

October 14, 1976

Rod,

Re: Saudi Arabian Request for Assistance

You inquired where we stood on our response to Saudi Arabian Minister of Planning Hisham Nazzir. Subsequent to your meeting with the Minister, the Treasury Department (Mr. Jack Wilson, Assistant to Mr. Lewis Bowden, Deputy to the Assistant Secretary for Saudi Arabian Affairs) requested that we prepare a proposal on how the Commission can assist Saudi Arabia in the development of its capital markets. As you know, the Minister indicated at his meeting with you that he would be interested in receiving whatever technical assistance the Commission could extend. You indicated that the Commission had rendered assistance to other countries (e.g., Kuwait) and that we would be willing to consider the same for Saudi Arabia. Although I was not present at the meeting, I gather that the Minister indicated he would be happy to receive a proposal.

Terry Reilly has had conversations with Treasury about this matter, and Treasury has requested that we prepare a proposal which they would pursue with Saudi Arabian officials. On the advice of Treasury, Saudi Arabia has had a Washington firm (Connole & O'Connell) prepare an analysis of Saudi Arabian commercial laws and make recommendations as to changes. This report contains a brief review of Saudi Arabian market matters and indicates that the securities markets are at a very primitive stage. From this report it can be seen that work would have to proceed "from the ground up" to develop the Saudi Arabia securities market. Treasury believes that any assistance from the Commission would best be funneled through the U.S.-Saudi Arabian Joint Commission. Terry has indicated to Treasury that the most sensible first step would be a visit to Saudi Arabia to gather facts and make preliminary observations. Treasury agrees and advises that it is possible to charge a fee for any assistance rendered, including travel expenses.

*I agree*

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It is not clear to me that we currently have the staff available to attack this problem. It would require preliminary discussions, probably a visit to Saudi Arabia, and extensive follow-up work. As you know, Lee Pickard has done something similar for Kuwait, but that was a more limited and specific project. It would probably require several members of the staff, perhaps both Market Regulation and Corporation Finance. Terry has had some conversations with Lee Pickard on this matter, but wishes your views as to whether we should commit ourselves to such effort.

Alternatives:

1. That we advise Treasury that we do not currently have the staff or the budget for undertaking any sort of meaningful project, although we could provide the Saudis some basic literature.
2. That we form a task force consisting of several members of the staff which would devote a substantial amount of time preparing a preliminary proposal, visiting Saudi Arabia and conducting the extensive follow-up work required.
3. As a middle ground that we agree to provide assistance to members of the U.S.-Saudi Arabian Joint Commission, which would have primary responsibility for undertaking the project.

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