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WITHDRAWAL SHEET

Ronald Reagan Library

Collection: EXECUTIVE SECRETARIAT, NSC Office
of the: Records Country File
File Folder: Iran-Iraq I 1983-4/31/84 (2) Box 91354

Archivist: smf/smf
FOIA ID: F96-127 (Battle)
Date: 02/24/2000

DOCUMENT NO. & TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. memo	McFarlane to Reagan 1p <i>R 5/2/01 F96-127/2 #167</i>	3/13/84	P1/F1 →
2. memo	McFarlane to Vice President 1p <i>R 7/9/01 NLSF 96-127/2 #168</i>	3/13/84	P1/F1
3. memo	McFarlane to Baker 1p <i>R " " #169</i>	3/13/84	P1/F1
4. memo	draft with notations of doc #3 1p <i>R " " #170</i>	n.d.	P1/F1
5. memo	McFarlane to Deaver 1p <i>R " " #171</i>	3/13/84	P1/F1
6. memo	draft with notations of doc #5 1p <i>R " " #172</i>	n.d.	P1/F1
7. memo	Martin to McFarlane re Future Briefs 1p <i>R " " #173</i>	3/8/84	P1/F1
8. fax receipt	Washfax message receipt 1p <i>Part. 5/13/03 - #174</i>	3/29/84	P1/F1, 53
9. memo	Fuller to Director and Deputy Director of Central Intelligence 3p <i>D ~ ~ #175</i>	3/29/84	P1/F1, 53
10. memo	Duplicate of doc #9 3p <i>D ~ ~ #176</i>	3/29/84	P1/F1, 133
11. memo	Beal to McFarlane re Morning Report for Iran-Iraq 1p	3/29/84	P1/F1
12. memo	Beal to McFarlane re Summary 1p <i>R 11/23/11 F96-127/2 #178</i>	3/28/84	P1/F1
13. summary	Iran-Iraq Situation 3p	3/28/84	P1/F1
14. memo	Beal to McFarlane re Morning Report for Iran-Iraq 3p	3/28/84	P1/F1
15. memo	Beal to McFarlane re Morning Report for Iran-Iraq 3p	3/27/84	P1/F1
16. memo	duplicate of doc #15 3p	3/27/84	P1/F1
17. memo	Beal to McFarlane re Morning Report for Iran-Iraq 3p	3/26/84	P1/F1

RESTRICTIONS

P-1 National security classified information [(a)(1) of the PRA].
P-2 Relating to appointment to Federal office [(a)(2) of the PRA].

P-3 Release would violate a Federal statute [(a)(3) of the PRA].

P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA].

P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA].

P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA].

C. Closed in accordance with restrictions contained in donor's deed of gift.

F-1 National security classified information [(b)(1) of the FOIA].

F-2 Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].

F-3 Release would violate a Federal statute [(b)(3) of the FOIA].

F-4 Release would disclose trade secrets or confidential commercial or financial information [(b)(4) of the FOIA].

F-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA].

F-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].

F-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA].

F-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].

WITHDRAWAL SHEET

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Archivist: smf/smf
FOIA ID: F96-127 (Battle)
Date: 02/24/2000

DOCUMENT NO. & TYPE	SUBJECT/TITLE	DATE	RESTRICTION
18. memo	Beal to McFarlane re Summary 1p R 11/23/11 F96-127/2 #184	3/23/84	P1/F1
19. summary	Iran-Iraq Situation 3p	3/23/84	P1/F1
20. memo	Kerr re paper 1p 5/13/08 F96-127/2 #186	3/23/84	P1/F1
21. paper	re Iran-Iraq 8p PART. - - #187	3/23/84	P1/F1 153

RESTRICTIONS

P-1 National security classified information [(a)(1) of the PRA].
P-2 Relating to appointment to Federal office [(a)(2) of the PRA].

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NATIONAL SECURITY COUNCIL

March 8, 1984

MEMORANDUM FOR ROBERT M. KIMMITT

FROM: CAROL CLEVELAND

On the attached briefing. I have checked with the Vice President's people and Sec Regan's people and also Wilma Hall and the briefing is on their schedules for the 15th of March at 4:00 p.m. Still need to firm up with Baker and Deaver's offices.

