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NOTE OF A MEETING HELD IN THE RIFA'A PALACE AT 09.35 ON SATURDAY 26 SEPTEMBER

SUBJECT

Present

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| The Prime Minister | The Amir of Bahrain, Shaikh Isa bin Sulman al Khalifa |
| Mr Thatcher | |
| Sir Michael Palliser | The Crown Prince and Commander-in-Chief, HE Shaikh Hamad bin Isa Al Khalifa |
| Mr Gow | |
| Mr Whitmore | The Minister of Foreign Affairs, HE Shaikh Mohammed bin Mubarak al Khalifa |
| Mr Alexander | |
| Mr Ingham | Bahrain Ambassador to London, HE Shaikh Abdul Rahman bin Faris Al Khalifa |
| Mr Miers | |
| Mr. Copson | |
| Mr. Collis | |

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The Amir welcomed the Prime Minister and her party to Bahrain. He was very happy that she had been able to come. Relations between the United Kingdom and Bahrain had been excellent for many decades, especially since the time of his grandfather, and he wanted to see those links strengthened. The Prime Minister's visit would be a great help in this direction: he was sure that, as a result of Mrs. Thatcher's presence in Bahrain, relations would be even stronger and more solid than ever.

He appreciated the Prime Minister's understanding of the problems facing the Middle East and especially the Arab/Israel conflict. Bahrain was very happy with Lord Carrington's recent speech to the United Nations General Assembly, in which he had positively recognised the importance of Prince Fahd's initiative.

The Prime Minister responded by thanking the Amir for his warm welcome. She had been looking forward to her visit to Bahrain for a long time. She had greatly enjoyed Shaikh Khalifa's visit to London earlier in the year. The relationship between Bahrain and the United Kingdom was an historic one, stretching back over 150 years, and she agreed wholeheartedly with the Amir on the need to sustain and strengthen

/ that link.

that link. She would be grateful if he could tell her what his views were on the future of Bahrain itself, and on the Gulf and the Middle East more generally.

The Amir said that this part of the world needed, above all, peace and stability. He wanted to avoid a struggle for power. His aim was to achieve co-operation in the area, without any external interference. The countries of the Gulf should work together to defend themselves and to achieve progress and stability. He had to say however that he was puzzled by American policy towards this part of the world. It was not clear, and he would like to see them make their position more plain. Otherwise the Americans might well make the situation more complicated, and if that happened only the Soviet Union stood to gain.

The Prime Minister said that she was very glad to see the Gulf Co-operation Council established and working. She was happy that its first meetings had been so successful. She saw it as dealing with both peace-time issues affecting the Gulf and as a possible organisation concerned with Gulf security.

She had been delighted to see Prince Fahd in London so soon after his announcement of the eight principles. She and he had had a very useful discussion about what could be done to solve the Arab/Israel problem. The United States were at present preoccupied with what should be the next step in the peace process. There would be no solution unless the Americans played a prominent part in the search for peace. Pressure had to be put on Israel, and only the United States could do that. We were trying, through the European initiative, to work to bring peace and stability to an area which had not known those conditions for a long time and which feared that large scale conflict might erupt again. The Amir said that he attached great importance to the GCC which would be a source of stability in the area. As regards the wider Arab/Israel issue, he agreed with the Prime Minister that the United States were central to the solution of the problem. He thought, nonetheless, that the Europeans could play a major role. He believed that the Venice Declaration provided the right basis for a solution. But there had been no reaction from Israel.

/He wanted

He wanted progress and not to see the dispute dragging on for years longer. He had been very glad that the Prime Minister had been able to see Prince Fahd the previous week. He was happy with the state of co-operation between the United Kingdom and Saudi Arabia and in particular the British offer of Nimrod as an alternative to AWACS.

The Prime Minister said that she hoped that the AWACS deal would be concluded successfully, for she thought that this was important for the Saudi/American relationship. It looked, however, as though Congress might make difficulties, and if these could not be resolved satisfactorily, the Saudis would have the alternative of the Nimrod. But she wanted to emphasise that Britain was not trying to compete with the United States.

The Amir repeated that the aim of the Bahraini Government was to achieve a comprehensive and durable peace settlement which would be to the benefit of all countries in the area, including Israel. If it proved impossible to reach such a settlement, everybody was in for a very difficult time.

In response to a question by the Prime Minister the Amir said that he wanted to see a stable and united Iran which enjoyed good relations with its neighbours including Bahrain. But the existing relationship between Iran and other countries in the Gulf made this impossible. The media in Iran attacked all the other countries in the area continuously. Bahrain did not respond in kind because it wanted to have good relations with Iran and because it refused to interfere in the internal affairs of Iran in the way Iran meddled in Bahrain.

The Prime Minister said that the situation in Iran seemed to be getting daily worse, as more and more terrible crimes were committed. She worried how it would all end, for what happened in Iran could affect not just the Gulf but the whole world. It was difficult to predict how matters would turn out. It was possible that the Communist Party, which was well organised, would take advantage of any further unrest there. Moreover, the Iran/Iraq war appeared to be in a state of deadlock.

/The Amir

The Amir said that it would take time to correct the circumstances which had lead to the war. One difficulty was that some countries of the Middle East were helping both sides to continue the war because they were benefitting from the conflict. Similarly, there were a number of Middle Eastern countries who were not opposed to the Soviet occupation of Afghanistan. All these uncertainties and divisions made the significance of US policy for stability in the area all the greater. As matters stood at present, the Americans were not being helpful. Nonetheless, US Navy ships continued to call at Bahrain. He would welcome the resumption of ship visits by the Royal Navy. He had, however, heard that the British Government was reducing its naval capability.

The Prime Minister said that she was glad that the Amir would be happy for Royal Navy ships to start visiting Bahrain again. As to our maritime capability, our assessment of the way in which a war in the Atlantic would be conducted had pointed to the need to increase our submarine strength at the expense of our surface ships. Nonetheless, this would not stop Royal Navy ships continuing to visit ports outside the Atlantic area like Bahrain, Singapore and Hong Kong.

The Amir, in response to a question by the Prime Minister, confirmed that work on the causeway linking Bahrain and Saudi Arabia would start at the end of the year. He believed that the project could only serve to strengthen the existing political and economic relationship between the two countries, and it was a practical example of the greater cooperation between the countries of the Gulf area which he was advocating. Similarly, he wanted to see improved industrial and trading cooperation between Bahrain and the United Kingdom. The more contracts British firms won in Bahrain the easier it would be to maintain and deepen the special relationship between the United Kingdom and Bahrain. He much appreciated the work which the staff

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of the British Embassy and the British community as a whole did to strengthen the links between our two countries. The Amir added that he had been much saddened by the tragic death of the British Ambassador.

The Prime Minister said that she endorsed everything the Amir had said about the need for improved cooperation between the United Kingdom and Bahrain. She was sure that British firms would do all they could to win more contracts in Bahrain. She had been greatly heartened to learn as she had left England the previous day that Davy McKee had won a contract worth £1.2 bn to build a steel plant in India. She had given her support to the firm's efforts to win the order when she had been in India earlier this year. She was glad to learn that Davy McKee were competing for the new ammonia methanol plant which Bahrain was planning to construct. She was looking forward to her talks with the Prime Minister and other Bahraini Ministers later in the day. She was always glad to see Bahraini Ministers in London and she hoped that one day she would be able to welcome the Amir there.

The meeting ended at 1005 hrs.

A.W.

26 September 1981