

SUBJECT

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RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND PRINCE FAHD,
DEPUTY PRIME MINISTER OF SAUDI ARABIA, IN RIYADH AT 1215 ON 20 APRIL

Present:

Prime Minister	HRH Prince Fahd
Rt. Hon. Douglas Hurd	HRH Prince Abdullah
Sir James Craig	HRH Prince Sultan
Sir John Graham	HE Shaikh Nasir bin Manqur
Mr. M. Alexander	HE Dr. Rashad Pharaon
	HE Shaikh Ma'moun al Qabbani
	HE Shaikh Abdurrahman Mansouri

Prince Fahd welcomed the Prime Minister. The Saudi Government was pleased that her visit, the first by a British Prime Minister, was taking place. They knew the visit would be a friendly one; they hoped that it would be constructive. The Prime Minister thanked Prince Fahd. She was delighted with the cordial welcome which had been extended to her. She had been particularly pleased about her long discussions the previous evening with King Khalid.

The Prime Minister suggested that the discussion might start with a review of world affairs. It was possible that, since they had a different perspective, she and Prince Fahd would have slightly differing views on one or other issue. Part of her purpose in visiting Riyadh was to enable her to see problems as Prince Fahd would see them. She hoped in this way to obtain a deeper appreciation of any situation that might develop. She was confident that her views and those of Prince Fahd on the necessity of preventing further Soviet encroachment into the region would be the same.

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The Prime Minister said that she was happy that the new US Administration and her own were in general agreement on international matters. There was now a closer accord between the US and the UK than there had been for some time.

Rapid Deployment Force

The Prime Minister said that she understood that the Saudi Government had been concerned about remarks attributed to her relating to the Rapid Deployment Force (RDF). (Prince Fahd indicated assent.) A word of explanation might therefore be in order. For some time the British Government had recognised the need to create a national force available to operate anywhere in the world if a request for help was received. Such a force would have to consist of men instantly available and properly trained. A British force would, of course, have to be ^{on a} relatively small scale. The British Government had begun to make plans and commitments over a year ago.

Subsequently the US had had the idea of creating an RDF, on a larger scale, for use to respond to requests for assistance. An essential feature of the RDF would be that it should not be stationed anywhere. It would consist of units prepared and earmarked for rapid deployment. It was basically an aspect of contingency planning. The Prime Minister had told the Americans that if they decided to go ahead with the idea, Britain would like to make a modest contribution.

There was an impression that some in Saudi Arabia and the Gulf States had thought an RDF might be stationed in the Gulf or be intended for use only in the Gulf. This was not so. The situation was simply that if, when someone asked, if you had the means to respond, you could do so. If you did not have the means, you could not. In the modern world crises developed rapidly. Prince Fahd said that some newspapers had indeed distorted statements made about the RDF. But the Saudi Government had always been confident that the situation was as described by the Prime Minister.

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He accepted that there could be situations, in some parts of the world, which required the creation of a force such as that envisaged by the US and the UK. Statements, by Communist sympathisers and those unfriendly to the Gulf States and to the UK and the US, suggesting that the force would be stationed in the Gulf or would interfere there were mere propaganda. An emergency force, earmarked to make available help rapidly, only in response to a request and not to be stationed in the Gulf, would be acceptable and welcome. The Prime Minister added that there might be occasions when a small British force would be more acceptable than involvement of the US. The latter would constitute a much more powerful signal. The British Government were very conscious of the dangers of escalation and of super-power confrontation. Prince Fahd indicated that he had taken the point.

Arab/Israel Dispute

The Prime Minister asked Prince Fahd to describe how he saw the security situation in the area as a whole. Prince Fahd referred to the Arab Summits in Tunis and Amman, and to the Muslim Summit in Taif. None of the resolutions taken at the Summits had been directed at any one nation or group of nations. The main topic at the first two Summits had been how to recover for the Arabs their legitimate rights in the occupied territories held by Israel. The Camp David decisions were discussed. Although it was not the wish of any Arab that President Sadat's initiative should fail, it was the unified view of the Arab countries that the Camp David Agreements could not be approved. They neglected two points: Jerusalem, and the legitimate rights of the Palestinians to return to their homeland if they wished, to decide their own destiny, and to have Israel withdraw from all territories occupied in 1967. The Arab peoples were convinced that their position on both points was legitimate and not for negotiation. They did not believe any free country which respected justice would object to either. Israel should be pressed by the super-powers and by other major nations to accept them.

