

It would hardly make sense for the Saudis to pour millions of dollars into additional equipment just so their only national resource could be depleted more rapidly. Their economy does not require the revenue. There is an intense debate in Saudi ruling circles over how rapidly to deplete the nation's oil reserves. As the day of decline draws nearer, and as costs to raise production rise dramatically, those who argue in favor of holding down production are likely to move to the fore. Their position will be further reinforced by recent events in Iran which are bound to heighten concern about the social and political consequences of too rapid modernization, and too large an inflow of petro-dollars.

A likely scenario is that the Saudis will not add new capacity beyond 12 mbd, and that they will wish to produce 1-1.5 mbd lower than that to maintain the spare capacity that gives them their only leverage in OPEC, and to stretch-out the life of their fields.

However, the Saudis clearly realize that as the gap between world oil supply and demand grows, the external pressure on them to pump more will be enormous, whatever their own internal preferences. This presents the Saudis with a dilemma: on the one hand they would like to see us undertake a serious energy conservation effort to take the pressure off them, as indeed they are constantly urging us to do; on the other hand, they would not want us to know the full extent of their capacity constraints because we would realize that they have less to offer than we had thought, in return for our security guarantees, special financial arrangements, etc.

Conclusions

All this is not to say that Saudi Arabia will not be important to the US in the future; I merely wish to point out that there are limits to what we can realistically expect the Saudis to do for us in the coming decades, particularly as regards the price of oil.

Because of the physical, financial, and internal political considerations enumerated above, Saudi Arabia is a poor candidate for the position of world oil price moderator in the 1980's and 1990's: we will have to look elsewhere. The most logical place to look is south of the border.

cc: D - Mr. Christopher

E - Mr. Cooper

EB - Mr. Katz

NEA - Mr. Saunders

Attachment: As stated

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CHRG

S/S-S

Karen Warpul

EB/ORF/FSE:JCTODD-EW
1/15/79 X26324
E - RNCOPER

EB - JKATZ
NEA - WCRAWFORD
TREAS - CSCHOTTA

EB/ORF/FSE - GARSEN
DOE - HBERGOLD

SANITIZED

NLJC-06-076

PRIORITY

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DHAHRAN, RIYADH PRIORITY

per 7/4/86 NSC/Tr
BY CS NARA, DATE 7/21/06

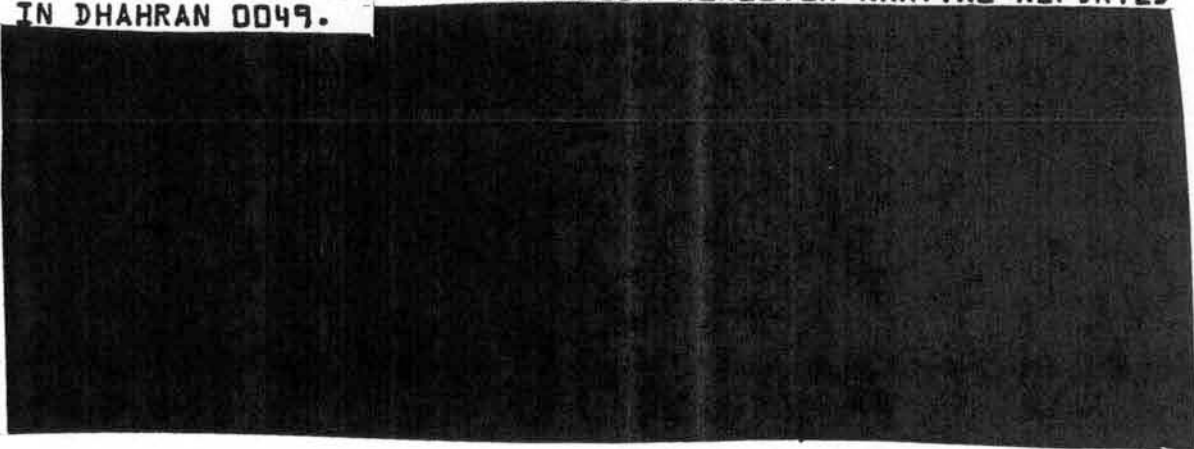
FOR AMBASSADOR WEST FROM UNDER SECRETARY COOPER

