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ראש הממשלה
THE PRIME MINISTER

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 73A186

Jerusalem April 16, 1986

Ref.: 1-DSR-524-1

Dear Mrs. Thatcher:

We are, together with the rest of the world, following with admiration the most recent demonstration of American resolve, and the support of courageous governments to your determined policy.

Your firm leadership of those who share the commitment not to yield to international terrorism is a major contribution to our common objective. Yet, even as we combat those who are determined to undermine stability and tranquility the world over, we continue our efforts to expand and solidify the zone of peace in our own region.

Having overcome yet another crisis along the bumpy road of our National Unity Government, the peace process once again tops my agenda.

We are presently focusing our efforts on the remaining gaps in Israel's and Egypt's respective positions concerning the Taba border dispute that has served to slow down progress in overall bilateral relations.

Concurrently, we are trying to introduce new ideas into our efforts to expand the peace process to include also a Jordanian-Palestinian component. I look forward to hearing your reflections on these ideas when we meet in Jerusalem.

Prime Minister Margaret Thatcher
10 Downing Street
London



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In the meantime, another idea which we discussed briefly has gained momentum, particularly in the wake of my recent visit to Washington.

The idea originated with the coincidence of a severe economic crisis in our region on the one hand, along with a growing potential and an expressed willingness on the part of the major industrialized countries to address this problem, on the other. The combination of this acute need, along with the ability and willingness to alleviate it, has given birth to the concept of a Middle East Economic Development Program (MEEDP).

The fall of oil prices and the ensuing repercussions, not only for the oil producers but also for those dependent on their assistance, can be best illustrated by the case of Egypt. In FY1985 alone, Egypt lost the equivalent of 10 percent of its GNP in expected revenues as a result of falling oil prices, declining revenues from the Suez Canal, and a sharp reduction in tourism and remittances from Egyptian workers abroad. Equally dramatic has been the impact on Jordan, where financial support by Persian Gulf states declined to less than 50 percent of its 1981 level.

These sudden developments have served to aggravate an already precarious situation. Thus, for example, the Egyptians have long expected that, by the early 1990s, serious problems would manifest themselves in the areas of water and energy supplies, as well as population explosion.

On the other hand, the decline in oil prices is expected to save Western industrialized countries an estimated total of \$70 billion this year alone. Of this sum, Japan's share is projected at \$20 billion. Even a small portion of this unexpected windfall could serve the expressed desire of these countries to contribute to stability and promote peace in the Middle East. Indeed, in numerous conversations I held with European and other Western leaders, a common desire was expressed to play a constructive role in the promotion of a stable and permanent political settlement in our region. The realization that in order to secure investments in refineries and pipelines one has to invest in political stability as well, was shared by all.



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Hence, there arose the suggestion to invite the Industrialized Seven to play a leading role in the MEEDP. Cooperation in economic development, we hope, may grow into support for a political process as well. Were that to materialize, the Industrialized Seven might emerge as a possible international forum to accompany future peace negotiations.

The plan, in its present draft form (enclosed), envisions an annual budget of \$2.5-3.0 billion per annum over a ten-year period. This sum may be raised by equal shares of the Industrialized Seven (and other countries who may choose to join), and by private enterprise, primarily the world banking community.

The program is to support two clusters of economic projects: one national, and the other multi-national. Whereas national projects will be tailored to alleviate specific hardships in the recipient country, the multi-national ones are to address regional needs. In so doing, this program may provide a supportive infrastructure for the nascent peace which we all seek. However, under no circumstances will this program be a substitute for political efforts aimed at a just and lasting peace in the region.

The direct beneficiaries of this fund may be those in the Middle East who are currently under dire economic stress -- first and foremost Egypt, Jordan, possibly Lebanon, as well as the West Bank and the Gaza Strip. It may also be open to others.

Reaction so far has been most encouraging. Most notably, both President Reagan and Secretary Shultz have undertaken a leading role in promoting the vision encapsulated in this conceptual framework. Equally supportive has been the expressed commitment by Chancellor Kohl, and the initial operational steps he has undertaken. Others who have expressed an interest are Prime Minister Mulroney and Vice Premier and Foreign Minister Clark, Prime Minister Craxi, as well as other leaders in Holland, Sweden, Denmark and Japan. It is my sincere hope that you, too, share in this vision, and will find the program worthy of your support.



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We do not propose this as an Israeli plan. Quite the contrary, we prefer to "fade" into the background. Our interest in it is probably identical with that which has triggered support elsewhere: the desire to see a calmer Middle East, addressing its real problems.

Still under the deep impression of the warmth and friendship that you bestowed on me during my stay in London, I look forward to your upcoming visit to Israel, where I will have the opportunity to reciprocate your hospitality and to continue our fruitful dialogue on this and other issues.

