

Saudi Arabia

127. Telegram From the Consulate General in Dhahran to the Department of State¹

Dhahran, February 5, 1969, 0625Z.

112. Following is from Ambassador in Riyadh. Subject: King Faisal's Views on Various Middle East Problems.

Summary: In lengthy audience with King Faisal Feb 3, he reiterated his concerns about growing Communist influence in ME and about Zionist territorial ambitions. He hoped new administration will devise more "balanced policy" toward Arab-Israel conflict. Suggested first step in peace settlement ought be ascertaining Israel's territorial intentions. If these reasonable and compensation offered, he thought Jordan could agree. Remained adamant however that Israelis must leave old Jerusalem. Re Yemen he noted SAG is urging both Royalists and Republicans to work out compromise and thought situation there might become clearer in two or three months. He still waiting for indication Shah's intentions re Bahrain and continues favor nine-member FAA to include Bahrain.

1. On evening Feb 3 I had three-hour audience with King Faisal during which we reviewed various Middle East problems. Rashad Pharaon also present. Summary of Faisal's observations follows:

2. Communist influence in Middle East. At outset Faisal launched into his customary expression of concern about growing Communist influence in Middle East, Israel and what he described as "anti-Arab policy" of previous administration largely responsible for boosting Soviet influence. Already UAR, Algeria, Syria, Iraq, Yemen and South Yemen are Communist or Communist-oriented states. Jordan is exposed to Communist threat and, unless USG and SAG continue support Hussein, it too may fall. Only Saudi Arabia is left as island of moderation in what has now become leftist sea. SAG is receiving constant criticism from other Arab states for its pro-US policies. He hoped new administration will seek to stem tide of leftist influence by adopting policies which strengthen few Arab moderates who remain.

¹ Source: National Archives, Nixon Presidential Materials, NSC Files, Box 629, Country Files, Middle East, Saudi Arabia, Vol. I. Secret; Exdis. It was repeated to Jidda.

3. I assured Faisal that new administration is fully aware of importance moderate Arab friends such as he.² I cautioned, however, that problem of combatting Communism Middle East area is a difficult one. Much depends on peoples themselves. As I had several times previously discussed with him, moderate Arab govts can help themselves by accelerating political, economic and social reform. Faisal contended latter concept only partially true. Communist tactic is to exploit liberal movements and ultimately take them over. Saudi people, for example, are not yet ready for greater voice in political processes. Faisal recalled ruefully that in 1957 he had had three-hour talk with late Secretary Dulles in which he had argued against what he claimed was contemporary USG “plan” to topple Syrian Govt. He now saw that he had been wrong. He felt sure that even now USG has “ways” of combatting Communist regimes in area.³

4. Zionism. As is his wont, Faisal’s discourse quickly spilled over from Communism into Zionism. He sees Zionism as another part of Communist conspiracy. Introduction of Zionism into Middle East and its territorial ambitions have been chief causes of area instability. Zionists disclaim territorial expansion design, but Protocols of Zion⁴ demonstrate otherwise. USG should be alive to Zionist threat and danger it poses to American interests in Middle East.

5. I told him my understanding Protocols of Zion is a spurious document. He insisted on its validity. When I twitted him on being able to buy Arabic, English and French editions of that book otherwise bare Jidda book market, he engagingly admitted that SAG has had copies printed. He stated very frankly that SAG is doing this to make “Zionist threat” more widely known.

² In a February 24 letter to Faisal, Nixon stated his desire to maintain cordial ties, his intent to make the Arab-Israeli dispute “a first order of business,” his support for UN Security Council Resolution 242, and U.S. “support for the integrity” of Saudi Arabia. (Telegram 28507 to Jidda, February 24; *ibid.*, RG 59, Central Files 1967–69, POL SAUD–US) Faisal’s response is in telegram 896 from Jidda, March 17. (*Ibid.*, Nixon Presidential Materials, NSC Files, Box 629, Country Files, Middle East, Saudi Arabia, Vol. I)

³ A copy of the September 23, 1957, memorandum of conversation among Faisal, President Eisenhower, and Secretary of State John Foster Dulles, is attached to a February 11 letter from Eilts to Brewer. During the meeting, Eisenhower stated that the United States was deeply concerned over developments in the Middle East, particularly Syria, and was “anxious for the countries in the area to develop in accord with their desires.” Faisal responded that he was “hopeful that everything in the end would be worked out ‘in a good manner.’” Both stated their concerns over any potential Soviet presence in the region. (*Ibid.*, RG 59, NEA/ARP Files, Entry 5633, Box 4, Saudi Arabia Correspondence with Post 1969)

⁴ The *Protocols of the Elders of Zion*, a forgery written by the Okhrana (secret police) in late 19th century Tsarist Russia, claimed that a secret Jewish cabal was plotting to take over the world. The Protocols have remained in circulation since 1905.

Arab-Israel. Adverting to substance of USG reply to Soviet note, which I had earlier conveyed to King through Saudi FonOff, I took opportunity explain that there had apparently been some misunderstanding about our reply.⁵ It was part of continuing exchange with Soviets and not intended as comprehensive policy statement. He wanted to know if new administration had endorsed it as UAR specifically claimed. He recalled UAR had told Saudis and other Arabs that US representative, when giving text to UAR, stated it had new administration's endorsement. I told him that this was not so and invited his attention to subsequent UAR press efforts back away from their earlier charge. He did not pursue point, but expressed fervent hope that President Nixon will take new look at Arab-Israel problem and devise policy based on "right and justice".

7. I asked him what he thought ought to be done to break present Arab-Israel impasse. He responded could not speak for Arab states directly involved and SAG is only interested by-stander. In his view, however, first step should be to obtain a clear indication of Israel's territorial intentions. Unlike on previous occasions, he did not this time speak of June 5 armistice lines, but referred to "secure and recognized boundaries." Arab states, who had been "treacherously attacked" by Israel and defeated, could not be expected to state what such boundaries should be. They, and indeed all Arab states, are fearful that Israel harbors territorial ambitions at their expense. Israelis must be induced lay their cards on the table and indicate what they want. If their territorial demands are reasonable and compensation is offered, he thought Jordan would be willing and able work out something. SAG will accept anything which parties directly involved agree upon.

8. Faisal made it clear however, that Jerusalem is single exception to his willingness accept such rectification of boundaries. He insisted that Israelis must get out of Jerusalem. Failing this, SAG will not accept any peace settlement and will seek to rally Arabs and Muslims against it.

9. I noted that UAR intentions are also unclear. It equally necessary, therefore, for UAR to stipulate what it means by a state of peace. Faisal answered that he assumes this should mean freedom of navigation in Suez Canal and through Straits of Tiran. When I asked if UAR had specifically stated this to him, he said it had not. SAG and UAR have not discussed this matter. Faisal noted that refugee problem will also have to be tackled, but would not be drawn out as to how he thought this should be done.

⁵ Telegram 267 to Jidda, January 23. (National Archives, Nixon Presidential Materials, NSC Files, Box 629, Country Files, Middle East, Saudi Arabia, Vol. I)

10. Faisal expressed his deep distrust of Soviet proposal,⁶ which UAR had also given to SAG, but spoke approvingly of French Four-Power conference idea.⁷ In response my point that outsiders cannot impose peace on area, Faisal agreed this could not be done militarily. He thought, however, that Four-Powers should sit down and decide what they mean by UNSC Resolution of Nov. 1967⁸ since neither Arabs nor Israelis are likely be able to do so. He saw nothing wrong with Four-Powers developing a general blueprint for peace settlement, with possible alternatives, which might then be used by Jarring⁹ to pursue his efforts. Thus far, he opined, despite all USG's past claims of some progress in Jarring mission, he could see none. He was fearful that unless some new guidelines are soon given to Jarring, his mission will get nowhere. If area states do not accept Four-Power ideas on a peaceful settlement, and here he did not specify any particular state, he thought Four Powers could exert pressure by means of sanctions or in other unspecified ways. Essential element, he stressed, is to get real peace efforts underway soon. Time is on no one's side. He applauded Pres Nixon's inaugural comments on the quest for peace¹⁰ and hoped Middle East will be given high priority. I assured him that, along with Vietnam, ME is receiving high priority in new administration's planning. I invited his attention to President's January 27 press conference comments,¹¹ which he recalled reading. I hoped before long to be able to tell him a bit more about how new administration's thinking is evolving. I said was sure new administration would welcome his wise counsel as long-term and proven friend of US.

⁶ The Soviet proposals, given to France, Britain, and the United States on December 30, 1968, included a time schedule for Israeli troop withdrawals in two stages, free navigation through the Straits of Tiran, and a Security Council decision on guarantees for Arab-Israeli borders. See *Foreign Relations, 1964–1968*, volume XX, Arab-Israeli Dispute, 1967–1968, Document 374.

⁷ On January 17, the French proposed that the United States, Britain, France, and the Soviet Union meet with the UN Secretary General to determine how best to contribute to a just and durable peace in the Middle East. The United States agreed in principle with this approach on February 5. Documentation on this is scheduled for publication *ibid.*, 1969–1976, volume XXIII, Arab-Israeli Dispute, 1969–1972.

⁸ Reference to UN Security Council Resolution 242.

⁹ See footnote 9, Document 3.

¹⁰ For the text of President Nixon's inaugural address, see *Public Papers: Nixon, 1969*, pp. 1–4.

¹¹ Nixon commented that the Middle East situation required new initiatives and new leadership; that the Middle East was a powder keg that needed to be diffused; and that any potential future conflict had to be avoided since it might involve a confrontation between the nuclear powers. He also said that although the United States would devote a significant amount of effort, ultimately, the problem had to be settled by the parties in the area. See *ibid.*, pp. 15–23.

11. Yemen. I noted apparent strengthening of YAR as Royalist position seems to be deteriorating, and asked for his views on how he believes Yemen situation will unfold. He responded that, while there are indeed differences in Royalist ranks, he does not consider Royalist position so weak that they should be written off. He recalled SAG has stopped all aid to Yemeni Royalists. In response persistent Royalist appeals, SAG continues to urge that they find some way to work out peaceful coalition settlement with Republicans. He stated that "both sides have been in touch with us," but gave no details. SAG had replied to both that they should work out settlement which should be neither a monarchy nor a republic. He again mentioned "State of Yemen" concept. If Republicans and Royalists can agree on form and content of such coalition govt, SAG will "bless" it.

12. Faisal thought that it is still premature to believe that some coalition settlement is not possible. He opined in two or three months situation should be somewhat clearer. He thought we all ought to wait for this period before making any new judgments on Yemeni situation.

13. Iran and Gulf. In answer to my query Faisal said there have been no new developments in Saudi-Iranian relations. He noted ratifications have recently been exchanged for median line agreement and that Saqqaf hopes shortly (no date mentioned) to visit Tehran for first of periodic reviews which were decided upon during Shah-Faisal meeting. He also referred to Shah's New Delhi statement re Bahrain.¹² Perhaps when Saqqaf visits Tehran, Iranian thinking on Bahrain issue may have evolved somewhat more and Shah will have found an honorable way out of his dilemma. Faisal again emphasized, however, that SAG considers Bahrain as an independent Arab state.

14. On lower Gulf islands, Faisal disclaimed any talks with Iranians. He noted these islands belong to individual lower Gulf principalities or to FAA, if it becomes effective, and that SAG is simply not in a position to give other people's territory away.

15. He thought movement toward a more effective FAA, while slow, continues. Although FAA concept is receiving "needles" from British, Iranians, and some of lower Gulf rulers themselves, sooner or later all will realize need for unity in order to protect themselves from subversion. In his view any federation without Bahrain will not succeed. FAA should be nine-member grouping to include Bahrain.

16. Faisal suggested that the USG should develop "assets" in lower Gulf principalities. I noted our Consul General in Dhahran has informal jurisdiction over lower Gulf area and frequently visits there.

¹² See footnote 2, Document 72.

Faisal thought this was very good, but urged that we develop widest possible body of contacts in these states.

17. *Comment:* Various non-political matters discussed are being reported separately.¹³ Meeting was relaxed and cordial. Faisal looked tired, but was certainly mentally alert. His theme throughout was hope that new administration will show more concern for Arab sensibilities.

Dinsmore

¹³ Not further identified.

128. Telegram From the Consulate General in Dhahran to the Department of State¹

Dhahran, August 31, 1969, 1300Z.

782. Ref: Jidda 3009.² Subj: ARAMCO Offtake Problem.

1. ARAMCO VP Jungers has provided account meeting with Yamani and Musa'ad reported ref tel.

2. Jungers told Musa'ad revenue forecast for next SAG fiscal year down \$39 million from earlier forecast (\$997 million instead of \$1,016 million.) These tidings precipitated frank remarks by Musa'ad who engaged in long deliberate monologue about entire question. He opened by saying that over years ARAMCO has been a most helpful force in Saudi Arabia. The company has done many things for the country, often at its own initiative and without promptings from the government. The whole history of the ARAMCO–SAG relationship has been one of trust and mutual confidence. The situation is changing he claimed. SAG is asking for help and ARAMCO is unable to comply and also unable supply convincing answers as to why it cannot.

¹ Source: National Archives, RG 59, Central Files 1967–69, PET 6 SAUD. Confidential; Limdis. It was repeated to Jidda.

² In telegram 3009 from Jidda, August 31, the Embassy reported that Yamani and Musa'ad told ARAMCO representatives that the projected offtake increase was inadequate. Eilts noted that Saudi expenditures were going up, the government was feeling financially pinched, and that the Saudis believed the shortfalls in estimated offtake were the result of ARAMCO parent companies giving preference to marketing Iranian oil. Eilts concluded that ARAMCO parents were "not sufficiently alive to growing Saudi dissatisfaction on this score." (Ibid.)

3. Musa'ad said he convinced ARAMCO's performance is a reflection USG policy and ARAMCO is in fact a "tool" of USG. Jungers denied this was true. Musa'ad replied he would like to believe this but found it difficult do so. Musa'ad then was more specific. Firstly, he said, actions and policy Iran detrimental Arab interests. The Shah is mistrusted by Arabs but he is in fact aided and abetted by USG. The oil companies gave into Shah's pressure over Iranian offtake despite their knowledge Shah's performance largely bluff. He could attribute this largely to USG efforts on Iran's behalf. Secondly, he alleged, Saudi offtake problem contrived by USG in order reduce SAG ability make payments to UAR and Jordan, purpose being put pressure on Arabs come to terms on Middle East problem and get Suez Canal opened without necessity putting muscle on Israel.

4. Jungers endeavored counter these points but found it difficult dispel what appear to be ideas firmly implanted in Musa'ad's mind. Jungers said it clear Musa'ad expressing what he sincerely believes and this is main point. Jungers also concludes that Yamani staged meeting so that Jungers could hear these views firsthand. Yamani has outlined seriousness with which SAG views offtake problem to ARAMCO in past and he probably wished Jungers clearly understand that Yamani has difficulty in getting ARAMCO points home within inner SAG circles.

5. Jungers convinced Musa'ad's views reflect those of King Faysal himself on offtake problem and that Saudis will not bargain on this issue. Once their mind made up on course of action they will not be easily diverted.

6. Later when Yamani and Jungers alone Yamani reminded Jungers that ARAMCO reserves greatest in world and said if ARAMCO fails respond in satisfactory manner ARAMCO will lose concession as company now knows it and ARAMCO's favored position. He did not go into specifics. Jungers can only believe that lurking in Yamani's mind is SAG action which would take away from ARAMCO oil fields not now producing or producing far below capacity. There would be companies willing to take these concession areas over and they likely be non-American.

7. Jungers commented that ARAMCO relations with SAG deteriorating as result offtake problem. ARAMCO itself faced with economic realities oil marketing situation and there no easy way out. But if some solution satisfaction to SAG not forthcoming ARAMCO expects very troubled days may be ahead.

129. Telegram From the Embassy in Saudi Arabia to the Department of State¹

Jidda, September 10, 1969, 1356Z.

3114. Ref: State 149073; Jidda 3059.² Subj: King and SAG Reaction to Phantom Deliveries.

1. At meeting September 9, Acting MinState for FonAffs Mas'ud said that he had presented info conveyed Jidda 3059 to King who requested Mas'ud deliver orally following message: "Please emphasize to American Chargé our great regret step taken by USG to provide Phantoms to Israel. This will do far more to exacerbate Middle East problem than to solve it."³

2. Mas'ud added King and SAG cannot accept thesis that providing Phantoms to Israel redresses balance of armaments between Israelis and Arabs. Israel now on its "high horse." It pays no attention to US, or indeed to UN where "in your presence" it flaunts UN decisions. If US truly interested in efforts bring peace to Middle East, Phantom deliveries wrong way to go about it. Mas'ud continued with long tirade against Israel, stating there no previous example in history of power which not only occupied other peoples territories but chased them out of their homes and off their land.

3. Chargé observed whatever rights and wrongs of past were, it unrealistic to attempt turn clock back. Israel in ME to stay, and problem in simplest terms was reaching accommodation between Israelis and Arabs that both sides could live with so that governments and peoples throughout area could get on with priority tasks of development.

4. Mas'ud said US in own interest should desist from its "excessive preoccupation" with Israel and concentrate its attention more heavily on combatting Communism in ME. He cited Egypt and Syria as examples where "Communism" has taken hold. Chargé countered thesis that Arab radicalism due to US policy in area incorrect. Rise of radicalism primarily result of frustrations from failure Arab governments get down to solving domestic problems and meeting needs of their own peoples. Attempts to make US policy scapegoat for Arabs' own failures is only further proof of inability radical Arabs to

¹ Source: National Archives, Nixon Presidential Materials, NSC Files, Box 629, Country Files, Middle East, Saudi Arabia, Vol. I. Secret; Exdis.

² Telegram 149073 to Amman, September 4. (Ibid., RG 59, Central Files 1967–69, DEF 12–5 ISR) In telegram 3059 from Jidda, September 5, Stoltzfus relayed information on initial Saudi response to the sale of Phantoms to Israel. (Ibid., Nixon Presidential Materials, NSC Files, Box 629, Country Files, Middle East, Saudi Arabia, Vol. I)

³ See footnote 5, Document 16.

make contact with reality. We admire SAG for so far having resisted this temptation. It appeared Saudi best interests would continue be served by supporting efforts to achieve peaceful settlement and at same time bolstering internal strength with meaningful progress and reform.

5. Mas'ud did not take issue. He closed this lengthy portion of conversation with renewed pleas that US urgently reassess its interests which, he asserted, rapidly deteriorating in Arab world.

Stoltzfus

130. Letter From the Under Secretary of State for Political Affairs (Johnson) to the Deputy Secretary of Defense (Packard)¹

Washington, September 15, 1969.

Dear Dave:

As you may know, Secretary Rogers has invited Prince Fahd bin Abd al-Aziz, Second Deputy Prime Minister and Minister of Interior of Saudi Arabia, to be his official guest in Washington October 13–15. Because of the importance we attach to our relations with Saudi Arabia, Prince Fahd will be received with most of the courtesies normally extended to an official guest of the United States Government. He will stay at Blair House, be the Secretary's guest at a formal dinner at the Department, and give a return luncheon for the Secretary. He will also be received by the President who recently sent a warm letter to King Faisal expressing his pleasure that the Prince's forthcoming visit will provide an opportunity for a full exchange of views on matters of mutual interest to our two countries.²

We attach particular significance to the visit at this time in view of the strains placed on USG–Saudi relations by the rising tensions of the Arab-Israeli dispute. The major American stake in Saudi oil, the

¹ Source: National Archives, RG 59, Central Files 1967–69, POL 7 SAUD. Limited Official Use. Drafted on September 11 by Wrampelmeier and cleared by Brewer, Sisco, and in draft by Mosbacher (S/CPR).

² The text of the letter is in telegram 147458 to Jidda, August 30. (Ibid., Nixon Presidential Materials, NSC Files, Box 761, Presidential Correspondence 1969–74, Saudi Arabia King Faisal 1969) Faisal's reply is *ibid.*, Box 1245, Saunders Files, Visit of Prince Fahd of Saudi Arabia, Oct. 13–15, 1969.

benefits this brings us in terms of balance of payments support, and our continuing reliance on long-term Saudi overflight and landing privileges for the USAF at Dhahran (currently these average over 520 flights per year), have not so far been affected. But our close ties with the Saudis are beginning to deteriorate as a result of what they regard as our “neglect” of the Arabs and our support of Israel. The Saudis are also disturbed over the recent military take-overs in the Sudan and Libya³ and see themselves as being increasingly encircled by “Communist” or pro-Soviet radical nationalist regimes while the US in their view does nothing to support its moderate Arab friends. We hope to counteract some of this attitude through Prince Fahd’s visit and thus to reassure the King and Saudis generally that we continue to attach importance to our ties with Saudi Arabia.

Already the third-ranking Saudi official, Prince Fahd has assumed many of the responsibilities for coordinating the day-to-day operations of the Saudi government. While the Crown Prince is expected eventually to succeed to the throne, it is Fahd whom most observers calculate will wield the real power, perhaps as Prime Minister. A power in his own right, Prince Fahd is also the elder brother of Saudi Minister of Defense and Aviation Prince Sultan, with whom we enjoy a close working relationship. A US Military Training Mission has been assisting the Saudi Army, Navy, and Air Force since 1953 and the Chief of that Mission serves as principal military advisor to Prince Sultan. The US Army Corps of Engineers is engaged, on a reimbursable basis, in various construction projects on behalf of the Saudi Armed Forces. US sales of military services and equipment to Saudi Arabia have averaged \$33 million annually, taken over a period of years. Any courtesies or hospitality extended to Prince Fahd during his visit by the Department of Defense would, I am sure, be fully appreciated by Prince Sultan. Prince Fahd himself has served as Acting Minister of Defense in his brother’s absence and on these and other occasions has proved helpful to the US military, e.g., in cutting through Saudi red tape to arrange overflight clearances on an urgent basis.

³ On September 1 the Free Officers Movement, headed by the 12-member Revolutionary Command Council, overthrew the government of King Idris. Colonel Muammar al-Qadhafi became de facto head of Libya. Saudi concerns regarding Libya are described in telegrams 3029, September 1, and 3081, September 7, from Jidda. (National Archives, RG 59, Central Files 1967–69, POL 23–9 LIBYA) Saudi concerns regarding Sudan are described in telegram 114536 to Khartoum, July 10 (*ibid.*, POL SAUD–US), and telegram 2317 from Jidda, July 9. (*Ibid.*, Nixon Presidential Materials, NSC Files, Box 629, Country Files, Middle East, Saudi Arabia, Vol. I)

I therefore would like to solicit the cooperation of the Department of Defense in making Prince Fahd's visit to the US a success. Specifically, we would like your help in the following ways:

—As the result of informal discussions with Ambassador Eilts, we believe it would be most useful if Prince Fahd could be received with appropriate military honors at one of our major installations. Specifically, we would hope DOD could arrange a visit to Ft. Bragg on the afternoon of October 16. Saudi Arabia is in the CINCSTRIKE/CINCMEAFSA area, and General Throckmorton has scheduled a visit there in late October, at which time he will no doubt be received by Prince Sultan. We therefore think it would be particularly appropriate if General Throckmorton could be at Ft. Bragg to receive Prince Fahd and host a dinner in his honor. I hope with your help that it will be possible to work this out.

—We also believe it would be most useful for the Secretary of Defense or yourself to extend hospitality to the Prince during the Washington portion of his visit. A small luncheon given by the Secretary in Prince Fahd's honor would, I know, be deeply appreciated.

—In view of the Prince's high rank, the great interest of the US Government in his visit, and the need to facilitate adequate security (a five-man Department of State security detail will accompany the Prince throughout his stay in the US), it would be highly desirable for the Prince's party to have US Government transportation at its disposal during the private portion of his visit October 16–20. The Prince's itinerary for this portion of the visit is not yet firm but we anticipate that, in addition to the proposed visit to Ft. Bragg, he will visit Cape Kennedy, Santa Barbara, and New York City. Certainly in traveling from Washington to Ft. Bragg and Cape Kennedy the Prince should fly in an official aircraft. I would appreciate your reaction to the possibility of a suitable Air Force plane being placed at the Prince's disposal.

I very much hope your people can be helpful on this, Dave. Details can of course be worked out between appropriate DOD officers and our NEA Bureau.

With all best wishes,
Sincerely,

Alex

131. Memorandum of Conversation¹

Washington, October 13, 1969.

SUBJECT

Saudi/U.S. Relations

PARTICIPANTS

HRH Prince Fahd, Second Deputy Prime Minister of Saudi Arabia

H.E. Omar Saqqaf, Minister of State for Foreign Affairs

H.E. Ibrahim al-Sowayel, Ambassador of Saudi Arabia

The Secretary

Assistant Secretary Joseph J. Sisco

Ambassador Hermann Fr. Eilts, American Ambassador to Saudi Arabia

William D. Brewer, Country Director, NEA/ARP

Camille Nowfel, Interpreter

Calling on Prince Fahd at Blair House, the Secretary said that the President was looking forward to meeting Fahd and asked that his warm regards be conveyed to His Majesty. The Secretary then expressed pleasure at the good relations which exist between Saudi Arabia and the United States. Both the President and he wished to maintain and develop these ties.

Prince Fahd responded that the Saudis had sensed this feeling on the part of the new Administration. They were proud to be friends with the most powerful country in the world. Because the Secretary's time was limited, he hoped he could dispense with formalities and get to question of substance. The first of these was the Arab/Israeli problem.

Arab/Israeli Problem:

Fahd said he hoped the USG could work out a just settlement. The Arabs were ready to accept what was fair and just and friends of the USG expected no less. Meanwhile, communism was becoming increasingly strong in the region. Saudi Arabia sought to explain USG positions. While the Saudis relied first on their domestic strength, their larger role required USG help. Over one million refugees could only be convinced of something which was fair and just for them.

¹ Source: National Archives, RG 59, Central Files 1967–69, POL 7 SAUD. Secret. Drafted by Brewer and approved in S on November 7. Fahd also met with Agnew. (Memorandum of conversation, October 14; *ibid.*, Nixon Presidential Materials, Box 1245, Saunders Files, Visit of Prince Fahd of Saudi Arabia, Oct. 13–15, 1969)

Saudi Domestic Needs:

Fahd continued that, to develop Saudi Arabia, substantial funds were needed. In the light of present area tensions, Saudi Arabia could not afford to devote such funds to economic development. At the same time, he hoped to make every Saudi citizen aware that he is progressing and enjoys freedom and true democracy. Every Saudi should feel that he is part of this process. In these efforts, SAG needed to know it had USG support. Saudi Arabia was compelled to arm itself for its defense. United States experts had studied the question of Saudi naval requirements.² SAG financial responsibilities were such that Saudi Arabia could not do what it should on this matter right away. The same was true in the case of the Coast Guard.³ Fahd said the Saudis would appreciate the same kind of USG help with respect to their navy and coast guard problems as they had seen in other areas in the past. Fahd also hoped the repayments on the Hawk missile contract with Raytheon could be deferred.

Arms for Israel:

Fahd then noted that some agencies in the Near East, apparently with communist ties, were claiming that the USG intended to give Israel more arms in the future. As far as SAG knew, the USG had no such intention. But it would be in Saudi interest, and that of the USG, for a public statement to be made to the effect that there was no USG intention to supply more arms to Israel and that the USG wished to treat all countries in the area even-handedly.

The Secretary responded that we have long sought to follow a path of fairness and justness on Arab/Israeli issues. He recalled our action in arranging Israeli withdrawal in 1957, an action in which the then Vice President Nixon and himself had themselves been involved. However, for there to be a lasting settlement, there must be flexibility on both sides. Our main effort is to try to help get the parties to agree to a lasting understanding between them. Failing that, unproductive expenditure of resources on arms by both sides would no doubt continue.

² The Saudi Government was studying a French proposal for a 10-year improvement of the Saudi Navy, which Thacher regarded as "grandiose," and a U.S. survey that did not include anti-ship missile capability. (Telegram 2849 from Jidda, August 18; *ibid.*, RG 59, Central Files 1970-73, DEF 6-2 SAUD) Prince Sultan regarded naval improvement as of the "highest priority." (Telegram 2768 from Jidda, August 11; *ibid.*, DEF 19-8 US-SAUD) The preliminary results of the U.S. naval survey are summarized in telegram 5325 from Jidda, September 12, 1968, printed in *Foreign Relations, 1964-1968*, volume XXI, Near East Region; Arabian Peninsula, Document 315.

³ Saudi review of the U.S. survey of the Saudi Coast Guard/Frontier Forces, regarded as part of Saudi internal defense and aimed at controlling illegal infiltration into the country, had just begun. (Telegram 104077 to Jidda, June 25; National Archives, RG 59, Central Files 1970-73, POL 23 SAUD) As reported in telegram 726 from Jidda, March 3, Prince Fahd was "interested in strengthening this internal security force as counterweight to National Guard in eventual succession issue." (*ibid.*, DEF 1 SAUD)

The Secretary continued that there must be Israeli withdrawal to secure and recognized boundaries. Jerusalem must be a united city with free access for all. We were trying to get more active negotiations going on these bases.

Saudi/USG Relations:

As to Saudi/USG bilateral relations, the Secretary expressed pleasure at Saudi development efforts. He assured Fahd that we would continue our policy of help and support as in the past. In the last few years the USG had been very responsive to Saudi requests. Saudi appreciation for our efforts encouraged us to continue. Fahd expressed gratification. He asked the Secretary to explain the united city concept for Jerusalem. The Secretary noted that the chief need was free access. We opposed Israeli unilateral actions in Jerusalem but felt that other aspects of this problem could best be dealt with after the other questions involved in the Arab/Israeli dispute had been worked out. Fahd noted that a public statement regarding no more arms for Israel would be considered very important by King Faisal. The Secretary said he doubted the utility of saying what we were not going to do but, at present, we had made no decision to do more than we were already committed to do. Fahd said that, as far as he was concerned, the Secretary's personal statement was enough.

Fahd then referred again to deferring the Hawk payments and help on the Coast Guard and Frontier Force. Mr. Sisco said that we would study Fahd's requests. Ambassador Eilts outlined the current status of these matters.⁴ The Secretary indicated that our reaction would be as favorable as feasible.

Oil:

Fahd then said he wished to discuss "economic aid." Specifically, he wondered whether the USG could purchase SAG's share of current oil production. This would help the Saudi revenue picture. Saudi Arabia hoped American oil companies could be encouraged to buy more oil in Saudi Arabia, specifically the Saudi share of current production. Fahd said that he had no special instructions from His Majesty since the King had told him that he would be among friends.

Minister Saqqaf noted that Arab foreign and defense ministers would be meeting on November 8. The meeting might declare that the

⁴ In telegram 174564 to Jidda, October 15, Eilts stated that the Coast Guard/Frontier Force study was in its final stages of preparation, and the United States had received no word from the Saudis on the 1968 naval study. (Ibid., Nixon Presidential Materials, NSC Files, Box 937, VIP Visits, Prince Fahd Visit, October 1969)

Jarring mission had failed. As a moderate, Saudi Arabia would be in difficulties. There would be a possibility of a new Arab summit and later preparations for military action. He asked the Secretary if he could request Mr. Sisco to give attention to this difficult Saudi position when he talked to Prince Fahd on October 15.⁵ Mr. Sisco said he would certainly address himself to this and noted the constructive role Saudi Arabia had played at the most recent regional meeting, the Rabat Islamic Conference. Fahd said he thought the Rabat conference had been successful, since a stand had been taken against communism. The Secretary commended the Saudi Government for the part it had played at the meeting.

Arab/Israeli Reprise:

Turning again to the Arab/Israeli impasse, Fahd said he hoped a solution could be found soon. The longer the impasse continued, the more difficult it was for Saudi Arabia. Expressing understanding, the Secretary said that, after the Israeli elections later in October, we thought that a major effort should be made to make progress.

Saudi Internal Development:

Saqqaf called attention to His Highness' interest in education and social welfare. The Secretary said he knew of Fahd's important role in these areas which, in the final analysis, represented the essence of stability. We were gratified that Fahd had accomplished so much for his country in these fields. In response to the Secretary's request, Fahd then detailed some of the accomplishments in these fields in Saudi Arabia under his aegis. The Secretary extended his warm congratulations for such constructive efforts. Fahd replied that SAG was pleased that its friends, on whom Saudi Arabia depended, understood the actual situation. He praised Ambassador Eilts as extremely cooperative and helpful. The Secretary said that Ambassador Eilts was regarded as one of the USG's outstanding Chiefs of Mission and was glad to hear that the Saudis agreed.

⁵ A record of the meeting was transmitted in telegram 175623 to Jidda, October 16. (Ibid., Box 629, Country Files, Middle East, Saudi Arabia, Vol. I) Sisco also met with Fahd as the Prince was departing from Dulles Airport. Sisco told Fahd that he would refer his question on barter oil to the oil companies; that the United States was still willing to be helpful toward the Saudi Navy and the Coast Guard/Frontier Forces; and that the original contract on Hawk missile repayments was "very favorable" and that the United States would study the details. (Telegram 175625 to Jidda, October 16; *ibid.*, RG 59, Central Files 1967-69, POL 7 SAUD)

132. Memorandum of Conversation¹

Washington, October 14, 1969, 11:30 a.m.

PARTICIPANTS

Prince Fahd, Saudi Arabia
Omar Saqqaf, Minister of State for Foreign Affairs
Ibrahim Al-Sowayel, Ambassador of Saudi Arabia
The President
Hermann Eilts, U.S. Ambassador to Saudi Arabia
Harold H. Saunders, NSC Staff
Emil Mosbacher, Jr., Chief of Protocol

At the Prince's request, he and Saqqaf (with Mosbacher and the American interpreter, Camille Nowfel) went into the President's office for about five minutes of discussion before the rest of the group joined. According to the US interpreter later, nothing of substance was covered during that short period that was not covered in the later meeting.² As the rest of the group joined the President and Prince Fahd in the President's office, the conversation was going as follows:

The President said he was aware that being a friend of the United States may cause difficulty for the Saudi government with some extremist groups who are Saudi Arabia's neighbors. The President hoped that our policies will be such as not to be a liability for our friends but an asset. He said that the US has to talk—and should talk—with both sides in the conflict involving Israel, the UAR, Syria and Jordan. The US is trying to play a role fair to both sides—that of the peace maker rather than of the trouble maker. The President said that was the difference between the US and Soviet roles.

The President continued that, with the British leaving the Persian Gulf area, it becomes doubly important for the US to play a stabilizing role there. The US therefore welcomed Saudi advice on how best to play that role. King Faisal, he said, is a just man who wants to be fair to all sides, and the President would welcome his advice.

¹ Source: National Archives, Nixon Presidential Materials, NSC Files, Box 629, Country Files, Middle East, Saudi Arabia, Vol. I. Secret; Exdis. Sent for information. Drafted by Saunders on October 16. The meeting took place in the Oval Office. Briefing materials for this meeting are in an October 11 memorandum from Saunders to Kissinger. (Ibid., Box 937, VIP Visits, Prince Fahd Visit, October 1969)

² According to an October 18 memorandum for the record, Fahd conveyed Faisal's greetings, expressed hope that Nixon would act promptly to resolve the Middle East crisis, and noted that Saudi Arabia was increasingly criticized by its Arab neighbors for its close ties with the United States. (Ibid.)

The President added that it would be very helpful if His Highness and King Faisal could convey these sentiments as the President has stated them to their Arab colleagues. Sometimes, the President said, rhetoric and news stories make it seem as if the US, to be blunt, had written off the Arab world. The President said he had a very strong conviction that the US must work with the moderates so that there could be a peace in which all could work and live together.

Prince Fahd said he was very pleased to hear these words. King Faisal shares the sentiments the President had expressed, particularly on the necessity for stability in the Persian Gulf after the British withdrawal. The Saudis trust that actions may be taken so that there will be no trouble after the UK departure. Fortunately, he said, relations between Saudi Arabia and Iran—and personally between King Faisal and the Shah—are very good. This will help improve chances for stability.

The President said that he would be seeing the Shah next week. He was glad to hear that good relations exist between our two friends. Good relations are essential. They are “an anchor in a very troubled sea.” The President said it was important to build strong relations among those who have similar views.

Prince Fahd said that the Shah has shown understanding on the Bahrain issue and had indicated his intent to see it solved.

The President said that he would convey Prince Fahd’s sentiments to the Shah the following week. He said that we must not allow again to happen the kind of divisive experience that the “Yemen exercise” had become in the past.

The President stated his view that it is necessary to separate the forces of stability, responsibility and peace from those bent on destruction by revolution and extremism. Saudi Arabia sits very solidly in that troubled part of the world in the former camp.

Prince Fahd said he was pleased that the President was going to meet the Shah. He suggested that this may be an opportunity to discuss the Bahrain issue and to reach a solution.

He continued, saying that the Communists often publicize false statements about Saudi Arabia’s relations with the US. Their aim is to destroy good relations between us. He said that when he had seen King Faisal before leaving for the US he asked the Prince to assure the President that Saudi Arabia’s intentions are to continue as a friend of the US. The King had asked the Prince to seek the President’s assurance in return, that the US intended to maintain good relations with Saudi Arabia. He said that the King regards the US as a friend.

The President said, “His Majesty has that assurance absolutely.” As far as the Communists are concerned, he said, he has had a great deal of experience in dealing with them. His practice is never to believe their word but only their act. In this case, he said that the Com-

munists would not succeed in driving a wedge between Saudi Arabia and the United States. The President continued that the US wants peace and good relations with the USSR but the road to peace is not through vague sentimentalities and soft words but through hard realities and interests on both sides.

Prince Fahd said he is certain that the President realizes Communist objectives throughout the world and particularly in the Middle East. Saudi Arabia is in a serious struggle fighting against powerful forces. He believes that Saudi strength comes to a large extent from the US. Saudi Arabia intends to continue as in the past in this struggle because of its interest in democracy and freedom. Saudi Arabia intends to strive to develop the country and make it possible for the Saudi people to enjoy freedom and the good things of life.

