In the name of Allah
the most
Compassionate and Merciful
In the name of Allah the most Compassionate and Merciful
CONFIDENTIAL SECTION 1 OF 5 KUWAIT 2718

CONFIDENTIAL ALSO FOR POLAD

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3. SUBJECT: POTENTIAL AND PROSPECTS FOR OIL WORKER DISRUPTION

4. KUWAITI CRUDE PRODUCTION ARE SLIM

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CONFIDENTIAL SECTION 1 OF 5 KUWAIT 2718

SCINEUR ALSO FOR POLAD

J.O. 12863: SFS 6/6/85 (Buck, Stephen W.) OR-E

SUBJECT: POTENTIAL AND PROSPECTS FOR OIL WORKER DISRUPTION

1. (C-ENTIRE TEXT).

3. INTRODUCTION. TOTAL KUWAIT CRUDE PRODUCTION WHICH IN CRUDE OR PRODUCT FORM IS DESTINED ALMOST EXCLUSIVELY FOR EXPORTS, IS PRESENTLY RUNNING AT OVER 2.5 MILLION B/D, PER DAY, RANKING KUWAIT FOURTH AMONG THE WORLD’S CRUDE EXPORTING COUNTRIES. AFTER SAUDI ARABIA, IRAN, AND IRAQ, OIL PRODUCTION COMMONLY RESPONSIBLE FOR UP TO 80% OF GDP TO BE A DOMINANT WEIGHT, WITH THE OIL WORKERS’ FEDERATION (PWF) IN KUWAIT HAVING SUBMITTED TO THE PRIME MINISTER A DEMAND FOR HIGHER PAY AND INCREASING SECURITY AND BENEFITS, COMING AS IT DOES ON THE HEEL OF MONTHS OF DISRUPTION FROM IRANIAN PRODUCTION BY OIL WORKERS, THE REAL ISSUES AND THE QUESTION OF WHETHER WORKER DISSATISFACTION COULDN'T HAVE AN UNFAVOURABLE EFFECT ON KUWAIT’S OIL PRODUCTION, OR WHAT THE FUTURE EFFECTS OF OIL WORKERS’ ACTIVITY TO DATE, THE COMPOSITION OF THE WORK FORCE, ANTI-WESTERN XENOPHOBIA AS A POSSIBLE FACTOR, THE MANY FACTORS AFFECTING THE HISTORY OF OIL WORKERS’ ACTIVITY IN KUWAIT, THEIR DEMANDS FOR HIGHER PAY AND INCREASING SECURITY AND THE SITUATION IN THE SAUDI/KUWAITI PARTITIONED ZONE.

4. OIL WORKERS AS AN ORGANIZED LABOR FORCE. KUWAIT’S OIL WORKERS’ FEDERATION REPRESENTS WORKERS OF ALL GOVERNMENT-CONTROLLED OIL INDUSTRY COMPANIES, PETROCHEMICAL INDUSTRIES COMPANY (PIC), A LARGE FERTILIZER/PRODUCER; KUWAIT NATIONAL PETROLEUM COMPANY (KNPC), A LARGE (250,000 B/D) REFINERY; AND THE LARGEST COMPANY, THE KUWAITI OIL COMPANY (KOC), KUWAIT’S MAJOR OIL PRODUCER. IN THE EARLY 1970’S THE UNION GAINED CONSIDERABLE PUBLICITY BY MARCHING FOR THE NATIONALIZATION OF KOC AND OTHER GOVERNMENT-CONTROLLED OIL COMPANIES. ALTHOUGH STRIKES ARE ILLEGAL IN KUWAIT, IN 1974 THE PETROLEUM AND PETROCHEMICAL UNION.
2. SUMMARY. KUWAIT, WHOSE 2.5 MILLION B.D. PRODUCTION RANKS IT FOURTH AMONG THE WORLD’S OIL EXPORTERS, SUCH AS THE SAME WORKER-INDUCED CUTS IN PRODUCTION AND EXPANSION OF OIL PRODUCTION ARE LIKELY TO BE MADE IN FEW WEEKS TIME. COMMUNICATIONS BETWEEN MANAGEMENT WORKERS’ COMMITTEES AT KUWAIT’S MAJOR OIL PRODUCERS, ARE ENSURED AND PEOPLE UNDER OLD OIL COMPANY (KOC) ARE GOOD. ACTIVITY OF FIVE PUPILS AND THEIR CONTACTS WITH COMMUNIST PARTY ARE CLOSED. ANTI-WESTERN XENOPHOBIA THAT IN BRITAIN DOES NOT EXIST, THE NON-OIL PRESENCE IS APPEALING. THERE IS NO INFORMATION THAT THE SHIA, PERHAPS TEN PERCENT OF THE OIL WORK FORCE, PLAY ANY ORGANIZED ROLE IN THE INDUSTRY OR ANYTHING LIKELY TO. ALTHOUGH PERHAPS FIFTH OF THE OIL WORKERS ARE PALESTINIAN, THEY HAVE BEEN CAREFULLY KEPT FROM PRODUCTION NON-SENSITIVE POSITIONS IN REFINING AND ADMINISTRATION, AND PRODUCTION HAS BEEN HIGLY AUTOMATED. HEADING AS LACK IN HUMAN DISRUPTION OF PRODUCTION, WHICH MOST OBSERVERS THINK IS LIKELY, GIVES THE PALESTINIAN STAKE IN A SINGLE KUWAIT. SADDAM IS ALWAYS POSSIBLE, BUT SECURITY IS TIGHT, PROBABLY AS GOOD OR BETTER THAN ANYWHERE ELSE IN THE GULF. WORKERS IN THE SAUDI/KUWAITI PARTITIONED ZONE ARE LARGELY SAUDI, ARE NOT ORGANIZED, AND HAVE GIVEN NO INFORMATION OF DISCONTENT. END SUMMARY.

3. INTRODUCTION. TOTAL KUWAITI CRUDE PRODUCTION WHICH IN CRUDE OR PRODUCED FORM IS DESTINED ALMOST ENTIRELY FOR EXPORTS AND IS PRESENTLY RUNNING AT OR OVER 2.5 MILLION B.D. PER DAY. KUWAIT RANKS FOURTH AMONG THE WORLD’S CRUDE EXPORTING COUNTRIES, AFTER SAUDI ARABIA, IRAQ, AND IRAN, ON A LOCAL BASIS. PRESS CARRIED SMALL ARTICLES IN KUWAIT THIS WEEK THAT REPRESENTS THE PETROLEUM WORKERS FEDERATION (KUWF) IN KUWAIT HAD SUBMITTED TO THE PRIME MINISTER DETAILS OF A PROTEST ON BEHALF OF WORKERS SEEKING HIGHER PAY AND INCREASES IN WORKER DISADVANTAGES IN PLANT AND NAVIGATION. ACCORDING TO WORKER DISSATISFACTION COULD HAVE AN UNFAVORABLE EFFECT ON KUWAIT’S OIL PRODUCTION, WHAT CAN BE TOLD IS THE QUESTION OF WHETHER KUWAITI OIL WORKERS’ DISAFFECTION CAN BE INDUCED OR NOT. "The history of the KUWF ACTIVITY TO DATE, THE COMPOSITION OF THE WORK FORCE, ANTI-WESTERN XENOPHOBIA AS A POSSIBLE FACTOR, THE SHIA FACTOR, THE FACT OF PALESTINIANS IN THE WORK FORCE, THE FEELING OF SECURITY, AND THE SITUATION IN THE SAUDI/KUWAITI PARTITIONED ZONE.

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WORKERS THREATENED TO STRIKE FOR HIGHER WAGES, BUT WERE FORCED TO CALL OFF THEIR ACTION IN THE FACE OF RANK-AND-FILE APATHY IN VIGOROUS KUWAITI GOVERNMENT (GOV) MEASURES (LOCK-OUTS, SHOWS OF FORCE). THE FINAL GOVERNMENT PROTEST OVER KOC IN 1975 ENDED THE NATIONIZATION ISSUE FOR THE OIL WORKERS. WHILE THE LEADING AGITATOR OF THE OIL WORKERS, NASSER AL-FARAJ, BECAME HEAD OF THE GENERAL FEDERATION OF KUWAITI WORKERS AND CONTINUED TO TAKE A GOVERNMENTAL ROLE IN VARIOUS FOREIGN ISSUES, THE PETROLEUM WORKERS HAVE BEEN DORMANT FOR THE PAST FOUR YEARS. TO THE BEST OF OUR KNOWLEDGE, THERE HAS BEEN NO SIGNIFICANT OIL WORKER ACTIVITY (SUCH AS CONSIDERATION OF STRIKES) IN RECENT YEARS. INDEED, EVEN THE SOVIET EMBASSY HERE ADMITS THERE IS NO PROLETARIAT IN KUWAIT WORTH MENTIONING.

6. LEFTIST INFLUENCE. PWF PRESIDENT FARAJ AND HIS COLLEAGUES FREQUENTLY MOUTH LEFTIST Rhetoric, ESPECIALLY ON THE ANNUAL MAY DAY CELEBRATION (EPF E). THEY OFTEN TRAVEL TO VARIOUS COMMUNIST-SPONSORED LABOR MEETINGS. IS THE GOVERNMENT CONCERNED BY SUCH ACTIVITY? SHAHWA, WHOSE BUSINESS PARTNER IS SHAHIN NISHA AL-SARAH, HEAD OF THE CID, REPLIED: "WE KNOW THAT FOREIGN EMBASSIES (IE, THE SOVIETS AND OTHERS) ARE INVOLVED WITH FARAJ AND HIS COMPANIONS, BUT WE KEEP VERY CLOSE WATCH ON THEM. WE SEE NO NEED TO WORRY."  

7. XENOPHOBIA. EVEN IF COMMUNIST CULTIVATION OF KUWAITI LABOR LEADERS IS CLOSERLY WATCHED, COULD THERE BE A SPONTANEOUS OUTBREAK OF ANTI-WESTERN FEELING AMONG KUWAITI OIL WORKERS SIMILAR TO THAT IN THE PAST? RECENTLY IN THE PAST THERE WAS RESENTMENT OVER APPARENT DOMINATION OF KUWAIT'S OIL RESOURCES. OIL, NOT ONLY IN TERMS OF LEGAL CONTROL BUT ALSO OF MARKET POWER, IN THE MID-80'S LESS THAN A THIRD OF KOC'S EMPLOYEES WERE KUWAITI, ALTHOUGH KOC WENT THROUGH THE MACHINERY OF A POLICY OF "KUWAITIZATION," EDUCATED KUWAITIS FELT IT WAS A SHAM, SINCE MANY OF THE "KUWAITI" Brought IN TO INCREASE THE PERCENTAGE OF KUWAITIS IN THE WORK FORCE WERE IN FACT ILLITERATE BEDOIN, SINCE 1973 KUWAITIZATION HAS BEEN MORE MEANINGFUL, WITH KUWAITI BT #2/18
5. If this is the case, what was the May 28 report of petroleum worker demands to the Prime Minister all about? We asked Abdul Karim Shawwa (secretary general) for an explanation. Shawwa was a member of the labor ministry, a man with experience in oil industry labor relations dating back to the early 1950s, when he was a student. He was working at the Amal High School. He then worked at the oil ministry, a man who is responsible for oil workers. He provided the following information. Traditionally, oil workers have received more than government workers - "twice the oil workers' wages" - because they do real work, an eight-hour day, not 2-4 hours of drinking coffee in the ministries. With the recent announcement of the increase in the working day, they have raised the wages of oil workers, who have received no increases since 1975. In fact, the government has simply "climbed the bandwagon" by raising the wages of government workers. Although there are no collective bargaining procedures between the unions and the government, there are agreements regarding wages, benefits, etc. Petroleum worker federation leaders have met with the oil minister recently. Shawwa, who sat in on both meetings, reported that besides wage increases, discussion dealt with mundane, complex questions regarding realignment of benefits for workers to ensure industry-wide comparability. Benefits were different in various companies taken over by the government, and the oil ministry has already endorsed a package of increases which should be approved by the Supreme Oil Council and then the council of ministers in a few weeks, settling the matter.

6. Leftist influence. PWF President Faraj and his colleagues frequently mention leftist rhetoric, especially on the annual May Day celebration. Apparently, they often travel to various communist-sponsored labor meetings. Is the government concerned about this activity? Shawwa, whose business partner is Shaikh Mishal Al-Sarhan, head of the CID, replied: "We know that foreign embassies (i.e., the Soviets and others) are involved with Faraj and his companions, but we keep very close watch on them. We see no need to worry."

7. Xenophobia. Even if communist cultivation of Kuwaiti labor leaders is closely watched, could there be a spontaneous outburst of anti-Western feeling among Kuwaiti oil workers similar to that in Iran? In the past there was resentment over foreign domination of Kuwait's major resource, oil. Now the issue is not only the terms of legal control but also the presence of foreigners. In the mid-60s fewer than a third of a large group of workers were Kuwaitis, although some of them went through the training of a policy of "Kuwaitization," educated Kuwaiti students. Now it was a sham, since many of the "Kuwaitis" brought in to increase the percentage of Kuwaitis in the workforce were in fact illiterate Bedouin. Since then, Kuwaitization has been more meaningful, but with Kuwaiti BT.

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AS CAN BE SEEN FROM THE ABOVE BREAK DOWN, THE AMERICAN PRESENCE AT KOC IS SO TINY AS TO BE INVISIBLE, AND THE "WESTERN" PRESENCE (LARGELY BRITISH - ABOUT 15%) IS NOT LARGE. KOC IS NOW A KUWAITI/ARAB COMPANY, AND IS NOT SECURED IN ANY WAY SEPARATE FROM KUWAIT. INDEED, IT WAS DURING THE OLD DAYS WHEN A TRIP FROM KUWAIT CITY TO AHMADI, WITH ITS MOVIE THEATER AND OTHER WESTERN TRAPPINGS, WAS AN ADVENTURE. NOW LARGE HOUSING DEVELOPMENTS FOR KUWAITIS ESTEND ALMOST UP TO KOC HEADQUARTERS ON AHMADI HILL, ONCE AN ISOLATED MODERN ENCLAVE, SEPARATE FROM KUWAIT CITY BY MILES OF BARREN DESERT. KOC'S CHAIRMAN, AHMAD JAFFAR, GOT HIS JOB BECAUSE OF HIS EXCELLENT PERFORMANCE AS DIRECTOR OF PERSONNEL IN THE EARLY 70's. FROM ALL WE HEAR HE HAS CONTINUED TO KEEP HIS EAR VERY MUCH ATTUNED TO PERSONNEL MATTERS AT KOC, DOWN TO THE LOWEST. AN EASY GOING TYPE, HE SEEMS TO HAVE AN ABILITY TO GET ALONG WELL WITH ALL SOCIAL STRATA AND THE VARIOUS NATIONAL GROUPS AT KOC. HIS DEPUTY, CAPTAIN FAISAL AL-GHANIM, EARNED HIS STRIPE WORKING HIS WAY UP ON MERCHANT SHIPS FOR 15 YEARS. WORKERS CANNOT ACCUSE EITHER MAN OF BEING DISTANT OR ALLOOF WESTER-ORIENTED BUREAUCRATS DISTANT FROM THEIR CONCERNS OR WAY OF LIFE.

SHIA FACTOR. OUR BEST ESTIMATE (SEE REF C) IS THAT TWENTY PERCENT OF KUWAITIS BELONG TO THE SHIA MUSLIM SECT. SINCE FIFTY-FIVE PERCENT OF KOC EMPLOYEES ARE KUWAITIS, THIS WOULD MEAN ROUGHLY TEN PERCENT OF KOC'S WORK FORCE IS SHIA (THEIR BEING FEW FOREIGN SHIA WORKERS). WE HAVE NEVER HEARD OF THE SHIA WORKERS AT KOC ACTING AS A CONCENTRATED GROUP OR RAISING ANY PROTEST OR PERHAPS EVEN EXPRESSING DOUBT THAT THERE IS A "SHIA FACTOR" AT KOC WHICH COULD BE INFLUENCED BY EVENTS IN IRAN, WHICH WOULD ACT IN AN ORGANIZED MANNER TO DISRUPT PRODUCTION. IN THIS VEIN, A LEADING SHIA MERCHANT IN TOWN, ABDUL LATIF AL-KAZEMI, HAS TOLD US KUWAIT'S SHIA SEE NO MILITANT WAVES ON THE BASIS OF THEIR RELIGION. KUWAITIS ARE A MINORITY IN THEIR OWN COUNTRY, HE OBSERVES, AND IT IS POINTLESS FOR KUWAITIS TO DIVIDE AGAINST THEMSELVES. MOREOVER, KAZEMI BELIEVES THAT FRICTION BETWEEN SUNNIS AND SHIAS IN KUWAIT IS SLIGHT AND DECLINING AS INCREASING LITERACY ERASES THE SECTARIAN PREJUDICES WHICH EXISTED DUE TO IGNORANCE.

PALESTINIAN WORKERS. IN 1967 PALESTINIAN WORKERS AT KOC DISRUPTED PRODUCTION BY ATTEMPTING TO DEPART KUWAIT IN SIGNIFICANT NUMBERS OF RATHER TO AVOID THE EIN. COULD SOME MAJOR EVENT IN THE MIDDLE EAST CAUSE THE PALESTINIAN WORKERS TO DISRUPT PRODUCTION AGAIN? IF ONLY BY NOT RETURNING TO WORK? WHAT IS THE SIGNIFICANCE OF PALESTINIAN WORKERS IN THE OIL INDUSTRY, ESPECIALLY AT KOC? ITS COMPUTER PRINT-OUT ON EMPLOYEES DOES NOT BREAK DOWN "OTHER ARAB" INTO PALESTINIAN, EGYPTIAN, SYRIAN, ETC. KOC'S PERSONNEL MANAGER TOLD US THAT THE "GREAT MAJORITY" OF

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as can be seen from the above break down, the american presence at koc is so tiny as to be invisible, and the 'western' presence (largely british - about 150) is not large. koc is now a kuwaiti/arab company, and is not concerned with separating from kuwait, it has the old days when a trip from kuwait city to ahmadi, with its movie theatre and other western trappings, was an adventure. now large housing developments for kuwaitis extend almost up to koc headquarters on ahmadi hill, once an isolated modern enclave, separated from kuwait city by miles of barren desert. koc's chairman, ahmad jaafar, got his job because of his excellent performance as director of personnel in the early 70's. from all we hear he has continued to keep his ear very much attuned to personnel matters at koc down to the loonest staffs. an easy going type, he seems to have an ability to get along well with all social strata and the various national groups at koc. his deputy, captain faisal al-ghanim, earned his stripes working his way up on merchant ships for 15 years. workers cannot accuse either man of being distant or aloof. western-oriented bureaucrats distant from their concerns or way of life.

shia factor. our best estimate (see ref c) is that twenty percent of kuwaitis belong to the shia muslim sect. since fifty-five percent of koc employees are kuwaitis, this would mean roughly ten percent of koc's work force is shia (there being few foreign shia workers), we have never heard of the shia workers at koc acting as a conscious group or raising any party political demands and doubt that there is a 'shia factor' at koc which could be influenced by events in iran, which would act in an organized manner to disrupt production. in this vein, a leading shia merchant in town, abdul latif al-kazemi, has told us kuwait's shia see no mileage in making waves on the basis of their religion. kuwaitis are a minority in their own country, he observes, and it is pointless for kuwaitis to divide against themselves. moreover, kazemi believes that friction between sunnis and shia in kuwait is slight and declining as increasing literacy erases the sectarian prejudices which existed due to ignorance.

palestinian workers. in 1967 palestinian workers at koc disrupted production by attempting to depart kuwait in significant numbers of plageria in response to algiers's call for volunteers during the june war. could some major event in the middle east cause the palestinian workers to disrupt production again? if only by not responding to continuing oil production. finally, as kuwaitis, palestinians can only become union members after five years on the job and can never hold union office. palestinian workers at koc are not organized.
11. SABOTAGE. ALL THE ABOVE SIAD, THE POSSIBILITY FOR SABOTAGE WILL ALWAYS REMAIN. KOC SPENDS A LOT OF MONEY ON SECURITY AND HAS INSTALLED SOPHISTICATED ALARM AND OTHER EQUIPMENT AROUND THE OIL FIELDS. A FEW DETERMINED MEN COULD OBVIOUSLY DO SOME DAMAGE, BUT IT IS OUR IMPRESSION THAT THE SITUATION AT KOC MAKES THE OIL FIELDS HERE AS SAFE AS ANYWHERE IN THE GULF AND PROBABLY MORE SECURE, SINCE KUWAIT IS OF SUCH ECONOMIC IMPORTANCE BOTH TO THE LIVELIHOOD OF SO MANY PALESTINIANS AND TO THE FLO ITSELF WHICH BENEFITS FROM GOK FINANCIAL CONTRIBUTIONS.


14. COMMENT. OBVIOUSLY, KUWAIT'S OIL PRODUCTION COULD BE DISRUPTED BY POLITICAL DISTURBANCES WHICH WERE THE RESULT OF A VARIETY OF POSSIBLE CIRCUMSTANCES, WHETHER E.G. A PALESTINIAN UPRISING INSTIAGED BY SATISFACTION WITH A CHANGE IN GOK POLICY TOWARD LIBERATION OF PALESTINE - AN UNLIKELY DEVELOPMENT, WED IN THE CONTEXT OF THE IRANIAN SITUATION, HOWEVER, THE OIL WORKERS HAVE ASSUMED A ROLE IN DETERMINING PRODUCTION LEVELS, ETC., THE KUWAIT OIL INDUSTRY LABOR FORCE IS CLEARLY MUCH MORE STABLE AND LESS LIKELY TO ALLEGE THE GOVERNMENT AND TO UNDERTAKE ANY ACTIONS WHICH WOULD DISRUPT THE OIL PRODUCTION WHICH IS KUWAIT'S LIFE BLOOD.

MAESTRO
11. SABOTAGE. ALL THE ABOVE SIAD, THE POSSIBILITY FOR SABOTAGE WILL ALWAYS REMAIN. KOC SPENDS A LOT OF MONEY ON SECURITY AND HAS INSTALLED SOPHISTICATED ALARM AND OTHER EQUIPMENT AROUND THE OIL FIELDS. A FEW DETERMINED MEN COULD OBVIOUSLY DO SOME DAMAGE, BUT IT IS OUR IMPRESSION THAT THE SITUATION AT KOC MAKES THE OIL FIELDS AS SAFE AS ANYWHERE IN THE GULF AND PROBABLY MORE SECURE, SINCE KUWAIT IS OF SUCH ECONOMIC IMPORTANCE BOTH TO THE LIVELIHOOD OF SO MANY PALESTINIANS AND TO THE FLO ITSELF WHICH BENEFITS FROM GOK FINANCIAL CONTRIBUTIONS.


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MAESTRONE
PROGRESS REPORT: IRAQ-IRAN RELATIONS

1. (U) JUNE 4 KUWAIT MEDIA REPORT THAT GOV SPOKESMAN, MINISTER OF STATE FOR CABINET AFFAIRS ABDUL AZIZ HUSSAIN, DENIED, AS "UNFOUNDED AND BASELESS," CHARGES BY THE GOVERNOR OF KUWAIT PROVINCE THAT KUWAIT WAS INCITING REVOLT AGAINST THE ISLAMIC REGIME IN IRAN. ACCORDING TO AL-QABAS, HUSSAIN ALSO SAID THAT THE GOV HAD NO PLANS TO MEDIATE DIFFERENCES BETWEEN IRAQ AND IRAN.

2. (C) IN THE COURSE OF A DISCUSSION JUNE 18 WITH KUWAIT MFA LEGAL ADVISOR TAREQ RAZOUQI, POLCHIEF INQUIRED ABOUT IRAN'S REACTIONS WITH ITS ARAB NEIGHBORS, AND ABOUT RUMORS THAT IRAQ MIGHT BE ENCOURAGING TROUBLE IN KUZISTAN. OBSERVING THAT IRAQ IS A SECULAR STATE GOVERNED BY A SUNNI MINORITY, RAZOUQI SAID THE BAGHDAD LEADERSHIP WAS CONCERNED THAT THE "SHI'ITE GOVERNMENT" IN IRAN MIGHT INSPIRE TROUBLE AMONG IRAQ'S SHI'ITES. HE TOOK IT FOR GRANTED THAT THERE WAS SOME IRAQI INVOLVEMENT IN KUZISTAN.

RAZOUQI REPORTED THAT LAST WEEK IRANIAN CHARGE DARIF HAD COMPLAINED TO KUWAITI FOREIGN MINISTER AL-AMMAD AND OTHER MFA OFFICIALS ABOUT KUWAITI MEDIATION IN THE ARABS IN KUZISTAN, AS VOICED IN IT'S MEDIA. IN PARTICULAR, DARIF HAD EXPRESSED ANGRIE ABOUT THE USE OF THE WORD "ARABISTAN" IN KUWAITI PAPERS, A TERM WHICH HAD EVEN BEEN REPEATED ON KUWAITI TV. THE FOREIGN MINISTER AND HIS DELEGATION EXPLAINED THAT THE KUWAITI GOVERNMENT HAD EXPLICITLY DENIED ANY KUWAITI MEDIATION IN KUZISTAN AS BEING CONTRARY TO KUWAIT'S POLICY OF NON-MEDIATION IN THE AFFAIRS OF OTHER COUNTRIES. ASKED TO OCCASIONED THIS IRANIAN COMPLAINT, RAZOUQI SAID DARIF HAD BEEN CALLED TO THE FOREIGN MINISTRY BY KUWAITI GOVERNOR MUSANI THAT THE GOVERNMENT OF IRAQ HAD OBJECTED TO RADIO STATEMENTS BY KUWAITI GOVERNOR MUSANI THAT THE GOVERNMENT OF IRAQ HAD POINTED TO "ARABISTAN" AS A POSSIBLE REASON FOR THE GOVERNOR'S CASE, THE KUWAITI SIDE REPLIED THAT THE MEDIA REPRESENTED THE GOVERNMENT POINT OF VIEW. HOWEVER, FOREIGN MINISTER PROMISED TO PUT AN END TO THE LEGENDS AND TO PREVENT THE REPEITION OF OBJECTIONABLE WORD "ARABISTAN."

NOTING KUWAIT'S CONCILIATORY ATTITUDE ON THIS AS WELL AS A RECENT FRIENDLY PUBLIC STATEMENT BY SHAHOKAB AL-AMMAD, POLCHIEF WOUDERED WHETHER KUWAIT MIGHT TAKE THE FURTHER STEP OF ENCOURAGING IRAQ TO CURTAIL ITS RUMORED ACTIVITIES IN KUZISTAN, RAZOUQI THOUGHT THIS UNLIKELY.
Razouqi reported that last week Iranian Charge
Arifi had complained to Kuwaiti Foreign Minister
Al-Ahmad and other MFA officials about Kuwaiti
relations with the Arabs in Khuzistan, as voiced in
Kuwait's media. In particular, Golsharifi had expressed
questions about the use of the of the word "Arabistan" in Kuwait
papers, a term which had even been repeated on
radio. The Foreign Minister and his
advisors had explicitly denied any Kuwaiti meddling in
Khuzistan as being contrary to Kuwait's policy of non-
interference in the affairs of other countries. Asked
occasioned this Iranian complaint, Razouqi said
Golsharifi had been called to the Foreign Ministry
by Kuwait's objection to radio statements by
Khuzistan Governor Madani that the Kuwait fleet had
incited trouble when Golsharifi had pointed to
Khuzistan's role given to turmoil in "Arabistan" by
Iraqis as a possible reason for the governor's
words, the Kuwaiti side replied that the media
represented the government point of view. Moreover,
foreign minister promised to put an end to the
rumors stories and to prevent the repetition of
objectionable word "Arabistan."

In the course of a discussion June 18 with Kuwait
MFA Legal Advisor Tareq Razouqi called Polchef, inquired about
Iraqi relations with its Arab neighbors, and about rumors
that Iraq might be encouraging trouble in Khuzistan.
Observing that Iraq is a secular state governed by a
Sunniminority, Razouqi said the Baghdad leadership
was concerned that the "Shi'ite government" in Iran
might inspire trouble among Iraq's Shi'ites. He took
it for granted that there was some Iraqi involvement
in Khuzistan.
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RR RUQEHR
RE RUQHW #921/01 1681345
ZYV CCCC ZZZ
R 1731/1JUN 79
FM AMBASSADOUR KUWAIT
TO ROHQ/SECSTATE WASHDC 3895
INFO RUQIMI/AMBASSDARY ABU DHABI 4748
RUHEAM/AMBASSDARY AMMAN 3890
RUHEAH/USINT BAGHDAD 734
RUOMA/AMBASSDARY BEIRUT 5595
RUHEH/AMBASSDARY CAIRO 2455
RUHEHDM/AMBASSDARY DAMASCUS 1663
RUQIM/AMBASSDARY DOHA 2588
RUHEH/AMCONSUL JERUSALEM 509
RUQMA/AMBASSDARY JIDDA 6351
RUDC/AMBASSDARY LONDON 3514
RUQM/AMBASSDARY MACANA 3942
RUQM/AMBASSDARY MUSCAT 2818
RUQMY/USOL RIYADH 372
RUQNS/AMBASSDARY SANAA 1371
RUPHPS/AMBASSDARY PARIS 2239
RUQIM/AMBASSDARY TEHRAN 4737-
RUHMT/AMBASSDARY TEL AVIV 1177
RUEHIA/USICA WASHDC
RUSMAA/USINCUR REINHEIM GE

CONFIDENTIAL SECTION I OF 5 KUWAIT 2921

USINCUR FOR POLAD

E.O. 12805; GDS 6/17/85 (SUTHERLAND, PETER A) OR-M
TAGS: SOPW, PGOV, PEPR, PINR, PINR, XF, KU
SUBJ: POLITICAL REALIGNMENT: ORIENTATION AND INFLUENCE OF THE MASS MEDIA

REFS: A) STATE 38673, B) KUWAIT 1443, C) KUWAIT 2887,
D) KUWAIT 1471, E) KUWAIT 692, F) KUWAIT 2171, G) KUWAIT 1943
I. (C - ENTIRE TEXT)

2. SUMMARY. THE MASS MEDIA IN KUWAIT AS CONSTITUENT AT PRESENT IS NO POTENTIAL THREAT TO THE SECURITY AND STABILITY OF THE COUNTRY AND ITS GOVERNMENT EXCEPT PERHAPS UNINTENTIONALLY THROUGH INACCURATE REPORTING. THE BROADCAST MEDIA ARE ENTIRELY CONTROLLED BY THE MINISTRY OF INFORMATION, ALL PRINTED PERIODICALS APART FROM GOVERNMENT PUBLICATIONS, ARE OWNED, MANAGED, AND EDITED BY LOYAL KUWAITI CITIZENS, AND ARE SUBJECT TO STRICT BUT POSSIBLE EXPRESSION CONTROL BY THE GOVERNMENT. ONE SEES A FAR BROADER RANGE OF POLITICAL SPEECH. THE CURRENT EDITORS, EFFECTIVELY PREVENTS THE PRESS FROM PRINTING MATERIAL WHICH MIGHT SERiously DAMAGE KUWAITI RELATIONS WITH ITS AMBASSDARY IN REGARD TO ITS GOVERNMENTAL SYSTEM IN THE COUNTRY, BUT ITS KUWAITI OWNERS, AND THEIR EDITORS FOR THE MOST PART HAVE NO QUARREL WITH THE MAIN POLICIES OF THE GOVERNMENT AND THEY SHARE THE VERY WIDELY-HELD WAHD CONSENSUS THAT THE DEMONSTRATED SUCCESS OF THE PRESENT SYSTEM IN PROVIDING DOMESTIC PEACE AND PROSPERITY DESERVES TIMED SUPPORT. END SUMMARY.

THE MEDIA: KUWAIT OWNED, GOVERNMENT CONTROLLED: KUWAITIAN AND TELEVISION ARE STATE-OPERATED INSTITUTIONS WITH POLICIES APPROBABLE FROM THOSE OF THE MINISTRY OF INFORMATION WHICH IS RESPONSIBLE FOR THE MEDIA IN KUWAIT. A STRICT PRESS LAW GOVERNS PUBLICATIONS OF THE PRINTED MEDIA, EXPRESSLY FORBIDING THE PRESS TO PUBLISH FOREIGN HEADS OF STATE OR TO PRINT MATERIAL PAID FOR BY FOREIGN GOVERNMENTS, BEYOND THESE PROSCRIPTIONS THERE EXISTS UNDERSTANDING THAT THE PRESS RISKS SUSPENSION OF PUBLICATION, OR, BY RECENT AMENDMENT OF THE PRESS LAW, JAIL FOR OFFENDING TORS, IF IT PRINTS MATERIAL DAMAGING TO THE SECURITY OF THE STATE. THE GOVERNMENT HAS SHOWN CONSIDERABLE RESTRAINT IN ADOPTING INFRINGEMENTS OF THESE GUIDELINES; DURING LATE 1977 THERE WERE ONLY SCATTERED INSTANCES OF PAPERS TIMED BRIEFLY, NO ONE HAS BEEN JAILED, BUT A COUPLE OF PAPERS JOURNALISTS HAVE BEEN DEPORTED, MOST RECENTLY AMN 190, A PALESTINIAN EMPLOYED BY AL-WATAN. THE KUWAIT PUBLIC, IN ITS PART, HAS SHOWN LITTLE INTEREST IN PROTESTING ACTIONS OF THE MINISTRY OF INFORMATION TO ENFORCE PRESS DÉCLEINE.
The media in Kuwait is owned, government controlled; Kuwait dio and television are state-operated institutions with policies comparable from those of the Ministry of Information which is responsible for the media in Kuwait. A strict Press Law governs publications of the printed media, expressly forbidding the press to "acknowledge foreign sources or to print material paid for foreign governments. Beyond these proscriptions there exists no understanding that the press risks suspension of publication, by recent amendment of the Press Law, jail for offending authors, if it prints material damaging to the security of the state. The government has shown considerable restraint in charging infringements of these guidelines; during late 1976 to 1977 there were only scattered instances of papers amended briefly. No one has been jailed, but a couple of patriotic journalists have been deported, most recently Awni 1979, a Palestinian employed by Al-Watan. The Kuwait public, in its part, has shown little interest in protesting actions by the Ministry of Information to enforce press discipline.
INTO NATIONAL ASSEMBLY DEBATES AND INTO CONTROVERSIAL PRESS
MENTIONS SEEMED TO THREATEN TO INVOLVE KUWAIT AGAINST ITS
IN INTER-ARAB DISPUTES. WHILE NO ONE IS UNDER THE ILLUSION
LOCAL JOURNALISTS NOW NEVER ACCEPT GIFTS FROM OUTSIDERS,
PARTISAN VIOLENCE OF THE PRESS IN MID-1976 HAS DISAPPEARED.
WITH RESPECT TO THE POSSIBILITY THAT EXPATRIATE COMMUNITY
ADVANCES AGAINST THE GOVERNMENT MIGHT BE AIRED IN THE LOCAL
WS, ONE SUSPECTS, SIMPLY, THAT SUCH ISSUES - REAL THOUGH
ARE - BOTH LACK ENOUGH HEAT TO GENERATE PRESSURE AND ALSO
OF LITTLE GENUINE CONCERN TO KUWAITI OWNERS AND EDITORS.
CAN ALWAYS AND EASILY GET AN EARFUL OF COMPLAINTS BY
PEOPLE, THAT THEY ARE DISADVANTAGED BY KUWAITI
AND PRACTICES, BUT SUCH COMMENTARY RARELY REACHED THE
ANTED PAGE.

PALESTINIAN PRESSURE - THE PRESS AS AN ESCAPE VALVE;
PHASES IN PART AS COMPENSATION FOR THIS LACK OF OUTLET FOR
IN COMPLAINTS, PALESTINIAN OR PRO-PALESTINIAN OPINION ON
THE FAST DEVELOPMENTS RECEIVES VERY FREE REIN IN THE KUWAITI
RSS. RECENT EXTREME CRITICISM OF PRESIDENT SADAT, TOLERATED
THE GENERAL INJUNCTION ON ATTACKS AGAINST FOREIGN
WS OF STATE, HAS BEEN PERMITTED, EXPRESSLY, AS A FORM OF
APE VALUE -- A WAY FOR THE LARGE PALESTINIAN COMMUNITY TO
OFF STEAM WITH MINIMUM DAMAGE DONE (REF B). AND WITH
RE TO STRICT IF VAGUE LIMITS PLACED ON INVESTIGATIVE REPORTING
ON COMMENTARY CRITICAL OF LOCAL DEVELOPMENTS, THE PRESS
IS ON FOREIGN AFFAIRS AND ESPECIALLY ON MIDDLE
MATTERS. IN A SURVEY TAKEN A FEW MONTHS AGO 94 OUT OF
EDITORIALS IN KUWAITI ARABIC DAILIES PROVED TO BE ON FOREIGN
WS ISSUES. OF 150 SPECIAL ARTICLES PUBLISHED DURING THE
MID PERIOD, ONLY 60 DEALT WITH DOMESTIC ISSUES. MOST "THINK
ICES" (EDITORIALS, COMMENTARIES AND ANALYSES) ARE
ENED BY KUWAITIS, NOT EXPATRIATES, AND IF THEY TEND TO
A STRIDENTLY PRO-PALESTINIAN LINE, THAT IS ENTIRELY
SONANT WITH OFFICIAL GOVERNMENT POLICY, AND WITH THE
INTERESTS OF KUWAITI OWNERS AND EDITORS IN SUSTAINING
GOOD WILL OF THE PALESTINIAN COMMUNITY WITHIN AND OUTSIDE KUWAIT
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MENTION SEEMED TO THREATEN TO INVOLVE KUWAIT AGAINST ITS
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WHILE THE GENERAL INJUNCTION ON ATTACKS AGAINST FOREIGN
VOWS OF STATE, HAS BEEN PERMITTED, EXPRESSLY, AS A FORM OF
ERMANCE -- A WAY FOR THE LARGE PALESTINIAN COMMUNITY TO
FOOT STEAM WITH MINIMUM DAMAGE DONE (REF B). AND, WITH
PERIODIC STRUGGLE IF Vague LIMITS PLACED ON INVESTIGATIVE REPORTING
COMMENTARY CRITICAL OF LOCAL DEVELOPMENTS, THE PRESS
CALLS HEAVILY ON FOREIGN AFFAIRS AND ESPECIALLY ON MIDDLE
AFFAIRS. A SURVEY TAKEN A FEW MONTHS AGO 94 OUT OF
EDITORIALS IN KUWAITI ARABIC DAILIES PROVED TO BE ON FOREIGN
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SONANT WITH OFFICIAL GOVERNMENT POLICY, AND WITH THE
INTERESTS OF KUWAITI OWNERS AND EDITORS IN SUSTAINING
THE GOOD WILL OF THE PALESTINIAN COMMUNITY WITHIN AND OUTSIDE KUWAIT.

4. THERE ARE GOVERNMENT PUBLICATIONS, INCLUDING THE INFLUENTIAL
AL-ARABI WHICH IS EDITED BY A WELL-KNOWN EGYPTIAN,
AND THE PRIVATE KUWAITI PRESS IS ALMOST ENTIRELY OWNED AND EDITED
BY KUWAITIS. MUCH OF THE PROFESSIONAL STAFF OF THESE
PERIODICALS IS EXPATRIATE ARAB -- PALESTINIAN, EGYPTIAN, SYRIAN
OR LIBANERAN --, AND PERIODICAL CONTENT OFTEN REFLECTS THE
INTERESTS OF THEIR EXPATRIATE COMMUNITIES. IN THEORY, THOUGH
NOT IN PRACTICE, THIS SITUATION COULD RESULT IN TWO SORTS OF
DEVELOPMENTS: THE USE OF THE KUWAITI PRESS FOR THE STIMULATION
OR CONFLICT OF CONTROVERSIES BETWEEN COMPETING STATES OR FACTORS
WITHIN THE ARAB WORLD; OR THE AIDING OF GRIEVANCES NURTURED
AMONG THE EXPATRIATE COMMUNITIES HERE AGAINST THE KUWAITI
GOVERNMENT.

5. THE FORMER POSSIBILITY WOULD EFFECTIVE
ADDRESS IN AUGUST, 1976, COINCIDENT WITH SUSPENSION OF
THE NATIONAL ASSEMBLY, WHEN THE GOVERNMENT ANNOUNCED STRIG
PENALTIES FOR PRINTING OF MATERIAL FOR BY OTHER STATES.
VIOLENT INTR-ARAB EMOTIONS BAD ARISEN AT THAT TIME OVER THE
CHAOTIC CIVIL WAR IN LIBAN, AND THEIR SPILLING
Although many Kuwaitis privately resent the strong influence the Palestinians, publicity accorded the Palestinian cause is non-controversial among them.

8. Other foreign affairs issues spring up from time to time to test the government's press policy. A recent example is the outbreak of Iranian Arab demonstrations in Kuwait, reportedly in support of appeals for autonomy. The government took strong offense at reporting and commentary in the Kuwaiti press which used the term 'Arabistan' in the nối of the Iranian-agreed 'Keuzistan', and the Kuwaiti government quickly instructed the local press to change its terminology (Ref C). There have been other instances in which inter-Arab disputes were avoided notice altogether in the local press, presumably as a result of 'guidance' from the Information Ministry, always alert to avoid accusation that the Kuwaiti press was taken a partisan position.

9. Domestic affairs - the gossip society:

From the standpoint of its potential with respect to stability
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DE RUGMY #2921/3 1621500
ZNY CCCCC 725
R 17191 UJN 79
PM AMBASSAD KUWAIT
TO RUEC/SECSTATE WASHDC 3867
INFO RUGMB/AMBASSAD ABU DHABI 4750
RUEBR/AMBASSAD AMMAR 3392
RUFAD/USEN EAGHDAD 735
RUFEM/EAMBASSAD BEIRUT 5937
RUEH/AMBASSAD CAIRO 2457
RUEHM/AMBASSAD DAMASCUS 1666
RUFMB/AMBASSAD DOHA 2582
RUEPE/AMCONSUL JERUSALEM 511
RUFMR/AMBASSAD JIDDA 6353
RUEC/AMBASSAD LONDON 3516
RUFMM/AMBASSAD MANAMA 3344
RUFMMT/AMBASSAD MUSCAT 2320
RUFMR/USLO RIYADH 374
RUFMRN/AMBASSAD SANA 1373
RUFMRP/AMBASSAD PARIS 2241
RUFMR/AMBASSAD TEHRAN 4759
RUFRT/AMBASSAD TEL AVIV 1179
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ALTHOUGH MANY KUWAITIS PRIVATELY RESENT THE STRONG INFLUENCE OF THE PALESTINIANS, PUBLICITY ACCORDED THE PALESTINIAN CAUSE IS NON-CONTESTATIONAL AMONG THEM.

8. OTHER FOREIGN AFFAIRS ISSUES SPRING UP FROM TIME TO TIME TO TEST THE GOVERNMENT'S PRESS POLICY. A RECENT EXAMPLE IS THE OUTBREAK OF IRANIAN ARAB DEMONSTRATIONS IN KUWAIT, REPORTEDLY IN SUPPORT OF APPEALS FOR AUTONOMY. THE IRANIAN GOVERNMENT TOOK STRONG OFFENSE AT REPORTING AND COMMENTARY IN THE KUWAITI PRESS WHICH USED THE TERM "ARABISTAN" IN REFERENCE TO THE IRANIAN-APPROVED "KUZISTAN". AND THE KUWAITI GOVERNMENT QUICKLY INSTRUCTED THE LOCAL PRESS TO CHANGE ITS TERMINOLOGY (REF C). THERE HAVE BEEN OTHER INSTANCES IN WHICH INTER-ARAB DISPUTES "WENT AVOIDED NOTICE ALTOGETHER IN THE LOCAL PRESS, PRESUMABLY AS A RESULT OF "GUIDANCE" FROM THE INFORMATION MINISTRY, ALWAYS ALERT TO AVOID ACCUSATION THAT THE KUWAITI PRESS HAS TAKEN A PARTISAN POSITION.

9. DOMESTIC AFFAIRS - THE GOSSIP SOCIETY:
FROM THE STANDPOINT OF ITS POTENTIAL WITH RESPECT TO STABILITY
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11. DEMOCRACY DEBATED:
11. DEMOCRACY DEBATED:

The national Assembly, suspended in August, 1976 with the promise that representative government would be restored within four years, has been a hot topic recently. The dissolution of the Assembly was the "biggest thing" in Kuwaiti political history in a long time. There were knee-jerk negative reactions, and a great many signs of relief as the demogogues stopped flowing from the people's chosen representatives. Then, Ayatollah Khomeini's revolution in Iran reached a climax just about the time that the advisors to the crown prince/prime minister got to him with advice that it was time to start thinking of how to implement the promises of restoration of representative government by August, 1979. One of the apparent lessons of the Khomeini revolution was that stable governments have truly representative assemblies. Seeking to appear open at a time when autocratic regimes were under stress, and seeking to assure Kuwaitis that its word was good, the government of Kuwait let it be known that the daily press should debate the issues of what sort of assembly, what sort of elections, and in general, what sort of democracy Kuwait should have.

THE RESULT WAS A FLOWERING OF PUBLISHED KUWAITI OPINION. YING AS TO EDITORIAL POLICY, THE KUWAITI DAILIES RAN PUBLIC NION POLLS, COMMENTARY AND GUEST ARTICLES ABOUT THE PROPER OF DEMOCRATIC INSTITUTION THE COUNTRY SHOULD HAVE X. IT WAS A PERFECT OPPORTUNITY FOR THE REGIME TO SHOW INTEREST IN A FREE PRESS AND IN PUBLIC DEBATE ABOUT DEMOCRACY, ALL CONCERNED ACQUIRED THEMSELVES "WELL", NOT A SINGLE ICALLY SUGGESTED THAT AMIR IS OUT OF DATE, BUT THERE X PLENTY OF ARTICLES WHICH CRITICIZED THE PRESENT SYSTEM FOR TRUSTING TO THE "ONE MAN -- ONE VOTE" THEOCRACY TO SUSTAIN REGIME IN POWER. THESE ARE THOSE WHO SAY THE GOVERNMENT SHRED TO LIFT THE LID ON CRITICISM THIS WAY: THE RESULT NOT A FLOOD OF HOSTILE, ANTI-REGIME OPINION, BUT, IN FACT, RATHER BALANCED MIX OF COMMENTARY, LEADING ONE TO CONCLUDE KUWAITIS ARE OF VERY MIXED MINDS AS TO WHETHER ALL KUWAITIS SHOULD HAVE THE VOTE AND WHETHER THE LEGISLATURE SHOULD DOMINATE.

SELF-CENSORSHIP PROTECTS THE KUWAITI IMAGE ABROAD: THE KS GENERALLY KNOWS WITHOUT BEING TOLD WHEN TO AVOID REPORTING GIVEN SUBJECT, AND MORE OUTSPoken KUWAITIS CITE THIS FACT PROOF OF THE ABSENCE OF FREEDOM IN KUWAIT. THUS ONE CANNOT STORIES DIRECTLY INSULTING TO THE AMIR OR HIS RELATIVES, FOR EXAMPLE, THERE WAS NO NEWSPAPER SPACE GIVEN TO THE RECENT IDENT WHEN YOUNG ARMY RECRUITS STAGED PROTESTS AGAINST ARAB LIVING CONDITIONS AND THE ABSENCE AMONG THEM OF SONS THE WEALTHY (REF. P.). BUT THIS RESTRAINT, OR LACK OF FREEDOM, ITS IMPACT OUTSIDE, NOT INSIDE KUWAIT: THE GOSPEL MILLS HERE EVERY SCRAP OF NEWS ABOUT THE RULING FAMILY, AND THERE SEW KUWAITIS WHO DID NOT LEARN PROMPTLY ABOUT THE SNAPS CONTENTED IN THE ARMY'S FIRST ATTEMPTS TO IMPLEMENT CRIPTION. THE LACK OF COVERAGE FROM SEIZING ON THE STORY REPRODUCING IT TO KUWAIT'S DISCREDIT AMONG FOREIGNERS.
14. Self-censorship can also produce a misleading report. A journalist can get away with publishing a story which, if brought to the attention of government officials prior to publication, would never see the light of day. For this reason journalists here go ahead with single-source stories without checking them against second and third sources. The result can be confusion. The error can be multiplied and the confusion compounded, when the story is reprinted abroad. Since Arab leaders do act on what they learn from the newspaper, the result can be untimely, as when Egypt apparently broke relations with Kuwait in advance of Kuwait's formal announcement as a result of premature and inaccurate media reporting (Ref. C).

15. Conclusion: As Kuwait grows, and its population is one of the fastest growing in the world, the closely knit, gossipy nature of life here is changing. There may come a time when word-of-mouth does not serve as a satisfactory substitute for ample press coverage, and when, accordingly, Kuwaitis will take a stronger interest than they do now in freedom of the press as an important element in community life. But that time...
As not yet here, the owners and editors of the media in Kuwait are just as interested as the ruling family in protecting Kuwait from harmful publicity. The public will not protest if the government punishes a newspaper. Other than the rare visibility of serious unintended consequences arising from an inaccurate press report, it is safe to say that, if there is now a threat to the security and stability of Kuwait, that threat does not arise from or draw support from the mass media. "Mistrusted"

#2921
IAN ISSUES (REF A), KUWAIT MFA LEGAL ADVISOR TAREQ RAZOUQI THAT KUWAITI EDITORIALS WERE LARGELY PARAPHRASED
\* MATERIAL THAT HAD ALREADY APPEARED IN THE IRAQI MEDIA, HE AND THAT KUWAIT WAS EXERCISING A RESTRAINING LAND: THE MFA GIVEN ITS ADVANCE APPROVAL TO THE JUNE 16 AL-ANBA EDITORIAL, ADDING TO RAZOUQI, INCLUDING SPECIFICALLY USE OF THE 
AVE FROM "ARABISTAN." BUT IT HAD ALSO PASSED THE WORD 
THE SUBJECT OF IRANIAN CLAIMS TO BAHRAIN WAS NOT TO BE 
USED FURTHER BY KUWAIT'S PRESS.

(c) RAZOUQI VOLUNTEERED THAT FOREIGN MINISTER SABAH AL AHMED BEEN ON THE PHONE JUNE 16 WITH BAHRAIN'S AMIR WHO WAS 
IMPLAINTING BREAKING HIS VACATION AND RUSHING BACK TO MANAMA 
RESULT OF AYATOLLAH BOUSHI'S STATEMENTS. ACCORDING TO 
RAQI, SABAH AL AHMED HAD CONSIDERED HIS "COUSIN" NOT TO 
URB HIMSELF, MENTIONING AMONG OTHER THINGS, ASSURANCES 
IVED OR THE NEWLY ARRIVED IRANIAN AMBASSADOR TO KUWAIT, 
JALI SHAMS ARADAKANI.

