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NATIONAL SECURITY COUNCIL  
WASHINGTON, D.C. 20508

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September 29, 1987

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INFORMATION

MEMORANDUM FOR FRANK C. CARLUCCI

FROM: ROBERT B. OAKLEY *RB*

SUBJECT: September 30 S-W-C Breakfast: Total Embargo  
on Iran

Secretary of Defense Weinberger added this item to the agenda this afternoon, reflecting his interest in a total ban on U.S. exports to and imports from Iran. In the meantime, Senator Dole's amendment to the Defense Bill mandating such an embargo has been passed by the Senate (98-0). The amendment gives the President the option to delay implementation for 180 days. Given the recent upsurge in U.S. imports of Iranian crude (which because of diversion of oil originally destined for France peaked in July), Dole's proposal is bound to attract widespread support in the House as well.

Following a July PRG on the subject, State was tasked to do another study of the question of export/import controls on Iran, which will serve as the basis for a PRG meeting scheduled for next week. The study points out three fundamental problems connected with a total embargo:

- o Embargo would do little--if any--economic damage to Iran. The earlier Iranian and Libyan experiences suggest there is very little chance of orchestrating an effective international economic embargo against Iran. The Iranians would find other buyers for their crude, and their revenues would not be significantly affected.
- o Embargo could violate Algiers Accords and jeopardize U.S. claims at Hague Tribunal. In the 1981 Algiers Accords, the U.S. agreed to "revoke all trade sanctions which were directed against Iran" during the hostage crisis. The Iranians could argue that broad new sanctions breach these obligations, or they might use the sanctions as justification for abandoning the Tribunal process. At present, the Tribunal has before it approximately 2900 private U.S. claims totalling about \$20 billion, as well as USG claims amounting to about \$1 billion.

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- o Establishing total embargo now deprives us of leverage.  
It makes more sense to hold off on such dramatic action--which would have negative impact on long-term prospects for U.S.-Iranian political and economic relations--until situation deteriorates further.

Assuming we are not forced to act sooner by Congress, I recommend that you suggest to Cap that we let the PRG study the issue carefully next week and forward its recommendations for Cabinet-level consideration.

*WBJ*  
Steve Danzansky and *WBJ* Bob Dean concur.

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