



Director of
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Intelligence

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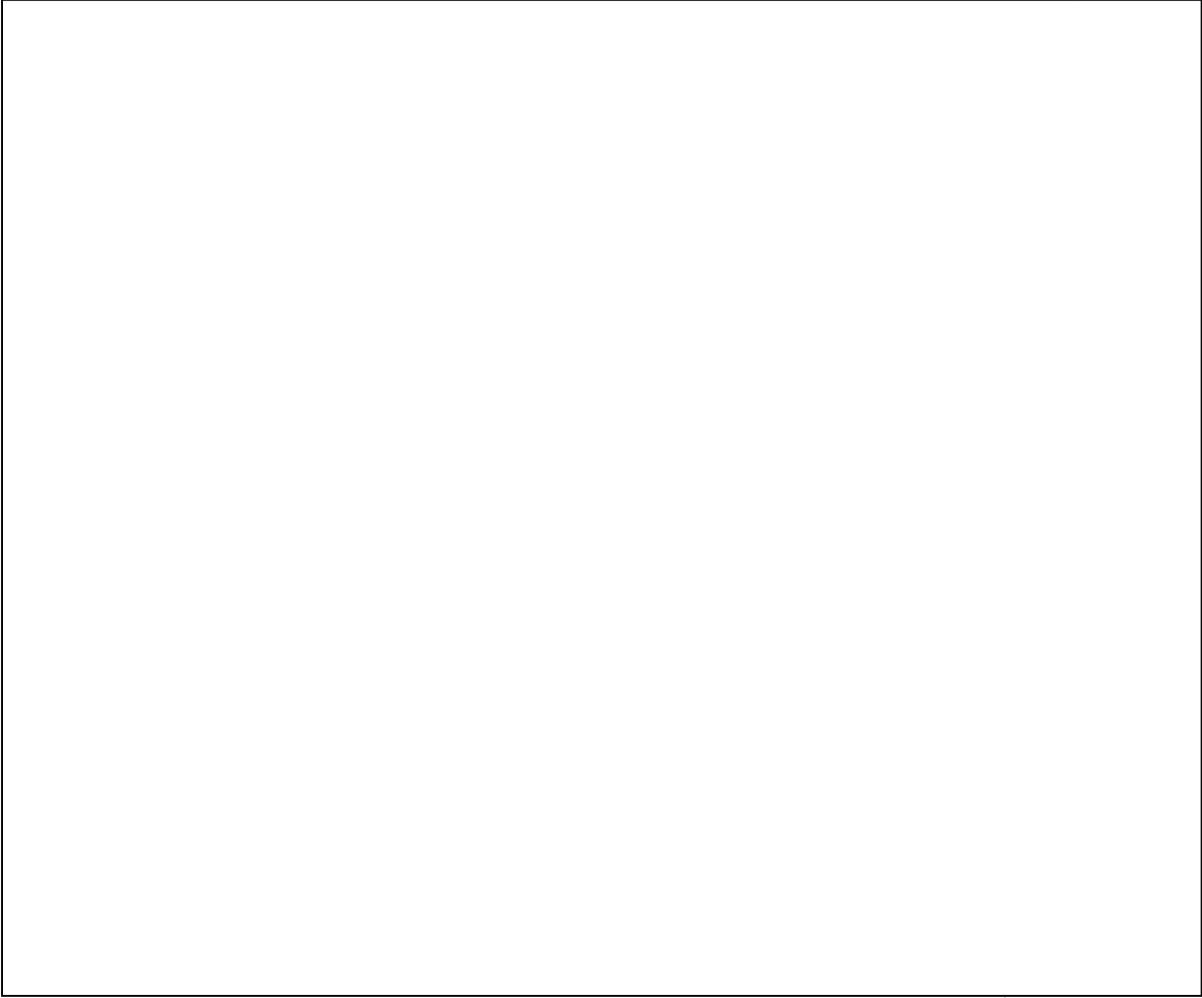
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SITUATION REPORTS

IRAN

Iran-Iraq

Bani-Sadr's tough rhetoric on Iraq yesterday probably does not indicate that Iran is ready for a full-scale military conflict. He claimed that the Iranian military is ready for war, but he is well aware of the deficiencies of the Iranian armed forces. Tehran does not believe war with Iraq is necessary. Khomein and other Iranians believe the Iraqi regime will collapse from within and that Iran can help spur such a collapse best with propaganda and limited support to Shia dissidents.

The Soviets appear increasingly concerned about the deteriorating relations between Iran and Iraq. Moscow has cast Iraq in the role as the aggressor, citing Iranian reports that armed groups from Iraq had intruded

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into Iranian territory with the aim of overthrowing the government in Tehran. The Soviets, however, also have said that Iraq is reacting to Iranian attempts to export its revolution "into neighboring countries." [redacted]

Soviet media have also voiced concern that the US is intent on setting Iran and Iraq against each other and suggested that Washington might use such a conflict as a pretext for military intervention in the Persian Gulf area. [redacted]

Oil Imports

The reluctance of Japan and some West European nations to commit themselves on sanctions against Iran reflects in part their dependence on Iranian oil. Japan's oil purchases from Iran have been running well ahead of the 620,000 barrels per day limit set by Tokyo late last year. In January, Japan imported 17 percent of its crude from Iran. [redacted]

[redacted]

While most West European countries have reduced their dependence on Iranian oil, West Germany is now importing 15 percent of its oil from Iran, compared with 11 percent in 1979. French dependence has been running at around 5 percent since the Iranian revolution, while Italy imported only about 2 percent of its oil from Iran last year. (U) [redacted]

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[redacted]
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