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International Relations Department
Israel and Middle East Division

**CONSULTATION ON U.S. STRATEGIC INTERESTS
IN THE ARABIAN PENINSULA & PERSIAN GULF**

March 29, 1984

SUMMARY OF CONCLUSIONS & RECOMMENDATIONS

1. It appears unlikely that the Straits of Hormuz will be totally blocked and the export of oil cut off. If there was such a cut off, however, there could be serious consequences. The real danger is not loss of supplies, since available reserves together with expanded production by non-Gulf producers could make up the shortfall, but the psychological impact on the international oil market. Panic buying could drive up spot prices, as occurred after the Iranian revolution in 1979, and this could result in an increase in long term prices. This underscores the need for coordinated contingency planning by the Western industrial powers and Japan.
2. The Reagan Administration is only now beginning to think about how and under what circumstances to use our Strategic Petroleum Reserve. How long into a crisis should we wait before drawing on SPR oil? Should the oil be sold only to U.S. companies or also to foreign firms? Guidelines for using the SPR need to be drawn up. A definitive U.S. policy would help avert "panic buying" by our allies in the event of a cut off of Gulf oil. (The 390 million barrels currently stored in the SPR would be sufficient to make up the lost supply to Europe and Japan for more than three months or to replace total U.S. oil imports for four months.) The SPR, however, is untested and there remains some uncertainty as to how effectively and at what cost we can draw the oil from the salt caverns.
3. The Iraqi-Iranian war is likely to continue. A principal lesson of this conflict is that we should not underestimate either the ability of rulers in crisis situations to survive despite severe setbacks or the national cohesiveness of a country's population. Through a combination of appeals to nationalism, the launching of development projects in Shiite areas, and the use of coercive measures, the regime of Saddam Hussein has prevented any effective pro-Iranian revolt by the Shiites of Iraq. Similarly, the Arab-speaking residents of the Iranian province of Khuzistan did not actively support the Iraqi appeals to rise up against Khomeini.
4. Neither an Iraqi nor an Iranian victory is in the interest of the U.S., Saudi Arabia, the sheikdoms or Israel. While a limited American tilt toward Iraq might appear to make some sense in terms of averting an Iranian breakthrough, such a move is not advisable. Since no one is convinced that a tilt to Iraq could be carefully calibrated, it has inherent dangers for U.S. strategic interests in the Middle East. The increasing evidence that

Iraq has used illegal chemical warfare is also likely to militate against Congressional or public support for any significant improvement in American-Iraqi relations. While the spread of Islamic fundamentalism, and in particular the joining of radical and fundamentalist elements in anti-Western terrorism, poses a serious threat to American interests and conservative Arab regimes, the weak Gulf states still remember that Iraqi ascendancy used to be a major concern. They are therefore only reluctantly supporting Baghdad and are not eager to see Iraq emerge as the predominant Gulf power. The unstated hope in many quarters is that the war will continue indecisively, weakening both sides.

