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Extract from Record of Meeting between  
PM and President Carter, Washington  
17. 12.79 (Pt 2)

Extract from discussion on Middle East -

The Foreign and Commonwealth Secretary said that the PLO bandwagon was rolling in Europe. The British Government was virtually the only Government not already on it. The reason for the reaction against Israel was their policy of establishing settlements on the West Bank. Mr. Brzezinski asked how the move in favour of the PLO would express itself. The President said that if it were to be in the United Nations he would not deplore this. The US Government was for the moment committed to Israel but the PLO had been very helpful of late. It would however be valuable if the isolation of Israel could be avoided where oil was concerned. He hoped that the United Kingdom, along with Norway and Mexico, might be prepared to sell the Israelis some oil if they asked for it. The Prime Minister pointed out that

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Britain was a member of the IEA and of the EEC. We were committed to sharing our oil with the other members of those organisations if there was a shortfall of 7 per cent. The President repeated that it would help if the UK could sell Israel a few tens of thousands of barrels of oil. The Foreign and Commonwealth Secretary recalled that our EEC partners had made it plain in Dublin that they expected the UK to sell them whatever spare oil they had. The President said that it was necessary to overcome difficulties rather than to enumerate them.

Energy

The Prime Minister asked whether the West Bank issue affected the views of the major oil producers on price. Or were the producing Governments simply selling their oil for whatever they could get? The President said that in his view the Middle East problem now made a minor contribution to rising oil prices. He noted that there were signs that recent events in Iran and Saudi Arabia was causing a reassessment by Middle East countries of their strategic alignments. It was very important in everyone's interest that Egypt and Israel should be strong and on good terms with their neighbours. He had written in his own hand to both President Sadat and Crown Prince Fahd saying how helpful it would be if there could be some easing of the animosity existing between their respective governments. There were encouraging signs of movement on this front.

The American Government was determined to carry forward the discussion begun at the recent meeting of the IEA. They were seeking an arrangement at the next IEA meeting in March on the allocation of oil in a time of shortage. They did not want a free for all. They wanted a specific formula to accommodate a shortfall of 1/1.5 million barrels per day. <sup>in world production</sup> The American Government thought that next year's production would fall below this year's level by that amount. They were ready

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for draconian action to keep imports under control. They already had the authority to impose import fees. The Prime Minister said that if consumption could be reduced imports would look after themselves. As prices moved upwards every household took steps to economise on their consumption. The present price rise was caused as much by uncertainty over future supply as by anything else.

*Phil*

18 December 1979

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