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THE IRAN-IRAQ WAR: IMPLICATIONS FOR U.S. POLICY

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The Iran-Iraq conflict at its present state has become a war of attrition with neither side capable of achieving a decisive military victory over the other in the short term. U.S. policy concerns currently are threefold: first, that Iraq, despite moves to sustain its economic and military capacities, ultimately might suffer a destabilizing defeat to the detriment of U.S. interests in the Persian Gulf region; second, that future instability in Iran could open opportunities for Soviet exploitation; and third, that the conflict might expand beyond its present confines to threaten friendly regional states and the availability of their vast petroleum resources. As international efforts at mediation between the combatants continue to founder, these concerns raise policy questions of marked interest for the Congress. To date, the United States has maintained an official neutral stance in the war. Since 1983, the Administration overtly moved toward closer relations with Iraq, thereby generating debate over the potential effects of a policy "tilt" upon shorter- and longer-term U.S. interests in the Gulf. Congressional inquiries resulting from revelations in November 1986 of secret U.S. arms sales to Iran, however, suggest that a U.S. policy reappraisal toward Iran had begun in late 1984, thereby raising questions regarding U.S. consistency and credibility in the region.

BACKGROUND AND POLICY ANALYSIS

I. U.S. Interests and Policy Options

A. Introduction. For the United States, the political, economic and strategic significance of the Persian Gulf, located half the globe from American shores, derives primarily from the region's petroleum resources (more than half the world's proven crude oil reserves). The region is also of importance as a key strategic crossroads, and because of its major commercial relations with the United States and its allies.

Fundamental U.S. interests in the Gulf include: continued assured access to the region's oil resources for the Western industrialized countries and Japan; maintenance of regional stability and the territorial and political integrity of littoral states; continued use of the region's communications, land, sea and air routes, and transit facilities; maintenance and strengthening of economic ties with regional states; and prevention of the establishment by an external adversary power -- in particular, the Soviet Union -- of a predominant political or military presence in the region. An associated interest, stemming from the U.S. commitment to Israel's survival, is seeking support from regional states for a basic American policy goal of resolving the Arab-Israeli conflict which affects virtually every issue of major U.S. concern in the Middle East.

B. Iran. The United States has a continuing interest in the maintenance of Iran's territorial integrity, unity and sovereignty as a strategic buffer between the Soviet Union and the Gulf. Geographically and demographically, Iran retains a natural preeminence in the Gulf region. Strategically, the country dominates the northern approaches to the Middle East. Iran's size, location, vulnerability and common border with the Soviet Union give it significance in superpower competition. Direct or indirect extension of

Soviet influence or control over Iran would constitute a major threat to the security of the Gulf region and its enormous petroleum resources. Future instability in Iran could lead to national disintegration, thereby opening opportunities for an upsurge in Soviet influence or the establishment of a pro-Soviet client regime, with even the potential for Soviet invasion.

The United States also has an interest in preventing Iranian Islamic revolutionary or military expansionism in the Gulf region. An Iranian "hegemony" over the Gulf oil-producing states could decisively change the world oil market. This interest in containing a strengthening of Iran's regional position in many respects conflicts with the U.S. interest in an Iran sufficiently strong to resist Soviet power and control and to oppose, for its own Islamic revolutionary reasons, the expansion of Soviet power southwards. Iranian Islamic expansionism carries the potential for destabilizing the Gulf region, jeopardizing oil supplies, lines of communication and friendly Arab governments. These two, sometimes contradictory, interests would suggest, therefore, a careful balance between Soviet-Iranian and Iranian-Arab problems in U.S. policy decisions.

C. Iraq. The preservation of Iraq's sovereignty is currently in the U.S. interest. Iraq occupies a strategic position in the region, bordering on -- in addition to Iran -- Turkey, Syria, Jordan, Saudi Arabia, and Kuwait. Some observers consider that Iraq is important to short-term U.S. interests in that it protects the vulnerable oil-producing Gulf Arab states from Iranian military power and coercion and restrains Iranian subversive ambitions. The installation of a Shi'ite revolutionary government in Baghdad, should Iraq collapse, would raise the potential for the formation of an Iranian-Syrian axis which would threaten not only the Gulf region but also Israel, Jordan and Lebanon and U.S. interests in the Eastern Mediterranean.

D. Gulf Stability. The United States and its allies possess an important interest in stability in the Gulf region. Successful mediation efforts culminating in a cease-fire and a negotiated settlement to the conflict between Iran and Iraq would appear to be compatible with this interest. An escalation of the Iran-Iraq war, whether initiated by either side, raises the distinct possibility for wider involvement, both regional and external, that would without doubt affect the region's oil production, prices and exports. Such a crisis could engender superpower confrontation.

E. U.S. Policy Options: To Tilt or Not To Tilt? From the beginning of the conflict, there has been considerable debate over U.S. policy toward Iran and Iraq. Some observers have contended that the U.S. course of neutrality has rendered U.S. policy on the war impotent. They reportedly called for options that would "tilt" the United States toward Iraq. Others have perceived that, should Iraq seriously damage Iran's oil export capabilities, Iran will likely respond with actions that could widen the conflict. Thus, it is essential, in this view, that regional countries and other interested parties make a concerted effort to bring pressure on the two belligerents to exercise restraint. Should there be an escalation of the war, the entire Gulf could become embroiled with obvious regional and worldwide implications, including spillover effects on the Arab-Israeli conflict, the Western economies, and the potential for superpower confrontation.

Those favoring a "tilt" in U.S. policy toward Iraq have considered that the short-term interests of the United States and its allies would be served by helping preserve Iraq's sovereignty and preventing the installation of a Shi'ite revolutionary government in Baghdad. The United States can assist in the prevention of an Iraqi economic collapse through the export of U.S.

technological expertise and services, and by loans and guarantees, including the Export-Import Bank. They argued that Iraq strategically is important to these interests in that it protects the vulnerable Gulf oil-producing states from Iranian military power and restrains Iranian subversive ambitions. Others assert the United States should assist Iraq through non-lethal means, including satellite intelligence data. Should Iraq collapse, wider U.S. interests in the Middle East would be threatened.

