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Central Intelligence Agency



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DIRECTORATE OF INTELLIGENCE

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Iranian National Security Policy:
Growing Pragmatism and Effectiveness [redacted]

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Summary

Iran over the past year has pursued its foreign policy objectives with a more sophisticated blend of its diplomatic, military, and terrorist assets. This effort is a refinement of the pragmatic approach to foreign policy that became evident about three years ago. The Iranians are becoming more adept at combining elements of a "revolutionary" approach with elements of traditional diplomatic tactics, thereby drawing on assets the Shah never had. They also are showing more skill at tactical diplomatic manipulation and maneuvering. The Iranians' apparent belief that they are pursuing a successful foreign policy based in part on terrorism will strengthen their reluctance to compromise their basic goals or to abandon their intimidating tactics.

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This paper was prepared by [redacted] the Persian Gulf Division, Office of Near Eastern and South Asian Analysis. Comments and queries are welcome and may be directed to the Chief, Persian Gulf Division, NESAs,

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Iran's increased integration of its national security policies is most evident in its relations with the Arab states of the Persian Gulf. Tehran has gained increased leverage against them by coordinating three key instruments of foreign policy: terrorism and the threat of terrorism, military successes against Iraq and military pressure in the Gulf, and efforts to cultivate good bilateral relations. [redacted]

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Iran's increasing skill at using its assets to best advantage when dealing with the Gulf states is shown in the way it has exploited terrorism over the past year. Tehran has learned that the threat of terrorism alone gives it significant leverage against the Gulf states, which are well aware of their vulnerability to Iranian-sponsored subversive activity. Iran has used terrorism and sabotage selectively while continuing to expand the recruitment and training of dissidents that give it the potential to increase its operations. When Iran has turned to terrorism, it has been used primarily to further Iranian national interests, rather than to export the Islamic revolution. [redacted]

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In addition to terrorism, Iran exerts direct pressure against the Gulf states by attacking their shipping, and three times last year it fired on their aircraft. Iran over the past year has increased the strength and range of its air and naval forces in the southern Gulf and has expanded the scope of its antishipping operations. Iranian attacks on Gulf shipping increased throughout 1986. For the first time, Iran began conducting night attacks. Iran's recently acquired Chinese Silkworm antiship missiles significantly increased its ability to attack and sink ships in the Strait of Hormuz. [redacted]

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Tehran realizes the Gulf states' fear of Iran rises each time it scores a major military success against Iraq, and it has played on those fears to bolster its diplomatic efforts to drive a wedge between the Arab states and Iraq and to get them to reduce their support for Baghdad. After Iran's successes at Al Faw and near Al Basrah, it launched a media blitz emphasizing the inevitability of an Iranian victory and threatening retaliation against Iraq's Arab supporters. [redacted]

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Iran balances the use of the military, terrorist, and propaganda sticks with an energetic use of the diplomatic carrot. Tehran frequently sends envoys to Gulf capitals to proclaim Tehran's desire for good bilateral relations, if only the Arab states would stop supporting Iraq. Successful military campaigns like the capture of Al Faw and the advances near Al Basrah bring a spurt of such activity. Tehran in these meetings tries to exploit the Gulf states' recognition that Iran is a regional power that they will have to deal with over the long term. The Iranian message to the GCC states--stated with varying degrees of explicitness--is: show restraint in your support for Iraq, and Iran in return will not sponsor terrorism against you or agitate among your potentially subversive Shia

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populations, or treat you as an enemy once the war ends.

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Saudi Arabia and Kuwait, because of their financial support for Iraq and their influence in determining OPEC policy, are the main Gulf targets of Iranian manipulation. Iran has tailored its use of pressures to meet the different challenge posed by each.

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Saudi Arabia

In early 1986, Saudi Arabia's high oil production was driving down revenues, resulting in grievous damage to Iran's financial position. Iran, determined to alter Saudi policies, used the full range of its resources:

--After the victory at Al Faw, Iranian public statements singled out Saudi Arabia as a potential target of retaliation. Deputy Foreign Minister Sheikh-ol-Eslam, a leading Islamic radical and taker of hostages at the US Embassy in 1979, was sent to Riyadh to state the Iranian position.

--In the spring of 1986, Iran for the first time in 13 months attacked Saudi tankers in the Gulf. The attacks were conducted sporadically for only a few weeks, but Iran also began improving its ability to conduct air and ship attacks in the lower Gulf. Thus, although the attacks on Saudi ships ended, Iran demonstrated to the Saudis its potential for expanding the conflict against Saudi Arabia and other GCC states.

