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IR 43/84 Gray/Gray-Wax.
The Staleness Continued

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COPY NO./EXEMPLAIRE NO.:

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**INTELLIGENCE
REPORT**

**BULLETIN DE
RENSEIGNEMENTS**

NO.:	DATE:
IR/BR	19 September 1984
43/84	le 19 septembre 1984

IRAN/IRAQ WAR: The Stalemate Continues

GUERRE IRANO-IRAKIENNE: l'impasse persiste

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IRAN/IRAQ WAR: The Stalemate Continues

Summary

1. The fourth anniversary of the Iran/Iraq war provides little indication of an early end to the hostilities. A military victory in 1985 is even less likely than in 1984. It is probable that the military stalemate on the ground will continue. Iran appears to be in the process of accepting that a military victory is not attainable at an acceptable price. Activity in the Gulf may continue at the present level. There is, however, some risk of escalation by Iraq. The removal of Iraqi President Saddam Hussein remains a principal Iranian prerequisite for peace; indeed, the departure of either Saddam or Khomeini provides the only hope for a negotiated end to the war. Both leaders' hold on power seems secure, however. Although the requirements of the war continue to strain the economies of both Iran and Iraq, neither country is expected to collapse in the near term.
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(Version française au verso)

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GUERRE IRANO-IRAKIENNE: l'impasse persiste

Résumé

1. Le quatrième anniversaire de la guerre irano-irakienne ne laisse guère prévoir un arrêt prochain des hostilités. Une victoire militaire est encore moins vraisemblable en 1985 qu'en 1984. Il est probable que l'impasse militaire sur le terrain persistera. L'Iran semble commencer à se faire à l'idée qu'une victoire militaire est impossible à un prix acceptable. L'activité dans le Golfe se poursuivra peut-être au niveau actuel. Existe toutefois le risque d'une escalade provoquée par l'Irak. La destitution du président irakien Saddam Hussein demeure pour l'Iran un des grands préalables au rétablissement de la paix; bien sûr, seul le départ de Saddam ou de Khomeiny pourrait faire espérer le règlement négocié de la guerre. Les deux leaders semblent, toutefois, assurés de rester au pouvoir. Bien que les besoins de la guerre continuent de grever l'économie de l'Iran et de l'Irak, aucun des deux ne devrait connaître la débâcle à court terme.

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2. The fourth year of the Iran/Iraq war was highlighted militarily by the following:

- Iran's failure to mount a decisive offensive in the southern border area after conducting a massive military and propaganda build-up;
- the Iranian ground offensive that secured the Panjwin Panhandle inside north-east Iraq in November 1983;
- the large Iranian ground offensive that secured portions of the Manjan Islands, north-east of Basra in February and April 1984;
- Iraq's ability to limit Iranian ground gains and inflict significant casualties;
- the increased Iraqi use of chemical agents to repulse Iranian attacks and the subsequent publicity and condemnation;

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- increased Iraqi attacks on Iranian and non-belligerent ships bound to and from Iranian ports in the northern Persian Gulf and, in particular, the use of EXOCET missiles launched from SUPER ETENDARD aircraft against oil tankers servicing Kharg Island;
- Iranian retaliatory harassing air strikes against non-belligerent oil tankers bound to and from non-belligerent ports and the subsequent resolve demonstrated by Saudi Arabia to resist such attacks;
- the agreement and general compliance by both sides to refrain from shelling and bombing civilian population centres; and
- the continued expansion of Iraq's army and air force while Iran's air force marginally declined in effectiveness and Iran's army expanded largely in terms of light infantry only.

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3. The internal situation in both countries was relatively stable with only the following noteworthy observations over the past year:

- Khomeini's ability to retain control by directing modest compromises in internal policy, thus ensuring the continued stability of the Iranian regime inspite of disagreements involving the radical and conservative mullahs and some isolated dissident activity;
- Saddam's ability to retain control through an ongoing massive propaganda effort, his own charisma and his tight control of a ruthless security apparatus that to date has eliminated all notable opponents in Iraq, notwithstanding indications of reservations in some quarters about his personality cult;
- Iraq's January 1984 precarious agreement with Jalal Talabani's National Union of Kurdistan, the second largest Kurdish group in Iraq, that gave limited autonomy over certain areas of north-east Iraq in return for military support against Iran; and

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- Iran's annual ongoing and modestly successful military campaign to retain control of Kurdish areas inside north-west Iran.

