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26 SEP 1985  
SECRETARY OF STATE

MINISTRY OF DEFENCE

MAIN BUILDING WHITEHALL LONDON SW1A 2HB

Telephone 01-580-7022 ~~XXXXX~~ 218 2111/3

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25th September 1985

Dear Charles,

BRIEFING FOR THE PRIME MINISTER'S MEETING WITH PRINCE SULTAN

I attach short briefs for the Prime Minister's meeting with Prince Sultan tomorrow. The Prime Minister is fully aware of the background on the sale of aircraft. The precise package is still being finalised and I will of course update you on this tomorrow. As I told you on the telephone last night it seems almost certain that the Saudis will go for 48 Tornado IDS and a further 24 Tornado Air Defence Variant, together with Hawk and Pilatus PC9 aircraft.

I am copying this letter and the attachments to Colin Budd (FCO). The other Ministers involved in the visit may also find them of interest and I am therefore also sending copies to the Private Secretaries to the Lord President of the Council, the Secretary of State for Trade and Industry, the Home Secretary, the Chancellor of the Duchy of Lancaster, the Secretary of State for Employment, the Secretary of State for Environment and Minister for the Arts.

*Received on 27 Sept.*

*MS Mr Baker speaks to Mr Heslop and agrees that as the box of was not received until after the meeting there was no point in any reply.*

TO <i>Mr Baker</i>	COPIES TO PEP.
FOR ADVICE (AND DRAFT REPLY IF APPROPRIATE)	PS/MFT
PLEASE BY: <i>ASAP</i>	PS/Sir BH
IF DEADLINE CANNOT BE MET PLEASE PHONE 215 5422	Mr Roberts
	PS/SEC ECGD
	Mr Benjamin PEP
	Mr Mitchell AIR

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BRIEF FOR THE PRIME MINISTER'S MEETING WITH PRINCE SULTAN  
BIN ABDUL AZIZ

Our objectives

- To round off successfully the Tornado/Hawk/Pilatus PC-9 sale, following Prince Sultan's planned signing of the Memorandum of Understanding earlier in the day.
- To assure the Saudis of HMG's full commitment to supporting the project.

Arguments to use

- Such a major deal a highly visible demonstration of close relations between our two countries. Long tradition of cooperation between Royal Saudi Air Force, RAF and BAe with extensive support by RAF and BAe for Saudi Lightnings since late 1960s. Sure this will continue with Saudi acquisition of latest generation of aircraft.

Their objectives

- To secure the maximum commitment by HMG to meeting their needs for RAF/BAe training and support.

Our response

- All concerned are ready to do their utmost to ensure full support.

## BACKGROUND

1. Since early 1984, intensive efforts have been made to sell Tornado and Hawk to the Saudis. When, in the Autumn of 1984, they seemed to be leaning towards French Mirage fighters, Mr Heseltine paid an urgent visit to Saudi Arabia, carrying a letter from the Prime Minister to King Fahd. In December 1984 the Prime Minister started a series of important negotiations by meeting Prince Bandar, the son of Prince Sultan.

2. US reluctance to supply F-15's has been a major factor in our own favour, and the Saudis appear to have lost patience with the Americans this Summer. The Prime Minister met the King in Riyadh in April this year and in August the King wrote to her stating his decision to buy 48 Tornado IDS and 30 Hawk. Outline agreement on the full package (including 30 Pilatus PC-9) and associated training and support, was reached in mid-September with a visiting Saudi Air Force technical negotiating team. It is planned that Prince Sultan should sign the Memorandum of Understanding for the deal during his visit.

PRIME MINISTER'S MEETING WITH PRINCE SULTAN AND PRINCE SAUD 19.00,  
THURSDAY 27 SEPTEMBER

POLITICAL

Our Objectives

- (a) To give the Saudis an account of the Prime Minister's visit to Egypt and Jordan and to urge further public Saudi support for King Hussein's initiative.
- (b) To seek Saudi views on the prospects for negotiations to end the Iran-Iraq war.

