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*Bonnie Amis*

*Saudi  
Arabia*

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6.12.79

PRIME MINISTER

VISIT TO IRAQ AND SAUDI ARABIA

I had a most useful visit to Iraq and Saudi Arabia on 23-28 November. It proved more worthwhile than I had anticipated and provided an opportunity for useful talks on the oil situation, defence sales, the Palestinian question, and trade. Given that world trade will be difficult in the next year or two - we must capitalise on our (surprisingly) good reputation in these markets which are, of course, growing very fast indeed.

The political and trade environment is very different in the two countries. Iraq is dominated by a form of National Socialism which must bear some resemblance to Hitler's Germany. I was made aware of the general anti-British feeling which led to the trade boycott of the UK last year. We were, however, received with courtesy (though not enthusiasm) and there appeared to be a willingness to improve our business relations, largely because of UK Ministerial involvement (Peter Carrington and Cecil Parkinson had visited Iraq before me). I took the opportunity to hand over a letter from Peter Carrington addressed to the President, containing an appeal on humanitarian grounds for the re-consideration of the case of Mr Sparkes, the jailed British businessman.

Saudi Arabia presents a strong contrast because of the genuine warmth towards Britain. I was struck with the improvement in their view of Britain and our trade effort since I visited the country 5/6 years ago. I was honoured with an audience of the King and saw all the leading Ministers. The Crown Prince

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was in Mecca as a result of the incident at the Great Mosque, but your message to him was handed over to my host, the Minister of Commerce. British companies are heavily involved and our exports have increased three-fold in the last four years to stand at some £800m. I found the individual businessmen I met of very high quality and in good heart. The team of six businessmen from COMET shared this enthusiasm about the market. Even so, our share of imports - 8% - is only in line with our world average which is disappointing. There are 20,000 British citizens working in Saudi Arabia, who - as our recent Ambassador remarked in his farewell despatch - work harder than any other citizens when released from the shackles of their Trade Unions and the Inland Revenue.

In both Iraq and Saudi Arabia there is great scope for major additional business, although both markets are highly competitive and difficult. Nevertheless both countries want to do more business with us - and the Iraqi Trade Minister circulated all Government Departments asking them to put more business our way on the last day of my visit.

In both countries oil came into our discussions. In Iraq it was very clear that the role of the Majors is being rapidly eliminated. (Shell's allocation will be sharply reduced next year.) Impatience with the profits of the oil Majors seems to be the main cause. In Saudi Arabia King Khaled and Prince Abdullah commented adversely on the Majors - and I gained the impression that Miller's (US Secretary of the Treasury) visit the previous day had gone badly. I feel there is a strong case for instigating State to State agreements through BNOC and I suggest that David Howell should make every effort to visit Iraq in his forthcoming Middle East visit. In



Saudi Arabia the Minister of Planning indicated that with the major changes in Aramco's role, Petromin will be looking for more direct dealings with Government agencies or final consumer bodies. The role of BNOOC will be crucial in the next few years - as the influence and role of BP and Shell decline in the Middle East.

The visit has opened doors for our businessmen but I feel that our interests could have been further promoted if I had planned my programme to advance UK economic interests in the widest sense. In the Middle East the major scope for expansion of trade at present lies in defence sales. Although I was given a "defensive" brief, I wonder whether in future, visits by Cecil Parkinson and myself might be used more generally to promote broader UK interests since it is likely that we may make more overseas calls than most Ministers. As it happened my Iraqi host appeared to be very interested in more arms sales from the UK and I hope that Francis Pym will now send in a strong mission to explore the possibilities. Similarly it is impossible to promote the cause of British trade in the Middle East unless one is prepared to discuss foreign policy questions in considerable depth - and with some personal engagement in the Palestinian question. On oil my French opposite number, Deniau, visited Iraq shortly before me to discuss trade and came away with an agreement for extra oil supplies for France. I will be discussing this matter with Francis Pym, David Howell and the other Ministers with a similar interest.

You will also wish to be aware that I took with me a fitter from the shop-floor of Marconi Radar with the objective of exposing him to the problems which our businessmen find in promoting export sales. He was included in one Ministerial



call in Iraq and had a separate programme in Saudi Arabia. I think that this has been a useful experiment and I hope that he will carry home the crucial importance of British firms being competitive on price, quality and delivery - although I am unhappy that we failed to get this experiment much publicity.

I am sending copies of this letter of Peter Carrington, Francis Pym, Jim Prior, Patrick Jenkin, David Howell and Sir Robert Armstrong.

A handwritten signature in blue ink, appearing to be 'Pym'.

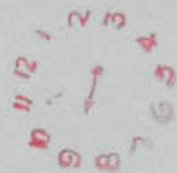
A handwritten signature in blue ink, appearing to be 'JN'.

Department of Trade  
1 Victoria Street  
London, SW1

JN

4 December 1979

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Saudi  
Arabia



10 DOWNING STREET

P.M. RE PAGE 2.

WHAT JOHN NOTT SAYS ABOUT  
THE OIL MAJORS AND BNOG  
IS VERY GERMANE TO FUTURE  
DECISIONS ON BNOG.

MORTON (OF BNOG) SAYS THAT  
THERE IS A WORLD SURPLUS  
OF MULTI-NATIONALS WHO THE  
OPEC COUNTRIES DISLIKE.

THEY PREFER TO DEAL WITH  
OTHER GOVERNMENTS, AND  
REGARD BNOG AS GOVERNMENT!  
PRIVATIZATION MIGHT LOSE US A  
FAVOURABLE POSITION IN THE FUTURE,  
AS THE "MAJORS" GET SQUEEZED  
OUT.

Daniel.

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19th December 1979

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Dear John

*Paul*

I was glad to receive a copy of your report to the Prime Minister dated 4th December on your visit to Iraq and Saudi Arabia and grateful for your suggestions for the promotion of defence sales.

You will be pleased to know that a mission led by Defence Sales and including British Shipbuilders and International Military Services Ltd will shortly be going to Iraq to discuss their requirements for warships and a naval base and they will take every opportunity to press the case for sales of other British made defence equipment.

I very much welcome the use of visits by you and other Ministers to promote defence sales in general. There may also be occasions on which it would be appropriate to ask you to make a more detailed effort on our behalf in particular cases. There are some countries however, particularly in the Arab world for example, where local politics, security, military training requirements etc can cause difficulties which cannot be anticipated in written briefs or dealt with by our local embassy staff. In such cases I should be happy to make a member of my Defence Sales team available in the area to advise you.

I am copying this letter to the Prime Minister and to other recipients of yours.

*John Nott*

*Francis Pym*

Francis Pym

The Rt Hon John Nott MP

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19 DEC 1979

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