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Implications of Iran's Victory Over Iraq

Special National Intelligence Estimate

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8 June 1982

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IMPLICATIONS OF IRAN'S
VICTORY OVER IRAQ

Information available as of 8 June 1982 was
used in the preparation of this Estimate.

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THIS ESTIMATE IS ISSUED BY THE DIRECTOR OF CENTRAL INTELLIGENCE.

THE NATIONAL FOREIGN INTELLIGENCE BOARD CONCURS, EXCEPT AS NOTED IN THE TEXT.

The following intelligence organizations participated in the preparation of the Estimate:

The Central Intelligence Agency, the Defense Intelligence Agency, the National Security Agency, and the intelligence organizations of the Departments of State, Energy, and the Treasury.

Also Participating:

The Assistant Chief of Staff for Intelligence, Department of the Army

The Director of Naval Intelligence, Department of the Navy

The Assistant Chief of Staff, Intelligence, Department of the Air Force

The Director of Intelligence, Headquarters, Marine Corps

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SCOPE NOTE

The Intelligence Community in a variety of recent interagency and departmental publications predicted Iraq's defeat and suggested a number of consequences that might flow from it. The rapidity of Iran's recent successes, continuing Iraqi ineptitude, and growing concern among the moderate Arabs, however, underscore the need for both a more topical treatment of the implications of the situation likely to evolve over the next six months and a reassessment of some of our previous judgments

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KEY JUDGMENTS

Iraq has essentially lost the war with Iran. Baghdad's main concern now is to prevent an Iranian invasion. There is little the Iraqis can do, alone or in combination with other Arabs, to reverse the military situation.

The regime of Iraqi President Saddam Hussein has been severely hurt. Given Saddam's track record as a survivor, however, his overthrow is not necessarily imminent.

Although Iran has not launched major ground operations into Iraq,

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Tehran is now in an advantageous position to implement several options:

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- Increase agitation among Iraq's Shias and Kurds and support incursions by Iraqi exile forces.
- Conduct air and artillery strikes across the border and launch limited incursions by Iranian regular forces.
- Launch a major military attack into Iraq either to spark a general insurrection or to cripple the Iraqi Army.

Pursuit of the first two options would increase the likelihood of a "palace coup" against Saddam but is unlikely to lead to a rapid overthrow of Ba'thist-Sunni rule in Baghdad. Tehran could continue to pressure Baghdad economically and militarily for months or years without resorting to an invasion. The Iranians might even succeed in obtaining "reparations" from the Gulf Arabs during this prolonged period of tension.

If these options appear to be insufficient to bring down Saddam, or Iraqi provocations continue, Tehran may become impatient and launch a major ground attack into Iraq. If the Iraqi Army were severely crippled, or Al Basrah occupied, the Ba'thist regime itself would be badly shaken and Saddam's chances for survival would be minimal.

The lack of an apparent successor to Saddam points to a period of collective rule—dominated by key military and security figures from the current ruling clique—without major foreign policy changes. Collegial rule would eventually break down as its leading figures,

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schooled in the politics of conspiracy and intrigue, sought preeminence. Under these circumstances Iraq probably would again become more radical in its outlook and seek better relations with the Steadfastness Front.

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[REDACTED]
[REDACTED]
[REDACTED] The clerical regime in Iran—firmly in power for the foreseeable future even after Ayatollah Khomeini dies—sees itself as a leader of peoples “oppressed by imperialism,” especially by the United States. The war has fostered an Iranian-Syrian-Libyan alignment, but this marriage of convenience is unlikely to last if Saddam is removed.

Syrian President Assad is likely to continue his support for Iran, although he would probably disassociate himself from an Iranian occupation of Iraq. Assad fears a Shia fundamentalist regime in Baghdad that might increase Iraqi support for Syrian Sunni fundamentalists opposed to Assad’s secular Alawite-dominated regime.

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[REDACTED]

Nonetheless, we doubt that even a major Iranian invasion of Iraq would trigger a general Arab-Persian war. None of the moderate Arab states except Egypt has the military capability to make a large-scale contribution to the fighting. Cairo, however, probably would not risk heavy involvement in a potentially costly and protracted struggle with uncertain outcome that at best would have only modest internal support. The Gulf states, moreover, are already exploring ways to appease Iran, most notably by offering to pay war reparations to Tehran, if it would negotiate an end to the war.

The current situation in the war has so far had little impact on OPEC and the world oil market. A cease-fire would renew slight downward pressures on oil prices, while an Iranian invasion of Iraq or attacks on oil facilities in Iraq or Iran might create a psychology of shortage in the spot oil market despite little tangible effect on the availability of supplies. The worst case would be Iranian attacks on Gulf oil facilities that could substantially reduce exports for several months.

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[REDACTED]

To date, the Iran-Iraq war has had both positive and negative effects on the Soviet position in the region. On the positive side—from Moscow's point of view—it has:

- Created the possibility of greater turmoil and the eventual replacement of some conservative regimes by anti-Western, fundamentalist ones in a region whose stability is more important to the West than the USSR.
- Helped to expand the Soviet-Iranian arms relationship, one which may grow in the future because of Iran's increasing use of Soviet arms.
- Significantly weakened the position of Saddam Hussein.

On the negative side of Moscow's perspective, the war has:

- Made a US military presence in the Persian Gulf less objectionable to the moderate Gulf states, most of which lump together the threat to them from Iran and the USSR.
- Further diluted Arab unity against Israel.
- Engendered dissatisfaction in both Iran and Iraq, because Moscow's supply of arms to both sides has satisfied neither and irritated both.

Although the war has complicated Soviet relations with both Iran and Iraq, the Soviets will continue efforts to maintain influence in each country. Primary Soviet efforts, however, will continue to focus on Iran; it is the greater geostrategic prize.

The Soviets are eager to maintain an entree to the Khomeini regime and have emphasized state-to-state relations [REDACTED]

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The Soviets may hope that, if Iran invades Iraq, this will lead to Saddam's replacement by a leader more sympathetic to the USSR. Short of a Soviet invasion of Iran, however, Moscow's leverage over Tehran is limited, and the Soviets are unlikely to take major steps to prevent an Iranian invasion of Iraq, even if they perceived that it would result in installation of a fundamentalist regime in Baghdad.