The advocates of a "tilt" toward Iraq have pointed to the prevailing trend that, over the long term, a war of attrition favors Iran and that Ayatollah Khomeini will never negotiate a settlement until Iraq collapses. They contend that the United States needs Iraq for leverage against Syria; if Iraq collapses, and a Syrian-Iranian axis is formed, Syria will achieve new regional predominance, thereby increasing Soviet influence. Iraq, since 1975, has distanced itself from its formerly close relations with the Soviet Union; despite recent increases in Soviet military supplies, Baghdad maintains its independence from possible Soviet leverage. With respect to U.S. policy goals in the Middle East, Iraq has indicated its acceptance of Israel's right to exist and has expelled the Abu Nidal faction. Iran, on the other hand is lending support to terrorism through training, financing and equipping various groups, and Tehran is suspected for its complicity in the bombings in Lebanon and Kuwait and other incidents of terrorism, including hostage-taking. The Khomeini regime's human rights record is atrocious. The greatest danger facing Iraq is economic strangulation and, so long as Khomeini remains in power, the war of attrition is likely to be unrelenting. The United States and its allies should at all costs prevent Iranian success. Restorian of diplomatic ties with Baghdad in November 1984 would seem to have underscored this determination.

Those critical of an Iraqi option reportedly have contended that such a "tilt" toward Iraq serves no useful purpose. They consider that Iran, in the longer-term, is of greater strategic importance to U.S. interests and outweighs other short-term considerations. While there are few expectations for any improvement in U.S.-Iranian relations so long as the current Tehran regime retains power, a "tilt" toward Iraq tends to discourage longer-term moderation in, and future ties with, Iran. Iran remains the strategic buffer between the Soviet Union and the Gulf; closer U.S. relations with Iraq would tend to draw Iran nearer to the Soviet Union and weaken the nonaligned and anti-Soviet position held by many in the Tehran regime. The United States should make every effort to establish contracts with receptive elements in the Iranian leadership. They argue that such elements could influence a change in the Khomeini regime's continued refusal to negotiate an end to the 6-year-old conflict. Links with moderate factions could serve as a hedge against Soviet designs on Iran, particularly when the time comes for a successor to Ayatollah Khomeini. In this sense, the renewal of U.S.-Iraqi relations has served no useful purpose.

Others contend that there is no apparent visible role for the United States to play in the conflict; with limited leverage on either side, the United States should remain on the sidelines. Direct U.S. aid to Iraq would only give Iran more reason to prolong the war. The costs of potential U.S. involvement would be high. In any case, the current military stalemate, which drains the energies and resources of both the Tehran and Baghdad regimes, serves U.S. interests and prevents either of them from threatening the Gulf Arab states through military aggression or subversion. The Husayn regime in Baghdad is no better than the Khomeini regime in Tehran. On the one hand, Iraq has used chemical weapons against Iranian troops. On the other, Iran has sent waves of children to clear minefields, has refused

permission ot the International Red Cross to visit Iraqi prisoners-of-war, many of whom reportedly have been subjected to psychological pressure and execution. Iran reportedly has used chemical weapons against its Kurdish dissidents. U.S. involvement could jeopardize delicate mediation efforts designed to bring the two belligerents to the bargaining table, and could lead to escalation of the war.

Since April 1984, the escalation of the air war against shipping in the Gulf and U.S. reflagging of Kuwaiti tankers has generated debate over U.S. military involvement in the region. [See CRS Issue Brief 87145, The Persian Gulf and the U.S. Naval Presence: Issues for Congress.] Some caution that the mission of U.S. forces must be clearly defined, together with the development of a plan and force structure capable of achieving precisely determined goals. In any event, any U.S. intervention will face the risk of appearing to take one side or another.

II. The Iran-Iraq Conflict

A. War of Attrition

To date, the Iran-Iraq war has become a war of attrition -- a static conflict since mid-1982 in which the line of battle has not moved more than a few miles from the common border. The pattern of operations in general has become one of periodic Iranian offensives, launched partly in the hope of breaking through Iraqi lines and partly to wear down the Iraqi forces. Tactically, the Iranians have persisted in attacking, using massed infantry, but battles have not been fought to decisive conclusions, in large measure because the Iranians have lacked the equipment and spare parts, firepower, and logistical support to achieve effectively their objectives or to exploit breakthroughs. Neither side has made optimal use of weapons essential for a war of maneuver.

Since June 9, 1985, Iranian ground operations generally have taken the form of rapid, small-scale attacks against the Iraqi lines in all three sectors of the 780-mile front. Majlis Speaker Rafsanjani stated at the time that Iran's intent was "to achieve victory with as few casualties as possible;" and Pasdaran Chief of Staff Ali Reza Afshur asserted on June 23 that Khomeini has issued "an overall order for a defensive holy war."

In early February 1986, Iraqi units repulsed Iranian attacks in the marshlands north of Basra. On Feb. 10, Iranian forces crossed the Shatt al-Arab southeast of Basra and succeeded in occupying the Iraqi port of Al-Faw. Tehran increased pressure on Iraq by opening an attack on Feb. 24 in the northern sector, in conjunction with dissident Iraqi Kurds and exiled Shiite units. The apparent objective was to tie down Iraqi forces in the northern and southern extremities of the front, thereby making Iraq more vulnerable to a full-scale offensive north of Basra. Following a massive buildup of Iranian troops in the Susangerd area, Baghdad has been anticipating an imminent large-scale attack in the central sector. On April 30, Iraqi ground forces struck across the Iranian border in the sector in an effort to disrupt Iranian concentrations. In May Iraqi forces captured the border town of Mehran, only to be driven back after six weeks. During the night of Aug. 31, Iranian forces attacked in the Haj Omran area in mountainous terrain; both sides claimed to have inflicted heavy losses on the other. On Sept. 11, Iraq reported its forces had repulsed an Iranian amphibious attack in marshlands in the southern sector. Iran launched a sizeable attack across the Shatt al-Arab on Dec. 24 that was thrown back with

considerable losses after heavy fighting.

