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Foreign and Commonwealth Office

London SW1A 2AH

2 April 1985

Dear Charles,

Prime Minister's Visit to Saudi Arabia

Thank you for your letters of 1 and 2 April on this subject. Instructions have been sent to Sir P Wright. I now enclose a brief covering foreign policy topics with the usual press line at the end, in case this is needed with journalists on the plane after the lunch at Dhahran. The Ministry of Defence will provide a brief on Tornado.

I am copying this letter to Richard Mottram (MOD).

Yr ever

(P F Ricketts)
Private Secretary

P F Ricketts

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SECRET

02 APR 1985



FOR THE DIRECTOR, FBI
COMMUNICATIONS SECTION

SAUDI ARABIA (GMT +3 hours)

SUNDAY 14 APRIL

R1	1210	Arrive Riyadh
R2	1500	Depart Riyadh
R3	2030	Arrive London Heathrow Airport

CONFIDENTIAL

PRIME MINISTER'S VISIT TO SAUDI ARABIA: 14 APRIL 1985

Our Objectives

- To ascertain how far Saudis are contemplating closer support for initiative of King Hussein and Yasser Arafat and what specific measures they may intend to take; to stress UK sympathy with both Saudi and Jordanian/Palestinian/Egyptian efforts;
- to make clear to Saudis our desire to see earliest possible end to Gulf conflict;
- to discover Saudi reaction to the UN Secretary-General's visit to the Gulf;
- to register continuing concern at deteriorating situation in Lebanon.

Our Arguments

- King Fahd's visit to Washington a success. Helped produce slightly more forthcoming US position. Have urged President Reagan to react positively. Hussein/Arafat agreement, though fragile, offers rare prospect of progress. If it fails, fresh scope for Russians, radicals. President Mubarak's ideas also interesting. How do Saudis see their role now?

- Our representative in New York in close touch with Secretary-General and other Security Council members to try to find common ground between Iran and Iraq;

- quiet diplomacy and step-by-step approach being pursued by the UN Secretary-General offers the best way forward;

- concerned at deterioration of situation in Lebanon. Horrifying cycle of violence (kidnappings); need for early, orderly and complete Israeli withdrawal. Saudi assessment of developments?

Their Objectives

- to press for greater UK efforts to persuade the US to respond positively to Arab initiatives; perhaps to avoid too close identification with specific Hussein/Mubarak ideas; to enquire why

the European Council did not issue more comprehensive statement on the Middle East;

- to call for tougher action by the Security Council on ending the Gulf conflict;
- possibly to press for further isolation of Iran and halt to UK supplies of military equipment to Iran;
- perhaps to criticise UK abstention of the Lebanon UNSC Resolution;
- perhaps to press for constraints on UKCS production and suggest UKCS tax prices be set artificially high following demise of BNO.

Our Response

- Have made our views clear to President Reagan and urged European Council to give public support; meeting dealt with many complicated Community issues; agreement could not be reached on issue of conclusions; but Ten's pointers and messages clear and favourable;
- the UK has supported all moves in the Security Council aimed at reducing signs of conflict. Need to avoid alienating Iranians;
- our Interests Section's contacts with the Iranians are used to urge moderation. We supply no defence equipment to either Iran or Iraq which might significantly prolong or exacerbate the conflict;
- urgent need is for full Israeli withdrawal behind the border; resolution contains nothing to encourage this; not forward-looking; discussion useful and agree with much of draft, but abstention consistent with UK policy;
- HMG does not control the level of UKCS production. Matter for oil companies. Because up to £750 million needed before first barrel produced from new field, they would be disinclined to invest in the high capital cost North Sea if they thought production controls would be introduced. Especially important for the UK when UKCS production already at about its peak and likely to decline;



- we cannot assess tax on prices above the market level. Our tax treaties with other countries mean taxation must be based on actual proceeds. Nor do we see how this would help market stability.

Press Line

- Exchanged views on recent developments in the Arab/Israel dispute, in particular initiatives of King Hussein; expressed support for all efforts to achieve a just, peaceful and lasting settlement;

- share Saudi concern at recent escalation in the Gulf conflict: like them, wish to see the earliest possible end to the fighting;

- shared concern at tragic events in Lebanon, including kidnappings; called for early, orderly and complete Israeli withdrawal; urged all parties to facilitate restoration of Lebanese sovereignty, unity, territorial integrity and independence;

- (if discussed): took opportunity to exchange views on oil matters. We find informal discussions with other producers helpful.

Background

Political/Bilateral

1. Bilateral relations excellent: no major problems. King thinks highly of Prime Minister. Grateful for action in encouraging President Reagan to take fresh Middle East initiative.

