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West European Interests in the Middle East: Implications for US Peace Initiatives



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An Intelligence Assessment

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An Intelligence Assessment

This paper was prepared by 
Office of European Analysis. Comments and queries
are welcome and may be directed to the Chief,
European Issues Division, EURA, 

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**West European Interests
in the Middle East:
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Key Judgments

*Information available
as of 4 January 1985
was used in this report.*

While most West European countries belonging to the European Community (EC) and NATO will probably remain broadly cooperative with US policies in the Middle East, we believe they may seek a somewhat more active and independent role in the Arab-Israeli conflict. At the same time, they will be very cautious about supporting or assisting US military interventions in the region.

The West Europeans' primary interest in the Middle East lies in protecting their extensive economic links—trade, military sales, and investment, as well as energy. They thus place a high priority on regional peace and stability and on maintaining friendships with the key economic powers in the region—including the more disruptive countries such as Iran and Libya. They worry less than in past years, however, about offending these powers because the possibility of a repeat of the 1973 oil embargo has nearly vanished. In our view they see cooperation with the United States as a mixed blessing. On the one hand, they recognize that Washington is best placed to promote peace and security in the region; on the other, they fear that US support for Israel, combined with what they see as its tendency to overreact and its penchant to use military force, could jeopardize their interests.

The EC, including the French, has become more cooperative with the United States on the Arab-Israeli conflict, while maintaining its advocacy of Palestinian “self-determination” and a role for the PLO in the peace process. It has supported the Reagan Plan while abandoning earlier efforts to develop an independent peace initiative after encountering strong resistance from Israel. Its behavior reflects a realization that the United States is uniquely capable of promoting an Arab-Israeli settlement owing to its influence with both Israel and the Arabs.

Most EC and NATO members have taken a neutral position in the conflict between Iran and Iraq, although France has in effect supported Iraq through extensive arms sales and credits. They appear reluctant to join with the United States to protect freedom of navigation in the Persian Gulf, probably because they do not feel immediately threatened by the possibility of a stoppage of oil tanker traffic and because their dismay over US behavior within the Beirut multinational peacekeeping force has made them wary of close military cooperation in the region.

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The general attitude of West European governments toward cooperating with the United States on peace and security initiatives in the Middle East is unlikely to change dramatically in the near future:

- We believe that most EC members will continue to support the Reagan Plan and will avoid taking actions that would obviously prejudice the chances against its revival. At the same time, the EC could assume a more active role in the conflict—including the dispatch of an Italian-led factfinding mission to the Middle East in early 1985—in order to goad the United States into taking action on the Reagan Plan. The Community, in our judgment, would undertake another independent initiative only if the United States' unwillingness or inability to pursue a settlement on the basis of its own formula raises a threat to West European interests in the Middle East.
- In the Iran-Iraq conflict the West European NATO Allies—essentially the United Kingdom and possibly France—would be inclined to take concurrent action with the United States only in the case of a prolonged and damaging shutdown of tanker traffic, or if a widening of the conflict threatened the safety or stability of their Arab Gulf economic partners.



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**West European Interests
in the Middle East:
Implications for
US Peace Initiatives**

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Introduction

During the past two years the European Community (EC) has dropped earlier independent efforts to promote peace negotiations on the basis of its 1980 "Venice Declaration," and has been both publicly and privately supportive of the 1982 Reagan peace initiative. Several of the major West European countries—France, Italy, and the United Kingdom—have worked with the United States in efforts to promote security and stability in the region, such as the multinational force in Lebanon and the more recent minesweeping of the Red Sea. In the Persian Gulf conflict, the United Kingdom and France—albeit independently—have indicated some willingness to take military action with the United States to maintain freedom of navigation in the Gulf should it be impeded by hostile Iranian action.

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We believe that the level of West European cooperation with the United States in the Middle East can influence the fate of US peace and security initiatives in this region. First, the capacity of West European governments to make mischief for the United States by pursuing divergent policies is considerable, particularly since many in the Middle East may believe that West European countries can pressure the United States into changing its policies in the region. Second, the major West European countries dispose important assets in or relating to the Middle East—extensive political links with many of the countries in the region, as well as military intervention forces and support facilities—which could make significant contributions to the success of US political or military initiatives.

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This paper assesses the nature and limits of our West European Allies' willingness to cooperate with the United States in the Middle East through an examination of the factors that influence their behavior in the region. Focusing on the EC and its four major members, it examines Western Europe's economic and political interests in the Middle East, its policies concerning the two major problems in the region—the Arab-Israeli and Persian Gulf conflicts—and its record on supporting US military and political actions in the region in recent years.

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**The West European Stake
in the Region**

Western Europe's economic interests in the Middle East are extensive, although they are no longer quite as important as they were a few years ago. While some countries remain substantially dependent on the region for their energy needs, overall West European imports of Middle Eastern oil have declined in recent years. Western Europe maintains major export markets for both civilian and military goods in the region, although these, too, have declined recently.

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In political terms, most West European countries, including the major ones, view their principal underlying interest in the Middle East as avoiding a major conflagration that could jeopardize their own security, according to diplomatic reporting and press and academic commentary. They also want to maintain good relations with the richer Arab states in order to maintain or expand their economic ties to them. Most West European governments also want to stay on good terms with the more disruptive forces in the region, such as Iran, Libya, and the PLO, both for economic reasons and in order to lessen the terrorist threat. Because they think some US interests differ from theirs—particularly on the issue of support for Israel—and because they fear the United States will overreact in a crisis, the Allies have been leery of close association with US policies in the Middle East.

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Economic Interests

Although Western Europe continues to import substantial amounts of Middle Eastern oil, its importance to the West European economy as a whole has fallen considerably in recent years. In the late 1970s, Western Europe imported approximately two-thirds of its consumption requirements from the producing countries stretching from Algeria to Iran. Because of such factors as recession, improved conservation, rising North Sea oil production, and increased imports from producers outside the region, Middle Eastern oil imports have declined in volume by over a third since then and in 1983 were about 41 percent of current oil

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Table 1
West European Dependence
on Middle East and Persian Gulf
Oil Imports, 1979 and 1983

	Middle Eastern Oil Imports as a Percent of Consumption		Persian Gulf Oil Imports as a Percent of Consumption	
	1979	1983	1979	1983
Western Europe	67	41	56	27
European Community	70	41	59	26
West Germany	49	27	30	13
France	86	46	78	32
Italy	91	67	73	43
United Kingdom	45	12	40	8
Austria	52	26	41	13
Belgium	a	a	a	a
Luxembourg	0	0	0	0
Denmark	19	14	19	14
Finland	35	11	35	11
Greece	a	a	a	a
Netherlands	a	a	a	a
Norway	17	4	14	3
Portugal	75	57	75	55
Spain	82	55	68	39
Sweden	33	10	30	5
Switzerland	27	28	16	6
Turkey	71	90	52	70
Ireland	33	1	33	1
Iceland	0	0	0	0

^a Because these countries export a substantial share of their Middle Eastern oil imports as finished petroleum products, available data on imports as a percentage of consumption offer a misleading picture of their dependencies.

