



NFB ----- NIE 34-9L

# Iran Under Rafsanjani: Seeking a New Role in the World Community? (C/NF)

National Intelligence Estimate

*This National Intelligence Estimate represents  
the views of the Director of Central Intelligence  
with the advice and assistance of the  
US Intelligence Community.*

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*Information available as of 17 October 1991 was used  
in the preparation of this National Intelligence Estimate.*

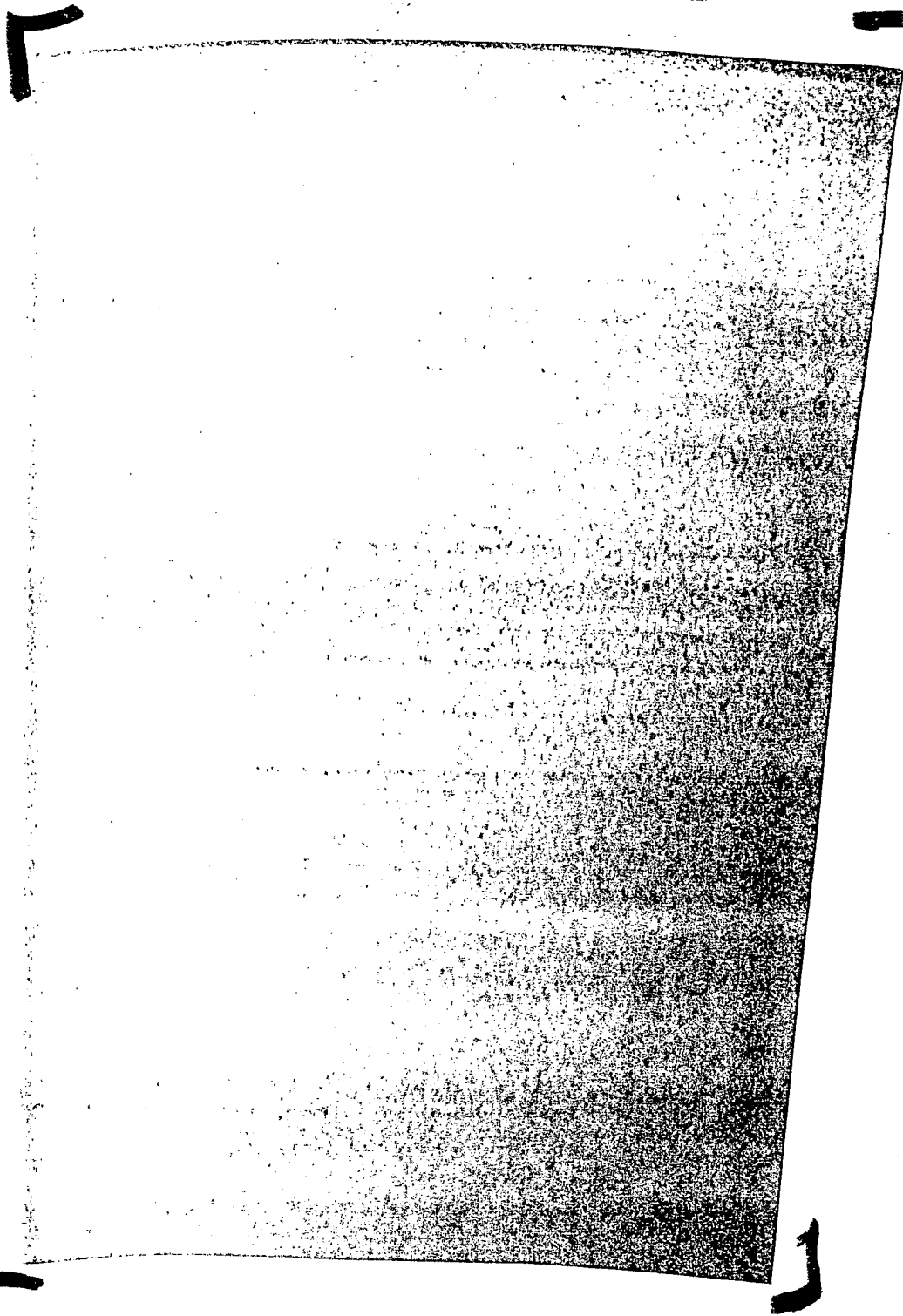
*The following intelligence organizations participated  
in the preparation of this Estimate:*

The Central Intelligence Agency  
The Defense Intelligence Agency  
The National Security Agency  
The Bureau of Intelligence and Research,  
Department of State  
The Office of Intelligence Support,  
Department of the Treasury  
The Director for Intelligence,  
Department of Energy

*also participating:*

The Office of the Deputy Chief of Staff for Intelligence,  
Department of the Army  
The Director of Naval Intelligence,  
Department of the Navy  
The Assistant Chief of Staff, Intelligence,  
Department of the Air Force  
The Director of Intelligence,  
Headquarters, Marine Corps

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# Key Judgments

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## Iran Under Rafsanjani: Seeking a New Role in the World Community?

President Rafsanjani's initiative to improve Iran's standing with the world community will continue to be at least partly successful over the next two years. We see further gains for Iran in terms of rebuilding financial and political ties in the Gulf and in Western Europe. Such successes may help Rafsanjani satisfy, at least in the near term, domestic demands for an improved standard of living, which drive his foreign policy. Continued promotion of militant Islam, ties to terrorist groups, and resistance even from within the ruling circle will cause occasional setbacks to Rafsanjani's foreign policy initiatives. At the same time, Iran will continue spending on its rearmament program, including research and development on weapons of mass destruction, as part of its efforts to reconstruct its strategic military position in the region.

Rafsanjani's goals vis-a-vis the United States are to reduce bilateral tensions and US economic and political pressures on Iran and to limit US military presence and political influence in the Persian Gulf. Rafsanjani would like to resolve issues such as hostages, economic and arms embargoes, and to eliminate US pressure in international forums over terrorism and human rights issues. On hostages, we believe Rafsanjani feels little time pressure to solve the problem immediately, but we do think he intends to free all those under Iranian control. Overall, Iran will continue to be wary of the United States. Ideology and strategic considerations will dictate continued friction between Iranian and US interests.

### Domestic Factors—Manageable

During the next two years of his presidential term, Rafsanjani will prevent his radical opposition from derailing his pragmatic foreign and domestic policies. Rafsanjani and Supreme Leader Khamenei want to avoid a confrontation with their opponents to preserve the unity of the clerical and political establishments. Nonetheless, Iran's leadership is politically stronger than when it first assumed office in 1989. Rafsanjani and Khamenei will resort to "hardball" political tactics and even coercion when necessary.

