

SUBJECT

CONFIDENTIAL

cc Master

SUMMARY RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE PRIME MINISTER OF ABU DHABI, SHAIKH KHALIFA, IN ABU DHABI ON 22 APRIL 1981 AT 1240 HOURS

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The Prime Minister told Shaikh Khalifa that she had already mentioned to Shaikh Zaid her hope that the armed forces of the UAE would purchase the Hawk aircraft. It was the best training aircraft of its kind in the world. It was being adapted so that it could be used in a combat role as well as as a trainer. The Prime Minister had put her own authority behind the offer. It mattered greatly both to our industry and to our ability to support our friends. The matter seemed to be close to a decision. It would be good to be able to announce it in the course of the day. Shaikh Khalifa said that he was very keen to maintain the traditional links in this field between the UAE and the United Kingdom. The UAE would therefore be very happy to purchase the Hawk aircraft. The details could be finalised as soon as the Prime Minister wished. The Prime Minister said this was a most generous mark of the friendship between the two countries. Shaikh Khalifa said that even if his Government had known nothing about the aircraft, they would have purchased it simply on the basis that it came with the Prime Minister's recommendation.

Shaikh Khalifa said that the UAE also wished to pursue the question of training in general. The Prime Minister said that we would do everything to help with setting up a training school. She would put her personal authority behind this also. Shaikh Khalifa said that he had already sent a mission to the United Kingdom to look at the operation of our training schools there. He thanked the Prime Minister for the study we had carried out of the proposed operations centre. The Government of the UAE would be very happy to expand their cooperation with the UK. There were many possible areas for it. The Prime Minister said that the whole field of air defence including radar, Rapier etc., should be kept under review. Shaikh Khalifa confirmed that his Government were studying all aspects of their security, especially in the light of the Iran/Iraq war.

The Prime Minister said that she wished to underline Britain's expertise in anything connected with the exploitation of oil and gas. We had gained enormous experience in the North Sea. In this connection she knew that the Fred Olsen company had put in a bid in connection with the well heads in the Upper Zakum oil field. This company had been

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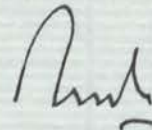
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responsible for a great deal of similar work in the North Sea. Despite the hostile conditions, they had never failed. Similarly, she knew that the work involved in the Chicago Bridge bid for the liquid gas tank contract on Das Island would be done by a British subsidiary which was particularly expert in these matters. She hoped that Shaikh Khalifa would bear in mind Britain's <sup>proven</sup> reliability. The North Sea oil rig that had turned turtle last year had been neither designed nor built in the UK. The Prime Minister undertook to ensure that Shaikh Khalifa received a memorandum on both proposals.

In response to an invitation from the Prime Minister to comment Shaikh Khalifa said there was only one point he wanted to make. He would greatly prefer that all dealings on contracts like the Hawk contract should be on a Government to Government basis and that commission agents should play no role whatever. Contracts themselves should be signed by officials. The Prime Minister agreed to proceed on this basis.

At the end of the meeting the Prime Minister invited Shaikh Khalifa to pay a visit to London. He accepted, and added that he was in any case in London very frequently.

The meeting ended at 1300.



24 April 1981



HOUSE OF COMMONS  
LONDON SW1A 0AA

13th April 1981

*Dear Prime Minister,*

I feel I should write to you before your visit to the Gulf about a matter of considerable importance affecting British interests which has come to my attention.

I was recently in Abu Dhabi where over the years I have established several top-level personal contacts. My visit coincided almost exactly with that of John Nott, who I saw and spoke to there.

The information I have since received from unimpeachable sources in Abu Dhabi is that while both Hawk and Rapier are still strong runners it will need your personal backing clearly expressed during your talks if we are to win through. The slightly oblique approach which we have so far adopted has not been fully understood and compares unfavourably with the hard-sell line of our principal competitors. As an indication of the style and firmness of their approach, on the morning after John Nott's departure the French Ambassador asked for a meeting with Sheikh Khalifa Bin Zayed and handed to him a personal note from the French Government. The purport of the message was to urge the case for Alpha Jet and Crotal, the direct rivals of Hawk and Rapier. It spoke glowingly of past French support, both political and military, and emphasised the direct interest being taken in this particular matter by President Giscard personally.



