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10 DOWNING STREET

From the Private Secretary

27 May 1986

PRIME MINISTER'S VISIT TO ISRAEL: SECOND MEETING  
WITH MR. PERES

The Prime Minister had a second meeting with Mr. Peres this morning over breakfast, lasting some one-and-a-half hours, with once again only notetakers present.

Meeting with Palestinians

The Prime Minister briefed Mr. Peres fully on her meeting the previous evening with the Palestinians from the West Bank and Gaza. She had found them rather more impressive and reasonable than she had expected. A number at least of their grievances appeared to be justified. But they had few practical ideas on how to move from the present unsatisfactory situation to a durable settlement. Mr. Peres was clearly somewhat nettled by some of the allegations made by the Palestinians and attempted to rebut them in detail. The Prime Minister said that she was not sufficiently expert to know the rights and wrongs of each individual point. What was clear was that the Palestinians felt a strong sense of grievance. She wondered whether the implementation of Israeli rule in the occupied territories in practice was not unnecessarily harsh. The Prime Minister added that one point which had struck her when talking to the Knesset Foreign Affairs Committee the previous day was that, despite the considerable differences between the Israeli political parties on all the main Arab/Israeli issues, there was broad agreement that being an occupying power was not in Israel's interest.

West Bank

Mr. Peres said that he would like to go over once more some of the points which he had made to the Prime Minister in their earlier meeting. Israel was genuinely prepared to go a long way to accept and implement the various actions on the West Bank which the Jordanians had identified as useful. They were ready to nominate Arab mayors for those towns where there were at present vacancies and to announce this as a package. They were ready to extend the boundaries of the municipalities, to set up an Arab Bank as soon as the

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Jordanians could produce a sensible nominee to run it, and to allow the Jordanians to nominate chancellors for the various universities on the West Bank. They were prepared to deal with the difficulties which had arisen over the Arab Electricity Company. Israel could also accept the establishment of an industrial committee or chamber of commerce to cover the West Bank as a whole. In short, Israel was ready to go as far as possible to meet King Hussein's requirements and help to strengthen his position on the West Bank, subject only to the overriding need to protect Israel's security. So far as the King's proposal for a United Nations representative on the West Bank was concerned, the United Nations' agencies were already free to carry out their tasks there and bring in funds. He could not see that establishing a UN co-ordinator would have any practical value.

The Prime Minister raised the subject of Mr. Rabin's remarks about elections on the West Bank. The way which he had ruled them out so brusquely had been unhelpful. Mr. Peres said that he had little sympathy with the way which Mr. Rabin had chosen to speak on this point, although there were difficulties over free elections on the West Bank. One possible way forward lay in holding elections to the Jordanian Parliament and regarding those elected as representatives of the Palestinian people who could participate in peace negotiations.

#### Gaza

Mr. Peres also reverted to his ideas on Gaza, describing his approach not as Gaza First but as First Gaza (I am not sure I see the difference but it seems significant to him). Israel was ready to negotiate with a joint Jordanian/Egyptian/Gaza delegation about the future of Gaza, leading to the establishment of economic links between Gaza and Egypt and political links between Gaza and Jordan. Such a negotiation would help the solution of the main practical problems confronting Gaza, notably the shortage of water, confiscation of land, energy and industrial development. On the last, Israel would be content for investment and industrial development to be handled directly by the Gaza authorities rather than channelled through Israel. The only condition would be that the PLO should not be involved. If King Hussein would agree to negotiate on Gaza he would find that Israel was ready to go a long way. Mr. Peres continued that he did not want to volunteer proposals for Gaza's future status since they would automatically be rejected by the Arabs. He would rather that the initiative came from Jordan and Egypt so that Israel could respond. Mr. Peres repeated his hope that the Prime Minister would discuss this with King Hussein.

#### Lebanon

Mr. Peres said that Israel was receiving confused messages from Syria about willingness to discuss the security situation in Lebanon. Israel's response had been that if a responsible authority could be identified to

police South Lebanon and prevent cross border attacks on Israel, and was able to demonstrate its ability to do so for a period of say six months, Israel would be ready to begin to withdraw its forces from South Lebanon.

United States Hostages

The Prime Minister said that she was disturbed at reports that the United States was trying to purchase the release of American hostages in Lebanon by the provision of funds and arms to Iran. This was wrong in principle and would cause the United Kingdom considerable difficulty. Mr. Peres said that he did not believe that the Syrians were in a position to secure release of the hostages even if they wished to. They had virtually no control over the Hizbollah. He was aware that negotiations with Syria and Iran were in course. His information was that the results or lack of them would become apparent within a week or so.

Jordan

Mr. Peres repeated his plea for discreet, low level negotiations between Israel and Jordan. One problem was that the King demanded complete secrecy and it was almost impossible to offer this. He seemed to forget that Israel had to be able to offer its own people some hope if concessions were to be made. This meant that the existence of negotiations had to be acknowledged.

Soviet Union

Mr. Peres said that he had very recently received a message from the Soviet Union. This expressed concern about Israel's intentions vis-a-vis Israel, but said that the Soviet Union was firmly opposed to terrorism and would be willing to take action against it if it could be satisfied that Israel's intentions were peaceful.

SALT II

The Prime Minister gave Mr. Peres, in strict confidence, warning of President Reagan's likely statement later today announcing the United States' intention to breach the SALT II limits.

Once again I have to ask you to treat this report as strictly for the Foreign Secretary's personal information. I shall be producing a consolidated version of the two conversations for wider circulation as rapidly as possible.

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