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SIR J GRAHAM'S TALKS AT THE STATE DEPARTMENT ON 17 FEBRUARY 1981:

ARAB/ISRAEL

Present: Sir J Graham
Mr R O Miles
Mr A F Goulty

Mr N Veliotes (Assistant Secretary)
Mr S Lewis (US Ambassador to Israel)
Mr M Draper (Deputy Assistant Secretary NEA)
Mr W Cluverius (Office of Special Middle East negotiator)
Mr N Howell (Director NEA)
Mr E Peck (Director NEA)
Mr G Lambrakis (Director NEA)
Mr R Beaudry (Director, Bureau of European Affairs)
Mr R Hass (Deputy Director, Bureau of Politico-Military Affairs)
Mr P Kaplan (Deputy Director, Policy Planning Staff)
Mr W Kinby (formerly of Policy Planning Staff)
Mr J Hirsch (Deputy Director, NEA)

1. Mr Veliotes welcomed the opportunity to exchange views with Sir J Graham. He said that the US Administration was determined to take the steps required to defend its interests abroad against the Soviet threat. This was a global policy; two examples were El Salvador and the visit of the South Korean President to Washington, which was an obvious signal. The Middle East, South-West Asia and Afghanistan were three priority areas for implementation of this policy. The Americans were focussing on South-West Asia. They would also look at the prospects for the Middle East peace process but there would be a considerable time-lag before this could be seriously addressed. The US and its allies should meanwhile strengthen their security ties to counter the Soviet threat.

2. Sir J Graham agreed that SW Asia was a key area, with the Soviet army in Afghanistan and Iran in chaos and its future unpredictable. Arab states were worried. But HMG saw the Arab/Israel dispute as the key to a coherent Western policy in the whole area. Not all the problems would disappear with a peace, but it was difficult for the West to improve its relations with countries under threat from the Russians, while it was seen as the ally of Israel, which those countries regarded as a greater threat. Moderate Arab governments were worried at the radicalisation of their peoples as a consequence of the Arab/Israel dispute. Arab/Israel was therefore the top priority. Camp David had been a terrific breakthrough, both on the ground and psychologically; but it would not be very difficult to get the other Arabs, including the Palestinians, to participate. The process might therefore need to be adapted in order to consolidate and build on what had already been achieved.

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3. Mr Veliotos said that the US did not want to lose any time in tackling the SW Asia security issue. Sir J Graham said that European activity would to some extent fill the gap before the Israeli elections. The gap was not long in historical terms and the Americans would presumably wish to spend the next few months in planning and consultation rather than action. Mr Kaplan said that there would be discussions with the US allies and with regional states in the next few months; this period would not be devoted simply to studies.
4. Mr Miles said that US/European cooperation over Arab/Israel was most important. The Europeans could contribute to a process which the US must lead. The first move was for the Europeans but they needed US understanding and acceptance; the US should refrain from closing options.
5. Mr Veliotos summarised the present American position. They endorsed the Camp David process, intended to build on it and would not contemplate changes in its framework without Israeli and Egyptian agreement. That did not close any options, including that of using the Camp David formula. Mr Kaplan emphasised that nothing should be done by the Europeans which undercut the Camp David process.
6. Sir J Graham said that the preference of Gulf States for protection from afar reflected their desire, which had been fed by their perception of the causes of the fall of the Shah, to avoid too obvious a Western military presence. The rulers, whatever their private feelings, were in a difficult position vis a vis their own public opinion because many Arabs saw the Russians or communists as a lesser threat than Israel. It was partly for that reason that there was a new desire among the moderate Arabs for a negotiated settlement of that problem.
7. Mr Veliotos said that Jordanians recognised that there would be a period of US disengagement from the Arab/Israel issue. In answer to a question Sir J Graham said that he thought Arab states would give the US a fair hearing on SW Asia security provided that the US Administration appeared to have an open mind on Arab/Israel and not to be wedded immutably to the Camp David process.
8. In reply to a question from Mr Sterner on the European initiative, Sir J Graham said that the EC was united on the Middle East issue. He preferred the term 'activity' which was less likely than 'initiative' to arouse unfounded expectations. There were organisational problems in the European Community's political cooperation. Nevertheless working papers had been drawn up dealing with withdrawal, self-determination, guarantees and Jerusalem. These outlined the problems and possible solutions

