

PS

PS No. 10 DOWNING ST.

PS/MR HURD  
PS/MR RIFKIND  
PS/FUS  
MR EVANS  
MR WRIGHT  
MR ADAMS  
MR THOMAS  
MR EGERTON

\* MR PRIDDLE  
\*\* MR MORPHET  
MR WIGGINS  
DR J WRIGHT  
MR FREEMANTLE  
MISS PENNY BOYS  
MS CAMERON  
PS/ S of S for ENERGY

DEPT OF  
ENERGY  
THAMES HSE  
SOUTH

HD/EdSSD  
HD/WAD  
HD/ERD  
HD/ESID  
HD/MED  
HD/SEAD  
HD/NENAD



MR JF SLATER  
MR R LAVELLES  
MR N WICKS

HM TREASURY

MR R MARTIN RM 115  
MISS LACKEY WEG  
MR D FORD OT5

DOT  
1 Victoria St.

RESIDENT CLERK

MR GRAHAM HARRISON ) ODA

\* until 14 Mar 83  
\*\* from 14 Mar 83

GR380  
CONFIDENTIAL  
DESKBY 091530Z  
FM JEDDAH 091405Z MAR 83  
TO IMMEDIATE FCO  
TELNO 131 OF 9TH MARCH

IMMEDIATE

ADVANCE COPY

INFO IMMEDIATE WASHINGTON, PRIORITY BAGHDAD, KUWAIT, ABU DHABI,  
DUBAI, CARACAS, DOHA, TEHRAN, MEXICO CITY, JAKARTA, TEHRAN(1  
LAGOS, TRIPOLI, ALGIERS.

OIL PRICES

1. I HAVE JUST HAD FROM THE HEAD OF ROYAL PROTOCOL BY TELEPHONE  
A MESSAGE FROM KING FAHD TO MRS THATCHER. THERE IS NO/NO TEXT  
AND OF COURSE THE HEAD OF PROTOCOL IS NOT AN OIL EXPERT: HE WAS  
SIMPLY PARAPHRASING AN INSTRUCTION FROM THE KING WHICH I DO NOT  
SUPPOSE WAS VERY PRECISE IN THE FIRST PLACE.



2. AHMED ABDUL WAHHAB SAID THE KING WAS MOST ANXIOUS TO STRESS TO THE PRIME MINISTER THAT THE BREAK-UP OF OPEC WOULD DO GRAVE DAMAGE TO THE WHOLE WORLD. IT WOULD RESULT IN A PRICE WAR WHICH WOULD BE TO EVERYONE'S DETRIMENT, INCLUDING BRITAIN'S.

3. I ASKED WHAT SPECIFICALLY HMG WERE BEING ASKED TO DO. AHMED SAID THAT OPEC MINISTERS MEETING IN LONDON WERE TRYING TO REACH AN AGREEMENT ON PRICES. THE KING UNDERSTOOD THAT AT THIS MOMENT BRITISH MINISTERS WERE ALSO CONSIDERING NORTH SEA OIL PRICES. ANY LOWERING OF THOSE PRICES WOULD PREVENT OR UNDERMINE AN OPEC AGREEMENT. I EXPLAINED AS BEST I COULD, COLD ON THE TELEPHONE IN ARABIC TO A COMPLETE LAYMAN, THAT, AS YAMANI FOR EXAMPLE FULLY UNDERSTOOD. HMG DID NOT CONTROL OIL PRICES AS SAUDI ARABIA DID HERS. AHMAD SAID HE UNDERSTOOD THAT SEMI COLON BUT THE KING WAS URGING THAT THE PRIME MINISTER IN ANY ADVICE, GUIDANCE OR ENCOURAGEMENT WHICH SHE ISSUED TO THE BRITISH ENERGY INSTITUTIONS SHOULD BEAR IN MIND HIS EARNEST VIEW THAT A BREAK-UP OF OPEC AND A OIL PRICE WAR MUST BE AVOIDED IN EVERYONE'S INTEREST.

4. THE IMPLICATION OF THIS MESSAGE IS THAT THE KING, PRESUMABLY THROUGH YAMANI, HAS NEWS OF SOME DEVELOPMENTS IN LONDON OF WHICH I HAVE NOT HEARD. THIS IS THE FIRST TIME IN THE PRESENT CRISIS THAT THE SAUDIS HAVE APPROACHED US DIRECT ABOUT OIL (THOUGH WE KNOW THAT YAMANI HAS HAD SUCH AN APPROACH IN MIND FOR SOME TIME AND THERE WAS A SLIGHT HINT FROM AHMED THAT YAMANI MIGHT ALREADY HAVE HAD A MEETING WITH MR LAWSON). A SECOND CAUSE OF FRICTION WITH FAHD, COMING ON TOP OF THE EXISTING PROBLEM OF THE PLO, COULD BE VERY DAMAGING TO OUR INTERESTS HERE. I CAN ONLY RECOMMEND THAT IF WE CANNOT SATISFY HIM ON THE SUBSTANCE OF HIS REQUEST, THE MANNER OF OUR RESPONSE SHOULD

-----  
DEMONSTRATE THAT HIS MESSAGE HAS BEEN CONSIDERED WITH THE UTMOST SERIOUSNESS AND SYMPATHY: I.E. A PERSONAL MESSAGE FROM THE PRIME MINISTER WITH A CLEAR AND NON-TECHNICAL EXPLANATION OF OUR VIEWS AND THE LIMITATIONS ON OUR POWER.

CRAIG

NNNN