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NIO/NESA

SUBJECT: Response to National Security Review-10: U.S. Policy Toward the Persian Gulf

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National Intelligence Council

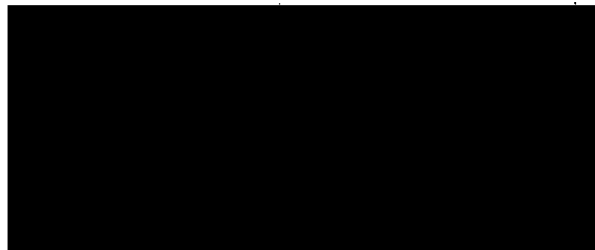
NIC 00244/89  
3 March 1989

MEMORANDUM FOR: (See Distribution)

FROM:   
National Intelligence Officer for the  
Near East and South Asia

SUBJECT: Response to National Security Review-10:  
U.S. Policy Toward the Persian Gulf

Attached for your review is the CIA Directorate of Intelligence response to the intelligence related questions in NSR-10 in preparation for the Tuesday, 7 March working group meeting on the subject.



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NSR-10 Persian Gulf

How are US political, economic, and strategic interests in the Persian Gulf affected by the end of the Iran-Iraq war and the end of the Soviet occupation of Afghanistan? [REDACTED]

We believe a new regional order has emerged in the Persian Gulf that will reduce the likelihood of regional hostilities over at least the next two years. The new order consists of several elements: no Persian Gulf state can dominate the region, internal political and economic issues will place a heavy call on the attention and resources of most of the states, and the states perceive that no foreign policeman is needed. This new order will serve the key interests of the United States by lessening the likelihood of an oil supply disruption and reducing the need for direct US military involvement in the Persian Gulf.

- Reconstruction efforts and reduced operating risks in the postwar period will allow US companies to compete--albeit often at a disadvantage--in Iraq and the Gulf Arab states.
- Gulf States will continue to be interested in security ties to the United States, but the diminished threats to the region during peacetime will make those states less interested in expanding security cooperation with Washington.
- The renewed prominence of contentious regional issues, such as the Arab-Israeli conflict and differences over chemical and biological weapons proliferation, will complicate US political relations with the Persian Gulf states. [REDACTED]

Relationships among states in the region are still fragile, however, and low-level tensions that currently exist could escalate, leading to conflicts that might upset the emerging regional order and jeopardize US interests.

- The potential for civil strife and the ascendancy of more radical forces in Iran--as evidenced by the Rushdie affair--present the most serious threat to the postwar order.
- Territorial disputes, particularly between Iraq and Kuwait, also pose a serious threat and could result in requests from the Arab Gulf states for a higher US military profile to support security guarantees.
- Iraqi efforts to increase its market share in OPEC could create serious tensions with major oil producers in the region and destabilize the oil market, at least temporarily. [REDACTED]

The Soviet withdrawal from Afghanistan removes an obstacle to better relations between Moscow and most of the Persian Gulf states. Moscow is likely to slowly expand its ties to Iran and the Arab Gulf states although Riyadh will remain wary of Soviet intentions in the region.

- Recent Soviet initiatives on the Arab-Israeli issue are likely to enhance Moscow's image in the region.
- Closer Iranian-Soviet ties could increase Gulf state interest in improving relations with Moscow. [REDACTED]

What degree of proliferation of advanced conventional as well as chemical, biological, and nuclear weapons is predicted? [REDACTED]

Iran and Iraq will continue to devote considerable resources to acquiring advanced conventional and unconventional weapon systems. Tehran will give priority to rebuilding its military and catching up with Iraq in the research and development of long-range missiles and nuclear, biological, and chemical weapons. Baghdad wants to maintain its strategic advantage over Iran and develop a deterrent against Israel, and will intensify its already well-advanced weapons research and development programs. [REDACTED]

Persian Gulf states are likely to resist international efforts to restrain weapons proliferation. The accompanying increase in the number and lethality of weapon systems will increase the potential threat to U.S. forces and U.N. observer groups monitoring cease-fire agreements and treaties. [REDACTED]

#### Nuclear Weapons

- Iraq may be able to build a nuclear weapon in less than 10 years [REDACTED] or within 2-4 years if Baghdad has a [REDACTED] supply of fissile material.
- Iran, with extensive foreign assistance, will take at least 10 years to produce nuclear weapons. [REDACTED]

