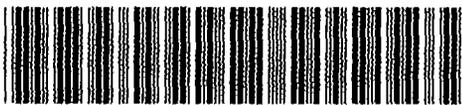




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~~NOFORN/NOINTEL~~
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Defense Intelligence Brief

Iraq: Winning the Post-Cease-Fire Arms Race With Iran (U)

Key Judgments

(b)(1),1.4 (c)

(b)(1),1.4 (c)

(b)(1),1.4 (c)

(S/NF) Military industrial development will be a top priority for both countries. Ballistic missiles and nuclear, chemical, and biological weapons will receive special emphasis.

(b)(1),1.4 (c)

85

Arms Deliveries to Iran

(b)(1),1.4 (e)

[Redacted]

(b)(1),1.4 (e)

[Redacted]

(b)(1),1.4 (e)

[Redacted]

Iranian Arms Purchases

(b)(1),1.4 (e)

[Redacted]

Arms Deliveries to Iraq

~~(S/NF/WN)~~ (b)(1),1.4 (e)

[Redacted]

[Redacted] Much of this equipment is more advanced than that received by Iran. Most of it is coming from traditional communist suppliers, although levels have declined with the cease-fire. (b)(1),1.4 (e)

[Redacted]

Iranian Arms Negotiations and Other Activity

(b)(1),1.4 (e)

[Redacted]

Iraqi Arms Purchases

(b)(1),1.4 (e)

[Redacted]

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Major Military Equipment Deliveries to Iran and Iraq, August 1988 - July 1989 (U)

(b)(1),1.4 (c)

(b)(1),1.4 (c)

(b)(1),1.4 (c)

Iraq Arms Negotiations and Other Activity

(b)(1),1.4 (c)

~~(S/NF-WN/NC)~~ Iraq is aggressively negotiating contracts to improve its defense industry. (b)(1),1.4 (c)

(b)(1),1.4 (c)

Financial Constraints

~~(S/NF)~~ Economic conditions in Iran and Iraq have not improved since the cease-fire. Higher oil revenues in 1989 have allowed increased imports, but they have not been sufficient to meet all the pressing military and civilian requirements. In both countries, the standard of living for the average citizen has declined, resulting in increased dissatisfaction and less budgetary flexibility.

~~(S/NF)~~ In Iran, economic problems are more severe and impact a broader spectrum of the population more seriously than in Iraq. Iran suffers 70-80 percent inflation and 30-40 percent unemployment. The civilian and defense sectors of the economy have been devastated, and export earnings are not likely to increase much over the \$12 billion projected for 1989.

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(b)(1),1.4 (c)

~~(S/NF)~~ For Iran, the cease-fire provides time to approach its rearmament effort realistically and to coordinate equipment purchases and production programs with its military reorganization efforts and current logistic and training capabilities. It allows Iran to overcome political problems that have delayed decisionmaking, and to coordinate military purchases with its ability to absorb them physically and financially.

~~(S/NF/NC)~~ In Iraq, military and civilian imports are primarily limited by the high level of debt, estimated to be \$45 billion. Iraq's poor record of making debt service payments has severely constrained its access to new credits, and its export earnings of \$14 billion estimated for 1989 are not likely to improve significantly.

(b)(1),1.4 (c)

(b)(1),1.4 (c)

Outlook

(b)(1),1.4 (c)

(U) This brief contains information as of 31 July 1989. Questions and comments may be addressed to

(b)(3):10 USC 424

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