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Authority E.O. 12958

By W KAR Date 10/12/01SECRET

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Kissinger, oil

TELEGRAM TO: Ambassador Akins

FROM: Secretary Kissinger

1. I believe it is important that you explain to the King personally as soon as possible our reasons for calling February 11 conference on energy among the world's major industrial nations, and to sound him out directly on his attitude toward future Saudi production increases and possible price decreases in the world oil market. Purposes of this approach are both to put certain considerations in his mind and to give King sense that we are continuing practice of full consultation with him. In doing so you should make the following points indicating that you are doing so at my request:
 - A. The Western industrial countries are threatened with very serious economic difficulties as a result of the abrupt price increase in the world oil market occasioned by the OPEC decision on December 23.
 - B. Although the U. S. itself is relatively unaffected economically, we are very concerned about the possible consequences for the Western alliance if each industrial nation were to seek its own shelter rather than to work together to meet what is a common problem cooperatively and with some reasonable degree of unity. Economic disunity would soon lead to a deterioration in political and security cooperation which could be very dangerous. King

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will recognize consequences of this for Saudi Arabia's long-term security.

- C. The cooperation the U. S. seeks to foster is not in any way designed to promote a confrontation between producers and consumers. We are not seeking to form a consumers' cartel. Our emphasis will be on what consuming nations can do for themselves cooperatively, not on how a consumers' alliance can be used to thwart the economic objectives of producer countries.
- D. Our main effort at the Conference will be to persuade others that a cooperative approach to the energy problem is practical and realistic, and that only through cooperation among industrial nations can the world's energy problems be kept manageable. Specifically, we shall try to reach agreement on a common assessment of the energy problem and the current economic situation, and to promote effective continuing cooperation in economic and financial policies, in fostering greater oil conservation efforts, in facilitating research and development in alternative sources of energy, and in increased investment in energy-producing sectors. This will be our agenda.
- E. We would hope that some form of permanent organization may emerge from the Conference to implement cooperation in the above areas. It is entirely possible that if this does occur such cooperation can be expanded into a broader institutional framework involving developing countries and producers. We are open-minded on this

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