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The Saudi Government were convinced that a fair and just solution had to be found to the 30-year-old conflict. The longer it went without solution, the more crises it would give birth to, and the more difficult it would be to solve. It had given the Soviets a foothold in the region. It would enable them to spread their influence further if a solution was not found. Any attempt to solve the conflict on a basis which did not involve the return of the Palestinians, the withdrawal of the Israelis from the occupied territories, and an answer on Jerusalem - whether advocated by the Europeans, the UN or whoever - would be a waste of time.

The Saudi Government understood that Israel did not wish these issues discussed. It was as clear to the Saudi Government as it would be to the Prime Minister that Israel did exist. It was a fact which it was useless to deny. But Israel was not satisfied merely to exist as an independent state. It was following a policy of expansion and of occupying territory by force of arms. Israel did not want a Palestinian State, did not want to give up Jerusalem, and did not want to withdraw from the occupied territories. Israel would not be convinced that it was mistaken unless it was put under pressure by the international community. Failure by the international community to exercise such pressure would amount to acceptance of the doctrine that land could be acquired by force. This would lead to disaster.

The Prime Minister said that she agreed with the last point. She asked whether Mr. Haig had talked about the next steps during his visit to Riyadh. The fact was that the problem could not be solved without the US. There were still 3 or 4 months in which to develop ideas since nothing could be done until after the elections in Israel. (Prince Fahd indicated agreement.) Prince Fahd said that Mr. Haig had not outlined any future programme. Perhaps he wished to discuss the issues with President Reagan. The Prime Minister said that in the light of the assassination attempt on President Reagan, it might be a little time before new ideas were forthcoming.

Meanwhile, the Europeans were trying to analyse the problem in more detail. They were trying to look at the real issues involved in Jerusalem, etc. In fact, they had not yet got very far.

/ Prince

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Prince Fahd said that the Saudi Government considered the European endeavour as a step forward. It seemed to him that it was one which the US President and his Administration appreciated. It would make it easier for the President to deal with Congress. The positive American attitude represented a change from that during President Carter's period of office. It was only towards the end of his Administration that President Carter had recognised the European initiative as something which might strengthen his hand. The European initiative was logical and reasonable. It was not directed against Israel. It showed that the Europeans had recognised the need to give the Palestinians the right to determine their own future. It had unfortunately been clear ever since he took office that Mr. Begin would not withdraw from an inch of occupied territory unless he was put under pressure to do so. It was therefore to be hoped that the US and Europe would decide to follow an even-handed policy based on justice and according to the Palestinians their legitimate rights.

The Prime Minister asked whether there was any hope of securing a mutual and simultaneous recognition by the Palestinians and by Israel of each others rights. She herself had said many times in public, in relation to Israel, that no nation could hope for recognition of its own right to exist in security if it denied that right to others. The US could be relied upon to put the argument to Israel. Who would do so to the Palestinians?

Prince Fahd said that he could not talk for the Palestinians. But in his view, if the Palestinians were given freedom to return to their homeland, and to determine their own destiny; if Jerusalem were returned to its pre-1967 position; and if there were international guarantees of the settlement, the PLO would be ready and willing to recognise Israel's right to exist. The PLO were repeatedly asked to give this recognition, but it was not made clear what they were to be offered in return. If they made their major concession without compensation, their position would be much weakened. If, however, there was a possibility of meeting the requirements he had just summarised simultaneously, this would in his view provide a good basis for a solution. If this seemed feasible, the Saudi

/ Government

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Government would be prepared to discuss the matter with the Palestinians in advance.

Prince Fahd said that he had been over this ground with Lord Carrington during his visit last year, and had thanked him then for the endeavours of the Europeans. If the Europeans were prepared to accord the Palestinians their rights, this would be much appreciated by the Arabs. He assumed that the US and Europe wished to see the countries of the Middle East following policies similar to theirs. One way to make this possible, and to limit the scope for further Soviet encroachment, was to solve the crisis with Israel. It was extremely difficult to convince Arabs that they should wait until the problems of Soviet infiltration and of the occupation of Afghanistan had been solved. The Arabs wanted their own problem dealt with first. The adoption by the US and Europe of a policy which would lead to a sensible solution would result in early changes in the situation in Arab countries.

