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ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

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MEMORANDUM FOR THE SECRETARY OF DEFENSE

THROUGH: UNDER SECRETARY OF DEFENSE FOR POLICY 710 1 OCT 1983

SUBJECT: Office Call With Saudi Ambassador Prince Bandar, Tuesday, 1600 hrs, 31 November 1983 (U) - ACTION MEMORANDUM

(U) You have agreed to see Prince Bandar, based on his request made at Friday's meeting between him and Major General Tixier.

(S) The purpose of Friday's meeting was to provide Prince Bandar an update on the Saudi request to purchase the I-Chaparral MIM-72C. He was informed that although a final decision had not yet been made, it was most unlikely that the recommendation of the Joint Chiefs not to sell the MIM-72C version would be rejected. Prince Bandar had no problem with this, primarily because the U.S. Mid-Level Air Defense Survey conducted in July found that both the Chaparral and the French developed Shahine could do the job. As Bandar pointed out, Saudi Arabia has invested considerable sums in the Shahine project and several batteries are already in the Saudi inventory.

(S) Prince Bandar has requested appointments with you and General Vessey in order to explore further means of joint consultation and planning in regard to the Arab Gulf situation, and to obtain an update of our contingency plans for the region. In view of the fact that the NSC has not yet taken action on SIG recommendations of October 24 (Tab A), we are somewhat restrained in our responses to Prince Bandar. Specific questions Prince Bandar may raise are:

- What are USG plans should Iran attempt to block the Strait of Hormuz or conduct operations either against shipping in the Gulf and/or against GCC members?

-- As the President has stated on several occasions, we are committed to take appropriate action to maintain freedom of navigation in the Persian Gulf and to ensure the security and territorial integrity of the Gulf States should Iran attempt to close the Strait or attack Gulf oil facilities.

-- At the highest level, we are in the process of examining the Iranian threat and determining what specific actions we should take in the event of escalation. We have briefed the Kingdom

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DEPARTMENT OF ENERGY DECLASSIFICATION	
1ST REVIEW DATE: 2/25/10	1. CLASSIFICATION CHANGED TO:
AUTHORITY: OAC/DC/ADDO	2. CLASSIFICATION CHANGED TO:
NAME: SA/BR/11015	3. CONTAINS NO DOE CLASSIFIED INFO
2ND REVIEW DATE: 3/29/10	4. COORDINATE WITH:
AUTHORITY: ADD	5. CLASSIFICATION CANCELLED
NAME: Roy Lee H593	6. CLASSIFIED INFO BRACKETED
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in the past on US contingency planning for such threats to the Gulf and believe continued and expanded consultations are essential in light of heightened indications of possible escalation.

- We are looking at numerous scenarios, to include: 1) Iranian mining; 2) Iranian attacks on the territory or facilities of non-Gulf States; and 3) Iranian interdiction of non-Gulf commercial shipping.
- We believe any response to an Iranian attempt to close the Gulf or block Gulf States ports should be multinational, if possible. We have had some low level discussions with our Allies on the possibility of escalation.
- Reopening Iraq's oil pipeline through Syria could alleviate some of the pressure on Iraq to stop Iranian oil exports. Does Saudi Arabia see any possibility of gaining Syrian agreement to open the pipeline?
- The UN passed last night a resolution calling for measures to prevent the escalation of the war in the Gulf. We hope Saudi Arabia and the Gulf states will use their influence with Iraq and Iran to support the UN Security Council resolution.

- What would be the USG attitude towards a GCC request to establish a low-level consultation forum to explore joint action involving GCC members and other interested parties?

-- We would welcome such a move. As I have noted previously, expanded consultations addressing all aspects of joint contingency operations would save precious time when we need to act.

-- What are your ideas in regard to the composition and functioning of such a group?

- Do you concur with the recommendation of the Joint Chiefs not to sell the I-Chaparral MIM-72C to Saudi Arabia?

-- Having reviewed the recommendations, I concur with that recommendation.

-- I directed a very careful analysis of this matter. Based on the fact that the MIM-72C version of the Chaparral exceeds any threat in the region plus the fact that no country outside the US (including NATO and other allies) presently possess this system, we concluded that the MIM-72C system is not appropriate.

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You may wish to raise the following points with Prince Bandar:

- The USG is deeply grateful for your brilliant efforts in bringing about a cease-fire in Lebanon;

-- We remain firm in continuing to push for national reconciliation.

-- We will continue to support the MNF and we will honor our security assistance commitments to that beleaguered country.

- How do you assess prospects of the ongoing National Reconciliation Talks?

