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Foreign and Commonwealth Office

London SW1A 2AH

30 January 1981

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Dear Michael,

Pamie Amster

Paul

Arab-Israel Dispute

In preparation for talks with the Americans on the Middle East we have prepared a paper which gives some background to European Community policy. It is not proposed that we should actually hand over a copy to the Americans. Although a copy will be attached to the briefs for the Prime Minister's visit, we thought that the Prime Minister might be interested in seeing it in advance.

Am very unhappy with this approach. It seems to me that if we are to take a major part in negotiations focus over, we shall have to take a major part in the security of the region. As it is we have a major focus over, (F N Richards) Private Secretary

M O'D B Alexander Esq
10 Downing Street

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THE ARAB/ISRAEL DISPUTE IN 1981

Global Background

1. In the Middle East East/West tension has from time to time reached crisis level. Another local conflict leading to direct East/West confrontation cannot be ruled out. There are a number of possible flash points but the Arab/Israel problem, which in turn complicates all other problems in the area, remains the greatest single threat. A Middle East peace settlement is vital for world peace.
2. The Western strategic position, and the US position in particular, is based on certain key points: traditionally Israel, more recently Egypt, and to some extent the Arabian Peninsula. But an analysis of likely contingencies suggests that it is a fallacy to regard Israel as a strategic asset for the West except in the extreme case of total war between East and West. In other contingencies (eg an intervention in Iran or the Gulf) the West would be unable to use its facilities in Israel because of opposition from Arab states.
3. Over the years, the extent of the West's support for Israel has jeopardised the prospects for Western co-operation with the Arab world against Soviet expansionism and increased the opportunities for the spread of Soviet influence in the area. Radicals have been able to use the West's support for Israel as an argument for turning the Arab world towards the Soviet Union. Even Saudi Arabia, if forced to choose between her Arab vocation and her friendship with the West, would choose the former, both for emotional pan-Arab reasons, and because the present government fears, with some reason, that its internal position is likely to be undermined through too close and obvious identification with the West, so long as the latter is seen by the Arab peoples as the principal prop of Israel. The oil weapon was effective enough in 1973; it will be used still more effectively next time.



4. It is contrary to our interests for the idea to become established that the USA is the champion of Israel while Europe (together with the Soviet Union!) is the champion of the Arabs. This formula will create great tension in the alliance and make no contribution to peace in the region. US and European objectives are the same. Our political and moral commitment to Israel's secure existence remain unshakeable. But this does not involve automatic acceptance of Israeli policies nor absolve us from the responsibility to use our influence on the Israelis.

5. Our objective therefore should be an early solution of the Arab/Israel problem which, while providing for Israel's secure existence, can also deal with the Palestinian problem in a way satisfactory to the Arabs. The European Community believes that such a solution should be based on the principles of Israeli withdrawal from territories occupied in 1967, self-determination for the Palestinians on the West Bank and in Gaza, and adequate security guarantees for Israel. The absence of a solution to the Arab/Israel problem is likely to prove the rock on which efforts to improve military co-operation between the West and the Arabs founder.

Camp David

6. We must find a way together to build on the tremendous achievements of Camp David, peace on Israel's southern front and Israeli withdrawal from Sinai. But the way forward is no longer through the 'Camp David process' as it has developed and there is a need to take a fresh look and establish a new process, under a new name.

7. The Arabs (apart from Egypt) have maintained co-ordinated strong opposition to the treaty and the autonomy talks. This

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What is our priority defn.?

rift in the Arab world can only complicate the search for peace. Ways must be found to involve the Arabs (other than, or in addition to, Egypt), and in particular the moderate Arab states, in peace talks.

8. It is axiomatic that any solution must also be acceptable to the Palestinians, although there is room for debate about how the Palestinians should be defined. The Palestinian Diaspora, which for the present at any rate is dominated by the PLO, is a corroding influence on the political structure of the area. If they are excluded by the definition, autonomy offers them, as opposed to the Palestinians of the West Bank, nothing. On the other hand, many Palestinians of the Diaspora are settled in new countries as full citizens. These probably should be excluded. Be that as it may, no global solution will work or will be accepted by even the moderate Arabs unless it gives some satisfaction to a broad spectrum of the Palestinians in the shape of a place on the map. There are no other options available. Jordan may be a useful intermediary between the Israelis and the Palestinians, and this possibility is explored below. The Palestinians may even opt eventually for some sort of relationship with Jordan, but Israel must be prepared to accept the possibility of an independent Palestinian entity in Gaza and the West Bank, and the PLO (which has the support of the vast majority of Palestinians) must be associated in some way and probably directly involved in negotiations.

British and European Policy

9. The European Community wish to make a concrete contribution to peace but recognise the central role which the US must play. The US and Europe can play independent roles but there must not be rival policies. The Community also recognise that there can be no question of imposing a peace settlement; progress can ultimately only be made with the agreement of both sides. But the stated minimum demands of either side cannot necessarily be taken as a starting point for peace efforts.