Sincerely,

Shimon Peres

Encl: As stated.

ECONOMIC DEVELOPMENT IN THE MIDDLE-EAST
(ON THE BASIS OF A TEN YEAR PLAN)

1. GENERAL

- A. THE INDUSTRIALIZED COUNTRIES WILL ESTABLISH A SYSTEM FOR ECONOMIC DEVELOPMENT OF MIDDLE EAST COUNTRIES.
- B. THE SYSTEM WILL BE PURELY ECONOMIC.
- C. THE SYSTEM WILL BE OPEN TO ALL COUNTRIES IN THE REGION.
- D. THE ESTABLISHMENT OF THE SYSTEM AND ITS NAME WILL BE DECIDED UPON AFTER A SERIES OF EARLY CONTACTS BETWEEN THE INDUSTRIALIZED COUNTRIES AND THE COUNTRIES OF THE REGION.

2. OBJECTIVES

THE MAIN OBJECTIVES OF THE SYSTEM ARE:-

- A. THE DEVELOPMENT OF AN ECONOMIC INFRASTRUCTURE WHICH WILL CONTRIBUTE TO THE ECONOMIC GROWTH, WELFARE AND PROSPERITY OF THE COUNTRIES OF THE REGION AND PEACEFUL RELATIONS BETWEEN THEM.
- B. THE STABILIZATION OF THE ECONOMY IN THE STATES WHICH ARE IN DISTRESS.
- C. TO EASE THE BURDEN OF PAST DEBTS BY RECYCLING THEM AS LONG-RANGE DEVELOPMENT LOANS.

3. THE SPHERES OF THE ECONOMIC DEVELOPMENT - ON THE BASIS OF A TEN- YEAR PLAN (86-96)

- A. AN ADVANCED ECONOMIC INFRASTRUCTURE.
- B. AN ADVANCED AGRICULTURAL INFRASTRUCTURE.
- C. WATER PROJECTS AND AQUEDUCTS.
- D. ENERGY PLANTS.
- E. TRANSPORTATION SYSTEMS.
- F. FREE TRADE ZONES.

- G. DEVELOPMENT OF ADVANCED SERVICE SYSTEMS.
- H. JOINT PROJECTS FOR THE COUNTRIES OF THE REGION IN THE ABOVE MENTIONED SPHERES.
- I. THE SYSTEM WILL SERVE TO ENABLE GOVERNMENTS AND PUBLIC BODIES TO DEVELOP THE INFRASTRUCTURE, AND WILL GRANT INCENTIVES AND INSURANCE FOR POLITICAL RISKS FOR INVESTORS IN PREFERRED DEVELOPMENT SPHERES ACCORDING TO THE CRITERIA IN SECTION 3 ABOVE.

4. THE COMPONENTS OF THE SYSTEM

THE SYSTEM WILL BE COMPOSED OF:-

A. THE ECONOMIC COMMISSION

THE COMMISSION WILL INCLUDE ONE REPRESENTATIVE FROM EACH COUNTRY WHICH WILL BE OF THE RANK OF AN ECONOMIC MINISTER.
THE COMMISSION WILL ALSO INCLUDE AS AN OBSERVER A REPRESENTATIVE OF THE PALESTINIAN INHABITANTS OF THE WEST BANK AND GAZA.
THE COMMISSION WILL ELECT A CHAIRMAN FROM AMONG THE INDUSTRIALIZED COUNTRIES AND FOUR DEPUTY CHAIRMEN FROM THE OTHER STATES, ALL OF WHOM WILL ROTATE ONCE A YEAR.

B. THE MIDDLE EAST DEVELOPMENT FUND

- 1) AT THE HEAD OF THE DEVELOPMENT FUND WILL BE A BOARD OF DIRECTORS WHICH WILL INCLUDE A REPRESENTATIVE AND AN ALTERNATE FROM EACH COUNTRY AND FROM THE WEST BANK AND GAZA.
- 2) THE BOARD WILL HAVE AT ITS DISPOSAL A MECHANISM FOR PLANNING, PROJECT EVALUATION, FINANCIAL IMPLEMENTATION AND FOR FOLLOW-UP ON THE EXECUTION OF THE DEVELOPMENT PROJECTS.

3) THE FUNCTIONS OF THE BOARD

- A) TO OPERATE THE INTERNATIONAL FUND FOR THE DEVELOPMENT OF THE MIDDLE EAST.
- B) TO ENLIST THE FINANCIAL RESOURCES.
- C) TO DETERMINE THE PROJECTS IN LIGHT OF THE POLICY AND PRIORITIES WHICH WILL BE DETERMINED BY THE COMMISSION.
- D) TO ALLOCATE THE RESOURCES FOR THE IMPLEMENTATION OF THE PROJECTS.

