



Foreign and Commonwealth Office

London SW1A 2AH

11 March 1981

Dear Michael,

Prime Minister's Visit to the Gulf

Following the recent visit to Saudi Arabia and Oman by the Minister of State Mr Hurd, the Foreign and Commonwealth Secretary wishes to make the following suggestions about the Prime Minister's own visit to the Gulf in April. These have been discussed with MOD Ministers.

Lord Carrington assumes that the Prime Minister would wish her visit to be seen as part of a fresh and more dynamic approach by HMG towards cooperation with the Gulf countries and the advancement of our strategic and material (eg commercial and defence sales) interests there. Mr Nott will of course be discussing security and defence sales questions during his visit to the region at the end of March.

To achieve the best effect in her discussions, particularly in Saudi Arabia, Lord Carrington believes that the Prime Minister should aim, first, to establish a broad framework of common interest within which to pursue enhanced political and economic cooperation and then, within that framework, to advocate individual British projects as examples of such cooperation. We shall not make the most of our commercial opportunities in Saudi Arabia unless we are prepared to talk to them in the language of cooperation.

In preparing the Prime Minister's briefing for Saudi Arabia, therefore, the Foreign and Commonwealth Secretary considers that in addition to material on geopolitical questions such as Afghanistan, Soviet encroachment, US plans for rapid deployment, threats to regional stability, Arab/Israel (and the link between these two latter subjects), and to a general presentation of what the UK has to offer both to Saudi Arabia and the Gulf as a whole in the way of political and defence support, officials should pay particular attention to the tactics of using the Prime Minister's visit to advance certain bilateral projects, eg:

a. Air Defence

We are working towards agreement this year on the renewal of the 1978 memorandum of understanding on the Saudi Air Defence Assistant Project (SADAP) which expires in 1982. But this project is based on Lightnings which will be retired in 1985. We therefore need to promote Saudi interest in a new generation of aircraft, Hawk and Tornado in particular. On the former, the plan is to

/offer



offer the Saudis a flying training study which would steer them in the direction of Hawk: the visit of Mr Nott (23-25 March) ~~and of the Red Arrows at about the same time~~, will advance this strategy. On Tornado, the Government are working urgently to clear our lines with the German and Italian Governments, and promoting with BAE and Rolls Royce imaginative proposals, including perhaps Saudi participation in the development of a purpose-built engine, for putting to the Saudis aimed at the kind of thinking outlined in King Hussein's reply to the Prime Minister's message (Amman telno 66).

b. Other Military Equipment (especially tanks)

Lord Carrington believes that it will be important for our general defence sales posture to show interest in supplying tanks. The Saudi Arabia National Guard (SANG) have asked us (among others) to quote for 50 tanks. The Ministry of Defence and Aviation (MODA) also have a mid-term interest in a new generation main battle tank. They have asked West Germany if the latter would in principle be prepared to supply Leopard II and this is currently a live political issue there. At the same time we have been trying to interest MODA in something comparable: Project 4030/3 - an advance on the Khalid tank on order for Jordan with Chobham armour. The Ministerial visits this spring will therefore present excellent opportunities to press the worth of this and other military equipment.

c. Medical Service for the National Guard (SANGMED)

For 18 months we have been negotiating another government to government project to provide for the acceptance, commissioning and operation of two 500-bed hospitals, as well as the preparation of a plan for the introduction of a nationwide medical service for the Guard and its dependants. Competition first from the Belgians and then from the French has been fought off and towards the end of last year the Guard informally explained that at least a part of the project would come to the UK. However, since the US presidential election, President Reagan has reversed his predecessor's policy and we understand has now offered Prince Abdullah a full scale US option backed by Foreign Military Sales (FMS). The opportunity presented by the spring Ministerial visits must be taken to deal with this threat and to press the advantages to the Guard of putting the whole project to the UK.

d. Protection of offshore oil installations

Lord Strathcona raised this in November with Prince Naif, the Saudi Interior Minister. So did Mr Hurd last month. Of all the industrialised countries, we are uniquely placed to cooperate with Saudi Arabia on this. The

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Director of Naval Assistance Overseas has visited Riyadh and is urgently preparing recommendations (he is in touch with the Security Service who are also advising on installation security), and a programme for an inward visit by Saudis to observe our own procedures. It is important for this to be ready for promotion by both Mr Nott and the Prime Minister, since in due course our recommendations could open up prospects for equipment sales - particularly to telecommunications and radar equipment and above all of Westland helicopters, which could compensate for Westland's disappointment over the collapse in 1978 of the Egypt-based Arab Organisation for Industrialisation in which Saudi Arabia was a major partner. But this is a classic example of the need to talk in terms of cooperation if at the end of the day we are to achieve sales. First we must identify the need with the Saudis, then interest them in the product.

