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DEPARTMENT OF STATE

**Memorandum of Conversation**  
**1973-12-10, Faisal, Yamani, Senators**

DATE: December 10, 1973

**SUBJECT:**

Senators' Round-Table with Arab Oil Ministers

**PARTICIPANTS:**

H. E. Ahmad Zaki Yamani, Minister of Petroleum and Mineral Resources, Saudi Arabia  
 Dr. Ibrahim Obaid, Personal Assistant to the Minister  
 H. E. Belaid Abdesselam, Minister of Industry and Energy, Algeria  
 Mr. Cherif Guellal, Washington Representative of SONATRACH

Senators

Henry L. Bellmon, Oklahoma  
 Clifford Hansen, Wyoming  
 Mark Hatfield, Oregon  
 William Saxbe, Ohio  
 James McClure, Idaho  
 Bennett J. Johnston, Jr., Louisiana  
 Robert Packwood, Oregon  
 Pete V. Dominici, New Mexico  
 Richard S. Schweiker, Pennsylvania  
 Robert T. Stafford, Vermont  
 Paul J. Fannin, Arizona  
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Summary: During a friendly give-and-take with several Senators, Yamani said the Arab oil embargo had been imposed in response to massive U.S. assistance to Israel during the recent hostilities. Arab public opinion had been an important factor in making this decision. Yamani reiterated his earlier public statements that the Arabs were prepared to relax the embargo and other production restrictions as soon as Israel agreed to a timetable for withdrawal, with oil production returning to September 1973 levels as progressive Israeli withdrawals occur. Minister Abdesselam's remarks centered more on Arab fears of Israeli expansionism, the rights of Palestinians to a national homeland, and the misunderstandings which he believes Americans have about Arab policy. He affirmed that it was not the policy of reasonable Arab leaders to drive Israel into the sea. A number of Senators expressed sympathy for the Arab position but pointed to the danger of a backlash against the Arabs if the oil embargo continues. While recognizing that the embargo had been effective in calling the American public's attention to the need to achieve a just settlement in the Middle East, they feared that the embargo will be seen as extortion or blackmail if it continues once the Geneva peace conference gets underway. Lifting the embargo now will gain the Arabs the U.S. public support they seek and generate pressures in the U.S. to obtain Israeli withdrawal. End Summary.

Yamani opened by describing the actions taken by Arab oil producers to embargo the sale of petroleum products to the U.S. The Arabs, he said, were very unhappy that they had to do this. He was hopeful that the reasons which had forced the embargo would soon come to an end and that a normal type of relationship could be resumed which would be, in the case of Saudi Arabia, even stronger than before. The embargo had been imposed at a time when the U.S. had initiated its massive assistance to Israel. The Arab states were prepared to remove the embargo once Israel was committed to withdraw from occupied territories. The Arab states would begin to restore production as Israel's withdrawal progressed. The Arabs want only peace so that they can concentrate their resources on their own development. Yamani added that the Arabs were prepared to cooperate with the U.S. Many countries, particularly Saudi Arabia, need U.S. technology and since they have a commodity that is badly needed in the industrialized world, there is a mutuality of interests. This had been the sense of the message that he had sought to convey in his various meetings with government officials and with the media and he would be pleased to answer any questions the Senators would like to pose.

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settlement of the Arab/Israeli dispute.

We have replied that we will not play a leading role in the peace negotiations as long as the embargo continues. We have also demanded an immediate restoration of supply to our naval fleets.

It is probably impossible for the Saudis to move from their overt position, and there is no reason for us to move from ours. Face, among other things, is involved. It is, however, desirable for both of us to move away de facto, and indeed we both already have.

The Saudis have foregone the production cut which they announced for December. For our part, the Secretary's upcoming trip to the Middle East constitutes deep and serious involvement in the search for peace.

We also have reason to believe that the Saudis want out of their embargo corner. Prince Fahd, the Defense Minister, has expressed to our Ambassador his concern over a weakening in US defenses and anxiety that the embargo end soon. The King almost certainly knew of this demarche.