NSC
Dispatch
cy made *sent COX*
others sent
Opm

National Security Council
The White House

1040 *en*

System # I

Package # 1730

RECEIVED

	SEQUENCE TO	HAS SEEN	DISPOSITION
84 MAR 9 Bill Martin	1	✓	
Bob Kimmitt	2	L	
John Poindexter			
Wilma Hall	5		
Bud McFarlane	6	M	A
Bob Kimmitt			
NSC Secretariat	7	BT 3 1984 MAR 1	D
Situation Room			
Tom Shull	4		
Barb	3	done	A

I = Information A = Action R = Retain D = Dispatch N = No further action

cc: VP Meese Baker Deaver Other _____

COMMENTS

Should be seen by: _____
(Date/Time)

*Pls chg
2 memos*

- ① Please type (c) after subject line on the four memos at Tab I
- ② Memos to VP, Baker, Deaver, wrong format. (Also Reagan memo)

~~SECRET~~

1730

THE WHITE HOUSE
WASHINGTON

March 13, 1984


~~SECRET~~

MEMORANDUM FOR THE HONORABLE DONALD T. REGAN
The Secretary of the Treasury

SUBJECT: Iran-Iraq War and the Threat to Oil Flows (C)

As a result of the recent escalation in the Iran-Iraq war, we face the possibility of a disruption of the flow of oil from the Persian Gulf. As spelled out in the interagency analysis which your Department has participated in, the international economic repercussions of an interruption of oil flows could be disastrous for world economic recovery. (S)

I am aware of the excellent work already underway within the interagency energy working groups established two months ago, in which Treasury is participating. Nevertheless, because of the rapid evolution of the situation, I would like to provide you, the Vice President, James Baker and Michael Deaver with a briefing on the current status of the threat and seek your advice on any follow-up actions by NSC. Since I believe we should move expeditiously on this issue, I hope you can join me to discuss the situation on March 15 in Room 208, OEOB. (S)


Robert C. McFarlane

~~SECRET~~

Declassify on: OADR

DECLASSIFIED
NLS F96-127/2 #167
BY C4J, NARA, DATE 5/2/01

~~SECRET~~

March 13, 1984

~~SECRET~~

MEMORANDUM FOR THE VICE PRESIDENT

FROM: ROBERT C. McFARLANE *RCM*

SUBJECT: Iran-Iraq War and the Threat to Oil Flows *(S)*

As a result of the recent escalation in the Iran-Iraq war, we face the possibility of a disruption of the flow of oil from the Persian Gulf. I believe that it is essential that the full range of implications, especially the potential international economic repercussions, of an interruption of oil flows be understood by all concerned parties. The economic achievements of the last three years could be at stake. *(S)*

Because of the rapid evolution of the situation, I would like to provide you, James Baker, Michael Deaver and Donald Regan with a briefing on the current status of the threat and seek your advice on any follow-up actions by NSC. Since I believe we should move expeditiously on this issue, I hope you can join me to discuss the situation on March 15 in Room 208, OEOB. *(S)*

DECLASSIFIED

NLS

F96-127#168

BY

NDJ

NARA, DATE

8/6/01

~~SECRET~~

Declassify on: OADR

~~SECRET~~

~~SECRET~~THE WHITE HOUSE
WASHINGTON

March 13, 1984

~~SECRET~~

MEMORANDUM FOR JAMES A. BAKER III

FROM: ROBERT C. MCFARLANE *RM*

SUBJECT: Iran-Iraq War and the Threat to Oil Flows ~~(S)~~

As a result of the recent escalation in the Iran-Iraq war, we face the possibility of a disruption of the flow of oil from the Persian Gulf. I believe that it is essential that the full range of implications, especially the potential international economic repercussions, of an interruption of oil flows be understood by all concerned parties. The economic achievements of the last three years could be at stake. ~~(S)~~

Because of the rapid evolution of the situation, I would like to provide you, the Vice President, Michael Deaver and Donald Regan with a briefing on the current status of the threat and seek your advice on any follow-up actions by NSC. Since I believe we should move expeditiously on this issue, I hope you can join me to discuss the situation on March 15 in Room 208, OEOB. ~~(S)~~