e. University co-operation

In January the President of Riyadh University, Dr Mansour al Turki, brought (at his own suggestion) a large team of his heads of department for a fortnight's tour of universities, arranged by the British Council. Successful follow up should enable us by April to contemplate making a major impact on the academic life of this Saudi university hitherto dominated by American methods. This brought very favourable comment during Mr Hurd's visit. In due course the results in terms of enhanced cooperation over higher education should be considerable. n

f. Naval base in the Yemen Arab Republic

The YAR have asked us for assistance in the preparation of specifications and costings for a naval base in Khawka on the Red Sea. A study has been done by the Deputy Director of Naval Assistance (RN) and we propose, in conjunction with the Yemenis, to make this available to Saudi Arabia and the UAE with a request for funding for the project (there has already been discussion with the Ambassadors of these countries in Sana'a). Triangular deals are difficult, but if the project prospers there could be a lucrative contract for a British firm (possibly Halcrows); more important, the project could be an ideal vehicle for demonstrating to the Saudis our concern about Russian involvement in the area and our readiness to do something concrete, in co-operation with our friends, to counter it (the Russians are offering assistance to the Yemenis over the naval base which, in the absence of a Western offer, the Yemenis would be hard put to reject).

These are six highly important projects. None of them will be easily achieved. It became clear to the Minister of

/State



State during his visit that all or any of them could be made much more attractive if the Prime Minister was able to offer them within the framework of specific arrangements for co-operation. These should be deliberately tailored to meet known Saudi wishes to improve the level of technology and skills in Saudi Arabia and to construct gradually a modern industrial base. Officials should therefore pay particular attention to what we can offer the Saudis, in relation to each project, in the fields of training, adaptation of UK work to suit Saudi requirements, joint research and development, co-operation, Saudi investment in the UK, and links to plans for joint Arab projects/development. In this connection, it will be of crucial importance to take account of the ideas now evolving amongst Arab countries for meeting their future requirements for military equipment as outlined in King Hussein's letter to the Prime Minister about Tornado.

Lord Carrington is not suggesting that it will be opportune for the Prime Minister to press all such details of our various projects on the Saudi Princes: but, on the other hand, they will soon detect it if she offers cooperation in generalities that we are not ready to elaborate in concrete terms. If this happens, we shall get back from them expressions of goodwill and references to our traditional ties: unproductive rhetoric instead of agreement on concrete issues.

The Saudis are less susceptible to this approach over civil projects. It is a fundamental principle for them that contracts are awarded only as the result of open competitive tender, and the factor that sways them most is price. The transfer of technology is achieved primarily through joint ventures; the Saudis attach great importance also to help from foreign government experts.

Nevertheless, on civil projects the Prime Minister will be able to point to Britain's current contributions to Saudi development:

- a. the 18% increase in our exports in 1980;
- b. the greatly increased interest on the part of British industry in doing business in Saudi Arabia, in joint ventures as well as trade, demonstrated by the record attendance (350) at the CBI Seminar on the Five Year Plan in February;
- c. HMG's willingness to provide expert help to Saudi Ministries, shown by the response we made to numerous Saudi requests at the last Saudi/UK Joint Commission in London in February.

The Prime Minister will also be briefed to speak about British interest in specific projects or joint ventures, in those

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cases where her intervention would be timely and effective.

The Foreign and Commonwealth Secretary hopes that, if the Prime Minister agrees broadly with the above, she will give instructions for her briefing (which is being commissioned separately) to be prepared along the suggested lines. He also hopes that the Prime Minister would wish, at some suitable moment during her Gulf tour, to make a public statement perhaps at the beginning of a press conference, that would proclaim HMG's positive interest in cooperation in the sense described, as well as setting out our political concerns for the stability and security of the region. If she agrees with this, he will initiate work in the FCO on a first draft of such a statement.

I am sending copies of this letter to the Private Secretaries to the Secretaries of State for Defence, Trade, Health and Social Security, Industry, and to the Private Secretaries to the Chancellor of the Exchequer and Sir Robert Armstrong.

