

A Report  
to the  
Congress  
on

Security Arrangements  
in the  
Persian Gulf

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## SECURITY ARRANGEMENTS IN THE PERSIAN GULF

### EXECUTIVE SUMMARY

Protecting eleven Kuwaiti ships under U.S. flag is not part of an open-ended unilateral American commitment to defend all non-belligerent shipping in the Persian Gulf. It is a limited but effective signal of our determination to stand up to intimidation, to support our friends, and to help contain, and eventually end, the Iran-Iraq war.

It is a fact of life that western economies are heavily dependent on oil for their survival and a further fact that seventy percent (70%) of the world's proven oil reserves are in the Gulf region. Our ability to continue to develop economically and to maintain the way of life we are accustomed to depends on our unimpeded access to this oil. Most importantly, and often overlooked, is the fact that the world oil market is one market. If supply is disrupted anywhere, prices rise for ALL consumers and ALL world economies are adversely affected. For example, as a result of the Iranian revolution and Iraq's attack on Iran, international fear that these developments would disrupt oil supplies sent the price of a barrel of oil from \$13 to \$31. In short, our vital national interests are at stake in the Gulf. The Soviets, in contrast, do not have a vital economic interest in that region because they are a net exporter of oil. Their objective in the Gulf is to establish a presence that ultimately enables them to manipulate the movement of Persian Gulf oil. For these reasons, the United States must be present, vigilant, and resolute in the Gulf.

Important U.S. objectives in the Gulf, endorsed for over four decades by eight U.S. Presidents, both Democratic and Republican, include: denying Soviet access/influence in the region which would threaten free world access to regional oil resources; stability and security of the Gulf states which is critical to insure Free World access to oil; and access to Gulf oil resources, the disruption of which would seriously affect the Free World oil market. Today, those interests are in danger as the continued expansion of the Iran-Iraq war creates opportunities for the Soviets to expand their influence at our expense, increases the threat of Iranian hegemony over the Gulf Arab states, and endangers freedom of navigation for non-belligerent shipping and the free flow of oil.

1979-80 saw the first serious threat to U.S. interests in the Gulf since the late forties with the Iranian revolution, the Soviet invasion of Afghanistan, and the outbreak of the Iran/Iraq war. Since then, we have faced additional serious challenges, including: Iranian intransigence in ending the war;

Iranian determination to export its Islamic fundamentalism "from Tehran to Jerusalem"; continued Iranian intimidation of the smaller Gulf countries, in particular Kuwait, through attacks on shipping and territory; consistent Iranian support for and use of international terrorism; Iranian preparations to deploy SILKWORM missiles to threaten non-belligerent shipping and the free flow of oil through the Strait of Hormuz; and Soviet efforts to exploit regional tensions to increase their military presence and political stature in the area.

To counter those threats and safeguard our interests, President Reagan has approved a strategy which has at its focal point a major international diplomatic effort to end the Iran-Iraq war, preserving the independence and territorial integrity of both belligerents. Action by the UNSC is an important element in this effort; Operation Staunch is another. Cooperation from our allies and key Arab League states is essential for eventual success.

At the same time, we are continuing our longstanding support for the security of our friends in the region to foreclose opportunities for greater Soviet influence; to help the Gulf Cooperation Council (GCC) states stand firm in the face of Iranian intimidation; and to maintain access to oil. U.S. security assistance to the GCC states and our military presence in the region are the most important elements in this effort, which includes protection of a limited number of Kuwaiti tankers under U.S. flag. Here, again, cooperation from our friends is important.

As the result of the Iraqi decision in 1984 to carry the war to Iran's oil export operations, Iraq attacked Iranian-flag, Iranian-leased, and other vessels in the Gulf. Iran reacted by attacking non-belligerent shipping indiscriminately. Last September, Iran began deliberately targeting Kuwait, both its territory and Kuwaiti-related shipping, in part because of Kuwaiti logistical and financial support for Iraq in the war. Iran has refused to end the war except on its own terms. Such continued aggression by Iran, if left unchecked, seriously threatens U.S. interests in the Gulf and the rights of non-belligerents. Thus, in March 1987, the U.S. agreed in principle to Kuwait's decision to reflag eleven of its tankers and agreed to provide them protection in the Persian Gulf, consistent with U.S. policy and interests in the region. U.S. Navy ships assigned to the U.S. Middle East Force (MIDEASTFOR) in the Persian Gulf will provide protection for these eleven tankers, as the Navy does for all U.S.-flagged commercial vessels, to deter hostile acts, and if necessary, to defend the tankers. Since the U.S. Navy's beginning, one of its key missions has been the protection of U.S.-flag vessels anywhere in the world. These tankers will carry no contraband or other cargo for or from Iraq.

The Kuwaiti tankers will be reflagged in compliance with U.S. domestic and international legal standards. U.S. ownership, manning, safety, and inspection requirements will establish effective American jurisdiction over the vessels. At international law, their authentic U.S. nationality will not be subject to question by belligerent or other states.

Our reflagging arrangement with Kuwait is a limited response to a very real threat. Should Kuwait or the other Arab Gulf states be left without support in the face of Iranian intimidation, Iran's ability to gain effective dominance over navigation and energy resources in the entire Gulf would increase significantly. Moreover, should we not be responsive to Kuwait's request for help, the Soviets will be quick to supplant us, thereby positioning themselves to become the protector of the Gulf.

For both these reasons, the GCC states have supported our offer to help Kuwait and have been more willing than heretofore to support one another and work with us. Given the stakes and the consequences, a retreat by the United States now would have a profoundly negative effect, raising basic questions in the minds of the GCC states about the character of our commitments and sending a signal to the Iranians and Soviets that our interests in the Gulf must no longer be vital.

The risks to U.S. naval forces in the Gulf from these threats are low. The risks involved in protecting U.S.-flagged vessels are moderate. The protection plan, which calls for the U.S. Navy to escort U.S.-flag vessels, and the military resources we have deployed to implement this plan were determined by the level of threat such shipping faces. We intend to augment our current MIDEASTFOR presence with three additional combatants, configured to meet potential sea, air and land-based missiles threats. These forces will be sufficient to do the job and minimize risks. There are some risks, particularly from unconventional threats, such as Iranian terrorism or sabotage.

The Rules of Engagement (ROE) applicable to U.S. naval and air operations in the Persian Gulf are designed to ensure that our forces will act effectively to defend both themselves and U.S.-flag merchant vessels under their protection. International law recognizes an inherent right to employ proportional force as necessary in self-defense; this right will be exercised in the face of attack or hostile intent indicating imminent attack.

In proceeding with implementation of the protection plan for reflagged Kuwaiti tankers, the President has emphasized from the outset the need for careful military planning and preparation; adequate cooperation from the allies and the GCC

states; and full consultations with the Congress. The GCC states are already providing political support plus access to important facilities; we are in the process of quietly discussing with them what more they might do. The allies voiced strong support at Venice for an urgent, concerted, diplomatic effort to end the war. We are also consulting them quietly on what tangible contributions each might make to deter hostile forces in the Gulf.

