

LBJ LIBRARY DOCUMENT WITHDRAWAL SHEET

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Doc #	DocType	Doc Info	Classification	Pages	Date	Restriction
08	rpt	IRG/NEA 68-8 Sanitized per RAC, 3/02	S	2	2/3/68	A
		open 5/24/17 per NLJ/RAC 14-36				
12	rpt	IRG/NEA Meeting Agenda open 1/2/14	S	1	1/26/68	A
12a	rpt	IRG/NEA 68-6 open 1/2/14	S	1	1/25/68	A
12b	rpt	"Effect of British Withdrawal..." open 1/2/14	S	17	[1/68]	A

Collection Title National Security File, Files of Harold H. Saunders

Folder Title "Persian Gulf, 4/1/66 - 1/20/69"

Box Number 29

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9/22/2010


Initials

Persian Gulf

1

~~SECRET~~

May 21, 1968

MEMORANDUM FOR WALT ROSTOW

SUBJECT: The Situation in the Persian Gulf

One problem you might like to begin thinking about again as we prepare for the Shah's visit (June 12) is the situation in the Persian Gulf. It's bound to come up.

As you know, both the Shah and Faisal understand that they must cooperate to prevent outside interference in the Persian--or "Arab"--Gulf. The two rulers have much in common--especially a dislike for Nasser--and, aside from dividing valuable underwater oil concessions which could be worked out, no specific bilateral problems in the Gulf.

There is a basic conflict, however, between the Iranian assumption that Iran has the mission of controlling the Gulf, and the Saudi assumption that Saudi Arabia is responsible for everything on the Arabian peninsula. This has led to Saudi support for the Arab sheikhdoms on the Gulf and the sheikhs do have conflicting claims with Iran.

The nine British protectorates in the Gulf recently formed a Federation of Arab Emirates. So far the organization has not found workable machinery, but the nine rulers keep holding meetings in an effort to create a viable confederation. Apparently they are going to get King Faisal's blessing. The trouble is that the Shah claims part of their territory.

Iran has a longstanding claim to Bahrain, one of the nine Emirates. The Saudis have tried to play down Bahraini participation, and the Shah says he won't push his claim if he isn't challenged directly on it. But as the emirs organize, the challenge becomes clearer. The news of the FAA's latest meetings has led the Shah to consider the cancellation of a proposed November visit to Saudi Arabia. (You will remember that the Shah "postponed" his visit last January after a Saudi-Bahraini communique spoke of the "Arab character" of the Gulf.)

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DECLASSIFIED
Authority FRUS, VI, xxii, 285
By cbm, NARA, Date 9-13-05

~~SECRET~~

- 2 -

The other territorial disagreement hasn't yet become a major problem, but could be as serious. Iran claims some islands in Hormuz Strait (the Tunbs and Abu Musa) which leads from the Gulf to the Arabian Sea. As long as the British held the Islands, the Shah was content to let the claim lie dormant. He is now afraid that if the Arabs get the islands, it will only be a matter of time before Nasser establishes a naval base there and blockades Iran. His fears may be groundless, but for him this is a real danger.

Hopefully, the Shah and Faisal will let their common interest overcome minor territorial disputes, but it won't be easy. Our policy is to stay out of the middle but to keep reminding both of them that the best way to keep Nasser and the Russians out is to work together. State has been back and forth over this problem and decided that our main effort should be gradually to expand our representation in the Gulf to make our views heard but generally not to think in terms of major US programs.

John W. Foster

~~SECRET~~

(Classification)

2

~~SECRET~~

February 6, 1968

WWR:

Cleared with Ed Fried.

HHS

~~SECRET~~

DECLASSIFIED
E.O. 13526, Sec. 3.4
By cbm/ly NARA, Date 8-11-10

SECRET

10
Tuesday, February 6, 1963

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Shah's Reply on the Persian Gulf--and Your Talk with Wilson

The Shah replied immediately to your message on the Persian Gulf (attached). He had already made his final decision to postpone his visit to Saudi Arabia, but your letter let him know you expect him to act the statesman in developing local cooperation in the Gulf.

The Shah says he agrees with your view of the Gulf, and, although he tries to throw the blame for recent disagreements with Faisal on the Saudis, Armin Meyer thinks the Iranians are feeling guilty and will be especially good for a while. The quickness of the Shah's reply is one indication of how he takes your views.

This doesn't mean clear sailing ahead in the Gulf. The Shah may be feeling a bit overconfident, and his muscle-flexing may be part of the Gulf scene for some time. Also, local feuds and suspicions have long histories. But we have injected a sobering perspective at a heated moment. Fortunately, King Faisal--although deeply hurt by the Shah's actions and more distrustful than ever--is being much more patient than anyone expected.

The next step we will propose in your efforts to foster an orderly evolution in the Gulf is a word to Prime Minister Wilson. The main point is: Don't rock the boat any more than you already have; help us buy time for the locals to work out their own arrangements for the future.

First, we want the British to leave their treaties and political relationships intact to help calm local rulers' feelings of being deserted. Second, we want to keep the British from rushing around trying to arrange security pacts and other deals that won't work because they'll have an obvious "made in the UK" label. We think the best tack is for them to sit tight with their present relationships and let the locals come up with their own scheme for the future.

W. W. Rostow

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E.O. 13526, Sec. 3.4
By cbm/ly, NARA, Date 8-11-10

Persian Gulf

3

~~SECRET~~

February 6, 1968

MEMORANDUM FOR WALT ROSTOW
ED FRIED

I hate to be a pest about the Persian Gulf and the Wilson visit but the attached was just brought to my attention again indicating the special importance of the President's raising this subject.

As I understand it, most of the Foreign Office and Commonwealth Relations Office people believe it is desirable for the British to maintain some presence in the Persian Gulf after 1971. The prevailing mood in Britain reflected in the views of the Cabinet, however, favors folding Britain's tents completely. The professionals, therefore, believe the only way to get through to Prime Minister Wilson is for the President to raise this subject with him.

You will see this reflected in the comment at the end of the attached cable.

Hal Saunders

~~SECRET~~

DECLASSIFIED
E.O. 13526, Sec. 3.4
By chm/ky NARA, Date 8-11-10

~~SECRET~~

February 2, 1968

MEMORANDUM FOR WALT ROSTOW
ED FRIED

SUBJECT: Prime Minister Wilson and the Persian Gulf

I have refrained during previous Wilson visits from pressing any of my concerns because I realize that higher priority items are on the agenda for these talks. However, this time I would like to make a plea for one sentence in your Memorandum for the President on the Persian Gulf. I should imagine this would not distort the agenda you are planning since it is part of the larger subject of British retrenchment.

The point I would like to see the President make is: We hope the British will retain a substantial political position in the Persian Gulf and not dismantle its present network of political posts and treaties.

Our reasoning is that the British, even if they may have to pull their troops out, can still do a lot to encourage new political and economic relationships in the Gulf. They have the influence and the experience where we do not.

I also want to strike one note of caution. I understand that the following sentence now appears in the Secretary's Memo to the President: "The President may want to urge the Prime Minister to insure that the UK Government does everything possible to promote regional security arrangements in Southeast Asia and the Persian Gulf." If you haven't seen the reaction to Gene Rostow's offhand comment in a BBC interview about new security arrangements in the Persian Gulf, you ought to know that this got every major country in the region up in arms against us. The fact is that we have no intention of participating and want to make this clear. Any equation of Persian Gulf and security arrangements in Southeast Asia will do more harm than good, although we obviously want the nations of the Persian Gulf to unite ^{on their own initiative} in a variety of ways to ward off Soviet penetration.

Harold H. Saunders

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E.O. 13282, Sec. 3.4
By chm/y NARA, Date 8-11-10

Persian Gulf
x Iran
x P.D.

5

SECRET

Wednesday, January 31, 1968

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Message to the Shah on the Persian Gulf

We have an opportunity this afternoon--much sooner than we expected--to strike a blow for regional cooperation in the Persian Gulf following Britain's withdrawal.

State proposes you send the attached message to the Shah tonight trying to head off trouble between him and King Faisal. The Shah's actions in the next few days could seriously damage Iran's relations with the Saudis at a time when we want the two countries to work together at filling the vacuum the British will leave behind.

The Shah planned a visit to Faisal beginning 3 February, but has decided to cancel the trip because he thinks the Saudis are trying to undermine the Iranian claim to Bahrain Island which is now a British protectorate between Iran and Saudi Arabia. If the Shah stays home, the Saudis will take it as a deliberate insult. Armin Meyer has seen the Shah several times about this, but the best he has been able to get is a delay in announcing the "postponement" of the visit.

