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MEMORANDUM

THE WHITE HOUSE

WASHINGTON

ACTION
22858

October 22, 1970

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MEMORANDUM FOR THE PRESIDENT

FROM: Henry A. Kissinger HK

SUBJECT: The Persian Gulf

The NSC Review Group has completed a study of the Persian Gulf following withdrawal of British military forces and termination of formal defense treaties and protectorate responsibilities. Since the British never planned to withdraw their political presence and since announcement of the revision of their relationship has released local nationalist aspirations, the problem is less one of filling a vacuum than of dealing with a readjustment of the balance in the area.

It does not seem that this subject warrants discussion in the NSC at this time, but it does seem desirable to describe the options considered and to seek your concurrence in the general line of policy that is being followed. There will be discussions soon with the Shah and the British about a base for our Persian Gulf naval force after the British military leave, and plans must be included in your next Budget for slightly increased diplomatic representation and other activity. A longer paper reflecting the Review Group discussions is at Tab B, but the options and decisions to be made are summarized below.

The Problem

The central problem is that it is easy to recognize the potential for instability in the Gulf and increased Soviet and radical exploitation, but it is difficult to determine how the U.S. can best help minimize the consequences.

While the Persian Gulf is important to U.S. allies and friends, its potential instability seems relatively unresponsive to U.S. power. The main evolution will come through political intrigue or subversion in politically unprogressive and often inaccessible areas. Because

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the main U.S. interest lies in the interests of allies and in the area's relationship to the global strategic balance and because U.S. power may not have significant impact on evolution within the area itself, the problem is more one of devising the best possible international framework for that evolution than it is figuring out how the U.S. can influence it. Within the limitation of that framework, though, it is important to determine what kind of U.S. presence can be most constructive.

The Strategy

The Review Group went through the exercise of considering five distinct strategy options:

1. assuming the UK's role as protector ourselves;

2. backing Iran as our "chosen instrument" to be keeper of stability in the Gulf;

3. promoting Saudi-Iranian cooperation;

4. dealing directly with the new states of the lower Gulf; and

5. actively promoting a regional security pact.

The first and the last were ruled out as impractical, and the middle three options are not really alternatives. The logical course seems to be to marry those middle three. Our course then would be:

--to promote Saudi-Iranian cooperation as the mainstay of a stable regional system but

--to recognize that Iran is in fact the preponderant power in the Gulf and

--to do what we can to develop a working relationship with the new political entities in the lower Gulf.

A Saudi-Iranian confrontation would increase instability, and both at present recognize the importance of their cooperation. If a radical regime were to take over in Saudi Arabia, the U.S. would have little choice but to move closer to Iran--and there is no reason now not to go on preparing Iran for that contingency. But as long as those two major

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regional nations are trying themselves to create the framework for political evolution, the U.S. has every reason to support it.

As for an independent U.S. presence, the U.S. interest is two-fold:

--imaginative technical and educational assistance through governmental and private programs can inject Western methods and relationships into political and economic evolution;
--while the U.S. may not have plans for military involvement, now would not seem the time to cut back the small U.S. naval force that operates from Bahrain. This show of interest seems important vis-a-vis both the regional entities and the USSR.

It is important to note that the British--despite revision of their formal relationships--intend to remain active in the Gulf's political, diplomatic and commercial affairs and in military supply and training.

The Decisions To Be Made Now

1. General U.S. strategy. While no precise decision is required now, it would be helpful to have your general reaction to the strategy that is now contemplated for the near term. I am doing a further study to look at our longer term interests and objectives in the Gulf area. The proposed short-term strategy will not foreclose any options for the longer term.

Recommendation: That you approve the general strategy outlined above for the near term--promoting Saudi-Iranian cooperation while recognizing Iran's preponderant power and developing a modest U.S. presence in the new states.

Approve _____ Other _____

2. The future U.S. naval presence. The small U.S. naval force (2 destroyers and a converted seaplane tender) is home-ported on Bahrain by agreement with the British. The Bahrainis would like us to stay. The British have offered us first refusal on some of their facilities (a dock and a few small communications and storage shacks). They will need to know soon whether the U.S. wants them to work out a transfer. We should also sound out the Shah. There would be an argument against introducing new forces, and the present force may not be welcome there for a long time. But while most of our friends regard it as an important sign of U.S. interest, it seems untimely to remove it.

