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RELEASED IN PART<sup>1.4(D)</sup>  
B1, 1.4(D)

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ACTION NEA-01

INFO	LOG-00	CIAE-00	SMEC-00	CIP-01	COME-00	CTME-00	OASY-00
	DODE-00	DOEE-00	EAP-01	EB-01	EUR-01	TEDE-00	INR-00
	ADS-00	NSAE-00	NSCE-00	OMB-01	PM-00	P-01	SP-00
	SS-00	STR-01	TRSE-00	T-00	USIE-00	PMB-00	DRL-09

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-----CF4A7B 131732Z /49

P 130532Z JUN 95  
 FM AMEMBASSY ABU DHABI  
 TO SECSTATE WASHDC PRIORITY 5895  
 INFO AMEMBASSY MOSCOW  
 AMEMBASSY BEIJING  
 AMEMBASSY TOKYO  
 AMEMBASSY PARIS  
 AMEMBASSY LONDON  
 GCC COLLECTIVE  
 COMUSNAVCENT  
 USCINCCENT MACDILL AFB FL

S E C R E T SECTION 01 OF 03 ABU DHABI 004024

DEPARTMENT ALSO FOR NEA/ARP AND NEA/NGA  
LONDON FOR TUELLER; PARIS FOR ALLEGRONE

E.O. 12356: DECL:OADR -

TAGS: PREL, ETTTC, MOPS, PINR, IR, TC

SUBJECT:  ON U.S. IRAN POLICY:

- QUIT WHILE YOU'RE AHEAD?

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UNITED STATES DEPARTMENT OF STATE  
REVIEW AUTHORITY: JOHN S BLODGETT  
DATE/CASE ID: 26 MAR 2007 200601141

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REFS: (A) PARIS 13706 (B) ABU DHABI 355  
(C) ABU DHABI 3635 (NOTAL)

B1

1. (S) SUMMARY:

[REDACTED] PRAISED U.S. POLICY IN THE GULF, SAYING THAT THE PRESSURE ON IRAN MAY HAVE BEGUN TO SHOW RESULTS. AS EVIDENCE, HE CITED (1) STATEMENTS BY IRANIAN OFFICIALS BACKING AWAY FROM THE RUSHDIE FATWA AND (2) A LESS THREATENING IRANIAN POSTURE IN THE WATERS OFF ABU MUSA. IN HIS VIEW, THE REGIME IS WORRIED ABOUT ITS GROWING ISOLATION AND IS WORKING HARD TO COURT OUTSIDE SUPPORT. THE DRIVING FORCE BEHIND THIS, HE SAID, IS THE DETERIORATING ECONOMY. HOWEVER, IF IRAN WERE PUSHED OVER THE BRINK, HE ARGUED, THE AFTERMATH COULD POSE RISKS FOR THE ENTIRE REGION. HIS REMARKS IMPLIED THAT HE FEELS IT IS NEITHER NECESSARY NOR DESIRABLE FOR THE U.S. TO TAKE ADDITIONAL MEASURES AGAINST IRAN. END SUMMARY.

2. (S) ON JUNE 8, POLOFF MET [REDACTED]

[REDACTED] TO DISCUSS IRAN. [REDACTED]

FIRST WANTED TO KNOW IF THE USG HAD AN UPDATE ON THE STATUS OF IRANIAN MILITARY FORCES ON THE ISLANDS.

[REDACTED] GENERALLY SPEAKING, POLOFF SAID, OUR INFORMATION SUGGESTED AT LEAST A TEMPORARY DRAWDOWN OF PERSONNEL ON ABU MUSA. [REDACTED] APPRECIATED THE INPUT

3. (S) [REDACTED] SPECULATED THAT POSSIBLE REASONS FOR THE DRAW-DOWN MIGHT INCLUDE FINANCIAL OR LOGISTIC PROBLEMS. ABU MUSA ISLAND, HE BELIEVES, LACKS

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SUFFICIENT FRESH WATER SUPPLIES FOR THE ~~NUMBERS OF~~ IRANIAN PERSONNEL QUARTERED THERE, SO THEY DEPEND UPON SUPPLIES BROUGHT FROM THE IRANIAN MAINLAND. HE THEN ASKED IF A SIMILAR DRAW-DOWN HAD OCCURED OR WAS IMMINENT ON THE TUNBS AND OTHER NEARBY ISLANDS. POLOFF REPLIED THAT HE DID NOT CURRENTLY HAVE INFORMATION TO SUGGEST THAT THIS WAS THE CASE.