10. Practical progress towards peace is required. Diplomatic posturing will not suffice. In our view, the best guarantee of future stability and of good relations with the Arab world and with Israel lies in a freely-negotiated comprehensive settlement. Only such a settlement can last. British efforts, which are being pursued within the framework of political co-operation among the European Community, are directed towards establishing a framework on which a settlement fair to both sides can be built and moving both sides towards acceptance of it.

11. The principles set out in the Venice Declaration (attached) are such a framework. Essential aspects are its recognition that neither side to the dispute can dictate the shape of a settlement to the other, since the dispute involves rights on both sides which must be reconciled; and that both sides must be able to decide their own future for themselves within a geographical context set by Israeli withdrawal from occupied territories and Arab acceptance of Israel's sovereignty inside the borders thus drawn. This framework is flexible and leaves a wide range of options open. Principles of themselves will not provide a settlement. But a settlement which does not have these or similar principles at its heart will not be possible.

12. Within this framework, the Ten will be exploring with the parties in the first half of 1981 the practical problems which would be involved in the implementation of a balanced framework such as that contained in the Venice Declaration. A number of options have been identified which will form the basis of the Ten's talks with the parties. The main aim will be (a) to lay the foundation for negotiations and an ultimate settlement by mutual recognition of rights; (b) to promote a move on both sides away from rhetoric and towards practical issues. In particular, we want to push the Palestinians into working out

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what sort of settlement they might accept, eg what relationship do they envisage for a Palestinian entity with its neighbours, including Israel, how can self-determination be exercised, and how can the different factions within the PLO be brought along with a negotiated settlement?

13. The Community believes that 1981 is the right moment for an exploration of this kind. If the Israeli elections lead to the election of the Labour Party, the period immediately after their installation will be crucial to the prospects for progress over the next five years. Every opportunity should be taken to influence their thinking from the outset.

A Jordanian Option?

14. The Israeli Labour Party are committed to negotiations with Jordan on the future of the West Bank. They display optimism that King Hussein will be prepared to respond. The public Labour position is based on the principle of territorial compromise with Israel retaining sovereignty over East Jerusalem and for security reasons over the Jordan Valley strip and the Etzion area. There is no possibility of King Hussein negotiating on this basis. His minimum demand is to be able to claim that he is negotiating for the return of the whole of the West Bank of Jerusalem. He will only negotiate if also assured of sufficient Arab support, in particular PLO willingness to allow him to negotiate the end of the Israeli occupation. He will not try to usurp the PLO's position as representative of the Palestinians. Without Syrian acquiescence he is unlikely to be willing or able to negotiate at all and the chances of such acquiescence are poor.

15. Nevertheless, if the Labour Government could at least leave open the future status of the areas in which Israel wishes to maintain troops and of East Jerusalem, and also accept the possibility of the Palestinians ultimately being able to choose
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their future, not excluding an independent state, useful negotiations between a Labour Government and Jordan (as a friend at court of the Palestinians) are conceivable. We believe that pressure should be exerted on both sides in this direction. Much preparation, however, remains to be done and it is important that nothing is said in public to make it more difficult for King Hussein to accept.

A New Negotiating Framework

16. The basis for multilateral negotiations does not at present exist. It is a mistake to set preconditions on either side before negotiations can take place, but a signal from both Israel and the Palestinians of greater readiness to understand and meet the preoccupations of the other would be of immense value. The European Community will be working for this, particularly with the Palestinian side.

17. We are open-minded about future negotiating frameworks (Geneva-type Conference, proximity talks, direct negotiation etc) but believe that Palestinian involvement in one form or another will be indispensable.

18. The Venice Declaration talks carefully of the need for the PLO to be associated with negotiations. There are no other claimants for the role of representative of the Palestinians, nor are any likely to emerge while present Israeli policies on the West Bank continue. The PLO's public position is unacceptable, its continuing involvement with terrorism a major obstacle to peace, and its internal divisions a stumbling block for the emergence of moderate policy. But to pretend that other Palestinians will be ready to negotiate, or to insist on prior moves from the PLO before dealing with them, will not be useful in bringing the PLO towards a more helpful role. The possibility of other Palestinian groups (eg West Bank representatives) playing a separate role at some stage must not be closed off, but for the present the Palestinians can only be represented either directly

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by the PLO or by negotiators enjoying their confidence. There is sufficient willingness to compromise among the PLO leadership to give some hope for the future.

19. The PLO has close links with the Soviet Union and other East European countries. These countries provide not only diplomatic support but also weapons and training. There are groups within the PLO (eg the Democratic Front for the Liberation of Palestine) which hold Marxist views. But for the mainstream leadership, the relationship appears to be little more than a marriage of convenience. The Fatah leadership (particularly Arafat and Qaddumi) have little if any ideological commitment. There is no sense in which they are puppets: the Soviet Union has little control over their actions and follows rather than inspires their views (we believe that the Russians have pressed the PLO to accept Israel's right to exist, as the Russians themselves have always done). It is impossible to predict precisely what would be the relationship between the Soviet Union and any Palestinian entity established as a result of a peace settlement, but we see little reason to believe that such an entity would be Soviet-dominated, with the consequent danger of Soviet military presence. Any Palestinian entity would be weak militarily (it would have to be almost totally demilitarised) and politically; it would be vulnerable to pressure from the surrounding states of Israel and Jordan (both of which would clearly resist Soviet influence); and it would be dependent for economic survival on large-scale aid from the oil-rich Arabs and the West. It is difficult to see the establishment of dominant Soviet influence in these circumstances.