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Recommendation: That you approve a decision in principle not to reduce the U.S. naval presence in the Persian Gulf at this time unless further exploration should prove it politically unacceptable to friends of the U.S. in the area.

Approve _____ Other _____

3. U.S. diplomatic and aid presence. One of the serious limitations on U.S. ability to contribute to orderly evolution in the Gulf is that one of our usual instruments of policy is not available. Capital assistance is not needed by these oil-rich states. While they do need the technical assistance relationship that usually goes with capital aid, we do not now have a well-developed program for providing it to states with their own financial resources. When asked for a plan for a U.S. presence in the lower Gulf, State came back with a fairly conventional blueprint for diplomatic posts. While modestly expanded diplomatic representation is desirable, our main interest is in pressing the agencies to break new ground in a serious effort to adapt our programs to meet the needs of an area like this. Your foreign policy message to Congress last February identified this problem. Some staff work has been done and the new technical assistance institute would help. But a prod would be in order.

Recommendation: That you approve the general principle of a U.S. diplomatic presence in the lower Gulf but instruct the Under Secretaries Committee (1) to review plans for this presence to assure that it is imaginatively adapted to the needs of this emerging area and (2) to oversee the development of programs--emphasizing technical and educational assistance, exchange, and effective use of private as well as public resources--that can provide for a growing U.S. presence consistent with the strategy of promoting regional responsibility for stability.

Approve _____ Other _____

4. Arms sale policy. The British have been the traditional supplier of arms and would like to remain a major supplier. The U.S. has reason to want the British to remain in the business of military training and supply. At the same time, Kuwait has approached us to buy some transport aircraft, and there have been other feelers from some of the states in the lower Gulf. The only logical way to deal with this would seem to be to look at a few concrete cases to get a feel for the political and legal problems involved rather than trying to make a decision in the abstract.

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Recommendation: That State and Defense be asked to prepare a recommendation for you on outstanding requests for military supply and that you withhold decision until it can be made on concrete cases.

Approve _____ Disapprove _____

The above decisions ~~--if you approve~~--would be recorded in the decision memorandum at Tab A.

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U.S. POLICY OPTIONS TOWARD THE PERSIAN GULF

I. The Situation

After a century and a half of relative insulation from major political conflict, the Persian Gulf today is vulnerable to internal and external pressures. The instability of the several conservative regimes, the disunity among them, the contagion of the ideological conflict which infects the rest of the Middle East, and the new possibility of great-power competition in the Gulf -- these are all potential sources of disruption which are exploitable by Arab radicals and the Soviet Union. The question for U.S. policy is how to deal with them.

The problem arises because it appears certain that Britain will revise its defense commitments, protectorate responsibilities, and virtually all its military forces by the end of 1971. Eleven small Arab states in the lower Gulf -- Kuwait, Bahrain, Qatar, the seven Trucial States, and Muscat/Oman -- will no longer enjoy this formal British protection or tutelage, although the British intend to maintain a substantial political presence.

Local Weakness and Disunity

Paradoxically, the prospect of British withdrawal has simultaneously provided an incentive for regional unity and yet at the same time has opened up a number of local quarrels which have lain dormant during the period of British dominance. The nine small states on the threshold of independence (Bahrain, Qatar, and the Trucial States) have yet to determine whether they will join in a Federation of Arab Amirates (FAA), or else go their separate untried ways. A federation might help keep their intramural disputes contained and enhance their ability to police their internal security. But the sheikhs are divided by territorial disputes (exacerbated by oil) and by personal jealousies and mistrust. On their own, not all the Sheikhs would have the competence to govern intelligently and maintain order at home, let alone conduct a coherent foreign policy. Bahrain and some others are quite vulnerable to radical pressures.

U.S. Interests

Our overall interest in the stability of the region embraces a number of specific interests:

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--Economic: Oil production and sales by 20 U.S. companies yield a net balance of payments surplus of $1.5 billion. The Gulf provides 55% of Western Europe's oil, 90% of Japan's, and 89% of the oil used by U.S. forces in Southeast Asia. Britain's commercial involvement in the region (the Sterling Area relation, and L200 million income from investments) are crucial to the stability of the pound and therefore of the international monetary system.