Rafsanjani's greatest domestic challenge will be to promote economic reform rapidly enough to improve living conditions without provoking widespread civil unrest. His promises and attempts at reform have raised expectations of economic improvement that will be difficult to meet in the next two years. Nonetheless, even modest amounts of foreign trade financing and investment, combined with the lack of alternative leadership to the clerical regime, make it unlikely that the Iranian public will become so disillusioned with economic policies to turn against Rafsanjani in the next two years. [ ]

#### Toward a More Pragmatic Foreign Policy

Iran is gradually adopting a more conventional foreign policy that emphasizes pursuit of practical state interests over ideology. This new approach does not portend a benign Iran—it will continue to use confrontational or other intimidating tactics when it believes they advance Iranian interests, but it does represent a trend in which Iran will be more sensitive to the costs of its violent behavior. (S NF)

Rafsanjani has focused on improving relations with European Community (EC) countries and Japan and has had some success [ ]

[ ]  
In the Middle East and Southwest Asia, Iran still seeks recognition as a regional power. During the time frame of this Estimate, Iran will pursue a primarily diplomatic strategy to assert its regional influence, particularly with Gulf Cooperation Council (GCC) states, where it will also seek, probably unsuccessfully in the short run, new security relationships. Iran will seek to shape postwar relations in the Gulf in ways that emphasize Iranian leadership, isolate Iraq, prevent the reemergence of an Arab bloc directed against Iran, and limit the role of the United States in regional security. Tehran will continue its efforts to take advantage of Iraq's postwar weakness and the declining Soviet involvement in Afghanistan. [ ]

Iran will try to extend its influence among Muslims in the USSR, but we believe that Iran is disadvantaged in this effort as compared with Turkey and Saudi Arabia. Modern nationalists in the Soviet Muslim republics are likely to be more attracted to Turkey's secular, democratic system, while most traditional Sunni Muslims probably will look more favorably on the more orthodox—and wealthier—Saudis. [ ]

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# Discussion<sup>1</sup>

## Introduction

Since Ayatollah Khomeini's death two years ago, President Ali Akbar Hashemi-Rafsanjani and Supreme Leader Ali Hoseini-Khamenei have successfully isolated and weakened their extremist opponents and pursued relatively pragmatic domestic and foreign policies. Barring the assassination or removal of Rafsanjani or the collapse of the Iranian economy, their hold on power seems secure for the two-year period of the Estimate.

This Estimate examines Iranian foreign policy in light of two dramatic events that have made Iran less important to the United States and less able to harm vital US interests. First, eight years of war with Iraq

have enfeebled Iran's military power as well as its economic resources. During the two-year period of this Estimate, Iran will continue to lack the means to project power in ways that it once could. Second, the continuing upheaval in the USSR has basically altered our assumptions about Soviet power and intentions; there is diminished US concern about Soviet ambitions toward Iran and the Gulf.

Nonetheless, Iran retains great potential to be a regional power because of its size, its resource base, its location, and its ability to disrupt Western access to the Gulf's oil supplies. We also believe that Iran has ambitions to recapture its influence and power in the region and to redefine its role in Central Asia in light of changes in the Soviet Union and Afghanistan. While some recent changes provide opportunities for Iran, its leadership must also feel challenged by the improved US position in the Arab world and by the apparent end of superpower rivalry in the Third World.

<sup>1</sup> This Estimate examines Iran's foreign policy over the next two years.

## The Internal Situation: Iran's Slow Return to Normalcy

### Decline of the Radicals

Iran has been gradually turning away from the revolutionary excesses of the past decade and has been moving toward more conventional behavior. The work of consolidating the clerical regime and Islam's role in public life is largely accomplished; Tehran is becoming more concerned with worldly issues such as promoting economic growth. This transition, in part, reflects the natural maturing of the revolution and the exhaustion of political fervor after more than a decade of revolution and war; it also represents a deliberate effort by the regime to address pressing national problems and increase its own power.

We expect this transition to continue—and perhaps even to accelerate especially after the Majles election—during the next two years, although the clerical regime will retain much of the outlook and rhetoric of the revolution. The pattern of Iranian political behavior for the next several years is likely to exhibit three dominant trends:

- *A policy agenda emphasizing pragmatism over ideological purity.* Rafsanjani is a strong nationalist motivated primarily by considerations of national and personal self-interest. In his first Friday sermon following his assumption of the presidency, Rafsanjani set the tone of his administration by maintaining that achieving a better standard of living is a goal of Islam, a theme that contrasts with Khomeini's frequent emphasis on self-denial and admonitions against consumerism.
- *The regularization of government functions.* Rafsanjani and Khamenei will continue to strengthen formal government institutions at the expense of quasi-governmental revolutionary organs. The regime has subordinated to the Defense Ministry the

formerly independent Islamic Revolutionary Guards Corps (IRGC) and has taken steps to professionalize the corps. Similarly, the unpopular *komitehs*—a revolutionary police organ and power base for political radicalism—has been merged with the more apolitical Gendarmerie and National Police.

- *The consolidation of power in the hands of Rafsanjani, Khamenei, and their political allies.* Rafsanjani and Khamenei have gradually replaced hardline revolutionaries in key government positions with their own supporters. For example, the Chief of the Judiciary is a conservative cleric and Khamenei appointee. Most of the cabinet and high-level military commanders are new appointees who share their views on the best way to solve Iran's problems.

Rafsanjani's adversaries—his critics in the Islamic Consultative Assembly (Majles), radical student organizations, and newspapers controlled by hardliners—advocate strict adherence to hardline views they attribute to Khomeini. They support state control of the economy, rigorous enforcement of revolutionary codes—particularly against the wealthy or Western-oriented elements—and an uncompromisingly confrontational policy against the West in general and the United States in particular. Their calls for continued revolutionary purity, self-sacrifice, and continued confrontation with the West increasingly fall on weary and unreceptive ears.

The general population is tired of war and revolution and preoccupied with its declining standard of living. The armed forces, including the IRGC, were greatly weakened by the war with Iraq and are unlikely to intervene in favor of the extremists. Barring a major economic collapse for which Rafsanjani is blamed, his opponents will not be able to mobilize significant popular or military support for their radical agenda.

Rafsanjani is continuing to hone his already considerable skills at manipulating and neutralizing the opposition. Along with Khamenei, Rafsanjani will continue to use a mix of co-optation, persuasion, and coercion to divide their adversaries and exclude them

from important government posts. They almost certainly will use whatever tactics necessary to ensure that a pro-Rafsanjani majority will be elected to the Majles in the next election scheduled for early 1992. Rafsanjani and Khamenei would prefer to avoid a confrontation with the radicals and may allow some prominent hardliners to retain their seats, thus providing a safety valve for them to express their views. If, however, the radicals remain unsatisfied and resort to demonstrations, sedition, and acts of political violence, the leadership would not hesitate to use hardball tactics against them.

