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Central Intelligence Agency



Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

23 June 1989

Soviet-Iranian Relations After Khomeini

The red carpet treatment President Gorbachev accorded Iranian Assembly Speaker Rafsanjani during his just-completed visit to the USSR symbolizes a new, more cooperative stage in the bilateral relationship as the post-Khomeini era begins. The Ayatollah's unprecedented letter to President Gorbachev in January was the signal Moscow had been waiting for that Iran was prepared to de-ideologize the relationship. With the fallout from the Rushdie affair holding up the normalization of Tehran's ties with the West, the USSR finds itself, at least temporarily, with a relatively clear field ahead for increasing its influence in Iran. As their pledge during Rafsanjani's visit to help strengthen Iran's "defensive capability" indicates, the Soviets will attempt to play their best card -- arms sales -- early, since this is the area where they can compete most effectively with Iran's Western suitors.

We expect that, barring a lapse into chaos in domestic Iranian politics, a renewed outbreak of fighting between Iran and Iraq or extensive Iranian meddling in Afghanistan, compelling reasons on both sides for seeking improved ties will keep relations on the upswing for the near term. However, the pace of improvements, though faster now than before Khomeini's letter, will probably be measured rather than precipitate. Implementing economic projects will take time and require some large inputs of capital, which neither side has in abundance. Moscow will continue to regulate the volume and quality of the weapons it sells to Tehran directly or indirectly through Soviet allies. The Kremlin will keep a close watch on radicalism in Iranian politics. Moscow prefers the relative moderation of Rafsanjani and the newly-appointed President Khamenei to the more anti-Western but less predictable radical factions in Tehran. At the same time, the Soviets will temper their policy toward Iran to avoid damaging their relations with Iraq and the Gulf Arabs.

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Soviet-Iranian relations remained stalemated during most of the Gulf war. Despite a tactically motivated "flirtation of convenience" when the US increased its naval presence in the Persian Gulf in mid-1987, Soviet-Iranian relations initially failed to move beyond diplomacy into the more tangible areas of economic or military cooperation. Moscow's decision to end its military intervention in Afghanistan and Tehran's acceptance of a ceasefire in the Gulf removed two key obstacles to progress. With the Gulf War ceasefire two months old, Soviet economic advisers and technicians, withdrawn because of threats to their security from Iraqi air raids and from political turmoil within Iran, began to return. Nonetheless, little change occurred in the pace or substance of economic meetings last year, and private comments by Soviet officials consistently expressed the view that there could be no significant progress in Soviet-Iranian relations at least until Khomeini had passed from the scene. [REDACTED]

Moscow seized on Khomeini's letter to Gorbachev last January -- evidently as much of a surprise to the Soviets as Iran's sudden acceptance in July 1988 of UN Resolution 598 -- as a sign that Tehran was ready for a genuine improvement in relations. The Kremlin's response to Khomeini's overture was to send Foreign Minister Shevardnadze to Tehran -- the highest-level Soviet visitor in sixteen years -- signalling Moscow's belief that the time was finally ripe for major progress in bilateral ties. [REDACTED]

Khomeini's Death, Rafsanjani's Visit

The wording of Gorbachev's personal telegram of condolence to the Iranian leadership upon Khomeini's death was meant to remind them that the recent movement in bilateral relations bore Khomeini's personal imprimatur. Iranian Assembly Speaker Rafsanjani picked up on Gorbachev and publicly declared at his first press conference following Khomeini's death that Iran would follow the policy, which he claimed Khomeini had elaborated to him just days before he died, of continuing to seek better relations with the Soviet Union. His remarks were probably aimed, in part, at ensuring that the anti-Communist rhetoric in the Ayatollah's last will and testament, published shortly after Khomeini's death, did not take precedence over the more recent softening in his stance toward the USSR. [REDACTED]

Rafsanjani's 20-23 June visit to the USSR solidified this improvement in relations. Gorbachev gave Rafsanjani head-of-state treatment, and both leaders were effusive in their public characterizations of their talks and of the current stage of relations. Rafsanjani and Gorbachev signed an agreement on trade, scientific and technological cooperation up to the year 2000, as well as a "Declaration on the Principles of Relations and Friendly Cooperation." The declaration contains mutual pledges on respect for national sovereignty and territorial integrity, nonaggression, noninterference in each other's

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internal affairs, and nonuse of force. The Soviets also pledged in the declaration to help Iran strengthen its "defensive capability," and the two sides signed an agreement to construct a rail line from Tedzhen in the Soviet Turkmen Republic to Mashad in eastern Iran. [REDACTED]

The declaration on the principles of relations makes no reference to the contentious article in the 1921 Soviet-Iranian Treaty that gives Moscow the right to intervene in Iran, but the Soviets probably argued that the language of the declaration makes formal abrogation of that article unnecessary. The Iranians, who may still be concerned that the nonintervention pledges are in a less formal "declaration," probably will claim that the 1921 treaty has not been superseded. [REDACTED]

Soviet and Iranian Post-Khomeini Objectives

Each side has strong reasons for seeking to keep the warming trend in ties on track. For Moscow:

- o Iran is a valuable strategic prize because of its long shared border with the USSR, its oil wealth and large population and its importance to the West.
- o Tehran is also a major regional power with influence in Afghanistan and throughout the Islamic world.
- o Building a more solid relationship with Iran would secure one of Moscow's primary goals -- keeping Western influence in Tehran from approaching the levels it enjoyed under the Shah. [REDACTED]

Although Iranian leaders have not abandoned the maxim "neither East nor West," expressing their desire to avoid dependence on either side, Iran will, in our judgment, continue to seek a significant improvement in relations with the USSR. Tehran views Gorbachev's policies as offering new opportunities for friendlier ties. Khomeini's letter to Gorbachev indicated his approval of the warming trend already underway and signaled Moscow that Tehran no longer regards ideological differences as a major barrier to expanding political and economic relations. [REDACTED]

The Rushdie affair gave Iran additional incentive to court Moscow. Iran's relations with most Western European countries have deteriorated sharply as Tehran severed ties with the UK and reduced trade with West Germany, its major Western trading partner. This has significantly lowered Iran's prospects for acquiring arms and expanding trade with those countries in the near future. [REDACTED]

Iranian radicals, who exploited the Rushdie affair to gain the upper hand in foreign policy, see expanded ties with Moscow and Eastern Europe as helping vindicate their claims that close

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ties with the West are not crucial for Tehran. They probably also hope that stronger economic and military links with the USSR and its allies will help thwart any efforts by more pragmatic Iranian leaders to turn back to the West. [REDACTED]

Potential Growth Areas

Arms Sales

Although no arms deal was announced during Rafsanjani's visit, the Soviet pledge in the joint declaration to aid Iran militarily and the participation of military officials in the talks suggest that a deal is imminent. The Soviets probably hope to avoid publicity of such an agreement to deflect further criticism from both the Arab states and the West. [REDACTED]

In the early years of the Gulf war, the Soviet Union provided Iran with over \$350 million worth of arms -- mainly spare parts and some artillery. Moscow also permitted its East European allies to supply Tehran with small arms and ammunition, though generally not major weaponry. To our knowledge, the last direct transfer of weapons from the USSR to Iran occurred in 1984. Moscow's decision to cease shipments probably stemmed in part from its concern that they might alter the balance of power against Iraq and in part from concern that arms sales were particularly damaging to Soviet relations with the Gulf Arabs at a time when Iraq was not faring well in the war. [REDACTED]

The Soviets told US and Iraqi officials before Rafsanjani's visit that the USSR would soon abandon this policy and reopen the arms supply pipeline to Tehran. Gorbachev probably views arms sales as the best way to get a quick foot in the door by taking advantage of Iran's eagerness to rebuild its defenses. Moscow may also calculate that Iraq's present superiority in equipment is great enough to allow a moderately large transfer of weaponry to Tehran without seriously disturbing the balance of power. [REDACTED]

In justifying to Iraqi and US officials Moscow's intention to sell weapons directly to Iran, Soviet diplomats have said they will provide only defensive arms. In a 7 June discussion [REDACTED] in Moscow, a Soviet Foreign Ministry expert on Iran claimed that sales would comprise such "limited use" items as field artillery and nothing as provocative as missiles. Although recent Soviet arms transfers in the Middle East suggest that Moscow uses abroad definition of what a "defensive" weapon is*, we think the Kremlin will approach with caution any decision to provide Iran with types and quantities of weapons which Iraq would see as exceptionally provocative, such as the SA-5 surface-to-air missile for which the Iranians have long been asking. We

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expect the Soviets to sell Iran some shorter-range SAMs and air defense artillery, and would not rule out the eventual sale of SA-5s. But a greatly enhanced Iranian air defense capability would certainly be viewed in Baghdad as a threat to Iraq's vital superiority in air power. [REDACTED]

Moscow will feel less restricted in providing ground equipment, such as tanks, armored personnel carriers, and multiple rocket launchers. How far and how fast the Soviets pursue arms sales as a means of gaining influence in Tehran depends on a continued stable ceasefire in the Gulf and political stability in Tehran, sustained reduction in Iran's anti-Soviet rhetoric, and on the reaction of Iraq and the other Gulf Arabs to such sales. [REDACTED]

Economic Cooperation

During the Shah's rule and in the early years of the Khomeini era, Moscow had carved out for itself a modest niche in Iran's steel, oil, gas, and power generation sectors. After a peak of \$1.2 billion worth in 1983, bilateral trade dropped off sharply in the latter years of the war, reaching a low in 1986 of only \$100 million. Last year's figures totaled around \$325 million, but trade with Moscow represented only one percent of Iran's total exports and two percent of its imports. There is thus considerable room for growth in this sphere. [REDACTED]

