



**Director of
Central
Intelligence**

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Iran: Prospects for Near-Term Instability

**Special National Intelligence Estimate
Memorandum to Holders**

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*SNIE 34-84
February 1986*

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MEMORANDUM TO HOLDERS OF SNIE 34-84

IRAN: PROSPECTS FOR NEAR-TERM INSTABILITY

Information available as of 13 February 1986 was used in the preparation of this Estimate, which was approved by the National Foreign Intelligence Board on 13 February 1986.

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KEY JUDGMENTS

Events since the publication of the May 1985 Memorandum to Holders of SNIE 34-84 lead us to refine our judgments for 1986:

- We believe that if Khomeini lives through 1986 the range of critical problems confronting the regime will not go so far as to threaten its basic hold on power.
- The regime proved more effective during 1985 at coping with its problems than we had anticipated. *Nonetheless, Iran's problems have not been resolved and in some cases are worsening, particularly in the economy.* [redacted]

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Serious domestic instability—should it occur—is most likely to emerge from the crippling combination of sharply dropping oil prices and increasingly effective Iraqi attacks on Iranian oil facilities.

- This instability would include repeated antiregime demonstrations, strikes, assassination attempts, and sabotage.

The severe economic hardship would lead to a deep questioning of the Iranian radicals' economic and war policies. This would probably redound to the detriment of the radicals but would not force them out of power. [redacted]

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At this time, we are unaware of any critical medical condition that makes Khomeini's death a likelihood in 1986. Given his age, however, he is obviously susceptible to a continuing gradual decline, sharp debilitation, or death.

- The 1985 Memorandum suggested that Khomeini's control of the political process would decline in 1985 because of his health. It did not on any of the main issues, although we believe the pace of his deterioration is increasing. [redacted]

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Both the Soviets and Iranians have been less willing to pursue improved relations than we had expected. Nonetheless, we believe Iran occupies a position of exceptional importance in Soviet regional strategic calculations. The Soviet-Iranian dialogue will continue in 1986, but a major Soviet breakthrough is contingent on some half dozen developments, any one of which has the potential to sharply change the relationship. Moscow's tactics could change quickly if:

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- Khomeini dies this year.
- The clerical regime started coming apart and Iran moved into a period of major instability.
- Leftists seized power in Iran during a period of chaos.
- Iran and the United States began to improve ties or, conversely, became involved in military conflict.
- Iran were to lose the war.
- Iran suddenly decided to meet Soviet conditions and embarked on a major effort to acquire Soviet arms. [REDACTED]

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If Khomeini dies in 1986, we still believe the succession scenario sketched out in SNIE 34-84 would remain valid: that is, there will be a relatively smooth transition as the different clerical factions move quickly to maintain the regime's hold on power on a coalition basis. It is clearer than ever that Ayatollah Montazeri will become Khomeini's successor, although he will preside over a clerical regime that is more collegial than the current one. A post-Khomeini clerical regime, however, is likely to be transitional in nature. After a longer period—and probably considerable instability—we believe a single strong leader will emerge—probably from among the clerics, Revolutionary Guard, or the military. [REDACTED]

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For the near term, we believe US interests would be best served by as smooth a transition as possible and not violent chaos. We believe a chaotic struggle for power is most likely to favor the radicals and could offer greater opportunities to the USSR. Moderation is more likely to emerge through the continuing gradual evolution of Iranian politics.

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The power struggle within the ruling entourage will continue in 1986, although we do not expect rivalry to lead to violent conflict while Khomeini lives. The current balance of power among the key players seems likely to persist, in large part because Ayatollah Khomeini is determined not to permit one party to become disproportionately powerful. [REDACTED]

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Although economic problems could curtail their ability to prosecute the war, we do not expect the Iranians to agree to end the war in 1986. On the contrary, Iranian resolve to topple Saddam Husayn appears to be hardening. [REDACTED]

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Prospects for an early warming in US relations with Iran remain bleak. Iranian hostility toward the United States will continue to serve Tehran's foreign policy goals. Moreover, the regime continues to believe that the United States has not accepted the revolution and that Washington would like to reverse the course of events and install a puppet government. [REDACTED]

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[REDACTED]

The United States will not be able directly to influence Iranian events, given the current lack of contact or presence in Iran. However:

- Our various allies can provide some entree in Iran to help protect Western interests.
- A few marginal steps could help create opportunities for an eventual dialogue with Iran, such as opening a quiet channel of communication to Tehran.
- Tehran seems interested in establishing commercial ties with US firms in a number of key areas, including strategic pipeline construction. [REDACTED]

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DISCUSSION

I. The Situation in 1985

What are the major developments since May 1985 and their impact on Iranian politics?

