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Cm 29

THE PRESIDENT HAS SEEN. *af*

MEMORANDUM

2720

THE WHITE HOUSE
WASHINGTON

INFORMATION

May 19, 1975

MEMORANDUM FOR: THE PRESIDENT
FROM: BRENT SCOWCROFT *BS*
SUBJECT: Response to Your Inquiry on Arab-European Dialogue *MC 1*

You asked for more information on a Christian Science Monitor reference to a "full-scale Arab-European 'dialogue,' " scheduled for early June (Tab A). According to the Monitor, these talks, to be held in the wake of the collapsed Paris oil talks, will be to work out a stable price-supply relationship for oil and to forge closer Arab-European economic ties.

The situation with respect to an EC-Arab dialogue is the following. Late last year preparations began for talks between the Arab League and the EC on economic, technical and financial cooperation. We held intensive consultations with the EC governments on this dialogue and obtained a reasonably satisfactory outcome. The EC agreed that political issues would not be discussed, and oil supply issues were not on the agenda. Preparations stalled in November under EC insistence that discussions avoid political issues, specifically the EC refusal to accept separate representation of the PLO in the discussions. The EC instead proposed a formula providing for a single "denationalized" Arab delegation in which the Palestinians could be a part.

The Arab League has finally agreed to this formulation. However, its representatives also voted unanimously to press their demands to include political issues in the talks with the EC. Its Secretary General has been authorized to contact the EC to arrange a meeting of experts in June in Cairo. The EC will probably want further clarification of the political issues before agreeing to the meeting; such clarification could come out of an Arab League meeting in mid May at Cairo. The EC response to the Arab demand for including political issues -- which the French will support -- will be heavily influenced by their perception of what diplomatic progress is likely to be achieved in other forums. A major reason for

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the EC holding firm in the past against Arab (and French) pressure on this subject was the expectation that US efforts would produce results.

With respect to ensuring secure supplies of oil, it is unlikely that a deal will be made between the Community and the Arab League. First, it was agreed at the outset this would not be considered in the EC-Arab discussions. Second, OPEC, and not the Arab League, is the responsible institution for dealing with such matters and this has been strictly adhered to. Third, most Europeans have come to recognize that the IEA, and consumer unity in general, are particularly important in light of the breakup of the Paris prepcon. They see that engaging in bilateral or discriminatory deals with the Arabs with respect to oil would cause a breakdown of consumer solidarity and might push other nations -- especially the US and Japan -- into a more aggressive posture and into more active involvement in bilateral arrangements which could run counter to European interests.

The most likely outcome of this "dialogue" in the short-term is an expansion of exports of technology, equipment, more help from Europe to the Arab world to develop the economies of these nations, and closer economic consultation on a variety of issues.

Over the longer term, however, this "dialogue" could conceivably evolve into a serious political, as well as economic, discussion. This might occur if the United States appeared to be locked into a position supporting Israel's refusal to make territorial concessions while the Arabs adopted increasingly cohesive and aggressive policies in face of the Israeli challenge. In such a situation, the EC might be tempted to reach political agreement with the Arabs independently of the US. The Community might also be attracted to the idea of economic agreements designed to reduce the likelihood of Arab pressure in the event of another Arab-Israeli conflict. Finally, the evolution of the EC-Arab dialogue over the longer term will also be influenced by developments in the broader producer/developed country-consumer relationship. If the US appears to be rigidly unyielding to producer/lesser developed country demands, there could be a risk of seeing the EC-Arab dialogue move toward the sort of preferential, closed-circuit relationship the EC has with former European colonies in Africa.

I shall keep you informed on this subject.