The attached message is skillfully drafted to make clear that you expect the Shah to go, but it is not so specific as to be offensive or useless if he decides not to--the only risk is a negative reaction, but this draft stops at praising his foresight and saying you are counting on his leadership.

Our main concern anyway is not the immediate issue of the visit but the future of the Persian Gulf. Good relations between Saudi Arabia and Iran will be necessary to keep things under control when the British leave. The alternatives are instability with a strong chance of an increased Soviet presence. We don't want to have to replace the British, and we don't want the Russians there. So we must count on the Shah and Faisal. The proposed message concentrates on these broader issues and would be worth sending even if the visit were not an issue. Since it is, it's worth trying to get this out tonight if possible to do double duty.

W. W. Rostow

Approve _____
Disapprove _____
Call me _____

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DECLASSIFIED
E.O. 13526, Sec. 3.4
By *clm/ly*, NARA, Date 8-11-10

SECRET

DRAFT MESSAGE TO THE SHAH

Now that the British have reached their decision on the future of their military presence in the Persian Gulf, I would like to share some preliminary thoughts with you on the situation there.

In the first place, let me stress, as I have said before, that the United States attaches importance to the future security of the Gulf. We would not wish to see outside powers, bent on promoting their interests by creating trouble, intrude into the area. I believe you share these views.

The United States interest in the security of the area does not, however, envisage that we would wish either to replace the British military presence or participate in any new regional security arrangement. The United States looks to the countries of the area to ensure the area's security.

The United States is also, as you know, deeply interested in the economic and social progress of the Persian Gulf area. Here again, it is our hope that the countries of the area will take the lead in cooperating with each other to forward this progress.

I am aware that there are a number of specific problems at issue between the states bordering on the Gulf. It is of the utmost importance that these problems be solved so that all concerned may proceed to

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- 2 -

work on fundamental matters looking to the future stability and prosperity of the area. Their solution will require patience, understanding and a high degree of statesmanship. In this connection, I was delighted to learn of your recent talks with the Ruler of Kuwait. Since so much will depend on the maintenance of the cordial ties and mutual understanding between Iran and Saudi Arabia which you have done so much to develop, we have welcomed plans for an early meeting between you and King Faisal.

I am encouraged and comforted, Your Majesty, about the future of the Persian Gulf area because you and our Saudi friends are there. Your Majesty's leadership will, I know, continue to be directed at realizing our shared desire for peace, stability and progress. Ambassador Meyer has informed me of his conversations with you on these matters, and I look forward to hearing from Under Secretary Rostow of his talk with you next week. I hope we can continue to stay in touch as the situation unfolds,

With my warmest personal regards,

Sincerely,

~~SECRET~~

Handwritten: 100-200-1000
2

August 14, 1967

Memo for Dick Moose:

Rodger Davies' Persian Gulf visitor
is the son of the Ruler of Ras al Khaima,
one of the smaller Trucial States. He's here on
an Eisenhower Fellowship, touring the U.S.
and meeting American local and federal
officials.

Neither Rodger nor I believes he rates
the President's attention. There would be
almost no impact in the Arab world, and
the President would learn little for his
time. If there's strong domestic pressure,
seeing him would do no harm, but we
certainly can't recommend it.

Hal Saunders

Persian Gulf

Pls. return to HHSaunders
Room 372-a EOB when signed.

1

SECRET

Tuesday, February 6, 1968

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Shah's Reply on the Persian Gulf--and Your Talk with Wilson

The Shah replied immediately to your message on the Persian Gulf (attached). He had already made his final decision to postpone his visit to Saudi Arabia, but your letter let him know you expect him to act the statesman in developing local cooperation in the Gulf.

The Shah says he agrees with your view of the Gulf, and, although he tries to throw the blame for recent disagreements with Faisal on the Saudis, Armin Meyer thinks the Iranians are feeling guilty and will be especially good for a while. The quickness of the Shah's reply is one indication of how he takes your views.

This doesn't mean clear sailing ahead in the Gulf. The Shah may be feeling a bit overconfident, and his muscle-flexing may be part of the Gulf scene for some time. Also, local feuds and suspicions have long histories. But we have injected a sobering perspective at a heated moment. Fortunately, King Faisal--although deeply hurt by the Shah's actions and more distrustful than ever--is being much more patient than anyone expected.

The next step we will propose in your efforts to foster an orderly evolution in the Gulf is a word to Prime Minister Wilson. The main point is: Don't rock the boat any more than you already have; help us buy time for the locals to work out their own arrangements for the future.

First, we want the British to leave their treaties and political relationships intact to help calm local rulers' feelings of being deserted. Second, we want to keep the British from rushing around trying to arrange security pacts and other deals that won't work because they'll have an obvious "made in the UK" label. We think the best tack is for them to sit tight with their present relationships and let the locals come up with their own scheme for the future.

W. W. Rostow

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E.O. 13202, Sec. 3.4
By *cbm* NARA, Date 8-11-10

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IRG/NEA 68-8
February 3, 1968

INTERDEPARTMENTAL REGIONAL GROUP
FOR NEAR EAST AND SOUTH ASIA

Record of IRG Meeting - February 1, 1968

The major part of the meeting was devoted to a consideration of our interests in and policy vis-a-vis the Persian Gulf, with particular regard to the forthcoming British withdrawal. (The first part of the meeting, regarding the forthcoming overseas personnel reduction, is recorded in IRG/NEA 68-7.)

The CIA member gave an intelligence briefing on the current status and prospects of subversive forces in the Gulf area, as well as of the elements of stability in the region. He said that the Arab Nationalist Movement (ANM) has emerged as the dominant subversive organization in the Gulf area, and that Bahrain is probably the Gulf state most vulnerable to subversion. The CIA member concluded, however, that, on balance the chances are reasonably good that general stability will be maintained in the Gulf region for the next several years, largely because of the limited capabilities of those who would foment unrest. Contingencies which he felt could change this picture include the death of King Faisal of Saudi Arabia and the entry into the Gulf area of a sizable quantity of Soviet weapons, possibly through an increase of UAR activity. The CIA member provided copies of a report just prepared by the Office of National Estimates on the new situation in the Gulf (copy attached).

Reviewing the Country Directors' paper on the "Effect of British Withdrawal from the Persian Gulf and Recommended US Action" (circulated with IRG/NEA 68-6), the Group agreed that it provided a sound assessment of the problems and identification of US interests in the area. Although there were differences on some of the specific recommendations, the low-key policy approach recommended by the paper was generally endorsed.

The Group agreed that although the Soviets will try to increase their presence and influence in the Gulf area, the key to the future of the region in the next few years will be developments within and among the various Gulf states themselves. It is neither politically feasible nor desirable for the US to "replace" the British presence in the Persian Gulf. Our policy should be directed along the lines of (a) encouraging the British to maintain as much of their present special role in the Gulf as they can, as long as possible (including their role

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E.O. 13526, Sec. 3.5

NLJ/Bac 14-36

By 448 NAR, Date 11-9-2016

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-2-

as principal arms supplier to various Gulf states); (b) encouraging the Saudis and Iranians to settle their outstanding differences regarding the median line and other issues; (c) encouraging greater political and economic cooperation generally among the Gulf states; and (d) avoiding an undue military buildup by Gulf littoral states.

Our very important oil and strategic interests in Iran and Saudi Arabia will require us to continue to play a leading role in those countries. It was agreed, however, that in other respects the most suitable direct US involvement, under the above policy guidelines, would be generally in low key and peripheral to the activities of the British and the indigenous Gulf states. Among other things, it would be useful to increase the American commercial presence in the region. It was agreed that the American oil companies operating in the gulf area should be sounded out on the possibility of expanding their activities among the Gulf populations and take a more enlightened view of their role in that part of the world.

The Chairman noted that a study had been undertaken within State aiming at a preliminary Department view on the security aspects of the British withdrawal and on possible alternative military arrangements. It was agreed that results of this study should be fully coordinated with Defense and the Joint Staff prior to possible preparation of a recommendation for IRG consideration.

Attachment:

Office of National Estimates, CIA, Special
Memorandum No. 3-68, "The New Situation in the Persian
Gulf," 2/1/68.

