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NOTE OF THE SECRETARY OF STATE'S MEETING WITH DR MANA SAID AL-OTAIBA
MINISTER FOR ENERGY, UNITED ARAB EMIRATES, ON 18 APRIL 1983Present: Secretary of State
Mr Guinness
Mr WestDr Otaiba
Private Secretary

Dr Otaiba said that his Monitoring Committee had been encouraged by the market's response to OPEC's agreement, and had seen no signs of its being eroded. The Committee felt that the UK's moderate price cut, and Nigeria's response, had been important contributors to the market's confidence. It had recommended that OPEC's long-term strategy committee should also meet to further dialogue with the oil consuming countries. It intended that contacts with non-OPEC producers should be extended beyond the UK, Mexico and Norway: the Algerians had been asked to speak to the Russians, who had behaved particularly badly by dumping up to 1½ mbpd on the spot market; and Egypt, Oman and Brunei were also on the list.

Monitoring was proving effective. He had been able to keep Iran in line when the Majlis had rejected the London agreement - Iran was producing less than 2.4 mbpd and selling at \$28.

The Nigerians had asked to attend the Committee meeting in London and were quite relaxed - they were producing 800,000 b/d and expected soon to reach 1 million. The main problem was with Libya because of their differential with Nigeria. He was trying to arrange a meeting, though not in Tripoli. The Libyans were still processing oil in the Bahamas and doing barter deals with the Russians who then sold the oil in Rotterdam.

The next meeting of the Committee would be in Paris in June. He had seen Secretary Hodel in Washington the previous week and had asked him to co-operate with OPEC. Hodel had claimed to be preoccupied with gas deregulation and had asked what was the UK's position. The Secretary of State said that the market had definitely become firmer, which was gratifying. However, he had seen press reports suggesting that the UK had agreed with OPEC to control production. As Dr Otaiba knew, this was misleading and North Sea production would be the same in 1983 as in 1982 without Government intervention. Dr Otaiba said that he had said publicly in the US that the UK, Mexico and Norway had all told OPEC their production would not increase in 1983. He had gone on to say that it was not

OPEC's concern whether this resulted from technical or political factors - OPEC was concerned only that non-members should not capitalise on their production cuts. He always sought to avoid talking in too much detail about specific non-members and had told the press conference following his Committee meeting that non-OPEC producers were all supporting OPEC in their own way. The Secretary of State said that the last formulation was the literal truth and that it was important for the UK's position to be clearly understood.

He noted that the next few months would be critical for the oil price. Dr Otaiba agreed and asked whether North Sea prices were likely to be cut again. Of course, no one cut their prices unless forced to do so by the market. The Secretary of State agreed in turn and added that BNOG had the additional restraint of being obliged to offer its suppliers the best price the market would bear. It had now proposed that its March prices should run for the second quarter and, although its customers were being cautious, the signs were that this price would hold. At any rate, there was a good chance of its doing so provided OPEC stuck to its agreement.

Dr Otaiba said that Sheikh Zaid sent the Prime Minister his greetings, had appreciated her informal message and welcomed co-operation between the UK and the UAE. Since this was not a formal message, Dr Otaiba had not asked to see the Prime Minister but was at her disposal until Friday if she wished to see him.

The Secretary of State said that he was glad to see Dr Otaiba again and hoped that their informal contacts would continue. Dr Otaiba said that the Secretary of State was welcome in the UAE at any time but before 24 May would be most convenient.

J. D. →
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 19 April 1983

cc PS/Minister of State
 PS/PUS
 Mr Guinness
 Mr Wiggins
 Mr Morphet
 Mr Fremantle
 Ms Boys
 Mr Higson

PS/Prime Minister

PS/Foreign Secretary