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FM ABU DHABI

TO IMMEDIATE FCO

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OF 021015Z AUGUST 88

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FOR PRIME MINISTER'S PARTY

PRIME MINISTER'S VISIT TO THE UAE

1. I REGRET THAT I HAVE BEEN UNABLE TO GET A CLEAR INDICATION FROM THE UAE AUTHORITIES OF SHAIKH ZAID'S INTENTIONS DURING THE PM'S VISIT. I OFFER THE FOLLOWING AS A SUPPLEMENT TO BRIEFING PROVIDED BY THE DEPARTMENT. IF IN THE EVENT SHAIKH MOHAMMAD BIN RASHID ALONE RECEIVES THE PRIME MINISTER, HMG DUBAI WILL WISH TO SEND SOME ADDITIONAL BACKGROUND.

GENERAL

2. THE UAE'S POLITICAL CONCERNS REMAIN THE IRAN/IRAQ WAR AND THE OIL PRICE. THEY ALSO HAVE LESSER WORRIES: THE FRAILTY OF THE FEDERATION BECAUSE OF ABU DHABI/DUBAI RIVALRY AND THE LACK OF SERIOUS PLANNING FOR THE TRANSITION OF POWER TO THE NEXT GENERATION. IN THE LONGER TERM, THERE IS A PERCEIVED SAUDI THREAT TO THE COUNTRY'S TERRITORIAL INTEGRITY AND POSSIBLY ITS INDEPENDENCE.

3. RECENT DEVELOPMENTS IN THE IRAN/IRAQ WAR, PARTICULARLY IRAN'S ACCEPTANCE OF SCR 598, HAVE BEEN RECEIVED IN THE UAE WITH INTENSE RELIEF. WHILE THE FEELING HERE IS THAT AN END TO THE WAR IS IN SIGHT, THERE IS ALSO CONCERN FOR THE PROVEN CAPACITY OF BOTH IRAN AND IRAQ TO TAKE DECISIONS WHICH WILL ENSURE THAT PEACE WILL REMAIN OUT OF REACH. THERE REMAINS A DEEP DISTRUST OF THEIR LONG TERM OBJECTIVES.

4. BUT WHETHER IN WAR OR PEACE, UAE POLICIES TOWARDS IRAN AND IRAQ ARE IN GOOD SHAPE AND CAN BE SUSTAINED AFTER THE END OF HOSTILITIES. PAST AND PRESENT PRESSURE ON THE UAE TO PROVIDE FINANCIAL SUPPORT FOR IRAQ WILL BE REPLACED BY PRESSURE TO ENTER INTO COMMITMENTS FOR RECONSTRUCTION IN BOTH IRAN AND IRAQ. SHAIKH ZAID HAS ALREADY PUBLICLY ACKNOWLEDGED THIS OBLIGATION.

5. THE UAE'S ABILITY TO PROVIDE FINANCE FOR RECONSTRUCTION, AND FOR ITS OWN FURTHER DEVELOPMENT, WILL DEPEND LARGELY ON THE OIL PRICE. THE UAE'S DECISION TO ALLOCATE ITSELF THE NEW INCREASED QUOTA OF 1.5 MBPD WILL CONTRIBUTE TO A DOWNWARD PRESSURE ON OIL PRICES BUT THE EFFECT OF THIS DECISION WILL BE SMALL COMPARED WITH THE LIKELY VARIATIONS IN PRODUCTION POLICIES IN IRAN AND IRAQ IN THE POSTWAR PERIOD. BOTH WILL NEED READY MONEY FOR RECONSTRUCTION, REARMAMENT AND DEBT REPAYMENT. BUT EVEN IN THE EVENT OF A SHARP FALL IN OIL PRICES, OIL PRODUCERS ARE LIKELY TO RESPOND TO THE "PAIN BARRIER" BEFORE THE POLITICAL STABILITY OF THE UAE COULD BE AFFECTED BY FALLING REVENUES.

6. THE SITUATION IN SHARJAH CONTINUES TO BE UNEASY FOLLOWING THE RE-INSTALEMENT OF THE PRESENT RULER AT DUBAI'S INSISTENCE AND CONTRARY TO THE PREFERENCES OF ABU DHABI. BUT NEITHER THIS NOR THE OTHER PROBLEMS OUTLINED ABOVE SEEMS LIKELY TO COME TO A HEAD IN THE IMMEDIATE FUTURE. THE PRESENT POLICIES OF MINIMAL CHANGE SHOULD SUFFICE. IN THE LONGER TERM HOWEVER, THE NEED TO FACE UP TO FINANCIAL DISORDER IN THE FEDERATION AND TO THE REQUIREMENT FOR EMPLOYMENT FOR SHAIKHS AND COMMONERS WILL INCREASE AS TIME PASSES.