[redacted]

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consumption requirements. Imports of oil from the war-troubled Persian Gulf region now constitute only about 27 percent of West European consumption requirements as compared with more than 55 percent in 1979. [redacted]

an intermediate position, although they differ in one key respect: France receives the bulk of its Middle Eastern oil from the Persian Gulf countries while West Germany receives about half of these imports from North African producers, Libya in particular. [redacted]

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The drop in West European dependence on Middle Eastern oil has not been uniform, however, as table 1 demonstrates. Among the major countries, the United Kingdom, for instance, has become largely independent of Middle Eastern oil because of its own North Sea oil. At the other extreme, Italy remains dependent on the region for over two-thirds of its consumption requirements. France and West Germany share

Next to oil, trade is the most important West European economic interest in the Middle East. [redacted] the Ten's exports to the Middle East increased sixfold from the time of the oil price hikes of the early 1970s through their peak in 1982. They fell

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Table 2
West European Exports to the Middle East, 1983

Percentage of world exports

	Middle East	Saudi Arabia	Iran	Iraq	Gulf States	Egypt	Syria	Jordan	Libya	Israel
Western Europe	7.5	2.1	1.1	0.7	1.2	0.8	0.2	0.2	0.7	0.5
European Community	7.6	2.1	1.1	0.7	1.3	0.8	0.2	0.2	0.7	0.5
France	6.3	1.4	0.4	0.9	1.2	1.2	0.2	0.2	0.4	0.4
United Kingdom	9.2	2.4	1.0	0.7	2.9	0.6	0.1	0.4	0.5	0.6
West Germany	7.5	1.8	1.8	0.9	1.0	0.7	0.2	0.1	0.5	0.5
Italy	13.6	4.1	1.2	1.1	1.9	1.2	0.3	0.3	2.9	0.6
Belgium/Luxembourg	4.4	1.5	0.5	0.3	0.4	0.4	0.1	0.2	0.2	0.8
Netherlands	4.3	1.3	0.7	0.2	0.6	0.6	0.1	0.1	0.4	0.3
Denmark	5.5	1.6	0.8	0.6	1.0	0.7	0.1	0.1	0.3	0.3
Ireland	4.3	0.8	0.6	0.2	0.3	1.3	0.1	0.1	0.7	0.2
Norway	0.8	0.3	0.2	0	0.1	0.1	0	0	0	0.1
Spain	10.8	2.9	2.1	0.5	0.8	2.2	0.3	0.2	1.4	0.4
Portugal	2.8	0.3	0.1	1.4	0.1	0.6	0	0.1	0	0.2
Turkey ^a	38.4	4.0	5.0	11.9	1.5	1.5	2.8	2.1	9.4	0.2
Greece ^a	24.0	5.5	1.5	2.6	1.8	3.7	1.7	1.5	5.2	0.5

^a 1981 figures.

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in 1983 because of the deteriorating economic situation in the oil-producing countries. Nevertheless, at over 7 percent of total EC member exports in 1983, sales to the Middle East were more substantial than to any other region of the Third World and indeed were greater than those to Latin America and the Communist Bloc combined (see table 2):

- In 1983 Italy was the most dependent of the major West European countries on Middle Eastern trade, with over 13 percent of its exports going to the region. It was followed by the United Kingdom at about 9 percent, West Germany at over 7 percent, and France at 6 percent.
- The largest share of West European Middle Eastern exports in 1983 went to Saudi Arabia and the bordering smaller Gulf states. Sales to what are generally considered the more radical oil-producing states—Libya and Iraq—have fallen sharply during the past three years mainly because of a drop in these two countries' ability to pay.

- Although dropping in the aftermath of the 1978 Islamic revolution, EC exports to Iran have recovered. Iran has emerged as an especially important trading partner for West Germany and Italy, comprising, respectively, the first- and third-largest Middle Eastern markets for these countries in 1983.

Military exports to the Middle East are of particular importance to many West European governments. West European defense industries need to achieve a substantial level of exports in order to remain profitable.

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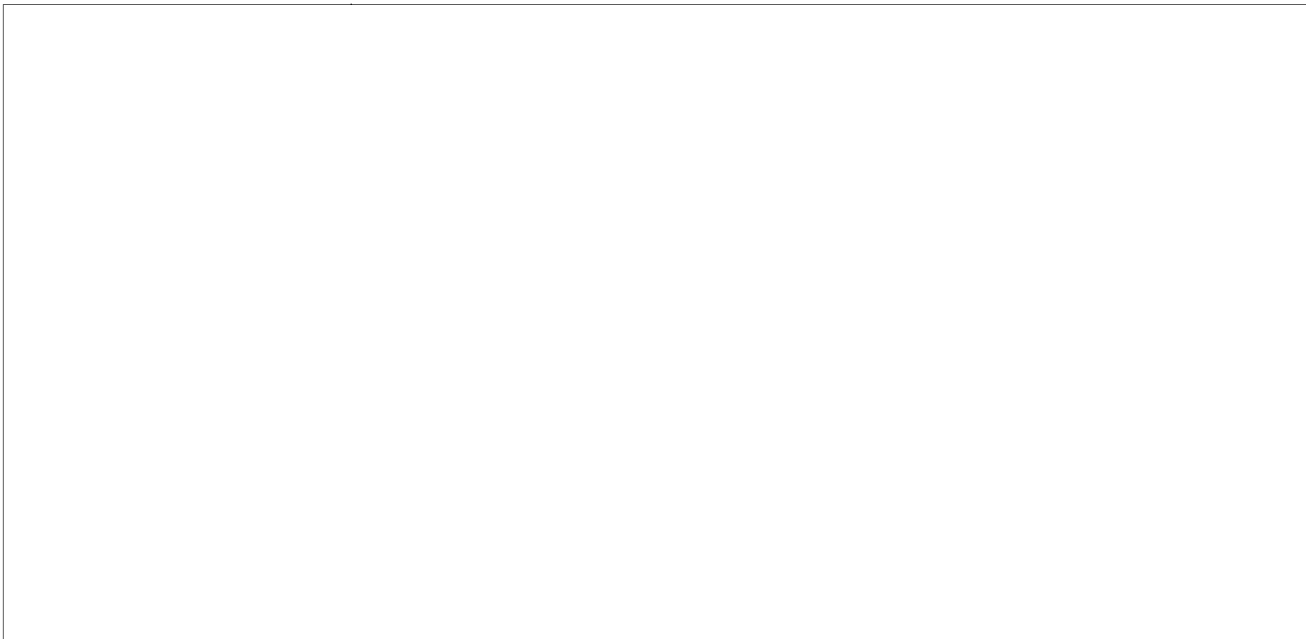
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- During 1979 through 1983, France was the largest supplier of military goods to the region, selling twice as much as the next largest supplier, Italy.
- Iraq made the largest purchases of West European arms during this period, mainly from France. It was followed in order by Saudi Arabia, the combined smaller Gulf states, Egypt, Jordan, and Libya.
- Arms sales to Iran have been fairly limited, accounting for about 3 percent of the total from 1979 through 1983. 