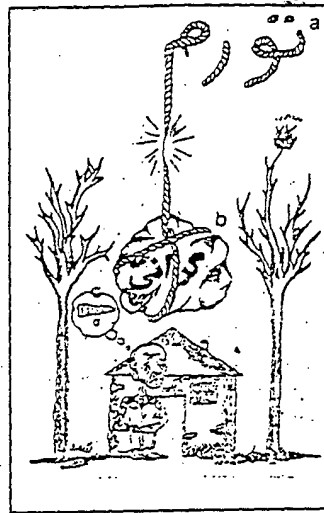
### The Role of the Economy—Rafsanjani's Tightrope Act

Political turmoil, the war with Iraq, declining oil earnings, and general economic mismanagement during the 1980s have taken their toll on Iran's economy. Social problems, especially the severe brain drain following the revolution and unprecedented population growth, have resulted in additional drags on the economy. These pressures have led Rafsanjani to look increasingly to the West for help. He is trying to attract new investment and obtain the critical technical expertise for development programs as well as loans to ease the country's financial burdens. He has achieved some modest gains: Tehran has signed new contracts with Western companies, particularly in the oil, gas, and related industries, although other investors may wait for the outcome of the Majles election in early 1992 before committing significant resources to Iran's economy. Rafsanjani has also begun implementing a number of economic liberalization measures—many at the behest of the International Monetary Fund (IMF) and the World Bank—to revive the economy and regain investor confidence. His initiatives include unifying the multiple exchange rates and devaluing the rial, selling a number of state-run companies, and removing subsidies on most basic commodities. Rafsanjani also directed an almost 50-percent expansion in government expenditures, mainly for domestic consumption—more than doubling its

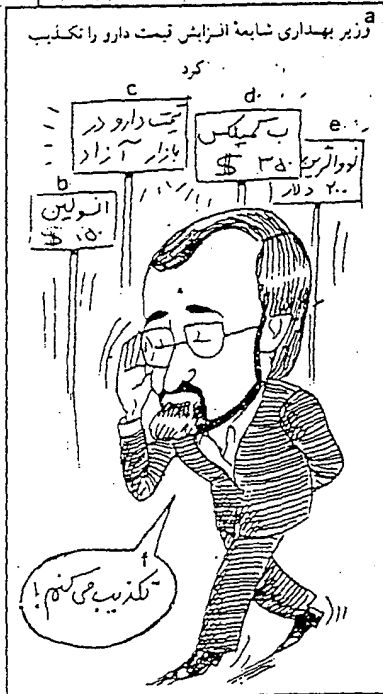




<sup>a</sup> Promise of better living conditions



<sup>a</sup> Inflation  
<sup>b</sup> High cost of living  
<sup>c</sup> Longing for a piece of bread



<sup>a</sup> وزیر بهداشتی شایعه افزایش قیمت دارو را تکذیب کرد

<sup>b</sup> انسولین \$ ۵۰  
<sup>c</sup> قیمت دارو در بازار آزاد  
<sup>d</sup> بی کمپرس \$ ۳۵  
<sup>e</sup> نووالین ۲۰۰ دلار

<sup>a</sup> Minister of Health denies rumor of increase in price of medicine.  
<sup>b</sup> Insulin \$150  
<sup>c</sup> Price of medicine in free market  
<sup>d</sup> B-compress \$35  
<sup>e</sup> Novalignin \$200  
<sup>f</sup> I deny it



<sup>a</sup> معاون اول: برخی از گرانی ها صرفاً به منظور آزمایش است.

<sup>a</sup> First Vice President: some high prices are merely experimental.  
<sup>b</sup> "Don't worry... it is experimental."  
<sup>c</sup> High cost of living  
<sup>d</sup> Consumer



<sup>a</sup> ده ها تنگدای از سطح شهر تهران جمع آوری شدند

<sup>a</sup> Dozens of beggars are picked up across the city of Tehran.  
<sup>b</sup> "I swear I'm not a beggar! I have a job and a livelihood!"

Figure 2. As typified by these Iranian political cartoons, Rafsanjari's critics accuse his government of indifference to the impact on average Iranians of inflation and difficult living conditions.

external debt to over \$10 billion, according to Western press reports—to breathe life into Iran's industrial sector, expand nonoil exports, and meet pent-up demand for consumer goods.

We believe Rafsanjani will push ahead with his reform program; if he fully implements those reforms begun in the current \$120 billion five-year plan and if oil prices do not decline, Iran could achieve modest growth over the medium term, following the economic recovery begun in 1989. Nonetheless, improvements in both the underlying structural problems and in living conditions for the average Iranian will be hard to achieve in the next two years. Higher earnings from oil sales would allow Iran to increase imports and push forward on some reconstruction projects but would not address the dependence of the domestic economy on oil and the price and exchange rate distortions, and they would not stimulate domestic savings.

Economic problems are unlikely to threaten Rafsanjani's position over the next two years. His opponents have not effectively exploited economic issues; most Iranians probably view his economic reform package as preferable to the hardliners' calls for continued revolutionary austerity. Domestic unrest over high prices, removal of subsidies, and housing shortages appear to be local and largely spontaneous outbursts that the regime can handle. Iran is also seeking IMF help in developing a safety net, which would help buffer the poor from some of the adverse effects of reform. For the present, we believe that the political exhaustion of Iranians from a decade of revolution and war, the regime's ability to suppress dissent, and the absence of a viable alternative leadership to the clerics will limit the threat posed to Rafsanjani from public dissatisfaction over living conditions.

#### Is the Revolution Over?

##### At Home: Revolutionary Rhetoric, Greater Pragmatism

Rafsanjani and Khamenei will not abandon the basic values of the 1978-79 revolution: the reassertion of Islam as a central characteristic of the Iranian identity and Iranian policy, direct clerical participation in

#### *If Rafsanjani Left the Scene Abruptly*

*We believe that Rafsanjani's sudden departure from the scene would not result in unrest, turmoil, or a dramatic change in the basic tenets of Iran's current economic and foreign policies. Supreme Leader Khamenei and other key regime officials are likely to pursue similar policies, albeit probably more deliberately than with Rafsanjani at the helm. Rafsanjani's abilities as Iran's foremost policy formulator, however, would undoubtedly be missed. Hardline elements might try to seize such an opportunity to regain some of their lost stature, but their influence on Iranian decisionmaking has ebbed to a point that we doubt they would be able to mount a credible challenge to any pragmatic candidate Khamenei supported as a replacement to Rafsanjani.*

*Under the provisions of the 1989 revised Constitution, the apolitical Vice President, Hasan Ebrahim Habibi, would head a caretaker government after receiving Supreme Leader Khamenei's approval. The Supreme Council for National Security—comprised of the regime's top leadership—would likely become the main decisionmaking body until a new presidential election was held, at which time a prominent regime figure close to Khamenei, such as Judiciary head Ayatollah Mohammad Ali Yazdi, would likely be elected the new president.*

politics, and, perhaps most important, a zealous effort to defend Iranian independence from real or perceived foreign influence.