On Jan. 6, 1987, Iranian forces conducted a large-scale, 3-pronged attack against Iraqi defense lines protecting the eastern approaches to Basra, advancing up the east side of the Shatt al-Arab to within 6 miles of the city. In early February, a series of Iraqi counterattacks appeared to have succeeded in recovering some lost territory. Casualty estimates placed Iranian losses at 50,000, and Iraqi at about 20,000. In the central sector, Iran launched a "limited operation" north of Sumar, claiming to have recaptured territory seized by Iraq in 1980. Iran renewed its attacks near Basra on February 23.

In the air, the Iraqi air force, with increasing frequency, has struck at Iranian economic and industrial targets throughout 1986 and into 1987. With the new round of ground fighting, both sides have resumed air, missile, and artillery attacks on the other's population centers. Baghdad declared a halt in air attacks on Iranian cities on February 19, but on February 23, threatened to renew the raids because of Iranian attacks and shelling near Basra.

A feature of the recent Iranian offensives is that the Iranian air force has been more in evidence, and Iran has improved its air defense systems. Some observers consider that shipments of U.S. arms and spare parts have contributed to an improved Iranian performance.

A number of observers consider that the Iranian leadership, armed with the knowledge that it cannot lose the war militarily and having conditioned its economy, its people and its foreign policy to the concept of a prolonged conflict, has decided to continue the war of attrition in order to bring down the Iraqi regime of Saddam Husayn. While the war has impinged strongly on Iranian national life and casualities have been heavy, fighting has taken place at a distance from the principal cities. The stepping up of Iraqi air attacks on population centers in early 1985, including Tehran, reportedly had succeeded in prompting some limited anti-war demonstrations within Iran.

Iran continues to finance its war effort through petroleum exports which have ranged between 1.6 million and 2.3 million barrels per day except for periodic drops as a result of Iraqi air attacks against tankers and Iranian oil terminals. Tehran continues to reject all attempts at mediation and negotiations for a settlement of the conflict. Iraq, on the other hand, has faced economic difficulties with its primary oil export terminals having been destroyed early in the war, its trans-Syrian pipeline cut off because of Syria's support for Iran and its hostility toward the Bahgdad regime, and its remaining pipeline through Turkey facilitating some 1 million barrels per day. Since September 1985, between 300,000 and 500,000 b/d has been exported through the Saudi port of Yanbu, and some 100,000 b/d is trucked to Agaba, Jordan, and through Turkey. The current slump in world oil prices has compounded the problems facing the Iraqi economy, including 1986 repayment deadlines for deferred debts to overseas creditors. Some economists estimate that Baghdad will require $4 billion to $8 billion to meet its current account deficit in 1986. Such figures do not include the costs of the conflict (estimated at $600 million-$1 billion per month) that are partly being met by Gulf Arab oil-producing states. With a population of only a third of its adversary, Iraq faces greater difficulties than Iran in sustaining the heavy casualties of a war of attrition, and it has expressed its willingness to join mediation efforts to end the conflict.

Iraqi President Husayn, on Aug. 3, 1986, issued an open letter to Iranian

leaders calling for a mutual withdrawal from occupied territories, an agreement not to interfere in the other's internal affairs, and a full exchange of prisoners. On Aug. 7, Ayatalloh Khomeini rejected the plea, stating that peace with Iraq now would be "contrary to Islam" and "compromise would be worse than war." At the same time, Iranian news media reported the movement of the thousands of fresh troops to the front in preparation for a new offensive. Khomeini, on Feb. 10, 1987, declared that Iran was engaged in "a divine cause" which would not cease until final victory.

B. The Air War in the Gulf. Since Aug. 12, 1982, when Iraqi President Husayn declared a maritime exclusion zone in the northern Gulf, the Iraqi air force has been increasingly active in attacking shipping and oil installations in that zone.

Iraq's objectives are to prevent or reduce the importation of vital materials required by Iran for its war effort and to reduce or terminate Iran's financial means to conduct war through its oil exports. It should be noted that until Mar. 27, 1984, Iraq had refrained from striking the Kharg Island terminal, which handled some 90% of Iran's oil exports. Iraqi Foreign Minister Aziz reiterated on May 19 his government's intention of continuing to interdict shipping to and from Kharg Island and Iran's northern ports, emphasizing Iraq's objective of demonstrating to the Tehran regime that "the elusive war of attrition which they bet on is not in their interest."

Iraq continued its pattern of periodic attacks on shipping within the exclusion zone throughout 1985, 1986, and into 1987. In addition, Iraqi aircraft made frequent attacks on pumping stations at Gurreh and Ganaveh supplying Kharq Island. In July 1985 Baghdad claimed to have carried out successful raids against Iranian offshore oil fields. On August 15, several Iraqi aircraft effectively damaged the T-junction loading pier on the east side of Kharg Island. Iraq continued its raids on Kharg into October. On Sept. 18, the Sea Island loading pier on the east side of Kharg sustained heavy damage, thereby temporarily lessening Iran's capabilities to export oil.

Iran's response since mid-May 1984 has been to attack shipping sailing from Saudi and other Arab ports in the Western Gulf and to stop and search shipping entering the Gulf and, in some cases, confiscating cargoes reputedly bound for Iraq.

