

18/8/85

FOLLOWING FOR DUTY CLERK

① PLEASE PASS THISTELEX AND THE TWO SUBSEQUENT TELEXES TO THE RESIDENT CLERK AT THE FCO FOR THE IMMEDIATE ATTENTION OF MR EGERTON.

② PLEASE PASS THISTELEGRAM AND THE IMMEDIATELY FOLLOWING TELEGRAM TO THE DUTY CLERK AT THE MINISTRY OF DEFENCE FOR THE IMMEDIATE ATTENTION OF COLIN CHANDLER, HEAD OF DEFENCE SALES.

MEETING BETWEEN THE PRIME MINISTER AND PRINCE BANDAR

PRINCE BANDAR CALLED ON THE PRIME MINISTER YESTERDAY EVENING AT IMLAU, NEAR SALZBURG. HE HANDED THE PRIME MINISTER A LETTER FROM KING FAHD THE TEXT OF WHICH IS IN THE IMMEDIATELY FOLLOWING TELEX. THE SIGNED ORIGINAL WILL BE BROUGHT BACK TO LONDON BY THE PRIME MINISTER'S PARTY ON 22 AUGUST.

IN THEIR DISCUSSION THE PRIME MINISTER AND PRINCE BANDAR AGREED THAT:-

A SIR PATRICK WRIGHT SHOULD SEEK AN APPOINTMENT WITH PRINCE SULTAN ON MONDAY 19 AUGUST TO EXTEND AN INVITATION TO HIM TO SEND THE SPECIALIST TEAM REFERRED TO IN KING FAHD'S LETTER TO THE UNITED KINGDOM AS SOON AS POSSIBLE:

B A LETTER SHOULD GO TO PRINCE SULTAN FROM THE PRIME MINISTER AT THE END OF THIS COMING WEEK CONFIRMING THE INVITATION AND SUGGESTING THAT PRINCE SULTAN MIGHT WISH TO COME TO LONDON FOR A SIGNATURE CEREMONY ONCE THE DETAILED NEGOTIATION OF THE CONTRACT HAD BEEN COMPLETED. THE PRIME MINISTER WOULD HAVE IT IN MIND TO ARRANGE A DINNER IN HIS HONOUR AT NO 10:

C A FURTHER LETTER SHOULD GO ON APPROXIMATELY THE SAME TIMING FROM THE PRIME MINISTER TO KING FAHD THANKING HIM FOR HIS LETTER AND DEALING WITH BOTH THE AIRCRAFT SALE AND THE OTHER MATTERS RAISED IN HIS LETTER (SEE MY SECOND IMMEDIATELY FOLLOWING TELEX FOR THE DISCUSSION OF POLITICAL SUBJECTS BETWEEN THE PRIME MINISTER AND PRINCE BANDAR):

D THERE SHOULD BE NO PUBLICITY WHATEVER ABOUT THIS LATEST ADVANCE IN THE DISCUSSIONS BETWEEN THE TWO COUNTRIES ABOUT THE PROJECTED AIRCRAFT SALE.

PRINCE BANDAR TOLD THE PRIME MINISTER THAT THE SAUDI SPECIALIST TEAM WOULD CONSIST OF AIRFORCE EXPERTS WHOSE TASK WOULD BE TO GO INTO THE PROJECTED SALE IN DETAIL AND TO PREPARE THE CONTRACT. HE HIMSELF WOULD SUPERVISE THEIR WORK AND FOR THIS PURPOSE WOULD COMMUTE BETWEEN WASHINGTON AND THE UNITED KINGDOM. HE DID NOT WISH TO HAVE TO DEAL WITH THE OTHER MEMBERS OF THE CONSORTIUM ONLY WITH REPRESENTATIVES OF HMG. HE HOPED THAT IT WOULD BE POSSIBLE TO BUILD ON THE WORK DONE DURING THE NEGOTIATIONS ON THE PREVIOUS, ABORTIVE PACKAGE RATHER THAN STARTING FROM SCRATCH. HIS AIM WAS TO COMPLETE THE NEGOTIATIONS WITHIN A FEW WEEKS AND TO HAVE THE FINAL AGREEMENT SIGNED BEFORE THE END OF SEPTEMBER. HOWEVER KING FAHD WAS EXTREMELY ANXIOUS TO AVOID THE RISK OF SUBSEQUENT VARIATIONS IN THE CONTRACT. IT WOULD THEREFORE BE IMPORTANT TO ENSURE THAT THE AGREEMENT WHICH WAS SIGNED WAS COMPREHENSIVE. (PRINCE BANDAR EXPLAINED THE URGENCY OF HIS VISIT TO THE PRIME MINISTER ON HOLIDAY ON THE GROUNDS THAT KING FAHD WISHED TO BE IN A POSITION TO TELL THE FRENCH FOREIGN MINISTER, M. DUMAS, WHO IS IN RIYADH THIS WEEKEND THAT HE HAD ALREADY COMMUNICATED HIS INTENTION OF BUYING BRITISH TO HMG.)

