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**The documents in this
folder continue from the
previous folder.**

DEPARTMENT OF STATE
BRIEFING PAPER

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Bilateral Check List for Your Israel
Visit March 1975

I. ECONOMIC AND MILITARY ASSISTANCE

Analytical briefing papers on the following are attached:

--Tab A: Israel's economic and military assistance requests are described, their implications discussed, and issues posed by the U. S. response laid out. A supplemental request to Congress will be necessary, and it will make sense to relate that to any increase for Egypt after an agreement. There is also the fundamental issue of what levels of expenditure we and Israel will be able to sustain.

--Tab B: A status report on the other economic issues Dinitz raised with you at lunch a week ago.

--Tab C: You have written Simon on the oil storage question. The basic memo on this subject is included here for reference in case the Israelis come back at you on this in connection with their vacating the oil fields.

II. RELATED ISSUES

1. Arms Supply and Delivery. No outstanding problems on current deliveries, although as you know there is a new \$1.5 billion equipment list in the Pentagon.

2. The Arab Boycott. Caution the Israelis very strongly not to press for legislation in this field. It could nip off any progress that can be made on this issue in the negotiating context. Even more important, it could make more difficult the task of retaining Faisal's support for -- or at least non-opposition to -- the present negotiating strategy.

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E.O. 12958, SEC. 6.5
STATE DEPT. GUIDELINES
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3. Lebanon-Israel Border. Encourage continued Israeli restraint.

4. The PLO. Reassure the Israelis that we will continue to work to restrict PLO status in international organizations.

5. Israeli Interest in \$25 Billion Fund. Fund membership is limited to OECD members who must contribute before they can borrow.

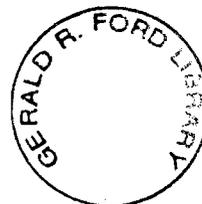
6. PL-480. Israelis seem to understand they are not going to get any more in FY-75.

7. Syrian Jewry. No new development.

8. Body Search on the Egyptian Front. Brief Israelis on anything new arising from your visit to Aswan.

9. Arms Sales to Arab Countries. Reassure Israelis that we do weigh every decision carefully.

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DEPARTMENT OF STATE
BRIEFING PAPER

U.S. ASSISTANCE TO ISRAEL IN FY 1976

The Problem

On January 8 Israel presented to us its "Blue Paper" which outlined the case for over \$2.5 billion in U.S. financial assistance. As explained below, this is in effect a request for \$2.1 billion in FY 1976 assistance from us under several programs. The purpose of this memorandum is to show all the elements which must be considered in arriving at a level of U.S. assistance and to explain what is involved in each.

The Israeli request is based on the assumption that Israel's proposed 1976 defense imports of \$2.5 billion will be the prime factor contributing to an uncovered balance of payments deficit of nearly \$2.6 billion. It would be our total assistance program, therefore, regardless of category, which would make it possible for Israel to pursue its arms procurement plans.

Our own economic problems and their reflection in the attitude of the new Congress raise a question about how responsive Congress will be to Israeli requests for extraordinary levels of aid. Key senators who have visited Israel lately have expressed reservations, especially if Israel seems to be raising tension.

Even more important, if the Arabs sense that the U.S. is going to help Israel carry out a massive arms procurement program in FY 1976, they may become less willing to rely on us as an intermediary in the diplomatic process.

If Israel is to continue to move in the direction we desire in Middle East negotiations, however, we will need to provide Israel with evidence of our continued support sufficient to ensure Israel's confidence in its own defensive capabilities. The

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basic problem presented by the enormity of the Israeli assistance request is the difficulty in establishing a realistic level of assistance which takes account of Israel's real needs and the fact that the U.S. cannot finance a stalemate in the Middle East that could harm U.S. interests.

Background

To keep Israel's assistance requests straight, one must recall that we have really had two approaches from Israel for extraordinary aid over the past year:

--Beginning last spring, the Israelis have talked about a U.S. commitment to a very substantial level of military assistance over a multi-year period. They spoke then about a three-year commitment of \$1.5 billion per year, as part of their plan to spend a total \$2.5 billion each year on arms imports out of their total annual defense budget of \$4 billion. The equipment involved was listed in MATMON-B and in the Urgent List component of that.

--In presenting their "Blue Paper" the Israelis have presented a broader analysis which subsumes the figures presented with MATMON-B. That paper described a \$2.6 billion foreign exchange deficit in 1976. The Israelis have subsequently said this could be covered by \$2.1 billion in U.S. assistance during FY 1976 because of the difference in periods covered by their calendar year cash deficit forecast and our fiscal year budget obligations.

Thus, we start any discussion of possible U.S. assistance levels from an Israeli "requirement" for FY 1976 of \$2.1 billion. Coupled with that is their statement that of the \$2.5 billion in planned defense-related imports (equipment and raw materials) \$1.9 billion will be imported from the U.S.

In addition to U.S. aid, Israel receives capital imports amounting to nearly \$2 billion annually from its usual sources which include: the sale of Israel Bonds, private transfers of capital, the West

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German government, the World Bank and commercial borrowing. These figures were taken into account in arriving at the Israeli estimates.

As part of the above, the Israelis have given us a detailed military shopping list worth about \$1.5 billion. It appears to be the first tranche of the ten year MATMON-B plan to upgrade the IDF. It has as its objectives:

-- establishment of blocking forces and a strategic highly mobile reserve capable of rapid offensive operations;

-- unquestionable air superiority;

-- increased fire power;

-- stand-off weapons to neutralize increasingly sophisticated air defense systems without unacceptable aircraft and pilot losses;

-- air defense;

-- security of communications.

Issues

There is, of course, a fundamental issue of timing which will not be dealt with here. Beyond that, there are two technical issues--the level of aid and the mix of grant and credit.

Concerning the level, we believe \$1 billion is roughly the threshold at which the Israelis would begin to feel we have been responsive to their request. Under existing circumstances, a level below \$1 billion in FY 1976 probably would not be viewed as responsive by Israel. Our assistance in the few years prior to the 1973 war ran at about \$500

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million annually and will be about \$700 million under the current FY 1975 assistance program. Israel feels that the \$700 million level should be the minimum take-off point for consideration for FY 1976 and, as mentioned above, believes it can demonstrate a requirement for as much as \$2.1 billion in FY 1976 aid.

Consideration must also be given to the mix of grants and credits in our FY 1976 assistance. Israel's foreign debt has grown by over \$1 billion per year since 1972 and has reached a level of \$6 billion. This amounts to a foreign debt of over \$1,800 per capita and may soon become entirely unmanageable. In order to maintain a foreign exchange reserve level of \$1 billion (adequate for nearly two months of imports), Israel has resorted to borrowing which has contributed to the sharp increase in foreign debt. This is why Israel has urged that we provide a liberal proportion of grants in our assistance package. Were we to comply, this could offset to some extent Israeli feelings of disappointment at receiving less total aid than requested.

As a point of reference, we have developed the following table of our current-year assistance, FY 1976 budget plans, and Israel's stated requirements. In addition to the figures stated below, Israel could expect to receive about \$50 million in long-term direct Eximbank loans as well as substantial Eximbank loan guaranties.

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	<u>FY 1975</u> <u>Author-</u> <u>ization</u>	<u>FY 1976</u> <u>Budget</u> <u>Plans</u>	<u>Israeli 1976</u> <u>Stated</u> <u>Requirements</u>
<u>Military Assistance</u>			
Special Assistance	-	-	1,500
Regular FMS Credits	300	300	300
<u>Nonmilitary Assist-</u> <u>ance</u>			
PL 480	9	20	250
AID Housing Guaranty	25	25	50
Soviet Refugee			
Assistance	40	-	100
Supporting Assistance	<u>325</u>	<u>100</u>	<u>325</u>
<u>Total</u>	699	445	2,525*

* of which \$2,100 million would be required in U.S. FY 1976.

Options

It is extremely difficult to establish technical grounds to develop one aid level or another because technical analysis immediately leads to questions such as the proper level of Israel's defense expenditures and structure of its defense forces which we are not properly in a position to answer. Israel needs the aid it asks for if it is to pay for all the defense its worst case-analysis says it needs. The only alternative is for the U.S. to decide on an aid level and to let the Israelis decide on their own priorities. The general considerations are as follows:

1. Staying within the planned FY 1976 budget level (\$445 million) would fit in with our past strategy of proposing to Congress a low but reasonable

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level of assistance which, though indicative of our concern for Israel's well-being, is not in the range of Israel's stated requirements. By this approach, we would rely on Congress to raise the level of assistance to Israel in accordance with what Congress deems politically desirable. This approach in the past has had the merit of enabling the Administration to avoid having a large program for Israel push the level of the overall foreign assistance request above the desirable budget ceiling. The disadvantage lies in not having control over the level or timing of assistance Congress decides to provide.

2. The FY 1975 level (\$700 million) seems a more realistic base, although even this would require a budget amendment raising supporting assistance to the FY 1975 level. Such a move would be taken for granted by Israel. An amendment to the Administration's existing budget proposal would be obvious to the Arabs.