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A major problem for the United States in responding to the current situation in the Iran-Iraq war is the search for ways to mitigate Iran's efforts to export its revolution and to prevent Tehran from drifting toward the Soviets.

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DISCUSSION

Introduction

1. Iraq has essentially lost the war with Iran:
 - Iran has recovered most of its territory formerly held by Iraq.
 - The Iranian leadership believes its principles and policies have been justified and its rule strengthened.
 - Iran's relative strength has been magnified by its victories.
 - The regime of Iraqi President Saddam Hussein has been severely hurt.

2. Iraq remains desperate for negotiations and is willing to make concessions, but Iran has shown little interest in negotiating as long as Saddam remains in power (see table 1). Even complete public vindication of its position and substantial reparations—the Iraqis have reportedly used figures of \$20-150 billion—may not now be enough to entice Iran into negotiations. Tehran's major considerations at the moment are its choice of strategy for bringing down Saddam and the effect of its military success on the Iranian domestic political equation and on Iranian external policies.

The Challenges to Saddam Hussein

3. Saddam Hussein's total identification with the costly and unpopular war points toward increased challenges to his rule even without Iranian moves against him. Saddam's decision to go to war with Iran has been a disastrous mistake. His static battlefield strategy has placed Iraqi forces in a difficult situation, and damage to Iraq's economic and foreign policy goals grows daily.

4. Two years ago Iraq aspired to leadership of the Arab world, and sought to exploit expanding oil exports to achieve this end. Today Iraqi human and material treasure is being wasted in a war it is losing, its Gulf ports are closed to trade, its oil exports and

domestic economic expansion program have been reduced, and its international prestige and military image are diminished.

5. The goal of reducing dependence on the USSR for military equipment is now more distant because Iraq must maintain delivery of needed Soviet arms. Plans to host the nonaligned summit in Baghdad this September, kicking off Iraq's leadership of the movement for the next three years, are threatened. Iraq today is more supplicant than leader, and its dependence on moderate Arab neighbors, especially Saudi Arabia, Egypt, Kuwait, and Jordan, for financial, logistic, and political support is increasing.

6. Syria, Iraq's enemy on its western flank, has become a more active adversary as the Damascus-Tehran alliance has thickened. Syria, most likely with Soviet approval, has increased its arms aid to Iran and closed Iraq's oil pipeline across Syria to the Mediterranean, reducing oil exports and depriving Baghdad of about \$6 billion annually in oil revenues. Syria also closed its land border with Iraq, a move that has delayed needed imports. Syrian support of Iraqi dissident groups has increased.

7. The ultimate consequences of Iraq's failures will be increased plotting against Saddam

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Success for any would-be plotters is uncertain because of Saddam's command of extensive levers of repression—most run by trusted family or tribal brothers—and his record of striking first. (See inset on page 3.)

8. The most serious threat—barring assassination—is likely to come from civilian and military leaders who have so far suppressed their dissatisfaction with Saddam's policies. These officials might attempt to replace Saddam before his problems jeopardize continued rule by the Sunni Arab minority (only 20 percent of the population)

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Table 1

Iraqi and Iranian Negotiating Positions in the War

Issues	Iraq	Iran
Basic Negotiating Position	Desperate to get a negotiated settlement. Has privately indicated that most issues are negotiable.	Recent statements by government officials more hardline. Iran's objectives are: withdrawal, identification of Iraq as aggressor, payment of reparations, and removal of Saddam Hussein.
Shatt al Arab	The central issue for Iraq. Iraq insists on Iraqi sovereignty, with shared use. Has proposed a settlement possibly based on the 1938 agreement, providing Iraqi sovereignty but Iranian control of waters around Khorramshahr and Abadan. May accept 1975 Algiers Accord as basis for negotiation.	Iran cannot cede sovereignty. Has cited 1975 Algiers Accord—giving Iran sovereignty over the eastern half of the waterway—as possible basis for negotiation. Algeria reportedly shares this view.
Withdrawal of Troops	Will agree to immediate, total withdrawal of troops, if provided a cease-fire and Iranian commitment to negotiate.	Insists on unconditional withdrawal before making any commitments to negotiate.
Blame	Has agreed to establishment of independent Organization of the Islamic Conference peace commission to determine culpability.	Insists Iraq be condemned for starting the war.
Reparations	Insists negotiations to determine the aggressor must take place first.	Demands payment of substantial reparations by Iraq. Payment must be agreed to before cease-fire. Amount is reportedly negotiable and would be based on the peace commission's determination of just payment for actual damages.
Refugees	Iraq has not addressed the question.	Iran reportedly insists on return to Iraq of those thousands of Iraqis expelled since the Iranian revolution.
Forum for Negotiation	Would welcome mediation by any party likely to be successful.	Might be amenable to Islamic or Algerian mediation after Iraqis are out of Iran, but currently uninterested in negotiations.

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9. A takeover by the military acting alone appears unlikely. The officer corps will be preoccupied with long-term border tension or fighting with Iran. The Ba'th Party is entrenched at all levels, including within the Army, and, under Saddam, has made considerable progress toward reducing the military's involvement in politics.

10. The lack of an apparent successor to Saddam points to a period of collective rule dominated by key military and security figures from the current ruling clique. A collegial leadership probably would not

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make major foreign policy changes—it still would be dependent on the Gulf Arabs for financial support, would trade heavily with the West for civilian and military goods, and continue to rely on the USSR as Iraq's major source of arms.

11. Collegial rule would eventually break down as its leading figures, schooled in the politics of conspiracy and intrigue, sought preeminence. A succession of coups might ensue, bringing in new leaders from lower ranks in the Army and the party. A power struggle risks a return to a pattern of rule similar to early periods, when Ba'thist ideologues preoccupied with internal problems dominated Iraqi politics. Under these circumstances Iraq probably would again be-

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Saddam's Response to Failure

Saddam possesses a strong drive for power and an exaggerated view of his own capabilities which disposes him to assess optimistically his chances of success in any venture. Failure is a major blow to his self-esteem, which places Saddam under substantial emotional stress, and inflicts a wound that demands repair. Despite his grandiose self-image, Saddam is fundamentally a pragmatic man in touch with political reality. He has rebounded from setbacks in the past and will probably react to his current situation by seeking a course of action designed to minimize his political losses, find others to blame for the Iraqi defeat, regain his sense of psychological and political control, and repair his self-esteem.

come more radical in its outlook and seek better relations with the Steadfastness Front.

