



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

In the name of Allah
the most
Compassionate and Merciful

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AMEMBASSY KUWAIT
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RUQMBI/AMEMBASSY ABU DHABI 4725
RFRS/AMEMBASSY ALGIERS 1200
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C O N F I D E N T I A L SECTION 1 OF 5 KUWAIT 2718

USCINCEUR ALSO FOR POLAD

INFO: 12265; GDS 6/6/85 (BUCK, STEPHEN W.) OR-E
TAGS: EIRG, KU, ELAB
SUBJECT: POTENTIAL AND PROSPECTS FOR OIL WORKER DISRUPTION
IN KUWAITI CRUDE PRODUCTION ARE SLIM

REF: (A) STATE 713584 (NOTAL), (B) STATE 38873 (NOTAL),
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1. (C-ENTIRE TEXT).

2. SUMMARY. COULD KUWAIT, WHOSE 2.5 MILLION B/D PRODUCTION RANKS IT FOURTH AMONG THE WORLD'S OIL EXPORTERS, SUFFER THE SAME WORKER-INDUCED CUTS IN PRODUCTION AS IRAN, WHOSE OIL FIELDS LIE ONLY A FEW SCORE MILES AWAY? REPORTING AND ANALYSIS WHICH FOLLOWS COVERS FACTORS WHICH COULD INCLUDE WORKER DISRUPTION OF OIL PRODUCTION AND CONCLUDES THAT SUCH DISRUPTION IS EXTREMELY UNLIKELY. KUWAIT'S PETROLEUM WORKERS FEDERATION (PWF) HAS BEEN DOCILE FOR YEARS AND ITS PRESENT BREAD AND BUTTER WAGE/BENEFITS DEMANDS ARE LIKELY TO BE MET IN FEW WEEKS TIME. COMMUNICATIONS BETWEEN MANAGEMENT AND WORKERS AT KUWAIT'S MAJOR OIL PRODUCER, KUWAIT OIL COMPANY (KOC), ARE GOOD. ACTIVITY OF FEW PWF MILITANTS AND THEIR CONTACTS WITH COMMUNIST COUNTRY REPS ARE CLOSELY WATCHED. ANTI-WESTERN XENOPHOBIA LIKE THAT IN IRAN DOES NOT EXIST, THE NON-ARAB PRESENCE AT KOC BEING NEGLIGIBLE. THERE IS NO INDICATION THAT THE SHIA, PERHAPS TEN PERCENT OF THE OIL WORK FORCE, PLAY ANY ORGANIZED ROLE IN THE INDUSTRY OR ARE LIKELY TO. ALTHOUGH PERHAPS A FIFTH OF KOC'S WORKERS ARE PALESTINIAN, OVER THE YEARS THEY HAVE BEEN CAREFULLY MOVED FROM PRODUCTION TO NON-SENSITIVE POSITIONS IN REFINING AND ADMINISTRATION, AND PRODUCTION HAS BEEN HIGHLY AUTOMATED, GREATLY REDUCING POSSIBILITY OF PALESTINIAN DISRUPTION OF PRODUCTION, WHICH MOST OBSERVERS VIEW AS UNLIKELY ANYWAY, GIVEN THE PALESTINIAN STAKE IN A STABLE KUWAIT. SABOTAGE 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 INDICATION OF DISCONTENT. END SUMMARY.

3. INTRODUCTION. TOTAL KUWAITI CRUDE PRODUCTION (WHICH IN CRUDE OR PRODUCT FORM IS DESTINED ALMOST ENTIRELY FOR EXPORT) IS PRESENTLY RUNNING AT OVER 2.5 MILLION BARRELS PER DAY, RANKING KUWAIT FOURTH AMONG THE WORLD'S CRUDE EXPORTING COUNTRIES, AFTER SAUDI ARABIA, IRAN, AND IRAQ. ON MAY 29 LOCAL PRESS CARRIED SMALL ARTICLE REPORTING THAT REPRESENTATIVES OF THE PETROLEUM WORKERS FEDERATION (PWF) IN KUWAIT HAD SUBMITTED TO THE PRIME MINISTER DEMANDS FOR HIGHER PAY AND INCREASES IN VARIOUS ALLOWANCES AND BENEFITS. COMING AS IT DOES ON THE HEELS OF MONTHS OF DISRUPTION OF IRANIAN PRODUCTION BY OIL WORKERS, THIS REPORT RAISED THE QUESTION OF WHETHER KUWAIT OIL WORKER DISSATISFACTION COULD HAVE AN UNFAVORABLE EFFECT ON KUWAIT'S OIL PRODUCTION. IN WHAT FOLLOWS WE REVIEW THE LIKELIHOOD OF DISRUPTION, COVERING MAJOR FACTORS BEARING ON THE PROBLEM - THE HISTORY OF OIL WORKER ACTIVITY TO DATE, THE COMPOSITION OF THE WORK FORCE, ANTI-WESTERN XENOPHOBIA AS A POSSIBLE FACTOR, THE "SHIA FACTOR," THE ROLE OF PALESTINIANS IN THE WORK FORCE, OIL FIELD SECURITY, AND THE SITUATION IN THE SAUDI/KUWAITI PARTITIONED ZONE.

4. OIL WORKERS AS AN ORGANIZED LABOR FORCE. KUWAIT'S PETROLEUM WORKERS FEDERATION REPRESENTS WORKERS OF ALL THE GOVERNMENT-CONTROLLED OIL INDUSTRY COMPANIES: PETROCHEMICAL INDUSTRIES COMPANY (PIC), A LARGE FERTILIZER/AMONIS PRODUCER; KUWAIT NATIONAL PETROLEUM COMPANY (KNPC) A LARGE (250,000 B/D), MODER REFINERY; AND THE LARGEST EMPLOYER, THE KUWAIT OIL COMPANY (KOC), KUWAIT'S MAJOR OIL PRODUCER. IN THE EARLY 1970'S THE UNION GAINED CONSIDERABLE PUBLICITY BY MILITANTLY CALLING FOR THE NATIONALIZATION OF KOC AND OF OTHER THEN FOREIGN-CONTROLLED OIL COMPANIES. ALTHOUGH STRIKES ARE ILLEGAL IN KUWAIT, IN 1974 THE PETROLEUM AND PETROCHEMICAL

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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 AND VIGOROUS KUWAIT GOVERNMENT (GOK) COUNTER-MEASURES (LOCK-OUTS, SHOWS OF FORCE). THE FINAL GOVERNMENT TAKE-OVER OF KOC IN 1975 ENDED THE NATIONALIZATION 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 MAKE RADICALLY-ORIENTED PRONOUNCEMENTS ON VARIOUS THIRD-WORLD 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.

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5. IF THIS IS THE CASE, WHAT WAS THE MAY 29 REPORT OF PETROLEUM WORKER DEMANDS TO THE PRIME MINISTER ALL ABOUT? WE ASKED AEDUL KARIM SHAWWA (PROTECT), DIRECTOR OF LABOR AND MANPOWER AT THE OIL MINISTRY, A MAN WITH EXPERIENCE IN OIL INDUSTRY LABOR RELATIONS DATING BACK TO THE EARLY 50'S, WHEN HE AND THE PRESENT AMIR, THEN WORKING AT THE AHMADI GOVERNORATE, BOUNCED AROUND THE OIL FIELDS IN AN OLD FORD. SHAWWA PROVIDED THE FOLLOWING INFORMATION. TRADITIONALLY OIL WORKERS HAVE RECEIVED MUCH MORE THAN GOVERNMENT WORKERS - "TWO OR THREE TIMES THE PAY" - BECAUSE "THEY DO REAL WORK, AN EIGHT HOUR DAY, NOT 2-3 HOURS OF DRINKING COFFEE IN THE MINISTRIES. WITH THE RECENT ANNOUNCEMENT OF AN ACROSS THE BOARD PAY RAISE FOR CIVIL SERVANTS EFFECTIVE JULY 1, THERE IS AN OBVIOUS NEED TO RAISE THE WAGES OF OIL WORKERS, WHO HAVE RECEIVED NO INCREASES SINCE 1975. IN FACT, KOC AND THE MINISTRY WERE WORKING ON A WAGE/BENEFITS PACKAGE FOR THE OIL WORKERS MONTHS BEFORE THE ANNOUNCEMENT OF THE GOVERNMENT PAY INCREASE. THE PETROLEUM WORKERS FEDERATION HAS MERELY "CLIMBED ON THE BANDWAGON" BY ASKING FOR WHAT WAS ALREADY IN THE WORKS. ALTHOUGH THERE ARE NO COLLECTIVE BARGAINING PROCEDURES BETWEEN THE UNIONS AND THE GOVERNMENT AND NO AGREEMENTS REGARDING WAGES, BENEFITS, ETC., PETROLEUM WORKER FEDERATION LEADERS HAVE MET TWICE WITH THE OIL MINISTER RECENTLY. SHAWWA, WHO SAT IN ON BOTH MEETINGS, REPORTS THAT BESIDES WAGE INCREASES, DISCUSSION DEALT WITH MUNDANE, COMPLEX QUESTIONS REGARDING REALIGNMENT OF BENEFITS FOR WORKERS TO ENSURE INDUSTRY-WIDE COMPARABILITY SINCE BENEFITS WERE DIFFERENT IN THE VARIOUS COMPANIES TAKEN OVER BY THE GOVERNMENT. THE OIL MINISTER 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 MOUTH LEFTIST RHETORIC, ESPECIALLY ON THE ANNUAL MAY DAY CELEBRATION (REF E). THEY OFTEN TRAVEL TO VARIOUS COMMUNIST-SPONSORED LABOR MEETINGS. IS THE GOK CONCERNED BY SUCH ACTIVITY? SHAWWA, WHOSE BUSINESS PARTNER IS SHAIKH NISHAL AL-SABAH, 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 OUTBREAK OF ANTI-WESTERN FEELING AMONG KUWAIT'S OIL WORKERS SIMILAR TO THAT IN IRAN? CERTAINLY IN THE PAST THERE WAS RESENTMENT OVER FOREIGN DOMINATION OF KUWAIT'S ONE MAJOR RESOURCE, OIL, NOT ONLY IN TERMS OF LEGAL CONTROL BUT ALSO OF MANPOWER. IN THE MID-60'S LESS THAN A THIRD OF KOC'S EMPLOYEES WERE KUWAITI. ALTHOUGH KOC WENT THROUGH THE MOTIONS OF A POLICY OF "KUWAITIZATION", EDUCATED KUWAITIS AT KOC FELT IT WAS A SHAM, SINCE MANY OF THE "KUWAITIS" BROUGHT IN TO INCREASE THE PERCENTAGE OF KUWAITIS IN THE WORK FORCE WERE IN FACT ILLITERATE BEDOUIN. SINCE 1973 KUWAITIZATION HAS BEEN MORE MEANINGFUL, WITH KUWAITI

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UCMOD/AMEMBASSY DOHA 2562

USBD/AMEMBASSY ISLAMABAD 232

UCMRA/AMEMBASSY JIDDA 6327

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MANAGEMENT PUTTING SPECIAL EFFORT INTO TRAINING. WHILE HIS POLICY HAS SHOWN MIXED RESULTS IN RETAINING KUWAITIS BECAUSE OF THE GREATER FINANCIAL REWARDS OF THE PRIVATE SECTOR AND THE RELATIVELY LITTLE WORK REQUIRED OF THEM IN GOVERNMENT JOBS, THE PERCENTAGE OF KUWAITIS AT KOC HAS INCREASED SUBSTANTIALLY. ACCORDING TO INTERNAL KOC FIGURES, AS OF JANUARY 31, 1979, 49.3 PERCENT OF THE COMPANY'S 4,647 EMPLOYEES WERE KUWAITI. ANOTHER 5.4 PERCENT WERE TERMED "NATIONALITY UNPROVEN," USUALLY SIGNIFYING BEDOUIN WHO WILL EVENTUALLY OBTAIN KUWAITI NATIONALITY. THUS ABOUT 55 PERCENT OF KOC EMPLOYEES CAN BE CONSIDERED KUWAITI. THE DETAILED BREAK-DOWN OF EMPLOYEES AS OF JANUARY 31, 1979 WAS AS FOLLOWS:

NATIONALITY	NO. OF EMPLOYEES	PERCENT
AMERICAN	20	0.4
EUROPEAN	226	4.9
INDIAN/PAKISTANI	434	9.3
KUWAITI	2,291	49.3
NATIONALITY UNPROVEN	249	5.4
OTHER ARAB	1,427	30.7
TOTAL	4,647	100.0

8. 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 CULTURALLY SEPARATE FROM KUWAIT, AS IT WAS IN 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, 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 LOWEST STAFF. 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 ALLOF WESTER-ORIENTED BUREAUCRATS DISTANT FROM THEIR CONCERNS OR WAY OF LIFE.

9. 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 KUWAITI, 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 CONCERTED GROUP OR RAISING ANY PARTICULAR SPECIAL 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 SUNNI AND SHIA IN KUWAIT IS SLIGH AND DECLINING AS INCREASING LITERACY ERASES THE SECTARIAN PREJUDICES WHICH EXISTED DUE TO IGNORANCE.

10. PALESTINIAN WORKERS. IN 1967 PALESTINIAN WORKERS AT KOC DISRUPTED PRODUCTION BY ATTEMPTING TO DEPART KUWAIT IN SIGNIFICANT NUMBERS OF RLAGERIA IN RESPONSE TO ALGERIS'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 REPORTING 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 N ETC. KOC'S PERSONNEL MANAGER TOLD US THA THE "GREAT MAJORITY" OF

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RG/AMEMBASSY CAIRO 2439

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OTHER ARABS" AT THE COMPANY ARE PALESTINIAN, FORFLOWED
EGYPTIANS, SYRIANS, LEBANESE, IRAQIS AND OTHERS. IF
MAJORITY" IS TAKEN TO BE TWO-THIRDS OF THE OTHER
ANS, THIS WOULD MAKE PALESTINIANS 20 PERCENT OF THE
EMPLOYEE TOTAL. IF THREE-QUARTERS, THE FIGURE WOULD
BE TO 23 PERCENT OF ALL EMPLOYEES. WHILE NO LONGER
LARGE PROPORTION OF THE TOTAL KOC WORK FORCE, THE
PALESTINIANS COULD DISRUPT PRODUCTION OR PERHAPS EVEN
BRING IT TO A HALT IF THEY WERE IN KEY PRODUCTION-
RELATED POSITIONS. ACCORDING TO A KNOWLEDGEABLE
OFFICIAL WITH TWENTY YEARS' EXPERIENCE AT THE OIL
INDUSTRY, PALESTINIANS HAVE BEEN SYSTEMATICALLY REMOVED
FROM SUCH POSITIONS, WHICH ARE NOW MANNED ALMOST EX-
CLUSIVELY BY KUWAITIS. MOREOVER, WHEREVER FEASIBLE,
AUTOMATION HAS BEEN INTRODUCED. FOR EXAMPLE, IN 1967
GATHERING CENTERS REQUIRED THREE SHIFTS WORKING
AROUND THE CLOCK, WITH WORKERS MANUALLY OPENING AND
CLOSING VALVES CONTROLLING OIL FLOW. NOW AUTOMATED
EQUIPMENT REQUIRES ONLY A FRACTION OF THE MANPOWER NEEDED
BEFORE, AND THESE WORKERS MAN ONLY ONE SHIFT DURING THE
DAY. FOR ALL PRODUCTION OPERATIONS A TOTAL OF ONLY 448
EMPLOYEES ARE NOW REQUIRED. WHILE A FEW PALESTINIAN
WORKERS REMAIN IN THE OIL FIELDS, THOSE WHO DO SO NOW
WORK SIDE BY SIDE WITH KUWAITIS WHO HAVE BEEN TRAINED
IN THEIR FIELD OF EXPERTISE AND WHO CONTINUE TO REPLACE
THEM. MOST PALESTINIAN WORKERS HAVE BEEN MOVED OUT OF
THE PRODUCTION SIDE OF KOC AND CONCENTRATED IN REFINERY
OPERATIONS AND ADMINISTRATIVE POSITIONS, NEITHER OF WHICH
IS CRITICAL TO CONTINUED OIL PRODUCTION. FINALLY, AS
NON-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 PLO ITSELF WHICH BENEFITS FROM GOK FINANCIAL CONTRIBUTIONS.

13. POSSIBLE DISRUPTION OF SAUDI-KUWAITI PARTITIONED ZONE PRODUCTION. BESIDES THE PRODUCTION OF ITS MAJOR PRODUCER, KOC, NOW RUNNING AT OVER 2.2 MILLION B/D, KUWAIT

RECEIVES THE REVENUE FROM HALF OF THE THE APPROXIMATELY 452,000 B/D OFFSHORE PRODUCTION OF THE ARABIAN OIL COMPANY (AOC). WHOSE INSTALLATIONS ARE PHYSICALLY LOCATED ON THE SAUDI SIDE OF THE PARTITIONED ZONE, AND ALL THE REVENUE FROM THE C. 85,000 B/D PRODUCTIO OF THE NATIONALIZED AMERICAN INDEPENDENT OIL COMPANY (AMINOIL, WHOSE FACILITIES ARE PHYSICALLY LOCATED ON THE KUWAITI SIDE OF THE PARTITIONED ZONE. KUWAIT RECEIVES NO REVENUE FROM THE GETTY OIL COMPANY, THE OTHER PARTITIONED ZONE CONCESSIONAIRE (GETTY'S FACILITIES ARE IN KUWAIT, BUT IT HAS A SAUDI CONCESSION.) GETTY'S WORK FORCE IS 28 PERCENT SAUDI. WHILE THIS CAUSES ENDLESS COMPLICATIONS WITH KUWAITI AUTHORITIES, WE HAVE NEVER HEARD OF ANY ORGANIZED LABOR ACTIVITY AT GETTY OIL OR OF LABOR PROBLEMS WHICH COULD LEAD TO DISRUPTION OF PRODUCTION. THE SAME APPEARS TO HOLD TRUE FOR AOC, WHOSE WORK FORCE IS MOSTLY SAUDI. (AMCONSUL DHAHARAN MAY WISH TO COMMENT). OF AMINOIL'S 900 EMPLOYEES, A THIRD WERE KUWAITIS AND THE REST "OTHER ARABS", (MOSTLY PALESTINIANS AND EGYPTIANS) IN 1976, THE YEAR OF THE LAST COMPANY ANNUAL REPORT. SINCE THEN THE KUWAITI PERCENTAGE HAS INCREASED AND WAGES, ESPECIALLY FOR KUWAITI EMPLOYEES, HAVE GOEN UP. WE KNOW OF NO LABOR PROBLEMS IN EX-AMINOIL CONCESSIONS, WHOSE OIL INSTALLATIONS ARE NOW MANAGED BY KOC.

14. COMMENT. OBVIOUSLY, KUWAIT'S OIL PRODUCTION COULD BE DISRUPTED BY POLITICAL DISTURBANCES WHICH WERE THE RESULT OF A VARIETY OF POSSIBLE CIR-
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EMBASSY KUWAIT

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STANCES, E.G. A PALESTINIAN UPRISING INSTIGATED BY
SATISFACTION WITH A CHANGE IN GOK POLICY TOWARD
LIBERATION OF PALESTINE - AN UNLIKELY DEVELOPMENT.
VED IN THE CONTEXT OF THE IRANIAN SITUATION, HOWEVER,
RE OIL WORKERS HAVE ASSUMED A ROLE IN DETERMINING
DUCTION LEVELS, ETC., THE KUWAITI OIL INDUSTRY LABOR
CE IS CLEARLY MUCH MORE STABLE AND LESS LIKELY TO
LLENGE THE GOVERNMENT AND TO UNDERTAKE ANY ACTIONS
Y WOULD DISRUPT THE OIL PRODUCTION WHICH IS
AIT'S LIFE BLOOD.

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E.O. 12065: GDS 6/11/85 (CLUNAN, JAMES L.) OR-P
TAGS: PEPR, PINS, IZ, IR, KU
SUBJECT: (U) IRAQI-IRANIAN AND KUWAITI-IRANINA RELATIONS

REF: BAGHDAD 1210

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

2. (C) IN THE COURSE OF A DISCUSSION JUNE 10 WITH KUWAIT MFA LEGAL ADVISOR TAREQ RAZOUQI, POLCHIEF INQUIRED ABOUT IRAN'S REATIONS 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 SUNNI MINORITY, RZAOUQI SAID THE BAGHDAD LEADERSHIP WAS CONCERNED THAT THE "SHI'ITE GOVERNMENT" IN IRAN MIGHT INPSIRE TROUBLE AMONG IRAQ'S SHI'ITES. HE TOOK IT FOR GRANTED THAT THERE WAS SOME IRAQI INVOLVEMENT IN KHUZISTAN.

RAZOUQI REPORTED THAT LAST WEEK IRANIAN CHARGE
ARIFI HAD COMPLAINED TO KUWAITI FOREIGN MINISTER
AL-AHMAD AND OTHER MFA OFFICIALS ABOUT KUWAITI
RT FOR THE ARABS IN KHUZISTAN, AS VOICED IN
T'S MEDIA. IN PARTICULAR, GOLSHARIFI HAD EXPRESSED
RN ABOUT THE USE OF THE OF THE WORD "ARABISTAN" IN KUWAIT
PERS, A TERM WHICH HAD EVEN BEEN REPEATED ON
T RADIO. THE FOREIGN MINISTER AND HIS
HAD EXPLICITLY DENIED ANY KUWAITI MEDDLING IN
ISTAN AS BEING CONTRARY TO KUWAIT'S POLICY OF NON-
AMFERENCE IN THE AFFAIRS OF OTHER COUNTRIES. ASKED
OCCASIONED THIS IRANIAN COMPLAINT, RAZOUQI SAID
GOLSHARIFI HAD BEEN CALLED TO THE FOREIGN MINISTRY
AR KUWAIT'S OBJECTION TO RADIO STATEMENTS BY
ISTAN GOVERNOR MADANI THAT THE GOVERNMENT OF KUWAIT
INCITING TROUBLE. WHEN GOLSHARIFI HAD POINTED TO
NINENT PLAY GIVEN TO TURMOIL IN "ARABISTAN" BY
AIT MEDIA AS A POSSIBLE REASON FOR THE GOVERNOR'S
CAS, THE KUWAITI SIDE REPLIED THA THE MEDIA
NT REPRESENT THE GOVERNMENT POINT OF VIEW. MOREOVER,
FOREIGN MINISTER PROMISED TO PUT AN END TO THE
LESOME STORIES AND TO PREVENT THE REPETITION OF
OBJECTIONALBE WORD "ARABISTAN."

(C) NOTING KUWAIT'S CONCILIATORY ATTITUDE ON THIS
MT, AS WELL AS A RECENT FRIENDLY PUBLIC STATEMENT
AT IRAN BY SHAIKH SABAH AL-AHMAD, POLCHIEF WONDERED
HER KUWAIT MIGHT TAKE THE FURTHER STEP OF
URAGING IRAQ TO CURTAIL ITS RUMORED ACTIVITES IN
ISTAN. RAZOUQI THOUGHT THIS UNLIKELY.
STRONE

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FM AMEMBASSY KUWAIT
TO RUEHC/SECSTATE WASHDC 3885
INFO RUQMBI/AMEMBASSY ABU DHABI 4748
RUEHAM/AMEMBASSY AMMAN 3090
RUEHAD/USINT BAGHDAD 734
RUQMBE/AMEMBASSY BEIRUT 5595
RUEHEG/AMEMBASSY CAIRO 2455
RUEHDM/AMEMBASSY DAMASCUS 1663
RUQMOD/AMEMBASSY DOHA 2580
RUEHJM/AMCONSUL JERUSALEM 509
RUQMRA/AMEMBASSY JIDDA 6351
RUDTC/AMEMBASSY LONDON 3514
RUQMAM/AMEMBASSY MANAMA 3942
RUQMMT/AMEMBASSY MUSCAT 2018
RUQMYA/USLO RIYADH 372
RUQMNS/AMEMBASSY SANA 1371
RUFNPS/AMEMBASSY PARIS 2239
RUQMHR/AMEMBASSY TEHRAN 4757-
RUEHTV/AMEMBASSY TEL AVIV 1177
RUEHIA/USICA WASHDC
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C O N F I D E N T I A L SECTION 1 OF 5 KUWAIT 2921

USINCEUR FOR POLAD

E.O. 12065: GDS 6/17/85 (SUTHERLAND, PETER A.) OR-M
TAGS: SOPN, PGOV, PEPR, PINR, PINS, XF, KU
SUBJ: POLITICAL REASSESSMENT: ORIENTATION AND INFLUENCE OF THE
MASS MEDIA

REFS: A) STATE 38873, B) KUWAIT 1443, C) KUWAIT 2807,
D) KUWAIT 1471, E) KUWAIT 692, F) KUWAIT 1711, G) KUWAIT 1943

1. (C - ENTIRE TEXT).

2. SUMMARY. THE MASS MEDIA IN KUWAIT AS CONSTITUTED 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 POST-PUBLICATION CONTROL BY THE GOVERNMENT. ONE SEES A FAR BROADER RANGE OF POLITICAL SPECULATION AND COMMENTARY IN THE KUWAITI PRESS THAN IN THAT OF ALMOST EVERY OTHER ARAB COUNTRY, BUT IT DWELLS FAR MORE HEAVILY ON ARAB WORLD THAN ON KUWAITI

QUES. FOR THIS REASON KUWAITI PERIODICALS ARE READ AND QUOTED
WIDELY IN THE AREA; BUT THE THREAT OF SUSPENSION OF PUBLICATION,
AND, UNDER RECENT AMENDMENTS TO THE PRESS LAW, IMPRISONMENT OF
WRITING EDITORS, EFFECTIVELY PREVENTS THE PRESS FROM PRINTING
MATERIAL WHICH MIGHT SERIOUSLY DAMAGE KUWAITI RELATIONS WITH
NEIGHBORING STATES, OR BROADCAST DOUBTS ABOUT THE INTEGRITY OR
STABILITY OF THE RULING FAMILY. THE PUBLIC HAS SHOWN LITTLE INTEREST
IN PROTESTING GOVERNMENT CLAMPDOWNS ON THE PRESS WHEN THEY
OCCURRED, AND THE GOVERNMENT, FOR ITS PART, HAS DEMONSTRATED
A CONSIDERABLE DEGREE OF TOLERANCE. IT PERMITS USE OF THE
NEWSPAPERS AS AN ESCAPE VALVE FOR POPULAR SENTIMENT, AS
EVIDENT AMONG THE PALESTINIAN COMMUNITY IN REGARD TO ITS
RESENTMENT OF EGYPT'S SIGNING THE PEACE TREATY WITH ISRAEL. E
THE GOVERNMENT ALSO FLOATS CONTENTIOUS TRIAL BALLONS IN THE PRESS,
AS IN ITS RECENT STIMULATION OF DEBATE ABOUT RESTORING THE
NATIONAL ASSEMBLY. THE KUWAITI PRESS IS MORE THAN READY TO
ENGAGE IN DEBATE ABOUT, OR APPEALS FOR, CHANGES IN THE
GOVERNMENTAL SYSTEM IN THE COUNTRY, BUT ITS KUWAITI OWNERS
AND EDITORS FOR THE MOST PART HAVE NO QUARREL WITH THE MAIN
POLICIES OF THE GOVERNMENT AND THEY SHARE THE VERY WIDELY-HELD
KUWAITI CONSENSUS THAT THE DEMONSTRATED SUCCESS OF THE PRESENT
SYSTEM IN PROVIDING DOMESTIC PEACE AND PROSPERITY DESERVES
CONTINUED SUPPORT. END SUMMARY.

THE MEDIA: KUWAITI OWNED, GOVERNMENT CONTROLLED: KUWAITI
RADIO AND TELEVISION ARE STATE-OPERATED INSTITUTIONS WITH POLICIES
DIFFERENT FROM THOSE OF THE MINISTRY OF INFORMATION WHICH IS
RESPONSIBLE FOR THE MEDIA IN KUWAIT. A STRICT PRESS LAW GOVERNS
OPERATIONS OF THE PRINTED MEDIA, EXPRESSLY FORBIDDING THE PRESS TO
ATTACK FOREIGN HEADS OF STATE OR TO PRINT MATERIAL PAID FOR
BY FOREIGN GOVERNMENTS. BEYOND THESE PROSCRIPTIONS THERE EXISTS
A GENERAL UNDERSTANDING THAT THE PRESS RISKS SUSPENSION OF PUBLICATION,
AND, BY RECENT AMENDMENT OF THE PRESS LAW, JAIL FOR OFFENDING
EDITORS, IF IT PRINTS MATERIAL DAMAGING TO THE SECURITY OF THE
STATE. THE GOVERNMENT HAS SHOWN CONSIDERABLE RESTRAINT IN
PROSECUTING INFRINGEMENTS OF THESE GUIDELINES; DURING LATE 1976
AND 1977 THERE WERE ONLY SCATTERED INSTANCES OF PAPERS
SUSPENDED BRIEFLY. NO ONE HAS BEEN JAILED, BUT A COUPLE OF
UNDESIRABLE JOURNALISTS HAVE BEEN DEPORTED, MOST RECENTLY AWNI
AL-DIAB, A PALESTINIAN EMPLOYED BY AL-WATAN. THE KUWAIT PUBLIC,
ON ITS PART, HAS SHOWN LITTLE INTEREST IN PROTESTING ACTIONS
BY THE MINISTRY OF INFORMATION TO ENFORCE PRESS DISCIPLINE.

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RR RUQMR
DF RUQMKW #2921/2 1681445
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FM AMEMBASSY KUWAIT
TO RUEHC/SECSTATE WASHDC 3986
INFO RUQMBI/AMEMBASSY ABU DRABI 4749
RUEHAM/AMEMBASSY AMMAN 3091
RUEPAD/USINT BAGHDAD 735
RUQMBE/AMEMBASSY BEIRUT 5596
RUEHEG/AMEMBASSY CAIRO 2458
RUEHDM/AMEMBASSY DAMASCUS 1664
RUQMOD/AMEMBASSY DOHA 2581
RUEHJM/AMCONSUL JERUSALEM 518
RUQMRA/AMEMBASSY JIDDA 6352
RUDTC/AMEMBASSY LONDON 3515
RUQMAM/AMEMBASSY MANAMA 3943
RUQMMT/AMEMBASSY MUSCAT 2019
RUQMYA/USLO RIYADH 373
RUQMNS/AMEMBASSY SANA 1372
RUFNPS/AMEMBASSY PARIS 2240
RUQMRH/AMEMBASSY TEHRAN 4758
RUEHTV/AMEMBASSY TEL AVIV 1178
RUEHIA/USICA WASEDC
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4. THERE ARE GOVERNMENT PUBLICATIONS, INCLUDING THE INFLUENTIAL AL-ARABI WHICH HAPPENS TO BE EDITED BY A WELL-KNOWN EGYPTIAN, BUT THE PRIVATE KUWAITI PRESS IS ALMOST ENTIRELY OWNED AND EDITED BY KUWAITI CITIZENS. MUCH OF THE PROFESSIONAL STAFF OF THESE PERIODICALS IS EXPATRIATE ARAB -- PALESTINIAN, EGYPTIAN, SYRIAN OR LEBANESE --, 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 CONTEST OF CONTROVERSIES BETWEEN COMPETING STATES OR FACTORS WITHIN THE ARAB WORLD; OR THE AIRING OF GRIEVANCES NURTURED AMONG THE EXPATRIATE COMMUNITIES HERE AGAINST THE KUWAIT GOVERNMENT.

5. THE FORMER POSSIBILITY WAS QUITE EFFECTIVELY ADDRESSSED IN AUGUST, 1976, COINCIDENT WITH SUSPENSION OF THE NATIONAL ASSEMBLY, WHEN THE GOVERNMENT ANNOUNCED STRICT PENALTIES FOR PRINTING OF MATERIAL PAID FOR BY OTHER STATES. VIOLENT INTER-ARAB EMOTIONS HAD ARISEN AT THAT TIME OVER THE CHAOTIC CIVIL WAR IN LEBANON, AND THEIR SPILLING

R INTO NATIONAL ASSEMBLY DEBATES AND INT' CONTROVERSIAL PRESS
MENTARY SEEMED TO THREATEN TO INVOLVE KUWAIT AGAINST ITS
L IN INTER-ARAB DISPUTES. WHILE NO ONE IS UNDER THE ILLUSION
T LOCAL JOURNALISTS NOW NEVER ACCEPT GIFTS FROM OUTSIDERS,
PARTISAN VIRULENCE 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
SS, ONE SUSPECTS, SIMPLY, THAT SUCH ISSUES - REAL THOUGH
Y 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
AL PALESTINIANS THAT THEY ARE DISADVANTAGED BY KUWAITI
S OR PRACTICES, BUT SUCH COMMENTARY RARELY REACHED THE
NTED PAGE.