3. The Israeli request of \$2.1 billion is more than we or Congress could justify in present domestic and Middle East circumstances. The \$1.8 billion military assistance component is far in excess of what we consider the probable Arab threat justified as noted in NSSM 207. It would be extremely difficult to defend this level before Congress and the public unless Israel were seen to be making an extraordinary contribution in an all-out effort to secure a peace settlement with the Arabs. Moreover, short of substantial steps toward peace, the sheer size of this assistance package would undoubtedly provoke a strong negative reaction from the Arabs as to our and Israel's real intentions. The Israelis might also treat a fully positive response as creating a need for us to continue to support them at this level in succeeding years.

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4. Levels between the extremes. It seems likely, therefore, that we are seeking a level between the \$700 million level of FY 1975 and the \$2.1 billion Israel would like. There are no precise economic grounds for defining intermediate levels. The possibilities include:

-- a \$300 million increase over this year which would bring the total of all forms of aid to \$1 billion. This would require a budget amendment of \$500-550 million which once again would be obvious to the Arabs.

-- Alternatively, we could provide a total of \$1.5 billion, the amount of their new military equipment shopping list, leaving the Israelis to sort out their own priorities between military and civilian purchases.

Phasing

Since the President has already submitted his FY 1976 budget to the Congress, there is an additional factor to consider. Any increase in the foreign assistance component of the FY 1976 budget made in order to provide a substantial increase over funds currently planned for Israel would require the President's approval and submission of a budget amendment to the Congress. Thus procedurally the proper tack at the moment would presumably be to look toward a budget amendment later in the spring when the desirable levels of aid for Israel and Egypt are clearer. Meanwhile, it would be possible to move up through the aid levels defined above in stages if that were judged helpful.

Assistance Categories

The following is a discussion of each of the separate assistance categories.

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1. Extraordinary Military Assistance

A level of \$500 million to \$750 million in extraordinary military assistance might be obtainable from Congress provided strong Administration support were given to the request and Congress were convinced that this level was necessary in order to obtain the movement we desire toward establishing peace in the Middle East. Any military credit assistance above the usual FMS level probably should be provided as long-term loans, at a concessionary rate of interest. However, we do not believe the Administration should propose that a part or all of this amount be provided as a grant, i.e., waiver of payment, as was the case with part of the FY 1974 \$2.2 billion.

2. Regular Foreign Military Sales Credits

The Administration has requested and Congress has approved a level of \$300 million in FMS credits for the last four fiscal years. This level has come to be accepted as the normal regular program that we provide to Israel, and the Israelis have come to expect it. We foresee no difficulty with Congress in obtaining this amount.

3. Supporting Assistance

Israel has asked to receive in FY 1976 at least \$325 million, the same amount of supporting assistance Congress voted on its own initiative for FY 1975. While the Administration has never requested more than \$50 million in Supporting Assistance for Israel, Congress, having once voted for over \$300 million, might be willing to do so again.

4. PL 480 Title I

The Israelis have requested PL 480 assistance amounting to \$250 million in FY 1976. This amount

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is highly unrealistic in view of current commodity shortages, budget limitations, and Congressional intent to provide PL 480 assistance on the basis of humanitarian rather than political considerations. The present FY 1976 budget planning figure for Israel is \$20 million. It is doubtful that we could raise this amount appreciably and, indeed, we expect pressures to reduce it.

5. Housing Investment Guaranty

Israel has asked us to provide an AID guaranty for up to \$50 million in investment loans to Israel from private U.S. institutions to provide mortgage money for housing in Israel. There has been some criticism from the General Accounting Office and Treasury expressing doubt that Israel actually needs this type of assistance (we have provided a total of \$100 million since FY 1972).

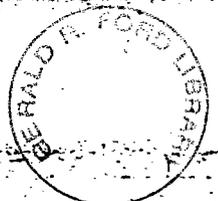
6. Resettlement of Soviet Jews

The Administration has never requested appropriations for this purpose; funds have always been voted on Congressional initiative (a total of \$87 million since FY 1972). Israel has requested \$100 million in this category of assistance for FY 1976. Congressional action is likely to be closely linked to the actual level of immigration of Soviet Jews to Israel. In 1974, 20,200 Jews left the Soviet Union with exit documents indicating their destination was Israel. This total is 42 percent less than for 1973. The number who actually arrived in Israel in 1974 was about 17,000.

Conclusion

The most desirable way to develop viable options is to review these issues and considerations with the other agencies concerned. Subject to your

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guidance, we are prepared to form a small working group to develop the conceptual framework and necessary analyses to examine the issues posed by the Israeli request. The compelling reason for this approach is that Israel's ambitious arms procurement program might exceed our ability to provide financial arrangements (even on concessional terms) to help them pay for the equipment and thus add further to Israel's mounting foreign debt.

Department of State
March 1975

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DEPARTMENT OF STATE
BRIEFING MEMORANDUM

S/S

SECRET/NODIS

To: The Secretary
From: NEA - Alfred L. Atherton, Jr.

Status of Economic Questions Raised by Ambassador
Dinitz

During your lunch with Ambassador Dinitz on February 22, he raised a series of economic questions. The following is a status report on the issues Dinitz raised:

1. Oil Reserves

I sent you a memorandum on February 9 recommending that our helping Israel construct storage facilities for oil or for any other raw materials should be limited to financial assistance within the context of our overall assistance program and should be decided in March when we see whether Israel's oil supply situation has changed. Secretary Simon anticipates that Minister Rabinowitz will raise these matters when he comes for the Joint Committee meeting which you have approved for mid-March and has asked for your guidance on how to proceed in discussions with the Israelis. You should be in a position to provide guidance by then, but for the moment I continue to recommend that you hold a decision until we know more about the situation then.

2. Arab Boycott

As Dinitz now knows, both you and the President made public statements on this matter this week, and the U.S. is studying the question of possible violations of U.S. laws. This should have taken the steam out of the Israeli concern for the time being. On February 25 Shalev, for example, asked me if it was not time for the U.S.-Israeli study group on the boycott (Treasury Assistant Secretary Parsky, Israeli Embassy Economic Minister Sher, and myself) to convene. I told Shalev the U.S. side was still researching the matter of U.S. laws and told him about your answer to

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the press on the subject earlier the same day. Shalev, who had not been aware of your statement to the press, appeared gratified by it.

3. Binational Science Foundation

You have agreed that an expansion of the Binational Science Foundation is to be one of the three areas in which concrete progress can be made by the time of the session of the U.S.-Israeli Joint Committee for Investment and Trade, now scheduled for mid-March. We have differences with Treasury and OMB on how this should be done, and Mr. Robinson will be working closely with those agencies to try to forge a U.S. position which will be sufficiently responsive to the Israelis to achieve progress in this area.

4. Waiver of the Buy American Act

This matter has been thoroughly discussed with the Israelis, who are not entirely satisfied with the U.S. position. The Israelis have been advised that the Act does not preclude incorporating Israeli-made equipment in military hardware provided to Israel under the Foreign Military Sales Program. Additionally, Defense Department overseas procurements for use overseas are not subject to the Act, and Israeli sources may bid on an equal basis with other firms on these contracts to supply Defense Department requirements outside the U.S. The Israelis had not known these things. Israel also continues to want an actual blanket waiver of the Act to allow Israel to sell to Defense either a specific amount of equipment in dollar terms (\$30 million a year has been suggested) or a specific range of commodities, notably electronics equipment. The Defense Department is not in favor of such a blanket waiver but is willing to examine Israeli applications for exceptions to the Act on a case-by-case basis. We have not recommended making an exception to normal practice on this at this stage because it runs against the interests of U.S. firms and there does not seem to be a critical enough benefit to Israel to warrant overriding our own interests.

5. AID Offshore Procurement for Israel

We understand there is a memorandum in the White House posing the question of a possible change in National



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Security Decision Memorandum No. 7 to make Israel eligible for AID development-loan-financed offshore procurement.

6. Joint Business Council

Treasury and Commerce last fall tried at the highest levels to induce prestigious American businessmen to agree to serve on the Council and met with success only when the individual concerned already had connections with Israel. The Israelis have indicated that they want the Council's membership to include leading businessmen who have no previous connection with Israel, an objective with which we sympathize. Treasury in consultation with Commerce is studying new ways to tackle this problem. You may wish to tell Dinitz that we frankly have run into difficulties in putting together the U.S. participation on the Council on the terms Israel prefers, but we agree with Israel that prestigious American businessmen should be included who have no previous connection with Israel, and we are going back to work hard on recruiting a good U.S. contingent.

7. Israel's Interest in the \$25 Billion Financial Support Fund

The Israelis are interested in this fund as a source of long-term low interest loans. However, we understand that the \$25 billion fund is limited to OECD members and that any attempt to include an outside party such as Israel in the facility would amount to interjecting an element of discord. You told Allon only that you would look at the subject when we had completed our own thinking on it.

