



DEPARTMENT OF STATE
Washington, DC 20520

S/S 8416912

CONFIDENTIAL

June 12, 1984

Copies to:

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84 JUN 12 P9:24
MEMORANDUM FOR MR. DONALD P. GREGG
THE WHITE HOUSE

NEA Subject: Eximbank Financing for Iraqi Export Pipelines

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(chs) Attached is a background paper, prepared at the request of the Vice-President's staff, on the status of the proposed Iraqi oil export pipelines and suggested talking points for possible use by the Vice President in calling Eximbank Board Chairman William Draper concerning Exim financing.

Charles Hill
Executive Secretary

84068901572

Attachments:

1. Background Paper
2. Talking Points

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BACKGROUND PAPER

STATUS OF IRAQI EXPORT PIPELINES

Iraq has agreement in principle with both Jordan and Saudi Arabia to build separate oil export pipelines and has asked US firms to take the lead in both projects. Both are moving forward slowly, however, because of delays in arranging financing as well as some apparent indecision on the part of the Iraqi and Saudi Governments.

Bechtel has had detailed financial and technical discussions with an Iraqi-Jordanian Joint Commission on the \$1 billion 1 million barrel per day line to Aqaba. Recently, the Commission asked Bechtel to revise its proposal to maximize US official and private participation and present the new version by June 25. In keeping with this request, Bechtel has now applied to Eximbank for a preliminary commitment of financing for up to \$570 million in US goods and services and has urged Exim to act on this request at its June 19 Board meeting (Eximbank would cover 85 percent of the amount, or up to about \$500 million.) Bechtel is seeking financing for most of the remainder from Exim's French and British counterparts.

The Iraqi-Jordanian effort to maximize US participation is in part due to concerns over possible Israeli interference with the planning, construction and operation of the line, which would terminate within a few miles of the Israeli port of Eilat. We have advised the Israelis of our interest in seeing this line operate and they have raised no military or political objections, but have noted the need for adequate environmental safeguards.

Iraq has also publicly and privately described this project as a major test of US intentions toward it. Jordan enthusiastically supports this project which would provide additional employment and continuing revenues.

In the case of the proposed link to the Saudi East-West pipeline, Brown & Root has a contract with Iraq to design and manage this \$800 million 500,000 b/d project. The company has prepared an application for Exim financing of its \$35 million service contract but has delayed submitting it while it attempts to meet an Exim request for external, i.e. Saudi, guarantees. Construction of this line presents a number of potential problems to the Saudis and their commitment to it appears lukewarm at best; while they have not obstructed preliminary work, they have also not facilitated it, and there has been no sign of Saudi government willingness to provide financing.

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Eximbank support is likely to be a crucial component, particularly for the Aqaba line. Exim's policy to date has been to disapprove medium and long term financing for US goods and services for Iraq in the absence of external security arrangements because of doubts regarding repayment prospects. Following recent discussions with Exim Chairman Draper and his staff, however, Bechtel believes they are favorably disposed towards the project and Bechtel's application, which would include only about \$50 million in Iraqi risk with the remainder backed by a Jordanian government guarantee. (All of Brown & Root's request would be for Iraqi risk.) The Aqaba project would be one of the largest single commitments ever made by the Bank and would far exceed its current exposure in Jordan.

While expressions of interest and support made to Eximbank at this time would necessarily focus on Bechtel's application regarding the line to Aqaba, we do not regard the two projects as mutually exclusive. Both would be beneficial.

Given the importance of these projects to our overall policies in the region, Deputy Secretary Dan is calling Mr. Draper to reiterate our foreign policy interests. (The Secretary has not been involved because of his previous association with Bechtel.) We understand that National Security Advisor McFarlane may also call Draper. A call by the Vice President would be particularly useful in confirming the Administration's support for these projects. (Suggested talking points for such a call are attached.)

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TALKING POINTS

EXIM FINANCING FOR IRAQI PIPELINES

--The war between Iraq and Iran directly affects our vital interests in the Middle East and particularly in the Persian Gulf.

--Our objective is to bring the war to a negotiated end in which neither belligerent is dominant and the sovereignty of both is preserved. We believe that victory by either side would have a serious destabilizing effect on the region.

--At the present time, Iran is the intransigent party, unwilling to negotiate in part because it believes it can win in a war of attrition. We must therefore seek means to bolster Iraq's ability and resolve to withstand Iranian attacks as well as to convince Iran that continuing hostilities are useless.

--One such means would be the early initiation of construction and rapid completion and operation of additional export pipelines for Iraq's large oil reserves.

--Eximbank could play a crucial role in our efforts in the region. Early and favorable action on applications for Exim financing for these pipeline projects would be clear and very welcome evidence of US commitment to these objectives.

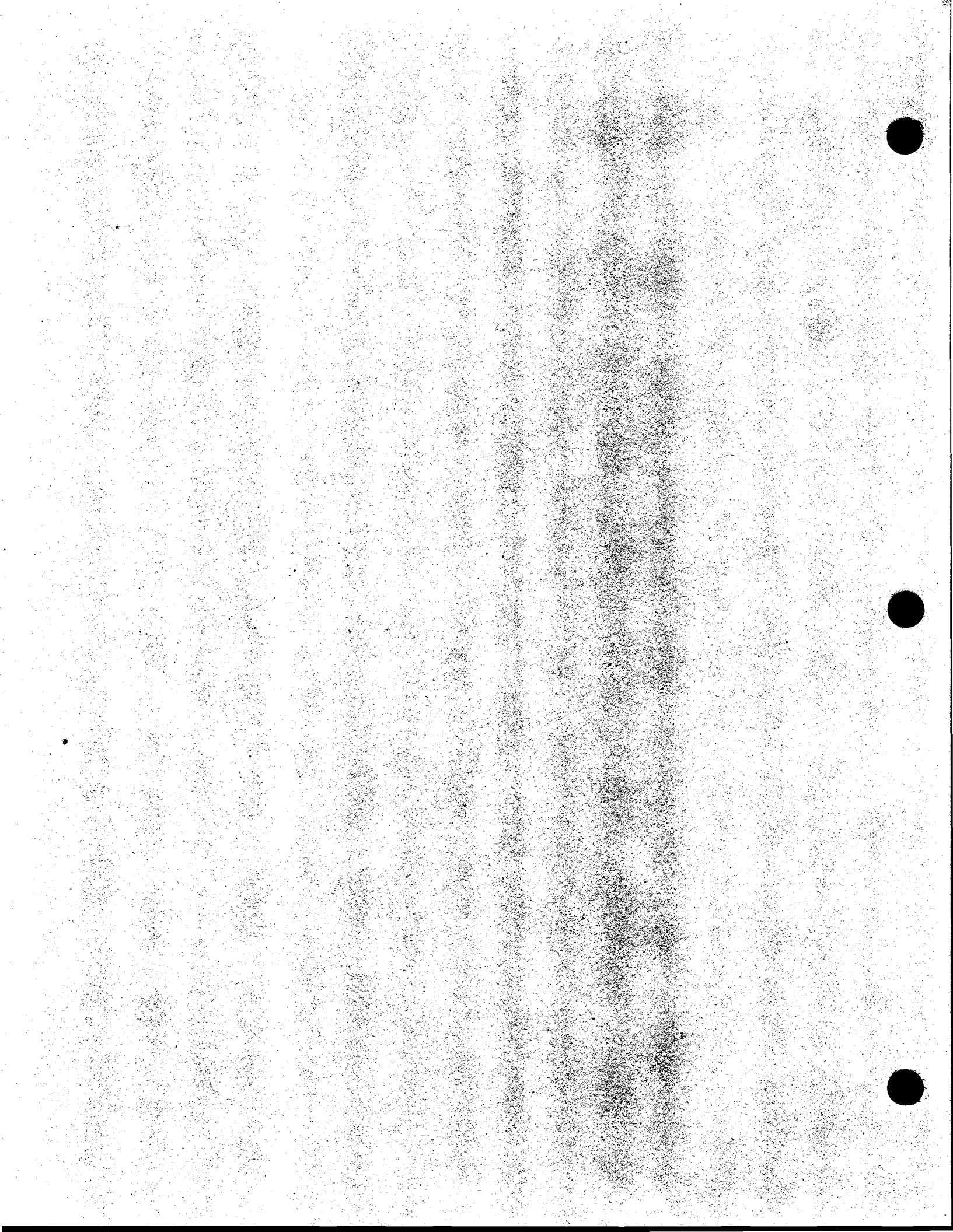
--US suppliers of services and equipment would benefit and with the completion of these pipelines, we would be less dependent on oil shipped through the Persian Gulf.

--Finally, operation of a pipeline to Aqaba could contribute to stability in the region by promoting at least tacit cooperation in the region.

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PROGRAM
ANALYST

Articles

Iraq: Relations With the United States

Since last summer Iraq has been trying to elicit US support for its efforts to force Iran to the negotiating table. Iraq wants the United States to support an arms embargo against Iran and to provide aid in funding and financing alternative export routes for Iraq oil. We believe that Iraq will work to improve ties with the United States as long as it believes Washington can help it end the war. At the same time, Baghdad is suspicious of US-Middle East policy, which it believes is overly influenced by Israel.

Background

When Iraq announced last summer that it planned to attack Gulf shipping using its newly acquired Super Burehard fighters, the United States appealed in the United Nations for authorization. No agreement to restrict itself was forthcoming from Iran, but Baghdad subsequently proposed that Washington help it end the war. Possibly in an attempt to convince Washington, Iraq underlined its demand on a number of foreign policy issues.

announced support for a proposed Iraqi oil pipeline back to Jordan. Washington encouraged the so-called Aqaba line to the Export-Import Bank, which is considering supplying loan guarantees for the project.

Iran Aqaba Project

US rapprochement with Iraq has encountered difficulty over Washington's attempts to end the Aqaba project. Baghdad wants the pipeline built because the new line could significantly offset Iraqi oil revenue losses sustained when Damascus closed the Iraq-Syria line in 1972. Iraq, however, is uneasy about the Aqaba issue, which would pass close to the Israeli border and thus be vulnerable to Israeli attack.

In an attempt to ensure the safety of the Aqaba line, Washington asked Israel for guarantees of the project's safety. The Israeli press learned of Washington's approach, and a number of articles appeared speculating on the Iraqi need for guarantees.

The official Iraqi newspaper Al-Thawra depicted news on Israeli press reports that Baghdad sought to improve relations with the Jewish state. The paper claimed that Iraq would not consider negotiating with Israel, directly or indirectly.

On the oil front, Washington

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PROGRAM
ANALYST

93-1-91

DE #2

~~Secret~~

The Chemical Warfare Flap

US dealings with Iraq were troubled anew in March, when the State Department condemned Iraq's use of chemical weapons.

bases in the Persian Gulf.

Despite its publicly expressed irritation, Baghdad agreed to overlook the condemnation. The controversy resurfaced, however, when reports appeared in the US press of an alleged US-Israeli plan to destroy Iraq's chemical facilities. Washington discounted the reports as fanciful. Baghdad took them seriously. In a note to the United Nations, Iraq's Foreign Minister observed that the Western media was creating a climate of hysteria in preparation for such attacks. Baghdad claimed a similar anti-Iraq campaign was waged in the West before Israel attacked Iraq's nuclear reactor in 1981.

Iraq's First Deputy Prime Minister Taha Yasin Ramadan has repeatedly charged that the United States and Israel are conspiring to penetrate the Gulf. In a report from Moscow, Ramadan claimed that Washington was trying to scare the Gulf states into permitting US bases in the region. Once the Americans are established in the Gulf, Ramadan maintained, they, along with Israel, would be able to grab the Arab nation in the back.

The Arms Embargo

US-Iraq relations also have run into difficulty over the arms embargo.

Outlook

We believe that improved relations with the United States are desired by Iraq's President Saddam Husayn, who apparently is convinced Washington can help him end the war. At the same time, we believe Saddam's opening to the United States is opposed by some Iraqi leaders.

In May Baghdad

newspapers prominently reproduced an article by Egyptian commentator Husayn Haykal, in which Haykal reported in detail on the alleged Israel-Iraq arms connection.

US Penetration in the Gulf

Elements in the Iraqi ruling clique apparently suspect that the United States with Israeli connivance—is trying to exploit the Iran-Iraq war to gain military

~~Secret~~

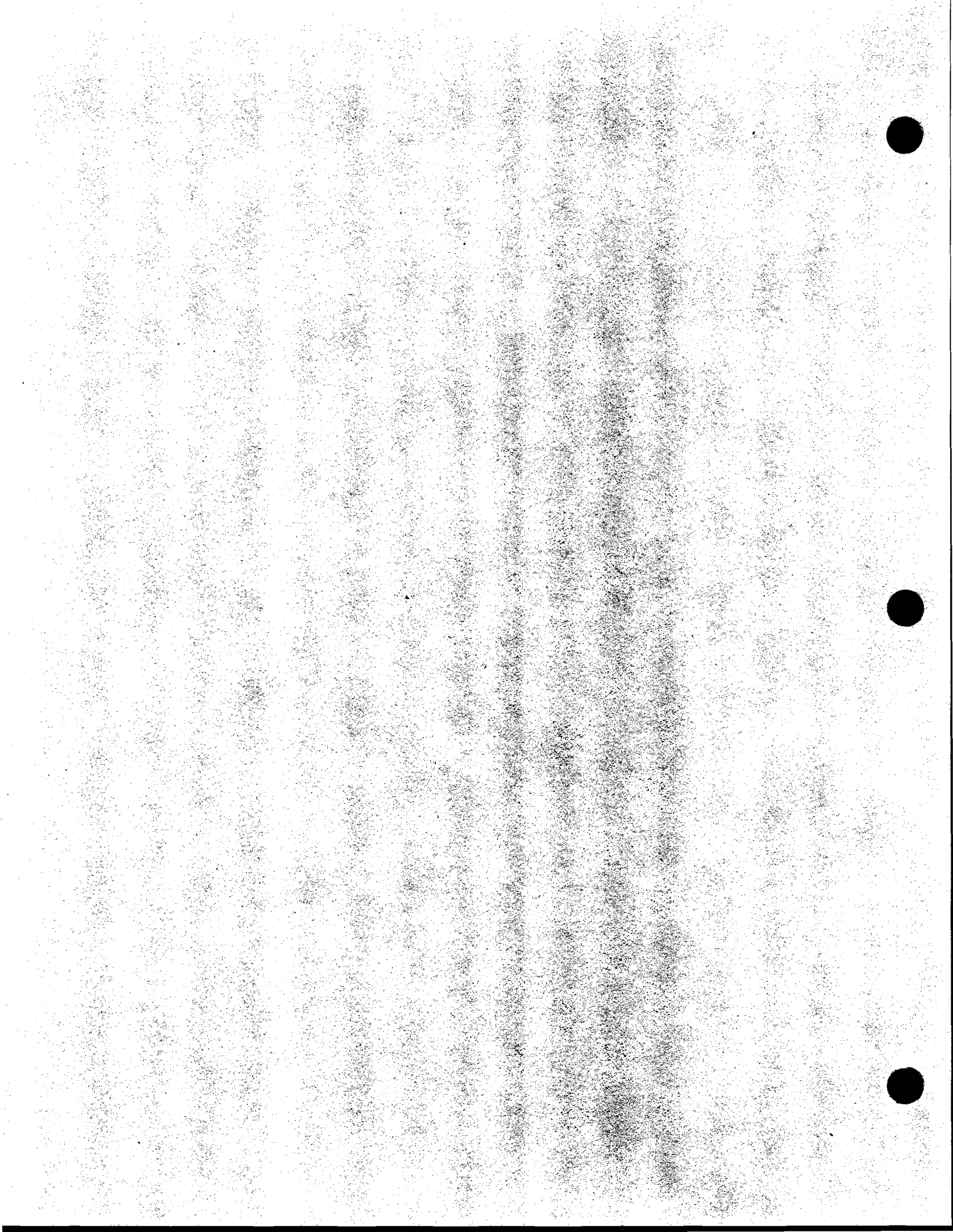
Nevertheless, we do not believe Saddam will give in to Iraq's hardliners as long as he believes the United States can help him to push Iraq to the negotiating table. Saddam is a pragmatist who has rarely permitted ideology to dictate policy stands.

Israeli officials publicly asked Iraq to allow Israel to connect the Aqaba line to an existing Israeli Eilat-Ashekel pipeline. Baghdad was enraged by this suggestion and became even more upset when Tehran publicized the Israeli proposal. Tehran sarcastically suggested that Baghdad was about to become a major oil supplier of the Israelis.

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TEXT OF TELEGRAM 84USUN N001615

ADP477
UNCLASSIFIEDPAGE 01 USUN N 01615 062358Z
ACTION 10-15

INFO	OCT-00	COPY-01	ADS-00	INR-10	EUR-00	SS-00	DIC-02
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DIA WASHDC
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UNCLAS USUN NEW YORK 01615

E.O. 12356: N/A
TAGS: UNCL, UNSC, IR, IZ
SUBJECT: ALLEGED U.S. CHEMICAL WEAPONS SHIPMENT TO IRAQ.

1. THIS IS AN ACTION MESSAGE. SEE PARA 4.
2. THE PERMANENT REPRESENTATIVE OF IRAN TO THE UNITED NATIONS HAS HAD CIRCULATED AS A SECURITY COUNCIL DOCUMENT A PRESS RELEASE OF THE IRANIAN NEWS AGENCY (IRNA) ENTITLED "UNITED STATES TOXIC CHEMICAL DELIVERY TO BAGHDAD".
3. STATEMENT CITES DOCUMENTS ALLEGING SHIPMENT ON 21 JANUARY 1984 FROM TORREJON AIR FORCE BASE TO BAGHDAD OF TWO TONS OF SOLIDIFIED GAS.

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PAGE 02 USUN N 01615 062358Z

4. ACTION: PLEASE PROVIDE APPROPRIATE RESPONSE FOR MISSION TO REBUT TO THIS APPARENT ATTEMPT AT DISINFORMATION.
BEGIN TEXT:

TEHRAN, 3 JULY, IRNA - MORE DETAILS HAVE BEEN REVEALED TODAY ON THE DELIVERY OF TWO TONS OF SOLIDIFIED GAS TO IRAQ BY THE UNITED STATES MILITARY FORCES LAST JANUARY.

PAGE NO. 1

DEPARTMENT OF STATE A/CDC/MR	
REVIEWED BY <u>Logan W</u>	DATE <u>JAN 12 1986</u>
RDS <input type="checkbox"/> or XDS <input type="checkbox"/> EXT. DATE _____	TS AUTH. _____ REASON(S) _____
ENDORSE EXISTING MARKINGS <input type="checkbox"/>	DECLASSIFIED <input checked="" type="checkbox"/> RELEASABLE <input checked="" type="checkbox"/>
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TEXT OF TELEGRAM 84USUN N001615

108

THE DIRECTOR OF THE WAR INFORMATION HEADQUARTERS, DR. KAMAL KHARRAZI, TOLD IRNA THAT DOCUMENTS OBTAINED BY THE HEADQUARTERS INCLUDE A LETTER ON THE TRANSFER OF THE CHEMICAL FROM CALIFORNIA TO THE U.S. AIR FORCE BASE IN TORREJON, SPAIN AND THAN TO BAGHDAD, BY TWO SPECIAL FLIGHTS NOS. SR-71-E AND SR-02-F ON 21 JANUARY.

THE LETTER WAS SIGNED BY A UNITED STATES MILITARY OFFICER, MAJOR P.R. PRICES.

"THE OBTAINED DOCUMENTS WOULD BE KEPT AT THE WAR INFORMATION HEADQUARTERS FOR THE TIME BEING FOR SECURITY REASONS AND WOULD BE PUBLISHED AT AN APPROPRIATE TIME," DR. KHARRAZI SAID AS HE SHOWED SOME OF THE DOCUMENTS TO THE IRNA CORRESPONDENT.

HE SAID THE UNITED STATES HAS REACTED "HURRIEDLY IN BEING THE FIRST COUNTRY TO CONDEMN THE IRAQI REGIME FOR ITS USE OF CHEMICAL WEAPONS AGAINST IRAN".

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PAGE 03..... USUN N 01615 062358Z

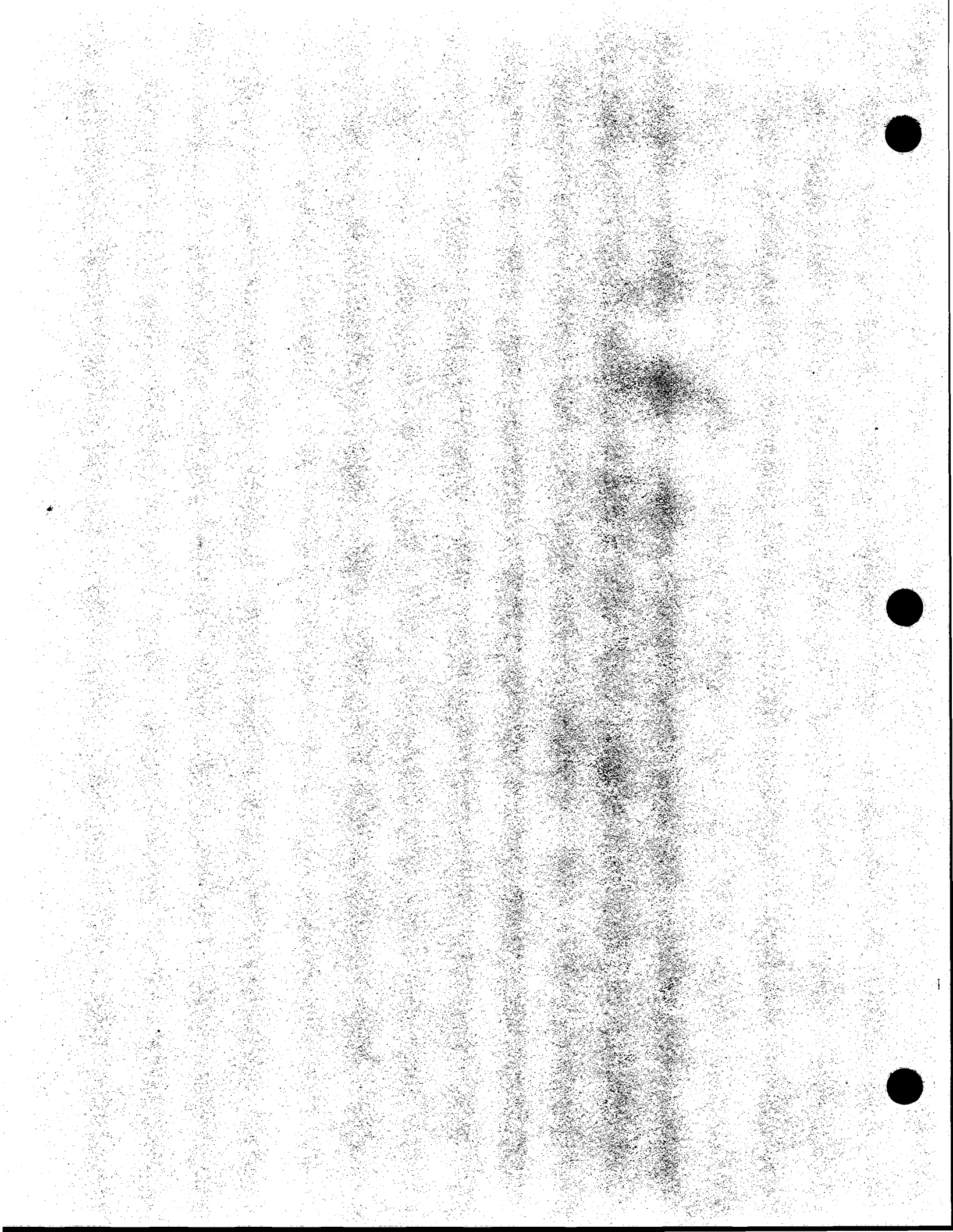
"STATEMENTS BY AMERICA AND IRAQI OFFICIALS SHOW THAT THE AMERICANS, WHO THEMSELVES PROVIDED THE CHEMICALS TO IRAQ, CONDEMNED IRAQ IN A HURRIED AND HYPOCRITICAL MANNER." AT THE SAME TIME THE MASS MEDIA CARRIED REPORTS QUOTING AMERICAN SOURCES THAT THE UNITED STATES WAS AWARE OF THE IRAQI ATTEMPT TO OBTAIN CHEMICAL WEAPONS FOR TWO YEARS. THIS WAS AT A TIME WHEN AMERICAN OFFICIALS MADE A PROPAGANDA MANOEUVRE AND BANNED THE EXPORT OF ANY KIND OF CHEMICAL MATERIALS USED IN CHEMICAL WEAPONS TO IRAQ TWO WEEKS AFTER IRAQ'S WIDESPREAD CHEMICAL ATTACK AGAINST IRAN. AFTER THE OFFICIAL DENIAL BY THE UNITED STATES STATE DEPARTMENT, THE UNITED STATES SENATOR ALAN CRANSTON ADMITTED THAT SEVERAL AMERICAN INSTITUTES HAD SUPPLIED IRAQ WITH COMPONENTS OF CHEMICAL WEAPONS TO BE USED AGAINST IRAN'S MUSLIM COMBATANTS.

END TEXT.
KIRKPATRICK

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TEXT OF TELEGRAM B4USUN N001662

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PAGE 01 USUN N 01662 171738Z
ACTION 10-15

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	PH-10	PA-02	OMB-01	OES-09	SP-02	ODEE-00	SNP-01
	PRS-01	/079 W					

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P 171734Z JUL 84
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 TO SECSTATE WASHDC PRIORITY 3405
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 INFO AMEMBASSY KUWAIT
 AMEMBASSY MADRID
 USMISSION GENEVA
 USINT BAGHDAD
 JCS WASHDC
 DIA WASHDC
 COMIDAESTOR
 CINCUSAFE
 UN SECURITY COUNCIL COLLECTIVE

UNCLAS USUN NEW YORK 01662

E.O. 12356: N/A
 TAGS: PRE, UNSC, IR, IZ
 SUBJECT: ALLEGED U.S. CHEMICAL WEAPONS SHIPMENT TO IRAQ
 REF: USUN 015

BELOW IS TEXT OF LETTER DATED JULY 16, 1984 SENT TO THE U.N. SECRETARY GENERAL IN RESPONSE TO THE LETTER FROM IRAN (REFTEL).

BEGIN QUOTE:

HIS EXCELLENCY
 JAVIER PEREZ DE CUELLAR
 SECRETARY-GENERAL
 UNCLASSIFIED
 UNCLASSIFIED

PAGE 02 USUN N 01662 171738Z

THE UNITED NATIONS

DEAR MR. SECRETARY-GENERAL:

I HAVE THE HONOR TO REFER TO THE LETTER DATED 5 JULY 1984 ADDRESSED TO YOU FROM THE PERMANENT REPRESENTATIVE OF THE ISLAMIC REPUBLIC OF IRAN CONTAINED IN DOCUMENT S/16656. THAT LETTER TRANSMITTED THE TEXT OF AN ALLEGED NEWS ITEM FROM

PAGE NO. 1

DEPARTMENT OF STATE A/CDC/MR

REVIEWED BY Logan DATE JAN 12 1985

RDS or XDS EXT. DATE _____
 TS AUTH. _____ REASON(S) _____
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 RELEASE DENIED
 PA or FOI EXEMPTIONS _____

TEXT OF TELEGRAM 84USUN NOO1662

IRNA CONTAINING ACCUSATIONS AGAINST THE UNITED STATES WHICH ARE TOTALLY FALSE AND GROUNDLESS.

THE UNITED STATES GOVERNMENT HAS NEVER PROVIDED IRAQ WITH CHEMICAL WARFARE AGENTS OR COMPONENTS. THERE WERE NO "SPECIAL FLIGHTS NOS. SR-71-E AND SR-02-F" OR ANY OTHER U.S. MILITARY FLIGHTS ON JANUARY 21 OR AT ANY OTHER TIME AS ALLEGED IN THE IRNA STATEMENT. THE NUMBERS CITED ARE NOT DESIGNATIONS THAT THE U.S. GOVERNMENT USES FOR FLIGHTS. THE NAME CITED OF "A UNITED STATES MILITARY OFFICER, MAJOR P.R. PRICES" (OR "PRICE"), ACCUSED OF SIGNING AN ALLEGED "LETTER ON THE TRANSFER OF THE CHEMICAL," DOES NOT APPEAR ANYWHERE ON DUTY ROSTERS OF THE U.S. MILITARY SERVICES.

UNITED STATES GOVERNMENT POLICY PROHIBITS THE TRANSFER OF COMPOUNDS TO IRAN AND IRAQ WHICH COULD BE USED IN THE MANUFACTURE OF CHEMICAL WEAPONS. THAT POLICY HAS BEEN, AND WILL CONTINUE TO BE, STRICTLY ENFORCED. MOREOVER, IT HAS BEEN THE LONG-STANDING POLICY OF MY GOVERNMENT TO PROHIBIT THE EXPORT OF CHEMICAL WEAPONS OR UNCLASSIFIED UNCLASSIFIED

PAGE 03..... USUN N 01662 171738Z

CHEMICAL WEAPONS COMPONENTS FROM THE UNITED STATES TO ANY COUNTRY.

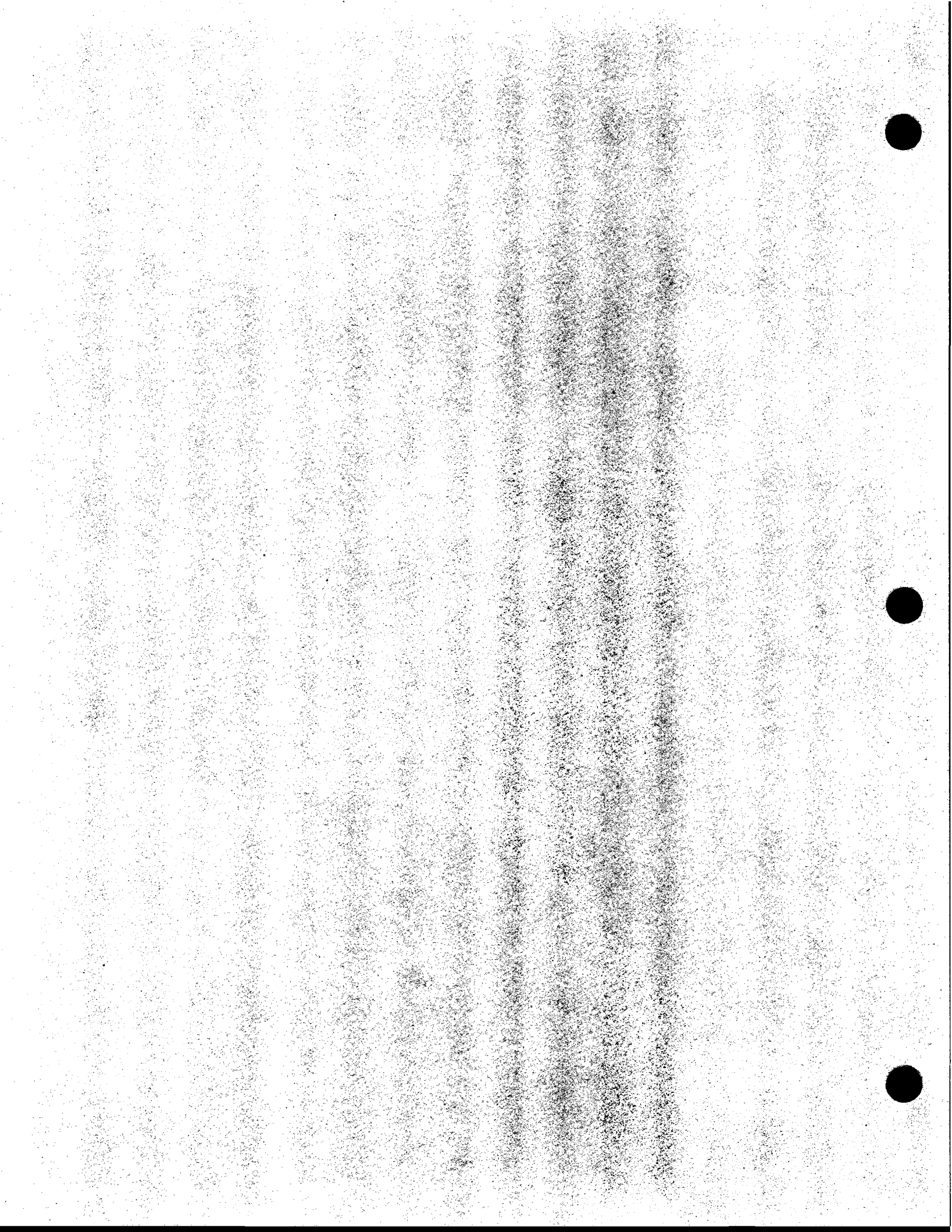
THE UNITED STATES HAS CONDEMNED THE USE OF CHEMICAL WARFARE AGENTS CONSISTENTLY OVER A SPAN OF MANY YEARS, REGARDLESS OF THE CIRCUMSTANCES OF THE COUNTRY ILLEGALLY USING SUCH WEAPONS. THE UNITED STATES WILL CONTINUE TO DO SO, JUST AS WE WILL CONTINUE TO SUPPORT INTERNATIONAL EFFORTS TO END ALL USE OF CHEMICAL WEAPONS IN VIOLATION OF INTERNATIONAL LAW AND AGREEMENTS.

I REQUEST THIS LETTER BE CIRCULATED AS A DOCUMENT OF THE SECURITY COUNCIL.

-----SINCERELY,
----- JEANE J. KIRKPATRICK

END QUOTE.
KIRKPATRICK





DEB-85-84

25 September 1984



Defense Estimative Brief

Prospects for Iraq (U)

Summary

President Saddam Husayn will likely remain in power for the next two years. His control over the police and security organization remains pervasive, and opposition groups are in disarray. Moreover, potential coup plotters in both the dominant Ba'th Party and the military have no illusion that a change of leadership would end the Iran war on acceptable terms.

Iraq's strained economy will result in at least tactical changes in its foreign relations. On the one hand, Iraq's need for funds will continue to dictate a rapprochement with the moderate Arab states of the Gulf. On the other hand, Iraq's Ba'thist heritage will make it extremely difficult for Baghdad to forgo territorial claims or efforts to eventually alter the political make-up of its neighbors.

In the near-term, Soviet ostensible willingness to provide attractive economic packages will achieve increased success in keeping Baghdad away from the more expensive Western military hardware and perhaps undercutting Western inroads on economic projects. Nevertheless, Moscow will have great difficulty in translating its assistance into political influence.

Unless Baghdad discerns convincing evidence that Khomeini's regime is moving to end the fighting, Iraq will most likely continue to escalate its attacks against targets in the Gulf. Husayn believes that increased international condemnation of Iranian retaliatory strikes against third parties, restriction of arms sales to Iran, and reduction of Iranian oil sales serve his goal of ending the war on terms favorable to Iraq.

Discussion

1. Political Prospects. Iraq is a potentially wealthy and regionally powerful state held together by the well-organized Ba'th Party and its ruthless but pragmatic leader, President Saddam Husayn. The President's control over the police and security organization is pervasive and the majority sees no other attractive alternative. Moreover the principal opposition groups are in disarray.

-- Husayn has responded to the Shia-based, Iranian-supported Dawa Party opposition by executing, jailing and deporting suspected members.

-- Kurdish separatist leaders are divided by traditional infighting and through Baghdad's adroit exploitation of Kurdish tribal differences.

-- The Communist Party of Iraq is fragmented and Husayn has been able to depict it as supporting Iranian goals and betraying Iraqi nationalism.

2. The regime will continue its active campaign of coopting the opposition while ameliorating outstanding grievances and punishing as it deems appropriate. National Assembly Elections, only the second to be held since Iraq became a republic in 1958, are part of this scheme.

3. The most likely threat to Husayn will continue to be assassination by an Iraqi acting on his own initiative. Iranian attempts to have Husayn assassinated or to foment a coup from Iraq's Shia population have met with failure. It is highly unlikely that a successful popular uprising could be organized without Ba'th Party or military support. In the case of the Party, there are few who could control the military force to achieve a successful coup. The military would be the more likely source for coup plotters even though Husayn has given them incentives to retain their loyalty. However, neither potential Party nor military plotters would have any illusion that a change in leadership would end the Iran war on acceptable terms. Iranian intentions would remain to eliminate the secular Ba'th Party and to establish a Shia theocracy.

4. Economic Prospects. Since mid 1983, when the full effects of the Iran-Iraq War finally hit Iraq's economy, Baghdad has pursued an economic strategy of austerity and credits. Currently, the regime has obtained a fragile economic equilibrium with official foreign reserves holding steady at about \$3 billion from the \$31 billion available prior to the war's start in September 1980.

5. While Iraq's economic situation will remain tight until it can substantially increase its income, this problem should remain manageable over the next few years. Growing

international confidence in Iraq's future make it likely that Baghdad will succeed in obtaining a rescheduling of its foreign debt commitments, thereby conserving its dwindling financial resources. Moreover, Iraq's actual expenditures probably will be lower as an ever growing percentage of its imports are obtained on credit. Baghdad's credit risk position also will be improved through its efforts to construct oil pipelines even though no oil will be flowing through them before early 1986. Lastly, the Gulf Arabs will have little choice but to continue their economic assistance, especially if Baghdad underscores its need for support to hold Iran in check.

6. Military Prospects. Iraq perceives that a drastic reduction of Iran's income is a key to ending the conflict. Attacks on selected Gulf targets have affected both the Iranian economy and its war making potential. Moreover, the regime probably realizes that it has little chance of a decisive military victory over Iran.

7. Unless Husayn discerns evidence that Khomeini's regime is moving to end the fighting, he will most likely continue to escalate his attacks against targets in the Gulf. These eventually would include strikes on Kharg island, with all out attacks on Kharg reserved as a last resort in Iraq's Gulf strategy. Baghdad seeks to internationalize the conflict fostering the image that Iran is the warring intransigent. Iranian retaliatory strikes against third parties in the Gulf are more likely to result in international condemnation than attacks by Baghdad in a well-publicized war zone. While Husayn would not be comfortable with a large Western or Soviet presence in the Gulf, he believes increased international condemnation of Iran, restriction of arms sales to Iran, and reduction of Iranian oil sales would greatly serve his goals of ending the war on terms favorable to Iraq.

8. On the battleground, Iraq will continue to rely upon strong defensive positions, especially physical barriers, and the threat to use all weapons in its arsenal, to include chemicals, to dissuade any Iranian attack. In the event Tehran does launch an offensive, Baghdad will carry through with its threats to extract maximum Iranian casualties while attempting to keep its own losses to a minimum.

9. In the longer term, Iraq is unlikely to resolve its deep animosity and suspicion toward Iran. Even with a peace agreement, border incidents and subversive activities will necessitate the stationing of large military forces on the Iranian border. Torn between the need for manpower to reinvigorate Iraq's economy and perceived military requirements, it is unlikely that Husayn will dismantle his military machine to any great extent. This will leave Iraq with a large seasoned military force, one that likely will continue to develop its formidable conventional and chemical capability, and probably pursue nuclear weapons. Nevertheless, it is unlikely that

Baghdad will display any enthusiasm for engaging its military in new adventures. Husayn's support to any future Arab-Israeli conflict will likely consist of a token conventional military force of a few brigades with some air support at most. It is extremely unlikely that the regime would risk deploying these forces with chemical weapons. Baghdad realizes that the Israelis would have little compunction in retaliating tenfold.

10. Regional Relations. As an adjunct to its inability to end the war, Iraq now finds itself aligned with Arab moderates and opposing Arab radicals. Past efforts to undermine Arab Gulf State governments have ground to a halt. Ties to Syria have been disrupted and replaced by a smoldering desire for revenge against Assad because of his support to Khomeini.

11. Once the war ends, Husayn most likely will resume fully his support toward the overthrow of Assad. Moreover, Iraq's intransigence in settling territorial claims to two islands (Bubiyan and Warbah) with Kuwait, despite Kuwaiti support during the war, suggests that Baghdad's relationship with the Arab Gulf states will continue to experience strains. Beyond continuing a military presence on at least one of the islands in question regardless of Kuwaiti concerns, neither Iraqi military nor subversive activity against Arab moderates is likely over the next few years. However, Iraq's Ba'thist rhetoric will die hard and the Arab moderates are unlikely to be fully at ease with their partnership.

12. Implications for the Soviet Union. Iraq's tightening economic situation and appreciation of major power support in its war with Iran, and Moscow's ostensible willingness to provide attractive economic packages, favor Soviet inroads for the next few years. Moscow will continue to be Baghdad's primary weapons supplier providing a wide range of advanced weapons. The USSR's willingness to provide large quantities of equipment at attractive credit terms will keep Iraq away from the more expensive Western military hardware, except for French fighters and Exocet missiles. Moreover, the Soviets may be able to edge out Western competition on economic projects, as they did on recent thermal power station construction and oil field development contracts awarded by Baghdad, if they follow through on the provision of generous credit packages.

13. The recent shift from normal Iraqi practice of procuring the best equipment/facilities regardless of source is not likely to be translated by Moscow into significant political leverage. Husayn will continue to view true non-alignment as his political objective and will not accede to Soviet pressure to obtain Baghdad's support of Moscow's goals. More specifically, he is not likely to allow the reestablishment of the Communist Party as a legitimate political entity in Iraq. Soviet and East European economic aid, \$50 million in 1983, has not been a

significant factor in Iraqi economic planning when compared to that of other states, e.g. the Arab Gulf States are providing approximately \$1 billion per month. For its part, Moscow has no intention of losing its position in Iraq and will act cautiously upon any opportunity to further its interests in Iran.

14. Implications for the US. Since Iraq broke diplomatic relations with the US during the 1967 Arab-Israeli War, relations between Baghdad and Washington have progressed from outright hostility to correct but limited contacts. Current rapport with Washington stems, in no small measure, from Iran's disassociation with the United States and Husayn's need to muster international support in his life or death struggle with Iran. One return for Washington's support has been the marked reduction of Baghdad-supported terrorist operations.

15. Continued US assistance could allow for additional inroads and possibly the resumption of full diplomatic relations. Nevertheless, the near-term direction of the US relationship will hinge on Iraq's perception of Washington's willingness to provide assistance at concessionary terms and to help deny Iran the same. Once Baghdad's current credit crunch has ended, commercial ties with the US again will broaden. Regardless of the extent of US relations, the vast majority of Iraq's commercial trade has been, is presently, and probably will continue to be with the West.

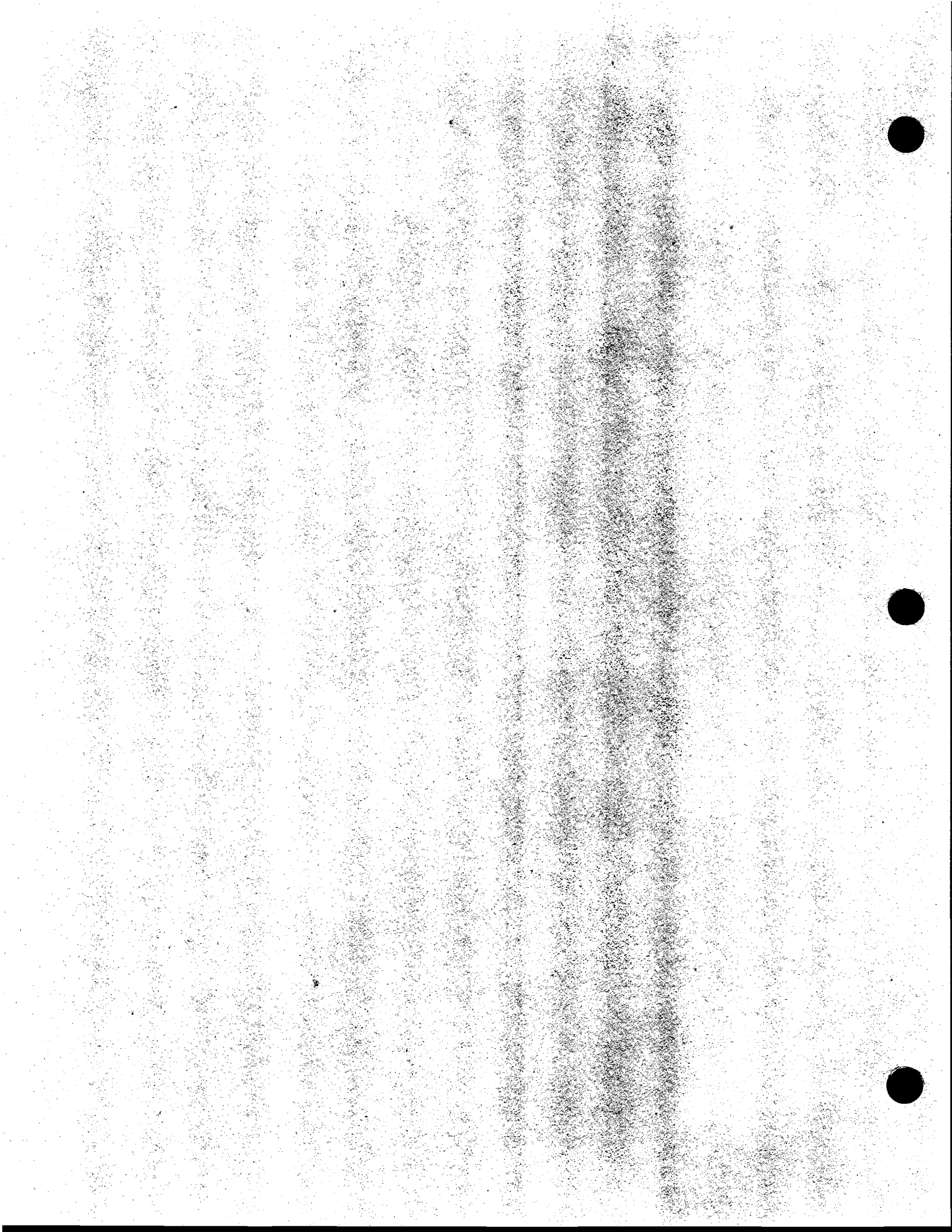
16. In the longer term, the political relationship between Iraq and the US will rest on developments in Arab-Israeli issues and the US-Israeli relationship. Iraq, thus far, has been able to obtain from the US essentially what it wanted while sacrificing few of its political ideals. Moreover, the war with Iran has not dampened Baghdad's perception that it is a major player in protecting Arab political and economic interests. Therefore, it is extremely unlikely that the current, or any future, Ba'th regime will modify its position on these issues without significant concessions from the US.

Prepared by:

Approved by: 1







BRIEFING PAPERS
SECRET

EXCISE

Iraqi Illegal Use of Chemical Weapons (CW)

I. Background:

- o ~~On November 1, 1983~~ we concluded that Iraq had used domestically-produced lethal CW in its war with Iran ~~beginning in 1980~~. Such use violates the 1925 Geneva Protocol, to which Iraq and Iran are Parties. The Protocol prohibits first use but not possession of CW nor its retaliatory use. (b)(1)
- o The Iraqi CW capability was developed in part through the unwitting and, in some cases, we believe witting assistance of a number of Western firms, ~~including~~. We have approached the relevant States on the involvement of their national firms. (b)(1)

- o On November 21, 1983, in Baghdad, we presented a demarche telling the Iraqis that we knew of their use of CW and strongly opposed it as a matter of principle. Other demarches to the same effect followed in succeeding months. We believe Iraqi CW use ceased after our November demarche but began again when Iran launched its February 1984 offensive. (b)(1)

As a result of Iraq's renewed CW use in February, we publicly condemned Baghdad for using CW on March 5, 1984. Although adequately warned, Iraq expressed consternation with our action, ~~suggesting~~. In subsequent contacts with Iraq, we have reiterated our opposition to their illegal use of CW. (b)(1)

Later in March, at the request of Iran, the UN Secretary General dispatched experts to Iran to investigate. The final report, submitted to the Security Council, concluded that lethal CW (both mustard and nerve agents) had been used but did not name Iraq as the user. Soon thereafter, the Security Council unanimously condemned CW use in the Gulf War, again without naming Iraq.

In March we also instituted export controls on certain chemicals suitable for the manufacture of CW to both Iraq and Iran and sought the establishment of

DEPARTMENT OF STATE A/CDC/AMR

DATE 5/13/83

REASON FOR EXEMPTION: 5 (b)(1)

CLASSIFICATION: SECRET

EXEMPTION MARKING: []

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EXEMPTIONS: 5 (b)(1)

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similar controls by other nations -- many have followed our lead.

- o To date, Iraq has not admitted, publicly or otherwise, to having or using CW. |

(b)(1)

II. Current Status

- o We know of no Iraqi CW use since the end of the spring Iranian offensive.

(b)(1)

(b)(1)

- o Our efforts to curtail the flow of CW-related materials and to end the complicity of Western firms in the CW programs of Iraq and Iran have met with some success.

