

Y.S.M.

THE PRESIDENT HAS SEEN...K

TOP SECRET

22 February 1973

To E + De Bowe - for private info only - Not for General Circulation -

MEMORANDUM FOR: The President

Attached is the analysis, requested in your letter to me, of the Middle East and our interests there as they relate to the growing importance of Middle East energy resources to the United States.

I have not, in this paper, dwelled on the complexities of the Arab-Israeli problem, even as they relate to our energy interests in the region, because of my feeling that this issue too often clouds our thinking on other important issues such as importance of the Gulf and the Arabian Peninsula in an energy context.

Rich

Richard Helms

Attachment

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I. CONCLUSIONS

1. The energy crisis and developments in the Middle East since June 1967 have more clearly identified two separate subregions of the greater Middle East: (a) the Gulf Middle East and (b) the Mediterranean Middle East.

2. Oil reserves, US interests and US influence are greater in the Gulf than in the Mediterranean Middle East. Within the Gulf, US long-term economic interests are greatest in Saudi Arabia. Next to Saudi Arabia, Iran is the most important exporter of energy fuels but its oil reserves are more limited; it is estimated that its production will reach a plateau in 1976 and will begin to decline in the 1980s. In terms of the existing equities of US oil companies in Saudi Arabia and Iran, the potential production in Saudi Arabia compared to that of US companies in Iran is estimated to be in the ratio of ten to one.

3. The Gulf Middle East is more stable, partially insulated from the Arab-Israeli conflict and somewhat removed from the immediate pressures of both the USSR and the EC on the Mediterranean Middle East.

4. Jordan plays a role in both the Mediterranean Middle East and the Gulf; a strong and pro-Western regime in Jordan is indispensable as a buffer between the Gulf and the Mediterranean Middle East and can play a highly constructive role in the Gulf.

5. Access to Gulf oil from the Western Indian Ocean is less dependent on Middle East infrastructure and stability.

6. The Mediterranean Middle East could play an expanding role as a transit area for Middle East oil and gas moving to Europe and as a commercial center for the entire region; the ability of the nations in this area to collectively assume greater responsibilities will depend on their willingness to enter the era of negotiations and peace.

7. Cooperation between Iran and Saudi Arabia in maintaining the stability of the Gulf offers the best guarantee for the maintenance of the favorable US economic and political position in the Gulf area.

8. There are internal contradictions in the concept of Saudi-Iran cooperation which can be exploited by those who see in the disruption of Saudi-Iranian relations a means of weakening the US position in the Gulf area. Making Saudi-Iranian cooperation a working reality requires the continuing attention of both governments and of the US.

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9. Among the foreign powers with interests in the Gulf region, the US will be the principal beneficiary of a close and effective relationship between Teheran and Riyadh. The USSR, its proxy forces in the Arab world, the European Community, Japan and the Arab nationalists all may see in the erosion of the US position in the Gulf an opportunity to advance their respective but differing interests in the region.

10. The future of the American oil companies in the Gulf appears comparatively more promising than that of their major European partners because of American domination of Saudi Arabian production and the prospect that other Gulf producers will either peak and decline in the foreseeable future, i.e. in the 1980s, or will, to stretch out the period of reliance on oil revenues, institute production controls. While Saudi Arabia may, for political and economic reasons, institute production controls, the established limits of its reserves do not appear to dictate this course.

11. The British, because of their historical position in the Gulf, find themselves in an ambivalent position. On the one hand the US commercial presence, including the American oil companies, is viewed by the British as the principal competitor in a region of immense economic importance. On the other hand, the UK and the US are the only two Western nations with any real capability to cooperate on the ground in containing the Soviet threat. British behavior in the area will reflect this ambivalence; British willingness to cooperate with the US will depend on the British estimate, at any moment, of the seriousness of the Soviet threat.

12. The USSR effort to gain a dominant position in the Middle East probably peaked in 1966-1967. The June 1967 war and subsequent events in the Middle East have weakened the Soviet position.

13. The USSR presence and influence in Syria and Iraq and its strategic foothold in Aden remain a threat to the Arabian Peninsula and the Gulf. Soviet actions in the past year indicate an intention to maintain an aggressive Cold War posture in the Gulf Middle East.

14. Moscow-supported Arab subversion in the Gulf and the Arabian Peninsula is concentrated in the former British colonial areas reaching from Aden to Bahrein. Organized subversion in Saudi Arabia and Iran is less evident; both countries are more stable than in the early 1960s.

15. Subversive Arab organizations in the Gulf are based in Iraq, Syria, Kuwait, Lebanon and Aden. They appear to enjoy considerable freedom of action in the new Union of Arab Emirates. Without the introduction of Soviet-supported proxy military forces, these subversive Arab organizations alone do not appear in the short term to be a serious threat to the stability of the Gulf region. If their activities in the smaller Gulf states become intolerable, Iran and Saudi Arabia may be provoked to intervene -- separately or in concert.

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16. Proxy forces of the USSR and the Free World have been engaged since September 1962 in a continuing armed struggle for control of the southern regions of the Peninsula. At stake is the control of the maritime passages at the southern exits of the Red Sea and the Gulf and ultimately the oil of the Peninsula and the Gulf. Moscow appears prepared to continue to support this classic "war of national liberation" and to escalate military pressures on Oman and the Yemen Arab Republic from Aden. The introduction of Cuban guerrilla and military specialists and more sophisticated Soviet arms is the most current indication of Soviet intentions.

17. Israel has been a major influence on the developments in the Gulf region since June 1967. Israel views its maritime link to the Western Indian Ocean as a vital interest. Its position on the Canal and at Sharm el Sheikh are directly related to Israel's concern that the USSR and its proxy forces may maintain and expand a strategic foothold at the southern end of the Red Sea.

18. As the US becomes more dependent on oil imports from the Middle East, Israel is becoming more sensitive to the impact the energy crisis will have on US attitudes concerning Israel.

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MEMORANDUM

THE WHITE HOUSE

WASHINGTON

March 21, 1973

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MEMORANDUM FOR:

MR. JOHN EHRLICHMAN
MR. CHARLES DIBONA

FROM:

BRUCE KEHRLI *BK*

SUBJECT:

Helms Paper on Middle East
Energy Resources and the US

The attached material from Richard Helms has been reviewed and it was requested that you receive a copy for your private information only. Because of the sensitivity of this paper, it is not for general circulation.

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