The Prince continued, saying he believed that everything in his area depends on a just and fair Arab-Israeli settlement because the longer the problem remains unresolved, the more difficult it becomes.

The President said he could assure the Prince that the highest talents of the US Government are being devoted to the Middle East problem. Next to Vietnam, it is receiving our highest priority attention and energy. A settlement must be a lasting one in which both sides have a vested interest. It is difficult to achieve such a settlement with both sides so far apart and with the Soviets not being very helpful with their friends.

The President said that as he looked at the entire area—the Middle East and the broader Mediterranean area—he saw Iran, Saudi Arabia, Lebanon, Tunisia and Morocco all trying to proceed on the same course—a path avoiding extremism. Then there were the UAR, Syria, the Sudan and now Libya where revolutionary forces had come out on top. And throughout the area in even the moderate countries there were extremist forces at work. As he looked at these two groups of countries, he saw a race between the forces of stability and those headed for revolution and destruction. The United States, he said, is solidly on the side of the first group.

Prince Fahd said he agreed with the President's description and believed it was necessary for the people of the area to choose between destruction and salvation. Saudi Arabia would continue to depend on American efforts.

The President said, "We will work together."

Prince Fahd said he had attended a number of high level Arab meetings. When the US position is discussed critically, he said he reminds the delegates that in 1956 President Nixon was Vice President and the United States took a strong stand in favor of the Arabs. He said he reminds the delegates that the same man is now President of the United States and he cannot believe that the United States does not intend to be on the right path.

At this point, the President sent for four gift wrapped newly struck copies of the inaugural medal for the three members of the Saudi party and for King Faisal. He presented these to them as "a small token of friendship."

As the party was waiting for photographers to come in, Saqqaf spoke up, prompting the Prince and saying that the Saudis feel that time is working against them. They feel a rope around their neck. They believe that a settlement cannot wait too long. After the session with the photographers and as the President was shaking hands with Saqqaf after having escorted the Saudi party to their car, Saqqaf underscored his point about the urgency of a settlement, and the President replied that we would continue to make every effort but we had to assure that it be the "right kind of settlement."³

H.S.

³ According to Rogers, Fahd was very pleased with his visit, indeed he was quoted as saying that the "chief of state of the greatest nation in the world" walking "with me to the car has overcome me." (Memorandum from Rogers to Nixon, October 31; *ibid.*)

133. Memorandum From the Chairman of the Interdepartmental Group for Near East and South Asia (Sisco) to the Chairman of the Review Group (Kissinger)¹

NSCIG/NEA 69-41

Washington, November 21, 1969.

SUBJECT

Country Policy Statement on Saudi Arabia

The NSC Interdepartmental Group for the Near East and South Asia has approved the attached Country Policy Statement on Saudi Arabia. This paper is one in a series intended to provide a fresh look at our interests and objectives in various NEA countries and to review the adequacy of our policies. As in the case of the earlier papers, subject to any comment you may have, we propose to issue the attached

¹ Source: National Archives, Nixon Presidential Materials, NSC Files, Box 1319, NSC Secretariat, Unfiled Material, 1969. Secret. Drafted by Rassias and Boughton. A handwritten notation by Kissinger reads: "Al—Status? What happens next?"

paper for the guidance of all concerned with United States policy and programs in Saudi Arabia.

The preparation of this paper has had the benefit of the detailed suggestions of our Embassy in Jidda. Representatives from the following agencies participated in the NSCIG/NEA consideration and approval of the paper: State, Agriculture, AID, CIA, Commerce, Defense, Interior, Ex-Im Bank, Labor, NSC, Office of the Joint Chiefs of Staff, Treasury, and USIA.

Attachment

[Omitted here is a Table of Contents.]

COUNTRY POLICY STATEMENT—SAUDI ARABIA

I. Assessment

A. *Balance Sheet*

Saudi Arabia continues to make a uniquely valuable contribution to important United States interests. The U.S. balance of payments receives a direct transfusion from Saudi Arabia of well over one-half billion dollars per year from American oil company earnings, exports to Saudi Arabia, and profits from a variety of military and civilian contracts with American firms. Some \$150 million in Saudi funds are in medium and long-term American investments. The U.S. enjoys military over-flight and landing privileges currently averaging at least 520 clearances annually. U.S. Naval vessels have access to Saudi Arabian ports and bunkering facilities. Saudi oil continues to be available on reasonable commercial terms to our Western European and Oriental allies. U.S. forces in Southeast Asia obtain approximately 85% of their refined petroleum requirements from Saudi Arabia and the adjacent island of Bahrain. Those Saudi funds which go to prop up Jordan and to exert at least some limited leverage on the UAR are expended in consonance with our own interest as well—at no cost to ourselves.

In return, *the Saudis have looked to the U.S. for support against outside aggression.* Five successive U.S. Presidents have reaffirmed support for Saudi Arabia's territorial integrity and security against unprovoked external aggression. During the period of the Saudi–UAR confrontation in 1963, a squadron of U.S. fighters was temporarily stationed in Saudi Arabia to deter Egyptian attacks.² President Nixon expressed

² See *Foreign Relations, 1961–1963*, volume XVIII, Near East, 1962–1963, Documents 268–270.

renewed support for Saudi Arabia's integrity in his February 24, 1969 letter to Faisal.³ In terms of dollars-and-cents value to the U.S., the total U.S. Government expenditure of about \$2.5 million annually for our Embassy, Consulate General, USIS, Military Training Mission, and other activities seems modest indeed.

B. Political

1. *Saudi foreign policy reflects King Faisal's desire to follow an independent but strongly anti-communist course in world affairs.* Saudi Arabia has no diplomatic relations with any Communist state and known Communists are excluded from the Kingdom. Faisal deeply distrusts Arab radical nationalists, and particularly UAR President Nasser whom he has in the past characterized as a Communist "tool." He has strongly resisted Nasser's efforts to extend Egyptian influence into the Arabian Peninsula. Faisal is, however, determined to defend general Arab interests, particularly in Palestine, and shares the Arabs' enmity toward Israel. As "Keeper of the Islamic Holy Places," Faisal insists with considerable emotion that East Jerusalem must be restored to Arab control.⁴ Saudi Arabian policy seeks to maintain good relations with other oil producing and oil-purchasing states and to enhance Faisal's own role as an Arab and an Islamic leader.

2. *Barring a new, major Arab-Israel conflict, no radical reorientation of Saudi foreign policy is likely during the lifetime of King Faisal.* U.S.-Saudi relations have been uniformly close for more than a generation. The main ingredients of this relationship are mutuality of basic interest—in the uninterrupted flow of oil and of oil income and in the preservation of Saudi Arabia from Communist and Arab radical influences—and Saudi respect for American power and for American advice and expertise in myriad modern technical fields. U.S.-Saudi relations are expected to remain good for the five-year time-frame of this paper, provided always that our support of Israel does not go to such lengths as to convince the Saudis that they must break with the U.S. in order to protect themselves within the Arab community.

3. *The Palestine question is the chief area of misunderstanding which could seriously damage U.S.-Saudi relations.* The Saudis see U.S. policies in the area as overwhelmingly pro-Israeli at the expense of other U.S. interests in the Arab countries. King Faisal feels deeply about this issue and also knows he is under pressure from his own people as well as from other Arabs to demonstrate that he is not an American "lackey." He is disturbed by his inability to influence U.S. policy on the Arab-

³ See footnote 2, Document 127.

⁴ See footnote 2, Document 10.

Israeli issue. The frustration and resentment this predicament causes among Saudis could result in a serious deterioration of U.S.-Saudi relations. For their part, the Saudis are sympathetic to the aims of the fedayeen and have officially sanctioned salary withholdings and other voluntary financial contributions which eventually reach fedayeen coffers. USG warnings that the fedayeen undermine the search for a peaceful settlement and constitute an internal threat to moderate regimes in Jordan and Lebanon have been unavailing in the face of Saudi emotionalism on this issue. The May 30 sabotage of Tapline by commandos of the ANM-affiliated Popular Front for the Liberation of Palestine cost the fedayeen some sympathy in Saudi Arabia. However, the Saudi Government has reaffirmed its support for Fatah which Faisal continues to consider politically reliable. Flowing from this primary problem—Palestine—is the King's belief that the U.S. seriously underestimates, or is indifferent to, the danger of Communist encroachment into the Middle East, either directly or through the growing Soviet presence in some Arab radicals, whom Faisal uniformly regards as "Communists." The King believes U.S. policies toward Israel encourage the Arabs to look increasingly to Moscow for support while undermining the standing of moderate Arab states, such as Saudi Arabia and Jordan. The Saudis are also concerned regarding future developments in the Persian Gulf where they would like the USG to play a more positive and helpful role. We do not agree with the Saudis' view that the danger to Saudi Arabia is solely external in nature but have had little success thus far in encouraging Faisal to carry out political and social changes that might undercut the appeal of leftist revolutionaries within the Kingdom. We have also given the Saudis no reason to believe that we will attempt to solve their problems with Israel or Iran for them but have instead encouraged them to work for peaceful settlements of outstanding issues in cooperation with other regional states.

4. *Consequently, there are signs of an erosion in our position in Saudi Arabia over the past two years.* Our preoccupation with Vietnam, our failure to support the Saudis as vigorously as they believed was warranted during the Saudi-UAR confrontation over Yemen, our temporary suspension of arms shipments to Saudi Arabia at the time of the June 1967 conflict, what is seen as our partisanship for Israel, and our inability to persuade the Israelis to evacuate their troops from the Saudi island of Tiran (occupied during the 1967 hostilities) have all combined to call into question the credibility of our assurances of support for Saudi Arabia. Now aging, King Faisal is in an increasingly bitter mood and may reluctantly conclude that he must turn more and more to other sources than the U.S. for assistance. The Saudis are already seeking to reduce their dependence on the U.S. for arms and military expertise. Over the long term, this could mean less Saudi receptivity to U.S. advice as well as a less favorable climate for American business in Saudi Arabia.

C. Economic/Social

1. *The Saudi economy, supported by expanding petroleum production, has enjoyed rapid and relatively stable growth during King Faisal's reign.* Thus far the rapid growth of the economy, from which most individuals have benefitted, has served to minimize existing problems. The Saudi GNP is increasing at roughly 10% per year. There has been great emphasis on developing a sound infrastructure for economic development through improving highways, air, and sea communications; upgrading of educational standards, including schooling for girls; and expansion of radio and television networks which are now the greatest forces for social change in the Kingdom. With the country's large income from petroleum, the shortage of manpower more than any scarcity of cash is likely to be the main factor in delaying more rapid economic development. However, in the past year, growing military expenditures and subsidies to Jordan and the UAR have curtailed some desirable civil projects. It should also be noted that thus far Saudi Arabia has had only minimal success in diversifying the economy and reducing its dependence on petroleum.

2. *The pace of social and political reform, however, has been slow.* Continued conservative internal pressures, the King's focus in recent years on foreign policy matters, and the regime's attempts to insulate itself from radical Arab influences have discouraged efforts to modernize the Saudi political and social structure. In the long run, Saudi economic and technical progress may well boomerang if political and social liberalization fail to keep pace with the aspirations of an increasingly sophisticated citizenry.

3. *The American role in the Saudi economy is large and profitable.* Almost one half the direct profits from Saudi oil go to the U.S. and virtually all of the oil continues to flow to the free world. A recent barter deal with Romania, the first flaw in the otherwise Western aspect of Saudi oil operations, was temporarily suspended at Faisal's order. No basic problems are pending between the Arabian-American Oil Company (Aramco) and the Government. However, Saudi Government determination to strengthen the position and future role of Petromin, the state oil enterprise, and mounting Saudi pressures on Aramco to maintain an acceptable level of offtake loom as possible sources of friction in the future. The issue of Saudi Government "participation" in Aramco's concession and its owners' down-stream operations, raised in general terms by the Minister of Petroleum in 1968, will not go away but is unlikely to be pushed in the near future. U.S. Government agencies and private enterprise continue to play a major role in economic development activities, including the television network, the mobility program for the Saudi armed forces, mineral resources exploration, and desalination. However, the Saudis are actively seeking alternative

sources of expertise and American firms face growing competition from Japanese and European companies, both for petroleum concessions and for lucrative development project contracts.

4. *For the near future, the Aramco labor scene will probably remain under control* and the company's mechanism for handling employee grievances will continue to be reasonably effective. Labor unions or other workers' societies continue to be banned in Saudi Arabia. Yet a great deal remains unknown about the dynamics of the Aramco labor force, which because of its relative sophistication and its concentration in the Eastern Province has the potential for serious harmful action against the company and the regime.

D. Security

1. *There is no immediate serious external threat to Saudi Arabia.* Saudi security was enhanced, in the short run, by the Six Day War. This provided the opportunity for Nasser to liquidate the Yemen adventure while Faisal agreed to pay the UAR a quarterly subsidy of \$25 million "until the effects of the aggression have been liquidated". This arrangement, plus the mutual need to maintain Arab solidarity vis-à-vis Israel has resulted in a UAR/SAG détente. Although Royalist-Republican contacts are in abeyance, the moderate Republican leadership's desire for improved relations with Faisal should further lessen the danger to Saudi Arabia from the Yemeni civil conflict. There is tension between the Saudi Government and the leftist-oriented regime in Southern Yemen but the latter is hardly likely to be capable over the near future of supporting activities which would seriously threaten Saudi security. The Saudis are even more concerned by what they regard as Israel's expansionist designs, citing Israel's refusal to evacuate Tiran Island as proof of Israeli aggressive intentions. While Saudi Arabia was not actively engaged in the June 1967 war, a Saudi Army reinforced brigade has since been stationed in southern Jordan where it might well clash with Israeli forces in the event of new Arab-Israeli hostilities. The Saudis have no confidence that the U.S. would come to their support in the event of an Israeli attack on Saudi Arabia. This assessment is reflected in the Saudi Government's continuing build-up of its own military forces and in its efforts to diversify its sources of military equipment and expertise. However, the Saudis do continue to value USG military sales to help provide reassurance against any renewed Egyptian threat. Moreover, the Saudis are increasingly uneasy over what they regard as an activist Iranian policy bent on assuring Tehran's dominance in the Gulf after the British go.

2. *Over the longer range, however, the Saudi Government will still value the U.S. Government's assurances of support.* The Saudi regime sees a looming external threat from the Soviet Union, assisted by Arab radical

regimes dependent upon the Soviets for military, economic, and diplomatic support. Saudi relations with the more radical Arab states—Iraq, UAR, Syria, YAR and PRSY—remain cool to poor and the Saudi regime continues to be on its guard against subversion from these quarters. The Saudis are also concerned over the implications of the British withdrawal from the Gulf in 1971. Saudi Arabia has historically cultivated a great power protector. King Faisal still sees the USG in this role but would like us to do more to support conservative and pro-Western forces which, in his view, are now an excessively heavy burden on Saudi Arabia.

3. Despite their recent purchase of some military equipment from other countries, *the Saudis continue to look to the U.S. as their principal source of military equipment and military expertise.* The Saudi purchase of military equipment from the U.S., taken over a period of years, has averaged \$62 million annually. This represents an important economic advantage to the U.S. in terms of our over-all gold-flow problem. More importantly, it shows our continuing interest in Saudi security. U.S. material and training, through our Military Training Mission and by private civilian contractors, are involved in a wide range of projects, including: increased ground mobility, air defense, automotive and armament maintenance, increased airlift, radio communications, increased firepower, and improved facilities, administration, logistics, and training for Saudi military personnel. As of mid-1969, however, the French appeared to be making a strong effort to increase their share of the Saudi market for military equipment; Britain is the principal supplier of jet fighters to the Royal Saudi Air Force; and Pakistan has become an increasingly important source of military expertise for the Saudi air and naval forces. Saudi Arabia has fostered this competition for economic reasons and possibly to avoid becoming solely dependent upon U.S. sources.

4. *Saudi Arabia has enjoyed a relatively high degree of internal political stability.* However, the regime's concern about internal security intensified in May, 1969, as a consequence of the military take-over in the Sudan and the sabotage of the Trans-Arabian Pipeline by radical leftist Palestine commandos. These concerns have been heightened by subsequent military coups in Libya and Somalia. A wave of arrests of known or suspected dissidents, both military and civilian, began in June/July, 1969.⁵ To date the SAG has denied that its investigation has discovered any evidence of anti-regime coup plotting although some of the officers arrested were allegedly in contact with the UAR and other radical Arab governments. The regime appears to be in full control of

⁵ As reported in telegrams 619 from Dhahran, July 9 (National Archives, RG 59, Central Files 1970-73, POL 23-9 SAUD) and telegram 126767 to Jidda, July 30. (*Ibid.*, POL 29 SAUD)

the situation and seems determined to show its strong arm. However, over the long term the arrests are likely to aggravate anti-regime feelings, particularly within the military, and in the long run encourage more underground activities among disaffected officers even if there were none before. On balance, however, internal security seems reasonably well-assured during the lifetime of King Faisal (now in his mid-sixties). While the regular armed forces may now be increasingly suspect in the eyes of the regime, the separate, tribal-based National Guard (with a strength—28,000 men—about that of the regular armed forces) supports the regime. Strong factional rivalries exist within the Royal Family. These interests will probably be sufficiently compromised, however, to permit the orderly succession of Crown Prince Khalid. The nascent Communist National Liberation Front was dealt a hard blow by the arrest of many of its leaders in 1964 although it and other clandestine political organizations such as the Ba'ath and the Arab Nationalist Movement are probably continuing secret efforts to recruit new members, particularly among non-Saudi expatriates in the Kingdom.

5. *Beneath the surface of apparent domestic tranquillity, however, there are areas of potentially serious weakness.* Saudi Arabia still lacks a meaningful national consciousness. An undercurrent of inter-provincial rivalry has traditionally existed between the xenophobic people of Najd, the political and spiritual heartland of the Kingdom, and the more cosmopolitan people of the Hejaz, the Kingdom's commercial and cultural center, who also make up the majority of the regular army officer corps and the educated civilian elite. The fact that Saudi oil resources are all located in the Eastern Province has been important in discouraging any political tendencies which could divide the country. This situation and the continued loyalty to the throne of the Najdi tribes and the National Guard constitute considerable protection against a military coup. But the internal dissident threat is likely to grow as more people become better educated, urbanized and modern. Reluctant to broaden the base of political participation, the regime is faced with the classic dilemma that its rapid economic progress will have a short-range effect of giving potential opposition elements greater base from which to operate.

We are doing what little we can to encourage an orderly evolution which would forestall the possibility of a radical reordering of the country. In the meantime the U.S. is providing technical assistance to the Saudi public security forces on a reimbursable basis in order to upgrade their quality.

E. Cultural/Psychological

An assessment of the current Saudi cultural/psychological situation indicates that Saudi/U.S. friendship cannot be taken for granted. The anomaly of our position in Saudi Arabia is that it is currently all-pervasive, yet has little political depth. It rests largely on the personal disposition

of King Faisal, a handful of senior officials, various public security agencies, and public media systems. Below that layer public sentiment opposes us and is probably simply biding its time to show this. Traditional Islamic views remain strong. The permissiveness of Western society is condemned. There is a growing emotional identification with Arab nationalism on the part of younger Saudis. Anti-American sentiment has increased since the Arab-Israeli conflict and could take the form of demonstrations or attacks on American personnel and property (such as occurred in June 1967) in the event of another outbreak of hostilities.

II. U.S. Objectives

A. *Maximum protection for our substantial interests in Saudi Arabia.* These include (1) continued availability of Saudi oil, on reasonable commercial terms, to our Western European allies and Japan, (2) preservation of the substantial American capital investment in the country, and (3) continued overflight and landing privileges for U.S. military aircraft and bunkering facilities for U.S. naval vessels. The continued denial of these facilities to forces hostile to the U.S. and other friendly states serves our interests, as does Saudi opposition to Communist overtures for diplomatic relations. Our aim, therefore, should be the maintenance of the existing close, friendly, and mutually beneficial relationship with the U.S. by whatever Saudi regime may be in power. This will require continuing Saudi understanding of the value of this relationship to basic Saudi interests. At the same time, it will also require continuing efforts on our part to identify the U.S. with those interests, not only in the eyes of King Faisal and the present Saudi leadership but also in those of the younger Saudi generation nurtured on virulent Arab nationalist propaganda.

B. *Preservation of Saudi Arabia's territorial integrity and political independence from unprovoked aggression and subversion.* Although Saudi Arabia's own armed forces are being expanded and modernized, they are still incapable of defending Saudi Arabia from attack by a major foreign power or even by one of Saudi Arabia's stronger regional neighbors. Protection of our own interests in Saudi Arabia, therefore, will continue for the foreseeable future to require our active support. U.S. willingness to support Saudi Arabia's integrity will continue to be a principal determinant of the successful achievement of our other policy objectives in Saudi Arabia.

C. *A developing and modernizing Saudi Arabia capable of preserving internal stability and national unity.* U.S. interests in Saudi Arabia require a stable and prosperous country capable of evolutionary development. This will require an acceleration of political and social reform programs, as well as continued investment in economic development, responsive to the growing aspiration of the Saudi people. Delay in po-

litical and social reform not only feeds domestic unrest but tends to discredit the U.S. within Saudi Arabia and elsewhere by seeming to associate us with an unenlightened, archaic social and political system. On the other hand, progress in these fields would enhance Saudi prestige and give added weight to its moderate voice in Arab and world affairs. In the meantime, development of a more efficient and better coordinated internal security apparatus is urgently needed, both to maintain political stability and to preserve public order in a country with over 7,000 American citizen residents and millions of dollars of American-owned property.

D. *A positive Saudi role in strengthening stability and furthering orderly development elsewhere in the Peninsula.* A strong, independent Saudi Arabia is vital to preservation of stability in the Arabian Peninsula. Saudi willingness to play a more active and constructive role vis-à-vis its neighbors would reduce tensions in the area. Saudi Arabia, together with Iran, is expected to play a major role in preserving stability in the Gulf after the British withdraw in 1971. Because of the close USG/SAG relationship, Saudi support for efforts to end the Yemen civil war and, eventually, Saudi willingness to provide economic aid to Yemen, would help pave the way for improvement of our own relations with Yemen while reducing the likelihood that hostile forces could again use Yemen as a base for aggression or subversion against Saudi Arabia. Continuing Saudi support for other moderate regimes in the area, e.g., Jordan, is also important to us, as is Saudi acquiescence in concrete steps that Jordan and the UAR might take to end the Arab-Israeli conflict.

E. *A continued Saudi contribution to US balance of payments efforts.* We will want the Saudis to continue to maintain a climate favorable to American capital investment in the development of Saudi Arabia's natural resources and to effect any changes in existing oil concessions through negotiation, not unilateral action. We will also wish to preserve full access by American business on a reasonably competitive basis to contracts for goods and services; to expand the already substantial U.S. share of the Saudi market; and to enlist continued and, as possible, increased Saudi cooperation in measures to reduce our gold out-flow problem.

III. Strategies

In formulating our basic strategies to achieve the above objectives, we must keep firmly in mind the following two considerations:

i. In the highly centralized system of authority that currently exists in Saudi Arabia, *the focal point of decision making will for the immediate future continue to be King Faisal.* Hence, the dialogue with the King and his principal advisers will remain crucial. Although increasingly disenchanted with what he regards as U.S. policies and actions in the

Middle East contrary to Saudi interests, the King and most other members of the Saudi "Establishment" remain fundamentally well-disposed toward the U.S. This ingrained confidence of many older and middle-aged Saudis in the U.S. and in American technical accomplishments, is an important U.S. asset in Saudi Arabia and one that we should rightly seek to preserve. However, in the longer run we cannot assume the continuation of the political and social order upon which U.S.-Saudi cooperation was built. Our problem will be to devise policies and courses of action which both preserve the momentum in the long-standing orientation of the present Saudi Government yet do not overlook the growing number of younger Saudis who view the United States more critically. We will need to give serious attention to a more vigorous U.S. effort in Saudi Arabia if our interests are to be assured in the long term.

ii. *As long as the Arab-Israeli conflict remains unresolved* and we are suspected of partisanship for Israel, our immediate efforts will have to be directed at the more limited goal of holding on to what we have in Saudi Arabia. We should, of course, take advantage of any opportunities which may arise to strengthen our position. Should there be a new and longer Arab-Israeli conflict, our present assets in the country would hardly remain unaffected. Against the backdrop of the foregoing, we suggest the following strategies:

A. *Maintenance of our active interest in Saudi Arabia's integrity and independence.* We should maintain our limited security undertaking which continues to contribute to our considerable influence despite the erosion of Saudi confidence in the U.S. since 1967. We should also recognize, as the Saudis do, that in moments of real crisis only we have the power and influence to protect Saudi Arabia and our own substantial interests there. This of course gives us a special interest in doing what we can to defuse tensions in the Peninsula likely to erupt into serious threats to Saudi security.

Courses of Action:

1. We should be prepared appropriately to recall to SAG our continuing interest in the country's integrity against unprovoked outside aggression, taking care to retain flexibility regarding any possible implementation.

2. While we should seek to avoid giving the impression of an open-ended U.S. commitment to defend Saudi Arabia under all or any circumstances, it is equally important that our security assurances not be further weakened in SAG eyes or others. Planning for the future disposition of our naval presence in the region should take into account the likely psychological impact on the Saudis, particularly if U.S. forces were withdrawn from the waters adjacent to Saudi Arabia.

3. We should welcome a wider international interest in Saudi Arabia's security, such as the developing British, French, and Pakistani involvements in the Saudi defense effort. At the same time, these cannot be a replacement for our own continued efforts (see D below) if we are adequately to safeguard U.S. interests.

B. *Demonstrate that close USG/SAG relations pay dividends for SAG.* Particularly in view of the Arab/Israeli problem, we should be prepared to take positive action to demonstrate to King Faisal and to other Saudis that the U.S. has not lost interest in its Arab friends and that continued close cooperation with the U.S. is still in the Saudi interest.

Courses of Action:

1. Continue our present dialogue with the King and his key advisers to improve understanding, if not acceptance, of our policies and actions in the Middle East. Keep Faisal informed of our efforts to support the moderate regime of King Hussein in Jordan.

2. Continue to do what we can to seek Israeli withdrawal from Tiran, on the understanding that Saudi Arabia will make no move to militarize the island.

3. Extend an invitation to King Faisal to visit Washington by spring of 1970. Meanwhile, we should encourage senior U.S. Government officials who may be travelling in the area to exchange views with Faisal as a means of retaining his personal interest in the U.S. connection.

C. *Encourage SAG to devote more attention to improving relations with its neighbors in order to further stability in the Peninsula, the Red Sea, and the Persian Gulf regions.*⁶

Courses of Action:

In part because of past differences over Yemen, we have less influence with the Saudis on Peninsula issues than on other matters. We should nevertheless:

(a) Continue appropriate efforts with SAG towards an eventual rapprochement with a moderate, even if Republican, regime in Yemen;

(b) Note, as necessary, the counterproductive nature of any future Saudi adventures in support of PRSY exiles;

(c) Hold before SAG the desirability of improved relations with Ethiopia, particularly with reference to both the Yemen and PRSY issues;

⁶ A discussion of the Saudi policy of "immobilisme" is in telegram 115459 to Jidda, July 11. (Ibid., Nixon Presidential Materials, NSC Files, Box 629, Country Files, Middle East, Saudi Arabia, Vol. I)

(d) Quietly encourage greater Saudi contacts with Muscat and Oman and the Trucial States, through exchanges of visits and more active Saudi representation; note the favorable impact of Saudi aid already extended to the Trucial States as a means of encouraging further similar activities;

(e) Promote, as we can, greater Saudi/Iranian cooperation, notably on Gulf matters. Encourage Kuwaitis to continue playing a constructive role in this region.

D. *Maintain an effective Military Training Mission (MTM) and remain willing to meet legitimate SAG requests for military equipment and services on a sales basis.* Our continued MTM presence and willingness to assist in the modernization of the Saudi military/security establishment has been a key element in preserving our influence. Such a posture lends credibility to our assurances of support for Saudi Arabia's security, acts as a quid pro quo for our special overflight and landing privileges, enables us to monitor and to some extent influence the rate and direction of the Saudi military build up, preserves our entrée to key elements of the Saudi armed forces, encourages the development of a pro-U.S. orientation within the Saudi officer corps, serves as an important source of hard currency earnings, and helps reassure the large American community as to local stability. We should, however, consider Saudi requests carefully in order to do what we can to discourage any undue SAG military build-up that would seriously curtail the orderly progress of economic development. Any USG refusal to assist the Saudis in meeting their reasonable military sales requests would not deter them from making such purchases elsewhere but definitely would lead to a further erosion of Saudi confidence in the U.S.

Courses of Action:

1. Seek to focus Saudi attention on rational, long-term procurement policies reflecting a clear set of Saudi priorities and resources, as well as USG technical support capabilities. Explore, if requested to do so by the Saudis, the possibility of carrying out a detailed study of the overall Saudi military establishment and making appropriate recommendations on future force goals. To do so, we should be willing to execute the component projects of such a plan in orderly fashion, thus preserving the U.S. role as the principal source of military equipment and expertise to the Saudi armed forces.

2. Meanwhile, continue with our present practice of responding promptly and positively to Saudi requests for assistance in procurement and training, while limiting financial help to normal credit availabilities.

3. Continue a modest level of FMS credits or credit guarantees in future years.

4. Continue to support from MAP funds an effective military training mission in Saudi Arabia with sufficient personnel to do the job. A

serious run-down in the size and effectiveness of USMTM would jeopardize its role as principal military adviser to the Saudi Armed Forces, arouse Saudi fears that U.S. interest in Saudi security had lessened, and give rise to concern on the part of the large American community in the Eastern Province.

5. Continue to make available, on request and at Saudi expense, the services of the U.S. Army Corps of Engineers to supervise existing or new military construction projects. The Saudis have confidence in the Corps' integrity and professional capability.

E. *Preserve and, where possible, expand our few other official assets in Saudi Arabia.* Both the more immediate "holding operation" and a possible future broadly based program of support for Saudi Arabia will require a skillful deployment of our assets, which are primarily people—qualified American personnel. Apart from the partial MAP funding of USMTM (for which the Saudi Government pays two-thirds of the expenses), all services which we provide to Saudi Arabia are reimbursed by the Saudis.

Courses of Action:

1. Improve and enlarge the facilities and program possibilities of the American Cultural Center in Jidda and, as feasible, the scope of information and cultural activities in the USIS-operated English Language Center in Riyadh. USIS, with the support of other elements of the U.S. Country Team, has a major role in implementing our coordinated youth program to cultivate potential young Saudi leaders. English language training deserves to rank high in our activities. We should consider the possibility of introducing Peace Corps personnel or similar volunteers as English language teachers. Present opportunities for education and training of Saudis in the U.S. should be continued and increased.

2. Continue our present cooperation with the Saudis in the fields of desalting, minerals exploration, and police training when current agreements expire. Be willing to consider, on a reimbursable basis, providing advisers on either a long-term or a TDY basis as requested by the Saudis. We should be particularly alert to opportunities to assist Saudi Arabia in the areas of manpower planning, labor legislation, and training of Saudi personnel in labor relations and labor standards.

We shall seek within existing legislative constraints to be responsive to occasional requests for technical assistance on short-term, specific projects, or for topping off salaries and allowances of American technicians, professors, or advisers where that would encourage them to accept contracts with Saudi Government agencies or private institutions.

F. *Mobilize American business and private efforts to strengthen the American position and to refurbish the American image in Saudi Arabia.*

Private American companies operating in Saudi Arabia are direct beneficiaries of our close relationship. More than any other company, Aramco has done much to further the U.S. image in Saudi Arabia. Raytheon and other American private firms operating there have also generally inspired the confidence of the Saudis in their integrity and professional competence, providing an asset which can be exploited through appropriate U.S. Government and business coordination. More American firms should be encouraged to explore the possibility of operating in Saudi Arabia.

Courses of Action:

1. Department of Commerce should make stronger efforts to encourage American manufacturers and companies to sell American goods and services to Saudi Arabia on commercially attractive terms. Other agencies not regularly represented in Jidda, such as Treasury, Agriculture, and Export-Import Bank, should recognize the importance of Saudi Arabia to their programs and be responsive to Saudi interest in economic cooperation.

2. To the extent possible, find ways to use more effectively the person-to-person contact potential of the more than 7,000 Americans in Saudi Arabia to advance basic U.S. interests. Our Embassy is continuing, to the extent its limited personnel resources allow, orientation programs for new private Americans to brief them on local customs and conditions and to acquaint them with the rationale for our policies. In particular, the U.S. Government's dialogue with Aramco and other major firms should be maintained.

134. Telegram From the Embassy in Saudi Arabia to the Department of State¹

Jidda, December 3, 1969, 1345Z.

3974. 1. At dinner last night, I tackled SAMA Governor Anwar Ali² about growing Saudi military expenditures. Told him about Fahd's

¹ Source: National Archives, RG 59, Central Files 1967-69, DEF 12-5 SAUD. Secret; Limdis.

² Anwar Ali, a Pakistani accountant, was Governor of the Saudi Arabian Monetary Agency (SAMA), which operated as the Kingdom's central bank. King Faisal recruited Ali from the International Monetary Fund for the purpose of handling the financial ramifications of Saudi overspending.

request to extend Hawk payments schedule and Sultan's modified request payments be equalized under existing schedule. He seemed unaware Saudis currently considering additional, costly naval, coast guard, artillery and other programs. I noted Saudis are shortsightedly building up heavy future financial liabilities for equipment, much of which they show little capability of effectively using. I urged that he, Gov Ali, use his influence to try to curb current Saudi military appetites.

2. Gov Ali indicated he equally concerned. He stated even MinFinance Prince Musa'ad, whose tightfistedness is proverbial and who has constantly been strongest opponent of more military purchases, has recently apparently been won over to the view that urgent arms purchase requirement exists. Musa'ad had recently told him planned to dip additionally into reserves to pay for arms purchases. Musa'ad overruled Ali's strong demurrals. While having to follow MinFin's instructions, Gov Ali claimed he has written letter to King Faisal pointing out that if SAG continues dip into its reserves at present rate, they will be exhausted (apart from those committed to currency cover) in two years' time. He deplored continuing subsidy payments to UAR and Jordan and heavy military spending, which divert funds from needed economic development projects. Said he is making this point to anyone who will hear, but current Saudi phobia about Communist encirclement causes his argument fall on deaf ears. Nor does there seem be any awareness rapid obsolescence weapons systems. Gov Ali blamed Adnan Khashoggi³ for encouraging more Saudi military purchases.

3. I told Gov Ali that I was probably only Western Ambassador here who has not sought to peddle arms. We have indeed sold military equipment and services to SAG in response specific requests and in context close USG-SAG bilateral agreement, but have consistently urged Saudis not buy what they cannot use or do not need. We value our relationship with SAG and do not wish be negative or unsympathetic re legitimate Saudi concerns. In this context, however, we are continuing efforts somehow find way persuade Saudis not to overindulge in expensive weapons systems of only cosmetic or marginal value to them. I hoped he and I might quietly carry on complementary dialogue with SAG to this end. We agreed discreetly keep in touch on subject.

Eilts

³ Adnan Khashoggi, an international businessman, middleman, and arms broker, amassed a fortune in business deals related to Saudi military purchases. Khashoggi had made the initial suggestion to invite Prince Fahd to the United States, but Saunders informed Chapin, May 2, that an invitation through Khashoggi might embarrass both the Prince and King Faisal. Saunders suggested that the invitation come from Rogers through the Ambassador. (National Archives, Nixon Presidential Materials, White House Central Files, Box 8, Subject Files, Confidential Files, CO 128 Saudi Arabia, 1969–1970)

135. Memorandum From the Assistant Secretary of State for Near Eastern and South Asian Affairs (Sisco) to the Under Secretary of State (Irwin)¹

Washington, December 30, 1969.

SUBJECT

Saudi Security Situation—Information Memorandum

I understand that you have asked whether there is anything we should be doing on the Saudi security front as a result of the assessment contained in our 211261 (attached, Tab A)² which gave our estimate that the Saudi regime is vulnerable in the long run to growing internal political and social demands and rising area tensions. Jidda's 4186, which concurs in our assessment, is attached (Tab B).³

We have been concerned for some time at the long-term prospects of the Saudi regime. Moreover, the Libyan experience has fortified our view that some sudden coup is always possible in Saudi Arabia. On balance, as indicated in State 211261, we believe the recent Saudi/PRSY confrontation has temporarily strengthened the Saudi establishment. Other factors, such as King Faisal's energy, the size, role and ruthlessness of the Saudi royal family, suggest that an early collapse of the regime, as happened in Libya, is unlikely. To ameliorate prospects for the longer term, we have been seeking to strengthen the Saudi security establishment and also to do what we can to move the regime in the direction of modest political and social reform.

On the security front, we are engaged in a police and security training program with the Saudi Ministry of the Interior. Our Military Training Mission is the chief source of advice for the Saudi armed forces.

¹ Source: National Archives, RG 59, Central Files 1967-69, POL 23 SAUD. Secret. Drafted by Brewer and cleared by Rockwell.

² Tab A is not attached, but a copy of it, telegram 211261, December 22, is *ibid.*, POL 32-1 SAUD-SYEMEN.

