

Date: 02/21/87 User: NSFCC NoteLog: NOTE
NSFCC --CPUA NSWRP --CPUA
Response on Waite and Status of Iran-Iraq War

Sequence: 29 Page 1 of 1
01/20/87 13:21

FROM: NSFCC --CPUA TO: NSWRP --CPUA
To: NSWRP --CPUA

01/20/87 13:21:31

UNCLASSIFIED

*** Reply to note of 01/20/87 12:25

NOTE FROM: Frank C. Carlucci

Subject: Response on Waite and Status of Iran-Iraq War

I ASKED GEORGE S. TO CONVENE A MEETING OF THE SIG TO DISCUSS THE MESSAGE FROM
***** AND TO DO SOME CONTINGENCY PLANNING SHOULD BASRA FALL. HE AGREED. CWW WOU
LD FAVOR SOME OVERT TILT TOWARD IRAQ. GS IS MORE CAUTIOUS.

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

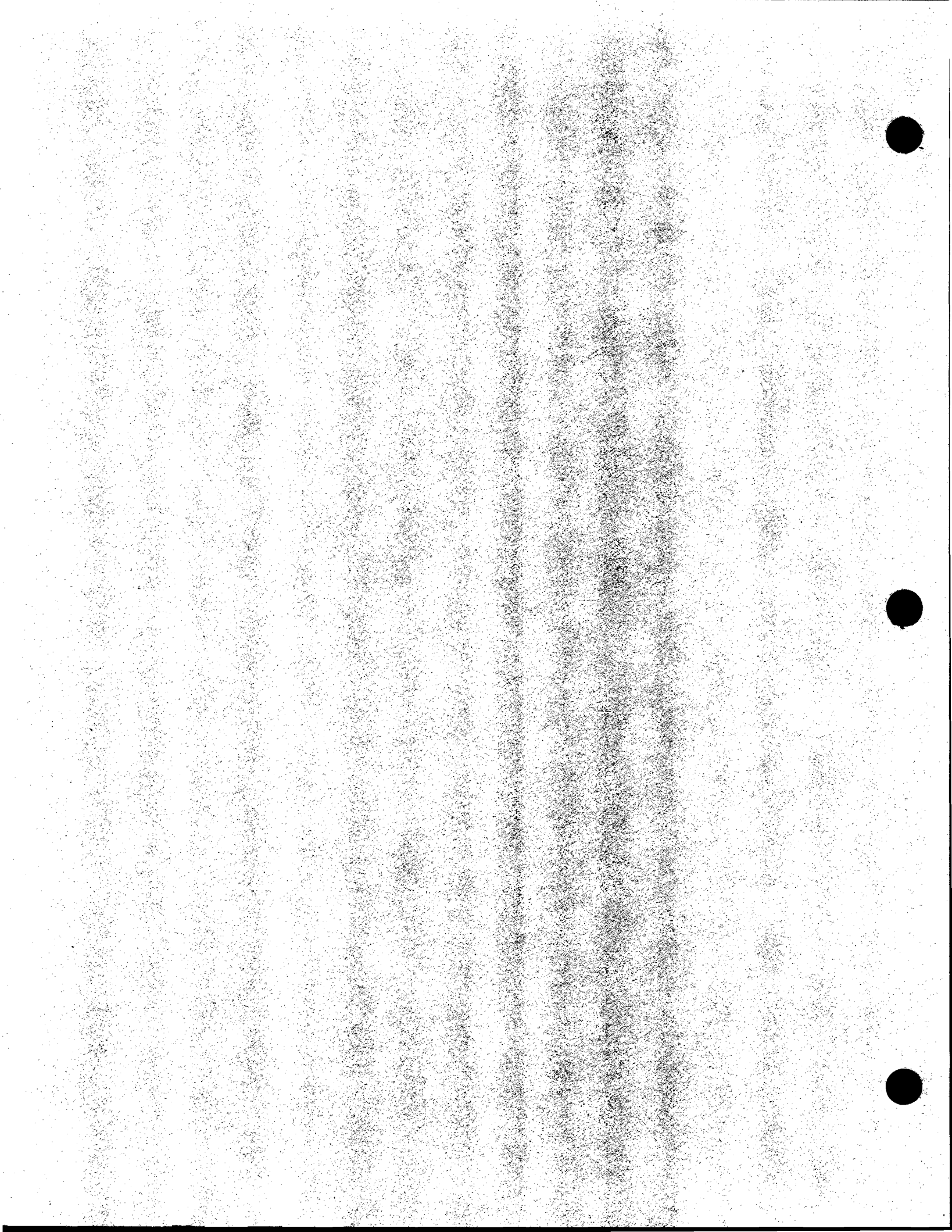
Classified by: Multiple Sources
Declassify on: OADR

UNCLASSIFIED

(b)(1)
(s)







Date: 02/21/87 User: NSDBR NoteLog: NOTE
Dennis Ross NSWRP --CPUA
Response on Waite and Status of Iran-Iraq War

Sequence: 47 Page 1 of 1
01/20/87 16:07

FROM: NSDBR --CPUA TO: NSWRP --CPUA
To: NSWRP --CPUA

01/20/87 16:07:34

*** Reply to note of 01/20/87 15:44

FROM: Dennis Ross

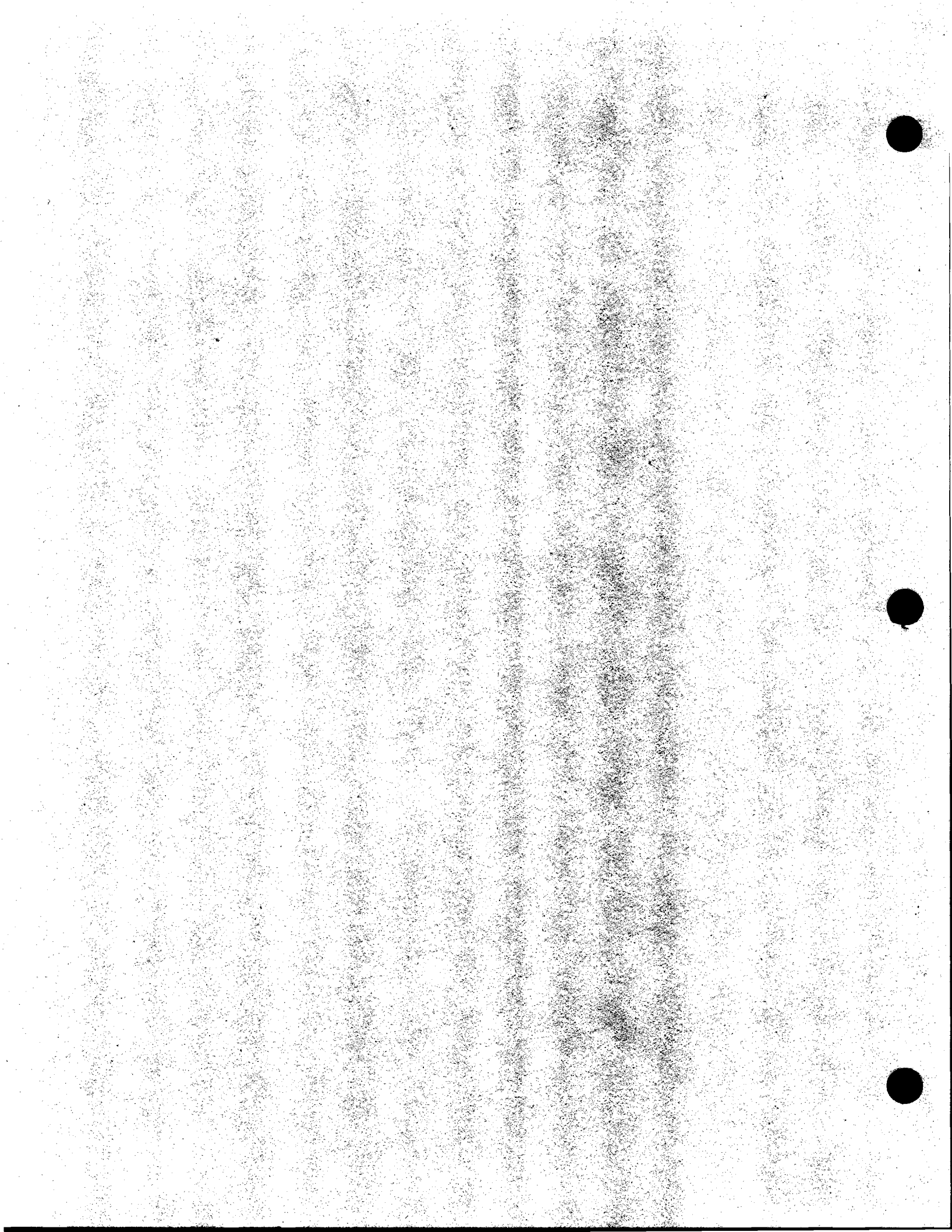
Subject: Response on Waite and Status of Iran-Iraq War

Getting the process going soon is important. We need to energize the bureaucracy so that we are in a position to begin communicating to Gulf regimes about the steps we are prepared to take. At this point, fears will dominate the behavior of many of our friends--and they will be looking for signs that we are not paralyzed by the Iranian affair. While we have much to overcome, the Saudis and others still have no one else to turn to in the crunch and this could be a time to begin to re-establish some of our credibility. Given all that's at stake--and the pattern of the intelligence community underestimating the Iranian potential for gains--I think an early Deputies group meeting is called for.

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







Declassified/Released on 01-15-94
under provisions of E.O. 12356
National Security Council
793-1402 F
01/21/87 12:12:40

Hearing Summary
NSC NSC --- CPUA
NSC NSC --- CPUA
NSC NSC --- CPUA
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NSC NSC --- CPUA

TO: NSPRC ---CFUA
NSPRC ---CFUA
NSPFP ---CFUA
NSPFP ---CFUA
NSPFP ---CFUA

DOC 19

Colin L. Powell

Colin L. Powell

*** Incoming note of 01/21/87 11:55
TO: NSPRC ---CPUA Colin L. Powell NSPFP ---CFUA Colin L. Powell
FROM: William A. Cockell
SUBJECT: Iran Iraq

Frank opened the discussion by reviewing the shopping list or possible US actions which Dick Surphy had brought over last evening. He said Dennis Ross would be coordinating with Mich Raitage so Frank could brief the President today. Cap felt it clearly was time to drop any pretense of even-handedness. He should no longer talk about ending the war "with no winners or losers." Iran is the aggressor in this case; and we should not only be supportive of Iraq, but should be seen to be supportive. This is an opportunity to recoup some of our standing in the region and regain credibility with the Arab states. With regard to accelerating arrival of the CVBG in the IO, Cap pointed out that if we are going to do it, we should take action now, since it will take a while for the battle group to transit. Defense would not want to put the carrier into the Persian Gulf, but having it on station in the Northern Arabian Sea made sense. Someone asked whether there is a non-nuclear battle group presently in the Med that could be used for the IO. No one knew whether one or both of the carriers now in the Med were nuclear.

Classified by: Multiple Sources
Declassify on: OADR

NSC-000151

Cap pointed out that this might be a good time to press Egypt on a nuclear transit. Frank noted that Mubarak had just committed the ultimate folly -- he rejected the President's invitation. He speculated that we might be able to move Hussein [of Jordan] into that slot.

basically a political one, Frank observed. If we provide relief for the domestic program constituencies will be up in arms, and the heat from the hill will be intense. Cap commented that there are sound national security reasons from trying to provide

[Redacted block]

Discussion then returned to the issue of Murphy's shopping list. Frank continued to go through the items, and Cap was generally supportive and reiterated his view that we should not only take action to assist Iraq but ensure that the assistance is visible. "Even if they don't need (U.S.) arms, we should make the offer," he felt, to impress on the Iraqis our bona fides and show the other Arabs as well that we want to be supportive. Others were not sure that an arms sale offer would be appropriate, or that it would play well politically here. There would be perception problems. Some would suggest it was a ploy by the President to deflect criticism of the Iran arms deal. An inconclusive discussion ensued about the legality of providing arms to the Iraqis through third parties, etc. No one was sure how the law might constrain our authorizing G-7 countries to transfer US equipment to Iraq, e.g. Cap agreed the arms would be essentially a symbolic gesture. The Iraqis' problem is not lack of weapons, but one of leadership and morale. We need to stiffen them up some way. Frank observed that if we are looking for a symbolic gesture, the sending of a team to discuss their needs with the Iraqis might be a good approach. Cap agreed, and the discussion ended on that note.

cc: NSPRC ---CFUA
NSPRC ---CFUA
NSPFP ---CFUA
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[Note: Superimposed text declassified by NSC staff in mid-1990s.
See Tom Blanton, ed., White House E-Mail, (New York: The New Press, 1995) pp. 235-237.]

EXCISED COPY FOLLOWS

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DOC 6

FROM: William A. Cockell

Subject: Iran-Iraq

Re: Forwarding note from NSDAS --CPUA

01/21/87 12:12 ***

To: NSDAS --CPUA
NSDAP --CPUA
NSDPP --CPUA
NSDSS --CPUA
NSDST --CPUA

NSPBA --CFUJ
NSDAP --CFUA
NSDPP --CFUA
NSDSS --CFUA
NSDST --CFUA

Colin L. Powell

Authority Derives from Section 1.2(a) of E.O. 12958
under provisions of E.O. 12958
by D. Van Tassel, National Security Council
(F94-1406)

Re: Resending note of 01/21/87 11:55

To: NSDSS --CPUA Colin L. Powell

NSDAP --CFUA

Colin L. Powell

FROM: William A. Cockell

Subject: Iran-Iraq

Frank opened the discussion by reviewing the shopping list of possible UN actions which Nick Murphy had brought over last evening. He said Dennis Ross would be coordinating with Rice tonight so Frank could brief the President today. Cap felt it clearly was time to drop any pretense of even-handedness. He should no longer talk about ending the war "with no winners or losers." Iran is the aggressor in this case; and we should not only be supportive of Iraq, but should be seen to be supportive. This is an opportunity to recoup some of our standing in the region and regain credibility with the Arab states. With regard to accelerating arrival of the CVBG in the IC, Cap pointed out that if we are going to do it, we should take action now, since it will take a while for the battle group to transit. Defense would not want to put the carrier into the Persian Gulf, but having it on station in the Northern Arabian Sea made sense.



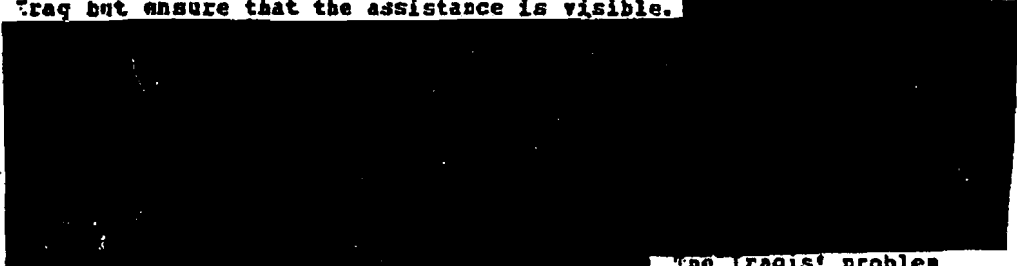
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This led to a

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discussion of the FMS debt restructuring issue. The problem is basically a political one, Frank observed. If we provide relief for Egypt and others, the domestic program constituencies will be up in arms, and the heat from the hill will be intense. Cap commented that there are sound national security reasons from trying to provide Egypt some debt relief. Egypt is critical to the Mideast peace process; and in a contingency, we could well require Egyptian cooperation in the matter of bases, or other support. Cap said he intended to raise the FMS debt issue with the President, and urge him to direct Baker to be more forthcoming. Even if domestic pressures preclude our doing any more, it would be useful for the Administration to be seen (by the Egyptians) as at least attempting to provide greater relief. (Frank asked me to obtain talking points for the President to use with Cap. I passed the requirement to Steve Farrar who has provided them to Bob Pearson.) Discussion then returned to the issue of Murphy's shopping list. Frank continued to go through the items, and Cap was generally supportive and reiterated his view that we should not only take action to assist Iraq but ensure that the assistance is visible.



(b)(7)
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The Iraqis' problem is not lack of weapons, but one of leadership and morale. We need to stiffen them up some way. Frank observed that if we are looking for a symbolic gesture, the sending of a team to discuss their needs with the Iraqis might be a good approach. Cap agreed, and the discussion ended on that note.

cc: NSDSS --CPUA
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NSDPP --CPUA
NSDST --CPUA

NSDAP --CFUJ
NSDDB --CFUA
NSDPP --CFUA

Iran-Iraq

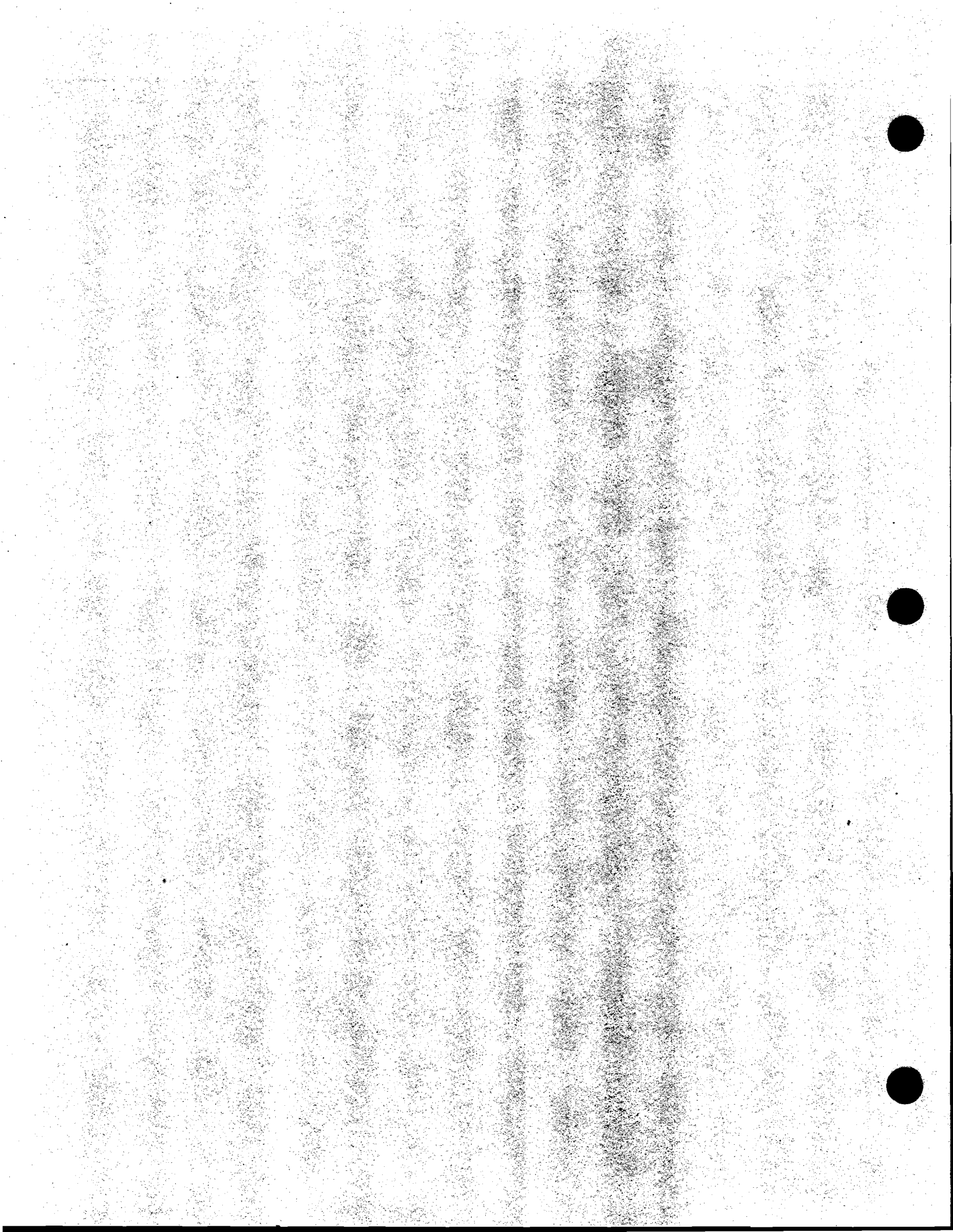
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DECLASSIFY ON: OADR







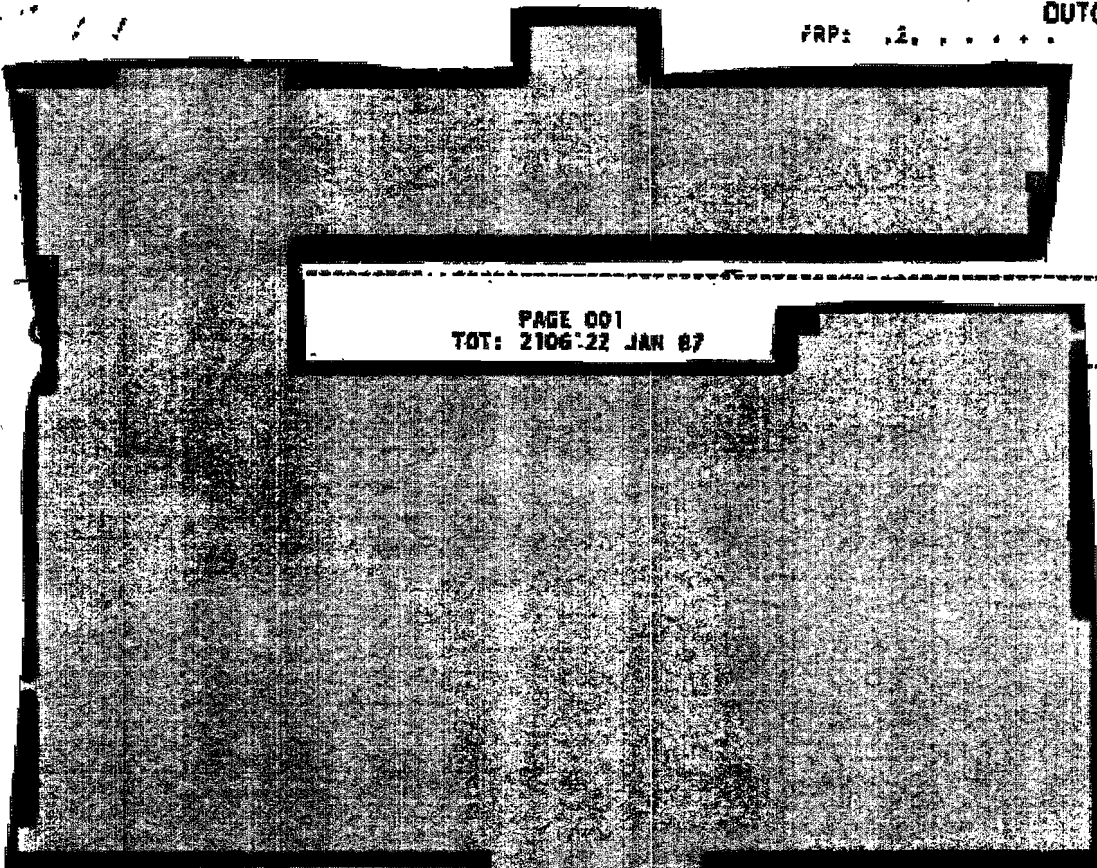
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FRP: .2.

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PAGE 001
TOT: 2106:22 JAN 87

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SUBJECT: MIDDLE EAST ASIA BRIEF
1987.

FOR 21 JANUARY

FROM: ODI/O [redacted]

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CONTENTS

- 1. IRAN-IRAQ: CONCERN AMONG PERSIAN GULF ARABS
- 2. KUWAIT-IRAN: ISLAMIC SUMMIT DEVELOPMENTS

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- 4. INDIA: OFFENSIVE BY SIKH EXTREMISTS

b1



- 6. PLO: FATAH'S INVOLVEMENT IN TERRORIST ATTACK
- 7. SOUTH AFRICA: POLITICAL CRISIS IN COLORED COMMUNITY
- 8. NORTH YEMEN-SOUTH YEMEN: POSSIBLE RENEWED RELATIONS
- 9. IN BRIEF

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Approved for Release
Date 10N 1999

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[REDACTED]

PAGE 003
TOT: 210612Z JAN 87

[REDACTED]

b3

1. IRAN-IRAQ: CONCERN AMONG PERSIAN GULF ARABS

IRAQI FORCES HAVE BEEN UNABLE TO KEEP IRAN FROM GAINING GROUND EAST OF AL BASRAH, RAISING FEARS AMONG OTHER PERSIAN GULF STATES THAT THE CITY MAY FALL.

[REDACTED]

b3

THE GULF STATES HAVE MAINTAINED THEIR FINANCIAL AND MORAL SUPPORT OF IRAQ. [REDACTED] GULF COOPERATION COUNCIL SECRETARY GENERAL BISHARA HAS URGED THE US AND OTHER WESTERN GOVERNMENTS TO CALL PUBLICLY FOR A NEGOTIATED END TO THE WAR.

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[REDACTED] IRAN PROBABLY WILL LAUNCH NEW ATTACKS IN ITS EFFORT TO BREACH IRAQI LINES. BAGHDAD PROBABLY CAN PREVENT THE FALL OF AL BASRAH, BUT, BECAUSE TEHRAN IS KEEPING THEM ON THE DEFENSIVE, THEY ARE HAVING TROUBLE ORGANIZING A COORDINATED COUNTERATTACK TO REGAIN LOST TERRITORY. AIR AND MISSILE ATTACKS ON THE CIVILIAN POPULATIONS IN EACH COUNTRY ARE LIKELY TO CONTINUE.

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IRAQ'S INABILITY TO REPULSE IRANIAN ADVANCES HAS INCREASED FEARS AMONG GULF STATES OF AN IRANIAN VICTORY. MANY PROBABLY BELIEVE THE FALL OF AL BASRAH AND THE OCCUPATION OF SOUTHERN IRAQ WOULD OPEN THE DOOR TO IRANIAN MILITARY PRESSURE ON OTHER ARAB STATES, ESPECIALLY KUWAIT. CONTINUED IRANIAN SUCCESSES WILL ALMOST CERTAINLY PROMPT THE GULF STATES TO ASK THE US FOR CLOSER SECURITY COOPERATION.

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2. KUWAIT-IRAN: ISLAMIC SUMMIT DEVELOPMENTS

THE ISLAMIC CONFERENCE SUMMIT PROBABLY WILL CONVENE IN KUWAIT MONDAY AS SCHEDULED DESPITE THE RECENT SABOTAGE OF KUWAITI OIL FACILITIES AND CONTINUED HEAVY FIGHTING AROUND AL BASRAH.

[REDACTED] AT LEAST THREE SIMULTANEOUS EXPLOSIONS OCCURRED AT KUWAIT'S AHMAZI OFFSHORE SEA ISLAND TERMINAL, HAQL AL MAQMA' OILFIELD, AND MINA 'AB DALLAH OIL REFINERY. THE EXPLOSIONS SHUT DOWN ONE SEA ISLAND BERTH AND THE REFINERY. NO ONE HAS CLAIMED RESPONSIBILITY FOR THE EXPLOSIONS, AND KUWAITI OFFICIALS ARE DENYING THEY ARE TERRORIST RELATED.

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IRANIAN PRIME MINISTER MUSAVI RECENTLY TOLD [REDACTED] THAT THE SUMMIT MIGHT BE DISRUPTED BY VIOLENCE AND THAT ISLAMIC JIHAD, THE IRANIAN-BACKED SHIA GROUP HOLDING HOSTAGES IN LEBANON, WARNED KUWAIT LAST WEEK IT WOULD TAKE NEGATIVE ACTION IF THE SUMMIT CONVENED.

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MOST ISLAMIC HEADS OF STATE PLAN TO ATTEND THE SUMMIT, ALTHOUGH SYRIAN PRESIDENT ASSAD'S PARTICIPATION IS STILL IN DOUBT AND IRAN PROBABLY WILL NOT SEND A DELEGATION.

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[REDACTED] THE EXPLOSIONS IN KUWAIT MAY HAVE BEEN INSTIGATED BY IRAN. THERE ARE MANY IRANIAN SYMPATHIZERS IN KUWAIT AMONG NATIVE SHIAs AND FOREIGN WORKERS EMPLOYED AT OIL FACILITIES; IRANIAN-BACKED

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[REDACTED]

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PAGE 003
TOT: 210612Z JAN 87

[REDACTED]

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TERRORISTS PROBABLY WERE RESPONSIBLE FOR SIMILAR ATTACKS LAST JUNE. THE DAMAGE IS NOT LIKELY TO REDUCE KUWAITI EXPORTS @ ABOUT 1 MILLION BARRELS A DAY.

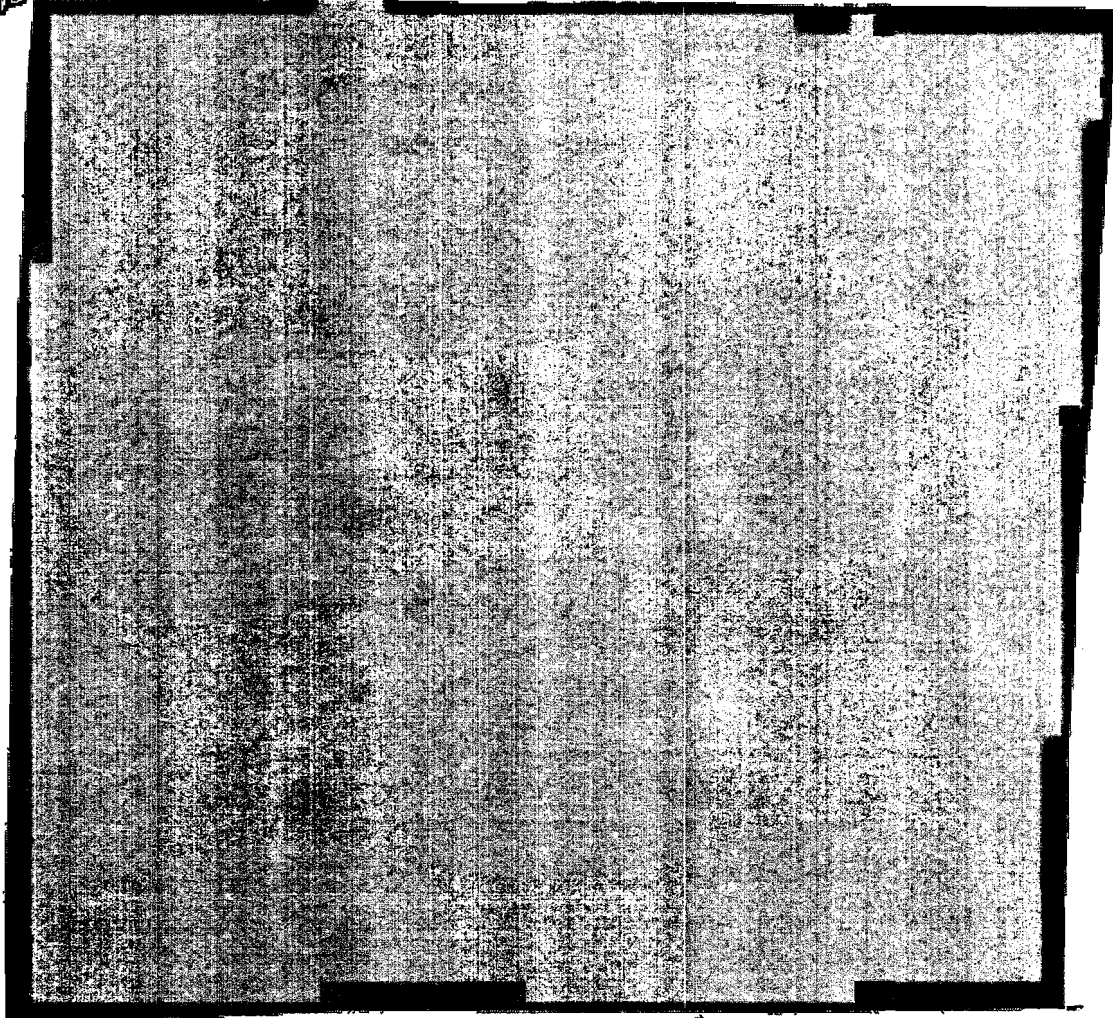
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IRAN HAS BEEN TRYING TO FORCE A POSTPONEMENT AND CHANGE OF LOCATION FOR THE CONFERENCE AND PROBABLY HOPES THAT SABOTAGE AND IRANIAN MILITARY ADVANCES NEAR AL BASRAH--ONLY 40 MILES (65 KILOMETERS) FROM KUWAIT'S BORDER--WILL DISCOURAGE ATTENDANCE. BECAUSE THE HEAVILY DEFENDED CONFERENCE SITE WOULD BE A DIFFICULT TARGET, IRANIAN-BACKED GROUPS MAY TRY TO EMBARRASS KUWAIT BY ATTACKING EASIER TARGETS, SUCH AS OTHER OIL FACILITIES, CAFES, OR SECURITY INSTALLATIONS.

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DESPITE KUWAIT'S STRICT SECURITY MEASURES, OTHER TERRORIST INCIDENTS ARE LIKELY, AND US INTERESTS ARE AT PARTICULAR RISK.



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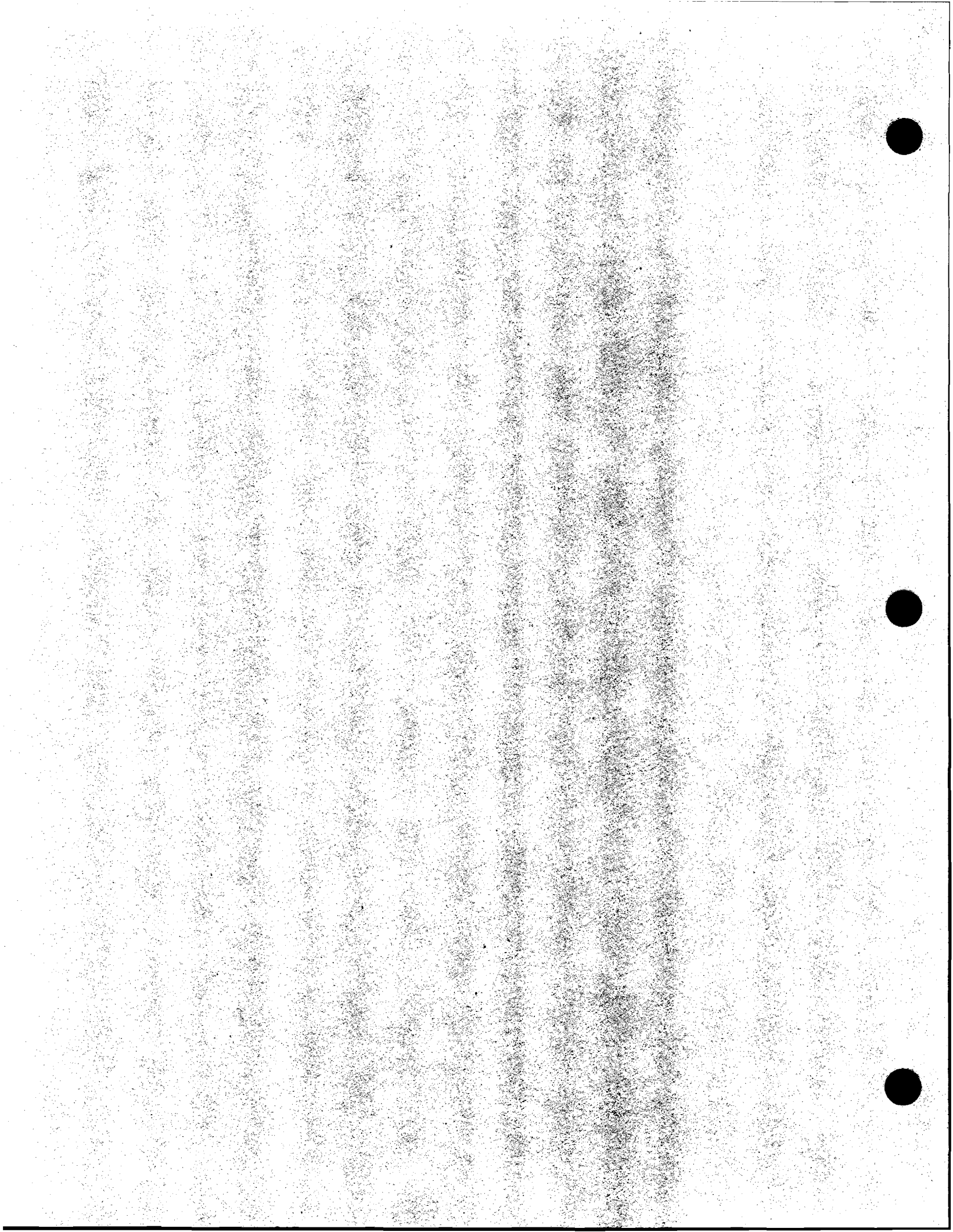
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United States Department of State

Washington, D. C. 20520

87 FEB -4 P 6:21

12

INFORMATION MEMORANDUM

~~SECRET/NOFORN~~

BSV

TO: The Secretary

THROUGH: S - Under Secretary Armscost

FROM: NEA - Richard W. Murphy
PK - M. Allen Holmes

SUBJECT: U.S. Policy on Third-Country Transfers of U.S. Arms to Iraq

S.A. DIXED
FEB 21 1987

SUMMARY. You asked for our assessment of the advisability of shifting U.S. policy to permit the transfer of U.S.-origin weapons to Iraq -- specifically, whether Iraq could use U.S. weapons and, if so, whether we should pass them to Iraq through third countries. We believe that such a change in policy would be inadvisable and counterproductive. In a separate action memorandum, we will be asking you to make a decision on one specific exception to that policy.

.. END SUMMARY.

The Iraqis over the past two years have approached the U.S. through and other intermediaries with requests for U.S. munitions, including artillery shells and aerial bombs, as well as sophisticated counterbattery radar. We have consistently turned down those requests for a combination of technical and policy reasons, among them:

- Since Iraq can meet its equipment needs elsewhere, low-tech U.S. weapons would not have a significant effect on Iraq's military performance, except in the unlikely event that Iraq were running short of munitions during heavy fighting and could not satisfy its needs immediately from other suppliers;
- Sophisticated U.S. equipment requiring extensive training would not make an immediate contribution and might, by diverting resources from the task at hand, actually detract from Iraqi capabilities;
- U.S. equipment is not generally compatible with Iraq's largely Soviet- and French-supplied inventory;

Declassified By: Frank Machak

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- Changing our arms supply policy toward Iraq would raise expectations of a broader U.S. commitment to Iraq than we are willing to meet, damaging our position if Iraq subsequently suffered setbacks;

- Arms supply to Iraq would undercut Operation Staunch;

- Assistance for Iraq would set back even further any prospects for normalization of relations with Iran and would be used by those Iranians seeking better relations with the USSR to our detriment;

- Aid to Iraq would increase the risk of Iranian and Shia terrorist actions against the U.S.;

- An arms supply relationship with Iraq could provoke a strong negative reaction in Congress because of Iraq's past record on terrorism and human rights, use of chemical warfare, and opposition to Israel.

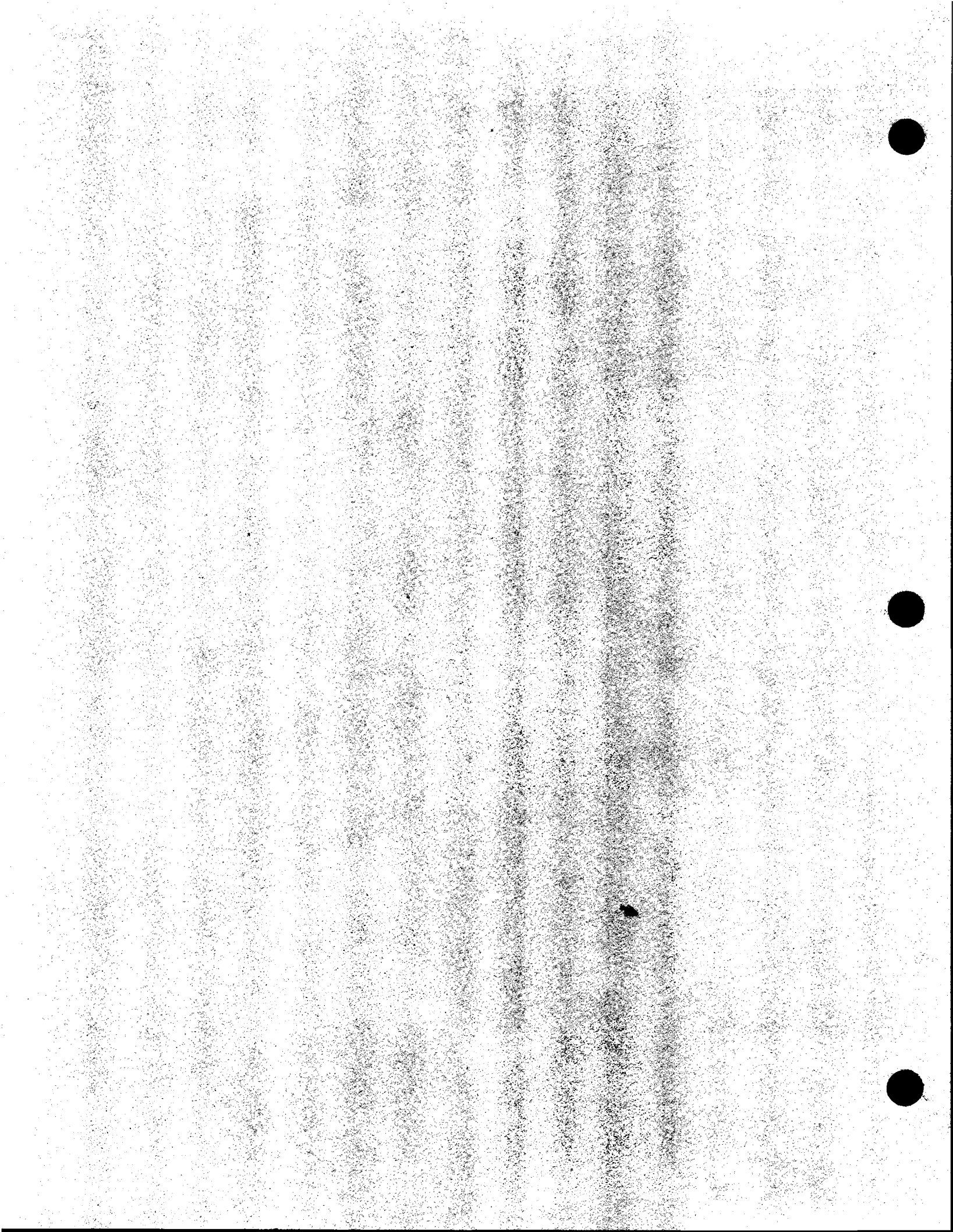
Transferring the equipment through third countries would do little to ease those problems. Indeed, it could complicate efforts to win Congressional approval of arms sales to other Arab states if Congress concludes we are using third-country transfers to avoid their oversight. Furthermore, under U.S. law, we could consent to the transfer of U.S.-origin defense articles through third parties to Iraq only if we were willing to transfer the same items directly to Iraq. We cannot now do so in Iraq's case because it has not been certified eligible to receive U.S. defense articles under the Arms Export Control Act.

In our view, these disadvantages of U.S. arms supply to Iraq through third parties far outweigh the limited advantages, which might include a boost to Iraqi morale, some marginal improvement in Iraq's military capabilities, and perhaps a basis for increased U.S.-Iraqi cooperation on other issues. However, we should be prepared to reexamine the question if, in an emergency situation, we find that Iraq is running short of munitions and immediate U.S. supplies might make a critical difference.

Iraq's lackluster military performance has not been due to a lack of adequate arms or munitions. Unwillingness to take casualties and tactics dominated by a static defense have been the most important factors in recent Iraqi setbacks. U.S. arms supplies would do nothing to counter those Iraqi shortcomings.

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SC22

NOTELOG

WHITE HOUSE COMMUNICATIONS AGENCY

TO: D. Barry Kelly
FR: Kim Flower
FOR: Paul S. Stevens
POF: Remote Addressee
POB: Allison Fortier
FOR: Remote Addressee

(KELLY D. BARRY)
(FLOWER KIM)
(STEVENS PAUL)
(MCNAMARA ET AL AT VAXC)
(FORTIER ALLISON)
(KNAPP ET AL AT VAXC)

S10 Feb 87 Evening Summary

MSG FROM: NSRBO --CPUA
TO: NSTC --CPUA

TO: NSRBO Partially Declassified/Released on 1-14-94 02/19/87 17:56:41
under provisions of E.O. 13526
by N. Moran, National Security Council

NOTE FROM: Robert B. Oakley
SUBJECT: President/FCC Meeting with [REDACTED]

(b)(1)(s)

Doc 4
CLASSIFIED BY:
MULTIPLE SOURCES
DECLASSIFY ON: OADR

[REDACTED] (b)(1)(s)
We are working hard to reassure and strengthen the moderate Arabs in face of the Iranian threat. Their attack on Basra was cleverly timed just before the Islamic Summit to have the maximum political impact. We have responded by moving our ships further north in the Gulf, bringing an aircraft carrier into the region, conducting contingency planning with certain Gulf countries, and moving ahead with some arms sales (e.g. for Saudi Arabia, Bahrain, etc.). These have had a positive effect. Fortunately, Iraq has also regained its equilibrium and is making better use of its weapons superiority. We are examining what more can be done to help them within the limits of our no-arms policy. We are also looking at additional actions we might take to protect neutral shipping in the Gulf. [REDACTED]

(s)
(s)

We remain concerned about Libya. Despite increasing internal problems and bad army morale, Qadhafi seems to be stepping up the fight in Chad and planning possible terrorist operations against France. What do you think?

President/FCC Meeting with [REDACTED]

(b)(1)(s)

MSG FROM: MASSIE --VAXE
TO: NSRBO

TO: NSTC --CPUA

02/25/87 17:25:2

Subject: Situation Room Evening Summary for 25 February 1987
NATIONAL SECURITY COUNCIL

Doc 5

25-Feb-1987 05:23pm EDT

MEMORANDUM FOR: SEE BELOW

Partially Declassified/Released on 1-14-94
under provisions of E.O. 13526
by N. Moran, National Security Council

FROM: White House Situation Room (WHSR)

SUBJECT: Situation Room Evening Summary for 25 February 1987

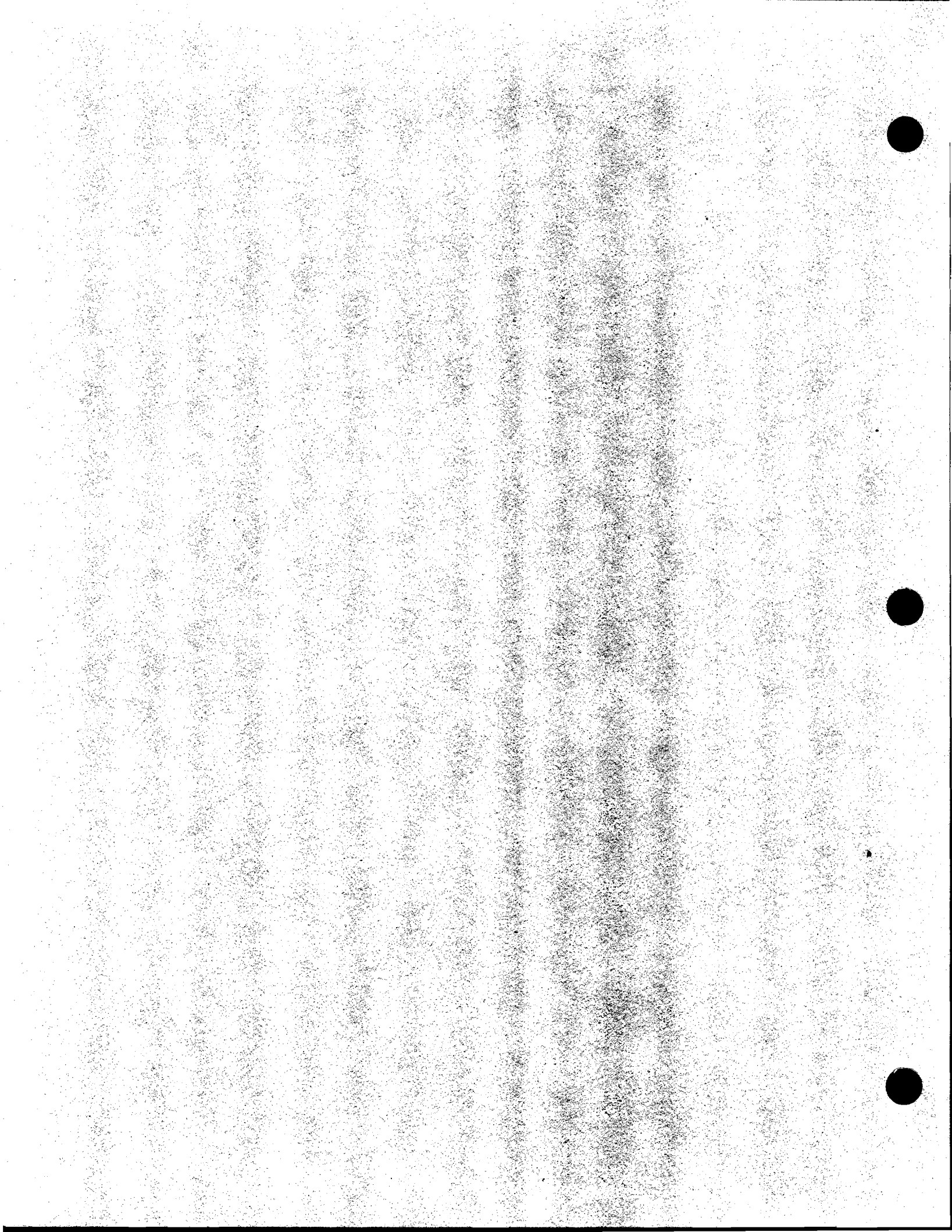
SITUATION ROOM EVENING SUMMARY

February 25, 1987

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Department of State

INCOMING TELEGRAM **E00019**

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ACTION NEA-11

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C O N F I D E N T I A L BAGHDAD 0855

STADIS

DEPARTMENT OF STATE

IS/FPC/CDR *PLB* Date: *12/14/93*

FOR NEA/NGA ONLY

RELEASE DECLASSIFY
 EXGISE DECLASSIFY
 DENY IN PART

MR Cases Only:

EO Citations _____

E. O. 12356: DECL/DADR
TAGS: AMGT

SUBJECT: OFFICIAL-INFORMAL DENY Non-Responsive Info

TS authority to:

1. (C - ENTIRE TEXT.)