The cumulative effects of Iraq's gradually escalating air strategy in the northern Gulf have been threefold: an inhibition upon shipowners and oil traders from sailing to northern waters; a rise in marine insurance rates; and increases in spot oil prices. To offset future suspensions of shipments from the Kharg Island terminal, the Iranian Oil Ministry has been loading crude from its Lavan Island terminal (150,000 b/d capacity) and supertankers anchored off Sirri Island, near the Strait of Hormuz, replenished by shuttle tankers from Kharg. In late June 1986, Iran opened new floating terminals off Hengam and Larak islands at the Strait of Hormuz.

On Aug. 12, 1986, Iraqi Mirage F-1 strike aircraft, armed with laser-guided AS-30 air-to-surface missiles and using in-flight refueling, hit five tankers off Sirri Island in an attack regarded by some observers as a significant escalation of the conflict. Facilities at Lavan Island were attacked on Sept. 5. On Nov. 26, Iraq attacked the Larak island transhipment terminal. [For recent developments in the Gulf air war, see CRS Issue Brief 87207, The Persian Gulf and the War Powers Debate: Issue Summary and Review of Events.]

C. Mediation Efforts. Since the beginning of the conflict in September 1980, there have been several mediation efforts designed to achieve an end to the war on the part of international and regional organizations as well as individual countries. All such efforts have failed because of Iran's insistence that any resolution to the conflict must contain the following conditions: the unconditional withdrawal of all Iraqi forces from Iranian territory; the convening of an international tribunal to determine the aggressor; the payment of war reparations (placed by Ayatollah Khomeini at $150 billion); the return of some 100,000 Shi'ites expelled by Iraq; and the overthrow of Iraqi President Husayn and his leadership. Many observers consider that a negotiated settlement is unlikely so long as Ayatollah Khomeini, who continues to insist on Iraqi President Husayn's removal from office, retains power. Recent statements by Iranian leaders, however, indicate differences as to the conduct of the war and a possible shift by some away from earlier maximalist positions. Iraq has expressed its willingness to accept a negotiated settlement under the following conditions: a return to international borders; an exchange of prisoners; a non-aggression pact; and an agreement not to interfere in each country's internal affairs.

I. Chemical Weapons. Between May 1981 and March 1984, Iran claimed that Iraq employed chemical weapons against its forces 49 times. (The use of chemical weapons was banned under the 1925 Geneva Protocol, to which both Iran and Iraq are signatories.) The U.S. State Department on Mar. 5, 1984, asserted the United States had concluded that "available evidence" indicated "lethal chemical weapons" had been used by Iraq during the February fighting that were "inconsistent with the accepted norms of behavior among nations."

On Mar. 26, 1984, an investigation by an international team of medical and military specialists undertaken in Iran earlier in March at the request of U.N. Secretary General Javier Perez de Cuellar in response to Iranian charges of Iraqi use of chemical weapons, concluded -- without suggesting the origin -- that mustard gas (bis-(2-chloroethyl)-sulfide) and a nerve agent known as Tabun (ethyl N, N-dimethylphosphoramidocyanidate) had been employed. The extent to which the chemical agents had been used, however, could not be determined. No evidence was found of the presence of mycotoxin.

Majlis Speaker Rafsanjani announced on Mar. 23, 1984, that Iran was committed not to use chemical weapons, but he stated that it possessed the capability for manufacturing them. On Mar. 27, Iranian Ambassador to the United Nations Said Rajai-Khjorassani warned that if the Security Council took no action against Iraq for its use of such weapons, Iran would then be encouraged to resort to chemical warfare in retaliation, "should we find we have no other means to stop the ememy." On Mar. 30, the Security Council "strongly" condemned the use of chemical weapons, but did not name Iraq as the guilty party.

State Department spokesman John Hughes announced on Mar. 30, 1984, the imposition of regulations restricting the export of chemicals to both Iran and Iraq that could be used in the production of chemical weapons. On Apr. 9, 1984 five West European nations -- West Germany, the United Kingdom, Denmark, Belgium and the Netherlands -- agreed to restrict the export of substances to Iran and Iraq that could be used to produce chemical weapons. In April 1985, U.S. intelligence sources, monitoring world markets in the sale of such substances, reportedly concluded that both Iraq and Iran were continuing to purchase the chemicals despite the restrictions.

Tehran again charged that Iraq used lethal chemical weapons against its

forces during the March 1985 offensive. Secretary of State Shultz condemned the use of chemical weapons during a meeting with Iraqi Foreign Minister Aziz on March 25. Iranian Foreign Minister Ali Akbar Velayati claimed on Apr. 16 that between Mar. 3 and Apr. 9, there were 33 Iraqi chemical attacks in which 4,000 Iranians were killed or injured. Velayati was critical over the failure of the United Nations to take action against Iraq for using chemical weapons, and he asserted that Iran had the capability to retaliate. The State Department on Apr. 24 expressed concern that Iran may have developed an arsenal of chemical weapons for use against Iraq.

During the February 1986 Iranian offensive in the Al-Faw Peninsula, Tehran accused Iraq of having used chemical weapons and stated that more than 8,000 of its troops had been affected. The State Department on Feb. 19 condemned Iraq's use of chemical weapons. U.N. Secretary General de Cuellar on Mar. 14 released an investigation team's report naming, for the first time, Iraq's use of mustard gas and nerve gas, and on Mar. 21, the U.N. Security Council condemned the continued use of chemical weapons by Iraq. On July 15, a British representative at the Conference on Disarmament in Geneva charged that Iraqi chemical weapons were responsible for about 10,000 casualties and stated that Iraq appeared to be increasing its capabilities to produce chemical weapons.