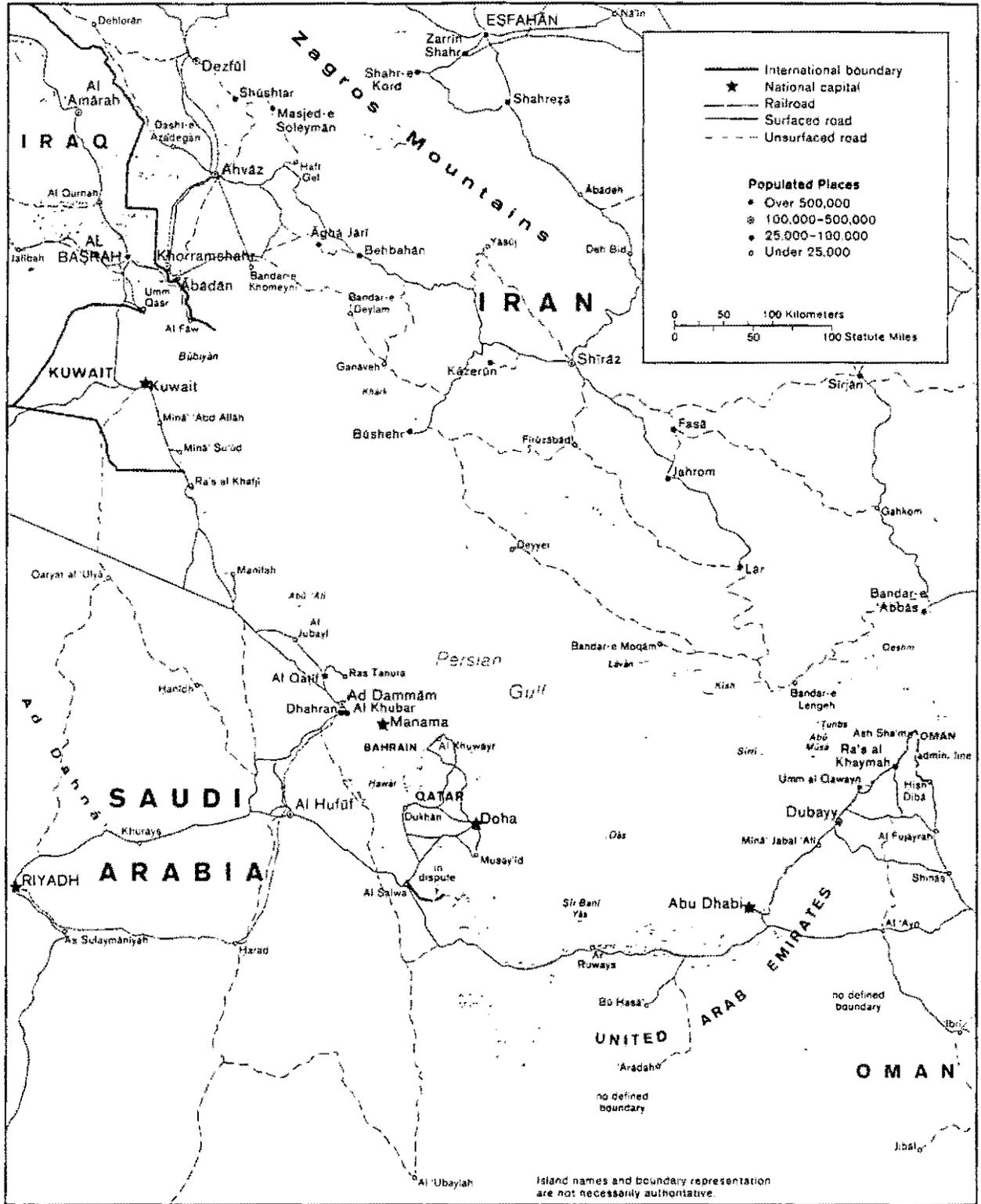
Another critical element of U.S. deterrent strategy in the region includes helping regional states acquire the capability to deter, and if necessary, defend themselves against external aggression, specifically Iranian threats and intimidation. For this reason, the Administration places an extremely high value on its security assistance relationships, including arms sales, with the moderate Arab Gulf states, and in particular Saudi Arabia. Following this year's submission of the Javits Report, and with the acquiescence of Congress, this Administration offered to sell Saudi Arabia a number of items including helicopters and electronic countermeasure systems. Other defensive items, such as Maverick missiles and attrition F-15 aircraft, also are important to bolster Saudi defense to thwart outside intervention. These arms will in no way affect the overall regional military balance, and will have no impact whatsoever on Israel's security. Recognizing the key role Saudi Arabia plays in regional security, U.S. willingness to help the Saudis meet their legitimate defense needs sends a very strong signal, both to our friends and others, of the level of U.S. commitment and resolve to protect our interests in the region.

We understand the risks involved in our strategy, particularly the protection of shipping arrangement with Kuwait. But we are convinced that the risks of alternative courses of action or inaction are even greater -- with Iran stepping up its intimidation of the GCC states, conducting attacks on non-belligerent shipping, and possibly feeling emboldened to use the SILKWORM missile following its successful test-firing last February, and the Soviets exploiting Arab anxieties. The inadvertent attack on the USS STARK last month also has heightened perceptions that the situation in the Gulf is more dangerous now than before the incident occurred. In addition, it has raised the public profile of our military presence in the Gulf and, coupled with the ongoing debate about U.S. protection for Kuwaiti tankers, has led to an increase in vituperative Iranian rhetoric. There is no risk-free way to safeguard our longstanding vital interests in the Persian Gulf, which today is an increasingly volatile region. We can only do our best to minimize and manage the risks, chart a steady course aimed at our strategic goal of ending the war, and reassure our friends -- and our adversaries -- of our resolve as we move ahead.

As the leader of the Free World, we must bear in mind that the United States has certain privileges as well as responsibilities. The missions we have accepted, the protection of U.S.-flag tankers as well as keeping the Strait of Hormuz open for unimpeded access to oil, are declared U.S. objectives.

US-flag ships have received U.S. protection since the beginning of the U.S. Navy and will continue to have this protection as long as they fly the U.S. flag. U.S. interests, whether they are U.S. ships, facilities or personnel will continue to be protected by U.S. forces in this region or elsewhere in the world, wherever they are threatened. This is our responsibility and obligation as the leader of the Free World, a role we cannot shirk, unless we are prepared to suffer the consequences.

# Persian Gulf Region



Island names and boundary representation are not necessarily authoritative.

## I. U.S. INTERESTS: OVERVIEW

### Background of U.S. Role and Policy

U.S. policy in the Persian Gulf reflects longstanding American strategic, political, and economic interests in the area. Our policy has been consistent and is calculated to defend and advance critical U.S. interests, as well as those of our allies and friends in the region. There has long been a mutuality and overlap of such interests, and this fact has enabled the United States, our western allies, and friendly Gulf states to pursue parallel policy lines.

For nearly forty years, the U.S. naval presence in the Persian Gulf has been symbolic of the continuity and importance of U.S. interests there. Our military posture is defensive in nature and deterrent in purpose. Our presence began in 1949 with the establishment of the Middle East Force (MIDEASTFOR), whose home port was the British naval base at Jufair, Bahrain. Even at this early date, the United States sought to impede Soviet advances in the region, including successful efforts shortly after World War II to bring about the withdrawal of Soviet forces from Iran. After World War II, Britain began gradually withdrawing from its positions east of the Suez Canal and, in 1971, completed its withdrawal from the Gulf. The United States, although largely preoccupied in Vietnam, maintained its Gulf naval presence with the active encouragement of the Gulf states, including Iran, then ruled by the Shah.

Recent American policy in the Gulf can be divided into two periods: 1971 - 1979 and 1979 to the present. From 1971 - 79, the "Twin Pillars" policy followed by Presidents Nixon, Ford, and Carter promoted and assisted the military development of our two closest friends in the region, Iran and Saudi Arabia, in order to promote regional stability.

In 1979, two key events challenged that policy. First, the fall of the Shah's government and its replacement by a radical, revolutionary, Islamic regime threatened to destabilize the Gulf. Second was the Soviet invasion of Afghanistan. The United States reviewed and reevaluated its strategy in the region. The result, the "Carter Doctrine," signaled an increased U.S. resolve to defend Western interests in the Gulf, unilaterally if necessary. We established the Rapid Deployment Joint Task Force (which later became the U.S. Central Command or CENTCOM) and continued our security assistance program with Saudi Arabia and other friendly Arab Gulf states.

At the core of our present concerns in the Gulf is the seemingly endless Iran-Iraq war. Now well into its seventh year, the war's continuation creates an unstable military and political environment in which anxieties run high, violence escalates and expands, and threats to U.S. interests persist.

Our position on this conflict is clear: we are neutral and we support the independence and territorial integrity of both belligerents. We have supported every effort to obtain a negotiated end to the war, one which maintains the sovereignty and territorial integrity of both sides. We are pursuing active efforts in the U.N. Security Council to this end. With one aberration, we have prohibited the sale of military equipment to both belligerents. Through Operation Staunch we have tried to lead Iran towards the bargaining table by making it difficult for Iran to obtain arms and spare parts from third countries. Finally, we have supported the security of non-belligerent Gulf states, primarily the members of the Gulf Cooperation Council (GCC) (Kuwait, Saudi Arabia, Bahrain, Qatar, the United Arab Emirates, and Oman) through security assistance (cash sales) and other measures, such as the pending reflagging of Kuwaiti tankers.