From the Secretary of State

*Foreign  
Prime Minister  
2  
Good news on the Chicago  
bridge contract.  
WV  
2/8*

M O'D B Alexander Esq  
Private Secretary  
10 Downing Street  
London, SW1

31 July 1981

*mt*

*Dear Michael,*

PRIME MINISTER'S VISIT TO ABU DHABI

I wrote on 18 May to forward a copy of the memorandum which our Embassy in Abu Dhabi provided to Shaikh Khalifa about two contracts in which British companies were interested and on whose behalf the Prime Minister had spoken when she met Shaikh Khalifa in Abu Dhabi on 22 April. One of these has now been successfully settled.

During her April visit the Prime Minister intervened on behalf of Chicago Bridge (or CBI Constructors, a United Kingdom subsidiary of an American company). The contract was for the design and construction of gas storage tanks along with related civil and ancillary works on Das Island. The total contract value exceeds £140m and, although the amount cannot be properly quantified at this stage, the United Kingdom content of the contract is thought likely to be around £80m.

We have remained in close touch throughout with Chicago Bridge and also with BP. BP's share holding in the Abu Dhabi Gas Liquefaction Company, for whom the storage facilities will be built, gave them a key position and the Embassy in Abu Dhabi continued to take the opportunity to press the company's claim. Our continuing interest was emphasised by the Secretary of State for Energy during a visit in June by the Abu Dhabi Oil Minister. These representations seem to have paid off handsomely. They were important since Chicago Bridge's bid, though attractive on commercial and technical grounds, appeared to be upset by political lobbying, from the French. The company have written to the Department to express their appreciation for the interest and support we have been able to give them.

I am sending copies of this letter to Julian West (Department of Energy) and Francis Richards (Foreign and Commonwealth Office).

*Yours sincerely,*  
*[Signature]*

JOHN RHODES  
Private Secretary



31 JUL 1981



Foreign Policy 2



From the Secretary of State

Ami Amish  
Here is the promised memorandum which has been sent to Shaikh Khalifa.

RESTRICTED

M O'D B Alexander Esq  
Private Secretary  
10 Downing Street  
London, SW1

La. Am

18 May 1981

PL 2015

Dear Michael

PRIME MINISTER'S VISIT TO ABU DHABI

... As promised in my letter of 8 May, I enclose a copy of the Memorandum sent by our Embassy in Abu Dhabi to Shaikh Khalifa about the two contracts in which the British companies, Fred Olsen and Chicago Bridge, are interested.

I am sending a copy of this letter to Francis Richards (Foreign and Commonwealth Office).

Yours sincerely,

JOHN RHODES  
Private Secretary

RESTRICTED

26/3

25 April 1981

His Excellency Ali bin Ahmad  
Office of His Highness  
Shaikh Khalifa bin Zaid  
Abu Dhabi

Your Excellency

During the Prime Minister's  
meeting with HH the Crown  
Prince, Shaikh Khalifa asked  
for a note on two projects which  
the Prime Minister mentioned  
as being of special interest  
to the United Kingdom.

These are now enclosed.

D A Roberts  
HM Ambassador

Copy to: His Excellency Mana'  
Said al Otaiba  
Minister of Petroleum  
and Mineral Resources

NB: A copy was also submitted  
in Arabic.

## GAS STORAGE TANKS FOR DAS ISLAND

Bids for the construction of 3 LNG tanks and 4 LPG tanks on Das Island for the Abu Dhabi Gas Liquefaction Company (ADGIC) are currently being evaluated by the Abu Dhabi National Oil Company (ADRCC) and the consultants, Pullman Kellogg. Among the firms included in the final short-list is the United Kingdom subsidiary of Chicago Bridge and Iron Company (in association with the British firm, Costain International).

The building of such tanks is a high technology activity in which Chicago Bridge and Iron Company have considerable expertise and experience.

## UPPER ZAKUM OILFIELD: HOOK-UP OF WELHEAD PLATFORMS

The British firm, Fred Olsen Limited, is included in the short-list prepared by ZADCO and their consultants of bidders for Phase I of this project.

Fred Olsen Limited is well-qualified in this area of activity having been awarded six hook-up contracts in the North Sea oilfields in the last two years.

The offer submitted by Fred Olsen Limited appears to meet the tender specification.



MEMORANDUM FOR THE DIRECTOR

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This is the first of a series of reports prepared by the...  
The purpose of this report is to provide information on the...  
The following information was obtained from the...  
The results of the investigation are as follows:  
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APPENDIX A  
TABLE 1

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The other information submitted by the...  
appears to meet the...  
The following information was obtained from the...  
The results of the investigation are as follows:



(2)

From the Secretary of State

Prime Minister

It is, perhaps, no bad thing that prompt action was taken.

