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U.S. Interests

President Nixon, during Prince Fahd's October 1969 visit to Washington, reaffirmed long-standing American concern for the integrity and welfare of Saudi Arabia. His reaffirmation recognizes major U.S. interests in the Kingdom, primarily economic but also strategic and geo-political.

American control of Saudi oil production generates over one-half billion dollars annually in profits for Aramco's owners; whether these funds are repatriated to the United States or invested in productive capacity abroad, they provide important relief to the U.S. balance of payments. Saudi revenues from American oil petroleum operations here--running at a billion dollar annual rate--provide a significant commercial market.

Enclosures:

1. Appraisal of USMTM Program
2. Appraisal of Corps of Engineers Program
3. Appraisal of the AID/OPS Program
4. Appraisal of OSW Role in Jidda Desalting Plant
5. Appraisal of USGS Program

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USIA	NSA	CIA		
10	3	16		
HSC				
6				

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JIDDA A-61
2

SECRET

for U.S. exports (\$156 million in 1969),* a source of funds for U.S. and other Western financial markets, and the money for civil and military development programs in which American firms are participating profitably. In terms of net inflow to the U.S. balance of payments, these exceed \$550 million a year.

The continued flow of Saudi oil under American control to friendly markets is also strategically important to the United States. So is U.S. access, and denial to hostile powers, to the Saudi land mass, which still serves as an important communications link between the Middle East, East Africa and the Indian Ocean. For example, in 1969, we exercised the privilege of military overflight of Saudi territory some 600 times exclusive of in-country military aircraft flights.

In addition, Saudi Arabia remains a refuge in an increasingly turbulent and anti-American Arab world for moderate influences still sympathetic to cooperation with the United States. Saudi Arabia is one of the few remaining states in the Arab East with which the U.S. Government retains some influence. While its political influence in today's Arab arena is limited, the Saudi regime has some economic leverage and a potential for even more. Moreover the rulers of Saudi Arabia, as keepers of Islam's two holiest sites, enjoy some prestige in the broader Islamic world. Finally, Saudi Arabia, in cooperation with Iran, could preserve stability and Western influence in the oil-rich Persian Gulf against threats of local squables and the spread of radical doctrines.

The Nature of the U.S.-Saudi Relationship

The good U.S.-Saudi working relationship is one of mutual interest. Our wish to exploit Saudi oil and resultant financial resources is at present balanced by the Saudi quest for American political/military support and preference for American technical skill and products.

* A drop of \$31 million from the previous year.

SECRET

SECRET

The relationship, however, rests on weak cultural/psychological underpinnings. The conservative Saudi regime is heir to a long tradition of xenophobia, including hostility to some basic American political doctrines and social mores. The "modern Saudi," while eager for the trappings of westernization, also readily succumbs to anti-American Arab nationalist influences.

At all levels the Palestine problem beclouds the U.S.-Saudi tie. King Faisal is bitter at the U.S. position on the Arab-Israeli issue. The Kingdom's leadership appreciates the convenience of its economic and military ties with the United States, but is increasingly uncomfortable when other Arabs deride it as a "lackey of American imperialism." It continually questions the sincerity of U.S. support. Should Arab resentment of the United States grow, the Saudi regime may be compelled by Saudi and Arab public pressures to jettison some U.S. connections. We cannot take Saudi Arabia for granted.

The State of the Kingdom

The beginning of the 70's is a critical period for the Saudi monarchy. While still firmly at the helm, King Faisal is at 65 an actuarial risk. The presently indicated succession, Crown Prince Khalid as King and Prince Fahd as Prime Minister, is less inspiring and, in view of princely rivalries and health problems of the principals, by no means assured. A more immediate problem is Faisal's "generation gap." The growing middle class of educated "elite," and even the proliferating urban "mass," chafe at the lack of social liberalization, the stagnation of domestic political reform, the corruption in high places, the increasingly "police state" nature of the Kingdom, and its isolation from the mainstream of modern Arab society. Arrests in the last year of some 260 alleged dissidents, including civilian bureaucrats and Army and Air Force officers, suggest the seriousness of latent anti-regime sentiments, encouraged by radical Arab political doctrines but essentially domestic in origin. The regime still relies on the loyalty of the tribal elements of the National Guard; but as the Kingdom modernizes, the House of Saud's traditional base of conservative support shrinks. There is a question whether "progressive" ideas have not also penetrated the Guard officer corps. The Guard's capability to confront the regular army in a show of force is, of