- E) TO SUPERVISE THE EXECUTION OF THE PROJECTS.
- F) TO MAINTAIN A FRAMEWORK OF INSURANCE AGAINST POLITICAL RISKS FOR PRIVATE INVESTORS IN THE REGION.
- G) TO ENSURE THE INTERNATIONAL TRANSFER OF TECHNOLOGY REQUIRED FOR ECONOMIC DEVELOPMENT.
- H) THE COMMISSION WILL ELECT A CHAIRMAN OF THE BOARD AND FOUR DEPUTY CHAIRMEN WHO WILL ROTATE ONCE A YEAR.
- I) THE DIRECTOR GENERAL AND THE PRINCIPAL OFFICE BEARERS WILL BE APPOINTED WITH THE APPROVAL OF THE MEMBERS OF THE BOARD FOR THE PERIOD OF A NUMBER OF YEARS.
- J) THE COMMISSION WILL ESTABLISH A SET OF RULES IN ORDER TO ELECT THE DIRECTOR GENERAL, DEPUTIES AND PRINCIPAL OFFICE BEARERS OF THE BOARD.
- K) WITHIN THE FRAMEWORK OF THE PLAN WILL BE ENCOURAGED INTERNATIONAL INVESTMENT FIRMS - TO INVEST PRIVATELY IN THE REGION; SUCH FIRMS WILL ENJOY THE FACILITIES OF THE FUND SUCH AS FINANCING AND RISK INSURANCE.

5. NEEDS AND RESOURCES

- A. THE FUND WILL BE BASED ON THE COMMITMENT OF 25-30 BILLION DOLLARS OVER 10 YEARS (2.5-3 BILLION DOLLARS PER ANNUM).
- B. TWO FUNDING POSSIBILITIES ARE SUGGESTED .

1) IN THE FIRST POSSIBILITY THE DOMINANT COMPONENT WILL BE THE INTERNATIONAL BANKING SYSTEM. IN IT:-

- A) 10% OF THE TOTAL AMOUNT (250-300 MILLION DOLLAR PER ANNUM) WILL BE CONTRIBUTED BY THE STATES. (THE INDUSTRIALIZED COUNTRIES MAY MAKE THEIR CONTRIBUTION TO THE FUND BY RECYCLING THE DEBTS OF THE COUNTRIES OF THE REGION).
- B) AN ADDITIONAL 10% (250-300 MILLION DOLLARS) A CONTRIBUTION BY THE STATES FOR THE CREATION OF A SPECIAL RESERVE FOR RISK INSURANCE.
- C) THE REMAINING 80% (2-2.4 BILLION DOLLARS PER ANNUM) WILL BE OBTAINED BY:-

- (-) BOND ISSUES TO BE SOLD ON THE INTERNATIONAL MONEY MARKETS.
- (-) SYNDICATED LOANS FROM COMMERCIAL BANKS IN THE FORM OF CO-FINANCING PROJECTS.
- (-) CO-FINANCING WITH OTHER INTERNATIONAL OR REGIONAL ORGANIZATIONS.

2) THE SECOND POSSIBILITY

IN THE SECOND POSSIBILITY A BALANCED COMMITMENT BETWEEN THE INTERNATIONAL BANKING SYSTEM AND THE INDUSTRIALIZED COUNTRIES WHICH WILL BE:-

- A) APPROXIMATELY HALF THE SUM WILL BE CONTRIBUTED BY THE INTERNATIONAL BANKING SYSTEM.
- B) APPROXIMATELY HALF THE SUM WILL BE CONTRIBUTED BY THE INDUSTRIALIZED STATES AND THE STATES OF THE REGION ON THE BASIS OF A SYSTEM TO BE AGREED UPON, IN WHICH THE PART OF THE INDUSTRIALIZED COUNTRIES CAN BE THROUGH GRANTS, LOANS AT MODERATE RATES AND RECYCLING OF DEBTS.

6. THE SYSTEM WILL ALSO BE CHARGED WITH THE DEVELOPMENT OF AN ECONOMIC INFRASTRUCTURE IN THE WEST BANK AND GAZA IN ORDER TO ENSURE THE WELFARE AND ECONOMIC PROSPERITY OF THE INHABITANTS UNTIL A FINAL POLITICAL SOLUTION FOR THOSE AREAS WILL BE REACHED.

7. IMPLEMENTATION AND EXECUTION OF THE PLAN

SHOULD THE PLAN BE DEEMED ACCEPTTABLE TO A NUMBER OF KEY INDUSTRIALIZED COUNTRIES (SUCH AS U.S.A., G.B., FRANCE, WEST GERMANY AND CANADA) IT WILL BE THE RESPONSIBILITY OF THESE COUNTRIES TO ENSURE THAT THE PLAN WILL BE DISCUSSED AND APPROVED BY THE MEETING OF THE INDUSTRIALIZED COUNTRIES, AFTER INFORMAL CONSULTATIONS WITH THE REGIONAL COUNTRIES.



