



Department of State

TELEGRAM

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NODIS
FOR RUMSFELD PARTY ONLY FROM MURPHY

E.O. 12356: DECL: OADR
TAGS: PREL, US, IZ
SUBJECT: FOLLOW-UP STEPS ON IRAQ-IRAN

REF: (A) BEIRUT 0118 (B) RABAT 0041

1. (S) - ENTIRE TEXT.

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PRESENT MESSAGE RESPONDS TO AMBASSADOR RUMSFELD'S

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REQUEST (REF A) FOR STATUS REPORT AND PERIODIC UPDATE OF STEPS WE ARE TAKING TOWARD IRAQ. REF (B) REPORTED MEASURES SUGGESTED BY IRAQ AS TRANSMITTED BY MOROCCAN FONMIN.

3. CURTAILING ARMS TO IRAN: THE SECRETARY HAS ASKED AMBASSADOR FAIRBANKS TO OVERSEE THE DIPLOMATIC INITIATIVE WE LAUNCHED LAST MONTH TO CURTAIL THE FLOW OF WESTERN AND PRC ARMS TO IRAN. FOLLOW-UP ACTIONS INCLUDING A SECOND ROUND OF DEMARCHES ARE IN PREPARATION.

4. CONTROLS ON U.S. EXPORTS TO IRAN: THE SECRETARY HAS DECIDED TO IMPOSE ANTI-TERRORISM EXPORT CONTROLS ON IRAN. HE HAS DECIDED NOT/NOT TO IMPOSE ADDITIONAL CONTROLS ON EXPORTS TO IRAN OF DUAL USE EQUIPMENT, AND NOT/NOT TO SEEK TO PROHIBIT IMPORTATION OF IRANIAN CRUDE OIL INTO

THE U.S.

5. LIBERALIZING EXPORT CONTROLS ON IRAQ: WE ARE CONSIDERING REVISING PRESENT POLICY TO PERMIT VIRTUALLY ALL SALES OF NON-MUNITIONS LIST DUAL USE EQUIPMENT TO IRAQ. (HERETOFORE WE HAVE DISCOURAGED OR PROHIBITED EXPORTS TO IRAQ OF SUCH ITEMS AS LIGHT AIRCRAFT AND HEAVY TRUCKS.) WE ARE ALSO CONSIDERING ESTABLISHING PROCEDURES TO PERMIT CASE BY CASE LICENSING OF SUCH NON-LETHAL MUNITIONS LIST ITEMS AS ARMORED AMBULANCES, COMMUNICATIONS GEAR, AND ELECTRONIC DEVICES FOR THE PROTECTION OF VIP AIRCRAFT.

6. AQABA PIPELINE: THERE ARE RECENT REPORTS THAT IRAQ IS GIVING PRIORITY TO PURSUING AN AQABA PIPELINE AS AN
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ADDITIONAL OIL EXPORT OUTLET. WE HAVE HAD FURTHER DISCUSSIONS WITH JORDAN, IRAQ, AND U.S. CONTRACTORS ON THIS POSSIBILITY, AND ARE CONSIDERING HOW BEST TO APPROACH THE ISRAELIS TO EXPRESS OUR INTEREST IN THE LINE'S UNHAMPERED CONSTRUCTION AND OPERATION.

7. EGYPTIAN TANK SALES: IN THE CONTEXT OF RECOMMENDING WAYS TO IMPROVE OUR RELATIONS WITH IRAQ, EGYPT HAS SUGGESTED THAT WE PROVIDE IT ADDITIONAL M-60 TANKS BEYOND THOSE WE ARE NOW PROVIDING UNDER FMS. EGYPT WOULD USE

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THE ADDITIONAL M-60S TO REPLACE USED SOVIET T-62S, WHICH IT WOULD SELL TO IRAQ. ASIDE FROM POLITICAL CONSIDERATIONS, WE WOULD BE UNABLE TO FINANCE SUCH AN ADDITIONAL SALE TO EGYPT. WE ARE STUDYING THE M-60 PRODUCTION SCHEDULE AND OTHER TECHNICAL ASPECTS OF AN ADDITIONAL M-60 SALE TO EGYPT BEFORE REPLYING.

8. EXIM FINANCING: U/S EAGLEBURGER HAS WRITTEN EXIM DIRECTOR DRAPER TO URGE EXIM FINANCING OF U.S. EXPORTS TO AND PROJECTS IN IRAQ. ONE SPECIFIC PROJECT WE WOULD LIKE TO SEE EXIM FINANCE IS WESTINGHOUSE'S BID TO PROVIDE \$150 MILLION WORTH OF STEAM TURBINE GENERATORS TO HYUNDAI'S \$1 BILLION CONTRACT TO BUILD A 1200 MW POWER PLANT. OTHER SMALLER BUT STILL HIGHLY VISIBLE SALES ALSO DEPEND ON EXIM FINANCING. SUCH MAJOR EXIM FINANCING COULD BOOST IRAQ'S CREDIT RATING, LEADING TO INCREASED COMMERCIAL FINANCING FOR IRAQ. HOWEVER, EXIM DOES NOT FAVOR INVOLVEMENT IN IRAQ.

9. FYI. UNDER SECRETARY EAGLEBURGER HAS AUTHORIZED BACKGROUND BRIEFINGS FOR CONGRESSIONAL STAFF CONCERNING OUR GENERAL POLICY TOWARD THE IRAN-IRAQ WAR, WITH EMPHASIS ON OUR EFFORTS TO DETER ESCALATION AND BRING ABOUT A CESSATION OF HOSTILITIES BUT ALSO INDICATING HOW

WE ARE PREPARING TO RESPOND SHOULD IRAN ATTACK NEUTRAL
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SHIPS OR OIL FACILITIES IN THE GULF. THE ISRAELIS (THROUGH THEIR EMBASSY) HAVE ASKED FOR A SIMILAR BRIEFING, WHICH WE INTEND TO PROVIDE BEFORE THE END OF THIS MONTH. WE EXPECT THEY WILL ESPECIALLY PROBE OUR CHANGING RELATIONSHIP WITH IRAQ. END FYI.

10. BEIRUT MINIMIZE CONSIDERED. SHULTZ

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