- What additional measures is the SAC contemplating in support of Lebanon?

(U) General Vessey's schedule is such that he could see Prince Bandar at the earliest next week. Recommend that he attend the meeting together with Major General Tixier. The ISA Saudi Desk Officer, COL Hoffmann, is available as note-taker.

Approve: _____ 1 NOV 1983 _____ Disapprove: _____

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NOEL C. ROCH
Assistant Secretary of Defense
International Security Affairs

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Bandar
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Date: SEP 17 2013

United States Department of State

Washington, D.C. 20520

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Memorandum for Mr. Robert C. McFarlane
The White House

Subject: Iran-Iraq War

The attached discussion paper, forwarded by the SIG, addresses a number of issues regarding US policy to deter, prepare for, or counter an escalation of the Iran-Iraq War. It also examines but makes no recommendation on the issue of improving US relations with Iraq.

The SIG approved a number of near-term diplomatic, energy and politico-military measures the US should take to deal with the problem of escalation. The SIG is forwarding for consideration at an upcoming NSC meeting several issues regarding what US policy should be in response to an escalation of the war. These issues are identified on pages 1 and 2 of the attached paper. Finally, the SIG is providing a list of illustrative measures for improving relations with Iraq for NSC discussion.

Charles Hill
Executive Secretary

Attachment:

Discussion Paper

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Office of the Secretary of Defense *S.U.S.G. 3052*
Chief, RDD, ESD, WHS
Date: *17 SEPT 2013* Authority: EO 13526
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Declassify in Part: *X*
Reason: *316(D)(6)*
MTR: *13 N 3134*

DISCUSSION PAPER

Summary/Recommendations

At the SIG meeting held on October 24, 1983, SIG principals agreed that the following near-term diplomatic, energy, and politico-military measures should be taken to deter escalation of the war, reassure the Gulf states, and prepare for possible US military involvement to preserve freedom of navigation in the Persian Gulf and Straits of Hormuz and to defend the Gulf states against Iranian attack:

- Implement or continue the near-term diplomatic and energy measures aimed at deterring or preparing for escalation (Section III).
- Begin consultations with the Gulf states and our Allies on near-term politico-military measures (Section III).
- Begin contingency planning and pre-escalation military activity with our Allies and the Gulf states following NSC decisions regarding US policy for military action and for protecting shipping.
- The relevant Departments (DOE, Treasury, State) should review possible domestic energy and economic measures and implement recommendations (Section VI) to minimize the impact of a possible oil cut-off.

The following issues are forwarded by the SIG to the NSC for decision at an upcoming NSC meeting:

- Should the US intervene militarily (with our Allies) to prevent minelaying or conduct mine-clearing operations in the international and non-belligerent territorial waters?

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- Should the US respond militarily (with our Allies), at the request of a non-belligerent state, to prevent or defend against an attack on the non-belligerent's territory or oil facilities?
- Should the US respond militarily with our Allies to protect shipping in the Gulf? NSC decision required on who and where we would protect.
- Should the US, under certain circumstances, initiate military action prior to an overt Iranian military move?
- Should the US respond unilaterally in the above situations if our Allies declined to participate?
- What are the limits on US military involvement in the event of escalation (i.e., what targets will be attacked)?
- Should the US continue to pursue diplomatic action to reopen the Iraqi pipeline through Syria?

The Department of Energy non-concurs with this paper and recommends deletion of Section VI, International Energy Contingency Planning and Section VII, Measures to Improve Relations with Iraq. It is DOE's understanding that the White House will be establishing an interagency group to examine the energy implications of a disruption of Persian Gulf oil and they believe that addressing the issue in this paper would be premature. DOE also feels that the issue of US policy toward Iraq requires more analysis; specifically, they are concerned about possible Israeli reactions and the US ability to repair/restore damaged Iraqi oil facilities to allow the export of oil.

I. Introduction

The threat of escalation of the Iran-Iraq war to the Persian Gulf poses a serious danger to Gulf oil supplies, which are essential to the security and well being of the noncommunist world. In order to deter, or, if necessary deal with a stoppage or curtailment of Gulf oil exports, we need to agree on: 1) measures to deter escalation, reassure our friends in the Gulf and prepare for military involvement, if necessary; 2) how and under what circumstances we would intervene with military force, and what the military mission would be; and 3) energy policy actions and contingency plans, which are integrated into an overall strategy. Some of the near-term and longer-term military

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measures discussed in this paper would require action under the War Powers Resolution and close consultations with the Congress.

II. Background and Setting

Iraq, threatened with a foreign exchange crisis because the war has curtailed its oil exports and fearing defeat by Iran in a war of attrition, is seeking to change the strategic situation to its advantage.

