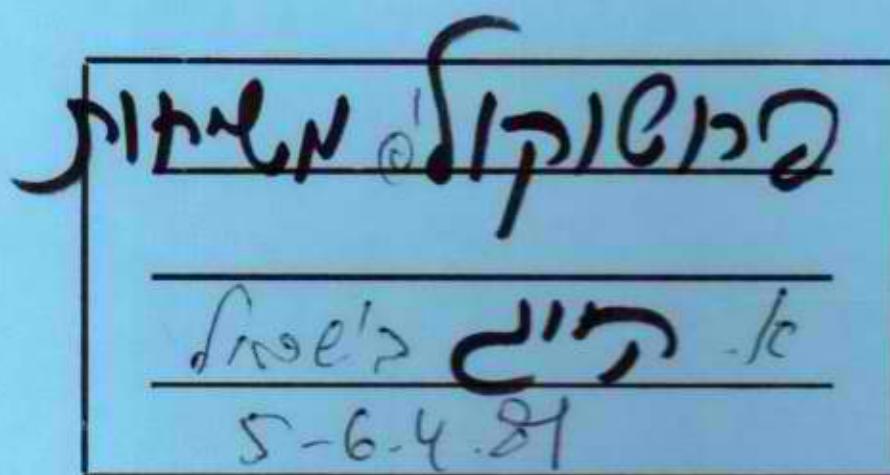


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נסגר:



שט זיקן - משנה למכ"ל ח. בר-און - פרוטוקוליים
משיחות עם אלכסנדר היינ בישראל נס 4-5

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19/12/19

Meeting between

The Prime Minister of Israel, Mr. Menachem Begin
 and Delegation
 and the
 Secretary of State of USA, Mr. Alexander Haig
 and Delegation

Sunday, April 5, 1981, 4:45 p.m.
 Cabinet Room, Prime Minister's Office
 Jerusalem

Present:

For Israel:

Prof. Y. Yadin
 Mr. S. Ehrlich
 Mr. Y. Shamir
 Dr. J. Burg
 Mr. A. Sharon
 Mr. M. Nissim
 Mr. M. Zipori
 Mr. M. Shmuelowitz
 Mr. D. Kimche
 Mr. Ch. Kubersky
 Mr. Ch. Bar-On
 Mr. E. Evron
 Brig. Gen. E. Poran

For USA:

Ambassador S. Lewis
 Mr. J. Buckley
 Mr. R. C. McFarlane
 Gen. V. A. Walters
 Mr. N. A. Veliotes
 Mr. M. Sterner
 Mr. S. Goldberg
 Mr. G. Kemp
 Mr. H. Sicherman
 Mr. D. Fischer

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H.E. MR. M. BEGIN: Mr. Secretary, I welcome you and your colleagues to our country. Of course, this is not your first visit to Israel, but it is the first as Secretary of State. It is a special occasion to extend to you hearty welcome. I welcome you as a friend who has proved his friendship constantly to Israel with deeds which will always be remembered.

A short time is at our disposal and the items on the potential agenda are manifold. I am compelled to start with an item which I believe touches the heart and conscience of every man and woman throughout the world, and Israel is close to the events and, therefore, it is of great concern to us. I am referring to the situation in the Lebanon.

For the last few days hundreds of people got killed and wounded, civilians, men, women and children. Towns are being bombarded by heavy artillery, even by ground-to-ground missiles, scuds supplied by the Soviet Union to Syria, and by tanks, and houses are crumbling, burying men under the ruins. This is what is happening. It is a great tragedy.

The world must not be indifferent. All of us have the experience of that horrible indifference which took place during the suffering of peoples, nations; our people. I don't have to mention what happened. Everybody knows what happened. This is also a great danger to the free world, because the more Syria will advance in Lebanon the greater will be the Soviet influence in this part of the world. In Syria there are now, according to our information, nearly seven thousand Soviet advisers, military and other, and there are also arsenals of Soviet tanks, besides those already supplied, and the most modern Mig-25 and tank-72, and it is actually now one of the Soviet bases in the Middle East. And therefore this expansion must be prevented.

But I must say that it is a human problem and the slaughter must be stopped.

I know you undertook efforts for the last 48 hours throughout the world, but now those efforts should be not only maintained but even redoubled because the town Zachle faces now five battalions of commandoes and, of course, tanks, heavy artillery, etc., and there is permanent shooting going on in Beirut as well.

So we shall be very grateful, if, Mr. Secretary, you can tell us how the efforts were conducted, what will be the results and can we hope for a real cease fire now between the Syrian occupation army and the Christian minority, and whether this is a realistic hope we can nourish under the circumstances.

H.E. MR. A. HAIG: Well, Mr. Prime Minister, clearly we are as concerned as you about this situation as you have explained the activities of the Syrian forces. We have, as you have noted, taken a number of steps, the last of which last night was a very, very strong message expressing not only our concern but the possible consequences of a continuation. Of course, the UN. I talked to Kurt Waldheim before I left. He's taken strong action. We have sent all of the messages to the parties that could influence it and I must say we used a very strong message on Friday to register our concern about the situation in Poland to Mr. Brezhnev. The President sent a personal message. And I wonder if you would see any connection between these two situations, which of course is always my first suspicion, because we just noted that a Soviet naval task force was deployed into the Atlantic on its way to Cuba and is just beyond the Azores now, and I am always alert that when the Soviet Union is about to undertake a highly controversial, highly escalatory step, they like

to divert worldwide attention and add to the difficulties of those who share common values on the issue in Poland. And I wonder if your Intelligence can see or suspects a connection with this, because we have been unable to ascertain what the provocation was in the first instance to generate this brutality. I wonder if you have any sense of that. I think the knowledge of that sometimes might suggest a solution to the problem itself.

MR. BEGIN: No, Mr. Secretary, I cannot say that I have any information about the possible connection. It is possible. But I yesterday met with our people, also of our Intelligence service and we didn't get even a hint about this connection. Maybe there is no connection; maybe there is one. I can only surmise intellectually and on the basis of past experience. But I must say, I must tell you that we don't have any concrete information in that connection.

MR. HAIG: Well, it's been my experience and it was earlier in 1970, during the Syrian attack on Jordan, which we worked on closely, that at that time that was a Soviet directed, Soviet managed affair, and when the situation got difficult, I recall the advisers being withdrawn, back into the Syrian territory. It's my own suspicious nature but I would expect that this is related to Poland.

MR. BEGIN: Not excluded.

MR. HAIG: And I think it is very important, therefore, that as we consider reactions that we try not to undertake reactions which have a disunifying or diversionary effect on those who should be solidly together on the Polish issue. Because I suspect that's perhaps what it is designed to do in the first instance.

It does not make it any more acceptable, but, clearly, Mr. Prime Minister, as an American and as a friend of Israel, and you know both are true, we are always the first to counsel restraint, recognizing that there are limits to that and there should be limits to that.

I would still like somewhat more time before some dramatic reaction from Israel. Clearly that's the issue at the moment for you here. I do think we need just a bit more time to try to exhaust every political and diplomatic lever we can. I don't know what is in your larder of potential reaction as to this situation. I know that you do and should and must take this seriously. Like you, I feel that if the Soviet Union is behind it, and I suspect it is, then we want to be sure that we do not react in a way that works for their purposes. And I think that's the great danger here. Maybe even my trip and the so-called strategic consensus was a contributor to creating an incident and we can't discount that.

There again, I hope that whatever we do will not aggravate our efforts to get the peace process moving forward, our efforts to create a strategic consensus, recognizing that that is not an easy task in such a divisive situation among the Arab states with different views and attitudes. But it is always simple to those far distant away, who are not directly affected by these events, to offer sometimes less than educated advice. But at this juncture, I think a little more time for us. Perhaps, Nick, you would care to tick off what particular steps we have taken on this issue.