RESTRICTED

M O'D B Alexander Esq  
Private Secretary  
10 Downing Street  
London, SW1

8 May 1981

kg. *rh*

*rh*

Dear Michael,

PRIME MINISTER'S VISIT TO ABU DHABI

Thank you for your letter of 28 April about follow-up action to the Prime Minister's meeting with Shaikh Khalifa on two projects in which British companies are interested. I understand that the Prime Minister has recently asked to see a copy of the memorandum before despatch.

In the event, our Embassy in Abu Dhabi tell us that they have already sent a memorandum to Shaikh Khalifa. Copies of the memorandum are on their way to us. Once received, I will of course send a copy to you for information.

I am sending a copy of this letter to Francis Richards (Foreign and Commonwealth Office).

Yours sincerely,

JOHN RHODES  
Private Secretary

RESTRICTED



58 MAY 1981



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COMMUNICATIONS

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CF White?



10 DOWNING STREET

*From the Private Secretary*

29 April 1981

I enclose a copy of a letter which the Prime Minister has received from the Chairman of British Smelter Resources Developments Limited. I have acknowledged Mr. Brauner's letter. I do not think any further action is required. But you will be aware of the keen interest which the Prime Minister is taking in the follow-up to her visit.

I am sending copies of this letter and its enclosure to Francis Richards (Foreign and Commonwealth Office) and John Rhodes (Department of Trade).

I.K.C. Ellison, Esq.,  
Department of Industry.

M. O'D. B. ALEXANDER

RH

RESTRICTED <sup>SRH</sup>



10 DOWNING STREET

*From the Private Secretary*

28 April 1981

*Dear John,*

Prime Minister's Visit to Abu Dhabi

You will have noted from the record of the Prime Minister's meeting with Shaikh Khalifa in Abu Dhabi that the Prime Minister undertook to let Shaikh Khalifa have a memorandum about two contracts in which British companies were interested. These involved Fred Olsen and Chicago Bridge. I should be grateful if you could ensure that a memorandum is delivered soon - if this has not already been done by the post itself.

I am sending a copy of this letter to Francis Richards (Foreign and Commonwealth Office).

*Yours sincerely*

*Richard Alexander*

John Rhodes, Esq.  
Department of Trade.

RESTRICTED <sup>SRH</sup>

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BF



10 DOWNING STREET

From the Private Secretary

28 April 1981

Prime Minister's Visit to the Middle East

The Prime Minister has mentioned to me that during an informal conversation in Abu Dhabi, Dr. al Otaiba, the Minister of Petroleum, said that the UAE Government had been surprised that HMG had not made more effort to sell warships to the Emirates. I should be grateful if you could let me have any background that there may be available on this.

You will also wish to be aware that the Prime Minister is particularly interested in ensuring that the question of the possible construction by British firms of a naval base in the Yemen Arab Republic is followed up vigorously. The Prime Minister has the impression that the Saudi Government would be willing to pay a substantial part of the cost of a base but not the total amount. Perhaps you could let me know how you see the next steps on this.

I am sending a copy of this letter to Francis Richards (Foreign and Commonwealth Office).

M. O'D. B. ALEXANDER

Brian Norbury, Esq.,  
Ministry of Defence.

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(HOLIDAY PLACE: U.S.A.)  
"MAJLIS II"  
P.O. Box 10208  
Zephyr Cove, Nev. 89448  
Telephone (702) 588-5955

April, 27th. 1981

*JG*

Dear Prime Minister,

Many congratulations on your brilliant and successful tour of the Middle East.

The British Industry and especially The Aerospace, should be grateful for your efforts in persuading The Abu Dhabi State Government in awarding the order for the Hawk Military jets. I can assure you that this order was destined for France, regardless of all the negotiations which had been going on in the past months prior to your arrival.

Wishing you the best of health and success in running the affairs of this Country,

Very sincerely yours

(J.H.G. Manna)



13th April 1981

The delivery of this message caused the following naive but revealing comment to be made "We may seriously offend the French if we do not purchase this equipment, the British do not seem to mind too much about theirs".

I am convinced that if we are to sell Rapier and Hawk to them it is essential to counter the impression inherent in that remark and at this stage your intervention alone could do that.

Yours ever,  
Denis Dalton -

The Rt. Hon. Margaret Thatcher, M.P.  
Prime Minister,  
10 Downing Street,  
London S.W. 1.