³ Tab B is not attached, but a copy of it, telegram 4186 from Jidda, December 23, is *ibid.* In it, Eilts disagreed with Iranian and Moroccan concerns over Saudi Arabia and found that "despite various worrisome recent developments, short-term prospects of Saudi regime survival still good. This assumes loyalty of National Guard to regime. In longer terms, if current Arab-Israeli tensions continue to rise and there is no appreciable progress in meeting domestic political and social aspirations, outlook for Saudi dynasty may be gloomier." Davies forwarded a Department of State paper, "Assessment of the Saudi Internal Security Situation" to Pranger on January 28, which further elucidated the consensus in the Department on Saudi Arabia. Furthermore, he told Pranger that the paper had been sent to Rogers and Kissinger. (*Ibid.*, POL 23 SAUD) The paper, dated January 20, is *ibid.*, Nixon Presidential Materials, NSC Files, Box 629, Country Files, Middle East, Saudi Arabia, Vol. I.

We have recently completed surveys of the Saudi Navy and the Coast Guard/Frontier Force and have offered to help implement these proposals to the extent we can. We also continue to be forthcoming in meeting periodic Saudi requests for specific military items.

Such measures are, of course, at best only negative ways of controlling what could become a difficult and uncertain internal security situation. A developing and modernizing Saudi Arabia capable of preserving internal stability and national unity is one of our prime objectives as set forth in the most recent Country Policy Statement on Saudi Arabia of November 21, 1969.⁴ For this purpose, an acceleration of political and social reforms will be required, and we have sought to do what we can on this difficult and sensitive issue. One of the primary purposes of arranging the visit here last fall of Prince Fahd, Saudi Deputy Prime Minister and Minister of Interior, was to stimulate further attention to this problem. Fahd has spoken favorably in the past of the need to establish municipal councils and similar organs of local government. While he only returned to Saudi Arabia on December 17, his talks here with top-level officials,⁵ and his experience in visiting the country privately, may already be bearing some fruit, as indicated below.

Ambassador Eilts has periodically sought to remind the Saudis of the need for evolutionary political change and the inutility of excessive arms purchases. He took this line most recently with Acting Foreign Minister Mas'ud on December 23. Jidda's 4215 (attached, Tab C)⁶ reports the welcome news that Prince Fahd is now asking, through the Saudi Embassy here, for a team of experts to evaluate Saudi military plans and the technical and manpower skills available to support them. We are encouraged by this evident recognition that military purchases, with their attendant waste, have to be related to Saudi Arabia's absorptive capacity and competing priorities. We plan to respond positively to the Saudi request when received.

Through these and other ways we will continue to try to strengthen Saudi Arabia on a bilateral basis and encourage its leaders to look to the future. It is unfortunately true, however, that Faisal is aging and unreceptive in the best of circumstances to advice on internal matters. At present, there is also the additional handicap that, in view of the Arab/Israeli situation, even friendly Arabs are less likely to heed our advice than might otherwise be the case. We are nevertheless watching the situation closely and will continue to do all we can to encourage Saudi internal stability and evolutionary progress.

⁴ Document 133.

⁵ See Documents 131 and 132.

⁶ Attached but not printed. Telegram 4215 dated December 27.

136. Telegram From the Embassy in Saudi Arabia to the Department of State¹

Jidda, January 27, 1970, 1315Z.

307. Subject: Fahd's Requests to Secretary Rogers. Following is from Ambassador in Riyadh:

Met with Prince Fahd at his home evening Jan 26. After conveying greetings from Secretary and other friends, I said could now provide some answers to questions he had put at his Oct 13 meeting with Secretary.² Fahd asked that I convey his greetings to Secretary, Assistant Secretary Sisco and "other friends" and recalled with obviously genuine pleasure his visit to US:

1. Barter Oil: Drawing on Dept's CA-6046,³ I recalled we had immediately approached ARAMCO to see what might be feasible. ARAMCO had pointed out barter oil deal specifically limited to East European countries for what struck us as very good reason that it should not displace commercial oil on Western European markets. Principal revenue earner is of course commercial oil and we had been assured subject of increasing offtake already under active discussion between ARAMCO and MinPet and that prospects seem good for a substantial increase in offtake coming year. So far as US concerned I noted study currently underway within USG re possibility eliminating existing oil import quotas. Ultimate outcome still unclear, but it highly unlikely any specific country quotas will result. Should import quotas be at any time removed, I felt personally confident that ARAMCO offtakers would be among those scrambling for share of any such market. In any case offtake under constant discussion between ARAMCO and MinPet where it belongs. Fahd readily agreed increased offtake is most effective way increase Saudi revenues and seemed satisfied with response.

2. Defense Program Payments: Recalling his request for stretchout of Hawk payments, I explained that MODA Prince Sultan had subsequently clarified this⁴ to indicate Saudi interest in equalizing Hawk, SAMP and RAMP payments if this should be possible. State/DOD had studied request as amended in some depth, and I then went through

¹ Source: National Archives, RG 59, Central Files 1970-73, POL SAUD-US. Secret; Limdis. It was repeated to the Secretary of Defense, CHUSMTM, and CINCSTRIKE/MEAFSA.

² See Document 131.

³ In airgram CA-6046 to Jidda, November 7, 1969, the Department stated that ARAMCO expected Saudi production to increase in the coming year, and that the marketing of barter oil was limited and (given the U.S. import quota system) the oil would not be marketable in the United States. (National Archives, RG 59, Central Files 1967-69, PET 17 SAUD)

⁴ As reported in telegram 1054 from Dhahran, November 28, 1969. (Ibid., DEF 12-5 SAUD)

with him in detail para 4 CA-311.⁵ Stressed SAG should weigh carefully potential damage to its creditworthiness in return for only modest relief. I suggested that before responding, matter be discussed with MinFinance Prince Masa'ad and SAMA Governor Anwar Ali who best able assess possible damage to SAG's financial reputation. Perhaps even King should be consulted. I recalled it was under HM's aegis that previously badly tarnished Saudi financial image had been changed to one of high reliability. Any such excellent credit image should not be cast aside lightly. Nevertheless, if SAG wished, State/DOD willing pursue equalization schedule with other interested USG agencies and see what might be worked out. Speaking personally and as friend, I hoped SAG will not go this route. Fahd was clearly impressed with creditworthiness risk which he had probably not heretofore considered. He requested copy of illustrative table to permit study by his colleagues. Pursuant State/DOD 11738⁶ I had to tell him not authorized do so since figures set forth therein not firm, but I permitted him take some notes on clear understanding tables represent no definitive commitment. They could change considerably as result intra-USG consultation. He professed understand situation and seemed appreciative effort that had been made. He indicated might be in touch with us again on this matter after consultation with his cabinet colleagues.

3. Coast Guard/Frontier Force (CG/FF): Told Fahd I had few days earlier sent to him and to Prince Sultan, through FonOff, copies of Arabic translation DA survey report which should be read in conjunction overall AID/OPS survey report.⁷ English texts of both reports and Arabic translation of AID/OPS report had been sent to him earlier. We assume SAG will now study reports and advise us of how it plans to proceed on CG/FF development. While no commitment possible, I thought USG would be willing study with SAG how it might be able help. Fahd said he had not seen my letter or DA report, but expressed appreciation for USG interest as evidenced by AID/OPS-DA surveys. He was particularly grateful that survey reports had been translated into Arabic. He reiterated SAG's determination strengthen CG/FF and

⁵ In airgram CA-311 to Jidda, January 19, the Department stated that in light of Fahd's request for a stretch out of payments, it and the Defense Department had examined the Hawk, SAMP, and RAMP repayment schedules and enclosed a table indicating the resulting reduction in payments per year. (Ibid., DEF 19-8 US-SAUD)

⁶ In telegram 11738 to Dhahran, January 24, the Departments of State and Defense stated that negotiations over repayments might not produce the optimum figures expected by the Saudis. (Ibid.)

⁷ As reported in telegram 249 from Jidda, January 22. (Ibid., DEF 1 SAUD) The report was officially presented to Saudi Arabia in a letter from Laird to Prince Sultan, January 28. (Washington National Records Center, RG 330, OSD Files: FRC 330-76-067, Box 83, Saudi Arabia, 1970)

said he will wish discuss reports with CG/FF Commander General Malik. Thereafter SAG will make firm decision how to proceed.

4. Navy: I recalled that shortly after my return to SA last Nov, MODA Prince Sultan sent word that SAG accepted US naval survey presented early 1969 "with only minor modifications." When I had actually seen Saudi naval concept,⁸ I had to tell Prince Sultan that my preliminary review suggested more than "minor modifications" involved and in all frankness concept seemed a bit grandiose given Saudi manpower and financial limitations. I had pointed out Saudi ideas will have to be studied by USG to see what, if anything, we can do to help and such study currently underway in DOD. I had also suggested to Sultan that Saudis might be well advised take force goals outlined in US naval survey as first bite. If such goals achieved there no reason why Saudis cannot proceed with further naval development if they feel additional requirement exists. In meantime, however, it is a mistake to establish unrealistic goals. Sultan had in fact told me Saudi naval force goals could be subject for discussion and modification. I also referred to Sultan's recent request to Secretary Laird for four senior military evaluators, including one naval person, to assess existing and proposed Saudi military programs in terms of Saudi economic situation and plans.⁹ While USG still studying request, I could only applaud this wise idea and had commended it to Washington.¹⁰ Fahd agreed real need exists for such overall evaluation and seemed pleased with my remarks on subject.

5. *Comment:* Fahd expressed his deep appreciation for Secretary's and Assistant Secretary Sisco's continuing interest in Saudi problems. He noted our discussion had been "between friends" and frank evaluations we had given helpful. Fahd is no financial nor economic expert and some of points probably over his head. Told him I would also mention defense payments matter to Sultan when I meet with him again Jan 27¹¹ and he agreed this desirable. Interest payments (para 2 SecState 11738) did not arise. We have now replied to all of Fahd's questions to Secretary and, while further discussions may develop on one or more of these subjects, our immediate obligations arising from Fahd's October visit to US may be considered as completed.

Eilts

⁸ In telegram 3832 from Jidda, November 19, 1969, Eilts reported that Prince Sultan would ask the United States for assistance in expanding the Saudi Navy beyond the limits suggested in the naval survey. Eilts cautioned that the United States should try to scale down Saudi thinking and determine the degree to which the United States was willing to assist in terms of vessels and training in keeping with the naval survey. (National Archives, RG 59, Central Files 1967-69, DEF 6-2 SAUD)

⁹ This request was sent in the form of a letter from Prince Sultan to Laird, December 26, 1969, delivered January 6, 1970. (Ibid., DEF 1 SAUD)

¹⁰ Reported in telegram 139 from Jidda, January 13. (Ibid.)

¹¹ See footnote 4, Document 137.

137. Telegram From the Embassy in Saudi Arabia to the Departments of State and Defense¹

Jidda, January 27, 1970, 1300Z.

305. Following from Ambassador in Riyadh. Subject: Phantoms. Ref: Jidda 219.²

1. When General Dunlop and I met with MODA Prince Sultan Jan 25, he spoke at some length of current Saudi estimate growing threat of external aggression exists from PRSY, YAR, Syria and/or Iraq. Threat could even develop through Dhofar. Claimed Saudi intelligence based on agents and radio intercepts suggests increasing number of Soviet military advisors being deployed to PRSY (septel).³ Saudis believe that eventually PRSY, with Soviet advisory support, will launch another military attack on Saudi territory similar to Wadia aggression.

2. On contingency basis SAG is actively preparing for this possibility. It is planning construction of several new airfields and upgrading of two existing strips in southern area and is considering acquisition additional ground support capability to meet such threat. All of this is further burden on SAG's already hard pressed finances.

3. Sultan then launched into long, bitter criticism of inadequacies British consortium and Lightning aircraft. He referred to Saudi air defense contracts with British as "greatest mistake I ever made." He recounted at length background of British involvement in joint air defense effort, including Dunlap mission to dissuade Saudis from buying 104G's, former Secretary McNamara's alleged effort persuade Saudis buy Lightnings by getting British offer very attractive terms, last minute McNamara message that if Saudis did not wish Lightnings 104G's might be available and final conclusion contract. Only half jocularly he argued USG largely responsible for Saudi purchase of Lightnings which have proven to be inadequate in capability and performance.

4. While in Paris recently, Sultan continued, Dupre had broached possibility SAG purchasing Mirage III's. When Sultan reported this to King, Faisal instructed him do nothing about French approach. If French formally raised subject, he was to parry query by indicating

¹ Source: National Archives, RG 59, Central Files 1970-73, DEF 12-5 SAUD. Secret; Exdis.

² In telegram 219 from Jidda, January 19, Eilts noted a developing Saudi interest in F-4 Phantoms in connection with contingency planning for what the Saudis referred to as their "southern threat" (Yemen), and in connection with their dissatisfaction with the British Lightnings. (Ibid.)

³ Apparently a reference to telegram 211261 to Tehran; see footnote 2, Document 135.

SAG still studying matter. Faisal, according to Sultan, had also asked me, informally, if the USG would be willing to sell SAG "one or two squadrons of Phantoms" which would obviate the need for expensive additional airfields and aircraft. Recognizing the sensitivity of the subject, the Saudis do not wish to raise the matter formally lest they receive a turndown, but Sultan wanted my personal view, likely of the USG reaction to such a request.

5. I pointed out to Sultan that even with Phantoms, SAG would still require emergency airfields in outlying areas. I could give him no official reply, but he should know in all frankness that any such request would be very awkward and difficult. Apart from a high level of technical expertise which sophisticated aircraft such as the Phantom requires and high costs, any such sale coming at a time when the Arab-Israeli problem is unresolved and showing signs of further deterioration could arouse domestic and international storm. In the circumstances, I would not wish to give him any encouragement. A Phantom sale is unlikely and I suggested instead that the RSAF focus on improving the Lightning program. Though obviously disappointed, Sultan seemed to expect this answer.

6. *Comment:* This is the highest level Saudi approach on Phantoms that we have had to date. We sought to discourage Sultan, though his interest may be expected to continue and we may not have heard the last of the subject. In one sense no further response is needed, though if we have anything more positive to say this would be helpful. As the devil's advocate for a moment, a case could be made that selling Phantoms to the Saudis could be (A) evidence of US evenhandedness, and (B) hardly change the balance of air power in the area. The Saudis have a requirement for long range aircraft in connection with the threat to their southern frontiers. Lack of Saudi technical skills, finances, manpower shortages and likely international repercussions any such sale clearly weigh heavily against any such early sale. Will continue to discourage any such requests.⁴

7. Dept please repeat CINCSTRIKE/MEAFSA and CHUSMTM.

Eilts

⁴ In telegram 349 from Jidda, January 29, Eilts reported that Prince Sultan asked the United States on January 27 to "think about" selling "two or three squadrons" of F-4s to Saudi Arabia to offset Nixon's promise to sell them to Israel. According to Eilts, Sultan argued: "It will take the Saudis at least two years to have trained personnel and no aircraft deliveries necessary for at least that period. Thus, such an offer to sell to the Saudis would in no way threaten Israel which will in any case know limited Saudi capability." Eilts hoped that the Saudis would not attempt to make the sale of Phantoms a test of U.S.-Saudi friendship. (National Archives, RG 59, Central Files 1970-73, DEF 12-5 SAUD)

138. Telegram From the Departments of State and Defense to the Embassy in Saudi Arabia¹

Washington, March 7, 1970, 0017Z.

33933. Subj: Saudi Naval Request. Refs: Jidda A–368; Jidda 607.² Joint State/Defense Message.

1. Saudi naval request presented us in December 1969³ goes well beyond recommendations of February 1969 USN Survey Team report⁴ and includes items of considerable sophistication which we believe will for some years exceed capabilities RSNF to operate and maintain without sizeable and expensive foreign support. In some cases items requested, e.g., surface-to-surface missiles, are not presently in USN inventory and are unavailable from U.S. sources. Naval force of size envisioned in SAG requests would appear clearly beyond current financial capabilities of SAG, particularly view current and anticipated SAG investment in other defense and security programs. Before it would be possible for USG give commitment to sell specific items and services to RSNF, we would need further clarify SAG priorities for vessels, equipment, and training desired and to learn time frame over which SAG would expect this expansion effort take place. In this connection we concur para 2 reftel that something like USN Survey Team recommended force goals is realistic first step upon which RSNF could later expand if need requires.

2. We nevertheless concur with basic Country Team recommendation (para 4 reftel) that it in overall U.S. interest to seek insofar as possible play primary role in RSNF expansion effort in view: (a) great importance King Faisal and SAG attach to USG support as evidenced by our responsiveness to Saudi arms requests; (b) continuing Saudi concern over potential threats from the Soviet-backed radical regime in Southern Yemen; (c) our hope that SAG will be able contribute, in conjunction with Iran, to maintenance stability in Persian Gulf following UK military withdrawal in 1971; and (d) our desire preserve and strengthen role of U.S. as principal all-around military advisor to SAG.

¹ Source: National Archives, RG 59, Central Files 1970–73, DEF 12–5 SAUD. Secret. Drafted on March 6 by Wrampelmeier; cleared in PM/MAS, OSD/ISA/ NESA, NEA/ARP, NEA/RA, and by Davies; and approved by Sisco. It was repeated to the Consulate General in Dhahran, CHUSMTM Dhahran, CINCSRIKE, COE MEDDIV Livorno, and CHNAVOPS.

² Airgram A–368 was not found. Telegram 607 from Jidda, February 18, reiterates Eilts's concern that the Saudi naval buildup proceed at a measured pace. (Ibid.) The Saudis had repeatedly pressured for a response to their naval request. (Telegram 742 from Jidda, March 1; telegram 763 from Jidda, March 2; and telegram 803 from Jidda, March 5; all *ibid.*)

³ See footnote 8, Document 136.

⁴ See footnote 2, Document 131.

3. You therefore authorized inform SAG that USG prepared in principle assist it in development of a naval force of reasonable size and military strength. In our view 1969 USN Survey Report recommendations, which were prepared following careful study of SAG requirements, if implemented, will provide Saudi Arabia by end of 10-year period covered by report with force which can be operated and maintained with minimum costly foreign technical assistance. USG prepared assist SAG meet force goals recommended in that report through cash sales of material and services.

4. We recognize there are major differences between USN Survey Report recommendations and December 1969 SAG naval requests. While SAG is, of course, final judge its own legitimate naval requirements, we concerned lest Saudi request to us insufficiently reflect currently limited Saudi financial and manpower resources. Naval forces of size indicated by SAG request would require considerable investment of financial resources and skilled personnel and would probably be impossible to achieve without serious adverse impact on other desirable military and general development objectives. As SAG itself recognizes in calling for special DOD evaluation mission, proposed expansion programs, such as RSNF, must be carefully considered in relation other priority SAG military projects, current and projected. Decision to implement as first step more modest RSNF expansion program along lines recommended in USN Survey Report would not, of course, preclude SAG from later deciding to purchase additional vessels and equipment once basic naval force established and SAG has had benefit this experience to assess its further naval requirements. It would, however, make it easier for SAG absorb requisite later expansion.

5. We hope senior officials will discuss SAG naval requests frankly with naval member of DOD Evaluation Team now being organized. On basis these discussions we would then be able develop more detailed and specific info re Saudi priority needs as well as those portions of SAG request USG would be able to support and those which unavailable from US sources.⁵

6. In light of foregoing paragraph and Country Team recommendations contained Jidda's 542,⁶ we are seeking obtain services of broadly experienced USN captain, if possible with missile background,

⁵ Based on this telegram, Eilts sent the Department a draft aide-mémoire to be presented to King Faisal. (Telegram 936 from Jidda, March 7; National Archives, RG 59, Central Files 1970-73, DEF 12-5 SAUD)

⁶ In telegram 542 from Jidda, February 12, the Embassy enumerated the various requirements, skills, and tasks appropriate for the team of experts that would evaluate the Saudi military establishment. (Ibid., DEF 1 SAUD)

to serve as Naval member of DOD Evaluation Team. We will make every effort see that this officer, after his selection, is thoroughly briefed on USN Survey Report recommendations as well as on SAG naval requests.

Rogers

139. Telegram From the Department of State to the Embassy in Saudi Arabia¹

Washington, March 24, 1970, 2210Z.

42979. Subj: USG/Saudi Relations. Ref: Jidda 744; Jidda 763.²

1. Reftels report King Faisal and MinState FonAffs Saqqaf concerned at what they regard as unwelcome implications for USG/SAG relations of Nixon doctrine enunciated at Guam. While this attitude no doubt reflects increasing disappointment over what they see as unbalanced USG policy on Mid East issue, you may find it helpful draw on following numbered paragraphs in future talks with top SAG officials re basic USG policy in effort combat their current gloom.

2. Nixon doctrine should not be construed as retreating from long-standing relationships which USG, and, we believe Saudis, have found mutually beneficial. President himself, in his Special Report to Congress of February 18, 1970,³ made this clear in saying:

“As I said at the United Nations, ‘It is not my belief that the way to peace is by giving up our friends or letting down our allies.’” USG remains alert to threat of Communist inroads and will continue participate appropriately in defense and development of its allies and friends. However, we simply not in position to carry entire burden alone.

3. This new emphasis on partnership and mutual effort is typified by the many joint programs on which we continue cooperate with Saudi Arabia in defense field, both on govt/govt basis and in facilitating

¹ Source: National Archives, RG 59, Central Files 1970–73, POL SAUD–US. Secret; Exdis. Drafted on March 16 by Brewer; cleared by Davies, Sisco, and Spiers; and approved by Sisco.

² Telegram 744 from Jidda, March 1 (*ibid.*, POL 15–1 SAUD); and telegram 763 from Jidda, March 2. (*Ibid.*, DEF 12–5 SAUD)

³ “First Annual Report to the Congress on United States Foreign Policy for the 1970s,” *Public Papers: Nixon, 1970*, pp. 115–190.

private transactions. These include long-standing military training mission and Corps of Engineers activities, recent surveys of Saudi naval and CG/FF requirements, favorable action on selected Saudi arms requests (e.g. artillery), and active SAMP/RAMP programs. Our policies do not preclude further activities of this type to assist Saudi Arabia's legitimate self-defense.

4. Five U.S. Administrations of both parties have expressed interest in territorial integrity of Saudi Arabia. President on assuming of office wrote King Faisal on February 24, 1969,⁴ that "You may be assured of our continuing understanding and support for the integrity of your country and the prosperity and progress of all its citizens." These assurances reflect long-standing and continuing USG interest in Saudi Arabia's well-being and development which we believe clearly in our mutual interest.

5. In last decade many states, Saudi Arabia included, have achieved rapid development in variety fields, including self-defense. We believe SAG will agree that time is past when major power must be expected intervene directly in every local disturbance, or that any such action would necessarily be helpful to our friends. But this development bespeaks greater capacity and self-reliance on part our friends rather than any lessening of constructive interest by ourselves. Latter most recently illustrated by our willingness undertake major military/economic survey of Saudi defense establishment and assist in expansion Saudi naval force in effort further help SAG develop its own defense capabilities. SAG may be assured we envision no change in our settled policy of support for Saudi Arabia and willingness continue do what we can to counsel and assist our Saudi friends in addressing new defense and development problems.

Rogers

⁴ See footnote 2, Document 127.

140. National Intelligence Estimate¹

NIE 36–6–70

Washington, April 7, 1970.

[Omitted here are a cover sheet, the Table of Contents, and a map.]

THE OUTLOOK FOR SAUDI ARABIA

Note

This estimate examines trends in Saudi Arabia, the prospects for the Saudi regime over the next two or three years, and the implications of these matters within the area and for the US.

Conclusions

A. After years of increasing prosperity and social change, the growing educated element in Saudi Arabia is pressing for a share in the political power now concentrated in King Feisal's hands. If Feisal remains active, the regime can probably cope with domestic discontent for at least a few more years, thanks to broad support by the religious and conservative majority, tight internal security measures, and the geographical separation of the main population centers. Two contingencies would reduce the regime's chances of survival—the departure of Feisal or another Arab-Israeli War. Either one might prompt dissidents within the military to attempt a coup.²

B. Feisal probably will be able to carry out his duties for some time to come, but in the event of his death or incapacity, there is likely to be less unity and firmness in the House of Saud. Any foreseeable royal successor would probably be more inclined to accommodate to radical trends in Arab politics and less capable of suppressing dissi-

¹ Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H-044, Senior Review Group Meetings, Review Group NSSM 90. Secret; Controlled Dissem. A note on the cover sheet indicates this estimate supersedes NIE 36–6–66. The Central Intelligence Agency and the intelligence organizations of the Departments of State and Defense and NSA participated in the preparation of this estimate. The Director of CIA submitted this estimate with the concurrence of all members of the USIB with the exception of the AEC and the FBI who abstained on the grounds that it was outside their jurisdiction. For text of the earlier estimate, NIE 36–6–66, "The Role of Saudi Arabia," December 8, 1966, see *Foreign Relations, 1964–1968*, volume XXI, Near East Region; Arabian Peninsula, Document 283.

² The finished NIE did not reflect a March 10 CIA assessment that a renewed offensive by South Yemen would increase the dangers of a military coup because "it would put the Saudi regular army and air force in a better position in terms of ammunition, transport and battle-readiness to execute a coup. If Saudi forces were defeated in the south it would also increase chances of their turning against the regime on the grounds that they had not been adequately equipped and supported by their own government." Such considerations, according to the CIA, had led Feisal to renew help to the Yemeni Royalists in order to provide a buffer on Saudi Arabia's southern border. (Central Intelligence Agency, NIC Files, Job 79–R01012A, Box 388)

dents. If the ruling family were overthrown, the successor regime almost certainly would be radical, militantly anti-Israeli, and markedly anti-American.

C. Feeling increasingly isolated in the Arab world, Feisal will seek to oppose radical and revolutionary influences—especially in the two Yemens—and to maintain the present *modus vivendi* with Nasser—who needs the \$100 million annual subsidy that Egypt receives from the Saudis. Feisal sees the need to cooperate with the Shah to maintain stability in the Persian Gulf after the British withdrawal in 1971, but any number of forces could upset the fragile situation there, inviting a clash of interests between Iran and Saudi Arabia.

D. Cordial relations with the US, long a cornerstone of Saudi foreign policy, have been weakened by US support for Israel, especially since 1967. Growing anti-American sentiment in Saudi Arabia and in the Arab world generally will cause Feisal more and more to de-emphasize his ties with the US. This process would be accelerated by another round of Arab-Israeli hostilities. Whatever the state of relations between the US and Saudi Governments, the latter will press the oil companies for more revenues.

Discussion

I. Saudi Society and the Saudi Regime

1. King Feisal rules over a country of sharp contrasts between the traditional and the modern. Its four million or so people are spread over an area of nearly 900,000 square miles; many of them are still bedouin, and even more of them retain traditional tribal ties. The great bulk are still rigidly orthodox Muslims. Yet increasing numbers of Saudis are affected by the economic and social changes which have occurred in the Kingdom. This is true of all the major areas: the Eastern Province, where the enormously productive oil fields provide the financial underpinnings of the state; the Najd, base of the Saud family and center of traditional religious fundamentalism; and the Hejaz, the western area along the Red Sea, the site of Islam's two holiest cities—Mecca and Medina. In these areas a new middle class has emerged, with regular and substantial contacts with the outside and more sophisticated world.

2. In the years ahead, Feisal is likely to face increasingly difficult foreign and domestic problems. He has long been a principal Arab advocate of maintaining close relations with the US, but this policy is becoming less tenable as the US becomes increasingly identified in Arab eyes as the principal political prop and arms supplier of Israel. At the same time, social and economic changes are not only affecting the nature of Saudi society but are also working to make Feisal's position and that of the ruling family less secure. The recent, sudden overthrow of the monarchy in Libya has doubtless heartened the regime's domestic opponents.

3. Feisal has been the dominant figure in Saudi Arabia for the past 10 years. Within the ruling family, he stands above all factions. The strong point of Feisal's rule has been a combination of conservative fiscal policies and orderly government; he has successfully reversed the waste both of money and of energies which plagued the country under his incompetent brother Saud. For the past several years the Kingdom has had balanced budgets, even while spending substantial amounts of money on roads and other infrastructure projects, on extensive increases in educational and medical facilities, and on military equipment.

4. Yet Feisal's talents are more appropriate to the problems of the past than to those of the present and future. He is deeply religious in the context of the rigid Muslim orthodoxy which still characterizes many Saudis, and in large measure he is attuned to the desires of the traditional elements of the society. However, the traditional solidarity stemming from religious zeal is eroding. Increasing bureaucratic centralization has replaced the former system of local governors enjoying considerable latitude. Now, most issues must be referred to the capital, where the proclivity of Feisal or his top ministers for personal involvement often results in long delays or even no decision on important questions. Much of the inherently egalitarian aspect of the earlier tribally-oriented social structure has been smothered by administrative centralization and diminished access to the ruler. Feisal's personal style of government involves reliance on a coterie of conservative advisors, some of whom are not in tune with the times. He also tends to emphasize loyalty more than competence in appointments to many influential positions, a practice which has increased the frustration of younger, often better educated, civil servants.

5. The traditional sources of Feisal's power—his control of Saudi wealth, widespread loyalty to the Saud family, and religious custom—are also the aspects of Saudi Arabia which a growing number of its influential citizens resent. Indeed, influential Saudi subjects, particularly in the Hejaz, have always resented alien rule by the Najd-based Saud family. Yet the King has resisted political innovation which might make the government more responsive to local demands. In the past year or so, he has taken steps which indicate growing concern for the regime's security, including the arrest of several hundred people on charges of subversion. This has had the effect of increasing resentment of the government among certain important groups.

6. Social liberalization has made considerable progress during the past decade. Many new schools have been opened, the public's participation in the economic benefits deriving from oil income has greatly broadened, and the power of the ultraconservative religious leaders has declined. Desires for participation in the political process have been greatly stimulated by the expansion of education, of communications,

and of foreign travel—as well as by frustration over the increasing inaccessibility of those in power. Many Saudis, even though they recognize their country's prosperity and stability, contrast the regime's autocratic structure and family possessiveness with other seemingly more socially-oriented regimes in the Arab world. A more rapid rate of social and political progress is increasingly demanded by the younger and better educated elements of the population, even including a few members of the ruling family. But Feisal has tended to restrict political power to a narrow circle which—though it has been expanded beyond the royal family—includes only a relative handful of trusted officials. He has occasionally shown some awareness of the desirability of broadening participation in the government, but he finds the prospect too difficult to undertake with confidence—especially with the growing complexity of the government.

7. There is little prospect, however, of Feisal or the Saud family being overthrown by any mass public uprising. As in other Arab countries, the principal challenge to the conservative regime would come from the military, chiefly from those in the officer corps who are of middle class origins, relatively sophisticated and modern minded, and hostile to the monarchy. Many in this group tend to identify with officers who overthrew the traditional monarchies in Egypt, Iraq, and Libya; they favor the sort of program instituted in those countries—especially destruction of the powers of the old ruling class, the attempt at some type of “socialist” reform, and the adoption of a strongly hostile attitude toward the US as Israel's protector.

8. [1 paragraph (8 lines) not declassified]

9. [1 line not declassified] At present the Saudi Army consists of 28,000 officers and men. [4 lines not declassified] Units of the army are widely scattered away from the main cities—in southern Jordan facing the Israelis, in the border areas near Yemen and Southern Yemen, and in garrisons in the northwest. The great distances between principal cities and the difficulties of communication make a coordinated coup attempt much more difficult than in most Arab countries. [2 lines not declassified]

10. In addition, the regime relies heavily on its own paramilitary force, the National Guard (also known as the “White Army”). This force, roughly the same size as the regular army, is recruited from tribes traditionally regarded as loyal to the Saudi monarchs and, unlike the army, is stationed near the principal cities. The National Guard is probably loyal to the regime, but its ability to protect the government, particularly if it came to a clash with the army, is less certain. It has been effective in performing its primary mission of maintaining internal security and has demonstrated its ability to suppress civil disturbances in the Kingdom. It is, however, hampered in its operations by a short-

age of trained personnel, particularly officers, and extremely ineffective administrative and logistic systems. It is not equipped with heavy armaments, such as tanks and artillery.

11. [2 lines not declassified] Antimonarchical forces would be encouraged if a neighboring conservative regime, notably Jordan, were toppled. On the whole, however, we believe that the regime would be most likely to face serious threats in the following contingencies: (a) a new round of major Arab-Israeli hostilities, or (b) the death or incapacity of Feisal.

12. As to the first of these, the regime's policy with regard to the Arab confrontation with Israel is regarded by many Saudis as lacking sincerity. While Feisal has adopted a tough posture on the question of Jerusalem and has strongly supported the Fatah fedayeen organization, this limited stance has not satisfied the country's younger elements. The close Saudi relationship with the US in the face of growing anti-Americanism in the Arab world has increased public dissatisfaction with the ruling family. While the stationing of Saudi troops in southern Jordan has given the military some sense of participation in the struggle with Israel, many officers realize that this participation is chiefly symbolic. Another Arab defeat at the hands of the Israelis, especially if it involved Saudi forces in Jordan, would probably shake the Saudi regime. Public sentiment would be aroused, disorders probably would break out in Jidda or at the oil complex in the Dhahran area and could occasion anti-American activities throughout the Kingdom; in such a time of high emotion, military officers might seize the opportunity to move against the House of Saud.

13. King Feisal appears healthy enough to carry out his duties for some time to come, but he is 64 and has mild arteriosclerosis. Moreover, he is so much the linchpin of the government in Saudi Arabia that an examination of the succession problem is advisable. While the chances favor the royal family closing ranks upon Feisal's death, there are sufficient rivalries within the family, as well as a "generation gap" between the younger princes and the elders now holding the reins of power, that a smooth transfer cannot be assured. Feisal's designated successor, Crown Prince Khalid, is noted neither for his leadership qualities [less than 1 line not declassified]. While he could probably take over as a figurehead King, with executive power in other hands—possibly those of his more talented half-brother Fahd, others in the family have recently talked critically of such an arrangement. The circumstances of Feisal's demise would certainly be of critical importance. Were he able, for example, to arrange the succession and to extract promises of cooperation from his various brothers, serious infighting might be avoided. On the other hand, his sudden death or total incapacitation might prompt one or another faction to grab for power.

14. With Feisal's death there is likely to be less unity and firmness on the part of the House of Saud and thus more vacillation in the governing of the country. This would tempt discontented elements, both civil and military, to take advantage of the situation and thrust for power. Should the House of Saud be overthrown, a successor regime would almost certainly be radical, militantly anti-Israel, and markedly anti-American.

Economic Considerations

15. For all its large oil revenues Saudi Arabia is facing some financial constraints.³ Oil revenues, source of about 85 percent of the government's income, will not rise as fast as anticipated governmental expenditures. Since the Khartoum Conference of November 1967, foreign exchange reserves have been tapped to help pay the \$140 million annual subsidies to Egypt and Jordan. Foreign exchange reserves (including government investments abroad) have dropped from almost \$950 million in late 1967 to about \$750 million. Although reserves are adequate to permit continued drawdown for several years without serious problems, the regime is extremely anxious to keep these funds intact, since \$550 million represent full currency cover and deposits for pension funds. The government probably can secure agreement from the oil companies for an advance against future tax payments and thus improve its financial position on a one-time basis. Given the world oil surplus, there is little prospect of getting the companies to increase production more than 6–8 percent annually; similarly, income per barrel is not likely to be increased much. Thus, the Saudi Government will be forced to establish more strict priorities for expenditures, since it is determined not to rely on heavy foreign borrowing.

16. Some indication of revised priorities is already evident. The 1969–1970 defense and internal security budget amounts to \$515 million—a 20 percent rise from the previous year and almost 40 percent of the current budget. The budget allocates \$357 million to development, a decline of 7 percent over last year. The rapidly increasing defense expenditures reflect the regime's uneasiness regarding both external and internal security threats, which have been heightened by the border friction with Southern Yemen and the forthcoming British withdrawal from the Persian Gulf. Past and projected defense purchases include sophisticated missiles and aircraft and naval vessels which the country can maintain and use only with outside assistance.

³ In telegram 1499 from Jidda, April 16, the Embassy reported that Anwar Ali continued to be concerned that military spending would result in distortions in the Saudi economy at the expense of development projects and that this would worsen considerably if Saudi Arabia embarked on major projects for a new Navy and Coast Guard/Frontier Force. (National Archives, RG 59, Central Files 1970–73, E 2–4 SAUD)

17. Saudi Arabian social and economic development will continue to be hampered by a scarcity of technicians, teachers, and workers. There is little prospect that manpower efficiency can be increased enough to help significantly in the next few years. Although increasing numbers of graduates from the rapidly expanding Saudi educational system are entering the job market, this will not do much to satisfy the large demands for skilled hands. The country will continue to depend to a large extent on imported skilled personnel in almost all categories.

II. Foreign Relations

In the Arab World Generally

18. The Saudi regime sees itself as increasingly encircled by hostile forces. Several Arab regimes with similar conservative domestic and foreign attitudes have gone under in recent years. In Feisal's view, neighboring revolutionary regimes—the Baathist governments of Iraq and Syria and the regimes in both Yemen and the Peoples Republic of Southern Yemen—are working actively against him and his regime or intend to do so at their earliest opportunity. Only two of Feisal's important Arab neighbors, Hussein of Jordan and the Amir of Kuwait, share his political outlook.

19. The Saudi regime will take the steps it thinks necessary to keep radical and revolutionary influences as far away as possible. It will continue to extend political and occasionally financial support to fellow conservatives. Thus, Saudi Arabia will continue to maintain good relations with Morocco, Tunisia, Kuwait, and Jordan. It will probably help King Hussein from time to time with money over and above the \$40 million annual Khartoum subsidy. Saudi Arabia is also likely to support conservative non-governmental groups in the Arab world, such as the Muslim Brotherhood and possibly antiregime organizations in the Sudan.

20. Feisal probably views his present relations with Nasser as about the best he can hope for. For years, these two leaders were at loggerheads—each possessed of a profound personal and political antagonism for the other. Nasser encouraged and gave various kinds of support to radical nationalist elements in Saudi Arabia and around its periphery—out of broad sympathy for their cause and as a means of cutting down Saudi influence. Egyptian radio propaganda was particularly offensive to the Saudi Government. Saudi Arabia, for its part, extended support to many of Nasser's Arab adversaries.

