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18 AUG 1967

MEMORANDUM FOR: The Operations Coordinating Board

SUBJECT: Yemen

1. In light of current developments in Yemen I wish to discuss with the OCB, at the luncheon meeting on 14 August, the effects of the situation on US interests and to ask that consideration be given to the recommendations contained in this memorandum.

2. Yemen currently is a source of embarrassment to the US because of its active hostility against the British and its dealings with the Soviet bloc and is likely to become a still more serious cause of concern unless broader American influence is established and on a more permanent basis than now exists. While Yemen relationship with the Soviet bloc rests mainly now on arms procurement (about \$10 million) it is expanding into such basic economic fields as port constructions and geological surveys. Internally, prospects are poor for firm government which could of its own strength narrow or close the opening to Soviet influence. The ruling Imam is ill; he is occasionally irrational; his death may be imminent; there is no settled succession and the leading candidate is reputed to be the principal promoter of dealings with the Soviet bloc.

3. So long as these internal political conditions prevail in the absence of restraining foreign influence, the Yemenis probably will at the very least continue to harrass the British, draining British resources which would otherwise be used to maintain a

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position in the Persian Gulf oil area. There is the ultimate danger that Yemen's relations with the bloc, if left unchecked, might expand to the point where the Soviet Union would possess in Yemen a potential or actual support area strategically situated at the entrance to the Red Sea and the Suez Canal. The possibility of Soviet "volunteers" using arms already present in the area cannot be overlooked.

4. In these circumstances we believe that steps must be taken immediately to interject greater US influence and prestige in Yemen both official and unofficial. The opening of a US Consulate in Yemen, for example, would increase US influence in the area and provide the opportunity, not only for obtaining firsthand current information on events, but perhaps bring to bear direct US influence on the present trend in policies of the Government of Yemen.

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5. Similarly, we feel that an early arrival of the ICA survey team, which it is contemplated will be sent to Yemen, would add to the establishment of greater US influence in the area. Notwithstanding the problems arising from uncertainties as to the political alignment in Yemen, we think the contribution such a survey would make to the broadening and consolidation of US interests in general, justifies undertaking the survey without further delay.

6. We feel also that US prestige and influence in the area would be further advanced if US industry were to undertake operations in Yemen. Currently the Yemen Development Corporation (YDC), which is an American corporation, holds a concession for oil and mineral rights in Yemen. This corporation has so far been unsuccessful in exploiting the concession and the Government of Yemen, being dissatisfied, has indicated that it might rescind the concession agreement and grant it to the Soviets. While the YDC, because of its poor record in this venture, is not considered suitable for US Government support, other US oil or mining interests might be asked to consider means of acquiring the concession rights held by the YDC and to proceed with development operations.

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7. It is therefore recommended that (a) the Department of State open a US Consulate in Yemen at the earliest possible date, (b) that the International Corporation Administration proceed with its survey in Yemen as soon as possible, and (c) that the Department of State attempt to induce selected US industrial firms to undertake operations in Yemen.

(S)

C. P. CABELL
Lieutenant General, USAF
Acting Director

DDP/ASA/CP
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