### U.S. Interests in the Region

There is no basic dispute about American interests in the Persian Gulf. This area is vital to the United States for three reasons:

- Because of western dependence on Gulf oil, we have a significant interest in limiting the Soviet Union's influence in the region, which is also an area of great strategic interest to the Soviets because of its enormous economic potential and its location near Soviet borders (and Afghanistan).

- The security and stability of the moderate states of the area are important to our political and economic goals; we have a major interest in standing by our friends in the Gulf, because of their importance in their own right, because of their influence in the Gulf and beyond, and because of the profoundly negative impact in the Gulf and elsewhere of a U.S. withdrawal or refusal to meet its commitments any longer.

- The unimpeded flow of oil through the Gulf is critical to economic health of the western world, and we have an important stake in non-belligerent freedom of navigation there; we have a vital economic stake in seeing that this supply of oil continues, given Western reliance upon Gulf oil imports, the overwhelming proportion of world oil reserves held by the Gulf countries, and the deep and growing interdependence of Western economies.

### U.S. Strategic Interests

Since the Gulf is a region of vital economic importance to the Free World and a potential chokepoint for vital sea transport, we have a strategic interest in ensuring that it does not come under the domination or hegemony of a power hostile to the United States, to our western allies, or our friends in the region. Should this occur, a hostile power would be positioned

to move against other regional countries, e.g., Egypt, Jordan, Israel, and Turkey. Since the region is adjacent to the Soviet Union and without a major military power which can counter the Soviets, it is clearly vulnerable to Soviet meddling.

We do not want the Soviet Union either to control directly or to increase its influence over the region. We have already seen evidence, including Afghanistan, that the Soviets are eager to exploit the opportunity created by the Iran-Iraq war and the perception of faltering U.S. interest to insert themselves into the Gulf -- a region in which their presence has traditionally been limited and marginal. The Persian Gulf has long been a strategic objective of the Soviet Union. In recent years the importance of this region to the economic health of the West and Japan, as well as its tremendous potential for the Soviet economy, has made it even more desirable. Most of the governments of the Gulf states, however, have regarded the Soviets and their policies with deep suspicion, denying them any significant role in the region. During the past four years, however, the Soviets have skillfully exploited opportunities to play on the anxieties of these moderate states and to press for increased diplomatic, commercial, and military relations. They have steadily pursued an irresponsible campaign of propaganda, contending that the United States seeks only to establish a permanent military presence in the Gulf, creating doubts about our commitment to the stability of the regional states and about our objectives in the region.

The United States recognizes the Iranian revolution as a fact of history. Iran's size, its influence in the region, and its proximity to the Soviet Union and the Persian Gulf make it an important state with which the United States would like to normalize relations over time. Many of Iran's present policies are inimicable to U.S. interests. Therefore, we will not be able to improve relations until Iran changes both its policies and its practices on the war, its support for acts of international terrorism, including hostage taking, and its continuing attempts to intimidate and subvert neighboring states.

Iran's expansionism is another danger. Iran will constitute a strategic problem for the United States as long as the Iranian revolution continues its extremist course. Iran seeks to eliminate superpower presence in the area and to export its radical revolution to the moderate Arab governments of the Gulf. The effects of either Soviet or Iranian hegemony in the Gulf would be a strategic setback to U.S. and Western interests. Because most of the states of the Gulf welcome and look toward an American presence and security commitment, we have the ability to blunt both Soviet and Iranian threats to our interests. In the long run, Iran may find it in its interest to seek a modus vivendi with its Gulf neighbors and the United States. A firm but unprovocative U.S. policy could encourage an Iranian reevaluation of its foreign policy.

## U.S. Political Interests

The security and stability of the moderate Arab Gulf states is directly threatened by both the war between Iraq and Iran and by the radicalism which characterizes the Iranian revolution. The Iranians have made no secret of the fact that they consider the moderate states of the Gulf illegitimate. This is not limited to the Gulf region alone. Iranian efforts in southern Lebanon, as well as Iranian sponsorship of terrorism, continue to demonstrate Iran's short-term goals: to destabilize Israel and Lebanon. In the longer term, Egypt and Jordan, as well as the Gulf Arab states, are considered appropriate targets for destabilization and creation of Islamic fundamentalist governments.

Iran works against these states both with direct pressure - - as Kuwait has received for the past year -- and with internal destabilization, which is a more sophisticated and long-term effort. Each state has to deal alone with the latter challenge to its internal security and ultimate survival. However, we -- and our western friends -- can and must help deal with the former. Moderate states must have the wherewithal to deter and deflect any consideration being given to a direct confrontation. An example of our ongoing commitment to this purpose is our security assistance program and sale of arms to the moderate Arab Gulf states. Such routine sales are basic threads in the overall fabric of our bilateral relationships. A number of proposed arms sales to the moderate Arab states of the Gulf were included in this year's "Javits Report." The Congress properly permitted the Administration to proceed with issuing an export license for the commercial sale of Bradley Fighting Vehicles to Saudi Arabia and Foreign Military Sales offers of F-16 aircraft to Bahrain, plus helicopters and electronic countermeasure systems to Saudi Arabia. The sale of improved Maverick missiles to Saudi Arabia, in addition to other defensive systems on which the Administration has consulted the Congress, such as attrition/replacement F-15s and M60 tank upgrade kits, is a part of this strategy. They meet a legitimate defense need. They do not materially affect the overall military balance in the region. They do help bolster the Saudis and send a signal of our continued commitment to the Kingdom. If we are to assist our friends in the area to provide for their own defense and to resist Iranian threats and intimidation, we must be able to provide these kinds of arms transfers. Barring such sales -- as the Congress has effectively done in past years on proposed sales of additional F-15s and Stinger missiles to Saudi Arabia - - will have the unintended effect of increasing the USSR's and Iran's leverage in the region, particularly as it will raise questions about the nature of U.S. commitments. Further, this Administration has not and will not consider any arms sale request which impacts negatively on the security of Israel.

The United States seeks to promote peace and stability in the Gulf. We have longstanding, friendly relations and share

mutual interests with the moderate Arab Gulf states, which, because of their great wealth and oil reserves, are influential both within and beyond the region. Wealthy but militarily weak and subject to subversion, these states formed the Gulf Cooperation Council (GCC), partially in order to bolster their own defenses in the wake of the Iran-Iraq war. U.S. political interests center on supporting the Arab Gulf states in their security efforts, especially with regard to Iranian expansionism.

The current debate in the wake of the accidental but tragic attack on the USS STARK has focused attention on U.S. policies in this key region of the world. We must remember that our longstanding and publicly supported interests in the Gulf have not changed, and remain vital, not only to the United States, but also to most of the Free World.

### U.S. Economic Interests

American business interests have long been established in the Gulf region. The Arabian-American oil company (ARAMCO), established in the 1930's in Saudi Arabia, began large-scale production after World War II. Similarly, oil production began in Bahrain in 1934, in Kuwait and Qatar in the 1940's, and in the United Arab Emirates (then the Trucial States) and Oman in the 1960s and 1970s. U.S. and other Western companies played a large role in the development of these oil systems as well as infrastructure construction and other projects associated with economic development that grew out of the Gulf's oil earnings. Today, the Gulf region provides a \$7 billion market for U.S. primary and manufactured goods.

The Middle East oil crises of 1973 and 1978-79 were economic disasters for the United States and our allies. As the 1973-74 and 1978-79 oil shocks showed, an oil supply disruption can trigger a sharp escalation in oil prices. In the first oil crisis, the cost of oil quadrupled; in the second, it more than doubled. Since the world oil market is one market, when supplies are disrupted, prices rise for all oil consumers regardless of a particular country's source of supply or import levels at the time. The principal economic impacts of disruptions then result from the economy's inability to adjust instantaneously to this large increase in price for a major input -- causing inflation, unemployment, and recession.

The United States and our allies remain substantially dependent on oil imports, much of which currently come from the Gulf. The Gulf countries supply over 25 percent of all oil moving in world trade today. Over 17 percent of the West's oil consumption comes through the Strait of Hormuz. The West's dependence on Gulf oil is expected to increase over time because Gulf nations possess 63 percent of the Free World's oil reserves, and Gulf reserves are low cost to produce.