21. Much of that pattern changed in the aftermath of the 1967 war. Nasser ended his campaign against Saudi Arabia and withdrew from Yemen. This was partly in return for the \$100 million annual Saudi subsidy agreed to at Khartoum. Moreover, Nasser has been so immersed

in the confrontation with the Israelis that he has neither the time nor resources for involvement in the affairs of states in the Arabian Peninsula or Persian Gulf. Nonetheless, Feisal probably will remain alert to limit any resurgence of Nasser's influence or any resumption of his interference. Thus, Feisal is likely to seek to improve relations even with revolutionary and socialist Algeria—which has an antipathy to Nasser, but which has displayed no aspirations to become involved in the Arabian Peninsula. Saudi efforts to support antiregime forces in the Sudan could run afoul of Egyptian support for the regime there. In sum, the current modus vivendi between Feisal and Nasser is subject to many strains, though each side has reasons to avoid a renewal of the feud.

The Yemens

22. Feisal has been extremely sensitive about the radical regimes in Yemen and Southern Yemen. He supported the Royalist cause in Yemen against the Egyptian-dominated republican regime for five years, stopping only after the Egyptians withdrew their forces from Yemen as a result of the defeat by Israel in 1967. For reasons which are not altogether clear, the Saudis resumed support of the Yemeni Royalists in the fall of 1969 at a time when the civil war had virtually ceased. Feisal may have been influenced by his more conservative advisors to conclude that the regime in Yemen posed a renewed danger to him, or he might have been greatly influenced by the governor of the Saudi province bordering on Yemen, who apparently has profited by diverting to his own pocket funds earmarked for the Yemeni Royalists. The Saudis will probably continue efforts to get the republican government to include members of the Yemeni royal family. The republicans will probably not go far enough to satisfy the Saudis, and relations between Saudi Arabia and Yemen are likely to be touchy, if not actively hostile, for the foreseeable future.

23. In regard to Southern Yemen, Feisal was stunned that the British allowed the federation to collapse in 1967 and intensely dislikes the radical orientation of the Southern Yemen regime. The Saudis have since given some support to conservative elements in futile efforts to stir up trouble against the Southern Yemen Government. In fighting over an unmarked border in late 1969, Saudi Arabia scored a signal military success against a Southern Yemen incursion. There will probably be more clashes along this desert border, but they are not likely to pose any serious threat to the Saudis.

The Persian Gulf

24. The planned withdrawal of the British from the Persian Gulf in 1971 poses a number of problems for Saudi Arabia. Dealing directly with the small sheikdoms without the interposition of the British will raise some new problems. For example, Saudi Arabia's long-standing

territorial dispute with Abu Dhabi over the Buraimi oasis might become active again. While the mini-states of this region have less than a half million people, they are divided among 9 sheikdoms with populations running from a high of 200,000 people (Bahrein) down to 4,000 (Ajman and Umm al-Qaiwain), all of them with tribally based societies. Age-old rivalries and disputes among them have been heightened by quarrels and jealousies arising from the presence of oil along the shores of the Gulf, and by the prospect that Britain's restraining hand will soon be lifted.⁴ Further complicating the efforts of these mini-states to maintain their independence, perhaps by combining in the proposed Federation of Arab Amirates, are the aspirations and designs of their larger neighbors, Saudi Arabia, Iran, and Iraq.

25. The Shah of Iran's ambition to succeed Britain as the "power" in the Gulf is a potential source of trouble, especially in view of Iranian territorial claims there. The means by which the Shah seeks to make Iranian power felt in the Gulf could bring about an Arab-Iranian confrontation, facing Feisal with a situation in which he would be forced to line up on the Arab side almost regardless of the issue. If, for example, radical turmoil should break out in one of the shakier mini-states of the Gulf and the Shah were to intervene, Arab-Persian antagonisms would probably compel Feisal to oppose Iranian intrusion—even though his sympathies might be against the radicals. At present, the Shah and Feisal seem determined to cooperate, but the two together cannot guarantee stability in the Persian Gulf; too much depends on forces within the Gulf sheikdoms and on the policies of Iran, Iraq, and Saudi Arabia. At the same time, either Saudi Arabia or Iran could upset the fragile equilibrium there. For some time Iraq has been giving clandestine assistance and military aid to subversive elements in the Gulf sheikdoms and will continue this, at least on a small scale.

26. Feisal will continue to emphasize his role as guardian of the Muslim world's holiest cities in order to increase Saudi Arabia's influence. But this role will give him only limited leverage, as radical Arab regimes depend less and less on religion for support. Between Iran and Saudi Arabia, religious ties will be invoked from time to time, but the two countries are of rival Muslim sects. Moreover, relations with Iran will be clouded by that country's various ties with Israel.

27. With the British withdrawal, the Soviet presence in the Gulf will probably increase. Moscow will seek diplomatic representation in the new states and will offer them military and economic aid—though such offers may well be declined. Increased Soviet naval activity in the

⁴ Bahrain, Qatar, Abu Dhabi, and Dubai have oil revenues totalling over \$500 million annually. In other sheikdoms, commercial quantities of oil have not yet been exploited. [Footnote is in the original.]

Indian Ocean seems likely and will probably be reflected in the Gulf. Feisal and the Shah are both wary of Soviet influence in this area; if they prove unable to cooperate in matters concerning the Gulf, Soviet opportunities will be enhanced.

The United States

28. A cordial relationship with the US has been a cornerstone of Saudi foreign policy for over a generation. The Saudi regime continues to look to the US for evidence of support against domestic enemies and regional rivals. Especially since the 1967 war, however, Feisal has become progressively more embarrassed at home and in the Arab world by the difficulty of reconciling his close ties with the US with prevailing bitter Arab criticism of US support for Israel. As long as active confrontation between the Arabs and Israelis continues and the latter continue to occupy territory taken in 1967, relations with the US are unlikely to improve and may deteriorate further. In public, at any rate, Feisal will be compelled to adopt increasingly negative stances toward the US.

29. In the event of renewed major hostilities, Saudi relations with the US would be severely compromised; [3½ lines not declassified] But the government, mindful of anti-US disorders in 1967 and after, would probably step up security measures against such contingencies. The Saudis might also halt American oil operations—though probably not for long because of the extreme Saudi dependence on oil revenues. [1½ lines not declassified] In normal circumstances, however, Saudi Government pressures for increased oil production and greater oil revenue will grow, regardless of the Arab-Israeli situation and the state of Saudi Arabia's relations with the US Government.

30. We believe that Feisal, especially in view of growing anti-American sentiment in Saudi Arabia, will seek to de-emphasize his ties with the US. The Saudis are likely to turn more toward others—e.g., France and Japan—for more of the imports now supplied by the US. More likely than not this cooling of relations will be a gradual process for some time to come. For all Feisal's disagreement with much of US policy in the Middle East, it is doubtful that he sees any satisfactory alternative to a degree of reliance on the US for certain purposes. When he leaves the scene, however, US relations with his successor are likely to become increasingly difficult.

141. Telegram From the Embassy in Saudi Arabia to the Department of State¹

Jidda, May 21, 1970, 1355Z.

1982. Subject: Saudi Reaction to Further U.S. Arms Supply to Israel. Ref: State 74125.²

1. Some months ago, we reported anticipated likely adverse Saudi reaction to additional Phantom or arms sale to Israel (Jidda 556).³ We have no reason to believe that such sales are likely to be any more palatable now. If anything, after Israeli deep penetration raids in UAR, massive attack on Lebanon, Abu Zabal school bombing, attack on UAR naval vessels at Ras Banyas, etc., Saudi reaction like that of Arabs elsewhere is certain be emotionally bitter. Fact that such additional sales might be in response to Soviet involvement in UAR defense does not impress Saudis. They regret such further Soviet involvement, but blame what they regard as USG public passivity to earlier Israeli deep penetration raids as having brought about this development. In any case, they argue Soviets are in UAR for defense purposes. Despite Israeli claims, Saudis argue there no evidence thus far that Soviet personnel have been engaged in combat missions.

2. SAG—read Faisal and Saudi establishment—frustrated and bitter about what it continues to regard as USG pro-Israel posture. Same time, if at all possible SAG wants to continue have close relations with US and indeed, as one prominent Saudi official recently quaintly told us, “you are the evil we cannot live without.” In this context, Faisal may be expected try resist to extent possible pressures that might result from additional Phantom sales to Israel. Capability to resist such pressures is questionable and probably decreasing. Isolated as he is, and without much real hope of USG support in the event of external or internal attack, he may increasingly have to trim his sails to prevailing winds. Many of his advisors—including Nawwaf and Dawwalibi—are reportedly making this point too. What punitive action he takes against US will

¹ Source: National Archives, RG 59, Central Files 1970–73, DEF 12–5 ISR. Secret. It was repeated to Dhahran, Beirut, and Kuwait.

² Telegram 74125 to Jidda and Dhahran, May 15, reported that ARAMCO officials predicted that Libya, Jordan, Lebanon, Kuwait and possibly Morocco and Tunisia would break diplomatic relations with the United States should it sell more arms to Israel, that a boycott of U.S. goods and services was also likely, that U.S. companies might be denied the use of facilities for air and sea transport, that the Arabs might convert their dollar reserves and shift deposits from the United States to Europe, and that U.S. firms would be denied new concessions while European, Japanese, and Soviet firms would gain service contracts. (Ibid.)

³ Telegram 556 from Jidda, February 13. (Ibid.)

depend in large measure on intensive broader Arab and Saudi domestic pressures on him.

3. While we doubt he would break diplomatic relations with USG, and have been told by Saqqaf present Saudi regime will not take any such step (Jidda 1782),⁴ he might in certain circumstances send away Chief of Mission. If 1967 precedent is any example, he might also be forced to restrict oil imports to US. Boycott of replaceable goods and services and denial of overflight, sea transport and communications facilities, are also possible steps. If he could possibly avoid it, we believe he would not convert massive dollar reserves and shift deposits from US, though some such movement might take place. He is of course dependent to considerable extent on US citizens working in this country and would, we believe, hope that they would remain.

4. We think ARAMCO estimate contained reftel somewhat overdrawn. It was written by senior ARAMCO govt relations official Majid al-Oss. When Amb asked Jungers May 20 whether ARAMCO estimate, including statement that SAG would also break diplomatic relations with USG is attributable to Yamani or other Saudi Cabinet ministers, it developed that it was not. Instead, assessment based on general comments made to ARAMCOs and on estimate of ARAMCO Riyadh rep, Mike Ameen. Latter is extremely well clued in, but on occasion is given to over dramatization.

5. We fully share ARAMCO's concern re possibility that additional arms sale to Israel could loosen spate of violence against Americans in S.A. SAG would doubtless want to do everything feasible to prevent this, but its deterrent capability is limited. When Amb asked Jungers about possible "massive evacuation US personnel from oil installations," in event USG announcement of more arms to Israel, he was assured that ARAMCO would keep us informed before taking any such step. Recalling unnecessary near panic which ARAMCO evacuation of some civilians had caused in June, 1967, Amb urged that ARAMCO not take any precipitous evacuation action. Doing so could trigger mass exodus of bulk of American community and could seriously harm our interests. If major security breakdown develops, we would of course be in an E&E situation which would require such an action.

6. We hope USG will not agree to sell additional arms to Israel. Damage to our interests in Arab world, including S.A., could be irreparable. If it does, however, request Embassy be informed sufficiently

⁴ On May 8, Saqqaf conveyed Faisal's belief that any additional U.S. weapons to Israel at this time would be "catastrophic" to all Arabs trying to maintain ties with the United States. (Telegram 1782 from Jidda, May 8; *ibid.*)

far in advance to enable us try to alert American official and private personnel scattered throughout this vast country. As Dept aware, our communications with these remote areas are limited and some time is needed to warn Americans.

Eilts

142. Telegram From the Embassy in Saudi Arabia to the Departments of State and Defense¹

Jidda, July 20, 1970, 0645Z.

2803. Subj: Leahy Team Draft Report. Ref: Jidda 2725.²

1. Leahy team deserves commendation for excellent overall contribution to one of most important USG efforts in Saudi Arabia in recent years—the attempt to rationalize SAG defense spending and development, which is cement of official US–Saudi relationship at very difficult period in our relations. Draft report reflects much hard, expert effort. Because of importance Leahy team’s task and fact that report itself will be to SAG visible end-product of team’s endeavor, we wish comment frankly and in detail on draft. Also because of time factor we are submitting comments telegraphically.

2. Re “sanitizing” report we assume that all items marked in copy of draft we received by vertical line in right hand margin are to be deleted from version presented to SAG. We concur. In addition suggest that first three sentences section 6 para 3–A of Annex H (page H–14) and paras 5(C) and (D) and 6(H) in Annex I (pages I–7 and I–10) be deleted or rewritten in view their sensitive nature.

3. Re substance of report we generally concur, with following observations:

(A) Threat Analysis: While most of “threat analysis” will presumably be eliminated in version presented to SAG, we find it significant insofar as it may bear on conclusions/recommendations that report

¹ Source: National Archives, RG 59, Central Files 1970–73, DEF 1 SAUD. Confidential. It was repeated to USMTM Dhahran and CINCSTRIKE–USCINCPAC.

² In telegram 2725 from Jidda, July 14, Eilts noted receipt of the draft of the Leahy Report. (Ibid.) The Leahy Report as presented to Saudi Arabia is attached to Document 144 but is not printed. The unsanitized text was pouched to Jidda on September 21, but no copy has been found. (Telegram 154861 to Jidda; *ibid.*)

generally underestimates ability and will of external enemies to threaten internal stability of Saudi Arabia. First, advantages of Suez closure and Nasser's preoccupation with Israel notwithstanding, continuation of Arab-Israel conflict does not relieve pressure on SAG but rather increases it. SAG's only real foe, at home and abroad, is Arab revolution. Arab-Israeli conflict may not be revolution's parent, but it certainly is the midwife. To imply as report does that Israeli pressure on UAR and others is somehow a protection to Saudi Arabia is serious misreading of dynamics security situation in Arabian Peninsula. (We must keep in mind that through Leahy mission SAG is seeking to strengthen US commitment to Saudi defense development and is aware USG not interested in building up Saudi armed forces to permit them engage Israel. Therefore when SAG tells official mission that its "northwestern" defense posture is low priority, we should keep in mind that Saudi public statements and privately expressed fears as well as Tabuk buildup³ and presence SAG in Jordan all belie this statement.) While Khartoum payments, which at moment face doubtful future, may keep UAR appeased, SAG has virtually no leverage on increasingly hostile Iraqi and Syrian regimes or on more radical fedayeen groups, all of which presently active on propaganda and subversive fronts in effort to bring down Saudi regime. (In this connection, suggest that proper focus for report re Jordan is not whether Jordanian army presents external threat to SAG but rather if SAA may some day find itself engaged alongside Jordanian army in picking up pieces after Iraqi/Syrian-backed fedayeen overthrow of Hashemite regime.)

(B) Para-Military/Regular Military Priorities: We belabor above point because we suggest final version report omit emphasis on regular military having recruitment priority over "para-military" forces. Whether "para-military" refers to Fahd's Interior Ministry forces or Abdullah's National Guard, both are more closely related to gut task of preserving Saudi regime than are SAA and RSAF. We have never determined whether regime really wants fully staffed and efficient SAA and RSAF, and suspect top regime leaders also are equivocal on this point in view their apparent policy of maintaining National Guard/public security forces as check-mate to SAA/RSAF. Believe therefore we should not in report take sides on this delicate issue which we have no way of either fully assessing or finally determining. Immediate problem is that report's emphasis on building up regular military at expense para-military conflicts with USG recommendation in AID/

³ Tabuk is the site of an air base in northwest Saudi Arabia, approximately 150 kilometers from Israel.

Dept army survey report now under active SAG review to build up Saudi Frontier Force/Coast Guard.⁴

(C) Economic Considerations: A major underlying US purpose behind Leahy mission was to impress on SAG that it is poorer than its military planners realize. We would prefer to see report bear down a bit harder on seriousness SAG's present, and foreseeable, financial plight. Specifically, we think 1969 drop in Saudi foreign exchange reserves was serious, particularly in view it will probably continue in 1970. Also report may be unduly optimistic about future Saudi oil revenues since it completed prior to latest, and possibly permanent, closure of Tapline.⁵ We would like to see stress on fact that SAG 1969/70 budget is in effect in deficit, particularly when subsidies to UAR and Jordan considered as de facto part of budget. (In this connection suggest review Table Appendix 5, Annex E re question whether UAR/Jordan subsidies are or are not in FY 69/70 budget. It our understanding payments to UAR and Jordan extra budgetary in FY 68/69 and 69/70.) Report correctly suggests rather severe whittling down of Saudi military expansion appetites. This recommendation, and hands of those top SAG figures who agree with it, would be strengthened if report laid more stress on bleaker aspects Saudi financial outlook.

(D) MODA Reorganization: As laymen we probably do not appreciate refinements of proposals for MODA reorganization, and thus defer in final analysis to Leahy mission's judgement. Would, however, like to note for consideration following points:

(1) In view Saudi military's critical lack of talented top level management skills and demonstrated tendency Saudi military (or civilian) entities to compete rather than cooperate, we question efficacy of recommending "co-equal" military services. In first place equality between 52,000 man SAA and 900 man RSNF seems impractical, as does concept of rotating planning responsibility among Vice Chiefs of Staff of Services. Frankly RSNF would do well to produce number two man capable of bringing patrol boat alongside pier without loss of life and limb and should leave additional task of staffing desk jobs in MODA largely to SAA. We question whether, in absence co-equal organizational status, RSAF and RSNF will be at mercy SAA partisans in MODA. For foreseeable future SAG will still function more on strength, or weakness, personalities than by dictates organization chart. Under

⁴ See Document 136 and footnote 7 thereto.

⁵ The Trans-Arabian Pipeline (Tapline), which carried Saudi oil to the Lebanese port of Sidon, ruptured May 3 when struck by a tractor in western Syria. Syria halted repairs the next day and Saudi Arabia determined not to reopen the pipeline despite the loss in revenue.

leadership BG Hashim, backed by liberal sprinkling of “flying princes” in Lightning squadron, RSAF already has ample clout where it counts in MODA—with Prince Sultan. Scope of past and future RSAF expansion plans tends bear this out. For its part RSNF seems to be current royal pet. Given difficulty developing any kind of competent Saudi staff officers, we wonder whether SAG should not be prodded toward single “general staff” representing and controlling all services rather than urged to create headquarters staffs for each service. Creating single “general staff” may also foster prospects of one of report’s most meritorious suggestions, creation of separate air defense administration.

(2) We also somewhat skeptical re practicality and acceptability “civilian control” concept implemented through MODA Directors General, Under Minister and Deputy. With all their warts, senior Saudi military officers are best defense establishment managers available. Across SAG, DG level is one of weakest manpower links. Even if Sultan and Turki could find competent civilian DG’s to fill slots suggested in proposed MODA reorganization, we question whether they would want to have potentially powerful civilian commoners imposed between them and “their” officer corps. We must remember that al-Saud is but generation removed from desert, and what may look like conventional defense ministry relationship to us may look more like the “shaikh-bodyguard” relationship to Sultan. Alternative approach would be suggesting developing adequate legal/financial/organizational advisory staff in Minister’s office. In final analysis “civilian control” is democratic concept having limited applicability in the Saudi Arabia of foreseeable future. So long as al-Saud survives, senior princes such as Sultan will maintain tight control on MODA and virtually every other SAG agency. If al-Saud goes, military officer corps is likely to be running country.

4. Impact of Report: Our greatest concern is whether report as currently presented will have all the impact it could and should have on Sultan and his senior aides. Frankly, report proper does not live up to promise of its generally excellent annexes, and Sultan is not noted as habitual reader of annexes. We strongly urge that “report proper” be redrafted for clearer, stronger impact on top Saudi readership. Particularly report as presented to SAG should make clearer link between Saudi financial/manpower resources and military expansion recommendations. Essentially it should say:

(1) That SAG faces a number of security problems and that ability of SAA/RSAF/RSNF to fulfill its mission against external threats is only one of them. (It should of course say this not so clearly.)

(2) SAG has only so much money coming and by King Faisal’s own public admission it is regrettable that such a high proportion of it must be spent by MODA.

(3) Thus defense spending, as a percentage of budget, should be held to present levels. (Report could project, for example, budgets for FY 70/71 through 74/75 on basis 5 percent increase per year in oil and other revenues from likely FY 69/70 level. Assumption could be made that budgets for these years would be balanced, including subsidies to UAR/Jordan, and that should subsidies and resultant savings would go to replenish reserves or fund badly-needed civil development projects.)

(4) First priority in defense spending must go to paying current and deferred payment costs (spelled out) of existing expansion commitments (without rescheduling).

(5) Second priority must go to meeting Chapter I, II and III costs of present and DOD-suggested future defense force (spelled out) with liberal cost factor thrown in for various reenlistment/morale incentives which report recommends, as well as proposed troop buildup for all services.

(6) Balance, spelled out by years, is what SAG may have left to fund extension existing services contracts beyond scheduled completion dates or to acquire new hardware or programs. In this connection believe it unrealistic to suggest to imaginative and sometimes personally motivated shoppers in MODA that they stop somewhat short of where they now are in dreaming up new expansion plans. As presently drafted, annexes establish, as SAG requested, priorities for modernization/expansion schemes for each service. Would be desirable if "report proper" could pick this up and even integrate priorities to recommend combined SAA/RSAF/RSNF priority list. Further desirable feature would be breakdown on how much MODA should allocate for each recommended project in each of coming five years.

5. *Comment:* In reiterating praise for work of Leahy mission, urge that above comments be considered in spirit of capping this undertaking with finest possible final presentation to SAG. Overall effort of survey team has been excellent. Believe some revision along lines suggested above would insure better end product of long standing utility in our dealings with SAG in military matters.

Eilts

143. Memorandum of Conversation¹

Washington, September 8, 1970, 12:30 p.m.

PARTICIPANTS

The President

Nicholas G. Thacher, U.S. Ambassador to Saudi Arabia

Harold H. Saunders, NSC Staff

After an exchange of pleasantries about Ambassador Thacher's previous assignments during a picture-taking session, the President opened the conversation by saying that he wanted the Ambassador to convey a personal message to King Faisal. The President said he had seen the King on a number of occasions over the years. The most recent was at the Waldorf in New York when the President was out of the office and the King was in New York in connection with a state visit. New York, under pressure from some elements of the Jewish community, had withdrawn an invitation for official entertainment. The President said he had gone to see Faisal because of his personal respect. He, of course, also remembered the King's brother during a state visit during the 1950's.

The President said that the Ambassador should tell the King—if he felt it useful—that the United States is not making its foreign policy in the Middle East or anywhere else on the basis of domestic politics. The King is sophisticated and is aware of the political realities in the United States. The President knows that the question is often put: How many votes do the Arabs have in the United States? The President said that the Ambassador could tell the King that whatever these realities might be, the responsible Arabs have a friend in the Washington.

The President, in summary, asked the Ambassador to make clear that the President has a great deal of personal respect for King Faisal. To be sure, we Americans do not go along with the authoritarian way of running a society, but that suits Saudi Arabia at this stage, and we understand that.

Ambassador Thacher confirmed that this message was the most useful kind of word that he could take to the King.

The conversation then turned to more general matters—that both the President and the Ambassador had been in the Navy in the Pacific during World War II and that Ambassador Thacher had had the pleasure of being host to the President during his 1967 visit to Tehran.

H.S.

¹ Source: National Archives, Nixon Presidential Material, NSC Files, Box 629, Country Files, Middle East, Saudi Arabia, Vol. II. Confidential. The meeting took place in the Oval Office.

144. Letter From the Deputy Secretary of Defense (Packard) to Saudi Arabian Minister of Defense and Aviation Prince Sultan ibn Abd al-Aziz al Saud¹

Washington, September 11, 1970.

Your Royal Highness:

With reference to Secretary Laird's letter of January 28,² I am pleased to inform Your Highness that the United States Department of Defense has completed its review of the Evaluation Team's study of Saudi Arabian current and projected defense plans and programs. The team's report, with its findings and recommendations, is enclosed.³ For Your Highness' convenience, and to facilitate the dissemination of the conclusions of this report within your government, I include an Arabic translation of the team's principal findings and recommendations.

In their report General Leahy and his associates stress the need for careful planning and for a thorough continuing scrutiny of all projects and expenditures in the light both of the Kingdom's overall security requirements and from the standpoint of maintaining within the Saudi Arabian Government budget a careful balance between expenditures for military and for civilian development purposes. In particular, the report focuses on the importance of giving highest priority, in terms of investment of scarce funds and manpower, to those ongoing military projects in which considerable investment has already been made by your government. The report further recommends that in times of financial stringency serious consideration might well be given to postponement or scaling down of any major projects.

Specific, detailed suggestions regarding budget and manpower ceilings and orders of priorities are outlined by General Leahy and the members of his team in their report with its several supporting Annexes. I concur with these suggestions and urge that they be given careful study by Your Highness and by the members of your staff. If found acceptable and adopted by your government, I am convinced that these proposals can make a significant contribution to the modernization and strengthening of the Saudi Arabian Armed Forces along sound and economical lines.

One of the future programs to which the evaluation team addressed itself was the proposal for expansion of the Royal Saudi Navy

¹ Source: Washington National Records Center, OSD Files, FRC: 330-76-067, Box 83, Saudi Arabia 1970. Confidential. No drafting information.

² See footnote 7, Document 136.

³ Attached but not printed.

from its present strength to a force of nineteen ships. I am informed that His Majesty the King and his government have assigned a very high priority to this program. I am also aware that you have requested the United States to play a major role in assisting with its implementation through the sale of ships and related military equipment, supervision of the design and construction of shore facilities, and the training of Saudi naval personnel. In view of the high priority which your government has given this program, and in light of the evaluation team's finding that an expansion to nineteen ships over a ten-year period is both feasible and desirable, I am instructing General Dunlop, Chief of our Military Training Mission, to seek an early meeting with you and the members of your staff to determine more precisely those vessels, equipment and training that can be provided from United States sources. With respect to the surface-to-surface missile system specified for the six high-speed craft, these missiles are not manufactured by the United States and it would probably not be economically feasible to do so. In the opinion of United States Navy experts, considerable study and experimentation would be needed to integrate this type of weaponry into the projected Saudi Navy. In the event these and other items may prove unavailable from US sources, we are prepared to consider further with your staff possible alternative sources of procurement.

As Your Highness is aware, the United States remains deeply interested in the continued security and territorial integrity of the Kingdom of Saudi Arabia. For that reason we have worked closely with the Saudi Arabian military for the past twenty years to develop to the greatest extent possible their capability to preserve the sovereignty and independence of your country. We are proud of the accomplishments that have been achieved during this period. I wish to assure Your Highness that we intend wherever possible to continue to respond favorably to reasonable requests for advisory and technical assistance and for the sale of military equipment to Saudi Arabia for purposes of legitimate self-defense.

With sincere best wishes for your continued health and happiness.

Sincerely yours,

David Packard

145. Letter From the Assistant Secretary of State for Near Eastern and South Asian Affairs (Sisco) to the President of the Export-Import Bank (Kearns)¹

Washington, October 28, 1970.

Dear Henry,

I am sure that you are aware from your visit to Saudi Arabia last January of the political as well as the economic importance of this Middle Eastern country to the United States. I know that the Export-Import Bank is involved with a number of worthwhile projects in Saudi Arabia, and we are grateful for the keen interest which you personally have taken in expanding the Bank's credit facilities to that country.

For some time now, the Saudi Government has been planning to modernize its Coast Guard and Frontier Force, a law enforcement body subordinate to the Ministry of Interior and responsible for patrolling Saudi Arabia's extensive land and maritime borders. At the invitation of the Saudi Arabian Government, the AID Office of Public Safety conducted a survey in 1969 of the Coast Guard/Frontier Force's needs and requirements. The survey team's recommendations were contained in a report presented to Saudi Minister of Interior Prince Fahd in January 1970. A copy of that report is enclosed.²

During his October 1969 visit to Washington as the guest of the Secretary of State, Prince Fahd raised with the Secretary and myself the issue of possible U.S. Government assistance to Saudi Arabia in carrying out this modernization program.³ We made no commitment to do so but did express to Prince Fahd our willingness to provide whatever help we could once he and his staff had had an opportunity to study the recommendations of the survey team report. While the question of U.S. Government financing for this modernization program was not raised specifically during Fahd's visit, the Prince has since made a strong plea to Ambassador Thacher in Jidda for credit assistance in carrying out the recommendations of the AID survey team report.⁴ He was quite upset when informed that, because of Congressional difficulties involving the Foreign Military Sales bill, no credits from this source could be made available to Saudi Arabia at this time. Prince Fahd noted that this modernization program has a high priority within the Saudi Government and asserted that failure of the USG to assist its Saudi friends in its implementation

¹ Source: National Archives, RG 59, Central Files 1970–73, DEF 12–5 SAUD. Secret. Drafted by Wrampelmeier and cleared in NEA/RA, NEA, AID/OPS, and PM/MAS.

² Not enclosed.

³ See Document 131.

⁴ Reported in telegram 3877 from Jidda, October 20. (National Archives, RG 59, Central Files 1970–73, DEF 1 SAUD)

might be misunderstood by the King and by the Saudi public. He strongly urged that we consider alternative ways in which we might provide some credit assistance for this program, and he specifically mentioned the possibility of ExIm Bank help.

I recognize that the Bank normally prefers to consider specific proposals from U.S. exporters rather than give a judgment in principle about its willingness to support a given project. Under the circumstances, however, we believe it would be most helpful were your staff to review the recommendations of the AID survey team to determine whether or not there are aspects of this program which might be suitable for ExIm Bank financing for export of U.S. equipment and contractor services. I am aware, of course, of the strict ceiling placed on the Bank's ability to offer credit for sales of military equipment to developed countries. While no clear USG decision has been made regarding Saudi Arabia's status as "developed" or "less developed," we understand that in practice the Bank has long treated Saudi Arabia as "developed" for purposes of export credits.

Another possibility would be to examine which components of the recommended modernization program could appropriately be regarded as "non-military" for purposes of ExIm Bank financing. For example, it strikes me that certain equipment for the force, including boats, vehicles, transport aircraft, and communications equipment, is required for anti-smuggling control, maritime safety, and other civil police functions rather than for para-military purposes. The proposed program also includes construction projects presently estimated at \$50 million and maintenance and training contracts potentially worth approximately \$30 million. The total price tag currently placed on this program is about \$190 million, of which about \$43 million are costs of equipment procurement.

I would appreciate very much your taking a look at this program and letting me know as soon as feasible whether there is any way in which the Bank can be helpful. If you wish, I will be pleased to have members of my staff sit down with officers from the Bank to discuss this matter in further detail.⁵

Sincerely yours,

Joseph J. Sisco⁶

⁵ In telegram 4062 from Jidda, November 7, Thacher reported that he told Fahd that the Export-Import Bank agreed to extend credit assistance to Saudi Arabia to offset some of the costs of modernizing the CG/FF. (Ibid.) In a December 2 letter to Sisco, Thacher wrote that he was "grateful" for Sisco's "personal intervention with Henry Kearns which made it possible for Prince Fahd to go off to London in a much happier frame of mind toward the USG." (Ibid., POL 3 UAE)

⁶ Printed from a copy that bears Sisco's typed signature with an indication that he signed the original.

146. Memorandum From Director of Central Intelligence Helms to the President's Assistant for National Security Affairs (Kissinger)¹

Washington, January 14, 1971.

SUBJECT

Potential Problems Which Might Affect U.S. Interests in Certain Countries Abroad

1. At the beginning of the year, I want to share with you some views we have about potentially fragile political situations in certain countries in Latin America, the Near East and Africa. Let me suggest that if you find these capsule assessments of sufficient interest, you may wish to have your staff make additional studies to determine whether certain diplomatic measures or other activity should be undertaken by the U.S. Government.

[Omitted here is material on Africa.]

7. *Near East*

Saudi Arabia represents the primary American strategic and economic interest in the Arab world today. Its foreign policy is consistently anti-communist. It grants the U.S. military overflight and landing privileges as well as bunkering facilities for naval vessels. The U.S. receives more than one-half billion dollars yearly in balance of payments from American oil earnings and export sales in Saudi Arabia, and some \$150 million in Saudi funds are in medium and long-term American investments. In addition, American forces in Southeast Asia obtain approximately 85% of their refined oil from Saudi Arabia and the Gulf State of Bahrain. Finally, Saudi Arabia is a critical factor in protecting the major oil reserves of the Arabian Peninsula which total 48% of the Free World's known reserves.

Anti-regime social and political dissidence in Saudi Arabia is widespread and growing, and there is little chance this trend can be reversed. Despite extensive arrests, known dissidents, particularly military officers, are still active both inside and outside Saudi Arabia.

[6½ lines not declassified] We have not identified a specific plot to overthrow the Saudi regime during 1971, but we would not discount the possibility of a military coup d'état during this period, particularly should King Faysal die or become too ill to rule.

[Omitted here is material on Latin America.]

¹ Source: National Archives, Nixon Presidential Materials, NSC Files, Box 1277, Saunders Files, Saudi Arabia. Secret; Sensitive.

147. Letter From the Ambassador to Saudi Arabia (Thacher) to the Assistant Secretary of State for Near Eastern and South Asian Affairs (Sisco)¹

Jidda, January 25, 1971.

Dear Joe:

I have put off answering your letters of December 10 and December 24 until I could have the benefit of Saqqaf's reaction to our assessment of conditions prevailing in Syria, Iraq, and South Yemen.² Our telegram 0234³ reports this in the first talk I had been able to have with him for some time. The material sent with your letter was most useful and if more can be supplied from time to time, it can do a good deal to help keep up a useful dialogue. I delayed writing also until I had experienced some more contact with the King and had tried to develop more perspective on his attitudes, which are so all important here.

Your first letter has an appended PS noting your concern with the increasingly unrealistic attitudes of the King. I share this concern and have tried to assess those aspects of Saudi policy likely to be affected. The King's renowned theory on the ties between Communism and Zionism is a framework in his own mind to which he accretes wherever he can find them such facts as may tend to strengthen his hypothesis. But perhaps we can be thankful that Faisal does not, as many Arabs do, turn to the Soviets as the only possible counterweight they can see to Zionism, but rather regards both philosophies as dangerous. Faisal is bitterly critical of our policies towards Israel, but I detect a feeling also that the US may not be quite responsible for what it is doing since without realizing it we have lost control of our Middle East policies to Zionist influence. What he is trying to say, I suppose, is that however illogical it may seem to us, we are playing the Communist game by allowing ourselves to be "controlled" by the Zionists.

What is more important than this involuted reasoning is, of course, the impact of Faisal's attitude on Saudi policy toward the Arab-Israel question. Faisal's policies on Arab-Israel are built on political as well as emotional considerations. A policy of negative and hostile aloofness

¹ Source: National Archives, RG 59, Central Files 1970-73, POL 3 UAE. Secret.

² Sisco's letter of December 10, 1970, is printed as Document 181. In Sisco's attached December 24 letter, he acknowledged Faisal's concern about "growing Communist influence in surrounding states."

³ Telegram 234 from Jidda, January 22, reported that Saqqaf was "mildly optimistic" about the Middle East, particularly Jordan. (National Archives, RG 59, Central Files 1970-73, POL 27 ARAB-ISR)

tends to buffer him against radical Arab critics and the hostility of his own Palestinian populations, some 30,000 strong. I suspect he knows instinctively too that neither he nor Saudi Arabia have the ability to influence the situation significantly and therefore he had best not try. He has told us, as you know, that if the day comes when the powers bordering Israel are prepared to accept a settlement, he will not object to the terms except with regard to the fate of Jerusalem. On that issue he might be unhelpful, and perhaps the time would come when we would have to think how best we could persuade him not to announce his opposition publicly. In such circumstances we might want to seek the help of the Shah whom the King respects. But in the meantime, the King's basic outlook, while certainly not helpful, does not particularly obstruct the progress of Arab-Israel negotiations. I should add, too, that I still have a great deal of respect for the King's firmness and acuteness of judgment in many internal matters and the general management of the Kingdom.

The King's other great preoccupation, Communist-radical encirclement, is perhaps of greater significance to us. Recent trends in Iraq and Syria, if they continue, may help abate some of his fears, though the King does not easily abandon apprehensions once fixed in his mind. The threat from South Yemen remains for him an even more critical concern. It would be a difficult task to persuade the King and his advisors to abandon their present plans for action against the PDRY. Over the years, Faisal has been exceptionally tenacious in clinging to *his* interpretation of the significance of events in Yemen (when it differs from ours) and in adhering to what he considers the right course. Whether we should even try to warn him of the risks of offering the Soviets an excuse to establish a stronger foothold in Aden is a question which Dick Murphy told me is now under consideration in Washington. I have no particular eagerness for the task, but I am still inclined to think we ought to get through to the King via Saqqaf our assessment of the dangers he is running and perhaps speaks to Sultan also. I will be interested in Washington's views on this, though I recognize it is a difficult situation to assess and time is needed for analysis.

The proposed project against PDRY [*less than 1 line not declassified*] is the major Saudi manifestation in reaction against the sense of encirclement. But there is mixed in with this a gnawing fear also that the world expects to see Saudi Arabia next on the list of toppled monarchical regimes, and that perhaps the world is right. A lessening of national self-confidence may tend to undermine initiative and determination and to erode judgment too.

Consideration of the foregoing does not, I'm afraid, lead to any important new revelations. It does affirm the need for continuation of our efforts quietly to reassure the Saudis. Hopefully we can continue

where we think circumstances justify responding favorably to their requests for military and other technical assistance. Dialogue can help as well, and we will do what we can to keep up Saqqaf's present relatively optimistic assessment of the Middle East scene in the hope that he will communicate some of it to the King. We must avoid giving them the idea we accept their slowness in modernization, but we must find opportunities also to compliment them on their achievements, i.e. such things as their recent show of much greater activity with regard to Gulf affairs.

