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B.06981

PRIME MINISTER

Escalation of the War in the Gulf

1. The meeting of OD(EM) on 21 February instructed the Secretary of the Cabinet to arrange for a report to be prepared, in consultation with Departments concerned, on the diplomatic, military and economic contingency planning that had been, and might be, undertaken in the event of a collapse of Iraqi resistance to Iranian attacks and of a consequent spread of Shi'a fundamentalist supremacy to the Gulf and the Middle East generally. Work on this is in hand and Sir Robert hopes to let you have the report by the end of next week.

Flagf.

2. Meanwhile, the attached Note on "Iranian Foreign Policy: Implications of an Iranian Victory in the Gulf War" has been prepared by the JIC as an interim answer to some of the concerns expressed at OD(EM), as well as to the specific questions posed in Mr Coles's letter to Mr Ricketts of 20 February. In the short term, the JIC doubts whether Iran will be able to achieve a decisive military success: and whether, even if Iran succeeded in overthrowing the regime of Saddam Hussein, she would thereafter embark on armed attack on her Gulf neighbours (other than Kuwait, which is militarily weak and vulnerable geographically, and which might be attacked in view of past help to Iraq). The JIC believe that Iran would be more likely then to seek to export its revolution by so-called 'peaceful' means - indirect pressure, subversion and propaganda - albeit from a position of greatly enhanced prestige. Nevertheless, the specifically Iranian and Shi'a character of the Iranian revolution should work against its acceptance in predominantly Sunni Arab countries where the regimes could be expected to move quickly to limit the damage. As to the


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Soviet attitude, the JIC takes the view that the Soviet Union does not at present regard itself as threatened in its Muslim areas by Shi'a fundamentalism although it would view with concern the possibility of an Iranian victory, both because it would not wish to see Iran's ability to spread its revolution to neighbouring countries strengthened and because it would fear that instability in the Gulf region would provide an opportunity for the United States to increase its influence in the region.

3. The JIC note does not attempt to deal with the question of oil supplies and reserves, which will be covered in the full report to be submitted to you next week. That report will also examine the worst case scenario that could develop if the JIC analysis turns out to be over-optimistic; and it will include some indication of the likely attitude of the Americans in such a scenario, and how we should seek to influence them. Sir John Leahy has been talking to the Americans in Washington this week about the Gulf, and the report will take account of his impressions.

4. I am sending copies of this minute to those Ministers who took part in the OD(EM) discussion on 21 February, and to Sir Robert Armstrong.

David Goodall

A D S Goodall

24 February 1984

2
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