

SUBJECT

CONFIDENTIAL

cc Morte

RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND
PRINCE SULTAN, MINISTER OF DEFENCE AND AVIATION AT RIYADH ON
TUESDAY 21 APRIL 1981 AT 1100 HOURS

Present:

The Prime Minister

The Hon. Douglas Hurd, CBE, MP

Sir John Graham, KCMG

Sir James Craig, KCMG

Sir Ronald Ellis

Mr. T.P. Lankester

Prince Sultan

Shaikh Mohammad Mas'ud

Shaikh Nasser Manqour

Air Training and the Hawk

The Prime Minister said she had been very impressed by her visit to the King Faisal Air Academy. It was one of the best she had seen, and she had been extremely impressed by the Academy's Commander. He had spoken to her about their aircraft for advanced training, and she understood that they wanted to buy the Hawk. She was sure that the Saudi Government would want the best advanced trainer, and she was sure the Hawk was the best. She hoped it would find favour with them. The excellent relationship between teachers and cadets had also made a strong impression on her. This seemed to be indicative of the approach adopted by the British and Saudi Governments; she hoped it would continue. We attached great importance to the air training contract. She understood that it came up for renewal in 1982, and that a RAF team would be visiting Riyadh in May for detailed discussions: she hoped that the contract would be renewed.

Prince Sultan said that the Academy Commander was very good: the Prime Minister's visit was a good omen for him since he was being promoted to Inspector General in the Ministry of Defence. He hoped that the Prime Minister would visit the new Academy south of Riyadh on her next visit. He agreed that the RAF personnel and the Saudis had achieved an extraordinary relationship. The question of a new trainer was being considered: they were looking

CONFIDENTIAL

/ at the

at the different options and would select the best. They looked forward to the visit of the RAF team in May to discuss the training contract.

Arab/US Relations

Prince Sultan recalled that when he had last met the Prime Minister in 1976, she had predicted that President Carter would win the election. She had said that he would be elected because the American people were looking for a new approach. The Watergate scandal had had a bad effect not only on America but also on America's friends. The authority of the President had been curtailed and that of the Congress strengthened.

Prince Sultan went on to say that President Carter's Camp David initiative had spoilt America's relationship with the Islamic world. With the election of President Reagan, it was possible for the Americans to change their stance; and he hoped that the UK would do its best to persuade the Administration. The Prime Minister said that we were in close touch with the new Administration. She was glad that they had won the election, and she knew Reagan and Haig well. We would be in touch with them on a closer basis than under the last Administration, and she would be writing to them herself to let them know the results of her visit to Riyadh.

Prince Sultan said that the Saudis would be very grateful if she would do this. He then said that Haig had put out a statement today refuting a statement by Richard Allen to the effect that the delivery of extra equipment for the F15s and of AWACs (the present ones were only on loan) would be delayed by Congress. He was glad that Haig had done this. He felt that Allen had a certain tendency to favour Israel. He himself had sent Allen a message via an intermediary that the Congress must approve the equipment deliveries: it was in America's interest since it needed adequate oil supplies for the coming winter.

The Prime Minister wondered whether Allen had not been misrepresented. She agreed that we should try to influence the Americans in a positive way in their general approach to the Middle East. But we all needed the USA if the cause of freedom was to be protected. Prince Sultan said that he agreed with the

CONFIDENTIAL

- 3 -

latter point; but the Americans could not ignore Arab dignity. The Prime Minister said that if anyone was looking for personal dignity, he would not look to the Russians. Prince Sultan said that the Arabs had other possible friends in the West besides the Americans.

