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DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

Arab Threats Against US Interests: More Bark Than Bite

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
18 October 1972

INTELLIGENCE MEMORANDUM

Arab Threats Against US Interests:
More Bark Than Bite

Anti-Americanism in the Arab world takes many forms. The Arab boycott of firms doing business with Israel has adversely affected US interests. US personnel are at times subjected to harassment, US oil interests are the targets of threat and hostile action, anti-American leaflets are frequently circulated, and a steady stream of criticism of US policies and action emanates from a number of Arab sources. Virtually all US interests in the Middle East have at one time or another been the target of hostile word or action.

Washington's military and political support for Israel has generated the bulk of anti-US activity among Arabs, but other factors have also worked against US interests. The large investments of US oil companies in the Middle East have evoked charges of exploitation of Arab resources. While sporadic action will be taken against the US, Arab factionalism has prevented coordinated moves in the past and will probably prevent such moves in the future.

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The Arab Boycott of Israel

One of the most successful, although still limited, actions by the Arab League has been its trade boycott against Western firms doing business with Israel. In 1945 the Arab League Council resolved that Arabs should refuse to purchase products from Jewish firms in Palestine. After the first Arab-Israeli war, the league attempted to organize an extensive economic, financial, and diplomatic boycott of Israel. In 1951 a broad range of targets were added to the original list, including, among others, firms that have branch factories, assembly plants, agencies, or main offices in Israel, firms that purchase shares in Israeli business ventures, shipping firms with ships calling at both Israeli and Arab ports on the same trip, and ships that carry oil or goods with a war potential. In practice, firms and individuals are boycotted either for violation of the commercial aspects of the regulations, or for "pro-Zionist" activities. Companies may also be subject to boycott if they fail to respond to queries from the League's boycott office. Sears, Roebuck and Company lost sales in Saudi Arabia when it failed to reply to a request of the boycott office for information.

The boycott eventually touched a large number of US firms, resulting in financial losses for US business. In 1967 about 200 of some 700 firms on the boycott list were American. While precise figures are not available, in Saudi Arabia alone it was estimated in 1968 that individual US firms lost \$25 million annually in export sales and contract opportunities as a result of the boycott. Only a small portion of this business was picked up by US firms not on the list. Losses in other Arab countries, although probably somewhat smaller, are doubtless considerable. In Egypt, Coca Cola lost the best potential market in the area; the company's sales there in 1965 stood at \$1.77 million.

All the Arab states publicly express strong support for the boycott, and this has been one of the areas where Arab cooperation is strongest. Still, the degree of enforcement varies from country to country, so the boycott has been far from

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total. Arab rivalries frequently prevent full cooperation; for example, when the Arab League appointed an Egyptian to head the boycott office in 1963, Syria refused to receive him.

National self-interest has served to reduce the effectiveness of the Arab boycott. Blacklisted firms are tolerated if their products are badly needed or, in some instances, if they generate sorely needed foreign exchange. The Egyptian Government has on occasion considered contract bids from boycotted firms. In 1968, RCA, although on the boycott list, was invited to bid on a communication project. Syria, in 1965, lifted the ban on the importation from blacklisted firms of spare parts required for the repair and maintenance of industrial machinery and power plants. Inconsistent enforcement practices are fairly common. In 1966, Frank Sinatra films were banned in Lebanon because of his alleged pro-Zionist activities, but his recordings were freely available. In mid-1972 a consignment of Willys Jeeps was reportedly sent to Beirut for the guerrilla organization, Fatah, by a Palestinian aid association in Morocco. The Willys Company is on the Arab blacklist, but the fedayeen prevailed upon Lebanese authorities to allow the jeeps to pass in transit to Syria for Fatah's use there.

The boycott list is revised at semi-annual conferences of Arab boycott officers. At these meetings, which are held in various Arab capitals, the officers discuss such matters as the intensification of the boycott, the removal of names from the blacklist, and the addition of others. Action against firms or persons on the list is left to the individual Arab countries.