One important issue was the recognition of the PLO. Accepting and dealing with the Palestinian leaders as the responsible and moderate men they were would make them more so. Prince Fahd said that he personally wished, as did the Saudi Government, that HMG could take up with the other Europeans the need for recognition of the PLO. Arab feelings were hurt by the fact that European Governments accorded Israel respect which they did not accord to the Arabs and to the Palestinians. It would be better if both Israelis and Arabs were treated equally. The Saudi Government found in dealing with Arabs inclined to support the Soviet Union that they had no counter to the argument that the Soviet Government gave arms and recognised the rights of the Palestinians, while the Western Governments did nothing. Prince Fahd therefore wished to express, in the name of his Government, the hope that the UK would adopt a different stance on the major Arab problem. What was needed was a new look, characterised by even-handedness and recognisable as such.

The Prime Minister said that the Europeans would continue their work. It was difficult to carry forward specific ideas any further / unless

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unless one had a clear idea of how they might be implemented. Much remained to be done, but it would be done. On the PLO, she said that HMG did not recognise the ^{Organisation} / because of the terrorist activities of its extreme wing, and because it advocated destruction of Israel. If the PLO could say that they would accept a negotiated settlement if Israel withdrew from the occupied territories, this would not undermine their negotiating position. Acceptance of the settlement would depend on fulfilment of the conditions. This sort of approach would provide a better basis for progress. The Prime Minister also noted that the UK and Pakistan alone had recognised the West Bank as belonging to Jordan.

At this point the discussion had to be broken off to enable the Prime Minister to keep another engagement. It was agreed that the discussion would be resumed later.

The meeting ended at 1330.

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20 April, 1981.

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RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND PRINCE FAHD,
DEPUTY PRIME MINISTER OF SAUDI ARABIA, IN RIYADH ON 20 APRIL 1981
at 1815

Present:

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The Hon. Douglas Hurd, CBE, MP	HRH Prince Abdullah
HE Sir James Craig, KCMG	HRH Prince Sultan
Sir John Graham, KCMG	HE Shaikh Nasir bin Manqur
Mr. M.O'D.B. Alexander	HE Dr. Rashad Pharaon
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Prince Fahd said that these days of the Prime Minister's visit were among the happiest during his time in the Government. He saw them as an opportunity to try to reshape the basis of the relationship between Saudi Arabia and the United Kingdom. If a new bilateral accord could be developed, it would have an effect on the international situation generally. The Prime Minister said that she was greatly enjoying her visit.

Yemen Arab Republic (YAR)

As regards the content of this second discussion with Prince Fahd, she wanted to touch briefly on some bilateral issues and to talk about the situation in the YAR and in the Sudan, in both of which countries there was the possibility of further Soviet expansion. Friendly countries must not stand back. If they did so, they would regret it. She knew of the Saudi Government's generosity towards the YAR. However, the Soviets were also giving aid. They had offered to build a naval base for the YAR Government. If they were allowed to do so, it would radically alter the balance of power in the region. Britain had carried out a study of the issues relating to the construction of a naval base. If there was to be such a base, Britain would like to be involved. We were conscious that one could not interfere in the YAR. But there would be a real reason for concern if the YAR went down the same path as the People's Democratic Republic of Yemen (PDRY).

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Prince Fahd said that he entirely agreed about the YAR. Happily the Government there was no longer inclining so strongly towards the Soviet Union. The Saudis had told them that it would be against their interests to pursue such a course. The Government of the YAR should study carefully what had happened in PDRY, where the people were suffering under a leftist government. As regards the naval base, the Saudi Government would welcome any step to help in the way suggested which was taken by a friendly country. If the Soviet Union were to do it, they would undoubtedly ensure that they became well established with both men and equipment. The Prime Minister said that the naval base study was a preliminary one and had not been costed in any detail. Nor was it easy to keep in touch with those responsible in the YAR. She was always on the watch for possible new victims of Soviet subversion. She hoped that it would be possible to strengthen those in the YAR who were opposed to communism. Prince Fahd asked the Prime Minister whether she was saying that if the Soviet Union built the base, they would benefit from it and that there would be consequent dangers to the area. The Prime Minister said that the construction of the base by the Soviet Union would be a very regrettable development. Prince Fahd said that he agreed that if the YAR became a Soviet satellite, there would be considerable new dangers. This would be true whether or not a naval base was built. The majority of the Yemenis were opposed to communism. But there was no reason for complacency.

Sudan

The Prime Minister said that anything that happened in a country in the region affected all the others. The Sudan appeared to be in deep trouble. President Nimeiri was not very well. There was concern lest the country should have more trouble internally and become de-stabilised. If this were to happen, it would create difficulties for Egypt and for the region in general. It was not for her to say what should be done, but she knew the Sudan Government was seeking additional training facilities, including ^{the} procurement of the Strikemaster aircraft. Anything that could be done to help the Sudan would be of considerable importance.

