

British Embassy

Jedda

3 May 1977

ECO/121/3(E)

The Right Honourable
Dr David Owen MP

etc etc etc

Sir

BRITISH EXPORT PERFORMANCE TO SAUDI ARABIA

1 In my despatch 095/372(E) of today's date I examined the splendours and miseries of the Saudi development scene. The United Kingdom has a double interest in the success of Saudi efforts to improve the economic condition of this country: the obvious desire to make a living by supplying Saudi needs; and an interest in seeing Saudi endeavours well, rather than ill, directed if only in our own longer-term commercial interests. Neither purpose is easy to achieve; and in the present atmosphere, described in paragraph 9 of my companion despatch, both are going to get more difficult not easier. The Saudis have always been self-satisfied, suspicious and inveterate hagglers. Their experiences since super-affluence struck them five years ago have strengthened these tendencies. There is never any shortage of those willing to tell a rich man what he wishes to hear; nor, alas, of those willing to try to fleece him in the process. We like to think that our standards in these matters are higher than those of some of our competitors but it often takes a long time to demonstrate this in practice and in the meantime the Saudis will shop around, not always wisely. We have, rightly, made great efforts to provide them with good advice both by government-to-government arrangements and through the services of British consultants, who are highly regarded here and do a great deal of business. The mounting tide of Saudi suspicion of foreign contractors and resentment at the increasing impact of the life-style of the expatriate from the industrialised world will not make this task any easier but we should not give up on that account.

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play only a part in landing major projects. The exact nature of the Saudi decision making machinery is obscure but certainly much is settled by agreement between the senior princes. To secure a contract, a company must secure the support not merely of a senior prince, often through an established agent through whom very substantial commissions have to be paid, but also of many ministers and officials down the line who, if seldom able to do much to help, are yet very able to hinder. Circumventing the hesitation of junior officials is one of the tasks that a Ministerial intervention or a visit from a prominent personality can sometimes accomplish. But keen pricing and even keener salesmanship are what count when all these subtle calculations have cancelled each other out.

9 In the last resort the solution to the problems of doing business in this country does not lie here. When my staff have done all they can by the provision of information and the fostering of contacts; when inward and outward missions have run their course; when I and others have nobbled the appropriate princes and fixers and when Ministers have intervened by letter or in person, the contracts will go to those who can deliver the goods on time at a competitive price and follow through with a sufficient after-sales service. Some (though by no means all) of our rivals manage with a staff far smaller than that which I already have. If British industry were competitive we too could do more with fewer staff. All the Land Rovers the factory could send could be sold here without effort on the part of the Embassy; but British Leyland have not yet sorted out their dealer network or their production problems and they do not have unlimited time in which to do so. The Land Rover is nearly thirty years old (a longer life than the Volkswagen Beetle) and the Mercedes replacement is on the way. There is a market for an unlimited number of Range Rovers if they were

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