Members Present:

Executive Chairman: Mr. Battle

AID: Mr. Williams

CIA: Mr. Critchfield

DOD: Mr. Schwartz

JCS: Captain Murphy

NSC: Mr. Saunders

USIA: Mr. Carter

COMMERCE: Mr. Kearns-Preston

State(NEA): Messrs. Davies, Rockwell, Brewer, Eliot

DOD: Mr. Reed

Staff Director: Mr. Sober


Sidney Sober
Staff Director



DEPARTMENT OF STATE

Washington, D.C. 20520

February 2, 1968

See WWR memo for the President 2/6/68

MEMORANDUM FOR MR. WALT W. ROSTOW
THE WHITE HOUSE

Subject: Message from the Shah of Iran

Enclosed is a message to the President from the Shah of Iran. A courtesy copy of the message was provided the Department by Iranian Ambassador Ansary.

The Department recommends that no reply be sent to this message.

OK - This is the Shah's reply to a message from the President.

John P. Walsh
Benjamin H. Read
Executive Secretary

Enclosure:

As stated.

9a

TEXT OF MESSAGE

TEHERAN, IRAN
FEBRUARY 1, 1968

DEAR MR. PRESIDENT,

THANK YOU FOR YOUR LETTER WHICH I HAVE RECEIVED TODAY AND HAVE PERUSED WITH GREAT CARE, AND I AM HAPPY TO OBSERVE THAT YOUR VIEWS CORRESPOND EXACTLY WITH MINE.

WE HAVE DONE EVERYTHING TO SECURE THE STABILITY OF THE PERSIAN GULF AREA IN COOPERATION WITH THE RELEVANT COUNTRIES OF THE REGION. WE HAVE GONE VERY FAR IN THAT DIRECTION, AND AS FAR AS ANY ONE CAN GO, BUT OUR EFFORTS SO FAR HAVE, UNFORTUNATELY, BEEN ANSWERED BY PRECISELY THE OPPOSITE REACTION TO THAT EXPECTED. BUT WE WILL CONTINUE TO SHOW PATIENCE UNTIL THE PARTIES CONCERNED COME TO THEIR SENSES.

THE PERSIAN GULF IS VITAL FOR IRAN AND IS A MATTER OF LIFE AND DEATH TO US. SO LONG AS OUR HEART BEATS AND THERE IS ANY STRENGTH LEFT IN US, WE SHALL DO OUR UTMOST TO KEEP IT A FREE ZONE AND A STABLE ONE.

I AM SURE THAT YOUR AMBASSADOR, MR. MEYER, HAS REPORTED TO YOU ON THE CONVERSATION I HAD WITH HIM ON THE THIRTIETH OF JANUARY. IT IS MOST HEARTENING TO WITNESS THE INTEREST THAT YOU, MR. PRESIDENT, AND YOUR GOVERNMENT EVINCE IN THE SAFEGUARDING OF THE STABILITY AND SECURITY OF THE PERSIAN GULF AND ITS IMMUNITY FROM OUTSIDE INTERUSION, NOW THAT THE BRITISH HAVE DECIDED TO WITHDRAW.

IT IS ALSO MY FIRM CONVICTION THAT NO FOREIGN POWER OUTSIDE THE RELEVANT COUNTRIES OF THE PERSIAN GULF SHOULD GET INVOLVED IN

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EO 13202, Sec. 3.4
BY *dmf* NARA, Date 8-11-70

Shah
DLB
2/1/68

THE MAINTENANCE OF THE PEACE OF THE AREA.

I LOOK FORWARD TO RECEIVING UNDER SECRETARY ROSTOW AND
TO HAVING DISCUSSIONS WITH HIM.

WITH MY KINDEST REGARDS AND WARMEST GOOD WISHES,

SINCERELY,

MOHAMMAD REZA PAHLAVI

THE HONOURABLE
LYNDON B. JOHNSON
PRESIDENT OF THE UNITED STATES OF AMERICA
WASHINGTON, D. C.



Department of State

TELEGRAM

SECRET 826

PAGE 01 STATE 108773

85
ORIGIN SS-30

INFO MM 01, SSO 00, NSCE 00, 7031 R

DRAFTED BY: NEA:IRN: WMMCCLELLAND
APPROVED BY: NEA: ROCKWELL
NEA:IRN: ELIOT
WHITE HOUSE: SMITH
S/ST WALSH

O 020018Z FEB 68 ZFFH
FM SECSTATE WASHDC
TO AMEMBASSY TEHRAN IMMEDIATE 0868

~~SECRET~~ STATE 108773

EXDIS

TEHRAN DELIVER AMBASSADOR 0800 FEBRUARY 2.

REF: STATE 108214

FOLLOWING MESSAGE FROM SHAH TO PRESIDENT DELIVERED DEPT
3:00 PM, FEBRUARY 1: QUOTE DEAR MR. PRESIDENT, THANK
YOU FOR YOUR LETTER WHICH I HAVE RECEIVED TODAY AND HAVE
PERUSED WITH GREAT CARE, AND I AM HAPPY TO OBSERVE THAT YOUR
VIEWS CORRESPOND EXACTLY WITH MINE.

WE HAVE DONE EVERYTHING TO SECURE THE STABILITY OF THE

PAGE 2 RUEHC 108773 ~~SECRET~~
PERSIAN GULF AREA IN COOPERATION WITH THE RELEVANT COUNTRIES

NOT TO BE REPRODUCED
WITHOUT THE AUTHORIZATION
OF THE EXECUTIVE SECRETARY

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E.O. 13202, Sec. 3.4
By *cbm/ly* NARA, Date 8-11-10

Shah
62139
2/1/68



Department of State

TELEGRAM

~~SECRET~~

PAGE 02 STATE 108773

OF THE REGION. WE HAVE GONE VERY FAR IN THAT DIRECTION, AND AS FAR AS ANY ONE CAN GO, BUT OUR EFFORTS SO FAR HAVE, UNFORTUNATELY, BEEN ANSWERED BY PRECISELY THE OPPOSITE REACTION TO THAT EXPECTED. BUT WE WILL CONTINUE TO SHOW PATIENCE UNTIL THE PARTIES CONCERNED COME TO THEIR SENSES.

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PAGE 3 RUEHC 108773 ~~SECRET~~

IT IS ALSO MY FIRM CONVICTION THAT NO FOREIGN POWER OUTSIDE THE RELEVANT COUNTRIES OF THE PERSIAN GULF SHOULD GET INVOLVED IN THE MAINTENANCE OF THE PEACE OF THE AREA.

I LOOK FORWARD TO RECEIVING UNDER SECRETARY ROSTOW AND TO HAVING DISCUSSIONS WITH HIM.

WITH MY KINDEST REGARDS AND WARMEST GOOD WISHES,
SINCERELY,

MOHAMMAD REZA PAHLAVI UNQUOTE

GP-3, RUSK

NOT TO BE REPRODUCED
~~SECRET~~ WITHOUT THE AUTHORIZATION
OF THE EXECUTIVE SECRETARY.

~~SECRET~~

Wednesday, January 31, 1968

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Message to the Shah on the Persian Gulf

We have an opportunity this afternoon--much sooner than we expected--to strike a blow for regional cooperation in the Persian Gulf following Britain's withdrawal.

State proposes you send the attached message to the Shah tonight trying to head off trouble between him and King Faisal. The Shah's actions in the next few days could seriously damage Iran's relations with the Saudis at a time when we want the two countries to work together at filling the vacuum the British will leave behind.

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Our main concern anyway is not the immediate issue of the visit but the future of the Persian Gulf. Good relations between Saudi Arabia and Iran will be necessary to keep things under control when the British leave. The alternatives are instability with a strong chance of an increased Soviet presence. We don't want to have to replace the British, and we don't want the Russians there. So we must count on the Shah and Faisal. The proposed message concentrates on these broader issues and would be worth sending even if the visit were not an issue. Since it is, it's worth trying to get this out tonight if possible to do double duty.

Approve ✓
Disapprove _____
Call me _____

W. W. Rostow

~~SECRET~~

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E.O. 13526, Sec. 3.4
By *cm/s* NARA, Date 8-11-10

112

~~SECRET~~

DRAFT MESSAGE TO THE SHAH

Now that the British have reached their decision on the future of their military presence in the Persian Gulf, I would like to share some preliminary thoughts with you on the situation there.

In the first place, let me stress, as I have said before, that the United States attaches importance to the future security of the Gulf. We would not wish to see outside powers, bent on promoting their interests by creating trouble, intrude into the area. I believe you share these views.

The United States interest in the security of the area does not, however, envisage that we would wish either to replace the British military presence or participate in any new regional security arrangement. The United States looks to the countries of the area to ensure the area's security.

The United States is also, as you know, deeply interested in the economic and social progress of the Persian Gulf area. Here again, it is our hope that the countries of the area will take the lead in cooperating with each other to forward this progress.