It is doing so by threatening to use the French supplied Super Etendard aircraft and Exocet missiles against Iranian oil targets and shipping in the Gulf, either to: 1) cut off Iranian access to oil markets and foreign exchange earnings, or 2) deter Iran from further attacks on Iraq's Gulf oil facilities so that Iraq can repair these and resume oil exports through the Gulf, to ease its economic crisis.

Iran has responded by threatening to close the Gulf to all oil exports if Iraq uses the new weapons to cut-off Iran's oil exports. Iraq is also exploiting the new weapons, even before delivery, to "internationalize" the conflict. It hopes that fears of escalation will force the West to intervene diplomatically to Iraq's advantage. Alternatively, Iraq foresees that if Iran resumes attacks on Iraqi oil shipments, Iraq uses the Etendard/Exocets, and Iran moves to close the Gulf, the West will intervene militarily against Iran, somehow bringing an end to the war.

It is not clear that Iran would actually close the Gulf if Iraq uses the new weapons. But Iran has the military capability to attack Gulf Arab oil installations and to limit or prevent neutral shipping in the Gulf, at least for a while. We must, therefore, take Iran's threats seriously.

III. Near Term Measures

The SIG agreed that the US should take certain near-term diplomatic and politico-military measures prior to an expansion of the war as deterrents and to be prepared for a crisis. Preliminary discussion of some of those measures and a US offer to consult in more detail will be made during the Armitage-Raphel trip to Oman and Bahrain next week. Other near-term measures will require fundamental policy decisions before they can be undertaken. The near-term diplomatic and politico-military actions are described as follows:

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Diplomatic Strategy:

-- Encourage a de facto ceasefire in the Gulf. Our broad strategy is to achieve a strategic balance between the belligerents that would reduce the threat of escalation in the Gulf and ultimately lead the two sides to negotiate.

Our immediate objective is a de facto ceasefire in the Gulf, whereby neither side would attack the other's Gulf oil facilities or exports. This would benefit both sides: Iran would be protected from Iraqi attacks on its oil exports or terminals; Iraqi and third country oil targets in the Gulf would be protected from retaliation and closure of the Gulf, which Iran has threatened; Iraq could thus ensure exports of oil through the Gulf, thereby reducing the strategic disadvantage which is now driving it toward escalation.

We should pursue such a de facto ceasefire in the UN Security Council, where discussion on a balanced resolution with incentives for both belligerents is underway. We should also pursue bilaterally efforts to obtain cooperation by both Iran and Iraq in a de facto ceasefire, whether or not the Security Council acts.

-- Reopening of Iraq's pipeline through Syria. There was no SIG agreement on further action to open Iraq's pipeline through Syria. In light of the lack of Saudi and GCC success in gaining Syrian agreement and the inherent risks in giving Syria more leverage over the moderate Arab states, the issue of whether to continue this effort, requires further interagency study. However, this is another means of reducing pressure on Iraq to attack Iranian oil targets in the Gulf by increasing Iraq's oil revenues and alleviating its debilitating financial situation. It would also significantly lessen the financial burden of the Gulf states which provide considerable funds to Iraq and export their own oil on Iraq's account.

Persuading Damascus to reopen the pipeline is a long range prospect and the Saudis have indicated that their efforts with Syria have so far met with failure. If Syria were to acquiesce however, it might extract a price or undue leverage over Saudi Arabia and the moderate Arab states at a time when we are hoping to reduce Syrian influence in Lebanon.

-- Continue to stress our commitment to freedom of navigation in the Gulf. However, we should avoid statements that might raise tensions unnecessarily or provoke unwarranted concern in the international oil market, thus adversely affecting oil prices.

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-- Deter Iran's threat against civil aviation. We should continue our current diplomatic efforts with the Secretary General of the ICAO and other states friendly to Iran to discourage Iran from carrying out this threat.

-- Encourage renewed mediation attempts in the Iran-Iraq war by the UN Secretary General. The SYG has the respect of both belligerents and a new mission by his envoy Olaf Palme could be useful at the appropriate time. In connection with renewed UN involvement, we should explore prospects for international action on war damages as a means of establishing greater Iranian confidence in international efforts to end the war.