PALESTINIAN PRESSURE - THE PRESS AS AN ESCAPE VALVE:
HAPS IN PART AS COMPENSATION FOR THIS LACK OF OUTLET FOR
IR COMPLAINTS, PALESTINIAN OR PRO-PALESTINIAN OPINION ON
BLE FAST DEVELOPMENTS RECEIVES VERY FREE REIN IN THE KUWAITI
SS. RECENT EXTREME CRITICISM OF PRESIDENT SADAT, TOLERATED
SITE THE GENERAL INJUNCTION ON ATTACKS AGAINST FOREIGN
OS OF STATE, HAS BEEN PERMITTED, EXPRESSLY, AS A FORM OF
APE VALVE -- A WAY FOR THE LARGE PALESTINIAN COMMUNITY TO
W OFF STEAM WITH MINIMUM DAMAGE DONE (REF B). AND, WITH
ER STRICT IF VAGUE LIMITS PLACED ON INVESTIGATIVE REPORTING
ON COMMENTARY CRITICAL OF LOCAL DEVELOPMENTS, THE PRESS
LLS HEAVILY ON FOREIGN AFFAIRS AND ESPECIALLY ON MIDDLE
AT MATTERS. IN A SURVEY TAKEN A FEW MONTHS AGO 94 OUT OF
EDITORIALS IN KUWAITI ARABIC DAILIES PROVED TO BE ON FOREIGN
AFFAIRS ISSUES. OF 150 SPECIAL ARTICLES PUBLISHED DURING THE
AME PERIOD, ONLY 60 DEALT WITH DOMESTIC ISSUES. MOST "THINK
CES" (EDITORIALS, COMMENTARIES AND ANALYSES) ARE
TTEN BY KUWAITIS, NOT EXPATRIATES, AND IF THEY TEND TO
E A STRIDENTLY PRO-PALESTINIAN LINE, THAT IS ENTIRELY
SONANT WITH OFFICIAL GOVERNMENT POLICY, AND WITH THE
ULT INTERESTS OF KUWAITI OWNERS AND EDITORS IN SUSTAINING
HE GOOD WILL OF THE PALESTINIAN COMMUNITY WITHIN AND OUTSIDE KUWAIT

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FM AMEMBASSY KUWAIT
TO RUEHC/SECSTATE WASHDC 3887
INFO RUQMBI/AMEMBASSY ABU DHABI 4750
RUEHAM/AMFMBASSY AMMAN 3092
RUEHAD/USINT BAGHDAD 736
RUQMBE/AMEMBASSY BEIRUT 5597
RUEHEG/AMEMBASSY CAIRO 2457
RUEHDM/AMEMBASSY DAMASCUS 1665
RUQMOD/AMEMBASSY DOHA 2582
RUEFJM/AMCONSUL JERUSALEM 511
RUQMRA/AMEMBASSY JIDDA 6353
RUDTC/AMEMBASSY LONDON 3516
RUQMAM/AMEMBASSY MANAMA 3944
RUQMMT/AMEMBASSY MUSCAT 2020
RUQMYA/USLO RIYADH 374
RUQMNS/AMEMBASSY SANA 1373
RUFNPS/AMEMBASSY PARIS 2241
RUQMRH/AMEMBASSY TEHRAN 4759
RUEHTV/AMEMBASSY TEL AVIV 1179
RUEHIA/USICA WASHDC
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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 KHUZISTAN, 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 "ARABISTA" IN LIEU OF THE IRANIAN-APPROVED "KHUZISTAN", 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 HAVE 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 STABILIT

AND SECURITY OF THE STATE, THE PRACTICE OF THE KUWAITI PRESS REGARDING DOMESTIC POLITICS IS PERHAPS MOST RELEVANT. FIRST OF ALL, KUWAITIS DO NOT DEPEND ON THE PRESS FOR THEIR LOCAL NEWS. THEIRS IS A "GOSSIP SOCIETY", IN WHICH WORD OF MOUTH CARRIES SIGNIFICANT NEWS THROUGHOUT THE COMMUNITY ALMOST FASTER THAN IT COULD BE BROADCAST. IN THEIR OFFICES OR "DIWANIYYAS" KUWAITIS TALK VERY FREELY, "NOT FOR PUBLICATION", ABOUT THE RULLING FAMILY, CORRUPTION IN HIGH PLACES, OR PROPOSALS FOR REPRESENTATIVE INSTITUTIONS.

AGAINST THIS BACKGROUND THE NEWSPAPERS NEED NOT BE EXPLICIT IN DISCUSSING CONTROVERSIAL DOMESTIC MATTERS: ALLUSIONS WILL DO THE TRICK. THERE HAVE BEEN EXTENSIVE CAMPAIGNS WAGED IN THE PRESS AGAINST WRONGDOING, ONE OF THE LATEST BEING A SERIES OF STORIES AND COMMENTARIES, MOSTLY WRITTEN ALLEGORICALLY AND WITHOUT NAMING NAMES, WHICH EMPHASIZED LOCAL GOSSIP CONCERNING THE CORRUPTIONS OF A MINISTER, WHO, COINCIDENTALLY OR NOT, RESIGNED HIS OFFICE WHEN THE CAMPAIGN HAD BEEN RUNNING SOME WEEKS (REF D). ONE IS TEMPTED TO CITE THE CASE AS PROOF OF THE POWER OF THE PRESS. GIVEN THE CLOSELY-KNIT NATURE OF KUWAITI ESTABLISHMENT SOCIETY, HOWEVER, THERE IS ALWAYS THE QUESTION WHETHER PRESS CAMPAIGNS OF THIS NATURE ARE THE RESULT OF STRONGLY HELD MORAL OR POLITICAL CONVICTIONS, OR ONLY SPRING FROM INTER-FAMILY FEUDS. IF THE CAMPAIGN WERE TO BE LAUNCHED AGAINST A CLOSE FAVORITE OF THE AMIR OR ONE OF HIS CLOSE FAMILY, THE ASSUMPTION IS THAT IT WOULD BE PROMPTLY SQUELCHED. IF AN ATTACK ON SOMEONE IS ALLOWED TO PERSIST, IT MUST BE THAT THE AMIR THINKS EITHER THAT THE INDIVIDUAL CONCERNED DESERVES ATTACK, OR THAT HE THINKS SUFFICIENTLY LITTLE OF THE INDIVIDUAL AS TO SACRIFICE HIM IN THE NAME OF FREEDOM OF THE KUWAITI PRESS. THE RULING CLASSES IN KUWAIT ARE SENSITIVE TO ATTACK, IN JOURNALS WHICH WILL BE READ THROUGHOUT THE EASTERN ARAB WORLD, BUT THEY ARE SO PROUD OF THE KUWAITI PRESS AND ITS REPUTATION AS ONE OF THE MORE FREE-SWINGING MEDIA IN THE AREA.

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FM AMEMBASSY KUWAIT
TO RUEHC/SECSTATE WASHDC 3988
INFO RUQMBI/AMEMBASSY ABU DHABI 4751
RUEHAM/AMEMBASSY AMMAN 3093
RUEHAD/USINT BAGHDAD 737
RUQMBE/AMEMBASSY BEIRUT 5592
RUEHEG/AMEMBASSY CAIRO 2458
RUEHDM/AMEMBASSY DAMASCUS 1666
RUQMOD/AMEMBASSY DOHA 2583
RUEHJM/AMCONSUL JERUSALEM 512
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RUQMAM/AMEMBASSY MANAMA 3945
RUQMMT/AMEMBASSY MUSCAT 2021
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RUQMNS/AMEMBASSY SANA 1374
RUFNPS/AMEMBASSY PARIS 2242
RUQMRH/AMEMBASSY TEHRAN 4760
RUEHTV/AMEMBASSY TEL AVIV 1190
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U S GOVERNMENT PRINTING OFFICE 1974-338-334

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 SIGHS OF RELIEF AS THE DEMOGOGUERY 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 PROMIS OF RESTORATION OF REPRESENTATIVE GOVERNMENT BY AUGUST, 1980. ONE OF THE APPARENT LESSONS OF THE KHOMEINI REVOLUTON WATHAT 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. TRYING AS TO EDITORIAL POLICY, THE KUWAITI DAILIES RAN PUBLIC OPINION POLLS, COMMENTARY AND GUEST ARTICLES ABOUT THE PROPER FORM OF DEMOCRATIC INSTITUTION THE COUNTRY SHOULD HAVE (REF E). IT WAS A PERFECT OPPORTUNITY FOR THE REGIME TO SHOW INTEREST IN A FREE PRESS AND IN PUBLIC DEBATE ABOUT DEMOCRACY, ALL CONCERNED ACCQUITTED THEMSELVES "WELL"; NOT A SINGLE VOICE SUGGESTED THAT AMIRS ARE OUT OF DATE, BUT THERE WAS A PLENTY OF ARTICLES WHICH CRITICIZED THE PRESENT SYSTEM FOR TRUSTING TO THE "ONE MAN -- ONE VOTE" THEORY TO SUSTAIN THE REGIME IN POWER. THESE ARE THOSE WHO SAY THE GOVERNMENT SHOULD SHREWD TO LIFT THE LID ON CRITICISM THIS WAY: THE RESULT WAS NOT A FLOOD OF HOSTILE, ANTI-REGIME OPINION, BUT, IN FACT, A OTHER BALANCED MIX OF COMMENTARY, LEADING ONE TO CONCLUDE THAT KUWAITIS ARE OF VERY MIXED MINDS AS TO WHETHER ALL KUWAITIS SHOULD HAVE THE VOTE AND WHETHER THE LEGISLATURE SHOULD DOMINATE GOVERNMENT.

SELF-CENSORSHIP PROTECTS THE KUWAITI IMAGE ABROAD: THE REGIME GENERALLY KNOWS WITHOUT BEING TOLD WHEN TO AVOID REPORTING ON A GIVEN SUBJECT, AND MORE OUTSPOKEN KUWAITIS CITE THIS FACT AS PROOF OF THE ABSENCE OF FREEDOM IN KUWAIT. THUS ONE CANNOT FIND STORIES DIRECTLY INSULTING TO THE AMIR OR HIS RELATIVES, FOR EXAMPLE, THERE WAS NO NEWSPAPER SPACE GIVEN TO THE RECENT INCIDENT WHEN YOUNG ARMY RECRUITS STAGED PROTESTS AGAINST INEQUATE LIVING CONDITIONS AND THE ABSENCE AMONG THEM OF SONS OF THE WEALTHY (REF F). BUT THIS RESTRAINT, OR LACK OF FREEDOM, HAS ITS IMPACT OUTSIDE, NOT INSIDE KUWAIT: THE GOSSIP MILLS HERE RUN BY EVERY SCRAP OF NEWS ABOUT THE RULING FAMILY, AND THERE WOULD BE FEW KUWAITIS WHO DID NOT LEARN PROMPTLY ABOUT THE SNAFUS WHICH OCCURRED IN THE ARMY'S FIRST ATTEMPTS TO IMPLEMENT THE CONSTITUTION. THE LACK OF COVERAGE FROM SEIZING ON THE STORY AND REPRODUCING IT TO KUWAIT'S DISCREDIT AMONG FOREIGNERS.

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FM AMEMBASSY KUWAIT
TO RUEHC/SEVSTATE WASHDC 3889
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RUEFAM/AMEMBASSY AMMAN 3094
RUEHAD/USINT BAGHDAD 738
RUQMBE/AMEMBASSY BEIRUT 5599
RUEHEG/AMEMBASSY CAIRO 2459
RUEHDM/AMEMBASSY DAMASCUS 1667
RUQMOD/AMEMBASSY DOHA 2584
RUEHJM/AMCONSUL JERUSALEM 513
RUQMRA/AMEMBASSY JIDDA 6355
RUDTC/AMEMBASSY LONDON 3518
RUQMAM/AMEMBASSY MANAMA 3946
RUQMMT/AMEMBASSY MUYCAT 2022
RUQMIA/USLO RIYADH 376
RUQMNS/AMEMBASSY SANA 1375
RUFNPS/AMEMBASSY PARIS 2243
RUQMRH/AMEMBASSY TEHRAN 4761
RUEHTV/AMEMBASSY TEL AVIV 1181
RUEHIA/USICA WASHDC
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14. SELF-CENSORSHIP CAN ALSO PRODUCE A MISLEADING REPORT. A JOURNALPST CAN GET AWAY WITH PUBLISHING A STORY WHICH, IF HE BROUGHT IT 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 UNINTENDED, 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 G.

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

IS 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
POSSIBILITY 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.

MAESTRONE

BT

#2921

18 JUN 79 17 17z

NNNNVV ESB006KWA007
RR RUQMHR
DE RUQMKW #2942/1 1691430
ZNY SSSSS ZZH
R 181404Z JUN 79
FM AMEMBASSY KUWAIT
TO RUEHC/SECSTATE WASHDC 3894
INFO RUQMBI/AMEMBASSY DRABI 4753
RUEHAD/USINT BAGHDAD 739
RUQMOD/AMEMBASSY DOHA 2585
RUQMAM/AMEMBASSY MANAMA 3947
RUQMMT/AMEMBASSY MUSCAT 2023
RUQMHR/AMEMBASSY TEHRAN 4762
RUQMRA/AMEMBASSY JIDDA 6356
BT

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S E C R E T SECTION 1 OF 2 KUWAIT 2942

E.O. 12065: GDS 6/19/85 (CLUNAN, JAMES L.) OR-P
TAGS: PEPR, PINS, SREF, IR, KU, BA
SUEJ: (U) ARAB-IRANIAN RELATIONS

REF: A) KUWAIT 2807 (NOTAL), B) TDFIRDE-315/09345-79 22 MAY 79 (NOTAL), C) FBIS AMMAN 161003Z JUN 79 (NOTAL)

1. (C) SUMMARY. UNFRIENDLY KUWAITI NEWSPAPER COMMENTARY ON IRAN HAS MOMENTARILY RESUMED, BUT KUWAIT IS DOWNPLAYING LATEST CONTRETEMPS OVER BAHRAIN AND IS KEEPING PRESS ON A SHORT LEASH. THERE IS A GROWING PERCEPTION IN KUWAIT THAT KHOMEINI IS LOSING HIS GRIP ON THE IRANIAN MASSES. END SUMMARY.

2. (U) ON JUNE 14 KUWAITI DAILY AL-ANBA', IN A POINTED EDITORIAL REFERENCE TO KHOMEINI, EXPRESSED THE "HOPE" THAT ACTIONSON THE IRAQI-IRANIAN BORDERS DID NOT HAVE THE "SUPPORT OF THE MAN WHO FOUGHT FROM THE HEART OF IRAQ TO LIBERATE HIS COUNTRY." THE SAME DAY AL-QABAS OPINED THAT THE SITUATION BETWEEN TEHRAN AND BAGHDAD WAS EXTREMELY WORRYING FROM THE ARAB POINT OF VIEW AND CALLED FOR THE IRANIAN REVOLUTION TO "CORRECT ITS PATH SINCE FOLLOWING REPORTS THAT IRANIAN AYATOLLAH SADIQ ROUHANI HAD DECLARED THAT BAHRAIN REMAINS IRAN'S "14TH PROVINCE", AL-ANBA' ON JUNE 16 REVIVED USE OF THE CONTROVERSIAL WORD "ARABISTAN." IN A SHARP ATTACK, AL-ANBA' SAID THAT THE SPIRIT OF "GREED AND RACIAL INTIMIDATION" IN THE GULF DID NOT END WITH THE DEPARTURE OF THE SHAH. AL-ANBA' WARNED THAT, IF IRAN PRESSED ITS CLAIM ON BAHRAIN, THEN THE ARAB STATES WOULD HAVE TO PUT OLD AGREEMENTS WHICH ANNEXED "ARABISTAN" TO IRAN AT THE TOP OF THEIR LIST FOR REVISION.

3. (C) ASKED TO PLACE THESE EDITORIALS IN THE CONTEXT OF EARLIER GOV ASSURANCES THAT KUWAITI PRESS WOULD BE RESTRAINED ON ARAB-

U.S. GOVERNMENT PRINTING OFFICE: 1978-258-344

IRANIAN ISSUES (REF A), KUWAIT MFA LEGAL ADVISOR TAREQ RAZOUQI
STATED THAT KUWAITI EDITORIALS WERE LARGELY PARAPHRASED
MATERIAL THAT HAD ALREADY APPEARED IN THE IRAQI MEDIA. HE
STATED THAT KUWAIT WAS EXERCISING A RESTRAINING HAND; THE MFA
GIVEN ITS ADVANCE APPROVAL TO THE JUNE 16 AL-ANBA EDITORIAL,
ACCORDING TO RAZOUQI, INCLUDING SPECIFICALLY USE OF THE
OFFENSIVE TERM "ARAPISTAN." BUT IT HAD ALSO PASSED THE WORD
ON THE SUBJECT OF IRANIAN CLAIMS TO BAHRAIN WAS NOT TO BE
PUSHED FURTHER BY KUWAIT'S PRESS.

(C) RAZOUQI VOLUNTEERED THAT FOREIGN MINISTER SABAH AL AHMED
HAD BEEN ON THE PHONE JUNE 16 WITH BAHRAIN'S AMIR WHO WAS
COMPLAINTING BREAKING HIS VACATION AND RUSHING BACK TO MANAMA
AS A RESULT OF AYATOLLAH ROUHANI'S STATEMENTS. ACCORDING TO
RAZOUQI, SABAH AL AHMED HAD COUNSELLED HIS "COUSIN" NOT TO
EXPOSE HIMSELF, MENTIONING AMONG OTHER THINGS, ASSURANCES
GIVEN FROM THE NEWLY ARRIVED IRANIAN AMBASSADOR TO KUWAIT,
ALI SHAMS ARDAKANI.

(C) ASSURANCES OF A SORT MATERIALIZED THE SAME DAY (JUNE 16)
AT A PRESS CONFERENCE HELD BY AMB ARDAKANI WHO SAID THAT ROUHANI
WAS JUST AN IRAQI CITIZEN FREE TO EXPRESS HIS PERSONAL OPINIONS,
BUT THAT HIS STATEMENTS DID NOT REFLECT THE REVOLUTIONARY
GOVERNMENT'S POINT OF VIEW. ACCORDING TO THE ARAB TIMES,
AMBASSADOR ARDAKANI ADDED THAT THE IRANIAN MINISTRY OF FOREIGN
AFFAIRS, THE PRIME MINISTER, AND THE REVOLUTIONARY COUNCIL
WERE ALONE COMPETENT TO OUTLINE IRAN'S OFFICIAL POLICIES AND
ATTITUDES. (RAZOUQI OBSERVED THAT THIS STATEMENT WAS HELPFUL,
AS LONG AS THESE THREE ENTITIES AGREED, WHICH DID NOT ALWAYS
BE THE CASE IN IRAN THESE DAYS.) AMBASSADOR ARDAKANI

18 JUN 79 17 17z

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RR RUQMHR
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ZNY SSSSS ZZH
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FM AMEMBASSY KUWAIT
TO RUEHC/SECSTATE WASHDC 3895
INFO RUQMBI/AMEMBASSY DHABI 4754
RUEHAD/USINT BAGHDAD 740
RUQMOD/AMEMBASSY DOHA 2586
RUQMAM/AMEMBASSY MANAMA 3948
RUQMMT/AMEMBASSY MUSCAT 2024
RUQMHR/AMEMBASSY TEHRAN 4763
RUQMRA/AMEMBASSY JIDDA 6357
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S E C R E T SECTION 2 OF 2 KULAIT 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 MORE CONCERNED WITH FOREIGN BASES IN ARAB STATES THAT SPY ON "THE MOVEMENTS OF THE WRAB SOLDIER." AMBASSADOR ARDAKANI 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 ATTACKS 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 INFUX OF IRANIAN REFUGEES AND MENTIONED, IN LINE WITH REF B, THE DIFFICULTIES THAT THE KUWAITI AUTHORITIES FACED IN TRYING TO STEM THE INFUX - SHORTAGE OF COAST GUARD PERSONNEL, OPEN COASTLINE, ETC. "WE SEND BACK HUNDREDS, BUT EVEN MORE GET THROUGH." HE ADDED THAT SEVERAL WEEKS AGO IRANIAN CHAGGE GOLSHARIFI 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 BYRPOL CHIEF WHETHER KUWAIT WAS WORRIED THAT THESE REFUGEES MIGHT MAKE KUWAIT A BASE FOR AGITATION AGAINST THE REGIME IN TEHRAN AND THEREBY POSE AN EVENTUAL THREAT TO THE STABILITY OF KUWAIT, RAZOUQI HAD 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 ARDAKANI ALSO FOUND AN OPPORTUNITY TO TAKE A CRACK AT THE UNITED STATES. CLAIMING

WE COMPLETE DOCUMENTATION ON ALL PEOPLE IN KUWAIT WHO WERE
"WZ PAYROLL OF THE SHAH" AS MEMBERS OF A SAVAK NETWORK
ATING FROM IRAN'S EMBASSY IN KUWAIT, HE SAID, "WE HAVE
DEB NOT TO REVEAL THEIR NAMES" UNLZSS THEY WENT TOO
"LIKE SENATOR JAVITS," IN TALING AGINST IRAN. MAESTRONE

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PP RUQMHR
DE RUQMKW #2975/1 1701600
ZNY CCCCC ZZH
P R 191541Z JUN 79
FM AMEMBASSY KUWAIT
TO RUEHC/SECSTATE WASHDC PRIORITY 3902
INFO RUQMBI/AMEMBASSY ABU DHABI 4759
RUEHAD/USINT BAGHDAD 741
RUFHBS/AMEMBASSY BRUSSELS 751
RUQMDE/AMCONSUL DHAHRAN 4030
RUQMOD/AMEMBASSY DOHA 2590
RUQMRA/AMEMBASSY JIDDA 6362
RUDTC/AMEMBASSY LONDON 3522
RUFNPS/AMEMBASSY PARIS 2245
RUQMHR/AMEMBASSY TEHRAN 4767
RUFHAU/AMEMBASSY VIENNA 433
BT

C O N F I D E N T I A L SECTION 1 OF 2 KUWAIT 2975

LIMDIS

E.O. 12065: GDS 6/19/85 (BUCK, STEPHEN W.) OR-3
TAGS: ENRG, KU
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 RENEW
5-YEAR GULF OIL PURCHASE CONTRACT, KUWAIT OIL MINISTER ALI
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 NECESSARY TO AVOID INFLATION, ATTENDANT PRESSURES
WHICH AROSE AFTER HUGE 73/74 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
MAXIMUMS TOTALING 1.45 MILLION B/D WOULD PRECLUDE 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 MAJORS' CONTRACTUAL
OFF-TAKE LEVELS BELOW AMOUNTS SPECIFIED FOR FOLLOW-ON CONTRACTS
END SUMMARY

3. BACKGROUND. GULF OIL COMPANY AND BRITISH PETROLEUM (BP),

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U.S. GOVERNMENT PRINTING OFFICE 1977-223 323

THE FORMER OWNERS OF KUWAIT'S MAJOR PRODUCER, THE KUWAIT COMPANY (KOC) HAVE LARGE 5-YEAR PURCHASE CONTRACTS (BP B/D AND 450,000 B/D BASE CONTRACT LEVELS, RESPECTIVELY) WITH THE GOVERNMENT OF KUWAIT WHICH COME UP FOR RENEWAL ON MARCH 31, 1980. GULF REPS ARE CURRENTLY IN KUWAIT FOR PRELIMINARY DISCUSSION ON CONTRACT RENEWAL. ANDERSON (PROTECT) BRIEFED AMBASSADOR ANDERSON ON GULF'S DISCUSSIONS.

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

ANDERSON COMMENT THAT, IF KOC ACTUALLY DID CUT ITS PRODUCTION CEILING, MOST LIKELY TIME WOULD BE MARCH 31, 1980. IN THE CONTRACTS OF THE TWO LARGEST OFF-TAKERS, GULF AND BP, THERE. GIVEN TIGHT WORLD OIL MARKET, GULF WANTS TO INCREASE OFF-TAKE, NOT CUT IT. THE OIL MINISTRY HAS ASKED GULF TO SHOW HOW IT WOULD NEED CRUDE TO MAINTAIN ITS SUPPLY WITHIN ITS CURRENT SYSTEM. MINISTRY WILL NOT MEET FUTURE REQUESTS FROM GULF, AND SHELL FOR CRUDE TO SUPPLY THIRD PARTIES. GULF, AND BP, LIKELY BP AND SHELL, WILL RESPOND THAT THEIR OWN SYSTEMS REQUIRE MORE CRUDE THAN THEY ARE GETTING, ABOVE AND BEYOND CURRENT COMMITMENTS TO THIRD PARTIES. NEVERTHELESS, ANDERSON BELIEVES THAT THE OIL MINISTRY IS THINKING IN TERMS OF A NEW CONTRACT WITH GULF WITH A CONTRACT BASE REDUCED FROM PRESENT 450,000 B/D TO UNDER 400,000 B/D. GULF WOULD STRONGLY RESIST SUCH A KUWAITI ATTEMPT BASED ON THE FACT THAT ITS PRESENT

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PP RUQMR
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P R 191541Z JUN 79
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TO RUEHC/SECSTATE WASHDC PRIORITY 3903
INFO RUQMBI/AMEMBASSY ABU DHABI 4759
RUEHAD/USINT BAGHDAD 742
RUFEBB/AMEMBASSY BRUSSELS 752
RUQMDB/AMCONSUL DHAHRAN 4031
RUQMOD/AMEMBASSY DOHA 2591
RUQMRA/AMEMBASSY JIDDA 6363
RUDTC/AMEMBASSY LONDON 3523
RUFNPS/AMEMBASSY PARIS 2246
RUQMRH/AMEMBASSY TEHRAN 4768
RUFPAU/AMEMBASSY VIENNA 434
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C O N F I D E N T I A L SECTION 2 OF 2 KUWAIT 2975

LIMDIS

CONTRACT PROVIDES FOR RENEWAL AT A MINIMUM OF 400,000 B/D.
AT A MINIMUM IT WOULD EXPECT TO RECEIVE THE SAME TREATMENT AS
SHELL, NOT ONE OF THE ORIGINAL KOC OWNERS, WHICH SIGNED A
3-YEAR CONTRACT IN OCTOBER 1978 PERMITTING IT TO LIFT A
MAXIMUM OF 425,000 B/D.

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 FOR DOMESTIC NEEDS AND
REFINERIES PLUS PRODUCE ENOUGH ASSOCIATED GAS TO FIRE
LARGE 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 RE (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

RAISING POSSIBLE 1.5 MILLION B/D KOC CEILING WITH GULF
US AS MOSTLY PRELIMINARY NEGOTIATING BLUSTER. SHELL
CKED INTO CONTRACT WITH 405,000 B/D MAXIMUM VALID THROUGH
ER 1981. GULF AND BP WERE PARTIALLY COMPENSATED FOR
ATIONALIZATION IN 1975 BY BEING GRANTED 5-YEAR
ABLE CONTRACTS. THEY CAN INSIST ON THE MINIMUM LIFTINGS
IED FOR FOLLOW-ON CONTRACT AND COULD ALSO ARGUE THAT
E VERY LEAST THEY SHOULD NOT BE GIVEN LESS OIL THAN THAT
ED SHELL. THIS WOULD MEAN A TOTAL OF SLIGHTLY OVER
ILLION B/D COMMITTED TO THESE THREE MAJORS. (IF PRESENT
ACTS WERE RENEWEED, TOTAL MAXIMUM ALLOWABLE OFF-TAKE FOR
OULD BE 1.45 MILLION B/D). THE 300-400,000 B/D NEEDED
UWAIT'S REFINERIES, LOCAL DEMAND AND ENERGY GENERATION
BRING THIS TOTAL TO AN IRREDUCIBLE MINIMUM OF APPROXI-
Y 1.6 MILLION B/D ON THE HIGHLY DUBIOUS ASSUMPTION THAT
T SOLD TO NO ONE OTHER THAN THESE THREE MAJORS. IN FACT,
T PRESENTLY HAS CONTRACTS WITH 10 COMPANIES OTHER THAN
WELL AND GULF AND APPEARS TO BE MOVING TOWARDS MORE SMALL
T SUPPLY RELATIONSHIPS, ESPECIALLY WITH LDC FOREIGN
MENTS. THESE EXISTING AND LIKELY FUTURE DIRECT CONTRACTS
D REQUIRE KOC TO PRODUCE AT A 2 MILLION B/D LEVEL UNLESS
HREE MAJOR'S CONTRACTS ARE SLASHED SIGNIFICANTLY BELOW
00 B/D.

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

DEPARTMENT OF STATE

AIRGRAM

1979 JUL 15 AM 10 55

HANDLING	CLASSIFICATION SECRET	MESSAGE REFERENCE A-16
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Chow

TO: Department of State

INFO: Abu Dhabi, Amman, USINT Baghdad, Cairo, Damascus, Doha, Manama, Muscat, Tehran *15/8*

FROM: Amembassy Kuwait DATE: June 20, 1979

E.O. 11652: RDS 6/19/85 (MAESTRONE, F.E.) OR-M

TAGS: PINT, KU

SUBJECT: (C) Kuwait's Opposition Moves into the Open: GOK Sets Limits 76

REF: (A) NQK-2570, (B)/KUWAIT 4713, (C) 76 KUWAIT 5056, (D) 76 KUWAIT 5198, (E) 76 KUWAIT 5347, (F) KUWAIT 2408, (G) KUWAIT 692, (H) KUWAIT 2980

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(C) SUMMARY: A "memorandum" signed by 31 former Kuwaiti legislators and presented to the Crown Prince last month concludes that the restoration of parliamentary life in Kuwait is legal and necessary. The memorandum includes many of the same critical points found in a pamphlet issued in September 1976 in the immediate aftermath of the Amir's suspension of Kuwait's last National Assembly. GOK reaction to the appearance of these two similar political documents has been markedly different. Last month's memorandum was merely sent back to the authors by the Crown Prince with the observation that it could not be accepted because it was peremptory and harsh. Two years ago, the organizations that endorsed the pamphlet were severely dealt with. The circulation of the memorandum and the mild government reaction to it indicate that political life in Kuwait is opening up for the old "opposition," although this week's suspension of weeklies al-Taqdith and al-Hadaf showed that the GOK is not prepared yet to permit a return to the free-swinging political life that existed in Kuwait prior to the suspension of the National Assembly in August 1976. END SUMMARY.

SECRET

SUGGESTED DISTRIBUTION

REACTED BY POL:JLClunan:gc	DRAFTING DATE 6/18/79	PHONE NO.	CLASSIFICATION APPROVED BY DCM:PASu/berland
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CLEARANCES: AMB:FEMaestrone (draft) POL:JMFernald (draft)

FORM 88-555
11-78

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. It was signed by 31 former National Assembly and Constituent Assembly members, most of whom had been members of the opposition leftist and nationalist groups in previous National Assemblies, but at least a dozen of whom had a record of being pro-government deputies in office. Pol Chief obtained from one of the signers a copy of the memorandum, which has been described in earlier reporting as a "petition" (ref A). However, examination of the text reveals that it is more assertive than appealing in tone.

Similarity to 1976 Opposition Document. The content of the memorandum resembles closely a document circulated in Kuwait immediately after the Amir suspended Kuwait's National Assembly in 1976. This document was drawn up by leftist leaders of the national-level Kuwait Workers Confederation and was endorsed by members of 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 publications, served to dampen both dissent and general political discussion in Kuwait. The labor leaders, arrested briefly on serious national security charges, were cowed into silence about controversial political issues (76 KUWAIT 4713), a situation which still prevails (76 KUWAIT 2980).

Also, the GOK dissolved the governing bodies of the Kuwaiti Teachers Association (76 KUWAIT 5056), the Journalists 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 Amiri suspension of the National Assembly. This sponsorship, according to the GOK, was in violation of a 1962 law which prohibits political activities by such associa-

Legal Points in Memorandum. The memorandum presented to the Amir 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 authorities" are limited by the Constitution; the Amir sworn to uphold 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 reelected within two months of its dissolution.

SECRET

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 Kuwaiti 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 idea 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 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 carefully circulating its views anonymously under the label "Democratic Group (KUWAIT 692). In May the group came out in the open with the signature

Memorandum to the Crown Prince, which he refused to accept. Without specifically mentioning the Crown Prince, Kuwait's only indigenous leftist publication, the weekly al-Tali'a, on May 15 asserted that its refusal to accept the memorandum showed that the Government was unwilling to open its doors to all viewpoints on the resumption of parliamentary life, which Tali'a claimed shows that the authorities have 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 actually aroused GOK ire over the June 12 edition, according to two GOK sources, was a statement openly condemning the GOK for acting against "nationalist patriots" by permanently deporting Palestinian journalist Awni Sidiq late last month. A reporter with the Kuwait Daily al-Watan, Sidiq had written articles critical of Arab League countries that wished to boycott PDRY. GOK also clamped down on al-Hadaf, a weekly affiliated with al-Watan on June 16. Objection was given to articles published June 14 by Abdullah al-Nafisi (whose political book on Kuwait is banned here). Nafisi's articles, written in a scurrilous form, called for the downfall of tyranny and tyrants and made disrespectful comments about Kuwaiti businessmen, their greed and their lack of social and political spirit. According to a GOK source in the Amiri Diwan the GOK had for some weeks been contemplating action against al-Tali'a, and MFA Legal Advisor Razouqi 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.

MAESTRONE *ma*

NNNNVV ESA5 02 KWA 184
RR RUQHR
DE RUQKW #2980/01 1711244
ZNY CCCCC ZZH
R 201230Z JUN 79
FM AMEMBASSY KUWAIT
TO RUEHC/SECSTATE WASHDC 3908
INFO RUQMBI/AMEMBASSY ABU DHABI 4761
RUEHAM/AMEMBASSY AMMAN 3097
RUEHAD/USINT BAGHDAD 0744
RUEHEG/AMEMBASSY CAIRO 2465
RUMJDK/AMEMBASSY DACC A 0089
RUQIDH/AMCONSUL DHAHRAN 4032
RUQIOD/AMEMBASSY DOHA 2596
RUSBQD/AMEMBASSY ISLAMABAD 0237
RUQIRA/AMEMBASSY JIDDA 6365
RUQMIT/AMEMBASSY MUSCAT 2029
RUSBAE/AMEMBASSY NEW DELHI 0402
RUQHR/AMEMBASSY TEHRAN 4769
RUEAUSA/DEPT OF LABOR
RUEHTV/AMEMBASSY TEL AVIV 1185
BT
C O N F I D E N T I A L SECTION 01 OF 04 KUWAIT 2980

20 JUN 79 15 16z

POL
CHG
ECON
RF
CHRON

E.O. 12065: GDS 6/19/85 (BUCK, STEPHEN W.) OR-E
TAGS: PINT, ELAB, KU
SUBJECT: POLITICAL RE-ASSESSMENT: LABOR NOT A DESTABILIZING
ELEMENT IN KUWAIT

REF: (A) KUWAIT A-12 OF JUNE 13, 1979 (NOTAL), (B) KUWAIT
2718 (NOTAL),
(C) KUWAIT 2111 (NOTAL), (D) 78KUWAIT 4788 (NOTAL),
(E) KUWAIT A-38 OF AUGUST 23, 1978 (NOTAL), (F) KUWAIT
A-29 OF MAY 14, 1977 (NOTAL), (G) STATE 38873

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 GOK KEEPS A CLOSE WATCH
ON ACTIVITY OF ORGANIZED LABOR, WHOSE LEADERSHIP IS EN-
TIRELY KUWAITI. IT ALWAYS HAS BEEN ABLE TO SQUELCH 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
OVERWHELMINGLY NON-KUWAITI, ARE TOO DIVERSE 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
BALANACE, THE LABOR SCENE IN KUWAIT SHOULD REMAIN FAIRLY QUIET.
IN THE UNLIKELY EVENT THAT ONE OF THE UNIONS OR A LARGE SEG-
MENT OF THE UNORGANIZED WORK FORCE DOES BECOME DEMANDING, THE
GOK CAN WELL AFFORD TO BUY THEM OFF, STANDARD KUWAITI PRACTICE
WHEN CONFRONTED WITH A DIFFUCULT PROBLEM. END SUMMARY.

LABOR AS A POTENTIAL THREAT IN KUWAIT. OF KUWAIT'S TOTAL WORK FORCE OF SOMWHAT 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 RIGHT 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 5 OF KUWAIT'S 7 COMMERCIAL BANKS. UNION MEMBERSHIP IS VOLUNTARY; BY KUWAITI LAW MEMBERS CAN RESIGN AT ANY TIME.

AS REPORTED REF A, UNION ACTIVITY IN KUWAIT HAS BEEN DORMANT FOR SOME YEARS. THE GOVERNMENT TOLERATES THE LEFTIST RHETORIC OF THE LEADERSHIP OF THE KUWAIT CONFEDERATION 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 FACIT 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 DOES THE GOVERNMENT STEPS IN.