12. [redacted] a popular uprising against the regime appears the least likely prospect in the near term. Appeals from Iran's Ayatollah Khomeini to Iraq's majority Shia Muslim community (see figure 1 on next page) to revolt so far have been largely ignored. Rebellious Sunni Kurds continue to be more of an irritant than a threat to government survival. Opposition forces seem incapable of fomenting open revolt unless they overcome serious personality, religious, ethnic, and political divisions.

13. Nonetheless, if the removal of Saddam were followed by a prolonged period of instability (including a series of coups and countercoups) and particularly if it were coupled with the unraveling of the Army, prospects would improve for an Iranian-supported Islamic fundamentalist government in Baghdad, dominated by Iraq's majority Shias through such groups as the Dawa Party. The collapse of the Army would remove a principal means of Ba'hist and Sunni Arab control and enhance the impact of Iranian efforts to foment a Shia uprising. A Shia revolt in southern Iraq probably would coincide with a surge of Kurdish guerrilla activity in the north, providing a broad front against continued Sunni control in Baghdad.

Iranian Strategy for Toppling Saddam Hussein

14. As suggested above, and given Saddam Hussein's track record as a survivor, his overthrow is not

necessarily imminent. Although Iran has not launched major ground operations into Iraq, [redacted] 25X1

[redacted] 25X1
[redacted] Tehran is now in an advantageous position to implement several options. The Khomeini government could opt for one of, or a combination of, the following forms of military or paramilitary action:

- Increase agitation among Iraq's Shias and Kurds and support incursions by Iraqi exile forces.
- Conduct air and artillery strikes across the border and launch limited incursions by Iranian regular forces.
- Launch a major military attack into Iraq either to spark a general insurrection or to cripple the Iraqi Army.

15. Iranian forces will probably clear the border areas of some of the remaining pockets of Iraqi forces before mounting a major push into Iraq. Iraqi forces still occupy territory west of Dezful and in the central border region. Military defeats in that area would bring the war closer to Baghdad [redacted] 25X1

16. Whatever option Iran chooses, it is also likely to continue its economic pressure on Iraq by denying Baghdad the use of its Gulf ports and by encouraging Syria to maintain its closure of the oil pipeline to the Mediterranean. This pressure promotes Iraq's continued dependence on Gulf financial aid, on transportation links through Jordan, and on the vulnerable oil pipeline through Turkey. Iran will continue its pressure on the Gulf States to curtail their assistance to Iraq.

Increased Agitation and Limited Military Action

17. We do not believe that the first option is likely to lead to the overthrow of the Ba'hist government in Baghdad, although increased Shia and Kurdish unrest might increase the likelihood of a "palace coup" against Hussein. Unlike their Iranian coreligionists, Iraqi Shias are not well organized and seem less influenced by their religious leaders, and are unwilling to risk opposition to the regime for fear of punishment. Economic and political inducements provided by the regime promote the loyalty of other Shias. Because of interfactional squabbling, Kurdish guerrilla leaders have been unable to take meaningful advantage of

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Figure 1
Oilfields and Shia/Sunni Muslims in Iraq



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increased aid from Tehran and Syria and the near-total drawdown of military forces in the north.

18. The Ba'th also has skillfully exploited ancient—but still lively—Arab-Persian animosity to counter Khomeini's appeal. The Ba'thist propagandist machine has made sure that Tehran's mistreatment of its Shia Arab minority and the economic and social upheaval in Iran have not escaped the notice of Iraqi Shias.

19. Limited military moves by Iran might increase the chances of success for local uprisings. These moves in themselves could also erode the control of the Baghdad government. The Iranians are providing military training to some of the estimated 50,000 Iraqis expelled from Iraq during the past three years. Iran has also publicized its support for an expatriate force composed of Iraqi prisoners of war. Such "volunteers" could be introduced into Iraq if heavily supported by regular Iranian forces.

20. Iranian forces could also launch air attacks and commando raids against strategic targets in Iraq, particularly economic targets, and initiate small-scale ground force incursions. These measures would further increase the economic costs of the war for Iraq. Military moves in the central region would bring the ground war closer to Baghdad. The Iranian Army is also well within artillery range of important economic and military targets in the Al Basrah area [redacted]

Major Ground Offensive

21. We believe that Tehran more likely will adopt the first two options in attempting to topple Saddam Hussein. If these options appear to be insufficient to bring him down, or Iraqi provocations continue, Tehran may become impatient and launch a major ground attack. A number of considerations would militate against such an attack. Tehran knows firsthand how a foreign invasion can generate nationalism and popular backing, and it might fear that an invasion would spark fierce Iraqi resistance and galvanize internal and international support for Saddam Hussein. The war has also been costly for Iran, and this may discourage the Khomeini regime from assuming the risks of invading Iraq.

22. Tehran's statements about invading Iraq have been ambiguous, and the Iranians no doubt hope that threats to do so will be enough to achieve their ends

without their actually having to carry them through. Saddam personally, rather than the regime generally, has been the main target of Iranian propaganda. His departure from the scene might be sufficient for Tehran to begin peace negotiations. But if Saddam holds on or if Tehran decides to push for a new regime in Baghdad, the current military situation offers opportunities for Iran.

23. Al Basrah, Iraq's second-largest city, is the most likely target of any major Iranian push into Iraq during the next six months. The city is only about 20 kilometers from the border, within reach of Iranian forces. Iranian forces could attempt to push to the bank of the Shatt al Arab east of the city, hoping to spark an insurrection [redacted]

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24. A key to Iraq's defense of its territory will be the morale of its troops. Most Iraqi regular forces have fought hard despite recent defeats and probably would resist any Iranian thrust into Iraq. The political leadership would be less constrained by the fear of losing troops and equipment, and withdrawals could no longer be justified. [redacted]

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Moreover, the incompetence of senior Iraqi commanders makes it possible that the Iraqis would again squander their advantages in weapons and defensive positions and suffer a major defeat on their own territory. If the Iraqi Army were severely crippled, or Al Basrah occupied, the Ba'thist regime itself would be badly shaken and Saddam's chances for survival would be minimal.

