

NATIONAL SECURITY COUNCIL

ACTION 4288X~~SECRET/SENSITIVE~~ (XGDS)

August 7, 1973

MEMORANDUM FOR:

DR. KISSINGER

FROM:

HAROLD H. SAUNDERS
WILLIAM B. QUANDT *w.b.2.*

SUBJECT:

Presidential Letter to King Faisal

Secretary Rogers has prepared a memorandum for the President [Tab C] recommending that a letter be sent to King Faisal to reassure him that we remain interested in working toward an Arab-Israeli settlement. In view of Faisal's recent public statements on using Saudi oil to bring about a change in US Middle East policy, Secretary Rogers feels that a letter from the President will help to convince Faisal not to use oil as a political weapon. [For your information, at Tab D is a memo on future Saudi oil production.] The proposed letter would also seek to explain why the US vetoed the recent resolution on the Middle East in the United Nations.

We see this letter somewhat differently. As part of our broad effort to strengthen our position in that part of the world, we need to shore up our relationship with Saudi Arabia. We are in good shape with Iran and in reasonably good shape with Jordan and Pakistan. What we need to do now is to revitalize our relationship with the Saudis. That requires two things: (1) increased cooperation with the Saudis on common security concerns within the Peninsula and (2) making clear our view that Saudi as well as US interests will be best served if Faisal can avoid committing his policies too heavily to producing an Arab-Israeli solution. For this reason, we would make this less an Arab-Israel letter than a letter about Saudi and regional security.

You have already agreed to the idea of sounding out Prince Fahd about a visit to the United States. Fahd, as you know, has gone to considerable lengths to tell us that Saudi Arabia has no intention of using oil against our interests. His most recent communication in this regard [Tab B]

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~~DECLAS~~-Impossible to Determine Date.

BYAUTH- Dr. Henry A. Kissinger

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emphasizes that King Faisal's public remarks should be understood in terms of Saudi Arabia's need to resist radical pressures and to win Egyptian friendship.

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In Secretary Rogers' memo, the suggestion is made that when Ambassador Thacher presents the President's letter to King Faisal, he should also extend an invitation to either Prince Fahd or Prince Sultan to visit the United States to carry on US-Saudi political discussions. We will make sure that any formal invitation to Fahd through State channels is consistent with Fahd's preferences on how this should be handled with King Faisal.

We feel a letter is desirable, but would suggest one major substantive change from the State draft. Where State feels we should defend our recent use of the veto at the UN, we would suggest explaining how we hope to work toward an Arab-Israeli peace settlement. The letter prepared for the President's signature embodies this approach instead of State's. Sisco has no problem with the changes.

RECOMMENDATION: That you send the memorandum at Tab A to the President seeking his signature on a letter to King Faisal. The letter as prepared for the President's signature includes our changes.

_____ Approve. [Text cleared by Mr. Gergen's office.]

_____ Other revisions as indicated.

SECRET/SENSITIVE (XGDS)

(A)

THE WHITE HOUSE

WASHINGTON

ACTION 4288X

SECRET/SENSITIVE (XGDS)

MEMORANDUM FOR: THE PRESIDENT
FROM: HENRY A. KISSINGER
SUBJECT: Letter to King Faisal

We are periodically made aware of King Faisal's concern over lack of progress toward an Arab-Israeli settlement. Recently the King has publicly hinted that future Saudi Arabian oil production may be linked to such progress and a change in US Middle East policy. At the same time, we have been told privately by Prince Fahd that Saudi Arabia has no intention to use oil as a political weapon and looks forward to the closest possible cooperation with the United States.

The State Department has recommended that you send King Faisal a letter addressing some of his political concerns. I agree that this would be useful. In addition, I feel we should invite Prince Fahd to visit the United States sometime in the next few months. We are exploring this possibility now.

King Faisal attaches great importance to communicating directly with you, and this seems to be an appropriate time to send him a personal letter which would address three substantive points:

--Our belief that regional cooperation offers the best prospect for insuring the stability and progress of the states in the Arabian Peninsula-Persian Gulf region.

--Our desire to work with the Saudis as they seek productive outlets for the revenue generated by oil production.

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DECLAS-Impossible to Determine Date.
BYAUTH-Dr. Henry A. Kissinger

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--Our preferred approach in working toward an Arab-Israeli settlement.

RECOMMENDATION: That you sign the attached letter to King Faisal.
[Text cleared with Mr. Gergen's office.]

SECRET/SENSITIVE (XGDS)

THE WHITE HOUSE
WASHINGTON

Your Majesty:

As Your Majesty is aware, I have recently completed extensive discussions with General Secretary Brezhnev and with the Shah of Iran. These discussions naturally touched, among other things, on the situation in your region of the world. Because of Saudi Arabia's importance as a friend of the United States, I would like to share with Your Majesty my present thoughts on these matters which I know are also of great concern to you.