On Jan. 7, 1987, Iran claimed to have hit an Iraqi chemical weapons depot on the western bank of the Shatt al-Arab, during an artillery barage, releasing a cloud of toxic gas that caused several hundred Iraqi casualties. The Iranian media also quoted an Iranian official as stating that Iran can now produce its own chemical weapons and may use them against Iraq. On Feb. 23, Tehran claimed Iraq had used chemical weapons against Iranian forces near Basra, but chemical warfare units had "neutralized the impact of the toxic gasses."

III. Future Trends in the Iran-Iraq War

Iraqi air attacks on Gulf shipping and Iranian threats to blockade the Gulf have indicated a large element of psychological warfare between the two belligerents. Iraq currently possesses a quantitative and qualitative edge over Iran in modern weapons, particularly in aircraft, armor, and artillery. But prevailing demographic and economic imbalances ultimately appear to favor Iran. Iran's stated messianic and expansionist goals indicate the present Tehran regime's ambitions to play a major role in the region.

A 1985 Economist Intelligence Unit study considered the probability likelihood of four scenarios for an end to the conflict: escalation of warfare (10%); a continuing war of attrition (40%); no war, no peace (40%); and a collapse of Iraq (10%). The authors suggested that damage inflicted by war was such that even an early settlement would have Iraq needing 10 years to complete reconstruction, and Iran 20 years. They emphasized that both combatants will be dependent on oil revenues for some time to come, and the importance of Iran's "ultimate weapon," its numerically superior population. They warned against underestimating the motives and forces that produced the Iranian revolution and upon which Ayatollah Khomeini can still draw.

The Iraqi economy faces increasing difficulties should the current war of attrition prevail. Oil revenues, once in excess of $20 billion per year, have fallen between $5.3 and $8 billion. Iraq is dependent on subsidies from other Arab oil-producers in order to maintain its war effort. Baghdad is confronted with difficult choices in economic priorities as resources and

manpower are expended in the conflict. The capacity of Iraq to prosecute the war has been severely curtailed by the fall in international oil prices despite its increased export capabilities. At the beginning of 1986, the Iraqi government appeared to have succeeded in organizing the economy to cope with development priorities, as well as the war. By mid-1986, development seems to have taken a back seat. Iraq presently is squeezed more tightly by acute shortages of foreign exchange, and it continues to request its suppliers to agree to further debt rescheduling.

Experience gained and lessons learned from the war have improved the quality and operations of the Iraqi armed forces, and there appears to have been significant modification in the command and control structure. With the acquisition of large quantities of modern military weapons systems and equipment, difficulties remain with the technological assimilation in certain areas and the optimal use of sophisticated systems. The morale factor in the armed forces continues to be of extreme importance.

A "massive" Iranian general mobilization plan began in October 1985 in preparation for a "final offensive." Special operations forces units reportedly have been deployed along the front, thereby indicating the possible utilization of new tactics. Several hundred thousand volunteers and conscripts, including civil servants and professionals, were added to the ranks of the Islamic Republic of Iran Guards Corps (IRIGC -- Pasdaran) and Basij (militia) units, with large numbers dispatched to the front. The Supreme Defense Council, comprising of senior religious, political and military leaders, was bolstered and charged with coordinating war policy, including mobilization and training. Government departments, nationalized banks and industries, and other affiliated organizations were requested in late June 1986 to place staffs and resources at the disposal of the IRIGC. In August 1986, Prime Minister Musavi issued guidelines for transforming the Iranian economy following a cabinet review. The war effort occupied first priority in the official guidelines, with emphasis upon a successful conclusion of the Iran-Iraq conflict before March 1987. Some observers suggest that Iran needs results quickly. There have been reports of differences within the top levels of Iran's leadership over the conduct of the war, external mediation efforts, and negotiations for a settlement of the conflict. The IRIGC reportedly has been receiving the bulk of new equipment to the resentment of the regular armed forces. A large-scale "final offensive," possibly through a sequence of attacks along the entire front, is expected at any time with the objective of breaking the Iraqi armed forces. The initial success of Iranian tactics employed in operations in late 1986 and early 1987 indicate that Tehran has found a key to breaking through seemingly impregnable Iraqi barriers. Amphibious assault appears to have become something of an Iranian specialty.

Some observers consider a likely Iranian objective to be the isolation or capture of Basra and the establishment of a revolutionary Shi'ite regime on Iraqi soil. Once consolidated, Iranian forces would advance to take the shrine cities of Najaf and Karbala. Others question Iranian capabilities, however, to exploit and sustain an advance in light of Iran's limited materiel and logistical resources.

An Iranian attempt to block the Gulf is considered manageable provided that prompt and effective action is taken to protect shipping and secure the Strait. Destruction of oil installations at selected locations in the Gulf region, on the other hand, carries potentially critical dangers for Western interests. Western Europe and Japan would be more directly and immediately affected. The protection of Gulf oil fields and installations, because of

their widespread locations and areal extent, would strain available U.S. and allied assets.

While a negotiated settlement appears unlikely in the near-term, indefinite prolongation of the conflict is not necessarily a foregone conclusion. A number of ongoing factors could combine to undermine the political will to prosecute the war. Increased psychological attrition within the Iraqi political and military leaderships could result in major changes. The effects of the oil price decline on the acquisition of military equipment and on the domestic economy are increasingly felt by both sides. There are indications of growing war-weariness in both Iran and Iraq. Some observers suggest that dwindling resources and the war eventually could create circumstances for a slowdown in hostilities, a de facto cease-fire, and, eventually, an armistice.

IV. Soviet Interests and Involvement in Iran and Iraq

A leading U.S. policy concern is that the Iran-Iraq conflict will open opportunities for Soviet exploitation, thereby enabling Moscow to enhance its position vis-a-vis the United States in the Gulf region. The nature of the Soviet threat, however, is subject to wide-ranging debate and, since the change of leadership in Moscow, new patterns of Soviet policy are emerging. While Moscow has tended to avoid large risks in the Middle East during the recent past, nevertheless it continues to perceive that it has important and legitimate interests in the region.