--Political: The spread of radicalism in the Gulf would alter the balance within the Arab world. It might aggravate the Arab-Israeli conflict and would almost certainly increase the prospect for tension between Iran and the Arabs. Soviet political penetration would affect the East-West geopolitical balance (e.g., by increasing Soviet pressure on Iran and Turkey and -- although there is debate over how this would work out in practice -- by increasing the potential for Soviet control over disposition of Persian Gulf oil.

--Military: The U.S. has communications and intelligence facilities in Iran, and overflight and landing privileges in Iran and Saudi Arabia which provide an air corridor to South and Southeast Asia. A small U.S. naval force (MIDEASTFOR), home-ported on Bahrain, enjoys refueling and port-call privileges in much of the region. The intelligence facilities are judged to be extremely important now [redacted] The longer range military significance of a U.S. naval presence and overflight rights has two aspects: (1) They are aspects of an overall U.S. presence, more important now for political than for military reasons. (2) With increasing naval and perhaps strategic Soviet interest in the Indian Ocean, they are of possible military value as a base for a presence, the precise nature of which it is difficult to foresee now.

Soviet Involvement

Our main worry in the Gulf, as elsewhere in the Middle East, is the danger of Soviet penetration. The Soviets have revived the traditional Tsarist aspiration to influence in this region immediately to the south of them; recent Soviet naval visits in the Gulf are the first Russian visits in 60 years.

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But it remains to be seen what an increased "Soviet presence" in the Gulf would consist of, and what the Soviets can plausibly expect to accomplish:

--On the one hand, the region must present a tempting target: The British departure seems to suggest a power vacuum; the significant Western interests in the Gulf look particularly vulnerable to the tide of Arab radicalism.

--On the other hand, greater Soviet involvement may magnify certain contradictions in Soviet policy, e.g., supporting Arab radicals even while cultivating the Shah (an avowed conservative who has ties with Israel). A cutoff of oil to the West would not be in the economic interest of producing states, whatever their ideology. The USSR is likely to develop a need for Gulf oil (especially for supplying Eastern Europe), which will give it a stake in the stability of the oil flow but will not be large enough to diminish the importance of the West as a customer. The Soviets could not sustain a significant naval force in the region (especially while the Canal is closed), and the establishment of a naval base in the Gulf is improbable.

--On yet another hand, short-sightedness or opportunism might draw the Soviets into mischief- making in the Gulf no matter how clearly we can see that it would only complicate Soviet policy.

II. The Problem

The central problem, therefore, is that it is easy to recognize the clear potential for instability and increased Soviet and radical exploitation, but it is difficult to determine how the U.S. can best help minimize the consequences.

While the Persian Gulf is very important to U.S. allies and friends, its potential instability seems relatively unresponsive to U.S. power. The main evolution will come in the form of political intrigue and subversion in politically unprogressive and often inaccessible areas. Because the main U.S. interest lies in the interests of allies and in the area's relationship to the global strategic balance and because U.S. power may not have significant impact on evolution within the area itself, the problem is more one of devising the best possible international framework for that evolution than it is figuring out ways for the U.S. to involve itself directly. Within the limitation of that framework, though, it is important to determine what kind of U.S. presence can be most constructive.

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III. The Strategy

Where Do We Want to Go?

Our strategy must aim at building the Gulf into a self-regulating regional system as capable as possible by itself of filling whatever gap is created by revision of the British protectorate:

--In such a system, stable relationships would exist at each level -- an equilibrium among the small sheikhdoms of the lower Gulf, collaboration between the larger Gulf states (Iran, Saudi Arabia, Kuwait), and mutual deterrence between the outside powers in the background (U.S., U.K., and USSR).

--At the same time, the larger states would help to keep order among the smaller states, and also exert some counterweight against troublemakers from inside or outside the system (e.g., Iraq, UAR).

--Satisfactory political relations among all the Gulf states, enhanced by mutual assistance for regional economic development, would improve the chances of preserving stability within each.