(b)(1)

However, because of the dual purpose nature of many materials, we cannot stop all shipments or technical assistance that might be used for CW purposes short of a complete trade embargo on both nations.

Fact Sheet - Iraqi CW Use - Visit of FM Aziz

Drafted by PM/TMP: J. Leonard
11/16/84 ph 632-1847

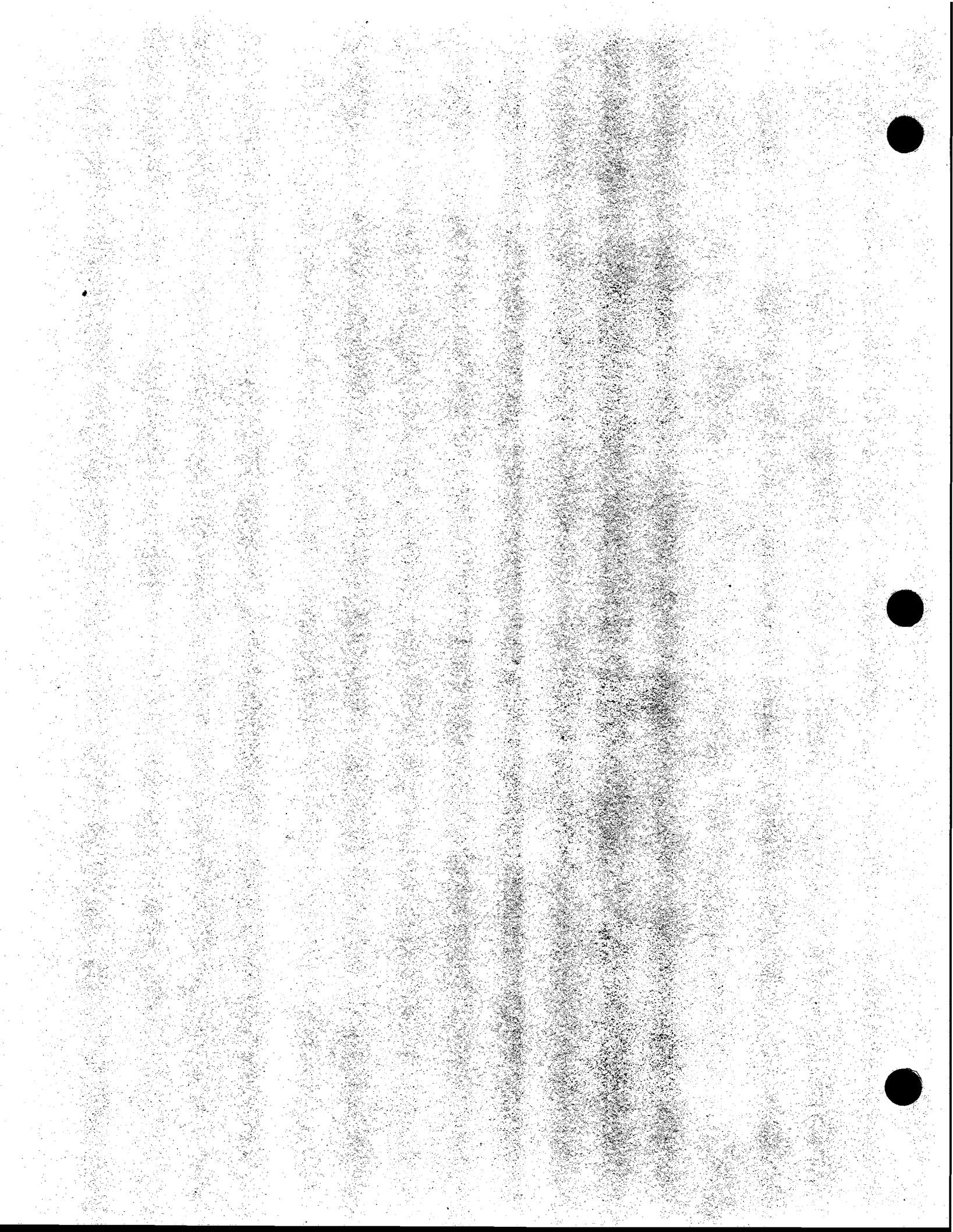
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TELEGRAM

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PAGE 01 STATE 352124
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Date. 6/17/93

APPROVED BY S: THE SECRETARY

NEA/ARN: DLHACK

NEA: RHPelletreau

S/S-O: RAYLING

S/S: JCOVEY

S: RJCLARKE

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E.O. 12356: DECL: OADR
TAGS: PREL, US, IZ
SUBJECT: HEMCON: SECRETARY'S MEETING WITH IRAQI
DEPPRIMIN TARIQ AZIZ, NOVEMBER 26, 1984, 10:00 A.M.

1. [REDACTED]
2. SUMMARY: IN THE FIRST OFFICIAL MEETING DURING TARIQ AZIZ' VISIT TO WASHINGTON AT THE DEPARTMENT ON NOVEMBER 26, THE SECRETARY WELCOMED THE RESUMPTION OF U.S.-IRAQI DIPLOMATIC RELATIONS AND EMPHASIZED THE U.S. DESIRE TO BASE THESE RELATIONS ON THE PRINCIPLES OF EQUALITY, MUTUAL RESPECT, AND RECIPROCITY. AZIZ STATED THAT HIS MAIN PURPOSE WAS TO ASK THE U.S. TO ENCOURAGE ITS FRIENDS

PAGE 02 STATE 352124

AND ALLIES TO ADOPT A "CORRECT ANALYSIS" OF THE SITUATION

Handwritten notes and signatures on the right side of the page, including "1-1", "4/16/94", and a signature.

4. THE WAR AND THE U.S.: AZIZ SAID IRAQ IS SATISFIED THAT THE U.S. ANALYSIS OF THE WAR'S THREAT TO REGIONAL STABILITY IS "IN AGREEMENT IN PRINCIPLE" WITH IRAQ'S, AND EXPRESSED PARTICULAR APPRECIATION FOR U.S. EFFORTS TO STOP THE FLOW OF WESTERN ARMS TO IRAN. HE STATED THAT IRAQ'S SUPERIORITY IN WEAPONRY NOW ASSURES ITS DEFENSE, BUT THAT THE WAR WOULD NOT TURN ON ONE OR TWO KEY PIECES OF EQUIPMENT POSSESSED BY EITHER SIDE. THE SECRETARY REMARKED THAT SUPERIOR INTELLIGENCE ALSO MUST BE AN IMPORTANT FACTOR IN IRAQ'S DEFENSE. AZIZ ACKNOWLEDGED THAT THIS MAY BE TRUE. AZIZ SAID THAT IRAQ MAY NOW BE THE COUNTRY MOST SECURE FROM THE IRANIAN THREAT, THOUGH IT IS STILL AT WAR; IRAQ HAS SURVIVED THE IDEOLOGICAL, ECONOMIC, POLITICAL, AND MILITARY CHALLENGES OF THE WAR, AS THE SECRETARY WOULD SEE FOR HIMSELF IF, AS IRAQ HOPED, HE VISITS BAGHDAD. HOWEVER, THERE IS NO TELLING WHETHER

THE SMALLER STATES OF THE GULF COULD SURVIVE SUCH CHALLENGES. OTHER COUNTRIES SHOULD THEREFORE DO WHATEVER THEY CAN TO CONTAIN THE IRANIAN THREAT.

5. IRAQI CONCERN FOR IRAN: AZIZ SAID THAT PROLONGATION OF THE WAR POSES A THREAT TO IRAN'S INTERNAL STABILITY, AN ESPECIALLY SERIOUS PROBLEM FOR A COUNTRY BORDERING THE

PAGE 04 STATE 352124

USSR. INSTABILITY IN IRAN AND ITS EXPOSURE TO THE USSR COULD CREATE A "GRAVE SITUATION" IN IRAQ'S REGION. IRAQ IS THEREFORE CONCERNED ABOUT IRAN'S FUTURE; IRAQ HAS "NO POLITICAL CHOICE" OVER THE TYPE OF GOVERNMENT IN NEIGHBORING COUNTRIES, AND IS ABLE TO LIVE COMFORTABLY WITH A VARIETY OF GOVERNMENTS AMONG ITS NEIGHBORS. FOR EXAMPLE, IRAQ HAS INTIMATE COOPERATION WITH TURKEY, A MEMBER OF NATO. THE STABILITY OF IRAN, AZIZ CONTENDED, IS NOT IRAQ'S RESPONSIBILITY ALONE, BUT ALSO THAT OF ALL REGIONAL COUNTRIES AND THOSE OUTSIDE THE REGION, PARTICULARLY THOSE WITH SUBSTANTIAL INTERESTS AND HISTORICAL TIES. "S IN THE CASE OF THE UK.

6. WESTERN POLICIES TOWARD THE WAR: AZIZ SAID HIS MAJOR OBJECTIVE IS TO URGE THE U.S. TO "INTENSIFY" ITS EFFORTS, WITH IRAQ, TO CONVINCE



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[REDACTED]

IN IRAN AND IN THE IRAN-IRAQ WAR, SO THAT THEY WOULD CHANGE CURRENT POLICIES THAT TEND TO PROLONG THE WAR. THROUGHOUT THE MEETING, AZIZ EMPHASIZED THE NEED FOR REALISM AND MATURITY FOR ALL PARTIES-- THE ARABS, IRAN, AND ISRAEL-- IN DEALING WITH THREATS TO REGIONAL STABILITY. AZIZ INVITED THE SECRETARY TO VISIT BAGHDAD TO OBSERVE FOR HIMSELF HOW IRAQ HAS SURVIVED THE CHALLENGES OF THE WAR. THE SECRETARY REITERATED THE U.S. INTEREST IN THE EARLIEST PEACEFUL END TO THE WAR, AND STATED THAT THE U.S. WILL CONTINUE TO WORK WITH ITS

FRIENDS TO THIS END. THE SECRETARY NOTED THAT THE U.S. WILL CONTINUE ITS PRINCIPLED OPPOSITION TO THE USE AND PRODUCTION OF CHEMICAL WEAPONS, AND TOOK POSITIVE NOTE OF IRAQ'S STATEMENTS CONDEMNING TERRORISM. HE PROBED FOR IRAQI THINKING ON THE ARAB-ISRAELI CONFLICT, RECALLING PRESIDENT SADDAM HUSSEIN'S REMARKS TO CONGRESSMAN SOLARZ IN 1982 REGARDING THE NEED FOR SECURITY FOR BOTH ISRAEL AND THE PALESTINIANS. THE SECRETARY ALSO EMPHASIZED THE NEED FOR COOPERATION ON ADMINISTRATIVE MATTERS REGARDING THE FUNCTIONING OF THE U.S. EMBASSY IN BAGHDAD (SEPTEL).
END SUMMARY.

BILATERAL RELATIONS:

3. THE SECRETARY WELCOMED THE IRAQI VISITORS AND EMPHASIZED THE IMPORTANCE WE ATTACH TO REESTABLISHING DIPLOMATIC RELATIONS. HE STATED THAT WE DESIRE TO CONTINUE TO EXPAND OUR RELATIONS IN THE FUTURE ON THE BASIS OF EQUALITY AND MUTUAL RESPECT. TARIQ AZIZ THANKED

[REDACTED]

PAGE 03 STATE 352124

THE SECRETARY FOR THE HOSPITALITY SHOWN HIS DELEGATION AND NOTED IRAQ'S DESIRE TO SEE RELATIONS CONTINUE TO EXPAND. HE REMARKED THAT, SINCE THE PRESENT GOVERNMENT OF IRAQ HAD NEVER ENJOYED FULL DIPLOMATIC RELATIONS WITH THE U.S., IRAQ VIEWS THE PRESENT EVENT AS THE ESTABLISHMENT, RATHER THAN THE RE-ESTABLISHMENT, OF DIPLOMATIC RELATIONS.

THE GULF WAR
[REDACTED]

[REDACTED]

3 AZIZ ASKED WHETHER IT WOULD BE APPROPRIATE FOR HIM TO REQUEST THE PRESIDENT'S PERSONAL INTERVENTION WITH HEADS OF STATE OF ALLIED AND FRIENDLY COUNTRIES TO PERSUADE THEM TO CHANGE THEIR VIEWS OF AND POLICIES TOWARD IRAN.

9. U.S. POLICY: THE SECRETARY REPLIED THAT IT WOULD BE PERFECTLY APPROPRIATE FOR AZIZ TO MAKE THIS REQUEST TO THE PRESIDENT, AND THAT HE WILL CONTINUE TO RAISE THESE ISSUES IN HIS OWN MEETINGS WITH WESTERN LEADERS. HE SAID THAT THE PRESIDENT WOULD HAVE NO HESITANCY IN ADDRESSING [REDACTED]

PAGE 06

STATE 352124

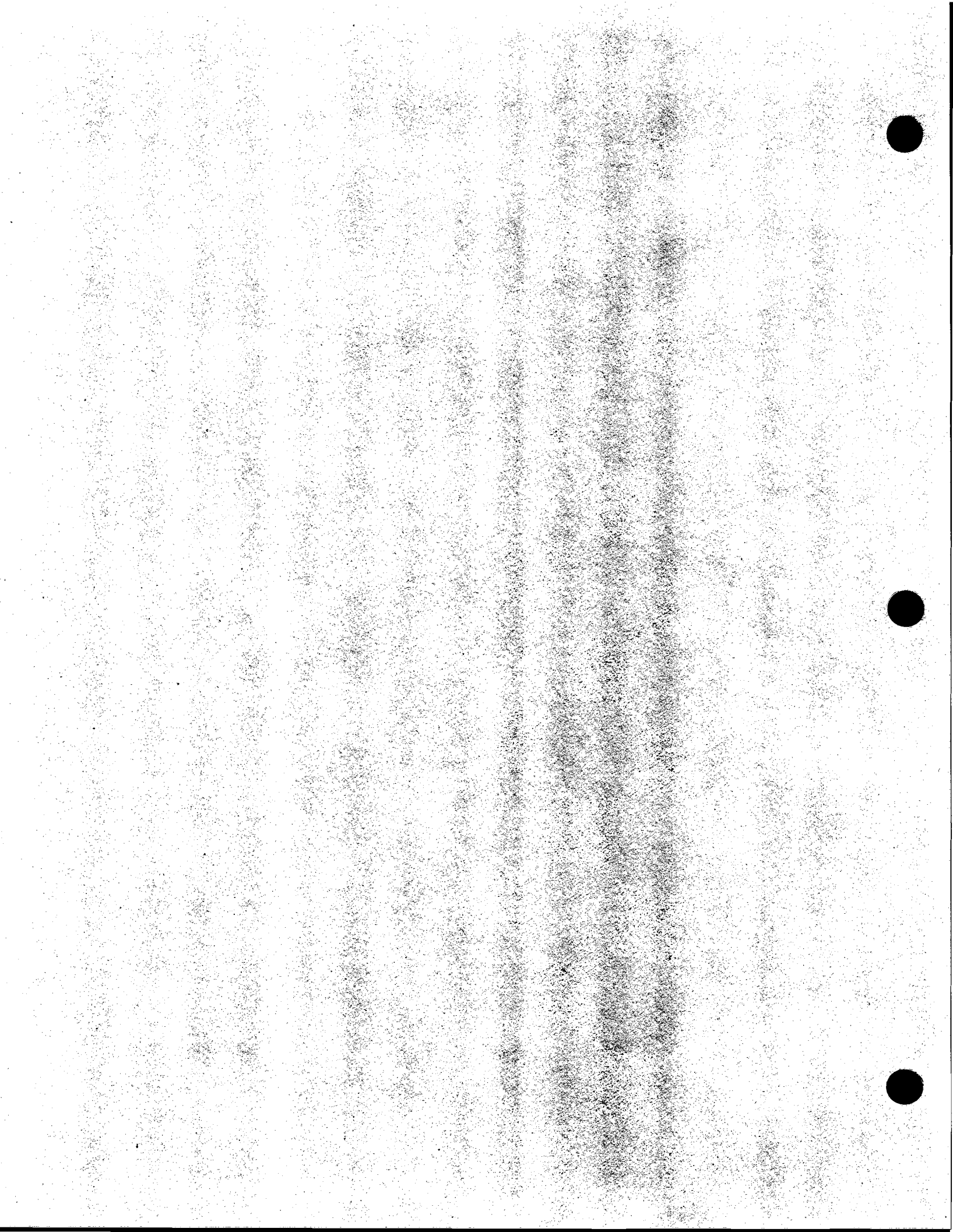
THIS ISSUE WITH ALLIED HEADS OF STATE, AND INDEED HAS ALREADY DONE SO. HE ASSURED AZIZ THAT THE U.S. WILL CONTINUE TO WORK WITH ITS ALLIES ON DEALING WITH IRAN, IN PARTICULAR ON CURBING THE FLOW OF WESTERN ARMS TO IRAN. HE SAID THIS IS AN INSOLUBLE PROBLEM, BUT THAT WE MUST KEEP WORKING ON IT. THE ONLY APPROACH IS TO SECURE AGREEMENTS FROM OTHER COUNTRIES, AND THEN TO GO BACK TO THEM WITH INFORMATION ON SPECIFIC SALES TO IRAN THAT CONTRAVENE THEIR POLICIES. THE SECRETARY SAID THAT, AS AZIZ HAD SUGGESTED, THE U.S. AND IRAQ AGREE ON POLICY TOWARD THE WAR; MAKING THE POLICY WORK REQUIRES SPECIFIC INFORMATION.

CHEMICAL WEAPONS

10. WELCOMING THE CANDOR WITH WHICH WE HAVE CONDUCTED OUR DIPLOMATIC DIALOGUE, THE SECRETARY REMARKED THAT IRAQ CAN EXPECT THE U.S. TO MAINTAIN ITS OPPOSITION TO BOTH THE USE AND PRODUCTION OF CHEMICAL WEAPONS. THIS POSITION IS NOT DIRECTED SPECIFICALLY AT IRAQ, BUT IS TAKEN OUT OF CONCERN OVER THIS FORM OF WARFARE ALL OVER PRIME MINISTER NOW WOULD SEND THE WRONG SIGNAL. SHULTZ







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INFO AMEMBASSY BAGHDAD

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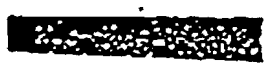
E.O. 12386: DECL: OADR
 TAGS: MASS, IR
 SUBJECT: ARMS FLOW TO IRAN -- CHILEAN CLUSTER MUNITIONS?

1. CONFIDENTIAL - ENTIRE TEXT.
 2. IN A MEETING WITH AMBASSADOR-AT-LARGE RICHARD FAIRBANKS IRAQI CHARGE NIZAR HANDOOK SAID THAT HE RECEIVED UNOFFICIAL REPORTS THAT WITHIN THE LAST TWO WEEKS IRAN HAD CONTRACTED WITH A CHILEAN FACTORY FOR THE SHIPMENT OF CLUSTER MUNITIONS. HANDOOK BELIEVES THAT THE FACTORY IN QUESTION IS THE SAME FACTORY WHICH HAD BEEN EARLIER REPORTED TO HAVE SHIPPED CLUSTER MUNITIONS TO IRAQ.
 3. WE WOULD APPRECIATE EMBASSY'S COMMENT ON WHETHER CARDOEN HAS SIGNED A CONTRACT WITH IRAN IN RECENT WEEKS
- CONFIDENTIAL
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PAGE 02 STATE 379115

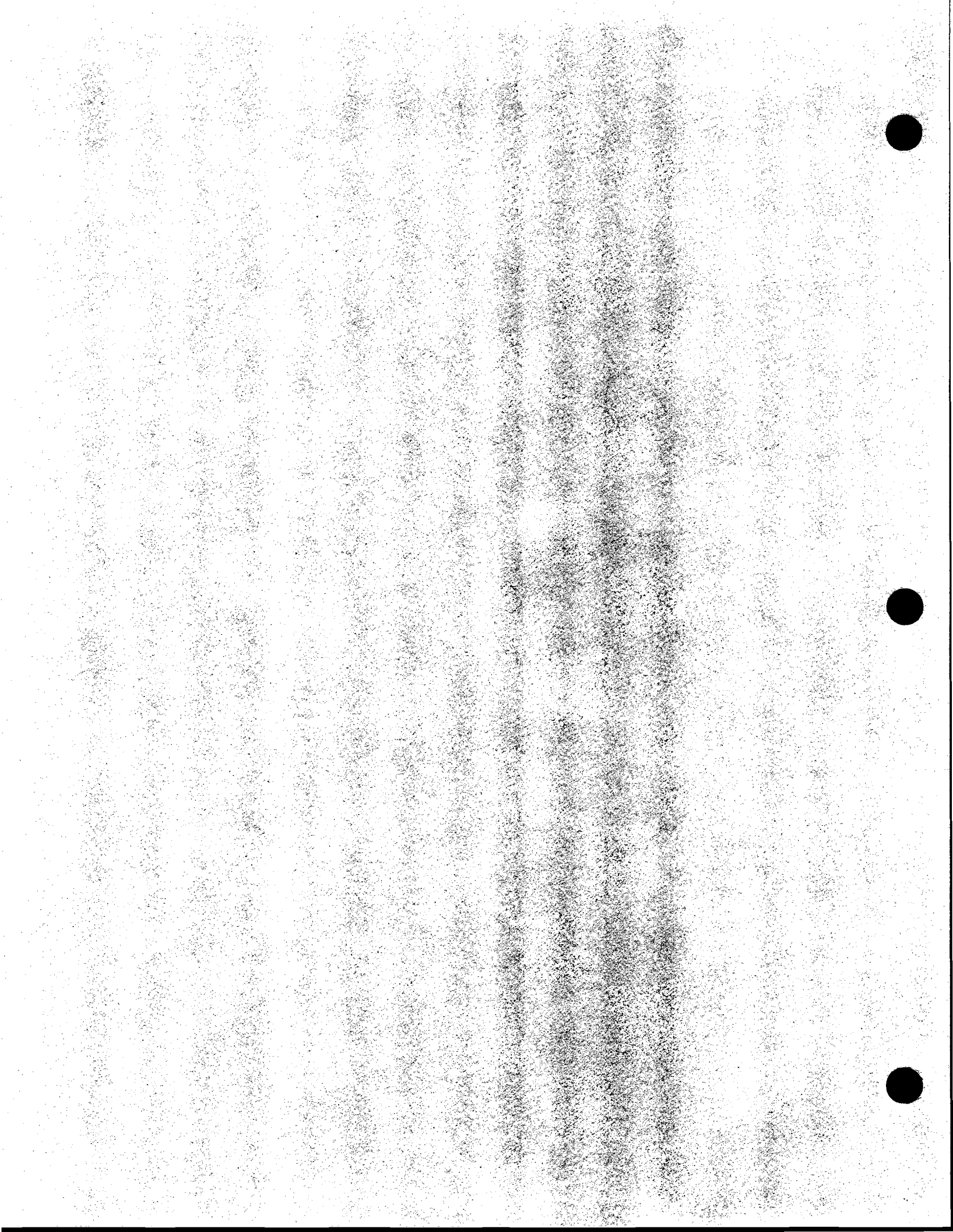
OR OTHER RESPONSES TO ABOVE ALLEGATION. DAM

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Department of State

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E.O. 12356: DECL: OADR
TAGS: MASS, IR, CI

SUBJECT: ARMS FLOW TO IRAN -- CHILEAN CLUSTER MUNITIONS?

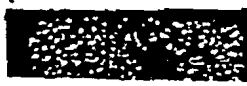
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1. CC)/NOFORN - ENTIRE TEXT.

2. EMBASSY IS AWARE OF CONTINUING RUMORS OF A POSSIBLE IRAN/CARDOEN MUNITIONS DEAL. HOWEVER, WE HAVE NO INFORMATION THAT SUCH A DEAL HAS BEEN STRUCK. WE UNDERSTAND, PER REF. B, THAT SUCH A DEAL WOULD RUN COUNTER TO CARDOEN COMPANY POLICY. A HIGH BANKING COMPANY OFFICIAL TOLD DAO LAST MARCH "THAT IRAN WAS AN ENEMY OF CHILE AND WOULD NEVER BE CONSIDERED FOR ARMS SALES." FURTHERMORE, SALES TO IRAN WOULD PRESUMABLY ENDANGER CARDOEN'S EXISTING PRESUMABLY LUCRATIVE MARKET FOR CLUSTER BOMBS IN IRAQ. THEBERGE

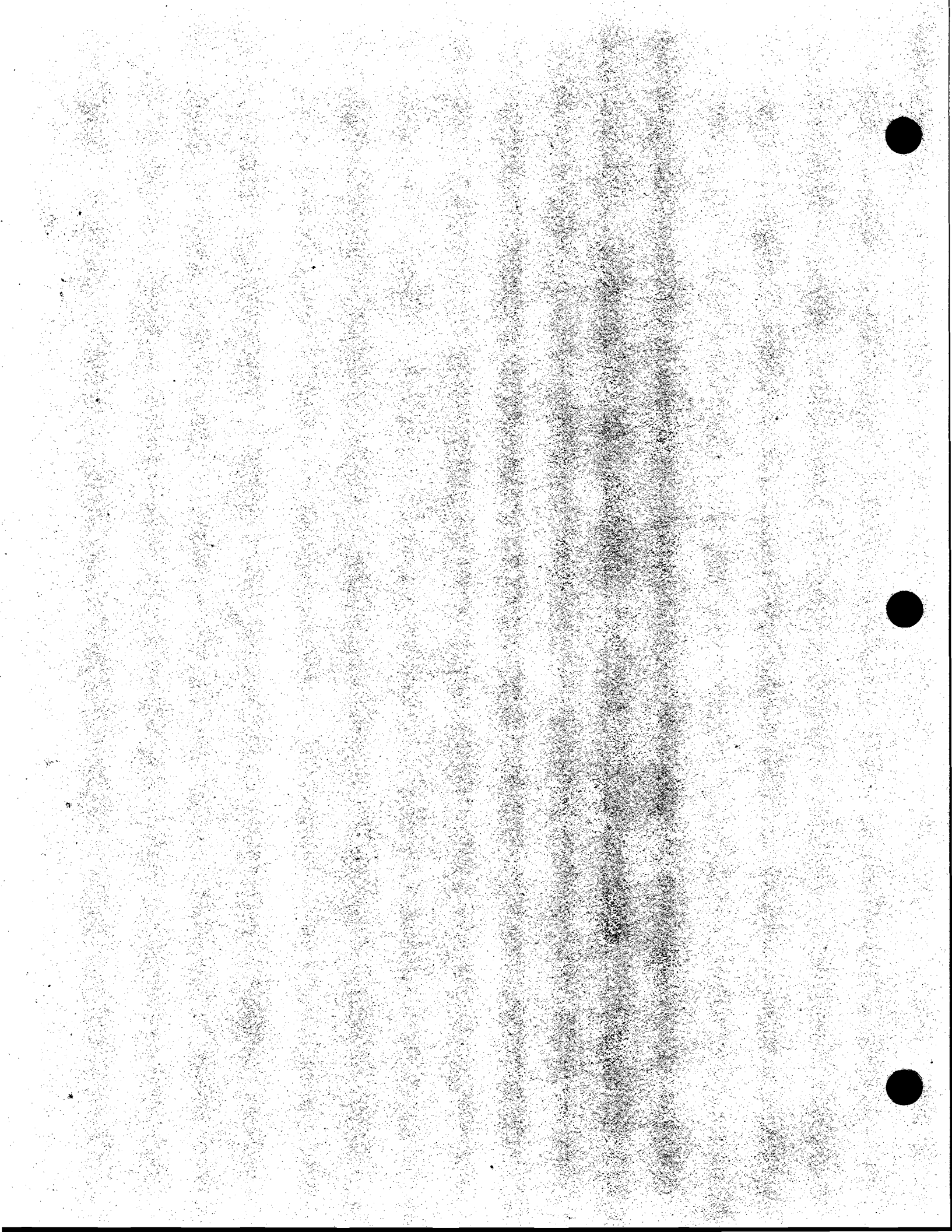
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C O N F I D E N T I A L AMMAN 02602

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E.O. 12356: DECL: OADR
TAGS: PREL, JO
SUBJECT: HUSSEIN ON MUBARAK'S VISIT AND THEIR JOINT TRIP
TO IRAQ

1. (C) ENTIRE TEXT.

2. SUMMARY. KING HUSSEIN WAS PLEASED TO GET PRESIDENT
MUBARAK'S REPORT ON HIS U.S. VISIT, WHICH HUSSEIN FOUND
NOT DISCOURAGING ON THE PROBLEM OF NEXT STEPS. HUSSEIN,
HOWEVER, STILL CONSIDERS HIS MARCH 21 MEETING WITH
ARAFAT AS THE KEY TO WHAT CAN HAPPEN NEXT. HUSSEIN
SAID BOTH HE AND MUBARAK FELT RIGHT ABOUT THE GESTURE
OF SOLIDARITY REPRESENTED BY THEIR GOING TOGETHER TO
SEE SADAM HUSSEIN. HUSSEIN BELIEVED MUBARAK HAD PROBABLY
CLEARED THE WAY FOR AN EARLY RESTORATION OF EGYPTIAN-
IRAQI RELATIONS. SADAM HUSSEIN REPORTED A CLEAR
VICTORY FOR IRAQ IN THE BATTLE IN THE MARSHES, WITH THE
IRANIANS NOW DRIVEN BACK TO VIRTUALLY THEIR INITIAL
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POSITION, WITH HEAVY CASUALTIES. SADAM HUSSEIN ALSO
PROFESSED TO BE VERY PLEASED WITH HIS CURRENT STATE
OF COOPERATION WITH THE U.S. END SUMMARY.

Current Class: CONFIDENTIAL

Page: 1

UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: CHARLES L. DARIS
DATE/CASE ID: 17 NOV 2003 200302163

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3.

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[REDACTED] THE KING WAS, IN THIS GROUP,
MORE WILLING TO TALK ABOUT IRAQ THAN THE MUBARAK VISIT,
BUT WE AGREED TO MEET AGAIN LATER THIS WEEK.

4. THE KING DID TELL ME BEFORE LUNCH THAT HE WAS NOW PLEASED THAT MUBARAK HAD COME. MUBARAK'S REPORT ON HIS VISIT TO WASHINGTON WAS VERY POSITIVE AND SOMEWHAT MORE UPBEAT THAN MY OWN ON THE DEGREE OF AGREEMENT ON NEXT STEPS (NO COMMENT). MUBARAK WAS VERY PLEASED WITH HIS MEETING WITH SECRETARY SHULTZ AND REPORTED TO THE KING THAT THE SECRETARY WAS WARMING TO THE CHALLENGE OF MIDEAST NEGOTIATIONS. THIS SEEMED TO IMPRESS HUSSEIN WHO SAID HE HOPED TO HAVE AN OPPORTUNITY TO HAVE A LONG CHAT WITH THE SECRETARY IN THE NEAR FUTURE.

5. HUSSEIN SAID HIS LAST MINUTE PROPOSAL TO MUBARAK OF A JOINT TRIP TO BAGHDAD HAD BEEN AN ARAB'S INTUITIVE GAMBLE, BUT HE FELT IT HAD WORKED. BOTH HE AND MUBARAK FELT SADAM HUSSEIN SHOULD HAVE THIS GESTURE OF SOLIDARITY AND SUPPORT. MUBARAK WAS NOT REALLY COUNTING ON ITS LEADING IMMEDIATELY TO RESTORATION OF EGYPTIAN-IRAQI RELATIONS, BUT HUSSEIN FELT THE VISIT HAD PROBABLY ASSURED THIS WILL COME SOON, MAYBE VERY SOON.

6. HUSSEIN AND MUBARAK HAD FOUND SADAM HUSSEIN AND HIS IMMEDIATE ADVISORS EXHAUSTED BUT CONVINCED THEY HAD
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PAGE 03 AMMAN 02602 191915Z

WON A GREAT VICTORY IN THE MARSHES. THE IRANIANS HAD ATTACKED WITH 10 DIVISIONS, 2 REGULAR ARMY AND 8 REVOLUTIONARY GUARDS. THIS ENTIRE FORCE HAD NOW BEEN REPULSED OR DESTROYED. THE BRIDGEHEAD ACROSS THE TIGRIS WAS ELIMINATED, THE TWO MAJOR BRIDGES RESUPPLYING THE ADVANCING DIVISIONS HAD BEEN DESTROYED AND THE IRANIANS HAD BEEN THROWN OUT OF VIRTUALLY ALL THE MARSHLAND TERRITORY SEIZED IN THE OFFENSIVE. IRANIAN CASUALTIES HAD SURELY BEEN VERY HEAVY, BUT THE IRAQIS WERE NOT COMMENTING ON THEIR OWN LOSSES.

7. THE IRAQIS THOUGHT THEIR AIR FORCE DID WELL, ALTHOUGH THEY WERE STILL OBSESSED WITH ANY LOSS OF AIRCRAFT. THEY PROUDLY CLAIMED THEY HAD LOST ONLY TWO AIRCRAFT,

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BUT HAD RECOVERED BOTH PILOTS. THE SCUDS WORRIED THE IRAQIS, IN PART BECAUSE THEY DID NOT KNOW HOW TO EXPLAIN THESE MISSILE ATTACKS ON BAGHDAD TO THEIR OWN PEOPLE. THE IRAQIS SAID THAT THEIR OWN ATTACKS ON IRANIAN POPULATION CENTERS WOULD CONTINUE AS LONG AS THE IRANIANS SHELLED BASRA AND FIRED SCUDS AT BAGHDAD. THE IRAQIS SEEM TO BELIEVE THAT FOR THE MOMENT THEIR ATTACKS ON IRANIAN CITIES WILL INCREASE PRESSURE WITHIN IRAN FOR PEACE. I TOLD HUSSEIN THIS EFFECT WAS NOT LIKELY ON THE BASIS OF HISTORICAL EXAMPLES OF BOMBING CIVILIAN POPULATIONS OR ON THE BASIS OF WHAT ONE COULD TELL SO FAR FROM IRANIAN REACTIONS.

8. HUSSEIN SAID THE IRAQIS WERE VERY PLEASED WITH U.S. SUPPORT FOR THEIR DIPLOMATIC EFFORTS TO GET AN END TO THE FIGHTING AND WITH THEIR OVERALL COOPERATION WITH THE U.S. BOEKER

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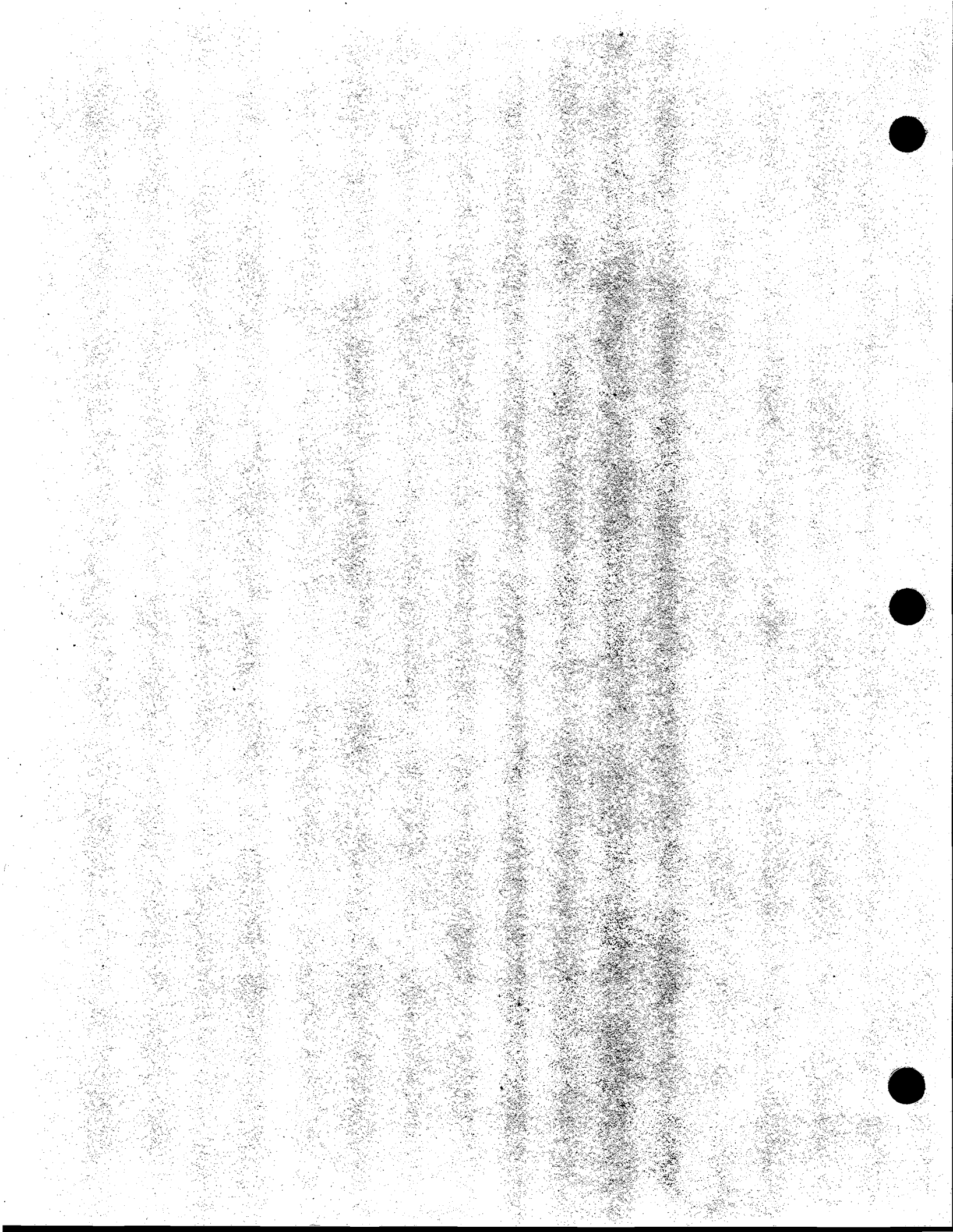
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Current Handling: n/a
Document Number: 1985BAGHDA00892

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Case Number: 200302163

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INFO GULF WAR COLLECTIVE PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 0892

E.O. 12356: DECL: OADR
TAGS: PREL, IZ, JO, EG
SUBJECT: VIEWS OF ~~THE JORDANIAN AND EGYPTIAN AMBASSADORS~~ ON
IRAQ: THE WAR, THE PEACE PROCESS, AND INTER-ARAB RELATIONS

B1

1. CONFIDENTIAL - ENTIRE - ENTIRE TEXT.

2. SUMMARY: ~~THE JORDANIAN AND EGYPTIAN AMBASSADORS WERE~~
BELIEVE THAT ~~THE IMPORTANCE OF MOBARAK'S VISIT TO IRAQ WAS~~
ALMOST TOTALLY SYMBOLIC. THEY AGREE THAT SADDAM HUSSEIN WAS
QUITE MOVED BY THE GESTURE. BOTH CREDIT IRAQ WITH HAVING PLAYED
A VERY POSITIVE BEHIND THE SCENES ROLE IN ENCOURAGING THE
AGREEMENT CONCLUDED BETWEEN KING HUSSEIN AND ARAFAT.

B1

~~EGYPTIAN AMBASSADOR~~ SADDAM HUSSEIN'S
INTERVENTION WITH MOBARAK CONTRIBUTED TO MOBARAK'S DECISION NOT
TO LEAVE THE PLO TO ITS OWN DEVICES. BOTH MEN SHARE THE BELIEF
THAT IRAQ'S CURRENT PRAGMATISM AND MODERATION REFLECT SADDAM
HUSSEIN'S CONVICTIONS AND REPRESENT A LONG-TERM SHIFT IN IRAQ'S
POLICIES THAT WILL OUTLAST THE WAR. NEITHER SEES AN IRAQI-
SYRIAN

B1

RECONCILIATION IN THE CARDS. BOTH MEN SUGGESTED THAT IRAQ
WOULD HAVE EMBRACED MODERATE POSITIONS MORE QUICKLY AND
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UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: CHARLES L DARIS
DATE/CASE ID: 17 NOV 2003 200302163

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WITH GREATER ENTHUSIASM IF THE LEADERSHIP WAS NOT CONCERNED WITH LOOKING WEAK WHILE THE WAR CONTINUED. END SUMMARY.

3. DURING A MARCH 26 MEETING WITH CHARGE, [REDACTED]

[REDACTED] CONFIRMED THAT THE REAL IMPORTANCE OF LAST WEEK'S VISIT OF KING HUSSEIN AND PRESIDENT MUBARAK TO BAGHDAD WAS THAT IT OCCURRED AT ALL. HE CLAIMED THAT RESUMPTION OF RELATIONS BETWEEN EGYPT AND IRAQ HAD NOT BEEN DISCUSSED, BUT THAT SADDAM HUSSEIN HAD BEEN MOVED BY THE GESTURE OF SUPPORT. HE FURTHER INDICATED THAT IRAQ, ALTHOUGH INITIALLY UNHAPPY ABOUT THE SILENCE OF THE GULF STATES DURING THE BATTLE IN THE MARSHES, WAS NOW VERY PLEASED WITH THE "UNPRECEDENTED" STATEMENT OF SUPPORT THE GCC HAD GIVEN IRAQ. THE IRAQIS, HE SAID, FELT THAT THE IRANIANS COULD NOT HELP BUT NOTE THAT THEIR EFFORTS TO NEUTRALIZE BULF SUPPORT FOR IRAQ HAD FAILED ABJECTLY. WHENEVER THE IRANIANS LAUNCH A MAJOR OFFENSIVE, HE OBSERVED, THE GULF STATES QUICKLY LOSE THEIR COMPLACENCY ABOUT THE WAR AND RECALL THAT THE ONLY THING THAT STANDS BETWEEN THEM AND DISASTER IS IRAQ.

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4. IN DISCUSSING ARAB-ISRAELI PEACE, [REDACTED] SAID HE DID NOT EXPECT IRAQ TO GO PUBLIC WITH ITS SUPPORT FOR A HUSSEIN-ARAFAT AGREEMENT NOR DID HE EXPECT THAT THE IRAQIS WOULD PUSH PLO LEADERS SUCH AS THE RECENT VISITING SALAH KHALAF (ABU IYAD) TO TAKE A MORE FORTHCOMING ATTITUDE WITH JORDAN. HE SAID THAT IT WAS IMPORTANT TO RECALL THAT IRAQ HAD COME A LONG WAY BUT THAT BAAHIST PRINCIPLES STILL PFEVAILED AND THAT IRAQ DID NOT WISH TO APPEAR TO BE TAKING MEASURES CONTRARY TO ITS FORMER POLICIES OUT OF WEAKNESS. (AT THIS POINT IN THE CONVERSATION [REDACTED] EXPRESSED SEVERE DISAPPOINTMENT WITH WHAT HE CHARACTERIZED AS A LACK OF U.S. SUPPORT FOR HUSSEIN AND ARAFAT IN VIEW OF THE CONSIDERABLE RISKS THEY WERE TAKING. HIS CRITICISMS AND CHARGE'S

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REBUTTALS WERE ALONG THE FAMILIAR LINES OF SUCH CONVERSATIONS. CHARGE JOIKED THAT DURING THE MARCH 25 MEETING HELD BETWEEN SECRETARY SHULTZ AND TARIQ AZIZ, EACH MAY HAVE URGED THE OTHER TO BE MORE SUPPORTIVE OF THE KING'S INITIATIVE.)

5. [REDACTED] CONFIRMED THAT SADDAM HUSSEIN HAD TOLD MUBARAK AND HUSSEIN THAT IRAN HAD R-17 MISSILES AND ASKED CHARGE IF HE KNEW WHAT THAT MEANT. CHARGE REPLIED THAT THESE WERE

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UNCLASSIFIED

Case Number: 200302163

SCUD-B MISSILES. [REDACTED] ALSO AFFIRMED THAT THEY HAD BEEN TOLD BY SADDAM THAT SIX SUCH MISSILES HAD BEEN ACQUIRED FROM LIBYA. HOWEVER, IN STATING THIS, KABARATI MENTIONED IN PASSING THE POSSIBILITY THAT NORTH KOREA WAS A SUPPLIER BUT DID NOT ELABORATE.

B1

6. IN RESPONSE TO CHARGE'S QUERY [REDACTED] INDICATED THAT BASED ON EVERYTHING HE HAD SEEN AND HEARD DURING HIS TIME N BAGHDAD, HE WAS CONVINCED THAT SO LONG AS SADDAM WAS RULING THE COUNTRY, IRAQ WOULD CONTINUE ON ITS PRESENT PRAGMATIC COURSE. HE BELIEVED THIS WOULD BE TRUE EVEN AFTER THE WAR ENDED. IN HIS OPINION THERE WAS NO FORE-SEEABLE POSSIBILITY OF IRAQI- SYRIAN RECONCILIATION. IRAQ WAS WILLING TO CONSIDER A MAJOR IMPROVEMENT IN RELATIONS ON A STATE-TO-STATE BASIS, BUT SYRIA'S INSISTENCE ON STARTING WITH UNIFICATION OF THE TWO WINGS OF THE PARTY ONLY DEMONSTRATED ITS LACK OF INTEREST IN ANY SUCH IMPROVEMENT.

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7. IN A SUBSEQUENT CONVERSATION ON MARH 27 WITH [REDACTED] [REDACTED] CHARGE COVERED MUCH THE SAME GROUND.

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[REDACTED] AFTER MUHARAK DEPARTED SADDAM HUSSEIN SEEMED ALMOST EUPHORIC.

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8. [REDACTED] HE COULD NOT HELP BUT BELIEVE THIS GESTURE WOULD FURTHER ENCOURAGE IRAQ TO RE-ESTABLISH FULL DIPLOMATIC RELATIONS WITH EGYPT IN THE NOT TOO DISTANT FUTURE. HE CONFIRMED PREVIOUS REPORTS THAT THE TALKS HAD LARGELY INVOLVED SADDAM

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Current Class: CONFIDENTIAL
Current Handling: n/a
Document Number: 1985BAGHDA00892

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Channel: n/a

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ACTION NEA-11

INFO	LOG-00	COPY-01	ADS-00	AID-00	INR-10	EUR-00	SS-00
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C O N F I D E N T I A L SECTION 02 OF 02 BAGHDAD 0892

HUSSEIN'S RECOUNTING OF THE BATTLES WHICH HAD JUST BEEN FOUGHT N THE MARSHES AND A REVIEW OF ARAB SUPPORT FOR IRAQ'S WAR EFFORT. SADDAM BITTERLY CRITICIZED ASSAD AND QADHAFI AND PREDICTED THAT THEY WOULD SOON PASS FROM THE POLITICAL SCENE. [REDACTED] THE IRAQIS HAD BEEN SOMEWHAT DISAPPOINTED ABOUT GULF ARAB SUPPORT FOR IRAQ AS OF THE TIME OF THE VISIT. HE SAID T WAS HIS FEELING THAT THE PRO-IRAQI GCC RESOLUTION ISSUED THE DAY FOLLOWING THE MUBARAK-HUSSEIN VISIT IN LARGE MEASURE WAS INFLUENCED BYTHE VISIT ITSELF AND IRAQ WAS NOW PLEASED.

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4. IN QUERYING [REDACTED] ABOUT ARAB-ISRAELI PEACE PROCESS CHARGE CHARACTERIZED IRAQ'S POSITION AS ONE OF "QUIET SUPPORT". [REDACTED] DISAGREED, SAYING IT WAS ONE OF "ACTIVE SUPPORT". IRAQ, HE SAID, WAS PLAYING A MUCH MORE POSITIVE ROLE THAN WAS REALIZED. HE CITED SEVERAL EXAMPLES TO SUPPORT HIS CONTENTION.

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Case Number: 200302163

[REDACTED]

B1

[REDACTED] FURTHER CLAIMED THAT IRAQ EARLIER HAD PLAYED A VERY IMPORTANT ROLE IN ENCOURAGING ARAFAT TO BE FORTHCOMING IN HIS TALKS WITH KING HUSSEIN.

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[REDACTED]

[REDACTED] SAID THAT THE IRAQIS WERE SURPRISINGLY MODERATE. ONLY HALF JOKINGLY, HE SAID AT TIMES HE FOUND HIMSELF FEELING THAT THE IRAQI LEADERS WITH WHOM HE SPOKE WERE MORE DOVISH THAN HE. IT WAS HIS UNDERSTANDING THAT SADDAM HUSSEIN BELIEVED THAT HE ARABS HAD TO SEIZE THE OPPORTUNITY TO OBTAIN NOW WHAT WAS POSSIBLE. CHARGE SAID IT WAS HIS UNDERSTANDING THAT IRAQ ARGUED THERE WAS NO REASON FOR IT TO DEAL WITH UNSC RESOLUTION 242 AND 338 SINCE IT DID NOT HAVE A COMMON BORDER WITH ISRAEL.

