U.S. Policy in the Persian Gulf and Kuwaiti Reflagging

By

Michael H. Armacost
Under Secretary of State
for Political Affairs

[The following is a reprint of a statement presented by Under Secretary Armacost before the Senate Foreign Relations Committee, Washington, DC, on 16 June 1987. The statement has been published as Current Policy No. 978 by the Bureau of Public Affairs, U.S. Department of State.]

I welcome the opportunity to testify before this distinguished committee on U.S. Policy in the Persian Gulf, an area of the world vital to U.S. interests. I want fo focus in some detail on the Administration's decision to reflag and protect 11 Kuwaiti oil tankers. There is considerable misunderstanding, and the Administration accepts part of the responsibility for this confusion. We have not always articulated as clearly as we might the distinction between our comprehensive policy to protect all our interests in the gulf, on the one hand, and the specific interests advanced by the decision to reflag a limited number of ships, on the other. I hope today to add greater clarity to these important issues.

U.S. INTERESTS IN THE REGION

I believe a consensus exists in the Administration, the Congress, and the country on the basic U.S. interests in the Persian Gulf region.

- The unimpeded flow of oil through the Strait of Hormuz is a vital interest and critical to the economic health of the Western world; another very important interest is freedom of navigation for nonbelligerent shipping in and through the gulf, in line with our worldwide policy of keeping sealanes open.

- The security, stability, and cooperation 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, both because of their importantance in their own right and because of their influence in the gulf and beyond. At present, that means helping them deal with the threat from Khomeini's Iran.

- We have an interest in limiting the Soviet Union's influence and presence in the gulf, an area of great strategic interest to the Soviets because of Western dependency on its oil supplies.

These interests are threatened by the escalation of the Iran-Iraq war. To protect them, we are following a two-track policy:

- To galvanize greater international pressure to persuade the belligerents to negotiate an end to the conflict; and

- To protect our interests and help protect the security of moderate, friendly Arab states in the gulf.

THE IRAN-IRAQ WAR

For a number of years, the tragic Iran-Iraq war was contained. It wreaked terrible human and material losses on the two nations involved and their citizens but largely spared others beyond the belligerents' borders.

In 1984, Iraq began to attack tankers carrying Iranian oil through the gulf. Iraq's intention was clear: to try to recoup on the seas the military momentum it had lost the ground. With three times the population of Iraq and driven by revolutionary-religious fervor, Iran has great advantage in a land war of attrition. Iraq also viewed the shipping attacks as a way to reduce Iran's oil exports and, thus, its revenues for propagating the war; with this action, it hoped to neutralize, in part, Iran's military success early in the war of closing down Iraqi ports and persuading Syria to shut off the Iraqi-Syrian oil pipeline to the Mediterranean Sea. Unable to export significant quantities of oil in 1981 and 1982, Iraq has gradually built up new export facilities--using pipelines in Turkey and also Saudi Arabia. None of its 1.5 million barrels per day in exports transit the gulf any longer. Thus, unable to hit Iraqi overland exports, Iran retaliated by hitting nonbelligerent shipping going to the ports of the moderate gulf states which support Iraq.

The international community became predictably alarmed in the spring of 1984. The UN Security Council [UNSC] passed a resolution calling for protection of neutral shipping, but it had no enforcement measures. Iran rejected the resolution, and it was filed away. Gradually, however, other producing and consuming nations became less apprehensive as they saw that most ships got through more or less on schedule and that gulf oil flow was not interrupted. Insurance rates settled down. Tankers and crews were readily available. In short, the world learned to live with the tanker war.

That situation has not yet dramatically changed, although three developments over the past 18 months have caused us concern.

First, the number of attacks on vessels doubled in 1986 over 1985. The trend so far in 1987 has been slightly ahead of the 1986 level. On the other hand, the percentage of ships hit is still very small--less than 1% of those transiting the gulf.