Political and Security Interests

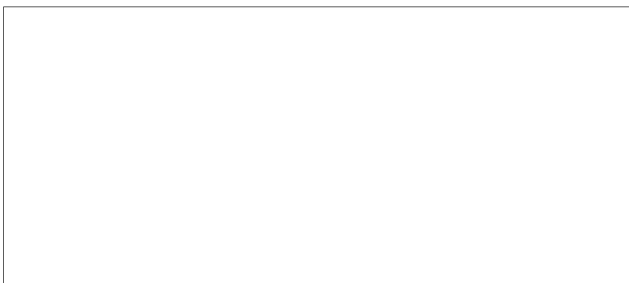
West European countries perceive their major political/strategic interest in the Middle East to lie in the maintenance of peace and stability, in our view, because they fear that conflagrations in the region would threaten the survival of the more pro-Western regimes, which they consider essential to their economic interests. Embassy reporting makes it clear that they also fear such hostilities could escalate to the point of involving the superpowers—and thus threaten their own security through a possible “spill-over” into the European theater. 

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Ever since the 1973 Arab oil embargo the West European governments have also worried about facing oil, trade, or financial sanctions if they did not satisfy Arab sensibilities on important issues, especially those concerning Israel. We suspect that their anxieties about Arab retaliation have eased substantially in recent years because declining oil revenues, the growing Iranian threat, and deepening divisions in the

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Arab world have reduced the Arabs' economic power and political self-confidence and thus their likely willingness to challenge Western Europe. Diplomatic and press reporting make it clear, however, that the concern has not disappeared—particularly in those states that still are heavily dependent on Middle Eastern oil. Moreover, the same reporting indicates that major countries cultivate the Arabs and Iran because even minor cutbacks in purchases could add to unemployment and jeopardize their defense industries. West European officials have told US representatives that they worry about the more moderate Arabs turning toward the Soviet Bloc for political support—and military supplies—should they lose confidence in Western Europe. []

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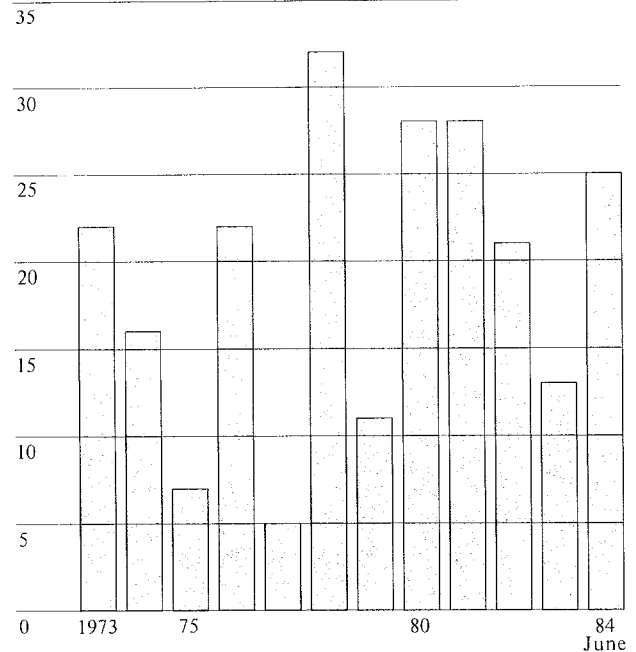
We believe most West European governments will remain reluctant to confront the more disruptive forces in the region, such as Libya, Iran, Syria, and the PLO. Both Libya and Iran represent important potential markets. Moreover, Libya, Iran, Syria, and the PLO have all been involved in terrorist activities in Western Europe, which, as figure 1 indicates, continue to be a significant problem. In our judgment, West European governments believe that by maintaining lines of communication with disruptive forces they reduce the likelihood of being targeted for terrorist actions. Finally, according to US diplomatic reporting, they also believe that efforts to isolate the disruptive forces in the Middle East will only impel them toward greater irresponsibility and toward a closer relationship with the Soviets. []

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The West Europeans, in our judgment, perceive they have only a limited stake in Israel. On the one hand, most mainstream West European leaders have expressed at least modest sympathies for the Jewish state, and nearly all indicate they realize that blatantly anti-Israel policies could complicate their own relations with the United States. On the other hand, economic concerns prompt them to maintain considerable distance from Israel in order to protect ties with Israel's far richer adversaries. Moreover, USIA polling data and press accounts indicate that public support for Israel is no longer sufficiently strong to act as a check against their emphasis on economic self-interest. Because of growing sympathy for the Palestinians and negative reactions to Tel Aviv's use of force to achieve political objectives, Israel's once

Terrorist Incidents in Western Europe by Middle Eastern Groups, 1973-84

Number of incidents



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positive image in Western Europe has deteriorated sharply, in the view of most commentators on this subject. According to 1984 USIA surveys, British, Italian, and West German publics were somewhat more favorable to Israel than to the Arabs," but the great majority in all three countries were noncommittal. []

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We believe that the major West European countries perceive there are advantages both in working with the United States in the Middle East and in standing aloof from it. Leaders of all major West European countries recognize, in our judgment, that the United States is best placed to promote peace and security in the Middle East because of its unique ties with both