I am aware that there are a number of specific problems at issue between the states bordering on the Gulf. It is of the utmost importance that these problems be solved so that all concerned may proceed to

~~SECRET~~

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E.O. 12958, NRK 34
By chm/2 HARP, Date 8-11-10

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- 2 -

work on fundamental matters looking to the future stability and prosperity of the area. Their solution will require patience, understanding and a high degree of statesmanship. In this connection, I was delighted to learn of your recent talks with the Ruler of Kuwait. Since so much will depend on the maintenance of the cordial ties and mutual understanding between Iran and Saudi Arabia which you have done so much to develop, we have welcomed plans for an early meeting between you and King Faisal.

I am encouraged and comforted, Your Majesty, about the future of the Persian Gulf area because you and our Saudi friends are there. Your Majesty's leadership will, I know, continue to be directed at realizing our shared desire for peace, stability and progress. Ambassador Meyer has informed me of his conversations with you on these matters, and I look forward to hearing from Under Secretary Rostow of his talk with you next week. I hope we can continue to stay in touch as the situation unfolds,

With my warmest personal regards,

Sincerely,

~~SECRET~~

~~SECRET~~

Capt. Murphy

IRG/NEA 68-6

January 26, 1968

12

Persian Gulf

INTERDEPARTMENTAL REGIONAL GROUP
FOR NEAR EAST AND SOUTH ASIA

1. Local evolution
HIS 2. US influence will
but take care of self - less zeal
3 we don't have
resources to do
what we ought to do.
WP 4: Nothing we can do but
give appearance of
interest.

Agenda for Meeting - Thursday, February 1 at 2:30 p.m.

The meeting will be devoted to a further consideration of our interests and policy vis-a-vis the Persian Gulf, with particular regard to the forthcoming British withdrawal. The attached paper prepared by the Country Directors (NEA/ARP and NEA/IRN) will serve to focus the discussion.

SS

Sidney Sober
Staff Director

Attachment:

Paper on "Effect of British Withdrawal from Persian Gulf and Recommended U. S. Actions," 1/25/68.

Two issues:

- 1. Local radicals main problem.*
- 2. How do we influence evolution of these states.*

GROUP 3

Downgraded at 12-year intervals,
not automatically declassified.

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DECLASSIFIED

Authority NJ 0348-029-002/1
By je, NARA, Date 12-19-13

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January 25, 1968

EFFECT OF BRITISH WITHDRAWAL FROM PERSIAN GULF
AND RECOMMENDED US ACTIONS
(Paper prepared by State-NEA/ARP and NEA/ARN)

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EFFECT OF BRITISH WITHDRAWAL FROM PERSIAN GULF
AND RECOMMENDED US ACTIONS

British Withdrawal of Military Forces

Prime Minister Wilson announced in the House of Commons on January 16 that British military forces would be withdrawn from the Persian Gulf "by the end of 1971."

The forces involved, consisting of air and naval units as well as ground troops, at present number some 6,000-7,000 men--3,700 of whom are located on Bahrain and the remainder at Sharjah on the Trucial coast. A senior UK Defense official has indicated that some 1,500 men associated with the limited British Kuwait commitment may be withdrawn soon but that the remaining force will probably be lifted out in one operation about three months before UK troops leave the Far East at the end of 1971.

We are seeking London's clarification of its intentions in the Gulf. Meanwhile, it seems wise for the United States to plan for less British political participation in the affairs of the Gulf after 1971. Even should the British prove willing to maintain a meaningful political role, Iran and Saudi Arabia, and to a large extent Kuwait, are unlikely to base their own calculations on this contingency.

Background

The Persian Gulf littoral comprises both independent nations and micro-dependencies greatly varying in size, economic resources, and power. Two states--Iran and Saudi Arabia--dominate the scene. Only these two, and to some extent Iraq, have any real capability to extend political influence beyond their present borders. One small state--Kuwait--is reasonably stable and secure. The other ten entities--Bahrain, Qatar, the seven Trucial states, and the independent Sultanate of Muscat and Oman--are politically weaker with regimes dependent in one degree or another on British protection.

Along the Trucial coast particularly, conditions are primitive, the rulers in some cases do not enjoy wide popularity, and there is an almost complete lack of modern administrative machinery. The ruling houses have often inter-married, but several of the states have viewed each other with suspicion for centuries. This attitude does not now easily give way to a spirit of cooperation. HMG still has separate treaties of protection and privilege with each of seven Trucial shaikhs, as well as Bahrain and Qatar. British efforts to create greater political cohesion among the seven Trucial shaikhdoms have achieved very limited results, in part due to Arab League suspicion of British involvement. The British-

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launched Council of Shaikhs and Trucial States Development Board has accomplished very little. The Shaikhs have not even been able to agree on a common currency.

There is at present no significant collaboration on Gulf matters between Persians and Arabs. The two sides cannot even agree on a name for the Gulf. While Iranians, and we, refer to the Persian Gulf, to the Arabs it has become the "Arab Gulf" and even mail is unlikely to be delivered should the unwary sender use the commonly accepted Western term.

Impact of British Move on Prospects for Stability

While the British announcement will give the embryonic radical political movements in the Gulf a psychological shot in the arm, we do not expect it to lead to any dramatic political changes in the immediate future. Internal security is reasonably sound in most of the Gulf dependencies.

In the Trucial states, where the population is still predominately tribal, and radical Arab movements are not yet well developed, the British-officered 1,600 man Trucial Omani Scouts is an effective force and can be expected to maintain security. The problem may be more acute in Bahrain and Qatar, where small urban populations have grown up around the oil installations, local security forces are of uncertain reliability and, particularly in Qatar, the ruling families enjoy little popular backing. Much will depend on the vigor with which the British now move to reassure the local rulers and give credible evidence of their intention to continue political and other forms of support. In the longer run, stability will depend on whether more viable indigenous political and economic mechanisms can be created, and this will probably only be possible if a greater measure of regional cooperation can be established among the weaker Gulf states. There is evidence that these states recognize this. There will be an increasing need for regional mechanisms to allow the have-nots to benefit to some extent from the area's wealth. Assuming they do not amalgamate with their wealthy neighbors, the oil-less states will otherwise remain vulnerable to Arab radicalism and possible exploitation by outsiders.

Long-range stability will also depend on whether (a) the Iranians and Saudis can be persuaded to restrain their competition for influence in the weaker Gulf states so that orderly political and economic development can take place, (b) the Iraqis can limit their support for radical splinter groups down the Gulf such as POLO (Popular Organization for the Liberation of Oman), and (c) the Persian Gulf does not become the scene of proxy activities in larger disputes (e.g., between the US and USSR or between Iran and the UAR).

The Shah's Intentions and Capabilities

The Iranians have accepted with equanimity the idea that the British will soon withdraw their forces from the Persian Gulf. They are not surprised to see the British go. It was merely a question of time before Iran would have had to begin taking a more active role in the future of the Gulf or forfeit its posture of independence and increasing forcefulness.

The Shah has indicated an awareness that he must pay greater attention to his principal nearest Arab neighbors than heretofore. Even Iraq is hopefully to be drawn into Iran's version of a Good Neighbor policy, though the Aref government's radical orientation is deplored. Moreover, the unsatisfied Iraqi claim to Khuzistan and the problem of the Shatt al-Arab are likely to inhibit true Iran-Iraq collaboration on Gulf issues. Saudi Arabia and Kuwait present more congenial possibilities for good relations, since the governments of these states find radical Arab nationalism almost as disconcerting as does the Shah.

However, vestigial Shia-Sunni suspicion and Arab concern at Iranian connections with Israel will still be difficult to overcome. It is hard for innate Persian feelings of superiority, cultural, political and economic, not to manifest themselves. The Shah is not impressed with the quality of leadership or government in Saudi Arabia; he is likely not much impressed with Kuwait as a state among nations. Iran is in fact militarily stronger and has a firmer social and economic base for military action in the Persian Gulf than Kuwait or Saudi Arabia.

On the other hand, the Shah can tabulate what the Saudi and Kuwaiti leaders have in their favor in the Persian Gulf: their cultural, commercial, linguistic, family, religious and geographical ties to those shaikhdoms along the Gulf most likely to become troublesome when the British withdraw.