MR. VELIOTES: When we saw the situation was really developing

in a serious manner - it wasn't until Thursday afternoon that we were able to really know what was going on in Zahle - the first thing we did was issue a statement about as strong as I have ever seen issued by the American government in condemnation of the Syrian action in shelling the center of the undefended city of Zahle. We then had a first round of messages that went out to our embassies in the area where we thought they could be helpful, also the UN. We then, as the situation seemed to get more and more out of control and as the dangers of escalation were growing and the human life toll was growing, we sent a series of much stronger messages to a number of the countries directly concerned and to those that we thought could have influence on the Syrians. And in that second round, we included the concern for consequences that could flow from the situation if it was not damped down in the very near future. We also know that the Soviets were contacted at a high level, not by us, and were told that they had a major responsibility for seeing to it that the Syrians stopped.

Now, as of right now I think the cease fire - our hosts may have better and more current information -

MR. HAIG: That would be my next question, Mr. Prime Minister. What do you know of the situation at the moment, because we had some indication that maybe a cease fire was at long last holding?

MR. BEGIN: It started yesterday but it doesn't hold, and we are very perturbed about bringing in from far away those commando battalions to Zahle, and they face now Zahle.

MR. VELIOTES: Are these the Rifat Assad commandoes, who defend forces that are usually in Damascus itself?

PROF. YADIN: They are assembled from a northern city, Homs.

They were sent to deal with the Moslem Brothers. At the moment they were flown last night into Damascus, all gathered there.

MR. VELIOTES: Not to Zahle?

MR. BEGIN: Coming close to the area.

BRIG. GEN. PORAN: Two battalions are already in Zahle. There are six altogether.

MR. SHARON: Mr. Secretary, the Prime Minister emphasized the human aspect and from the human aspect, of course, it is a tragedy and a tragedy that the civilian population is massacred, but I say to that I have to add the silence of the western world, and I have to say that maybe for the first time that you really issued a strong announcement to the Syrians.

But I would like to emphasize another point, and that is, I don't believe that Israel will be able to accept any further expansion, Syrian expansion, and the expansion of Syrian hold in Lebanon. Altogether the invasion of Lebanon by Syria in January 1976 changed in many aspects our situation on our northern front. But in the past we had the Syrians facing our troops in the Golan Heights, but since 1976, we have Syrians on our northern border as well as on our eastern border. And I think that should be clear, that I don't think that we will be able to accept that. And we believe that every future step by the Syrians will bring to further expansion of the Syrian hold in Lebanon.

MR. HAIG: I may suggest another motivation for this situation, as it is very clear to me that the Soviet Union - and I have had two discussions with Ambassador Dobrynin in the last two months, one

before he went to the Party Congress and two since. And the main objective of his argumentation to me was the desirability to be included once again in the Middle East peace process, referring repeatedly to Mr. Vance' initiative of October of 1977 at the UN and our failure to follow up on that initiative, which I was appalled by personally; discussions of the Geneva forum again.

MR. BEGIN: We remember.

MR. HAIG: Now, this also could be a motivation, because clearly the problem, bringing this issue forcefully to the Soviet Union attention, can be some erosion in the position we have taken and will continue to take about Soviet participation in Middle East affairs and/rejected this on three occasions when it was raised with me by Ambassador Dobrynin.

So there again I merely emphasize that as a military man I recognize the change to Israel brought about by the Syrian presence in Lebanon, and if there is movement south, the kind of concern that would generate here. But, again, I emphasize also that we should not succumb precipitously until we have weighed all of the consequences to a provocation which clearly has other objectives despite its inhumane character. That is the tragic consequence of the use of force in any set of circumstances; the innocent always pay and frequently the guilty achieve their results, and it is for that reason and I again urge that we take a little more time, apply all the pressure we can and we will examine with great intensity tonight whether there are some additional measures that we as the United States could take, or our allies could take, to bring forth the seriousness of the

situation both in Moscow and Damascus, and certainly those who could bear influence on either.

But I think we are always well served by that kind of caution and I know it has characterized your demeanor here when you said that the bull's eye of the consequences and the risks are all here. But there must be more to this than just a happenstance flare-up.

MR. BEGIN: Well, Mr. Secretary, I suppose we can say that we are of the same opinion. What we are interested in now directly is to have a cease fire achieved, to stop the slaughter. Zahle shouldn't be conquered by the Syrian troops and Palestinian units which are under Syrian control. And there should be a general cease fire. This is what should be achieved now by international pressure and this is what we now want to achieve. We appreciate very much your efforts and just we can only ask to continue and even enhance them, so that this goal is achieved.

MR. HAIG: We will do this in close consultation with you here. Have we considered an emergency session of the Security Council, Nick? I think this is sufficiently serious. I know it won't serve any purpose other than to make noise.

MR. VELIOTES: No, it doesn't, Sir. We were hoping that it could be turned off some other way because once we get into the Security Council, any Middle East issue, then it goes on for weeks and we lose sight of what we are there for.

MR. HAIG: I don't like to raise the term because of the inadequacy for this purpose, but I do like to be sure that we have done everything that can be done before more extreme measures are

undertaken.

MR. VELIOTES: On the UN, one last point, there was to be a visit to Beirut already scheduled by Urquhart. Sam?

MR. LEWIS: Yes.

MR. VELIOTES: If he does come out, he will have been charged from Waldheim to try to show some symbolism and try by his presence to inject something else on the ground.

MR. HAIG: I might call Kurt (Waldheim) tonight.

MR. BEGIN: I raise now an item concerning the peace process in the Middle East. What I would like to make clear, Mr. Secretary, to you and to your colleagues and my colleagues and myself that we have the same opinion about the adherence to the Camp David Agreement. We made great sacrifices, as you know, for the Peace Treaty with Egypt and we took also risks, but we believe that the Peace Treaty is the turning point in the annals of the Middle East, a great achievement for Egypt, for Israel and for the United States and the free world. But besides the Peace Treaty, for which we made so many sacrifices, there is another part of it which was not yet consummated because the negotiations concerning the Autonomy were interrupted, not by us. All the time we suggest to renew them.

My colleague, Dr. Burg, who is the Chairman of the Autonomy, will explain the history of all those postponements. I would like to stress that there shouldn't be, as I believe there aren't after listening to your statement, any differences of opinion between you, the American government and the Israel government, about the basic ideas or rather the first part of the Camp David Agreement. What we

promised is Autonomy, not sovereignty. I suppose you yourself said so in a certain occasion.

MR. HAIG: Several, Sir.

MR. BEGIN: Several times; it's even better.. A Palestinian state is not mentioned. I can only say it would be a mortal danger to us. It would be a Soviet base in the Middle East, after all the Soviets achieved: Mozambique, South Yemen, Ethiopia, invading Afghanistan, etc. In the heart of the Middle East, there would be a Soviet base. Unavoidably the Judea, Samaria and Gaza District and those settlements would be taken over by the PLO and the PLO is a real satellite of the Soviet Union. They praised the Soviet invasion of Afghanistan and at the Damascus conference, its main component, Fatah, they adopted a resolution that they are an ally of the social-communists led by the Soviet Union. What can be more?

So there are other problems. Of course, we have differences of opinion, indeed, but what I would like to stress, first of all, that we agree to this basic principle, and, secondly, that the negotiations should be renewed.

I will ask now my friend, Dr. Burg, to go into more details.

DR. BURG: Not too much detail because we are restricted in time, but the basic ones. Mr. Prime Minister, Mr. Secretary, dear Friends: In another month a year will have elapsed since Autonomy talks were disrupted. We came out of Camp David with two important things; one the Peace Treaty and the other the Autonomy plan. Concerning the Peace Treaty, I can say we delivered. We delivered our part: 80 percent of the Sinai soil and 100 percent of the Sinai oil,

in a time when in Iran happened what happened. So I believe this part was a very important one. We delivered not with an easy heart.

Since the beginning of May 1980, only formal declarations were made that the talks have to be resumed. The last one was in Jerusalem, December 18, 1980, by Sol Linowitz. It was made by the Prime Minister and the President of Egypt, and there is a sentence: "We agree to negotiate in good faith in order to conclude the negotiations at the earliest possible date.." That was on the 18th of December. Until today there is nothing. We don't know when Autonomy talks will be resumed.