7. ON THE WIDER STAGE, SHAIKH ZAID CAN BE WELL SATISFIED WITH HIS HANDLING OF THE DIFFICULT PROBLEMS FOR THE UAE ARISING FROM THE IRAN/IRAQ WAR. HIS OUTSPOKEN AND TIMELY SUPPORT OF EGYPT'S RE-ENTRY INTO THE ARAB FOLD, HAS LEFT THE UAE FIRMLY ALIGNED WITH THE ANGELS. HE DESERVES OUR CONGRATULATION.

BILATERAL

8. UNTIL THE OIL PRICE COLLAPSE OF 1986, THE UAE WAS OUR SECOND LARGEST MARKET IN THE MIDDLE EAST. IT CLAIMS TODAY TO HAVE THE BIGGEST OIL RESERVES IN THE MIDDLE EAST AFTER SAUDI ARABIA. IT IS CERTAINLY AMONG THE TOP FIVE. WE NEED TO LOOK NOT JUST TO PRESENT OPPORTUNITIES BUT TO WHEN NORTH SEA OIL RUNS OUT AND THE OIL PRICE RISES.

9. ALTHOUGH SHAIKH ZAID CHOSE TO SHOW SOME DISAPPOINTMENT ABOUT THE PRESENT STATE OF UAE/UK RELATIONS IN RECENT CONVERSATIONS WITH THE HOUSE OF COMMONS FOREIGN AFFAIRS COMMITTEE, HE, LIKE ALL HIS GENERATION, REMAINS PROFOUNDLY GRATEFUL TO BRITAIN FOR OUR HELP IN REPELLING THE SAUDI THREAT TO BURAIMI IN 1956 AND, IN MORE GENERAL TERMS, FOR THE BENIGN NATURE OF OUR RELATIONS WITH THE AREA BEFORE INDEPENDENCE. AMONG THE OLDER GENERATION THERE IS A TENDENCY TO LOOK BACK WISTFULLY AT THE COSINESS OF OUR RELATIONS AT THAT TIME.

10. THERE CAN OF COURSE BE NO RETURNING TO THAT COMFORTABLE PERIOD BUT WE HAVE BEEN NEGLECTFUL OF OUR RELATIONS WITH THE UAE SINCE ITS FOUNDATION IN 1971. RECENTLY, HOWEVER, WE HAVE BEEN MAKING CONSIDERABLE EFFORTS TO RE-ESTABLISH A PRIVILEGED POSITION HERE FOR OURSELVES AND TO RAISE THE PROFILE OF OUR BILATERAL RELATIONS. IN PARTICULAR WE ARE RESPONDING TO SHAIKH ZAID'S DISAPPOINTMENT IN WHAT IS FOR HIM THE IMPORTANT AREA OF VISITS. WE HOPE TO SEE HIS STATE VISIT TO BRITAIN NEXT SUMMER (SHAIKH ZAID DOES NOT YET KNOW OF THIS) AND A VISIT HERE BY SIR G HOWE EARLY NEXT SPRING. THE PROPOSED VISIT BY THE PRINCE AND PRINCESS OF WALES IN MARCH WILL HELP US ENORMOUSLY.

11. WE HAVE ALSO MADE A SUBSTANTIAL CONTRIBUTION TO THE INTERESTS AND THE STABILITY OF THE AREA THROUGH THE ARMILLA PATROL AND THE MCMV'S. WE STAND READY TO PROVIDE TRAINING FOR THE UAE ARMED FORCES. BUT IT TAKES TWO TO FURTHER THE BILATERAL RELATIONSHIP AND WE NEED TODAY SERIOUS CONFIRMATION BY THE UAE OF THEIR WISH TO COOPERATE WITH US. BIG ORDERS IN DEFENCE AND POWER GENERATION HAVE GONE TO FRENCH AND AMERICAN FIRMS. WE WOULD LIKE TO SEE, AS A POLITICAL SYMBOL, THE EARLY CONCLUSION OF A DEAL FOR A NEW BATCH OF HAWKS IN ABU DHABI AND FOR THE PURCHASE OF BLACK HAWK HELICOPTERS TO REPLACE THE SUPER PUMAS CURRENTLY USED BY THE UAE AIR FORCE. SECONDLY TWO OR THREE BRITISH COMPANIES HAVE BEEN HAVING SERIOUS DIFFICULTIES WITH PAYMENT FROM THE FEDERAL OR MILITARY AUTHORITIES. WE WOULD LIKE THESE ACCOUNTS TO BE FULLY SETTLED AT CONTRACT PRICES AS AN EARNEST OF THE COMMITMENT OF THE UAE TO A CLOSER BILATERAL RELATIONSHIP.

TAIT