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Authority E.O. 12958

By NARA Date 10/12/01

MEMORANDUM

NATIONAL SECURITY COUNCIL ACTION

1973-6-25, Faisal, ~~King~~ ²⁴¹⁶~~CONFIDENTIAL (GDS)~~June 25, 1973
Mission, Pol, Econ

MEMORANDUM FOR: DR. KISSINGER

FROM: PHIL ODEEN/HAL SAUNDERS

SUBJECT: Economic/Political Mission to Saudi Arabia

We understand from Bill Simon that you and George Shultz agreed some time ago that an economic mission should go to Saudi Arabia to discuss with the Saudis economic matters linked to the sharp rise in oil revenues forecast for the next five to ten years. You will recall Shaikh Yamani's argument that Saudi Arabia cannot be expected to produce more oil than needed to meet its own revenue requirements unless the added revenues can bring an attractive return.

As a result, our International Energy Committee* has met several times to prepare the necessary analyses and discuss the objectives of the mission as well as to consider its impact on relations with the other major oil consuming nations.

At the same time, arguments have been mounting for paying greater attention to Saudi Arabia's political and strategic concerns. You will also recall Yamani's strong statement that Saudi Arabia will be under increasing pressure not to meet US energy needs unless US policy on the Arab-Israeli issue changes. Beyond that specific issue, there has been a growing Saudi concern that the US has chosen Iran and Israel as its instruments in the area. A prime incentive in the Saudi relationship has been the protection of Saudi integrity which a relationship with the US implies.

Against the background of these economic and political problems, State has proposed that a political mission precede the economic mission and that it go to Saudi Arabia sometime in July (Tab A). It would be headed by Secretary Rush and would spend two days or so discussing Saudi political and security concerns. In particular:

- * Casey, Simon, Flanigan, Dam, Wakefield (Interior) and Hoskinson (CIA), chaired by Odeen

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Classified by Phil Odeen

E.O. 12958, as amended, Sect 3.5
N/N 01-22/6 Mr LMR 12/4/00
By [initials] NARA Date 07/30/07 [1995]

[NLS 61-275]

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--Saudi security concerns. US help in meeting Saudi military requirements are generally satisfactory to the Saudis. The issues that need to be discussed are the broader ones relating to the overall security of the Persian Gulf/Arabian Peninsula region. US policy in the Gulf rests on successful Saudi-Iranian cooperation. The Iranians are actively promoting a new relationship among the Gulf states. At the same time, the Saudis feel threatened by radical forces from South Yemen, Iraq and the rebels in Oman and are looking to see how the US will respond. The Shah will be discussing these problems with the President during his July state visit, and it would be desirable to talk with the Saudis at about the same time.

--The Arab-Israeli problem. While it seems unlikely that we will be in a posture that will satisfy the Saudis, we could perhaps convey a sense of serious purpose and readiness to engage more actively in efforts to move toward a settlement provided Sadat does not resume hostilities and is prepared to negotiate. This might at least enable Faisal to resist some of the pressures to use oil as a weapon against us now.

--Saudi oil policy. While a subsequent economic mission would deal with details of how the US could help the Saudis use projected sharp increases in oil revenues for economic diversification, the political mission could establish a framework for political, strategic and economic cooperation that would encourage the Saudis to permit the large expansion of oil production needed to meet U.S. and world needs in the coming five to ten years.

Two issues come out of this discussion: (1) whether to send a mission or missions this summer to meet both needs and (2) if so, how and when to send them. Based on the committee's discussions, two broad alternatives have emerged:

--Send one mission headed by a high-level State Department political official such as Under Secretary Rush. The mission would also include someone competent to discuss Saudi Arabia's economic problems (probably Simon) who, together with a small economic team, could remain longer to discuss investment, trade and monetary matters. This could be done in early August or September.

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[NOV 01-27/5:2]

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-- Send two missions, a high-level political mission headed by Rush late in July or in early August to discuss principally political issues and set the framework for later economic discussions. (Simon would go along for this purpose.) A follow-up economic mission headed by Casey would discuss economic details. Alternatively, the economic mission could be a joint effort headed by Casey and Simon.

Our inclination would be to send two separate missions. A sudden influx of high-ranking Americans in both the political and economic fields is probably more than the Saudis can digest at one time.

RECOMMENDATIONS:

1. That a mission or missions be sent to Saudi Arabia this summer.

Approve _____ Disapprove _____

2. That a political mission be sent in late July or August and an economic mission go in September.

Approve _____

Send a combined mission _____

Concurrence: Chuck Cooper

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[MIN 01-27/5:3]