Arguments

(a) Greatly valued opportunity to visit Jordan and Egypt. Excellent detailed discussions in both capitals. Continue to believe King Hussein's initiative offers a real chance for peace, but both leaders assured me that it would peter out unless given fresh momentum. Therefore agreed that Secretary of State should receive a joint Jordanian-Palestinian Delegation, including former Mayor Milhem and Bishop Khouri, in London soon. Aim to strengthen moderate commitment to peaceful progress. Expect Milhem/Khouri to make their personal commitment clear in London. (Timing not final but probably mid-October).

(b) On Iran-Iraq, believe the UN Secretary-General's 8 points of last April still a good starting point, or any other kind of UN option the parties can agree on. Mediation by the Islamic Conference Organisation or by the GCC might also be opportune at some point.

Their Objectives

(a) To seek the Prime Minister's views on the Arab-Israel dispute following her visit to Egypt and Jordan. Possibly urge further British representations to President Reagan.

(b) (Possibly) to ask whether there is any way in which Prince Mashour, the Saudi Prince charged with conspiring to import narcotics, can be returned to Saudi Arabia to serve his sentence.

(c) To draw attention to Saudi concern about the situation in the Horn of Africa.

#### Our Response

(a) We are keeping in close touch with the US. Hope the delegation's visit to London will spur the Americans to proceed with their meeting, or evolve some other step to restore momentum.

(b) The law must take its course. If the Prince is convicted, the Court, in addition to any sentence they may impose, have power to recommend his deportation. Meanwhile, the Prince is free on bail and will no doubt have briefed the ablest Counsel. However, given the Government's concern for firm action against drug offenders, it would be difficult to depart from our policy in this case if the Prince were convicted and given a custodial sentence.

(c) We share Saudi concern that there should be no deepening of Soviet penetration of the Horn of Africa. How best can this be averted, eg in Sudan?

#### Background

##### Arab-Israel:-

(a) The Saudis have kept a low profile on King Hussein's peace initiative, but in Oman on 21 September Foreign Minister Prince Saud Al Faisal described our decision to receive a Jordanian-Palestine delegation as "useful". This was high praise from him, given the critical Syrian reaction.

##### Iran/Iraq

##### Peace Prospects

(b) The Saudi Foreign Minister, Prince Saud, visited Iran in May and an Adviser to the Iranian Foreign Minister, Dr Ardakani, visited Saudi Arabia in June. During Prince Saud's visit to Iran an Iranian official indicated to the Saudis that in the event of the Ayatollah's death, Iran would settle the war the next day. We are sceptical about this, but the view may have influenced Saudi thinking.

### Kharg Island

(c) The cumulative effect of the dozen air attacks on Kharg Island since 15 August could soon start to affect Iran's capacity to export oil. Iranian retaliation so far has been limited. On 20 September President Khamenei again warned that Iran would close the Straits of Hormuz if Iraqi air attacks halted Iranian oil exports. Although closing the Straits would probably be beyond Iranian capability, they could cause short term disruptions to oil exports from the Arab Gulf littoral.

### Interdiction of Shipping

(d) Since 4 September Iran has boarded a number of merchant vessels allegedly carrying military cargo, destined for Iraq (mostly via Kuwait). Although the Iranians have done this spasmodically during the course of the conflict, such a concentration of action is unusual.

### Horn of Africa/Yemens

(e) Prince Sultan is the Saudi Arabian Government's expert on the problems of the Yemens and the Horn of Africa. Saudi Arabia's relations with the People's Democratic Republic of Yemen and the Yemen Arab Republic wax and wane according to the financial assistance the two countries obtain from Saudi Arabia. Lip service is paid to the importance of a close relationship, but Saudi Arabia is especially nervous of PDRY's involvement with the Eastern bloc. Prince Sultan has opposed suggestions that PDRY should be bought off.

(f) PDRY and YAR subscribe to the idea of eventual unification. However, because the 2 Yemens have very different political systems, we believe that this is unlikely in the foreseeable future.

(g) The YAR preserves a carefully balanced policy of non-alignment. The Government of President Saleh appears to be fairly well entrenched and most key positions in the army and security forces are held by the President's men, mainly from his own tribe. Internally, it faces serious economic problems at present. Over the next three years these may be alleviated by recent oil finds. This may affect Saudi financial aid. Attention in PDRY is currently

concentrated on the 3rd Yemeni Socialist Party Congress due to take place in October. We do not think this will result in major changes in the leadership or policies of PDRY.