SECRET

JIDDA A-61

SECRET

5

with some misgivings, selectively nourishes the fedayeen. Al-Fatah is its chosen instrument for financial support, but it has thus far declined to permit Saudi territory to be used as fedayeen bases or training grounds. A painfully expensive Danegeld to the U.A.R. keeps Nasserist hostility momentarily at bay, but other radical Arabs bitterly denounce Saudi unwillingness to contribute more to the Arab cause.

To the south the festering sore of the Yemeni civil war prevents Saudi-YAR reconciliation. The hostility of the weak but reckless PRSY regime, long advertised by Aden radio, materialized in late November 1969 in armed attack on the Saudi border post of Wadia. Saudi air power, the result of U.S.-U.K. air defense cooperation with the Kingdom, saved the day, but while the South Yemenis lick their wounds and build an air support capability with 10 Soviet-supplied MIGs, the Saudis hasten to strengthen their defenses in the southern border area. Toward the Gulf the Saudis view the growing strength of the Dhofar liberation movement with alarm, fearing the spread of disorder and radical influences when the British withdraw. The potentially explosive situation in Muscat/Oman is especially worrying. Encumbered by old rivalries and territorial disputes, the Saudis are groping toward cooperation with Iran and other littoral states to assure future stability in the area.

As the 70's begin, King Faisal feels encircled by what he conceives to be an ever more ominous Zionist-Communist-radical Arab "conspiracy" against the survival of the Saudi dynasty. In such circumstances he and his principal lieutenants are torn between irritation at U.S. policies and fear of American indifference, between a need for reassurances of U.S. support and embarrassment at too close an identification with us.

Policy Assessment

Our primary objectives in Saudi Arabia, in rough order of priority, are:

1. Maintaining a satisfactory diplomatic dialogue with the Saudi establishment in order to further our remaining objectives;

SECRET

JTDDA A-61
6

SECRET

2. Facilitating continued U.S. access to Saudi oil;
3. Maintaining and expanding our penetration of the Saudi commercial and financial market;
4. Supporting the Saudi regime against external and internal threats;
5. Providing American expertise to foster the orderly economic development of Saudi Arabia;
6. Influencing Saudi foreign policy in the interest of area stability; and
7. Moderating the anti-American trend in Saudi public opinion and deepening contact with the Saudi leaders, particularly the leaders of the future.

1. Maintaining the Dialogue: Our priority goal in Saudi Arabia is to maintain a political relationship which fosters our economic and other interests. The bilateral relationship is strained by the Arab-Israeli problem. By contrast the lesser French and Japanese presences are flourishing, assisted by pro-Arab government postures. Our Middle East policy will not meet Saudi specifications but it should take our interests in Saudi Arabia into account. This is especially true in formulating our Middle East arms policy; the continued supplying of U.S. weaponry to Israel, whatever its overall merits, is placing the substantial benefit which the U.S. receives from the Saudi economy in jeopardy. Every indication of balance in U.S. policy is helpful; the Secretary's Galaxy speech was especially so. Wherever possible we must consult or inform the Saudi leadership in making area policy decisions. While the Saudi government is not likely to be a prime mover in Middle East peace initiatives, we should continue to urge moderation in Saudi positions to prevent further obstacles to the relief of area tensions. We should also endeavor to prevent deeper Saudi involvement in the Arab-Israeli confrontation.

Furthering this primary objective involves continuing diplomatic dialogue at the Ambassadorial level with King Faisal and his key aides, supported by Country Team contacts at lower levels. We should continue to put U.S. policy in the best possible perspective and to assure the regime of our interest and support. Visits or messages from eminent

SECRET

SECRET

JIDDA A-61
11

Its mission is complex, however, and the political/psychological impact of its continued presence in the Kingdom, reassuring not only to the Saudi regime but also to the growing American community, is perhaps more important than the practical results of its advisory efforts.