For the Soviet Union, the Persian Gulf lies proximate to its southern border and Moscow, as it seeks to increase its influence among regional countries, cannot remain indifferent to political and military developments in the region. Former Soviet Chairman Leonid Brezhnev acknowledged that the Gulf was an area of vital Western interests on Dec. 10, 1980, in New Delhi when he proposed a multilateral agreement for the demilitarization and neutralization of the Gulf region. Nevertheless, the Soviet Union continues to oppose all U.S. efforts to defend those interests through the establishment of a military presence in the Gulf/Indian Ocean region.

Moscow faces constraints to any policy initiative aimed at exploiting opportunities arising from the Iran-Iraq war. Because of Iran's size, location, population, and common border with the U.S.S.R., the Soviets perceive Iran as strategically more important than Iraq. Since the Iranian revolution, Moscow has aimed at normalizing and improving its political and economic relations with Tehran. But it has avoided any overwhelming commitment toward supporting Iran lest its ties with Iraq and its standing in other parts of the Arab world be eroded. Soviet neutrality in the conflict, in consequence, has been translated into maintaining a controlled supply of arms to both sides.

Soviet relations with Iraq had been good until the mid-1970s when they began to sour, despite a 1972 Treaty of Friendship and Cooperation. Iraq subsequently started to diversify its sources of arms and imported Western -- including American -- technology and equipment. During the first two years of the Iran-Iraq conflict, Moscow was cool to Iraqi requests for additional supplies of military equipment and spare parts. Iraq responded by executing or exiling members of the Iraqi Communist Party, and was openly critical of Soviet interference and actions in the Middle East, particularly its invasion of Afghanistan. At the same time, increased trade and other ties between Iran and the Soviet Union were largely induced by Iranian dependence on

Soviet transit routes following the Iraqi capture of Iran's largest port at Khorramshahr. Iran's considerable economic difficulties led to barter arrangements with East European countries and to an influx of large numbers of Soviet and Eastern bloc exports and advisers.

Despite the intense anti-Americanism of the Iranian regime, Soviet influence does not predominate in Tehran. In fact, the Iranian regime presently continues to identify the Soviet Union as another manifestation of the "satanic forces" with which its revolution is struggling in eternal conflict. Iran's mistrust of the Soviet Union is bolstered by historical experience and by the Tehran regime's policy of nonalignment. In addition, Iran opposes the Soviet presence in Afghanistan and aids the resistance forces.

Relations with Moscow took a turn for the worse in May 1983 with the expulsion of several Soviet diplomats and Tehran's proscription of the communist Tudeh Party and two smaller pro-Soviet groups. The Iraqis were reinforced with new deliveries of Soviet military equipment, including -- according to newsmedia reports -- MIG-25 and MIG-27 aircraft, Mi-24 helicopter gunships, new supplies of ground-to-ground missiles, and T-72 tanks. Iranian President Ali Khamenei warned the Soviet Union on Oct. 7, 1983, against its continuing to supply arms to Iraq. On Jan. 14, 1984, Moscow gave notice that Tehran's continued hostility would be certain to harm Soviet-Iranian trade relations. Majlis Speaker Rafsanjani on Feb. 26 called upon the Soviet Union to end its supply of arms and missiles to Iraq "before it is too late." Iranian Foreign Minister Ali Akbar Velayati, during his visit to Japan in April 1984, stressed the Soviet threat and emphasized that Iran served as a barrier to Soviet expansion in the Middle East. He stated that while faith in God still formed a common ground between Iran and the United States, the Soviet Union, where there was no faith in God, could not be trusted at all. On June 6, however, the Political Director General of the Iranian Foreign Ministry, Sayyid Muhammad Sadr, held discussions in Moscow with Soviet Foreign Minister Gromyko and other Soviet officials on the war and economic relations. Moscow informed visiting Iranian Deputy Foreign Minister Hossein Kazempur-Ardebili in early April 1985 that it desired a negotiated resolution of the conflict. This message was repeated to visiting Iranian officials in July 1986.

Recent Iranian's efforts to improve ties with Moscow reflect political and military considerations as well as economic needs. Discussions in Moscow between Soviet officials and Iranian Oil Minister Qolam Reza Aqazadeh-Khol in August 1986 resulted in agreement to resume natural gas supplies to the Soviet Union. Moscow subsequently has agreed to support the Aug. 5, 1986, OPEC agreement and cut its oil exports.

Medium- and long-term economic cooperation talks between Iraq and the Soviet Union were conducted in March 1984; and on Mar. 7, the Soviet Atomenergoexport was appointed by Baghdad to identify a site for a planned nuclear station. In April, there were growing indications that Moscow was stepping up military aid to Iraq against an anticipated Iranian offensive. Iraqi President Husayn in early May characterized Iraq-Soviet relations as "good," stating his government was "interested in developing this and so are the Soviets." In late August 1986, Soviet Deputy Foreign Affairs Minister Vladimir Petrovsky met with President Husayn in Baghdad and reiterated Soviet support for Iraq's efforts to end the conflict.

The ability of Moscow to influence a post-Khomeini regime in Iran remains of considerable concern to U.S. planners in light of the absence of U.S.

influence in Tehran and the present lack of alternative political leadership groups to the Islamic Republican Party. Reportedly, the Soviets are continuing to supply military equipment to Iran in an apparent move to maintain their options in the event of a change of leadership in Tehran. Moscow also harbors concern over the Iranian revolution's possible future influence on Soviet Muslims who number close to 50 million.

V. Regional Effects of the Conflict

Of particular concern to the United States is the potential for a widening of the conflict that could increase prospects for destabilizing the region and endanger U.S. interests. From the beginning, the Iran-Iraq war created realignments among Arab states and deepened existing cleavages in the Arab world. Indeed, it almost led to armed confrontation between Syria and Jordan in late 1980.