In 1986, about 30 percent of OECD Europe's oil consumption came from the Persian Gulf; the comparable figure for Japan was about 60 percent. This Western dependency is expected to increase as non-Gulf reserves are depleted. Likewise, while only six percent of U.S. oil consumption originated in the Persian Gulf in 1986, this level is expected to rise significantly in the future as our own reserves decline and our consumption increases (the recent DOE Energy Security Study projects that total U.S. imports could double to 8-10 million barrels per day by the mid-1990's). Finally, over 70 percent of current Free World excess oil production capacity resides in the Gulf and the West's vulnerability to oil disruptions in the Gulf will increase as non-Gulf excess production capacity shrinks.

As President Reagan recently noted: "...I think everyone...can remember the woeful impact of the Middle East oil crisis of a few years ago -- the endless, demoralizing gas lines, the shortages, the rationing, the enormous dislocation that shook our economy to its foundations." The potential for a similar crisis exists today and in the near future. Given our growing economic relationship with Gulf nations through trade in oil and non-oil products and services, we have a vital and unquestionable economic stake in ensuring that we have unimpeded access to and from the Gulf, both now and in the future.

## II. CURRENT POLITICAL/DIPLOMATIC THREATS TO U.S. INTERESTS

### Continued Expansion of the Iran-Iraq War

While it is true that oil transit and prices have not yet been significantly affected, the continuation of the Iran-Iraq war directly endangers freedom of navigation for non-belligerents and the access to oil. The "tanker war" involves Iraqi attacks against ships serving Iranian ports and oil loading facilities and ships within the exclusionary war zone as declared by Iraq. While Iraqi attacks have been on shipping serving a belligerent, Iranian retaliatory attacks have been against a wide range of third country neutral shipping serving non-belligerent Arab Gulf ports in international waters. This differing pattern reflects, in part, the reality that there no longer is shipping - neutral or otherwise - serving Iraqi Gulf ports. Those ports and oil facilities were rendered useless by Iran in the early days of the war.

Since September, 1986, Iran has deliberately targeted shipping serving Kuwaiti ports in large measure to intimidate Kuwait from its logistical and financial support for Iraq, as well as to enhance its influence over the other GCC states by threatening similar action. The tanker attacks were matched by other elements of Iranian-backed intimidation, including rocket attacks, sabotage, and other forms of violence and subversion. To date, no ship has been sunk, Kuwaiti oil continues to get out of the Gulf, and the overall intimidation effort has not changed Kuwaiti policy or practices, but it did force the Government of Kuwait to seek protection for its interests, both from the GCC and outside powers.

Through the use of political carrots and sticks, Iran has also sought to divide the GCC and lessen GCC support for Kuwait. Given the heavy-handed manner in which Iranian envoys pursue even the goal of accommodation, their efforts to date have not been successful. Most recently, an Iranian envoy toured the GCC capitals to dissuade any support for Kuwait reflagging, U.S. protection, or provision of GCC support for these efforts. The results were not what Tehran would have wanted: the recent GCC Foreign Ministers' meeting in Jeddah publicly endorsed measures taken by Kuwait to protect its interests, reaffirmed that an attack on one was an attack on all members, and supported international efforts to secure freedom of navigation. Despite, or perhaps because of this diplomatic setback, we expect Tehran to use other methods of intimidation against Kuwait and the other GCC members.

The military threat to U.S. interests is discussed in Section IV.

### Iran's Quest for Hegemony

Iranian acquisition and testing of Chinese-origin SILKWORM missiles have significantly heightened the risks to international shipping. The proposed launch sites for these surface-to-surface anti-ship missiles would directly threaten vessels transiting the Strait of Hormuz, allowing the Iranians to put a strangle hold on Gulf shipping. Iranian spokesmen have been blunt in their threats to do just this. While much of the Iranian rhetoric can be discounted as a political measure used for domestic consumption, the reality of the threat remains.

The Khomeini regime continues to view Iran as having predominate responsibility for security in both the Strait of Hormuz and the Gulf as a whole. While official Iranian spokesmen have given a token nod to other Gulf countries when discussing the maintenance of Persian Gulf security, the right of these states to ask for U.S. support, for example, is categorically denied by Iran. There is an historic Iranian penchant for hegemony over the Gulf which approaches megalomania. The other Gulf states are well aware of this Iranian view and take it into account in their dealing with the Khomeini regime.

### Soviet Exploitation

The Soviet Union's long-term objectives in the region are to establish and broaden its hitherto generally weak relations and influence with the Gulf states and, more generally, to counter the U.S. position in the region. The Soviets also seek to maintain their position with both Iran and Iraq and to emerge as a major extra-regional power in the post-Gulf-war period.

The Soviets are achieving some success. The USSR established diplomatic relation with Oman and the UAE in 1985 and is developing contacts with Saudi Arabia. Other Gulf States may be considering establishing relations with the Soviets. Moscow has sought to take advantage of the cautious U.S. policy on arms sales to the Gulf states and of the Iran-Contra affair to pose as the friend and "protector" of the Gulf states. Following the attack on the USS STARK, the Soviets have spread tales of U.S. militarism and, inconsistently, of U. S. unreliability. The rapid Soviet response to a Kuwaiti request to protect its ships, and later to lease shipping, may have been intended as a stroke to establish the USSR as a "responsible" outside naval guarantor.

The Soviet position in the Gulf region, however, is beset by conflicting interests. The Soviets seek to maintain their position as the champion of Iraq and are concerned about the consequences of an Iranian victory in the Gulf war. Because of this, and because the Soviets may believe the war gives the United States a "pretext" to increase its naval forces in the region and seek access to support facilities, the USSR probably

harbors genuine concerns about the war's continuation. However, the Soviets also seek to avoid alienating Iran and, if possible, hope to improve their relationship. In practice, therefore, the Soviets have sought to play both sides of the war, staking out ostensibly constructive positions calling for the war's end, while thus far deflecting strong action directed against Iran as the recalcitrant party towards a settlement.

The Soviets are watching the development of U.S. policy very closely. They might try more seriously to help end the war if they decide that the risks of continued warfare and instability in the region outweigh the unilateral gains they have sought. In this respect, we have engaged the Soviets in our UN Security Council initiative to obtain a mandatory ceasefire and sanctions against those who fail to comply. If, however, the Soviets judge that international efforts to end the war will fail and that the United States will abandon its political and strategic commitments in the region, they will continue their policy of seeking gains in the Gulf at U.S. expense. We know the USSR has sought such facilities over the last six months, coincidental with their offer to protect Kuwaiti shipping.

In sum, the Soviets have long-term ambitions in the Gulf and can be counted on to pursue them. The way the Soviets define their options and the extent to which they see it in their interests to act responsibly will depend in large part on western and U.S. steadfastness, our willingness to protect our own and Free World interests, and the security and independence of our many friends in the Gulf.

### III. DEVELOPMENT OF U.S. POLICY OVER THE PAST SIX MONTHS

#### Chronology

Starting in mid-January, there were a series of top-level meetings at the White House with representatives of the Department of State, Department of Defense, CIA, and other agencies to review the situation in the Gulf and U.S. strategy for protecting our vital interests and those of our allies and friends in the Gulf from the twin threats of increasing Iranian aggression/intimidation and Soviet efforts to expand its politico-military influence at our expense. Against the backdrop of the Iranian offensive against Basra, terrorist and shipping attacks against Kuwait, and virulent anti-U.S. propaganda, the President ordered naval vessels of MIDEASTFOR nearer Kuwait (where the Islamic Summit was being held) as a signal of U.S. support. Kuwait's first official query about U.S. Navy protection was discussed along with other issues.

A Presidential statement was issued on January 23 reiterating support for GCC self-defense and the free flow of oil out of the Gulf. During the month of February, there were further policy review meetings to consider how best to deal with the growing threat in the Gulf, including Iran's public test-firing of the SILKWORM missile in the Strait of Hormuz, and revelation of the Soviet offer to put Kuwaiti tankers under its flag and protect them. On February 25, the President issued a statement reiterating the concern he had expressed on January 23 at the "suffering and instability which the Iran-Iraq war has brought to the Gulf region", regretting Iran's unresponsiveness to efforts at ending the war and its continued efforts to subvert its neighbors, reiterating U.S. diplomatic actions toward ending the war, noting that "this conflict threatens America's strategic interests", and reaffirming our commitment to the "free flow of oil through the Strait of Hormuz" and "to supporting the self-defense of our friends in the region".

