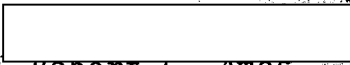


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MEMORANDUM FOR: Mr. Geoffrey Kemp
NSC Staff (Persian Gulf/Middle East)
Room 381, EOB

JK
I thought you might find of interest
our recent memorandum addressing some of
the possible outcomes of the Iran-Iraq
war and their implications for the US
and the region.

JK


ROBERT C. AMES
Director,
Near East/South Asia
Analysis

Date 18 May 1982

FORM 5-75 101 USE PREVIOUS EDITIONS

GPO : 1981 O - 345-783

APPROVED FOR RELEASE
DATE: APR 2002



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Central Intelligence Agency



Washington, D.C. 20505

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DIRECTORATE OF INTELLIGENCE

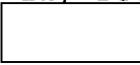
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
Possible Outcomes and Implications of the Iran-Iraq War



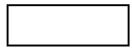
Introduction

Iraq is losing its war with Iran--in fact, its main concern now is to prevent an Iranian invasion. There seems little the Iraqis can do, alone or in combination with other Arabs, to salvage much from the military situation. 

Saddam Hussein's total identification with the costly and unpopular war points toward an early challenge to his rule. The most serious threat is likely to come from among the current political and military leaders. Some of them may want to topple the President to preclude popular uprisings against the regime. A period of Iraqi instability--that would be exploited by Iran--could eventually result in an Islamic fundamentalist government in Baghdad. 

We address below four possible outcomes to the war, and their implications for US interests and for the region as a whole. 

Border War - No Peace, But No Invasion

The most likely near term scenario in our judgment envisages Iraq being pushed out of Iran or withdrawing voluntarily; Saddam or a member of the leadership in power in Baghdad; and Iran refusing to negotiate peace, maintaining military pressure through border clashes and shelling of Iraq, engaging in subversion against Iraq, and refusing to allow reopening of the Shatt al Arab. 



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Subsequent developments would be dependent on the Iraqi Army's ability to avoid disintegration. The Army is essential to Iraq's Sunni minority (20 percent of the population) control over the majority Shia (See Map) and other ethnic groups. The Army's disintegration would improve the prospects for Iranian-supported groups, such as the Shia Dawa Party, to gain power.

Implications for the US

Politics in the region would revolve around Iran's attempt to stimulate an Islamic revolt in Iraq, and Arab efforts to defend against this danger. The US would be pressed by Arab conservatives to do "something" to help Iraq, and this could be exploited by the US to try to organize a regional consensus on security. Iran, of course, would interpret any such US move as additional evidence of Washington's hostility. The Arab moderates, in turn, would become more hostile if the US did nothing, adding to their already high level of frustration with US policy on the Palestinian and Israeli questions.

Ceasefire, Withdrawal, and Negotiations

A less likely outcome would be a total Iraqi military withdrawal, followed by a ceasefire and negotiations, probably through the Islamic Conference (See Appendix B). Iraq remains desperate for negotiations, but Iran shows no interest. Even complete public vindication of its position and substantial reparations--the Iranians have used the figure of \$100 billion--may not now be enough to entice Iran into negotiations.

Implications for the US

- Saddam's regime might manage to hold power; at a minimum, danger of an Islamic fundamentalist regime coming to power in Baghdad in the near term would lessen.
- Iraq would turn to rebuilding its economy, reinforcing its drift away from the Soviet orbit.
- There would be less need for quick Egyptian reentry into the Arab orbit as the protector of moderate Arabs against Iranian Shia revolutionaries. This would stiffen Arab terms for Egypt's reentry--probably in the form of more pressure on Cairo to adopt a tougher line toward Israel.
- Settlement with Iraq would imply Iran does not intend to aggressively export its revolution.



Iranian Military Enters Iraq

On balance, we do not expect the Iranian military to move in force into Iraq, but the temptation will be great and the call is a close one. Tehran could opt for any of three forms of direct military intervention to try to bring down Saddam Hussein:

- Introduction of a "liberation army" of Iraqi exiles, ex-POWs, and possibly Iranian volunteers.
- Limited military incursions either for tactical reasons or to support local uprisings.
- An all-out attack to spark a general insurrection.

The Iranians are providing military training to some of the estimated 50,000 Iraqis expelled from Iraq during the past three years. They could be introduced into Iraqi Kurdistan where, combined with local Kurdish rebels, they could capture a major city and proclaim a provisional government. The same tactic could be used in Basrah, if Iraqi regular units in the south collapse. The Iranian army would need to maintain pressure along the border to prevent Baghdad from dispatching units to crush the fledgling liberation army.

Iranian troops at the border already are within 20 kilometers of Basrah, Iraq's second largest city and the most likely target of a full-scale Iranian attack. Unless the Iraqi army totally collapses, however, we do not believe Tehran's forces are capable of taking Baghdad or Karbala because of the logistic problems involved. (See Order of Battle Table)

Implications for the US

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

- The US would be criticized by Arab moderates for not doing more to restrain Iran.
- US refusal to help Iraq would be seen by moderate Arabs as confirming a widely-held suspicion that US policy is tied to Iran and that Israeli military deliveries to Tehran have US approval.
- The Gulf Arabs might be more willing to accept US support in the intelligence and security fields, but they also might ask for security guarantees.