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Tornado

The Prime Minister said that when Chancellor Schmidt visited Riyadh shortly, he might well mention Tornado. She was well aware that Saudi Arabia did not need Tornado at present but Prince Fahd might find some background useful. The Tornado was a joint Anglo/German/Italian project. All three countries had to agree to any sale. There would be no difficulty with Italy about sales in the Gulf area. The Prime Minister said that she hoped and expected that an accommodation could be reached with the Federal Republic. There were aspects of the technology in Tornado which would be needed for the development of the next generation of aircraft. As for a sale of the present aircraft, the release of these aspects would also need the agreement of the German Government.

The Prime Minister said that Britain wished to develop a new generation of aircraft based on Tornado for use in the 1990s. We had had enquiries from friends in the Gulf about such an aircraft. It would be designed not only for the British market but also in consultation with our friends in order to meet their requirements. Hitherto we had developed weapons systems for our own use and then adapted them for sales overseas. Those days were gone. In future we would have to design, in conjunction with those interested, weapons systems for wider use. We were already considering a design based on Tornado. This would ^{include} the most advanced features of that aircraft, notably the engine. The Prime Minister was mentioning it now so that if any of our friends who were interested in the aircraft mentioned it to Prince Fahd, he would be familiar with the background. It might seem a long way ahead, but in designing aircraft one had to think up to 10 years ahead.

Hawk

In the meantime, the Prime Minister said she hoped that the Hawk aircraft might find favour with the Saudi Government. It was more advanced than the Strikemaster already used by the Saudi Armed Forces. Hawk was the most advanced training aircraft flying. It was being adapted for a ground attack role.

/ Arabsat

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Arabsat

The Prime Minister said that there was an Anglo/French bid in for the construction of Arabsat. She understood that the decision was to be made shortly. She only wished to make one point. The European countries were frequently told that they should not rely on the United States but should try to do things on their own. The Anglo/French tender for Arabsat met this requirement. It was a wholly European effort. The Prime Minister added that British industry was now in better shape than it had been for a long time. When British Aerospace had been de-nationalised recently, the shares on offer had been over-subscribed. She hoped that in future our bids for major contracts would be fully competitive. If anything was being done that was not right, she very much hoped that Prince Fahd would let her know.

YAR and PDRY

Prince Fahd said that the Saudi Government were following events in both countries closely. They hoped to be able to do the right thing vis a vis both of them. Their information was that the PDRY had more military equipment than it could use. There was also manpower present in the country from many communist states. Sometimes he wondered who all this was to be used against. It was well known that the PDRY was in part a base for the Soviet Union. The latter would not be accumulating weapons in the PDRY unless they intended to use those weapons to further their own interests, eg against states of the Gulf and against Sudan.

The Saudi Government was therefore considering the best way to make the PDRY less dependent on the Soviet Union. They were thinking of proposing to the PDRY Government development projects which would benefit the country's people, eg hospitals, schools, roads and the like. This would point up the contrast between what Saudi Arabia offered and what the Soviet Union offered. It would show who were the country's friends and who were its enemies. The Soviet Union of course was warning the PDRY against talks with neighbouring governments. The argument used was that if the PDRY took help from Saudi Arabia, the smaller country would become a satellite. But neither the Soviet Union nor the PDRY Government would in fact prevent the projects from being carried through.

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/ When Prince Fahd

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When Prince Fahd had seen the PDRY President, the latter had been friendly and encouraging. He would now have to give proof of his intentions. If he refused to agree to the projects, his friendliness would have been shown to be mere words. If, on the other hand, he agreed to allow the projects to go forward, it would be clear that he had realised the gains to be won from friendship with Saudi Arabia and the losses involved in associating with the Soviet Union. Prince Fahd stressed that the Saudi Government was approaching the problem with great care, watching the reactions of those involved.

As for the YAR, Saudi Arabia gave a great deal of help. The YAR Government knew that without this help, it could not achieve even a moderate standard of living. Up until recently, President Saleh had been suspicious of Saudi Arabia. He had been surrounded by advisers who accused the Saudi Government of trying to interfere. The Saudi Government had not denied the charge; they had preferred to let the facts speak for themselves. The President had indeed realised that the earlier accusations had been false. The activities of the Democratic Front, which was connected with the PDRY, had been exposed.