The extension of a comprehensive boycott to include all US goods and services in the Arab world appears to be highly unlikely at this time. Such an attempt would meet the same obstacles that have reduced the effectiveness of the present boycott. Even in times of great emotionalism in the Middle East, anti-US activity has been intensified only

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temporarily and sporadically. In Kuwait, for example, there were calls for a total ban on the importation of US goods following the 1967 Arab defeat. There was little public enthusiasm for such action, and the Kuwaiti Government privately indicated that it did not support the idea. States like Kuwait, Jordan, Lebanon, Saudi Arabia, and the Sudan can be expected to continue to balk at suggestions that anti-US boycott measures be extended.

Oil as a Weapon

Oil is the most important US interest in the Arab world. The book value of US oil company investments in the Middle East (including Iran) and North Africa exceeds \$2.5 billion; in terms of earning potential or replacement cost, the real value is several times as high. Only some five percent of US oil consumption comes from the Arab world, but that figure is expected to rise sharply in the next decade. The Arabs are well aware of the importance of their petroleum resources to the US and its allies, and the issue of using this asset as a means of pressuring the US to reduce its support for Israel is raised from time to time.

Talk of more stringent economic measures against the US increases in proportion to Arab frustrations. These frustrations rose in the absence of any movement toward resolving the stalemate with Israel and stimulated a fresh wave of discussion of the oil option during the past year. In January 1972, Egyptian Foreign Minister Riad, while on a tour of the Persian Gulf, reportedly discussed the use of Arab oil as a weapon against the US. In support of Riad's effort, a prominent Egyptian oil expert called for greater Arab participation in American petroleum enterprises and demanded an additional surcharge on American petroleum companies as long as the US continued its present policies in the Middle East.

In recent months the Egyptian propaganda apparatus has intensified its verbal attacks on US interests in the Middle East and has called for a boycott of US oil assets in the area. The primary

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state in the Arab confrontation with Israel, Egypt, has often taken the lead in issuing such calls. Unable to force Israel to come to terms, Egypt would like to get at Tel Aviv through threats against US interests. Despite its leading role, Cairo has not taken serious steps against US oil firms in Egypt itself in recent years. It probably realizes that isolated actions against the relatively small US enterprises in Egypt would not be effective. Moreover, Cairo badly needs the foreign exchange generated by the US firms in Egypt and in the countries (Saudi Arabia, Libya, and Kuwait) now subsidizing Egypt.

Egyptian suggestions of action against US oil interests were, as usual, received coolly by the larger oil producers of the Persian Gulf and the Arabian Peninsula. Kuwait told Riad in January that it would approve of Egypt's proposals provided they took the form of collective action by all Arab oil-producing countries, a fairly safe commitment. King Faysal dismissed a similar suggestion in August, saying that such action would not affect America and would harm the Arab effort against Israel. Saudi Arabia's recent offer of a special relationship with the US in the field of petroleum indicates that Jidda will not participate in extreme moves against US oil interests as long as the present regime remains in power in Saudi Arabia. Most other oil producing countries in the Persian Gulf are likely to be equally unreceptive to suggestions of an oil boycott against the US. As long as the larger producers, such as Saudi Arabia and Kuwait, resist pressure for a boycott, the smaller ones will probably follow suit.

Some Arab countries have exhibited a greater willingness to employ petroleum as a weapon. Iraq nationalized the partly US-owned Iraq Petroleum Company, but its failure to nationalize all Western-owned oil interests indicates that it is reluctant to assume the risks of running its oil industry and marketing its oil alone. Baghdad's take-over of the Iraq Petroleum Company is difficult to explain in economic terms; it appears to have been at least partly inspired by a strong element of nationalism.

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Syria has on occasion exploited the presence of the pipelines running across its territory, either for political or for financial reasons. Damascus recently associated itself with Iraq's nationalization measures by nationalizing the pipeline from Iraq that crosses its territory. Tapline, running from Saudi Arabia to Lebanon, crosses Syrian territory and could be closed in support of a general boycott of the US.

Libya, too, has created an uneasy climate for the oil community. All oil firms have been subjected to operational and bureaucratic harassment, and substantial reductions have been ordered in the production quotas of all companies. President Qadhafi's diatribes on the utility of economic weapons indicate that in the extreme he might consider even harsher actions. If Qadhafi intends to undertake large financial commitments to Egypt, however, he cannot afford seriously to curtail oil revenues. Libya's financial reserves have stopped growing, oil production is declining, and even under present circumstances a substantial new commitment to Cairo would reduce Libya's flexibility in dealing with US and other petroleum firms.