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CWS, WBS

Drafted: NEA/IAI:EWBizic/WBSmith
2/28/75 Ext. 22686



MEMORANDUM

THE WHITE HOUSE
WASHINGTON

Mr. Atherton FYI

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INFORMATION

February 22, 1975

MEMORANDUM FOR SECRETARY KISSINGER

FROM: PETER W. RODMAN *PWR*

SUBJECT: Dinitz's Economic Questions

On Saturday at lunch Dinitz read you a list of "economic questions" which he said he wanted to "headline" for you. He told me that some of these things required your initiative or else they would not get off the ground.

1. Oil reserves. - It's agreed in principle but nothing is happening. You agreed to look into it before Rabinovitch's visit.
2. The economic boycott against Israel. - You told him that the President or you would make a statement on Tuesday or Wednesday.
3. The Bi-National Science Foundation. - It was agreed to, but nothing will happen until there is a green light from you. You said you would do it.
4. The waiver of the Buy American Act and offshore purchases.
6. The joint business Council. - It's agreed to but not being carried out. You said you'd get word to Treasury.
7. Israel's interest in the \$25 billion fund. - You said you'd talk to Enders.

I have told Roy Atherton that these points were raised. He will be reporting to you on the status of each of them and will await your guidance.

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DATE 9/24/03 BY *KMR*



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We have given Mr. Simon an informal acknowledgment saying that we are studying the issue actively.

Israeli Concerns

The oil storage project is part of Israel's overall planning to stockpile raw materials and construct related storage facilities in Israel. Israel's interest is strategic, a desire to ensure its ability to withstand a military siege of greater duration than hitherto experienced. Israel has already asked us for \$300 million to finance the raw material stockpile; the oil project is additional.

In the past Israel kept nearly enough oil supplies to meet its domestic requirements in crude oil, fuel oil and distillates for six months but is now unable to maintain this ratio of reserves, as consumption is increasing. Israel's existing storage capacity now covers roughly a three-month reserve, and at the present rate of Israel's annual consumption increase, which might not be sustained, this capacity will provide a reserve of less than two months by 1980, when the construction of the proposed new storage facility would be completed. Israel would need to buy roughly \$100 million worth of additional oil annually (at present prices) during the last four years (1977-1980) of construction in order to fill the sections of the new storage facility as they are completed and make full use of the country's new storage capacity.

The Israelis have a feeling of urgency about their oil storage project not only because their existing storage space is inadequate for meeting their reserve requirements, but also because their existing storage facilities are no longer secure in view of the Arabs' surface-to-surface missile capabilities.

U.S. Position

We believe that the U.S. should try to assist the Israelis in carrying out a storage project to the degree we are able to be helpful because:

-- Israel's present oil storage facilities are no longer secure in the event of war, and this is an area of serious vulnerability for Israel;

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DEPARTMENT OF STATE
ACTION MEMORANDUM

S/S

February 9, 1975

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To: The Secretary

From: NEA - Alfred L. Atherton, Jr.

Israel's Request for U.S. Assistance in
Constructing Storage Facilities for Oil
and for an Oil Supply Guarantee

Secretary Simon sent you a memorandum (Tab B) asking for your view on whether we should begin negotiations with the Israelis on U.S. financial participation in the construction of an underground oil storage facility in Israel.

-- which would have a capacity of 36.5 million barrels (nearly five million metric tons) of oil by its completion in 1980 and would cost \$141 million for its construction.

-- which would hold about \$400 million worth of oil, a part or all of which Israel would like the U.S. to own or, alternatively, all of which Israel would like the U.S. to finance;

-- which would enable Israel to store securely an equivalent of five months of domestic consumption needs for each category of crude oil, fuel oil and distillates.

In conjunction with meeting their long-term oil storage needs, the Israelis also are proposing a U.S.-Israel supply arrangement:

-- to define the mechanism and source from which the U.S. would provide an emergency resupply of oil for Israel and

-- to form the basis for replenishing the oil storage facility whenever it would be drawn down.

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-- This Administration is on public record supporting storage programs such as these;

-- there is no question of the importance Israel attaches to the project; in fact, the Israelis are already pressing ahead with plans to carry out underground oil storage tests near Eilat in preparation for the larger project to be constructed in the middle of the Negev;

-- Treasury oil storage experts have studied the project and concur in its technical feasibility.

Secretary Simon anticipates that Minister Rabinowitz will raise these issues when he comes to attend the meeting of the U.S.-Israeli Joint Committee for Investment and Trade now scheduled for March. The Israelis might well raise these matters with you during your visit to Israel. Our initial feeling is that we should limit our participation to financial assistance and that it should probably come out of the already massive annual assistance program to Israel, but that is an issue for decision.

The Options

The options presented to us by Israel for our participation in the oil storage project include:

a. U.S. building and owning the oil storage facility and the stored oil with joint agreement on the terms of usage. This proposal has the appearance of providing the U.S. with some benefit from the project in that we would have a right to draw on the oil stockpile, notably for our military needs. The arrangement the Israelis seek with us on the use of the stockpile would cover:

-- whether the oil could be used by either Israel or the U.S. for normal military and/or economic needs or only in emergency situations;

-- the trigger mechanism for use of the facility by either party;

-- the mix of type of oil (crude, fuel oil and distillates) to be stored; and

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-- the terms of replenishment.

We view this option, however, as politically and militarily undesirable:

-- the proposed close U.S. relationship with Israel on oil, and especially the military overtones of this scheme, would affect our interests in the Arab countries and give the Israelis a small additional source of leverage;

-- only through your diplomatic efforts since the October war have we begun to convince Arab leaders that Israel is not in fact a chosen military instrument of the U.S. as Arab propagandists have long asserted and that there is no intimate coordination of military planning or operations between the U.S. and Israel; it would be a serious setback if we were to take a major step now which aroused these old Arab suspicions;

-- we do not require an oil reserve in the middle of the Negev, and its availability would be uncertain to us in a crisis;

-- it would be politically unwise for the Administration to seek to establish a costly oil storage facility in the Middle East because the public and Congress view the region as a highly volatile, unsafe area.

b. Joint ownership with Israel of both the storage facilities and the oil, with U.S. financing of the project. The U.S. would provide Israel with financial assistance to meet its share of the program. Israel would have greater usage rights under this option than under option (a). However, the same objections raised with regard to option (a) would apply to this option. We therefore do not consider this arrangement desirable.

c. U.S. financing for an all-Israeli project. Under this option the U.S. would provide only financial assistance to Israel for the construction of the storage facility and the oil fill, all of which would be owned by Israel. This approach is the most realistic one in our view, since it takes into consideration Israel's genuine requirements for oil storage and our own desire not to become too closely associated with the project.



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The Israelis, in presenting this option to us, clearly envisage a special financial assistance package from the U.S. to cover the five-year construction cost of nearly \$30 million a year and the four-year purchase cost of about \$100 million a year (at present prices) to build up Israel's oil reserves to make use of the country's new storage capacity as construction of components of the new facility reaches completion. This means \$30 million the first year and \$130 million annually during the next four years. We believe that in Fiscal Year 1975, in which Israel is receiving \$324.5 million in Supporting Assistance, which is \$73.5 million more than the \$250 million Israel had been seeking, the funds for construction should come out of this existing supporting assistance. But in future years the oil storage project might be considered as an additional item for which Israel would need U.S. financial support.

Considering the enormity of Israel's likely need for U.S. financial assistance over the next five years without the proposed oil storage project, this \$541 million additional item spread over a five-year period does not loom as prohibitively large. A five-month oil reserve for full domestic consumption is a luxury which virtually no other non-oil-producing nation enjoys, but Israel's security situation is also unique in many respects and contributes to its propensity to try to build security against all contingencies.

d. A U.S. guarantee of oil for Israel in emergencies. Such an arrangement would be extremely important for Israel, at least psychologically, because it will depend solely--once it has withdrawn from Abu Rodeis--on oil imports that are increasingly in danger of being entirely cut off in the event of another crisis with the Arabs. Senator Percy told the Israelis and our Embassy in Tel Aviv a few days after his visit in late January to Iran (the sole source of Israel's oil other than Sinai) that he doubted from his conversations there whether Iran could resist Arab pressure to cut off oil to Israel in the event of another war with the Arabs, although the Shah himself had been somewhat less negative. *

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Practical and legal considerations implied in such an arrangement, however, raise serious questions about our ability to meet our responsibilities:

-- a possible reduction in available U.S. oil supplies if Arab oil shipments to us were cut off;

-- U.S. public reaction to our supplying Israel with oil if our own supplies are reduced;

-- certain existing statutory prohibitions against exporting U.S. domestic crude oil;

-- the small number of oil tankers under direct U.S. Government control;

-- the length of the supply line to Israel;

-- the present regime of private companies controlling U.S. oil supplies and distribution; and

-- reaction from the other members of the International Energy Agency.

These potential problems probably could be difficult to overcome and new legislative authority might well be necessary to carry out any political decision to supply Israel's needs, even the strategem of diverting to Israel shipments of intended U.S. imports. It should be noted that during the 1973 war and the ensuing oil embargo and oil export reductions, Israel was able to buy sufficient quantities of oil on the spot market to meet its own requirements and for delivery elsewhere, even to the U.S. Israel's sizeable tanker fleet and the abundance of ships available on the spot market facilitated this effort. Whether Israel could mount such an effort successfully in another war is problematical. If it could, a U.S. guarantee to supply Israel's oil needs might not be called into action. In that event, a U.S. guarantee of oil supplies to Israel would be essentially a political gesture. Whether or not such a guarantee were invoked, its real importance lies in the potential impact our guarantee might have on peace negotiations in encouraging Israel to withdraw from the Sinai oil fields.