For the near future, we believe that the Shah would prefer a state of affairs in the Gulf that would allow power in the shaikhdoms, Kuwait and Saudi Arabia to remain in the hands of the ruling houses. He will jockey for further access to Persian Gulf oil, through proposed "joint exploration-exploitation" arrangements. He would be loath to see any absorption of the Trucial shaikhdoms into Saudi Arabia. He would not, however, be concerned with such Saudi influence there that would deter radical Arab ambitions and still not foreclose his own schemes for closer relations. He would probably find the idea of a federation of shaikhdoms attractive, since whatever its political or economic viability, it might constitute a check against Saudi or other outside influence. He will be cooperative with the British during their remaining tenure in the Gulf, and he may wish some British presence in the area after 1971. Within the larger context of US-Iranian relations, he will be interested in hearing

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American advice on the Persian Gulf. He has indicated support for an expanded US naval force in the area. He has already indicated to us that he will not press his claim to Bahrain, though he may use Iran's claim on Bahrain as bargaining leverage on other Gulf issues. He may press for clear sovereignty over certain small strategic islands in the Gulf.

To promote and defend Iran's interest in the Gulf the Shah is likely to proceed with his military build-up in the area. Naval acquisitions from the British include a destroyer and four corvettes. He has recently indicated an interest in surface-to-surface missiles for his navy. Air defense preparations in southern Iran continue on a sizable scale.

Faisal's Intentions and Capabilities

The House of Saud attaches importance to the extension of Saudi influence over the hinterland of the Trucial coast, but does not necessarily aspire to absorption of these territories. This issue comes to a focus over Saudi Arabia's long-standing dispute with Abu Dhabi over the Buraimi oasis. With the British pulling out, the Saudis may seek to enforce their claim.

They will also react very strongly to Iranian pretensions in the region, just as they in turn look down on Persians and are hypersensitive regarding their own attainments, position and progress. Negotiations are in progress with the British for additional naval craft to augment the Saudis' fledgling coastal forces.

Under King Faisal's cautious leadership, however, the Saudi Government is likely to adopt reasonably subtle policies toward achieving greater dominance in the peninsula. Other than with respect to Buraimi, Faisal's moves are likely to be defensive. He favors some coalescence of the Trucial principalities into a larger and more viable entity, but is unlikely to act directly in this area unless he sees a mounting threat to Saudi paramountcy. His tactics are likely to be diplomatic and political rather than military. His recent invitation to the Ruler of Bahrain to visit Saudi Arabia, and their reported agreement on the construction of a causeway linking the island to the Saudi mainland, will probably be typical of the King's approach. Faisal will seek to bring the Gulf shaikhs gradually into closer contact with Saudi Arabia as British ties are diminished, his first priorities probably being Bahrain and Qatar. He may use Saudi economic assistance as an inducement to achieve this.

In the Trucial shaikhdoms, where the first Saudi official establishment has just been approved by HMG, Faisal can be expected to pursue quiet unilateral diplomacy to improve the Saudi position in the individual shaikhdoms. He is likely to withhold significant economic help except

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in the context of establishment of some sort of confederation or joint economic development scheme without British participation.

Faisal is most unlikely to be interested in regional defense arrangements. Not only would any such be regarded locally as a Western device to "re-enter the area" but Faisal is also suspicious of Iran's ambitions in the Gulf and averse to Iran's ties with Israel.

Kuwaiti and Iraqi Positions

The Kuwaitis have already manifested their deep concern at the effect the British decision will have on their security. In 1961 British troops were deployed to Kuwait to deter Iraq's military move in support of the long-standing claim that Kuwait is part of Iraq. Although recent Iraqi governments have not pursued the claim, the Kuwaitis have no assurance it will not be renewed sometime in the future, and therefore are careful not to arouse Iraqi sensibilities. The Kuwaitis are also worried about Iranian encroachments into off-shore oil fields along the still-unsettled Median Line. Faced with threats from these two stronger neighbors, Kuwait may wish to preserve a paper commitment with HMG after 1971 and meanwhile has begun to view more favorably the minimal US naval presence in the Gulf.

Kuwait may also seek closer relations with the Saudis, possibly even a bilateral defense pact, as a counterweight to Iraqi and Iranian power. Kuwait would probably participate in regional economic development schemes for the Gulf, but, like the Saudis, will be careful to avoid a regional defense pact that involves Iran.

Iraq under its present leadership will probably be unwilling to cooperate in any joint Gulf projects as long as the preponderant influence is in the hands of the Iranian and Saudi monarchies. Although weak in leadership and beset with problems even closer to home, Baghdad will no doubt continue to promote radical influences in the Gulf and will criticize any regional steps from which she is excluded, or excludes herself, as "imperialist" and "colonialist."

Soviet Objectives

The Soviet Union undoubtedly views the Persian Gulf as a rich prize. Given the present inability of the USSR to absorb or market Gulf oil in any quantity, however, its prospects for establishing a position in the area are presently limited. For the time being the USSR will probably concentrate on the more restricted objective of making life as difficult as possible for the Western powers in the Gulf. It will lend verbal and if feasible material support to Gulf "liberation" movements wherever these may develop. Soviet arms could be provided clandestinely, perhaps by Soviet vessels plying the Gulf to and from Iraq. One important reason

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to try to weave Iraq into any regional Gulf arrangements would be to deprive the Soviets of a useful supply base in the area.

Until the British military presence is removed, the Soviets may not make a direct play for influence with the regimes in any of the Gulf dependencies. Looking farther ahead, however, the shaikhdoms that do not have oil may provide an easy target for Soviet blandishments unless, by the time British forces leave, these states have eliminated outstanding problems and established a greater degree of regular and effective collaboration.

United States Interests and Objectives

The Persian Gulf runs between two states--Iran and Saudi Arabia--which are pro-Western and in which the US has major interests. Oil is, of course, one of the most important of these, but by no means the whole story. We have a strategic interest in seeing that, while the line remains firm along the northern tier, the Russians are not coming in through the back window. In Iran, particularly, there are certain security facilities that will remain vital to us during the next decade at least.

The Persian Gulf at present produces 10 million barrels of oil a day, about one-third of free world production, and possesses two-thirds of the world's known reserves. By 1980 the production figure is expected to be 18 million bbls/day. While Western Europe's relative dependence on Persian Gulf oil is gradually declining because of discoveries west of Suez, its consumption of Gulf oil in absolute terms will continue to increase substantially. Persian Gulf oil is meanwhile becoming of increasing importance to the economies of the Far Eastern countries, including our SEATO allies. Eighty-five percent of our own naval requirements in Southeast Asia are supplied from the Persian Gulf. The annual net profit from US oil investments in the Gulf is on the order of \$1.5 billion.

All of this adds up to an interest of considerable magnitude for the US and its allies. Our objective is twofold: to see that Persian Gulf oil remains available to Western powers and their allies on reasonable terms for as long as possible, and to see that no new threat is posed by developments in the Gulf to the basic pro-Western orientation of Iran and Saudi Arabia.

United States Strategy

Both of these objectives can best be achieved if overall political stability is maintained in the Gulf and if the changes that will inevitably take place do so within an evolutionary political framework. Our interest is therefore primarily to preserve a generally pro-Western climate in the area rather than to support the interests of any one of the riparians in its attempts to establish hegemony over the Gulf. We should be prepared to see local

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political forces work themselves out provided they do not threaten the overall pro-Western context or provide major openings to the Soviet Union or Communist China.

It is clearly neither desirable nor politically feasible for the US to "replace" the British presence in the Persian Gulf. Even an indirect political role is likely to set off alarms in the radical Arab camp and defeat the very purposes we are seeking to achieve. Behind-the-scenes diplomatic support for constructive initiatives undertaken by the Gulf riparians themselves, plus a quiet strengthening of our own presence in ways that do not arouse political sensitivities, is our best policy. We should try to make the Iranians and Saudis see the dangers of unrestrained competition between them for paramountcy in the Gulf. We should urge recognition on the part of Iranian, Saudi and Kuwaiti leadership that British withdrawal from the Gulf is a solemn call to compose differences and, within attitudes and policies common to all three states, to move toward joint actions that will preserve these states' positions in the Gulf. Recognizing that a certain amount of jockeying and competition is inevitable, we should be ready to point out whenever such policies in our judgment tend to threaten the security of the area as a whole.

We should assure that the Iranians and Saudis are aware both of the need to keep the option open for Iraq to join any regional Gulf groupings, and to avoid taking public positions designed to offend the Iraqis. Every effort should be made to avoid having the Gulf become an arena for confrontation between Arab radicals and conservatives.

Possible Regional Arrangements and US Attitude

1. Political Arrangements. The British may well press harder now for a confederation of some or all of the Trucial states and possibly some looser political association embracing Bahrain and Qatar as well. While such an objective is in our interest, care needs to be taken lest British sponsorship discredit it, as well as those pro-Western Arabs associated with it, in advance. In our public statements we should be careful not to suggest that the US is backing any specific arrangements over any others.

