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FM JERUSALEM
TO IMMEDIATE FCO
TELNO 134
OF 262358Z MAY 86

FOLLOWING FOR PRIVATE SECRETARY FROM CHARLES POWELL,
PRIVATE SECRETARY TO THE PRIME MINISTER.

PRIME MINISTER'S VISIT TO ISRAEL: MEETING WITH ISRAELI
MINISTER OF DEFENCE.

THE PRIME MINISTER MET MR. RABIN FOR SOME 40 MINUTES
THIS MORNING. RABIN, WHO WAS IN RATHER A GRUFF MOOD,
DID MOST OF THE TALKING.

RABIN REFERRED TO THE UNPRECEDENTED CUT IN ISRAEL'S DEFENCE
BUDGET WHICH HAD AFFECTED THE ISRAELI DEFENCE FORCES ACROSS
THE BOARD. IT HAD BEEN POSSIBLE TO CONTEMPLATE THIS DRASTIC
STEP BECAUSE OF THE STATE OF QUOTE COLD UNQUOTE PEACE WITH
EGYPT SEMICOLON THE IRAN/IRAQ WAR WHICH KEPT IRAN
PREOCCUPIED ON ITS EASTERN FRONT SEMICOLON AND AN ASSESSMENT
THAT A FULL SCALE ISRAEL/SYRIA WAS UNLIKELY.

RABIN ALSO REFERRED TO SYRIA'S INVOLVEMENT IN TERRORISM.
THE EVIDENCE OF DIRECT SYRIAN INVOLVEMENT AS OPPOSED TO
SUPPORT FOR THE ACTIVITIES OF PALESTINIAN TERRORIST GROUPS
WAS A DANGEROUS NEW DEPARTURE. THIS WAS WHY HE HAD DELIBERATELY
ESCALATED THIS ISSUE DURING HIS VISIT TO THE UNITED STATES. AS
FAR AS ISRAEL WAS CONCERNED, SYRIA WAS A MUCH WORSE THREAT
THAN LIBYA.

RABIN SAID THAT ISRAEL'S FIRST PRIORITY SHOULD BE TO STRENGTHEN
THE PEACE TREATY WITH EGYPT. THIS WOULD BE A DIFFICULT TASK
SINCE EGYPT'S PRIORITY WAS NOW TO BUILD BRIDGES BACK TO THE
ARAB WORLD. FOR JORDAN THE MAIN IMMEDIATE PROBLEM SEEMED TO BE
TO RECONCILE SYRIA AND IRAQ. KING HUSSEIN WAS PREOCCUPIED WITH

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THE RISK OF THE COLLAPSE OF IRAQ AND THE CONSEQUENCES OF AN
JORDANIAN VICTORY. THE PEACE PROCESS WAS FOR THE TIME BEING,
SECONDARY FOR JORDAN TO THE INTRA-ARAB PROBLEMS.

TURNING TO THE WEST BANK AND GAZA, RABIN SAID THAT INCREASED
TERRORIST ACTIVITY IN 1985 HAD STEMMED FROM KING HUSSEIN'S
DECISION TO READMIT THE PLO TO JORDAN. THE SITUATION WAS NOW
IMPROVING BECAUSE OF THE DETERIORATION IN JORDAN/PLO RELATIONS.
JORDAN HAD UNDOUBTEDLY SUFFERED A SETBACK ON THE WEST BANK
AS A RESULT OF THE KING'S FEBRUARY SPEECH. THE KING WANTED
ISRAEL TO SUPPORT HIS POSITION ON THE WEST BANK BUT GAVE
LITTLE INDICATION OF WHAT THIS MEANT IN PRACTICE. AND IT WAS
AN ILLUSION TO THINK THAT THE KING'S POSITION WAS STRONG
ENOUGH TO ALLOW HIM TO GO IT ALONE.

RABIN SAID THAT ISRAEL'S POLICY TOWARDS THE OCCUPIED
TERRITORIES WAS TWO-PRONGED: TERRORISM HAD TO BE DEALT WITH
FIRMLY SEMICOLON AND MORE HAD TO BE DONE TO IMPROVE THE
QUALITY OF LIFE ON THE WEST BANK. IN THE LATTER CONTEXT HE
SAW NO POSSIBILITY OF PROCEEDING BY ELECTIONS. THESE HAD BEEN
TRIED IN 1976 AND HAD BEEN A COMPLETE FAILURE. WHEN THE
ELECTIONS WERE HELD UNDER TERRORIST THREAT, EXTREME ELEMENTS
WON. IN ANY EVENT THERE WERE NOT ANY GENUINE ELECTIONS IN
THE ARAB WORLD AND HE COULD SEE NO REASON WHY ISRAEL SHOULD
BE THE FIRST TO HOLD THEM. HE PREFERRED A POLICY OF SMALLER
STEPS SUCH AS APPOINTING ARAB MAYORS TO TOWNS AT PRESENT
GOVERNED BY ISRAELI MILITARY OFFICERS AND GIVING LOCAL
PALESTINIANS A GREATER SAY IN THE HANDLING OF EVERYDAY ISSUES.
ISRAEL WAS READY TO HAND OVER MORE POWERS OF THIS SORT TO THE
LOCAL PALESTINIANS. ISRAEL HAD ALREADY TAKEN A NUMBER OF
IMPORTANT STEPS TO IMPROVE THE WEST BANK ECONOMY SUCH AS
REMOVING LIMITS ON THE QUANTITY OF FUNDS WHICH COULD BE BROUGHT
INTO THE WEST BANK. APPROVAL HAD ALREADY BEEN GIVEN FOR AN
ARAB BANK BUT THIS HAD BEEN BLOCKED BY JORDAN. ISRAEL HAD
ALSO TRIED TO MOBILISE INTERNATIONAL FUNDS TO CONTRIBUTE

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THE DEVELOPMENT OF THE WEST BANK BUT WITHOUT SIGNIFICANT SUCCESS. THE EUROPEAN COMMUNITY HAD BEEN PARTICULARLY INADEQUATE IN ITS RESPONSE. HE CONTINUED TO BELIEVE, HOWEVER, THAT THE ECONOMIC DEVELOPMENT OF THE WEST BANK SHOULD HAVE HIGH PRIORITY SINCE GIVING PEOPLE A GREATER STAKE IN THEIR LAND HELPED TO DISCOURAGE TERRORISM.

PLEASE REPEAT AS APPROPRIATE.

DE COURCY-IRELAND

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