1. The following major events occurred since May 1985:

- The Iraqis attempted unsuccessfully to alter the regime's war policy by conducting a second bombing campaign against Iranian cities (in late May/early June) and by persistently attacking Iran's most important oil export facilities at Kharg Island and Ganaveh.
- A regularly scheduled presidential election was held, followed by the constitutionally mandated resignation and appointment of a new cabinet.
- In November the Assembly of Experts nominated Ayatollah Montazeri as Khomeini's successor.
- The Iranians broadly extended their diplomatic contacts, lessening their diplomatic isolation; however, the Iranian-Soviet dialogue stalled at midyear.
- Oil prices began to plunge in January 1986.

2. These developments have not changed the fundamental facts of Iranian political life outlined in the 1985 Memorandum to Holders of SNIE 34-84:

- Iran is determined to pursue the war.
- The regime remains factionalized with no prospect that fundamental differences among key political players can be resolved.
- The economy is deteriorating because of weak oil prices, Iraqi attacks, and mismanagement.
- The regime has lost popularity.
- Iran's relations with the superpowers remain antagonistic.

How have our views of the Iranian situation or regime changed since April 1985?

3. Events since the publication of the May 1985 Memorandum to Holders of SNIE 34-84 lead us to refine our judgments for 1986:

- We believe that if Khomeini lives through 1986 the range of serious problems confronting the regime will not threaten its basic hold on power.
- The regime proved more effective during 1985 at coping with its problems than we had anticipated. *Nonetheless, Iran's problems have not been resolved and in some cases are worsening, particularly in the economy.*
- *Khomeini's political influence.* The Memorandum suggested that Ayatollah Khomeini's control of the political process would decline in 1985. Khomeini's behind-the-scenes manipulation of the 1985 electoral process, however, makes it clear that he still calls the shots on the major issues.
- *Soviet policy toward Iran.* The Soviets were less eager to pursue an Iranian policy in 1985 than the Memorandum anticipated. Nonetheless, we believe that Soviet strategic focus on Iran remains high.

II. The Prospects for 1986

A. Ayatollah Khomeini's Health and the Succession Process

Do we expect any significant changes in Ayatollah Khomeini's health in 1986?

4. At this time we are unaware of any critical medical complication that would make the Ayatollah's death likely or that suggests a major decline in his mental or physical health. However, Khomeini is in his mideighties and could experience major medical problems at any time. He suffers from periodic bouts of senility and debilitating illnesses that will gradually worsen but that have not prevented him from making key decisions.

In the event Khomeini dies in 1986, is a chaotic or a smooth succession more likely? What would be the impact of each scenario on US interests?

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5. We continue to believe that the basic judgments of SNIE 34-84 remain valid:

- In the first several months after Khomeini's death, the transition probably would be relatively smooth, as the regime moved quickly to maintain the clerical hold on power. Ayatollah Montazeri would assume the position of Khomeini's successor, despite a strong undercurrent of opposition to his appointment. He would probably retain the important backing of Majles leader Rafsanjani. We believe Montazeri has been moving from a radical to a relatively more moderate position over the past years.
- Any post-Khomeini clerical regime would be essentially collegial in nature. We believe that, after a lengthy period, a single, strong leader would emerge.
- Any major jockeying for power would engender an extended period of political instability and open opportunities to a much broader range of players. [redacted]

6. *We believe US interests would be best served by as smooth as possible a transition of power and not by violence and chaos:*

- The USSR is better poised than the United States to try to take advantage of chaos in Iran and might be tempted to intervene under these conditions.
- The two forces that we believe would be the most favorably disposed to the United States—a coalition composed of conservative clerics and bazaar merchants, and the regular military—would be the least capable of successfully competing if the revolutionary structure collapsed immediately on Khomeini's death.
- The [redacted] squads and organizations such as the Revolutionary Guard are beyond the control of the civilian conservatives and the military. Yet both groups would be crucial in the struggle to secure the streets and key urban installations. In time, the conservatives may gain greater influence over these forces; however, they will not do so in 1986, nor in the context of street fighting.
- Moderation is more likely to emerge through evolution of Iranian politics and as the conservatives gain strength.
- The military is pinned on the western border by the war with Iraq and will not be well positioned to compete in a power struggle. Moreover, the

military may not be prepared psychologically to make a major move for fear that such a move might fail and lead to a repeat of the executions and purges that occurred following the collapse of the Shah's government.