However, difficulties remained. Prince Fahd had met President Saleh in Taif in the previous summer. The President had assured him that the YAR would never become communist. He had said that he would have nothing more to do with the Soviet Union. Prince Fahd had advised him to get rid of his existing commitments to that country, his Soviet advisers, etc. and to turn to the West. Since Saudi Arabia had already bought and paid for arms and aircraft for the YAR from France and the United States, it seemed pointless to turn to the Soviet Union for arms for which the YAR would itself have to pay. In spite of his assurances, President Saleh had already bought and paid for \$250 million worth of arms from his own budget. The value of the whole deal would amount to \$640 million. All this suggested that, in spite of Saudi efforts, there were still elements close to President Saleh who were trying to fuel his suspicions. They were arguing that the Saudi Government expected something in return for what it had given. Nonetheless, the Saudi Government intended to continue with its explanations. There were signs that President Saleh had realised in recent months / that his

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that his troubles came from the PDRY. The Saudi Government intended to be consistent and to be cautious. They had had a similar experience in Somali where it was only after two years' effort that they had persuaded the Somali Government to distance themselves from the Soviet Union.

Sudan

The danger to the Arabs and to Africa from a collapse in the Sudan would be considerable. Saudi Arabia was giving the Sudanese Government substantial assistance. But the Sudan was a big country and the Government there was not, and had not been for some time, a stable one. Fortunately President Nimeiri was coming to realise that the Soviet Union was his principal enemy. His efforts to create friendly relations with Ethiopia, whose Government was of course pro-Soviet, seemed to have failed. It was very important that friendly Governments should assist President Nimeiri to ward off both the external and internal threats to his Government. He faced numerous problems. The economic situation in the country had deteriorated significantly, there had been a recent coup attempt, and there was the crisis with Libya.

Somali

Prince Fahd said that the Saudi Government had been trying to help Somalia both with project aid and with food. They had also been active in an attempt to achieve a rapprochement between Somalia and Kenya. If those problems could be cleared up, it would help to stabilise the situation in East Africa. The Presidents of the two countries had met in Taif last year at the invitation of the Saudi Arabian Government to discuss their differences. But the suspicions persisted. A member of the Somali Government had recently told Prince Fahd that it might help to bring the two Presidents together again. President Said Barre had said he would think about it. He had so far not refused. The Saudi Government still hoped that agreement between the two countries would be possible.

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Tornado

Prince Fahd said he was grateful for the Prime Minister's briefing. If Chancellor Schmidt raised the question, he would be in the picture. It pleased him that the Gulf States were interested in buying Tornado. He preferred them to make their purchases from friendly countries. The Arabs lived in an area of turmoil but with the help of friends like the United Kingdom and the United States, he hoped that good solutions could be found.

Lebanon

Prince Fahd said that the situation in the Lebanon was very discouraging.

Pakistan

The problem of Pakistan was both large and complicated. It involved relationships with India, Afghanistan and the Soviet Union. The immediate problem was that posed by the Afghan refugees. The Saudi Government gave the Pakistan Government help in coping with them. Prince Fahd understood the United States was reviewing its policy towards Pakistan. He hoped they would adopt a better policy. If Pakistan was strong, it could withstand a sudden attack for a period until help arrived. A weak Pakistan would not be able to do this. Prince Fahd said that he was always surprised by the fact that India regarded Pakistan as a threat and an enemy. If there were attempts by India to divide Pakistan any further, there would be very serious problems.

North West Africa

Prince Fahd said that the attempt by the Libyans to create a union between Polisario groups and Mauritania would create new crises in North Africa and would result in a further deterioration in the situation there. The crisis which already existed as a result of Libyan action in Chad was not to be taken lightly. If Colonel Qadhafi got away with the intervention in Chad, he would try his hand elsewhere. Everything he did was done at the instigation of the Soviet Union.

/ Conclusion

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Conclusion

Prince Fahd said that all these matters were vital and important. He was always pleased to discuss them. He hoped that such discussions could continue in order that both countries would be, as the Prime Minister had said, aware of danger before it struck. The Prime Minister expressed her gratitude for the time that Prince Fahd had devoted to talks. She said that she agreed with much of what he had said.

The discussion ended at 1940 hours.

Fahd

21 April 1981

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PRINCE FAHD (Crown Prince and
Deputy Prime Minister)

World Picture. Afghanistan and Soviet encroachment. UK/Saudi cooperation in Yemen and Sudan. Understand that Soviets have offered to build a naval base in Yemen: may be interested to hear that we have done study.