E.O. 11652: GDS 1/15/85 {ROSEN, GERALD A.}

TAGS: ENRG, SA

SUBJECT: SAUDI OIL CEILING AND THE IRANIAN SITUATION

1. AS YOU KNOW, THE WORLD OIL MARKET SITUATION IS TIGHT AS A RESULT OF CONDITIONS IN IRAN, DESPITE THE ADDITIONAL PRODUCTION BY SAUDI ARABIA AND OTHER OIL PRODUCERS. WE HAVE RECEIVED DISTURBING REPORTS THAT THE SAUDIS HAVE SUGGESTED TO ARAMCO THAT THE SAG MIGHT IMPOSE ITS 8.5 MILLION B/D PRODUCTION CEILING ON A QUARTERLY BASIS, THOUGH THIS APPEARS TO CONFLICT WITH THE MESSAGE CONVEYED {OR IMPLIED} BY DEPUTY PETROLEUM MINISTER KHAYYAL REPORTED IN DHAHRAN 0049.



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2. WE WILL CONTINUE TO SOUND OUT OIL COMPANY REPRESENTATIVES HERE AS TO THEIR ASSESSMENT OF THE LIKELIHOOD OF A STRICT APPLICATION OF THE PRODUCTION CEILING. IN THE MEANTIME, YOU SHOULD EXPRESS TO SAG OUR CONFIDENCE THAT THE SAUDIS WILL CONTINUE TO MEET THEIR RESPONSIBILITIES IN HELPING MEET THE WORLD'S ESSENTIAL ENERGY NEEDS, CONSONANT WITH THE SAUDIS' COMMON INTERESTS WITH THE INTERNATIONAL COMMUNITY, DRAWING ON THE POINTS BELOW. LATER THIS YEAR WE WILL WISH TO DISCUSS INTENSIVELY WITH THE SAUDIS THE NEED TO INCREASE INVESTMENT IN EXPANSION OF CAPACITY FOR THE LONG TERM. GIVEN OUR IMMEDIATE CONCERN FOR MAXIMUM OUTPUT, WE RECOMMEND THAT AT THIS TIME YOU TREAT THE LONG TERM ISSUE IN THE LOW KEY MANNER INDICATED IN THE FINAL TALKING POINT BELOW.

3. THE UNITED STATES GOVERNMENT IS VERY MUCH AWARE AND APPRECIATIVE OF THE PROMPT RESPONSE BY SAUDI ARABIA TO HELP MEET THE SHORTFALL IN WORLD OIL SUPPLIES OWING TO THE IRANIAN SITUATION.

4. WHATEVER THE COURSE OF EVENTS IN IRAN, WE BELIEVE THERE WILL EVENTUALLY BE A RESUMPTION OF OIL EXPORTS, THOUGH PRODUCTION MAY NOT RETURN TO EARLIER HIGH LEVELS.

5. IN THE MEANTIME, WE ARE VERY CONCERNED THAT THE EFFECTS OF THE IRANIAN SITUATION NOT CAUSE A DISRUPTION OF THE WORLD OIL MARKET, AND CONSEQUENTLY OF THE ECONOMIC HEALTH AND PROSPECTS FOR POLITICAL STABILITY OF THE FREE WORLD.

6. WE WOULD HOPE THAT, EVEN AFTER IRANIAN OIL EXPORTS HAVE RESUMED, SAUDI OIL PRODUCTION WILL CONTINUE AT HIGH ENOUGH LEVELS SO AS NOT TO INTERFERE WITH THE MARKET'S NEED TO FULLY RECOVER.

7. THE IRANIAN SITUATION HAS DEMONSTRATED THE FRAGILE BALANCE BETWEEN OIL SUPPLY AND DEMAND, UNDERLINING THE NEED FOR THE DEVELOPMENT OF ADEQUATE PRODUCTION CAPACITY TO MEET UNEXPECTED CONTINGENCIES AS WELL AS THE WORLD'S ESSENTIAL ENERGY NEEDS.

8. FYI. IF ADDRESSEES DISCERN ANY INDICATION THAT THE SAUDIS ARE CONSIDERING A STRICT APPLICATION OF THE 8.5 MMBD CEILING YOU SHOULD REPORT THIS PROMPTLY AND AWAIT INSTRUCTION. AMBASSADOR MAY WISH TO DELAY HIS PRESENTATION OF ABOVE POINTS UNTIL AFTER LEARNING WHETHER OUTPUT CEILING WAS DISCUSSED AT ARAMCO EXCOM MEETING. YY

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MEMORANDUM

OFFICE OF THE VICE PRESIDENT
WASHINGTON


~~SECRET/SENSITIVE~~

INFORMATION

Memo No. 122-79

February 2, 1979

MEMORANDUM FOR THE VICE PRESIDENT

FROM: Denis Clift 
SUBJECT: Foreign Policy Breakfast, Friday,
February 2, 1979, 7:15 a.m.