The Prime Minister went on to say that the most important thing Haig seemed to have learnt from his recent visit to the Middle East was that the problem of Gulf security could not be looked at in isolation from the Arab/Israel problem. He now seemed to understand that you could not solve the one problem without solving the other. Prince Sultan said that Haig seemed to be under attack from the Jewish lobby. He hoped that he would manage to keep his position in the Administration: he was a friend of Saudi Arabia. The Prime Minister said that we had great confidence in him. He knew more about defence matters, including those affecting the Arab world, than any previous Secretary of State. He was more likely therefore to find solutions that would stick. Arab/Israel

The Prime Minister went on to say that the assassination attempt on President Reagan was a tragedy, for a number of important decisions would be held up pending his full recovery. But it would be a few more weeks ; i.e. until after the Israeli elections - before any progress could be made on the Arab/Israel problem. If Peres were to win, as we thought he would, there seemed to be a better chance of re-starting the negotiations. Prince Sultan said that, in his view, the situation would be no different whether or not Peres was elected. Both he and Begin had the same policy. The important thing was for the West to change its view, and bring pressure on Israel to be more flexible. The Prime Minister said that Begin had been quite inflexible and impossible to influence. By contrast, Peres seemed to realise the need for a more flexible approach and for a re-start of the negotiations. The Americans wanted to negotiate with Hussein. But we had told them that Hussein would not negotiate on his own but would do so only in concert with other Arab countries.

/Prince Sultan

CONFIDENTIAL

CONFIDENTIAL

Prince Sultan said he agreed. Saudi Arabia did not want another Sadat. The Prime Minister said she was a great admirer of Sadat: she admired him for his courage and doing what he thought was right; moreover he was surrounded by hostile countries. (Sir John Graham interjected that Sudan was not hostile to Egypt). Prince Sultan said that Sadat certainly had courage in relation to the Americans, and this was admirable. But in relation to Israel, his position left much to be desired. What he had done might have satisfied certain sections of the international community; but the economic situation in Egypt was very bad, and his policy in the YAR/^{had failed.} If he had only listened to the advice of his moderate Arab friends, he might by now have reached a satisfactory settlement with Israel. Only three days before going to Jerusalem, he had visited Riyadh and had been advised to find a joint approach with other Arab states; but he had taken no notice. He/^{had} also missed a golden opportunity for economic co-operation with other Arab states. For example, the proposal for the Arab Organisation of Industry(AOI), which would have been set up in Egypt, had not come to fruition. Sadat should now renounce his deeds and come back to his Arab friends and start again. Saudi Arabia and other Arab states would have been/^{only} too glad to co-operate in finding a joint solution to the Israel problem. The Camp David accord, which Sadat claimed to be a victory, had achieved nothing.

The Prime Minister said that there was no point in trying to allot praise or blame. The prime objective was to find a solution, and we all had to start from where we were now. If anyone tried to set prior conditions, there would be no solution. She repeated that she liked Sadat: He was a stubborn man but she liked stubborn people. Stubborn leaders, if they could be persuaded to work with one, made powerful allies. Prince Sultan said that he had no personal grudge against Sadat, but his methods had been at fault. It was not always the case that stubborn leaders could be made into good allies.

CONFIDENTIAL

/Tornado

CONFIDENTIAL

Tornado

The Prime Minister said that she had raised the question of the Tornado and its possible development for Arab needs with Prince Fahd the previous day. She had mentioned it so that the Saudi authorities should know about it if Chancellor Schmidt raised the subject during his forthcoming visit. She was confident that we could persuade Schmidt to release the Tornado's existing technology for the development of an advanced version.

Prince Sultan said that he and his colleagues were pleased to hear that the UK was proposing to develop the Tornado with a view to building an advanced version in the 1990s: they would wholeheartedly support our efforts in this direction.

/Problems with Contracts

CONFIDENTIAL

Problems with Contracts

CONFIDENTIAL

Prince Sultan said that he would like to draw to the Prime Minister's attention various problems the Saudis had had with UK contracts. Not only prices very high, but they were also unhappy with some other aspects - e.g., terms of payment and conditions regarding training personnel.

The Prime Minister said that the UK could not always be best on price. British industry was now very competitive, but it still had to cope with the high exchange rate. However, in terms of quality and performance, there were many cases - for example, Hawk - where we were the best. She took a direct personal interest in major contracts, and if any particular problems came up, she would look into them. Her intervention in matters of this kind could sometimes have a miraculous effect.