(h) The Saudis are very concerned about Soviet activity in Ethiopia as well as PDRY. They support, through the Sudan, the moderate Eritrean movements fighting Mengistu's Government. Although the Ethiopians recaptured two towns from the rebels in August, there is no real sign of an end to the Eritrean or Tigrayan rebellions.

(i) Our aim is to reduce tensions in the Horn and work to supplant Soviet and Eastern bloc influence in Ethiopia. Western interests continue to be threatened by local instabilities and by the Soviet presence. As long as the rebel wars in Tigray and Eritrea continue and the Ethiopians perceive a Somali threat to the Ogaden, Ethiopia is likely to remain dependent on the USSR.

### Political Structure

3. There is no formal constitution. The Saudis would say that the Saudis are their constitution. Many said it was the King. The King appoints the Council of Ministers. The decisions are taken by the King. The Council of Ministers is usually subject to the approval of the King. The Council of Ministers is usually subject to the approval of the King. The Council of Ministers is usually subject to the approval of the King.

VISIT OF SAUDI MINISTER OF DEFENCE, PRINCE SULTAN BIN ABDUL AZIZ,  
AND PRINCE SAUD BIN FAISAL, SAUDI ARABIAN MINISTER OF FOREIGN  
AFFAIRS

SAUDI ARABIA: POLITICAL AND ECONOMIC BACKGROUND

ESSENTIAL FACTS

1. Saudi Arabia was, until recent months, the world's largest exporter of oil. It possesses some 25% of the world's proven reserves and is likely to bounce back if the oil market revives. It is thus of enormous importance to the industrialised world and in OPEC and Middle East politics. Despite recent economic difficulties, its financial reserves make it a major force in world money markets. It has the added prestige in the Muslim world of being the guardian of the holy places of Medina and Mecca.

2. The Kingdom has a native population of 5 or 6 million, augmented by perhaps 2 or 3 million foreigners. Some of the latter are now having to leave because of the economic recession. Most of the population is concentrated in the main centres of Jedda/Mecca (approx 1.2 million) in the west, Riyadh (approx 1.3 million) in the centre, and Damman/Al Khobar/Dhahran in the east. The oil fields centre on Dhahran. Even in the past, the image of Saudi Arabia as a country populated entirely by nomadic Arabs (Bedouin) was misleading: now settlement in the towns has reduced their numbers to less than 15% of the population.

Political Structure

3. There is no formal constitution: the Saudis would say that the Koran is their constitution. King Fahd is also Prime Minister, and nominates the Council of Ministers. Key decisions are taken by the Minister or Ministers most closely involved, usually subject to the concurrence of the King. Within the Council of Ministers senior princes hold great sway.

4. The regime is authoritarian and undemocratic. But it is indigenous to Saudi Arabia, not an artificial creation of the post-colonial era. The House of Saud, and its Wahhabi allies, have



been a force in Nejd since the eighteenth century. They owe their dominance of present-day Saudi Arabia to a process of tribal conquest which has gone on in the peninsula for much longer still. They have not the slightest doubt of their right to rule, and to go on ruling, as long as native wit, the distribution of oil wealth and an effective internal security and intelligence service can keep them in power.

5. Outwardly the Saudi authorities are scrupulous in their attempts to maintain the strictest possible application of conservative Islamic customs. There has long been talk, most recently by the King to a British newspaper editor in December 1984, of the introduction of a consultative assembly but this has yet to materialise. The King and the Government pay great attention to the religious leaders ('Ulema') who are a major force in the country (though they do not always get their own way). The Islamic Sharia legal code is applied rigorously. In this the authorities are responsive to a strongly-held conservatism widespread even among Saudis who are by no means religious zealots. But in their personal lifestyles many senior Princes and others do not practise what they preach.

6. Saudi society remains tribal and family-based. Seventy per cent are still illiterate. Rapid development and oil-wealth have created one set of strains; the economic downturn, likely to be prolonged, will create another. The present King is not charismatic or popular; his inaccessibility and unpunctuality, his efforts to secure government posts and business patronage for his own close family, and the extravagance of the Royal Family as a whole, have engendered more widespread criticism of the regime by ordinary Saudis than for years. But there is no effective, organised opposition, not even a focus for serious discontent, and whatever the strains within the inner circle, the Family keeps its differences to itself and presents a united face to the world. Economic and social adjustment will be difficult and painful, but the regime appears at present likely to survive the next few years without major challenges to its authority.

