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FROM RIYADH 341923Z NOV 81

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TO IMMEDIATE F C O

TELEGRAM NUMBER 3 OF 4 NOVEMBER.

INFO IMMEDIATE WASHINGTON, JEDDA, PARIS, BONN, PRIORITY TEL AVIV, DAMASCUS, BEIRUT, BAGHDAD, ROUTINE OTHER MIDDLE EAST POSTS AND OTHER EEC POSTS, UKMIS NEW YORK.

SECRETARY OF STATE'S VISIT TO RIYADH : ARAB ISRAEL : FAHD PROPOSALS

1. THE SECRETARY OF STATE HAD TWO HOURS OF TALKS WITH PRINCE SAUD THIS MORNING, FOLLOWED BY A SHORT CALL ON THE KING AND TALKS WITH PRINCE FAHD (AT BOTH OF WHICH PRINCE SAUD WAS PRESENT). THE SAUDI PROPOSALS WERE THE MAIN TOPIC OF THE TALKS WITH SAUD AND FAHD : DISCUSSION OF OTHER SUBJECTS (INCLUDING THE SINAI FORCE) IS RECORDED SEPARATELY.

2. PRINCE SAUD SAID THAT THE IMPORTANCE OF THE SAUDI PROPOSALS WAS NOT IN ANY NOVELTY IN THEIR COMMENTS BUT IN THEIR CONSOLIDATION INTO A SINGLE PACKAGE TO FOCUS INTERNATIONAL ATTENTION ON THE PALESTINIAN QUESTION. IF ENDORSED AT THE FEZ SUMMIT, THEY WOULD REACH A NEW LEVEL OF IMPORTANCE. ARAFAT HAD GIVEN THEM CONSTANT SUPPORT UP TO AND DURING HIS VISIT TO RIYADH WHICH ENDED ON 3 NOVEMBER. THERE HAD ALSO BEEN A CONSTANT MEASURE OF OPPOSITION TO THE PROPOSALS WITHIN THE PLO, GENERALLY REFLECTING OUTSIDE INTERESTS, NOT LEAST THOSE OF THE SOVIET UNION. DURING HIS VISIT TO MOSCOW, ARAFAT HAD FOUND THE RUSSIANS FORTHCOMING ON SOME NON-SUBSTANTIVE ASPECTS OF THEIR RELATIONS WITH THE PLO, BUT OPPOSED TO THE 8 POINTS, SA'UD THOUGHT THAT THE PLO WOULD SUPPORT THE 8 POINTS AT THE SUMMIT. THE LIBYANS WOULD BE OPPOSED, AS (THOUGH WITH LESS DETERMINATION) WOULD THE SYRIANS (PRINCE ABDULLAH LATER TOLD ME HE BELIEVED THE SYRIANS WOULD NOT OPPOSE). THERE WAS NOW A PROSPECT OF AN ARAB CONSENSUS ON THE MIDDLE EAST WHICH HAD NOT BEEN ACHIEVED SINCE CAMP DAVID. IN ANSWER TO MY QUERY, HE SAID THAT UNANIMOUS ENDORSEMENT AT FEZ WOULD NOT BE ESSENTIAL, PROVIDED THAT A LARGE MAJORITY INCLUDING THE PLO WERE IN FAVOUR. HE HOPED THAT THE INTERNATIONAL COMMUNITY WOULD TAKE THE OPPORTUNITY OF THIS CONSENSUS TO MOVE THE PEACE PROCESS FORWARD. HE HAD BEEN ENCOURAGED BY US REACTIONS, WHICH HE HOPED REFLECTED A TURNABOUT IN US OPINION.

3. THE SECRETARY OF STATE SAID THAT ONE COULD NOT REALISTICALLY EXPECT ANYTHING TO HAPPEN UNTIL NEXT APRIL: THE EGYPTIANS COULD NOT INDICATE ANY CHANGE OF COURSE UNTIL THEY HAD SINAI BACK. OBVIOUSLY THE NEXT STEP MUST BE NEGOTIATIONS INVOLVING THOSE MOST DIRECTLY CONCERNED, WHO WOULD HAVE TO INCLUDE THE PLO. IF THE PLO ACCEPTED A STATEMENT AT FEZ WHICH SIGNALLED THAT SUCCESSFUL NEGOTIATIONS WOULD LEAD TO RECOGNITION OF THE STATE OF ISRAEL, THIS WOULD MAKE IT POSSIBLE FOR THE EUROPEANS TO OPEN A DIALOGUE WITH THE PALESTINIANS. US ATTITUDES DID INDEED