2980

NNNNVV ESA500KWA183

RR RUGMHR

DE RUGMKW #2980/2 1711350

ZNY CCCCC ZZH

R 201230Z JUN 79

FM AMEMBASSY KUWAIT

TO RUEHC/SECSTATE WASHDC 3909

INFO RUGMBI/AMEMBASSY ABU DHABI 4762

RUEHAM/AMEMBASSY AMMAN 3098

RUEHAD/USINT BAGHDAD 0745

RUEHEG/AMEMBASSY CAIRO 2466

RUMJDK/AMEMBASSY Dacca 090

RUQMDH/AMCONSUL DHAHRAN 4033

RUQMOD/AMEMBASSY DOHA 2594

RUSBOD/AMEMBASSY ISLAMABAD 238

RUQMRA/AMEMBASSY JIDDA 6366

RUQMT/AMEMBASSY MUSCAT 2030

RUSBAE/AMEMBASSY NEW DELHI 403

RUQMHR/AMEMBASSY TEHRAN 4770

RUEAUSA/DEPT OF LABOR

RUEHTV/AMEMBASSY TEL AVIV 1186

BT

C O N F I D E N T I A L SECTION 2 OF 4 KUWAIT 2980

6. THROUGH THE UNIONS ARE PRESENTLY INACTIVE, COULD THEY POSE A THREAT IN THE FUTURE? LOOKING AT THE THREE UNIONS, THIS APPEARS TO BE UNLIKELY.

(A) GOVERNMENT WORKERS: GOVERNMENT WORKERS, THE VAST MAJORITY (75 PERCENT) OF THE KUWAITI WORK FORCE, HAVE JUST BEEN GRANTED SIZABLE INCREASES IN PAY AND ALLOWANCES, WITH THE HIGHEST INCREASES GOING TO THE LOWEST PAID WORKERS (REF A). WORKING FOR THE KUWAIT GOVERNMENT IS HARLY RIGOROUS OR DEMANDING. OFFICE HOURS, WHILE OFFICIALLY FROM 7:30-1:30, ARE REALISTICALLY FROM ABOUT 8:30-12:30, AS ANYONE WHO TRIES TO CONTACT A KUWAITI GOVERNMENT OFFICE OUTSIDE THESE HOURS IS WELL AWARE. MOST EMPLOYEES SPEND A GOOD PORTION OF EVEN THIS TRUNCATED WORK DAY DRINKING TEA AND GOSSIPING WITH THEIR CO-WORKERS. GOVERNMENT EMPLOYEES UNIONS WERE NOT HEARD FROM EVEN DURING THE HEIGHTENED PERIOD OF UNION ACTIVITY FROM 1974-1976. FROM ALL APPEARANCES THEY ARE AMONG THE LEAST ACTIVE UNIONS, AND NOT ALL GOVERNMENT EMPLOYEES ARE MEMBERS.

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 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 TO COME.

BANK WORKERS: THE THIRD AND SMALLEST (2,300 MEMBERS) UNION, THE BANK EMPLOYEES WON PAY INCREASES IN 1976. SINCE THEN THE UNION HAS BEEN VERY QUIET AND IS IN ANY CASE THE LEAST POLITICIZED OF THE KUWAITI UNIONS (SEE REF A).

THE COMMENTS ABOVE APPLY GENERALLY TO NON-KUWAITI WORKERS IN THOSE SECTORS AS WELL. UNDER THE NEW CIVIL SERVICE PAY SCALES, THE OLD BASE SALARY DIFFERENTIALS BETWEEN KUWAITIS AND NON-KUWAITIS WERE ELIMINATED, THUS REMOVING AT LEAST ONE SOURCE 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 MUCH HIGHER THAN FOR NON-KUWAITIS AND THE NEW ALLOWANCE SCALES, IF ANYTHING, INCREASE THIS DIFFERENTIAL. HOWEVER SINCE THE SOCIAL ALLOWANCE IS REALLY A WELFARE BENEFIT AND HAS LITTLE CORRELATION TO JOB SKILLS OR PERFORMANCE, AT LEAST THE PSYCHOLOGICAL DISADVANTAGE 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 IN THOUSANDS)

KUWAITI	90,000
NON-KUWAITI	
PALESTINIAN/JORDANIAN	47,500
EGYPTIAN	37,500
IRANIAN	29,000
INDIAN	21,500
PAKISTANI	18,000
AFGHAN	16,500
YEMENI	11,500
PAKISTANI	11,000
BANEGSE	7,000
OTHERS	10,500
	210,000
TOTAL	300,000

1980

NNNNVV ESA505 KWA186
RR RUQMR
DE RUQMKW #2980/3 1711405
ZNY CCCCC ZZH
R 201230Z JUN 79
FM AMEMBASSY KUWAIT
TO RUEHC/SECSTATE WASHDC 3910
INFO RUQMBI/AMEMBASSY ABU DHABI 4763
RUEHAM/AMEMBASSY AMMAN 0099
RUEHAD/USINT BAGHDAD 0746
RUEHEG/AMEMBASSY CAIRO 2467
RUUJDK/AMEMBASSY DACCA 091
RUQIDH/AMCONSUL DHAHRAN 4034
RUQMOD/AMEMBASSY DOHA 2595
RUSBQD/AMEMBASSY ISLAMABAD 239
RUQNRA/AMEMBASSY JIDDA 6361
RUQNT/AMEMBASSY MUSCAT 2031
RUSBAE/AMEMBASSY NEW DELHI 404
RUQMR/AMEMBASSY TEHRAN 4771
RUEAUSA/DEPT OF LABOR
RUEHTV/AMEMBASSY TEL AVIV 1187
BT

20 JUN 79 15

C O N F I D E N T I A L SECTION 3 OF 4 KUWAIT 2980

SETTING ASIDE FOR THE MOMENT THE PALESTINIANS, IT IS ESSENTIAL WHEN LOOKING AT THE NON-KUWAITI WORK FORCE TO REMEMBER THAT ALMOST ALL OF THEM ARE HERE BECAUSE THEY CAN MAKE MORE MONEY IN KUWAIT THAN THEY CAN IN THEIR HOME COUNTRIES. MANY OF THEM, PARTICULARLY SEMI- OR UN-SKILLED WORKERS IN THE CONSTRUCTION FIELD AND COMMON LABORERS, ARE NOT SETTLED HERE. THOUGH THEY FREQUENTLY STAY IN KUWAIT FOR A CONSIDERABLE LENGTH OF TIME. IN MANY CASES, THEIR FAMILIES REMAIN AT HOME AND SURVIVE ON REMITTANCES FROM THE WAGE EARNER IN KUWAIT. THIS TYPE OF WORKER IS HERE FOR FINANCIAL REASONS ONLY AND IS LITTLE INTERESTED IN POLITICAL AGITATION. WHEN WORKERS OF THIS TYPE DO VOICE GRIEVANCES, THEY GET SHORT SHRIFT FROM THE GOK, AND, USUALLY, FROM THEIR OWN GOVERNMENTS. THE LABOR MARKET IS SUCH THAT RECALCITRANT OR TROUBLESOME WORKERS CAN QUICKLY BE DEPORTED AND EASILY REPLACED BY MORE AMENABLE INDIVIDUALS. THIS PUTS A STRONG DAMPER ON LABOR ACTION, TO SAY NOTHING OF POLITICAL AGITATION (SEE REF A).

UUM

VV ESAB24KWA819

16 Jul 79 12 12z

WOMHR

WOMKE #3408 1971126

CCCC ZZK

01037Z JUL 79

EMBASSY KUWAIT

EMC/SECSTATE WASHDC 4849

RUEHAM/EMBASSY AMMAN 3113

ANU/EMBASSY ANKARA 0251

AT/EMBASSY ATHENS 1096

BE/EMBASSY BEIRUT 5606

BA/EMBASSY JIDDA 6397

OG/EMBASSY MICOSIA 0102

HR/EMBASSY TEHRAN 4786 -

JM/AMCONSUL JERUSALEM 0518

LD/AMCONYUL STUTTGART 0035

BAA/COMIDEASTFOR

AAA/USCINCEUR VAIHINGEN GE

OLD/ELG STUTTGART GE

BBA/CINCUSNAVEUR LONDON UK

AAB/CINCUSAFE

AAA/CINCUSAREUR VAIHINGEN GE

UL/EMBASSY SEOUL 0162

CONFIDENTIAL

LIMITED OFFICIAL USE KUWAIT 3408

12065: N/A

AMER, OGEN, CGEN, KU, US

SUBJECT: EMERGENCY AND EVACUATION: ESTIMATED NUMBER OF POTENTIAL EVACUEES AND PRIVATE AMERICAN RESIDING ABROAD (EREPORT F-77)

(A) STATE 170896, (B) 76 STATE A-2878

LIMITED OFFICIAL USE:

I- ESTIMATED NUMBER OF POTENTIAL EVACUEES

DOHPERSONNAL 37
(PCS & TDY)

DEPENDENTS OF DOD 66
PERSONNEL

OTHER USG PERSONNEL 40

DEPENDENTS OF OTHER
USG PERSONNEL 59

AMERICAN RESIDENTS 2,500 (A)

43

NNNNVV ESA505 KWA186
RR RUQMR
DE RUQMKW #2980/3 1711405
ZNY CCCCC ZZH
R 201230Z JUN 79
FM AMEMBASSY KUWAIT
TO RUEHC/SECSTATE WASHDC 3910
INFO RUQMBI/AMEMBASSY ABU DHABI 4763
RUEHAM/AMEMBASSY AMMAN 0099
RUEHAD/USINT BAGHDAD 0746
RUEHEG/AMEMBASSY CAIRO 2467
RUUJDK/AMEMBASSY DACCA 091
RUQIDH/AMCONSUL DHAHRAN 4034
RUQMOD/AMEMBASSY DOHA 2595
RUSBQD/AMEMBASSY ISLAMABAD 239
RUQNRA/AMEMBASSY JIDDA 6361
RUQNT/AMEMBASSY MUSCAT 2031
RUSBAE/AMEMBASSY NEW DELHI 404
RUQMR/AMEMBASSY TEHRAN 4771
RUEAUSA/DEPT OF LABOR
RUEHTV/AMEMBASSY TEL AVIV 1187
BT

20 JUN 79 15

C O N F I D E N T I A L SECTION 3 OF 4 KUWAIT 2980

SETTING ASIDE FOR THE MOMENT THE PALESTINIANS, IT IS ESSENTIAL WHEN LOOKING AT THE NON-KUWAITI WORK FORCE TO REMEMBER THAT ALMOST ALL OF THEM ARE HERE BECAUSE THEY CAN MAKE MORE MONEY IN KUWAIT THAN THEY CAN IN THEIR HOME COUNTRIES. MANY OF THEM, PARTICULARLY SEMI- OR UN-SKILLED WORKERS IN THE CONSTRUCTION FIELD AND COMMON LABORERS, ARE NOT SETTLED HERE. THOUGH THEY FREQUENTLY STAY IN KUWAIT FOR A CONSIDERABLE LENGTH OF TIME. IN MANY CASES, THEIR FAMILIES REMAIN AT HOME AND SURVIVE ON REMITTANCES FROM THE WAGE EARNER IN KUWAIT. THIS TYPE OF WORKER IS HERE FOR FINANCIAL REASONS ONLY AND IS LITTLE INTERESTED IN POLITICAL AGITATION. WHEN WORKERS OF THIS TYPE DO VOICE GRIEVANCES, THEY GET SHORT SHRIFT FROM THE GOK, AND, USUALLY, FROM THEIR OWN GOVERNMENTS. THE LABOR MARKET IS SUCH THAT RECALCITRANT OR TROUBLESOME WORKERS CAN QUICKLY BE DEPORTED AND EASILY REPLACED BY MORE AMENABLE INDIVIDUALS. THIS PUTS A STRONG DAMPER ON LABOR ACTION, TO SAY NOTHING OF POLITICAL AGITATION (SEE REF A).

21 JUN 79 02 31z

NNNNVV ESB036KWA194
RR RUQMR
DE RUQMKW #2980/4 1711425
ZNY CCCCC ZZH
R 201230Z JUN 79
FM AMEMBASSY KUWAIT
TO RUEHC/SECSTATE WASHDC 3911
INFO RUQMBI/AMEMBASSY ABU DHABI 4764
RUEHAM/AMEMBASSY AMMAN 3100
RUEHAD/USINT BAGHDAD 0747
RUEHUG/AMEMBASSY CAIRO 2468
RUMJDK/AMEMBASSY Dacca 092
RUQMDH/AMCONSUL DHAHRAN 4035
RUQMOD/AMEMBASSY DOHA 2596
RUSBQD/AMEMBASSY ISLAMABAD 240
RUQMRA/AMEMBASSY JIDDA 6367
RUQMMT/AMEMBASSY MUSCAT 2332
RUSBAE/AMEMBASSY NEW DELHI 405
RUQMRH/AMEMBASSY TEHRAN 4772
RUEAUSA/DEPT OF LABOR
RUEHTV/AMEMBASSY TEL AVIV 1188

U.S. GOVERNMENT PRINTING OFFICE 1977-325,373

BT

C O N F I D E N T I A L SECTION 4 OF 4 KUWAIT 2980

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 GOK 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 DEPORTED 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. MAESTRONE

BT

#2980

21 JUN 79 02 31z

NNNNVV ESB036KWA194
 RR RUQMR
 DE RUQMKW #2980/4 1711425
 ZNY CCCCC ZZH
 R 201230Z JUN 79
 FM AMEMBASSY KUWAIT
 TO RUEHC/SECSTATE WASHDC 3911
 INFO RUQMBI/AMEMBASSY ABU DHABI 4764
 RUEHAM/AMEMBASSY AMMAN 3100
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 RUEHUG/AMEMBASSY CAIRO 2468
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 RUQMRH/AMEMBASSY TEHRAN 4772
 RUEAUSA/DEPT OF LABOR
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U.S. GOVERNMENT PRINTING OFFICE: 1977-323,373

BT

C O N F I D E N T I A L SECTION 4 OF 4 KUWAIT 2980

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 GOK 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 DEPORTED 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. MAESTRONE

BT

#2980

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 (PROTECT) REMARKED TO AMBASSADOR MAESTRONE ON JUNE 27, KUWAIT WOULD BE LEFT IN AN ANOMALOUS POSITION IF A PARLIMENT, 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 RESOTRING PARLIAMENTARY LIFE HERE. THERE IS WIDE-SPREAD BELIEF THAT THE NATIONAL ASSEMBLY SHOULD BE REESTABLISHED IN ORDER TO PROVIDE FOR FREE EXPRESSION BY THE KUWAITI PEOPLE, LEST KUWAIT'S RULERS BE CHARGED WITH SUPPRESSION OF POPULAR WILL LIKE THE SHAH. 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 EXPATRIATES, PARTICULARLY PALESTINIANS, OR INVOLVE KUWAIT IN QUARREL

WITH OTHER ARAB STATES.

SUTHERLAND

BT
#3302

6. AMERICAN TOURISTS 3RD QTR. 4TH QTR 1ST QTR 2ND
AND OTHER TEMPORARY
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. EMD 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 SOUSES AND CHILDREN OF ALIENS)	1,000
H. TOTAL OF PRIVATE RESIDENTS	2,500

ENDO OF UNCLASSIFIED

SUTHERLAND

BT

#3408

2ND
ACTUA
ES
OF
ED
HOW

ESA792NWA772

RUCMHR
RUCMKV #3385 1970637
CCCCC ZZH
0632Z JUL 79
AMEMBASSY KUWAIT
RUCMHR/AMEMBASSY TEHRAN 4785 -
RUCMBI/AMEMBASSY ABU DHABI 4792
HAD/USINT BAGHDAD 0770
RUCMHR/AMCONSUL DHAHRAN 4046
RUCMHR/AMEMBASSY DOHA 2622
RUCMHR/AMEMBASSY JIDDA 6395
RUCMHR/AMEMBASSY LONDON 3539
RUCMHR/AMEMBASSY MANAMA 3976
RUCMHR/AMEMBASSY MUSCAT 2057

C O N F I D E N T I A L

LIMITED OFFICIAL USE KUWAIT 3385

CLASS: 12065: N/A
SUBJECT: PINS, PINT, IR
SUBJECT: REPORTS FROM TEHRAN
TEHRAN 07155

THE FLOW OF NUTS-AND-BOLTS INFORMATION ON IRANIAN
SITUATION HAS BEEN OF GREAT VALUE TO EMBASSY KUWAIT FOR
THE PAST TEN MONTHS. BECAUSE OF CONTINUING IMPACT OF
IRANIAN DEVELOPMENTS ON KUWAIT AND THE GULF WE WOULD
APPRECIATE TEHRAN'S KEEPING THIS EMBASSY ON DISTRIBUTION
FOR ROUTINE POLITICAL REPORTING AS WELL AS FOR ITEMS OF
OF SIGNIFICANCE.
AMSTERDAM

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Choon
RF

16 JUL 79 08 11z

25 Jul 79 02 51

NNNNVV ESB028KWA344
 PP RUQMR
 DE RUQMKW #3524/01 2051217
 ZNY CCCCC ZZH
 P R 241203Z JUL 79
 FM AMEMBASSY KUWAIT
 TO RUEHC/SECSTATE WASHDC PRIORITY 4094
 INFO RUQMBI/AMEMBASSY ABU DHABI 4809
 RUQMGU/AMEMBASSY ANKARA 0252
 RUEHAD/USINT BAGHDAD 0784
 RUEHDM/AMEMBASSY DAMASCUS 1693
 RUQMOD/AMEMBASSY DOHA 2636
 RUQMRA/AMEMBASSY JIDDA 6411
 RUDTC/AMEMBASSY LONDON 3548
 RUQMAM/AMEMBASSY MANAMA 3988
 RUQMMT/AMEMBASSY MUSCAT 2071
 RUFNPS/AMEMBASSY PARIS 2257
 RUQMRH/AMEMBASSY TEHRAN 4795
 BT

Pol
 Chg
 EC
 RF
 Ch

C O N F I D E N T I A L SECTION 01 OF 03 KUWAIT 3524

E.O. 12065: GDS 7/24/85 (CLUNAN, JAMES L.) OR-M
 TAGS: PEPR, ENRG, ETRD, MILL, PLOS, KU, IR, US
 SUBJECT: (U) KUWAITI FOREIGN MINISTER'S VISIT TO IRAN

REFS: (A) FBIS LONDON 231130Z JUL 79, (B) FBIS AMMAN
 040905Z JUL 79, (C) FBIS LONDON 231447Z JUL 79,
 (D) 77 STATE 073110 DTG 021824Z APR 77 (NOTAL),
 (E) 77 KUWAIT 2905 DTG 251355Z MAY 77 (NOTAL), (F) K
 2807 (NOTAL)

1. (C) SUMMARY: GOK FOREIGN MINISTER'S 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 PARTICPATION IN THE "SAFEGUARDING" OF THE REGION,
 AND INTRODUCES NEW, AND POSSIBLY OMINOUS, LANGUAGE
 UPHOLDING 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

5:2 ABLE, NON-LEFTIST IRAN. END SUMMARY.

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(U) COMPOSITION OF KUWAITI DELEGATION UNDERSCORES MS. KUWAITI DEP PRIMIN/FONMIN SHAIKH SABAH AL-AHMAD VISITED TEHRAN JULY 21-22. HE WAS ACCOMPANIED BY THREE CABINET OFFICIALS WHO TRACE THEIR FAMILY ORIGINS TO ARAB OR PERSIAN PARTS OF SOUTHERN IRAN, NAMELY THE ASSISTANT UNDERSECRETARY AT THE MINISTRY OF COMMERCE AND INDUSTRY, ALI AL-WAZZAN, THE ASSISTANT UNDERSECRETARY AT THE MINISTRY OF OIL, ABDUL RAZZAK MULLA HUSSEIN, AND THE DEPUTY MANAGING DIRECTOR AT KUWAIT NATIONAL PETROLEUM COMPANY, ABDULLA AL-GHARABALLI. SABAH AL-AHMAD WAS ALSO ACCOMPANIED BY SHAIKH MUBARAK JABER AL-AHMAD, DIRECTOR OF THE FOREIGN MINISTER'S OFFICE AND SON OF THE AMIR, AS WELL AS A NUMBER OF OTHER LESSER OFFICIALS.

(C) JOINT COMMUNIQUE (REF A) EMPHASIZES AREAS OF COMMON INTEREST AND COOPERATION "PARTICULARLY IN THE CULTURAL, ECONOMIC, AND OIL SPHERES." THERE ARE PRACTICAL REASONS, EXPLAINED BELOW, FOR ECONOMIC AND OIL COOPERATION. THE REFERENCE TO CULTURAL COOPERATION AS WELL AS THE KUWAITI CONGRATULATIONS EXPRESSED EARLIER IN THE COMMUNIQUE OF THE SUCCESS OF THE ISLAMIC REVOLUTION SERVE TO RECORD KUWAIT'S SUPPORT FOR THE PRESENT ISLAMIC GOVERNMENT (SUCH AS IT IS) IS IRAN. WHILE MANY KUWAITIS HAVE DOUBTS ABOUT THE MULTI-HEADED IRANIAN GOVERNMENT AND ABOUT THE ABILITY OF AYATOLLAHS TO GOVERN, FEW WOULD WELCOME THE FALL OF THE PGOI AS MOST KUWAITIS EXPECT ITS SUCCESSOR WOULD BE LEFTIST OR WORSE. MOST OTHER PARTS OF THE COMMUNIQUE, INCLUDING THE PARAGRAPH ON THE PALESTINIAN ISSUE, CONTAIN LANGUAGE FOUND IN PREVIOUS JOINT COMMUNIQUE ISSUED BY KUWAIT. THE PASSAGES ON "NON-INTERFERENCE IN OTHER PEOPLE'S INTERNAL AFFAIRS" IS A STANDARD PRINCIPLE PLATE LIFTED FROM THE UN CHARTER, BUT IT COULD BE USEFUL TO KUWAIT IN OFFERING REASSURANCES TO SAUDI ARABIA ABOUT IRAN'S INTENTIONS.

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(C) OIL. ASKED BY CHARGE' ABOUT THE PRESENCE OF OFFICIALS FROM THE OIL SECTOR IN THE DELEGATION, KUWAIT'S MINISTER OF OIL, SHAIKH AL KHALIFA AL-SABAH, SAID THE KUWAITI SIDE DID NOT PLAN TO RAISE OIL POLICY ISSUES OR MATTERS RELATING TO OPEC. REFERRING TO TECHNICAL PROBLEMS THAT WERE LIMITING IRAN'S OUTPUT OF REFINED PRODUCTS AND THE POSSIBILITY THAT AS A RESULT IRAN MIGHT NOT HAVE EFFICIENT HEATING OIL NEXT WINTER, SHOULD TECHNICAL DIFFICULTIES WORSEN, ALI KHALIFA SAID THAT KUWAIT WOULD BE WILLING TO ALLEVIATE SITUATION IF NECESSARY.

25 Jul 79 02 52z

NNNNVV ESB031KWA347
PP RUQMHR
DE RUQMKW #3524/02 2051232
ZNY CCCCC ZZH
P-R 241203Z JUL 79
FM AMEMBASSY KUWAIT
TO RUEHC/SECSTATE WASHDC PRIORITY 4095
INFO RUQMBI/AMEMBASSY ABU DHABI 4810
RUQMGU/AMEMBASSY ANKARA 0253
RUEHAD/USINT BAGHDAD 0785
RUEHDM/AMEMBASSY DAMASCUS 1694
RUQMOD/AMEMBASSY DOHA 2637
RUQMRA/AMEMBASSY JIDDA 6412
RUDTC/AMEMBASSY LONDON 3549
RUQMAM/AMEMBASSY MANAMA 3989
RUQMMT/AMEMBASSY MUSCAT 2072
RUFNPS/AMEMBASSY PARIS 2258
RUQMHR/AMEMBASSY TEHRAN 4796
BT

C O N F I D E N T I A L SECTION 02 OF 03 KUWAIT 3524

ALI KHALIFA ALS SAID 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 REPLACED BY WESTERNERS IN THE KUWAITI OIL SECTOR.

5. (C) TRADE. IN DISCUSSING FOREIGN MINISTER'S TRIP WITH ADCM 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-AHMAD HAD PUT IT IN HIS ARRIVAL STATEMENT IN TEHRAN THE DAY BEFORE. ELABORATING, RAZOUQI SAID THAT SHORTLY AFTER THE REVOLUTION, IRANIAN CHARGE ABDEL-HUSAIN GOLSHARIFI HAD COME TO RAZOUQI WITH A SPECIFIC REQUEST THAT GOK READMIT AN IRANIAN WORKER WHO HAD BEEN EXPELLED BEFORE KHOMEINI'S TAKEOVER FOR DISTRIBUTING ANIT-SHAH 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 KHOMEINI AND THAT IT WAS KHOMEINI'S PERSONAL WISH THAT HE RETURN TO KUWAIT, THE FOREIGN MINISTER OVERRULED THE INTERIOR MINISTER AND THE IRANIAN WAS ALLOWED TO RETURN. IN ENSUING WEEKS, AS OTHER BILATERAL ISSUES

GED -- RAZOUQI MENTIONED ILLEGAL IRANIAN IMMIGRANTS
OVERDUE DEBTS OWED FOR KUWAITI COMMERCIAL EXPORTS
IRAN -- GOLSHARIFI AND RAZOUQI BECAME THE CHANNEL FOR
DISCUSSING THESE PROBLEMS AS WELL.

(C) RAZOUDI POINTED OUT THAT IRAN, AFTER SAUDI ARABIA,
THE LARGEST PURCHASER OF NON-PETROLEUM EXPORTS (IN
T, RE-EXPORTS) FROM KUWAIT (\$80 MILLION IN 1976)
THAT REESTABLISHMENT OF SMOOTHLY OPERATING BILATERAL
COMMERCIAL RELATIONS BETWEEN THE TWO COUNTRIES WAS OBVIOUSLY
THE INTEREST OF BOTH SIDES. ABOUT 6 WEEKS AGO RAZOUDI
PROPOSED THAT HE HEAD A TECHNICAL DELEGATION TO IRAN
TO SEEK RESOLUTION OF THESE ISSUES, BUT THE FOREIGN
MINISTER SAID THAT HE PREFERRED TO UNDERTAKE
THE MISSION HIMSELF. AZOQUI EXPLAINED THAT KUWAIT'S
MAJOR INTEREST LAY IN PROMOTING STABILITY IN IRAN AND THAT
A MINISTERIAL VISIT WAS CALLED FOR IN ORDER TO SHOW THAT
KUWAIT WAS SERIOUS ABOUT BEING SUPPORTIVE. EVENTS OF THE
PAST 6 WEEKS HAD INTERFERED WITH ABAH AL-AHMAD'S GOING
TO IRAN UNTIL NOW. STRAINS IN IRAQI-IRANIAN RELATIONS
(WHICH KUWAIT DOES NOT WANT TO BE DIRECTLY INVOLVED),
IMPERATIVE PUBLIC STATEMENTS AND PRESS CRITICISMS FROM
BOTH 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.

(C) GULF SECURITY. GIVEN CURRENT FUSS OVER DEPT'S
RECENT PUBLIC WARNING OF POSSIBLE SABOTAGE TO SHIPS
TRANSITING THE STRAITS OF HORMUZ, AS WELL AS THE COMMON
KNOWLEDGE THAT US AND FRENCH NAVAL VESSELS ARE NOW
OPERATING IN THE GULF (REF C), THE ABSENCE OF ANY
DECLARATION, LET ALONE MENTION, OF THIS NAVAL PRESENCE
IN THE DANGER OF ENCROACHING "US MILITARY BASES,
DO NOT MAKE THE COMMUNIQUE'S SECTION ON GULF SECURITY (REF A)
ANY MORE RATHER TRITE AND HARMLESS, WERE IT NOT FOR ONE NOVEL,
POSSIBLY OMINOUS, ELEMENT. IN KUWAITI TERMS, THERE IS
SOMETHING NEW IN THE FORMULATION THAT THE SECURITY OF THE GULF
LIES IN THE "EXCLUSIVE RESPONSIBILITY OF THE GULF STATES,"
AND IN THE "REJECTION OF ALL FORMS OF INTERFERENCE IN THE
INTERNAL AFFAIRS OF THE GULF STATES." HOWEVER, A NEW
PAGE, CONCERNING THE MUTUAL "CONVICTION OF THE NEED
TO SECURE FREEDOM OF NAVIGATION IN THE GULF, ON THE
CONDITION THAT SUCH NAVIGATION DOES NOT DAMAGE THE
SOVEREIGNTY AND SAFETY OF THE REGION" HAS NOT OCCURRED
SINCE PREVIOUS PUBLIC KUWAITI STATEMENTS AND STRIKES US AS
NOT MORE THAN INNOCENT.

25 Jul 79

NNNNVV ESB033KWA352
PP RUQMRH
DE RUQMKW #3524/03 2051256
ZNY CCCCC ZZH
P R 241203Z JUL 79
FM AMEMBASSY KUWAIT
TO RUEHC/SECSTATE WASHDC PRIORITY 4096
INFO RUQMBI/AMEMBASSY ABU DHABI 4811
RUQMGU/AMEMBASSY ANKARA 0254
RUEHAD/USINT BAGHDAD 0796
RUEHDM/AMEMBASSY DAMASCUS 1695
RUQMOD/AMEMBASSY DOHA 2638
RUQMRA/AMEMBASSY JIDDA 6413
RUDTC/AMEMBASSY LONDON 3550
RUQMAM/AMEMBASSY MANAMA 3990
RUQMMT/AMEMBASSY MUSCAT 2073
RUFNPS/AMEMBASSY PARIS 2259
RUQMRH/AMEMBASSY TEHRAN 4797
BT

C O N F I D E N T I A L SECTION 03 OF 03 KUWAIT 3524

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 EVASIVENESS ON THIS TOPIC AT THE TIME. SO FAR AS WE KNOW, CLOSED SEC CONCEPT, WHICH USG OPPOSES, 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 RAZOUQI HAS TOLD US THAT KUWAIT DOES NOT WANT TO MEDIATE IRAQI-IRANIAN DIFFERENCES (REF F). 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 PGOI. SUCH DEVELOPMENT WOULD BE REASSURING TO THE BAHRAINIS WHO ARE NERVOUS ABOUT IRANIAN DESIGNS. AS TO SABAH AL-AHMAD'S PUBLIC DENUNCIATION IN QEHAN 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 NEWSPAPERMAKERS ASKS FOR COMMENT ON "THE 110,000 MAN CONTINGENCY FORCE."

IN LINE WITH KUWAITI POLICY IS HIS STATEMENT THAT THE
DEFENSE OF KUWAIT " IS BASED ON STRENGTHENING THE INTERNAL
SECURITY AND NOT ON A HUGE DEFENSE SYSTEM" INVOLVING LARGE
NUMBERS OF SOPHISTICATED WEAPONS. ALL THIS PROBABLY RINGS
BELL IN IRANIAN AS IN KUWAIT EARS.
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25 Jul 79

NNNNVV ESB036KWA361
PP RUQMRH
DE RUQMKW #3532/1 2051430
ZNY CCCCC ZZH
P R 241336Z JUL 79
FM AMEMBASSY KUWAIT
TO RUEHC/SECSTATE WASHDC PRIORITY 4097
INFO RUQMBI/AMEMBASSY ABU DHABI 4812
RUFHRS/AMEMBASSY ALGIERS 1022
RUEHAD/USINT BAGHDAD 787
RUFHBS/AMEMBASSY BRUSSELS 757
RUESRS/AMEMBASSY CARACAS 458
RUQMDH/AMCONSUL DHAHRAN 4050
RUQMOD/AMEMBASSY DOHA 2639
RUKOBT/AMEMBASSY JAKARTA 395
RUQMRA/AMEMBASSY JIDDA 6414
RUEHOS/AMEMBASSY LAGOS 418
RUFHLC/AMEMBASSY LIBREVILLE 270
RUDTC/AMEMBASSY LONDON 3551
RUQMAM/AMEMBASSY MANAMA 3991
RUQMMT/AMEMBASSY MUSCAT 2074
RUFNPS/AMEMBASSY PARIS 2260
RUEHKO/AMEMBASSY QATAR 50798
RUEHKO/AMEMBASSY TOKYO 641
RUQMTI/AMEMBASSY TRIPOLI 1327
RUFHAI/AMEMBASSY VIENNA 441
BT
C O N F I D E N T I A L SECTION 1 OF 3 KUWAIT 3532

LIMDIS

E.O. 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 183760, (B) KUWAIT 2975 (NOTAL), (C)
KUWAIT 3430 (NOTAL), (D) KUWAIT 3290 (NOTAL),
(E) KUWAIT 1082 (NOTAL).

1. CONFIDENTIAL ENTIRE TEXT.

2. SUMMARY: IN RELAXED TOUR D'HORIZON WITH CHARGE AND
ECON CHIEF EVENING OF JULY 22, KUWAIT'S OIL MINISTER,
SHEIKH ALI KHALIFA AL SABAH, WELCOMED PRESIDENT'S ENERGY
ANNOUNCEMENTS BUT EXPRESSED SKEPTICISM THAT AMBITIOUS
LONG-TERM GOALS COULD BE REACHED. HE PREDICTED THAT
OIL SUPPLY/DEMAND SITUATION IN 1980 WILL BE "LESS FIRM"

MAN IN 1979 MAKING IT POSSIBLE FOR KUWAIT TO CUT
DUCTION TO 1.5 - 1.6 MILLION BARRELS A DAY (B/D).
NEVER KUWAIT WOULD NOT CUT TO THIS LEVEL IF DEMAND/
PLY PICTURE IN 1980 IS AS TIGHT AS IT IS NOW.
MINISTER ADMITTED KUWAIT IS SELLING OCCASIONAL AVAIL-
LE CRUDE ON THE SPOT MARKET BUT ARGUED THAT DEMAND/
PLY IMBALANCE RATHER THAN SPOTMARKET IS CAUSE OF
GH PRICES AND ONLY RESTORATION OF BALANCE IN MARKET
LL ELIMINATE THE SPOT MARKET PROBLEM. KUWAIT HAS
MPORARY INTEREST IN INCREASING PRODUCTION TO 3
LLION BARRELS A DAY (IN ORDER TO TEST LPG PLANT FOR
MISSIONING) BUT IS UNABLE TO DO SO, MINISTER SAID,
CAUSE MAXIMUM SUSTAINABLE CAPACITY OF "KUWAIT
OPER" (NOT INCLUDING PARTITIONED ZONE PRODUCTION)
ONLY 2.25 REPEAT 2.25 MILLION BARRELS A DAY.
NCE COUNTRY PRESENTLY PRODUCING AT THISPRATE,
MINISTER APPARENTLY BELIEVES THAT KUWAIT IS PRODUCING
MAXIMUM SUSTAINABLE CAPACITY. END SUMMARY.

