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TO PRIORITY FCO

TELNO 185

OF 130800Z MAY 86

INFO PRIORITY AMMAN, CAIRO, JERUSALEM, UKREP BRUSSELS, WASHINGTON

File
on

ARAB/ISRAEL: NEXT STEPS

SUMMARY

1. A POSSIBLE BRITISH INITIATIVE IN THE EC FOR ECONOMIC AUTONOMY IN THE OCCUPIED TERRITORIES BEGINNING WITH GAZA.

DETAIL

2. DURING THE PRESENT STANDSTILL IN THE POLITICAL PEACE PROCESS, I KNOW YOU HAVE IN MIND THE NEED TO HARNESS EUROPEAN CONCERN OVER THE MIDDLE EAST TO CONSTRUCTIVE PURPOSES. MIFT THEREFORE SETS OUT A POSSIBLE INTERIM EC INITIATIVE DURING THE BRITISH PRESIDENCY TO DEVELOP A SEPARATE ECONOMIC IDENTITY FOR GAZA. WE KNOW THE COMMISSION (DRAWING ON THE WORK OF THE EC CONSULS-GENERAL IN JERUSALEM) ARE ALREADY STUDYING POSSIBLE ARRANGEMENTS FOR ACCESS TO EC MARKETS FOR GAZAN/WEST BANK EXPORTS FOLLOWING M. CHEYSSON'S VISIT HERE LAST DECEMBER.

3. GAZA IS INDISPUTABLY A MEDITERRANEAN TERRITORY. IT IS NOT PART OF ISRAEL, EGYPT OR JORDAN, AND THEREFORE COULD LEGITIMATELY BE OF SEPARATE CONCERN TO THE EC IN THE CONTEXT OF THE MEDITERRANEAN POLICY.

4. A SPECIAL ECONOMIC REGIME COULD GIVE THE ISRAELIS AN INCENTIVE TO DELIVER ON THEIR IDEAS FOR HANDING OVER NON-SECURITY RELATED TASKS TO THE LOCAL PEOPLE SEMICLN MIGHT WELL FIT IN WITH EGYPTIAN IDEAS (SEE CAIRO TELNO 320), AS WELL AS HELP JORDANIAN IDEAS ON AN ECONOMIC DEVELOPMENT PLAN FOR THE OCCUPIED TERRITORIES TO CRYSTALLISE.

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5. I CANNOT JUDGE FROM HERE IF THIS IS A STARTER IN COMMUNITY TERMS, SINCE IT IMPINGES ON THE COMMISSION'S COMPETENCE AND WOULD REQUIRE THE EC COMMISSION AND COUNCIL OF MINISTERS TO TACKLE SOME DIFFICULT LEGAL AND INTERNAL ECONOMIC ISSUES IN THE MIDDLE OF THE ALREADY DIFFICULT MEDITERRANEAN NEGOTIATION. IF IT, OR SOMETHING LIKE IT, WERE FEASIBLE, ISRAEL AND THE ARAB PARTIES WOULD HAVE TO REACT TO A SPECIFIC PROPOSAL WHICH WOULD OPEN UP NEW PERSPECTIVES FOR GAZANS AND, IF SUCCESSFUL, WEST BANKERS TOO. IT WOULD THUS BRING PRESSURE ON ALL PARTIES, WITHOUT FORECLOSING ANY POLITICAL OPTIONS OR REQUIRING NEW POLITICAL AGREEMENTS WITH ISRAEL IN ADVANCE.

6. THE OUTLINE PROPOSAL AND SOME LOCAL BACKGROUND ARE IN MY TWO IFT. THE EVIDENT DIFFICULTIES I LEAVE TO BE SPELLED OUT BY THE MANY EXPERTS IN THIS FIELD. BUT IF YOU THOUGHT IT A STARTER YOU MIGHT CONSIDER MENTIONING IT IN BRIEFING FOR THE PRIME MINISTER'S VISIT ALTHOUGH, OF COURSE, THERE IS NOT TIME TO FORMULATE A PROPOSAL BEFORE THEN.

SQUIRE

(REPEATED AS REQUESTED)

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