In a nice congratulatory note on my appointment Bill Brewer wrote me some time ago saying he thought I was the man to "do the handholding job in Saudi Arabia" but that I should be sure "when the grip gets clammy, not to let go." Obviously we have many more tasks here than just handholding but that is one of them and the spirit of Bill's remark makes good sense.

With every good wish,
Sincerely,

Nick

148. Intelligence Memorandum Prepared in the Central Intelligence Agency¹

ER IM 71-70

Washington, April 1971.

SAUDI ARABIA'S CHANGED FINANCIAL OUTLOOK

Introduction

1. Like other Middle East oil producers, Saudi Arabia will receive markedly larger earnings during the next several years as a result of recent agreements signed with the major petroleum companies. These windfalls will end Saudi Arabia's concern over the strain recently put on its revenues and foreign exchange holdings by outlays on defense, economic development, and foreign aid. Indeed, there will be considerable scope for increased spending on old and new programs and an enormous addition to the country's foreign reserves. This memorandum examines the government's finances before the new oil agree-

¹ Source: Central Intelligence Agency, ORR Files, Job 79-T00935A, Box 57. Secret; No Foreign Dissem. This memorandum was prepared in the Office of Economic Research and coordinated within the Directorate of Intelligence.

ments, the prospective gains in revenues, and the possible magnitude and composition of spending increases.

Discussion

Financial Position in 1970

2. Prior to the recent oil agreements, Saudi officials were deeply concerned with what they saw as a growing financial problem. They were alarmed by three consecutive years of small budget deficits—the first deficits since 1959—and even more, by the associated 17% drop in the country's traditionally large foreign exchange holdings² from 1967 to 1969. End-of-year reserves had fallen from \$944 million to \$785 million because of sharply increased imports for development and defense, expanded payments on military debt, and aid to Egypt and Jordan induced by the Arab-Israeli War. Outflows for aid and arms alone increased from about \$175 million in 1967 to \$370 million in 1969 (see Table 1). Faced with continued large foreign exchange obligations, the financially conservative Saudis became increasingly apprehensive about their reserves. Although enormous by normal international standards—well above the amount legally required to fully cover the currency—reserves by early 1970 were substantially below the level of one and one-half times annual imports that the Saudis consider desirable.

Table 1
Government Expenditures on Arms and Aid

	Million US \$				
	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>
Khartoum aid to UAR and Jordan	0	35	140	140	140
Arms purchases for Jordan	0	0	8	7	7
Other grant aid and loans	11	26	28	18	14
Arms payments	38	114	181	205	189
<i>Total</i>	49	175	357	370	350

3. In response to financial difficulties, the government took several steps to strengthen the budget in fiscal year 1970/71.³ To bolster revenues, it introduced a personal income tax. On the expenditure side,

² Foreign exchange holdings include gold and foreign currency held by the Saudi Arabian Monetary Agency (SAMA) and SAMA investments abroad, which generally are highly liquid. [Footnote is in the original.]

³ From 2 September 1970 to 21 August 1971. The Saudi "Hijra" fiscal year is shorter than the Gregorian year, hence its Gregorian equivalent changes each year. [Footnote is in the original.]

the government planned to reduce foreign exchange outlays by making half of its Khartoum aid⁴ payments to the UAR and Jordan in oil rather than hard currency. By this move, the Saudis hoped to save about \$70 million in cash. In addition, Riyadh pressed Washington for a slight reduction in repayments on arms credits over the next two years. No significant efforts were made, however, to curb military purchases and other defense costs, which were budgeted at 40% of total outlays in FY 1970/71, compared with 28% in FY 1965/66.

4. At the same time, development expenditures were budgeted at \$276 million—some \$78 million less than in FY 1969/70 and less than half of planned defense spending. Only \$22 million was allotted to new developmental projects, compared with an estimated \$100 million the year before. This cut, in particular, promised to reduce foreign exchange drawdowns, since most Saudi development projects rely heavily on imported equipment and technical assistance. Some projects such as the Petromin/Occidental sulfur plant and the Riyadh airport were canceled or postponed indefinitely, and work was slowed on the Jidda airport project and on Bedouin housing and job programs at the Faysal Model Settlement Project.

5. Lowered development expenditures caused economic growth to slow in the second half of 1970. Real GNP rose only about 4.5% in 1970 compared with an 8.5% average during the previous decade. The slackening economic tempo was reflected in a one-third reduction in import growth and an immediate improvement in balance of payments. Foreign exchange holdings climbed by \$65 million, to about \$850 million, by the end of 1970.

The Oil Agreements of 1970–71

6. In late December 1970, Riyadh completed the first of a series of negotiations for increased oil revenues from the foreign producers. Following the successful Libyan accord with foreign oil firms in September 1970, the Saudis obtained an agreement that boosted oil revenues by about 8%. The agreement, retroactive to 14 November 1970, raised posted prices (the prices used in calculating revenues) by 9 cents per barrel for medium and heavy crudes and increased the government's take from 50% to 55% of profits. This agreement alone will provide the government with estimated revenue increases of \$145 million in 1971 (including \$15 million in retroactive payments for 1970) and about \$250 million by 1975 (see Table 2).

[Omitted here is Table 2: "Saudi Arabian Government Oil Revenues"]

⁴ In September 1967, Saudi Arabia agreed at the Khartoum conference to extend annually \$41 million to Jordan and \$99 million to Egypt until "the effects of the Israeli aggression are eliminated." [Footnote is in the original.]

7. Further oil revenue increases occurred in late 1970 and early 1971, when the posted price of Mediterranean oil was increased at Libya's instigation and transit fees were raised on oil passing through the 540-mile Saudi portion of Tapline to the Mediterranean. The increase in posted price will bring Saudi Arabia an extra \$18–\$21 million annually from Tapline shipments in 1971–75. The oil companies' settlement with Syria in February 1971, providing higher transit fees in exchange for reopening the damaged Tapline pipeline, was immediately extended to Saudi Arabia. Increased transit fees will provide the Saudis with an additional \$12–\$13 million annually in 1971–75. Saudi Arabia will also receive a cash payment of \$9 million to cover retroactive Tapline claims, two-thirds of which will be paid in 1971 and the remainder in small installments through 1973. In all, Saudi Arabia will receive at least \$52 million in additional revenues from its oil deliveries to the Mediterranean in 1971.⁵

8. By far the largest revenue increase will come from the 14 February OPEC⁶ agreement with the major companies, covering oil produced in all the Persian Gulf countries. Under this agreement, Saudi Arabia will receive about \$400 million in additional oil revenues in 1971. In addition, the 14 February agreement calls for escalation of revenues each year through 1975, when Saudi Arabia will receive an extra \$1.4 billion. Beyond the increases already agreed to, Saudi Arabia should receive gains rising at least from \$60 million to \$112 million during 1971–75 from other agreements currently being negotiated on Mediterranean oil exports.⁷

9. Saudi Arabia not only will gain major revenue increases from each barrel of oil produced under their agreements, but also total revenues will be greatly enhanced by rapidly rising output. On the basis of present Aramco plans,⁸ oil production during 1970–75 is expected to grow about 15.5% a year. At present, Aramco is rapidly expanding production facilities in anticipation of increasing output. This planned output growth apparently is based on company estimates that demand, especially in Western Europe and Japan, will continue to rise sharply⁹

⁵ Includes \$16 million for Mediterranean oil obtained under 30 December 1970 agreement. [Footnote is in the original.]

⁶ The Organization of Petroleum Exporting Countries consists of Iran, Iraq, Saudi Arabia, Qatar, Abu Dhabi, Indonesia, Venezuela, Libya, Kuwait, and Algeria, which together account for 90% of the Free World's oil exports. [Footnote is in the original.]

⁷ Agreement already has been reached with Libya, but final arrangements between the oil companies and Saudi Arabia have not been settled. [Footnote is in the original.]

⁸ Aramco (Arabian-American Oil Company) produces 94% of Saudi Arabia's oil output. Other companies also plan to raise output significantly. [Footnote is in the original.]

⁹ During the past few years, demand for oil in Western Europe has grown by about 10% annually and in Japan by about 18%. [Footnote is in the original.]

and that Libya will hold production levels constant as it has in the recent past. It is also influenced by Saudi Arabia's political stability.

Post-Agreement Financial Situation

10. As a result of these agreements and the increase in production, the Saudi financial position has been considerably strengthened for 1971 and has exceptionally favorable prospects through 1975. The added oil revenues will total some \$6 billion in 1971-75. Revenues in 1971 from the agreements alone will be about \$620 million—or 44%—larger than previously anticipated, and a further gain of 115% in total revenues is in view for the next four years. By 1975, oil revenues will be nearly two-thirds larger than they would have been under the old agreements. Because of the extraordinary rise in oil revenues, the government will be able to carry out existing development and defense programs, to initiate new ones, and to raise Khartoum aid payments to Egypt and Jordan (if desired)—at the same time registering budget surpluses and greatly enlarging foreign exchange holdings.

11. So far, the government seems to have proceeded cautiously with its spending, letting foreign reserves accumulate. Although the economy remains sluggish, indications of a quickening pulse are beginning to appear. Some spending expansion is apparent on the municipal level. The business community expects major increases in government spending under the FY 1971/72 budget, and private investment is beginning to rise, especially in the Eastern Province, in anticipation of heightened economic activity. The expected relaxation of import controls likewise should stimulate the economy. With the oil industry also experiencing rapid expansion, the annual growth of GNP could easily recover by 1972 to the 10% average of the mid-1960s and may go even higher.

Probable Financial Developments

12. A major policy question for the Saudis during the next several years will be what to do with their vastly increased oil revenues. The way is clear for moving ahead decisively with existing economic development programs. The military should be able to get some equipment that it has wanted but has been unable to afford. Increased aid for Egypt, Jordan, and other Arab states will pose no problem. Even so, the prospective spending increases arising from programs suggested in the past by Saudi officials will absorb only a fraction of the additional revenues. At this point, it is difficult to say how much and what kind of additional expenditures will be undertaken during 1971-75.

13. Cut back in recent years because of heavy foreign aid and defense outlays, economic development expenditures probably will be raised at least \$900 million above the \$2.5 billion allocation in the

1971–75 development budget. The resulting amount is the optimum initially sought by Saudi planners. Although planning delays and other administrative problems may hold back spending for a year or two, part of the windfall from the oil revenues probably will be flowing into development projects by the mid-1970s. Saudi Arabia apparently is willing to import the skilled labor (its principal resource limitation) that it needs for accelerated development spending. Most of the additional spending would be used to resume currently suspended and deferred projects and to implement new projects, most likely in transportation and the petrochemical industry.

14. Increases in defense spending beyond the \$3.1 billion previously proposed for 1971–75 are nearly inevitable under the strong pressure of special interest groups within and outside the government—most particularly the hierarchy's "5% men" and the foreign munitions salesmen. The \$3.1 billion program was conceived during a time of financial difficulties and was designed to meet only so-called "basic military needs." Saudi Arabian officials, however, have expressed keen interest in a considerably expanded military development program that would include a much larger navy, more aircraft, additional tanks (a purchase presently is being negotiated with France), miscellaneous vehicles, and substantial investment in cantonments, airfields, and modern aircraft maintenance facilities. Should the Saudis opt for the total package, they could spend an additional \$100 million or so on the air force and \$500 million on the other items. It is doubtful whether the Saudis have the technical capacity to maintain and operate all this equipment, but they may well buy it anyway.

15. Saudi Arabia is likely to be pressed for increased foreign aid in view of its improved foreign exchange situation. Riyadh already has yielded to repeated Jordanian pleas for full payment of Khartoum aid in hard currency. In addition to giving Jordan and possibly Egypt more financial support, the Saudis could also increase aid to Yemen in its campaign against their mutual antagonist, Southern Yemen. Other neighboring Persian Gulf States also might receive more assistance as the Saudis compete with the Shah for influence in this area while the British withdraw. In all, some \$200 million in additional aid might be disbursed during 1971–75. Even if Saudi Arabia makes all the additional expenditures outlined above for economic development, defense, and foreign aid in 1971–75, it still will have several billion dollars in oil revenues to spend for new programs or add to reserves (see the chart).

[Omitted here is a chart showing estimated budget trends for Saudi fiscal years 1966–1975.]

16. Of the aforementioned projected increase in Saudi spending of about \$1.7 billion during 1971–75, most will consist of foreign exchange. Because the country must import nearly all its capital goods

and because foreigners constitute about half of the industrial labor force, perhaps 60%–70% of all development spending would consist of foreign exchange. Similarly, military expenditures would be largely in foreign exchange as all weaponry must be imported and foreign firms would have to construct the new bases, cantonments, and other facilities. Again, much of the labor for these projects would have to be imported. All foreign aid presumably would consist of foreign exchange. Saudi Arabia will be able, however, to meet all these exchange requirements with ease. Taking into account the new oil agreements, the prospective increase in oil export volume, and projected increase in government expenditure requiring foreign exchange, it still would be in a position to raise foreign exchange reserves from an estimated \$850 million in 1970 to a whopping \$7.8 billion in 1975 (see Table 3). Even if major new expenditure programs are initiated, the country's finances still promise to be very strong during the next several years. Indeed, Saudi Arabia will be a financial power to be reckoned with.

[Omitted here is Table 3: "Saudi Arabia: Projection of Major Balance-of-Payments Items."]

Conclusions

17. Revenue increases generated by recent oil pacts between Saudi Arabia and private oil firms will improve Riyadh's financial situation enormously. In contrast to the earlier concern over funding, Saudi officials now face the happy prospect of having considerably larger revenues than they can possibly spend during 1971–75. Expectations are that total government revenues during the period will be about \$17 billion, or 55% more than originally anticipated.

18. Considering the new revenue outlook, the Saudis almost certainly will reinvigorate spending on economic development, which recently has been somewhat neglected. More money probably also will be devoted to defense, despite the hefty sums already programmed for the armed forces. Foreign aid increases probably will also absorb some of the additional revenue. No longer will the Saudis be able to claim economic hardship as a reason for cutbacks in the level of hard currency payments to Jordan and the UAR.

19. Even though projected expenditures will require large foreign exchange outlays, this spending will pose no problem for the Saudis. In fact, at the maximum level of spending suggested by past Saudi desires, they will accumulate about \$7 billion in additional reserves during 1971–75. With such financial resources available, the only real limit on Saudi spending is its ability to absorb development imports and additional military hardware.

20. As Saudi Arabia's prime supplier, the United States stands to benefit significantly from additional procurement as well as from the

trade indirectly generated by increased public investment and accelerated economic growth. Moreover, a large part of the increased reserves—both public and private—probably will be invested in the United States and other Western countries.

21. Although the Saudis may increase spending above the totals projected above, they almost certainly will build reserves to at least \$6–\$7 billion by 1975. So long as King Faysal remains at the helm or is succeeded by a government of similar attitudes, these large sums are not likely to be recklessly spent. In the unlikely event a radical regime took over, the Saudi potential for mischief beyond its borders would be very large. Saudi Arabia could finance insurgencies abroad; could suddenly unload large portfolios of European money or securities, causing havoc in international financial markets; or could demand conversion of large amounts of foreign exchange into gold in the United States. Such actions would be especially serious if they were coordinated with other rich Arab states, such as Libya, which is expected to have reserves of its own of perhaps \$6 billion by 1973.

149. Memorandum From the President's Deputy Assistant for National Security Affairs (Haig) to President Nixon¹

Washington, May 5, 1971.

SUBJECT

Secretary Rogers' Visit to Saudi Arabia

We now have Secretary Rogers' complete report on what he describes as his "whirlwind" 24-hour stay in Saudi Arabia.² He reports that he is reassured about the "steadfast friendship" of King Faisal, despite his obsessive preoccupation with the "Zionist-Communist conspiracy" and his "understandable" concern that he will be vulnerable to Arab criticism on his friendship for the US as long as the Arab-Israeli dispute festers. The Secretary also makes the following observations:

—Despite the anachronism of the Saudi monarchy, progress is being made in Defense, education and other fields and there is evidence of some modernization. The Secretary was especially impressed with the "young, vigorous and handsome" court ministers who are seeking to bridge the gap between old and new but in ways that can assure internal security.

—The Saudis appeared to be generally satisfied with our bilateral relations.

¹ Source: National Archives, Nixon Presidential Materials, NSC Files, Box 629, Country Files, Middle East, Saudi Arabia, Vol. II. Secret; Nodis. Sent for information. A notation on the first page indicates the President saw it. Rogers met with Nixon on May 10 to discuss his trip. According to a transcript of the tape recording of this meeting, Rogers discussed Faisal's health, his interest in Jerusalem, and his "absolute obsession" with Zionism. According to Rogers, Faisal thought that "Zionism is the cause of all evil in the world," and that it was "the father of Communism." Nixon replied that Faisal's obsession was "kind of like Hitler with the Jews." Rogers also discussed Faisal's innate intelligence, Fahd, the summer arrests, and Saudi Arabia's "total support" for the United States "under all circumstances." Paraphrasing Faisal's remarks, Rogers continued, "Whatever we do on the Middle East—whether he likes it or doesn't like it—he will support us." Rogers was likewise impressed by the young Saudi government ministers and said, "Although they are related, they are strong looking, vigorous fellows, and a lot of them are quite interested in social improvement," to which Nixon added, "A lot of them are training in the West." The editors transcribed the portions printed here specifically for this volume. (Ibid., White House Tapes, Conversation 496-13)

² Rogers's report is in telegram Secto 95/3675 from Beirut, May 3. (Ibid., RG 59, Central Files 1970-73, ORG 7 S) Rogers was in Saudi Arabia May 1-2 during a trip to Western Europe and the Middle East from April 26 to May 8.

In his substantive talks, four hours of which were with King Faisal,³ the Secretary discussed the following areas:

—On the Arab-Israeli conflict, Faisal continues to accept any peace settlement agreed to by Israel, Jordan and Egypt and claims a direct substantive interest only in Jerusalem. Faisal favors a strong US presence in the Middle East and believes that a peace settlement will lead to the Egyptians telling the Soviets to get out. He felt prolonged absence of a settlement would benefit the Soviets. He regrets that Israel has created the impression that the US will support Israel no matter what it does.

—In reply the Secretary stressed your determination to maintain a steady course and called attention to your statements on “insubstantial” border changes. He said we have stressed to Israel that time is working against them but there is a limit to what we can do with friendly countries—we can only persuade.

—On the Persian Gulf, the Secretary urged greater Saudi direct contact with the Sheiks in order to help bring about an early federation of the Trucial States and close cooperation with the Shah.

—On North Yemen, which is anxious to improve relations with the US, the Secretary made clear we are ready to move to full diplomatic relations whenever conditions make it possible. The Saudis see our presence there as a counter to the Maoist and Soviet activity in South Yemen. At Faisal’s urging, the Secretary says he will take another look at providing some additional small amount of economic assistance to North Yemen.

The Secretary extended to King Faisal your invitation for an informal visit here in late May. He was clearly pleased and “wants to accept” but feels that in the absence of some demonstrable progress toward a peace settlement, such a visit would only open him up to attack by the more radical Arabs. He appears to want to wait to assess the atmosphere following the rest of the Secretary’s trip before replying definitively.⁴

³ As reported in telegrams Secto 98/3678 and Secto 99/3679 from Beirut, May 3. (Ibid.) Talking points for Rogers were transmitted in telegram 1346 from Jidda, April 27. (Ibid., Nixon Presidential Materials, NSC Files, Box 629, Country Files, Middle East, Saudi Arabia, Vol. II)

⁴ According to Thatcher, Faisal accepted the invitation because of “his conviction that it could be of very great value and importance for President Nixon to hear from King Faisal directly central points of the Arab case,” recalling the “favorable impact” he had had on Kennedy in their 1962 meeting. (Telegram 1610 from Jidda, May 15; *ibid.*)

150. Memorandum From Secretary of Commerce Stans to President Nixon¹

Washington, May 26, 1971.

SUBJECT

Recommended Discussion with King Faisal, May 28, 1971

I understand King Faisal will be visiting you on a brief, official visit beginning May 28th.²

Because of the recent oil settlement, Saudi Arabia will receive huge oil revenue increases in the coming years. They will spend a large percentage of these revenues in the areas of aircraft, telecommunications, transportation facilities, desalination programs, and other national infrastructure projects. The Saudis will be purchasing from foreign suppliers well over \$1 billion annually in goods and services during this period; these future purchases represent a tremendous opportunity for U.S. exporters.

The importance which the U.S. Government attaches to Saudi Arabia's development program is manifest by our assistance on a government-to-government basis. King Faisal's country has greatly benefited from the significant research program which the Department of Interior has undertaken on water desalination and other programs for national development; for instance, a Federal Aviation team, partly funded by Commerce, is presently in Saudi Arabia assisting in the formulation of an air traffic control program. U.S. firms currently are interested in selling to Saudi Arabia, a national telecommunications system, an air traffic control system, desalination plants, petroleum and petrochemical plants, a new international airport for Jidda, and airplanes and ships for their military services. One major decision awaiting immediate resolution is the purchase of 50, F-5 aircraft by Saudi Arabia.³ This would be a very substantial transaction for Northrop Corporation and would obviously be most helpful to them at this particular time. It would be particularly helpful if you could mention this item to King Faisal.

¹ Source: National Archives, Nixon Presidential Materials, NSC Files, Box 937, VIP Visits, Saudi Arabia King Faisal Visit, May 1971. Limited Official Use.

² See Document 151.

³ Saunders noted that the Saudis had already expressed their intent to purchase F-5s and he thought the President should not engage in "special pleading." (Memorandum for record, June 2; National Archives, Nixon Presidential Materials, NSC Files, Box 937, VIP Visits, Saudi Arabia King Faisal Visit, May 1971) Prince Sultan signed a letter of offer, July 28, for F-5Bs Northrop. (Telegram 2644 from Jidda, July 29; *ibid.*, Box 1277, Saunders Files, Saudi Arabia)

Stiff competition for all these projects is coming from other developed countries, particularly Japan, France and the U.K.

I recommend you point out to King Faisal that the U.S. has great interest in all of these Saudi Arabian development projects. We would, therefore, be most appreciative of any special consideration which can be given to the highly qualified U.S. firms which are prepared to assist in Saudi Arabia's development programs through providing the highest levels of technology and expertise.⁴

Maurice H. Stans

⁴ A handwritten postscript by Stans reads: "The 50 F-5 aircraft order would help employment in California, immediately."

151. Memorandum of Conversation¹

Washington, May 27, 1971.

PARTICIPANTS

President Nixon
King Faisal
Camille Nowfel, Interpreter
Isa Sabbaugh, Interpreter

[*Note:* The following record represents the gist of each party's remarks from interpreter's notes, not a verbatim transcript.]

President: We're interested in seeing to it that the relations between our two countries continue to be as friendly as they have been and to grow stronger and closer in the future. I would be interested in Your Majesty's views on matters relating, not only to the Middle East, but to other areas of the world. We wish to listen to Your Majesty's opinions and wise counsel.

¹ Source: National Archives, RG 59, Central Files 1970–73, POL SAUD–US. Secret; Nodis. The meeting took place in the Oval Office. All brackets are in the original. King Faisal was in Washington for an official visit May 27–30. Kissinger sent the President briefing papers on May 26 for his meeting with Faisal. (Ibid, Nixon Presidential Materials, NSC Files, Box 937, VIP Visits, Saudi Arabia King Faisal Visit, May 1971) The President and King Faisal met over lunch. (Memorandum of conversation, May 27; *ibid.*) Eliot handed a copy of the memorandum of conversation to Faisal before his departure. (Memorandum from Davis to Eliot, May 29; *ibid.*, RG 59, Central Files 1970–73, POL SAUD–US)

King: I am grateful for Your Excellency's reference to the good relations between our two countries and for your desire that these relations be strengthened in the days ahead. We share this hope with you not only because it is in our mutual interest that the bond of friendship between us be strengthened, but also because that would be in the interest of other countries and peoples. We do believe, however, that further strengthening our relations is of primary importance to us.

President: Does His Majesty wish to discuss any matters pertaining to our bilateral relations, or does he feel that such matters can be taken up at other levels of our governments, such as the Department of Defense or the State Department?

King: I would like to say that the relations and the cooperation between us are most gratifying. Of course, there are certain matters with respect to which we would hope to have US assistance, but I would not want us to impose on you, Mr. President.

We are accused in the area of being the agents and lackeys of the US. In fact, we are accused of even actually conspiring with the US against the other countries of the area. This kind of accusation, however, is really inspired by both Communism and Zionism, which we consider as twins. I mentioned to Secretary Rogers during our meeting in Saudi Arabia² that I believe that Communism is the child, the offspring of Zionism. Zionism is in collusion with Communism for the destruction of the world. I would like to repeat what I said to Secretary Rogers in Saudi Arabia—that we are in fact worried about what Zionism is seeking to bring about in the US. It is trying to shatter the high principles and values held so dearly in the US. God forbid that such attempts be successful, but they may be unless we heed the warning. All these things we read and hear about—disturbances among labor, student demonstrations, civil unrest, anti-war marches, etc.—are the result of clever calculation on the part of Zionism and Communism in order to bring about a social and political upheaval in the US and to weaken the US in its struggle against Communism.

By seeking to bring the US to throw in its lot with Israel, Zionism hopes to bring about an irreparable estrangement between the US and the Arab world. Of course, we in Saudi Arabia would not permit such an attempt to affect our relationship with the US. Even if greater and more serious accusations are leveled against us, we will not allow that or anything else to influence our relations with the United States.

Unfortunately, world Zionism is in alliance with Communism, and it has sought to portray the US as the Arabs' arch enemy. By insisting and publicizing the notion that Israel is the only ally the US has in the area

² See Document 149.

and that therefore the US is helping Israel to defeat the Arabs, Zionism is only helping Communism achieve its objectives in the Middle East.

What I have said to Secretary Rogers and am repeating now—namely, that Israel should disappear as a political entity, as a name—does not mean that we are advocating the destruction of the Jews. We're talking only about the Zionist state.

From what we read and hear, we get the impression that much of the turmoil in the US (civil disturbances and anti-war demonstrations) is the result of Zionist activity in the US, and this extends to the government, to labor, and to business. We appreciate the difficulties you face, Mr. President, in having to cope with these pressures and influences.

As far as the Palestinian question is concerned, our ultimate aim is that there be established the State of Palestine, which is neither Arab/Moslem nor Jewish nor anything else, but a state where the Palestinians will be able to live on equal footing with everybody else, where there will be no discrimination between Muslim, Christian or Jew. Such a state would make it possible for the Palestinians who are strewn all over to be brought back together. The Palestinians, both Muslims and Christians, could coexist with the Jews within such a state.

In response to Secretary Rogers' inquiry as to whether or not I thought that Communism was deeply entrenched in the UAR, I replied—and would like to repeat here—that we believe that the resolution of the Arab-Israeli problem in a just and right way would be the most effective and surest step toward the removal of Communist presence in the UAR. I should like to emphasize, Mr. President, that now is precisely the time to render help and support to the Egyptian leadership.

President: Does His Majesty believe President Sadat will continue in power?

King: This would depend on what develops as far as the Arab-Israeli conflict is concerned. If Sadat is given the needed assistance and support at this juncture in such a way as to expedite the settlement of the problem, then he would have the necessary strength to stand up against any counter-revolution and to stem the tide of any movement that might rise for his overthrow. Otherwise he will be vulnerable. The army is on his side. He should be given the support he needs to ward off any threat that may be directed against him.

President: Is it His Majesty's opinion that the same thing is true of King Hussein?

King: Precisely so. Communism is striving to bring down King Hussein.

President: Let me talk very candidly about our policy. I am sure His Majesty is aware of the fact that this is a very emotional issue. Before Secretary Rogers took his trip and throughout my administration,

I have insisted that our decisions in this respect should not be politically motivated. I have told the members of my administration that our purpose should be the establishment of good relations with all the countries of the Middle East. We shall continue to stand by our commitment—that Israel has the right to exist and have secure borders. But we in this office—as I have told all my advisers—we shall follow a policy that is fair to all concerned and not tilted in a direction in favor of one country. This is difficult, but I believe His Majesty should know that we have an administration which is fair and even-handed and interested in reaching a settlement as soon as possible. I supported Secretary Rogers' plan and have directed Secretary Rogers to seek a settlement quickly. We want to normalize our relations with the UAR, with Sudan, and with other countries in the area. Also we want His Majesty to know that we believe it is important that he is pursuing a policy which aims at preventing the radical elements from having their way in the Gulf area. Also we support the Shah's effort in this respect. We realize that both China and the USSR are trying to infiltrate this area. We want you to know that we support your efforts also. Which of the two influences does His Majesty consider the more dangerous in the area—the Chinese or the Russian?

King: The source is one and the same. Communism is Communism, irrespective of the means it uses. It is unfortunate that such countries as Turkey, Iran, Kuwait, the Philippines, Greece, Italy, and others, which were once very closely allied with the US' policy, are now establishing relations with mainland China. I should be candid enough to say in this connection that there are those who say that this is being done at the behest of the US. There is an increasing advocacy for the establishment of relations with Communist China. Lebanon, South Arabia and others are now leaning in this direction. It seems that the Chinese are concentrating their efforts now on South Arabia so as to make it a jumping board for increased activity in other parts of the area. We are trying, and we need your help, to stem this tide and eradicate this unwanted influence. We have helped the Yemen Arab Republic to combat Communist influence. I would urge the US to extend help in this respect—to lend your helping hand to the Yemen Arab Republic, even in the absence of diplomatic relations with that country.

As to the domestic factors with which you have to cope in the US, I do appreciate your problem, Mr. President, and realize that in your decisions you seek not to be influenced by internal political considerations. I wish the American people could understand the predicament which their President is in when he has to make decisions in the interest of the US without regard to domestic political pressures. This is a fact I always mention to Americans who visit me.

As for your observation regarding Israel, Mr. President, I should like to point out that Israel was the aggressor. It was Israel that started

the war. And Israel must withdraw from the territories it occupied. We believe in the principle that no profit should accrue from military aggression. If this principle is followed, then the results of the 1967 aggression can be eradicated. This does not mean that I will recognize Israel. But we have no objection to a settlement which is acceptable to the contiguous Arab countries. I believe that an expeditious settlement could deal a fatal blow to Communist influence in the area. If a settlement is not reached quickly, I believe it will be impossible to deal successfully with Communism later. Unless a solution of the problem is found soon, the pro-Soviet elements in the Arab countries will have their hand strengthened. These are the observations I wanted to bring to your attention, Mr. President.

President: Your Majesty and I have a good understanding of our respective positions. We will, at the highest levels of our governments, support progress in our mutual interest. As for the Middle East as a whole, we here want to pursue all efforts in the direction of peace in that area.

King: I would like to express my best wishes for Your Excellency's success in your endeavors.

[At this point Prince Nawwaf, Amb. Suwayel, Dr. Pharaon, Mr. Sisco, and General Haig were invited to join the discussion.]

President: His Majesty and I have had a very good discussion. We find that our bilateral relations could not be more friendly. We discussed the more difficult problem of the broad area of the Middle East and Persian Gulf/Indian Ocean area. I have found the discussion very profitable. This administration is committed to a policy of seeking the normalization of the situation there. His Majesty understands our internal problems, but Secretary Rogers, Mr. Sisco and all of us shall continue to strive toward the settlement of the problem in the interest of peace and justice in the area.

King: I do appreciate the President's problems and difficulties, but hope that further efforts can be made so that we may not have to continue to live under the Communist threat. Otherwise it will be too late. If things are allowed to drag on, then the Communist influence in the area will become too strong for us to cope with.

President: I share His Majesty's concern about the danger of letting things drag on and the need for expeditious progress. The State Department is proceeding on this basis.

King: I would like to talk about Israel's demand for secure borders and the Israeli insistence on the retention of the Golan Heights, Sharm el-Sheikh, Jerusalem and the Gaza Strip. What, in fact, are secure borders? As far as Jerusalem is concerned, we will never agree that it continue to be under Israeli domination. Israel occupied these

territories by aggression. We demand that Israel go back to the pre-1967 borders. Then the details of secure borders can be discussed.

As for the Suez Canal, it would be in our selfish interest to have it reopened. If the Canal is reopened, trade between us and other nations will be facilitated and our financial aid to Egypt will be discontinued. The advantages of reopening the Suez Canal are plentiful, as far as we are concerned. But the Communists are advocating the reopening of the canal because that will facilitate their entry into the Persian Gulf and Indian Ocean areas. It will be easier for them to spread their influence throughout that area.

Mr. Sisco: The reopening of the Suez Canal will benefit the USSR and give access to the US. But we feel that an interim agreement cannot be a substitute for the overall solution. It does not touch other vital matters which are part of the problem—Jerusalem, the Palestinians, etc. But we are interested in keeping the initiative going. The political efforts of the President, bulwarked by US power, can create the kind of political condition (climate) which would be favorable to our interests and where Soviet influence can be reduced.

King: The reopening of the Suez Canal will not check the Soviet danger. Israel will continue in occupation of Arab territory, no telling for how long. The danger I have talked about will therefore continue to loom high in the interim.

President: There is no disagreement between us on the urgency of reaching a settlement. I am sure that Your Majesty and we are going to continue working on an urgent basis. We shall have the chance to talk further at the luncheon.

King: One more point I would like to make. Should Israel be made to feel that if she continues to spurn all efforts for peace she will lose the US' support, then she might become more flexible. But on the other hand, if she feels that, no matter what position she takes, she can nevertheless count on US support, then she will do nothing to help the cause of peace. It seems to me that Israel is more representative of the Communist world than she is of the free world, although the general impression is that Israel is the bulwark of democracy in the Middle East. The Soviets were more ardent in their support for the creation of Israel than the US was. Should a miracle occur and the US discontinue its support of Israel, I predict that the Soviets and all Communists will make a roundabout turn in their stand vis-à-vis Israel and rush to her help and preservation. It is advantageous for the Communists to have Israel remain as a thorn in US-Arab relations. Golda Meir is now on her way to Finland to attend a Socialist convention. The Socialists meeting in Finland are the same as Communists.

152. Telegram From the Embassy in Saudi Arabia to the Department of State¹

Jidda, June 11, 1971, 1014Z.

1973. No Distribution Outside Department. For NEA/ARP Director Murphy and NEA/RA Director Schiff from Ambassador. Subj: PARA Paper on Saudi Arabia.

We forward herewith description of those elements which, pursuant to Ambassador's recent consultations, it is our understanding Bureau would view as principal ones for inclusion in PARA paper on Saudi Arabia.² Thus policies and courses of action covered are only those which we believe would need top-level Bureau attention to assure their implementation and success.

1. (A) Military assistance programs for Saudi Arabia: Saudis desire maximum degree of US support and supervision in connection with development of Saudi Navy. My conversation with Prince Sultan, Minister of Defense, June 9, revealed Saudi desire also for active USG role in assisting Saudis with acquisition of F-5 aircraft and in development of Saudi abilities to fly and maintain these planes.³ All of this will put new burdens on USMTM, Embassy and all Washington agencies involved, including particularly military services, although we can expect almost complete Saudi financial reimbursement for USG expenses incurred in these programs.

(B) Saudis regard with greatest seriousness long-standing ties of US-Saudi friendship, occasion for whose sincere and convincing reaffirmation was provided by King's recent visit to Washington.⁴ They are well aware of nature and extent our military aid to Israel and to Jordan. They will be strongly inclined expect maximum performance in these two new spheres of Saudi-US military collaboration in a manner consistent with our traditional friendship and our help to other Middle Eastern friends of US.

(C) We believe US policy should be, insofar as possible, to encourage Saudi military and defense officials undertake maximum decision-

¹ Source: National Archives, RG 59, Central Files 1970-73, POL SAUD-US. Secret; Limdis.

² The Policy Analysis and Recommended Action Paper was not found.

³ Thacher met with Sultan on June 9 and presented him with a letter that had been worked out among the Office of International Security Affairs in the Department of Defense, the Department of State, and Northrop during Thacher's consultation meetings in Washington. Sultan indicated his desire for a government-to-government transaction. (Telegram 1955 from Jidda, June 9; National Archives, RG 59, Central Files 1970-73, DEF 12-5 SAUD)

⁴ See Document 151.

making responsibility to assume as rapidly as possible full burdens of command and planning for new programs. Nevertheless, Dept and DOD should be aware that it may be necessary to supply comprehensive planning as well as personnel (located both in Washington and Saudi Arabia) to assure success of what Saudis consider are vital elements for their defense. While it may appear to us USG is assuming disproportionate load, we should keep in mind Saudis are drawing heavily also for expertise they need on US private sector. For example, Raytheon-Hawk program has recently been renewed, Saudis continue depend on Lockheed for maintenance of C-130's and are now developing with Lockheed project whereby Lockheed personnel will play integral role with Saudi Air Force in creating completely coordinated air defense system. In sum, though we can understand how there may be DOD and military service resistance to heavy degree US involvement in Navy and F-5 program, Saudi expectations for US assistance are high and must be met if we are to maintain military tie as binding aspect of US-Saudi relations.

2. Increased reimbursable US technical assistance for Saudi economic development: (A) We have had indications from Saudis in key positions, and it is our own conclusion as well, that USG role and image in Saudi Arabia would benefit by counter-balancing heavy preponderance our present activities in military sphere by greater help for Saudi economic development. US has performed well with US Geological Survey team and as agent for Jidda desalting plant. Moreover, we have responded helpfully to requests for special short-term assistance, such as for advisor in establishment of social insurance system, experts for design of airways control system, etc. Nevertheless, we convinced there will be expanded future opportunities for supply of technical assistance, reimbursable by Saudis, on long and short-term basis.