How Can the Parties be Influenced?

20. We enjoy good relations with the Arabs in general and, with the other members of the EC, have established a limited amount of

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credit with them. We shall seek to use this. We are urging the Arabs, particularly the Palestinians, to show greater evidence of their good faith. We have sought to make the PLO aware that we are now awaiting a move from them towards acceptance of a peace settlement negotiated with and accepted by Israel. We will use fora such as the Euro-Arab Dialogue to press this, arguing that we can take our efforts no further in its absence.

21. European influence with Israel is very limited in present circumstances. Mr Begin's government have rejected the Venice Declaration, in particular the principle of Palestinian self-determination and the possibility of talks with the PLO. Labour Party leaders have also reacted negatively. If Israel is to be influenced, the US must play the major role. Influence helpful to a peace settlement need not involve use of financial or other leverage. Israel is able largely to ignore the adoption by Europe of a position with which she does not agree. She cannot do the same if US policy differs substantially and openly from her own. We believe that an American move towards more explicit acceptance of the Palestinian dimension of the Arab-Israel conflict, eg acceptance that ultimately the Palestinians must be allowed to choose how they run the areas from which Israel withdraws without an Israeli veto, would cause a fundamental reappraisal of Israeli policy, particularly on the part of the Labour Party. This could have a profound effect on the prospects for a peace settlement.

22. If a settlement is to be freely arrived at, both sides must be pushed off their respective present positions. There can be no absolute division of labour; but the contacts and influence of the members of the European Community and of the US are different. This should be used.

Near East and North Africa Dept
26 January 1981

EUROPEAN COUNCIL DECLARATION ON THE MIDDLE EAST

1. The Heads of State and Government and the Ministers of Foreign Affairs held a comprehensive exchange of views on all aspects of the present situation in the Middle East, including the state of negotiations resulting from the agreements signed between Egypt and Israel in March 1979. They agreed that growing tensions affecting this region constitute a serious danger and render a comprehensive solution to the Israeli-Arab conflict more necessary and pressing than ever.
2. The Nine Member States of the European Community consider that the traditional ties and common interests which link Europe to the Middle East oblige them to play a special role and now require them to work in a more concrete way towards peace.
3. In this regard, the Nine countries of the Community base themselves on Security Council Resolutions 242 and 338 and the positions which they have expressed on several occasions, notably in their declarations of 29 June 1977, 19 September 1978, 26 March and 18 June 1979, as well as in the speech made on their behalf on 25 September 1979 by the Irish Minister of Foreign Affairs at the 34th United Nations General Assembly.
4. On the bases thus set out, the time has come to promote the recognition and implementation of the two principles universally accepted by the international community: the right to existence and to security of all the states in the region, including Israel, and justice for all the peoples, which implies the recognition of the legitimate rights of the Palestinian people.
5. All of the countries in the area are entitled to live in peace within secure, recognised and guaranteed borders. The necessary guarantees for a peace settlement should be provided by the UN by a decision of the Security Council and, if necessary, on the basis of other mutually agreed procedures. The Nine declare that they are prepared to participate within the framework of a comprehensive settlement in a system of concrete and binding international guarantees, including on the ground.
6. A just solution must finally be found to the Palestinian problem, which is not simply one of refugees. The Palestinian people, which is conscious of existing as such, must be placed in a position, by an appropriate process defined within the framework

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of the comprehensive peace settlement, to exercise fully its right to self-determination.

7. The achievement of these objectives requires the involvement and support of all the parties concerned in the peace settlement which the Nine are endeavouring to promote in keeping with the principles formulated in the declaration referred to above. These principles must be respected by all the parties concerned, and thus by the Palestinian people, and by the PLO, which will have to be associated with negotiations.

8. The Nine recognise the special importance of the role played by the question of Jerusalem, for all the parties concerned. The Nine stress that they will not accept any unilateral initiative designed to change the status of Jerusalem and that any agreement on the city's status should guarantee freedom of access for everyone to the Holy Places.

9. The Nine stress the need for Israel to put an end to the territorial occupation which it has maintained since the conflict of 1967, as it has done for part of Sinai. They are deeply convinced that the Israeli settlements constitute a serious obstacle to the peace process in the Middle East. The Nine consider that these settlements, as well as modifications in population and property in the occupied Arab territories, are illegal under international law.

10. Concerned as they are to put an end to violence, the Nine consider that the renunciation of force or the threatened use of force by all the parties can create a climate of confidence in the area, and constitute a basic element for a comprehensive settlement of the conflict in the Middle East.

11. The Nine have decided to make the necessary contacts with all the parties concerned. The objective of these contacts would be to ascertain the position of the various parties with respect to the principles set out in this declaration and in the light of the results of this consultation process to determine the form which an initiative on their part could take.