At the same time, we see the reemergence of traditional patterns of Iranian behavior and the redefinition of revolutionary values into a more elastic framework for Iranian policy. One characteristic is the growing concern with more worldly issues. This concern reflects the maturing of the revolution; it also is

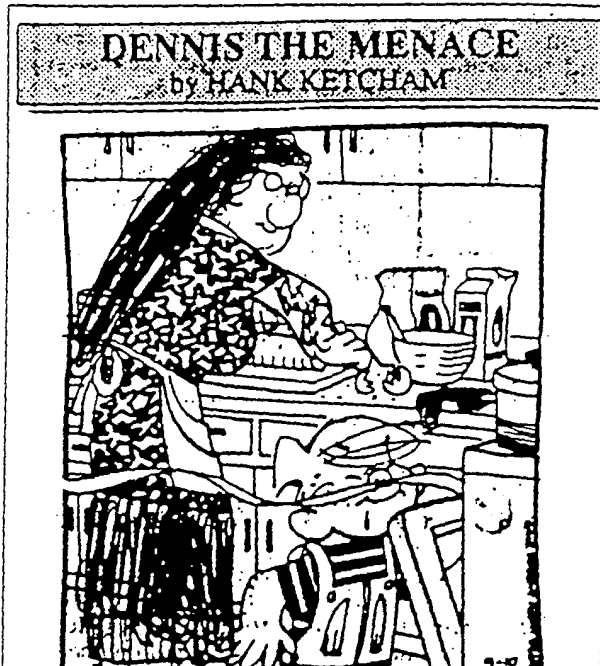


Figure 3. Cartoon character put into proper hejab by Iranian censors, from Tehran Times, 20 August 1991.

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being forced on the regime by the seriousness of its economic plight and its international isolation. Reporting from Tehran suggests that the revolutionary ardor of the Iranian public is cooling. For example, the public is more willing to test the tolerance of the regime for more liberal social expression; and, for a return to traditional Persian cultural norms, the regime appears to alternate between cycles of greater tolerance and more rigorous enforcement of Islamic norms. Any Iranian government—even one dominated by advocates of continued revolutionary purity—would have to hew to a more pragmatic policy to address Iran's problems and retain the support of a population struggling to cope with declining living standards and weary of political crusades. One of Rafsanjani's strengths is that he sensed this change early and positioned himself to take advantage of it.

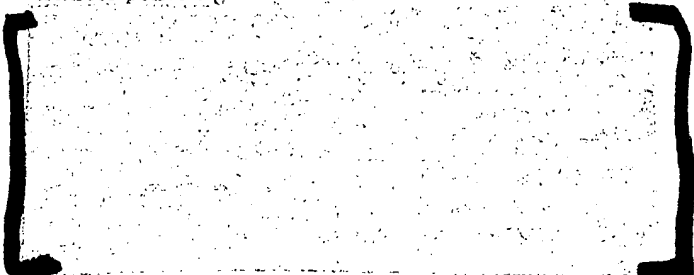
Iranian clergy will continue to dominate government decisionmaking for at least the time frame of this Estimate and probably for many years beyond. Having struggled to obtain political power—and having

no serious rivals for power—these clerics are not likely to withdraw quietly from politics. The emphasis on practical solutions, however, will open greater opportunities for laymen to rise to prominent positions in the government; this has already been observed in Rafsanjani's cabinet, although the government institutions most directly concerned with the security of the regime—the Intelligence Ministry and the Interior Ministry—are both headed by clerics. In addition, that portion of the clerical establishment that supports Rafsanjani and Khamenei tends to represent a more traditional, less activist outlook regarding clerical participation in government. This outlook may provide an additional impulse to include more laymen in government.

**Abroad: Nationalism and Khomeini's Legacy**

Iranian nationalism will become a stronger force in Iranian foreign policy but will not replace Islam as a theme and rallying cry. Nationalist themes will be blended with Islamic ones, producing a more supple message. This fusion will be most clearly expressed in Iranian foreign policy.

The regime, however, still pays homage to Khomeini's legacy, and this will limit its ability to adopt more flexible policies.



Rafsanjani's general effort to adapt revolutionary principles to practical considerations of state will lessen but not end Iran's support to militant Islamic groups abroad. The advancement of revolutionary Islam underpins the legitimacy of the clerical regime and Iran's self-perceived role as the "focal point of Islam" provides the moral justification for its policies. Rafsanjani and Khamenei have, as in domestic policy, sought to emphasize those precedents of Khomeini's

that allow them to redefine export of the revolution in a way more compatible with the conduct of a pragmatic foreign policy. Specifically, they have publicly argued that Iran will export the revolution "by example," that is, by building a more perfect Islamic society in Iran that will inspire and encourage Muslims elsewhere to emulate the Islamic Republic.

Iranian attempts to exploit Islamic politics will be opportunistic. Iran's search for prestige as the leader of militant Islam will cause it to intrude in the internal affairs of others on at least rhetorical and diplomatic levels in many disputes in which they think Muslim rights are being threatened—for instance, when it condemned French and Turkish bans on the wearing of conservative Islamic clothing at state schools, or in its persistent calls for the independence of Kashmir.

Iranian material support for Sunni as well as Shia fundamentalists will continue during the next two years, although Tehran will be careful that such actions will not undermine other national interests. Tehran's interests in improving ties to the GCC states and its knowledge that efforts to stir up the Shia in the Arab Gulf states would wreck any rapprochement have apparently caused Tehran to back off support for Shia or Sunni dissidents in the Gulf. In both Pakistan and Turkey, however, Iran has continued to support fundamentalist groups without severely damaging its state-to-state relations.

## Iran's Foreign Policy

### Guiding Principles

Iran's major foreign policy goal is to foster a more stable regional environment conducive to Iranian security and economic development. Tehran also is seeking to expand its diplomatic relations both in the region and globally as a means of increasing its influence and reclaiming the role of a regional power. Foreign policy will still be based on principles of nonalignment and Iran's own "neither East nor West" approach, although these concepts may need to be modified in light of changed circumstances.

Rafsanjani apparently hopes to maximize Iran's freedom of action. His public statements suggest that Rafsanjani perceives greater opportunity for Iran to advance its interests—and preserve its independence—by playing foreign powers against each other and preventing their united action against Iran, such as international sanctions. Iranian policy will continue to seek to exploit to Iran's benefit the political and commercial competition among foreign governments with interests in the region, although regional and global political changes—especially the end of the Cold War—will limit the effectiveness of this time-honored Iranian tactic.

Iran is gradually adopting more conventional policies that emphasize pursuit of practical state interests over ideology. Rafsanjani, and, to a lesser extent, Khamenei recognize that Iran has paid a price because of its confrontational, dogmatic policies, and they are seeking to repair the damage. One important goal will be to persuade the international community—especially the West—that Iran is once again a responsible country, or, as Foreign Minister Velayati stressed to Italian officials last year, that "Iran is a serious nation." This apparent flexibility does not necessarily portend a benign Iran; it will be more sensitive to its image and to the costs of its violent behavior but will continue to use violent or intimidating tactics when it believes they advance Iranian interests.