Middle East


Strategy relating to the Israeli-Egyptian negotiations and Harold Brown's upcoming visit to the Middle East will be the most important breakfast agenda item.

Secretary Vance's initialed memorandum for the President on strategy for the Middle East negotiations is at Tab I. A key question, raised during the Thursday discussion with Roy Atherton, is whether the next step should involve Vance going to the Middle East for further negotiations or - in my view preferable - whether Dayan and Khalil should first come to the United States to receive our political perception (in talks with you, Zbig, Vance and possibly the President) of where we are, our objectives in the region, and the spirit in which both sides will have to approach renewed negotiation on the outstanding articles if this process is to lead to a successful summit.

At the conclusion of the Thursday PRC on Brown's trip to the Middle East, he said that he would shortly forward a decision memorandum to the President. The papers for that PRC meeting are at Tab II.

I am also attaching, at Tab III, recent Saudi articles critical of the U.S.

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Classified by Source
Review 1/31/99

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per 7/11/06 N.S.C./H
BY  NARA, DATE 2/21/06

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Vance Meetings with David Owen

Secretary Vance will be meeting with David Owen on Friday and Saturday to discuss a number of items, Rhodesia foremost among them. You may wish to invite Vance's views on the approach he will take with Owen, on Rhodesia, Namibia and the question of U.K. oil for Israel.

Mexico

State is extremely unhappy with the way Secretary Schlesinger is attempting to keep total control over the direction and pace of the President's discussion with Lopez Portillo on energy. Lake and others believe that we are heading for a major domestic crunch -- with increasing charges that the President has bungled the opportunity to arrange for US-Mexican cooperation leading to increased Mexican oil and gas for the U.S. at a time when our supplies from the Middle East are in increasing doubt.

Brezhnev Summit/SALT

With the current assumption that the Brezhnev summit may occur in March, I would anticipate that either the President or Vance would open a discussion of next steps with the Soviets.

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THE SECRETARY OF STATE
WASHINGTON

Daniel Page
~~SECRET~~

(Entire Text)

NODIS

MEMORANDUM FOR: THE PRESIDENT

From: Cyrus Vance *CV*

Subject: Strategy for the Middle East Negotiations

The memorandum I sent you on Tuesday summarized where matters stand with respect to the Egyptian-Israeli negotiations following the recent Atherton trip to the area. This memorandum discusses the two key issues we confront in deciding what we should now propose to the Egyptians and Israelis that would have the best chance of bringing the treaty negotiations to an early, successful conclusion. These issues are:

-- How can we package the Egyptian proposals now on the table in a way that will a) retain the substance of what Sadat told us was his bottom line at the end of my December visit to Cairo, and b) overcome Israel's objections to these proposals as they now stand?

-- What negotiating scenario will have the best chance of winning Egyptian and Israeli acceptance of such a package?

The Package

As indicated in my earlier memorandum, the linkage question has emerged as the key to success or failure of the Egypt-Israeli negotiations, and both sides see each of the remaining unresolved issues in the treaty package in this light. In devising an approach on the substance of these remaining issues, I believe we need to proceed from two premises:

-- Israel cannot be brought to accept, and the Camp David Accords do not support language that would make implementation of the Egyptian-Israeli treaty conditional upon implementation of any of the steps toward autonomy for the West Bank and Gaza which are envisioned in the Camp David Framework.

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BY *CS* NARA, DATE *7/21/06*

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-- Egypt needs sufficient language in the treaty package to make credible its claim that it has not made a separate peace with Israel whose implementation will be entirely unaffected by whether or not there is any progress toward implementation of the West Bank and Gaza Framework.

Even in the absence of conditional linkage in the treaty package, there is no way to ensure that, at the end of Israel's interim withdrawal, Egypt will not renege on its commitments to normalization on the grounds that Israel has not negotiated in good faith to carry out the West Bank/ Gaza provisions agreed at Camp David. Israel knows this, and its concern therefore is to avoid the inclusion of any provisions in the treaty package which would provide a basis for the United States to support Egypt in such circumstances and to place the onus on Israel for lack of progress in the West Bank/Gaza negotiations. Israel, of course, has a built-in safeguard in the sense that it would still retain its position in eastern Sinai after interim withdrawal and could refuse to carry out the second-stage withdrawal if Egypt did not carry out its normalization commitments. Israel would, however, have given up strategic positions in the western Sinai, and, above all, would have given up the oil fields with nothing to show in return other than the passage of its ships through the Suez Canal.