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Israel and the Arab states and because of its abilities to project power into the region. They also realize that disputes with the United States over the Middle East could threaten the effectiveness of the Atlantic Alliance. At the same time, they fear that identification with the United States could jeopardize their ties with the Arabs because of US support for Israel. Moreover, diplomatic reports and academic studies suggest they believe that the United States is fundamentally naive in its approach to the problems of the Middle East—too insensitive to Arab claims, too inclined to view regional conflicts in East-West rather than in local terms, and too ready to use military force. These, in our view, are the main reasons why the major West European countries are inclined to consider cooperation with the United States only on a case-by-case basis. []

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Three of the major countries have more specific national interests in the Middle East. Both France and the United Kingdom have been involved in the region since the colonial era and consequently believe they have a special knowledge of the region and a role to play in its affairs. France, moreover, views direct independent involvement in the Middle East as part of its more general effort to conduct a foreign policy separate from the United States. Italy has increasingly viewed itself in recent years as a “Mediterranean power” with an interest in political developments in the Levant and North Africa—and a right to be consulted about Western actions in these regions. West Germany lacks major historical or geographic links with the Middle East and thus its political interests in the region are less pronounced than those of the other major powers []

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West European Policy and the Middle East

All West European governments place heavy emphasis on the need for a resolution of the Arab-Israeli conflict and take what most observers consider a generally “pro-Arab” position on the issues separating the two sides. They are united in favoring Israeli withdrawal from the occupied territories in exchange for Arab recognition of the Jewish state. They also support the elastic concept of Palestinian “self-determination” and a role for the PLO in peace

negotiations, although attitudes toward this organization vary by country and are generally less favorable than they were a few years ago due to the PLO’s political decline. []

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Most West European governments have taken a neutral position on the Iran-Iraq war and have been at a loss for ideas on how to end it. They worry, however, about the possible implications of an Iranian victory for their interests in the region. The major West European countries have not been overly concerned about the possibility of a Persian Gulf shutdown because they believe they could make up any resulting cutback in oil deliveries by resorting to alternative sources of supply. []

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The Arab-Israeli Conflict

Since the 1973 Middle East war and oil embargo, West European governments have agreed that the resolution of the Arab-Israeli conflict is central to the protection of their interests in the region. They have feared that a continuation of the conflict would lead to increased terrorism in Western Europe, complications in their commercial relations with the Arab oil producers, and further conflagrations in the region that might threaten their own security. Because their economic interests in the Middle East are heavily weighted toward the Arab side, all West European governments have tended to emphasize the need for Israeli concessions on territory and on the Palestinian question. []

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The European Community’s policy on the Arab-Israeli conflict, outlined in its June 1980 Venice Declaration and in subsequent statements, calls for Israel’s withdrawal from the occupied territories including East Jerusalem, with, at most, minor territorial modifications to create defensible borders. EC members—including countries such as West Germany, the Netherlands, and Denmark, which are generally friendlier to Israel—are particularly critical of Israel’s settlements program in the occupied territories and have repeatedly called for an immediate halt to the establishment of new settlements. At the same time, they have emphasized the need for Arab recognition of the Jewish state. []

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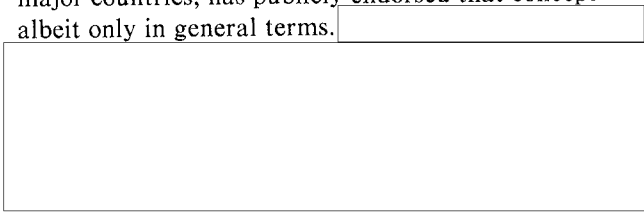
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EC member governments agree that the Palestinian question is at the heart of Arab-Israeli conflict and believe that it can be resolved only by satisfying the "legitimate rights" of the Palestinians to a "home-land." In the Venice Declaration, the European Community came out in favor of the concept of Palestinian "self-determination," later expanded to include the phrase "with all that this implies." Although the Community's position suggests that it supports the concept of an independent Palestinian state, only French President Mitterrand, among the leaders of major countries, has publicly endorsed that concept—albeit only in general terms.

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the organization to meetings at the subcabinet level and have conditioned fuller ties on the PLO's formal renunciation of terrorism and recognition of Israel's right to exist. In our view, London's current attitude toward the PLO—considerably cooler than a few years ago when senior officials publicly played down the degree of PLO involvement in terrorism—largely reflects its perception that the PLO's loss of its power base in Lebanon has dramatically reduced its clout in the Arab world, thus opening the way for the UK's longtime friend, King Hussein, to reassert claims to the occupied territories. Bonn's attitude reflects its disinclination to offend Tel Aviv as well as its distaste for the PLO's radicalism.

- France and Italy are both fairly favorable to the PLO. Both maintain regular contacts with PLO leaders at the foreign minister level. Italian Prime Minister Craxi also recently met with Arafat; Mitterrand, on the other hand, has conditioned his willingness to meet with the PLO chieftain on the PLO's acceptance of UN Resolution 242.

Since the late 1970s, EC-member governments have viewed the mainstream faction in the Palestine Liberation Organization and especially its leader Yasir Arafat as "moderates" capable of reaching an accommodation with Israel. With the exception of Greece, however, they have refrained from granting the organization diplomatic recognition as the sole spokesman for the Palestinians, claiming that this status could only be determined in free elections. They have referred to it as "a representative" of the Palestinians and most have maintained official communications with it. In the Venice Declaration the EC called for the "association" of the PLO in peace negotiations, a formulation designed to express the Community's support for PLO involvement in the peace process without departing too sharply from US policy of exclusion of the PLO unless it accepts UN Resolution 242² and Israel's right to exist.

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We believe even Paris and Rome had some second thoughts about the PLO during 1983 and 1984 because of its continued internecine fighting. Indeed, an early 1984 EC statement on the Arab-Israeli conflict included somewhat more flexible language on Palestinian representation that, according to the US Mission to the EC, was specifically inserted to avoid tying the Community too closely to the PLO should Arafat not prevail. We suspect that EC members are at least moderately encouraged by the recent Palestine National Council meeting, which gave Arafat a vote of confidence without, however, reconciling the split within the organization. The most recent EC Middle East statement took note of the meeting and then reaffirmed support for PLO involvement in the peace process.