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Arab Involvement

We doubt that an Iranian invasion would trigger a general Arab-Persian war. The Arabs might make symbolic internal troop movements and even some small-scale deployments to Iraq in support of Saddam in the hope that these might constrain the Iranians. None of the moderate Arab states except Egypt have the military capability to make a significant contribution to the fighting; the ground forces of all Arab Gulf states combined amount to less than one-third of Iraq's ground forces. A large-scale commitment of Egyptian troops could have a significant impact, but Cairo probably would not risk heavy involvement in a cause that at best would have only modest support from its people.

Implications for the US

Active Arab intervention would present the most serious danger for US interests, with broad implications for the region as a whole. Iranian responses to such moves could quickly escalate the war along the length of the Gulf.

- The Strait of Hormuz could be closed by Iran, ending the flow of oil from the Gulf.
- Vulnerable oil targets on both sides of the Gulf would be open to attack.
- Syrian involvement could not be precluded.
- The moderate, pro-Western Gulf states would turn to the US for direct assistance; the Iranians, Syrians and Libyans would turn to the Soviets. The Iraqis might look to both Washington and Moscow to see which would be more forthcoming.
- US temporizing on help to Iraq would be viewed as abandonment of its Arab friends.

The War and the Region in Perspective

Saudi Arabia and the other Gulf States will do whatever is within their limited power to help Saddam Hussein stay in power and check Iran. However much Iraqi forces have been discredited by the war, the Gulf states still believe that only the present Baghdad regime, or one like it, stands between them and the spread of Iranian and radical Arab (Syrian, Libyan, Palestinian) influence in the Gulf.



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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 might renew Gulf offers to Iran to help pay war damages in the hope of inducing Iran's leaders to accept a compromise with Baghdad.

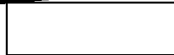
The Gulf states are unlikely to commit military forces to the fighting. They know this would have no impact on the outcome and only increase the risk of Iranian retaliation. Rather, were Iran to invade Iraq in force or to open supply lines to Shia and Kurdish rebels inside Iraq, the Saudis and others--besides looking more anxiously to the US--probably would cast about for some way to involve the Arab League or even the UN to shore up Saddam Hussein.


Syria's President Assad is likely to continue his support for Iran if it undertakes a limited invasion of Iraq. He probably would become increasingly uncomfortable, however, with a larger Iranian military adventure. Assad fears a Shia fundamentalist regime in Baghdad that might increase Iraqi support for Syrian Muslim fundamentalists opposed to Assad's secular Alawite-dominated regime.

Although Jordan's King Hussein has sent volunteers--the 2,000-man Yarmouk Brigade--to Iraq, he would be reluctant to send regular units because that would weaken Jordanian defenses against Syria and Israel. Still, if he could convince Egypt and Saudi Arabia to send troops, he probably would feel obliged to ante up more Jordanian forces.

Jordan will increase its efforts to galvanize Arab support for Iraq as the possibility of an Iraqi defeat becomes more real. The King probably will encourage the US to become involved in trying to end the war.

Libya would continue to provide Iran with limited military and political support if Iran continued 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. Qadhafi might, in fact, use Libyan influence to help stir the Kurds against the Saddam Hussein regime. 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 an Iraqi withdrawal and a ceasefire.

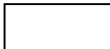


Egypt, although alarmed by the prospect of an Iranian military victory, is constrained by a lack of popular or military support for a confrontation with Tehran. To help contain Iran, Egypt probably would continue arms sales to Baghdad and allow Iraq to recruit additional volunteers from the large Egyptian work force in Iraq. Cairo also could offer to send military advisers to the Gulf states and appeal to the US 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 such as a commando battalion. President Mubarak also probably would again ask the US 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. 

The Oil Factor

The Iraqi oil industry would benefit the most from a ceasefire.

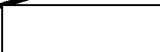
- Within 4-6 months Iraq probably could resume crude exports from the Persian Gulf and within another 2-6 months exports could probably be restored to pre-war levels of more than 2 million barrels per day. Most of the equipment needed to repair Iraq's offshore terminals is already stockpiled in Bahrain.
- If Damascus allowed Iraq to resume pumping oil through the Iraq-Syria pipeline system, Baghdad could immediately increase production from the current level of about 750,000 barrels per day to 1.5-2.0 million barrels per day. This would be above Baghdad's OPEC production quota of 1.2 million barrels per day.

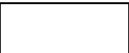
An Iraqi attempt to increase exports to 2 million barrels per day, however, would renew downward price pressures in the world oil market. Defense of the \$34 OPEC benchmark price would require the continuation of an effective OPEC production allocation scheme, with Saudi Arabia willing to continue to produce at relatively low levels. 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. 

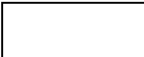
A ceasefire would have only a small impact on Tehran's ability to produce and export crude. The war has not imposed any significant constraints on Iranian export capabilities. A reduction in war-risk insurance on tankers calling at the Kharg



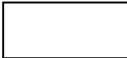
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Island export terminal, however, would further improve the price competitiveness of Iranian oil and make it easier for Tehran to increase exports. 

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 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.

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 quickly restore its oil industry to pre-war conditions. Any significant market reaction would be unlikely unless there was evidence that the war was expanding beyond Iraq and Iran. 



Shia Muslims in Iraq