FOIA Exemptions _____

() CLASSIFY as () S or () C OADR

PA Exemptions _____

() DOWNGRADE IS to () S or () C OADR

2. AS WE HAVE NOT HEARD ANYTHING FROM WASHINGTON, WE ASSUME EXIM HAS YET TO MAKE ANY DECISION REGARDING RESUMING SHORT-TERM COVERAGE FOR IRAQ. IN JANUARY, EXIM SAID THE BOARD WOULD NOT MAKE A DECISION UNTIL AFTER TALKING WITH BOB ABBAUD AND THE FEBRUARY MEETING OF THE EXPORT CREDIT AGENCIES. THESE EVENTS CAME TO PASS BUT WE WERE TOLD THE BOARD WAS WAITING TO SEE WHAT THE OUTCOME OF THE FIGHTING AROUND BASRA WOULD BE. THE IRAQIS HAVE NOT ONLY HELD THEIR OWN BUT HAVE REGAINED SOME OF THE TERRITORY LOST TO THE IRANIANS IN THE EARLY PART OF JANUARY. CURRENT EMBASSY CONJECTURE IS THAT EXIM IS WAITING FOR NEXT MONTH'S REVIEW OF IRAQ IN THE PARIS CLUB.

3. THE IRAQIS HAVE MADE EFFORTS TO GET UP CURRENT WITH EXIM ALTHOUGH THERE ARE STILL PROBLEMS. WE HAVE BEEN IN TO SEE THE HEAD OF RAFIDAIN WHO PROFESSED HIS HORROR THAT HIS STAFF STILL HAD NOT CLEARED UP THE MARCH 1986 L/C'S, WHICH WE UNDERSTAND ARE CAUGHT IN SOME SORT OF PROBLEM WHERE MANUFACTURERS HANOVER REFUSES TO RELEASE THE FUNDS FOR PAYMENT. RAFIDAIN HAS ALSO REPORTEDLY PAID THE OUTSTANDING WESTINGHOUSE L/C. WE WILL FIND OUT MORE DETAILS ON THIS SATURDAY OR SUNDAY AND WILL REPORT SUNDAY OR MONDAY AT THE LATEST STATUS OF THESE L/C'S. WE REALIZE THESE STEPS MAY NOT BE ENOUGH BUT IF THEY ARE NOT, WE NEED TO KNOW IT SO AS TO BE PREPARED TO CUSHION THE BLOW TO THE IRAQIS IF EXIM IS GOING TO REFUSE TO RESUME COVERAGE. ALSO, WE UNDERSTAND THE IRAQI EMBASSY IS REPORTING EXIM WILL NOT CONSIDER MEDIUM-TERM CREDITS WHICH MAY BE CAUSING SOME DISAPPOINTMENT IN THE GOI.

4. WE KNOW YOU ARE DOING ALL YOU CAN ON THIS AND ASSUME THE APPROPRIATE ECONOMIC OFFICES HAVE BEEN MOBILIZED TO HELP GET EXIM TO RESUME SHORT-TERM COVER. HOWEVER, IT WOULD BE GOOD TO KNOW IF EXIM'S DELAY ARE REAL. THAT THEY ARE INDEED SERIOUSLY EVALUATING THE QUESTION OF RESUMING COVERAGE, WHETHER THEY ARE PROCRASTINATING AS A WAY OF REFUSING COVERAGE, OR WHETHER THEY ARE DELAYING UNTIL THE RUMORED NEW SYSTEM IS ESTABLISHED UNDER WHICH ALL COUNTRIES GET COVERAGE BUT WITH VARYING RISK PREMIUMS.

5. APPRECIATE YOU LETTING US KNOW THE STATUS OF EXIM'S DECISION AS SOON AS YOU CAN.
NEWTON

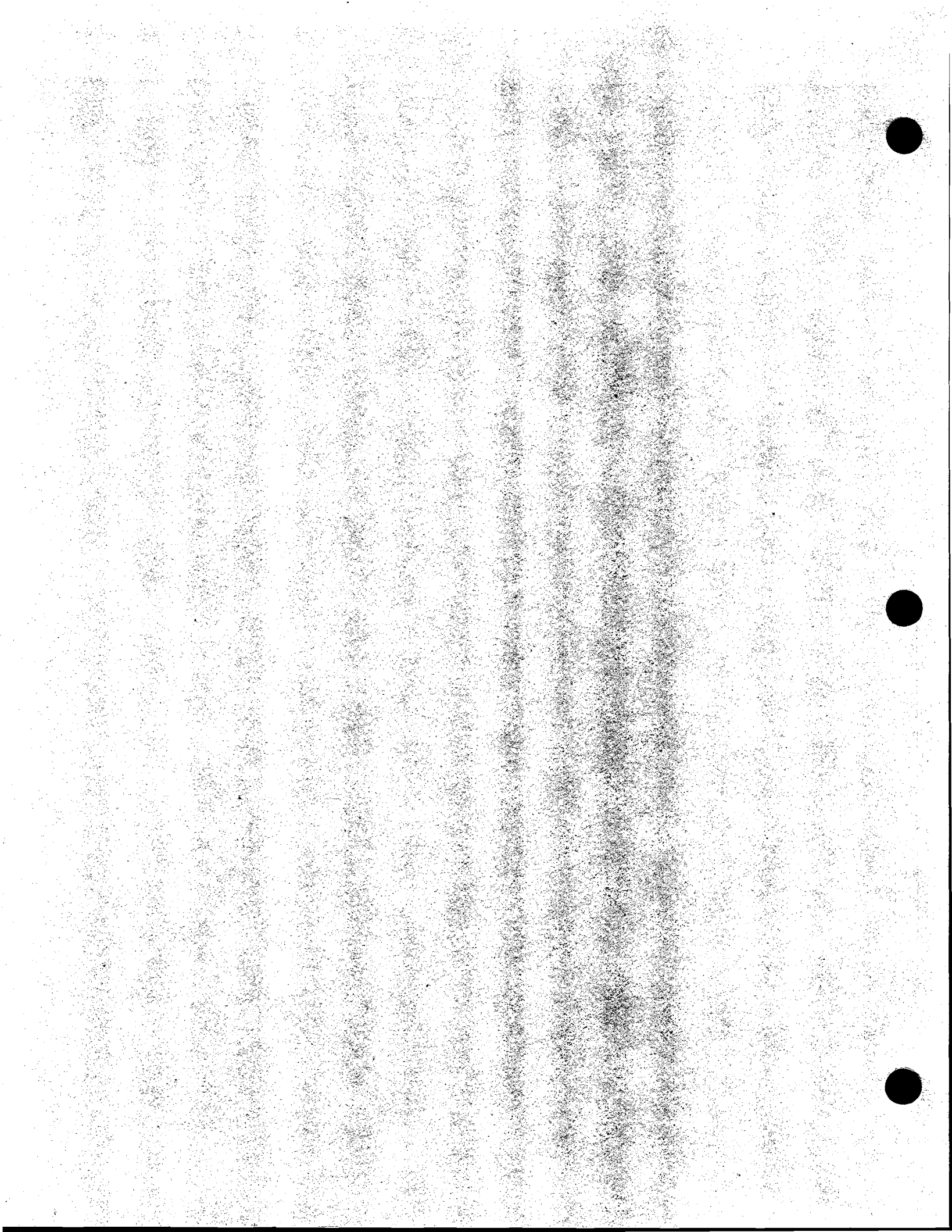
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Box 15436 Exim







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DEPARTMENT OF STATE
ECON. / BUS. AFFAIRS

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EB/IFD/OOF:TO'NEERON

EB/IFD/OMA:WPRINOSCH

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TO AMEMBASSY BAGHDAD PRIORITY

CONFIDENTIAL STATE #049415

STADIS://////

FOR AMBASSADOR NEWTON FROM EB/IFD, OAS BILL MILAM

E.O. 12356: DECL: OADP

TAGS: EFIN, 12

SUBJECT: OFFICIAL-INFORMAL: ECONOMIC AND FINANCIAL
QUESTIONS - IRAQ

1. (C) ENTIRE TEXT

2. DEAR DAVID: I'M PLEASED TO HAVE THE UPDATE PROVIDED IN YOUR CABLE (BAGHDAD 513) CONCERNING U.S. FINANCIAL PROGRAMS IN IRAQ, AND OF COURSE TO GET THE RESTATMENT OF YOUR VIEWS ON IRAQ'S FINANCIAL DIFFICULTIES.

3. IRAQ IS AMONG A HANDFUL OF "PROBLEM" COUNTRIES WE IN IFO ARE FOLLOWING VERY CLOSELY, GIVEN THE IMPORTANCE FOR ALL OF US OF DEVELOPMENTS THERE. MY STAFF AND I ARE WORKING HARD TO STAY IN CLOSE TOUCH WITH OUR COLLEAGUES IN NEA, AS WELL AS EXIM, CCC AND TREASURY TO ASSURE OUR POLICIES TOWARD IRAQ ARE COHERENT AND CONSISTENT. AS A RESULT, I BELIEVE VIEWS ON IRAQ AMONG THE VARIOUS BUREAUS ARE NOW IN GREATER HARMONY THAN THEY WERE SOME MONTHS AGO.

4. WITH RESPECT TO EXIMBANK, AS OF FEBRUARY 17, ARREARS ON THE FOUR RAFFIQA LCS WERE STILL IN THE PROCESS OF BEING CLEARED UP. EXIMBANK IS CONVINCED THE IRAQIS HAVE INDEED MADE GOOD FAITH ATTEMPTS TO PAY UP THOSE ARREARS, AND BELIEVES THEY MIGHT HAVE BEEN CLEARED UP BY NOW BUT FOR BUREAUCRATIC TANGLES IN THE BANKING SYSTEM ON THIS END. EXIMBANK INFORMS US THAT THE RIGHT PEOPLE ON ALL SIDES OF THIS PROBLEM NOW HAVE ALL THE FACTS THEY NEED TO RESOLVE IT IN SHORT ORDER. WE WILL CONTINUE TO ENCOURAGE EXIMBANK TO KEEP THE EMBASSY REGULARLY IN THE LOOP TO FACILITATE SPEEDIER RESOLUTION OF ANY PROBLEMS.

5. THE EXIMBANK BOARD WILL REVIEW ITS POSTURE TOWARD IRAQ ONCE THE ARREARS HAVE BEEN FULLY SETTLED. PETER BURLEIGH'S EXCELLENT PRESENTATION DURING THE JANUARY BOARD REVIEW MADE THE STRONGEST CASE POSSIBLE FOR RESUMPTION OF AT LEAST SOME SHORT-TERM INSURANCE COVER ONCE THE ARREARS PROBLEM IS RESOLVED. MORE RECENTLY, WARREN CREECHMORE MET WITH SENIOR BANK STAFF TO PROVIDE THE POLITICAL ARGUMENTS FOR MAINTAINING AN EXIM PRESENCE IN IRAQ.

6. ONCE THE ARREARS PROBLEM IS BEHIND US, I UNDERSTAND THAT THERE IS SYMPATHY AMONG MEMBERS OF EXIM'S BOARD FOR RESUMING SHORT-TERM COVER, BUT SOME OF THEM ARE VERY CAUTIOUS AND EACH BAD TURN IN THE MILITARY SITUATION DELAYS THAT RESUMPTION. THERE IS A GOOD CHANCE THE BOARD WILL DECIDE TO REENTER THE IRAQI MARKET BUT PROBABLY WITH

MORE THAN THE USUAL SAFEGUARDS. FOR EXAMPLE, THEY MAY DECIDE TO REQUIRE THE CENTRAL BANK'S GUARANTEE, RATHER THAN EXIMBANK'S, ON FUTURE SHORT-TERM LC BUSINESS. HOWEVER, THOSE WHO FAVOR OPENING UP IN IRAQ ARE WATCHING FOR THE RIGHT TIME TO PUSH THE QUESTION TO THE BOARD, AND THAT HASN'T COME YET.

7. I WOULD BE LESS THAN CANDID IF I DIDN'T SAY IT WILL BE EXTREMELY DIFFICULT, IF NOT IMPOSSIBLE, TO PERSUADE THE BOARD TO GO FURTHER OR FASTER FOR THE TIME BEING. THE BANK'S CHARTER DOES REQUIRE THE BOARD TO DETERMINE THAT THERE IS "REASONABLE ASSURANCE OF REPAYMENT" BEFORE THEY AUTHORIZE ANY NEW RISK EXPOSURE; IT IS DIFFICULT TO REFUTE THEIR ARGUMENTS THAT DOING BUSINESS IN IRAQ IS A RISKIER PROPOSITION NOW, FYI: THE BANK PLANS TO REVISE ITS FEE STRUCTURE IN THE COMING MONTHS IN ORDER TO RELATE FEES MORE CLOSELY TO COUNTRY RISK. THIS WILL LIKELY ENTAIL RAISING THE PRESENT FEES IN THE RISKIER MARKETS. ON THE OTHER HAND, IT MIGHT ALSO MAKE THE BANK MORE APPEALING TO ACCEPTING HIGHER EXPOSURE IN DIFFICULT MARKETS LIKE IRAQ.

8. SIMILARLY WITH CCC CREDITS, WE HAVE A HARD TIME

ARGUING AGAINST TREASURY'S POSITION THAT THERE ARE SIGNIFICANT FINANCIAL RISKS INVOLVED IN INCREASING OUR CCC EXPOSURE IN IRAQ, NOTWITHSTANDING ITS EXEMPLARY REPAYMENT RECORD. EB IS IN CLOSE CONTACT WITH NEA ON THESE REQUESTS AND HAS COOPERATED IN MAINTAINING A UNITED DEPARTMENT OF STATE FRONT AT MAC MEETINGS. WE WILL CONTINUE TO DO SO ALTHOUGH WE EXPECT TREASURY'S BACK WILL STIFFEN IF THE FINANCIAL RISKS INCREASE BECAUSE OF DETERIORATION IN THE MILITARY SITUATION, DECLINES IN IRAQI OIL REVENUES, OR OTHER FACTORS.

9. PLEASE KEEP ME POSTED ON DEVELOPMENTS THERE.

10. BEST PERSONAL REGARDS. BILL SHULTZ

*For: Guy Berry
J.K.M.: King Martin*

157700Z FEB 87 Date: 12/14/93

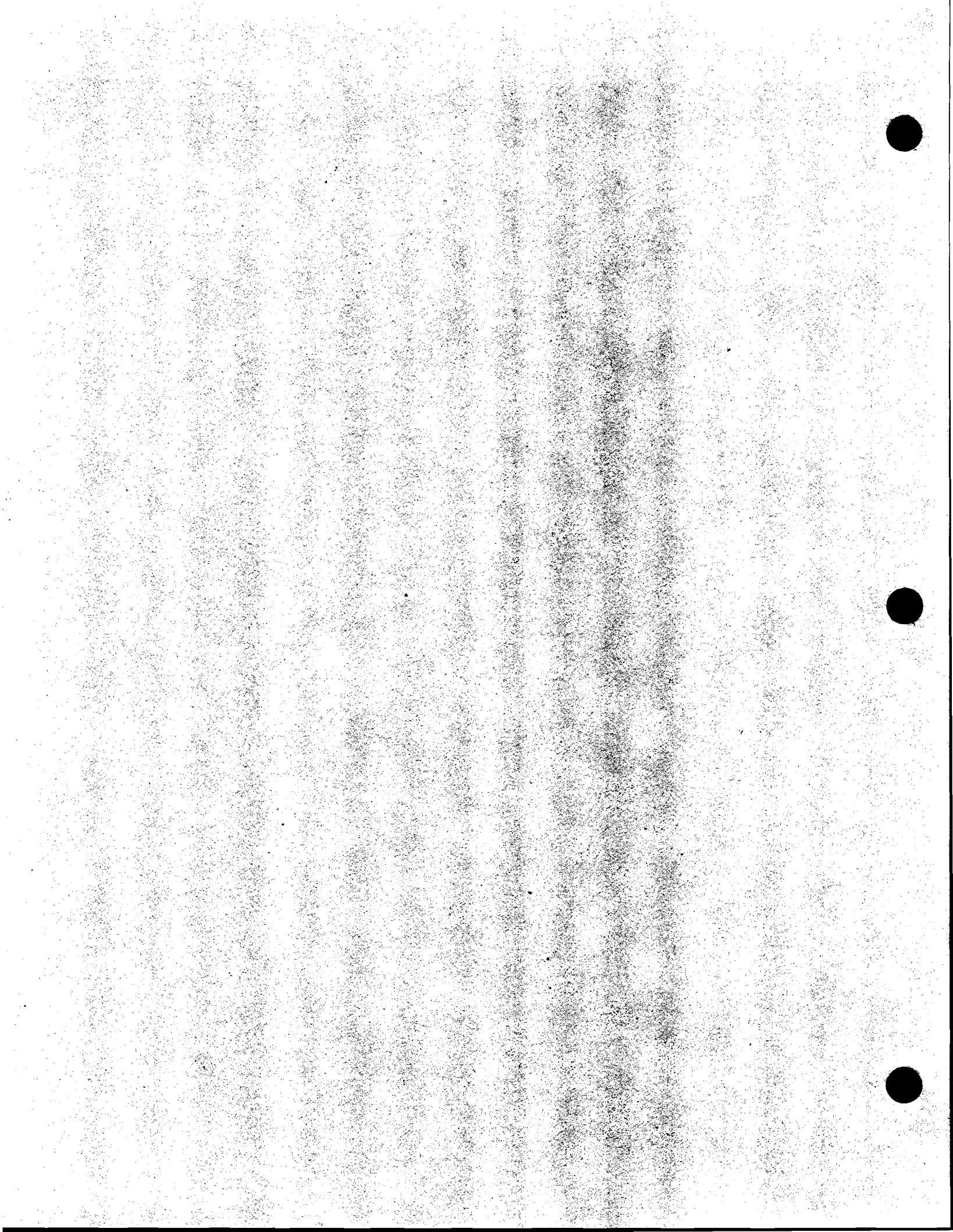
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United States Department of State *Iraq*

Washington, D.C. 20520

February 26, 1987

87 FEB 26 P2:39

~~CONFIDENTIAL~~MEMORANDUM FOR MR. DONALD F. GREGG
THE WHITE HOUSEDIST:
P
S/S
S/S-5
TMB
NEA
EB
RF:rwSUBJECT: The Vice President's March 2 Meeting with Iraqi
Ambassador Nizar Hamdoon.

The Department forwards herewith additional background material which may be useful for the Vice President's March 2 meeting with Iraqi Ambassador Hamdoon. This material, supplementing the memorandum of February 14 on the same subject, covers issues which Hamdoon may raise during the meeting.

Since Hamdoon is planning to introduce the issue of Exim credit insurance for Iraq, the Department strongly recommends that, before meeting with Hamdoon, the Vice President telephone Exim Chairman Bohn to discuss the issue. We believe the Vice President should emphasize to Bohn the advantages for U.S. regional policy of resuming short-term credit insurance for Iraq. Recommended talking points for that call to Chairman Bohn are attached.

Melvyn Levitsky
Melvyn Levitsky
Executive Secretary

Attachments:

- Tab 1. Additional Issues to Be Raised
- Tab 2. Talking Points for Hamdoon Meeting: Licensing
- Tab 3. Talking Points for Call to Exim Chairman Bohn.

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MEETING WITH IRAQI AMBASSADOR NIZAR HAMDOON
MARCH 2, 1987

ISSUES TO BE RAISED (if introduced by Hamdoon)

1. EXPORT-IMPORT BANK CREDIT INSURANCE FOR IRAQ.

In September 1985 Exim offered Iraq a Continuing Guarantee Agreement (CGA), which would have supplemented the short-term credit already available to Iraq with \$50 million in medium-term credit insurance. The Iraqis unceremoniously turned down Exim's offer of a CGA, professing to be insulted by the small amount of money called for in the agreement.

Shortly thereafter, the plunge in oil prices seriously set back Iraq's financial situation. During 1986 the Iraqis missed payments on loans from several Western governments, as well as on letters of credit to suppliers from a number of countries.

Among the unpaid L/Cs in 1986 were several insured by Exim. Under those circumstances, Exim stepped back from its offer of a CGA for medium-term credits, and stopped approving short-term credit insurance for Iraq as well.

In the fall of 1986, Iraq's Rafidain Bank began singling out Exim-insured L/Cs for repayment, and we understand that Rafidain has now paid all overdue L/Cs insured by Exim. Moreover, by means of improved internal procedures and bilateral debt rescheduling arrangements with creditors in third countries, the Iraqis have begun to regain some measure of control over their financial situation. Their short-term financial situation is still difficult, but -- with their great long-term potential based on vast oil reserves -- they should be able to manage in the short term, with an eye to reconstruction when the war winds down.

Considering Iraq's success in containing the latest Iranian offensive, its clear policy decision to give preference to Exim-insured debts, and its long-term potential, we believe that Exim should give favorable consideration to resuming short-term credit insurance for Iraq. The Exim Board plans to meet soon to decide the issue.

We recommend that, before meeting with Hamdoon, you telephone Exim Chairman Bohn to point out the advantages for U.S. policy of a quick Exim decision to resume short-term insurance cover to Iraq. As appropriate, you could then review the results of your call to Bohn during your conversation with Hamdoon.

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2. LICENSING FOR HIGH-TECH U.S. EXPORTS TO IRAQ

Commerce licenses for some high-tech U.S. exports to Iraq have been held up for extended periods because of DOD concerns, putatively about the risk of diversion to the Soviet bloc. From the Iraqi perspective, the long delays appear to be capricious. We agree with that assessment.

Licensing procedures are under interagency review at present, and we may be able to give the Iraqis and other interested trading partners more complete guidance soon. In the meantime, we can point to progress on a few specific cases: After extensive discussions with State and DOD, Commerce has issued long-pending licenses for two high-priority scientific projects, including one at the Iraqi Space and Astronomical Research Center.

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TALKING POINTS FOR THE VICE PRESIDENT'S MEETING
WITH IRAQI AMBASSADOR NIZAR HAMDOON

LICENSING FOR HIGH-TECH EXPORTS TO IRAQ

-- As you know, we have joined you in working to encourage trade between the U.S. and Iraq. Expanding trade is an essential element in broadening and strengthening our relations.

-- I sympathize with your concerns about delays in the issuance of export licenses for some high-tech sales to Iraq. We want to cut down wherever we can on uncertainty for both U.S. exporters and our trading partners, and we will be taking a special look at Iraq and other similar cases.

-- I am pleased that Commerce has recently issued licenses for some long-pending items for Iraq. You should take that as a sign of our seriousness in addressing this issue.

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TALKING POINTS FOR THE VICE PRESIDENT'S CALL TO JOHN BOHN (EXIM CREDIT INSURANCE FOR IRAQ)

EXIM CREDITS FOR IRAQ

-- Iraqi Ambassador Hamdoun is calling on me soon, and I expect him to raise the issue of short-term Exim credit insurance for Iraq. I would like to be as responsive as possible.

-- I understand that the Iraqis have resolved some outstanding arrearages to Exim, and that the Exim Board will decide soon whether to resume short-term credit insurance for Iraq. I urge you and your colleagues on the Board to give that favorable consideration.

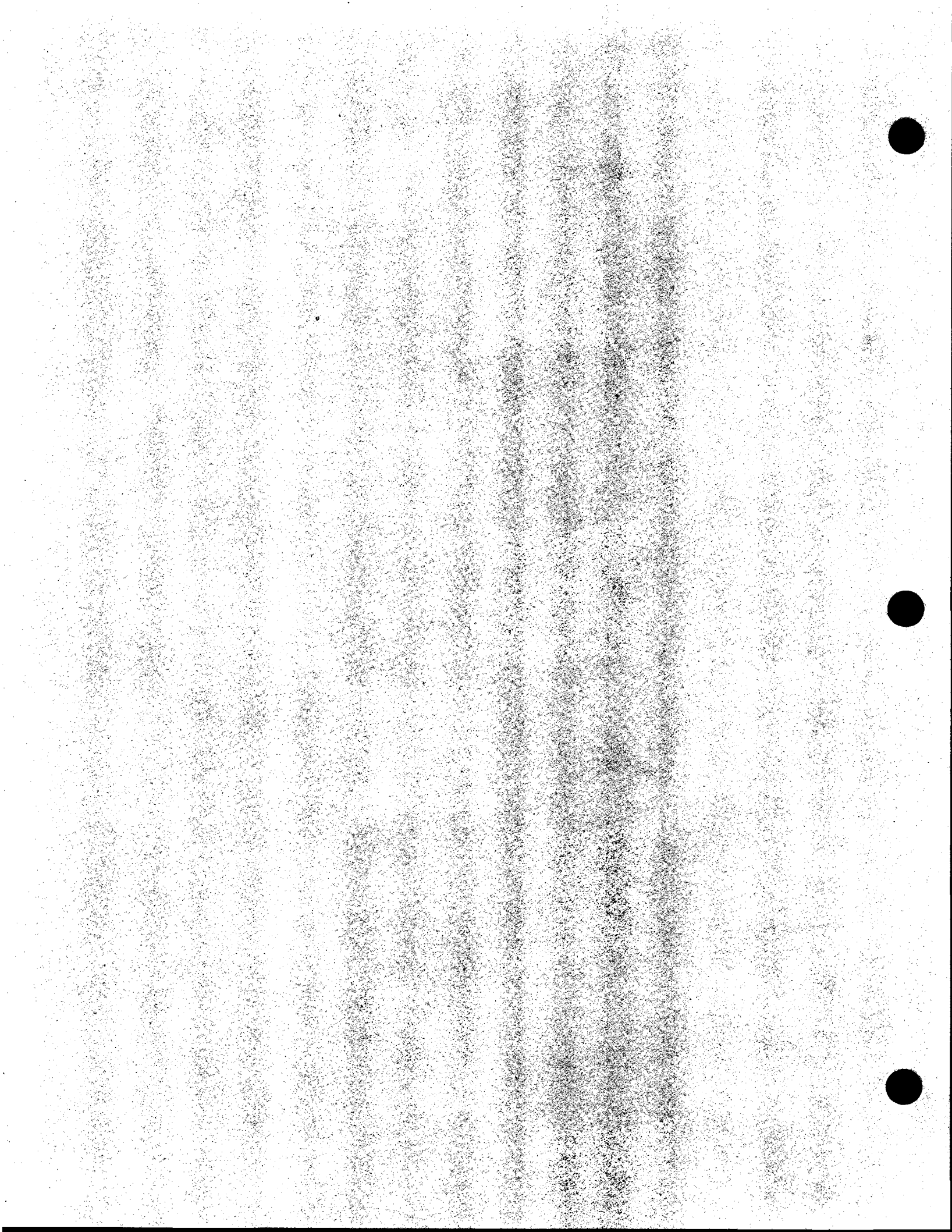
-- As you know, there are major U.S. policy considerations at work in this issue. Iraq has apparently contained the latest Iranian offensive, and we are taking advantage of that to try to put some life into peace efforts. Exim's support for continued trade with Iraq would be a powerful, timely signal -- both to Iraq and to the Gulf Arab states -- of U.S. interest in stability in the Gulf.

-- Although in the near term Iraq will continue to face financial stress because of the war, Iraq's prospects for the medium- to long-term are good, considering the country's vast oil reserves. Now is the time to begin building a solid trade relationship with Iraq for the future.

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Near East and
South Asia Review

Articles

Iran-Iraq: Dim Light at the End
of the Tunnel

Iraq has encouraged several diplomatic initiatives to negotiate an end to the six-year-old war with Iran. Baghdad has focused its efforts on members of the UN Security Council and Iraq's Middle Eastern allies and has pressed them to work for a comprehensive peace settlement. Iraqi officials have recently visited France, Italy, Japan, China, and the Soviet Union to bolster support for a cease-fire and ceaseless against Iran. Turkey and Algeria have expressed interest in mediating the war, but the likelihood that either will succeed depends on Iran's willingness to drop its preconditions for negotiations. At the same Tehran conference to call for the ouster of Iraq's President Saddam Husayn as a prerequisite for peace talks, it is unlikely that any negotiations will develop.

UN Efforts

The UN Security Council has attempted to bring the two parties to the negotiating table since the beginning of the war, but Iranian intransigence has impeded all its efforts. Since 1983, UN Secretary General Perez de Cuellar has tried to negotiate a peace settlement between Iran and Iraq but with little success. In March 1985 he presented both sides with a proposal that would reduce the scope and intensity of the war but not create a cease-fire. Iran was willing to discuss the proposal because it did not impede its ability to carry on a ground war. Iran, on the other hand, rejected the proposal because it did not call for a cease-fire, withdrawal to international boundaries, or negotiations leading to a comprehensive settlement of the war.

Iran's occupation of Al Basra in February 1986 prevented the Security Council to issue a renewed appeal for an end to the war. On 24 February it unanimously adopted Resolution 592 that called on

both sides to observe an immediate cease-fire, to withdraw to internationally recognized borders, and to immediately submit all aspects of the conflict to mediation or other means of peaceful settlement. Iran criticized the resolution because it failed to condemn Iraq as the aggressor.

Initial Iranian gains during its recent offensive near Al Basra seem to have heightened UN interest in ending the war. In January the five Security Council permanent members began to discuss adoption of a resolution ordering an immediate cease-fire. The members agreed that, to be effective, the Security Council would have to back up this demand with sanctions if either Iran or Iraq rejected the cease-fire order. As the threat to Al Basra subsided, the news for strong UN action stalled. To revive peace efforts Iraqi officials have visited several countries, including France, Italy, Japan, China, and the Soviet Union, to urge them to adopt a strong resolution to end the fighting and possibly initiate an arms embargo against Iran.

The Iraqis are seeking a comprehensive cease-fire, a withdrawal of forces stationed by international observers, an exchange of prisoners, and assurances of compliance by both sides. As in the past, Baghdad says that it will reject any settlement that resembles previous UN resolutions, which favored Iran by limiting the cease-fire to the Persian Gulf and called for a step-by-step settlement rather than an overall end to the war. Iraq may believe that the UN initiative has a good chance of passing because Security Council members are worried about Iranian advances near Al Basra. Although we doubt that the

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March 1987

Conditions for Ending the War

Israeli Conditions

Israel has expressed a willingness to negotiate an end to the war when the easy stages of the fighting.

Originally, Iraq sought absolute guarantees concerning sovereignty over the Shatt al Arab and over land that belonged to Iraq but had not been Baghdad based its claims on the agreement of 1913-14 that gave the frontier on the eastern bank of the Shatt an opposed to the 1975 Algiers accord that fixed it at the deeper channel. In July 1981 the Iraqi Foreign Minister said publicly that settlement of the conflict should be based on the following principles:

- The inadmissibility of using force to resolve disputes and the restoration of all rights taken by force from their legitimate owners.
- Mutual respect for sovereignty and noninterference in the internal affairs of other countries.
- Freedom of navigation in the Gulf and the Strait of Hormuz.

By April 1982, declaring Iraqi military forces had not withdrawn to each side of the dispute, and in October 1982 the Iraqi Foreign Minister told the press that Iraq would accept international arbitration of all territorial questions, including the Shatt al Arab dispute, according to the principles of international law.

- In a meeting addressed to the Iraqi people on 14 June 1983 in connection with a temporary halt to the bombing of Iranian towns, Saddam Hussein listed the following conditions for ending the war:
- A comprehensive cease-fire on land, sea, and air.
 - A pullback to international borders.

- A comprehensive exchange of prisoners of war.
- Direct negotiations based on mutual respect of each side's integrity and noninterference in each other's internal affairs.
- A correction of those border policies so that the violation of one would be deemed a violation of them all.

Iranian Conditions

Iran's primary demand for ending the war has been the return of Saddam Hussein and the Ba'ath government to Iraq. Iranian leaders have sometimes thought that they would be satisfied with the removal of Saddam Hussein, but Tehran's official position continues to call for the removal of the Ba'athist regime. The principal Iranian demands in the early stages were unconditional Iraqi withdrawal and international condemnation of Iraqi aggression. By October 1981 Iran's demands were as follows:

- Iraqi withdrawal from Iranian territory.
- Identification and condemnation of the aggressor by a competent international tribunal.
- Implementation of the 1975 agreement.
- Payment of reparations by the aggressor.

Tehran eventually dropped the third condition, but in June 1983 another was added: the return of refugees from most of the territory it occupied. The principle of Iraqi withdrawal became less important, and the most important condition became the removal of the Ba'athist regime, reparations, and condemnation of the aggressor.

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United Nations will impose political or economic sanctions against Iran. Baghdad probably hopes that a strong resolution would help isolate Iran and possibly promote an effective arms embargo.

Washington's support for Iraq's proposals, particularly an arms embargo, is a critical test of US good will following disclosures of US arms sales to Iran.

Iraqi Foreign Minister Aziz called for President Reagan's active support for a renewed arms embargo against Iran. The Iraqis are pleased with the President's recent statement on the war in which he held Tehran responsible for continuing the fighting and called for a withdrawal to internationally recognized borders. The Iraqis, however, may be overestimating the US ability to persuade other Security Council members to support an effective arms embargo against Iran.

The Soviet Stance

The Soviets have taken an active role in recent Security Council consultations on the war and have expressed a willingness to work for a cease-fire. They reiterated Moscow's interest in finding the quickest negotiated end to the war and reported that Soviet officials endorsed UN efforts to achieve a cease-fire. Soviet Foreign Minister Shevardnadze has noted the importance of the Iran-Iraq agreement not to attack civilian targets as a necessary step toward a cease-fire and stressed that continuation of the war provided a pretext for outside intervention in the Gulf.

Moscow used the recent visits of the Iranian and Iraqi Foreign Ministers to project an image of peacemaker in the Gulf, to ensure that Soviet interests in the region are protected, and to capitalize on revelations of US arms sales to Iran.

The Soviets were careful to provide the same access to both Foreign Ministers to demonstrate their willingness to treat both countries equally. At the same time, Moscow used the visits to criticize Tehran's continued belligerency and to underscore Soviet support for Iraqi efforts to find a

peaceful settlement to the war. The Soviets are likely to continue to be active in UN deliberations and to maintain contact with both Baghdad and Tehran. By doing this, the Soviets can ensure their involvement in any developing UN negotiations and strengthen their credentials with the Arab world as a peacemaker in the region.

Efforts by Other International Organizations

The Arab League and the Islamic Conference Organization also have tried to mediate the Iran-Iraq war but have been unsuccessful primarily because Iran suspects that both are fronts for Iraqi and moderate Arab interests. Following an emergency session of the League's Committee of Seven in Baghdad in early February, Arab League Secretary General Chedli Klibi met in Tunis with the ambassadors of the five permanent Security Council members to garner support for Iraqi and Arab efforts in the United Nations. The thrust of Klibi's message was that the League fully supported Iraqi efforts to secure a UN resolution condemning Iran and calling for a comprehensive peace settlement.

The Arab League members hope this approach will force the United States and the USSR to actively participate in UN efforts to impose a settlement.

The Islamic Conference Organization passed a resolution on the war during its summit meeting in Kuwait in January. The resolution called on Iran to accept UN Resolutions 592 and 598, as Iraq had done, and to declare its willingness to end the war peacefully. It thanked the Islamic Peace Committee for its efforts to bring about a settlement but failed to instruct the committee either to continue its work or to cease its existence. The summit meeting's final communique, however, called on the Islamic Conference Organization's secretary general to follow up on the resolutions adopted in Kuwait "by all possible means and in accordance with evolving circumstances."

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Kuwait—deeply worried about the war just across its border—will try to breathe new life into an Islamic Conference effort that bypasses the moribund Islamic Peace Committee.

_____ as Islamic Conference chairman for the next three years, would do what it could in conjunction with the Peace Committee and Islamic Conference Secretary General Firzada. A direct role for Kuwait is difficult, given Iran's perception that Kuwait is firmly aligned with Iraq.

_____ Kuwait had contacted Iran during the summit meeting to ask for Tehran's cooperation with a scaled-down committee. Iran said it would cooperate only if it could approve _____ summit meeting's final communique and resolution concerning the war. Nevertheless, the summit meeting participants agreed that Kuwait, Firzada, and the full Peace Committee should continue their efforts with Tehran despite its intransigence.

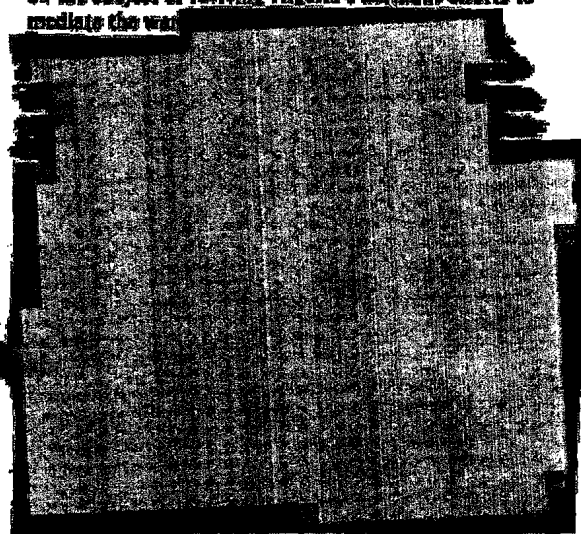
Firzada recently returned from Moscow, where he met with Soviet officials to discuss Soviet-Islamic Conference Organization relations and possibilities for mediating an end to the war. The Soviets told Firzada that, on the basis of their discussions with Iranian Foreign Minister Velayati, Iran was not interested in making peace with Iraq. Furthermore, the Soviets said they saw little hope that the United Nations could bring about an end to the fighting and that, in their view, the Islamic Conference had the best chance of ending the war, given its recent mandate to try to mediate a peace settlement.

Algeria Efforts

Algeria is one of the few Middle Eastern countries maintaining relations with Iran since the revolution, and it has offered to mediate since the early days of the war. Algeria's role in the 1975 Iran-Iraq agreements makes it well qualified to mediate, but, despite numerous contacts—many of them unpublished—with both sides, Algeria has been no more successful than others in bringing the two countries to the negotiating table. In 1984-85 the Algerians were largely inactive because they perceived that the Iranians were unwilling to talk, and Algeria did not want to risk damaging its relations with Tehran. An Algerian attempt to revive mediation in February 1986 was rebuffed.

_____ Algeria may be interested in renewing its efforts to end the conflict, but, given Iranian intransigence, the prospects for success are slim. Iraqi Foreign Minister Tariq Aziz visited Algeria in January to press the Algerians to ascertain current Iranian thinking on the war. Aziz expressed concern that, in the face of Iran's recent military successes, support for Iraq among some of the Arab Gulf states might be wavering. The Iraqis also were concerned that Syria and Libya were preparing a resolution for presentation at the Islamic Conference summit meeting that would condemn Iraq without criticizing Iran. Aziz asked Algerian President Bendjedid to use his influence to blunt Syrian and Libyan efforts at the summit meeting.

Aziz's trip to Algeria in January broke no new ground on the subject of reviving Algeria's dormant efforts to mediate the war.



Turkey's Role Limited

Turkey repeatedly asserts its neutrality in the Iran-Iraq war while continually calling for a quick end and offering its services as a mediator. Ankara maintains good relations with Iran and Iraq, Turkey's two leading trade partners in the Middle East. Economic

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ties, coupled with a long standing policy of seeking accommodation with its hostile neighbors, restrict Turkey's political maneuverability and contribute to its unwillingness to risk confrontation.

Other Arab states believe that Turkey can help mediate an end to the war, and at January's Islamic summit meeting in Kuwait they pressed Turkey to take a more active role. Iran, however, has repeatedly resisted Ankara's efforts, and relations recently have been strained by two Turkish attacks on Iranian-supplied Kurdish rebels in northern Iraq.

Ankara faces a dilemma. It would like to see an early end to the war, but not at Iraq's expense. The Turks probably tilt toward Iraq because their economic stakes in Iraq are larger and because they are nervous about the repercussions of a clear Iranian victory. Wishing to remain on good terms with Iran, however, and to preserve its perceived role as a moderating force in the region, Ankara probably will continue to offer its services as a mediator.

Prospects

Iraq probably will continue to press for a strong UN resolution calling for a comprehensive end to the fighting, but the likelihood of achieving a peace settlement, at least in the near future, is slim. Barring an Iranian defeat or the death of Khomeini, it is unlikely that Tehran will lessen its preconditions for negotiations, particularly its call for a change of regime in Baghdad. Tehran has linked the success of the revolution to its ability to topple the Ba'athist regime, and ending the war short of victory would call into question Iran's political credibility and claim of religious invincibility.

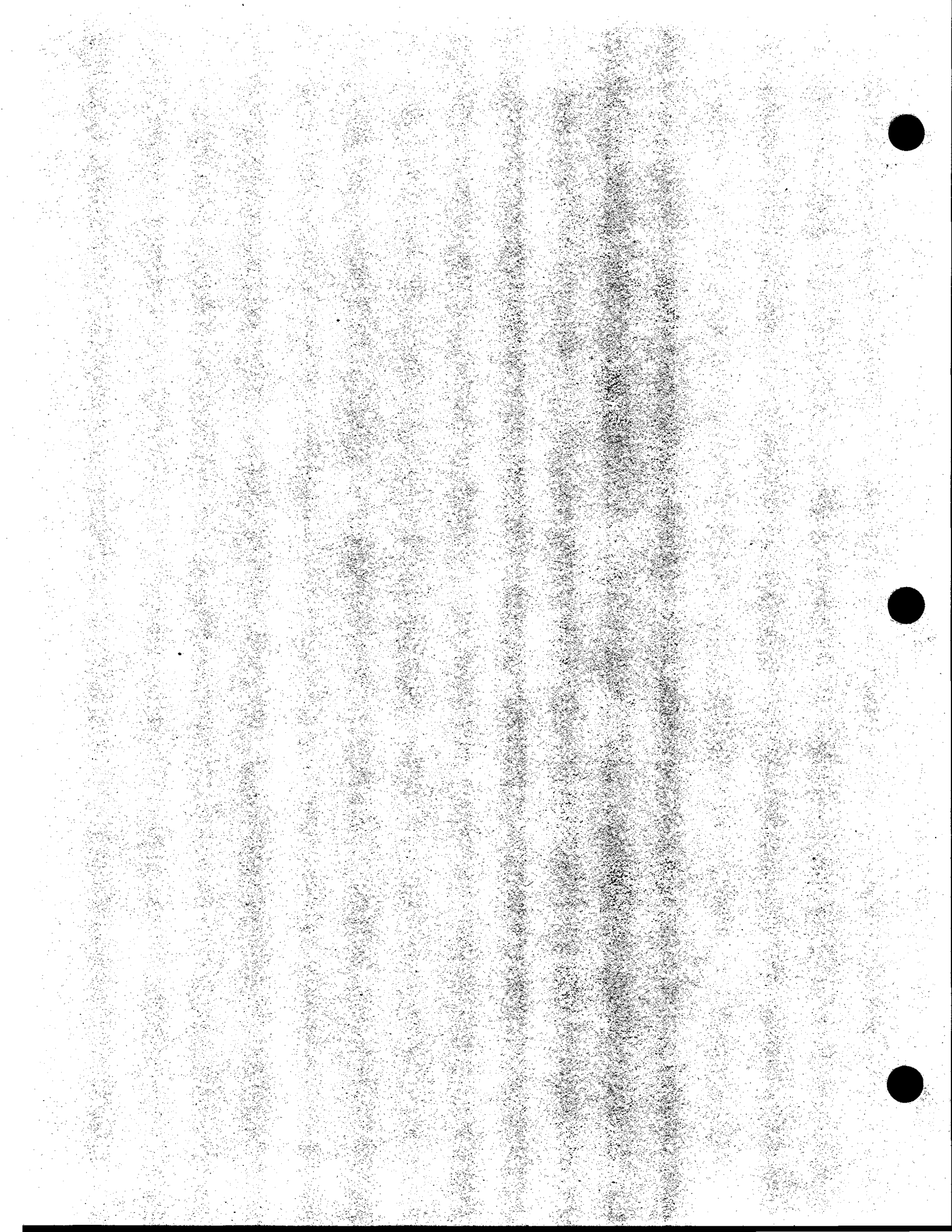
Algeria, Turkey, and the Islamic Conference Organization will continue to explore the possibilities of bringing the two sides to the negotiating table, but their efforts are likely to be blunted by Iranian intransigence. If Iran's position changes, Algeria probably has a better chance of playing the role of mediator, given its successes in the past.

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March 5

RWM:

The U.S.-Iraq Business Forum was slow in getting Bob Abboud's letter to us after the reception which you attended last November. When the letter did arrive in January, we drafted a response for the Secretary's signature and -- as we thought -- sent it forward under an action memo.

On checking this week, we discovered that the action memo never got out of our office because of a clerical mistake. It has been lying in Greg Berry's safe all this while.

This is of course quite embarrassing. Greg has called Mary King of the USIBF to apologize abjectly and to promise a quick response.

A reply for your signature is attached.

Peter
Peter

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ASSISTANT SECRETARY OF STATE

X WASHINGTON, D.C. 20520

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DOWNGRADE TS to () S or () C

March 5, 1987

Mr. A. Robert Abboud
United States-Iraq Business Forum
1050 Connecticut Avenue, N.W.
Suite 300
Washington, D.C. 20036-5303

Dear Mr. Abboud:

This is in response to your letter of November 20, 1986, to Secretary Shultz about U.S.-Iraqi trade relations.

I regret our long delay in answering your thoughtful letter. As you know, your original letter was lost in the mails. To make matters worse, the replacement copy which you sent the Department early this year was then mislaid in our internal procedural system.

Fortunately, the State Department has been a good bit more active in addressing the question of U.S.-Iraqi trade relations than in answering your letter. As we discussed during our meeting on January 22, the Department strongly supports USDA's excellent CCC program with Iraq, and has contributed whenever possible to advancing the CCC program. The substantial contracts concluded during the successful visit by an Iraqi agricultural delegation in January are an example of the degree to which U.S.-Iraqi commercial contacts can benefit both countries.

We have also worked hard to present the Export-Import Bank's views to the Iraqis in Baghdad, and the Iraqis' views to Exim here. I understand that Iraq is now current in its payments on Exim-insured letters of credit. We take that as a signal that Iraq is eager to do business in a responsible fashion, and we have urged Exim to be as responsive as possible within the limits of the Bank's charter. We will continue to be in contact with Exim at a senior level.

I agree that we should continue to explore the possibilities for useful bilateral agreements between the governments of the U.S. and Iraq. Our two countries are already well along in discussions about a bilateral cultural agreement, to take one example. As opportunity offers, we also stand ready to help the Commerce Department in resuming discussions about signing the commercial agreement with Iraq.

- 2 -

As we continue to pursue opportunities for advancing trade between the U.S. and Iraq, I have asked my staff to stay in close contact with the U.S.-Iraq Business Forum and to keep me fully informed of developments. Please contact us directly whenever we can be of help.

Sincerely yours,

Richard W. Murphy

Drafted: NEA/NGA: GPerry
3/5/87 x75692 #192:Z
Cleared: EB/IFD/ODF: RMarir
 USDOC/ITA/ONE: TSams
 USIA/NESA: WCavness

Q2A



[REDACTED]

May 09, 1987

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IRAN-IRAC:

Increasing Danger to Persian Gulf Shipping

The danger in the Persian Gulf to maritime trade, including Soviet flag ships, and to oil facilities is growing.

The Soviet merchant ship Ivan Korotayev was attacked Wednesday in the lower Persian Gulf. Press reports say that Iran conducted the attack and that the Soviet ship is being repaired in Ad Damman. According to sources of varying reliability, this week Iran also attacked two tankers with small boats that fired rocket-propelled grenades, and a third was attacked by an Iranian frigate that launched a variant of the Seakiller antiship missile but failed to hit the target.

Iraqi warplanes struck Iran's Sassan offshore oilfield Wednesday, according to shipping sources. Fears that Iran will retaliate by attacking Abu Dhabi's nearby Abu al Bukhur oilfield have prompted France to withdraw 75 expatriate workers.

[REDACTED]

The apparent Iranian decision to attack a Soviet merchant ship probably was made to underscore Tehran's dissatisfaction with the flow of Soviet arms to Iraq through Kuwait. Recently Iran's rhetoric has become increasingly harsh; Tehran publicly criticized the USSR on Thursday as the "main purveyor" of arms and equipment to Iraq. The attack was also probably intended to back up Tehran's warnings to the Gulf Arab states, particularly Kuwait, that superpower protection does not make them immune.

The Soviets probably will protest strongly and may call for an international conference to end the war. They may also increase their naval presence in the Gulf beyond the destroyer and minesweeper now there, but the nearest Soviet combatants—other than two minesweepers—are at least a week away.

International shippers are likely to become more anxious, but unless either Iran or Iraq significantly increases its attacks, the movement of oil, arms, or other cargoes will probably change little.

[REDACTED]

It remains unclear whether the Iranian attackers, probably Revolutionary Guards, knew they were striking a Soviet ship and whether this action was approved by senior government officials. An officially sanctioned attack would underscore Iranian dissatisfaction with Moscow. However, the message from this strike is that a superpower flag alone will not provide protection and that ships in trade with Kuwait will require escort. This could lead to greater warship presence in the Gulf. Tehran has tried to avoid superpower involvement in the seven-year-old war. There is insufficient evidence to indicate that Tehran has changed this basic policy.

