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10 DOWNING STREET

From the Private Secretary

11 February 1981

CALL ON THE PRIME MINISTER BY THE UNITED ARAB EMIRATES OIL MINISTER

The Oil Minister of the United Arab Emirates, Dr. Otaiba, called on the Prime Minister this afternoon. Mr. Hurd was also present.

Dr. Otaiba conveyed to the Prime Minister the greetings of Shaikh Zaid. Shaikh Zaid was much looking forward to welcoming the Prime Minister in Abu Dhabi in April. He was anxious to encourage the new trend in British policy towards the resumption of traditional relationships with the Gulf. It was a great pity that these relationships had been neglected during the time of the last Administration in the United Kingdom. Dr. Otaiba added that Shaikh Zaid was still in Pakistan. He would be going on to report to the Shaikh immediately after his return to Abu Dhabi. The Shaikh was expected back in the Gulf on 20 February. The Prime Minister said that she herself was much looking forward to her visit. She was conscious that there had been a tendency in this country to take our relations with the United Arab Emirates and with the region in general for granted. She was anxious that from now on there should be more positive evidence of our involvement. The Queen's visit, that which the Defence Secretary would shortly be making and her own were all intended to demonstrate this.

The Prime Minister asked Dr. Otaiba for his views on the conflict between Iran and Iraq. Dr. Otaiba replied that the situation was dangerous but that the Gulf States were getting used to it. Both Iran and Iraq had sought support from the U.A.E. but they had taken the view that it was better to stand back. However, they had drawn the conclusion from the fate of the Iraqi oil fields that it was necessary to establish a defence system for the defence of their oil wells. They wished to be prepared for any eventuality. This was an area where they thought it should be possible to cooperate with the United Kingdom. The Prime Minister agreed.

/ Dr. Otaiba

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Dr. Otaiba said that a decision on the purchase of Hawk would probably be taken after the Shaikh's return from Pakistan. "Then we will do our best to buy from our friends". The Prime Minister said that the Hawk was the best aircraft available and she very much hoped the U.A.E. would buy it. Dr. Otaiba said that the problem was that in the nine years since Britain had withdrawn, the French had been given a clear run. However, when he had seen President Giscard, the Alpha Jet had not been mentioned. The President had only talked about oil.

Dr. Otaiba mentioned that he had had a useful talk about the establishment of a joint U.K./U.A.E. Energy Committee with Mr. Howell. The Prime Minister said that she thought the establishment of such a committee would be a very good idea. She asked about the prospects for the OPEC oil meeting in May. Dr. Otaiba said that the U.A.E. delegation would be arguing for a price freeze until the end of the year. They expected that market forces would help them. The Prime Minister said that such a freeze would be a great help both to the industrialised world and to the less developed. Dr. Otaiba commented that one of the difficulties in keeping prices down was that the value of a barrel of oil in terms of its purchasing power was now slightly lower than it had been in 1970. The Prime Minister expressed surprise at this. Dr. Otaiba undertook to let Mr. Hurd have the details.

Referring to the U.A.E.'s own plans for investment in energy, Dr. Otaiba said that they planned to spend \$30 billion in the next three years on exploration; drilling deeper in existing oil fields; maintenance; exploitation of gas resources; and petrochemical developments. There should be room for cooperation with the United Kingdom here. The Prime Minister agreed.

On relations with other Gulf States, Dr. Otaiba said that Shaikh Zaid was suggesting a doubling of their aid to Bahrain from \$50m per annum to \$100m per annum. He referred briefly to the new arrangements for cooperation among Gulf States in the security field. He thought that these would take some time to develop.

I am sending copies of this letter to Brian Norbury (MOD), Julian West (Department of Energy) and David Wright (Cabinet Office).

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