External PolicyGeneral

7. Saudi foreign policy (made by the King, not the Foreign Minister) aims to preserve the security of the Kingdom in the peninsula, to maintain as far as possible an Arab consensus over Palestine (and thus to limit the influence of radicals); and to restrain Soviet influence in the region. The two main current Saudi foreign policy concerns are Arab/Israel and Iran/Iraq. Saudi Arabia is a leading, perhaps the dominant, member of the Gulf Cooperation Council.

8. Relations with the United States have been very close and broadly-based, ever since in the thirties and forties the United States, and US oil companies, displaced Britain as the predominant influence. Most Saudis would recognise that the United States represents the best guarantor of the security of a nation which, for all its size and wealth, has a tiny indigenous population. But the Saudis are becoming critical of what they see as the failure of the United States to use its leverage on Israel to carry forward the peace process.

9. Relations with France are close. Crown Prince Abdullah paid a successful visit to France on 28-31 January 1985, which was however, lacking in specific business. The French have not yet reacted to confirmation that the Saudis are to purchase Tornado rather than the French Mirage.

10. Omani relations with Saudi Arabia are uneasy due to the Omani suspicion of Saudi intentions to dominate the Peninsula. Disagreements over border lines add to Omani distrust and there have been two border incidents this year. That said, both countries are members of the Gulf Cooperation Council.

The Yemens

11. Saudi Arabia's relations with the People's Democratic Republic of Yemen and the Yemen Arab Republic wax and wane according to the financial assistance the two countries obtain from Saudi Arabia.

Lip service is paid to the importance of a close relationship, but Saudi Arabia is especially nervous of Pdry's involvement with the Eastern bloc.

12. PDRY and YAR subscribe to the idea of eventual unification. However, because the 2 Yemens have very different political systems, we believe that this is unlikely in the foreseeable future. However, we would welcome Prince Sultan's views on unification.

13. The YAR preserves a carefully balanced policy of non-alignment. The Government of President Saleh appears to be fairly well entrenched and most key positions in the army and security forces are held by the President's men, mainly from his own tribe. Internally, it faces serious economic problems at present. Over the next three years these may be alleviated by recent oil finds. This may affect Saudi financial aid. Attention in PDRY is currently concentrated on the 3rd Yemeni Socialist Party Congress due to take place in October. We do not think this will result in major changes in the leadership or policies of PDRY, but it will be interesting to have some Saudi views.

#### Horn of Africa

14. The Saudis are very concerned about Soviet activity in Ethiopia as well as PDRY. They support, through the Sudan, the moderate Eritrean movements fighting Menjistu's Government. Although the Ethiopians recaptured two towns from the rebels in August, there is no real sign of an end to the Eritrean or Tigrayan rebellions.

15. Our aim is to reduce tensions in the Horn and ultimately to supplant Soviet with Western influence in Ethiopia. Western interests continue to be threatened by local instabilities and by the Soviet presence. As long as the rebel wars in Tigray and Eritrea continue and the Ethiopians perceive a Somali threat to the Ogaden, Ethiopia is likely to remain dependent on the USSR.

#### UK/Media Treatment

16. Anglo/Saudi relations have at times been troubled by media treatment of Saudi Arabia (notably during 'Death of a Princess' affair in 1980). The Saudis have reacted fairly calmly to press

coverage of the case of Prince Mashour, but still tend to believe that HMG have more power to influence what appears in the press than is in fact the case.

17. In 1980 we agreed the establishment of a "Joint Cultural Committee" (JCC). Sir Ian Gilmour is now Chairman and the Saudi Ambassador a member. The JCC, which meets approximately every six months, last met in London on 2 July 1985. The meeting was more concerned with what the Saudi Arabia Ambassador regarded as the paucity of Parliamentary visits to Saudi Arabia than with general media difficulties.

