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Prime Minister

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FM JEDDA 262208Z AUG 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 617 OF 26 AUGUST

AND TO IMMEDIATE WASHINGTON, NEW YORK

AND INFO PRIORITY TEL AVIV CAIRO BAGHDAD TEHRAN BONN PARIS

LUXEMBOURG DAMASCUS BEIRUT

INFO ROUTINE MODUK (PS TO SOS)

MA 27/8

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FOLLOWING FROM PRIVATE SECRETARY

1. THE FIRST DAY OF LORD CARRINGTON'S VISIT WENT WELL. IN ADDITION TO AN EARLY AUDIENCE WITH THE KING, THE SECRETARY OF STATE HAS SEEN PRINCE SAUD, SHAIKH YAMANI, AND WILL SEE PRINCE SULTAN, PRINCE NAIF AND PROBABLY CROWN PRINCE FAHD TOMORROW. BOTH IN THE TALKS THEMSELVES, AND BY ARRANGING ACCESS TO ALL OF THE TOP MINISTERS AVAILABLE, THE SAUDIS HAVE GONE OUT OF THEIR WAY TO MAKE IT CLEAR THAT THEY REGARD THE FILM EPISODE AS CLOSED, AND ARE READY TO RESUME NORMAL POLITICAL AND ECONOMIC RELATIONS. IT SEEMS LIKELY THEY WILL AGREE TO INCLUDE A REFERENCE TO THE LIFTING OF ALL OBSTACLES TO TRADE IN A STATEMENT WHICH WILL BE MADE PUBLIC TOMORROW.

2. THE FIRST TWO SESSIONS OF TALKS WITH PRINCE SAUD CONCENTRATED ON EAST/WEST RELATIONS, THE MIDDLE EAST, IRAN AND AFRICA. SAUD AGREED BROADLY WITH LORD CARRINGTON'S ANALYSIS OF EAST/WEST RELATIONS, BUT WAS CRITICAL OF THE ILLUSIONS OF SOME PEOPLE IN THE WEST (INCLUDING THE USA) ABOUT THE POSSIBILITY OF PURSUING DETENTE POST-AFGHANISTAN: AND OF A TENDENCY HE DETECTED TOWARDS AN EVENTUAL ACCEPTANCE OF THE SOVIET OCCUPATION. THE SOVIET MOTIVE HAD BEEN AGGRESSIVE, AIMED AT EXTENDING THEIR INFLUENCE TO PAKISTAN AND IRAN, AND NOT PROTECTIVE, SINCE THEIR CONTROL OF AFGHANISTAN WAS ALREADY ANALOGOUS TO THAT WHICH THEY EXERCISED IN EASTERN EUROPE. THE WESTERN ATTITUDE SHOULD NOT BE "SO FAR AND NO FURTHER", BUT SHOULD BE AIMED AT FORCING THE RUSSIANS TO STEP BACK.

3. IN A LONG AND TOUGH EXPOSITION OF THE SAUDI VIEW OF THE MIDDLE EAST, SAUD WAS VERY HARD-LINE ON ISRAELI MOTIVATION (THEY WERE TRYING TO "POLARISE" THE PROBLEM). BUT HE DID NOT SAY (AS HE HAD SAID TO THORN-JEDDA TELEGRAM NO 609) THAT THERE COULD BE NO TALK OF NEGOTIATING WITH THE ISRAELIS UNTIL THEY HAD WITHDRAWN FROM ALL THE OCCUPIED TERRITORIES. HE SAID, HOWEVER, THAT THE ISRAELIS WOULD HAVE NO COMPUNCTION ABOUT PROVOKING A CATASTROPHE BETWEEN THE WEST AND THE ARABS. ARAB PATIENCE WAS RUNNING OUT AND IT WAS NO LONGER ACCEPTABLE LOGIC TO TALK ABOUT WAITING UNTIL

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AFTER THE ALL TOO REGULAR AMERICAN ELECTIONS. NOR WAS THERE ANY ESSENTIAL DIFFERENCE BETWEEN BEGIN AND PERES. HE SAID THAT THORN HAD BEEN PESSIMISTIC ABOUT ANY NEW EUROPEAN ACTION UNTIL AFTER THE AMERICAN ELECTIONS, AND BEFORE THE DECEMBER EUROPEAN COUNCIL. BUT IN PRINCE SAUD'S VIEW EUROPE COULD NOT STAND STILL AND MUST DO HER UTMOST TO INFLUENCE THE AMERICANS. CARTER MIGHT TACITLY WELCOME EUROPEAN PRESSURE, AS A MEANS OF STRENGTHENING HIS HAND WITH THE ISRAELIS.