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before reaching any decision to provide such a guarantee, however, we would need to study carefully the likely conditions under which Israel would feel compelled to invoke the U.S. guarantee. They would not be present conditions, but the conditions arising from a severe and protracted Middle East crisis. A number of worst-case scenarios would need to be covered by the study to see just how we would go about fulfilling the obligation to Israel, if, for example, the Sixth Fleet had to be used to enable tankers to proceed to Israel and if political conditions in now-friendly, north-littoral Mediterranean states had meanwhile so deteriorated that the Sixth Fleet could no longer use their ports. In other words, the guarantee to Israel would have to be phrased with great care in order, on the one hand, to take into account dire exigencies and, on the other, still be credible to Israel.

Conclusion

We believe that our helping Israel construct storage facilities for oil or for any other raw materials should be limited to financial assistance, and the extent of our participation should be viewed within the context of our overall, but probably expanded, assistance program. I also believe we need a study of the economic, political and military implications of an oil supply guarantee, which have only been touched on in this memorandum. Meanwhile, I suggest you postpone your reply to Simon until after we know where the current negotiations are going. We could then take this into account in our overall assistance program for Israel when we make the final decisions regarding the Fiscal Year 1976 budget presentation to Congress.

Recommendation:

That you hold off replying to Simon until you are in a better position to make a judgment on this issue.

Approve: _____

Disapprove: Send interim reply at at Tab A _____

~~CONFIDENTIAL~~



[3/3/1975]



DEPARTMENT OF STATE
BRIEFING MEMORANDUM

S/S

SECRET/NODIS

To: The Secretary
From: NEA - Alfred L. Atherton

Your Visit to Israel, March 1975

The Setting

As the month of February drew to a close, the mood in Israel on the subject of Egyptian-Israeli peace efforts was somewhat more relaxed and less gloomy than it was when you went to Israel in February. Through a welter of statements and interviews the Israeli leadership reassured the public that Egypt was interested in a second-stage Sinai agreement, that there was a fair possibility one could be reached, and that the Israeli Government was taking a cautious attitude and would not be duped by Egypt or, for that matter, the United States. Israeli comments about a possible new agreement with Syria, however, remained hardline.

Immediately upon your departure from the area Rabin also went to work building broader support within the Labor Party itself for Israel's continued cooperation with your diplomatic efforts and appears to have met with success. The earlier voices in Israel questioning whether Egypt's attitude offered any chance for another Sinai agreement and whether the Israeli Government was not submitting naively to U.S. salami tactics have largely been stilled for the time being.

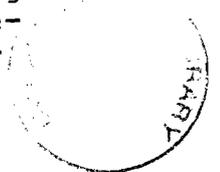
Peres in his public remarks during the two week period shied away from the subject of any differences of view among the top Israeli leaders and backed off completely from his earlier advocacy of substituting Geneva for the step by step approach. Peres according to Embassy Tel Aviv has stressed a second Sinai agreement could entail withdrawal from the passes and oil-fields, in his view, only if Egypt was prepared to "abandon war," and he doubted the value of any such Egyptian declaration.

Rabin on various occasions during the period pursued

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BY *HR* NARA DATE *7/24/03* SECRET/NODIS

XGDS



the line that it was his personal view, though not one officially sanctioned by the government, that in return for Egypt's termination of the "state of war," Israel could make a substantial withdrawal; Israeli commentators clearly understood he meant by this both the passes and the oilfields. Although Rabin repeatedly said Egypt would have to renounce the state of war formally in an undertaking addressed directly to Israel, his remarks revealed that he did not necessarily mean the sweeping halt by Egypt of all diplomatic and economic warfare against Israel which a formal termination of the juridical state of belligerency would require. Rather, in the words he employed on February 14 and again in his Washington Post interview March 1, Rabin indicated his goal was an Egyptian undertaking of "no further use of force or threat of the use of force in Egyptian-Israeli relations." The effect which Rabin's various statements must have had on the Israelis' understanding of what precisely Egypt was being called upon to do--whether this was deliberate or not--can only have been confusing.

Of the various issues connected with Middle East settlement efforts which came in for discussion in Israel since you were last there, probably the one which received the greatest attention was the question of a possible U.S. guarantee of a settlement or a U.S.-Israeli defense treaty. The Israeli leaders finally succeeded in damping down the media speculation on this subject by reiterating publicly in an emphatic way that this notion had never been discussed by you and the Israeli leadership (Israeli Prime Minister Ben Gurion in a secret letter of May 12, 1963 to President Kennedy specifically sought a "Bilateral Security Agreement," but this fact has never surfaced); Israel was not looking for a U.S. guarantee or treaty and would never accept one as a substitute for "defensible borders"; but the possibility of some eventual U.S. defense commitment to Israel might have merit if it were aimed at outside powers and not the Arabs in the context of an overall settlement.

Since you were last in Israel, the government announced its budget for the Israeli fiscal year starting April 1 and also announced new taxes. Like the budget of the year before, the new one entails a 41 percent outlay for defense, which represents 31 percent of Israel's



gross national product. Israel's new taxes, aimed at the private business sector, are a further belt-tightening measure which may help limit inflation but could slow down the country's economic growth. They may be rescinded.

Bilateral Issues

The key issue of U.S. economic and military assistance in FY-76 is dealt with in a separate analytical options paper at Tab A. A separate memorandum has been sent to you (copy at Tab B) on the status of outstanding economic issues and items coming up in the U.S.-Israel Joint Committee for Investment and Trade. Analysis and options relating to Sinai oil are dealt with in a paper at Tab C. The following are other issues which you may want to cover or which may come up.

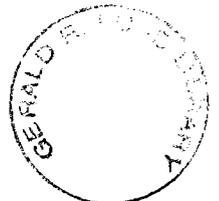
Arms Supply and Delivery to Israel

The Israelis are satisfied with the present arrangements to deliver all urgent list items by April 1, with minor exceptions which they know of and have accepted. Though the LANCE letter of offer has not been given to the Israelis yet, Israelis are in the U.S. now to begin training on this missile system.

The Arab Boycott

The increased attention to the boycott in the Congress and the pressure for legislation could undercut your chance to make real progress with Sadat. You would be justified in telling the Israelis they will be responsible for killing chances for progress unless they get this pressure under control.

The anti-boycott statements you and the President have made were very well received in Israel. The Israelis probably are satisfied by the press and Congressional interest this issue has been getting; their supporters here can be expected to exploit this publicity in pushing for anti-boycott legislation and in attempting to undermine our closer relations with the Arab countries. You will recall that in December we agreed to establish a joint U.S.-Israel committee to study possible anti-boycott measures. If the Israelis raise this issue you might say:



-- We are actively exploring what measures we might take against the boycott.

-- When our investigations are sufficiently advanced, a meeting of the joint U.S.-Israeli boycott committee can be arranged.

-- Meanwhile, the boycott remains an area in which we are in basic agreement with Israel and one which we discuss with the Arabs at appropriate times.

-- We would caution Israel very strongly not to press the Congress for legislation in this field. We can make real progress quietly if we do not confront the Arabs. If Israel's supporters force a confrontation, they will lose their first chance for real progress.

Lebanon-Israel Border

This frontier has remained quite calm for the past month (there was an infiltrator killed February 22 and a day of IDF shelling as a result) and reflects both Israeli restraint, Lebanese efforts to control fedayeen actions, and an apparent fedayeen decision urged by Syria to lie low for a time. We have urged restraint on the Israelis, and you might wish to express your satisfaction with the present period of calm, urging that for its part Israel work for its continuance.

The PLO

The PLO push for enhanced international status continues, usually successfully, and Israeli concern remains at a high level. We are opposing the granting of observer status to the PLO at the ILO, even under an umbrella formula which does not mention the PLO by name. The PLO is seeking observer status in the Human Rights Commission now meeting in Geneva, and probably will get it. The PLO is acting on the General Assembly resolution and soon will establish its observers in New York. We are working to ensure that the PLO at the UN gets no more status there than is absolutely unavoidable. A separate memo has been sent to you presenting for your decision a number of issues related to the PLO presence in New York. A copy is at Tab D.

Should the Israelis raise this issue, you might wish to say:



-- we, too, take a restrictive view of what the PLO is entitled to as a result of the General Assembly resolution;

-- we will work to ensure that the PLO gets no more than its due;

-- we agree that UN Blue Book listing would be inappropriate and we intend to discuss this with the UN;

-- as for the details of PLO presence in New York, we are working now on our own positions, even though the PLO has yet formally to establish a PLO mission there.