-- If there is a crisis, pursue diplomatic efforts to obtain a ceasefire to avoid the need for intervention. We would carry out intensive bilateral and multilateral efforts to obtain a ceasefire in order to avoid, if possible, the last resort of military involvement. Such measures would include engaging the UN Secretary General and organizations such as the Gulf Cooperation Council in public and diplomatic efforts to achieve a ceasefire. We would examine the option of persuading Allied and other states who are major weapons suppliers to both belligerents to suspend all sales as a means of leverage. We would also explore the possibility of action in the UN Security Council to accomplish a ceasefire, although we would not encourage involvement by the Secretary General or the UNSC in a way that might make it more difficult for us and our Allies to act militarily, if this becomes necessary, or which would provide a basis for Soviet intervention.

Energy Considerations:

To minimize the disruptive effects of a severe reduction in oil exports from the Gulf, we should estimate now the probable effects on supply and distribution of various levels of curtailment, and the potential economic consequences for the US and world economy. This should lead to interagency agreement on appropriate responses and actions. Moreover, interagency public affairs guidance should be developed and consultations should begin with our Allies and with major oil companies on pre- and post-disruption actions which could be taken to minimize the disruptive effects of an oil cutoff. Additionally, Congress could be briefed. Cabinet-level statements could be issued to dampen or dispel unwarranted public fears over another energy crisis.

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The Department of Defense will be providing a preliminary assessment of the economic and financial implications of a disruption of Persian Gulf oil supplies.

Politico-Military Action

-- Multilaterally, discuss within NATO the broad guidelines of US policy and plans. Such discussions will be consistent with our pledge to consult on out-of-area issues/ deployments and would set the stage for bilateral discussions.

-- Intensify contingency planning consultations with the UK and France to determine Allied attitudes toward military cooperation; and consider approaching Italy. Detailed planning such as agreement on a multinational plan for preserving freedom of navigation in the Strait of Hormuz and the Gulf and a concept for a division of responsibility in the event that one or more of the Gulf states is attacked by Iran will require NSC decisions regarding US policy for military intervention before commitments can be made.

-- Seek agreement for combined naval exercises with the US from the UK, France, New Zealand, Australia, and Italy.

-- Launch a new round of consultations with appropriate GCC states on combined military cooperation. These consultations would seek to determine Gulf state attitudes towards military cooperation with us in various escalation contingencies. Once NSC decisions are made on US policy regarding the limits on US military involvement in the event of escalation, we should also seek to make progress in the following areas: combined contingency planning; combined exercises and US/Allied deployments (e.g., combined air defense/TACAIR exercises in Saudi Arabia and Oman); US use of facilities and host nation support; increased naval cooperation between USCINCENT and the Saudi and Omani Navies; upgrading GCC air defense and air/sea surveillance capabilities.

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-- In response to heightened indications that the Iraq-Iran war may escalate or spread within the Gulf regions: be prepared to agree to Gulf state requests for an increased US military presence (e.g., TACAIR, naval and AWACS deployments);

[REDACTED] begin planning and preparations for multinational protection of shipping and command to the Gulf states that they increase their own military capabilities and seek assistance they may need. [REDACTED] on their issues

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will also require NSC decision on US policy for military intervention.

IV. Escalation Issues

General Policy for Military Intervention

The SIG agreed that the US should respond militarily to belligerent attempts to mine international or non-belligerent territorial waters, belligerent attacks on shipping and belligerent attacks on the oil facilities or territory of a non-belligerent asking for US support. It was not determined whose shipping we would protect or where we would protect them, i.e., only in international waters, territorial water of belligerents, etc. The SIG recommends that the NSC review and decide on which option we should adopt to protect shipping.

Military intervention, if necessary, should be carried out to the maximum extent possible in concert with our Allies and regional friends, under international sanction, and in accordance with US domestic legal requirements. The use of military force should be considered under the following circumstances:

- If there are firm indications of imminent actions by either belligerent that would cutoff or significantly curtail Gulf oil exports, or that would threaten the security of friendly Gulf producer states. (Preemptive military action.)
- If military threats or acts by either belligerent result in a cutoff or major curtailment of Gulf oil exports, or, in the event of military threats or acts against friendly Gulf producer states, and they request our assistance. (Responsive military action.)

The type of military action and when it is to be initiated is a fundamental decision to be made by the National Command Authority. Decisions on responsive military action should take into account: 1) outcome of diplomatic efforts to restore the flow of oil; 2) the potential impact on the US and the international economy; and 3) the political reaction of area states and US Allies, in light of our pledge to keep the Gulf open.

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Given the possibility that escalation of the war could be gradual, rather than bolt from the blue, the SIG discussed the issue of waiting until Iran makes an overt military move before responding militarily. The SIG agreed that increased US military presence in the region (deterrent deployments) could deter hostile Iranian actions. If, however, deterrence fails, the US should be prepared to use forces as prescribed in the military mission.