We are agreed, I am certain, that a strong, stable and secure Saudi Arabia is essential to the stability of the Arabian Peninsula area. I can assure Your Majesty of the constancy of our strong interest in Saudi Arabia's security and welfare. Our recent statement of willingness to sell F-4 Phantom aircraft whenever your air force is ready to receive them is, as Your Majesty knows, only one part of our continuing security programs in Saudi Arabia designed to help modernize and fully equip the Kingdom's armed forces.

As a complement to our direct concern for Saudi Arabia's own security and welfare, we are keenly aware that this security is enhanced when the stability of neighboring states is assured. This is why we value cooperation with Your Majesty's government in efforts to support North Yemen and Oman in the face of Communist-supported subversion. The role of Saudi Arabia in helping the states on its borders to maintain their independence and integrity is of great importance in achieving this objective, and the United States is prepared to do all it can in helping to strengthen the Kingdom in this role. Your Majesty's leadership is essential in this effort.

Beyond the Peninsula itself, I believe we are agreed on the importance of strengthening cooperation among all those governments which can contribute to the stability not only of the Peninsula but of the area surrounding it. As Your Majesty knows, our relationships with Jordan and Iran and our new cooperation with Kuwait are directed to this goal. It is in this context, too, that the United States welcomes Your Majesty's close relationship with President Sadat and has agreed that the reduction in the Soviet presence in Egypt was a positive development.

In addition to our direct concern for Saudi Arabia's security and welfare, we also are interested in cooperating with the oil-producing states of your region to assure a reliable flow of energy to oil-importing countries. We are aware of your concern, first conveyed by Your Majesty's Petroleum Minister, Shaykh Ahmad Zaki Yamani, that continued tensions in the Middle East could affect Saudi Arabia's ability to fulfill its unique role in meeting world energy needs. We are also fully aware of Saudi Arabia's desire to use its growing oil income to diversify its economy and to find productive investments.

We see Saudi Arabia on the threshold of a period of great economic growth and development and I believe American technical and managerial experience could make a significant contribution to your objectives. It is vital for the stability of Saudi Arabia and of the region that economic progress proceed uninterrupted, and I am pleased that a number of American firms are studying possible joint ventures which would help diversify Saudi Arabia's economy and make use of available energy and other resources. We are giving these companies every appropriate encouragement.

Peace in the Middle East is, of course, central to the stability and progress of the entire area. The pursuit of peace in the Middle East is a high priority for the United States, not only because it would facilitate the common pursuit of the interests we share with our friends in the area, but also because it is crucial to the structure of global peace that we have been striving to build. As Your Majesty knows, the United States is actively engaged in trying to establish the conditions under which progress toward a negotiated peace in the Middle East may be possible. This requires first of all that the ceasefire be maintained, since a renewal of hostilities would gravely damage the prospects for a political settlement. I have appreciated Your Majesty's efforts to convey to President Sadat the need for continued restraint in this difficult period.

Second, we believe the United States has a role to play in promoting peace between the Arab states and Israel. We believe we can work most effectively through private, but persistent, diplomatic exchanges with all parties. This process requires patience and the development of an understanding of the interests of all those involved. At times, in order to preserve our capacity to take an effective part in these private exchanges, we are obliged to refrain from adopting public positions, as in the United Nations, which might jeopardize our role. I realize that this is difficult for our Arab friends to understand. I can assure Your Majesty that the United States has every interest in helping bring about a just and lasting peace in the Middle East and will continue its efforts to achieve that goal.

As you know, UN Secretary General Waldheim has indicated his readiness to engage himself more actively in the Middle East problem. My Government has both welcomed and encouraged this development. We want to stay in close touch with Your Majesty as this situation develops.

It is my strong hope that in the period ahead we can find ways to continue to work even more closely together to advance our mutual interests and to promote peace, stability, and orderly progress in the Middle East. As we develop new areas of cooperation, which reaffirm the close relationship between our two countries, we can continue to advance these important goals.

Sincerely,

His Majesty
Faisal ibn Abd al-Aziz al-Saud
King of Saudi Arabia
Taif

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THE SECRETARY OF STATE
WASHINGTON

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SECRET/EXDIS

July 31, 1973

MEMORANDUM FOR THE PRESIDENT

Subject: Letter to King Faisal of Saudi Arabia

We have recently received new signals of King Faisal's frustration over the lack of any movement on the Arab-Israel issue: On July 4 in an impromptu interview with foreign newsmen, including two American journalists, the King for the first time expressed personally in public his view that cooperation with the U. S. in such areas as increasing Saudi oil production will be difficult unless U. S. Middle East policy, as seen through Arab eyes, becomes more balanced. In an interview with the National Broadcasting Company filmed on July 19 for use in a documentary to be released early in September, Faisal went on record as saying that Saudi Arabia will be obliged to limit its supply of oil to the U. S. unless we alter our policy toward Israel and the Arabs.