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but did not constitute a blueprint. The Dutch Foreign Minister was engaged in a further round of consultation which would include talks in Washington. Mr Veliotes confirmed that no date had yet been set for Mr Van der Klaauw's visit. Sir J Graham said that the Europeans wished to focus the minds of the parties on practical issues such as what territory was to be discussed, how self-determination could be effected and which Palestinians should be involved. Mr Veliotes warned of the dangers of solidifying Arab thinking or of endorsing solutions which proved to be non-negotiable. Commitment to an independent Palestinian state for example could prove to be a policy which led nowhere.

9. Sir J Graham said that the key was to move the Palestinians towards recognition of Israel. The Europeans had some leverage over the Arabs because of the latter's desire for a political discussion between Ministers. He thought that the PLO might perhaps be brought to agree to a form of conditional recognition. This would have to be an unequivocal public statement. It could lead to Palestinian involvement in a revamped Camp David process under a new name. The position of the Syrians was important and they must also be brought along.

10. Mr Veliotes observed that the only feasible Jordanian option was the Jordanian/PLO option. The Jordanians would require an unequivocal decision by Fatah to take that course. He wondered whether a declaration of the kind envisaged by the PLO might not lead to its splitting. Sir J Graham said that the internal politics of the PLO were Arafat's problem. If Arafat made the statement he would calculate that he could manage his organisation. Sir J Graham believed that Arafat himself wanted a settlement and was prepared to live in peace with Israel. Mr Miles pointed to the need to establish what quid pro quo the PLO would want, other than European recognition, for a helpful statement. Mr Peres seemed to be fairly open-minded provided that the PLO changed its spots.

11. Mr Lewis warned that Peres' election victory was not certain, particularly now that Mr Dayan had entered the lists. But Peres was likely to lead a coalition government which would contain contradictory elements. He wanted more imaginative diplomacy possibly involving talks with Palestinians. But nobody should assume that any Israeli government could be brought to negotiate with an organisation headed by Arafat. Mr Sterner asked how a step forward by the PLO could be translated into a cutting edge with the Israelis. Sir J Graham suggested an Arab negotiating team including Palestinians but Mr Lewis pointed out that discussions in 1977 had aborted on that point.

12. Mr Lewis said that an absolute majority for Peres could be discounted. His likely dependence on the NRP or Dayan would be a constraint. Peres was naturally inclined to play down his political problems: there were still serious differences of view within the Labour party. Peres was not committed to total withdrawal, self-determination for the Palestinians or an independent Palestinian state. Hence there was a need to stay within the Camp David umbrella and to ensure that the Israel/Egypt relationship prospered.

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13. Sir J Graham pointed out that this would antagonise the other Arabs. President Sadat could not negotiate for the Palestinians and expect them to accept the result. Somehow Palestinian participation, which was foreseen in the Camp David agreements, had to be contrived and the Israelis would have to accept it. Mr Veliotos said that the Europeans should not assume that the Americans would deliver the Israelis if they delivered the Palestinians. That would be to leave the Americans to pick up the pieces. Consultations between the UK and Israel would be essential. Sir J Graham agreed: the UK was determined to maintain links with Israel, to whose security HMG were committed as recently re-affirmed by the Prime Minister.

14. The discussions adjourned for lunch. Sir J Graham took the opportunity during discussion of the Gulf in the afternoon to argue that Israel was not a strategic asset for the West and could not be while the Palestinian problem remained unsettled, except in the case of an all-out nuclear war (Mr Veliotos had urged him privately to put this point on the record).

15. Concluding the day's discussions, Mr Veliotos reiterated US concern over the way European activity on the Arab/Israel question might go in the coming months. He said that some of his colleagues felt that he had not sufficiently stressed this during the morning discussions, and made clear he was speaking for the record. There was very deep and continuing concern at the highest levels of the Administration about this issue. Sir J Graham assured him that we were well aware of this concern and that Lord Carrington and the Prime Minister would be at pains to reassure Mr Haig. We were committed to the security of Israel, we shared US objectives in the Middle East and wanted to work in a complementary way. A comprehensive settlement was not totally impossible.