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SEEM TO BE EVOLVING AWAY FROM THEIR EARLIER EXCLUSIVE PREOCCUPATION WITH SOVIET DOMINATION TO MIDDLE EASTERN PROBLEMS (AS, FOR EXAMPLE, IN PRESIDENT REAGAN'S WASHINGTON POST INTERVIEW). THIS EXPLAINED THE SHARP ISRAELI REACTION TO THE 8 POINTS. THEY FEARED THAT THEY WERE SO OBVIOUSLY REASONABLE THAT THE WEST WOULD ENDORSE THEM. THE AMERICANS MUST BE PERSUADED THAT NEGOTIATIONS ON THESE LINES REPRESENTED THE ONLY WAY FORWARD: HE HOPED THAT THE COMBINED EFFORTS OF THE FEZ SUMMIT AND THE EUROPEAN COUNCIL (WHERE ONE MIGHT CONSIDER WHETHER A HELPFUL STATEMENT COULD BE MADE) MIGHT DO SOMETHING TO ACHIEVE THIS.

4. PRINCE SA'UD RAISED THE QUESTION OF CONDITIONAL RECOGNITION OF ISRAEL BY THE PLO. HE HOPED THAT BRITAIN WOULD NOT FALL INTO THE VICIOUS CIRCLE IN WHICH THE US HAD BECOME CAUGHT BY PLACING CONDITIONS ON ITS WILLINGNESS TO OPEN A DIALOGUE WITH THE PALESTINIANS. THE PROSPECT OF A DIALOGUE MIGHT BE ONE ELEMENT WHICH WOULD HELP MOVE THE PALESTINIANS, BUT THE CART MUST NOT BE PUT BEFORE THE HORSE. PALESTINIAN ACCEPTANCE OF THE 8 POINTS WOULD GIVE 80 PER CENT OF CONDITIONAL RECOGNITION, AND THIS QUESTION SHOULD NOT THEREAFTER REMAIN AN OBSTACLE TO DIALOGUE. HE AGREED THAT THE ISRAELIS WOULD ATTACK ANY SERIOUS ALTERNATIVE TO CAMP DAVID. HE WAS, HOWEVER, CONCERNED THAT THE US APPEARED TO WANT THE 8 POINTS TO REMAIN AS GENERAL PRINCIPLES WHICH THE ARABS WOULD KEEP IN MIND IN THEIR APPROACH TO NEGOTIATIONS, RATHER THAN A FIRM NEGOTIATING POSITION. HE WAS REMINDED OF THE FLEXIBILITY AND COMPROMISE WHICH THEY HAD SOUGHT FROM SADAT AT THE OUTSET OF THE CAMP DAVID NEGOTIATIONS. NOTHING WOULD BE ACHIEVED BY NEGOTIATIONS WHICH DID NOT HAVE A CLEAR-CUT BASIS. THE US ARGUMENT SEEMED BASED ON THE FALSE PREMISE THAT ISRAEL WAS NOT SECURE ENOUGH TO COMPROMISE: WOULD ISRAEL EVER EXPRESS MINIMUM SECURITY REQUIREMENTS WHICH FELL SHORT OF GUARANTEED MILITARY SUPERIORITY TO THE COMBINED STRENGTH OF THE ARAB STATES? THE SECRETARY OF STATE SAID THAT VELIOTES HAD BEEN WORRIED THAT THE 8 POINTS WOULD BECOME A BOTTOM LINE PRESENTING A RIGID ARAB POSITION: PRINCE SA'UD SAID THAT THE AMERICANS HAD PERHAPS BEEN MORE EXPLICIT IN SPEAKING TO THE SAUDIS. THE ARABS NEEDED A COMMON POSITION TO RECONCILE THE INTERESTS OF THE VARIOUS ARAB PARTICIPANTS: ACCEPTING THE 8 POINTS COULD NOT POSSIBLY MAKE THEIR POSITION MORE RIGID THAN IT ALREADY WAS.

