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10 DOWNING STREET

THE PRIME MINISTER

7 May 1986

SUBJECT CC MASTER
SUBJECT

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T93A/86

Dear Prime Minister,

Thank you very much for your letter of 16 April. It was most helpful to have this detailed account of your thinking on Middle East economic development issues prior to the Tokyo Summit. I was able to have a word with President Reagan about it in Tokyo.

I am determined to do what I can to promote further progress towards a political settlement which will assure the region's future stability, while maintaining absolute firmness in the face of terrorism. I am looking forward greatly to my own visit to Israel and the opportunity to continue the important and stimulating discussions we had in London, and see what we can do together to make further steps towards peace.

I share your analysis of the danger that the fall in oil prices (which of course affects us also) could hamper this process and cause some countries of the region serious economic difficulties. These deserve sympathy and understanding. We will be ready to play our part in the appropriate multilateral institutions when the time comes.

I must add that greatly as I respect its objectives I am less optimistic than you that it will be practicable under present circumstances to set up a regional economic programme. As you point out, the political and economic issues are inextricably linked and I have serious doubts about the readiness

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of the Arab governments to participate in multi-national arrangements: which they might well see as premature in the absence of further moves towards a settlement of the political issues.

We will be able to talk all this over again during my visit and I much look forward to taking the discussion further then.

Yours sincerely

Rajmouk Halber

His Excellency Mr. Shimon Peres.

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FOLLOWING FOR PRIME MINISTER'S PARTY AND SECRETARY OF STATE'S PARTY
AIRBORNE TELNO Ø4: MIDDLE EAST REGIONAL ECONOMIC PLAN

1. FOLLOWING IS REVISED DRAFT OF REPLY FROM THE PRIME
MINISTER TO MR PERES, CLEARED WITH ODA AND TREASURY OFFICIALS
(WHO THINK CHANCELLOR MAY ALSO LIKE TO SEE BEFORE ISSUE). THE
DRAFT ASSUMES THAT WE WOULD NOT PROVIDE BILATERAL ASSISTANCE
EXCEPT FOR DEBT RELIEF IN APPROPRIATE CASES. ONE FURTHER
THOUGHT: MIGHT IT NOT BE BETTER TO DELAY THE REPLY UNTIL AFTER
THE SUMMIT IN ORDER TO TSKE INTO ACCOUNT COMMENTS BY
PARTICIPANTS?

BEGINS. THANK YOU VERY MUCH FOR YOUR LETTER OF 16 APRIL. IT
WAS MOST HELPFUL TO HAVE THIS DETAILED ACCOUNT OF YOUR THINKING
ON MIDDLE EAST ECONOMIC DEVELOPMENT ISSUES PRTOR TO THE TOKYO
SUMMIT.

I AM DETERMINED TO DO WHAT I CAN TO PROMOTE FURTHER PROGRESS
TOWARDS A POLITICAL SETTLEMENT WHICH WILL ASSURE THE REGION'S
FUTURE STABILITY, WHILE MAINTAINING ABSOLUTE FIRMNESS IN THE FACE
OF TERRORISM. I AM LOOKING FORWARD GREATLY TO MY OWN VISIT TO
ISRAEL AND THE OPPORTUNITY TO CONTINUE THE IMPORTANT AND
STIMULATING DISCUSSIONS WE HAD IN LONDON, AND SEE WHAT WE CAN DO
TOGETHER TO MAKE FURTHER STEPS TOWARDS PEACE.

I SHARE YOUR ANALYSIS OF THE DANGER THAT THE FALL IN OIL
PRICES (WHICH OF COURSE AFFECTS US ALSO) COULD HAMPER THIS
PROCESS AND CAUSE SOME COUNTRIES OF THE REGION VERIOUS ECONOMIC
DIFFICULTIES. THESE DESERVE SYMPATHY AND UNDERSTANDING. WE
WILL BE READY TO PLAY OUR PART IN THE APPROPRIATE MULTILATERAL
INSTITUTIONS WHEN THE TIME COMES.

I MUST ADD THAT GREATLY AS I RESPECT ITS OBJECTIVES. I AM
LESS OPTIMISTIC THAN YOU THAT IT WILL BE PRACTIGABLE UNDER
PRESENT CIRCUMSTANCES TO SET UP A REGIONAL ECONOMIC PROGRAMME.
AS YOU POINT OUT, THE POLITICAL AND ECONOMIC ISSUES ARE
INEXTRICABLY LINKED AND I HAVE SERIOUS DOUBTS ABOUT THE READINESS
OF THE ARAB GOVERNMENTS TO PARTICIPATE IN MULTI-NATIONAL
ARRANGEMENTS: WHICH THEY MIGHT WELL SEE AS PREMATURE IN THE
ABSENCE OF FURTHER MOVES TOWARDS A SETTLEMENT OF THE POLITICAL
ISSUES. BUT OF COURSE I SHALL BE DISCUSSING THIS MATTER WITH
PRESIDENT REAGAN AND OTHERS IN TOKYO.

WE WILL BE ABLE TO TALK ALL THIS OVER AGAIN DURING MY VISIT
AND I MUCH LOOK FORWARD TO TAKING THE DISCUSSION FURTHER THEN.
ENDS.

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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TO
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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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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? CDP 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

CONFIDENTIAL

OUT TELEGRAM

		Classification CONFIDENTIAL	Caveat	Precedence PRIORITY
ZCZC	1	ZCZC		
TC	2	CONFIDENTIAL		
CAVEAT	3			
FM	4	FM FCO		
TO	5	TO PRIORITY TEL AVIV		
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OF	7	OF Z APRIL 86		
AND TO	8			
	9			
	10			
	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.		
//	27			
/	28			
	29	HOWE		
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MAIN	File number	Dept NENAD	Drafted by (Block capitals) P M NIXON	Telephone no 233 6048
ADDITIONAL	Authorised for Initials Date/time despatch by:			
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