The scheduled reduction of Grant Aid training program funds from \$700,000 to \$500,000 beginning in FY 75 would delete all MAP CONUS training currently available to Saudi Arabia. Since this will be viewed by the Saudis as an indication of declining U.S. interest, it should be avoided. We will continue to rely heavily on USMTM to further overall U.S. policy objectives in Saudi Arabia; to meet its responsibilities USMTM should be maintained at least at its present lean staffing level and the Grant Aid training program should continue to be funded at the \$700,000 level beyond FY 72. (An evaluation of specific USMTM objectives is attached as Enclosure 1.)

Internal Security: Modern Arab political history indicates that U.S.-Saudi relations are better off with the present regime than with conceivable successors. We have an important interest in the preservation of the House of Saud if it can be galvanized into a more enlightened political and social attitude. Present domestic discontent, inflamed by outside political ideologies, and the regime's inept reaction to it, do not auger well for the long range survival prospects of the present ruling order. Princely rivalries over the succession may add a serious complication to this problem.

While basically the regime must seek its own salvation, we should be as helpful as circumstances permit. Admittedly, too close a U.S. Government identification with Saudi efforts to preserve internal security would not be helpful to the present regime or to us. It could hamstring our prospects for decent relations with possible successor governments. Through exchange of intelligence information and the continuation of technical public security assistance by the small AID/OPS mission in Riyadh, we seek to refine Saudi understanding of and response to threats to internal stability. (An evaluation of the AID/OPS mission's objectives is attached as Enclosure 3.) In addition, in diplomatic dialogue at the higher levels of the regime, we should continue, where appropriate, to urge

SECRET

JIDDA A-61
15

SECRET

is that Saudi efforts in the Gulf, crippled by lack of manpower, may fall so far behind the Iranian initiative as to create friction between the two countries and turn the Saudi role into a disruptive one. We must continue to urge greater Saudi activity toward promoting stable Gulf development in cooperation with Kuwait, Iran, Pakistan and the Gulf States. To enhance this stability we should maintain the U.S. Navy presence in the area. Should an opportunity arise we might consider seeking cooperation by Saudi Arabia and other littoral states in financing U.S. technical assistance programs in the area.

7. Influencing Saudi Opinion: Given official Saudi sensitivity to foreign influence, the foreseeable unfortunate Arab environment for exposition of U.S. policy aims, and the lack of influence of the officially-restrained Saudi public media, our immediate political propaganda goals in Saudi Arabia should remain modest. Primarily they consist of making information on U.S. policy and policy pronouncements readily available to the Saudi media and seeking through close personal contact with Saudi journalists to prevent distorted views of U.S. policy.

A quarter century of diplomatic and business ties has created a strong pro-U.S. bias among many of the men now running Saudi Arabia. Should an abrupt change of regime occur our contacts with the new leadership would be much more shallow. Middle East history, and our own assessment of Saudi security, suggest that should the present regime fall, it will do so at the hands of revolutionaries from the military officer class. For this reason, the continued presence in strength of the U.S. Military Training Mission in Saudi Arabia, and the continued training of Saudi officers in the United States, are our anchor to windward in seeking contacts against the contingency of a change of regime.

In the longer term there is an important task in instilling sympathy toward the United States in Saudi Arabia's young and increasingly sophisticated populace. We should continue to encourage not only our small Embassy and Consulate General staff, but the much larger U.S. private community in the Kingdom, to seek a wide range of contacts, with particular emphasis on young Saudis of

SECRET

SECRET

JIDDA A-61
16

Leadership potential. In spite of current sharp Arab, including Saudi, bitterness over U.S. Middle East policy, we still command a huge reservoir of respect among young Saudis for American technical achievement and political/social liberty. In building closer personal ties with potential Saudi leaders the USIS-run, Saudi-sponsored English Language Center in Riyadh has been especially effective. Other USIS programs, particularly those relating to the U.S. Space Program such as the successful Moon Rock exhibit, have played a salutary role.