CHARGE, ACCOMPANIED BY DEPARTING ECON CHIEF BUCK,
LLED ON KUWAIT OIL MINISTER SHEIKH ALI KHALIFA AL-
DAH AT 8:00 P.M. JULY 22, FIRST AVAILABLE TIME TO
TIF HIM ON PRESIDENT'S ENERGY ANNOUNCEMENTS (REF A).
ARGE NOTED THAT WE DEPLORED RECENT OPEC PRICE RISES
T ADDED THAT WE WERE PLEASED BY EARLY AND POSITIVE
SPONSE 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 AND ALI KHALIFA
DICATIONATED THAT HE HAD STAYED UP LATE TO LISTEN TO THE
RESIDENT'S SPEECH OVER VOICE OF AMERICA.

ALI KHALIFA WELCOMED THE PRESIDENT'S PROGRAM AND
ID THAT HE HAD CIRCULATED A SUMMARY OF IT AT THE
GULAR CABINET MEETING JULY 22. HE HOPED THE PRESIDENT'S
ANS WILL SUCCEED BUT DIDN'T SEE HOW THE AMBITIOUS
BJECTIVES COULD BE REACHED. FOR EXAMPLE, ONLY THREE
ONTHS AGO THE EXECUTIVE BRANCH HAD INFORMED THE CON-
ESS THAT IT WOULD ONLY BE POSSIBLE TO PRODUCE 300,-
00 B/D OIL EQUIVALENT OF SYNTHETIC FUELS BY 1990.
W, IN THE LATEST MESSAGE, THE PRESIDENT WAS PRO-
ECTING A FIGURE OF 2.5 MILLION B/D BY 1990. ADMITTEDLY
E NEW PROGRAM ENVISAGED MUCH GREATER INVESTMENT BUT
IS STILL COULD NOT CHANGE THE BASIC ECONOMIC REALI-
ES, MAKING 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
ANKERS AND FINANCIERS, SINCE THE DOLLAR HAD DECLINED
FTER THE PRESIDENT'S SPEECH. HOWEVER IT WAS LIKELY

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 8.2 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-

BT

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25 JUL 79 02 55z

TV ESB039KVA368
QOMHR
QOMKW #3532/2 2051445
CCCC ZZH
#1336Z JUL 79
EMBASSY KUWAIT
SEC/SECSTATE WASHDC PRIORITY 4098
RUQMBI/AMEMBASSY ABU DHABI 4813
S/AMEMBASSY ALGIERS 1023
D/USINT BAGHDAD 788
S/AMEMBASSY BRUSSELS 758
S/AMEMBASSY CARACAS 459
OR/AMCONSUL DHAHRAN 4051
D/AMEMBASSY DOHA 2640
T/AMEMBASSY JAKARTA 396
A/AMEMBASSY JIDDA 6415
OS/AMEMBASSY LAGOS 419
LC/AMEMBASSY LIBREVILLE 271
C/AMEMBASSY LONDON 3552
AM/AMEMBASSY MANAMA 3992
MT/AMEMBASSY MUSCAT 2075
S/AMEMBASSY PARIS 2261
I/AMEMBASSY QUITO 260
R/AMEMBASSY TEHRAN 4799
CO/AMEMBASSY TOKYO 642
TI/AMEMBASSY TRIPOLI 1328
AU/AMEMBASSY VIENNA 442

F I D E N T I A L SECTION 2 OF 3 KUWAIT 3532

18
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. U.S. RECESSION, SHEIKH ALI PREDICTED, IS LIKELY TO EXTEND THROUGH THE FIRST OR PERHAPS EVEN THE SECOND QUARTER OF 1980. DEMAND FOR OIL SHOULD GO DOWN NOT ONLY IN THE U.S. BUT WORLD WIDE AND "THE FIRMNESS IN THE OIL MARKET IS LIKELY TO BE GONE IN 1980." IN FACT 1981 OIL MAY EVEN BE "A PROBLEM", I.E. WITH SUPPLY EXCEEDING DEMAND. IN 1980 U.S. DEMAND FOR OIL IS LIKELY TO DROP TO 10 MILLION BARRELS A DAY, EUROPE WOULD NOT GROW AS FAST AS IN THE PAST AND THERE WOULD BE SOME CUTS IN LDC IMPORTS. THE ARAB WORLD AFTER THE 1973/4 PRICE RISES CONSUMPTION DROPPED BY 10 PERCENT; THIS WAS LIKELY TO HAPPEN SINCE OIL. COUNTERACTING THESE "POSITIVE" DEVELOPMENTS,

INVENTORIES WOULD HAVE TO BE BUILT UP, PROBABLY BY ABOUT 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 TO 1.6 MILLION B/D. THIS WOULD NOT REALLY BE A 700,000 B/D CUT, AS SOME FELT, SINCE KUWAIT'S PRESENT PRODUCTION LEVEL OF 2.2 MILLION B/D FOR KUWAIT PROPER WAS EXCEPTIONAL. THE NORMAL CEILING WAS 2 MILLION B/D AND IN FACT PRODUCTION FOR KUWAIT PROPER IN 1977/78 HAD BEEN IN THE RANGE OF 1.8 TO 1.9 MILLION B/D, MEANING 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 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 EXAMPLZ, EVEN IRAQ HAS GREATLY INCREASED PRODUCTION TO MEET THE PRESENT DEMAND SITUATION, PRODUCING AT 3.4 MILLION B/D. KUWAIT'S COMMITMENT TO 2 MILLION B/D PRODUCTION FOR 1979 IS ABOVE ITS ANNOUNCED CEILING AND THEREFORE A SENSITIVE POLITICAL MATTER, GIVEN CONSERVATION SENTIMENT IN KUWAIT. (THE MINISTER EXPRESSLY ASKED THAT WE CONTINUE TO TREAT AS CONFIDENTIAL INFORMATION THE FACT THAT KUWAIT PROPER PRODUCTION IS AT A LEVEL HIGHER THAN THE "NORMAL" 2 MILLION 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, SOMETIMES TO OLD CUSTOMERS, SOMETIMES 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

AB "SERIES", NOT THE SMALL FRY.

REFERRING TO TOKYO SUMMIT PLEDGE TO REDUCE THE
OF THE SPOT MARKET, MINISTER CLAIMED SPOT MARKET
IS THE CAUSE OF PRICE RISES. SO LONG AS THE
DEMAND EXCEEDS SUPPLY THE SPOT MARKET WOULD FIND READY
BUYERS. ATTEMPTING TO STAMP IT OUT IN ROTTER-
DAM WOULD DO NO GOOD. SPOT SALES WOULD SIMPLY MOVE TO
AMSTERDAM OR ELSEWHERE. IN FACT THERE WAS NO NEED FOR

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FM AMEMBASSY KUWAIT
TO RUEHC/SECSTATE WASHDC PRIORITY 4099
INFO RUQMBI/AMEMBASSY ABU DHABI 4814
RUFHRS/AMEMBASSY ALGIERS 1024
RUEHAD/USINT BAGHDAD 0789
RUFHBS/AMEMBASSY BRUSSELS 0759
RUESRS/AMEMBASSY CARACAS 0460
RUQMDH/AMCONSUL DEAHHRAN 4052
RUQMOD/AMEMBASSY DOHA 2641
RUKOBT/AMEMBASSY JAKARTA 0397
RUQMRA/AMEMBASSY JIDDA 6416
RUEHOS/AMEMBASSY LAGOS 0420
RUFHLC/AMEMBASSY LIBREVILLE 0272
RUDTC/AMEMBASSY LONDON 3553
RUQMAM/AMEMBASSY MANAMA 3993
RUQMMT/AMEMBASSY MUSCAT 2076
RUFNPS/AMEMBASSY PARIS 2262
RUESQI/AMEMBASSY QUITO 0261
RUQMER/AMEMBASSY TEHRAN 4800
RUEHKO/AMEMBASSY TOKYO 0643
RUQMTI/AMEMBASSY TRIPOLI 1329
RUFHAU/AMEMBASSY VIENNA 0443

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C O N F I D E N T I A L SECTION 03 OF 03 KUWAIT 3532

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ANY LOCATION FOR SPOT MARKETS; ALL THAT WAS REQUIRED FOR SPOT SALES WAS A TELEPHONE AND A TELEX. "I WOULD BE A FOOL," THE MINISTER SAID, "TO GIVE UP \$10 EXTRA A BARREL IN A SPOT SALE WHEN I KNOW THAT IF WE DON'T SELL AT THIS PRICE SOMEONE ELSE WILL." SOLUTION TO THE PROBLEM WAS TO BRING DEMAND AND SUPPLY BACK IN BALANCE, NOT TO ATTEMPT TO STAMP OUT THE SPOT MARKET.

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 OLD WAPRA 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 DAMAGE TO THE RESERVOIRS AND RESERVOIR PRESSURE. LAST WEEK WE HAD THREE MEETINGS GOING OVER WHETHER OR NOT WE COULD INCREASE PRODUCTION FROM 2.25 MILLION B/D TEMPORARILY TO 3 MILLION B/D (IN ORDER TO GET THE LPT PROJECT FOR COMMISSIONING). WE CONCLUDED TO DO SO WE WOULD HAVE TO RELAX THE RULES. I WOULD HATE TO DO THIS AS IT WOULD RUN TOO MUCH OF A RISK. IT WOULD MEAN NOT REPAIRING GAS GATHERING CENTERS AND IF YOU DO THIS AND DELAY MAINTENANCE, YOU RUN A RISK OF SOMETHING HAPPENING, AS FOR EXAMPLE IN 1971 WHEN A GAS GATHERING CENTER BLEW UP. SUCH ACCIDENTS ARE NOT ONLY A TECHNICAL BUT ALSO A POLITICAL ISSUE. THESE DISCUSSIONS HAD REINFORCED MINISTER'S VIEW THAT 2.25 MILLION BARRELS PER DAY IS THE MAXIMUM SUSTAINABLE CAPACITY FOR PRODUCTION IN KUWAIT PROPER.

COMMENT: MINISTER'S 2.25 MILLION BARRELS A DAY MAXIMUM SUSTAINABLE CAPACITY FIGURE IS EVEN LOWER THAN THE 2.25 MILLION B/D FIGURE CITED PREVIOUSLY (REF E) WHICH IS FAR LOWER THAN THE 3 MILLION BARRELS A DAY OFTEN MENTIONED ABOUT. COMMENTING ON KUWAITI CAPACITY, SENIOR AMERICAN OIL EXECUTIVE LONG RESIDENT IN KUWAIT EXPRESSED DOUBT AND BELIEF THAT KUWAITI MAXIMUM SUSTAINABLE CAPACITY WOULD BE MUCH BELOW 2.6 MILLION B/D., UNLESS THERE HAD BEEN SOME RECENT CHANGES IN THE RESERVOIR. MORE RECENTLY, HE OPINED, GOK DOES NOT WANT TO PRODUCE AT HIGH PRESSURE LEVELS AND IS REVISING ITS CAPACITY ESTIMATES TO ACCORD WITH THIS POLICY GOAL. GIVEN COMPLEXITIES OF RESERVOIR DEVELOPMENTS, GOK COULD DO THIS AND IT WOULD BE MOST IMPOSSIBLE TO DISPUTE GOK ESTIMATES WITHOUT ACCESS TO EXTREMELY DETAILED COMPUTER HELD DATA. WHILE AN AMERICAN OIL EXECUTIVE MAY BE RIGHT, MINISTER GAVE IMPRESSION OF BEING SINCERE IN HIS ESTIMATE OF RISKS INVOLVED IN PRODUCTION ABOVE 2.25 MILLION B/D CAPACITY. HOWEVER, REGARDLESS OF THE PRECISE CAPACITY FIGURE, GIVEN HIS VIEWS, THERE IS LITTLE FUTURE IN OUR ATTEMPTING TO PRESSURE HIM TO RAISE PRODUCTION OF KUWAIT PROPER MUCH ABOVE THE 2.25 MILLION B/D FIGURE.

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FM AMEMBASSY KUWAIT
TO RUEHC/SECSTATE WASHDC 4090
INFO RUQMBI/AMEMBASSY ABU DHABI 4805
RUFHR/AMEMBASSY ALGIERS 1018
RUEHAM/AMEMBASSY AMMAN 3118
RUEHCR/USINT BAGHDAD 780
RUEHEG/AMEMBASSY CAIRO 2487
RUEHDM/AMEMBASSY DAMASCUS 1689
RUQHOD/AMEMBASSY DOHA 2632
RUEHJM/AMCONSUL JERUSALEM 521
RUCIRA/AMEMBASSY JIDDA 6407
RUDIIC/AMEMBASSY LONDON 3544
RUQIAM/AMEMBASSY MANAMA 3984
RUQMIT/AMEMBASSY MUSCAT 2067
RUQHHR/AMEMBASSY TEHRAN 4791
RUEHTV/AMEMBASSY TEL AVIV 1196
RUDKKR/AMEMBASSY TUNIS 740
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BT
C O N F I D E N T I A L SECTIONQ OF 4 KUWAIT 3523

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DEPT FOR NEA

E.O. 12865: RDS-1 7/24/89 (SUTHERLAND, PETER A.) OR-M
TAGS: PEPR, XF, KU, US
SUBJECT: (C) 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 HOT SUMMER IT CHEWS ON ITS 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 DRAMAIS 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 ANGRY AMERICAN REACTIONS TO OPEC 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 WAYS 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 RUMORED CHANGES IN THE STANDOFF BETWEEN THE USG AND THE PLO CAN LEAD TO REAL PROGRESS TOWARD A TOTAL 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 USG'S POSITION ON THEIR HISTORIC STAND-OFF HAS CHANGED OR WILL CHANGE, AND WHETHER IRAQ COULD TOLERATE NEGOTIATIONS OF ANY SORT LEADING TO AN ARAB-ISRAELI PEACE. END SUMMARY.

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SUMMER AIR OF KUWAIT, ALTERNATELY FULL OF WIND-
DUST AND WATER VAPOR, IS CURRENTLY BURDENED WITH
THE FACT THAT REAL PROGRESS IS BEING MADE IN THE "PEACE
PROCESS". MEMBERS OF THE DIPLOMATIC CORPS, DEPRIVED
BY FREQUENT ABSENCES OF EVEN THEIR USUAL SCANTY
CONTACT WITH AUTHORITATIVE KUWAITIS, ARE IN RARE AGREEMENT,
AND MOST TOTAL LACK OF SUPPORTING EVIDENCE, THAT ARAFAT'S
PERFORMANCE IN VIENNA WITH KREISKY AND BRANDT, STRAUSS'S
CONTRIBUTION TO THE PEACE PROCESS IN ALEXANDRIA,
RECENT ALLUSIONS TO THE RISK OF MILITARY INTERVENTION
TO PROTECT THE OIL LIFELINE, AND ARAB FRUSTRATION WITH
THE NEGATIVITY OF THE BAGHDAD RESOLUTIONS AGAINST SADAT
NOW ACTIVELY FERMENTING TOWARD DRAMATIC NEWS THAT
LEBANON, JORDAN AND SYRIA WILL BE ABLE TO JOIN
THE "PEACE PROCESS", IN A FORUM PARALLEL TO THE CAMP
DAVID AUTONOMY TALKS.

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RR RUQMRH
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ZNY CCCCC ZZH
R 240917Z JUL 79
FM AMEMBASSY KUWAIT
TO RUEHC/SECSTATE WASHDC 4091
INFO RUQMBI/AMEMBASSY ABU DHABI 4806
RUFHRS/AMEMBASSY ALGIERS 1019
RUEHAM/AMEMBASSY AMMAN 3119
RUEHCR/USINT BAGHDAD 781
RUEHEG/AMEMBASSY CAIRO 2498
RUEHDM/AMEMBASSY DAMASCUS 1690
RUQMOD/AMEMBASSY DORA 2633
RUEHJM/AMCONSUL JERUSALEM 522
RUQMRA/AMEMBASSY JIDDA 6408
RUDTC/AMEMBASSY LONDON 3545
RUQMAM/AMEMBASSY MANAMA 3985
RUQMMT/AMEMBASSY MUSCAT 2068
RUQMRH/AMEMBASSY TEHRAN 4792
RUEHTV/AMEMBASSY TEL AVIV 1197
RUDKRR/AMEMBASSY TUNIS 741
RUEHDT/USMISSION USUN NEW YORK 811

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4. OF COURSE, THOSE WHO SEE IN ARAFAT'S VIENNA MEETING PROOF THAT THE HARDLINE PRO-PALESTINIAN CAUSE MAY BE WINNING EUROPEAN (AND THEY HOPE AMERICAN) ADHERENTS HAVE THEIR UNTERPARTS IN OBSERVERS WHO BELIEVE THOSE SAME TALKS FORESHADOW AN ARAFAT-LED MODERATION OF THE PLO POSITION WHICH WILL ENABLE AMERICA TO DEAL WITH THE PALESTINIANS ON AMERICA'S TERMS. NO ONE PROFFESSES TO KNOW WHAT REALLY UNDERLAY THE VIENNA CONFERENCE, BUT ALL AGREE THAT IT BODES WELL FOR PEACE IN THE MIDDLE EAST. MOST ACCEPT THE IDEA THAT THE MEETING WOULDN'T HAVE TAKEN PALCE WITH USG BLESSING, AND THEY GO BEYOND THAT CONCLUSION IN SAYING THAT USG WOULDN'T HAVE AGREED TO THE TALKS UNLESS EITHER (A) USG WAS TRYING TO ACCOMMODATE TO THE PLO POSITION, OR (B) USG WAS CONVINCED THAT THE PLO WOULD ACCOMMODATE TO THE AMERICAN 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-ISRAELI INTERESTS. AT A TIME WHEN THE OPEC PRICE RISES AND THE USG 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
BRIEF COMMENTS BY ONE SENIOR OFFICIAL (REPTEL). FOREIGN
MINISTER SHAIKH SABAH AL-AHMAD RECENTLY (JULY 9 TO 11) MADE A
TRIP OF AMMAN, DAMASCUS AND BAGHDAD WHICH HAS GONE ESSENTIALLY
UNEXPLAINED PUBLICALLY, AND OUR MFA SOURCES APPARENTLY DO NOT
KNOW WHAT TO TELL US ABOUT THE TRIP. WHAT SOME LOCAL PAPERS
HAVE INTERPRETED AS SHAIKHA SABAH'S VALIANT EFFORT TO RALLY THE
CAMP STATES TO A TOUGHER POLITICAL STANCE AGAINST EGYPT, A
MFA SOURCE INSIST IS THE FOREIGN MINISTER'S ANXIOUS EFFORT
TO PERSUADE KING HUSSEIN AND THE RULERS IN SYRIA AND IRAQ
THAT THE CAMP DAVID AUTONOMY NEGOTIATIONS SHOW THE ONLY VIABLE
COURSE TOWARD A SATISFACTORY SOLUTION. SUCH OBSERVERS SAY
SHAIKH AHMAD MUST HAVE BEEN URGING ASSAD, BAKR AND HUSSEIN TO
GET ON WITH THE JOB OF ARRANGING FOR PARALLEL NEGOTIATIONS WHICH
WOULD ADMITTING THAT CAMP DAVID IS VALID BUT WHICH CAPITALIZE
ON THE STEPS TOWARD A REAL PEACE WHICH ARE BEING TAKEN IN THOSE
NEGOTIATIONS.

WHEN A SOURCE AT THE AMIRI DIWAN (PROTECT) TOLD US JULY 21
THAT THE FOREIGN MINISTER IS ANXIOUS TO FIND A WAY TO RECONCILE
THE ARABS TO THE CAMP DAVID PROCESS (THE REVERSE OF PRESS
COMMENTARY, TO THE EFFECT THAT HE IS TRYING TO FIND A WAY FOR
THE ARABS TO ABORT THAT PROCESS), WE ASKED HIM WHY THE FOREIGN
MINISTER DOESN'T TELL US THIS AND ASK US TO TAKE SPECIFIC
STEPS HELPFUL TO HIS EFFORTS. THE ADVISOR SAID KUWAITIS BELIEVE
THAT TALKING FRANKLY WITH US WOULD RESULT IN LEAKS TO THE
EMIRIS WHO WOULD PROMPTLY ACT TO SUBVERT KUWAITI EFFORTS.

WORKING-LEVEL FOREIGN MINISTRY OFFICIALS PROFESS THERE IS
NOTHING BUT GOOD ARAB DUST IN THE WIND. THE BRITISH AMBASSADOR
(PROTECT STRICTLY), WHO HAD REQUESTED A HIGH-LEVEL POLITICAL
AUDIENCE AT THE MFA LAST WEEK, WAS GIVEN AN APPOINTMENT WITH
MFA DEPARTMENT HEADS WHO OBVIOUSLY WERE TOTALLY IGNORANT OF
THE FOREIGN MINISTER'S THINKING, AND ANXIOUS THAT THE AMBASSADOR
MIGHT BELIEVE THAT THEIR MINISTER WAS JUST OFF SEEING OLD FRIENDS. THE
AMBASSADOR SAYS HE CONCLUDES THAT THERE IS IN FACT NOTHING IN
THE WIND. WE CONCLUDE THAT THE IGNORANCE OF THE MFA OFFICIALS
HAS NO EVIDENCE EITHER WAY.

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RR RUQMHR
DF RUQMKW #3523/3 2051035
ZNY CCCCC ZZH
R 240917Z JUL 79
FM AMEMBASSY KUWAIT
TO RUEHC/SECSTATE WASHDC 4092
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RUFHRS/AMEMBASSY ALGIERS 1020
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RUEHCR/USINT BAGHDAD 782
RUEHEG/AMEMBASSY CAIRO 2489
RUEHDM/AMEMBASSY DAMASCUS 1091
RUQMOD/AMEMBASSY DOHA 2634
RUEEJM/AMCONSUL JERUSALEM 523
RUQMRA/AMEMBASSY JIDDA 6409
RUDTC/AMEMBASSY LONDON 3546
RUQMAM/AMEMBASSY MANAMA 3986
RUQMMT/AMEMBASSY MUSCAT 2069
RUQMHR/AMEMBASSY TEHRAN 4793
RUEHTV/AMEMBASSY TEL AVIV 1198
RUDKXR/AMEMBASSY TUNIS 742
RUEHDT/USMISSION USUN NEW YORK 812

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C O N F I D E N T I A L SECTION 3 OF 4 KUWAIT 3523

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8. THE SWEDISH AMBASSADOR, THEN DAYS AGO, PRIOR TO DEPARTING ON PROLONGED LEAVE, SAID HE HAD IT ON IMPECCABLE ARAB AUTHORITY THAT "EUROPE" WAS MOBILIZING TO TAKE AN ACTIVE ROLE IN PEACE TALKS. ARAFAT'S VIENNA VISIT SIGNALLED A WILLINGNESS BY THE PLO TO MEET REASONABLE AMERICAN TERMS, AND THE AMBASSADOR UNDERSTOOD THAT WE COULD EXPECT ANNOUNCEMENT 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, USC'S 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 "PEACENIK" BUT A MAN CLOSELY IN TOUCH WITH ALL CONSERVATIVE AND MANY RADICAL ARAB TRENDS IN KUWAIT, TOLD THE CHARGE RECENTLY THAT SHAIKH 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

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COMMUNIQUE, ONE WHICH MADE NO OVERT CONCESSIONS TO THE CAMP
DIPLOMATIC 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
LEBANANESE OFFICIALS WOULD BE QUOTED IN SUPPORT OF THIS ANALYSIS.
HE ALSO PUT FORWARD THE BIZARRE NOTION THAT USG, WITH SUPERB
CONFIDENCE, BY "MAKING ITS DECLARATION" THAT IT WOULD INVITE THE
ARAB STATES IF NECESSARY, HAD PROVIDED THE MODERATE ARABS WITH
THE NECESSARY TOOL TO USE WITH THE RADICALS: HE ENVISAGES SHAIKH
SAUD AL-AHMAD EXPLAINING TO THE IRAQIS AND LIBYANS THAT USE
OF THE OIL WEAPON WOULD MEAN OCCUPATION BY THE HATED AMERICANS.
THEREFORE "WE MUST ALL PLAY WITH THE AMERICANS' NEGOTIATING
CARD."

THE JORDANIAN AMBASSADOR, PERHAPS OVER-OPTIMISTICALLY,
NOTICED A GATHERING ANTI-RADICAL TREND IN THE ARAB WORLD. HE
CITED THE RELEASE FROM DETENTION OF BEN BELLA AS EVIDENCE
OF THE NEW ALGERIAN GOVERNMENT WILL BE A MODERATE ONE. HE
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WEST GERMAN CHARGE COMPARES THE ARAFAT MEETING WITH THE
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PORTUGUESE CRISIS OF SOME YEARS AGO. THE SOVIET CHARGE SPEAKS OF
EGYPT, THE LEADING REJECTIONIST STATE, AS AGAIN SLIPPING INTO
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25 Jul 79 03 00z

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RR RUQMR
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FM AMEMBASSY KUWAIT
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C O N F I D E N T I A L SECTION 3 OF 4 KUWAIT 3523

LIMDIS

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25 JUL 79 13 04

NNNNVV ESB073AAA260
RR RUQMR
LF RUQMKW #3523/4 2051050
ZNY CCCCC ZZH
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FM AMEMBASSY KUWAIT
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C O N F I D E N T I A L 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 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 (FORTUITIOUS 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 ASSERT 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 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, AS USUAL, IS NOT ABOUT TO BE "OUT FRONT", BUT THERE MAY BE SUBSTANCE IN ANALYSES THAT SEE SHAIKH SABAH AL-AHMAD AS FEELING OUT THE

...ABILITIES FOR A NEW, MODERATE POSITION TO TAKE THE BAGHDAD
...ARAB OFF THE STERILE HOOK OF THEIR REJECTION OF CAMP
...RESULTS. THE TWO BIG QUESTIONS, SEEN FROM HERE, ARE (A)
...ARAFAT FEELS HIMSELF POSITIONED TO DELIVER A MEANINGFUL
...PROMISE WITH THE USG POSITION, IN ORDER TO ENGAGE HIS
...ANIZATION EITHER IN CAMP DAVID TALKS OR IN PARALLEL
...NEGOTIATIONS; AND (B) WHETHER IRAQ, CONCEIVABLY WITH ITS
...POSITION CHANGED BY THE ACCESSION TO FULL POWERS OF SADDAM
...HUSSEIN, WILL BE AMENABLE TO COUNSELS OF MODERATION. IF THE
...WORLD EXCEPT IRAQ PETITIONS ISRAEL FOR PEACE, THERE WILL
...ANXIOUS AND PROBABLY PROLONGED, WHISPERED CONSULTATIONS
...AMONG KUWAITIS AND THEIR NEIGHBORS BEFORE THE GOK TAKES ANY
...PUBLIC POSITION AT ALL. ALL THE FOREGOING MAY BE THE INEVITABLE
...BY-PRODUCT OF A KUWAIT JUST EMERGING FROM NINETEEN CONSECUTIVE
...YEARS OF EYE-SEARING, LUNG-CONGESTING SANDSTORMS, AND THERE IS
...MAYBE A SCRAP IN IT OF OFFICIAL KUWAITI EVIDENCE, BUT WE HAVE
...GATHERED SOME OF THE MAIN ARTERIES OF OPINION IN KUWAIT AND
...WE ARE INCLINED TO BELIEVE THERE IS SOME BASIS IN FACT FOR THE
...GENERAL OPTIMISM OF OUR CONTACTS HERE. SUTHERLAND

1973

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ZNY CCCCC ZZH
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FM AMEMBASSY KUWAIT
TO RUEHC/SECSTATE WASHDC 4089
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RUEHCR/USINT BAGHDAD 779
RUEHEG/AMEMBASSY CAIRO 2486
RUEHDM/AMEMBASSY DAMASCUS 1688
RUQMOD/AMEMBASSY DOHA 2631
RUEHJM/AMCONSUL JERUSALEM 520
RUQMRA/AMEMBASSY JIDDA 6406
RUDTIC/AMEMBASSY LONDON 3543
RUQMAM/AMEMBASSY MANAMA 3983
RUQMMT/AMEMBASSY MUSCAT 2066
RUQMNS/AMEMBASSY SANA 1389
RUQMHR/AMEMBASSY TEHRAN 4790
RUDKKR/AMEMBASSY TUNIS 739
RUEHTV/AMEMBASSY TEL AVIV 1195
RUEHDI/USMISSION USUN NEW YORK 809
BT
C O N F I D E N T I A L KUWAIT 3522

24 JUL 79 09 57z

LIMDIS

E.O. 12065: RDS-1 7/24/89 (SUTHERLAND, PETER A.) OR-M
TAGS: PEPR, XF, KU, US
SUBJECT: (C) KUWAITI OFFICIAL COMMENTS FAVORABLY ON US ROLE
IN PEACE PROCESS

REF: (A) STATE 178999, (B) STATE 179404, (C) KUWAIT 3523.

1. (C - ENTIRE TEXT).
2. SUMMARY: JULY 22 CONVERSATION BETWEEN ADCM AND SENPOR KUWAITI MFA OFFICIAL ELICITED POSITIVE COMMENTS ON US ROLE IN PEACE PROCESS. END SUMMARY.
3. AFTER OTHER BUSINESS WITH KUWAITI MFA LEGAL ADVISOR TAREQ RAZOUQI (PROTECT), ADCM MENTIONED OUR SATISFACTION WITH MODEST PROGRESS ACHIEVED BY AMB STRAUSS IN BUILDING PERSONAL RELATIONSHIPS WITH SADAT AND BEGIN AND IN ESTABLISHING AN AGENDA FOR AUTONOMY TALKS (REFS A AND B). ADCM INVITED RAZOUQI'S COMMENTS ON AMB STRAUSS' TRIP AND ARAFAT'S MEETING IN VIENNA. DR. RAZOUQI, WHO IS CLOSE TO THE FOREIGN MINISTER, ACKNOWLEDGED THE PREVAILING MFA OPINION THAT THE VIENNA MEETING CREATED A MORE POSITIVE IMAGE OF YASSER ARAFAT AND THE PLO, BUT HE THOUGHT THERE WERE LIMITS ON WHAT EVEN THE MOST RESPECTED EUROPEAN STATESMAN COULD DO FOR THE MIDDLE EAST PEACE PROCESS. AMERICA'S ROLE HE THOUGHT WAS DECISIVE: "YOU HAVE TO TALK TO THE PLO." HE EXPECTED WE EVENTUALLY WOULD.

4. IN THIS VEIN, HE MENTIONED A RECENT CONVERSATION HE HAD 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, OIL PRODUCTION, AND THE LEVERAGE OF ITS INVESTMENTS IN THE US IN ORDER TO PUT PRESSURE ON THE US TO BRING ISRAEL TO MEET. 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 ALIENATE THE US THROUGH CRUDE PRESSURE TACTICS WITH NEIGHBORING SOUTH YEMEN TO CONTEND WITH AND ANOTHER SOVIET SUPERPOWER ACROSS THE RED SEA, RAZOUQI ADDED. MOREOVER, SPEAKING AS A KUWAITI OFFICIAL WITH THE RANK OF AMBASSADOR, RAZOUQI WANTED HIS INTERLOCUTOR TO KNOW THE US WAS AT LEAST TRYING TO ACHIEVE A SETTLEMENT IN THE MIDDLE EAST, WHICH WAS MORE THAN THE SOVIET UNION WAS DOING. THE US HAS INFLUENCE WITH ISRAEL, RAZOUQI SAID, AND WILL EVENTUALLY BREAK 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 DISTURB THE ECONOMY OF THE US BY THESE TACTICS.

5. ADCM THANKED RAZOUQI FOR THIS REPORT AND REITERATED OUR INTENTION TO CONTINUE TO BE A FULL PARTNER IN THE PEACE PROCESS, BUT CAUTIONED THAT THE PROCESS WOULD BE NEITHER QUICK NOR EASY.

6. COMMENT: RAZOUQI'S REMARKS -- THE MOST POSITIVE HEARD FROM A KUWAITI OFFICIAL IN A LONG TIME -- OCCUR AS THERE EMERGES HERE A SENSE THAT THERE'S A SILVER LINING IN THE STILL CLOUDED PROSPECTS FOR MIDDLE EAST PEACE (REF C).
NETHERLAND

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 RR RUQMHR
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 FM AMEMBASSY KUWAIT
 TO RUEHC/SECSTATE WASHDC 4100
 INFO RUQMBI/AMEMBASSY ABU DHABI 4815
 RUFHOL/AMEMBASSY BONN 0566
 RUEHAD/USINT BAGHDAD 0790
 RUDKPNQ/AMEMBASSY COPENHAGEN 0035
 RUQMOD/AMEMBASSY DOHA 2642
 RUQMRA/AMEMBASSY JIDDA 6417
 RUDTC/AMEMBASSY LONDON 3554
 RUFHBG/AMEMBASSY LUXEMBOURG 0016
 RUFNPS/AMEMBASSY PARIS 2263
 RUEHRO/AMEMBASSY ROME 0524
 RUQMHR/AMEMBASSY TEHRAN 4801
 RUEHKO/AMEMBASSY TOKYO 0644
 RUDKGPQ/AMEMBASSY THE HAGUE 0142
 RUFHBS/AMEMBASSY BRUSSELS 0760
 RHEGDOE/DEPT OF ENERGY WASHDC
 BT
 C O N F I D E N T I A L KUWAIT 3533

Ecom
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ALSO FOR USEEC

E.O. 12065: GDS 7/21/85 (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 AMEASSADOR 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 MIGHT BE FRENCH FIRM WINNING SOME OF THE WORK ON EXPANSION/MODERNIZATION OF KUWAIT OIL COMPANY REFINERY,

THIS LONG-DISCUSSED BILLION DOLLAR PROJECT EVE IS
FULLY APPROVED.

COMMENT: KUWAIT OIL SALES ARE LARGELY COVERED UNDER
LONG AND MEDIUM TERM CONTRACTS, WITH PRESENT PRODUCTION
WELL BELOW NORMAL CEILING OILING MOSTLY TO THE THREE MAJOR
PURCHASERS WITH LONG-TERM CONTRACTS, GULF, BP AND SHELL,
AND OCCASIONAL SPOT SALES. WE UNDERSTAND THERE MAY BE AS MUCH
AS 100,000 B/D

AVAILABLE IN THE FOURTH QUARTER OF 1979, SINCE AN
AMERICAN FIRM HAS HAD VERY PRELIMINARY DISCUSSIONS WITH
KUWAIT'S OIL MINISTRY REGARDING PURCHASE OF SUCH AN
AMOUNT. THIS IS PROBABLY, HOWEVER, CONTINGENT ON SOME
EXISTING CONTRACT NOT BEING RENEWED.

