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NATIONAL INTELLIGENCE DAILY CABLE

Friday 2 December 1977

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State Dept. review completed

DIA review(s) completed.



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SAUDI ARABIA: Yamani's Comments

[redacted] //In a wide-ranging conversation yesterday with Ambassador West, Saudi Oil Minister Yamani expressed the view that a price freeze this month is now a foregone conclusion. Yamani said that Kuwait, Abu Dhabi, and Qatar will join Saudi Arabia and Iran in supporting a price freeze; he believes that the remaining OPEC countries will have no choice but to go along.//

[redacted] //We are not certain that Kuwait, which had favored a price increase, has agreed to a freeze. Nevertheless, the combination of Saudi Arabia and Iran, along with a few other OPEC countries, certainly would tip the scale in favor of a freeze at the OPEC meeting in Venezuela later this month.//

[redacted] //In view of the language and approach used by Yamani, we presume he is speaking on behalf of Crown Prince Fahd. We do not know, however, if this position represents a consensus of the royal family at this time. With barely three weeks to go before the meeting, the final Saudi decision on prices could still be influenced by a perception by the Saudis of a deterioration in Arab-Israeli peace prospects.//

[redacted] //Yamani's remarks apparently supercede the recent recommendation by the Saudi Deputy Oil Minister that Saudi Arabia support a price increase. Yamani also believes that market pressures will push up oil prices in the second half of 1978 no matter what OPEC does. He emphasized to the Ambassador the necessity of effective conservation in consuming countries over the longer term. [redacted]

ISRAEL: Seizing Opportunity

[redacted] Israeli leaders seem convinced that Egyptian President Sadat might be willing to conclude a separate agreement with Israel if his present initiative fails because of Arab rather than Israeli intransigence. As a result, several senior cabinet ministers [redacted]

[redacted] are urging Prime Minister Begin to show some genuine flexibility in responding to Sadat's overture for an overall settlement, presumably lest the chances for even a separate agreement be lost.

[redacted] Begin has [redacted] acknowledged the need for Israel to rethink its approach to key issues, including the West Bank.

[redacted] Begin seems deeply torn between adhering to his strongly held religious-political principles and seizing the historic opportunity that Sadat has offered him.

[redacted] There is apparently a general consensus among Israeli leaders that an accommodation at least with Egypt is now possible. Dayan stated flatly in an interview on Wednesday that Sadat was ready for a separate peace if the other Arabs opposed a comprehensive settlement. General Gazit, Director of Israeli Military Intelligence whose views are widely shared by other senior officials, echoed this assessment in a briefing he gave foreign military attaches yesterday in Tel Aviv.

[redacted] Gazit maintained that Sadat's visit to Jerusalem was motivated by the belief that Egypt has no military solution to the Arab-Israeli conflict either in the immediate future or over the longer term because the Middle East would soon become a "nuclear area"--thus implying that both Israel and the Arabs would have nuclear weapons. Gazit also said that Sadat faces serious economic and social problems at home, and lastly that he realized the only way he could break down the psychological barriers to a settlement was to go to Jerusalem.

[redacted] Gazit acknowledged that Sadat is not now interested in a bilateral agreement with Israel and that the negotiations in Cairo would have to deal with an overall settlement. He argued that Sadat, nevertheless, has no mandate to negotiate for the other Arabs and that Syria and the Palestinians have demonstrated that their desire for peace is insincere. As a result, Gazit maintained that Sadat could reach an agreement with Israel on the general terms of a comprehensive settlement, and unilaterally implement Egypt's part, leaving the other Arabs to follow suit at their discretion.

[redacted] The Israelis obviously hope that Jordan's King Husayn will decide to join the negotiations at some point, helping to buttress Sadat's position in the Arab world and to isolate Syria. Both Gazit and Finance Minister Ehrlich--the leader of the Liberal faction of Likud--noted yesterday that Jordan is an

important factor in the present situation. Indeed, the Israelis seem to find it incomprehensible that Jordan and Saudi Arabia have not supported Sadat more fully and openly against the Arab radicals. [REDACTED]

ARAB STATES: Tripoli Meeting

[REDACTED] *The heads of state of the radical Arab nations and Palestinian leaders convened in Libya yesterday to denounce Egypt's peace initiatives and immediately postponed their meeting until today. The Soviets continue to support a resumption of the Geneva conference and thus have not been outspoken in their support of the Tripoli conference.*

[REDACTED] The ostensible reason for the postponement was the delayed arrival of South Yemen's President; the real reason could simply be the continuing confusion that has surrounded arrangements for the summit from the beginning.

[REDACTED] Already in Tripoli are Syrian President Asad, Algerian President Boumediene, Palestine Liberation Organization chairman Yasir Arafat, Palestinian rejectionists George Habbash and Ahmad Jabril, and an Iraqi delegation headed by Revolutionary Command Council member Taha Yasin Ramadhan.

[REDACTED] The Syrian Deputy Chief of Mission in Moscow has told US officials that Soviet President Brezhnev, during his meeting with Syrian Foreign Minister Khaddam on Wednesday, gave Khaddam a message for the Tripoli gathering, expressing his personal hopes for its success. The Soviets allegedly regard the session as being necessary because of the bad effects of Egyptian President Sadat's visit to Israel and his call for a pre-Geneva conference in Cairo.

[REDACTED] According to the Syrian diplomat, the Soviets do not agree with the Syrian view that Sadat's initiatives have inevitably postponed a reconvening of the Middle East peace conference at Geneva but do admit that its resumption has become much more difficult. Soviet media have not commented on the Tripoli meeting but have repeated Arab commentaries to emphasize the strong Arab opposition to Sadat's activity.

[REDACTED]

[REDACTED] The Syrian diplomat said that Khaddam had expressed concern to the Soviets that Iraq's call for a meeting in Baghdad might hamper the gathering in Tripoli, but the Soviets merely told Khaddam that they did not want that issue to worsen Syrian-Iraqi relations. According to the Syrian, the Soviet leaders pronounced themselves in favor of thy Tripoli meeting and did not commit the USSR for or against a conclave in Baghdad.

[REDACTED] Tariq Aziz, a member of Iraq's ruling Revolutionary Command Council, arrived in Moscow yesterday and presumably will push for a Soviet endorsement of a Baghdad meeting as well as for greater Soviet support of the radical Arabs. [REDACTED]

[REDACTED]

[REDACTED]