DECLASSIFIED
NLS F96-127#K69
BY LOI NARA, DATE 8/6/01

~~SECRET~~

Declassify on: OADR

~~SECRET~~

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

1730

~~SECRET~~

MEMORANDUM FOR JAMES A. BAKER III

FROM: ROBERT C. MCFARLANE *RCM*

SUBJECT: Iran-Iraq War and the Threat to Oil Flows ~~(S)~~

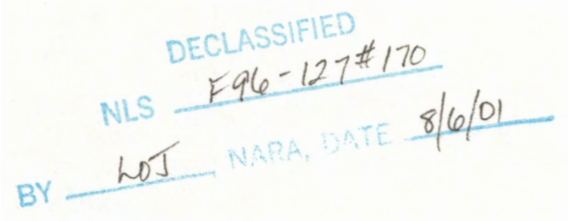
As a result of the recent escalation in the Iran-Iraq war, we face the possibility of a disruption of the flow of oil from the Persian Gulf. I believe that it is essential that the full range of implications, especially the potential international economic repercussions, of an interruption of oil flows be understood by all concerned parties. The economic achievements of the last three years could be at stake. ~~(S)~~

Because of the rapid evolution of the situation, I would like to provide you, ~~James Baker~~, Michael Deaver and Donald Regan with a briefing on the current status of the threat and seek your advice on any follow-up actions by NSC. Since I believe we should move expeditiously on this issue, I hope you can join me to discuss the situation on March 15 in Room 208, OEOB. ~~(S)~~

the Vice President

~~SECRET~~

Declassify on: OADR



~~SECRET~~

1730

THE WHITE HOUSE
WASHINGTON

March 13, 1984

~~SECRET~~

MEMORANDUM FOR MICHAEL K. DEEVER

FROM: ROBERT C. MCFARLANE *Rud*SUBJECT: Iran-Iraq War and the Threat to Oil Flows *(C)*

As a result of the recent escalation in the Iran-Iraq war, we face the possibility of a disruption of the flow of oil from the Persian Gulf. I believe that it is essential that the full range of implications, especially the potential international economic repercussions, of an interruption of oil flows be understood by all concerned parties. The economic achievements of the last three years could be at stake. *(S)*

Because of the rapid evolution of the situation, I would like to provide you, the Vice President, James Baker and Donald Regan with a briefing on the current status of the threat and seek your advice on any follow-up actions by NSC. Since I believe we should move expeditiously on this issue, I hope you can join me to discuss the situation on March 15 in Room 208, OEOB. *(S)*

~~SECRET~~

Declassify on: OADR

DECLASSIFIED
NLS F96-127 #171
BY LOJ NARA, DATE 8/6/01

~~SECRET~~

~~SECRET~~

MEMORANDUM FOR MICHAEL K. DEEVER

FROM: ROBERT C. MCFARLANE

SUBJECT: Iran-Iraq War and the Threat to Oil Flows (C)

As a result of the recent escalation in the Iran-Iraq war, we face the possibility of a disruption of the flow of oil from the Persian Gulf. I believe that it is essential that the full range of implications, especially the potential international economic repercussions, of an interruption of oil flows be understood by all concerned parties. The economic achievements of the last three years could be at stake. (S)

Because of the rapid evolution of the situation, I would like to provide you, James Baker, ~~Michael Deaver~~ and Donald Regan with a briefing on the current status of the threat and seek your advice on any follow-up actions by NSC. Since I believe we should move expeditiously on this issue, I hope you can join me to discuss the situation on March 15 in Room 208, OEOB. (S)

the Vice President

DECLASSIFIED
NLS F96-127 #172
BY h05 NARA, DATE 8/6/01

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Declassify on: OADR

~~SECRET~~

1730

MEMORANDUM

NATIONAL SECURITY COUNCIL

~~SECRET~~

March 8, 1984

ACTION

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: WILLIAM F. MARTIN *FM*

SUBJECT: Future Iran-Iraq Energy Briefings

As we discussed at staff meeting, I believe we should continue our series of briefings on the risk of a disruption to oil flows and methods to reduce the economic impact of such an interruption. The meetings held to date have been productive and are helping to forge a consensus within the Cabinet on a plan of action. I suggest that the next meeting be with the Vice President, James Baker, Michael Deaver and Don Regan.

DF Don Fortier, *RR* Roger Robinson and Rich Beal *RB* concur.

RECOMMENDATION

That you sign the attached notes (Tab I) inviting the Vice President, James Baker, Michael Deaver and Don Regan to an Iran-Iraq briefing on March 15.