Given the possibility that escalation of the war may occur incrementally and that diplomatic measures may fail to control that escalation, the SIG determined that preemptive military measures merit consideration. The SIG concluded that there are certain circumstances in which the US might consider preemptive military action to defend shipping or Gulf state territory prior to overt Iranian attacks. The SIG agreed that upon receipt of reliable strategic warning, we might initiate passive military measures (e.g., convoying of shipping or increased naval patrols). The SIG further agreed that if there were tactical warning of Iranian attacks, preemptive use of military force to engage those Iranian aircraft or ships about to initiate hostile activity might be warranted.

In considering the merits of US military action, the SIG recognized that the US might not receive reliable strategic or tactical intelligence. Given Allied concern about precipitous military action and the ability of the international community to withstand a short-term closure of the Gulf, US Allies--and possibly even some Gulf states--may not support US action prior to overt Iranian military moves. Lack of Allied/Gulf state support for US measures would undercut the political legitimacy of US military intervention and could make it more difficult for the US to conduct sustained military operations in the Gulf should this prove necessary to maintain freedom of navigation.

Escalatory actions by the belligerents which would warrant a military response include:

1) Iranian Mining

If Iran mines the Strait of Hormuz and this significantly affects shipping, the US would conduct mineclearing operations with the contributions of others (e.g., the Saudis, Omanis, French and British) in both international and non-belligerent waters to neutralize the threat. The US does not possess adequate military capability to conduct mineclearing operations unilaterally in the Gulf. In such a case, we must work with either the Saudis or Omanis, or both, to ensure that they also

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want to consider pre-emptive deployment of mine-countermeasure (MCM) assets.

The US would conduct such operations in international waters (which, for purposes of this paper, includes the Omani portion of the Strait of Hormuz) with or without others (to the extent the latter is possible and if efforts to engage our Allies or regional states failed) and with or without the request of Gulf states or other shipping nations. We would not conduct mineclearing operations in the territorial waters of a non-belligerent state without a request by that state.

2) Iranian Threats or Attacks on the Territory or Oil Facilities of Non-Belligerent Gulf States

In either event, the US should cooperate with any Gulf state that requests our assistance or facilitate assistance provided by others. We should, under most circumstances, provide only defensive forces in order that our response appear measured and, therefore, less likely to draw in the Soviets. To the extent possible we would want to involve other friendly or allied states outside the Gulf.

If Iran attacks Saudi Arabian oil facilities, we could, in the first instance, offer to assist, if necessary, in the repair and restoration of damaged installations. The objective would be to reestablish exports rapidly. While this could involve replacement of equipment with long manufacturing leadtimes, which would necessarily require oil industry participation, the US government could provide assistance by assessing the damage and advising the Saudis on containment of further damage. The latter might involve assistance with active defenses (i.e. deploy air defense assets) to deter further attacks. We also would need to determine the extent to which we would support Saudi military actions against Iran, if the Saudis chose to retaliate.

If Iran attacks Kuwait, we should be prepared to assist in response to a Kuwaiti request. Kuwait did not request our support after the previous Iranian attack on its territory at the outset of the war, and probably would not do so again. We should encourage the UK to defend Kuwait, perhaps with US logistics and lift support.

3) Interdiction of Neutral Commercial Shipping

The Iranians also have some capability of using air and naval assets to interdict commercial shipping either in international or nonbelligerent waters. It is important to note that the US has a strong interest in the interdiction of such shipping.

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these zones. Portions of an exclusionary zone extend close to Kuwait, but permit unrestricted entry into Kuwait port and oil terminals. With regard to protection of shipping, we would remain outside the exclusion zones. (This was the concept of operations in the 1980 plan for protection of shipping.) We would not recognize, however, any further extension of exclusionary zones into the international waters of the Persian Gulf or Strait of Hormuz.

Prior to an unlawful threat or attack by Iran against neutral shipping, the US would not respond militarily to appropriate Iranian naval stop and search actions against neutral vessels in international waters, except in the unlikely event that this seriously (and impermissibly) curtailed neutral shipping in the Gulf and, thus, oil exports.

The options for protecting shipping are:

A. Protect all commercial shipping in international waters, regardless of its port of origin or destination.

This option would require protecting both Iranian and Iraqi commercial shipping as well as protecting non-belligerent (including Soviet) shipping bound to and from belligerent ports. It is not clear that any of our Allies would participate in such an operation, which might encounter permissible use of force by the belligerents.