Iranian Internal Situation and Regional Aspirations

25. The Iranian regime, under siege in the summer of 1981, has been gradually consolidating its control. The Iranian revolution was not just a change of elites but a fundamental social upheaval that is reshaping Iran. The ruling clerics, firmly in power for the foreseeable future even after Ayatollah Khomeini dies, are factionalized, but they agree on the principle of clerical dominance. They intend to eradicate all West-

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ern influences from Iran, govern by strict Islamic law, and promote economic self-sufficiency. They differ on Iran's role in exporting the revolution.

26. The government has held together on the strength of the Ayatollah Khomeini's support among the clerical infrastructure, the Revolutionary Guard, and the lower classes and of the regime's campaign of repression. Its control is far from complete, but the clerics are making effective use of a religious structure that reaches to the village level. Mosques are used as propaganda centers and food distribution points. In addition, attendance is mandatory at Friday prayer sermons, which have become a forum for political indoctrination. Furthermore, the war with Iraq continues to divert attention from internal problems.

27. Success in the war with Iraq has at least temporarily halted the decline in the status of the regular military. Repeated and extensive purges have reshaped the professional services and leading clerics now publicly proclaim the Army an integral part of the Islamic Republic.

28. The loyalty of the professional military, however, remains suspect, and many in the regime continue to urge vigilance. After the war ends, debate on the structure and size of, and even the need for, a regular military will probably arise again. This is especially likely if some leaders attempt to manipulate ties with the military or if military leaders attempt to play a political role. The clerics, including Khomeini himself, have tried to forestall such activity by infiltrating networks of loyalists at all levels of the armed forces and by repeatedly and publicly ordering all those in the military to avoid partisan politics.

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30. The Khomeini regime is likely to keep much of the military along the western border after active hostilities with Iraq end. The regime will want to prevent demobilized troops from returning to civilian society—and most likely unemployment—by co-opting them into reconstruction efforts in the war area or other rural development projects. Some active units will be stationed in Kurdistan, where Tehran has problems with dissident minorities and in controlling its borders.

31. The present Iranian regime's view of its military needs are far more modest than were the Shah's. To the degree that Iran decides to resupply, numerous foreign sources will be cultivated to avoid dependence on any bloc for arms.

32. The Khomeini regime sees itself as a leader of peoples "oppressed by imperialism," especially by the United States. Iran's anti-US hostility most directly affects US interests in the Persian Gulf, where Iran's stunning defeat of Iraq will establish the Khomeini regime as the predominant power. This, coupled with the clerics' religious zeal and traditional Iranian aspirations, impel the regime to seek regional dominance. In the clerics' eyes, the revolution was not intended for Shia Iran alone, but for all "oppressed" Muslims.

33. Iran seeks to redirect the other Arab regimes in the Gulf away from cooperation with the United States and toward accommodation with Iran. Tehran has announced that the Gulf states must end their support for Iraq because their "future will be determined" by their relations with Iran. The Khomeini regime will use a variety of options in pursuing its objectives: subversion, threats, diplomacy, and possibly military action. Iran, by virtue of its population, resources, and historical ambitions, can be expected to turn its attention increasingly to the Gulf after the war to assert its dominance there.

34. How much Iran's internal problems will act as a constraint on its actions in the Persian Gulf region is uncertain. But the temptation to champion the cause

of revolution in the Gulf—whether out of conviction or political expediency—probably will prove irresistible to the Iranian clerics. Tehran is likely to rely on conventional diplomacy (backed by veiled threats) and subversion rather than military force in the pursuit of its objectives. The Iranians have already made one effort to overthrow Bahrain's government—last December, using Shia dissidents. They will continue to train, arm, and finance other Gulf revolutionaries sympathetic to Iran's fundamentalist ideology.

35. Although many Muslims find aspects of an Islamic revolution appealing, Iran faces major hurdles—Shia factionalism, historical Shia-Sunni differences, and the hostility between Arabs and Persians. Most Gulf states' Sunni Arab majorities may prove to be a natural barrier to the spread of Iran's Shia revolution. (See figure 3.) Still, the Iranians probably are convinced they can exploit the same popular grievances against corruption and the spread of Western, secular influences in the Gulf that led to the downfall of the Shah.

Effect of Iranian Actions on Regional States

36. Iranian efforts have focused heavily on the Gulf Shias. They have made little effort to make common cause with local leftist dissidents or Sunni Muslim fundamentalist groups, such as the Muslim Brotherhood. In Bahrain, Shia fundamentalists have actually worked against leftist groups.

37. In the short run the most serious dangers to internal security in the Gulf states probably are sporadic outbreaks of Shia violence sparked by further Iranian military victories against Iraq or Iranian-inspired terrorist attacks. These could trigger harsh government reprisals against Shia dissidents, which could in turn sharpen Sunni-Shia communal tensions and spark further violence.