Approve

Disapprove

Attachment

Tab I Notes for signatures

cc: Fortier
Robinson
Beal
Bonk

~~SECRET~~

Declassify on: OADR

DECLASSIFIED
NLS F96-127 #173
BY H05 NARA, DATE 8/6/01

~~SECRET~~

DATE/TIME TRANSMITTED

WASHFAX MESSAGE NUMBER

DATE/TIME RECEIVED

MAR 29 9-50 AM '84

C I A
OPERATIONS CENTER
SITE A

WASHFAX MESSAGE RECEIPT

46

84 MAR 29 AIO: 00

WHITE HOUSE
SITUATION ROOMFROM

Graham E. Fuller, NIO/NESA

SUBJECT

Iran/Iraq War

CLASSIFICATION~~SECRET~~

3

PAGES

SENT TO:DELIVER TO:EXTENSION:ROOM:

STATE DEPT.

Randy Beers, PM/P

632-4847

7430

IOB

Geoffrey Kemp, NSC/ME

395-3491

351

Beard

Fischer

Dyer

Fortson

REMARKS:

DECLASSIFIED IN PART

NLS 96-107/2 #174

By

NARA, Date

5/13/03

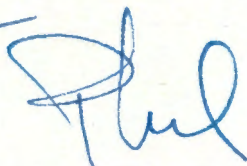
NATIONAL SECURITY COUNCIL

Admiral Poundexter



RCM HAS SEEN

This is the type of
analysis that leads
people to use "worry beads".

V/R


BUO ———

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THIS FORM MARKS THE FILE LOCATION OF ITEM NUMBER 9-11 LISTED ON THE
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176

MEMORANDUM

NATIONAL SECURITY COUNCIL

~~TOP SECRET~~ UMBRA ORCON

INFORMATION

March 28, 1984

M

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM:

RICHARD S. BEAL

RSB

SUBJECT:

Threat Situation Summary for Iran-Iraq
28 March 1984

The attached threat situation summary describes the status of our current crisis planning activities for Iran-Iraq.

Attachment

Tab I - Threat Situation Summary

DECLASSIFIED

NLRR 96-127/2 #178

BY KML NARA DATE 11/21/11

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WITHDRAWAL SHEET AT THE FRONT OF THIS FOLDER.

**WHSR
ROUTE SLIP**

Time Stamp

STAFF	C/O
-------	-----

McFarlane	
-----------	--

Poindexter	
------------	--

Kimmitt	
---------	--

Shull	
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Martin	
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Merchant	
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NSC S/S	
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LDX

Approval: _____

C : Copy

O : Original

~~TOP SECRET~~

184

MEMORANDUM

NATIONAL SECURITY COUNCIL

RCM HAS SEEN

~~TOP SECRET~~ UMBRA ORCON

INFORMATION

March 23, 1984

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: RICHARD S. BEAL *RSB*

SUBJECT: Threat Situation Summary for Iran-Iraq
23 March 1984

The attached threat situation summary describes the status of our current crisis planning activities for Iran-Iraq.

Attachment

Tab I - Threat Situation Summary

DECLASSIFIED

NLRR *916-127/2* 184

BY *KPL* NARA DATE *11/23/11*

~~TOP SECRET~~ UMBRA ORCON

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WITHDRAWAL SHEET AT THE FRONT OF THIS FOLDER.

MEMORANDUM FOR:

As a result of the CPPG meeting earlier this week, we prepared the attached memo. The paper briefly addresses Iraq's capability to contain an Iranian offensive and presents a speculative, "worst-case" assessment of the consequences of an Iranian breakthrough at Al Basrah.

Richard J. Kerr
Associate Deputy Director for Intelligence

Date 23 March 1984

FORM 101 USE PREVIOUS EDITIONS

DECLASSIFIED: 1/25/03 (CASH)
NLS 796-107/2#186
BY CIS, NARA, DATE 5/15/03



Washington D.C. 20505

IRAN-IRAQ: CONSEQUENCES OF AN IRANIAN
BREAKTHROUGH AT AL BASRAH

23 March 1984

Summary

Iran has massed as many as 400,000 troops near Al Basrah for what it hopes will be the climactic offensive of the war. Opposing them, Iraq has approximately 200,000 well equipped troops dug in behind extensive fortifications, with air superiority. We believe the Iraqis should be able to contain the offensive and to inflict massive casualties on the Iranians. On the other hand, if Iraqi forces suffer a major defeat, the consequences could be dire. This paper presents a speculative, "worst-case" assessment of the possible consequences of such an event. [REDACTED]

