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FROM : Amembassy JIDDA DATE: March 31, 1970

SUBJECT : U.S. Policy Assessment: Saudi Arabia 1970

REF : CERP C-1, 11 FAM 212.3-5

U.S. Interests

President Nixon, during Prince Fahd's October 1969 visit to Washington, reaffirmed long-standing American concern for the integrity and welfare of Saudi Arabia. His reaffirmation recognizes major U.S. interests in the Kingdom, primarily economic but also strategic and geo-political.

American control of Saudi oil production generates over one-half billion dollars annually in profits for Aramco's owners; whether these funds are repatriated to the United States or invested in productive capacity abroad, they provide important relief to the U.S. balance of payments. Saudi revenues from American petroleum operations here--running at a billion dollar annual rate--provide a significant commercial market.

Enclosures:

1. Appraisal of USMTM Program
2. Appraisal of Corps of Engineers Program
3. Appraisal of the AID/OPS Program
4. Appraisal of OSW Role in Jidda Desalting Plant
5. Appraisal of USCS Program

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for U.S. exports (\$156 million in 1969),\* a source of funds for U.S. and other Western financial markets, and the money for civil and military development programs in which American firms are participating profitably. In terms of net inflow to the U.S. balance of payments, these exceed \$550 million a year.

The continued flow of Saudi oil under American control to friendly markets is also strategically important to the United States. So is U.S. access, and denial to hostile powers, to the Saudi land mass, which still serves as an important communications link between the Middle East, East Africa and the Indian Ocean. For example, in 1969, we exercised the privilege of military overflight of Saudi territory some 600 times exclusive of in-country military aircraft flights.

In addition, Saudi Arabia remains a refuge in an increasingly turbulent and anti-American Arab world for moderate influences still sympathetic to cooperation with the United States. Saudi Arabia is one of the few remaining states in the Arab East with which the U.S. Government retains some influence. While its political influence in today's Arab arena is limited, the Saudi regime has some economic leverage and a potential for even more. Moreover the rulers of Saudi Arabia, as keepers of Islam's two holiest sites, enjoy some prestige in the broader Islamic world. Finally, Saudi Arabia, in cooperation with Iran, could preserve stability and Western influence in the oil-rich Persian Gulf against threats of local squabbles and the spread of radical doctrines.

#### The Nature of the U.S.-Saudi Relationship

The good U.S.-Saudi working relationship is one of mutual interest. Our wish to exploit Saudi oil and resultant financial resources is at present balanced by the Saudi quest for American political/military support and preference for American technical skill and products.

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\* A drop of \$31 million from the previous year.

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The relationship, however, rests on weak cultural/psychological underpinnings. The conservative Saudi regime is heir to a long tradition of xenophobia, including hostility to some basic American political doctrines and social mores. The "modern Saudi," while eager for the trappings of westernization, also readily succumbs to anti-American Arab nationalist influences.

At all levels the Palestine problem beclouds the U.S.-Saudi tie. King Faisal is bitter at the U.S. position on the Arab-Israeli issue. The Kingdom's leadership appreciates the convenience of its economic and military ties with the United States, but is increasingly uncomfortable when other Arabs deride it as a "lackey of American imperialism." It continually questions the sincerity of U.S. support. Should Arab resentment of the United States grow, the Saudi regime may be compelled by Saudi and Arab public pressures to jettison some U.S. connections. We cannot take Saudi Arabia for granted.

#### The State of the Kingdom

The beginning of the 70's is a critical period for the Saudi monarchy. While still firmly at the helm, King Faisal is at 65 an actuarial risk. The presently indicated succession, Crown Prince Khalid as King and Prince Fahd as Prime Minister, is less inspiring and, in view of princely rivalries and health problems of the principals, by no means assured. A more immediate problem is Faisal's "generation gap." The growing middle class of educated "elite," and even the proliferating urban "mass," chafe at the lack of social liberalization, the stagnation of domestic political reform, the corruption in high places, the increasingly "police state" nature of the Kingdom, and its isolation from the mainstream of modern Arab society. Arrests in the last year of some 260 alleged dissidents, including civilian bureaucrats and Army and Air Force officers, suggest the seriousness of latent anti-regime sentiments, encouraged by radical Arab political doctrines but essentially domestic in origin. The regime still relies on the loyalty of the tribal elements of the National Guard; but as the Kingdom modernizes, the House of Saud's traditional base of conservative support shrinks. There is a question whether "progressive" ideas have not also penetrated the Guard officer corps. The Guard's capability to confront the regular army in a show of force is, of

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with some misgivings, selectively nourishes the fedayeen. Al-Fatah is its chosen instrument for financial support, but it has thus far declined to permit Saudi territory to be used as fedayeen bases or training grounds. A painfully expensive Danegeled to the U.A.R. keeps Nasserist hostility momentarily at bay, but other radical Arabs bitterly denounce Saudi unwillingness to contribute more to the Arab cause.

To the south the festering sore of the Yemeni civil war prevents Saudi-YAR reconciliation. The hostility of the weak but reckless PRSY regime, long advertised by Aden radio, materialized in late November 1969 in armed attack on the Saudi border post of Wadia. Saudi air power, the result of U.S.-U.K. air defense cooperation with the Kingdom, saved the day, but while the South Yemenis lick their wounds and build an air support capability with 10 Soviet-supplied MIGs, the Saudis hasten to strengthen their defenses in the southern border area. Toward the Gulf the Saudis view the growing strength of the Dhofar liberation movement with alarm, fearing the spread of disorder and radical influences when the British withdraw. The potentially explosive situation in Muscat/Oman is especially worrying. Encumbered by old rivalries and territorial disputes, the Saudis are groping toward cooperation with Iran and other littoral states to assure future stability in the area.

As the 70's begin, King Faisal feels encircled by what he conceives to be an ever more ominous Zionist-Communist-radical Arab "conspiracy" against the survival of the Saudi dynasty. In such circumstances he and his principal lieutenants are torn between irritation at U.S. policies and fear of American indifference, between a need for reassurances of U.S. support and embarrassment at too close an identification with us.

#### Policy Assessment

Our primary objectives in Saudi Arabia, in rough order of priority, are:

1. Maintaining a satisfactory diplomatic dialogue with the Saudi establishment in order to further our remaining objectives;

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