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Authority E.O. 12958

By NARA Date 12-07

Saudi Arabia

Kissinger, Saud

MEMORANDUM

NATIONAL SECURITY COUNCIL

ACTION

173-2-23, Faisal,

920

CONFIDENTIAL (GDS)

February 23, 1973

MEMORANDUM FOR: DR. KISSINGER

FROM: HAROLD H. SAUNDERS *HS*

SUBJECT: Your Talk with Prince Saud Faisal *920*

You will recall that you saw Prince Saud Faisal last summer when negotiations between the OPEC countries led by Saudi Arabia and the oil companies were at their height. Since that time, the "participation" agreement which was the subject of contention then has been signed, thus setting a long term course for relations between Saudi Arabia, Kuwait, and Qatar and the companies.

The main issue in the oil world today is the step taken by the Shah to change the relationship between Iran and the oil consortium operating there. The Saudis are watching this intently and have informally served notice that they will have to reopen their agreement with the companies if the Shah gets considerably more than they did.

I would assume that you would not get into these issues in detail. As you know from our daily brief, the consortium representatives are meeting again with the Shah this weekend, and we have hopes that they might be able to move toward an agreement which would take account of the companies' proposals designed to avoid upsetting the Saudi participation arrangement. In any case, you would not want to say anything specific about the Iranian negotiations. If the subject is raised, you might simply say that you understand talks are going on but these are between the companies and the Government of Iran so we do not have a lot to do with them.

You will recall that, when you saw the Prince last summer, the proposal was made for a dialogue on basic interests in Middle East oil. Since that time, Oil Minister Yamani made a proposal for a special oil relationship with the US. This is being studied, although most people within the government so far are not disposed to set up special relationships

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E.O. 12958, as amended, Sect 3.5

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By *HS* NARA, Date 07/30/07
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[NLS 01-27/1211]

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By (M) NARA Date 10/12/01

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of this kind because they would turn loose a massive scramble among the prime oil consumers for Saudi oil with a consequent effect on oil prices. I think you can say on this issue that a great deal of work is being done on the President's energy policy and that it will set the framework for continued dialogue and cooperation. [Note: Avoid any receptivity to special relationship, while confirming close political relationship.]

You will also recall that the Prince was having back trouble last summer when you saw him and you fixed him up with the White House osteopath. You may want to ask him how he is feeling.

Since this should largely be a social call, you might simply ask what is on his mind and tell him that the President is taking a major interest in oil policy and that we will certainly continue to be in touch with the Saudis when it seems desirable. We would welcome hearing from them at any time.

One political point that you should make is on Saudi financial support for Jordan: King Hussein has just been here. The US is providing very substantial assistance to Jordan. You would appreciate the Prince's taking word back to Saudi Arabia of deep US concern that Jordan be put in as sound a financial position as possible and that we would very much welcome Saudi Arabia's continued and expanded contribution into this effort. (I have separately sent you a memo on Jordan assistance which suggests that the Saudis are not doing all they could be.)

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[NAN 01-27/18:2]