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CENTRAL INTELLIGENCE AGENCY  
Directorate of Intelligence  
12 May 1972

INTELLIGENCE MEMORANDUM

Moscow and the Persian Gulf

1. Soviet policies in the Persian Gulf have followed a consistent course over the past five years. During this period, Moscow has probed the area, seeking--as opportunities arose--to extend its political and military influence into a region of traditional Russian concern. Iran, Iraq, and Kuwait have been responsive to Soviet overtures. Moscow has been particularly successful in using economic openings with Tehran and Baghdad to foster the growth of policies more friendly to the USSR. After Kuwait gained independence in 1961, the Soviets moved quickly to establish a diplomatic mission. In 1970, Soviet representatives in Kuwait arranged for Kuwaiti oil to be delivered to Japan, a Soviet customer, in return for the shipment of Soviet crude to Kuwait's clients in Europe.

2. Iran is now the fourth largest recipient of Soviet economic aid and the second largest recipient of East European aid. Although this assistance still represents only a small part of the total financing for Iran's economic development program, Soviet activity is the dominant foreign activity in the northern part of the country and is important in other sectors. The largest Soviet project in Iran is the Isfahan steel mill, which the USSR agreed to undertake after the West turned it down as economically unfeasible. As repayment for most of its credits, the USSR is taking a billion dollars worth of natural gas from Iran over the next decade.

Note: This memorandum was prepared by the Office of Current Intelligence and coordinated within the Directorate of Intelligence.

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3. The USSR also has emerged as Iran's third largest arms supplier. The most recent agreement brought Soviet military aid to Iran to a total of more than \$350 million. Tehran's purchases have been confined to conventional armaments, such as artillery and armored personnel carriers. The Shah prefers not to purchase sophisticated arms from Moscow in order to avoid becoming dependent on the Soviets for technical assistance and spare parts.

4. Soviet-Iraqi ties have developed rapidly and have led to the signing of a Treaty of Friendship and Cooperation on 9 April. Last fall Moscow agreed to deliver to Iraq military equipment worth about \$250 million. AAA guns, anti-tank rockets, armored personnel carriers, and fighter aircraft were included. Several months ago, according to a clandestine source, Soviet SA-3 surface-to-air missiles were unloaded at the port of Umm Qasr, and Iraq probably has more than enough equipment for four SA-3 firing units. The Iraqis presumably have acquired this low-altitude air defense system under the arms agreement signed in October.

5. Article Nine of the Treaty of Friendship and Cooperation could, moreover, lead to a greater Soviet military presence in Iraq. That article states, "In the interests of the security of both countries, the high contracting parties will continue to develop cooperation in the strengthening of their defense capabilities." This is a careful formulation and raises the possibility of reciprocity in the Soviet-Iraqi military relationship; the formulation was not in the Soviet treaties with Egypt and India. The friendship treaty with India had no defense provision, and the treaty with Cairo was designed "in the interests of...the United Arab Republic" to strengthen only Egypt's defense capability.

6. In view of logistic constraints on Soviet operations in the Indian Ocean, the USSR might be interested in obtaining support facilities in Iraq similar to those now available to the Soviet Navy in the Mediterranean. Such facilities would increase the on-station time of Soviet naval ships in

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both the Indian Ocean and the Persian Gulf. In addition, the Soviets could seek air access to speed the exchange of naval crews and replacement of parts and to provide landing facilities for naval reconnaissance aircraft.

7. At the moment, Iraq does not have a sufficient maintenance and repair capacity to handle Soviet naval ships. The facilities of Basra, Iraq's only large port, are in continuous use; those at the small port of Umm Qasr would have to be expanded to provide effective support. Umm Qasr does have a natural deep harbor with a large anchorage area, and the Iraqi Air Force has excellent facilities nearby. The Iraqi Air Force, moreover, has with Soviet assistance just built six military airfields that could be used to support a Soviet naval presence in the Indian Ocean.

8. The friendship treaty also stated that the Soviets' involvement in developing Iraq's industry and natural resources would be strengthened. This involvement has been increasing since 1969 when the USSR committed at least \$170 million to Iraq's national oil industry. The Soviets agreed to provide equipment and technical services for projects, primarily in the North Rumaila oil field in southern Iraq, and they are slated to build a refinery at Mosul. Soviet personnel are also surveying a proposed pipeline from Baghdad to Basra and an extension of the pipeline from Baghdad to northern Iraq. Most of this aid is to be repaid in crude oil deliveries.

9. In the long term, an increase in Soviet political influence in the Persian Gulf would offer Moscow an opportunity to exercise some influence over the gulf oil industry. The Soviets have been cautious about this, however, and with good reason. The USSR is not only self-sufficient in oil, but is a large net exporter of oil and is likely to remain so throughout this decade. The Soviets, moreover, would be reluctant to pay hard currency for Persian Gulf oil and have shown no desire to absorb more than a fraction of the oil produced there.