5. THE SECRETARY OF STATE SAID THAT BRITAIN ALREADY HAD CONTACTS WITH THE PLO. BUT IF THE EC PRESIDENCY COULD EXACT A PRICE FROM ARAFAT FOR A MEETING, THIS WOULD HAVE AN IMPACT ON US THINKING WHICH AN UNCONDITIONAL MEETING COULD NOT HAVE.

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IF, AFTER FEZ, ARAFAT WOULD CONFIRM HIS CONDITIONAL RECOGNITION OF ISRAEL'S RIGHT TO EXIST, THIS WOULD DEMONSTRATE TO THE AMERICANS THAT THE PLO WAS NO LONGER THE TERRORIST ORGANISATION DEDICATED TO THE DESTRUCTION OF ISRAEL THAT ISRAEL CLAIMED IT WAS, WOULD OPEN THE WAY TO DIRECT AMERICAN CONTACT WITH THE PLO AND PLACE THEM UNDER GREAT PRESSURE TO MOVE THE ISRAELIS TOWARDS NEGOTIATING WITH THE PLO. PRINCE SA'UD REPEATED THAT HE HOPED THAT LORD CARRINGTON COULD MEET ARAFAT WITHOUT FURTHER CONDITIONS ONCE THE PLO HAD ACCEPTED THE 8 POINTS. THE PLO EXISTED TO LIBERATE OCCUPIED PALESTINE, AND COULD NOT ACCEPT THE LEGITIMACY OF THE ISRAELI OCCUPATION AT THIS STAGE WITHOUT DESTROYING IS OWN CREDIBILITY. TO PUSH ARAFAT TO GO FURTHER THAN HE COULD WOULD DO THE PEACE PROCESS A DISSERVICE. THE PLO COULD ONLY COME CLOSER TO CONDITIONAL RECOGNITION THAN ACCEPTANCE OF THE 8 POINTS AS PART OF THE OUTCOME OF SUCCESSFUL NEGOTIATIONS. THE SECRETARY OF STATE SAID THAT IT WAS HARD TO GET THE ISRAELIS TO NEGOTIATE WHILE PLO SPOKESMEN (EG QADDOUMI LAST SUMMER) CONTINUED TO SAY THAT THEY COULD NEVER LIVE AT PEACE WITH ISRAEL. EVEN AN OBLIQUE INDICATION THAT THE PLO WOULD LIVE AT PEACE WITH ISRAEL AFTER SUCCESSFUL NEGOTIATIONS SHOULD MAKE IT POSSIBLE FOR THE US AND ISRAEL TO TALK TO THE PLO. PRINCE SA'UD SAID THAT WE SHOULD IGNORE EXTREMIST RHETORIC. HOWEVER SADAT'S FATE WOULD WARN ARAFAT AGAINST GETTING OUT ON A LIMB. IT WAS TO THE US THAT PRESSURE NOW NEEDED TO BE APPLIED.

6. SIR J GRAHAM SAID THAT THE QUESTION WAS ONE OF CLARITY. WE HAD TO BE ABLE TO SAY THAT WE HAD BEEN ASSURED THAT THE RIGHT OF STATES IN THE AREA TO LIVE IN PEACE INCLUDED ISRAEL. EXTREMIST RHETORIC MADE PROGRESS DIFFICULT. PRINCE SA'UD SAID THAT CLARITY MIGHT NOT IMPROVE THINGS. EVERYBODY KNEW THAT THE RIGHT OF STATES TO LIVE IN PEACE INCLUDED ISRAEL. BUT ONLY MOVEMENT ON THE PART OF THE US COULD FRUSTRATE THE AIM OF EXTREMIST RHETORIC, WHICH WAS TO MAKE NEGOTIATIONS IMPOSSIBLE. THE SECRETARY OF STATE SAID THAT PRESIDENT REAGAN MIGHT BE UNWILLING TO MAKE ANY CONTENTIOUS MOVES ON THE MIDDLE EAST WITH THE SCARS OF THE AWACS DEBATE FRESH ON HIM.