To attempt to resolve the foregoing dilemma, we will need to put forth an overall negotiating package dealing with all the outstanding unresolved issues in the negotiations. Draft documents for inclusion in such a package are attached. Briefly, they include the following:

Article IV - a revised interpretive note on Article IV is at Attachment 1. It incorporates a new formulation to express the Egyptian objective of ensuring that there will be no unreasonable delay in undertaking a review of the Sinai security arrangements when requested. Reference to a specific time period for review, which Sadat also wants and which we agreed to include in the proposal I conveyed to Israel in December, is omitted as superfluous. Sadat could always announce unilaterally, however, that it is his intention to seek review within "x" number of years.

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Article VI (2) - In place of the Egyptian interpretive note, language to take care of Sadat's problem with this paragraph of the treaty is incorporated in the revised draft side letter on West Bank/Gaza issues (Attachment 3).

Article VI (5) - At Attachment 2 is a formulation for carrying out Prime Minister Khalil's suggestion that, in place of our legal opinion and the U.S.-Israeli letter, there be a brief agreed Egyptian-Israeli statement on the priority of obligations issue. This could be incorporated either in an interpretive note or in a side letter or agreed minute.

West Bank/Gaza Side Letter - A revised draft is at Attachment 3, which is designed to give Sadat greater assurances that implementation of the Camp David scenario for the West Bank/Gaza--or at least for Gaza--is envisaged within a timeframe that has some relationship to implementation of the first stage of the Egyptian-Israeli Treaty. Among other things, it retains the target date concept so important to Sadat but casts it in somewhat different form.

Ambassadorial Exchange (Annex III, Article 1) - This may prove the most difficult issue of all because of its symbolic importance to both sides. It is the one element of unambiguous conditional linkage contained in the December Egyptian proposals. Sadat will press to retain it, and Israel will insist on its elimination as inconsistent with the Camp David Accords. It will probably be necessary to look for an alternative to the present Egyptian proposal--e.g., revising Annex III and having no letter on Ambassadorial exchange. This would in effect put off the question of the timing of exchange of Ambassadors until after interim withdrawal at the beginning of the normalization process. Sadat would thus retain the option of deciding when he would send an Ambassador to Israel, but the Israelis would not be asked to accept as part of the Treaty package a letter which linked this explicitly to establishment of the self-governing authority. Two alternatives for a redrafting of Article 1, Annex III, are at Attachment 4.

Possible U.S. Letter of Assurance - We might need to give supplementary assurances as part of the Treaty package: (a) to Israel, that we will support the

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position that Egypt is bound to fulfill its normalization commitments when the time comes regardless of the status of the West Bank/Gaza negotiations; and (b) to Egypt, that we will use our full weight during those negotiations to ensure that they make progress toward establishing genuine autonomy for the West Bank/Gaza, beginning at a minimum in Gaza. We would not include this letter in the initial package we would table, but would hold it in reserve as a possible way of resolving Sadat's desire for conditional linkage and Israeli opposition to any element of conditionality. A draft of such a letter is at Attachment 5.

Oil - At Attachment 6 is a paper on how the problem of an Egyptian oil supply commitment to Israel might be handled.

Assistance to Israel. In addition to the foregoing treaty issues, we need to decide how to handle Israel's request for financial assistance to relocate the airfields and to cover costs of Sinai withdrawal. The Israelis have told us that our response to their request will be a factor in their final decision on whether they can afford the additional costs that peace with Egypt and withdrawal from the Sinai will entail. The question of how to handle these Israeli requests in the context of the next round of negotiations is discussed in a paper at Attachment 7.

As you know, we also have requests from Egypt for "Carter Plan" economic assistance and additional military supply. Egypt has not pressed these issues in relationship to the treaty negotiations, however, and given the complicated budgetary and Congressional problems they pose, it would be preferable to deal with them separately from and after completion of the treaty negotiations.

Negotiating Scenario

There are two main issues to be decided in constructing a negotiating scenario:

-- whether negotiations should resume at the Ministerial or Summit level;

-- how to surface our proposed negotiating package with the parties--i.e., do we present it in advance for them to reflect on; do we present it to them only at the beginning of the negotiations; do we present it piecemeal or as a package; do we present it to both simultaneously or do we discuss it with one or the other first?

