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Current Assessment

Directorate for Current Intelligence

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IRAN: Prospects for Change (U)

Summary

(S/NF) The selection on 4 June of President Ali Khamenei to succeed the late Ayatollah Khomeini opens the door to a more pragmatic and stable Iran. His appointment greatly enhances the considerable power of his friend and ally Parliament Speaker Hashemi Rafsanjani. Rafsanjani will most likely be elected to a strengthened presidency in late July and should gradually consolidate his power. He and his "pragmatic" allies are likely to dominate the political landscape of post-Khomeini Iran in the months ahead. At least for the near term, Iranian foreign policy is expected to display inconsistency as various factions vie to promote their agendas. However, Iran will eventually return to a more stable, coherent foreign policy. Its rapidly improving relations with Moscow may be counterbalanced somewhat by its efforts to repair relations with selected Western countries. Nonetheless, Iranian-US relations are unlikely to improve in the near term.

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Discussion

Khamenei As Successor

(C) The remarkably smooth post-Khomeini transition was eased by steps that the Ayatollah had taken in the last weeks of his life. In a 29 April letter to the Council of Experts, which is designated by the Constitution to resolve succession issues, Khomeini stated that religious qualifications for his successor could be reduced. This relaxation of the standards and his reported approval of President Khamenei as his successor were instrumental in the council's decision.

(C) During his 10-year rule, Khomeini arbitrated between ideological factions to maintain political balance. He apparently sensed that no other leader could continue such political juggling and therefore saw the need to modify the political lines of authority in the Constitution. As a result, proposed constitutional amendments not yet ratified will probably obviate a political arbiter of Khomeini's standing.

Constitutional Amendments

In April Ayatollah Khomeini agreed to amend the Constitution to correct perceived institutional flaws in the areas of leadership, the executive, judiciary, and the propaganda bureau. A 25-member council appointed by Khomeini and weighted with Rafsanjani supporters agreed to strengthen the presidency by eliminating the position of Prime Minister, consolidating the judicial branch, and reducing the religious qualifications for Khomeini's successor. The amendments are to be ratified concurrently with the 28 July presidential election.

(C) Relaxing the leadership qualifications presented the ruling elite with risks as well as opportunities. Although it opened the door to a wider range of candidates, the commissioning of a junior cleric as spiritual leader was more perilous. Senior ayatollahs may question the legitimacy of this leader's judgments and decide not to adhere to his politico-religious edicts, rendering them unenforceable. Nonetheless, Khomeini believed that a successor would acquire legitimacy from selection by the popularly elected Council of Experts, an Islamic tradition as old as the Koran.

(C) After being selected, Khamenei was immediately elevated to Ayatollah to bolster his qualifications. He has yet to exercise his spiritual authority and will probably hesitate to do so until his

religious standing is established and certainly not before the 40-day mourning period for Khomeini ends in mid-July. Thus, the ruling elite is likely to follow Khomeini's line for at least the near term.

An Adept Politician

Rafsanjani has been variously labeled a radical, a moderate, or a pragmatist. In fact, he is a politically skillful opportunist who has risen to the top because of his keen political awareness, his close relations with Khomeini, and his exploitation of familial ties. He enters the post-Khomeini era well positioned to dominate Iran's political landscape. In addition to being Parliament Speaker, he is Acting Commander in Chief of the Armed Forces, Deputy Chairman of the Council of Experts, head of the Supreme Defense Council, and Deputy Chairman of the temporary, yet powerful, Constitutional Revision Council.

Rafsanjani's Position Bolstered

(C) Rapidly evolving events, such as the Rushdie affair in February, the Ayatollah Montazeri's dismissal as Khomeini's heir in March, and the revision of the Constitution in May, created political turbidity that may take months to settle. Fervent hardliners led by Interior Minister Montashemi-Pur and Prime Minister Musavi moved quickly to exploit Khomeini's February 1989 anti-West tilt, putting Parliament Speaker Rafsanjani, Khamenei, and the Foreign Ministry on the defensive.

(C) By quickly supporting Khomeini's denunciation of Rushdie's book and freezing diplomatic openings to the West, Rafsanjani has emerged essentially unscathed politically. However, the experience undoubtedly sharpened his awareness of the influence on policy wielded by hardliners and radicals. Moreover, he may now believe that Khomeini's absence will weaken their power base and reduce their ability to mount strong opposition to his policies.

(C) Despite the Rushdie issue, Rafsanjani succeeded in getting the executive branch consolidated and strengthened and in obtaining Khomeini's endorsement for his presidential candidacy. Since the Imam's death, Rafsanjani has been reconfirmed by Khamenei as Commander in Chief and has been overwhelmingly reelected Speaker. The selection of his friend and political ally Khamenei as leader should bolster Rafsanjani's ability to implement policy. The decision

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to hold the presidential election 3 weeks earlier than planned will allow Rafsanjani to advance his agenda sooner.

(S/NF) Debate over the direction of economic policy will probably continue, but it will not have the paralyzing effect it has had. Iran's economic problems, including 70 percent inflation and 40 percent unemployment, are becoming severe. Before the Rushdie affair, Khamenei and Rafsanjani had advocated obtaining foreign loans and using foreign expertise in reconstruction, and recent remarks by Rafsanjani suggest that he is again considering those options. Deputy Parliament Speaker Karrubi is the first radical to support overseas borrowing. Growing public dissatisfaction with the government's economic inaction since the end of the war no doubt influenced Karrubi's change in opinion.

Iran and the Gulf States

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Moreover, Iraq still profoundly distrusts the clerical leadership in Iran. Nonetheless, Baghdad's restrained response to Khomeini's death suggests hope for a more temperate Iranian leadership that would negotiate a peace settlement. Troop morale at the front continues to suffer because of shortages of basic foodstuffs, electricity, fuel oil, and ammunition.