--Soviet involvement would be discouraged first and foremost by the active desire and capacity of the local states collectively to manage their regional affairs. The need for active U.S. involvement would be correspondingly reduced.

This is in fact the objective we have already been pursuing.

The Review Group went through the exercise of considering five distinct strategy options: (a) assuming the U.K.'s role as protector ourselves, (b) backing Iran as our "chosen instrument" and the key to stability; (c) promoting Saudi-Iranian cooperation: (d) dealing directly with the new states of the lower Gulf; and (e) actively promoting a regional security pact.

The first and the last are impractical. The logical and obvious strategy is to marry the middle three options: to promote Saudi-Iranian cooperation as the mainstay of a stable regional system, but to recognize Iran's special importance as the preponderant power in the Gulf, and to do what we can to develop a working relationship with the new political entities in the lower Gulf. There is no way to promote cooperation without recognizing Iran's

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preponderance (else we would lose our influence with Iran); there is no reason to back Iran and not use our influence to encourage Saudi-Iranian cooperation; there is no reason not to develop ties with the sheikhdoms.

This strategy is upset, however, if we are ever forced to choose between Iran and the Arabs. A crisis could result, for example, if the Shah moves to seize the small Arab-held islands at the mouth of the Gulf (the Tunbs and Abu Musa), that the Iranians claim as rightfully theirs and crucial to their security. In the circumstances like those, we would have to ask ourselves how much of our political capital to expend with the Shah to restrain him. In the short run, the most serious strains on Arab-Iranian collaboration will indeed come from Iran's behavior: Iran is determined to step into Britain's shoes as the dominating and protecting power in the Gulf. The Arabs do not relish this concept, and there may be a necessity for the U.S. to restrain the Shah.

In the longer run, the Arab-Israeli conflict is another threat to Arab-Iranian collaboration, and anything we can do to mitigate this conflict will benefit us indirectly in the Gulf. The Iranians and Saudis are perfectly conscious that Arab radicalism is a menace to them both; this provides an incentive for collaboration (as when the Shah recently extended military aid to the Saudis when their territory was raided by South Yemen). But this collaboration also stigmatizes the Saudis, since the Shah's ties with Israel make him a pariah to Arab radicals. Saudi Arabia will clearly be the weak link in the chain. Its future stability is already somewhat problematical. The longer and more intense the Arab-Israeli conflict, the greater the radical pressure upon all the conservative Arab regimes from both outside and inside.

Britain's Role

We have to bear in mind in formulating our basic strategy that the British will still be actively involved in Gulf diplomacy. This is another reason why it is wrong to assume that a vacuum is in prospect.

Heath's victory in June has little to do with this. The Tories may indeed stretch out the period of British military withdrawal slightly beyond Wilson's deadline (the end of 1971). But it is too late to reverse the process of local political change that the original U.K. withdrawal announcement of 1968 has set in motion. (The Shah, the Saudis, and the Kuwaitis have

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all been emphatic on this score.) Therefore, the Tories will likely proceed with the withdrawal of most of their military forces from the Gulf proper, and with the termination of formal defense treaties and protectorate responsibilities.

But Britain nevertheless has some leeway in deciding what its "disengagement" will actually amount to. Wilson never planned to withdraw Britain's political presence from the Gulf. Its active and expert diplomacy, its commercial involvement, its military supply and training in the Sheikhdoms, and possibly even its military contingency planning will all continue, and will likely outweigh that of any other outside power in the lower Gulf. The RAF complement at the staging base on Masirah Island (in the Arabian Sea off Muscat/Oman) will also remain.

The new British Government has announced that it will decide the question of its military deployment in accordance with two basic political objectives: the "earliest possible settlement" through negotiation of outstanding disputes in the Gulf, and the determination "on a practical basis" of the political future of Bahrain, Qatar, and the Trucial States (in a single Federation, ideally). These should be our diplomatic objectives as well. But we should continue to allow the British to take the lead diplomatically.

