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SUBJECT cc MASTER

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From the Private Secretary

19 August 1990

Dear Sir,

IRAQ

Early yesterday evening the Foreign Secretary briefed the Prime Minister on the telephone on his conversation with Secretary James Baker earlier that afternoon. This is to confirm our telephone conversation yesterday in which I reported on the Prime Minister's telephone conversation with the Foreign Secretary. The main points were as follows.

The Foreign Secretary said that the US were pressing to get a formal UN Resolution condemning the Iraqi treatment of foreign nationals in Iraq and Kuwait. The US were seeking a Resolution which dealt with the question of nationals alone because they realised that a wider Resolution on sea interdiction would be unlikely to succeed at this stage. The Prime Minister recognised the reasons for this approach but commented that a wider Resolution might soon be necessary. The Prime Minister added that it was important to find out more about the Chinese position. She was also concerned about the Indians who, historically, have taken a great deal of Iraq oil.

The Foreign Secretary relayed Mr. Baker's account of President Bush's meeting with King Hussein of Jordan. The feeling of the American Administration was that this meeting had gone well. The US had undertaken to look at ways in which Jordan could be compensated if sanctions were fully applied. The Prime Minister said that it was essential that Jordan should not be allowed to be the breach in the dyke. It was important that no food from Jordan should be sent to Iraq; and the Saudis must be persuaded to provide oil. Giving the Jordanians compensation was a much better solution than allowing Jordan to drive a coach and horses through the UN sanctions. The Foreign Secretary said that he thought King Hussein's main difficulty was less economic than political. Secretary Baker had said that King Hussein's equivocal stance was helping to keep him in power and was not therefore a bad thing. That said, the Foreign Secretary thought that King Hussein was hypnotised by Saddam. He was also very hurt by the Prime Minister's message. The Prime Minister said that we had better let King Hussein know that Saddam will lose - this would be the key psychological message to get across.

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The Foreign Secretary went on to give an account of his conversation with Mr. Baker on the meeting of the Western European Union on Tuesday. He had stressed the importance of harvesting small contributions. It would be important for the US to tread carefully on suggesting that forces should be put under US command. Mr. Baker had understood this. The Prime Minister said that what they should seek is not co-ordination under US command but co-ordination with the US. With that simple change of word many of their difficulties would disappear.

The Prime Minister said that she was concerned by the dilatory way that OPEC was proceeding: why were they holding a meeting next week? - the meeting should be on Monday. It was clear that we would have to put up oil production to whatever is necessary. The Saudis were willing to do so and she gathered the UAE were thinking of doing so too. We must get positive signals on increasing production out of OPEC as soon as possible, she thought.

The position on foreign nationals in Iran and Kuwait was discussed. Both the Prime Minister and the Foreign Secretary agreed that it now seemed highly likely that foreign nationals would be detained at key installations. Saddam Hussain was behaving like Hitler and using psychological warfare. His aim might well be to provoke hostile action. The Prime Minister stressed the importance of the UK studying his psychological warfare tactics carefully and responding in a suitable way. The Foreign Secretary told her that the Foreign Office's psychological warfare department had been re-activated: he was currently studying a paper from the unit. The Prime Minister said that the UK would need to get across loud and clear in broadcasts to Iraq the message that Saddam would lose and that we will carry on long enough to make sure that he does. Another key point was that Saddam had led the Iraqis into a long and costly war with Iran. 100,000 Iraqis lives had been lost and a quarter of a million Iranians had died. All this was for nothing now that Iraq had conceded the territory which had been the point of issue. This proved Saddam was a selfish, despotic dictator.

More generally, we had to get across the point to the domestic and international media that this crisis had happened because this dictator had taken Kuwait by force contrary to international law. The Prime Minister said that she was concerned that commentators were already beginning to lose sight of this fundamental fact. Not just westerners, but streams and streams of other people were leaving Iraq and Kuwait because they feared living under Saddam. We had to stress that the power of self-defence was far older than any UN Resolution - it was important not to get bogged down in talk on the detailed powers available under UN Resolutions.

The Foreign Secretary said that he was beginning to think that the Government should recall Parliament. Cranley Onslow had spoken to him and said that he thought that Parliament would need to be called back soon and the Foreign Secretary saw advantage in not being forced into doing it. The Prime Minister said that she saw his point but that we should get past the immediate crisis on foreign nationals before doing so. The Lord President was away

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and at this stage there was little which could usefully be discussed by Parliament. If there were clashes over blockading that might be different but we should seek to regain the initiative before Parliament was recalled.

I am copying this letter to Tim Sutton (Lord President's Office), Simon Webb (Ministry of Defence), John Gieve (H M Treasury), John Neilson (Department of Energy) and Sonia Phippard (Cabinet Office).

Yours sincerely,

Caroline

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