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CENTRAL INTELLIGENCE AGENCY

WASHINGTON, D.C. 20505

22 January 1974

MEMORANDUM FOR: The Honorable Henry A. Kissinger
Assistant to the President for
National Security Affairs

SUBJECT: Arab Oil Policy

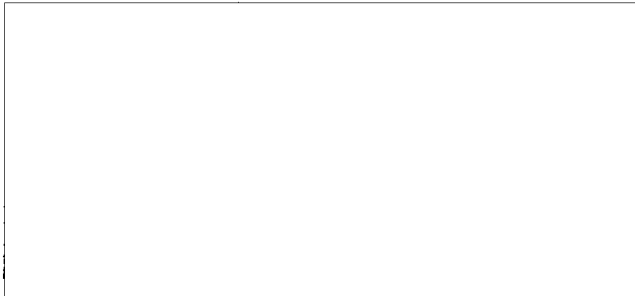


2. President Sadat conveyed the following to Saudi Arabia on 18 January 1974. All Arabs (not just Saudi Arabia) should agree to grant the United States "most favored nation" status in oil supply "coincidental with disengagement". Sadat will visit all the Arab states, including Kuwait, the Gulf, Algeria and Morocco to explain why this gesture is justified. When he has obtained the approval of the other Arabs, he will report back to King Faysal. At that time, a meeting of the Arab oil ministers can be called immediately to endorse this decision. Sadat said he had told Dr. Kissinger what he planned to do, and Dr. Kissinger has agreed that "most favored nation" status (equal to Britain and France) would be perfectly satisfactory to the United States. Dr. Kissinger also understands diplomatic mission and for another oil ministers' conference (sentence garbled, as received).

3. The Saudis have decided that for reasons of technical convenience, combined with their desire to achieve maximum favorable political impact in the United States, they will advocate a different formula: immediate total lifting of the oil boycott (on everyone) and return to September production levels for a fix period of 90 days. After that, the boycott would be reimposed if "satisfactory" progress is not being made.

4. On Monday night, 21 January, 1974, the Supreme Petroleum Council took a decision approving this course, and

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on the morning of 22 January 1974 the King signed an instruction authorizing Zaki Yamani to support either of two positions at the next oil ministers' conference: Sadat's formula for granting "MFN" status to the U.S. alone, or the alternative Saudi formula for total lifting for a limited period of 90 days. Saudi Arabia would abide by majority preference.

5. Yamani's trip to Japan has been held in abeyance temporarily, and he is going to Europe today on another short errand.

6. Adham made the comment that the foregoing information indicates clearly that both Sadat and Faysal are trying to get the embargo lifted as fast as is humanly possible, given two essential requirements: completion of Sadat's diplomatic mission to the other Arab states to persuade them that the embargo must now be lifted; and calling of another meeting of Arab oil ministers to give the action their official approval. Adham pointed out that the next regularly scheduled (repeat regularly scheduled) Arab oil ministers' meeting will be 14 February. He said that there is every reason in the world, however, to expect that if Sadat completes his Arab tour today or tomorrow, an extraordinary meeting of the oil ministers could take place on Saturday or Sunday and President Nixon could announce the end of the oil embargo to the Congress in his State of the Union speech next week. Kamal Adham stressed again that the King was agreeing to support the lifting of the embargo despite (repeat despite) the fact that the disengagement agreement failed to mention Jerusalem; he was doing this because Anwar Sadat had assured him of two things: the Americans were sincere in their intention to pursue with equal energy every step toward "full implementation of SC 242" (which by Saudi terms means denial of Israeli sovereignty over old (formerly Jordanian) Jerusalem)) and second, that Sadat would take it upon himself to mobilize an Arab majority behind King Faysal's decision to lift the embargo.

W. E. Colby
Director

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