Broader political groupings of a formal nature are not, in our judgment, likely, mainly because of the sensitivities of the Arab states to open identification with Iran.

2. Economic Arrangements. This seems to be the most promising area for cooperation among the Gulf riparians. A fresh start will probably have to be made, however. Because of its British backing, the Trucial States Development Board has acquired a bad name in Kuwait and Saudi Arabia and probably could not now be adapted for Gulf development.

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Similarly, the Kuwait Fund for Arab Economic Development is viewed as too exclusively an instrument of Kuwaiti policy. There seems a reasonable chance, however, that if Iran, Saudi Arabia and Kuwait could agree on the broad outlines for a Gulf economic consortium, the plan would be accepted by other riparians with the possible exception of Iraq. The IBRD might well play the role of catalyst in bringing such a consortium into being. The Shah's participation, however, might hinge upon acceptance of his joint exploration-exploitation of oil schemes.

3. Defense Arrangements. The Shah has shown some interest in regional defense, and he may bring the subject up with Faisal when he visits Saudi Arabia in February. We doubt, however, that either the Saudis or Kuwaitis will be interested, and Iraq, as long as its present regime lasts, will be even more negative. Even the Shah himself must be wary, for besides the sensitivities of the Arabs he knows he must avoid the appearance of sponsoring a defense arrangement that could be linked to Western interests. In short, a regional defense arrangement seems the most remote facet of indigenous cooperation in the Persian Gulf.

4. Turkish-Pakistani Role. Because both Turkey and Pakistan are Muslim countries, linked to the West in security pacts, and interested in preventing Soviet encroachments in the area, it is tempting to see them as playing an active role in the Gulf. Neither the Turks nor Pakistanis seem to be showing any enthusiasm for such involvement, however, and Turkish interest in the Gulf is minimal. There is perhaps somewhat greater scope for an expanded direct Pakistani role in Gulf affairs, provided it is carried out quietly and is not seen to be backed by the US or other Western powers. The Pakistanis have a sizable military training mission in Saudi Arabia, and possibly something similar might be considered in the Trucial states after the British leave.

Recommended US Courses of Action

In broadest terms, the US objective is to maintain unimpeded access to Gulf oil on commercial terms and to prevent the Soviets or Chinese from gaining a position which might help them undermine our strategic interests in the Middle East. This can best be accomplished by maintaining: (a) a pro-Western orientation on the part of the governments concerned; and (b) as much stability as possible over the next decade while the Gulf states attempt to establish themselves on more substantial indigenous political foundations. Our policy should therefore be directed along the following lines: (a) encouraging the British to maintain as much of their present special role in the Gulf as long as possible; (b) getting the Saudis and Iranians, in particular, to settle outstanding differences and to keep their ambitions to win influence in the Gulf within bounds that will not upset overall Gulf stability; (c) encouraging greater regional economic

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and, as feasible, political cooperation among the Gulf states; and (d) avoiding any undue military build-up by Gulf littoral states while recognizing that some increase in indigenous forces is no doubt inevitable.

Specifically, we recommend the following courses of action:

1. Support British Role. We should remain in close touch with the British to learn the details of their plans and to study possible ways that the US might support their continued presence in the Gulf. We should stress that some elements of the British position could profitably be continued after 1971.

2. Diplomatic Influence vis-a-vis Riparians to Settle Outstanding Differences. Unless settled, such issues as the Median Line problem or the Buraimi dispute could become the seeds of larger confrontations which seriously jeopardize the area's security. We should therefore use our diplomatic influence with the Gulf riparians to move them toward settlement of outstanding issues, hopefully before the stabilizing British military presence ends in 1971.

a. Median Line Agreements. These agreements to delineate off-shore rights in the Persian Gulf were initialed in December, 1965 but remain to be signed. Since then, rich oil deposits have been found right along the line, making its exact demarcation a matter of increased importance to Iran and Saudi Arabia. (A fuller description of the Median Line problem is at TAB A). The Shah's coming visit to Saudi Arabia (February 3-8), and Under Secretary Rostow's visit to Tehran February 7-9, provide ideal opportunities for us to continue diplomatic efforts to bring the Saudi-Iranian Agreement to a definitive conclusion.

b. Buraimi (TAB B). Neither the Saudis nor the Ruler of Abu Dhabi are likely to give up their claims to Buraimi. It probably will be well for us to avoid direct involvement in this intractable problem aside from appropriate low-key urgings to the parties to renew efforts to resolve it.

c. Island Disputes. While the Shah probably will not publicly renounce his claim to Bahrain, he evidently does not intend activating it. We should keep before the Shah the central point that his bona fides to the Arab riparians will depend in part on his public attitude on this issue. Iran also has conflicting claims with Kuwait and Ras al-Khaima to islands in the Gulf. We should quietly encourage definitive settlement of these claims.

3. Regional Economic Cooperation. We should foster efforts by the riparian states themselves to set up regional economic institutions for

the orderly development of the Gulf's resources. These might consist of (a) a joint board to regulate activities in the Gulf, such as maintaining navigation channels, regulating fishing, controlling pollution, etc.; (b) a regional bank or consortium for economic development. Concerning the latter, various proposals have been put forward. Ambassador Cottam suggests that the revenue from disputed oil fields in the Median Line areas be devoted to the financing of such a consortium. Ambassador Meyer suggests that each state allocate one cent for every barrel of oil it produces to finance regional economic development. The Regional Cooperative Development organization among Iran, Pakistan and Turkey, which has achieved some success, might also serve as a model especially in avoiding duplication of industrial development.

We should do what we can to play a modest role in any consortium arrangements. We should also encourage the IBRD to act as a catalyst in the project. Perhaps it could make some seed capital available. At a minimum it should be able to provide technical assistance and administrative support. We might wish to suggest an early visit by IBRD Director-to-be McNamara to the Gulf as a means of focusing attention to the problem.

4. Encourage West European Interest. If regional economic development schemes or institutions become realities, we should encourage the West Europeans and perhaps Japan to consider contributing to such activities. We do not, however, recommend discussion in the NATO political committee or similar fora in view of Arab sensibilities to charges of collaborating with Western imperialism.

5. Possible Expanded US Naval Presence. We should press forward with a study of the desirability of expanding the US Naval presence in the Gulf and Indian Ocean. (A preliminary study has already been initiated under the leadership of G/PM.)

6. Expanded USG Diplomatic Establishment. At present, our interests in the entire Horn of Arabia are inadequately covered by periodic trips from Dhahran to the Trucial coast and from Aden to Muscat and Oman. Travel fund cuts will further reduce such trips. While the budgetary situation will presumably continue to be tight, we must now give greater priority to opening Foreign Service posts along the Trucial coast, and somewhat later, at Muscat. It is suggested that NEA/EX be asked to examine how soon such posts could be opened in the light of prospects for next year's appropriation. The number of American citizens in both areas is growing as is American foreign investment. With the coming reduction in the British position, we will need on-the-spot reporting and representational activity on behalf of our interests that heretofore has not been required.

7. Cultural Exchanges. Both in the Horn of Arabia and further north in the Gulf, we should begin to increase our cultural exchange

program as well as our USIS operations. This area has in the past been left to the British. It will behoove us, however, to establish ourselves in greater presence while the British are still there, rather than to await their departure, after which new governments might be less disposed to cooperate. It is recommended that CU be asked to increase its budget for this area in FY 69.

8. Industrial Development. Many of the Gulf littorals will have money for industrial development. But they will almost completely lack technical knowledge, even of the ways to go about securing international financing and assistance. We should take steps to make available current information on desalting, fertilizer development and similar topics in which Gulf rulers are likely to be particularly interested. A special effort should be made to encourage private American enterprise to enter this field. For this purpose, firms should be assured that they will receive prompt approval from the Department of Commerce to undertake new investments in these areas.

9. Arms Policy. Wealthy yet undeveloped, and beset by border and other problems with their neighbors, the Gulf states may be expected to opt for increasing naval and military establishments in the region. We should initially do what we can to control these appetites. However, we must recognize that some greater defense capability will be justified after the British go and that the moneyed shaikhs will be able to purchase what they want from others, if not from us. Accordingly, we should be willing to sell arms to these states to assist in their self-defense and give them a greater feeling of self-confidence in dealing with regional problems.