I can only say, and the protocols that you have will give proof, Israel was a factor with initiative, with energy. We came out with a model that gave about 80 percent of the powers and responsibilities to the Autonomy, Self-Governing Authority; 80 percent of powers and responsibilities that could be transferred and assumed by this Self-Governing Authority. It was pragmatic. It was not dogmatic. We know what we have to do. And then came the idea, I believe Sol Linowitz was the first to come out with it, of a Memorandum of Understanding, the MOU in your slang. We agreed. We gave our response. We were lauded by the United States because of our response, also concerning solutions or ideas concerning water, concerning land and concerning security.

I am not the only one who feels himself misled or let down, because a year of non-negotiations creates a vacuum that can be very dangerous and especially against the obligation of Camp David that the parties attempt to negotiate continuously and in good faith,

continuously concerning time and good faith concerning the inner dimension of the negotiations, and I can only say the Egyptians during one year, last year, were evading their commitments. It was a little bit a matter of question-marks. What will be the force of November 1980? Who will be in the cabinet the 20th of January? Part of this with history rewritten because there was a Jerusalem Bill. Everything was good in order not to have those negotiations, and now we have elections this year, at the end of June. But this has nothing to do, our elections, with the process of the Autonomy talks. There is our obligation of governments and the elections in Israel should not be taken as a subterfuge in order not to meet with us and political vacuum is created, and vacuum, as you know from Syria, from Afghanistan, invites always foreign forces, and I believe this political vacuum would be very dangerous, especially since it is in absolute contradiction with Camp David. Camp David had two results, the Peace Treaty and the negotiations. The Peace Treaty we delivered and we are still asked to deliver further, and these talks. And when I was just a week ago in the United States - and this is the last remark that I would like to make - I heard that in Washington they believe that putting a little bit of pressure on President Sadat in order to come forth and renew and resume the talks, this could be interpreted as intervention in our elections. I would almost say, with all due respect, the opposite is true. If nothing is done, it is a negative kind of intervention in our elections because the government, this government, undertook to make peace and undertook to create possibility for Self-Governing Authority for the inhabitants in

Judea, Samaria and the Gaza District. And here there is nothing.

So if I could say, I believe it would be very positive if we would create the atmosphere really of resuming the talks. During one year we talked about resuming the talks. Now it would be very good if your presence and your initiative would be helpful. We have a couple of months before us and something should be done, and could be done.

MR. HAIG: Well, first let me assure you that whatever loss of momentum occurred over the year was not predicated on the internal politics of Israel. It would not be appropriate to have that calendar expression of democracy influence our policies one way or the other. And it must not. That is not to say that it does not have an indirect effect on the attitudes of the parties. I have seen many, many things in this so-called transition period. In fact, American democracy is accused of serving for two years, preparing for the elections the third year, and everything stops the fourth year, and I think that's generally true and those that have dealt with us historically anticipate it. Even our Soviet adversaries have adopted that position. And I can't speak for President Sadat on whether this has influenced him or not.

I can say that it is our intention in this new administration to proceed with peace keeping efforts as quickly as we can, being sure that we had the benefit of assessment of what separated the parties, where the difficulties have been on the Autonomy talks, where the difficulties have been on the Sinai peace-keeping force, which we are not happy with because it has not moved quickly enough and

there seems to be some intransigence on both sides with respect to ultimate outcome.

My trip here is precisely designed to enable us to get that assessment, to find out where the differences have been in the Autonomy talks themselves. I spoke to Sol Linowitz at great length the first week I assumed my responsibility. He spoke urgently about the need to move urgently. I asked Sol, what can we specifically do? And it was there that I didn't find any answers that led me to believe that if we had another meeting tomorrow that we would/have an outcome which met our common purposes. Now perhaps you could tell me, and I would very much welcome it - and that's the purpose for this trip - just where you see the differences between yourselves and the Egyptians on the Autonomy.

It is surprising today in my discussions with President Sadat - and I would like to recount that for the group because I heard some worrisome things before I got to Egypt. First, he reaffirmed in unequivocal terms in a lengthy discussion with me privately and another discussion with my colleagues and finally in front of the press his full intention of proceeding with the Camp David Accord. He spoke to me about the need to get on with the Autonomy talks and he used the term, Mr. Prime Minister, "Full Autonomy".

MR. BEGIN: That is the text.

MR. HAIG: And I know he knows what that means precisely. So the basic principle is already agreed upon and is not under controversy. Maybe you can help me and tell me where it stands.

DR. BURG: With your permission, Mr. Prime Minister. Very

short; I would like to say something. As I said before, a vacuum always invites undesirable elements. Now, if we would have time we can give you a list of things that were achieved. Concerning modalities quite a lot of understanding was reached. Concerning the juridical aspects of the Autonomy, the Self-Governing Authority, we are very close.

In my eyes there are two possibilities: either we continue in merito in those talks or we try at least to come out again with a Memorandum of Understanding that basically would give the principles for the Self-Governing Authority. That means, either a memorandum on principle or something worked out in details. For this it is necessary to meet and to meet on different levels. I would not suggest the highest level, because we are now preparing groundwork and we don't make homework; experts, special committees. We had the committee on commerce, committee on modalities, committee on powers and responsibilities discussing. I believe that would be the way, to start with this. As I said, on different levels, on the lower one, the expert one, to the highest politicians or statesmen. I am no longer a politician. I am an elder statesman. That is on the different levels that we should meet. That is what I would say at this moment.

MR. BEGIN: You do a Napoleonic thing: you crown yourself. And I accept it. (Laughter)

PROF. YADIN: One half is biological.

DR. BURG: I accept what the Secretary of State defines: the dictatorship of the calendar on democracy!

PROF. YADIN: Mr. Prime Minister, Mr. Secretary: I admire, may I say, your blunt style and answers and perhaps I will be influenced a bit in what I am going to say. We were encouraged by what you say about what Sadat is saying. But fully the first part of the question of the Prime Minister, if I understood it correctly, was that there is some sort of a vague feeling that the attitude of the United States, rather than Sadat, and I think one of the indirect reasons, not direct reasons, that there was a hesitation somewhere, somehow, whether the new administration is going to adhere as zealously and so on and so forth. As I understood, at least this is my view, a clear-cut, firm policy declaration of this administration about the implementation of the Camp David Agreement I think would have helped quite a lot.

MR. BEGIN: I can say, Mr. Secretary, that I can on behalf of my colleagues fully subscribe to what President Sadat said about full Autonomy. This is written in the Camp David Agreement. Agreements should be kept and carried out. This is our belief, and what we suggest is full autonomy. There may be a different interpretation. As I said, we agreed already on several basic issues, but they are in contradiction to certain statements made by our Egyptian friends. For instance, Mr. Ali was asked by a Member of the Knesseth: do you mean by Autonomy a Palestinian State and Mr. Ali said, Yes. This is a contradiction to the Camp David Agreement, and he continued with it. President Sadat himself, you know we are on very good personal relations and we are friends, suddenly made a statement about the "Palestinian government in exile". All these ideas are not mentioned

in the Camp David Agreement. We believe they contradict the Camp David Agreement. Otherwise there wouldn't be talk about Autonomy or full Autonomy. No such expressions at all. So we must return to the table of negotiations with all the differences we encountered, and some were removed during the time of our talks; some were not yet removed, in order to achieve an agreement. If you don't negotiate, how can you reach an agreement? And time is of the essence. And we wonder why should it be postponed. We know very well what is the process of democracy, but it doesn't have anything in common with the elections. Democracy knows its way and in three months time the people of Israel will decide who will conduct their affairs, and this is one of the reasons why we say to all our friends: we are not only a faithfull ally of the free world and of the United States; we are the most stable ally in this region because of the inherent stability of the democracy, as we can see from time to time in contradiction to dictatorships regimes.

