

010
CONFIDENTIAL

PM seen
in mtg folder



Foreign and Commonwealth Office

London SW1A 2AH

9 June 1981

Home Minister

Dear Michael,

Must

New YAR Naval Base

The Prime Minister will wish to know the current position on the YAR naval base in case this is raised by the Saudis during King Khaled's visit. Your letter of 28 April to Brian Norbury refers.

Sir James Craig, who has returned for the visit, has advised that we should not ourselves initiate discussion. The Saudis have got the message that we would welcome their financial involvement and have indicated a readiness to contribute: it would be better not to press further at this stage - particularly since the YAR government have still not made any formal approach to Saudi Arabia or the UAE.

President Saleh has confirmed that the new base is to be built at Al Jabanah, to the north of the existing facilities at Hodeidah. Sir William Halcrow & Partners visited the YAR last month to present their technical proposals for a feasibility study. They now await the Yemenis' reaction. If their proposals are accepted Halcrows expect to carry out the study later this year. It will cost about £250,000 (more if there are delays through adverse weather conditions). The Royal Navy may be able to undertake the associated hydrographic survey.

Departments have considered how HMG might be able to meet Prince Sultan's expectation of a British contribution to the cost. Neither the FCO, Ministry of Defence or Department of Trade have any available resources. We are therefore approaching the Treasury for special provision. This would cover the cost of the feasibility study, the training in this country of a cadre of artificers to run the new base and advisory visits by MOD personnel to the YAR. All this would involve an expenditure of something like £1.3 million, though not, of course, all within one

/financial

CONFIDENTIAL

CONFIDENTIAL



financial year. We have also reminded the YAR Government that they themselves must now start to take the lead in discussion with prospective donors.

If the Saudis raise the subject, the Prime Minister could say that we are continuing our discussions with the YAR and await their decision on the feasibility study. In the meantime we are considering how we may be able to contribute financially to the project.

I am copying this letter to Brian Norbury, MOD.

Yours ever,

[Handwritten signature]
(F N Richards)
Private Secretary

M O'D BAlexander Esq
10 Downing Street

CONFIDENTIAL