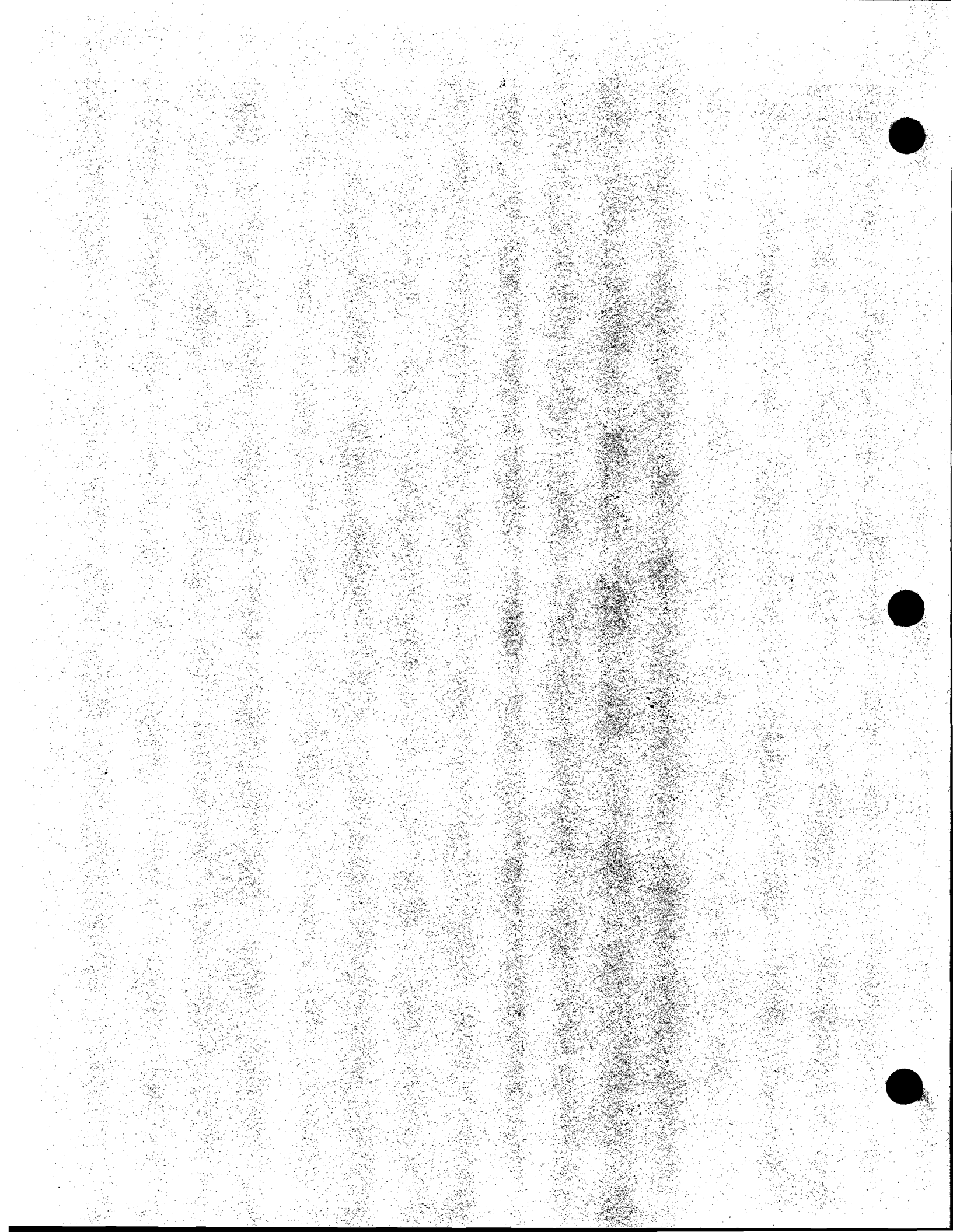
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Department of State

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NEA: EDJEREJIAN

EXDIS REVIEW

Cat. A Caption removed; transferred to O/FADRC

Cat. B - Transferred to O/FADRC with additional access controlled by S/S

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EXDIS

E. O. 12356: OADR
TAGS: MDPS, PREL, IZ, US
SUBJECT: IRAQI AIRCRAFT ATTACK ON US NAVAL VESSEL

1. SECRET - ENTIRE MESSAGE.

2. AT APPROXIMATELY 1810Z MAY 19, 1987, MIDEASTFOR FRIGATE THE USS STARK WAS HIT BY TWO MISSILES FROM AN IRAQI MIRAGE F-1 AIRCRAFT IN THE VICINITY 2847.0N9-05154.0E5 (APPROXIMATELY 70 MILES NE OF BAHRAIN). INITIA REPORTS ON CASUALTIES ARE UNCLEAR, BUT WE BELIEVE AT LEAST ONE IS DEAD, ANOTHER MISSING IN THE WATER FOR SEVERAL HOURS, AND A NUMBER WOUNDED.

3. ACTING ASSISTANT SECRETARY DJEREJIAN SPOKE TO AMBASSADOR HANDOON AT APPROXIMATELY 1630 WASHINGTON TIME. HE STRONGLY PROTESTED THE ATTACK AND DEMANDED AN IMMEDIATE AND FULL EXPLANATION ALONG THE LINES IN PARA 4. YOU SHOULD MAKE AN IMMEDIATE DEMARCHE TO THE FOREIGN MINISTER -- OR IN HIS ABSENCE THE HIGHEST AVAILABLE OFFICIAL DRAWING ON THE SAME POINTS.

5. TALKING POINTS.

-- AN IRAQI MIRAGE F-1 AIRCRAFT HIT A US MILITARY SHIP, THE USS STARK, AT APPROXIMATELY 1810Z, ABOUT 70 MILES NE OF BAHRAIN (2847.0N9-05154.0E5). THE ATTACKING PLANE WAS CLEARLY IDENTIFIED.

-- MY GOVERNMENT STRONGLY PROTESTS THE ATTACK AND DEMANDS AN IMMEDIATE AND FULL EXPLANATION.

-- THERE APPEARS TO BE CASUALTIES BUT THE NUMBER IS NOT YET CLEAR.

-- WE CAN ONLY ASSUME THAT THE ATTACK WAS ACCIDENTAL. NEVERTHELESS, WE DEMAND AN IMMEDIATE AND COMPLETE EXPLANATION OF WHAT WAS BEHIND THE INCIDENT.

PLEASE ADVISE OPERATIONS CENTER OF IRAQI RESPONSE BY NIACT IMMEDIATE CABLE OR TACSAT CALL ASAP. SHULTZ

IS/IFPC/CDR Date: 11/5/92

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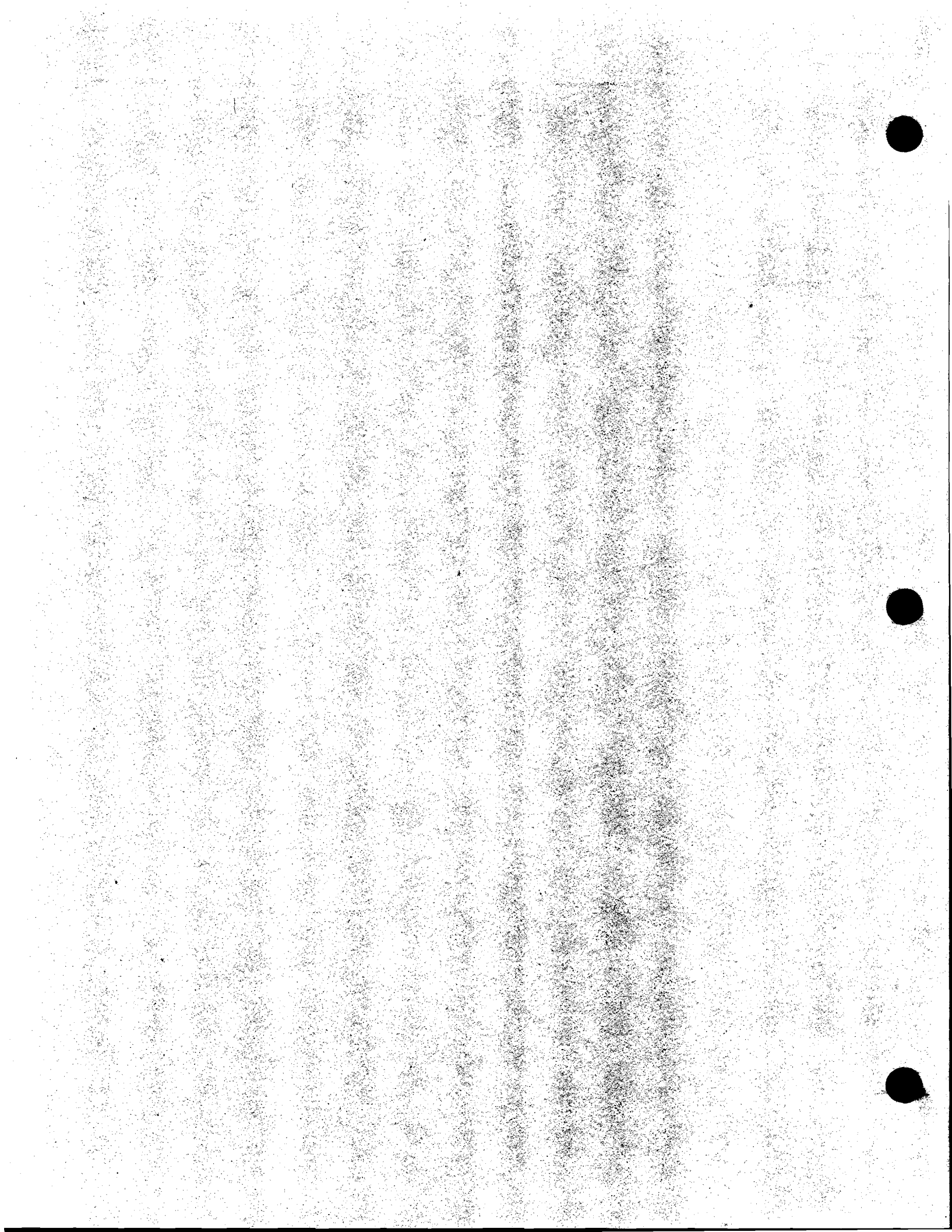
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DIRECTORATE OF INTELLIGENCE

17 June 1987

Iran-Iraq: Lull in the Gulf Anti-Shipping War [REDACTED]

Summary

Both Iran and Iraq see short-term advantages to the current lull in attacks on ships in the Persian Gulf. The last attack by Iran took place on 24 May and Iraq's most recent strike was on 18 May. Iraq is pleased by the recent increase in international efforts to press Iran to end the war and by heightened tension between Tehran and the superpowers. In short, the Iraqis have little to gain for now by renewing the anti-shipping war in the Gulf. Tehran hopes to strengthen its longstanding claim that the key to peace is ending Iraqi attacks. Iraq started the anti-shipping war and Iran claims it has struck ships largely in retaliation. Iran also hopes that its restraint will help to undermine UN actions directed at ending the Iran-Iraq war.

Despite the current hiatus, mounting pressures on Iran and Iraq are likely to lead to renewed attacks on Gulf ships. Iraq probably will resume attacks if it perceives that the

This memorandum was prepared by [REDACTED], Office of Near Eastern and South Asian [REDACTED]. Comments and queries are welcome and may be directed to the Chief, Persian Gulf Division, NESI, [REDACTED]

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superpowers are reducing efforts to end the war or are losing interest in the Gulf. When the US implements its protective measures for Kuwaiti shipping, Iran is likely to renew strikes against non-escorted shipping, lay mines near Kuwait, and possibly look for opportunities to strike escorted US-flag vessels. The chances also will increase that Iran will conduct terrorism against US interests in the Gulf.

* * * * *

Iran and Iraq have halted attacks on Gulf shipping after hitting a total of 52 ships so far this year. The last Iraqi airstrike was on 15 May, a day after the attack on the USS Stark. Iran's most recent ship attack occurred on 24 May, when it hit a Panamanian oil tanker.

The View From Baghdad

We believe Baghdad presently sees little to be gained by initiating a new round of airstrikes against shipping. From Iraq's perspective, the Stark incident and Iran's attack on a Soviet ship on 6 May have proved to be blessings by leading to increased US and Soviet efforts to end the war and by creating new strains between Iran and the superpowers. The Iraqis are relieved and pleased that US--and world--attention has shifted from Iraq's attack on the USS Stark to the Iranian threat in the Gulf. Baghdad probably hopes that Tehran will carry out its threats against the superpower ships protecting reflagged Kuwaiti oil tankers. Iraqi officials almost certainly calculate that renewed attacks by Iraq against Iranian ships would anger the superpowers, help the Iranians justify retaliation against US and Soviet flagged tankers, and possibly jeopardize efforts to obtain an effective arms embargo against Iran and a UN Security Council resolution with sanctions against the side refusing to end the war.

Iranian Calculations

Iran almost certainly hopes to use the lull in the ship attacks to achieve a permanent cease-fire in Gulf waters--a longstanding policy objective--and be free to continue the ground war where it has the upperhand. We believe that Iran expects the hiatus to remind the international community that Iraq started the anti-shipping war and to substantiate Iran's claim that Tehran attacks ships only in retaliation for Iraqi strikes. The lull, therefore, strengthens Iran's argument that the key to peace in the Gulf is a permanent Iraqi halt to ship attacks, in which case superpower protection of Kuwaiti shipping becomes unnecessary. Tehran probably also hopes to weaken superpower efforts to achieve a UN Security Council resolution calling for sanctions.

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Pressures for Renewed Attacks

Baghdad is concerned that Iran will benefit if the superpowers shift attention away from the Iranian threat before a comprehensive agreement on the ground war, or at least a UN Security Council resolution with teeth, is achieved. The Iraqis realize that a de facto cease-fire against Gulf shipping reduces the pressures on Iran. Even though Baghdad knows that its attacks in the Gulf have had negligible effects on Iranian oil revenues and morale, it values them because they provoke Iranian retaliation against international shipping, demonstrate to Iraqi citizens that Baghdad is prosecuting the war, and may at some point help influence Iranian policymakers to negotiate an end to the conflict. [REDACTED]

Because Baghdad appears to view attacks on tankers as one of its few options to press Iran to end the war, it is likely to resume attacks against shipping to and from Iran or against Iranian land oil facilities, including those on Khark Island, if it perceives that progress toward a UN Security Council resolution and other pressures on Iran are waning. The Iraqis will be fearful of accidentally attacking superpower combatants and noncombatants, however, and will exercise care to avoid another accident. [REDACTED]

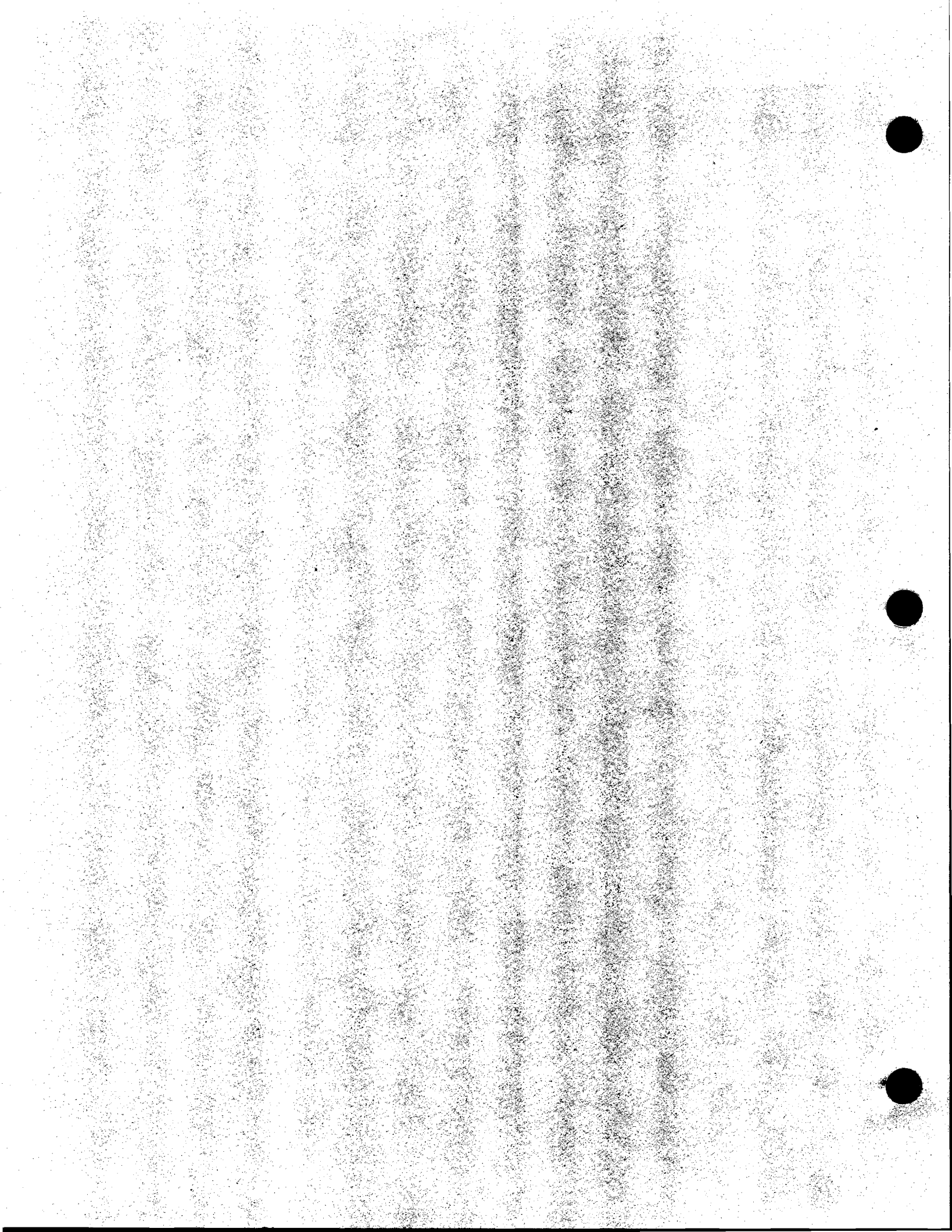
Iran probably believes that superpower protection of Kuwaiti ships sets a precedent that, if unchecked, will lead to steadily expanding superpower intervention on the side of Iraq and its Arab allies. This would threaten to foreclose an Iranian victory over Iraq and to neutralize Iran's aim of achieving hegemony in the Persian Gulf. We believe Iran prefers to force the superpowers and Kuwait to back down without having to resort to a military clash. [REDACTED]

If Iran fails to achieve this objective and the US implements its protective measures, Iran is likely to resume attacks against unescorted Kuwaiti ships and perhaps lay sea mines near Kuwait. The possibility would also increase that Tehran would launch terrorist operations against US interests in the Gulf and elsewhere. We believe that Iran would probe cautiously for opportunities to attack escorted US-flag ships, hoping to increase significantly the Gulf states' concern and intensify debate in the United States about the wisdom of US involvement. Tehran is likely to hope that such a debate would weaken US resolve and lead to a US withdrawal. Tehran probably will forego attacks on Soviet-flag ships as long as it perceives that its strategy of easing tensions with Moscow is making progress. [REDACTED]

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December 02, 1987

Special Analysis

IRAN-IRAQ:

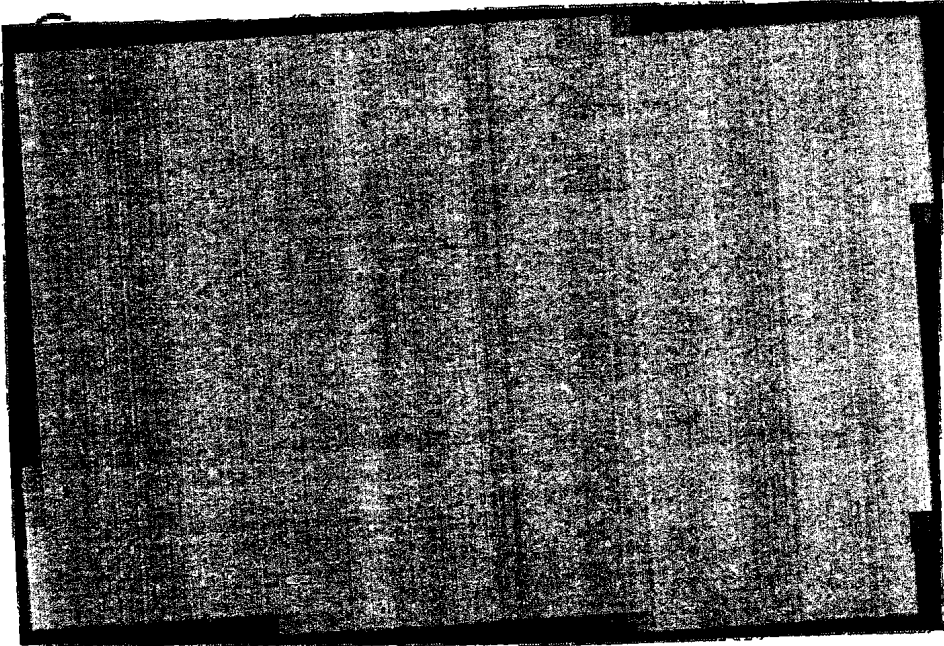
The Tanker War

Ship attacks by Iran and Iraq continued at relatively high levels last month, triggering new efforts by shippers to protect their interests. Tehran, meanwhile, is seeking to improve its long-term antiship capabilities by acquiring new weapon systems.

Confirmed strikes on ships by Iran and Iraq last month were above the monthly averages for this year, maintaining the higher rate of such attacks since August. The number of ships attacked, however, is still small, as compared with the total number of ships sailing the Persian Gulf. The effect of the attacks on oil prices last month was minimal as overproduction by OPEC members continued to erode prices.

Neutral commercial shippers are taking additional steps to limit damage to their assets in the region. On two occasions last month, ships tried and failed to deceive Iran by using false names and flags. A major oil company decided to withhold its tankers from the Gulf after it and several countries sponsoring flags of convenience failed to persuade Washington to escort US-owned ships there flying non-US flags. Other oil companies have expressed concern about the safety of tankers, but such expressions are probably an excuse to avoid having to lift crude at official prices now that an abundance of cheaper oil is available from other suppliers.

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(b)(3)



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**IRAN-IRAQ-
SAUDI ARABIA:**

Ship Attacks

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As ship attacks continue at high levels this month, Tehran's focus on Saudi-associated shipping is causing increasing alarm in Riyadh.

Iran attacked two more tankers yesterday and another today—at least one of which was in trade with Saudi Arabia—according to press and shipping sources. Since October, more than half of the 28 ships attacked by Iran have been in the Saudi trade.

[REDACTED]

On Thursday, Iranian speedboats for the first time returned to fire on a previously hit ship, which was carrying Saudi cargo, as well as nearby tugboats and press helicopters.

[REDACTED]

The Iranians presumably are trying to force Riyadh to reduce its aid to Iraq, to end its support for the US reflagging program, and to be more accommodating on oil matters. Tehran also may be demonstrating to Riyadh Iran's capacity for intensifying the tanker war if the Saudis refuse to placate Iran.

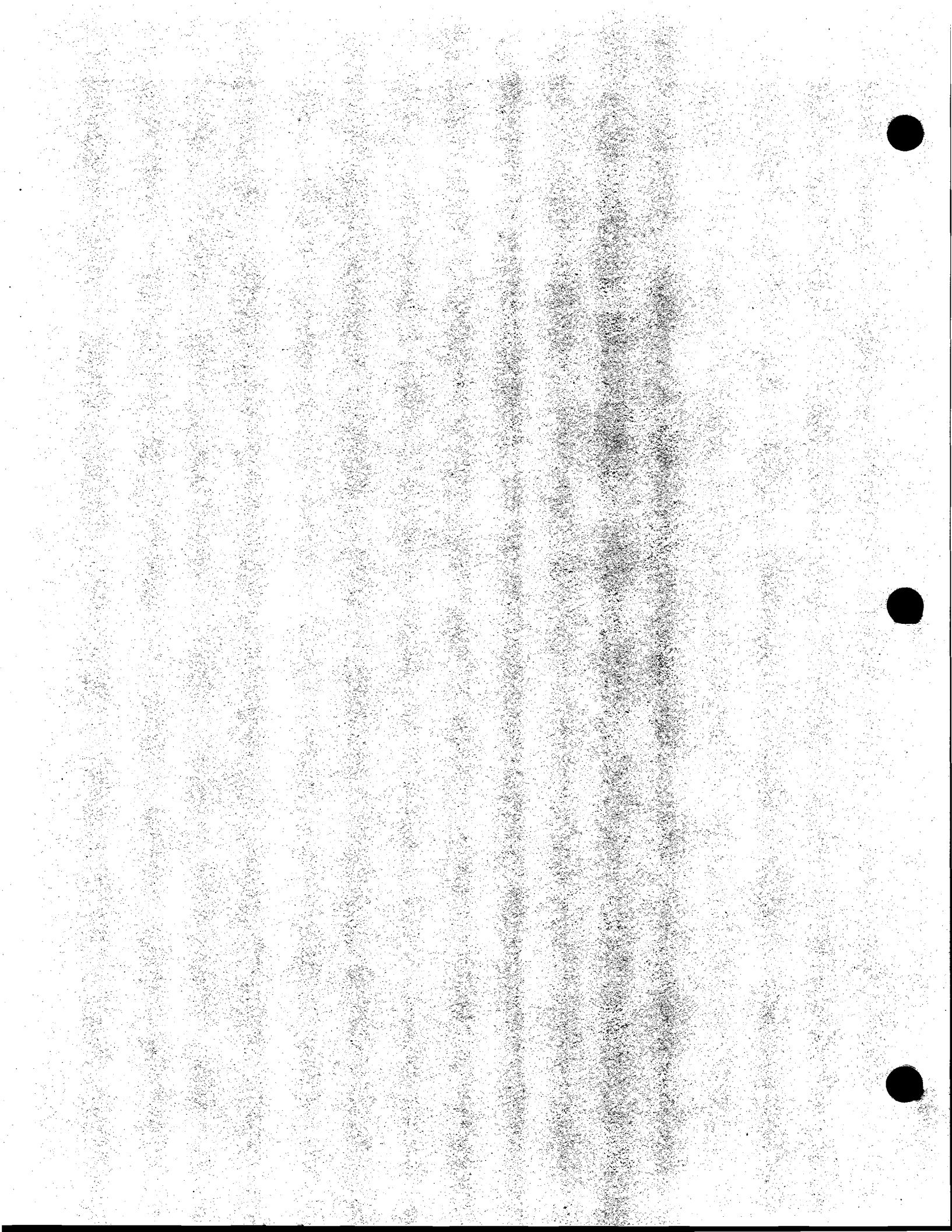
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Iran may be copying an Iraqi tactic in repeatedly attacking the same ships and by firing on tugboats. Both appear intent on inflicting more damage and slowing recovery operations. The Iranian speedboat crews' willingness to shoot at press helicopters increases the risk they might also fire on US Navy helicopters offering assistance to stricken tankers.

There is no evidence that Tehran has focused its efforts specifically against Saudi-associated shipping. Because more than 40 percent of all Persian Gulf shipping is Saudi related, it is reasonable that a high percentage of ships attacked will be Saudi associated.







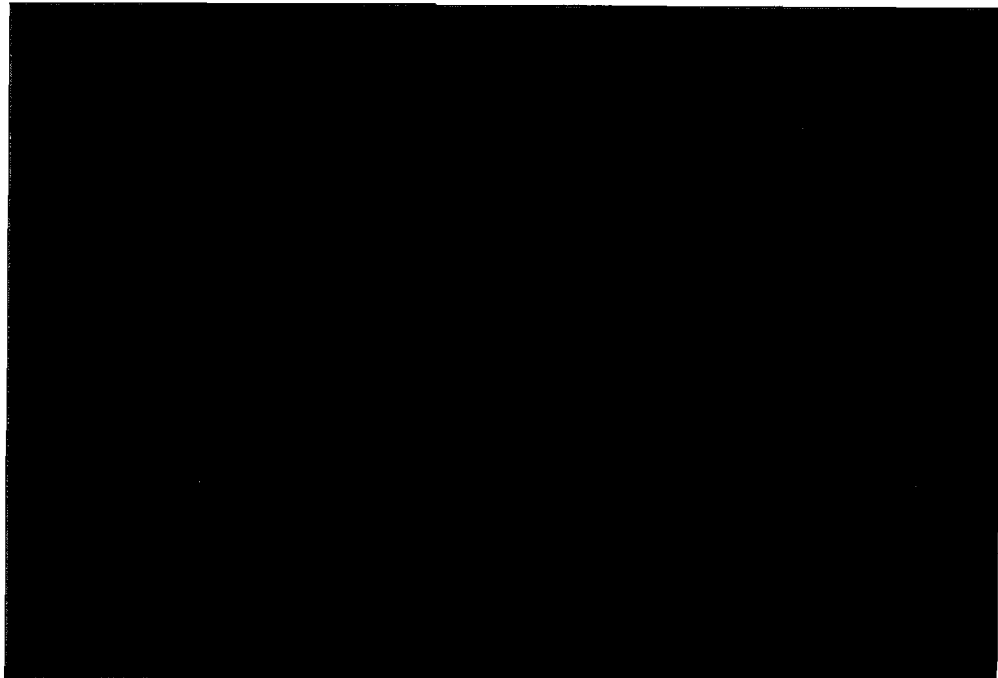
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IRAC-IRAN: Iraqi Missile Attack on Tebran

Iraq used ballistic missiles yesterday and today for the first time in the war. As many as nine missiles were fired from near Al 'Amarah in southeastern Iraq at the Iranian capital—a distance of about 800 kilometers. At least three missiles hit the vicinity of Tebran. Baghdad threatened to fire more missiles at the Iranian capital in retaliation for Iranian artillery and missile attacks on Iraqi cities last weekend.

Comment: Iraq's unprecedented missile strikes on Tebran suggest Baghdad's resolve to respond strongly to Iran's recent attacks even at the risk of starting a new war of the cities. Iraq's leaders will use the attacks to boost Iraqi morale by claiming that further Iranian Soviet missile attacks on Baghdad will be met with more Iraqi missile attacks on Tebran. Iraq's claims last August that it had manufactured and tested a missile with a range of more than 800 kilometers are unconfirmed. Baghdad has been interested in acquiring longer range missiles from the Soviets or missiles and related technology from Argentina and Egypt.



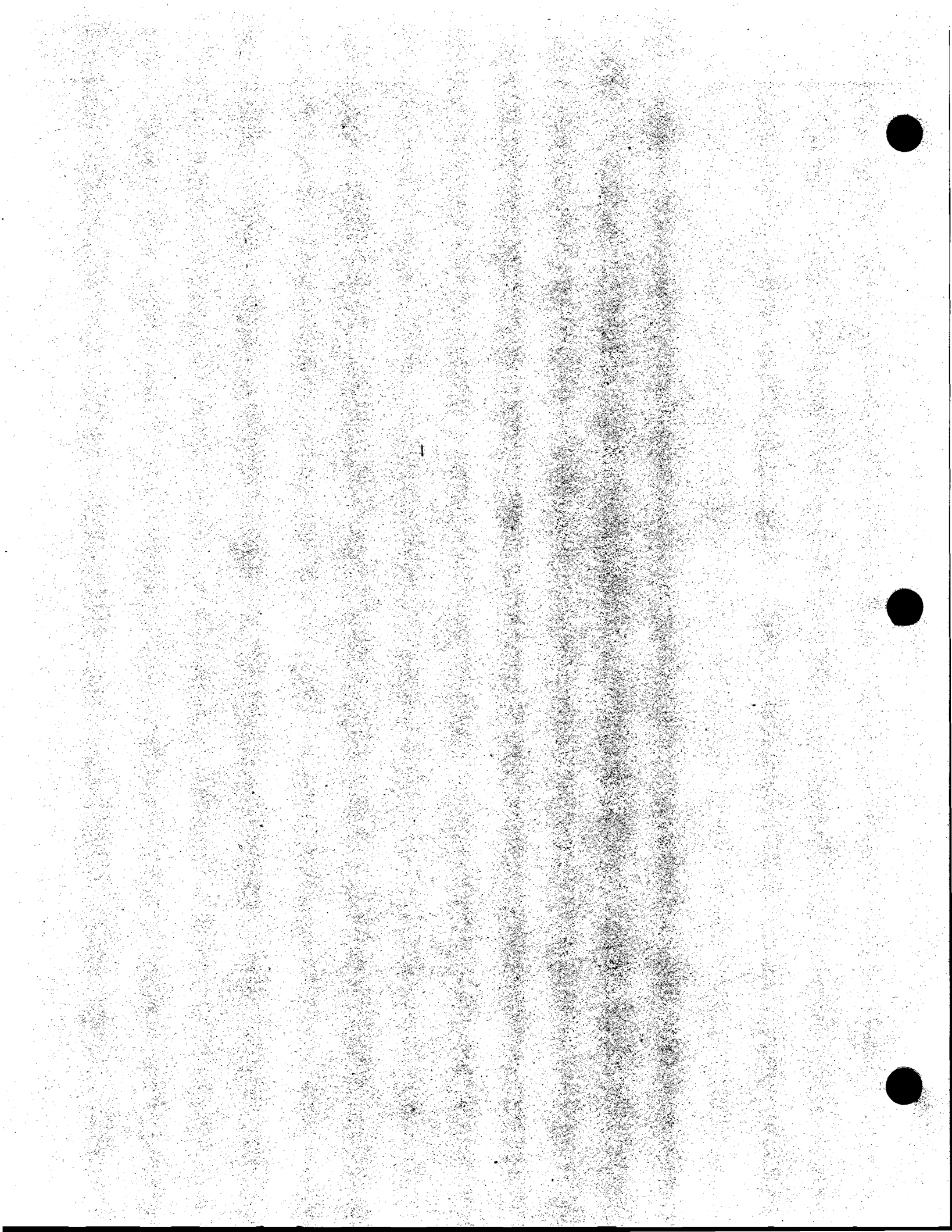
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Director of
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National Intelligence Daily

Monday
21 March 1988

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IRAN-IRAQ:

Tehran's Offensive Expands

Iran has continued its offensive in northeastern Iraq by launching a major attack along the southern bank of the Darband-Khan Reservoir, according to Iranian press reports. Iranian forces, in strength, were reported to be 3 miles (5 kilometers) from the dam near Salim Firak yesterday morning and in control of the heights overlooking the town and the road leading to the southwest. Iranian aircraft are said to have flown numerous sorties to intercept Iraqi reinforcements attempting to move south toward Salim Firak.

Iran continued to hit border areas this weekend with intensive artillery and rocket fire, according to press reports. Iraq has responded by hitting Tehran with at least four missiles and Erbil with two missiles. At least one Iranian missile hit a densely populated area in Baghdad yesterday, ~~reporting~~ reporting. Iraq has now launched at least 110 missiles and hit as many as 41 in the current "war of the cities."

Comment: If Tehran's claims are true, Iranian forces are in excellent position to capture Salim Firak, the dam, and possibly cross to the west bank of the reservoir north of the dam.

[REDACTED]

Iran has probably altered its missile strategy and now appears to be focusing on the more heavily populated areas of Baghdad rather than the traditional military and economic targets on its outskirts. Tehran is retaliating for scores of Iraqi missile attacks on populated areas and intends to inflict as much damage as possible to Iraqi morale.

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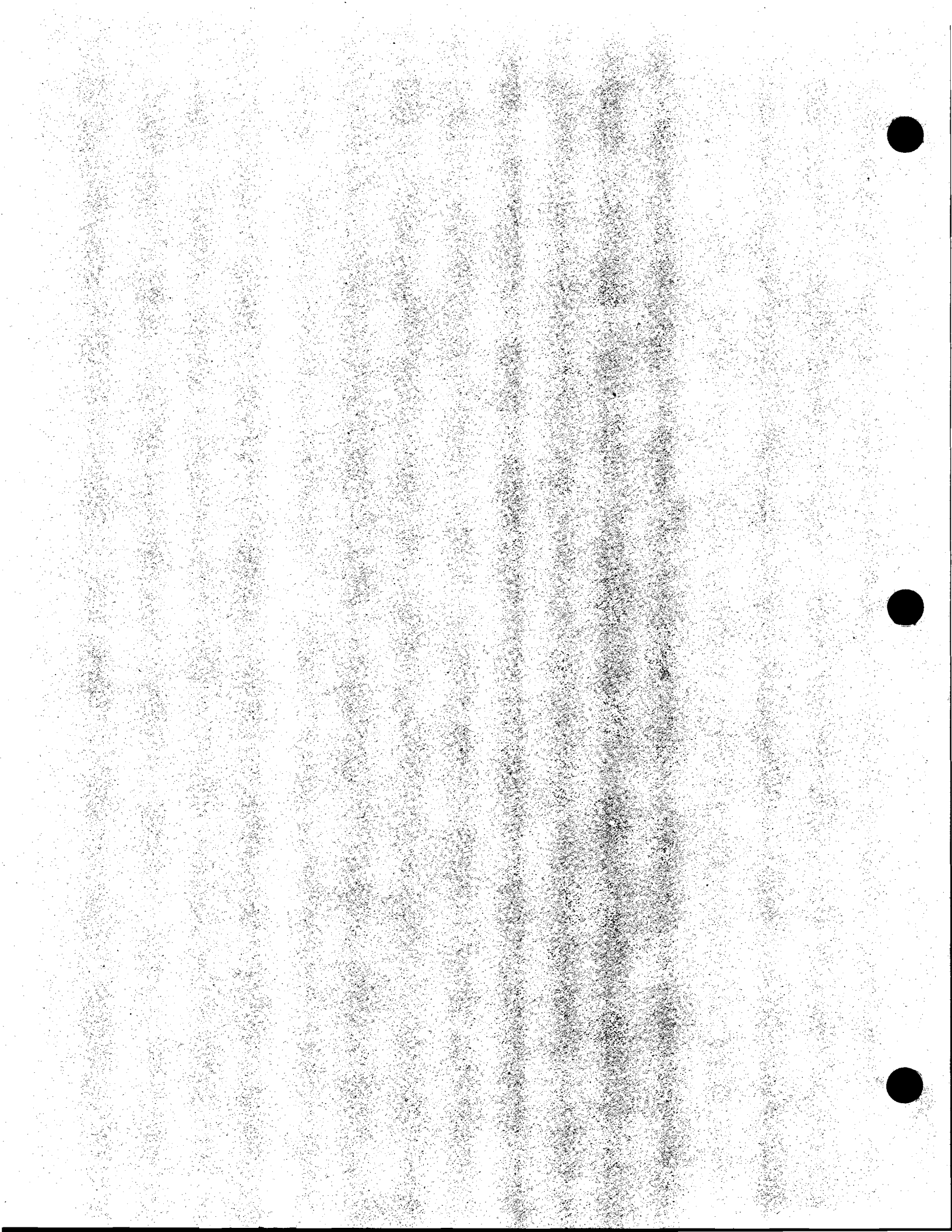
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Impact and Implications of Chemical Weapons Use in the Iran-Iraq War



Interagency Intelligence Memorandum

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APRIL 1988

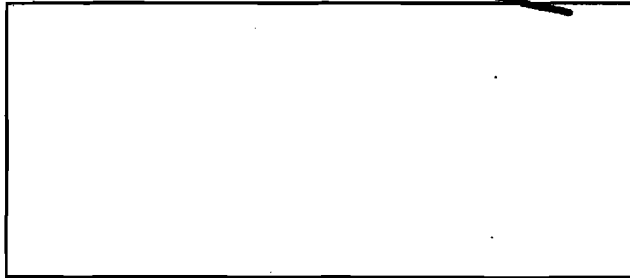
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**IMPACT AND IMPLICATIONS OF
CHEMICAL WEAPONS USE IN THE
IRAN-IRAQ WAR**

Information available as of 20 March 1988 was used in the preparation of this Memorandum, which was approved for publication on 22 March 1988 by the Acting Chairman of the National Intelligence Council.

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KEY JUDGMENTS

Chemical weapons and riot control agents have been part of the Iran-Iraq war since the early 1980s. Chemical weapons have become a regular and recurring tactic in the conflict and are likely to increase. We believe both states have assessed that selective use of chemical weapons can augment conventional arsenals, attain short-term objectives, influence certain combat situations, and significantly increase enemy casualties. [redacted]

Baghdad and Tehran apparently believe that chemical weapons have been tactically effective or even decisive in a limited context, but chemical warfare has not provided a strategic alternative or advantage. As long as Iran and Iraq continue to employ chemicals primarily in a defensive role, neither nation will gain a strategic advantage based purely on the use of chemical weapons. [redacted]

Iraq has employed such weapons—primarily in response to Iranian offensive actions—since August 1983, and on [redacted] March 1984 the nerve agent tabun was used for the first time ever on the battlefield. The Iraqis have adopted a dry/dusty form of mustard that affects personnel rapidly [redacted]

Iran used chemical weapons on a very limited scale beginning in 1985, probably for testing or training. Since April 1987, Iran has launched several small-scale chemical attacks with mustard and an unidentified agent that causes lung irritation. [redacted]

Although estimates of chemical casualty rates are uncertain, in one campaign they were reported to be as high as 30 percent—of which 3 to 4 percent were fatalities. [redacted]

As more nations acquire a chemical capability, military and peacekeeping forces must expect the threat of either intentional or inadvertent exposure to chemical attack in any regional conflict of the future. The use of standard agents and agents in different forms creates unexpected vulnerabilities. [redacted]

The Intelligence Community believes that Third World countries perceive that successful chemical weapons use on the battlefield and the lack of meaningful international sanctions or condemnations suggest that they can acquire a chemical weapons capability as a deterrent or military force multiplier without fear of repercussions. [redacted]

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[Redacted]

Foreign assistance has been pivotal in the development and expansion of the Iranian and Iraqi chemical warfare programs. While Western export controls initially raised the cost and slowed the programs somewhat, both countries have become adept at circumventing these controls and altering the production processes. Their drive for an independent and indigenous chemical weapons production capability will make them less dependent on foreign support and less susceptible to external political pressures. [Redacted]

If the use of chemicals continues or increases, it would be an indication to Third World states that chemical weapons have military utility, and a worldwide chemical protocol or treaty could become more difficult to obtain. [Redacted]

We do not believe that nations which have recently acquired a chemical capability, or which perceive a threat and see chemicals as combating the threat, will willingly give up their new military tool—especially in areas of frequent conflict such as the Middle East and Asia.

[Redacted]

[Redacted]

[Redacted]

DISCUSSION

1. This Memorandum examines the degree to which chemical warfare (CW) in the Iran-Iraq conflict has been effective and discusses the factors driving decisions to develop and use chemical weapons. It appears that chemical weapons have a role on the Middle Eastern battlefield, and the report addresses regional and international implications as well as political and military factors that could affect US interests. [redacted]

2. Iran and Iraq have developed chemical weapons and have employed them in their conflict since the early 1980s. Iraq began to develop its CW capability in the early 1970s [redacted]

[redacted] while Iran began its program as a response to Iraqi battlefield use. Baghdad used riot control agents (RCA)¹ in the mid-1970s against dissident Kurds in northern Iraq. Hostilities with Iran gave additional impetus to the Iraqi CW program in the early 1980s, and since 1983, Iraq has used chemical weapons every year in its war with Iran. [redacted]

3. Overall, we believe the frequency of chemical weapons use, initially constrained by availability, has increased while the effectiveness of Baghdad's CW employment in major battles is improving. President Saddam Husayn's initial political and military decision to use chemical weapons against Iran seems to have been made in an effort to compensate for Iraq's limited military manpower pool. Iraq was able to use CW to minimize personnel and territorial losses by stalling or preventing Iranian human wave attacks and because Iran had only limited CW protective capabilities and could not retaliate in kind. Although Iraq has not achieved its strategic military and political goal of ending the war, CW has been a significant element in helping Iraq achieve its tactical battlefield objectives. In our judgment, the Iraqis perceive chemical weapons to be an effective complement to their conventional arsenal. [redacted]

4. Iranian policymakers also have decided to employ chemical agents and in 1987 began limited battlefield use of chemical weapons. Tehran currently has a limited quantity of weaponized chemical agents.

¹ The United States does not recognize riot control agents such as tear gas, CS, or CN as chemical warfare agents. [redacted]

It will be at least a year before it can produce the quantities needed to affect significantly the land war in other than small-scale engagements. (See annexes A and B for a complete discussion of Iran's and Iraq's chemical warfare capabilities.) [redacted]

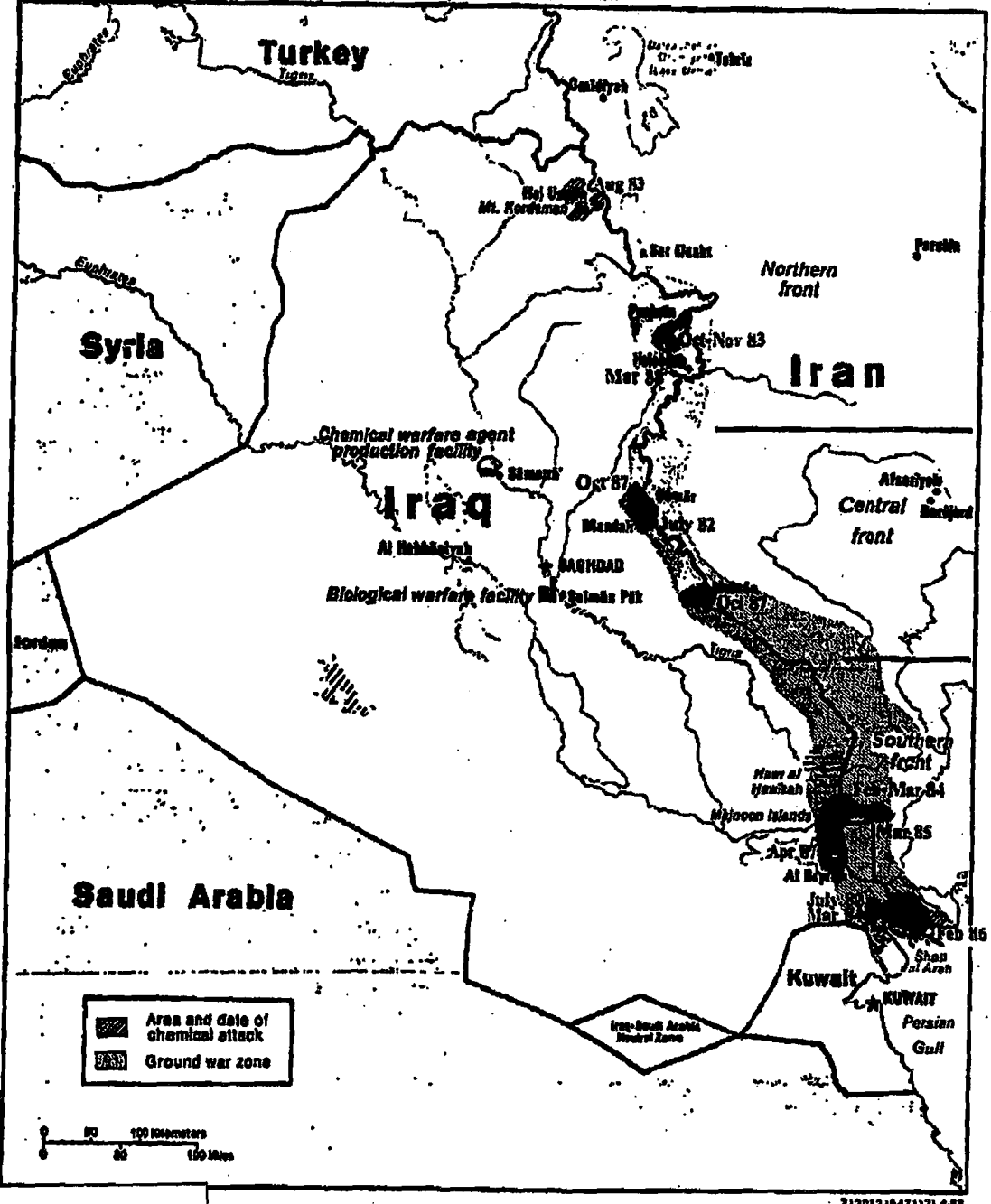
Battlefield Use of Chemical Weapons

5. The approximately 250 reports of chemical attacks, mostly by Iraq, substantiate that CW has become a recurring event in the war. (See figure 1.) Although Iraq denies the use of chemical weapons, and contends that the 1925 Geneva Protocol (of which both Iraq and Iran are signatories) does not prohibit chemical weapon use on one's own territory, many of Iraq's chemical attacks have occurred in Iranian territory. In those attacks, chemical weapons have been used primarily in a defensive role² in response to major Iranian offensives and have involved a variety of delivery means. [redacted] Reporting indicates that Iranian rear area support troops occasionally sustain large numbers of casualties because they are less prepared and equipped to cope with chemical attacks. (See annex C.) In this regard, rear area chemical attacks may be a force multiplier for Iraq. There is evidence that Iraqi CW attacks may be evolving to include preemptive uses. [redacted] If Iran were to threaten Iraqi perceived strategic positions, we believe that Iraq might authorize massive chemical employments, as implied by Iraqi politicians. On the Iranian side, the use of chemical weapons has been insufficient to determine a pattern of employment or the overall military effectiveness. If the military objectives of Baghdad and Tehran are being assisted or accomplished by chemical weapons employment, it is unlikely either will forgo the chemical option in the future. [redacted]

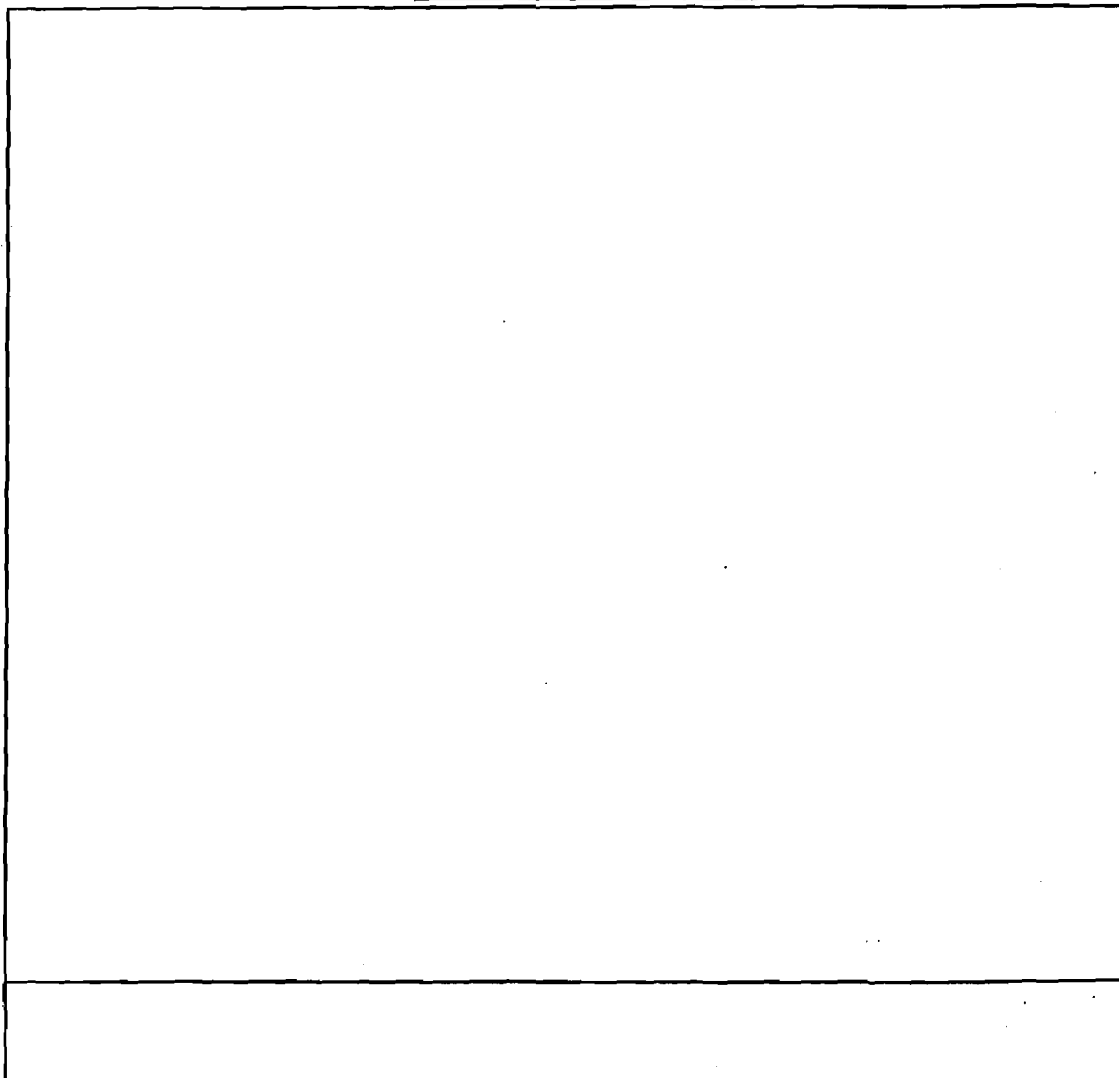
² Iraq has used both lethal and nonlethal chemical agents, primarily in defensive operations and counterattacks. It prefers to use the riot control agent CS when Iraqi troops are in proximity to Iranians. The goal of CS use by Baghdad is to force Iranian troops to don protective gear, thus hampering operations. Even if this does not halt an Iranian advance, it at least disrupts the Iranian offensive long enough to permit Iraqi troops to pull back—permitting the use of lethal chemical agents and causing Iranian casualties. [redacted]

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Figure 1
Chemical Warfare Attacks Along the Iran-Iraq Border, 1982-88



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Iraq

6. Beginning in 1982 there were indications of RCA use by Iraq against Iranian forces. Since then, the types and lethality of chemicals used by Iraq has increased, from riot control agent CS to mustard agent in 1983 and to the first battlefield use of a nerve agent (tabun) against Iranian troop concentrations near the Mainoon Islands in March 1984. It appears that early attacks were limited to using a few artillery shells, mortar rounds, or aircraft-delivered munitions. Many types of CW agents and riot control agents are now being used on the battlefield (see inset).