(B) Thus, we would propose to be alert and perhaps to some degree search out opportunities where we feel reimbursable US technical assistance might be most advantageously offered in terms our relations with Saudis. Embassy makes this suggestion with full awareness that current US policy is not to seek leading position with regard to programming and guidance of developing country economic plans. But we believe we should be somewhat more active here than we have in past in looking for opportunities to render technical aid in key areas of Saudi economic expansion. Obviously too we can hope in many instances for profitable commercial by-product as in case of present airways control study by FAA team from which we hope will emerge plan utilizing American specifications and guiding Saudis toward US suppliers. AID has expressed general sympathy for some expansion of reimbursed technical assistance but top-level Bureau support may be required to assure full and effective implementation.

3. Addition to Embassy staff of operations officer: Considerations supporting this recommendation are included in Embassy's response

to inspectors' report.⁵ Latter noted large portion of officer time now being devoted to USG military and technical assistance programs in Saudi Arabia. Inspectors' suggestion was that Embassy requires kind of "Aid Director," but we suggest somewhat different alternative: addition capable FSO-3, "military-economic operations" officer to serve under direction of Political-Economic Counselor. There is steady growth in Embassy workload stemming from operational aid type programs: for example, just announced Saudi desire for help with F-5 aircraft program and request just received from FonMinistry for USG to run survey on need for sensor system to protect oil installation in Eastern Province. Embassy hopes that further Departmental review will result in decision add to our staff desired officer and secretary to assist him.

4. (A) Strengthening Saudi Arabia against hostile forces on Arabian Peninsula: Last couple of years have seen Communists develop foothold on Arabian Peninsula. These are strongest in PDRY where USSR and Chicoms are providing variety of assistance to Communist dominated govt. Communist trained guerrillas continue campaign in Dhofar against Muscat-Oman regime of Sultan Qabus. Saudis have moved to suppress PDRY threat through various forms of aid to anti-PDRY forces operating from bases now primarily located in Yemen Arab Republic. US should continue its present posture of aloofness and refrain from encouragement these Saudi endeavors. Fortunately Saudis seem disinclined so far to seek our assistance. Currently anti-PDRY campaign is sputtering along providing relatively little threat to Saudi security or that of YAR.

(B) More logical course, however, is one aimed at reinforcing development and defenses of two friendly neighboring states, YAR and Muscat-Oman. Thus, US aid to YAR is required as best means creating a stable, developing, friendly North Yemen as needed buffer between Saudi Arabia and dangerous PDRY.

(C) US aid to YAR can have additional utility as lever to persuade Saudis step up their own assistance to Yemen which so far rather meager. We should maintain continuing dialogue with Saudis with object encouraging their contributions to Yemen welfare and coordinating it with ours. Bureau may have maintain steady persuasive discussion with AID convince it of need for enlarging US assistance to YAR.

5. Saudi role vis-à-vis Gulf states and Muscat-Oman: Effective and helpful Saudi role vis-à-vis emerging political development of Gulf states and Muscat-Oman can have significant impact on security and stability this region and important Free World and US interests there. US should remain alert for opportunities endeavor persuade Saudis to pursue most fruitful courses of action.

⁵ Not further identified.

6. (A) Role of Corps of Engineers: Long-range role of Corps in Saudi Arabia may well come up for consideration over next year or so. Pressures from COE for rapid scaling down of Corps presence seem abated somewhat as additional tasks in Mediterranean area have been found for MedDiv Headquarters in Livorno, Italy, which hitherto had been becoming excessively dependent on Saudi Arabian district. Engineers must, of course, remain for two- to three-year period required assure successful completion SAMP program and Tabuk cantonment. Now pending is Saudi request for Corps assistance with construction naval facilities on Gulf and Red Sea coasts. Corps proposes use as much as possible cantonment designs developed for Tabuk and Khamis Mushayt.⁶ Believe we should respond positively to this request. There seems possibility of one or two small \$3–4 million jobs on which Saudis may seek engineer assistance within next few months, and these too could properly be included in Corps operation.

(B) We should, however, begin to project the phaseout of COE from Saudi Arabia over next several years. Best means of assuring this is commence work with Saudis now enlarge and strengthen training program whereby promising Saudi officers learn COE functions so that Saudi Armed Forces can assume many of these in foreseeable future. Corps should accordingly be given every encouragement strengthen its programs for training Saudi officers to assume COE functions.

7. (A) Improvement of USMTM: Embassy recommends increased attention to means for heightening effectiveness of USMTM. Principal problem is one-year tenure of 145-man training mission, all of whom, with exception dozen top officers who serve for two years, find their advisory impact sharply limited by present policy of assigning mission personnel for only one year. Hitherto US services have found it difficult recruit officers for two-year assignments partly because of lack of facilities for families in Saudi Arabia and partly also, as far as we can discover from informal soundings, because officers find USMTM assignment unattractive in terms of career progress. With development of American schools, improved housing and shopping facilities, Saudi Arabia, particularly as to billets in Jidda and Riyadh, has become a more attractive assignment. Perhaps following Vietnam withdrawal ratio of officers to billets may shift so that Saudi Arabia will appear a more attractive career opportunity. Embassy is conscious also that endeavors will have to be made persuade SAG provide housing for larger number accompanied US military personnel, which Saudis have been reluctant hitherto to provide. As first step, however, there should be Washington policy decision that USMTM personnel assignments will be for two years and will permit families to accompany insofar as practicable.

Thacher

⁶ Khamis Mushayt is the site of King Khalid Air Base, in southwestern Saudi Arabia.

153. Memorandum Prepared in the Central Intelligence Agency¹

Washington, July 15, 1971.

SUBJECT

Saudi Arabia: Feisal—and Then?²

NOTE

The House of Saud may well continue to rule Saudi Arabia for years to come, but this is far from assured. Beyond the question of King Feisal's own health and advancing age and that of dissension within the royal family over the succession, there is at work an inexorable process of transformation in Saudi society. The process results from rapidly growing wealth, the spread of education and communication, and increasing awareness of the outside world. The inherent incompatibilities between this impetus for modernization and the still archaic Saudi political structure will be central to future developments in the kingdom. This memorandum assesses the present state of affairs and the outlook.

[Omitted here are a Table of Contents, Section I: The Setting, and Section II: The Challenge of Modernity.]

III. The Security Situation and Military Plotting

9. It is military conspirators, not civilian opposition, that have the greatest potential to threaten the Saudi monarchy. The regular army's officer corps, mostly of middle class origins, doubtless contains many who do not identify with the royal house. [15 lines not declassified]

10. Feisal recognizes the potential threat from his military establishment and has always suspected its loyalty.³ [3 lines not declassified] The government has taken elaborate precautions to separate various military components and to remove them from the cities and other strategic areas. The bulk of the army is stationed in the border areas, some units even being posted inside Jordan. No regular army effectives are allowed near the capital. [3 lines not declassified]

11. As a check against the regular military establishment, the regime relies heavily on the paramilitary National Guard (the so-called "White Army"), a force recruited from tribes traditionally regarded as

¹ Source: National Archives, Nixon Presidential Materials, NSC Files, Box 1277, Saunders Files, Saudi Arabia. Secret.

² This memorandum was prepared by the Office of National Estimates and coordinated within CIA. [Footnote is in the original.]

³ See footnote 5, Document 133.

loyal to the monarchy. Elements of the Guard are stationed in positions that would allow them to intercept an army move against the government. While the Guard is roughly the same size as the regular army, it is not heavily armed. It lacks tanks and artillery, and has not been well trained for the mission of blocking an army move. As a force to maintain internal security, it has demonstrated its effectiveness in warfare against tribesmen, for example, but its capability against regular military units is unproven. It would be defenseless against air attack, even of the most rudimentary sort.

12. In an important sense, moreover, the National Guard's reliability may be declining. For reasons of efficiency, many of the old formations have been fundamentally reorganized. In these units tribal forces fighting under their own officers have been replaced by elements drawn from various tribes. Further, non-tribal officers from the regular army have been assigned command of these mixed units. This reorganization has thus diluted the distinction between the Guard and the regular army and has called into question the ultimate loyalty of these converted units.

13. Other aspects of the security situation also appear to be changing. Live ammunition is probably more generally available now in Saudi Arabia than in the past. This increase is associated with the effort sponsored by Riyadh to unseat the South Yemeni regime, an endeavor that entailed arming and equipping numerous forces for combat. Also the unit stationed in Jordan has been provided munitions to use in the event of Israeli attack. Moreover, in the past year or so there have been alerts of various units including the air force, during which fuel and supplies necessary for combat were issued. These circumstances have improved the chances that plotters would be able to find sufficient ammunition to carry out their plans.

14. Nonetheless, it remains a difficult task to overturn the Saudi monarchy. [2½ lines not declassified] Speed would be essential to this operation, for if any of the central figures of the Saudi family were able to broadcast appeals for help, some units of the National Guard and perhaps other tribal elements would be likely to rally to the support of the family in numbers. [6 lines not declassified]

IV. Outside Factors

15. The death of Nasser last fall removed a perennial threat to Feisal's regime. Nasser had at times past encouraged dissidents inside Saudi Arabia. Although the Egyptians had not sponsored subversion against Feisal since the latter agreed in 1967 to provide a \$100 million yearly subsidy as long as the Suez Canal should remain shut, Nasser continued to be a powerful magnet or inspiration for Saudi dissidents. With the advent of Sadat in Egypt, on the other hand, Egyptian-Saudi Arabian relations have been positively cordial. Sadat's recent reception

of Feisal in Cairo lent the aura of Egyptian blessing to the Saudi regime—something it had not enjoyed for many years. Moreover, the Saudi successful mediation of Jordanian King Hussein's differences with Cairo gave new lustre to the image of the Saudi regime as working constructively for the Arab cause. All this has probably served to boost Feisal's prestige at home, even within his armed forces.

16. Feisal's image could be considerably tarnished, however, if he fails to appear effective in defending Arab interests in the Persian Gulf—most immediately if Iran were to move to take the three small islands it claims near the mouth of the Persian Gulf. While the British ruled in the Gulf, the UK enforced the claims of the small sheikhdoms of the Arab coast to these islands. The Shah is now pressing his ownership and threatens to take possession of the islands as soon as the British leave later this year. He has sufficient force to do so and can quickly make good his threat. He would prefer to work out an accommodation with Feisal to whom the Gulf sheikhs look to protect Arab interests, and he regards Feisal's position as unnecessarily obstinate. Seizure of the islands by the Shah could among other things damage Feisal's standing in the eyes of the Saudi military.

17. The unsuccessful coup attempt in Morocco⁴ will also have an impact on attitudes within Saudi Arabia. Undoubtedly it will incline Feisal to be even more cautious. It may increase the determination of the royal family in Saudi Arabia to act decisively if faced with a similar challenge—a factor which could turn the tide in a closely contested situation. At the same time, the failure of the Moroccan army to join in the revolt may give conspirators inside Saudi Arabia pause, [2½ lines not declassified].

18. The foreign factor which could have perhaps the most weight in stimulating Saudi dissidents to overthrow the dynasty would be a new round of major Arab-Israeli hostilities. Feisal's policy toward the Arab confrontation with Israel is regarded by many Saudis as lacking sincerity. While Feisal feels strongly on the question of Jerusalem, has adopted a tough posture concerning it, and given support to the Palestinian cause, this limited stance has not satisfied the country's younger elements. The close Saudi relationship with the US in the face of growing anti-Americanism in the Arab world has increased public dissatisfaction with the ruling family. Although the stationing of Saudi troops in southern Jordan has given the military some sense of participation in the struggle against Israel, many officers realize that this gesture is chiefly symbolic. Another Arab defeat at the hands of the Israelis, especially if it involved Saudi forces in Jordan, would probably shake the

⁴ Documentation is in *Foreign Relations, 1969–1976*, volume E-5, Documents on North Africa, 1969–1972.

Saudi regime. Public sentiment would be aroused, disorders probably would break out in Jidda or at the oil complex in the Dhahran area and could occasion anti-American activities throughout the kingdom. In such a time of high emotion, military officers might seize the opportunity to move against the House of Saud.

V. The Succession Question

19. The matter inside Saudi Arabia which may have the greatest bearing on the possibility of a coup is the succession problem. The royal house appears increasingly divided over the question of who should succeed Feisal. Though the King is still in reasonably good health, he suffers from mild arteriosclerosis and has had serious stomach troubles in the past. Jockeying for position in the succession struggle has been underway for some time. As the senior eligible half-brother of Feisal, Prince Khalid, now himself nearly 60, was named heir in 1965. Popular with many tribal and religious leaders, the pious Khalid has, however, shown little interest in the governing process. Moreover, in the past few years he has undergone a series of heart attacks. He now performs only ceremonial tasks; it is questionable whether he will be physically able to assume the active direction of Saudi affairs after Feisal leaves the scene. Nonetheless, Khalid is strongly backed by the commander of the National Guard, chiefly because he opposes the rival Sudairi faction. The Minister of Finance also has been attempting to use his budgetary power to clip the wings of Khalid's opponents. Most important of all, Feisal himself has not withdrawn endorsement of existing succession arrangements.

20. Next in line is Prince Fahd, 49-year old leader of the so-called "Sudairi Seven"—half-brothers of King Feisal by a single mother. The Sudairis are a tightly knit clique of able and ambitious princes; they dominate the Council of Ministers, a body which Fahd increasingly chairs in his capacity as Second Deputy Prime Minister. These brothers are unwilling to see [less than 1 line not declassified] Khalid try to run the country and would probably mount a formidable challenge if he were to attempt to take command. Some compromise might be possible, however, in which Khalid was accorded the title of King, but left the Prime Ministry and actual rule to his half-brother Fahd.

21. Fahd has sought in guarded fashion to appeal to the middle classes. In an unusual press interview in April 1970 he espoused an accelerated reform program, including the enactment of "basic regulations"—which many Saudis interpreted to mean a constitution. He proposed numerous social welfare measures, from low-income public housing to low-cost water and electricity. At the same time, he called for higher expenditures for Saudi military and security forces, organizations in which middle class elements play a major role. While he barely mentioned King Feisal and the regime's efforts to carry out some reforms, he denounced corruption and influence-peddling within the

Saudi government. Fahd may be all the more interested in advertising an interest in progressive reform in Saudi Arabia precisely because the repressive security policies he has carried out in his capacity as Minister of Interior probably have alienated reformist elements.

22. Though reportedly unhappy at Fahd's assertiveness, including his tendency to bid for support outside the royal family, Feisal himself now clearly recognizes that Khalid's succession has serious drawbacks and believes that a strong King is needed. In the past year or so, therefore, Feisal has let Fahd play an increasingly prominent role in government. Fahd, not Khalid, has acted in the King's name when Feisal has been out of the country. More unambiguous steps to favor Fahd's succession may be in the offing. Feisal is said to be considering convening a royal conclave to effect a family reconciliation to settle the issue. The King believes that the greatest danger to the dynasty would be indecision and bickering at the time of the succession. Nonetheless, this is a painful matter for Feisal, and he may continue to temporize.

VI. A Post-Feisal Regime

23. In this situation the death or incapacity of Feisal would offer a promising opportunity for a move against the regime. If it appeared that the key princes had become more unified, however, this might deter a coup. It is also very possible that in the face of an active threat, the princes would close ranks and put down opposition quite quickly. Although it would inevitably take some time for a princely successor to consolidate his control, the monarchy is deeply embedded in the fabric of Saudi Arabian society and stands a good chance of survival.

24. A new king would very likely follow much in the pattern of Feisal: gradually modernizing the mechanism of government and promoting especially economic but also some social change. If strong rivalries continue to divide the top princes, the progress of Saudi Arabia along this path would be slowed. Fahd's succession by consensus of the family, on the other hand, could add to the efficiency of the government and also speed up the process of modernization somewhat. In any event no princely successor would be likely to attempt basic changes in the nature of the regime, say to give elements outside the royal family an important voice in ruling the country.

25. Pressures against the monarchy, therefore, are likely to continue to build. Should the House of Saud be overthrown, the successor regime would almost certainly be highly nationalistic and anti-Israeli. It would probably be exceedingly difficult for the US to deal with, and its attitude toward the major oil companies would be appreciably tougher than that of the present Saudi government. This does not mean that it would quickly seek to nationalize—rather that it would press for a larger share of profits and perhaps gradual steps to obtain greater control of the country's oil resources.

154. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon¹

Washington, August 17, 1971.

SUBJECT

Letter to You from King Faisal

In early July King Faisal made a trip to Cairo where he talked with President Sadat. He thereafter wrote you a letter [Tab B]² on his impressions from Cairo:

—There are a “firm intention and a determined resolve” both in the armed forces and among the majority of the Egyptian people to “begin the battle with Israel” to recover their lands and holy places and to wipe out the “shame” of 1967.

—There is also a body of opinion which is striving for peaceful settlement. This viewpoint is “supported by the group which holds the reins of government in Egypt at present.”

—Both groups reprove the US for its silence in the face of Israeli obstinance. Both are convinced that Israel does not want peace and stability which would be contrary to its “expansionist policy.” Both believe that if the US sincerely wanted peace, it could achieve that goal. If Israel rejected US advice, the US could withhold aid.

The King notes that the US has clearly defined its position regarding a peaceful settlement and “the nations involved have concurred in it.” But the King asks, what has the US done to bring this solution about—“what is it waiting for?”

The King urges that now—after the “bold” steps of Anwar Sadat—is the opportune time to establish peace. He feels that if the situation in the area should explode again, it will not be possible to calm it quickly. He urges you to move quickly. In closing, he notes the tide of “destructive forces” which may come to dominate the Eastern Mediterranean, the Red Sea and the Arabian Sea areas unless necessary preparations are made.

¹ Source: National Archives, Nixon Presidential Materials, NSC Files, Box 761, Presidential Correspondence 1969–1971, Saudi Arabia: King Faisal ibn Abdal-Aziz Al Saud, 1971. Secret. Sent for action.

² Attached but not printed at Tab B is King Faisal's June 30 letter to Nixon. All brackets are in the original.

The draft reply at Tab A thanks the King for his views and states that we continue to seek ways toward a settlement.³ [Mr. Price has cleared the text.]

Recommendation:

That you sign the reply at Tab A.

³ Attached but not printed at Tab A is Nixon's August 18 letter to Faisal.

155. Memorandum of Conversation¹

Washington, September 21, 1971, 4:15 p.m.

SUBJECT

Middle East

PARTICIPANTS

The President
Prince Fahd ibn 'Abd al-'Aziz al Sa'ud, Saudi Arabia
Joseph J. Sisco, Assistant Secretary of State
Emil Mosbacher, US Chief of Protocol
Harold H. Saunders, NSC Staff
Camille Nowfel, Department of State, Interpreter

Prince Fahd began by expressing his gratitude for the opportunity to see the President despite the President's busy schedule. King Faisal cherishes his personal relationship with the President and instructed Fahd to seek a meeting with the President so there could be a frank exchange of views on the current situation in the Middle East. The King had asked the Prince to bring a written letter as well as to state orally the King's views on that situation.

The President responded by saying that he welcomed the Prince because of the personal friendship he feels toward King Faisal and toward the prince and because of the warm reception which the Saudis had given

¹ Source: National Archives, RG 59, Central Files 1970–73, POL SAUD–US. Secret; Nodis. Drafted by Saunders. The meeting was held in the Oval Office. In a September 17 memorandum, Eliot provided Kissinger with briefing material for the meeting. (Ibid., POL 7 SAUD) Kissinger provided Nixon with Talking Points in a September 20 memorandum. (Ibid., Nixon Presidential Materials, NSC Files, Box 1277, Saunders Files, Saudi Arabia) During his visit, Fahd also met with Rogers and Sisco. (Telegram 174902 to Jidda, Dhahran, and Bahrain; *ibid.*, RG 59, Central Files 1970–73, POL 7 SAUD)

the Vice President.² He felt it is important to stay in close personal touch. He had received personal reports from Secretary Rogers, Mr. Sisco and then later in the summer from the Vice President himself.³

Prince Fahd gave the President a copy of King Faisal's letter (translation attached).⁴ Then in supplement he made the following points:

—King Faisal sees a very difficult time ahead in the Middle East if there is no solution to the Arab-Israeli problem this fall.

—The pressures on President Sadat are great. He could be overturned if there is no solution in the near future.

—President Sadat is genuinely interested in an interim settlement around the Suez Canal. Were the King not convinced of Sadat's sincerity in this respect he would not have sent Fahd to Washington. King Faisal believes that such a settlement would also be in the interest of Israel, as would an overall peace settlement.

—President Sadat would be willing to reduce his relationship with the Communist countries if there could be a settlement. He wants a stronger relationship with the United States.

—Communist forces have suffered a setback in the Middle East this summer, notably in the Sudan and in Egypt. But King Faisal fears that if President Sadat is thrust aside the Communist forces will regain ground. He reiterated President Sadat's willingness to reduce the Egyptian relationship with the Communist nations and King Faisal's judgment that it is important to the West to create a situation in which that reduction could take place.

—Saudi policy has been to try to convince the other Arab leaders that the United States is genuinely interested in serving the interests of the Arabs but that because of American domestic considerations we Arabs should not expect the U.S. to show immediate results. The King hopes that the situation within the Arab world will not deteriorate to the point it becomes impossible for America's friends, such as the King, to keep defending the United States.

—The Prince concluded with an earnest appeal to the President for a major effort to bring about a solution this fall. He felt that such a solution is in the hands of the United States.

² Agnew met with King Faisal on July 8. Agnew visited Korea, Saudi Arabia, Kuwait, Ethiopia, Kenya, Morocco, Spain, and Portugal June 26–July 28. Telegram 3205 from Addis Ababa, July 11, summarizes Agnew's talk with Faisal. (Ibid., Nixon Presidential Materials, NSC Files, Box 951, VIP Visits, Vice President's Trip, June–July 71) Agnew's own account is in an undated memorandum to Nixon. (Ibid.)

³ For Rogers's report, see Document 149. The reference to Sisco's report is presumably to a record of his meeting with Faisal on May 27 during the King's visit to Washington. (Memorandum of conversation, May 27; National Archives, RG 59, Central Files 1970–73, POL 7 SAUD)

⁴ Attached but not printed.

The President replied agreeing that friends should talk frankly and expressing his appreciation that King Faisal had sent the Prince all the way to the United States for such a talk. He knew that the Prince would be having more detailed discussions with Secretary Rogers and Mr. Sisco.⁵

The President assured the Prince that he would give most careful consideration to the written message that King Faisal had sent and to the oral presentation that Prince Fahd had made. The President assured the Prince that this problem receives his constant personal attention. Nevertheless, it is a good thing to have a friend like Prince Fahd come and underline the urgency and the importance which the Saudis feel the situation deserves.

The President said that this problem is of a personal importance to him for several reasons. First of all, the US and the President himself have personal friends in the Arab world like King Faisal and Prince Fahd. For their sake and for ours, we have an interest in limiting Communist intrigue, and we recognize that the longer there is no Arab-Israeli situation [*settlement*] the greater will be the likelihood of such intrigue. As Prince Fahd himself had said, we also believe that a peace settlement is in the interest of Israel. Moreover, we also see the importance of cooperation between Saudi Arabia and Iran for the sake of stability in the Gulf against radical forces in that area.

The President went on, saying that we are going to continue to give this problem our most serious attention. Secretary Rogers in New York would be holding discussions on the subject. We do not promise results, but we are going to try very hard to achieve forward movement.

The President said that he recognized from his private visit in 1963 to Egypt that the Egyptians are a great people. They like the Saudis will make an important contribution to the world. The US wants normal diplomatic relations with Egypt. We do not believe we have an interest in the continuation of the unusual situation that had followed the break of relations in 1967.

The President said he had not met President Sadat, but Secretary Rogers feels that he is sincere in his efforts to achieve peace.⁶

The meeting concluded with Prince Fahd again expressing his appreciation for the opportunity to meet with the President. The President reiterated his pleasure in seeing the Prince again and escorted the Prince to his car.

⁵ According to telegram 177287 to Jidda, September 27, Prince Fahd's September 22 meeting with Sisco focused on the current Arab political situation. (National Archives, RG 59, Central Files 1970-73, POL 7 SAUD) Fahd's meeting with Rogers focused on Persian Gulf issues. (Telegram 177026 to Jidda, September 25; *ibid.*)

⁶ Rogers was in Egypt May 4-6 to discuss Arab-Israeli issues.

156. Letter From the Assistant Secretary of State for Near Eastern and South Asian Affairs (Sisco) to the Assistant Secretary of Defense for International Security Affairs (Nutter)¹

Washington, November 4, 1971.

Dear Warren:

As you know, Saudi Arabian National Guard Commander Prince Abdullah has requested through Ambassador Thacher that the U.S. assist in implementation of a major reorganization and reequipment of that force along lines proposed by a British Advisory Mission. Abdullah has stated that he would like to purchase U.S. equipment in place of that recommended by the British. Ultimately, Abdullah indicated, he intends to phase out his British advisers and to bring the National Guard "close to the Americans." Abdullah has pressed for an early positive response to his request.²

Raytheon Corporation has also been in contact with Prince Abdullah regarding its interest in carrying out this program. Raytheon on October 27 submitted to Abdullah a proposal to undertake a definition of the proposed program, including budget estimates and work schedules. According to Raytheon sources, Abdullah expressed considerable interest in the Raytheon proposal but declined to accept it pending confirmation that the U.S. Government will support National Guard reequipment. Raytheon has appealed to the Department for U.S. Government support for its efforts to win this potentially valuable program for American industry.

We perceive important political and commercial advantages in supporting a bid by American industry to obtain this project. The National Guard plays a key role in preserving internal security and public order in Saudi Arabia. It also acts as a reinforcement for the Frontier Force and for the regular army in defending Saudi borders from outside aggression. The National Guard is administratively separate from the Ministry of Defense and Aviation and it has relied hitherto on British rather than American advisers. With the exception of a modest purchase of U.S. small arms and training through FMS in 1966, we have had few contacts with the Guard. Award of the reequipment program to an American firm would enable us to develop a closer relationship with this important organization and to monitor its activities and ca-

¹ Source: National Archives, RG 59, Central Files 1970-73, DEF 12-5 SAUD. Secret. Drafted on November 3 by Wrampelmeier and concurred in in NEA, NEA/ARP, NEA/RA, and PM/MAS.

² As reported in telegram 3651 from Jidda, October 19. (Ibid.)

pabilities. It might also give us some leverage to guide the National Guard's development in a way wherein it will contribute to maintenance of political stability in the Kingdom and not to creation of an imbalance between it and the regular armed forces—a danger inherent in the equipment purchases recommended by the British Advisory Mission.

The potential advantages to the U.S. balance of payments from American implementation of this program are also considerable. In addition to the purchase of vehicles, communications equipment, and other hardware, the National Guard would require contractor services for the management of the overall reequipment program, maintenance, training, and logistics support. The cost of this program is estimated at between \$150 and \$200 million.

Moreover, we are reliably informed that King Faisal and other leading Royal Family members would prefer that this program be undertaken by American rather than by British interests. We understand that the use of an American contractor has been particularly urged on Abdullah by Minister of Defense and Aviation Prince Sultan. The reason is Sultan's own low estimate of British capabilities in this field and, no doubt, concern in some quarters of the Royal Family that the British recommendations contain excessive amounts of armored vehicles and artillery. The British are likely to oppose strenuously this threat to their hitherto predominant role with the National Guard. However, it is our impression that a Saudi decision to seek American help for this program has already been taken—provided, of course, that Prince Abdullah is satisfied that the U.S. Government will in fact support his reequipment efforts.

In light of the above developments and considerations, we consider it desirable that an early decision be taken to assure Prince Abdullah that the U.S. will support this program. We see two alternative approaches:

a) inform Abdullah that we are prepared in principle to meet his reasonable requirements on a government-to-government basis through FMS procedures.

b) support Raytheon's bid for a contract to define the program in terms of American equipment and services. We would of course expect Raytheon to work closely with our military services in order to permit presentation to Abdullah of a final program that we could support through licensing of commercial exports and, where necessary, through supplementary Foreign Military Sales cases for equipment or services not available through commercial sources.

Our preference is that this program be carried out to the extent possible on a government-to-industry basis. We would therefore urge the second alternative. This approach would keep responsibility for this program primarily in the hands of private industry while enabling us to influence both the types and numbers of equipment that would

be furnished to the National Guard. We especially wish to avoid assumption by the U.S. Government of the major implementing role in this program at a time when our plate is already full with SAMP, Naval Expansion, and the F-5 program. We therefore want to keep private industry out in front.

It is entirely possible, of course, that Prince Abdullah may prefer implementation of this program on a government-to-government basis. This would present some problems for us in light both of our involvement in other Saudi military programs and of Abdullah's past unwillingness to deal with our Military Training Mission—which Abdullah regards as too closely associated with the Ministry of Defense and Aviation. Should Abdullah insist upon a government-to-government arrangement, I recommend that we agree to do so provided it is understood that a separate advisory mission for the National Guard could not be established. To the maximum extent possible actual implementation of the program, including in-country training, will be contracted to U.S. private industry in accordance with standard DOD procedures.

Should the Department of Defense concur with this approach, our Arabian Peninsula Directorate and the Bureau of Political-Military Affairs are prepared to work directly with DOD/ISA and the concerned military service to draft appropriate instructions for Ambassador Thacher.

Sincerely,

Joseph J. Sisco³

³ Printed from a copy that bears this typed signature.

157. Memorandum From the Acting Assistant Secretary of Defense for International Security Affairs (Selden) to Secretary of Defense Laird¹

Washington, November 10, 1971.

SUBJECT

Saudi Arabian Naval Expansion Program

Since early in 1968, the U.S. has been assisting Saudi Arabia to develop a limited naval force in the Red Sea and the Persian Gulf. Initially, we were asked to review Saudi requirements for naval equipment and shore facilities. That review concluded that an effective naval force should be developed to safeguard and protect the seacoasts and harbors of the Kingdom against a seaborne threat, to protect Saudi vessels in the Red Sea and Persian Gulf, and to provide a sea/air rescue capability. In December 1969 the Saudis formally requested U.S. Government assistance in expanding their six-ship naval force by an additional 19 vessels, constructing and equipping associated shore facilities, and training of Saudi naval personnel. This concept was approved by King Faisal and is understood to have a very high priority in Saudi defense planning. In light of the recommendations of a second Department of Defense evaluation team, the Deputy Secretary of Defense—with Department of State concurrence—informed the Saudis in September 1970 (Tab A)² that we were prepared to discuss with them more precisely their requirements. These discussions have now been completed.

The expansion program contemplated will involve virtually a complete reconstruction of the Saudi naval force. Ship acquisition, base construction, and training will be phased over an eight to ten year period. All ships and training are to be purchased from the United States. Prince Sultan, the Saudi Arabian Minister of Defense and Aviation, has requested that the U.S. Army Corps of Engineers, currently engaged in several military construction projects for the Saudi Arabian Army, also undertake supervision of the shore facilities construction effort. The program costs are estimated at \$200 million, all of which will be borne by Saudi Arabia. U.S. financial assistance, if any, would be limited to Foreign Military Credits, principally DoD guarantees of commercial loans.

The Saudis have indicated that they prefer a government-to-government arrangement using Foreign Military Sales procedures

¹ Source: Washington National Records Center, OASD/ISA Files: FRC 330-4-083, Box 25, Saudi Arabia 1971. Confidential.

² Document 144.

rather than having to deal directly with one or more industrial contractors. Under this arrangement we visualize that the United States Navy would be tasked to serve as overall manager and contracting agent for plans and programs relating to ship procurement and training. The United States Army Corps of Engineers, in coordination with the Navy, would supervise design and construction of shore facilities.

The Defense Security Assistance Agency (DSAA), has developed a Memorandum of Understanding (MOU)—Tab B³—through interagency consultation with the Department of State, our country team in Saudi Arabia, the Joint Staff and the Departments of Army and Navy. The Memorandum sets forth the nature of the technical and advisory assistance to be provided by the Department of Defense. It stipulates the Saudi Arabian Government's responsibilities for planning, programming, management, and implementation of this program including funding, staffing, and support services. Procurement, as mutually agreed, of individual vessels, associated equipment, training and other services will be the subject of separate Defense Letters of Offer. These will be negotiated on a case-by-case basis and will remain subject to the same kind of joint State–Defense screening applied to all Foreign Military Sales cases. The Memorandum of Understanding, however, acts as the umbrella under which ongoing actions would be taken and defines the parameters of the United States Assistance under this program.

The MOU has been revised by Ambassador Thacher and his Country Team and Secretary Rogers has granted authority to our Ambassador to sign the MOU. Once final USG approval is given, the Ambassador will present the draft MOU to the Saudis, refer any Saudi proposed changes to State/DoD and, when agreement is reached, sign the MOU for the U.S. Government. Before the MOU is signed, State will give its customary notification to the Senate Foreign Relations Committee and House Foreign Affairs Committee. OSD(LA) will inform the Senate and House Armed Services Committees.

All these steps are consistent with the undertaking spelled out to the Saudis in Mr. Packard's letter to Prince Sultan in September 1970. Nevertheless, I want to apprise you of the current status of the program and to ensure that the proposed actions meet your full approval before we commence negotiations with the Saudis.⁴

Armistead I. Selden, Jr.

³ Not attached and not found.

⁴ Laird approved on November 13. Telegram 34 from Jidda, March 21, reported that Saudi Arabia had accepted the MOU. (National Archives, RG 59, Central Files 1970–73, DEF 6–2 SAUD)

158. **Briefing Memorandum From the Assistant Secretary of State for Near Eastern and South Asian Affairs (Sisco) to Secretary of State Rogers**¹

Washington, May 18, 1972.

Saudi Arabian Role as a Factor in U.S. Policy in the Arabian Peninsula and Persian Gulf

In response to your request for a review, prior to the Moscow Summit, of the situation in the Arabian Peninsula and the Persian Gulf and the more active role which the Saudis are playing, the following is a summary.

Situation in the Area. The Communist states and their radical Arab followers have had limited success in expanding their influence along the fringes of the Arabian Peninsula. Both the Soviet Union and the Chinese have close relations with the ruling radical National Front regime in Southern Yemen giving them a foothold in the Peninsula.² Chinese diplomats and road builders remain quietly active in the neighboring Yemen Arab Republic but Soviet influence there has waned in the past two years with the renewal of Yemen's ties to several Western and moderate Arab states and with the growth of tension between the two Yemens. Soviet involvement in the Gulf which so far has been held to naval visits to Iraq and Iran and to a diplomatic presence in Kuwait, has had little success outside of Iraq. Even the UAE may be dragging its feet despite Shaykh Zayid's February 1972 agreement to establish diplomatic relations with Moscow. The PRC, which for years has made a determined effort to establish a commercial presence in the Gulf, has had even less success than the Soviet Union in establishing itself there politically. The Chinese support the Dhofari insurgency in Oman but Sultan Qaboos' pacification program (with British help) in former guerilla strongholds in Dhofar seems to be taking hold.

More Active Saudi Role. Over the past 18 months, the Saudis have slowly begun to move away from their isolationism of the Sixties. The

¹ Source: National Archives, RG 59, Central Files 1970–73, POL 7 SAUD. Confidential. Drafted by Wrampelmeier and Dickman and concurred in by Atherton.

² Additional information on Soviet interest in the Gulf is in Intelligence Memorandum, "Moscow and the Persian Gulf," May 12 (ibid., Nixon Presidential Materials, NSC Files, Box 479, President's Trip Files, Briefing Book, Visit of Nixon to Iran, May 1972), and in Research Study RESS-15, "Moscow Moves in the Persian Gulf," February 28. (Ibid., RG 59, Central Files 1970–73, DEF 1 NEAR E) Chinese involvement in the Dhofar rebellion is analyzed in Intelligence Memorandum, "The Mountain and the Plain: The Rebellion in Oman," May 19. (Central Intelligence Agency, DDI Files, Job 79–T00832A, Box 8)

wider political latitude given Faisal following the death of Nasser, awareness of the Kingdom's growing financial reserves, concern over the Communist-supported Dhofar rebellion coupled with Soviet and PRC support for the radical Southern Yemen regime, Saudi realization of the security implications in the Gulf with the departure of the British, and the continued Saudi-US dialogue on Peninsular matters have all been contributing factors. As a result, the Saudis have undertaken a more active role in regional affairs:

In *Yemen*, they helped bring Royalist and Republican leaders together in the spring of 1970, thus contributing to the end of the eight-year old civil war; recognized the Yemen Arab Republic Government in July 1970; and have extended since recognition \$18 million in loans (which will probably not be repaid) with a further loan of \$12 million expected soon. The Saudis have also provided aid in kind such as scholarships, educational supplies, food, trucks, and two DC-6 aircraft (for the Yemen Airlines); obligated \$9 million for project aid (schools, mosques, hospitals, and construction of roads from the Saudi border to the Yemeni towns of Hodeidah and Sa'ada); and supplied arms to the Yemeni armed forces. They have been slow, however, to establish a diplomatic presence in Sanaa commensurate with their interests and responsibilities. Happily, an Ambassador has now been nominated. The Saudis also plan to establish a project aid office in Sanaa, but finding qualified Saudis to staff it may prove difficult.

Southern Yemen (PDRY-Aden) has never been recognized by the Saudis who regard the Communist-dominated National Front regime as a threat to themselves and the rest of the Peninsula. Saudi hostility deepened following the November 1969 border incursion at Sharaura by South Yemeni regular forces. Even before that event, however, the Saudis had been financing and arming insurgent tribesmen in the south. These efforts have continued but with a noticeable lack of success. Saudi leaders now seem to be rethinking their approach to the problem of Southern Yemen. It is unlikely, however, that they will abandon entirely their goal of overthrowing the Aden regime.

