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**Report of the Hungarian Embassy in Iraq on the negative impact of the war on  
the Iraqi domestic situation  
(April 24, 1986)**

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Subject: the negative impact of the war on  
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The Iraqi leadership and the majority of the population had high hopes for the year of 1986 and expected that things would change for the better in the country. These hopes were apparently based on hard work done in the previous period of time, the relative stabilization of the economic situation, significant improvements in oil exports and a temporary standstill at the frontline. The belief in better economic results is reflected in economic plans and several euphoric popular festivities.

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However, the events at the beginning of the first three months of the new year proved all these high hopes wrong in every respect:

- The Iranian offensive that had been postponed several times was finally launched on February 9 and the Iranian troops crossed the middle section of Shatt-al-Arab, a move that had been considered impossible thus far. They took the city of Al-Fao and now many troops are stationed in Iraqi territory;
- The steep decline of oil prices crushed any hopes for increasing state revenues and any significant returns for the costs and work invested in building new oil pipelines;
- The decline of the exchange rate of the US dollar further decreased the solvency of Iraq;
- Iraq had not received the requested political and financial support from the broad international community in her fight against the aggression of Iran.

The negative impact of these developments strengthened one another and created rather depressive conditions in Iraq's domestic situation. They made the latently present tensions even more acute and started erosion in the political elite and the society that may have severe consequences even in the short term.

1. The most important consequence is that unity between the three major forces of power, the Baath Party, the army and other armed forces and the president was broken. The army is unwilling to assume responsibility for the failures at Al-Fao, and there are many voices now openly mentioning the role of the president and his immediate environment in this failure. Military leaders eager to fight demand that they should be given a free hand in eliminating the consequences of this failure that had destroyed their prestige, and insist that they should be given everything necessary to drive the Iranian troops out of Iraqi land.

However, the president – as shown by his statements – clearly sees that the liberation of Al-Fao would require severe human and material sacrifices that Iraq cannot take now, or if it did, the country would become an easy prey to another Iranian assault. Incidentally, Iran has already prepared for such a grand offensive and deployed some 550-600 thousand troops in the region of Ahvaz.

Thus, the president is forced to resolve two problems, since he cannot take the risk of openly opposing the military leadership: on the one hand he has to sell the present situation to the military and civil public and on the other he has to do that in a way that he can get out of this situation stronger than ever and consolidate his system internally.

As in many other critical situations before, the president tries to push the party into the foreground and enforce his own ideas through party resolutions. He sets the party as an entity above any state institution against the military and the disillusioned people and cleverly avoids any direct clashes with those that he will need to rely on in the future. In the spirit of this tactics Saddam Hussein has withdrawn into the background in the past few weeks and hardly ever appears in public. This was especially striking when the key role on the anniversary of the Baath Party held in April was given to Michel Aflak, the old founding father of the party.

Many Iraqis and members of the DT [diplomatic corps in Baghdad?] explain the withdrawal of the president by saying that the presidential authority has been undermined and some elements are forcing their way forward under the aegis of the party that are even ready to remove the president in the interest of saving the system. No doubt there are such forces present in Iraq now and they may as well have their chance if the situation further deteriorates.

However, the reality of the balance of forces suggests that this is still a slim chance, and what is taking place now is nothing but the enforcement of the president's will, only in an indirect form. This view is justified by news that the military leaders responsible for the

events in the south have been relieved, transferred to some other posts or even executed and rumor has it that even the chief of the Security Service has been removed. First deputy Prime Minister T. Y. Ramadan, who has been mentioned as a real alternative to Saddam Hussein, is gradually “relieved” all of his functions, and more recently his powers in economic matters and management have also been placed under presidential control.

Discipline has been severely tightened in the state and party apparatus and the armed forces, and for security reasons measures have been introduced to restrict free movement of the civilian population. In the Shi’ite capital, Kerbala there was a minor uprising a few days ago, and several signs appeared that criticized the president. The security forces did not hesitate for a moment to crack down on and disperse the demonstrators by brutal force and the use of fire-arms.

Some hitherto unprecedented events similar to what happened in Kerbala demonstrate that the activity of anti-war forces that blame the regime has increased considerably under the surface. Thus, some rumors have been spread that that the president and his family has made significant illegal profits from revenues deriving from mandatory delivery of gold, horse-racing and lottery tickets. The direct dangers of these phenomena should not be overestimated, but they still can have an unfavorable impact on the mood of the population simply by the fact that they are raised openly.

