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Authority *NND969044*
By *NW* Date *3-20-02*

PCT 6 Saud

(2) Department of State

TELEGRAM

1973-5-8, Faisal oil, Protection Saud

SECRET 894

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ACTION SS-25

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INFO OCT-01 ADP-00 SSO-00 NSCE-00 /026 W 005180

O R 081427Z MAY 73
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC IMMEDIATE 3856
INFO AMEMBASSY AMMAN
AMEMBASSY KUWAIT
AMCONSUL DHAHRAN
AMEMBASSY LONDON
AMEMBASSY TEHRAN
AMEMBASSY TRIPOLI
AMEMBASSY BEIRUT
AMEMBASSY SANAA

Jidda
1909
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S E C R E T SECTION 1 OF 2 JIDDA 1909

EXDIS

DEPT PASS USCINCEUR, USINT CAIPO

E.O. 11652: GDS
TAGS: PFOR, SA

POL 15-1 Saud

SUBJ: COMMENT AND POSSIBLE RESPONSE TO KING FAISAL'S REPRESENTATIONS

REF: JIDDA 1891

PCT 6 Saud

1. INTENDED MEANING OF KING'S REMARKS TO ARAMCO OFFICERS AS SUPPLEMENTED BY ADHAM'S FURTHER COMMENTS SEEMS CLEAR ENOUGH: US INTERESTS IN ME ARE IN SERIOUS TROUBLE AND CAN BE DAMAGED BY PRESENT TREND OF EVENTS UNLESS THERE IS SIGNIFICANT SHIFT IN USG POSITION. ADHAM EXPRESSED OPINION SADAT PROBABLY WILL RENEW HOSTILITIES AND FROM HIS OTHER COMMENTS WE INFER SAG WANTS US TO THINK IT WOULD FEEL COMPELLED JOIN OTHER ARABS IN TAKING ACTIONS ADVERSE TO US INTERESTS. BY REFERRING TO YAMANI'S STATEMENT TO WASHINGTON POST, ADHAM INDICATED SAG WAS THINKING OF OIL.

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Authority *WMD 969044*By *JW* Date *3-20-02*

Department of State TELEGRAM

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GOVERNMENTS WANT TO ANNOUNCE " TAX REFERENCE PRICE" (FOLLOWING APPARENTLY VENEZUELAN PRACTICE). YAMANI TRYING TO DEFEND SANCITY OF AGREEMENTS AND BELIEVES HE WILL BE ABLE PERSUADE OTHER OPEC MEMBERS CONCUR IN POSTPONEMENT THEIR PROPOSED EXTRAORDINARY MEETING UNTIL MAY 28. IN INTERIM HE EXPECTS MEET WITH PEARCEY AND IS HOPEFUL SOMETHING CAN BE WORKED OUT. END SUMMARY.

1. MINPET YAMANI EXPLAINED TO ME MAY 16 THAT PRICE ADJUSTMENTS WHICH COULD BE ACHIEVED UNDER GENEVA FORMULA OBVIOUSLY DID NOT COMPENSATE OPEC MEMBERS ADEQUATELY FOR MOST RECENT DOLLAR DEVALUATION. WITHOUT GOING INTO MUCH DETAIL, HE SAID INJUSTICE TO OPEC STEMMED FROM FACT ARITHMETICAL AVERAGE OF CURRENCY CHANGES IN TEN NATIONS WAS NOT FAIR WAY OF FIGURING WHAT OPEC GOVERNMENTS ENTITLED TO, "SINCE THE TEN HAD NOT THEMSELVES DEVALUED."

2. A NUMBER OF OPEC COUNTRIES WERE PRESSING FOR A SIMPLE UNILATERAL ANNOUNCEMENT STATING THAT GENEVA AGREEMENT WAS VOID. SAUDI ARABIA, ON THE OTHER HAND, HAD TAKEN THE POSITION THAT THE GENEVA ARRANGEMENT WAS A VALID AND BINDING INTERNATIONAL OBLIGATION AND SHOULD NOT BE ABROGATED. RATHER, SAUDIS HAD SUPPORTED IDEA OF AMENDMENTS THROUGH NEGOTIATIONS. THESE HAD BEEN ATTEMPTED AND FAILED.

3. KUWAIT FINANCE AND PETROLEUM MINISTER ATIQUI HAD BEEN IN JIDDA PREVIOUS DAY TO INFORM YAMANI THAT KUWAIT, LIBYA, AND IRAQ, THE THREE STATES DELEGATED TO CARRY ON NEGOTIATIONS WITH THE COMPANIES, HAD DECIDED CALL EXTRAORDINARY OPEC MEETING FOR PURPOSE TAKING UNILATERAL ACTION TO ANNOUNCE A "TAX REFERENCE PRICE".

4. IN HIS DISCUSSIONS WITH ATIQUI, YAMANI HAD POINTED OUT THAT POSTED PRICE METHOD OF DETERMINING FINANCIAL RETURN TO GOVERNMENTS, AS SET OUT IN THE TEHRAN AGREEMENT, WOULD BE ABOLISHED BY INTRODUCING TAX REFERENCE PRICE CONCEPT AND THAT TEHRAN AGREEMENT TOO WOULD RISK BEING DESTROYED. SO UNWILLING HAD COMPANIES BEEN TO RECOGNIZE GOVERNMENTS' LEGITIMATE CLAIMS THAT

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