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The Community's united stand on PLO involvement in the peace process belies subtle but important distinctions in attitudes toward the organization among the major members:

- The United Kingdom and West Germany currently have only modest sympathies for the PLO. Both countries, for instance, have limited contacts with

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Although they believe that face-to-face negotiations offer the best hope for progress toward a settlement, EC members have expressed a belief in recent statements on the Arab-Israeli conflict that the United Nations eventually should be brought into the peace process. This preference reflects their general support for UN involvement in a conflict resolution and, more important, their belief that a UN setting would

² Resolution 242 calls for Israel's withdrawal from occupied territories to secure and defensible borders, mutual recognition between Israel and the Arab states, and measures to improve the quality of life of Palestinian refugees.

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facilitate Soviet involvement in the peace process— involvement that, according to diplomatic reports, they believe to be ultimately essential to its success. At the same time, most EC members are skeptical of Soviet motives in the Middle East and prefer only a “limited” Soviet role in any peace talks. For this reason, the EC favors Arab-Israeli negotiations within the context of the UN Security Council rather than in a UN-sponsored Geneva-style conference where the Soviets would have greater latitude for mischief-making. [redacted]

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On the related issue of Lebanon, the EC has been insistent on the need for the withdrawal of all foreign military forces—including Syria’s—from the country except for those requested by the Lebanese Government. EC members have been especially critical of Israel’s actions in Lebanon—they supported the September 1984 UN Security Council Resolution condemning the Israeli occupation of South Lebanon vetoed by the United States—but also recognize Israel’s right to security guarantees, according to diplomatic reporting. The EC has publicly indicated that its members might be willing to increase their contribution to the UNIFIL forces or UN observer teams in southern Lebanon if doing so would facilitate foreign troop withdrawals from the country. France, for reasons of linked history, claims to take a special interest in Lebanon’s problems, but its decision to withdraw from the Beirut multinational force only about a month after the United States, Italy, and the United Kingdom suggests that it places tight limits on the political and economic costs of its involvement. [redacted]

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Iran-Iraq War

The European Community has taken a position of neutrality in the conflict between Iran and Iraq, limiting its involvement to general calls on both sides to seek a negotiated solution. [redacted]

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[redacted]

The EC’s low-key neutrality toward this conflict, in our judgment, reflects:

- Lack of ideas on how to act effectively: West European officials have told US diplomats they believe there is little that the West can do to end the conflict until both sides tire of the fighting. They have discussed within the EC the possibility of promoting a new cease-fire resolution at the United Nations but have concluded that Iran probably would ignore it.
- Economic self-protection: Although Western Europe’s economic interests in the Gulf region lie mostly in Iraq and in Iraq’s Arab allies, several West European countries including West Germany and Italy have reestablished substantial trading ties with Iran, and others probably look forward to obtaining a substantial share of this potentially large market. The West Europeans are therefore anxious to avoid statements or actions that might antagonize either the Arabs or Iran. [redacted]

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Turkey has been particularly concerned to remain neutral in the Iran-Iraq conflict because it borders both countries, and because both are major trading partners and oil suppliers. Turkey has indirectly aided Baghdad, however, by protecting the Iraqi-Turkish oil pipeline against sabotage and by dispatching troops to northern Iraq to help quell a Kurdish uprising—which Ankara feared might spill over into Kurdish regions within Turkey. The Ozal government has recently attempted to soothe Iran’s irritation over this action by concluding an agreement with Tehran under which neither would provide safehavens for the other’s dissidents. According to US Embassy reporting, Ankara, in fact, is more concerned about the prospects of an Iraqi than an Iranian victory because it fears that Tehran would then move closer to the Soviet Union, thereby endangering Turkish and Western security in the region. [redacted]

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Other West European governments are considerably more concerned, in our judgment, about the possibility of an Iranian than an Iraqi victory. France would suffer directly should Tehran prevail, because its

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loans to Baghdad would be put in jeopardy [redacted]

French and other West European officials have expressed concern, moreover, that an Iranian victory would jeopardize their extensive economic interests in the rest of the Arab Gulf. They fear it might open the way for further Iranian military expansion or encourage Islamic radicals to challenge the generally pro-Western regimes of that region. [redacted]

the greater willingness of West European governments to cooperate with the United States reflects the decrease in Western Europe's vulnerability to Arab pressure, its recognition of the unique ability of the United States to project power and influence in the Middle East, and its generally favorable attitude toward the substance of the Reagan Plan—which many West European governments would like to see revived. Indeed, Embassy and press reporting indicates some are looking for ways to encourage renewed US action. [redacted]

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Although the major West European countries are, in our judgment, concerned that the Iran-Iraq fighting might stop oil tanker traffic in the Persian Gulf, they believe that they would not be gravely harmed by such a development, at least over the short run. According to US Embassy reporting, they believe they could largely make up any shortfall by conservation and by tapping alternative sources of supply, including:

At the same time, the West European allies have only reluctantly considered US requests for contingency plans involving joint military action outside the NATO area—including the Middle East. We think their reluctance stems from a desire to husband their resources and avoid any move that might be considered controversial by the oil-producing countries, as well as concern over US intentions in the region and a desire on the part of some countries to keep the Western Alliance focused on their own security needs. Moreover, we believe disenchantment with some US actions in Lebanon has made them more wary of cooperating closely with the United States on security initiatives in the Persian Gulf. Nevertheless, the United Kingdom and—somewhat more tentatively—France have indicated that they might be willing to take concurrent military action with the United States to maintain freedom of action in the Gulf as a last resort, after all diplomatic options had been exhausted. [redacted]

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- The emergency oil stockpiles that they have built up since the 1973 embargo. [redacted]

- The estimated 4 million barrels per day in surplus oil production capacity that does not require transport through the Persian Gulf. Current West European imports from the Gulf amount to just over 3 million barrels per day.