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10. Moscow's assistance to the oil-producing nations at present is confined mainly to production operations. The Soviets are not able to supplant the various international companies in marketing petroleum. In this field Soviet technical expertise and machinery are in disrepute, and it is difficult for the USSR to provide transport facilities. Therefore, Moscow's policy has been merely to urge producer governments to demand maximum revenues from Western companies and to avoid incurring any obligations to purchase or dispose of the oil. The Soviets are also inhibited, of course, by the recent Arab tendency to exclude foreign political influence from the oil industry.

11. The departure of the British and the emergence of the newly independent states of Bahrain, Qatar, and the United Arab Emirates in the second half of 1971 has presented the Soviets with new openings for expanding their presence in the Gulf. Soviet President Podgorny quickly cabled Moscow's official recognition of all three soon after independence, but only in the case of the United Arab Emirates did he publicly convey Moscow's "willingness to establish diplomatic relations." The foreign ministry of the United Arab Emirates revealed in February that an agreement to exchange diplomatic representation had been concluded, but pressure from Saudi Arabia caused the Emirates to delay the establishment of a Soviet Embassy in Abu Dhabi, the capital. Saudi pressure has also caused Bahrain and Qatar to refuse to exchange representatives with the Soviets.

12. As in the case of Kuwait in the 1960s, the Soviets will continue to press for a diplomatic presence in these new states and in Oman, as well. An Abu Dhabi source remarked privately earlier this month that the United Arab Emirates was "resisting" Soviet pressures and that the opening of a Soviet Embassy is several months away. The Soviets also may offer limited economic aid programs to the new governments. This would enable Moscow to gain greater knowledge of the area and to improve the Soviet image throughout the Gulf.

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13. The Soviets are being cautious about encouraging subversive activity in the area. They have established contact with the Popular Front for the Liberation of Oman and Arab Gulf and the Bahraini National Liberation Front and apparently have provided some small arms and limited funds to the former through Yemen (Aden). As in the case of Aden, however, Moscow will wait until a radical element has given evidence of being able to endure before channeling more substantial equipment and support to the liberation movement. Meanwhile, Soviet propaganda has become less enthusiastic over the prospects for success of liberation movements in the area.

14. Although greater Soviet involvement in the Gulf area is virtually a foregone conclusion, there are limits on Moscow's freedom to maneuver. In the first place, greater Soviet attention to the Gulf could disturb the friendly relations that currently exist between the USSR and Iran. The Soviet assistance programs in Iran are large and important. They are being implemented more rapidly than Soviet programs in other less developed countries; only India and Egypt receive larger amounts of Communist aid. The political and economic benefits that have accrued to the USSR from its trade and aid ties with Iran have become important policy considerations in Moscow.

15. The Soviets have been telling Tehran that the Soviet rapprochement with Iraq is not aimed against Iran. On several occasions during the past year, the Soviets tried to reassure the Iranians regarding Baghdad's intentions and stressed Moscow's desire to expand its ties with Iran. Last November, for example, the USSR refused a request by Iraq that Moscow protest Iran's seizure of islands in the Persian Gulf. According to a clandestine source, moreover, the Soviets rejected an Iraqi request that the friendship treaty include a guarantee the USSR would intervene if Iraq were attacked by Iran.

16. While the Soviets could use naval facilities in the Indian Ocean for their ships, they have not assigned a high priority to securing such facilities in the Gulf itself. One Soviet official has

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described the Gulf as a "mousetrap for all ships." In any event, it will remain difficult for the Soviets to carry on naval activity in the Indian Ocean and the Persian Gulf as long as the Suez Canal remains closed. Soviet military activity could also stimulate increased cooperation among the smaller Gulf states, as well as strong reactions from Iran and Saudi Arabia.

17. The Soviets probably will continue to encourage radical groups in the area, but will be discreet in order that their efforts remain undetected. They will not provide substantial assistance to the liberation movements and will not commit their own forces to any attempt to overthrow the conservative Gulf regimes. In view of the fragile political structure in the area, however, it is well to remember that even a minimal Soviet effort to support subversive groups could have considerable impact.

18. In sum, the Soviets probably will continue to follow the policy they have pursued over the past five years with significant success, particularly in their relations with Iraq and Iran. Even better ties with Iraq can be expected, and the Soviets will use their influence to try to push the Baghdad government closer to their other major Arab clients, Egypt and Syria. The USSR will avoid taking sides in the disputes between Iran and Iraq, hoping the Shah will come to accept the greater Soviet involvement with Baghdad. In the long run, a stronger Soviet political position and a more obtrusive military posture can be expected throughout the Persian Gulf.

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