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## SAUDI FINANCING OF US MILITARY EFFORT

## SUMMARY

1. FIRST INDICATIONS ARE THAT SAUDI ASSISTANCE IN MEETING THE COSTS OF US FORCES HERE, AGREED DURING BAKER'S LATEST VISIT, WILL AMOUNT TO RELATIVELY LITTLE.

## DETAIL

2. YOUR TELNO 573 ASKED FOR MORE OF THE DETAILS OF ASSISTANCE WHICH THE SAUDIS HAVE AGREED TO PROVIDE IN ORDER TO OFFSET THE COST OF THE US MILITARY EFFORT.

3. ACCORDING TO THE US EMBASSY HERE, THE PRINCIPLE OF SAUDI ASSISTANCE HAVING BEEN ESTABLISHED BY BAKER WITH KING FAHD AND THROUGH HIM PRINCE SULTAN AND ABALKHAIL (FINANCE MINISTER), DETAILED NEGOTIATION HAS BEEN DELEGATED TO KHALID BIN SULTAN WHO WILL ALSO BE RESPONSIBLE FOR IMPLEMENTATION. IT WAS AGREED DURING BAKER'S VISIT THAT SAUDI ARABIA SHOULD MEET US COSTS INCURRED IN KINGDOM FOR FUEL UPLIFT: OTHER IN-COUNTRY TRANSPORT, AND WATER. THE SAUDIS WILL NOT, REPEAT NOT, BE PAYING FOR FOOD OR ACCOMMODATION. IN TERMS OF OVERALL COST THEREFORE THE SAUDI SUBVENTION IS LIKELY TO BE RELATIVELY SMALL. CURRENTLY, THE EMBASSY HERE BELIEVE THAT THE MOST SIGNIFICANT ITEM, FUEL, IS COSTING APPROXIMATELY 5 MILLION PER DAY. HOWEVER, THEY HAVE NOT YET REACHED AGREEMENT ON THE BASIS WHICH WILL BE USED TO ATTRIBUTE FUEL COSTS. ARE COSTS TO BE CALCULATED ON THE BASIS OF SAUDI PUMP PRICES, THE COST TO THE SAUDI GOVERNMENT, OR US FUEL PRICES? AT PRESENT THEY DO NOT KNOW. THEY HAVE ALSO TO RESOLVE TREATMENT OF SHIPPING, NOT LEAST BECAUSE LARGE ELEMENTS OF US NAVAL FORCES ARE OPERATING WELL OUTSIDE THE SAUDI AREA. PRESUMABLY THIS COULD BE RESOLVED IF THE SAUDIS PAID FOR ANY BUNKERING UNDERTAKEN IN SAUDI PORTS, BUT AGAIN THIS IS STILL TO BE PLAYED FOR.

4. A FURTHER DILEMMA FACING THE AMERICANS WILL BE THE QUESTION

OF RETROSPECTIVE PAYMENTS FOR COSTS INCURRED PRIOR TO THE AGREEMENT REACHED BETWEEN BAKER AND KING FAHD. WHILE THE SAUDIS ARE AMENABLE TO PAYING COSTS ON THIS BASIS FROM THE OUTSET OF OPERATION DESERT SHIELD, THE AMERICANS WOULD HAVE DOMESTIC LEGAL PROBLEMS IN MANAGING SUCH PAYMENTS.

5. IT LOOKS THEREFORE AS THOUGH THE SAUDIS WILL BE PAYING PERHAPS BETWEEN 150 MILLION TO 250 MILLION PER MONTH OUT OF A LOCAL MONTHLY COST ESTIMATED AT 500 MILLION. THIS WOULD SEEM TO BE PARTLY PRESENTATIONAL. IN CONVERSATION WITH DHM YESTERDAY, MANSOURI (DEPUTY FOREIGN MINISTER, CURRENTLY NEGOTIATING THE TERMS OF JAPANESE ASSISTANCE WITH THE MILITARY BUILD UP) LAID MORE STRESS ON THE SAUDI CONTRIBUTION TO REGIONAL STATES AFFECTED BY THE CRISIS, ESPECIALLY EGYPT, AND SAUDI EXPENDITURE TO SUSTAIN THE GROWING ARAB AND ISLAMIC CONTINGENTS HERE, THAN ON HELP WITH US COSTS.

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