Second, in late 1986, Iran acquired Chinese-origin Silkworm antiship missiles. It tested one in February. Deployment sites are being constructed along the narrow Strait of Hormuz. These missiles, with warheads three times larger than other Iranian weapons, can range the strait. They could severely damage or sink a large oil tanker or perhaps scare shippers from going through the strait, leading to a de facto closure. We have made clear to Iran, publicly and privately, our concern about these missiles and their threat to the free flow of oil and urged others to do so as well. A number have. We emphatically want to avoid a confrontation and will not provoke one--but we are determined to pursue a prudent policy that protects our own interests and those of our friends.

Finally, last September, Iran began singling out Kuwaiti-flag vessels and vessels bound to or from Kuwait for attack. At the same time, Iranian-inspired groups intensified their efforts at sabotage and terrorism in Kuwait itself, building on their earlier activities that included a bombing attack on the U.S. Embassy in December 1983 and an assassination attempt on the Amir in 1984. Iran's immediate objective was clear--and publicly stated: to use intimidation to force Kuwait to quit supporting Iraq with financial subventions and permitting goods bound for Iraq to be off-loaded at a Kuwaiti port. Iran's longer term objective is equally clear--if not publicly articulated: after succeeding in Kuwait, to apply the same policies of intimidation against other gulf states to change their policies and set the stage for gaining hegemony over the entire area.

It is to frustrate Iranian hegemonic aspirations that the Arab gulf states continue to support Iraq. It is for similar reasons that other close friends, such as Egypt and Jordan, also assist Iraq--despite their previous difficulties with Baghdad. Iranian hegemony over the gulf and the spread of Iranian radical fundamentalism beyond Lebanon worry them greatly. They and the gulf states view Iraq as a buffer that must not be allowed to collapse.

Let us not forget--the gulf region sits on 70% of the world's oil reserves. It provides 25% of the oil moving in world trade today; it will supply a much higher percentage in the future. It is fundamentally counter to U.S. interests for Iran--with its current policies and anti-American ideology--to control or have permanent influence over this oil supply, which is critical to the economic well-being of the West. Some of our allies depend today more on this oil than we. But our dependency is growing and will continue to do so. Moreover, a supply disruption, or the threat of one, will sharply raise global oil prices, affecting our economy dearly.

We do not seek confrontation with Iran. We hope, over time, to improve our relations with that strategically important country. We share many common interests, including opposition to Soviet expansion in Afghanistan and elsewhere. We accept the Iranian revolution as a fact of history. But our bilateral relations will not substantially improve until Iran changes its policies toward the war, terrorism, and subversion of its neighbors. And in the meantime, we will protect our interests.

KUWAITI REFLAGGING: THE ADMINISTRATION'S DECISION

Late last year, to counter Iranian targeting of Kuwait-associated shipping, Kuwait approached both the Soviet Union and the United States--as well as others, ultimately--to explore ways to protect Kuwaiti-owned oil shipping. The Russians responded promptly and positively. We took more time before agreeing to reflag and protect 11 Kuwaiti ships; we did so only after carefully assessing the benefits and risks, as many in the Congress are doing today. Kuwait expressed its preference to cooperate primarily with the United States but insisted on chartering three Soviet tankers as well--to retain its so-called balance in its foreign policy and to engage the military presence of as many permanent members of the Security Council as possible.

Kuwait's request to place ships under the American flag was an unusual step in an unusual situation. Unlike a commercial charter arrangement, these vessels become American ships subject to American laws. Moreover, Kuwait and the other gulf states view the reflagging as a demonstration of long-term ties with the United States--in contrast to a short-term leasing arrangement with the U.S.S.R.

Kuwait--or any country--can register its ships under the American flag if it meets normal requirements, or it can charter American-flag vessels if it can work out a commercial arrangement. As a general policy, the U.S. Navy tries to protect U.S.-flag ships around the world, and this policy does not discriminate on the basis of how and why ships are flagged. Nevertheless, the Administration carefully considered the Kuwaiti request and reaffirmed as a policy decision to provide the same type of protection for the Kuwaiti reflagged vessels as that accorded other U.S.-flagged vessels operating in the gulf. Since the tragedy of the USS STARK, we have decided to augment our naval forces, which have been in the gulf since 1949, to ensure stronger protection for the U.S.-flag ships and our military personnel. However, we are talking about only a modest increase in American-flagged vessels operating in the gulf. We are not entering into an open-ended, unilateral protection regime of all neutral shipping, nor do we intend to do so.