[REDACTED] AGREED BUT SAID THAT HE HAD HEARD IRAQI OFFICIALS SPEAK POSITIVELY OF BOTH RESOLUTIONS.

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9. [REDACTED] ALSO TOOK THE POSITION THAT IRAQ'S PRAGMATIC POLICIES WOULD OUTLIVE THE WAR. IN FACT, HE ASSERTED, IRAQ WOULD HAVE MOVED MORE QUICKLY TO EMBRACE MODERATE ARAB POSITIONS HAD IT NOT BEEN FOR THE WAR WITH IRAN. THE IRAQIS, HE OBSERVED, WERE VERY CONCERNED NOT TO APPEAR TO BE ACTING OUT OF WEAKNESS AND THIS HAD SOMETIMES CAUSED THEM TO HOLD BACK. HE DID NOT SEE ANY PROSPECTS FOR A SYRIAN-IRAQI RAPPROCHEMENT BUT BLAMED THIS ON SYRIA RATHER THAN IRAQ.

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10. COMMENT: BOTH [REDACTED] AMONG THE BEST OBSERVERS OF THE LOCAL SCENE. WE ARE STRUCK BY [REDACTED] CONFIDENTIAL

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[REDACTED] COMMENTS CONCERNING IRAQ'S ROLE IN THE PEACE PROCESS WHICH TEND TO GIVE THE IRAQIS MUCH MORE CREDIT THAN THEY WOULD GIVE THEMSELVES. WE SUSPECT AN ACCURATE ASSESSMENT OF IRAQ'S TRUE ROLE LIES SOMEWHERE BETWEEN THE VIEWS EXPRESSED BY THESE TWO MEN.

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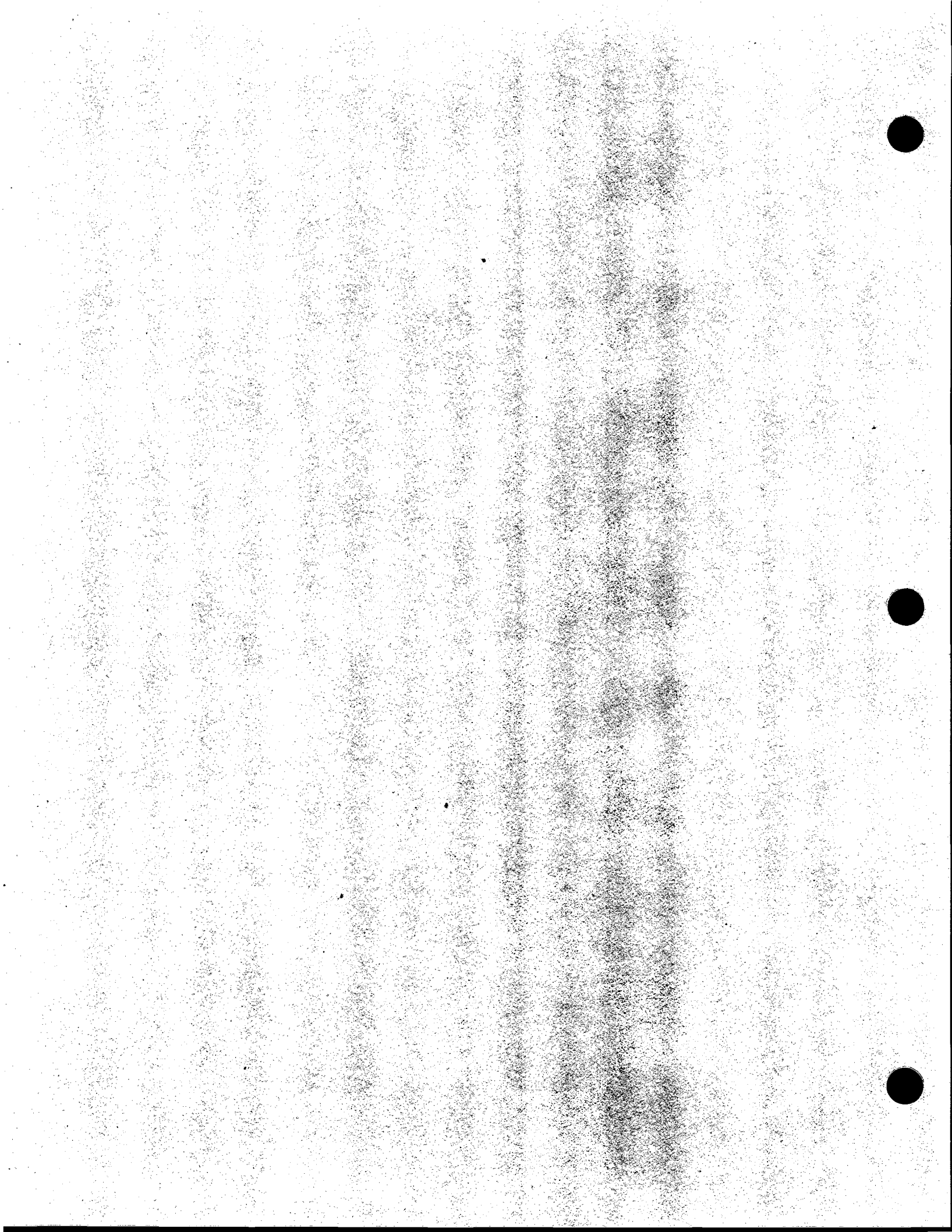
[REDACTED] KATTOUF

Current Class: CONFIDENTIAL

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26



Department of State

ACTION MEMORANDUM

SS/10/29

25

AFR

TO: The Secretary
THRU: T - William Schneider *WS*
FROM: MEA - Richard W. Murphy *RW*
SUBJECT: Letter to Secretary Weinberger on U.S.-Iraqi Relations and Advanced Technology Exports to Iraq.

ISSUE FOR DECISION:

Whether to sign the attached letter to Secretary Weinberger urging prompt approval of a pending computer export to Iraq and timely processing of future technology export licenses for Iraq.

ESSENTIAL FACTORS:

There is sharp internal debate within DOD over U.S. policy toward Iraq and, in particular, execution of that policy in licensing advanced technology exports. Although NSDD-99 directed expansion of U.S.-Iraqi relations as a means to counter Soviet influence, DOD's International Security Policy Directorate (ISP) under Assistant Secretary Perle has obstructed issuance of such licenses. ISP has used year-long delays and imposition of unworkable conditions, such as downgraded computer capacity or continuous monitoring by expensive COCOM country technicians, to "kill" exports. U.S. suppliers have charged that ISP's tactics are an extra-legal attempt to deny exports without legitimate national security or foreign policy grounds. Senior Iraqi officials have said they view the delays and conditions as a political signal.

At various times, ISP has cited either of two concerns in Iraq's case: technology transfer to the Soviets and nuclear proliferation. All interested USC agencies, including DOD, assess these concerns for each case via the Subgroup on Nuclear Export Coordination (SNEC). The SNEC has applied vendor reporting requirements, without objection by Iraq, as a satisfactory condition to such exports. We believe prompt approval of the major remaining case, a \$9 million computer and associated equipment, and expeditious review of future cases, are warranted:

Declassified By: Frank Machak
Director, Office of FOI, Privacy,
and Classification Review

June 1, 1992

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-- There is no evidence that the Soviets have access to such equipment via Iraq. The foreign availability of comparable or more sophisticated equipment, for the most part from our COCOM allies, is well established. (CIA study tab 2.)

-- Iraq has verifiable, pressing, and legitimate uses for advanced technology, including oilfield exploration data processing and modernization of government and industry. Iraq rejects licensing conditioned on downgraded technology not meeting its needs.

-- None of the items in recent cases is necessary for Iraq's nuclear program and all have legitimate uses. Iraq legally could acquire equipment better suited to nuclear purposes from non-U.S. COCOM and other sources.

-- Iraq already possesses similar but older equipment exported under previous licenses. technicians service this equipment; it has not been diverted from intended uses. Denial of similar exports now suggests a policy change unsupported by Administration consensus or decision, and for which there is no adequate explanation for either the manufacturer or Iraq.

-- U.S. rather than foreign supply provides effective control by permitting the US to monitor end-use and location, and to halt servicing and spares if license terms are breached.

Continued unwarranted denials, conditions, or delays will undermine our influence and interests in Iraq. National development via advanced technology has been an Iraqi priority; since the late 1970s the regime has encouraged state agencies to acquire U.S. and Western technology. Iraqi leaders see improved access to U.S. technology as an important long term benefit of diplomatic relations. They have cited pending cases as "political tests" of your statement to Tariq Aziz that the U.S. wants to expand relations in all areas, particularly trade. They recently permitted unprecedented U.S. Embassy inspection of computer sites and explained end uses in detail.

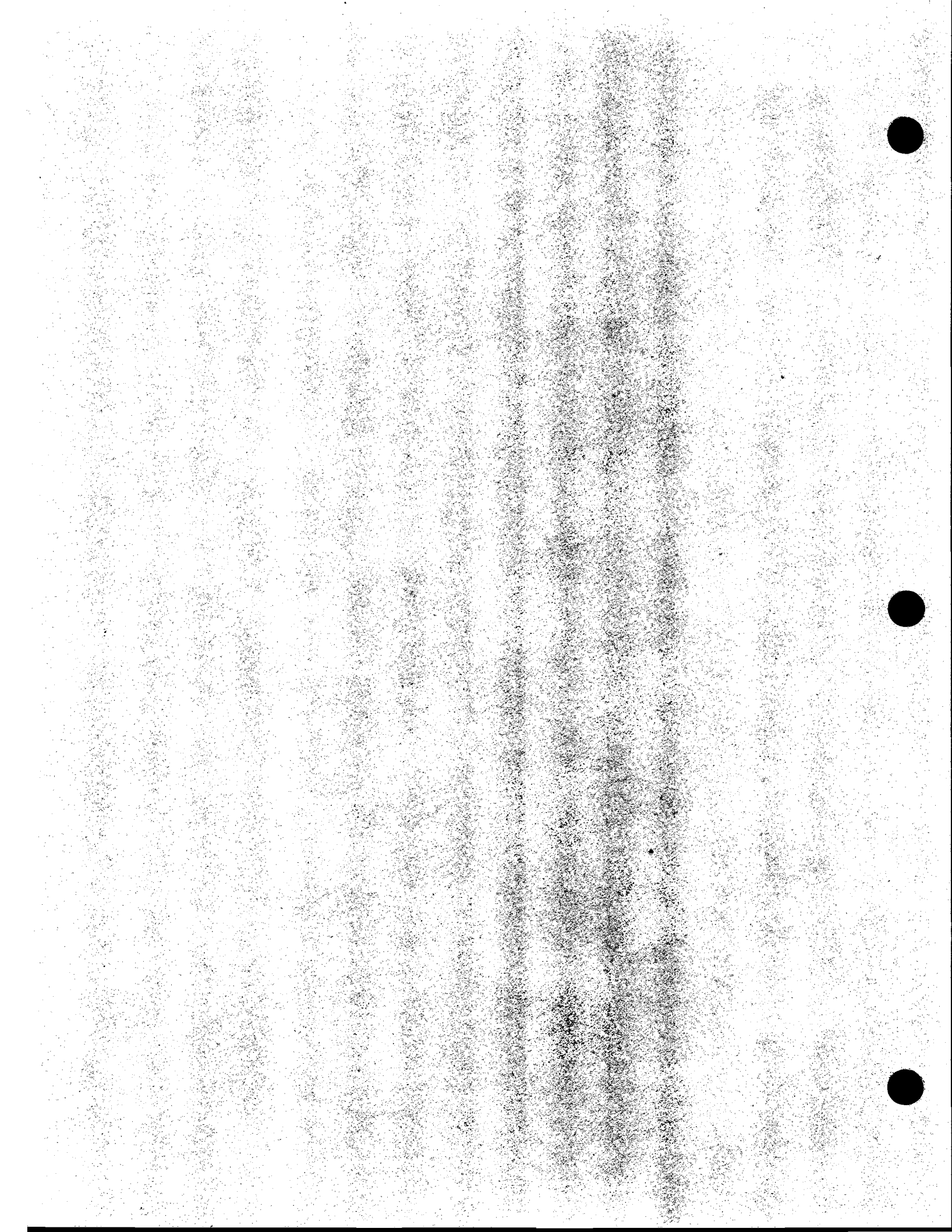
RECOMMENDATION:

That you sign the letter to Secretary Weinberger at tab 1 urging prompt approval of the major pending export license to Iraq and timely processing of future cases.

Attachments: tab 1 - letter to Secretary Weinberger
tab 2 - Iraq: The Technology Transfer Issue (CIA)

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SECRET

United States Department of State

Washington, D.C. 20520

April 30, 1985

R #3
C3

Dear Cap:

I want to ask your assistance in reconciling three important U.S. interests: preventing nuclear proliferation and transfer of advanced technology to the Soviets, on the one hand, vs. expanding our political and commercial influence in Iraq on the other, as directed by NSDD-99, to counter Soviet influence in Southwest Asia. We now have the opportunity to draw Iraq further away from the Soviets and help restrain its behavior. I believe we can accomplish this without compromising our technology transfer or nuclear nonproliferation goals.

To do so, however, we need to assure timely review of applications to export advanced U.S. technology to Iraq. Unwarranted denial or further delay in pending and future cases would set back our political, commercial, nonproliferation and technology transfer interests by assuring that Iraq buys more sensitive items from foreign suppliers, including COCOM partners. U.S. sales enable us both to monitor Iraq's use of such items and to halt servicing and spare parts if used illicitly. DOD's resistance to approving dual-use exports for non-sensitive end uses encourages Iraq to look elsewhere.

Hence I ask your expeditious approval of such cases, including a pending license for a Sperry 1100/72 computer, without imposition of impractical conditions such as downgrading of capacity or continuous presence of COCOM country technicians. Beyond the major pending case, my main concern is to prevent future delays in technology transfer to Iraq. I believe that, when Iraqi importers demonstrably intend legitimate civilian, non-nuclear weapons-related end-uses and there is no evidence of likely diversion to the Soviets, we should promptly approve licenses without unworkable conditions.

The Honorable
Caspar W. Weinberger,
Secretary of Defense.

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DEPARTMENT OF STATE		IS: FPO, GDR (105)	Date: 5/11/94
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- 2 -

In the enclosed study, the CIA concluded that there is no evidence that Iraq represents a significant risk of diversion to the Soviets. Nonetheless, we will continue to assess this risk carefully for each proposed export. The intelligence community also has no evidence that Iraq has yet embarked on a nuclear weapons program, or intends to do so. Obviously, we need to do all possible to assure that it does not. Therefore we will continue to scrutinize advanced technology exports to assure that they do not provide Iraq the ability to develop nuclear weapons.

Sincerely yours,

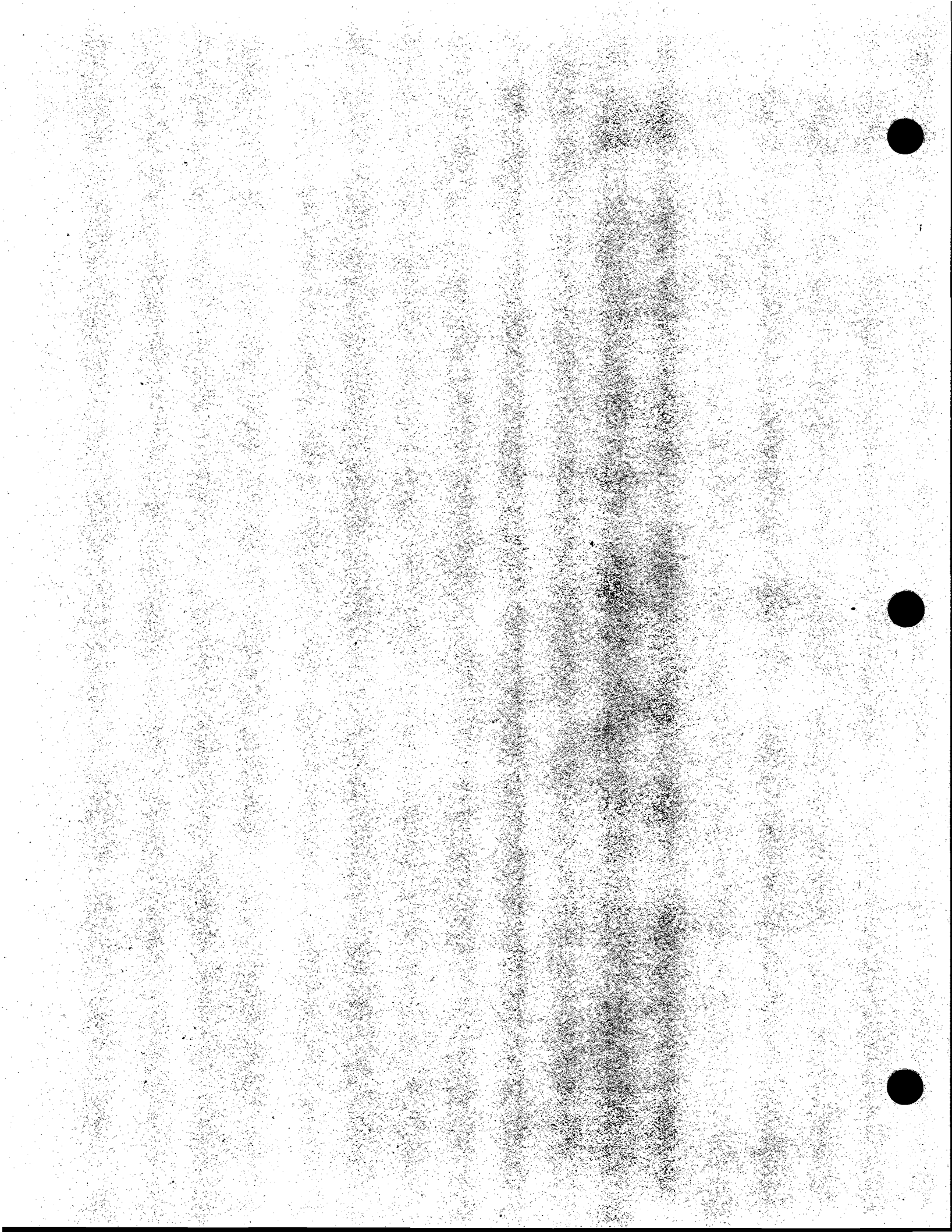
George P. Shultz

Enclosure: As stated.

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NO. 402010

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UNCLASSIFIED

June 29, 1985

⑤

NSC - Robert C. McFarlane

Bud,

My comments on the draft NSDD on Iran are attached.

Officially Declassified/Released on 21 Jul 1987
Under provisions of E.O. 12958
by N. Reger, National Archives

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Attachment:

U.S. Policy Toward Iran: Comment on Draft NSDD

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EXHIBIT
GPS-7

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U.S. Policy Toward Iran: Comment on Draft NSDD

The strategic importance of Iran and the value of reassessing our policy toward it are clear. The draft NSDD constructively and perceptively addresses a number of the key issues. I disagree, however, with one point in the analysis and one specific recommendation.

The political dynamics in Iran are in flux and poorly understood, but the draft NSDD appears to exaggerate current anti-regime sentiment and Soviet advantages over us in gaining influence. Most importantly, its proposal that we permit or encourage a flow of Western arms to Iran is contrary to our interest both in containing Khomeinism and in ending the excesses of this regime. We should not alter this aspect of our policy when groups with ties to Iran are holding US hostages in Lebanon. I, therefore, disagree with the suggestion that our efforts to reduce arms flows to Iran should be ended. If the NSDD is revised to reflect this concern, I would like to see the draft again before it is put in final form. If it would be helpful, I could ask one of our senior officers familiar with this issue to work directly with the NSC staff on the suggested revisions.

The steady decline of Iran's military capability is in our interest, and we should not facilitate the supply of weapons from Western Europe that would revive that military capacity. Arms supplies from the West are not likely to retard Iranian overtures to the Soviets but could ironically prolong the Iran-Iraq war. Given the disparity in size between Iran and Iraq, this could ultimately mean an Iranian victory, and a fresh burst of energy for anti-Americanism throughout the region.

Also, in light of our experience with restraining arms flows, it is unlikely that we could loosen the restrictions without the flow becoming uncontrolled. If other Western countries sell arms they will do so primarily for commercial motives and with little ability or inclination to regulate their sales or to use them for carefully developed political purposes. For us to be seen as bolstering the Iranian ability to continue the war would be a shock to Saudi Arabia, the GCC

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By B. Reager, National Security Council

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states, and Iraq. It is Iran's refusal to end the war with Iraq which both keeps alive the threat of a victory over Iraq and is driving the Iranian regime to make overtures to the USSR. We need the war wound down, if not formally ended.

The inherent limits on the Iranian-Soviet relationship are underplayed in the NSDD draft. Iranians have a deep historical mistrust of the USSR. The Iranian feelers to the Soviets are for arms and for limitations on Soviet arms supplies to Iraq; the Iranians do not seek a close relationship. Even if more Soviet arms were available, translating that relationship into substantial political influence would not be automatic, and would be resisted by powerful elements within Iran.

The Soviets, while conscious of the strategic prize Iran constitutes, have other important regional relations and interests which may explain their cautious replies to Iran.

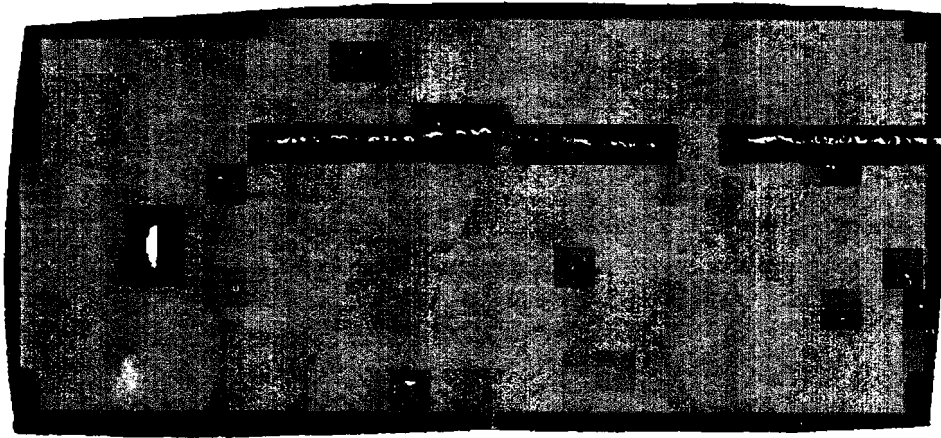
[REDACTED]
Nonetheless, some improvement in Iranian-Soviet relations should probably be expected. It is useful to recall that Iranian-Soviet relations under the Shah were closer and more cooperative than they are now.

[REDACTED]
There is nothing wrong with communicating our continued willingness to have correct relations, but it is imperative that they understand that such improvements are impossible so long as they lend support to terrorist activities in Lebanon and elsewhere.

Hints of possible improvements in Iranian-Soviet relations are worrisome, and should give added impetus to our fundamental policy goal: seeing the Iran-Iraq war wind down. Maintaining international pressure on Iran to change its war policy is the key to reducing the incentives for an Iranian rapprochement with the Soviets. Nevertheless, we should not leave Iran with only a Soviet option. Therefore, we should follow a two track policy: continue to restrain arms flows and to support efforts to mediate, as a way to end the fighting, while also encouraging the [REDACTED] to broaden their commercial contacts to reduce Iran's isolation and to offer an alternative to the Soviets.

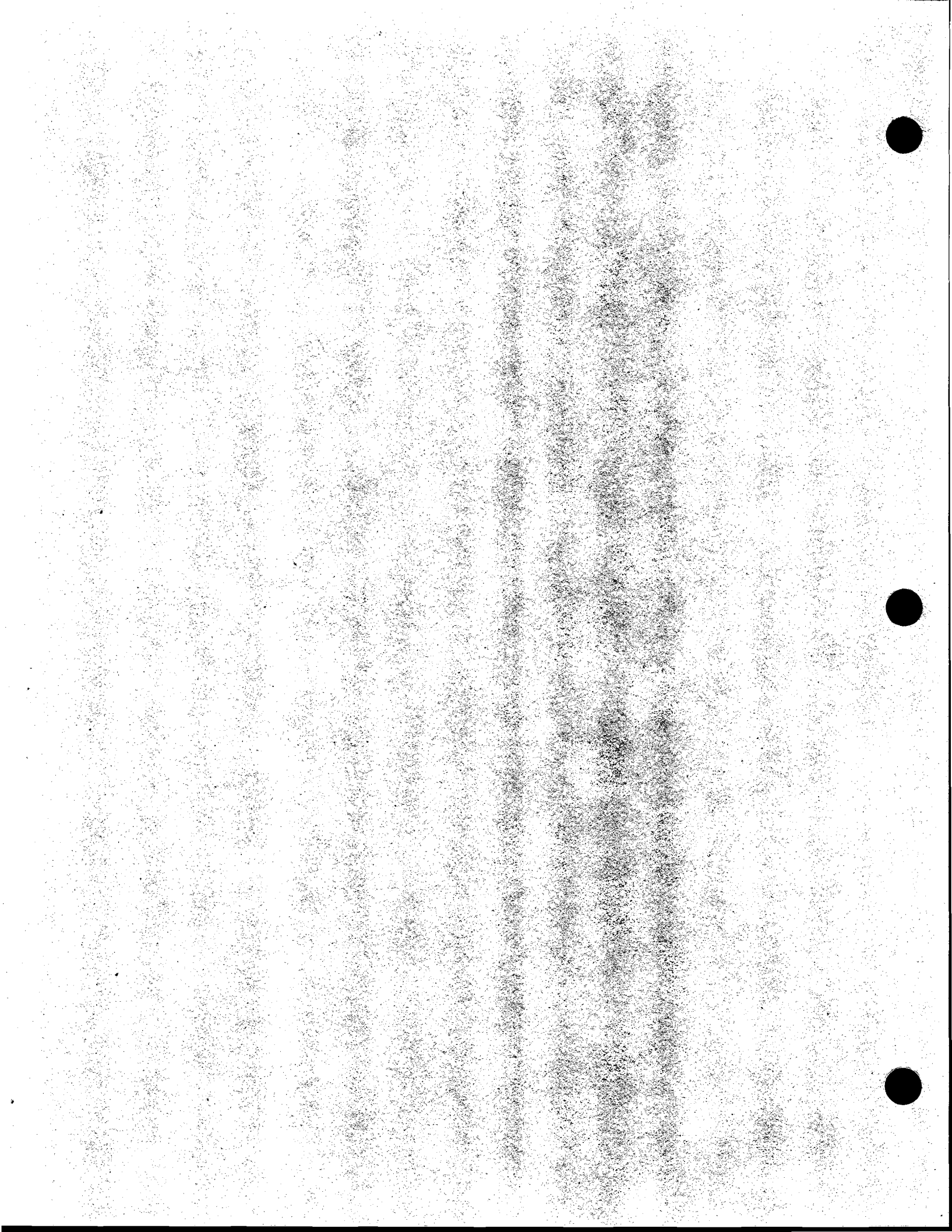
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 AMEMBASSY NEW DELHI
 AMEMBASSY BERLIN
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SUPPORTED TERRORISM

REF: 0115 10000

1. ~~CONFIDENTIAL~~ - ENTIRE TEXT.

2. DURING JULY 18 MEETING WITH MFA FIRST INTERNATIONAL DIRECTOR HADDAMI, CHARGE ASKED HIM TO GIVE AN INFORMAL ASSESSMENT
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CONFIDENTIAL

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OF U.S.-IRAQI RELATIONS. HADDAMI CHARACTERIZED RELATIONS AS

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"VERY GOOD" AND DID NOT TAKE THE OPPORTUNITY TO MAKE ANY COMPLAINTS ABOUT CURRENT U.S. POLICIES TOWARD IRAQ. HE SAID THAT IT WAS ONLY NATURAL THAT THE U.S. WOULD RECEIVE PUBLIC CRITICISM FROM IRAQ ON ISSUES INVOLVING THE ARAB-ISRAELI PROBLEM GIVEN OUR DIVERGENT PERSPECTIVES. HOWEVER, HE NOTED FOREIGN MINISTER TARIQ AZIZ DEVOTED 80 PERCENT OF MFA MORNING STAFF MEETINGS TO DISCUSSION OF THE IRAQ-IRAN WAR. WHILE LEBANON, THE PALESTINIANS AND OTHER INTER-ARAB ISSUES ALWAYS FIGURED IN, THEY WERE NOT THE PRIMARY FOCUS.

3. WHEN CHARGE COMMENTED THAT U.S. OFFICIALS WERE PLEASED THAT IRAQ HAD BEEN VERY SUPPORTIVE OF KING MUSSEIN IN HIS EFFORTS TO EXPLORE OPPORTUNITIES FOR DIRECT NEGOTIATIONS WITH ISRAEL AND WITH ITS OVERALL ALIGNMENT WITH THE MODERATES IN THE ARAB WORLD, HADDAMI AS QUICK TO POINT OUT THAT THE DECISIONS WERE TAKEN OUT OF SELF-INTEREST AND NOT TO PLEASE THE U.S. CHARGE THEN CHARACTERIZED THE U.S. AND IRAQ AS HAVING A "COINCIDENCE OF INTERESTS" ON A NUMBER OF MIDDLE EAST ISSUES; HADDAMI ENTHUSIASTICALLY AGREED.

4. IN COMMENTING FURTHER ON BILATERAL RELATIONS, HADDAMI OBSERVED THAT THE IRAQIS HAD BEEN MAKING A REAL EFFORT TO GET A CROSS-SECTION OF AMERICANS INVOLVED IN FOREIGN AFFAIRS TO IRAQ FOR A FIRSTHAND LOOK. HE INDICATED THAT HE THOUGHT THESE EFFORTS HAD BEEN USEFUL. CHARGE AGREED, POINTING OUT THAT ONE SUCH VISITOR HAD BEEN HELPFUL IN APPEARING TO KEY CONGRESSMEN AND SENATORS NOT TO PUT IRAQ BACK ON THE LIST OF COUNTRIES SUPPORTING TERRORISM UNDER THE PROVISIONS OF THE EXPORT ADMINISTRATION ACT AND ENCOURAGING THE GRANTING OF AN EXPORT LICENSE FOR THE SALE OF THE U.S. CONFIDENTIAL

PAGE 07 ~~CONFIDENTIAL~~ 1812137

HAD BEEN IRAQ'S CEASING OF SUPPORT FOR THE ~~IRAQI~~ FACTION. CHARGE FURTHER POINTED OUT THAT IN RECENT EFFORTS TO KEEP IRAQ OFF THE TERRORISM LIST THE ADMINISTRATION HAD GONE TO CONSIDERABLE LENGTHS AND ITS CREDIBILITY WAS ON THE LIR.

5. WHILE NOT DISAGREEING HADDAMI CONTINUED TO MAINTAIN THAT IRAQ HAD NOT SUPPORTED ABU NIDAL BUT HAD MERELY GIVEN

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HIM PERMISSION TO LIVE IN THE COUNTRY AS IT WOULD ANY ARAB WHO HAD NOT BROKEN IRAQ'S LAWS AND WAS A PATRIOT. WHILE INDICATING THAT HE DID NOT WISH TO DEBATE THE ISSUE AT LENGTH, CHARGE OBSERVED THAT ABU NIJAL HAD COMMITTED CRIMES AGAINST THE LAWS OF MANY COUNTRIES INCLUDING CLOSE FRIENDS OF IRAQ SUCH AS JORDAN AND EGYPT. TERRORISM WAS THE ISSUE OF THE MOMENT IN THE U.S., AND THE U.S. GOVERNMENT AND PEOPLE REMAIN SENSITIVE TO ANY SUGGESTION THAT A GIVEN COUNTRY WAS SUPPORTING TERRORISM.

6. COMMENT: HADDAMI'S REMARKS SHOULD IN NO WAY BE CONSTRUED AS INDICATING ANY CHANGE IN IRAQI POLICY ON SUPPORT OF TERRORISM. HADDAMI BELIEVES IT NECESSARY TO UPHOLD THE SPURIOUS IRAQI POSITION THAT SOMEHOW FIVING REFUGE TO ABU NIJAL AND HIS ILK DID NOT EQUATE WITH SUPPORT FOR TERRORISM. WE BELIEVE HE WILL ACCURATELY RELAY THE MESSAGE TO TARIQ AZIZ THAT THE ADMINISTRATION WENT THE EXTRA MILE TO INSURE THAT IRAQ WAS NOT PUT ON THE LIST AND DOES NOT EXPECT TO BE EMBARRASSED BY SUBSEQUENT IRAQI ACTIONS. KATTOUF

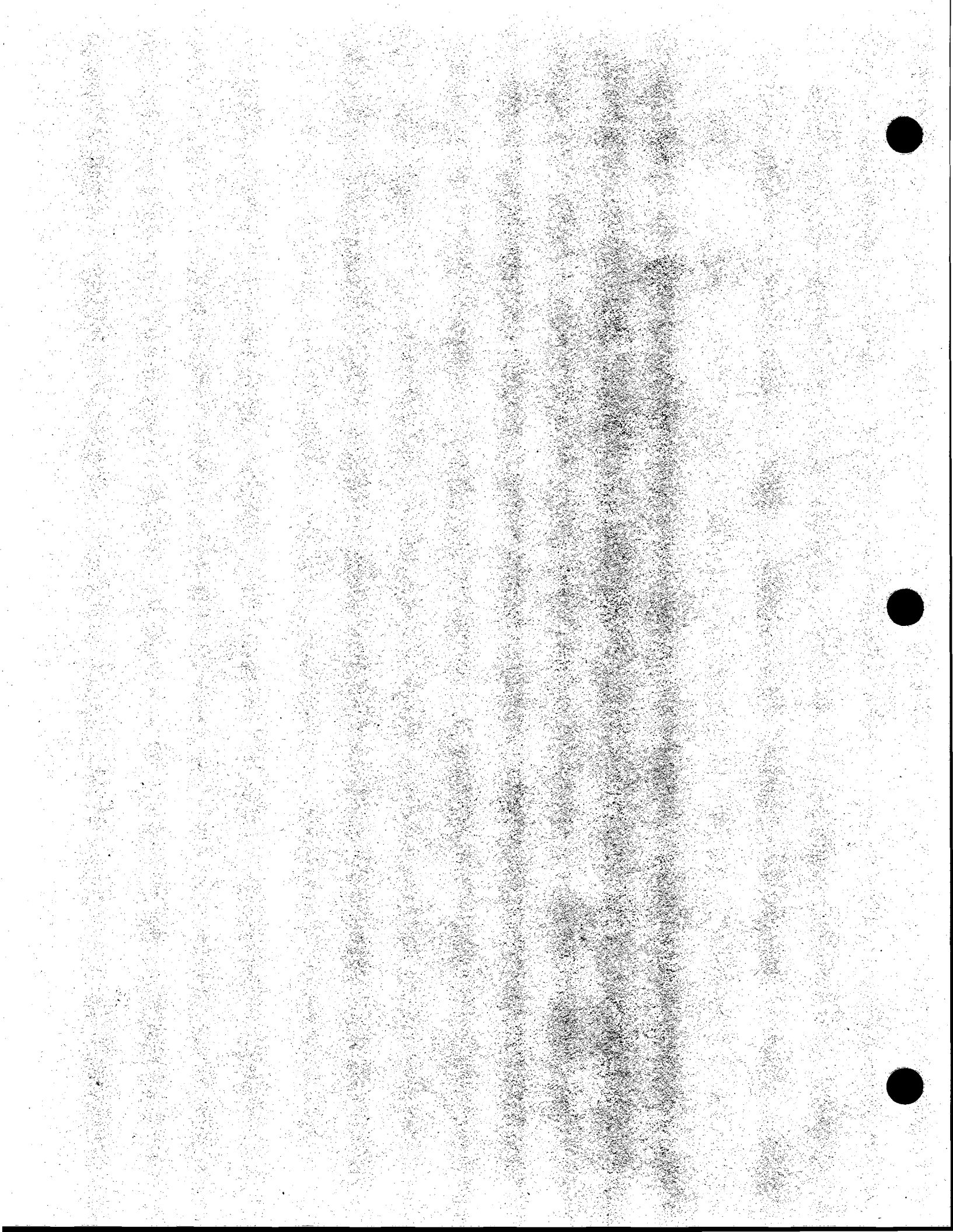
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THE WHITE HOUSE

WASHINGTON

January 17, 1986

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN M. POINDEXTER *JM*

SUBJECT: Covert Action Finding Regarding Iran

Prime Minister Peres of Israel secretly dispatched his special advisor on terrorism with instructions to propose a plan by which Israel, with limited assistance from the U.S., can create conditions to help bring about a more moderate government in Iran. The Israelis are very concerned that Iran's deteriorating position in the war with Iraq, the potential for further radicalization in Iran, and the possibility of enhanced Soviet influence in the Gulf all pose significant threats to the security of Israel. They believe it is essential that they act to at least preserve a balance of power in the region.

The Israeli plan is premised on the assumption that moderate elements in Iran can come to power if these factions demonstrate their credibility in defending Iran against Iraq and in deterring Soviet intervention. To achieve the strategic goal of a more moderate Iranian government, the Israelis are prepared to unilaterally commence selling military materiel to Western-oriented Iranian factions. It is their belief that by so doing they can achieve a heretofore unobtainable penetration of the Iranian governing hierarchy. The Israelis are convinced that the Iranians are so desperate for military materiel, expertise and intelligence that the provision of these resources will result in favorable long-term changes in personnel and attitudes within the Iranian government. Further, once the exchange relationship has commenced, a dependency would be established on those who are providing the requisite resources, thus allowing the provider(s) to coercively influence near-term events. Such an outcome is consistent with our policy objectives and would present significant advantages for U.S. national interests. As described by the Prime Minister's emissary, the only requirement the Israelis have is an assurance that they will be allowed to purchase U.S. replenishments for the stocks that they sell to Iran. We have researched the legal problems of Israel's selling U.S. manufactured arms to Iran. Because of the requirement in U.S. law for recipients of U.S. arms to notify the U.S. government of transfers to third countries, I do not recommend that you agree with the specific details of the Israeli plan. However, there is another possibility. Some time ago Attorney

General William French Smith determined that under an appropriate finding you could authorize the CIA to sell arms to countries outside of the provisions of the laws and reporting requirements for foreign military sales. The objectives of the Israeli plan could be met if the CIA, using an authorized agent as necessary, purchased arms from the Department of Defense under the Economy Act and then transferred them to Iran directly after receiving appropriate payment from Iran.

The Covert Action Finding attached at Tab A provides the latitude for the transactions indicated above to proceed. The Iranians have indicated an immediate requirement for 4,000 basic TOW weapons for use in the launchers they already hold.

The Israeli's are also sensitive to a strong U.S. desire to free our Beirut hostages and have insisted that the Iranians demonstrate both influence and good intent by an early release of the five Americans. Both sides have agreed that the hostages will be immediately released upon commencement of this action. Prime Minister Peres had his emissary pointedly note that they well understand our position on not making concessions to terrorists. They also point out, however, that terrorist groups, movements, and organizations are significantly easier to influence through governments than they are by direct approach. In that we have been unable to exercise any suasion over Hizballah during the course of nearly two years of kidnappings, this approach through the government of Iran may well be our only way to achieve the release of the Americans held in Beirut. It must again be noted that since this dialogue with the Iranians began in September, Reverend Weir has been released and there have been no Shia terrorist attacks against American or Israeli persons, property, or interests.

Therefore it is proposed that Israel make the necessary arrangements for the sale of 4000 TOW weapons to Iran. Sufficient funds to cover the sale would be transferred to an agent of the CIA. The CIA would then purchase the weapons from the Department of Defense and deliver the weapons to Iran through the agent. If all of the hostages are not released after the first shipment of 1000 weapons, further transfers would cease.

On the other hand, since hostage release is in some respects a byproduct of a larger effort to develop ties to potentially moderate forces in Iran, you may wish to redirect such transfers to other groups within the government at a later time.

The Israelis have asked for our urgent response to this proposal so that they can plan accordingly. They note that conditions inside both Iran and Lebanon are highly volatile. The Israelis are cognizant that this entire operation will be terminated if the Iranians abandon their goal of moderating their government or allow further acts of terrorism. You have discussed the general outlines of the Israeli plan with Secretaries Shultz and Weinberger, Attorney General Meese and Director Casey. The Secretaries do not recommend you proceed with this plan. Attorney General Meese and Director Casey believe the short-term and long-term objectives of the plan warrant the policy risks involved and recommend you approve the attached Finding. Because of the extreme sensitivity of this project, it is recommended that you exercise your statutory prerogative to withhold notification of the Finding to the Congressional oversight committees until such time that you deem it to be appropriate.

Recommendation

OK NO

RB
HL

— That you sign the attached Finding.

Prepared by:
Oliver L. North

Attachment

Tab A - Covert Action Finding

1000 17 Jan 80

*Present was briefed verbally from this paper
VP, Don Regan and Don Fortin were present*

HL

Finding Pursuant to Section 662 of
The Foreign Assistance Act of 1961
As Amended, Concerning Operations
Undertaken by the Central Intelligence
Agency in Foreign Countries, Other Than
Those Intended Solely for the Purpose
of Intelligence Collection

I hereby find that the following operation in a foreign country (including all support necessary to such operation) is important to the national security of the United States, and due to its extreme sensitivity and security risks, I determine it is essential to limit prior notice, and direct the Director of Central Intelligence to refrain from reporting this Finding to the Congress as provided in Section 501 of the National Security Act of 1947, as amended, until I otherwise direct.

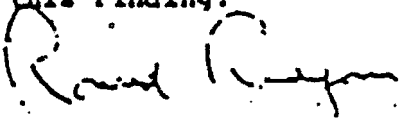
SCOPE

DESCRIPTION

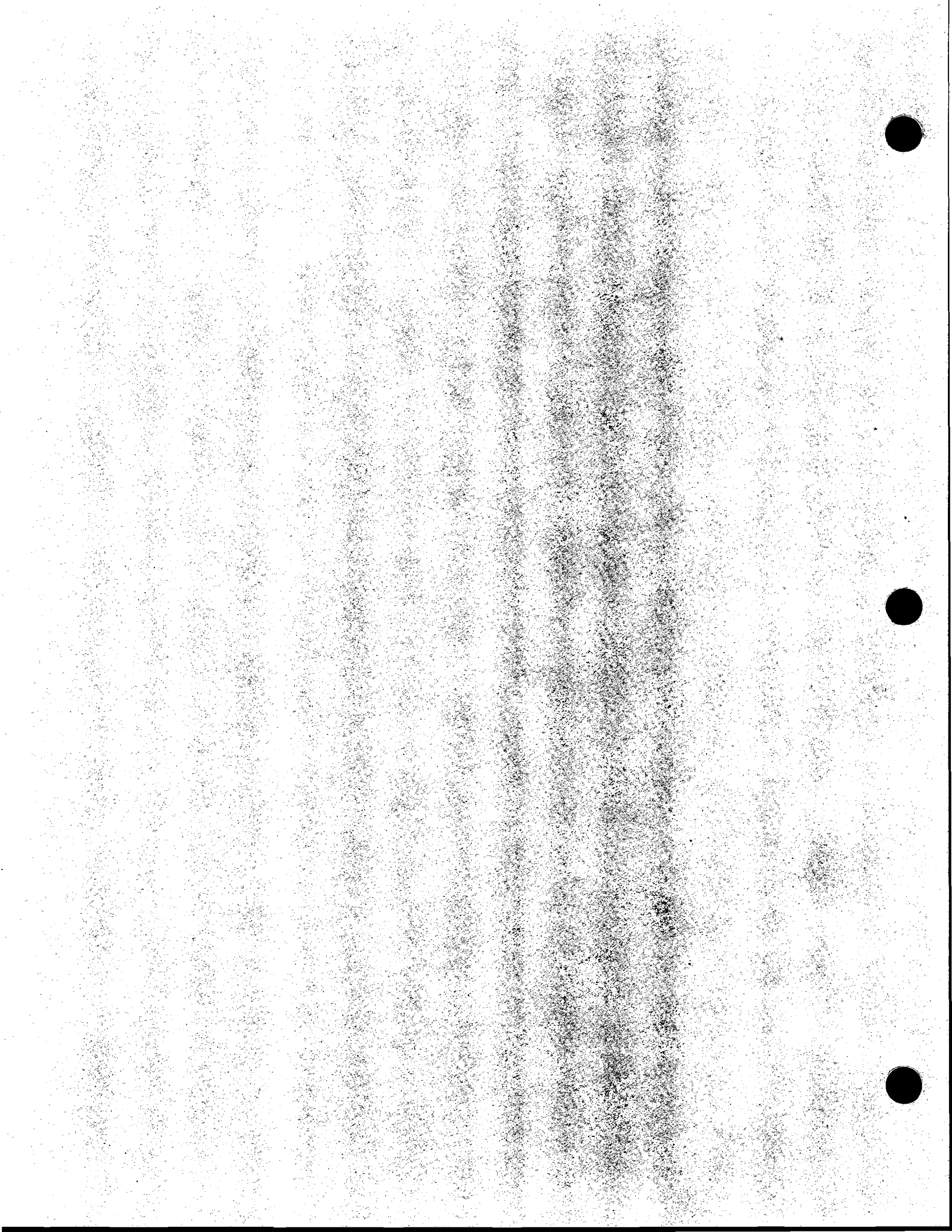
Iran Assist selected friendly foreign liaison services, third countries and third parties which have established relationships with Iranian elements, groups, and individuals sympathetic to U.S. Government interests and which do not conduct or support terrorist actions directed against U.S. persons, property or interests, for the purpose of: (1) establishing a more moderate government in Iran, (2) obtaining from them significant intelligence not otherwise obtainable, to determine the current Iranian Government's intentions with respect to its neighbors and with respect to terrorist acts, and (3) furthering the release of the American hostages held in Beirut and preventing additional terrorist acts by these groups. Provide funds, intelligence, counter-intelligence, training, guidance and communications and other necessary assistance to these elements, groups, individuals, liaison services and third countries in support of these activities.

The USG will act to facilitate efforts by third parties and third countries to establish contact with moderate elements within and outside the Government of Iran by providing these elements with arms, equipment and related materiel in order to enhance the credibility of these elements in their effort to achieve a more pro-U.S. government in Iran by demonstrating their ability to obtain requisite resources to defend their country against Iraq and intervention by the Soviet Union. This support will be discontinued if the U.S. Government learns that these elements have abandoned their goals of moderating their government and appropriated the materiel for purposes other than that provided by this Finding.

The White House
Washington, D.C.
Date January 17, 1986







[REDACTED]

O/DCI
OUTGOING

PAGE 001
TOT: 25 JAN 86

DIRECTOR 705774

1 0566

STAFF 25 DIRECTOR 705774
TO: IMMEDIATE

NIACT

31 JAN 86

McMahon Ex. #12
6/1/87 mas

SUBJECT: PRESENT STATUS IN SAGA REGARDING THE MOVEMENT OF TOW MISSILES

PLEASE PASS TO DCI FROM DDCI EYES ONLY AT START OF HIS DAY AND PLEASE CONFIRM DELIVERY.

1. A NEW DIMENSION HAS BEEN ADDED TO THIS PROGRAM AS A RESULT MEETING HELD IN LONDON BETWEEN NORTH AND GHORBANIFAR. WE HAVE BEEN ASKED TO PROVIDE A MAP DEPICTING THE ORDER OF BATTLE ON THE IRAN/IRAQ BORDER SHOWING UNITS, TROOPS, TANKS, ELECTRONIC INSTALLATIONS, AND WHAT HAVE YOU. THE GAME PLAN IS FOR A SEGMENT OF THE MAP DEPICTING A PART OF THE FRONT TO BE PASSED TO SHOW OUR BONA FIDES AND THAT WILL START IN TRAIN A SERIES OF EVENTS. WHEN THE MOVEMENT OF THE MISSILES TAKES PLACE, THE REMAINDER OF THE MAP WILL BE PASSED AND THAT WILL PROMPT ALL THE RECIPROCAL ACTION ON THE PART OF THE IRANIANS. TIMING IS FOR THE FIRST SEGMENT OF THE MAP TO BE DELIVERED LEAVING HERE TOMORROW, SATURDAY, 25 JANUARY. THEN ON THE 9TH OF FEBRUARY, A THOUSAND TOWS WITH THE REMAINDER OF THE MAP AS THE FIRST TRANCHE OF A 4,000 COMMITMENT.