Additionally, in the case of Iran and to a lesser degree of Saudi Arabia, Persian Gulf stability must be considered within the larger question of global American concerns. Our military relationship with Iran, based primarily on concessional credit sales and a training program, is the key to the maintenance of important US strategic facilities in that country. We should, however, continue to tailor our military sales program to our view of Iran's absorptive capacity and the nature of the military threat facing Iran.

~~CONFIDENTIAL~~THE MEDIAN LINE DISPUTE

With the granting of offshore oil concessions on both sides of the Persian Gulf in the 1950's and early 1960's, the question arose of demarcating a Median Line for the Gulf in order to adjudicate overlapping concessions and claims. However, agreement between Iran, on one side, and Kuwait and Saudi Arabia, on the other side, was complicated by the question of whether the offshore islands belonging to Iran and Kuwait or the respective mainlands should be used as base points in determining this Median Line. In December 1965, Saudi Arabia and Iran initialed a compromise agreement which stipulated that Iran would be given half-credit for the distance between the Iranian mainland and Iranian-owned Kharg Island. (We believe that this "half-effect" arrangement is also acceptable to Kuwait.) However, formal signature of the Saudi-Iranian agreement has never taken place and both Saudi Arabia and Kuwait are pressing Iran for final agreement and demarcation of the Line.

In recent months ARAMCO has discovered large offshore oil deposits (a fact they are trying to hold closely, though it is probably known to the Shah) in an area which is on the Saudi side of the "half effect" line mentioned in the initialed agreement. In December 1967 the Iranians suggested a joint venture in "disputed areas" but indicated that this included only the area of the ARAMCO discovery. (Meanwhile, the Iran Pan American Oil Company (IPAC) has moved a drilling barge into this area which it claims as part of its concession.) Since the Iranian proposal is clearly to the disadvantage of Saudi Arabia, the latter is strongly opposed to it and is continuing to press for final demarcation. The Iranians have delayed settlement, hoping to obtain a share of this apparently rich discovery, but we see little likelihood of Saudi agreement and believe that the issue will continue to be an irritant until final settlement is reached.

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Buraimi consists of a group of nine oases about 50 miles west of the Gulf of Oman and 50 miles east of the Persian Gulf. It has for centuries been a desert crossroad. Egyptian agents were active there in the 1830s. Oil fields were recently discovered in this area near Jubayl al Fuhud, a mountain some 150 miles south of the oasis.

Buraimi is claimed by Saudi Arabia on the grounds that the inhabitants there had traditionally acknowledged Saudi rule. The Saudis claim that in the latter half of the nineteenth century the zakat (Moslem head tax) was regularly paid to Riyadh by the rulers of Buraimi. The UK supports the claim of the Sultanate of Muscat to six of the oases and that of the Shaikhdom of Abu Dhabi to the other three.

In 1955, following the failure of an attempt to arbitrate the dispute, British-supported native troops from Trucial Oman occupied the area in an operation that also put an end to a rebellion in Inner Oman. In 1960 both Saudi Arabia and the UK agreed to a fact-finding mission by a personal representative of the Secretary General of the UN, and, on the basis of his report, negotiations between the two countries were resumed under UN auspices. Saudi Arabia rejected a British proposal in 1964 to settle the dispute on the basis of the de facto boundaries and the dividing of the oil revenues from the entire area. The dispute remains unresolved.

The present Ruler of Abu Dhabi, who governed Buraimi prior to the unsuccessful arbitration of 1955, has now completed an asphalt highway from Abu Dhabi to Buraimi and clearly regards this area as an inalienable part of his domains.

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POLITICAL STATUS, POPULATION, RESOURCES,
AND MILITARY STRENGTH OF GULF STATES

IRAN

Population: 25-26 million

Political Status: Independent state since first millenium B.C.

Resources: Primarily agricultural economy (per capita GNP \$230 rising at about 7% a year). Increasingly viable industrial base. Oil production 2.5 million bbls/day.

Military: 172,000-man armed forces equipped primarily with US arms. 460 Patton tanks. Air Force will have 6 squadrons F-5's and 2 squadrons F-4-D's.

IRAQ

Population: 7-8 million

Political Status: Independent state since 1932. Member of UN and Arab League.

Resources: GNP is estimated at \$1.5 billion, of which 24% is contributed by the oil industry, 20% by agriculture, and 12% by industry. Oil production is 1.3 million bbls/day.

Military: Army (80,000) has good inventory but little offensive capability outside Iraqi borders. Air Force has 167 jets, some of which are first-line Soviet aircraft. Navy consists of 19 patrol vessels.

KUWAIT

Population: 500,000

Political Status: Independent state (and member of United Nations and Arab League) since 1961.

Resources: Exclusively oil. Kuwait produces 2.3 million bbls/day.

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Military: Army numbers 6,000. Good internal security capability but very limited capability to defend against concerted outside attack. Kuwaiti air force possesses 4 Hawker Hunters.

SAUDI ARABIA

Population: 4-5 million

Political States: Independent state since 1932. Member of UN and Arab League.

Resources: Principally oil. Current production over 3 million bbls/day (counting half of neutral zone production).

Military: Regular Saudi army (24,000) is supplemented by National Guard numbering 28,000. Little military capability beyond Saudi borders.

BAHRAIN

Population: 200,000 (40% Persian)

Political Status: Treaty of protection with UK gives latter control over foreign affairs and defense.

Resources: Mainly oil, some Gulf entrepot trade. Bahrain produces 70,000 bbls of crude oil a day. It also has one of the largest refineries in the Middle East, with a capacity of over 200,000 bbls/day.

Military: Bahrain has no armed forces as such. Its British-officered police force is about 900 strong.

There is a British force of about 3,700 men (air, naval, and ground troop contingents) stationed on the island.

QATAR

Population: 100,000

Political Status: Treaty of protection with UK giving latter control over foreign affairs and defense.

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Resources: Oil. Production in 1967 was 265,000 bbls/day.

Military: No regular military forces as such. British-officered 1,000-man police force maintains internal security.

TRUCIAL STATES

Population: (80% Arab)
Abu Dhabi - 18,000
Dubai - 80,000
Sharjah - 20,000
Ajman - 5,000
Umm al-Quwain - 15,000
Ras al-Khaimah - 7,000
Fujairah - 7,000

Political Status: Seven individual shaikhdoms, each of which has treaties of protection with UK giving latter control over foreign affairs and defense.

Resources: Prior to the discovery of oil in Abu Dhabi, the main source of revenue in the Trucial Coast was the gold trade in Dubai (an estimated \$300 million of gold passed through Dubai in 1967). Abu Dhabi now produces some 370,000 bbls of crude oil a day. A good off-shore field has been discovered in Dubai which is expected to go on stream in early 1969. The resources of the other shaikhdoms are negligible.

Military: British-officered Trucial Oman Scouts numbers 1,600 men and is considered to be a competent force. The shaikhdoms do not individually maintain military or security forces.

MUSCAT AND OMAN

Population: 600-800,000

Political Status: Independent sovereign state, recognized by US as such since 1833. Not a member of UN or Arab League.

Resources: Oil production began in late 1967 and is expected to reach 130,000 bbls/day by mid-1968.

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4

Military:

Sultan's Armed Forces number 3,500-4,000 men. SAF is judged to be capable force for desert-type action with good mobility and limited, but effective, air support. Senior officers predominantly British; junior officers Pakistani.

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Department of State

Persian Gulf

TELEGRAM

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ACTION SS 70

INFO MM 01, /071 W

R 231827Z JAN 68
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 1394
INFO AMCONSUL DHAHRAN 162
AMEMBASSY JIDDA 528
AMEMBASSY KUWAIT 203
AMEMBASSY TEHRAN 330

~~SECRET~~ LONDON 5826

LIMDIS

SUBJ: MINSTATE ROBERTS ON PERSIAN GULF

REF: LONDON 5717

PAGE 2 RUDTCR 5826 ~~SECRET~~

1. AFTER KUWAITI RECEPTION JAN 22 ROBERTS AND EMBOFF
CONVERSED HALF HOUR RE GULF SITUATION. EMBOFF GAVE HIM
CAPSULE DOSE OF OUR IDEAS AND QUESTIONS PER STATE 100608.

FOLL IS SUMMARY OF ROBERTS' NOTEWORTHY COMMENTS.

A. HIS SECOND ROUND OF CALLS IN GULF "DIDN'T GO TOO
BADLY." ON ARAB SIDE, THERE IS LAYER OF PEOPLE WHO WANT
BRITS TO STAY AND ANOTHER LAYER WHO WOULD PREFER TO BE ON
THEIR OWN.