Gulf Security and Cooperation. Encouragement for regional efforts. Iraq/Iran war (Islamic Conference mediation: danger that collapse of Iran might give Soviets opportunity to establish themselves there)

Rapid Deployment Force. Re-assure.

/ Arab/Israel

Arab/Israel.

(US policy; (Fahd's impressions?);
EC efforts; Arab discussions -
need for PLO to give clear if
conditional acceptance of

/ negotiated settlement

It is worse than
Chamir / has ;

negotiated settlement with
secure borders for all)
Lebanon - Saudi influence
with Syria?

Energy: interdependence;
appreciation of Saudi
moderation. Opportunities
for British companies to buy
Saudi crude.

Industrial Collaboration:
especially on arms supply:
Tornado. (NB Jordan and Iraq
advocating, Saudis may be
hesitant).

ARABSAT: Euro-project -
technically first class and
good, competitive price.

Can I do anything
to hurry this along?

Should I come to the
Toronto or Detroit next

Measures to counter Soviet expansion by helping friends.

YAR: Need to bolster anti-Soviet forces in latter;

possibility of cooperation UK/Saudi Arabia/YAR e.g. on planned YAR naval base.

PDRY: possibility of weaning them through aid?

Sudan: Economy in trouble.

Support needed. Possibility of Saudi help for Sudan's Air Force (Strikemaster).

Turkey: economic support.

Welcome SIS cooperation with Saudi Security Service. *Perhaps it needs more urgency.*

SUBJECT

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FROM RIYADH 210657Z APR 81
TO PRIORITY F C O
TELEGRAM NUMBER 10 OF 21 APRIL
INFO PRIORITY JEDDA, BONN
INFO SAVING WASHINGTON

PRIME MINISTERS TALKS WITH THE CROWN PRINCE.

1. THE PRIME MINISTER HAD TWO MEETINGS WITH FAHD ON 20 APRIL, EACH OF ONE AND A QUARTER HOURS. HE WAS ACCOMPANIED BY PRINCES ABDULLAH AND SULTAN, BY RASHAD, PHARAON, MAS'UD, THE SAUDI AMBASSADOR IN LONDON, AND TWO OTHERS. ON OUR SIDE THE MINISTER OF STATE, PRIVATE SECRETARY, SIR JOHN GRAHAM AND I WERE PRESENT.

2. THE PRIME MINISTER OPENED BY EXPLAINING THE BACKGROUND TO WHAT SHE HAD SAID IN THE STATES ABOUT A BRITISH CONTRIBUTION TO A POSSIBLE RAPID DEPLOYMENT FORCE, MAKING THE POINT THAT WE HAD DECIDED ABOUT A YEAR AGO TO IMPROVE OUR CAPABILITY FOR THE RAPID DESPATCH OF MODEST FORCES TO AREAS WHERE THEY MIGHT BE NEEDED, IN RESPONSE TO REQUESTS FROM OUR FRIENDS. THE AMERICANS WERE NOW THINKING OF THE SAME THING THOUGH ON A MUCH LARGER SCALE, AND IT HAD SEEMED RIGHT TO CONTRIBUTE TO THIS EFFORT, AS A MATTER OF PRUDENT CONTINGENCY PLANNING FOR USE IN RESPONSE TO REQUESTS. FAHD REPLIED THAT HE HAD NO DOUBT THAT THE PRESS REPORTS WERE EXAGGERATED: SAUDI ARABIA HAD ALWAYS BEEN SURE THAT THE SITUATION HAD BEEN AS THE PRIME MINISTER HAD DESCRIBED. THERE WAS A CLEAR NEED FOR SUCH AN EMERGENCY FORCE FOR USE IN RESPONSE TO REQUESTS.

3. FAHD THEN INITIATED A LONG DISCUSSION OF THE ARAB/ISRAEL QUESTION. HE EMPHASISED THE NEED FOR THE RETURN OF THAT PART OF JERUSALEM OCCUPIED BY THE ARABS UP TO 1967, AND FOR THE REALISATION OF THE PALESTINIANS' LEGITIMATE RIGHTS INCLUDING THE RIGHT TO RETURN TO THEIR HOMELAND, IF THEY WISHED, AND TO CHOOSE THEIR OWN DESTINY AFTER ISRAELI WITHDRAWAL. NEITHER OF THESE PRINCIPLES WERE NEGOTIABLE. EQUALLY CLEARLY ISRAEL DID EXIST IN THE AREA. THIS WAS A FACT WHICH IT WAS USELESS TO DENY. HE URGED THE EUROPEAN COMMUNITY AND BRITAIN IN PARTICULAR TO TAKE ACTION TO ACHIEVE A SETTLEMENT ON THESE LINES. THE PRIME MINISTER EMPHASISED THE INABILITY OF THE EUROPEAN COMMUNITY ALONE, WITHOUT THE U.S., TO ACHIEVE A RESULT, AND PRESSED HIM TO USE HIS INFLUENCE WITH THE PLO SO THAT THE LATTER WOULD MAKE A CONDITIONAL RECOGNITION OF ISRAEL'S RIGHT TO EXIST. /TURNING

