



PRIME MINISTER

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VISIT TO THE GULF: 29 SEPTEMBER - 2 OCTOBER

I visited Dubai, Abu Dhabi and Saudi Arabia between 29 September and 2 October while returning from a programme of export related engagements in Australia and the Far East. The visit proved a timely opportunity to hear latest assessments of the situation, to discuss the oil market with key OPEC producers and to meet a number of our own people who are helping to keep the oil flowing and the military supplied. I was also able to speak to our Ambassador in Kuwait and send through him a message of support to British residents in the occupied territory.

There was everywhere the keenest appreciation of the firm stand HMG and you personally have taken since the outset, reinforced by the subsequent deployment of the armed forces and by the contribution British expatriates are making towards the common effort (in contrast to others such as the Japanese and the Dutch who have pulled out). It was clear that initial reactions of dismay in the area had turned by stages into a settled resolve. Neither Shaikh Zayed of Abu Dhabi nor those of King Fahd's immediate family with whom I spoke expected Saddam Hussein to withdraw from Kuwait without force being used. But all accepted that time should be allowed and were focussed also on how Iraq would emerge from the conflict and the extent of its future ability to pose threats. There was some suggestion that Iraq had prepared the ground well in advance with the few allies it had succeeded in securing and that Saddam's ultimate target was Israel. It was said that Yemen and the Sudan were now distancing themselves from Iraq. Particular animus was reserved among the rulers for King Hussein who was thought to have played an ill judged hand in an admittedly difficult situation and who has stung the Saudis by his remarks about foreign troops. The crisis so far has generated a fund of goodwill towards Britain and, in the Gulf States, has revived memories of our past links: hence Sheikh Zayed's overtures in the direction of a defence pact.



The oil ministers and executives to whom I spoke all shared the analysis that supply and demand were now broadly in balance and that prices reflected possible future, not present, problems. I expressed appreciation for the considerable contributions that have been made by Saudi Arabia (some 2 million barrels a day expected to rise to 2.5 by the end of the year and 3 next year) and Abu Dhabi (some 0.5 million barrels a day) towards balancing the market. Dr Oteiba in Abu Dhabi was enlightening about the pre-August negotiations in OPEC. In Saudi Arabia there was some suspicion, which our information does not support and which I attempted to dispel, that the companies were further building stocks and so contributing to higher prices. The Saudi Oil Minister, Hisham Nazer, put to me a request, which he has also been pursuing with the US, for limited access to stocks to help cover any short term disruption of overstretched Saudi production. I explained that the UK holds no Government stocks but we have asked BP and Shell if they can provide any help of this kind. If they can I will bring forward proposals in OD(G).

Now that the defensive shield is in place, a greater sense of normality is returning to the area. The Energy Industries Council Trade Mission to Dhahran, which had been part of my original programme, was the first visit of its kind since the invasion and the participants reported brisk business geared to the production, refining and other requirements of the new situation. I spoke to employees at the important and exposed Petromin/Shell refinery at Al Jubail which is producing jet fuel for the air force. Morale there is high and evacuation plans were well laid if need be. I welcomed also opportunities which

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arose to meet Air Vice Marshal Wilson and some of his officers and men who have established good working relations with the Saudis and US forces. Both Saudi Arabia and the UAE have put considerable resources into rehousing Kuwaiti refugees and providing schooling and medical care. I expressed our appreciation for all their efforts on this and other fronts.

I am copying this minute to the Secretary of State for Foreign and Commonwealth Affairs, the Secretary of State for Defence and to Sir Robin Butler.

A handwritten signature in blue ink, consisting of a stylized, cursive script.

Secretary of State for Energy

10 October 1990

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