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SIR J GRAHAM'S CALL ON AMBASSADOR STOESSEL

(UNDER SECRETARY FOR POLITICAL AFFAIRS, STATE DEPARTMENT),

17 FEBRUARY 1981

Present:

Sir J Graham	Ambassador W Stoessel (Under-Secretary for Political Affairs)
Mr R O Miles	Ambassador N Veliotes (Assistant Secretary NEA)
Mr A F Goulty	Mr W N Howell (Director NEA/ARN)
	Mr R Beaudry (Director, Bureau of European Affairs)
	Mr R Baker (Under Secretary's Office)

1. Mr Stoessel welcomed Sir J Graham and said that the Americans were looking forward to the visit of the Prime Minister and Lord Carrington next week.

Arab/Israel

2. Sir J Graham, opening a general discussion on the Middle East, said that the Arab/Israel problem and the security of the region were linked. An Arab/Israeli settlement would not end other problems in the area such as Libya/Chad and the Iran/Iraq war. But it would create a better atmosphere in which the West could pursue its common concern about security. He detected a new feeling among moderate Arab Governments - they were now sincere in wanting a settlement. They were worried that the Palestinian issue was radicalising their own people. But they could not align themselves whole-heartedly with the West, as they would wish, while the West was seen as the main supporter of Israel. Arabs viewed Israel as the real threat and most Arabs would prefer rule by Arab communists, who might at least be expected to be Arabs, to rule by Israel.

3. Mr Stoessel asked about Iran in the Arab/Israel context. Sir J Graham doubted its relevance though Iran was of very great strategic importance. He thought that the excesses of the Iranian revolution had discredited it in Arab eyes.

4. Sir J Graham said that Camp David had been a great break-through. It offered a useful precedent for Israeli withdrawal and the dismantling of settlements. Unfortunately an opportunity had been lost when other Arabs had not joined the process as had been intended. They would not do so now. The Israelis destroyed any emerging Palestinian leader on the West Bank. All West Bank Palestinians argued that the

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PLO reflected their aspirations.

5. Mr Stoessel asked how the PLO were to be persuaded to move towards recognition of Israel. Sir J Graham thought that simultaneous recognition, which President Sadat had mentioned in his speech to the European Parliament, though attractive, might be difficult to achieve. We were pressing the PLO to make a public conditional recognition of Israel. Their view that this would be to play their last card was illogical: recognition of Israel was the 'ante' for entering negotiations, which had to be based on acceptance of the existence of the state of Israel, not a bargaining chip. Arafat had implied recognition of Israel privately and in his recent 'Times' interview and might be persuaded to make a public statement preferably including a statement of the Palestinians' wish to live in peace with all their neighbours, including Israel. There was no question of the Europeans recognising the PLO as the sole representative of the Palestinian desire for political meetings with European Ministers, including a Ministerial meeting in the context of the Euro-Arab Dialogue with the PLO in the Chair on the Arab side, gave the Europeans some leverage. It would be best of all if the PLO were to accept the Venice Declaration. Sir J Graham asked if the Americans thought it possible to build on the Camp David formula, possibly under a different name. The Israelis seemed wedded to the autonomy talks; this posed difficulties for the Arab side in that the word autonomy implied a higher sovereignty, presumably Israeli, over the occupied territories.

6. Mr Veliotes wondered whether the PLO might be subsumed in an Arab or Jordanian delegation. Sir J Graham said that King Hussein would not be prepared to contemplate any so-called Jordanian option without a clear mandate from the PLO and other Arabs. Self-determination for the Palestinians should mean a free choice. Israeli objections to a Palestinian state on the West Bank seemed irrational; such a state would be weak and pose less of a threat to Israel than would a larger Jordanian state, dominated by Palestinians.

7. Mr Veliotes asked about Soviet influence in the PLO. Sir J Graham replied that though there were Left Wing elements within the PLO, Arafat professed not to be a communist, and was probably at heart a bourgeois petty capitalist.

8. Mr Stoessel asked about UN Security Resolution 242. Sir J Graham said that the Arabs, very foolishly, were coming close to rejecting it on the grounds that the Palestinians did not get a proper mention. There were obvious difficulties in seeking a further Security Council Resolution on the Middle East to complement 242: these could be side-stepped if the PLO would make a unilateral statement of conditional recognition of Israel. Mr Stoessel observed that it might be easier for the Israelis if the PLO were to accept 242.