THE PRIME MINISTER, HAVING EXPRESSED HER DELIGHT AT THE CONTENTS OF KING FAHD'S LETTER, TOLD PRINCE BANDAR THAT SHE WOULD ENSURE THAT THE SAUDI NEGOTIATING TEAM WAS ENABLED TO VISIT RAF SQUADRONS FLYING TORNADOS. THEY SHOULD SEE THE LATEST EQUIPMENT IN USE AND SHOULD BE COMPLETELY INVOLVED WITH THE DAY TO DAY OPERATION OF THE AIRCRAFT. THE SAUDI GOVERNMENT 'MUST HAVE EVERYTHING THEY WANT'. IT WAS ESSENTIAL THAT THE RIGHT APPROACH TO THE SALE SHOULD BE ADOPTED. IT WAS HER UNDERSTANDING THAT PRINCE BANDAR'S POINT ABOUT DEALING WITH THE UK AND NOT WITH OTHER MEMBERS OF THE CONSORTIUM HAD ALREADY BEEN ACCEPTED.

PRINCE BANDAR WELCOMED THE PRIME MINISTER'S REMARKS AND REITERATED THE POINT IN KING FAHD'S LETTER THAT THE SAUDI GOVERNMENT WOULD EXPECT TO HAVE IMPROVEMENTS MADE AVAILABLE TO THEM AS THE AIRCRAFT WAS 'STRETCHED' IN FUTURE. THE PRIME MINISTER SAID THAT SAUDI WISHES ON THIS POINT WERE UNDERSTOOD.

MESSAGE ENDS

SECRET

MY TWO IMMEDIATELY PRECEDING TELEGRAMS

MIDDLE EAST

PRINCE BANDAR STRESSED THE IMPORTANCE OF THE PHRASE IN KING FAHD'S LETTER TO 'ALL STATES IN THE REGION'. HIS MAJESTY HAD USED THIS PHRASE ONLY IN CORRESPONDENCE WITH THE PRIME MINISTER AND PRESIDENT REAGAN. IT WAS A CLEAR INDICATION OF THE WISH OF THE SAUDI GOVERNMENT TO MAKE PROGRESS.

IT WAS, IN THE VIEW OF THE SAUDI GOVERNMENT, ESSENTIAL THAT IT SHOULD NOT APPEAR THAT MR SHAMIR HAD A VETO POWER. THE AMERICAN GOVERNMENT HAD IN THE PAST ALWAYS REFUSED TO GO INTO NEGOTIATIONS EXCEPT ON THE BASIS THAT THE OUTCOME WAS KNOWN IN ADVANCE. IF THIS CONTINUED TO BE THEIR POSITION, THEY WERE IN EFFECT ONCE MORE LAYING DOWN PRE-CONDITIONS. KING HUSSEIN HAD 'STUCK HIS NECK OUT'. IT WAS NOW ESSENTIAL ~~TO HIM~~ THAT THERE SHOULD BE SOME COUNTER-MOVEMENT FROM THE OTHER SIDE.

PERES MIGHT BE WILLING TO GO FURTHER. BUT FOR THIS TO BECOME POSSIBLE, HE WOULD HAVE TO BE ENCOURAGED BY WASHINGTON. HE COULD NOT RISK BEING ACCUSED BY HIS OPPONENTS INSIDE ISRAEL OF BEING WILLING TO ACCEPT THINGS THAT THE US WOULD NOT ACCEPT. THE ACCUSATION OF 'SELLING OUT' WOULD BE FATAL TO PERES. IF THE US INDICATED WILLINGNESS TO TAKE A STEP IN THE RIGHT DIRECTION, PERES WOULD FOLLOW THEM. FOR THE MOMENT THE US WAS BEING TOO ACCOMMODATING TO THE OPPOSITION IN ISRAEL. THEY SHOULD TAKE THE RISK OF GETTING A LITTLE WAY - BUT NOT TOO FAR - AHEAD OF THE ISRAELI GOVERNMENT.