7. Iraq appears to have become more competent in its capability to integrate chemicals into its conventional battle strategy. (See table 2 for examples of selected CW employments.) As chemical weapons have become more available and have been successfully employed, Iraqi political and military leaders appear to have accepted them as a tactically useful and effective weapon. We believe that chemical munitions, in a few cases, have been significant in the context of specific battles. For example, in the Karbala VIII campaign of April 1987 the use of chemical weapons, combined with conventional arms, proved effective.

Iraq Use of Chemical Weapons Against the Kurds

Iraqi use of chemical weapons to subdue the Kurdish population inside Iraq, along the triborder area with Iran and Turkey, is qualitatively different from the use of chemicals against another country. The Iraqis have primarily used riot control agents and possibly, in some cases, chemical weapons against the Kurds to minimize the diversion of troops from more critical fronts and the losses that might occur in inaccessible areas that favor guerrilla forces. It is very difficult to determine the type of agents and the exact circumstances under which any of the agents may have been used. [redacted]

Iraq used the riot control agent CS against the Kurds during the civil war of 1974-75. [redacted]

The campaign against the Kurds once again intensified in early 1987 as Iraq attempted to secure the northern border areas with Turkey and Iran. Since April 1987, a military campaign has been waged to eradicate village bases of support for Kurdish guerrilla

groups. To minimize losses of men and materiel, Iraqi troops have used riot control agents and possibly chemical weapons repeatedly when conventional weapons have not sufficed to subdue villagers before razing their dwellings. [redacted]

Saddam Husayn reportedly gave the direction of this campaign to Ali Hassan al-Majid, director of internal security and Saddam's cousin, who devised a "scorched earth" policy to eliminate dissident Kurdish activity in northern Iraq. The policy, carried out between April and July 1987, and apparently resumed in October 1987, has spurred the desertion of many loyalist Kurds and private criticism from senior Iraqi Government and military figures. Even the figurehead vice president of Iraq, a Kurd, has refused to support the policy—a daring defiance of Saddam Husayn's authority. [redacted]

The types and lethality of chemical weapons available to both sides have increased in recent months, and the fighting in northeastern Iraq demonstrates that neither has backed off from employing them even against Kurdish population centers. [redacted]

[redacted] We do not believe the prospect of further civilian casualties would dissuade either side from using chemical weapons. [redacted]

8. Until 1986, release authority for chemical weapons in Iraq was held at the highest levels of decision-making, perhaps exclusively by President Husayn. This was probably to ensure control of a limited stockpile of chemical munitions and to guarantee that sufficient supplies would be available to counter large Iranian offensives. Baghdad may also have believed that tight control of chemical weapons would make it easier to deny that Iraqi forces had employed CW. In 1986, CW release authority was delegated to corps-level commanders as the result of Iraqi losses during the Al Faw and Mehran campaigns and after the military apparently convinced President Husayn to change release authority for chemical weapons to permit better integration of CW into battle plans. Chemical weapons now appear to be an important adjunct for the achievement of tactical objectives. [redacted]

9. In our judgment, the Iraqis perceive chemical weapons to be an effective complement to their conventional arsenal. Overall, we believe the frequency of chemical weapons use—probably constrained

only by availability—has increased, and the effectiveness of Baghdad's CW employment in major battles is improving. [redacted]

10. *Constraints on Iraqi Use.* By denying its use of CW, Iraq has shown some concern for international consequences. Baghdad's main concern has been that any public outcry would further complicate its efforts to obtain necessary conventional war materiel as well as necessary CW materials. Although limited international reaction has thus far not deterred Iraq's chemical employment, no political or religious constraints seem to bear seriously on Husayn's decision to employ CW. International and regional pressure—United Nations condemnatory resolutions, demarches, and export controls—have been ineffective in stopping the development of the CW program or continued battlefield use. [redacted]

Iran

11. We believe that, as Iran's chemical weapons stockpile increases and Iraqi chemical attacks continue, Tehran will selectively increase its use of chemicals

**Table 2
Selected Chemical Weapon Employments**

Date	Area Deployed	Type	Approximate Casualties
Iraqi Use			
July 1982	Mandal and Basrah	CS type	Few
August 1983	Haji Umran and Mt Kordeman	Mustard	Less than 100
October-November 1983	Panjin	Mustard	3,000
February-March 1984	Majnoon Island	Mustard	2,500
March 1984	Al Basrah	Tabun	50 to 100
March 1985	Hawzah Marsh	Mustard/tabun	3,000
February 1986	Al Faw	Mustard/tabun	3,000 to 10,000
December 1986	Umm ar Resas	Mustard	[Redacted] thousands
April 1987	Al Basrah	Mustard/tabun	3,000
October 1987	Samar/Mehran	Mustard/nerve agent	3,000
March 1988	Halabjah	Mustard/nerve agent	[Redacted] hundreds
Iranian Use			
April 1987	Al Basrah	Phosgene/CK	50
October 1987	Samar/Mehran	Mustard (possible)	[Redacted] hundreds
March 1988	Halabjah	Cyanogen chloride	[Redacted] hundreds

in retaliation, and possibly as a preemptive weapon. In April 1987, Iran clearly crossed the chemical barrier, using chemical agents in a militarily significant but limited quantity in the Al Basrah area. [Redacted]

[Redacted] This apparent change in policy seems confirmed by a mid-October 1987 Iranian mustard attack in retaliation for an Iraqi chemical attack. [Redacted]

12. *Constraints on Iranian Use.* Due to Iraq's much greater chemical capability, we assess that Iran will remain cautious and selective in its use of chemicals. We are confident, however, that the Iranians will continue to use and probably increase their employment of chemical weapons to meet military requirements or to retaliate for Iraqi chemical attacks. [Redacted]

Battlefield Effectiveness of Chemical Weapons

13. Faced with superior numbers of Iranian soldiers in a war of attrition, Iraq elected in 1982 to use the riot control agent CS in conjunction with conventional weapons, hoping to solve its military dilemma. Iraq's early uses of mustard and tabun in 1983 and 1984

were probably militarily ineffective because of poor employment techniques and unsuitable weather conditions. In some cases, Iraqi pilots released chemical munitions from too high altitudes and rarely delivered enough agent at one time to be militarily effective. In other cases, chemical bombs were released too low for their fuzes to function. Iran thus obtained numerous Iraqi chemical weapons intact and scored a major propaganda victory by publicizing this evidence (see figure 2). Also, Iraq used chemical weapons in damp conditions—particularly in the southern border area—when the wind was blowing toward its own troops and in daylight. In 1983, for example, Iraq used fighter-bombers, artillery, and helicopters to deliver mustard in an effort to dislodge Iranian forces around Mount Kordeman in the northern border area. The chemical attacks had little effect on Iranian troops; however, the Iraqi forces were exposed when the wind shifted toward Iraqi lines and the dense vapor flowed downhill—away from the Iranians. [Redacted]

14. The Intelligence Community believes that in some cases during specific battles Iraqi chemical employments have been tactically effective. Whenever the Iraqis used good delivery techniques, weather conditions and terrain were favorable, and the Iranians were not adequately prepared or trained, the use of chemical weapons has been effective. Iraqi mustard



Figure 2. Iranian soldier with mustard sample from Iraqi chemical bomb.

use was a major factor in stopping an Iranian advance at Panjwin in 1983, and in the February 1986 Al Faw campaign about 20 to 30 percent of the Iranian casualties were from CW. In some campaigns, Iraqi CW attacks contributed to stopping the Iranians and disturbing the momentum of an Iranian attack. (See figure 3 for a listing of chemical agents used in the war and their effects.)

Strategic Results

15. As currently employed, chemical weapons will sometimes allow tactical advantage, but are unlikely to affect the war strategically. Baghdad, thus far, has not shown the intention to commit the full CW resources necessary to gain a true strategic advantage. Because Iran does not currently have a significant chemical capability, we anticipate its use of chemicals will continue to increase slowly but will not be decisive. As long as both Iran and Iraq continue to employ chemicals in primarily defensive operations, neither nation will gain a strategic advantage, based purely on the use

of chemical weapons. However, a concentrated use of chemicals by either side may create a tactical advantage in a localized situation. We should also expect to observe the introduction of more lethal agents such as VX.

Implications—Domestic and International—of the Chemical War

16. The 1925 Geneva Protocol has not been an effective impediment to the spread and use of such weapons in the region. We believe the perceived successes of such weapons on the Iran-Iraq battlefield, coupled with the lack of meaningful international sanctions or condemnations, may suggest to Third World states that they can acquire a CW capability as a deterrent or a military force multiplier. Proliferation in the Third World has been tied primarily to the availability of technologies—mostly from Western Europe. The high profits from the sale of technology and precursor chemicals, as well as the difficulty of regulating dual-use materiel, have made it impossible to achieve the necessary economic and political steps to stop proliferation and weaponization. The increasing number of nations that possess chemical capabilities suggests that chemical weapons are being integrated into their conventional weapons arsenals. (See figure 4.)

Implications for the United States

17. As more nations acquire a chemical capability, military and peacekeeping forces must expect the threat of either intentional or inadvertent exposure to chemical attack.

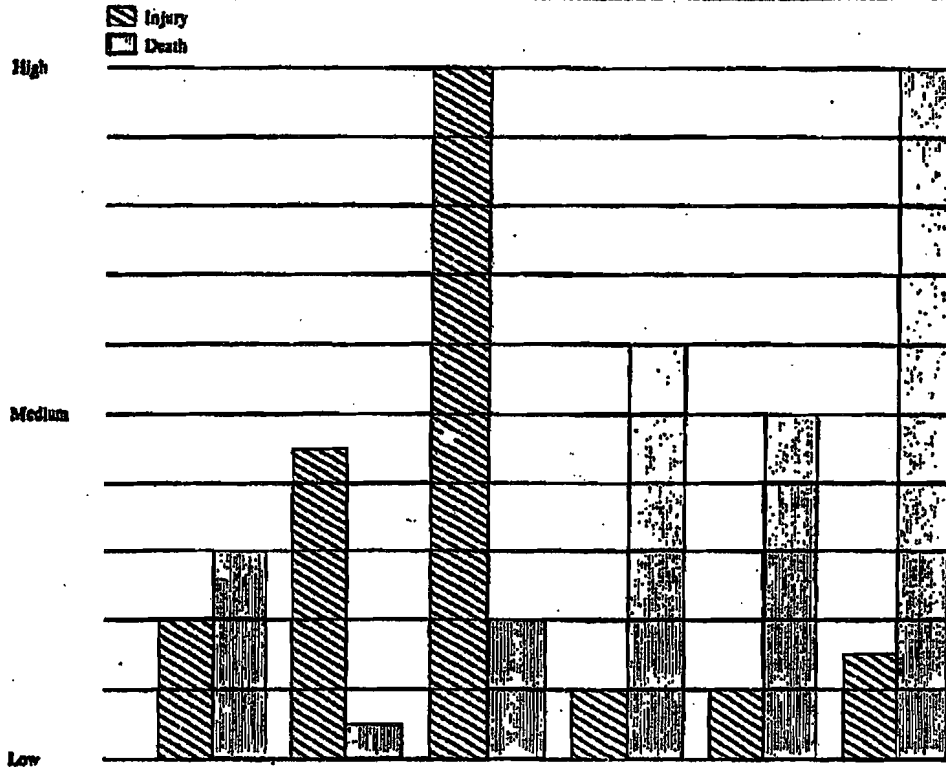
The proliferation of CW programs indicates a widening threat from an increasing number of chemical agents. The United States must expect to face a variety of agents—not only those that are expected to be used on the NATO battlefield, but others such as those used by Iran and Iraq.* The use of "standard" CW agents and agents in different forms such as those that have been identified in the Iran-Iraq war has created unexpected vulnerabilities, such as:

- The simultaneous use of several agents during any attack, and resultant problems for detection and casualty treatment.

* Examples of expected Warsaw Pact agents are GB, GD, HD, VX, and L; examples of Middle East agents are GA, HN, CG, and CK.

Figure 3
Casualty Characteristics of Chemical Warfare Agents

Relative casualty potential (injury/death)

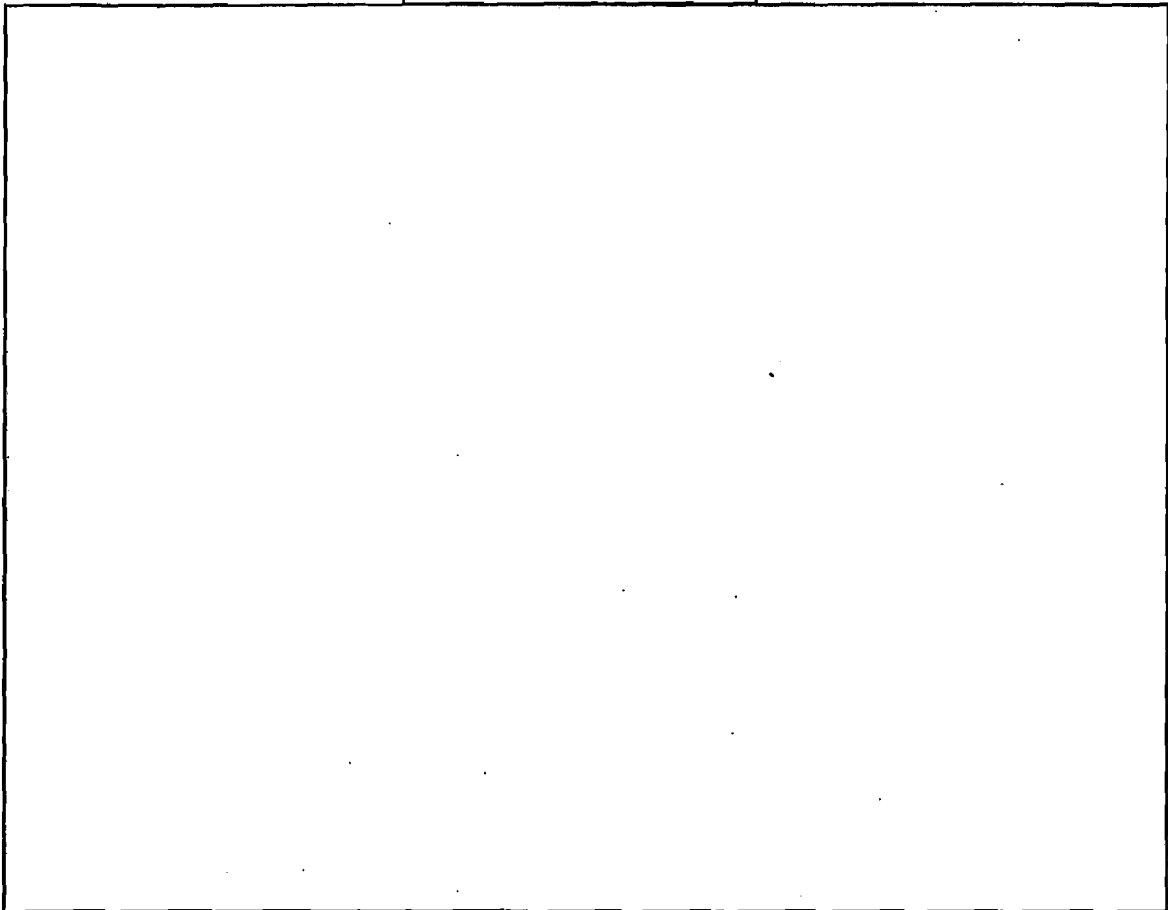


Agent	Cyanogen chloride	Phosgene	Mustard	Tabun	Sarin	VX
Class	Blood	Choking	Blisters	Nerve		
Primary routes of exposure	Inhalation	Inhalation	Inhalation Skin Eyes	Inhalation Skin Eyes	Inhalation	Inhalation Skin Eyes
Physiological affects	Oxygen deficiency	Lung damage	Skin/respiratory tract blisters	Nervous system paralysis		

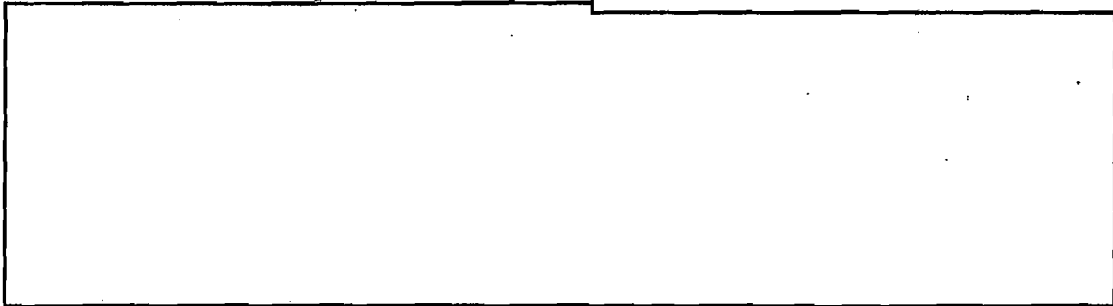
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- Decontamination of tabun can lead to liberation of dangerous cyanide compounds.



Observations From the Chemical War

- CW tactical delivery methods have improved with experience.
- CW has been locally effective in some instances. Its effect has been maximized when surprise has been achieved against unprepared troops.
- CW can contribute to tactical successes as one component of an integrated fireplan.
- CW has been used largely in the defense role.
- CW agent has been used as an area denial weapon.
- CW, ineptly employed, has not proved to be a panacea to make up for other weaknesses. Non-chemical tactical weaknesses such as failure to maximize advantages and ineffective employment of tactical airpower carry over into employment of CW.
- CW employment shortcomings have included use of inadequate concentrations in relation to required area coverage, enemy troop numbers, weather and terrain, ineffective delivery, and failure to integrate CW properly with the scheme of maneuver.

Implications for Chemical Warfare Treaty Negotiations

18. The continuing proliferation of chemical weapons—which has been spurred by CW in the Gulf war—greatly complicates attempts to conclude a treaty banning chemical weapons. Several CW-capable states have made disproportionately large investments in these weapons and may be unwilling to relinquish these weapons under a treaty. Most proliferant states are seeking a CW capability because of a perceived threat from neighbors and probably would not entirely dispose of their capabilities if they felt their enemies might cheat on a treaty. Finally, many of these states may decide to maintain their CW programs even after signing a treaty in light of the limited international response to Iran's and Iraq's use of chemical weapons.

ANNEX A

IRAN'S CHEMICAL WARFARE CAPABILITY

The mass casualties resulting from Iraq's chemical attacks, Tehran's apparent belief that Iraq's chemical campaign has affected the outcome of several offensives, and the apparent lack of international condemnation of Iraq have led Iran to develop a chemical weapons capability. The chemical program, begun in 1983, is believed to be primarily under the auspices of the Iranian Revolutionary Guard Corps with some involvement by the Ministry of Defense. (See figure 5 for the organization of Iran's CW program.) The goals of the program appear to:

- Develop a chemical warfare (CW) program in an effort to deter Iraqi chemical weapons use.
- Inflict CW casualties on Iraqi troops.
- Employ chemical weapons as a force multiplier.
- If necessary, offer chemical weapons or technology to other countries, in trade for other arms critical to Iran's war effort.

Production

We believe that Iran has been producing small quantities of CW agents since at least 1984. Iran's indigenous chemical industry may have permitted it to make progress in developing a production capability for some CW agents, although the quality and quantity of the agents remain unclear. From the type of precursor chemicals that the Iranians have been obtaining, we assess that the principal agent being produced is sulfur mustard, with lesser quantities of other agents—possibly cyanogen chloride and nitrogen mustard—being produced. Tehran has weaponized toxic industrial chemicals such as phosgene. In addition, Iran has shown interest in making nerve agents, although sizable production apparently has not yet occurred.

Iran may also have recovered chemical munitions and recycled chemical agents from Iraqi battlefield duds into its own delivery systems.

Iran has developed a number of deliverable chemical munitions since 1984.

[redacted] We believe that Tehran has a small arsenal of chemical artillery and mortar shells, and about 200 tons of stockpiled agent.

[redacted] Despite its range of weapons and the amount of agent, we believe that Tehran's military options are limited by insufficient quantities of weaponized chemicals to affect a major battle, uncertainty of its weapons, and a limited logistic capability to support the movement of chemical weapons to the battlefield.

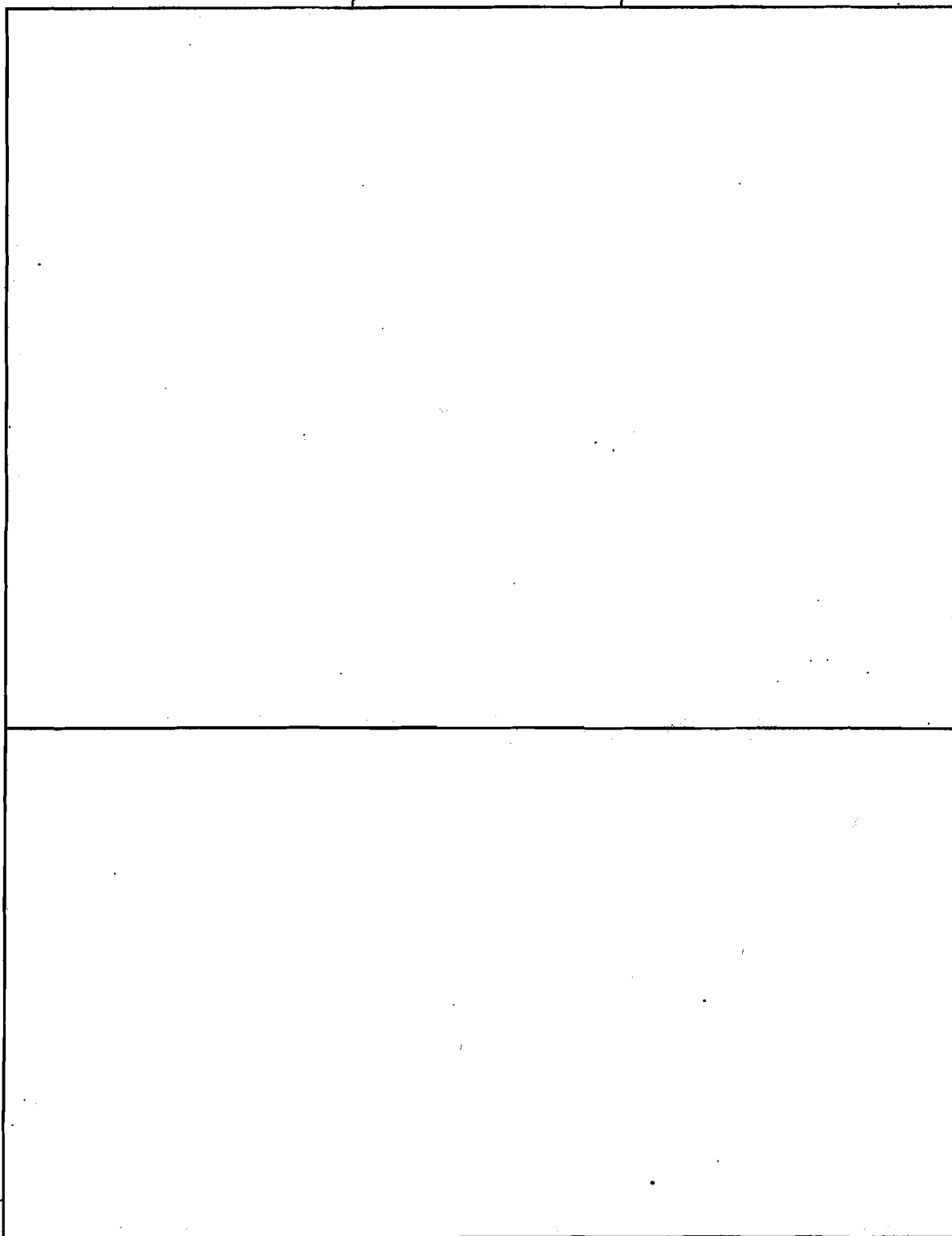
[redacted] We estimate that Iran produced about 100 tons of CW agent (mostly mustard) in 1987 and may produce twice that in 1988. Production could increase tenfold or more in the next several years if Tehran continues to stress quantity over quality and if a decision is made to meet military requirements for chemical weapons to support the war with Iraq.

We believe that Tehran has developed its CW agent production capability with foreign assistance. Nearly all its precursor chemicals are purchased from other countries.

Tehran may likewise have obtained the necessary chemical processing equipment from foreign suppliers, mostly in Western Europe. Much of the technical expertise has been obtained from Iran's own scientists and engineers; however, since they have mostly petrochemical experience, many problems have been encountered and agent quality may have suffered. To

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[Redacted]

alleviate some of these problems, [Redacted]
[Redacted]

Expected Trends

Because Iraq has not been deterred by international pressures, it appears that Iran sees little choice but to expand its chemical weapons capability. Embargoes and export controls have merely slowed down Tehran's acquisition of precursors, raised costs, and motivated Iran to develop and expand its indigenous programs to reduce its dependence on external support. [Redacted]

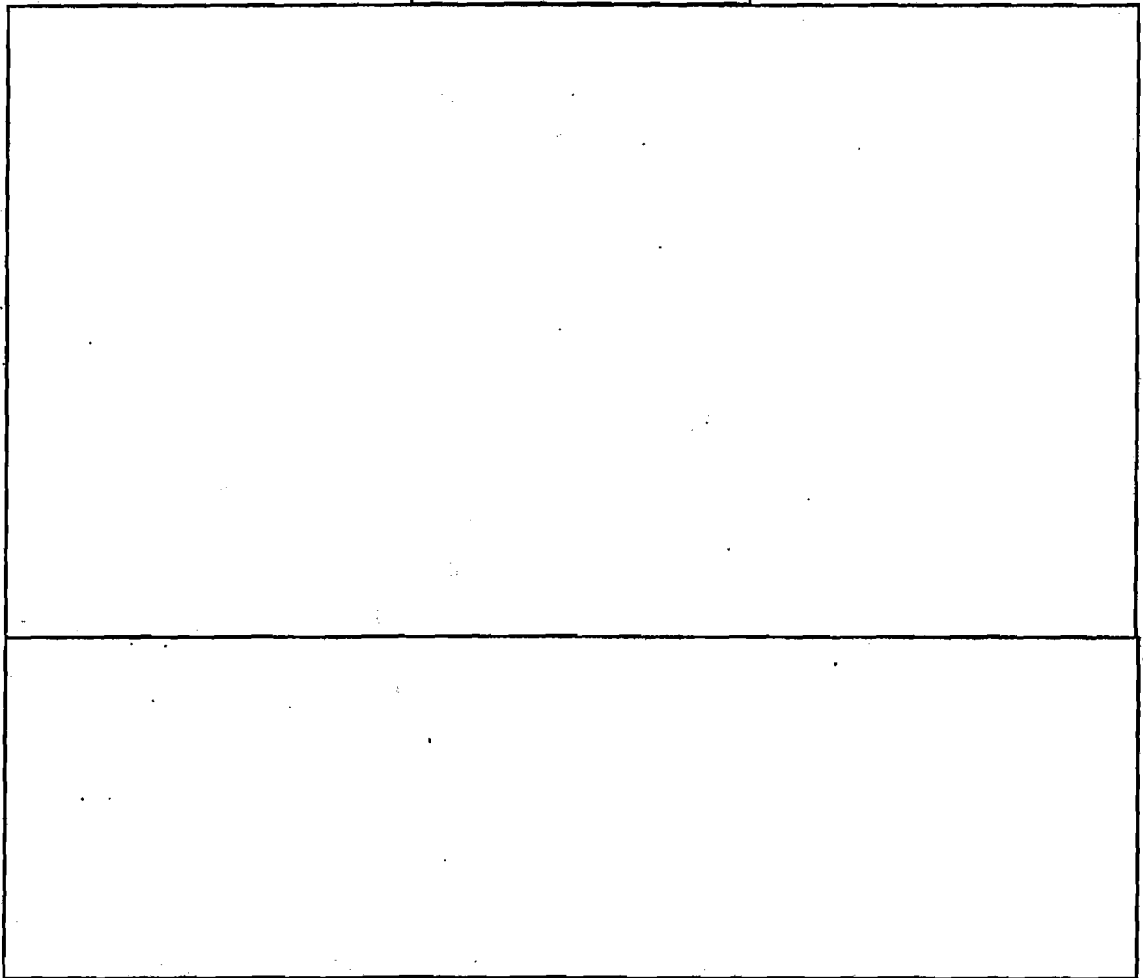
We do not believe that Iran currently intends to spread its chemical war into the Gulf region. None of the Gulf states is known to have an offensive CW capability and there is no formal war with the other Gulf states. Iran has taken steps, however, to warn its naval elements to be prepared to use CW weapons offensively. [Redacted]

[Redacted]

[Redacted]

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ANNEX B
IRAQ'S CHEMICAL WARFARE CAPABILITY

[redacted] The development of its chemical weapons capability began in the early to mid-1970s, well before its war with Iran. In the early to mid-1970s riot control agents were employed to subdue dissident Kurdish activity in northern Iraq. The hostilities with Iran in the early 1980s gave additional impetus to the chemical program. The initial political and military decision to employ chemical weapons against Iran seems to have been made in an effort to minimize personnel (Baghdad's critical resource) and material losses. Baghdad apparently believed that chemical weapons, in combination with conventional weapons, would be useful in defeating or stalling Iranian attacks. [redacted]

Production

Iraq now possesses the largest chemical weapons production capability in the Middle East and has the capacity to increase its stockpile significantly over the next few years. The principal agents being produced at Iraq's CW production facility near Samarra are the blister agent mustard and the nerve agents tabun and sarin. The riot control agent CS is also produced there. In addition, Iraq appears to be producing at least small quantities of the nerve agent VX and researching the production of the psychochemical BZ. [redacted]

[redacted]

[redacted] Based on these figures, the Iraqis could, in one month, produce enough agent to fill 2,000 250-kg bombs with mustard, about 50 250-kg bombs with tabun, around 250 250-kg bombs with sarin, and 6,500 mortar rounds with CS, or any combinations of the above. [redacted]

Besides its primary CW production facilities near Samarra and research and development facility at Salman Pak, three probable new CW production facilities have been identified in the Al Habbanyah area of Iraq. Baghdad may be trying to establish redundancy in its system, making it less susceptible to preemptive strikes against its chemical

infrastructure, while at the same time increasing the amount of agent available for use in the war. [redacted]

Before the onset of hostilities with Iran, the lack of urgency for the development of a chemical weapons program allowed Iraq time to place students in selected schools abroad, with the goal of developing a pool of technically competent scientists. In 1979, however, Iraq still lacked indigenous technical expertise for the production of lethal chemical agents. This necessitated Baghdad's relying heavily on foreign countries for technical assistance, as well as for materials. As of late 1987, Iraq was still relying on foreign assistance to build, maintain, and supply materials for its future and existing chemical production facilities. We estimate that its technical manpower and engineering shortfalls will be overcome within the next four to six years. [redacted]

Embargoes on precursor chemicals have not stopped Iraq's program—only slowed the pace of the chemical weapons program. They have increased the cost of the program and intensified Baghdad's search for additional precursor sources, equipment, and technology, as well as stimulating Iraq's efforts to internally produce precursor chemicals. Despite numerous Western export controls, acceleration of the Iraqi program has been made possible [redacted]

[redacted]

[redacted] the Iraqi program will be self-supporting and virtually independent of foreign embargoes and outside intervention within the next few years. [redacted]

Weapons Delivery

Iraq has delivered its chemical agents in 250- and 500-kg bombs, aerial spray apparatus, and, to a lesser degree, in 90-millimeter air-to-ground rockets. Soviet-built SU-22 and MIG-23 aircraft, as well as MI-8 and French-built Gazelle helicopters and Mirage aircraft, have been the air force delivery platforms for chemicals. (See figure 7.) [redacted]

[redacted]

[redacted]



Figure 7. Air delivery platform. [redacted]

Baghdad has chemical artillery shells for its 82-mm and 120-mm mortars and its 130-mm, 152-mm, and 155-mm guns. (See figure 8.) More recently, Iraq has used 122-mm ground-to-ground rockets loaded with plastic canisters filled with multiple types of chemical agents. A 40-tube launcher is capable of delivering 120 to 240 kg of agent per salvo. (See figure 9.) Reportedly, Iraq plans to produce a chemical warhead for a longer range missile. [redacted]

In our judgment, Iraq continues to acquire casings for the delivery of both chemical artillery and aerial bombs, and is now purchasing equipment for the manufacture of these munitions. Baghdad's al-Muthanna Enterprises, which is in some way related to the State Organization for Chemical Industries (SOCI), and al-Qaqa State Establishment are involved in CW agent and CW munitions production. Both are subordinate to the State Organization for Technical Industries (SOTI), which reportedly was renamed the State



Figure 9. Chemical-capable multiple rocket launcher. [redacted]

Organization for War Production (SOWP) in mid-1987. [redacted]

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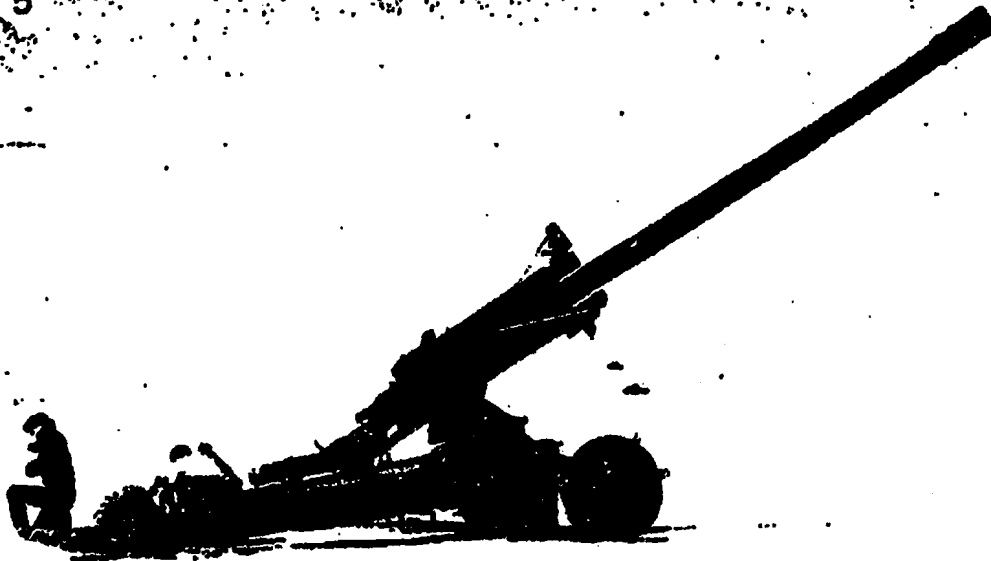
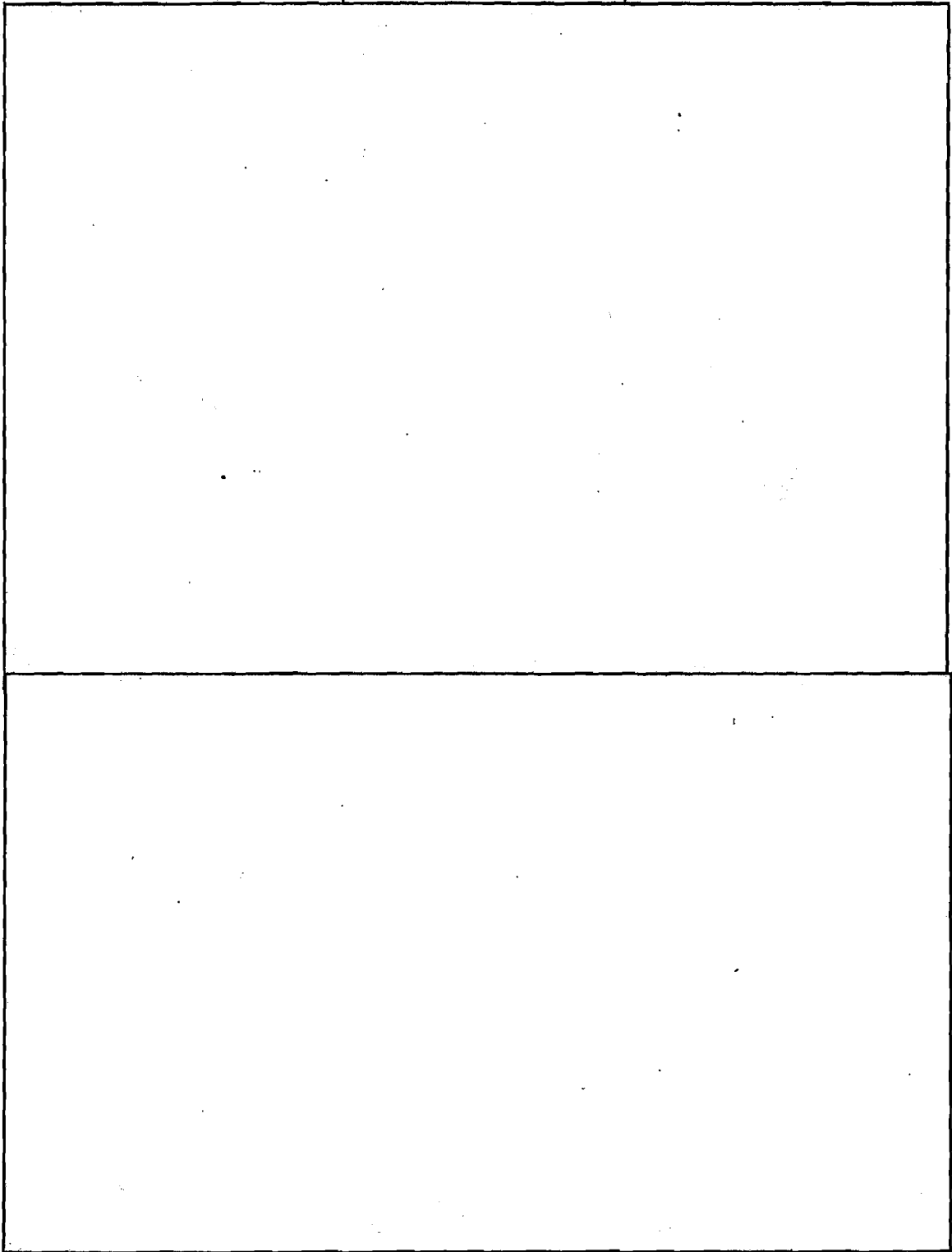


Figure 8. Chemical-capable artillery. [redacted]

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ANNEX C

MEDICAL HANDLING OF CHEMICAL CASUALTIES

Chemical casualties require not only transportation but, in some cases, labor-intensive hospital care. Iran has apparently tried to care for its chemically wounded, but with only limited success. In some battles the chemical casualties have been in the thousands, which has overwhelmed the medical transportation system and caused secondary contamination casualties among the transportation and medical staffs. Iraq's medical support system has not been significantly tested. If Iran were to increase its use of chemicals, it would probably also overwhelm Iraq's medical systems. We believe that neither country's medical logistic capability could manage a large number of chemical casualties over a sustained period. [Redacted]

The majority of the Iranian casualties have been mainly from mustard agents in both liquid and dusty forms. The latter type is finely ground (0.1 to 10.0 microns) silica impregnated with mustard agent. The two forms differ with respect to the nature of skin injury, the intensity of lung injuries, and the latent period with the dusty form being more effective. The latent period can be militarily significant because it affects the time a soldier can continue to fight before the effect of the agent becomes debilitating. Dusty mustard can affect soldiers within as few as 15 minutes, while the liquid or vapor mustard may not have an effect for four to six hours. [Redacted]

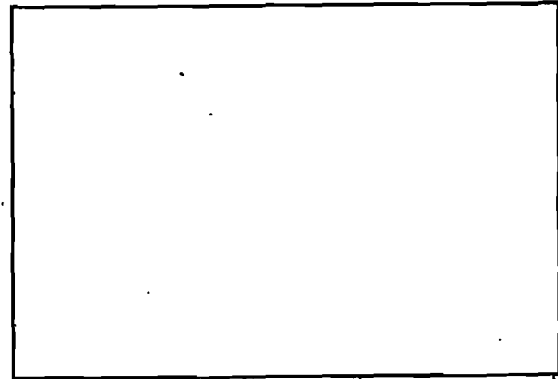
Casualty Handling

Iran's combat casualty handling system is not sufficient to cope with the tens of thousands of non-CW war casualties. The influx of chemical casualties and the special handling associated with decontamination and treatment have exacerbated the situation. The government is unwilling or unable to take the necessary steps to improve significantly the situation. Even though Tehran's capabilities to treat chemical warfare victims have improved since the early 1980s because of measures initiated in the wake of repeated chemical attacks, they still cannot handle large numbers of chemical casualties over a sustained period. [Redacted]

[Redacted]

[Redacted]

[Redacted]



[Redacted] Revolutionary Guards receive more protective clothing and masks than the regular army, although the regular army seems to be conducting

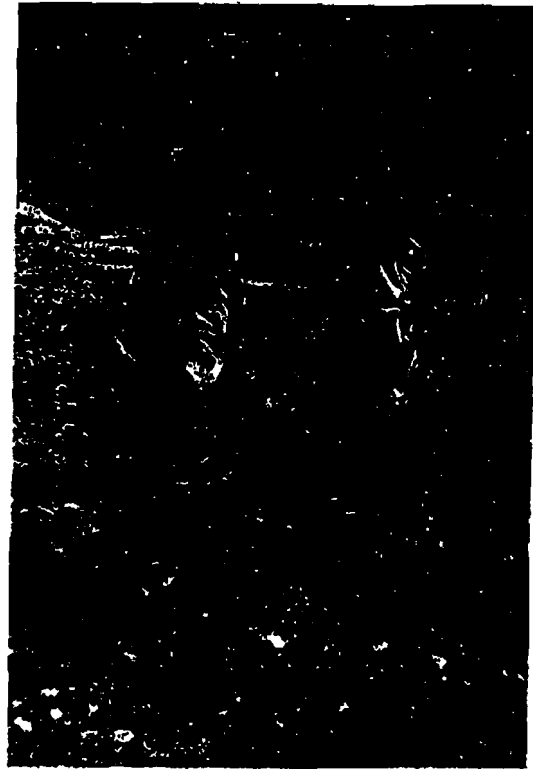


Figure 11. Iranian protective ensemble. [Redacted]

better defensive chemical training. [redacted]

treatment of mustard casualties. Atropine is normally used only for nerve agent victims. [redacted]

Because there is no antidote for mustard, immediate decontamination is essential. In many Iranian cases, decontamination has been delayed for one to 24 hours following exposure. In general, Iranian decontamination has been poorly accomplished—by showering or by the use of bleach solutions—or it is simply not done. The inadequacy of the decontamination system is best demonstrated by the fact that a number of victims have arrived at the larger Iranian and European hospitals still contaminated with mustard agent. This is not only an indication of a lack of chemical awareness, but perhaps more significantly, it is a serious source of secondary contamination that increases the number of casualties. There are reports that pilots transporting chemically wounded troops, and physicians treating casualties in rear area hospitals frequently become contaminated by residual agent. Although not proved, Iranian physicians have reported that sodium thiosulfate administered intravenously followed by topical application of sodium thiosulfate is effective if initiated within three hours of exposure to mustard. Reportedly, Iran has used atropine in the

The Iranian troops have been provided both atropine autoinjectors and amyl nitrite capsules, antidotes for nerve agent and cyanide intoxication, respectively. Although inappropriate and another indication of poor training, these antidotes have been self-administered following exposure to mustard gas. Most of the Iraqi protective equipment has been received from the Soviets through military aid agreements or produced indigenously. It is similar to standard field issue for Soviet troops. Protective equipment for Iranian forces has been obtained from a wide variety of Western sources as well as from indigenous production, but quantities are insufficient to outfit the entire army. [redacted]

The treatment of casualties at the battlefield and evacuation are apparently inadequate. This results in a reported high mortality rate at the front for both the chemical and conventional casualties. Field stations are not equipped to handle chemical casualties. The chemical casualties that survive are transported rearwards to medical dispensaries or to large cities such as Tehran. (See figure 12.) Evacuation is accomplished by

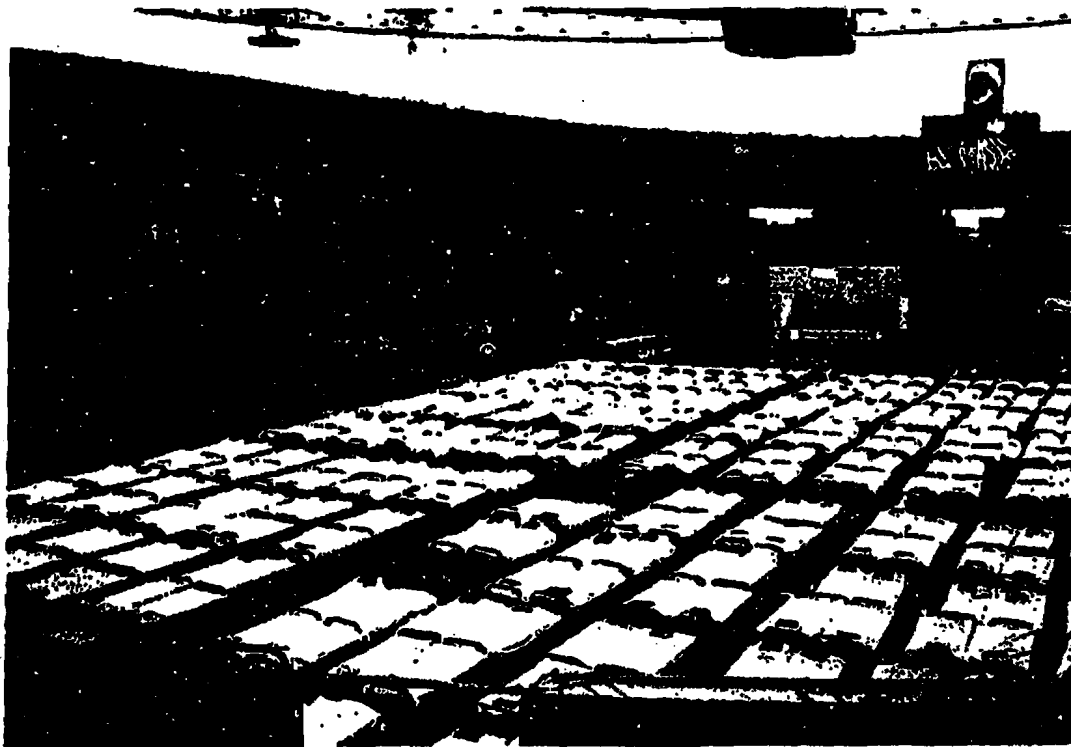
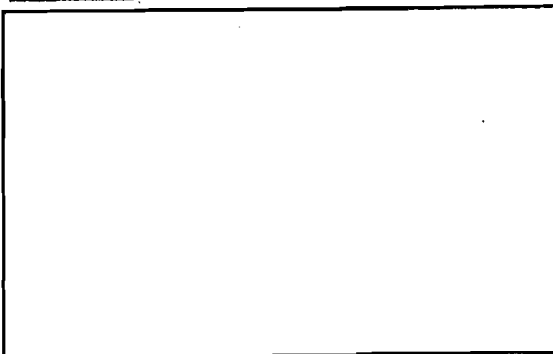


Figure 12. Val-Fejr chemical casualty infirmary at Azadi Stadium, Tehran. [redacted]

trucks or in some cases by planes, which reportedly have no special arrangements for transporting the wounded. Poor frontline medical treatment and an inadequate transportation system have caused chemical casualties with reported mortality rates as high as 60 to 80 percent during transportation from the battlefield to the larger city hospitals. [redacted]

Another reported complication in the evacuation process is that the chemically wounded are not separated from the patients with conventional wounds. Due to the lack of effective decontamination, the nonchemical casualties have at times become contaminated with chemical agent. One medical facility, the Shahriar Hospital in Tehran, will not treat CW victims as several physicians and nurses have been contaminated while administering treatment. Casualties remain at this facility only until arrangements can be made to ship them to other hospitals or foreign countries for treatment. [redacted]

Early in the chemical war, hospitals in the larger cities seemed to have been overwhelmed by the number of chemical casualties. In an attempt to solve the problem, Tehran has apparently established a number of medical facilities that are dedicated to CW casualties, an example being the Val-Fair infirmary in Tehran, a large sports arena that was converted to administer care to minor chemical victims. Since 1984, the ability to cope has improved somewhat and a higher quality of care for the chemically wounded seems to be available. United Nations reporting has established that the level of care at these facilities, although improving, is still below Western standards. [redacted]



The total number of chemical casualties from chemical use is difficult to estimate. The further breakdown into mortality is equally difficult. A breakdown does

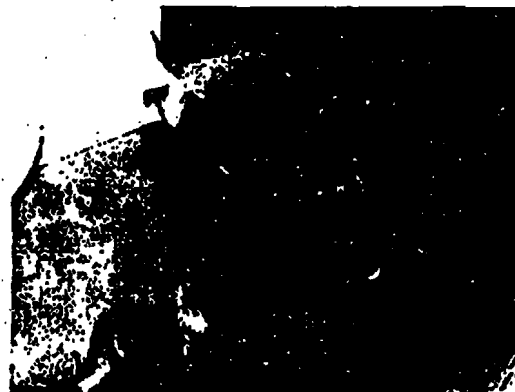


Figure 13. Iranian chemical casualties. Injuries include skin lesions and blisters indicative of mustard agent. [redacted]

exist, however, for the February-March 1986 offensive. [redacted] in this campaign chemical casualties could have ranged from 8,000 to

10,000 of the 30,000 to 50,000 battlefield casualties.^a This compares with a 25-percent estimate for the Operation Kheibar offensive in 1984. A very broad generalization can be made from a survey of the data base on the chemical war concerning mortality. Of the chemical casualties, the death rate appears to be between 3 and 4 percent. We believe that the prospects for improvement of the Iranian medical reaction to chemical attacks remain bleak primarily because of the lack of effective military discipline. Failure to enforce the proper issue and wearing of protective clothing and masks will continue to result in high chemical casualty rates, especially among the Pas-daran and Basiji. [redacted]

^a Estimates of casualties in the Iran-Iraq war are difficult to confirm. Fragmentary reporting, questionable sources, and the absence of independent verification severely limit the accuracy and reliability of casualty figures in general and CW-related casualty figures in particular. [redacted]

Because of the low-level CW use by Iran, information on Iraq's chemical preparedness and chemical casualty management is limited. The concept of medical care seems to consist of retrieving the casualties, and sorting, treating, and evacuating the wounded to the nearest hospital. Evacuation has been a problem as the Iraqis have a limited capability, and we are convinced a large number of chemical casualties over an extended period would severely tax an already marginal system. [redacted]

There is no information available on the evacuation and treatment of recent Iraqi chemical casualties, but it is assumed that Iraq's procedure probably would be based on Soviet casualty procedures. Although Iraqi mustard victims have been treated at Rashid Military Hospital in Baghdad, the nature of the treatment rendered is not known. [redacted]







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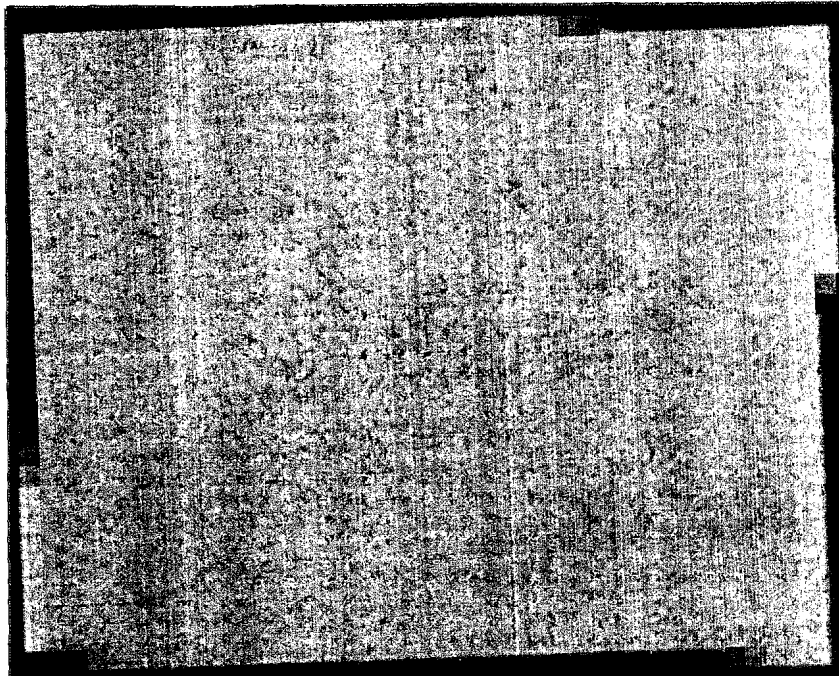
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IRAN-IRAQ: Missile War Resumes

Iraq fired a missile at Esfahan yesterday, and reportedly one today at Qom, in retaliation for an Iranian missile attack on Karbala. Iran said its strike was in response to the Iraqi air raids on the refineries at Tabriz and Esfahan on Sunday. Baghdad had announced earlier that it would rely on airstrikes to continue the war of the cities, but an Iraqi spokesman later said Iraq would retaliate for Iranian missile strikes with "massive missile attacks," according to US Embassy and press reports. Iraqi Foreign Minister Aziz repeated Baghdad's conditions for ending the missile war—an end to Iranian missile, air, and ground attacks and no response to Iraqi airstrikes on economic targets.