(G G H Walden)

M O'D B Alexander Esq
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Foreign Policy

Foreign and Commonwealth Office

London SW1A 2AH

10 March 1981

Sir Robert Armstrong KCB CVO
CABINET OFFICE*NRPA**Prints 19/3**Sir Robert,*PRIME MINISTER'S VISIT TO SAUDI ARABIA AND THE GULF:
19 - 25 APRIL

1. The Prime Minister is to visit Saudi Arabia and the Gulf States of Oman, the United Arab Emirates (UAE) and Qatar from 19 to 25 April on her way back from visiting India. (In order not to convey the impression that the visit is an appendage to the India trip, arrangements, including briefing, are being kept entirely separate).
2. The Prime Minister will be able to devote only two working days (ie long mornings) and one evening to Saudi Arabia and one day to each of the other States (one and a half for the UAE where she will visit both Abu Dhabi and Dubai). She can expect to have substantive discussions in Saudi Arabia with Crown Prince Fahd (effectively the Prime Minister) and meetings with the Ministers of Defence and Interior and the Commander of the National Guard, and to pay a call on the King; in the UAE, she should have discussions with the President, Shaikh Zaid and members of his entourage, in Abu Dhabi; and with the Prime Minister, Shaikh Rashid (if he is fit enough) in Dubai; in Oman with Sultan Qaboos and in Qatar with the Amir (Shaikh Khalifa) and his heir apparent. (The Ruler of Qatar is the only one of Mrs Thatcher's interlocutors whom she has met since becoming Prime Minister.) Where possible, she will have meetings with representatives of the British community. She will be accompanied throughout by Mr Hurd.

/3.



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3. This will be the first visit to Saudi Arabia and the Gulf States by a British Prime Minister. It will be much welcomed and will arouse a great deal of interest in the region and beyond, as well as among our NATO allies. It is designed to demonstrate the degree of importance we attach to our relations with the countries of this region of vital strategic significance for us. It is an area where British influence was once paramount, but where an initiative of this kind is now necessary to counteract efforts which our competitors, particularly the French, have been making at our expense to secure influence and large contracts.

4. On the Arab side the main objective will be to discover where Britain stands on the Arab/Israel question. They can also be expected to press the Prime Minister over Britain's association with the Rapid Deployment Force in so far as it affects the Gulf; and to wish to discuss the problems of the region, notably the war between Iraq and Iran, the situation in Iran itself, and the Soviet invasion of Afghanistan.

5. The Gulf States were badly shaken by the Soviet invasion of Afghanistan and worries about their ability to defend themselves have increased further in the light of the current Iraq/Iran war. Last month, the Gulf rulers agreed in Saudi Arabia after months of deliberation to set up machinery which would enable them to cooperate more closely in political and economic matters and from which cooperation on defence and security was not excluded. They will be looking to us for support for their efforts while warning us of the dangers, as they see them, of a too visible Western military presence and of being seen too publicly to be associated with it. Apart from serving local, and thus indirectly Western, security interests, the practical assistance which we could offer will improve our chances of winning substantial orders for British defence equipment. The aim of the Prime Minister's visit should therefore be to proclaim our determination to maintain a continuing and vigorous interest in the Gulf, to explain the true character of our strategic approach to the Gulf and show how it takes account of - and indeed is designed to advance - Arab interests; and to establish a broad framework of common political, economic and strategic interest within which to pursue enhanced cooperation and then, building on that foundation, to advocate individual British projects as examples of such cooperation. The briefing will cover the projects to which we attach particular importance: eg the sale of military aircraft (Tornado and Hawk), air defence systems eg Rapier, the protection of off-shore oil installations, the development of the North West dome gas field off-shore Qatar and ARABSAT.



/ 6. I attach at Annex A and B the suggested outline of British and probable Saudi/Gulf objectives, and at Annex C a suggested list of possible briefs, the preparation of which might, if you and other recipients agree, be coordinated by the Cabinet Office. You will observe that we have divided these into those objectives common to all the States Mrs Thatcher is to visit and specific objectives in each individual State. So far as possible we shall try to avoid overlap in the briefs, but there is bound to be some, given the difference of perspective on some of the key issues amongst the various States. The assessment of the Arabs' objectives is still tentative at this stage and may need to be modified nearer the time of the visit.