Israeli Interest in \$25 Billion Fund

The Israelis have told you that they want to participate in the Financial Solidarity Fund. You said that you would take it up with our people who are handling the matter. Final accord was reached on the text of the Fund agreement by decision of the OECD Council at the end of February. The agreement will be signed in early April by working level representatives of the member states for later ratification by governments. However, the Fund is restricted to OECD members which can borrow only to the extent that they make an initial contribution to the Fund, which would appear to preclude Israel's interest in the Fund as a source for long term, low interest loans. An attempt to include a non-OECD country in the Fund's operation at this time could inject a serious element of discord into the present process and probably foreclose any hope of completing the agreement. Promoting Israel's association in the Fund would introduce an element of disharmony in its establishment and operation, as would any suggestion that Middle East oil producers participate in the Fund. The OECD members generally identify these Middle East countries as the basic cause of the economic problems that have made establishment of the Fund so necessary. Should the Israelis raise this issue you could say:

-- the Fund agreement restricts membership to OECD members;



-- it also requires a contribution before loans can be made;

-- and, therefore, Israel's interest in the Fund as a source of loans presumably is reduced;

-- in any event, we would not at this early stage in the Fund's life propose changes in its rules of membership.

PL-480

The Israelis seem now to understand that they are not going to get more in FY-75 than the \$9 million already made available. As you know, and the Israelis are aware, the Congress in passing the FY-75 Foreign Assistance Authorization Act specifically added \$74.5 million to Supporting Assistance for Israel as offsetting compensation for the greater amount of PL-480 assistance given to Egypt. In this light, and in terms of relative food needs, a larger PL-480 amount for Israel would be difficult to justify since the PL-480 program is mainly another form of economic aid in Israel's case.

Syrian Jewry

The Israelis have made no new demarches to us nor have there been any new developments in recent months. The Israelis probably understand that the present mood in Syria precludes any movement soon on this problem.

Body Search on the Egyptian Front

There have been no new developments. The issue remains of considerable domestic concern in Israel, however, and any ideas the Egyptians or Israelis might have for breaking this impasse would be useful. You might even want to consider taking an Egyptian decision to Israel on your first visit. If Allon raises this issue you might:

-- brief him on the state-of-play;

-- and, if we have approached the Israelis on the issue of Egyptian aid to Sinai flood victims, perhaps suggest that these two humanitarian concerns might match as quid and quo.



U.S. Arms Sales to Arab Countries

In a press backgrounder February 28 Ambassador Dinitz expressed concern that U.S. sales of arms to Arab countries when added to what the Arabs are procuring from the USSR and Europe could seriously upset the Arab-Israeli power balance. He said Israel wanted the U.S. to scrutinize these sales more closely and probably slow them down. If the Israelis raise this subject during your visit, you could point out that:

-- we do consider carefully the possible adverse impact on the Middle East balance of forces of each proposed sale of arms to an Arab country;

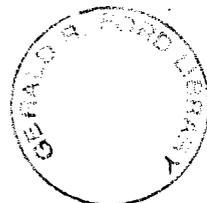
-- if the U.S. were not selling arms to the Arabs, they could easily purchase them elsewhere, and then the U.S. would not have the leverage of future spare parts supply and training of Arab specialists in the use and maintenance of the arms systems, levers with which the U.S. if necessary could act to influence the moves of Arab nations having U.S.-made weapons;

-- we can if needed go into this matter more closely with the Israeli side after your return to Washington.

Attachments:

- Tab A - U.S. Economic and Military Assistance in FY-76
- Tab B - Status of Economic Questions Raised by Ambassador Dinitz
- Tab C - Israel's Request for U.S. Assistance in Constructing Storage Facilities for Oil and for a Oil Supply Guarantee
- Tab D - Issues related to the PLO presence in New York

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Drafted:NEA:HHSaunders:djb
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3

DEPARTMENT OF STATE
BRIEFING PAPER

~~SECRET/NODIS~~

Checklist for Your Stop in Jerusalem
March 9-10

Negotiating Issues

Attached are the following documents:

- Tab A: The re-typed version of the Egyptian paper with the deletions you requested.
- Tab B: The original Egyptian paper for your reference.
- Tab C: General Gamasy's six principles for your reference.

Also in your folder for reference is the map reflecting General Gamasy's military briefing in Aswan.

You will, of course, have your own judgment on how to proceed. It seems to us that these are the main objectives of this visit to Jerusalem:

1. You will want to convey your judgment that Sadat wants an agreement but that it must be achieved in a way and on terms which enable him to assure the internal support he needs to withstand external pressures:
 - Sadat has addressed Israel's concerns seriously and is prepared to take risks to meet them in essence, provided Israel responds to Sadat's problem of not being able to isolate himself from the Arab world.
 - To contain pressure from his army, Sadat needs not just a symbolic change in the lines but Israeli withdrawal from territory with some strategic significance, particularly all of the oil fields and passes.
2. You will want to put yourself in a position to take back to Egypt some concrete propositions which will provide a basis for negotiation. This will involve:

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BY HR NARA, DATE 9/24/03

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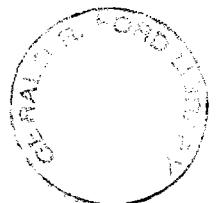
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- giving Rabin in some form the points Sadat has given you for inclusion in an agreement;
 - discussing any proposed Israeli modifications or additions to put to Sadat;
 - gaining Israeli agreement at least in concept to (a) an Israeli line which would provide for their withdrawal from all the oil fields and the passes and (b) an Egyptian line which would put Egyptian forces in a position from which they would feel able to defend the Canal.
3. You will want to insist that the Israelis stop talking about isolating Egypt and help you at least maintain the appearance of keeping the door open for an agreement with Syria.

* * * * *

A separate checklist of bilateral issues is in your folder.



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a

a

SALIENT POINTS RELATED TO A SECOND DISENGAGEMENT
AGREEMENT BETWEEN EGYPT AND ISRAEL

- 1- The agreement should include total withdrawal of Israeli forces to the east of the passes and from all the oilfields including the town of El Tor.
- 2- The Israeli withdrawal will be implemented in such a manner as to indicate the willingness of the Israelis to demonstrate their desire for peace namely that no roads nor installations or equipment of the oilfields be destroyed or transferred from their present location either to Israel or the remaining occupied part of Sinai.
- 3- The United Nations Zone will be subject of agreement.
- 4- The thinning of forces and their strength will be the subject of mutual agreement.
- 5- The agreement should have as an annex a fixed time-table indicating the various phases of the implementation of the agreement bearing in mind that the full implementation should



be terminated within two months of the signature of the agreement and that Egypt receives all oilfields within two weeks of the signing.

6- Egypt, on its part, is willing to accept a formula by which the mandate of UNEF will be extended annually as long as this agreement is valid and efforts towards a just and peaceful settlement continue.

7- Egypt and Israel are ready to reactivate the Egyptian-Israeli Mixed Armistice Agreement and they agree that the Mixed Armistice Commission resume its work to consider alleged violations by the parties to the present disengagement agreement.

8- Should Israel give a formal guarantee or assurance in writing to the United States that it will not undertake military or paramilitary operations against Syria and Egypt, during the duration of this agreement. Egypt on its part is ready to give to the United States Government a similar guarantee or assurance that it will not initiate military or paramilitary operations against Israel. However, should Israel attack Syria, Egypt will not be bound by this



agreement but will fulfill its obligation towards Syria. In addition, Egypt if attacked by Israel will exercise its right of self-defence under article 51 of the UN Charter.

9- Moreover, Egypt is prepared to go to Geneva to discuss with the parties concerned the conditions for a final, just and durable peaceful solution provided that the Palestinian representatives be invited to take part in the discussions at the proper time.

10- Egypt would respect its commitment so far as the passage of Israeli cargo through the Suez Canal is concerned.

11- Furthermore, and as a demonstration of its continuing efforts towards a peaceful settlement, Egypt would continue the process of the reconstruction of the Suez Canal area and would open the Suez Canal upon the final implementation of the present Disengagement Agreement.

12- Egypt would be prepared to consider lifting restrictions on some American firms - and that on a selective basis - so that they could resume their activities in Egypt. This commitment would be given in the form of an oral understanding between Egypt and the United States Government.



B

SALIENT POINTS RELATED TO A SECOND DISENGAGEMENT
AGREEMENT BETWEEN EGYPT AND ISRAEL

- 1- The agreement should include total withdrawal of Israeli forces to the east of the passes and from all the oilfields including the town of El Tor.
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be terminated within two months of the signature of the agreement and that Egypt receives all oilfields within two weeks of the signing.

6- Egypt, on its part, is willing to accept a formula by which the mandate of UNEF will be extended annually as long as this agreement is valid and efforts towards a just and peaceful settlement continue.

7- Egypt and Israel are ready to reactivate the Egyptian-Israeli Mixed Armistice Agreement and they agree that the Mixed Armistice Commission resume its work to consider alleged violations by the parties to the present disengagement agreement.

8- Should Israel give a formal guarantee or assurance in writing to the United States that it will not undertake military or paramilitary operations against Syria and Egypt (during the duration of this agreement,) Egypt on its part is ready to give to the United States Government a similar assurance that it will not initiate military or paramilitary operations against Israel. However, should Israel attack Syria, Egypt will not be bound by this



agreement but will fulfill its obligation towards Syria.