Comment: The exchange of missile strikes is likely to continue over the near term, although possibly at lower levels. Iraq's intention to rely more on its Air Force suggests that Baghdad is concerned about its diminishing missile inventory. The Iraqis may have hoped that an Iranian missile response to their air attacks and Iran's likely rejection of Baghdad's hardline conditions would shift to Tehran some of the blame for the continuation of the missile war. Tehran probably would like to end the missile exchanges but apparently is unwilling to accept



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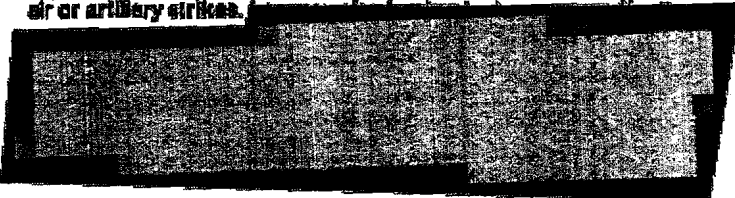
Special Analysis

IRAN-IRAQ:

The Chemical Warfare Issue

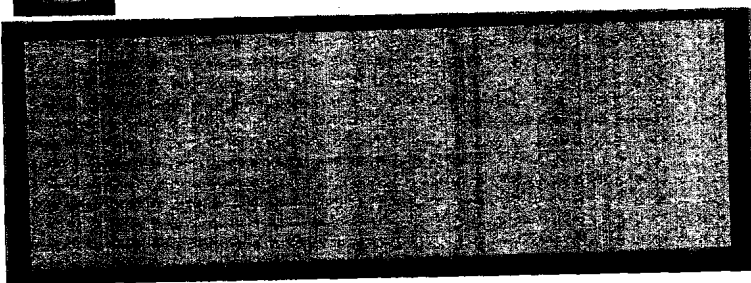
Recent fighting in northeastern Iraq has underscored the regular, recurring use of chemical weapons in the Iran-Iraq war and suggests that such activity will continue to increase. Chemical attacks on either country's major cities are unlikely under current circumstances, but the risk is growing that smaller population centers might be attacked with chemical weapons. If such attacks failed to evoke international sanctions, the chances of chemical strikes on larger cities would increase significantly.

The Iraqis have the largest stockpile of chemical weapons in the region, including mustard and nerve agents that can be delivered by air or artillery strikes.



Battlefield Use Increasing

Baghdad and Tehran apparently believe chemical weapons are tactically useful and effective. The increasing availability of chemical munitions and experience in their use are likely to encourage both sides to employ chemicals more frequently and on a wider scale.



Prospects for a Chemical War of the Cities

Neither side is likely to initiate a chemical war of the cities in the near term. There is no evidence that either Iran or Iraq has developed chemical warheads for Scud missiles, but that possibility cannot be ruled out. Baghdad's success in developing chemical bombs and

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artillery shells suggests it could produce a crude chemical warhead for its Scuds, and Tehran might have obtained foreign assistance in producing chemical warheads for its surface-to-surface missiles. Each side has the capability to conduct chemical airstrikes against major cities.

A strategic breakthrough by Iran in the ground war would be the scenario most likely to drive Iraq to chemical attacks on Iran's major cities. Such attacks might provoke Iran to retaliate in kind against Baghdad or Kirkuk, but Tehran probably would refrain from doing so initially—hoping for widespread international condemnation of, and possible sanctions against, Iraq.

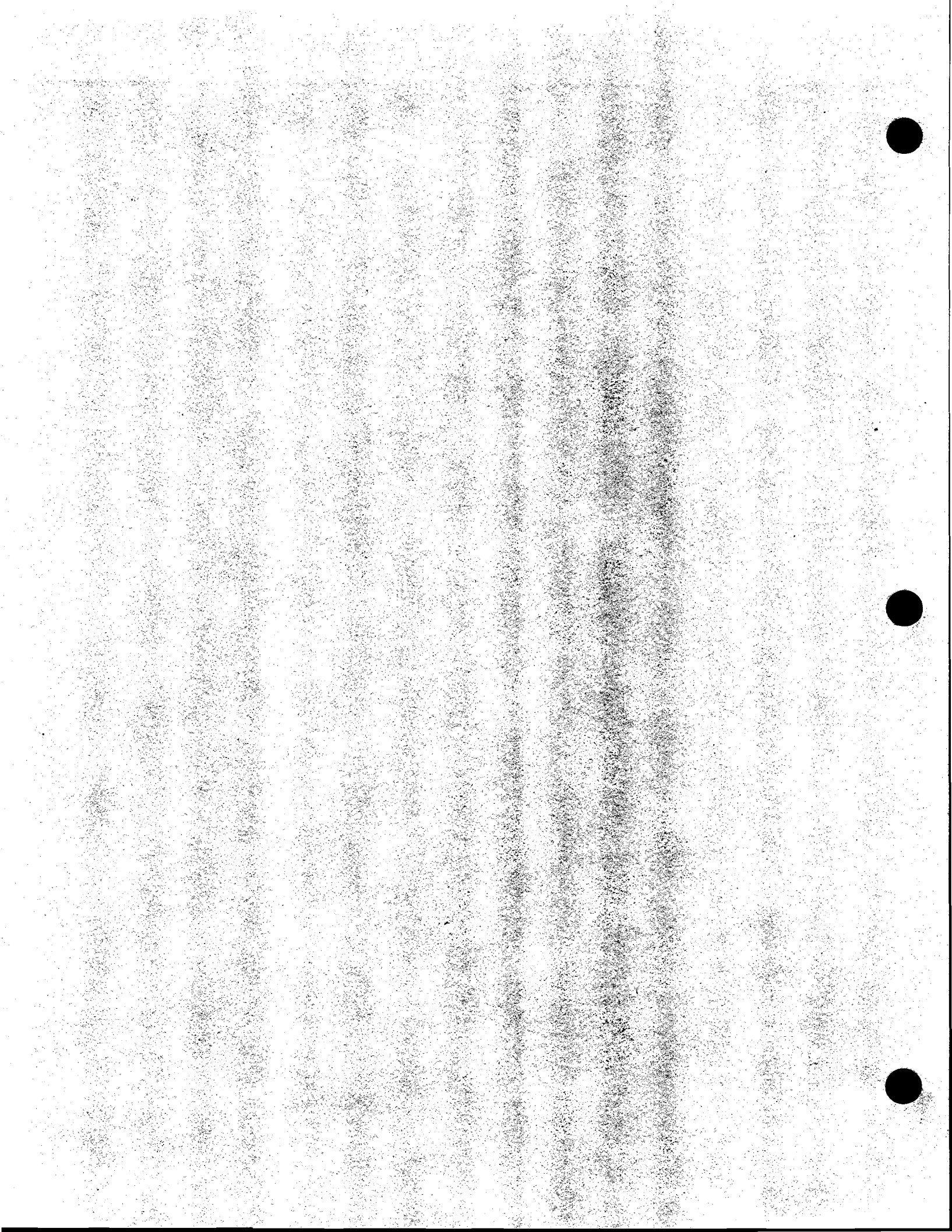
Iraq probably would use chemical weapons in a battle for a major Iraqi city such as Al Basrah or As Sulaymaniyah if Baghdad believed Iranian forces were on the verge of taking control. Unless residents were evacuated or fled, large numbers of civilians could become victims of chemical agents.

In the near term, civilian chemical casualties probably will rise as a result of the gradual increase in the frequency and intensity of chemical attacks on smaller cities close to major battles or military targets.

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IRAN-IRAQ:

War of Cities Intensifies

Iran's attacks on Baghdad yesterday probably will lead to an expanded and intensified round of strikes on civilian and economic targets in Iraq and Iran.

confirm Tehran's claim that one of two Iranian aircraft raided Baghdad yesterday in what was the first Iranian air attack on the city since 1964. Bombs from one of the aircraft destroyed a group of 12 to 15 houses in the densely populated northeastern part of the city. Iraqi fighters chased the Iranian aircraft back across the border. Baghdad's claim that it downed one of the attackers is unconfirmed.

one of two Iranian Scud missile attacks on Baghdad yesterday destroyed a restaurant in the center of the city. Iraq responded to the air and missile attacks by launching two missiles into Tehran and four more into other Iranian cities yesterday and two more this morning. Baghdad claims its aircraft also attacked a number of Iranian cities near the border.

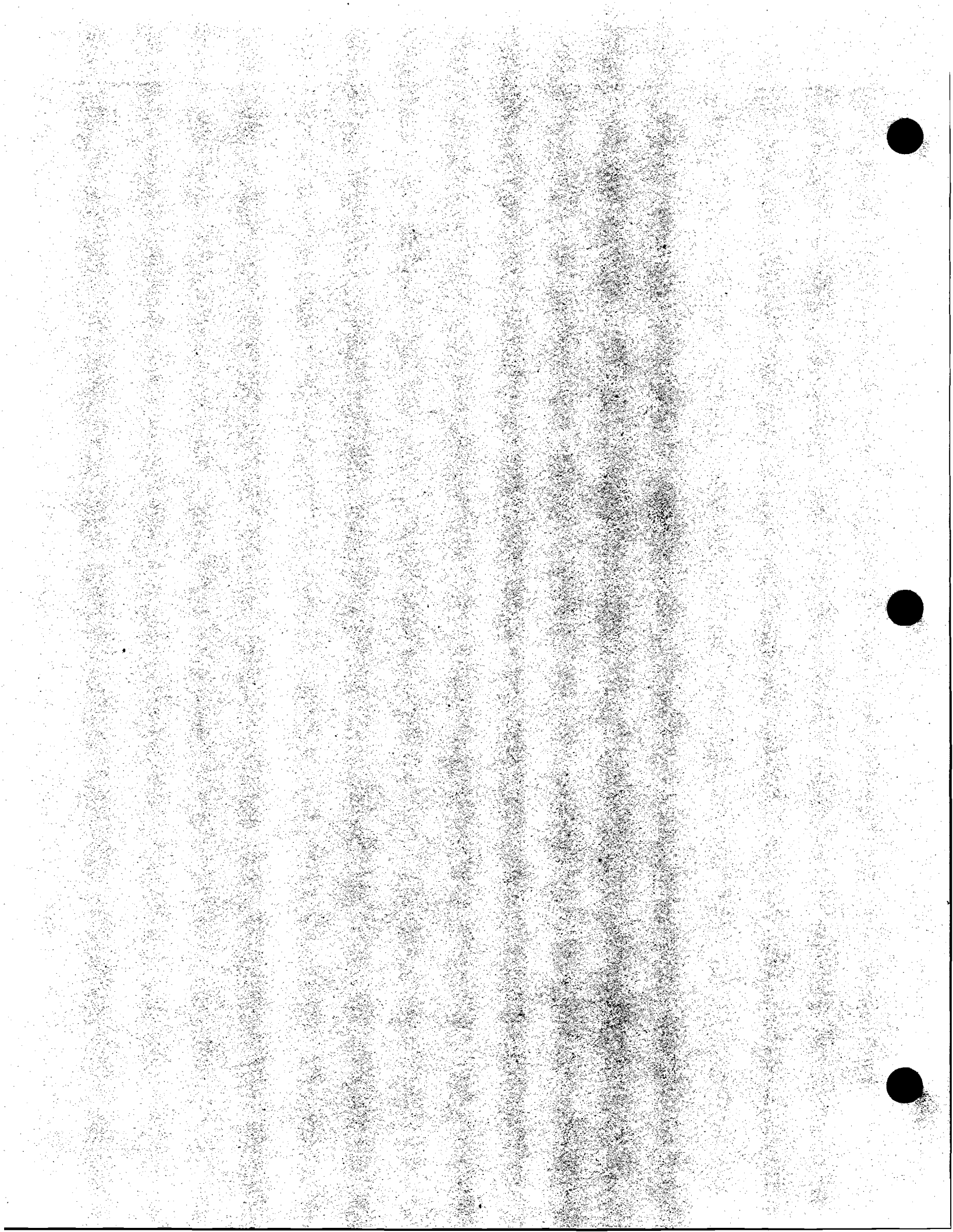
Comment: Iranian leaders probably decided to intensify the war of the cities because Iran's military and political efforts have not deterred Iraqi attacks. They may have risked their scarce fighter aircraft because they are running short of Scud missiles. Moreover, aircraft can inflict more damage and casualties than missiles; they carry greater payloads and are more accurate. Air attacks might also embarrass the Iraqi regime by demonstrating the weakness of Baghdad's air defenses.

The casualties from Iran's air and missile attacks are likely to be high and probably will cause Iraq to increase its missile attacks on Iranian cities. Baghdad may use aircraft to strike Tehran as well as oil facilities and electric power plants in Iran.

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CIAPRAS.../VID-88-086JX...

National Intelligence Daily

Wednesday
13 April 1988

RELEASE IN PART
EXEMPTIONS: (b)(1)
(b)(7)
DATE: SEP 2001



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Special Analysts

IRAN-IRAQ:

Still Able To Finance War Effort

Iran and Iraq will have little trouble financing the war this year if oil prices average \$15 to \$18 per barrel, as expected. Even if prices fell to \$13 per barrel and stayed low for the remainder of the year—an unlikely development—the resulting economic problems would not be likely to affect the willingness of the combatants to continue fighting.

Iraq's oil revenues probably will be higher this year than any since the start of the war and will easily cover essential military and civilian imports, expected to be about \$12 billion in 1988. Baghdad's revenue outlook was much improved last year by the expansion of its oil pipeline through Turkey, which increased Iraq's export capacity by 500,000 barrels per day to 2.2 million. The Iraqis will continue to receive large cash grants—expected to reach about \$2 billion this year—from Saudi Arabia and Kuwait. In addition, Baghdad will hold down imports to conserve scarce foreign exchange, continue to borrow to finance its imports, and reschedule a large portion of the debt payable this year.

Iran has fewer sources of financing available to it than Iraq, but its oil revenues probably will nearly cover its import requirements this year—roughly \$10 billion worth. Tehran has trimmed civilian imports by nearly 50 percent in the past five years, and it is unwilling to borrow or further draw down its cushion of assets. Iran almost certainly would pare civilian spending further to cover military imports. The Iranians will also continue to rely on countertrade deals to finance both military and civilian imports.

Iran's financing efforts would be strained more severely than Iraq's if oil prices were to drop sharply and remain low for the remainder of the year. Still, prices would have to fall to an average of \$13 per barrel in 1988 before Iranian oil revenues would decline to the low hit in 1986. Even at this level, Tehran probably would muddle through by reducing imports and otherwise increasing austerity. In addition, since Iran maintains the offensive in the ground war, it can more easily control the pace and intensity of the fighting according to its resources.

Lower oil prices probably would not hurt Iraq significantly because of its increased export capacity. Prices would have to average below \$10 per barrel for 1988 for Iraqi revenues to drop to the levels of 1986.

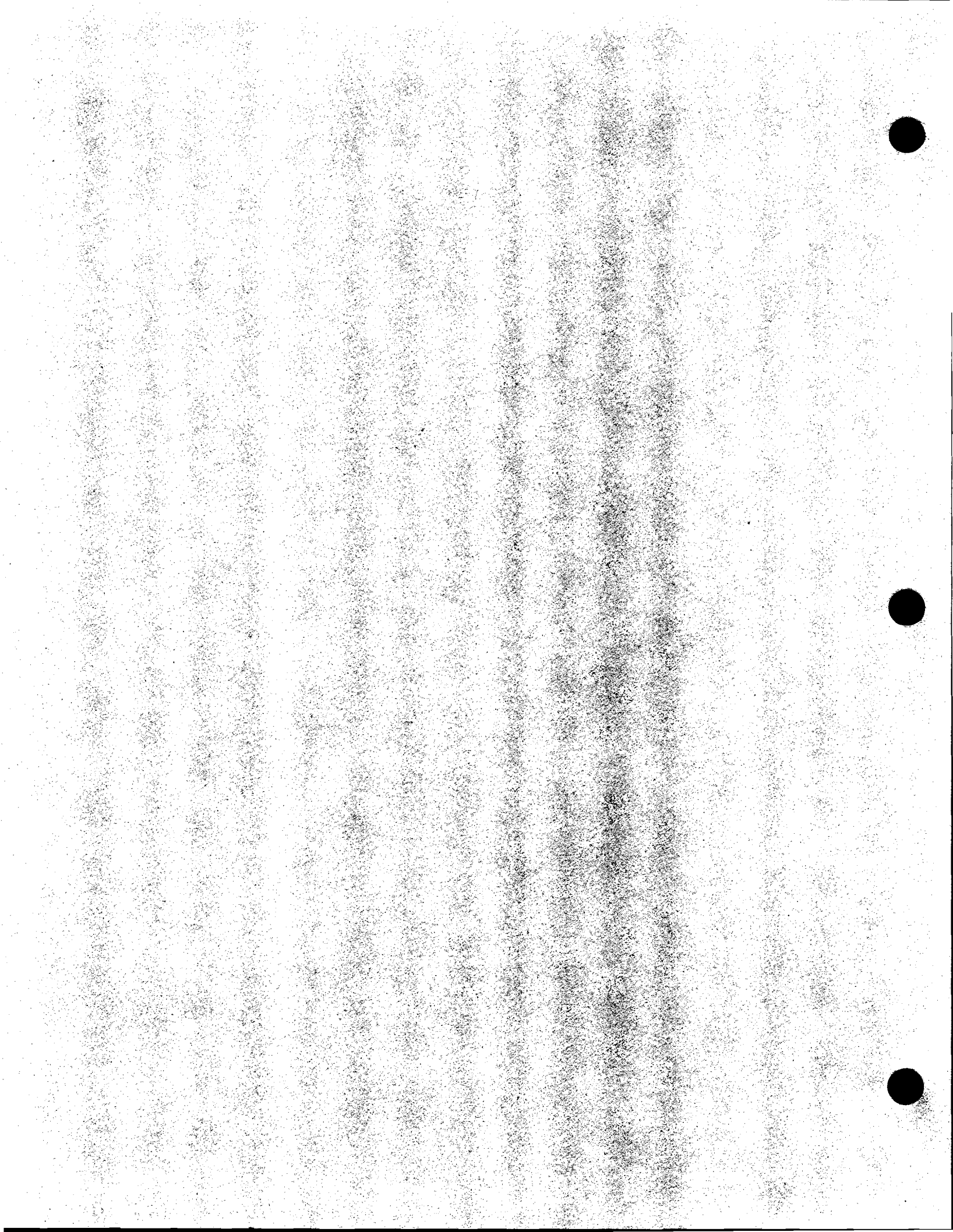
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PAGE 001
TOT: 200600Z APR 88

SECRET NOFORN NOCTRACT
STAFF: 23000Z
TO: [REDACTED] EUROPEAN BRIEF.

WHATEVER

[REDACTED]

SUBJECT: EUROPEAN BRIEF [REDACTED] FOR 20 APRIL 1988.

FROM: ODI/D/CPAS.

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- 1. PERSIAN GULF: SITUATION REPORT
- 2. PANAMA: SITUATION REPORT
- 3. DENMARK: NEW ELECTIONS SET
- 4. USSR-US: INFORMATION TALKS
- 5. THAILAND: VISITING FOREIGN MINISTER UNDER FIRE AT HOME
- 6. [REDACTED]
- 7. IN BRIEF

1. PERSIAN GULF: SITUATION REPORT

IRANIAN RESPONSES

MORE SUBDUED

IRANIAN ACTIONS YESTERDAY WERE LESS CONFRONTATIONAL AND MORE

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Approved for Release
Date JUN 1999

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PAGE 002
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DEFENSIVE. [REDACTED] IRANIAN SPEEDBOATS ATTACKED ANOTHER TANKER YESTERDAY--THE THIRD MERCHANT SHIP ASSOCIATED WITH THE UAE HIT SINCE MONDAY.

THE COMMANDER OF IRAN'S NAVY ADMITTED PUBLICLY YESTERDAY THAT AN IRANIAN MISSILE PATROL BOAT WAS SUNK, TWO FRIGATES DAMAGED, 15 SAULERS KILLED, AND AN UNSPECIFIED NUMBER INJURED ON MONDAY.

THE COMMANDER OF THE REVOLUTIONARY GUARD NAVY DID NOT REPORT ANY LOSSES, BOTH THREATENED FURTHER ACTION AGAINST US FORCES.

IRAN'S FEW AGGRESSIVE ACTIONS YESTERDAY WERE DIRECTED AT COMMERCIAL TARGETS AND INDUBITABLY WERE IN RESPONSE TO ITS LOSSES ON MONDAY. FOR NOW, IRAN MAY TRY TO SHOW THAT IT HAS NOT BEEN LURED BY CONTINUING TO ATTACK VULNERABLE MERCHANT SHIPS AND OIL PLATFORMS IN THE SOUTHERN GULF. TEHRAN MAY KEEP LOOKING FOR OPPORTUNITIES TO STRIKE AT THE FEW PLATFORMS OPERATED PRIMARILY BY US OILWORKERS. IRANIAN MILITARY FORCES WILL DEFEND THEMSELVES BUT ARE LESS LIKELY FOR NOW TO SEEK A CONFRONTATION WITH US FORCES.

IRANIAN POLITICAL REACTION

IRANIAN LEADERS ARE CALLING THE US ATTACK ON IRANIAN INTERESTS IN THE GULF AND IRAQ'S ASSAULT ON AL FAW A COORDINATED EFFORT TO SAVE BAGHDAD FROM DEFEAT AND DESTROY THE ISLAMIC REPUBLIC. TEHRAN CLAIMS US HELICOPTERS PARTICIPATED IN THE IRAQI ATTACK AND ACCUSES IRAQ OF ALLOWING IRAQ TO USE BUBIYAN ISLAND AS A STAGING AREA. ASSEMBLY SPEAKER NAFSANJANI SUGGESTED YESTERDAY THAT THE SOVIETS MAY HAVE PARTICIPATED IN THE CONSPIRACY BY REITERATING THEY GAVE IRAQ THE MISSILES USED AGAINST IRANIAN CITIES.

TEHRAN HAS WARNED THAT THE US "ENTRY" INTO THE WAR ON IRAQ'S SIDE WILL BRING AN IRANIAN RESPONSE THAT "WILL SEVER THE ROOTS OF THE US EXISTENCE IN THE REGION." IRANIAN LEADERS HAVE URGED A NATIONWIDE MOBILIZATION TO CONTINUE THE WAR AND THWART IRAN'S MANY ENEMIES.

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TOT: 200600Z APR 88

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MORE WEST EUROPEAN REACTIONS

THE WEST EUROPEANS CONTINUE TO CRITICIZE IRAN'S RENEWED MINING OF THE PERSIAN GULF BUT ARE DIVIDED OVER THE EXTENT OF SUPPORT FOR THE US RESPONSE. THE WESTERN EUROPEAN UNION YESTERDAY CALLED FOR AN IMMEDIATE END TO ALL MINING AND OTHER ACTS AGAINST INTERNATIONAL SHIPPING, WITHOUT MENTIONING IRAN, AND NOTED SUCH MINING PROVOKES SELF-DEFENSE MEASURES.

THE DUTCH WANTED TO CONDEMN THE MINING WITHOUT MENTIONING THE US, WHILE THE FRENCH PREFERRED A HEAVIER LINE. IN SEPARATE STATEMENTS, THE ITALIANS SAID THE IRAN HAD INVITED US RETALIATION, SPAIN CONDEMNED THE MINING, AND NORWAY CALLED FOR A UN PRESENCE IN THE GULF.

DUTCH, FRENCH, AND ITALIAN NAVAL FORCES HAVE REPORTED FINDING AT LEAST SEVEN MORE MINES THIS WEEK IN THE GULF.

THE BELGIANS, DUTCH, AND NORWAY WILL MEET IN THE HAGUE MONDAY TO DISCUSS COORDINATING THEIR OPERATIONS IN THE GULF.



UNLIKE THE STATEMENTS OF SUPPORT FROM BELGIUM, DENMARK ON MONDAY, THE NOTED SUPPORT FOR US ACTION PROBABLY REFLECTS A FEAR THAT THE ESCALATION OF FIGHTING WILL DRAG THE WEST EUROPEANS INTO THE CONFLICT EVEN FURTHER. HAVING FAILED TO TAKE AN OFFICIAL POSITION ON THE US RESPONSE TO IRAN'S MINELAYING LAST OCTOBER, THE FRENCH ARE NOT LIKELY TO ISSUE A STATEMENT ON THE INCIDENTS OF MONDAY.

LACK OF MINELAYING ACTIVITY WAS ONE REASON BELGIUM HAD FOR PULLING OUT OF THE GULF. THE COALITION GOVERNMENT NOW BEING FORMED IN BRUSSELS WILL MAKE THE FINAL DECISION. THE NEW GOVERNMENT MAY INCLUDE MEMBERS OF THE FLEMISH SOCIAL DEMOCRATIC PARTY, WHICH HAS OPPOSED THE DEPLOYMENT TO THE GULF.

SOVIET CRITICISM

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TOT: 200600Z APR 68

A PRAVDA COMMENTARY YESTERDAY CONDEMNED US ACTIONS IN THE GULF AS ACTS OF PIRACY AND REVENGE UNBECFITTING A GREAT POWER. THE COMMENTARY SAID THE ACTION WAS PART OF A BROADER STRATEGY TO SECURE WESTERN INFLUENCE IN THE OIL-RICH REGION AND SHOWED DISREGARD FOR FREEDOM OF NAVIGATION IN THE GULF. PRAVDA LINKED THE TIMING OF THE US MOVES TO THE ASSASSINATION OF PLO OFFICIAL ABU JIHAD, HINTING THAT WASHINGTON AND TEL AVIV ACT IN UNISON IN THE MIDDLE EAST. IN THE MEANTIME,

IT IS NOTED THAT THE US RESPONSE, COUPLED WITH THE INCREASED FIGHTING BETWEEN TEHRAN AND BAGHDAD, HAS ELIMINATED ANY PROSPECT FOR ENFORCING THE UN CEASE-FIRE RESOLUTION ON THE IRAN-IRAQ WAR.

MOSCOW IS READY TO USE THE NEWEST EVENTS IN THE GULF AS A FURTHER EXCUSE FOR DELAYING THE SIGNING OF AN ENFORCEMENT RESOLUTION.

2. PANAMA- SITUATION REPORT -

BANKING DEVELOPMENTS

AFTER THE BANKS OPENED MONDAY TO ACCEPT DEPOSITS, CUSTOMERS WERE ALLOWED TO WRITE CHECKS BUT NOT FOR CASH, AND THE REGIME ANNOUNCED THAT PUBLIC UTILITIES WILL BEGIN ACCEPTING SUCH CHECKS.

THE ANNOUNCEMENT THAT PUBLIC UTILITIES WILL ACCEPT CHECKS DRAWN ON LOCAL BANKS IS PROBABLY ANOTHER ATTEMPT TO LEAD AN APPEARANCE OF NORMALCY TO THE FINANCIAL SYSTEM. THE BANKS WILL SOON CLOSE AGAIN IF THE REGIME CANNOT FIND A BANK TO PERFORM CHECK-CLEARING OPERATIONS. THE BANKS PLAN TO CLEAR CHECKS ON A BANK-BY-BANK BASIS, BUT THIS IS CUMBERSOME. FOR DOMESTIC BANKS TO FUNCTION NORMALLY, THE REGIME NEEDS TO FIND A BANK TRUSTED BY ALL BANKS-- ALMOST CERTAINLY A FOREIGN BANK TO CLEAR TRANSACTIONS FOR THE WHOLE SYSTEM.

SETTLEMENT FEELERS

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TGT: 200626Z APR 88

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SECRET//NOFORN//NOCONTRACT//
BRIEF 200626Z
TO: [REDACTED] ROUTINE NEA BRIEF.

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[REDACTED]

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SUBJECT: MIDDLE EAST BRIEF [REDACTED] FOR 20 APRIL 1988.

FROM: DDI/O/CPAS.

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CONTENTS

- 1. PERSIAN GULF: SITUATION REPORT
- 2. IRAN-IRAQ: THE RECAPTURE OF AL FAW
- 3. INTERNATIONAL: OIL MARKETS REMAIN CALM
- 4. [REDACTED]

5. IN BRIEF

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Approved for Release
Date JUN 1999

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PAGE 002
TQT: 200626Z APR 88

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TOT: 200526Z APR 88 ~~_____~~ ^{b3}

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TOT: 300626Z APR 88

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2. IRAN-IRAQ: THE RECAPTURE OF AL FAW

MAJOR ELEMENTS OF THE IRAQI ARMY AND REPUBLICAN GUARD CONDUCTED A TWO-PRONGED, THREE-PHASE OFFENSIVE BEGINNING SUNDAY MORNING.

THE MAIN FORCE BYPASSED FORWARD IRANIAN POSITIONS AND ENTERED THE TOWN OF AL FAW EARLY MONDAY MORNING, AND BY YESTERDAY THE IRAQIS HAD CLEANED UP AREAS OF IRANIAN RESISTANCE AND CONSOLIDATED POSITIONS. IRAQI CASUALTIES WERE LIGHTER THAN ANTICIPATED IN THE 35-HOUR OFFENSIVE. IRANIAN FORCES WITHDREW TO THE EAST BANK OF THE SHATT AL ARAB.

THIS IS BY FAR THE BIGGEST IRAQI MILITARY VICTORY SINCE 1981, AND BAGHDAD MAY FEEL CONFIDENT ENOUGH TO ORDER FURTHER ATTACKS AGAINST WEAKENED IRANIAN FORCES ALONG THE SOUTHERN FRONT. IRAN MAY HAVE SUFFERED HEAVY LOSSES OF MEN AND EQUIPMENT AND IS PROBABLY NOT IN A POSITION TO COUNTERATTACK. MANY OF ITS FORCES IN THE SOUTH HAVE BEEN MOVED TO SUPPORT FIGHTING IN THE NORTH, AND HEAVY FLOODING WILL COMPLICATE ANY IRANIAN OFFENSIVE PREPARATIONS. TEHRAN CAN NO LONGER DISCOUNT THE POSSIBILITY OF IRAQI OFFENSIVE ACTIONS AND MAY HAVE TO DEVOTE MORE FORCES TO ITS OWN DEFENSIVE LINES.

THE RECAPTURE OF AL FAW ELIMINATES A MAJOR IRANIAN BARGAINING CHIP IN ANY PEACE NEGOTIATIONS AND MIGHT CAUSE TEHRAN TO THINK MORE SERIOUSLY ABOUT PURSUING NEGOTIATIONS UNDER UN AUSPICES. BAGHDAD MAY IN TIME SOFTEN ITS DEMAND THAT WITHDRAWAL FROM OCCUPIED TERRITORIES--THE MOST IMPORTANT OF WHICH WAS AL FAW--PRECEDE NEGOTIATIONS. IN THE SHORT TERM, HOWEVER, THE IRAQIS ARE LIKELY TO TRY TO STRENGTHEN THEIR POSITION FURTHER.

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3. INTERNATIONAL: OIL MARKETS REMAIN CALM

OIL PRICES--WHICH ROSE MONDAY BECAUSE OF HOSTILITIES IN THE PERSIAN GULF--FELL YESTERDAY. CRUDE PRICES FOR WEST TEXAS INTERMEDIATE DROPPED MORE THAN 80 CENTS A BARREL FROM THE MONDAY HIGH OF \$18.92. SIMILARLY, NORTH SEA BRENT PRICES WERE DOWN TO \$17 A BARREL. MULTINATIONAL OIL COMPANIES REPORTEDLY ARE EXAMINING SHIPPING POLICIES IN REGARD TO PERSIAN GULF ACTIVITIES BUT REMAIN RELATIVELY CALM. WORK CREWS RETURNED TO SOME OF THE UAE'S OFFSHORE OILFIELDS, EVACUATED MONDAY. TO RESUME PRODUCTION OF ABOUT 600,000 BARRELS PER DAY.

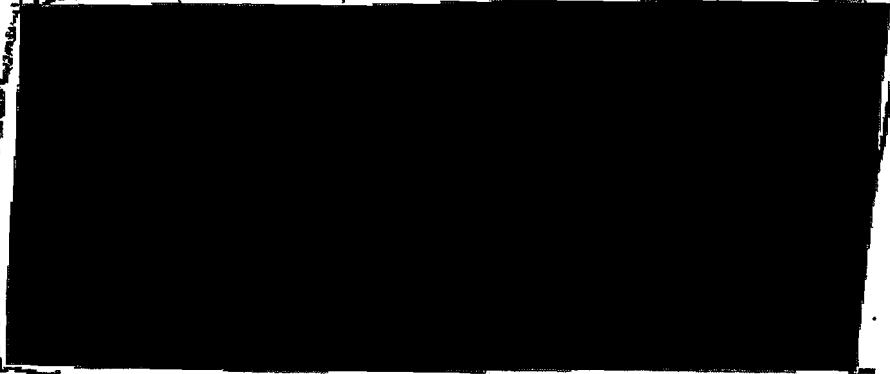
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OIL MARKET PARTICIPANTS VIEW THE EVENTS ON MONDAY AS AN ISOLATED INCIDENT RATHER THAN A GENERAL ESCALATION OF HOSTILITIES AND ARE CONVINCED THE US MILITARY PRESENCE IN THE GULF ENSURES RELATIVELY SAFE PASSAGE FOR THEIR TANKERS. CONTRARY TO PRESS REPORTS, IRAN LOST 30,000 TO 40,000 B/D OF OIL PRODUCTION CAPACITY FROM THE ATTACKS MONDAY. NOT 150,000. SHARJAH, PART OF THE UAE FEDERATION, LOST ABOUT 5,000 B/D OF PRODUCTION. THE AVAILABILITY OF SUPPLIES ELSEWHERE, COUPLED WITH THE MINIMAL DISRUPTION OF OIL FLOW, IS LIKELY TO KEEP PRICES FROM RISING SHARPLY.

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5. IN BRIEF

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AMERICAS

X--GRENADE EXPLOSION AT US-COSTA RICAN CULTURAL CENTER IN SAN JOSE INJURED FIVE, INCLUDING TWO US CITIZENS. SIMILAR TO BOMBING OF US CONSULATE TWO YEARS AGO BY RADICALS PROTESTING US

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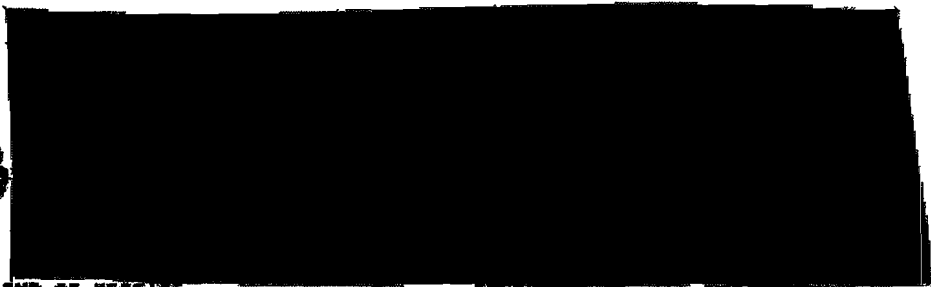
AIRSTRIKE AGAINST LIBYA. b3

EUROPE

X--COURT'S 18-YEAR SENTENCE FOR ABBAS MAHMAD: STIFFER THAN EXPECTED . . . DEMONSTRATION OF JUDICIARY'S INDEPENDENCE MAY HURT EFFORT TO FREE LAST HOSTAGE . . . HIZBALLAH MAY ATTACK WEST GERMAN INTERESTS TO DISCOURAGE SIMILAR TREATMENT OF BROTHER MOHAMMED.

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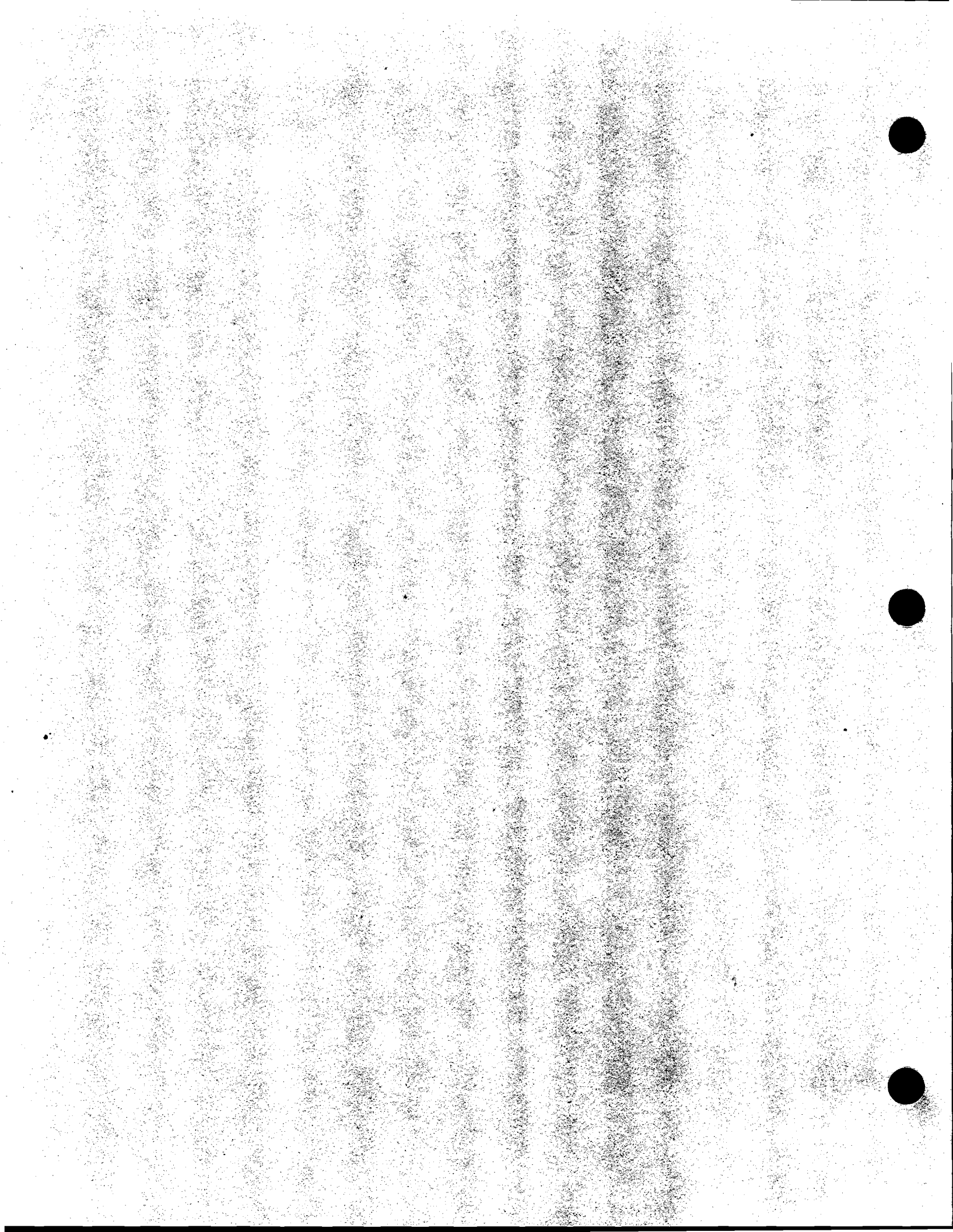
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Central Intelligence Agency



Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

23 April 1988

Iranian Reaction to Recent Military Setbacks

Summary

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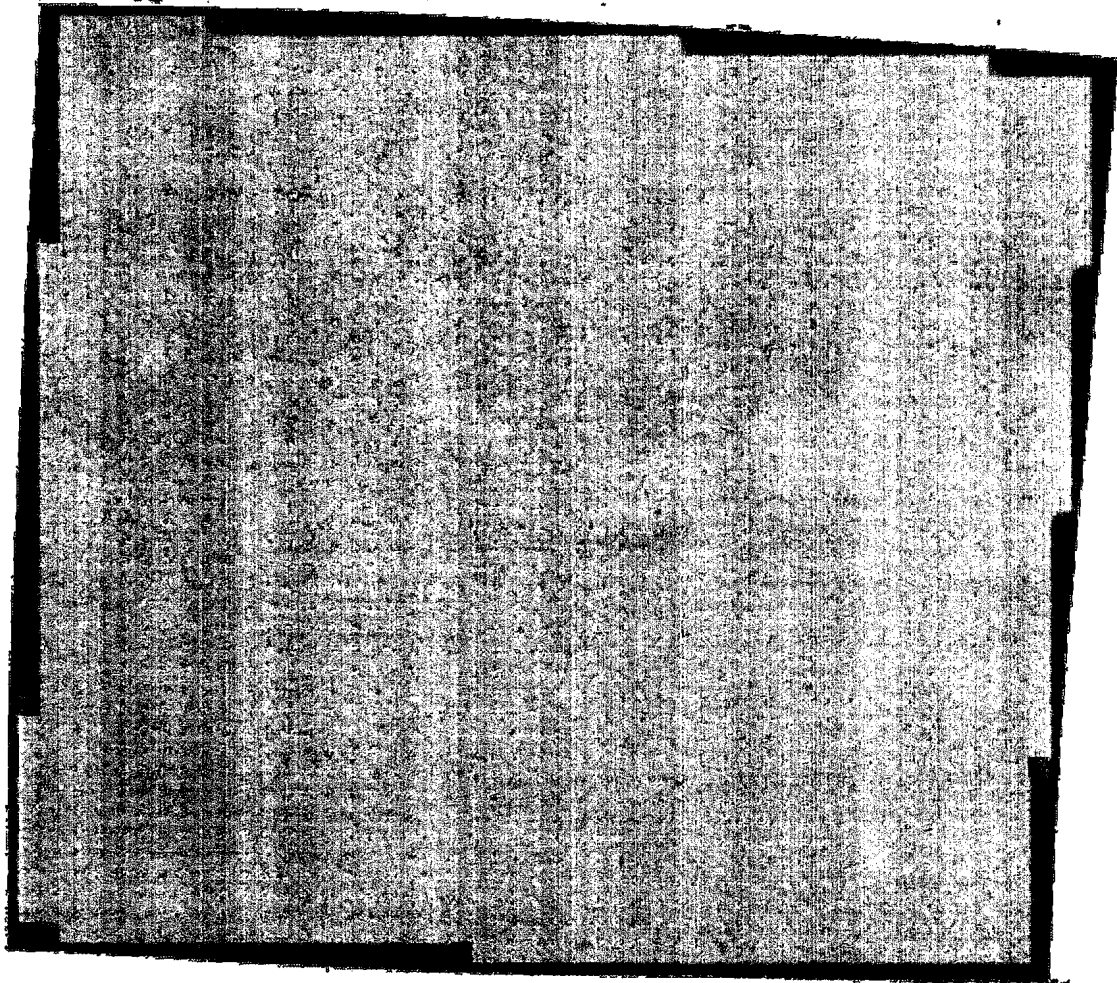
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Iranian Aggressiveness

Iran's firing on US forces, the placing of mines in the Gulf earlier in the month, and Tehran's recent hostility toward Saudi Arabia over the issue of Iranian participation in the annual pilgrimage to Mecca underscore Iran's continuing hostile stand toward its enemies.

Iran, since the revolution in 1979, generally has exhibited a threatening posture toward its neighbors. Over the years, the degree of overt Iranian hostility has fluctuated, but since the US escort program began last July, it has remained at a high level. (See attached list for a chronology of incidents). Iran has demonstrated its hostility during the past year by:

- Mining Gulf shipping lanes last summer, including the placement of mines obviously intended to damage the first US-escorted convoy. One hit the Bridgeton;

[REDACTED]

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- [REDACTED]
- Continuing the mining until US forces caught the Iran Ajr red-handed;
 - Firing 10 Silkworm missiles at Kuwait. One hit a US-owned ship; one hit a reflagged tanker; one struck Kuwait's Sea Island Terminal;
 - Increasing its attacks on ships in the Saudi trade after the United States began protecting Kuwaiti shipping;
 - Instigating provocative demonstrations by Iranians in Mecca during the annual Hajj, resulting in riots and the deaths of at least 400 pilgrims;
 - Planning an attack on Saudi offshore oil facilities in October. The Saudis apparently forestalled the strike by taking defensive measures after being alerted by US Intelligence;
 - Attacking more ships in the Gulf in December than in any other single month of the war;
 - Increasing the ratio of its ship attacks this year relative to Iraqi ship attacks. The attacks have been running three to two in favor of Tehran (see attached chart);
 - Conducting more lethal ship attacks by occasionally attempting to kill crewmen or to inflict more than superficial damage;
 - Engaging in more violations of Gulf states' territorial waters in its pursuit of ships to attack;
 - Reportedly sending an agent to sabotage the Bahrain oil refinery;
 - Resuming mining this month. [REDACTED]

Viewed from this perspective, Iran's resumption of mining this month was not a sudden, isolated incident but a shift in tactics and targets and a deliberate raising of tensions within the context of a basically aggressive policy Tehran has followed all along. We have no specific information on why Iran resumed the mining, but Tehran apparently perceived that it was losing the initiative to the United States and its Gulf allies. The Iranians knew the mining would provoke a US reaction. They probably weighed the risk of a US military strike but concluded that the risk was acceptable, believing that the mines were more likely to strike a commercial ship--a situation reducing the prospects of significant US retaliation. At a minimum, the mines were designed to show the Gulf states that their security had not been enhanced by the increased US naval presence or US warnings to Tehran about mining.