DEAR
~~IDEA~~ THE PRIME MINISTER SAID THAT MR SHULTZ AND KING HUSSEIN HAD DIFFERENT PERCEPTIONS ABOUT THE NEXT STEPS. HER OWN IMPRESSION, LIKE KING HUSSEIN'S, HAD BEEN THAT THE JOINT DELEGATION, ONCE AGREED, WOULD ACTUALLY NEGOTIATE. HOWEVER THE US ADMINISTRATION SAW THE FIRST MEETING OF THE DELEGATION AS AN OCCASION TO GIVE THE ~~IDEA~~ RESPECTABILITY AND TO GAIN ACCEPTANCE FOR IT. THEREFORE THE PALESTINIAN MEMBERS OF THE DELEGATION WOULD HAVE TO BE 'ACCEPTABLE'. ONCE, IN THE AMERICAN VIEW, THE FIRST MEETING HAD TAKEN PLACE, AND ASSUMING THAT ARAFAT THEREAFTER ACCEPTED 242 AND RENOUNCED TERRORISM, THE NEGOTIATING DELEGATION COULD BE ASSEMBLED. THE PRIME MINISTER SAID THAT SHE HERSELF THOUGHT THAT TIME WAS RUNNING OUT, AND THAT THE FIRST DELEGATION WOULD BE A VERY 'DILUTED' BODY. SHE WAS CONCERNED ABOUT THIS. HOWEVER, MR MURPHY WAS EN ROUTE, AND IT SEEMED THAT THINGS WERE NOW BEGINNING TO HAPPEN.

PRINCE BANDAR SAID THAT HE SHARED THE PRIME MINISTER'S CONCERN. IT WAS A PITY THAT THE DELEGATION HAD NOT BEEN ABLE TO MEET BEFORE THE RECENT ARAB SUMMIT. HAD THEY DONE SO, AND HAD IT THEREFORE BEEN POSSIBLE FOR THE SUMMIT TO ACKNOWLEDGE PROGRESS, KING FAHD WOULD PROBABLY HAVE ATTENDED. PRINCE BANDAR ADDED THAT HE DID NOT UNDERSTAND THE RELUCTANCE OF A GOVERNMENT WHICH HAD BEEN WILLING TO TALK TO THE VIETCONG TO DEAL WITH THE PLO. MOREOVER, THE PLO WAS NOW SPLIT. THOSE WHO WERE INDICATING THEIR INTEREST IN PEACE MUST BE GIVEN ENCOURAGEMENT. THE EXTREMISTS MUST NOT BE PUT IN A POSITION WHERE THEY CAN CLAIM THAT MODERATION DOESN'T WORK. *had not*
THE EXTREMISTS IN BOTH THE PALESTINIAN AND THE ISRAELI CAMPS WERE A DANGER FOR EVERYONE. KING FAHD WANTED A PEACEFUL SETTLEMENT. HOWEVER THIS WAS ONLY POSSIBLE ON THE BASIS THAT NO-ONE FELT CHEATED.

TEMPORARILY RETAINED. J. Gray 8/7/2014

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TRADE BETWEEN SAUDI ARABIA AND CHINA

PRINCE BANDAR - EMPHASISING THAT HE WAS SPEAKING IN CONFIDENCE - SAID THAT HE HAD BEEN CHARGED WITH PURSUING DISCUSSIONS WITH THE CHINESE GOVERNMENT, THROUGH THE CHINESE AMBASSADOR IN WASHINGTON, ABOUT SALES OF PETROCHEMICALS TO CHINA. SAUDI ARABIA HAD MADE MASSIVE INVESTMENTS IN THE PETROCHEMICAL INDUSTRY, BUT ~~WERE~~ *WAS* ENCOUNTERING RELUCTANCE ON THE PART OF US AND EUROPEAN PURCHASERS TO TAKE THE PRODUCTS. SALES TO CHINA MIGHT EASE THE SITUATION AND MIGHT INDEED BE WELCOME, IN ONE SENSE, IN THE US AND EUROPE. THE CHINESE MARKET SEEMED TO BE LIMITLESS. IN REPLY TO A QUESTION FROM THE PRIME MINISTER, PRINCE BANDAR FREELY ADMITTED THAT IT WAS NOT YET CLEAR HOW THE CHINESE COULD PAY FOR ANY PURCHASES. HOWEVER, HE DID NOT SEEM UNDULY CONCERNED ABOUT THIS. THE SAUDI GOVERNMENT REGARDED A PETROCHEMICAL DEAL AS A POSSIBLE WAY INTO THE CHINESE MARKET, AND ALSO AS A WAY TO EARN LONG TERM GOODWILL IN PEKING. THEY WERE CONFIDENT THAT IN DUE COURSE THIS *GOODWILL* WOULD PROVE TO BE BANKABLE.