D) ASSURANCES OF A SORT MATERIALIZED THE SAME DAY (JUNE 16). 
PRESS CONFERENCE HELD BY AMS ARADAKANI WHO SAID THAT BOUSHI 
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ADOR ARADAKANI ADDED THAT THE IRANIAN MINISTRY OF FOREIGN 
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ALLENT TO OUTLINE IRAN'S OFFICIAL POLICIES AND 
TES. (RAZOUQI OBSERVED THAT THIS STATEMENT WAS HELPFUL, 
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IRANIAN-HAJJ PLAN IN creased, BUT KUWAIT IS DOWNPLAYING 
LATTER CONFLICTS OVER BAHRAIN AND IS KEEPING PRESS ON A 
SHORT LEASE. THERE IS A GROWING PERCEPTION IN KUWAIT THAT 
SHOMINI IS LOSING HIS GRIP ON THE IRANIAN MASSES. END SUMMAR

2. (U) ON JUNE 14 KUWAITI DAILY AL-ANBA', IN A POINTED EDITOR 
REFERENCE TO HOMENI, EXPRESSED THE "EGP" THAT ACTION ON 
IRANIAN-Iraqi BORDERS DID NOT HAVE THE "SUPPORT OF THE MAN 
WHO Fought FROM THE HEART OF IRAQ TO LIBERATE HIS COUNTRY." 
THE SAME DAY AL-ANBA OPENED THAT THE SITUATION BETWEEN BAHRA 
AND BAGHDAD WAS EXTREMELY WORRYING FROM THE ARAB POINT OF VI 
AND CALLED FOR THE IRANIAN REVOLUTION TO CORRECT ITS PATH. 
FOLLOWING REPORTS THAT iranian AYATOLLAH SADIQ BOUSHI HAD 
DECLARED THAT BAHRAIN REMAINS IRANS "14TH PROVINCE," Al-ANBA' 
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A SHARP ATTACK, AL-ANBA' SAID THAT THE SPIRIT OF "GREED AND 
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3. (C) ASKED TO PLACE THESE EDITORIALS IN THE CONTEXT OF EARLI
GOV'T ASSURANCES THAT KUWAIT PRESS WOULD BE RESTRAINED ON ARAB-
18 Jun 79 17 17z

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BR ROUGMR
DE ROUGMR #2942/2 1691440
ZNY 35557 72B
R 1614842 JUN 79
FM AMEMBASSY KUWAIT
TO RUEK/SECSTATE WASEDC 3995
INFO ROUGMR/AMEMBASSY DHABI 4754
RUHAD/USINT BAGHDAD 740
ROUGMOD/AMEMBASSY Doha 2586
ROUGMR/AMEMBASSY MANAMA 3548
ROUGMR/AMEMBASSY MUSCAT 2264
RUQMR/AMEMBASSY TEHRAN 4763
ET

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ALSO DENIED THAT THERE WAS AN IRANIAN TROOP BUILDUP ON THE
IRANIAN-IRAQI BORDER, ASKED ABOUT THE THREE FORMERLY ARAB
ISLANDS IN THE PERSIAN GULF OCCUPIED BYiran IN 1971, HE
DEFLECTED THE QUESTION BY STATING THAT HIS GOVERNMENT WAS
CONCERNED WITH FOREIGN BASES IN ARAB STATES THAT SPY ON
THE MOVEMENTS OF THE ARAB SOLDIER." AMBASSADOR ARDAFANI
CONCLUDED IRAN Sought TO CULIVATE SOLID RELATIONSHIP WITH ALL
STATES IN THE AREA ON THE BASIS OF ISLAMIC BROTHERHOOD.

6. (S) ON IRAQI-IRANIAN RELATIONS, RAZOUKI SAID HE DID NOT
THINK IRAQ WOULD BE SO OUTspoken IN ITS CURRENT MEDIA ATTACK
ON IRAN IF IT DID NOT BELIEVE KHOMEINI WAS LOSING HIS GRIP
ON THE POPULATION. RAZOUKI ADDED THERE IS A GROWING PERCEPTION IN
KUWAIT THAT KHOMEINI WAS NO LONGER POPULAR WITH THE
"MASS OF PEOPLE" WHO HAD MARCHED FOR HIM LAST WINTER. RAZOUKI
SAID KUWAIT WAS WITNESSING A GROWING INFUX OF IRANIAN REFUG
AND MENTIONED, IN LINE WITH REF B, THE DIFFICULTIES THAT
THE KUWAITI AUTHORITIES FACED IN TRYING TO STOP THE INFUX -
SHORTAGE OF COAST GUARD PERSONNEL, OPZN COASTLINE, ETC. WE
SEND BACK HUNDREDS, BUT EVEN MORE GET THROUGH. HE ADDED
THAT SEVERAL WEEKS AGO IRANIAN CHARGE GOLSHARIFI HAD ASKED FOR
THE NAMES OF IRANIANS TRYING TO ENTER KUWAIT LEGALLY;
RZOUKI HAD TURNED HIM DOWN WITH THE EXCUSE THAT SUCH LISTS
WERE NOT KEPT. ASKED BY POL CHIEF WHETHER KUWAIT WAS WORKING
THAT THESE REFUGES MIGHT MAKE KUWAIT A BASE FOR AGITATION
THE REGIME IN TEHRAN AND THEREBY POSE AN EVENTUAL THREAT TO
STABILITY OF KUWAIT, RAZOUQI WENT QUITE CATEGORICAL IN
DISMISSING THIS POSSIBILITY. THE REFUGES WERE HERE FOR
ECONOMIC REASONS - THEY WANTED JOBS, THAT WAS ALL, HE SAID.

7. (U) AT HIS PRESS CONFERENCE AMBASSADOR ARDAFANI ALSO FOURED
AN OPPORTUNITY TO TAKE A CRACK AT THE UNITED STATES, CLAIMING

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THE COMPLETE DOCUMENTATION ON ALL PEOPLE IN KUWAIT WHO WERE "WAR PATROLL OF THE SHAH" AS MEMBERS OF A SAVAK NETWORK WORKING FROM IRAN'S EMBASSY IN KUWAIT, HE SAID. "WE SAW WHEN NOT TO REVEAL THEIR NAMES UNLESS THEY WENT TOO "LIKE SENATOR JAVITS," IN TALKING AGAINST IRAN."

SECRET SECTION 2 OF 2 KUWAIT 2942

ALSO DENIED THAT THERE WAS AN IRANIAN TROOP BUILDUP ON THE IRANIAN-IRAQI BORDER. ASKED ABOUT THE THREE FORMERLY ARAB ISLANDS IN THE PERSIAN GULF OCCUPIED BY IRAN PN 1971, HE DEFLECTED THE QUESTION BY STATING THAT HIS GOVERNMENT WAS CONCERNED WITH FOREIGN BASES IN ARAB STATES THAT SPY ON THE MOVEMENTS OF THE ARAB SOLDIER." AMBASSADOR ARDAGANI CONCLUDED IRAN Sought TO CULTIVATE SOLID RELATIONSHIP WITH ALL STATES IN THE AREA ON THE BASIS OF ISLAMIC BROTHERHOOD.

6. (S) ON IRAQI-IRANIAN RELATIONS, RAZOUQI SAID HE DID NOT THINK IRAQ WOULD BE SO OUTSPOKEN IN ITS CURRENT MEDIA ATTACK ON IRAN IF IT DID NOT BELIEVE KHOMEINI WAS LOSING HIS GRIP ON THE POPULATION. RAZOUQI ADDED THERE IS A GROWING PERCEPTION IN KUWAIT THAT KHOMEINI WAS NO LONGER POPULAR WITH THE "MASSES OF PEOPLE" WHO HAD MARCHED FOR HIM LAST WINTER. RAZOUQI SAID KUWAIT WAS WITNESSING A GROWING INFLUX OF IRANIAN REFUGEES, AND MENTIONED, IN LINE WITH REF B, THE DIFFICULTIES THAT THE KUWAITI AUTHORITIES FACED IN TRYING TO STEM THE INFLUX - SHORTAGE OF COAST GUARD PERSONNEL, OPZG COASTLINE, ETC. WE SEND BACK HUNDREDS, BUT ZVEN MORE GET THROUGH. HE ADDED THAT SEVERAL WEEKS AGO IRANIAN CHARGE GOLSHARIFFI HAD ASKED FOR THE NAMES OF IRANIANS CAUGHT TRYING TO ENTER KUWAIT ILLEGALLY, RAZOUQI HAD TURNED HIM DOWN WITH THE EXCUSE THAT SUCH LISTS WERE NOT KEPT. ASKED BY EYIPOL CHIEF WHETHER KUWAIT WOULD WORK TO HELP THESE REFUGEES MIGHT MAKE KUWAIT A BASE FOR AGITATION AGAINST THE REGIME IN TEHRAN AND THEREBY POSE AN EVENTUAL THREAT TO ITS STABILITY, RAZOUQI WAS QUITE CATEGORICAL IN DISMISSING THIS POSSIBILITY. THE REFUGEES WERE HERE FOR ECONOMIC REASONS - THEY WANTED JOBS, THAT WAS ALL, HE SAID.

7. (U) AT HIS PRESS CONFERENCE AMBASSADOR ARDAGANI ALSO FOUND AN OPPORTUNITY TO TAKE A CRACK AT THE UNITED STATES. CLAIMING
A FORMER OWNERS OF KUWAIT'S MAJOR PRODUCER, THE KUWAIT
OFFSHORE UNIT (KOC) HAVE LARGE 5-YEAR PURCHASE CONTRACTS
FOR 2 MILLION B/D AND 450,000 B/D BASE CONTRACT LEVELS, RESPECTIVELY.
THE GOVERNMENT OF KUWAIT WHICH CAME UP FOR RENewAL ON
MARCH 31, 1982, GULF REPS ARE CURRENTLY
KUWAIT FOR PRELIMINARY DISCUSSION ON CONTRACT RENewAL.
AAR ABDU HABED AMERICAN AMBASSADOR (PROTECT)
SPEAKS OF KUWAIT'S DISCUSSIONS.

POSSIBILITIES OF PRODUCTION CUT IN 1980. IN DISCUSSIONS
GULF REPS OIL MINISTER KHALIFA AL-SABAH SAID
WILL BE "MORE COMFORTABLE" IF THE COUNTRY'S NORMAL
PRODUCTION CEILING (RAISED BECAUSE OF
THE CURRENTLY 2.2 MILLION B/D FOR CY 1979)
TO 2.5 MILLION B/D. GIVEN RECENT PRICE INCREASES,
A PRODUCTION CUT AT 2 MILLION B/D AND ABOVE WAS PRODUCING LARGE
UNMANAGEABLE INCOME SURPLUS. RESULT, MINISTER FEARED,
WILL BE REPEATED IN 1979-80, WHICH LED TO RAPID INFLATION IN
HAPPY AND A SIGNIFICANT INFUX OF PEOPLe WITH ATTENDANT
INFLATION. OBVIOUS Solution TO THE PROBLEM WAS TO CUT PRODUCTION
THEREBY THE SURPLUS.

ANDERSON COMMENT THAT, IF OIL ACTUALLY DID CUT ITS
PRODUCTION CEILING, MOST LIKELY WOULD BE MARCH 31, 1982,
IN THE CONTRACTS OF THE TWO LARGEST OFF-TAKERS, GULF AND BP.
GIVEN TIGHT WORLD OIL MARKET, GULF WANTS TO INCREASE
OFF-TAKES, NOT CUT IT. THE OIL MINISTRY HAS ASKED GULF TO SHOW
THAT IT WOULD NEED CRUDE TO MAINTAIN ITS SUPPLY WITHIN ITS
SYSTEM. MINISTRY WILL NOT MENT FUTURE REQUESTS FROM GULF,
AND SHELL FOR CRUDE TO SUPPLY THIRD PARTIES. GULF, AND
LIKELY BP AND SHELL, WILL RESPOND THAT THEIR OWN SYSTEMS
ARE MORE CRUDE THAN THEY ARE GETTING, ABOVE AND BEYOND
COMMITMENTS TO THIRD PARTIES. NEVERTHELESS, ANDERSON
THINKS THAT OIL MINISTRY IS THINKING IN TERMS OF A NEW
CONTRACT WITH GULF WITH A CONTRACT BASE REDUCED FROM PRESENT
2,000 B/D TO UNDER 400,000 B/D. GULF WOULD STRONGLY RESIST
ANY KUWAITI ATTEMPT TO BASE CONTRACTUAL
OFF-TAKE LEVELS BELOW AMOUNTS SPECIFIED FOR FOLLOW-ON CONTRACT
END SUMMARy.

3. BACKGROUND: Gulf Oil Company and British Petroleum (BP),

CONFIDENTIAL SECTION 1 OF 2 KUWAIT 2975

Limdis

F.O. 120665: GDS 6/29/85 (BUCK, STEPHEN M.) OR-3

SUBJ: KUWAIT OIL MINISTER RAISES POSSIBILITY OF PRODUCTION

CUT IN 1980

REF: (A) KUWAIT 2871, (B) KUWAIT 2784 (NOTAL)

1. (C-ENTIRE MDG: IN RECENT PRELIMINARY NEGOTIATIONS FOR RENEWAL
OF 5-YEAR GULF OIL PURCHASE CONTRACT, KUWAIT OIL MINISTER AL
KHALIFA AL-SABAH RAISED POSSIBILITY OF CUTTING KUWAIT OIL
COMPANY (KOC) PRODUCTION CEILING FROM 2 MILLION TO 1.5 MILLION
B/D IN 1980. MINISTER CLAIMED DRAMATICALLY HIGHER
OIL PRICES REDUCE KUWAIT'S REVENUE NEEDS. CURBING REVENUE
INCREASE NEEDED TO AVOID INFLATION, ATTENDANTpressures
WHICH AROSE AFTER HIGHER 73/74 PRICE INCREASES. HE TOOK SIMILAR
LINK WITH SHELL REPS. COMMENT: MINISTER'S BROACHING POSSIBLE
LOWER PRODUCTION CEILING SEEMS TO BE DESIGNED TO BRING PRESSURE
ON GULF, BP, AND SHELL TO ACCEPT FUTURE LOWER OFF-TAKE LEVELS.
MAINTAINING GULF, BP AND SHELL'S EXISTING LONG-TERM CONTRACT
MAXIMUMS WOULD PRODUCE KUWAIT FROM REDUCING KOC PRODUCTION MUCH BELOW 2 MILLION B/D
LEVEL. IF ASKED BY COMPANIES, WE RECOMMEND US STRONGLY
RESIST ANY KUWAITI ATTEMPT TO REDUCE MAJOR'S CONTRACTUAL
OFF-TAKE LEVELS BELOW AMOUNTS SPECIFIED FOR FOLLOW-ON CONTRACT END SUMMARY

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FORMER OWNERS OF KUWAIT'S MAJOR PRODUCER, THE KUWAIT OIL COMPANY (KOC) HAVE LARGE 5-YEAR PURCHASE CONTRACTS ON FUTURE SUPPLY AT $59 PER BARREL (B/D) AND $452,000 PER B/D FOR BASE CONTRACT LEVELS, RESPECTIVELY. THE GOVERNMENT OF KUWAIT, WHICH COME UP FOR RENEWAL ON THE EXPIRATION ON MARCH 31, 1982, GULF REPS ARE CURRENTLY CHATTING IN KUWAIT FOR PRELIMINARY DISCUSSION ON CONTRACT RENEWAL.

IF TEL ARRAYS AREN'T DETERMINED TO BE PROVIDE AMABASSADOR FOR CONSUMERS DURING AN ALIMENT OPTED NATION TO GULF'S DISCUSSIONS.

FRESHNESS OF PRODUCTION CUT IN 1980. IN DISCUSSIONS WITH GULF REPS, OIL MINISTER SNEAKERS ALLI AL-KHALIFA AL-SABAH, SAID PRODUCER HAD TO "MORE COMFORTABLE" IF THE COUNTRY'S NORMAL MILLION B/D KOC PRODUCTION CEILING (RAISED BECAUSE OF "NATIONAL" CIRCUMSTANCES TO 2.2 MILLION B/D FOR CY 1979), IF CUT TO 1.5 MILLION B/D, GIVEN RECENT PRICE INCREASES, LOGICALLY AT 2 MILLION B/D AND ABOVE WAS PRODUCING LARGE UNMANAGEABLE INCOME SURPLUS. RESULT, MINISTER FEARED, WOULD BE REPEAT OF 1973-74, WHICH LED TO INFLATION IN KUWAIT AND A SIGNIFICANT INFLUX OF PEOPLE WITH ATTENDANT INANCES. OBVIOUS SOLUTION TO THE PROBLEM WAS TO CUT PRODUCTION THEREBY THE SURPLUS.

ANDERSON COMMENTED THAT, IF GOK ACTUALLY DID CUT ITS PRODUCTION CEILING, MOST LIKELY TIME WOULD BE MARCH 31, 1982, ON THE CONTRACTS FOR THE TWO LARGEST OFF-TAKERS, GULF AND BP, WHO NEED TIGHT WORLD OIL MARKET. GULF WANTS TO INCREASE OFF-TAKE, NOT CUT IT. THE OIL MINISTRY HAS ASKED GULF TO SHOW WHAT IT WOULD NEED CRUDE TO MAINTAIN ITS SUPPLY WITHIN ITS SYSTEM. MINISTRY WILL NOT MINT FUTURE REQUESTS FROM GULF, AND SHELL FOR CRUDE TO SUPPLY THIRD PARTIES. GULF AND SHELL WILL RESPOND THAT THEIR OWN SYSTEMS ARE MORE CRUDE THAN THEY ARE GETTING. ABOVE AND BEYOND COMMITMENTS TO THIRD PARTIES, NEVERTHELESS, ANDERSON BELIEVES TRAPED OIL MINISTRY IS THINKING IN TERMS OF A NEW CONTRACT WITH GULF WITH A CONTRACT BASE REDUCED FROM PRESENT 4.08 MILLION B/D TO UNDER 2 million B/D, GULF WOULD STRONGLY RESIST SUCH A KUWAITI ATTEMPT BASED ON THE FACT THAT ITS PRESENT CONTRACTS TO US.

1. (C-ENTIRE MDG IN RECENT PRELIMINARY NEGOTIATIONS FOR RENEWAL OF 5-YEAR GULF OIL PURCHASE CONTRACT, KUWAIT OIL MINISTER ALLI KHALIFA AL-SABAH RAISED POSSIBILITY OF CUTTING KUWAIT OIL COMPANY (KOC) PRODUCTION CEILING FROM 2.2 MILLION TO 1.5 MILLION B/D IN 1980. MINISTER CLAIMED DRAMATICALLY HIGHER OIL PRICES REDUCE KUWAIT'S REVENUE NEEDS. CURBING REVENUE INCREASE NECESSARY TO AVOID INFLATION, ATTENDANT PRESSURES WHICH AROSE AFTER HUGG 75/74 PRICE INCREASES. HE TOOK SIMILAR LINE WITH SHELL REPS. COMMENT: MINISTER'S BROACHING POSSIBLE LOWER PRODUCTION CEILING SEEMS TO BE DESIGNED TO BRING PRESSURE ON GULF, BP, AND SHELL TO ACCEPT FUTURE LOWER OFF-TAKE LEVELS. MAINTAINING GULF, BP AND SHELL'S EXISTING LONG-TERM CONTRACT MAXIMUM B/D TOTALING 1.45 MILLION B/D PRODUCED KUWAIT FROM REDUCING KOC PRODUCTION MUCH BELOW 2 MILLION B/D LEVEL. IF ASKED BY COMPANIES, WE RECOMMEND US STRONGLY RESIST ANY KUWAITI ATTEMPTS TO REDUCE MAJOR CONTRACTUAL OFF-TAKE LEVELS BELOW AMOUNTS SPECIFIED FOR FOLLOW-ON CONTRACT END SUMMARY.
MAEDRONE

AILING POSSIBLE 1.5 MILLION B/D KOC CEILING WITH GULF IS US AS MOSTLY PRELIMINARY NEGOTIATING BLUSTER. SHELL CKED INTO CONTRACT WITH 435,000 B/D MAXIMUM VALID THROUGH 1981. GULF AND BP WERE PARTIALLY COMPENSATED FOR NATIONALIZATION IN 1975 BY BEING GRANTED 5-YEAR ABLE CONTRACTS. THEY CAN INSIST ON THE MINIMUM LIFTINGS FIED FOR FOLLOW-ON CONTRACT AND COULD ALSO ARGUE THAT VERY LAST TEST SHOULD NOT BE GIVEN LESS OIL THAN THAT E SHELL. THIS WOULD MEAN A TOTAL OF SLIGHTLY OVER MILLION B/D COMMITTED TO THESE THREE MAJORS. (IF PRESENT ACTS WERE RENEWED, TOTAL MAXIMUM ALLOWABLE OFF-TAKE FOR WOULD BE 1.45 MILLION B/D). THE 300-400,000 B/D NEEDED WUAI'S REFINERIES, LOCAL DEMAND AND ENERGY GENERATION BRING THIS TOTAL TO AN IRREDUCIBLE MINIMUM OF APPROX-

1.6 MILLION B/D ON THE HIGHLY DUBIOUS ASSUMPTION THAT IS SOLD TO NO ONE OTHER THAN THESE THREE MAJORS. IN FACT, IT PRESENTLY HAS CONTRACTS WITH 10 COMPANIES OTHER THAN WELL AND GULF AND APPEARS TO BE MOVING TOWARDS MORE SMALL SUPPLY RELATIONSHIPS, ESPECIALLY WITH LDC FOREIGNMENTS. THESE EXISTING AND LIKELY FUTURE DIRECT CONTRACTS REQUIRE KOC TO PRODUCE AT A 2 MILLION B/D LEVEL UNLESS THREE MAJOR'S CONTRACT ARE SLASHED SIGNIFICANTLY BELOW 40 B/D.

BID IS NOT INTERESTED IN PUSHING NEGOTIATIONS AT THIS . PREFERING TO KEEP ITS OPTIONS OPEN UNTIL NEXT SPRING, WORLD OIL PICTURE MAY BE CLEARER. WE BELIEVE DEPT TO BE PREPARED TO SUPPORT STRONGLY GULF'S RETAINING THE SAME TERMS OF ITS PRESENT CONTRACT, NOT ONLY AS IT IS A US FIRM BUT ALSO BECAUSE RETENTION OF OFF-TAKE AS OF THE THREE MAJOR'S 5-YEAR CONTRACTS WOULD PREVENT IT FROM REDUCING KOC PRODUCTION TO 1.5 MILLION B/D.

MAEDRONE

6. NOTING THAT BASE CONTRACT VOLUMES FOR GULF, BP AND SHELL ALONE ADD UP TO OVER 1.3 MILLION B/D, AMBASSADOR ASKED HOW KUWAIT COULD CUT KOC PRODUCTION CEILING TO 1.5 MILLION B/D AND STILL PROVIDE SUFFICIENT CRUDE TO DOMESTIC NEEDS AND REFINERIES PLUS PRODUCE ENOUGH ASSOCIATED GAS TO FIRM E LPG PLANT COMING ON STREAM AND MEET GROWING ELECTRICITY DEMANDS. ANDERSON REPLIED THAT NEW ELECTRICITY PLANTS WERE ALL BEING BUILT TO RUN ON FUEL OIL AS WELL AS NATURAL GAS. MINISTER HAD INDICATED THAT, IF NEED BE, KUWAIT WOULD ONLY USE ONE OR ONE AND A HALF OF THE THREE TRAINS OF ITS NEW LPG PLANT, REQUIRING LESS ASSOCIATE GAS, AND HENCE OIL PRODUCTION. HOWEVER, 300-400,000 B/D OF CRUDE WOULD STILL BE NEEDED FOR REFINERIES AND DOMESTIC NEEDS. THIS WOULD PROBABLY MEAN PRODUCTION CEILINGS MORE IN THE ORDER OF 1.6 TO 1.7 MILLION B/D FOR KOC.

7. LOCAL SHELL BE (PROTECT) CONFIRMED OIL MINISTER'S REFERENCE TO 1.5 MILLION B/D DURING LATTER'S DISCUSSION WITH VISITING SHELL MARKETING PRESIDENT.

8. COMMENT: ALI ALALIFA IS NOTED FOR COMING ON STRONG, AND

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AISING POSSIBLE 1.5 MILLION B/D KOC CEILING WITH GULF US AS MOSTLY PRELIMINARY NEGOTIATING BLUSTER. SHELL SIGNED INTO CONTRACT WITH 435,000 B/D MAXIMUM VALID THROUGH 1981. GULF AND BP WERE PARTIALLY COMPENSATED FOR NATIONALIZATION IN 1975 BY BEING GRANTED 5-YEAR VABLE CONTRACTS. THEY CAN INSIST ON THE MINIMUM LIFtings FIED FOR FOLLOW-ON CONTRACT AND COULD ALSO ARGUE THAT IT WAS MORE THAN WHAT THEY WOULD NOT BE GIVEN LESS OIL THAN THAT, SHELL. THIS WOULD MEAN A TOTAL OF SLIGHTLY OVER 1 MILLION B/D COMMITTED TO THESE THREE MAJORS. (IF PRESENT ACTS WERE RENEWED, TOTAL MAXIMUM ALLOWABLE OFF-TAKE FOR WOULD BE 1.45 MILLION B/D). THE 300-400,000 B/D NEEDED WUWAIT’S REFINERIES, LOCAL DEMAND AND ENERGY GENERATION BRING THIS TOTAL TO AN IRREDUCIBLE MINIMUM OF APPROX-IM 1.6 MILLION B/D ON THE HIGHLY DUBIOUS ASSUMPTION THAT IT IS SOLD TO NO ONE OTHER THAN THESE THREE MAJORS. IN FACT, IT PRESENTLY HAS CONTRACTS WITH 10 COMPANIES OTHER THAN GULF AND SHELL AND APPEARS TO BE MOVING TOWARDS MORE SMALL SUPPLY RELATIONSHIPS, ESPECIALLY WITH DCD FOREIGNMENTS. THESE EXISTING AND LIKELY FUTURE DIRECT CONTRACTS REQUIRE KOC TO PRODUCE AT A 2 MILLION B/D LEVEL UNLESS THREE MAJOR’S CONTRACTS ARE SLASHED SIGNIFICANTLY BELOW 1.6 B/D.

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8. COMMENT: ALL ASALIKA IS NOTED FOR COMING ON STRONG, AND
A Signed Memorandum. A "memorandum" demanding the restoration of Kuwait's National Assembly was presented to Kuwaiti Crown Prince/Minister Shaikh Saad al-Abdullah al-Sabah early last month. Signed by 31 former National Assembly and Constituent Assembly members, most of whom had been members of the opposition leftist nationalist groups in previous National Assemblies, but at least a dozen of whom had a record of being pro-government deputies in office, the memorandum, which has been described in earlier reporting as a "petition," was delivered to the Crown Prince, who received the memorandum, but did not address the text in detail. However, examination of the text reveals it is more assertive than appealing in tone.

The similarity to 1976 Opposition Document. The content of the memorandum resembles closely a document circulated in Kuwait last year after the Amir suspended Kuwait's National Assembly in late 1976. This document was drafted by leftist leaders of the Kuwaiti Workers Confederation and endorsed by several of Kuwait's professional organizations. In the following weeks GOK took rather severe action against the sponsors of the document, which action, along with the suspension of five organizations, served to dampen opposition and general political tension in Kuwait. The labor leaders, arrested briefly on serious security charges, were cowed into silence about controversial issues (76 KUWAIT 4713, a situation which still prevails in 1980). Also, the GOK dissolved the governing bodies of the Kuwaiti Teachers Association (76 KUWAIT 5056), the Engineers Association (76 KUWAIT 5198), and the Bar Association (76 KUWAIT 5347) on grounds that they participated in the sponsorship of the document critical of the Amir's suspension of the National Assembly. This sponsorship, according to the GOK, was in violation of the 1962 law which prohibits political activities by such associations.

Legal Points in Memorandum. The memorandum presented to the Crown Prince raised the same legal objections to the suspension of the National Assembly which were contained in the 1976 document, namely:

a. Kuwait is a constitutional state in which the powers of public authority are limited by the Constitution; the Amir has no right to suspend the Constitution.

b. The Constitution may only be suspended in time of martial law which was not in effect in 1976) and in accordance with the provisions of law.

c. The National Assembly must be re-elected within two months of its dissolution.
A signed Memorandum. A "memorandum" demanding the restoration of Kuwait's National Assembly was presented to Kuwaiti Crown Prince/Minister Shaik Saad al-Abdulrah al-Sabah early last month. The memorandum, signed by 31 former National Assembly and Constituent Assembly members, most of whom had been elected from oppositionalist groups in previous National Assemblies, but at least a dozen of whom had a record of being pro-government deputies in office, was obtained from one of the signers a copy of the "petition" (ref A). However, examination of the text reveals it is more assertive than appealing in tone.

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b. The Constitution may only be suspended in time of martial law which was not in effect in 1976 and in accordance with the provisions of law.

c. The National Assembly must be reelected within two months of its dissolution.
d. The Constitution's Article 174 which was suspended when the National Assembly was dissolved, provides that should the Amir wish to amend the Constitution, a two-thirds of the National Assembly must approve the amendments.

This last point appears to be a critical reference to the recent consultations of the Crown Prince described by Minister of State for Cabinet Affairs, Abdul Aziz Husain, who explained that the reestablishment of the National Assembly will involve amendment of certain parts of the Constitution, for which a "constitutional committee" would be formed to make appropriate recommendations (KUWAIT 2408). This procedure, foreseen in the Amiri decree which suspended the National Assembly, could in effect lead to modifications of the electoral process and the composition of the National Assembly without the approval of that body, a situation not foreseen by the Kuwait Constitution.

(C) Political Points in Memorandum. Not only is the restoration of the National Assembly legally required in accordance with the provisions of the Constitution, but it is also a "popular demand on which the hopes of the masses are pinned." The Memorandum's authors also argue that the "democracy brought about by the Kuwait Constitution" is not an outside thrust upon the "Arab Islamic Kuwaiti environment"; rather it is an Arab development in the spirit of the historic relationship between the "ruler and the ruled" which guided the "orthodox" Caliphs in the early days of Islam.

(C) One signer of the memorandum, Jassim al-Qitami, told us that it was but one aspect of the preparations being made by himself and his associates in anticipation of national elections next year. Qitami explained that his group was busily trying to place its people on the boards of Kuwait's professional associations as they came up for annual re-election. The opposition politicians hope by this means to gain a dominant voice among the educated class of Kuwaitis which, Qitami expects, can become the opinion leaders for the great mass of "limited income" Kuwaitis whose votes must be won in order for them to increase the number of opposition seats in the Assembly. (Those who regularly voted against the Government in the last National Assembly occupied about 10 of the 66 seats in that body.) These professional associations are the same ones which suffered a dissolution of their governing boards in 1976 because of their political activity (para 4 above).

(C) Earlier this year this group of political activists was careful in circulating its views anonymously under the label "Democratic Group" (KUWAIT 692). In May the group came out in the open with the sign

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secret
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orandum to the Crown Prince, which he refused to accept. Without specifying the Crown Prince, Kuwait's only indigenous leftist publication, the weekly al-Talli'a, on May 15 asserted that a refusal to accept the memorandum showed that the Government was willing to open its doors to all viewpoints on the resolution of Parliamentary life, which Tali'a claimed shows that the authorities view a circumscribed concept of democracy. With this article and others, al-Tali'a exhibited a growing boldness in commenting on domestic issues.

Publications Suspended. Opposition political activity continued with little apparent Government reaction until mid-June when al-Tali'a was suspended for three months for violating the Publications Law and the weekly al-Hadaf was suspended for one month. The ostensible reason for banning al-Tali'a was two articles in its June 12 edition, one of which implied that the visit of Queen Elizabeth and the election of Margaret Thatcher signaled a resurgence of British "imperialism" in the Gulf. The other, dealing with the construction of a highway bridge between Saudi Arabia and Bahrain, implied that the Saudis were seeking to supplant traditional Kuwaiti influence in Bahrain. What aroused GOK ire over the June 12 edition, according to two sources, was a statement openly condemning the GOK for acting against "nationalist patriots" by permanently deporting Palestinian journalist Awani Sidiq late last month. A reporter with the Kuwaiti al-Watan, Sidiq had written articles critical of Arab League entries that wished to boycott PDRY. GOK also clamped down on al-Hadaf, a weekly affiliated with al-Watan on June 16. Objection was taken to articles published June 14 by Abdullah al-Nafisi (whose political book on Kuwait is banned here). Nafisi's articles, written in parable form, called for the downfall of tyranny and tyrants and the disrespecting comments about Kuwaiti businessmen, their greed and their lack of social and political spirit. According to a source in the Amiri Diwan the GOK had for some weeks been contemplating action against al-Tali'a, and MFA Legal Advisor Rozougli told us that there were too many al-Tali'a articles which meddled with domestic affairs.

COMMENT: While the Government's mild reaction to the opposition memorandum seemed to indicate a greater toleration of opposition political activities than has been the case for more than two years, the suspension of al-Tali'a and al-Hadaf show that the GOK is not prepared yet to permit a return to the free-swinging politics that existed in Kuwait prior to the suspension of the National Assembly in August 1976.
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(C) Earlier this year this group of political activists was careful in circulating its views anonymously under the label "Democratic Group" (KUWAIT 692). In May the group came out in the open with the sign-

MEMORANDUM TO THE CROWN PRINCE, WHICH HE REFUSED TO ACCEPT. Without specifically mentioning the Crown Prince, Kuwait's only indigenous dissident publication, the weekly al-Tall'a, on May 15 asserted that his refusal to accept the memorandum showed that the Government was willing to open its doors to all viewpoints on the resumption of parliamentary life, which Tall'a claimed shows that the authorities are a circumscribed concept of democracy. With this article and others, Tall'a exhibited a growing boldness in commenting on political issues.

Publications Suspended. Opposition political activity continued with little apparent Government reaction until mid-June when al-Tall'a was suspended for three months for violating the Publications Law. The weekly al-Hadaf was suspended for one month. The ostensiblyason for banning al-Tall'a was two articles in its June 12 edition, of which implied that the visit of Queen Elizabeth and the election Margaret Thatcher signaled a resurgence of British "imperialism" in the Gulf. The other, dealing with the construction of a highway bridge between Saudi Arabia and Bahrain, implied that the Saudis were seeking to supplant traditional Kuwaiti influence in Bahrain. What aroused GOK ire over the June 12 edition, according to two inside sources, was a statement openly condemning the GOK for acting against "nationalist patriots" by permanently deporting Palestinian journalist Amri Sidiq late last month. A reporter with the Kuwaiti al-Watan, Sidiq had written articles critical of Arab League efforts that wished to boycott PDRY. The GOK also clamped down on al-Hadaf, a weekly affiliated with al-Watan on June 16. Objection was taken to articles published June 14 by Abdullah al-Nafisi (whose political book on Kuwait is banned here). Nafisi's articles, written in a parable form, called for the downfall of tyranny and tyrants and the respectful comments about Kuwaiti businessmen, their greed and their lack of social and political spirit. According to a source in the Amiri Diwan the GOK had for some weeks been contemplating action against al-Tall'a, and MFA Legal Advisor Razoughid us that there were too many al-Tall’a articles which meddled in domestic affairs.

COMMENT: While the Government's mild reaction to the opposition memorandum seemed to indicate a greater tolerance of opposition political activities than has been the case for more than two years, the suspension of al-Tall’a and al-Hadaf show that the GOK has not yet prepared to allow a return to the free-swinging politics that existed in Kuwait prior to the suspension of the National Assembly in August 1976.
LABOR AS A POTENTIAL THREAT IN KUWAIT. OF KUWAIT'S TOTAL WORK FORCE OF SOMEWHAT OVER 300,000 PERSONS, LESS THAN 10 PERCENT ARE KUWAITIS. ALTHOUGH NON-KUWAITIS CAN BECOME UNION MEMBERS AFTER RESIDING IN KUWAIT FOR FIVE CONSECUTIVE YEARS, ONLY KUWAITIS CAN VOTE IN UNION ELECTIONS AND ONLY KUWAITIS CAN HOLD UNION OFFICE. IN WHAT FOLLOWS WE DISCUSS THE POTENTIAL THREAT POSED BY ORGANIZED (PRIMARILY KUWAITI) LABOR AND BY UNORGANIZED WORKERS, THE VAST MAJORITY OF WHOM ARE NON-KUWAITI. LATTER GROUP CAN BE ROUGHLY DIVIDED INTO THOSE WHO CONSIDER THEMSELVES TEMPORARY, "GUEST-WORKERS" IN KUWAIT, AND THOSE, PRIMARILY PALESTINIANS, WHO FOR ALL INTENTS AND PURPOSES ARE PERMANENT RESIDENTS OF KUWAIT.


AS REPORTED REF A, UNION ACTIVITY IN KUWAIT HAS BEEN ORGANIZED FOR SOME YEARS, THE GOVERNMENT TOLERATES THE LEFTIST RHETORIC OF THE LEADERSHIP OF THE UNION CONSIDERATION OF WORKERS (THE OVERALL GOVERNING BODY OF THE LABOR UNIONS) AS LONG AS THEIR VERBAL FIREWORKS ARE CONFINED TO INTERNATIONAL EVENTS. THERE APPEARS TO BE A MUTUAL AGREEMENT BETWEEN THE GOVERNMENT AND THE UNIONS THAT LIMITS DOMESTIC CRITICISM TO CALLS FOR SUCH REFORMS AS THE RECONSTITUTION OF THE NATIONAL ASSEMBLY OR THE EXTENSION OF SOCIAL BENEFITS TO FOREIGN WORKERS. DOMESTIC CRITICISM IS NOT PERMITTED TO GO BEYOND VERY NARROW LIMITS. WHEN IT EXCEEDS THE GOVERNMENT STEPS IN.

E.0. 12065: GDS 6/19/65 (BUCK, STEPHEN W.) OR-E
TAGS: PINT, ELAS, KD
SUBJECT: POLITICAL RE-ASSESSMENT: LABOR NOT A DESTABILIZING ELEMENT IN KUWAIT

REF: (A) KUWAIT A-16 OF JUNE 15, 1979 (NOTAL), (2) KUWAIT 2718 (NOTAL), (C) KUWAIT 2111 (NOTAL), (3) 78 KUWAIT 478 (NOTAL), (E) KUWAIT A-38 OF AUGUST 22, 1976 (NOTAL), (F) KUWAIT A-29 OF MAY 14, 1977 (NOTAL), (G) STATE 36873

1. (C-ENTIRE TEXT)

2. SUMMARY: ANALYSIS WHICH FOLLOWS LEADS TO CONCLUSION THAT LABOR IN KUWAIT POSSES LITTLE THREAT TO THE STABILITY OF THE PRESENT GOVERNMENT. THE GOVERNMENT見た CLOSE WATCH ON ACTIVITY OF ORGANIZED LABOR, WHOSE LEADERSHIP IS ENTIRELY KUWAITI. IT ALWAYS HAS BEEN ABLE TO SQUEEZE QUICKLY UNION ACTIVITY WHICH OFFERED POSSIBILITY OF GETTING OUT OF HAND. IT PERMITS LOCAL LABOR LEADERS TO USE A HIGH LEVEL OF LEFTIST RHETORIC AS LONG AS THIS IS DIRECTED AT TARGETS OUTSIDE KUWAIT, OTHER WORKERS IN KUWAIT, WHO ARE OVERWLEIMINGLY NON-KUWAITI, ARE TOO DISORGANIZED AND DISORGANIZED TO BE A SERIOUS THREAT TO THE GOVERNMENT. KUWAITI WORKERS, CONCENTRATED IN THE GOVERNMENT, ARE GENERALLY CONTENT WITH THE FAIRLY GENEROUS BENEFITS THEY RECEIVE AND THE LITTLE WORK ACTUALLY REQUIRED OF THEM, EXPATRIATE WORKER DISCONTENT IS BALANCED BY THE FACT THAT SALARIES IN KUWAIT ARE MUCH HIGHER THAN THEY COULD GET ELSEWHERE AND BY THE KNOWLEDGE THAT THEY CAN QUICKLY BE DEPORTED IF THEY CAUSE TROUBLE. ON BALANCE, THE LABOR SCENE IN KUWAIT SHOULD REMAIN FAIRLY QUIET. IN THE UNLIKELY EVENT THAT ONE OF THE UNIONS OR A LARGE SEGMENT OF THE UNORGANIZED WORK FORCE DOES BECOME DEMANDING, THE GOVERNMENT CAN WELL AFFORD TO BUY THEM OFF, STANDARD KUWAITI PRACTICE WHEN CONFRONTED WITH A DIFFICULT PROBLEM. END SUMMARY.
LABOR AS A POTENTIAL THREAT IN KUWAIT. OF KUWAIT'S TOTAL WORK FORCE OF SOMEWHAT OVER 300,000 PERSONS, LESS THAN 10 PERCENT ARE KUWAITIS.ALTHOUGH NON-KUWAITIS CAN BECOME UNION MEMBERS AFTER RESIDING IN KUWAIT FOR FIVE CONSECUTIVE YEARS, ONLY KUWAITIS CAN VOTE IN UNION ELECTIONS AND ONLY KUWAITIS CAN HOLD UNION OFFICE. IN WHAT FOLLOWS WE DISCUSS THE POTENTIAL THREAT POSED BY ORGANIZED (PRIMARILY KUWAITI) LABOR AND BY UNORGANIZED WORKERS, THE VAST MAJORITY OF WHOM ARE NON-KUWAITI. LATTER GROUP CAN BE ROUGHLY DIVIDED INTO THOSE WHO CONSIDER THEMSELVES TEMPORARY, "GUEST-WORKERS" IN KUWAIT, AND THOSE, PRIMARILY PALESTINIANS, WHO FOR ALL INTENTS AND PURPOSES ARE PERMANENT RESIDENTS OF KUWAIT.

ORGANIZED LABOR, WITH THE EXCEPTION OF SOCIAL CLUBS AND IN THE CASE OF THE PALESTINIANS, SOME PROFESSIONAL SOCIETIES, ASSOCIATIONS OF FOREIGNERS ARE BANNED, LABOR UNIONS, EVEN THOUGH THEY DO NOT HAVE THE RICH OF COLLECTIVE BARGAINING, ARE AMONG THE FEW ORGANIZATIONS IN KUWAIT WHICH AT LEAST INHERENTLY HAVE THE POTENTIAL TO ACT AS POLITICAL ORGANIZATIONS. UNIONS IN KUWAIT HAVE ONLY BEEN ORGANIZED FOR THREE SECTORS OF THE ECONOMY: THE GOVERNMENT, THE BANKS AND THE PETROLEUM INDUSTRY. THE GOVERNMENT EMPLOYEES UNIONS ARE ORGANIZED BY MINISTRY, THE PETROLEUM WORKERS UNIONS BY COMPANY AND THE BANK EMPLOYEES IN ONE UNION COVERING 57 OF KUWAIT'S 7 COMMERCIAL BANKS. UNION MEMBERSHIP IS VOLUNTARY; KUWAITI LAW MEMBERS CAN RESIGN AT ANY TIME.

AS REPORTED REF A, UNION ACTIVITY IN KUWAIT HAS BEEN ENDURANT FOR SOME YEARS. THE GOVERNMENT TOLERATES THE LEFTIST RHETORIC OF THE KUWAIT CON-DERATION OF WORKERS. THE OVERALL GOVERNING BODY OF THE LABOR UNIONS AS LONG AS THEIR VERBAL FIREWORKS ARE CONFINED TO INTERNATIONAL EVENTS. THERE APPEARS TO BE A SUICIDE AGREEMENT BETWEEN THE GOVERNMENT AND THE UNIONS THAT LIMITS DOMESTIC CRITICISM TO CALLS FOR SUCH REFORMS AS THE RECONSTITUTION OF THE NATIONAL ASSEMBLY OR THE EXTENSION OF SOCIAL BENEFITS TO NON-KUWAITIS. DOMESTIC CRITICISM IS NOT PERMITTED TO GO BEYOND VERY NARROW LIMITS. WHEN IT VIOLATES THE GOVERNMENT STEPS IN.

1. (C-ENTIRE TEXT).

2. SUMMARY: ANALYSIS WHICH FOLLOWS LEADS TO CONCLUSION THAT LABOR IN KUWAIT POSES LITTLE THREAT TO THE STABILITY OF THE PRESENT GOVERNMENT. THE GOVERNMENT KEEPS A CLOSE WATCH ON ACTIVITY OF ORGANIZED LABOR, WHOSE LEADERSHIP IS EN-TIRELY KUWAITI. IT ALWAYS HAS BEEN ABLE TO SQUEEZE QUICKLY OUT OF THE LABOR SCENE IN KUWAIT SHOULD REMAIN FAIRLY QUIET. IN THE UNLIKELY EVENT THAT ONE OF THE UNIONS OR A LARGE SEGMENT OF THE UNORGANIZED WORK FORCE DOES BECOME DEMANDING, THE GOVERNMENT CAN AFFORD TO BUY THEM OFF, STANDARD KUWAITI PRACTICE WHEN CONFRONTED WITH A DIFFICULT PROBLEM. END SUMMARY.
PETROLEUM WORKERS: ENGAGED IN THE MOST IMPORTANT SECTOR OF KUWAITI ECONOMY, THE PETROLEUM WORKERS UNIONS WERE THE FIRST ESTABLISHED AND HAVE TRADITIONALLY BEEN THE MOST ACTIVE. IN A RECENT SURVEY (REF B) WE CONCLUDED THAT WORKER DISRUPTION OF PRODUCTION IS UNLIKELY AND THAT A SOON TO BE GRANTED WAGE INCREASE SHOULD KEEP THE PETROLEUM WORKERS CONTENT FOR SOME TIME COME.


THE COMMENTS ABOVE APPLY GENERALLY TO NON-KUWAITI WORKERS IN THESE SECTORS AS WELL. UNDER THE NEW CIVIL SERVICE PAY Scales, THE OLD BASE Salaries DIFFERENTIATED BETWEEN KUWAITIS AND NON-KUWAITIS WERE ELIMINATED, ALTHOUGH REMOVED AT LEAST ONE KIND OF POTENTIAL DISCONTENT FOR NON-KUWAITI CIVIL SERVANTS, MANY OF WHOM WORK MUCH HARDER THAN THEIR KUWAITI CO-EMPLOYEES. SOCIAL ALLOWANCES FOR KUWAITIS CONTINUE TO BE HIGHER THAN FOR NON-KUWAITIS AND THE NEW ALLOWANCE SCALES, ANYTHING, INCREASE THIS DIFFERENTIAL. HOWEVER, SINCE THE SOCIAL ALLOWANCE IS REALLY A WELFARE BENEFIT AND HAS LITTLE RELATION TO JOB SKILLS OR PERFORMANCE, AT LEAST THE PSYCHOLOGICAL RISK OF RECEIVING DIFFERENT PAY FOR THE SAME WORK IS BEEN MOVED FOR NON-KUWAITIS (SEE REF A).

THE NON-UNIONIZED WORK FORCE, ACCORDING TO THE 1975 CENSUS, WORK FORCE IN KUWAIT WAS BROKEN DOWN AS FOLLOWS (FIGURES UNDER):

KUWAITI

KUWAITI

KUWAITI

KUWAITI

TOTAL-

90,000

320,000
PETROLEUM WORKERS: ENGAGED IN THE MOST IMPORTANT SECTOR OF KUWAITI ECONOMY, THE PETROLEUM WORKERS UNIONS WERE THE FIRST ESTABLISHED AND HAVE TRADITIONALLY BEEN THE MOST ACTIVE. IN A RECENT SURVEY (REF B) WE CONCLUDED THAT WORKER DISRUPTION OF PRODUCTION IS UNLIKELY AND THAT A SLOW TO BE GRANTED WAGE INCREASE SHOULD KEEP THE PETROLEUM WORKERS CONTENT FOR SOME TIME COME.


THE COMMENTS ABOVE APPLY GENERALLY TO NON-KUWAITI WORKERS IN THOSE SECTORS AS WELL. UNDER THE NEW CIVIL SERVICE PAY RATES, THE OLD BASE SALARY DIFFERENTIALS BETWEEN KUWAITI AND NON-KUWAITI WERE ELIMINATED, BUT REMOVING AT LEAST ONE SENSE OF POTENTIAL DISCONTENT FOR NON-KUWAITI CIVIL SERVANTS, MANY OF WHOM WORK MUCH HARDER THAN THEIR KUWAITI COUNTERPARTS. SOCIAL ALLOWANCES FOR KUWAITIS CONTINUE TO BE HIGHER THAN FOR NON-KUWAITIS AND THE NEW ALLOWANCE SCALES, ANYTHING, INCREASE THIS DIFFERENTIAL. HOWEVER, THE SOCIAL ALLOWANCE IS REALLY A WELFARE BENEFIT AND HAS LITTLE TO NATION TO JOB SKILLS OR PERFORMANCE, AT LEAST THE PSYCHOLOGICAL SENSE OF RECEIVING DIFFERENT PAY FOR THE SAME WORK HAS BEEN REMOVED FOR NON-KUWAITIS (SEE REF A).

THE NON-UNIONIZED WORK FORCE, ACCORDING TO THE 1975 CENSUS, THE WORK FORCE IN KUWAIT WAS BROKEN DOWN AS FOLLOWS (FIGURES UNDED):

<table>
<thead>
<tr>
<th>Country</th>
<th>Work Force</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kuwait</td>
<td>90,000</td>
</tr>
<tr>
<td>Lebanese/Jordanian</td>
<td>47,500</td>
</tr>
<tr>
<td>Egyptian</td>
<td>37,500</td>
</tr>
<tr>
<td>Italian</td>
<td>29,000</td>
</tr>
<tr>
<td>Jordanian</td>
<td>21,500</td>
</tr>
<tr>
<td>Czech</td>
<td>16,500</td>
</tr>
<tr>
<td>French</td>
<td>11,500</td>
</tr>
<tr>
<td>Russian</td>
<td>7,000</td>
</tr>
<tr>
<td>Other</td>
<td>10,500</td>
</tr>
<tr>
<td>TOTAL</td>
<td>210,000</td>
</tr>
</tbody>
</table>

980
CONTRACT WORKERS, THIS DOES NOT MEAN THAT THE GOV IS
CONCERNED ABOUT THE HIGH PROPORTION OF NON-KUWAITIS IN
WORK FORCE. IT EXAMINES NEW PROJECT PROPOSALS FOR THEIR
ACT ON MANPOWER NEEDS AND HAS REJECTED PROJECTS WHICH WOULD
BE TOO HEAVY A RELIANCE ON EXPATRIATE LABOR OVER AN
EXTENDED PERIOD OF TIME, INCREASINGLY WORKERS
IMPORTED BY CONTRACTORS ON SHORT TERM LABOR CONTRACTS
WORK ON SPECIFIC PROJECTS, THE INCREASE FROM A FEW
SOUTH KOREAN WORKERS IN KUWAIT IN 1973 TO 12000 NOW
A GOOD EXAMPLE OF THIS TRENDS, THE SOUTH KOREANS HAVE
NORMALLY ALLOWED THE KUWAITI BY BEING EXTREMELY DISCIPLINED
RELATIVELY CHEAP WORKERS WHO DO NOT CAUSE TROUBLE AND ARE
USEFUL IN LOCAL LIFE, SINCE VIRTUALLY ALLEL X.
REMOTE COMPENSATION, INDIANS AND PAKISTANI, ARE ALSO
LESS REPRESENTED AS CONTRACT WORKERS, THE MAJOR INDIAN
ACTOR HERE, ENGINEERING PROJECTS OF INDIA, HAD LABOR
EMBS LAST YEAR AS A RESULT OF INJURY VIOLENCE WHICH WAS QUICKLY
ASSISTED BY THE POLICE AND THE TERRORIZING OF THE TERRORIST
ARRESTED AND DEPORTED, AND TERRORIZE HAVE BEEN NO INCIDENTS
THAT TIME. EVEN IN THE EVENT THERE WERE SERIOUS UREST
CONTRACT WORKERS, IT IS UNLIKELY TO REPRESENT A SERIOUS
THREAT TO THE STABILITY OF THE GOV. KUWAIT'S ARAB MAJORITY
LOOK DOWN ON ASIAN WORKERS AND WOULD BE UNLIKELY TO
ATTACK ASIAN WORKERS' GRIEVANCES.