[REDACTED]

[REDACTED]

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Pages: 4-6

Exemptions: (b)(1), (b)(3)

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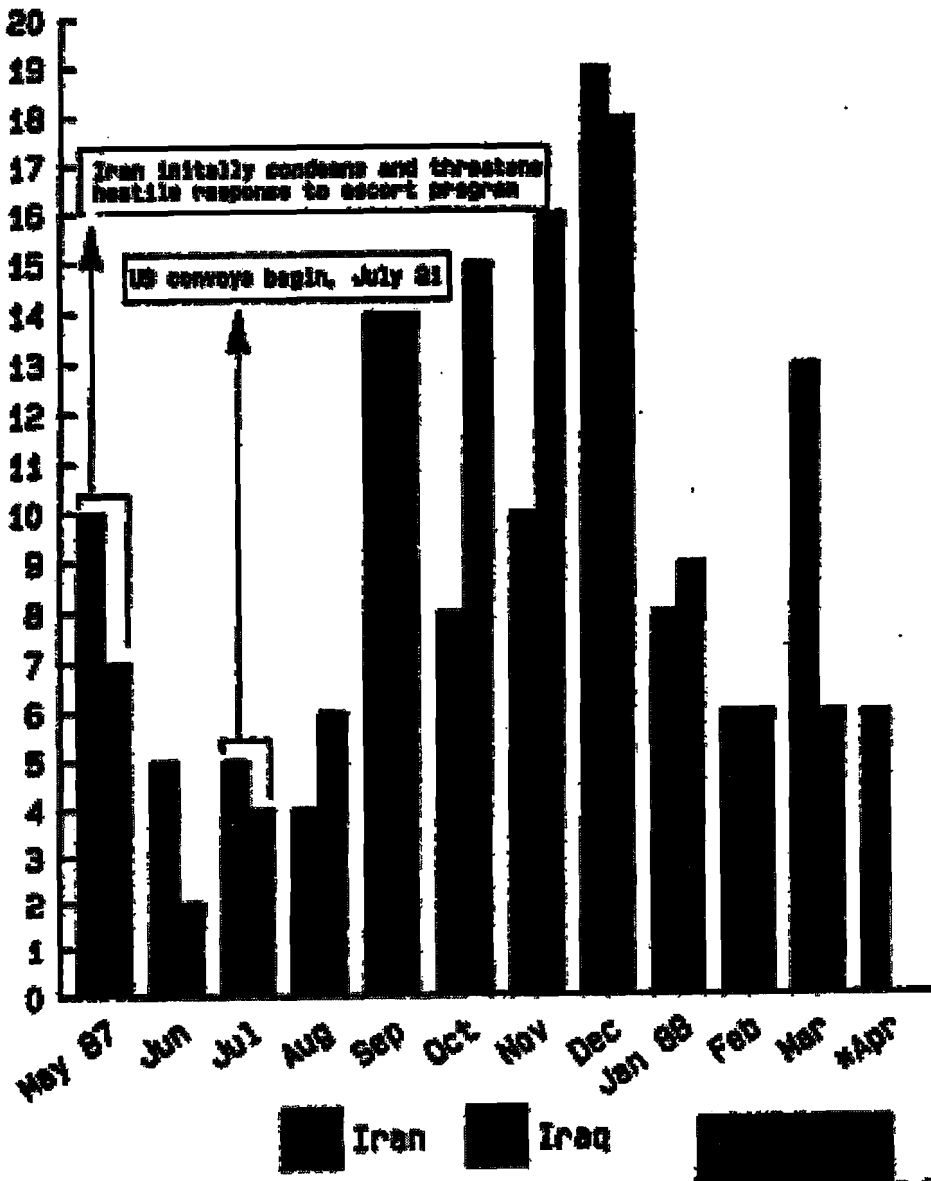
**Iranian Actions in the Persian Gulf
Since the US Escort Program Began**

- 21 Jul -- First Earnest Will convoy began.**
 - 24 Jul -- SS Bridgeton hits mine west of Farzi Island.**
 - 25 Jul -- Additional mines discovered west of Farzi; probably laid at the same time as the mine that the Bridgeton hit.**
 - 01 Aug -- Riots in Mecca instigated by Iran.**
 - 10 Aug -- Tanker hits mine off of Khawr Fakkan in the Gulf of Oman.**
 - 15 Aug -- A supply ship sinks after hitting mine off Khawr Fakkan.**
 - 16 Aug -- Mines, probably old, found in shipping lanes off Kuwait and Abu Musa.**
 - 01 Sep -- Iran fires a Silkworm missile that lands in the water off Kuwait.**
 - 04 Sep -- Iran fires a Silkworm missile that overflies an anchored reflagged tanker near the Sea Island terminal and impacts on the beach south of Mina al Ahmadi.**
 - 05 Sep -- Iran fires a Silkworm missile that hits the water off Kuwait.**
 - 21 Sep -- The Iran Ajr is captured while laying mines.**
 - 28 Sep -- A minefield is discovered in a shipping lane off Dubayy.**
 - 03 Oct -- Iranian naval forces apparently attempt to attack Saudi/Kuwaiti oilfield; thwarted by strong Saudi naval and air presence.**
 - 08 Oct -- Three Iranian small boats fire on two US helicopters that return fire and sink two of the craft.**
 - 15 Oct -- US-owned tanker hit by Silkworm missile while anchored off Kuwait.**
 - 16 Oct -- Reflagged tanker hit by Silkworm missile while anchored off Kuwait.**
 - 22 Oct -- Silkworm missile hits the Sea Island terminal off Kuwait.**
 - 24 Oct -- Kuwaiti Shias, probably supported by Iran, bomb the Pan Am ticket office in Kuwait.**
- [REDACTED]
- [REDACTED]

- [REDACTED]
- 03 Nov -- Iran is suspected in a bombing near the Kuwaiti Interior Ministry.
 - 14 Nov -- Two mines destroyed by Allied minesweepers in the southern Persian Gulf.
 - 19 Nov -- US naval forces destroy several mines west of Farsi Island.
 - 07 Dec -- Iran fires a Silkworm missile at the Kuwaiti Sea Island terminal; it hits a reflector barge.
 - 07 Mar -- Iranian Sasan oil platform fires on two passing US helicopters.
 - March -- Iranian sponsored sabotage campaign against Saudi facilities abroad begins.
 - 14 Apr -- USS Roberts strikes mine in the central Persian Gulf.
 - 18 Apr -- Iranian naval units respond against US naval forces after the US destruction of two Iranian oil platforms. Iranian forces attack a UAE oilfield south of Abu Musa Island.
 - 19 Apr -- Additional mines discovered by Allied forces near Farsi Island and in the southern Gulf.
 - 29 Apr -- Iran fired two possible Silkworm [REDACTED] at Kuwait.
- [REDACTED]
- [REDACTED]
- [REDACTED]

Ship Attacks in the Persian Gulf (Since Protection Program Announced)

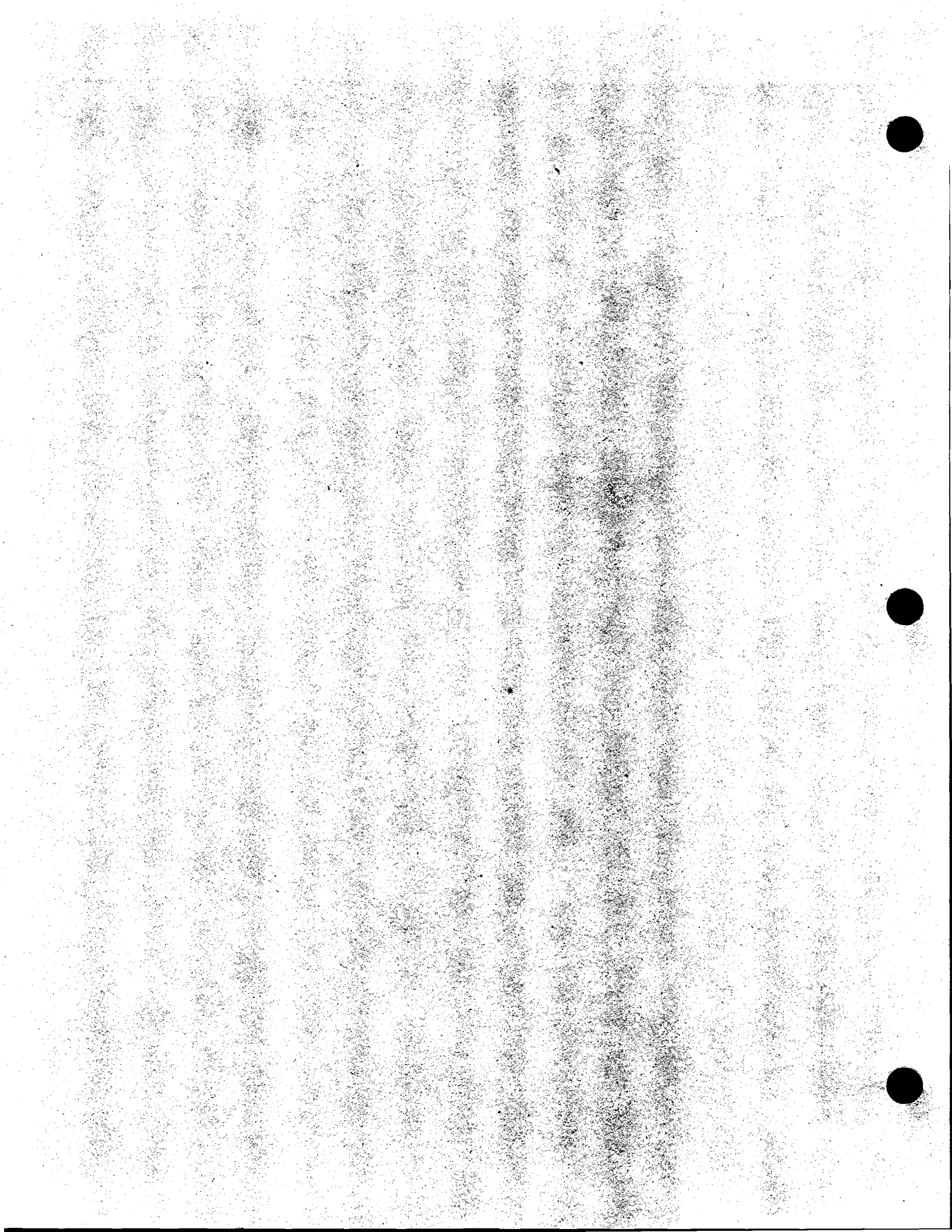
Number of
Attacks



* No Iraqi ship attacks as of 20 April









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National Intelligence Daily

Saturday
23 April 1988

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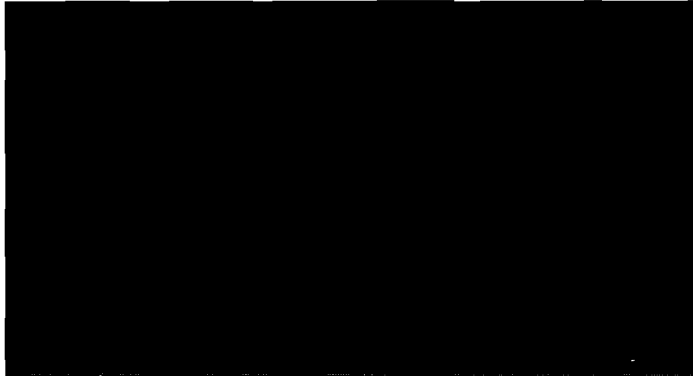
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31

PERSIAN GULF: Situation Report

Military Activity



Comment: The apparent minefield was found near major shipping lanes and anchorages used by unescorted tankers. It is not clear if the various mines discovered this week were part of the Iranian mine-laying effort before the USS Roberts was hit or were laid more recently in retaliation for the clashes this week with the US. The Silkworm missile activity may have been for training or possibly in preparation for deployment. [REDACTED]

Oil Exports Unaffected by Platform Attacks

The US strikes Monday against Iran's Sassen and Sirri oil platforms—apparently no longer on fire—are unlikely to have any significant effect on Iranian oil earnings. Sassen was not producing oil prior to the attack, and Sirri's output of approximately 40,000 barrels per day—worth about \$200 million a year at current prices—represented only about 2 percent of total Iranian production. Both platforms were built by US companies before the revolution. [REDACTED]

Comment: Initial damage assessments indicate production is unlikely to resume at Sirri. Nonetheless, even a permanent shutdown of the facility would have little impact because Iranian onshore production could easily take up the slack. In addition, the oil export shuttle system will not be affected because Iran moved its shuttle operations from Sirri Island to Larak Island in 1980 following an Iraqi attack against Sirri. Iran will probably need Western expertise—likely to cost tens of millions of dollars—to repair either platform. [REDACTED]

continued



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Iraq Stressing Islam

Iraqi President Saddam Husayn used his sudden visit to Saudi Arabia Wednesday to advance his efforts to cloak his secular regime in Islam. Immediately after the military victory at Al Faw, Saddam flew to Saudi Arabia to visit Mecca before seeing the Saudi leaders in Riyadh. He last performed the pilgrimage in December 1988 to celebrate Iraq's defeat of the Iranian Karbala 4 ground offensive. Saddam named Iraq's recent ground offensive after the holy month of Ramadan, launched the attack on the first day of the month, and called the modified Scud missiles used in the war of the cities "Husayn" after the revered Shia martyr [redacted].

Comment: Saddam's adoption of religious trappings is probably an attempt to boost Iraqi morale and weaken Iran's will to fight. During the seven years of fighting, the Ba'athist regime has maintained its secularism against Iran's call for an Islamic republic in Iraq. At the same time, Baghdad has highlighted Iraqi leaders' observance of religious rites, tightened enforcement of abstinence from alcohol during Ramadan, and refurbished Shia shrines. [redacted]

Iranian Silence

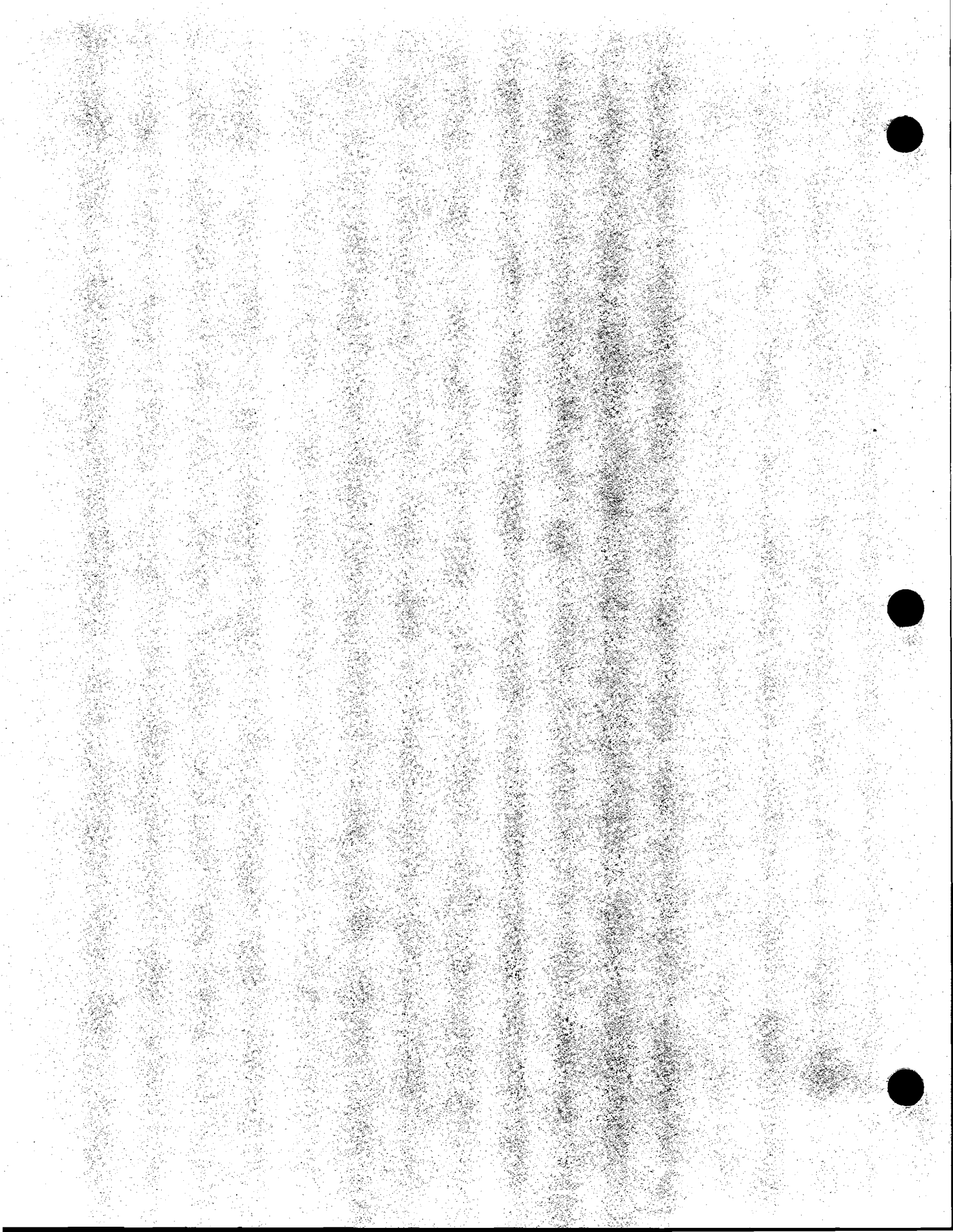
Ayatollah Khomeini has not appeared in public since Iran's military defeat at Al Faw and Iran's losses to the US naval forces in the Gulf earlier this week; he often appears during periods of tension in an effort to shore up the regime's leadership. Khomeini's last appearance—a televised meeting with Air Force personnel—was broadcast on 11 April. The next most likely time for a public appearance is the anniversary of the unsuccessful US mission to rescue American hostages, which occurred during 24 and 25 April 1980. [redacted]

Comment: Although Khomeini sometimes has waited several weeks before commenting on major events, his silence at this time is noticeable because of the importance to him of the war and of opposing the US military presence in the Gulf. His absence could also be due to physical disability or to a busy schedule of meetings to decide how to react to the recent military setbacks. [redacted]

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Terrorism Review

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28 July 1988

Approved for Release
Date JUN 1989

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Terrorism Review **b3**

28 July 1988

1	Focus: The Shootdown of Iran Air 655: Will Iran Retaliate? b3
5	Highlights b3 Counterterrorist Center
9	[REDACTED] b3
11	The ANCS Changing Military Policy b1 b3
13	[REDACTED] b3 b3
19	The Terrorism Diary for September b3 Counterterrorist Center
23	Chronology of Terrorism—1988 b3 Counterterrorist Center

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Terrorism Review b3

28 July 1988

Focus

The Shootdown of Iran Air 655: Will Iran Retaliate? b3

Since the accidental shootdown of Iran Air Flight 655 by the USS Vincennes on 3 July 1988, US diplomatic posts worldwide have experienced anti-US demonstrations and telephoned bomb or death threats. Iranian-backed terrorists plan to attack US facilities and personnel, and most posts have gone on a high state of alert, anticipating some sort of attack. Several posts have reported surveillance by persons of Middle Eastern appearance.

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We judge that the risk to US interests of terrorist retaliation in the wake of the downing of the Iranian airliner is high, even though some of these sightings and reports of imminent attack are probably reflections of little more than the high state of tension at our diplomatic and military facilities. The shifting military and political situation in Tehran—Iran apparently agreed to a cease-fire with Iraq on 18 July—and Iranian leaders' recent quest for improved international status will probably cause Iran to turn to surrogates when it decides to retaliate for the shootdown. Tehran apparently has resumed its targeting of US facilities and personnel worldwide as well as providing encouragement and support to surrogates. At the same time, Iranian rhetoric against Washington in the coming days is likely to encourage Islamic fundamentalists and terrorist groups not previously linked to Iran to attack US interests—attacks that may not have Iranian approval or guidance.

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The Threats

Statements made by Assembly Speaker Hashemi-Rafsanjani shortly after the airliner was downed in the Persian Gulf suggested that Tehran intended to take the diplomatic highroad and maximize the public benefits from its role as victim in the incident. Other Iranian leaders' statements—including one attributed to Ayatollah Khomeini—threatened retaliation on a scale equal "to the magnitude of the crime." Encouraged perhaps by this public belligerency, anonymous callers have threatened our embassies and consulates in many regions, including the Persian Gulf and elsewhere in the the Middle East, Western Europe, Africa, and Australia.

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Other warnings of a possible terrorist attack have also surfaced.

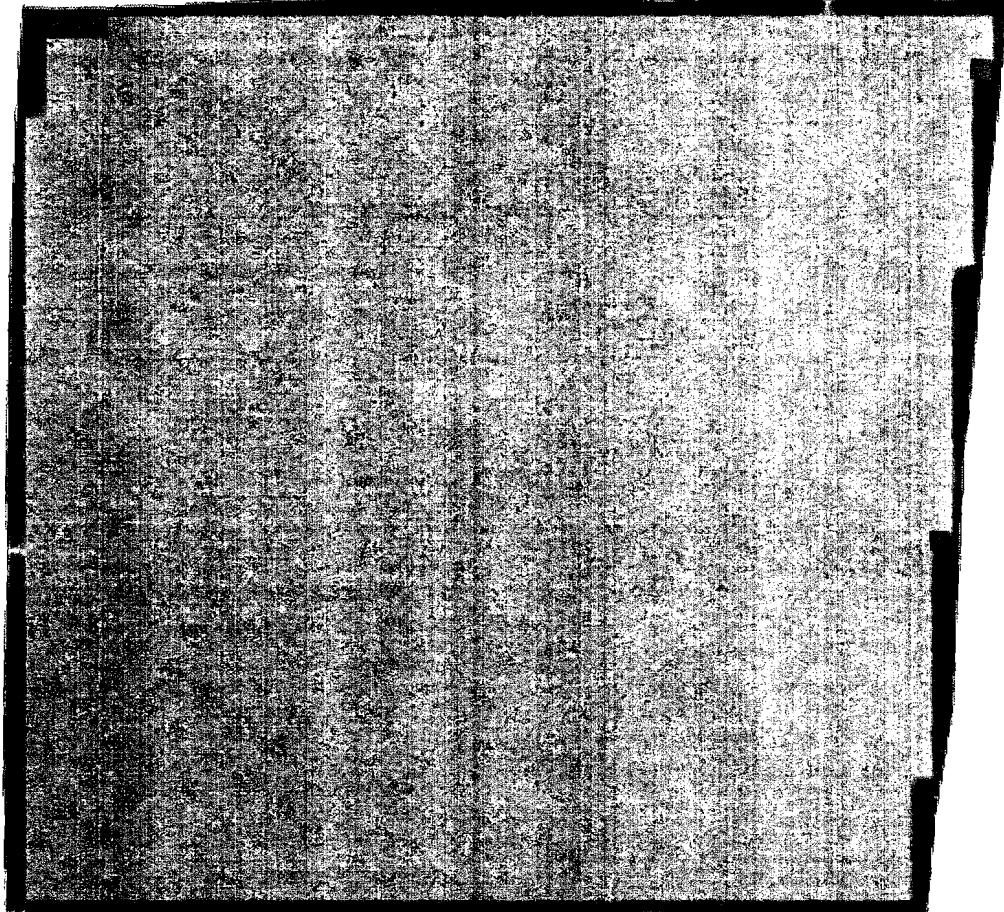


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The Shootdown, the Hajj, and the Hostages

A terrorist operation directed by Iran or a surrogate is not the only way Tehran could threaten US interests. Iranian rhetoric against Washington could also incite Islamic extremists into violent demonstrations. We believe the most vulnerable period for this kind of activity is during Friday prayers, during the annual pilgrimage (the Hajj) to Saudi Arabia, and on 12-13 August, the fortieth day following the shootdown. This last date is a traditional day of mourning, which will coincide this year with observance of the Islamic new year. On the 10th day of the month of Muharram—called Ashura—Shias commemorate the martyrdom of the son-in-law and grandson of the Prophet with passion plays and ritual flagellation

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calculated to rouse the emotions of the participants and observers. Men and boys cut themselves with knives and razors and merrily wraped in shrouds, many bleeding profusely. We believe these observations could easily turn into anti-US demonstrations. [REDACTED] **b3**

Twice following the accidental downing of the Iranian airliner, persons claiming to represent the Hizballah terrorists holding US hostages in Lebanon threatened to harm them. One of the claims apparently was a hoax. The other, however, was accompanied by a photo of hostage Edward Tracy's passport—a technique used by the group to substantiate claims. We believe these were tactics by Hizballah to discourage US actions against Iran. We judge that both Hizballah and Iran consider the hostages too valuable to be killed in reprisal for the downing of the airliner. Tehran, moreover, would probably not want threats against hostages to color its innocent posture as betrayed victim and thereby diminish international sympathy. [REDACTED] **b3**

Outlook

Although statements by some Iranian leaders suggested that Tehran would like to take the diplomatic highroad and seek recourse in the United Nations and world opinion, we believe Iran is, at the same time, maintaining the option of terrorist attacks.

[REDACTED] **b1, b3**

Another danger is that a group backed by Iran will implement an operation that has been in the planning stages but that will now be carried out as revenge for the downing of Iran Air Flight 655. We believe, for example, that individual terrorists within Hizballah are willing to prowlance an operation without Iranian or Hizballah direction. These terrorists would be acting out of a long-standing frustration with what they see as a US conspiracy to attack Iran, destroy the Palestinian cause, and help Israel. The motives—retaliation for the victims of Iran Air Flight 655, intensified Iranian clashes in the Persian Gulf, or revenge for the murder of Abu Jihad—may be confused, but that may not matter to Palestinian Shias or other Middle Eastern radicals frustrated by both PLO and Hizballah inaction. [REDACTED] **b3**

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• US interests in Bahrain or Kuwait are conventional, suitable targets. Both states have large, Iranian-origin populations and military-security agreements with the United States. In the past year, pro-Iranian terrorists have bombed several facilities in Kuwait, including US-related airlines offices and private companies.

• Tehran could draw on its extensive assets in Dubai to rally protest demonstrations—which could easily turn to violence—or mount a terrorist operation. Iran Air Flight 655 was heading for Dubai, and many Iranians there apparently had relatives on board the aircraft.

• Hizballah terrorists who were responsible for the April 1988 hijacking of a Kuwaiti airliner could try to hijack a US airliner or place explosives on board one. They would probably try to prevent this kind of operation from an Asian or African airport where security is lax. American targets are more susceptible, and local support networks are in place.

• Hizballah or Islamic fundamentalists linked to Iran could attempt an attack against US interests in Europe. We believe Greece and Cyprus are likely venues, but Hizballah and Iran have assets in many European cities that could be drawn on to support an operation.

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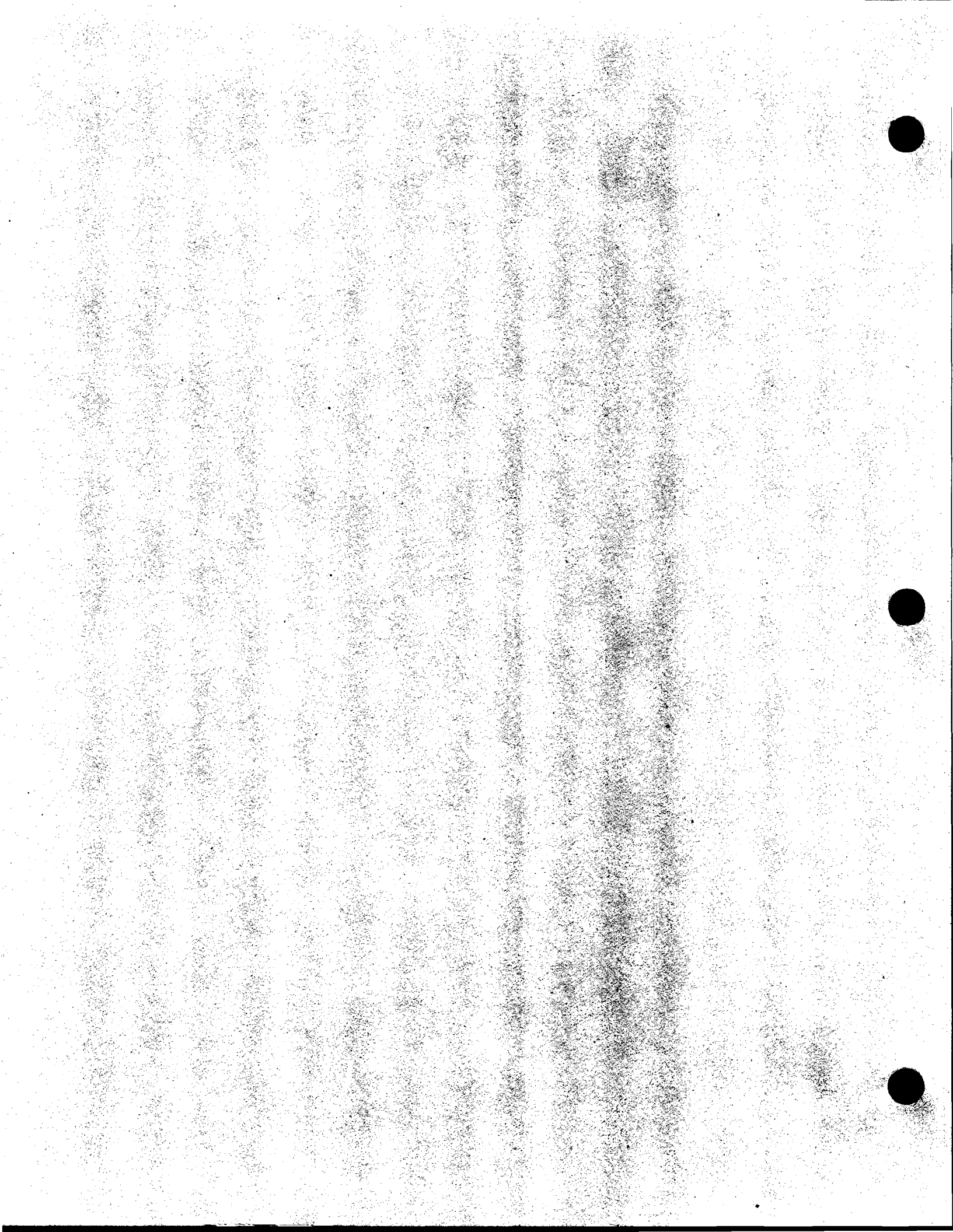
[REDACTED] Shaykh Fadlallah, Hizballah's spiritual guide, denounced the downing of the airliner shortly after the incident but said it had nothing to do with the fate of the Western hostages. In a subsequent statement made during a recent Islamic holiday, he called for a "happy ending" to the hostages' ordeal and urged Tehran to press for their release as a humanitarian gesture.

[REDACTED] Like
Tehran, however, he has only a limited influence over the Hizballah terrorists holding the remaining foreign hostages. Hizballah will certainly use the hostages to issue press statements denouncing the United States and will make the conditions of their detention more onerous and threatening than they apparently have been.

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National Intelligence Daily

Saturday
20 August 1988

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Special Analysis

INTERNATIONAL:

Outlook for UN Peacekeeping Operations

As some 300 UN observers begin to monitor the cease-fire between Iran and Iraq today, they are likely to encounter the same sorts of problems that bedevil the other seven current multinational peacekeeping operations. At least initially, their mobility will be limited by whatever transportation the belligerents are willing to provide, and they will be hard pressed to cover the more than 925 miles (1,490 kilometers) of border. None of these problems is likely to undermine the mission, however, as long as both Iran and Iraq remain committed to the cease-fire.

The UN Iran-Iraq Military Observer Group (UNIMOG) will enjoy several advantages that other UN peacekeeping operations lack:

- Tehran and Baghdad have agreed to an internationally monitored cease-fire, whereas in Afghanistan, for example, the insurgents are not a party to the Geneva Accords that established the UN Good Offices Mission.
- The belligerents have the capacity to implement the agreement, whereas in Lebanon the government is unable to control armed factions in the south that challenge the UN buffer force.
- Unlike the underfunded UN force in Cyprus, there is enough outside support to provide the necessary personnel and funds.

Although the conditions for the UN group in Iran and Iraq are promising, the group will need to be sustained well beyond the initial six-month mandate if UNIMOG is to help resolve the conflict in the India-Pakistan conflict—which is similarly complex—UN military observers have been deployed to Kashmir for almost 40 years, and there is still little prospect that they can be safely withdrawn.

Demand Way Up for Peacekeeping Operations

The Iran-Iraq mission is the second multinational peacekeeping operation to be launched in the past four months, and at least two more may be undertaken within a year. In April, the UN Good Offices Mission in Afghanistan and Pakistan was established with a group of 50 observers. A much larger force, including 7,500 UN troops, is planned to monitor Namibia's transition to independence. Peacekeeping and support of a referendum in Western Sahara might involve several thousand UN troops.

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Meeting the new requirements will be difficult even though many countries value the experience that peacekeeping operations provide. The best-trained and most highly qualified peacekeeping troops—including those from Canada and the Nordic countries—are already heavily committed to existing operations. For any contributing country, moreover, the impact on national military forces goes well beyond the number of troops deployed. Peacekeeping units normally are rotated every six months, and such rotation requires annual training of at least twice as many forces as are actually deployed.

Requirements for pilots and technicians are particularly burdensome because they are in short supply in many armed forces. Furthermore, many of the countries that contribute troops absorb the bulk of the financial burden because peacekeeping operations tend to be underfunded. Costs for these operations now account for more than half of the UN debt.

Prospects

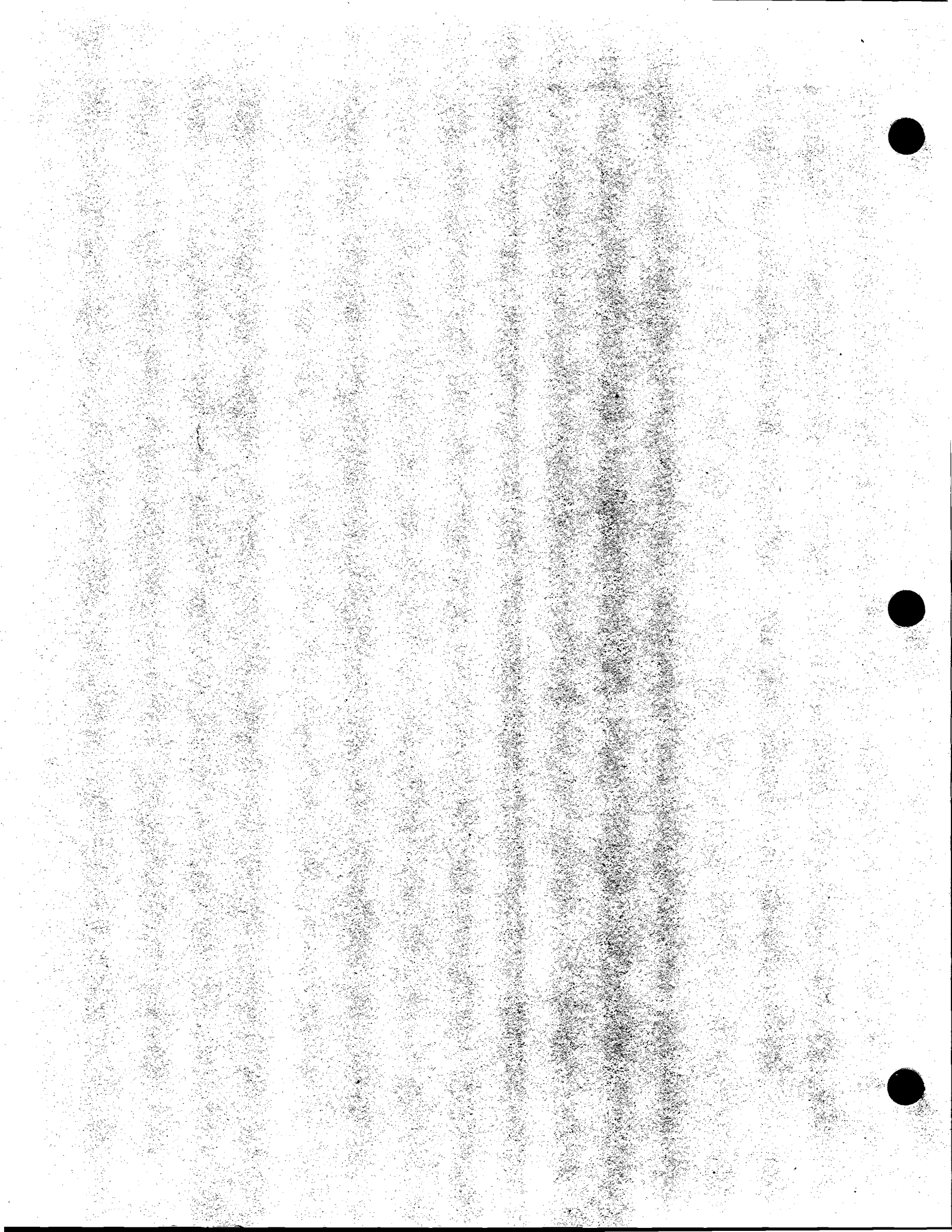
The UN has accumulated considerable experience in more than 20 peacekeeping operations over the past 40 years, but even so it is not well prepared to meet the increasing demand. Regional organizations like the Organization of American States and the Organization of African Unity that also have attempted peacekeeping operations are even less prepared for new efforts. The UN's lack of preparation is indicated by inadequate stockpiles of communications and other necessary equipment and by an absence of standardization of equipment. Advanced technology that would enable more effective monitoring of military activity, including a wide range of remote sensors, generally has not been used by peacekeeping forces. No minimum training standards have been established for peacekeeping duty.

These shortcomings and others, along with personnel and financial constraints, will not preclude future peacekeeping operations but will make the job more difficult. In particular, financial pressures are likely to result in the deployment of forces that are insufficient for the tasks they face.

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National Intelligence Daily

**Tuesday
23 August 1988**

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Special Analysis

IRAN-IRAQ:

Prospects for Geneva Talks

Iran and Iraq seem committed to full implementation of UN Resolution 598, but the negotiations that begin today in Geneva over a comprehensive peace are likely to be protracted and difficult. Both countries have sharply divergent views about the way the talks should proceed and the key issues involved. Iranian leaders who support the resolution will be politically vulnerable if Tehran cannot claim that many of its key demands are met. The regime in Baghdad is more secure but is seeking a settlement that would help justify the costly war to its populace.

Each side is trying to shape the agenda for talks in Geneva. Iraq is insisting on face-to-face negotiations with Iran on all substantive issues and will resist intervention by UN Secretary General Perez de Cuellar. The Iraqis distrust the Secretary General, whom they view as favoring Iran, and believe Iraq will gain greater concessions through direct talks.

Iran wants to limit direct talks with Iraq to a few issues to prevent Baghdad from holding implementation of the Resolution hostage to demands for a comprehensive settlement. Tehran is insisting the Secretary General set a timetable for implementing most provisions of 598—including troop withdrawals and the creation of committees to assess blame for the war and to consider reparations for damage—after consulting separately with each side.

Iraqi Goals

Iraq will continue to press for a comprehensive peace settlement that is guaranteed by the UN Security Council and that goes beyond the specific provisions of the Resolution, including assurances of Iranian nonaggression and noninterference in Iraqi internal affairs. Iran's agreement to direct talks has not reduced Iraqi suspicions that Tehran still wants to oust the Ba'athist regime in Baghdad, either militarily or through subversion.

The Iraqis are particularly concerned that superpower courting of Iran will lead to a watered-down peace settlement. These concerns are reflected in Iraqi media warnings to the superpowers and other countries not to conspire with Iran to undermine Iraq.

Baghdad will seek a broad UN-sanctioned agreement that reduces its strategic vulnerability by guaranteeing freedom of navigation in the Shatt al Arab, the Persian Gulf, and the Strait of Hormuz. Although oil pipelines through Turkey and Saudi Arabia have offset Iraq's loss of

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Iranian and Iraqi Positions on Key Issues Involved in UN Resolution 598

Impartial Body To Assess Blame for the War: Iran expects Iraq to be labeled the aggressor. Iraq will not accept sole responsibility for the conflict. Compromise might involve some criticism of Iraq for starting the war and criticism of Iran for continuing the conflict.

Reparations: Iran wants Iraq to pay reparations for war damage that Tehran claims total several hundred billion dollars. Compromise might involve a reconstruction fund for both countries of \$20-40 billion provided by the Arab Gulf states.

Sovereignty over Shatt al Arab: Iran is calling for reaffirmation of the 1975 Algiers accord, which established the boundary at the thalweg — the center of the navigable channel. Iraq claims the Algiers accord is void and that the Iraqi border has reverted to the east shore of the Shatt. Iraq's position probably is a bargaining chip that Baghdad hopes to trade for guarantees on freedom of navigation in the Shatt, the Persian Gulf, and the Strait of Hormuz.

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Special Analysis

USSR: Peace in Gulf War Mixed Blessing for Moscow

Moscow has welcomed the Iran-Iraq cease-fire but probably views the prospect of peace with mixed feelings. The Soviets are eager for the US to reduce its naval presence in the Persian Gulf but probably are concerned Iran and Iraq will turn primarily to the West to reconstruct their economies. Soviet efforts to court Iran will be limited by economic constraints, uncertainties about Iranian policies, and relations with Iraq and the Gulf states.

Getting US Ships Out

The Soviet Government yesterday offered to withdraw its naval forces from the Gulf if "nonregional" states also withdraw their ships. It also called for an international accord on Gulf security; a Kuwaiti newspaper last week quoted a Soviet official as saying the USSR will soon propose a regional security conference under UN auspices.

Removing the rationale for the US naval presence in the Gulf has been a major Soviet objective. Apart from the potential direct military threat to the USSR, Moscow has been concerned that the US Navy could parlay its escort role into an expansion of its permanent basing privileges in the Gulf. More broadly, the Soviets do not want US forces to be viewed as contributing to settlements of regional conflicts.

Concern About Western Inroads

A reduced US naval presence might, however, improve US-Iranian relations, which Moscow hopes to prevent. Soviet media have highlighted recent statements by US officials on prospects for better relations with Iran, and a Soviet official has told a Japanese newspaper that Washington and Tehran are likely to move closer together in the postwar period.

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Moscow undoubtedly realizes that it is in a poor position to compete with the West in providing the economic aid Iran and Iraq will need for rebuilding. The Soviets probably also believe Iraq will be freer to diversify its sources of arms and less constrained to mute its political differences with Moscow, its main arms supplier.

Courting Tehran

Concern about a US-Iranian rapprochement is likely to lead the Soviets to court Tehran more aggressively, probably with reminders that Moscow refused to support an arms embargo to enforce UN Resolution 598 and with discussions on economic cooperation.



The Soviets probably will not make any military commitments to Iran until they believe the cease-fire is stable. To meet the influence of Western economic aid, the Kremlin is likely in the first months of a cease-fire to allow some increase in Bloc arms sales to improve Soviet-Iranian relations. In the longer run, competition from Western, Chinese, and Latin American arms offers might prompt the Soviets to offer Iran a major system such as the SA-5 surface-to-air missile, which Tehran has requested in the past. Moscow probably will not sell large amounts of modern weapons to Iran, however, until the political situation in Tehran is resolved after Khomeini dies. The Soviets would rather not arm a regime likely to resume trying to spread Islamic fundamentalism, whether by renewing hostilities with Iraq, increasing material aid to Afghan insurgents, or proselytizing Soviet Muslims.



To assuage Iraqi anger over any arms sales to Iran and to keep Baghdad—an ally by treaty—from greatly diversifying its weapons supplies, the Soviets almost certainly would provide weapons that allowed Iraq to maintain military advantage over Iran. Moscow may also be flexible on the renegotiation of Iraq's military debt.

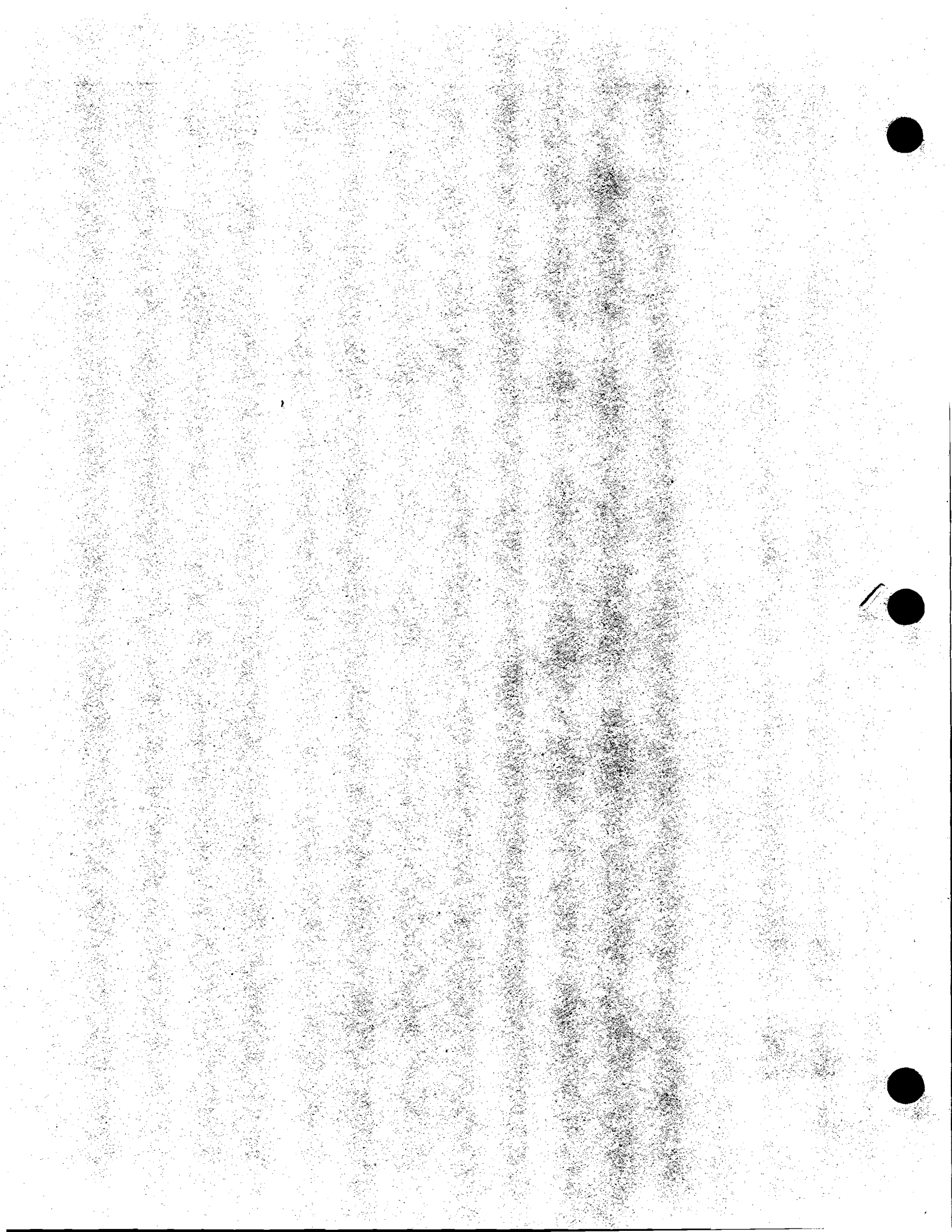


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National Intelligence Daily

Thursday
25 August 1988

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Gulf export routes. Syria's closure of Iraq's oil pipeline in 1982 underscored the vulnerability of Iraq's reliance on pipelines. Iraq has dispatched three ships through the Strait of Hormuz since the cease-fire to emphasize its claim to freedom of navigation.

Iranian Stance

Although Iran's desire for an end to the war is almost certainly genuine, Tehran is not as eager as Iraq for a formal peace settlement. Powerful radicals in Iran's leadership remain opposed to Iran's acceptance of the Resolution, which they regard as a betrayal of the revolution. Ayatollah Khomeini's endorsement of 598 prevents direct challenges for now, but Assembly Speaker Raisanjeni and his supporters will be vulnerable to attack for any agreement that appears to impose a peace settlement on Baghdad's terms or that recognizes too explicitly the legitimacy of the Ba'athist regime.

Tehran is likely, therefore, to try to focus discussion in the first round of negotiations on specific provisions of 598 and to stall discussion of a comprehensive settlement. Iran wants provisions calling for an assessment of blame for the war and for war damage reparations. The regime in Tehran will continue to demand a statement explicitly labeling Iraq as the aggressor and to insist on substantial reparations to demonstrate to domestic opponents that Tehran can realize concrete gains from the Resolution and avoid making humiliating concessions to Baghdad. Iranian supporters of Resolution 598 have long portrayed the fulfillment of these demands as the only acceptable alternative to military victory over Iraq.

Outlook

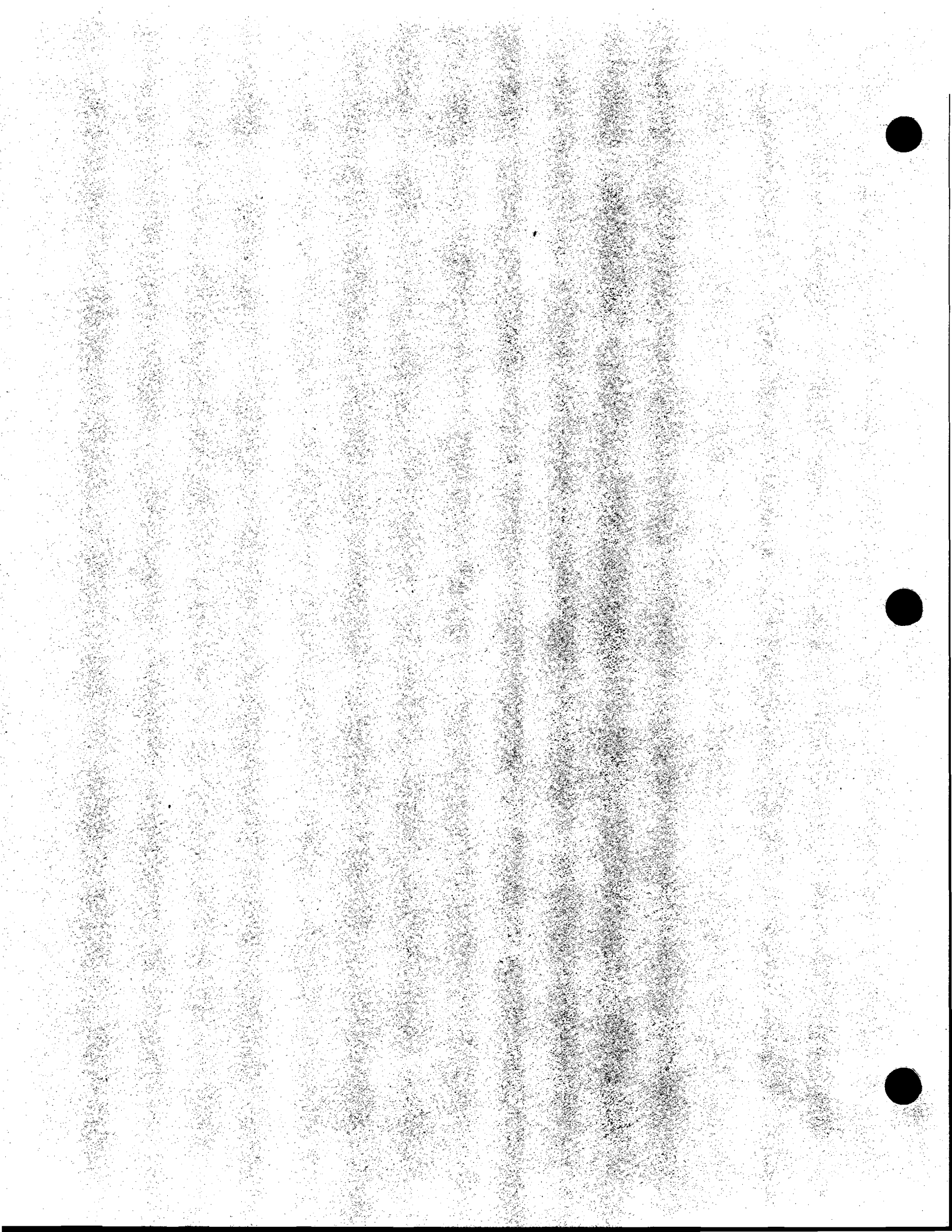
The two sides probably will agree eventually to compromise formulas on most key issues to provide a basis for maintaining the peace. Iraq might try to use its military advantage if the talks become deadlocked for several weeks and if Baghdad concludes that continued political pressure is futile. Even then, Baghdad probably would opt first for limited military action (like air attacks). Iran's military weakness will make it much less likely to resume military operations, but Tehran might temporarily withdraw from the talks if Baghdad appeared to be trying to impose humiliating concessions.

