

RESTRICTED

GRS 300

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FM RIYADH

TO ROUTINE FCO

TELNO 116

OF 250750Z SEPTEMBER 85

INFO ROUTINE ABU DHABI, BAHRAIN, DOHA, DUBAI, JEDDA, KUWAIT, MUSCAT,
WASHINGTON, VIENNA

INFO SAVING ALGIERS, QUITO, LIBREVILLE, JAKARTA, TEHRAN, BAGHDAD,
BIS TRIPOLI, LAGOS, CARACAS

JEDDA TELNO 427: SAUDI OIL POLICY

SUMMARY

1. KING FAHD SAYS SAUDI ARABIA, LIKE OTHER COUNTRIES, WILL IGNORE OPEC PRICE AND PRODUCTION LIMITS IF IT CONSIDERS THIS NECESSARY TO PROTECT ITS INTERESTS.

DETAIL

2. IN THE COURSE OF A QUESTION-AND-ANSWER SESSION AFTER A SPEECH DELIVERED TO STUDENTS AT THE (ISLAMIC) UMM AL QURA UNIVERSITY IN MECCA ON 22 SEPTEMBER, KING FAHD WAS ASKED ABOUT OIL POLICY. HIS SOMEWHAT RAMBLING REPLY HAS BEEN WIDELY REPORTED HERE.

3. HE SPOKE AT LENGTH ABOUT SAUDI ARABIA'S EFFORTS AND SACRIFICES OVER THE YEARS TO FULFIL THE AIMS OF OPEC. IT WOULD STILL BE BEST IF FIRM AND BINDING AGREEMENTS ON PRICES AND PRODUCTION COULD CONTINUE. THE KINGDOM HAD DONE WHAT IT COULD. BUT SAUDI ARABIA WAS ONLY ONE MEMBER STATE AMONG MANY AND COULD NOT DO THE IMPOSSIBLE ALL BY ITSELF. OTHER COUNTRIES, IMPELLED BY SPECIAL CIRCUMSTANCES AND NEEDS, HAD LOWERED THEIR PRICES, INCREASED PRODUCTION, AND SOLD OIL BY BARTER. SAUDI ARABIA WAS NOT THEIR MENTOR, HAD NO RIGHT TO QUESTION THEM ABOUT THEIR DECISIONS, AND WOULD NEVER INTERFERE IN THEIR AFFAIRS. BUT SAUDI ARABIA WAS IN SIMILAR CIRCUMSTANCES, HAD SIMILAR NEEDS AND ENJOYED THE SAME FREEDOM OF ACTION IT RECOGNISED IN OTHERS. THE KINGDOM HAD NO RESOURCE BUT OIL. AS HE HAD ASKED YAMQI TO MAKE CLEAR AT THE LAST OPEC MEETING, IF SAUDI ARABIA WAS OBLIGED TO TAKE SIMILAR DECISIONS TO SECURE ITS NEEDS, HE WOULD NOT ALLOW OTHER COUNTRIES TO QUESTION THIS.

/COMMENT

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4. THIS IS THE CLEAREST STATEMENT WE HAVE YET SEEN ABOUT SAUDI ARABIA PUTTING ITS OWN INTERESTS BEFORE COLLECTIVE INTERESTS. TAKING INTO ACCOUNT THE TONE AND EMPHASIS OF WHAT THE KING SAID, IT COMES CLOSE TO A PUBLIC ADMISSION THAT SAUDI ARABIA HAS NOW AGREED NET-BACK ARRANGEMENTS.

GREEN

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ADDITIONAL DISTRIBUTION

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