Jordan was the most vociferous Arab state in support of Iraq and that support took a number of forms, including political advocacy, the opening of its port at Aqaba for unloading supplies destined for Iraq, and volunteers to serve alongside Iraqi forces.

Syria, in contrast, has effectively supported Iran because of its hostility toward the Baghdad regime, reflected in its condemnation of Iraqi military moves against Iran. Syrian motives were interpreted as being another manifestation of the rivalry between the two Ba'athist regimes in Damascus and Baghdad over the leadership of the Ba'ath and the Arab world. In addition, the ruling Alawite elite in Damascus are members of a minority sect in Syria that is an offshoot of Shi'ism. In late 1985 and early 1986, there were signs of deteriorating relations between Iraq and Syria. Attempts by Jordanian King Husayn to normalize ties between Baghdad and Damascus in 1986 have thus far lacked success, however.

The reaction of other Arab states to the conflict fell between the Jordanian and Syrian positions. The Gulf Arab states have lent financial support to Iraq (an estimated $30+ billion) in its conduct of the war. Iran repeatedly has countered with strong warnings in efforts to intimidate Gulf countries and, in its Arabic broadcasts, has called for the overthrow of ruling regimes. The formation of the Gulf Cooperation Council (GCC) in May 1981 in large measure was catalyzed by the perceived Iranian threat to the region. Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates (UAE) and Oman formed the organization as an economic, internal security cooperation and defense arrangement. GCC concern for the Iranian threat was reinforced by an abortive coup in December 1981 in Bahrain organized by Iranian-trained and supplied members of the Islamic Front for the Liberation of Bahrain. Reaction by GCC member-states to the coup attempt was a decisive increase in regional diplomatic and economic support for Iraq.

For the Gulf states, the position of continuing to support Iraq economically and diplomatically could invite Iranian retaliation against oil and military installations. (Kuwait has charged that, between 1981 and 1983, Iranian aircraft have attacked its oil installations on three occasions. In 1986, sabotage damaged Kuwaiti oil facitilies.) Since May 1982, the GCC has looked to ways for ending the conflict while seeking to strengthen its security arrangements. At a summit meeting in Qatar in November 1983, the GCC examined options to bolster security of member states and Gulf sea lanes, as well as to find an end to the war. In March and April 1984, there were indications of a growing conviction among GCC leaders that the war was on the

verge of becoming a wider conflict threatening regional stability. Following Iranian air attacks on Kuwaiti and Saudi tankers in mid-May 1984, Kuwait and Saudi Arabia placed their air defenses on a heightened state of alert. At an emergency meeting of GCC foreign ministers in Riyadh on May 17, Iran was condemned for its "aggressions" against their "vital interests." The GCC called for an emergency session of the Arab League on May 20 "to adopt a unified Arab stand," and raised the issue in the U.N. Security Council. (Resolution 522 of June 1, 1984, reaffirmed the right of free navigation to all ports and and installations of Gulf states not party to the conflict, and condemned Iranian attacks on commercial shipping.) While seeking international support, the GCC will face final decisions on self defense should Iranian attacks escalate to a higher level. GCC interest in a near-term conclusion to the conflict appears to be motivated by economic and security concerns.

The so-called Steadfastness Front -- Syria, Libya, Algeria, the People's Democratic Republic of Yemen (PDRY) and the Palestine Liberation Organization (PLO) -- met on May 24, 1982, in Algiers to proclaim that Iran was a friend of the Arabs and to urge that no Arab state help Iraq. While this group officially declared support for Iran, the level of support has varied from Syria's outright condemnation of Iraq to the more neutral and mediative efforts of the PLO and Algeria.

Arab League foreign ministers (with the exception of Syria and Libya) met in an emergency session in Baghdad in mid-March 1984 and issued a condemnation of Iran's "continuous aggression and its attempts to cross international borders and occupy Iraq's territories." They urged Iran to abide by resolutions calling for an end to hostilities and to accept mediation initiatives to end the conflict.

Despite its isolation resulting from the Egyptian-Israeli peace treaty, Egypt has been considered in some Arab circles as a counterweight to Iran because of its size of population and comparative military strength. Iraqi President Husayn in May 1982 invited Egyptian President Muhammad Mubarak to send troops. Egypt, since 1981, had been contributing arms and ammunition to Iraq. Mubarak declined to dispatch Egyptian forces. But relations between the two countries have drawn closer. Iraqi military missions have visited Cairo since 1982. Egyptian Foreign Minister Kamal Hassan Ali stated on Mar. 26, 1984, at the conclusion of a visit to Baghdad that his government fully supported Iraq and would not hesitate to offer any military aid requested. Iraqi President Husayn on May 3 called for Egypt's return to the Arab league. Prẹsident Mubarak visited Baghdad in March 1985 as a gesture of support for Iraq. Since mid-1986, Egypt reportedly has stepped up shipments of spare parts and military advisers to Iraq.

Turkey has maintained a neutral stance toward the conflict since its inception. When Iran launched its offensive at the border of northern Iraq in July 1983, the Turkish government issued a strong warning to Tehran that no action should be taken that would be contrary to Turkey's national interests, and it expressed the hope that its position would be well understood by Iran. Iranian Foreign Minister Ali Akbar Velayati responded by stating that Turkey should not be concerned about the destruction of the Kirkuk-Iskenderun oil pipeline, which is a significant source of income for Turkey. The Turks have taken strong security measures to protect the pipeline inside their territory. They also have been concerned over Iranian exploitation of dissident Iraqi Kurdish elements. In May 1983, October 1984, and August 1986, Turkish military forces launched raids against Kurdish rebels inside Iraqi territory, apparently with Iraqi acquiescence. In

November 1984, Turkey announced agreement with Iran over the prevention of activities in each other's territory that would endanger either's security. But, on Aug. 27, 1986, Turkish Foreign Minister Vahir Halefoglu reportedly warned that any Iranian victory resulting in the overthrow of Saddam Husayn would prompt Turkish seizure of the Mosul and Kirkuk regions in northern Iraq which produce a substantial proportion of Iraqi oil. He stated Turkey's security interests were such that it could not tolerate an Iranian satellite regime as a neighbor that would manipulate the rebellious Kurds.