It is clear that both Sadat and Begin must personally make the decisions on the remaining issues. On the Egyptian side, Khalil seems to have some latitude in negotiating the details, subject to Sadat's guidance on overall principles and major issues. On the Israeli side, however, Begin will want to be involved in deciding every detail on a continuing basis. If the decision is to resume negotiations at the Ministerial level, this argues for doing so in the area, where Dayan can have regular access to Begin. Dayan has stressed that this is essential if he is to influence Begin to show flexibility, and if he is to be able to maneuver to counteract pressure from other members of the Cabinet. The Egyptians are prepared to negotiate either in Washington or in the area but not on Egyptian (including the Sinai Field Mission) or Israeli territory. They have suggested a Greek island, which would provide both Ministers quick access to their capitals by air.

If the talks were to be at Ministerial level we would need to prepare the ground by instructing Lewis and Eilts, in conveying our proposal, to explain to Begin and Sadat the general concept of how we propose to proceed on the substantive issues. This would be particularly important with Sadat, since we would be asking him to accept proposals different in form and, in some respects, in substance from what he told me in December were as far as he could go. It would not be good to have these dropped on him cold through Khalil. We would probably also want to precede the talks with letters from you to Begin and Sadat.

If the talks were to be at the Summit level, I would recommend a variant which could perhaps relieve a bit the demands on your time. Specifically, we could invite Khalil and Dayan to begin talks with me at Camp David forty-eight hours before Begin and Sadat arrived. In this way I could discuss our proposals with them, perhaps clear up some of the issues, and at a minimum familiarize them with our thinking and try to get them in a constructive frame of mind before their principals arrived.

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-- The principal advantages of Ministerial level talks in the area are that Begin and Sadat could be consulted regularly by Dayan and Khalil; that I would have access to Begin and Sadat on short notice; that we would avoid engaging you personally in an exercise whose outcome is problematical; and that we would still have the option of moving to the Summit if it appeared from the Ministerial talks that this would resolve the remaining differences.

-- The principal disadvantages of Ministerial level talks are that Begin might give no flexibility to the Israeli delegation and play for time, holding out for a Summit which he apparently wants and believes you will eventually propose; and that press leaks and public airing of the differences, including discussion in the Israel Cabinet, would be harder to avoid since the principals would not be directly involved and subject to our pressure to keep the talks confidential (this is particularly true in Israel where Begin would be operating in his domestic political environment while the talks go on).

-- The principal advantages of Summit talks are that we would be able to bring maximum pressure on Sadat and Begin from the outset; and that leaks and the public airing of differences would be easier to control (ideally this would require reconvening the talks at Camp David).

-- The principal disadvantages of Summit talks are that both Begin and Sadat, having been accused of giving too much away at Camp David in September, would be resistant to giving in to pressure from you; that Sadat, unlike Begin, is not likely to welcome a Summit, believing he will be asked to make further concessions; that if a Summit were to have the best chance of succeeding, it would require virtually your full time perhaps for as long as a week; and that, if Sam Lewis' judgment is correct, Begin would insist on bringing four or five Cabinet Ministers with him to cover his political flanks.

How we surface the U.S. negotiating package will have an important influence on the prospects for success. The Egyptians will want us to consult first with them, since we will in effect be proposing changes, however limited,

in proposals which they agreed to have me put to the Israelis in December and which they persist in viewing as U.S.-Egyptian proposals. The Israelis will want us to consult first with them, on the grounds that we are committed to do so under the Sinai II Memorandum of Agreement. In addition, given their perception that they were presented with a U.S.-Egyptian fait accompli in December, the Israelis will be disposed to react negatively to any ideas they believe we have first discussed and worked out with the Egyptians.

In the circumstances, the best course is probably to give our proposed negotiating package to both sides simultaneously and to give them all parts at once. If we did this in advance of negotiations, our package would become a subject of debate in their respective bureaucracies, with the risk of leaks and of freezing both sides' positions prior to negotiations. This would seem to argue for surfacing our negotiating package only at the start of the next round, either Ministerial or Summit level, as we did at Camp David and Blair House.