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4. Iraq's oil revenues are still insufficient to finance both military and non-military imports. Despite austerity measures, Iraq remains dependent on external sources of finance to conserve its foreign exchange reserves, which have now stabilized at levels sufficient to provide for at least six months of imports. The most important sources of finance are supplier credits and Gulf state aid (in both cash payments and oil sold on Iraq's behalf). Iraq did expand its oil revenue by over 15 per cent in 1984 by increasing the capacity of the pipeline through Turkey. While this revenue increase was insufficient to eliminate the need for capital inflow, it did reduce the required amount of external financial support in 1984. Further increases in export revenue are dependent on the construction of one or more of three proposed export pipelines (not expected before 1986 at the earliest) or the resumption of oil exports through the Gulf. These additional revenues would allow Iraq to finance imports with minimal external assistance and improve its ability to repay

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its debts. In the interim, it is expected that Iraq will continue to receive the financial help required to carry on the war. (SECRET)

5. Iran has reinstated austerity measures this year in order to reduce spending and imports below the post-revolution high levels of 1983. These new restrictions have exacerbated shortages of goods and slowed industrial growth. Many sectors, especially agriculture and transportation, continue to be plagued by poor management, due in part to a shortage of skilled manpower, a problem with its roots in the revolution and aggravated by four years of war. Although foreign exchange reserves are US \$7.5 billion, sufficient to finance over six months of imports, lower than expected oil revenues are a major concern for Iran. Revenues were reduced earlier in the year by the effects of Iraq's tanker war and more recently by Iran's decision to cease providing price discounts on its oil, causing export volumes to decline sharply.

(SECRET)

6. The manpower, material and financial requirements of the war continue to strain the economies of both Iran and Iraq. Economic adjustments are being made in both countries

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in order to fulfill, as best they can, war-related and civilian requirements. These adjustments, especially import restrictions and the allocation of resources toward war-related activities, have limited general economic growth and created shortages of many goods. However, neither country's economy is expected to collapse in the near term.

(SECRET)

7. The prospects for an end to the war through a military solution on the ground appear even less likely in 1985 than in 1984. It is now more clear than at any other time during the war that Iraq is quite capable of preventing significant penetration of its border areas. Iraq's ground forces number approximately one million men (composed of army, border guard, people's army, various para-military and irregular units) and are well equipped and reasonably well trained in relation to their under-equipped and logistically handicapped Iranian opponent. As well, Iraq is prepared to use its air superiority and chemical agents to repel a major Iranian offensive. Iran's recognition that a major conventional offensive would be costly in lives, coupled with indications of possible Iranian military reluctance and even disaffection between the Revolutionary Guard and the regular

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army lessen the probability of a major Iranian ground offensive. There is absolutely no reason at this time to believe that Iraq is contemplating a switch to offensive ground tactics.

(SECRET)

8. The war in the Persian Gulf now has centered on attacking non-belligerent merchant shipping. Although Iraq's attacks have met with some success, they have not by themselves significantly damaged the Iranian economy. However, they have created short-term fluctuations in insurance rates and oil deliveries. Iranian retaliation has had little military or economic effect. Saudi success in dealing with those attacks and the support shown by the USA and Western countries have increased the Gulf states' confidence that they can cope with the Iranian threat.

(SECRET)

9. While Iraq could use its overwhelming air power to attack ports and other economic facilities using air delivered weapons, to date it has appeared reluctant to do so. Retaliation could seriously jeopardize Iran's few remaining aircraft. Iran would, therefore, be more likely to retaliate by unconventional means, such as terrorism, the destruction of port facilities through sabotage, or Kamikaze

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attacks on shipping. Of particular interest is the possibility of harassment mining which could have some limited success, as events in the Red Sea have indicated.

(SECRET)

10. The prospects for a military solution on the ground are slim. Iran cannot be expected to improve its conventional forces enough to make significant headway against Iraq. There are indications that Iran has now recognized Iraq's conventional superiority and, therefore, it may shift its forces to a low intensity, less conventional war of attrition in the north-west where it experienced some success in late 1983. Although Iraq has the capability to wage a more intensive and successful air war against Iranian military and economic targets in order to force Iran to the negotiating table, there are few indications, other than Iraq's statements of capability, that it is prepared to do so. Thus, although there is the potential for an increase in military activities in the next year, the mood on each side appears to indicate a cautious biding of time in the hope that a solution will materialize through growing war weariness or a change in policy by the other.

