

## Message Text

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TO AMEMBASSY MANILA IMMEDIATE

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S E C R E T STATE 045027

EXDIS

E.O. 11652: GDS

TAGS: OVIP (KISSINGER, HENRY A.)

SUBJECT: JOINT US-SAUDI ECONOMIC COMMISSIONS

FOR AMBASSADOR FROM SECRETARY

1. FYI: AS FOLLOW-UP TO MY TALKS WITH KING FAISAL AND PRINCE FAHD, I BELIEVE IT IS DESIRABLE TO MOVE RAPIDLY TO FORM JOINT US-SAUDI COMMISSIONS ON COOPERATION IN ECONOMIC, MILITARY/STRATEGIC, TECHNICAL/SCIENTIFIC FIELDS WHICH WE DISCUSSED IN RIYADH. WE WILL WANT THESE COMMISSIONS REGARDLESS OF WHETHER THE EMBARGO IS LIFTED. THERE ARE SEVERAL REASONS:

A. WE WANT TO DRAW SAUDIS INTO INTENSIVE DIALOGUE ON APPROACHES TO COOPERATION WHICH WILL PROVIDE THEM AN

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ALTERNATIVE TO THE BILATERAL BARTER ARRANGEMENTS THE

EUROPEANS ARE DISCUSSING IN WHICH TECHNOLOGY AND HELP WITH INDUSTRIALIZATION ARE TRADED FOR GUARANTEED OIL SUPPLY AT SPECIFIED PRICES.

B. WE NEED TO BRING US-SAUDI RELATIONSHIP CLOSER AGAIN AND TO OVERCOME IMPRESSION IN SAUDI MINDS THAT US HAS LOST INTEREST IN SAUDI ARABIA AND DISCOUNTS SAUDI VIEWS.

C. WE WANT TO ESTABLISH FRAMEWORK OF CONSULTATION WITHIN WHICH WE CAN PURSUE OUR INTEREST IN RAISING SAUDI PRODUCTION IN 1974 AND 1975 IN ORDER TO GET PRICES DOWN.

2. ALTHOUGH WE WANT TO MOVE QUICKLY TOWARD ESTABLISHMENT OF THESE COMMISSIONS IN THE NEXT TWO OR THREE WEEKS, IT IS ABSOLUTELY ESSENTIAL THAT WE NOT APPEAR OVER EAGER. WE WANT TO PLAY THIS THAT WE HAVE STUDIED EXTENSIVELY THE PROPOSALS FOR COOPERATION WHICH THE SAUDIS HAVE MADE OVER THE PAST YEAR AND, AS A RESULT OF A NUMBER OF STUDIES WE HAVE COMPLETED, WE ARE NOW PREPARED IN RESPONSE TO SAUDI INITIATIVES FOR DISCUSSIONS IN DEPTH ON A WIDE RANGE OF POSSIBLE AREAS OF COOPERATION. WHILE YOU ARE IN PROCESS OF MAKING YOUR FIRST APPROACHES ON CONCEPT AND PROCEDURES, WE WILL BE PRESSING FURTHER PREPARATORY STAFF WORK IN WASHINGTON. ANY ADDITIONAL THOUGHTS YOU MAY HAVE WILL BE MOST WELCOME. END FYI.

3. YOU ARE TO APPROACH SAUDIS PROMPTLY AT HIGH LEVEL TO BEGIN DISCUSSION OF FORMATION OF JOINT US-SAUDI COMMISSIONS AS DESCRIBED BELOW TO DEVELOP CLOSER COOPERATION IN ECONOMIC, MILITARY/STRATEGIC AND SCIENTIFIC FIELDS. LEAVE TO YOUR DISCRETION WHOM TO APPROACH BUT SUGGEST THAT, IN LIGHT OF MY TALKS IN RIYADH AND MY INVITATION TO PRINCE FAHD TO VISIT WASHINGTON, YOU START WITH HIM. ALSO, MOST IMPORTANT IN VIEW OF MY PERSONAL RELATIONSHIP TO KEEP SAQQAF FULLY IN PICTURE.

4. FOLLOWING THEMES SHOULD BE BASIC TO YOUR PRESENTATION:

A. WE HAVE DEEPLY APPRECIATED SAUDI PROPOSALS OVER PAST YEAR FOR CLOSER US-SAUDI RELATIONSHIP IN ECONOMIC AS WELL

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AS POLITICAL-MILITARY FIELDS. WE NOW READY TO RESPOND TO SAUDI INITIATIVE.

B. US INTEREST IS BROAD ONE CONSISTENT WITH ITS GLOBAL RESPONSIBILITIES. US NOT TALKING ABOUT SIMPLE TRADE OF OIL FOR INDUSTRIALIZATION OR ARMS WHICH HAS CHARACTERIZED RECENT BILATERAL DEALS.