"RESIDENT" PALESTINIANS, PALESTINIANS MAKE UP PERHAPS
ONE OF KUWAIT'S 1.2 MILLION POPULATION AND ABOUT 15
PERCENT OF THE WORKFORCE. THEY OCCUPY KEY POSITIONS IN
VARIOUS SECTORS OF KUWAITI LIFE, AS A NATIONAL GROUP
THEY COULD BE A STABILIZING INFLUENCE IN KUWAIT.
JUST LADIES, AS A SUBJECT LIMITS OUR DISCUSSION TO THE
FUTUHER THREAT FROM PALESTINIAN WORKERS, BECAUSE OF THE
INTERFERENCE OF THE MANY PALESTINIANS WHO OCCUPY PROFESSIONAL
MANAGEMENT POSITIONS IN THE PRIVATE SECTOR AND THE
GOVERNMENT. THE PALESTINIAN COMMUNITY TENDS TO BE SPREAD
ACROSS LEBANON, JORDAN, AND ISRAEL, HAVING LARGEST ORGANIZATIONS
ACROSS THE BOARD. THE POSSIBILITY OF PALESTINIAN WORKERS ORGANIZING
TO WORKING TOGETHER, (E.G., STRIKING, DEMONSTRATING, ETC.), AS A
PALESTINIAN LABOR GROUP FOR SPECIFICALLY LABOR ISSUES APPEARS
TO HAVE SEVERAL REASONS, THERE HAVE BEEN FEW, IF ANY,
ACTIVITIES BY THE PALESTINIAN COMMUNITY IN THE DIRECTION OF
ACTIVITIES, THIS INCLUDES THE MSL, PALESTINIAN ORGANIZATIONS
LIMITED TO PROFESSIONAL SOCIETIES (DOCTORS, DENTISTS,
ENGINEERS, WRITERS, ETC.). ACTIVITIES OF THESE GROUPS ARE CLOSELY
MONITORED BY THE GOVERNMENT AND ARE LIMITED IN SCOPE, AS MAJOR
PRIVATE AND PUBLIC SECTORS, KUWAITI LABOR GROUPS ARE SUPPOSED TO
GETDOM, DOMESTIC PEACE AND QUIET. ANOTHER
WORKING AGAINST A PALESTINIAN LABOR MOVEMENT HERE IS THAT
IS A MINORITY WITHIN ANY GIVEN SECTOR OF THE ECONOMY.
SOMETIMES PALESTINIAN LABOR ACTION HAS NEVER
BEEN SEEN. IF ONE DID IT MIGHT WELL BE RESISTED BY OTHER
AGENCIES. FINALLY, WHILE SOME PALESTINIANS RESIST THE
REPRESSION OF THE GOVERNMENT, LIFE FOR PALESTINIANS
WORKING IN KUWAIT IS PROBABLY BETTER THAN THE LIMITED OPTIONS
AVAILABLE TO THEM ELSEWHERE.
2. (C) THE PROCEDURE OF FORMING A CONSTITUTIONAL REVISION COMMITTEE, WHICH WAS PROVIDED FOR IN THE AMIRI DECREES DISSOLVING THE NATIONAL ASSEMBLY IN 1976, WAS THE TARGET OF OPPOSITION CRITICISM AT THE TIME AND AGAIN LAST MAY WHEN 31 FORMER KUWAITI LEGISLATORS IN A POINTED MEMORANDUM TO SHAIKH SAAD OBSERVED THAT CONSTITUTIONAL AMENDMENTS COULD ONLY BE ACCOMPLISHED WITH APPROVAL OF THE NATIONAL ASSEMBLY (REF D). THAT IS, RESORT TO A CONSTITUTIONAL COMMITTEE WAS NOT FORESEEN BY THE KUWAITI CONSTITUTION. HOWEVER, AS MINISTRY OF FOREIGN AFFAIRS SECRETARY RASEID AL-RASHID (PROFIT) REMARKED TO AMBASSADOR MAESTRONI ON JUNE 27, KUWAIT WOULD BE LEFT IN AN ANOMALOUS POSITION IF A PARLIAMENT, ONCE ELECTED, CHOSE TO REJECT PROVISIONS PROPOSED BY THE CONSTITUTIONAL COMMITTEE. IN RASHID'S VIEW, A CONSTITUTIONAL ASSEMBLY SHOULD BE ELECTED TO CONSIDER ANY NEEDED REVISION SO AS TO RESOLVE ANY DOUBTS ABOUT LEGALITY. AL-RASHID ADDED THERE WAS SUBSTANTIAL SENTIMENT BUILDING UP FOR THIS PROCEDURE RATHER THAN THE ONE SPECIFIED IN THE DECREES.

3. (C) COMMENT. IN COMMENTING TO THE PRESS SHAHEKH SAAD ALSO PRONOUNCED THE GENERAL PRINCIPLE THAT "WE BELIEVE IN FREEDOM AND RESPONSIBILITY." IN THIS BRIEF STATEMENT IS ENCAPSULATED THE DIFFICULTY THE GOVERNMENT FACES IN RESORING PARLIAMENTARY LIFE HERE. THERE IS WIDESPREAD BELIEF THAT THE NATIONAL ASSEMBLY SHOULD BE REESTABLISHED IN ORDER TO PROVIDE FOR FREE EXPRESSION BY THE KUWAITI PEOPLE. LEST KUWAITI PEOPLE BE CHARGED WITH SUPPRESSION OF POPULAR WILL LIKE THE SHAH. HOWEVER, THE GOVERNMENT IS LOATH TO RETURN TO THE DAYS WHEN KUWAIT'S SMALL OPPOSITION FACTIONS (ABOUT 10 PERCENT OF THE PARLIAMENTARY REPRESENTATION) USED THE PARLIAMENT AS A FORUM TO ATTACK THE GOVERNMENT ON DOMESTIC ISSUES AND TO DEBATE INTER-ARAB ISSUES IN A MANNER WHICH THE GOVERNMENT FEARED WOULD EMPLAINE SENTIMENTS AMONG KUWAIT'S LARGE POPULATION OF ARAB EXPATRIATES, PARTICULARLY PALESTINIANS, OR INVOLVE KUWAIT IN QUARRELS WITH OTHER ARAB STATES.

SUTHERLAND

BT

#3302

12021 W/A

DOM AMR, OGEN, COEN, KU, US

DDCF: EMERGENCY AND EVACUATION: ESTIMATED NUMBER OF POTENTIAL EVACUEES AND PRIVATE AMERICAN RESIDING ABROAD (REPORT F-T-77)

(A) STATE 170896, (B) 76 STATE A-2876

LIMITE OFFICIAL USE

I: ESTIMATED NUMBER OF POTENTIAL EVACUEES

COMMONWEALTH 37

CPS & TDY

DEPENDENTS OF DOD 66

PERSONNEL

HER USG PERSONNEL 48

DEPENDENTS OF OTHER, USG PERSONNEL 59

AMERICAN RESIDENTS 2,300 (A)
CONTRACT WORKERS, THIS DOES NOT MEAN THAT THE GOB IS CONCERNED ABOUT THE HIGH PROPORTION OF NON-KUWAITIS IN WORK FORCE. IT EXAMINES NEW PROJECT PROPOSALS FOR THEIR IMPACT ON MANPOWER NEEDS AND HAS REJECTED PROJECTS WHICH WOULD REQUIRE HEAVY RELIANCE ON EXPATRIATE LABOR OVER A NODER PERIOD OF TIME. INCREASINGLY WORKERS IMPORTED BY CONTRACTORS ON SHORT-TERM LABOR CONTRACTS WORK ON SPECIFIC PROJECTS, THE INCREASE FROM A FEW THOUSAND IN 1976 TO 12,000 NOW IS A GOOD EXAMPLE OF THIS TREND. THE SOUTH KOREANS HAVE NORMALLY BEEN THE KUWAITIS BY BEING EXTREMELY DISCIPLINED, RELATIVELY CHEAP WORKERS WHO DO NOT CAUSE TROUBLE AND ARE VERIFIED IN LOCAL LIFE, AND ARE TRULY OF A REMOTE COMPOUND. INDIA AND PAKISTAN ARE, TO A LESSER DEGREE, MALAYSIA, BANGLADESH AND PHILIPPINES, ARE ALSO REPRESENTED AS CONTRACT WORKERS, THE MAJOR INDIAN ACTOR HERE, ENGINEERING PROJECTS OF INDIA, LABOR EMBS LAST YEAR RESULTING IN HOMICIDE VIOLENCE WHICH WAS QUICKLY SUBJECTED BY THE POLICE. RINGLEADERS OF THE DISTURBANCE ARRESTED AND DEPORTED, BUT THERE HAVE BEEN NO INCIDENTS THAT TIME. EVEN IN THE EVENT THERE WERE SERIOUS UNREST, CONTRACT WORKERS, IT IS UNLIKELY TO REPRESENT A SERIOUS THREAT TO THE STABILITY OF THE GOB. KUWAIT’S ARAB MAJORITY IS TO LOOK DOWN ON ASIAN WORKERS AND WOULD BE UNLIKELY TO HIGHLIGHT ASIAN WORKERS’ GRIEVANCES.

11. In sum, we believe that labor in Kuwait - Kuwaiti and non-Kuwaiti - represents little, if any threat to the stability of the present government. The govt keeps a tight watch on organized labor activity and has, in the past, been quick to put a stop to action which might exceed the limits of official toleration. Eastern European diplomats have been fairly active in their cultivation of Kuwaiti labor leaders, but this fact is well known to the government, which permits a high degree of leftist union rhetoric so long as it is directed at acceptable targets outside Kuwait. Other workers in Kuwait, particularly expatriates, are too disorganized to be a serious threat to the government. Kuwaiti workers, mostly government employees, are generally content with the fairly generous benefits they receive and the fact that little work is actually required of them. Expatriates' grievances are balanced by salaries much higher than they can obtain elsewhere and by the knowledge that they can quickly be detoxified if they cause trouble. The labor scene in Kuwait should remain quiet. In the unlikely event that one of the unions or a large segment of the work force does cause trouble, the government can well afford to buy them off, as has been standard Kuwaiti practice when confronted with problems in the past. Maestro
11. IN SUM, WE BELIEVE THAT LABOR IN KUWAIT - KUWAITI AND NON-KUWAITI - REPRESENTS LITTLE, IF ANY, THREAT TO THE STABILITY OF THE PRESENT GOVERNMENT. THE GOVERNMENT KEEPS A TIGHT WATCH ON ORGANIZED LABOR ACTIVITY AND HAS, IN THE PAST, BEEN QUICK TO PUT A STOP TO ACTION WHICH MIGHT EXCEED THE LIMITS OF OFFICIAL TOLERATION. EASTERN EUROPEAN DIPLOMATS HAVE BEEN FAIRLY ACTIVE IN THEIR CULTIVATION OF KUWAITI LABOR LEADERS, BUT THIS FACT IS WELL KNOWN TO THE GOVERNMENT, WHICH PERMITS A HIGH DEGREE OF LEFTIST UNION Rhetoric SO LONG AS IT IS DIRECTED AT ACCEPTABLE TARGETS OUTSIDE KUWAIT. OTHER WORKERS IN KUWAIT, PARTICULARLY EXPATRIATES, ARE TOO DISORGANIZED TO BE A SERIOUS THREAT TO THE GOVERNMENT.

KUWAITI WORKERS, MOSTLY GOVERNMENT EMPLOYEES, ARE GENERALLY Content WITH THE FAIRLY GENEROUS BENEFITS THEY RECEIVE AND THE FACT THAT LITTLE WORK IS ACTUALLY REQUIRED OF THEM. EXPATRIATES' GRIEVANCES ARE BALANCED BY SALARIES MUCH HIGHER THAN THEY CAN OBTAIN ELSEWHERE AND BY THE KNOWLEDGE THAT THEY CAN QUICKLY BE DEPLOYED IF THEY CAUSE TROUBLE. THE LABOR SCENE IN KUWAIT SHOULD REMAIN QUIET. IN THE UNLIKELY EVENT THAT ONE OF THE UNIONS OR A LARGE SEGMENT OF THE WORK FORCE DOES CAUSE TROUBLE, THE GOVERNMENT CAN WELL AFFORD TO BUY THEM OFF, AS HAS BEEN STANDARD KUWAITI PRACTICE WHEN CONFRONTED WITH PROBLEMS IN THE PAST. MAESTRENE
2. (c) The procedure of forming a constitutional revision committee, which was provided for in the Amiri Decrees Dissolving the National Assembly in 1976, was the target of opposition criticism at the time and again last May when 31 former Kuwaiti legislators in a pointed memorandum to Shaikh Saad observed that constitutional amendments could only be accomplished with approval of the National Assembly (Ref D). That is, resort to a constitutional committee was not foreseen by the Kuwaiti Constitution. Moreover, as Ministry of Foreign Affairs Under Secretary Rashid Al-Rashid (Protest) remarked to Ambassador Maestrale on June 27, Kuwait would be left in an anomalous position if a Parliament, once elected, chose to reject provisions proposed by the constitutional committee. In Al-Rashid’s view, a constitutional assembly should be elected to consider any necessary revision so as to remove any doubts about legality. Al-Rashid added there was considerable sentiment building up for this procedure rather than the one specified in the decree.

3. (c) Comment. In commenting to the press Shaikh Saad also pronounced the general principle that “we believe in freedom and responsibility. In this brief statement is encapsulated the difficulty the Gok faces in resuming parliamentary life here. There is widespread belief that the National Assembly should be reestablished in order to provide for free expression by the Kuwaiti people. Last Kuwait’s rulers be charged with suppression of popular will like the sheik. However, the Gok is loath to return to the days when Kuwait’s small opposition factions (about 10 percent of the parliamentary representation) used the Parliament as a forum to attack the government on domestic issues and to debate inter-Arab issues in a manner which the Gok feared would enflame sentiments among Kuwait’s large population of Arab emigrants, particularly Palestinians, or involve Kuwait in quarrels with other Arab states.

Sutherland
BT
#3302

42
6. AMERICAN TOURISTS 3RD QTR. 4TH QTR. 1ST QTR. 2ND QTR.
   VISITORS 100 100 150

7. OTHER POTENTIAL EVACUEES 100 (B)

8. TOTAL 2,902
   (A) AN ESTIMATED 1,700 AMERICAN CITIZENS ARE ACTUALLY
      REGISTERED AT POST.
   (B) ESTIMATED NUMBER OF ALIEN MEMBERS OF FAMILIES
      AMERICAN CITIZENS OTHER THAN THOSE REPORTED IN
      FAMILIES OF USG EMPLOYEES. THE TWENTY REPUBLIC OF
      KOREA TRADE MISSION STAFF AND DEPENDENTS REPORTED
      LAST YEAR HAVE BEEN DELETED. THE KOREAN MISSION
      HAS BEEN UPGRADED TO AN EMBASSY AND THERE ARE NOW
      SEVERAL THOUSAND KOREAN NATIONALS (PRIMARILY
      CONSTRUCTION WORKERS) IN KUWAIT. EMBASSY
      KUWAIT WOULD LIKE GUIDANCE AS TO WHETHER OR NOT
      THE KOREANS OR ANY OTHER FOREIGN MISSION SHOULD
      BE CONTACTED REGARDING OUR E&E PLANS AND, IF SO, IN WHAT
      CONTEXT. END OF LIMITED
      OFFICIAL USE

BEGIN UNCLASSIFIED

PART II - PRIVATE AMERICANS RESIDING ABROAD
A. BUSINESSMEN 150
B. EMPLOYEES (NOT
   INCLUDING TEACHERS) 300
C. STUDENTS OVER 17
   YEARS 0
D. MISSIONARIES, CLERGY 2
E. DEPENDENTS OF ABOVE 1,046
F. RETIRED AND THEIR
   DEPENDENTS 0
G. OTHERS (LARGELY
   TEACHERS AND TH
   AMERICAN SPOUSES AND
   CHILDREN OF ALIEN) 1,000
H. TOTAL OF PRIVATE
   RESIDENTS 2,500

END OF UNCLASSIFIED

SUTHERLAND 44

#3408
6. AMERICAN TOURISTS 3RD QTR. 4TH QTR. 1ST QTR. 2ND QTR.
AND OTHER TEMPORARY
VISITORS 100 100 150

7. OTHER POTENTIAL
EVACUEES 100 (B)

8. TOTAL
(A) AN ESTIMATED 1,700 AMERICAN CITIZENS ARE ACTUALLY
REGISTERED AT POST.
(B) ESTIMATED NUMBER OF ALIEN MEMBERS OF FAMILIES
AMERICAN CITIZENS OTHER THAN THOSE REPORTED IN
FAMILIES OF USG EMPLOYEES, THE TWENTY REPUBLIC OF
KOREA TRADE MISSION STAFF AND DEPENDENTS REPORTED
LAST YEAR HAVE BEEN DELETED. THE KOREAN MISSION
HAS BEEN UPGRADED TO AN EMBASSY AND THERE ARE NOW
SEVERAL THOUSAND KOREAN NATIONALS (PRIMARILY
CONSTRUCTION WORKERS) IN KUWAIT. EMBASSY
KUWAIT WOULD LIKE GUIDANCE AS TO WHETHER OR NOT
THE KOREANS OR ANY OTHER FOREIGN MISSION SHOULD
BE CONTACTED REGARDING OUR ERE PLANS AND,
IF SO, IN WHAT CONTEXT. END OF LIMITED
OFFICIAL USE

BEGIN UNCLASSIFIED

PART II - PRIVATE AMERICANS RESIDING ABROAD

A. BUSINESSMEN 150
B. EMPLOYEES (NOT
INCLUDING TEACHERS) 300
C. STUDENTS OVER 17
YEARS 0
D. MISSIONARIES, CLERGY 2
E. DEPENDENTS OF ABOVE 1,048
F. RETIRED AND THEIR
DEPENDENTS 0
G. OTHERS (LARGELY
TEACHERS AND TH
AMERICAN SPOUSES AND
CHILDREN OF ALIENS) 1,000
H. TOTAL OF PRIVATE
RESIDENTS 2,500

END OF UNCLASSIFIED
TABLE, NON-LEFTIST IRAN. END SUMMARY.


(C) JOINT COMMUNIQUE (REV A) EMPTHAZES AREAS OF COMMON INTEREST AND COOPERATION PARTICULARLY IN THE MILITARY, ECONOMIC, AND OIL AREAS. THERE ARE PRACTICAL REASONS, AS EXPLAINED BELOW, FOR ECONOMIC AND OIL COOPERATION. REFERENCE TO CULTURAL COOPERATION AS WELL AS THE KUWAITI CONGRATULATIONS EXPRESSED EARLIER IN THE COMMUNIQUE AS A RESPONSE TO THE ISLAMIC REVOLUTION SHOWS THE SUCCESS OF THE IRANIAN REVOLUTION PLEDGE TO RECORD KUWAIT'S SUPPORT FOR THE PRESENT IRANIAN GOVERNMENT (SUCH AS IT IS) IS IRANIAN. WHILE ONLY KUWAITIS HAVE DUBTS ABOUT THE MULTI-HEADED IRANIAN GOVERNMENT AND ABOUT THE ABILITY OF THE KUWAITI GOVERN, FEW WOULD WELCOME THE FALL OF PGD AS MOST KUWAITIS EXPECT ITS SUCCESSOR WOULD BE LEFTIST OR WORSE. MOST OTHER PARTS OF THE COMMUNIQUE, INCLUDING THE PARAGRAPHS ON THE PAKISTANIS ISSUE, CONTAIN EMBARGO PLAGUED ON PREVIOUS JOINT COMMUNIQUES ON IRAN. THE PASSAGES ON "NON-INTERFERENCE PEOPLE'S INTERNAL AFFAIRS" IS A STANDARD LAME PLATE LIFTED FROM THE UN CHARTER, BUT COULD BE USEFUL TO KUWAIT IN OFFERING REASSURANCE TO BAHRAIN ABOUT IRAN'S INTENTIONS.

(C) OIL ASKED BY CHARGE" ABOUT THE PRESENCE OF OILICIALS FROM THE OIL SECTOR IN THE DELEGATION, KUWAIT'S WINTER OF OIL, SHAHID AL KHALIFA AL-SABAH, SAID THE LAITI SIDE DID NOT PLAN TO RAISE OIL POLICY ISSUES OR OTHERS RELATING TO OPEC. REFFERING TO TECHNICAL PROBLEMS AT LIMITING IRAN'S OIL OUTPUT OF REFINED PRODUCTS AND THE POSSIBILITY THAT AS A RESULT IRAN MIGHT NOT HAVE SUFFICIENT HEATING OIL NEXT WINTER, SHOULD TECHNICAL DIFFICULTIES WORSEN, ALI KHALIFA SAID THAT KUWAIT WOULD WILLING TO ALIVER SITUATION IF NECESSARY.

1. (C) SUMMARY: KUWAITI FOREIGN MINISTERS TRIP TO TEHRAN JULY 21-22, WHICH HAD BEEN CONTEMPLATED BY KUWAITIS FOR SOME TIME, WAS DESIGNED TO BROADEN KUWAITI-IRANIAN CONTACT, AND PERHAPS PAVE THE WAY FOR BETTER ARAB- IRANIAN RELATIONS.

KUWAITIS DID NOT INTEND TO GO INTO OIL POLICY MATTERS DURING TRIP, BUT WERE PREPARED TO BE HELPFUL WITH WHATEVER PRACTICAL PROBLEMS ITAN MIGHT FACE IN TERMS OF DOMESTIC REFINED PRODUCT SHORTAGES NEXT WINTER. ANOTHER PRACTICAL ISSUE IS THE UNSNARLING OF KUWAITI-IRANIAN NON-PETROLEUM BILATERAL TRADE. PASSAGE ON GULF SECURITY IN JOINT COMMUNIQUE, AS USUAL, EXCLUDES ALL NON-REGIONAL STATES FROM PARTICIPATION IN THE "SAFEGUARDING" OF THE REGION, AND INTRODUCED A NEW, AND POSSIBLY OMINOUS, LANGUAGE UPHELDING FREEDOM OF NAVIGATION IN THE GULF PROVIDED SUCH NAVIGATION "DOES NOT DAMAGE THE SECURITY AND SAFETY OF THE REGION." THE FIRST KUWAITI MINISTERIAL VISIT TO IRAN SINCE THE FEBRUARY REVOLUTION IS ALSO MEANT TO SERVE KUWAIT'S LARGER INTEREST BY SHOWING SUPPORT FOR A
TABLE, NON-LEFTIST IRAN. END SUMMARY.

(U) COMPOSITION OF KUWAITI DELEGATION Underscores Ms. KUWAITI DEP PRIMIN/CHIEF SABAH AL-ABHAD

(S) MIED TEHRAN JULY 21-22. HE WAS ACCOMPANIED BY THREE

(T) CABINET OFFICIALS WHO TRACE THEIR FAMILY ORIGINS TO

(U) ARAB OR PERSIAN PARTS OF SOUTHERN IRAN, NAMELY THE

(U) DEPUTY UNDERSECRETARY AT THE MINISTRY OF COMMERCE AND

(U) INDUSTRY, ALI AL-WAZAN, THE ASSISTANT UNDERSECRETARY AT

(U) MINISTRY OF OIL, ABDUL HASSAN MULLA Hussein, AND THE

(U) DEPUTY MANAGING DIRECTOR AT KUWAIT NATIONAL PETROLEUM

(U) COMPANY, ABDULLA AL-GHARABALLI. SABAH AL-ABHAD WAS ALSO

(U) COMPANIONED BY SABAH MUBARAK JABER AL-ABHAD, DIRECTOR OF

(U) FOREIGN MINISTER'S OFFICE AND SON OF THE AMIR, AS

(U) ALL AS A NUMBER OF OTHER LESSER OFFICIALS.

(C) JOINT COMMUNIQUE (REV A) Emphasizes Areas of

(U) Interests and Cooperation Particularly in the

(U) Cultural, Economic, and Oil Spheres. There Are Practical

(U) Reasons, Explained Below, For Economic and Oil Cooperation.

(U) Reference to Cultural Cooperation as Well as the

(U) Kuwaiti Congratulations Expressed Earlier in the Communiqué

(U) the Success of the Islamic Revolution Serve to Record

(U) Kuwait's Support for the Present Islamic Government (Such

(U) It Is) Is Iran, While Many Kuwaitis Have Doubts About

(C) Multi-Headed Iranian Government and About the Ability

(U) Atollahs to Govern, Few Would Welcome the Fall of

(U) PGDI As Most Kuwaitis Expect Its Successor Would

(U) Leftist or Worse. Most Other Parts of the Communiqué,

(U) Including the Paragraph on the Palestinian Issue, Contain

(U) Language Found in Previous Joint Communiqués

(U) Issued by Kuwait. The Passages on "Non-Interference

(U) Other People's Internal Affairs" Is a Standard

(U) Phrase Lifted from the UN Charter, But

(U) Could Be Useful to Kuwait in Offering Reassurances

(U) Bahrain About Iran's Intentions.

(C) OIL ASKED BY CHARGE," About the Presence of

(T) Officials From the Oil Sector in the Delegation, Kuwait's

(U) Minister of Oil, SAIKH AL KHALIFA AL-SABAR, SAID THE

(U) KUWAITI SIDE DID NOT PLAN TO RAISE OIL POLICY ISSUES OR

(U) OTHERS RELATING TO OPEC. Referring to Technical Problems

(U) That Were Limiting Iran's Output of Refined Products and

(U) the Possibility That As a Result Iran Might Not Have

(U) Sufficient Heating Oil Next Winter, Should Technical

(U) Difficulties Worsen, Ali Khalifa Said That Kuwait Would

(U) Willing to Alleviate Situation if Necessary.
25 Jul 79  V2 5/2

NNMV EOB31EWA347
PP RUQMI
DB RUQMW #3524/82 2051232
2NY CCCCZ ZVB
PR 2412032 JUL 79
FM AMBASSAD RTU KUWAIT
TO RUBEC/SECSTATE WASHDC PRIORITY 4595
INFO RUQMB/AMBASSAD ABU DHABI 4610
RUQMQ/AMBASSAD AMRANTA 0853
RUSDH/USINT BAGHDAD 0795
RUDM/AMBASSAD DAMASCUS 1694
RUQMQ/AMBASSAD DOHA 2637
RUQMRA/AMBASSAD JIDDA 6412
RUDCE/AMBASSAD LONDON 3549
RUQMA/AMBASSAD MAHAMA 3299
RUQMM/AMBASSAD MUSCAT 2072
RUFPS/AMBASSAD PARIS 2258
RUQMRH/AMBASSAD TEHRAN 4796
BY
CONFIDENTIAL SECTION 02 OF 03 KUWAIT 3524

ALI KHALIFA ALSAID THAT SOME MONTHS AGO, AFTER KHOMEINI
POWER, KUWAIT HAD OFFERED TECHNICAL ASSISTANCE IN RESUMING
OIL PRODUCTION, EXPRESSING UNDERSTANDING FOR THE IRANIANS’
DIFFICULTY IN CONTINUING TO RELY ON WESTERN OIL FIELD
TECHNICIANS, KUWAIT OFFERED TO SEND THE IRANIANS SOME OF
THEIR ARAB TECHNICIANS WHO COULD BE EASILY REPLACE BY
WESTERNERS IN THE KUWAIT OIL SECTOR.

5. (C) TRADE. IN DISCUSSING FOREIGN MINISTER’S TRIP
WITH ADM JULY 22, KUWAIT MFA LEGAL ADVISOR TAREQ RAZOUQI
EXPLAINED THAT RELATIONS WITH IRAN HAD BEEN CONSTRICTED
SINCE MID-FEBRUARY AND FOREIGN MINISTER THOUGHT THE TIME
HAD COME TO OFFER “BOTH IRANIANS AND THEIR GOVERNMENT
THE OPPORTUNITY TO EXPAND THEIR RELATIONS WITH KUWAIT, AS
SABAH AL-ABDAM HAD PUT IT IN HIS ARRIVAL STATEMENT IN
TEHRAN THE DAY BEFORE. ELABORATING, RAZOUQI SAID THAT
SHORTLY AFTER THE REVOLUTION, IRANIAN CHARGE D E ABDULHUSAIN
GOLSHARIFI HAD COME TO RAZOUQI WITH A SPECIFIC REQUEST
THAT GOV READMIT AN IRANIAN WORKER WHO HAD BEEN EXPELLED
BEFORE KHOMENEI’S TAKEOVER FOR DISTRIBUTING ANTI-SHAR
LEAFLETS IN KUWAIT. THE MINISTRY OF INTERIOR DID NOT
BELIEVE IT ADVISABLE TO READMIT A MAN WITH A RECORD AS
A TROUBLEMAKER, BUT WHEN RAZOUQI BROUGHT TO HIS FOREIGN
MINISTER’S ATTENTION GOLSHARIFI’S ASSURANCES THAT THE MAN
HAD GAINED THE EAR OF KHOMENEI AND THAT IT WAS KHOMENEI’S
PERSONAL WISH THAT HE RETURN TO KUWAIT, THE FOREIGN MINISTER
OVERRULE THE INTERIOR MINISTER AND THE IRANIAN WAS ALLOWED
TO RETURN. IN ENSUING WEEKS, AS OTHER BILATERAL ISSUES
RAZOUQI MENTIONED ILLEGAL IRANIAN IMMIGRANTS OVERRUN DEBTS OWED FOR KUWAITI COMMERCIAL EXPORTS IN PETROLEUM-RELATED TRANSACTIONS. IT IS NOT CLEAR IF THE UNITED NATIONS RESOLUTION OF 1977 WHICH PROHIBITED COMMUNICATION WITH IRAN AFTER THE REVOLUTION IS STILL IN FORCE. RAZOUQI AND DILMA RUSSEFF BECAME THE CHANNEL FOR DISCUSSING THESE PROBLEMS AS WELL.

RAZOUQI POINTED OUT THAT IRAN, AFTER SAUDI ARABIA, IS THE LARGEST PURCHASER OF NON-PETROLEUM EXPORTS (IN VAT-RE-EXSPORTS) FROM KUWAIT ($200 MILLION IN 1976). THE REESTABLISHMENT OF SMOOTHLY OPERATING BILATERAL TRADE RELATIONS BETWEEN THE TWO COUNTRIES WAS OBVIOUSLY THE INTEREST OF BOTH SIDES. ABOUT 6 WEEKS AGO RAZOUQI PROPOSED THAT HE READING A TECHNICAL DELEGATION TO IRAN FOR RESOLUTION OF THESE ISSUES, BUT THE FOREIGN MINISTER SAID THAT HE PREFERRED TO UNDERTAKE THE MISSION HIMSELF. RAZOUQI EXPLAINED THAT KUWAIT'S INTEREST LAY IN PROMOTING STABILITY IN IRAN AND THAT MINISTERIAL VISIT WAS CALLED FOR IN ORDER TO SHOW THAT THE SURGE WAS SERIOUS ABOUT BEING SUPPORTIVE. EVENTS OF THE LAST 6 WEEKS HAD INTERFERED WITH ABD AL-ALI'S GOING TO IRAN UNTIL NOW. STRAINS IN IRAQ-IRAN RELATIONS WHICH KUWAIT DOES NOT WANT TO BE DIRECTLY INVOLVED, TEMPERED PUBLIC STATEMENTS AND CRITICISMS FROM SIDES OF THE GULF, AND THE CONFUSION OVER WHETHER OR NOT KUWAIT'S AIR WOULD MAKE A VISIT TO IRAN (REF B) CONTRIBUTED TO THE DELAY.

RAZOUQI MENTIONED THAT SOME MONTHS AGO, AFTER KMOMIPOWER, KUWAIT HAD OFFERED TECHNICAL ASSISTANCE IN RESUMING OIL PRODUCTION, EXPRESSING UNDERSTANDING FOR THE IRANIAN DIFFICULTIES IN CONTINUING TO RELY ON WESTERN OIL FIELD TECHNICIANS. KUWAIT OFFERED TO SEND THE IRANIANS SOME OF THEIR ARAB TECHNICIANS WHO COULD BE EASILY REPLACED BY WESTERNERS IN THE KUWAITI OIL SECTOR.

5. (C) TRADE. IN DISCUSSING FOREIGN MINISTER'S TRIP WITH MFA JULY 22, KUWAITI MFA LEGAL ADVISOR TAREQ RAZOUQI EXPLAINED THAT RELATIONS WITH IRAN HAD BEEN CONSTRUCTED SINCE MID-FEBRUARY AND FOREIGN MINISTER THOUGHT THE TIME HAD COME TO OFFER THEM BALKANS AND THEIR GOVERNMENT THE OPPORTUNITY TO EXPAND THEIR RELATIONS WITH KUWAIT, AS SABAH AL-ALI HAD PUT IT IN HIS ARRIVAL STATEMENT IN TEHRAN THE DAY BEFORE. ELABORATING, RAZOUQI SAID THAT SHORTLY AFTER THE REVOLUTION, IRANIAN CHARGE D'AFFaires ABDELUSSAID GOLSHIRI HAD COME TO RAZOUQI WITH A SPECIFIC REQUEST THAT KUWAIT REAPPEAL AN IRANIAN WORKER WHO HAD BEEN EXPULSED BEFORE KMOMI'S TAKEOVER FOR DISTRIBUTING ANTI-SHIRAFI LEAFLETS IN KUWAIT. THE MINISTRY OF INTERIOR DID NOT BELIEVE IT ADVISABLE TO REAPPEAL A MAN WITH A RECORD AS A TROUBLEMAKER, BUT WHEN RAZOUQI BROUGHT TO HIS FOREIGN MINISTER'S ATTENTION GOLSHIRI'S ASSURANCES THAT THE MAN HAD GAINED THE EAR OF KMOMI AND THAT IT WAS KMOMI'S PERSONAL WISH THAT HE RETURN TO KUWAIT, THE FOREIGN MINISTER OVERRODE THE INTERIOR MINISTRY AND THE IRANIAN WAS ALLOWED TO RETURN. IN ENSUING WEEKS, AS OTHER BILATERAL ISSUES PROGRESS, THE MEETING OF KUWAIT WITH IRAN IS BECOMING MORE FREQUENT AND IMPORTANT, EVIDENCED IN THE INCREASE OF KUWAITI TRADE WITH IRAN TODAY.

IN THIS CONNECTION, WE DRAW ATTENTION TO THE FOLLOWING FACTS:

1. The situation in the Gulf is extremely tense and may escalate into conflict.

2. The Iranian regime's continued support for terrorism and the spread of missiles poses a serious threat to regional stability.

3. The United Nations Security Council has repeatedly called for a cessation of hostilities and a diplomatic solution to the conflict in Yemen.

4. The United States and its allies are working to establish a coalition of nations to address the crisis.

5. The role of Israel in the region is crucial, and any action taken should be in consultation with the international community.

6. The situation in the Gulf is closely linked to the situation in Yemen, and a comprehensive approach is necessary.

7. The United Nations must take a firm stance against the Iranian regime's provocations and work towards a peaceful resolution.

8. The international community should support efforts to secure a peaceful resolution to the conflict.

9. The United States and its allies should consider increasing their military presence in the region to deter any further aggression.

10. The situation in the Gulf is complex, and a comprehensive approach is necessary to address the root causes of the conflict.

In conclusion, the United Nations must take a strong stance against the Iranian regime's provocations and work towards a peaceful resolution to the conflict in the Gulf and Yemen.
IN THIS CONNECTION, WE DRAW ATTENTION TO REPORTS TWO YEARS AGO (REFS D AND E) THAT (A) ARAB STATES WERE CONSIDERING CLOSED SEA CONCEPT FOR PERSIAN GULF, THAT IS, PROVIDING THAT WARSHIPS MIGHT ENTER ONLY WITH ADVANCE NOTIFICATION AND ON INVITATION OF A LITTORAL STATE, AND (B) KUWAIT EASIVENESS ON THIS TOPIC AT THE TIME. So FAR AS WE KNOW, CLOSED SEA CONCEPT, WHICH USG OPPOSED, HAS REMAINED SUBMERGED, BUT NOW THAT IRANIAN NAVY MAY NO LONGER BE OUR RELIABLE PARTNER IN GULF SECURITY, ISSUE COULD BE RESURFACING WITH JOINT ARAB-IRANIAN SUPPORT.

8. (C) COMMENT. KUWAIT IS BY NO MEANS IN A POSITION TO RESOLVE ALL OUTSTANDING ARAB-IRANIAN ISSUES. IN FACT RAZOUQ HAS TOLD US THAT KUWAIT DOES NOT WANT TO MEDIATE IRAQI-IRANIAN DIFFERENCES (REF 7). NEVERTHELESS, IT IS IN KUWAIT'S INTEREST TO SEE TENSIONS ACROSS THE GULF REDUCED. THE EXISTING GOVERNMENT IN IRAN IS FAR PREFERABLE TO ANY LEFTIST ALTERNATIVE, IN KUWAITI EYES. ACCORDINGLY, IT MAKES SENSE FOR KUWAIT TO ATTEMPT TO BROADEN THE BASIS FOR GOOD RELATIONS WITH THE PGO1. SUCH DEVELOPMENT WOULD BE REASSURING TO THE BARRAIMIS WHO ARE NERVOUS ABOUT IRANIAN DESIGNS AS TO SABAH AL-AMMAD'S PUBLIC DENUNCIATION OF HEETRAN OF "AMERICAN THREATS" TO OCCUPY OIL FIELDS IN THE REGION, WHICH RECEIVED HEADLINE TREATMENT IN LOCAL PRESS HERE, THIS IS RATHER STANDARD KUWAITI RESPONSE WHICH IS TO BE EXPECTED EVERY TIME A NEWSPAPER ASKS FOR COMMENT ON "THE 116,000 MAN CONTINGENCY FORCE."
AM IN 1979 MAKING IT POSSIBLE FOR KUWAIT TO CUT PRODUCTION TO 1.5 - 1.6 MILLION BARRELS A DAY (B/D). NEVER KUWAIT WOULD NOT CUT TO THIS LEVEL IF DEMAND/ SUPPLY PICTURE IN 1980 IS AS TIGHT AS IT IS NOW.

MISTER ADMITTED KUWAIT IS SELLING OCCASIONAL AVAILABLE CRUDE ON THE SPOT MARKET BUT ARGUED THAT DEMAND/SUPPLY IMBALANCE RATHER THAN SPOTMARKET IS CAUSE OF PRICES AND ONLY RESTORATION OF BALANCES IN MARKET WILL ELIMINATE THE SPOT MARKET PROBLEM. KUWAIT HAS TEMPORARY INTEREST IN INCREASING PRODUCTION TO 3 MILLION BARRELS A DAY (IN ORDER TO TEST LPF PLANT FOR COMMISSIONING) BUT IS UNABLE TO DO SO, MINISTER SAID, CAUSING MAXIMUM SUSTAINABLE CAPACITY OF KUWAIT TO DROP TO 2.5 MILLION B/D WITHOUT INCLUDING PARTITIONED ZONE PRODUCTION. ONLY 2.25 REPEAT 2.25 MILLION BARRELS A DAY. COUNTRY PRESENTLY PRODUCING AT THIS RATE, MISTER APPARENTLY BELIEVES THAT KUWAIT IS PRODUCING MAXIMUM SUSTAINABLE CAPACITY. END SUMMARY.

CHARGE, ACCOMPANIED BY DEPARTING ECON CHIEF BUCK, ARRESTED IN KUWAIT OIL MINISTER SHEIKH ALI KHALIFA AL-DARAN AT 6:00 P.M. JULY 22, FIRST AVAILABLE TIME TO TALK HIM ON PRESIDENT'S ENERGY ANNOUNCEMENTS (REF A). CHARGE NOTED THAT WE DEPLORED RECENT OPEC PRICE RISES AND SAID THAT WE WERE PLEASED BY EARLY AND POSITIVE RESPONSE BY GOK CABINET SPOKESMAN HUSSAIN TO PRESIDENT'S ENERGY ANNOUNCEMENTS (REF C). CHARGE DID NOT GO INTO DETAIL ON PRESIDENT'S PROGRAM SINCE IT HAD ALREADY BEEN CONVEYED TO THE MINISTER BY LETTER ON JULY 22, WHICH CHARGE HAD RECEIVED LATE IN THE DAY FROM THE NEWS SERVICE.

ALI KHALIFA WELCOMED THE PRESIDENT'S PROGRAM AND SAID THAT HE HAD CIRCULATED A SUMMARY OF IT AT THE REGULAR CABINET MEETING JULY 22. HE HOPEP THE PRESIDENT'S PLANS WOULD SUCCEED BUT HOPED THE AMBITIONS WOULD NOT BE REACHED. FOR EXAMPLE, ONLY THREE MONTHS AGO THE EXECUTIVE BRANCH HAD INFORMED THE GOVERNMENT THAT IT WOULD ONLY BE POSSIBLE TO PRODUCE 30% OF B/D OIL EQUIVALENT OF SYNTHETIC FUELS BY 1990. IN THE LATEST MESSAGE, THE PRESIDENT WANTED TO PRESENT A FIGURE OF 2.5 MILLION B/D BY 1990. ADMITTEDLY THE NEW PROGRAM ENVISIONS MUCH GREATER INVESTMENT BUT STILL COULD NOT CHANGE THE BASIC REALITIES. ACHIEVING THE 2.5 MILLION B/D FIGURE DUBIOUS, ONE COULD NOT EXPECT PROBLEMS TO BE SOLVED BY TOSING MONEY AT THEM. THIS SEEMED TO BE THE JUDGMENT OF INTERNATIONAL BANKERS AND FINANCIALISTS, SINCE THE DOLLAR HAS DECLINED SINCE THE PRESIDENT'S SPEECH. HOWEVER IT WAS LIKELY
AN IN 1979 MAKING IT POSSIBLE FOR KUWAIT TO CUT
PRODUCTION TO 1.5 - 1.6 MILLION BARRELS A DAY (B/D). KUWAIT
WOULDN'T CUT TO THIS LEVEL IF DEMAND/
SUPPLY PICTURE IN 1980 IS AS TIGHT AS IT IS NOW.
MISTER ADMITTED KUWAIT IS SELLING OCCASIONAL AVAIL-
ABLE CRUDE ON THE SPOT MARKET BUT ARGUED THAT DEMAND/
SUPPLY IMBALANCE RATHER THAN SPOT MARKET IS CAUSE OF
PRICES AND ONLY RESTORATION OF BALANCES IN MARKET
WILL ELIMINATE THE SPOT MARKET PROBLEM. KUWAIT HAS
PERFOR INTEREST IN INCREASING PRODUCTION TO 3
ILLION BARRELS A DAY (IN ORDER TO TEST LPG PLANT FOR
MISSION) BUT IS UNABLE TO DO SO, MINISTER SAID,
CAUSE MAXIMUM SUSTAINABLE CAPACITY OF KUWAIT
OFFER (NOT INCLUDING PARTITIONED ZONE PRODUCTION)
ONLY 2.25 REPEAT 2.25 MILLION BARRELS A DAY.
ANCE COUNTRY PRESENTLY PRODUCING AT THIS RATE.
MINISTER APPARENTLY BELIEVES THAT KUWAIT IS PRODUCING
MAXIMUM SUSTAINABLE CAPACITY. END SUMMARY.

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ARGE NOTED THAT WE DEPRECATED RECENT OPEC PRICE RISES
IT ADDED THAT WE WERE PLEASED BY EARLY AND POSITIVE
ONSE BY GOK CABINET SPOKESMAN HUSSAIN TO PRESIDENT'S
ERGY ANNOUNCEMENTS (REF C). CHARGE DID NOT GO INTO
TAIL ON PRESIDENT'S PROGRAM SINCE IT HAD ALREADY
EN CONVEYED TO THE MINISTER BY LETTER BUT HAD STAYED UP LATE TO LISTEN TO THE
IDENT'S SPEECH OVER VOICE OF AMERICA.

ALL KHALIFA WELcomed THE PRESIDENT'S PROGRAM AND
ID THAT HE HAD CIRCULATED A SUMMARY OF IT AT THE
CABINET MEETING JULY 22. HE HOPED THE PRESIDENT'S
ANS WILL SUCCEED BUT DIDN'T SEE HOW THE AMBIGUOUS
IVES COULD BE REACHED. FOR EXAMPLE, ONLY THREE
 MONTHS AGO THE EXECUTIVE BRANCH HAD INFORMED THE CON-
NESS THAT IT WOULD ONLY BE POSSIBLE TO PRODUCE 300,000 B/D OIL EQUIVALENT OF SYNTHETIC FUELS BY 1990.

IN THE LATEST MESSAGE, THE PRESIDENT WAS PRO-
CTING A FIGURE OF 2.5 MILLION B/D BY 1990. ADMITTEDLY
EW PROGRAM ENVISAGED MUCH GREATER INVESTMENT BUT
STILL COULD NOT PREDICT THE BASIC CRISIS THAT GROWS
ING THE 2.5 MILLION B/D FIGURE DUBIOUS. ONE
OULD NOT SOLVE PROBLEMS MERELY BY THROWING MONEY AT
EM. THIS SEEMED TO BE THE JUDGMENT OF INTERNATIONAL
KERS AND FINANCIALISTS, SINCE THE DOLLAR HAD DECLINED
ER THE PRESIDENT'S SPEECH, HOWEVER IT WAS LIKELY

CONFIDENTIAL SECTION 1 OF 3 KUWAIT 3532

LIMDIS

L-0. 12065: GDS 7/24/85 (BUCK, STEPHEN W.) OR-E
TAGS: ENRG, OPEC, KU
SUBJECT: KUWAIT OIL MINISTER DISCUSSES PRESIDENT'S ENERGY
PROGRAM, KUWAIT OIL PRODUCTION/SALES POLICY AND KUWAIT'S
PRODUCTION CAPACITY

REF: (A) STATE 183769, (B) KUWAIT 2975 (NOTAL), (C)
KUWAIT 3436 (NOTAL), (D) KUWAIT 3290 (NOTAL),
(E) KUWAIT 1082 (NOTAL).

1. CONFIDENTIAL ENTIRE TEXT.

2. SUMMART: IN RELAXED TOUR D'HORIZON WITH CHARGE AND
ECON CHIEF EVENING OF JULY 22, KUWAIT'S OIL MINISTER,
SHIEKH ALI KHALIFA AL SABAH, WELCOMED PRESIDENT'S ENERGY
ANNOUNCEMENTS BUT EXPRESSED SKEPTICISM THAT AMBIGUOUS
LONG-TERM GOALS COULD BE REACHED. HE PREDICTED THAT
OIL SUPPLY/DEMAND SITUATION IN 1980 WILL BE "LESS FIRM"
That the U.S. would easily reach its goals of import reduction over the near term. Since the U.S. had imported less than 6.2 million b/d during the first half of 1979 and was going into a recession, it was obvious that it would not exceed the 8.2 million b/d goal for 1979, and U.S. imports would also be down for 1980. Recess-

The would reduce U.S. imports and stimulate exports, leading to reduction in the U.S. balance of payments deficit and strengthening the dollar.

World supply and demand and future Kuwaiti production. In a U.S. recession, Sheikh Ali predicted, is likely to lead through the first or perhaps even the second quarter of 1980. Demand for oil should go down not just in the U.S. but worldwide and the firmness in the market is likely to be gone in 1980. In fact 1981 may even be "a problem," i.e. with supply exceeding demand. In 1980 U.S. demand for oil is likely to drop a million barrels a day, Europe would not grow as fast and there would be some cuts in LDC imports. In Arab world after the 1973/4 price rises conditions dropped by 10 percent; this was likely to happen. Countering these "positive" developments,
THAT THE U.S. WOULD EASILY REACH ITS GOALS OF IMPORT
REDUCTION OVER THE NEAR TERM. SINCE THE U.S. HAD IM-
PORTED LESS THAN 6.2 MILLION B/D DURING THE FIRST HALF
OF 1979 AND WAS GOING INTO A RECESSION, IT WAS OBVIOUS
THAT IT WOULD NOT EXCEED THE 8.2 MILLION B/D GOAL FOR
1979, AND U.S. IMPORTS WOULD ALSO BE DOWN FOR 1980. RECES-
SION #3532

STIPENDIAL SECTION 2 OF 3 KUWAIT 3532

WOULD REDUCE U.S. IMPORTS AND STIMULATE EXPORTS,
HENCE REDUCING THE U.S. BALANCE OF PAYMENTS
DEFICIT AND STRENGTHENING THE DOLLAR.

