



Director of  
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Intelligence

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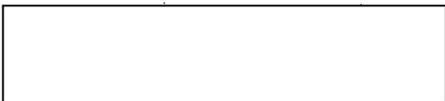
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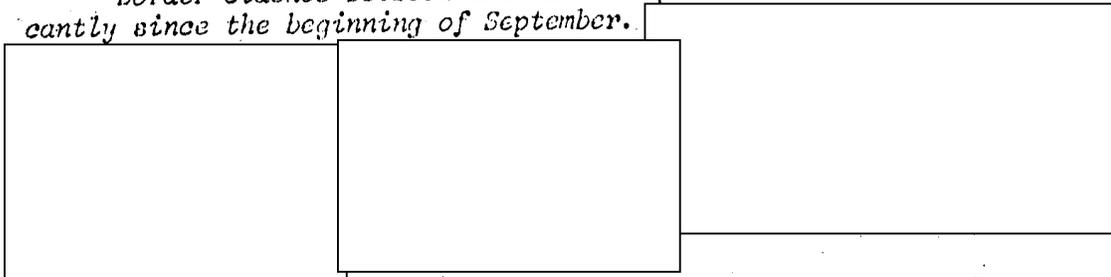




ALERT MEMORANDUM

IRAN-IRAQ

*Border clashes between Iran and Iraq have escalated significantly since the beginning of September.*



Both Baghdad and Tehran have been constrained from initiating a major conflict in the past by numerous political and economic factors, including the threat of superpower intervention, the proximity of their oil installations to the border, and the danger that war would exacerbate domestic political unrest. These factors continue to restrain both Iran and Iraq, but Iraq's willingness to seize and hold disputed territory and its military movements represent a qualitative change that increases the danger that clashes will escalate out of control or that either side's perception of the constraints will suddenly change. 

If major hostilities between Iran and Iraq should occur, the US hostage crisis could be further complicated. Iran has long accused the United States of encouraging Iraqi aggression, and the militants holding the US hostages have threatened to kill them if Iraq launches a "full-scale" attack. Although Iranian propaganda cannot be accepted at face value, the threat to the hostages probably could be increased especially if Iran suffered a serious defeat. 

In the event of major hostilities, Iraq is capable of occupying the Khuzestan oilfields. Iraq's close ties to Iranian dissidents provide the means to set up a puppet government. But a major Iraqi offensive into

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Khuzestan would involve Iraq in a costly and protracted struggle with Iran. Iran, for its part, could disrupt Iraqi shipping in the Gulf. [redacted]

Both Iraq and Iran have much of their oil infrastructure located near the border--two-thirds of Iraq's exports move through vulnerable Persian Gulf facilities--and these facilities would probably be damaged by fighting and sabotage if the conflict lasted more than a few days. Disruption to Iraq's oil exports would result in immediate renewed pressure on world oil prices. A prolonged cutoff of oil exports would have a severe impact on supply availability as well as prices. Iraq currently exports about 3 million barrels of crude oil per day, most of which is imported by Western Europe, Japan, and Brazil. The United States obtains only about 1 to 2 percent of its requirements for imported oil from Iraq. Iran currently exports about 800,000 barrels of crude oil and products per day; none goes to the United States. [redacted]

An expanded conflict could also have a destabilizing impact on other Middle Eastern states. Iraq would seek to portray the conflict as one between Arabs and Persians in order to gain Arab backing. Iran might appeal, probably unsuccessfully, to Syria for support against their mutual enemy. Tehran would probably step up its appeals to the Shias in Iraq to revolt and might also urge the Shias in Saudi Arabia, Kuwait, Bahrain, and other Gulf countries to attack Iraqi and US interests. [redacted]

The Soviets have long been concerned that military clashes between Iran and Iraq will damage their ties with both countries. They may also be worried that the United States could use intensification of the conflict to justify intervention in Iran or that Tehran would move to resolve its conflict with the United States in order to better confront Baghdad. Consequently, the Soviets probably consider their interests best served by the prevention of the outbreak of full-scale hostilities. [redacted]

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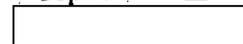
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Should major hostilities occur, the Soviets might offer to act as a mediator and seek to arrange a cease-fire. If this effort fails, the Soviets might attempt to use their arms relationship with the Iraqis to persuade them to desist. The USSR, however, is unlikely to cut off arms. The consequences of limiting Iraqi arms supplies would be to force Baghdad to search for alternative Western sources of arms and damage bilateral Soviet-Iraqi relations. If Iraq were to seek to occupy large parts of Iran--such as the oilfields--Soviet efforts to dissuade Baghdad would probably be even stronger, possibly including warnings that Iraqi occupation could lead to Soviet military intervention in Iran to protect the USSR's interests along its southern border.



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## SITUATION REPORT

### IRAN

*Iraqi President Saddam Hussein's abrogation yesterday of the 1975 Algiers Accord with Iran suggests that Iraq intends to force further border changes.* [redacted]

Saddam declared the accord "null and void," saying that Iran had violated its terms by interfering in Iraqi domestic affairs and by failing to return disputed territory. Pointedly warning Iran to benefit from recent military "lessons," Saddam called on Iran to return all the land "usurped" from Iraq and the Arab nation, the latter presumably a reference to the three islands near the Strait of Hormuz occupied by Iran in 1971 and still claimed by the United Arab Emirates. He also said that Iraq had decided to restore "complete legal and effective" sovereignty over the Shatt al Arab. [redacted]

Iraqi leaders have been encouraged to move against Iran for a variety of reasons. The Iranian military is weak and disorganized, presenting Baghdad with a unique opportunity to redress the terms of an agreement the Iraqis believe was unfairly forced on them by a then superior power. Iran's revolutionary regime is also fragmented politically and isolated internationally with no superpower ally to deter external aggression. [redacted]

Iraqi leaders may believe that their harsh repression of Shia Muslim dissidents earlier this year has put the security services in a better position to control Iraq's majority Shia community. Iraqi propaganda stressing the Arab-Persian nature of the dispute also probably has helped build popular support for a confrontation with Iran. [redacted]

A more immediate factor in building support for an aggressive stance against Iran probably has been the Iraqi military's performance. [redacted]

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[redacted] [redacted]  
A final Iraqi decision on how much military force will be needed to secure Iraq's goals probably hinges on Iran's response to Saddam Hussein's demands. [redacted]

Iranian Reaction

Tehran has not yet formally replied to Saddam's speech, but press reports indicate that a member of President Bani-Sadr's staff characterized it as a "declaration of war." Iran is unlikely to accept any changes in the border, especially along the Shatt al Arab. The Abadan refinery, a major supplier of fuel for domestic consumption, and the ports of Khorramshar and Abadan, which accounted for 10 percent of Iran's import tonnage last year, are located on the Shatt. [redacted]

[redacted]

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