some demonstrations

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huge irritant in Arab relations with the West has been removed. [redacted]

Following a successful campaign, the US occupiers formulate an endgame that allows the last US and UK troops to pull out of Iraq seven months after the fall of Saddam (although special multinational teams continue WMD location and cleanup). Many experienced Iraqi managers return from outside the country. They quickly are brought into the transitional government. Many challenges remain before Iraq can return to normalcy. Not the least of them is overcoming the extensive damage caused by Saddam to Iraqi political and social institutions.

Nevertheless, most Iraqis want the transitional government and its successor administration to succeed. This degree of support creates tolerance for failure as the new leadership tries to build responsive and effective government. A constitutional convention in 2005 is expected to acknowledge in its final document the present reality of autonomy in the Kurdish areas. However, sentiment for an independent state continues among some Kurds, so this issue is far from settled. Saddam's Republican Guard has been dismantled, while 10 regular army divisions and a small air force are being reconstituted to provide some balancing against Iranian power. Iran, for its part, has quietly observed events in Iraq, mindful not to provoke the Americans but poised to gain a hand in Iraqi affairs through pro-Iranian Iraqi Shia. [redacted]

The delight of average Iraqis with events confounds anti-American commentators and opinion leaders in other Arab countries. Indeed, with Palestine independent, Saddam gone and Iraq recovering, and the Americans pulling out of the Gulf, anti-Americanism is losing its allure in some quarters. Peace in the Levant, however, makes no impression on al-Qa'ida, and its attacks continue in the region.

[redacted]

2005-06

Different from Palestine, a solution to the Kashmir dispute is not found. Yet, results in dealing with this South Asian hotspot, an irritant for now close to 60 years, are perhaps best measured simply by whether escalation into a major war has been avoided. At this there has been success. Threats and inducements by Washington, Moscow, European capitals, and the UN have enabled cooler heads in New Delhi and Islamabad to control decisionmaking during crises. But as conventional and nuclear military capabilities of both Pakistan and India grow, the risks of miscalculation increase. [redacted]

Iran has grown into a regional military power of consequence and maintains its WMD programs. But this development is viewed with somewhat less concern by Iran's neighbors in 2006 than it would have been 10 years earlier because of political liberalization in Iran. Repeated popular protest, often violent, since 2002 has loosened step by step the grip of fundamentalist clerics to the point that by 2006 the press is free and the government, including the security ministries, is in the hands of popularly elected officials. Iran is still nationalistic and prone to throw its weight around, but a growing middle class that wishes to become rich by participating in the global economy moderates its behavior. Economic growth averages 5 percent per year, boosted by inflows of foreign capital to redevelop the energy sector and by unleashing the entrepreneurial spirit of the people that the mullahs held in check. [redacted]

These have been a surprising five years. Elites in Egypt, Syria, Saudi Arabia, and the other Gulf states are adjusting to a world without Saddam and with peace in the Holy Land. Economic activity quickly revives with the decline in political uncertainties related to Palestine and Iraq. Conservative regimes begin to feel more confident about reducing the role of the state in their economies and opening up the system to competition. These reforms are modest and undertaken cautiously—no one expects the Middle East to quickly develop capitalist institutions. It is

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worth noting that Syria is among these wary reformers, the settlement with Israel having given it room to experiment with new economic rules and structures that will work only if accompanied by some loosening of police state controls. [redacted]

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There is not total peace in the Middle East. Remnants of al-Qa'ida still attempt attacks against US interests in the region and against the Saudi regime, reminding all that the WOT is not over. Anti-US sermons sometimes are still heard at Friday prayers; violent Islamic fundamentalism may be gradually losing its relevance, as in Iran, but that trend is not yet clear. As for the direction of political developments in the Arab world in the second half of this decade, it is perhaps indicative of future changes that advocates of political liberalization are being allowed more voice. One reform being advocated is replacing the appointed advisory Saudi majlis with an elected body (male suffrage) with real, although circumscribed, powers.

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(b)(3)

The US economy was badly hurt by the al-Qa'ida-Iraqi attack in 2003. Domestic spending ramped down sharply as Americans awaited the elimination of the terrorist threat before feeling safe to return to normal economic behavior. But by 2006 a calming of Middle East tensions allows the US and world economies to make up lost ground. [redacted]

(b)(3)

Finally, not until 2006 do US officials discover that in 2003 al-Qa'ida intentionally fed to the US Government true information that the radioactive material used in the radiological attack in the United States was of Iraqi origin. By doing this, al-Qa'ida's strategists sought to provoke the United States into attacking Iraq, embroiling Washington in a difficult and disruptive war against Muslims. Their plan was for the conflict to validate al-Qa'ida's view of the world in the eyes of Muslim populations and governments and rally them to al-Qa'ida. [redacted]

(b)(3)

(b)(3)