With Oman there has been a dramatic improvement in relations following the December 1971 visit of Sultan Qaboos to Riyadh when King Faisal agreed to establish diplomatic relations. The Saudis are considering how they can strengthen Qaboos in containing Dhofar insurgents supported by the Chinese and South Yemenis. A three-man Saudi military delegation visited Muscat in May, returning with requests for over \$60 million to purchase military equipment. Favorable Saudi action on at least a portion of this request is expected. Qaboos has also requested financial aid for several development projects that have been initiated and for civic action programs in the liberated areas.

In *Qatar*, the Saudis have supported Shaykh Khalifa, who, last February, took control away from his normally absent and dilettante

cousin, Shaykh Ahmad, by deploying National Guard units near the Qatar–UAE border.³

In the *United Arab Emirates*, the Saudis have been slow in bringing their influence to bear. Some Saudi aid has been given in recent years to some of the poorer Trucial States (i.e., the construction of a 121-mile highway between Sharjah and Ras al Khaimah) and there is a Saudi Government office in Dubai. The Saudis, however, were too late to head off the collapse of efforts to form a nine-member federation. While Faisal strongly preferred this federation, he accepted the decision of Bahrain and Qatar last summer to become independent. Faisal has not, however, formally recognized the recently established seven-member United Arab Emirates because of his unresolved boundary dispute with Shaykh Zayid of Abu Dhabi. Saudi-Abu Dhabi relations were further soured when Zayid disregarded Saudi advice against agreeing to establish diplomatic relations with the Soviets.

U.S. Efforts to Encourage Saudis. Because of Saudi Arabia's geographical location, its economic strength, and its relative political stability, USG efforts have emphasized Saudi cooperation with the Iranians on the security of the Gulf, financial aid to Yemen and Oman, and a resolution of the Abu Dhabi border dispute. We have neither supported nor directly opposed Saudi initiatives in Southern Yemen. We have pointed out that we believe the best answer to South Yemeni threats is to build up the economic and political strength of the North Yemeni regime rather than subsidize Yemeni tribes of doubtful loyalty to conduct hit-and-run campaigns in the South. As you know, the President sent a letter last September to King Faisal⁴ in response to his appeal that we help Yemen and we have set forth several projects which might be drawn up by U.S.G. technicians or contractors but implemented with Saudi funding. Unfortunately, the Yemen Government's decision to defer reestablishing diplomatic relations with the U.S. has inhibited further progress in this direction. However, the Saudis are moving ahead by themselves on some of these projects, engaging an American contractor to do the basic design work for two highways south from the Yemen-Saudi border.

We are currently reviewing in the context of the Saudi PARA⁵ how we can urge the Saudis to do more in the Peninsula. Their willingness to do more may be accelerated by their assessment of the implications of the recent Soviet-Iraq friendship treaty and growing concern over Iraqi subversive efforts in the lower Gulf. Given Saudi military

³ See Document 113.

⁴ Document 185.

⁵ See Document 152.

deficiencies and dependence on foreign (especially U.S.) advisory and contract support, we do not want to encourage them to play the role of "policeman" in the Peninsula. What we believe is feasible is:

- a) to allow Saudi transfers of unsophisticated surplus U.S.-made military equipment to Yemen;
- b) to offer to the Saudis for their consideration technical appraisals by U.S. experts of potential projects worked out by the Yemeni or Omani governments;
- c) to offer U.S. advisors on a reimbursable basis to help the Saudis establish a project aid office in Yemen;
- d) to encourage the Saudis to provide more scholarships to their schools to students from Peninsular countries;
- e) to urge stronger Saudi diplomatic representation in the lower Gulf; and
- f) to stimulate King Faisal to establish relations with the UAE, possibly by putting the Abu Dhabi boundary issue on ice for the time being.

159. Telegram From the Embassy in Saudi Arabia to the Departments of State and Defense¹

Jidda, May 22, 1972, 1450Z.

1637. Subj: Issues for Meetings with Prince Sultan: Political.

1. Prince Sultan's visit to US promises to be most important symbolic happening of 1972 for Saudi-US relations,² particularly when seen against events of banner 1971 which brought Vice President, Secretary Rogers and USIS Director Shakespeare to Saudi Arabia while King and Minister Interior Prince Fah'd traveled to US. Recent months have seen important new programs in cooperative US-Saudi endeavors for strengthening Saudi defenses. Highly appropriate, therefore, that Minister of Defense Sultan, third most influential figure in SAG, should be guest of Secretary Laird this year.³

¹ Source: National Archives, RG 59, Central Files 1970-73, POL 7 SAUD. Secret. It was repeated to CNO, CSA, CSAF, UNCINCEUR, and CHUSMTM Dhahran.

² On his copy of the telegram, Saunders wrote: "he *should* see Pres." (Ibid., Nixon Presidential Materials, NSC Files, Box 1287, Saunders Files, Saudi Arabia)

³ The Defense Department had a strong interest in Sultan's visit, believing it would be an "important gesture in our effort to check the decline of U.S.-Arab relations and would give the lie to allegations that the U.S. has been 'dragging its feet' on programs of great importance to Saudi military planners." (Letter from Nutter to Laird, March 8; Washington National Records Center, OASD/ISA Files: FRC 330-75-0125, Box 16, Saudi Arabia)

2. Charged with both Kingdom's defense and commercial aviation affairs, Sultan has had uninterrupted tenure for almost ten years. Given his seniority in family, his vigor and devotion to country's interests, he promises to be an important voice in SAG policy for number years to come. He acknowledges fully dominant role of King Faisal, but has great influence with King and other key figures, particularly Minister of Finance with whom he generally wins set-tos over money. His views carry weight not only on defense matters but regarding all major aspects Saudi foreign relations as well. He and his older brother Prince Fah'd are strongly pro-American.

3. US objectives with regard to visit may perhaps be seen as threefold.

A. Sultan's presence will provide tangible proof for world to see of closeness US-Saudi ties at time when many other Arab states unwilling tolerate even diplomatic relations. Sultan will become stronger than ever voice at highest Saudi levels supporting friendship and dependence on US.

B. Discussions with Sultan both political and military will provide useful dialogue with alert, highly articulate Saudi spokesman so that in political sphere we can expect useful review each other's viewpoints. Specific suggestions on political topics below.

C. We should seize opportunity to have highest levels US defense establishment stress to Sultan our concern certain operational aspects our cooperative military endeavors. Comments this regard via separate message.⁴

4. It would seem helpful keep in mind also Saudi objectives with regard to visit. While Sultan himself is pleased and flattered by invitation, it clear as well he taking business-like approach, intending discuss specific military topics and desirous seeing certain types equipment and installations (comments on schedule also by separate message).⁵ More important is fact King has agreed to the visit as another important opportunity get across to top USG leadership deep, continuing concerns of Arab govts with Middle East situation and Saudi Arabian security. (Visit has been billed publicly here as mission for the Arab cause.)

5. Sultan will be bearing letter from King to President. Sultan has several times indicated to Amb his warm hope presidential appointment can be arranged at any time during his ten days stay. Amb has,

⁴ In telegram 1641 from Jidda, May 27, Thacher discussed the lack of trained Saudi manpower, which he regarded as "the most serious single issue facing Saudi defense establishment." (National Archives, RG 59, Central Files 1970-73, POL 7 SAUD)

⁵ Telegram 1642 from Jidda, May 24. (Ibid.)

each time, reminded His Highness firmly of very exceptional burdens President will be facing upon his return from Moscow in addition to regular heavy demands on his time. King Faisal has not directly requested meeting for Sultan with President, but implication is strong that he very much hopes for it.⁶ We aware fully difficulties finding space on President's schedule, yet our best assessment of situation impels us conclude inability of Sultan to see President would be very considerable disappointment to King.

6. As Defense Minister focusing on military and subversive threats to Saudi territory, Sultan personally, we believe, more concerned with Arabian Peninsula affairs than Arab-Israel. However, on King's instructions, he will probably give priority in his comments to latter topic and his oral presentation may follow line of letter he bears to President (contents as yet unknown). Central appeal will be for vigorous US action compel Israel give up Arab territory, particularly Jerusalem. It will be interesting observe whether Sultan reflects any shift in customary cautious Saudi posture with which Dept well acquainted. Believe (and sincerely hope) Sultan will abjure reiteration King's Zionist-Communist demon-conspiracy preoccupations. We certain his comments will reflect Faisal's high personal regard and confidence in President, motif we have had played back to us through number of sources over past year.

7. Second most important subject Sultan will broach is that of overall security Arabian Peninsula. Here Saudis continue be deeply preoccupied with long-range aggressive and subversive potential PDRY. Attacks launched on YAR, on Saudis' own territory and Oman are matters greatest concern as is Saudi apprehension Communist elements in PDRY will soon make their disruptive influence felt among weak Gulf states.

8. As regards YAR, Prince Sultan recognizes need for economic growth and social improvement, but he has been much more preoccupied with military means containing PDRY threat. He pressed this point vigorously in recent conversations with Ambassador and may well propose in Washington adoption by US of policy replacing USSR as YAR's principal military supplier, using Saudi Arabia perhaps as channel. While we would endorse concept SAG transferring its own excess military equipment to YAR, seems desirable Saudis continue be encouraged focus their attention on stepped-up economic aid. Given fervid Saudi anti-Communist convictions they tend understandably maximize long-range dangerous potential of PDRY. Embassy does not suggest we should argue this point with Sultan, but he might benefit

⁶ On his copy, Saunders noted: "We will have to check on action item this week." (Ibid., Nixon Presidential Materials, NSC Files, Box 1287, Saunders Files, Saudi Arabia)

from up-to-date US intelligence assessment current strengths, weaknesses, intentions PDRY regime. Sultan might be informed we applaud Saudi decision aid YAR economically and hope aid programs may be expedited.

9. Re Oman, we should express warm appreciation recent signs Saudi intention to intensify assistance, military and perhaps economic, for Oman Sultan's beleaguered regime. Saudi assistance to Oman helps protect Strait of Hormuz which commands world's petroleum lifeline as it passes from Gulf. British have carried heavy and helpful load, and Saudi aid to Omanis can have important impact in accelerating present process eliminating Dhofari rebels. We certain Omanis welcome this, and Saudi cooperation this regard is clear mark statesmanlike approach towards problems of Peninsula defense.

10. With regard UAE and other Gulf states, we should seek Sultan's views on their political future emphasizing our conviction tremendous scope in region for exercise constructive Saudi influence. Latter was pivotal force deterring Gulf states from establishment relations with USSR and Saudi action this case proof its capacity successfully block Baathis, Communist or any other destabilizing groups from exploiting situation.

11. We would hope such action could rank high in Saudi priorities and might encourage re-examination possible settlement troublesome boundary dispute with Abu Dhabi.⁷ We have no specific suggestions as to means or terms of settlement and are aware important and generous concessions King Faisal has already made. We note Saudi Arabia has conceded important Buraimi Oasis region and Abu Dhabi has agreed give Saudis access to sea above Sab Khat Matti. Thus, two major steps toward settlement have been taken. Is there not some means by which remaining and less significant differences might be resolved?

12. Believe Saudis should be thanked and encouraged with regard their consistent and very generous support for Jordan, and likewise, Prince Sultan should be brought up-to-date on continuation our own heavy support there. Subject is obviously delicate one, but Dept might wish sound out Prince on Saudi attitude toward Jordan's military assistance for Gulf states. He should be reminded also our conviction Saudi-Iranian cooperation vital to Gulf security and stability with question raised perhaps whether exchanges at ministerial level might not be considered in near future.

⁷ On his copy, Saunders noted: "hmmmm. King probably shaking old maid finger at Sultan telling him not to talk about it!" (Ibid.)

13. King Faisal will, we think, be looking forward with particular eagerness to information Sultan will bring from Washington re Moscow summit meeting. He will be specially interested, of course, in any results touching on Middle East as well as impact on overall US and free world relations with Soviet bloc.

Thacher

160. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon¹

Washington, June 15, 1972.

SUBJECT

Saudi Arabian Thoughts on US-Saudi Relations—Your Meeting Today with Prince Sultan

Last night the Saudis passed [*less than 1 line not declassified*] the attached policy paper on closer cooperation between Saudi Arabia and the US² which they would like you to be aware of prior to your talk with Sultan today. *Sultan will pass you the original of this paper during the meeting.*³ The paper is a formal Saudi policy paper approved by King Faisal. *This is in addition to a letter from Faisal which he will give you.*⁴

The attached paper discusses ways by which the US and Saudi Arabia can cooperate more closely. Its conclusions have already been summarized in my briefing memorandum to you.⁵ It is organized to (a) review our mutual interests; (b) note dangers to these interests; and

¹ Source: National Archives, Nixon Presidential Materials, NSC Files, Box 630, Country Files, Middle East, Saudi Arabia, Vol. III. Secret; Sensitive. Sent for information. A stamped notation on the memorandum indicates the President saw it.

² Attached but not printed. A translation of the undated policy paper, "Toward Closer Cooperation Between the Kingdom of Saudi Arabia and the United States of America," is *ibid.*

³ Nixon placed a large checkmark in the left-hand margin. The original referred to here, with an undated and unattributed cover letter from the Saudi Foreign Ministry, is *ibid.*, Box 761, Presidential Correspondence 1969–74, Saudi Arabia: King Faisal ibn Abd al-Aziz Al Saud, 1972.

⁴ Nixon placed a checkmark next to this sentence. Faisal's June 5 letter is attached but not printed.

⁵ Dated June 15. Saunders also sent briefing material to Kissinger on June 13. Both are *ibid.*, Box 630, Country Files, Middle East, Saudi Arabia, Vol. III.

(c) cite ways in which we can move more closely together. *This is an unusually well-reasoned paper.*⁶ It reflects the first significant Saudi effort, growing out of discussions with American friends, to relate to us in terms of a broad common strategy rather than in terms of parochial Saudi interests in the Arabian Peninsula.

A. *Mutual Interests*

—Saudi Arabia is in a very strategic position and sits on the largest proven oil reserves in the world. It is stable and conservative.

—The US has interest in containing the Soviet threat and continuing the flow of oil. The latter will be increasingly important to the US, which is becoming more dependent on foreign oil.

—The US and Saudi Arabia, therefore, have a common interest in strong regional security and stability and joint cooperation in this task.

B. *Dangers to Mutual Interests*

—The *Soviets* have long-term objectives in the area and are able to absorb short-term setbacks with the Arabs. They have made great headway. The US has not exploited similar situations. That some Arabs have not gone Communist is not the result of American foreign policy but results from the fact that some Arabs can withstand Communism. The fact that Western interests have not yet been decisively threatened does not mean the Soviet threat is not real. The USSR already has several alliances and treaties in the area.

—The *Iraqis* seek expansion in the Gulf, even paying the price of a treaty with the Soviets.

—The *South Yemen* regime at the tip of the Gulf is infiltrated by both Soviets and Chinese and is active against North Yemen and Oman.

—Though *China* has not penetrated the area, they support rebels in Oman, the regime of South Yemen and Palestinian guerrillas. They will use these forces to establish themselves.

C. *US-Saudi Deterrents*

—It is in the interests of Saudi Arabia and the US to work together to meet these dangers. This does not imply a treaty or a pact, but simply means cooperation in the protection and defense of Arabia, the Red Sea area and Persian Gulf.

—*Political* deterrents would include the collaboration of friendly states ready to resist Soviet dangers. Saudi Arabia should cooperate with the Gulf states, Iran, Jordan and give support to North Yemen and Oman. The US should play a positive role.

⁶ Nixon placed a checkmark next to this sentence.

—Saudi Arabia must have the *military* capability to develop defense belts to protect its own frontiers and those of neighboring friendly states.

Saudi Arabia concludes that [these points were covered in your brief].⁷

—Saudi Arabia cannot find security only within its own borders; the existence on its borders of friendly states is the only basis for planning long-range security of Saudi Arabia. Further, cooperation with Iran and with Jordan and the maintenance of the Jordanian regime is highly important. Likewise, neighboring states of North Yemen and Oman must be stable and viable.

—Saudi Arabian cooperation with Iran takes effort by both sides. The Shah must recognize that, although Iran is stronger, cooperation with Saudi Arabia is necessary.

—Saudi Arabia and Iran must work together to create good circumstances in the new Union of Emirates.

—Saudi Arabia, in modernizing its armed forces, is aware that a new strategic concept taking into account the situation in the western Indian Ocean and Mid-East must guide its development.

—Saudi relations with Egypt under Sadat are a great improvement after years of conflict with Nasser. The Saudis would like to *reduce Soviet influence in Egypt* and the Egyptians would like to reassert their own independence from the USSR. This must be *the principal regional strategic goal for all of us*. Saudi Arabia is using its relationship with Iran to create circumstances in which Sadat may disengage from Moscow.

—The US should work for that disengagement by putting pressure on Israel to arrive at an Arab-Israeli settlement.

*Suggested response: You can say that you found this paper very thoughtful and an excellent basis for our continued cooperation.*⁸ [Your talking points already address the specific points.]⁹

⁷ Brackets are in the original.

⁸ Nixon placed a checkmark next to this sentence.

⁹ Brackets are in the original.

161. Memorandum of Conversation¹

Washington, June 15, 1972, 3 p.m.

SUBJECT

Saudi–United States Relations

PARTICIPANTS

The President

Prince Sultan bin Abdul Aziz Al-Saud, Minister of Defense and Aviation of
Saudi Arabia

Ambassador Ibrahim al-Sowayel, Ambassador of Saudi Arabia

Secretary of Defense Hon. Melvin R. Laird

General Haig, NSC Staff

Mr. Camille Nowfel, Department of State, Interpreter

The President welcomed Prince Sultan and said that Secretary Laird had informed him of his talks with the Prince.² The President said he realized the dangers that threaten the Middle East and appreciated this opportunity to talk with the Prince particularly as he had recently held discussions with the Shah of Iran. Referring to recent developments in Iraq, the President said that the strength and stability of our friends in the area such as Saudi Arabia, Kuwait, Iran and Jordan is very important to preservation of security in the region. He was pleased to note that Saudi Arabia has been giving support to Jordan and has been cooperating with Iran in this respect. The President described King Hussein of Jordan as a truly courageous man worthy of support and assistance.

Prince Sultan thanked the President for receiving him and conveyed to the President the greetings and respects of His Majesty, King Faisal. Saudi Arabia considers the United States to be the champion and the defender of peace throughout the world. Whenever the name of President Nixon is mentioned, people immediately equate it with

¹ Source: National Archives, RG 59, Central Files 1970–73, POL SAUD–US. Secret; Exdis. The meeting took place in the Oval Office. Sultan met with Rogers on June 14. At this meeting, the two men discussed the Moscow Summit, the radical Arab threat, North Yemen, and the Saudi concern for Sadat. (Telegram 109890 to Jidda, June 16; *ibid.*, POL 7 SAUD) In his June 15 meeting with Sultan, Sisco discussed the Arab-Israeli conflict and other items in the talking points in detail. (Memorandum of conversation; *ibid.*) See also Document 191.

² In his June 13 meeting with Laird, Sultan reviewed the two major political trends in the Middle East, the “continuing aggression against the Palestinians” and the “great concern in the Middle East, particularly among religious leaders, regarding the growth of pro-Soviet and pro-Chinese elements.” (Washington National Records Center, OASD/ISA Files: FRC 330–75–0125, Box 16, Saudi Arabia 000.1—1972)

peace and service to the cause of peace. The Prince especially appreciated the President's remarks about the security situation in the area since this reflected the President's complete understanding of the Saudi Arabian situation. He wished to assure the President of Saudi friendship for the Shah of Iran, of its good relations with Jordan, Kuwait and with most of its neighbors. In fact, Saudi Arabia is friendly with every country in the area except those countries which do not wish its friendship.

The President sought Prince Sultan's opinion regarding the possibility of a brief stop in the Persian Gulf area by Secretary Rogers following the SEATO meeting in Australia.³

The Prince warmly welcomed Secretary Rogers visit to the Gulf saying it is always good to have a friend visit us.

The President asked about the military situation in Saudi Arabia.

Secretary Laird explained that he and the Prince had discussed this subject and had talked about training programs, the modernization of the Saudi Armed Forces and the need of Saudi Arabia for naval craft. He described the relationship between the United States Department of Defense and the Saudi Arabian Ministry of Defense and Aviation as excellent.

The Prince expressed his gratitude to Secretary Laird and to each of the three military service Secretaries for the extensive discussions he held with them at the Pentagon on Tuesday, June 13. The meetings had been pleasant, inspiring and encouraging and the Prince was hopeful that Saudi Arabia will have from the United States the cooperation needed to improve its military posture and to modernize its Armed Forces.

Secretary Laird added that the discussions had covered the F-5 aircraft being purchased by Saudi Arabia from the United States as well as spare parts and other military equipment. These matters are going to be looked into further.

The President expressed his hope that there will be close cooperation between Saudi Arabia, Kuwait and Iran in light of recent developments in Iraq.

Prince Sultan agreed stating that King Faisal has improved relations with Iran to the point where today Saudi Arabia has an excellent relationship with that country, despite the fact that there once had been boundary problems with Iran. The same is true of Saudi relations with Kuwait. Both on-shore and off-shore, difficulties with Kuwait had been

³ Rogers was scheduled to attend the SEATO and ANZUS Council Meetings June 24-25 in Canberra, Australia. Following this conversation, however, Sisco told Sultan that Rogers planned to stop in Bahrain to indicate U.S. interest in the Gulf but would not have time for a stop in Saudi Arabia. (National Archives, RG 59, Central Files 1970-73, POL 7 SAUD)

overcome and, in fact, King Faisal had given to Kuwait Port Saud in an effort to improve relations. The Prince said that Saudi Arabia wishes to assure everyone that it is a peace loving nation that believes in construction and opposes destruction.

The President asked about the loyalty of the Saudi Arabian Armed Forces to the King and to the Prince saying that he recognized that this was a very sensitive question.

The Prince expressed his appreciation for the concern for Saudi Arabia that lay behind this question. He explained that in 1960 the Saudi Government had discovered that some of its Armed Forces personnel had become involved with women of ill repute and were being blackmailed by agents of Egyptian President Nasser. These young men were enticed to undertake a revolt by promises that they would, if successful, be given positions of high authority. This had happened prior to 1962 when conditions in Saudi Arabia were bad, particularly because of the misrule of the late King Saud. There was instability and confusion and then Crown Prince Faisal was deprived of authority to do anything to help improve that deplorable situation. Later, however, when King Faisal assumed the reins of government, the authorities had begun to gather information about certain elements within the Armed Forces. Nothing drastic was done at that time (1962) but it was realized that these young men had direct relations with Egypt and that Egypt was behind their subversive activity.

The Prince continued that in 1964 President Nasser air-dropped arms and ammunition to these men to carry out their subversive role. These weapons were to be dropped at a point between Jidda and Medina and some tribes in that area were to be recruited to use these arms to overthrow the Government in Jidda, seize power and bring about a division of the country between the Hijaz and Najd. However, the tribes and a number of Armed Forces personnel being trained in that area had taken possession of these arms and brought them to the Government. The arms were of Egyptian origin and stamped "made in Egypt." The Saudi Government announced this incident to members of the diplomatic community and to all the world so that they might know that Egypt was trying to stir up subversion within the Saudi Armed Forces.

The President asked if there were any Communist subversive activities in Saudi Arabia today.

The Prince said that two Communist-connected cells have been discovered: one 20-man cell in the Hijaz and another 12-man cell in Dhahran. The Saudis have looked for others but have not found any. Those involved were arrested and brought to trial. Assuring the President that the Saudi Armed Forces were absolutely loyal to King, country and religion, the Prince said that many members of the military had

insisted upon execution of those of their colleagues arrested for subversive activity. However, the King had ordered them court martialed. The legal proceedings in this case were concluded about one month ago and all have been sentenced to prison terms. None will be executed. It is the Government's desire that instead they be rehabilitated and become again good citizens of their country. The Prince cited as the best evidence of the loyalty of the Armed Forces to the King what happened during the Yemen Civil war. At that time President Nasser had made great efforts to overthrow the Saudi Arabian Government sending 80,000 Egyptian troops to Yemen to help achieve that aim. Added to this were the problems created by the late King Saud and his efforts to undermine King Faisal. All of these efforts, however, were of no avail, proving beyond any doubt that Saudi Arabia's Armed Forces are loyal to the King, dedicated to the service of their country, and opposed to all subversive elements.

The President said that he was pleased to hear this. He wished to assure the Prince that he would keep in touch with him through Secretary Laird. It is in the United States interest that Saudi Arabia remain strong and independent.

The Prince thanked the President for giving him so much of his valuable time. At this point, he asked Mr. Nowfel to translate into English a note from King Faisal to the President. When Mr. Nowfel had done so, the President asked that a written translation be made and delivered to General Haig so that a reply to it might be prepared.⁴ The Prince also delivered to the President a note, with an English translation prepared by the Saudis, itemizing points of mutual concern.⁵

The meeting concluded with the Prince conveying to the President the greetings and best wishes of his brother, Prince Fahd. The President in turn asked that his greetings be conveyed to Prince Fahd and to His Majesty, King Faisal. The President also thanked Prince Sultan for the gifts which had been delivered that afternoon to the White House.

⁴ Nixon's letter to Faisal, July 21, is *ibid.*

⁵ Apparently a reference to the policy paper summarized in Document 160.

162. Telegram From the Embassy in Saudi Arabia to the Department of State¹

Jidda, July 13, 1972, 1530Z.

2329. No Distribution Outside Department. For NEA. Subject: Next Steps re National Guard Program. Ref: (A) State 119605; (B) Jidda 2255.²

Summary: Embassy finds King opposed to companies and still wishing full government-to-government relationship for National Guard program. While we continue believe there is strong general sentiment that project go to US sources, yet British and French are busily pushing their proposals and we not certain how much longer US can delay without enhancing prospects for other governments. Complexity of Guard project may have been exaggerated and we believe it probably less difficult to carry out than F-5 or Navy programs. Perhaps no more than 20–25 US personnel required supervise implementation govt-to-govt contract for hard and soft ware. Accordingly, Embassy urges decision in favor of govt-to-govt offer as best means assuring substantial sale of goods and services, strengthening of Saudi ties of dependence and close association with US and because direct US involvement is best means assuring that Guard project is run in manner to safeguard long-run prospects for Saudi internal security. *End summary.* Following is our assessment present situation:

1. King's attitude: While King was close-mouthed in discussion reported reftel (B) yet his posture quite consistent reports we have had from other sources. He is opposed to private companies, does not want them to "get between USG and SAG" in implementation of project, i.e. he wishes full govt-to-govt relationship for all aspects of program. One aspect King's view is patently unacceptable to USG: concept that no company at all should be involved and that entire project be carried out by US military.

2. Preference for US: Our estimate there is general sentiment throughout top levels Saudi Government, including (as reported to us

¹ Source: National Archives, RG 59, Central Files 1970–73, DEF 6–4 SAUD. Secret; Priority; Exdis.

² Telegram 119605 to Jidda, June 30, authorized Thacher to tell Faisal that the Saudi decision to drop Raytheon was a "complete surprise," and that the United States believed contracting directly with a private firm for National Guard modernization was problematic given the sensitive nature of the National Guard's role. Thacher could offer the services of experienced U.S. personnel to develop a realistic proposal, although not U.S. implementation of this proposal. In telegram 2255 from Jidda, July 9, Thacher reported that during his authorized talk with Faisal, he was unable to overcome Faisal's "strong antipathy" toward private firms such as Raytheon due to "their willingness pay large commission to Khashoggi and like." (Both *ibid.*)

earlier by Kamal Adham) King himself, for US to carry out project because of political-military considerations as well as on basis superior US performance.

3. Competition: US has taken two months before making known its views following information received from Prince Abdullah that Raytheon proposal not satisfactory. We have left field open for British and French pursue vigorously their efforts secure National Guard program. British are, of course, well situated with their advisory mission at Riyadh which is in daily contact with senior National Guard officials. Newly arrived British Ambassador had hardly presented credentials before he rushed off call on top levels of Guard. Raytheon reps here inform us French are gleefully stating they have inside track and that Raytheon and USG no longer in running. Both UK and French will, we believe, be happy tailor their proposals (or appear to tailor them) any way necessary overcome King's objections. We cannot guess how much longer Prince Abdullah will wait for proposals from US which King might accept. While Abdullah is being exhorted to "go American" he may soon be able to point to US delays as reasons for urging acceptance either French or UK proposals in order get on with matter which we know Abdullah most anxious to do.

4. We believe it would not be helpful for us to urge again further consideration of Raytheon at this stage in view of King's desire company not handle National Guard contract because of association with Kashoggi. (While King did not say this specifically, it has reached us from so many sources that we certain this correct.) Yet in its predicament, Raytheon enjoys widespread respect in Saudi Arabia for its fine record as a performer on Hawk project. All may not be lost for Raytheon but company will have to be patient. Embassy will remain alert for any possible opportunity give company renewed chance, consistent with interest of other US firms who might legitimately wish obtain contract.

5. Believe State and Defense should recognize clearly nature of Guard program and what it might involve for USG were we to play role on following lines: survey team to work out precise character of a practical National Guard program, hardware to be sold SAG on govt-to-govt basis, govt-to-govt contract under which USG would employ private contractor to implement maintenance and training for National Guard. Our understanding first two aspects poses no special difficulties for USG. We concur fully in need of survey team to draw up proposal and that this first step is sine qua non of any further USG involvement. However, complexity of Guard project may have been, we believe, exaggerated. It is not nearly as complex task as Raytheon has undertaken in training Saudi Hawk battalions in Saudi Arabia. (Guard is more homogeneous and considerably less sophisticated organization

than Saudi Army.) Point is National Guard should not be difficult organization to guide once a program is formulated nor will it be impossible task provide improved weapons and simple training procedures that can upgrade guard without making it serious competitor to Saudi Army. Army Attaché here was intimately involved in development Raytheon proposals and it his belief program is not unmanageable and that with competent company performing main tasks, US might have to supply perhaps no more than 20 personnel to supervise. We assess National Guard project as far less complex with less risk of failure than either F-5 or Navy programs.

6. King's obsession with "no companies": We think King can be convinced a company must be employed if we will offer govt-to-govt contract, since this would eliminate agency fees and assure King of reliable performance. Prince Abdullah, Prince Sultan, others in government, would urge King to accept US-SAG govt-to-govt contract.

7. Accordingly, Embassy urges it be authorized to offer full govt-to-govt arrangement to King on lines described para 5 above for following reasons: (A) sale of some \$300 million worth of US goods and services to cash customer, (B) strengthening of Saudi sense of dependence and intimate association and trust with USG, with consequent reinforcement Saudi-US ties (with Arab governments these days we have far too few opportunities forge significant links of kind National Guard program provides), (C) there will be distinct sense Saudi disappointment if we fail come forward to meet their desires, (D) long-run prospects Saudi internal security best assured by USG (rather than French or British) having central role National Guard program implementation. (It certainly seems to be King's view that he wants sensitive Guard project entrusted to USG.)

8. Disadvantages are that we will have to field supervisory team, thereby increasing number of US military personnel in Saudi Arabia. Yet our best estimate is that if Navy supervisory, G-5 and possible guard in-country personnel requirements added to present USMTM personnel, total would be less than what US military had in this country several years ago.

9. Enormous significance of Saudi Arabia to US is often reiterated. Active willingness take on National Guard program constitutes important USG step by which we can further strengthen our role here, demonstrate support for King Faisal's government and actively pursue our objectives of insuring internal security and close Saudi-US relations.

10. In order learn of possible further aspects Saudi thinking Amb will be seeing Acting Guard Commander Prince Badr afternoon July 14 and will try convince him accept proposals set out reftel (A).

11. Would appreciate whenever possible guidance on what we might say to Raytheon here (para 12, reftel (B)),³ otherwise distorted info on Amb's meeting with King may percolate back to Raytheon head Adams.

Thacher

³ In paragraph 12 of telegram 2255, Thacher noted that it was desirable to coordinate statements to Raytheon both in Jidda and in the United States, and that Raytheon should be given a generalized account of Thacher's meeting with Faisal along with assurances of continued U.S. support. Thacher was informed in telegram 128308 to Jidda, July 15, that there was "no advantage in continuing to press the company's case" at this time. (National Archives, RG 59, Central Files 1970-73, DEF 6-4 SAUD)

163. Letter From the Assistant Secretary of State for Near Eastern and South Asian Affairs (Sisco) to the Chairman of the Export-Import Bank (Kearns)¹

Washington, September 1, 1972.

Dear Mr. Kearns:

We are reviewing with the Department of Defense our requirements for security assistance to various NEA countries over the FY 74-78 time frame. Present projections are that Foreign Military Sales credits will become increasingly tight during this period. Several major recipients of grant military aid are expected to switch in whole or in part to credit assistance programs. The outlook for a corresponding increase in Congressional appropriations under the Foreign Military Sales Act is not encouraging. We are, therefore, facing the painful decision of how to apportion a static or even declining amount of credit money among a growing number of claimants.

After careful review, we have concluded that the most feasible option is to move Saudi Arabia from Foreign Military Sales to EXIM financing to meet its military credit needs in FY 74 and subsequent years. Saudi Arabia has used only a small amount (about \$1 million) of Foreign Military Sales credit guarantee money during the past several fiscal years. We have no outstanding Saudi requests for credit assistance for projected major military programs nor any indications that the Saudis will approach us for credit during the next four years. The expected continued rapid growth of the Saudi economy, moreover, should

¹ Source: National Archives, RG 59, Central Files 1970-73, DEF 12-5 NEAR E. No classification marking. Drafted on August 31 by Wrampelmeier and concurred in in PM/MAS, PM/PA, NEA/RA, NEA/ARP, E/IFD/ODF, OSD/ISA/NESA, and NEA.

provide sufficient funds for both military and civilian expenditures during this time frame.

It is, therefore, difficult to gauge Saudi requirements for military sales credits in the post-FY 73 period. It is quite possible that the Saudis will not desire any credit assistance. There are, however, two contingencies for which we believe it prudent to be prepared. As implementation of planned Saudi Arabian economic development projects goes into high gear, the Saudis may find it desirable in any given year to stretch out payments for new military hardware and services in order to avoid deferring initiation of important economic and social projects. We would also like to be able to offer credit or credit guarantee facilities if necessary to enable American suppliers to compete effectively with foreign government-subsidized arms suppliers or to arrange for payment terms convenient for the Saudis. For the above reasons, we want to preserve our ability to respond positively to Saudi Arabian credit requests should they arise during the FY 74–78 period.

I am aware that EXIM Bank feels constrained to stay within certain overall limits each year for all military credit purposes. I am also aware that EXIM policy is to avoid providing more military than commercial credits to any one foreign country. Nevertheless, requests for credits or credit guarantees for purchases of military hardware and services would give us increased flexibility to meet the military credit needs of important allies in the NEA region while remaining capable of helping the Saudis to meet any legitimate military credit requirements that may arise.

A somewhat similar situation exists for the newly independent Persian Gulf states of Bahrain, Qatar and the United Arab Emirates. Given our policy preference that sales of military equipment and services to these states be handled to the extent possible through commercial sources, EXIM would also seem to be the appropriate source for any financing required. Kuwait, the largest of the Arab Gulf states, is already eligible for EXIM military credit financing.

I urge, therefore, that you give serious consideration to the case of Saudi Arabia and let me know, were we not to request Foreign Military Sales credits for Saudi Arabia in FY 74–78, whether we could count on EXIM Bank to give favorable consideration to requests for military credits/credit guarantees from Saudi Arabia and from the three other aforementioned Gulf states even in circumstances where the Bank may not have an equivalent amount of commercial loans outstanding.

Sincerely,

Joseph J. Sisco²

² Printed from a copy with this typed signature and an indication that Sisco signed the original.

164. Memorandum of Conversation¹

Washington, September 29, 1972.

SUBJECT

Participation and Saudi-U.S. Oil Relations

PARTICIPANTSHis Excellency Ahmad Zaki Yamani, Minister of Petroleum and Mineral
Resources of Saudi Arabia

His Excellency Ibrahim al-Sowayel, Saudi Arabian Ambassador to the U.S.

Honorable John N. Irwin, Acting Secretary

Honorable Rodger P. Davies, Acting Assistant Secretary for NEA

Mr. James Akins, Director, Office of Fuels and Energy

Mr. Nicholas Veliotes, Special Assistant, U

Mr. Francois M. Dickman, Director, NEA/ARP

Summary: Yamani saw few obstacles remaining before reaching final agreement with the oil companies on participation. He did not believe other oil producing countries could disrupt this agreement if he could show that it is fair and advantageous. Once participation is achieved, Saudi Arabia wants to invest in downstream oil operations. Otherwise, it will soon no longer be in Saudi Arabia's economic interest to increase oil exports and accumulate surplus cash reserves in depreciating currencies. He hoped the U.S. would give Saudi oil special treatment. If an early start is made, the end result would be to have a huge Saudi investment in downstream facilities in the U.S. with an obligation by the Saudis to move their oil to these facilities in future years. Not only would this assure future energy supplies to the U.S. but would also benefit the U.S. balance of payments. *End Summary*

Responding to Mr. Irwin's question about the status of negotiations on participation with the oil companies, Minister Yamani said a few obstacles remain but he believed these could be resolved. What is important now is what will happen once the participation negotiations are concluded. This will be the starting point of a new relationship between the oil companies, the producer governments, and the consumers. Full cooperation among all three parties will be needed to achieve stability in the energy field.

Mr. Irwin hoped that the agreement the Minister was negotiating would assure future stability but what concerned the U.S. was the at-

¹ Source: National Archives, RG 59, Central Files 1970-73, PET SAUD. Confidential. Drafted by Dickman and approved on October 3 by Nicholas Veliotes.

titude of other OPEC members. Given OPEC's support for the "law of changing circumstances," Mr. Irwin hoped that other OPEC members would accept the results of these negotiations and not try to disrupt them.