*Less Likely Scenario—A More Dangerous Iran*

*This Estimate's judgment that Iran will not seriously threaten US interests over the next two years is based on the following assumptions:*

- *The strategic importance of Iran has been devalued by the end of the Cold War and the decline of Soviet power.*
- *The Rafsanjani-Khamenei alliance is growing stronger domestically, and it believes Iranian interests are better served by more conventional behavior and better relations with the West.*
- *The grave weakness of the Iranian economy, coupled with the limited capabilities of Iran's armed forces, ensure that for the next two years Iran will not be capable of posing a serious threat—other than a terrorist one—to US interests.*
- *Iran is further deterred from belligerent behavior by the repercussions of Desert Storm and Iran's perception that the United States would take strong measures against aggression in the region.*



*A more dangerous Iran, however, could emerge in the mid-to-late 1990s with a resurgence of Iranian power and aggressiveness, particularly if the regional environment is conducive, by such developments as:*

- *A collapse of the balance of power in the Gulf through chaos in Iraq.*
- *Serious unrest in the smaller Gulf states.*
- *Emergence of a more radical regime in Tehran.*

*In such circumstances:*

- *Tehran might be tempted to intervene to install a Shia government in Baghdad, to "protect" the Shia holy sites in southern Iraq, and to bully the GCC states. Even if Iraq does not fall into disorder, Iran's efforts to stimulate and sustain a Shia insurgency in Iraq could lead it to take more aggressive actions toward Baghdad—most likely covert action as in March-April 1991—that might, through miscalculation, lead to a broader clash with Iraq.*
- *Iran could meddle in the small Gulf states. Intervention in Bahrain or Kuwait is possible. Making claims to Qatari oilfields is also an Iranian objective that a more aggressive government might pursue.*
- *Iran could pressure the small Gulf countries to end their bilateral security agreements with the United States.*
- *Iran could expand its involvement in Lebanon, directly or through surrogates, thus projecting a role in the peace process arena.*
- *Iran could become more aggressive in pressing its demands in OPEC for higher oil prices.*
- *A more radical government would be likely to engage in terrorism against US and Western targets and to encourage the violent export of Islamic revolution.*
- *Iran might also become more aggressive in Central Asia and the Caucasus if its relations with Soviet central authority attenuate so much that it no longer feels constrained by the need to maintain good ties to Moscow. In particular, the emergence of a sizable and viable Islamist movement in one or more of the former Soviet republics might prompt Iran to more active support of Islamic revolutionary activities in the former Soviet Union. Alternatively, the emergence of outright hostile governments in the former Soviet republics—especially if they maintained close relations with Ankara or Riyadh—might be considered a threat in Tehran and provoke active Iranian efforts to undermine the new governments.*

### Persian Gulf

Iran seeks recognition as the dominant power in the Persian Gulf. We believe Iran views the outcome of the 1991 Gulf war as a net plus and, in particular, as an opportunity to regain what it regards as its traditional position of preeminence in the region. Iraq's invasion of Kuwait shattered the Arab solidarity with Baghdad that had isolated Iran in the region, and the destruction of much of Iraq's military machine in Operation Desert Storm ended Baghdad's strategic ascendancy in the Persian Gulf. On the other hand, the rise in US presence, influence, and prestige in the region as a result of the war will deter Iran from pursuing its ambitions boldly.

Tehran will take advantage of the decline of Iraq to expand its relations in the area. Rafsanjani probably accepts that he cannot in the short term reverse Washington's enhanced influence, and he will try to limit it. Iran will seek to shape postwar relations in the Gulf in ways that emphasize Iranian leadership, isolate Iraq, prevent the reemergence of an Arab bloc directed against Iran, and limit the role of the United States in regional security. Iran's diplomatic strategy will probably follow the general lines sketched by Rafsanjani in a public sermon in March 1991, in which he presented Iranian views of regional security. The main points included:

- Fostering regional unity in the Persian Gulf based on Islam and shared interests in stability and economic development.
- Increased cooperation among Gulf countries in economic fields—particularly oil prices—the peaceful resolution of disputes, and noninterference in internal affairs.
- Resistance to any effort by either a regional country or the United States to impose hegemony on the region, although Iran, as the “focal point of the region and standard bearer of Islam,” clearly would be the leading regional power.

To date, Iran's postwar efforts with GCC states have borne some fruit. The GCC has been more receptive than before Iraq's defeat to engage in dialogue with

Iran, although it prefers to keep security matters last on the agenda. Oman and the emirate Dubayy appear more open than other GCC states to including Iran in future Gulf security relations.

*Saudi Arabia.* Key to the success of Iran's efforts to shape postwar Gulf relations in its favor will be the fostering of a constructive relationship with Saudi Arabia. Tehran's diplomatic efforts since August 1990—especially the peaceful participation of more than 100,000 Iranian pilgrims in the 1991 hajj—suggest it is seriously pursuing such a relationship. Foreign Minister Velayati has declared the new Iranian-Saudi ties a “strategic relationship,” and Tehran has made efforts to consult with Riyadh on both oil and regional policies.

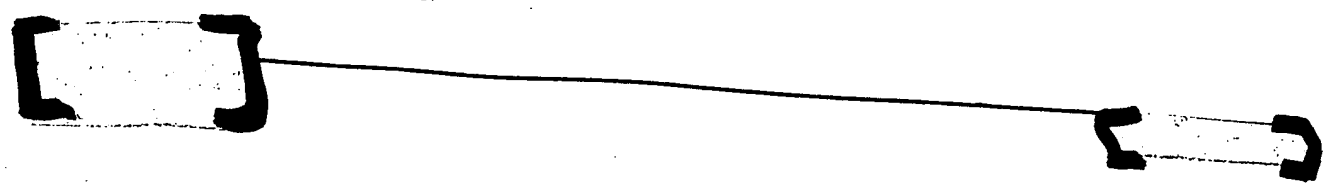
The Iranian-Saudi rapprochement will remain fragile, however. Iran and Saudi Arabia are still rivals for religious and political influence in the Muslim world—the clergy in both countries share a mutual disdain for each other as schismatics.

A struggle to influence the succession in Iraq, should Saddam Husayn fall, or the eruption of serious unrest among the Saudi Shia minority also might revive Iranian-Saudi enmity and confrontation. In the longer term, if Iran successfully rebuilds its power, Saudi Arabia will view Iran as an even more serious threat.