Our objective, therefore, should be to strengthen the hand of the anti-embargo element in Saudi Arabia and to get a de facto easing of the embargo while leaving the announced positions of both sides publicly intact.

WHAT WE WANT TO GET ACROSS TO YAMANI

If this objective is to be achieved, we need to persuade Yamani of the following:

- a. The US is inconvenienced by the embargo.  
There is no way to put us out of business.
- b. The embargo hurts the political and economic interests of Saudi Arabia in the

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- longer run. The longer the embargo, the greater the damage.
- c. The embargo strengthens the Soviets to the extent it inhibits our military response capacity and weakens our alliances.
  - d. The Saudis know that they are and will continue to be the residual world supplier of energy. They know that the introduction of other modes of energy and the development of new oil fields cuts into present and future Saudi markets. Any expansion of supply beyond normal growth in demand occurs at the expense of Saudi Arabia. The embargo has unleashed the forces for uneconomic expansion of energy resources.
  - e. The real point which the Saudis wished to make was to focus attention clearly on the Arab case in the Arab/Israeli dispute. That point has been made. Beyond that, there is just useless damage to the interests of everyone, including the Saudis.

ATMOSPHERICS OF THE YAMANI TALKS

Yamani's exposure to senior US officials should be roughly the same as it usually is when he visits the United States. This applies to the level of the contacts, their number, and their duration. His meeting with the Secretary is an appropriate exception. It is worth stressing again the importance of consistency of approach by senior US officials.

The contacts should be conducted in a friendly, calm, and understanding fashion. The attitude should be that of old friends who have gotten into a bit of a mess which neither really wants.

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Yamani should be given to understand that it is very important that we watch each others actions and respond to them rather than words.

Officials meeting with Yamani should make an effort to treat him as a friend. He may be a naughty boy, but he is our boy. Solicitations about His Majesty's and Yamani's health and well-being in these times of strain would make an impression. Likewise, inquiries about the location and well-being of Saudi friends (if any) would be conducive to good atmospherics.

The whole idea is to convey the notion that we are not in a corner, but Yamani is. Because we are old friends, we are willing to let him work his way out gracefully.

TALKING POINTS

- a. We are aware of His Majesty's deeply held views and respect them. We are also aware of the position of Saudi Arabia in the Arab world and the imperatives which that implies for taking certain positions.
- b. At the same time, a peace conference takes a certain amount of time to arrange, and more time to do its work. The embargo complicates our efforts to promote this.
- c. In the United States the situation is messy and the embargo poses inconveniences, in some isolated cases serious inconvenience, but our vital interests are unaffected.
- d. On the domestic front our obvious first concern is to eliminate to the extent that we can, whatever disproportionality there may be in the incidence of inconvenience. The fuel oil problem in New

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England is of some particular concern at the moment, but there have also been some imaginative proposals for partial relief.

- e. On the broader front, the embargo has also stimulated the imagination. At current oil prices many energy options present themselves which were not economically feasible in the past. In St. Louis, for instance, they are now producing 5% of their electricity from processed garbage. Who knows what is next.
- f. So far, domestic reaction to the embargo has been mixed, but at responsible levels, cool and collected. (Give Yamani a mixed set of press clippings to indicate the emergence of various points of view, including the Saudi viewpoint.) Obviously nobody knows how reactions will develop in the future, but they could become ugly.
- g. In some ways, the embargo may prove to be a blessing. It has forced us to focus seriously upon the security implications of our current energy utilization pattern. We believe that the studies which we are now undertaking will profoundly affect the future pattern of energy use. This is long overdue.
- h. In the short term our obvious primary concern is to assure that the response capability of the overseas forces, especially the sea and air fleets is not impaired.
- i. We note that the innocent are hurt along with those with whom the Saudis may have real differences. We hope that Saudi Arabia can find ways to limit such unintended damage. The embargo against Holland, in particular, has these qualities.

