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FM TOKYO

TO DESKBY 061300Z FCO

TELNO 531

OF 061215Z MAY 86

INFO IMMEDIATE WASHINGTON, CAIRO, AMMAN, TEL AVIV

INFO PRIORITY ATHENS, BONN, EEC BRUSSEL, EMBASSY BRUSSELS

INFO PRIORITY COPENHAGEN, DUBLIN, LUXEMBOURG, PARIS, ROME, THE HAGUE

FOLLOWING FROM PRIVATE SECRETARY/FOREIGN SECRETARY

ARAB/ISRAEL: PERES' MARSHALL PLAN

1. AFTER THE SECRETARY OF STATE'S BILATERAL MEETING WITH SHULTZ ON 4 MAY, SHULTZ DREW THE SECRETARY OF STATE ASIDE AND RAISED PRIVATELY THE ARAB/ISRAEL QUESTION. HE SAID THAT IF THERE WAS NO BALL IN PLAY THE SITUATION WOULD ONLY GET WORSE. SINCE THE NEGOTIATIONS BETWEEN HUSSEIN AND ARAFAT HAD RUN INTO THE GROUND, THE ONLY REMAINING POSSIBILITY WAS THE PERES' MARSHALL PLAN. HE UNDERSTOOD THIS HAD BEEN DISCUSSED BETWEEN PERES AND HUSSEIN.

2. SHULTZ RECOGNISED THE FORCE OF OUR POINT THAT SUCH A PLAN SHOULD BE PRECEDED BY A PEACE SETTLEMENT. HE ALSO RECOGNISED THE DANGERS OF SUCH A PLAN HAVING AN ISREALI LABEL WHICH MIGHT LOOK LIKE THE ISRAELIS BUYING OUT ARAB INTERESTS. BUT HE DID NOT THINK THESE CONSIDERATIONS WERE ABSOLUTELY DECISIVE. IN ADDITION THE EGYPTIANS WERE NOW THEMSELVES PURSUING THE IDEA AND HAD PUT OUT A PAPER. MORE THOUGHT NEEDED TO BE GIVEN TO ALL THIS. PERHAPS SOMETHING COULD BE DONE TO LINK AFD PLANS FOR EGYPT, JORDAN, GAZA AND THE WEST BANK, AND TO LINK THE EGYPTIAN COMPONENT TO THE ORIGINAL PERES PLAN.

3. THE SUBJECT WAS FURTHER DISCUSSED BY FOREIGN MINISTERS AT LUNCH ON 6 MAY. THE SECRETARY OF STATE SAID THAT NOW THAT THE HUSSEIN/ARAFAT INITIATIVE APPEARED TO BE OUT OF PLAY IT WAS VERY DIFFICULT TO SEE WHERE WE COULD GO. HE WONDERED WHETHER ANYTHING COULD BE MADE OF THE PERES MARSHALL PLAN OR THE MUBARAK VERSION OF IT. ANDREOTTI SAID THAT HE DOUBTED WHETHER MUBARAK'S ENDORSEMENT OF IT GAVE SUFFICIENT PROTECTIVE COLOURING, AND THERE WAS STILL THE PROBLEM OF HOW TO AVOID GIVING THE IMPRESSION OF BUYING OUT THE PALESTINIANS. RAYMOND, GENSCHER, CLARKA AND VAN DEN BROEK ALL TENDED TO AGREE WITH THIS APPROACH. HOWEVER ANDREOTTI SAID THAT THE MOST SHAMIR WAS LIKELY TO OFFER WAS 5 YEARS AUTONOMY TO THE PALESTINIANS, WITH

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A "THEN LET'S SEE" ATTACHED TO IT. THE SECRETARY OF STATE SAID THAT THIS WAS NOT SUFFICIENT. HE WONDERED WHETHER SOMETHING COULD BE MADE OUT OF THE PERES/MUBARAK INITIATIVE BUT ORIENTATING IT MORE IN THE DIRECTION OF THE WEST BANK AND GAZA. ANDREOTTI AGREED.

4. ANDREOTTI SAID THAT HE WAS OFF ON A VISIT TO ISRAEL SHORTLY AND AGREED TO EXCHANGE NOTES WITH US THEREAFTER BEFORE THE PRIME MINISTER WENT TO TEL AVIV.

5. W VAN DEN BROEK SUGGESTED THAT THE EC MEETING ON 6-8 JUNE MIGHT CONCENTRATE ON THE MIDDLE EAST AND CENTRAL AMERICA.

5. THE SECRETARY OF STATE WOULD BE GRATEFUL IF SOME FURTHER THOUGHT COULD BE GIVEN TO THE TREATMENT OF THE PERES/MUBARAK PLAN AND WOULD LIKE TO SEE SOME IDEAS ON HIS RETURN. HE THINKS THAT IT WILL BE IMPORTANT TO HAVE OUR IDEAS SORTED OUT BEFORE THE PRIME MINISTER'S VISIT TO ISRAEL.

GIFFARD

(REPEATED AS REQUESTED)

MIDDLE EAST

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