We have taken these actions to support two important and specific U.S. security interests in the gulf:

First, to help Kuwait counter immediate intimidation and thereby discourage Iran from similar attempts against the other moderate gulf states, and

Second, to limit, to the extent possible, an increase in Soviet military presence and influence in the gulf.

There is plenty of evidence that the Soviets are eager to exploit the opportunity created by the Iran-Iraq war to insert themselves into the gulf--a region in which their presence has traditionally been quite limited. The strategic importance of this region, which is essential to the economic health of the Western world and Japan, is as clear to the Soviets as it is to us. Most governments in the gulf states regard the U.S.S.R. and its policies with deep suspicion and have traditionally denied it any significant role in the region. However, the continuation and escalation of the war have created opportunities for the Soviets to play on the anxieties of the GCC [Gulf Cooperation Council] countries and to press for increased diplomatic, commercial, and military relations. They were prepared to take on much larger responsibilities for protecting the Kuwait oil trade than they were ultimately offered; we must assume that they would readily step into our place if we were to withdraw.

Even though Kuwait has chartered three Soviet tankers and the Soviets have said they would protect their ships, we believe the gulf states, including Kuwait, will not allow Soviet naval vessels to use their ports and facilities. This will significantly limit Soviet long-term ability to maintain or increase its current level of naval involvement in the gulf. However, if the U.S.S.R. had a much larger role in protecting gulf oil, these states would be under great pressure to make these facilities available. This was an important consideration in our decision on reflagging.

RISKS AND U.S. NEUTRALITY

What added risks do we incur by reflagging the 11 Kuwaiti vessels? We cannot predict with absolute certainty what the Iranian response will be. Iranian rhetoric is full of menace, but Tehran's conduct has been marked by prudence in the gulf. Iran has not attacked any U.S. naval vessel. It has consistently avoided carrying out attacks on commercial ships when U.S. naval vessels have been in the vicinity. In its recent actions, it has displayed no interest in provoking incidents at sea. Of course, it would be foolhardy for Iran to attack American-flag vessels. They will have American masters; they will carry no contraband; they pose no danger to Iran; they will be defended, if attacked.

Some charge that by supporting Kuwait, the United States assists a so-called ally of Iraq and ceases to be neutral in the war. We do not consider Kuwait a belligerent--nor does Iran, formally. It is not militarily engaged in the war. We recognize, however, that Kuwait provides financial support for Iraq--as do many Arab states. Its port, pursuant to a 1972 agreement that long predates the war, is open to cargo bound for Iraq; so are the ports of some other Arab countries. We understand why Kuwait and many Arab nations believe their own security and stability depend on Iraq not collapsing before Iran. We do not wish to see an Iranian victory in that terrible conflict.

Nevertheless, the United States remains formally neutral in the war. With one aberration, we have sold weaponry to neither side; we will not sell to either. But we want the war to end--because of its inherent tragedy and because a major escalation could threaten major U.S. and Western interests. That is why one of the two tracks of the President's overall gulf policy today is to seek a prompt end to the Iran-Iraq war with the territorial integrity of both nations intact.

U.S. EFFORTS FOR PEACE

The United Nations. Since January, U.S.-spurred diplomatic efforts in the UN Security Council have taken on real momentum. We have explored a new approach to half the conflict. In

closed-door meetings among the "Big Five" permanent members of the Security Council, the United States has vigorously pressed for a Security Council resolution that anticipates mandatory enforcement measures against either belligerent which proves unwilling to abide by a UN call for a cease-fire, negotiations, and withdrawal to internationally recognized borders. We perceive a shared concern among all of the five permanent members that this war has gone on too long; its continuation is destabilizing and dangerous.

There also appears to be a growing consensus that more assertive and binding international efforts are needed to persuade the parties to end the conflict. Although one might not observe it from the media treatment here, the Venice summit leaders endorsed a strong statement to this end. This is, in many ways, a unique effort among the major powers. While success is far from certain, the current UN initiative represents a serious and significant effort to find a negotiated settlement to the war. Since the war began in 1980, there has not been such an auspicious time for concerted and meaningful action. Unfortunately, we still have no indication from Iran that it is interested in negotiations.