- Although we believe these conservative forces would be better disposed to the United States, we would still face numerous problems even if they triumphed: we have little or no contact with them and do not have a good fix on key leaders within this loose coalition. Nonetheless, a relatively smooth transition would allow us to begin to make contact with these groups and to learn more about the nature and prospects of potential allies.
- Violent conflict, particularly if no winner quickly emerged, would raise the possibility of dramatic terrorist incidents against the United States. In the struggle, radicals might sponsor terrorism against US interests to provoke a US retaliation on Iranian soil. Radicals would hope by doing so to rally the population and increase the isolation that reinforces their policies while weakening the conservatives. [redacted]

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B. The Regime and the Struggle for Power

How will the power struggle shape up in 1986?

7. The struggle will continue, although we would not anticipate any decisive shifts in the balance of power.

- In simplified terms, the struggle is between those who favor an endless revolution both at home and abroad and those who believe that the revolutionary process must now be cooled and the gains of the revolution consolidated. (S NF NC)

8. As his behavior demonstrated during the 1985 electoral process, Ayatollah Khomeini is determined to maintain a balance among the factions and prevent the emergence of a dominant individual or group at this time. As long as Khomeini is able to play this role, there is little chance that the power struggle would erupt into overt, factional fighting. Instead, it will continue to be characterized by behind-the-scenes maneuvering as the key players prepare for Khomeini's death. [redacted]

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9. The major players involved in the struggle will continue to include President Khamenei, Majles speaker Rafsanjani, and Ayatollah Montazeri. Their interrelations will largely determine the outcome of the contest as radicals compete against a loosely structured

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faction composed of conservative ayatollahs, major bazaar merchants, and Majles members. [redacted]

10. Majles speaker Rafsanjani is probably the most important and powerful player on the political scene. His politics are not easily categorized (which has been the secret of his success). Depending on the issue, he floats between the conservative and radical camps. Rafsanjani is generally acknowledged as a pragmatist but will avoid showing his political stripes if at all possible. [redacted]

11. During 1986, evidence of the power struggle will be seen on several fronts:

- Having successfully secured Montazeri's nomination as Khomeini's successor, Majles speaker Rafsanjani will maneuver to isolate and cripple those individuals who are opposed to Montazeri's nomination.
- Sparring between the Revolutionary Guard and the new Intelligence Ministry over control of internal security will continue.
- Rivalry will intensify between the Majles and the Cabinet. Here the main issue will be the economy and what to do about it. [redacted]

C. The Economy

How do we expect the economy to fare in 1986?

12. In 1985, sharply lower oil revenues and the continuing drain of the war inflicted greater hardships on the populace:

- Imports were cut by one-third to conserve foreign exchange reserves, and the government slashed real nondefense spending by at least 15 percent.
- Lack of imported spare parts and materials contributed to a 25-percent decline in industrial output.
- Higher unemployment and the necessity for even the poor to buy some goods on the high-priced black market belie the regime's self-congratulating rhetoric about low inflation rates. [redacted]

13. Under these conditions, living standards in Iran will probably continue to deteriorate over the next year as the war and still lower oil prices sap the economy. With oil prices about \$20 per barrel, Tehran will be forced to make even deeper cuts in essential consumer imports such as food and military supplies. [redacted]

Has the economy affected the political situation?

14. Iran's economic distress and the continued bleak outlook predictably have led to grumbling and complaining at all levels of society—a fact that the regime cannot totally ignore. These problems have not precipitated major social violence. They have not led to a public challenge of Khomeini's basic war policy. There have been no widespread strikes or continuing demonstrations against the war or regime. Poor economic performance in 1986 will intensify factional infighting in the regime, probably to the detriment of the radicals. [redacted]

15. In the spring of 1985, the prospects for disorder were growing and only receded when the regime took specific steps—carrots and sticks—to reduce overt dissatisfaction.