7. IN TALKS WITH PRINCE FAHD, THE SECRETARY OF STATE AGAIN ARGUED THAT ENDORSEMENT OF THE 8 POINTS AT FEZ AND SUBSEQUENT MORE EXPLICIT CONDITIONAL ACCEPTANCE BY THE PLO OF ISRAEL'S RIGHT TO LIVE IN PEACE COULD OPEN THE WAY FIRST TO A EUROPEAN AND THEN AN AMERICAN DIALOGUE WITH THE PLO. PRINCE FAHD SAID THAT HE HAD TOLD ARAFAT THAT TO ZE SIRST WITH HIS ENDORSEMENT OF THE 8 POINTS WOULD HELP THE PALESTINIAN CAUSE. DESPITE SOME OPPOSITION IN THE PLO, THE ARAFAT FACTION SEEMED TO BE IN A POSITION TO DELIVER THIS SUPPORT. IF, AFTER FEZ, EUROPE AND THE US COULD ACCEPT THE 8 POINTS, ISRAEL WOULD HAVE NO CHOICE BUT TO ADDRESS THEM.

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8. THE SECRETARY OF STATE SAID THAT THE ISRAELIS USED ARAB NON-RECOGNITION OF ISRAEL AS AN EXSCUSE FOR REFUSAL TO NEGOTIATE. THEY WOULD CLAIM THAT PRINCE FAHD'S 7TH POINT DID NOT ACKNOWLEDGE THEIR RIGHT TO EXIST, BECAUSE THE ARABS DID NOT RECOGNISE THAT ISRAEL WAS A STATE. IF, FOLLOWING HIS TALKS WITH PRINCE FAHD AND PRINCE SA'UD, HE WERE TO SAY IN RESPONSE TO ANY QUESTIONS, THAT HIS UNDERSTANDING WAS THAT IN THE SAUDI VIEW THE SEVENTH POINT INCLUDED ISRAEL, WOULD FAHD FEEL OBLIGED TO CONTRADICT HIM? PRINCE FAHD SAID THAT ISRAEL WAS, AS A COUNTRY IN THE REGION, NATURALLY INCLUDED. BUT WHY DID ISRAEL NOT FIRST ACCEPT THE 8 POINTS, AND OFFER CONDITIONAL WITHDRAWAL PROVIDED THAT THE ARABS RECOGNISED THE ISRAELIS' RIGHT TO EXIST? INSTEAD, THEY REFUSED TO DISCUSS THE STATUS OF THE GAZA STRIP OR THE WEST BANK: THEY WANTED TO RECEIVE AND TO GIVE NOTHING. THE MAIN SUBJECT OF THE EIGHT POINTS WAS THE ESTABLISHMENT OF A PALESTINIAN STATE: THE 7TH POINT DEALT WITH ONE CONSEQUENCE OF THIS.

9. LORD CARRINGTON SAID THAT THE SAUDI PROPOSALS MADE IT POSSIBLE TO SEE A WAY AHEAD. HE HOPED THAT THE EUROPEAN COUNCIL COULD SAY SOMETHING HELPFUL ABOUT THEM. PRINCE FAHD SAID THAT IT WAS VITALLY IMPORTANT FOR THE TEN TO ISSUE SUCH A STATEMENT BEFORE THE FEZ SUMMIT MEETING ENDED ON 28 NOVEMBER. THE SECRETARY OF STATE ASKED WHETHER THIS WOULD STIMULATE AN UNHELPFUL REACTION FROM THE MORE EXTREME ARAB GOVERNMENTS. PRINCE FAHD SAID THAT IT WOULD, ON THE CONTRARY, PUT THEM UNDER PRESSURE TO BE MORE

FORTHCOMING. THE SECRETARY OF STATE SAID THAT HE WOULD DO HIS BEST WITH HIS COLLEAGUES, BUT COULD MAKE NO PROMISES. NOR WOULD HE BE ABLE TO OFFER MORE THAN A GENERAL STATEMENT OF SUPPORT: THE TEN WOULD NOT BE ABLE TO ENDORSE EACH INDIVIDUAL PRINCIPLE. PRINCE SA'UD SAID THAT THE SAUDIS NEEDED FIRST A STATEMENT OF SUPPORT FROM THE TEN BEFORE THE FEZ SUMMIT DEBATED THE 8 POINTS, AND SECOND A REACTION FROM THE TEN IF A STATEMENT BASED ON THEM WAS MADE AT FEZ. PRINCE FAHD ADDED THAT IF THIS OPPORTUNITY WAS LOST, IT WAS HARD TO IMAGINE WHEN THERE WOULD BE ANOTHER.

10. FOR DISCUSSION OF THE SINAI FORCE AT THESE TWO MEETINGS, SEE MIFT.

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