Prince Sultan said that the Prime Minister was well known for her decisiveness. He hoped that she would issue instructions to those responsible for the drafting of contracts - to make them more flexible and to ensure lower prices. Past contracts had not favoured the Kingdom. If they had any difficulties with contracts in future, they would make sure that she was aware of them.

Yemen Arab Republic (YAR)

Prince Sultan referred to our proposal for a naval base in YAR, which the Prime Minister had mentioned the previous day. He understood that the estimated cost of the proposed base was £25 m, and that we had provided the UAE with certain information on it. He hoped that we would enter into new negotiations with the YAR. Three new commanders had just been appointed in that country, who were likely to be more favourable to the UK proposal; and only today three new moderate Ministers had been appointed. The negotiations should go ahead not on the understanding that Saudi Arabia would finance the project; but if in due course they were to seek Saudi assistance, the Saudi Government would "come to their rescue" along with other Gulf States. Saudi Arabia could not meet the total cost: it would have to be shared with other States,
/ including

CONFIDENTIAL

CONFIDENTIAL

including Britain. It was important to win over the support of the YAR for the UK proposal.

The Prime Minister said that we had kept the Saudis fully informed of the proposal, and we had done the same with the UAE. We had been in touch with the YAR authorities, but so far with no positive result. The project had not been costed in detail, but the figure of £25 m mentioned by Prince Sultan was about right. We would do our best to persuade them to go ahead with the project, and she was glad to hear that recent changes in their Administration were likely to make them more favourable to it.

The meeting finished at 1205 hours.

21 April, 1981

CONFIDENTIAL

HRH PRINCE SULTAN (Minister of
Defence and Aviation)

Air Defence Pleased negoti-
ations on extension of project
going well. Signature soon?

Flying Training Glad that
HRH has agreed visit by RAF
team to discuss requirements.
Hope this will be useful.
Valuable experience for both
sides.

Advanced Military Aircraft
Brochures on Tornado and
derivatives left with HRH
after Mr Nott's visit. Of
interest to HRH? Possibility
of joint development of
advanced aircraft/engine.
Officials to discuss?

NOTE FOR THE RECORD

NOTE OF SPEECHES BY THE RSAF AIR COMMANDANT AND THE PRIME MINISTER
AT THE END OF HER VISIT TO THE ACADEMY

The Commandant said that the Academy produced 80 per cent of RSAF pilots and was now in the process of an ambitious modernisation programme to keep up with change. He praised the contribution of the British Aerospace and BAC staff and instructors for their fruitful contribution to the modernisation programme and their hard work and dedication.

After presenting the Prime Minister with the Academy's plaque and its gold medal and chain, Mrs Thatcher said that it was a great privilege to visit the Academy and she had been impressed with everything she had seen. Not least impressive was the quality of the intake and the way they learnt and mastered English, and the care taken at every stage to ensure that each graduate had mastered the subject before moving on to the next phase. She had stopped and talked with a number of the intake and was very impressed with their response.

The UK was very happy to be associated with the Academy. Not only did we have superb professionals but also superb aircraft. We were proud to have a share in the task of training RSAF pilots. She added:

"We do not know what they may have to undertake. But what we have seen is a supremely able trained, skilled, experienced and disciplined force. When you have those qualities you have the very qualities that are needed to do anything that may arise and to which you may have to react extremely quickly, with a combination of circumstances you may never have met before.

"Congratulations to you all and thank you for the wonderful work you are doing, not only in the defence of Saudi Arabia but in the larger defence of the free world."

B. Shaw

22.4.87.