Implementation of this option could, however, help alleviate Iraq's short-term financial problem if it were able to reopen oil export facilities in the Gulf, which could dampen Iraqi incentives to continue attacks on Iranian oil exports. It should be recognized that US/Allied protection of all commercial shipping, if done in conjunction with an Iraqi effort to reopen its Gulf oil export terminals, could be perceived by Iran as a move to improve US relations with Iraq. This perception would be heightened if France participated in this operation, although Iran would benefit as well. It might also make the US a belligerent, by protecting belligerent shipping or escorting vessels in belligerent waters or vessels carrying contraband. It could also require the US to protect arms shipments by the Soviets.

B. Protect neutral shipping (in international and, if requested, non-belligerent territorial waters) regardless of port of origin or destination.

This option would also involve a high risk of compromising US neutral shipping and of being perceived as a belligerent in the context of the conflict. It would also require the US to protect arms shipments bound to or

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from belligerent ports. Non-belligerent ships would be handed off by us to belligerent naval units near their territorial waters. It is unlikely that US Allies would participate in this operation. As with option one, however, protection of commercial shipping destined for Iraq could help Iraq export oil.

C. Protect neutral shipping bound to or from neutral ports (in international or, if requested, non-belligerent territorial waters).

This option avoids the problem of ship hand-offs to belligerents and poses the least risk to a multinational force. It would present the strongest case for U.S. use of defensive force and would be the most attractive option for Allied cooperation. It would lessen the likelihood of inadvertent US/Allied involvement in the hostilities, while fulfilling our commitment to freedom of navigation throughout the international waters of the Persian Gulf. A US/Allied guarantee of safe transit to Gulf Arab ports would demonstrate concern for the security and well-being of the Gulf states. Protecting only non-belligerent shipping bound to or from neutral ports (in international and non-belligerent waters) would not assist Iraqi oil exports. Consequently, it runs the least risk of hostilities with Iran. In implementing this option we would have to consider which non-belligerent vessels to protect (e.g. Soviet ships) and how to ensure they are not carrying contraband destined for a belligerent.

A policy that protects only neutral ships going to non-belligerents' ports would still likely be perceived by Iran as evidence that the US is siding with Iraq. However, the Iranians already regard all the GCC states as Iraqi allies, because they provide financial assistance to Iraq (e.g., direct cash transfers or sale of oil on Iraqi account) and, in the case of Kuwait and Saudi Arabia, allow their ports to be used for the transshipment of arms to Iraq. In addition, Iran has repeatedly denounced the US and the Saudis as being its principal enemies. Thus, although our ensuring safe transit of neutral ships going to Gulf state ports, while doing nothing to protect ships carrying on trade with Iraq would probably be construed by the Iranians as a unfriendly act, it would not qualitatively change Tehran's perceptions of US intentions.

US Military Intervention Without a Request from Other States or Without Participation by Our Allies.

US naval intervention to protect neutral shipping in the Gulf without requests from other states for such shipping

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nations would be more difficult to sustain domestically and internationally. It is likely that at least one Gulf state, such as Oman, would request our intervention or that Gulf states or shipping nations could be prompted to make such a request. However, if there is no such request and there is a stoppage or curtailment of shipping and oil exports that would meet our other criteria for intervention, the SIG agreed that we should be prepared unilaterally to deploy and use naval force in international waters of the Gulf, to the extent that this would be useful to deter further attacks or threats and to bring about a resumption of shipping and oil exports.

The smaller Gulf states--notably Kuwait, UAE and Qatar--might find multinational Allied support more politically acceptable than unilateral US military deployments. Allied military involvement would provide an international framework within which the US could act militarily to guarantee oil supplies. This show of western resolve would lessen the risk of provoking an escalatory Soviet response and turning US military involvement in the Gulf into a US-Iranian confrontation. In addition, Allied participation in a military response would obtain far greater domestic and international support than unilateral action by the US.

We expect from recent consultation with the UK that, so long as our military actions are modest in extent, founded on such principles as freedom of navigation and Gulf state requests for assistance, and are accompanied or preceded by political initiatives, the British may participate with us. Regarding the French, we are less sure. If none of our Allies agree to join us, we should be prepared to act alone to fulfill our commitments to freedom of navigation in the Strait of Hormuz and the Gulf and the security of the Gulf states. A failure to do so would not only have serious consequences for the international economy, but also shatter Gulf state confidence in US reliability and the credibility of our security assurances.