IV. The Operational Plan

The British have discouraged us in the past from involving ourselves in Gulf diplomacy. For this reason, the USG has had no diplomatic presence in the lower Gulf, but has kept watch on things from our Consulate General in Dhahran, Saudi Arabia (and also through our MIDEASTFOR command on Bahrain). When the British announced their disengagement decision (in January 1968), they invited us to come in once their withdrawal was completed.

One of the major purposes of our policy review exercise, therefore, was to begin to determine the nature of our future presence in the Gulf.

There are two serious issues: (a) our diplomatic and aid presence, and (b) the future of MIDEASTFOR.

Diplomatic and Aid Presence

One of the serious limitations on our ability to act effectively in the Gulf is that one of our important instrumentalities of influence -- capital

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assistance -- cannot be effectively used. Many of the small sheikhdoms are capital-surplus countries because of their oil wealth, and would not qualify for U.S. capital aid. But all the Gulf states, large and small -- and other countries in the Arab world -- badly need technical and educational assistance, which the U.S. should be able to provide.

This kind of aid, plus private commercial involvement, will probably be the extent of the U.S. presence in the Arab world for the foreseeable future. It should not cost us much money -- since much of it can come from private U.S. sources, and the sheikhs will pay for it in any case. It will be politically acceptable to the Arabs both because it will be relatively low-key and because they want the help.

But the USG does not now have the programs or appropriations geared to this kind of U.S. role. We need a mechanism for marrying and channeling the various USG and private skills and resources -- technical assistance, investment promotion, cultural and educational assistance and exchanges -- where they are wanted. Your foreign Policy Report of February 18, in the chapter on the Middle East, alluded to this need. The Persian Gulf is the classic case, and we should make it a proving for an imaginative new approach.

The Review Group has prepared a rough blueprint of a minimum U.S. presence of this type, for possible use in planning the FY 1972 budget. It is a good start. It is more complete, however, in spelling out the requirements of a conventional diplomatic presence -- diplomatic and consular services, commercial attaches, AID scholarships, USIA [redacted] activities -- than it is in breaking new ground in a serious effort at an imaginative new approach.

What you can do now to move things in the right direction is to (1) authorize the bureaucracy to continue and complete the planning for our diplomatic mission, and to (2) instruct the bureaucracy to integrate into our diplomatic presence a comprehensive new program for technical and educational assistance and cultural exchange. This new program should tie together such requirements as: new criteria of eligibility for technical assistance; a new organizational structure for AID (e.g., the role of the new technical assistance institute envisioned in the Peterson

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Report); new ways of marrying U.S. private technical and managerial skills with local needs; and new demands on State's educational and cultural affairs budget.

The Future of MIDEASTFOR

Our small naval force (two destroyers and a converted seaplane tender) is presently home-ported on Bahrain by agreement with the British. The Bahrainis would like us to stay. The British have offered us first refusal on some of their own facilities once they leave. The question is, do we want to stay?

A decision is needed now, so that arrangements can be worked out with the Bahrainis and the British before the British go. More importantly perhaps, we will have to sound out the Shah to see how strenuously he will object to the continuation of an outside military presence: He will be skeptical, but the problem may be less complicated now that he has relinquished Iran's claim to Bahrain.

The force is of little military value, and its presence could increase the vulnerability of the already-unstable Bahraini regime. On the other hand, a U.S. withdrawal at the same time as the British withdrawal could have a harmful psychological effect: It would seem to signify that the West is abandoning its interests.

On balance, I think that even though we cannot count on its being welcome or useful for very long in the future, this is probably the wrong time to remove MIDEASTFOR. The decision required is a decision in principle not to reduce our presence at this time. This would trigger necessary feelers (with the Shah, the Bahrainis, and the British) to determine the political feasibility. If the political cost of staying on looks as if it will outweigh the psychological utility of maintaining this form of "presence," then we should remove it.

Arms Sale Policy

The British -- in connection with their military responsibilities -- have been the predominant arms suppliers to the area. Now, however, the Kuwaitis have approached us on the sale of C-130 aircraft.

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The argument for agreeing in principle would be to enhance the U.S. political position.

The arguments against are that the U.S. wants to encourage maximum continuing British political and military involvement in the Gulf and that the U.S. has no interest in encouraging these nations to become overly involved in building their inventories of sophisticated arms.