WORLD SUPPLY AND DEMAND AND FUTURE KUWAITI PRODUC-
TION: SHEIKH ALI PREDICTED, IS LIKELY TO BE
REACHED THROUGH THE FIRST OF NEXT YEAR. DEMAND FOR OIL
IS LIKELY TO DROP AT 5-6 MILLION BARRELS A DAY, EUROPE WOULD
NOT GROW AS FAST, THIS WOULD BE SOME CUTS IN I.C. EXPORTS.
IN ARAB WORLD AFTER THE 1975/6 PRICE HIGHS CON-
DITION DROPPED BY 10 PERCENT; THIS WAS LIKELY TO HAPPEN
COUNTERACTING THESE "POSITIVE" DEVELOPMENTS,
INVENTORIES WOULD HAVE TO BE BUILT UP, PROBABLY BY A LOT MORE THAN 1.5 MILLIONS B/D WORLD WIDE. NEVERTHELESS, WORLD OIL SITUATION IN 1980 WOULD BE LESS TIGHT AND THEREFORE IT WOULD BE PERFECTLY ACCEPTABLE FOR KUWAIT TO REDUCE ITS PRODUCTION FOR "KUWAIT PROPER" (NOT INCLUDING ITS SHARE OF SAUDI/KUWAITI PARTITIONED ZONE PRODUCTION) TO 1.5 MILLIONS B/D. THIS WOULD NOT REALLY BE A 40% CUT, AS SOME FEEL, SINCE KUWAIT'S PRESENT PRODUCTION LEVEL OF 2.2 MILLIONS B/D FOR KUWAIT PROPER WAS EXCEPTIONAL. THE NORMAL CEILING WAS 2 MILLIONS B/D AND IN FACT PRODUCTION FOR KUWAIT PROPER IN 1977/78 HAD BEEN IN THE RANGE OF 1.8 TO 1.9 MILLIONS B/D, MEANING THAT A CUTBACK TO 1.5 TO 1.6 MILLIONS B/D FOR KUWAIT PROPER WOULD ONLY BE A 30%-40% CUTOFF B/D CUT.

6. WAS THERE ANY TRUTH CHARGE ASKED, TO ARGUMENTS SOME WERE MAKING THAT SOME OPEC STATES WERE CUTTING PRODUCTION IN ORDER TO RAISE THE PRICE? MINISTER ANSWERED EMPHATICALLY THAT HE DID NOT BELIEVE THIS TO BE TRUE. FOR EXAMPLE, EVEN IRAQ HAS GREATLY INCREASED PRODUCTION TO MEET THE PRESENT DEMAND SITUATION, PRODUCING AT 3.4 MILLIONS B/D. KUWAIT'S COMMITMENT TO 2.4 MILLIONS B/D PRODUCTION FOR 1979 IS ABOVE ITS ANNOUNCED CEILING AND THEREFORE A SENSITIVE POLITICAL MATTER, GI CONSERVATION SENTIMENT IN KUWAIT. (THE MINISTER EXPLICITLY ASKED THAT WE CONTINUE TO TREAT AS CONFIDENTIAL INFORMATION THE FACT THAT KUWAIT PROPER PRODUCTION IS AT A LEVEL HIGHER THAN THE "NORMAL" 2 MILLIONS B/D CEILING.) KUWAIT SHOULD CUT PRODUCTION IN 1980 TO CONSERVE ITS ONE NATURAL RESOURCE FOR AS LONG AS POSSIBLE, HE SAID. HOWEVER KUWAIT DOES NOT WANT DEMAND TO EXCEED SUPPLY SO THAT PRICES SKYROCKET BEYOND CONTROL. ANY CUT IN 1980 WOULD BE MADE ON THE ASSUMPTION OF A RELAXATION OF TIGHTNESS IN THE MARKET. IF 1979'S TIGHTNESS CONTINUES THROUGH 1980 KUWAIT WOULD HAVE TO CONSIDER APPROPRIATE PRODUCTION LEVELS ACCORDINGLY.

7. SPOT SALES AND SALES POLICY. "WHENEVER WE HAVE EXTRA QUANTITIES OF OIL," MINISTER SAID, "WE SELL THEM. SOMETIME TO OLD CUSTOMERS, SOME TIME TO NEW. SINCE BECOMING MINISTER ONE OF MY PRIORITIES HAS BEEN TO IMPROVE THE QUALITY OF OUR CUSTOMERS. SOME OF THEM ARE CUT OFF WHEN THEIR CONTRACTS EXPIRE. WE ARE LOOKING FOR CUSTOMERS FOR THE LONG RUN. WE DON'T WANT CUSTOMERS, AS HAPPENED IN THE PAST, WHO CAN'T MEET THEIR CONTRACT MINIMUMS WHEN DEMAND IS SLACK. WE WANT CUSTOMERS FOR THE BAD TIMES AS WELL AS THE GOOD TIMES, AND THIS MEANS COMPANIES WITH A BILLION DOLLARS OR MORE IN SHAREHOLDERS' EQUITY AND MANY

STIRRING TO TOKYO SUMMIT PLEDGE TO REDUCE THE SPOT MARKET, MINISTER CLAIMED SPOT MARKET AT THE CAUSE OF PRICE RISKS. SO LONG AS THE EXCEEDS SUPPLY THE SPOT MARKET WOULD FIND READY BUYERS. ATTEMPTING TO STAMP IT OUT IN ROTTERDAM WOULD DO NO GOOD, SPOT SALES WOULD SIMPLY MOVE TO OR ELSEWHERE. IN FACT THERE WAS NO NEED FOR
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THAT A CUTBACK TO 1.5 TO 1.6 MILLION B/D FOR KUWAIT PROPER WOULD ONLY BE A 300-400,000 B/D CUT.

6. WAS THERE ANY TRUTH, CHARGE ASKED, TO ARGUMENTS
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GOOD TIMES, AND THIS MEANS COMPANIES WITH A BILLION
Dollars or More in Shareholders' Equity and Many
9. Kuwait's production capacity. Minister wondered out loud where people got the idea that Kuwait was producing considerably below its capacity. Old figures, 'given by the oil companies', listing Kuwait's production capacity as 3.8 million b/d were completely incorrect, as was often cited 3 million b/d figure for Kuwait proper. Production capacity for Kuwait proper, not including that of oil company (ex-Aminoil, now part of Kuwait's major producer, the...
OIL COMPANY IS ONLY 2.25 REPEAT 2.25 MILLION
ANY PRODUCTION BEYOND THAT FIGURE IMPOSES A RISK
TOWARDS THE RESERVOIRS AND RESERVOIR PRESSURE.
LAST WEEK WE HAD THREE MEETINGS GOING OVER
IF OR NOT WE COULD INCREASE PRODUCTION FROM 2.25
ION B/D TEMPORARILY TO 3 MILLION B/D (IN ORDER TO
FROM LPT PROJECT FOR COMMISSIONING). WE CONCLUDED
TO DO SO WOULD HAVE TO RELAX THE RULES. IT
WOULD BE TO DO THIS AS IT WOULD RUN TOO MUCH OF A
RISK OF SOMETHING HAPPENING, AS FOR EXAMPLE IN
WHEN A GAS GATHERING CENTER BLEW UP. SUCH ACQUISITION ARE NOT ONLY A TECHNICAL BUT ALSO A POLITICAL
THREE DISCUSSIONS HAD REINFORCED MINISTER'S
THAT 2.25 MILLION BARRELS PER DAY IS THE MAXIMUM
ABLE CAPACITY FOR PRODUCTION IN KUWAIT OIL.
COMMENT: MINISTER'S 2.25 MILLION BARRELS A DAY
SUSTAINABLE CAPACITY FIGURE IS EVEN LOWER
2.25 MILLION B/D FIGURE CITED PREVIOUSLY (REF B)
LOWER THAN THE 3 MILLION BARRELS A DAY OFTEN
TED ABOUT. COMMENTING ON KUWAIT'S CAPACITY, SENIOR
OIL EXECUTIVE LONG RESIDENT IN KUWAIT EXPLAINED
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DEVELOPMENTS, OIL COULD DO THIS AND IT WOULD
MOST IMPOSSIBLE TO DISPERSE OIL ESTIMATES WITHOUT
EXTREMELY DETAILED COMPUTER-HELD DATA. WHILE
AN OIL EXECUTIVE MAY BE RIGHT, MINISTER GAVE IMPLAINT OF BEING SINCERE IN HIS ESTIMATE OF RISKS IN-
OVER THE PRECISE CAPACITY FIGURE, GIVEN HIS VIEWS,
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FOR KUWAIT PROPER. PRODUCTION CAPACITY FOR KUWAIT PROPER,
INCLUDING THAT OF OLD WAPRA OIL COMPANY (AMINOA), NOW PART OF KUWAIT'S MAJOR PRODUCER, THE

58
SUMMER AIR OF KUWAIT, ALTERNATELY FULL OF WIND, DUST AND WATER VAPOR, CURRENTLY BURDENED WITH THAT REAL PROGRESS IS BEING MADE IN THE "PEACE +", MEMBERS OF THE DIPLOMATIC CORPS, DEPRIVED OVERTIME ABSENCE OF EVEN THEIR USUAL SCANTY ACT WITH AUTHORITATIVE KUWAITI, ARE IN RARE AGREEMENT, MOST TOTALLY LACK OF SUPPORTING EVIDENCE, THAT ARAFAT'S 11 IN VIENNA WITH KREISKY AND BRANDT, STRAUSS'S ADDITION TO THE PEACE PROCESS IN ALEXANDRIA. GAN ALLUSIONS TO THE RISK OF MILITARY INTERVENTION FETE THE OIL LIFELINE, AND ARAB FRUSTRATION WITH NEO-CLASSICISM OF THE BAGHDAD RESOLUTIONS AGAINST SAUD 210 ACTIVELY FERMENTING TOWARD DRAMATIC NEWS THAT 35 JORDAN AND SYRIA WILL BE ABLE TO JOIN PEACE PROCESS" IN A FORUM PARALLEL TO THE CAMP AUTONOMY TALKS.

CO PHIDENTIAL SECTION OF A KUWAIT 3523

LINDSAY

DEPT FOR NEA

E.O. 15850: RDC-1 7/24/89 (SUTHERLAND, PETER A,) OR-W TASS: PEPR, XF, KU, US

SUBJECT: (C)(F) THE SILVER LINING IN THE CLOUD OF DUST; ATMOSPHERICS SAY THE CAMP DAVID INITIATIVE IS ALIVE AND WELL.

REF: KUWAIT 3522

1. (C = ENTIRE TEXT).

2. SUMMARY: KUWAIT IS A Gossip CENTER AT ALL TIMES, IN THE NOT SUMMER IT CHEWS ON IT'S OWN ENDLESSLY DIGESTED RUMORS, BECAUSE ACCESS TO REAL FACTS IS SUPPRESSED BY HEAT, DUST AND VACATION SCHEDULES, WITH THAT CAVEAT, KUWAIT IS CURRENTLY FULL OF RUMORS AND SPECULATION, UNSUPPORTED BY HARD FACTS OR AUTHORITATIVE KUWAITI STATEMENT, THAT REAL PROGRESS IS BEING MADE TOWARD A MIDDLE EAST PEACE, THE VIENNA DRASTICALLY WITH YASSIR ARAFAT ARE VARIOUSLY CONSTRUED, BUT ALL SEE THEM AS MOVES TOWARD A NEGOTIATED PEACE, WHETHER ON PALESTINIAN OR AMERICAN TERMS, DESPITE TEMPTATION OFFERED BY AMERICAN REACTIONS TO OPEN OIL PRICE RISES, AND ALLUSIONS TO AMERICAN INVASION OF THE GULF OIL STATES, THE LOCAL MOOD IS TO SEE CAMP DAVID'S AFTERMATH PRIVATELY AS HELPFUL (THOUGH CERTAINLY PUBLICLY UNACCEPTABLE), AND TO LOOK FOR VAYS IN WHICH THE OTHER ARABS CAN RELATE CONSTRUCTIVELY TO THE CAMP DAVID PROCESS. IT IS UNFASHIONABLE, FOR THE MOMENT, ANYWAY, TO CONDEMN AMERICAN MIDDLE EAST POLICIES, OBSERVERS ARE NOT ABOUT TO CONCEDE THAT CAMP DAVID IS "WHERE IT IS AT," BUT THEY ARE NEWLY OPTIMISTIC THAT RUMOROUS CHANGES IN THE STANDOFF BETWEEN THE US AND THE PLO CAN LEAD TO REAL PROGRESS TOWARD A REAL MIDDLE EAST SETTLEMENT, EVEN GIVEN THAT THIS "DUST-COATED GLASSES" VIEW OF THE MIDDLE EAST MAY BE DISTORTED, THE KEY VARIABLES ARE STILL WHETHER THE PLO'S OR US'S POSITION ON THEIR HISTORIC STAND-OFF HAS CHANGED OR WILL CHANGE, AND WHETHER IRAQ COULD TOLERATE NEGOTIATIONS OF ANY SORT LEADING TO AN ARAF-IZRAELI PEACE. END SUMMARY.
SUMMER AIR OF KUWAIT, ALTERNATELY FULL OF WIND, DUST AND WATER VAPOR, IS CURRENTLY BURDENED WITH 
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CONFIDENTIAL SECTION OF A KUWAIT 3523

LINDIS

DEPT FOR NEA

E.O. 12805; RSC-1 7/24/89 (SUTHERLAND, PETER A.) OR-H
TAGS: PEPR, XG, KG, US
SUBJECT: THE SILVER LINING IN THE CLOUD OF DUST;
ATMOSPHERICS SAY THE CAMP DAVID INITIATIVE IS ALIVE AND WELLL

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rumors, because access to real facts is suppressed by 
heat, dust and vacation schedules, WITH THAT CAVEAT, 
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NEGOTIATIONS OF ANY SORT LEADING TO AN ARAB-ISRAELI 
PEACE. END SUMMARY.
FROM KUWAIT SOURCES WE HAVE LITTLE TO GO ON, OTHER THAN INITIATIVE COMMENTS BY ONE SENIOR OFFICIAL (REPTEL). FOREIGN MINISTER SHAKEH SABAH AL-ABDAM Recently (JULY 9 TO 11) MADE A VISIT TO AMMAN, DAMASCUS AND BAGHDAD WHICH HAS GONE ESSENTIALLY UNEXPLAINED PUBLICALLY, AND OUR MFA SOURCES APPARENTLY DO NOT NOW WHAT TO TELL US ABOUT THIS TRIP. WHAT SOME LOCAL PAPERS ARE INTERPRETED AS SHAKEH SABAH'S VALIANT EFFORT TO REFORM THE FOREIGN MINISTER TO A TOUGHER POLITICAL STANCE AGAINST EGYPT, A SOURCE SAYS, SHAKEH SABAH MUST HAVE BEEN URGING ASAD, BAAR AND HUSSEIN TO WORK ON THE JOBS OF ARRANGING FOR PARALLEL NEGOTIATIONS WHICH MIGHT ADMIT THAT CAMP DAVID IS VALID BUT WHICH CAPITALIZE THE STEPS TOWARD A REAL PEACE WHICH ARE BEING TAKEN IN THOSE NEGOTIATIONS.

WHEN A SOURCE AT THE AMIRI DIWAN (PROTEST) TOLD US JULY 21, THE FOREIGN MINISTER IS ANXIOUS TO FIND A WAY TO RECONCILE HIS ARABS TO THE CAMP DAVID PROCESS (THE REVERSE OF PRESS ANNOUNCEMENT, TO THE EFFECT THAT HE IS TRYING TO FIND A WAY FOR HIS ARABS TO ABORT THAT PROCESS). WE ASKED HIM WHY THE FOREIGN MINISTER DOESN'T TELL US THIS AND ASK YOUR SOURCES TO SIGNED APEQUAL HELPFUL TO HIS EFFORTS. THE ADVISOR SADOW KUWAITIS BELIEVE THAT TALKING FRANKLY WITH US WOULD RESULT IN LEAKS TO THE ARAB IS WHO WOULD PROMPTLY ACT TO SUBVERT KUWAIT EFFORTS.

WORKING-LEVEL FOREIGN MINISTRY OFFICIALS PROPOSE THERE IS 'NO BUT GOOD ARAB DUST IN THE WIND' THE BRITISH AMBASSADOR (THE AMIRI DIWAN) OFTEN INDICATED, WHO HAD REQUESTED A HIGH-LEVEL POLITICAL SUMMIT AT THE MFA LAST WEEK, WAS GIVEN AN APPOINTMENT WITH THE DEPARTMENT HEADS WHO OBVIOUSLY WERE TOTALLY IGNORANT OF THE FOREIGN MINISTER'S THINKING. AND ANXIOUS THAT THE AMBASSADOR BELIEVE THAT THEIR MINISTER WAS JUST OFF SEEKING OLD FRENDS. THE MISSION SAYS HE CONCLUDES THAT THERE IS IN FACT NOTHING IN THE WIND. WE CONCLUDE THAT THE IGNORANCE OF THE MFA OFFICIALS AND EVIDENCE EITHER WAY.

4. OF COURSE, THOSE WHO SEE IN ARAFAT'S VIENNA MEETING PROOF THAT THE HARDCORE PRO-PALESTINIAN CAUSE MAY BE WINNING EUROPEAN (AND OTHERS WHO HOPE AMERICAN) ADOPTIONS HAVE THEIR UNDERTAKEN IN OPPOSITION, AS A RESULT. THE SAME TALE OF FORESHADOW AN ARAB-LED MODERATION OF THE PLO POSITION AND WHICH WILL ENABLE AMERICA TO DEAL WITH THE PALESTINIANS ON AMERICA'S TERMS. NO ONE PRESUMES TO KNOW WHAT REALLY UNDERLIES THE VIENNA CONFERENCE, BUT ALL AGREE THAT IT BODIES WELL FOR PEACE IN THE MIDDLE EAST. MOST ACQUAINTED WITH THE IDEA THAT THE MEETING WOULDN'T HAVE TAKEN PLACE WITHOUT THE USE OF BLESSING, AND THEY GUESS THAT CONCLUSION IN SAYING THAT USE WAS TRYING TO ACCOMMODATE TO THE PLO POSITION, OR (B) USE WAS CONVINCED THAT THE PLO WOULD ACCOMMODATE TO THE PLO POSITION. OVERALL, THE PSYCHOLOGICAL EFFECT HAS BEEN TO STRENGTHEN THE IMPRESSION THAT TALKING TOWARDS A SOLUTION IS PROMISING, AND TO WEAKEN THE IMPACT OF THOSE WHO ADVOCATE FORCING A CONFRONTATION BETWEEN ARAB INTERESTS AND AMERICAN-ISRAEL INTERESTS. AT A TIME WHEN THE OPEC PRICE RISKS AND THE USE RESPONSE COULD BE EXPECTED TO GENERATE A CONSIDERABLE VOLUME OF CALLS FOR "USE OF THE OIL WEAPON", IT IS FASCINATING THAT SO MANY PEOPLE ARE FOCUSING ON AVOIDING THAT OPTION.
FROM KUWAITI SOURCES WE HAVE LITTLE TO GO ON, OTHER THAN INITIATIVE COMMENTS BY ONE SENIOR OFFICIAL (REPT). FOREIGN MINISTER SHAKEH SABAH AL-ABDUR (JULY 9 TO 11) MADE A NUMBER OF INTERVIEWS PUBLICLY, AND OUR MFA SOURCES APPEAR TO BE COMING TO THE VIEW THAT HE IS TRYING TO FIND A WAY FOR THE ARABS TO ADOPT THE PROCESS. WE ASKED HIM WHAT THE FOREIGN MINISTER IS TRYING TO FIND A WAY FOR THE ARABS TO ADOPT THIS PROCESS. WE ASKED HIM WHAT THE FOREIGN MINISTER IS TRYING TO FIND A WAY FOR THE ARABS TO ADOPT THIS PROCESS. WE ASKED HIM WHAT THE FOREIGN MINISTER IS TRYING TO FIND A WAY FOR THE ARABS TO ADOPT THIS PROCESS. WE ASKED HIM WHAT THE FOREIGN MINISTER IS TRYING TO FIND A WAY FOR THE ARABS TO ADOPT THIS PROCESS. WE ASKED HIM WHAT THE FOREIGN MINISTER IS TRYING TO FIND A WAY FOR THE ARABS TO ADOPT THIS PROCESS. WE ASKED HIM WHAT THE FOREIGN MINISTER IS TRYING TO FIND A WAY FOR THE ARABS TO ADOPT THIS PROCESS. 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HUMILIOUS, ONE WHICH MADE NO OVERT CONCESSIONS TO THE CAMP TO FORMULA BUT WHICH WOULD PROVIDE THE BASIS FOR SETTLEMENT TALKS BETWEEN ISRAEL ON THE ONE HAND, AND JORDAN, SYRIA, AND THE PLO ON THE OTHER. THE AMBASSADOR ADMITTED THAT NO MEDIATION OFFICIALS WOULD BE QUOTED IN SUPPORT OF THIS ANALYSIS.

He also put forward the bizarre notion that USG, with superpower assistance, by "making its declaration" that it would invoke the "wields if necessary" had provided the moderate Arabs with a necessary tool to use with the radicals: he envisaged Sadiq al-Ahmad explaining to the Iraqis and Libyans that "the oil weapon would mean occupation by the hated Americans, therefore we must all play with the Americans' negotiating process.


8. THE SWEDISH AMBASSADOR, THEN DAYS AGO, PRIOR TO DEPARTING ON PROLONGED LEAVE, CAUGHT HIM IN AN IMPREGNABLE ARAB AUTHORITY THAT "HUMILIOUS" WAS MOBILIZING TO TAKE AN ACTIVE ROLE IN PEACE TALKS.

Arafat's Vienna visit signaled a willingness by the PLO to meet reasonable American terms, and the ambassador understood that we could expect announcements of a Palestinian government in exile within about six months. This latter development would strengthen the appearance of legitimacy of the PLO, and weaken American resistance to dealing directly with the organization. In his analysis, U.S.C. agreeing to talk with the PLO would take the time-pressure off; the PLO would be willing to talk nearly interminably, while world public opinion altered and while Israeli domestic political pressures adjusted to a post-begin reality.

9. THE JORDANIAN AMBASSADOR (PROTECT), AN INCORRIGIBLE "PEACEMAKIR" BUT A MAN CLOSER TO IN TOUCH WITH ALL CONSERVATIVE AND MANY RADICAL ARAB TRENDS IN KUWAIT, TOLD THE CHARGE RECENTLY THAT SHAIKE SABAH AL-AHMAD'S TOUR OF AMMAN, DAMASCUS AND BAGHDAD COULD ONLY HAVE BEEN AN ATTEMPT BY HIM TO FEEL OUT THE PROSPECTS FOR AN ARAB SUMMIT CONFERENCE WHICH WOULD RESULT IN A VERY MODERATE
UNEQUIVE, ONE WHICH MADE NO OVERT CONCESSIONS TO THE CAMP
TO FORMULA BUT WHICH WOULD PROVIDE THE BASIS FOR SETTLE-
MENT TALKS BETWEEN ISRAEL ON THE ONE HAND, AND JORDAN, SYRIA,
AND THE PLO ON THE OTHER. THE AMBASSADOR ADMITTED THAT NO
NEW OFFICIALS WOULD BE QUOTED IN SUPPORT OF THIS ANALYSIS.
HE ALSO MENTIONED THE BIZARRE NOTION THAT USE, WITH SUPERB
WISDOM, BY "MAKING ITS DECLARATION" THAT IT WOULD INFLATE THE
FUELS IF NECESSARY, HAD PROVIDED THE MODERATE ARABS WITH
A NECESSARY TOOL TO USE WITH THE RADICALS; HE ENVISIONED SIEKH
ABU AL-ABDAM EXPLAINING TO THE IRAQIS AND LEBANONIS THAT USE
THE OIL WEAPON WOULD MEAN OCCUPATION BY THE HATED AMERICANS,
AND THEREFORE "WE MUST ALL PLAY WITH THE AMERICANS' NEGOTIATING
WE.

THE JORDANIAN AMBASSADOR, PERHAPS OVER-OPTIMISTICALLY,
HAD A GATHERING ANTI-RADICAL TREND IN THE ARAB WORLD. HE
REJECTED THE RELEASE FROM DETENTION OF BEN BELLA AS EVIDENCE
OF THE NEW ALGERIAN GOVERNMENT'S MODERATE ORIENTATION. HE
MENTIONED THE "NECESSITY" THAT HIS OWN KING HUSSEIN
MUST PROTECT SCRUPULOUSLY TO MAINTAIN ANY LONG-
TERM APPEARANCE OF GOOD FELLOWSHIP WITH "THOSE LIARS IN DAMASCUS
AND BAGHDAD." HE ASSERTED THAT BAGHDAD HAS BECOME MORE REASONABLE
LATELY (BUT HIS REMARKS PRECEDED ANY INDICATION THAT SADDAH
AL-SIFIN DISSOLVED THE GANS AL-BAKR AS PRESIDENT.) OTHER
DECLARATIONS HAVE CONCURRED IN THE GENERAL TREND: THE
GERMAN CHARGE COMPARING THE ISRAELI-ARAFAT MEETING WITH THE
BI-DIARY ROLE PLAYED BY LEADING EUROPEAN SOCIALISTS IN THE
TUMULTUOUS CRISIS OF SOME YEARS AGO. THE SOVIET CHARGE SPEAKS OF
THE LEADING REJECTIONIST STATE, AS AGAIN SLIPPING INTO
ION FROM THE OTHER ARABS, AS EVIDENCED BY ITS DECLARATIONS TO
HAVE FURTHER ANTI-EGYPT RESOLUTIONS AT THE TUNIS ARAB
MINISTERS' MEETING, AND THE LACK OF PROGRESS IN EFFORTS
TO CREATE POLITICAL UNION WITH SYRIA.

623

L. THE SWEDISH AMBASSADOR, THEN DAYS AGO, PRIOR TO DEPARTING ON PROLONGED LEAVE, CAIRNED IT ON IMPECCABLE ARAB AUTHORITY THAT "EUROPE" WAS MOBILIZING TO TAKE AN ACTIVE ROLE IN PEACE TALKS. ARAFAT'S VIENNA VISIT SIGNALS A WILLINGNESS BY THE PLO TO MEET REASONABLE AMERICAN TERMS, AND THE AMBASSADOR UNDERSTOOD THAT WE COULD EXPECT AN AGENDA OF A PALESTINIAN GOVERNMENT IN KIEV WITHIN ABOUT SIX MONTHS. THIS LATTER DEVELOPMENT WOULD STRENGTHEN THE APPEARANCE OF LEGITIMACY OF THE PLO, AND WEAKEN AMERICAN RESISTANCE TO DEALING DIRECTLY WITH THE ORGANIZATION. IN HIS ANALYSIS, USA'S AGREEING TO TALK WITH THE PLO WOULD TAKE THE TIME-PRESSURE OFF: THE PLO WOULD BE WILLING TO TALK NEARLY INTERMITTENTLY, WHILE WORLD PUBLIC OPINION ALTERED AND WHILE ISRAELI DOMESTIC POLITICAL PRESSURES ADJUSTED TO A POST-BEGIN REALITY.

E. THE JORDANIAN AMBASSADOR (PROTECT), AN INCORRIGIBLE REALIST, IN A MAN CLOSER TO TOUCH WITH THE JORDANIANS AND MANY RADICAL ARAB TRENDS IN KUWAIT, TOLD THE CHARGÉ RECENTLY THAT SHEIKH SABBAB AL-ABDAN'S TOUR OF AMMAN, DAMASCUS AND BAGHDAD COULD ONLY HAVE BEEN AN ATTEMPT BY HIM TO FEEL OUT THE PROSPECTS FOR AN ARAB SUMMIT CONFERENCE WHICH WOULD RESULT IN A MODERATE
6. THE SWEDISH AMBASSADOR, THEN DAYS AGO, PRIOR TO DEPARTING ON PROLONGED LEAVE, SAID HE HAD AN IMPREGNABLE ARAB AUTHORITY THAT "EUROPE" WAS MOBILIZING TO TAKE AN ACTIVE ROLE IN PEACE TALKS. ARAFAT'S VIENNA VISIT SIGNALIZED A WILLINGNESS BY THE PLO TO MEET REASONABLE AMERICAN TERMS, AND THE AMBASSADOR UNDERSTOOD THAT WE COULD EXPECT ANNUAL VISIT OF A PALESTINIAN GOVERNMENT IN KEDAH WITHIN ABOUT SIX MONTHS. THIS LATTER DEVELOPMENT WOULD STRENGTHEN THE APPEARANCE OF LEGITIMACY OF THE PLO, AND MAKE AMERICAN RESISTANCE TO DEALING DIRECTLY WITH THE ORGANIZATION, IN HIS ANTE, U.S. AGREEMENT TO TALK WITH THE PLO WOULD TAKE THE TIME PRESSURE OFF THE PLO WOULD BE WILLING TO TALK MARGINALLY INTERMITTENTLY, WHILE WORLD PUBLIC OPINION ALTERED AND WHILE ISRAELI DOMESTIC POLITICAL PRESSURES ADJUSTED TO A POST-BEGIN REALITY.

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AM AMBASSAD KWAT
TO BUENSC/RSCSTATE WASHDC 4493
INFO RUQMEB/AMBASSAD ABU DHABI 4808
RUQMEB/AMBASSAD ALGIERS 1221
RUQMEB/AMBASSAD AMMAN 3121
RUQMEB/USINT BAGHDAD 983
RUQMEB/AMBASSAD CAIRO 1290
RUQMEB/AMBASSAD DAMASCUS 1692
RUQMEB/AMBASSAD DOHA 2853
RUQMEB/AMCNSUL JERUSALEM 524
RUQMEB/AMBASSAD JEDDA 5410
RUQMEB/AMBASSAD LONDON 3547
RUQMEB/AMBASSAD MANAMA 3997
RUQMEB/AMBASSAD MUSCAT 2970
RUQMEB/AMBASSAD TEHRAN 4794
RUQMEB/AMBASSAD TEL AVIV 1199
RUQMEB/AMBASSAD TUNIS 743
RUQMEB/USMISSION USN NEW YORK 813
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CONFIDENTIAL SECTION 4 OF 4 KUWAIT 3523
LIMDIS

11. BOTTOM LINE: WE ARE USED TO AN ALMOST OBSCENE NEGATIVISM
AMONG OBSERVERS HERE OF AMERICAN MIDDLE EAST DIPLOMACY. RIGHT
NOW THAT NEGATIVISM IS MUTED, OR LIMITED TO PROFESSIONAL
NEGATIVE COMMENTATORS, AS IF THE DETERMINATION OF THE USG TO
REAL RESULTS OUT OF THE CAMP DAVID PROCESS HAD HAD ITS Effects
BECAUSE OF COINCIDENTAL (FORTUITOUS OR OTHERWISE) DEVELOPMENTS
IN VIENNA AND VARIOUS ARAB CAPITALS. WE WILL STAND UP AND
SAY 'YOU AMERICANS ARE RIGHT' BUT MANY ARE SAYING THAT THE
NAME OF THE GAME NOW IS NOT TO DESTROY THE CAMP DAVID PROCESS
BUT TO BUILD ON IT. SO LONG AS THE PLO IS PREPARED TO ABANDON
A HARD LINE, FEW WILL SPEAK OUT AGAINST IT; BUT NEARLY EVERY
WELCOMES THE POSSIBILITY OF THE PLO'S ADOPTING A NEW, SOFT LINE.
THEY ALSO WELCOME THE IDEA THAT USG MAY FIND A WAY TO ENCOURAGE
SUCH A SOFT LINE, AND TO REACH APPROPRIATELY TO IT WHEN IT
EMERGES. THEY DO NOT SEE WHAT MECHANISM CAN BE INVENTED TO
PRODUCE A SEPARATE BUT EQUAL PEACE PROCESS UNDER EUROPEAN
SPONSORSHIP TO INVOLVE THE SYRIANS, JORDANIANS AND THE PLO
IN NEGOTIATIONS, BUT MANY BELIEVE THAT THAT MECHANISM IS
BEING WORKED OUT NOW IN CONCERT WITH THE USG. KUWAIT, PER USU
IS NOT ABOUT TO BE 'OUT FRONT', BUT THERE MAY BE SUBSTANCE IN
ANALYSES THAT SEE SHAIKH SARAH AL-ABDAM AS FEELING OUT THE
The capabilities for a new, moderate position to take the Baghdad
might arise off the sterile hook of their rejection of Camp
4's results. The two big questions, seen from here, are (A)
whether Arafat feels himself positioned to deliver anything
promised by the USG position, in order to engage his
militization either in Camp David talks or in parallel
militations; and (B) whether Iraq, conceivably with its
position changed by the accession to full powers of Saddam
alain, will be amenable to counsel of moderation. If the
world except Israel, the petitions of peace, there will
be anxious and probably prolonged, whispered consultations
and Kuwaitis and their neighbors before the USG takes an
amicable position at all. All the foregoing may be the inevitable
product of a Kuwait just emerging from nineteen consecutive
years of eye-searing, lung-congesting sandstorms, and there is
only a scrap in it of official Kuwaiti evidence, but we have
heard some of the "main arteries of opinion in Kuwait and
are inclined to believe there is some basis in fact for the
optimism of our contacts here. Sutherland

11. BOTTOM LINE: We are used to an almost obscene negativism
among observers here of American Middle East diplomacy. Now
that negativism is muted, or limited to professionally
negative commentators, as if the determination of the USG to
real results out of the Camp David process had had its effect
because of coincidental (fortuitous or otherwise) developments
in Vienna and various Arab capitals. Few will stand up and
say "You Americans are right", but many are saying that the
name of the game now is not to destroy the Camp David process
but to build on it, so long as the PLO is prepared to accept
a hard line, few will speak out against it; but nearly everyone
welcomes the possibility of the PLO's adopting a new, soft line.
They also welcome the idea that USG may find a way to encourage
such a soft line, and to reach agreement to it when it
emerges. They do not see what mechanism can be invented to
produce a separate but equal peace process, under European
sponsorship, to involve the Syrians, Jordanians and the PLO
in negotiations, but many believe that such a mechanism is
being worked out now in concert with the USG. Kuwaiti PAS, as usual,
4. IN THIS VEIN, HE MENTIONED A RECENT CONVERSATION HE HAD WITH AN "AMBASSADOR OF A SOCIALIST STATE" WHO SUGGESTED THAT KUWAIT FOLLOW UP ON THE BAGHDAD CONFERENCE ACTIONS AGAINST EGYPT BY ENCOURAGING SAUDI ARABIA AND THE OTHER OIL-PRODUCING STATES IN THE PENINSULA TO USE OIL PRICES ON ProDUCTION, AND THE LEVERAGE OF ITS INVESTMENTS IN THE TO IN ORDER TO PUT PRESSURE ON THE US TO BRING ISRAEL TO M. RAZOUQI, WHO SAID HE WAS FURIOUS AT SUCH AN IMPERTINENT SUGGESTION, ASKED THE SOCIALIST AMBASSADOR HOW HE COULD PUT FORWARD SUCH A PROPOSITION WHEN THE MAJOR ARAB STATE IN THE PENINSULA HAD ON ITS BORDERS A MARXIST STATE. IT WOULD HARDLY BE IN SAUDI ARABIA'S INTEREST TO ENLIST THE US THROUGH CRUDE PRESSURE TACTICS WITH NEIGHBORING SOUTH YEMEN TO CONTEST WITH AND ANOTHER SOVIET SPARACROSS THE RED SEA, RAZOUQI ADDED. MOREOVER, MAKING AS A KUWAITI OFFICIAL WITH THE RANK OF AMBASSADOR, RAZOUQI WANTED HIS INTERLOCUTOR TO KNOW THAT WAS AT IN LAST TRYING TO ACHIEVE A SETTLEMENT IN THE MIDDLE EAST WHICH WAS MORE THAN THE SOVIET UNION WAS DOING. THE US INFLUENCE WITH ISRAEL, RAZOUQI SAID, AND WILL EVENTUALLY PEAK WITH THE PLO. HENCE, THE US IS THE COUNTRY IN A POSITION TO HELP RESOLVE THE FUNDAMENTAL ISSUES. FINALLY, RAZOUQI SAID TO HIS SOCIALIST COLLEAGUE, IT WOULD NOT BE IN KUWAIT'S SHORT OR LONG TERM FINANCIAL OR ECONOMIC INTERESTS TO INFLUENCE THE ECONOMY OF THE US BY THESE TACTICS.

5. ADM C. THanked RAZOUQI FOR THIS REPORT AND INFORMED HIS INTENTION TO CONTINUE TO BE A FULL PARTNER IN THE PEACE PROCESS, BUT CAUTIONED THAT THE PROCESS HAD BE QUICKER OR EASIER.

6. COMMENT: RAZOUQI'S REMARKS -- THE MOST POSITIVE HEARD FROM A KUWAITI OFFICIAL IN A LONG TIME -- OCCUR AS MORE EMERGES HERE A SENSE THAT THERE'S A SILVER LINING IN THE STILL CLOUDY PROSPECTS FOR MIDDLE EAST PEACE (REF C).
In this vein, he mentioned a recent conversation he had with an "Ambassador of a Socialist State" who suggested that Kuwait follow up on the Baghdad conference actions against Egypt by encouraging Saudi Arabia and the other oil-producing states of the Peninsula to use oil prices, production, and the leverage of its investments in the Gulf in order to put pressure on the US to bring Israel to the negotiating table. He said he was furious at such an impertinent suggestion, asked the socialist ambassador how he could even suggest it, and that the US should respond with measures of pressure and isolation rather than negotiations. He said the US should use its influence on the Arab nations to pressure them to consider the US proposal of a political solution to the Arab-Israeli conflict, which would be more than the Soviet Union was doing. He said that while the Arab states may have some influence with Israel, Kuwait would not be able to help resolve the fundamental issues. Finally, he said that by contributing to the economy of the US, Kuwait could contribute to the economy of the US, and that the US should be interested in the country's short or long-term economic interests.

Summary: July 22 conversation between ADMC and Sen. Ruzoqi's MFA official elicited positive comments on US role in peace process. End summary.

After other business with Kuwaiti MFA legal advisor, ADMC mentioned our satisfaction with modest progress achieved by Amb. Strauss and his team in establishing an agenda for autonomy talks. ADMC invited Ruzoqi's comments on Amb. Strauss' trip and Arafat's meeting in Vienna with the State Minister, who is close to the Foreign Minister, who acknowledged the prevailing MFA opinion that the Vienna meeting created a more positive image of Arafat and the PLO, but that there was still not enough evidence to pursue the Middle East peace process. America's role he thought was decisive: "You have to talk to the PLO." He expected we eventually would.
THIS LONG-DISCUSSED BILLION DOLLAR PROJECT IS FINALLY APPROVED.

COMMENT: KUWAIT OIL SALES ARE LARGELY COVERED UNDER BID RACING CONTRACTS, WITH PRESENT PRODUCTION AND NORMAL CEILING ONL MICRO HARDثقة THE THREE MAJOR SALES WITH LONG-TERM CONTRACTS, GULF, BP AND SHELL. OCCASIONAL SPOT SALES, UNDERSTAND THERE MAY BE AS MUCH (10,000 B/D) AVAILABLE IN THE FOURTH QUARTER OF 1979, SINCE AN THE FIRM HAS HAD VERY PRELIMINARY DISCUSSIONS WITH IFKIP MINISTRY REGARDING PURCHASE OF SUCH AN IT'S OIL MINISTRY REGARDING PURCHASE OF SUCH AN OIL CONTRACT NOT BEING RENEWED. SALES WERE TO PUSH FOR KUWAITI OIL, AN EARLIEST IT COULD GET IT, ON A CONTRACT BASIS, WOULD PROBABLY HAPPEN MARCH 31, 1980, WHEN PRESENT FIVE-YEAR GULF CONTRACTS WERE DUE FOR RENEWAL. HOWEVER, IF KUWAIT PRODUCTION IN 1980, WHICH IS A DISTINCT POSSIBILITY ALTHOUGH, THERE MAY BE LITTLE EXTRA TO GO AROUND.

FRANCE

CONFIDENTIAL KUWAIT 3533

ALSO FOR USEC

E.O. 12065: GDS 7/21/80 (BUCK, STEPHEN W.) OR-E
TAGS: ENRG, Ku, Fr
SUBJECT: (C) FRENCH BILATERAL OIL PURCHASES
REF: (A) ABU DHABI 1838, (B) PARIS 22596, (C) KUWAIT 3532

1. (C-ENTIRE TEXT).

2. IN RESPONSE TO OUR QUERY, FRENCH EMBASSY ECONOMIC OFFICER (PROTECT) SAID HE KNEW OF NO LIKELY FRENCH BILATERAL OIL PURCHASE ARRANGEMENTS WITH KUWAIT AND Doubted THAT ANY WOULD BE CONCLUDED. NO DISCUSSION OF SUBJECT, TO HIS KNOWLEDGE, HAD TAKEN PLACE IN TALKS WITH KUWAIT'S OIL MINISTER DURING VISIT BY FRENCH ROVING AMBASSADOR EARLIER THIS YEAR. SOURCE Doubted THAT KUWAIT WOULD AGREE TO ANY BILATERAL PURCHASE AGREEMENT WITH FRANCE, SINCE THESE WERE OFTEN LINKED TO PURCHASE OF FRENCH EQUIPMENT OR SERVICES (AS IN CASE OF IRAQ) AND GOK DID NOT NORMALLY ENTER INTO SUCH ARRANGEMENTS. ONLY POSSIBLE DEVELOPMENT IN THE "OIL SPHERE" BETWEEN TWO COUNTRIES WOULD BE FRENCH FIRM WINNING SOME OF THE WORK ON EXPANSION/MODERNIZATION OF KUWAIT OIL COMPANY REFINERY,
THIS LONG-DISCUSSSED BILLION DOLLAR PROJECT EVENTUALLY APPROVED.

COMMENT: KUWAIT OIL SALES ARE LARGELY COVERED UNDER LONG AND MEDIUM TERM CONTRACTS, WITH PRESENT PRODUCTION MOSTLY TAKEN UP BY THE THREE MAJOR PURCHASERS WITH LONG-TERM CONTRACTS, GULF, BP AND SHELL. HOWEVER, THE CONTRACT NOT BEING RENEWED, IT SEEMS LIKELY THAT THE PRODUCTION WILL NOT CONTINUE ON A CONTRACT BASIS, BUT PROBABLY IN A SPOT SALES MARKET. THIS IS PROBABLY, HOWEVER, CONTINGENT ON SOME CHANGES TO THE CONTRACTS (C). THERE MAY BE LITTLE EXTRA TO GO AROUND.

1. (C-ENTIRE TEXT).

2. IN RESPONSE TO OUR QUERY, FRENCH EMBASSY ECONOMIC OFFICER (PROTECT) SAID HE KNEW OF NO LIKELY FRENCH BILATERAL OIL PURCHASE ARRANGEMENTS WITH KUWAIT AND Doubted THAT ANY WOULD BE CONCLUDED. NO DISCUSSION OF SUBJECT, TO HIS KNOWLEDGE, HAD TAKEN PLACE IN TALKS WITH KUWAIT'S OIL MINISTER DURING VISIT BY FRENCH ROVING AMBASSADOR EARLIER THIS YEAR. SOURCE Doubted THAT KUWAIT WOULD AGREE TO ANY BILATERAL PURCHASE AGREEMENT WITH FRANCE, SINCE THESE WERE OFTEN LINKED TO PURCHASE OF FRENCH EQUIPMENT OR SERVICES (AS IN CASE OF IRAQ) AND GOK DID NOT NORMALIZE ITS RELATIONS WITH KUWAIT. THE POSSIBLE DEVELOPMENT IN THE "OIL SPHERE" BETWEEN TWO COUNTRIES MIGHT BE FRENCH FIRM WINNING SOME OF THE WORK ON EXPANSION/MODERNIZATION OF KUWAIT OIL COMPANY REFINERY.
DEPARTMENT OF STATE

AIRGRAM

FILE DESIGNATION: P 76170 7885


FROM: American Embassy KUWAIT  DATE: August 8, 1979

SUBJECT: (C) Political Reassessment: The Effect of Modernization in Kuwait

REF: (A) STATE 38773, (B) KUWAIT 3402

TAGS: PINS, POOV, SOT, SOP, KU

(C - ENTIRE TEXT)

SUMMARY: The modernization of Kuwait began thirty-five years ago with the first shipments of petroleum from Kuwaiti oil wells. The enormous increase in national wealth has caused the population to burgeon and the old, simple, cohesive social scenario, played out behind mudbrick walls, has been bulldozed away. Not only have oil revenues come to Kuwait by the thousands, rendering Kuwaitis a minority in their own land, but among Kuwaitis themselves there are new tensions born of the dispersion of old families and the introduction of new, bedouin families to the sprawling urban complex which has replaced

Enclosures:

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TO: DEPT PASS/ABU DHABI, AMMAN, BAGHDAD, CAIRO, CONDEA, DAKAR, DAMASCUS, DHAHRAN, DOHA, ISLAMABAD, LONDON, MANAMA, MUSCAT, NEW DELHI, PARIS, RIYADH, SANA, TEHRAN, TEL AVIV, USDOE, US DEPT OF TREASURY, USD DEPT OF LABOR, USINCEUR FOR POLAD

FROM: American Embassy KUWAIT

DATE: August 8, 1979

SUBJECT: (C) Political Reassessment: The Effect of Modernization in Kuwait

CONFIDENTIAL

2. IN COURSE OF TOUR D'HORIZON WITH KUWAIT OIL MINISTER, SHAikh ALI KHALIFA AL-SABAH JULY 22 (REF D) REFERENCE WAS MADE TO CONTINUOUS PROBLEMS FOCIED FOR IRAN BY IRANIAN OIL WORKERS, WHICH LEAD TO THE QUESTION OF WHETHER KUWAIT COULD POSSIBLY BE FACED WITH SIMILAR DIFFICULTIES. SHAikh ALI TOLD US BLUNTLY THAT "IT WOULD ONLY TAKE FORTY WORKERS" TO STOP OIL PRODUCTION IN KUWAIT. ALL THEY WOULD HAVE TO DO IS "WORK TO RULE," REFUSING TO PERFORM ANY WORK BEYOND THE LIMITS OF THEIR JOB DESCRIPTIONS. HOWEVER, MINISTER QUICKLY ADDED, "I DON'T HAVE A PROBLEM HERE." E ONE OR TWO PERCENT OF THE OIL WORKERS IN REALITY KEY JOBS ARE ABSOLUTELY TRUSTWORTHY, AND THE REST ARE EASILY KEPT CONTENT. "THEY ARE NOT HIGHLY POLITICIZED AND I KEEP IN 'CLOSE TOUCH WITH THEM. I KEEP THEM HAPPY.' CLOSE TABS ARE KEPT ON THOSE FEW WORKERS WHO ARE POLITICIZED.

3. MINISTER NOTED THAT HE HAD THE DAY BEFORE PARTICIPATED IN MEETING OF THE CIVIL SERVICE COMMISSION TO DISCUSS WAGE INCREASES FOR THE OIL WORKERS. BEFORE NATIONALIZATION THE OIL WORKERS UNION HAD ENGAGED IN COLLECTIVE BARGAINING REGARDING WAGES. NOW THAT THE OIL COMPANIES WERE GOVERNMENT-OWNED, WAGE AND RELATED MATTERS HAD BEEN UNDER THE CIVIL SERVICE COMMISSION AND COLLECTIVE BARGAINING HAD EFFECTIVELY BEEN TAKEN AWAY FROM THE LABOR UNIONS. YET THE OIL WORKERS HAD NOT COMPLAINED ABOUT IT. "I WAS PERSONALLY SURPRISED BY A RECENT LETTER FROM THE LABOR UNION" MINISTER SAID "AS I THOUGHT THEY WOULD BE MORE ANGRY, IF WE REALLY HAVE WITHDRAWN FROM THEM THEIR RIGHT TO NEGOTIATE BUT THEY DON'T PROTESTED."

4. MINISTER SAID THAT WORKERS WOULD RECEIVE PAY INCREASES AND MOST OF WHAT THEY HAD ASKED FOR, BUT NOT ALL, SINCE IF THE GOVERNMENT CONCEDED ON ALL POINTS THE WORKERS WOULD JUST COME BACK AND ASK FOR MORE.

5. COMMENT: MINISTER'S COMMENT TO ME REINFORCE CONCLUSIONS DRAWN FROM REF D THAT OIL WORKERS DO NOT APPEAR TO POSE A SIGNIFICANT THREAT TO KUWAIT STABILITY OR OUR OPERATIONS.
the old village. Most expatriates brought here by oil wealth have no interest in Kuwaiti politics, but the Iranian laborers, especially since the coming to power of Khomeini in Iran, are a threat, and the Palestinian community, the largest and most cohesive foreign element in Kuwait, poses a very complex problem for the Government. However, the "oil pie" has been more than large enough, and Kuwaiti leadership was not satisfied enough, so that wealth has spread throughout society in such a way that economic inequities, real though they are, do not fuel dangerous political movements, among expatriates or relatively disadvantaged Kuwaitis. The latest thinking among Kuwaiti policy-makers emphasizes the importance of reserving "Kuwait for the Kuwaitis", and, while it acknowledges that talent and labor will always be necessary, the trend is toward trying to avoid increases in the resident expatriate community. Kuwaitis as a group are still cohesive, but the expansion of the physical base and the introduction of new social elements has led to dissatisfaction with traditional modes of achieving consensus, and has lent strength to efforts to convene a representative national assembly. END SUMMARY.

The Effects of Modernization. In the past thirty-five years Kuwait has been completely transformed from a sleepy backwater port, dependent on fishing and limited trade, into a petroleum and financial power of world importance. In the process the old Kuwait has literally been leveled and the Kuwaitis have been made a minority in their own country. In what follows we review the changes, their effect on the local society, the changing composition of the population, resulting tensions both within Kuwaiti community and between Kuwaitis and non-Kuwaitis, and implications of the present situation, and of emerging Kuwaiti government policy to cope with it, for future social and political stability.

Background: Kuwait "before oil". Kuwait before 1946, when oil was first exported from Kuwait, is of more than historical interest. When asked to define who is a "real Kuwaiti", almost invariably influential Kuwaitis tell us that it is a person or the descendant of a person who was living and working in Kuwait "before oil," the clear implication being that those who have come after are not true Kuwaitis, but merely people who came here to cash in on the oil. The Kuwait of 1946 had a total income of less than $5 million and a population estimated at perhaps 90,000, almost entirely Arabs native to the state, most of them living within the mud-wall enclosed town of Kuwait whose gates were closed at sundown. Besides the ruling Sabah family, society was broken down broadly into three groups: 1) the old leading merchant families who owned ships engaged in fishing, trade and pearl diving; 2) those who manned the boats, the craftsmen, and 3) a relatively small number of bedouin, who lived outside the city, but had links through marriage with some merchant families. It was a society closely knit through lineage and the extended family system. Three or four generations and under one roof, or in linked houses, and those in a given neighborhood were closely related. Every family, from the Sabahs to the most lowly, had a room or diwaniyaa, whose door was usually always open for visitors high and low. Through the diwaniyaa system, communication in the society was quick, direct and effective between all levels. Life was far from idyllic. There was no air conditioning to combat the 120 degree heat, tuberculosis and smallpox were prevalent, infant mortality was high, and water scarce, but all levels of society shared these hardships.

