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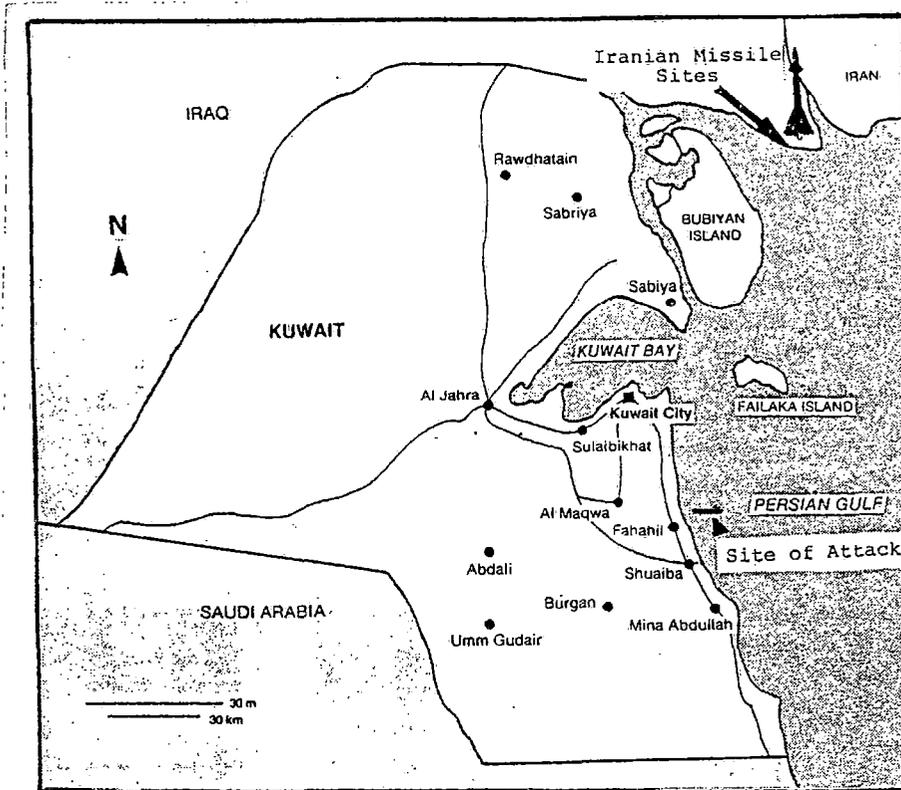
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**SPECIAL
INTELLIGENCE
REPORT**

**BULLETIN
SPÉCIAL DE
RENSEIGNEMENTS**

THE PERSIAN GULF: IRAN STRIKES BACK

(as of 12.00 October 16, 1987)



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THE PERSIAN GULF: IRAN STRIKES BACK

Highlights

- ° For the first time, a US-flagged Kuwaiti tanker has suffered a direct attack. (C)
- ° Pressure for the USA to respond militarily is strong, but we believe that a more measured response is probable. (S)
- ° The USA may increase its firepower in the northern Gulf, indicating its intention to respond quickly to any future attack, and will press Kuwait to accept the basing of USA forces on its soil and in its waters. (S)
- ° The USA has endorsed a new UN initiative, announced yesterday, to pursue further the prospects of a ceasefire in the Iran-Iraq war. (C)

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1. In the early morning of October 16, 1987 the US-flagged Kuwaiti tanker, Sea Isle City, was struck, probably by a Silkworm missile fired from Iranian-controlled territory. Reports indicate that 18 sailors were injured, seven critically. Among the injured was the American captain of the vessel. The attack followed hard on the heels of a similar Silkworm attack on the previous day which struck an American-owned, Liberian-registered tanker anchored in the same Kuwaiti harbour. (C)

2. This marks the first occasion on which a US-flagged tanker has been directly attacked, and raises the question of what the USA response might be. Pressure for the USA to respond militarily is strong, but we believe that a more measured, diplomatic response is probable. Secretary of State Shultz was quick to point out that the attack did not occur in international waters and the tanker did not have USA convoy protection. A military response would play into the hands of USA Administration opponents in the Congress who for weeks have pressured Reagan to invoke the War Powers Act, something he has adamantly refused to do. These same opponents would be quick to note that Kuwait has to date refused to accept the basing of American naval forces in its waters. (S)

3. Options other than direct military confrontation are being considered. An escalation of USA firepower, such as the deployment of the battleship "USS Missouri" to the northern Persian Gulf, would demonstrate USA resolve in a highly visible way. The USA would thus have served notice of its intention to eliminate the Al Faw missile sites in the event of a future attack. In addition, pressure could be placed on Iraq to neutralize these same sites itself, as a logical military response to an attack on its supporter, Kuwait. Pressure will be placed on Kuwait to permit the basing of US forces on Kuwaiti soil and the entrance of US naval vessels into Kuwaiti waters, permission which the USA is most anxious to have. Finally, the USA has endorsed a new UN initiative announced yesterday, to pursue further the prospects for a ceasefire in the Iran-Iraq war, and is therefore reluctant to escalate tensions in the immediate future. (S)

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