VI. Evolution of U.S. Policy toward the Iran-Iraq Conflict.

Until the reestablishment of diplomatic relations with Baghdad on Nov. 26, 1984, official U.S. relations with Iran and Iraq had been limited. Iraq had severed diplomatic relations with the United States during the 1967 Arab-Israeli war, but both countries had maintained interest sections in each other's capitals. It is unlikely that renewed official ties will increase U.S. leverage over Baghdad. The United States broke relations with Iran in April 1980 following the seizure of the American Embassy and its occupants in Tehran the previous November. Iran's intense anti-Americanism -- a central factor in that country's internal political dynamics since its revolution in 1979 -- precludes the likelihood of a reestablishment of U.S.Iranian ties so long as the Islamic Republican Party (IRP) under Ayatollah Khomeini retains power.

Since mid-1983, U.S. official contacts with Baghdad have increased and led credence to a "tilt" toward Iraq in U.S. policy. On May 21, 1984, the State Department specifically condemned "Iranian intransigence" as the main obstacle to an end to the Iran-Iraq conflict. And, on May 31, President Reagan in an interview in London noted that Iraq had confined its attacks against shipping in the Gulf whereas Iran had attacked ships belonging to neutral nations, and stated that "in time of war, the enemy's commerce and trade is a fair target if you can hurt them economically. So, in that sense, Iraq has not gone beyond bounds, as Iran has done."

Significantly, there continues to exist an antipathy between Washington and Tehran as a result of Iranian-inspired Shi'ite terrorist efforts against U.S. personnel and installations in the Middle East. President Reagan on July 8, 1985, denounced Iran as a terrorist country.

A National Security Council study of October 1983 reportedly had concluded that U.S. interests would not be served if Iraq were to collapse. At the same time, it maintained that there was little the United States could do to aid Iraq directly. Iraq's primary needs, in order to sustain its ability to continue the war, were economic assistance and improvement in the morale of its officer corps. As a result of the study, the Administration reportedly encouraged Gulf Arab states to increase financial support for Iraq and conducted efforts aimed at limiting the flow of arms from third countries to Iran.

Iraq was removed from the list of countries supporting international terrorism in 1982, thereby facilitating sales of certain items of equipment formerly under restriction. In December 1982, a sale of some 60 civilian Hughes helicopters to Baghdad was reported. Iraq has been granted credit guarantees to finance sales of U.S. farm products since December 1982.

Since the hostage crisis, Washington has placed restrictions on trade between the United States and Iran, with the exception of food products and

medical equipment. Nevertheless, newsmedia reports indicate that trade has increased, mainly on the basis of American firms trading through their overseas affiliates with Iranian organizations. But, on Jan. 23, 1984, the State Department added Iran to the list of countries reportedly supporting acts of international terrorism. A substantial illegal traffic in U.S. arms reportedly has developed in which American weapons and spare parts that have been forwarded to Iran by a variety of routes. Iraqi officials in 1983 have claimed that Iran consistently has been receiving large quantities of U.S. weaponry through non-official sources and third countries, including South Korea and Israel, without interference from Washington. Iraqi Deputy Prime Minister Ramadan stated in February 1984 that he welcomed indications of "a more positive attitude" by the United States toward the matter. The State Department in March 1984 designated Ambassador-at-large Richard Fairbanks to coordinate U.S. efforts in limiting arms deliveries to Iran from Western Europe, Israel and friendly Asian states. Such efforts reportedly had been partly successful in reducing the flow of spare parts and equipment. U.S. concern in August 1986 that Iran might gain the strategic initiative and psychological advantage in the conflict reportedly has heightened Americas diplomatic efforts aimed at reducing international arms deliveries to Iran. Within the United States, shipments of replacement parts for U.S. equipment destined for Iran from American firms have been seized. Since 1984, more than 70 persons have been arrested by U.S. authorities.

Following the Iranian attack on the Al-Faw Peninsula in early 1986, a State Department spokesman warned Iran that an expansion of the conflict elsewhere in the Gulf regions would be a major threat to U.S. interests, noting that Iran had openly been conducting a campaign to intimidate moderate Gulf Arab states. Secretary of State Schultz stated on Aug. 8, 1986, that the United States and the Soviet Union, in preliminary talks for the forthcoming summit meeting, had begun discussing cooperative action toward hastening the end of the Iran-Iraq conflict.

With the revelation in November 1986 of secret negotiations between representatives of the Reagan Administration and the Iranian government, controversy has arisen over specific and broader policy objectives underlying the U.S initiative. On Nov. 13, President Reagan acknowledged an 18-month effort to establish contacts with "moderate" elements in Iran with the declared objectives of: (1) restoring relations with a strategically significant Gulf State; (2) seeking an honorable end to the Iran-Iraq conflict; (3) eliminating state-sponsored terrorism in the region; and (4) securing the release of American hostages held in Lebanon by pro-Iranian Shi'ite groups. The initiative reflected a reappraisal of U.S. policy toward Iran that began in late 1984 but which received less than whole-hearted support within the executive branch. The subsequent covert arms sales to Iran, in conjunction with Israel and private parties, by elements in the National Security Council violated the official U.S. position of neutrality in the Iran-Iraq war and contradicted U.S. policy toward terrorism. Many observers contend that the initiative had damaged severely U.S. credibility among allies and friendly regional states. (See Arms Shipments to Iran [by] Richard M. Preece. [Washington] (periodically updated). CRS Issue Brief 87022.)