9. Sir J Graham said that there was a case for a meeting between Lord Carrington and Arafat during the UK's Presidency of the EC but this was certainly not possible unless the PLO clearly showed that they wanted negotiations. Mr Miles added that the Palestinians had recently offered some fairly ambiguous encouragement. Sir J Graham commented that he had been impressed by Arafat when they had met in Beirut in December.

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10. Turning to Israel, Sir J Graham said that it was generally believed that a Labour Government in Israel would bring only a change of style but not of substance on the Palestinian issue. He believed however that there was a significant difference. Begin's commitment was to Eretz Israel as an article of faith: Peres's demand for territory was based on grounds of security, and he was worried about the proportion of Arabs within an Israeli state. In the course of his recent visit to London, Peres had resisted pressure in public to condemn the PLO and had acknowledged privately that if the PLO were to change its spots it would be a different animal. Peres moreover had said that he saw an urgent need for a settlement within five to ten years, possibly because of the spectre of a nuclear Iraq (though the UK thought this too short a time-frame for that). He had hinted at the possibility of maintaining military settlements on the West Bank for an interim period only.

11. Mr Veliotes agreed that there was a significant difference between Begin and Peres. He asked about Peres's attitude to Jerusalem. Mr Miles said that Peres wanted to tackle it at an early stage immediately after an agreement on autonomy had been achieved, but he saw that a very flexible approach would be required. Mr Miles added in response to a question that we had not pressed Peres on what form an agreement would take or on the nature of a regime for Jerusalem. Peres had talked of discussing first bilateral issues with the Jordanians; this seemed unrealistic. Mr Veliotes speculated that Peres hoped by such discussions, without insisting on political recognition, to build Jordanian confidence. The Jordanians saw Begin as determined to destabilise Jordan. There was some possibility of a more forthcoming approach from Peres. Sir J Graham said that Peres intended to fight the election on Begin's domestic record. He aimed to preserve maximum flexibility on the international front. He asked how the new American Administration viewed the issue.

12. Mr Stoessel said that it was as yet early days. He thought that the President would follow the Camp David framework and not rush into anything. Careful study and full consultation was needed. The visit of the Prime Minister and Foreign Secretary would be very valuable in this context. The Americans wished to develop mutual confidence among the parties. Mr Haig was keen to look at the situation in the region from an over-all strategic perspective. Mr Stoessel thought that the European Community could play a role and that the Americans would want to work with the Europeans and keep in touch especially over the PLO. Mr Veliotes added that it was fortunate that the Israeli Elections provided a natural breathing space.

13. Sir J Graham urged maximum flexibility over the next stage of the Camp David process, which of course could not be disowned. The Europeans hoped to work closely with the Americans and to be active in bringing the Palestinians along. He acknowledged the need for the Europeans to maintain good relations with Israel; Begin was suspicious of the European approach but Peres was less so. Sir J Graham stressed that the Europeans were not seeking merely to gain credit with the Arabs: ^{we were} sincerely working for a settlement.

/Iran

Iran

14. Points made in a brief discussion of Iran and the British detainees are recorded in Washington tels nos 563 and 564.

Iran/Iraq

15. Mr Stoessel asked what could be done about the Iran/Iraq war. Sir J Graham thought that there was little that the West could usefully do. Iran was in low water but was still exporting more oil than the Iraqis and would no doubt manage to muddle along. The Iraqis were suffering more power cuts for example. The war might go on for a very long time. Sir J Graham thought that the Iraqis were likely to go for Abadan, Dezful and Ahwaz, but if they moved forward their front line it would be extended and their lines of communication would be stretched. Mr Palme was not optimistic over his chances of achieving a cease-fire, but hoped to secure the release of the ships trapped in the Shatt-al-Arab. However the river might need dredging and the ships might have to be repaired. Sir J Graham thought that even if the release of the ships was achieved it was unlikely to lead to the end of the war. There was however agreement on the land border between Iran and Iraq and it might be possible to build on that, leaving the disputed water way for negotiation. Saddam Hussain's prestige was closely tied to the war. The other Gulf states would probably prefer there to be no decisive victor.

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