Wealth and Destruction. Flush with oil revenues which increased 200-fold in the space of a few years, the Sabah family asked in the early 50's on a program to completely modernize and turn it into a welfare state. To do so they decided that the best method was to buy up the old houses and buildings in the old city at inflated prices, destroy them, and then lease new construction within and without the old city on extremely liberal terms. At the same time they embarked on large endeavors for roads, hospitals, schools, etc. The result was a massive transfer of cash from official to private Kuwaiti pockets. Between 1946 and 1971 the GOK distributed more than $1 billion, a quarter of total oil revenues, through its land acquisition program. The program brought wealth, but also destruction and dispersion. The visitor to Kuwait today can no longer find the old Kuwait. The few that remain sit forlornly on their homemade or government owned parking lots, waiting to be bulldozed to make way for another high-rise office building. Many of the old mansions of the old Kuwaiti families have been bulldozed, their foundations turned into a modern way for their scattered far and wide in the high-rise towers of Kuwait City and in the villas and apartments in the suburbs which make Kuwait appear to be a modern city. Kuwait City itself is still a collection of different older Kuwaiti towns, which are now being surrounded by high-rise office buildings and apartment blocks.

Nation Change. To turn Kuwait into a modern welfare state, government had to rely heavily on expatriate labor, skilled and unskilled. Palestinian workers, many of them displaced in the repressive Arab-Israeli wars, arrived to help meet the demand. The years, tens of thousands of Egyptians, Iranians,
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Social Change. To turn Kuwait into a modern welfare state, government had to rely heavily on expatriate labor, skilled and unskilled. Palestinian workers, many of them displaced in the Arab-Israeli wars, arrived to help meet the demand. The years, tens of thousands of Egyptians, Iranians,
Indians, Pakistanis, and others have joined the ranks of temporary immigrants to Kuwait. At the same time a large number of bedouin flocked into Kuwait, attracted to opportunities afforded by its rapid development. The result was a rapid increase in population, at one point in the late 50's reaching a rate of 16 percent per annum. In 1966, when the last census was taken, Kuwait's population increased over 1,000 percent, from 90,000 to over a million. Its composition changed radically, from a largely homogeneous group of townspeople, society in which Kuwaitis were a minority (47.5 percent) in their own country. Equally important, the legal definition of being Kuwaiti has changed. Partially to balance the influx of Palestine Egyptians, Iranians, Indians, and others, and partly to regularize their status, the GOK conferred Kuwaiti nationality on most of the bedouin arrivals. No statistics are available on what percent of the present population of Kuwaitis (some over 500,000) are of recent bedouin origin. However, since net increase in Kuwaiti over the past thirty years has averaged 6.5 percent per year, or nearly double the growth rate of other countries in the region, half the growth rate appears to be the result of naturalization. This indicates that a significant proportion of Kuwaitis, perhaps as much as 40 percent, is probably of recent bedouin origin. Kuwaitis have accordingly become a less homogeneous group: the felt differences between "old" and "new" Kuwaitis comprise a locus of tensions which do not exist "before oil."

**Income Distribution - New Riches Bring Greater Inequality.**

a. Kuwaitis. It is clear that for all Kuwaitis the income pie has been getting much larger. As a rough measure, in 1972 average imports per capita were $240. By 1960 the figure had risen to $780 per capita and by the mid-1970's the figure was well over $4,000 per head. Rapid increases in income per capita, (estimated at $15,480 in 1976), have not been matched by progress in income distribution. In fact, according to a recent statistical analysis by Kuwaitsi and English scholars, income inequalities have widened over time, not only between Kuwaitis and non-Kuwaitis, but among Kuwaitis. According to a study of family income in 1972/3, before the great oil price rise, among non-Kuwaitis as a group, 10 percent of non-Kuwaitis received about 25 percent of this group's total income; while among Kuwaitis, the top 10 percent received more than 50 percent of total Kuwaiti income. Since then, with inflation, percentage of total income going to the richest Kuwaiti houses has increased, according to these studies. (see enclosure 2)
b. Non-Kuwaitis. It should come as no surprise that the income of non-Kuwaitis is less than that of Kuwaitis, 1972/73, the most recent year for which data is available. The average family income for Kuwaitis was about $750 per month, while it was $500 for non-Kuwaitis. Non-Kuwaitis enjoyed less living power because a high percentage of them were employed as laborers and they had to pay rent, while many Kuwaitis lived subsidized housing (the income from rent), and resent government treatment in employment and salaries. No precise data exist for the period since the 1973/4 oil rise, it seems likely that the gap between Kuwaiti and Kuwaiti income has widened, since increased rents have affected Kuwaitis more than Kuwaitis, and since the bulk of income from other arrangements, contracting, etc. has gone to Kuwaitis.

4. But there's basically enough for all. By way of contrast with many other countries, the extraordinary wealth that has come to Kuwait with modernization has not been shared by a given class or family group. Increased income distribution has been unequal, but not grossly so. Those with access to the new wealth have made sure that not only one left out, starving and resentful, but also that nearly everyone, foreigners and newcomers not excepted, has had to admit benefiting greatly. The pie has been so large, in other words, that everyone's piece has been substantial. There have been complaints of inequality, but these have not been backed up by privation and suffering.

Kuwait -- A Destabilizing Force? A good deal has been written lately about the allegedly inherent instability of Kuwait which depends on large numbers of technicians and workers from other countries, and especially the Gulf States, of which have indigenous populations smaller than the forces imported to help usher in the 20th century. But fears of instability are valid only to the extent that the state communities are primed to play an active role in the affairs of their host countries. The fact is that for the part these communities in Kuwait are politically inert in their own politics. Income disparity is not a problem. No, or very few, "guestworkers" earn far more than they could elsewhere, and they are not about to kill their golden goose. In Arabia there is a very large Yemeni workforce, which, if employed in the context of Saudi politics vis-a-vis North Yemen, may be serious grounds for concern, but in Kuwait it is nonexistent near the numerical domination of the workforce by a foreign element which the Yemenis represent in Saudi...
Arabia. There are many Indians in Kuwait (about 75,000, up from an estimated 35,000 in 1965), but they come from all parts of India and represent assorted religious, language and caste groups. They are more concerned with precedence among Indians here than they are about whether Indians have a fair shake in Kuwait.

The Iranians would not be a problem had it not been for the Khomeini revolution which has laid the basis for idealistic appeals to them along religious lines. So far, at least, they have not been exorted to bring about the Islamic Millennium in Kuwait. The government worries about this large community of non-Kuwaiti Muslims, many of whom doubtless take pride in the successes of Khomeini, but it takes courage from the fact that the Iranian workers are here without rights, and can be expelled at will.

Arab Politics Among Expatriates. Far more troublesome to the Kuwaiti authorities are the Arab communities -- the Palestines (perhaps 300,000 strong) first and foremost, the Egyptians, Iraqis and Syrians next, and the Yemenis -- mostly high shop laborers -- last of all. Arab residents are heirs, as the Egyptians are not, to the Arab Nationalist tradition, and can be expected to assert, more or less loudly, that they have a right to share in the Arab patrimony, of which Kuwait holds some large proportion. Those who oppose Ba'athist tenets claim that there are no boundaries within the Arab World, and that therefore Kuwaiti wealth belongs to all Arabs. The Palestinians assert that their "cause" is the preeminent Arab cause, and therefore Kuwaiti assets should be totally at the disposal of those who are militant strugglers for Palestinian rights.

The Egyptians, more worldly than the other Arabs, have in common -- despite the deep rifts within their community -- a conviction that the Kuwaitis are basically crude boorish, undeserving of time-consuming concern, and hardly worthy of Egyptian envy. Among Arab communities of Kuwait there is mutual scorn. The Kuwaitis look down on all Arab foreigners nearly to the same degree as they scorn non-Arab Asians; the Palestinians believe they are more long-suffering and better educated and more virtuous than the primitives and backsliders who do not share their militant, refugee history; the Iraqis are confident of their subversive power, and scorned as shallow, dark-minded men; and the Egyptians, viewed by others as effete, know they are superior, because the Pharaohs and Nasser were bigger men.

Egypt is a greater nation than the Arab World has produced. This is why the government of Kuwait is cutting down on Arab immigration, and looking to South Asia and the Far East for the extra labor necessary to conduct further expansion of the national infrastructure. South Koreans may be highly disciplined, and characterized as a dangerous "army" in the left-wing press, but they do a highly efficient job, complete their projects on time, and we absolutely no interest in the inter-Arab affairs which absorb the working energies of Kuwaiti security officials, and home when the job is done.

Though we need to know more on this front, our conclusion up to this point is that the Iranian expatriates, with largely hypothetical support from the substantial -- but diluted -- Iranian-origin Kuwaiti Shi'a, could cause trouble for the government of Kuwait if Khomeini or another influential Iranian leader, playing on the asserted cosmic importance of an Islamic revolution, called on Iranians to change the Kuwaiti modus operandi. The trouble, however, would be containable, in the judgment of our best contacts who say that the majority of Kuwaitis, including the Shias and those of Iranian origin with Shi'a and Sunni) would rally to stability and would not support Islamic subversion of the benign autocracy of Kuwait (KUWAIT 6604).

The Palestinian community problem, to which Kuwaiti policy-makers devote so much attention, is entirely different, because many Palestinians have been here so long, and have such a valid claim to a full share of the proceeds of Kuwaiti development, and because so long as the Arab/Israeli conflict continues its recent course, they have no genuine "nation" to which to turn or through which to seek recourse (78 KUWAIT 5021). Short, the Palestinians could come to see Kuwait as their country, and be resentful being deprived of its benefits. So far, least, the Palestinians have expressed little interest in trying to run Kuwait. They don't care who is in the National Assembly, and so long as the pay and allowances remain satisfactory, they are content to complain of their statelessness, agitate for the right to retire in Kuwait rather than be expelled when their working days are over, and to exercise a soothing brief over statements by Kuwaiti leaders about the future of the Middle East. Palestinian nationalism is such, that Kuwaiti accommodation has been such, that the Palestinian community has never seriously dreamed of taking over Kuwait along with all its riches. And this is surely something to which Kuwaiti national leadership has given serious thought since
Arabia. There are many Indians in Kuwait (about 70,000, up from an estimated 5,000 in 1965), but they come from all parts of India and represent assorted religious, language and caste groups. They are more concerned with precedence among Indians here than they are about whether Indians have a fair shake in Kuwait.

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the civil war in Jordan in the fall of 1970, when the thought of a Palestinian takeover of King Hussein's territory fueled savage bloodshed.

The Palestinian Future: Dilemma for Hosts and Guests Alike. The future of Palestinians in Kuwait is a highly problematic one. Far more than any other foreign group, the Palestinian community has put down roots. Whereas 10-15 years ago Palestinian men were here working and sending their paychecks "home" to support their families, today the families are here, the children are growing up attending Kuwaiti and private schools in Kuwait, and a new generation of "Kuwaiti Palestinians" is about to take over leadership of the Palestinian community. Yassir Arafat and many other PLO leaders have spent considerable time and have relatives living, in Kuwait, but as "foreigners" in a sense that the coming generation will never know. As reported elsewhere, we believe the great bulk of Palestinians here are peaceful folk who would rather have their economic and social future secured than die on the barricades. They pay lip service, and contribute from their salaries, to the Palestinian resistance organizations, but they long for security more than for redemption of their national rights." But this does not mean they have lost their identity as a national community: if the Government of Kuwait were to turn its back on the Palestine cause, it would be in serious trouble. Not only would Palestinians in key positions in Government ministries at the desalination works, and other vital national jobs be tempted to show their resentment, but the pent-up frustration of the Palestinian population would appear in myriad forms to grave distress of the Sabah regime.

The crunch will come if the Palestinians are offered a choice. If the search for peace in the Middle East leads to creation of a Palestinian homeland or state, the Kuwaitis will be relieved of some of the pressure to be hospitable to the "victims of Zionist aggression." At the same time, the Palestinians who have played and continue to play such an essential role in the progress of Kuwait toward modernity in so many spheres, may well be faced with giving up lucrative positions in the Gulf economy, and going "home" to less economically rewarding positions. The Kuwaitis will continue to abhor the notion of absorbing Palestinians into the real Kuwaiti society, but they will continue to need the skills the Palestinian community has to offer. One can foresee that the Kuwaitis will make it increasingly attractive for Palestinians to work in Kuwait.

We believe, however, that the existence of a homeland of their own will make the situation more complex. One can foresee that thousands of Palestinians, whose entire lives have been passed in the Kuwaiti environment, but not in the socio-political context, will be forced to choose between freedom to Palestine and loyalty to Kuwait, and that many will work in the latter, presenting the Government of Kuwait with choices threatening the cozy insularity of its society. As the pro-Palestinian world regards the Palestinian community in Kuwait as a group of people wanting to move to their homeland, the withholding of Kuwaiti-type benefits from some Palestinians is not only understandable, but is an obligation Kuwaitis are willing to take. The creation of a Palestinian homeland or state would oblige Kuwaitis to reframe their thinking about the future of Palestinians in Kuwait would really mean.

The Future of the Foreign Communities. As modernization continues Kuwaitis seem likely to remain in a minority in their own country, since there is little incentive for them to do otherwise. Especially if Kuwait wishes to diversify its economy from oil by industrialization, it seems it must perpetuate citizens' minority status, if not accentuate it, by importing the skills necessary to create modern industry, and the collar workers who sustain such industry.

The Manpower Policy. In the mid-1970's when Kuwait was with labor-creating industrialization plans - everything from petrochemical plants to steel mills - it seemed likely that this would decrease as a percentage of total population. manpower study, predicting manpower needs for 1975-80 on rapid industrialization plans, concluded that 1980 Kuwaiti proportion of the population would have declined from 40 percent because of the influx of needed foreign workers. However, since that time steel mills and a lot of other important projects have been either rejected outright or in permanently shelved. Kuwaiti officials, led by Shaikh Muhanna al-Sahab, now Minister of Oil and Industry, have publicly stated opposition to "white elephant" projects, even when this led to calls for tariff protection, merchants who for industrialization in the post-1973 boom now see that
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there are pitfalls, and their enthusiasm is cooling. Kuwaitis are becoming more and more aware of the adverse environmental effects of industrial projects in their small country. Finally, as they become increasingly sophisticated and well-traveled, they discover attractive opportunities for investment abroad, thereby lessening the pressure for investment in Kuwait.

Although there has never been any public announcement of what GOK manpower policy really is, experts attending a regional population/manpower seminar held in Kuwait earlier this year and other well-informed observers, Kuwaiti and non-Kuwaiti, indicate that the trend which is emerging is toward a very restrictive policy on industrialization and immigration. Kuwait is likely to continue to spend lavishly on housing, roads, electricity, water, etc., but in so doing it will follow a conscious policy of importing workers - primarily Asian, Arab - who come to the country for one project and leave when it is done. Economic growth alone, then, is not likely to lead to an increase in the permanent non-Kuwaiti population.

some ways the GOK is discouraging an increase in the "settled" Kuwaiti population already here. We are told that it is virtually impossible for Palestinians not already established in Kuwait to obtain residence permits even if they have close relatives here. The new service law provides that no benefits will be given for any children born to non-Kuwaitis after July 1, 1979. Although it is minor, one can see a trend of Kuwaitis taking over at least some of the jobs of non-Kuwaitis, not only of highly skilled, usually European expatriates, but also of intermediate-level job holders. Where, for example, many bank tellers and clerks have been Indian, they are now increasingly Kuwaiti. Kuwaiti women are increasingly taking secretarial, teaching and professional jobs formerly held by non-Kuwaitis. 1965 working Kuwaiti women totaled 1,092, out of a total work force of 184,297, or a miniscule 0.6% of the work force. By 1975 their number had increased over seven-fold, to 7,500, while the work force less than doubled (to 305,000), increasing their proportion to 3% of the total work force, and 8% of the Kuwaiti work force. Women now accounting for the majority of students at Kuwait University, the proportion of Kuwaiti women in the work force is likely to increase, reducing the proportion of non-Kuwaiti workers.

"Expatiation" of jobs has long been an implied government policy, observers differ sharply about its prospects for success. There are those who argue that government and private positions attractive Kuwaitis are for the most part already filled, and that less attractive jobs will not find takers except among the expatriate community. Others, however, insist there is still abundant room in Kuwait for well educated younger Kuwaitis to fill managerial and technical positions now occupied by foreigners. No one argues that Kuwaitis will ever displace the Egyptian or Pakistani laborers from Kuwait Municipality garbage trucks and we are told the Amir himself privately concedes that there will probably always be a need for top-level, western engineers and managers to guarantee against breakdown of the increasingly complex machinery, both industrial and bureaucratic. Not all young Kuwaitis returning with good university degrees will be satisfied with salaried jobs in a hierarchy when they could be forming businesses and getting rich, but balances, we think the percentage of Kuwaitis in the permanent work force of Kuwait may well gradually increase for the foreseeable future, to the relative disadvantage of the expatriate communities.

Strategic planning and changed Kuwaiti notions on the nature of growth thus have come to reinforce socio-political instincts which lead Kuwaitis to try to avoid being submerged in a society of expatriates.
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Although there has never been any public announcement of what GOK manpower policy really is, experts attending a regional manpower seminar held in Kuwait earlier this year and other well-informed observers, Kuwaiti and non-Kuwaiti, indicate that the trend which is emerging is toward a very restrictive policy on industrialization and immigration. Kuwait is likely to continue to spend lavishly on housing, roads, electricity, water, etc., but in so doing it will follow a conscious policy of importing workers - primarily Asian, with non-Arab - who come to the country for one project and leave when it is done. Economic growth alone, then, is not likely to lead to an increase in the permanent non-Kuwaiti population.

Meanwhile, the GOK is discouraging an increase in the "settled" Kuwaiti population already here. We are told that it is virtually impossible for Palestinians not already established in Kuwait to obtain work permits even if they have close relatives here. The new labor service law provides that no benefits will be given for any child born to non-Kuwaiti after July 1, 1979. Although it is minor, one can see a trend of Kuwaitis taking over at least some of the jobs of non-Kuwaitis, not only of the highly skilled, usually European expatriate, but also of intermediate-level job holders. Where, for example, many bank tellers and clerks have been Indian, they are now increasingly Kuwaiti. Kuwaiti women are increasingly taking secretarial, teaching and professional jobs formerly held by non-Kuwaitis. In 1965 working Kuwaiti women totaled 1,092, out of a total work force of 184,297, or a miniscule .6% of the work force. By 1975 their number had increased over seven-fold, to 7,500, while the work force less than doubled (to 305,000), increasing their proportion to 2.5% of the total work force, and 8% of the Kuwaiti labor force. With women now accounting for the majority of students at Kuwait University, the proportion of Kuwaiti women in the labor force is likely to increase, reducing the proportion of non-Kuwaiti workers.

The "atization" of jobs has long been an implied government policy, but observers differ sharply about its prospects for success. There are those who argue that government and private positions attractive to Kuwaitis are for the most part already filled, and that less attractive jobs will not find takers except among the expatriate community. Others, however, insist there is still abundant room in the public sector for well-educated younger Kuwaitis. To fill managerial and technical positions now occupied by foreigners. No one argues that Kuwaitis will ever displace the Egyptian or Pakistani laborers from the Kuwait Municipality garbage trucks and we are told the Amir has privately conceded that there will probably always be a need for top-level, western engineers and managers to "guarantee against breakdown of the increasingly complex machinery, both industrial and bureaucratic. Not all young Kuwaitis returning with good university degrees will be satisfied with salaried jobs in a hierarchy when they could be forming businesses and getting rich, but, balances, we think the percentage of Kuwaitis in the permanent labor force of Kuwait may well gradually increase for the foreseeable future, to the relative disadvantage of the expatriate communities. Economic planning and changed Kuwaiti notions on the nature of economic growth thus have come to reinforce socio-political instincts which lead Kuwaitis to try to avoid being submerged in a society of expatriates.
Tensions between Kuwaiti groups: Just as the Palestinians and expatriates do not think of themselves as Kuwaitis nor, in general, to become Kuwaitis (except in the sense of trying to obtain both passports available only to Kuwaitis), the Kuwaitis do not consider Palestinians and other expatriates as part of the body politic. Some ways the most remarkable thing we have observed from many listening to diwaniyas and other discussions among Kuwaiti men is that when the conversation focused on the local political scene, it was entirely on Kuwaiti subjects, as if the non-Kuwaiti majority in Kuwait did not exist.

Comments by individual Kuwaitis and journal articles by Kuwaiti professors lead to the following observations on the effect of modernization on various Kuwaiti groups and the inter-relation between these groups:

A. The Sabahs - The Sabahs' record in sharing the wealth, exemplified by a quarter of the country's revenues having gone to Kuwaiti pockets through the land purchase program, is impressive. Since 1973 there have been grumblings from Kuwaiti merchants who have not been able to compete with the many younger Sabahs who have gone into business. However, the phenomenon can be and viewed simply as the normal result of the more educated generation of younger Sabahs wanting to put this education to work. Besides, business, a number of them, especially the women, are working in fairly technical positions in a number of Ministries. In short, the younger Sabahs are 'doing their thing' - that those Sabahs who have gone into business should be criticized indicates that business in Kuwait is not controlled by the ruling family. Unlike Saudi Arabia, the first question visiting businessmen ask us is not a ruling family member should I have an agent?" There are Sabah family members who are silent (some silent business partners) and business visitors may well choose as an agent a firm which is a "shah of Al-Sabah as a partner, but Kuwaiti's rapid modernization has not led to business" becoming a Sabah family preserve (for on the Sabah and their position in Kuwait see KUWAIT A-23). Nevertheless there is today more complaint from Kuwaiti merchants who have gone into business than there used to be.

B. The Shi'a - Kuwait's Shi'a minority, estimated at least at the total Kuwait population (see also KUWAIT 6604) sticks very low and has prospered greatly from the affluence which has accompanied modernization. Benefiting from Sabah family patronage and their own industry, many prominent Shi'a families have done extremely

Old prejudices do not die easily and there are certainly Kuwaitis, especially among the less educated and the bedouin, present "those Iranians" being named to high positions. Growing wealth and education and the rise of Khomeini have brought about a new and assertiveness among the Shi'a. As previously reported (KUWAIT A-15), the Shi'a are likely to push for - and get - greater representation in any future National Assembly (see below). Since the phenomenon of this prospering community's improved status is likely to have much of an effect on the rest of the Kuwaiti body politic, we do not see the emergence of a slightly more assertive community in Kuwait as leading to friction with the Sunni majority. Indeed, one prominent Sunni, citing the marriage of two of his daughters into a prosperous Shi'a family, says differences disappearing. The phenomenon of Khomeinism, however, has brought about a new degree of Shi'a pride, but an old measure of prejudice. Since February, 1979 one has heard less of the unemployed "All Kuwaitis are alike" and more of the dangerous "A Shi'a is always a Shi'a!" Kuwaitis have dreaded the possibility of an irresponsible, religious-inspired appeal from Iran would be inciting the Shi'a of Kuwait. Our most knowledgeable contacts, however, say the result would be reaffirmed loyalty to Kuwait and not, as the fact is that the proposition has not been tested.

C. Old Merchant Families vs Other "town" Kuwaitis - As indicated paragraph 6 above, Kuwait's modernization and its enormous increase in power have made some of the rich much richer. Has this caused tension between the old merchant families and other "town" Kuwaitis, have not done proportionately well? Kuwaitis we ask generally play the problem. They point out that Kuwait's Ministries, at Assistant Undersecretary, Undersecretary and even Minister level, are stuffed with relatively "unknown" names. There are many Kuwaitis from the leading families who have done very well in the local market and business because they were more venturesome than of the older merchants. Finally, in Kuwait's growing economy, "the old system where a few families hand trucked, or even hundreds of trading agencies, and completely dominated the marketplace no longer applies. The economy has expanded sufficiently so that decentralization is needed. In this situation, young, aggressive merchants can compete with the older establishments. In fact, one family member suggested to us that the Amir may direct business to the newer families to counterbalance advantages for the old families. "Just as you Americans promote minority and small business," informed bankers tell us that if a Kuwaiti, whatever his name, can establish himself as an agent for other foreign goods, he can usually build up access to credit and soon amass considerable wealth. Entry into business in Kuwait continues to be and attractive. Patterns which ensure that the rich will grow
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Old prejudices do not die easily and there are certainly some Kuwaitis, especially among the less educated and the bedouin, who resent "those Iranians" being named to high positions. Growing wealth and education and the rise of Kuwaiti Shi'a have brought about a new generation and assertiveness among the Shi'a. As previously reported (KUWAIT A-15), the Shi'a are likely to push for - and get - greater representation in any future National Assembly (see below). Since modernization of this prosperous community's improved status is likely to have much of an effect on the rest of the Kuwaiti body politic, we do not see the emergence of a slightly more assertive Shi'a community in Kuwait as leading to friction with the Sunni majority. Indeed, if prominent Sunni, citing the marriage of one of his daughters into a prosperous Shi'a family, says differences are disappearing. The phenomenon of Khomeinism, however, has brought not only a new degree of Shi'a pride, but an old measure of prejudice. Since February, 1979 one has heard less of the "All Kuwaitis are alike" and more of the dangerous "A is always a Shi'a!" Kuwaitis have dreaded the possibility of an irresponsible, religious-inspired appeal from Iran would be inciting the Shi'a of Kuwait. Our most knowledgeable contacts think that the result would be reaffirmed loyalty to Kuwait and its Shah, but the fact is that the proposition has not been tested.

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much richer continue. However, what has appeared is a growing action on the part of the government to ensure that, whatever disparities, all Kuwaitis will be economically better off. Hence a massive $5 billion government housing program to ensure that all Kuwaitis are decently housed, and not burdened by inflated rents; hence the subsidies on food, free education, and medical care. Kuwaitis whose fathers may have been pearl divers or trade keepers who spent their childhood without running water or electricity the improvements are enormous. So long as the Government of Kuwait provides so many benefits, and the local business scene provides easy entry for Kuwaitis with a modest capital and enterprisers, income differences seem unlikely to cause real friction, although it will continue to cause grumbling.

D. "Town" Kuwaitis vs Bedouin - The ancestors of the oldest families of Kuwait were bedouin, and they are proud of this heritage. However, when "town" Kuwaitis today talk of bedouin, they are speaking of their noble ancestors, but of persons who have come to Kuwait from the desert since oil came on stream, and who have been naturalized in large numbers. Indeed, as indicated above, as many as 40% of Kuwaiti citizens may be recently naturalized bedouin or children. Almost universally, educated Kuwaitis have said they call "the bedouin" a headache. Although many were naturalized to create a block in the National Assembly in the late 60's and early 70's to support the ruling family against small but vociferous nationalist opposition, many did not perform as expected. They were just as obstructionist as the opposition, and too often sided with whoever promised them more. Many consider them a nuisance since they overload the payrolls of the government bureaucracy, are paid for doing little more than drinking tea. Their demands for social services are incessant, and not satisfied with the responsiveness of the bureaucracy, they try to take their complaints directly to the Amir or the Crown Prince. To cope with their antiquated housing, the Ministry of Defense, whose forces are heavily bedouin, has had to construct two special entrances in the wall around the Ministry compound so that bedouin can enter unimpeded the diwanliyars of the Defense Minister and Chief of Staff, who receive bedu regularly on Wednesdays.

In February 1979, when the Amir made a series of well-publicized visits to various localities, the principal complaints he received were from bedouin about the slow rate of construction of housing and utility service for these groups. (Indeed the waiting list is long; those who applied for "low" income housing in 1968 are just now getting theirs.) The GOK already is halfway through an ambitious $5 billion housing program, construction of a 1.1 billion power generating station is about to start, and another $2 billion power generating complex is planned. Even given this massive activity, we are told that complaints such as those voiced by the bedouin to ensure even larger expenditures in the future on housing, sewers, water and electrical supply systems. But so is the Kuwaiti pie overall that one seldom hears complaints that individuals that too large a share is going to newly settling elements.

Kuwaitis are Basically United: Having catalogued inter-differences, we should not make too much of them. The very fact that bedouin are being settled, are living in houses and driving like "town" Kuwaitis, going abroad on Kuwait government scholarship, etc., is bringing them into the Kuwaiti body politic. It is that once settled, they are likely to remain in townships, such as which are primarily ex-bedouin in make-up. But in their daily life they increasingly mix with other Kuwaitis.

lit, no matter what their origin, wear western clothes when at home, nearly all don Kuwaiti garb upon their return to Kuwait. Partly habit, tradition, etc., but also because it distinguishes them from non-Kuwaiti Arabs. There is no question that being a Kuwaiti in their own country, Kuwaitis look inward and to a certain have an "us and them" mentality. Whatever the differences the merchant aristocracy and the other "town" Kuwaitis, and the "town" Kuwaitis and bedouin, this is a family matter, a sense that there is a fundamental, shared conviction that it shouldn't to be Kuwaiti, with all the privileges and benefits that it entails, and that the other residents in Kuwait are not. Cynics say that patriotism is largely a function of the estimated that Kuwaiti citizenship is worth in lifetime. Whatever the case, it is a powerful unifying force, one to ensure that whatever the social tensions which modernization brings, they will not lead to any fundamental confrontations among Kuwaitis.
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so Kuwaitis thus really do comprise something similar to the family of which official speeches boast, it seems accepted among Kuwaitis high and low, that their society has outgrown from the small, close, consultative, essentially familial system which, in former days, was the result of opinion filtered back to those in authority. The quality has been depressed by the spreading out of Kuwait City, the dispersion of families across growing suburbs, and by the action of thousands of new families without traditional links. Thus one noticeable political modernization in Kuwait has been increased faith in an national legislature, as a medium for expression of opinion in quantitative society, and as a means whereby the executive can, to some degree at least, be called to account for its or its oversight. This interest is building as the
deadline, August, 1980, for reconstituting the National Assembly dissolved in August of 1976 approaches. Reconciling the perceived interests of the various elements in Kuwaiti society into a acceptable formula for representation in the Assembly, and its operating rules, will absorb increasing high-level attention months just ahead (see Kuwait 3302).

Conclusion. The strains of modernization have not torn apart fablric, such as it is, of Kuwaiti society. There have been in Kuwait, so there is no problem of rural populations lured city, put to work in factories, and told to seek comfort in slogans less comforting than their rural saints. Kuwait is composite of territorially-based nationalities, each waiting the part of the central government to permit it to its separateness. Development has brought prodigious wealth that wealth has been well spread across the population precisely because the rulers of the nation have sought to avoid discontent. Modernizing has required and the immigration of thousands of foreign laborers and technical entrepreneurs, and some of them -- the Palestinians and the -- especially -- have brought with them susceptibilities to out influences with which the Government must cope, both through techniques and through the adaptation of national policy. The spect in this regard is for a future in which these externally generated tensions are minimized, through limitations on imm and through careful attention to relations with governments -- these expatriate communities relate. The old, homogeneous Kuwait "before oil" has dissolved, but there remains a distinct "Kuwaitiness" which embraces the oldest merchant families with two hundred years of residence as well as the bedouin fami and are just beginning to learn what living in one place and holding government job entails. The simple closeness which characterizes all who lived within the mudbrick walls of Kuwait forty years has been replaced by a Buick Culture, made up of people hurt from suburb to suburb on family visits. The change has generated a perception that, in order to ensure that consensus is preserved, regular sitting together of elected representatives is essential to the future happiness and order of Kuwaiti society.

Source: Ministry of Planning, Kuwait, Statistical Abstract, 1976, Table 87, p. 32.
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Conclusion. The strains of modernization have not torn apart the fabric, such as it is, of Kuwaiti society. There have been upheavals in Kuwait, so that there is no problem of rural populations lured to the city, put to work in factories, and told to seek comfort in slogans less comforting than their rural saints. Kuwait is a composite of territorially-based nationalities, each waiting on the part of the central government to permit it to be separate. Development has brought prodigious wealth that wealth has been well dispersed across the population precisely because the rulers of the nation have sought to avoid disparity which might breed discontent. Modernizing has required and encouraged the immigration of thousands of foreign laborers and technicians, and some of them -- the Palestinians and the Egyptians especially -- have brought with them susceptibilities to outside influences with which the Government must cope, both through techniques and through the adaptation of national policy. The object in this regard is for a future in which these externally-generated tensions are minimized, through limitations on immigration and through careful attention to relations with governments that interact with expatriate communities relate. The old, homogeneous Kuwait "before oil" has dissolved, but there remains a distinct "Kuwaitiness" which embraces the oldest merchant families with two hundred years of residence as well as the bedouin families are just beginning to learn what living in one place and holding government jobs entails. The simple closeness which characterized all who lived within the mudbrick walls of Kuwait forty years ago has been replaced by a Buick Culture, made up of people hurt from suburb to suburb on family visits. The change has generated a perception that, in order to ensure that consensus is preserved, regular sitting together of elected representatives is essential to the future happiness and order of Kuwaiti society.

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Income inequality among Kuwaitis has grown for the following reasons according to studies by Kuwaiti scholars:

Those in control prior to oil, the shipowners and merchants, were able to profit from the rapid expansion of Kuwaiti income. Furthermore, 4.8% of Kuwaiti agents represent 38% of all products imported. A relatively small group of Kuwaitis gained the most from Kuwait oil revenue. Moreover, since the top people in government attended to be from the leading merchant families, they were in a position to know in advance about government plans for land allocation and to profit accordingly. They were the ones to go into contracting, thereby also gaining disproportionally, since a large part of Kuwait's wealth is based on construction rather than salaries. Finally, the top men benefitted disproportionately from the inflation resulting from the 1973/4 oil price rise, since they had invested heavily in offshore buildings and apartments, and were able to raise rents fivefold.

Middle and low-level Kuwaiti civil servants and oil workers were more likely to rent their housing and were therefore hurt more by inflation.
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Those in control prior to oil, the shipowners and merchants, benefited disproportionately from the import business fueled by oil revenues, while Kuwaitis, bedouins, craftsmen, fishermen, etc. were quite satisfied with new posts in the oil sector or as civil servants. Since the oil boom, 51% of Kuwaiti-owned companies, and since 80% Kuwaiti expenditure is on imports, it was the merchants who gained most from the rapid expansion of Kuwaiti income. Furthermore, 4.8% of Kuwaiti agents represent 38% of all products imported by relatively small group of Kuwaitis gained the most from Kuwait’s rapidly rising revenue. Moreover, since the top people in government tended to be from the leading merchant families, they were in a position to know in advance about government plans for land allocation, and to profit accordingly. They were the ones to go into contracting, thereby also gaining disproportionately, since much of increased government expenditures went into construction rather than salaries. Finally, the top merchants benefited disproportionately from the inflation resulting from the 1973/4 oil price rise, since they had invested heavily in office buildings and apartments, and were able to raise rents five-fold. Middle and low-level Kuwaiti civil servants and oil workers were more likely to rent their housing and were therefore hurt more by inflation.
ARAB OR GULF SUMMIT, REFERENCING TO REPORTS (AMONG OTHERS OF UAE MINISTATE FOR FOREIGN AFFAIRS BASHID ABDALLAH'S VISIT TO KUWAIT LAST WEEK, SHAIEH MUBARAK SAIID THE VISIT HAD NOTHING TO DO WITH ANY SUMMIT. ITS PURPOSE HAD BEEN TO FOLLOW UP ON A KUWAITI INITIATIVE, TAKEN JUST PRIOR TO THE LATE JUNE TOKYO SUMMIT, TO URGE THE FRENCH TO SPONSOR TALKS ON OIL AND OIL PRICING BETWEEN THE EC-9 AND THE ARAB GULF STATES. SHAIEH MUBARAK ALLEGED THAT THE FRENCH HAD PUT THE SUGGESTION TO THE OTHER TOKYO PARTICIPANTS, AND THAT PRESIDENT CARTER HAD SPECIFICALLY BLESSED IT.

3. IN PARTIAL CONTRAST TO BRUSSELS' REPORT, REF B, WHICH I HAD NOT SEEN AT THE TIME OF THIS CONVERSATION, SHAIEH MUBARAK SAID THE IDEA WAS TO LIMIT OIL PRODUCING PARTICIPANTS TO THE GULF ARAB SHEIKHS, SPECIFICALLY EXCLUDING BOTH IRAQ AND IRAN WHOSE PRESENCE WOULD MAKE THINGS MESSY.

4. SHAIEH MUBARAK DID NOT MENTION, AND I DID NOT RAISE, THE SUBJECT OF INCLUDING IN SUCH TALKS THE NEED FOR EUROPEAN POLITICAL SUPPORT FOR THE ARAB POSITION ON THE MIDDLE EAST CRISIS IN EXCHANGE FOR ARAB GENEROSITY IN THE OIL SECTOR.

5. SHAIEH MUBARAK SAID THAT ARRANGEMENTS FOR SUCH A MEETING WERE STILL BEING DISCUSSED. HE THOUGH AN OPEC MEETING IN EUROPE IN SEPTEMBER WOULD BE A LIKELY TIME TO FIRM UP PLANS FOR IT.

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IDENTICAL SECTION 1 OF 2 KUWAIT 3917

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KUWAIT'S OIL PRODUCTION AND MARKETING PLANS

4) KUWAIT 3552 (B) KUWAIT 3553 (C) KUWAIT 2975

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MARY, IN MEETING WITH EMBOFF AUGUST 12 OIL MINISTRY

COMMITTEE CHAIRMAN SHAIEH ALI JABER ALI ALI

IN VIGOROUSLY DENIED THAT KUWAIT IS CONSIDERING AN

OUTBACK IN CRUDE PRODUCTION, SINCE THIS WOULD HAV

ADVERSE EFFECT ON THE WORLD MARKET. HE SAID SAUDI

WANTS TO RAISE PRODUCTION HAD REALM EFFECT, ESPECIALLY

SPOT MARKET, AND HE CLAIMED KUWAIT DOES NOT NORMALLY

SPOT MARKET EXCEPT FOR POLITICAL REASONS, TO TEST DEMAND,

CHECK OUT POTENTIAL CONTRACT CUSTOMERS, SAUDI WANTS TO

CUT BACK THE MAJORS' FAVORABLE ROLE AS CUSTOMERS

WANT CRUDE AND MAY PRESS OIL AND BP TO CUT OFF TAKES

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IDENTIFICATION SECTION 1 OF 2 KUWAIT 3517
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KUWAIT'S OIL PRODUCTION AND MARKETING PLANS
A) KUWAIT 3532 (B) KUWAIT 3533 (C) KUWAIT 2975

ENTIRE TEXT.

MARY, IN MEETING WITH EMBOFF AUGUST 12 OIL MINISTRY
MEETING COMMITTEE CHAIRMAN SHAIEH ALI JABER AL-ALI
VIGOROUSLY DENIED THAT KUWAIT IS CONTEMPLATING AN
CUTBACK IN CRUDE PRODUCTION, SINCE THIS WOULD HAVE
ADVERSE EFFECT ON THE WORLD MARKET. HE SAID SADHAN
TO RAISE PRODUCTION HAD HAD A CALMING EFFECT, ESPECIALLY
SPOT MARKET, AND HE CLARIFIED KUWAIT DOES NOT NORMALLY
SPOT MARKET EXCEPT FOR POLITICAL REASONS, TO TEST DEMAND,
CHECK OUT POTENTIAL CONTRACT CUSTOMERS. SHE WANTS TO
CUT BACK THE MAJORS' PREDOMINANT ROLE AS CUSTOMERS
WAIT CRUDE AND MAY PRESS OIL AND BP TO CUT OFFTAKES
3. KUWAITI PRODUCTION PLANS. EMBOFF CALLED AUGUST 12 ON SHAIF ALI JABER AL-SABAH, CHAIRMAN OF THE OIL MINISTRY COMMITTEE, TO DISCUSS KUWAITI CRUDE PRODUCTION AND MARKETING STRATEGY. ASKED ABOUT RECENT REPORTS QUOTING OIL MINISTER SHAIF AL AMALI AL-SABAH AS SAYING THAT KUWAIT WAS CUTTINGBACK ITS OIL PRODUCTION TO 1.5 MILLION B/D, SHAIF AL JABER VIGOROUSLY MAINTAINED THAT KUWAIT WOULD CONTINUE TO PRODUCE AT ROUGHLY PRESENT LEVELS UNTIL NO DEMAND EXISTED. KAUFMAN, ON THE OTHER HAND, WAS CAUTIONING AGAINST A POSSIBLE DROPPING OF DEMAND DUE TO THE IMPACT OF THE RUSSIAN SITUATION.

4. PRESENT MARKET SITUATION. SHAIF AL JABER SAID THAT THE OPEC DECISION TO RAISE PRODUCTION HAD A SIGNIFICANT IMPACT IN CALMING DOWN THE MARKET AND LOWERING SPOT PRICES. KAUFMAN ANNOUNCED AN ADDITIONAL 1.2 MILLION B/D TO PRODUCTION, SURPRISING OTHER OPEC PRODUCERS AND HAD A RESTRAINING EFFECT.

CONFIDENTIAL SECTION 2 OF 2 KUWAIT 3817

1. TURNING TO KUWAITI MARKETING STRATEGY, EMBOFF ASKED ABOUT INTERNATIONAL HERALD TRIBUNE STORY OF AUGUST 9 REPORTING THAT KUWAIT PLANNED TO REDUCE THE SUPPLEMENTAL CRUDE AVAILABLE TO SHELL AND BP OVER AND ABOVE THEIR REGULAR CONTRACTED SUPPLIES. EMBOFF ALSO ASKED ELI PRICE TO PROVIDE THE DATE THAT SHELL HAD BEEN OFFERED NEW FIVE-YEAR CONTRACTS BEING OFFERED FOR THE 1980'S. AS SOON AS RAMADAN WAS OVER, THEY WOULD BE CALLED IN AND TOLD THAT THEIR OPTION-TAKING WOULD BE REDUCED UNDER A NEW FIVE-YEAR CONTRACTS BEING OFFERED IN APRIL 1980. KUWAIT PLANNED TO REDUCE EACH OF THEM TO 150,000 B/D (PRESENT LEVELS 150,000 B/D FOR SHELL AND 300,000 B/D FOR BP). EMBOFF THEN ASKED ABOUT THE POSSIBILITY OF DISCHARGING SHIPS AT HAYDAR IBAHIAH THAT THE CONTRACTS WOULD BE REDUCED LARGE, SHAIF AL JABER REPRISED THE 150,000 B/D FIGURE. (COMMENT: IT SEEMS LIKELY SHAIF AL JABER MEANT TO DESCRIBE A REDUCTION OF 150,000 B/D RATHER THAN REDUCTION TO 150,000 B/D, END COMMENT).
BY AS MUCH AS TWO-THIRDS WHEN THEIR CONTRACTS COME UP FOR RENOWAL NEXT MONTH. KUWAIT PLANS TO DIVERSIFY ITS CUSTOMERS AND WANTS RESPONSIBLE INDEPENDENTS AND STATE-OWNED OIL COMPANIES TO PICK UP THE SLACK FROM THE MAJORS. IT PREFERENCES DEALING WITH STATE-OWNED COMPANIES ON COMMERCIAL BASIS RATHER THAN DIRECTLY WITH GOVERNMENT TO GOVERNMENT PURCHASE AGREEMENTS. PERCH HAD OFFERED TO PURCHASE KUWAITI CRUDE, BUT KUWAITIS HAVE NOT AGREED TO ANY SUPPLY AT THIS TIME. END SUMMARY.

3. KUWAITI PRODUCTION PLANS. EMBOFF CALLED AUGUST 12 ON SHAIF ALI JABER AL-ALI AL-SABAH, CHAIRMAN OF THE OIL MINISTRY'S COMMITTEE OF THE OIL MINISTRY, TO DISCUSS KUWAITI CRUDE PRODUCTION AND MARKETING STRATEGY. ASKED ABOUT RECENT REPORTS QUOTING OIL MINISTER SHAIF AL-ALI AL-SABAH AS SAYING THAT KUWAIT WOULD BE CUTTING BACK CRUDE PRODUCTION TO 1.5 MILLION B/D, SHAIF ALI JABER VIOLENTLY MAINTAINED THAT MINISTER WOULD NOT CONSIDER CUTTING BACK ITS PRODUCTION IN FACE OF PRESENT MARKET SITUATION. KUWAIT WAS AWARE OF THE DISASTROUS EFFECTS SUCH AN ACT WOULD HAVE ON THE WORLD ECONOMY AND ON ITS OWN INTERESTS AS WELL, AND WOULD CONTINUE TO PRODUCE AT ROUGHLY PRESENT LEVELS UNTIL THERE WAS SOME SIGN IN THE MARKET. KUWAIT WOULD BE QUITE HAPPY TO DECREASE ITS PRODUCTION WHEN DEMAND DROPPED BUT WOULD TAKE A VERY CAREFUL LOOK AT THE IMPACT OF SUCH A STEP BEFORE DOING SO.

4. PRESENT MARKET SITUATION. SHAIF ALI JABER SAID THAT THE SAUDI DECISION TO RAISE PRODUCTION HAD A SIGNIFICANT IMPACT ON CALMING DOWN THE MARKET AND LOWERING SPOT PRICES. SAUDI ANNOUNCEMENT OF AN ADDITIONAL ONE MILLION B/D PRODUCTION SURPRISED OTHER OPEC PRODUCERS AND HAD A RESTRAINING EFFECT ON THEM.

END

CONFIDENTIAL SECTION 2 OF 2 KUWAIT 3617

1. TURNING TO KUWAITI MARKETING STRATEGY, EMBOFF ASKED ABOUT INTERNATIONAL HERALD TRIBUNE STORY OF AUGUST 9 REPORTING THAT KUWAIT PLANNED TO REDUCE THE AMOUNT OF SUPPLEMENTAL CRUDE AVAILABLE TO SHELL AND BP OVER AND ABOVE THEIR REGULAR CONTRACTED SUPPLIES. THOUGH HE HAD DENIED THE STORY THE DAY BEFORE IN THE LOCAL PRESS, SHAIF ALI JABER WAS UNWILLING TO ADDRESS THE QUESTION OF REDUCED SUPPLEMENTAL ENTITLEMENTS. EMBOFF MENTIONED THAT KUWAIT DEFINITELY PLANNED TO REDUCE GULF SUPPLIES TO SHELL AND BP AND TO HAVE THE CONTRACT ENTITLEMENTS MATCH THOSE CONSUMPTION EXPRESSED IN MARCH OF 1980 (SHELL'S CONTRACT STILL HAS TWO MORE YEARS TO GO). AS SOON AS RAMADAN WAS OVER, THEY WOuld BE CALLED IN AND TOLD THAT THEIR OPT-TAKES WERE TO BE SIGNIFICANTLY REDUCED UNDER THE NEW FIVE-YEAR CONTRACTS BEGINNING IN APRIL 1980. KUWAIT WANTED TO REDUCE EACH OF THEM TO 150,000 B/D (PRESENT LEVELS ARE 500,000 B/D FOR GULF AND 425,000 B/D FOR BP). WHEN EMBOFF MENTIONED SOME DISBELIEF THAT THE CONTRACT WOULD BE THAT LARGE, SHAIF ALI JABER REPETED THE 150,000 B/D FIGURE. (COMMENT: IT SEEMS LIKELY THAT SHAIF ALI JABER MEANT TO DESCRIBE A REDUCTION OF 150,000 B/D RATHER THAN REDUCTION TO 150,000 B/D. END COMMENT).
KUWAIT ALSO PLANNED TO KEEP TOTAL OF LONG TERM CONTRACTS AT 1.5 MILLION B/D. ALL PRODUCTION OVER THAT LEVEL WOULD BE UNDER SHORT TERM CONTRACTS. THIS WOULD ALLOW KUWAIT TO ADJUST ITS OUTPUT TO CHANGES IN WORLD DEMAND. KUWAIT ALSO WANTS TO DIVERSIFY ITS CUSTOMERS AND WOULD BE APPROACHING THE MAJORS TO SIGN CONTRACTS FOR THE CRUDE TAKEN FROM THE MAJORS, AS WELL AS GOVERNMENT-TO-GOVERNMENT SALES. KUWAIT PREFERRED NOT TO DEAL DIRECTLY WITH GOVERNMENT OFFICIALS ON PURCHASES, BUT WAS HAPPY TO DEAL ON A STRICTLY COMMERCIAL BASIS WITH STATE-OWNED OIL COMPANIES, SEVERAL OF WHICH WERE EXEMPLIFY CUSTOMERS.

THE FRENCH HAD CAME IN TO DISCUSS POSSIBLE PURCHASES, BUT KUWAIT HAD NOT AGREED TO SEL CAPITAL INVESTMENT TO THEM. AS FOR THE SPOT MARKET HE SAID THAT KUWAIT DID NOT NEED THE EXTRA MONEY THAT A MAJOR DIVERSION INTO SPOT SALES WOULD BRING AND USUALLY WENT TO SPOT MARKET ONLY FOR POLITICAL REASONS OR TO TEST THE CURRENT STATE OF MARKET DEMAND. KUWAIT ALSO USED SPOT SALES AS A WAY OF TESTING THE RELIABILITY AND CREDIT OF POTENTIAL CONTRACT CUSTOMERS.

6. COMMENT. SHAHEEN ALI JABER'S COMMENTS ON KUWAIT NEAR TERM PRODUCTION PLANS FIT WITH WHAT WE HAVE HEARD PREVIOUSLY FROM THE OIL MINISTER (REF A) AND FROM OTHERS. DETERRIBLE IS SAID PUBLICLY, KUWAIT IS UNLIKELY TO CUT ITS PRODUCTION UNTIL WORLD DEMAND BBOECE SIGNIFICANTLY. IT IS CLEAR, HOWEVER, THAT KUWAIT WANTS TO DIVERSIFY ITS CONTRACT CUSTOMERS AND IS UNHAPPY WITH ITS DEPENDENCE ON THE MAJORS. FIGURE OF 150,000 B/D FOR GULF AND BP IS ALMOST ABSURDLY LOW (AS REPORTED REF C). GULF REP TOLD US THAT HE FELT GULF WOULD BE ASKED TO CUT BACK OFFTAPE BY 120-220,000 B/D TO JUST UNDER 450,000 D/P.

SHAHEEN ALI JABER WHO APPARENTLY TOLD US THAT THE TWO WOULD BE CUT BACK BY 120,000 B/D RATHER THAN APT TO 150,000. IN ANY EVENT, GULF AND BP ARE IN FOR SOME DIFFICULT NEGOTIATIONS IF THEY ARE TO MAINTAIN THEIR PRESENT OFFTAPE LEVELS. ALI KHALIFA PUBLIC REMARKS ABOUT THE NEED TO CUT BACK KUWAITI PRODUCTION TO 1.5 MILLION B/D MAY BE A WAY OF PRESSURING GULF AND BP TO ACCEPT CONTRACT REDUCTIONS. KUWAIT WISES TO AVOID THE SITUATION OF SEVERAL YEARS AGO WHEN THE MAJORS DID NOT LIFT THEIR CONTRACTS MINIMUMS FOR RELATIVELY LOW QUALITY KUWAITI CRUDE DURING A PERIOD OF ABSENT WORLD SUPPLY. IT APPEARS THAT BY HAVING A LARGE NUMBER OF RESPONSIBLE CUSTOMERS ON VARIABLE LENGTH CONTRACTS IT WILL HAVE ADDITIONAL FLEXIBILITY IN DECIDING FUTURE PRODUCTION PLANS. SUTHERLAND
4

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3. THE FRENCH MINISTRY OF FOREIGN AFFAIRS ARE REPORTED TO HAVE BEEN PRESENT AT TALKS IN KUWAIT LAST WEEKEND WITH FRENCH MINISTER POUJET.

