



I will talk
to Geoffrey.

10 DOWNING STREET

Prime Minister

Aid to the West Bank
and Gaza.

Tony Paras suggests that you
should intervene to increase our aid
to the West Bank from £105,000
to £500,000 a year.

2. The result of the present
public expenditure discussion is likely to
be either a cut in the overall aid
programme or, at best, maintenance
at its present level.

3. Extra money for the West Bank
will therefore mean cutting something
else in the aid programme.

4. I suggest that we ask the
Foreign Secretary to consider extra
aid to the West Bank in the
paper on "The Jordan Factor"
which he was asked to submit
following the Bequers discussions.

Agree?

A. J. C. $\frac{14}{6}$

CONFIDENTIAL

Sir A. Parsons
The Prime Minister will discuss
with the Foreign Secretary.

MR. COLES ✓

A. J. Coles 7/10.

AID TO THE WEST BANK AND GAZA

The main point which came out of the Chequers meeting on the Middle East was the danger of the destabilisation of Jordan through a massive influx of Palestinians from the Occupied Territories and Lebanon. The corollary was that efforts should be made, during the negotiating vacuum which is likely to last until 1985, to stabilise the economic and social conditions of the West Bank and Gaza so as to deter the Palestinians from despairing emigration; and to try to ensure that Israeli policies have not irreversibly changed the political and actual geography of the area by the time negotiations for a settlement may be resumed. These conclusions are complementary to Shulz's stated objective of trying to do something about the "human situation" in the Occupied Territories

The background is that the developmental situation in the West Bank and Gaza is more appropriate to the 1940s than the 1980s. This is particularly sad in view of the fact that, up to 1948, the Palestinians, a Mediterranean people, were far more dynamic and advanced than any other Arabs with the possible exception of the Lebanese. Because of mutual hostility between Cairo and the Gazans and between the Hashemites and the West Bank Palestinians, there was virtually no economic or social progress in either area between 1948 and 1967. I can testify to this from personal experience. Since the Israeli occupation, the situation has worsened. The indigenous economy has stagnated, even declined, and the workforce has increasingly become a source of cheap labour for Israel itself.

What is being done at present? The annual sum being spent by the Israeli Government on infrastructure and development in the Occupied Territories is derisory - about \$14 million. This means that basic amenities such as urban sewage, village roads, etc which are now commonplace even in the most grotty independent Arab states, are non-existent or defective in the Occupied Territories. In the last three or four years, in the face of considerable Israeli obstruction, UNDP has mounted a programme of about \$2 million a year. This is doing useful work in a number of fields - education, health, agricultural development etc. But it is very small. The Jordanians are channelling a little aid into the West Bank through

CONFIDENTIAL

/through

through their own institutions. EC aid in 1982 came to slightly more than \$1.5 million. It is largely directed into such areas as support for rural populations and health projects. Western voluntary organisations are active but it is impossible to quantify the volume of their aid - probably very small. US aid to the Occupied Territories from all sources amounts to about \$7 million a year, roughly equivalent to US aid to Israel in a single day.

Over the past 16 years, Israeli obstruction has been an important reason why the international community has done so little for the Occupied Territories. The Israeli attitude derives from well-known political reasons, also from a policy of not allowing West Bank Gaza industries to compete with their own. To quote some examples:-

i. Permission has been consistently refused for projects which smack of producing real development in eg the agriculture or water sectors.

ii. The Israelis have been sticky about approving projects in places which they regard as being particularly hostile politically - eg since 1977 they have refused to give permission for a much-needed vegetable market at Halhoul.

iii. They have forbidden the Gaza citrus growers to process surplus juices and have refused permission for an agricultural marketing cooperative on the West Bank to build a plant to make wooden crates in order to improve the packing and marketing of its tomato crop.

iv. They have given permission in the last 16 years for only one Arab-run bank to be established - after years of hesitation and only on condition that the bank operates in shekels.

v. They have been sitting for five years on an application for a cement project at Hebron. The land has been acquired and the feasibility studies completed. The Palestinian investors are now running out of money while they wait for permission to start work.

CONFIDENTIAL

There are, however, very faint indications that the atmosphere may be improving slightly and international activity is beginning to increase. The Head of the UNDP Programme, an American UN official, told me this week that the present military administration is being slightly less uncooperative than its predecessor. He attributes this to Sharon's replacement by Arens. The latter seems to appreciate that Israel can ill-afford further international opprobrium, also that, without changing their political objectives in the West Bank, Israel would be well advised to keep the local population slightly above a level of explosive despair. UNDP are trying to raise an extra \$8 million from Arab and European sources and believe that Israeli permission considerably to expand the programme might be forthcoming. The Consul General of the Ten in Jerusalem have recommended projects which are at present under study in Brussels for the EC programme. Following Shulz's initiative, the Americans have just sent a team to the West Bank and Gaza to look at the economic situation and to make recommendations to the Administration.

What about us? Under our present aid framework we have a technical cooperation allocation of £75,000 (£40,000 last year) in 1984/85. Our overall aid provision, with the addition of the British Council element, is running at roughly £105,000 a year. The principal disbursements go on scholarships, book presentations, one subsidised teaching post at a university and grant aid for small development projects. This is pitifully small, taking account of the fact that most of our aid goes on scholarships which probably lead to some people leaving the Occupied Territories, never to return. (It is worth noting that the UNDP official has a semi-promise from the Italians of between \$1 million and \$2 million.)

Notwithstanding the pressures on public expenditure, I believe that there are good reasons for us to do more. First, I am still simple-minded enough to believe that we cannot escape from the responsibility of our past in Palestine. Secondly, a greater material effort would be consonant with our political objectives and would lend practical weight to our public declarations. Thirdly, given the new American interest, we need to be in a better position to coordinate our efforts with theirs. The more we ourselves contribute, the more the Americans will listen to us.

/If we were

CONFIDENTIAL

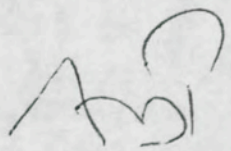
CONFIDENTIAL

- 4 -

If we were to increase our overall budget to the Occupied Territories to, say, £500,000 a year, this would go some way towards meeting our political and practical desiderata. In present circumstances, only the intervention of the Prime Minister would bring about such an increase.

(above)

I should add that the facts and figures derive from discussions with UNDP, with the FCO, reports from our Consul General in Jerusalem, and talks I have had with many interested outsiders.



A.D. PARSONS
13 October 1983

CONFIDENTIAL