#### Chemical and Biological Weapons

- Iraq's chemical weapons (CW) program is the most extensive in the Middle East. [REDACTED]

- Iran is enlarging its offensive CW capability, [REDACTED]

#### Ballistic Missiles

- Baghdad is increasing its efforts to acquire an indigenous missile production capability and will probably be able to produce short-range ballistic missiles within 5 years. Iraq may also purchase a new missile system if Baghdad has problems with its program.
- Tehran lags far behind Baghdad in missile development [REDACTED]
- [REDACTED]

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NSR-10 Persian Gulf

Do we believe that Iraq and Iraq will be able to negotiate a full peace agreement? What relationship do we anticipate developing between the Two? What are the prospects for renewed fighting in the region? What would be the consequences for the United States? [REDACTED]

The deep mistrust between Iran and Iraq and their sharply divergent objectives in the peace talks make the achievement of a full peace agreement unlikely. We expect the two countries to coexist for the next several years in a state of "cold peace" marked by a peacetime arms race and competition for influence in the region.

- Iraq wants a comprehensive peace settlement--including guarantees of non-aggression and non-interference in each other's affairs--that forces Iranian recognition of the Ba'thist regime's legitimacy. Iran will resist a comprehensive agreement and gives highest priority to the provisions of UN Resolution 598 calling for withdrawal of troops from occupied territory, the naming of the aggressor in the war, and payment of war damages--all of which Tehran believes will work to its advantage.
- The peace talks, in recess until April, probably will remain deadlocked over Iraq's refusal to withdraw its troops until Iran agrees to dredging of the Shatt al-Arab waterway and to guaranteed freedom of navigation for Iraqi ships in the Persian Gulf. Iran insists on adhering to the Resolution's call for the withdrawal of troops before the two sides try to resolve other issues. [REDACTED]

We believe both countries are war weary and are unlikely to resume hostilities in the coming year.

- If either side were to resume fighting, however, Iraq would be more likely or able to do so because of its military superiority and Baghdad might feel pushed in that direction if it believes political pressure will not eventually produce concessions from Iran. Even then, Iraq probably would opt first for limited military action such as air attacks.
- The issue of freedom of navigation in the Gulf is a potential flashpoint for renewed clashes between the two sides. Iraq has indicated that it would retaliate if Iran inspected or seized an Iraqi ship in the Persian Gulf. [REDACTED]

A major resumption of hostilities between Iran and Iraq would adversely affect US interests in the region. Such a development would benefit radical factions in Tehran and pose a renewed threat to Iraq's Gulf Arab allies.

- In the face of major Iraqi attacks Iran might be tempted to strike at Gulf states' interests--including Gulf oil facilities--to press them to restrain Baghdad. [REDACTED]

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NSR-10 Persian Gulf

What are Soviet interests in the Persian Gulf? What is the next phase of Soviet policy likely to be toward the Gulf?

The USSR's primary interest in the Gulf is to prevent the reestablishment of US influence in Iran. The Soviets hope that neither Iran nor Iraq becomes predominant in the Gulf, but it is clear that the Kremlin sees Iran--even under Khomeini-- as the greater "prize".

The Soviets hope to capitalize on recent developments--the Iran-Iraq cease-fire and their own withdrawal from Afghanistan--to improve their regional influence. They probably believe there is a good chance for such improvement in the near future, but appear concerned that over the long term both Iran and Iraq will turn to the West to rebuild their economies.

The reduction of US military presence in the Gulf is also an important objective for Moscow.

-- The Soviets will continue to stress to the Gulf states that the Iran-Iraq cease-fire lessens the need for a foreign military presence in the region, and will probably float proposals for a Gulf collective security arrangement calling for a reduction in foreign military deployments.

--  
[REDACTED]

In Iran, Moscow--encouraged by Khomeini's recent message to Gorbachev--is moving to improve ties and revive economic links which declined in the early 1980s.

[REDACTED]

In Iraq, the Soviets' major chore will be to soothe Baghdad's suspicions as they try to improve ties to Tehran. They are likely to rely heavily on their role as Baghdad's primary arms supplier, and will almost certainly continue to sell Iraq advanced weapon systems--such as the Su-24 (Fencer) aircraft--and may be flexible in renegotiating Baghdad's military debt.