During March and April, members of Congress and staff were briefed on the proposal to protect Kuwaiti tankers and Kuwait indicated interest in placing eleven tankers under U.S. flag and in not proceeding with its earlier proposal to place its tankers under Soviet flag. Meetings were held in the White House to review preparation for reflagging and escorting the tankers and diplomatic efforts to accelerate an end to the war. The President approved informing Kuwait that they could have eleven tankers placed under U.S. flag, provided they passed Coast Guard inspection and met other requirements, and that they would be given the same protection the U.S. Navy gives other U.S.-flag vessels in the Gulf. This offer was explained to Kuwait and other GCC states during a visit to the region by the Chairman of the Joint Chiefs of Staff, Admiral Crowe. In mid-May, an instruction was sent to the Commander of our Middle East Force and our Embassy in Kuwait for delivery to the Government there,

advising that protection would not begin until formal approval by the Administration of all arrangements had occurred. Defense Department planning for protection continued, as did Coast Guard preparations for inspecting Kuwaiti tankers.

On May 17, the USS STARK was attacked and hit by Exocet missiles fired from an Iraqi F-1, the first time any ship under U.S. flag in the Gulf had been attacked. This tragic incident caused a further in-depth reexamination of military planning and diplomatic activity, as well as intensive Congressional consultations, including letters of May 20 from the Secretary of State to the Speaker of the House and the President of the Senate.

A detailed chronology of the development of U.S. policy to protect Kuwaiti shipping may be found at Table I.

### Ending the Iran-Iraq War

U.S. consideration of a Gulf protection plan must be viewed within the context of the broader, more fundamental effort to bring about an early, negotiated end to the Iran-Iraq war. Threats to Gulf shipping, intimidation of Kuwait and potential destabilization of Arab Gulf governments cannot be addressed separately from their underlying cause - the war. U.S. policy over the past months has, therefore, been dual tracked -- on the one hand, pursuing and encouraging all diplomatic efforts to end the war and efforts to deny Iran the means to continue the conflict and, on the other hand, seeking to provide security to those nonbelligerent states threatened by the continuation and expansion of the war.

Since January, the United States has taken the lead in the U.S. Security Council to press for a pair of resolutions, the first of which calls for a ceasefire and withdrawal and the second of which includes enforcement measures. The five Permanent Members of the Security Council agree that the war has gone on too long and that more assertive international efforts are needed to force the parties to end the conflict. As a means to do so, the United States strongly supports mandatory sanctions against Iran. Prognosis for an agreed text and approach are good for the initial resolution, but the process is as yet incomplete and the negotiations with the five Permanent Members of the UNSC are at a delicate stage.

There has also been a convergence of views and approach between the United States and the Arab League. At their Foreign Ministers' meeting at Tunis in early April, the Ministers agreed unanimously that the war must be brought to an early, negotiated end, that Iran was the intransigent party and that the flow of arms to Iran had to be halted. It is noteworthy that both Syria and Libya -- traditional supporters of Iran in the war -- voted with the rest of the Arab League. Following the Tunis meeting, representative delegations were dispatched to the capitals of

the UNSC Permanent Members. Their reception in Moscow and Beijing was disappointing. The Soviets expressed platitudes of support -- but took no concrete action. The delegation that subsequently visited Washington, however, was pleased to note that the United States and the Arabs were eye-to-eye on this key issue. We have encouraged the Arab League in its own diplomatic efforts to end the war and welcomed their support for UNSC efforts toward the same end.

The GCC states, most recently at their Foreign Ministers' meeting in Jeddah June 7, have also pledged themselves to pursue all diplomatic efforts to end the war. Regrettably, Iran remains impervious to all of these efforts. The GCC also endorsed U.S. arrangements to protect shipping in the Gulf as early as last February.

The goal of Operation STAUNCH is to persuade Iran of the futility of pursuing the war by limiting its ability to secure weapons, ammunition, and other supplies. This effort is aimed specifically at Iran because that country, unlike Iraq, has rejected all calls for negotiations. STAUNCH entails diplomatic efforts to block and complicate Iranian arms resupply efforts. Despite the exception to policy undertaken last fall, the Administration remains committed to Operation STAUNCH and has used all assets at its disposal to enforce it. The process is complex, but we are continuing to achieve success. We are also supporting an effort within the UNSC to broaden STAUNCH to a more international effort.

Before the Venice summit, we approached other participants to urge greater individual and collective efforts to seek peace and ensure protection of our common interests in the Gulf region. Contrary to press reports, the Gulf situation was a topic of discussion at Venice. The Heads of Government issued a positive, substantive statement urging effective and just UNSC action, publicly reaffirming their vital stake in the Gulf region, and declaring that oil flow and other traffic must continue unimpeded through the Strait of Hormuz.

### Kuwait Reflagging and Protection of Shipping

#### General Background on Reflagging

U.S. law (Vessel Documentation Act of 1980, 46 U.S.C. 121) and policy regarding the reflagging of foreign-flag vessels in the United States require that the ships must meet, in addition to U.S. ownership and manning requirements, both international standards and the even more-stringent U.S. Coast Guard standards, before they are permitted to fly the U.S. flag and assume all the rights and responsibilities associated therewith. In recent years, upwards of 50 foreign-flag commercial vessels have obtained U.S.-flag status. Some of these subsequently have been chartered by the U.S. Government for transport of military supplies by the Military Sealift Command. A standing mission of

the U.S. Navy is to protect U.S.-flag vessels worldwide when required by threats to such shipping and consistent with the availability of U.S. forces; reflagged vessels would qualify for the same protection.

There are very specific Coast Guard regulations for reflagging which are based on U.S. statute. The reflagged vessels must meet U.S. inspection and safety requirements, be U.S.-owned, and have a U.S. master. The owner can be an individual U.S. citizen or a U.S. company in which the chief executive officer, the chairman of the board, and a majority of the directors are American citizens. In addition, according to Coast Guard regulations, 75% of the crew on vessels serving American ports must be American citizens. Vessels which do not enter U.S. ports, however, can hire crew members other than the master who are foreign nationals.

Related to reflagging is inspection, by which the Coast Guard ensures that the ships comply with U.S. requirements for safety and structural integrity. The Coast Guard has encountered no major problems with the inspections of the former Kuwaiti tankers. These inspections are scheduled to be completed by mid-June. On the basis of U.S. national security interests in the Gulf, the Department of Defense authorized a one-year waiver from certain U.S. specifications which are over and above existing internationally-accepted standards. These affect such items as pyrotechnical and life-saving equipment. A two-year waiver was granted for those inspections requiring drydocking.

Like all U.S.-flag vessels, these ships are subject to U.S. control. Their owner is subject to American tax and corporation laws. The vessels also come under the Mobilization Act which allows the Department of Transportation to requisition the vessels' use or title in the event of a crisis. Should a vessel's owner wish to register the ship under some other flag in the future, the permission of the U.S. Government is required.

Under international and U.S. domestic law, these prerequisites to and incidents of U.S. registration establish effective jurisdiction by the United States over commercial vessels of its flag. In practice, they provide the "genuine link" with the United States that under international law impresses authentic U.S. nationality on the Kuwaiti tankers and other merchant vessels of our fleet.

#### The Kuwait Case

As a result of the Iranian policy to target shipping serving Kuwaiti ports, the Government of Kuwait began efforts to protect its interests by raising at the November 1986 GCC Summit the issue of securing outside assistance. While the member states did not feel they had the resources to assist directly,

they did not oppose Kuwait's efforts to take other necessary measures.

Our first clear indication of Kuwait's approach came with the Kuwait Oil Tanker Company (KOTC)'s request to the U.S. Coast Guard last December for information on reflagging requirements. Because of the number of reflaggings worldwide in recent years, the request was handled as routine and information was provided on the complex, time-consuming process. In January, the Government of Kuwait formally queried our Embassy about the use of U.S. flags and whether reflagged Kuwait vessels would receive U.S. Navy protection equal to that provided other U.S.-flag vessels. At this time, we also were informed of Soviet agreement to provide protection to Kuwaiti tankers under the Soviet flag or to charter Soviet tankers. In line with U.S. regulations and longstanding U.S. policy commitments to maintain the free flow of oil through the Strait of Hormuz, Kuwait was assured that, if its vessels met standard U.S. requirements, it could apply for reflagging and we would consider what protection could be afforded.