V. Mission Considerations

Fundamental policy decisions are required regarding what the military forces deployed to the area are expected to accomplish (i.e., whether to deter, preempt, and/or defend against attack). These decisions must be determined prior to any US deployment, inasmuch as the presence of military forces in an area implies a willingness to use those forces to attain stated objectives. Should the NSC decide to defend the Gulf states and freedom of navigation, the SIG recommends that any

forces deployed as a deterrent to escalatory actions should have a mission which allows a response to attacks on shipping or non-belligerent territory. Otherwise, we could have US forces in the area watching while non-belligerents or neutral shipping come under attack. Consideration must also be given to matters of hot pursuit, attacks on hostile forces inside claimed territorial waters or national airspace, and attacks on hostile forces which have returned to their home bases. Such decisions should take into account the War Powers Resolution and Congressional views.

The escalatory implications of such acts, the possibility that they could make the US a belligerent or provoke Soviet involvement, and the potential effects on the multilateral character of our military approach to escalation in the Gulf, require the mission assigned to be carefully crafted. The CIA has concluded (Tab 1) that the Soviet reaction to US military action in the Gulf tends to limited US strikes against Iranian territory -- is likely to be limited.

The SIG recommends that forces deployed to the region (pre- or post-escalation), be empowered to defend non-belligerent shipping or territory, should escalation occur. Decisions to attack hostile forces at their bases or in the belligerent's territorial waters or national airspace should be reserved for the NCA.

VI. International Energy Contingency Planning

In the face of a real or threatened major interruption of world oil supplies, such as that which could result from an escalation of the Iran-Iraq war, a number of energy policy measures can be taken which offer the potential to alleviate immediate pressures on world oil supplies, and thus provide major oil consuming countries flexibility in the use and timing of other possible measures, including military actions. These energy policy actions would be directed at maximizing oil supplies from other sources, minimizing unwarranted consumer reactions that could aggravate the oil market situation, and coordinating these efforts with other major oil consuming countries.

Specific international energy contingency planning actions that could be taken include:

-- Encourage immediate production increases by oil producers and increase efforts to expand overland exports by Persian Gulf producers.

-- Convene an emergency meeting of the International Energy Agency Governing Board to review the potential for supply interruption and possible response measures, including but not limited to drawdowns of government controlled oil stocks.

-- Work with private oil market participants, in particular major oil companies, to mitigate potential speculative price increases and to avoid hoarding.

-- Promote better public understanding of energy supply issues and the mechanisms already in place to deal with emergencies.

These together with other possible domestic energy and economic measures should be reviewed as quickly as possible so that they can be integrated with contingency planning underway for diplomatic and military action.

VII. Measures to Restore the Iran-Iraq Equilibrium

In addition to considering policy issues bearing on maintaining freedom of navigation in the Strait of Hormuz and the Persian Gulf and defending friendly Gulf states from Iranian attack, the SIG considered the question of restoring the balance between Iraq and Iran by providing political and military support for Iraq in its war with Iran and means of helping Iraq avoid defeat. A list of measures was analyzed by an interagency working group and reviewed by SIG principals, but the SIG made no recommendations.

The prime U.S. objective in the Iran-Iraq War has been to prevent either side from achieving a clear military victory in the war and political domination of the Gulf. In the past a policy of strict neutrality served our purpose; but circumstances have changed, and Iraq may now be losing a war of attrition. For that reason a series of measures have been examined which could shore up Iraq both militarily and politically.

These measures were considered in terms of:

o how beneficial they were to Iraq, did they help militarily or politically,

o how likely they were to exacerbate current and future relations with Iran, whether they would make Iran more or less

likely to move toward a negotiated settlement, and their impact on our efforts to obtain Iranian acquiescence in a de facto ceasefire in the Gulf.

o what Gulf state, Allied, Soviet, Syrian, and Israeli reactions might be, and

o how Congress and the American public might react.

The focus of discussion was on measures which 1) provided tangible but measured and discrete support for Iraq; 2) would reduce Iraq's perceived sense of isolation and remove Iraq's incentive to escalate, which would provoke Iranian reaction and draw the West into the conflict to maintain access to Persian Gulf oil; and 3) would not substantially increase Iranian incentives to escalate in the Gulf.

The likelihood of the Soviets gaining an advantage with Iran as a result of such measures was judged to be minimal. Gulf states would support such measures so long as these steps assisted Iraq without generating threats to the Gulf states. French support was also assumed for measures assisting Iraq, though the support of other Allies would likely be inversely proportional to the degree of assistance afforded Iraq. The Israeli reaction would be negative in most cases, but could be manageable if consultations were undertaken in advance. Congressional and U.S. public attitudes would be affected by the Israeli reaction, but were judged to be manageable, although most of the recommended measures would not require Congressional approval. Moreover, while support for Iraq is quite limited in the U.S., Iran enjoys an even less favorable image.