IF FRANCE WERE TO PUSH FOR KUWAITI OIL,
THE EARLIEST IT COULD GET IT, ON CONTRACT BASIS, WOULD PROBABLY
BE AFTER MARCH 31, 1980, WHEN PRESENT FIVE-YEAR GULF
AND BP CONTRACTS COME UP FOR RENEWAL. HOWEVER, IF KUWAIT
OIL PRODUCTION IN 1980, WHICH IS A DISTINCT POSSIBILITY
(SEE C), THERE MAY BE LITTLE EXTRA TO GO AROUND.
AMSTERDAM

RR RUQMHR
DE RUQMKL #3542 2060840
ZNY CCCCCC ZZK
R 250615Z JUL 79
FM AMEMBASSY KUWAIT
TO RUEHC/SECSTATE WASHDC 4102
INFO RUQMBI/AMEMBASSY ABU DHABI 4017
RUEHAM/AMEMBASSY AMMAN 3122
RUEHAD/USINT BAGHDAD 791
RUEHEG/AMEMBASSY CAIRO 2491
RUQMDH/AMCONSUL DHAHRAN 4053
RUQMOD/AMEMBASSY DOHA 2644
RUQMRA/AMEMBASSY JIDDA 6419
RUQMMT/AMEMBASSY MUSCAT 2076
RUQBAB/AMEMBASSY NEW DELHI 407
RUQWHR/AMEMBASSY TEHRAN 4802
RUEHKO/AMEMBASSY TOKYO 645
RUEANSA/DEPT OF LABOR WASHDC
BT

C O N F I D E N T I A L KUWAIT 3542

LIMDIS

C.O. 12065: RDS-1 7/25/89 (SUTHERLAND, PETER A.) OR-M
TAGS: PINT, ELAB, PINS, ENRG, KU
SUBJ: (C) OIL MINISTER SAYS OIL WORKERS ARE MANAGEABLE

REF: (A) KUWAIT 2980, (B) KUWAIT A-12, JUNE 13, 1979 (NOTAL),
(C) KUWAIT 2718 (NOTAL), (D) KUWAIT 3530 (NOTAL)

1. (C-ENTIRE TEXT).

2. IN COURSE OF TOUR D'HORIZON WITH KUWAIT OIL MINISTER, SHAIKH ALI KHALIFA AL-SABAH JULY 22 (REF D) REFERENCE WAS MADE TO CONTINUAL PROBLEMS POSED FOR IRAN BY IRANIAN OIL WORKERS, WHICH LED TO THE QUESTION OF WHETHER KUWAIT COULD POSSIBLY BE FACED WITH SUCH 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 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 REALLY 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 FALLEN 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 THOUGH THEY WOULD BE MORE ANGRY. WE REALLY HAVE WITHDRAWN FROM THEM THEIR RIGHT TO NEGOTIATE BUT THEY HAVE NOT 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 COMMENTS TO US REINFORCE CONCLUSIONS REPORTED REF C THAT OIL WORKERS DO NOT APPEAR TO POSE A THREAT EITHER TO KUWAITI STABILITY OR TO OIL PRODUCTION.

SUTHERLAND

ACTION			
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COM	FRB	INT	
YAR	YR	AMB	
ARMY	NAVY	OSD	
VSA	CIA		

DEPARTMENT OF STATE
AIRGRAM

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Original to be Filed in _____ Decentralized Files.

FILE DESIGNATION

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A-25

HANDLING INDICATOR
 TO : DEPARTMENT OF STATE
 DEPT PASS: ABU DHABI, AMMAN, BAGHDAD, CAIRO, COMIDEASTFOR, DAMASCUS, DHAHRAN, DOHA, ISLAMABAD, LONDON, MANAMA, MUSCAT, NEW DELHI, PARIS, RIYADH, SANA, TEHRAN, TEL AVIV, USDOD, US DEPT OF TREASURY, USDEPT OF LABOR, USCINCEUR FOR POLAD
 FROM : American Embassy KUWAIT DATE: August 8, 1979
 SUBJECT : (C) Political Reassessment: The Effect of Modernization in Kuwait
 REF : (A) STATE 38373, (B) KUWAIT 3402

EO 12065: GDS 8/8/85

TAGS: PINS, PGOV, SOCI, SPOP, 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 foreigners come to Kuwait by the thousands, rendering Kuwaitis a minority in their homeland, but among Kuwaitis themselves there are new tensions borne of the dispersion of old families and the introduction of new, bedouin families to the sprawling urban complex which has replaced

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Enclosures:

- (UNCLASSIFIED) Table: Composition of the Expatriate Community by Nationality, 1965, 1970, 1975.
- Note on Estimate of Income Disparity Growth among Kuwaitis.

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FORM 10-69 04-323

File Designation of Doc. _____

ECON: SWBuck
 JClunan CHARGE: PASutherland 7/28/79
 Extensively revised since drafting, this text has not been fully cleared by ECON or POL. Its virtues are those of Buck and Clunan, its faults are of the Approving Officer.

INFO GORY

KUWAIT A-25
Page 2

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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 wise enough, so that wealth has been spread throughout society in such a way that economic inequalities, 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 foreign 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 their 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 become 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 the Kuwaiti community and between Kuwaitis and non-Kuwaitis, and implications of the present situation, and of emerging Kuwait 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 of 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

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The society was broken down broadly into three groups: 1) the odd leading merchant families who owned ships engaged in fishing, trade and pearl diving; 2) those who manned the boats, 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 marriage and the extended family system. Three or four generations lived 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 diwaniyya, whose door was usually always open for visitors high and low. Through the diwaniyya 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 embarked in the early 50's on a program to completely modernize Kuwait 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 finance new construction within and without the old city on extremely liberal terms. At the same time they embarked on large expenditures 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 find almost no old houses. The few that remain sit forlornly on dirt parking lots, waiting to be bulldozed to make way for yet another high-rise office building. With the houses, bulldozers destroyed the physical reinforcements of the old extended family system. Married sons now increasingly live separately from their fathers in new villas or in apartments, scattered far and wide in suburbs which make Kuwait appear to be modeled on Los Angeles.

Population Change. To turn Kuwait into a modern welfare state, the government had to rely heavily on expatriate labor, skilled and unskilled. Palestinian workers, many of them displaced in successive Arab-Israeli wars, arrived to help meet the demand. In the years, tens of thousands of Egyptians, Iranians,

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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 opportunity 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. From 1946 to 1975, when the last census was taken, Kuwait's population increased over 1100 percent, from 90,000 to over a million. Its composition changed radically, from a largely homogeneous group of townspeople, a society in which Kuwaitis were a minority (47.5 percent) in their own country. Equally important, the legal definition of being Kuwaiti changed. Partially to balance the influx of Palestinian, Egyptians, Iranians, Indians, and others, and partly simply 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 the net increase in Kuwaitis 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 did 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 1960 average imports per capita were \$280. By 1960 the figure had nearly tripled 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 Kuwaiti 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-Kuwaiti families received about 29 percent of this group's total income while among Kuwaitis, the top 10 percent received more than 40 percent of total Kuwaiti income. Since then, with inflation, the percentage of total income going to the richest Kuwaiti households has increased, according to these studies. (see enclosure 2)

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b. Non-Kuwaitis. It should come as no surprise that the income of non-Kuwaitis is less than that of Kuwaitis. In 1972/73, the most recent year for which data is available, median family income for Kuwaitis was about \$750 per month, or it was \$500 for non-Kuwaitis. Non-Kuwaitis enjoyed less living power because a high percentage of them were employed as unskilled laborers and they had to pay rent, while many Kuwaitis lived in subsidized housing (and the income from rent), and received preferential government treatment in employment and salaries. No precise data exist for the period since the 1973/4 oil price rise, it seems likely that the gap between Kuwaiti and non-Kuwaiti income has widened, since increased rents have affected non-Kuwaitis more than Kuwaitis, and since the bulk of income from oil arrangements, contracting, etc has gone to Kuwaitis.

c. 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 concentrated by a given class or family group. Increased income distribution has been unequal, but not grossly so. Those with easy access to the new wealth have made sure that not only no one is left out, starving and resentful, but also that nearly everyone, foreigners and newcomers not excepted, has had to admit to having benefited greatly. The pie has been so large, in other words, that everyone's piece has been substantial. There have been and will always be complaints of inequality, but these complaints are not backed up by privation and suffering.

Kuwaitis -- A Destabilizing Force? A good deal has been written lately about the allegedly inherent instability of societies which depend on large numbers of technicians and workers from other countries, and especially about the Gulf States some of which have indigenous populations smaller than the forces imported to help usher in the 20th century. But such fears of instability are valid only to the extent that the expatriate communities are primed to play an active role in the politics of their host countries. The fact is that for the most part these communities in Kuwait are politically inert in Kuwaiti politics. Income disparity is not a problem because the "guestworkers" earn far more than they could elsewhere, and they are not about to kill their golden goose. In Saudi Arabia there is a very large Yemeni workforce, which, considered in the context of Saudi politics vis-a-vis North and South Yemen, may be serious grounds for concern, but in Kuwait it is nowhere near the numerical domination of the workforce by a foreign element which the Yemenis represent in Saudi

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Arabia. There are many Indians in Kuwait (about 70,000, 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 exhorted 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 the first sign of trouble.

Arab Politics Among Expatriates. Far more troublesome to the Kuwaiti authorities are the Arab communities -- the Palestinians (perhaps 300,000 strong) first and foremost, the Egyptians, Iraqis and Syrians next, and the Yemenis -- mostly high deposit laborers -- last of all. Arab residents are heirs, as the Asians 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 a very large proportion. Those who espouse Ba'athi 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 of 120,000, roughly half common laborers and half intellectuals and technocrats of varying ideological strains -- a conviction that the Kuwaitis are basically crude bedouin, undeserving of Egyptian concern, and hardly worthy of Egyptian envy. Among the 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

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Egypt is a greater nation than the Arab World has produced. This is why the Government of Kuwait is cutting down on Arab migration, and looking to South Asia and the Far East for the workforce 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 have absolutely no interest in the inter-Arab affairs which absorb most of the working energies of Kuwaiti security officials, and leave them at home when the job is done.

Although 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 vivendi. The trouble, however, would be containable, in the judgement of our best contacts who say that the majority of Kuwaitis, including the Shi'a 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 (78 KUWAIT 6604).

The Palestinian community problem, to which Kuwaiti policymakers devote so much attention, is entirely different, because many Palestinians have been here so long, and have such a solid claim to a full share of the proceeds of Kuwaiti development, and because so long as the Arab/Israeli conflict continues on its recent course, they have no genuine "nation" to which to return or through which to seek recourse (78 KUWAIT 5021). In short, Palestinians could come to see Kuwait as their country, and to resent being deprived of its benefits. So far, at least, the Palestinians have expressed little interest in helping 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, and agitate for the right to retire in Kuwait rather than be expelled when their working days are over, and to exercise a watching brief over statements by Kuwaiti leaders about the future of the Middle East. Palestinian nationalism is such, and Kuwaiti accommodation has been such, that the Palestinian community has never seriously dreamed of taking over Kuwait with all its riches. And this is surely something to which Kuwaiti national leadership has given serious thought since

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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 the 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 decreasingly attractive for Palestinians to work in Kuwait,

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no assumption that the existence of a homeland of their will make this politically feasible. But one can foresee that thousands of Palestinians, whose entire lives have been passed in the Kuwaiti environment, but not in the multi socio-political context, will be forced to choose between loyalty to Palestine and loyalty to Kuwait, and that many will choose the latter, presenting the Government of Kuwait with choices threatening the cozy insularity of its society. Long as the pro-Palestinian world regards the Palestinian community in Kuwait as a group of people waiting to move to homeland, the withholding of Kuwaiti-type benefits from Palestinian citizens is not only understandable, but is an "National duty": to do otherwise is to contribute to the perpetuation of the Palestinian diaspora as a force working for redemption. The creation of a Palestinian homeland or state would oblige Kuwaitis to refine their thinking about what the presence of Palestinians in Kuwait would really mean.

Future of the Foreign Communities. As modernization/industrialization continues Kuwaitis seem likely to remain a minority in their own country, since there is little incentive for them to do the dirty work, or highly technical chores they can hire others. Especially if Kuwait wishes to diversify its economy away from oil by industrialization, it seems it must perpetuate the citizens' minority status, if not accentuate it, by importing the skills necessary to create modern industry, and the collar workmen who sustain such industry.

Manpower Policy. In the mid-1970's when Kuwait was engaged in labor-creating industrialization plans - everything from petrochemical plants to steel mills - it seemed likely that the foreign manpower would decrease as a percentage of total population. A manpower study, predicting manpower needs for 1975-80 on rapid industrialization plans, concluded that by 1980 the Kuwaiti proportion of the population would have declined from 46 percent because of the influx of needed foreign labor. However, since that time steel mills and a lot of other industrial projects have been either rejected outright or indefinitely permanently shelved. Kuwaiti officials, led by Shaikh Jaber al-Sabah, now Oil Minister, have publicly stated their opposition to "white elephant" projects, even when this is in direct opposition to powerful local interests wanting to build them. It is very important, as local production has been hurt by foreign competition, leading to calls for tariff protection, merchants who supported 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.

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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 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. 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 had less than doubled (to 305,000), increasing their proportion to 2.5% of the total work force, and 8% of the Kuwaiti work force. With Kuwaiti 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.

"Kuwaitization" 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 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 the 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 a 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, on balance, 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. Economic 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.

Tensions between Kuwaiti groups: Just as the Palestinians and expatriates do not think of themselves as Kuwaiti nor, in general, to become Kuwaiti (except in the sense of trying to obtain benefits presently available only to Kuwaitis,) the Kuwaitis do not consider Palestinians and other expatriates as part of the body politic. In some ways the most remarkable thing we have observed from many hours of listening to diwaniyya and other discussions among Kuwaiti men is simply 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-relationship 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 and the many younger Sabahs who have gone into business. However, few of these Sabahs, such as Shaikh Nasser, a son of the Foreign Minister, have been more active in investment outside of Kuwait than inside the country, and therefore cannot be said to have stolen the bread from the mouths of other Kuwaitis. Also, the phenomenon can be and is 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 "how many ruling family members should I have as an agent?" There are Sabah family members who are silent or not-so silent business partners, and business visitors may well choose as an agent a firm which has a Shaikh of Al-Sabah as a partner, but Kuwait's rapid modernization has not led to Sabah family becoming a Sabah family preserve (for example, on the Sabah and their position in Kuwait see KUWAIT A-23). Nevertheless there is today more complaint from Kuwaiti merchants and Sabahs who have gone into business than there used to be.

B. The Shi'a - Kuwait's Shi'a minority, estimated at/least 10% of the total Kuwait population (see 78 KUWAIT 6604), sticks together 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, resent "those Iranians" being named to high positions. Growing illth and education and the rise of Khomeini have brought on a new pride 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 recognition 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 Shi'a 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 are disappearing. The phenomenon of Khomeinism, however, has brought not only a new degree of Shi'a pride, but an old measure of old prejudice. Since February, 1979 one has heard less of the comfortable "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 predict that the result would be reaffirmed loyalty to Kuwait and Sabah, but the fact is that the proposition has not been tested.

C. Old Merchant Families vs Other "town" Kuwaitis - As indicated in paragraph 6 above, Kuwait's modernization and its enormous increase in income have made some of the rich much richer. Has this caused tension between the old merchant families and other "town" Kuwaitis, who have not done proportionately well? Kuwaitis we ask generally display the problem. They point out that Kuwait's Ministries, at Assistant Undersecretary, Undersecretary and even Minister level, are staffed with relatively "unknown" names. There are many Kuwaitis from the leading families who have done very well in the local stock market and in business because they were more venturesome than those of the older merchants. Finally, in Kuwait's growing economy, the old system where a few families handled scores, or even hundreds of trading agencies, and completely dominated the marketplace, no longer applies. The economy has expanded sufficiently so that diversification is needed. In this situation, young, aggressive entrepreneurs 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." Well-informed bankers tell us that if a Kuwaiti, whatever his background, can establish himself as an agent for only a few foreign banks, he can then usually build up access to credit and soon amass considerable wealth. Entry into business in Kuwait continues to be easy and attractive. Patterns which ensure that the rich will grow

much richer continue. However, what has appeared is a growing and action on the part of the government to ensure that, whatever disparities, all Kuwaitis will be economically better off. Hence the 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 gate keepers who spent their childhood without running water or electricity 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 modicum of capital and enterprise, 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 their children. Almost universally, educated Kuwaitis we have talked to 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 most. Now many consider them a nuisance since they overload the payrolls of the government bureaucracy, but paid for doing little more than drinking tea. Their demands for social services are incessant, and, not satisfied with the response of the bureaucracy, they try to take their complaints directly to the Amir or the Crown Prince. To cope with their antique attitudes 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 diwaniyyas 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, roads, sewers, water and electrical supply systems. But so long as it is the Kuwaiti pie overall that one seldom hears complaints from "establishment" individuals that too large a share is going to the newly settling elements.

Regardless, Kuwaitis are Basically United: Having catalogued inter-tribal 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 scholarships, etc. is bringing them into the Kuwaiti body politic. It is the fact that once settled, they are likely to remain in townships, such as Al-Faha, which are primarily ex-bedouin in makeup. But in their work and daily life they increasingly mix with other Kuwaitis. They all, no matter what their origin, wear western clothes when in Kuwait, but 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 majority in their own country, Kuwaitis look inward and to a certain extent have an "us and them" mentality. Whatever the differences between the merchant aristocracy and the other "town" Kuwaitis, and between "town" Kuwaitis and bedouin, this is a "family" matter. The sense that there is a fundamental, shared conviction that it should be Kuwaiti, with all the privileges and benefits that entails, and that the other residents in Kuwait are not. Cynics may say that patriotism is largely a function of the estimated probability that Kuwaiti citizenship is worth in lifetime earnings. Whatever the case, it is a powerful unifying force, one that to ensure that whatever the social tensions which modernizations bring, they will not lead to any fundamental confrontations between Kuwaiti groups.

When Kuwaitis thus really do comprise something similar to the "family" of which official speeches boast, it seems accepted that among Kuwaitis high and low, that their society has outgrown the tribal system quantitatively and qualitatively -- the close, consultative, qawala system by which, in former days, news was efficiently spread and opinion filtered back to those in authority. The quality of dialogue has been depressed by the spreading out of Kuwait City, the dispersion of families across growing suburbs, and by the production of thousands of new families without traditional links to the gossip society of old Kuwait. Thus one noticeable political effect of modernization in Kuwait has been increased faith in an elected national legislature, as a medium for expression of opinion by diverse elements in society, and as a means whereby the executive can, to some degree at least, be called to account for its actions or its oversights. This interest is building as the

deadline, August, 1980, for reconstituting the National Assembly dissolved in August of 1976 approaches. Reconciling the per interests of the various elements in Kuwaiti society into a acceptable formula for representation in the Assembly, and f operating rules, will absorb increasing high-level attention months just ahead (see KUWAIT 3302).

Conclusion. The strains of modernization have not torn apart fabric, 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 a composite of territorially-based nationalities, each waiting lapse on 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 disparity which might breed 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 outside 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 immigration and through careful attention to relations with governments of these expatriate communities relate. The old, homogeneous nation of Kuwait "before oil" has dissolved, but there remains a distinctive "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 job 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 hurtled 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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Composition of the Expatriate Community
by Nationality, 1965, 1970 and 1975

<u>Nationality</u>	<u>1965</u>	<u>%</u>	<u>1970</u>	<u>%</u>	<u>1975</u>	<u>%</u>
Jordanian & Palestinian	77,712	31.4	147,696	37.7	204,178	39.0
Iraqi	25,897	10.5	39,066	10.0	45,070	8.6
Saudi Arabian	4,632	1.9	10,897	2.8	12,527	2.4
Chinese	20,877	8.4	25,387	6.5	24,776	4.7
Iranian	16,849	6.6	27,217	6.9	40,962	7.8
Egyptian	11,021	4.4	30,421	7.8	60,534	11.6
Japanese	418	0.2	773	0.2	1,553	0.3
Yemeni (P.D.R.Y.)	2,635	1.1	8,604	2.2	12,332	2.4
Yemeni (Y.A.R.)	144	-	2,363	0.6	4,831	0.9
Arab Gulf Nationals	2,011	0.8	5,518	1.4	4,056	0.8
Omani	19,584	7.9	14,670	3.7	7,313	1.4
Others	6,143	2.5	237	0.1	1,055	0.2
All Non-Kuwaiti						
Arab Nationals	187,923	75.9	312,649	79.9	419,187	80.1
Iranian	30,790	12.4	39,129	10.0	40,842	7.8
Indian	11,699	4.7	17,336	4.4	32,105	6.1
Pakistani	11,735	4.7	14,712	3.8	23,016	4.4
Others	5,133	2.1	7,240	1.8	7,599	1.4
Non-Arab Nationals						
	59,357	24.1	78,417	20.0	103,562	19.8
Grand Total	247,280	100.0	391,266	100.0	522,749	100.0

Source: Ministry of Planning, Kuwait, Statistical Abstract,
1976, Table 17, p. 31.

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

Those in control prior to oil, the shipowners and merchants, traded on the import business fueled by oil revenues, while the Kuwaitis, bedouin, craftsmen, fishermen, etc. were quite satisfied with new posts in the oil sector or as civil servants. Since all must come through 51% 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. A 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 acquisition, and to profit accordingly. They were the ones to go into contracting, thereby also gaining disproportionately, since a large part of imports, the bulk of increased government expenditures went into construction rather than salaries. Finally, the top merchants benefitted 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 or more. Middle and low-level Kuwaiti civil servants and oil industry workers were more likely to rent their housing and were therefore hurt more by inflation.

ARAB OR GULF SUMMIT, REFERRING TO REPORTS (AMONG OTHERS OF UAE MINSTATE FOR FOREIGN AFFAIRS RASHID ABDALLAH'S VISIT TO KUWAIT LAST WEEK. SHAIKH MUBARAK SAID 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. SHAIKH 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, SHAIKH MUBARAK SAID THE IDEA WAS TO LIMIT THE OIL PRODUCING PARTICIPANTS TO THE GULF ARABS, SPECIFICALLY EXCLUDING BOTH IRAQ AND IRAN "WHOSE PRESENCE WOULD MAKE THINGS MESSY."

4. SHAIKH MUBARAK DID NOT MENTION, AND I DID NOT RAISE, 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. SHAIKH 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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 /AMEMBASSY DOHA 2661
 /AMEMBASSY JAKARTA 402
 /AMEMBASSY JIDDA 6428
 /AMEMBASSY LAGOS 425
 /AMEMBASSY LIBREVILLE 273
 /AMEMBASSY LONDON 3564
 /AMEMBASSY MANAMA 4010
 /AMEMBASSY MUSCAT 2092
 /AMEMBASSY PARIS 2272
 /AMEMBASSY QUITO 263
 /AMEMBASSY TEHRAN 4809
 /AMEMBASSY TOKYO 649
 /AMEMBASSY TRIPOLI 1332
 /AMEMBASSY VIENNA 448

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F I D E N T I A L SECTION 1 OF 2 KUWAIT 3917

12065; GDS 8/14/85 (SUTHERLAND, PETER A.) OR-M
 ENRG, KU
 (U) 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
 ING COMMITTEE CHAIRMAN SHAIKH ALI JABER AL-ALI
 AH VIGOROUSLY DENIED THAT KUWAIT IS CONTEMPLATING AN
 CUTBACK IN CRUDE PRODUCTION, SINCE THIS WOULD HAVE
 AS ADVERSE EFFECT ON THE WORLD MARKET. HE SAID SAUDI
 ON TO RAISE PRODUCTION HAD HAD A CALMING 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. GOK WANTS TO
 CUT BACK THE MAJORS' PREDOMINANT ROLE AS CUSTOMERS
 WAIT CRUDE AND MAY PRESS GULF AND BP TO CUT OFFTAKES

BY AS MUCH AS TWO-THIRDS WHEN THEIR CONTRACTS COME UP FOR RENEWAL NEXT MONTH. KUWAIT PLANS TO DIVERSIFY ITS CUSTOMERS AND WANTS RESPONSIBLE INDEPENDENTS AND STATEOWNED OIL COMPANIES TO PICK UP THE SLACK FROM THE MAJORS. IT PREFERS DEALING WITH STATE-OWNED COMPANIES ON COMMERCIAL BASIS RATHER THAN DIRECTING GOVERNMENT TO GOVERNMENT PURCHASE AGREEMENTS. FRENCH HAVE OFFERED ABOUT PURCHASE OF KUWAITI CRUDE, BUT KUWAITIS HAVE NOT AGREED TO ANY SUPPLY AT THIS TIME. END SUMMARY.

U.S. GOVERNMENT PRINTING OFFICE: 1975-3817

3. KUWAITI PRODUCTION PLANS. EMBOFF CALLED AUGUST 12 ON SHAH ALI JABER AL-ALI AL-SABAH, CHAIRMAN OF THE OIL MARKETING COMMITTEE OF THE OIL MINISTRY, TO DISCUSS KUWAITI CRUDE PRODUCTION AND MARKETING STRATEGY. ASKED ABOUT RECENT PRESS REPORTS QUOTING OIL MINISTER SHAH ALI KHALIFA AL-SABAH AS SAYING THAT KUWAIT WAS CONTEMPLATING A CUTBACK IN PRODUCTION TO 1.5 MILLION B/D, SHAH ALI JABER VIGOROUSLY MAINTAINED THAT MINISTER HAD BEEN MISQUOTED. AS A RESPONSIBLE PRODUCER KUWAIT WOULD NOT CONSIDER CUTTING BACK ITS PRODUCTION IN THE FACE OF PRESENT MARKET CONDITIONS. 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 CHANGE 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. SHAH ALI JABER SAID THAT THE SAUDI DECISION TO RAISE PRODUCTION HAD A SIGNIFICANT IMPACT IN 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.

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INFO RUQMBI/AMEMBASSY ABU DHABI 4938
RUFHRS/AMEMBASSY ALGIERS 1031
RUEHAD/USINT BAGHDAD 807
RUFHRS/AMEMBASSY BRUSSELS 765
RUESRS/AMEMBASSY CARACAS 464
RUQMDH/AMCONSUL DHARRAN 4060
RUQMOJ/AMEMBASSY DOHA 2682
RUKOBT/AMEMBASSY JAKARTA 403
RUQMRA/AMEMBASSY JIDDA 6429
RUZHOS/AMEMBASSY LAGOS 426
RUHFHC/AMEMBASSY LIBREVILLE 278
RUOTC/AMEMBASSY LONDON 3885
RUQMAM/AMEMBASSY MANAMA 4011
RUQMMT/AMEMBASSY MUSCAT 2093
RUFNPS/AMEMBASSY PARIS 2273
RUFSQI/AMEMBASSY QUITO 264
RUOMER/AMEMBASSY TEHRAN 4812
RUORFO/AMEMBASSY TOKYO 650
RUQMTI/AMEMBASSY TRIPOLI 1333
RUHFAD/AMEMBASSY VIENNA 449

CONFIDENTIAL SECTION 2 OF 2 KUWAIT 3817

3. 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, SHAH ALI JABER WAS UNWILLING TO ADDRESS THE QUESTION OF REDUCED SUPPLEMENTAL ENTITLEMENTS. HE DID SAY THAT KUWAIT DEFINITELY PLANNED TO REDUCE GULF AND BP'S CONTRACT ENTITLEMENTS WHEN THEIR CONTRACTS EXPIRED 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 OFF-TAKES WERE TO BE SEVERELY REDUCED UNDER ANY 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 450,000 B/D FOR BP). WHEN EMBOFF EXPRESSED SOME DISBELIEF THAT THE CUTBACK WOULD BE THAT LARGE, SHAH ALI JABER REPEATED THE 150,000 B/D FIGURE. (COMMENT: WE THINK IT LIKELY SHAH ALI JABER MEANT TO DESCRIBE A REDUCTION OF 150,000 B/D RATHER THAN REDUCTION TO 150,000 B/D. END COMMENT).

U.S. GOVERNMENT PRINTING OFFICE: 1974-348-144

KUWAIT ALSO PLANNED TO KEEP TOTAL OF LONG TERM CONTRACTS AT 1.5 MILLION B/D. ALL PRODUCTION OVER THAT LEVEL WOULD BE SOLD 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 INDEPENDENT TO SIGN CONTRACTS FOR THE CRUDE TAKEN FROM THE MAJORS. AS FOR 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 EXEMPLARY CUSTOMERS. THE FRENCH HAD COME IN TO DISCUSS POSSIBLE PURCHASES, BUT KUWAIT HAD NOT AGREED TO SELL ANYTHING 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. SHAIKH 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. WHATEVER IS SAID PUBLICLY, KUWAIT IS UNLIKELY TO CUT ITS PRODUCTION UNTIL WORLD DEMAND EASES 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 OFFTAKES BY 100-150,000 B/D TO JUST UNDER 400,000 P/D). SHAIKH ALI JABER WHO APPEARED TIRED, MAY WELL HAVE MEANT THAT THE TWO WOULD BE CUT BACK BY RP BY 150,000 B/D RATHER THAN BY RP TO 150,000. IN ANY EVENT, GULF AND BP ARE IN FOR SOME VERY DIFFICULT NEGOTIATIONS IF THEY ARE TO MAINTAIN THEIR PRESENT OFFTAKE LEVELS. ALI KHALIFA'S PUBLIC REMARKS ABOUT THE NEED TO CUT BACK KUWAITI PRODUCTION TO 1.5 MILLION B/D MAY BE A NEGOTIATING PLOY AIMED AT PRESSURING GULF AND BP TO ACCEPT CONTRACT REDUCTIONS. KUWAIT WISHES TO AVOID THE SITUATION OF SEVERAL YEARS AGO WHEN THE MAJORS DID NOT LIFT THEIR CONTRACT MINIMUMS FOR RELATIVELY LOW QUALITY KUWAITI CRUDE DURING A PERIOD OF ABUNDANT WORLD SUPPLY. IT APPARENTLY BELIEVES THAT BY HAVING A LARGE NUMBER OF "RESPONSIBLE" CUSTOMERS ON VARYING LENGTH CONTRACTS IT WILL HAVE ADDITIONAL FLEXIBILITY IN DECIDING FUTURE PRODUCTION PLANS. SUTHERLAND

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RUMBI/AMBASSY ABU DHABI 4840
M/AMBASSY BOMB 571
M/AMBASSY BRUSSELS 767
M/USINT BAGHDAD 811
M/AMBASSY COPENHAGEN 837
M/AMBASSY CAIRO 2500
M/AMBASSY DOHA 2664
M/AMBASSY DUBLIN 019
M/AMBASSY JIDDA 6432
M/AMBASSY LONDON 3967
M/AMBASSY LUXEMBOURG 018
M/AMBASSY MANAMA 4013
M/AMBASSY MUSCAT 2086
M/AMBASSY PARIS 2275
M/AMBASSY ROME 527
M/AMBASSY TEHRAN 4211
M/AMBASSY TEL AVIV 1203
M/AMBASSY TRIPOLI 1335
M/AMBASSY TOKYO 031
M/AMBASSY THE HAGUE 144
M/AMBASSY VIENNA 450
M/USMISSION USNATO 024

CN 695

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IDENTIAL SECTION 1 OF 2 KUWAIT 3853

ALS ALSO FOR USEEC

ALS ALSO FOR USOECG

12005; ODS 8/16/85 (SUTHERLAND, PETER A.) OR-M
INRG, PEPR, EIC, OPEC, ZP, TC, FR, KU
(C) EC-9/GULF ARAB DIALOG; DUTCH BRIEFING ON EC-9 AND GOK
PFS

ENTIRE TEXT).

TECH CHARGE IN KUWAIT (PORTECT) HAS JUST TRANSMITTED
ON HIS OWN STATE OF PLAY IN EC-9/GULF ARAB TALKS PROPOSAL,
ON HIS OWN CONTACTS WITH GOK OFFICIALS AND DISCUSSIONS
ON AUGUST 14 AMONG REPRESENTATIVES OF EC-9 NATIONS. AT
INITIATIVE HE BRIEFED ME ON AUGUST 15, ASKING THAT HIS ACTION
BE REVEALED TO EC-9 MEMBER GOVERNMENTS. SOME OF HIS
ANALYSIS IS PROBABLY REDUNDANT, BUT OWING TO CONSIDERABLE INTEREST
IN THE SUBJECT, I REPORT HIGHLIGHTS OF HIS ANALYSIS BELOW:

3. GOK FOREIGN MINISTRY OFFICERS WHO WERE PRESENT AT TALKS HELD IN KUWAIT LAST DECEMBER BY FRENCH MINISTER PONCET SAID THAT PONCET PROPOSED A MIDDLE EAST GULF AREA DIALOG. FRENCH AMBASSADOR TO KUWAIT FLATLY DENIED THIS TO HIS EC COLLEAGUES AUG 14. FRENCH AMB SAYS THAT "OUT OF THE BLUE"

HE STATED DURING A JUNE 21 LUNCH WITH THE AMIR THAT HE DESIRE TO START "CONTINUING CONSULTATIONS ON ENERGY" WHICH COULD LEAD ON TO DISCUSSION OF ECONOMIC COOPERATION. STATES PROPOSED BY THE AMIR FOR INCLUSION WERE KUWAIT, IRAQ, SAUDI ARABIA, QATAR AND U.A.E. OMITTED WERE OMAN AND BAHRAIN, BUT LATTER WAS SUBSEQUENTLY ADDED (I BELIEVE BY COMMON CONSENT). AS OF AUG 14, EC-9 REPS IN KUWAIT FORESAW POSSIBILITY THAT WOULD VETO PARTICIPATION BY OMAN ON GROUNDS OF OMAN'S SUPP FOR EGYPTIAN/ISRAELI TREATY.

4. THE FRENCH SUGGESTED A SEPTEMBER MINISTERIAL MEETING. GOK RESPONDED WITH SUGGESTION OF OCTOBER 15 MINISTERIAL, TO ALLOW TIME FOR GULF PARTICIPANTS TO GET THEIR THOUGHTS IN ORDER.

5. IRISH REPRESENTATIVES, REACTING TO CONFUSING REPORTS FROM DUBLIN ON NATURE OF PROPOSED TALKS, VISITED KUWAIT FROM JULY ABOUT AUGUST 2. DUTCH CHARGE CLAIMS THAT, ACCORDING TO THE IRISH LEFT KUWAIT MISINFORMED ABOUT KUWAITI INTENTIONS, BECAUSE THEY HAD NOT SEEN THE RIGHT PEOPLE HERE.