Operation Staunch. At the same time, we are actively working to persuade Iran's leaders of the futility of their pursuit of the war by limiting their ability to buy weapons. This effort--"Operation Staunch"--is aimed specifically at Iran because that country, unlike Iraq has rejected all calls for negotiations. Staunch entails vigorous diplomatic efforts--through intelligence-sharing and strong demarches--to block or complicate Iranian arms resupply efforts on a worldwide basis. The process of closing off arms suppliers to Iran has not yielded swift or dramatic results, but we are firmly committed to the effort, and we are achieving some success.

The Venice Summit. Last week, President Reagan met in Venice with leaders of Western nations and Japan. Prior to the Venice meeting, we directly approached the summit participants at a high level to urge greater individual and collective efforts to seek peace and ensure protection of our common interests in the gulf region. The gulf situation was a major topic of discussion at Venice. The seven heads of government agreed to a positive, substantive statement urging new and concerted international action to end the war, endorsing strong UNSC action, and declaring that oil flow and other traffic must continue unimpeded through the strait. We welcome the demonstration of allied support.

SHARING THE BURDEN FOR PEACE AND SECURITY

There is a broad consensus in West European countries and Japan about the importance of the gulf. We are working intensively with our allies and with our friends in the gulf to determine whether and what additional efforts would be appropriate.

Allied efforts can take many and varied forms--diplomatic initiatives designed to bring about an end to the hostilities; agreements to further monitor and restrict the flow of arms to Iran as the recalcitrant party; financial contributions to regional states and a future international reconstruction fund to help alleviate the economic consequences of the war; and cooperation of naval units present in and near the gulf. In fact, much is already being done. The British and French have warships in the area to encourage freedom of navigation and assist ships flying their own flags. Two of Kuwait's tankers already sail under British flag. Other maritime countries are considering what they would do if the violence in the gulf expanded.

On the specific issue of Kuwaiti reflagging, we are not asking our allies to help us protect them. We can--and will-- protect these ships that will fly American flags, as we do all U.S.-flagged ships. Nor would we expect them to ask us to protect their flagged ships. Should the situation in the gulf later demand a broad protective regime to keep the sealanes open, we would expect broad participation, and we would do our part. This Administration, like the previous one, is committed to ensuring the free flow of oil through the Strait of Hormuz.

Our preference would be for a Western protective regime, since an international regime would provide opportunity for the U.S.S.R. to try to legitimize a long-term military presence in the gulf. The best way for the United States and U.S.S.R. to collaborate in our stated common interest to end the war is through the work currently being undertaken in the Security Council. We challenge the Soviets to work with us in this important endeavor.

The GCC states recognize their responsibility for protecting all shipping in their territorial waters. They provide considerable assistance for our naval forces in the gulf. We may well need further support from the GCC states. While the specifics of such requirements remain under study, we will actively and forthrightly seek such facilitation of our efforts--which have to be based on cooperation if they are to be successful.

CONCLUSION

In sum, then, the United States has major--yes, vital-- interests in the Persian Gulf. Our naval presence over the past 40 years is symbolic of the continuity and importance of our interests there. The Iran-Iraq war, if it escalates significantly, could threaten some or all of these interests. That is why the Administration puts great stress on the peace track of its two-track policy approach toward the gulf. At the same time, we will pursue the second track of protecting our interests in the gulf--working, as appropriate, with our allies and friends in the region. The reflagging of 11 Kuwaiti ships helps advance two specific goals: to limit efforts of both Iran and the Soviet Union to expand their influence in the area--to our detriment and that of the West. Nevertheless, this new commitment is only a limited expansion of our role in protecting U.S.-flag vessels there, which we have been doing since the tanker war began. Our intent with the reflagging is to deter, not to provoke. But no one should doubt our firmness of purpose.

We believe the Congress supports our interests in the gulf and continued U.S. presence there. I hope I have clarified how the reflagging effort promotes some important U.S. interests and how it is an integral, important part of an overall policy toward the gulf that protects and advances both fundamental American objectives in the region. We trust the Congress will support our overall policy and this new, important element of that policy.