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FM WASHINGTON 161450Z JUN 81

TO PRIORITY FCO

TELEGRAM NUMBER 1835 OF 16 JUNE 1981

INFO ROUTINE TEL AVIV, CAIRO, BEIRUT, AMMAN, DAMASCUS, JEDDA

INFO SAVING BONN, PARIS, UKMIS NEW YORK, UKREP BRUSSELS:

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MIDDLE EAST: LORD PRIVY SEAL'S TALK WITH STOESSEL

1. STOESSEL TOLD THE LORD PRIVY SEAL THAT IF BEGIN WAS ELECTED THE US GOVERNMENT WOULD RESPOND TO HIS WISH AND THAT OF SADAT THAT THE AUTONOMY TALKS BE REVIVED, BOTH HE AND VELIOTES, WHO WAS PRESENT, CONCEDED THAT QUITE APART FROM THE EFFECTS OF RECENT EVENTS IN IRAQ AND LEBANON RENEWED AUTONOMY TALKS WOULD LACK CREDIBILITY WITH THE PEOPLE OF THE OCCUPIED TERRITORIES AND WITH THE MODERATE ARABS OUTSIDE IF THE PRESENT POLICY OF ESTABLISHING NEW SETTLEMENTS IN THE GUISE OF THICKENING UP EXISTING ONES CONTINUED. THEY ALSO CONCEDED THAT UNTIL NOW THE TALKS HAD NOT PRODUCED AN AUTONOMY OF SUBSTANCE THAT COULD HAVE ANY HOPE OF BEING SOLD TO THE PALESTINIANS. THEY STILL HOPED, HOWEVER, THAT SOMETHING COULD BE WORKED OUT. SADAT'S POSITION WOULD BE VERY IMPORTANT STOESSEL SAID THAT THE AMERICANS MIGHT HAVE TO PLAY A BIGGER PART IN PUTTING FORWARD THEIR OWN IDEAS ON KEY ISSUES AND VELIOTES COMMENTED THAT A FRAMEWORK THAT WAS CLEARLY TRANSITIONAL WOULD BE NEEDED.

2. SIR I GILMOUR SAID THAT THE ACCELERATING DETERIORATION OF THE SITUATION IN THE WEST BANK BOTH WITH REGARD TO SETTLEMENTS AND OTHER PRESSURES ON THE INHABITANTS HAD REACHED A POINT WHERE DISCUSSION OF AUTONOMY HAD LOST ALL PLAUSIBILITY. IT WAS IN ANY EVENT FLOGGING A DEAD HORSE. HE SAID THAT IN THE BRITISH GOVERNMENT'S VIEW DESPITE THE ADDED PROBLEM POSED BY THE PROBABILITY OF A BEGIN VICTORY, THESE GRAVE DEVELOPMENTS MADE IT ALL THE MORE NECESSARY THAT THE EUROPEAN COMMUNITY SHOULD PERSEVERE IN THEIR EFFORTS AIMED AT PROGRESS TOWARDS A COMPREHENSIVE PEACE SETTLEMENT. THEY WOULD ALSO CONTINUE TO WORK TO MODERATE THE VIEWS OF THE PALESTINIANS THOUGH THE ISRAELI'S ATTACK IN IRAQ HAD NOT MADE THIS ANY EASIER. STOESSEL DID NOT REACT TO THIS.

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3. DISCUSSING LEBANON AND THE CONTINUING HABIB MISSION STOESSEL SAID THAT THE SAUDIS HAD CONTINUED TO BE GENERALLY SUPPORTIVE DURING HABIB'S RECENT VISIT TO SAUDI ARABIA. STOESSEL SAID THAT IT WAS PROVING DIFFICULT TO HARMONISE THE TIMING OF THE TWO ELEMENTS, THE PROBLEM OF THE MISSILES AND THAT OF LEBANESE RECONCILIATION. IN ANSWER TO A QUESTION WHETHER THE US EXPECTED AN ISRAELI ATTACK ON THE MISSILES BEFORE THE ISRAELI ELECTIONS, VELIOTES SAID THAT BEGIN IN HIS PRESENT MOOD WAS UTTERLY UNPREDICTABLE.

FCO PASS SAVING: BONN, PARIS, UKREP BRUSSELS, ABU DHABI, ADEN, ALGIERS, BAGHDAD, BAHRAIN, DOHA, DUBAI, JERUSALEM, KHARTOUM, KUWAIT, MUSCAT, RABAT, SANA'A, TRIPOLI AND TUNIS

(REPEATED AS REQUESTED)

HENDERSON

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ADVANCED

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