Attachments:

1. Article IV, possible interpretive note
 2. Article VI (5), possible agreed note or statement
 3. West Bank/Gaza Letter
 4. Annex III (1) Formulations
 5. U.S. Letter of Assurance
 6. Paper on Oil Issue
 7. Paper on U.S.-Israel Military Supply Relationship
- ~~SECRET~~

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Article IV, possible interpretive note:

It is agreed between the parties that the review provided for in Article IV (4) will be undertaken when requested by either party, commencing within three months of such a request, but that any amendment can be made only with the mutual agreement of both parties.

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BY CS NARA, DATE 7/21/06

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Article VI(5), possible agreed note or statement

The Treaty acknowledges the supremacy of the United Nations Charter, which recognizes the right of self-defense and obligates members to settle disputes by peaceful means and refrain from threat or use of force. The Treaty establishes no other priority of obligations. It makes clear that all the terms of the Treaty are to be fulfilled in good faith.

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per 7/14/06 NISC/tr
BY CS NARA, DATE 7/21/06

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Dear

This letter confirms an agreement between the Governments of Egypt and Israel, as follows:

The Governments of Egypt and Israel recall that they concluded at Camp David and signed at the White House on September 17, 1978, the two annexed documents entitled a "Framework for Peace in the Middle East Agreed at Camp David" and "Framework for the Conclusion of a Peace Treaty between Egypt and Israel". It was their concept that the two documents, having been agreed to and signed together, were and would remain interrelated, and would provide the framework for a course of negotiation designed to lead to their broader goal of peace between Israel and each of its neighbors. They agreed to move quickly to negotiate a Peace Treaty between them and they agreed on how to proceed in negotiations on the West Bank in Gaza. While they did not set a timetable for those negotiations, it was envisioned that they would begin at an early date and would be carried through while the Egyptian-Israeli Treaty was being implemented.

Now that they have concluded a Treaty of Peace between them, which they intend to carry out scrupulously, they are prepared to continue on the path to a full peace. They recognize that the scope of good neighborly relations and the potential for cooperation which they hope to enjoy are related to continued progress toward the overall peace envisaged in the Framework for Peace Agreed at Camp David. It is not their intention to make a separate peace settlement between Egypt and Israel. They both recognize that the Treaty concluded between them is in the context of a comprehensive peace settlement in accordance with the provisions of the Framework for Peace in the Middle East Agreed at Camp David and that it should be buttressed by further progress toward peace in the region.

As the first step following conclusion of the Treaty of Peace between them, they will proceed with the implementation of the provisions of the "Framework for Peace in the Middle East Agreed at Camp David" relating to negotiations on the West Bank and Gaza. They have agreed

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per 7/11/06 NISC/HF
BY CS NARA DATE 7/21/06

to start negotiations within a month after the exchange of the instruments of ratification of the Peace Treaty. In accordance with the Framework, the Hashemite Kingdom of Jordan is invited to join the negotiations. The Delegations of Egypt and Jordan may include Palestinians from the West Bank and Gaza or other Palestinians as mutually agreed. If the Jordanian Government does not participate in the negotiations, Egypt will assume the Arab role and take part in the negotiations. Its delegation may include Palestinians from Gaza and the West Bank or other Palestinians as mutually agreed. The purpose of the negotiations shall be to work out the modalities for establishing the freely-elected, self-governing authority and to define and agree upon its powers and responsibilities as well as related issues prior to the elections in accordance with the Camp David Framework.

The two Governments agree to negotiate continuously and in good faith to conclude these negotiations as soon as possible. The two Governments agree that their objective is the establishment of the self-governing authority in the West Bank and Gaza simultaneously. If this is not possible, however, they are prepared to implement the agreement in Gaza first. They set for themselves the goal of holding elections within one year of the start of negotiations. The freely-elected, self-governing authority will be established and inaugurated within one month after it is elected. Simultaneously, the Israeli military government and its civilian administration will be withdrawn and replaced by the self-governing authority as specified in the Framework. Together with that, a withdrawal of Israeli armed forces will take place and there will be a redeployment of the remaining Israeli forces into specified security locations.

Israel agrees to carry out certain steps which have been discussed with Egypt to help prepare for the participation of Gazans in the political programs outlined above. To facilitate this task, Egypt will have designated liaison officers in Gaza.

This letter also confirms that, as agreed among the parties, the United States Government will participate fully in the negotiations.

5

ANNEX III (1) Formulations

(as in present Treaty text):

The Parties agree to establish diplomatic and consular relations and to exchange ambassadors upon completion of the interim withdrawal.