Elsewhere in the Gulf, Moscow will portray itself as a moderating force in the region in an attempt to cement budding relationships with the smaller Gulf states--Qatar, Oman, and the UAE--and obtain full diplomatic ties with Saudi Arabia and Bahrain. To deflect attention from its growing ties with Iran, Moscow will play up its efforts to broker an Arab-Israeli settlement.

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NSR-10 Persian Gulf

What are the prospects for stability in Iran, both under the current leadership and after the death of Ayatollah Khomeini? Who is the most likely successor? Do we anticipate a prolonged struggle for power? What domestic and foreign policy orientation do we anticipate will emerge? [REDACTED]

We believe Iran will face severe turmoil during the next year because of political infighting among Iranian leaders and economic weakness.

-- Khomeini, whose word is still final, tilted until last fall toward a coalition led by Assembly Speaker Rafsanjani, that wants to temper the revolution. Since then Khomeini has changed course, as demonstrated by the Rushdie affair in which he sided explicitly with radicals who favor continued revolutionary ferment at home and confrontation abroad. [REDACTED]

Khomeini, however, almost certainly will prevent the radicals from completely wiping out the Rafsanjani coalition. Although the radicals now dominate policy, the two factions command roughly equal political resources.

-- The Rafsanjani coalition will try to use its still considerable clerical and popular support to survive while probing for opportunities to make a come-back.

-- As a result, we believe the most likely trend is for a prolonged power struggle with neither side easily scoring a total victory. Tehran is unlikely to have during 1989 a government capable of implementing coherent and authoritative policies.

-- We cannot rule out the possibility that events may deteriorate into a showdown this year. The most potentially polarizing events would be assassinations of key figures or public unrest over economic conditions.

-- The radicals probably will have the advantage if the infighting turns violent. They control more guns, and they are better prepared to take to the streets. [REDACTED]

Such infighting would intensify if Khomeini were to die and could not set limits. Khomeini's death will bolster the radicals because they will have a stronger claim that their policies and not Rafsanjani's remain true to Khomeini's legacy.

-- In any event, we believe the initial transfer of power probably will go smoothly, with Ayatollah Montazeri, the officially designated successor, assuming Khomeini's role. [REDACTED]

For at least the next year we believe Iran will continue its hostility toward the US and the West. Even if the radicals weaken, we believe they will continue for some time to veto improved relations with the West. [REDACTED]

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NSR-10 Persian Gulf

What behavior do we anticipate from Iraq in the aftermath of its war with Iran? [REDACTED]

Iraq's emergence from the Gulf war with the best-equipped, largest armed forces in the Arab world and enormous potential economic clout from its vast oil reserves has revived President Saddam Husayn's aspirations to leadership of the Arab world. Saddam is promoting his leadership goals through generally moderate means, representative of the majority of the Arab states he seeks to lead.

-- His new alliance with Jordan, Egypt, and North Yemen in the Arab Cooperation Council typifies this approach.

-- Baghdad has also been dishing out equipment from its large arsenal of captured Iranian weapons to gain influence with selected Arab states. [REDACTED]

Iraq retains some radical tendencies, however, and will collide on occasion with regional rivals.

-- Baghdad will work hard to punish Syria for its support of Iran during the war. Iraq will concentrate its efforts in Lebanon, where it is already supplying arms and money to the anti-Syrian forces.

-- The Iraqis continue to sponsor Ba'th Parties in other Arab states to promote Iraqi interests.

-- Baghdad is not likely to abandon the use of terrorism against its opponents, either foreign or domestic. [REDACTED]

[REDACTED] Iraq will intensely press Kuwait for control of the strategic Kuwaiti islands of Bubiyan and Warbah, possession of which would provide better protection for Iraq's ports at Umm Qasr and Khawr Az Zubayr.

-- Kuwait is strongly resisting Iraqi pressure and probably will turn to Saudi Arabia and its other GCC allies, the United States, and the USSR for political and military assistance if Iraq threatens to take the islands by force. [REDACTED]

Saddam has emerged from the war in firm control of Iraq, but his effective security services will face continuing challenges to his unpopular, repressive rule.

-- The cease-fire has reduced fears of the Iranian threat that Saddam used to rally the Iraqi public and the Army behind him.

-- Economic rehabilitation is seen by the regime as a necessary ingredient to a quiescent population.

-- Assassination or a military coup by disgruntled officers pose the main threat to him. [REDACTED]



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NIC 00244/89  
3 March 1989

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U.S. Policy Toward the Persian Gulf

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