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Several smaller West European states—Portugal, Greece, and Turkey—depend on the Persian Gulf for more than half their oil consumption requirements and may therefore be more concerned about the effects of a Gulf shutdown. [redacted]

Attitudes Toward Peace Initiatives

In the autumn of 1982 the EC and the leaders of all its principal states publicly endorsed the Reagan Plan for resolving the Arab-Israeli conflict. They took this action in spite of the fact that the plan's call for a Jordanian-Palestinian confederation fell short of their own formal proposals for Palestinian self-determination. Although the EC simultaneously endorsed the Arab League's Fez Plan—which calls for the creation of a Palestinian state—their subsequent diplomatic efforts were directed at encouraging Jordan to begin negotiations on the basis of the Reagan Plan and persuading other Arab countries to support Amman. [redacted]

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West European Reactions to US Policies in the Middle East

The West Europeans in the last two years have participated along with the United States in several ad hoc efforts to promote security and stability in the region, including the multinational force in Beirut and the effort to implement the Reagan Plan. We believe

Western Europe's support for the Reagan Plan contrasted with its attitude toward the US-sponsored Camp David peace process. West European governments had reacted tepidly to the Camp David accords, praising them only as a first step toward a general solution of the conflict. More importantly, maintaining that the Camp David process had ground to a halt in 1980 because of the US Presidential election, the West Europeans tried to launch their own Arab-Israeli peace initiative. The EC dispatched several diplomatic missions to the Middle East for the purpose of arousing interest in the Venice Declaration. Because West European proposals on the Palestinian question were more in line with Arab preferences than those of Camp David, this initiative threatened to undermine US efforts to gain support among the Arabs for Egyptian-Israeli negotiations. [redacted]

We believe that King Hussein's April 1983 decision against seeking negotiations with Israel about a Jordanian-Palestinian confederation diminished the hope of West European leaders that the United States could engineer a peace settlement. [redacted]

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West European members of the Security Council also acted last spring to scotch a potential competitor to the Reagan Plan by joining with the United States to oppose the convening of a special conference on the Middle East favored by the Arabs and the Soviets. [redacted]

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We believe three broad factors account for the more positive reaction to the Reagan Plan:

- The decline in concern about the threat of Arab economic sanctions meant that EC members felt they had greater freedom to work alongside the United States in the Middle East. The EC's attitude toward the Reagan Plan was also influenced by the fact that the Arab countries did not bitterly reject it as they had the Camp David accords.
- According to Embassy reports, many West European governments were extremely anxious for progress toward a settlement in the immediate aftermath of the Lebanon war because they feared that Palestinian frustrations would boil over without it, leading to upheavals in the Arab world and increased terrorist activities in Western Europe. Because earlier West European efforts to develop a peace process based on the Venice Declaration had been brushed off by Israel and largely ignored by the Arabs, we think they concluded that only the United States could bring both the Israelis and the Arabs to a settlement.
- We believe many West European leaders concluded that the Reagan Plan's call for a Jordanian-Palestinian confederation, unlike Camp David's autonomy proposals, represented an approach to the Palestinian issue that might prove acceptable to all sides in the conflict. [redacted]

In recent months, however, diplomatic and press reports indicate the EC members have debated the possibility of renewed Community involvement in the Arab-Israeli problem. This development does not, in our judgment, indicate that EC members are seeking to play an independent mediation role or to present an alternative to US policies. Indeed, senior EC officials have repeatedly assured the United States that they did not want to supplant Washington's preeminent role in the peace process. We believe rather that EC members worry that the current stalemate in peace negotiations could prompt the more moderate Arab countries to turn to the Soviets for support and stimulate increased terrorism by the Palestinians. In our view, they believe that through renewed limited activism they may be able to goad the United States into taking new steps to implement the Reagan Plan and at the same time reassure the Arabs of their continuing concern about the Palestinian problem—thereby protecting their economic interests in the Arab world. [redacted]

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EC members last fall had trouble agreeing about the nature of an initiative. According to US diplomatic reporting, the United Kingdom—in keeping with its coolness toward the PLO and the concept of a Palestinian state—proposed that the Community issue a major statement that would tone down the Venice Declaration's support for Palestinian self-determination and for PLO involvement in peace negotiations. All other members opposed any major

new statement at least until the implications of recent important developments, including the Israeli elections and the Jordanian-Egyptian rapprochement, could be assessed more fully. The United Kingdom, on the other hand, opposed proposals by both Italy and West Germany that the Community send a mission to the Middle East in early 1985 to assess current positions and make limited efforts to reconcile Arab-Israeli differences. London maintained that in the absence of a new and more realistic definition of EC policy, such a mission would have little to contribute to the peace process. [redacted]

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In early December the EC Summit in Dublin compromised on a modest initiative. The Summit issued a brief statement calling for renewed progress toward a settlement and reiterating the Venice principles, including the association of the PLO in the peace process. It indicated the EC's willingness to assist peace efforts—but effectively eschewed a mediation role for the Community by saying that “no amount of effort by third parties can be a substitute for direct negotiations among the parties themselves.” The statement finally called for an intensification of EC contacts with the Arabs and Israelis, although—apparently at the sole insistence of the United Kingdom, according to US Embassy Dublin—it did not specifically authorize an EC mission to the Middle East. [redacted]

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Attitudes Toward Security Issues

Since the Soviet invasion of Afghanistan in 1979, the United States has put forward proposals that NATO develop plans for “out-of-area” contingencies, especially in the Middle East. [redacted]

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The West European NATO Allies have been cool to the idea of formal arrangements for military cooperation with the United States in the Middle East:

- In our view, they fear being dragged into military actions that might jeopardize their economic interests in the Middle East—for example, actions taken in support of Israel or against Iran—or into a confrontation with the Soviet Union that might spill over into Western Europe.

- They are reluctant to increase their defense budgets in order to meet the costs of out-of-area contingencies.
- Some countries, such as Portugal, Spain, and Turkey, want to exploit their proximity to the Middle East by exchanging transit rights for US economic or political support on a case-by-case basis.
- The French have reiterated their opposition in principle to out-of-area planning, both because Paris does not participate in the NATO military command structure and because it rejects NATO's involvement in conflicts outside the European theater. The West Germans have been wary of NATO's taking on out-of-area responsibilities because they fear these could detract from its efforts on the central front. [redacted]

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Despite their reluctance to engage in formal out-of-area contingency planning with the United States, we believe the West European allies broadly share the US view about the need for Allied action to maintain security in the Middle East. Their willingness to cooperate with the United States would depend, however, on their perception of the wisdom of US actions and the possible effects on West European interests in the region, as well as on the quantity of resources they were being asked to commit. [redacted]

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Mainly, in our view, because they see a need to placate the disruptive forces in the Middle East, the West European allies have generally not been willing to support or to participate in punitive measures taken in response to terrorist or hostile actions by these countries. [redacted]

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[redacted]

[redacted]

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The Allies have, however, been more inclined to join with the United States in "peacekeeping" actions in the region because of their interest in stability in the Middle East. For instance, the United Kingdom, France, Italy, the Netherlands, and Norway have participated along with the United States since 1981 in the multinational force in the Sinai that monitors observance of the Egyptian-Israeli peace treaty. And from mid-1982 through early 1984 France, the United Kingdom, and Italy contributed troops along with the United States to the multinational force in Beirut.

of naval forces near the Persian Gulf, a move designed to provide symbolic reassurance for nervous Arab rulers. According to diplomatic reports, the United Kingdom and France also during this period privately encouraged the Arab Gulf states to form the Gulf Cooperation Council so that they might have a mechanism through which to call for Western assistance.