In addition, Egypt if attacked by Israel will exercise its right ^{of} to self-defence under article 51 of the UN Charter.

9- Should Israel give solemn assurances to the United States that it will engage itself in an active process of negotiations with a view to reach a second Disengagement agreement on the Syrian front and if the President of the United States gives his assurance; to President Sadat that the United States Government will actively deploy its efforts and weight so that a further disengagement between Syria and Israel takes place before the middle of 1975, President Sadat would be prepared to give to President Ford his assurances that Egypt will not violate the Disengagement Agreement reached between Egypt and Israel as long as the efforts pertaining to further progress towards a just and durable peace are continuing.

10- Moreover, Egypt is prepared to go to Geneva to discuss with the parties concerned the conditions for a final, just and durable peaceful solution provided that the Palestinian representatives be invited to take part in the discussions at the proper time.

11- Egypt would respect its committment so far as the passage of Israeli cargo through the Suez Canal is concerned.



12- Furthermore, and as a demonstration of its continuing efforts towards a peaceful settlement, Egypt would continue the process of the reconstruction of the Suez Canal area and would open the Suez Canal upon the final implementation of the present Disengagement Agreement.

13- Egypt would be prepared to consider lifting restrictions on some american firms - and that on a selective basis - so that they could resume their activities in Egypt. This committment would be given in the form of an oral understanding between Egypt and the United States Government.



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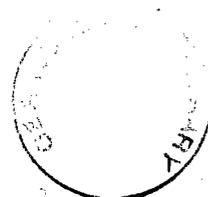
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EGYPTIAN PRINCIPLES
ON TROOP DEPLOYMENT LINES IN THE SINAI

1. Any lines should provide physical security for the troops of both sides.
2. No line should give one side a military advantage.
3. There should be balance between the troops of both sides.
4. The Egyptian line should be far enough from the Canal to provide security for the cities along the Canal.
5. The buffer zone should be wide enough to avoid clashes. The wider the zone, the better for both sides.
6. Once the Canal is open, it will be an obstacle for Egyptian troops. The balance of forces in the Sinai should therefore be 1.5 to 1 in Egypt's favor.

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STATE DEPT. GUIDELINES
BY LR, NARA, DATE 9/24/03



MEMORANDUM

THE WHITE HOUSE

WASHINGTON

~~SECRET/NODIS/XGDS~~

MEMORANDUM OF CONVERSATION

PARTICIPANTS:

Yitzhak Rabin, Prime Minister of Israel
Yigal Allon, Deputy Prime Minister and
Minister of Foreign Affairs
Shimon Peres, Minister of Defense
Simcha Dinitz, Ambassador to the United States
Lt. General Mordechai Gur, Chief of Staff
Mordechai Gazit, Director General, Prime
Minister's Office
Avraham Kidron, Director General, Ministry
of Foreign Affairs

Dr. Henry A. Kissinger, Secretary of State
and Assistant to the President for National
Security Affairs

Ambassador Kenneth Keating, Ambassador to
Israel

Joseph J. Sisco, Under Secretary of State for
Political Affairs

Alfred L. Atherton, Jr., Assistant Secretary
of State for Near Eastern and South Asian Affairs

Harold H. Saunders, Deputy Assistant Secretary
of State for Near Eastern & South Asian Affairs

Robert B. Oakley, NSC Staff

Peter W. Rodman, NSC Staff

PMR

DATE & TIME:

Sunday - March 9, 1975
10:30 - 11:55 p.m. (Dinner)

PLACE:

Prime Minister's Residence
Jerusalem

Rabin: Can we start?

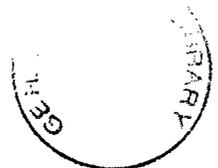
Kissinger: It's a little early!

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E.O. 12958, SEC. 3.5 *State Review* *SR 9/16/03*

NSC MEMO, 11/24/69, STATE DEPT. GUIDELINES

BY *LR*, NARS, DATE *9/24/03*



CLASSIFIED BY HENRY A. KISSINGER
EXEMPT FROM GENERAL DECLASSIFICATION
SCHEDULE OF EXECUTIVE ORDER 11652
EXEMPTION CATEGORY 5 (B) (1, 3)
AUTOMATICALLY DECLASSIFIED ON Imp. to det.

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Rabin: Mr. Secretary, as usual I welcome you and your colleagues. This time I hope after visiting Egypt and Syria you can tell us what are their positions, at least their first positions, in the context of an interim agreement. Especially how the Syrians view it.

Kissinger: Maybe I should begin with the Syrians, since the Egyptian side is more substantive.

Rabin: Since you're tired and we're not and we've got a lot of time, I suggest we just have a general review of the situation. Tomorrow we have three hours.

Kissinger: Right.

Allon: I told the Prime Minister you will have breakfast at 8:30 and then we will all meet in the office.

Kissinger: We can meet Tuesday night when I'm back from Ankara. We can perhaps decide tomorrow noon.

Let me give a brief impression of Aswan first, and then Damascus, and then perhaps back to Aswan.

My overall impression is that Sadat is quite determined to come to an agreement, that he recognizes he has major problems with the Palestinians and massive problems with the Syrians but that he's -- if he can get what he considers an appropriate agreement -- he's prepared to go ahead. He doesn't use his difficulties for blackmail purposes. It's a sort of quiet determination. He considers the raid on Tel Aviv to be directed against him. If I can give a personal impression, he was sort of hoping you'd retaliate but he was worried that retaliation would give the Syrians a pretext. But he was determined. Fahmy told me he ordered the papers to print that he had refused to receive them [the Palestinians]. Faisal he said was frightened of being assassinated.

Rabin: He gives them a lot of money!

Kissinger: He [Sadat] wants to show it's possible to stand up to them and survive.

Sisco: The explanation was that Qaddumi headed the delegation, and so Sadat didn't have to receive him since he wasn't the leader.



Rabin: Then why did he have to praise the Tel Aviv thing? He was more enthusiastic than even Jordan and Lebanon.

Sisco: You can distinguish between Cairo Radio and an official statement.

Rabin: I'm talking about Radio Amman.

Kissinger: Maybe they have to show some solidarity with the other Arabs while they make a separate deal.

Rabin: Maybe it's their position.

Kissinger: They made it clear they regarded it as directed against them. They face the objective difficulty of making it appear they're not selling out the others. That is a problem.

As far as the Syrians are concerned, they're violent. They spent the whole period first arguing; trying to urge me not to conduct a separate negotiation; then accusing the Egyptians of selling out, and saying they'll prevail; stressing their unity with the Palestinians -- which they didn't do on the last visit. And if Israel is trying to isolate them, it will lead to war. And it's an undignified position for the Egyptians to beg. And that history is on the side of the Arabs. They'll defeat Israel. When I said we wouldn't permit it, they said, "You're letting Formosa go, and Cambodia, and Vietnam, and Turkey. It's just a matter of time." There was some debate about whether Portugal fitted in. [Laughter] It is not something to be particularly proud of in present circumstances.

His major point was that under these conditions there would have to be a decisive battle -- "these conditions" meaning a separate move. He claimed all the other Arabs were behind him.

Rabin: You heard the Shah sold out the Kurds?

Kissinger: I told Yigal; I told Simcha two weeks ago.

Rabin: Yes.

Kissinger: I warned the Shah against it and he did it anyway.

That was part of his [Asad's] review of the international situation. He said all the trends were in his favor. It was not consistent with what he said at the end, because he said he was ready to receive something.



Rabin: If he can get something for nothing, why not?

Kissinger: I didn't ask what he'd pay because it was not appropriate for me to go into that at that point.

He showed no interest in the Geneva Conference, to put it mildly.

To keep him quiet this week, I told him I'd come back next week. It may not keep him quiet at all. I told him if he kept it up he'd say something he'd regret. He was sort of implying there would be war between the Arabs and the United States. He said he could afford to lose 50 million and we weren't, so they had the advantage. I got tough with him. He mentioned the Iran-Iraq agreement which frees the Iraqi strategic reserve. He said there were difficulties between him and Iraq but they could be bridged easily for the sake of anti-Israel. He said relations with Jordan were improving.

Rabin: Did you watch Jordanian television and see Zaid Rifai?

Kissinger: He mentions Zaid Rifai often.

Allon: They gave him a tremendous reception.

Rabin: He plays very much on the ego of Rifai.

Kissinger: I think Zaid Rifai is playing a somewhat ambiguous role.

Allon: Did he speak positively about Jordan or about Rifai?

Kissinger: He said the international trends were positive. A few months ago, Jordan and Iraq had their armies tied down domestically. It was very tough. He told our press -- he met with our press 10 minutes at the beginning. He said he was willing to make peace. When they pressed him, he said nonbelligerency. When they pressed him, he said he's against treaties, even treaties of friendship. He wasn't unreasonable, just very tough. He has a clear strategy. I think it's very calculated.

Sisco: He had everyone there with him.

Kissinger: That's right.

