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IMMEDIATE DUBAI TO FOREIGN AND COMMONWEALTH OFFICE

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ADDRESSED TO BAHRAIN TELNO. 494 OF 30 OCTOBER REPEATED FOR INFORMATION TO FCO. TEHRAN, JEDDA, DOHA, AND ABU DHABI AND SAVING TO WASHINGTON AND BAHRAIN AGENCY.

YOUR TELNO. 647 : TUNBS.

APA MET RULER OF RAS AL KHAIMAH'S SON LAST NIGHT ON HIS RETURN FROM TEHRAN. KHALID SEEMED IN A BITTER MOOD AND CLEARLY THE TALKS WITH THE IRANIANS HAD GONE BADLY.

2. HE SAID HE FOUND THE IRANIANS FANATICAL WHERE THE ISLANDS WERE CONCERNED. THEY REFUSED TO ACCEPT THE DRAFT NOTE HE BROUGHT WHICH THEY CONSIDERED WAS COUCHED IN TERMS UNFRIENDLY TO IRAN. THEY DEMAND THE ACCEPTANCE OF THEIR DRAFT BEFORE THE SHAH LEFT FOR RIYADH, OTHERWISE RAS AL KHAIMAH WOULD LOSE IRAN'S FRIENDSHIP AND COOPERATION. (KHALID DESCRIBED THIS AS A TEN-DAY ULTIMATUM). THEY SAID THERE WAS NO FURTHER POINT IN DISCUSSION AS THE IRANIAN GOVERNMENT HAD REACHED AGREEMENT WITH HMG ON THE MEDIAN LINE AND THE TUNBS WERE ON THE IRANIAN SIDE OF IT. THE ISLANDS BELONGED TO IRAN AS THEY HAD ALWAYS DONE.

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3. APA ASSURED KHALID THAT THERE WAS NO AGREEMENT OF THE KIND. KHALID SAID HE WAS GOING TO REPORT TO HIS FATHER AND THEN WOULD BE GLAD OF THE OPPORTUNITY TO DISCUSS THE MATTER FURTHER WITH US. HE ASKED ME TO COME AND SEE SAOR TOMORROW, 31 OCTOBER.

4. THE IRANIAN VERSION OF EVENTS WILL NO DOUBT BE DIFERENT AS USUAL AND YOU AND THE FUO MAY WISH TO HEAR IT BEFORE COMING TO ANY FIRM DECISIONS. HOWEVER I SHOULD LIKE TO GIVE SAOR SOME VERY EARLY REASSURANCE AND COULD VERY CONVENTIENTLY GO THERE TOMORROW. I ASSUME I CAN CONFIRM THAT THERE HAS BEEN NO AGREEMENT BETWEEN HMG AND IRAN EITHER ON THE MEDIAN LINE OR ON THE FUTURE OF THE ISLANDS. MAY I GO ON TO SAY THAT OUR VIEW ON THE STATUS OF THE TUNBS HAS NOT CHANGED AND THAT THIS HAS BEEN MADE PLAIN TO THE SHAH? IT WOULD OF COURSE BE BETTER STILL IF I COULD SAY THAT HMG WILL STAND BY THEIR OBLIGATIONS SO LONG AS RAS AL KHAIMAH REMAINS UNDER OUR PROTECTION.

5. GRATEFUL FOR REPLY BY Ø9ØØ LOCAL TIME 31 OCTOBER.

FCO PASS IMMEDIATE TEHRAN, ROUTINE JEDDA AND SAVING WASHINGTON, BAHRAIN RESIDENCY PASS SAVING AGENCY.

MR BULLARD.

[REPEATED AS REQUESTED]

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