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25 AUGUST 1988

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Near East and South Asia Review

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b (3)

26 August 1968

Approved for Release
Date JUN 1999

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26 August 1968
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Near East and South Asia Review (b) (3)

Articles

Implications of a Negotiated End to the Iran-Iraq War (b) (3)

We believe an end to hostilities between Iran and Iraq will force the two belligerents, key Arab states, and Israel to search for new ways to protect their vital political and security interests in a more uncertain and fluid environment. Baghdad and Tehran will be likely for some time to focus their energies on securing economic and military aid, mainly from the West, expanding political influence in the Gulf, and preserving cold peace with each other. Gulf Arab states will try to balance their relations between Iraq and Iran, giving reconstruction aid to both. Israel and Syria will see a serious military threat from Iraq's powerful armed forces and will face expanded Iraqi and possibly Iranian involvement in the Arab-Israeli arena. The impact of peace between Iran and Iraq on the Arab-Israeli conflict may be the biggest question mark. An end to the Gulf conflict, in our view, increases the risk of another Arab-Israeli war over the medium and long term.

b(7) b(3)

Iraq and Iran: Capitalizing on Peace (b) (3)

Even if a comprehensive peace agreement is reached, Iraq and Iran almost certainly expect to be locked in a cold war for the foreseeable future. We believe Baghdad and Tehran will work to prevent the outbreak of hostilities for several years, but both—and most of their neighbors—probably will assume another war will break out before the turn of the century because of deeply rooted Arab-Persian differences, strong competition for political dominance in the Gulf, and the ideological clash between Islamic fundamentalism in Iran and secularism in Iraq. Neither state, in our view, will be satisfied with the outcome of the eight-year war.

(b) (3)

Iraq. Iraq clearly sees itself as victorious in the war and is likely to tout itself as the dominant military and political power in the region. Indeed, we believe Iraq will see victory as a springboard to gain hegemony in the Gulf, and President Saddam Hussein will expect the Gulf Arabs to line up behind Baghdad's political lead. Iraq does not see itself indebted to the Gulf Arab states for their material and financial support in the war. On the contrary, Baghdad considers the Gulf Arabs indebted to Iraq for preventing the export of the Iranian revolution to their soil. Iraq has no intention of repaying the more than \$33 billion in aid it received from the Gulf Arabs.

(b) (3)

Iraq will seek regular demonstrations of continued Gulf Arab support. As a start, it probably will ask for a war reconstruction fund underwritten by the Gulf states and will argue against Kuwaiti and Saudi efforts to cut back on oil sold on Iraq's behalf from the Neutral Zone. Baghdad will work against an improvement in Gulf Arab relations with Iran and will try to influence the pace and scope of Iran's political rehabilitation. Baghdad's measures may include:

- Pushing for formal security and military agreements with—perhaps even full membership in—the Gulf Cooperation Council to give Iraq influence over Gulf Arab defense and economic planning.
- Strengthening leftist antiregime groups in the Gulf as a warning to Gulf Arab leaders to heed Baghdad's directives. Iraq will try to make sure, however, that these efforts to weaken the Gulf states do not benefit pro-Iranian dissidents.

Secret (b) (3)

- An effort to acquire Kuwait's Bubiyan and Warbah islands, strategically located at the mouth of the Shatt al-Arab, and other disputed territory along the Kuwait-Iraqi border, as part of a postwar muscle-flexing strategy. Such efforts are likely to succeed only if Iraq uses military force. (S) b (3)

Further afield, Iraq almost certainly will move to settle scores with Syria, which has steadfastly supported Iran in the war. Once peace is secured on Iraq's eastern front, we believe Baghdad will undertake a major effort to destabilize the Assad regime. Iraq may even try to sabotage some strategic Syrian facilities or provoke military tensions along the Syrian-Iraqi border, with an eye to putting new pressures on Syria's already strained economy. The Iraqis probably are confident that the Syrians would avoid any response that might lead to a major conflict. (S) b (3)

Baghdad probably will try to challenge Syrian interests in the Levant by giving financial and logistic support to Palestine Liberation Organization leader Arafat and his Fatah group and to foes of Damascus such as the Christian Lebanese Forces militia in Lebanon. Iraq will also try to reduce Syria's role as the dominant Arab confrontation state with Israel. (S) b (3)

Baghdad may even adopt a moderate stance, initially, on terms for Arab-Israeli negotiations and peace in an effort to engineer an anti-Syrian diplomatic bloc made up of Iraq, Egypt, Jordan, and the PLO. Over time, however, we believe Iraq's position on Arab-Israeli questions will become more hard line. We also expect relations between Egypt and Iraq to sour eventually, as they jockey for political predominance in the Arab world. (S) b (3)

Meanwhile, Baghdad is likely to strike at the rebellious Kurds with a vengeance after the war. The Kurdish rebellion is likely to collapse and go back to a nuisance status within weeks of a cease-fire, as it did after Iran withdrew its support for the Kurds in 1975 as part of a deal with Saddam. (S) b (3)

Iraq's postwar strategy probably will put heavy emphasis on economic reconstruction and expanding commercial and political ties to the West, including

the United States. We believe Baghdad will see good relations with Washington as a balance to its close ties to Moscow and a way to keep the United States from drifting too closely toward Iran. Iraqi leaders probably also hope that good ties to the United States will prompt US business investment in Iraq after the war, particularly in the oil exploration and development fields. (S) b (3)

Iran. Iran's postwar strategy is certain to be heavily influenced by internal political developments. If Assembly Speaker Rafsanjani maintains his preeminence, Tehran is likely to seek political accommodation with Gulf Arab states to pull them away from Iraq's political orbit. Gaining reconstruction aid and reestablishing trade and commercial links with Gulf states will be top priorities for Iran. (S) b (3)

Still, Iran probably will provide clandestine training and support to dissident Gulf Arab groups and to encourage Shia activists throughout the Gulf to engage in anti-regime activities. The overthrow of Sunni monarchies in the Gulf will remain a long-term political objective of the Iranians. In the event Rafsanjani were pushed aside and more radical elements assumed power, Tehran probably would focus more heavily on spreading its revolution by sponsoring sabotage and other subversive operations against Gulf Arab states. (S) b (3)

Iran is unlikely to cut back its heavy involvement in Lebanon and may provide more funds to Hizballah to increase its political and military options. Although Tehran may be less sensitive to Syrian objections to this support after the war with Iraq is over, Iran will still need good relations with Damascus to ensure the flow of arms, materiel, and personnel to Lebanon. (S) b (3)

An end to the war will not, by itself, assure the release of the Western hostages in Lebanon over whom Iran exerts some control. Their release depends primarily on Tehran's interest in improving its relations with Washington and other Western capitals, and on Hizballah's willingness to give up the hostage card. (S) b (3)

There may be some increase in Iranian meddling in Afghanistan, but it will mainly emphasize material support to Shia insurgent groups. Tehran could send some Revolutionary Guards to Afghanistan to provide a battlefield for its more zealous members and, at the same time, move potential troublemakers out of Iran, but this is much less likely. (S) b (3)

Iranian interest in improving relations with the United States after the war will depend largely on internal political developments, and the coming to power of radical elements could lead to a more hostile Iranian policy toward the United States. Nonetheless, an end to the war will remove a major obstacle to improved relations, and we believe some Iranian leaders may see less hostility toward Washington in Iran's political and economic interests. Tehran probably will calculate that its willingness to improve relations with Washington would help slow further improvement in US-Iraqi relations, which they almost certainly want to prevent. (S) b (3)

Some improvement in Iranian-Soviet relations is likely after the war, but longstanding Iranian suspicions about Moscow's intentions in southwest Asia as well as deeply rooted anti-Communist sentiment among the Iranian people weigh against a sharp upturn. Tehran might offer Moscow some economic opportunities in Iran's reconstruction program to gain Soviet interest. In the event the West proved unwilling to provide Iran with economic and military assistance, Tehran probably would try to attract an expanded Soviet role. (S) b (3)

The Gulf States: Seeking a Regional Balance of Power
Gulf Arab states have made tremendous strides over the past eight years in bolstering their militaries and cooperating on security issues. They are likely to continue to pursue, even accelerate, these strategies after the war's end. (S) b (3)

We believe all Gulf Arab leaders are deeply suspicious of the long-term regional aims of both Iraq and Iran and see balanced relations between the two in their best interests. The Gulf states probably are willing to contribute several billion dollars to a postwar reconstruction fund for both Iran and Iraq, although the amount probably will fall far short of Tehran's and Baghdad's expectations. Major Gulf

Arab financial commitments to a reconstruction fund would greatly reduce their willingness and ability to provide aid to other Arab states. Still, the Gulf states will provide some financial assistance to other Arab capitals to maintain good relations. (S) b (3)

Saudi Arabia, which will continue to be the leader of Gulf Arab interests after hostilities end, will almost certainly attempt to chart a path of political balance between Iraq and Iran. (S) b (1) b (3)

In a less threatening postwar environment, Gulf Arab states probably will seek less overt ties to Washington to appease Tehran and prevent the development of domestic and regional criticism that they consort too closely with Israel's main benefactor. Nonetheless, the Gulf Arabs will seek to maintain fundamental security links to the United States after the war, both as insurance in the event of renewed fighting and as a reminder to Iran and Iraq that Washington has a strong stake in Gulf political stability. (S) b (1) b (3)

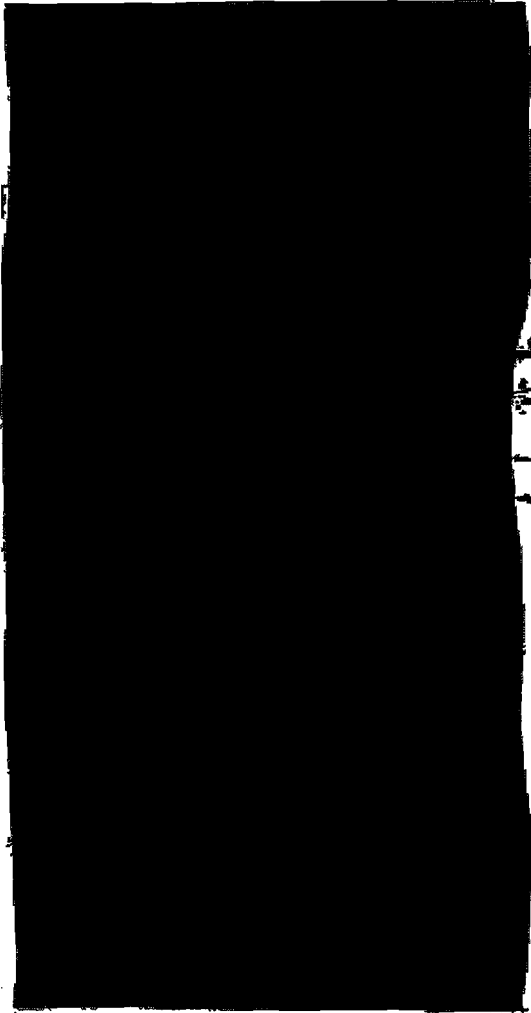
The Oil Issue: Downward Pressure on Prices
An end to the war almost certainly will put downward pressure on oil prices. Psychological factors, particularly market expectations that both Iraq and Iran will increase production to assist in reconstruction, will play a key role in price movements. The stability of the market will depend on how OPEC accommodates the demand by both countries to increase exports. (S) b (3)

Of the two belligerents, Iran is more likely to increase its oil production substantially. We believe Baghdad will try to boost its production as much as possible without disrupting the oil market. It could easily miscalculate, however, leading to increased production by other OPEC members and more pressure on prices. Oil prices, in such a scenario, could fall to less than \$10 per barrel. (S) b (3)

The greater deterioration of Iran's oil sector during the war limits its ability to increase production dramatically for some time. Tehran—traditionally a price hawk in OPEC, probably will push for OPEC production restraints to rein in Iraq and shore up prices. Moreover, the promise of a multibillion dollar reconstruction fund will encourage oil policy moderation by Iran so as not to antagonize Gulf benefactors. (S) b (3)

The Arab-Israeli Arena: Israel and Syria See Problems

Israel and Syria almost certainly are alarmed about the potential consequences of an end to the Iran-Iraq war. In addition to Iraq's large, well-equipped, and battle-hardened standing army, its long-range ballistic missile and fighter bomber capabilities are viewed by both Tel Aviv and Damascus as security threats. Even a temporary *modus vivendi* between Iran and Iraq that freed up some Iraqi military assets, in our view, would be disconcerting to the Israelis and the Syrians. There almost certainly will be less Israeli and Syrian consternation about Iran's postwar agenda, although Tehran's troublemaking capabilities in Lebanon and, to a lesser extent, among Palestinians will be of concern. (S) b (3)



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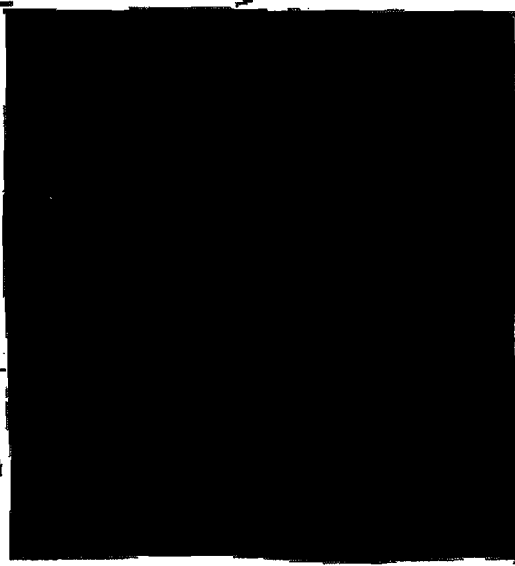
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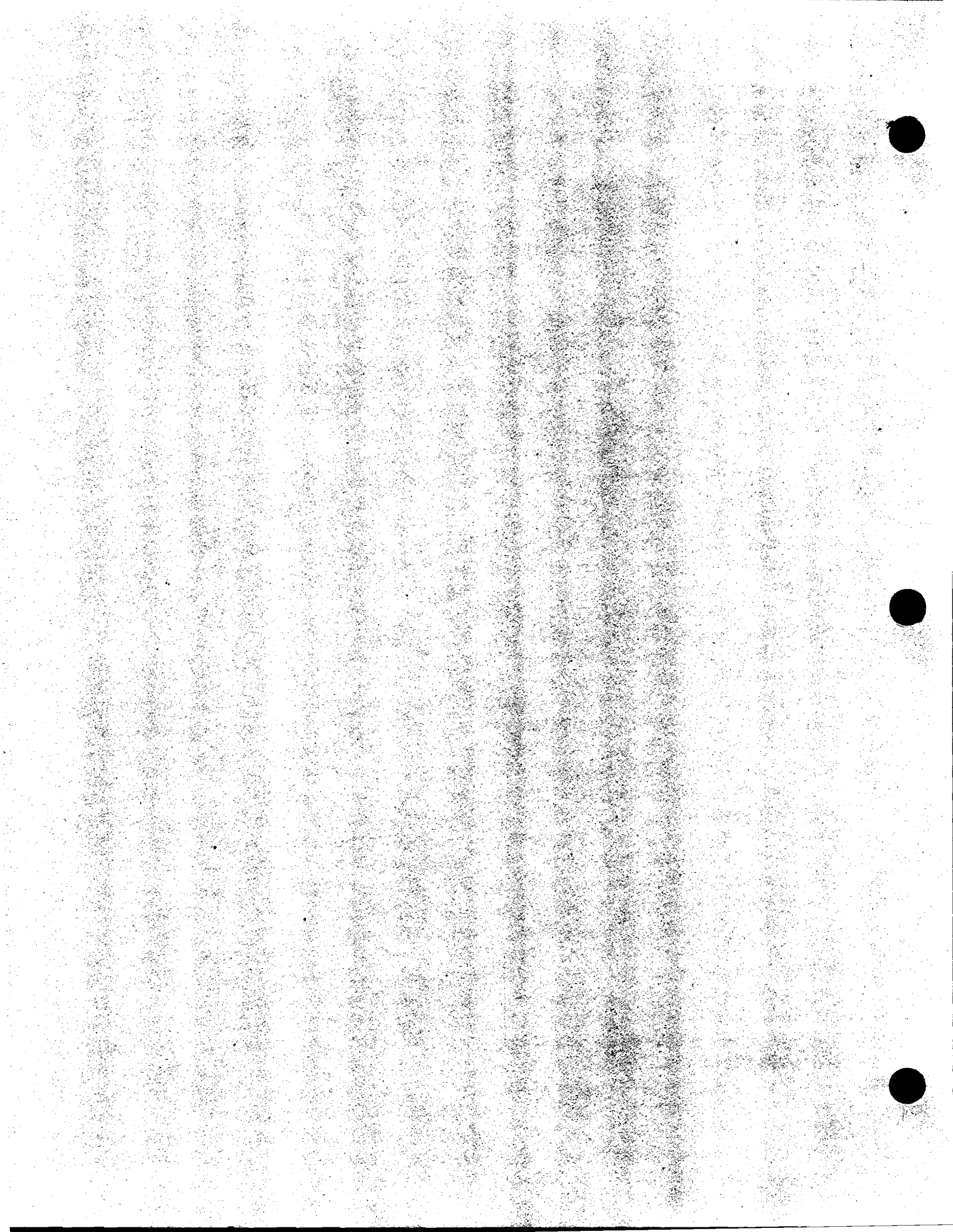
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Syria. Despite the Iraqi menace, the Syrians are unlikely to try to mend fences with Baghdad in the near term—either contrition for a sharp reversal in policy is in keeping with President Assad's personal style. To counter any Baghdad-mounted subversive effort, Damascus will crack down harder on its









Director of
Central
Intelligence

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[Redacted]

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NOFORN/NOCON/NOPT
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CIA/CPAS.../VIR-28-803IX...

National Intelligence Daily

**Tuesday
30 August 1988**

RELEASE IN PART
EXEMPTIONS: (b)(7)
(D) (E) (F)
DATE: SEP 2001



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Special Analysis

IRAN-IRAQ:

Cease-Fire Portends Lower Oil Prices

If the cease-fire in the Iran-Iraq war holds, increased exports from Persian Gulf oil producers—especially Iraq—might drive prices down by as much as \$3 to \$12-16 per barrel over the next year or two.

Although a peace settlement might improve the environment for cooperation in OPEC to support prices, divergent interests among its Persian Gulf member states will continue to complicate efforts to negotiate a workable production allocation scheme.

Iraq's efforts to build an extensive export pipeline system and to maintain an aggressive oilfield development program have put it in a good position to increase oil output. If the cease-fire holds, Iraq would be able to increase oil exports by 1 million barrels per day within six months by using two single-point mooring buoys in the Gulf. Even without these buoys, Iraq will expand its export capacity another 1 million b/d by late next year with the completion of its pipeline through Saudi Arabia.

Non-Communist oil consumption, however, is expected to grow by only about 600,000 b/d next year, and nonmembers will supply as much as 200,000 b/d of that increment. Demand for OPEC oil—at current prices—will increase by only 300,000 b/d next year.

Should Iraq opt to use all its additional export capacity, oil prices would collapse. Statements by Iraqi oil officials suggest that Iraq will try to export as much oil as possible after the war without triggering such a price decline.

Given the relative strength of Iraq's oil sector, Baghdad is likely to demand a quota from OPEC that is much higher than that of Iran. Baghdad may decide to deal with the rest of OPEC, including Tehran, in the market rather than at the bargaining table. This would pose a challenge to other Gulf producers also looking for higher quotas and exports.

The war's end probably will have little effect on Iranian oil production and export capacity over the next several years. Iran has allowed its oil production capacity to deteriorate from 6 million to 3 million b/d during the war, and it does not have much potential for an aggressive increase in oil exports. With current production about 2.5 million b/d, Iran can increase its oil output over the near term by no more than 700,000 b/d.

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Tehran is likely to be more sensitive than Iraq to the impact of higher output on oil prices. Throughout the war, Iran produced well under its productive capacity, preferring higher prices to volumes, a policy that probably will continue.

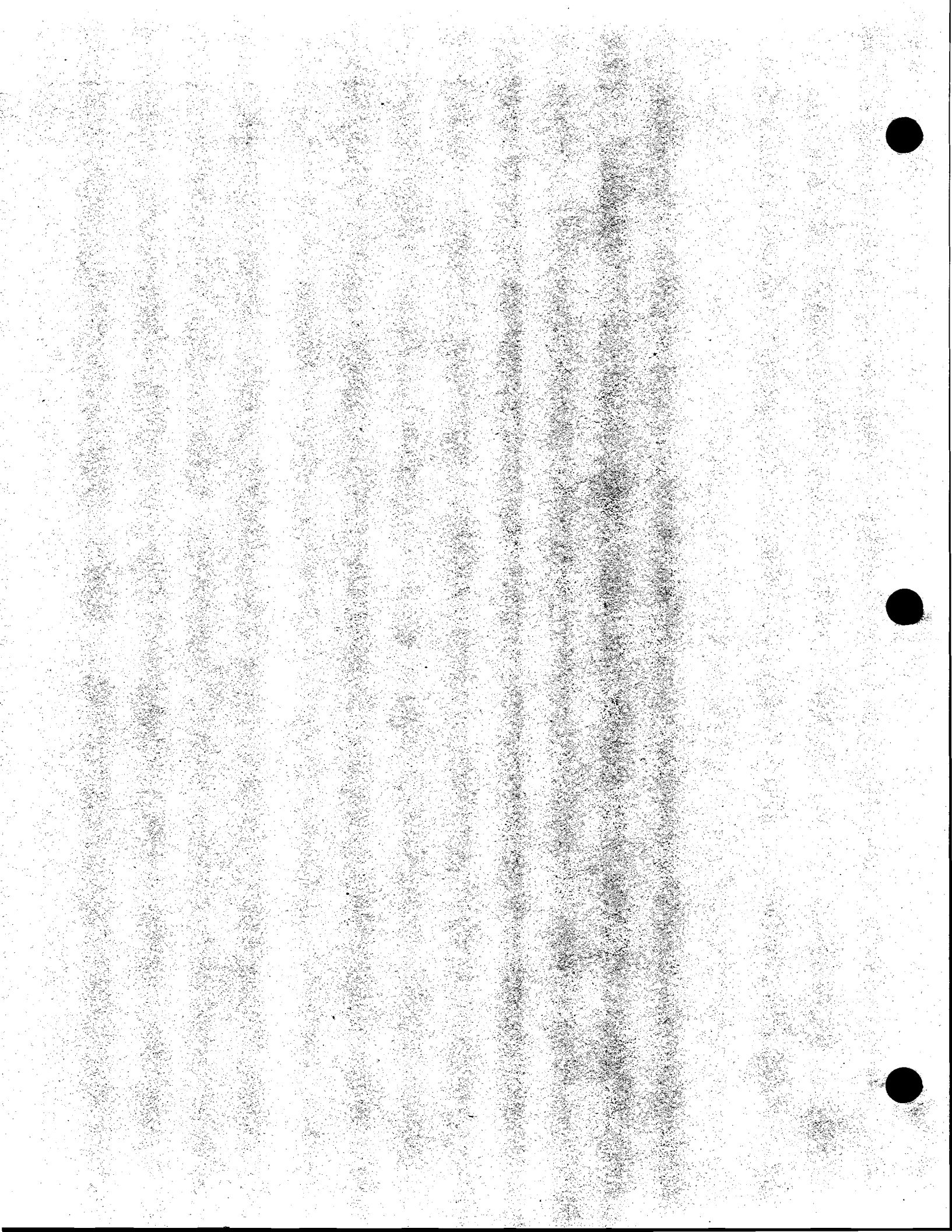
As usual, the Saudis will play the key role in determining the shape of the postwar market, but the divergent interests among Gulf producers will make it difficult for Riyadh to encourage greater price support. Moreover, the Saudis have little oil policy leverage over other Gulf producers. Although Riyadh has the ability to limit Iraq exports through the pipeline that transits Saudi Arabia, it is not likely to do so for fear of antagonizing its powerful neighbor.

~~Top Secret~~

30 August 1988







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PAGE 01 BAGHDA 05023 131145Z
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	PM-10	EAP-00	ITC-01	OFIC-07	PA-01	CEA-01	OMB-01
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USDOC FOR 4520/ITA/ONE/SANS

E.O. 12356: DECL: OADR
TAGS: PREL, BERP, ECON, EIND, IZ
SUBJECT: MINISTER OF INDUSTRY BLASTS SENATE ACTION

1. CONFIDENTIAL - ENTIRE TEXT.

2. SUMMARY: HUSAYN KAMIL, SADDAM HUSSEIN'S SON-IN-LAW AND MINISTER OF INDUSTRY, FULMINATED TO BECHTEL REPRESENTATIVES SEPTEMBER 10 ABOUT THE SENATE'S PASSAGE OF THE GENOCIDE BILL. IN LENGTHY DIATRIBE, KAMIL DENIED CHARGE OF CW USE AND DESCRIBED SENATE ACTION AS PART OF ZIONIST CONSPIRACY TO EMBARRASS AND UNDERMINE IRAQ AFTER ITS "VICTORY" OVER IRAN. BECHTEL REPRESENTATIVES SAID THAT IF ECONOMIC SANCTIONS CONTAINED IN SENATE ACT ARE SIGNED INTO LAW, BECHTEL WILL TURN TO NON-U.S. SUPPLIERS OF TECHNOLOGY AND CONTINUE TO DO BUSINESS IN IRAQ. END SUMMARY.

CONFIDENTIAL
CONFIDENTIAL

PAGE 02 BAGHDA 05023 131145Z

3. BECHTEL REPRESENTATIVES MET WITH AMBASSADOR AND ECONOFF SEPTEMBER 12 TO DISCUSS STATUS OF BECHTEL'S OPERATIONS HERE AND REACTION OF MINISTER OF INDUSTRY TO SENATE PASSAGE OF ACT INVOKING ECONOMIC SANCTIONS AGAINST IRAQ FOR USE OF CHEMICAL WEAPONS AGAINST WERE KURDS. THEY SAID THAT HUSAYN KAMIL VENTED HIS SPLEEN FOR ONE AND A HALF

PAGE NO. 1

United States Department of State
Office of FOI, Privacy, & Classification Review
Review Authority: BOVIS, EUGENE
Date: 07/03/96
Case ID: 92024223

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TEXT OF TELEGRAM 88BAGHDA005023

HOURS SEPTEMBER 10 REGARDING THE SENATE'S DECISION.

4. ACCORDING TO BECHTEL, KAMIL SAID THAT THE SENATE ACT CAME AT A TIME OF IMPROVING RELATIONS WITH THE U.S. AND CAUGHT HIS GOVERNMENT COMPLETELY BY SURPRISE. HE DENIED THAT IRAQ WAS USING CHEMICAL WEAPONS AGAINST THE KURDS AND BEMOANED THE FACT THAT THE U.S. WOULD "MIX POLITICS WITH BUSINESS" BY CALLING FOR ECONOMIC SANCTIONS. CLEARLY, HE SAID, THE ZIONISTS WERE BEHIND THE SENATE ACTION, SINCE IRAQ HAD DEFEATED THEIR IRANIAN ALLY AND WAS NOW DEFEATING THEIR KURDISH SURROGATES IN NORTHERN IRAQ.

5. KAMIL INSISTED THAT A CLEAR PATTERN OF "ZIONIST UNDERMINING OF IRAQI-U.S. RELATIONS" IS NOW APPARENT. BY WAY OF EXAMPLE, HE REFERRED TO THE USG'S PAST REFUSAL TO APPROVE IRAQ'S PURCHASE OF BOEING CARGO AIRCRAFT UNDER THE PRETENSE THAT THEY COULD BE USED TO TRANSPORT TROOPS AND, UNDER SIMILAR PRETEXT, ITS REFUSAL TO ALLOW A U.S. MANUFACTURER OF MULTI-PURPOSE VEHICLES TO ASSIST IRAQ IN ESTABLISHING A PLANT HERE. HE CITED CONGRESSIONAL INTERFERENCE TO PREVENT AP-
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PAGE 03 BAGHDA 05023 131145Z

PROVAL OF THE SALE OF USX'S CLOSED STEEL PLANT IN TEXAS AS THE MOST RECENT EXAMPLE.

6. BECHTEL RECENTLY SIGNED A TECHNICAL SERVICES CONTRACT TO MANAGE THE IMPLEMENTATION OF IRAQ'S PETROCHEMICAL PROJECT II. THE DOLS. 2 BILLION PROJECT INVOLVES THE CONSTRUCTION OF A 450,000 TON/YR ETHYLENE PLANT. U.S. FIRMS HAVE REPORTEDLY WON DOLS. 300 MILLION CONTRACTS TO BUILD THE PLANT (LUMBUS) AND TO SUPPLY ROTATING EQUIPMENT FOR IT (ELLIOT-UNITED TECHNOLOGIES). SHOULD THE SENATE ACT BECOME U.S. LAW, U.S. SUPPLIERS WILL BE PRECLUDED FROM SELLING ITEMS CONTAINING RESTRICTED TECHNOLOGY. BECHTEL REPRESENTATIVES SAID THAT U.S. FIRMS--INCLUDING BECHTEL--WILL RESORT TO NON-U.S. SOURCES TO CARRY OUT THEIR RESPECTIVE CONTRACTS.

7. COMMENT: HUSAYN KAMIL IS ONE OF SADDAM HUSSEIN'S CLOSEST ADVISORS, SOME SAY HIS CLOSEST. THEREFORE, WE TAKE KAMIL'S ANGRY REACTION, ONE DAY AFTER PASSAGE OF THE SENATE GENOCIDE BILL, TO BE AN ACCURATE REFLECTION OF SADDAM'S OWN REACTION.

GLASPIE

PAGE NO. 2

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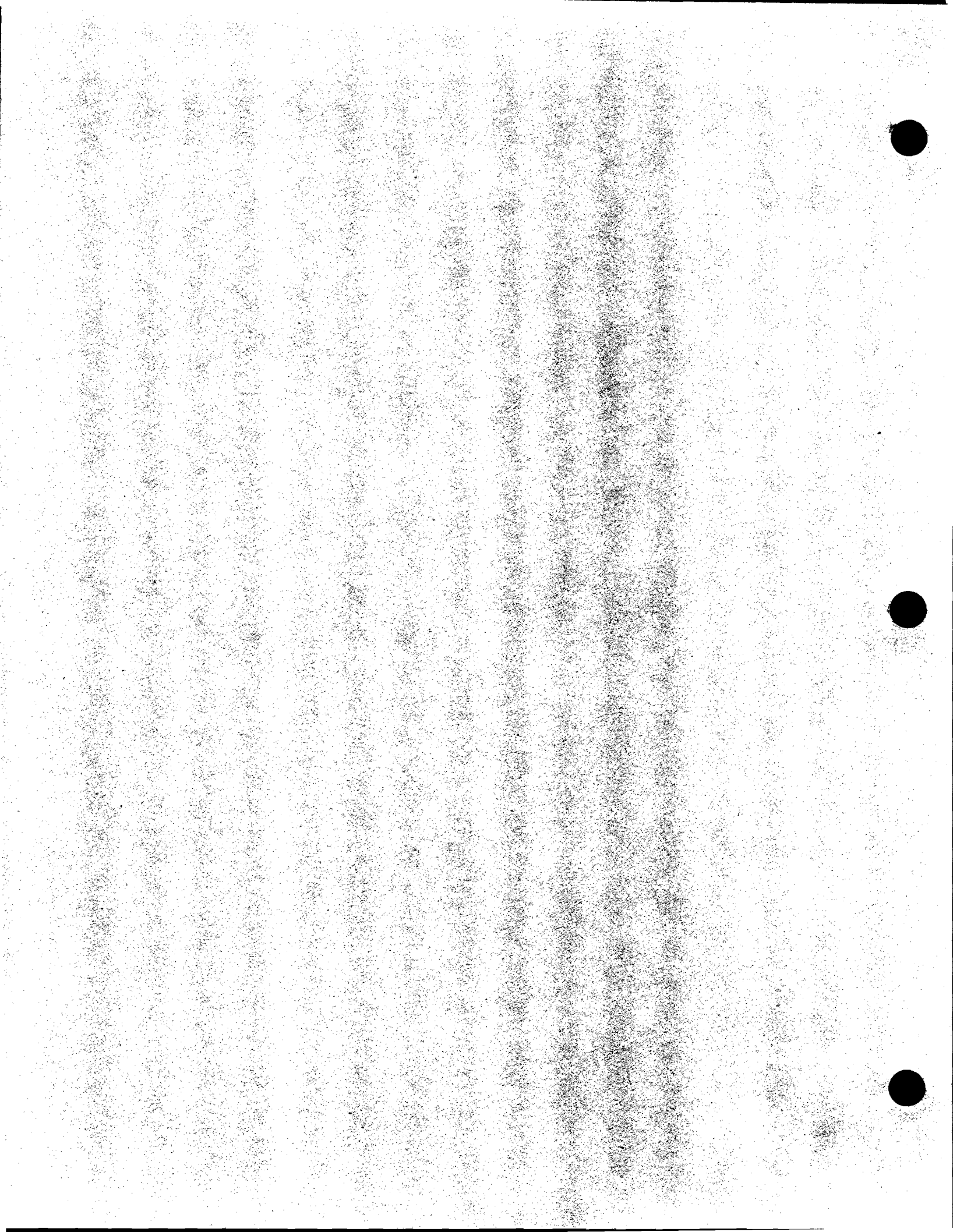
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FROM:

[Redacted]

NTD/NESA

SUBJECT: Response to National Security Review-10: U.S. Policy Toward the Persian Gulf

CLASSIFICATION: SECRET NOFORN

PAGES

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TE B	Paul Hare, Senior Deputy Assistant Secretary for Near Eastern and South Asian Affairs	647-7207	6242 New State
D	Edward M. Gnehm, Jr., DASD/ISA (Attn: Frederick C. Smith)	497-1335	40765 Pentagon
D	VADM Jonathan T. Howe, Assistant to the Chairman, JCS	695-4605	2E86B Pentagon
I	David B. Waller, Asst. Sec. for International Affairs and Energy Emergencies	586-5800	7C-016 DOE
H	Linda Lau	373-4517	Bolling AFB Site H
F	[Redacted] <i>300 230 of</i>	(301) 963-1549	2A176 HQS
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The Director of Central Intelligence

Washington, DC 20505

National Intelligence Council

NIC 00244/89
3 March 1989

MEMORANDUM FOR: (See Distribution)

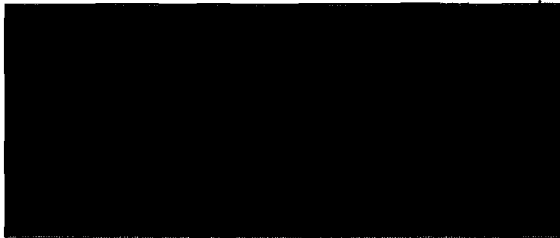
FROM:

[REDACTED]
National Intelligence Officer for the
Near East and South Asia

SUBJECT:

Response to National Security Review-70:
U.S. Policy Toward the Persian Gulf

Attached for your review is the CIA Directorate of Intelligence response to the intelligence-related questions in NSR-70 in preparation for the Tuesday, 7 March working group meeting on the subject.



BY: SINGER
DATE: [REDACTED]

~~SECRET NOFORN~~
NSR-10 Persian Gulf

How are US political, economic, and strategic interests in the Persian Gulf affected by the end of the Iran-Iraq war and the end of the Soviet occupation of Afghanistan? [REDACTED]

We believe a new regional order has emerged in the Persian Gulf that will reduce the likelihood of regional hostilities over at least the next two years. The new order consists of several elements: no Persian Gulf state can dominate the region, internal political and economic issues will place a heavy call on the attention and resources of most of the states, and the states perceive that no foreign policeman is needed. This new order will serve the key interests of the United States by lessening the likelihood of an oil supply disruption and reducing the need for direct US military involvement in the Persian Gulf.

- Reconstruction efforts and reduced operating risks in the postwar period will allow US companies to compete--albeit often at a disadvantage--in Iraq and the Gulf Arab states.
- Gulf States will continue to be interested in security ties to the United States, but the diminished threats to the region during peacetime will make those states less interested in expanding security cooperation with Washington.
- The renewed prominence of contentious regional issues, such as the Arab-Israeli conflict and differences over chemical and biological weapons proliferation, will complicate US political relations with the Persian Gulf states. [REDACTED]

Relationships among states in the region are still fragile, however, and low-level tensions that currently exist could escalate, leading to conflicts that might upset the emerging regional order and jeopardize US interests.

- The potential for civil strife and the ascendancy of more radical forces in Iran--as evidenced by the Rushdie affair--present the most serious threat to the postwar order.
- Territorial disputes, particularly between Iraq and Kuwait, also pose a serious threat and could result in requests from the Arab Gulf states for a higher US military profile to support security guarantees.
- Iraqi efforts to increase its market share in OPEC could create serious tensions with major oil producers in the region and destabilize the oil market, at least temporarily. [REDACTED]

The Soviet withdrawal from Afghanistan removes an obstacle to better relations between Moscow and most of the Persian Gulf states. Moscow is likely to slowly expand its ties to Iran and the Arab Gulf states although Riyadh will remain wary of Soviet intentions in the region.

- Recent Soviet initiatives on the Arab-Israeli issue are likely to enhance Moscow's image in the region.
- Closer Iranian-Soviet ties could increase Gulf state interest in improving relations with Moscow. [REDACTED]

What degree of proliferation of advanced conventional as well as chemical, biological, and nuclear weapons is predicted? [REDACTED]

Iran and Iraq will continue to devote considerable resources to acquiring advanced conventional and unconventional weapon systems. Tehran will give priority to rebuilding its military and catching up with Iraq in the research and development of long-range missiles and nuclear, biological, and chemical weapons. Baghdad wants to maintain its strategic advantage over Iran and develop a deterrent against Israel, and will intensify its already well-advanced weapons research and development programs. [REDACTED]

Persian Gulf states are likely to resist international efforts to restrain weapons proliferation. The accompanying increase in the number and lethality of weapon systems will increase the potential threat to U.S. forces and U.N. observer groups monitoring cease-fire agreements and treaties. [REDACTED]

Nuclear Weapons

- Iraq may be able to build a nuclear weapon in less than 10 years [REDACTED] or within 2-4 years if Baghdad has a [REDACTED] supply of fissile material.
- Iran, with extensive foreign assistance, will take at least 10 years to produce nuclear weapons. [REDACTED]

Chemical and Biological Weapons

- Iraq's chemical weapons (CW) program is the most extensive in the Middle East. [REDACTED]

- Iran is enlarging its offensive CW capability. [REDACTED]

Ballistic Missiles

- Baghdad is increasing its efforts to acquire an indigenous missile production capability and will probably be able to produce short-range ballistic missiles within 5 years. Iraq may also purchase a new missile system if Baghdad has problems with its program.
- Tehran lags far behind Baghdad in missile development. [REDACTED]

~~SECRET - NOFORN~~
NSR-10 Persian Gulf

Do we believe that Iraq and Iran will be able to negotiate a full peace agreement? What relationship do we anticipate developing between the two? What are the prospects for renewed fighting in the region? What would be the consequences for the United States? [REDACTED]

The deep mistrust between Iran and Iraq and their sharply divergent objectives in the peace talks make the achievement of a full peace agreement unlikely. We expect the two countries to coexist for the next several years in a state of "cold peace" marked by a peacetime arms race and competition for influence in the region.

-- Iraq wants a comprehensive peace settlement--including guarantees of non-aggression and non-interference in each other's affairs--that forces Iranian recognition of the Ba'athist regime's legitimacy. Iran will resist a comprehensive agreement and gives highest priority to the provisions of UN Resolution 598 calling for withdrawal of troops from occupied territory, the naming of the aggressor in the war, and payment of war damages--all of which Tehran believes will work to its advantage.

-- The peace talks, in recess until April, probably will remain deadlocked over Iraq's refusal to withdraw its troops until Iran agrees to dredging of the Shatt al-Arab waterway and to guaranteed freedom of navigation for Iraqi ships in the Persian Gulf. Iran insists on adhering to the Resolution's call for the withdrawal of troops before the two sides try to resolve other issues. [REDACTED]

We believe both countries are war weary and are unlikely to resume hostilities in the coming year.

-- If either side were to resume fighting, however, Iraq would be more likely or able to do so because of its military superiority and Baghdad might feel pushed in that direction if it believes political pressure will not eventually produce concessions from Iran. Even then, Iraq probably would opt first for limited military action such as air attacks.

-- The issue of freedom of navigation in the Gulf is a potential flashpoint for renewed clashes between the two sides. Iraq has indicated that it would retaliate if Iran inspected or seized an Iraqi ship in the Persian Gulf. [REDACTED]

A major resumption of hostilities between Iran and Iraq would adversely affect US interests in the region. Such a development would benefit radical factions in Tehran and pose a renewed threat to Iraq's Gulf Arab allies.

-- In the face of major Iraqi attacks Iran might be tempted to strike at Gulf states' interests--including Gulf oil facilities--to press them to restrain Baghdad. [REDACTED]

~~SECRET-NOFORN~~
NSR-10 Persian Gulf

What are Soviet interests in the Persian Gulf? What is the next phase of Soviet policy likely to be toward the Gulf?

The USSR's primary interest in the Gulf is to prevent the reestablishment of US influence in Iran. The Soviets hope that neither Iran nor Iraq becomes predominant in the Gulf, but it is clear that the Kremlin sees Iran--even under Khomeini-- as the greater "prize".

The Soviets hope to capitalize on recent developments--the Iran-Iraq cease-fire and their own withdrawal from Afghanistan--to improve their regional influence. They probably believe there is a good chance for such improvement in the near future, but appear concerned that over the long term both Iran and Iraq will turn to the West to rebuild their economies.

The reduction of US military presence in the Gulf is also an important objective for Moscow.

-- The Soviets will continue to stress to the Gulf states that the Iran-Iraq cease-fire lessens the need for a foreign military presence in the region, and will probably float proposals for a Gulf collective security arrangement calling for a reduction in foreign military deployments.

[REDACTED]

In Iran, Moscow--encouraged by Khomeini's recent message to Gorbachev--is moving to improve ties and revive economic links which declined in the early 1980s.

[REDACTED]

In Iraq, the Soviets' major chore will be to soothe Baghdad's suspicions as they try to improve ties to Tehran. They are likely to rely heavily on their role as Baghdad's primary arms supplier, and will almost certainly continue to sell Iraq advanced weapon systems--such as the Su-24 (Fencer) aircraft--and may be flexible in renegotiating Baghdad's military debt.

Elsewhere in the Gulf, Moscow will portray itself as a moderating force in the region in an attempt to cement budding relationships with the smaller Gulf states--Qatar, Oman, and the UAE--and obtain full diplomatic ties with Saudi Arabia and Bahrain. To deflect attention from its growing ties with Iran, Moscow will play up its efforts to broker an Arab-Israeli settlement.

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~~SECRET~~
NSR-10 Persian Gulf

What are the prospects for stability in Iran, both under the current leadership and after the death of Ayatollah Khomeini? Who is the most likely successor? Do we anticipate a prolonged struggle for power? What domestic and foreign policy orientation do we anticipate will emerge?

We believe Iran will face severe turmoil during the next year because of political infighting among Iranian leaders and economic weakness.

-- Khomeini's word is still final, tilted until last fall toward a coalition, led by Assembly Speaker Rafsanjani, that wants to temper the revolution. Since then Khomeini has changed course, as demonstrated by the Ruahdie affair, in which he sided explicitly with radicals who favor continued revolutionary ferment at home and confrontation abroad.

Khomeini, however, almost certainly will prevent the radicals from completely wiping out the Rafsanjani coalition. Although the radicals now dominate policy, the two factions command roughly equal political resources.

-- The Rafsanjani coalition will try to use its still considerable clerical and popular support to survive while probing for opportunities to make a come-back.

-- As a result, we believe the most likely trend is for a prolonged power struggle with neither side easily scoring a total victory. Tehran is unlikely to have during 1989 a government capable of implementing coherent and authoritative policies.

-- We cannot rule out the possibility that events may deteriorate into a showdown this year. The most potentially polarizing events would be assassinations of key figures or public unrest over economic conditions.

-- The radicals probably will have the advantage if the infighting turns violent. They control more guns, and they are better prepared to take to the streets.

Such infighting would intensify if Khomeini were to die and could not set limits. Khomeini's death will bolster the radicals because they will have a stronger claim that their policies and not Rafsanjani's remain true to Khomeini's legacy.

-- In any event, we believe the initial transfer of power probably will go smoothly, with Ayatollah Montazeri, the officially designated successor, assuming Khomeini's role.

For at least the next year we believe Iran will continue its hostility toward the US and the West. Even if the radicals weaken, we believe they will continue for some time to veto improved relations with the West.

~~SECRET - NOFORN~~
NSA-10 Persian Gulf

What behavior do we anticipate from Iraq in the aftermath of its war with Iran? [REDACTED]

Iraq's emergence from the Gulf war with the best-equipped, largest armed forces in the Arab world and enormous potential economic clout from its vast oil reserves has revived President Saddam Husayn's aspirations to leadership of the Arab world. Saddam is promoting his leadership goals through generally moderate means, representative of the majority of the Arab states he seeks to lead.

- His new alliance with Jordan, Egypt, and North Yemen in the Arab Cooperation Council typifies this approach.
- Baghdad has also been dishing out equipment from its large arsenal of captured Iranian weapons to gain influence with selected Arab states. [REDACTED]

Iraq retains some radical tendencies, however, and will collide on occasion with regional rivals.

- Baghdad will work hard to punish Syria for its support of Iran during the war. Iraq will concentrate its efforts in Lebanon, where it is already supplying arms and money to the anti-Syrian forces.
- The Iraqis continue to sponsor Ba'ath Parties in other Arab states to promote Iraqi interests.
- Baghdad is not likely to abandon the use of terrorism against its opponents, either foreign or domestic. [REDACTED]

[REDACTED] Iraq will intensely press Kuwait for control of the strategic Kuwaiti islands of Bubiyan and Warbah, possession of which would provide better protection for Iraq's ports at Umm Qasr and Khawr Az Zubayr.

- Kuwait is strongly resisting Iraqi pressure and probably will turn to Saudi Arabia and its other GCC allies, the United States, and the USSR for political and military assistance if Iraq threatens to take the islands by force. [REDACTED]

Saddam has emerged from the war in firm control of Iraq, but his effective security services will face continuing challenges to his unpopular, repressive rule.

- The cease-fire has reduced fears of the Iranian threat that Saddam used to rally the Iraqi public and the Army behind him.
- Economic rehabilitation is seen by the regime as a necessary ingredient to a quiescent population.
- Assassination or a military coup by disgruntled officers pose the main threat to him. [REDACTED]

~~SECRET NOFORN~~

HTC 00244/89
3 March 1989

**SUBJECT: Response to National Security Review-10:
U.S. Policy Toward the Persian Gulf**

External Distribution:

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for Near East and South Asian Affairs
National Security Council
Room 351 OEOB**

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Room 2E868 Pentagon**

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Asst. Sec. for International Affairs and
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Rm 7C-016, DOE**

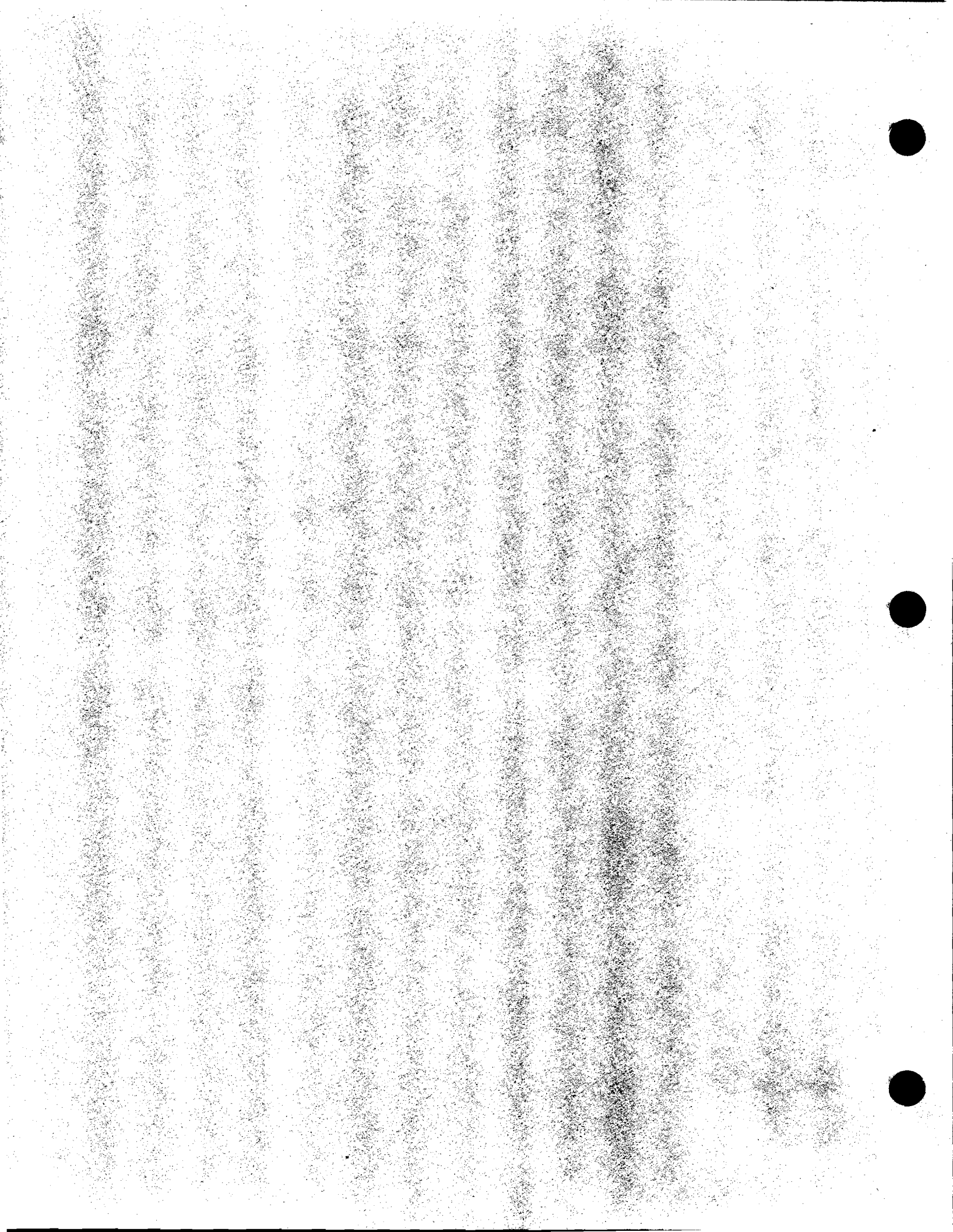
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UPDATE FOR DDGI

12 April 1989

IRAN-IRAQ PEACE TALKS

We expect the Iran-Iraq peace talks to be protracted, but believe that the war-weary countries are unlikely to resume hostilities this year. The talks continue to be stalled.

--Iraq refuses to withdraw its troops from Iranian territory until Tehran agrees to an exchange of all POWs and dredging of the Shatt al-Arab waterway. Iran insists that Iraq must first withdraw its troops and reaffirm the 1975 Algiers Accord between the two countries-- which for the first time granted Iran joint sovereignty with Iraq over the Shatt-- before the exchange of prisoners or the issue of dredging is discussed.

--We believe that progress is unlikely while Iran is undergoing domestic political turmoil. [REDACTED]

Formal negotiations on the ministerial level are scheduled to resume on 20 April in Geneva under the direction of the UN Secretary General, and will probably last one-to-two weeks.