What we would like, first of all to hear, because there are two issues: the adherence to the Camp David Agreement, that we all of us adhere to the Camp David Agreement, in both parts. Then we should talk especially about the multinational force. And then the question of how can initiative, if it can be given, by the United States to bring the parties again to the table of negotiations.

MR. HAIG: First, let me make one suggestion, in response to your (referring to Prof. Yadin) very frank, equally frank, statement. I hope that Mr. Reagan is not going to be tagged with the fact

that you have been busy for the year under the Carter administration without agreement. That would be a tragic distortion of history. I think you know where President Reagan stands on this issue. I don't know if Israel has as great a friend anywhere than President Reagan. So I must not sit here and suggest that there's been anything stated or failed to be stated in this administration that would suggest anything but full support for both the peace process and the long-standing historic relationship with the United States for Israel. That would be a bad distortion of reality, I'm afraid. Now, we have been getting the same kind of talk from those who are not friends with respect to SALT and TNF and all the other things that we inherited. I do think the fact that there had not been progress for a year gave us pause and generated a decision in Washington that we should look very, very carefully at what the differences were, the remaining differences, and what we can do to remove them, and, incidentally, the same problem you will see surrounds the peace-keeping force in the Sinai.

So I just wanted to be sure we didn't get ourselves arguing on things really that were not issues. There are no issues here that I see in Washington that represent differences between the government of Israel and the Reagan administration. I am just not aware of anything if there are any.

DR. BURG: This was not the intention. The intention was to bring you more actively as mediator or fully participating in negotiations and give it a bit of a push.

MR. HAIG: I must say that I had the same push from President Sadat. He said, You are to be an active partner. Now, everyone that says that has a different (laughter) objective in that partnership role.

But I do want to assure you, we are not dragging our feet on this problem. It hasn't been our intention to do so, and we are not going to permit ourselves to play a role directly or indirectly with the reverse twist you suggested in your domestic politics. I think that would be a tragedy. In the first place, it would be wrong. In the second place, it would never serve any purpose.

MR. BEGIN: I would like to add another issue: so-called European initiative. After the Venice Conference, in which they called to bring in the organization which calls itself PLO into the negotiating process, it is very detrimental to the peace process, because it puts those Arabs who want to negotiate and make peace with Israel in a very difficult situation. What should they say if European countries say that that terrorist organization should be a partner to the negotiations, an organization which is bent on Israel's destruction as they already quoted openly? I hope the United States makes itself clear to its European allies.

MR. HAIG: Well, Mr. Prime Minister, I can make a comment because we are of one mind on the so-called European initiative. I don't have to tell you that it disturbed us greatly. It was a source of friction between Europe and the previous administration. And one of the reasons for the very early visits to Washington of Foreign Ministers, Peter Carrington, Gentcher, Francois P. , the Dutch Prime Minister and Foreign Minister and our normal diplomatic dialogue was to impress upon them our great discomfiture, our great disappointment that they would meddle in an issue of this sensitivity and importance, and I made it clear to all of them. It might interest

you to know that as recently as last Wednesday, we had the Dutch Prime Minister in the Vice President's office - the President being in the hospital - and we were having lunch and he said, I want to tell you, there is no European initiative. This is the President of the European Community at the moment.

PROF. YADIN: Double-Dutch!

MR. HAIG: He said, there is no European initiative and I must say that every European Foreign Minister I spoke to told me there is no European initiative. I said, what do you call it? He said, well, we have been fact-finding; much like I'm doing here. We have been asking questions. And that is all that the European initiative amounts to. Then I met a fellow in Florida two weekends ago, who had been working around the scenes, happens to be a Swede. He said, I've been involved in the European initiative. I said, there is no European initiative. He said, Oh well, I've been spending two years talking to the parties. So what I am suggesting is - and this underlines the wisdom, I guess, that vacuum creates opportunity for mischief. But at least at this juncture I think I can assure you that we have dampened down any enthusiasm in Europe for activity on the Middle East subject. I am always alert to the fact that there will be a change in the Community leadership and Peter Carrington will assume that leadership in July. So he has been the main target of my expressions of concern, and he has been very reassuring. But I do want you to know that we have been working on this thing not just actively but hyper-actively.

MR. BEGIN: I wish you success (Laughter), especially in the

talks with Lord Carrington.

MR. SHARON: I have been advocating for a long time to hasten the peace process, and I hope, and I believe, that there are not going to be any political changes after the elections, the coming elections in Israel, and we will be able to proceed with the peace process. But maybe the thing has to be rushed because of the possibility of political changes here, because I don't believe that we will be able then really to proceed in the same process that we started, because you have to appreciate, Mr. Secretary, we had, let's say, more or less a national consensus about the Camp David Accord and that includes the Autonomy part of it. I don't see any national consensus, any possible national consensus in the future if, for instance, the Israel approach would be or suggestion would be to go into any Jordanian option or Saudian option or any other names that might appear, because then I don't think we will have a national consensus, and I don't believe if we will come to solve such a complicated problem we can solve it without having national consensus.

As to your question: what can be done? I believe that if I had to think abmt phases of what should be done, let's say now, in the coming three months, I would say that we need to do three things. I believe that we may arrive to agreement about the Autonomy. I believe that the first thing should be - and I am expressing my personal opinion now - it should be an informal, high-level contact between Israel and Egypt in order to try and find the, I would say, main problems that should be solved and to try and exchange views about these problems, and we know now what are the five, six, seven

main subjects that we have to solve together. And then I believe - and that's something that you should take about a month - there should be a summit meeting, and I am again expressing my personal opinion. The Prime Minister might have another one or my colleagues might have another one. I believe there should be a summit meeting, and then we need about one month to work the details of the agreement and though the time is short and we are at the beginning of April now, I believe that within three months we might have an agreement about the Autonomy. And if you ask what are the suggestions, that is my suggestion. I recommended that talking to Sol Linowitz several months ago. I had a chance to see him many times, also with your Ambassador here, and I think we exchanged views about that. We could have done it, I would say, maybe in a better way if we would have started several months ago, but still we have time to do it, once we decide that we want to solve it in the coming three months, and I believe that we can solve it. Thank you.

MR. SHAMIR: Well, if we are coming back to the peace process, I would like to say something. Of course, there are differences of opinion between us and the Egyptians, as Minister Burg explained it. But we are convinced that all these differences could be settled by serious negotiations. We cannot see any difficulty in that. But our feeling is, my feeling is, that the Egyptian side is not very happy now to reach an agreement based on the principles of Camp David, because of the international situation, because of the European activity, because of the opinions of the neutral countries, because of the various resolutions of the United Nations. I can only give an illustration. One day Butros Ghali said to me: How can we accept

Autonomy when even the most remote island is getting now independence? And how can we propose Autonomy to the heroic Palestinian nation? And I said to him, But this is the contents of the Camp David Agreement.

Therefore, I would like to stress that the difficulty in the peace process is not the existing differences between us and the Egyptians. I think it is the duty maybe of the United States government to stress to the Egyptians that we have to reach an agreement based on the Camp David Agreement, on the Camp David Accords. We have agreed to the principles of these Accords and not to any different schemes, not to any different agreement. I think this is the main idea. Thank you!

MR. HAIG: Well, I can only observe today that this was one great source of satisfaction to me after my extended discussion with President Sadat. He held firmly to the Camp David process. I could not perceive any waiver from or even a slight backing away, and I was very, very much tuned to hear it. I must say that I believe that he believes that his credibility in the Arab world is at stake. I think he believes that the Camp David Accords, as do we and I know you do, were an historic breakthrough. He told me: now, there can be no war between the most powerful and most influential Arab state and the State of Israel. I sincerely believe he believes that. And I am not sure that even if there may be some pressures from other Arab sources and even within his own government to make deviations that he feels personally that he can do so and maintain his credibility historically.

MR. BEGIN: There are such differences; we know of it.

Well, I think again, we can sum up: first of all, that we all adhere to the Camp David Agreement, in both parts.