5. Although one can not exclude the possibility of a major escalation in the conflict, most participants discounted the prospect of a doomsday scenario in which the West and the Soviet Union would be dragged into a conflict that could escalate into World War III. Both the Soviet Union and the United States have exercised considerable restraint in the Iran-Iraq war. Although Moscow has been critical of American threats to use force if necessary to keep the Straits of Hormuz open, the USSR is unlikely to take military action to prevent the re-opening of the Straits, especially in view of Russia's traditional championing of the principle of free passage through international straits (e.g. the Dardanelles).
6. While Saudi Arabia has been characterized as a stable country in the 1960's and 1970's, it is now moving into an era of instability. There are new groups and new classes in Saudi society that did not exist until the late 1960's. At present, there seems to be no imminent threat to the regime. Nevertheless, given the paucity of information about what is going on in high levels of Saudi society, it is very difficult to measure forces of stability and instability, or to predict the future course of Saudi political development. The presence of large numbers of foreign workers, the generational gap between the western-educated youth and their traditional elders, and the impact of opening higher education to women are among the developments that are likely to increase strains within Saudi society in the next decade.
7. The U.S. should encourage the Export-Import Bank to extend credits to Iraq for the building of an oil pipeline to the Jordanian port of Aqaba. The pipeline, which could be constructed in a period of less than six months, would greatly aid Iraq's ailing economy. Israel is not likely to obstruct Iraqi oil exports. It also has not blocked ships going to Aqaba with supplies for Iraq. The U.S. and Israel should discuss Red Sea security arrangements and such discussions might lead to some tacit Iraqi-Israeli understanding and the eventual weaning of Iraq away from the radical Arab anti-Israel confrontation front.
8. It was agreed that the U.S. did not want to make direct use of Israeli armed forces in any local military action in the Gulf. Moreover, Israel itself would be very reluctant to play such a role. There was much disagreement among the participants, however, on what indirect role, if any, Israel could play in promoting U.S. strategic policy vis-a-vis the Gulf. A supportive role might involve intelligence gathering, providing additional air cover for the U.S. Navy in the Eastern Mediterranean, and countering Syrian threats to Jordan so that a Jordanian rapid deployment force could be deployed to the Gulf area.

9. It was suggested that Turkey could play a useful role to help the U.S. protect its interests in the Eastern Mediterranean and the Persian Gulf. America's other NATO allies should also be more actively involved in contingency planning to meet potential military threats in the Gulf region. Egypt is currently also a moderate pro-Western state that shares American strategic concerns, but there was dispute among the participants as to whether Egypt would be willing or able to send a military expeditionary force to help Gulf states in trouble or whether Egyptian military forces would be welcomed. (The unfortunate Egyptian intervention during Nasser's time in the Yemeni civil war has resulted in a measure of hesitation on both sides.)
10. The Gulf and the situation in Lebanon has taken precedence over the Arab-Israeli conflict in U.S. Middle East attention during most of the past two years. As a result, the current government in Israel has been afforded greater freedom of action vis-a-vis the West Bank and U.S.-Israeli differences have been minimized. This does not mean, however, that those differences have been resolved or that U.S. and Israeli Middle East perceptions are identical on these issues, which are likely to assume a higher priority following the Israeli and American elections.
11. Recommendations for AJC follow-up activities:
 - a. Publicize and condemn human rights violations committed by Iraq and Iran.
 - b. In places where exaggerated reports of Israeli military assistance to Iran have been used to fan anti-Israel feelings in the American public, provide background information that will put the limited Israeli supply of spare parts into perspective and explain the factors (e.g. the vulnerable Jewish community in Iran) why Israel does not adopt an openly hostile position to the anti-Zionist Khomeini regime.
 - c. Encourage the Administration to support Export-Import Bank credits for the Kirkuk-Aqaba pipeline, which would provide a channel for Iraqi oil not subject to interruption by closing of the Straits of Hormuz.
 - d. Express through private channels concern over the harmful consequences to U.S. strategic interests of attempts by the American pro-Greek lobby to cut off U.S. assistance to Turkey. Turkey is an important regional power, with close ties to Western Europe and the Islamic world, as well as a measure of friendly relations with Israel.
 - e. While pointing out the very limited extent to which the United States can rely upon the Saudis either politically, diplomatically or militarily, we should not argue publicly that Saudi Arabia is really unstable. This only strengthens the

counter-argument that close U.S.-Israeli relations increase Saudi instability by making the Saudis vulnerable to radical criticism and that increased American military supply to Saudi Arabia is necessary to shore up the regime.

- f. It was also suggested that the AJC sponsor an expanded two-day conference in the fall to assess the options for U.S. Middle East policy in the Arab-Israel area as well as in the Gulf in the period following the Israeli and American elections.

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THE AMERICAN JEWISH COMMITTEE

CONSULTATION ON U. S. STRATEGIC INTERESTS
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