2. WE ARE TO GET THE TOWS FROM THE US ARMY AND ARRANGE TRANSPORT OVERSEAS.

3. EVERYONE HERE AT HEADQUARTERS ADVISES AGAINST THIS OPERATION NOT ONLY BECAUSE WE FEEL THE PRINCIPAL INVOLVED IS A LIAR AND HAS A RECORD OF DECEIT. BUT, SECONDLY, WE WOULD BE AIDING AND ABETTING THE WRONG PEOPLE. I MET WITH POINDEXTER THIS AFTERNOON TO APPEAL HIS DIRECTION THAT WE PROVIDE THIS INTELLIGENCE, POINTING OUT NOT ONLY THE FRAGILITY IN THE ABILITY OF THE PRINCIPAL TO DELIVER, BUT ALSO THE FACT THAT WE WERE TILTING IN A DIRECTION WHICH COULD CAUSE THE IRANIANS TO HAVE A SUCCESSFUL OFFENSE AGAINST THE IRAQIS WITH CATAclysmic RESULTS. I NOTED THAT PROVIDING DEFENSIVE MISSILES WAS ONE THING BUT WHEN WE PROVIDE INTELLIGENCE THE ORDER OF BATTLE. WE ARE GIVING THE IRANIANS THE WHEREWITHAL

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PAGE 002
 TOT: 29 JAN 86

DIRECTOR 705774

FOR OFFENSIVE ACTION.

1 0567

4. POINDEXTER DID NOT DISPUTE OUR RATIONALE OR OUR ANALYSIS, BUT INSISTED THAT IT WAS AN OPPORTUNITY THAT SHOULD BE EXPLORED. HE FELT THAT BY DOING IT IN STEPS THE MOST WE COULD LOSE IF IT DID NOT REACH FULFILLMENT WOULD BE 1,000 TONS AND A MAP OF ORDER OF BATTLE WHICH IS PERISHABLE ANYWAY.

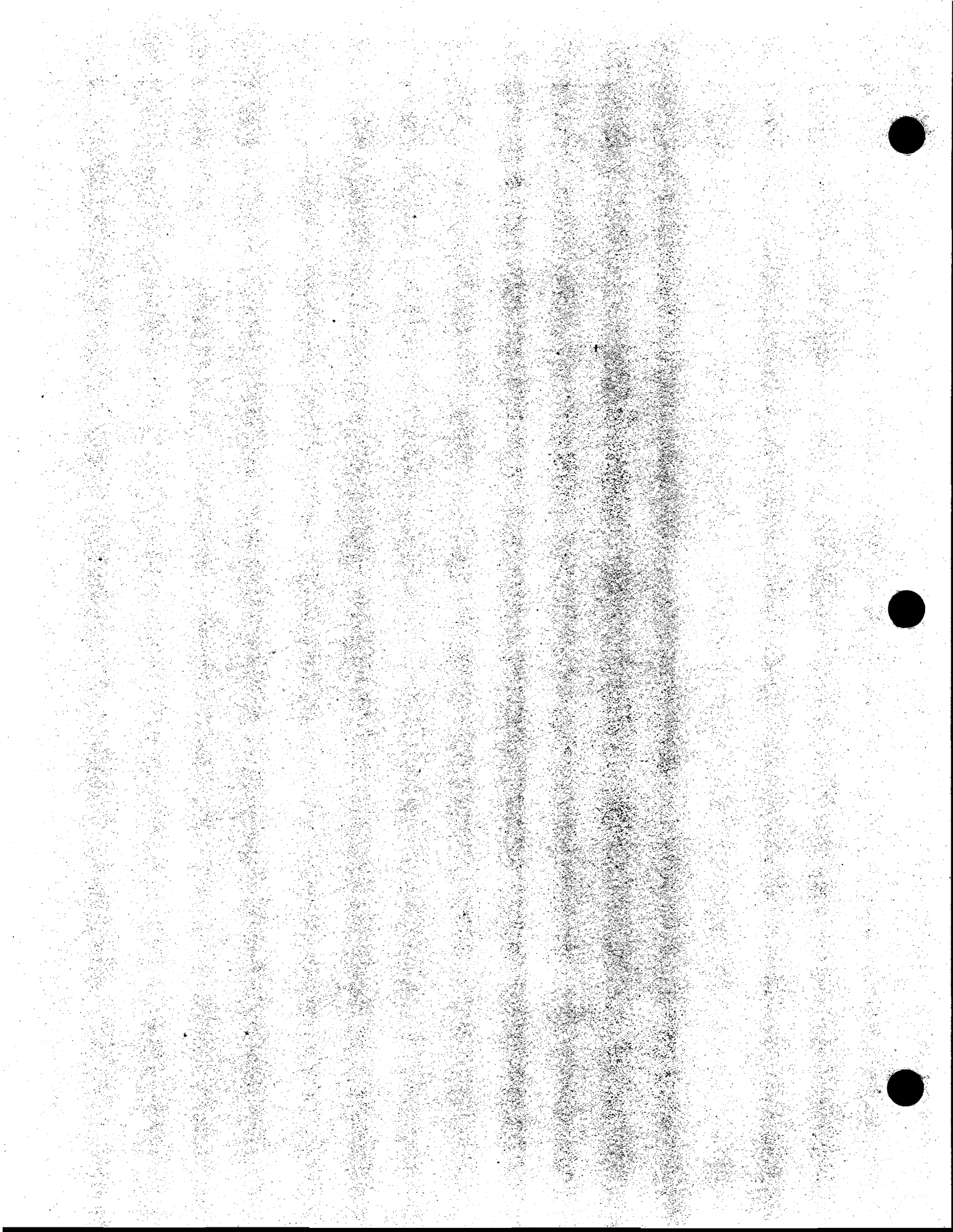
5. WE ARE NOW PROCEEDING TO PREPARE THAT MAP AND DELIVER IT TO NCRTH AT 1100 SATURDAY MORNING WASHINGTON TIME.

6. I HAVE READ THE SIGNED FINDING DATED 17 JANUARY 1986 WHICH STATES US THE AUTHORITY TO DO WHAT THE NSC IS NOW ASKING. -ENCE. IN SPITE OF OUR COUNSEL TO THE CONTRARY, WE ARE PROCEEDING TO FOLLOW BUT ORDERS AS SO AUTHORIZED IN THE FINDING.

7. NO FILE. DECL; OADR DRY HUM-4-82. ALL TOP SECRET.
 ORIG: DDCI (MCM)HON 1:551.
 END OF MESSAGE

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REVIEWED by *hrl*

DATE *7/2/80*

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SENSITIVE

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WASHINGTON

February 6, 1986

() DENY

() Non-responsive info

FOI, EO or PA exemptions

(b)(1) (S) (a)(3)

MEMORANDUM FOR: THE PRESIDENT

From : George P. Shultz *GPS*

P
BIAS
NN

BIAS

1. Savimbi. I met with Savimbi Thursday night before he left for New York. He told me that as a result of his reception here, he returns to Angola with high morale and no doubts about where the Administration stands. *R*

R I raised with Savimbi the issue of national reconciliation and the need for us to have a clear idea of what UNITA has in mind if the opportunity arises for us to play a useful role. He promised to get back to us with his thoughts on national reconciliation after discussing the issue with his principal advisors in Angola. (SENSITIVE)

2

2. Deputy Secretary Whitehead's Visit to Bonn. *R* In his talks with Chancellor Kohl and senior FRG officials in Bonn Wednesday, John was impressed by Kohl's confidence in Germany's economic prospects and by his eagerness to conclude SDI agreement with us. John also expects the FRG to provide further backing for Libyan sanctions in the weeks ahead, perhaps including some supportive public statements from Kohl himself. (RC)

R

3. Visit of Indian Foreign Minister. *R* Foreign Minister Bhagat's discussions at the State Department Thursday featured none of the confrontational issues which marked Indo-US relations until recently. He mentioned arms to Pakistan only in passing and volunteered that despite pressure from the Arabs India had not criticized US measures against Libya. He also reported that the Indian cabinet has approved in principle the Rupee fund which we have sought for so long, and at the Joint Commission meeting he accepted our proposal for a Narcotics Working group as part of the Indo-US Economic and Commercial Subcommission. Bhagat was pessimistic about prospects for communal peace in Sri Lanka and reported India had withdrawn from its mediating role in view of Sri Lankan President Jayewardene's hard line position. He agreed that if we and the Soviets could make progress on eliminating nuclear weapons, India would review its opposition to the Nuclear Non Proliferation Treaty. (RC)

4. Under Secretary Schneider's Meeting with Iraqi Deputy Prime Minister Ramadan. *R* In discussing our efforts to staunch the flow of arms to Iran, Schneider stressed our need for access to weaponry captured by the Iraqis so that we can determine its origin. Ramadan argued that efforts to halt the arms flow to Iran are not sufficient to reduce Iran's capabilities, since Syria, Libya, Israel and others continue to supply Iran with weapons. The only solution, Ramadan said, is to put enough economic pressure on Iran to curtail its ability to buy arms. He expressed dismay over reports that some EEC countries are strengthening economic ties with Iran. (S)

1/23/86
GPS

Saudi King

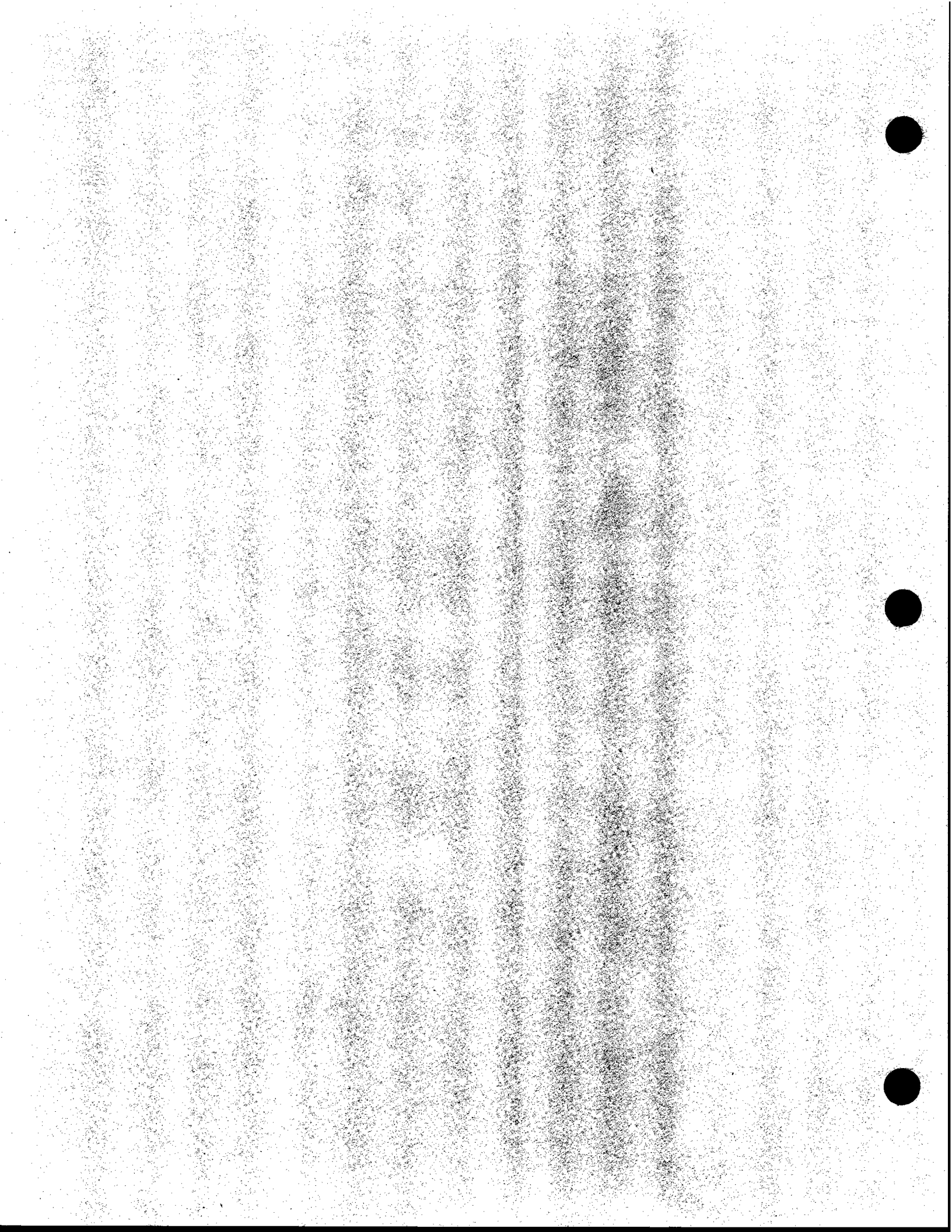
(SENSITIVE)

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AMEMBASSY RIYADH

Declassified by: Frank Markink
Director, Office of FOI, Privacy,
and Classification Review
June 1, 1992

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USDOC FOR DAS KELLY 4800

E.O. 12356: DECL: OADR
TAGS: ECON, IZ

SUBJECT: UNDER SECRETARY SCHNEIDER'S CALL ON MINISTER OF
TRADE HASSAN ALI: TECHNOLOGY TRANSFERS

1. ~~CONFIDENTIAL~~ - ENTIRE TEXT.

2. SUMMARY: UNDER SECRETARY SCHNEIDER'S MEETING WITH TRADE
MINISTER HASSAN ALI WAS LARGELY DEVOTED TO DISCUSSION OF FA-
CILITATING TRADE IN HIGH-TECH AREAS. HASSAN ALI EXPRESSED
GENERAL SATISFACTION WITH OVERALL RELATIONS BUT SAID THAT HE
HOPE THE U.S. WOULD BE MORE FORTHCOMING IN LICENSING HIGH-
TECH EXPORTS TO IRAQ. THE UNDER SECRETARY ELABORATED ON U.S.
AGREEMENTS WITH OTHER COUNTRIES THAT PERMIT SUCH TRADE WHILE
PROTECTING SENSITIVE TECHNOLOGY AND SUGGESTED THAT A SIMILAR
AGREEMENT WITH IRAQ MIGHT BE ONE SOLUTION TO THE PROBLEM.
HASSAN ALI DISPLAYED CONSIDERABLE INTEREST AND INDICATED A
STRONG DESIRE TO EXPLORE THIS POSSIBILITY FURTHER. HE
TOUCHED LIGHTLY ON PROSPECTS FOR THE SUPPLY OF U.S. MILI-
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PAGE 02 BAGHDA 00647 140828Z

TARY TECHNOLOGY TO IRAQ AND WAS GENTLY BUT FIRMLY TOLD

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THIS WILL NOT BE POSSIBLE GIVEN THE U.S. POSITION OF NEUTRALITY IN THE WAR. END SUMMARY.

3. UNDER SECRETARY WILLIAM SCHNEIDER AND AMBASSADOR, ACCOMPANIED BY DCM, ECONOFF AND STAFF AIDE BOYCE CALLED ON MINISTER OF TRADE AND SENIOR RCC MEMBER HASSAN ALI FEBRUARY 1. HASSAN ALI BEGAN BY EXPRESSING GENERAL SATISFACTION WITH THE DEVELOPMENT OF BILATERAL RELATIONS. HE CLAIMED TO SEE EXCELLENT PROSPECTS FOR INCREASED TRADE BETWEEN IRAQ AND THE U.S., PARTICULARLY IN THE AREA OF HIGH TECHNOLOGY. HE NOTED THAT U.S. COMPANIES WERE PROMINENT IN IRAQ IN THE 1950'S AND 60'S AND COULD BE AGAIN. HE ALSO EXPRESSED HIS APPRECIATION FOR U.S. COMMODITY CREDITS REFERRED UNDER THE GSM 102 PROGRAM AND POINTED TO IT AS EVIDENCE THAT IRAQ CAN BE A GOOD CUSTOMER THAT MEETS ITS OBLIGATIONS IN FULL. HE OBSERVED, HOWEVER, THAT DEVELOPMENT OF A SOLID RELATIONSHIP REQUIRES MUTUAL UNDERSTANDING AND MUTUAL CONFIDENCE. HE STATED THAT IF THE U.S. CONTINUES TO BE OVERLY CAUTIOUS IN APPROVING TECHNOLOGY EXPORTS TO IRAQ, OVERALL COMMERCIAL RELATIONS WOULD SUFFER. HE THEN ASKED WHAT MEASURES COULD BE USEFUL IN FACILITATING TRADE IN HIGH TECHNOLOGY GOODS AND SERVICES.

4. THE UNDER SECRETARY REPLIED THAT THE U.S. SEES TRADE IN HIGH-TEC AREAS AS IMPORTANT AS WELL BUT THAT U.S. POLICY ON TECHNOLOGY EXPORTS ARE NECESSARILY BASED ON TWO PRINCIPLES: TO MAXIMIZE SUCH TRADE WITH FRIENDLY NATIONS TO THE EXTENT POSSIBLE WHILE ENSURING THAT SENSITIVE AND COSTLY TECHNOLOGY DOES NOT FALL INTO THE HANDS OF OUR ADVERSARIES OR IS NOT OTHERWISE MISUSED. TO THIS END THE U.S. HAD REACHED AGREEMENT WITH A NUMBER OF INDUSTRIAL COUNTRIES TO SAFEGUARD SUCH TECHNOLOGY WHILE ERECTING A FEW ~~CONFIDENTIAL~~
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PAGE 03

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BARRIERS TO TRADE AS POSSIBLE. HE ALSO INFORMED HASSAN ALI THAT THE U.S. HAS ENTERED INTO BILATERAL AGREEMENTS WITH COUNTRIES SUCH AS INDIA AND CHINA WHICH HAS PERMITTED A SUBSTANTIAL INCREASE IN OUR SALES OF TECHNOLOGY TO THEM. THE UNDER SECRETARY RAISED THE POSSIBILITY THAT A SIMILAR AGREEMENT WITH IRAQ COULD BE CONCLUDED.

5. HASSAN ALI EVIDENCED CONSIDERABLE INTEREST AND STRONGLY ASSERTED THAT IRAQ HAD A FIRM POLICY OF PROTECTING SUCH

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SECRETS FROM COMPROMISE. TO BUTTRESS HIS CASE HE CITED IRAQ'S TREATMENT OF WEAPONS CAPTURED FROM THE IRANIANS WHICH IT HAD NOT MADE AVAILABLE TO INTERESTED UNNAMED PARTIES. HE EXPRESSED STRONG INTEREST IN THE UNDER SECRETARY'S SUGGESTED AGREEMENT AND ASKED FOR COPIES OF THE AGREEMENTS CONCLUDED WITH INDIA AND CHINA. THE UNDER SECRETARY RESPONDED THAT OUR UNDERSTANDING WITH BOTH COUNTRIES PREVENTED US FROM GIVING THE AGREEMENTS TO THIRD PARTIES BUT HE UNDERTOOK TO PROVIDE GENERAL GUIDELINES TO THE GOI.

6. HASSAN ALI AGREED AND URGED THAT HE RECEIVE THESE GUIDELINES IN TIME TO PREPARE A DRAFT PROPOSAL BEFORE HIS FORTHCOMING VISIT TO WASHINGTON. HE ALSO ASKED IN WHAT HIGH TECH AREAS IS IT MOST DIFFICULT TO APPROVE EXPORT LICENSES FOR IRAQ. THE UNDER SECRETARY INDICATED THAT ITEMS USABLE FOR NUCLEAR WEAPONS RESEARCH, DESIGN, AND MANUFACTURE AS WELL AS SUPERCOMPUTERS POSE SUBSTANTIAL DIFFICULTIES BUT THAT MOST OTHER ITEMS WOULD BE AVAILABLE IF THERE WERE A SATISFACTORY AGREEMENT IN PLACE.

7. HASSAN ALI THEN PROBED FOR ANY CHANGES IN U.S. POLICY CONCERNING EXPORT OF MILITARY TECHNOLOGY TO IRAQ. THE UNDER SECRETARY REVIEWED THE U.S. POSITION OF LEGAL NEUTRALITY IN THE GULF WAR AND REMINDED HASSAN ALI THAT THIS POLICY PERMITTED THE U.S. TO DENY IRAN MILITARY EQUIPMENT AND URGE OTHERS TO DO SO AS WELL.

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8. COMMENT: HASSAN ALI, A SOMEWHAT DOUR INDIVIDUAL, WAS EXTREMELY CORDIAL AND CLEARLY INTRIGUED WITH THE POSSIBILITY OF CONCLUDING AN AGREEMENT ON TECHNOLOGY TRANSFERS. HE IS INTERESTED IN MAKING HIS VISIT TO THE U.S. SUCCESSFUL AND IN DEMONSTRATING THAT IRAQ'S OPENING TO THE U.S. CAN PRODUCE TANGIBLE RESULTS IN HIS AREAS OF RESPONSIBILITIES. SOME OF IRAQ'S MOST SENIOR OFFICIALS ARE CONVINCED THAT THE U.S. HAS A GREAT DEAL TO OFFER IN SEVERAL AREAS OF IRAQ'S AMBITIOUS PLANS TO IMPROVE ITS SCIENTIFIC AND TECHNOLOGICAL BASE. THE FACT THAT SAFEGUARDS AGREEMENTS HAVE ALREADY BEEN CONCLUDED WITH CHINA AND INDIA AND TH HIGH PRIORITY ACCORDED IRAQ'S DEVELOPMENT PROGRAMS SHOULD INDUCE GREATER IRAQI FLEXIBILITY DESPITE THE REGIME'S EXTREME SENSITIVITY ON "SOVEREIGNTY" ISSUES.

9. WE WERE UNABLE TO CLEAR THIS MESSAGE WITH THE UNDER SEC-
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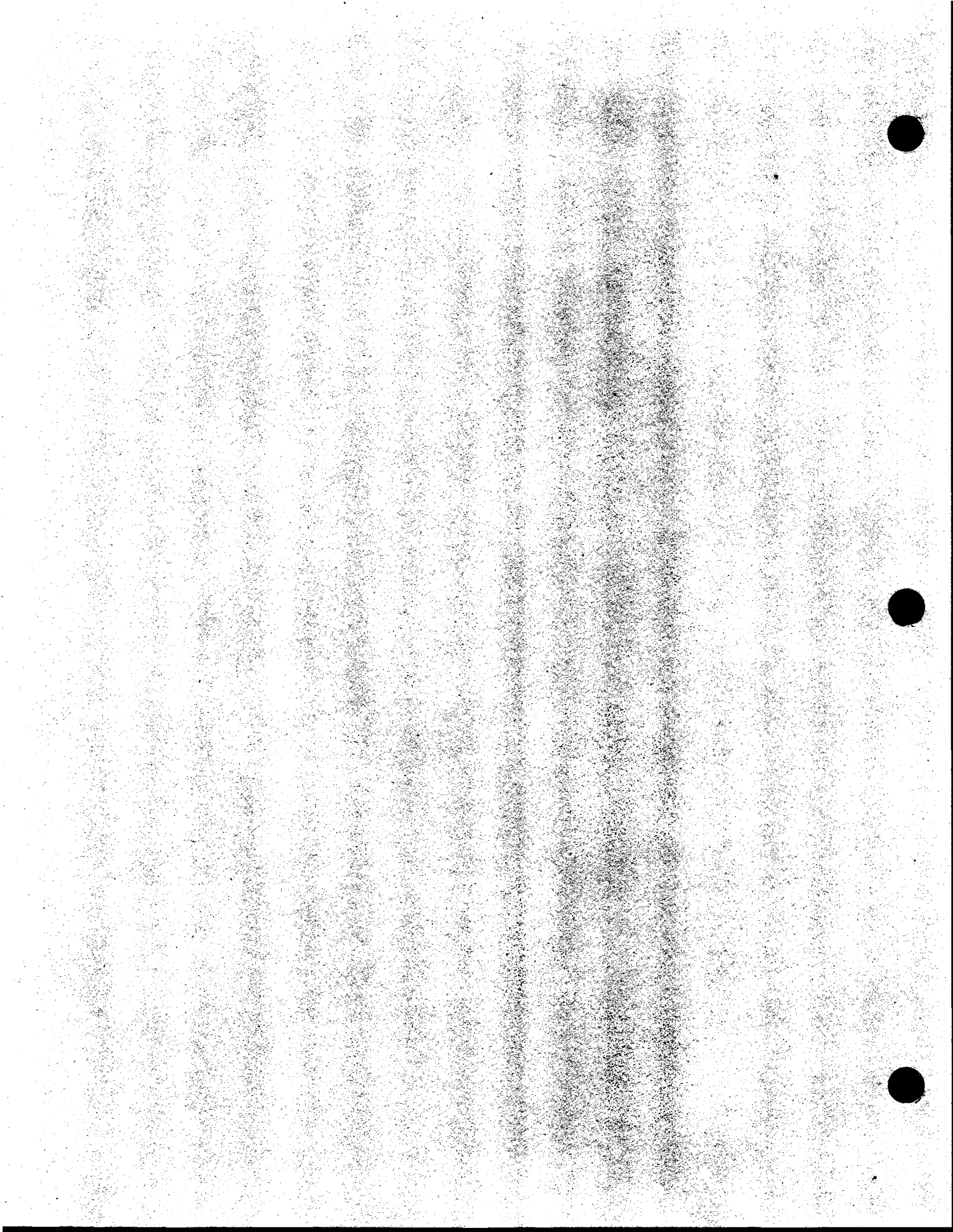
RETRY DESPITE REPEATED ATTEMPTS TO CONFIRM HIS WHEREABOUTS
WITH EMBASSIES CAIRO AND BEIJING.
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Date: 11/22/86 User: NSPBT NoteLog: FEB86 Sequence: 308 Page 1 of 1
NSWRP --CPUA NSPBT --CPUA 02/24/86 11:41
Intelligence Exchange with Iraq

FROM: NSWRP --CPUA TO: NSPBT --CPUA 02/24/86 11:41:43
To: NSJMP --CPUA JOHN M. POINDEXTER NSDRF --CPUA DONALD FORTIER
NOTE FROM: BOB PEARSON

Subject: Intelligence Exchange with Iraq
From deGraffenreid.

*** Forwarding note from NSKED --CPUA 02/24/86 10:41 ***
To: NSRBM --CPUA JOHN M. POINDEXTER NSWRP --CPUA JOHN M. POINDEXTER
NOTE FROM: Ken DeGraffenreid

~~TOP SECRET/SENSITIVE~~
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SUBJECT: Intelligence Exchange with Iraq
Per your question, in reference to the Iran/Iraq item in this morning's
Situation Room Summary,

(b)(1)
(S)

.....
.....
.....
..... However, the Iraqis either did not believe it or were unable or
unwilling to act.

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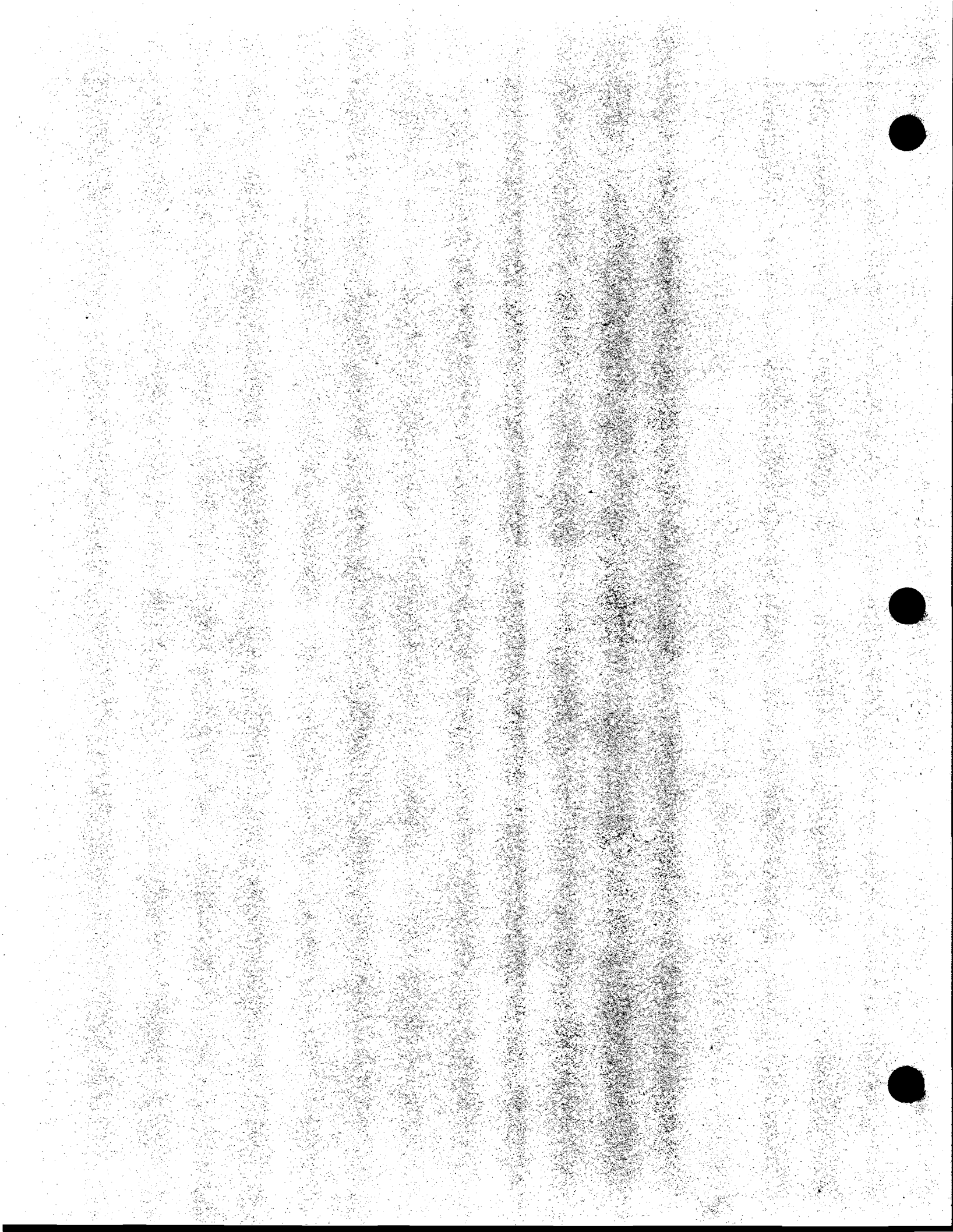
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cc: NSPBT --CPUA NSKED --CPUA

Partially Declassified/Released on 8/25/91
by NARA on the recommendation of the NSC.







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United States Department of State

Washington, D.C. 20520

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cc: XRP

February 27, 1986

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MEMORANDUM FOR MR. DONALD P. GREGG
THE WHITE HOUSE

SUBJECT: Proposed Vice Presidential Trip to the Middle East

We recommend that the Vice President schedule an April trip to Saudi Arabia, Oman, Bahrain, and the Yemen Arab Republic. Such a trip would serve important policy goals.

The recent Iranian offensive and intensification of fighting in the Iran-Iraq War, has heightened Gulf state leaders' concern about their security and the free flow of oil. A trip by the Vice President at this time would have great importance in reassuring those leaders of our continuing commitment to the President's Southwest Asia strategy and would also be helpful in enhancing bilateral relations with key oil producing states, such as Saudi Arabia.

SAUDI ARABIA: The Saudis are particularly nervous about the Gulf War. They are actively searching for symbols of the U.S. tie to send a message of deterrence to Iran. It is primarily for this reason that King Fahd is asking us to notify arms sales now. A Vice Presidential visit would be an extremely high-profile restatement of the strength of the U.S.-Saudi tie. It could also pay dividends when the Administration goes forward with a Presidential certification for Saudi AWACs this year.

OMAN: U.S-Omani military cooperation is key to our defensive strategy in the region but has been strained anew by the cuts in our FY 86 ESP budget.

A high level visit might help to convince the Omanis that we still place high value on the relationship. The visit would be particularly appreciated since the Vice President had to cancel his planned attendance at last year's Omani National celebrations in Muscat.

BAHRAIN: The Bahrainis have requested a high-level U.S. visitor essentially because of their high profile as the home base of the Middle East Force. This is a very valuable asset which we need to protect.

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DECL: OADR

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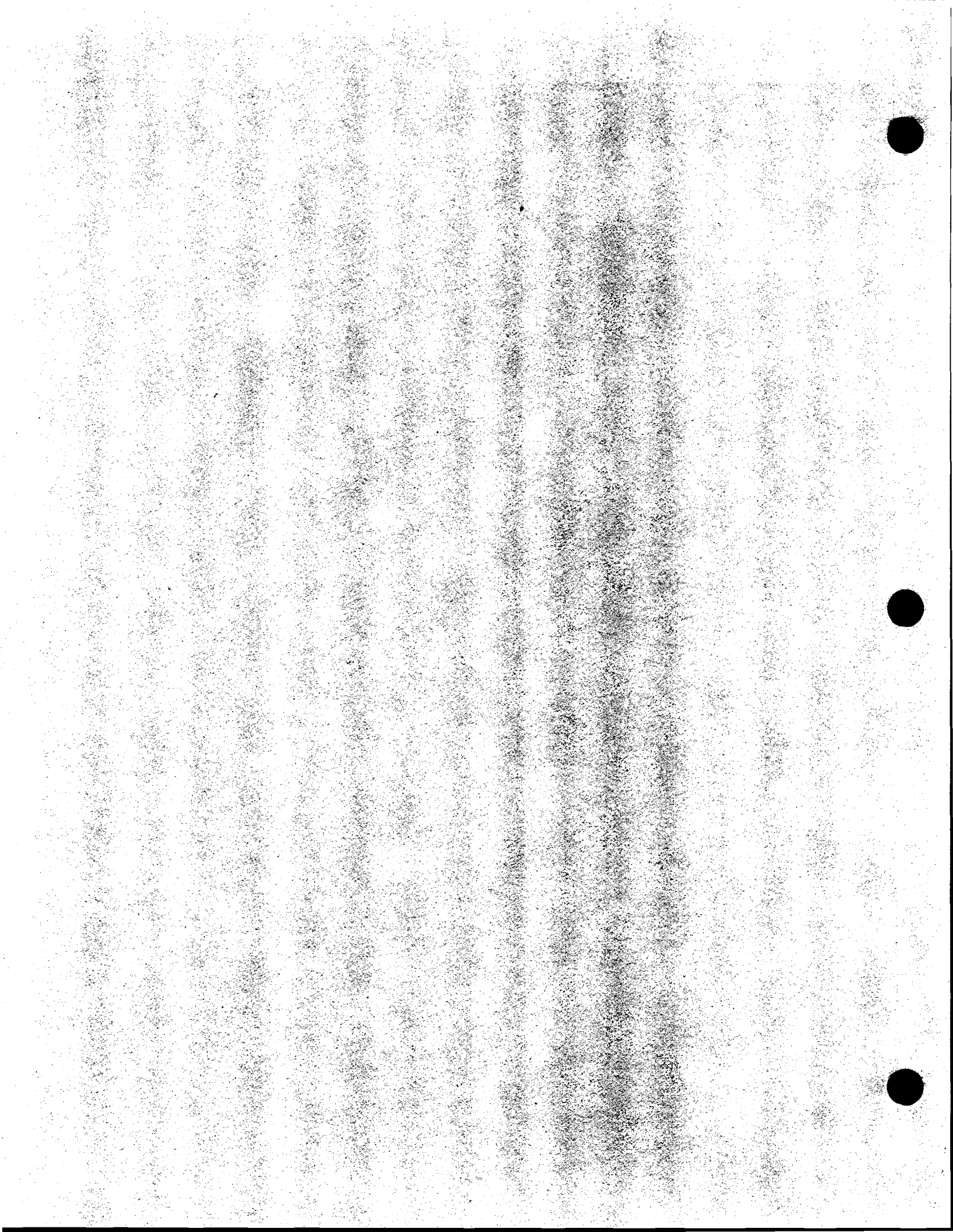
YEMEN ARAB REPUBLIC: Finally, as a result of our cooperation with the Yemen Arab Republic during the coup d'etat. in the People's Democratic Republic of Yemen, President Salih is considering a closer relationship with the U.S, although he is unlikely to drop his ties with the Soviet Union. The Vice President, as the highest ranking U.S. contact that President Salih has ever had, could move the relationship forward. In addition, a stop in Yemen could balance the security emphasis of the rest of the trip by permitting the Vice President to concentrate on matters of economic cooperation -- Yemen will enter the oil market in 1988 -- and development assistance.

Nicholas Platt
Nicholas Platt
Executive Secretary

Drafted: NEA/RA:NEJohnson
2/25/86 WANG 3246 x1139
Cleared: NEA/RA:WChamberlin
NEA/ARP:RNeumann
NEA:MCreekmore(subs)
NEA:ARaphel
P:SJohnson ✓

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Eyda

DEPARTMENT OF STATE
BRIEFING PAPER

RELEASED

ISSUE PAPER -- GULF WAR UPDATE

I. ISSUE/OBJECTIVE

To review the possible impact of current developments in the Gulf War on Saudi Arabia, Bahrain, Oman and the YAR.

II. BACKGROUND

The current situation in the Gulf War is of grave concern to Gulf Cooperation Council Members and the YAR. Iran's success in establishing a bridgehead on Iraqi territory around al Fao, at the mouth of the Shatt al Arab, has brought the war within a few miles of Kuwaiti territory. This Iraqi setback also raises fears of further military reverses which could ultimately destabilize the Iraqi regime or at least allow Iran to set up an alternative Shia government on Iraqi soil.

Saudi Arabia and Kuwait, in particular, have stepped up their assistance to Iraq over the past month. Tehran has been quite vocal in criticizing GCC assistance to Iraq, and has also complained bitterly about Saudi oil policy, which by lowering oil prices has probably hurt Iran more than have Iraq's attacks on its tankers and oil facilities. Though not a GCC member, the YAR has provided a small number of support troops to Iraq for several years, and might provide more should Iraq request them.

Searches and seizures of merchant vessels in and near Omani waters have dropped off recently, but stepping up this effort remains a likely Iranian option for pressuring the Gulf states. Iran has attacked a number of tankers off the Qatari coast, southeast of Bahrain, in the past month and may resume this tactic in the wake of Iraqi attacks on economic targets such as the Esfahan refinery. Iran has also made vague threats against GCC states, for example, hinting it might seize Saudi/Kuwaiti neutral zone oil being exported on Iraq's account. In this context, the GCC has readied its new Peninsula Shield reaction force for possible deployment to Kuwait as a deterrent.

III. TALKING POINTS

The United States has consistently urged an end to the war in a manner that will preserve the sovereignty and territorial integrity of both Iran and Iraq. We systematically urge all friendly industrialized countries to withhold military exports to Iran.

We have stressed that expansion of the conflict elsewhere in the Gulf region would be a major threat to U.S. interests.

Date 2/4/94

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15 FEB 1994

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OFFICE OF THE ASSISTANT SECRETARY FOR PUBLIC AFFAIRS
STATE NEWS CENTER

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DEPARTMENT OF STATE

BRIEFING PAPER

ISSUE PAPER - U.S. ATTITUDE TOWARD IRAN

I. ISSUE/OBJECTIVE

To clarify U.S. views of Iran and the Iran-Iraq war, and elicit those of hosts.

II. BACKGROUND

The U.S. is aware of the regional importance of Iran's forty million people, large oil reserves, and strategic location on the Soviet border. We do not seek long term antagonism with Iran, but we have strong objections to Iran's continued support of terrorism, and intransigence in the war with Iraq. We are ready to listen to what the Iranian government may say to us, but we do not expect an improvement in the U.S.-Iranian relationship until Iranian policies change and until Iran wishes to improve relations with us. No sign of that now! Tehran will see your trip as an unwelcome visit by a superpower leader to the edge of the Western "empire". Iranian spokesmen will criticize it and your hosts for receiving you.

Iranian insistence on deposing Saddam Hussein and the Baath party leadership of Iraq prolongs the Iran-Iraq war. We continue to seek the earliest possible end to the war with the sovereignty and territory of both sides intact. So does Iraq. Iran's successes in the current offensive are of serious concern to the Arab countries and to us. This is less because of Iraq's small territorial loss, than because of the poor performance of the heavily equipped, but less well motivated and led Iraqi forces.

Since taking Faw, which adjoins Kuwait, Iran has made threats against Kuwait and Saudi Arabia for their support to Iraq, and has bitterly reproached them for the fall in oil prices. We are committed to respond favorably to calls for security assistance from the Gulf Arab countries if they make a public call for it and provide the necessary ground facilities. Iran will probably not move militarily against Kuwait, but we believe strongly, and have said publicly, that expansion of the war to a third country would be a major threat to our interests.

III. TALKING POINTS

-- We are aware of Iran's strategic importance, but remain gravely troubled by Iran's state support of terrorism and its intransigence in the war with Iraq.

-- We are following developments in the Gulf War closely and remaining in close touch with you about it. We seek its earliest possible end, and would consider its expansion to a Gulf non-belligerent to be a major threat to our interests.

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DEPARTMENT OF STATE
BRIEFING PAPER
THE GULF WAR

FOR COMMENTS/CLEANING
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T-Steve
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I. ISSUE/OBJECTIVE

05 [] we want to express our serious concern with the persistence of the war, and with Iran's success in its current offensive. [] we need to press [] to end munitions sales to Iran.

II. BACKGROUND

Since February 10, Iranian forces have succeeded in seizing and holding the southern half of Iraq's Fao Peninsula despite continuing, costly Iraqi attempts to retake this southernmost piece of its territory. Iraq's failure despite its materiel superiority to prevent the landing at Fao or to eliminate it quickly is troubling, while Iraq's image as the aggrieved party, besieged by an intransigent Iran, has been damaged by its continuing use of chemical weapons.

05 Despite many attempts at mediation, we see no evidence that Iran is reconsidering its pursuit of the war. (FYI only. The disturbing trend is that Iran is doing well, and that Iraqi morale and defensive capacity may be declining despite Iraq's technological superiority. An Iranian victory would be a severe setback for us, and an extremely destabilizing event in the Middle Eastern and Muslim worlds. However, we do not consider major shifts in the "attrition" character of the war to be probable immediately. [] we do not wish others to misperceive that our concern is graver than it is. End FYI.)

We seek the earliest possible end of the war with the sovereignty and territorial integrity of both parties intact. We do not sell munitions to either side. Since Iranian intransigence prolongs the war, we actively urge governments with which we have good relations to abstain from selling arms to Iran; this has slowed Iran down, and withholding arms now is more important than ever.

III. TALKING POINTS

-- We are seriously troubled by the Iran-Iraq war, and by Iran's current offensive. We support the Security Council's February 24 call for a cessation of fighting; we deplore Iran's rebuff of this and earlier efforts to halt the war.

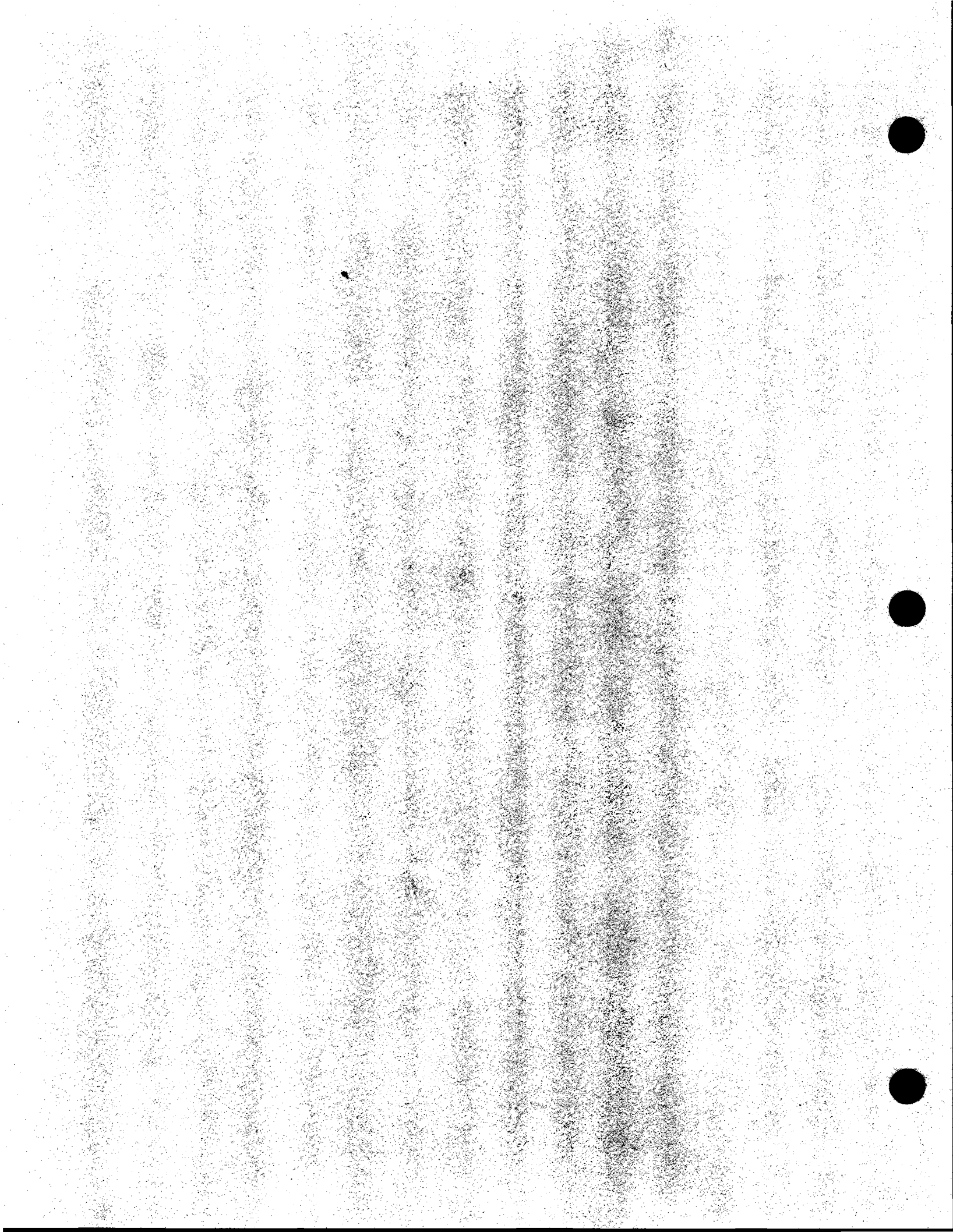
05 [] After almost six years, it is clear that the only way to bring Iran to its senses and to the negotiating table is to cut off its munitions. Materiel sales from [] are actively contributing to prolongation of the war. We strongly urge [] to end them.

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Department of State

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TELEGRAM

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DRAFTED BY: INR/GE/M: M L VOIGT
APPROVED BY: INR/GE: G J DEMKO
NEA/NGA: WGBERRY
OES/SCT: GWAGNER

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C O N F I D E N T I A L STATE 073178

E. O. 12356: OADR (DEMKO, GEORGE)
TAGS: AINR, 1Z
SUBJECT: MAPS

FOR: DEAN STORM, MAP AND PUBLICATIONS OFFICER

1. INR/M APPRECIATES ASSISTANCE GIVEN TO MRS. MARSHA VOIGT DURING HER RECENT VISIT TO BAGHDAD.. SHE IS PARTICULARLY APPRECIATIVE OF TIME AND ASSISTANCE OF MPO STORM AND DATT.

