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SAUDI NATIONAL GUARD AND SAUDI NAVY

VISIT BY MR. H. R. HUBERT TO JEDDA 7-9 JANUARY 72

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I had a long discussion with the Ambassador, Winchester, the DA and Armitage.

2. Slightly unfortunately only the day before had Prince Abdullah at last "revealed all" to Brigadier Donaldson. Donaldson was writing but during the Haj it was most difficult to get information down to the Embassy by safe hand quickly. It would therefore be a little time before the Ambassador would know what Abdullah had revealed.

3. Meantime the Ambassador was going ahead with the arrangements to see the King. The latter knew about the plan to go to the Americans for a National Guard proposal. Much therefore depended on whether he was content to put his defence forces completely in US hands. If he did it seemed likely that we could expect only a few crumbs by grace of Mr. Khashoggi. If he hesitated something better might be possible.

4. Depending upon the King's attitude the choice would then be:

- a) for MTS to do a deal with Khashoggi/Tallal;
- b) for MTS to make approaches to Raetheon leaving them to stage-manage arrangements with Khashoggi;
- c) for Alvis to talk to Raetheon as their vehicles are the heart of the business;
- d) since HMG is prepared to be involved, for Defence Sales to talk to Raetheon.

(a) or (b) seem the most likely starters and since Khashoggi is master-minding this and claiming to want to sell British (which Raetheon presumably do not) (a) would probably be the best bet.

5. The US Government support for a total US deal will be a handicap but while having apparently had to submit to industrial pressures the State Department is not likely to pull out all stops to prevent an element of British collaboration.

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6. I believe the Embassy would agree that when we have made up our minds which direction has the best prospects we should go for it and pull out all stops. If a deal has to be done with Khashoggi it should be done. His own personal demands will probably be high, but that is the way business is done in Saudi Arabia, the King's edict about 25 percenters notwithstanding. Either Khashoggi is offered the cut he wants or we should pull out.
  
7. Kemal Adham's position and his volte-face between the two discussions with the Ambassador are still a mystery. No speculation leads in any specific direction.
  
8. The position of Brigadier Donaldson is an odd one. The King and Prince Abdullah apparently accept and appreciate his total loyalty to them and integrity. If, as part of the scheme, US military advisers are brought in, it is difficult to see how he can operate.

If Abdullah decides to have the Goddard plan but with more US equipment and US back-up and management Donaldson's functions will not be dissimilar to what was visualised under our scheme though obviously we should expect some substantial variations.

9. MTS will have little hope of business unless we invite them to sell on our behalf. Whether they should do this across the board or merely with any MOD hardware sold leaving Alvis to do business direct with Raetson is for decision. I can see little place for them on the management training and technical aspects since an important part of Khashoggi's aims would be to keep out an additional (and British) organisation which would provide further and probably cheaper competition against the major US management organisations. Since, when the Ambassador sees the King, he will indicate our willingness to do business on a G-to-G basis there might be advantages in MTS co-ordinating any British equipment business to provide the quasi-government oversight as well as passing on the douceurs. Much will depend if we get a good part of the equipment loaf or some Khashoggi crumbs thrown disdainfully at us.



10. There are all the seeds of interminable delay. The shakedown of the equipment choice, of the choice of a training team, of governmental pressures, of the attitude of Sultan, of the US companies wanting their slice of an all-American cake, will bring a decision in 1973 or later rather than 1972. I would recommend that the next lot of prices be based on a 1973 contract

11. The attitude of Donaldson, if, as we hope, his views are asked on equipment, will be important. The Embassy believe he will continue to offer totally dispassionate professional advice. If so he is bound to continue to recommend the Alvis wheeled armour, the Light Gun, and Fox. I should have thought also that the Comcal 922, particularly with its latest improvements, will be better value than any US competitor. One important question we should consider is whether, in order to maximise our options, we should include Scorpion in the bidding. I recommend not. If tracks are accepted the M 113 will overwhelm Saracen on price.

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13. Since Khashoggi is a constant factor, with a constant theme of British equipment and US management, and since the Navy scheme is at the moment ahead of the National Guard, the sooner Vospers settle with Khashogg the better. This was agreed by the Ambassador. If indeed this scheme progresses more quickly than the NG one it may help to provide evidence of his aim to sell British.

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