Yamani recognized that this was an important consideration but noted that the bulk of the oil that is exported now comes from the Gulf. Moreover, Saudi Arabia will be producing in the near future almost as much oil as all the other Gulf countries combined. The Kingdom's oil reserves also are almost as large as the other Gulf countries combined, and may be much larger if anticipated new reserves are added. Therefore, if these are serious negotiations and a satisfactory agreement is worked out, Saudi Arabia will take the lead and other countries will not be in a position to dictate a different settlement.

Minister Yamani admitted that he did not know if he could sell what he was negotiating to other oil producing countries. He had been working hard to convince the Kuwaitis. He did not expect support from Iraq, Libya, or Algeria, although the latter's attitude had been more pragmatic than the others. Therefore, it was important for him to be able to show OPEC that the agreement for participation which he had negotiated was the best and most successful choice. If this could be done, Yamani believed that the attraction in producer countries to nationalize or take unilateral actions against the oil companies would diminish.

Proving that participation was different from and more beneficial than nationalization would not be possible, however, unless the national oil companies of producing governments invest in downstream operations. This Yamani said would establish an economic interest for the producer government and allow its national oil company to play an important role in the world energy field, just as the major oil companies have done up to now. Downstream investment would encourage stability of supply. Consumer nations which established a relationship with the national oil companies would guarantee for themselves a good amount of crude in the future when the world's oil is in short supply.

The Minister observed that given the present growth in Saudi oil production, the Kingdom's oil revenues will soon exceed its spending capacity. There will no longer be any need to accumulate any more surplus foreign exchange to deposit in foreign banks since the appreciation of oil left under ground will be greater than the return on foreign exchange assets. This problem could be avoided if national oil companies of producer nations can go downstream. Otherwise, if no outlets for this surplus cash are available, pressures to implement a production control program would be inevitable and this would have a serious and adverse effect on the consumer.

Yamani noted that Saudi Arabia was the only country opposing a production control program at the present time. In 1964, Venezuela had tried to get OPEC support for production controls but Saudi Arabia had vetoed this. At that time Saudi Arabia had Kuwait and Libya on its side but this has changed. Kuwait has now established production controls and is in fact thinking of decreasing production in the future. Libya has already decreased its production. While Abu Dhabi's production is rising, it doesn't really count as a replacement source.

Mr. Irwin agreed that close cooperation will be needed by all parties. If a satisfactory agreement is reached, the new investments which Minister Yamani had spoken of should strengthen the bonds of cooperation among all the parties—producers, consumers and oil companies.

Minister Yamani said he was glad to hear this but he thought it would require some action by the United States Government. Perhaps a treaty or bilateral agreement would be needed to give Saudi oil special treatment in the U.S. markets. He believed that one day a large percent of U.S. energy requirements would come from Saudi Arabia. As the United States' energy requirements continue to grow and more of it comes from the outside, Saudi Arabia could become the number one foreign oil supplier to the United States. While no one could depend on a piece of paper to assure energy supply over the next 20 to 30 years, Yamani believed that Saudi policy toward world energy requirements was a friendly one. This had recently been reiterated in a Royal statement early in August that Saudi Arabia had a moral commitment to sell its oil to consumer countries and not to impose an embargo for political reasons. Nevertheless, it might be in Saudi Arabia's economic interest to restrict production if adequate downstream investment outlets are not provided for PETROMIN (the national oil company). Such investment in the U.S. would effectively guarantee Saudi interest in the continued growth of production and would help the U.S. balance of payments.

Mr. Irwin remarked that mutual interests always provided the best guarantees and he hoped that something could be worked out. What the Minister had said raised a lot of questions. Mr. Akins interjected to say that he did not think a treaty would be needed to assure Saudi investments in the U.S. Moreover, he expected that the whole U.S. import program will be changed. The Acting Secretary noted that the U.S. would be looking especially hard at its whole energy policy in the next year. Mr. Irwin agreed that a piece of paper would not guide us over the next 20 to 30 years but as the Minister knew from his legal training in the U.S., U.S. (and Western) business was based on the sanctity of contract. That is why we were pleased that the Minister and the oil companies seemed to be moving toward an agreement that both sides could live with.

Mr. Irwin said he could appreciate the Saudis' interest in investing funds in downstream operations but wondered whether investment might not profitably be made outside the oil industry. The American people have vast investments all over the world. European and Japanese investment in diverse sectors of the American economy is growing. While recognizing that there is a difference between private and government investments, there would be opportunities for Saudi investment in other fields as well.

Minister Yamani insisted that the most logical outlet for Saudi investment funds would be in downstream oil operations. He recognized that private investors looked for the highest return. In the case of government companies, however, national pride plays a role. While investment in such activities as steel might be more profitable, he believed that the Saudis would want to invest in a product with which they are identified. The extent of Saudi investment in downstream oil operations would of course depend on the attitude of the consumer countries. If Saudi investment is welcomed in downstream operations in a particular country, the Saudis will have an interest in supplying markets to that country for their share of oil obtained from participation. If a start could be made with the United States at an early stage, the end result would be to have a huge Saudi investment in the United States with an obligation on the part of the Saudi national oil company to move its oil to the United States in future years. This would assure the US a continued source of energy in the period 10 to 15 years from now when oil is expected to be in short supply in the world.

Turning to the negotiations now underway with the oil companies, Yamani said these are to be resumed on Sunday, September 30. He was optimistic that a settlement could be reached soon provided that the companies were willing to move on compensation which remained the principal stumbling block. Arrangements for marketing Saudi Arabia's future crude oil share were virtually completed. Yamani was particularly pleased that the oil companies now seemed to acknowledge that participation was not partial nationalization but realized that it was the basis for a new and permanent partnership. He affirmed that the Saudis were serious about being partners and wanted strong links with the oil companies.

Mr. Irwin thanked the Minister for his presentation. He appreciated the responsible nature of the negotiations which Yamani had conducted and hoped that the investments that he had spoken of would assure stability of supply for all consumer countries. He was also encouraged to hear Yamani's description of where negotiations stood. From the US point of view, the most difficult issue was compensation. As the Minister well knew, the American Congress had passed several laws calling for sanctions in the event of inadequate compensation. The

USG did not wish to get involved in the details of compensation but only to be sure that compensation was recognized by both sides as fair and equitable.

Yamani reiterated that all he was looking for was "a fair deal." It was important to work out something that was acceptable so that Saudi Arabia would not stand alone. He would hate to present an agreement to OPEC and have it turned down. This would be bad for everyone including the oil industry. Yamani added that he had agreed not to use net book value as basis for compensation even though he had received a strong letter to the contrary from the Secretary General of OPEC. He thought that OPEC's position would have to be changed and he was endeavoring to do so. Yamani added that a move was afoot now to have a high level meeting in Tripoli to review what he had been negotiating. Hence there was all the more urgent reason to reach a fair settlement.

165. Memorandum of Conversation¹

Washington, October 16, 1972.

SUBJECT

Saudi Arabian National Guard Program

PARTICIPANTS

The Honorable Joseph J. Sisco, Assistant Secretary, NEA
The Honorable Nicholas G. Thacher, Ambassador to Saudi Arabia
The Honorable James H. Noyes, DOD/ISA
Colonel George Maloney, DOD/ISA
Mr. Francois M. Dickman, Country Director, NEA/ARP
Mr. Brooks Wrampelmeier, Country Officer for Saudi Arabia, NEA/ARP

Mr. Sisco invited Colonel Maloney to outline his findings on the Saudi National Guard. Colonel Maloney said that as the National Guard has no Saudi officers and its personnel are 99% illiterate in Arabic, 10–20 years are estimated to be needed to carry out the program envisioned by the Guard leadership. Commercial dictates, however, obliged both the UKG and Raytheon to agree to National Guard Com-

¹ Source: National Archives, RG 59, Central Files 1970–73, DEF 6–4 SAUD. Confidential. Drafted by Wrampelmeier.

mander Prince Abdullah's requests to do the job in five years. Observers in Saudi Arabia believe that Abdullah is seeking to develop a force with a wallop in as short a time as possible so as to have some say in the succession when King Faisal passes from the scene.

Mr. Sisco asked if we want to give Prince Abdullah this capability. Ambassador Thacher observed that the King feels a need to reward Abdullah for past loyalty, especially for the role played by the National Guard during the March 1964 confrontation between Faisal and then King Saud. Mr. Sisco wondered what alternative options to U.S. help existed for Abdullah. The Ambassador thought that, if rebuffed by the USG, Abdullah would return to the King and say that he wants the British. The Ambassador doubted that the King would agree and was positive that Minister of Defense Prince Sultan would oppose a British role. Colonel Maloney remarked that Abdullah has threatened to go to either the UK or to the French if turned down by us.² He felt, however, that the King rather than Abdullah would make the final decision.

Asked how we should proceed, Colonel Maloney noted that the King wants to move promptly on National Guard reorganization to satisfy Abdullah. He suggested that the USG might offer to start with organizing two, rather than four, battle groups with the option to add more later on. No finite time limit for this program should be set. Complex or sensitive items, like artillery, should be supplied much later. Mr. Sisco agreed that for political reasons he would prefer to see artillery be a later add-on to the program. Continuing, Colonel Maloney suggested that the National Guard be given as much communications equipment as it wants and that its trucks be replaced with armored cars (armed initially with machine guns) and APC's. The Guard already has 103 × 106 mm recoilless rifles on order from Spain.

Mr. Sisco asked who would handle the software portions of the program. Colonel Maloney said that this could be Raytheon or any other qualified American commercial firm. The American business community in Saudi Arabia is aware of the National Guard project but no companies other than Raytheon have expressed active interest in obtaining this contract. Mr. Dickman and Mr. Wrampelmeier confirmed that there have been no approaches from other companies here.

Mr. Sisco then asked about the possibility of a government-to-government arrangement. Mr. Noyes said that DOD/ISA has studied

² In an October 17 meeting with Thacher and Wrampelmeier, Defense Department representatives pointed out the potential problems associated with U.S. arming and advising of two potentially conflicting Saudi forces, the regular army and the National Guard. Thacher countered that it was better for the United States to arm both sides than to allow for Britain or France to arm and advise them as "that could lead to a situation in which different foreign governments backed rival forces." He thought a double U.S. role could mitigate the rivalry. (Ibid.)

this question carefully and sees no alternative if the National Guard project is to be carried out by U.S. sources. He cautioned, however, that Secretary Laird's approval still needs to be obtained before a USG commitment can be given to the Saudis. Mr. Sisco said that he had talked to Secretary Rogers about this project and could state categorically that Mr. Noyes has the Department of State's clearance to proceed on a government-to-government basis. Mr. Sisco added that if need be, he could ask the Secretary to speak to Secretary Laird.³ Mr. Noyes said that DOD/ISA will begin promptly to draft a paper to Secretary Laird recommending his approval for negotiation of a government-to-government agreement with the Saudis for the National Guard.⁴

³ On November 28 Rogers wrote Laird that a favorable response would be sent to Faisal concerning a government-to-government agreement for modernization of the National Guard, making "maximum use of American contractors with supervision exercised by a modest Department of Defense contract administration element." (Ibid., AID(US) 8-7 SAUD)

⁴ A meeting between State and Defense Department representatives took place on October 19 at which they discussed practical steps for proceeding with the negotiation of a government-to-government agreement, once Laird gave the green light. See Document 167.

166. Telegram From the Embassy in Saudi Arabia to the Department of State¹

Jidda, October 17, 1972, 1433Z.

3347. Dept pass Cairo. Kuwait pass Muscat. Subject: Saudi-US Oil Relations: Implications of Yamani's proposed "special relationship." Ref: Yamani-Irwin Memcon Sept 29.²

Summary: Special oil relationship proposed by Saudi Minister Petroleum another of constructive developments made possible by reduced tensions in area; it dramatically illustrates King Faisal's continued gift for creative and independent statecraft. Saudis may see Yamani's proposal partly as opportunity to increase their prestige at home and abroad. We believe, however, that primary object of

¹ Source: National Archives, RG 59, Central Files 1970-73, PET 1 SAUD-US. Confidential; Limdis. It was repeated to Abu Dhabi, Algiers, Amman, Beirut, Brussels, Caracas, CINCEUR for POLAD, Dhahran, Djakarta, Kuwait, Lagos, London, Manama, Rome, Tehran, Tripoli, Tunis, Vienna, and the Mission to OECD in Paris.

² Document 164.

proposal—and of other Saudi initiatives in economic and military fields—is to improve their long-term security prospects by strengthening and expanding ties with US. US dependence on any Arab nation for significant percentage of its future energy needs obviously undesirable—but since some such dependence appears inevitable by start of 1980's best assurance of uninterrupted oil supply lies in evident and mutual self-interest. In case of SAG, most effective inducement we could offer for it to continue producing oil at levels we will require may not be purely economic (i.e. access for US investment market) but take form of closer, stronger relations across the board. *End Summary.*

1. MinPet Yamani's offer of SAG investment in US energy sector in return for preferential treatment for Saudi oil has wide-ranging implications for both countries. Based upon info in ref memcon, we have outlined some of political and economic considerations that may underlie Yamani's offer, and considered its impact on US–Saudi relations.

2. Favorable atmosphere in area. Minister Yamani's offer, as well as negotiations with oil companies that precede it, are made possible by diminished tension that has prevailed throughout area since 1970 when cease-fire came into effect along Canal and fedayeen eliminated from East Jordan. It is thus latest in series of steps taken by Arabs—including expulsion of Russians from Egypt—which exploit potential of détente and perhaps even add to its momentum.

3. Faisal's independence and creativity. Offer is dramatic evidence that King, despite deep hostility to Zionism and misgivings about our Middle East policy, is still capable of creative and independent statecraft where his nation's bilateral interests are concerned. Yamani offer, we note, put forward when Cairo press (Cairo 2768)³ once again urging Arabs to use oil as political weapon in struggle against Israel—a demand which King previously rejected in *Al Musawwar* interview August 4. We consider it immaterial whether idea of special oil relationship originated with Yamani or Faisal himself. What matters is that given King's remarkable capability for hard work and his known concern for even minor administrative decisions, all Saudis assume Yamani has King's full support—just as he did on previous issue of participation.

4. Opportunity for image polishing. There no doubt SAG also aware of possibilities in this dramatic proposal of useful public relations for itself. What King and Princes have long needed, at home as well as abroad, is more dynamic and progressive image. Present oil initiatives, in which Saudis act as trail blazers for “all oil producing

³ Telegram 2768 from Cairo, October 14. (National Archives, RG 59, Central Files 1970–73, PPB 9 EGY)

nations" (per local press), appeal to Saudis' instinctive feelings of religious and cultural superiority. Conclusion of preferential oil relationship would help give wider credence to SAG's assertion that its responsible approach to modernization produces better results than does flashy stick-handling of revolutionary Arabs—who often fall on their faces.

5. Saudi Arabia's long-term security considerations. For most of last 40 years, since oil agreement signed with ARAMCO, close ties with USG have been bedrock of SAG security policy. As Chief of State whose experience in international politics dates back to Versailles Conference, King Faisal has long memory. Two conclusions he drew early were that USG had no designs of imposing its political influence on Saudi Arabia and that USG support for Saudi external security was essential for oil-rich and people-poor country. USG, in Faisal's eyes, has proved itself in time of need, most notably by Lend-Lease shipments in 1943–45 and by providing squadron of USAF (Operation Hardstand) when Saudi Arabia was being bombed by UAR in early days of Yemeni civil war.

6. While SAG reassured by USG performance and by expressions of concern for Saudi external security by every US President since FDR, SAG has long had nagging worry about asymmetrical nature this relationship. Notwithstanding large American investment in ARAMCO and important USG interest in uninterrupted flow of crude oil to its allies, it has been obvious to SAG that USG in Middle East has until very recently been far more occupied by Arab-Israel issue. If there ever direct conflict between two interests, SAG has feared it might be left in lurch or be driven by regional pressures to pursue policies harmful to its own interests—as well as of US.

7. In purely economic terms, SAG may also have been somewhat concerned that as SAG's participation in ARAMCO concession increased, US direct economic interest in Saudi Arabia could somewhat diminish.

8. Embassy has pointed out in last annual political assessment (A-42, Apr 18, 1972)⁴ that this relationship is becoming somewhat more symmetrical as SAG grows stronger and more self-confident, and US becomes more interested in assured access to increasing quantities of Saudi oil. Nonetheless, SAG still concerned over its continuing vulnerability to external aggression, and perhaps also to unsettling side effects of new Arab-Israeli clashes. Thus, we believe that Yamani's request that Saudi oil be given special status in US market is latest manifestation of SAG's intent to further improve its long-term prospects for security and stability by progressively strengthening bilateral ties with US.

⁴ Airgram A-42, April 18. (Ibid., POL 1 SAUD-U.S.)

9. Economics of Yamani's proposal: Yamani's offer cannot by any means be panacea for \$30-billion-a-year oil bill which some predict for US in mid-eighties. Nor can it furnish any more than one-fourth to one-third of outlet for massive Saudi investments downstream aimed at keeping oil flowing to its technical limits. It is not likely, moreover, that SAG's developing expertise in investment finance would lead her to place more than 50 percent of her surplus funds in one economy, even in that of the favored US. (We would have to assume that USG would not agree to more than 50 percent of its imports coming from one source, which means six million b/d at most by 1980, only about one-third of Saudi production.) Nevertheless, without carefully analyzing US side of equation (which we in field cannot do) it seems safe to conclude that magnitudes of investments on both sides would be great enough to insure a real intertwining of economic interests.

10. Some tentative assessments. It is worth noting that an increased identification with USG via preferential oil deal could carry real risk for Saudis. Should inter-Arab disputes erupt again in context of deteriorating Middle East situation, SAG would be liable to more violent attack than before from radicals as being "in league with US-Zionist imperialism." SAG would be juicy target for anarchical Palestinian terrorists. Reply, however, could be made that oil deal would not be a unique, unprecedented phenomenon but only one case out of many, all pointing to a drawing together of US-Saudi interests which has been going on for several years and which will continue into future. SAG, moreover, by allowing offer to be put forward obviously feels benefits are worth whatever future risks may be involved.

11. From our standpoint, it clear that acceptance of Yamani-type offer would have far reaching implications for our national security policy toward Arabian Peninsula and Persian Gulf during next 20 years; as that question is debated in Washington, it clear that an increased US dependence on any Middle East country obviously undesirable in itself. But it can be argued that if US must satisfy perhaps a quarter of its energy demands over next 20 years via imports from Arabian Peninsula, then steps should be taken so that benefits we receive are balanced as much as possible by those we confer. Only in this manner can our oil supplies be assured, or at least made less vulnerable to foreign political pressures.

12. Most effective inducements we could offer SAG to continue producing oil at levels required by our growing needs—despite probable unwieldy increase in Saudi monetary reserves—might not be purely economic. Instead, a more desirable quid pro quo in Saudi eyes could be their consciousness of enhanced security and stability as a result of closer, stronger relations with US across the board.

Horan

167. Letter From the Deputy Secretary of Defense (Rush) to Secretary of State Rogers¹

Washington, December 5, 1972.

Dear Bill:

We appreciated receiving your letter of 28 November regarding King Faisal's request that the U.S. Government undertake to support the modernization of the Saudi Arabian National Guard.² Your assessment of the political importance of acceding to the King's request has been helpful to me in reaching a decision on the subject.

Given the nature of the project, we are likely to be involved in it—and with American military and civilian personnel in country—for an undetermined number of years. Also, as you know, the political ramifications of modernizing the Guard are complex, involving as they do factions within the Royal Family and even touching upon rivalries as regards the succession to the throne.³

I agree with you that it is important to safeguard U.S. interests in Saudi Arabia, especially as the fuel supply problem looms ever larger for the U.S. Accordingly, I have approved a recommendation that the U.S. Government agree to support modernization of the Saudi Arabian National Guard.

I have taken this decision, however, far more on political than on military grounds in view of the high priority King Faisal attaches to the project and the political importance which you have emphasized of acceding to his wishes.

This will permit Ambassador Thacher to convey a favorable response to King Faisal and to undertake preliminary consultations leading to a government-to-government understanding. We visualize U.S. support as including the following:

- a. Sale of hardware through the FMS program;
- b. Military/DoD civilian advisors to oversee contract personnel in the performance of their contractual responsibilities;
- c. All costs to be borne by the Saudi Arabian Government.⁴

Subsequent to acceptance by King Faisal of the general principles involved concerning selection of a contracting firm and in the U.S. sup-

¹ Source: National Archives, RG 59, Central Files 1970-73, DEF 6-4 SAUD. Secret.

² See footnote 3, Document 165.

³ Telegram 2862 from Jidda, September 4, expanded on this issue. (National Archives, RG 59, Central Files 1970-73, DEF 6-4 SAUD)

⁴ As reported in telegram 4266 from Jidda, December 27, Thacher passed on to Faisal the basis on which the United States would undertake a government-to-government contract for modernization of the National Guard. (Ibid.)

port of this program, I envisage that we would enter into a Memorandum of Understanding which would delineate responsibilities and scope of the work to be done.

I understand that our two staffs will work out the details of any additional guidance required at this time by Ambassador Thacher.

Sincerely,

Kenneth Rush

168. Memorandum From the President's Assistant for International Economic Affairs (Flanigan) and the President's Assistant for National Security Affairs (Kissinger) to President Nixon¹

Washington, undated.

SUBJECT

State Department Draft Letter from the President to King Faisal re Saudi Proposal for a Special Relationship in Oil

Saudi Arabian Oil Minister Yamani recently proposed, in conversation with Deputy Secretary Irwin and later in a public speech,² a special relationship between Saudi Arabia and the U.S. for the future supply of Saudi Arabian oil, coupled with sharply increased Saudi investments in the U.S. to offset the balance of payments drain.

In effect, the Saudis are probing the possibility of a bilateral agreement with the U.S. which would give their oil and capital investments preferred access to U.S. markets. Because of surging demand for Mideast oil by all Free World developed nations, and because of the successful cartelization of Arab oil supplies by OPEC, the Saudis have little need to make bilateral economic concessions to market their oil. Hence, it is likely that the Yamani proposal reflects a Saudi desire for the political protection which would inevitably result from a "special relationship" with the U.S. in oil.

¹ Source: National Archives, Nixon Presidential Materials, NSC Files, Box 1287, Saunders Files, Saudi Arabia, 1972. No classification marking.

² See Document 164. Information on Yamani's September 30 address to the annual Middle East Institute meeting is in circular telegram 179548, October 2. (National Archives, RG 59, Central Files 1970–73, PET 17 US–SAUD)

From the U.S. standpoint, since Saudi Arabia is the one nation in the world with practically unlimited supplies of cheap oil, the Yamani proposal raises the question whether we should modify our traditional multilateral approach to foreign oil supplies, and our limited preferences for Western Hemisphere imports, in order to seek assured, long-term energy supplies from the most abundant sources of foreign oil. On balance, we think not. Any move toward the Saudis would upset the domestic oil industry, and it might complicate the difficulties of the U.S.-dominated international oil companies. More important, we do not believe the U.S. could afford from a foreign policy standpoint to give Saudi Arabia a preferred status over allies such as Iran and Kuwait, to say nothing of Canada and Venezuela, and we do not believe it is in our long range interests to trigger a race with the developed countries of Europe and Japan for bilateral preference arrangements in oil.

We believe a largely negative response to the Yamani proposal is appropriate, and State agrees.³ We also suggest a letter from you to the King which puts the USG response to the Yamani proposal in a broader context of your ongoing relationship with the King and his Nation (Tab B).⁴

Finally, we plan to pursue with the relevant investment agencies a more detailed analysis of how Saudi investments in the U.S. might be facilitated.

Recommendation:

That you sign the letter at Tab A.

³ Rogers suggested that the response to Yamani's proposal be a letter from Nixon to Faisal, but not a government-to-government agreement. (Memorandum from Rogers to Nixon with draft letter to Faisal, November 4; *ibid.*, Nixon Presidential Materials, NSC Files, Box 1287; Saunders Files, Saudi Arabia, 1972) Saunders recommended that Rogers's proposed draft letter not be sent since it was too negative, particularly if the Yamani proposal was a feeler designed to elicit U.S. political protection. (Memorandum from Saunders and Loken to Flanigan and Kissinger, November 10; *ibid.*, Box 761, Presidential Correspondence 1969-1974, Saudi Arabia: King Faisal ibn Abd al-Aziz Al Saud, 1972) An attachment noted that, as written, Rogers's draft was "such a waffle on the real substance of the issues that are being addressed, that it is nothing more than a polite turn-off." This was "highly inappropriate" given the U.S. dialogue with Saudi Arabia "on their role in a strategy for strengthening our moderate friends" in the Middle East.

⁴ Tab A is not attached. However, Eliot submitted a second State Department draft on December 12, which included a response to the Yamani proposal within a reply to a November 12 letter from Faisal. Faisal's letter focused on his hopes for Nixon's second term in office, Middle Eastern regional issues, and recent oil negotiations. Eliot's draft became the basis for a December 26 letter to Faisal, which stated that the United States looked forward to strengthened cooperation between the two countries, to increased imports of Saudi Arabian oil, and to increased Saudi investments in the United States to help offset the U.S. balance of payment burden "just as Your Majesty's Government has welcomed American private investment in your country." (*Ibid.*)

169. Briefing Paper Prepared by the National Security Council Staff¹

Washington, December 14, 1972.

SAUDI ARABIA

The following is a basic reference package on Saudi Arabia. It is not comprehensive but does concentrate on those aspects that might be of most interest to you and which could come up in the course of your conversations with King Faisal and other Saudi officials. Recent correspondence between the President and King Faisal is also included for your background. Ambassador Nick Thacher will be prepared to provide you any additional background information you may require.

General Background

There are two basic facts about Saudi Arabia that stand out above all others—its wealth and its backwardness (see economic fact sheet at Tab A).

The basis for Saudi Arabia's wealth is, of course, its gigantic petroleum reserves, which are by far the world's largest, and the increasing world demand for petroleum products. Just to cite a few illustrative figures, Saudi petroleum reserves are conservatively estimated at 130–140 billion barrels and some geologists think that they are at least twice or thrice this figure. This compares to a total of an estimated 530 billion barrels in the world—450 billion barrels in the Eastern Hemisphere (350 in the Arab world) and perhaps 80 billion barrels in the Western Hemisphere (40 in the US). By 1980, unless there are dramatic, new and unexpected discoveries elsewhere in the world, only Saudi Arabia and Iraq for sure will still be able to look forward to increases in their production. Even more significantly, given the continuation of present trends, the US will be importing about 20% of its petroleum requirements from Saudi Arabia by 1980. Natural gas also exists in vast quantities in Saudi Arabia but only a small fraction of it is being exported.

With the recent revenue and "participation" settlement, Saudi Arabia has also emerged as a potential money power in international finance. The OPEC "participation" agreement concluded in October and in the process of final approval by the Arab governments in the Persian Gulf, provides for 25% control of the equity, oil production and profits of the companies now and up to 51% control by 1983. The

¹ Source: National Archives, Nixon Presidential Materials, NSC Files, Box 1287, Saunders Files, Saudi Arabia. No classification marking. All tabs, with the exception of Tab F, are attached but not printed. Tab F is not attached. A handwritten note by Saunders reads: "for Connally in preparation for Saudi Arabian trip."

compensation issue, which held up the negotiations for so long, was finally settled by an agreement on a formula compensating the companies on the basis of the "updated book value" of their investments, an amount over twice as much as OPEC originally offered.

Saudi reserves presently stand at about \$2.5 billion, are rising by about \$100 million a month and, by a projection of present trends, would reach a total of \$100 billion in the early 1990s. The Saudis may already, however, have reached the point where they have more revenue than they can constructively spend. Many believe that if the oil is to continue to flow uninterrupted, the Western world in general and the US in particular are going to have to give the Saudis better alternatives to leaving the oil in the ground.

Despite this great wealth, Saudi social and political life is still very conservative and traditional. King Faisal's rule, though benevolent, is highly personalized and authoritarian. Many of the country's approximately 5.5 million people still lack a sense of common nationality and lead a primitive life in the desert. Conservative Islamic values permeate the society, even to the point where some Saudis will not accept interest payments on investments.

US–Saudi Relations

US interests in Saudi Arabia are chiefly economic and center principally on Saudi oil—on maintaining access to oil sources and ensuring a continuing supply of oil to the US, Europe and Japan. ARAMCO—which is owned by Standard Oil of California (30%), Standard Oil of New Jersey (30%), Texaco (30%) and Mobil (10%)—is our largest single investment abroad and a major contributor to our balance of payments. The US is the chief supplier of goods to the Saudi market.

The US is heavily committed to improving Saudi Arabia's defense capability. The Saudis look to us as their principal source of military equipment and in recent years have spent an average of over \$30 million annually for weapons. A US Military Training Mission has been in Saudi Arabia for years. We have built a modern transportation system for the Saudi Army and during the last year agreements have been concluded under which the US will assist the Saudis in further expanding and modernizing their air force, navy and national guard. We have just approved an extensive modernization program for the Saudi National Guard which will probably be done by Raytheon under a government-to-government agreement.

Over the last year or so our relations with the Saudis have also begun to broaden and deepen on the political level. King Faisal paid an official state visit to Washington in May of 1971² and in the course of

² See Document 151.

his talks with the President a good rapport was established. Since then the President and the King have carried on a fairly extensive correspondence which seems to have extended the understanding on both sides and there have been a series of high-level Saudi visits to Washington. The most recent in this series includes:

—In June King Faisal's brother, and Defense Minister Prince Sultan came to the US as a guest of Secretary of Defense Laird.³ The highlight of that visit was a call which Sultan paid on the President during which he presented a paper with an unusually good statement of Saudi strategy for enhancing its security (see Tab B).⁴ Among other things, this paper for the first time indicated that the Saudis are beginning to develop a realistic strategic view of their region that regards a strong Jordan as crucial, cooperation with Iran as imperative and Saudi moderating influence on the Egyptians as useful. In response, the President wrote Faisal a letter intended to encourage the Saudis to develop their policies along these lines.⁵ [*Comment*: Unfortunately, the Saudis have not lived up fully to their emerging strategy, and anything you might conveniently say to encourage them on Jordan would be most useful. We would especially like to see them contribute more financial assistance to King Hussein of Jordan.]⁶

—During a visit here by Faisal's son, Prince Sa'ud—whom you met—King Faisal wrote the President in July asking him to use his good offices with the parent companies of ARAMCO to encourage their flexibility in the then on-going OPEC "participation" negotiations (see Tab C). The President's response was friendly but also supportive in a general way of the companies' position and they feel it contributed to a more satisfactory outcome. The main point was that our two countries and the Free World generally had a strong interest in a settlement that could be viewed as fair by both parties and provide for a lasting relationship. Flexibility was crucial and there was a need to balance short-term financial advantage against long-term security interests in strengthening the forces of moderation in the world. [*Comment*: The OPEC "participation" settlement is viewed as being about the best possible the companies could have obtained under the circumstances. It would be appropriate for you to note the relative Saudi moderation on the participation issue and our common interests in responsible actions in this area in the future. Any emphasis you put on the potential the Saudis have to show the other more radical Arabs a successful but reasonable alternative will reinforce the points the President has been trying to get across to the Saudis.]

³ See Documents 159–161.

⁴ See Document 160 and footnote 2 thereto.

⁵ See footnote 4, Document 161.

⁶ All brackets are in the original.

—The President currently has another letter on his desk from King Faisal which will be answered soon (see Tab D) which sets forth the Saudi view on the need for early US action to achieve Israeli withdrawal from occupied Arab territory and urgent US assistance to the Yemen Arab Republic. This is always a difficult subject with an Arab and Faisal feels strongly about it, especially the Jerusalem question. [*Comment:* Because of your relationship with the President, Faisal may also make a strong pitch to you on these topics. You can safely pass on the Yemen subject by simply promising to inform the President. On the peace settlement effort, you could point out that the President has said that he intends to give this a “very high priority” during his second term and that you know he wants nothing more than a just and lasting peace in the Middle East.]

Yamani Proposal

In late September of this year Saudi Oil Minister Yamani during a visit to Washington made an official and public proposal that Saudi oil be let in to the United States on a preferential basis without duty and that large Saudi investments in the US oil industry be permitted.⁷ In return for this, Saudi Arabia would direct its oil exports to the growing US market. The Saudi motives behind this proposal actually seem to be more political than economic in that they would obviously like us to become a powerful protector for them against the Soviets (whom they greatly fear) and other governments in the area who pose a potential threat to them (presumably Iran and Israel as well as radical Arab regimes). Through an arrangement like the Yamani proposal, the Saudis probably hope to create a self-reinforcing link which would guarantee our oil supplies and their security.

The Yamani proposal is still under active consideration by the Administration. It is obviously very attractive since it would assure that a large part of the increased balance of payments drain that will be caused by increased oil imports in the future would be offset by Saudi investments in the US. Moreover, if this investment went mainly into oil refining and distribution ventures, the Saudis would have an incentive to protect their investment by ensuring the continued and stable supply of oil. On the negative side, the extension of either quota or tariff preferences to the Saudis would conflict with our GATT obligations and would probably impel the Shah, the Kuwaitis and other oil exporters to demand similar treatment. Such an agreement would also lead our OECD partners to seek similar arrangements thereby driving up prices and eliminating the oil industry's flexibility to respond to supply emergencies.

⁷ See Document 164.

Some positive response to the Saudi initiative is required. The only thing holding us up at this point is a debate within the Administration about how far it is desirable to go down the Yamani track at this point and what might be equally attractive alternative approaches that the Saudis would accept and which would present fewer difficulties for us.

Given your relationship with the President and deep involvement in international economic affairs, the Saudis will probably bring this proposal up with you at some level. In any response, you can above all reassure the Saudis of our strong desire for close cooperation in petroleum and financial affairs and, of course, welcome large Saudi investments in the US.

Biographic sketches of the leading cast of Saudi characters are at Tab E.

A *detailed map* is at Tab F.

170. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon¹

Washington, undated.

SUBJECT

Connally and Lincoln Visits to Saudi Arabia

As you know, John Connally and Frank Lincoln have recently paid separate private visits to Saudi Arabia as the guests of King Faisal. Both will probably wish to report to you directly.

Frank Lincoln has cabled you a full report of his meetings with King Faisal and other Saudi officials. His summary memo for you is attached (Tab A).² The highlights of his talks were:

—King Faisal said that there could be no further development of mutual Saudi-US economic interests or any further expansion of oil production without a political settlement of the Arab-Israeli conflict. Faisal said that he was coming under increasing pressure from the radical Arabs to cut off the oil supply now and, "with tears in his eyes," urged that you force Israel to abide by Security Council resolution 242.

¹ Source: National Archives, Nixon Presidential Materials, NSC Files, Box 1287, Saunders Files, Saudi Arabia, 1972. Secret; Nodis. Sent for information.

² Tab A is attached but not printed.

(This is the strongest statement yet by Faisal and his first direct linkage of the Arab-Israeli problem with oil.)

—Faisal's intelligence chief suggested that it might be useful for Lincoln to see Sadat on an unofficial visit to Cairo as a private citizen but a friend of yours. Several Saudi ministers also suggested that you assign me to assist in finding and negotiating a solution to the Middle East problem.

—Lincoln floated with several Saudi ministers an idea of setting up a semi-public board of Saudi and American businessmen which, among other things, would work on channeling Saudi investment money here. Those Saudis seemed generally favorable to this idea, although the King's remarks would seem to inhibit implementation soon if he is serious.

—Saudi Oil Minister Zaki Yamani said that in the future there would have to be a two-way street, both economically and politically, between the US and other industrialized countries and Saudi Arabia. For instance, currently he was considering developing a vast petrochemical and related industrial program in Saudi Arabia in conjunction with the countries to which the Saudis are now selling their oil. Yamani seemed to best sum up an emerging Saudi attitude when he said: "You, the United States, need us more than we need you."

John Connally's experience with the Saudis was apparently about the same as Lincoln's.³ Before he departed Saudi Arabia, Connally informed our ambassador that:

—King Faisal virtually monopolized their one hour and forty-five minute meeting talking about Zionism, Communism and Israel.

—As with Lincoln, Faisal forcefully stated and restated his belief that unless the US could achieve political progress on the Arab-Israeli dispute all other aspects of Saudi-US relations are likely to be adversely affected. The King listened to Connally's statement regarding your continued active concern with the Middle East problem, but asserted that visible signs of progress are now of particular concern to Saudi Arabia. Connally attempted to raise other topics (such as Saudi leadership role in area and use of their growing monetary reserves) but the King could not be distracted from this central theme.

—Connally found Prince Fahd firm on the question of Israel also but more temperate than the King. He found particularly noteworthy, Fahd's judgment that, despite present appearances, an indefinite continuation of the present Arab-Israeli impasse could not be accepted by any Arab state for very long.

³ Connally's report is in telegram 4175 from Jidda, December 19. (National Archives, Nixon Presidential Materials, NSC Files, Box 1287, Saunders Files, Saudi Arabia, 1972)

—To other Saudi officials, Connally indicated that the US would probably be sympathetic to increased oil imports from Saudi Arabia but at the same time vigorously urged greater Saudi (and also ARAMCO) imports of US manufactured goods.

It seems clear from the Connally and Lincoln talks that King Faisal is considering the idea of somehow bringing economic pressure to bear on the US to impose a peace settlement on Israel favorable to Arab interests. He may give us some time, but Faisal's remarks seem to indicate that he will no longer remain in a passive wholly friendly posture indefinitely awaiting favorable US action to resolve the Arab-Israeli dispute.

Prince Fahd—the powerful and friendly Interior Minister who will most likely succeed Faisal—is coming to the US in February on a private visit and has asked to see you. This would probably be especially useful given this new and harder Saudi position.