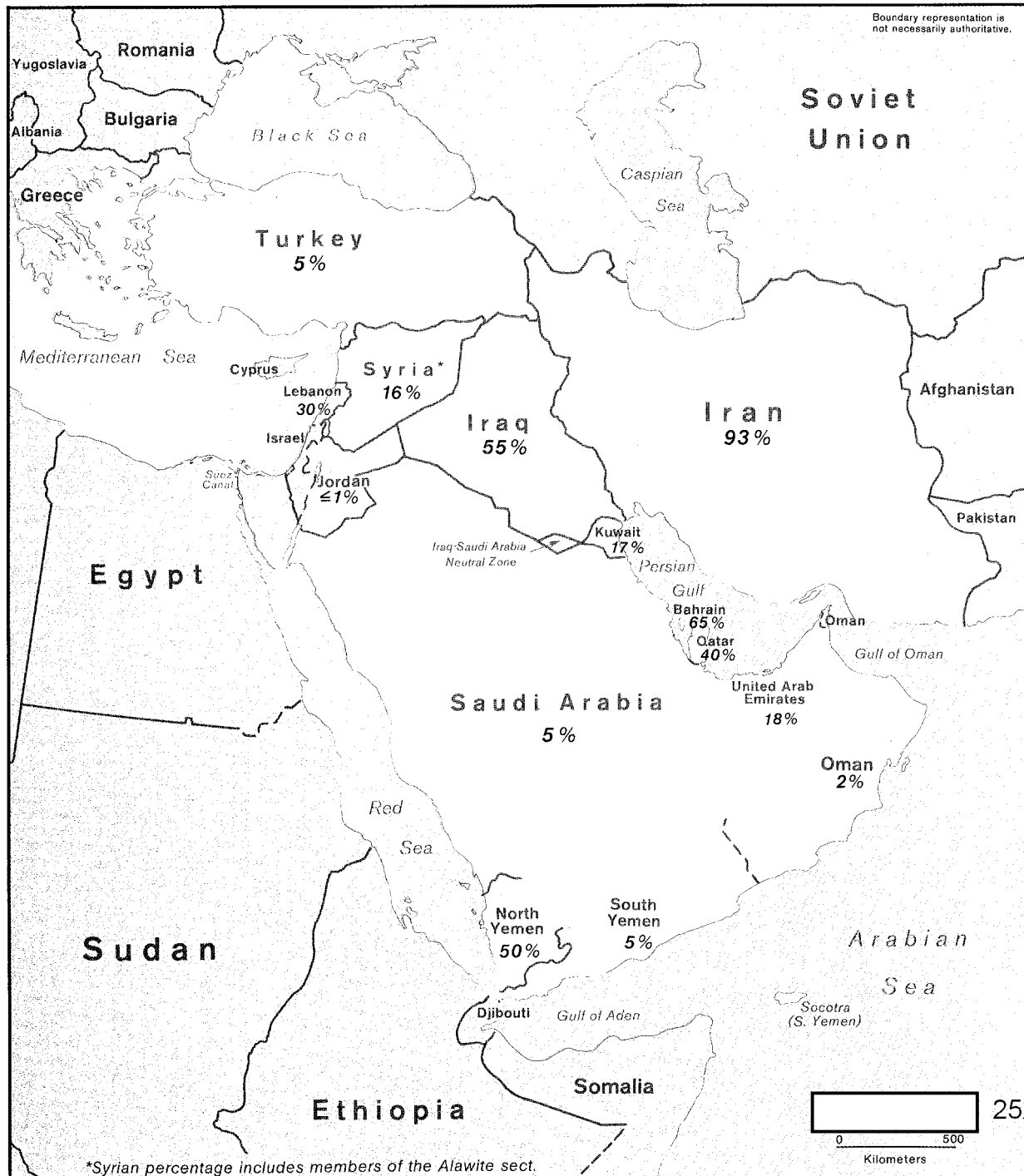
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38. Kuwait is the only nonbelligerent state Iran has attacked and its continuing importance as a key supply route for Iraqi war materiel makes it a candidate for direct Iranian attacks. On the other hand, Iran's ability to foment unrest in Kuwait over the short run appears slight.

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Figure 3
Shia Muslim Population as Percentage of Total Population



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39. An Iranian invasion of Iraq would strain the fragile cohesion of the Saudi-dominated Gulf Cooperation Council and possibly further weaken the moderate Arabs' confidence in the United States. Iranian subversion of Iraq, if successful, would have a similar impact, but over a longer time frame.

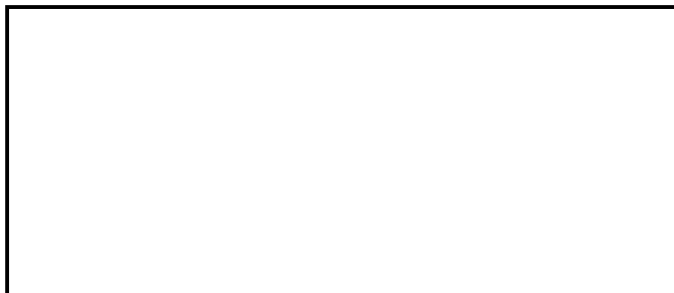
Saudi Arabia and Other Gulf States

40. The Gulf states will do whatever is within their limited power to retain a sympathetic Iraqi regime. However much Iraqi forces have been discredited by the war, the Gulf states still believe that only Iraq stands between them and the spread of Iranian and radical Arab influence in the Gulf.

41. If Iran stops its advance at the border and initiates either a war of attrition or protracted negotiations designed to undermine Saddam, the Gulf states will continue to provide logistic and financial support to prevent Iraq's position from deteriorating further. They also will encourage Jordan and probably Egypt to help bolster Baghdad in whatever way they can. At the same time, they have renewed Gulf offers to Iran to help pay war damages in the hope of inducing Iran's leaders to accept a compromise with Baghdad.

42. The Gulf states will not commit military forces to the fighting. They know this would have no impact on the outcome and would only increase the risk of Iranian retaliation. Rather, if Iran were to invade Iraq in force or to open supply lines to Shia and Kurdish rebels inside Iraq, the Saudis and others—besides looking more anxiously to the United States—probably would cast about for some way to involve the Arab League or the United Nations to shore up Saddam Hussein or a like-minded Baghdad regime.


Jordan



44. Jordan has increased its efforts to galvanize Arab support for Iraq as the possibility of an Iraqi

defeat becomes more real. The King will continue to encourage the United States to become involved in trying to end the war.

Egypt

45. Cairo, although alarmed at the prospect of an Iranian military victory, is constrained by a lack of popular or military support for a potentially costly and protracted confrontation with Tehran. To help contain Iran, Egypt will  25X1 allow Iraq to recruit additional volunteers from the large Egyptian work force in Iraq.

46. Cairo also could offer to send military advisers to the Gulf states and appeal to the United States to increase its security assistance to these states. An Iranian military advance into Iraq that appeared to threaten Kuwait or Saudi Arabia might cause Cairo to send pilots to these states to bolster their air defenses, or dispatch a token force.