(C)

2. INR/M HAS POUCHED ITEMS TO STORM FOR DELIVERY TO ORGANIZATIONS VOIGT VISITED. SHE HAS DISCUSSED PROPOSALS OF IRAQI MILITARY SURVEY WITH US DMA AND AWAITS DOD COMMENTS, WHICH WILL BE RELAYED TO EMBASSY. WHITEHEAD

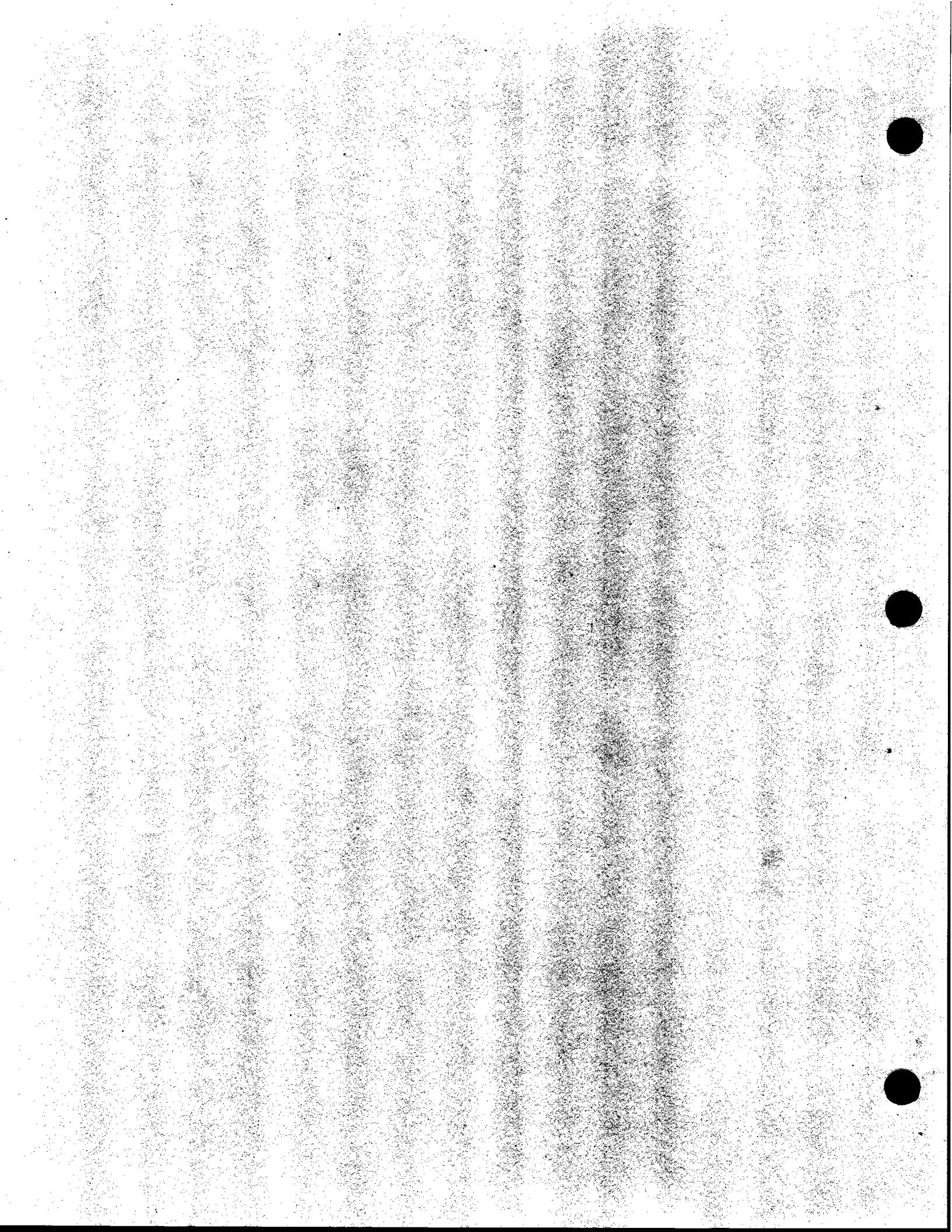
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United States Department of State

Washington, D.C. 20520

March 21, 1986

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CONFIDENTIAL
MEMORANDUM

TO: NEA/NGA - Mr. Berry
OES/SCT - Mr. Wagner

FROM: INR/GE - Daniel J. Dzurek *[Signature]*

SUBJECT: Iraqi Military Survey Proposals Relating to US Mapping Agencies, Report on Ms. Voigt's Discussions in Baghdad, January 25, 1986.

REFERENCES: STATE 073178, March 10, 1986
Memorandum by Voigt, February 4, 1986
IIR 6 847 0023 86, 300709Z JAN 86

As I promised when I requested your clearance on the March 10, 1986 cable, I attach information on Ms. Voigt's discussions with the Iraq Military Survey Directorate. Please note the highlighted portions in Ms. Voigt's memorandum and the IIR.

Attachments: Referenced Documents

cc: INR/GE/M - Voigt

GB - OK, if you say so. I'll join you with log if possible. I'd like to hear his impressions of Baghdad. you

ATB -

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3/24

Please see two pages marked with a clip. Do you know something more about this? It all came up, you'll remember, while I was running.

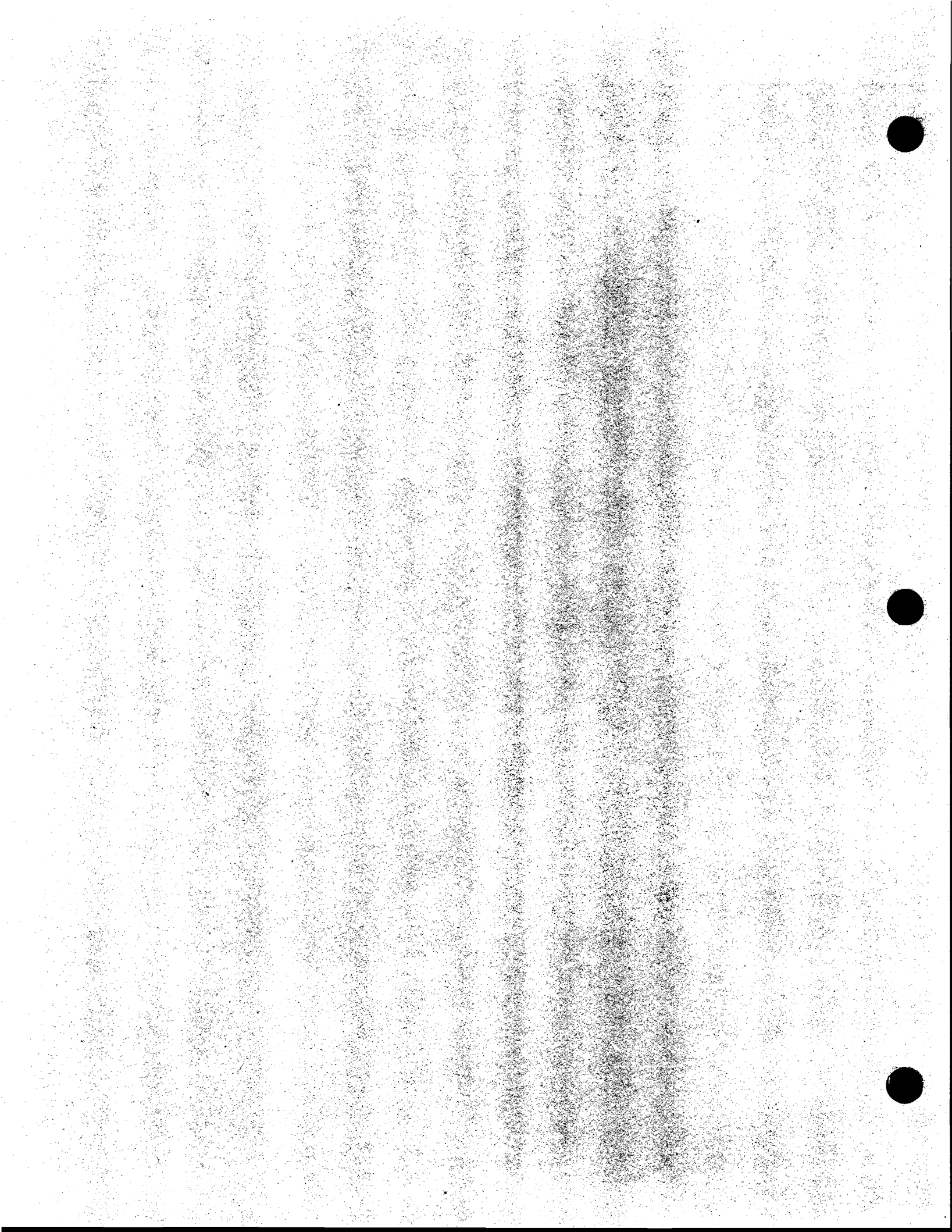
No I don't. Do you know what's happening with the Iraq war info? [Signature]

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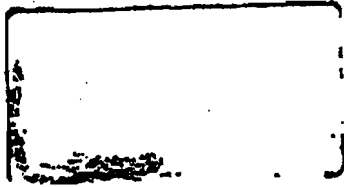


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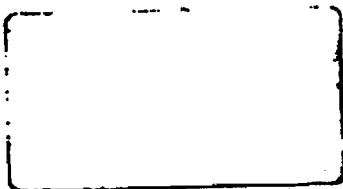


This from Ray Apuloff:

DMA is considering, and will probably approve the same sort of "mapping-to mapping" exchange that the U.S. has with about 100 countries. They expect this to be a two-way deal: Iraqi mapping is quite professional, and our coverage in that area is poor.

DMA would provide unclassified 1:50,000 maps and possibly publicly-available LANDSAT pictures.

Iraqi mapping office, like ours, is part of the military, but it's hard to see how the kind of exchange Ray describes would be any short-term contribution to Iraq's war effort, or much of a long-term contribution, if any.



Ray will be meeting me in my office

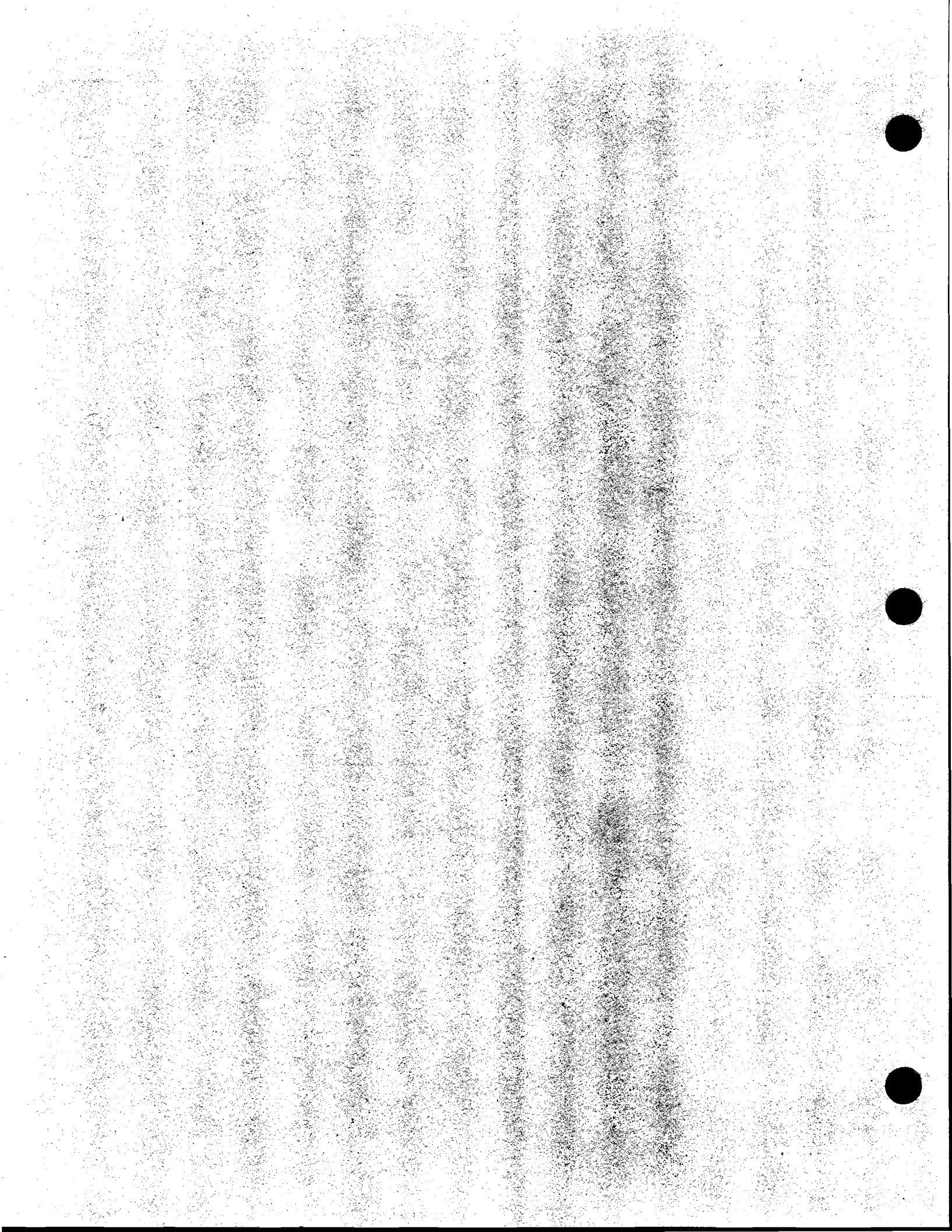
Thursday, 3/27, at 9 a.m.

JLB

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SNIE 34/36.2-86

IS IRAQ LOSING
THE WAR?

Information available as of 3 April 1990 was used in the preparation of this Estimate, which was approved by the National Foreign Intelligence Board on that date.

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APPROVED FOR RELEASE
DATE: APR 2004



Director of
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Intelligence

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Is Iraq Losing the War?

Special National Intelligence Estimate

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SNIE 34/36.2-00
April 1986

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SCOPE NOTE

This paper examines the prospects of an Iraqi defeat in the Gulf war. The paper addresses trends in the war and is not limited to a specific time frame. While the paper focuses on Iraq, Iranian resolve and vulnerability to attack are considered to gauge the likelihood and implications of a significant shift in Iraq's war policies.

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THIS ESTIMATE IS ISSUED BY THE DIRECTOR OF CENTRAL INTELLIGENCE.

THE NATIONAL FOREIGN INTELLIGENCE BOARD CONCURS.

The following intelligence organizations participated in the preparation of the Estimate:

The Central Intelligence Agency, the Defense Intelligence Agency, the National Security Agency, and the intelligence organizations of the Department of State, and the Treasury.

Also Participating:

The Assistant Chief of Staff for Intelligence, Department of the Army

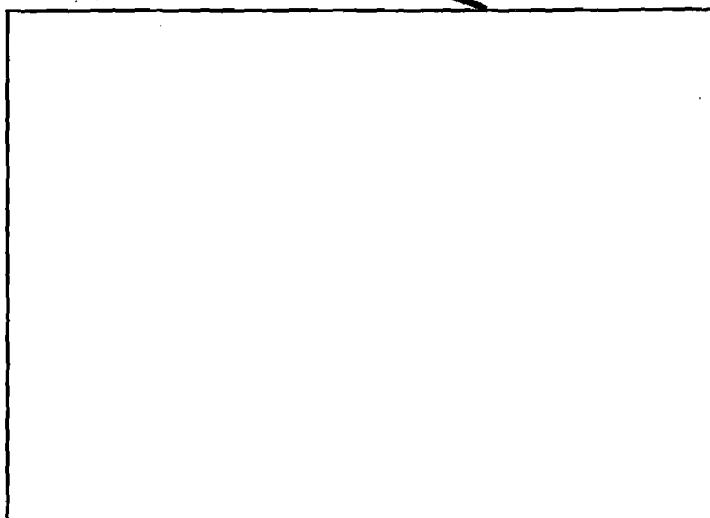
The Director of Naval Intelligence, Department of the Navy

The Assistant Chief of Staff, Intelligence, Department of the Air Force

The Director of Intelligence, Headquarters, Marine Corps



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KEY JUDGMENTS

A continued failure by Baghdad to exploit its many military advantages over Iran will mean that Iraq will suffer additional military setbacks and probably lose the war over the long term. Iraq's strategy—to outlast Iranian resolve to bring down the Ba'hist regime—will not work unless Baghdad substantially raises the costs to Iran. Only a change to a much more aggressive posture designed to preempt Iranian offensives and cripple Iran's economy would turn the war around:

- Despite Iraq's advantage in weaponry, its objective is only to end, and not win, the war—that is, to emerge with the Ba'hist regime and Iraqi territory intact. The regime translates this objective into a reactive, ineffective use of its military forces that has largely yielded the initiative to Iran.
- Although both Iraq and Iran are vulnerable to political unrest caused by war weariness and economic problems, in the short term Iraq's internal situation is more vulnerable because of declining civilian morale and more acute manpower shortages. Moreover, the narrow base of Saddam's regime makes him more susceptible to challenge and possible removal with little warning. [redacted]

Iran's vital economic and military facilities remain highly vulnerable to Iraqi air attack, and a sustained and effective Iraqi campaign against these targets could severely limit Iran's ability to fight the war and ultimately force the regime to reconsider its policies—short of making peace. Baghdad's failure to launch a concerted air campaign emanates from a deeply ingrained aversion to broadening the scope of the war. Baghdad could well go on resisting meaningful change on this issue until it is too late. [redacted]

Iran's recent military successes have caused further decline in the morale of Iraq's war-weary population—Iraqis are depressed over heavy casualties from a seemingly unending conflict they fear they are not winning. At the moment, Iraqi troops still have the will to resist Iranian attacks and Baghdad faces little organized dissidence outside of Kurdistan, but further Iranian successes will heighten discontent over the war, embolden opponents of the regime, and make security more difficult. [redacted]

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[REDACTED]

On the basis of very limited evidence, we believe grumbling over Saddam's conduct of the war is already growing among both military and civilians and increases the chances of assassination or, less likely, a coup. Would-be coup plotters currently are restrained by Iraq's vigilant security services and the belief that Saddam's fall would embolden Tehran to forge ahead to entirely eliminate Ba'hist rule in Baghdad. If Iraq does not begin to fight the war more effectively, some military officers may conclude that although Iraq *may* be defeated without Saddam, it *will* lose if he stays. Most Iraqis probably would rally behind a new leadership. [REDACTED]

The leaders of a military coup probably would pursue more aggressive war policies than a civilian regime, but a successor regime—whether civilian or military—would suffer from infighting and increased internal dissidence. Iran probably would find any non-Shia successors unacceptable as negotiating partners. [REDACTED]

Meanwhile, declining oil revenues will hamper Baghdad's "guns-and-butter" policy of paying for both the war and the consumer goods necessary to maintain the civilian economy and morale. Unless Iraq's Persian Gulf allies substantially increase their financial aid, Baghdad will be forced to cut imports by at least 25 percent, largely at the expense of industrial and consumer goods and services. [REDACTED]

For its part, Iran is likely to launch a series of medium or small-scale border attacks in 1986 to weaken Iraq's defenses. If Tehran judges that Iraq's military, political, and economic situation has deteriorated significantly, Iran will launch a large offensive, hoping that a single major blow would shatter Iraq's will to fight and cause the collapse of the regime in Baghdad. Nevertheless, Iran probably will have significant logistic problems if it attempts to launch a major offensive. [REDACTED]

Iran's initial success at Al Faw has hardened the clerical regime's resolve to continue the war until the Ba'hist regime is toppled. The most likely post-Khomeini government will not be more conciliatory if the military gains more battlefield successes. [REDACTED]

Iran's leaders are unlikely to scale back the war effort in the next 12 months unless the war leads to serious popular discontent. In the event that Iraq inflicted crippling damage to the Iranian economy in as soon as four months, and certainly within a year, Iranian leaders would face instability severe enough to force a rethinking of their war policy. [REDACTED]

In the event Iraq did maintain a campaign of effective air attacks, Iran would respond by first increasing operations against shipping in the Persian Gulf and, if desperate, attacking Iraqi cities. If Iraqi attacks

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[REDACTED]

began to weaken the Iranian economy seriously, the Iranians would very likely launch terrorist or commando attacks on the Arab Gulf states. Iran would be reluctant to expand the ground and air war into these countries. It probably would not try to blockade or interdict all shipping through the Strait of Hormuz because of fear about US or Western intervention. [REDACTED]

The defeat of Iraq or the establishment of a credible Islamic republic in southern Iraq would significantly increase the threat of instability for countries such as Kuwait and Bahrain, which have large Shia populations. Shia restiveness in the Eastern Province of Saudi Arabia would also grow, as would the potential for sabotage against oil facilities. Political and ideological pressure from Iran probably would cause the Gulf Cooperation Council states to draw closer together and appeal to the West for diplomatic and even military support to discourage Iranian intervention. [REDACTED]

The Gulf war has not served Moscow's overall interests in the region—largely giving the United States greater opportunity to play a security role in the Gulf and to improve its ties to Baghdad. Moscow has consistently called for an end to the war, fearing that US strategic interests would continue to gain at Soviet expense. Despite Moscow's support for Baghdad, the Soviets do not want either Iran or Iraq to emerge as clear victor. Moscow has long preferred a relative balance between the two countries as the best way to exert its influence in the region. [REDACTED]

If the Soviets believed that a major Iraqi defeat loomed on the horizon, they would be under considerable pressure to help Baghdad. The credibility of the USSR would be at stake if it were perceived as unwilling to assist a country near its borders with whom it enjoyed longstanding ties. Furthermore, even though the Soviets would be unlikely to engage in direct combat support to Iraq against Iran, lending Baghdad military aid would hold several advantages for Moscow:

- It would place the USSR in the position of major player in the Gulf, rivaling the United States.
- The United States would be hard put to condemn the Soviets since the request would come from a regime that the United States itself has not wished to see collapse.
- Moscow might see this as a way to force a dialogue with the United States about joint handling of regional security issues—including the Arab-Israeli problem. [REDACTED]

We believe it more likely, however, that Moscow would be reluctant to send Soviet ground or air forces into Iraq, even if invited.

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The Soviets would have several less risky options for demonstrating their credibility as an ally and as a major arbiter of Gulf politics. The Soviets could pursue some combination of the following initiatives:

- Deliver new weapon systems.
- Supply additional military advisers and intelligence.
- Increase tensions along Iran's border with the USSR and step up military operations in western Afghanistan.
- Enforce an embargo on Soviet-made arms reaching Iran from Eastern Europe.
- Stop the transit of Iranian imports crossing Eastern Europe and the USSR.

Short of sizable direct intervention, there is little the United States could do to shore up the Iraqi military position. Iraq remains well armed, and US military aid or advisers would only marginally improve Iraq's ability to defend itself against Iran. As long as Iran continues to have access to its non-Western suppliers—Libya, Syria, North Korea, and East European countries—it can maintain its military effort at current levels indefinitely. Under these conditions, a further tightening of the Western arms embargo on Iran will have little effect.

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DISCUSSION

The Sixth Year of War

1. The Iran-Iraq war has dragged on for more than half a decade with neither side able to end the conflict. Both countries have been weakened by war expenses and property losses estimated at a quarter trillion dollars and over a million casualties. Although Iraqi and Iranian military fortunes have waxed and waned, Iran's initial military success at Al Faw raises questions about Baghdad's staying power and whether Iraq may be losing the war. []

Different Strategic Objectives

Iraq

2. Iraq's objective since 1982 has been to end the war with the Ba'th regime and Iraqi territory intact. The government and populace are extremely sensitive to casualties, and the regime must weigh the human costs of each step it takes. Similarly, Saddam Husayn believes that any efforts to improve the effectiveness of his military must also guard against the emergence of any political rivals who could exploit the country's war weariness to seize power. These factors have heavily influenced Iraq's war strategy, which is to:

- Defend Iraq against Iranian attacks, making clear Iraq's readiness to negotiate the war's end. Iraq hopes this strategy will wear down Iranian will over time, prevent a popular outcry in Iraq, and ensure continued international support.
- Husband its resources for a long war. Use superior firepower and technology to inflict unacceptable casualties on Iran while minimizing Iraq's losses.
- Maintain economic pressure on Iran.
- Maintain popular support for the war effort by shielding the populace from the costs of the war. Provide heavily subsidized consumer goods and generous compensation to casualties or their survivors. []

3. The Iraqi leadership perceives its strategy as being a reasonable one given the military situation, domestic, and foreign policy concerns. Iraq has consistently allowed its defensive strategy to become a reactive one, however, forfeiting the initiative to the

Iranians. Iraqi execution of the war is characterized by interference by politicians in military matters, misuse of modern weaponry, unaggressive commanders, and reluctance to preempt Iranian offensive preparations or conduct their own offensives. Additionally, sporadic, unaggressive, and limited air attacks on oil facilities, shipping, and civilian targets have inflicted little serious damage to Iran's economy. []

Table 1
Estimated Manpower and Equipment,
February 1986

	Iraq	Iran
All armored vehicles	8,000	2,000
Artillery	2,350	700
Operational combat aircraft	150-500	50-60
Personnel under arms*	500,000-550,000	600,000-1,000,000

* Includes regulars, reservists, and irregular troops.

4. Although the replacement of incompetent commanders and more aggressive tactics in the ground and air campaigns would improve Iraqi military effectiveness, the Ba'thist regime's mistakes in pursuing its war goals will not be easily reversed. Key officials are keenly aware that their own miscalculations of Iran's resolve and military effectiveness have led to their current situation. This fact, combined with the mistakes presented above, stifles initiative, traumatizes decisionmakers, and leads to a hesitant and risk-averse approach to war fighting. Ironically, the more the threat from Iran increases, the more sensitive the regime must be to the political reliability of its commanders and simply holding on to power. []

The community remains uncertain about the precise reasons for Iraq's hesitancy to mount a sustained air campaign against Iran. Possible explanations range from a deeply ingrained fear of expanding the war (in light of previous disastrous miscalculations) to fear of the specific consequences of such a move, such as aircraft losses or retaliation. Many analysts feel that none of these adequately explains continued Iraqi restraint in the face of significant reverses in the war. []

5. Iraq's prolonged hesitancy about mounting a sustained and effective air campaign against Iranian economic targets raises serious doubts that it ever will do so. (For a more complete discussion of Iran's vulnerability, see annex.) It probably will continue with incremental, though not necessarily effective, air attacks in the Persian Gulf and Iran. In our judgment, the Iraqi Air Force has the capability of inflicting damage on the Iranian economy that would limit Iran's ability to fight the war and ultimately force the regime to reconsider its policies—short of making peace. []

6. The shock of the defeat at Al Faw and the loss of an Iraqi city—albeit unoccupied—has provided the strongest stimulus to date for the Saddam regime to alter its policies and use an air campaign to raise the costs of the war for Iran. Iraq has, in fact, increased the frequency of attacks launched, but this incremental shift has been ineffective. If the Iraqis suffer further setbacks, they may continue to increase the tempo of the air war. The effects of these attacks on Iran's population and economy, however, could occur as much as six months downstream. If Iraq waits until its strategic situation is unraveling, Iranian resolve will have increased, and an economic campaign may well come too late. []

7. Significant casualties in 1986 would very likely undermine Iraqi military capabilities even though Iraq's equipment outnumbers Iran's by between two and eight to one in tanks, artillery, and aircraft. Recent losses have already weakened elite Iraqi units that Baghdad has often depended on in crisis. Further casualties increase Iraq's dependence on new, inexperienced recruits and reservists. Although 177,000 Iraqi males reach draft age each year, poor civilian morale is likely to increase draft dodging and desertions, further reducing Iraqi military manpower. []

Iran

8. Unlike Baghdad, Iran's objective has been to win the war. Khomeini's objectives—the removal of Saddam Husayn and the Ba'hist regime and the establishment of a fundamentalist pro-Iranian regime in Iraq—have not changed during the conflict. To achieve these objectives, Iran has waged a war of attrition against Iraq to weaken civilian support for the regime in Baghdad and demoralize, weaken, and eventually cause the collapse of the Iraqi armed forces. []

9. Iran will continue to retain the military initiative by maximizing its military advantages, especially in manpower and religious fervor. It uses its Basij (initially trained volunteers) and Revolutionary Guard troops to overwhelm Iraqi defenses and force Iraq to mount costly counterattacks. Iranian commanders have demonstrated aggressiveness and imagination on the battlefield by launching surprise attacks on weak defenses, in bad weather, or in poor terrain, which neutralizes Iraq's mechanized forces. Iran's tactic of seizing mountainous or swampy territory forces Baghdad's armor-heavy forces either to concede the area or try to recapture it and suffer heavy losses. []

10. Nevertheless, we believe that equipment shortages, supply problems, and interservice rivalries will continue to hinder Iranian military capabilities. Lack of armor, artillery, and aircraft will limit the tempo, duration, and extent of Iranian attacks. The US-backed arms embargo has reduced or cut off most of the large arms sales to Iran from Western countries, although Tehran has received military supplies from the black market, Third World manufacturers, the Soviet Bloc, North Korea, Libya, and China. We believe that such purchases probably will not be large enough or arrive in Iran in time to influence battles significantly in the next year. Friction between the regular armed services and the Revolutionary Guard will also continue to undermine Iranian operations. []

11. Declining oil prices and the falling value of the dollar alone probably will not place unmanageable economic pressure on the war efforts of either Iran or Iraq over the next several months. The low cost of Iran's "labor-intensive" war strategy and Arab financial aid to Baghdad probably will prevent critical shortages of military supplies in either country. Over the longer term, however, Iran will find it difficult if not impossible to afford large quantities of weapons and munitions, even if it can find suppliers. []

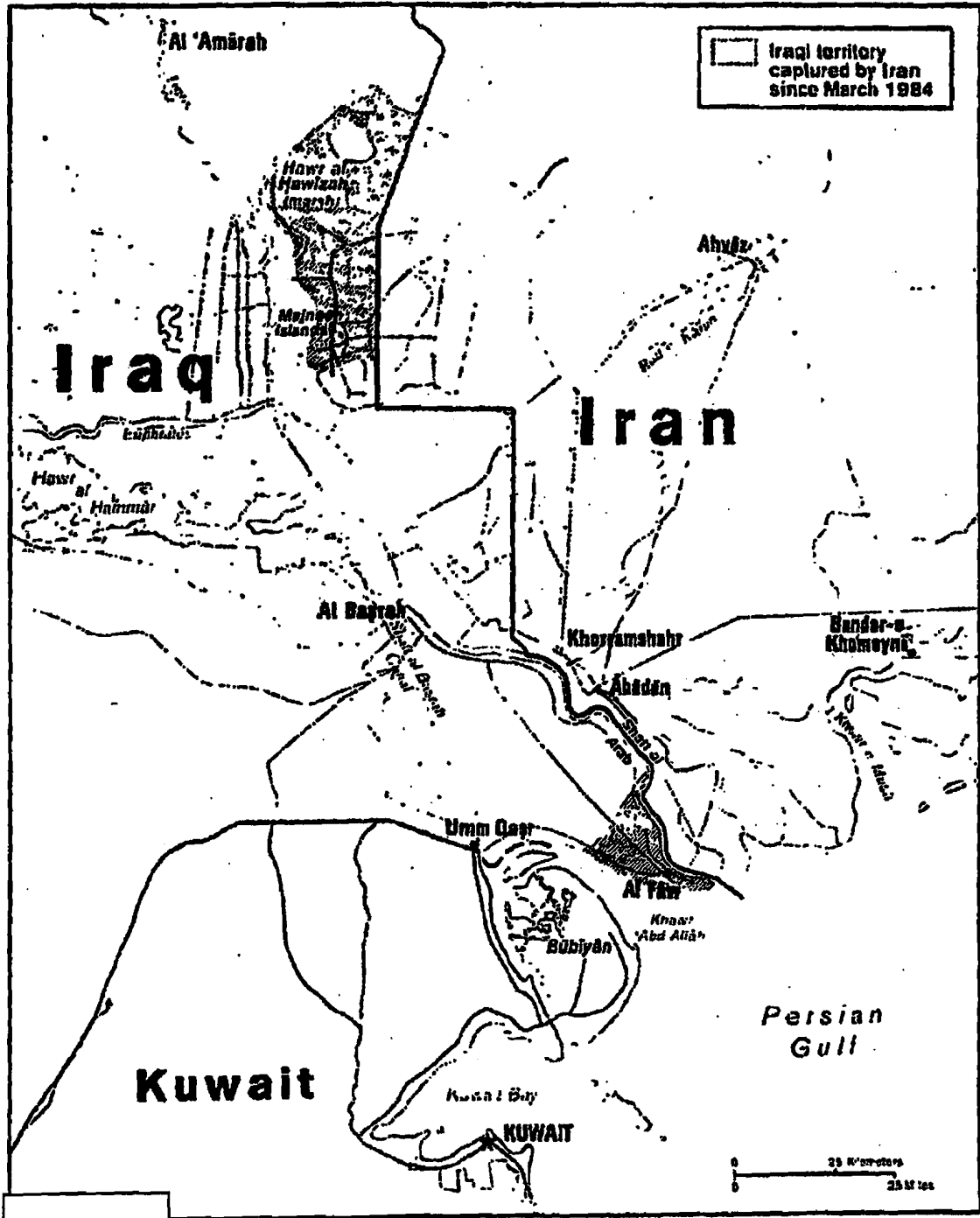
12. With a pool of over 460,000 Iranian males reaching draft age each year, Tehran will be able to fight indefinitely at current or even higher levels and still not suffer manpower shortages. Moreover, Iran probably can mobilize hundreds of thousands of volunteers and reservists for major battles. []

War on the Home Front

Iraq

13. Iran's crossing of the Shatt al Arab waterway—an important defensive and psychological barrier—and seizure of Al Faw port have caused further

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decline in the morale of Iraq's war-weary population. The Iraqis are increasingly depressed over heavy casualties and the prospects of still more losses in a conflict they fear they are not winning. Iraq has suffered about 400,000 casualties in the five-and-a-half-year-old war—the equivalent of over 3.5 million in a population the size of the United States or 11 percent of Iraqi males of military age. [redacted]

Table 2
Estimated Casualties,
September 1990-February 1990

(in thousands)

	Iraq	Iran
Military killed and wounded	355,000	600,000
Civilians	10	25
Total population	15,500	47,000

14. At the moment, Iraqi troops still have the will to resist Iranian attacks. If Iran achieves a series of military successes, however, Iraqi morale and determination to fight will deteriorate. Saddam and the ruling Ba'ath Party are not popular, but the majority of Iraqis—even the Shias, who comprise 55 percent of the population and 70 to 80 percent of Iraq's fighting forces—appear to prefer secular Ba'athist rule to Iran's brand of Islamic fundamentalism. The Ba'athists have vigorously courted Iraq's Shias by employing an astute, but expensive, combination of carrots and sticks. Despite vast improvements in the standard of living of Shias under Saddam and efforts to integrate them into society, most Shias are lukewarm toward the regime. As the death toll mounts, the apparent enthusiasm they once felt for Saddam has switched to resentment over his starting the costly war and his inability to end it. [redacted]

15. Declining oil revenues will hamper Baghdad's efforts to shore up sagging spirits. Until recently, the regime has effectively shielded consumers from war-related deprivations. Baghdad has instituted price controls and price subsidization of basic necessities, free or heavily subsidized public services, and gifts to officers and families of the war dead. These measures have been reduced gradually over the past three years, and falling oil prices, combined with the decline in the value of the dollar, will force still more austerity measures. [redacted]

16. Despite the recent opening of the oil pipeline to Saudi Arabia, we expect Iraqi oil exports to generate only about \$4.5 billion this year, leaving a shortfall of \$5 billion at current import rates. Even if, as appears likely, Iraq can persuade foreign creditors to roll over some \$1.5 billion in debt payments due this year and Gulf allies provide aid of about \$3.0 billion, Iraq must pare imports by 25 percent. [redacted]

17. Barring a sharp increase in financial aid from the Gulf states, the burden will fall largely on imports of industrial and consumer goods and services. Ministries reportedly are preparing to lay off workers, and shuttles of important consumer goods have already appeared. Further cuts in benefits for military officers also seem likely. Iraqi efforts to pursue more restrictive fiscal and monetary policies will not prevent inflation from increasing. [redacted]

18. Iraq's security services—widely regarded as among the most brutal and effective in the Arab world—have largely eliminated most organized dissidence outside of Kurdistan and intimidated potential dissidents. The task of the services will be more difficult in the coming year. There have been more reports of open civilian and military criticism of Saddam's leadership. This development could embolden dissidents, but the very effectiveness of the police state will tend to mask indications of impending trouble. [redacted]

19. At present, Dawa and other Shia dissident groups are divided and weak. The arrest of Dawa and other Shia activists, the execution of prominent leaders, and the expulsion of over 60,000 Shias of Iranian descent appear to have forced Shia rebels to operate largely outside Iraq. [redacted]

20. Kurdish guerrillas seeking greater autonomy pose a growing, but still manageable, threat. Some 8,000 rebels control much of the mountainous border areas north of Mosul, Irbil, Kirkuk, and As Sulaymaniyah from which they stage attacks against government, military, and economic targets. The Kurds—who receive limited military support from Syria, Libya, and Iran—are likely to step up their operations in the spring and summer and will continue to tie up thousands of Iraqi militiamen. Baghdad, however, probably will not have to divert significant numbers of troops from the front to contain the Kurds. [redacted]

Outlook

21. We believe Iran is likely to launch a series of medium or small-scale attacks along the border in 1986 to maintain pressure on Iraq. Tehran may judge

that operations similar to Al Faw could cause the Iraqi Army to crumble or will help prepare the way for a major Iranian attack in late 1956 or early 1957. A series of small-scale attacks would tire and disperse Iraqi units, wear out equipment, and keep the Iraqis in a constant state of alert and apprehension. Tehran would portray such operations as a succession of Iranian victories in order to lower Iraqi civilian morale, foment popular unrest, and weaken support for the Baghdad regime. If, however, Iran fails to keep up military pressure on Iraq, Baghdad will reinforce its defenses, rebuild its forces, and be in a better position to resist Iranian attacks in 1957. []

22. If Tehran judges that the Iraqi military and political situation has deteriorated in 1956, it will most likely try to launch a large-scale offensive in hopes that a major blow will shatter Iraqi defenses. Iran would probably see a combination of coup attempts or plots, civilian unrest, poor combat performance by many Iraqi units, and large-scale desertions as evidence that an offensive would very likely succeed. The attack probably would attempt to isolate and capture Al Basrah or the Iraqi cities of Mandali or Khanaqin. If Iran can overcome significant logistic difficulties, the Iraqis might not be able to redeploy units quickly enough to stop Iranian advances, and Iraqi defenses in the south could collapse. Because of the potential magnitude of this loss and probable continuing Iranian attacks, remaining Iraqi forces probably would be sorely tested to stop further Iranian advances. []

23. Such major Iraqi military defeats might spur efforts by disgruntled Iraqis to assassinate Saddam. He has escaped over a dozen such attempts since the Ba'hist coup in 1958. If Saddam is assassinated or dies a natural death, the Revolutionary Command Council—Iraq's highest ruling body—would appoint his successor. No successor would enjoy a strong power base, and a collegial type of leadership would emerge that would give greater influence to the military. The new government would test Iran's willingness to end the fighting following Saddam's removal—one of Tehran's principal negotiating demands. []

24. Saddam's death would trigger maneuvering for power by various military and civilian Ba'hist, embolden opposition to the Ba'hist, and probably reduce the effectiveness of the security apparatus. Most Iraqis, however, probably would rally behind the new leadership, and it is possible that a collective leadership, more open to alternative views, might even fight the war more effectively. []

25. In any event, the risk of a military coup will continue to increase unless Baghdad's war fortunes reverse or Iran shows signs it might be willing to end

the war. There are more indications of crumbling over mismanagement of the war in the military and among civilians. Officers and troops are upset over political interference in military decision making and Iraq's inability to bring Tehran to the bargaining table despite Baghdad's superiority in military equipment. So far, the disidence remains unorganized. []

26. A coup is unlikely in the next few months—absent a major military setback—because of Saddam's effective security apparatus and his appointment of loyalists to key positions in the military. Moreover, we believe military officers would be reluctant to risk switching leaders in wartime. Instead, the military probably will press Saddam for policy and operational changes to improve Iraq's war making ability. If Saddam does not comply, and Iraq experiences more reverses, elements within Iraq's military are increasingly likely to conclude that, although the war may not be winnable without Saddam at the helm, they are certain to lose if he stays. []

27. The leaders of a military coup—almost certainly Ba'hist—would rule collegially and would follow policies similar to those of civilian successors to Saddam. Military rulers, however, probably would pursue more aggressive war policies than a civilian regime. Successor regimes, whether civilian or military, would suffer from infighting and increased internal disidence. For its part, Iran would not find Ba'hist military officers any more to its liking than civilian Ba'hist. []

Iran

28. We do not expect Khomeini to change his conditions for ending the war over the next 12 months. The success at Al Faw has hardened the regime's resolve to continue the war until the Ba'hist regime is toppled and an Islamic government is established. []

29. An improved Iranian military situation will also reduce the already slim chance that a post-Khomeini government would change Iran's objectives. Even if the war remained stalemated, the likely successor government probably would initially be uncompromising on the issue of Saddam. The principal contenders for power after Khomeini's death will try to outbid each other for recognition as the chief protector of his legacy, including, especially, his adamant opposition to the Iraqi Ba'hist. None of the contenders would want to give opponents an issue to exploit by advocating a softening of Iran's war policy, particularly while the military is making gains. []

For a more comprehensive treatment of this issue, refer to the Memorandum to Holders of SNI 34-54, *Iran's Prospects for Near Term Stability*, February 1956. []

30. The clerics are likely to change their objectives only if they perceive that the war has become a significant cause of popular discontent severe enough to threaten the regime's survival, and that winding down the war is the only way to reverse that trend. We do not believe the regime will face such a choice over the next year given Iraq's current military policy. A resurgence of war weariness and continued economic deterioration in Iran during that time may raise the level of popular discontent, but, by holding the initiative, Iran has the option of scaling back operations rather than abandoning its objectives. []

31. Popular willingness to continue the war is likely to decline significantly if Iraq inflicts significant Iranian casualties or cripples the Iranian economy through airstrikes on oil export facilities and economic infrastructure. Most Iranians would at first direct their anger at Iraq, but we do not believe the Iranians have a limitless capacity to endure privation, unemployment, inflation, electricity outages, and shortages of some key imports. Increasing numbers of Iranians would question the diversion of resources to fight a war that does not directly involve the survival of the state. A decline in popular morale is likely to be avoided only if continued Iranian successes on the ground convince the populace that victory on Iran's terms is still a realistic possibility. []

32. Iranian leaders would face significant instability if Iraq repulsed major Iranian advances in the ground war and mounted a successful campaign to cripple the Iranian economy. This could be severe enough to force a rethinking of their war policy in as soon as four months and certainly within a year. By instability, we mean repeated antiregime demonstrations, strikes, sabotage, and other incidents throughout Iran. The Iranians are unlikely, under any circumstances, to declare a formal peace. Their most likely choice would be to wind down the war and eventually accept a de facto truce. []

33. The decline in oil prices is also imposing pressure on the Iranian economy and popular morale. Lowered revenues alone, however, are not likely to lead to regime-threatening instability within the next year. The foreign exchange reserves available to Iran will prevent the effects of even a precipitous decline in revenues from being felt for several months, and several more months are likely to pass before antiregime activities could reach serious proportions. []

Regional Implications

Prospects for Expansion of the War

34. Tehran would respond to increased Iraqi air attacks by initially stepping up military operations in the Persian Gulf. It would increase attacks on oil tankers from the Gulf states, perhaps seizing some as compensation, and confiscate cargoes bound for Iraq. If desperate, Iran would launch air and missile attacks against Iraqi cities. Iran probably would expand the war to the Arab Gulf states only if Iraqi attacks began to seriously weaken the Iranian economy. Tehran then would consider using Iranian-backed terrorists to attack oil facilities in the Gulf states or to foment civil unrest against the local government. Iranian commandos or aircraft might raid offshore oil-loading facilities. We judge that Iran would be reluctant to expand the ground war to the Gulf states or try to close the Strait of Hormuz because of the fear of US or other Western intervention. []

35. Falling oil prices, combined with the widely held perception of its military prowess, has caused Iran to abandon its relatively moderate policy toward the Gulf states. Iran will continue to use its leverage to try to force the Arab states in the Gulf to end their support for Iraq and to cut oil production to stabilize prices. Iran has attempted, without much success, to drive a wedge between Iraq and the Gulf states by cultivating good bilateral relations with them and by generally refraining from sponsoring terrorism against them. Although Iran has attempted to coerce the Arabs since the Al Faw campaign with blunt threats of retaliation if its demands are not met, so far the Gulf states have held firm. []

36. If Iran is not able to secure Saudi cooperation to shore up oil prices, Tehran is likely to make good on its threats to use force. As a first step, Iran probably will try to attack or interdict tankers carrying oil from the neutral zone to be sold on Iraq's behalf. If this tactic fails to gain Saudi compliance and low oil prices begin to seriously hurt Iran's economy, Tehran may step up its pressure by sponsoring terrorism against Gulf state facilities. []

Impact on the Gulf

37. A major Iraqi defeat—including large territorial losses—would probably be followed by the establishment of an Islamic republic in southern Iraq. This development would have significant consequences for the stability of those Gulf countries with large Shia

populations—namely Kuwait and Bahrain. Many Shi-
as in these countries, as well as in the large Shia
population of Saudi Arabia's Eastern Province, have
long been sympathetic to the goals of the Iranian
Islamic regime and inspired by the example of the
Ayatollah Khomeini. Moreover, Sunni fundamentalists
around the Arab world—while not wishing to import
most features of Tehran's Islamic Republic—will draw
further inspiration and encouragement from a defeat
of secularist Iraq by Islamic forces. []

38. Another Khomeini-style regime would invigo-
rate Shia elements to agitate more openly and force-
fully against their Sunni-dominated governments.
Government repression of Shias would increase as
security services moved to quell any visible signs of
opposition to the government. Sunni-Shia tensions
among the populace, never far below the surface,
would increase and probably lead to open clashes.
[]

39. Iran would try to use its increased political and
military power to gain the leading role in OPEC and
pressure other members to lower production and raise
prices. If Iran acquired leverage on Iraqi oil produc-
tion, it would rival Saudi Arabia in terms of both
production capacity and reserves. Riyadh, therefore,
might be intimidated into working with Iran to raise
oil prices. []

The Soviets: Interests and Options

The Soviet View

40. The Gulf war has not served Moscow's overall
interests in the region despite boasting Soviet arms
sales:

- Moscow alienated Iraq early on in the war by
placing an arms embargo against Baghdad in an
unsuccessful ploy to curry favor with the new
Iranian regime, causing lingering distrust.
- The war sparked deep concerns in the Gulf,
causing the formation of the Gulf Cooperation
Council (GCC), which turned to the United
States for strategic assistance against Iran.
- The war has complicated Soviet efforts to
achieve greater cooperation among Iraq, Syria,
and Libya, all of which have longstanding mili-
tary ties to Moscow.
- The Gulf states' concern over the war and their
need for US security guaranters have tended to
offset resentment against the United States for its
pro-Israeli stance.

— Iraq moved closer to the West, normalized rela-
tions with the United States, and adopted a more
moderate position on most regional issues. []

41. Moscow has consistently called for an end to the
war, fearing that the US would continue to advance its
strategic interests at Soviet expense. Unable to make
any significant inroads in its relations with Tehran,
Moscow has supported Iraq—providing over \$6 billion
worth of arms to Baghdad since the war began. Its
senior officials have continued to publicly []
[] urge both parties to end a war Gromyko has
described as "illogical"—suggesting that it does not
serve Soviet interests. []

42. Despite Moscow's support for Baghdad, the
Soviets do not want either Iran or Iraq to emerge as
clear victor. Moscow has long preferred a relative
balance between the two countries as the best way to
exert its influence in the region:

— A victorious Iran not only would undermine
Soviet influence in Baghdad, but also probably
would make the Khomeini regime even less
susceptible to Soviet inroads or pressure and free
up assets that could be used to support the
Afghan mujahadeen. Moreover, the Kremlin
would not want to see an anti-Soviet Iranian
regime, whose Islamic fundamentalism might
potentially attract followers among the USSR's
approximately 45 million Muslims, spread its
influence beyond Iranian borders. []

43. If the Soviets believed that an Iraqi defeat
loomed on the horizon, they would be under consider-
able pressure to help Baghdad. Soviet credibility
would be at stake if it were perceived as unwilling to
assist a country in need of help near the Soviet Union
with longstanding ties to the USSR. Furthermore,
helping Baghdad would hold several advantages for
Moscow:

- It would place the USSR in the position of major
player in the Gulf, rivaling the United States.
- The United States would be hard put to condemn
the Soviets since the request would come from a
regime that the United States itself has not
wished to see collapse.
- Moscow might see this as a way to force a
dialogue with the United States about joint han-
dling of regional security issues—including the
Arab-Israeli problem.

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In spite of these pressures and inducements to act, however, the Soviets are unlikely to use Soviet Ground Forces in Iraq. []

44. In a prolonged scenario, the Soviets would have several options designed to demonstrate Soviet credibility as an ally and as a major arbiter of Gulf politics. The Soviets could pursue some combination of the following initiatives:

- Deliver new weapon systems such as the more accurate SS-21 surface-to-surface missile or the longer range SS-12.
- Supply additional military advisers and intelligence, possibly even using the Soviet military advisers in Iraq to participate in tactical planning and operations, if Iraq made the request.
- Heighten Iran's concern about direct Soviet military action by increasing tensions along Iran's border with the USSR and step up military operations in western Afghanistan. Moscow could even create incidents along the Soviet border involving some exchange of fire.
- Enforce an embargo on Soviet-made arms reaching Iran from Eastern Europe and try to impose similar restrictions on Syria, Libya, and possibly even North Korea. This would involve expenditure of considerable equities with these states in order to enforce Moscow's will.
- Stop the transit of Iranian imports crossing Eastern Europe and the USSR. []

45. Even less likely:

- Moscow could send fighter squadrons to Baghdad and fly air attack missions against Iranian troop concentrations or targets inside Iran.
- Moscow could fly combat missions against Iran from airbases in the USSR. []

46. None of these measures—other than major Soviet participation in air combat against Iran—would prevent Iran from continuing the war. They would,

¹ The Soviets face considerable logistic difficulties, particularly in a rapidly deteriorating situation. A symbolic force will not deter Iran. Although air transport would be quickest, the Soviets would have to obtain permission for numerous overflights from Turkey or risk flying over Iranian territory. The Soviets would require several days to send a tactical air regiment (40 aircraft) and at least a week to send an entire airborne division, some 7,000 men, to Iran. While such forces might slow down an Iranian advance, they would need to be quickly reinforced with more heavily armed forces—probably requiring several weeks to several months—to effectively hold back a major Iranian assault. []

however, severely damage the Soviets' hopes of improving relations with Iran over the longer term. Relations with Iraq's rivals would be strained, while the Arab countries that support Iraq probably would be suspicious of Soviet intentions. Direct Soviet military conflict with Iran could become dangerous to Moscow if it led to a broader Soviet-Iranian military engagement, which could heighten the prospects of a US-Soviet confrontation over Iran.