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TURNING ASIDE AN ATTEMPT TO MOVE THE CONVERSATION ON TO OTHER TOPICS, FAHD MADE TWO FURTHER POINTS: TO COUNTER THE COMMUNIST THREAT THE EUROPEAN COMMUNITY OUGHT TO RECOGNISE THAT THE ARAB COUNTRIES NEEDED THEIR HELP IN ACHIEVING A SETTLEMENT OF THE ARAB/ISRAEL QUESTION, AND AS AN IMPORTANT PART OF THAT, THE EUROPEAN COMMUNITY SHOULD RECOGNISE THE PLO. IN TALKING TO SOME OF THE MORE PRO-SOVIET ARABS, SAUDI ARABIA HAD DIFFICULTY IN ARGUING FOR CONTINUED COOPERATION WITH THE WEST, GIVEN THE SOVIET UNION'S SUPPORT FOR THE ARAB COUNTRIES AND THE WEST'S INDIFFERENCE. THE PRIME MINISTER SAID THAT WE COULD NOT DEAL WITH THE PLO WHILE THEY CONTINUED TO SUPPORT TERRORISM, AND THAT IT WOULD BE EASIER FOR US IF THE PLO COULD SAY THAT THEY WERE READY TO NEGOTIATE PROVIDED THAT ISRAEL WAS WILLING TO WITHDRAW.

4. IN THE SECOND SESSION, IN THE EVENING, DISCUSSION COVERED MOST OF THE REGION. THE PRIME MINISTER ASKED ABOUT THE YEMEN ARAB REPUBLIC AND THE SUDAN, COMMENTING THAT WE WERE IN DISCUSSION WITH THE YEMENI AUTHORITIES ABOUT A PLANNED NAVAL BASE, AND SHOULD LIKE TO SEE THAT BUILT IN COOPERATION WITH THE WEST RATHER THAN WITH THE SOVIET UNION WHOM WE BELIEVED WERE ALSO EAGER TO BE INVOLVED. AS FOR THE SUDAN, THE INTERNAL SITUATION WAS NOT TOO GOOD, AND THEY WERE THREATENED FROM EAST AND WEST. IF THE SOVIET UNION WERE TO PENETRATE THERE, IT WOULD BE VERY SERIOUS. WE HAD A PARTICULAR INTEREST BECAUSE THEY WERE CONSIDERING BUYING STRIKEMASTER AIRCRAFT.

5. IN REPLY, FAHD SAID THAT THE YAR NO LONGER SEEMED TO BE LEANING TOWARDS THE SOVIET UNION. THE REAL PROBLEM IN THAT AREA LAY IN THE PDRY. AS FOR THE NAVAL BASE, SAUDI ARABIA WOULD WELCOME ANY STEP TAKEN BY A FRIENDLY COUNTRY IN HELPING THE YAR. HE WONDERED WHETHER WE HAD ANY FIGURES FOR THE COST YET. (HE WAS TOLD THAT IT HAD NOT YET BEEN COSTED.) THE PEOPLE OF THE YAR WERE NOT INCLINED TO THE LEFT, ALTHOUGH THERE WERE SOME RADICAL ELEMENTS DATING FROM THE TIME OF NASSER AND THE PDRY HAD STIMULATED THE SO-CALLED NATIONAL DEMOCRATIC FRONT WHICH HAD TRIED TO INFLUENCE THE YAR GOVERNMENT AGAINST THE SAUDIS. SAUDI ARABIA'S POLICY WAS TO HELP THE PRESENT YAR GOVERNMENT WITH AID (THEY HAD A PROJECT BUREAU IN SANAA AND THEY PAID THE YAR'S BUDGET DEFICIT) AND TO PERSUADE THEM THAT SAUDI ARABIA WAS DISINTERESTED AND A GENUINE FRIEND. NEVERTHELESS THEY CONTINUED TO BUY SOVIET ARMS WHEN THEY COULD HAVE ARMS FROM THE U.S. PAID FOR BY SAUDI ARABIA. SIMILARLY, ALTHOUGH WITH GREAT CAUTION, SAUDI ARABIA WAS STUDYING THE QUESTION OF WOOING THE PDRY AWAY FROM THE SOVIET UNION THROUGH A JUDICIOUS PROGRAMME OF AID. SOVIET ACTIVITIES THERE HAD DONE NOTHING TO IMPROVE THE LOT OF THE PEOPLE AND THE SAUDIS BELIEVED THAT THROUGH DEVELOPMENT AID THEY MIGHT BE ABLE TO BRING HOME TO THEM THAT THE SOVIET UNION WAS ACTING SOLELY FOR ITS OWN ENDS. /6. THIS