MESSAGE ENDS

V
V
DEAR MARGARET THATCHER,

GOOD GREETING AND RESPECT,

I WAS PLEASED TO RECEIVE YOUR EXCELLENCY'S LETTER DATED JUNE 7 1985 THAT WAS CARRIED BY PRINCE BANDAR.

I APPRECIATE THE EXPLANATION AND POINT OF VIEW YOUR EXCELLENCY HAD CONVEYED REGARDING PEACE IN THE MIDDLE EAST. I WOULD LIKE TO ASSURE YOU THAT I PERSONALLY AND MY GOVERNMENT FULLY SUPPORT THE ESTABLISHMENT OF A JUST AND COMPREHENSIVE PEACE BASED ON INTERNATIONAL LEGITIMACY WHICH WOULD LEAD TO GIVING THE NOBLE PALESTINIAN PEOPLE ALL THEIR LEGITIMATE RIGHTS AND THEIR RIGHT OF SELF DETERMINATION AND WHICH WOULD PROVIDE PEACE TO ALL STATES IN THE REGION.

WE THEREFORE ~~WE~~ APPRECIATE AND ENCOURAGE YOUR EXCELLENCY PERSONALLY AND THE BRITISH GOVERNMENT FOR YOUR STRONG EFFORT WITH ALL PARTIES TO ARRIVE AT A COMPREHENSIVE AND JUST PEACE, WHICH WILL SURELY HAVE A GREAT IMPACT ON WORLD PEACE AND ECONOMY, POSITIVELY OR NEGATIVELY. WE WOULD ALSO LIKE TO THANK YOUR EXCELLENCY FOR WHAT YOU HAD MENTIONED REGARDING YOUR CONTACT WITH PRESIDENT REAGAN. WHILST WE VALUE SUCH AN EFFORT, WE HOPE THAT YOU WILL CONTINUE TO URGE HIS EXCELLENCY TO PURSUE HIS CONSTRUCTIVE AND SERIOUS EFFORT TO ACHIEVE COMPREHENSIVE AND JUST PEACE IN THE MIDDLE EAST, IN ORDER TO DENY THE OPPORTUNITY TO GIVE INTERNATIONAL COMMUNISM THE CHANCE TO INFILTRATE THIS IMPORTANT REGION, WHICH IS SO IMPORTANT IN ITSELF STRATEGICALLY AND ECONOMICALLY TO THE FREE WORLD.

I AM HAPPY TO INFORM YOUR EXCELLENCY THAT WE HAVE DECIDED TO START THE DISCUSSIONS TO ACQUIRE 48 TORNADO BOMBERS AND 30 ^{aeroplanes} OF THE HAWK TYPE PROVIDED THAT THEY ARE EQUIPPED WITH ALL RELATED AMMUNITIONS AND ADVANCED ELECTRONICS AVAILABLE NOW AND THOSE IMPROVEMENTS WHICH WILL BE INTRODUCED IN THE FUTURE, IN AMMUNITIONS, EQUIPMENT AND THE AEROPLANE ITSELF.

WE WILL BE SENDING A SPECIALIST TEAM TO MEET WITH THEIR COUNTERPARTS FOR BRIEFING AND DETAILED STUDY OF LOGISTICS AND AEROPLANE SUPPORT.

I WOULD LIKE TO EMPHASISE THE IMPORTANCE THAT WE ATTACH TO YOUR UNDERTAKING THAT YOUR GOVERNMENT WILL BE COMMITTED TO THE SAUDI ARABIAN GOVERNMENT IN PROVIDING THE TECHNICAL AND LOGISTIC SUPPORT AND ALL THE ASSOCIATED ITEMS IN RESPECT OF THESE AEROPLANES.

AS TO THE MEANS AND METHOD OF PAYMENT, THIS WILL BE AS HAS BEEN AGREED ON AND WILL BE DEALT WITH THROUGH OUR AGENCY CONCERNED.

I WOULD ALSO LIKE TO INFORM YOUR EXCELLENCY THAT IT IS OUR DESIRE THAT THE CONTRACT AGREEMENT BE DIRECTLY BETWEEN OUR TWO GOVERNMENTS WITH NO AGENTS FROM EITHER SIDE AND WITH NO PAYMENT OF COMMISSIONS.

FINALLY I HOPE THAT WE REMAIN CONTINUOUSLY IN CONTACT TO EXCHANGE VIEWS REGARDING ALL ASPECTS WHICH WOULD SERVE THE INTERESTS OF BOTH OUR PEOPLE AND LEAD TO WORLD PEACE AND THE STABILITY OF INTERNATIONAL ECONOMY.

WITH MY BEST REGARDS

YOUR FRIEND

FAHAD BIN ABDULAZIZ AL SAUD