Shopping for Arms

(TS/NF) Compared with Iraq, Iran emerged from the war in a greatly inferior strategic position. Rebuilding the military and developing the economy understandably head Tehran's reconstruction agenda. Although some reconstitution of forces is evident, the military has yet to acquire major weapon systems to replace the large stocks lost in the final months of the war. Government infighting over the direction of economic and military reconstruction, a worsening economy, and acute hard currency shortages have plagued the rebuilding effort. Nonetheless, the regular army is coping by concentrating on training and organization. The Islamic Revolutionary Guard Corps is still seeking to define its postwar mission and is said to be undergoing some restructuring.

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(TS) The Iranians have turned to the East and to Latin America for trade and weapons because of the high cost of Western arms and because the West has been reluctant to sell them weaponry. Since the cease-fire, they have stepped up negotiations with the East Europeans, North Koreans, and Chinese. Tehran believes that these countries are unencumbered by so-called imperialist policies, have comparatively inexpensive military hardware, and will accept Iranian oil or extended letters of credit as payment. Initial deliveries of armored vehicles, artillery, and patrol craft are likely to arrive before year's end.

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Rafsanjani, Out of the Imam's Shadow

Looking Northward

(TS) According to Rafsanjani, Khomeini advised shortly before his death that relations with Moscow should be improved. Since March, several Soviet-Iranian exchange visits have led to agreements concerning natural gas, railroads, fisheries, steel, and hydroelectricity. Rafsanjani completed these infrastructure agreements during his 20 through 22 June visit to Moscow at the invitation of Gorbachev.

(S/WN/NF/NC) During that visit, Rafsanjani quite likely followed up on Tehran's entreaties for Soviet arms. Iranian military delegations are said to have traveled to the USSR recently to explore Soviet offers. Moscow recently told Washington that it is

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contemplating the sale of "nonoffensive" arms to Tehran. The Soviets defended the sale of "limited use" weapons, such as field artillery, but ruled out such provocative weapons as missiles. The extent of potential Soviet sales to Tehran is undetermined. However, East European countries seem to have Moscow's approval to sell to Iran, and major weapon systems, such as T-72 tanks, artillery, trainer aircraft, and patrol boats may be included in those arrangements.

(S/NF) Iran's developing relationship with the USSR is unlikely to trigger a strategic shift to the Soviet camp. Iran has long despised the atheistic Soviets, who have twice in this century occupied Iranian territory. Even the Soviets acknowledge that Tehran still considers Moscow a threat.

(C) Rafsanjani may hope to upset the Soviet-Iraqi arms relationship in order to buy enough time to close the arms gap over the next several years. In the near term, he wants to gain Moscow's diplomatic support during the UN-sponsored peace talks with Iraq. Moreover, closer ties to the USSR could be used to blunt domestic criticism of ending diplomatic isolation with the West.

(TS/NF) Relations with China are also growing, perhaps to counterbalance those with the USSR and the West. Khamenei's mid-May visit to China resulted in a number of economic and probably military agreements. Central banks for the two countries have agreed to establish special trade accounts that will probably benefit developing business and arms-related activities. The continuing negotiations with high-level Chinese officials is likely to expand the arms relationship that developed during the war.

Looking Westward

(C) Rafsanjani hinted at better relations with the West 2 days after Khomeini's burial. He stated that Iran's policy of "neither East nor West" permits cordial coexistence and extensive economic and commercial ties to the West as well as to the East.

(S/NF) Following Khomeini's death, West Germany and France quickly returned the ambassadors that had been withdrawn after the death threat against Ruskic. In addition, other European Community members who had returned their diplomats earlier are responding to apparent Iranian signals of a readiness to mend relations. The Tehran press claimed that the diplomats' return demonstrates that West Europeans recognize Iran's new stability and are worried about Tehran's growing ties to Moscow.

(S/NF) West European investors, although they are still wary of the political turmoil in Iran, want to participate in the lucrative reconstruction projects that Tehran is likely to undertake over the next 10 to 20 years. Other countries, such as Japan and South Korea, have pragmatically avoided becoming embroiled in Iran's ideological battles with the West and are continuing to do business with Tehran.

(S/NF) The Iranians understand that relations with Washington will not improve so long as US hostages remain in Lebanon and Iran is perceived as a state sponsor of terrorism. They do not consider relations with Washington to be in their best interest at this time or to be beneficial to the leadership so soon after Khomeini's death. However, the strongly anti-US policy may change over time. For example, the Iranian press ridiculed London's remarks on the Ayatollah's death but reported the US President's statement without comment. In addition, Khomeini's daughter Zahra Mustafavi hinted that relations with Washington might improve after her father's death. She said that although the US-Iranian relationship, according to her father, is "like that between a wolf and a sheep," officials change. Discreet contacts with US businesses are likely to begin during the next 2 years, but substantial progress in official relations is not expected for some time.

Outlook

(C) Rafsanjani will not articulate his policy proposals before the July election and thus provide his opponents opportunities for criticism. He and the Ayatollah Khamenei will probably work closely in formulating an economic and political strategy to be implemented once Rafsanjani becomes President. Commander in Chief Rafsanjani may then move more decisively to streamline the armed forces and the Islamic Revolutionary Guard Corps. He may also become more aggressive against political opponents threatening his policies.

(C) Barring an unexpected upheaval, Khamenei's succession and Rafsanjani's consolidation of actual political leadership should eventually redirect Iran toward the mainstream of the community of nations, rendering it less radical and threatening. However, despite the diplomatic or economic risks, Iran will not abandon its often contentious efforts to play a leading role in the Muslim World. (DECL OADR)

Prepared by:

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