MR. HAIG: Without a question.

MR. BEGIN: And then we would like to see the renewal of the negotiations whenever it is possible to renew. We would like you, when you go back home and report to the President, to tell him that this is the view of the government of Israel. I am very happy that the President is recovering so speedily and all of Israel prayed for his health and for the health of his aides, and we are glad he will be able very soon to return to his full duties.

Now, Mr. Secretary, let us have a word about the Multinational Force. First, the history of it. In the Peace Treaty itself, the UN force is mentioned, which will be stationed at Sharm l-Sheikh in the south and in the north, in the Rafah area, and there are provisions that both sides will not ask for the removal, because of a certain experience, except by agreement and if there is a unanimous agreement of the five great powers in the Security Council, those who have the right of using veto.

However, it became clear, I suppose more than a year ago, that the Soviet Union, which doesn't recognize the Peace Treaty or the Camp David Accords, if there is such a UN force suggested to be formed will veto it in the Security Council. And all of us were prudent enough to take that into consideration, and, therefore, President Carter addressed a joint letter to President Sadat and to myself about a multinational acceptable force, which you will make all endeavors possible to form in case that the UN force becomes

impossible. Whatever the formal suggestions are, I think this is now also the reality, the international reality. The Soviet bloc and the Soviet Union and the adherents, the satellites, don't recognize at all the Camp David Accords, neither do they recognize the Peace Treaty between Egypt and Israel.

So we must think about the Multinational Force and this is the year in which it must be formed. You know from my colleagues that we support your point of view that there should be an American participation, active participation, and in proper numbers. It should be also a proper force, but we heard that there is a certain opposition to this proposal by Egypt, so we would like to know how it can be overcome, so that we can fully support the idea.

MR. HAIG : Frankly, Mr. Prime Minister, that's one of the reasons for my visit because this difficulty developed in the discussions of our team of Ambassador Stern. Dealing with both sides, it was clear that suddenly a major obstacle had developed; in fact two. The first was the Egyptian desire that we reinstitute the UN effort, to see if we could at long last either have it approved or at least isolate in the Security Council the Soviet Union and force them to veto. As I told Foreign Minister Shamir in Washington that we had to go through a certain set of procedures to bring the problem to the fundamental, practical reality that it would ultimately arrive at, so we have started that process. We feel, as we felt from the outset, that the outcome of that process, if prolonged, could be counter-productive, would provide an opportunity for the Soviets to make mischief and perhaps even worse, perhaps even worse. Although I don't

think they ever could have agreed to a force the final stage of which the Security Council would require the recognition of the Camp David Accords by the UN Security Council.

MR. BEGIN: But that is a prerequisite for all of us.

MR. HAIG: That's right. But in any event, we have felt that the process has gone on long enough, and I discussed that very frankly with the Egyptian side yesterday and today and my colleagues as well, and I feel rather comfortable that within a few days that process will be behind us.

Now, the more intractible and more difficult obstacle is the presence of American forces in the peace-keeping force itself. I left the discussions with President Sadat with the sense that with some give and take on both sides we can manage our way through this obstacle. Now, that's a very cautiously optimistic assessment. It will require patience, finesse and a degree of packaging in a public sense that permits President Sadat to go along. But I think the outcome is so desirable that it is worth that careful packaging, and that's how we got to where we are, with that kind of care and patience, and I would hope in the very near future to be able to move in the direction and hopefully there will be an outcome that is successful.

There are many uncertainties because it is clear, and again I will be very frank at this table, that President Sadat is over-ruling his subordinates, but I think he is sufficiently flexible to bring about the minimum requirements for Israel and still enable us to get his support. That's going to take some more exploration now after this basic discussion I had today, but I use the term "guarded

"optimism" and I would suggest that our negotiators here on the Israeli side recognize that there are certain political requirements that we must be sensitive to in the case of President Sadat, while still achieving the outcome we seek.

MR. BEGIN: But all of us realize that this is an integral part now of the peace-keeping and a very vital part. At the time we said to the American government clearly, and we got an accord to it, that we cannot leave those places without the multinational force coming into operation before we leave. We made it absolutely clear. Sam will remember.

MR. LEWIS: Oh yes.

MR. HAIG: I think we all share that view completely. I know of no divergence between Washington and Tel Aviv on that subject. I don't have any.

MR. SHAMIR: One difference; not Tel Aviv but Jerusalem!

MR. HAIG: Touche!

PROF. YADIN: With the permission of the Prime Minister, a short remark. Mr. Secretary, I listened very carefully to your cautiously phrased optimism, but I think my antenna, our antennas, are sensitive enough to understand what you were referring to. As for the pre-condition of this force, one has to remember - I don't have to remind you personally - it is that this force has to be ready, let's say, not a few days before the evacuation. We have a timetable counting backwards, which goes back nearly a year backwards, and it is very, very difficult to start unless this is really formed.

MR. HAIG: Well, we sense a great degree of urgency in this

matter and again, I want to emphasize, I hope I used the proper tense when I said, we have to create the conditions under which President Sadat can overrule his subordinates because clearly our talks at one level ran into a great opposition, whereas my talks with President Sadat suggested greater flexibility, and so we have to create for him a condition that will permit him to over-rule.

MR. BEGIN: The Egyptian Foreign Minister also at the time agreed to the American participation, but his subordinates went back on that.

MR. HAIG: We sensed the same thing. Whether it was a misunderstanding or not; I prefer to call it a misunderstanding, but clearly we were as disappointed as you.

MR. M. STERNER: Could I add to that that I think it is important that while you are working on this aspect that it is very important that there be no public discussion of this particular angle.

MR. HAIG: Absolutely.

MR. STERNER: I would enjoin everybody here, because there is a mutual interest really on getting it done.

MR. HAIG: Absolutely right.

MR. BEGIN: We accept it, of course. Everything we say here is not for publication. We may mention the themes raised, the issues, but not the details. We understand the delicacy of this issue.

Well, for today, Mr. Secretary, I would like to raise another issue. I will call it in general the arms race in the Middle East, and the position of Israel and then I will single out a certain Arab country. There is, may I say, an amazing arms race in the Middle East.

for obvious reasons, because many countries are interested, on the one hand, in buying oil and, on the other hand, in selling arms. Buying oil at a price as low as possible and selling arms to the contrary. And, therefore, the Soviet Union, as I already said, turned the Syrian army into an army equipped with the most sophisticated Soviet arms. There are now 3,600 tanks, nearly a thousand of them in an arsenal in case. Libya they turned into a Soviet arsenal. There isn't enough manpower in Libya to use those arms, but it is an arsenal again in case. And Iraq has been supplied by the Soviet Union at the time. Now not only Jordan is helping Iraq, but also Egypt is sending arms to Iraq, although President Sadat said openly in his speech that Iraq was the country which attacked Iran. Both regimes are hostile to us but we cannot rejoice in their fighting because no one knows whom a conflagration encompasses.

But this is the fact and Iraq also sent to Jordan an amount of American tanks captured from the Iranians. And I know that President Sadat told you how the Soviet Union tries to encircle Egypt. When he told me the story, because he is, of course, realistic, in Aswan, I asked him to look at the map and see a very little pimple, so small it is hard to see, and then he can imagine what the danger is to Israel.

So this is the arm's race. Tomorrow, of course, my friends of the army will present to you the ratio between the Arab countries and ourselves and you will see the numbers. But today I would like to raise what in America is known, as far as I learned, as the political-military issues. Within this arms race, which is of course very

perturbing to us, in the United States, especially during the last few months, it is officially said that Israel is a strategic asset for the United States, for the free world. Perhaps if I may be allowed to say, I prefer that we call it "friends and allies in common cause". We stand for the same ideals. I think we also have a community of interests. I think we help each other, as I know we do from the point of view of our national security. We, of course, appreciate very much your help in providing us with tools, with all the economic difficulties they create to us, but we also contribute to the national security of the United States and we have in the past and we shall in the future. But whatever the name is, let us assume we will say either friend or ally or asset, we shouldn't be weakened, and relatively.