47. President Mubarak also probably would again ask the United States to provide discreet aid to Iraq, or request that Washington give Egypt the means to increase its own military assistance effort. Egypt is unlikely to commit large numbers of ground forces to the fray, and in any case lacks the capability rapidly to move a significant force to Iraq.

Syria

48. Syria's President Assad will try to exploit the Gulf states' growing fears of the Iranian-Syrian tactical alliance for his own ends. Fear of Damascus-inspired subversion has already stalled Saudi efforts to gain support from the Gulf Cooperation Council for action against Syria for supporting Iran. In fact, the Saudis recently made a Baghdad subsidy payment to Damascus.

49. Assad is likely to continue his support for Iran, although he opposes an occupation of Iraq and would be likely to disassociate himself from such action. Assad fears a Shia fundamentalist regime in Baghdad that might increase Iraqi support for Syrian Sunni fundamentalists opposed to Assad's secular Alawite-dominated regime.

Libya

50. Libyan leader Qadhafi will continue to provide Iran with limited military and political support if

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Tehran continues to keep economic and military pressure on Iraq. An Iranian invasion of Iraq, particularly one using Iraqi dissidents as surrogates, is unlikely to upset the Libyans. At the same time, Qadhafi—to help his international credentials—might be interested in acting as an intermediary in peace negotiations in the event of a cease-fire.

Israel

51.

[redacted] The Arab forces that could be arrayed against Israel will be sharply reduced as long as tensions remain high around the Persian Gulf [redacted]

[redacted]

Nonaligned Movement

52. With their scheduled summit in Baghdad only a few months away, most members of the nonaligned movement (NAM) would regard an Iranian invasion of Iraq as an embarrassment. NAM moderates—notably India, Algeria, and Yugoslavia—want the war to end as soon as possible to prevent more damage to their fractured organization. An invasion could prompt the NAM to launch another collective attempt at mediation in hopes of bringing about a political settlement, but such ventures probably would not work any better than they have in the past.

53. Meanwhile, NAM radicals—led by Cuba, which currently chairs the NAM, and including North Korea and Vietnam—would use an invasion as another excuse to seek postponement of the Baghdad summit and allow Havana to extend its chairmanship. The moderates, although anxious to hold the summit—and to transfer the chairmanship—on schedule, would probably go along with postponement if the war were carried into Iraq.

54. The radicals generally are pleased to see Tehran gain the ascendancy in the war; most moderates—a

majority of the NAM—favor Iraq. If, instead of invading Iraq, the Iranians tried to subvert the Iraqi Government, the moderates could, and would, do little more than express their disapproval.

Impact on World Oil Market

55. The war has so far had little impact on OPEC and the world oil market. A cease-fire, an Iranian invasion of Iraq, or attacks on oil facilities would have varying effects on the psychology of the market the availability of supplies.

56. The Iraqi oil industry would benefit the most from a cease-fire as long as Tehran did not attempt to prevent an increase in Iraqi crude exports:

— If Damascus allowed Iraq to resume pumping oil through the Iraq-Syria pipeline system, Baghdad could *immediately increase* exports from the current level of about 650,000 barrels per day (all of which moves through the pipeline across Turkey) to about 1.5 million barrels per day. This would be above Baghdad's OPEC production quota of 1.2 million barrels per day.

— As before the war, however, Baghdad probably would not rely on the Syrian pipeline because of its political vulnerability, and instead prefer to ship most of its oil from its Gulf terminals. Iraq probably could resume crude exports from the Gulf *within four to six months*, because most of the equipment needed to repair Iraq's offshore terminals already is stockpiled in Bahrain. Within another two to six months, Iraq's total oil exports probably could be restored to prewar levels of more than 2 million barrels per day—mostly from the Gulf terminals.

57. An Iraqi attempt to increase exports to 2 million barrels per day, however, would renew downward price pressures in the world oil market. Defense of the \$34 OPEC benchmark price would require the continuation of an effective OPEC production allocation scheme, with Saudi Arabia willing to continue to produce at relatively low levels. In this situation, Saudi Arabia probably would press Iraq to stay within its OPEC production quota. Iraq might be willing to phase in production more slowly than capacity would allow in exchange for a continuation of loans from other OPEC members.

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58. A cease-fire would have only a small impact on Tehran's ability to produce and export crude. The war has not imposed any significant constraints on Iran's export capabilities. A reduction in war-risk insurance on tankers calling at its Khark Island terminal, however, would further improve the price competitiveness of Iranian oil and make it easier for Tehran to increase exports.

59. An Iranian military move into southern Iraq would have no immediate effect on current Iraqi crude oil exports. All Iraqi crude oil production and processing now takes place in the north, with exports limited to the Iraq-Turkey pipeline. Military action in the south, however, could jeopardize oilfields containing over half of Iraq's productive capacity and threaten the largest refinery in the country:

