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Prime Minister.

For information

H. P. Paul

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PRIME MINISTER

Anglo/Saudi Relations and the Middle East

1. I have told you on the telephone about my visit to Saudi Arabia. As I said, I think we have successfully turned the page on the film 'Death of a Princess'. We secured a public statement from the Saudis that obstacles to our trade had been lifted, and an assurance that visits by Ministers in both directions, notably that of Mr Pym which was cancelled by the Saudis earlier this year, could go ahead. With that behind us, our talks concentrated on the Middle East and the Arab/Israel question in particular.
2. The Saudis, I believe, are in a mood, perhaps as never before, to contemplate a real settlement on the sort of lines that most of us have long thought to be the only possible ones. There are basically two reasons for this. The first is that they feel themselves increasingly torn between their friendship for the Americans and the West, and their Arab brothers, and alarmed by the prospect of a long and wasteful struggle. Secondly, they are concerned at the threat of Russian expansionism - in Angola, in Ethiopia, in the PDRY, and now most obviously in Afghanistan. They believe that we are on their side in resistance to this, but feel themselves inhibited from giving wholehearted co-operation to the West, particularly the US, because their public opinion sees the West as the main prop to Israeli plans to expand and consolidate beyond the 1967 borders. They draw a distinction between the European Community and the US in this, and, despite their somewhat lukewarm initial reaction, they have been greatly encouraged by the Venice Declaration. While recognising the limitations on Europe's ability to influence the situation in the Middle East, they believe that it can, by example and persuasion, influence the Americans in a way which could lead to a final settlement. If anything, they are a little too optimistic, and I took care to warn them against excessive expectations. I also rubbed in very hard, both to Saud and Fahd, the need for the PLO to shed its image as a terrorist organisation and to show its capacity for responsible statesmanship, if Europe was to be able to pursue a dialogue with it.

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3. On the substance of the question, the Saudis are infinitely more sensible and moderate than in their public statements, notably the statement by the Crown Prince two weeks ago. They are clear that Israel exists and must be recognised. They accept fully that Israel has genuine concerns on the grounds of security, which must be met. They ask in return for the implementation of Security Council Resolution 242 through the withdrawal by Israel to the 1967 borders, and acceptance by her of the Arabs' right to order their own affairs in the territories ceded to them, subject only to satisfactory assurances on security.

4. They accept that no real progress can be made until after the American Election, and they doubt if progress is in any case possible with Mr Begin as Prime Minister of Israel, although they are under no illusions that a Labour Government, however different its style, will be able to take a view that differs much in substance. They fear that Israel will use the period of the American Election to face the world with new gains - there is talk in Israel of formal annexation of the Golan Heights - and they see a role for the European Community, both in preventing this and in maintaining activity until a serious approach can once again be made. They find it difficult to understand how the Israelis' claim to be the West's most reliable ally in the Middle East can gain credence: they still see themselves as the West's most dependable (and economically most powerful) friend in the area.

5. There is clearly much common ground between our own and the Saudi approach, although I do not under-estimate the difficulties of the issues which it skates over - Jerusalem, the definition of 1967 borders, the provision of satisfactory guarantees, and so on. Nonetheless, with Egypt set firmly on the path to peace, and Jordan, as you know from your talks with the King, ready for a settlement but feeling itself unable to give a lead, the attitude of the Saudi Government, the main paymaster of the Palestinians, could well be the key to unlock the door.

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6. I am not of course suggesting that we should turn away from Israel. We are responsible in history for her creation, and could not contemplate any betrayal. Indeed, we must do our best to keep on some sort of terms even with Begin: the Nine cannot promote mediation if they cannot talk to one of the major parties. But nor can we ignore Israeli intransigence, and simply accept that there is nothing which we can do in the Middle East, given Israeli policies, to prevent Soviet expansionism or the drift towards war.

7. I shall be discussing these matters with the European Foreign Ministers on 16 September in the light of Gaston Thorn's report, in the hope that we can see some way in which to make full use of such openings as exist.

8. I am sending a copy of this minute to members of OD and Sir Robert Armstrong.

Carrington

(CARRINGTON)

Foreign and Commonwealth Office
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