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11. Although there are occasional rumours and signs that both regimes have problems with domestic unrest, the situation appears well under control in both countries. There have been recent reports that Saddam has had to deal with coup attempts by some military officers. There is, however, no identifiable organized opposition to the regime and the security apparatus apparently has the situation under control. (SECRET)

12. Notwithstanding the relatively successful ceasefire concerning civilian population centres, the mixed signals that sometimes emanate from Iran and the various attempts to institute peace negotiations by national government and international organizations, there is no doubt that the removal of Saddam from power remains an Iranian prerequisite for peace. However, the Iranians have dropped reference to the elimination of the Baathist regime. By not stressing the removal of the Baath Party, Iran may be hoping to encourage a palace coup (an unlikely but not an impossible prospect), and to persuade the Gulf states that they need not fear that Saddam's fall would necessarily lead to the establishment of a pro-Iranian Shiite theocracy in Iraq. (SECRET)

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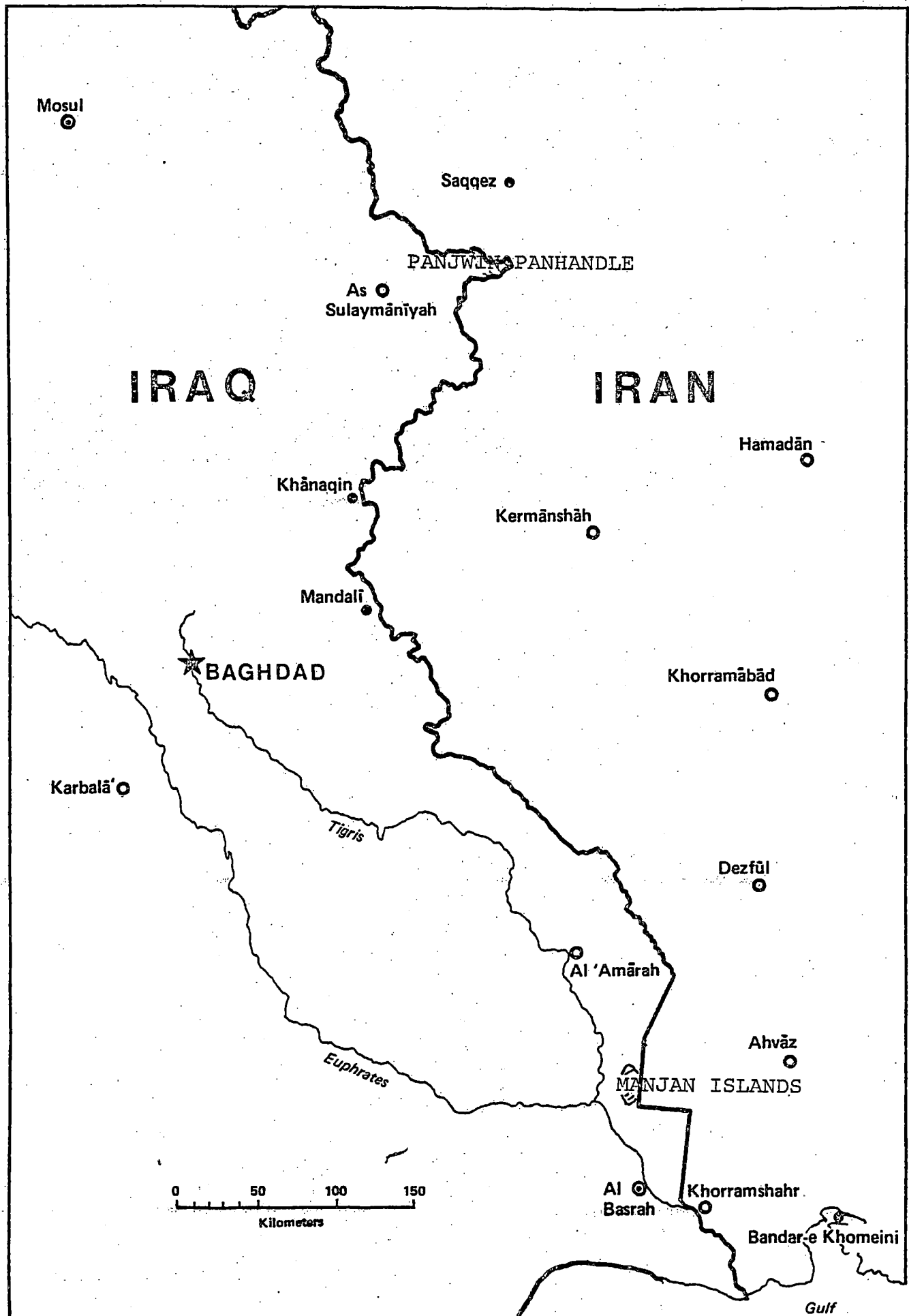
13. As Iran now appears to be in the process of accepting that a military victory is not attainable at an acceptable price, it is probable that the stalemate will continue on the ground. It is unlikely, however, that this stalemate can be developed into a more significant ceasefire or truce, let alone peace, as long as Saddam and Khomeini remain alive.

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