



DEPARTMENT OF STATE
Washington, D. C. 20520

Date: 11-16-83

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~~1989-D-22~~ Faisal Fahd Murphy

October 22, 1969

MEMORANDUM

TO : NEA - Mr. Sisco
FROM : NEA/ARP - Ambassador Eilts
SUBJECT: Prince Fahd's Requests *for W*

- When taking Prince Fahd to the airport last evening, he again raised with me the four requests which he had made to the Secretary and, subsequently, again to you, viz.:
- (a) stretching out the Hawk payment terms still more;
 - (b) persuading the oil companies to buy oil made Saudi Arabia;
 - (c) assistance for contemplated Saudi Naval development; and
 - (d) assistance for Coast Guard/Frontier Force development.

I reminded him that you had undertaken to look into these matters. I personally saw no particular difficulties with Naval and Coast Guard assistance, but I was not sure what could be done in the case of the other two requests. I outlined to him the genesis of the 14-year deferred payment contract, noting that this had been possible only because of a DOD guarantee. The 14-year payment period already one of the most favorable that has been granted to any foreign government. I had no idea whether any further DOD guarantee was possible and in any case it was further standing that the Foreign Assistance Act has not yet passed Congress. Apart from this aspect, I wondered if he had considered the fact that any further extension of payment terms could mean that by the end of the contract period Saudis will be paying for military equipment which may then be obsolescent. What would Saudi public and official reaction be to this kind of situation? Would not he and

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Prince Sultan be blamed for inadequate planning? Fahd has obviously not thought of this point and was temporarily taken aback. He returned to the charge, however, by saying that if such further deferred payments could somehow be arranged, SAG would like to do so.

On the matter of oil, I asked him specifically what SAG had in mind. From his response it was clear that he lumps "royalty" and "barter" oil together. He seemed to think that the barter oil represents a part of the 12.5% of Saudi production which accrues to SAG. I explained to him the difference between "royalty" and "barter" oil and he finally allowed that what he had in mind is getting the American oil companies to buy the "barter" oil. He commented that the barter deal with Rumania had not been a success; hence, SAG is looking for some other way of getting rid of "barter" oil. I told him that we would talk with the oil companies, but it had always been my understanding that the disposition of "barter" oil was closely circumscribed.

I then reminded him that the USG has in the past sought to be responsive to all of Saudi Arabia's arms purchase requests. I could assure him that SAG is highly regarded by the USG and that every effort will continue to be made to be helpful. Speaking personally, however, I always regretted these Saudi arms purchase requests. It seems an unnecessary and wasteful use of limited resources. For example, the 25 million pounds which had been paid for the Thunderbird battery three years ago, ostensibly to have three additional months of security before the Hawk missiles arrived, was now down the drain. The Thunderbirds have never been fired and are now obsolescent and stored in Riyadh. I knew from personal experience that some of the U.S. military equipment which Saudi Arabia has purchased is in fact being allowed to deteriorate because of inadequate maintenance. I had several times spoken to Prince Sultan about this and hoped that he, Prince Fahd, would also earnestly weigh the need for any additional military equipment. He said he would do so.

Fahd also expressed some concern about critical UAR, Syrian, and Iraq press comment on his visit. He seemed particularly annoyed about a cartoon allegedly appearing in the Lebanese newspaper al-Ahrrar depicting a "Metro-Goldwyn-Meir" circle

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with a head of Fahd in the middle. He again asked that the Department issue some kind of a statement indicating that Fahd had raised the subject of arms for Israel and had been assured that no further commitments had been made. If something along these lines is possible, he asked that word be sent to him in London. (We are repeating to London for Fahd the statement of Ron Zeigler on September 25 that no commitment was made.)

I suggested that he not feel too disturbed about the al-Ahrar cartoon since the paper is strongly leftist. As for UAR, Syrian and Iraqi press attacks on him, these were bound to happen. I thought we should all realize Fahd had not been invited or come in order to solve the Arab-Israel problem. SAG has consistently pointed out it is not a party directly involved. I did hope, however, that he was going away impressed with the sincerity of our efforts to try to help find a solution to the complex issue. He readily agreed that this was so.

On departure, I gave him a copy of the Secretary's message, which pleased him greatly. I also passed on your warm regards and good wishes. He again expressed his deep appreciation for the warm welcome accorded him.

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