We are considering steps, including the possibility of sending a high-level mission, to seek inter alia to persuade Faisal of the seriousness of our desire and efforts to facilitate concrete progress toward an honorable settlement. We are also considering how best to be responsive to Saudi Arabia's desire for economic diversification and investment of its capital surpluses to justify continued increases in oil production. Given Faisal's present state of mind and Saudi Arabia's growing inability to absorb its rising oil revenues, the King could at some point decide that some limitation on Saudi oil production is desirable. This would have a disruptive effect on the world energy picture.

SECRET/EXDIS
GDS--DECLAS Dec. 31, 1981

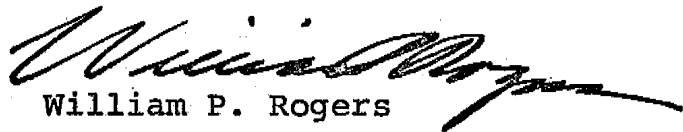
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Therefore, we think it is important at this time that Faisal be given a feeling that he is being heard and that he is in communication with us. We believe this can best be accomplished by your sending him a letter which (a) reiterates your interest in making progress on the Arab-Israel issue; (b) reminds him of what we have done and are prepared to do to preserve our mutual interests in the Peninsula; and (c) expresses our wish to deepen our political and economic dialogue. We believe that a message at this time is particularly desirable because Faisal is undoubtedly disturbed over our veto on July 26 of the draft resolution before the United Nations Security Council.

Ambassador Thacher expects to have an audience shortly with King Faisal to present a moon rock sample. We believe this would be a good opportunity for him to deliver this letter. The letter would help pave the way for any initiative we may decide to take at a later date to send a high-level mission to Saudi Arabia. We would also ask Ambassador Thacher to convey an oral message from you inviting Faisal's comments on the matters touched in your letter and indicating that you would be happy to receive one of Faisal's senior deputies, such as Prince Fahd or Prince Sultan, at a mutually convenient time in Washington. Both Fahd and Sultan have called on you before and either would, we believe, welcome this opportunity if Faisal's permission is forthcoming.

Accordingly, I have attached a suggested draft letter from you to Faisal and a separate message to Ambassador Thacher conveying an oral message to Faisal.


William P. Rogers

Attachments:

1. Draft letter to King Faisal.
2. Suggested draft telegram.

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SUGGESTED LETTER

Your Majesty:

Knowing of Your Majesty's great concern, which is also my concern, about the continuing crisis in the Middle East, I want to share with you my current views on the situation in your region.

Peace in the Middle East is of the highest importance to the United States, both because peace would facilitate the common pursuit of the interests we share with our friends in the area and also because it is central to the structure of global peace that we have been striving to build over the past years. The United States is actively engaged in trying to establish the conditions in which progress toward a negotiated peace in the Middle East, which will be both just and lasting, may be possible. This effort requires patience and realism on all sides. It requires that the ceasefire be maintained, since a renewal of hostilities would gravely damage the prospects for a political settlement. I have appreciated Your Majesty's efforts to convey to President Sadat the need for continued patience in this difficult period.

His Majesty

Faisal ibn Abd al-Aziz Al-Saud,
King of Saudi Arabia,
Taif.

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It is a source of genuine regret to us, as I am certain it is to Your Majesty, that despite our best efforts, the recent discussions in the United Nations Security Council did not lead to an outcome which the United States could support. Our decision was a difficult one and not taken lightly. It was our considered judgment, however, that to have done otherwise would have jeopardized future opportunities for progress toward a just settlement under Security Council Resolution 242 and for us to play a responsible role in working for such a settlement. As you know, UN Secretary General Waldheim has indicated his readiness to engage himself more actively in the Middle East problem. My government has both welcomed and encouraged this development. We want to stay in close touch with Your Majesty as the situation develops.

I realize that stability and progress in the Middle East do not depend solely on the achievement of an Arab-Israel settlement. They also require cooperation among the states of the region. The United States is actively seeking to strengthen its ties with its friends in the area and to work with them to promote regional peace and

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security. We are particularly conscious of the contribution Saudi Arabia can make in your area and we are anxious to have a close and friendly dialogue with all levels of your government as has been our practice.

The United States shares a common interest with the oil-producing states of your region in assuring a reliable flow of oil to the oil-importing countries. We are aware of your concern, first conveyed by Your Majesty's Petroleum Minister, Shaykh Ahmad Zaki Yamani, that continued tensions in the Middle East could affect Saudi Arabia's ability to fulfill its unique role in meeting world energy needs. Minister Yamani noted the political, economic, and security problems which Saudi Arabia faces in meeting the constantly rising demands for its petroleum. We, too, have been devoting much thought to these matters.