*Iraq.* Iran's relations with its rival Iraq are likely to remain strained. As a consequence of the sharp reduction of Iraqi military power and political influence in the Gulf, Tehran will conduct a more assertive policy toward Baghdad, including a demand for extensive war reparations. Iran hopes that implementation of UN Security Council resolution 598 will result in Iraq's being branded the aggressor, thus providing the legal basis for reparations claims. The resolution would also formalize concessions Saddam made in August 1990—including the evacuation of Iranian territory, the repatriation of Iranian prisoners, and the

Figure 4  
Iran's Expanded Regional Ties Since August 1990

Boundary representation is not necessarily authoritative



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division of the Shatt al-Arab according to the 1975 Algiers accord. Iran is not likely to return soon Iraq's military aircraft, granted safehaven in Iran during the Gulf war.

In particular, Iran has taken advantage of Iraq's postwar weakness to attempt to resubordinate Iraq to Iran in the regional pecking order, while stopping short of measures that would threaten Iraq's territorial integrity. Tehran is working to oust Saddam Husayn from power, in hopes of replacing him with a weaker government more susceptible to Iranian influence. Ideally, Tehran would like to see a Shia-dominated regime take power in Baghdad, but, calculating that any successor regime will be weaker and more pliable than Saddam, Tehran probably would recognize almost anyone who could seize power in Baghdad.

[REDACTED]

Tehran will also continue to take a hardline position in support of UN sanctions on Iraq.

Rafsanjani and Khamenei—and, indeed, most Iranians—do not want to re-ignite the Iran-Iraq war or dismember Iraq. Iran demonstrated its restraint when, during the Shia revolt in Iraq, it limited its public response to Saddam's destruction of Shia shrines and the arrest of Grand Ayatollah Khu'i to diplomatic and religious protests. Such restraint may well also reflect Iran's sense of the limits of its power. Concern about the "Lebanonization" of Iraq—and the implications for Iran's own minorities—almost certainly will ensure that Tehran will not promote the founding of an independent Shia or Kurdish state on Iraqi territory.

Non-Gulf Arabs

Iran has few vital interests in the broader Arab world but is likely to continue its general efforts to expand its influence with Arab states outside the Gulf. During the Gulf crisis, Iran restored or improved its diplomatic relations with several Arab states, primarily the GCC, but also Jordan, Tunisia, and Egypt. Iranian policy in the broader Arab world is likely to

stress Muslim solidarity and Islamic principles. Iran also will try to gain influence with local fundamentalists, although it will try to avoid damaging their relations with Arab governments in the process.

Palestinians.

[REDACTED]

Tehran's ideological antipathy to Israel, its willingness to champion the Palestinian cause, and a perception that Israel, as a US ally, represents a geostrategic threat to Iran all serve to reinforce Iran's hardline opposition to a negotiated peace with Israel and support for radical Palestinians. We believe Iran will take active measures to undermine Israeli-Palestinian reconciliation, including US-supported peace efforts.

Lebanon. Tehran will seek to maintain influence in Lebanon.

[REDACTED]

*Syria.* Iran will be especially keen to retain strong ties to Syria, which has long been its closest ally in the Arab world and which shares Iran's antipathy for Saddam's regime in Baghdad. Tehran has exhibited this interest in its close consultations with the Syrians—Asad visited Tehran in September 1990, and Rafsanjani visited Damascus in early 1991—and in its willingness, albeit borne in part by necessity, to defer to Syrian wishes in Lebanon. But Syria's efforts to move closer to the West, its role in the postwar GCC-Plus Two Damascus accords, its announced willingness to participate in an Arab-Israeli peace conference, and its support for the reconstitution of the Lebanese state under the Ta'if accords will erode relations somewhat. A successful negotiated settlement between Syria and Israel, or Iranian success in installing a militant Islamic government in Iraq, would deal a serious, perhaps fatal, blow to Syrian-Iranian relations, while the opposite—a breakdown in Arab-Israeli peace efforts or Saddam's retention of power—would serve to keep Iran's ties to Syria strong.

**Relations With Turkey, Pakistan, Afghanistan:  
The Northern Tier**

In the northern tier, Iran has tried to construct a web of relations to prevent its isolation from the region and the outside world, to limit access to Iran by Iranian dissidents in exile, and to gain regional support to balance the potential emergence of an Arab bloc directed against Iran. In particular, Tehran has focused on the Economic Cooperation Organization (ECO)—a trilateral body formed in 1985 and comprised of Turkey, Iran, and Pakistan—as a vehicle for expanding cooperation among the northern tier states. Although the collapse of both Iraqi power and Arab solidarity has reduced the immediate need for broad trilateral cooperation, Tehran is advocating that the ECO broaden its charter from strictly economic affairs to facilitate trilateral cooperation on political and security issues. This is likely to be a continuing theme in Iranian regional relations, independent of Iranian efforts to construct a more cooperative relationship with the Arab Gulf states.

*Turkey.* Despite bitter criticism from hardliners, Rafsanjani accords high priority to maintaining good relations with Turkey. Tehran's need to coordinate with Ankara if it is to isolate Iraq will be a further incentive to maintaining good relations. These factors probably are sufficient to prevent a dramatic deterioration in Turkish-Iranian relations in the next few years. Turkey has steadfastly resisted Iranian efforts to involve the ECO in political and security issues, and it remains suspicious of continued Iranian support to Turkish fundamentalists and the provision of safe-haven and support to Turkish Kurdish guerrillas. The Iranians, for their part, distrust Turkey's ties to NATO and the United States, suspect Ankara has irredentist claims toward northern Iraq, and have disdain for Turkey's secular ideology. Both countries will see value in boosting trade, but their uncomplimentary economies will limit this while more grandiose schemes—such as the oft-discussed Iranian gas pipeline through Turkey—will probably founder for lack of capital.

*Pakistan.* Iran's relations with Pakistan will deepen over the next two years. Iran sees Pakistan as another useful non-Arab source of support in the region, while Pakistan looks to Iran as a Muslim power capable of helping Pakistan resist Indian pressure. Iran also shares an interest in helping the Afghan resistance gain political power in Kabul, although this has proved a source of division since each side tends to aggressively advance the interests of its clients in the resistance to the exclusion of the others. Political relations are likely to be relatively cordial in the next few years, and both countries will look for ways to increase trade and economic cooperation, both bilaterally and within the framework of the ECO. Nevertheless, Tehran's perception that Pakistan does not adequately protect Pakistani Shias will continue to be an irritant in their relations.