IMMEDIATE

cc Master Set

Subject

ADVANCE COPY

Fcolwu

PS +9
PS/US

PS/ME/US

PS/US

MR J. C. McBRIDE

WLF MED

WLF NEWS

~~WLF~~

~~APS NOLO~~

DOWNING ST

IMMEDIATE

RR ROME

GR 1000

CONFIDENTIAL

FM JEDDA 220800Z APR 81

TO IMMEDIATE AFCC


TELNO 305 OF 22 APRIL

INFO IMMEDIATE ABU DHABI, DUBAI, MUSCAT, BONN, WASHINGTON,
ROUTINE BAHRAIN, KUWAIT, KHARTOUM, SANA'A, ROME.

SAVING TO: TRIPOLI, ALGIERS, RABAT, CAIRO, TEL AVIV, MOSCOW,

UKMIS NEW YORK, UKDEL NATO.

010
Foreign Policy
File in India



FCS/81/46

SECRETARY OF STATE FOR DEFENCE

to [unclear] [unclear]
Prime Minister
We must keep up
the pressure on their
[unclear]

Training Charges

1. The letter of 6 April from Number 10 to your Private Secretary refers to the damage to British interests in Saudi Arabia as a result of the over-zealous recovery of charges for SAS training. This, I think, highlights a wider problem over the impact of MOD training charges on our interests abroad which has concerned me for some time.

2. When colleagues considered the MISC 42 reports, it was accepted that full costs (as defined by the Treasury) or as near full costs as the market would bear, should continue to be the basis of charging policy. I understand that, in endorsing subsequently the scale of charges to be made for training in the UK, you directed that there should be some flexibility; especially where there is a direct defence policy interest (including defences sales). This is a welcome move. No doubt your officials will now be considering how to implement your directions. You may therefore like to have a note of how we here see the problem.

3. Clearly problems exist. My attention has been drawn to a number of instances where our charging arrangements may be having an adverse effect on our national interests. One in particular, on which our officials have been in touch, is the charge we make for Canadian work-up training and the possible reciprocal (and costly) effect on what the Canadians may charge us for our use of /their



their facilities. We have also had recent indications from the Ambassador in Oslo that the Norwegians may be turning elsewhere, perhaps to the Dutch, for training because our costs are too high. The latest indications we have of dissatisfaction with the level of our charges come from a report by the leader of the Red Arrows team to the Middle East. You may have seen his signal of 24 March, reporting on representations made to him on the high cost of British training. These and other examples, coming as they do on top of the evidence last year that third world countries like Ghana, Kenya and Malaysia had to reduce the amount of training they could buy from us, are worrying. Not only does this prompt such countries to look to us to provide an increasing level of subsidised help under the UKMTAS (the level of which is not increasing in real terms), but there is surely a risk of pricing ourselves out of the market. Worse, are we in some instances, eg that of Canada, in danger of cutting off our nose to spite our face?

4. The examples, to which I have referred, relate only to past experience. I understand however that a further very substantial rise in charges is envisaged for 1981/82. This increase will make our problems worse.

5. I entirely understand the difficulties which you face with the Defence Budget. Clearly any revenue you can generate is helpful. But in the longer term we may be in danger of reducing revenue in real terms, since demand cannot be infinitely elastic. I am sure that your initiative in relation to charges will be implemented in a way which meets our general need to maintain, by training and sales, good defence relations with friendly

/foreign



friendly foreign states as well as satisfying your particular need to recoup as large a proportion as possible of your costs. My officials would be glad to give whatever help they can to yours in working out details of a more flexible approach.

6. The letter from Number 10 to which I referred also touched on the related question of the allocation of training places. I agree that this can sometimes present difficulties, particularly with Staff Colleges where competition is fierce. One factor is the demand; another is the ability of friendly countries to provide suitable candidates. Clearly we do need to give careful thought about which countries should be offered slots and in what numbers. Our officials are in touch on this. I believe that it is in our interests to do all we can to identify and meet the effective demand.

7. I am copying this minute to the Prime Minister, the Chancellor of the Exchequer and to Sir Robert Armstrong.

A handwritten signature in dark ink, consisting of a large, stylized letter 'C' with a horizontal stroke underneath it.

(CARRINGTON)

Foreign and Commonwealth Office
15 April 1981

'6 APR 1981