The United States shares a common interest in Saudi Arabia's security and welfare which I and my predecessors have communicated to Your Majesty over the years. I can assure you of the constancy of our policy in this regard. We have under continuing review our security programs in Saudi Arabia in order to help modernize and equip the Kingdom's armed forces. Recently,

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we arranged for an emergency airlift of munitions for your F-5 aircraft. More recently, we informed your government of our willingness to sell F-4 Phantom aircraft whenever your air force is prepared to receive them.

Minister Yamani also spoke of Saudi Arabia's desire to use its growing oil income to diversify its economy and to find productive investments. We see Saudi Arabia on the threshold of a period of great economic growth and development and I believe American technical and managerial experience could make a significant contribution to your objectives. I am happy to see that more large American business firms are looking into the possibilities of establishing industries in the Kingdom to make use of its available energy and other resources. We are giving these companies every appropriate encouragement to do so.

It is my strong hope that in the period ahead we can find ways to continue to work closely together to advance our mutual economic interests and to promote peace, stability, and orderly development in the troubled Middle East region. Developing new areas of cooperation, which reaffirm the close relationship between our two countries, will contribute significantly to these goals.

Sincerely,

Richard Nixon

Department of State

SECRET/EXDIS

SUGGESTED DRAFT TELEGRAM

TO: JIDDA

SUBJECT: Presidential Message to Faisal to Send Emissary

REFERENCE: Jidda 2968

FOR AMBASSADOR THACHER

During moon rock presentation when you deliver letter from President Nixon to King Faisal (text transmitted septel), you should also pass the following oral message to Faisal: QUOTE:

President Nixon would welcome His Majesty's views on the matters touched upon in his letter. To that end, if it is agreeable to His Majesty, the President would be happy to receive one of His Majesty's senior representatives such as His Royal Highness Prince Fahd or His Royal Highness Prince Sultan at any mutually convenient time. END QUOTE.

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GDS--DECLAS Dec. 31, 1981



DEPARTMENT OF STATE

Washington, D.C. 20520

August 4, 1973 (D)

SECRETMEMORANDUM FOR MR. HENRY A. KISSINGER
THE WHITE HOUSE

Subject: Future Saudi Oil Production Under Review

Important talks have been underway in Saudi Arabia since August 2 between a team representing ARAMCO's principals and Saudi Oil Minister Yamani and his immediate subordinates. One of the subjects Yamani has said he wants to talk about is the level of production. Yamani has indicated to ARAMCO that the Saudi Government is concerned about present and projected levels of production from three points of view. The first is economic as it relates to the problem of accumulating excess foreign exchange reserves and the inflationary impact of rising revenues with quantum jumps in Saudi oil production. The second is conservation as it relates to maintaining projected production of light and low sulphur crudes in certain fields. The third is political where Yamani is expected to reiterate King Faisal's warning to ARAMCO on May 2 and again on May 23 that if U.S. policies in the Middle East remain unchanged, Saudi Arabia will find itself increasingly isolated in the Arab world which will make it difficult for the Saudis to cooperate with the U.S. in increasing production. Reports from ARAMCO of the initial meeting indicate that Yamani concentrated on political problems.

With Saudi income from oil now well in excess of the Kingdom's absorptive capacity, there are many voices in Saudi Arabia that a halt should be put to further production growth for economic reasons. These voices are bolstered by others in the Arab world who criticize Saudi Arabia for not using growth in oil production as a means of pressuring the U.S. in its Middle East policy. Since this is the first time that the Saudis

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have noted that they wanted to discuss production levels and it comes on the heels of King Faisal's unhappiness over our July 26 veto of the resolution on the Middle East in the UN Security Council, we are getting signals from oil companies that the Saudis may soon take important policy decisions on future oil production. Speculation on what the decisions might be range from holding production to present levels (nearly nine million barrels a day) until the economy can absorb available revenues, limiting production growth to 10% a year, and tying future production growth to joint ventures with foreign companies which will make use of the large amounts of gas now being flared.

Saudi Arabia at the present time is in the position of being the only country in the world capable of meeting the continued rapid growth in the Free World's demand for oil which is rising at an annual rate of between two and three million barrels per day. Since the beginning of 1970, Saudi production has nearly trebled from three million to almost nine million barrels per day. Saudi Arabia is now the world's largest exporter and surpassed the Soviet Union this year as the second largest producer. The increase in 1973 is expected to be nearly 40% above 1972 production levels. While other important oil producers such as Iran, Abu Dhabi, Iraq and Qatar can be expected to increase their production over the next three years, there is a limit to their oil resources. They would not be in a position to fill the gap should the Saudis begin to limit further growth in their oil production.


for Thomas R. Pickering
Executive Secretary

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