B. VERY IMPORTANT TO BUILD UP RAPIDLY INDIGENOUS EXPERTISE
IN ALL FIELDS. U.S. EXPERIENCE IN PHILIPPINES VERY
PERTINENT. ESP. IN MILITARY TRAINING AND INTERNAL SECURITY
FIELDS, GULF STATES WILL NEED HELP BEYOND 1971. MISSION

~~BOWLER~~
~~BUDGET~~
~~DAVIS~~
~~FRIED~~
~~GIMBUSH~~
~~HAMILTON~~
~~JESSUP~~
~~JOHNSON~~
~~JORDEN~~
~~KEENEY F~~
~~LEONHART~~
~~ROCHE~~
~~SAUNDERS~~
~~TAYLOR~~

See comment
page 2

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By 60116, NARA, Date 8-11-00



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AND CAPABILITY OF TRUCIAL OMAN SCOUTS SHOULD BE EXPANDED.
C. NO REASON FOR USG OR ANYONE TO PANIC ABOUT UK GULF
WITHDRAWAL. SOVIETS WILL ONLY TRY TO MOVE IN COMMERCIALY.
THERE IS TIME BEFORE LATE 1971 ADEQUATELY TO STRENGTHEN
RIPARIANS' COOPERATION AMONG SELVES. HMG AND USG MUST WORK
CLOSELY TOGETHER TO ENSURE THIS. U.S. AS WELL AS UK
EXPERTS WILL BE NEEDED BEFORE AND AFTER 1971.

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2. EMBOFF SAID HE THOUGHT WASHINGTON WOULD BE
SOMEWHAT HEARTENED BY THRUST OF ROBERTS' THINKING. ROBERTS
PROFESSED STRONG PRO-AMERICANISM AND DESIRE KEEP IN CLOSE
TOUCH WITH US RE FUTURE OF GULF.

3. BEGIN NOFORN. COMMENT: ROBERTS' VIEWS ON GULF TASKS
DERIVE IN PART FROM ASST UNSEC BRENCHLEY'S BRIEFINGS
(LONDON 5569). ACCORDING OUR CONTACTS AT OFFICIAL LEVEL,
FONOFF FROM BROWN DOWN FAVORS SOME "SPECIAL" IF INCONSPICUOUS
ROLE FOR UK IN GULF AFTER 1971, BUT THERE BIG QUESTION
WHETHER THIS VIEW WILL PREVAIL IN HMG. JUDGING BY
BRENCHLEY'S COMMENTS REPORTED REFTEL, FONOFF PROS. NOT
OPTIMISTIC IT WILL. THIS CONNECTION, SEVERAL OFFICIALS
HAVE PRIVATELY VOICED HOPE THAT WHEN WILSON VISITS WASH,
PRESIDENT WILL PRESS FOR CONTINUED UK "SPECIAL" ROLE IN
GULF AFTER 1971 TROOP WITHDRAWAL. END NOFORN.
BRUCE

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Department of State

SAUNDERS

TELEGRAM

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ORIGIN SS 25

INFO MM 01/026 R

DRAFTED BY: EUR: JMLEDDY
APPROVED BY: EUR: JOHN M. LEDDY
S/S: MR. MEEHAN

*Persian
Gulf - subject
file*

P 120149Z JAN 68
FM SECSTATE WASHDC
TO AMEMBASSY LONDON PRIORITY 2453
INFO AMEMBASSY SINGAPORE PRIORITY 0264
AMEMBASSY KUALA LUMPUR 0507
AMEMBASSY CANBERRA 0610
AMEMBASSY WELLINGTON 0263
AMEMBASSY TEHRAN 0684
AMCONSUL DHAHRAN 0088
AMEMBASSY KUWAIT 0196
AMEMBASSY ADEN 0223

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EXDIS

FOR THE AMBASSADOR FROM LEDDY (UNCLEARED WITH SECRETARY)

1. IN TWO-AND-A-HALF HOUR CONVERSATION COVERING CAMBODIA, VIET-

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NAM AND UK DEFENSE CUTS (DETAILS TO FOLLOW) BROWN INFORMED
SECRETARY OF INTENTION HMG TO ANNOUNCE ON TUESDAY, JANUARY 16
PLANS TO (A) WITHDRAW ALL FORCES FROM FAR EAST TO BE REPRODUCED

WITHOUT THE AUTHORIZATION
OF THE EXECUTIVE SECRETARY

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By *cbm/ry* NARA, Date *8-11-10*



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KONC) BY MARCH 31, 1971, WITH NO RPT NO CONTINUING SPECIFIC CAPABILITY AT ALL IN THAT AREA AFTER WITHDRAWAL AS HAD BEEN ENVISAGED LAST JULY, AND (B) WITHDRAW ALL FORCES FROM PERSIAN GULF BY SAME DATE. U.K. WOULD NEGOTIATE NOT RPT NOT TERMINATE ANGLO-MALAYSIAN AGREEMENT AND WOULD REMAIN MEMBER OF SEATO AND CENTO ALTHOUGH THEIR DECLARATIONS UNDER SEATO WOULD OF COURSE CEASE TO HAVE ANY MILITARY CONTENT OR MEANING AFTER WITHDRAWAL. SOLE U.K. FORCES AVAILABLE FOR DEPLOYMENT IN THESE AREAS OR ELSEWHERE OUTSIDE EUROPE WOULD THEN BE LIMITED TO THOSE IN U.K. OR EUROPE.

2. BROWN EXPLAINED THESE STEPS AS ESSENTIAL TO HELP MEET 1 BILLION SAVINGS TARGET WHICH HE PUT IN TERMS OF BUDGET BUT WHICH WE BELIEVE TO INVOLVE "SWITCH OF RESOURCES" PROGRAM OVER NEXT THREE YEARS, WITH POSSIBLE ULTIMATE REDUCTION OF BUDGET BY 1 BILLION ANNUALLY. HE SAID THIS TARGET CAN ONLY BE ACHIEVED BY OVERALL BUDGET SAVINGS, INCLUDING HEAVY CUTS IN SOCIAL

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WELFARE EXPENDITURES AND STEEP TAX INCREASES. BROWN STATED U.K. FELT STRONGLY THIS GOAL ESSENTIAL TO MAKE DEVALUATION WORK AND RESTORE STRENGTH OF STERLING. HE LEFT NO DOUBT THAT THESE DECISIONS HAD FOR ALL PRACTICAL PURPOSES BEEN MADE AND WOULD BE CONFIRMED BY CABINET AT MEETING ON JANUARY 12 ALTHOUGH HE SAID HE WOULD OF COURSE REPORT VIEWS OF USG.

3. SECRETARY, SPEAKING IN MEASURED AND MOVING TERMS, EXPRESSED DEEP DISMAY OVER THESE PENDING ACTIONS WHICH HE CHARACTERIZED AS TANTAMOUNT TO BRITISH WITHDRAWAL FROM WORLD AFFAIRS WITH PROFOUND REPERCUSSIONS ON FUTURE OF FREE WORLD AS WELL AS ON U.S. PUBLIC OPINION AND POLITICAL WILL TO MAINTAIN ITS OWN PRESENCE. HE STRESSED THAT THE U.S. WOULD NOT AND COULD NOT PICK UP THE PIECES. HE ALSO STATED U.S. NOT ATTEMPTING TO ADVISE U.K. ON PRIORITIES AS BETWEEN FAR EAST AND PERSIAN GULF. WHILE RECOGNIZING THAT THE DECISIONS HAD BEEN ALL BUT MADE HE URGED IN THE STRONGEST TERMS THAT THE BRITISH GOVERNMENT AND PEOPLE CONSIDER MOST CAREFULLY THE POSSIBLE ALTERNATIVES BEFORE TAKING THESE DRASTIC STEPS.

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4. TOWARD CLOSE OF MEETING, U S SIDE ASKED ABOUT F-111'S. BROWN REPLIED NO REPEAT NO FIRM DECISION YET TAKEN. HE ASKED FOR U S VIEW OF RELEVANCE BRITISH F-111'S TO NATO. SECRETARY SAID THIS SHOULD BE PURSUED WITH SECDEF MCNAMARA. AT BRITISH EMBASSY LUNCH FOLLOWING MEETING, MCNAMARA TOLD BROWN THAT, APART FROM OTHER USES, BRITISH F-111'S VERY IMPORTANT TO NATO. FURTHER MCNAMARA BACKED STRONGLY SECRETARY'S REPRESENTATIONS ON IMPORTANCE CONTINUED UK PRESENCE IN SOUTHEAST ASIA AND PERSIAN GULF. PRESS GUIDANCE FOLLOWS. GR-1. KATZENBACH

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