

PRIME MINISTER

IRAQ: PROGRESS REPORT

The main developments since we last spoke have been:

Iraqi Peace Offer

President Saddam set out at 16.00 hours our time new conditions for ending the Gulf crisis and for releasing trapped foreign nationals. He said that US and other western forces should leave the region under UN supervision and economic sanctions should stop. He said that the question of Kuwait should be dealt with like other inter - Arab disputes, including the Western Sahara and Syrian occupation of part of the Lebanon. There was no mention of Israel.

The US response has been low key. CEEFAX reports that "US officials said the terms did not appear to meet the conditions for a withdrawal from Saudi Arabia." The UK are not planning a formal response.

UN

Your comments on the draft Resolution were fed to Crispen Tickell. The Political councillors will be meeting this evening to put together a composite draft Resolution which is likely to include some of our points. A draft is then likely to be considered tomorrow morning New York time though it is not yet sure in which forum. The FCO are reasonably hopeful that a Resolution will be agreed but they are not sure on what timescale.

Captive Foreign Nationals

Not a great deal more here. I am told that the Britons who sought refuge in our Baghdad Embassy are still there.

There are reports that Iraq is to let some Europeans leave as "a gesture of goodwill". The Iraqi news agency said some Swiss,

Austrians, Swedish, Finns and Portuguese will be allowed to leave. The reasons for this are variously reported. CEEFAX says that the Iran Speaker had said this was because their countries were not imposing sanctions on the import of food, medicine and other goods to Iraq. Skynews said it was because they had not contributed forces. This account is further contradicted by an earlier account that the Iraqi Ambassador in Switzerland had told the Swiss Government that their nationals would be held because they were supporting a Security Council Resolution.

Clashes and Military Assesment

No reports of clashes. Latest reports that we have on the military situation suggest that Iraqi forces on the Kuwait/Saudi Arabia border are still defensively deployed though with an increased capacity to carry out a short warning limited strike - but an offensive against Saudi Arabia in the near future seems unlikely.

Recall of Parliament

Tam Dalyell phoned today to ask you to recall Parliament. He said the families of the Britons in Iraq and Kuwait would expect it. But he added that his request was not endorsed formally by Gerald Kaufman.

OPEC

The Saudis have called for an immediate OPEC meeting to boost international production, saying it would act unilaterally if no consensus could be found in OPEC or if OPEC did not meet.

I attach a selection of today's telegrams. We are awaiting a

telegram from Sir Crispen Tickell about today's UN activities
which I will send up to you when it arrives.

CS

Caroline Slocock

19 August 1990