

SUBJECT

RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND SHAIKH KHALIFA BIN SULMAN AL-KHALIFA, PRIME MINISTER OF BAHRAIN, AT GOVERNMENT HOUSE ON SATURDAY 26 SEPTEMBER 1981 AT 1030 HOURS

Present

The Prime Minister	HE Shaikh Khalifa bin Sulman
Sir Michael Palliser	HE Shaikh Mohammed bin Mubarak
Mr. C.A. Whitmore	HE Mr. Yusuf A. Shirawi
Mr. P. Jeffs	HE MR. Habib A. Kassim
Mr. I. Gow	HE Shaikh Abdul Rahman bin Faris
Mr. B. Ingham	Mr. Ali Mahrous
Mr. M. Copson	Mr. Mohammed Mutawa
Mr. M.O.'D. B. Alexander	
Mr. D. Miers	*****

Gulf Council and Arab/Israel

The Prime Minister said that it was necessary for peace-loving states to stick together in the present troubled times. Britain welcomed the development of Gulf co-operation. Like our own co-operation in Europe, Gulf co-operation might develop a defence aspect. She would welcome Bahraini views on a solution to the Israeli problem and on Iran. The Israeli problem could not be solved without the co-operation of the United States and the Americans were being slow to make up their policy. But it was essential that progress should be made during the crucial central two years of the US Presidency.

Shaikh Khalifa said that the Gulf region had been traditionally stable but was now tense. The Iran/Iraq war had aggravated the dangers of upheaval in Iran. Stability in Iran was important for Bahrain. The creation of the Gulf Council had given the Rulers confidence. It would enable them to speak as one body through the Council and to ensure the protection of their countries. A second Summit was due in November. Meanwhile co-operation on both internal and external policies was being pushed ahead. For instance, the Saudi and Kuwaiti Foreign Ministers now consulted their Gulf partners before and after any intervention on Lebanon. On Iran, Bahrain recognised the Iranians' right to choose their own form of government. But interference in Bahrain's internal affairs, which they had been doing, was not tolerable. Bahrain was

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trying to keep relations on a normal footing. For instance, there was an Iranian Charges d'Affaires in Bahrain and a Bahraini Ambassador in Tehran. Reverting to Israel, he said that the Arabs recognised that the British were making an effort. They believed that the United Kingdom understood this part of the world better than any other country. Relations with the United States, however, were important. The Saudis were not getting a proper deal from the United States.

Shaikh Mohammed said that he believed there was agreement on certain important principles. Britain and Bahrain wanted a stable region. They wanted trade to continue. And they wanted to keep the Soviet Union as far away as possible. In achieving these objectives Gulf countries and others must do certain things. The Gulf countries had formed the Co-operation Council. Britain could help over strengthening and advising the forces of the Gulf countries so as to improve their security and protection. The Soviet Union had established a political and economic presence in the PDRY and were now moving to build a military presence. They had inspired the PDRY/Ethiopia/Libya Agreement. The West should resist this. But the Arab/Israel dispute was poisoning relations between the West and the Gulf. Over thirty-five years the rulers had tried to insulate the Gulf from this problem but this had failed. Some Arab countries were moving to the other side and talking of military alliances with the Soviet Union. The Gulf therefore wanted progress on the Arab/Israel problem. The Fahd initiative was valuable: but some way of pushing it ahead must be found.

The Americans had announced that they were going to defend the Gulf. But it was wrong to make this claim without consultation. If strategic co-operation was intended for the defence of Israel, that was the Americans affair. But if the intention was to defend the Gulf against the Russians, how could they claim to do this without consultation? What should the Arab strategy be against Soviet encroachment with Libyan help? Alliance with the USA was quite frankly not possible for the Arabs. What had happened over Israel since 1947? The occupation of the West Bank, the annexation of Jerusalem. Pressure on Israel towards a compromise was

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The UK had experience of compromise and should assist. Bahrain was moderate: but the pressure on moderate governments from their neighbours and from their own people was tremendous. Extremism was gaining ground. Some countries were aligning themselves with the USSR and accepting Soviet arms. A settlement was not in the interests of the USSR. An initiative from "our" side was essential. The Arabs were tired of being put off with appeals to await the outcome of the American Elections.