4. (C) [ ] WENT ON TO SAY THAT, IN HIS OPINION, THERE WERE SIGNS THAT U.S. EFFORTS TO CHANGE IRANIAN BEHAVIOUR MIGHT HAVE BEGUN TO PAY OFF. ONE IMPORTANT SIGN WAS FM VELAYATI'S RECENT PUBLIC REMARKS ABOUT THE FATWA AGAINST SALMAN RUSHDIE (COMMENT: [ ] CITED A BCC TELEVISION INTERVIEW WITH VELAYATI IN WHICH VELAYATI MADE REMARKS SIMILAR TO THOSE IN REF A. END COMMENT.) IF, AS VELAYATI HAD IMPLIED, THE IRANIAN REGIME WAS NO LONGER DEDICATED TO CARRYING OUT KHOMEINI'S FATWA AGAINST RUSHDIE, THIS MARKED A MAJOR CHANGE IN IRANIAN POLICY. A DECISION BY THE IRANIAN GOVERNMENT TO DISREGARD ANY FATWA, PARTICULARLY ONE ISSUED BY KHOMENI, WOULD BE EXTREMELY SIGNIFICANT, [ ]

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[ ] POINTED OUT. HE ACKNOWLEDGED THAT IT WAS TOO SOON TO BE SURE WHAT LAY BEHIND THE STATEMENT, BUT HE WAS ENCOURAGED BY THE APPARENT SILENCE SO FAR OF MORE HARD-LINE ELEMENTS IN THE REGIME.

5. (C) [ ] ATTRIBUTED THIS APPARENT SHIFT TO WORRIES AMONG IRANIAN OFFICIALS OVER IRAN BECOMING FURTHER ISOLATED FROM THE WORLD COMMUNITY, PARTICULARLY ITS MAJOR TRADING PARTNERS IN WESTERN EUROPE AND EAST ASIA. ECONOMIC CONDITIONS IN IRAN, HE POINTED OUT, HAVE CONTINUED TO DETERIORATE AND MAY HAVE REACHED THE POINT THAT EVEN RADICALS WERE BECOMING CONVINCED OF THE NEED TO TAKE STEPS TO PRESERVE TRADE LINKS.

6. (S) ASKED ABOUT TENSIONS IN THE WATERS OFF ABU MUSA, PARTICULARLY THE PROBLEMS ENCOUNTERED BY UAE FISHING BOATS, [ ] SAID THAT THE SITUATION SEEMED TO HAVE IMPROVED DURING THE LAST YEAR, PARTICULARLY SINCE "OUR COOPERATION." (COMMENT: HE MAY HAVE BEEN REFERRING TO

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THE U.S. - UAE DEFENSE COOPERATION AGREEMENT, SIGNED  
LAST JULY. END COMMENT.) IN THE PAST, HE EXPLAINED,

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SECRET SECTION 02 OF 03 ABU DHABI

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LONDON FOR TUELLER; PARIS FOR ALLEGRONE

E.O. 12356: DECL:OADR - [REDACTED]

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THE IRANIANS HAD DETAINED SEVERAL BOATS A WEEK. HE ASSERTED THAT THE NUMBER OF SUCH INCIDENTS HAD FALLEN OFF CONSIDERABLY. HE ALSO NOTED A SHIFT IN IRANIAN PATROL BOAT ACTIVITIES IN WATERS NEAR THE UAE. IN THE PAST, THE IRANIANS HAD PUSHED THE LIMIT OF THEIR CLAIMED TERRITORY, FREQUENTLY VIOLATING UAE TERRITORIAL WATERS. NOW, SUCH VIOLATIONS WERE RARE. ASKED TO WHAT HE ATTRIBUTED THESE CHANGES, [REDACTED] SAID ONE IMPORTANT FACTOR WAS THE PRESENCE OF U.S. NAVY SHIPS IN THE GULF. ALMOST AS AN AFTERTHOUGHT, [REDACTED] REMARKED THAT UAE NAVAL VESSELS HAD RECENTLY BEEN AUTHORIZED TO FIRE ON IRANIAN NAVAL BOATS THAT ENTERED UAE WATERS.

7. (C) RETURNING TO IRAN'S GROWING FEAR OF ISOLATION, [REDACTED] NOTED RECENT IRANIAN CONTACTS WITH IRAQ. DURING A CONVERSATION WITH POLOFF IN LATE MAY, HE HAD EXPRESSED SOME CONCERN ABOUT THE VISIT TO IRAQ BY AN IRANIAN MFA DELEGATION. NOW, HOWEVER, HE AGREED THAT THE PROSPECTS OF A RAPPROCHEMENT BETWEEN IRAN AND IRAQ WERE STILL REMOTE AND THAT THE IRANIAN MFA VISIT HAD PROBABLY BEEN MORE FORM (AND PUBLICITY) THAN SUBSTANCE. IRAN, IN HIS VIEW, NEEDED A QUICKER FIX FOR ITS ECONOMIC CRISIS AND WOULD TRY TO REMEDY THAT BY COURTING EUROPEAN AND JAPANESE BUSINESS AND INVESTMENT.