--Similarly, the sabotage of Kuwaiti oil facilities by well-placed bombs in June reminded Saudi Arabia and other Gulf oil producers of the vulnerability of their installations.

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Iran's hostile attitude continued until the OPEC meeting in August brought an agreement to end the price war by reverting to a production-sharing scheme. As part of the accord, Saudi Arabia agreed to reduce production substantially. Riyadh's oil policy was primarily motivated by domestic budgetary pressure to gain additional revenue, but it also signaled a desire for less tense relations with Iran by letting Tehran take the lead in working out the agreement. Since the OPEC meeting, Saudi Arabia has taken other steps that Iran interprets as conciliatory gestures, including:

--Removing Saudi Oil Minister Yamani, the architect of Riyadh's drive to regain market share, even if it meant driving down oil prices. The Iranians considered Yamani their chief antagonist on OPEC pricing issues.

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--Cooperating with Iran in the OPEC meetings in October and December, which resulted in production agreements that have increased prices 50 percent since last summer.

--Pressing Iraq to restrain oil production in support of the OPEC accord reached in December and restricting Iraqi oil exports through the petroline in Saudi Arabia from November to March. Although the restrictions probably were the result primarily of technical problems, Riyadh apparently did not discourage the notion that they were an attempt to show Iran and other OPEC members that the Saudis were trying to restrain Iraq's exports, as well as support the OPEC accords.

--Allowing middlemen to ship refined Saudi petroleum products to Iran, at a time when Iran was experiencing shortages because of Iraqi air strikes on Iranian refineries. [Redacted]

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The Iranians seem to believe that the status of their relations with Saudi Arabia is a significant gain for their foreign policy. Their maximum objective is an end to Saudi support for Iraq, but they believe they have scored an important victory now that Riyadh and Baghdad are experiencing strained relations over Iraqi production levels at a time that ties between Riyadh and Tehran are improving. The Iranians probably believe that their success at reasserting a prominent role in OPEC has made a mockery of attempts by the Arabs or other countries to isolate Iran as an outlaw state. They are also likely to interpret the Saudis' retreat from oil production policies that were damaging Iran's ability to finance its war effort as further evidence that the Arabs are unwilling to sacrifice their own security for Iraq. [Redacted]

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Iran [Redacted]

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[Redacted] --has played a shrewd diplomatic game by raising the possibility that the removal of Iraqi President Saddam Husayn might offer a way for the war to end. We doubt that the Arabs consider this a serious proposal for now, although the removal of Saddam is the one issue on which Iran and the Arabs eventually might come to share. Iran's reasoning [Redacted] probably goes like this:

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-- [Redacted] the Iranians hint at some flexibility in their hardline demands calling for the ouster of the entire Ba'thist regime as a condition for peace. This places the Arabs in an uncomfortable position. If the Arabs reject the proposal outright, Iran can accuse them of frustrating a potential compromise that might work to the Arabs' advantage. The Arabs, no matter how much public praise they may heap on Saddam Husayn, have a longstanding suspicion of Iraqi intentions and remember when Saddam was an arch-enemy.

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--If the Arab states engage in a dialogue [Redacted] they risk dealing a serious blow to Saddam's prestige and creating in Iraq the type of instability that might weaken its war effort.

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--If Saddam were removed and his ouster led to serious disorder that Iran believed gave it a chance to achieve a military victory, Iran could always renege on its agreement and continue the conflict. [Redacted]

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[Redacted]

Kuwait

Kuwait has come under even more pressure than Saudi Arabia, because it has been the most willing of the GCC states to stand up to Iran. The preponderance of Iranian attacks in the Gulf are directed against Kuwaiti shipping, and criticism of Kuwait by Iranian media and leaders continues without letup. [Redacted]

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Iran has also sponsored sabotage against Kuwaiti oil facilities. The bombings in June 1986 damaged vulnerable points, causing a temporary disruption of production. In January, when Iran was trying to prevent Kuwait from hosting the Islamic Conference summit, bombs exploded simultaneously at three Kuwaiti oil facilities. Kuwaiti officials arrested 11 Shias, some from prominent families with ethnic links to Iran.