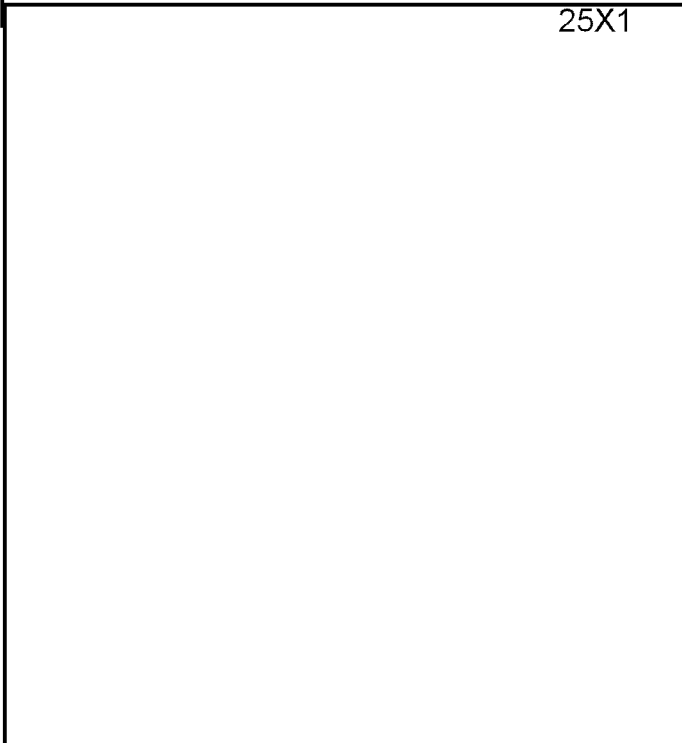
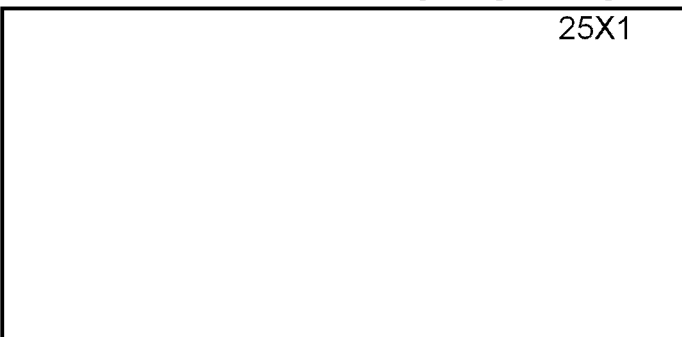
- All of Iraq's major southern oilfields—with a total capacity of about 2 million barrels per day—are within about 75 kilometers of the border.
- The Al Basrah oil refinery—accounting for about 45 percent of Iraqi refining capacity—is located on the west bank of the Shatt al Arab, about 20 kilometers from the border. It is not operating.

60. As long as the Iranians occupied the area, Baghdad would be unable to produce or export crude oil from its southern fields. Moreover, Tehran might order the destruction or removal of oil equipment from occupied areas in retaliation for similar Iraqi actions, significantly reducing Baghdad's ability to restore its oil industry quickly to prewar conditions. Major market reaction would be unlikely unless there was evidence that the war was expanding beyond Iraq and Iran.

61. Iraq retains its capability to strike at economic targets in Iran. The Iraqis have conducted airstrikes against Iran's principal oil export facility at Khark Island, but they have been ineffective. As the war continues to go poorly for Baghdad, the Iraqis might intensify air attacks against Iranian oil installations. Even simultaneous attacks by both countries against each other's oil facilities, however, would be likely to have limited impact on their present level of oil exports.



63. A major Iranian military attack on one or more of the Gulf states appears remote. Nevertheless, Gulf leaders are increasingly worried about Iranian military intentions as a result of Iran's latest gains against Iraq.



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Moscow's Attitudes and Options

improve relations

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66. To date, the Iran-Iraq war has had both positive and negative effects on the Soviet position in the region. On the positive side—from Moscow's point of view—it has:

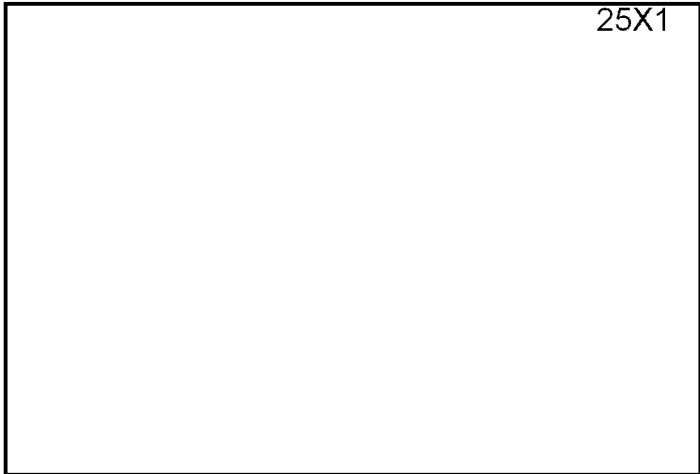


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- Created the possibility of greater turmoil and the eventual replacement of some conservative regimes by anti-Western, fundamentalist ones in a region whose stability is more important to the West than the USSR.
- Helped to expand the Soviet-Iranian arms relationship, one which may grow in the future because of Iran's increasing use of Soviet arms.
- Significantly weakened the position of Saddam Hussein.

69. Bilateral trade with Iran increased to a record of \$1.1 billion in 1981, exceeding prerevolution averages and more than double the abnormally low \$515 million for 1980. There are now at least 2,000 Soviet advisers in Iran engaged in a wide variety of economic and technical projects and some military assistance programs. This is about the same number of advisers as there were under the Shah but a substantial increase over the number present in the early days of the revolution. Both sides appear interested in expanding joint industrial projects in Iran.

On the negative side of Moscow's perspective, the war has:



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- Made a US military presence in the Persian Gulf less objectionable to the moderate Gulf states, most of which lump together the threat to them from Iran and the USSR.
- Further diluted Arab unity against Israel.
- Engendered dissatisfaction in both Iran and Iraq, because Moscow's supply of arms to both sides has satisfied neither and irritated both.

67. Despite antagonisms, the Soviets will continue to attempt to maintain influence in both Baghdad and Tehran. Since it resumed arms deliveries in the spring of 1981, the USSR has been responsive to Iraqi military needs. Political relations have also rebounded somewhat. Since March, the Soviets have hosted visits by Iraqi officials while Baghdad has received a number of ranking East Europeans and a high-level Soviet Foreign Ministry official. These positive Soviet military and political gestures toward Baghdad reflect Moscow's interest in maintaining relations with Iraq. Despite Soviet dissatisfaction with Saddam's drift toward the West and conservative Arabs, Iraq, in Moscow's view, remains a friendship treaty partner, a traditional opponent of US policies in the Middle East, a source of hard currency, and potentially a rich market for arms to replace those lost in the war.

71. Despite this convergence of interest in the economic field and the slight increase in political contacts in recent months, sharp differences remain over specific issues—such as the USSR's provision of weapons to Iraq and the Soviet military presence in Afghanistan. These factors, coupled with the Iranian leaders' suspicion of the USSR, are likely to preclude any significant improvement in relations between the two countries in the short term.