Cooperation between Iran and Pakistan is likely to grow most in the field of defense matters because both sides find such cooperation valuable and each has

something to offer the other. Military consultations have increased steadily since 1989, and commanders and working-level delegations have exchanged information during frequent visits. Islamabad wants commitments from Tehran for ammunition, fuel, and the use of its eastern airfields and port facilities for safehaven in the event of a war with India. It also hopes Iran will agree to joint defense production and to share chemical warfare technology. Tehran values strong security ties to Pakistan and hopes—probably vainly—they will ultimately lead Islamabad to share its nuclear weapons and missile technology. Iran could also benefit from Pakistan's experience in overhauling military equipment and sees Pakistan as a conduit for obtaining embargoed Western military spares and equipment, despite Islamabad's assurances to Washington that it will not permit such transfers. The August 1991 succession of Pakistani Army chief Beg with an officer less enthusiastic about close relations with the IRGC will probably slow the pace of defense cooperation during the time frame of this Estimate, but it will not halt the general trend toward closer military ties. [REDACTED]

*Afghanistan.* Tehran's policy toward Afghanistan will focus on securing the establishment of a stable Islamic government in Kabul that includes a strong voice for Afghan Shias and that minimizes US, Saudi, and Communist influence. Tehran has already worked—with limited success—to unify the Shia resistance groups under its tutelage. In July and August 1991, Iran attempted to work with Pakistan to influence the Shia and Sunni Afghan resistance to consider the UN Secretary General's proposal for establishing a cease-fire and interim administration in Afghanistan leading to elections. When a new government comes to power in Kabul, Tehran is likely to work hard to build relations with the new regime, providing such aid as it can—mostly token offers of Iranian "expertise"—and looking to the Shia as an avenue of influence. [REDACTED]

#### Reaching Out to the European Community, Japan, and China

During the past two years, Rafsanjani has successfully improved relations with Western Europe, Japan, and China, and he will want to preserve and build on

these successes. He has increased diplomatic and commercial exchanges with the major European powers, most notably France and Germany, but also with Italy and the United Kingdom. Tehran also has resumed relations with London in September 1990 to help pave the way for the lifting of the European Community's ban on high-level contacts with Iran, and, since then, Foreign Minister Velayati has visited the major EC capitals and several EC ministers have visited Tehran. Relations with Japan have also improved, with Tokyo likely to invest in some Iranian development projects. Trade with Western Europe, Japan, and China jumped some 65 percent last year to about \$19.5 billion. Germany, Japan, Italy, and France also have recently expanded their medium-term credit lines. [REDACTED]

Tehran is especially interested in the Europeans and the Japanese as sources of financing and modern technology. The Iranian leadership probably views the EC countries and Japan as less likely than the United States to try to exploit diplomatic or economic relations to undermine the regime or to link commercial relations to changes in Iranian behavior. The West Europeans and the Japanese also may take on greater political importance to Iran as Soviet power rapidly declines and Tehran looks for new partners to serve as counterweights to US influence. Tehran has already identified France as one power that might use its diplomatic and economic influence to counter Washington, and from time to time Germany, Japan, or the European Community are also touted for that role in the Iranian press. [REDACTED]

Iran is also turning to China for support in opposing US primacy in the world. Tehran hosted Premier Li Peng in early July and issued a joint communique that stressed common opposition to "one or another power" dominating the new international political order. In a similar vein, a Tehran newspaper stressed the "decisive" role China, as a permanent member of the UN Security Council, could play in support of "the oppressed nations' rights." [REDACTED]

### Iran and the Soviet Union: Uncertain Future

The dissolution of the Soviet Union will pose one of the most difficult problems for Iranian foreign policy during the next two years. Rafsanjani has invested heavily in improving relations with the Soviet Union and essentially has looked to Moscow for Iran's main source of modern military equipment, for a partner in resisting US influence in the Middle East, and for the main route for increased gas exports to Europe. At the same time, press reporting

—suggests that Tehran's main efforts at expanding relations with the republics has been aimed at cultivating the nonreformist leaders there, who may not long remain in power. Rafsanjani, for example, was hosting Azerbaijan's hardline President Mutalibov in Tehran when the abortive coup occurred in August. Iran will have to craft a policy that preserves its interests in gaining influence in the republics without damaging its potential ties to the central government.

Tehran is likely to focus on four main goals in its policy toward the Soviet Union. It will seek to:

- *Preserve the arms relationship.* Tehran has made the strategic decision to rebuild its military strength, especially its air force and air defense, with primarily Soviet equipment. It will seek to ensure that the USSR—whether a shrunken central government or a stronger Russian Republic government—continues to provide equipment and spares to Iran, although they will seek to avoid complete dependence on the USSR.
- *Encourage stability in Central Asia and the Caucasus.* Even before the Soviet coup, the Iranians had expressed a great deal of concern over the potential for unrest in the Muslim republics, even to the point of Rafsanjani quietly urging the center to keep order there. Tehran will be especially concerned to limit the chances that, as in Yugoslavia, ethnic rivalries will lead to civil war, which at a minimum could threaten an already overburdened Iran (it currently hosts more than 1 million Afghan and Iraqi refugees) with a new wave of Azeri or Central Asian refugees. Iran will also be concerned that

nationalist unrest in the Soviet southern republics might inspire similar separatism among Iranian ethnic minorities—particularly the roughly 14 million Iranian Azeris—or stimulate popular demands for democratization in Tehran. Because Tehran's ties to the republics are primarily with the existing elites and the pro-Rafsanjani *Tehran Times* has stated that Iran opposes some of the “extremist nationalistic movements” in the Soviet Union, Iran probably will encourage the current republic governments to remain in power, maintain domestic order, and possibly to retain close ties to the center. Tehran sees such ties as preferable to the alternatives: increased Western, Saudi, or Turkish influence.

- *Expand Iranian influence.* Iran will seek to ensure that friendly governments emerge in the six Muslim republics of the former Soviet Union, but we judge that it will have little influence over the process. Iran will probably concentrate on government-to-government and trade ties initially, particularly in Central Asia. Indeed, within a week of the Soviet coup, the *Tehran Times* suggested that the leaders of the Soviet Muslim republics should meet in Tehran to discuss coordinating the republics' response to the breakup of the Union. Iranians will increase their involvement in a wide variety of religious activities. Tehran may try to expand ties to radical Islamic elements in the Muslim republics as another avenue of influence, especially if Tehran perceives any new republic leadership to be unfriendly. The competition for the hearts and minds of Soviet Muslims is likely to be brisk; we expect Iran to be the least able to compete: modern nationalists in the Soviet Muslim republics are likely to be more attracted to Turkey's secular, democratic system, while most traditional Muslims—outside of those in Shia Azerbaijan—will probably look more favorably on the more orthodox—and wealthier—Saudis. There is little hard information, but Iran's informal or clandestine networks in the Soviet republics are probably not well developed.



Figure 5  
Major Muslim Ethnic Groups in Iran and the Muslim Republics of the Sov



- Use its relationship with the USSR to counterbalance US influence in the Middle East. However, Tehran almost certainly will recognize that the USSR will be an increasingly weak lever against the United States. As a consequence, Iran will probably begin an even more active search for additional balancers against the United States.

**Iran and the United States: Dealing With the Last Superpower**

We do not think Iran will take a major initiative to restore diplomatic relations with the United States, although it may seek improved economic ties. The question of relations with the United States is the Gordian knot of Iranian politics, in which ideology, geostrategic concerns, economics, a lengthy history of US involvement in Iranian affairs, and more than 10 years of bitter enmity are all entwined. As a result, progress in improving relations between Iran and the United States is likely to be slow and incremental while Tehran concentrates on issues of more immediate concern—such as the breakup of the Soviet Union and the development of Persian Gulf security arrangements—and focuses its opening to the West on the European Community and Japan.