In the absence of a new and powerful rallying point for the Arabs, attempts to end dealings with American oil interests in the Middle East are likely to fall far short of being effective. Competition resulting from the large number of independent producer countries and the differing ideological outlooks minimize the possibility of either a selective embargo against the US or widespread nationalization. Moreover, the Arabs are aware that selective embargoes are unlikely to be effective either and that they have almost as much to lose from a complete embargo as their customers, particularly in the longer run. In some countries oil income contributes more than half of the GNP, and throughout the area the foreign oil firms provide valuable services that would be difficult to replace.

During the emotion-charged period of the 1967 Arab-Israeli War, Arab oil shipments to the US and other selected Western countries were halted, but holes in the petroleum embargo soon appeared and

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within four months the ban, for all practical purposes, had disappeared. Isolated anti-US gestures will continue to come from countries such as Libya, and talk of stronger measures will be heard, but a total Arab petroleum boycott against the US is unlikely. A coordinated limitation of production also appears unlikely; to be effective, it would require widespread Arab solidarity, and many Arab oil producers are as reluctant to take limited action against the US as they are more drastic steps.

Other Harassment

Over the years US diplomatic installations in the Arab World have been stoned, bombed, sacked, and burned. Incidents of this nature will almost certainly continue. Egypt and Libya ordered a reduction in the size of US diplomatic missions in the two capitals this summer. US personnel could be subjected to increased Arab harassment, such as that recently experienced in Syria by the Assistant US Defense Attaché to Jordan. The US military presence in the Middle East is small and generally unobtrusive. Although the military training mission in Saudi Arabia has been virtually ignored by radical Arabs, the US naval facility on Bahrain has been the target of Arab propaganda. US installations in Morocco are the subject of unfavorable publicity. This sort of pressure could well intensify. Any of these facilities or the personnel associated with them could be the target of random terrorism--e.g., letter bombs or a hand grenade--by local dissidents or Palestinian guerrillas.

Arab trade union groups have periodically discussed how best to strike at those who "serve the interests of international imperialism and support the Israeli enemy." The latest meeting of the International Confederation of Arab Trade Unions was perhaps typical of their gatherings. There was plenty of wrangling even though delegations from a number of states failed to attend. During its meeting, the organization reportedly voted to disaffiliate labor federations from Jordan, Yemen (Sana), and the Sudan. Although the meeting examined ways in which the unions could participate

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more effectively in the battle against the supporters of Israel, primarily the US, the delegates could agree only on generalities and put off any specific action until the matter could be studied further.

It seems unlikely that the Arab labor confederation will be able to agree on significant common action against US interests in the near future. On the other hand, Arab labor activists could engage in sporadic unilateral harassment tactics. Some individual unions refused to handle goods from the US during and immediately following the 1967 war, but American products were flowing normally within a short time. Arab petroleum and transportation workers are particularly well placed to interfere with US businesses and might be encouraged to act by Arab governments such as Egypt, Iraq, or Libya.

Arab terrorist attacks on US-owned facilities or US personnel in the Middle East or elsewhere are likely. Palestinian guerrilla organizations have threatened reprisals against Americans and would probably take the lead. Some Arab governments may encourage such activity, but even without encouragement the potential dangers posed by fanatic Palestinian factions are great. US-owned oil facilities are probably the most tempting targets. Tapline, which carries Saudi Arabian crude to the Mediterranean and to Jordan's small refinery, has been sabotaged on a number of occasions and could well be again. US airliners have also been subjected to Arab terrorist action; for example, two US-owned aircraft were hijacked and subsequently destroyed by Arab terrorists in 1970. A repeat is always possible.

Conclusions

In the absence of progress toward a settlement of the Arab-Israeli deadlock, anti-US sentiment among the Arabs is likely to continue to manifest itself in a variety of ways in the coming years. Propaganda attacks will continue and perhaps get worse. Sporadic harassment, including kidnaping attempts against US personnel and attacks on US facilities may occur. More stringent measures may be taken against US oil interests by one or two Arab countries. A more coordinated expression of anti-Americanism, however, will probably founder on the same intrinsic difficulties of Arab self-interest and factionalism that have intruded in the past.

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