At the moment there are more than 1000 Saudi students in the United States, mostly in scientific studies. We should consider, in cooperation with U.S. private business, the possibility of giving them greater exposure, particularly during summer vacation, to American business and other aspects of American life to exploit fully the opportunity to prejudice them toward U.S. products, practices, and policies..

Recapitulation of Policy Recommendations:

1. To maintain a satisfactory diplomatic dialogue with the Saudi establishment in order to further our remaining objectives, we should continue to
 - a. weigh carefully our major interests in Saudi Arabia in formulating overall Middle East policy, particularly arms policy;
 - b. urge moderation of the Saudi position on the Arab-Israeli issue and caution against deeper Saudi involvement;
 - c. support the continuing Ambassadorial dialogue with the top Saudi leadership with occasional exchanges of visits, or messages, between key regime figures and eminent public and private Americans.
2. To facilitate continued U.S. access to Saudi oil, we should
 - a. continue close consultations with Aramco, advising the company where appropriate, and make representations to the Saudi authorities whenever this would be both helpful to the company and in overall U.S. interests. Our principal role should be to seek solution of Saudi-Aramco problems through negotiations rather than unilateral Saudi action;

SECRET

SECRET

JIDDA A-61
17

- b. give due regard to Saudi pressure for greater Aramco offtake in determining U.S. oil import policy.
3. To maintain and expand our penetration of Saudi commercial and financial markets, we should
 - a. intensify trade promotion and commercial information activities in the Mission, with restructuring and expansion of staff as required;
 - b. emphasize the pursuit of business opportunities from the planning stage of development projects;
 - c. seek greater contact between Saudi money managers and U.S. financial leaders, through trade missions and individual visits.
4. To support the Saudi regime against external and internal threats, we should
 - a. maintain the U.S. Military Training Mission at least at its present 137 man strength and reverse the decision to reduce Grant Aid training program funding in FY 73;
 - b. respond positively and promptly to Saudi weapons requests while endeavoring to keep these requests reasonable;
 - c. continue the Saudi-financed services of the five man AID/OPS police advisory mission to the Saudi Ministry of Interior;
 - d. continue to urge the regime to accelerate political and social reform.
5. In providing American expertise to foster the orderly economic development of Saudi Arabia, we should
 - a. try to provide only the highest quality official and private experts and firms, and only for undertakings with a reasonable chance for smooth progress and within the area of specialty of the U.S. firm or agency;
 - b. insist that U.S. agencies engaged in specific projects here be fully self-supporting in management and

SECRET

JIDDA A-61
18

SECRET

administration, looking to the Embassy only for policy guidance and representational support;

c. consider U.S. Government-financed salary topping for public and private American experts whose presence here is in our interest but who are too costly in relation to experts from other countries.

6. In seeking to influence Saudi foreign policy in the interest of area stability we should

a. urge a more active Saudi role in the Gulf, in cooperation with Iran, Kuwait and the Gulf states, and maintain our own naval presence in the Gulf;

b. seek a Saudi-Yemeni reconciliation and closer Saudi ties with Ethiopia.

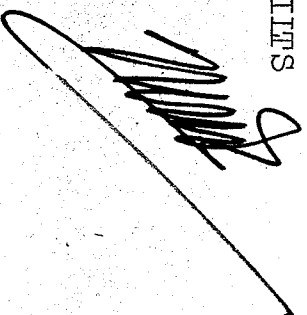
7. To moderate the anti-American trend in Saudi public opinion and to deepen contact with Saudi leaders, particularly the leaders of the future, we should

a. continue to improve contacts with Saudi journalists and Ministry of Information officials;

b. intensify our efforts to develop rapport with potential leaders, especially the young educated civilians and military officers (USIS cultural programs and the USMTM presence are our best assets for this task);

c. explore ways to increase the exposure of the numerous Saudi students in the U.S. to American society, including U.S. business enterprises with an interest in the Saudi market.

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