4. AMBASSADOR TO KUWAIT FLATTERED HIS VISIT TO HIS COLLEAGUES AND SAYS THAT "OUT OF THE BLUE" A FRENCH PROPOSAL WAS PROPOUNDED TO START "CONTINUING CONSULTATIONS ON ENERGY" WHICH COULD LEAD ON TO DISCUSSION OF ECONOMIC COOPERATION, STATES PROPOSED BY THE EMIR FOR INCLUSION WERE KUWAIT, IRAQ, SAUDI ARABIA, QATAR AND UAE. U.A.E. OMITTED WERE OMAN AND EMIRATES, BUT LATTER WAS SUBSEQUENTLY ADDED TO BY COMMON CONSENT, AS OF AUG 14, EC-9 REPS IN KUWAIT FEARED POSSIBILITY THAT KUWAIT COULD VETO PARTICIPATION BY OMAN ON GROUND OF 1974'S SUPPORT FOR EGYPT/ISRAELI TREATY.

5. THE FRENCH SUGGESTED A SEPTEMBER ARMS CONTROL MEETING, ON THE SUGGESTION OF OCTOBER 1, 1953, TO THE ECONOMIST IN A TERMINAL TO GET THEIR THOUGHTS IN ORDER.

6. IRISH REPRESENTATIVES, REACTING TO CONFUSING REPORTS REGARDING NATURE OF PROPOSED TALKS, VISITED KUWAIT FROM A WEEK AGO. DUTCH CHARGE CLAIMS THAT, ACCORDING TO THE IRISH, KUWAIT MISINFORMED ABOUT LUKAXI INTENTIONS, BECAUSE THEY HAD NOT SEEN THE RIGHT PEOPLE THERE.

7. ACCORDING TO DUTCH, GOL OIL MINISTER ALI WALIFA SEES THE PROPOSED TALKS IN TERMS OF PROMOTING GULF ARAB INVLVEMENT IN "DOWNSOUTH" PETROLEUM SECTOR ACTIVITY, THROUGH MARKET IN PETROLEUM PRODUCTS AND PETROCHEMICALS. DUTCH CHARGE CITING ALLEGED SURPLUS CAPACITY OF EUROPEAN REFINERS AS VIRTUALLY PRECLUDING ACCESS FOR GULF ARABS TO PRODUCT MARKET IN EUROPE. THE EUROPEANS, ACCORDING TO THIS ACCOUNT, ARE INTERESTED IN LIMITING DISCUSSIONS TO MODALITIES FOR ACHIEVING BETTER INTERNATIONAL PRICE AND CRUDE PRODUCTION LEVELS, TO AVOID "UPLIFTED" SUPPRESSES. THEY REALIZE THAT OIL PRICES CAN NOT BE DISCUSSED IN PUBLIC OR PRIVATE AND GULF ARABS ALONG CANNOT DISCUSS OPEC.

8. REPRESENTATIVES ACKNOWLEDGE THAT ONCE TALKS ARE STARTED, POSITIVE RESULTS OF ARAB-ISRAN POLITICAL ISSUES WILL BE EVIDENT. "HAVING TAKEN THE DOOR OPEN," SAYS THE FRENCH 1953, "WILL NOT SIMPLY HAVE TO BE SHUT AGAIN.

9. PARTICIPATION BY THE EC AS AN ORGANIZATION POSES PROBLEMS ON THE ARAB SIDE. ON THE ONE HAND, THE JEDDAH ARABS DO NOT "IT'S AN ORGANIZATION" SUCH AS OPEC OR "THE EC. IF THE EC WISHES TO BE A PARTICIPANT, PROPOSAL WOULD BE TO CONVERT JEDDAH SIDE INTO AN ALL-OPEC, OR PERHAPS OPEC. DELEGATION, THIS WOULD BE IN CERTAIN ARAB STATES WHICH KUWAITI WHAT MODES, BUT IT MAY NOT WISH THE EC AVOIDING INVOLVEMENT BY HOSTILE BRUNNERS AS IN FEN" OH IMPORTANT MOTIVATION ON THE ONE HAND KUWAITI SIDE, SAYING THAT "ALIFA HAS BEEN
5. THE FRENCH SUGGESTED A SEPTEMBER ANNUAL MEETING, ON RESPONDING WITH SUGGESTION OF OCTOBER IN MINISTERIAL, TO ALL TIME FOR GULF PARTICIPANTS TO GET THEIR THOUGHTS IN ORDER.

6. ACCORDING TO DUTCH, GUN OIL MINISTER ALI YASSIFA SEES THE PROPOSED TALKS IN TERMS OF PROMOTING GULF ARAB INVOLVEMENT IN "DOWNSTREAM" PETROLEUM SECTOR ACTIVITY, THROUGH MARKET EXPANSION, ALLEGED SURPLUS CAPACITY OF EUROPEAN REFINERIES AS VIRTUALLY PRECLUDING ACCESS FOR GULF ARABS TO PRODUCT MARKET IN EUROPEAN MARKET. DUTCH CHARGE CHEMICALS, THROUGH DISCUSSIONS ON MODALITIES FOR ACHIEVING BETTER INFORMATION FLOW ON CRUDE PRODUCTION LEVELS, TO OBTAIN "UPFRONT SURPRISES." THEY REALIZE THAT OIL PRICING CANNOT BE DISCUSSED BECAUSE GULF ARABS ALONE CANNOT SPEAK FOR OPEC. (Moreover, talk with DUTCH CHARGE CHEMICALS ON DUTCH INTEREST IN TALKING ABOUT INCREASED EUROPEAN EXPORTS INTO GULF.)

7. THE POSSIBLE POLITICAL CONTENT OR TALKS, FOREIGN MINISTRY CHIEFS HAVE FLATLY DENIED, HAVING DISCUSSIONS WITH KUWAITI ENVOYS, NEW POSSIBLE TALKS IN CONTEST OF THESE TALKS. EC-O REPRESENTATIVES ACKNOWLEDGE THAT ONCE TALKS ARE STARTED, VISIBILITY OF ARABS RAISING POLITICAL ISSUES WILL BE ENDANGERED, "HAVING PICKED THE DOOR OPEN," SAID THE FRENCH AMBASSADOR, WOULD THEN SIMPLY HAVE TO "SIT IT OUT AGAIN."
9. COMMENT: IT SEEMS TO US THAT THE PROPOSED DISCUSSIONS ARE
ONLY AT A STAGE OF TALKING ABOUT WHAT MIGHT BE TALKED ABOUT,
AND THAT A GOOD DEAL OF ENERGY IS GOING INTO ARGUING OVER WHO
SHOULD OR SHOULD NOT BE INCLUDED BEFORE IT IS CLEAR WHAT
THE PURPOSE OF THE TALKS WOULD BE. THE PROPOSED FORUM DOES NOT
SICK ME AS ONE CONDUCTIVE TO AGREEMENT TO GUARANTEE EITHER OIL
SUPPLY VOLUMES OR PRICE LEVELS. EXPLORING THE POSSIBILITY OF
DOWNTURN MARKETING OF ARAB PRODUCTS HAS BEEN ON THE AGENDA
OF OPEC FOR A LONG TIME BUT WE ARE NOT IN POSITION HERE TO
ASSESS ITS PRACTICALITY. OUR IMPRESSION IS THAT THE ARAB
STATES HAVE NOT MANAGED TO COORDINATE AMONG THEMSELVES ON
REFINED PRODUCT OR PETROCHEMICAL PRODUCTION, BUT THIS MIGHT
NOT IMPEDIE EXPLOSION OF MARKETING PROSPECTS IN EUROPE.
IT IS CONCEivable THAT OPEC MEMBERS WILL BE LOOKING AT WAYs
TO INCREASE THEIR SHARE OF GULF MARKETS FOR MANUFACTURED PRODUCTS
AND PROJECT ACTIVITY, AN AREA IN WHICH OPEC INTERESTS STAND
TO SUFFER AS A RESULT.

10. FURTHER COMMENT: WHILE WE HAVE SEEN ASSESSMENTS THAT THE
EN ARA PARTICIPANTS IN SUCH TALKS WOULD INEVITABLY RAISE THE
SUBJECT OF EUROPEAN SUPPORT FOR THE PALESTINIAN CAUSE, WE DO
NOT THINK THIS IS THE CASE. THERE IS STRONG AND GROWING INTEREST
AMONG THE ARABS IN OBTAINING A MORE ACTIVE AND SYMPATHETIC
EUROPEAN INVOLVEMENT IN THE MIDDLE EAST CONFLICT, BUT THE KUWAITIS, AT LEAST, ARE MORE THAN
CAPABLE OF LEAVING THEIR INTEREST IN THE STATUS, TO BE UNDERSTOOD
ONLY BY IMPLICATION WEILE THEY ENGAGE THE EC-9 PARTICIPANTS IN EN ITIALLY NONPOLITICAL DISCUSSION OF FERTILIZER SALES AND
DEVELOPMENT OF PETROLEUM RESERVES. SUTHERLAND

EF 3853

KUWAIT 2087, KUWAIT 2942

(U) IN LONG FRONT PAGE SEPT 9 EDITORIAL ENTITLED "ARE THE
ARABS AWAKE OR ASLEEP?" KUWAITI NEWSPAPER AL-ANBA MAKES A
SECRET ATTACK ON IRAN AND PLACES ARAB LOYALTY AHEAD OF RELATIONS
WITH IRAN. IN RELATION TO RECENT STORIES THAT IRANIAN FIGURES
ARE AGAIN ASSERTED IRANIAN DOMINION IN BAHRAIN, AL-ANBA
NDS IRAN AGAINST TRYING TO BUY ARAB SILENCE ON BAHRAIN BY
CLEARING SUPPORT FOR PALESTINIAN CAUSE AND PROCLAIMING
RELIGIOUS BROTHERHOOD, AL-ANBA DOES NOT USE THE PROVOCATIVE
AND "ARABISTAN", WHICH EXCITED IRANIAN DIPLOMATIC OBJECTIONS
A FEW MONTHS AGO (REF A), BUT IT DOES MAKE A CLEAR REFERENCE
IT IN OBSERVATION THAT THERE ARE "USURPED ARAB LANDS
CH ARE NOT THE VICTIMS OF ISRAELI AGGRESSION." SUMMARIZING,
NEWSPAPER SAYS "WE DON'T WANT TO SINNER THE MOTHER'S
MOR BY SACRIFICING THE HONOR OF A SISTER."

(C) AL-ANBA*, WHICH IS KNOWN TO BE PUBLICATION OF THE KUWAITI EMBASSY WISHES TO PUT FORWARD
WITH FULL OFFICIAL BLESSING, HAS PREVIOUSLY PUBLISHED THINLY
LED KUWAITI WARNINGS ABOUT IRANIAN BEHAVIOR TOWARD ARAB
COUNTRIES, SPECIFICALLY IRAQ AND BAHRAIN (REF B). KUWAITI LEADERS
f THIS PREFER TO AVOID SEEING ITS MEDIA ENGAGE IN ATTACKS
OTHER COUNTRIES BUT WE JUDGE THAT THE BAHRAINIS HAVE BEEN
EFFECTIVELY DISTURBED ABOUT IRANIAN REACTION TO THE BAHRAIN
STATEMENT OF KHOMEINI'S JERUSALEM DAY THAT A GESTURE OF KUWAITI
ASSURANCE WAS NEEDED.

SUTHERLAND
QUOTED PRIVATELY RECENTLY AS SAYING THAT BROWNER HAD INSULTED
HIM THREE TIMES RUNNING, AND WOULD NOT GET ANOTHER CHANCE
TO DO SO.

9. COMMENT: IT SEEMS TO US THAT THE PROPOSED DISCUSSIONS ARE
ONLY AT A STAGE OF TALKING ABOUT WHAT MIGHT BE TALKED ABOUT,
AND THAT A GOOD DEAL OF ENERGY IS GOING INTO ARGUING OVER WHO
SHOULD OR SHOULD NOT BE INCLUDED BEFORE IT IS VERY CLEAR WHAT
THE PURPOSE OF THE TALKS WOULD BE. THE PROPOSED FORUM DOES NOT
STRIKE US AS ONE CONDUCTIVE TO AGREEMENT TO GUARANTEE EITHER OIL
SUPPLY VOLUMES OR PRICE LEVELS, EXPLORING THE POSSIBILITY OF
DOWNSTREAM MARKETING OF ARAB PRODUCTS HAS BEEN ON THE AGENDA
OF OPEC FOR A LONG TIME BUT WE ARE NOT IN POSITION HERE TO
ASSESS ITS PRACTICABILITY. OUR IMPRESSION IS THAT THE GULF
STATES HAVE NOT MANAGED TO COORDINATE AMONG THEMSELVES ON
REFINED PRODUCT OR PETROCHEMICAL PRODUCTION. BUT THIS MIGHT
NOT IMPEDE EXPLORATION OF MARKETING PROSPECTS IN EUROPE.
IT IS CONCEIVABLE THAT EC-9 MEMBERS WILL BE LOOKING AT WAYS
TO INCREASE THEIR SHARE OF GULF MARKETS FOR MANUFACTURED PRODUCTS
AND PROJECT ACTIVITY, AN AREA IN WHICH U.S. INTERESTS STAND
TO SUFFER AS A RESULT.

10. FURTHER COMMENT: WHILE WE HAVE BEEN ASSESSMENTS THAT THE GULF
ARAB PARTICIPANTS IN SUCH TALKS WOULD INEVITABLY RAISE THE
SUBJECT OF EUROPEAN SUPPORT FOR THE PALESTINIAN CAUSE, WE DO
NOT THINK THIS IS THE CASE. THERE IS STRONG AND GROWING INTEREST
AMONG THE ARABS IN OBTAINING A MORE ACTIVE AND SYMPATHETIC
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DEVELOPMENT OF PETROLEUM RESERVES. SUTHERLAND

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- USMT/AMEBASSY MUSCAT 8123
- NHR/AMBASSY TEHAN 4819

CONFIDENTIAL KUWAIT 4208

10. 12061 GDS 9/10/65 (GULMAN, JAMES L.) OR-P
14851 PEPT, SOPH, IR, KU, BA, ZP
18321 (U) KUWAIT NEWSPAPER ATTACKS IRAN, DEFENDS BAHRAIN

1F8: (A) KUWAIT 2807, (B) KUWAIT 2942

(U) IN LONG FRONT PAGE SEPT 9 EDITORIAL ENTITLED "ARE THE
AMBS AWAKE OR ASLEEP?" KUWAITI NEWSPAPER AL-ANBA' MAKES A
DIRECT ATTACK ON IRAN AND PLACES ARAB LOYALTY AHEAD OF RELATIONS
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HAVE AGAIN ASSERTED IRANIAN DOMINION IN BAHRAIN, AL-ANBA'
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IT IN OBSERVATION THAT THERE ARE "USURPED ARAB LANDS
WHICH ARE NOT THE VICTIMS OF ISRAELI AGGRESSION." SUMMARIZING,
A NEWSPAPER SAYS "WE DON'T WANT TO RECOVER THE MOTHER'S
MOR BY SACRIFICING THE HONOR OF A SISTER."

(C) AL-ANBA', WHICH IS KNOWN TO BE PLIABLE TO PRINTING
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COUNTRIES, SPECIFICALLY IRAQ AND BAHRAIN (REF B). KUWAITI LEADERS
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EFFICIENTLY DISTURBED ABOUT IRANIAN REACTION TO THE BAHRAIN
TREATMENT OF KHOMEINI'S JERUSALEM DAY THAT A GESTURE OF KUWAITI
ASSURANCE WAS NEEDED.

SUTHERLAND
I learned that US oil firms were still very active in purchasing cargoes. He went on to say that we should be making this move to our friends the Nigerians rather than to Kuwait, which Embassy replied that the demarche was being made in all countries.

While he was most unforthcoming about current Kuwaiti activities in the spot market, his defensiveness on the spot market to confirm that Kuwait is more active in spot sales than it has been in the past, while he agreed with the notion that overdependence on the spot market was harmful to the producer and consumer, sheikh ali jaber said that he did see no harm in occasional sales of spot cargoes. Department recall that in July Minister of Oil informed Embassy that Kuwait sells extra oil on the spot market.

REF: B)

Turning to price, sheikh ali jaber noted that the US was paying much less by price increases than were the other industrial consumers (Europe and Japan) who had to pay almost entirely on imports. He was unconvinced by Emboffs' assertion of the consequences of oil price increases in the US market. He claimed that US should not be concerned activities which (in his view) would not seriously harm its interests.

Comments: The rewards available on the spot market are currently too tempting for the Kuwaitis to resist entirely. We doubt they are among the major offenders in this regard. It is unlikely that Kuwait will abstain from the market until there is some slack in world demand and the major offenders can be brought around. Sutherland
RE: RUQMR

It was most unforthcoming about current Kuwaiti intentions in the spot market, his defensiveness on the directness to confirm that Kuwait is more active in spot than it has been in the past. While he agreed with the notion that overdependence on the spot market was harmful to both producer and consumer, Sheikh Al Jaber said that he did see no harm in occasional sales of spot cargoes. Department recall that in July, Minister of Oil informed Embassy that Kuwait sells extra oil on the spot market.

Ref: B)

Inquiring to price, Sheikh Al Jaber noted that the US was bid much less by price increases than were the industrial consumers (Europe and Japan) who had to almost entirely on imports. He was unconvinced by Emboffs' assertion of the consequences of oil price increases in the mid-eighties. He claimed that US should not be concerned activities which (in his view) would not seriously harm its interests.

Comments: The rewards available on the spot market are currently too tempting for the Kuwaitis to resist entirely. We do not doubt they are among the major offenders in this regard. It is unlikely that Kuwait will abstain from the market until there is some slack in world demand until the major offenders can be brought around. Sutherland.

Confidential

E.O. 12065: GDS 9/11/84 (Sutherland, Peter A.) OR-M

Tags: ENRG, OPEC, KU

Subj: Crude Oil Spot Market Sales

Ref: (A) State 228164 (Notal), (B) Kuwait 3532 (Notal).

1. (C-Entire Text).

2. Emboffs called on Sheikh Ali Jaber Al Ali, Assistant Undersecretary (a recent promotion) and Chairman of the Oil Marketing Committee of the Oil Ministry to make demarche. (After hearing that the USG was prepared to do its share to moderate the spot market, Sheikh Ali Jaber...
(U) DURING THE INTERVIEW, ALI KHALIFA CONFIRMED THAT IT WAS FOLLOWING THE LEAD OF OTHER PETROLEUM EXPORTERS IN CUTTING ITS CREDIT PERIOD FROM 60 TO 30 DAYS. HE SAID THAT KUWAIT'S MAJOR CONTRACT OFF-TAKERS - SHELL, AND GULF - WERE BEING ASKED TO PAY SPOT MARKET PRICES FOR THE OPTIONALS ON CRUDE ABOVE THEIR CONTRACTED QUOTAS. HIS REMARKS CONSTITUTED THE FIRST PUBLIC ADMISSION THE GOVERNMENT THAT KUWAIT WAS SELLING MORE THAN AN OCCASIONAL BLOT OF CRUDE ON THE SPOT MARKET.

(C) COMMENT. THE QUESTION OF HIGH CRUDE PRODUCTION NLS HAS BEEN A SENSITIVE SUBJECT IN KUWAIT WITH SKEPTICISTS AND WAS POLITICALIZED BY ARAB NATIONALISTS IN KUWAIT'S NATIONAL ASSEMBLY. ALI KHALIFA'S CONFIRMATION THAT THE EXTRA OFF-TAKE IS BEING SOLD AT SPOT PRICES AND HIS CONTENTION THAT THE 2 MILLION B/D CEILING WILL BE MAINTAINED MAY TEMPER THE REACTION WITHIN KUWAIT, BUT HIS FAILURE TO SPECIFY THE EMIR TO WHICH THE 2 MILLION B/D CEILING APPLIES WILL NOT BE NOTICED. ALI KHALIFA HAS ASSURED THE EMBASSY THAT KUWAIT WILL NOT CUT ITS PRODUCTION UNTIL WORLD DEMAND EASES. (SEE...) ASSUMING THAT THE GOVERNMENT CONTINUES PRODUCTION AT PRESENT LEVELS ALI KHALIFA WILL HAVE TO CONTINUE TO POINT TO SPECIAL CIRCUMSTANCES AS JUSTIFICATION FOR KUWAITI PRODUCTION FIGURES AS YEAR GOES ON. SUTHERLAND

1. (U) KUWAIT'S OIL MINISTER SHEIKH ALI KHALIFA AL-SABAH HAS ANNOUNCED PUBLICALLY FOR THE FIRST TIME THAT KUWAIT OIL PRODUCTION HAS BEEN EXCEEDING THE GOVERNMENT SET LIMIT OF 2 MILLION BARRELS A DAY. According to local coverage Sept 16 of an interview published in London, Ali Khalifa admitted that Kuwaiti production was averaging about 2 million b/d (plus about 550,000 bbls a day produced in the partitioned zone and not included in the government ceiling.) However, he did not make it clear that this has been the case since the beginning of the year. Ali Khalifa went on to claim that the 2 million b/d ceiling was being maintained and that "seasonal factors" were behind extra production. His sudden willingness to come clean at least partially in admitting to the increase following many months of bland statements in the press by GOK officials (including himself) that Kuwait was not exceeding its self-imposed production limitations may have been forced by the routine publication this month of the latest Central Bank Statistical Bulletin which gave production figures for the first two months of 1979.
1. (U) KUWAIT’S OIL MINISTER SHEIKH ALI KHALIFA AL-SABAH HAS ANNOUNCED PUBLICLY FOR THE FIRST TIME THAT KUWAIT OIL PRODUCTION HAS BEEN EXCEEDING THE GOVERNMENT SET LIMIT OF 2 MILLION BARRELS A DAY. ACCORDING TO LOCAL COVERAGE SEPT 16 OF AN INTERVIEW PUBLISHED IN LONDON, ALI KHALIFA ADMITTED THAT KUWAITI PRODUCTION WAS AVERAGING ABOUT 2.4 MILLION B/D (PLUS ABOUT 500,000 BARRELS A DAY PRODUCED IN THE PARTITIONED ZONE AND NOT INCLUDED IN THE GOVERNMENT CEILING.) HOWEVER, HE DID NOT MAKE IT CLEAR THAT THIS HAS BEEN THE CASE SINCE THE BEGINNING OF THE YEAR. ALI KHALIFA WENT ON TO CLAIM THAT THE 2 MILLION B/D CEILING WAS BEING MAINTAINED AND THAT “SEASONAL FACTORS” WERE BEHIND EXTRA PRODUCTION. HIS SUDDEN WILLINGNESS TO COME CLEAN AT LEAST PARTIALLY IN ADMITTING TO THE INCREASE FOLLOWING MANY MONTHS OF BLANK STATEMENTS IN THE PRESS BY GOV OFFICIALS (INCLUDING HIMSELF) THAT KUWAIT WAS NOT EXCEEDING ITS SELF IMPOSED PRODUCTION LIMITATIONS MAY HAVE BEEN FORCED BY THE ROUTINE PUBLICATION THIS MONTH OF THE LATEST CENTRAL BANK STATISTICAL BULLETIN WHICH GAVE PRODUCTION FIGURES FOR THE FIRST TWO MONTHS OF 1979.
SECRET SECTION 1 OF 3 KUWAIT 4345

E.O. 12865; RDS 2 AND 4 9/19/99 (SUTHERLAND, PETER A) OR-M
TAGS: PINT, PINS, KU, IR
SUBJ: (C) IMPLICATIONS OF ARREST OF SHIAT A AGITATOR

REFS: (A) 78 KUWAIT 6604, (B) KUWAIT 0926, (C) IDFIRDB-315/0255 79, (D) NGK-2615, (E) NGK-2619 (F) KUWAIT 3524 DTG 24JUL9282Z

(L) (C) SUMMARY: ARREST OF KUWAITI SHIAT A FIGURE WHO HAS BEEN SEEKING TO AGITATE SHIAT A IN KUWAIT HAS BEEN ACCOMPANIED BY STRAIN AND SOLEMN MINISTERIAL PRONOUNCEMENTS ABOUT THE INTERNAL SECURITY OF THE COUNTRY. CHARGES AGAINST ARRESTEE AL-MIHRI ARE SO TRIVIAL THAT ONE Wonders WHAT ALL THE Fuss IS ABOUT. BUT, FIRST, THE KUWAITI AUTHORITIES HAVE NOT ANNOUNCED THE FULL RANGE OF AL-MIHRI'S AGITATION ACTIVITY. SECOND, AL-MIHRI HAS BEEN LINKED WITH A LONG-TIME POLITICAL OPPONENT OF THE KUWAITI REGIME. THIRD, AL-MIHRI HAS CHALLENGED THE NOTION THAT THE KUWAITI SOCIAL CONTRACT WHICH PROVIDES FOR OPEN DISCUSSION AND READY ACCESS TO THE RULER FOR ALL AND SUNDAy OPERATES SUCCESSFULLY AND WITHOUT DISCRIMINATION.

MOST IMPORTANT HOWEVER IS THE PROSPECT THAT AL-MIHRI'S AGITATION FOCUSED ON GRIEVANCES AGAINST GOV WHICH HAVE SOME BASIS IN FACT, MAY BRING ABOUT THE UNIFICATION OF THE VERY DISPARATE SHIAT A COMMUNITY IN KUWAIT INTO A SIGNIFICANT GROUP WITH A COMMON LEADER AND COMMON CAUSE. THE KUWAITI LEADERSHIP IS BOUND TO BE UNCOMFORTABLE AT THE PROSPECT OF A SIZEABLE DOMESTIC MINORITY ACQUIRING SUCH NEW POLITICAL STRENGTH, ESPECIALLY IN VIEW OF THE POSSIBILITY THIS MINORITY MAY INCLINE TO FOLLOW THE DICTATES OF THE RELIGIOUS LEADERSHIP IN IRAN WHOSE INTENTIONS TOWARD THE ARAB REGIMES IN THE GULF REMAIN OBSCURE. END SUMMARY
SECRET SECTION I OF 3 KUWAIT 4345

E.O. 12065: RDS 2 AND A 9/19/09 (SUTHERLAND, PETER A) OR-M
TAGS: PINT, PINS, KU, IR
SUBJ: (C) IMPLICATIONS OF ARREST OF SHI‘A AGITATOR

REFS: (A) 78 UUWAIT 6684, (B) KUWAIT 926, (C) TDIFIRDB-315/
02293 79, (D) NKX-2618, (E) NKX-2615 (F) KUWAIT 3520 DTG
24JUL12032

L. (C) SUMMARY: ARREST OF KUWAITI SHI‘A FIGURE WHO HAS BEEN
SEEKING TO AGITATE SHI‘A IN KUWAIT HAS BEEN ACCOMPANIED
BY STRAIN AND SOLEMN MINISTERIAL PRONOUNCEMENTS ABOUT THE
INTERNAL SECURITY OF THE COUNTRY. CHARGES AGAINST ARRESTEE
AL-MIHRI ARE SO TRIVIAL THAT ONE WONDERS WHAT ALL THE FUSS
IS ABOUT. BUT, FIRST, THE KUWAITI AUTHORITIES HAVE NOT
ANNOUNCED THE FULL RANGE OF AL-MIHRI’S AGITATION ACTIVITY.
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OPPONENT OF THE KUWAITI REGIME. THIRD, AL-MIHRI HAS CHALLENGED
THE NOTION THAT THE KUWAITI SOCIAL CONTRACT WHICH PROVIDES FOR
OPEN DISCUSSION AND READY ACCESS TO THE RULER FOR ALL AND
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MOST IMPORTANT HOWEVER IS THE PROSPECT THAT AL-MIHRI’S AGITATION
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FACT, MAY BRING ABOUT THE UNIFICATION OF THE VERY DISPARATE
SHI‘A COMMUNITY IN KUWAIT INTO A SIGNLE GROUP WITH A COMMON
LEADER AND COMMON CAUSE. THE KUWAITI LEADERSHIP IS BOUND TO BE
UNCOMFORTABLE AT THE PROSPECT OF A SIZEABLE DOMESTIC MINORITY
ACQUIRING SUCH NEW POLITICAL STRENGTH, ESPECIALLY IN VIEW OF
THE POSSIBILITY THIS MINORITY MAY INCLINE TO FOLLOW THE
DICTATES OF THE RELIGIOUS LEADERSHIP IN IRAN WHOSE INTENTIONS
TOWARD THE ARAB REGIMES IN THE GULF REMAIN OBSCURE. END SUMMAR

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AMONG THE ISSUES CITED BY AL-MIHRI IN HIS PUBLIC SPEECHES ARE ELECTION PRACTICES WHICH PRODUCE UNDER- REPRESENTATION OF SHI'A IN PARLIAMENT, MASS NATURALIZATION OF KUWAITI SHI'A TO OFFSET SHI'A INFLUENCE, CORRESPONDING DENIAL OF CITIZENSHIP TO SHI'A -- EVEN THOSE WHO HAVE LIVED MUCH LONGER IN KUWAIT THAN THE BEDOUM, HARASSMENT OF KUWAITI SHI'A BY A GOVERNMENT SECURITY FORCE WHICH DOES NOTHING ABOUT THE INTELLIGENCE ACTIVITIES OF THE KUWAITI INTELLIGENCE AGENCY, FOREIGN EMBASSIES, LACK OF PUBLICITY OF SHI'A ACTIVITIES IN KUWAIT, GOVERNMENT REGULATIONS ALLOWING ONLY THE TEACHING OF THE VERSION OF ISLAM IN PUBLIC SCHOOLS IN KUWAIT, AND LAWS EVEN APPLICATION OF SHARIA LAW. FINALLY, AL-MIHRI ORGANIZED A PROTEST MARCH ON THE ANIR'S OFFICE, WHICH DREW BLACK AND WHITE RESPONSE.

AL-MIHRI'S AGITATION, OUSTENIBLY AIMED AT RESOLVING PUBLIC PROBLEMS IN THE KUWAITI BODY POLITIC, IS IN THE EYES OF THE RULERS AND PROBABLY MOST KUWAITI SIMPLY NOT THE WAY TO GO ABOUT SOLVING PROBLEMS. KUWAITIS HAVE A STRONG TRADITIONAL FAMILY WHERE AFFAIRS CAN BE DISCUSSED OPENLY, AND IF NECESSARY, Brought TO THE ATTENTION OF THE AMIR. ASKED ABOUT THE SITUATION, ONE OF THE PROMINENT BENBENEMI MERCHANT FAMILY OF IRANIAN ORIGINS TOLD US THAT THE AFFAIR IS A "STORM IN A TEA CUP" "THEY SEE THE RULERS" IF THEY HAVE GRIEVANCES, OTHER KUWAITIS, AND SUNNIS, REFLECT THIS VIEW.

WHILE THE KUWAITI AUTHORITIES DOUBT ARE OFFENDED AND CHOOSE TO FOLLOW THE TRADITIONAL KUWAITI WAY OF SOLVING AFFAIRS, THIS ALONE DOES NOT SEEM ENOUGH TO JUSTIFY THE SEVERE TAKEN, A MORE SERIOUS POINT OF CONCERN IS THE ALLIANCE BETWEEN THE KUWAITI RULERS AND DR. AHMAD AL-KHAJSA, ONE-TIME LEADER OF THE RULING FAMILY, WHO HAS A LONG HISTORY OF SUPPORTING THE REGIME. WHILE HE WAS MEMBER OF SUCCESSIVE KUWAITI NATIONAL ASSEMBLIES, AL-MIHRI'S SEPT 10 ORGANIZE AN EARLY MORNING MARCH FOR AL-MIHRI'S DETENTION WAS BROKEN UP BY POLICE.

HE WAS NOT ARRESTED, BUT HE WAS CALLED INTO THE MINISTER OF INTERIOR'S OFFICE ON SEPT 11 AND GIVEN A SEVERE WARNING TO CEASE HIS EFFORTS TO GAIN AL-MIHRI'S RELEASE FROM CONFINEMENT, OR ACTIONS TO AGITATE SHI'A IN KUWAIT. FOR YEARS, THE AUTHORITIES HAVE RESTRAINED KHAJSA AND OTHER SHI'A IN THIS FASHION, BUT WHY HAVE THEY SINGLED OUT AL-MIHRI FOR EVEN HARSH ACTION?

3. (C) THE RECENT ACTIVITIES OF THE MHIHRI GO BEYOND A SINGLE MOSQUE SPEECH. SEVERAL HAVE BEEN MADE AND REPRODUCED ON CASSETTE TAPES THAT HAVE BEEN SPREAD AROUND TOWN. THIS GIST OF THE MHIHRI'S MESSAGES IS THAT KUWAITI SHI'A SHOULD BESTIR THEMSELVES ABOUT SUNNI DISCRIMINATION AGAINST SHI'A IN KUWAIT, S STATE OF AFFAIRS WHICH AL-MIHRI CLAIMS IS FOSTERED BY THE ESTABLISHED REGIME (REF D).

4. (C) AL-MIHRI'S AUDIENCE AS WE HAVE REPORTED, THE SHI'A COMMUNITY IS DISPARATE AND DEFINITIONS ARE FUZZY (REF A). "KUWAITI SHI'A" AND SHI'A IN KUWAIT" AND "IRANIANS IN KUWAIT" MEAN DIFFERENT THINGS TO DIFFERENT PEOPLE. ALL SHI'A ARE NOT ETHNICALLY PERSIAN NOR DO THEY ALL COME FROM THE GEOGRAPHIC AREA NOW KNOWN AS IRAN. SOME CAME FROM IRAQ, OTHERS ARE PERSIANS AND ARABS FROM ACROSS THE GULF. SOME OF THE LATTER EVEN REFER TO THEMSELVES AS "RETURNERS," CLAIMING THAT THEIR FOREBARES ORIGINATED IN ARABIA AND WENT TO PERSIA AT SOME Distant TIME IN THE PAST. PERHAPS WITH THE ARAB ARMS WHICH ISLAMICIZED IRAN A MILLENIUM AGO. THE TERMS "SHI'A" (OR "JAFARI" IN THE LOCAL VERNACULAR) AND "IRANIAN" ARE OFTEN ERRONEOUSLY INTERCHANGED EVEN BY KUWAITIS, WHETHER SPEAKING OR KUWAITI CITIZEN- ETHNIC ARABS, OR EXPATRIATES FROM ACROSS THE GULF. SHI'A (OR "IRANIANS") IN KUWAIT ARE FOUND HIGH AND LOW, IN ADDITION TO SEVERAL PROMINENT MERCHANT FAMILY (QABAZARD, BENBENEMI) THERE ARE OTHERS WHOSE MEMBERS HOLD IMPORTANT GOVERNMENT POSITIONS CLOSE TO THE AMIR AND IN THE CABINET. ALSO, PERHAPS 69,000 OF THE 200,000 SHI'A IN KUWAIT ARE EXPATRIATE IRANIANS, MOST OF WHOM ARE PORTERS, STREET CLEANERS, AND CONSTRUCTION WORKERS. HERE TO MAKE MONEY TO SUPPORT THEIR FAMILIES BACK IN IRAN, ALL IN ALL, THEN THE GROUPING WHICH MIGHT BE CALLED "SHI'A IN KUWAIT" OR "THE IRANIANS" IS SOMEWHAT OF A FRUIT SALAD. IT HAS NOT BEEN HOMOGENEOUS, NOR IN POLITICAL TERMS, HAS IT BEEN A UNIFIED BODY.
3. (C) THE RECENT ACTIVITIES OF THE MINHIS GO BEYOND A SINGLE MOSQUE SPEECH. SEVERAL HAVE BEEN MADE AND REPRODUCED ON CASSETTE TAPES THAT HAVE BEEN SPREAD AROUND TOWN. THIS GIST OF AL-MINHI Messages IS THAT KUWAITI SHI'A SHOULD BESTIR THEMSELVES ABOUT SUNNI DISCRIMINATION AGAINST SHI'A IN KUWAIT, A STATE OF AFFAIRS WHICH AL-MINHI CLAIMS IS ESTABLISHED BY THE ESTABLISHED REGIME (REF D).

4. (C) AL-MINHI'S AUDIENCE. AS WE HAVE REPORTED, THE SHI'A COMMUNITY IS DISPARATE AND DEFINITIONS ARE FUZZY (REF A). "KUWAITI SHI'A" AND "SHI'A IN KUWAIT" AND "IRANIANS IN KUWAIT" ARE NOT SYNONYMOUS TERMS. ALL SHI'A HERE ARE NOT ETHNICALLY PERSIAN NOR DO THEY ALL COME FROM THE GEOGRAPHIC ENTITY NOW KNOWN AS IRAN. SOME CAME FROM IRAQ, OTHERS ARE PERSIANS AND ARABS FROM ACROSS THE GULF. SOME OF THE LATTER EVEN REFER TO THEMSELVES AS "RETURNERS", CLAIMING THAT THEIR FOREBEARS ORIGINATED IN ARABIA AND WENT TO PERSIA SOME DISTANT TIME IN THE PAST. THEY JOIN THE ARAB ARMS WHICH ISLAMICIZED IRAN A MILLENIUM AGO. THE TERMS "SHI'A" (OR "JA'AFARI" IN THE LOCAL VENACULAR) AND "IRANIANS" ARE OFTEN ERRONEOUSLY INTERCHANGED EVEN BY KUWAITIS, WHETHER SPEAKING OR KUWAIT CITIZEN. ETHNIC ARABS, OR EXPATRIATES FROM ACROSS THE GULF, "SHI'A" (OR "IRANIANS") IN KUWAIT ARE FOUND HIGH AND LOW. ADDITION TO SEVERAL PROMINENT MERCHANT FAMILIES (QABAZARD, BENBHENANI) THERE ARE OTHERS WHOSE MEMBERS HOLD IMPORTANT GOVERNMENT POSITIONS CLOSE TO THE AMIR AND IN THE CABINET. ALSO, PERHAPS 68,000 OF THE 200,000 SHI'A IN KUWAIT ARE EXPATRIATE IRANIANS, MOST OF WHOM ARE PORTERS, STREET CLEANERS, AND CONSTRUCTION WORKERS. HERE TO MAKE MONEY TO SUPPORT THEIR FAMILIES BACK IN IRAN. ALL IN ALL THE GROUPING WHICH MIGHT BE CALLED "SHI'A IN KUWAIT" OR "THE IRANIANS" IS SOMETHING OF A FRUIT SALAD. IT HAS NOT BEEN HOMOGENEOUS, NOR IN POLITICAL TERMS, HAS IT BEEN A UNIFIED BODY.
SECRET SECTION 3 OF 3 KUWAIT 4345

6. (C) ANNOUNCEMENT BY IRANIAN NEWS AGENCY PARS REPORTED IN KUWAIT PRESS sept 17 that aya'ullah montazeri had objected to or "protested" al-nimri's arrest drew carefully worded statement by kuwaiti government spokesman who discounted montazeri's statement as "the personal views of a citizen in iran". spokesman said that dealings between kuwait and iran are conducted in diplomatic channels which are closed and well-established, as confirmed by the good will visit paid to iran by the kuwaiti foreign minister in july (ref f). iranian undersecretary, rashid al-rashid, took same line sept 16 with charge when asked about the al-nimri affair. al-rashid treated it strictly as an internal matter which was being pursued with confidence by the kuwaiti authorities and within the prospects of k uwaiti law. although he acknowledged that the political situation in the region is bound to produce activities such as those of al-nimri, he said in response to charge's specific question that he had less concern about the state of k uwaiti-iranian relations now than he did six months ago.

7. (C) COMMENT: despit e these blandishments, the swift and decisive nature of k uwaiti action last week shows a very real concern about the activities of al-nimri; it strikes us that what concerns k uwaiti leaders, and indeed most k uwaitis, is that this is not being done without due regard to existing k uwaiti grievance procedures, but rather chosen the path of agitation, a course which has wrought so much havoc in iran and which poses the prospect of turning k uwaiti disparate and largely content iranian/shi'a community into a homogeneous, active, and hostile political entity. so far the political link between the shi'a in k uwait and k uwaiti other or former k uwaiti leaders has been tenuous. al-nimri's status as "khomenei's man in kuwait" has not been shown to involve political action instructions from the ayatollah to al-nimri. however, the success of his movement within k uwait which promises to bring the various shi'a elements here together under the rubric of seeking justice for the shi'a within the k uwait system would be doubly troubling to the k uwaiti leadership if influential iranian religious leaders chose to make active use of it.

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SECRET SECTION 3 OF 3 KUWAIT 4345

6. (C) ANNOUNCEMENT BY IRANIAN NEWS AGENCY PARS REPORTED IN KUWAIT PRESS SEP 17 THAT AYATOLLAH MONTAZARI HAD OBJECTED TO OR "PROTESTED" AL-MIHIRI'S ARREST DREW CAREFULLY WORDED STATEMENT BY KUWAITI GOVERNMENT SPOKESMAN WHO DISCOURAGED MONTAZARI'S STATEMENT AS THE PERSONAL VIEWS OF A CITIZEN IN IRAN. SPOKESMAN SAID THAT DEALINGS BETWEEN KUWAIT AND IRAN ARE CONDUCTED THROUGH DIPLOMATIC CHANNELS WHICH ARE CLOSE AND WELL-ESTABLISHED, AS CONFRONTED BY THE ROOM'S VISIT PAID TO IRAN BY THE KUWAIT FOREIGN MINISTER IN JULY (REF F). MFA UNDERSECRETARY, RASHID AL-RASHID, TOOK SAME LINE SEP 16 WITH CHARGE WHEN ASKED ABOUT THE AL-MIHIRI AFFAIR. AL-RASHID TREATED IT STRICTLY AS AN INTERNAL MATTER WHICH WAS BEING HANDLED WITH CONFIDENCE BY THE KUWAITI AUTHORITIES AND WITHIN THE PROSPECTS OF KUWAITI LAW. AL-RASHID ACKNOWLEDGED THAT THE POLITICAL SITUATION IN THE REGION IS SUFFICIENT TO PRODUCE ACTIVITIES SUCH AS THOSE OF AL-MIHIRI, HE SAID IN RESPONSE TO CHARGE'S SPECIFIC QUESTION THAT HE HAD LESS CONCERN ABOUT THE STATE OF KUWAITI-IRANIAN RELATIONS NOW THAN HE DID SIX MONTHS AGO.


SUTHERLAND

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AREA AND ARE NOT IN ACCORDANCE WITH KUWAIT'S NON-ALIGNED POLICY.

3. COMMENT: THESE REMARKS BY THE DEFMIN/ACTING FORMIN ARE STANDARD KUWAITI POLICY. TIMING OF STATEMENT COMING SCARCELY A DAY AFTER AL-THAWRA INVITED ALL GULF STATES TO REJUVE AND CONDEMN OMANI PROPOSAL (REP C), SHOWS ACUTE KUWAIT SENSITIVITY TO IRAQI VIEWS. DESPITE ALL THE TO-ING AND FRO-ING BY LOWER GULF EMISSARIES IN RECENT WEEKS, APPARENTLY IN CONNECTION WITH A BAHRAINI INITIATIVE ON REGIONAL SECURITY, KUWAIT MADE NO OFFICIAL COMMENT ON THE MATTER UNTIL THE IRAQI SPOKE. ALSO, NOTeworthy IS THE CENSER WORDING OF THE KUWAITI STATEMENT WHICH DOES NOT RPT NOT EXCLUDE COOPERATION AMONG GULF STATES WITH RESPECT TO INTERNAL SECURITY, A QUESTION OF SHARED CONCERN AMONG THE GULF ARAB STATES, AND IRAQ, IN LIGHT OF RECENT INSTANCES OF SHI'A AGITATION IN KUWAIT, BAHRAIN, AND THE UAE, AND SUPPORT THEREOF IN THE PUBLIC PRONOUNCEMENTS OF VARIOUS AYATOLLAHS IN IRAN. FINALLY, THE KUWAITI DEFENSE MINISTER'S STATEMENT, FOR ALL ITS IMPLICIT REJECTION OF AN 'ALLIANCE' INVOLVING THE US, UK, FRG, OMAN AND GULF COUNTRIES, DOES NOT DENY KUWAIT'S MILITARY SUPPLY RELATIONSHIP WITH THE US AND OTHER WESTERN COUNTRIES. IRONICALLY, IT SEEMS AL-THAWRA TOOK OMAN'S RECENT EXPANSION OF ITS MILITARY SUPPLY RELATIONSHIP WITH SOME OF THESE SAME WESTERN COUNTRIES (TO THE TUNE OF DOLLARS 100 MILLION) AS EVIDENCE OF A SCHEME TO FORM AN ALLIANCE BETWEEN THE ESS AND THE GULF STATES.

WASHINGTON TIMES

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RE T SECTION 1 OF 3 KUWAIT 4457

1205: RDS 2 AND 3, 9/26/79 (SUTHERLAND, PETER A.) OR-M 80, PINT, KU, IR

(C) AL-MIHRI SHI'A AGITATION CASE APPROACHING POSSIBLE

ON BETWEEN GOV AND IRANIAN RELIGIONARIES

(A) KUWAIT 4345, (B) NQK-2624, (C) UUWAIT 1734

IVIOUS, (D) NQK 2625, (E) NQK 2626, (F) MANAMA 1927

SUMMARY. KUWAITI NEWSPAPER REPORTS THAT THE SHIA MAN WHO HAS BEEN THE CENTRAL FIGURE IN RECENT SHI'A

ION IN KUWAIT WILL, ALONG WITH HIS FAMILY, BE

ED OF HIS KUWAITI NATIONALITY AND THAT THREE OTHERS

VOLVED IN THE AGITATION WILL HAVE THEIR PASSPORTS

N. REPORT HAS SOME EARMARKS OF A GOV TRIAL

UT COULD ALSO SIGNAL GOV INTENTION TO PAVE

FOR EXPULSION OF THE CLERGYMAN, ABBA AL-MIHRI, IN

TO SEPARATE HIM FROM HIS POTENTIALLY DISSENTENT

ENCY. PUBLIC REMINDER BY TEHRAN RADIATION THAT THIS

MAN IS PERSONALLY APPOINTED BY KHOMENEI AS THE PRINCIPAL

AY PRAYER LEADER IN KUWAIT MAY CAUSE GOV TO HESITATE,

N INTENSIFIED LOCAL SECURITY MEASURES AND EVIDENCE OF

PPORTIVE GESTURES BY NEIGHBORING ARAB GULF STATES

THAT KUWAIT MAY TOUGH THIS ONE OUT. THE AL-MIHRI CASE

EVER, BECOME THE FIRST DIRECT SHOWDOWN BETWEEN

ISH AND THE RULING FAMILY IN KUWAIT, WITH SERIOUS

ITIONS FOR UNREST IN KUWAIT. END SUMMARY.
3. COMMENT: THESE REMARKS BY THE DEFMIN/ACTING FORMIN ARE STANDARD KUWAITI POLEMICAL REFLECTIONS. TIMING OF STATEMENT COMING SOONLY A DAY AFTER AL-'THAWRA INVITED ALL GULF STATES TO REJECT AND CONDEMN QATARI PROPOSAL (REP C), SHOWS ACUTE KUWAITI SENSITIVITY TO IRAQI VIEWS. DESPITE ALL THE TO-ING AND FRO-ING BY LOWER GULF EMISSARIES IN RECENT WEEKS, APPARENTLY IN CONNECTION WITH A BAHRAINI INITIATIVE ON REGIONAL SECURITY, KUWAIT MADE NO OFFICIAL COMMENT ON THE MATTER UNTIL THE IRAQI SPEAK. ALSO, NOTeworthy IS THE CAREFUL WORSPONG OF THE KUWAITI STATEMENT WHICH DOES NOT RPT NOT EXCLUDE COOPERATION AMONG GULF STATES WITH RESPECT TO INTERNAL SECURITY, A QUESTION OF SHARED CONCERN AMONG THE GULF ARAB STATES, AND IRAQ, IN LIGHT OF RECENT INSTANCES OF SHI'A AGITATION IN KUWAIT, BAHRAINI, AND THE UAE, AND SUPPORT THEREOF IN THE PUBLIC PRONOUNCEMENTS OF VARIOUS AYATOLLAS IN IRAN. Finally, THE KUWAITI DEFENSE MINISTER'S STATEMENT, FOR ALL ITS IMPLICIT REJECTION OF AN 'ALLIANCE' INVOLVING THE US, UK, FRG, OMAN AND GULF COUNTRIES, DOES NOT DENY KUWAIT'S MILITARY SUPPLY RELATIONSHIP WITH THE US AND OTHER WESTERN COUNTRIES. Ironically, IT SEEMS AL-'THAWRA TOO QATARI'S RECENT EXPANSION OF ITS MILITARY SUPPLY RELATIONSHIP WITH SOME OF THESE SAME WESTERN COUNTRIES (TO THE TUNE OF DOLLARS 100 MILLION) AS EVIDENCE OF A SCHEME TO FORM AN ALLIANCE BETWEEN THE EST AND THE GULF STATES. SUTHERLAND

RET SECTION 1 OF 3 KUWAIT 4457

2005 RDS 2 AND 4, 9/26/89 (SUTHERLAND, PETER A.) OR-N 86, PINT, KU, IR

(C) AL-MIHRI SHI'A AGITATION CASE APPROACHING POSSIBLE RESOLUTION BETWEEN GOK AND IRANIAN RELIGIONARIES

(AP) KUWAIT 4435, (BP) NQK-2624, (CP) UQWAT 1734

SUMMARY, KUWAITI NEWSPAPER REPORTS THAT THE SHI'A MAN WHO HAS BEEN THE CENTRAL FIGURE IN RECENT SHI'A AGITATION IN KUWAIT WILL, ALONG WITH HIS FAMILY, BE RETURNED TO KUWAIT NATIONALITY AND THAT THREE OTHERS INVOLVED IN THE AGITATION WILL HAVE THEIR PASSPORTS REVOKED. REPORT HAS SOME EARMARKS OF A GOK TRIAL, BUT COULD ALSO SIGNAL GOVERNMENT INTENTION TO PAVE THE WAY FOR EXPULSION OF THE CLERGYMAN, ABBAH AL-MIHRI, TO THE PHILIPPINES, AISE FROM HIS POTENTIALLY DISSENTIENT RELIGI

The public reminder by TEHRAN RADION THAT THIS MAN IS PERSONALLY APPOINTED BY KHOMEINI AS THE PRINCIPAL PRAYER LEADER IN KUWAIT MAY CAUSE GOK TO HESITATE TO INTENSE SECURITY MEASURES AND EVIDENCE OF SUPPORTIVE GESTURES BY NEIGHBORING ARAB GULF STATES THAT MAY MAKE GK TOUGH THIS ONE OUT. THE AL-MIHRI CASE HOWEVER, BECOME THE FIRST DIRECT SHOWDOWN BETWEEN KUWAIT AND THE RULING FAMILY IN KUWAIT, WITH SERIOUS CONSEQUENCES FOR UNREST IN KUWAIT. END SUMMARY.
2. (S) KUWAIT DAILY AL-OQABAS REPORTS SEPT 25 THAT GOV HAS DECIDED TO WITHDRAW THE KUWAIT NATIONALITY OF ABBAS AL-MIHRI, A PROMINENT KUWAITI SHI'A CLERGYMAN AND MINOR MERCHANT, WHO HAS BEEN A KUWAITI CITIZEN SINCE HIS NATURALIZATION ABOUT SIX YEARS AGO. THIS ACTION HAS EFFECT OF WITHDRAWING CITIZENSHIP FROM MEMBERS OF HIS FAMILY INCLUDING HIS SON, AHMAD ABBAS AL-MIHRI, WHO HAS BEEN UNDER DETENTION SINCE SEPT 6 FOR MAKING POLITICAL SPEECHES (REF A). THIS ACTION AGAINST THE AL-MIHRI FAMILY, WHICH PREVIOUSLY HELD IRANIAN NATIONALITY, HAS BEEN UNDER CONSIDERATION SINCE AT LEAST SEPT 19 (REF B).