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The West European allies' very cautious reactions to the emergence of an Iranian threat to Gulf shipping beginning in mid-1984 suggest, however, that they would be extremely reluctant to get involved in military operations in the Gulf.

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In our judgment, the West European allies' reading of US actions in Beirut has made them more wary of cooperating closely with the United States in security operations in the Middle East. The three MNF partners objected to US efforts to use military force to support the Gemayel government because they believed that to do so would depart from the mission's peacekeeping role and expose it to attack by antigovernment forces. They also thought the United States failed to consult with them prior to its decision to withdraw from the MNF.

While French military staff officers have held discussions with their US counterparts on possible minesweeping actions in the Gulf, French diplomatic officials have been generally negative about the idea of military action in the Gulf—not excluding it, however, in an extreme emergency such as a prolonged and total shutdown of Gulf tanker traffic. Senior Italian officials expressed doubt to US diplomats in June 1984 that Rome would agree to direct involvement in Western military action in the Gulf. In general, the West Europeans have urged restraint on the United States.

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The Beirut experience, in our view, clearly influenced West European policy regarding measures to deal with mines in the Red Sea and Gulf of Suez. Although the United Kingdom, Italy, and France agreed to dispatch minesweepers to the area along with the United States, they all made a point of insisting that their actions were taken independently in response to Egyptian rather than US requests. In order to emphasize its independence from the United States, France refused even to participate formally in staff level consultations with the United States and the other countries on minesweeping operations.

We believe current West European attitudes toward Western security cooperation in the Persian Gulf are molded by:

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- A belief that the danger of a major conflagration in the Persian Gulf region has receded. According to press accounts, West European leaders perceive both the Soviet drive into Afghanistan and the Iranian war effort as being hopelessly bogged down. They are less fearful than before of a direct thrust by either Moscow or Tehran aimed at their key Arab Gulf trading partners and oil suppliers.

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In the Persian Gulf region, the Allies grew alarmed about the security situation in the 1979-80 period because of the simultaneous outbreak of the Iran-Iraq war and the Soviet invasion of Afghanistan.

In 1980, in fact, the United Kingdom, France, and the Netherlands informally coordinated with the United States on a joint buildup

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- A belief that, even if the more limited threat of a restriction or cutoff in Persian Gulf tankers were to materialize, a Western military response would not be required immediately. We think that, because of the decline in Western Europe's dependence on Persian Gulf oil, the West European allies believe that their countries would not be affected by a reduction in Gulf oil supplies for at least several months. In our view, they would prefer to keep Western responses focused on diplomatic action until the need for military moves becomes clear.
- A probable belief that, in the absence of a major crisis, West European involvement in Persian Gulf military actions might prove unpopular domestically. According to USIA surveys conducted earlier this year in the United Kingdom, West Germany, and Italy, no more than 10 percent of the respondents favored their country's involvement in military action in the event of a Gulf shutdown, while a majority supported only diplomatic action even though they believed a shutdown would have very harmful consequences for their countries' economies.
- Wariness of cooperating too closely with the United States, based partly from their experience with the multinational force operation in Lebanon.

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Prospects for US-West European Cooperation

Given their view that the United States is in the best position to pursue a Middle East peace initiative, we believe the West Europeans will probably continue to support US efforts based on the Reagan Plan. At the same time, however, they may well be inclined to resume a somewhat more active and independent role—including the dispatch of a factfinding mission to the Middle East—and might consider breaking more sharply with US Middle Eastern policies if they were to conclude that the United States is unwilling or unable to press the peace process. The West European allies, in our judgment, probably would be inclined to participate in or support US military action in the Persian Gulf only after a prolonged oil stoppage or the development of a broader threat to the security of the Arab countries.

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The Arab-Israeli Conflict

In our judgment, the West Europeans continue to think that the Reagan Plan represents the most practical basis for achieving progress toward an Arab-Israeli settlement. Moreover, because the Arabs remain worried about the Iranian threat, oil is in ample supply, and the Palestinian movement is divided and weak, we believe the major West European countries are unlikely to face a threat from the Arab world sufficiently menacing to prompt them to break with US-Middle Eastern policies purely to appease Arab sentiments. For these reasons we believe that any renewed EC involvement in the Arab-Israeli peace process would not be designed to compete with US peace efforts—although it could still complicate these efforts because of the EC's contrasting attitude toward the PLO.

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We believe that the Italian Government—which holds the EC presidency for the first half of 1985—will interpret the Dublin Summit's call for an intensification of contacts with Middle Eastern parties as authorizing an Italian factfinding mission on behalf of the Community. Such a move would be in keeping with Italy's previously noted desire to become a more important political factor within the Mediterranean region. It would also enjoy the support of most EC members, perhaps with the significant exception of the British. Italian Prime Minister Craxi has already publicly indicated that he intends to address the Arab-Israeli problem during Italy's tenure as EC president.

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Craxi and Foreign Minister Andreotti, in fact, have even already held a series of informal consultations with Middle East leaders, including a hastily arranged meeting with PLO chief Arafat in Tunis in December 1984. The US Embassy in Rome reports that during this meeting Arafat told them that he now accepted the need for negotiations with Israel in conjunction with Jordan and that he was moving toward acceptance of the Reagan Plan. He also told them he needed a signal of support from the United States in order to persuade the PLO to adopt this path. In reply, Craxi encouraged Arafat to work with Jordan and to recognize Israel.