The complexity of social reality in Iraq is also shown by some legends being revived among extremist Shi’ites, one of which is a story that the last Shi’ite imam who disappeared several hundred years ago will so return and restore the power of the Muslim church by expelling the ungodly Baathists. What is important in such rumors is not their content but the mere fact that they can surface in the country with a definite sharp tone against Saddam Hussein and his system.

2. The mood of the people was further deteriorated by the economic and financial measures that were taken in the March 18 meeting of the government (see a special report on

this meeting) and which severely affect supplies for the population for the first time during the five and a half years of the war against Iran. The import of luxury goods will be stopped, the selection of goods will be severely reduced, savings of the population will be curtailed and social investments will be stopped.

The amount of foreign currency that foreign guest workers can transfer abroad has been reduced to a minimum and those who do not have a permanent work contract are forced to leave the country. According to the Egyptian chargé d'affaires some 180-200 thousand Egyptian workers left the country in a few weeks. As a result several bakeries, stores and small plants were closed that severely affect supplies for the population and the shortage of labor force paralyzes the private sector and state construction. If Egyptian citizens keeping the agriculture of Iraq alive also start leaving the country, vegetables that are so important for the Iraqi people will also disappear from the markets.

Thus, the limitations on imports and the shortage of labor force in domestic production may lead to the deterioration of supplies for the people to an extent that may well exceed the tolerance level of the population, the fundamental base of support for the regime. We have some information now that there are some problems in supplying the army as well.

The negative influence of the restrictions that have been introduced partly under pressure and partly as a result of cautious foresight is by now obvious to the political leadership. In order to liven up the mood of the people some reserves are being put on the market, but a temporary improvement has also brought about a buying fever. People are rightly afraid that once the reserves are used up, shortages will continue unless imports are resumed.

For the time being the masses believe that the problems have deepened because of the war enforced on them by Iran, and there are very few who can see the mistakes committed by their leaders. Thus, despite growing fatigue and apathy the system with its propaganda can still maintain a national union against Iran and the appearance of unity.

3. The political leadership intends to heal the wounds inflicted upon the self-esteem and the feeling of security of the nation after the seize of Al-Fao by overstating the successes of the political and military leaders in other fronts, saying that Al-Fao will become “the cemetery of the Iranian aggressors and the graveyards will be left open by the Iraqi army until Iranians march into them themselves.” These words appear to be mere flowers of rhetoric, but it would be a mistake to let temporary Iranian successes in the south distort the real balance of forces between the two sides. Iran has clearly won a battle, but the war continues and the balance of power has not changed. Although the seize of Al-Fao has brought about a qualitative change in one section of the frontline, its importance is of a political rather than a military nature in that political fight in this phase of the war becomes critical on the Iraqi side. This is quite close to what Iran has been trying to achieve by protracting the war as much as possible.

With some of our friendly ambassadors we believe that Iraq’s defensive capabilities are still quite good, and the multiple-stage defensive system at important sections of the frontline, the high quality technology of the army, Iraq’s advantage over Iran in air forces and heavy arms and the almost unlimited military supplies all ensure that the country can properly defend herself. Most of the attention now should be devoted to keeping up the morale and discipline of the people, and the policy conducted in the hinterland may have a strong influence on these endeavors.

The Iraqi leadership and Saddam Hussein first have to win a domestic battle, while making sure that the present situation at the fronts, which can by no means be called bad, should not worsen significantly.

One of the components of the internal fight, we believe, is stirring the nationalist emotions of the masses and organizing demonstrations of taking sides with the president. March was the month of celebrating the anniversary of the Baath Party, while April passed in the spirit of events and ceremonies preparing for the birthday of the president. At the same

time the “material-battle”, the increase of production and the decrease of consumption, continues to be fought in the country. It is premature to draw conclusions on the basis of a relatively short period of time, but the first results seem to suggest that Saddam Hussein will again manage to overcome the difficulties and consolidate his power behind the bastion of the party. However, the most he can achieve in the long run is to delay the tendencies that are bound to jeopardize his presidency and regime. The time factor is gaining more and more importance and events can be accelerated inside Iraq too if Iran launches a successful offensive in the middle and southern sections of the frontline. Presumably the offensive will take place on or soon after April 28, the birthday of Saddam Hussein. It is Iran that can take the initiative now.

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