Kuwait indicated that it was considering reflagging six vessels under the U.S. flag and five under the Soviet flag. On March 7, the U.S. Government advised the Government of Kuwait of our willingness to protect all 11 of the Kuwaiti-owned vessels in question. We informed other GCC states of our offer, which they approved, and expressed our concerns about increased Soviet presence in the Gulf.

Kuwait announced it would accept our offer and decided to reflag the 11 vessels in the United States. We were told that, while this arrangement would obviate any need to reflag five vessels with the USSR, Kuwait was going to augment its fleet with three long-haul Soviet-flag vessels through one-year commercial charter arrangements. As soon as Kuwait indicated its acceptance of our offer, we began consultations with Congress which are still ongoing.

One advantage for the United States from the Kuwaiti decision to register its tankers under the U.S. flag is the greater control which we now have over these ships. Under this protection plan, we will be able to control the movement of these tankers in the Gulf, and we can guarantee that they will carry no contraband.

In the meantime, representatives of MIDEASTFOR and the KOTC have discussed modalities of a protection plan, and KOTC and the Coast Guard have worked on the technical aspects of reflagging.

## IV. MILITARY ARRANGEMENTS

### MISSION

As mentioned previously, the United States has maintained a naval force in the Persian Gulf since 1949. MIDEASTFOR's primary mission has been and will continue to be to provide military presence in order to protect U.S. interests and provide a rapid response capability in contingencies. Other missions include assisting friendly regional states, protecting U.S.-flagged vessels, maintaining safe passage of U.S.-flagged shipping through the Strait of Hormuz, and preserving U.S. and allied access to vital oil resources in the region. MIDEASTFOR is tasked with providing protection to U.S.-flagged vessels including the reflagged Kuwaiti vessels sailing within or transiting through the international waters of the Gulf of Oman, Strait of Hormuz, and the Persian Gulf. The continued presence of U.S. forces in the Persian Gulf signals U.S. resolve in the area and acts as a moderating element with regard to the Iran-Iraq war. Further, U.S. forces have acted as a deterrent to ship attacks. U.S. forces have escorted U.S.-flag vessels (4 - 10 ships per month) for the past four years with no attacks on these vessels by either belligerent. Additionally, no other vessel has been attacked while in close proximity of a U.S. combatant.

### BELLIGERENT ORDER OF BATTLE

#### Iran

The Iranian air force fighter aircraft inventory consists of F-4s, F-5s, and F-14s. In addition, the air force maintains armed helicopters. However, combat losses, spare parts shortages, and a desire to avoid superpower confrontation diminish the likelihood of a deliberate Iranian attack on U.S. forces.

The Iranian navy has encountered problems similar to the air force (inadequate maintenance and spare parts shortages). Low operational readiness status has relegated the Navy, for the most part, to patrol duties and search and seizure of unescorted merchant ships.

During the summer of 1986, Iran received its first of several SILKWORM anti-ship missile batteries from China. The Iranians successfully test-fired the missiles from a site on Qeshm Island in late February of this year. SILKWORM is a highly mobile system which can be set up in less than 12 hours. The 50 NM range of the SILKWORM enables Iran to cover the entire Strait of Hormuz, including the heavily traveled shipping lanes. The missile's large warhead is capable of sinking or, at a minimum, causing serious damage to a ship. Once operationally deployed, the SILKWORM coastal defense missile will increase the potential threat to ships in the Gulf.

## Iraq

Iraq maintains a viable fighter and fighter-bomber inventory consisting of French- and Soviet-manufactured aircraft. However, it is unlikely that Iraq would intentionally target U.S. forces. As a result of the USS STARK being fired on accidentally by an Iraqi aircraft, identification procedures for U.S. and Iraqi forces are being developed by the United States and the Government of Iraq. These procedures, when approved by both countries, will reduce the probability of a recurrence of the USS STARK incident.

### OVERALL THREAT TO U.S. FORCES AND U.S.-FLAGGED SHIPPING

It is believed that Tehran remains reluctant to deliberately and overtly target U.S. forces. The Iranian threat to U.S. forces is primarily based on potential identification errors or a unilateral decision of a local commander. We believe the SILKWORM will be used to intimidate Gulf states friendly toward Iraq, such as Saudi Arabia and Kuwait. Iran has generally not attacked merchant ships associated with superpowers and avoids confrontation with warships of any nation. On the other hand, there is a threat from terrorism and other unconventional, non-attributable forms of attack. Iran has long been active in subversion and terrorism in the countries of the Persian Gulf. However, its ability to gain access to U.S. forces and facilities is limited.

### THREAT TO KUWAIT AND OTHER GCC COUNTRIES

The Iranian Air Force poses a potential threat to Kuwait and other friendly Persian Gulf nations, with its capability to launch potentially damaging raids against oil facilities, desalinization plants, and shipping throughout the Gulf.

Iran's navy continues to stop and search and, when contraband is found, seize unescorted merchant ships. At any time, it could resume anti-shipping operations against Kuwaiti commercial ships transiting the Persian Gulf. Although recent Iranian emphasis has been placed on ships engaged in trade with Kuwait, attacks on other shipping are also possible.

The Iranian threat to Kuwaiti oil facilities, primarily from sabotage, and shipping in the Gulf is moderate-to-high, since the Iranian leadership views Kuwait as an active Iraqi ally. Attacks on shipping have apparently ceased for the moment but could resume at any time. The Iranians could well resort to more non-attributable forms of attack against Kuwait through terrorism, mining of accesses to Kuwaiti ports, etc. Similar threats could be posed to other Gulf states.

## OVERALL ASSESSMENT

For all of the reasons cited, it is considered unlikely that Iran would seek a direct confrontation with the United States by directly and overtly attacking a U.S.-flag merchant ship. This is particularly true if the merchant ship is escorted by U.S. warships.

A deliberate strike on U.S. forces by Iraq is highly unlikely, and accidental attacks such as that suffered by the USS STARK are far less likely to occur due to procedures being developed for interaction between U.S. and Iraqi forces.

## RULES OF ENGAGEMENT (ROE)

U.S. Peacetime Rules of Engagement are based on the inherent right of self-defense. These rules ensure a full range of options consistent with that right and U.S. policy. The Persian Gulf Supplemental ROE have been tailored specifically for the area and provide specific guidance for threats from aircraft, surface/subsurface vessels, and land-based weapons systems such as the the SILKWORM missile.

The following definitions are pertinent to understanding the ROE:

- Hostile intent: The threat of imminent use of force against friendly forces, for instance, any aircraft or surface ship that maneuvers into a position where it could fire a missile, drop a bomb, or use gunfire on a ship is demonstrating evidence of hostile intent. Also, a radar lock-on to a ship from any weapons system fire control radar that can guide missiles or gunfire is demonstrating hostile intent. This includes lock-on by land-based missile systems that use radar.

- Hostile act: A hostile act occurs whenever an aircraft, ship, or land-based weapon system actually launches a missile, shoots a gun, or drops a bomb toward a ship.

U.S. forces in the Persian Gulf will respond as follows:

- Self-defense: U.S. ships or aircraft are authorized to defend themselves against an air or surface threat whenever hostile intent or a hostile act occurs.

- U.S.-flagged commercial vessels: U.S. ships or aircraft may defend U.S.-flagged commercial vessels against air or surface threats whenever hostile intent or a hostile act occurs.

The ROE provide authority to the on-scene commander to declare a threat hostile and engage that threat (i.e., a force demonstrating hostile intent or committing a hostile act) with all forces available to him in self-defense of his unit and

U.S.-flagged vessels. Only that force which is required to neutralize the threat or prevent a hostile act is authorized. Further, any use of force beyond that used against the immediate threat or in response to a specific hostile act must be approved by the National Command Authority.

As a result of the USS STARK being fired on accidentally by an Iraqi aircraft, identification procedures for U.S. and Iraqi forces are being developed by the United States and the Government of Iraq. These procedures when approved by both countries will reduce the probability of a recurrence of the USS STARK incident. Iran assiduously adheres to U.S.-established procedures for warning and identification (IFF) when operating in the vicinity of U.S. forces. We fully intend to remind Iran of those procedures prior to implementation of the protection plan.

#### READINESS CONDITION OF U.S. COMBATANTS IN THE PERSIAN GULF

Definitions of readiness conditions of naval combatants are contained in Table II. U.S. combatants operating in the Persian Gulf remain at readiness condition III. However, when transiting the Strait of Hormuz or when confronted by an air or surface contact which closes in a threatening manner, units are required to go to General Quarters. Even so, there is no guarantee of 100 percent protection to our combatants or U.S.-flagged vessels regardless of their readiness condition. Additionally, all U.S. forces in the Gulf region are at a heightened state of awareness as a result of the President's guidance.