But now there is a process of this weakening. I will now go into the question of Saudi Arabia. Saudi Arabia, Mr. Secretary, our dear friend, is no moderate state so far as Israel is concerned. It is one of the most extremist states. It is the greatest supporter financially of the PLO; millions of dollars, the budget of the PLO being a million dollars per day, which is a fantastic amount of money. The call for Gehad or holy war against Israel came from Saudi Arabia. They are in the forefront of those Arab countries which did not recognize the Camp David Accords, did not recognize the Peace Treaty between Egypt and Israel. They are an implacable enemy, self-proclaimed. And if they should get now that offensive equipment for the F-15 and AWAC planes - do I pronounce those initials properly; anyhow, we know what it means, the surveillance planes, the most

sophisticated in the world, then we will become militarily transparent to them. They participated in all the wars against Israel, in all the wars, sending troops to Jordan, to the Golan Heights at the time, and of course they will provide that information, if they are the owners of those surveillance planes to others, and I say again, it will make us transparent completely. All our experts say so, told us. We are deeply perturbed about it.

I put it to you as a friend, with complete sincerity; we are deeply perturbed about this development.

MR. HAIG: Well, I would like to offer some comments, recognizing that despite all the newspaper reports you see, I am not aware that anything has been done beyond some basic discussions in the Congress.

And, firstly, let me assure you, Mr. Prime Minister, that our dialogue on this subject has been going on for an extended period with the Saudis. Let me suggest also that while holy war declarations are an anathema to all of us, historically the Saudis have not totally been counterproductive, certainly not in the extreme category, in the Middle East peace. I believe there are some reasons to suggest that we could have done a better job in Washington at the time of Camp David with speaking to the Saudis than we did. That's an observation that's been made by many, I call enlightened observers, to me.

Thirdly, I want to make the point that whether or not the United States provides arms to suddenly oil rich nations with great, huge resources to apply, they are going to get them. That's a fact

of history, and it is not something that we could wish away, as much as we would like to, because we certainly have no interest in a Middle East arms race.

Now, with arms comes influence. We have seen it on every occasion. We have seen it in Africa, where Soviet arms have brought influence. We have seen it in Saudi Arabia where French arms are today a vehicle for unusual French influence in Saudi Arabia. I must admit to you that these were not judgments of the Reagan administration. We found the situation in place when we came into office. As a matter of fact, the previous administration had been preparing to go forward with the sale with some greater degree of cloudiness on the AWACs issue, but nevertheless with a firm intention of going through with it. I can speak to that from the briefings I have had and I think the Ambassador could do the same. We felt that it would be better for this administration to do that rather than to have the earlier administration proceed with something and then leave town - for the simple reasons that we knew that we would have to deal with this issue with our friends here in Israel.

Now, the stakes are very clear to us. We either do what we have been committed to or we face the consequences of not doing so. And those consequences I would consider to be, first, not only a severe rupture with the Saudi Arabian government, probably the cancellation of the procurement of the earlier aircraft by them and substitute, therefore, with a ^{buy} Mirage. There are other governments with AWAC capability. We don't think they are quite as good perhaps, but having been involved in the Nato AWAC buy, I can assure you they

are highly competitive because the decision to buy the Boeing system was a very tightly balanced one in Europe, in the sophisticated governments of Europe.

And so the consensus in Washington was between recognizing previous obligations and the consequences of not doing so. Now, when you get into those consequences, you can focus them in a number of other areas as well: levels of oil production, costs of oil, a sense of compatibility with American strategic thinking, acceptance of our concerns about the Soviet problem, application of Saudi resources to a host of crisis areas that we are trying to deal with and are seeking to get Saudi support: Pakistan, in Africa with respect to Mr. Ghadafi. All of these things have complicated immeasurably the task of moving in another direction with the consequences that I spoke of.

Now, with respect to the capability of the aircraft and the information to be derived from it. This is being worked on intensively in such a way that your requirements here are the prime factor, and I am hopeful that we will have some additional information on that for you in the not too distant future. In the meantime, we are doing to move very carefully on this issue.

I want to emphasize the aspect of what we are trying to do here in the area. It is my belief that the greatest problem in the peace process is insecurity. Among a number of threatened Arab states who have given up on the United States, they have given up because they didn't perceive that we viewed the Soviet threat with the

clarity of thought. They have given up on us because we ignored the blatant Soviet intervention in Ethiopia, in North Yemen, in South Yemen and they have seen the Shah of Iran's collapse without resistance, the inability to rescue the hostages. We have done very little until the more blatant intervention in Afghanistan and there it is primarily a mixed bag of economic and political measures. And so we are going to try to reconcile a sense of confidence and credibility in America's resolve and will to stand up to Soviet aggression. We have to develop this consensus under an umbrella of confidence and cooperation. Clearly the Saudis are a key aspect.

Now, the question has been raised: are we going to permit Saudi Arabia to collapse and come under the control of a more aggressive extremist element? The answer to that is, no, we cannot. Because it is a vital western and American issue. We clearly are focused on Afghanistan today and we have had some help from Saudi Arabia in this area. We think it is vitally important that that continue and were we to terminate our ability to influence the Saudi government and the Saudi leadership, I think it would have tragic consequences for Israel and for the United States and for the western world in this region.

If we can build now, and I will know better when I leave Riyadh, but I have reason to expect that they are prepared to be very, very helpful.

Now, we are talking incidentally about a system which will not be in place for another five or six years, technical aspects of which I think we should discuss with great care and I am sure it will tend to alleviate some of the initial concerns because I have heard

people suggest to me, your friends in the United States, who happen to be my friends, that we would be creating and turning over to the Saudi government a system that could look into the second floor of a hotel over here. This is not true. This is not a system that discriminates ground movement or discriminates ground situations. It is a system that discriminates in the air and when properly orchestrated, depending on the complexity of convector aircraft, can control aircraft. That's its basic purpose. Its orientation would be south and east and west. South to Yemen, the two Yemens, west to the Horn and east to the threats from Iraq and elsewhere.

PROF. YADIN: Excuse me, but they can fly, no? They can move?

MR. HAIG: But it has to move within a ground framework that has been established, the ground station and the commander control associated with it or you have another set of problems. It is a radar in effect with ground linkage information, calculations distribution and vectoring of aircraft for air defence purposes. That's its basic objective and its basic orientation, but we can provide you a great deal more on this with greater technical expertise than I have. I think it is awfully important that none of us loses sight of what's happened here in the Middle East and I would suggest it has had a great deal to do with the slowdown and progress of the peace talks as well. And that is the fall of the Shah, and it's had profound consequences in every Arab capital, and the failure of the US to respond to that situation, the failure of the United States to respond to the seizure and holding of our hostages and the Soviet intervention in Afghanistan are dramatic and historic changes in

this area. If we leave them untended, we are going to see the increasing isolation of Israel and the United States in this area, and I, think it is awfully important that we not let that happen.

So that is what this is all about and the previous administration concluded that, and we find it difficult to depart from that judgment.

MR. BEGIN: Well, I will not go into any internal discussion concerning the previous administration and the administration which is now in control of the US affairs, Mr. Secretary, for obvious reasons, but we remember that a pledge was given to Congress that offensive, additional equipment will not be provided and President Carter repeated it in public. This is also a commitment. However, I would like to tell you, Mr. Secretary - we speak with candor - we see in it a great danger. I don't think the Saudis are capable of fighting Soviet expansion or deterring Soviet expansion. They have internal problems. These planes will not solve their internal problems. President Sadat told me time and again that he doesn't believe in the stability of the Saudi regime. The students who come to Saudi Arabia ask the same questions which were asked in Iran at the time. Why should one family have all the riches concentrated in their own hands? I don't want to go into more details, etc. And meantime, we will face a very grave danger. They are now in a state of confrontation with us. They are very close to us, and they build up that famous concentration in Tebruck. It's just a jump to Eilat and with that equipment of course they can reach Tel Aviv and go back. F-15, we know; we have it. We know something of its worth and capability and ability.