3. (C) IN ACKNOWLEDGING SEPT 25 THE PROSPECT OF GOV ACTION AGAINST AL-MIHRI FAMILY, RELIABLE SOURCE IN AMIRI DIWAN ALSO VIFIED NEWSPAPER REPORT THAT PASSPORTS HAVE BEEN WITHDRAWN FROM DR. MOHAMMED HUSAIN MOSSAIRI, ADNAN ABDUL SAMAD, AND KHALID KHALAF, INTERIOR MINISTRY SOURCE FURTHER CONFIRMED TO EMPOSH SEPT 26 THAT AL-MIHRI NATIONALITY HAD BEEN REVOKED AND THREE PASSPORTS WITHDRAWN. ALL THREE ARE KUWAITIS OF SHI'A ANTECEDENTS AND HAVE BEEN ACTING PARTICIPANTS AS SPEAKERS AT THE HAJI SHA'BAN MOSQUE WHICH HAS SERVED AS THE LEAD FOR AL-MIHRI'S AGITATION AGAINST THE GOV. MOSSAIRI WAS UNTIL MAY ASSISTANT UNDERSECRETARY FOR ECONOMIC AFFAIRS IN THE MINISTRY OF OIL. ABDUL SAMAD ALSO HELD ASSISTANT UNDERSECRETARY RANK IN THE OIL MINISTRY WHEN HE SERVED AS DIRECTOR OF THE OFFICE OF THE MINISTER A FEW YEARS BACK. BOTH WERE APPOINTED WHEN AHMAD MUTALEB AL-KAZEMI, A LEADER OF ONE OF KUWAIT'S PROMINENT AND WEALTHY SHI'A MERCHANT FAMILIES, WAS MINISTER OF OIL. KHALID KHALAF, WHOSE FULL NAME IS KHALID AL-KHALAF AL-Tıldı, HAS BEEN PRACTICING CRIMINAL LAW IN KUWAIT FOR TWO YEARS AND, AS A NATIONAL ASSEMBLYMAN, WAS AN OUTSPOKENT CRITIC OF THE GOVERNMENT. EARLIER THIS YEAR, HE SERVED FREE-OF-CHARGE AS THE DEFENSE LAWYER IN A WELL-PUBLICIZED ADULTERY CASE INVOLVING AN UNMARRIED BRITISH/AMERICAN COUPLE (REF C), AND IS CURRENTLY IN TOUCH WITH CONSUL ABOUT EDUCATIONAL TRAVEL TO THE UNITED STATES. ABOUT TEN YEARS AGO HE ALSO HELPED A FEW-DZENGEARBO OF MERCHANTS INVOLVED IN DISTRIBUTING SEDITIOUS LITERATURE AND PLACING BOMBS IN KUWAIT.

(1) IN A TELEGRAM PUBLISHED IN AL-OQABAS SEPT 26, KHALAF COMPLAINED THAT THE OQABAS STORY WAS LIBELLOUS AND THREATENED TO TAKE LEGAL ACTION AGAINST THE PAPER, BUT DIED NOT DENY THAT THE PASSPORTS HAD BEEN SEIZED. FURTHERMORE, AL-OQABAS (1) STUCK BY ITS STORY WITH RESPECT TO THE SEIZURE OF KHALAF'S PASSPORT, WHICH IT SAID WAS CONFIRMED BY VARIOUS SOURCES, (2) POINTED OUT THAT KHALAF DID NOT DENY THE PASSPORT HAD BEEN SEIZED, AND (3) THREATENED TO COUNTER-SUE. AL-OQABAS DID NOT EXPLICITLY REASSURE STORY ON ACTION TAKEN BY GOV AGAINST AL-MIHRI.

(1) KUWAIT HAS BEEN ONLY ARABIC PAPER TO REPORT SPECIFICAL ACTION, WHICH LEADS US TO CONCLUDE THAT GOV IS ORCHESTRATING ITS TREATMENT, AND USING OQABAS TO TEST IN ADVANCE THE REACTION OF SUCH SEVERE MEASURES.

(1) MEASURES AGAINST AL-MIHRI DESCRIBED ARE QUITE SEVERE, AND CONSIDERED AGAINST KUWAIT'S RECORD OF RELATIVE LENIENCY TOWARD DISSENTERS, WITHDRAWAL OF CITIZENSHIP FROM ABDUL MUTALIB AL-KAZEMI, EXTENDING IT TO THE REST OF HIS FAMILY, RAISES A CONSTITUTIONAL QUESTION OF ATTAINMENT (ART. 33) TO THE KUWAIT CONSTITUTION PROVIDES THAT "PENALTY IS PERSONAL." THE DENIAL OF CITIZENSHIP WITH ITS ATTENTIVE RIGHTS AGAINST TRAVEL, PERSONAL LIBERTY, PROPERTY OWNERSHIP, ETC. - IS NOT A MEASURE WHICH GOV AS REPORTED TO WITH FREQUENCY, IF.
2. (S) KUWAIT DAILY AL-OQABAS REPORTS SEPT 25 THAT GOK HAS DECIDED TO WITHDRAW THE KUWAIT NATIONALITY OF ABBAS AL-MHARI, A PROMINENT KUWAITI SHI'A CLERGYMAN AND MINOR MERCHANT, WHO HAS BEEN A KUWAITI CITIZEN SINCE HIS NATURALIZATION ABOUT SIX YEARS AGO. THIS ACTION HAS EFFECT OF WITHDRAWING CITIZENSHIP FROM MEMBERS OF HIS FAMILY INCLUDING HIS SON, AHMAD ABBAS AL-MHARI, WHO HAS BEEN UNDER DETENTION SINCE SEPT 6 FOR MAKING POLITICAL SPEECHES (REF A). THIS ACTION AGAINST THE AL-MHARI FAMILY, WHICH PREVIOUSLY HELD IRANIAN NATIONALITY, HAS BEEN UNDER CONSIDERATION SINCE AT LEAST SEPT 19 (REF B).

3. (C) IN ACKNOWLEDGING SEPT 25 THE PROSPECT OF GOK ACTION AGAINST AL-MHARI FAMILY, RELIABLE SOURCE IN AMIRI DIWAN ALSO VERIFIED NEWSPAPER REPORT THAT PASSPORTS HAVE BEEN WITHDRAWN FROM DR. MOHAMMAD HUSAIN OSSAIRI, ADNAN ABDUL SAMAAD, AND KHALID KHALAF, INTERIOR MINISTRY SOURCE FURTHER CONFIRMED TO EMBASSY SEPT 26 THAT AL-MHARI NATIONALITY HAD BEEN REVOKED AND THREE PASSPORTS WITHDRAWN. ALL THREE ARE KUWAITI OF SHI'A ANTECEDENTS AND HAVE BEEN ACTIVE PARTICIPANTS AS SPEAKERS AT THE HAJI SHA'BAN MOSQUE WHICH HAS SERVED AS THE LEADER FOR AL-MHARI'S AGITATION AGAINST THE GOK. OSSAIRI WAS UNTIL MAY ASSISTANT UNDERSECRETARY FOR ECONOMIC AFFAIRS IN THE MINISTRY OF OIL. ABDUL SAMAAD ALSO HELD ASSISTANT UNDERSECRETARY RANK IN THE OIL MINISTRY WHEN HE SERVED AS DIRECTOR OF THE OFFICE OF THE MINISTER A FEW YEARS BACK. BOTH WERE APPOINTED WHEN ABDUL MUTALEB AL-KAZEMI, A LEADER OF ONE OF KUWAIT'S PROMINENT AND WEALTHY SHI'A MERCHANT FAMILIES, WAS MINISTER OF OIL. KHALID KHALAF, WHOSE FULL NAME IS KHALID AL-KHALAF AL-TELWI, HAS BEEN PRACTICING CRIMINAL LAW IN KUWAIT FOR TWO YEARS AND, AS A NATIONAL ASSEMBLYMAN, WAS AN OUTSPOKEN CRITIC OF THE GOVERNMENT. EARLIER THIS YEAR, HE SERVED FREE-OF-CHARGE AS THE DEFENSE LAWYER IN A WELL-PUBLICIZED ADULTERY CASE INVOLVING AN UNMARRIED BRITISH/AMERICAN COUPLE (REF C), AND IS CURRENTLY IN TOUCH WITH CONSUL ABOUT EDUCATION TRAVEL TO THE UNITED STATES. ABOUT TEN YEARS AGO HE ALSO HELPED A DOZEN YOUNG MEN INVOLVED IN DISTRIBUTING SEDITIOUS LITERATURE AND PLACING BOMBS IN KUWAIT.

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8. (C) INTERNAL SECURITY MEASURES HAVE BECOME SO GENERALLY KNOWN THAT THEY ARE TOPIC OF CONVERSATION IN DAIYA CONVERSATION AND DAIYA OFFICE CHATTER, BUT THERE HAS BEEN NO MENTION OF THEM IN THE MEDIA. THE WIDESPREAD KNOWLEDGE OF THE MEASURES HAS ALSO FED RUMORS TO LOCAL "IRANIANS" ARMING THEMSELVES AND STORIES OF ARMS BEING SHUFFLED INTO KUWAIT ACROSS THE BORDERS. AS OF YET NO INFORMATION WHATSOEVER TO CONNECT ARMS SMUGGLING WITH SHI'IA ACTIVITY, INDEED WE UNDERSTAND THAT SHI'IA RELIGIOUS LEADERS HAVE ISSUED INSTRUCTIONS TO AVOID VIOLENCE (REF D). HOWEVER, SMUGGLING OF WEAPONS HAVE BEEN ENDEMIC IN THIS PART OF THE WORLD FOR YEARS.

9. (C) AL-QABAS AND OTHER PAPERS ALSO REPORT SEPT 26 THAT KHOMENEI HAS APPOINTED AL-MIHRI TO BE THE PRINCIPAL FRIDAY PRAYER LEADER IN KUWAIT. ASKED ABOUT THIS NEWS, IRANIAN CHARGE GOLSHARIF 5TH KUWAITI CITIZENSHIP WAS A NECESSARY LEGAL PRESLIDE TO THIS ACTION BY THE GOVERNMENT. IT IS NOT CLEAR WHETHER GOVERNMENT ADMINISTRATION WHICH APPOINTED THE FAMILY AFTER LEARNING OF THE TEHRAN BROADCAST, WHICH CONSTITUTED AN IMPLIED THREAT THAT THE RELIGIOUS ESTABLISHMENT IN IRAN WOULD ACT TO PROTECT AL-MIHRI FROM HARM. SO, GOK WOULD SEEM TO HAVE BEEN BOLSTERED BY MUTUALLY BENEFICIAL ACTIONS BY IRAQ AND OTHER ARAB GULF STATES OPPOSED TO IRANIAN MEDDLING (REF F). THE BALL IS NOW IN IRANIAN HANDS, OBSERVERS HERE WILL BE NEVRELY WAITING REACTION FROM IRANIAN SUPPORTERS OF THE DEPORTED KUWAITI SHI'IA LEADER.

8. (C) INTERNAL SECURITY MEASURES HAVE BECOME SO GENERALLY KNOWN THAT THEY ARE TOPIC OF COCKTAIL CONVERSATION AND NO LONGER OFFICE CHATTER, BUT THERE HAS BEEN NO MENTION OF THEM IN THE MEDIA. THE WIDESPREAD KNOWLEDGE OF THE MEASURES HAS ALSO FUELLED RUMORS TO LOCAL "IRANIANS" ARMING THEMSELVES AND STORY OF ARM SENDING ARMS INTO KUWAIT ACROSS THE BOUNDARY. THERE IS OF YET NO INFORMATION WHATSOEVER TO CONNECT ARMS SMUGGLING WITH SHIA ACTIVITY, INDEED WE UNDERSTAND THAT SHIA RELIGIOUS LEADERS HAVE ISSUED INSTRUCTIONS TO AVOID VIOLENCE (REF D). MOREOVER, SMUGGLING OF WEAPONS HAVE BEEN ENDICED IN THIS PART OF THE WORLD FOR YEARS.

9. (C) AL-SABAH AND OTHER PAPERS ALSO REPORT SEPT 26 THAT PREVIOUS EVENING MIRZA RADIO ANNOUNCED THAT KHOMENI HAD APPOINTED AL-MIRI TO BE THE PRINCIPAL FRIDAY PRAYER LEADER IN KUWAIT. ASKED ABOUT THIS NEWS, IRANIAN CHARGE GOLSHARIFI SAID "NOT YET".

10. (C) FOLLOWING TYPING OF ABOVE TEXT, EMBASSY LEARNED THAT "AL-MIRI FAMILY" HAS LEFT KUWAIT OR BEEN DEPORTED, BUT SPECIFIC DETAILS ARE NOT AVAILABLE. STRIPPING THE AL-MIRI'S KUWAITI CITIZENSHIP WAS A NECESSARY LEGAL PRELUDI TO THIS ACTION BY THE GOK. IT IS NOT CLEAR WHETHER GOK WENT AS A FAMILY AFTER LEARNING OF THE TEHRAN BROADCAST WHICH CONSTITUTED AN IMPLIED THREAT THAT THE RELIGIOUS ESTABLISHMENT IN IRAN WOULD ACT TO PROTECT AL-MIRI FROM HARM. SO, GOK WOULD SEEM TO HAVE BEEN BOLSTERED BY MUTUALLY SUPPORTIVE GESTURES BY IRAQ AND OTHER ARAB GULF STATES OPPOSED IRANIAN MEDELLING (REF F). THE BALL IS NOW IN IRANIAN HANDS, OBSERVERS WERE WILL BE NERVOUSLY WAITING REACTION FROM IRANIAN SUPPORTERS OF THE DEPORTED KUWAITI SHI'A LEADER.
UNDERSECRETARY HAD BEEN THOROUGHLY UPSET BY STORY. HE MENT IN KUWAIT DURING THE MUSLIM THURSDAY-FRIDAY WEEKEND. HEANTED EITHER A PROMPT DENIAL OF ITS ACCURACY, OR AN RATION OF HOW USG COULD HOPE FOR GOOD RELATIONS WITH QAB GOVERNMEN IN THE FACE OF SUCH REVELATIONS. AFTER THE DENIED ACCURACY OF THE STORY, READING FROM PRESS IOCASTER, THE STORY WAS CHARACTERIZED THE STORY AS RECEIVED IN ARAB GOVERNMENT MEDIA. TIONAL "DISINFORMATION" EFFORT AIMED AT DISCRED- USG IN ARAB EYES. AL-RASHID SAID HE INTENDED TO SEE R DENIAL RECEIVED PROMPT COVERAGE IN KUWAIT MEDIA.

UNDERSECRETARY LATER ISSUED PRESS RELEASE RECITING CHARGE HAD DENIED HIM THE ISRAELI STORY. THIS HMENT, AND SEPARATE EMBASSY DENIAL FURNISHED TO PRESS, APPEARED IN ALL KUWAIT DAILIES OCT 7.

HOSTILE BUT NONINFLUENTIAL ENGLISH-LANGUAGE DAILY TIMES EDITORIAL OCT 8 UNINTENTIONALLY HELPS THE BY ASSERTION THAT THE ISRAELI NEWSPAPER STORY IS USLY FALSE AND NOT WORTH DENYING. HOWEVER, EDITORIAL ON TO SAY, REFERRING TO CHARGE SUTHERLAND, "IT WOULD HAVE INTERESTING..." IF THE AMERICAN CAREER DIPLOMAT HERE WAS AS SAYING THAT THE 100,000 TROOPS STRIKE FORCE TO BE TED IN THE GULF AREA TO PROTECT THE "VITAL UNITED OIL INTERESTS" IS THE PRODUCT OF NON-CREATIVE MEDIA, THIS, OF COURSE, SUTHERLAND WAS NOT QUOTED AS SAYING, NO, 100,000 STRIKE FORCE IS STILL A WORKABLE IDEA BEING SOMEWHERE IN THE HIGHER ECHELONS OF THE AMERICAN STRATIFICATION.

COMMENT EMBASSY AND PAO DO NOT THINK IT USEFUL TO TIMES' ATTENTION TO TRUE, PUBLISHED FACTS CONCERNING THE QUICK REACTION FORCE, WHILE IT IS UNFORTUNATE THAT THE IN THE GULF AREA TENDS TO THINK OF THIS FORCE AS NLY TARGETED ON GULF OIL, AND THAT IT FAILS TO DIS-ISH CONTINGENCY PLANNING FROM A FIRM INTENTION TO EMPLOY THERE IS LITTLE LIKELIHOOD OF CONVINCING MEN-SE, WHAT IS SIGNIFICANT IS THAT A RESPONSIBLE KUWAITI, IPRA UNDERSECRETARY, EXPRESSED NO CONCERN TO US ABOUT THE QUICK REACTION FORCE ITSELF BUT ONLY ABOUT THE ALLEGATION US WOULD PLAN TO UTILIZE ISRAELI COOPERATION IN ACTION ARABS. THE FACT OF OUR CONTINGENCY PLANNING FOR EARTY OPERATIONS TO PROTECT OUR NATIONAL INTERESTS IN THIS AMONG OTHERS, IS KNOWN AND GENERALLY UNDERSTOOD. IF RIVERSALLY APPRECIATED, BUT SUGGESTION OF US MILITARYATION WITH ISRAEL AGAINST ARABS IN ANY CONTEXT IS MOST TO OUR IMAGE AS PEACEMAKERS WHO ARE GENUINELY SEEKING ATION OF MODERATE ARABS IN EFFORT TO ACHIEVE A OVERALL PEACE SETTLEMENT.

SUTHERLAND
UNDERSECRETARY HAD BEEN THROUGHLY UPSET BY STORY.

JED IN KUWAIT DURING THE MUSLIM THURSDAY-FRIDAY WEEKEND.

WANTED EITHER A PROMPT DENIAL OF ITS ACCURACY, OR AN

EXPLANATION OF HOW USG COULD HOPE FOR GOOD RELATIONS WITH

ABU DHABI GOVERNMENT IN THE FACE OF SUCH REVELATIONS. AFTER

THE DENIED ACCURACY OF THE STORY, READING FROM PRESS

STATEMENTS, THE STORY WAS CHARACTERIZED AS PROBABLY

ROBUST AND IRRESPONSIBLE, AND DIRECTLY CONFRONTED WITH

CLAIMED "DISINFORMATION" EFFORT AIMED AT DISCREP-

ANCING USG IN ARAB EYES. AL-RASHID SAID HE INTENDED TO SEE

OUR DENIAL RECEIVED PROMPT COVERAGE IN KUWAIT MEDIA.

UNDERSECRETARY LATER ISSUED PRESS RELEASE REJECTING

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WAS, AND SEPARATE EMBASSY DENIAL FURNISHED TO PRESS

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YOU HOSTILE BUT NONINFLUENTIAL ENGLISH-LANGUAGE DAILY

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BY ASSERTION THAT THE ISRAELI NEWSPAPER STORY IS

GROSSLY FALSE AND NOT WORTH DENYING. HOWEVER, EDITORIAL

ON TO SAY, REFERRING TO CHARGE SUTHERLAND, "IT WOULD HAVE

INTERESTING ... IF THE AMERICAN CAREER DIPLOMAT HERE WAS

SAYING THAT THE 188,000 STRIKE FORCE TO BE

EMBEDDED IN THE GULF AREA TO PROTECT "VITAL UNIFIED

OIL INTERESTS" IS THE PRODUCT OF NON-CREATIVE MEDIA.

This, of course, SUTHERLAND WAS NOT QUOTED AS SAYING,

THE 188,000 STRIKE FORCE IS STILL A WORKABLE IDEA BEING

CONSIDERED IN THE MINISTERS OF THE AMERICAN

LEGATION.

COMMENT: EMBASSY AND PAO DO NOT THINK IT USEFUL TO

DIRECT ATTENTION TO TRUE, PUBLISHED FACTS CONCERNING

THE QUICK REACTION FORCE. WHILE IT IS UNfortunate THAT

IN THE GULF AREA TENDS TO THINK OF THIS FORCE AS

HyDLY TARGETED ON GULF OIL, AND THAT IT FAILS TO DIS-

ISH CONTINGENCY PLANNING FROM A FIRM INTENTION TO EMPLOY

THERE IS LITTLE LIKELIHOOD OF CONVINCING NEWSMA-

NERS, WHAT IS SIGNIFICANT IS THAT A RESPONSIBLE KUWAITI

2, EMBASSY UNDERSECRETARY, EXPRESSED NO CONCERN TO US ABOUT

THE QUICK REACTION FORCE ITSELF BUT ONLY ABOUT THE ALIENATION

THAT WOULD PLAN TO UTILIZE ISRAELI COOPERATION IN ACTION

WITH ARABS. THE FACT OF OUR CONTINGENCY PLANNING FOR

MULTIPLE OPERATIONS TO PROTECT OUR NATIONAL INTERESTS IN THIS

MIX OF OTHERS, IS KNOWN AND GENERALLY UNDERSTOOD. IF

UNIVERSALLY APPRECIATED, BUT SUGGESTION OF US MILITARY

FORMATION WITH ARABS IN ANY CONTEXT IS MOSTLY

TO OUR IMAGE AS PEACEMAKERS WHO ARE GENUINELY SEEKING

CONCILIATION OF MODERATE ARABS IN AN EFFORT TO ACHIEVE A

OVERALL PEACE SETTLEMENT.

SUTHERLAND.
NATIONS HAVE EMBARKED UPON DIFFICULT PROGRAMS TO REDUCE OIL IMPORTS, TO RESTRAIN OIL DEMAND, TO SPUR DEVELOPMENT OF ALTERNATE ENERGY SOURCES, AND TO INCREASE INDIGENOUS ENERGY PRODUCTION.

— THESE PROGRAMS WILL TAKE TIME TO IMPLEMENT, AND REPRESENT A MAJOR INVESTMENT OF POLITICAL (AS WELL AS FINANCIAL) CAPITAL.

— WE HOPE THE OIL EXPORTING NATIONS WILL SEE THAT IT IS IN THEIR OWN BROAD, LONG-RANGE INTERESTS TO DO THEIR PART IN MAINTAINING A HEALTHY, ORDERLY WORLD ECONOMY BY EXERCISING PRICE RESTRANINT AT THIS DIFFICULT PERIOD IN THE INTERNATIONAL OIL MARKET. VANCE #5773
NATIONS HAVE EMBARKED UPON DIFFICULT PROGRAMS TO REDUCE OIL IMPORTS, TO RESTRAIN OIL DEMAND, TO SPUR DEVELOPMENT OF ALTERNATE ENERGY SOURCES, AND TO INCREASE INDIGENOUS ENERGY PRODUCTION.

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CONFIDENTIAL STATE 265773

E.O. 12065: GDS(CALINGAERT, MICHAEL)

TAGS: ENRG, OPEC, KU

SUBJECT: KUWAIT OIL PRICE INCREASE

REF: STATE 264592 (NOTAL)

1. ENTIRE TEXT CONFIDENTIAL.

2. EMBASSY KUWAIT SHOULD SEEK AN EARLY OPPORTUNITY TO MAKE PRESENTATION TO APPROPRIATE OEC OFFICIALS ABOUT RECENTLY ANNOUNCED KUWAITI OIL PRICE INCREASE, MAKING IT CLEAR YOU ARE SPEAKING UNDER INSTRUCTIONS. EMBASSIES IN OEC COUNTRIES SHOULD INFORM APPROPRIATE HOST GOVERNMENT OFFICIALS OF OUR DEMARCHE AND, PARTICULARLY IN THOSE COUNTRIES WHICH ARE PURCHASERS OF CRUDE OIL FROM KUWAIT, ENCOURAGE THEM TO MAKE SIMILAR REPRESENTATIONS.

3. EMBASSY KUWAIT SHOULD DRAW UPON THE FOLLOWING POINTS:

— THIS OIL PRICE INCREASE IS NOT HELPFUL TO THE EFFORTS THE UNITED STATES IS MAKING TO SUPPORT THE DOLLAR, REDUCE INFLATION, AND PROMOTE A SOUND WORLD ECONOMY.

— WE BELIEVE THESE GOALS ARE SHARED BY KUWAIT.

— THE UNITED STATES AND OTHER MAJOR OIL IMPORTING
1. CONFIDENTIAL ENHANCED TEXT.

REPORT: (a) KUWAIT (A32); (b) KUWAIT (230); (c) STATE (174776). (D) KUWAITI CII &II.

SUBJECT: (d) KUWAITI CIIII AND PRODUCTION DECISIONS

E.O. 12045, 655/17/15/5 (SUPERAND, PETER A.) OR-M

CONFIDENTIAL PART OF THIS TEXT.
BREAKDOWN OF ACTUAL PRODUCTION FIGURES IS AS FOLLOWS:

**KOC**

**OIL COMPANY** 2,279,972

**OIL COMPANY'S SHARE OF PARTITIONED ZONE PRODUCTION:**

- **SA** 82,292
- **TOTAL** 2,362,284

JULY PRODUCTION REPRESENTED A 31 PERCENT INCREASE FROM JUNE OF LAST YEAR.

**KOC**

**OIL COMPANY** 2,088,272

**OIL COMPANY'S SHARE OF PARTITIONED ZONE PRODUCTION:**

- **SA** 81,035
- **TOTAL** 2,169,307

KOC AND WAPRA PRODUCTION DECLINED SLIGHTLY FROM AUGUST OF THIS YEAR. A 14 PERCENT INCREASE IN ARABIAN OIL COMPANY PRODUCTION RESULTED IN AN OVERALL INCREASE OF 4.5 PERCENT FOR THE TOTAL.

**KOC**

**OIL COMPANY** 2,187,632

**OIL COMPANY'S SHARE OF PARTITIONED ZONE PRODUCTION:**

- **SA** 82,824
- **TOTAL** 197,780

**OIL COMPANY** TOTAL PRODUCTION DECLINED BY 4.8 PERCENT COMPARED TO LAST YEAR, MAINLY DUE TO DECLINE IN KOC PRODUCTION.

AVERAGE PRODUCTION FOR THE YEAR TO DATE IS AS FOLLOWS:

**KOC**

**OIL COMPANY** 2,257,964

**OIL COMPANY'S SHARE OF PARTITIONED ZONE PRODUCTION:**

- **SA** 84,366
- **TOTAL** 205,880

**OIL COMPANY** TOTAL PRODUCTION 2,546,230

1. CONFIDENTIAL ENTIRE TEXT.

2. SOURCE IN THE MINISTRY OF OIL (PROTECT) HAS PROVIDED US WITH DETAILED FIGURES FOR JULY, AUGUST AND SEPTEMBER. AFTER INCREASING SLIGHTLY (40,000 B/D) FROM JUNE TO JULY TO A LEVEL OF 2.56 MILLION B/D, TOTAL KUWAITI PRODUCTION DROPPED SHARPLY BY ALMOST 200,000 B/D IN AUGUST. SEPTEMBER PRODUCTION INCREASED BY 100,000 B/D TO 2.46 MILLION B/D. FOR THE FIRST TIME THIS YEAR, TOTAL KUWAITI PRODUCTION IN SEPTEMBER REPRESENTED AN ACTUAL DECLINE FROM LEVELS REACHED IN THE SAME MONTH LAST YEAR. KUWAIT IS CLEARLY RESPONDING TO DECREASED MARKET PRESSURE BY CUTTING PRODUCTION TO A MORE COMFORTABLE LEVEL. EVEN SO, KUWAIT CONTINUES TO PRODUCE AT A LEVEL SIGNIFICANTLY OVER THE 2 MILLION B/D CEILING FOR KUWAIT OIL COMPANY PRODUCTION THAT WAS KUWAITI GOVERNMENT POLICY PRIOR TO THIS YEAR'S MARKET DISRUPTIONS.
CONFIDENTIAL SECTION 02 OF 02 KUWAIT 47595

5. OIL MINISTRY SOURCE, IN COMMENTING ON THESE FIGURES, CLAID THAT LAST AUGUST AND SEPTEMBER'S PRODUCTION WAS ABNORMALLY HIGH FOR A NUMBER OF REASONS BUT MOST ESPECIALLY DUE TO INCREASED DEMAND BECAUSE OF GROWING NERVOSITY ABOUT IRAQ. LAST OCTOBER, PRODUCTION DROPPED SHARPLY TO ABOUT 2.1 MILLION B/D BEFORE INCREASING TO THE VERY HIGH LEVELS (2.6-2.7 MILLION B/D) THAT CHARACTERIZED THE LAST TWO MONTHS OF LAST YEAR AND THE FIRST QUARTER OF THIS YEAR.

6. COMMENT: IT IS CLEAR THAT THE KUWAITIS SEE WORLD MARKET PRICES AS EASING SOMEWHAT AND THAT THEY ARE SLOWLY CUTTING BACK THEIR PRODUCTION LEVELS AS THIS OCCURS. PRODUCTION FOR THE FIRST TWO MONTHS OF 1983 IS STILL ABOUT 27 PERCENT OVER LAST YEAR AND WE DO NOT BELIEVE IT IS LIKELY THAT THE SHARP CUTBACKS THE KUWAITIS HAVE PUBLICLY TALKED ABOUT WILL OCCUR BEFORE THE BEGINNING OF NEXT YEAR. KUWAITIS, WHO ARE RELATIVELY CAUTIOUS IN THEIR OIL POLICIES, ARE UNLIKELY TO TAKE PRECIPITATE ACTIONS WHICH WOULD HAVE A MAJOR DISRUPTIVE EFFECT ON WORLD MARKET.

AS REPORTED (REF. D) OIL MINISTER SHEIKH ALI KHALIFA AL SABAH HAS INDICATED THAT GOK IS LIKELY TO CUT PRODUCTION EARLY NEXT YEAR ACCORDINGLY, WE WOULD NOT ANTICIPATE SIGNIFICANT CHANGES UNTIL THAT TIME.

SUTHERLAND

BT

#4795
OIL MINISTRY SOURCE, IN COMMENTING ON THESE FIGURES, CLAimed THAT LAST AUGUST AND SEPTEMBER'S PRODUCTION WAS ABnormally HIGH FOR A NUMBER OF REASONS TO MOST ESPECIALLY DUE TO INCREASED DEMAND BECAUSE OF GROWING NERVOUSNESS ABOUT IRAN. LAST OCTOBER, PRODUCTION DROPPED SHARPLY TO ABOUT 1.1 MILLION B/D BEFORE INCREASING TO THE VERY HIGH LEVELS (2.6-2.7 MILLION B/D) THAT CHARACTERIZED THE LAST TWO MONTHS OF LAST YEAR AND THE FIRST QUARTER OF THIS YEAR.

COMMENT: IT IS CLEAR THAT THE KUWAITIS SEE THE WORLD MARKET AS EASING SOMEWHAT AND THAT THEY ARE SLOWLY CUTTING BACK THEIR PRODUCTION LEVELS AS THIS OCCURS. PRODUCTION FOR THE FIRST HALF IS STILL ABOUT 27 PERCENT OVER LAST YEAR AND WE DO NOT BELIEVE IT LIKELY THAT THE SHARP CUTBACKS THE KUWAITIS HAVE PUBLICLY TALKED ABOUT WILL OCCUR BEFORE THE BEGINNING OF NEXT YEAR. KUWAITIS, WHO ARE RELATIVELY CAUTIOUS IN THEIR OIL POLICIES, ARE UNLIKELY TO TAKE PRECIPITATE ACTIONS WHICH WOULD HAVE A MAJOR DISRUPTIVE EFFECT ON THE WORLD MARKET.

AS REPORTED (REF. D) OIL MINISTER SHEIKH ALI KHALIFA AL SABAH HAS INDICATED THAT GOK IS LIKELY TO CUT PRODUCTION EARLY NEXT YEAR. ACCORDINGLY, WE WOULD NOT ANTICIPATE SIGNIFICANT CHANGES UNTIL THAT TIME.

SUTHERLAND BT #4795
3. DURING OCTOBER 16 CALL ON OIL MINISTER SHAIKH ALI KHALIFA AL-SABAH TO DISCUSS OIL PRICING AND PRODUCTION POLICIES. REF. C, CHARGE ASKED HIS VIEWS ON THE LIKELY AGENDA FOR PROPOSED EC-GULF ARAB DIALOGUE. ALI KHALIFA REPLIED THAT ENERGY SUPPLY WILL NOT BE THE BASIC ISSUE, BUT RATHER ECONOMIC COOPERATION BETWEEN COUNTRIES OF THE EC AND OF THE GULF. HE EXPECTS TECHNICAL AID, FOREIGN INVESTMENT, TRADE AND A NEW STRATEGY TOWARD ASSISTING THE NON-OIL PRODUCING THIRD WORLD TO BE TYPICAL SUBJECTS OF DISCUSSION.

4. CHARGE EXPLAINED THAT USG GENERALLY FAVORS THE CONCEPT IMPROVED DIALOGUE BETWEEN PRODUCERS AND CONSUMERS. HOWEVER, HE NOTED THAT SOME OBSERVERS BELIEVE THAT THE GULF ARABIES OFFER A SPECIAL SUPPLY RELATIONSHIP TO THE EUROPEANS IN EXCHANGE FOR EUROPEAN MOVEMENT TOWARDS THE ARAB POSITION ON THE PALESTINE ISSUE. ALI KHALIFA RESPONDED THAT EXPECTS NO MOVEMENT TOWARDS A SPECIAL SUPPLY RELATIONSHIP OR COUNTRIES SUCH AS FRANCE WHICH ARE ARRANGING GOVERNMENT TO GOVERNMENT SUPPLY AGREEMENTS CAN DO SO BETTER BILATERALLY THROUGH SUCH A LARGE MEETING, NOR DOES HE EXPECT THE PALESTINE QUESTION TO BE DISCUSSED. THE MEETINGS WILL TAKE PLACE BETWEEN ECONOMIC EXPERTS WHO ARE NOT QUALIFIED TO SPEAK ON POLITICAL QUESTIONS. IN ANY CASE HE SAW NO ROLE FOR OIL AS A POLITICAL WEAPON. THE IRAQIS, WHO PUBLICLY ESPOUSE SUCH A ROLE, HAVE INCREASED OIL PRODUCTION 70 PERCENT THIS YEAR, SAID, AND THUS, CANNOT BE TAKEN SERIOUSLY AS WIELDERS OF A OIL WEAPON.

BT

#4839

CONFIDENTIAL SECTION 02 OF 02 KUWAIT 4839
3. DURING OCTOBER 16 CALL ON OIL MINISTER SHAIK ALI KHALIFA AL-SABAH TO DISCUSS OIL PRICING AND PRODUCTION POLICIES. CHARGE ASKED HIS VIEWS ON THE LIKELY AGENDA FOR PROPOSED EC-GULF ARAB DIALOGUE. ALI KHALIFA REPLIED THAT ENERGY SUPPLY WILL NOT BE THE BASIC ISSUE BUT RATHER ECONOMIC COOPERATION BETWEEN COUNTRIES OF THE EC AND OF THE GULF. HE EXPECTS TECHNICAL AID, FOREIGN INVESTMENT, TRADE AND A MINIMUM STRATEGY TOWARD ASSISTING THE NON-OIL PRODUCING THIRD WORLD TO BE TYPICAL SUBJECTS OF DISCUSSION.

4. CHARGE EXPLAINED THAT USG GENERALLY FAVORS THE CONCEPT OF IMPROVED DIALOGUE BETWEEN PRODUCERS AND CONSUMERS. HOWEVER, HE NOTED THAT SOME OBSERVERS BELIEVE THAT THE GULF ARABS OFFER A SPECIAL SUPPLY RELATIONSHIP TO THE EUROPEANS IN EXCHANGE FOR EUROPEAN MOVEMENT TOWARD THE ARAB POSITION ON THE PALESTINE ISSUE. ALI KHALIFA RESPONDED THAT HE EXPECTS NO MOVEMENT TOWARD A SPECIAL SUPPLY RELATIONSHIP. COUNTRIES SUCH AS FRANCE WHICH ARE ARRANGING GOVERNMENT TO GOVERNMENT SUPPLY AGREEMENTS CAN DO SO BETTER BILATERALLY THROUGH SUCH A LARGE MEETING. NOR DOES HE EXPECT THE PALESTINE QUESTION TO BE DISCUSSED. THE MEETINGS WILL TAKE PLACE BETWEEN ECONOMIC EXPERTS WHO ARE NOT QUALIFIED TO SPEAK ON POLITICAL QUESTIONS. IN ANY CASE HE SAYS NO ROLE FOR OIL AS A POLITICAL WEAPON. THE IRAQIS, WHO PUBLICLY ESPouse SUCH A ROLE, HAVE INCREASED OIL PRODUCTION 70 PERCENT THIS YEAR, SAID, AND THUS, CANNOT BE TAKEN SERIOUSLY AS WIELDERS OF A OIL WEAPON.

CONFIDENTIAL SECTION 02 OF 02 KUWAIT 4893

A WORKING COMMITTEE FORMED AT THE TAIF, SAUDI ARABIA MINISTERIAL MEETING SEPTEMBER 23, MEET AT THE KUWAITI OIL MINISTRY OCTOBER 15 TO PREPARE A DRAFT AGENDA FOR THE EC/GULF/ARAB DIALOGUE. THE DRAFT AGENDA WILL BE CONSIDERED BY GULF ARAB MINISTERS AT MEETING IN NOVEMBER. ALI KHALIFA TOLD CHARGE OCTOBER 16 THAT HE COULD NOT COMMENT ON DETAIL OF THE DIALOGUE UNTIL THE AGENDA SUBMISSIONS HAVE BEEN DISCUSSED. THE COMMITTEE, WHICH HAD NOT CONCLUDED AS OF OCTOBER 17, PRESS REPORTS OCTOBER 17 ABOUT THE COMMITTEE'S WORK ARE ALL SPECULATIVE, AND VARY AS TO POSSIBLY TICAL CONTENT OF THE PROPOSED AGENDA.

KHALIFA ALSO TOLD CHARGE THAT THE TARGET DATE HAD YET BEEN DECIDED FOR A FIRST MEETING OF GULF ARAB AND EC COUNTRY REPRE-
G. COMMENT: ALI KHALIFA'S DENIAL OF A ROLE FOR "OIL AS A WEAPON" PARTICULARLY STRUCK US. THE PREVIOUS EVENING A CLOSE CONFIDANT OF THE OIL MINISTER HAD BEEN DISCUSSING THE FUTURE OF THE MIDDLE EAST CONFLICT WITH CHARGE, AND WENT OUT OF HIS WAY TO CONFIDE THAT ALI KHALIFA, FOR ONE, SAW NO ROLE FOR THE USE OF OIL TO THREATEN OR PUNISH THE WEST. HE COMMENTED THAT JUST AS ALI KHALIFA SAW IT AS AGAINST KUWAIT'S INTEREST TO USE OIL IN THIS MANNER, SO THE US AND OTHERS SHOULD NOT EXPECT ALI KHALIFA TO RESPOND WITH AN ALTERED, MORE "GENTLE" OIL POLICY IN EXCHANGE FOR AMERICAN POLITICAL CONCESSIONS IN THE MIDDLE EAST. ALI KHALIFA SIMPLY KEEPS OIL AND POLITICS IN SEPARATE COMPARTMENTS, UNLIKE SAUDI ARABIA, HE SAID. THESE REMARKS REINFORCE EMBASSY'S COMMENT (PARA 10, KUWAIT 3653) THAT KUWAITIS MIGHT WELL TRY TO AVOID INSERTING ANY EXPLICIT POLITICAL REFERENCES INTO ECONOMICALLY USEFUL DISCUSSIONS WITH MEMBER OF EC--9, THE FACTS OF LIFE-- RATHER THAN ANY AGENDA FOR A CONFERENCE--DICTATE THAT LINKAGE EXISTS BETWEEN THE MIDDLE EAST CRISIS AND THE OIL SUPPLY SITUATION. BECAUSE SO MANY OF THE PARTIES CONCERNED HAVE STRONG NATIONAL INTERESTS IN BOTH SITUATIONS, THE MINISTER'S REMARKS ABOUT THE IRAQI POSITION--IN ESSENCE, THAT THE IRANIANS TALK BIG AND ACT SMALL--REMEMDS US OF THE FACT THAT JAPAN'S TRADE MINISTER ESAKI, ON HIS GULF SWING EARLIER THIS YEAR, WAS UNMERCIFULLY BADGERED IN BUSINESS-MINDED KUWAIT OVER JAPAN'S AMBIGUOUS PALESTINE POLICY; WHILE THE IDEOLOGICALLY HARD-LINING IRAQIS APPARENTLY TREATED HIM AS A WELCOME GUEST AND THEN PROACHED NOTHING BUT BUSINESS WITH HIM.

SUTHERLAND
ST #4803

C R E T SECTION 1 OF 2 KUWAIT 4975

12855: DDS-1 10/30/89 (DICKMAN, FRANCOIS M.) O/R-M
ST/PINS, PINT, NPOL, ENRG, KU
ECT: (U) KUWAIT FOREIGN MINISTER ON CURRENT ISSUES, AVOIDS CONDEMNING CDA

(A) FBIS LONDON 2816142 OCT 79, (B) MUSCAT 1919,
(C) JIDDA 7442

(C) SUMMARY: IN RECENT MEETING WITH KUWAITI EDITORS, FOREIGN MINISTER HAS DEFENDED OIL PRICE INCREASE, FAVORED VISION OF ARAB SUMMIT AGENDA BEYOND THE SINGLE ISSUE Vision, REVEALED KUWAITI MEDIATION BETWEEN OMAN AND A REITERATED KUWAITI'S "HOPES" THAT PARDY WIL RESOLVE ITS CONFLICTS WITH OMAN AND SAUDI ARABIA ESPECIALLY IN THE LIGHT OF SOVIET-PARDY AGREEMENT, AND DOWNPLAYED PARDY'S EXCLUSION FROM RECENT GULF FOREIGN MINISTERS MEETING AT TAIPEI. THE INTRODUCTION OF FOREIGN FORCES INTO THE IS AGAIN "REJECT" AND RECENT TALK OF THREAT TO THREATS OF HORMUZ AND THE OIL FIELDS OF THE GULF IS MISSED AS IMPLAUSIBLE. FOREIGN MINISTER ALSO ACKNOWLEDGES VISION OF OPINION AMONG GULF OIL PRODUCERS ABOUT INTRODUCING POLITICAL QUESTIONS INTO DIALOGUE WITH EC, PERHAPS NOTABLE POINT ABOUT PARDY'S SPEECH IS ABSENCE OF ANY REFERENCE TO CAMP FREDERICK PEACE PROCESS OR TO THREE PARTNERS IN. END SUMMARY.
G. Comment: Ali Khalifa's denial of a role for "oil as a weapon" particularly struck us. The previous evening a close confidant of the oil minister had been discussing the future of the Middle East conflict with charge, and went out of his way to confide that Ali Khalifa, for one, saw no role for the use of oil to threaten or punish the West. He commented that just as Ali Khalifa saw it as against Kuwait's interest to use oil in this manner, so the US and others should not expect Ali Khalifa to respond with an 'alternate, more "generous" oil policy in exchange for American political concessions in the Middle East. Ali Khalifa simply keeps oil and politics in separate compartments, unlike Saudi Arabia, he said. These remarks reinforce Embassy's comment (para 10, Kuwait 3853) that Kuwaitis might well try to avoid inserting any explicit political references into economically useful discussions with member of EC-9, the facts of life--rather than any agenda for a conference--dictate that linkages exist between the Middle East crisis and the oil supply situation because so many of the parties concerned have strong national interests in both situations. The Minister's remarks about the Iraqi position--in essence, that the Iraqis talk big and act small--reminds us of the story that Japanese trade minister Osaki, on his Gulf swing earlier this year, was unmercifully bagged in business-minded Kuwait over Japan's ambiguous Palestine policy; while the ideologically hard-lining Iraqis apparently treated him as a welcome guest and treated nothing but business with him.

Sutherland

BT

#4803
2. (CD) BEFORE FLYING OFF FOR A WEEK'S HOLIDAY IN SOMALIA, KUWAIT DEPUTY FM/FOREIGN MINISTER SHAIKH SADAB AL AHMAD MET WITH KUWAIT'S CHIEF EDITORS FOR THE FIRST TIME SINCE HIS DEPARTURE ON VACATION LAST AUGUST. RESULTING MEDIA REPORTS ON THIS SESSION (SUMMARIZED IN REF A) WHICH BEGAN TO APPEAR ON OCTOBER 28, INDICATE THAT THE FONMIN TOUCHED ON MANY OF MAJOR FOREIGN-POLICY ISSUES FACING KUWAIT EXCEPT FOR THE MIDDLE EAST PEACE PROCESS, MENTIONING SHAIKH SABAH'S HAVANA LANGUAGE WHERE HE REMINDED EVERYONE OF KUWAIT'S PARTICIPATION IN THE BAGHDAD SUMMIT AND HIS MINDER BUT STILL NEGATIVE ALLUSION TO IRAQ IN HIS UNGA ADDRESS (REF A).

3. (U) OIL PRICES. MINISTER OPENED BY DEFENDING RECENT OIL PRICE INCREASE IN STANDARD FASHION BY PUTTING ALL BLAME ON INDUSTRIALIZED COUNTRIES FOR THEIR FAILURE TO CONTROL INFLATION, WHILE REMINDING LISTENERS THAT OIL WAS KUWAIT'S ONLY SIGNIFICANT SOURCE OF REVENUE FOR FUTURE GENERATIONS AND WAS A NON-RENEWABLE RESOURCE.

4. (C) GULF AND PENINSULA SECURITY. ALTHOUGH FONMIN DID NOT EXPLICITLY CONFIRM THAT PDHY HAD SOLICITED KUWAITI MEDIATION WITH OMAN (REF B), HE DID REVEAL THAT KUWAIT HAD BEEN IN CONTACT WITH BOTH COUNTRIES TO REACH A FORMULA BETWEEN THE TWO BASED ON RESPECT FOR EACH OTHER'S SOVEREIGNTY. HE HOPED GOOD RESULTS WOULD EMERGE AFTER THE EID AL ADHA HOLIDAYS. FONMIN ALSO HOPED PDHY PRESIDENT ISMAIL WOULD VISIT SAUDI ARABIA TO SETTLE OUTSTANDING ISSUES, A VISIT WHICH HE THOUGHT WOULD BE USEFUL IN LIGHT OF OCTOBER 25 US-S-FDHY FRIENDSHIP TREATY. HE AGAIN TOOK OCCASION TO DISMISS FOR UMPTEENTH TIME "AMERICAN ACCUSATIONS" THAT PALESTINIAN RESISTANCE MOVEMENT MIGHT TRY TO BLOCK HORMUZ STRAITS AS WELL AS PROPOSALS TO INTRODUCE FOREIGN FORCES INTO THE GULF REGION. GULF RIPARIANS HAD JUST AS MUCH AN INTEREST IN ASSURING FREEDOM OF PASSAGE THROUGH STRAITS AS INDUSTRIALIZED COUNTRIES AND "DEFENSE OF REGION WAS THE SOLE RESPONSIBILITY OF THE GULF POWERS." THIS WAS AS CLOSE AS POSSIBLE TO A PUBLIC REJECTION OF OMAN'S RECENT HORMUZ SECURITY PROPOSAL.

5. (C) ARAB SUMMIT. IN CONFIRMING THAT IT WAS RULLED FOR NOVEMBER 26, FONMIN EXPRESSED PREFERENCE FOR AN AGENDA NOT CONFINED TO LEBANESI ISSUE. PREFERENCE REFLECTS PREVIOUS INDICATIONS FROM KUWAIT (46/24) THAT DECISIONS REACHED BAGHDAD SUMMIT A YEAR AGO WOULD PROVIDE FRAMEWORK FOR THIS SUMMIT. AT SAME TIME, FONMIN'S GENERALIZED AVOIDANCE OF COMMITMENT KUWAIT TO AN AGENDA WHICH MIGHT CAMPAIN AGAINST EGYPT AND IRAQ PRODUCE AT BAGHDAD.

6. (C) TAIF CONFERENCE OF GULF FOREIGN MINISTERS. IN AVOIDING DIVULGING MUCH OF SUBSTANCE BUT DID NOT INTERESTING THOUGHT THAT FONMIN HAD DISCUSSED GOAL TO ESTABLISH A FEDERATION TO BE CALLED "THE UNITED STATES," WHICH WOULD CONTAIN COOPERATION IN A NUMBER OF AREAS INCLUDING OIL SECTOR AND MARKETING. HE DID MENTION THAT IT WAS WELL AWARE OF IRAQI SENSITIVITIES ABOUT THE REFEREE. HE REMARKED THAT REFORMS FOR HIS OCTOBER 26 VISIT TO BAGHDAD HAD BEEN TO FOCUS ON THE GULF WORK WITHOUT IRAQ AND IRAQ CANNOT WORK WITHOUT GULF.
2. (C) BEFORE FLYING OFF FOR A WEEKS HOLIDAY IN SOMALIA, KUWAIT DEPUTY PM/FOREIGN MINISTER SHAIKH SABAH AL AHMAD MET WITH KUWAIT'S CHIEF EDITORS FOR THE FIRST TIME SINCE HIS DEPARTURE ON VACATION LAST AUGUST. RESULTING MEDIA REPORTS ON THIS SESSION (SUMMARIZED IN REF A) WHICH BEGAN TO APPEAR ON OCTOBER 28, INDICATE THAT THE FONMIN TOUCHE ON MANY OF MAJOR FOREIGN-POLICY-ISSUES FACING KUWAIT EXCEPT FOR THE MIDDLE EAST PEACE PROCESS, MISSED VAS SHAIKH SABAH'S HAVANA LANGUAGE WHERE HE REMINDED EVERYONE OF KUWAIT'S PARTICIPATION IN THE BAGHDAD SUMMIT AND HIS MINDER BUT STILL NEGATIVE ALLEGATION TO CDA IN HIS UNGA ADDRESS (REF A).