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The Rotterdam refineries supply many countries with whom Saudi Arabia has no quarrels. We believe that the Dutch and Saudis can quietly resolve their differences. We have reviewed those differences and arrayed them against a long list of Dutch/Arab mutual interests. It is our belief that the Dutch/Saudi conflict is, in essence, less serious than first meets the eye. A serious effort to resolve differences is in order.

- j. We have noted His Majesty's action to forego additional cuts in production for December and will watch future Saudi actions with great care and interest. We are sure that Saudi Arabia will likewise be watching our actions.
- k. We are obviously hopeful that a speedy resolution of our differences can be found.

PARALLEL ACTIONS

While we would not wish to mention them to Yamani, there are actions which the Saudis could take to signal their good faith and ease the embargo.

Because our stance with the Saudis is that we can handle our own problems, these proposals should be made by intermediaries.

POSSIBLE SPECIFIC ACTIONS

The Dutch Situation:

A compendium of Dutch sins against the Arabs does not read much differently than those of most

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other countries. They have entered into discussions to provide a transit point for Soviet Jews. This is the only difference in kind between what the Dutch and others have done. For the rest they have a long standing pro-Israel stand; have provided a transshipment point for Israel destined goods; have provided certain materials support to Israel; and certain Dutch officials have made statements in support of Israel. In one form or another these have occurred in non-embargo states as well.

None of these acts is causaus belli.

This suggests that the Dutch were chosen because the refineries at Rotterdam provide fuels for a larger number of countries and therefore are a convenient pressure point. If it can be demonstrated that such pressure is now becoming counter-productive, the Arabs and Dutch should be able to work something out.

Dutch/Saudi negotiations with encouraging background music from various parties would give the Saudis an opportunity to lift the Dutch embargo without violating their pledge to embargo Israel's real ally, the US.

Elimination of the Dutch embargo would alleviate the world supply picture, in general, and possibly even allow for the supply of fuel oil to New England (discreetly) in particular. It is also concrete help to the Dutch and therefore implements our offer to be of assistance to them.

It would be desirable that quiet Dutch/Saudi discussions be in train by the time the Secretary visits Jidda.

The US Military Supply Issue:

This issue provides a golden opportunity for the Saudis to be helpful where it counts and do

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themselves a favor at the same time.

The Saudis and Kuwaitis should be persuaded by an intermediary to simply fail to act or register protest to traditional suppliers of the US armed forces as they continue to meet US military needs.

Because of the extreme sensitivity of such an action in Saudi Arabia and Kuwait, it would best be handled a) as an accomplished fact, and b) verbally.

The scenario would read as follows:

- a) We would approach an intermediary who would make the following points to the Saudis and Kuwaitis:
  - 1) The embargo, if vigorously pursued could derogate the response capabilities of US forces abroad.
  - 2) Such an enhancement of the relative power of the Soviet Union is directly contrary to the interests of Saudi Arabia, Kuwait and their friends and allies.
  - 3) They are, therefore, urged to refrain from action or protest to traditional overseas suppliers of the US armed forces as they continue to supply our needs.
  - 4) The US will reduce the visibility of such supply to the absolute minimum in order to avoid embarrassment to Saudi Arabia, Kuwait, or the supplying states.
  - 5) The intermediary need not secure a commitment from Saudi Arabia and Kuwait. The whole thing can be handled as an accomplished fact.

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- b. We would approach the supplier states and urge them to continue discreet supply of US military requirements until such time as complaints over such supply are made by Saudi Arabia or Kuwait. Suppliers need not know of any "arrangement" with the Saudis or Kuwaitis.
- c. DOD would notify all commands abroad that all fuel acquisitions should be made with minimum visibility.
- d. Possible intermediaries would be the Shah, Husayan, Bhutto, or Suharto.

Other Actions:

Should the Saudis respond to the above, we can consider a series of other actions designed to substantially re-establish world supplies of oil while avoiding a head on confrontation with Faisal which could be very costly for everybody.

Drafted: S/PC:JKWilhelm:lcf  
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