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PRIME MINISTER

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Visit to the Gulf: 11-15 January

1. You and OD colleagues may wish to have a rather fuller account of my recent visits to Oman, Saudi Arabia and Kuwait.
2. In all three countries I called on the Rulers and had extensive conversations with their Foreign Ministers. The reception was warm throughout and I was struck both by the closeness and the depth of our ties with their countries. Not only do they respect our tradition of political stability: there is continuing demand for British skills and advice. They welcome an active role by HMG in the region, especially in respect of political issues, cooperation in defence, health and other fields, as well as in trade.
3. The three countries are very different in style of government, traditions and attitudes towards the future. Oman is deeply marked by the imprint of its Ruler, Sultan Qaboos who has introduced stability and modern development with a high degree of British involvement. The ties with him and his Government are close and extensive, particularly in the defence field; our trade has benefitted, securing for Britain a lion's share of the market. I found the Ruler and his Ministers self-confident, despite concerns about the Iran/Iraq war. The Sultan was well-informed throughout and had enjoyed a good year in 1985 (profiting from Oman's position outside OPEC). The Sultan has no intention of proceeding hastily to the opening of a Soviet resident mission. I conveyed your good wishes and he asked me to transmit his warmest regards, as did King Fahd and the Amir of Kuwait. In sum, there appear at present to be no serious irritants in our relationship, but it is one which requires most careful management. Furthermore, there are some obvious



fragilities in the internal situation and we need to keep a very close watch on what is going on - as indeed we do.

4. My programme in Saudi Arabia was, as always, an adventure but the Saudis were very welcoming and I had a more down to earth talk with the King than in 1984. His main preoccupation was with Arab/Israel, on which I comment below. The Tornado deal appears to be progressing smoothly and the Saudis were pleased with my assurance of our commitment to see the contract signed and supported vigorously.

5. The stop at Kuwait was brief but businesslike. I found the Kuwaitis refreshingly direct, even if their views diverged in a number of significant aspects from those of their neighbours. They have exaggerated expectations of what the super-powers might do, both on Arab-Israel and Iran/Iraq.

6. All three countries are naturally concerned at their economic prospects and were seeking some indication of a willingness on our part to cooperate with OPEC to shore up the market. I explained policy on familiar lines, emphasizing our commitment to companies operating in the North Sea. The Saudis in particular will face a testing period as oil revenues fall, and their somewhat primitive system of administration will find it hard to cope. Nevertheless, the Ruling Family as a group are tough and I expect them to survive, though not without discomfort. The Saudi Foreign Minister lobbied me on lower tariffs for GCC petrochemicals. This subject is bound to be a cause of recurring complaints. They choose to see it in political terms and are not content to deal solely with the Commission.

7. Arab/Israel was a universal concern, but the response varied from country to country. The Saudis remain close to Arafat; the Omanis are staunch supporters of Hussein, and more equivocal about the role of the PLO; and the Kuwaitis are pessimistic about the peace process and inclined to stress the absence of Arab unity.



8. One aspect of the problem on which my interlocutors' views converged, however, was the need for the United States to move with a greater sense of urgency. The Saudis, in particular, stressed that without less of a "stop-go" trend in US policies there would be little chance of progress, and they continue to stress the need for a British role in this respect. There is, of course, an element of Arab special pleading in this argument. It is easier to blame those outside the region and tempting to exaggerate US - and British - influence. Nevertheless, there is substance in their arguments, since the Americans are indeed committed to Israel and it is the Arabs who are being pressed to make what are in their terms important, even dangerous, concessions by weakening their attachment to the PLO as sole legitimate representative of the Palestinians.

9. Our attitude to the Arab/Israel question will continue, for good or ill, to have a marked effect on British interests in the region. These are very substantial and, in the places I visited, in encouragingly good shape despite the recession. Our market share is holding up well, even improving in the majority of the region's oil producing countries. Arab markets will remain important at least until the end of the century, whatever the swings in the cycle of oil demand. In addition there is the vital defence sales market, our prospects in which have been so substantially enhanced by the Saudi Tornado deal. Much of this would be put at risk if we tried to wash our hands of what, to the Arabs, remains the central political issue in the region.

10. We must also bear in mind the deep Arab sensitivities over humanitarian and religious issues, principally in the West Bank but also in respect of the Islamic holy places, which the Saudis referred to in terms which reflect their deep attachment to Jerusalem and their particular role in the Islamic world as guardian of the holy places.



11. Throughout my tour I stressed the need for concerted action on both symptoms and causes of terrorism. The response was positive, provided our contacts are discreet, and we must continue to give high priority to advising and building up security exchanges with moderate Arabs, especially the oil-rich ones who are themselves major targets.

12. Finally, the Iran-Iraq war was a key topic of discussion in all three capitals. If I come to it last, and deal with it briefly, that is because none of my interlocutors had much new insight to offer. Their concern is however genuine and well founded. No end to the war is in sight. Iranian inflexibility continues but the countries of the Gulf Cooperation Council are building up their defences, with our help, and pursuing any possibilities for mediation. Kuwait is in the eye of the storm but neither the mood of the Ruler and his Ministers, nor the atmosphere in the capital, appeared unsettled. Oman is well prepared to cope with the threat, while Saudi Arabia has the advantage of its size and importance. I reassured all three countries that we would continue to support all constructive moves for peace, without building up unrealistic expectations of what Britain, Europe or the West as a whole could achieve.

13. This visit was a valuable opportunity to exchange views on regional and broader international issues with three countries in which we shall continue to have major interests. I was also able to cement personal relationships with the Rulers and Foreign Ministers, and to thank them for support on specific problems like the Falkland Islands. This should, I hope, pay political and commercial dividends in future.

(GEOFFREY HOWE)