#### PROTECTION OF SHIPPING PLAN

MIDEASTFOR consists of the flagship, USS LASALLE, and four combatants. An additional combatant is also stationed in the Gulf of Oman to assist in the surveillance, patrol, and escort effort. Additional combatants will augment MIDEASTFOR in the future. The ships of MIDEASTFOR will all be equipped with surface-to-air missiles and the Close-In Weapons System. Carrier battle group (CVBG) Indian Ocean presence is normally planned for seven months a year; however, a CVBG is currently scheduled to be in the Indian Ocean continuously for the immediate future. A detailed review of the advisability of battleship battle group operations in the area is being conducted. Airborne Warning and Control system (AWACS) aircraft further enhance MIDEASTFOR capabilities.

Protection provided to the newly U.S.-flagged tankers will be identical to that which would be provided to any U.S.-flagged commercial vessel in similar circumstances. Escorted merchants will be in communication with the U.S. Navy combatants and will have a moderate separation. The combatants will be conducting surveillance by electronic and other means. Other U.S. Navy

ships will be on normal patrol in the Gulf and available to assist if required.

#### COOPERATIVE ARRANGEMENTS

The U.S. mission in the Gulf is to protect U.S.-flag ships transiting that international waterway, including the eleven reflagged Kuwaiti tankers. Since the responsibility to protect U.S. assets is ours, allied and Gulf state cooperation for this mission will be limited. We have neither been asked to protect the flag vessels of other nations nor do we intend to do so unilaterally. In point of fact, however, several regional states, the UK, and France currently maintain a military presence, conduct military operations, or provide support for the military operations of other navies in or near the Gulf that have been a significant contribution in effectively deterring more extensive attacks on non-belligerent shipping and friendly territory. These arrangements and cooperation have been kept highly confidential for domestic political reasons in the Arab countries concerned. Without this confidentiality, such cooperation would be difficult to sustain. We do believe it is important at this time for the allies and regional states to lend strong public endorsement for U.S. operations in the Gulf and, where possible, to make their own military operations and cooperation with us more visible. A summary of that cooperation and what more we are seeking follows.

#### Allies

United Kingdom. The UK has several combatants in the Indian Ocean that occasionally enter the Gulf. On those occasions they generally conduct simple passing exercises with our MIDEASTFOR units. This includes a general exchange of information on ship traffic, weather, etc.

France. The French operate combatants out of Djibouti and maintain a presence in the Indian Ocean. They rarely enter the Gulf or Strait of Hormuz. It is unlikely that the French will wish to increase their forces in the area or participate in a multinational protection plan for non-belligerent shipping in the Gulf.

Other Allies. The Federal Republic of Germany and Japan are constitutionally restricted from participating in a Gulf shipping protection plan. A symbolic presence on the part of our European allies and possible financial support from Japan, however, are possible. The President has requested public support for our efforts in the Gulf from the allies.

#### Persian Gulf

Gulf Cooperation Council. The GCC was established in 1981 by six states along the Arabian Peninsula: Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates, and Oman. The

organization seeks cooperation in five major areas covering economic development, foreign policy, social welfare, collective defense, and internal security. The common defense program is embryonic, with some combined exercises, consideration of common weapons system procurements, and formation of a rapid deployment force.

#### The Gulf States.

Saudi Arabia. U.S. Air Force AWACS aircraft have been deployed to Saudi Arabia since 1980 to provide early warning and surveillance information for defense of the Kingdom's Eastern Province and protection of MIDEASTFOR units in the Gulf. Royal Saudi Air Force fighters provide necessary protection for the U.S. AWACS, which remain in Saudi airspace. During the USS STARK incident, the Saudis scrambled F-15s to protect the AWACS and their own territory and facilities, assisted in the search and rescue operation, and readied their military hospital at Dhahran for casualties.

Kuwait. Kuwait's refinery is the sole source for jet aviation fuel in the region and provides fuel on a commercial basis for MIDEASTFOR units and the CVBG in the North Arabian Sea. Kuwait has offered to provide free fuel to MIDEASTFOR ships escorting the newly reflagged tankers as well as maintenance support.

Bahrain. The ships of MIDEASTFOR have been supported from Bahrain for many years. Bahrain leases facilities for an administrative support unit on the Island and provides port facilities. During the USS STARK incident, Bahrain contributed greatly in the search and rescue effort, provided extensive medical assistance, and has been the host to numerous investigative teams. Additional port facilities have been provided to allow USS ACADIA, a destroyer tender, to conduct repairs to the USS STARK.

United Arab Emirates. The UAE permits port visits and commercial refueling of MIDEASTFOR units.

Oman. The United States has participated in combined exercises with the Omanis, using both naval and air forces. Oman also leases air facilities to us for P-3 surveillance operations in the North Arabian Sea and allows commercial refueling of MIDEASTFOR units. There are also agreements for storage of nonlethal U.S. defense material in the Sultanate.

### LEGAL CONSIDERATIONS

#### War Powers Resolution

Sections 3 and 4 of the War Powers Resolution apply whenever the President introduces U.S. Armed Forces "into

hostilities or into situations where imminent involvement in hostilities is clearly indicated by the circumstances." These sections, if applicable, would require the President to consult with Congress "in every possible instance" before such an introduction, and to report in writing to Congress within 48 hours after the introduction.

As Secretary of State Shultz said in his letter of May 20, 1987, to the Congressional leadership, the Administration has considered this matter carefully and has concluded that there is no basis at the present time for concluding that the Resolution will apply to the escorting of the reflagged tankers by U.S. Naval vessels. There is at this time, no clear indication of imminent involvement of our forces in hostilities. Prior to the attack on the USS STARK, there had been no attack on U.S. vessels in the Gulf. The attack on the USS STARK was apparently the result of an error in targeting, and not the result of any decision by Iraqi forces to attack U.S. vessels. We have no reason to believe that such an attack will be repeated. The objective of our Naval presence will be to deter, not encourage, hostile action.

We are in no way attempting to avoid consulting with, and reporting to, the Congress with respect to this program. We will continue to keep the situation under active review from this standpoint, and will continue to consult with the Congress on any significant developments. At this time, however, there is no reason to conclude that the Resolution will be triggered by our planned course of action.

#### Compliance with International Law

The United States will be in full compliance with international law in providing escort to the reflagged tankers. International law clearly recognizes the right of a neutral state to escort and protect its flag vessels in transit to neutral ports. The tankers will carry Kuwaiti oil to neutral ports and will return in ballast; they will not carry contraband for either of the belligerents. If a belligerent seeks to exercise the right of visit and search for contraband, the U.S. escorts will certify its absence.

The escort plan itself, and the ROE applicable to U.S. naval and air operations in the Persian Gulf, are carefully designed in recognition of principles of international law limiting the threat or use of force. Our Gulf naval presence in the past has not proved, nor is it intended in future to be, provocative. It poses no threat to belligerents. In accordance with our inherent legal right to employ proportional military force as necessary in self-defense, the United States will act only in the face of attack, or hostile intent indicating imminent attack, against warships or commercial vessels of its flag.

Therefore, the United States will be in full compliance with international law concerning neutrality and the use of force. Neither the tankers nor their U.S. escorts will be legitimate objects of attack, and the United States will exercise the right to use reasonable force only to protect them from attack.

## V. CONCLUSIONS

The United States has three major interests in the Persian Gulf which endow the region with special importance for our foreign policy and national security interests: preventing the spread of Soviet influence in the area or domination of the region by a hostile Iran; preserving the security and stability of the moderate Gulf Arab states; and maintaining continued access to Gulf oil resources, which are becoming increasingly more important.

Our major interests in the Persian Gulf are threatened today by the Iran - Iraq war, particularly the potential for spill-over to the moderate Gulf states, Iranian intimidation of these governments, and the Iranian preparations for deployment of SILKWORM anti-ship missiles capable of covering the vital Strait of Hormuz choke point. The further possibility of establishment of Iranian hegemony throughout the region would be disastrous to U.S. and Western interests as a whole. The Soviet Union desires to expand its influence in the Persian Gulf and is seeking ways to exploit tensions in the region to undermine the longstanding interdependency of the Gulf states and the West.