A major defeat of the Iraqi army could trigger a series of events possibly leading to the overthrow of Iraqi President Saddam Husayn and his replacement by a fundamentalist Shia regime controlled by Tehran. Governments with diverse--and often conflicting--interests like the USSR, Saudi Arabia, Syria, and Israel oppose the creation of a pro-Iranian regime in Baghdad, but none is likely to be able to act quickly or effectively enough to prevent such an outcome. [REDACTED]

A radical Shia regime in Baghdad would have profound implications for the political equilibrium in much of the Middle East and would threaten US interests in the region. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DECL OADR
DRV FROM MULTIPLEDECLASSIFIED IN PART
NLS 96-127/2 #189
By AS, NARA, Date 5/13/13~~SECRET~~

- ° Victory for Iran would be seen in the area--by both friends and foes--as a defeat for the US, causing further questioning of US commitments and reliability as a friend and security partner.
- ° An Iranian victory could lead fairly rapidly to Iranian hegemony over the entire Gulf--Kuwait and Bahrain would be especially vulnerable. We would expect at least some Gulf states to move to appease Tehran and to distance themselves from the US. Even so, their ability to withstand Iranian subversion and political pressure would be questionable once a Shia regime in Baghdad began working in concert with Tehran.
- ° Iran would be in an excellent position to increase its subversive activities in Saudi Arabia, particularly in the oil-rich Eastern Province. The Iranians could easily slip men and weapons across Iraq's long and poorly controlled border with Saudi Arabia.
- ° Iran's control over Iraq's oil reserves and its increased capability to threaten Gulf regimes would have a disruptive effect on the stability of world oil markets.
- ° Iran would be in a much better position to play a disruptive role in Arab-Israeli affairs through increased pressure on Jordan and Syria.
- ° A Shia regime in Baghdad could be expected to seize US officials as hostages in order to humiliate the US Government.

* * *

Iran's Goal

Iran's goal in the upcoming offensive is to inflict a major defeat on Iraqi forces, causing heavy Iraqi losses, and to threaten Al Basrah. Iran hopes that the regime of Iraqi President Saddam Husayn will begin to unravel under the impact of heavy military casualties and large numbers of civilian refugees. Iran is determined to replace Saddam's secular Baathist government with a radical fundamentalist Shia regime controlled by Tehran.

If Iranian forces could push toward Al Basrah from the north and northeast, they would be in a position to bombard the city at close range--the Shatt al-Arab is less than 500 meters wide opposite the city. Al Basrah is Iraq's second largest city. Many of the city's more than one million, predominantly Shia residents would flee, causing massive numbers of refugees to stream northwest toward Baghdad and south to Kuwait--45 kilometers from Al Basrah.

Iraq's Capabilities

Iraq should be able to contain the Iranians as long as senior Iraqi commanders avoid major mistakes and Iraqi troop morale remains high. Iraq has air superiority and a three-to-one advantage in armor and artillery. Iraqi commanders have good intelligence on Iranian deployments. Numerous sources report Iraqi troop morale has risen since Iraq stopped a series of Iranian attacks in February and early March.

Iraqi Reaction to an Iranian Breakthrough

Should Iran achieve a major breakthrough, however, the Iraqi army might fall back in an orderly fashion and continue fighting. Iraq would have suffered a significant setback and Saddam's regime would be badly shaken, but the war would go on. Tehran's forces would need time to regroup and resupply before attempting to continue the attack. Iranian forces then might try to cross the Shatt al-Arab south of Al Basrah and cut the main supply road to Kuwait. Such an attack would carry Iranian forces near major Iraqi oilfields and likely cause Iraqi refugees and defeated Iraqi troops to flood into Kuwait.

If the Iraqis suffered a major defeat east of Al Basrah, we believe Saddam would retaliate by lifting all restraints on military action. We would look for Baghdad to:

- ° Attack international oil tankers calling at Khark Island; this step would have little short term effect on Iran's war-making ability, but would internationalize the war--which Saddam hopes will bring more substantial world pressure to bear on Tehran.
- ° Use long-range surface-to-surface missiles and chemical weapons against military and civilian targets in Iran.

Saddam's Fate

The fate of Saddam might be the key to continued Baathist rule in Baghdad. Saddam's assassination or removal in a coup probably would trigger a prolonged period of political instability in the capital. The army has been the principal means of Baathist and Sunni Arab control of Iraq for over two decades. Saddam's removal, combined with the unraveling of the army, would greatly increase the prospects for Iran to impose a Shia-dominated Islamic fundamentalist government in Baghdad.

