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10 January 1983

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*[Handwritten signature]*

*New Brian,*

SAUDI ARABIA

The Chancellor was grateful for the briefing on the postponement of the Arab League Delegation's visit which was enclosed with your letter of 5 January to me, and which was supplemented by Stephen Egerton on 6 January. He also saw John Cole's letter of 4 January to John Holmes. *will request is required*

The Chancellor's talks in Riyadh on 8 January on IMF matters with the Saudi Finance Minister and Central Bank Governor went well. We shall be reporting separately on the substance, and plans to advance the next Interim Committee meeting to February. In this letter I deal only with the subject of yours.

The Saudis received the Chancellor and M. de Larosiere courteously. The two hosts were at the airport to meet us on 7 January, and to say farewell on 9 January, and gave a dinner on 8 January. At no stage during a three hour plenary discussion and subsequent smaller meetings did they refer to the matter of the Arab League Delegation.

The Chancellor did however raise it privately with his Saudi counterpart on 8 December. He explained that the Prime Minister and the Foreign Secretary were concerned to maintain good relations with Saudi Arabia, and were surprised and disappointed by the way in which the present row had blown up, and extended to neighbouring states. They also attached importance to the results of the Fez Summit, and were disappointed that the Delegation's visit in December had not proved possible. Our position on PLO participation had, we thought, been made clear to the Morroccans in October. Our subsequent compromise proposal had certainly not been intended to give offence; and we were now seeking to identify an alternative arrangement, satisfactory to all parties, which would permit the Delegation's visit to go ahead. He hoped that our traditional close relations with Saudi Arabia on commercial and financial issues would not be affected.

/On this

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On this last point the Minister said that he shared the Chancellor's hope. But he had not spoken to the King about the episode, though he had heard him speak of it in Cabinet. The King was strongly committed to the success of the Fez initiative, and was undoubtedly disappointed that the Delegation's visit to London had run into difficulties.

The Chancellor reported this to HM Ambassador, who found it, and the Saudi handling of the Chancellor's visit, not discouraging. He did however caution against drawing too much encouragement from it. The Chancellor was in Riyadh on specifically IMF business and in an IMF capacity; the Finance Minister is apparently one of the most moderate of Saudi Ministers; and any Saudi Minister would be reluctant to give a detailed exposition of the King's views unless specifically instructed to do so. The Chancellor fears that there must in fact be a substantial risk of damage to commercial relations; and that it is likely to grow the longer the present situation lasts.

A copy of this letter goes to John Coles at No 10.

Yours ever,  
John Kerr.

J O KERR

Am, Aug '89 Arab League Delegation

17 JAN 1989



10 JAN 1989