- On balance, we believe the Soviets will be unlikely to engage in direct combat support to Iraq against Iran, but Moscow would need to calculate the impact of the collapse of a country near its borders with which it has had a Friendship Treaty since 1972. []

Change in the Iraqi Leadership

47. The effect of Saddam's demise on Soviet-Iraqi relations would depend upon the nature of the regime that replaced him. From Moscow's standpoint, an Iranian-dominated Shia regime or a more Western-oriented leadership would be worse alternatives than Saddam. If Saddam were simply replaced by his chief lieutenants—the most likely scenario—chances are they would share his distrust of the Soviets, although they probably would not allow this to dominate Iraqi policy toward the USSR as Saddam often has. The Kremlin might try to ingratiate itself with the new leaders by offering better credit terms on arms purchases, some of the more advanced weaponry it has been reluctant to provide, and possibly intelligence and security support to help them maintain power. The relationship might become less acrimonious in this case but probably would not differ markedly from that which prevails under Saddam. []

Implications

48. In the event of a looming Iranian victory, the Gulf states would seek reassurance from Washington that they could still count on US support in the event of direct Iranian threats. These countries would seek and expect public statements of support for their territorial integrity and security from the United States and from West European countries to reduce the appearance of rushing into the US embrace. They would also try to expand cooperation between the

² Moscow's relations with Saddam have been troubled over the years by its 1990 arms embargo and differences over the Arab-Israeli peace process, Iraqi Communists, the flow of Soviet-made arms to Iran from Syria, Libya, and Eastern Europe, the Soviet invasion of Afghanistan, and the Eritrean rebellion in Ethiopia. []

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GCC and the United States and Western Europe, which will provide at least the appearance of strength in numbers. They will urge a more visible United States in the Persian Gulf, particularly ship deployments. [redacted]

49. Unless Iranian forces attack them, the GCC countries will be reluctant to make public appeals for Washington's military support to avoid provoking Tehran. They probably judge that Iran's hostility to US presence in the Gulf region will be intensified by any major Iranian victory and consequent increase of Iranian influence. They will also fear a domestic backlash if they draw too close to Washington and would perceive themselves as caught in a delicate balancing act. [redacted]

50. The long-term impact of an Iranian victory on the Gulf would be profound. The GCC countries would initially pledge their willingness to work with

Iran to maintain stability in the Gulf, and, to the degree Iran responds positively, the Gulf states would reduce their visible links to Washington. If Iran threatened them, however, they would see little alternative to closer ties to the United States to forestall Iranian pressure. Iran's performance in the war—under severe economic constraints—has already assured its place as the force to be reckoned with in the Gulf. [redacted]

51. Short of sizable direct intervention, there is little the United States could do to shore up the Iraqi military position. Iraq remains well armed, and US military aid or advisers would only marginally improve Iraq's ability to defend itself against Iran. As long as Iran continues to have access to its non-Western suppliers—Libya, Syria, North Korea, and East European countries—it can maintain its military effort at current levels indefinitely. Under these conditions, a further tightening of the Western arms embargo on Iran will have little effect. [redacted]

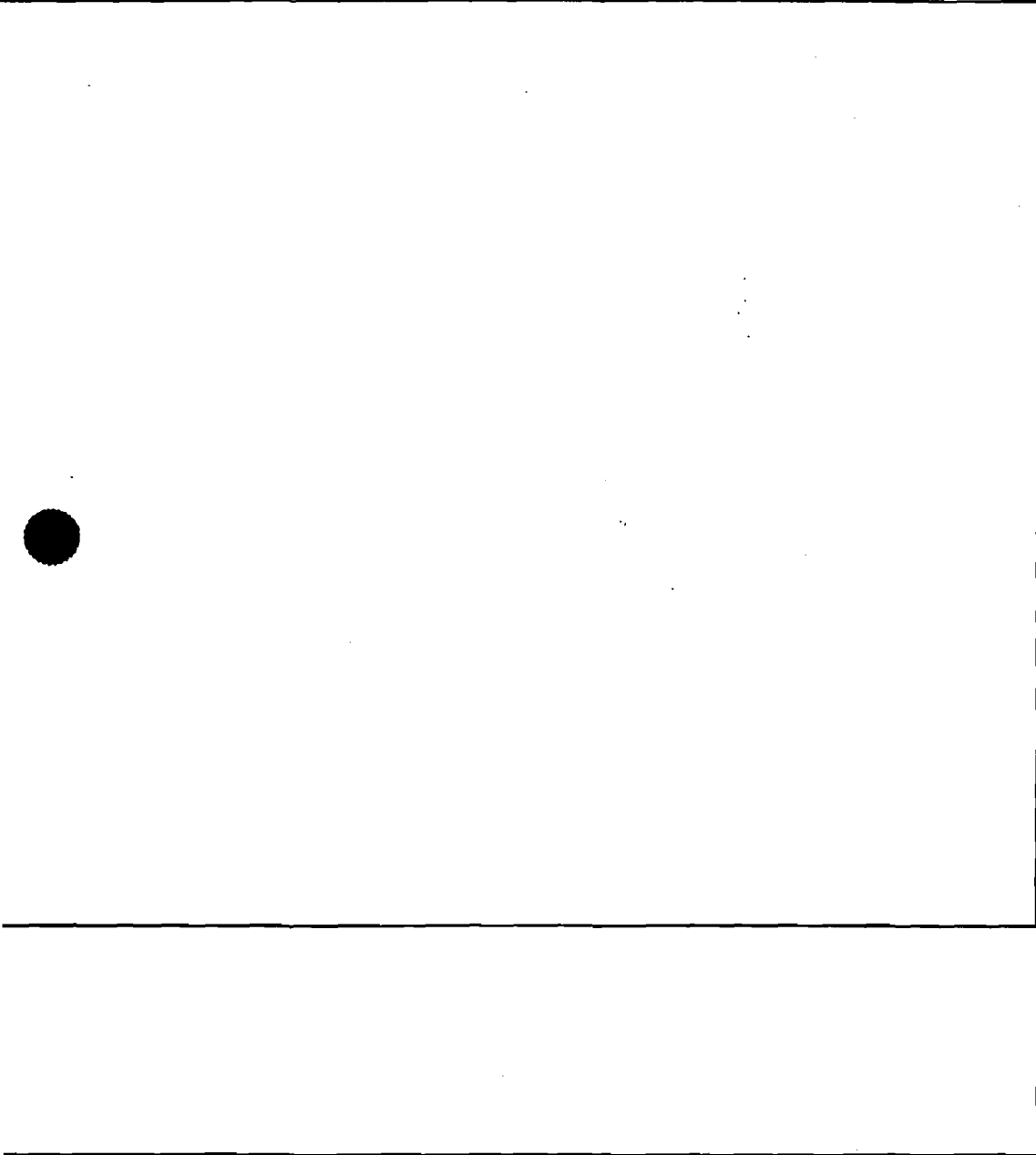
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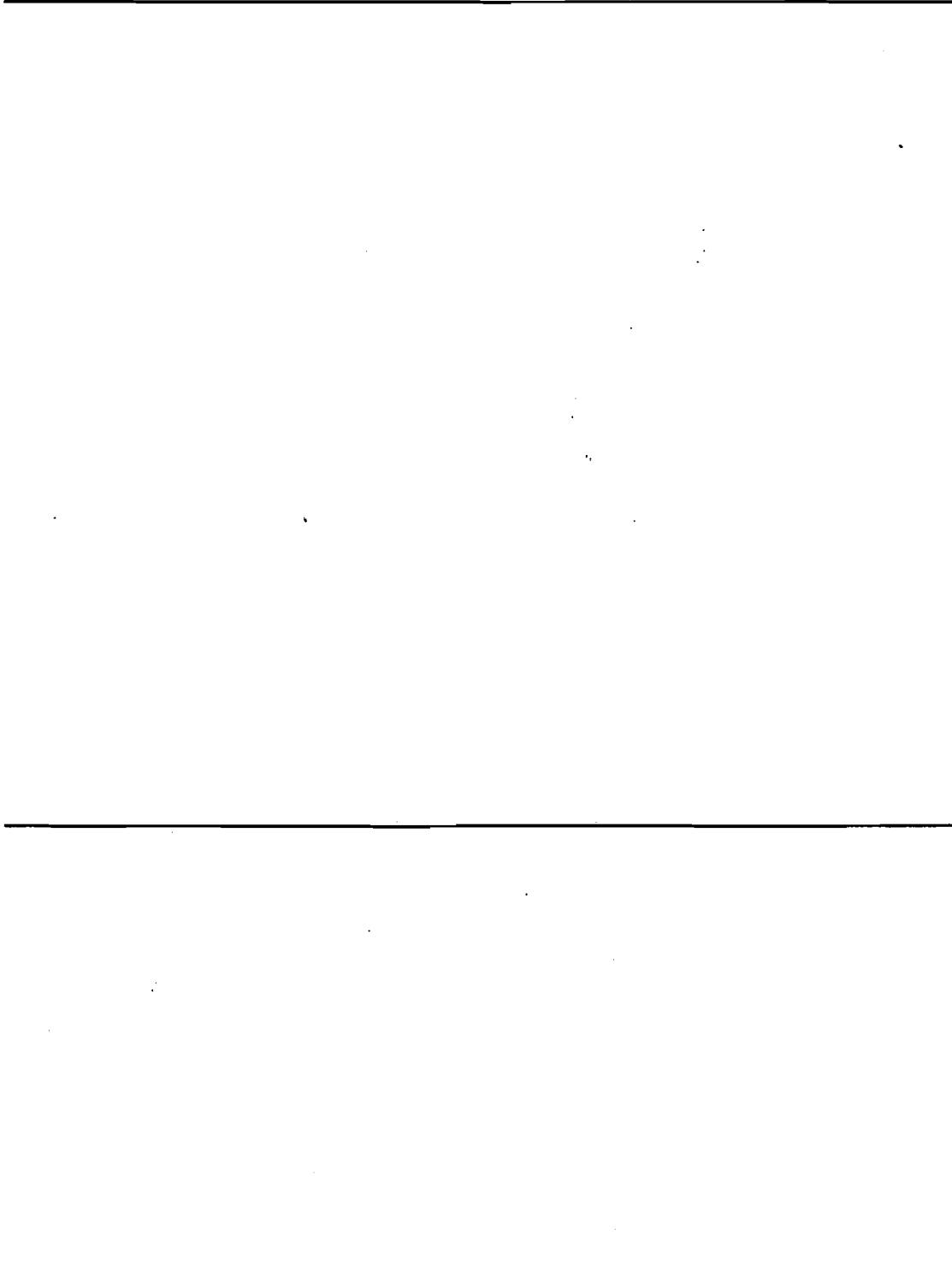
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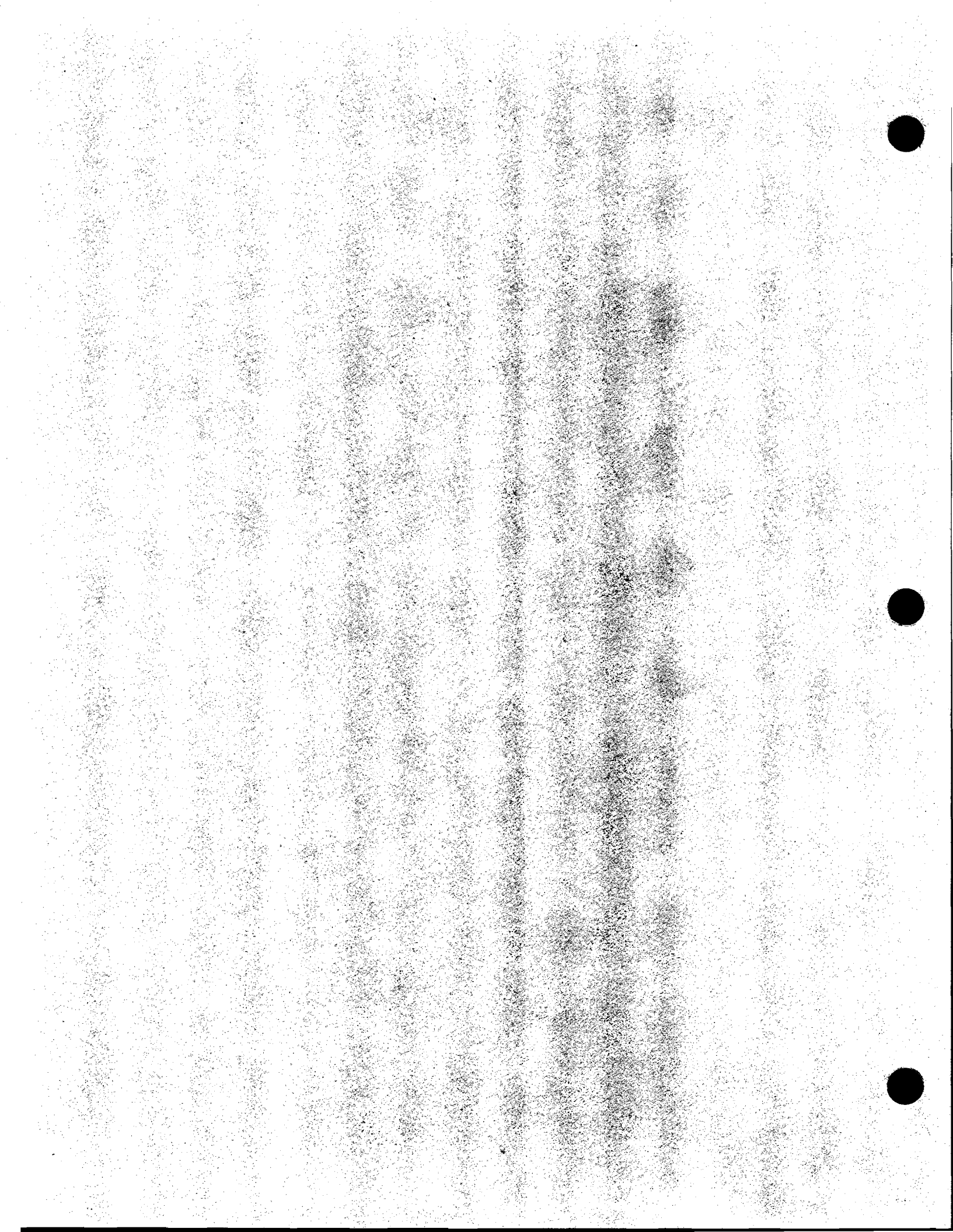
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MEMORANDUM

April 24, 1986

TO: Distribution
FROM: Clayton Norris *HN*
SUBJECT: Interagency Review for Iraq

An interagency review for Iraq has been scheduled on Tuesday, April 29, at 2:30 p.m. in the Board Room.

Representatives from the following agencies will participate in the discussion:

State - Peter Burleigh, Country Director, Iraq
CIA - Dave Shields, Chief, Research Branch in Persian Gulf
Bob Higgins, Economist
Leigh Yapple, Military Affairs
Treasury - Bill Quinn, Economist
Agriculture/CCC - George Pope
Eximbank - Charles Hammond

The review will highlight the deteriorating economic and financial situation, the war status with Iran, views of the Department of State on current political issues, CCC repayment experience, and outlook. Eximbank's current policy for considering Iraqi transactions as approved in February 1984 is as follows:

1. Supplier Credit Transactions.

Short-term: Consider requests for small amounts of essential imports on a case-by-case basis with a letter of credit issued by the Bank Rafidain or the Central Bank.

Medium-term: Discourage all requests unless a satisfactory external security arrangement can be provided.

2. Direct Credits and Financial Guarantees.

Discourage all requests unless a satisfactory external security arrangement can be provided.

Foreign Exchange Reserves. Reflecting the large oil exports and balance of payment surpluses in the last half of the 1970's and through 1980, net foreign assets of the banking system rose from \$11 billion at the end of 1978 to \$37 billion at the end of 1980.

No official figures on reserves are available since the start of the war. However, with the large current account deficits on civilian goods in 1981 and 1982 totalling \$27 billion and smaller deficits the next two years, it is believed that foreign exchange reserves have been exhausted.

Bilateral-Reschedulings and External Debt

Commencing in 1983, Iraq was unable to make the progress payments due foreign contractors for projects and asked that these payments be restructured with repayments over three years including one-year of grace. In France and the UK, COFACE and the EOGD guaranteed the reschedulings with banks. In addition to the UK and France, there were reschedulings with the other major European countries, as well as with Japan, India, and Yugoslavia. Similar reschedulings took place in 1984 and 1985. The amount of the payments due in 1983 was about \$2 billion; similar amounts were due in 1984 and 1985.

The first payment on the 1983 rescheduled debt came due April 1, 1985. Payments were made to the French, Germans, and British, but not to the Japanese, Indians, or Yugoslavs. The ones not receiving payments were asked to defer these rescheduled payments for a longer period. While the Yugoslavs were reported ready to reschedule further and to take some oil as payment, the Japanese firms, which were asked to defer payments until 1987 and to lower the interest rate from 8.25% to 7.25%; a compromise was reached. The Germans were asked to re-schedule the second payment of the 1983 rescheduling due in October 1985. Other countries were approached with the same request.

On April 1, 1985, the first payment due banks on a \$500 million Euro-dollar loan was also due and reportedly made as scheduled.

External Debt Payment Problems

External debt payments due April 1, 1986, by Iraq on previously rescheduled debt with several foreign Governments have not been met and further debt reschedulings are being sought. Various reports indicate that approximately \$110 - \$200 million on credits deferred from 1983 and 1984 were due West Germany and have not been paid; payments were also due to the French and Indian Governments and to Japanese contractors. Further debt reschedulings will be sought. There have also been reports that letters of credit issued by Bank Rafidain were not being paid on time.

While no official figures are available on Iraq's external debt, various estimates place it, excluding credits supplied by Saudi Arabia and Kuwait for military purchases, at between \$9.0 and \$30 billion. Berne Union members report commitments to Iraq as of mid-1985 at \$8.4 billion. In addition, there are known debts for CCC guarantees for U.S. grain purchases, commercial bank credits, non-guaranteed export credits, and unknown military credits from France and the USSR.

Existing payments on the debt are also difficult to determine. Much of the payments due since 1983 have been rescheduled and Iraqi authorities have been requesting delayed payment terms on new credits obtained since 1985. Berne Union members report payments due their export credit agencies on existing commitments at \$1.7 billion in 1986 and \$1.3 billion in 1987. Unrecovered claims were reported of \$336.2 million as of 6-30-85 by Berne Union members. The Middle East Economic Digest estimated that payments due Western obligors would average \$3 billion annually until 1990.

The above projections indicate if the price of oil remained at \$15/b, Iraq would have to cut severely imports and continue to seek debt relief. At \$20/b, the picture would begin to improve by 1988, but imports would have to be cut until then and more debt reschedulings would be needed.

Conclusions

If oil prices remain below \$15/b and the war with Iran continues, Iraq will face continuing payment problems. At a price of \$20/b and with severe import restrictions, the economic picture could begin to improve by 1988, but additional debt reschedulings would be required.

Iraq has vast oil reserves and will be an important export market when the war ends and if it does so on satisfactory terms.

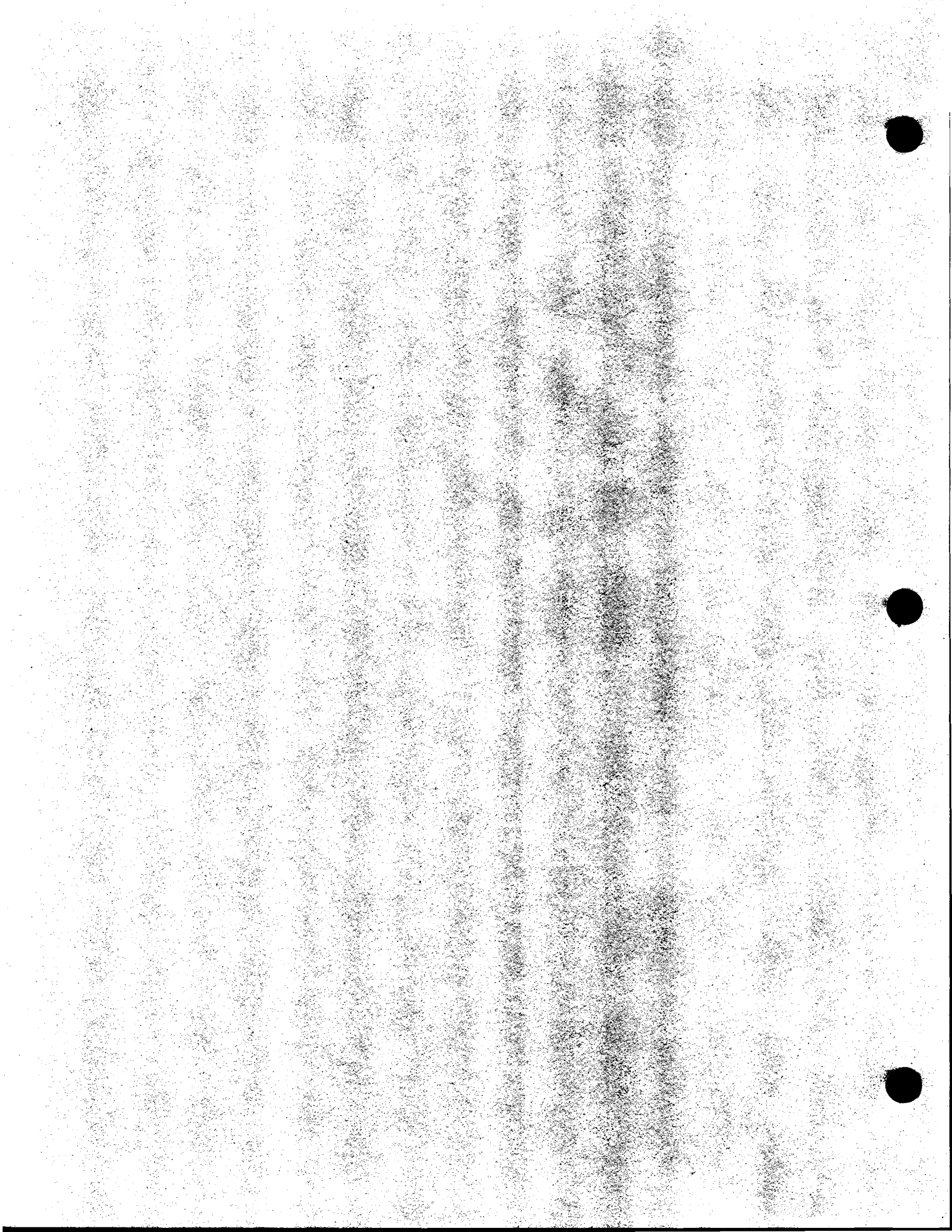
Berne Union members are becoming more concerned about payment problems and the economic outlook. At mid-1985, five members including Japan, Korea, and Switzerland were "off cover" for medium-term and Switzerland was also "off cover" for short-term. Many members have imposed various restrictions such as transaction limits, reduced percentage of cover, and annual ceilings.

EID/MITI reported on April 1, 1986 that Japanese banks were adopting more restrictions on letters of credit since Rafidain Bank has no yen balance with the Japanese banks.

Under these circumstances, Eximbank needs to reassess its current policy and its action regarding the medium-term operating arrangement.









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FOR THE SECRETARY FROM ARMAGOST

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2. CHARLIE PRICE CALLED ME TODAY WITH A VERY DISTURBING
REPORT. BOB FRASURE [REDACTED] OF THE EMBASSY'S
POLITICAL SECTION, RECENTLY MET WITH TONY ROWLANDS (A
BRITISH ENTREPRENEUR [REDACTED])

[REDACTED] WHO INFORMED HIM IN DETAIL OF
PURPORTED ARRANGEMENTS FOR AMERICAN INVOLVEMENT IN
FACILITATING ARMS SALES TO IRAN. IN A NUTSHELL THE
STORY GOES LIKE THIS

-- AT ADMAN KHASHOGGI'S INITIATIVE ROWLANDS MET LAST
WEEK WITH AVRAM NIR (COUNTERTERRORIST ADVISER TO SHIMON

~~TOP SECRET~~

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EXHIBIT
GPS-20

67 May 1987



Department of State

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PERESI KHASHOGGI AND AN IRANIAN ARMS MERCHANT NAMED GHORBANIFAR IN SLEAZE BAG OF DUBIOUS REPUTE.

-- NIR CLAIMED THAT ARRANGEMENTS HAD BEEN UNDERWAY FOR SOME TIME THAT FACILITATED LARGE-SCALE SALES OF GRAIN MILITARY SPARE PARTS AND WEAPONS TO IRAN FROM COUNTRIES AS FAR AWAY AS [REDACTED]

S 3911

-- NIR INDICATED THAT HE WANTED ROWLANDS' LONKRO COMPANY TO PROVIDE AN UMBRELLA FOR THE MANAGEMENT OF FUTURE SALES.

-- KHASHOGGI CLAIMED THAT VERY BIG MONEY WAS INVOLVED AND HE EVIDENTLY SHOWED ROWLANDS RECEIPTS FOR VERY LARGE SCALE TRANSFERS OF CASH TO SWISS BANKS.

-- AS NIR DESCRIBED THE OPERATION SPARE PARTS AND WEAPONS SUPPLIES WOULD BE CHANNLED THROUGH [REDACTED]

-- ACCORDING TO NIR AND KHASHOGGI MANY BUSINESSMEN WERE ALREADY PLAYING THE GAME. THE SCHEME HOPEFULLY WAS OKAY WITH THE AMERICANS. IT HAD BEEN CLEARED WITH THE WHITE HOUSE POINDEXTER, ALLEGEDLY IS THE POINT MAN ONLY FOUR PEOPLE IN THE U.S. GOVERNMENT ARE KNOWLEDGEABLE ABOUT THE PLAN. THE STATE DEPARTMENT HAS BEEN CUT OUT.

-- ROWLANDS ALSO CHECKED THE STORY OUT WITH [REDACTED] WHO CONFIRMED IT WAS FOR REAL AND THAT HE WAS GETTING HIS CUT

3. COMMENT -- ASSUMED THAT WHEN THE ISRAELIS WERE PICKED UP IN BURMUDA FOR ALLEGED INVOLVEMENT IN ANOTHER

TOP SECRET

6 May 1987



Department of State

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SALE OF ARMS TO IRAN THE PRESIDENT HAD PUT A HOLD ON THIS ENTIRE DISTASTEFUL OPERATION. EVIDENTLY THAT IS NOT THE CASE. NEW ELEMENTS SUGGESTED BY THIS REPORT ARE THAT (1) THE ISRAELIS ARE SERVING AS MIDDLEMEN FOR [REDACTED] ARMS SALES TO IRAN AT PRECISELY THE MOMENT WHEN THE BALANCE IN THE IRAN-IRAQ WAR MAY BE SHIFTING TOWARD TEHRAN AND (2) GIVEN THE [REDACTED] CONNECTION THIS ENTIRE OPERATION MAY BE DESIGNED AS A MEANS OF SIPHONING OFF ADDITIONAL MATERIEL FOR BOTH [REDACTED] [REDACTED] LEGAL CONCERNS SEEM NOT TO IMPOSE ANY CONSTRAINTS WHATSOEVER ON OUR FRIENDS IN THE WHITE HOUSE. ROWLANDS MENTIONED NO AGENCY CONNECTION BUT I WOULD BE ASTONISHED IF THERE WAS NONE. EVD COMMENT

S 3912

4. CHARLIE ASKED ME WHAT I THOUGHT OF THIS. I EXPRESSED MY PERSONAL DISTASTE FOR AN OPERATION THAT CUTS ACROSS OUR EFFORT TO RESTRAIN ARMS SALES TO IRAN PARTICULARLY

WHEN IT MIGHT BE ACHIEVING THE UPPER HAND IN THE GULF WAR AND WHEN IT REMAINED DEDICATED TO THE SYSTEMATIC SUPPORT OF TERRORIST OPERATIONS AND THE HOLDING OF AMERICAN HOSTAGES. CHARLIE EXPRESSED TOTAL AGREEMENT ON SUBSTANCE AND ADDED HIS OWN ANXIETIES ABOUT THE POTENTIAL DOMESTIC POLITICAL RAMIFICATIONS OF THIS FOR THE PRESIDENT. CLEARLY HE RECOGNIZES THAT IF TONY ROWLANDS IS INFORMED AND MANY BUSINESSMEN ARE MAKING OUT LIKE BABBITS ON THIS DEAL IT WILL NOT LONG REMAIN CONFIDENTIAL

5. CHARLIE ASKED WHETHER WE SHOULD TAKE THE MATTER UP WITH JOHN POWDEXTER. I ENCOURAGED HIM TO EXPRESS HIS OWN VIEWS DIRECTLY TO JOHN AND IF THE OPPORTUNITY PRESENTED ITSELF TO SPEAK DIRECTLY TO THE PRESIDENT ABOUT THIS MATTER. I TOLD HIM THAT I WOULD INFORM YOU.

CHARLIE WILL PROBABLY CALL THE PARTY -- EITHER JOHN OR THE PRESIDENT -- EARLY SATURDAY TOKYO TIME.

~~TOP SECRET~~

6 May 1987



Department of State

OUTGOING

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WHITEHEAD

S 3913

~~TOP SECRET~~

TRANSCRIBED COPY FOLLOWS

1. SECRET - ENTIRE TEXT

2. CHARLIE PRICE CALLED ME TODAY WITH A VERY DISTURBING REPORT. BOB FRASURE [WORDS EXCISED] OF THE EMBASSY'S POLITICAL SECTION, RECENTLY MET WITH TINY ROWLANDS A BRITISH ENTREPRENEUR [WORDS EXCISED] WHO INFORMED HIM IN DETAIL OF PURPORTED ARRANGEMENTS FOR AMERICAN INVOLVEMENT IN FACILITATING ARMS SALES TO IRAN. IN A NUTSHELL THE STORY GOES LIKE THIS.

-- AT ADNAN KHASHOGGI'S INITIATIVE, ROWLANDS MET LAST WEEK WITH AVRAM NIR. (COUNTERTERRORIST ADVISER TO SHIMON

PERES) KHASHOGGI AND AN IRANIAN ARMS MERCHANT NAMED GORBANIFAR (A SLEAZE BAG OF DUBIOUS REPUTE)

- - NIR CLAIMED THAT ARRANGEMENTS HAD BEEN UNDERWAY FOR SOME TIME THAT FACILITATED LARGE-SCALE SALES OF GRAIN, MILITARY SPARE PARTS AND WEAPONS TO IRAN FROM COUNTRIES AS FAR AWAY AS [WORD EXCISED].

- - NIR INDICATED THAT HE WANTED ROWLANDS' LOMHRO COMPANY TO PROVIDE AN UMBRELLA FOR THE MANAGEMENT OF FUTURE SALES.

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- - AS NIR DESCRIBED THE OPERATION SPARE PARTS AND WEAPONS SUPPLIES WOULD BE CHanneled THROUGH [WORD EXCISED]
[2 LINES EXCISED]

- - ACCORDING TO NIR AND KHASHOGGI, MANY BUSINESSMEN WERE ALREADY PLAYING THE GAME. THE SCHEME, MOREOVER, WAS OKAY WITH THE AMERICANS. IT HAD BEEN CLEARED WITH THE WHITE HOUSE. POINDEXTER ALLEGEDLY IS THE POINT MAN. ONLY FOUR PEOPLE IN THE U.S. GOVERNMENT ARE KNOWLEDGEABLE ABOUT THE PLAN. THE STATE DEPARTMENT HAS BEEN CUT OUT.

- - ROWLANDS ALSO CHECKED THE STORY OUT WITH [EXCISED] WHO CONFIRMED IT WAS FOR REAL AND THAT HE WAS GETTING HIS CUT.

3. COMMENT. ASSUMED THAT WHEN THE ISRAELIS WERE PICKED UP IN BERMUDA FOR ALLEGED INVOLVEMENT IN ANOTHER

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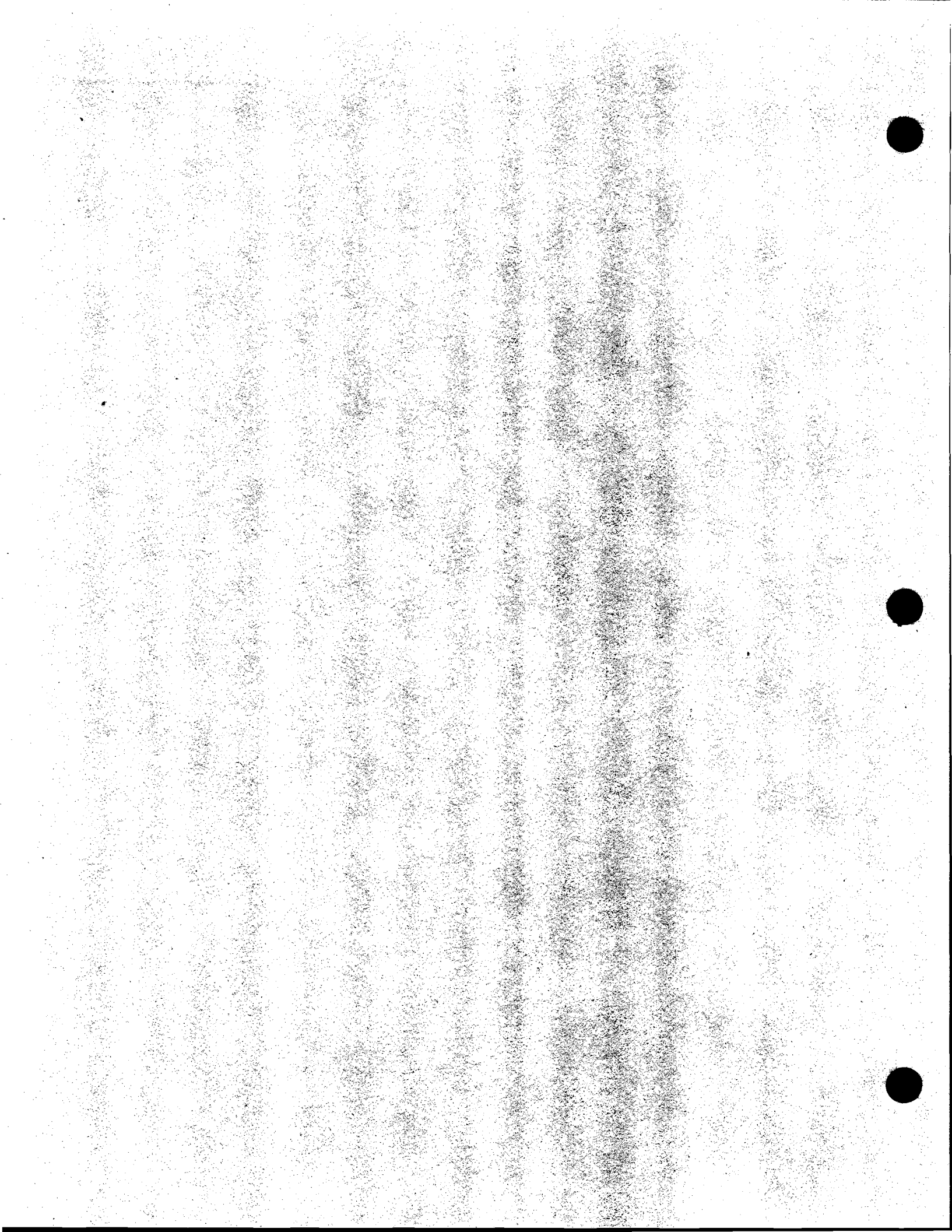
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CHARLIE WILL PROBABLY CALL THE PARTY - - EITHER JOHN OR THE PRESIDENT -- EARLY SATURDAY TOKYO TIME.





This is an account of the U.S. mission to Tehran from May 25 through May 28, together with some comments and observations. The U.S. team was headed by McFarland with Goode, McGrath, Miller and O'Neil making up the rest of the team. A communicator also accompanied the team on the trip into Tehran.

The team arrived in Tehran at 0830 hours on 25 May and was left to cool its collective heels for about two hours. During this period the Iranian Air force put on a show in which one by one a squadron of F-4's took off from Mehrabad airport. The planes carried no ordnance and according to the Mehrabad base commander they were flying training missions. According to Gorba, the Iranians recently recieved a shipment of F-4 spare parts and the flights were training flights to bring some of their pilots up to snuff. The first Iranian official to show up who was connected with this operation was [redacted] who was already known to the air crew. [redacted] also put in an appearance and made pleasant conversation. He was also there at our departure. It is unclear how much he was cut in on the operation. Gorba showed up about half an hour after our arrival. He said that we had arrived an hour early and this was the reason there was no one at the airport to receive us. We were later told that the receiving party had gone to the military side of the base expecting us to park our plane there. Gorba told us that for security reasons we were being given the entire top floor of the Hilton Hotel, now renamed the Istiqlal (independence). [redacted] Iranian First Channel A finally arrived and after some small talk we departed for the hotel. While still at the airport, Gorba informed us that everything was going well and the Iranians had already dispatched a representative to secure the release of the hostages.

While on the plane McFarland, Goode and O'Neil rehearsed a discussion of the briefs which we would run through in the hotel for the benefit of Iranian coverage of the American delegation. In short the play acting was designed to give the brief good sourcing. We expressed our concern out loud that the Iranians would not believe the Soviet invasion plan. We worried that we could not indicate the real source of the information due to said source's sensitivity. The sensitive source, dubbed "Vladimir" by Goode was described as a Major General who had taken part in two of the war games on the invasion of Iran. O'Neil subsequently gave [redacted] a brief glance at the briefing book to whet his appetite and give them something to which they could tie their audio coverage. None of the three briefs were given.

The first substantive meeting took place late in the afternoon of 24 May. The Iranian side consisted of [redacted] Iranian First Channel A a named [redacted] and a man named [redacted] whom

Gorba described as being in their intelligence service. This initial meeting was hostile with the Iranians listing past sins of the United States etc. The meeting ended with what appeared to be little chance of any progress. Basically the American side insisted on adherence to the agreement as we understood it, and the Iranians insisting that America must do more to atone for its sins. At the end of the Meeting,

[redacted] set the tone by saying that even if no progress is made during the discussions, we were their guests and Iranians honored guests.

The first crisis occurred later in the evening when the Iranians

insisted on removing the one crew member who was staying on the plane. They insisted that we had agreed to this at the earlier meeting. McFarland's response to this was that we pack up and leave. O'Neil consulted with [redacted] who stayed in the hotel with us during the visit. He had been introduced to us as the one person to contact to solve any problems which might come up. [redacted] was very upset that we consulted with [redacted] about the plane and referred to it as a breach of security on our part. He insisted that their primary concern was our security and this was adduced as the reason we were to stay couped up on the 15th floor of the hotel. We succeeded in getting a crew member back on the plane the following day. It was clear that the Iranians only wanted to search the plane. The search seemed to satisfy them and we had no subsequent problems on this issue. [redacted] was also very upset that we had our own communications (this was reason we gave for having a man on the plane at all times). He argued that Iranian intelligence would pick up the signals and this could jeopardize the security of whole operation. He said that they would put what ever we wished at our disposal including a dedicated telex. We insisted on our own commo and he gradually backed off. The hostile attitude of the Iranians on the first day left us a little uneasy.

On Monday we were left to our own devices throughout most of the day. We finally had another meeting late in the afternoon. At this meeting, another Iranian was introduced as [redacted]. He is [redacted]

and very cultured. At this meeting, McFarland outlined the reasons we were in Tehran. We wished to lay the groundwork for a new political and strategic relationship between our two countries. We considered the arms supplies as an example of our good faith and we insisted on the release of the hostages as an example of their good faith. [redacted] made the appropriate noises and said that Iran was prepared to have normal relations with every country, except two, Israel and South Africa. McFarland outlined our concerns about soviet designs on Iran and told the Iranians that we would provide them with a briefing which would detail our reasons for concern. He also spoke of Sadam Hussayn's December visit to Moscow in which the Soviets promised Sadam that they would do everything to prevent Iraq from losing the war. [redacted] tried some of the usual Iranian bravado by claiming that if the Soviets attacked, the Iranian soldiers would do well against them because of their devotion to shoheda. This was followed by a load of shit on shoheda. On the Iranian side [redacted] concentrated on the Hostage issue and [redacted] on the arms transactions. [redacted] said that they had already heard from their man in Lebanon who said that the group holding the hostages had insisted on several conditions as follows: (1) Israeli withdrawal from the Golan heights (2) Israeli withdrawal from Southern Lebanon (3) Removal of Lahad to East Beirut (4) freeing of the imprisoned Shi'ites in Kuwait, and (5) re-imbusement for the expenses of holding the hostages. [redacted] graciously volunteered that Iran would pay these expenses. [redacted] argued that we were not upholding our part of the deal because we had promised to bring half the parts with us (no such promise was made). He did not repeat his Sunday claim that the parts we brought were used. He insisted that we bring the rest of the parts before the release of the hostages. We stuck to the terms of the agreement. When things seemed to come unstuck, McFarland got up and said that we would leave if they couldn't uphold their end of the

barqan. This upset [] who said that McFarland was very firm and stern (tond-ro) and they as Iranians liked to negotiate in a more gentle (narm) atmosphere. What was encouraging about Monday's meetings was that the Iranians were far more friendly than on Sunday.

By this time it was clear that McFarland was not going to meet any of the principles that had been mentioned by Gorba. McFarland then told the Iranians that they could continue negotiations with the American staff and get back to him when some kind of agreement was reached.

[] made a big issue of the problems our presence in Tehran caused them. He stated that a senior official could not afford the political risk of a meeting with McFarland. He pointed out that it was Bazergan's meeting with Brezhinsky that brought down the Bazergan government. Based on [] comments we can take it as a certainty that Khomeini was not briefed on our presence or our mission. He would have to give his blessing before any senior official would dare to meet with a senior American official. We ran into the same problem in our discussions with the Bazergan government. Gorba also let drop that [] one of the senior personages that he had supposedly arranged for us to meet was also not aware of our presence.

Tuesday was a day of marathon negotiations with the Iranians stalling for time and trying to get the most out of the American delegation. The American delegation stuck by the terms of the original agreement and insisted that after the terms of the Frankfurt agreement were met, we would meet and discuss in detail their needs and the outline of our two countries' future relations. The American delegation proposed a specific timing for a subsequent meeting. During the late afternoon it was agreed that the American team would draw up an agreement which would be discussed later in the evening. To save time O'neil began working on a translation which was later completed by he and Gorba.

During Tuesday's negotiations, all the demands of the hostages holders evaporated except for the demand for the release of the Shi'ite prisoners in Kuwait. Goode handled this part of the negotiations by firmly stating that the United States would not interfere in the internal affairs of Kuwait, particularly in an instance where Kuwaiti due legal process had been carried out. We would however seek to better the condition of Shia prisoners through the good offices of international organizations such as the Red Cross and the Red Crescent. Goode warned that as far as the well being of the Shi'ite prisoners in Kuwait is concerned, there had better not be any more terrorist activity directed at the Royal family in Kuwait.

The draft agreement was the subject of intense negotiations with the Iranians making some counter proposals which were designed to gain them more time. Talks broke off around midnight with the Iranian delegation saying it wanted to caucus. For the next two hours, heated discussions were held within the Iranian delegation. [] and [] both said that the other would be responsible if nothing comes of the negotiations. Finally, shortly before two on Wednesday morning, [] asked to see McFarland. He wanted assurances that we would deliver the remaining spare parts two hours after the hostages were released, and would stay after the arrival of the spare parts to discuss additional Iranian needs. He also asked for more time to get control of the hostages. McFarland gave [] until 0630 Wednesday morning to arrange for the release of the hostages. The American delegation retired to grab a couple of hours sleep knowing that we had at least out-frazzled

them.

The first Iranian to put in an appearance Wednesday morning was [redacted] who looked totally dejected and refused to make any comment other than salam. The fact that Gorba did not show up also was a clear indication that things had not gone too well. [redacted] put in an appearance to say that they were working hard on the release, but would need more time. He also asked if we would accept two being released immediately and two more after the delivery. He was told that we would leave for the airport after finishing breakfast. We also heard from the aircrew that the plane was being refueled. This had been worrisome for the Iranians had stalled on refueling the plane. We also received a message from Washington saying there was nothing in [redacted] that [redacted] indicated the hostages were about to be released or that anything unusual was taking place. The American delegation departed the hotel at about 0730. [redacted] and [redacted] accompanied the delegation to the Airport. [redacted] did not put in an appearance after his final talk with McFarland. At planeside, [redacted] asked to speak with McFarland. He asked for more time saying that arranging for the release was a very delicate and time consuming effort. McFarland told him that the plane with the spare parts was in the air, but if no word on the release of the hostages was heard by 0930, the plane would turn around and return to its base. O'neil was the last of the delegation to board the plane before take-off and he and [redacted] had one last exchange. [redacted] admitted that the hostages were not under their control. O'neil told him to get them under Iranian control. [redacted] said that they would seek to do this and that he would send Gorba to Europe to maintain contact with us. Our aircraft departed at 0900.

The above account is O'neil's outline recollection of what transpired and may differ somewhat from what others recall, but it is needed for O'neil's comments and recommendation to make sense.

COMMENTS:

1. If Gorba does appear, we must press him for positive identification of the people with whom we talked. Since [redacted] actually forget his alias during the course of one evening's discussions, we can assume that the others were using aliases, particularly since we have no traces on [redacted]. [redacted] may not be a true name. [redacted]

[redacted] If [redacted] is an alias it may explain why [redacted] intelligence has [redacted] not been able to identify such a person [redacted]

2. It is quite possible that the Iranian side was negotiating under the impression that we were only interested in a deal for the hostages. This would explain why they tried so hard to get us to do more in exchange for the hostages, i.e., the 20 hawk batteries and the 18 additional hipar radars. It was therefore a good idea to leave a translation of the draft agreement with them as it will give them something to chew on. McFarland issued a stern warning that we are getting fed up with overtures from them that don't pan out. We are interested in a long term political and strategic relationship, and if Iran does not pick up on this opportunity it may be years before there is another one.

3. Ramadan was certainly a factor in how the negotiations went.

also the problem cause, by not being able to see [redacted] one in a position of power. The people we were negotiating with were [redacted]. The fact that [redacted] 's breath could curl round his side was no help either. On the positive side was the change in the attitude of the Iranian delegation. By tuesday they were begging us to stay.

4. We also have the problem of a dishonest interlocutor. The Iranian side made it clear that they were upset with Gorba. On tuesday, [redacted] told O'neil that one of the problems in our negotiations was the fact that prior to our meeting, Gorba gave each side a different picture of the structure of the deal. O'neil made the point to [redacted] that the letters they recieved were from Gorba, not the U.S. government. We will have to lean heavily on Gorba in the future.

5. Since both Gorba and [redacted] ^{Iranian side} _{Channel A} stand to make a lot of money out of this deal, they presumably will work hard to bring it off. Gorba has very special reasons for seeing that the deal goes through. The serious problem we must address is whether the Iranians can gain control of the hostages. [redacted] This could be our real problem. The Iranian side may be most willing, but unable to gain control.

RECOMENDATION

Through hindsight it would have been better for Goode and O'neil to have gone in first to handle the initial negotiations. We should not have subjected a senior U.S. official to the indignities he was forced to endure. We have made the point to the Iranians that the draft agreement must be finally negotiated by senior responsible officials from both sides. If we have a subsequent response from the Iranian side it is strongly recomended that Goode and O'neil meet with the Iranian side somewhere in Europe to continue the negotiations.