Reports of coup-plotting and political infighting would be early indicators that the Baathist leadership believed the situation warranted replacing Saddam in hopes of appeasing the Iranians. The dilemma for the Iraqis, however, is that removing Saddam would not be easy--he will not give up power voluntarily and has dealt ruthlessly with suspected coup-plotters in the past. Moreover, Tehran is unlikely to settle for less than the total replacement of the Baathist power structure in Baghdad if it believes that Iraqi defenses are crumbling.

SECRET

Other indicators that Saddam is in serious trouble might include:

- o Saudi Arabia and Kuwait stop financial and oil aid to Baghdad and refuse to allow transshipment of military equipment across their territory to Iraq as ways to appease Iran.
- o Shia demonstrations or riots, especially in the pilgrimage cities of Karbala and Najaf.
- o Abrogation by Kurdish leader Jalal Talabani of his recent ceasefire agreement with Saddam.
- o Civil disturbances, food riots, or other signs of a breakdown in law and order, particularly in Baghdad.
- o A breakdown in discipline or an upsurge in desertions from Iraqi military units.

If Iraqi forces collapse quickly as a result of an Iranian breakthrough, the political and military situation in Iraq could unravel rapidly--in a matter of days or weeks. We estimate that Shia comprise 75 percent of the Army's enlisted ranks and units could dissolve rapidly. There are an estimated two million Shia living in Baghdad, mostly concentrated in slum areas of the city, who might engage in civil disturbances if they sensed an Iranian victory was imminent. While Iranian units are incapable of fighting their way to Baghdad if the Iraqi armed forces remain intact, the Iranians might be able to reach the Iraqi capital, overcoming sporadic resistance enroute, if the Iraqi army unraveled.

Regional Implications of a Radical Regime

A radical Shia regime in Baghdad would fundamentally alter the political equilibrium in the Middle East, and would prove highly destabilizing to US interests in the region. Nevertheless, we do not believe most regional states will offer military support to Iraq, even if they believed Saddam's regime were in danger of collapsing.

Leaders of Saudi Arabia and the other Gulf states could be expected to greatly increase their appeals to the US and the other Western powers to "do something" to stop the Iranians. The Gulf states, however, are also concerned that too open identification with the US--particularly inviting in US military forces--would provoke Iranian wrath and further subversion. Moreover, many Gulf leaders have interpreted the pullback of the US Marines from Lebanon as "abandonment" of a US commitment to defend a beleaguered central government, and wonder how long the US would stand by them in a conflict with the Iranians.

We believe most Gulf Arab regimes, barring overt Iranian aggression against them, would not send their military forces to help Iraq, nor would they invite in US forces. They know their own forces would have no impact on the outcome of the war and would only increase the risk of Iranian

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retaliation. In fact, if the Gulf states believe an Iranian breakthrough at Al Basrah signals the beginning of the end for Saddam's regime, they might cut off financial and logistical support for Iraq--hastening the very defeat they hope to avoid.

Over the short run, the most serious dangers to the internal security of the Gulf states from an Iranian breakthrough probably are sporadic outbreaks of Shia violence, sparked by Iranian military victories, or Iranian-inspired subversion. These could trigger harsh government reprisals against Shia dissidents, which in turn could sharpen Sunni-Shia communal tensions. Kuwait and Bahrain face the greatest dangers. A Shia government in Baghdad, working in concert with Iran, could begin slipping arms and personnel across the border into Kuwait. Moreover, there are 50,000 Iraqis and 65,000 Iranians already in Kuwait, some of whom likely would support subversive operations. Over 65 percent of Bahrain's native population is Shia and Manama continues to be a major target of Iranian sponsored subversion.

Jordan's King Hussein has provided support to Iraq throughout the war, but would be reluctant to send regular military units to buttress a faltering Saddam Husayn. Still, if Egypt were to send troops, he might feel obliged to offer token Jordanian forces.