C. PURPOSE OF THIS APPROACH IS TO BROADEN AND DEEPEN LONGSTANDING CLOSE US-SAUDI RELATIONSHIP.

5. YOU SHOULD EXPLAIN THAT WE ENVISION FORMATION OF THREE COMMISSIONS, ONE IN EACH OF FIELDS MENTIONED PARA 3 ABOVE, AND SEEK SAUDI REACTION. EACH COMMISSION ON OUR SIDE WOULD BE HEADED AT DEPUTY SECRETARY LEVEL, BUT WE BELIEVE IT WOULD BE APPROPRIATE FOR EACH SIDE TO

DESIGNATE CABINET-LEVEL INDIVIDUAL TO GUIDE OVERALL EFFORT. SECRETARY OF STATE WOULD PLAY THIS ROLE ON US SIDE, AND THOUGH IT UP TO SAUDIS, FAHD WOULD SEEM LOGICAL ON SAUDI SIDE. THIS SHOULD BE LEFT ENTIRELY TO SAUDIS TO DECIDE AND WE SHOULD NOT PRESS FOR ANY PARTICULAR INDIVIDUAL.

6. YOU MAY INDICATE FOR SAKE OF ILLUSTRATION, THAT FOLLOWING SUGGESTS KINDS OF SUBJECTS WE BELIEVE EACH COMMISSION COULD DISCUSS:

A. COMMISSION ON ECONOMIC COOPERATION MIGHT ESTABLISH WORKING GROUPS TO DEAL WITH SUCH ISSUES AS: THE INDUSTRIALIZATION OF SAUDI ARABIA; INVESTMENT BOTH WAYS; GENERAL MANAGEMENT OF FINANCIAL RESERVES;

COOPERATION IN HELPING LDC'S DEVELOP NEW SOURCES OF ENERGY; PROJECTIONS ON OIL SUPPLY, DEMAND, PRICES; REASONABLE FORMULA FOR OIL PRICING OVER LONG TERM; MEANS OF PROTECTING AGAINST INFLATION; INFORMAL PREPARATION FOR LATER PRODUCER-CONSUMER DISCUSSIONS; A OPEC TREATY. OBJECTIVE MIGHT BE TO THINK ABOUT THESE SUBJECTS IN TEN-YEAR PERSPECTIVE.

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B. COMMISSION ON SCIENCE AND TECHNOLOGY MIGHT CONSIDER A TECHNICAL COOPERATION AGREEMENT THAT WOULD FACILITATE DELIVERY OF REIMBURSABLE TECHNICAL ASSISTANCE TO THE SAUDI GOVERNMENT AND COOPERATION IN HELPING LDC'S DEVELOP NEW SOURCES OF ENERGY.

C. COMMISSION ON MILITARY COOPERATION WOULD PERIODICALLY REVIEW STRATEGIC ASSUMPTIONS UNDERLYING US-SAUDI COOPERATION AND STATUS OF PROGRAMS TO STRENGTHEN SAUDI MILITARY CAPABILITY.

7. IN SUM, YOUR OBJECTIVES AT THIS POINT ARE:

A. TO GET SAUDI AGREEMENT TO CONCEPT OF THREE JOINT COMMISSIONS;

B- TO REACH GENERAL UNDERSTANDING ON APPROXIMATE SCOPE OF EACH COMMISSION'S RESPONSIBILITY;

C. TO SEE WHETHER OUR NOTION OF LEVEL OF DELEGATIONS IS ACCEPTABLE TO SAUDIS;

D. TO ACHIEVE MUTUAL UNDERSTANDING THAT PURPOSE OF FAHD VISIT WILL BE TO CRYSTALLIZE PLANS FOR COMMISSIONS AND TO

DEVELOP PLAN OF WORK FOR FAHD PARTY IN WASHINGTON. IN THIS CONNECTION, YOU MIGHT EXPLORE GENERALLY POSSIBILITY OF JOINT ANNOUNCEMENT AT END OF FAHD VISIT IN WASHINGTON WHICH COULD SERVE AS VEHICLE FOR NEGOTIATING AGREED CHARTER FOR COMMISSIONS. DURING FAHD VISIT, SCHEDULE FOR COMMISSION MEETINGS AND PLANS FOR PREPARATORY WORK COULD BE DEVELOPED.

E. TO REFLECT FLEXIBILITY ON OUR PART AS TO HOW WE AND SAUDIS PROCEED. THUS, IN SECRETARY'S MESSAGE TO SAQQAF AT END OF LATEST MIDDLE EAST TRIP, HE INDICATED OUR WILLINGNESS TO SEND OR RECEIVE HIGH-LEVEL MILITARY MISSION, OR TO SEND OR RECEIVE COMPREHENSIVE MISSION IN MILITARY, ECONOMIC AND TECHNICAL/SCIENTIFIC FIELDS, AS WAY OF GETTING PROCESS STARTED. FAHD VISIT WOULD CLEARLY FIT INTO LATTER CATEGORY. POINT IS THAT NONE  
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OF THESE ARE MUTUALLY EXCLUSIVE. ANY OR ALL COULD CONSTITUTE BEGINNING OF DIALOGUE PREPARATORY TO ESTABLISHMENT OF JOINT COMMISSIONS DISCUSSED ABOVE.

8. APART FROM ABOVE, YOU MAY INFORM PRINCE SULTAN THAT REVISED LETTERS OF OFFER FOR THE SAUDI NAVY ARE BEING FORWARDED AND PREPARATIONS ARE BEING MADE TO UNDERTAKE THE REQUESTED AIR FORCE AND SIGNAL CORPS SURVEYS.

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