6. ACCORDING TO DUTCH, GOK OIL MINISTER ALI KHALIFA SEES THE PROPOSED TALKS IN TERMS OF PROMOTING GULF ARAB INVOLVEMENT IN "DOWNSTREAM" PETROLEUM SECTOR ACTIVITY, THROUGH MARKET OF PETROLEUM PRODUCTS AND PETROCHEMICALS. DUTCH CHARGE CITES ALLEGED SURPLUS CAPACITY OF EUROPEAN REFINERIES 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 INFORMATION FLOW ON CRUDE PRODUCTION LEVELS, TO AVERT "UNPLEASANT SURPRISES." THEY REALIZE THAT OIL PRICING CANNOT BE DISCUSSED BECAUSE GULF ARABS ALONG CANNOT SPEAK FOR OPEC. (NOWHERE IN TALK WITH DUTCH CHARGE DID SUBJECT ARISE OF EUROPEAN INTEREST IN TALKING ABOUT INCREASED EUROPEAN EXPORTS INTO GULF.)

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MERC/SECSTATE WASHDC 4224
RUQMBI/AMEMBASSY ABU DHABI 4941
NOL/AMEMBASSY BONN 572
MPS/AMEMBASSY BRUSSELS 702
WAD/USINT BAGHDAD 812
PFNQ/AMEMBASSY COPENHAGEN 030
REG/AMEMBASSY CAIRO 2521
MOD/AMEMBASSY DOHA 2665
WDR/AMEMBASSY DUBLIN 020
MVA/AMEMBASSY JIDDA 6433
FC/AMEMBASSY LONDON 3568
WPG/AMEMBASSY LUXEMBOURG 719
MAM/AMEMBASSY MANAMA 4014
MT/AMEMBASSY MUSCAT 2097
MPS/AMEMBASSY PARIS 2276
PRO/AMEMBASSY ROME 528
MHR/AMEMBASSY TEHRAN 4012
MTY/AMEMBASSY TEL AVIV 1224
MTI/AMEMBASSY TRIPOLI 1336
WVO/AMEMBASSY TOKYO 652
WGPQ/AMEMBASSY THE HAGUE 145
WAD/AMEMBASSY VIENNA 451
MVA/USMISSION USNATO 025

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THE POSSIBLE POLITICAL CONTENT OF TALKS, FOREIGN MINISTRY
SPECIALS HAVE FLATLY DENIED TO DUTCH THAT KUWAITIS ENVISAGE
POLITICAL DISCUSSION IN CONTEXT OF THESE TALKS. EC-O
REPRESENTATIVES ACKNOWLEDGE THAT ONCE TALKS ARE STARTED,
ABILITY OF ARABS RAISING POLITICAL ISSUES WILL BE EVER-
PRESENT. "HAVING KICKED THE DOOR OPEN", SAID THE FRENCH AMB.
"WOULD THEN SIMPLY HAVE TO KICK IT SHUT AGAIN."

PARTICIPATION BY THE EC AS AN ORGANIZATION POSES PROBLEMS
ON THE ARAB SIDE. ON THE ONE HAND, THE GULF ARABS DO NOT
EXIST AN "ORGANIZATION" SUCH AS OPEC OR THE EC. IF THE EC
WAS TO BE A PARTICIPANT, PRESSURE WOULD BUILD TO CONVERT
ARAB SIDE INTO AN ALL-OPEC, OR PERHAPS OAPEC, DELEGATION,
WHICH WOULD BRING IN CERTAIN ARAB STATES WHICH KUWAITIS WANT
EXCLUDED. BUT IT MAY VERY WELL BE THAT AVOIDING INVOLVEMENT BY
COMMISSIONER BRUNNER IS AN EVEN MORE IMPORTANT MOTIVE ON THE
EC SIDE, OR AT LEAST KUWAITI, SINCE SHEIKH AHMED AL-KHALIFA HAS BEEN

QUOTED PRIVATELY RECENTLY AS SAYING THAT BRUNNER 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 OAPEC FOR A LONG TIME BUT WE ARE NOT IN POSITION HERE TO ASSESS ITS PRACTICALITY. 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 SEEN 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 EUROPEAN INVOLVEMENT ON THE SIDE OF THE ARABS IN THE MIDDLE EAST CONFLICT, BUT THE KUWAITIS, AT LEAST, ARE MORE THAN CAPABLE OF LEAVING THEIR INTEREST UNSTATED, TO BE UNDERSTOOD ONLY BY IMPLICATION WHILE THEY ENGAGE THE EC-9 PARTICIPANTS IN ENTIRELY NONPOLITICAL DISCUSSION OF FERTILIZER SALES AND DEVELOPMENT OF PETROLEUM RESERVES. SUTHERLAND

BT
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UNVV ESA79-OXSATTE

RUGMHR

RUGMKW #4208 2531350

CCCC ZZH

101251Z SEP 79

AMEMBASSY KUWAIT

RUEHC/SECSTATE WASHDC 4352

INFO RUGMBI/AMEMBASSY ABU DHABI 4865

EMHAD/USINT BAGHDAD 831

QMAN/AMEMBASSY MANAMA 4034

OMMT/AMEMBASSY MUSCAT 2123

OMHR/AMEMBASSY TEHLAN 4819

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C O N F I D E N T I A L KUWAIT 4208

TO: 1205: GDS 9/10/85 (CLUNAN, JAMES L.) OR-P

INFO: PEPR, SOPH, IR, KU, BA, ZP

SUBJ: (U) KUWAIT NEWSPAPER ATTACKS IRAN, DEFENDS BAHRAIN

REFS: (A) KUWAIT 2807, (B) KUWAIT 2942

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

(C) AL-ANBA', WHICH IS KNOWN TO BE PLIABLE TO PRINTING VIEWS WHICH THE KUWAITI ESTABLISHMENT WISHES TO PUT FORWARD WITHOUT FULL OFFICIAL BLESSING, HAS PREVIOUSLY PUBLISHED THINLY VEILED KUWAITI WARNINGS ABOUT IRANIAN BEHAVIOR TOWARD ARAB COUNTRIES, SPECIFICALLY IRAQ AND BAHRAIN (REF B). KUWAITI LEADERS GENERALLY PREFER TO AVOID SEEING ITS MEDIA ENGAGE IN ATTACKS IN OTHER COUNTRIES BUT WE JUDGE THAT THE BAHRAINIS HAVE BEEN OFFICIALLY DISTURBED ABOUT IRANIAN REACTION TO THE BAHRAINI TREATMENT OF KHOMEINI'S JERUSALEM DAY THAT A GESTURE OF KUWAITI ASSURANCE WAS NEEDED.

SUTHERLAND

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NNNNVV ESB069KVA717
 RR RUQMR
 DE RUQMKW #4244 2551455
 ZNY CCCCC ZZH
 R 121418Z SEP 79
 FM AMEMBASSY KUWAIT
 TO RUEHC/SECSTATE WASHDC 4367
 INFO RUQMBI/AMEMBASSY ABU DHABI 4870
 RUFHRS/AMEMBASSY ALGIERS 1038
 RUEHAD/USINT BAGHDAD 832
 RUFHOL/AMEMBASSY BONN 575
 RUFHBS/AMEMBASSY BRUSSELS 769
 RUEHRS/AMEMBASSY CARACAS 465
 RUQMDR/AMCONSUL DHAHRAN 4072
 RUQMOD/AMEMBASSY DOHA 2686
 RUDKGPQ/AMEMBASSY THE HAGUE 146
 RUKOBT/AMEMBASSY JAKARTA 404
 RUQMRA/AMEMBASSY JIDDA 6454
 RUEHOS/AMEMBASSY LAGOS 428
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 RUDTC/AMEMBASSY LONDON 3580
 RUQMAM/AMEMBASSY MANAMA 4036
 RUQMMT/AMEMBASSY MUSCAT 2125
 RUDKSNQ/AMEMBASSY OSLO 039
 RUEHOT/AMEMBASSY OTTAWA 084
 RUFNPS/AMEMBASSY PARIS 2282
 RUEHQA/AMEMBASSY QUITO 265
 RUEHRO/AMEMBASSY ROME 531
 RUDKPMQ/AMEMBASSY STOCKHOLM 044
 RUQMRH/AMEMBASSY TEHRAN 4822
 RUEHKO/AMEMBASSY TOKYO 653
 RUQMTI/AMEMBASSY TRIPOLI 1343
 RUFHAU/AMEMBASSY VIENNA 452

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C O N F I D E N T I A L KUWAIT 4244

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 DEMARCS
 REQUESTED REFTEL. AFTER HEARING THAT THE USG WAS PREPARED TO
 DO ITS SHARE TO MODERATE THE SPOT MARKET, SHEIKH ALI JABER

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STATED THAT US OIL FIRMS WERE STILL VERY ACTIVE IN PURCHASING SPOT CARGOES. HE WENT ON TO SAY THAT WE SHOULD BE MAKING THIS OFFER TO OUR FRIENDS THE NIGERIANS RATHER THAN TO KUWAIT, WHICH EMBOFF 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 SUBJECT TENDS TO CONFIRM THAT KUWAIT IS MORE ACTIVE IN SPOT MARKETS THAN IT HAS BEEN IN THE PAST. WHILE HE AGREED WITH THE OPINION THAT OVERDEPENDENCE ON THE SPOT MARKET WAS HARMFUL TO BOTH PRODUCER AND CONSUMER, SHEIKH ALI JABER SAID THAT HE DID NOT SEE NO HARM IN OCCASIONAL SALES OF SPOT CARGOES. DEPARTMENT OF STATE RECALL THAT IN JULY MINISTER OF OIL INFORMED EMBASSY MEMBERS THAT KUWAIT SELLS EXTRA OIL ON THE SPOT MARKET.
(REF. B)

TURNING TO PRICE, SHEIKH ALI JABER NOTED THAT THE US WAS NOT AS 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' OPINION OF THE CONSEQUENCES OF OIL PRICE INCREASES IN THE UNITED STATES. HE CLAIMED THAT US SHOULD NOT BE CONCERNED WITH 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 KUWATIS TO RESIST ENTIRELY, SINCE WE DOUBT THEY ARE AMONG THE MAJOR OFFENDERS IN THIS MARKET. IT IS UNLIKELY THAT KUWAIT WILL ABSTAIN FROM THE SPOT MARKET UNTIL THERE IS SOME SLACK IN WORLD DEMAND UNTIL THE MAJOR OFFENDERS CAN BE BROUGHT AROUND. SUTHERLAND

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NNNNVV ESB026KWA992
PP RUQMR
DE RUQMKW #4321 2601530
ZNY CCCC ZZ
P R 171444Z SEP 79
FM AMEMBASSY KUWAIT
TO RUEHC/SECSTATE WASHDC PRIORITY 4398
INFO RUQMBI/AMEMBASSY ABU DHABI 4876
RUEHAD/USINT BAGHDAD 836
RUFHBS/AMEMBASSY BRUSSELS 771
RUQMDH/AMCONSUL DHAHRAN 4073
RUQMOD/AMEMBASSY DOHA 2691
RUQMRA/AMEMBASSY JIDDA 6459
RUDTC/AMEMBASSY LONDON 3585
RUQMAM/AMEMBASSY MANAMA 4042
RUQMMT/AMEMBASSY MUSCAT 2130
RUFNPS/AMEMBASSY PARIS 2286
RUQMHR/AMEMBASSY TEHRAN 4824
BT
C O N F I D E N T I A L KUWAIT 4321

E.O. 12065: GDS 9/15/84 (SUTHERLAND, PETER A.) OR-M
TAGS: ENRG, KU
SUBJ: KUWAIT'S OIL MINISTER ON PRODUCTION LEVELS AND SPOT
MARKET SALES

REF: KUWAIT 3532

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 300,000 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 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.

(U) DURING THE INTERVIEW, ALI KHALIFA CONFIRMED THAT KUWAIT 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, ARABIAN PETROLEUM AND GULF - WERE BEING ASKED TO PAY SPOT MARKET PRICES FOR OPTIONAL SALES OF CRUDE ABOVE THEIR CONTRACTED QUANTITIES. HIS REMARKS CONSTITUTED THE FIRST PUBLIC ADMISSION BY THE GOVERNMENT THAT KUWAIT WAS SELLING MORE THAN AN OCCASIONAL QUANTITY OF CRUDE ON THE SPOT MARKET.

(C) COMMENT. THE QUESTION OF HIGH CRUDE PRODUCTION LEVELS HAS BEEN A SENSITIVE SUBJECT IN KUWAIT WITH CONSERVATIONISTS AND WAS POLITICIZED BY ARAB NATIONALISTS IN KUWAIT'S NATIONAL ASSEMBLY. ALI KHALIFA'S AFFIRMATION THAT THE EXTRA OFF-TAKE IS BEING SOLD AT LOWER SPOT PRICES AND HIS CONTENTION THAT THE 2 MILLION B/D CEILING WILL BE MAINTAINED MAY TEMPER THE POLITICAL REACTION WITHIN KUWAIT, BUT HIS FAILURE TO SPECIFY THE METHOD TO WHICH THE 2 MILLION B/D CEILING APPLIES WILL NOT GO UNNOTICED. ALI KHALIFA HAS ASSURED THE EMBASSY THAT KUWAIT WILL NOT CUT ITS PRODUCTION UNTIL WORLD DEMAND EASES. (SEE PARAGRAPH 1) 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 THE YEAR GOES ON. SUTHERLAND

NNNNV ESA628KWA156
RR RUQMHR
DE RUQMKW #4345/1 2630730
ZNY SSSSS ZZH
R 191337Z SEP 79
FM AMEMBASSY KUWAIT
TO RUEHC/SECSTATE WASHDC 4413
INFO RUQMBI/AMEMBASSY ABU DHABI 4878
RUEHAD/USINT BAGHDAD 837
RUQMBE/AMEMBASSY BEIRUT 5618
RUEHEG/AMEMBASSY CAIRO 2518
RUEKDM/AMEMBASSY DAMASCUS 1724
RUQMDH/AMCONSUL DHAHRAN 4075
RUQMOD/AMEMBASSY DOHA 2692
RUQMRA/AMEMBASSY JIDDA 6461
RUDTC/AMEMBASSY LONDON 3586
RUQMAM/AMEMBASSY MANAMA 4046
RUQMMI/AMEMBASSY MUSCAT 2131
RUQMHR/AMEMBASSY TEHRAN 4825
RUSNAAA/USCINCEUR

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BT
SECRET SECTION 1 OF 3 KUWAIT 4345

E.O. 12065: RDS 2 AND 4 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 UWAIT 6604, (B) KUWAIT 0926, (C) TDFIRDB-315/
02855 79, (D) NQK-2618, (E) NQK-2619 (F) KUWAIT 3524 DTG
24JUL1203Z

1. (C) SUMMARY: ARREST OF KUWAITI SHI'A FIGURE WHO HAS BEEN SEEKING TO AGITATE SHI'A IN KUWAIT HAS BEEN ACCOMPANIED BY STERN 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 SUNDRY OPERATES SUCCESSFULLY AND WITHOUT DISCRIMINATION. MOST IMPORTANT HOWEVER IS THE PROSPECT THAT AL-MIHRI'S AGITATION FOCUSED ON GRIEVANCES AGAINST GOK WHICH HAVE SOME BASIS IN FACT, MAY BRING ABOUT THE UNIFICATION OF THE VERY DISPARATE SHI'A COMMUNITY IN KUWAIT INTO A SINGLE 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

(U) SEPT 9 ARREST AND CONTINUING DETENTION OF AHMAD AL-MIHRIS, THE SON OF PROMINENT KUWAITI SHI'A CLERGYMAN AND MINOR MERCHANT SHAIKH SAYYID ABBAS SAYYID HASAN AL-MIHRIS, WAS ANNOUNCED SEPT 10 BY KUWAIT'S MINISTER OF INTERIOR, SHAIKH NAWWAF AL-AHMAD (A MEMBER OF THE RULING FAMILY). ANNOUNCEMENT MADE A DAY AFTER A STERN PUBLIC WARNING FROM THE CROWN PRINCE/PRIME MINISTER, SHAIKH SA'D AL-BDULLAH AL-SABAH, THAT HENCEFORTH THE GOVERNMENT WOULD NOT BE LENIENT AND FLEXIBLE IN DEALING WITH PERSONS WHO ENGAGE IN IRRESPONSIBLE BEHAVIOR "AIMED AT CAUSING KUWAITI CITIZENS LOSE CONFIDENCE IN THEIR GOVERNMENT." OTHERWISE, IT WOULD STRIKE ANYONE WHO EXPOSES THE STABILITY AND SECURITY OF KUWAIT AND ITS CITIZENRY TO DANGER. IN ANNOUNCING THE YOUNGER AL-MIHRIS' ARREST, SHAIKH NAWWAF REPEATED MUCH OF THE GENERAL WARNING ISSUED BY THE PRIME MINISTER BUT SAID VERY LITTLE ABOUT THE SPECIFIC ACTIONS BY AL-MIHRIS WHICH BROUGHT ABOUT THE ARREST, OTHER THAN CHARGE THAT HE FAILED TO OBTAIN A PERMIT TO HOLD A POLITICAL MEETING AT ONE OF KUWAIT'S MOSQUES (THE HAJJI AL-SHA'BAN MOSQUE IN SHARQ, A DOMINATELY SHI'A NEIGHBORHOOD) EVEN AFTER POLICE OFFICIALS HAD ADVISED HIM OF THE NEED FOR SUCH PERMISSION AND HE HAD PROMISED TO OBTAIN IT. THE ANNOUNCED CHARGE AGAINST AL-MIHRIS IS SO TRIVIAL IN COMPARISON TO THE SOLEMN WARNINGS BY TWO OF KUWAIT'S MOST IMPORTANT MINISTERS THAT ONE WONDERS WHAT ALL THE FUSS IS ABOUT.

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H QVV ESAG27KWA155

RR RUQMHR
DE RUQMKV #4345/2 2630745
ZNY SSSSS ZZH
R 191337Z SEP 79
FM AMEMBASSY KUWAIT
TO RUEHC/SECSTATE WASHDC 4414
INFO RUQMBI/AMEMBASSY ABU DHABI 4879
RUEHAD/USINT BAGHDAD 838
RUQMBE/AMEMBASSY BEIRUT 5619
RUEHEG/AMEMBASSY CAIRO 2519
RUEHDM/AMEMBASSY DAMASCUS 1725
RUQMDH/AMCONSUL DHAHRAN 4076
RUQMOD/AMEMBASSY DOHA 2693
RUQMRA/AMEMBASSY JIDDA 6462
RUDTC/AMEMBASSY LONDON 3587
RUQMAM/AMEMBASSY MANAMA 4047
RUQMMT/AMEMBASSY MUSCAT 2132
RUQMHR/AMEMBASSY TEHRAN 4826
RUSNAAA/USCINCEUR

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SECRET SECTION 2 OF 3 KUWAIT 4345

3. (S) THE RECENT ACTIVITIES OF THE MIHRIS 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-MIHRIS MESSAGES IS THAT KUWAITI SHI'A SHOULD BESTIR THEMSELVES ABOUT SUNNI DISCRIMINATION AGAINST SHI'A IN KUWAIT, A STATE OF AFFAIRS WHICH AL-MIHRIS CLAIMS IS FOSTERED BY THE ESTABLISHED REGIME (REF D).

4. (C) AL-MIHRIS'S AUDIENCE. AS WE HAVE REPORTED, THE SHI'A COMMUNITY IS DISPARATE AND DEFINITIONS ARE FUZZY (REF A). "KUWAITI SHI'A" AND SHI'AS 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 AT SOME DISTANT TIME IN THE PAST, PERHAPS WITH THE ARAB ARMIES WHICH ISLAMICIZED IRAN A MILLENIUM AGO. THE TERMS "SHI'A" (OR "JA'AFARI" IN THE LOCAL VENACULAR) AND "IRANIAN" ARE OFTEN ERRONEOUSLY INTERCHANGED EVEN BY KUWAITIS, WHETHER SPEAKING OR KUWAITI CITIZENS: 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 FAMILIES (QABAZARD, BEHBEHANI) THERE ARE OTHERS WHOSE MEMBERS HOLD IMPORTANT GOVERNMENT POSITIONS CLOSE TO THE AMIR AND IN THE CABINET. ALSO, PERHAPS 60,000 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 IRANINAS" IS SOMETHING OF A FRUIT SALAD. IT HAS NOT BEEN HOMOGENEOUS, NOR IN POLITICAL TERMS, HAS IT BEEN A UNIFIED BODY.

AMONG THE ISSUES CITED BY AL-MIHRI IN HIS PUBLIC ISSUES ARE ELECTION PRACTICES WHICH PRODUCE UNDER-REPRESENTATION OF SHI'A IN PARLIAMENT, MASS NATURALIZATION OF SUNNI BEDOUIN TO OFFSET SHI'A INFLUENCE, CORRESPONDING DENIAL OF CITIZENSHIP TO SHI'A -- EVEN THOSE WHO HAVE LIVED MUCH LONGER IN KUWAIT THAN THE BEDOUIN, HARASSMENT OF KUWAITI SHI'A BY A SECURITY FORCE WHICH DOES NOTHING ABOUT THE INTELLIGENCE ACTIVITIES OF FOREIGN EMBASSIES, LACK OF PUBLICITY OF SHI'A ACTIVITIES IN KUWAIT, GOVERNMENT REGULATIONS ALLOWING ONLY THE TEACHING OF ONE VERSION OF ISLAM IN PUBLIC SCHOOLS IN KUWAIT, AND LAX APPLICATION OF SHARIA LAW. FINALLY, AL-MIHRI ORGANIZED A PROTEST MARCH ON SIEF PALACE (THE AMIR'S OFFICE), WHICH, HOWEVER, DID NOT TAKE PLACE.

AL-MIHRI'S AGITATION, OSTENSIBLY AIMED AT RESOLVING POLITICAL PROBLEMS IN THE KUWAIT BODY POLITIC, IS IN THE EYES OF THE RULERS AND PROBABLY MOST KUWAITIS SIMPLY NOT THE WAY THEY GO ABOUT SOLVING PROBLEMS. KUWAITIS HAVE A STRONG SENSE OF COMMUNITY IN THEIR SOCIETY AS A LARGE EXTENDED FAMILY WHERE PROBLEMS CAN BE DISCUSSED OPENLY, AND IF NECESSARY, BROUGHT TO THE ATTENTION OF THE AMIR. ASKED ABOUT THE SITUATION, ONE MEMBER OF THE PROMINENT BEHBEHANI MERCHANT FAMILY OF IRANIZAN TOLD US THAT THE AFFAIR IS A "STORM IN A TEACUP!" "THEY WANT TO SEE THE RULER" IF THEY HAVE GRIEVANCES. OTHER KUWAITIS, BOTH SHI'A AND SUNNI, REFLECT THIS VIEW.

WHILE THE KUWAITI AUTHORITIES NO DOUBT ARE OFFENDED THAT AL-MIHRI CHOSE NOT TO FOLLOW THE TRADITIONAL KUWAITI WAY OF SOLVING PROBLEMS, THIS ALONE DOES NOT SEEM ENOUGH TO JUSTIFY THE SEVERE ACTION TAKEN. A MORE SERIOUS POINT OF CONCERN IS THE ALLIANCE FORMED UP BETWEEN AL-MIHRI AND DR. AHMAD AL-KHATIB, ONE-TIME MEMBER OF THE RULING FAMILY, WHO HAS A LONG HISTORY OF LEADING LEFT AND PAN ARAB OPPOSITION TO THE REGIME WHILE HE WAS A MEMBER OF SUCCESSIVE KUWAITI NATIONAL ASSEMBLIES. AL-MIHRI'S ATTEMPT SEPT 10 TO ORGANIZE AN EARLY MORNING MARCH TO PROTEST AL-MIHRI'S DETENTION WAS BROKEN UP BY POLICE. AL-MIHRI WAS NOT ARRESTED, BUT HE WAS CALLED INTO THE MINISTER OF INTERIOR'S OFFICE ON SEPT 11 AND GIVEN A SEVERE WARNING TO STOP HIS EFFORTS TO GAIN AL-MIHRI'S RELEASE FROM CONFINEMENT, AND HIS ACTIONS TO AGITATE SHI'A IN KUWAIT. FOR YEARS, THE KUWAITI AUTHORITIES HAVE RESTRAINED KHATIB AND OTHER OPPOSITIONISTS IN THIS FASHION, BUT WHY HAVE THEY SINGLED OUT AL-MIHRI FOR EVEN HARSHER ACTION?

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RR RUCMHR
DE RUCMHW #4345/3 2638805
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R 191337Z SEP 79
FM AMEMBASSY KUWAIT
TO RUEHC/SECSTATE WASHDC 4415
INFO RUCMBI/AMEMBASSY ABU DHABI 4880
RUEHAD/USINT BAGHDAD 839
RUCMBE/AMEMBASSY BEIRUT 5620
RUEHEG/AMEMBASSY CAIRO 2520
RUEMDH/AMEMBASSY DAMASCUS 1726
RUCMDH/AMCONSUL DHAHRAN 4077
RUCMOD/AMEMBASSY DOHA 2694
RUCMRA/AMEMBASSY JIDDA 6463
RUDTC/AMEMBASSY LONDON 3588
RUCNAM/AMEMBASSY MANAMA 4048
RUCMNT/AMEMBASSY MUSCAT 2133
RUCMHR/AMEMBASSY TEHRAN 4827
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SECRET SECTION 3 OF 3 KUWAIT 4345

8. (C) ANNOUNCEMENT BY IRANIAN NEWS AGENCY PARS REPORTED IN KUWAITI PRESS SEPT 17 THAT AYATOLLAH MONTAZARI HAD OBJECTED TO OR "PROTESTED" AL-MIHRI'S ARREST DREW CAREFULLY WORDED STATEMENT BY KUWAITI GOVERNMENT SPOKESMAN WHO DISCOUNTED MONTAZARI'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 CLOSE AND WELL-ESTABLISHED, AS CONFIRMED BY THE GOODWILL VISIT PAID TO IRAN BY THE KUWAITI FOREIGN MINISTER IN JULY (REF F). MFA UNDERSECRETARY, RASHID AL-RASHID, TOOK SAME LINE SEPT 16 WITH CHARGE WHEN ASKED ABOUT THE AL-MIHRI 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 KUWAITI LAW. ALTHOUGH HE ACKNOWLEDGED THAT THE POLITICAL SITUATION IN THE REGION IS BOUND TO PRODUCE ACTIVITIES SUCH AS THOSE OF AL-MIHRI, 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.

9. (C) COMMENT: DESPITE THESE BLANDISHMENTS, THE SWIFT AND DECISIVE NATURE OF KUWAITI ACTION LAST WEEK, SHOWS A VERY REAL CONCERN ABOUT THE ACTIVITIES OF AL-MIHRI: IT STRIKES US THAT WHAT CONCERS KUWAITI LEADERS, AND INDEED MOST KUWAITIS, IS THAT AL-MIHRI CHOSE NOT TO USE EXISTING KUWAITI GRIEVANCE PROCEDURES, BUT RATHER CHOSE THE PATH OF AGITATION, A COURSE WHICH HAS WROUGHT SO MUCH HAVOC IN IRAN AND WHICH POSES THE PROSPECT OF TURNING KUWAIT'S 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 KUWAIT AND KHOMEINI OR OTHER PROMINENT IRANIAN RELIGIOUS LEADERS HAS BEEN TENUOUS. AL-MIHRI'S STATUS AS "KHOMEINI'S MAN IN KUWAIT" HAS NOT BEEN SHOWN TO INVOLVE POLITICAL ACTION INSTRUCTIONS FROM THE AYATOLLAH TO AL-MIHRI. HOWEVER, ANY MOVEMENT WITHIN KUWAIT WHICH PROMISES TO BRING THE VARIOUS SHI'A ELEMENTS HERE TOGETHER UNDER THE RUBRIC OF SEEKING JUSTICE FOR THE SHI'A WITHIN THE KUWAIT SYSTEM WOULD BE DOUBLY TROUBLING TO THE KUWAITI LEADERSHIP IF INFLUENTIAL IRANIAN RELIGIOUS LEADERS CHOSE TO MAKE ACTIVE USE OF IT.

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 RUEHC/SECSTATE WASHDC PRIORITY 4426
 RUQMBI/AMEMBASSY ABU DHABI 4881
 AD/USINT BAGHDAD 843
 AOL/AMEMBASSY BONN 577
 NEG/AMEMBASSY CAIRO 2521
 NDM/AMEMBASSY DAMASCUS 1727
 MOD/AMEMBASSY DOHA 2696
 TC/AMEMBASSY LONDON 3589
 MAM/AMEMBASSY MANAMA 4049
 MMT/AMEMBASSY MUSCAT 2134
 MRA/AMEMBASSY JIDDA 6454
 MNS/AMEMBASSY SANA 1419
 MER/AMEMBASSY TEHRAN 4828
 WAAA/USCINCEUR
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N F I D E N T I A L KUWAIT 4377

12065: GDS 9/23/85 (CLUNAN, JAMES L.) OR-M
 PINS, MARR, MASS, KU, ZP, US
 (U) MINISTER DISTANCES KUWAIT FROM REGIONAL
 PRITY ALIGNMENTS

(A) BAGHDAD 1995, (B) MUSCAT 1680, (C) FBIS JN201026
 79 (NOTAL)

(C-ENTIRE TEXT).

WITH UNSEEMLY HASTE, KUWAIT HAS LINED UP WITH IRAQ IN
 WING DOWN PARTICIPATION IN ANY JOINT REGIONAL
 AGREEMENTS FOR THE SECURITY OF THE GULF, AND SPECIFICALLY
 THE STRAITS OF HORMUZ, THAT INCLUDES WESTERN NATIONS.
 STATEMENT MADE SEPT 21 BY DEFENSE MINISTER AND ACTING
 DEFENSE MINISTER SHAIKH SALEM AL-SABAH, WHILE FAR
 MORE TEMPERATE AND MODERATE IN TONE THAN THE SEPT 20 ATTACK
 ON PROPOSED OMANI "SECURITY PACT" BY THE IRAQI BA'ATH
 ORGAN AL-THAWRA (REFS A AND C), LEAVES NO DOUBT
 THAT KUWAIT WANTS NO FORMAL REGIONAL SECURITY ARRANGEMENTS,
 NOR MUTUAL SECURITY AFFILIATION WITH OUTSIDE POWERS. SHAIKH
 SAID, ACCORDING TO LOCAL SEPT 22 ARABIC
 ENGLISH PRESS, KUWAIT DOES NOT BELIEVE IN ALLIANCES OR
 IN THE GULF AREA AND DOES NOT APPROVE OF THEM. HE
 SAID THAT "ALLIANCES BRING MORE HARM THAN GOOD FOR THE

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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 BOILER PLATE. TIMING OF STATEMENT COMING SCARCELY A DAY AFTER AL-THAWRA INVITED ALL GULF STATES TO REJECT AND CONDEMN OMANI PROPOSAL (REF 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 IRAQIS SPOKE. ALSO, NOTEWORTHY IS THE CAREFUL 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 THEROF IN THE PUBLIC PRONOUNCEMENTS OF VARIOUS AYATOLLAHS IN IRAN. FINALLY, THE KUWAITI DEFENSE MINISTER'S STATEMENT, FOR ALL ITS IMPLICIT REJECTION OF AN "ALLIANCE" INVOLVNG 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 EST AND THE GULF STATES. SUTHERLAND
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EMBASSY KUWAIT

SEC/SECSTATE WASHDC PRIORITY 4454

RUQMBI/AMEMBASSY ABU DHABI 4885

USINT BAGHDAD 848

AMEMBASSY BEIRUT 5623

AMEMBASSY CAIRO 2524

AMEMBASSY DAMASCUS 1731

AMCONSUL DHAHRAN 4079

AMEMBASSY DOHA 2700

AMEMBASSY JIDDA 6471

AMEMBASSY LONDON 3592

AMEMBASSY MANAMA 4053

AMEMBASSY MUSCAT 2138

AMEMBASSY TEHRAN 4829 ✓✓

A/USCINCEUR

R E T SECTION 1 OF 3 KUWAIT 4457

1206Z: RDS 2 AND 4, 9/26/09 (SUTHERLAND, PETER A.) OR-M
08,, PINT, KU, IR

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

(A) KUWAIT 4345, (B) NQK-2624, (C) UUWAIT 1734
EVIUOUS, (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
INVOLVED IN THE AGITATION WILL HAVE THEIR PASSPORTS
AWN. REPORT HAS SOME EARMARKS OF A GOK TRIAL
, BUT COULD ALSO SIGNAL GOK INTENTION TO PAVE
Y FOR EXPULSION OF THE CLERGYMAN, ABBAS AL-MIHRI, IN
TO SEPARATE HIM FROM HIS POTENTIALLY DISSENTENT
TUENCY. 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,
INTENSIFIED LOCAL SECURITY MEASURES AND EVIDENCE OF
LY SUPPORTIVE GESTURES BY NEIGHBORING ARAB GULF STATES
T THAT KUWAIT MAY TOUGH THIS ONE OUT. THE AL-MIHRI CASE
HOWEVER, BECOME THE FIRST DIRECT SHOWDOWN BETWEEN
ISM AND THE RULING FAMILY IN KUWAIT, WITH SERIOUS
ATIONS FOR UNREST IN KUWAIT. END SUMMARY.

POL

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CHRN

Pol Kuwait
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2. (S) KUWAIT DAILY AL-QABAS REPORTS SEPT 25 THAT GOK 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-8 FOR UNLAWFUL 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 GOK ACTION AGAINST AL-MIHRI FAMILY, RELIABLE SOURCE IN AMIRI DIWAN ALSO VERIFIED NEWSPAPER REPORT THAT PASSPORTS HAVE BEEN WITHDRAWN FROM DR. MOHAMMAD HUSAN NOSSAIR, ADNAN ABDUL SAMAD, AND KHALID KHALAF. INTERIOR MINISTRY SOURCE FURTHER CONFIRMED TO EMBOFF SEPT 26 THAT AL-MIHRI NATIONALITY HAD BEEN REVOKED AND THREE PASSPORTS WITHDRAWN. ALL THREE ARE KUWAITIS OF SHI'A ANTECEDENTS AND HAVE BEEN ACTIVE PARTICIPANTS AS SPEAKERS AT THE HAJI SHA'BAN MOSQUE WHICH HAS SERVED AS THE HQ FOR AL-MIHRI'S AGITATION AGAINST THE GOK. NOSSAIR 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 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-TELJI, 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 EDUCATING TRAVEL TO THE UNITED STATES. ABOUT TEN YEARS AGO HE ALSO DECEASED HALF-A-DOZEN-YOUNG MEN INVOLVED IN DISTRIBUTING SEDITIOUS LITERATURE AND PLACING BOMBS IN KUWAIT.