4. THE SAUDIS, HOWEVER, SAW NO ADVANTAGE IN SPLITTING THE EUROPEANS FROM THE AMERICANS ON THE MIDDLE EAST OR IN EAST/WEST RELATIONS: THEY REALISED THAT THE AMERICANS WERE THE ONLY COUNTRY WHICH COULD STAND UP TO THE SOVIET UNION, OR BRING EFFECTIVE PRESSURE TO BEAR ON ISRAELI. BUT, THE EUROPEANS SHOULD PREVENT THE ISRAELIS FROM USING THE PERIOD BEFORE THE ELECTIONS TO PRESENT THE ARABS WITH FURTHER FAITS ACCOMPLIS, EG OVER THE ANNEXATION OF GOLAN, TO WHICH HE IMPLIED MR BEGIN WAS COMMITTED. (NB A CHECK WITH THE FCO SUGGESTS THAT THE SAUDIS ARE SOMEWHAT ALARMIST ON THIS, AND THAT BEGIN HAS NOT COMMITTED HIMSELF, THOUGH THERE IS A BACK-BENCH MOVEMENT IN THIS DIRECTION.) EUROPE SHOULD USE ECONOMIC THREATS AGAINST ISRAEL: TALKING TO THE U.S. WAS NOT ENOUGH.

5. THE SECRETARY OF STATE EXPLAINED OUR ATTITUDE ALONG THE LINES OF THE VENICE DECLARATION, AND OUR VOTE ON JERUSALEM, WHICH HE BELIEVED HAD ENCOURAGED THE AMERICANS TO ABSTAIN RATHER THAN VETO THE RESOLUTION. HE POINTED OUT THAT THORN HAD TALKED TO THE PLO, BUT STRESSED THE NEED FOR THE PLO TO IMPROVE ITS IMAGE IN THE WEST IF THIS DIALOGUE WERE TO DEVELOP. CRITICS IN THE UK WERE UNDERSTANDABLY CRITICAL OF THE MORE EXTREME PLO STATEMENTS AND ACTIONS, EG ON THE ANNIHILATION OF ISRAEL. SAUD WAS RELUCTANT TO ACCEPT THAT ARAFAT COULD REASONABLY BE EXPECTED TO "CHANGE HIS GUTRA FOR A BOWLER HAT" UNTIL HE COULD SEE WHERE MORE MODERATE TACTICS WOULD LEAD. GIVEN THE STRENGTH OF THE US PRO-ISRAEL LOBBY, IT WAS DIFFICULT TO SEE WHAT THE PLO COULD EXPECT IN RETURN. ON THE CONTRARY, AT THE MOMENT THERE WERE PRESSURES IN THE PLO FOR A RETURN TO ALL-OUT ARMED STRIGGLE. HE REPEATED THE NEED FOR THE EUROPEANS TO GIVE A LEAD TO THE AMERICANS. THE SECRETARY OF STATE POINTED OUT THAT WE COULD NOT GIVE AN EFFECTIVE LEAD IF WE GET TOO FAR AHEAD: BUT SUGGESTED THAT PRESIDENT CARTER MIGHT TAKE A DIFFERENT LINE WITH BEGIN IF HE WERE RE-ELECTED.