Therefore, as for today, I will finish with an appeal to you: when you report to President Reagan, just ask to reconsider the decision. All our people without any distinction of party affiliation is deeply perturbed about this development.

As far as the argument is concerned that another country will come in, well that we can hear about anything in the world, about any equipment given to anybody. If we don't give a certain country so and so, many tanks and guns, etc., others will. But the United States are our best friends. We are allies. We agree on that. We help each other. You used the words, as did the President, "strategic asset". Now we are suddenly very much weakened. We face it directly. What are a few years? 1985? A nation can't live on borrowed time. We have to think about our children and their future. For obvious reasons. Therefore, we shall appeal for reconsideration.

MR. HAIG: Well, let me close this subject because I appreciate -

MR. BEGIN: Respectfully -

MR. HAIG: = your counsel on it. I hope that all here know that when we consider the risks associated, we consider it from the standpoint of our joint obligation. Our assessments always include our firm and unshakable commitment for the defence, strength and vitality and viability of Israel. It is the core of every calculation we make. It was the core of this calculation. And there is no intention, and I can assure you that President Reagan has personally told me on this subject that he will not permit Israel's qualitative advantage to decline in any way. We do have the reality and we must face it of unusual

resources now in the hands of states who feel threatened.

MR. BEGIN: Very much.

MR. HAIG: And we cannot wish that reality away. We can hope to shape it and to control it and to manage it. And that that is the fundamental aspect of this decision; to be able to control it rather than to turn it over to others who may not share the joint assessment that Israel and the United States have historically and will continue to historically make together.

MR. BEGIN: We stand by our respectful request for reconsideration, Mr. Secretary.

Well, I have to guard the watch because of the timetable you have, and you would like to have a few words with me personally. So I would like to thank you, Mr. Secretary, and your colleagues for the exchange of views which has been between friends, was conducted with complete candor, and we hope if there were such difficulties we shall overcome them in our future discussions and tomorrow we shall meet again with a group of my friends and colleagues, first the military and then the civilian and then we shall deal with the problems we already mentioned.

Thank you, gentlemen, for your participation.

(Whereupon the meeting adjourned at 6:20 p.m.)

M E E T I N G

Between

The Foreign Minister of Israel, Mr. Yitzhak Shamir

and

The Secretary of State of the USA, Mr. Alexander Haig

and their delegations

Monday, April 6, 1981, 9:45 a.m.

The Sharett Room

Ministry of Foreign Affairs

Jerusalem

For ISRAEL

Mr. David Kimche	Ambassador S. Lewis
Ambassador E. Evron	Mr. James Buckley
Mr. H. Bar-on	Mr. R. C. McFarlane
Mr. Moshe Sasson	Mr. Nicholas A. Vellotes
Mr. Y. Ben-Aharon	Gen. V. A. Walters
Mr. E. Ben-Horin	Mr. Dean Fischer
Mr. P. Eliav	Mr. M. Draper
Mr. N. Lavie	Mr. Wm. Brown
Mr. R. Sabel	Mr. Charles Hill
Mr. Gad Ranon	Col. Robert Lilac
	Mr. S. Goldberg
	Mr. M. Sterner
	Mr. H. Sicherman

For USA

MR. SHAMIR: It is a great pleasure to welcome you, Secretary Haig, and your assistants, to our Ministry. We are aware of your friendly attitude, we are aware of all the issues we face, and I hope that by continuing our discussions we will advance and find good solutions. Let us hope so.

With your permission, I hope to start with the latest news from Lebanon. There is not very important news. During the night, there were some exchanges of shelling and fire in Zahle, less in Beirut. The concentration of Syrian troops around Zahle continues. There are now as of this morning seven battalions of commandoes besides artillery and other units. We know about an agreement that was reached between the Syrian forces and the Lebanese official forces, an agreement about a cease fire based on the entry of a Lebanese unit into Zahle. And this unit will serve as a buffer between the Falangists and the Syrian army. But so far this agreement is not working. We don't know the reason. IN Beirut it is almost quiet. That is the news. I would propose to exchange a few words about the situation in Lebanon, as we see it now, not only in the last few days.

We see developing in Lebanon a quasi El Salvadoran situation. On the one hand, we have the PLO with its supporters, with the backing of the Syrian army, a foreign army. On the other hand, there is now a consolidated almost united Christian front, pro-Western, pro-democratic, under the leadership of Bashire Jamail. We think that is a very positive element. And if this force will be supported by the Western world and the intervention of Syria will be neutralized, it is possible to get a new situation and maybe a new Lebanon, a new democratic and pro-Western Lebanon will emerge.

We think it would be very important for the situation in the Middle East. This new Lebanon may be - we hope it will be - at peace with Israel. It will be a pro-Western country. On the condition of course that

the P.L.O. will be quickly expelled. It depends of course on the support given to them by the Western world.

MR. HAIG: Well, Mr. Minister, that I suppose is^asomewhat more optimistic assessment than we have been carrying in the context of the unity of the moderate forces, the Christian forces, and their potential effectiveness. I don't say that to clash or to challenge with your thesis, because it is a thesis we would welcome.

I would ask you a question, whether you think the time has come in this context for pressures to be applied for the withdrawal of Syria, or what would be the consequences of a precipitous withdrawal of the Syrian forces. How would you estimate the after math of such an event?

MR. SHAMIR: If the Syrian forces will withdraw, there will be some confrontation between the Christians and the P.L.O. of course, and if the Christian front will be supported, they will prevail. And I hope that - I know that it is possible for the Christian forces to establish a modus vivendi with very important parts of the Moslems in Lebanon - Shi'ites, Druses and maybe the others. And there we will have a great majority of Lebanon backing the new Lebanese republic. Of course, it will not be easy. It can't be done overnight. But I think we have to work for this purpose.

MR. HAIG: Well, again, I clearly wouldn't be uncomfortable with an outcome of the kind you describe. I suppose there were some contradictions and some ambivalence of the early period of turmoil in Lebanon with respect to the Syrian presence. We recall that well. And I think it is important that Western and U.S. policy not be a captive of its earlier attitudes. I must say I sense that in some respects. I don't pretend to be an expert on the complex and internal affairs of Lebanon. It takes a life-time to even understand the mosaic. But I wonder if you'd like to comment, Nick.

MR. VELLOTES: There has been a lot of activity lately. We have initiated quite a bit after the discussions yesterday and that includes our ambassador in the U.N. discussing with the Secretary-General how can we best go. There appears to be, and we did indeed also raise the issue in Moscow with the Soviets, following up the Secretary-General's talk with Troianovsky. I can't say that either of these two exchanges was very encouraging, since the Russians put the blame on the Falanges. The situation in the U.N., apart from the fact that Urquart, the Under-Secretary, is due to arrive in Lebanon tomorrow--

MR. KIMCHE: He is coming here too.

MR. VELLOTES: That could bring a greater U.N. visibility. We are not sure what this means. In the Security Council itself unless you have Lebanon calling for a Security Council meeting on the subject, it is rather futile. We don't see the Lebanese moving at this point. So the situation really is quite grim from that point of view. And we have been into the Syrians three times.

MR. LEWIS: On this Security Council thing, I think it's important to understand that the Lebanese government is in a terrible dilemma. The Moslem members of the government don't want to go to the Security Council. The Christians might well want to; if the Lebanese government tries to ask for a meeting their government may split and thus evaporate. So it's in a very tough spot on the Security Council issue.

MR. SHAMIR: There are two issues. The immediate issue is how to stop the killing and the shooting. The other issue is about the future.

MR. HAIG: The long term. (to Mr. Vellotes). I was hoping you'd come to that.

