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CITE KUWAIT

TO: TEHRAN.

RYBAT FOR KNIGHT

1. FOLLOWING ARE SIGNIFICANT TRENDS IN PENINSULA:

A. KUWAIT - PARIS HIJACK INCIDENT HAS DEALT BLOW TO FEDAYEEN MOVEMENT IN KUWAIT. KUWAITIS WERE FURIOUS AND BLAME ALL THE ORGANIZATIONS FOR THEIR FAILURE TO CONTROL MEMBERS. KUWAITIS SHOWED UNUSUAL TOUGHNESS AND DECISIVENESS IN HANDLING THIS AFFAIR. GOK NOW IN PROCESS OF DIVIDING UP 600 MILLION DOLLAR DEFENSE PIE. ALTHOUGH TANKS AND PLANES ISSUE STILL NOT DECIDED UPON, IT APPEARS U.S. WILL GET LARGEST SLICE INCLUDING CONSTRUCTION, RADAR AND MISSILES. STRIKE AT ANIMOIL HAD SOME ANTI-AMERICAN OVERTONES BUT GOK TOOK HARD POSITION VIS-A-VIS UNIONS. THEY DO NOT WANT SID ISSUES TO MUDDY NEGOTIATION WATERS.

B. OIL - WITH PRICE NEGOTIATIONS ON THE DOCKET FOR EARLY OCTOBER, IT APPEARS THE GULF STATES WILL SETTLE FOR 51 PERCENT PARTICIPATION. THE NEW PRICES WILL GIVE THE STATES ALL THE MONEY THEY NEED AND PARTICIPATION WILL TAKE BACK BURNER AS DISCUSSION OF LIMITING PRODUCTION LOOKS LIKE NEXT BIG ISSUE.

C. GULF STATES - THE PARTICIPATION OF GULF STATE LEADERS

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IN THE NON-ALIGNED CONFERENCE AND THEIR ONWARD TRAVEL TO THE U.K. FOR ANNUAL HEALTH CHECK-UPS GAVE THESE LEADERS AN UNUSUAL OPPORTUNITY TO MEET AND DISCUSS STICKY ISSUES. FAYSAL AND ZAYID ACTUALLY TALKED ABOUT BURAYMI AND QABUS AND ZAYID TALKED ABOUT AID. THESE INFORMAL TALKS BROKE A GOOD DEAL OF ICE AND WERE THE MOST POSITIVE POLITICAL EVENT IN THE REGION IN RECENT YEARS. ZAYID ~~WILL~~ SEND SOME TROOPS TO OMAN SO THAT OMANI TROOPS CAN BE RELIEVED FOR DUTY IN DHUFAH. FAYSAL AND ZAYID HAVE AGREED TO ACTUALLY SIT DOWN AND TALK ABOUT BURAYMI FOR THE FIRST TIME IN ALMOST 20 YEARS.

D. SAUDIA - MUCH OF THE NEW SHOW OF BROTHERHOOD AMONG THE GULF AREAS CAN BE TRACED TO A GROWING FEAR OF IRANIAN INTENTIONS. INSTEAD OF IRAN BEING PICTURED AS THE PROTECTOR OF THE GULF, SHE IS LOOKED UPON AS A THREAT TO THE ARAB SHORES. SAUDIA'S NEW LINKS WITH EGYPT CAN BE TRACED, IN PART, TO HER FEAR OF IRAN. SAUDIA IS PRESSING EGYPT TO TAKE A NEW INTEREST IN THE GULF. IRAN'S PLANS FOR GULF UNITY THROUGH STRENGTH, APPEAR TO BE SCARING THE ARABS.

E. DHUFAH - THE MONSOON IS OVER AND THE MILITARY SEASON IS ABOUT TO RECOMMENCE. BOTH SIDES APPEAR CAUTIOUS. THE OMANIS DO NOT WANT TO PERMIT PFLQAG ANY EARLY SUCCESS TO GIVE PFLQAG

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MOMENTUM, AND PFLOAG, WHICH LOST MANY MEN THROUGH DEFECTION AND WAS UNABLE TO SUSTAIN A FLOW OF SUPPLIES TO THE MOUNTAINS, IS NOT SURE OF THE KIND OF RECEPTION IT WILL FIND IN ITS FORMER "SAFE" AREAS. IT LOOKS LIKE BORDER SKIRMISHES FOR THE TIME BEING.

F. IRAN - RECENT VISITORS TO DHUFAR HAVE NOTHING BUT PRAISE FOR THE IRANIAN CONTINGENT. THEY ARE AGGRESSIVE, DISCIPLINED AND HAVE AN ESPRIT DE CORPS UNUSUAL FOR THE AREA. THOUGH LIMITED TO PATROLLING AND USING THEIR HELICOPTERS FOR SUPPLY BECAUSE OF THE CAUTIOUS APPROACH OF BRITISH ADVISORS, THEY MAKE THEIR PRESENCE FELT. IRAN CURRENTLY HAS 145 MAN COMMANDO UNIT (CHANGED EVERY THREE MONTHS) AND SEVEN UH-1B (HUEY) HELICOPTERS IN DHUFAR.

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