TOP SECRET SENSITIVE

EXCISED COPY FOLLOWS

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TOP SECRET SENSITIVE

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On Monday we were left to our own devices throughout most of the day. We finally had another meeting late in the afternoon. At this meeting, another Iranian was introduced as [redacted]. He is several cuts above the other members of the Iranian side. He is obviously well educated and very cultured. At this meeting, McFarland outlined the reasons we were in Tehran. We wished to lay the groundwork for a new political and strategic relationship between our two countries. We considered the arms supplies as an example of our good faith and we insisted on the release of the hostages as an example of their good faith. [redacted] made the appropriate noises and said that Iran was prepared to have normal relations with every country, except two, Israel and South Africa. McFarland outlined our concerns about soviet designs on Iran and told the Iranians that we would provide them with a briefing which would detail our reasons for concern. He also spoke of Saddam Hussayn's December visit to Moscow in which the Soviets promised Saddam that they would do everything to prevent Iraq from losing the war. [redacted] tried some of the usual Iranian bravado by claiming that if the Soviets attacked, the Iranian soldiers would do well against them because of their devotion to shoheda. This was followed by a load of shit on shoheda. On the Iranian side [redacted] concentrated on the Hostage issue and [redacted] on the arms transactions. [redacted] said that they had already heard from their man in Lebanon who said that the group holding the hostages had insisted on several conditions as follows: (1) Israeli withdrawal from the Golan heights (2) Israeli withdrawal from Southern Lebanon (3) Removal of Lahad to East Beirut (4) freeing of the imprisoned Shi'ites in Kuwait, and (5) re-imburement for the expenses of holding the hostages. [redacted] graciously volunteered that Iran would pay these expenses. [redacted] argued that we were not upholding our part of the deal because we had promised to bring half the parts with us (no such promise was made). He did not repeat his Sunday claim that the parts we brought were used. He insisted that we bring the rest of the parts before the release of the hostages. We stuck to the terms of the agreement. When things seemed to come unstuck, McFarland got up and said that we would leave if they couldn't uphold their end of the

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Tuesday was a day of marathon negotiations with the Iranians stalling for time and trying to get the most out of the American delegation. The American delegation stuck by the terms of the original agreement and insisted that after the terms of the Frankfurt agreement were met, we would meet and discuss in detail their needs and the outline of our two countries' future relations. The American delegation proposed a specific timing for a subsequent meeting. During the late afternoon it was agreed that the American team would draw up an agreement which would be discussed later in the evening. To save time O'Neil began working on a translation which was later completed by he and Gorba.

During Tuesday's negotiations, all the demands of the hostages holders evaporated except for the demand for the release of the Shi'ite prisoners in Kuwait. Goode handled this part of the negotiations by firmly stating that the United States would not interfere in the internal affairs of Kuwait, particularly in an instance where Kuwaiti due legal process had been carried out. We would however seek to better the condition of Shia prisoners through the good offices of international organizations such as the Red Cross and the Red Crescent. Goode warned that as far as the well being of the Shi'ite prisoners in Kuwait is concerned, there had better not be any more terrorist activity directed at the Royal family in Kuwait.

The draft agreement was the subject of intense negotiations with the Iranians making some counter proposals which were designed to gain them more time. Talks broke off around midnight with the Iranian delegation saying it wanted to caucus. For the next two hours, heated discussions were held within the Iranian delegation. [redacted] both said that the other would be responsible if nothing comes of the negotiations. Finally, shortly before two on Wednesday morning, [redacted] asked to see McFarland. He wanted assurances that we would deliver the remaining spare parts two hours after the hostages were released, and would stay after the arrival of the spare parts to discuss additional Iranian needs. He also asked for more time to get control of the hostages. McFarland gave [redacted] until 0630 Wednesday morning to arrange for the release of the hostages. The American delegation retired to grab a couple of hours sleep knowing that we had at least out-frazzled

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them.

The first Iranian to put in an appearance Wednesday morning was [redacted] who looked totally dejected and refused to make any comment other than salam. The fact that Gorba did not show up also was a clear indication that things had not gone too well. [redacted] put in an appearance to say that they were working hard on the release, but would need more time. He also asked if we would accept two being released immediately and two more after the delivery. He was told that we would leave for the airport after finishing breakfast. We also heard from the aircrew that the plane was being refueled. This had been worrisome for the Iranians had stalled on refueling the plane. [redacted]

[redacted] The American delegation departed the hotel at about 0730. [redacted] and [redacted] accompanied the delegation to the Airport. [redacted] did not put in an appearance after his final talk with McFarland. At planeside, [redacted] asked to speak with McFarland. He asked for more time saying that arranging for the release was a very delicate and time consuming effort. McFarland told him that the plane with the spare parts was in the air, but if no word on the release of the hostages was heard by 0930, the plane would turn around and return to its base. O'Neil was the last of the delegation to board the plane before take-off and he and [redacted] had one last exchange. [redacted] admitted that the hostages were not under their control. O'Neil told him to get them under Iranian control. [redacted] said that they would seek to do this and that he would send Gorba to Europe to maintain contact with us. Our aircraft departed at 0900.

The above account is O'Neil's outline recollection of what transpired and may differ somewhat from what others recall, but it is needed for O'Neil's comments and recommendation to make sense.

COMMENTS:

1. If Gorba does appear, we must press him for positive identification of the people with whom we talked. Since [redacted] actually forget his alias during the course of one evening's discussions, we can assume that the others were using aliases, particularly since we have no traces of [redacted] may not be a true name. [redacted] is an [redacted] name, but [redacted] does not have an [redacted] accent. He is definitely from South Tehran. If [redacted] is an alias it may explain why [redacted] have not been able to identify such a person [redacted]

2. It is quite possible that the Iranian side was negotiating under the impression that we were only interested in a deal for the hostages. This would explain why they tried so hard to get us to do more in exchange for the hostages, i.e., the 20 hawk batteries and the 18 additional hipar radars. It was therefore a good idea to leave a translation of the draft agreement with them as it will give them something to chew on. McFarland issued a stern warning that we are getting fed up with overtures from them that don't pan out. We are interested in a long term political and strategic relationship, and if Iran does not pick up on this opportunity, it may be years before there is another one.

3. Ramadan was certainly a factor in how the negotiations went.

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also the problem caused by not being able to see anyone in a position of power. The people we were negotiating with were a couple of rungs down the ladder. The fact that [redacted] breath could curl rhino hide was no help either. On the positive side was the change in the attitude of the Iranian delegation. By Tuesday they were begging us to stay.

4. We also have the problem of a dishonest interlocutor. The Iranian side made it clear that they were upset with Gorba. On Tuesday, [redacted] told O'Neil that one of the problems in our negotiations was the fact that prior to our meeting, Gorba gave each side a different picture of the structure of the deal. O'Neil made the point to [redacted] that the letters they received were from Gorba, not the U.S. government. We will have to lean heavily on Gorba in the future.

5. Since both Gorba and [redacted] stand to make a lot of money out of this deal, they presumably will work hard to bring it off. Gorba has very special reasons for seeing that the deal goes through. The serious problem we must address is whether the Iranians can gain control of the hostages. [redacted]. This could be our real problem. The Iranian side may be most willing, but unable to gain control.

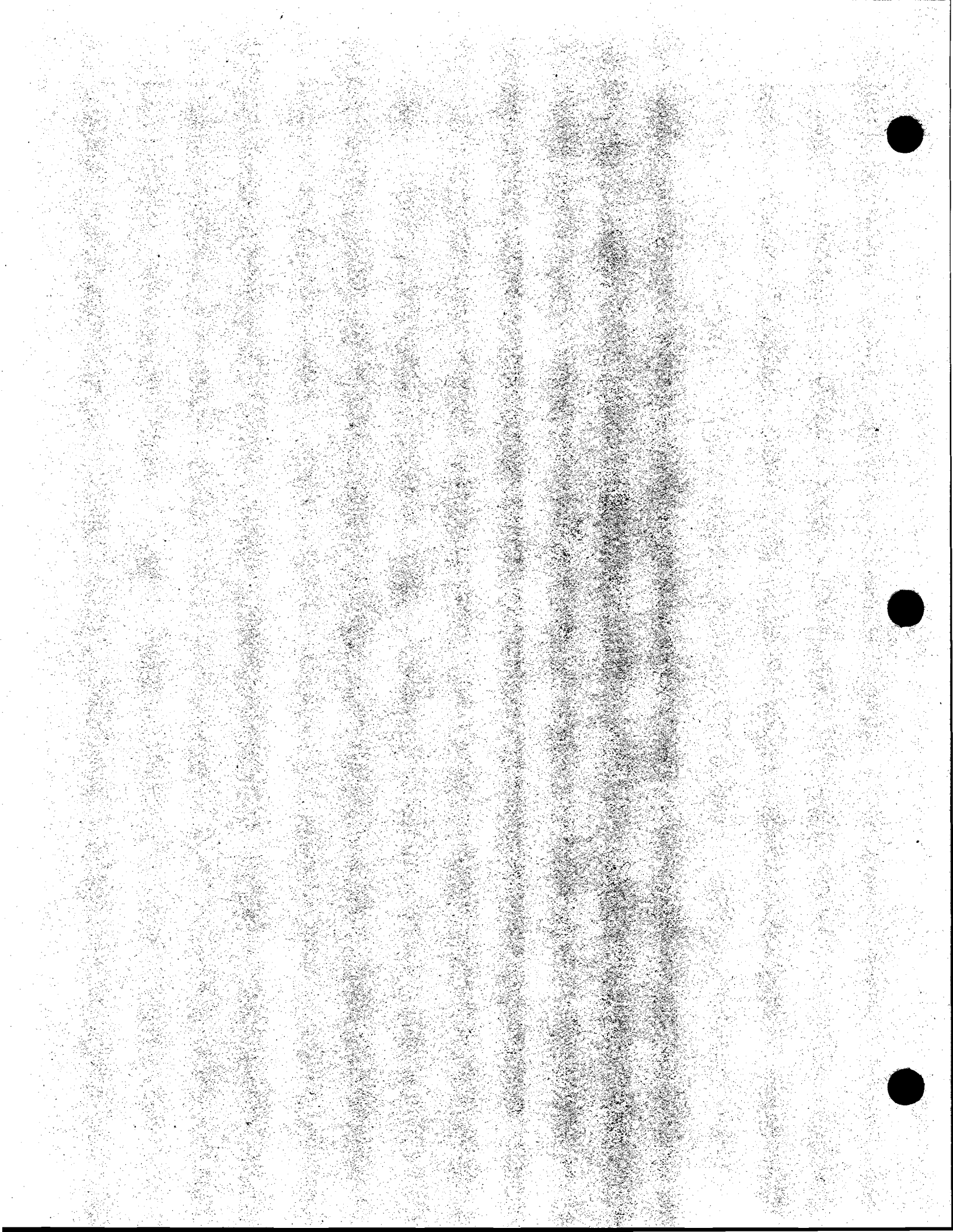
RECOMMENDATION

Through hindsight it would have been better for Goode and O'Neil to have gone in first to handle the initial negotiations. We should not have subjected a senior U.S. official to the indignities he was forced to endure. We have made the point to the Iranians that the draft agreement must be finally negotiated by senior responsible officials from both sides. If we have a subsequent response from the Iranian side it is strongly recommended that Goode and O'Neil meet with the Iranian side somewhere in Europe to continue the negotiations.

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UNDER SECRETARY OF STATE
FOR ECONOMIC AFFAIRS

WASHINGTON 1674
NODIS REVIEW

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Cat. B - Transferred to IM/IS/FPC
with additional access
controlled by S/S

Cat. C - Caption and custody
retained by S/S

Reviewed by: *[Signature]* July 15, 1986
Date: *30 JUN 86*

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MEMORANDUM FOR THE SECRETARY

Subject: NEA's Memorandum on Iraq
ES Sensitive. 8621712

You have just received a memorandum on Iraq in which there was a recommendation that you urge ExIm Chairman John Bohn to approve a \$50 million medium-term credit agreement.

I believe it would be a mistake to "jaw bone" Bohn on this issue. Iraq is in arrears on ExIm-backed letters of credit and has been rescheduling even short-term credits.

ExIm's statute requires the Bank's Board of Directors to determine that transactions offer "reasonable assurance of repayment" before approving them. Under present circumstances, the proposed \$50 million facility for Iraq does not offer that assurance. Asking ExIm Bank to approve that facility now would therefore be asking that the Board act inconsistently with its mandate.

If we were, nonetheless, to ask the Board to approve the facility, we would face substantial downside risks:

- we risk eroding our excellent relations with the Bank (the autonomous Board always bristles at "outside" interference);
- our future appeals to ExIm on more compelling cases (e.g., Mexico) might be made more difficult as a result;
- we would bear the onus for creating future Iraqi repayment problems.

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-2-

Pressing ExIm on this facility is neither the only, nor the best, means of demonstrating our support for Iraq. Other alternatives, particularly CCC programs (including the new intermediate credit program), would be more appropriate for helping the Iraqis.

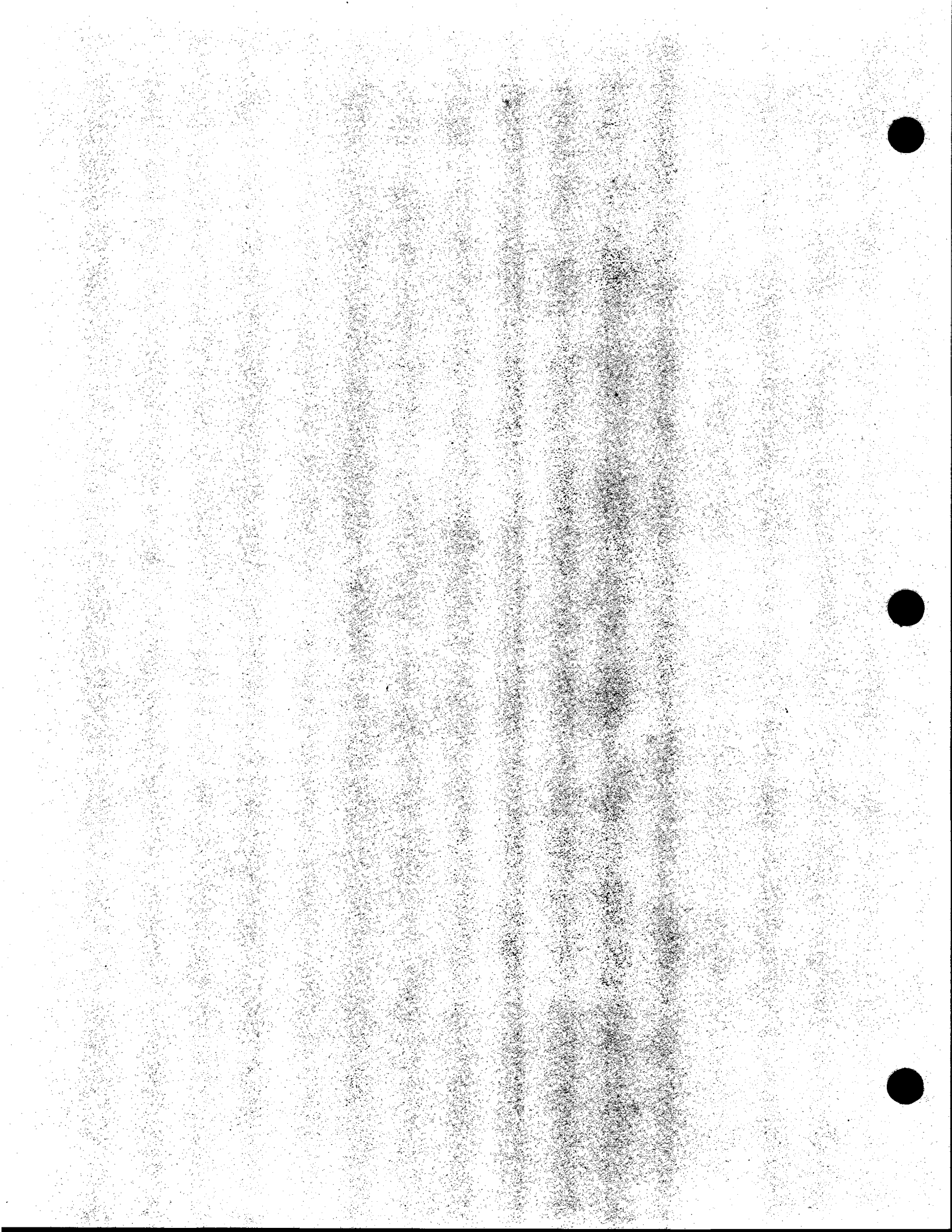
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Allen Wallis

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United States Department of State
Washington, D. C. 20520

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BRIEFING MEMORANDUM
~~CLASSIFIED~~ S/S

TO: P - Michael H. Armacost
FROM: JEA - Richard W. Murphy
SUBJECT: IRAC: CPPG Meeting of Wednesday, July 23

THE SETTING

General concern in Washington over Iraq's ability to sustain its defenses has substantially risen over the past three weeks, focussing particularly on the Iraqi battlefront defeat at Mehran in early July. In addition to that setback, much speculation has risen around the unexpected emergency Baath Party meeting in Baghdad July 10, the first since the grim days of 1962. In the past, such meetings have been called at critical junctures when the leadership of Saddam Hussein has been under particular stress. We do not know much of the circumstances which led up to the meetings, though both our in Baghdad believe that significant internal criticism of Saddam's management of the war and the economy may have been the root motivation. In the event, Saddam appeared to demonstrate complete formal control of the Party, which reflected its current leadership, along with three additional supporters of Saddam. One prominent Shia was dropped.

POLICY PERSPECTIVE

Any differences of assessment on these recent military and political developments are interesting but of secondary importance. The essential point is incontrovertible: The trends in the war, developing at an ever faster pace since the Iranian success at Faw in February, underscore our long-held view that the longer the war continues, the greater the risk of an Iraqi defeat, whatever its form may take. For policy purposes this leads back to a review of possible steps the USG might take to bolster the Iraqi will to resist, both psychologically and militarily. Additionally, it raises questions as to whether the U.S. can do more to pressure Iran to wind down -- or end -- the war. As a general proposition, it is prudent to assume the worst in war trends and work back from that assumption, attempting to make the worst case (an outright Iranian victory) less likely.

Declassified By: Frank Machak
Director, Office of FOI, Privacy,
and Classification Review

June 1, 1992

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It has become clear, in the light of the Iraqi financial crisis, that a USG decision to let developments in our bilateral relations take their own course will mean in practice a constriction of the relationship. If the sustenance of the Iraqi will to defend itself is as important as we consider it, then we must intervene on policy grounds to arrest the constriction of the relationship, at a minimum, and to take steps to broaden the relationship where it is possible and prudent to do so. Each such step carries risks and has costs, including substantial complications in relations with . The Soviets are a special case, but in the context of the war there are few risks for the U.S. in pushing to further engage the USSR.

It is time to review how deeply the USG assesses its national security interests to be affected by the supply of armaments to Iran. We have actively, and with much success, pursued Operation Staunch since 1983. We have blocked and diverted sales to Iran from many of our friends and allies. In the interim the Iranians have established important supply relationships with North Korea, Eastern European countries, Syria and Libya. We have recently become aware of substantial new sales agreements and deliveries of to Iran. Further, there are increasing indications that arms sales may be a part of the ongoing discussions. If we are unable to impede Iranian acquisitions from those sources, with their major and diversified arms industries and sophisticated products, the character and nature of the war may be changed dramatically over time. We also have specific objections to certain items, some of which have already been delivered

DIPLOMATIC INITIATIVES

As always, we are having ongoing discussions with several governments relating to Operation Staunch. At present we have particularly sensitive and complex exchanges going with

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-4-

-- Public Diplomacy: We should expand our efforts to inform Congress and the public about the stakes for the U.S. in the Gulf war, so that we reduce opposition if we need to try to do more in the future.

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-5-

U.S.-IRAQ RELATIONS

U.S.-Iraq relations are thin and likely to remain that way. Iraq's military setbacks and its continuing financial difficulties have acted to inhibit, possibly torpedo, what we had planned to orchestrate this year: an enhanced commercial relationship. The U.S. is not a major player in either Iraq's trade or financial relationships. Iraq is heavily dependent on Saudi and other Arab assistance, and in 1985 received over \$3 billion in concessional loans. CCC agricultural credits aside, Japan and Western Europe have provided the bulk of its trade credits. While it is unreasonable to expect a significant expansion in U.S.-Iraqi trade in the current environment, there are additional steps which we can take to reassert our commercial interest in Iraq and, in doing so, make a modest contribution to easing Iraq's immediate financial difficulties. These include

-- EXIM Bank Agreement on Medium-term Credits: Last fall the Iraqis found inadequate Exim's offer to negotiate a \$50 million medium term credit agreement. Now that its financial situation has deteriorated, Iraq is ready to talk. However, it has fallen into arrears on \$3.5 million of Exim-backed letters of credit, and Exim, on risk grounds, has cold feet. The Iraqi Trade Minister was to have been here this week, but has postponed his visit, partly out of concern that no EXIM agreement seemed within reach.

-- Agriculture's CCC Credits: Iraq is expected to fully use its \$500 million CCC (GSM-102) program for FY86. A new program, GSM-103, allows for 3-10 year terms (GSM-102 is for three years at commercial rates). Iraq is scheduled to be declared eligible for \$15 million for a cattle-breeding program under 103. All 103 program amounts are deducted from 102 totals because of a Treasury-imposed ceiling for Iraq of \$500 million exposure. Iraq has an exemplary repayment record on CCC, even in this strapped year. Action needed: On purely financial grounds, we cannot recommend large additional CCC credits for Iraq. While it is current on repayment of outstanding loans, Iraq has poor economic prospects due to the burdens of the war effort and the oil-price decline. Earlier this year Iraq was forced to reschedule loan payments to several European governments because it lacked foreign exchange. For these reasons, we see a high risk of default on CCC credits. U.S. political interests, however, may override these strictly financial

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considerations. If so, we recommend that USDA determine whether a higher total ceiling for Iraq, perhaps \$750 million, is feasible; and if so, that Treasury be urged to raise the ceiling as appropriate.

-- Pending Licenses for Export of High Technology: DOD has intervened to block the issuance of licenses to Iraq on several items of symbolic and practical importance, including equipment designed to protect the personal security of the head of state. Sometimes this has been done through bureaucratic procedures, sometimes through personal intervention, based on a stated concern about diversion to the USSR of sensitive technology. DOD has taken this position despite the most recent determination by the intelligence community : "We have no evidence that Iraq has passed controlled Western dual-use equipment to the Soviets or has misdirected equipment to non-authorized domestic users." (In one instance, DOD has gone so far as to encourage Customs to harass an exporter who was holding a valid Commerce license for export to Iraq.) We know of no intelligence which would support DOD's contentions about technology transfer, and the long delays imposed on the licensing process by DOD are an unnecessary and costly embarrassment in our bilateral relations. Action: That the NSC convene an interagency coordination meeting within a week, with the goal of reaching final decisions on outstanding licensing issues, including the cases, within two weeks.

o Infrared countermeasures (IRCM) for Saddam Hussein's aircraft: The Services and DIA have objected to the sale of the IRCM, which is of substantial symbolic value to the Iraqis and something they requested more than a year ago. The NDPC is meeting July 24 to consider an exception. Action: a favorable NDPC decision.

-- Commercial and Technology Agreement Pending: As part of his now-postponed visit, the Iraqi Trade Minister had planned to join Secretary Baldrige in formally signing an umbrella commercial agreement. The agreement is limited in substance, but reflects the commitment of both sides to pursue enhanced commercial and technology relations. We will want to get the agreement signed, but only after we have some or all of the pending export licenses in hand, demonstrating USG seriousness.

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-7-

U.S.-IRAN RELATIONS

-- We are unaware of any identifiable Iranian interest in bettering relations, or opening dialogue with us toward that goal, except as a way of obtaining spare parts for military equipment of U.S. origin.

-- We try to maintain a clear distinction between our objections to Iran's commitment to war and terrorism, and our view that the sovereignty and territorial integrity of Iran (and Iraq) must be preserved.

-- While Iranian alienation from us is profound, we doubt they are inclined to move substantially toward the

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-8-

TALKING POINTS

I. ONGOING DIPLOMATIC EFFORTS

A. STAUNCH

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IV. U.S.-IRAQ RELATIONS

- U.S.-Iraq relations are thin and, without clear policy direction, likely to remain so. Iraq's military and financial problems have set back, possibly torpedoed, what we had planned as the centerpiece of our relations this year: an enhanced commercial relationship.
- However, there are things we can do to intensify U.S.-Iraqi relations and, in the process, add at the margins to the Iraqis' ability to carry on:

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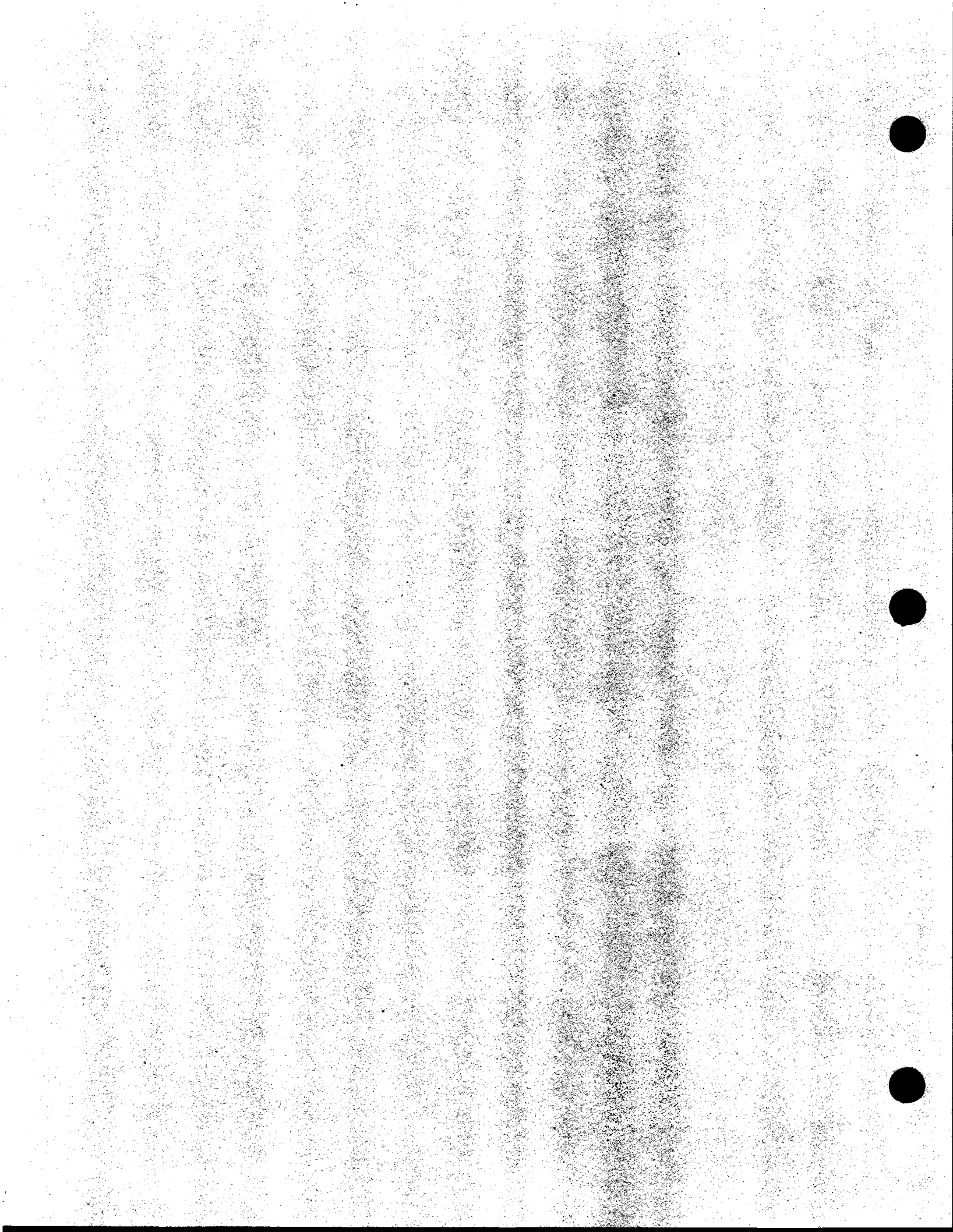
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- o **Agriculture's CCC Credits:** Iraq is expected to use the \$500 million in CCC credits available to it for FY 86. On purely financial grounds, we cannot recommend large additional CCC credits for Iraq, given its poor economic prospects. However, if U.S. political interests override these financial considerations, we recommend that USDA determine whether a higher total, such as \$750 million, is feasible, and that Treasury be urged to raise the ceiling as appropriate.
- o **Pending Export Licenses:** DOD has intervened to block issuance of licenses for U.S. companies to export several items of symbolic and practical importance to Iraq. DOD's concern is technology transfer, despite the judgment of the intelligence community that there has been no evidence of Iraqi transfer of technology to the Soviets. We propose that the NSC convene an interagency coordination meeting within a week, with the goal of reaching final decision on outstanding Commerce licensing issues within two weeks.
- o **Infrared Countermeasures (IRCM) for Saddam's Aircraft:** The Services and DIA have objected to the sale of the IRCM, which is of substantial symbolic value to the Iraqis. The NDPC is meeting July 24 to consider an exception. We recommend a favorable NDPC decision if feasible.

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26 Jul 86

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TELEGRAM

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Cat. C - Caption and custody
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Reviewed by: EJK
Elijah Kelly Jr.

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MOOS
FOR AMBASSADOR FROM NEA MURPHY

E.O. 12356: DECL: OADR
TAGS: PREL, MOPS, US, IZ
SUBJECT: USG SUPPORT FOR IRAQ DURING THE WAR

REF: BAGHDAD 2925

1. ~~SECRET~~ - ENTIRE TEXT.

2. THE CPPG MEETING HELD JULY 23 REVIEWED THE MILITARY SITUATION, DISCUSSED IN DETAIL THE IRAQI CONDUCT OF THE WAR, EXPLORED POSSIBLE FURTHER STAUNCH-RELATED EFFORTS BY US, AND LOOKED AT U.S.-IRAQ RELATIONS, WHICH APPEAR TO BE CONSTRICTING BECAUSE OF IRAQ'S FINANCIAL CRISIS. WE HAVE BEEN TASKED WITH PREPARING AN ACTION AGENDA WHICH WE WILL SUBMIT TO THE NSC EARLY NEXT WEEK FOR INTER-AGENCY COORDINATION. IF YOU HAVE ANY FURTHER SPECIFIC SUGGESTIONS ON BOLSTERING OUR COMMERCIAL/FINANCIAL RELATIONSHIP WITH IRAQ, WE WOULD WELCOME THEM. THERE WILL BE ANOTHER CPPG ON IRAQ IN ABOUT A MONTH.

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PAGE 02 STATE 234618

3. WE TAKE YOUR POINT ABOUT THE IMPORTANCE OF THE EXIM

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AGREEMENT TO THE IRAQIS. HOWEVER, AFTER ANOTHER THOROUGH REVIEW, WE HAVE DECIDED THAT IT IS NOT APPROPRIATE TO PROCEED FURTHER WITH THE EXIM AGREEMENT NOW. (YOU WILL BE RECEIVING FURTHER BACKGROUND BY POUCH.) WE WILL REVISIT THIS ISSUE WHEN IRAQ'S FINANCIAL SITUATION APPEARS TO BE BETTERING. IN THE MEANTIME, WE ARE LOOKING INTO THE POSSIBILITY OF INCREASING THE CCC PROGRAM. THIS IS A COMPLICATED INTER-AGENCY ISSUE (TREASURY AND AGRICULTURE), AND WE ARE BY NO MEANS ASSURED OF SUCCESS.

4. AS FOR THE POSSIBILITY OF IRAQ'S "BORROWING" U.S.-SUPPLIED JORDANIAN EQUIPMENT, THERE ARE LEGAL RESTRICTIONS ON ANY ACTION OF THAT SORT, BESIDES THE DIFFICULT POLICY QUESTIONS WHICH YOU HAVE POINTED OUT. THEN, TOO, ANY SUCH TRANSFER HAS TO BE NOTIFIED TO THE CONGRESS AND THUS MADE PUBLIC. IN ADDITION, THE EXPERTS HERE BELIEVE THAT THE EQUIPMENT IN QUESTION WOULD NOT HAVE A SIGNIFICANT IMPACT ON THE WAR EFFORT.

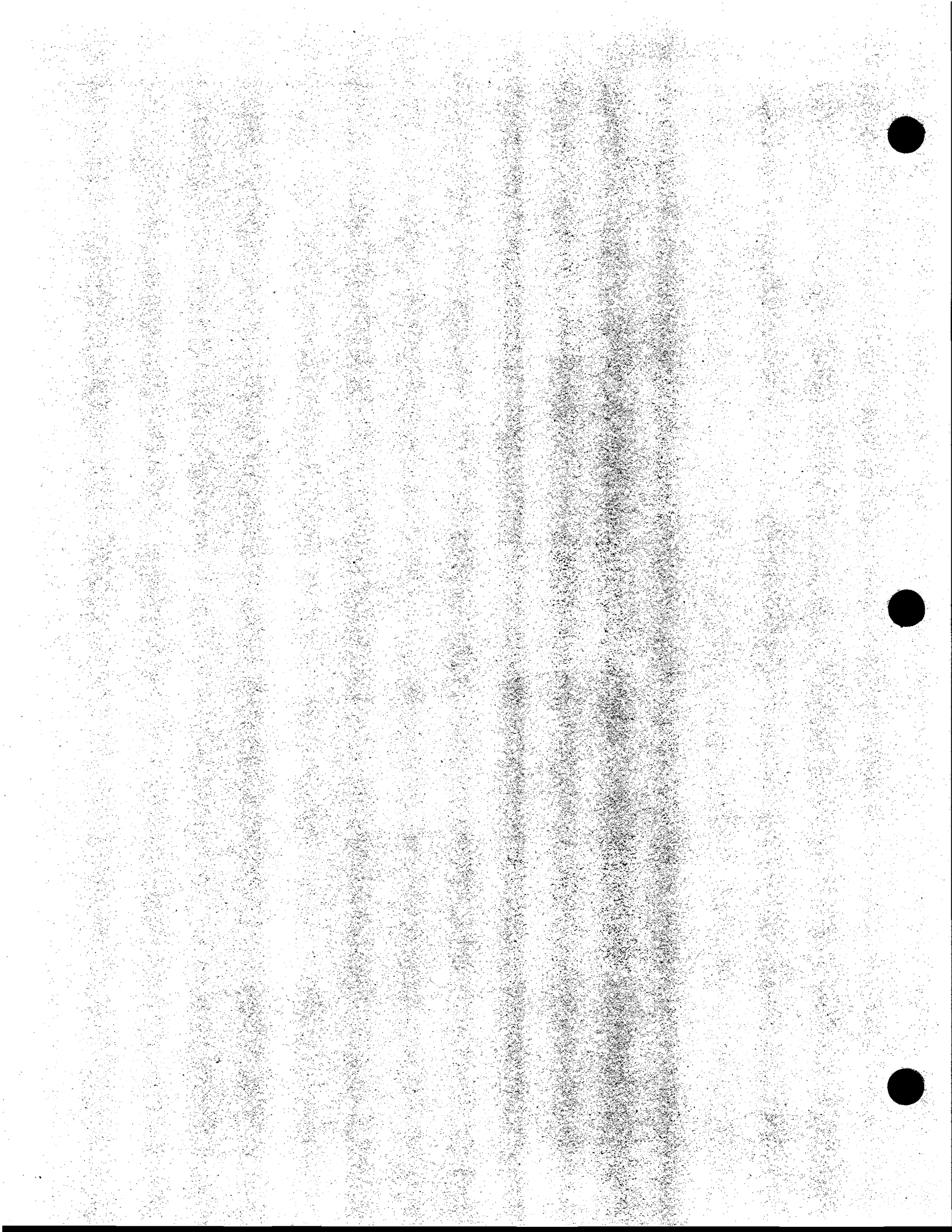
5. WE IN MEA ARE IN ESSENTIAL AGREEMENT WITH YOUR REACTION TO THE PROPOSAL TO SEND A SENIOR U.S. EMISSARY TALK WITH SADOAM HUSSEIN. THE IDEA STILL HAS AN IVE BUREAUCRATIC LIFE, HOWEVER. WE HAVE ENCOURAGED THE VICE PRESIDENT TO SUGGEST TO BOTH KING HUSSEIN AND PRESIDENT MUBARAK THAT THEY SUSTAIN THEIR EFFORTS TO CONVEY OUR SHARED VIEWS TO SADOAM REGARDING IRAQ'S USE OF ITS AIR RESOURCES. THE VERY RECENT REPORT (AMMAN 7439) FROM AMMAN ON THAT SUBJECT LEADS US TO CONCLUDE THAT SADOAM MAY NOT BE OPEN TO SUGGESTION. ON THE OTHER HAND, IF SADOAM DOES WHAT HE SAYS HE WOULD DO WITH THE AIR FORCE, THAT WOULD BE A MAJOR PLUS. ARMACOST

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FROM: NSWRP --CPUA TO: NSJMP --CPUA 08/13/86 18:19:05
To: NSJMP --CPUA JOHN M. POINDEXTER

UNCLASSIFIED

NOTE FROM: BOB PEARSON

Subject: Meeting with Bandar

*** Forwarding note from NSHRT --CPUA 08/13/86 15:16 ***

To: NSRBH --CPUA JOHN M. POINDEXTER NSWRP --CPUA JOHN M. POINDEXTER

NOTE FROM: Howard Teicher

Subject: Meeting with Bandar

in this context, i intend to discuss quietly with osd and nea how else we should be thinking about the new phase of escalation which seems to have begun between iraq and iran. specifically, we should try to determine in advance what circumstances or thresholds might trigger specific types of u.s. actions. for example, can we afford to allow the escalation of oil-related violence to reach a point where the gulf is effectively closed for the shipping of oil? this work might lead to another cpgg convened next week.

*** Forwarding note from NSDBR --CPUA 08/13/86 14:44 ***

To: NSRBH --CPUA JOHN M. POINDEXTER NSWRP --CPUA JOHN M. POINDEXTER

FROM: Dennis Ross

SUBJECT: Meeting with Bandar

Saudi concerns about escalation in the Gulf war are again increasing. We have already responded to the latest Saudi requests. Our response was appropriate; but I can't help thinking that it would be worthwhile to have a broader discussion with Bandar about the region. Bandar frequently says that their ability to be helpful to us on issues like the peace process depend on their understanding our broader strategy. At a time when we are being helpful to the Saudis, it might be useful to talk to Bandar about our broader strategy in the area, and about how the Saudis in very low-key and low visibility ways could be more helpful ..
.....
..... In other words, at a time when they are seeking our help, when we will have to explain their unauthorized transfer of MK-84s to Iraq, ..
..... we have a good opportunity to lay out for Bandar the value of broader Saudi cooperation in the pursuit of a regional strategy that serves our mutual interests. He'll get the message.

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cc: NSPWR --CPUA NSHRT --CPUA
cc: NSPBT --CPUA NSHRT --CPUA

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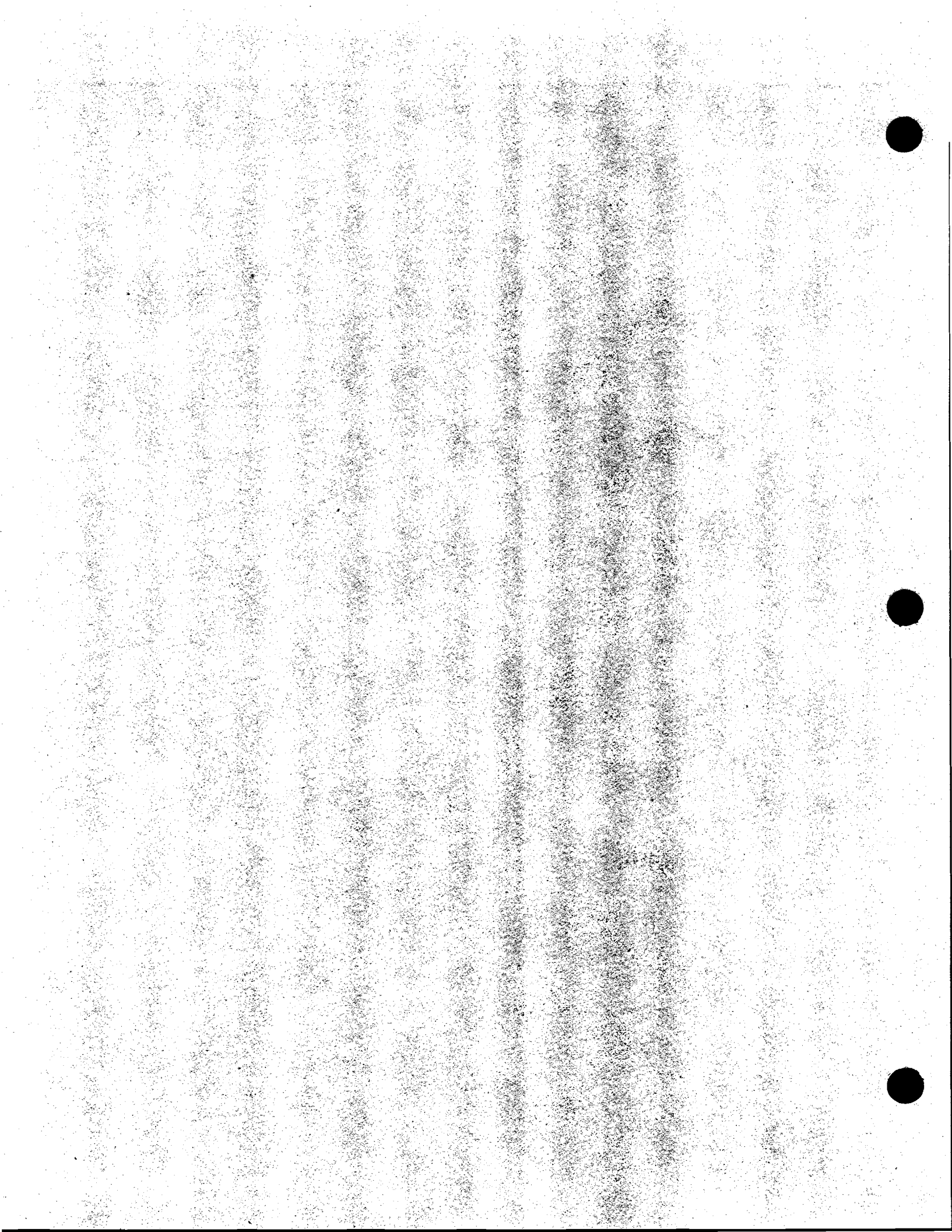
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Department of State

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WITH THE SOVIETS ON THE GULF WAR

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E.O. 12356: DECL: OADR
TAGS: PRL, IR, IZ, EG
SUBJECT: BRIEFING MATERIAL FOR AMBASSADOR WISNER:
IRAN-IRAC

1. [REDACTED]
2. THE FOLLOWING IS PROVIDED FOR AMBASSADOR'S USE WHEN DISCUSSING REGIONAL ISSUES WITH FM ABDEL NEGUID AND OTHER GOE OFFICIALS.
3. BEGIN TEXT:

STATUS OF THE WAR:

THE PACE AND TEMPO OF THE WAR HAVE QUICKENED CONSIDERABLY SINCE THE IRANIAN VICTORY AT FAW IN FEBRUARY. BOTH SIDES ARE UNDER PRESSURE, POLITICAL AND ECONOMIC, TO INTENSIFY THE WAR WITH THE GOAL OF PUTTING AN EARLY END TO THE FIGHTING.

THE IRAQIS HAVE CONTINUED TO USE THEIR OVERWHELMING AIR SUPERIORITY UNEVENLY IN 1986, THOUGH FOR THE PAST TWO MONTHS THEY HAVE MOUNTED AND (UNCHARACTERISTICALLY) SUSTAINED A MORE EFFECTIVE CAMPAIGN AGAINST ECONOMIC TARGETS. SINCE THE BEGINNING OF THE YEAR, BOTH SIDES HAVE STEPPED UP THE AIR WAR AGAINST GULF SHIPPING MARKEDLY.

ECONOMIC CONSIDERATIONS HAVE BECOME INCREASINGLY IMPORTANT TO THE WAR EFFORT AS BOTH GOVERNMENTS HAVE SEEN THEIR REVENUES SHRINK RADICALLY IN THE COURSE OF 1986. THE FALL IN THE PRICE OF OIL AND THE REDUCTION IN THE VALUE OF THE DOLLAR HAVE HURT BOTH ECONOMIES BADLY. EVEN IF THE NEW OPEC QUOTA AGREEMENT HOLDS, BOTH SIDES WILL REMAIN UNDER VERY SUBSTANTIAL ECONOMIC PRESSURE.

THE IRANIAN LEADERSHIP HAS PUBLICLY LINKED IRAN'S ECONOMIC STRAITS WITH THE NEED TO END THE WAR RAPIDLY -- ON IRAN'S TERMS. TO THAT END, THERE HAS BEEN A STEADY SERIES OF ANNOUNCEMENTS THAT IRAN WILL LAUNCH A "FINAL" OFFENSIVE THIS YEAR. WE EXPECT A MAJOR IRANIAN EFFORT AGAINST IRAQ OVER THE NEXT FEW MONTHS, PERHAPS AS SOON AS SEPTEMBER/OCTOBER.

U.S. POLICY:

THE EXTENT POSSIBLE, WE HAVE ALSO SUPPORTED A RANGE OF DIPLOMATIC INITIATIVES, AT THE UN AND ELSEWHERE, TO END THE WAR. WE HAVE LET THE IRAQIS KNOW ABOUT OUR TALKS

UNDER SECRETARY ARMACOST'S TALKS WITH THE SOVIETS THIS WEEK WILL INCLUDE A BRIEF DISCUSSION ABOUT THE WAR.

ON THE OTHER HAND, THE IRAQIS HAVE ASKED FOR SOME THINGS THAT WE HAVE NOT BEEN WILLING TO GIVE THEM. IN GENERAL, THOSE REQUESTS FALL INTO ONE OF TWO CATEGORIES:

- THEY WOULD LIKE ACCESS TO U.S. MILITARY EQUIPMENT AND TECHNOLOGY. DURING THE FAW OFFENSIVE IN FEBRUARY, THEY ASKED (THROUGH ARAB INTERMEDIARIES) FOR SPECIFIC TYPES OF U.S. MADE MILITARY GOODS, INCLUDING BOMBS. WE TURNED THEM DOWN, AND WOULD STILL DO SO.

-- THEY WANT CREDIT. THEIR FINANCIAL SITUATION HAS LEFT THE IRAQIS GASPING, CASTING ABOUT FOR ANY WAY TO EASE THE ECONOMIC PRESSURE THEY CANNOT UNDERSTAND ERIN'S UNWILLINGNESS TO EXTEND CREDIT; SO FAR, THEY HAVE CHOSEN TO TAKE IT AS A POLITICAL AFFRONT.

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A5

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415

DEPARTMENT OF STATE

IS/FPC/CDR

Date.

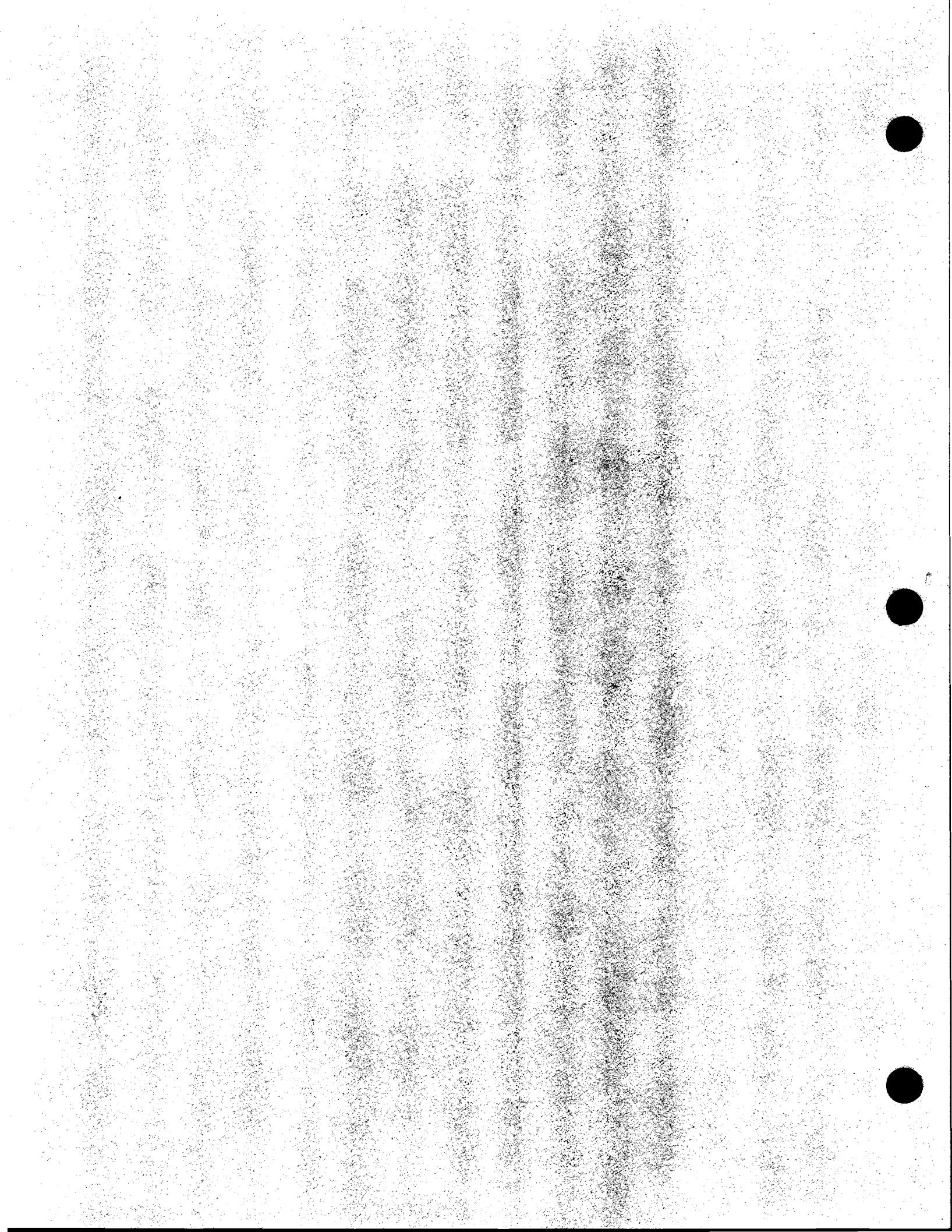
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IRA Exemptions

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Department of State

(E17)

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OUTGO

BI-AS/A4

PAGE 02 OF 05 STATE 289169

001/20 007497 00061

ORIGIN NODS-00

S, D, P, INR, PM

INFO LOG-00 ADS-00 /000 R

DRAFTED BY: NEA/ARP: JCRAIG

APPROVED BY: NEA: RWMURPHY

NEA/NGA: PBURLEIGH

NEA: MVCREEKMORE

L: MMATHESON

PM: DKIELY

H: MJOHNSON

S/S: BLPASCOE

S/S-O: REDOWNEY

4/13/95

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O 132053Z SEP 86 ZFF6
FM SECSTATE WASHDC
TO AMEMBASSY BAGHDAD IMMEDIATE
INFO AMEMBASSY RIYADH IMMEDIATE

~~D.M.
A.R.
M.V.C.~~

S E C R E T STATE 289169

NODIS

E.O. 12356: DECL: OADR

TAGS: MASS, PREL, US, SA, IZ

SUBJECT: UNAUTHORIZED TRANSFER OF MK-84S

REFS: A) STATE 267192 (NOTAL); B) STATE 269006 (NOTAL);
C) RIYADH 7457 (NOTAL); D) RIYADH 7640; E) MUSCAT 4625

1. SECRET - ENTIRE TEXT.

2.