(alternative 1):

The Parties agree to establish diplomatic and ~~consular relations~~ upon completion of the interim withdrawal and thereafter to exchange ambassadors.

(alternative 2):

The Parties agree to establish diplomatic and consular relations after completion of the interim withdrawal.

Dear President Sadat (Prime Minister Begin):

Further to the letter of today's date with respect to implementation of the Camp David Framework,, I want to set forth the position of the United States, as follows:

We will work with both parties in good faith in the negotiations, in which we will be a full partner, to achieve the steps envisaged in the West Bank and Gaza _by the target date set forth in that letter.

If, despite the best efforts of all of us, these negotiations should take longer than envisaged, the United States will remain engaged in the negotiations for whatever period of time is required for their successful conclusion. I will count on the same intensive, continuous and good faith efforts on the part of the Governments of Egypt and Israel.

In either of the above circumstances, it is and will remain the position of the United States that the Treaty of Peace between Egypt and Israel should be carried out in accordance with the schedules for implementation set forth in the Treaty and its annexes.

Sincerely yours,

Jimmy Carter

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NWJC-2006-076
per 7/11/06 NISC ltr
BY 6 NARA, DATE 2/21/06

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U.S.-Israel Military Supply Relationship

Israel has in recent weeks become even more than usually apprehensive about security. Events in Iran, U.S.-China policy, Saudi behavior since the aircraft transaction, the possibility of Iraqi-Syrian coordination, a growing belief that "autonomy" inevitably will lead to a Palestinian state, and the fear that Sadat will renege on elements of the treaty after Israel has withdrawn from Sinai--all have stimulated fears. There have been reports in the Israeli press, probably stimulated, that Israel will not sign a treaty until we have satisfied them on their request for \$3 billion in special assistance to cover the costs of withdrawal from Sinai.

Efforts to make Israel yield points of substance ~~on the remaining issues~~ may not be successful unless some of Israel's more prominent security concerns are addressed. This means, of course, further U.S. assistance.

Israel has made three major military requests of us:

- that we increase the FMS level from \$1.0 to \$1.5 billion (ideally, without reducing our \$785 million in SSA). To date, we have held the FMS line at \$1.0 billion.
- that we respond positively to MATMON-C, their 10-year procurement plan which would cost some \$10 to \$12 billion and significantly expand the size of the Israeli military. We have not responded substantively to MATMON-C since it was first presented to us in September, 1977.
- that we provide \$3 billion in special assistance to help Israel cover the costs of withdrawal from Sinai, including the costs of relocating two Sinai airbases to the Negev. We have not responded to the \$3 billion request in general, and have not acted upon the recommendations of the report last December of the Airbase survey team.

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BY 12 NARA, DATE 7/21/06

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We suspect that as negotiations for the treaty come down to the wire, Israel will press hard for positive U.S. decisions in all these areas. Our best guess is that the minimum Israeli position will be that the "risks of peace" are not acceptable unless:

- the present level of FMS/SSA (\$1.8 billion) is at least maintained.
- the U.S. agrees to build and fund* the two new airbases in the Negev and to make at least four squadrons operational within three years (estimated cost \$988 million).
- the U.S. gives a fairly firm indication that it will help Israel with costs and requirements of withdrawal from Sinai (set forth in their Special Aid Request) other than those related to the airbases.
- and possibly, that some more regularized means of consultation on military assistance be established between the U.S. and Israel, such as an expanded Joint Military Consultative Group.

* Some form of grant/soft loan arrangement would seem to be best; it is not impossible, however, that Israel expects us to pick up the entire tab.

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Secretary Brown's understandings with the Saudis and the Egyptians -- I think Jordan is of far less importance -- must, in my view, be handled in such a way that:

- there be no major arms announcement, in fact, no public arms announcements following his stops in the Arab capitals;
- he should work out understandings with the Saudis and the Egyptians that will set in train US/DOD consultations over the next few months, possibly with US technical assistance/military assistance missions to these countries -- i.e., a lot of positive, sincere activity aimed at results that may be announced following the Egyptian-Israeli treaty, but no announcements from Arab capitals now that will blow the Israelis out of the negotiating water.

If you agree, I think these points are extremely important and whether you chose to make them in the PRC meeting or to the PRC principals and the President separately, I think they are points that have to be made.

* * * *

Just before close of business State rushed over its discussion paper on linkages in the US-Saudi relationship (Tab C).