AWACS

Shaikh Mohammed said that the Iraq/Iran war showed the vulnerability of the Gulf States. A dog fight had occurred only 60 miles from Bahraini waters. The Iraqis had expected the Gulf Arabs to join in: there had nearly been a catastrophe. The Arabs could not accept that the Americans should look upon the region on the basis of Israel as their sole ally. They must take into account the need for ties with the whole region. The Prime Minister said that Saudi Arabia had pursued a wise policy and had been generous to the Americans by allowing US companies to obtain cheap oil. She had hoped that this close economic relationship would lead to close political ties. There was a need for better presentation of the Arab case in the US. The UK hoped that the AWACS deal would go through. We were ready to stand by as a supplier if it failed. But US/Saudi relations were important. We used our influence on the US as best we could. But the Saudis themselves should use pressure. Shaikh Khalifa said that the Saudis had made their needs clear. They wanted to fly their own AWACS plane themselves. The numerous Americans in Saudi Arabia knew perfectly well that this was what they wanted. But the Americans were humiliating the Saudis. The Prime Minister said that the American Government knew what the Saudis wanted on AWACS and were doing their utmost. But on the Arab/Israel problem there was a need for better exposition of Arab views in the US. Shaikh Khalifa said that the Saudis must obtain AWACS. Iran and Saudi Arabia had been the twin pillars of Gulf security. With the Iranian pillar fallen, the Saudi pillar must be upheld. Although there were more British in the Gulf than ever before it was not possible to go back to the days when British troops were stationed there. The Gulf States would help themselves. But when the Saudis found, for instance, that the Russians had armed the PDRY with

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modern weapons they were discontented when difficulties were made about the supply of modern weapons to themselves. The Prime Minister said she shared the Bahraini view of Russian strategy - by direct encroachment in Afghanistan or by proxy through the Cubans. She now understood more clearly the importance of the AWACS deal to the Gulf. She would send a message to President Reagan although she did not think that her account of Arab views would surprise the US administration.

She continued that the early days of the Iran/Iraq war had been a lesson to us all. For three days it had looked as though the Gulf might go up in flames. Perhaps this had led to a better understanding of the need for rapid communication between the Gulf States. There was a need for a military communication system to help military cooperation throughout the Gulf. She had mentioned this to Prince Fahd. Britain was ready to put our technology at the Gulf's disposal. Shaikh Khalifa welcomed this. The populations of the Gulf States were becoming more perceptive. Nowadays they saw the Americans claiming to be friends of the Arabs but still preoccupied with Israel. The Prime Minister said that Shaikh Khalifa should speak like this on American television. Shaikh Mohammed said that American television would not give a fair hearing to the Arabs. It was dominated by Israeli lobbyists. The Prime Minister said that the UK hoped that Sinai would be duly returned to Egypt. We stood on the Venice principles: the requirement that each side should recognise the rights of the other. Israel continually alluded to the intention of Arab extremists to throw Israel into the sea. If the PLO would only recognise Israel's rights to exist this would make it easier to put pressure on Israel. How could the process of mutual recognition be started? President Sadat, visiting London, had emphasised the importance of the ceasefire in the South Lebanon. For the first time an agreement had been reached between Israel and the Palestinians. Shaikh Mohammed said that the ceasefire had been arranged by Mr. Habib: there had been no direct negotiations. But it was important to escape from the chicken and egg situation. The PLO was recognised by many States as representative of the Palestinians. Prince Fahd's eight principles pointed to a meeting of all the parties concerned under the United Nations umbrella. The UK had experience of this kind of problem eg through dealing with Mr. Mugabe. The moderate

/ Palestinians

Palestinians should be given an opportunity. They should not be categorised as extremists. If there were Palestinian extremists there were also Israeli ones like General Sharon. The Prime Minister said that there was an impasse. The attitude of Begin was particularly difficult. During his American visit he had concentrated on good relations with the US not on particular issues. There was a need to get down to these in order to profit during the next vital two years. She asked about the likelihood of Palestinians returning in the event of a settlement. Shaikh Mohammed said that contented Palestinians would not return. But a settlement would give them an identity. The occupied territories must be given back so that Palestinians could settle there if they wished.