--The USSR is trying to inject itself into the talks and has told Iran it favors a simultaneous implementation of all of the provisions of UN Resolution 598. Tehran and Moscow have held a series of high-level talks on the negotiations.

--Tehran probably sees the Soviet mediation efforts as an opportunity to put pressure on Iraq, but Baghdad will continue to resist Moscow's efforts to become a player in the peace process. [REDACTED]

~~SECRET NOFORN~~

12 April 1989

Update for the DDCI

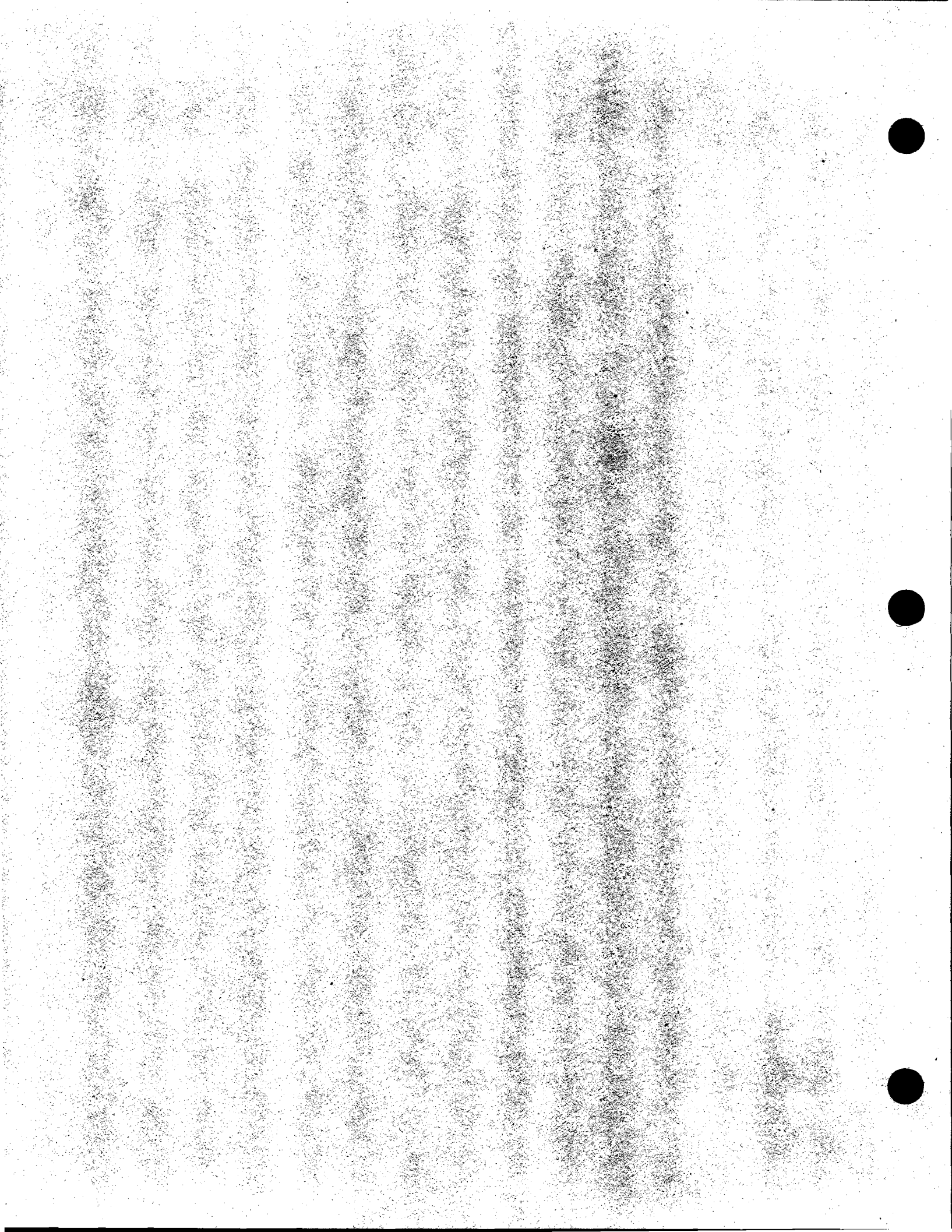
Status of Forces and Activity along the Iran-Iraq Border

The ceasefire along the Iran-Iraq border continues to hold with no major artillery exchanges for the past two weeks. Tensions remain at high levels along the southern front, however, due to continued Iraqi occupation of Iranian territory and Iranian engineering efforts--including flooding of Iraqi forward positions--to improve their defensive position. There has been no major reduction in forces deployed on either side of the border. Iranian forces continue to reconstitute themselves with several brigade- and division-sized units returning to near full-strength over the past two months. [REDACTED]

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C O N F I D E N T I A L SECTION 01 OF 04 SANTIAGO 01748
E.O. 12356: DECL: OADR
TAGS: PGOV, MASS, IR, CI
SUBJ: "IRAN-CORFO" SCANDAL
REF: SANTIAGO 1544

1. (C) SUMMARY: THE CHILEAN MEDIA HAS FOCUSED ATTENTION ON A CURIOUS PINCHET REGIME "SCANDAL" INVOLVING EMBARRASSING ALLEGATIONS ABOUT 1985-86 GOC ATTEMPTS TO SELL CLUSTER BOMBS TO IRAN. IT IS A TALE REPLET WITH INTRIGUE, THEFT, DOUBLE-CROSSES AND BACKROOM MULTI-MILLION DOLLAR SHADY DEALS. TERMED THE "IRAN-CORFO" AFFAIR, THE SCANDAL PROVIDES A FASCINATING LOOK INTO GOC VENTURES INTO THE INTERNATIONAL ARMS MARKET, AND ITS ALLEGED TOXIC WASTE PLANT CONCESSION IN NORTHERN CHILE TO A FRENCH ARMS DEALER IN EXCHANGE FOR

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HIS BROKERAGE SERVICES. ENTERPRISING PRESS ATTEMPTS TO LINK THE USG TO SOME OF THE TRANSACTIONS ARE NOT SUBSTANTIATED BY THE DETAILED DOCUMENTATION, AND THE INVOLVED DETAILS OF THE AFFAIR HAVE FOR THE MOST PART BEEN LOST BY THE CHILEAN PUBLIC.

b1, c5

SUMMARY.

2. (C) DETAILS SURROUNDING THE CHILEAN ARMY'S DISASTROUS EFFORTS TO SELL CLUSTER BOMBS AND F-5 AIRCRAFT TO IRAN HAVE RECEIVED EXTENSIVE PRESS PLAY IN THE CHILEAN MEDIA. TERMED THE "IRAN-CORFO" SCANDAL BY THE LOCAL

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PRESS. THE REPORTS ALLEGE THAT SENIOR PINOCHET ADMINISTRATIVE OFFICIALS MANUFACTURED AND SOLD IRAN DEFECTIVE CLUSTER BOMBS, AND THEN, IN AN ATTEMPT TO COMPENSATE FERRARINO STROIAZZO, AN INTERNATIONAL ARMS MERCHANT WHO BROKERED THE DEAL, AWARDED A MULTI-MILLION DOLLAR CONCESSION TO CONSTRUCT A TOXIC-WASTE RECYCLING PLANT ON CHILEAN TERRITORY. THE CHILEAN PUBLIC'S OUTCRY AGAINST PLANS FOR A SIMILAR PLANT AND PINOCHET'S OWN POLITICAL CAMPAIGN TO REMAIN IN POWER LED THE GOV TO RENEGE ON THE DEAL. STROIAZZO RESPONDED BY INITIATING A REPORTED U.S. DOLLARS 500 MILLION CIVIL SUIT AGAINST THE CHILEAN NATIONAL DEVELOPMENT CORPORATION (CORFO), WHICH NEGOTIATED THE DEAL, AND BY GOING PUBLIC WITH THE DETAILS OF THE STORY.

3. (C) CHRISTIAN DEMOCRATIC (PDC)-LINKED RADIO COOPERATIVA BROKE THE "IRAN-CORFO" STORY IN EARLY FEBRUARY. IT WAS LATER FEATURED IN THE MAJOR SANTIAGO CONFIDENTIAL CONFIDENTIAL

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DAILIES "LA EPICAM" (A REPRINT OF SPANISH DAILY "EL MUNDO'S" FIVE PART STORY) AND LEADING CONSERVATIVE DAILY "EL MERCURIO," AS WELL AS BY SEVERAL WEEKLY MAGAZINES, INCLUDING PDC-ORIENTED "HOY." GILBERTO VILLARUEL, ASSOCIATED WITH RADIO COOPERATIVA, "HOY" AND "EL MUNDO," TOLD POLOFFS HE RECEIVED THE DETAILS OF THE STORY LAST DECEMBER. HE RESPECTED STROIAZZO'S REQUEST NOT TO BREAK IT PENDING THE OUTCOME OF STROIAZZO'S NEGOTIATION WITH THE CHILEAN AUTHORITIES. STROIAZZO APPARENTLY SOUGHT TO OBTAIN BARGAINING LEVERAGE WITH THE GOV IN SUPPORT OF HIS MULTI-MILLION DOLLAR CLAIM.

4. (U) THE PLOT: A CHRONOLOGY OF THE "IRAN-CORFO" AFFAIR AS REPORTED IN THE MEDIA, BASED LARGELY ON STROIAZZO'S ACCOUNT, FOLLOWS:

---SOMETIME IN THE MID-1980'S, THE CHILEAN ARMY MILITARY INDUSTRIES FACTORY (FAMAE) STEALS THE EXCLUSIVE TECHNOLOGY FOR MANUFACTURING CLUSTER BOMBS FROM CHILEAN ARMS CZAR CARLOS CARDEN'S MULTINATIONAL FIRM (CARDEN WAS ALREADY SELLING CLUSTER BOMBS TO IRAQ AND CONTINUES TO PURSUE A CIVIL CASE AGAINST FAMAE FOR PATENT INFRINGEMENT) AND BEGINS MANUFACTURE OF THEM.

---IN OCTOBER 1985, FERRINAR, A FAMAE AFFILIATED COMPANY, AGREES TO SELL IRAN 500 CLUSTER BOMBS AT U.S. DOLLARS 14,000 EACH (COST TO CHILEANS WAS U.S. DOLLARS 2,500 PER BOMB). THE IRANIANS INITIAL SEVEN MILLION DOLLAR PAYMENT IS DIVIDED AMONG FERRINAR AND A NUMBER OF MIDDLEMEN INVOLVED IN THE SALE.

---DURING EARLY 1986 ON TWO SEPARATE TEST RUNS IN IRAN, THE CLUSTER BOMBS PROVE DEFECTIVE, DESTROYING ONE IRANIAN CONFIDENTIAL

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ACTION: ARA-01

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CONFIDENTIAL SECTION 02 OF 04 SANTIAGO 01748

E.O. 12356: DECL: OADR

TAGS: PGOV, MASS, IR, CI

SUBJ: "IRAN-CORFO" SCANDAL

PHANTOM JET AND NEARLY KILLING THE HEAD OF THE IRANIAN
 AIR FORCE WHO PARTICIPATED IN THE DEMONSTRATION. AFTER
 THE SECOND INCIDENT, THE IRANIAN AUTHORITIES TAKE
 MIDDLEMAN STROIAZZO AND SEVERAL CHILEAN TECHNICIANS
 HOSTAGE PENDING FINANCIAL COMPENSATION FOR IRANIAN LOSSES.
 --IN SPRING OF 1987, THE GUL OFFERS TO REPLACE DESTROYED
 IRANIAN F-4 JET WITH A CHILEAN F-5 ON CONDITION THAT IRAN
 PURCHASE AN ADDITIONAL U.S. 200 MILLION DOLLAR PACKAGE OF
 WEAPONS INCLUDING MORE CLUSTER BOMBS AND 15 ADDITIONAL
 F-5 AIRCRAFT. THE DEAL IS COMPLICATED BECAUSE THE
 CHILEANS ARE UNABLE TO SECURE USG AUTHORIZATION FOR F-5

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SALE.

--IN SEPTEMBER 1987, FAWAE HEAD, COLONEL CARLOS CARRENO,
 IS MYSTERIOUSLY KIDNAPPED BY THE MANUEL RODRIGUEZ
 PATRIOTIC FRONT (FPPR) TERRORIST GROUP THREE DAYS BEFORE
 LEAVING FOR TEHRAN FOR DISCUSSIONS ON FINALIZING THE F-5
 DEAL, ALLEGEDLY BY COVERT MEANS. THE F-5 DEAL FALLS
 APART. CARRENO APPEARS THREE MONTHS LATER IN BRAZIL
 UNHARMED, ROSARY IN HAND, UNWILLING TO PROVIDE DETAILS OF
 HIS ABDUCTION.

--STROIAZZO ESCAPES FROM CAPTIVITY IN AUGUST 1987.
 SHORTLY THEREAFTER, HE BEGINS NEGOTIATIONS WITH CHILEAN
 AUTHORITIES FOR FINANCIAL COMPENSATION FOR IRAN AND FOR
 HIMSELF. GENERAL HUGO SALAS, THEN HEAD OF THE CHILEAN
 INTERNAL SECURITY APPARATUS, THE NATIONAL INFORMATION

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CENTER (CNI), ENTERS THE PICTURE IN MID-1988 BY OFFERING STROIAZZO A "MULTI-MILLION DOLLAR CONCESSION IN THE NORTHERN CHILEAN DESERT FOR THE CONSTRUCTION OF A TOXIC WASTE RECYCLING PLANT, AS THE BASIS FOR A "NEGOTIATED" SOLUTION TO THE CLUSTER BOMB COMPLICATIONS."

—IN DECEMBER 1988, STROIAZZO SIGNS A "PRE-CONTRACT" WITH THE CHILEAN NATIONAL DEVELOPMENT CORPORATION (CORFO) FOR CONSTRUCTION OF THE PLANT. PUBLIC OUTCRY AGAINST A SIMILAR WASTE PLANT IN THE NORTH ALERTS GOVERNMENT ON "SENSITIVITY" OF THE ISSUE; ELECTORAL CONCERNS BEFORE THE OCTOBER 1988 PLEBISCITE AND AFTERWARDS THE DECEMBER 1989 PRESIDENTIAL ELECTION LEAD GOC TO BACK AWAY FROM THE AGREEMENT WITH STROIAZZO.

—IN FEBRUARY 1990, STROIAZZO, GETTING NOWHERE WITH NEGOTIATIONS, FILES MULTIMILLION DOLLAR LEGAL SUIT

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(DAMAGES REPORTEDLY INCLUDE THE 492 MILLION DOLLARS PROJECTED PROFITS IN THE WASTE PLANT PROJECT PLUS COMPENSATION FOR HIS EIGHTEEN MONTHS OF INCARCERATION).

5. (U) THE CAST OF CHARACTERS: BASED PRIMARILY ON STROIAZZO'S ACCOUNT AND THE DOCUMENTATION HE RELEASED TO VILLAGUEL THE PRINCIPAL PLAYERS, BESIDES STROIAZZO, INCLUDE:

—DINO SEFERIAN: A ROMANIAN-ARGENTINIAN OF ARMENIAN ORIGIN, SEFERIAN IS THE PRESIDENT OF SPANISH FIRMS CIC INTERNATIONAL AND CIC INERIA, KNOWN PLAYERS IN THE INTERNATIONAL ARMS TRADE. IN MID-1985, SEFERIAN SETS UP FERRIMAR INTERNATIONAL (A PARTNERSHIP BETWEEN HIMSELF AND FERRIMAR) TO ACT AS AN AGENT FOR FERRIMAR'S SALES TO IRAN.

—FERNANDO PEREZ GARCIA: DIRECTOR GENERAL OF MILTEC, A CHILEAN FIRM DEDICATED TO SELLING FERRIMAR PRODUCTS. PEREZ WAS INSTRUMENTAL IN ARRANGING A LETTER OF GUARANTEE FOR FERRIMAR FROM CORFO (SEE BELOW) AFTER THE BANK OF CHILE REFUSED THE 2 BILLION US DOLLAR LETTER OF CREDIT REQUIRED FOR THE EXPORT OF BOMBS TO IRAN. WHEN THE IRAKIS MAKE THEIR INITIAL PAYMENT OF 7 MILLION DOLLARS, MILTEC KEEPS THE LION'S SHARE. BESIDES STROIAZZO, PEREZ IS THE MOST VISIBLE PARTICIPANT IN THE IRAN-CORFO AFFAIR.

—COLONEL WALTER DORNER: CHILEAN ARMY OFFICER HIRED BY MILTEC TO SECURE CORFO LETTER OF GUARANTEE. DORNER IS CLOSE FRIENDS WITH COLONEL GUILLERMO LETELIER, WHO REPLACES FERNANDO HORMAZABAL AS CORFO VICE PRESIDENT SHORTLY AFTER THE BANK RECEIVES THE GUARANTEE. (IT IS LATER DISCOVERED THAT HORMAZABAL'S SIGNATURE ON THE LETTER IS FRAUDULENT. AN EMPLOYEE OF THE BANK OF CHILE

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C O N F I D E N T I A L SECTION 03 OF 04 SANTIAGO 01749

E.O. 12356: DECL: OADR

TAGS: PGOV, MASS, IR, CI

SUBJ: "IRAN-CORFO" SCANDAL

IS FIRED, BUT THE ISSUE FAILS TO DERAIL THE PROJECT.)

--COLONEL GUILLEMO LETELIER: BESIDES HIS ROLE IN THE FINANCING OF THE PROJECT, LETELIER WILL LATER PROVIDE STROIAZZO WITH THE TOXIC WASTE PLANT CONCESSION IN HIS CAPACITY AS VICE-PRESIDENT OF CORFO. THE "EL MUNDO" ARTICLE SUGGESTS THAT LETELIER ACTED UNDER DIRECT ORDERS FROM GENERAL HUGO SALAS, THE THEN DIRECTOR OF CMI.

--GENERAL HUGO SALAS: IT IS NOT CLEAR WHY SALAS BECAME INVOLVED. HE CONTACTED STROIAZZO IN JULY 1988 AND INVITED HIM TO CHILE FOR A DISCUSSION OF THE MATTER.

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SALAS ALLEGEDLY SAW THE TOXIC WASTE PLANT AS A CONVENIENT WAY TO COMPENSATE STROIAZZO (AND KEEP HIM QUIET) AND REIMBURSE THE IRANIANS.

--LIEUTENANT COLONEL CARLOS CARRENO: CARRENO WAS BUSINESS MANAGER OF FAMA WHEN HE FIRST MET STROIAZZO IN MARCH 1986. AFTER STROIAZZO IS TAKEN HOSTAGE, CARRENO ATTEMPTS TO REPLACE THE FRENCHMAN WITH BERNARD VAN DE MEER, A CHILEAN RESIDENT IN LONDON WHO IS THE SON-IN-LAW OF GENERAL RAMON VEGA, THE SECOND RANKING OFFICER IN THE CHILEAN AIR FORCE. IT IS CARRENO WHO, IN A JULY 1987 SANTIAGO MEETING WITH STROIAZZO AND AN IRANIAN REPRESENTATIVE, PRESENTS THE PROPOSAL TO SELL THE IRANIANS 15 F-55 IN ADDITION TO THE F-5 REPLACEMENT FOR THE LOST IRANIAN PHANTOM. ACCORDING TO THE "EL MUNDO"

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ARTICLE, CARRENO'S OFFER WAS ANYTHING BUT FIRM. THE SALE OF CHILEAN F-55 TO IRAN, LABELED OPERATION FOXTROT, HAD OPENED UP A BIG DEBATE WITHIN THE CHILEAN AIR FORCE; THOSE OFFICERS CLOSEST TO PINOCHET REPORTEDLY FAVOR THE SALE, WHILE OTHERS OPPOSE REDUCING CHILEAN AIR STRENGTH BY 47 PERCENT AND COMPLETELY BREAKING TIES WITH THE U.S. PENTAGON. EVEN THOUGH THE F-5 NEGOTIATIONS WERE PRETTY MUCH DEAD IN JUNE 1987, CARRENO CONTINUES TO PUSH THE DEAL ALL SUMMER. IN AUGUST 1987, CARRENO PROMISES TO TRAVEL TO IRAN PERSONALLY TO CLOSE THE DEAL. MEANWHILE U.S. OFFICIALS, LEARNING OF THE NEGOTIATIONS, BEGIN TO PRESS THE GOC. OPPONENTS TO THE F-5 SALE WITHIN THE GOC ARE SUCCESSFUL IN BLOCKING THE DEAL. CARRENO'S KIDNAPPING IN SEPTEMBER 1988 DEFINITELY DERAILS THE DEAL.

--CESAR HIDALGO AND JAIME ALONSO: HIDALGO, A CHILEAN, AND ALONSO, A SPANISH LAWYER WITH TIES TO A SPANISH

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FACIST ORGANIZATION NEW FORCE, CONTACT STROIAZZO IN MID-1988 AND OFFER TO USE THEIR HIGH LEVEL CONTACTS IN THE GOC TO ARRANGE COMPENSATION. HIDALGO AND ALONSO REPORTEDLY EXPLAIN THEIR INTEREST IN THE CASE AS A WAY OF GENERATING FUNDS TO SUPPORT CERTAIN ELEMENTS IN THE CHILEAN MILITARY. THE ARTICLES SUGGEST THAT HIDALGO WAS KEY IN BRINGING GENERAL SALAS INTO THE PICTURE. WHEN STROIAZZO SETS UP "HERE," THE COMPANY WHICH WILL CONSTRUCT THE TOXIC WASTE PLANT, HIDALGO AND ALONSO ARE GIVEN 50 PERCENT OF ITS OWNERSHIP.

--PEDRO FELIX DE AGUIRRE: A CHILEAN LAWYER, AGUIRRE AND PEREZ MEET WITH STROIAZZO IN OCTOBER 1989 AND PROPOSE TO NEGOTIATE OPERATION FOXTROT AND WERE'S CONCESSION FOR US 25 MILLION DOLLARS. AGUIRRE AND PEREZ ASSURE STROIAZZO THAT THEY ARE SUPPORTED BY HIGH RANKING CHILEAN MILITARY FIGURES CLOSE TO PINOCHET INCLUDING, GENERAL JORGE BALLERINO, GENERAL JAIME LUCAZ, AND BRIGADIER GENERAL GUILLERMO GARIN.

6. (U) THICKENING THE PLOT: JOURNALISTS COVERING THE STORY HAVE ATTEMPTED TO LINK CHILEAN/IRANIAN TRANSACTIONS TO USG DEALINGS WITH IRAN DURING SAME PERIOD. FOR INSTANCE, THEY ALLEGE THE CHILEANS USED THE SAME BOEING 707 PLANE THAT DELIVERED USG WEAPONS TO IRAN TO TRANSPORT THEIR CLUSTER BOMB CARGO TO THE IRANIANS, AND THAT STROIAZZO, AND HIS CHILEAN ASSOCIATES MET IN TEHRAN (TO INFORM THEM OF THEIR OPERATION) WITH COLONEL OLIVER NORTH AND NSC ADVISOR ROBERT MCFARLANE, TO SECURE RELEASE OF U.S. HOSTAGES. THE "IRAN-CORFO" STORY IS REplete WITH MELODRAMATIC "IRAN-CONTRA" ANECDOTES, TALES OF POWER STRUGGLES WITHIN THE CHILEAN ARMED FORCES AND REPORTS

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AMEMBASSY MONTEVIDEO
AMEMBASSY MADRID
USCINCSO QUARRY HEIGHTS
USIA WASHDC 1353

C O N F I D E N T I A L SECTION 04 OF 04 SANTIAGO 01748

S.O. 12356: DECL: OADR

TAGS: PGDV, MASS, IP, CI

SUBJ: "IRAN-CORFO" SCANDAL

THAT THE U.S. STATE DEPARTMENT PRESSED THE GOC NOT TO
SELL IRAN F-5 AIRCRAFT. ASIDE FROM THE INTRIGUE AND
INSIGHT INTO CHILEAN ARMY MACHINATIONS AND DOUBLE
DEALINGS. HOWEVER, THE ARTICLE REVEALS LITTLE BEYOND WHAT
WAS PREVIOUSLY PUBLISHED PIECEMEAL ABOUT THE CLUSTER BOMB
SALES TO IRAN AND THE GOC'S APPARENT WILLINGNESS TO "GIVE
AWAY" NATIONAL TERRITORY FOR A TOXIC WASTE PLANT.

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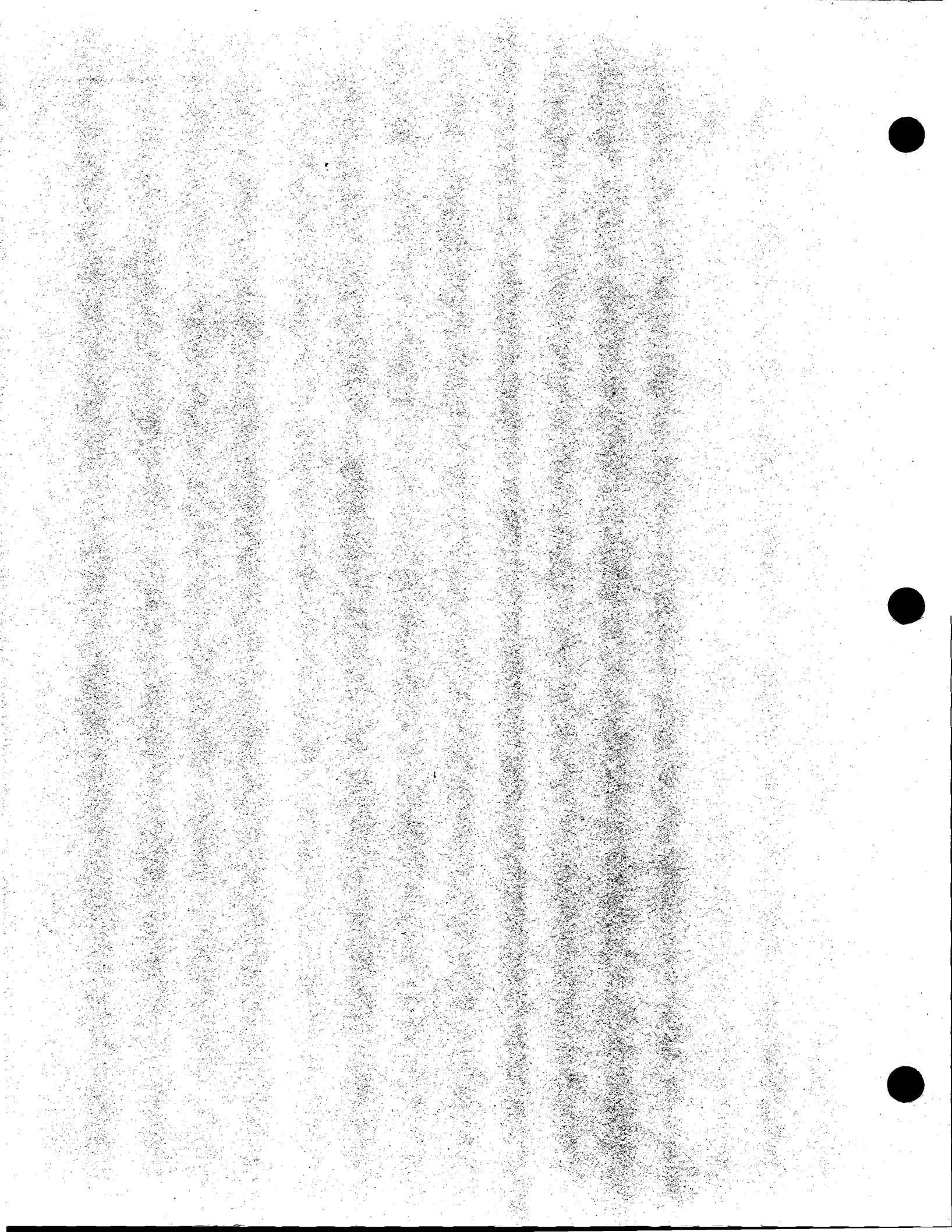
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**NOMINATION OF ROBERT M. GATES TO BE DIRECTOR OF
CENTRAL INTELLIGENCE**

OCTOBER 24 (legislative day, SEPTEMBER 19), 1991.—Ordered to be printed

**Mr. BOREN, for the Select Committee on Intelligence, submitted
the following**

REPORT

together with

ADDITIONAL VIEWS

The Select Committee on Intelligence, to which was referred the nomination of Robert M. Gates, of Virginia, to be the Director of Central Intelligence, having considered the same, reports favorably thereon and recommends that the nomination be confirmed by the Senate.

BACKGROUND OF THE COMMITTEE'S CONSIDERATION

The nomination of Robert M. Gates to be Director of Central Intelligence was received by the Senate on June 24, 1991, and referred to the Select Committee on Intelligence the same day.

The Committee requested that the nominee provide answers to its standard questionnaire, and these were provided. The Committee also received the nominee's financial disclosure statement from the Director of the Office of Government Ethics, who advised the Committee that the nominee appeared to be in compliance with applicable laws and regulations governing conflicts of interest.

In addition to these inquiries, the Committee requested that the nominee provide sworn answers to a series of questions related to his involvement in, and knowledge of, the so-called Iran-contra affair. These were provided by the nominee on June 28, 1991.

Hearings on the nomination, which had been tentatively scheduled for mid-July, were delayed due to new information which emerged in July as a result of a former CIA official, Alan D. Fiers, Jr., pleading guilty to two misdemeanors involving the withholding of information from Congress. At the same time he acknowledged

from Israel to Iran in November, 1985. He also was advised in late January, 1986 that another presidential finding had been signed which authorized arms sales to Iran and provided authority to share intelligence with Iran. Subsequently he was charged with preparing the intelligence which was provided. Until he assumed the position of Deputy DCI in April, 1986, Gates' received periodic briefings on the progress of the Iran operation.

At his confirmation hearings in April, 1986, Gates made no mention of the Iran findings but was asked no question that would have elicited such information. He did, however, provide certain assurances with respect to reporting information to Congress and to his involvement in the operations of the Agency.

After becoming DDCI in April, 1986, he continued to receive briefings on the Iran operation, some of which took place in meetings at the White House, and was added to the list of senior officials to receive special intelligence reports regarding the operation.

(a) December 5, 1985 Meeting

In his previous testimony before the SSCI, Gates stated that his first involvement with the Iran project occurred on December 5, 1985 when he attended a meeting in John McMahon's office at CIA, apparently to prepare McMahon for a meeting he was scheduled to attend on December 7th. (SSCI, 2/87, pp. 12, 45)

In his testimony before the Iran-Contra committees, however, former Deputy Director for Operations at CIA, Clair George, recalled:

In September of '85, Bill Casey had me, John McMahon, Bob Gates in his office, and Bill Casey said, "I've just had a strange meeting in the White House. Bud McFarlane informs me that the Israelis have approached them, the Israelis have established a contact with Iranian interests, and these contacts could lead to an opening of a dialogue with certain Iranians and to release of the hostages. But the Israelis have one demand: CIA not be informed." And there was a twinkle in Casey's eye and he said, "I wonder what in hell this is all about." (Clair George testimony, 8/6/87, p. 214)

Mr. Gates has stated that he does not recall this meeting. (Gates response to SSCI interrogatories, 6/91, p. 39) In testimony at the confirmation hearings, Mr. McMahon also did not recall the meeting alluded to by George, nor whether Mr. Gates participated in such a meeting. (McMahon, 9/19/91, p. 19)

Mr. Gates also indicated in response to questioning at his 1987 DCI confirmation hearing (p. 45) that he was not aware in September, 1985, that the NIO for Counterterrorism Charles Allen, who, at that time, reported directly to Gates as Chairman of the National Intelligence Council (NIC), had been tasked by LTC North to coordinate intelligence collection concerning Iran as part of a U.S. effort involving the hostages. Mr. Gates has stated that he "cannot pinpoint a specific time." when he first became aware that Mr. Allen had been tasked by LTC North to coordinate intelligence collection. (Gates response to SSCI interrogatories, 6/91, pp. 39-40)

was discussion with the operational people in the room about the fact that there were likely to be other such planes. As I recall, McMahon asked one of the operations people if the Finding had been signed, further unspecified, and the operations fellow said it was signed. I'm told that it has been signed. (SSCI 2/17/87, p. 49)

(b) 17 January Finding and the Passage of CIA Intelligence to Iranians

Director Casey and General Counsel Sporkin were deeply involved in preparing drafts of what became the Finding of January 17, 1986. Although not involved himself in this process, Gates recalls that, in late December 1985 or early January 1986, White House lawyers were having trouble with the "retroactive language" in the Finding and that a new Finding had been signed on January 17, 1986. The finding authorized, among other things, the provision of intelligence to Iran, and provided that Congress not be notified of its existence.

Gates later recounted when he first learned that intelligence was to be transferred to Iran:

On January 24, 1986 I was called to Mr. McMahon's office and told that at NSC direction we were to prepare some intelligence materials on Iraq to be provided to the Iranians I objected, stating that we were concerned about the Iraqi military situation and that I considered this a very dangerous thing to do. Our objections were overruled, I understood at the time, by Admiral Poindexter. We subsequently prepared information on a segment of the border well away from principal battle areas and where there was little military activity in order to minimize the value of the information to the Iranians. (SSCI interrogatories, 2/87.)

As the record shows, Gates met with LTC North, McMahon, and Twetten on January 24, 1986 to review the intelligence developed at CIA to be provided the Iranians at the next meeting. McMahon had seen Poindexter earlier in the afternoon and had raised serious objection to providing the intelligence. His objections were overruled by Poindexter. These objections were reiterated by both McMahon and Gates later to North. Later in the day, McMahon cabled Casey who was abroad, recounting his objections to the White House both with respect to the provision of intelligence and more generally to the Iran initiative. The message also said there was serious concern with the involvement of Ghorbanifar as an intermediary.

Pertinent portions of the January 24, 1986 McMahon cable to Casey are as follows:

Subject: Present Status In Saga Regarding The Movement Of TOW Missiles.

1. A new dimension has been added to this program as a result of a 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 . . .

Asked at the 1991 confirmation hearings why he made no further efforts to stop the operation, Gates replied:

The President of the United States made the decision to sell arms for hostages . . . It was his decision . . . It was a policy decision that was protested by the Secretary of State and the Secretary of Defense and the Acting Director of Central Intelligence . . . The President decided to go forward. It seems to me that it is not the role of CIA to question the policy decision . . . it was not up to me . . . to question the policy decision that the President had made. (Gates, 9/17/91, morning, p. 17)

John McMahon, when asked whether he or Gates could have done anything else to stop the operation, replied: "No . . . when you have assurances that the Attorney General said it was legal, when you have a Presidential directive . . . we have little choice but either do it or resign." (McMahon, 9/19/91, p. 24)

In any event, following the initial January 24th transfer of intelligence pursuant to the January 17th Finding, there were three other instances where intelligence was passed. In his written response to a 1987 SSCI questionnaire, Gates described these in a response which has subsequently been redacted for public release:

On 19 February, we provided additional maps [deleted] of Iraqi disposition in the central border area, very near the area in the central sector on which the information was provided in January. The Iranian interlocutors told us at that time that they wanted information on the Soviets.

We were asked in March to prepare a briefing on the Soviet [deleted]. This material was taken to Tehran by the McFarlane mission.

In late September, the NSC switched to a new Iranian contact, who expressed interest in intelligence on Iraq and asked for many details on the Iraqi disposition of forces. In response to the NSC request, CIA prepared one annotated map and talking points on the general locations of Iraqi units. We also provided copies of commercially available maps identical to the ones provided by the U.S. government to Iran 15 years before.

With regard to my reaction to the continued passage of intelligence on Iraq, and what actions I took when I learned on these incidents, I knew of the instances in January, February, and May. While I learned in the Fall that another set of materials was to be prepared for the Iranians, I did not know when that exchange was to take place and I did not see that set of materials until early December. I also said in January 1986 that the only part of the passage of intelligence to Iran I felt had merit was that on Soviet [deleted].

In sum, we consistently objected to the passage of intelligence on Iraq to Iran and expressed concerns, which were overruled by the NSC. All along we tried to scale back the requests for such intelligence while warning that there

telligence with the Government of Iraq. At the time, Gates was Deputy Director for Intelligence at CIA, with overall responsibility for preparing the intelligence to be shared under this arrangement.

In April, 1986, a few weeks before Gates assumed office as Deputy Director of Central Intelligence, the National Security Council (NSC) authorized a modification of the original authority to permit CIA to share certain additional intelligence regarding the results of Iraqi military operations.

In October, 1986, a further modification of the authority was provided, authorizing the sharing of certain additional intelligence to enhance Iraq's pursuit of the war with Iran.

Intelligence sharing continued on a sporadic basis until 1988 when the war between Iraq and Iran ended.

In December, 1986, when the *Washington Post* published an article describing in detail a CIA liaison relationship with Iraq, alleging that military information was being provided to assist the war effort against Iran, the CIA was asked to brief the House Permanent Select Committee on Intelligence concerning this relationship. The first time the Senate Select Committee on Intelligence was made officially aware of the sharing arrangement, however, occurred a year later when the staff director was briefed in December, 1987. A second staff briefing occurred in April, 1988. No action was taken by the Committee at the time as a result of these briefings. In September, 1990, the Committee made its first official inquiry of CIA concerning this activity, and pursued it in closed hearings which took place in June, 1991.

At the 1991 confirmation hearings, questions were raised with the nominee in both closed and open session concerning the Iraqi relationship. Of principal concern was whether this sharing arrangement should have been reported in advance to the oversight committees as a "significant anticipated intelligence activity," pursuant to the Intelligence Oversight Act of 1980; or, when the decision was made to provide more than limited intelligence in 1986, whether the activity became a "covert action," requiring a presidential finding and reporting to the intelligence committees pursuant to the Hughes-Ryan amendment (22 U.S.C. 622) in effect at the time.

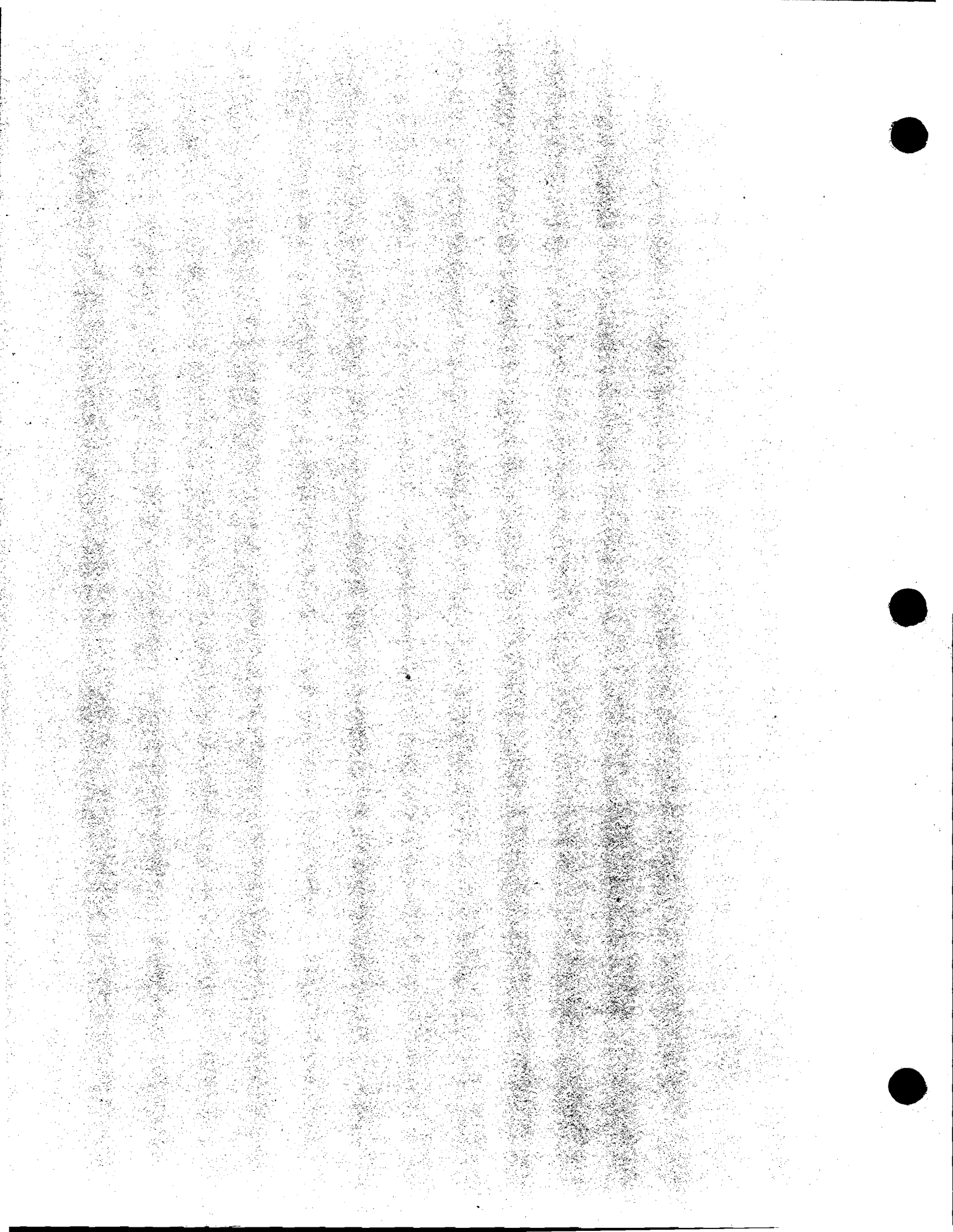
The Committee's investigation of this activity also disclosed that CIA staff officers had, on two occasions, shared certain intelligence with the Iraqis which, at the time it was provided, may have exceeded the scope of the sharing arrangement which had been authorized. This activity took place in the summer of 1986, several months prior to the authority being granted by the NSC in October, 1986.

At his confirmation hearings, Gates acknowledged that he had been aware that the CIA was providing information to Iraq during this time period, but he said "we were not trying to influence [Iraqi] behavior, but to enhance their ability to pursue the war." (Gates, 10/4/91, morning, p. 83)

Gates stated that when he became Deputy DCI in April, 1986, he "delegated management of the Iraqi liaison relationship to Mr. Kerr . . . and relied upon Mr. Kerr and the Directorate of Operations to ensure that those [NSC] guidelines were followed." As far







UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

UNITED STATES OF AMERICA,

Plaintiff,

v.

CARLOS CARDOEN,
FRANCO SAFFA,
JORGE BURR,
INDUSTRIAS CARDOEN LIMITADA,
s/k/a INCAR,
SWISSCO MANAGEMENT GROUP, INC.,
EDWARD A. JOHNSON,
RONALD W. GRIFFIN, and
TELEDYNE INDUSTRIES, INC.,
d/b/a,
TELEDYNE WAH CHANG ALBANY,

Defendants.

Case No.:

83-241-CR-HIGHSMITH

DECLARATION OF
HOWARD TEICHER

I, Howard Teicher, hereby state that, to the best of my knowledge and belief, the facts presented herein are true, correct and complete. I further state that to the best of my knowledge and belief, nothing stated in this Declaration constitutes classified information.

1. My name is Howard Teicher. From 1977 to 1987, I served in the United States government as a member of the national security bureaucracy. From early 1982 to 1987, I served as a Staff Member to the United States National Security Council.

2. While a Staff Member to the National Security Council, I was responsible for the Middle East and for Political-Military Affairs. During my five year tenure on the National Security Council, I had regular contact with both CIA Director William Casey and Deputy Director Robert Gates.

3. In the Spring of 1982, Iraq teetered on the brink of losing its war with Iran. In May and June, 1982, the Iranians discovered a gap in the Iraqi defenses along the Iran-Iraq border between Baghdad to the north and Basra to the south. Iran positioned a massive invasion force directly across from the gap in the Iraqi defenses. An Iranian breakthrough at this spot would have cutoff Baghdad from Basra and would have resulted in Iraq's defeat.

4. United States intelligence, including satellite imagery, had detected both the gap in the Iraqi defenses and the Iranian massing of troops across from the gap. At the time, the United States was officially neutral in the Iran-Iraq conflict.

5. President Reagan was forced to choose between (a) maintaining strict neutrality and allowing Iran to defeat Iraq, or (b) intervening and providing assistance to Iraq.

6. In June, 1982, President Reagan decided that the United States could not afford to allow Iraq to lose the war to Iran. President Reagan decided that the United States would do whatever was necessary and legal to prevent Iraq from losing the war with Iran. President Reagan formalized this policy by issuing a National Security Decision Directive ("NSDD") to this effect in June, 1982. I have personal knowledge of this NSDD because I co-authored the NSDD with another NSC Staff Member, Geoff Kacop. The NSDD, including even its identifying number, is classified.

7. CIA Director Casey personally spearheaded the effort to ensure that Iraq had sufficient military weapons, ammunition and vehicles to avoid losing the Iran-Iraq

war. Pursuant to the secret NSDD, the United States actively supported the Iraqi war effort by supplying the Iraqis with billions of dollars of credits, by providing U.S. military intelligence and advice to the Iraqis, and by closely monitoring third country arms sales to Iraq to make sure that Iraq had the military weaponry required. The United States also provided strategic operational advice to the Iraqis to better use their assets in combat. For example, in 1986, President Reagan sent a secret message to Saddam Hussein telling him that Iraq should step up its air war and bombing of Iran. This message was delivered by Vice President Bush who communicated it to Egyptian President Mubarak, who in turn passed the message to Saddam Hussein. Similar strategic operational military advice was passed to Saddam Hussein through various meetings with European and Middle Eastern heads of state. I authored Bush's talking points for the 1986 meeting with Mubarak and personally attended numerous meetings with European and Middle East heads of state where the strategic operational advice was communicated.

8. I personally attended meetings in which CIA Director Casey or CIA Deputy Director Gates noted the need for Iraq to have certain weapons such as cluster bombs and anti-armor penetrators in order to stave off the Iranian attacks. When I joined the NSC staff in early 1982, CIA Director Casey was adamant that cluster bombs were a perfect "force multiplier" that would allow the Iraqis to defend against the "human waves" of Iranian attackers. I recorded these comments in the minutes of

National Security Planning Group ("NSPG") meetings in which Casey or Gates participated.

9. The CIA, including both CIA Director Casey and Deputy Director Gates, knew of, approved of, and assisted in the sale of non-U.S. origin military weapons, ammunition and vehicles to Iraq. My notes, memoranda and other documents in my NSC files show or tend to show that the CIA knew of, approved of, and assisted in the sale of non-U.S. origin military weapons, munitions and vehicles to Iraq.

10. The United States was anxious to have other countries supply assistance to Iraq. For example, in 1984, the Israelis concluded that Iran was more dangerous than Iraq to Israel's existence due to the growing Iranian influence and presence in Lebanon. The Israelis approached the United States in a meeting in Jerusalem that I attended with Donald Rumsfeld. Israeli Foreign Minister Yitzhak Shamir asked Rumsfeld if the United States would deliver a secret offer of Israeli assistance to Iraq. The United States agreed. I travelled with Rumsfeld to Baghdad and was present at the meeting in which Rumsfeld told Iraqi Foreign Minister Tariq Aziz about Israel's offer of assistance. Aziz refused even to accept the Israelis' letter to Hussein offering assistance, because Aziz told us that he would be executed on the spot by Hussein if he did so.

11. One of the reasons that the United States refused to license or sell U.S. origin weapons to Iraq was that the supply of non-U.S. origin weapons to Iraq was sufficient to meet Iraq's needs. Under CIA Director Casey and Deputy Director Gates, the CIA made sure that non-U.S. manufacturers manufactured and sold to Iraq the

weapons needed by Iraq. In certain instances where a key component in a weapon was not readily available, the highest levels of the United States government decided to make the component available, directly or indirectly, to Iraq. I specifically recall that the provision of anti-armor penetrators to Iraq was a case in point. The United States made a policy decision to supply penetrators to Iraq. My notes, memoranda and other documents in my NSC files will contain references to the Iraqis' need for anti-armor penetrators and the decision to provide penetrators to Iraq.

12. Most of the Iraqis' military hardware was of Soviet origin. Regular United States or NATO ammunition and spare parts could not be used in this Soviet weaponry.

13. The United States and the CIA maintained a program known as the "Bear Spares" program whereby the United States made sure that spare parts and ammunition for Soviet or Soviet-style weaponry were available to countries which sought to reduce their dependence on the Soviets for defense needs. If the "Bear Spares" were manufactured outside the United States, then the United States could arrange for the provision of these weapons to a third country without direct involvement. Israel, for example, had a very large stockpile of Soviet weaponry and ammunition captured during its various wars. At the suggestion of the United States, the Israelis would transfer the spare parts and weapons to third countries or insurgent movements (such as the Afghan rebels and the Contras). Similarly, Egypt manufactured weapons and spare parts from Soviet designs and provided these weapons and ammunition to the Iraqis and

other countries. Egypt also served as a supplier for the *Bour Spares* program. The United States approved, assisted and encouraged Egypt's manufacturing capabilities. The United States approved, assisted and encouraged Egypt's sale of weaponry, munitions and vehicles to Iraq.

14. The mere request to a third party to carry out an action did not constitute a "covert action," and, accordingly, required no Presidential finding or reporting to Congress. The supply of Cardoen cluster bombs, which were fitted for use on Soviet, French and NATO aircraft, was a mere extension of the United States policy of assisting Iraq through all legal means in order to avoid an Iranian victory.

15. My NSC files are currently held in the President Ronald Reagan Presidential Archives in Simi Valley, California. My files will contain my notes and memoranda from meetings I attended with CIA Director Casey or CIA Deputy Director Gates which included discussions of Cardoen's manufacture and sale of cluster bombs to Iraq. My NSC files will also contain ~~substantive~~ ^{information} on the sale of cluster bombs and other munitions to Iraq and other Middle Eastern states.

16. Under CIA Director Casey and Deputy Director Gates, the CIA authorized, approved and assisted Cardoen in the manufacture and sale of cluster bombs and other munitions to Iraq. My NSC files will contain documents that show or tend to show the CIA's authorization, approval and assistance of Cardoen's manufacture and sale of cluster bombs and other munitions to Iraq.

17. My files will contain notes, memoranda and other documents that will show that the highest levels of the United States government, including the NSC Staff and the CIA, were well aware of Cardoen's arrest in 1983 in Miami in a sting operation relating to the smuggling of night vision goggles to Cuba and Libya. My files will also show that the highest levels of government were aware of the arrest and conviction of two of Cardoen's employees and his company, Industries Cardoen.

18. CIA Director William Casey, aware of Cardoen's arrest and the conviction of his employees and his company, intervened in order to make sure that Cardoen was able to supply cluster bombs to Iraq. Specifically, CIA Director Casey directed the Secretaries of the State and Commerce Departments that the necessary licenses required by Cardoen were not to be denied. My files will contain notes, memoranda and other documents showing or tending to show that CIA Director William Casey's intervention in order to maintain Cardoen's ability to supply cluster bombs and other munitions to Iraq.

I declare under penalty of perjury that the foregoing is true and correct to the best of my memory and recollection.

Executed on

1/31/95



Howard Telscher