Egypt is constrained by a lack of popular or military support for a potentially costly and protracted confrontation with Tehran. In addition, Cairo is currently distracted by the latest Libyan troublemaking in Sudan. As a result, Egypt would be unlikely to commit large numbers of ground forces to the fray, and in any case lacks the capability to move a force rapidly to Iraq capable of making a difference--100,000 or more troops might be required. President Mubarak might offer to send military advisers to the Gulf states and appeal to the US to increase its security assistance to these states. If an Iranian military advance into Iraq appeared to threaten Kuwait or Saudi Arabia, Cairo might send pilots to these states to bolster their air defenses or dispatch a token force.

Syrian President Assad might have to change policy abruptly if an Iranian breakthrough threatened the collapse of Baathist rule in Baghdad. Assad, who heads a rival wing of the Baath Party, has supported Iran's war efforts against Iraq because of personal hatred for Saddam Husayn and traditional Syrian-Iraqi political rivalry. Assad would like to see Saddam toppled, but replaced with a Baathist government susceptible to Syrian influence--an outcome that is unlikely if the Iranians achieve a breakthrough.

Assad's tactical cooperation with Iran in Lebanon and in the war against Iraq masks fundamental differences between the two states that would likely come to the fore if Tehran were able to install a fundamentalist Shia government in Baghdad. Assad heads a secular government and ruthlessly crushed an uprising of the Sunni fundamentalist Muslim Brotherhood in 1982. He would fear that a victorious, more powerful Iran would turn its attention toward Damascus, as well as challenge Syria's role as a leading Middle Eastern political and military power. In addition, a victorious Iran would want to increase support for Shia extremists in Lebanon--causing Syria additional problems there--but could not do so easily without use of its bases in Syria

or Syrian-controlled parts of Lebanon. Assad would likely try to pose as a protector of the Gulf states in order to protect a major source of financial aid to his regime and to try to counter the expansion of Iranian influence in the region.

Turkey's concerns about the Iran-Iraq war focus largely on the possible spread of Islamic fundamentalist influence, deteriorating economic prospects with two important trading partners, and security problems posed by the Kurds--who occupy a large mountainous area straddling all three countries' borders. If the Kurds--taking advantage of the collapse of central authority in Baghdad--agitate for independence, we believe Turkey would move militarily into Iraq. Ankara's goal would be limited to crushing the Kurds' military and subversive capabilities along the border. If Iraq were to survive as an independent state, we believe Turkish forces would be reluctant to remain on Iraqi territory any longer than necessary to accomplish these goals. If, however, Iraq were to disintegrate as an independent state or to become no more than an Iranian puppet, Turkey might choose this time to assert its long-standing irredentist claim to a large part of northern Iraq--bringing Ankara into direct conflict with Tehran.

The Iran-Iraq war has served Israel's interests by keeping two hostile states fully occupied fighting each other. Israel--which has traditionally viewed Iraq as the greater threat--has covertly backed Iran's war effort, but some Israeli officials are now questioning that policy. Israel would not want to see a fundamentalist Shia regime come to power in Baghdad, but would be unable to influence the situation if Iran were to achieve a breakthrough. Tel Aviv would prefer that the Iraqi army held and were able to remain fighting, thereby drawing the attention and resources of the Arab world to support Baghdad. If Iraq crumbled, Israel might revert to trying to covertly support the Kurds as it did in the early 1970s.

Impact on World Oil Market

If Saddam escalates the war by carrying out his threats to attack Iran's Khark Island oil terminal or associated international tanker traffic, Iran could respond in a number of ways. These range from relatively low-risk options such as fomenting Shia terrorism in the Gulf states or launching air attacks against Kuwait to more high-risk options such as attacking Saudi Arabian economic or oil targets. Iran probably recognizes that the higher risk options carry a significant prospect of confrontation with the US--something Tehran presumably would seek to avoid. If Iran believed it could totally defeat Iraq in the short term, Tehran might choose not to retaliate for an attack against Khark or international oil tankers in order to avoid drawing in outside powers.

At a minimum, such Iraqi attacks and Iranian countermeasures are likely to cause acute nervousness in international oil markets, and to raise sharply spot oil prices and tanker insurance rates in the Gulf. The potential for significant oil price increases would be limited, however, if any interruptions in oil exports was confined only to Iran and Iraq. The ability of Saudi Arabia to continue to use its excess oil producing capacity to ease upward pressure on oil prices would be critical. It would take a major

disruption of Saudi oil exports to substantially change this picture. Saudi Arabia has approximately 60 million barrels of oil in floating storage around the world for use in case of a major disruption of supplies from the Persian Gulf. [REDACTED]