BT

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AMEMBASSY KUWAIT

RUEHC/SECSTATE WASHDC PRIORITY 4455

0 RUQMBI/AMEMBASSY ABU DHABI 4886

WAD/USINT BAGHDAD 849

WBE/AMEMBASSY BEIRUT 5624

WEG/AMEMBASSY CAIRO 2525

WDM/AMEMBASSY DAMASCUS 1732

WDH/AMCONSUL DHAHRAN 4080

WOD/AMEMBASSY DOHA 2701

WRA/AMEMBASSY JIDDA 6472

WTC/AMEMBASSY LONDON 3593

WAM/AMEMBASSY MANAMA 4054

WMT/AMEMBASSY MUSCAT 2139

WHR/AMEMBASSY TEHRAN 4830

WAAA/USCINCEUR

C R E I SECTION 2 OF 3 KUWAIT 4457

(U) IN A TELEGRAM PUBLISHED IN AL-QABAS SEPT 26, KHALAF COMPLAINED THAT THE QABAS STORY WAS LIBELOUS AND THREATENED T, BUT DID NOT DENY THAT THE PASSPORTS HAD BEEN SEIZED. LYING, AL-QABAS (1) STUCK BY ITS STORY WITH RESPECT TO SEIZURE OF KHALAF'S PASSPORT, WHICH IT SAID WAS CONFIRMED A VARIOUS SOURCES, (2) POINTED OUT THAT KHALAF DID NOT DENY T HIS PASSPORT HAD BEEN SEIZED, AND (3) THREATENED TO COUNTER- . AL-QABAS DID NOT EXPLICITLY REASSERT STORY ON ACTION EN BY GOK AGAINST AL-MIHRI.

(C) AL-QABAS HAS BEEN ONLY ARABIC PAPER TO REPORT PROSPECTIVE ACTION, WHICH LEADS US TO CONCLUDE THAT GOK IS ORCHESTRATING SS TREATMENT, AND USING QABAS TO TEST IN ADVANCE THE REACTION SUCH SEVERE MEASURES.

(C) MEASURES AGAINST AL-MIHRI DESCRIBED ARE QUITE SEVERE M CONSIDERED AGAINST KUWAIT'S RECORD OF RELATIVE LENIENCY TOLERATION OF DISSIDENCE. WITHDRAWAL OF CITIZENSHIP FROM ELDER AL-MIHRI, EXTENDING AS IT WOULD TO THE REST OF HIS ILY, RAISES A CONSTITUTIONAL QUESTION OF ATTAINDER (ART. 33 THE KUWAIT CONSTITUTION PROVIDES THAT "PENALTY IS PERSONAL"). O THE DENIAL OF CITIZENSHIP WITH ITS ATTENDANT RIGHTS - DOM TO TRAVEL, PERSONAL LIBERTY, PROPERTY OWNERSHIP, ETC. - NOT A MEASURE WHICH GOK AS RESORTED TO WITH FREQUENCY, IF

7. (S) REPORTS OF ACTION AGAINST THESE SHIA PERSONALITIES COME AFTER SEVERAL DAYS OF HEIGHTENED INTERNAL SECURITY MEASURES IN KUWAIT. SRF HAS REPORTED (REFS D & E) MEASURES TO PREVENT THE ABOVE-NAMED INDIVIDUALS FROM SPEAKING AT THE AL-SHA'BAN MOSQUE SEPT 22, AS WELL AS THE CANCELLATION OF POLICE LEAVE AND INCREASED ALERT POSTURE ON THE PART OF MILITARY FORCES, AND LIMITATIONS ON HOSPITAL ADMISSIONS. WE HAVE ALSO OBSERVED AS A PART OF THE GENERAL TIGHTENING OF SECURITY POSTURE, THAT THE STANDING NATIONAL GUARD DETACHMENTS POSTED AT VARIOUS INSTALLATIONS AROUND THE CITY, INCLUDING THE MINISTRY OF COMMUNICATIONS, THE EGYPTIAN INTERESTS SECTION, AND THE AMERICAN EMBASSY, ARE NOW BEING SUPERVISED BY A COMMISSIONED OFFICER RATHER THAN A NON-COMMISSIONED OFFICER, WHICH IS NORMALLY THE CASE. (COMMENT. EMBASSY SECURITY COMMITTEE DOES NOT CONSIDER THE PRESENCE OF A NATIONAL GUARD OFFICER AT THE EMBASSY AS SIGNIFYING AN ENHANCED DANGER TO THE EMBASSY OR AMERICANS AT THIS TIME.) ADDITIONALLY, KUWAIT AIR FORCE PERSONNEL HELD A STAND-UP ROLL CALL AT AHMAD AL-JABIR AIR BASE SOUTH OF THE CITY THIS WEEK FOR THE FIRST TIME IN MANY MONTHS. TAKEN TOGETHER ALL THE MEASURES SUGGEST A GOK DETERMINATION TO CRACK DOWN ON AGITATORS.

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

9. (C) AL-QABAS AND OTHER PAPERS ALSO REPORT SEPT 26 THAT PREVIOUS EVENING TEHRAN RADIO ANNOUNCED THAT KHOMEINI HAD APPOINTED AL-MIHRI TO BE THE PRINCIPAL FRIDAY PRAYER LEADER IN KUWAIT. ASKED ABOUT THIS NEWS, IRANIAN CHARGE GOLSHARIFI SAID

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VV ESA250KWA551

RUQMR

RUQMKW #4457/3 2701040

NY SSSS ZZH

R 270920Z SEP 79

AMEMBASSY KUWAIT

RUEHC/SECSTATE WASHDC PRIORITY 4456

INFO RUQMBI/AMEMBASSY ABU DHABI 4887

UEHAD/USINT BAGHAD 850

UQMBE/AMEMBASSY BEIRUT 5625

UEHEG/AMEMBASSY CAIRO 2526

UEHDM/AMEMBASSY DAMASCUS 1733

UQMDH/AMCONSUL DHAHRAN 4081

UQMOD/AMEMBASSY DOHA 2702

UQMRA/AMEMBASSY JIDDA 6473

UDTC/AMEMBASSY LONDON 3594

UQMAM/AMEMBASSY MANAMA 4055

UQMMT/AMEMBASSY MUSCAT 2140

UQMRH/AMEMBASSY TEHRAN 4831

USNAAA/USCINCEUR

SECRET SECTION 3 OF 3 KUWAIT 4457

NEWSPAPERS HAD CORRECTLY REPORTED THE RADIO BROADCAST, WHICH GOLSHARIFI HAD HEARD HIMSELF, BUT ADDED THAT THE APPOINTMENT OF AL-MIHR I TO THE DISTINGUISHED POSITION OF FRIDAY PRAYER LEADER WAS NOT A NEW ONE; HE HAD HELD THE POSITION FOR SOME TIME. (GOLSHARIFI DECLINED FURTHER COMMENT ON THE MATTER.) THE APPOINTMENT WAS MADE ACCORDING TO TEHRAN RADIO IN ORDER TO MEET THE NEEDS OF SHI'A MUSLIMS IN KUWAIT. OUR AMIRI DIWAN SOURCE ALSO TELLS US THAT THE ELDER AL-MIHR I WAS ENTRUSTED SOME TIME AGO TO COLLECT THE SHI'ITE VERSION OF TITHE (THE "FIFTH" OF ALL INCOME DUE FROM THE SHI'ITE FAITHFUL) FOR TRANSMISSION TO NAJAF IN IRAQ FOR ISLAMIC GOOD WORKS.

(C) FOLLOWING TYPING OF ABOVE TEXT, EMBASSY LEARNED THAT "AL-MIHR I FAMILY" HAS LEFT KUWAIT OR BEEN DEPORTED, BUT SPECIFIC DETAILS ARE NOT AVAILABLE. STRIPPING THE AL-MIHR I'S KUWAITI CITIZENSHIP WAS A NECESSARY LEGAL PRELUDE TO THIS USUAL ACTION BY THE GOK. IT IS NOT CLEAR WHETHER GOK WENT FORWARD AND DEPORTED THE FAMILY AFTER LEARNING OF THE TEHRAN BROADCAST, WHICH CONSTITUTED AN IMPLIED THREAT THAT THE RELIGIOUS ESTABLISHMENT IN IRAN WOULD ACT TO PROTECT AL-MIHR I FROM HARM. SO, GOK WOULD SEEM TO HAVE BEEN BOLSTERED BY MUTUALLY SUPPORTIVE GESTURES BY IRAQ AND OTHER ARAB GULF STATES OPPOSED TO IRANIAN MEDDLING (REF F). THE BALL IS NOW IN IRANIAN HANDS, AND OBSERVERS HERE WILL BE NERVOUSLY AWAITING A REACTION FROM IRANIAN SUPPORTERS OF THE DEPORTED KUWAITI SHI'A LEADER. NETHERLAND

457

VV ESA274KWA364
 RR RUCMHR
 DE RUCMHR 04627 2820988
 ZNY CCCCC ZZH
 R 090816Z OCT 79
 FM AMEMBASSY KUWAIT
 TO RUEHC/SECSTATE WASHDC 4589
 INFO RUEHIA/USICA WASHDC
 RUCMBI/AMEMBASSY ABUDHABI 4892
 RUEHAM/AMEMBASSY AMMAN 3159
 RUEHAD/USINT BAGHDAD 857
 RUEHEG/AMEMBASSY CAIRO 2532
 RUEHDM/AMEMBASSY DAMASCUS 1742
 RUCMOD/AMEMBASSY DOHA 2786
 RUEHJM/AMCONSUL JERUSALEM 538
 RUCMAM/AMEMBASSY MANAMA 4062
 RUCMNT/AMEMBASSY MUSCAT 2147
 RUCMRA/AMEMBASSY JIDDA 6485
 RUEHTV/AMEMBASSY TEL AVIV 1219
 RUCMHR/AMEMBASSY TEHRAN 4833
 RUSNAAA/USCINCEUR

BT

C O N F I D E N T I A L KUWAIT 4627

CINCEUR ALSO FOR POLAD

E.O. 12065: GDS 10/9/85 (CLUNAN, JAMES L.) OR-M

TAGS: PEPR, SOPH, KU, IS, US, ZP

SUBJECT: (C) ALLEGATION THAT US QUICK REACTION FORCE WILL
 COOPERATE WITH ISRAEL

REF: STATE 260833 (NOT SENT CINCEUR)

1. (C) DEPT'S PROMPT GUIDANCE (REFTEL) ON ISRAELI NEWSPAPER
 ALLEGATION THAT USG IS COLLABORATING WITH ISRAEL ON LOGISTIC
 SUPPORT FOR US MILITARY QUICK REACTION FORCE DEPLOYMENT IN
 MIDDLE EAST WAS RECEIVED HERE MINUTES BEFORE SCHEDULED MEETING
 OF CHARGE WITH MFA UNDERSECRETARY RASHID AL-RASHID SUNDAY
 OCT 6, AND WAS MOST HELPFUL.

NNNNVV ESB120BRA955
 PP RUQMHR
 ZNY CCCCC ZOV RUEHCR
 PP RUEHCR
 DE RUEHC #5773 2840158
 ZNY CCCCC ZZH
 O P 110112Z OCT 79
 FM SECSTATE WASHDC
 TO RUQMKV/AMEMBASSY KUWAIT IMMEDIATE 8613
 ALL OECD CAPITALS
 INFO RUQMRA/AMEMBASSY JIDDA PRIORITY 1608
 RUQMBI/AMEMBASSY ABU DHABI PRIORITY 5228
 RUEHCR/AMEMBASSY TEHRAN PRIORITY 4933
 RUEHAD/USINT BAGHDAD PRIORITY 2280
 RUQMOD/AMEMBASSY DOHA PRIORITY 0586
 RUQMDH/AMCONSUL DHAHRAN PRIORITY 4132
 RUQMYA/USLO RIYADH PRIORITY 2689
 BT
 C O N F I D E N T I A L 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 GOK OFFICIALS ABOUT RECENTLY ANNOUNCED KUWAITI OIL PRICE INCREASE, MAKING IT CLEAR YOU ARE SPEAKING UNDER INSTRUCTIONS. EMBASSIES IN OECD COUNTRIES SHOULD INFORM APPROPRIATE HOST GOVERNMENT OFFICIALS OF OUR DEMARCHE AND, PARTICULARLY IN THOSE COUNTRIES WHICH ARE PURCHASERS OF CRUDE OIL FROM KUWAIT, -NCOURAGE 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

A
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 RESTRAINT AT THIS DIFFICULT PERIOD IN THE INTERNATIONAL OIL MARKET. VANCE

BT

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ATVV ESA114KWA930

RR RUQMHR

DE RUQMKW #4795/01 2901312

ZNY CCCCC ZZH

R 171301Z OCT 79

FM AMEMBASSY KUWAIT

TO RUEHC/SECSTATE WASHDC 4551

INFO RUQMBI/AMEMBASSY ABU DHABI 4905

RUEHAD/USINT BAGHDAD 0865

RUQMDH/AMCONSUL DHAHRAN 4087

RUQMOD/AMEMBASSY DOHA 2715

RUQMRA/AMEMBASSY JIDDA 6496

RUDTC/AMEMBASSY LONDON 6602

RUQMYA/USLO RIYADH 0406

RUFNPS/AMEMBASSY PARIS 2294

RUQMHR/AMEMBASSY TEHRAN 4840 ✓

RUEHKO/AMEMBASSY TOKYO 0660

RHEGDOE/DEPT OF ENERGY WASHDC

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C O N F I D E N T I A L SECTION 01 OF 02 KUWAIT 4795

E.O. 12065: GDS 10/17/85 (SUTHERLAND, PETER A.) OR-M

TAGS: ENRG, KU

SUBJECT: (C) KUWAITI CRUDE PRODUCTION DECLINES

REF: (A) KUWAIT 4321, (B) KUWAIT 3290, (C) STATE 174376, (D) KUWAIT 4774.

1. CONFIDENTIAL ENTIRE TEXT.

2. SOURCE IN THE MINISTRY OF OIL (PROTECT) HAS PROVIDED US W KUWAITI CRUDE PRODUCTION 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.

BREAKDOWN OF ACTUAL PRODUCTION FIGURES IS AS FOLLOWS:

ARABIAN OIL COMPANY 2,279,972
 COMPANY'S SHARE OF PARTITIONED ZONE
 PRODUCTION:

JULY
 ARABIAN OIL COMPANY 82,292
 COMPANY'S SHARE OF PARTITIONED ZONE 198,255
 TOTAL 2,560,519

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

AUGUST
 ARABIAN OIL COMPANY 2,088,272
 COMPANY'S SHARE OF PARTITIONED ZONE

PRODUCTION:
 AUGUST
 ARABIAN OIL COMPANY 81,035
 COMPANY'S SHARE OF PARTITIONED ZONE 198,581
 TOTAL 2,367,888

AUGUST PRODUCTION DECLINED SLIGHTLY FROM AUGUST OF LAST YEAR. A 14 PERCENT INCREASE IN ARABIAN OIL COMPANY PRODUCTION RESULTED IN AN OVERALL INCREASE OF .5 PERCENT FOR THE MONTH COMPARED TO LAST YEAR.

SEPTEMBER
 ARABIAN OIL COMPANY 2,187,632
 COMPANY'S SHARE OF PARTITIONED ZONE

PRODUCTION:
 SEPTEMBER
 ARABIAN OIL COMPANY 82,824
 COMPANY'S SHARE OF PARTITIONED ZONE 197,970
 TOTAL 2,468,426

SEPTEMBER PRODUCTION DECLINED BY 4.8 PERCENT COMPARED TO LAST YEAR, LARGE PART ATTRIBUTABLE TO DECLINE IN KOC PRODUCTION.

AVERAGE PRODUCTION FOR THE YEAR TO DATE IS AS FOLLOWS:

ARABIAN OIL COMPANY 2,257,984
 COMPANY'S SHARE OF PARTITIONED ZONE PRODUCTION:
 YEAR TO DATE
 ARABIAN OIL COMPANY 84,366
 TOTAL 2,05,880
 2,548,230

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RR RUQMRH
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ZNY CCCCC ZZH
R 171301Z OCT 79
FM AMEMBASSY KUWAIT
TO RUEHC/SECSTATE WASHDC 4552
INFO RUQMBI/AMEMBASSY ABU DHABI 4906
RUE AD/USINT BAGHDAD 0866
RUQMDH/AMCONSUL DHAHRAN 4088
RUQMOD/AMEMBASSY DOHA 2716
RUQMRA/AMEMBASSY JIDDA 7496
RUDTC/AMEMBASSY LONDON 3602
RUQMYA/USLO RIYADH 0406
RUFNPS/AMEMBASSY PARIS 2294
RUQMRH/AMEMBASSY TEHRAN 4841
RUEHKO/AMEMBASSY TOKYO 0661
RHEGDOE/DEPT OF ENERGY WASHDC
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C O N F I D E N T I A L SECTION 02 OF 02 KUWAIT 4795

5. OIL MINISTRY SOURCE, IN COMMENTING ON THESE FIGURES, CLAIMS 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 NERVOUSNESS ABOUT IRAN. 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 AS EASING SOMEWHAT AND THAT THEY ARE SLOWLY CUTTING BACK THEIR PRODUCTION LEVELS AS THIS OCCURS. PRODUCTION FOR THE YEAR IS STILL ABOUT 27 PERCENT OVER LAST YEAR AND WE DO NOT BELIEVE IT IS LIKELY THAT THE SHARP CUTBACKS THE KUWAITIS HAVE PUBLICALLY 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

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CHARGE
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OHR
 ROKW #4803/01 2911007
 CCCC ZZH
 12038Z OCT 79
 EMBASSY KUWAIT
 OH/SECSTATE WASHDC PRIORITY 4550
 RUGMBI/AMEMBASSY ABU DHABI 4000
 AS/AMEMBASSY ALGIERS 1042
 AL/AMEMBASSY BONN 0583
 BS/AMEMBASSY BRUSSELS 0777
 AD/USINT BAGHDAD 0867
 ONQ/AMEMBASSY COPENHAGEN 0042
 AG/AMEMBASSY CAIRO 2535
 AD/AMEMBASSY DOHA 2717
 AY/AMEMBASSY ZUBLIN 0025
 AA/AMEMBASSY JIDDA 6499
 AY/AMEMBASSY LONDON 3604
 AW/AMEMBASSY LUXEMBOURG 0023
 AM/AMEMBASSY MANAMA 4070
 AT/AMEMBASSY MUSCAT 2154
 AS/AMEMBASSY PARIS 2296
 AO/AMEMBASSY ROME 0538
 AW/AMEMBASSY TEHRAN 4842
 AV/AMEMBASSY TEL AVIV 1222
 AY/AMEMBASSY TRIPOLI 1348
 AY/AMEMBASSY TOKYO 0662
 AW/AMEMBASSY THE HAGUE 0150
 AU/AMEMBASSY VIENNA 0456
 AW/USMISSION USNATO 0026

F I D E N T I A L SECTION 01 F 02 KUWAIT 4803

ALS ALSO FOR USEEC
ALS ALSO FORUSOEC

10065: GDS 10/17/85 (SUTHERLAND , PETER A.) OR-M
ENRG, EEC, KU, PEPR, OPEC
: (C) GULF-EC DIALOGUE AND "OIL AS A WEAPON"

- A) KUWAIT 3749 (NOTAL), (D) KUWAIT 3253 (NOTAL),
- C) MANAMA 1957 (NOTAL), (D) ABU DHABI 2384 (NOTAL),
- E) KUWAIT 4774 (NOTAL).

ENTIRE TEXT).

SUMMARY: OIL MINISTER ALI KHALIFA INFORMED CHANGE THAT THE
 EC/GULF/ARAB DIALOGUE WILL FOCUS ON ECONOMIC COOPERATION
 IN THE TWO SIDES. HE DENIED THAT SPECIAL OIL SUPPLY RELA-
 TIONS WOULD RESULT, AND THAT THE GULF ARABS WOULD PRESSURE
 STATES TO TAKE A MORE FAVORABLE POSITION TOWARD THE PLO.
 HE DISCLAIMED INTEREST IN USE OF OIL AS WEAPON TO ACHIEVE
 LOCAL GOALS. END SUMMARY.

3. DURING OCTOBER 16 CALL ON OIL MINISTER SHAIKH ALI KHALIFA AL-SABAH TO DISCUSS GOK 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 MILITARY 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 MAY 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 SEES NO ROLE FOR OIL AS A POLITICAL WEAPON. THE IRAQIS, WHO PUBLICALLY ESPOUSE SUCH A ROLE, HAVE INCREASED OIL PRODUCTION 70 PERCENT THIS YEAR, CHARGE SAID, AND THUS, CANNOT BE TAKEN SERIOUSLY AS WIELDERS OF AN OIL WEAPON.

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IF RUQMHR
R RUQMKW #4803/02 2911020
T Y CCCC ZZH
N R 180938Z OCT 79
M AMEMBASSY KUWAIT
RI RUEHC/SECSTATE WASHDC PRIORITY 4556
FO RUQMBI/AMEMBASSY ABU DHABI 4909
FHRS/AMEMBASSY ALGIERS 1043
FKOL/AMEMBASSY BONN 0584
T FHBS/AMEMBASSY BRUSSELS 0778
VE KHAD/USINT BAGHDAD 0868
S OKPNO/AMEMBASSY COPENHAGEN 0043
EX KHEG/AMEMBASSY CAIRO 2536
HA QMOD/AMEMBASSY DOHA 2718
T FHDB/AMEMBASSY DUBLIN 0026
C QMRA/AMEMBASSY JIDDA 0500
Y DTC/AMEMBASSY LONDON 3605
ES FHBG/AMEMBASSY LUXEMBOURG 0024
SP QMAM/AMEMBASSY MANAMA 4071
OI QMNT/AMEMBASSY MUSCAT 2155
UC FNPS/AMEMBASSY PARIS 2297
, KHRO/AMEMBASSY ROME 0539
A QMHR/AMEMBASSY TEHRAN 4843
KHTV/AMEMBASSY TEL AVIV 1223
QNTI/AMEMBASSY TRIPOLI 1349
KXKO/AMEMBASSY TOKYO 0663
DKGPG/AMEMBASSY THE HAGUE 0151
FHAU/AMEMBASSY VIENNA 0457
FHNA/USIMMISSION USNATO 0027

CONFIDENTIAL SECTION 02 OF 02 KUWAIT 4803

A WORKING COMMITTEE FORMED AT THE TAIF, SAUDI ARABIA MINISTERIAL MEETING SEPTEMBER 23, MET AT THE KUWAITI OIL MINISTRY OCTOBER 15 TO PREPARE A DRAFT AGENDA FOR THE EC/GULF/ARAB DIALOGUE. DRAFT AGENDA WILL BE CONSIDERED BY GULF ARAB MINISTERS AT MEETING IN NOVEMBER. ALI KHALIFA TOLD CHARGE OCTOBER 16 THAT HE COULD NOT COMMENT IN DETAIL ON THE DIALOGUE UNTIL THE AGENDA RECOMMENDATIONS HAD EMERGED FROM THE COMMITTEE, WHICH HAD NOT BEGUN AS OF OCTOBER 17. PRESS REPORTS OCTOBER 17 ABOUT THE COMMITTEE'S WORK ARE ALL SPECULATIVE, AND VARY AS TO POSSIBLE POLITICAL CONTENT OF THE PROPOSED AGENDA. KHALIFA ALSO TOLD CHARGE THAT NO TARGET DATE HAD YET BEEN SET FOR A FIRST MEETING OF GULF ARAB AND EC COUNTRY REPRESENTATIVES.

6. 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 "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 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 IRAQI TALK BIG AND ACT SMALL -- REMINDS 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 TO NOTHING BUT BUSINESS WITH HIM.

SUTHERLAND

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#4803

VV ESA443KWA697

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UQMKW #4975/01 3040950

SSSS ZZH

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EMBASSY KUWAIT

HEC/SECSTATE WASHDC 4622

RUQMBI/AMEMBASSY ABU DHABI 4929

AM/AMEMBASSY AMMAN 3165

AD/USINT BAGHDAD 882

BE/AMEMBASSY BEIRUT 5638

EG/AMEMBASSY CAIRO 2541

DM/AMEMBASSY DAMASCUS 1748

OD/AMEMBASSY DOHA 2733

RA/AMEMBASSY JIDDA 6516

OC/AMEMBASSY LONDON 3612

AM/AMEMBASSY MANAMA 4084

MO/AMEMBASSY MOSCOW 433

MT/AMEMBASSY MUSCAT 2166

PS/AMEMBASSY PARIS 2303

NS/AMEMBASSY SANA 1438

HR/AMEMBASSY TEHRAN 4851

KR/AMEMBASSY TUNIS 765

OD/AMEMBASSY DOHA 2733

POL

CHARGE

ECON

RF

CHRON

C R E T SECTION 1 OF 2 KUWAIT 4975

1206: RDS-1 10/30/89 (DICKMAN, FRANCOIS M.) OR-M

PINS, PINT, MPOL, ENRG, KU

ECT: (U) KUWAIT FOREIGN MINISTER ON CURRENT ISSUES, AVOIDS CONDEMNING CDA

(A) FBIS LONDON 281614Z OCT 79, (B) MUSCAT 1919,

(C) JIDDA 7442

(C) SUMMARY: IN RECENT MEETING WITH KUWAITI EDITORS, FOREIGN MINISTER HAS DEFENDED OIL PRICE INCREASE, FAVORED EXPANSION OF ARAB SUMMIT AGENDA BEYOND THE SINGLE ISSUE OF LIBANON, REVEALED KUWAIT MEDIATION BETWEEN OMAN AND SAUDI ARABIA, REITERATED KUWAIT'S "HOPE" THAT PDRY WILL RESOLVE ITS DIFFERENCES WITH OMAN AND SAUDI ARABIA ESPECIALLY IN THE WAKE OF RECENTLY-SIGNED SOVIET-PDRY AGREEMENT, AND DOWNPLAYED PDRY'S EXCLUSION FROM RECENT GULF FOREIGN MINISTERS CONFERENCE AT TA'IF. THE INTRODUCTION OF FOREIGN FORCES INTO THE GULF REGION IS AGAIN "REJECTED" AND RECENT TALK OF THREATS TO THE STRAITS OF HORMUZ AND THE OIL FIELDS OF THE GULF IS DISMISSED AS IMPLAUSIBLE. FOREIGN MINISTER ALSO ACKNOWLEDGES DIVERGENCE OF OPINION AMONG GULF OIL PRODUCERS ABOUT INTRODUCTION OF POLITICAL QUESTIONS INTO DIALOGUE WITH EC. PERHAPS MOST NOTABLE POINT ABOUT FOREIGN MINISTER'S SPEECH IS ABSENCE OF ANY MENTION OF CAMP DAVID PEACE PROCESS OR TO THREE PARTNERSHIP. END SUMMARY.

2. (U) BEFORE FLYING OFF FOR A WEEK'S 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 TOUCHED ON MANY OF MAJOR FOREIGN POLICY ISSUES FACING KUWAIT EXCEPT FOR THE MIDDLE EAST PEACE PROCESS. MISSING WAS SHAIKH SABAH'S HAVANA LANGUAGE WHERE HE REMINDED EVERYONE OF KUWAIT'S PARTICIPATION IN THE BAGHDAD SUMMIT AND HIS MILD BUT STILL NEGATIVE ALLUSION 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 PDRY 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 PDRY PRESIDENT ISMAIL WOULD VISIT SAUDI ARABIA TO SETTLE OUTSTANDING ISSUES, A VISIT WHICH HE THOUGHT WOULD BE USEFUL IN LIGHT OF OCTOBER 25 USSR-PDRY FRIENDSHIP TREATY. HE AGAIN TOOK OCCASION TO DISMISS FOR UMPTENTH 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.

BT

#4975

RVV ESA447KWA701

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0000KW #4975/02 3040950

15SSS ZZH

1512Z OCT 79

EMBASSY KUWAIT

EMBHC/SECSTATE WASHDC 4623

URUMBI/AMEMBASSY AEU DHALI 4800

AMM/AMEMBASSY AMMAN 3166

BAGD/USINT BAGHDAD 883

BEIR/AMEMBASSY BEIRUT 5639

CAIRO/AMEMBASSY CAIRO 2542

DAM/AMEMBASSY DAMASCUS 1749

DOHA/AMEMBASSY DOHA 2734

JID/AMEMBASSY JIDDA 6517

LON/AMEMBASSY LONDON 3613

MAN/AMEMBASSY MANAMA 4085

MOS/AMEMBASSY MOSCOW 434

MUS/AMEMBASSY MUSCAT 2167

PAR/AMEMBASSY PARIS 2304

SAN/AMEMBASSY SANA 1439

TEH/AMEMBASSY TEHRAN 4852

TUN/AMEMBASSY TUNIS 766

C R E I SECTION 2 OF 2 KUWAIT 4975

(C) ARAB SUMMIT. IN CONFIRMING THAT IT WAS SCHEDULED FOR NOVEMBER 20, FONMIN EXPRESSED PREFERENCE FOR AN AGENDA NOT CONFINED TO LEBANESE ISSUE. PREFERENCE REFLECTS PREVIOUS INDICATIONS FROM FOREIGN MINISTRY (KUWAIT 4824) THAT DECISIONS REACHED AT BAGHDAD SUMMIT A YEAR AGO WOULD PROVIDE FRAMEWORK FOR TUNIS SUMMIT. AT SAME TIME, FONMIN'S GENERALIZED COMMENTS DO NOT COMMIT KUWAIT TO AN AGENDA WHICH INVOLVES CAMPAIGN AGAINST EGYPT AND ODA LEGUN AT BAGHDAD.

(C) TAIF CONFERENCE OF GULF FOREIGN MINISTERS. FONMIN AVOIDED DIVULGING MUCH OF SUBSTANCE BUT DID FIND INTERESTING THOUGHT THAT FONMINS HAD DISCUSSED IDEAL TO ESTABLISH A FEDERATION TO BE CALLED "THE UNITED STATES", WHICH WOULD ENTAIL COOPERATION AND COORDINATION IN A NUMBER OF DOMAINS INCLUDING OIL PRODUCTION AND MARKETING. HE DID MAKE IT OBVIOUS THAT KUWAIT WAS WELL AWARE OF IRAQI SENSITIVITIES ABOUT THE CONFERENCE. HE REMARKED THAT REASON FOR HIS OCTOBER 22 VISIT TO BAGHDAD HAD BEEN TO BRIEF SADEK HUSSEIN ON "THE GULF CANNOT WORK WITHOUT IRAQ AND IRAQ CANNOT WORK WITHOUT THE GULF".

7. (U) GULF EC DIALOGUE. THOUGH NOT MENTIONED IN REF A, FONMIN TOUCHED ON EC DIALOGUE WITH GULF COUNTRIES ADMITTING THAT GULF OIL MINISTERS MEETING IN TAIF 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 FONMIN'S BAGHDAD VISIT DURING MY 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 PARA 4. SINCE THEN, HAVE RECEIVED INTERESTING COMMENTARY FROM FRENCH AMBASSADOR BLOUIN WHO SAID THAT WHILE SAUDIS WERE WILLING TO HAVE IRAQIS PARTICIPATE AT OCTOBER 16 TAIF MEETING, IT WAS KUWAIT WHICH OBJECTED. KUWAITIS FEARED THAT IF IRAQ INCLUDED, MEETING WOULD HAVE ANTI-IRANIAN CAST. AT SAME TIME, KUWAIT WAS FEARFUL THAT IRAQIS WOULD VIEW TAIF MEETING AS DIRECTED AGAINST IRAQ. SO AS SOON AS MEETING CONCLUDED, SHAIKH SABAH HAD GONE TO BAGHDAD TO ALLAY ANY SUCH FEAR. BLOUIN ALSO SAID THAT GULF/EC DIALOGUE AT MOMENT IS MAKING NO PROGRESS BECAUSE (A) KUWAITIS 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: FONMIN'S STATEMENT HAS SINCE STIMULATED ARTICLE WHICH APPEARED IN OCTOBER 29 AS-SIYASSAH WHICH FORECASTS ISMAIL VISIT TO RIYADH TO DELIVER MESSAGE FROM BREZHNEV 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 SAG POLITICAL AND OIL MATTERS. END COMMENTS.

LICKMAN

BT
#4975

File 2-2

003174

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 RUQMHR
 RUQMKW #4887/01 2970716
 Y CCCCC ZZH
 240542Z OCT 79
 AMEMBASSY KUWAIT
 RUEHC/SECSTATE WASHDC 4586
 TO RUQMBI/AMEMBASSY ABU DHABI 4922
 RHAD/USINT BAGHDAD 0876
 RQMDH/AMCONSUL DHAHRAN 4094
 RQMOD/AMEMBASSY DOHA 2726
 RQMR/AMEMBASSY JIDDA 6510
 RQDTC/AMEMBASSY LONDON 3610
 RQNFPS/AMEMBASSY PARIS 2301
 RHUL/AMEMBASSY SEOUL 0165
 RQHR/AMEMBASSY TEHRAN 4847

ECON
 CHARGE
 POL
 CHRON

O N F I D E N T I A L SECTION 01 OF 02 KUWAIT 4887

NDIS

DECD

0. 1206: GDS 10/23/85 (SUTHERLAND, PETER A.) OR-M
 QS: ENRG, KU
 SUBJECT: KUWAIT TO CUT BACK ON MAJORS' CRUDE OIL CONTRACTS

RF: (A) KUWAIT 3817, (B) KUWAIT 2975.

(C-ENTIRE TEXT.)

SUMMARY: REFTELS DISCUSS REPORTED KUWAITI PLANS TO
 REDUCE CRUDE OIL PRODUCTION IN 1980, AND THE IMPACT THIS
 PRODUCTION WILL HAVE ON GULF OIL CO. AND BRITISH PETROLEUM
 CONTRACT RENEWALS EFFECTIVE APRIL 1, 1980. EMBASSY EARLIER
 ASSESSED GOK STATEMENTS OF INTENTION TO REDUCE KUWAIT OIL
 PRODUCTION CEILING FROM PRESENT, OFFICIAL TWO MILLION
 B/D PRODUCTION TO 1.5 MILLION B/D AS AT
 LAST IN PART PRE-NEGOTIATION BLUSTER DESIGNED TO SOFTEN
 GULF OIL AND BP FOR SIGNIFICANT REDUCTIONS IN THEIR
 OFFTAKE UNDER NEW CONTRACTS. EMBASSY URGED (REF. B) THAT
 GULF OIL SHOULD BE PREPARED TO BACK GULF OIL IN INSISTING THAT GOK
 SIGN NEW LONG TERM CONTRACT PERMITTING OFFTAKE OF AT LEAST
 2,000 B/D, A FIGURE UNDERTAKEN BY GOK AS PART OF THE SETTLE-
 MENT WHEN GOK NATIONALIZED GULF'S INTEREST IN WHAT IS
 NOW KUWAIT OIL COMPANY. THE PICTURE SEEMS TO HAVE CHANGED:
 GULF OIL IS NOW QUITE SERIOUS, AS WE HAVE REPORTED, ABOUT WANTING
 TO CUT ITS TOTAL PRODUCTION BY ABOUT ONE QUARTER, WHILE, ON
 THE OTHER HAND, GULF OIL SEEMS TO BE RECONCILED TO TAKING A
 DRAMATIC CUT IN ITS CONTRACT ALLOWABLES. UNLESS GOK
 STRENGTHENS ITS POSITION STILL FURTHER, AND GULF ASKS FOR HELP,
 USG NOW FORESEES LITTLE ROLE FOR USG IN THE UPCOMING NEGOTIA-
 TIONS. END SUMMARY.