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We believe that the Italian leaders will take a similar line in meetings with Arab governments and in a possible second meeting with Arafat [redacted]

[redacted] Craxi and Andreotti also plan to hold meetings with Israeli leaders in early 1985 during which they will probably encourage Tel Aviv to be more flexible, especially about PLO involvement in the peace process. They may also seek to encourage the United States to send the signal of support requested by Arafat. In fact, we suspect that the Italians, along with other West Europeans, may be sufficiently encouraged by Arafat's private professions of peaceful intent that they may heavily emphasize the importance of increased recognition for the PLO in a well-intentioned hope to encourage it to move toward moderation. Because this approach would probably infuriate Israel, the EC's complementary diplomacy might still end up complicating US peace efforts. [redacted]

Apart from the EC, France is likely to be the only individual West European country that might consider taking a more active role in Arab-Israeli diplomacy.⁴ The French already have particularly strong ties to the more moderate Arab countries and have recently improved relations with both Syria and Israel, respectively, through successful visits by Mitterrand to Damascus in November and by Israeli Prime Minister Peres to Paris in December. We suspect that the Mitterrand government might like to play some role apart from the EC in the Arab-Israeli peace process in order to bolster French pretensions to major power status and to improve the government's foreign affairs reputation, which has sagged, among other reasons, because of the effective failure of the Chad withdrawal agreement with Libya. French Foreign Ministry officials have, however, repeatedly assured the United States that Paris has no interest in a mediation role, and we believe in any case that the Mitterrand government will be wary of major initiatives, which, like the Chad agreement, could well result in dashed expectations. Should Paris decide on more active involvement, we believe it would probably limit itself to a background "good offices" role whose significance could later be inflated in the event of progress. [redacted]

⁴ According to US Embassy Lisbon, Portuguese Prime Minister Soares might lead a factfinding mission to the Middle East in early 1985 on behalf of the Socialist International. [redacted]

We believe that the Community's policy toward the Arab-Israeli conflict might diverge more sharply from US policy if both of two conditions were met:

- The United States failed to press ahead with the Reagan Plan—or the Plan met with a definitive rejection from either Israel or Jordan.
- The West Europeans perceived related threats emerging to their interests such as a major increase in Palestinian terrorism in Western Europe or a significant rise in Soviet influence in the Arab world.

Given their limited capacity to influence events in the Middle East directly, the West Europeans would probably turn to the United Nations if they decided to become more active. We doubt they would reverse their current opposition to Arab and Soviet proposals for a UN conference on the Arab-Israeli conflict; they would probably continue to view such a conference as an exercise in futility most likely only to earn points for the Soviets. More likely they would try to bring the conflict once again before the UN Security Council. As a first step they might endorse a Security Council resolution put forward by France and Egypt in 1982 that would effectively replace UN Resolution 242 with the principles of the Venice Declaration including Palestinian self-determination and association of the PLO in the peace process. [redacted]

Persian Gulf Security

We believe that the West European allies would be very reluctant to accede to US proposals for a joint military response even if Iran succeeded in closing down the Persian Gulf. They would almost certainly counsel the United States to defer action pending further diplomatic moves. Should the United States proceed unilaterally, however, the West European allies would probably be inclined to offer limited political and logistic support if they could be convinced that US actions would be restricted to protecting tanker traffic and were designed to minimize the chances of a clash with Iran. [redacted]

The attitude of West European governments toward cooperating with the United States in military action

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in the Persian Gulf could change, we believe, under two conditions:

- *A prolonged closure of the Gulf.* The closure of the Gulf for a period of a year or more, in our judgment, would gravely impair West European economic performance by causing the price of alternative sources of oil to rise to more than double their current levels. Economic growth would nearly come to a halt, and unemployment, inflation, and balance-of-payments deficits would rise substantially. Faced with such prospects, West European leaders might conclude several months into a closure that the benefits of taking action outweighed the risks.⁵
- *A spread of the fighting to the Arab Gulf states.* This development would directly threaten West European interests through its effects on the infrastructure and stability of these key trading partners and energy suppliers. It would also probably lead these states to issue demands for Western assistance that the West Europeans would ignore only at the peril of suffering a significant future decline in the share of the Arab Gulf market. The United Kingdom would face especially strong pressures because of its close historically rooted security ties to the smaller Gulf states. London has in fact already assured Kuwait that it would assist in its defense should it be attacked by Iran. [redacted]

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We believe that the United Kingdom and France would be most likely to contribute forces along with the United States for military actions in the Gulf should either of the above two conditions materialize. Both countries have special interests in the Gulf region, are comfortable with the idea of military intervention, and possess relevant military capabilities including the substantial French fleet at Djibouti. We think it considerably less likely that Italy would participate because its military intervention capabilities are limited and its major interests in the Middle East lie in the Mediterranean rather than in the Gulf region. West Germany would not get directly involved in a military intervention because it interprets its Constitution as prohibiting such action. Spain, Portugal, and Italy would probably offer transit rights to

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[redacted]

the United States on a case-by-case basis, while Turkey might demur in order to avoid jeopardizing close economic ties to Iran. [redacted]

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According to diplomatic reporting, both the United Kingdom and France would set conditions on their involvement in Gulf military action:

- Both countries would insist that the scope of the intervention be kept as limited as possible and specifically that the United States refrain from any attempt at toppling or punishing the Khomeini regime.
- Both countries would also probably insist on formal invitations from the Arab Gulf states. The United Kingdom might insist that France also take part in the intervention because, according to US Embassy London reporting, the British resent France's sale to Iraq of Exocet missiles whose use against Iranian shipping has raised the possibility of an Iranian effort to close the Gulf. London also might insist upon compensation from other countries—Japan in particular—that would benefit far more than the United Kingdom from the reopening of the Gulf because of their much higher dependence on oil from this region.
- France would almost certainly insist on formally separating its actions from those of the United States and the United Kingdom as it did in the Red Sea minesweeping operations. [redacted]

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Both the United Kingdom and France might also be willing to take unilateral military action to support Arab Gulf states facing a moderate external threat such as occasional Iranian airstrikes or an internal threat such as an Iranian-inspired Shiite rebellion. Both countries have forces designed for such contingencies—the recently upgraded British 5th Brigade and the French Rapid Action Force⁶—and both have

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shown some willingness in the past to act unilaterally in defense of their own and Western interests in the region. France, for instance, dispatched commandos to Saudi Arabia in 1979 to help quell the takeover of the Grand Mosque, while British military officers led Oman's successful effort during the mid-1970s to put down the South Yemeni-inspired Dhofar rebellion. The Arab Gulf countries might prefer to call on the United Kingdom or France rather than the United States for assistance because they might believe there would be less risk of internal criticism or Soviet countermoves. Because both the United Kingdom and France lack substantial airlift capacities, however, they would require US transport assistance to carry out an independent intervention in the Gulf region.

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