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NOTE OF THE SECRETARY OF STATE'S MEETING WITH DR MANA SAID AL OTAIBA, UAE MINISTER OF PETROLEUM AND MINERAL RESOURCES, ON 22 JUNE 1983

Also present: Mr Guinness
Mr West

After the initial courtesies, the Secretary of State said that he was anxious that Dr Otaiba and he should get to know each other and he invited Dr Otaiba to call on him or telephone whenever he wished. Dr Otaiba said that he hoped the Secretary of State would visit the Gulf and the UAE in particular.

The Secretary of State asked about the oil price. Dr Otaiba replied that the MMC meeting in Paris had seen the situation improving gradually - OPEC's share of the market was now 17 mbpd - and, so long as the London quotas were respected and spot sales or discounting avoided, the improvement would continue, perhaps to 19 mbpd by the fourth quarter. However, the market remained weak and OPEC members should not be too impatient about capitalising on rising demand. The MMC had again asked him to call on the UK, the Egyptians and the Omanis, and the Algerian minister on the Russians and the Chinese who were now exporting about 400,000 b/d. Mr Guinness asked about the Nigerians and Dr Otaiba replied that their production was now exceeding their quota on a daily basis, but not as an average for the quarter as a whole. He had nevertheless telexed Dikko before the MMC meeting, asking him to be careful.

The Secretary of State expressed his hope that the price would be successfully stabilised. He found it amusing that the sharp increases in the OPEC price of 1973 and 1979 had been described as a major disaster for the western world and now that there was a prospect of a sharp fall in the price, that too was seen as a disaster. Dr Otaiba said that people in the US were worried about a price collapse and he had told them that they should therefore co-operate with OPEC. He found it amusing that those OPEC members who had been most outspoken in their criticisms of the Gulf producers for not raising the price faster in the past had also been the main contributors to the downward pressure on prices when the market had weakened.

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The Secretary of State asked whether Nigeria was not the weakest link in OPEC's chain. Dr Otaiba replied that they had come under the severest market pressure but Libya and Iran had been the worst behaved members. In his view, though, the Nigerians made too much of the link between their oil and the North Sea's. Mr Guinness pointed out that North Sea spot prices were now up to and in some cases above term prices and Dr Otaiba asked if therefore the UK would be raising its prices. The Secretary of State replied that his objective was price stability.

He said that he hoped to keep in close touch with the Gulf States' thinking and to continue the good relations his predecessor had developed with the oil ministers in the region. Dr Otaiba asked for the Secretary of State's views on a dialogue between producers and consumers. The Secretary of State replied that he was nervous about such a dialogue because of the difficulty in meeting the expectations it would create. All necessary conversations could take place privately without a formal dialogue - after all, no doors were closed to Dr Otaiba and he had no need of a great public stage. Mr Guinness added that he doubted whether the fruitful discussions between OPEC ministers and the previous Secretary of State during OPEC's London meeting could have occurred in the context of a formal dialogue. Dr Otaiba agreed that it was necessary to proceed with caution.

Zaid

He said that Shaikh Sayed sent his congratulations to the Prime Minister on her election victory and looked forward to a continuation of his special relationship with her Government, in all fields not just that of energy. He also said that he wished simply to mention to the Secretary of State, as a friend, Shaikh Sayed's desire to see Mahdi Tajir reappointed as ambassador in London.

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 J D WEST
 PS/Secretary of State
 Room 1237
 Ext 6402
 23 June 1983

cc PS/Minister of State
 PS/PUS
 Mr Guinness
 Mr Wiggins
 Mr Fremantle
 Ms Boys
 Mr Higson
 PS/Prime Minister
 PS/Foreign Secretary
 Mr Adams, FCO
 H.M. Ambassador, Abu Dhabi

24 JUN 1983