Sisco: Seven of them: the Foreign Minister, the Deputy Prime Minister, Tlas's deputy, Shihabi, Daoudi, and Elias the Palestinian notetaker.



Kissinger: Tlas was out of the country.

Rabin: Was Ayubi there?

Kissinger: No.

Rabin: Where was Tlas?

Kissinger: They told me he was out of the country.

Gur: He was probably in Egypt.

Kissinger: Why in Egypt?

Rabin: There is quite a series of high-ranking exchanges of top military people between Egypt and Syria.

Peres: Did they discuss their relations with Egypt?

Kissinger: Are there military preparations other than what you described before?

Peres: Quite a bit.

Rabin: Did he mention the visits of the Chief of Staff?

Kissinger: No. But there was no particular occasion to mention it either. There were no exchanges of visits discussed.

Allon: Is it true Sadat received you in military uniform?

Kissinger: No.

Rabin: He left Cairo for Aswan in military uniform.

Kissinger: He wore civilian clothes when I saw him. Gamasy was there obviously in military uniform.

Rabin: As Minister of War, not Minister of Defense.

Kissinger: Gamasy gave a strategic appreciation of the Sinai situation and argued that once the Suez Canal was opened, it would take eight hours to close it. And if you launched a preemptive attack, it would delay them eight hours getting their army across.



Rabin: He should know in the Six-Day War they didn't use eight hours. From one end to the other, it can take eight hours. But the Great Bitter Lake can be a place for stationing to cut the time in half. He kept ships there, closed the Canal for traffic, and it didn't take eight hours. Now techniques are more developed, so it's total nonsense that it's eight hours.

Kissinger: That's what he said. I'll tell Sadat.

Peres: They want to build underground canals to make a crossing. There are many places where they can do it. They have troops to cross the Canal anywhere.

Kissinger: I'll show you a map.

Rabin: I know what he wants: the passes, and strategic depth to protect the Canal.

Kissinger: Right.

Rabin: But he can say so without saying this nonsense about eight hours. Believe me, it's ridiculous.

Kissinger: One of my predictions already proved correct. Even if I come back with all your demands, there would be a big argument. Can I tell you what he does want? Because he and Gur are beginning to think alike. He wants the Egyptian defense line east of the passes.

Rabin: East.

Kissinger: Gamasy, not Sadat. Unfortunately I've already accepted it. He drew a number of lines in the Sinai; at least he had theories. Then he drew the Israeli line on the next ridge.

Rabin: Jabal Yu'alliq.

Kissinger: Yes. He said that's what Israel must have. The main argument was for strategic depth for the Canal. He said it would still leave you in strategic superiority. Because of the lateral roads and rapidity of movement, the Egyptian forces would be jammed up.

I saw Sadat alone and said, "You realize there is no chance, so there is no point to our discussing it." He said "Yes, but I had to let them make their pitch."



Gur: You have their briefing?

Kissinger: I have the main points. It was relatively well thought out. He put it in terms of strategic equilibrium in the Sinai. There may have been arrière-pensées, but...

Gur: We'll have it tomorrow?

Kissinger: I'll give you the map. It is interesting that it had one airfield. He wanted it in the neutral zone. I said you had to have it. Your most forward airfield. On the next map he had it in the Israeli zone.

Allon: Very generous.

Kissinger: He said you had seven airfields in the Sinai. You would have air superiority in the Sinai no matter what you do.

Gur: It is very interesting to know their appreciation.

Kissinger: We didn't ask for a briefing.

Sisco: It was volunteered!

Kissinger: I told Sadat it was inconceivable.

Rabin: You described it as a step towards peace. In what way does Sadat see his quid pro quo?

Kissinger: Before we go into this, there has to be one understanding. I have told the Syrians that I brought no proposal to Israel. We can't have stories in the papers about the inadequacies of plans and adequacies of plans. Secondly, Sadat spoke in terms of American ideas; this isn't the time for them, and when I make them I'll make them with you. We have to have some understanding.

Rabin: Mr. Secretary, allow me to say briefly that anything that comes to your newsmen on the plane is usually more detailed than anything that comes from us.

Kissinger: Because they make up their own plans.

Allon: Sometimes with us, too.



Kissinger: I haven't talked to our press about anything of the Egyptian ideas.

Allon: Mostly about Greece and Turkey, we read today.

Sisco: Right.

Kissinger: I think a statement of nonbelligerency is not possible. A statement of elements of nonbelligerency we could conceivably work out tomorrow. And I could bring it back. Something about the length of time of the UN force and the method of its removal is negotiable.

Allon: Henry, when you say Sadat may be willing to go it alone, he takes into account the severe opposition of Damascus, all-out PLO criticism, and Iraqi support. What about the King [Faisal]?

Kissinger: He thinks the King will object until the end but then go along. But my experience with the Egyptians is they're often wildly optimistic. The Syrians say the King is backing them. I'm trying to stay out of Saudi Arabia as long as possible so I don't get advice that I don't take. But we got a cable with dates -- the latest is the 28th.

Allon: Yesterday was the meeting of the Egyptians, Sudan, and Libya -- the Arab Council.

Kissinger: Where?

Allon: In Cairo. Because Libya was out of it.

Kissinger: No.

Peres: The Libyans are working very hard on Turkey.

Kissinger: That is one of the worst disasters. At least Vietnam was an internal debate; Turkey is an insanity. Asad says he has huge stores of arms and he can get unlimited supplies of money from Libya; it was part of his presentation of how strong Syria was.

Peres: The Turks are going to work in Libya. How did you find the mood in Egypt?

Kissinger: I found the Egyptians' mood calmer than last time. The last time he was rattled. My impression is he's made basic decisions and is determined to go through with it.



And Fahmy was less negative. This time he didn't let Fahmy sit in on it. The group meeting lasted five minutes longer than the pictures. Then he took me into his study. Then there was the Gamasy briefing, but Sadat carefully said nothing during the Gamasy briefing. He made a technical comment or two.

Sisco: But he said practically nothing.

Rabin: Why did Sadat say on television the way he put it about non-belligerency and whatever comes out from Egypt?

Kissinger: Because I unfortunately am accompanied by fourteen who don't want to report the news but create the news and who ask a series of provocative questions to which he can only give answers that create precisely this reaction from you. He said he wanted to make peace. He said he wanted to make peace in all its dimensions. Then they jockey him and ask, "How about nonbelligerency?" Then they forced him to give an answer.

Allon: Leave the press behind.

Kissinger: Today with Asad they asked him four times, "When are you forming the Joint Command?" They have it in their heads that this helps make it to Geneva. [To Gur:] Your girlfriend is one of the worst trouble-makers, though she doesn't do it out of malice. One of them put the words into his mouth: "Would the Joint Command make it easier for the PLO to go to Geneva?" He said, "Yes, or to stay away." A good answer!

Rabin: There are three events recently that are psychological political facts. First, the fact that the Shah took such a decision to agree with the Iraqis to sell out the Kurds. Though that is not known to the public, it's known to us. It has to be taken into account.

Kissinger: I agree.

Rabin: If half of our oil comes from him, if someone on whom we rely takes a whole different outlook here...

The second point is what's taken place in Tel Aviv [the raid on the Savoy Hotel], though it's nothing new, but the fact they succeeded makes a difference. The meaning of the so-called PLO is much more obvious. Therefore, the PLO is out.



Kissinger: But that's not new. I didn't have the impression before that the PLO was in. [Laughter]

Rabin: No. The third point is Asad's statement about a unified command. About a unified command with the PLO, which was not just a statement. The last time the Chief of Staff described a new development in Fatah --

Allon: Gur says there is a new accumulation of weapons.

Rabin: Not an accumulation of weapons but a whole new set-up there. Syrian-trained troops have taken the Fatahland. It is a changed concept. It is not just a tactical point that they have the Fatahland to prevent Israeli penetration or to use as a springboard; it's something new about what Asad is up to. It's not new -- the concept of Greater Syria.

Kissinger: I've said it, too.

Rabin: Those are three completely new points. Egypt, to the extent we know -- I'm sure the Chief of Staff gave you better information -- has new quantities of spare parts for ground-to-air and radars, that were not operating a few months ago. Now they have all they need, and operate very effectively -- in the Egyptian way effectively. To what extent do you think Sadat can detach himself effectively -- to what extent he can go it alone?

Kissinger: In this agreement or after this agreement?

Rabin: In the context of an interim settlement.

Kissinger: Let me be fair. Let me be as honest as I can. I'll give you my judgment, but my judgment has to include the possibility of Sadat's changing position in the future. What the Shah did, he's capable of doing.

My judgment is he's prepared to do a separate agreement and to carry it out if the process isn't too protracted. If it goes on 32 days he might get into increased difficulties. Because as soon as Asad is convinced he's not participating.... Now he's 90% convinced but he still thinks it's not done and there are no schemes. Once he sees he is close to success, we'll see an extremely active Syrian diplomacy. He'll be ready to make concessions, as long as it doesn't affect his domestic situation.

I was shaken too by the Iranian decision. Because we had participated in it too. The brutality of it.

Rabin: You heard Saturday?