6. IN AN INFORMAL DISCUSSION ON IRAN THE SAUDIS SHOWED THEMSELVES VERY AWARE OF THE STRENGTH OF THE FUNDAMENTALIST REACTION TO THE SECULAR MATERLIALISM OF BOTH THE EAST AND THE WEST. IN THEIR

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VIEW, KHOMEINI WAS ADMIRER LESS AS A RELIGIOUS LEADER THAN AS SOMEONE WHO HAD STOOD UP TO THE AMERICANS. ON AFRICA, LORD CARRINGTON EXPLAINED THAT MUGABE WAS MORE A PRAGMATIST THAN A COMMUNIST, AND SAUD AND THE MINISTER OF FINANCE AGREED TO TAKE A NEW LOOK AT SAUDI DEVELOPMENT AID FOR ZIMBABWE (THOUGH THE SAUDIS HAD A PREFERENCE FOR PROJECTS OVER PROGRAMME AID). THE ZIMBABWEAN MINISTER OF ECONOMIC PLANNING WAS VISITING SAUDI ARABIA SOON. THE SAUDIS APPEARED LESS INTERESTED IN NAMIBIA. IN GENERAL THEY TENDED TO OVER-STRESS THE SOVIET ROLE IN AFRICA, AND SHAIKH YAMANI SUGGESTED THAT THE RUSSIANS WERE ENGAGED IN A NEW PLOT TO OVERTHROW THE GOVERNMENT OF ZAIRE.

7. THE CALL ON THE KING WENT PARTICULARLY WELL. KHALID DESCRIBED THE EPISODE OF THE FILM AS "A FAMILY SQUABBLE", WHICH THE SAUDIS NOW SAW AS BELONGING TO THE PAST. THEY REALISED THAT THE PROBLEM HAD BEEN CREATED BY THE BRITISH MEDIA, AND NOT BY HMG. TIES BETWEEN THE UK AND SAUDI ARABIA WENT BACK A LONG WAY (THIS LED TO SOME REMINISCING ABOUT EARLY BRITISH INVOLVEMENT IN THE KINGDOM). WE SHOULD NOW CONCENTRATE ON DISCUSSING THE MIDDLE EAST, WHICH WAS GOING THROUGH A VERY CRITICAL PERIOD, AND SOVIET ACTIONS BOTH THERE AND IN AFRICA. THE GERMANS, FRENCH AND OURSELVES COULD HAVE IMPORTANT INFLUENCE ON THE MIDDLE EAST IF WE JOINED FORCES. LORD CARRINGTON WELCOMED THE KING'S REMARKS, AND ASSURED HIM THAT THE NINE WERE DETERMINED TO PLAY A POSITIVE ROLE IN MIDDLE EASTERN AFFAIRS.

8. ON ENERGY, SHAIKH YAMANI WAS NOTABLY BULLISH ABOUT THE CHANCES OF RESTRAINING THE RISE IN OIL PRICES, AT LEAST UNTIL MID 1981. THE SAUDIS WERE WORKING FOR THE EQUALISATION OF PRICES AT THE OPEC MEETING IN MID-SEPTEMBER, AND HE HOPED THAT AGREEMENT MIGHT BE REACHED ON A FIGURE SOMEWHERE BETWEEN DOLLARS 28 AND DOLLARS 32 PER BARREL. LIBYA AND IRAN WERE ALREADY LEARNING THE LESSON OF OVER-PRICING. HE EXPECTED CUTS IN PRODUCTION IN MAJOR PRODUCING COUNTRIES, INCLUDING SAUDI ARABIA AND IRAQ, BUT THESE WOULD BE DUE TO NORMAL MARKET FORCES IN A PERIOD OF REDUCED DEMAND, AND WOULD NOT LEAD TO HIGHER PRICES. YAMANI WAS IMPRESSED BY AMERICAN AND FRENCH EFFORTS TO REDUCE OIL CONSUMPTION.

9. THE SECRETARY OF STATE EXPECTS TO COVER AFGHANISTAN, CONSULAR CASES, DEFENCE SALES AND FURTHER MINISTERIAL EXCHANGES WITH THE SAUDIS IN FURTHER DISCUSSIONS TOMORROW WITH PRINCE SAUD, PRINCE SULTAN AND PRINCE NAIF. THE TEXTS OF TWO SEPARATE BUT AGREED STATEMENTS ON THE SECRETARY OF STATE'S VISIT HAVE BEEN PREPARED BY OFFICIALS AND WILL BE TELEGRAPHED SEPARATELY AFTER APPROVAL BY MINISTER.

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