

[REDACTED]

february 27, 1987

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IRAN-
PERSIAN GULF:

Increased Threat to Shipping

The prospect that new Iranian antiship missiles will be deployed along the Strait of Hormuz is likely to rekindle international fears of an increased threat to oil exports from the Persian Gulf and to raise concerns among Gulf Arabs that Tehran will use this threat to intimidate Iraq's supporters and to force higher oil prices.

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Oil exports through the Strait are estimated to be nearly 8 million barrels per day; nearly all goes to the US, Japan, and Western Europe. Of this amount, as many as 2.3 million b/d could be diverted to Saudi Arabia's oil export terminals on the Red Sea to compensate for lost exports through the Gulf.

The Silkworm will significantly increase Iran's ability to attack and sink ships in the Strait of Hormuz. Tehran is likely to brandish its new threat before actually attacking a ship with it to intimidate the Gulf states. The first firing—perhaps at a Kuwaiti tanker—would be intended to demonstrate the missile's destructive capability and put more pressure on Iraq's supporters without provoking a strong Western or Soviet reaction.

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A Silkworm would probably extensively damage or sink a tanker. Although Iran is unlikely to try to close the Strait of Hormuz completely, many oil customers would probably avoid entering the Persian Gulf until Iran clarified its intentions, particularly if the oil companies feared that they would lose their oil. Uncertainty in the oil market about Iranian intentions and about the availability of oil would probably cause oil prices to rise, at least temporarily, despite the Saudis' capacity to export more oil through the Red Sea.

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