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1. AS WE DISCUSSED BEFORE MY MIDDLE EAST TRIP, I PROPOSED TO PRESIDENT SADAT, PRIME MINISTER BEGIN AND CROWN PRINCE FAHD THAT WE ESTABLISH A PRIVATE CHANNEL FOR THE CONSIDERATION OF PARTICULARLY SENSITIVE MATTERS OF CONCERN TO YOU AND TO THEM.
2. EACH OF THE THREE PICKED UP ON THE PROPOSAL AND ASKED FOR EARLY MEETINGS. LAST WEEK, I SENT MY COUNSELOR, BUD MCFARLANE TO CAIRO AND RIYADH TO OPEN THE DIALOGUE WITH THE SAUDIS AND EGYPTIANS. HE HELD EXTREMELY USEFUL MEETINGS WITH BOTH SADAT AND FAHD--IN FACT, SADAT KEPT ED MUSKIE WAITING FOR AN HOUR AND A HALF WHILE HE EXTENDED THE MEETING.
3. IT IS CLEAR THAT YOUR POLICIES OF FIRMNESS TOWARD THE SOVIETS HAS RESTORED SAUDI AND EGYPTIAN CONFIDENCE IN THE LEADERSHIP OF THE U.S. BOTH WENT MUCH FURTHER THAN EVER BEFORE IN OFFERING TO BE SUPPORTIVE. SADAT OFFERED TO HOST A FORWARD HEADQUARTERS FOR THE RAPID DEPLOYMENT FORCE (RDF) INCLUDING A FULL-TIME PRESENCE OF U.S. MILITARY PERSONNEL. HE ALSO ELABORATED HIS STRATEGY FOR PUTTING A MAJOR EGYPTIAN FORCE INTO LIBYA TO INTERDICT QADHAFI'S ACTIVITIES IN CHAD. FRANKLY, I BELIEVE HE COULD EASILY GET OVEREXTENDED IN SUCH AN UNDERTAKING AND WILL TRY TO MODERATE HIS AMBITIONS ON THIS SCORE.
4. FAHD WAS ALSO VERY ENTHUSIASTIC TOWARD YOUR POLICIES. AS A MEASURE OF HIS GOOD FAITH, HE INTENDS TO INSIST ON A COMMON OIL POLICY AT A FORTHCOMING MEETING WITH HIS ARAB COLLEAGUES WHICH WILL INCLUDE A SINGLE PRICE AND A COMMITMENT TO NO DROP IN PRODUCTION. ALSO OF IMPORTANCE WAS FAHD'S AGREEMENT IN PRINCIPLE TO FUND ARMS SALES TO THE PAKISTANIS AND

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OTHER STATES IN THE AREA.

5. BOTH SADAT AND FAHD PROVIDED OTHER BITS OF USEFUL INTELLIGENCE (E.G. IRAN IS RECEIVING MILITARY SPARES FOR U.S. EQUIPMENT FROM ISRAEL). IT WAS ALSO INTERESTING TO CONFIRM THAT PRESIDENT CARTER GAVE THE IRAQIS A GREEN LIGHT TO LAUNCH THE WAR AGAINST IRAN THROUGH FAHD.

6. THESE CHANNELS PROMISE TO BE EXTREMELY USEFUL IN FORGING COMPATIBLE POLICIES WITH THE SAUDIS AND EGYPTIANS. BOTH MEN VALUE THE "SPECIAL STATUS" YOU HAVE CONFERRED ON THEM AND BOTH VALUE CONFIDENTIALITY.

7. I WILL FOLLOW UP WITH CAP WEINBERGER AND BILL CASEY ON THESE MATTERS.

8. NEXT WEEK I WILL OPEN ANALAGOUS EXCHANGES WITH PRESIDENT ZIA OF PAKISTAN AND BEGIN OF ISRAEL. I WILL KEEP YOU INFORMED.

9. THE LARGER MESSAGE EMERGING FROM THESE EXCHANGES HOWEVER, IS THAT YOUR POLICIES ARE CORRECT AND ARE ALREADY ELICITING THE ENTHUSIASTIC SUPPORT OF IMPORTANT LEADERS ABROAD.