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Within a few days of the bombings, an Iranian missile struck a Kuwaiti island. [Redacted]

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Kuwait so far is resisting Iranian pressure, but it may pay a price. The arrest of Kuwaiti Shias are likely to heighten sectarian tensions; Shias constitute one-third of the native population. The terrorist activities also are a warning to other Gulf states, especially those that are more vulnerable to Iranian-sponsored subversive activities by their Shia population. [Redacted]

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Dealing With the West

Iran's melding of the revolutionary and traditional strains of its foreign policy together with skillful tactical maneuvering has been demonstrated best in its recent relations with France. Tehran has exploited France's desire to use Iran's influence over Hizballah to gain freedom for the French hostages in Lebanon and the French perception of Iran's geostrategic importance to gain significant concessions from Paris, while surrendering almost nothing in return. [Redacted]

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Tehran has made tactical compromises that make it appear conciliatory, without sacrificing its maximum demands. Last year, for example, France and Iran seemed to be making steady progress toward improved relations after the French expelled some leading anti-Khomeini exiles and agreed in principle to repay the loan, with a partial repayment to be made immediately. The negotiations subsequently stalled.

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Implications

The Iranians' perception that they are implementing an effective, coordinated national security policy while continuing a war that the international community almost unanimously condemns will reinforce their belief in their capacity to force other countries to deal with Iran on Iran's terms. Statements by Iranian leaders and media in recent months have emphasized the theme that Iran, by remaining true to its Islamic principles, has proven the permanence of the revolution, gained increased international respect, and forced other countries to take the initiative to improve relations.

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Iranian leaders have become accustomed to winning victories over their opponents largely without compromise, and they apparently expect the trend to continue. These successes include: the overthrow of the Shah; the clerics' rise to dominance over the secular and leftist elements of the anti-Shah coalition; the holding of American hostages in Tehran and the US military pullout from Lebanon; the expulsion of the Iraqi invaders from Iranian soil; and the continuation of the war with sufficient arms procurement despite international condemnation.

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The Iranians are adept practitioners of the art of compromise when it comes to commercial transactions, but on major political issues they appear to approach negotiations with the perception that they eventually will be able to manipulate their adversaries into making the most concessions. Their willingness to use terrorism and to exploit the holding of hostages

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while denying approval of such tactics gives them bargaining chips unavailable to their interlocutors, a fact the Iranians use to maximum advantage. [REDACTED]

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The variety of instruments of violence available to the Iranians permits them to keep regional tension high and to apply steady pressure on their rivals without using any one instrument with such force that it invites retaliation. At any one time, for example, Iran can undertake any one or a combination of the following: attack tankers in the Gulf, with either planes or missiles; have its air force attack aircraft or offshore oil platforms of neighboring countries; or, sponsor terrorist incidents against Gulf states. By using each tactic sparingly, Iran stops short of the level of provocation that might trigger more tangible military cooperation among the GCC states or superpower intervention. In addition to these threats of direct action against the Arab states, Iran sends a message to the Gulf states by manipulating the intensity of the fighting against Iraq and the level of Tehran's support for activity by anti-Iraqi Kurds. [REDACTED]

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Of particular importance, Iran's ability to manipulate the level of tension in the Gulf through a variety of methods makes the degree of Iranian-sponsored terrorism less reliable as an indicator of Iranian moderation in foreign relations. The number of terrorist incidents traceable to Iran have declined in recent years, but the overall level of Iranian-sponsored violence against the Gulf states has increased. Iran's potential for even greater levels of violence also has increased because it has acquired more powerful antiship missiles and has continued to expand its terrorist assets. [REDACTED]

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The increased integration of Iran's war policy, terrorist assets, and diplomacy suggests a more centralized control of foreign policy. The trend toward a more coherent decision-making process has been underway for several years, gradually replacing the chaotic conditions prevalent in the immediate aftermath of the revolution. The improved integration:

- Enhances Iran's ability to use its assets to further Iranian national interests.
- Helps compensate for Iran's weaknesses, including its isolation on the issue of the war, its lack of regional allies, and its current economic troubles.
- Reduces the prospect that foreign countries will be able to exploit factionalism to gain advantage in bilateral relations, or to deliberately foster domestic divisions. [REDACTED]

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Factional infighting among key foreign policy decision makers has been muted but not eliminated. Some prefer more emphasis on export of the Islamic revolution, at the expense of normal diplomatic relations with other states. Some want to end the war and further improve relations with the Arab states and the West. For now, the radical and conservative groups seemed to have reached a modus vivendi that balances to Iran's advantage the policies favored by each. [REDACTED]

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