Kissinger: In Zurich he told me about it in a hypothetical way. He said, "If I meet Saddam at Algiers..." He put it as an idea, what turned up in the agreement. I told him strongly it was a bad idea -- particularly the idea that he believed the [Iraqi] assurances that no Communist would be put in [in Kurdistan]. I can't believe it will be carried out any length of time.

The first official communication I received was yesterday afternoon. Yesterday morning, if it went through Washington.

Peres: On the Asad speech, there is an official communique and speech itself, and there is a slight difference. Maybe it is of no significance; he said there are not proposals; these are ideas -- cooperation with the PLO.

Kissinger: Let me give you my impression of Asad. I believe the idea of Greater Syria is in the back of his mind; it always has been. I don't think it's an operative policy but the policy is pressure tactics to prevent a separate deal -- pressure on us and the Egyptians. Because at the end of our conversation, after four hours of very tough talk, I saw him alone and he said his real problem is what he's going to do if UNDOF comes up. And he said, "If you give me some prospects..." I raised this red herring which I'd never mentioned -- the de Borchgrave idea of an advance on the Southern Golan. He said, "No, it has to be all along." I have the impression, General, he's very interested in the hills around Kuneitra.

Peres: Why does he need hills around a museum? He's made it a museum.

Kissinger: It [bulldozing Kuneitra] was not the most brilliant Israeli idea.

Peres: Kuneitra has changed hands three times, and this contributed.

Allon: There were some mistakes.

Rabin: Some mistakes were made; let's leave it.

Let's leave it for tomorrow. We are interested in an interim agreement with Egypt. When we talk about this we talk about a separate agreement with Egypt. This means, as the President [Ford] told the Foreign Minister, it stands on its own feet.



Rabin: Let's leave it as "stands."

Kissinger: You write his talking points, too?

Dinitz: We have the tapes!

Rabin: [to Dinitz] Excuse me. [To Kissinger:] We're ready to negotiate with each one of our neighbors without making conditions. It is easier to do one first with Egypt, but we don't have to follow the same pattern with the others.

Second, it has to be a step toward peace, a meaning to be interpreted in the wording and in some exemplification that it's not just wording. Practical measures.

Third, I'm talking in terms of putting an end to the use of force -- in the context of Egyptian-Israeli relations. Whatever the formula is -- non-aggression, nonbelligerency -- I mean a declared public commitment that must be done between Egypt and Israel. I'm not making a legal argument.

Kissinger: I understand.

Rabin: I'm not giving a legal formula.

Kissinger: Gazit will do that.

Rabin: He's working two weeks. It has to be publicly in a committed way towards Israel, without a link to the others.

The fourth point is, it's not enough to make statements, but there have to be some practical arrangements. I prefer "buffer zone" than "demilitarized zone."

Kissinger: I agree.

Rabin: There are many ways to make it safer -- it can be the UN, or in an Egyptian-Israeli way. The point is how to prevent a surprise attack and make it effective by additional factors.

Then there is the factor of time. I admit there is a dilemma in having it in an indefinite period. I remember the first time I came to your office in '69 with Eban and he talked a lot about a contractual signature.

Kissinger: He said something for which I've never forgiven him -- "Particular sanctity is attached by the Arabs to the written word."
[Laughter]

Rabin: And you said?

Kissinger: Bullshit.

Rabin: You said, "I'm not a diplomat but a historian, and I haven't seen that this is the case."

Allon: Diplomats say he's a good historian and historians say he's a good diplomat.

Rabin: But the dilemma of indefiniteness.

Kissinger: It's a fair statement.

Rabin: And the period of carrying it out after an agreement.

The sixth point: What is the relationship between the interim agreement and Geneva? This is crucial. You say a final agreement will be discussed, a lot of things will be discussed. What is it that commits Egypt?

Kissinger: I don't see how we'll get to Geneva. Abba Eban and Peres are the only ones who want it.

It's a fair enough question. The Russians will press for Geneva and therefore pressure exists.

Rabin: The seventh point, what kind of lines? Because there is a concrete relation between these six points, between what is attainable on these, and to relate it to these.

Kissinger: I agree.

[A summary of Rabin's points is at Tab A]

Rabin: It is not possible in one session. It will take a long time.

Kissinger: First, what I think of these six points.

Rabin: Seven.

Kissinger: See, I cheated you out of one point! Can I tell you what happened in the King David? When I came last time, I was met by the manager who said, "You can't go to the Hilton." I said, "I have no intention of going to the Hilton." This convinced him I was going to the Hilton. [Laughter] He sent me a letter saying, "You no longer have a free choice. If you hadn't started with the King David, it would be one thing. But having started at the King David, it's an act of aggression to change." [Laughter] I have no idea what got into him. I never had any intention of switching to the Hilton. Now it would be impossible anyway.

I think your points are fair statements. When I go to Ankara, I can leave Atherton, Saunders and Oakley to work with you. If you want.

Rabin: What is the Egyptian assessment?

Kissinger: I'll tell you tomorrow. Then we have to agree what to tell the Egyptians to get the process engaged. I can't tell you the Egyptian reaction to the six points.

Rabin: Seven.

Kissinger: I can tell you what I think their position is. We can see where it could be refined, where we know what it is. Where we don't, we should talk about what we'd like their position to be, so I have something to talk from. We can decide tomorrow noon.

Rabin: We have plenty of time.

Allon: In the Orient, they are not in a hurry.

Kissinger: I can't spend a month.

Rabin: We told you we are in favor of an interim agreement. You say America is not doing a favor to Israel; I tell you Israel doesn't do a favor either.

Kissinger: All I said was let's let the experts consider it.

Dinitz: We can decide tomorrow.

Rabin: I said we are for an interim settlement.

Kissinger: So does Sadat. Let's sign it.

Rabin: Instead of working through you, he can do it directly with us.

Kissinger: There is no one who would like it more than I. What do we tell the press?

Rabin: Since you've come here for a longer period, without saying any specific length of time, and without saying Egypt, Syria, let's just say we had a general review.

Kissinger: A general review and preliminary report.

Allon: You'd like to avoid the suggestion of a definite plan.

Rabin: We face two levels of problems -- real problems, and the problem of the press. The real problem won't be solved in two shuttles.

Kissinger: No.

Rabin: So why raise expectations? It is better to say we've entered a process of negotiations, which may take a longer period.

Kissinger: Why say a longer period?

Allon: In America you said two-to-three weeks.

Kissinger: We can say we've entered a process of negotiations, which has its own logic.

Dinitz: We had a general review and a report and it's only at the beginning and we'll have a detailed review tomorrow.

Rabin: Then tomorrow we'll have to explain about the Egyptian plan.

Kissinger: I understand your problem.

Rabin: Because of your leaks about Israel.

Kissinger: Which?

Rabin: I'll tell you tomorrow.

Dinitz: It's a matter of definition. The process of clarification is only at the preliminary stage.



Rabin: I couldn't care less about definition. The problem is how to avoid expectations that in two days we'll know everything.

Kissinger: We told our press there are ideas, only general ideas, no proposals. I don't want your people to say something different to Marvin Kalb.

Rabin: Normally our problem is how to explain what Marvin Kalb heard from you.

Kissinger: I'm glad it's a longer meeting tomorrow, for all the charges.

Rabin: Let's face it, everyone makes mistakes.

Kissinger: Your problem isn't tonight but how to get by tomorrow.

Rabin: We've just met for the first meeting. We just started a process of negotiations, that's going to last for a while.

Kissinger: Fine.

Rabin: Today we heard a preliminary report from the Secretary, and we're going to meet tomorrow again and it's going to be one point in a process.

Kissinger: I agree completely. It serves my purpose with Asad beautifully.

Peres: Say it won't be settled in one trip.

Kissinger: Okay.

Rabin: Then we'll meet at 8:30 tomorrow for breakfast. If you can come earlier, I'm ready.

Kissinger: All right.

[The meeting adjourned.]



Rabin's Seven Points

Dinner, Sunday, March 9

1. Israel is interested in a separate agreement with Egypt that stands on its own feet. But Israel remains ready to negotiate with each of its neighbors without making conditions connecting one to the other. Nor do subsequent agreements have to be of the same pattern. But it is easiest to start with Egypt.

2. It has to be a step towards peace, its meaning to be interpreted in wording and in some practical measures that give evidence that it is not just wording.

3. It has to be in terms of putting an end to the use of force in the context of an interim agreement. Whatever the legal formula is -- nonaggression, non-belligerency, whatever -- it must be a declared public commitment towards Israel, between Egypt and Israel.

4. There must be practical arrangements to ensure a buffer zone, and not just verbal arrangements. Whether by means of UN, or joint Egyptian-Israeli actions, the point is the combination of additional factors to make it more effective and to prevent a surprise attack.

5. Duration: (a) How to solve the dilemma of indefiniteness versus a long specified period, and (b) the length of time between signature of the agreement and its complete implementation.

6. Relation between the interim agreement and what takes place at Geneva: What is it that commits Egypt to continued moderate behavior under the terms of the interim agreement?

7. The nature of the new line is related concretely to what is attainable on the six points above.





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