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6. THIS LED FAHD INTO A TOUR D'HORIZON. SPEAKING OF SOMALIA AND KENYA, HE CLAIMED TO HAVE TRIED TO BRING BARRE AND MOI TOGETHER, BUT WITHOUT SUCCESS. IN THE SUDAN, HE AGREED THERE WAS A DANGER IF THE RUSSIANS WERE TO INFILTRATE. SAUDI ARABIA GAVE SOME ASSISTANCE BUT PERHAPS NOT ENOUGH, GIVEN THE SIZE OF THE COUNTRY: NIMEIRI REALISED THAT THE SOVIET UNION, TOGETHER WITH ITS FRIENDS, LIBYA AND ETHIOPIA, WAS ITS ENEMY, BUT THE REAL DANGER TO THE SUDAN WAS INTERNAL. HE WAS CONCERNED THAT LIBYAN SUPPORT FOR THE POLISARIO WOULD AGGRAVATE THE PROBLEM, AND ALSO ABOUT QADHAFI'S ADVENTURES IN CHAD. IN LEBANON THE SITUATION WAS VERY DISCOURAGING, AND HE HOPED THAT SOME SORT OF SOLUTION COULD BE FOUND. FINALLY PAKISTAN WAS A VERY IMPORTANT COUNTRY WITH PROBLEMS IN ITS RELATIONS WITH INDIA AND AFGHANISTAN AND WITH THE CHALLENGE IT PRESENTED TO RUSSIAN POWER. SAUDI ARABIA WOULD HELP PAKISTAN, BUT THE PRINCIPAL BURDEN THERE WAS THE REFUGEES.

7. THE PRIME MINISTER RAISED TORNADO. EXPLAINING THAT SHE WAS GIVING HIM THE BACKGROUND IN CASE CHANCELLOR SCHMIDT OR SOMEBODY ELSE WERE TO MENTION THE MATTER, SHE SAID THAT IN RESPONSE TO INTEREST EXPRESSED BY SOME OF OUR FRIENDS IN THE GULF AND BY KING HUSSEIN, WE WERE LOOKING AT THE NEXT GENERATION OF AIRCRAFT DEVELOPED FROM THE TORNADO. IT WOULD BE DESIGNED TO MEET NOT ONLY OUR OWN NEEDS, BUT THE NEEDS OF OTHER POSSIBLE USERS. SINCE IT WOULD CONTAIN TECHNOLOGY DEVELOPED FOR TORNADO AND THE TORNADO'S ROLLS ROYCE ENGINE, WHICH WAS A JOINT PROJECT WITH THE FRG AND ITALY, THE AGREEMENT OF THESE TWO COUNTRIES WOULD HAVE TO BE OBTAINED, WHICH WAS WHY WE HAD APPROACHED THEM. IN THE MEANTIME THE PRIME MINISTER HOPED THAT THE HAWK TRAINER WOULD BE ADOPTED BY THE RSAF. IT WOULD MAKE AN IDEAL REPLACEMENT FOR THE STRIKEMASTER.

8. FAHD THANKED HER FOR THE EXPLANATION. HE WOULD PREFER IT THAT GULF STATES SHOULD BUY FROM FRIENDLY COUNTRIES.

9. FINALLY, THE PRIME MINISTER URGED THE FRANCO/BRITISH BID FOR THE ARABSAT PROJECT, STRESSING THAT IT REPRESENTED A WHOLLY EUROPEAN EFFORT. FAHD MADE NO COMMENT.

FCO PLEASE PASS INFO AND INFO SAVING ADDRESSEES.

CRAIG

[PASSED SAVING AS REQUESTED]

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