3. (U) OIL PRICES, MINISTER OPENED BY DEFENDING RECENT OIL PRICE INCREASE IN STANDARD FASHION BY PUTTING ALL BLAME ON INDUSTRIALIZED COUNTRIES FOR THEIR FAILURE TO CONTROL INFLATION, WHILE REMINDING LISTENERS THAT OIL WAS KUWAIT'S ONLY SIGNIFICANT SOURCE OF REVENUE FOR FUTURE GENERATIONS AND WAS A NON-RENEWABLE RESOURCE.

4. (C) GULF AND PENINSULA SECURITY, ALTHOUGH FONMIN DID NOT EXPLICITLY CONFIRM THAT PDY HAD SOLICITED KUWAITI MEDIATION WITH OMAN (REF B), HE DID REVEAL THAT KUWAIT HAD BEEN IN CONTACT WITH BOTH COUNTRIES TO REACH A FORMULA BETWEEN THE TWO BASED ON RESPECT FOR EACH OTHER'S SOVEREIGNTY. HE HOPED GOOD RESULTS WOULD EMERGE AFTER THE EID AL ADHA HOLIDAYS. FONMIN ALSO HOPED PDY PRESIDENT ISMAIL WOULD VISIT SAUDI ARABIA TO SETTLE OUTSTANDING ISSUES, A VISIT WHICH HE THOUGHT WOULD BE USEFUL IN LIGHT OF OCTOBER 25 USSR-PDY FRIENDSHIP TREATY. HE AGAIN TOOK OCCASION TO DISMISS FOR UMPTEENTH TIME "AMERICAN ACCUSATIONS" THAT PALESTINIAN RESISTANCE MOVEMENT MIGHT TRY TO BLOCK HORMUZ STRAITS AS WELL AS PROPOSALS TO INTRODUCE FOREIGN FORCES INTO THE GULF REGION. GULF RAPIRANTS HAD JUST AS MUCH AN INTEREST IN ASSURING FREEDOM OF PASSAGE THROUGH STRAITS AS INDUSTRIALIZED COUNTRIES, AND "DEFENSE OF REGION WAS THE SOLE RESPONSIBILITY OF THE GULF POWERS," THIS WAS AS CLOSE AS POSSIBLE TO A PUBLIC REJECTION OF OMAN'S RECENT HORMUZ SECURITY PROPOSAL. [ATTACH]

(U) ARAB SUMMIT, IN CONFIRMING IT WAS HELD FOR NOVEMBER 26, FONMIN EXPRESSED PREFERENCE FOR AN AGENDA NOT CONFINED TO LIBANON ISSUE. PREFERENCE REFLECTS PREVIOUS INDICATIONS FROM FOREIGN MINISTRY (KUWAIT 48744) THAT DECISIONS REACHED IN BAGHDAD SUMMIT A YEAR AGO WOULD PROVIDE FRAMEWORK FOR THIS SUMMIT. AT SAME TIME, FONMIN'S GENERALIZED COMMENTS DO NOT COMMIT KUWAIT TO AN AGENDA WHICH INCLUDES CAMPAIGN AGAINST EGYPT AND CDA BEGIN AT BAGHDAD.

(C) TAIIF CONFERENCE OF GULF FOREIGN MINISTERS. IN AVOIDED DIVULGING MUCH OF SUBSTANCE BUT DID INDICATE INTERESTING THOUGHT THAT FONMIN HAD DISCUSSED "ESTABLISHING A FEDERATION TO BE CALLED "THE UNITED STATES," WHICH WOULD ENTAIL COOPERATION IN A NUMBER OF AREAS INCLUDING OIL PRODUCTION AND MARKETING." HE DID MAKE IT OBVIOUS THAT IT WAS WELL AWARE OF IRAN'S SENSITIVITIES ABOUT THE CONFERENCE. HE REMARKED THAT HE STAYED FOR HIS OCTOBER 25 VISIT TO BAGHDAD HAD BEEN TO BRIEF SAUDI, KUWAIT, KUWAIT ON "THE GULF WORK WITHOUT IRAQ AND IRAQ CANNOT WORK WITHOUT GULF."
7. (U) GULF EC DIALOGUE. THOUGH NOT MENTIONED IN REF A, FOMIN TOUCHED ON EC DIALOGUE WITH GULF COUNTRIES ADmitTING THAT GULF OIL MINISTERS MEETING IN TAIPEI LAST SEPTEMBER HAD BEEN IN DISAGREEMENT OVER INCLUSION OF POLITICAL ISSUES, SPECIFICALLY PALESTINIAN ISSUE.

8. (S) COMMENT: TIME DID NOT PERMIT TO TALK MUCH ABOUT FOMIN'S BAGHDAD VISIT DURING HIS OCTOBER 23 MEETING. I WAS NOT PRESENT DURING THE MEETING, BUT WAS ABLE TO ASMATIC CHARLIE'S NOTICES OF THE MEETING. THE MEETING WAS NOT COVERED BY THE PRESS. THE MEETING MIGHT CONSIST OF:

(a) MATT'S מנת: THE MEETING WAS NOT COVERED BY THE PRESS. THE MEETING MIGHT CONSIST OF:

(b) MATT'S المنا: THE MEETING WAS NOT COVERED BY THE PRESS. THE MEETING MIGHT CONSIST OF:

(c) MATT'S المنا: THE MEETING WAS NOT COVERED BY THE PRESS. THE MEETING MIGHT CONSIST OF:

(d) MATT'S المنا: THE MEETING WAS NOT COVERED BY THE PRESS. THE MEETING MIGHT CONSIST OF:

(e) MATT'S المنا: THE MEETING WAS NOT COVERED BY THE PRESS. THE MEETING MIGHT CONSIST OF:

(f) MATT'S المنا: THE MEETING WAS NOT COVERED BY THE PRESS. THE MEETING MIGHT CONSIST OF:

(g) MATT'S المنا: THE MEETING WAS NOT COVERED BY THE PRESS. THE MEETING MIGHT CONSIST OF:

(h) MATT'S المنا: THE MEETING WAS NOT COVERED BY THE PRESS. THE MEETING MIGHT CONSIST OF:

9. (U) FURTHER COMMENT: FOMIN'S STATEMENT HAS SINCE BEEN INFLUENCED BY THE ARTICLE WHICH APPEARED IN THE OCTOBER 29 AS-SAYASSA WHICH FORECASTS MATT'S المنا: THE MEETING WAS NOT COVERED BY THE PRESS. THE MEETING MIGHT CONSIST OF:

(a) MATT'S المنا: THE MEETING WAS NOT COVERED BY THE PRESS. THE MEETING MIGHT CONSIST OF:

(b) MATT'S المنا: THE MEETING WAS NOT COVERED BY THE PRESS. THE MEETING MIGHT CONSIST OF:

(c) MATT'S المنا: THE MEETING WAS NOT COVERED BY THE PRESS. THE MEETING MIGHT CONSIST OF:

(d) MATT'S المنا: THE MEETING WAS NOT COVERED BY THE PRESS. THE MEETING MIGHT CONSIST OF:

(e) MATT'S المنا: THE MEETING WAS NOT COVERED BY THE PRESS. THE MEETING MIGHT CONSIST OF:

(f) MATT'S المنا: THE MEETING WAS NOT COVERED BY THE PRESS. THE MEETING MIGHT CONSIST OF:

(g) MATT'S المنا: THE MEETING WAS NOT COVERED BY THE PRESS. THE MEETING MIGHT CONSIST OF:

(h) MATT'S المنا: THE MEETING WAS NOT COVERED BY THE PRESS. THE MEETING MIGHT CONSIST OF:
7. (U) GULF EC DIALOGUE. THOUGH NOT MENTIONED IN REF A, FOMIN TOUCHED ON EC DIALOGUE WITH GULF COUNTRIES ADMITTING THAT GULF OIL MINISTERS MEETING IN TAIPE LAST SEPTEMBER HAD BEEN IN DISAGREEMENT OVER INCLUSION OF POLITICAL ISSUES, SPECIFICALLY PALESTINIAN ISSUE.

8. (S) COMMENT: TIME DID NOT PERMIT TO TALK MUCH ABOUT FOMIN'S BAGHDAD VISIT DURING HIS OCTOBER 23 MEETING TO PRESENT COPIES OF LETTERS OF CREDENCE. SECURITY OF GULF, HOWEVER, WAS VERY MUCH ON HIS MIND SINCE HE USED OCCASION TO MAKE SAME POINTS NOTED IN PAR A. SINCE THEN, HAVE RECEIVED INTERESTING COMMENTARY FROM FRENCH AMBASSADOR ELOVIN WHO SAID THAT WHILE SAUDIS WERE WILLING TO HAVE IRAQIS PARTICIPATE AT OCTOBER 16 TAIPE MEETING, IT WAS KUWAIT WHICH OBJECTED. KUWAITIAN FEARED THAT IF IRAQ INCLUDED, MEETING MIGHT HAVE ANTI-IRANIAN CAST. AT SAME TIME, KUWAIT WAS FEARFUL THAT IRAQIS WOULD VIEW TAIPE MEETING AS DIRECTED AGAINST IRAQ. SO AS SOON AS MEETING CONCLUDED, SHA'IB ABASH ADDED A THOUGHT THAT GULF/EC DIALOGUE AT MOMENT IS TAKING NO PROGRESS BECAUSE (A) KUWAITIAN HAD NOT CAREFULLY THOUGHT THROUGH WHAT DIALOGUE MIGHT CONSIST OF; (B) IRAQIS HAVE BEEN INSISTING THAT THEY AND ALL OTHER ARAB OIL PRODUCERS BE INCLUDED IN ANY DIALOGUE, WHICH SHOULD DEAL WITH POLITICAL AS WELL AS ECONOMIC ISSUES; AND (C) SAUDI RELUCTANCE TO GET INVOLVED AT ALL IN THIS INITIATIVE.

9. (U) FURTHER COMMENT: FOMIN'S STATEMENT HAS SINCE STIMULATED ARTICLE WHICH APPEARED IN OCTOBER 29 AS-SIBAYASAH WHICH FORECASTS ISRAEL VISIT TO RIYADH TO DELIVER MESSAGE FROM EREZHMELIN TO SAUDI LEADERSHIP. ARTICLE ALSO ALLEGES SAUDIS HAVE GRANTED OVERFLIGHT RIGHTS TO AEROFLOT, BUSINESS RELATIONS BETWEEN SOVIET STATE COMPANIES AND SAUDI MERCHANTS ARE UNDERWAY, AND SOVIET MEDIA HAS COMMENTED FAVORABLY ON SAUDI POLITICAL AND OIL MATTERS. END COMMENT.

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3. UNDER GULF’S PRESENT CONTRACT IT CAN LIFT UP TO 550,000
B/D. GULF REP. ANDERSON (PROTECT CAREFULLY) TOLD US OCTOBER
16 THAT GULF NOW DOES NOT INTEND TO INSIST ON A FOLLOW-UP
CONTRACT, EFFECTIVE APRIL 1, 1980, WITH A BASE OFFTAKE
PERMITTED OF 450,000 B/D, AS CALLED FOR BY GULF’S PRESENT
CONTRACT AND BY THE KUWAIT OIL COMPANY
NATIONALIZATION AGREEMENT OF 1975. AT PRESENT, HE SAID,
GOI OIL MINISTER SWAIKH ALI KHALIFA IS TALKING ABOUT OFFERING
GULF BETWEEN 150,000 AND 200,000 B/D FOR THE NEW CONTRACT
AND ANDERSON THINKS GULF WILL SETTLE IN THAT RANGE.

4. DRASTIC AS APPEARS TO BE THE CUT FROM 550,000 UNDER
THE PRESENT CONTRACT TO 200,000 B/D ANDERSON SAID THE
SITUATION IS NOT THAT CRITICAL. GULF REQUIRE ONLY 250,000
B/D OF KUWAITI CRUDE TO SUPPLY ITS OWN SYSTEM,
AND 150,000 B/D FOR THE KOREAN REFINERIES. JOINTLY OWNED
BY GULF AND THE KOREAN GOVERNMENT. UNDER PRESENT PLANS WHEREBY
GULF DIVIDES ITSELF OF HALF ITS PRESENT 50 PERCENT EQUITY
IN THE KOREAN REFINING COMPANY, AND KUWAIT ACQUIRES AN
OWNERSHIP SHARE OF TWELVE AND A HALF PERCENT. KUWAIT WOULD
SUPPLY THE 150,000 B/D DIRECTLY TO KOREA, RELIEVING GULF
OF THIS RESPONSIBILITY. ADDITIONALLY, GULF WOULD GIVE
UP SUPPLYING KUWAITI CRUDE TO THIRD PARTIES, AS IT HAS
DONE IN PAST, IN LINE WITH PRESENT KUWAITI MARKETING POLICY.
THE GAP, THEREFORE, BETWEEN THE KUWAITI BARGAINING
POSITION AND GULF’S PROJECTED NEEDS IS ONLY THE DIFFERENCE
BETWEEN ALI KHALIFA’S PROPOSED 150,000 - 200,000
B/D AND GULF’S REQUIREMENT OF 250,000 B/D.

CD

ANDERSON EXPRESSED CONCERN, HOWEVER, THAT THE KUWAITIS
DRIVE A VERY HARD BARGAIN (AS THEY ARE ACCUSTOMED TO
IN TERMS OF PERIPHERAL ADVANTAGES. THUS ANDERSON Fears
MAY TRY TO EXTRACT A SIGNATURE BONUS AS SOME OTHER
AGREEMENTS ARE DOING. THE ULTIMATE, AND
ACCEPTABLE, KUWAITI EFFORT WOULD BE TO IMPOSE THE
BOYCOTT LANGUAGE NOW BEING INSERTED IN IRAQI
CONTRACTS. (COMMENT: NEITHER ANDERSON NOR EMBASSY
HAS ANY INDICATION THAT EITHER OF THESE DEMANDS IS
CONSIDERED BY GOI, END COMMENT.)

ANDERSON EXPRESSLY ASKED THAT THE EMBASSY NOT, REPEAT
INTERVENE ON THIS BEHALF. HE SAID THAT TIMES HAVE
EDD SINCE THE 500,000 B/D FOLLOW-ON
ACT WAS ENVISAGED, AND THAT GULF BELIEVES LEANING ON
THIS POINT WOULD BE COUNTER-PRODUCTIVE.

COMMENT: ANDERSON’S REMARKS CONFIRM THE ACCURACY OF
WE FOUND SOMEWHAT DIFFICULT TO ACCEPT AT FACE VALUE
MONTHS AGO--THAT GOI DOES INTEND DEEP CUTS
IN TOTAL PRODUCTION AND IN AMOUNTS ALLOWED THE MAJOR
NURSES. IT IS UNFORTUNATE, PERHAPS, THAT SHELL HAS A
ACT WHICH RUNS TO OCTOBER 1981 PERMITTING THE COMPANY
AT 400,000 B/D, WHILE THE ORIGINAL KUWAIT OIL CO.
IS, GULF AND WE PRESUME BP ARE DESTINED TO BE
HALF THAT AMOUNT OR LESS NEXT APRIL. BUT UNLESS
LATER INFORMS US OF NEW NEGOTIATING PROBLEMS, OR
THE SPEETE OF TOUGH NEW BOYCOTT PROVISIONS ARISES,
AS FORESEES LITTLE ROLE FOR USG SUPPORT FOR GULF IN THE
INATIONS BETWEEN NOW AND MARCH 31.
3. UNDER GULF’S PRESENT CONTRACT IT CAN LIFT UP TO 550,000 B/D. GULF REP. ANDERSON (PROTECT CAREFULLY) TOLD US OCTOBER IS THAT GULF NOW DOES NOT INTEND TO INSIST ON A FOLLOW-UP CONTRACT, EFFECTIVE APRIL 1, 1980, WITH A BASE OFFTAKE PERMITTED OF 400,000 B/D, AS CALLED FOR BY GULF’S PRESENT CONTRACT AND BY THE KUWAIT OIL COMPANY NATIONALIZATION AGREEMENT OF 1975. AT PRESENT, HE SAID, GOX OIL MINISTER SHAHZ ALI KHALIFA IS TALKING ABOUT OFFERING GULF BETWEEN 150,000 AND 200,000 B/D FOR THE NEW CONTRACT AND ANDERSON THINKS GULF WILL SETTLE IN THAT RANGE.

4. DRASTIC AS APPEARS TO BE THE CUT FROM 550,000 UNDER THE PRESENT CONTRACT TO 200,000 B/D ANDERSON SAID THE SITUATION IS NOT THAT CRITICAL. GULF REQUIRE ONLY 250,000 B/D OF KUWAITI CRUDE TO SUPPLY ITS OWN SYSTEM, AND 150,000 B/D FOR THE KOREAN REFINERIES JOINTLY OWNED BY GULF AND THE KOREAN GOVERNMENT. UNDER PRESENT PLANS WHEREBY GULF DIVESTS ITS SELF OF HALF ITS PRESENT 50 PERCENT EQUITY IN THE KOREAN REFINING COMPANY, AND KUWAIT ACQUIRES AN OWNERSHIP SHARE OF TWELVE AND A HALF PERCENT, KUWAIT WOULD SUPPLY THE 150,000 B/D DIRECTLY TO KOREA, RELIEVING GULF OF THIS RESPONSIBILITY. ADDITIONALLY, GULF WOULD GIVE UP SUPPLYING KUWAITI CRUDE TO THIRD PARTIES, AS IT HAS DONE IN PAST, IN LINE WITH PRESENT KUWAITI MARKETING POLICY. THE GAP, THEREFORE, BETWEEN THE KUWAITI BARGAINING POSITION AND GULF’S PROJECTED NEEDS IS ONLY THE DIFFERENCE BETWEEN ALI KHALIFA’S PROPOSED 150,000 - 200,000 B/D AND GULF’S REQUIREMENT OF 250,000 B/D.

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ANDERSON EXPRESSED CONCERN, HOWEVER, THAT THE KUWAITIS DRIVE A VERY HARD BARGAIN (AS THEY ARE ACCUSTOMED TO IN TERMS OF PERIPHERAL ADVANTAGES. THUS ANDERSON FEARS MAY TRY TO EXTRACT A SIGNATURE BONUS AS SOME OTHER OILERS ARE DOING, THE ULTIMATE, AND REPUTABLE KUWAITI EFFORT WOULD BE TO IMPOSE THE BOYCOTT LANGUAGE NOW BEING INSERTED IN IRAQI CONTRACTS. (COMMENT: NEITHER ANDERSON NOR EMBASSY MADE ANY INDICATION THAT EITHER OF THESE DEMANDS IS CONSIDERED BY GOK END COMMENT.)

ANDERSON EXPRESSLY ASKED THAT THE EMBASSY NOT, REPEAT NOT, INTERVENE ON HIS BEHALF. HE SAID THAT TIMES HAVE CHANGED SINCE THE 500,000 B/D FOLLOW-ON ACT WAS ENVISAGED, AND THAT GULF BELIEVES LEANING ON THIS POINT WOULD BE COUNTER-PRODUCTIVE.

COMMENT: ANDERSON’S REMARKS CONFIRM THE ACCURACY OF WE FOUND SOMEWHAT DIFFICULT TO ACCEPT AT FACE VALUE MONTHS AGO—THAT GOK DOES INTEND DEEP CUTS IN TOTAL PRODUCTION AND IN AMOUNTS ALLOWED THE MAJOR NATIONS. IT IS UNFORTUNATE, PERHAPS, THAT SHELL HAS A CONTRACT WHICH RUNS TO OCTOBER 1981 PERMITTING THE COMPANY TO 400,000 B/D, WHILE THE ORIGINAL KUWAIT OIL CO, 100,000, GULF AND WE PRESUME BP ARE DESTINED TO BE NO MORE THAN 100,000 B/D FOR APRIL, BUT UNLESS LATER INFORMS US OF NEW NEGOTIATING PROBLEMS, OR THE SPECTRE OF TOUGH NEW BOYCOTT PROVISIONS ARISES, WE FORESEE LITTLE ROLE FOR USG SUPPORT FOR GULF IN THE SITUATIONS BETWEEN NOW AND MARCH 31.
IN CONTRAST TO SOME OTHER PRODUCERS, KUWAIT IS PRETTY MEETING ALL ITS COMMITMENTS TO SUPPLY CRUDE OIL FULL AT ANNOUNCED PRICES. GULF, FOR EXAMPLE, WHICH IS TILTED UNDER ITS CONTRACT TO 500,000 B/D PLUS AN ADDITIONAL 50,000 B/D AS DESIRED, IS BEING ALLOWED TO LIFT ENTIRE 550,000 AT CONTRACT PRICES. LIFTINGS ABOVE THE 500,000 LEVEL ARE POSSIBLE BUT ONLY IN KUWAIT BOTTOMS AT SPOT PRICES. EARLIER THIS YEAR KUWAIT OFFERED THREE MAJOR OFFTAKEES, GULF, BP AND SHELL, ADDITIONAL DE UP TO 40,000 B/D EACH ON THESE TERMS. GULF DECLINED OFFER AS UNECONOMIC, BUT ANDERSON UNDERSTANDS SHELL BP ACCEPTED SOME SHIPMENTS.

IT IS GULF REP'S FEELING THAT KUWAIT IS NOT MARKETING CRUDE OIL ON THE SPOT MARKET. UNLIKE 1978 ALL LONG CONTRACT PURCHASERS HAVE BEEN TAKING THE MAXIMUM AMOUNT THEY CAN UNDER THEIR CONTRACTS. LOCAL REFINERIES ARE ALSO OPERATING AT FULL CAPACITY. THESE TWO FACTORS MEAN THAT THE 520,000 BARRELS/DAY INCREASE IN PRODUCTION THIS YEAR IS BEING SOLD AT STATED CONTRACT PRICES RATHER THAN ON THE SPOT MARKET. HOWEVER, THE GOK HAS APPARENTLY, FOR THE FIRST TIME, EXERCISED ITS RIGHTS TO MARKET SIXTY PERCENT OF THE KUWAITI SHARE IN INDIAN OIL COMPANY'S PRODUCTION OFFSHORE IN THE NEUTRAL區. THIS OIL PREVIOUSLY WAS SOLD BACK TO THE ARABIAN COMPANY. THIS LATTER ARRANGEMENT PROVIDES UP TO 400,000 B/D TO GOK, ALL OF WHICH PRESUMABLY MOVES ON THE MARKET, AND MAKES UP THE BULK OF SUCH HIGH-SPEED SALES BY GOK.
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CONFIDENTIAL SECTION 02 OF 02 KUWAIT 4886

6. KUWAIT IS CLEARLY TRYING TO BYPASS THE MAJOR OIL COMPANIES WHO PREVIOUSLY TOOK ALL KUWAIT'S CRUDE, AND IS MOVING TO DEAL DIRECTLY WITH REFINERS. GOK IS WILLING TO SELL TO MAJORS, BUT ONLY TO THE EXTENT CRUDE IS NEEDED WITHIN THE BUYER'S OWN SYSTEM. OTHERWISE, GOK IS INTERESTED IN GOOD SOLID CUSTOMERS WITH A PROVEN RECORD OF CREDIT-WORTHINESS AND RELIABILITY. IDEMITSU OF JAPAN AND TAIWAN'S CHINA PETROLEUM COMPANY APPARENTLY ARE AMONG COMPANIES GOK CONSIDERS IN THIS CATEGORY. ALTHOUGH THERE ARE A LOT OF TRADERS AND SMALLER OIL COMPANY REPS VISITING THE OIL MINISTRY THESE DAYS, ANDERSON HAS SEEN LITTLE EVIDENCE THAT THEY ARE ACTUALLY GETTING CRUDE OIL. GOK IS APPARENTLY JUST NOT INTERESTED IN DEALING WITH SUCH ORGANIZATIONS, EVEN AT HIGH SPOT-MARKET PRICES.

7. ANDERSON ADDED THAT HE KNOWS OF NO EVIDENCE THAT KUWAITI CRUDE IS BEING RESOLD FOR SPOT MARKET PROFITS. ASKED IF HE HAD EVER HEARD OF KUWAITI INDIVIDUALS TRADING OIL FOR THEIR OWN ACCOUNT, HE SAID HE HAD NOT. HE SEES NO REASON WHY THE OIL MINISTER WOULD PERMIT PRIVATE KUWAITI'S TO TAKE A PROFIT ON GOK CRUDE. IF THERE ARE KUWAITI TRADERS IN THE MARKET, HE SUGGESTED, THEY ARE PROBABLY OFFERING CARGOES FROM OTHER SOURCES. ANDERSON REMARKED ALSO THAT PRESENT OIL MINISTER SHAikh ALI KHAlIFA AL SABAH HAS UPHOLDED THE MINISTRY'S REPUTATION FOR STRAIGHT DEALING, A CONTRAST WITH THE QUESTIONABLE PRACTICES SOME AScribe TO FORMER OIL MINISTER ABDUL MUTALEB KAZEMI AND HIS PROTEGES.

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3. SINCE U.S. MEASURES ANNOUNCED TO SUPPORT THE DOLLAR NOVEMBER 1, 1978, THE DOLLAR HAS STEADILY APPRECIATED. RECOVERING INVESTOR CONFIDENCE IN IT, INTEREST RATES HAVE BEEN RISING IN THE U.S. AND ON THE EURO-DOLLAR MARKET (TO 12.5 PERCENT) WHILE THE INTEREST RATE CEILING IN KUWAIT REMAINS TEN PERCENT, WITH MOST COMMERCIAL LOANS SUBJECT TO AN 8.5 PERCENT CEILING. WIDENING INTEREST RATE DIFFERENTIALS PLUS DOLLAR APPRECIATION MAKE INVESTMENT IN THE U.S. AND EURO-DOLLAR MARKETS VERY ATTRACTIVE. MAJOR MERCHANT DEPOSITORS OF KUWAITI COMMERCIAL BANKS, MANY OF WHOSE BANKS HAVE SUBSTANTIAL LIQUIDITY AT THE MOMENT, ARE ESPECIALLY ACTIVE IN DOLLAR INVESTMENT. IF THESE INVESTORS WERE TO MOVE FUNDS OUT OF KUWAIT BECAUSE OF CONCERN ABOUT THE POLITICAL SITUATION IN IRAQ AND THE GULF AREA, THIS WOULD REGISTER ON THE KUWAITI STOCK MARKET, THROUGH SALE OF SHARES AND FALL IN THEIR PRICES. IN FACT, KUWAIT SHARE PRICES ROSE THROUGH MOST OF 1978 AND HAVE CONTINUED TO RISE IN THE PAST THREE MONTHS, INDICATING CONFIDENCE IN THE LOCAL ECONOMY. MONEY GOING ABROAD IS "SURPLUS," DISCRETIONARY INVESTMENT, NOT THE MONEY OF NERVOUS LOCAL BUSINESSMEN.

4. COMMENT: WHILE EVENTS IN IRAQ ARE STILL A MATTER OF CONCERN, THE RETURN OF KHOMENEI TO IRAN HAS "RESOLVED THE BASIC ISSUE" AND TO SOME DEGREE COOLED OFF THE SITUATION FOR KUWAITI OBSERVERS. IN JANUARY THE TOPIC OF CONVERSATION IN KUWAIT WAS BANKERS AND EVERYONE ELSE WAS IRAQ. IN LATE MARCH IRAN IS STILL ON PEOPLE'S MINDS, BUT THE BANKERS AND BUSINESSMEN ARE BACK TO TALKING ABOUT THEIR BUSINESS-WHERE CAN I GET THE MOST MONEY BE MADE. THE JUST-ISSUED ANNUAL REPORT FOR 1978 OF KUWAIT'S LARGEST INVESTMENT INSTITUTION, THE KUWAIT INVESTMENT COMPANY, IN A SECTION TITLED "THE OUTLOOK FOR 1979" PREDICTS THAT THE U.S. CURRENT ACCOUNT DEFICIT WILL "IMPROVE SIGNIFICANTLY" AND THAT THIS, "COUPLED WITH HIGHER US INTEREST RATES, SHOULD STRENGTHEN THE DOLLAR AGAINST MAJOR CURRENCIES." KUWAITIS ARE FINDING HIGH RETURNS IN AN APPRECIATING CURRENCY VERY ATTRACTIONAL AND ACTING ACCORDINGLY.
3. Since U.S. measures announced to support the dollar November 1, 1978, the dollar has steadily appreciated, restoring investor confidence in it. Interest rates have been rising in the U.S. and on the Euro-dollar market to 12.5 percent while the interest rate ceiling in Kuwait remains ten percent, with most commercial loans subject to an 8.5 percent ceiling, widening interest rate differentials plus dollar appreciation make investment in the U.S. and Euro-dollar markets very attractive.

Major merchant depositors of Kuwaiti commercial banks, many of whom have considerable liquidities at the moment, are especially active in dollar investment. If these investors were moving funds out of Kuwait because of concern about the political situation in Iran and the Gulf area, this would register on the Kuwaiti stock market, through sale of shares and falls in their prices. In fact, Kuwait share prices rose through most of 1978 and have continued to rise in the past three months, indicating confidence in the local economy. Money going abroad is "plus", discretionary investment, not the money of nervous local businessmen.

4. Comment: While events in Iran are still a matter of concern, the return of Khomenei to Iran has "resolved the basic issue" and to some degree cooled off the situation for Kuwaiti observers. In January the topic of conversation in Kuwait—among bankers and everyone else—was Iran. In late March Iran is still on peoples minds, but the bankers and businessmen are back discussing that favorite topic of local conversation—where can the most money be made. The just-issued annual report for 1978 of Kuwait's largest investment institution, the Kuwait Investment Company, in a section entitled "The Outlook for 1979" predicts that the U.S. current account deficit will "improve significantly" and that this, "coupled with higher US interest rates, should strengthen the US dollar against most major currencies." Kuwaitis are finding high returns in an appreciating currency very attractive and acting accordingly.

SUTHERLAND
BT 1435

KUWAIT

(excluding neutral zone but including islands)

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Population: 1,250,000 (July 1979), average annual growth (current): 2.2 percent

Religious: 98% Muslim, 1% Christian, Hindu, Parsi, other: 1%

Languages: Arabic, English, Arabic, English, English

Currency: Kuwaiti dinar (KD)

Agriculture: virtually none, dependent on imports for food, about 25% of total water must be distilled or imported

Major industries: crude petroleum production average for 1977, 1,586,000 bbl, government revenues from taxes and government services 431,000,000 KD, government services 32,000,000 KD, transportation, 9,000,000 KD, construction, 10,000,000 KD, military and administrative services, 9,000,000 KD, agriculture, 4,000,000 KD, electricity, 10,000,000 KD, education, 2,000,000 KD, health, 1,000,000 KD, trade, 4,000,000 KD, tourism, 500,000 KD

Economy: one of the largest in the world, dependent on oil, with a high rate of industrialization

Agriculture: vitally none, dependent on imports for food, about 25% of total water must be distilled or imported

Major industries: crude petroleum production average for 1977, 1,586,000 bbl, government revenues from taxes and government services, 431,000,000 KD, government services, 32,000,000 KD, transportation, 9,000,000 KD, construction, 10,000,000 KD, military and administrative services, 9,000,000 KD, agriculture, 4,000,000 KD, electricity, 10,000,000 KD, education, 2,000,000 KD, health, 1,000,000 KD, trade, 4,000,000 KD, tourism, 500,000 KD

Monetary conversion rate: 1 Kuwaiti dinar = US$1.93 (1978)

Final year: 1975-76 June

Communications

Railways: none

Highways: 2,351 km total, 2,225 km bitumen, 290 km earth, sand, loose gravel

Pipeline: crude oil, 877 km, refined products, 40 km, natural gas, 121 km

Ports: 3 major (Ash Shuwaykh, Ash Shuwaykh, Mina al Ahmadi), 4 minor

Merchant marine: 10 ships (1,000 GRT or over), totaling 2,570,000 GRT, 300,000 DWT, includes 2 passenger, 76 cargo, 14 tanker, 6 specialized carrier, 3 liquefied gas carrier, 1 container (C)

Civil air: 17 major transport aircraft, 4 based in Airfields: 11 total, 6 usable, 4 with permanent-surface runways, 5 with runways 2,440-3,599 m, 2 with runways 1,220-2,439 m

Telecommunications: excellent international and adequate domestic telecommunication facilities, 110,000 telephones (130 per 100 souls), 3 AM, 1 FM and 3 TV stations, 1 satellite station with Indian and Atlantic Ocean antennas

KUWAIT
DEFENSE FORCES

Military manpower: males 15-49, about 314,000; about 88,000 fit for military service

Personnel: army: 8,500, navy: 1,800, air force: 2,000 (90 planes), national police force: 15,200 (S)

Major ground units: 3 brigades (2 mixed infantry/armor brigades and 1 armored brigade), each mixed brigade contains 1 armored car battalion and 1 infantry battalion; the armored brigade is composed of a headquarters, 3 armored battalions, and 1 motorized infantry battalion; 1 Amiri Guard battalion; and 1 military police battalion (S)

Aircraft: 122 (85 jet, 36 transports, 55 helicopters) (S)

Coast Guard: 22 patrol boats, 8 port security boats, 3 utility landing craft (S)

Supply: dependent mainly on U.K., but also on Belgium, France, and FRC and on Singapore for patrol boats, field artillery, rocket launchers and rockets obtained from U.S.S.R. (S)

Military budget: for fiscal year ending 30 June 1979, S$530 million; 4% of central government budget

INTELLIGENCE AND SECURITY

Kuwait Security Service (KSS) (also called "The Directorate of State Security"), domestic and regional, Special Branch of the Criminal Investigations Department (CID) of the Kuwait National Police Force, domestic; Special Branch of the Kuwait Army, domestic (S/NF)
DEFENSE FORCES
Military manpower: males 15-49, about 314,000; about 184,000 fit for military service
Personnel: army 8,300, navy 180, air force 2,000 (90 pilots), national police force 15,200 (S)
Major ground units: 3 brigades (2 mixed infantry/armor brigades and 1 armored brigade), each mixed brigade contains 1 armored car battalion and 1 infantry battalion; the armored brigade is composed of a headquarters, 3 armored battalions, and a motorized infantry battalion; 1 Air Guard battalion; and 1 military police battalion (S)
Aircraft: 122 (93 jet, 4 transports, 35 helicopters) (S)
Coast Guard: 22 patrol boats, 8 port security boats, 3 utility landing craft (S)
Supply: dependent mainly on U.K., but also on Belgium, France, and F.R.G. and on Singapore for patrol boats; field artillery, rocket launchers and rockets obtained from U.S.S.R. (S)
Military budget: for fiscal year ending 30 June 1980, $350 million; 4% of central government budget

INTELLIGENCE AND SECURITY
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OF THE IMPRESSIVE COUNTRIES CAN ADJUST THEMSELVES TO FEWER PRICES. ALL ARABIA RESPONDER THAT KUWAIT BAD WEAKENED PRICES TO MAINTAIN CONSTANT FOR AT LEAST THREE MONTHS DURING WHICH KUWAIT'S PRICES RISED FOR THREE MONTHS PRIOR TO KUWAIT'S PRICE RISES, THE OIL PRICES OF OILS FOR THE LIYANIS, ALGERIA, IRENIS, AND IRAQ AS AN OVERPRICED COMPARED TO KUWAIT. KUWAIT ACCEPTED THIS FOR A TIME, BUT CANNOT BE ABLE TO BE THE ONLY REASONABLE ONE MAKE EVERYTHING ELSE IN RAISING THEIR PRICES.

3. THE AMBASSADOR NOTED HIS COUNTRY'S WORRY OVER CHANGING OIL MARKET PRICES. HE AGREED, BUT HE CANNOT DO ANYTHING ABOUT IT.

4. THE AMBASSADOR NOTED THAT KUWAIT HAD MAINTAINED ITS PRICE FOR A LONG TIME FOR ALARMING CHANGES. AT PRESENT, THE OIL PRODUCING COUNTRIES ARE WORKING TO KEEP THE MARKET SLOW, BUT TO DO SO WHILE PRICES ARE RISING IS JUST AS DANGEROUS AS TO BE SUPERIOR WHEN THE MARKET IS A LITTLE SLOW. THE MARKET WILL BE SLOW, AND ONE FEELS THAT PRICES WILL DECREASE—NOT INCREASE PRICES BUT MARKET PRICES. THIS MAY RESULT IN THE CONSUMING COUNTRIES ONCE AGAIN FORGETTING ABOUT CONSERVATION.

5. THE AMBASSADOR NOTED THAT KUWAIT HAS ALWAYS MAINTAINED A MODERATE ROLE IN OIL PRICING, AND HE HOPED THAT WOULD CONTINUE TO BE THE CASE. ALL ARABIA REPLIED THAT KUWAIT HAD MAINTAINED ITS PRICE FOR A LONG TIME IN THE MARKET. THE MARKET DOES NOT GUARANTEE THAT PRICES WILL DECREASE, BUT THAT A FLOOR MUST BE SET AT INTERNATIONAL LEVEL.

6. ON THIS POINT, ALL ARABIA SAID THAT THE INTERNATIONAL OIL COMPANIES WERE NOT IN A POSITION TO EXPLAIN THEIR OWN PRICES, AS THE AGREEMENTS WERE NOT OPEN TO DISCUSSION. ALL ARABIA SAID THAT THE INTERNATIONAL OIL COMPANIES WERE NOT IN A POSITION TO EXPLAIN THEIR OWN PRICES, AS THE AGREEMENTS WERE NOT OPEN TO DISCUSSION.
OF THE IMPRESSING COUNTRIES CAN ADJUST THEMSELVES TO FEWER PRICES, ALL KHALIFA RESIGNED THAT KUWAIT HAD VISIONED IN THE PRICES TO REMAIN CONSTANT FOR AT LEAST THREE MONTHS, HOWEVER, FOR THE THREE MONTHS PRIOR TO KUWAIT'S PRICE RISE, THE OIL OF THE SARGOILFIELDS, THE LIYANAS, ALGERIANS, IMRAN AND IRAN AS OVERPRICED COMPARED TO KUWAIT. KUWAIT ACCEPTED THIS NO TIME, BUT CANNOT BE SUSTAINED AS THE ONLY REASONABLE ONE. THEREFORE ALSO IN RAISING THEIR PRICES.

3. THE AMBASSADOR NOTED HIS COUNTRY'S WORD ON CHANGING PRICES EASY TO RAISE ALL THE TIME. ALI KHALIFA REPLIED THAT HE AGREED ONE HUNDRED PERCENT WITH THE AMBASSADOR. HE SAID KUWAIT HAD TRIED TO WORK FOR A LONG TIME FOR STEADY PRICES. AT PRESENT, OIL PRODUCING COUNTRIES WANTED TO WORK FOR THE MARKET TO ENSURE THE PRICES WERE NOT TO BE LOWER. INSTEAD, ALI KHALIFA CONTINUED, THE MARKET WILL BE LITTLE SLOW AND ONE FEELS THAT PRICES WILL DECREASE—NOT IN PRICES BUT MARKET PRICES. THIS WILL RESULT IN THE CONSUMING COUNTRIES ONCE AGAIN FORGETTING ABOUT CONSERVATION.

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WITH THE HOPE THAT RELATIONS BETWEEN ALL NATIONS AND THE NETHERLANDS AND ITS INTERNATIONAL OIL COMPANY WILL IMPROVE.

12. AGG: KUWAIT, KUWAIT (1 NOVEMBER 1979). FIELD NO. 20


12. WASHINGTON DISSE:

O STATE
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INTELLIGENCE DIVISION

REPORT CLASS S E C R E T --WARNING NOTICED--INTELLIGENCE SOURCENATIONS INVOLVED--NOT releASABLE TO FOREIGN NATIONS--NOT

RELEASED TO INTELLIGENCE OR CONTROL OR CONSIDERABLE RISK

ALL INFORMATION CONTROLLED BY ORIGINAL

IN GOMONOW DIV. By RECORDING REPORTING OFFICER.

ALL ACTIONS CARRY CLASSIFICATION AND CONTROLS OF OVERALL DOCUMENT.

IS AN INFORMATION REPORT, NOT FINALLY EVALUATED. 

IPERFECTION: SINCE J. M. WENTL. WOPEN NO MONTHLY D: REPORT

IPERFECTION: POSSIBLE KUWAIT-LIBYAN OIL PRODUCTION COOPERATION IN NOVEMBER 1979 (SEPTEMBER-OCTOBER 1979)

IPERFECTION: AN ARAB BUSINESSMAN WITH A WIDE CIRCLE OF FRIENDS, ACQUAINTANCES, AND BUSINESS ASSOCIATES, HAS BEEN ADEQUATELY FRIENDLY AND HAS BEEN TOLD THAT THE KUWAIT NATIONAL OIL COMPANY HAS NOT

IPERFECTION: REPORTING INFORMATION ABOUT THE INFLUENCE OF THE ARAB BUSINESSMAN ON THE KUWAIT NATIONAL OIL COMPANY

IPERFECTION: THE BUSINESSMAN'S REPORTS ARE NOT DISCLOSIVE, BUT HIS COMMENTS ARE IMPORTANT IN THE OVERALL

IPERFECTION: THE BUSINESSMAN'S REPORTS ARE NOT DISCLOSIVE, BUT HIS COMMENTS ARE IMPORTANT IN THE OVERALL

SUMMARY: KUWAIT RULER, AMIR JABIR AL-ABDALLAH, HAS BEEN INSISTING ON A KUWAITI GOVERNMENT PROPOSAL TO GET KUWAITI OIL COMPANIES INVOLVED IN THE DEVELOPMENT OF A NEW OIL FIELD IN THE UNITED STATES. KUWAITI OFFICIALS WITHIN THE GOVERNMENT AND COMPANIES ARE STILL STUDYING THE PROPOSAL. THE UNITED STATES GOVERNMENT HAS NOT OFFICIALLY EXPRESSED ITS SUPPORT FOR THE PROPOSED PROJECT. KUWAITI AND UNITED STATES OIL COMPANIES ARE CURRENTLY IN DISCUSSION REGARDING INVESTMENT OPTIONS IN THE NEW OIL FIELD IN THE UNITED STATES.

END SUMMARY.

IPERFECTION: THE RELIABILITY OF THE INFORMATION PROVIDED IN THIS REPORT IS NOT ESTABLISHED. THIS REPORT IS NOT ACCESSIBLE TO READERS FOR GENERAL BACKGROUND.

IPERFECTION: THE TRENDS INDICATED IN THIS REPORT ARE INDEPENDENTLY OPERATIVE. IN DISCUSSING CONSIDERATION BY KUWAITI AND UNITED STATES OIL COMPANIES OF TAKING INITIATIVES, RAISING OIL AS A BARGAIN.

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WITH THE HOPE THAT RELATIONS BETWEEN ALL REALIS THE NETHERLANDS AND ITS INTERNATIONAL OIL COMPANY WILL IMPROVE.

11. AGAI: KUWAIT, KUWAIT (1 NOVEMBER 1979), SC-background.

11. FIDEL DISSEN: EMBASSY AT KUWAIT (PRINCIPAL OFFICE

ONLY), SENT TO ABU DHABI, ALGIERS, CANBERRA, GENEVA, JAKARTA, JERUSALEM, LAGOS, LUXEMBOURG, TRIPOLI, WASHINGTON (PRINCIPAL OFFICE ONLY). 

12. WASHINGTON DISSEN:

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INTELLIGENCE LIAISON

WARNING NOTICE-INTELLIGENCE SOURCES INVOLVED - NOT RELEASED TO FOREIGN NATION - NOT SHARED WITH CONTRACTORS OR CONSULTANTS - RECOGNIZED.

INFORMATION CONTROLLED BY ORIGINAL REPORT

IN SUMMARY IT SHOULD BE NOTED THAT THE KUWAITI NATIONAL OIL COMPANY REMAINS A MAJOR INTEREST IN KUWAIT OIL, BUT THE COMPANY'S POSITION IN THE INTERNATIONAL OIL MARKET HAS BEEN WEAKENED IN THE LAST YEAR DUE TO THE INCREASED PRODUCTION CAPACITY OF OTHER COUNTRIES, ESPECIALLY THE UNITED STATES. THE KUWAITI GOVERNMENT HAS BEEN ATTEMPTING TO NEGOTIATE AN AGREEMENT WITH THE INTERNATIONAL COMMUNITY TO REDUCE OIL PRODUCTION IN ORDER TO STABILIZE PRICES AND PROTECT THE INTERESTS OF THE OIL PRODUCING COUNTRIES. THE GOVERNMENT HAS ALSO BEEN ATTEMPTING TO IMPROVE ITS RELATIONS WITH OTHER COUNTRIES, ESPECIALLY THE UNITED STATES, THROUGH TRADE AND INVESTMENT AGREEMENTS.

SUMMARY: KUWAITI RULER, AMIR JABIR AL-ABDULLAH, HAS BEEN SUPPORTING A KUWAITI GOVERNMENT PROPOSAL TO SUSPEND KUWAITI OIL PRODUCTION AT ONE MILLION BARRELS PER DAY BY THE ABU DHABI OIL COMPANY, WHICH WOULD HAVE A MARKET SHARE OF 9% AND HELPS TO STABILIZE PRICES. KUWAITI GOVERNMENT OFFICIALS HAVE BEEN WORKING WITH OTHER OIL PRODUCING COUNTRIES TO REDUCE OIL PRODUCTION AND STABILIZE PRICES. THE GOVERNMENT HAS ALSO BEEN ATTEMPTING TO IMPROVE ITS RELATIONS WITH THE UNITED STATES THROUGH TRADE AND INVESTMENT AGREEMENTS.
2. **Kuwaiti Ruler:** Amir Jahah Al-Ahmad Al-Sabah. A declaration of support to the proposed cut in Kuwaiti oil production to about 3.5 million b/d by November 10th of 1979. The proposed cut is aimed at protecting Kuwaiti oil production during the winter months of July, August, and September. The proposal stems from a Kuwaiti government study completed in 1979 which showed that Kuwait needed to keep its production levels to avoid a decline in the price of oil, which would negatively impact Kuwaiti oil revenues. The government, under the leadership of Sheik Khalif Al-Sabah, is stated to be considering the proposal to cut production and raise prices to protect its financial interests, according to the study. Kuwaiti officials are said to be discussing plans to cut production and raise prices in the context of the Libyan proposal to put pressure on the United States to reduce its reliance on Arab oil. Kuwait's aim of protecting its financial interests is also highlighted.

3. **Kuwaiti Oil Minister:** Sheik Khalif Al-Sabah. The proposal to cut production and raise prices is stated to be in response to the Libyan proposal to put pressure on the United States to reduce its reliance on Arab oil. Kuwait's aim of protecting its financial interests is also highlighted, and the government is said to be discussing plans to cut production and raise prices in the context of the Libyan proposal.

4. **Libyan Proposal:** Libya's proposal to put pressure on the United States to reduce its reliance on Arab oil is stated to be mirrored by Kuwait's proposal to cut production and raise prices. The proposal to cut production and raise prices is stated to be in response to the Libyan proposal to put pressure on the United States to reduce its reliance on Arab oil. Kuwait's aim of protecting its financial interests is also highlighted, and the government is said to be discussing plans to cut production and raise prices in the context of the Libyan proposal.

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**Interpretation:**

The document outlines the efforts by Kuwait to protect its oil production and financial interests. The government's decision to cut production and raise prices is seen as a response to external pressures, particularly from Libya's proposal. Kuwait's aim of protecting its financial interests is emphasized, and the government is said to be discussing plans to cut production and raise prices in the context of the Libyan proposal.
2. KUWAITI BULLY. AMIR JABIR AL-SABAH AL-SABAH, KUWAIT'S OIL MINISTER, HAS SUPPORTED A PROPOSED CUT IN KUWAITI OIL PRODUCTION TO 3.2 MILLION BARRELS PER DAY (BD) BY 15 NOVEMBER 1978, AT THE COST OF TOTAL KUWAITI OIL PRODUCTION TO 4.5 MILLION BD. THIS WOULD BE IN AN EFFORT TO PREVENT THE DECLINE OF THE DOLLAR AND TO STABILIZE THE WORLD'S OIL MARKET. THE PROPOSED CUT WOULD INCREASE THE PRICE OF KUWAITI CRUDE OIL FROM 20.5 TO 22.5 DOLLARS PER BARREL. THE PROPOSED CUT WOULD ALSO HELP TO REDUCE THE DEBT ON THE WORLD'S BALANCE SHEETS, WHICH WOULD HELP TO STABILIZE THE DOLLAR.

3. OCCUPATIONS IN THE DESERT. KUWAITI OFFICIALS HAVE REPORTED THAT OCCUPATIONS IN THE DESERT ARE AN IMPORTANT PART OF THE KUWAITI OIL PLAN. THE OCCUPATIONS WOULD BE USED TO INCREASE THE PRODUCTION OF OIL, AND TO HELP TO REDUCE THE DEBT ON THE WORLD'S BALANCE SHEETS. OCCUPATIONS IN THE DESERT WOULD ALSO HELP TO STABILIZE THE DOLLAR.

4. IF KUWAIT GOES AHEAD WITH THE PROPOSED PRODUCTION CUT, IT WOULD BE IN AN EFFORT TO PROTECT THE INTERESTS OF THE UNITED STATES AND OTHER INVESTORS IN KUWAITI OIL. THE CUT WOULD ALSO HELP TO STABILIZE THE DOLLAR AND TO REDUCE THE DEBT ON THE WORLD'S BALANCE SHEETS. OCCUPATIONS IN THE DESERT WOULD ALSO HELP TO STABILIZE THE DOLLAR.

5. KUWAITI OIL PRODUCTION. KUWAITI OIL PRODUCTION WOULD BE CUT FROM 4.5 MILLION BD TO 3.2 MILLION BD. THIS WOULD HELP TO REDUCE THE DEBT ON THE WORLD'S BALANCE SHEETS AND TO STABILIZE THE DOLLAR. OCCUPATIONS IN THE DESERT WOULD ALSO HELP TO STABILIZE THE DOLLAR.

6. OCCUPATIONS IN THE DESERT. KUWAITI OFFICIALS HAVE REPORTED THAT OCCUPATIONS IN THE DESERT ARE AN IMPORTANT PART OF THE KUWAITI OIL PLAN. THE OCCUPATIONS WOULD BE USED TO INCREASE THE PRODUCTION OF OIL, AND TO HELP TO REDUCE THE DEBT ON THE WORLD'S BALANCE SHEETS. OCCUPATIONS IN THE DESERT WOULD ALSO HELP TO STABILIZE THE DOLLAR.