Movement toward implementation of Moscow's agreement to resume purchases of Iranian natural gas was apparently already underway prior to Gorbachev's receipt of the Ayatollah's letter. Preparations for the resumption accelerated in January, when the Soviets sent a team to examine the pipeline formerly used to export gas to the USSR. Gorbachev said publicly during Rafsanjani's visit that negotiations on resuming the flow of natural gas would be completed in the near future. Failure to conclude a deal during the visit could have been due to, among other things, differences on the price of the gas -- the most contentious issue in the past. In any event, the gas will probably not start to flow until next year at the earliest because of the substantial costs of the project. [REDACTED]

Progress is likely on other projects that have long been under discussion, especially industrial facilities, power plants, dams, and commercial shipping. The two sides signed an agreement during the Rafsanjani visit on trade and scientific and technological cooperation up to the year 2000. The agreements -- like the ones the Soviets have with several other Middle Eastern countries -- sets goals but lacks specific details. The rail agreement signed during Rafsanjani's visit will, when implemented, considerably shorten the route for Iranian imports from the Far East and provide Soviet goods from the eastern USSR more direct access to the Persian Gulf and beyond (see map). [REDACTED]

Selected Rail Lines in Iran and Southern USSR



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Overall economic ties between Iran and the Soviet Union are likely to remain limited because the two economies are essentially uncomplementary. Both countries -- the USSR with its focus on urgent reform of its domestic economy, and Iran with its war-depleted capital -- will be hard put to come up with the cash needed to finance any but the most limited projects. In addition, Moscow cannot provide Tehran with the kind of high tech and basic goods it badly needs in the near term. An Iran expert in the Soviet Foreign Ministry said that much of what Iran needed to emerge from its economic crisis could only come from the West. The Soviet Union, he said, simply does not have the wherewithal to provide it. [REDACTED]

How Far Can the Affair Go?

We believe that in the near term the factors driving the current warming trend will dominate developments. Tehran will probably continue its dialogue with Soviets on Afghanistan, despite its ultimate contradiction with Iranian long-term goals. Moscow is concerned about but apparently reconciled to the present stalemate in the Geneva talks between Iran and Iraq and has abandoned its attempts to mediate. The Soviets probably calculate that Tehran is unlikely to initiate hostilities, given its military and economic weakness and the fluid situation following Khomeini's death. Gorbachev probably will move forward with watchful deliberateness in an effort to solidify ties as much as possible before the competition with the West stiffens and what many Soviet officials view as the inevitable normalization of ties between Iran and the West begins. [REDACTED]

There are several potential obstacles which could eventually emerge as limitations to progress. For example, neither of the two regional conflicts that blocked progress in bilateral relations earlier has been totally resolved, and differences could once again emerge over Afghanistan or the Iran-Iraq war. A Soviet Foreign Ministry official confided to US Embassy personnel in Moscow that the Kremlin is aware of the two-faced nature of Iran's Afghan policy, with one line designed to appease the Soviets while telling the resistance leaders that the Najibullah regime is unacceptable. [REDACTED]

An increase in radicalism in Tehran such as overt backing for terrorism, continued efforts to export the Islamic revolution, increased meddling in Afghanistan, or a resumption of hostilities with Iraq would weaken Moscow's desire for better relations with Iran. Such radical behavior would complicate the Kremlin's relations with the Gulf Arabs and the West. In such an event, the Soviets might express their displeasure to Tehran by dragging their feet on unconsummated economic or military deals. [REDACTED]

If Moscow were to respond harshly to any future outbreaks of ethnic violence in the USSR's Muslim republics, anti-Soviet sentiment could revive in Iran. Tehran, for its part, continues

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to harbor some suspicions that Moscow is fomenting trouble among Iran's minorities in Baluchistan and Azerbaijan. [REDACTED]

Mutual suspicions are probably still too great for the relationship to become close, even over time. Iran may eventually normalize its ties with the West. If it does, Moscow would lose its current edge in economic competition with the West for a share in Iran's reconstruction. [REDACTED]

Even Moscow's strong suit, arms sales, has limitations because of the potential strains from trying to be the military supplier to both archrivals in the Gulf. Tehran will view Soviet willingness to approve the sale of advanced weaponry as an important test of the relationship and will keep pressing Moscow for increased military commitments. The likely attempts by Iran to exploit any arms deals with Moscow as a means of poisoning Soviet-Iraqi relations are a potential source of friction. Iranian press reports in April that the two sides reached tentative agreement on arms deals almost certainly irritated the Soviets and drew a public denial from the Kremlin. Moreover, to avoid a serious downturn in its extensive ties with Baghdad, the Kremlin will continue to sell Iraq advanced weaponry. This will fuel Iranian suspicions although Tehran probably would go along for some time if Moscow were gradually to provide increasingly advanced weapons to Iran, even if not equal in sophistication to those which Iraq is receiving. [REDACTED]

As long as the enhanced regional stability from the ceasefire in the Gulf and Moscow's troop withdrawal from Afghanistan lasts, however, the factors driving the sides closer will probably keep the current warming trend on track. Continued calm in Iranian domestic politics will further ensure that Moscow's interest in courting Tehran remains high. It may, in fact, be some time before the improving ties show signs of levelling off, given the probable deliberate pace of developments and the considerable room for improvement from the strained relations of the early-to-mid-1980s. [REDACTED]