- A sustained drop in oil revenues now and/or stepped-up Iraqi bombing of Iranian economic targets will again raise the prospect of serious instability as outlined in the Memorandum. [redacted]

D. The Iran-Iraq War

Do we anticipate any changes in Iranian war policy during 1986?


16. We do not expect the Iranians to agree to end the war in 1986. In fact, Iran's resolve to continue the hostilities until Saddam Husayn is toppled seems to have hardened in 1985. Moreover, the Iranians are not under any significant pressure to bring the war to a close:

- Khomeini is adamant about continuing the war. As long as he is alive, no political figure would dare to challenge him on this issue.
- The Iranian popular discontent with the war has not acted as a brake on the regime's fundamental war goals. Although much of the population is undoubtedly war weary, no significant antiwar movement has developed. In addition, the regime still is able to find sufficient numbers of recruits to feed the war machine, although resistance to military service is increasing.
- A tactical victory by Iran would serve to alleviate some popular discontent and further embolden the regime to pursue an aggressive war policy.
- Despite economic pressure, the regime will continue to find the resources necessary to finance the war at its current level. Moreover, it is taking steps to reduce its dependence on Kharg Island as its principal oil export facility.

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— Finally, we do not believe that Iraq has the inclination or will to use its overwhelming airpower to impose the political or economic penalties on the regime necessary to bring Tehran to the bargaining table. *A shift in Iraqi behavior would have profound consequences for Iran's economy, however.* 


E. Prospects for Soviet-Iranian Relations in 1986


What is our current analysis of Soviet views toward Iran?

17. Iran probably possesses greater geostrategic significance for the USSR than any other state in the Persian Gulf region. Its contiguous borders with the USSR in sensitive Soviet ethnic regions; its borders with Afghanistan and support for the insurgency there; and Iran's size, oil wealth, population, and dominant position in the Gulf all make it exceptionally important. Since the Shah's overthrow in 1979, Moscow has sought to capitalize on the United States' strategic loss but has been unsuccessful in establishing its own influence there. 

18. The USSR has not found the Iranian leadership to be significantly responsive to Soviet conditions for closer ties and probably doubts significant change will come as long as Khomeini is alive. Moscow also probably feels little pressure to reduce its current hardline stance toward Tehran as long as the United States is even less well placed to gain political ground in Iran:

— Nonetheless, the Iranian Deputy Foreign Minister's visit to Moscow last April and the Soviet First Deputy Foreign Minister's visit to Iran this February confirm that the two sides are maintaining a dialogue.

— Moscow continues to deliver a trickle of small arms and ammunition to Iran, but does not sanction the transfer of large weapons systems. 

19. As long as Khomeini lives, the Kremlin is unlikely to offer significant gestures of its own to improve relations. Even after Khomeini's death, Moscow is unlikely to move until Tehran reduces its anti-Soviet rhetoric, ends its support for the Afghan rebels, allows the replacement of Soviet diplomats expelled in 1983, ends its repression of the Tudeh (Communist) Party, and becomes more willing to negotiate an end to its war with Iraq 

20. Moscow's tactics could change quickly, however, if:

— Khomeini dies this year.


— The clerical regime started coming apart and Iran moved into a period of major instability.


— Leftists seized power in Iran during a period of chaos.


— Iran and the United States began to improve ties or, conversely, became involved in military conflict.

— Iran were to lose the war.

— Iran suddenly decided to meet Soviet conditions and embarked on a major effort to acquire Soviet arms.

Under these circumstances, Moscow could offer significant weapons systems or military training to Iran, or revitalize economic cooperation and return economic advisers. 

21. Should none of the above circumstances occur and Khomeini's successors pursue a similar policy line toward Moscow, the Soviets would probably continue to promote state-to-state ties but would also insist on meaningful concessions before providing the regime real support and assistance. 