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

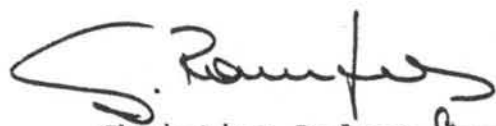
~~CONFIDENTIAL~~
SECRET/SENSITIVE
ATTACHMENT

January 31, 1979

MEMORANDUM FOR: THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET
DIRECTOR, ARMS CONTROL AND DISARMAMENT AGENCY
CHAIRMAN, JOINT CHIEFS OF STAFF
DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT: Discussion Paper for PRC Meeting on
Secretary Brown's Trip to the Middle East
February 1, 1979 - 3:00 pm
White House Situation Room (c)

Attached is an Issues Paper prepared by the Department of Defense for this meeting chaired by Secretary Brown. Also attached is a separate discussion paper which is being distributed on an Eyes Only basis for principals at the request of the Department of Defense. (U)


Christine Dodson
Staff Secretary

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Declassify on February 1, 1980
SECRET/SENSITIVE ATTACHMENT

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per 7/11/06 NLSC 14c
BY LS NARA, DATE 7/24/06

General

Should Secretary Brown launch an initiative to set up a new set of strategic and security relationships in the Middle East? How should he express this? As a series of bilateral undertakings or a US posture to the region as a whole? Should these matters be stated publicly or privately or through some combination of the two?

Should Secretary Brown attempt to meet anxieties of friends in the Middle East by setting out US confidence and strategies to deal on a global basis with Soviet challenges?

How explicitly should SecDef link cooperation in the peace process and on economic issues with security issues?

Are we prepared to allocate some additional resources for economic and military assistance to area countries? When? How much? For what (e.g. airbases in Israel and military equipment in Jordan, Egypt and perhaps some other Arab nations)?

Saudi Arabia

Should SecDef explore with the Saudis what kind of arrangements would satisfy their security concerns? Should he make commitments on such arrangements or statements about them, or should he reserve such actions for the President during the Fahd visit in March?

What should the Secretary say about the legal, Congressional and budgetary constraints on the US in undertaking new security efforts in the Middle East?

What should be said about the connection between the US response to Saudi security concerns and US interest in Saudi support on economic and peace issues?

Should SecDef propose periodic and formal defense consultations on security issues? Should it have a new structure and name to imply a new commitment and initiative?

What should SecDef say about the possibility that we might want to locate US intelligence and military facilities in Saudi Arabia?

How should SecDef handle Saudi requests for:

- a. F-5 munitions?
- b. CBU's?
- c. Brigade modernization in the Army?
- d. Equipment and support for modernization of an additional five National Guard battalions?

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Israel

What can SecDef say to reinforce our commitment to Israel's security and survival?

What connection should SecDef make with our support for Israeli security and our views on the need to continue negotiations in line with the decisions at Camp David?

What can SecDef say about building the airbases in Negev? Should he address the level and method of funding for the bases?

What should SecDef say about MATMON C?

Egypt

Should SecDef seek to establish a special relationship with Egypt that includes recognition of Egypt's potential to act as an agent of stability throughout the region?

What should be the response of the SecDef to Sadat's request for strategic coordination? As implementation of this new relationship, should the SecDef agree to establish regular consultations with Egypt to discuss regional security measures and cooperative security arrangements.

Should SecDef agree to send a DOD team to survey Egypt's general defense needs? What should he say about:

- a. Sale of APC's and I-Hawks
- b. Sale of other items
- c. FMS credits or MAP

If there is no peace treaty, what should our security relationship be with Egypt?

Jordan

How should SecDef handle Jordanian requests for increased levels of US assistance, restoration of current programs, and agreement to sell new sophisticated equipment (F-16 aircraft, AIM-9-L missiles, etc.) now that the USG has released \$179.4 million of FMS credits and Jordan also has Baghdad money to spend on military equipment?

Given recent cuts in aid and delays in delivery to Jordan, how should the SecDef express US displeasure with Hussein's unhelpful actions concerning Camp David?

Should US assistance be conditional on Jordan's future cooperation or at least on agreement by King Hussein to do nothing which directly opposes the peace process? Can SecDef offer increased FMS or MAP if Jordan cooperates? Should we offer a survey team for the period after a treaty between Israel and Egypt?

Should SecDef renew the offer of the President for Hussein to visit the US? Should he offer a date?

Should the SecDef use his visit to respond to the King's suggestion for more joint efforts and consultation on security in the Gulf and the Peninsula?



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