Significant measures on behalf of Iraq which were discussed are set forth below. It was accepted that possible steps to assist Iraq should be taken within the framework of a continued declaratory policy of neutrality between Iran and Iraq. Measures 1-6 would not publicly reveal any shift in US neutrality. Subsequent measures considered in this paper either represented an overt shift in our neutrality policy (e.g., arms sales to Iraq) or were ambiguous.

1. Promote a de facto cease fire in the Gulf by diplomatic measures, including action in the UN Security Council.

2. Encourage France to provide Iraq with technical assistance and military advice, such as on the use of the Iraqi Air Force in close air support tactics.

DOS 3.3(b)(1)



JS 3.3(b)(6)

4. Cooperate ~~with Iraq~~ to provide military equipment so that Iraq could better protect its oil export facilities, e.g. land and airborne air and anti-ship defense systems;
5. Commence consultations with the Allies regarding measures such as these to ensure that Iraq does not succumb to Iran;
6. Urge continued Arab subvention of the Iraqi war effort, including especially weapons purchases (the US might offer to sell US weapons to the moderate Arab to offset their transfers to Iraq of non-US arms);
7. Promote the restoration of Iraqi oil exports through technical assistance and provision of necessary parts and equipment to reopen Iraq's Gulf oil terminals as rapidly as possible;
8. Offer Iraq a visit by one or more senior U.S. officials, commencing with a State Department official;
9. Consider adding Iran to the terrorist list; and
10. Urge allies and friends to take similar anti-terrorist measures, the net result of which would be to further curtail arms sales to Iran.

Two other options were also considered by the SIG, which were determined to have significant advantages and disadvantages:

o Consideration was given to permitting third countries to sell Iraq US-controlled military items (licensed production, resale of US-origin arms, etc.). This step would respond to the requests of a number of our friends, including Egypt, Jordan, and Saudi Arabia. It would allow us to provide real military capability to Iraq without our being directly involved ourselves. Any such transfer, however, would require US permission and Congress would have to be informed. The disadvantages of this step are that this would be seen as a significant departure from our declaratory policy of neutrality. This could undercut efforts to achieve a settlement and to avoid escalation in the Gulf, by indicating US partnership. Also, reactions

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from Israel and the Congress, likely to be no less negative toward the party as a result of U.S. receipt of arms than to direct U.S. sales.

o Consideration was also given to [REDACTED]

[REDACTED] asked for permission to deploy [REDACTED] equipped with US origin arms in 1982. We responded negatively, but our analysis of the law is that it would permit the use of US-origin arms if they remain in [REDACTED] hands and were used only as part of collective defense. The deployment of [REDACTED] units would demonstrate Arab solidarity, give a morale boost to Iraqi forces, and could deter Iran from continuing the war. On the other hand, [REDACTED] probably would not be in a position to offer large forces that could make a military difference. If we were to encourage this, we might be expected to pay. Also [REDACTED]

[REDACTED] Finally, [REDACTED] not wish to strain its relations [REDACTED] this way:

(S)(b)(6)

The SIG believed it would be necessary to consult [REDACTED]

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TAB 1

Soviet Reaction to US Military Action

1. The Soviets would publicly condemn and play up for propaganda value even the most benign US steps to protect shipping in the Persian Gulf against Iranian attacks. Their response would not be significantly affected by whether the US protects all or only neutral shipping. They would also certainly caution Washington against attacks on Iran, as then President Brezhnev did in November 1978, and try to take credit if none occurred.

2. If US actions against Iranian targets remained as limited as the above scenarios envision, Moscow's military response is also likely to be limited. The Soviets would probably augment their naval forces in the northwest Indian Ocean and increase their intelligence gathering effort by deploying additional IL-38 ASW and reconnaissance aircraft to South Yemen and Ethiopia. They might also alert military units in the southern USSR. The Soviet military response probably would not go much beyond this even if the US mounted limited strikes against the airfields and ports from which Iranian attacks on Gulf shipping were staged.

3. Ironically, Soviet ships carrying arms for Iraq could be beneficiaries of US steps to protect shipping in the Gulf. They would be logical targets for Iranian attacks, and we believe the Soviets would cease their shipping into the Gulf if Iran made it clear they would be attacked. If Tehran decided to avoid such a direct provocation to Moscow the Soviets would continue to ship arms to Iran irrespective of the US presence in the Gulf. The Soviets could make up some--though by no means a major portion--of the shortfall in arms deliveries to Iraq by diverting some ships to Aqaba, Jordan, and, if Riyadh agrees, to Saudi Red Sea ports (for overland trucking of the arms to Iraq) and through an airlift.