Iranian media continue to reflect Tehran's wariness of improving relations with Washington and do not appear to be making any effort to prepare the public for a change in Iranian-US relations. If a change in Iranian policy toward the United States is in the offing, most likely not until after the 1992 Majles election,

we might see Iranian newspapers begin to note improvements in US behavior to suggest Washington is meeting Tehran's preconditions to normalization.

Nonetheless, Rafsanjani probably wants a reasonable working relationship with Washington. Washington's efforts to isolate Iran—including embargoes on technology, such as aircraft parts—intervening with other governments to limit foreign assistance to Iran, and its influence in bodies like the IMF and World Bank

have complicated Iran's efforts at reconstruction. Reversing such efforts is Rafsanjani's main goal vis-a-vis the United States, but it would require a renunciation of Iranian support for terrorism. Tehran, for its part, will continue to press for the return of military property and funds, often referred to generically by Iran as "frozen assets," which are the subject of claims at the Iran-US Claims Tribunal at The Hague, as the price for improved relations with the United States.

Despite Rafsanjani's apparent support for better ties, he has not built a consensus for it within the regime. His hardline opposition is unalterably and vocally opposed to any retreat from confrontation with the United States, and, although it is a declining force in Iranian politics, its criticism forces Rafsanjani to be cautious. Rafsanjani will be careful not to undermine Iran's self-appointed role as the leader of the Islamic resistance to the West and will remain suspicious of US intentions toward his clerical regime. Most members of the mainstream clergy do not endorse developing relations with the United States, preferring instead that Iran look to Western Europe and Japan for financial and economic ties.

Because of these constraints, Rafsanjani is likely to move slowly and prudently to repair relations. He demonstrated this caution in two areas in which there is high US interest:

- *The Gulf war.* Although Iran clearly could not join the coalition against Iraq in a military sense, it could have done more—as Syria did—to seize the opportunity presented by the crisis to emphasize areas of common interest with the United States. Tehran focused its efforts on courting the Gulf states and Europe, while condemning US actions. On occasion, Iran was even obstructive, criticizing Turkey for allowing the US Air Force to stage combat missions out of Incirlik and attempting to preempt the start of the ground war with a last-minute peace initiative.

• *Western hostages in Lebanon.*

[REDACTED]

The Iranian paper *Jomhuri-ye Eslami*, which often reflects the views of the Majles hard-liners, argued that holding hostages is an effective way to block US efforts to establish a new order in the Middle East and suggested prolonging the crisis into the US presidential election. Rafsanjani almost certainly wants to resolve the hostage issue, but his negotiating tactics do not suggest that he thinks he needs to end the problem quickly. Should, as is most likely, all Western hostages be freed, Tehran's expectations would increase for a speedier resolution of the "frozen assets" issue.

Rafsanjani will probably try to hew to his incremental strategy toward the United States despite the implosion of the Soviet empire. Nonetheless, the collapse of Soviet power may force Tehran to reevaluate and adjust the pace of its policy toward the United States. Whatever the pace and scope of Iran's opening to the West, US and Iranian interests will continue to clash. The most likely points of friction include:

- *Regional security.* The Iranian regime regards the reduction of US influence in the Middle East to be in its national interest as well as ideologically desirable. Tehran will try to minimize US participation in regional security and will view any bilateral security accords between the United States and GCC states as directed against Iran.
- *Regional disarmament.* Tehran is deeply skeptical of US disarmament proposals, believing that they are skewed in favor of Israel and aimed at keeping the Muslim countries in a position of inferiority. Tehran is likely to oppose US efforts toward regional disarmament, although it may be more cooperative with the UN, which it feels is less likely to support a pro-US and pro-Israel agenda.
- *The "new world order."* Iranian political rhetoric and press commentary across the spectrum exhibit considerable anxiety regarding the emergence of the

United States as the only true superpower. Tehran regards with suspicion US efforts to shape the global order, fearing they are simply window dressing for a US bid for world hegemony. Iran's efforts to mobilize Third World and especially Muslim resistance to US policy are largely quixotic, but they suggest Tehran will be a diplomatic nuisance in multilateral and regional forums.

- *The Arab-Israeli peace process.* Tehran remains rigidly opposed to peace with Israel.

[REDACTED]

]Iran's dispatch of envoys to the Arab states to urge Muslim defense of Palestinian rights, its growing support of radical Palestinian groups, a marked rise in Hizballah attacks on the Israeli security zone in South Lebanon, and plans to convene a Palestinian conference in October 1991 all suggest that Iran's opposition is more than rhetorical.

The clerical regime in Tehran is also likely to oppose Washington over issues in which US and Iranian ideology, culture, and political style clash:

- *Terrorism.* Iranian support for terrorism will remain a significant issue dividing Tehran and Washington.

[REDACTED]

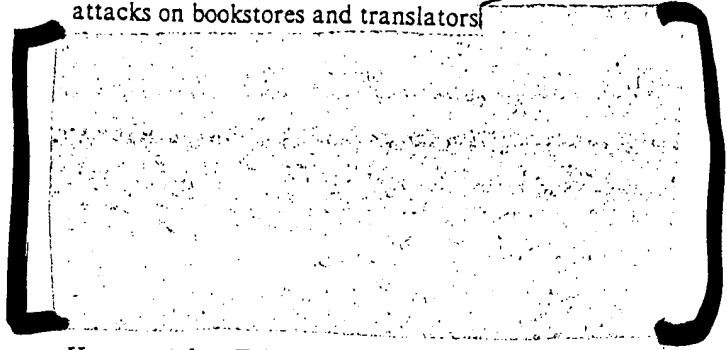
]Tehran is unlikely to conduct terrorism directly against US or Western interests during the next two years, but it is supporting radical groups that might do so.

[REDACTED]

]Tehran is willing to sponsor anti-Israeli attacks by Hizballah and radical Palestinian groups in hopes of disrupting the peace process.



Moreover, there will be a continuing danger that external events could be perceived in Tehran as unforgivable insults that must be avenged, much as the publication of *The Satanic Verses* produced attacks on bookstores and translators



- *Human rights.* Tehran portrays US efforts to hold the regime accountable for human rights abuses in Iran as a US attempt to blacken Iran's name and maintain its isolation. Under Rafsanjani, Iran has worked diligently to end UN efforts to monitor human rights abuses in Iran and to reject Western criticism as a misunderstanding of Islamic culture. Tehran will continue to reject Western efforts to ease human rights abuses in Iran. Indeed, some political rights may well be further circumscribed under Rafsanjani as he moves to intimidate his opposition and maintain domestic order

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