22. Moscow will keenly pursue opportunities to influence events in Tehran after Khomeini's death. The potential levers the Soviets have both in and outside Iran—the Tudeh Party, other leftists, and disgruntled Iranian minorities—are all too weak in isolation to offer a viable alternative. There is a remote chance that they could gain power, however, through alliances with radical armed factions under circumstances of a free-for-all struggle for power. While promoting these factions, Moscow probably also would offer support to the most anti-Western factions, such as the Revolutionary Guard, especially if these groups sought Soviet assistance. 

What is the current Iranian attitude toward the Soviets?

23. We believe that the Iranians want to continue the dialogue in 1986. Tehran has no intention, however, of giving up some of its more important trump cards, such as its policy toward Afghanistan. The Iranians may be more flexible on the issue of visas for Soviet diplomats. They are also apparently restricting the amount of anti-Soviet rhetoric. Iran's political and

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historical instincts should limit its desire to become too closely allied or dependent on the Soviets. This fact is one of the strongest levers that the United States possesses in the long-term struggle for influence in that country. [redacted]

24. Historical experience shows, however, that Iranian political leaders can overcome their healthy fear of their northern neighbor if they perceive another hostile force is threatening their political existence. An Iranian belief that the United States was *actively* engaged in an effort to overturn the revolution would be the kind of development that could lead to a significant modification of Iranian policy toward the Soviets. [redacted]

F. Iran and Terrorism

Will Iran continue to support terrorism in 1986?

25. Iran's foreign policy is complicated by a division between radicals and moderates in the foreign policy establishment over the use of terror. Many key political figures continue to pursue the ideological belief that terrorism is a legitimate instrument of policy. They will urge their radical allies to maintain the struggle against the United States and Israel. Moreover, Iranian factions will continue to operate terrorist training camps in Iran and Lebanon/Syria. The Iranians will also encourage the development of subversive/terrorist cells—particularly in the Gulf states—which could be called on for future use. [redacted]

26. However, Iran's support for terrorism is not entirely an independent policy and is linked to broader Iranian foreign policy concerns. This fact produced some interesting results in 1985 that are likely to continue for 1986:

- Iran's determination to continue the Iran-Iraq war (Iran's number-one policy priority) has forced it to seek better relations with the Gulf states and has caused it to limit its support for overt acts of terrorism in that region. Terrorism will therefore probably play a diminished role in Iran's foreign policy in the Gulf unless hardliners come to dominate foreign policy or Iran encounters disasters in its war policy.
- The Iranians seem increasingly to want to avoid being labeled as an international outlaw. To the contrary, they are cultivating an image of respectability. One result of this effort is their desire not to be drawn into hijacking situations

such as the Kuwaiti airliner incident in December 1984. Iran's clear indication that it did not want to receive the hijacked TWA airliner in June 1985 suggests that it does not want to be known as a haven for hijacked airliners in the future. [redacted]

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G. US Interests and Prospects for 1986

What are Iranian attitudes toward the United States? Do we anticipate any changes?

27. We believe the judgments reached in the Memorandum to Holders remain valid for 1986:

- The revolutionary leadership continues to be hostile to the United States. It believes that the United States would like to reverse the revolution if given a chance. 25X1
- The United States has little direct leverage with Iran and is unlikely to be able to influence the course of events directly, given its current lack of contact or presence in the country. [redacted] 25X1

Are there measures the United States could take in 1986 to improve (if even marginally) our position in Iran?

28. Some measures include:

- Continue to encourage allies such as Pakistan, Turkey, China, Japan, and the West Europeans to maintain their respective dialogues with the Iranians. 25X1
- Explore the possibility of opening a quiet channel of communication to the regime.
- Seize opportunities for quiet contact with conservatives, particularly religious leaders.
- Be receptive to Tehran's interest in establishing commercial ties with US firms in a number of key areas, including strategic pipeline construction. [redacted] 25X1

III. Wild Cards

How might our judgments be altered in 1986?

29. A number of less likely events could occur that would alter our judgments, including:

- An Iranian victory or significant defeat in a major offensive. Among other things, a victory would strengthen the radicals politically and could renew terrorist pressure toward the Gulf states. A major defeat increases the prospects for popular unrest and intensified factional fighting.

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— Saddam Husayn's removal. Although Saddam's removal almost surely would intensify Iranian efforts to install an Islamic regime, at the same time it could split the regime over whether the

war should continue to be pursued. An important variable influencing the debate would be whether or not the Iraqi military remained united.



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