8. (C) POLOFF RECALLED THAT, EVEN BEFORE THE TRADE EMBARGO, WE HAD URGED THE EUROPEANS AND JAPANESE TO CUT OFF ALL AID, LOANS, CREDITS AND OTHER SUPPORT FOR IRAN AND WOULD CONTINUE TO DO SO. WE HOPED OUR FRIENDS

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WOULD CONTINUE TO DO SO AS WELL.

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JAPANESE HAD DECIDED YET ON THE NEXT TRANCHE OF THEIR  
LOAN FOR THE KARUN DAM. POLOFF REPLIED THAT, AS FAR AS  
HE KNEW, THE GOJ WAS STILL STUDYING THE MATTER.

[REDACTED] THEN COMMENTED THAT [REDACTED]  
[REDACTED] HAD TOLD HIM THAT CHINA WAS HAVING PROBLEMS WITH  
ITS COMMERCIAL DEALS IN IRAN BECAUSE THE IRANIANS  
LACKED THE MONEY.

9. (C) POLOFF ASKED [REDACTED] IF HE THOUGHT IRAN'S  
WORRIES ABOUT ISOLATION WOULD AFFECT ITS POSITION VIS A  
VIS THE ISLANDS. NOTING HIS EARLIER SKEPTICISM ABOUT  
VELAYATI'S COMMENTS TO "SHARQ AL-AWSAT" IMPLYING  
IRANIAN WILLINGNESS TO DISCUSS ALL THREE DISPUTED  
ISLANDS (REF B), [REDACTED] SAID HE HAD TAKEN A CLOSE  
LOOK AT THE TEXT AND WAS NOW INTRIGUED. IN DISCUSSING  
THE PROSPECT OF IRAN-UAE TALKS ON THE DISPUTE, VELAYATI  
HAD -- ACCORDING TO [REDACTED] -- REFERRED TO ABU MUSA  
ISLAND TWO TIMES (COMMENT: THE USUAL IRANIAN  
FORMULATION; END COMMENT.) BUT REFERRED TO THE  
"ISLANDS" (PLURAL) THE THIRD TIME. AS FOREIGN  
MINISTER, [REDACTED] POINTED OUT, VELAYTI WAS WELL AWARE  
OF THE DISTINCTION. DID THIS SIGNAL SOME CHANGE ON THE  
IRANIAN SIDE? [REDACTED] REMAINED SKEPTICAL BUT OBSERVED  
IT WAS POSSIBLE THAT VELAYATI'S "SLIP" WAS DELIBERATE.

10. (C) AS THE CONVERSATION DREW TO A CLOSE [REDACTED]  
INJECTED A NOTE OF CAUTION. IT WOULD BE DIFFICULT FOR  
EVERYONE IN THE REGION IF THE IRANIAN REGIME WAS PUSHED  
OVER THE BRINK. IF THE REGIME WAS SERIOUSLY  
THREATENED, IT MIGHT TRY TO RETALIATE. IF IT  
COLLAPSED, THE ENSUING INSTABILITY WOULD ALSO POSE

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SERIOUS PROBLEMS FOR THE REGION.

11. (C) COMMENT: [REDACTED] VIEWS ON THE EFFECTS OF U.S. IRAN POLICY TRACK WITH AT LEAST ONE OTHER SOURCE (REF C). BUT WHILE HE SEEMS TO FAVOR A FIRM APPROACH TOWARD IRAN, HIS PRAISE FOR CURRENT U.S. "SANCTIONS" APPEARED TO CONTAIN A NEW SPIN -- I.E. THAT BECAUSE THE PRESSURE ON IRAN MAY BE STARTING TO WORK, THE U.S. DOES NOT NEED TO TAKE ANY ADDITIONAL STEPS. [REDACTED] LIKE A NUMBER OF OUR OTHER UAE CONTACTS, MAY BE WORRIED ABOUT AN IRANIAN REACTION IF IT IS PRESSED TOO FAR. MOREOVER, A SEVERE ECONOMIC CRISIS OR INTERNAL INSTABILITY IN IRAN MIGHT THREATEN THE PROSPECT OF MANY MORE ILLEGAL IMMIGRANTS FROM IRAN FLOODING THE UAE, AS WELL AS A DROP IN IRANIAN DEMAND FOR IMPORTS FROM THE UAE.

12. (C) COMMENT CONTINUED: [REDACTED] SUGGESTED THAT THE UAEG REMAINS CONCERNED ABOUT THE IRAN POLICY OF JAPAN AND CHINA, AMONG OTHERS. UAEG OFFICIALS APPEAR TO SHARE OUR GOAL OF DEPRIVING IRAN OF THE MEANS TO

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