Vertical stamp area containing:
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MOREOVER, INFORMATION HAS COME TO LIGHT WHICH INDICATES



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Department of State

S/S-O
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PAGE 03 OF 05 STATE 289169

CB1/20 007497 NOD61

THAT IRAQ IS SEEKING ADDITIONAL U. S. MUNITIONS LIST EQUIPMENT THROUGH THIRD PARTIES. WE MUST RESPOND TO THESE MOVES TO CIRCUMVENT OUR POLICY OF NO ARMS SALES TO IRAQ.

3. DICK MURPHY WILL APPEAR BEFORE THE HAMILTON SUBCOMMITTEE IN CLOSED SESSION IN THE NEXT FEW DAYS AND ONE SUBJECT THE COMMITTEE HAS ASKED TO DISCUSS IS THE MK-84 TRANSFER. AT THIS TIME, DICK WILL DESCRIBE TO THE CONGRESS THE SEVERAL STEPS THE ADMINISTRATION HAS TAKEN IN DEALING WITH THIS SERIOUS ISSUE.

4. FOLLOWING FOR BAGHDAD'S BACKGROUND IS A BRIEF REVIEW OF THE ISSUE.

731
BAS

AS REQUIRED BY SECTION 3 OF THE ARMS EXPORT CONTROL ACT, WE NOTIFIED THE CONGRESS IN CLASSIFIED LETTERS TO THE HOUSE AND SENATE ON AUGUST 14 OF THE UNAUTHORIZED TRANSFER.

BI
AS

5.

AS NOTED ABOVE, WE BELIEVE IT IS NECESSARY TO

RAISE THE ISSUE WITH THE IRAQIS AS WELL AS THE SAUDIS AND REITERATE OUR POLICY REGARDING TRANSFER OF U. S. ARMS TO



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PAGE 04 OF 05 STATE 289169
THIRD PARTIES.

CB1/20 007497 NODS18

6. AMBASSADOR IS INSTRUCTED TO MAKE THE FOLLOWING POINTS TO THE HIGHEST APPROPRIATE LEVEL OF THE IRAQ GOVERNMENT AS SOON AS POSSIBLE (WE ARE PROVIDING SEPARATE INSTRUCTIONS TO RIYADH FOR USE IN EXPLAINING TO SULTAN OUR INSISTENCE ON RAISING THIS WITH THE IRAQIS):

-- AS YOU KNOW, WE HAVE A FORMAL POLICY OF NEUTRALITY IN THE GULF WAR. IN THE CONTEXT OF THIS POLICY, WE DO NOT TRANSFER U. S. MILITARY EQUIPMENT TO EITHER IRAN OR IRAQ. WE DO NOT LICENSE U. S. ARMS FOR DIRECT SALES OR TRANSFER THROUGH THIRD PARTIES TO EITHER PARTY TO THE CONFLICT.

-- WE TAKE ENFORCEMENT OF OUR POLICY VERY SERIOUSLY, BOTH BECAUSE WE WANT TO SAFEGUARD THE RELATIONSHIP WITH COUNTRIES THAT HAVE PLEDGED NOT TO TRANSFER ARMS WITHOUT OUR AUTHORIZATION, AND ALSO IN ORDER TO UNDERSCORE U. S. NEUTRALITY. UNAUTHORIZED TRANSFER OF U. S. EQUIPMENT,

EVEN IF INADVERTENT, CREATES DIFFICULTIES UNDER U. S. LAW.

-- WE HAVE RECENTLY LEARNED THAT IRAQ RECEIVED A NUMBER OF MK-84 BOMBS OF U. S. ORIGIN FROM SAUDI ARABIA, AND WE HAVE TAKEN THE MATTER UP WITH THE SAUDIS. IN ADDITION, UNDER PROVISIONS OF U. S. LAW, WE HAVE NOTIFIED THE U. S. CONGRESS OF THE UNAUTHORIZED TRANSFER.

I HAVE BEEN INSTRUCTED TO INQUIRE WHETHER ANY OF THE BOMBS ARE UNEXPENDED.

-- WE ARE ALSO AWARE OF RECENT IRAQI ATTEMPTS TO PROCURE OTHER U. S. ARMS AND RELATED EQUIPMENT THROUGH THIRD PARTIES. WE CANNOT ALLOW SUCH EQUIPMENT TO BE

TRANSFERRED TO IRAQ.



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Department of State

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PAGE 05 04 05 STATE 209160

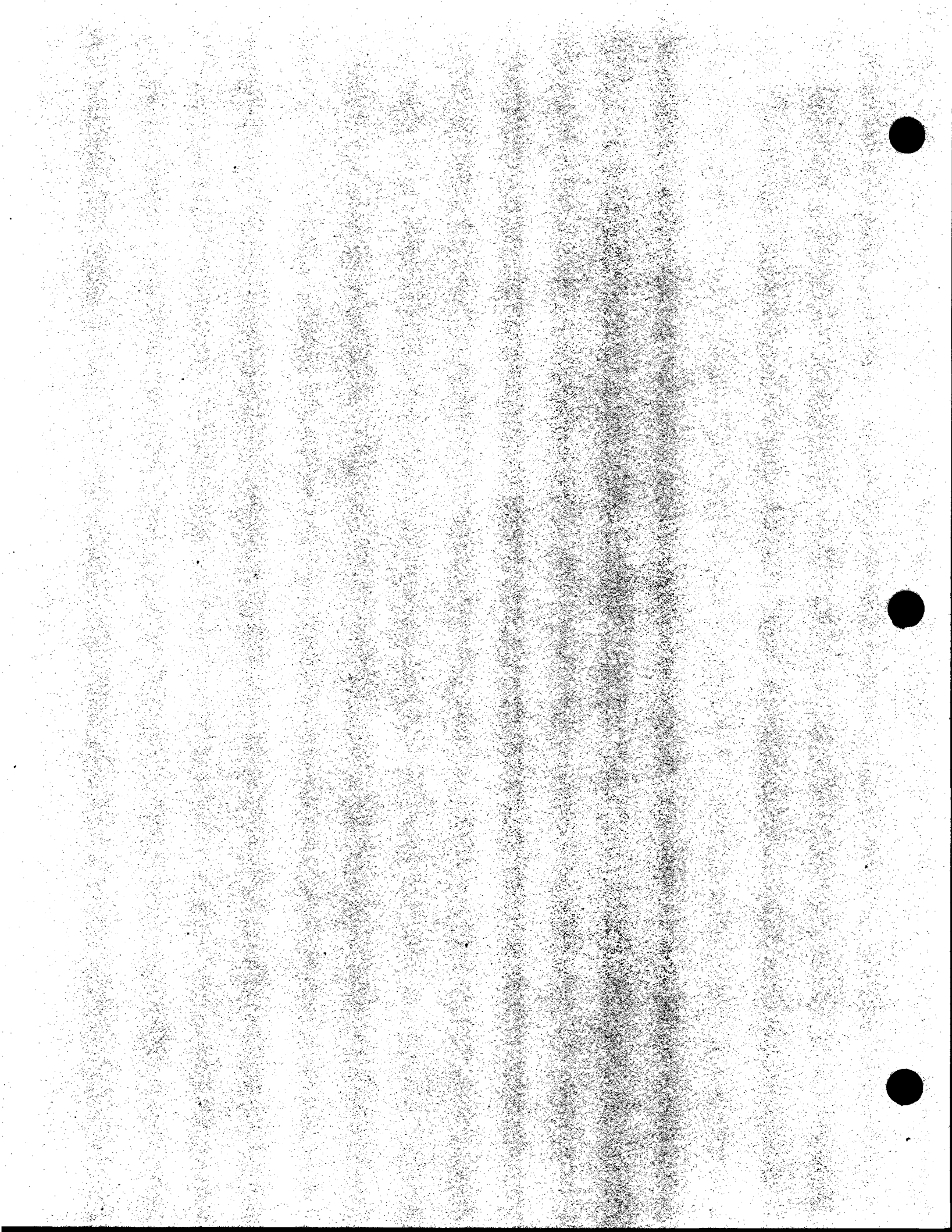
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-- I WANT TO BRING THIS TO YOUR ATTENTION SO THAT WE CAN AVOID ERRORS AND MISUNDERSTANDINGS WHICH COULD NEGATIVELY IMPACT ON OUR BILATERAL RELATIONS AS WELL AS U. S. RELATIONS WITH THIRD COUNTRIES.

- IT REMAINS OUR POLICY TO SUPPORT EVERY APPROPRIATE EFFORT TO SEEK A NEGOTIATED OR MEDIATED SETTLEMENT TO THE WAR. BECAUSE OF IRAN'S INTRANSIGENCE WE ALSO WORK TO HINDER ARMS RESUPPLY TO IRAN. THIS POLICY, WHILE NOT FULLY SUCCESSFUL, HAS HAD SIGNIFICANT SUCCESS. A CREDIBLE U. S. POLICY OF NEUTRALITY HAS BEEN AND CONTINUES TO BE AN ESSENTIAL ELEMENT IN OUR EFFORTS TO PERSUADE OUR FRIENDS NOT TO SELL MILITARY EQUIPMENT TO IRAN. IN THAT CONTEXT, WE MUST REQUEST THAT IRAQ CEASE ITS EFFORTS TO CIRCUMVENT U. S. POLICY THROUGH THIRD PARTIES. SHULTZ





Date: 02/21/87 User: NSDBR NoteLog: NOTE Sequence: 213 Page 1 of 1
Dennis Ross JOHN M. POINDEXTER 10/03/86 18:13
Expanding Intelligence to Provided to the Iraqis

FROM: NSDBR --CPUA TO: NSRBM --CPUA 10/03/86 18:13:49
To: NSRBM --CPUA JOHN M. POINDEXTER NSWRP --CPUA JOHN M. POINDEXTER
FROM: Dennis Ross

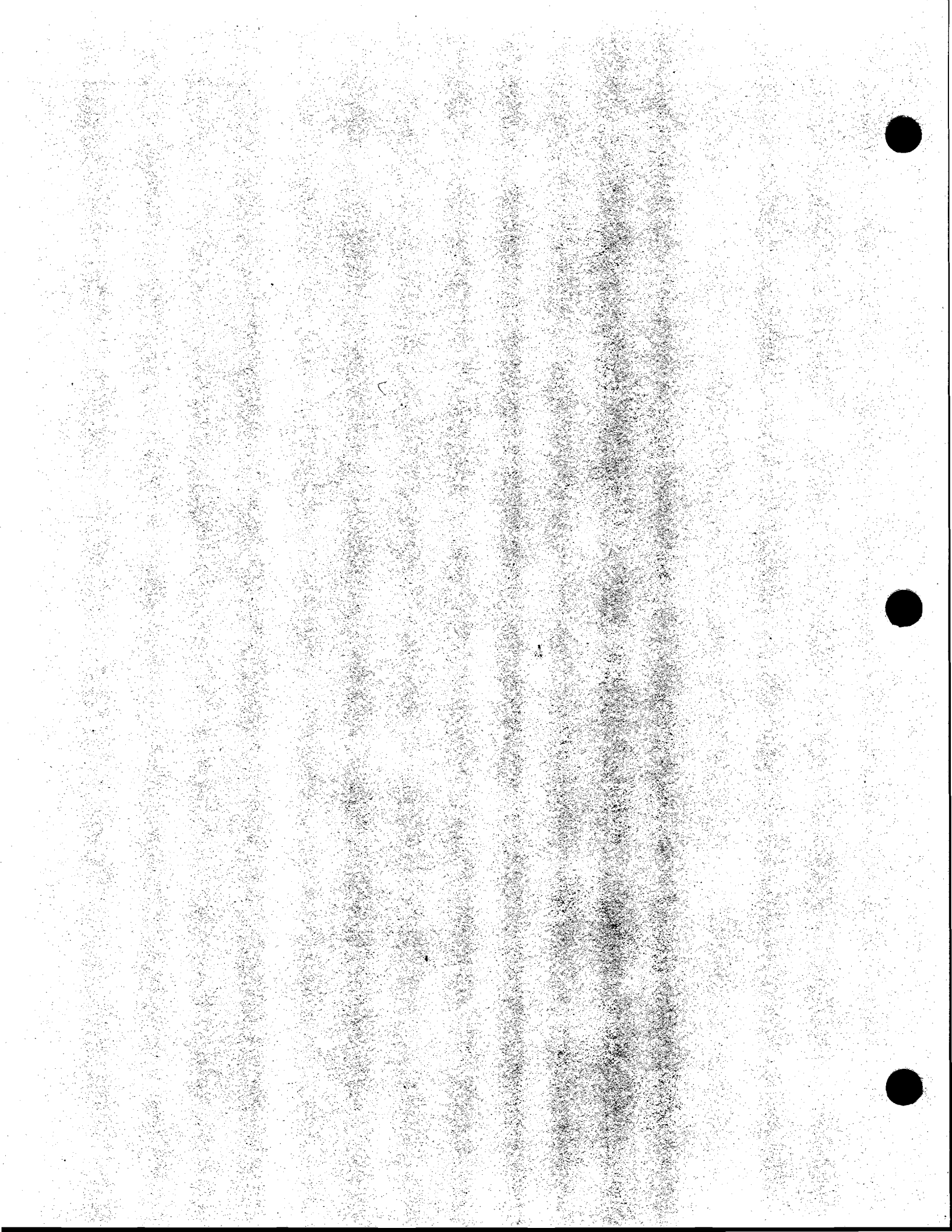
SUBJECT: Expanding Intelligence to Provided to the Iraqis

I just talked to Tom Twetten, and he said Casey understood that you wanted to think about providing the intelligence on economic targets to the Iraqis. He said he assumed you would get back to him in a day or so on whether or not to go ahead. I told Twetten that I thought you had decided that we shouldn't provide it at this time. Twetten said you might want to give Casey a call.

Declassified/Released on 8-22-94
by NARA on the recommendation of the NSC









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AMT 120410-4186

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PAGE 01 BAHDA 0909 012402
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SECRET BAHDA 0909

DECLASSIFIED BY: Frank Machak
Director, Office of FOI,
Privacy and Classification
Review

June 1, 1992

E.O. 129581 DECL: OADR
TAGS: PREL, GR, IZ
SUBJECT: GREEK TRANSFER OF AMMUNITION TO IRAQ

REF: ATHENS 181041 ATHENS 212045

1. ~~SECRET~~ - ENTIRE TEXT

2: REFTELS OUTLINE POSSIBLE VIOLATION OF U.S. EXPORT CONTROL REGULATIONS INVOLVING USE OF U.S.-ORIGIN FUSES IN AMMUNITION SUPPLIED BY A GREEK MANUFACTURER TO IRAQ.

3. THE CASE RECALLS THE RECENT PROBLEM WITH U.S. ORIGIN CLUSTER BOMBS SUPPLIED INADVERTENTLY TO IRAQ BY SAUDI ARABIA, THERE ARE, HOWEVER, IMPORTANT DIFFERENCES. SINCE THE FUSES WERE ONLY COMPONENTS THERE IS NO REASON IN THIS CASE TO BELIEVE THAT THE IRAQIS WOULD HAVE KNOWN THAT THEY WERE PART OF THE ARTILLERY SHELLS. CONSEQUENTLY, AND PARTICULARLY BECAUSE OF THE SUSPICION AND SENSITIVITY DISPLAYED BY THE GOI IN THE PREVIOUS CASE, WE BELIEVE IT WOULD BE COUNTER-PRODUCTIVE TO RAISE THIS ISSUE HERE IN BAHDA. IT WOULD ALSO BE DISTINCTLY HARMFUL TO THE U.S. EFFORT IF THE IRAQIS WERE TO INACTIVATE 100,000 ARTILLERY SHELLS AT A TIME WHEN THEY ARE AMPLIFYING A PASSIVE IRANIAN OFFENSIVE

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PAGE 02 BAHDA 0909 012402

THAT THE U.S. GOVERNMENT DOES NOT WANT TO BRING TO THE ATTENTION OF THE

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THEY WOULD DO SO).

4. TO RAISE A FINE POINT, IT IS A LITTLE MISLEADING TO SUGGEST AS IN ATHENS 2020S, THAT WE ARE EMBARGOING ARMS TO IRAQ. WHILE WE DO NOT SELL ARMS TO EITHER SIDE IN KEEPING WITH OUR NEUTRALITY, WE HAVE NO OBJECTIONS TO HAVING IRAQ RECEIVE THE ARMS IT NEEDS FROM THIRD PARTIES, WHEREAS WE ARE ACTIVELY TRYING TO PREVENT ARMS FROM ANYWHERE REACHING IRAN.

8. REQUEST DEPARTMENT PASS ATHENS.
NEWTON

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TRANSCRIBED COPY FOLLOWS

1. SECRET - ENTIRE TEXT

2. REFTELS OUTLINE POSSIBLE VIOLATION OF U.S. EXPORT CONTROL REGULATIONS INVOLVING USE OF U.S.-ORIGIN FUSES IN AMMUNITION SUPPLIED BY A GREEK MANUFACTURER TO IRAQ.

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THAT THE USG VERY MUCH DOES NOT WANT TO IRAN TO WIN (NOT THAT

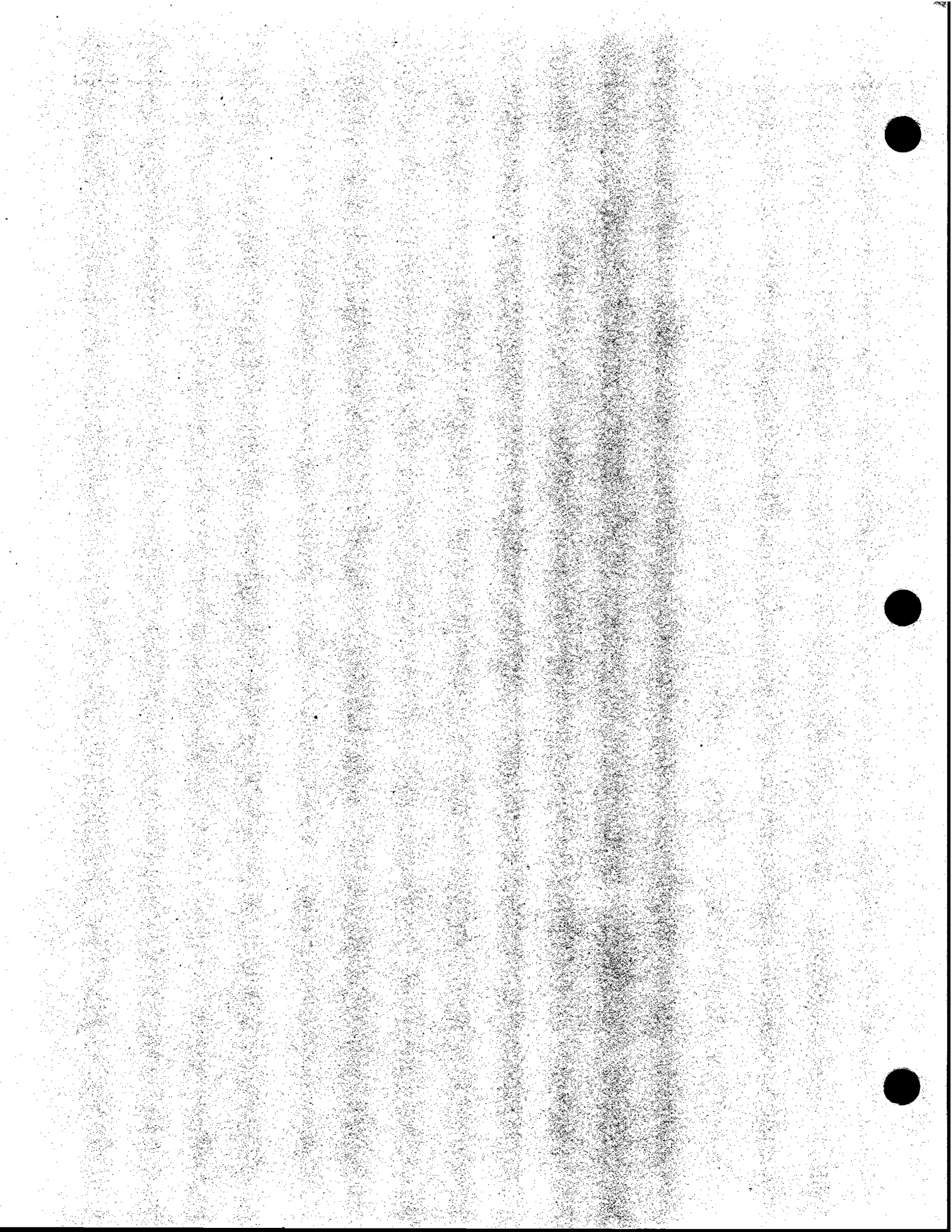
THEY WOULD DO SO).

4. TO RAISE A FINE POINT, IT IS A LITTLE MISLEADING TO SUGGEST AS IN ATHENS [ILLEG], THAT WE ARE TRADING ARMS TO IRAQ. WHILE WE DO NOT SELL ARMS TO EITHER SIDE IN KEEPING WITH OUR NEUTRALITY, WE HAVE NO OBJECTIONS TO HAVING IRAQ RECEIVE THE ARMS IT NEEDS FROM THIRD PARTIES, WHEREAS WE ARE ACTIVELY TRYING TO PREVENT ARMS FROM ANYWHERE REACHING IRAN.

5. REQUEST DEPARTMENT PASS ATHENS.
NEWTON







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Directorate of Intelligence

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Soviet Policy Toward the Middle East

A Research Paper

CIA HISTORICAL REVIEW PROGRAM
RELEASE AS SANITIZED

~~Secret~~

117

would have to worry that the new leaders could turn toward the West, which has the economic wherewithal to rebuild the war-damaged Iranian economy. A victorious Iran would undermine Soviet influence in Baghdad and probably make the Khomeini regime even less susceptible to Soviet threats or pressure. Moreover, the Kremlin would not want to see an anti-Soviet Iranian regime, whose Islamic fundamentalism might potentially attract adherents among the USSR's own Muslims, spreading its influence beyond Iranian borders.

A Major Increase in Overall Support for the Afghan Rebels

This would exempt the Soviets either to abandon their current strategy of shifting the burden of the fighting to the Afghan military or to risk the Marxist regime's collapse, which we believe they are not prepared to accept. A major expansion of Soviet investment in the war against the rebels—possibly including increased cross-border raids into Pakistan—would carry significant political and economic costs. Moscow probably would come under heavy criticism from West European, Middle Eastern, and Third World governments. The increased Soviet involvement would especially complicate Soviet relations with China and India, not to mention the further chill it would have on US-Soviet relations.

US-Sponsored Talks Between Israel and a Jordanian-Palestinian Delegation

Although such talks today appear unlikely following the split between King Hussein and PLO leader Arafat, the two leaders could quickly reconcile. US success in working out a settlement of the Palestinian question without Soviet participation would be the most significant blow to Moscow's position in the Middle East since its loss of Egypt. The Kremlin, in our view, would go to great lengths to block the achievement of such a settlement. Soviet efforts would center on backing Syria's moves to intimidate its neighbors against reaching an agreement. Moscow probably would even provide military support for Syrian saber rattling aimed at Jordan or Israel, but the Soviets would advise Damascus against moves

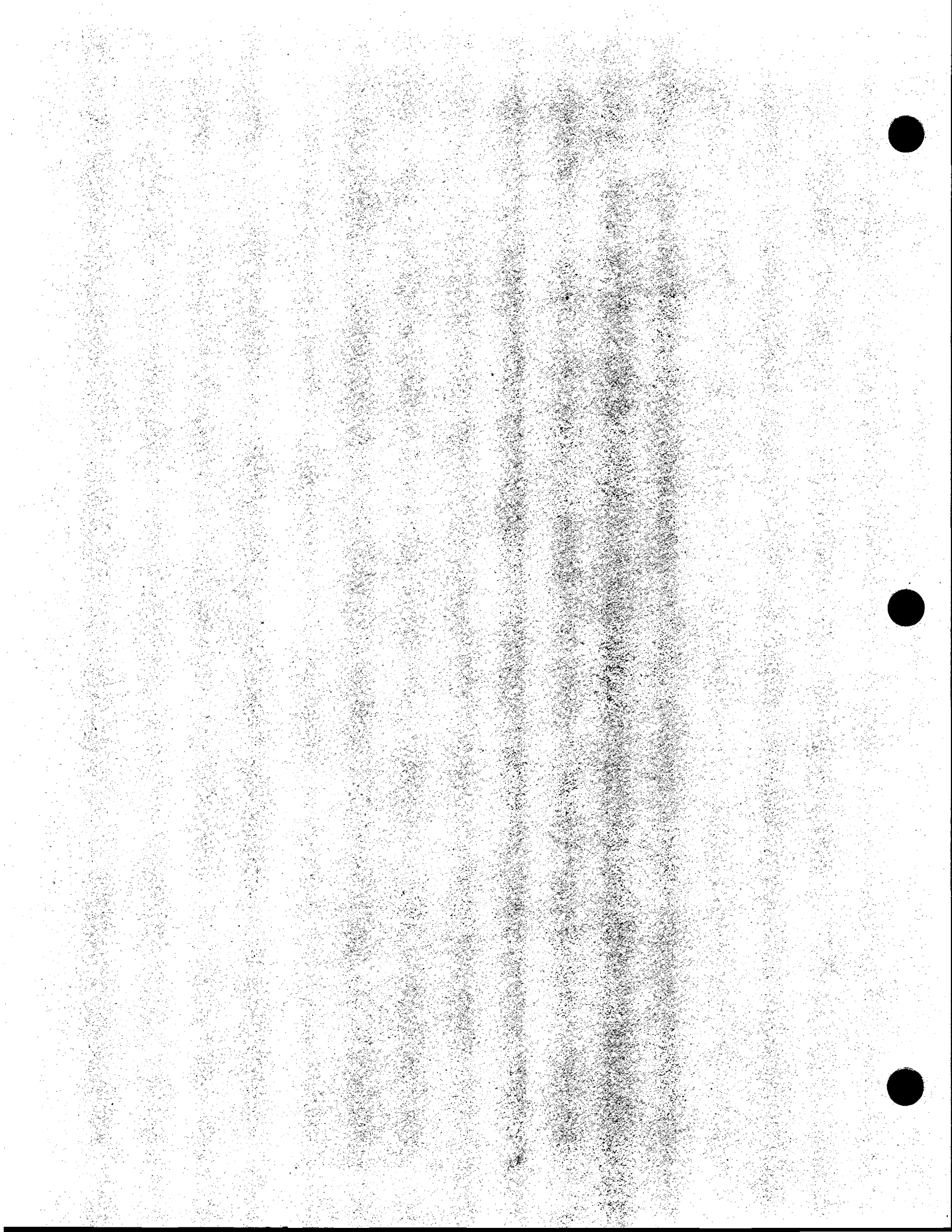
Negative Developments From the Kremlin's Perspective

A Market Expansion of the War

Between Iran and Iraq
The greatest risk in this scenario is that a major threat to the flow of oil out of the Persian Gulf could prompt US military intervention. Such a move—whether predicated for reasons of oil markets or, in the most extreme case, occupation of Iranian territory—would pose significant difficulties for the Soviets. Beyond the immediate problem of deciding what kind of military response they would have to make, the Soviets would face the longer term prospect of an expanded US military presence in the Persian Gulf region. The conservative Gulf states almost certainly would look to Washington for protection.

The Soviets, in our view, also would not want either Iran or Iraq to emerge as a clear victor. Moscow has long preferred a relative balance between the two countries. If either state gained predominance, it would make it more difficult for the USSR to exert influence in the Persian Gulf region. A victorious Saddam would almost certainly be apt to set even more independently of Moscow than he does today. A defector from would look for outside help. It might seek Soviet assistance, but, if the Khomeini regime collapsed as a result of losing the war, the Soviets







United States Department of State

Washington, D. C. 20520

(E 22)

P 8637365

B/n/s; B.S.

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'86 DEC -5 11:01

ACTION MEMORANDUM

S/S 12/5

DEC 05 1986 DEC 1986

SECRET/NODIS

TO: P - Under Secretary Armacost
FROM: NEA - Richard W. Murphy
SUBJECT: U.S.-Iraqi Relations: Picking Up the Pieces

ISSUE FOR DECISION

Whether to authorize certain next steps in U.S.-Iraqi relations.

BACKGROUND

U.S.-Iraqi relations are in crisis, with potentially serious consequences for U.S. standing in the Gulf region and U.S. policy on counterterrorism. Saddam Hussein's letter of November 18 to President Reagan is a measure of the intense anger and sense of betrayal felt by the Iraqis. Unfortunately, though the equipment transferred to Iran from U.S. stocks was limited in type and amount, it is difficult to refute the Iraqis' underlying accusation -- that the U.S. has armed Iran to kill Iraqis, and that the action may well have spurred others to sell to Tehran.

So far, the Iraqis have shown considerable restraint in their public comments on U.S. arms transfers to Iran. They have clearly been waiting to see how the controversy in the U.S. will play out, hoping to turn events to their advantage. However, press commentary in Iraq is becoming shriller, and senior Iraqi officials have begun referring regularly to a "U.S.-Zionist-Persian conspiracy" against the Arabs. We have also received indications that Iraqi officials identified with the reestablishment of relations with the U.S., especially FM Aziz, may be at serious risk inside the regime.

We should move to retrieve our influence with Iraq on terrorism and other crucial issues. We should not -- and given Congressional opposition, we could not -- move away from our policy of neutrality in the Gulf war by providing arms to Iraq. Nevertheless, there are useful options open to us within our established policy.

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SECRET/NODIS
DECL: OADR

Exim

Iraq continues to face serious financial difficulties, which have forced it to pressure many official creditors into rescheduling loan payments. Despite that, the Iraqis have singled out debts to the U.S. for payment, keeping their account with USDA current, settling a debt with American Express at our urging, and eliminating arrearages on Exim-insured L/Cs.

We believe Exim should consider resuming short-term insurance cover in recognition of the Iraqis' forthcoming attitude toward U.S. accounts. While these new facilities are likely to be relatively small, they would be a powerful political signal of U.S. confidence in Iraq's future.

B5

Last summer, the Secretary decided not to intervene with Exim to urge a more open credit policy toward Iraq, in part because of concern that the Department might dilute its influence with Exim on other more pressing cases. However, in light of changed circumstances, we suggest that you telephone Exim Board Chairman Bohn to invite him and other interested Exim Directors to the Department for a discussion and briefing chaired by you and including representatives from E, EB, and NEA.

B1

U.S. High-Tech Exports

American high technology is important to the Iraqis, and U.S. companies have sold a few civilian high-tech items to Iraq for civilian use. Unfortunately, despite our stated policy of encouraging U.S. business in Iraq, we have not been reliable suppliers of high-tech equipment.

B5

J talked to EB.
This is still an issue
It's a good one to raise early w/ Carlucci

The NSC informally agreed last summer to review the interagency dispute over specific licenses for Iraq, but has never taken action. We recommend that you press the NSC to review Commerce licenses long pending for Iraq and to mandate a decision on them by the end of the year.

Munitions List Items: Changes Inadvisable for Now

Twice in the last month, King Hussein has resurrected the issue of U.S. counterbattery radar (TPQ-37) for the Iraqis. We reviewed the possibility of authorizing transfer of the TPQ-37 earlier this year and decided against, partly because, in the judgment of the intelligence community, the equipment would make only a very limited contribution to Iraq's military capability.

RECOMMENDATIONS:

1) That you telephone Exim Chairman Bohn to invite him and other interested Exim Directors to the Department for a briefing on Iraq to be chaired by you.

E will now support

WJ

Approve

Disapprove

2) That you telephone Dr. Keel to press for an NSC review of the interagency process on Commerce license applications for Iraq, with the goal of resolving long-pending license requests for Iraq by the end of this year.

WJ

Approve

Disapprove

3) That you reaffirm our policy of not providing munitions list items to either side in the Gulf war, except in very special circumstances, such as protection of a head of state.

Approve

Disapprove

I would like to see a more thorough analysis of pros and cons of responding to King Hussein's limited proposal.

"I would like to see a more thorough analysis of pros and cons of responding to King Hussein's limited proposal."

Drafted: NEA/NGA: GBerry
12/2/86 x75692 #1435Z
Cleared: NEA/NGA: JPBLeigh
EB/EWT: JSpilsbury
EB/ODF: LMarin
EB/OMA: WPrimosch
PM: VLehovich
NEA: MVCreekmore
C: DClare
T: SSienkiewicz
E: CRies
P: ASteinfeld

4/15

DRAFT FOLLOWS

COB Wednesday, December 3.
United States Department of State (27)

Washington, D. C. 20520

June 1, 1992

DRAFT

27

ACTION MEMORANDUM
S/S

482

TO: The Secretary

THROUGH: P - Under Secretary Armscost

C - EA Dewinski

FROM: NEA - Richard W. Murphy

SUBJECT: U.S.-Iraqi Relations: Picking Up the Pieces

ISSUE FOR DECISION

Whether to authorize certain next steps in U.S.-Iraqi relations.

BACKGROUND

U.S.-Iraqi relations are in crisis, with potentially serious consequences for U.S. standing in the Gulf region and U.S. policy on counterterrorism. Saddam Hussein's letter of November 18 to President Reagan is a measure of the intense anger and sense of betrayal felt by the Iraqis. Unfortunately, though the equipment transferred to Iran from U.S. stocks was apparently limited in type and amount, it is difficult to refute the Iraqis' underlying accusation -- that the U.S. has armed Iran to kill Iraqis.

So far, the Iraqis have shown considerable restraint in their public comments on U.S. arms transfers to Iran. They have clearly been waiting to see how the controversy in the U.S. will play out, hoping to turn events to their advantage. However, press commentary in Iraq is becoming shriller, and senior Iraqi officials have begun referring regularly to a "U.S.-Israeli-Persian conspiracy" against the Arabs. We have also received indications that Iraqi officials identified with the reestablishment of relations with the U.S., especially FM Aziz, are at serious risk inside the regime.

If we are to retrieve our influence with Iraq on terrorism and other crucial issues, we must act quickly. At the same time, we need to show steadiness of purpose to restore credibility to our policy in the Gulf. We should not -- and given Congressional opposition, we could not -- move away from our policy of neutrality in the Gulf war by providing arms to Iraq. Nevertheless, there are useful options open to us within our established policy.

Exim

Iraq continues to face serious financial difficulties. Despite that, the Iraqis have singled out debts to the U.S. for payment, keeping their account with USDA current, settling a debt with American Express at our urging, and eliminating arrearages on Exim-insured L/Cs.

NEA believes Exim should consider resuming short-term credits in recognition of the Iraqis' forthcoming attitude toward U.S. accounts. Besides their financial value, new credits for Iraq would be a powerful political signal of U.S. confidence in Iraq's future.

Last summer, you decided that you would not intervene with Exim to urge a more open Exim policy toward Iraq, in part because of concern that the Department might dilute its influence with Exim on other more pressing cases. In light of recent developments, NEA suggests that you reconsider that decision, authorizing U/S Armacost to telephone Exim Board Chairman Bohn with a strong recommendation that Exim begin considering at least short-term credit applications from U.S. firms doing business in Iraq.

U.S. High-Tech Exports

American high technology is important to the Iraqis, and U.S. companies have sold a few civilian high-tech items to Iraq for civilian use. Unfortunately, despite our stated policy of encouraging U.S. business in Iraq, we have not been reliable suppliers of high-tech equipment.

The Commerce Department has frequently delayed or blocked licenses for such sales because of pressure from DOD, which has expressed concerns about technology transfer. In the judgment of the intelligence community as a whole, DOD's concerns are exaggerated. In practice, they have meant lost sales for U.S. companies and a constant irritant in U.S.-Iraqi relations. The NSC informally agreed last summer to review this dispute among State, DOD, and Commerce, but has never taken appropriate action. NEA recommends that you authorize U/S Armacost to press the NSC to review Commerce licenses long pending for Iraq and to mandate a decision on them by the end of the year.

ak

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RECOMMENDATIONS:

1) That you authorize U/S Armacost to telephone Exim Chairman Bohn to emphasize the Department's interest in renewed credits for Iraq.

_____ Approve

_____ Disapprove

2) That you authorize U/S Armacost to press the NSC for review of the interagency process on Commerce license applications for Iraq, with the goal of resolving long-pending license requests by the end of the year.

_____ Approve

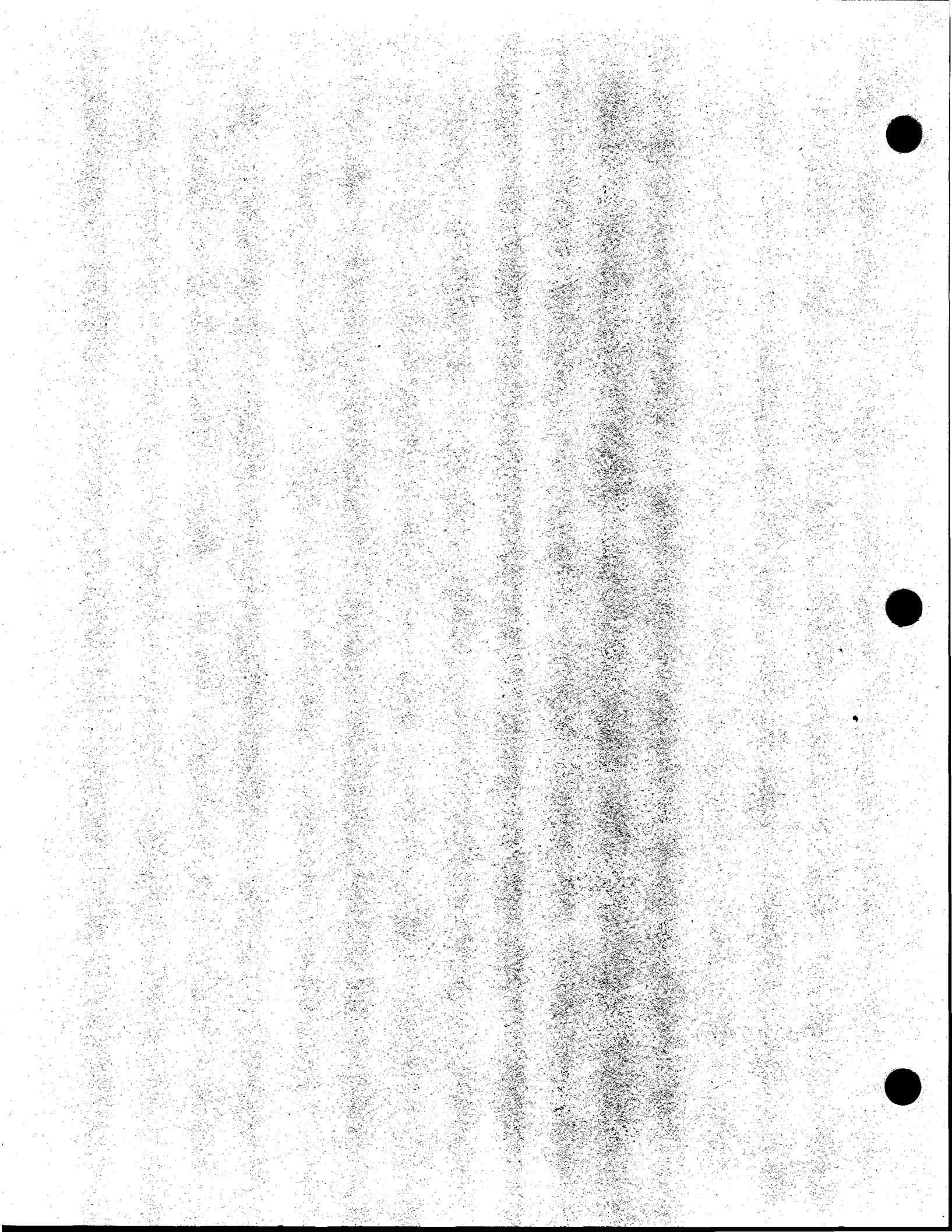
_____ Disapprove

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Clearance/comments
for Secy's possible
use tomorrow.*

Secret

U.S. INTELLIGENCE FOR IRAQ

Peter

Q. Can you confirm the December 15 Washington Post story that the U.S. has been supplying military intelligence to Iraq for the past eighteen months? If so, why have we been doing so? If so, how can we claim to be neutral in the war?

-- You have been briefed by the Agency on the substance of the intelligence exchange with Iraq.

A. --The provision of limited, but useful, amounts of intelligence to Iraq is something which I approved--and continue to approve.

--Our policy of neutrality on the war remains. We favor an end to the war with neither a victor nor a vanquished and with the independence and territorial integrity of both Iraq and Iran intact.

--Our policy on the war is clear--we want it ended at the earliest possible time. Iraq has been willing to negotiate an end to the war for the past several years. Iran has been the recalcitrant party--and continues to be. We look for ways to pressure Iran to reconsider its stubborn commitment to the war -- through Operation Staunch and through diplomatic pressures. Iraq is the only country which can exert direct military pressure on Iran. We decided that the stakes involved in the outcome of the Iran-Iraq war were great enough to justify supplying some intelligence to Iraq.

DEPARTMENT OF STATE	IS/PPC/CDR	Date:	RF: 1987
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NEA/NGA:APBurleigh 12/15/86

Wang 1517Z

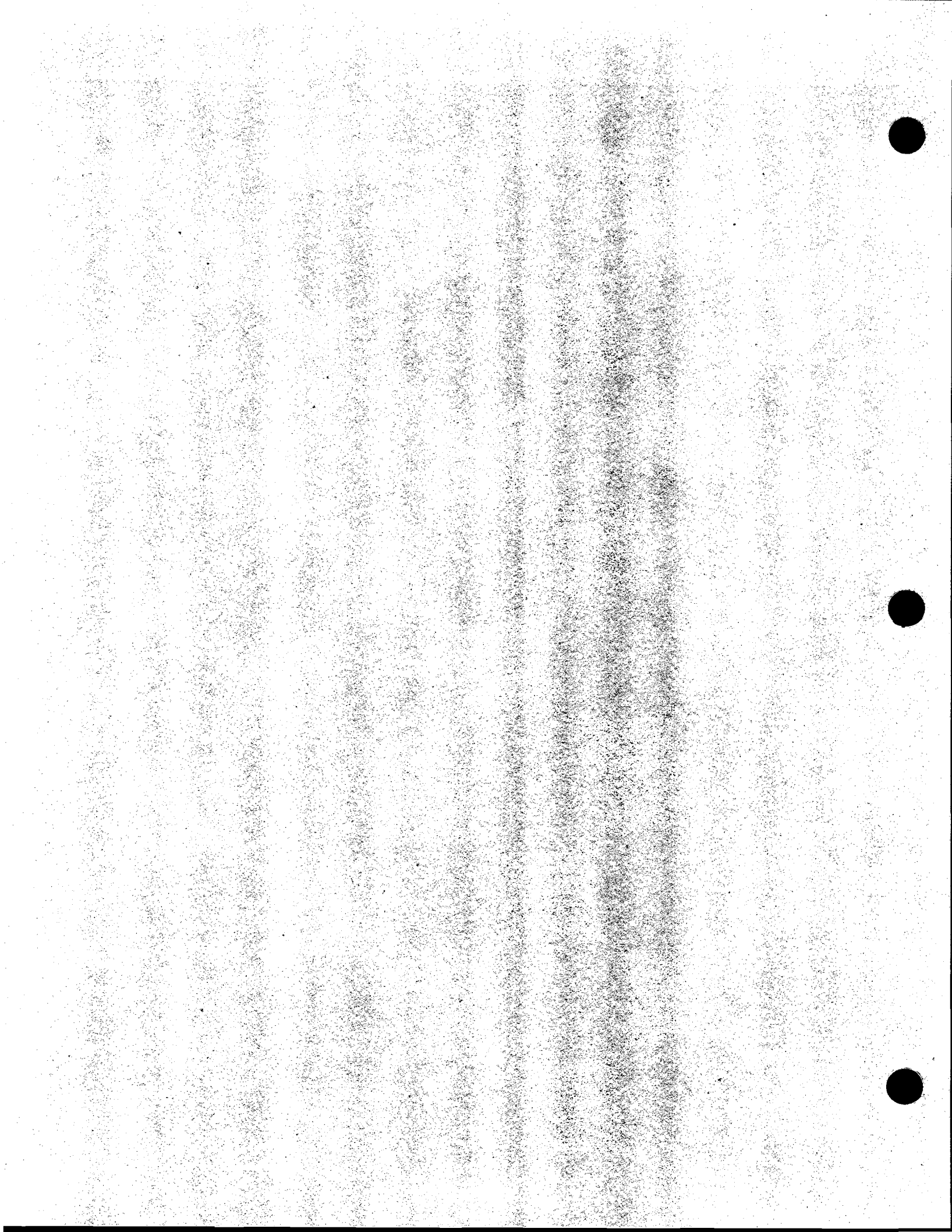
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*GB -
Ex. 1. This
is what was
prepared - Q & A -
for Secy last
night. gpb*







Date: 02/21/87 User: NSDBR NoteLog: NOTE Sequence: 48 Page 1 of 1
Dennis Ross Frank C. Carlucci 01/20/87 09:56
Response on Waite and Status of Iran-Iraq War

FROM: NSDBR --CPUA TO: NSGSG --CPUA 01/20/87 09:56:47
To: NSGSG --CPUA Frank C. Carlucci NSWRP --CPUA Frank C. Carlucci
FROM: Dennis Ross
SUBJECT: Response on Waite and Status of Iran-Iraq War

I checked and was told by State that Waite has had no contact with US officials on his current trip. In the past, he has met with the Ambassador and others.

On the current fighting around Basra, the latest intelligence shows the Iranians around two miles from the Iraqi perimeter defenses around Basra. While the Iranians may be unlikely to take Basra at this time, they have already achieved a significant gain in a strategically important area. They are holding more territory, and the Iraqis will probably shy away from trying to dislodge them. This will add to the nervousness of our friends, even as the upcoming Islamic Summit in Kuwait gives them more of a reason publicly to hold us responsible for the Iranian successes--something the Iraqis will play up when the current fighting ends. (Mubarak's interview in a UAE paper should be seen as posturing himself for the Summit.)

At the same time, Gulf state fears of Iranian gains will probably lead again soon to requests for help from us. Offering to convene our contingency planning groups now with the Saudis and others might make alot of sense.

Last item: I'm doing a paper laying out where we are on Arab-Israeli issues after the Murphy mission. Murphy plans to see Shultz late in the week to talk about next steps--I've got some ideas on what we might be doing at several different levels and I'll send those into you today or tomorrow.

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