2. Prime Minister met then-Crown Prince Fahd twice in 1981, in Riyadh and London. No subsequent meeting, but exchanges of letters November-February (resting with PM's letter of 27 February) on ~~February~~, Arab/Israel, two visits to Washington. (Texts at Annex A) King visited Washington 10-15 February. Invitation outstanding to King to visit United Kingdom.

Arab/Israel

3. Saudis urge pressure on US administration to react positively to King Hussein's initiatives, but remain themselves on the fence. Attached to principle of "Arab Unity", however discouraging the practice; do not wish to alienate Syrians and other radicals.

4. Jordan/PLO Agreement, signed by King Hussein and Arafat on 11 February includes important PLO concessions (territory for peace, confederation with Jordan and Joint Jordanian/Palestinian delegation at an international conference) albeit (deliberately) in framework which allows parties plenty of room for manoeuvre. Not necessarily in our interests to press for full clarity at this stage; important thing to maintain momentum. Agreement enjoys full support of Egypt, and tacit approval of other moderate Arab states though the longer it fails to elicit positive US and Israeli responses, the greater the danger of this evaporating. Only Syria, Libya, PDRY and the minority radical Palestinian Groups have rejected it. Israeli reactions have varied from scepticism (Peres) to rejection (Shamir) but overall have been less negative than might have been feared. Despite insistence on "clarification" of two clauses, no mainstream PLO leader has repudiated it. King Hussein has accepted two "clarifications" to appease the more hardline PLO opinion (a joint Arab - not Jordanian/Palestinian - delegation and clearer reference to full Israeli withdrawal).

5. President Mubarak has made additional proposals including US reception of a Jordanian/Palestinian delegation, widening dialogue to include Israel, and meetings between Jordanian/Palestinian and Israeli delegations in Cairo. First thought was part of King Hussein's strategy, but Mubarak's announcement not coordinated with him and caused embarrassment. Peres has welcomed idea of direct talks, provided no PLO members involved; senior Palestinian, Milhem, rejected idea. Hussein and Mubarak now concentrating on securing meeting between US and Jordanian/Palestinian delegation, which Mubarak claims sufficient to prompt Palestinian recognition of Israel's right to exist. US remain sceptical about Mubarak's proposal, sending Mr Murphy to the area to see if US meeting with acceptable Jordanian/Palestinian delegation could proceed. Israelis have dropped their objections to such a meeting.

6. The European Council meeting on 29/30 March issued press guidance (Annex B) in support of King Hussein's efforts. The French blocked the issue of formal "conclusions".

Lebanon

7. Since Israeli withdrawal from Sidon area on 16 February, increasing violence and reprisals between Israeli forces and Lebanese groups. Cycle of violence can only be broken by complete Israeli withdrawal. Split in the Christian community has blocked Syrian-led efforts to promote agreement on new power-sharing arrangements in Lebanon: serious challenge to President Gemayel's authority. Lebanese draft Security Council resolution was vetoed by the US on 12 March; Britain and Netherlands abstained, France voted in favour.

8. One Briton, abducted on 25 March, Alec Collett, remains captive. Apart from contacts with the Lebanese authorities and political/militia groups through our Ambassador in Beirut, we have also sought the cooperation of the Syrians and Iranians and are in close touch with France, the United States and the UN Secretariat.



Iran/Iraq

9. Saudis have said they hope international community, including Britain, will be more active in seeking a solution to the Gulf conflict, and have implicitly criticised our balanced approach to UN Security Council discussions. We regard one-sided condemnation of Iran as counter-productive.

10. Iraq has rejected proposals by the UN Secretary-General aimed at limiting scope of conflict: Iraqi policy now one of comprehensive war alongside readiness for moves towards a comprehensive peace. Iran has not modified demand that Saddam Hussein be overthrown before peace negotiations. But Iranians support efforts aimed at:

- (i) stopping attacks on civilian targets;
- (ii) freedom of navigation in the Gulf;
- (iii) non-use of CW;
- (iv) ending threat to civil aviation.

11. The UN Secretary-General will have completed tour of Gulf states (30 March-8 April). Visited Riyadh 30 March-2 April; went on to Oman, Bahrain and Qatar. Would be prepared to visit Tehran and Baghdad if he were given an assurance on substantive discussions to bring about cessation of hostilities. As Tehran will not agree to this he is unlikely to visit Iran or Iraq.

Oil

12. Following demise of BNOC, Saudi attention has switched from UKCS prices to level of UKCS production: about 2.5 million barrels per day in 1984, likely to be slightly higher this year.

13. On 25 March BNOC made its pricing proposals for March (retaining \$28.65 per barrel price set for January and February) and the second quarter (market-related prices as BNOC runs down its operation). So far there has been no Saudi response, other than (from Yamani) a suggestion that following BNOC's abolition HMG should somehow fix taxation prices above current spot market levels.



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