Probable Soviet Reaction if Iran Invades Iraq

68. Nonetheless, the Soviets clearly recognize Iran as the greater geostrategic prize and are eager to

72. The Soviets are unlikely to take major steps to prevent an Iranian invasion. Moscow claims it has already conveyed to Tehran its objections to an Iranian invasion of Iraq. Moscow might seek to dissuade Iran

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by referring to the Soviet-Iraqi friendship treaty or by trying to employ the Syrians—who share Soviet interest in blocking the establishment of a fundamentalist regime in Baghdad—to lobby with the Iranians to halt any drive in Iraq. But the Soviets would probably be unwilling to slow an Iranian advance by delaying the delivery of additional war materiel from the USSR or other countries to avoid antagonizing Iran.

— The United States would continue to be criticized by Arab moderates for not doing more to restrain Iran.



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73. The Soviets could also propose a negotiated settlement and seek to orchestrate such an effort by Third World states. Although they will not attempt to block efforts by other parties to arrange a settlement, they would try to forestall any attempts by the United States to improve its position in the area through mediation.

— The war could easily escalate, particularly if the moderate Arabs intervened on the side of Iraq.

77. There are US interests that would be served by a cease-fire:

— It would provide opportunities for the West to gain influence in Iran.

— The danger that an Islamic fundamentalist or a radical leftist regime would come to power in Baghdad in the near term would lessen.

— Iraq would turn to rebuilding its economy.

74. Should Iran continue its offensive into Iraq, the Soviets may hope that it could ultimately redound to their benefit. Moscow may believe the invasion would ultimately fail from some of the same problems that caused the Iraqi invasion of Iran to falter: initial successes would be faced by stiffened resistance of Iraqi troops fighting on their own soil, and the Iranians would have difficulties in supplying an offensive and maintaining the motivation of the troops who would be dying on foreign soil. Moreover, the invasion could bring about the fall of Saddam and the installation of new leaders who would turn to the Soviets for help.

78. On the other hand, a protracted, small-scale, border conflict, even accompanied by Iranian subversion attempts, could advance some US interests provided that the conflict remained limited and did not escalate:

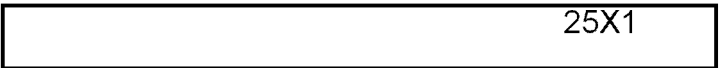


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— Egypt's aid to Iraq is facilitating its return to the Arab world. A cease-fire, however, would reduce the need for Egypt as the protector of moderate Arabs against the Iranian threat.

75. If, however, Tehran's drive succeeded and resulted in the installation of a fundamentalist, Shia regime in Baghdad, the Soviets are likely to believe that an Iranian victory would strengthen clerical rule in Tehran and make Iran even less susceptible to Soviet inroads. Increased Iranian self-confidence from a defeat of Iraq could also embolden the Khomeini regime to demonstrate its strength by turning against Iran's Tudeh (Communist) party and possibly increasing support to the Afghan insurgents. Over time, the Soviets would be likely to use their arms relationship with Iraq in an attempt to preserve influence in Baghdad, and would hope that a more friendly regime would appear in time.

According to an alternative view, there is no assurance that a protracted conflict between Iran and Iraq would not escalate. The holder of this view believes, therefore, that such a conflict would be a source of instability in the Gulf region and that continuing conflict would enhance Soviet opportunities to influence both Iran and Iraq.¹



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and Research, Department of State.

Implications for US Interests

76. US interests generally would be adversely affected by Iran's carrying the fight to Iraqi territory:

— Tehran's success in the war would threaten the stability of the Gulf regimes.

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79. A major problem for the United States in responding to the current situation in the Iran-Iraq war is the search for ways to mitigate Iran's efforts to export its revolution and to prevent Tehran from drifting toward the Soviets.

80. But the United States and the West in general are confronted with a dilemma in dealing with Iran:

— On the one hand, the West has an interest in the continuing free flow of oil and in preventing any growth of Soviet influence in Tehran. These interests argue for expansion of political and economic ties with Iran where possible [redacted]

— On the other hand, to the extent that the Gulf Arab states perceive the West to be courting Iran—their greatest current threat—their own sense of insecurity and isolation will grow. These states are likely to turn to the West for security assistance—but Western help to these states would be viewed in Tehran as hostile and directed against Iran and might spur efforts to replace their governments with regimes more properly Islamic.

81. The West—and the United States in particular—has little leverage to affect the course of events in Iran or to advance Western regional interests with Tehran. Indeed, the clerical regime will be unwilling to resume normal relations with the United States for the foreseeable future. Even though Iran is willing to deal with some Western nations, it will continue to oppose the West and particularly the United States.

82. Because of its antagonism toward the United States, Tehran's foreign policy positions accord gener-

ally with those of the more radical members of the nonaligned movement. In the Middle East, it has sought to associate itself with the Arab rejectionist front composed of Libya, Algeria, Syria, South Yemen, and the PLO. Elsewhere in the Third World, Tehran's expansion of economic relations has focused on nearby countries such as Pakistan, Turkey, and India—all of which have substantial Muslim, and to some extent receptive, populations.

83. A number of factors will serve to check Iran's influence, however. As noted earlier, there are significant strains between Iran and the Arab rejectionists, as well as the Soviets, that would ameliorate the danger of the radical axis that the Arab moderates so greatly fear. An effort by Iran to export its own brand of Islamic fundamentalism by force would run up against a potentially more powerful movement in Arab nationalism. While the future emergence of a charismatic, Pan-Islamic leader might prove to be an irresistible trend in the region, Khomeini—despite his appeal in many countries—is too Shia, too Persian, and too reactionary to forge an effective regional revolution against the Sunni establishment and Western influence.

84. Moreover, if regional states and the West maintain a low profile in their security arrangements and in their response to Iran's successes in the war with Iraq, the Iranian clerics will begin to lose the specter of an external threat that has proved important in maintaining their hold on power. In time, economic and political pressures in Iran may give rise to a Thermidorian period in which the United States might find more attractive options for influencing Iranian policy. This is a longer term hope, however, and in the meantime US interests in the Persian Gulf will continue to come under assault.

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