Tom, etc,
Richard

Michael Palliser

cc: Sir Douglas Wass GCB
HM TREASURY
Sir Frank Cooper GCB CMG
MINISTRY OF DEFENCE
Sir Donald Maitland GCMG OBE
DEPARTMENT OF ENERGY
Sir Kenneth Clucas KCB
DEPARTMENT OF TRADE
Sir Peter Carey KCB
DEPARTMENT OF INDUSTRY
Sir Patrick Nairne KCB MC
DEPARTMENT OF HEALTH AND
SOCIAL SECURITY

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ANNEX A

UK OBJECTIVES

General

1. To demonstrate the importance we attach to our relations with Saudi Arabia and the Gulf States in the light of the Soviet invasion of Afghanistan and the Iraq/Iran war.
2. To affirm that the Ten will pursue seriously their efforts to contribute to the achievement of a just and lasting solution to the Arab/Israel dispute, as a complement to the activity of the US, which alone has the power to bring about such a settlement.
3. To establish the degree of common interest within which to pursue political, economic and defence cooperation.
4. To encourage the Gulf States to continue to look to us as an old friend, while we both recognise that the US must carry the main burden and have a special role in the defence of the region against Soviet expansion.
5. To reaffirm Britain's support within her limited means for the Gulf States' efforts to improve their own defence and security and to indicate areas where we can give practical assistance (eg Loan Service Personnel (LSP), training assistance and advice; deployment of Royal Navy ships; security of oil installations; provision of advanced defence equipment; cooperation with Arab aspirations eventually to construct a local industrial base, capable of local assembly and/or manufacture of equipment as a result of the gradual transfer of technology).
6. Thereby to give a strong boost to our efforts to secure a major share of contracts in the fields of defence sales, oil and gas development, civil engineering, medical and health cooperation.
7. To probe Gulf States' thinking about their recent moves towards closer cooperation.
8. To discuss ways in which we can cooperate, especially with Saudi Arabia and the UAE to combat Soviet influence in the Yemen Arab Republic and the People's Democratic Republic of Yemen.



9. To ensure that Gulf oil production and pricing policies are such as to stabilize the world oil market: and to demonstrate the constructive role of the United Kingdom as a producer and consumer.

10. To encourage recognition by Gulf producers of their shared responsibility for helping to alleviate the problems of the world economy, especially as they affect the poorer developing countries, perhaps by making more of their surpluses available directly for the development of such countries.

Saudi Arabia

11. To demonstrate the importance we attach to closer consultation with the Saudis on urgent global and regional issues.

12. To express privately our support for Saudi moves to promote security cooperation with their Gulf neighbours and explain how these policies relate to each other and to local security cooperation.

13. To give a boost to our increasingly substantial bilateral relationship: economic cooperation, trade, health, education, defence assistance and equipment sales - and to examine ways of extending this.

14. To endorse the establishment of the Joint Committee on cultural relations as an earnest of our attempt to improve mutual understanding, especially in respect of the media, but to avoid exaggerated expectations.

15. To encourage Saudi aid for pro-Western governments in the developing world, especially Zimbabwe.

16. To express appreciation of the contribution to the stability of the West's energy supplies made by Saudi Arabia in increasing oil production to make up for losses resulting from the Gulf war and the hope that this helpful policy will continue.

17. To support British oil companies' efforts to gain access to Saudi crude.

/UAE



UAE

18. To dispel any remaining doubts in Abu Dhabi about the importance we attach to cooperation with the Emirates which will be reconfirmed by a statement that we regard our treaty of friendship as continuing in force.

19. To promote the sale to the Abu Dhabi Air Force of the British Aerospace Hawk trainer aircraft (if no decision has been taken on purchase) and to place it in the context of sales of further aircraft (Jaguar and Tornado) to meet future requirements.

20. To foster a continued role for British oil companies and experts.

Oman

21. To reassure the Sultan of our determination to match Omani defence requirements with LSP assistance, training and equipment, while emphasising the importance we attach to progress towards Omanisation of the Sultanate's armed forces.

22. To discuss the growing US involvement in Oman and stress the need to preserve the benefits of the longer standing UK/Oman relationship.

23. To soothe the Omanis over the cut back in our aid programme, while underlining that some aid (especially training) will continue, although the overall British financial contribution will be less.

24. To encourage in the Sultan a greater realisation that his defence depends as much on internal developments and the satisfaction of the reasonable aspirations of his people as on military hardware.

Qatar

25. To reinforce our bilateral relations by demonstrating at the highest political level Britain's interest in and sympathy for Qatar's development; to make it clear privately that we regard the treaty of friendship as continuing in force, and are happy to do so.

26. To demonstrate our keen interest in participating in Qatar's development in all fields: especially re-equipping Qatar's Armed Forces and the development of the country's hydrocarbon resources; to give a boost to major British bids (Rapier for the first; BP and/or Shell for the second; Ewbank for the new power station).