10 DOWNING STREET

From the Private Secretary

23 April 1986

I enclose a copy of a message to the Prime Minister from Mr. Peres in which he sets out the details of his proposals for a Middle East Marshall Plan. You will want to consider whether it would be best for the Prime Minister to consider this before her visit to Israel or simply to send a brief acknowledgement saying that she looks forward to discussing it then. I should be grateful for advice.

I am copying this letter and enclosure to Rachel Lomax (HM Treasury) and Martin Dinham (Overseas Development Administration).

(Charles Powell)

Robert Culshaw, Esq.,
Foreign and Commonwealth Office.

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cc/c



Foreign and Commonwealth Office

London SW1A 2AH

No

1 May 1986

Dear Charles

Think to hand - almost a bust off me

Prime Minister. Agree to this hand reply? CDD 1/5

Middle East Regional Economic Plan

Thank you for your letter of 23 April.

at hand

Sir Geoffrey Howe considers that it would be best merely to acknowledge Mr Peres' letter, the content of which is bound to be discussed during the Prime Minister's visit to Israel. I enclose a draft reply in the form of a telegram of instructions to our Embassy in Tel Aviv. As you know from my letter of 24 April, we have very serious doubts about the regional development proposal and see no prospect whatsoever of finding any funds for it.

I am copying this letter and draft reply to Rachel Lomax (HM Treasury) and Martin Dinham (ODA).

Yours ever

R N Culshaw

(R N Culshaw)
Private Secretary

C D Powell Esq
PS/10 Downing Street

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OUT TELEGRAM

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TC	2	CONFIDENTIAL		
CAVEAT	3			
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TO	5	TO PRIORITY TEL AVIV		
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OF	7	OF Z APRIL 86		
AND TO	8			
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	11	MIDDLE EAST REGIONAL ECONOMIC PLAN		
	12			
	13	1. Please pass the following message from the Prime Minister		
	14	to Mr Peres		
	15	Begins		
	16	Thank you for your letter of 16 April. I am grateful to you for		
	17	sharing with me your thoughts about ways of tackling in an		
	18	imaginative manner the serious economic problems facing so many		
	19	countries in the region. It is particularly useful to have a		
	20	clear account of your views before the discussions at the Tokyo		
	21	Summit.		
	22	Denis and I are looking forward to our visit to Israel and to		
	23	continuing with you then the important and enjoyable discussions		
	24	we had in London earlier in the year. Ends		
	25	2. Text of Mr Peres" message of 16 April to you by bag of 30		
///	26	April.		
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	29	HOWE		
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TELEGRAM; FOLLOWING FOR CULSHAW, FOREIGN OFFICE FROM
CHARLES POWELL

SUBJECT; MIDDLE EAST REGIONAL ECONOMIC PLAN

Your letter of 1 May enclosed a draft acknowledgement from the Prime Minister to Mr. Peres's recent letter proposing the setting up of a Middle East Marshall Plan. The Prime Minister thinks that such a brief reply risks being taken as a brush-off and would want to answer Mr. Peres's letter rather more fully, even though she will be discussing the subject during her visit to Israel. I should be grateful therefore if you could let me have, either in Seoul or in Tokyo, a somewhat more substantial draft reply, commenting in greater detail on Mr. Peres's ideas.

CDP.

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C O N F I D E N T I A L

TOJ. 02/0627*

FOLLOWING FOR CULSHAW, FOREIGN OFFICE FROM CHARLES POWELL

SUBJECT: MIDDLE EAST REGIONAL ECONOMIC PLAN

YOUR LETTER OF 1 MAY ENCLOSED A DRAFT ACKNOWLEDGEMENT FROM THE PRIME MINISTER TO MR. PERES'S RECENT LETTER PROPOSING THE SETTING UP OF A MIDDLE EAST MARSHALL PLAN. THE PRIME MINISTER THINKS THAT SUCH A BRIEF REPLY RISKS BEING TAKEN AS A BRUSH-OFF AND WOULD WANT TO ANSWER MR. PERES'S LETTER RATHER MORE FULLY, EVEN THOUGH SHE WILL BE DISCUSSING THE SUBJECT DURING HER VISIT TO ISRAEL. I SHOULD BE GRATEFUL THEREFORE IF YOU COULD LET ME HAVE, EITHER IN SEOUL OR IN TOKYO, A SOMEWHAT MORE SUBSTANTIAL DRAFT REPLY, COMMENTING IN GREATER DETAIL ON MR. PERES'S IDEAS.

GRS00000

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