

2. IT IS GRATIFYING TO NOTE THAT THE DEPARTMENT IS NOW GETTING FUNDS TO UPGRADE MORE OF OUR MISSIONS IN THE GULF TO RESIDENT AMBASSADORIAL LEVEL. CONSIDERING THE AMOUNT OF THE WORLD'S OIL WHICH IS EXPORTED FROM THESE LITTLE STATES, THEIR IMPORTANCE FOR US OBVIOUSLY HAS NOTHING TO DO WITH THEIR SIZE OR POPULATIONS.

3. IN ACCORDANCE WITH THE PRESIDENT'S AND YOUR INSTRUCTIONS, I HAVE COMMENTED FROM TIME TO TIME UPON PROBLEM AREAS AND POTENTIAL TROUBLE SPOTS IN THE GULF. THERE ARE PLENTY: IRAQI MILITARY THREATS TO KUWAIT AND SUBVERSIVE EFFORTS ELSEWHERE; THE COMMUNIST-ORIENTED REVOLUTION IN DHUFAR; THE RISING LEFTIST INFLUENCE IN BAHRAIN; THE DISPUTE BETWEEN SAUDI ARABIA AND ABU DHABI OVER BURAIMI; ARAB FEARS OF IRANIAN INTENTIONS; RIVALRIES AMONG THE ARAB RULERS OF THE SMALL SHAYKHDOMS OF THE GULF.

4. A POTENTIAL SOURCE OF INSTABILITY, CONFLICT AND INTERNATIONAL INVOLVEMENT EXISTS IN THE UNION OF ARAB EMIRATES (UAE). THE UAE IS MUCH MORE FRAGILE THAN IT WAS A YEAR AGO. THE ONLY RULER WHO IS REALLY WORKING TO MAINTAIN THE UNION IS ZAYID OF ABU DHABI AND HIS MOTIVES ARE STRICTLY PERSONAL:

AGGRANDIZEMENT OF HIS INTERNATIONAL IMAGE AND DOMINATION OF THE UAE BY ABU DHABI. THE NEXT TWO MOST POWERFUL RULERS, RASHID OF DUBAI AND SAQR OF RAS AL-KHAYMAH ARE WORKING AGAINST THE UNION AND ARE ON THE POINT OF COOPERATING WITH EACH OTHER TO THIS END. AS SOON AS SHARJAH BEGINS TO RECEIVE ITS OIL INCOME (MID-MAY 1974), IT CAN ALSO BE EXPECTED TO BECOME MORE INDEPENDENT. ~~PENDING~~

5. ALL THESE STATES ARE BUILDING UP THEIR OWN MILITARY FORCES AND THE ROLE OF THE UNION DEFENSE FORCE (UDF) REMAINS OBSCURE. THE UDF NOW HAS A STRENGTH OF 2,400, WHILE THE ABU DHABI DEFENSE FORCE (ADDF) ALONE HAS 12,000 WITH A TOTAL OF 15,000 ENVISAGED. THIS IS LIKE THE NEW YORK NATIONAL GUARD BEING FIVE TIMES AS STRONG AS THE TOTAL U.S. MILITARY. NOT A HEALTHY SITUATION. IF ZAYID'S INTERNATIONAL PRESTIGE, WHICH HE HAS WORKED ASSIDUOUSLY TO BUILD, IS THREATENED BY RASHID'S AND SAQR'S MACHINATIONS, THE ADDF MAY GET ITS FIRST TEST. THE QUESTION IMMEDIATELY ARISES, WHAT WOULD IRAN DO IF ITS FRIEND RASHID OF DUBAI CALLED FOR ASSISTANCE? WHAT WOULD THE SAUDIS, WHO DO NOT LIKE ABU DHABI, DO? WHAT WOULD WE DO? SUPPOSE SHAYKH ZAID OF ABU DHABI CALLS FOR IRAQI OR

EVEN SOVIET ASSISTANCE? WE BELIEVE WE MUST CONSIDER SUCH CONTINGENCIES UNTIL THERE IS MORE SURRENDER OF STATES' SOVEREIGNTY TO THE UAE AND FEWER BATTLES OF PERSONALITIES AMONG ITS LEADERS.

6. WE MIGHT ALSO MENTION THAT IN ALL CASES THERE IS NO RULER WHO HAS A SON WORTHY OF TAKING HIS PLACE. THE SONS ARE EITHER VERY WEAK PERSONALITIES OR COMPLETE DISSOLUTES. THIS PROBABLY CAN BE TRACED TO TWO FACTORS: UNLIMITED FUNDS AND LOVING IN THE SHADOW OF A STRONG-WILLED FATHERS .

7. AS THE OIL REVENUES OF THESE SMALL STATELETS BALLOON TO SIZES UNPENDABLE AT HOME, THEY WILL HAVE ALMOST UNLIMITED CAPACITY OF INVESTMENT IN GOOD OR BAD PROJECTS ABROAD. CONSIDER THE NIGHTMARE WE WOULD HAVE IF A COMMUNIST OR A QADHAFI-TYPE ECCENTRIC GAINED CONTROL OF THE MONEY BAGS OF ABU-DHABI AND, UNDER THE PROTECTION OF NATIONAL SOVEREIGNTY AND THE UNITED NATIONS, BEGAN TO DISPENSE LARGESSE TO TERRORIST ORGANIZATIONS OF HIS CHOICE? HOW LONG COULD THE WORLD TOLERATE IT?

8. THIS MESSAGE OFFERS NO SOLUTIONS BECAUSE NONE ARE READILY DISCERNIBLE, BUT THE FIRST STEP MUST CLEARLY BE TO

PAGE 5 TEHRAN ~~SECRET~~

BECOME WELL AWARE OF THE DANGERS. I HOPE THAT WITH OUR
GREATER PRESENCE IN THE GULF NOT ONLY WILL WE HAVE A BETTER
KNOWLEDGE OF THE PROBLEMS BUT ALSO GREATER CAPABILITY FOR
FOCUSING ON THEM AND DEVisING MEANS FOR DEALING WITH THEM.

9. WARM REGARDS.

~~SECRET~~

~~SECRET~~