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 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, GOK OIL MINISTER SHAIKH 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 REQUIRES 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 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.

BT
#4887

VV ESA809KWA336

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UQMKW #4887/02 2970737

CCCCC ZZH

0542Z OCT 79

EMBASSY KUWAIT

UEHC/SECSTATE WASHDC 4587

RUQMBI/AMEMBASSY ABU DHABI 4923

AD/USINT BAGHDAD 0877

DH/AMCONSUL DHAHRAN 4095

DD/AMEMBASSY DOHA 2727

RA/AMEMBASSY JIDDA 6511

C/AMEMBASSY LONDON 3611

PS/AMEMBASSY PARIS 2302

LL/AMEMBASSY SEOUL 0166

NR/AMEMBASSY TEHRAN 4848

W F I D E N T I A L SECTION 02 OF 02 KUWAIT 4887

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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 OFFICERS ARE DOING. THE ULTIMATE, AND ACCEPTABLE, KUWAITI EFFORT WOULD BE TO IMPOSE THE NEW BOYCOTT LANGUAGE NOW BEING INSERTED IN IRAQI OIL CONTRACTS. (COMMENT: NEITHER ANDERSON NOR EMBASSY HAD ANY INDICATION THAT EITHER OF THESE DEMANDS IS BEING CONSIDERED BY GOK. END COMMENT.)

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

COMMENT: ANDERSON'S REMARKS CONFIRM THE ACCURACY OF WHAT WE FOUND SOMEWHAT DIFFICULT TO ACCEPT AT FACE VALUE SEVERAL MONTHS AGO--THAT GOK DOES INTEND DEEP CUTS IN OIL PRODUCTION AND IN AMOUNTS ALLOWED THE MAJOR OIL PRODUCERS. IT IS UNFORTUNATE, PERHAPS, THAT SHELL HAS A CONTRACT WHICH RUNS TO OCTOBER 1981 PERMITTING THE COMPANY TO PRODUCE UP TO 405,000 B/D, WHILE THE ORIGINAL KUWAIT OIL CO. CONTRACT WAS FOR 500,000 B/D. GULF AND WE PRESUME BP ARE DESTINED TO BE LIMITED TO HALF THAT AMOUNT OR LESS NEXT APRIL. BUT UNLESS SHELL LATER INFORMS US OF NEW NEGOTIATING PROBLEMS, OR UNLESS THE SPECTRE OF TOUGH NEW BOYCOTT PROVISIONS ARISES, GULF FORESEES LITTLE ROLE FOR USG SUPPORT FOR GULF IN THE NEGOTIATIONS BETWEEN NOW AND MARCH 31.

MAN

NNNNVV ESA80AKWA331
RR RUQMHR
DE RUQMKW #4886/01 2970639
ZNY CCCCC ZZH
R 240542Z OCT 79
FM AMEMBASSY KUWAIT
TO RUEHC/SECSTATE WASHDC 4584
INFO RUQMBI/AMEMBASSY ABU DHABI 4920
RUEHAD/USINT BAGHDAD 0874
RUQMDH/AMCONSUL DHAHRAN 4092
RUQMOD/AMEMBASSY DOHA 2724
RUQMRA/AMEMBASSY JIDDA 6508
RUQMAMXAMEMBASSY MANAMA 4076
RUQMMI/AMEMBASSY MUSCAT 2161
RUQMHR/AMEMBASSY TEHRAN 4845
BT

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C O N F I D E N T I A L SECTION 01 OF 02 KUWAIT 4886

E.O. 12065: GDS 10/23/85 (SUTHERLAND, PETER) OR-M
TAGS: ENRG, KU
SUBJECT: (U) KUWAITI OIL MARKETING POLICY AND PRACTICE

REF: (A) KUWAIT 4321, (B) KUWAIT 4244, (C) KUWAIT 3817,
(D) KUWAIT 3532, (E) KUWAIT 2975.

1. (C-ENTIRE TEXT).

2. SUMMARY: GULF OIL REP. (PROTECT) STATES KUWAIT OIL
MINISTRY IS CURRENTLY MEETING ITS CONTACTUAL AGREEMENTS
RE SUPPLY AND PRICE. HE DOES NOT BELIEVE KUWAIT HAS GONE
HEAVILY INTO THE SPOT MARKET, OR THAT IT IS PERMITTING
PRIVATE PROFITS TO BE MADE THERE. HE DESCRIBES KUWAITI
POLICY AS AIMED AT BYPASSING SUPPLIERS TO THIRD PARTIES
AND AT INCREASING THE VOLUME OF KUWAITI CRUDE SOLD
DIRECTLY BY GOK TO THE REFINERS. END SUMMARY.

3. SYD ANDERSON, LOCALLY BASED REPRESENTATIVE OF GULF
OIL COMPANY (PROTECT), PROVIDED EMBASSY OCTOBER 16
WITH INSIGHTS INTO KUWAIT'S PRESENT OIL MARKETING POLICY
AND PRACTICE, AS FOLLOWS:

IN CONTRAST TO SOME OTHER PRODUCERS, KUWAIT IS PRE-
SENTLY MEETING ALL ITS COMMITMENTS TO SUPPLY CRUDE OIL
FULL, AT ANNOUNCED PRICES. GULF, FOR EXAMPLE, WHICH IS
TITLED UNDER ITS CONTRACT TO 500,000 B/D PLUS AN
ADDITIONAL 50,000 B/D AS DESIRED, IS BEING ALLOWED TO LIFT
THE ENTIRE 550,000 AT CONTRACT PRICES. LIFTINGS ABOVE THE
500,000 LEVEL ARE POSSIBLE BUT ONLY IN KUWAITI BOTTOMS
AT SPOT PRICES. EARLIER THIS YEAR KUWAIT OFFERED
THREE MAJOR OFFTAKERS, GULF, BP AND SHELL, ADDITIONAL
OIL UP TO 40,000 B/D EACH ON THESE TERMS. GULF DECLINED
THE OFFER AS UNECONOMIC, BUT ANDERSON UNDERSTANDS SHELL
AND 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
TERM 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
MOST OF THE 520,000 BARRELS/DAY INCREASE IN PRODUCTION IN
KUWAIT THIS YEAR IS BEING SOLD AT STATED CONTRACT PRICES
LOWER THAN ON THE SPOT MARKET. HOWEVER, THE GOK HAS
RECENTLY, APPARENTLY FOR THE FIRST TIME, EXERCISED ITS
CONTRACT RIGHTS TO MARKET SIXTY PERCENT OF THE KUWAITI SHARE IN
THE ARABIAN OIL COMPANY'S PRODUCTION OFFSHORE IN THE NEUTRAL
WATER. (THIS OIL PREVIOUSLY WAS SOLD BACK TO THE ARABIAN
OIL COMPANY) THIS LATTER ARRANGEMENT PROVIDES UP TO
100,000 B/D TO GOK, ALL OF WHICH PRESUMABLY MOVES ON THE
SPOT MARKET, AND MAKES UP THE BULK OF SUCH HIGH-
PRICED SALES BY GOK.

KEGVV ESAB05 KWA332
RR RUQHR
DE RUQMW #4886/02 2970649
ZNY CCCCC ZZH
R 240542Z OCT 79
FM AMEMBASSY KUWAIT
TO RUEHC/SECSTATE WASHDC 4585
INFO RUQMBI/AMEMBASSY ABU DHABI 4921
RUEHAD/USINT BAGHDAD 0875
RUQMDH/AMCONSUL DHAHRAN 4903
RUQMOD/AMEMBASSY DOHA 2725
RUQMRA/AMEMBASSY JIDDA 6509
RUQMAM/AMEMBASSY MANAMA 4077
RUQMMI/AMEMBASSY MUSCAT 2162
RUQMHR/AMEMBASSY TEHRAN 4846
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C O N F I D E N T I A L 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 KUWAITIS 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 UPHELD THE MINISTRY'S REPUTATION FOR STRAIGHT DEALING, A CONTRAST WITH THE QUESTIONABLE PRACTICES SOME ASCRIBE TO FORMER OIL MINISTER ABDULMUTALEB KAZEMI AND HIS PROTEGES.

DICKMAN
BT
#4886

25 MAR 1985

*ACTION
ECON
INFO
AMB
DLIN
CHACW
RF*

VV ESA892 KWA831
UQMHR
UQMKW 1435 0841047
CCCCC ZZH
1035Z MAR 79
MEMBASSY KUWAIT
UEHC/SECSTATE WASHDC 3293
RUQMBI/AMEMBASSY ABU DHABI 4559
USINT BAGHDAD
EBQ/AMEMBASSY BERN 0053
OL/AMEMBASSY BONN 0530
OD/AMEMBASSY DOHA 2431
RA/AMEMBASSY JIDDA 6160
IC/AMEMBASSY LONDON 3406
AM/AMEMBASSY MANAMA 3809
MT/AMEMBASSY MUSCAT 1888
PS/AMEMBASSY PARIS 2155
YA/USLO RIYADH 0333
HR/AMEMBASSY TEHRAN 4693
TRS/DEPT TREASURY WASHDC
EBQ/AMCONSUL ZURICH 0009

N F I D E N T I A L KUWAIT 1435

12065: GDS 3/26/85 (BUCK, STEPHEN W.) OR-E
EFIN, KU
JECT: CAPITAL FLOW FROM KUWAIT: AND UPDATE

KUWAIT 0701

(C - ENTIRE TEXT)

OUR FINANCE MINISTRY, BANKING AND BUSINESS CONTACTS REPORT
CAPITAL CONTINUES TO FLOW OUT OF KUWAIT, BUT NOT RPT NOT,
POLITICAL REASONS. DEPUTY GOVERNOR OF KUWAIT'S CENTRAL
AND KNOWLEDGEABLE CHAIRMAN OF KUWAIT'S SECOND LARGEST
MERICIAL BANK SEPARATELY GAVE FOLLOWING REPRESENTATIVE
LYSES OF REASONS FOR PRESENT FLOW OF FUNDS FROM KUWAIT:

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 LIQUIDITY 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 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 IRAN ARE STILL A MATTER OF CONCERN, THE RETURN OF KHOMEINI 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 TO 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

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1435

KUWAIT

KUWAIT

ion (excluding neutral zone but including islands);
at amount forested; nearly all desert, waste, or

boundaries: 459 km

of territorial waters (claimed): 12 nm

se: 499 km

ion: 1,278,000 (July 1979), average annual growth
(current)

ality: noun—Kuwaiti(s); adjective—Kuwaiti
divisions: 83% Arabs, 15% Iranians, Indians, and
native Kuwaitis are a minority

re: 99% Muslim, 1% Christian, Hindu, Parsi, other
age: Arabic; English commonly used foreign

ry: about 40%

force: 360,000 (1978 est.); 74% services, 11%
11% construction; 70% of labor force is
out)

ered labor: labor unions, first authorized in 1964,
oil industry and among government personnel

GOVERNMENT

name: State of Kuwait

nominal constitutional monarchy

of Kuwait

al subdivisions: 3 governorates, 10 voting
municipalities

system: civil law system with Islamic law
not in personal matters; constitution took effect 1963;
visions regarding election of National Assembly
held in August 1976; judicial review of legislative acts
determined; has not accepted compulsory ICJ
jurisdiction

al holiday: 25 February

ties: Council of Ministers

ment leader: Amir Jabir al-Ahmad al-Sabah

age: native born and naturalized males age 21 or
over requires 20 years residency after naturalization

ions: National Assembly dissolved by Emir's decree
in 1976

al parties and leaders: political parties prohibited,
all clandestine groups are active

onists: insignificant

political or pressure groups: none

Member of: Arab League, FAO, G-77, GATT, IAEA,
IBRD, ICAO, IDA, JFC, ILO, INCO, IMF, IPU, ITU,
OASPEC, OPEC, U.N., UNESCO, UPU, WHO, WIPO,
WMO, WTO

ECONOMY

GDP: \$12.8 billion (1977), \$10,666 per capita est.

Agriculture: virtually none, dependent on imports for
food; approx 75% of potable water must be distilled or
imported

Major industries: crude petroleum production average
for 1977, 1.92 million b/d, government revenues from taxes
and royalties on production, refining, and consumption, \$9.0
billion, preliminary est. for 1976; refinery production 132
million bbls (1977), average b/d refinery capacity equaled
645,000 bbls at end of 1976; other major industries include
processing of fertilizers, chemicals, building materials, flour

Electric power: 2,200,000 kW capacity (1978); 7 billion
kWh produced (1978), 5,640 kWh per capita

Exports: \$9.1 billion (f.o.b., 1977), of which petroleum
accounted for about 90%; nonpetroleum exports are mostly
reexports, \$800 million (1977 est.)

Imports: \$4.8 billion (c.i.f., 1977 est.); major suppliers—
U.S., Japan, U.K., West Germany

Aid: Kuwait as an aid donor made pledges of \$4,785
million in 1974-77 (S/INF)

Budget: (1977) \$7.9 billion revenues; expenditures \$5.3
billion; capital \$1.2 billion

Monetary conversion rate: 1 Kuwaiti dinar=US\$3.63
(1978)

Fiscal year: 1 July-30 June

COMMUNICATIONS

Railroads: none

Highways: 2,545 km total; 2,255 km bituminous, 290 km
earth, sand, light gravel

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

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

Merchant marine: 102 ships (1,000 GRT or over), totaling
2,370,000 GRT, 3,949,700 DWT; includes 2 passenger, 76
cargo, 14 tanker, 6 specialized carrier, 3 liquefied gas
carrier, 1 container (C)

Civil air: 17 major transport aircraft, including 4 leased in
Airfields: 11 total, 6 usable, 4 with permanent-surface
runways, 3 with runways 2,440-3,659 m, 2 with runways
1,220-2,439 m

Telecommunications: excellent international and ade-
quate domestic telecommunication facilities; 140,000 tele-
phones (13.0 per 100 pop.); 3 AM, 1 FM and 3 TV stations;
1 satellite station with Indian and Atlantic Ocean antennas

DEFENSE FORCES

Military manpower: males 15-49, about 314,000; about 184,000 fit for military service

Personnel: army 8,500, navy 140, air force 2,000 (90 pilots), national police force 15,200 (S)

Major ground units: 3 brigades (2 mixed infantry/armored 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 Amiri Guard battalion, and 1 military police battalion (S)

Aircraft: 122 (83 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 FRG 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, \$330 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)



(See reference map V)

REPORT CLASS S E C R E T--WINTEL--NOFORN--NOCONTRACT--ORCON

EXCLUSIVE DISSEMINATION TO ADDRESSEES LISTED IN FINAL PARAGRAPH

REF: 7,546
SUBJECT: KUWAIT/THE NETHERLANDS
KUWAIT OIL MINISTER'S VIEW ON OIL PRICING AND GULF/EC
DIALOGUE, AS EXPRESSED TO THE DUTCH AMBASSADOR
(DOI: 20 OCTOBER 1979)

SOURCE: A SENIOR GOVERNMENT OF KUWAIT OFFICIAL WITH ESTABLISHED
ACCESS TO OIL MINISTRY INFORMATION. HIS REPORTING HAS
BEEN GENERALLY SUBSTANTIATED.

SUMMARY: DURING THE COURSE OF A 20 OCTOBER 1979 MEETING,
KUWAIT'S OIL MINISTER, SHAYKH ALI KHALIFA AL-SABAH, PROVIDED THE
DUTCH AMBASSADOR WITH HIS VIEWS ON OIL PRICING AND THE GULF/EC
DIALOGUE. ALI KHALIFA INDICATED THAT IT IS QUITE POSSIBLE
KUWAIT WILL RAISE ITS OIL PRICES AGAIN. HE SAID KUWAIT CANNOT
BE ASKED TO BE ONLY REASONABLE ONE WHEN EVERYONE ELSE, INCLUDING
NORTH SEA PRODUCERS, ARE RAISING THEIR PRICES. AS FOR THE
GULF/EC DIALOGUE, ALI KHALIFA SAID OIL PRICES WILL NOT BE A
SUBJECT OF DISCUSSION. HE NOTED THAT THE SUBJECT OF POLITICS
CANNOT BE AVOIDED, BUT IT IS NOT A POINT ON THE AGENDA. HE
STATED THAT IF THE PARTICIPANTS CAN TALK SENSE TO EACH OTHER THE
SITUATION WILL HAVE BEEN LAID FOR A BROADER DIALOGUE COVERING
OIL PRODUCERS, THE DEVELOPING AND THE DEVELOPED COUNTRIES.
SUMMARY:

ON 20 OCTOBER 1979, KUWAIT OIL MINISTER SHAYKH ALI
KHALIFA AL-SABAH MET WITH THE DUTCH AMBASSADOR TO KUWAIT,
HON. BERNARD LEM, WHO WAS PAYING A FAREWELL CALL ON THE
DUTCH AMBASSADOR'S QUESTION, ALI KHALIFA CONFIRMED THAT KUWAIT'S
OIL CRUDE OIL PRICE RISE TO DOLLARS 21.43 WAS WITHIN THE OPEC
PRICE LIMITS. HOWEVER, ALI KHALIFA SAID THAT OTHER COUNTRIES
LIKE IRAQ HAVENAGAIN ADJUSTED UPWARDS, SO IT IS QUITE POSSIBLE
THAT OTHER COUNTRIES WILL DO LIKEWISE.

THE AMBASSADOR ASKED IF IT MIGHT NOT BE WISE TO LET THE
OIL PRICES REMAIN STABLE FOR A WHILE SO THAT THE ECONOMIES

OF THE IMPORTING COUNTRIES CAN ADJUST THEMSELVES TO THESE HIGH PRICES. ALI KHALIFA RESPONDED THAT KUWAIT HAD WISHED ITS OIL PRICES TO REMAIN CONSTANT FOR AT LEAST THREE MONTHS, HOWEVER FOR THE THREE MONTHS PRIOR TO KUWAIT'S PRICE RISE, THE NORTH SEA OILFIELDS, THE LIBYANS, ALGERIANS, IRAQIS AND IRANIS WERE OVERPRICED COMPARED TO KUWAIT. KUWAIT ACCEPTED THIS FOR A TIME, BUT CANNOT BE ASKED TO BE THE ONLY REASONABLE ONE WHEN EVERYONE ELSE IS RAISING THEIR PRICES.

3. THE AMBASSADOR NOTED HIS COUNTRY'S WORRY OVER CHANGING OIL PRICES BECAUSE THEY MAKE ECONOMIC PLANNING EXTREMELY DIFFICULT. HOW, HE ASKED, CAN ONE WORK OUT ECONOMIC POLICY AND CONSERVE ENERGY IF PRICES VARY ALL THE TIME? ALI KHALIFA REPLIED THAT HE AGREED ONE HUNDRED PERCENT WITH THE AMBASSADOR. HE SAID KUWAIT HAS TRIED TO WORK FOR A LONG TIME FOR PLANNED INCREASES. AT PRESENT, THE OIL PRODUCING COUNTRIES ARE FORCING THE MARKET TO LEAD THEM, BUT TO BE LED WHILE PRICES ARE RISING IS JUST AS DANGEROUS AS TO BE LED WHEN THE MARKET IS A LITTLE DOWN. NEXT YEAR, ALI KHALIFA CONTINUED, THE MARKET WILL BE A LITTLE SLOW AND ONE FEELS THAT PRICES WILL DECREASE--NOT BETWEEN MARKET PRICES BUT MARKET PRICES. THIS MAY RESULT IN THE CONSUMING COUNTRIES ONCE AGAIN FORGETTING ABOUT CONSERVATION.

4. THE AMBASSADOR OBSERVED THAT KUWAIT HAS ALWAYS MAINTAINED A MODERATE ROLE IN OIL PRICING, AND HE HOPED THAT WOULD CONTINUE TO BE THE CASE. ALI KHALIFA REPLIED THAT KUWAIT IS CONTINUING TO BE MODERATE, BUT KUWAIT IS NOT STUPID. IF SOME OTHER COUNTRY IS INCREASING ITS PRICES, THAT HAS ALREADY AFFECTED THE NETHERLANDS, SO IT MAKES NO DIFFERENCE WHETHER OR NOT KUWAIT INCREASES ITS PRICES. IF KUWAIT DOES NOT DO SO, IT IS LEAVING THE PROFITS TO THE OTHERS. KUWAIT IS NOT GOING TO BE DINING AWAY MONEY WHICH BELONGS TO ITS PEOPLE.

5. ON THIS POINT, ALI KHALIFA SAID HE SOMETIMES HAS CLASHES IN THE CABINET WITH COLLEAGUES WHO WISH TO BE EVEN MORE MODERATE BUT HE TELLS THEM FRANKLY THAT THEY MUST NOT PUT HIM IN THE POSITION OF TRYING TO EXPLAIN NONSENSE TO THE KUWAITI PEOPLE. ALI KHALIFA MADE THE POINT THAT THE COMMON MAN MAY NOT KNOW HOW TO READ AND WRITE, BUT HE IS EXTREMELY INTELLIGENT AND UNDERSTANDS THINGS. HE CANNOT BE TOLD THAT IRAN AND ALGERIA ARE

GETTING SUCH A PRICE. NORTH SEA OIL IS GETTING SO MUCH, AND THEN BE EXPECTED NOT TO WANT AN EQUAL RETURN FOR KUWAIT. THE AMBASSADOR NOTED THE VALIDITY OF ALI KHALIFA'S STATEMENTS, BUT SAID THE RESULT WILL BE A WEAKENED DOLLAR--AND THAT IS OCCURRING HIS COUNTRY.

8. THE CONVERSATION THEN TURNED TO THE GULF STATES/EUROPEAN COMMUNITY (E/C) DIALOGUE. THE AMBASSADOR ASKED IF THE SUBJECT OF PRICES WILL COME UP THERE. ALI KHALIFA REPLIED THAT A DISCUSSION OF PRICES WOULD NOT TAKE PLACE. HE SAID SUBJECTS OF DISCUSSION CAN INCLUDE EUROPEAN NEEDS FOR ENERGY, TRADE BETWEEN THE TWO REGIONS, INVESTMENTS, AND SECURITIES. THE AMBASSADOR NOTED THAT HE HAD HEARD THE GULF STATES WISHED TO BEGIN TO EXCHANGE POLITICAL IDEAS, ALSO. ALI KHALIFA SAID IT CANNOT BE AVOIDED, BUT IS NOT A POINT ON THE AGENDA.

7. ALI KHALIFA SAID THAT THE GULF STATES CONSIDER THE GULF TALKS IMPORTANT AND HOPE THE ATMOSPHERE WILL PERMIT THE PARTIES WANTS TO TALK SENSE TO EACH OTHER. IF THEY CAN DO SO ON A SERIES OF ISSUES, THEN THE FOUNDATION HAS BEEN MADE FOR A BROADER DIALOGUE COVERING MORE COUNTRIES--ALL OF THE OIL PRODUCERS, THE DEVELOPING COUNTRIES, AND THE DEVELOPED ONES. ALI KHALIFA CONTINUED, THE GULF STATES' INTEREST IN THE TALKS IS MUCH BROADER THAN TWO OR THREE ECONOMIC SUBJECTS. THE TALKS MUST ENABLE EACH SIDE TO SEE THE PROBLEMS OF THE OTHER. NO TEST THESE PROBLEMS AND TO BEGIN LEARNING HOW TO DEAL WITH THEM, AND WITH EACH OTHER.

8. AS A FINAL POINT, THE AMBASSADOR SAID THAT THE NETHERLANDS BASICALLY FEELS THAT THE INTERNATIONAL OIL COMPANIES ARE NOT TO BLAME FOR EVERYTHING DESPITE THE MANY STATEMENTS IN THE PRESS TO THIS EFFECT. ALI KHALIFA AGREED WITH THE AMBASSADOR. HE SAID HE KNOWS THE INTERNATIONAL OIL COMPANIES ARE MAKING MONEY, BUT NOT FROM THEIR OWN DOING. THEY DID NOT CREATE THE PROBLEM. THEY WERE PRESENTED WITH AN OPPORTUNITY AND ARE THRIVING ON IT.

9. THE MEETING ENDED WITH AN EXCHANGE OF PLEASANTRIES DURING WHICH ALI KHALIFA NOTED THAT HE PROBABLY WOULD BE TRAVELLING TO NORTH AMERICA AND EUROPE IN DECEMBER. THE AMBASSADOR SAID THAT IF ALI KHALIFA VISITED THE NETHERLANDS, HIS GOVERNMENT WOULD BE INTERESTED IN TALKING WITH THE MINISTER. THE AMBASSADOR CLOSED

WITH THE HOPE THAT RELATIONS BETWEEN ALI KHALIFA AND THE
NETHERLANDS AND ITS INTERNATIONAL OIL COMPANY WOULD PROSPER.

10. ACR: KUWAIT, KUWAIT (1 NOVEMBER 1979).

11. FIELD DISSEM: EMBASSY AT KUWAIT (PRINCIPAL OFFICERS ONLY);
SENE TO ABU DHABI, ALGIERS, CARACAS, GENOVA, THE HAGUE,
JAKARTA, JIDDA, LAGOS, AHISO, TEHRAN, TRIPOLI, WILM (FRENCH OFFICERS ONLY).

12. WASHINGTON DISSEM:

- o STATE
- o TREASURY
- o DOE
- o COMMERCE

EXCLUSIVE FOR THE DIRECTOR
 EXCLUSIVE FOR THE SPECIAL
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TDFIRDB-315/1979-79
DIST: 60 OCTOBER 1979

IS THIS AN INFORMATION REPORT. NOT FINALLY EVALUATED INTELLIGENCE
POWER CLASS SECRET WMINTEL NOFORN NOCONTRAF ORCON
COUNTRY: KUWAIT LIBYA
SUBJECT: POSSIBLE KUWAIT-LIBYAN OIL PRODUCTION CONTRACT IN
NOVEMBER 1979 (SEPTEMBER-OCTOBER 1979)

ORIGIN: AN ARAB BUSINESSMAN WITH A WIDE CIRCLE OF FRIENDS,
ACQUAINTANCES AND BUSINESS ASSOCIATES IN VARIOUS ARAB
GOVERNMENTS. HE OBTAINED THIS INFORMATION FROM A TECHNICAL
ADVISOR TO THE KUWAIT NATIONAL OIL COMPANY. THE
REPORTING RELIABILITY OF THE ARAB BUSINESSMAN HAS NOT
BEEN ESTABLISHED, AND HIS INFORMANTS--THE TECHNICAL
ADVISOR AND HIS CONTACTS--ARE KNOWN ONLY FROM THE
DESCRIPTIONS PROVIDED BY THE ARAB BUSINESSMAN.

SUMMARY: KUWAITI RULER, AMIR JABIR AL-ARMAD AL-SABAH, HAS
OFFERED HIS SUPPORT TO A KUWAITI GOVERNMENT PROPOSAL TO
PRODUCE OIL PRODUCTION BY ONE MILLION BARRELS PER DAY OUT OF KUWAIT
IN NOVEMBER, 1979. SENIOR OFFICIALS WITHIN THE GOVERNMENT AND
PETROLEUM COMPANY OF KUWAIT ARE STILL STUDYING THE PROPOSAL AND
EFFECTS OF THE PROPOSAL ESPECIALLY THE NEGATIVE IMPACTS SUCH A
CUT WOULD HAVE ON GREAT BRITAIN, KUWAIT'S MAJOR ARMS SUPPLIER. I
KUWAIT GOES AHEAD WITH THIS CUT IN CRUDE OIL PRODUCTION LIBYA
TENDS TO CUT ITS PRODUCTION OR HALT ITS CRUDE OIL EXPORTS TO
UNITED STATES. ALTHOUGH THE MOTIVES OF THE TWO COUNTRIES TO
OFFER, BECAUSE KUWAIT WANTS TO PROTECT ITS ECONOMIC ASSETS AND
LIBYA IS MORE INTERESTED IN PUTTING PRESSURE ON THE UNITED STATES,
THEIR AIMS COINCIDE. END SUMMARY.

HEADQUARTERS COMMENT: ALTHOUGH THE RELIABILITY OF THE
SOURCE OF THE PRESENT REPORT HAS NOT BEEN ESTABLISHED, THERE IS
CONFIRMATION OF THE GENERAL BACKGROUND, THIS REPORT IS NEVER-
THELESS, OFFERED FOR GENERAL BACKGROUND BECAUSE OTHER INDEPENDENT
EVIDENCE IS CONSISTENT WITH THE TRENDS INDICATED, I.E. THAT OIL
PRODUCTION CUTBACKS ARE UNDER CONSIDERATION BY KUWAIT AND THAT
LIBYANS HAVE TAKEN THE INITIATIVE IN USING OIL AS A LEVERAGE TO
INFLUENCE U.S. POLICY.

2. KUWAITI RULER, AMIR JABIR AL-AHMAD AL-SABAH, HAS GIVEN HIS SUPPORT TO A PROPOSED CUT IN KUWAITI CRUDE OIL PRODUCTION OF ONE MILLION BARRELS PER DAY (B/D) BY 15 NOVEMBER 1979. THE PROPOSED CUT, WHICH WOULD BRING TOTAL KUWAITI OIL PRODUCTION TO ABOUT 1.2 MILLION B/D, IS AIMED AT PROTECTING KUWAIT'S FINANCIAL SITUATION. THE PROPOSAL STEMS FROM A KUWAITI GOVERNMENT STUDY COMPLETED IN MID-1979 WHICH SHOWED THAT KUWAIT HAD LOST A GREAT DEAL OF MONEY ON THE WORLD'S FINANCIAL MARKETS WITH THE DECLINE OF THE DOLLAR AND THAT KUWAIT'S OIL RESOURCES WOULD BE WORTH IF LEFT IN THE GROUND. THE STUDY RECOMMENDED THAT KUWAIT SHOULD CUT PRODUCTION AND RAISE PRICES TO PROTECT ITS FINANCIAL INTERESTS. ACCORDING TO THE STUDY, PRICES SHOULD BE RAISED ENOUGH TO MAINTAIN AN ADEQUATE CASH FLOW FOR DEVELOPMENT PURPOSES. (HEADQUARTERS COMMENT: EMBTEL KUWAIT 4856 OF 22 OCTOBER 1979 REPORTS THAT OIL MINISTER SHAIKH ALI KHALIF AL-SABAH'S STATEMENT TO THE AMBASSADOR THAT THE U.S. SHOULD NOT BE SURPRISED IF KUWAIT INCREASES ITS PRICE TO AROUND \$22.90 A BARREL. THE AMBASSADOR COMMENTED THAT THERE IS A GOOD CHANCE THAT KUWAIT WILL RAISE ITS PRICE SOON. HE BELIEVES, HOWEVER, THAT ANY INCREASE WILL BE A MODE ONE AND THAT KUWAIT WILL NOT ATTEMPT TO MATCH OPEC PRICE LEADER SUCH AS LIBYA.)

3. ALTHOUGH AMIR AL-SABAH HAS THE SUPPORT OF THE MINISTERS OF DEFENSE, SALIM AL-SABAH AL-SABAH, FOR THE PRODUCTION CUTBACK, OTHER KUWAITI OFFICIALS, INCLUDING THE MINISTER OF OIL, THE DEPUTY CHIEF OF INTERNATIONAL SALES OF THE KUWAITI OIL COMPANY AND THE DEPUTY CHIEF OF IMPLEMENTATION OF THE CUTBACK, KUWAITI OFFICIALS ARE CONCERNED THAT THE U.S. REACTION, INCLUDING MILITARY INTERVENTION, MORE OVER, THEN OFFICIALS ARE CONCERNED THAT THE CUTBACK COULD LEAD TO AN INVERSE REACTION WITH GREAT BRITAIN AS GREAT BRITAIN SUPPLIES MILITARY EQUIPMENT AND OTHER MATERIALS. THE KUWAITIS BELIEVE THAT ALTHOUGH DOMESTIC CONSUMPTION IN GREAT BRITAIN WOULD NOT BE DIRECTLY AFFECTED, BRITISH PETROLEUM'S ABILITY TO SELL TO OTHER SUPPLIERS WOULD BE DIMINISHED. KUWAIT'S FINAL DECISION ON THE CUTBACK PROPOSAL IS EXPECTED IN THE FIRST WEEK OF NOVEMBER. (HEADQUARTERS COMMENT: EMBTEL KUWAIT 4856 OF 16 OCTOBER REPORTED THAT AMIR AL-SABAH, DURING AN INTERVIEW, STATED THAT KUWAITI OIL PRODUCTION WILL PROBABLY

RE FU BACK BEGINNING JANUARY 1980. (EMTRIL KOW 4795 OF 20
OCTOBER PROVIDES INFORMATION ON THE DECLINE IN OIL (CRUDE O
PRODUCTION DURING THE MONTHS OF JULY, AUGUST, AND SEPTEMBER.)

4. IF KUWAIT GOES AHEAD WITH THE PROPOSED PRODUCTION CUT,
LIBYA INTENDS TO FOLLOW THE KUWAIT ACTION WITH A 5% OIL PRODUCTION CUT,
AND TO APPLY PRESSURE ON THE UNITED STATES AND SUPPORTING THE
OF APPLYING PRESSURE ON THE UNITED STATES AND SUPPORTING THE
ADVOCACY OF THE USE OF ARAB OIL TO INCLUDE THIS TERM OF
HAS APPEARED IN OTHER REPORTING. (SEE, FOR EXAMPLE, "AN-
ARAB REPORT AND MEMO", 8 OCTOBER 1979.)

ALTHOUGH THE LIBYAN PROPOSAL TO PUT PRESURE ON THE
WITH THE STATES IS NOT CONSISTENT WITH KUWAITI AIMS TO CUT PRODUCTION AND RAISE PRICES, CO-
LIBYAN PLAN TO CUT PRODUCTION AND RAISE PRICES, CO-ORDINATELY
SOME WITH KUWAIT'S AIM OF PROTECTING ITS FINANCIAL INTERESTS.

ACC: (14, 16 OCTOBER 1979)

FIELD DISSEM: SENT TO JEDDA, RIYADH, TRIPOLI, MEERAN,
CAIRO, RABAT, ALGIERS, TUNIS, ABU DHABI, AMMAN, BEIRUT,

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