

THE SECRETARY OF STATE

WASHINGTON

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11/26/83

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MEMORANDUM FOR: THE PRESIDENT

FROM: George P. Shultz

SUBJECT: Your Meeting with Israeli Prime Minister Shamir

I. THE SETTING

Prime Minister Yitzhak Shamir and Defense Minister Moshe Arens are visiting you at a crucial point in US-Israeli relations and at a crucial moment for US policy in the Middle East.

Lebanon, which first caused the breach in US-Israeli relations over a year ago, is now drawing us together again. The first stage in the healing process was the May 17 agreement, in which Israel essentially agreed to get out of Lebanon on terms which we considered reasonable. Unfortunately, Israel's abrupt withdrawal from the Shuf in September created a new crisis in Lebanon, permitting the Syrians and their Lebanese allies to fill the vacuum, tilting the balance of forces in Lebanon against the Gemayel government, and igniting a new war in which our Marines suddenly became unwilling combatants. Paradoxically, Israel's eagerness to get out of Lebanon caused us problems which were almost as great as those occasioned by its original invasion.

Our ability to maintain our commitment to the Gemayel government over time will require that Israel act as a counterweight to Syria. Even more broadly, Syrian dominance of Lebanon would enhance Syria's bid for leadership of the Arab world, weakening our moderate Arab friends and the prospects for the peace process, thereby weakening the US position in the entire Middle East.

Thus, our purpose in strengthening our political-military cooperation with Israel -- the focus of this visit -- is essentially to strengthen our own position in the Middle East:

- In Lebanon, we want to ensure that Israel's influence in Lebanon is engaged in the service of our own objectives: namely, support for the Gemayel government and its efforts at national reconciliation. We want to discourage Israeli support for Maronite or Druze separatism.

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- More broadly, we have an interest in bolstering Israel in the face of the extensive Soviet-supported military buildup in Syria. To the extent that Israel was demoralized by its ordeal in Lebanon, it is in our interest to strengthen its self-confidence so that Syria and the Soviets are continually reminded of the risks of adventurism.
  
- In addition, restoring a cooperative relationship offers probably the only realistic possibility of obtaining Israeli understanding of and support for our concerns: e.g., the peace process, the welfare of the Palestinians, and our security relations with moderate Arabs. We cannot expect dramatic results during this visit, but over the longer term this approach is more likely to be fruitful than the opposite approach of coolness, dissociation, or direct linkage of our aid to specific changes in Israeli policy.

The visit will not be easy. Shamir is coming in response to our invitation and request; the timing is not his choice; he is unsure of what we have in mind. He has been preoccupied with domestic political and economic crises, as well as with Lebanon and Syria. Nevertheless, any Israeli Prime Minister who can be accused of mismanaging the US-Israeli relationship is in a vulnerable position domestically. And Shamir still feels vulnerable at home even though the prospects for an early election are receding.

The Israelis will, of course, want the maximum from us: highly-visible forms of US-Israeli military cooperation, more US military and economic assistance (and entirely in the form of grants, not loans). He may also ask for a letter of assurances direct Soviet threats. Some of this we can do; some not.

## II. ISSUES

### 1. Lebanon

The Israelis have already realized that their apparent passivity and perceived weakness in Lebanon have emboldened Syria. The Israeli air strikes against terrorist targets in Lebanon in the past few weeks are a good sign that they have learned the lesson. They were eager to reassure Larry Eagleburger, when he visited three weeks ago, that they are not weak, that they regard Syrian domination of Lebanon as a direct threat to their own security, and that they feel a strong stake in Gemayel's survival and in the success of his efforts at

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national reconciliation. You will want to emphasize the importance of our working together for these common objectives. We will also want to develop mechanisms -- ideally a formal, high-level trilateral group -- by which the US, Israel, and Lebanon can coordinate our strategies more closely. It will also be important for you to reaffirm our strong commitment to the May 17 agreement, whose fate will be a kind of barometer of whether Syria achieves its objectives in Lebanon. At the same time, we will be asking the Israelis for their thoughts on how to move forward on the agreement in light of Lebanese apprehensions about it and Syrian opposition.

## 2. Syria and the USSR

Shamir and Arens see correctly that the main issue is not Lebanon as such, but Syria -- backed by the Soviet Union. They grimly predict that Israel will be at war with Syria within the next 2 years. In their view as well as ours, greater US-Israeli cooperation is needed as a response to the Soviet-supported military buildup in Syria. We and they will be exchanging assessments of the Soviet role in Syria and ways we can work together to blunt Syrian influence in the region. You can reassure Shamir of our firm commitment to helping Israel maintain its qualitative military superiority.