The United States Navy has protected commercial shipping flying the American flag since the earliest days of the Republic. That protection is available without discrimination to all vessels that meet the stringent requirements of U.S. law for ownership, manning, and safety. The Government of Kuwait requested and the U.S. Government agreed to the reflagging of 11 ships then owned by the Kuwait Oil Tanker Company. Upon completion of U.S. Coast Guard inspections and other formalities, these ships will be permitted to raise the American flag and be entitled to the protection of the U.S. Navy in the troubled waters of the Persian Gulf.

The U.S. Navy presence in the Persian Gulf will be augmented with additional combatant ships in order to successfully conduct its mission of protecting all U.S. commercial flag vessels plying the Gulf. An operational plan has been developed employing a "sphere of influence" for small groups of vessels under active escort by naval ships. The plan is not risk-free: threats to American warships and the protected U.S. vessels do exist, principally from unconventional methods of attack, but these risks are low-to-moderate. Our warships are adequately armed and are guided by appropriate rules of engagement to meet the threat, including that from SILKWORM missiles. In addition, the presence of armed USN warships will continue to be a powerful deterrent to Iranian attack.

The United States is actively seeking an end to the Iran - Iraq war through every diplomatic means available and continues to work for a negotiated settlement that leaves no victor or vanquished, with the sovereignty and territorial integrity of

each intact. While the United States welcomes the participation and assistance of its allies and the Gulf states in the protection of shipping in the Gulf, we are prepared to accept our responsibility as a superpower to take the initiative in ensuring the free flow of oil. The bottom-line: if we, as the leader of the Free World, do not take on the role of protecting declared vital U.S. and western interests, there are others who will try to insert themselves -- gladly. Their objectives will not be ours. That is the real risk we cannot afford to take.

## VI. OUTLOOK AND NEXT STEPS

### Implementing the Protection Plan

The U.S. Navy ships that will augment MIDEASTFOR to participate in the protection mission are scheduled to arrive in the Gulf at the beginning of July. Prior to this, the Commander of MIDEASTFOR is expected to complete the remaining details of the escort procedures, including scheduling the tankers, refueling, etc. with the KOTC and the Kuwaiti government. We also will work with our allies and the Gulf states to put into place those arrangements in which they will participate. The U.S. masters assigned to the tankers also are expected to arrive in the region within the next few weeks to take command of the newly-flagged vessels. Once these final details are completed, and the President has been advised and agrees, the protection plan is expected to begin.

### Diplomatic Strategy for Ending/Containing the War

As noted above, the United States has been and continues to take the lead within the UN and with our allies to press for an early, negotiated end to the war. We have and will work closely with the members of the UN Security Council, the Arab League, the GCC, and others who seek the same goal. The United States seeks to minimize Soviet political and military inroads in the region and does not want to legitimize Soviet naval presence in the Gulf as a participant in an international shipping protection plan, but we are not adverse to working with the USSR in multilateral efforts to end the war. Ending the threat of conflict will benefit both countries, as well as the entire region. The United States notes the declaratory Soviet support for freedom of navigation in the Gulf but believes that, rather than engaging the Soviets in formal arrangements in the Gulf, efforts should focus on ending the war so that the question of shipping protection need not arise. We have worked well with the Soviets so far at the UN. The U.S. also seeks serious Soviet efforts to staunch the flow of arms to Iran. Those efforts have not been sidelined by our more immediate concerns for protection of shipping. Quite to the contrary, we have redoubled our efforts on the diplomatic front, recognizing that the only assured means to guarantee the free flow of oil and the stability and security of our friends and preclude further Soviet access and Iranian hegemony is to end the tragic and senseless war.

### Continued Consultations with the Congress

The Administration has kept Congress aware of our policy and efforts to assist the Gulf reach goals that we all share. This report, by its very inclusiveness, seeks to inform and share with the Congress the fundamental elements of our policy, the nature of our presence, and the evolution of these elements that have led us to take the more immediate steps now being

TABLE I

Chronology of Kuwaiti Shipping Protection Issue

1986

- November 1            Kuwait raises concern about shipping at GCC Summit
- December 10          Kuwait Oil Tanker Company (KOTC) requests U.S. Coast Guard (USCG) to provide U.S. flagging requirements.
- December 23          KOTC informs U.S. Embassy of interest in reflagging.
- December 25          USCG informs KOTC of reflagging requirements.

1987

- January 12            USCG sends KOTC reflagging information.
- January 13            Kuwait asks Embassy if reflagged Kuwait-owned vessels would receive U.S. Navy protection; we learn Kuwait has similar offer from Soviets.
- mid-January          Interagency policy meetings at White House on Iran/Iraq war and Gulf.
- January 23            Presidential statement reiterates commitment to free flow of oil through Strait, support for GCC self-defense.
- January 29            USG reply to January 13 inquiry reiterates policy commitment to Gulf; Kuwait can reflag/charter if it meets U.S. requirements.
- February 6            We affirm to Kuwait that U.S. Navy mission is to protect all U.S. flag ships to degree possible with available assets.
- mid-February         Interagency policy-level meetings at White House on Middle East and Gulf issues, specifically including issues of free flow of oil, SILKWORM threat and protection of Kuwaiti tankers.
- February 25          Presidential statement reiterates USG commitment to free flow of oil, GCC states' security.
- late-February        Successful Iranian test-firing of SILKWORM missile at Qeshm Island.

late-February We learn of USSR agreement to reflag/protect five Kuwaiti tankers.

March 2 KOTC asks to put six vessels under U.S. flag.

First Week in March President approves interagency recommendation on protection of Kuwaiti tankers.

March 7 Kuwait informed of U.S. offer to protect all eleven vessels in question.

March 10 Kuwait indicates it will accept USG offer.

March 12 State Department Legislative Affairs notifies Staff Directors of HFAC/SFRC Subcommittees on Europe/Middle East of USG offer to Kuwait, offers detailed briefing.

March 17 CJCS, Admiral Crowe, reaffirms USG offer to Kuwait.

March 19 Classified talking points on U.S./Kuwait offer delivered to HFAC/SFRC staffers.

March 22 KOTC/MidEast Force begin talks on protection modalities.

March 23 Classified talking points delivered to HASC/SASC staffers.

March 30 Assistant Secretary Murphy gives closed joint briefing to HFAC subcommittees on Europe/Middle East and Arms Control/International Security/Science.

March 31 Murphy briefs SFRC members in closed session.

April 2 Kuwait gives positive formal response to 3/7 offer; decides to reflag 11, limit Soviet role to charter.

early April We learn Kuwait will charter three long-haul Soviet tankers.

April 21 Murphy open testimony to HFAC Subcommittee on Europe/Middle East refers to reflagging arrangement.

April 22 KOTC/U.S. Coast Guard talks on technical details of reflagging; first step -- USG inspection.

early May Soviet charters begin.

May 12 USCG inspection begins in Kuwait.

May 13 Kuwait/MidEast Force meeting on proposed system of protection.

May 14 DOD authorizes National Defense Waiver allowing vessels one year to comply with certain U.S.-specific safety requirements and two years to comply with drydocking requirements.

May 17 Attack on USS STARK.

TABLE II

READINESS CONDITIONS OF U.S. NAVAL COMBATANTS

U.S. Naval vessels have five readiness conditions. These conditions represent varying states of readiness and are depicted as follows:

CONDITION I. Condition I, or General Quarters, requires the manning of all weapons systems, sensors, damage control, and engineering stations. Engineering systems are configured for maximum flexibility and survivability. With all hands at General Quarters, the ship is prepared to fight at its maximum capability.

CONDITION II. Temporary relaxation of Condition I for rest and meals at battle stations.

CONDITION III. Condition III watches require about one-third of the crew to man the weapons systems for prolonged periods. Condition III must provide the capability to conduct or repel an urgent attack while the ship is called to General Quarters.

CONDITION IV. Condition IV watches require an adequate number of qualified personnel for the safe and efficient operation of the ship and permit the best economy of personnel assignment to watches. No weapon batteries are manned.

CONDITION V. In port during peacetime, no weapons manned.

debated among us -- the active protection of shipping. The Administration will keep the Congress informed as events evolve and looks forward to working closely in the furtherance of our national interests as they relate to the vitally important Persian Gulf region.