#### Oil and the Economic Downturn

18. Despite Government spending cuts there has been an enormous current account balance of payments deficit for the past two years (around \$17 billion in both 1983 and 1984), and another substantial one in 1985. The current account deficit must have been in excess of \$2 billion a month recently. Usable foreign assets are still very large by most standards, but at perhaps \$50 billion they could be exhausted in less than two years if oil production and exports were to continue at recent levels.

19. Thus the Government has become increasingly disenchanted with its policy of swing producing, and exasperated with other OPEC demonstrators whose over-quota production has contributed to Saudi Arabia's problems. There have recently been reports of net back-related deals with the four ARAMCO oil majors. These support other indications that the Saudis by agreement within OPEC if possible, to increase their oil production, although probably not to as much as the 4.3 mbd to which they are notionally entitled under existing quota arrangements.

CRH PRINCE SULTAN BIN ABDUL AZIZ

Second Deputy Prime Minister since June 1982. Minister of Defence and Aviation and Inspector General of the Armed Forces since 1962.

Born 1924. One of the seven sons of Abdul Aziz by Hassa bint Sudain. Full brother of the King. A former Governor of Riyadh and Minister of Agriculture.

He is not highly intelligent, but he has charm. He is lively, learns quickly and his twenty years at Defence have ensured that he knows his job. He has prejudices, is inflexible and imperious, and drives a hard bargain. His closeness to King Fahd obviously keeps him strong, but he also got on very well with King Faisal and King Khalid.

He speaks freely and authoritatively (though not always coherently) on all areas of foreign policy, but has a particular interest in the Yemen and the Horn of Africa for which he has had for some time a special responsibility.

Six sons: Khalid (Sandhurst-educated: Colonel in Army Air Defence), Bandar (Ambassador to the US qv), Fahd (Deputy President of Sport and Welfare qv), Muhammad, Turki and Faisal.

Knows a few greetings in English and appears to understand somewhat more.

HRH PRINCE SAUD BIN FAISAL BIN ABDUL AZIZ

Minister of Foreign Affairs.

Born 1941. Third son of King Faisal. Studied in USA and one year at LSE. Deputy Minister of Petroleum and Mineral Resources 1971-75. Minister of State for Foreign Affairs March 1975. Minister of Foreign Affairs October 1975.

Appointed to the Ministry of Foreign Affairs on the assassination of his father. At the time it was generally predicted that his appointment would bring reforms to a second-rate body. These expectations have been only partially fulfilled.

The guiding hand in Saudi foreign policy is that of King Fahd. Though Saud is firmly anti-Soviet, his views on, in particular, the Arab/Israel dispute are closer to those of his own generation of young Arab nationalists and he can sound more intransigent than Fahd. There has been occasional evidence of strain between the two.

While at the Ministry of Petroleum Saud was considered by a leading British economist good enough to have reached the top even if he had not been a prince. He is tall, handsome and articulate. Very bright but perhaps not so bright as he thinks. He speaks excellent English. The Saudis appreciate that he is an important asset with the Western media.

Married to Jauhara bint Abdullah bin Abdul Rahman, he has two sons and three daughters. Plays tennis well.

HRH PRINCE BANDAR BIN SULTAN BIN ABDUL AZIZ

Ambassador to the United States.

Born 1950; son of the Minister of Defence by a negress. His father at first neglected him because of his dark skin, but later recognised his qualities.

Graduated from RAF College Cranwell in 1970; promoted to Major in 1977, Lieutenant Colonel in 1982. For a time nominally on the strength of the F5 Squadron at Dhahran, but not likely to fly again owing to a back injury sustained in a car accident. Attended the American Air Staff College in 1979 and obtained MA in International Relations from John Hopkins University in 1980. Appointed Defence Attaché in Washington in late 1982, but had been used as an unofficial extra Ambassador there, with access at the highest levels, during the AWACS and F15 negotiations.

In 1983 he was sent (after his appointment as Ambassador at Washington was announced) as mediator between the parties in the Lebanon: he was warmly praised in public by King Fahd following the achievement of a ceasefire agreement. He arrived in Washington to present his credentials in late September 1983; but it was reported at the time that he would continue to undertake special missions for the King on Lebanese affairs.

Lots of charm and dash; speaks excellent English. Married to Haifa, daughter of King Faisal, with four children, two sons and two daughters.