## 3. Political-Military Cooperation

There is evidence that recent public discussion of closer US-Israeli cooperation has already had a healthy effect on the Syrians and Soviets, leading them both to be more cautious. We plan to inform Shamir and Arens that the US is prepared to establish a Joint Politico-Military Group (JPMG) with Israel, as an ongoing mechanism for joint political-military planning. These talks could begin as early as January and would aim for agreement on how the US and Israel would divide up tasks in future military contingencies involving Syria and the Soviet Union. Military planners from both sides will then meet to develop specific cooperative measures such as US use of Israeli facilities for enroute access, prepositioning of supplies, and joint military exercises. We would propose to Shamir and Arens that the JPMG be announced publicly, though the follow-on military planning talks should be held in the utmost secrecy.

## 4. US Defense Relations with Moderate Arabs

Our moderate Arab friends are also counterweights to Syria, and we need to educate the Israelis to a greater understanding of this reality. Our military ties with the moderate Arabs are thus complements to Israel's strength, not a

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threat to it. Israel tends to fear that any US weapons sold to Arabs will end up turned against Israel. This played a key role in the Congressional rejection of the Jordan Logistics Planning program a few weeks ago. You can assure Shamir and Arens that we can give assurances against misuse of US weapons and we can promise adequate early consultations with Israel when new programs are under discussion.

5. Aid to Israel

The US has a stake in Israel's strength, and for this reason it is essential that Israel get its economic house in order. We are prepared to assist, but they must get control over their soaring inflation, rising real wages, growing budget deficits, and worsening trade balance. We must make clear that our help on such matters as negotiating a bilateral Free Trade Area require a disciplined Israeli program of economic reform. We stand prepared to continue the bilateral working groups established earlier this year to study Israel's economic problems.

At Israeli initiative, we formulated our FY 85 aid proposals in a way that responded to Israeli concerns. We proposed \$1.275 billion in FMS assistance for FY 85 -- all in the form of grants, not loans -- in order to ease their burden of debt service and to help instill some discipline in the military procurement process. We also used the Israeli initiative as a basis for restructuring our worldwide security assistance program. Now, however, the Israelis say they want \$1.7 billion as a grant. For Economic Support Funds we have proposed \$850 million with the additional \$65 million over the FY 84 level to be used for endowments for four foundations the work of which should help the scientific and industrial base of Israel. The Israelis want \$1.2 billion in ESF -- all of it as a cash transfer. We will need your help to convince the Israelis that our proposals are fair, comprehensive, and take account of Israel's needs. If they are not convinced, our entire FY 85 budget proposal will have to be reviewed, at great potential cost to our worldwide responsibilities and objectives.

6. The Peace Process

It is important to indicate to the Israelis that you remain committed to the September 1 initiative, which they tend to treat as a dead letter. We will continue to urge Hussein to come forward and we will continue to maintain that settlement activity is an obstacle to peace. However, you can tell Shamir that our strong desire is to work in cooperation with Israel in this dimension as in every other aspect of our relationship. To a great extent our immediate efforts to strengthen Israel

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are in our own interest (e.g., in Lebanon); nevertheless, a sustained relationship of mutual confidence must over the longer term include Israeli consideration for our concerns. Should Hussein ever come forward, our policies and Israel's may come into sharper conflict.

#### 7. Quality of Palestinian Life

Regrettably, the Israelis have been evasive in response to our efforts to promote economic development among the Palestinians in the occupied West Bank and Gaza. The Israelis will argue that the Palestinians' standard of living has improved since 1967. Nevertheless, the Palestinians are continually frustrated by Israeli military bureaucratic procedures that seem to block efforts at real economic development. We have asked for some easing of these procedures, but to no avail. You should tell Shamir that we expect some progress in this area.

The Israelis will probably try to obtain our endorsement and financial support for their plan to unilaterally "urbanize" existing refugee camps, resettling some refugees in new housing on their outskirts and turning the camps into permanent Arab towns with better urban services. Our position will have to await our judgment of the views of the refugees themselves and of UNRWA, the UN agency that administers the camps. We do not view this program as a substitute for the kinds of improvements we wish to see in the quality of life of the Palestinians.

#### 8. Egyptian-Israeli Relations

We feel a strong stake in the Egyptian-Israeli relationship, as another powerful counterweight to Syria and as an example to other Arabs of successful peacemaking. Therefore, we have urged Egypt to return its Ambassador to Tel Aviv, who was withdrawn during the Lebanon crisis last year. Some in Congress have hinted at linking US aid for Egypt to a return of Egypt's Ambassador -- which we would regard as a serious mistake. On the brighter side, David Kinche, Director General of the Israeli Foreign Ministry, just held a fruitful round of discussions with Egyptian officials in Cairo. This helped to clear the air considerably, and an Egyptian counterpart will soon visit Israel.

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