Bilateral Questions

The Prime Minister said that Britain was keen to increase trade and ready to help over military matters. She hoped Bahrain would consider buying British equipment such as Rapier which had been bought by the US and the Swiss, and the Hawk strike trainer which was the best in the world and superior to the Alfajet. British expertise was pre-eminent in defence electronics/^{with} firms, such as Marconi, Plessey, and Racal. She hoped that Davy McKee, who had just won an order for a steel plant in India, would win the contract for the Methanol plant. British industry was becoming more efficient as overmanning was overcome. She hoped that the British could help over the Arabian Gulf University: our university system was the best in the world and Britain had more Nobel Prize winners for her population than any other country. She understood that a new phase for the Aluminium Smelter would soon be considered. She took personal interest in all these possibilities: so also over UK/Bahraini health cooperation, where we were trying to sort out some minor problems.

Shaikh Khalifa said that British technology was the best but our salesmen had been inadequate. He instanced the VC10 and Concorde. But now the British were readier to travel. He referred to The Queen's visit and the Prime Minister's own. If the British could persuade the Saudis, Abu Dhabi and others, to buy British then Bahrain would follow suit. There had been bad examples. Bahrain had had to cannibalise one of her two Wessex helicopters for lack of spares. So they had changed to Sikorsky. But Bahrain preferred a British company even if slightly more expensive. He, too, took a personal
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interest. He wished the Prime Minister a long stay in office. Bahrain's links with Britain were close whichever government was in power. But he welcomed the recent greater interest in Bahrain shown by British foreign policy. Bahrain, and indeed the Gulf Co-operation Council, needed Britain's support. The Prime Minister asked what kind of support. We did not wish to intrude. Was he referring to intervention with the Americans? Her visit? Or something else? Shaikh Khalifa said that he meant all these things. He also hoped that we would place no obstacles in the way of arms supply. Bahrain could not use these aggressively. Also it was becoming increasingly costly for the many Bahrainis who visited Britain to obtain medical attention. It was right that the British Government should intervene. The Prime Minister indicated her readiness to help.

Future Commercial Opportunities

Yusuf Shirawi said that one should not look only at big projects. Britain was obtaining large invisible earnings in Bahrain: consultants, quantity surveyors, maintenance firms. Although the oil industry in Bahrain was American, 45% of the spares and maintenance equipment came from Britain. The 1980-85 development plans envisaged £2 billion being spent on projects such as hospitals etc: a further £1 billion (the Minister of Commerce appeared to be disputing these figures) on aluminium, petro-chemicals, the oil industry and steel. The airport development alone would cost £80-£100 million. The Bahrainis had chosen Tristar especially because of its Rolls Royce engines (despite their recent experience of having to send engines to Hong Kong for service). The Gulf Cooperation Council was laying the foundations of a Gulf economic unit. The Gulf countries had similar problems, e.g. their dependence on oil. They would be soon adopting a policy to cover the years 1980-2000 which would cover investment in aluminium, cement, steel, petro chemicals and oil. The objective would be to divert energy from oil to help industry. They hoped to increase the Gulf's share of the world aluminium market to £100 million. Britain and her European partners should get involved in these projects.

/Habib Kasim

Habib Kasim said that Britain was Bahrain's biggest single trade partner supplying 18% of Bahrain's imports. Our activity was not just in trade but in all aspects of Bahrain's life. A third of all joint ventures or branches of foreign companies in Bahrain were British. Only in big projects were the British second to the Germans and Japanese. He hoped that British companies would soon recover their pre-eminent place at the top. The Prime Minister said a new atmosphere in Britain had developed in the last two years. It was being increasingly realised that good delivery and service were essential if jobs were to be retained. British exports accounted for 30% of our national income (greater than Japan).

Yusuf Shirawi said that it was disappointing that not enough Bahrainian students came to Britain. The training of Bahrain pilots and other technical education took place in Britain. But few Bahrainis went to Britain for first degree courses. It was not the increase in fees that caused the problem but the lack of places. It was a question of equivalence of qualifications. The Bahrainis would be approaching us about this.

Naval Visit

Shaikh Khalifa reverted to defence questions. The Prime Minister said that we wished to continue our cooperation with Bahrain. We had not recently been sending Royal naval vessels on visits to Bahrain, or anywhere else within the Gulf, for fear of this being misunderstood against the background of the Iran/Iraq war. Now however we would like to resume this practice. Would it be acceptable for our own ships to pay visits to Bahrain? Shaikh Khalifa said that it should be taken for granted that the Bahrainis would have no objection.