We can only speculate about the oil policies of a Shia fundamentalist regime in Baghdad, but the Iranian example suggests that both Iran and Iraq might keep their exports below their maximum capacity after the war. Iran under Khomeini is determined to operate its oil industry with minimum Western assistance, and we assume a Shia regime in Baghdad would pursue similar policies. Following the war, we estimate Iran would be able to comfortably maintain a productive capacity of about 3.5 million barrels per day, while Baghdad's would be somewhat lower, in the range of 2.5 to 3.0 million b/d. Iraq now exports 900,000 b/d through the Turkish pipeline--its only export outlet, and Iran exports approximately 1.6 million b/d. Iraq would have to rebuild its offshore loading terminals in order to resume oil exports through the Gulf. Partial restoration of them would take approximately 4-6 months and would add 1 million b/d to Iraq's export capacity. In the first year or two following the installation of a pro-Iranian regime in Baghdad, we would expect both countries to increase their exports somewhat to help rebuild their economies and financial reserves. Tehran has stated it would not demand war reparations from Baghdad if a Shia government replaced Saddam. [REDACTED]

In the late 1980s when we expect the oil market to have tightened, however, the two fundamentalist Shia regimes would likely act in concert to restrict output and to try to force oil prices higher. The regimes would challenge Saudi leadership in OPEC and view any price increases as damaging to the West and the Saudis--and hence in their best interest. [REDACTED]

Soviet Attitudes and Options

The USSR does not want a fundamentalist Islamic regime in Baghdad. The Soviets have improved relations with Saddam Husayn over the past two years, while relations with Tehran have deteriorated. Saddam's replacement by a pro-Iranian figure would dramatically curtail Soviet influence in Iraq and make the clerical government in Tehran even less susceptible to Soviet inroads.

If an Iranian military breakthrough threatened the Iraqi regime, the Soviets probably would mount an emergency airlift of military supplies to Baghdad and might hold publicized military maneuvers on their border with Iran. They would be unlikely to go as far as sending Soviet airborne or air defense forces to Iraq. None of these steps would have much effect on a determined Iranian offensive, but Moscow might hope they would act as a psychological deterrent on Tehran. [REDACTED]

If a pro-Iranian Shia government replaced Saddam Husayn in Baghdad, the Soviets probably would try to make the best of an unwelcome situation and minimize strains with Tehran. Moscow still considers Iran a greater geopolitical prize than Iraq, despite current strained relations with Tehran. The Soviets would hope that an Iranian-installed regime in Baghdad would not last long and that Iraq's heavy dependence on Soviet weaponry would eventually help them to rebuild their ties with whatever regime is in power in

Baghdad. If, however, a Shia regime in Baghdad restructures its forces along Iranian lines--emphasizing infantry and militia forces rather than armor and aircraft--there would be no more large sales of military equipment for the Soviets. [REDACTED]

Implications for the US

So long as Khomeini lives, Iran is likely to consider itself at war--politically, economically, spiritually, and militarily--with the US. Khomeini remains dedicated to eradicating all US influence and presence in the region. The defeat of Iraq would represent the greatest victory for Khomeini's philosophy of militant Shia Islam since he forced the Shah into exile in 1979. A radical Shia regime in Baghdad could be expected to seize US officials as hostages to try to humiliate the US Government. [REDACTED]

A Shia regime in Baghdad would cause Iran's threat to the stability of the Middle East to grow dramatically. Most of Tehran's energies and attention probably would be devoted, at least in the short term, to consolidating its victory in Iraq, but we believe it would also step up its subversive and propaganda efforts in the Gulf. Khomeini has repeatedly stated that the next targets of his revolution after Saddam are the conservative, oil-producing monarchies--led by Saudi Arabia--which have supported Iraq's war effort. [REDACTED]

Khomeini charges that the Saudis and other Gulf rulers are puppets of the US and only stay in power with the aid of Washington. Attempting to subvert these states would, from Tehran's viewpoint, have the dual appeal of continuing to export the revolution and of threatening key US interests in the region. The Gulf states' current dilemma over whether to turn to the US for security assistance would be greatly heightened and we would expect at least some of them to move to appease Tehran and to distance themselves from the US. Even so, their ability to withstand Iranian subversion and political pressure is questionable. One of the most serious implications for the US of an Iranian victory in Iraq is that it could lead fairly rapidly to Iranian hegemony over the Gulf as a whole. [REDACTED]