ANNEX B

PROBABLE ARAB OBJECTIVES

General

1. To find out where Britain stands on the Arab/Israel dispute and in particular to try to pin us down to independent initiatives matching their hopes but beyond our capacity (or interest) to perform.
2. To underline their objections to the region becoming an area of super power confrontation.
3. While welcoming privately our assurances of support in matters of defence and security, to remind us that too visible ^{Western} military presence or too public a declaration of support is likely to provoke attempts by the Soviet Union at closer involvement in the area, as well as an adverse reaction in the region with its large Palestinian/Northern Arab immigrant population.
4. To establish how far we are willing to enter into collaborative ventures with them involving the transfer of technology, particularly in the field of defence equipment.

Saudi Arabia

5. To demonstrate to their fellow Arab leaders and their own public opinion that their moderate stand on regional and energy issues bring dividends in the form of effective cooperation with major Western countries.
6. To enlist our help in securing changed attitudes in the United States towards the Middle East.
7. To encourage a forthright approach to the Afghanistan problem and support for Pakistan and her Afghan refugees.
8. To enlist our support at the IMF for observer status for the PLO and for a revised quota for Saudi Arabia.
9. To press for improved investment opportunities in the West for their financial surpluses.

/Oman



Oman

10. To seek an assurance of Britain's willingness to underwrite Oman's security and to help in meeting her increased defence requirements.

11. To take advantage of the visit to enhance the Sultan's image as a statesman both at home and abroad.



ANNEX C

LIST OF BRIEFS FOR THE PRIME MINISTER'S VISIT TO
SAUDI ARABIA AND THE GULF: 19 - 25 APRIL 1981

<u>SUBJECT</u>	<u>Lead Dept</u>	<u>In consultation with</u>
<u>General</u>		
1. Steering Brief	FCO	
2. Defence Policy in the Gulf (to include the Rapid Deployment Force)	MOD	FCO
3. Gulf Cooperation and Gulf Security	FCO	MOD, DOT
4. Defence Sales (to include a note on those projects to which the Prime Minister might give a boost).	MOD	FCO
5. Trade (to include a note on those projects to which the Prime Minister might give a boost)	DOT	FCO, DOI
6. Health Cooperation	DHSS	FCO, DOT
7. International Economic and Monetary Questions (including North/South Dialogue)	Treasury	FCO, DOT/DOI Dept of Energy
8. Energy Questions	Dept of Energy	Treasury, FCO
9. Regional Questions:	FCO	
(i) Arab/Israel		
(ii) Iraq/Iran War		
(iii) Afghanistan		
(iv) Euro/Arab Dialogue		
(v) Egypt		
(vi) Iran		
(vii) Yemen Arab Republic and People's Democratic Republic of Yemen		

/Saudi Arabia

Saudi Arabia

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|-----|---|----------|---|
| 10. | Bilateral political, cultural and economic questions (to include the Joint Committee on Cultural Relations) | FCO | MOD, DOT/DOI,
Treasury, DHSS,
British Council |
| 11. | Saudi Arabia and IMF | Treasury | |
| 12. | Historical, political and social background (to include social customs and topics for conversation) | FCO | |

UAE

- | | | | |
|-----|--|-----|---|
| 13. | Bilateral political, economic and cultural issues (to include renewal of the Treaty of Friendship) | FCO | MOD, DOT/DOI,
Treasury, DHSS,
British Council |
| 14. | [As for 12] | | |

Oman

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|-----|--|-----------------|--|
| 15. | Bilateral political, economic and cultural issues (to include the 5 year plan, our aid programme and British Council activities) | FCO,
FCO/ODA | DOT/DOI,
Treasury,
British Council |
| 16. | Bilateral defence relationship | MOD | FCO |
| 17. | [As for 12] | | |

Qatar

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|-----|--|-----|---|
| 18. | Bilateral political, economic and cultural issues (to include renewal of the Treaty of friendship) | FCO | MOD, DOT/DOI,
Treasury, DHSS,
British Council |
| 19. | [As for 12] | | |

Foreign and Commonwealth Office document

Reference DIPLOMATIC REPORT NO. 115/81

Description IS SAUDI ARABIA UNSTABLE?

Date 9 March 1981

The above FCO document, which was enclosed on this file has been removed and destroyed.

Such documents are the responsibility of the Foreign and Commonwealth Office. When released they are available in the appropriate FCO CLASSES.

Signed Wayland

Date 13 October 2011

PREM Records Team