MR. VELLOTES: I will. No one can be sure where it will go in the long term. The Minister outlined one scenario. There is another one as plausible and maybe more likely and that is that as a result of all out Western support for the Falange, you have a dismemberment of Lebanon rather than unity and a real bloodbath, because the Syrian factor here is important. Then the PLO. Where does the expelled PLO go? They are not going back to Jordan. The Syrians won't take them in. You won't. So we will have again great fighting. The dilemma is how do you move to improve the stability and not--

MR. HAIG: You asked the question I was going to ask. Where does the expelled "phantom" reside?

MR. SHAMIR: Well, it is not a question of expelling the Palestinians from Lebanon. It is a question of disarming them.

MR. HAIG: Neutralizing and absorbing them.

MR. SHAMIR: Yes. Not to expel. I cannot imagine that any formal government can tolerate an armed force which does not belong to the official army for a long time. And therefore an end will come to that, to the existence of the PLO as an armed force. I don't know how long Israel will be able to tolerate this presence around us.

MR. VELLOTES: Should we be looking together at the 1982 elections? We are talking about down the road. Is that something we could look at and have something to try to influence. And how do you start that? And we all know that the Syrians are playing a game and perhaps the Soviets as well.

MR. SHAMIR: There is an issue of the 1982 elections. It is (our) very important and I think their common aim will be to consolidate all these stabilizing elements in the Lebanese society.

I would propose not to continue this discussion now, to stop at this point and to continue through the normal channels. I only wanted to make our attitude known.

MR. HAIG: I am glad you raised this, Mr. Minister, because I myself have had a feeling that we have been indulging in wishful thinking on this subject, that we have been somewhat a captive of past thinking which has long since been overcome by events, and that the time has come for, at least on the U.S. side, a fundamental review of the situation. With the alternatives being very, very stark. One being the disintegration of Lebanon. Because if we leave these forces untended with benign neglect or what I call tactical temperization, the inevitable consequences would be the destruction of Lebanon. And I am not so sure that the time hasn't come for a reassessment, for some close consultation with you on this matter. And I think we should do it. The time has come. And this must be ground into a broader sense of reassessment on a regional basis in any event.

MR. VELLOTES: I think this is something we should do. We do have an operational point which is the 1982 elections, leaving aside the other problems. And it should be done quietly, because obviously we will have to have a role to play with some other parties in the area, as well as the West. The Minister said the West, I think that is very important. It is not just the U.S. and Israel. There is France and a number of other parties, the Vatican and others.

MR. HAIG: We very much welcome your having raised the longer term implications of this situation because it needs a careful look.

MR. SHAMIR: For us it is very important, it is a neighbor of ours.

MR. HAIG: Absolutely.

MR. SHAMIR: Now I would like to continue the discussion about the deliveries of equipment to the Saudis, but I don't want to repeat yesterday's discussion. I would like to raise some other aspects, probably not new ones, but different aspects of this issue.

You have said, Mr. Secretary, that you believe that by strengthening your friendly relations with Saudi Arabia, and your cooperation, you will be able to influence them in a more moderate direction. We believe - you will forgive me for this definition - that it is a "mission impossible." Because of the attitudes that exist. That means that objectively they hold extreme positions against Israel, they support the PLO, they exert pressures on many other countries in the world against Israel, against relations with Israel. All that serves the interests of the regime to remain in power, in existence. Their activities against Israel constitute one of the main justifications for the unjust situation of huge wealth concentrated in the hands of a small group. So why, their activity they are buying the stability of the regime and the liberty of their people. And sincerely, I cannot see how they can change that. How will they change it after getting F-15s and AWACs and tanks, etc.? That will not change it. And therefore the only result will be that the extreme Arab countries, extreme in their attitude to us, will have more weapons and Israel will be weaker. And that's all.

MR. HAIG: Well, let me suggest something which I hope is not naive. But the difficulty with your thesis is that it presupposes the worst under any set of circumstances. It departs from a fundamental premise that our only alternative is to isolate ourselves from the Saudi regime, to turn it over to the arms available from others and to set that regime, which I share your view on - its main preoccupation is self-preservation, continuation of the dynasty, if you will - in a very fragile

and dangerous environment, in the shocks of the Mecca situation. The involvement of external support for the dissidents in that situation I think was a tremendous shock to the regime, far more profound than they would ever portray.

Now, there are two alternatives in the short term. One is for other Western powers to fill the vacuum which they would be happy to do if only in economic terms. Or worse, a self-neutralization or third world demeanor in which the Saudi leadership would decide to play off East and West, and there were flirtations with that in the recent past. And then armaments would begin to come in from the Soviet Union.

Now, I am not naive about our ability, for example, to influence the Saudi leadership devoid of progress in the peace process. But I would think with a combination of an on-going momentum, and I am not talking about dramatic, comprehensive solutions in the near term at all, but rather the continuation of a constructive and perceivable progress - we know most of what is on the horizon there, combined with the maintenance of a constructive dialogue built on confidence. One would have to emphasize and re-emphasize what I said yesterday with respect to the Saudi attitudes. Saudi attitudes and Saudi ideology, if you will, should not be perceived to be necessarily a single thread, they are not. They live with an ideology which has been historic and which they have accepted contradictions to historically without reservations over the years. But the basic problem is - and not only is it true of Saudi Arabia, but we have found it true in a number of other areas where there is a clear perception of the Soviet threat, and that is true in Saudi Arabia, both in ideological terms and in pragmatic terms. They are not naive - that growing problems in the energy area in

the Soviet Union make them very, very vulnerable in the predictable future to Soviet inroads to get those resources. And I don't think we should be. Here again, we must not be captives of the past in an attitude that the Soviet Union's own self-reliance and resources will be adequate for the period ahead. We have seen the implications in Eastern Europe of growing pressure on Soviet energy sources, not in terms of their availability to the Soviet Union, but in terms of their cost effective development. And this is a new factor. I think the Saudi leadership is increasingly aware of this. Again, I think there is greater hope for us to try to manage affairs constructively than to turn it over to a preconceived notion that there is no hope. Not doing it naively, but if we achieve progress and handle it in an enlightened, careful, patient way, if we continue to attempt to exert influence -- in the recent past, Saudi policies have been influenced by a fundamental lack of confidence in the American perception of the realities of the international environment. Naivete about the Soviet Union. We have seen it in China and world-wide. Their initial reaction was to flirt with a third world stance. The Mecca experience caused them to recoil from that. They have invited stronger French influence which is very strong today in Riyadh. And I think it is in our interests not to let them ricochet back, either to become too dependent on other Western powers and countries, or to ricochet back into a neutralized third world stance. We are trying to buy time, we are trying to buy influence on the evolution of these events, as we seek also to influence and take advantage of other changing trends in the Arab world - incidentally, I emphasize again - from the perception of our unshakeable relationship here.

MR. SHAMIR: Mr. Evron wanted to ask something.

MR. EVRON: Mr. Secretary, I am sure you have given a lot of thought to the fact that such a course, logical as it appears to be, can also get into motion in Saudi Arabia the feeling that there is practically no limit to what they can ask for, knowing that there is competition between the French, and the Germans, yourselves, etc., and that there is the desire to keep them happy. And therefore one thing can lead to another. How do you meet this problem?

MR. HAIG: I wouldn't suggest for a moment that we are inclined to mindlessly feed an appetite in the armaments area, and clearly that is not the case. And clearly you know that we ourselves are somewhat victims of preceding administrations' actions on this issue.

But secondly, I would want to emphasize that there are other fundamental, more organic aspects to the Saudi relationship, that involve economic development in the broadest sense, infrastructure within a society now flushed with resources, with a very fragile and thin veneer of leadership. We are now talking even about the building of cities, the building of vast capabilities in energy, hospitalization, social facilities, communications. There again, infrastructure brings with it a dependency, a fundamental orientation of a future Saudi Arabia. And it is unfortunate that the linkage between our modest cooperation in armaments, strategic and regional development, if you will, has a major role and influence over these other aspects. If we disappoint them again, we are going to find other Western powers entrenched in this developmental process. It isn't something we can reverse because the resources are there and the appetite is there, and frankly the need is there, in the

context of the welfare of the population in Saudi Arabia. So that is not a factor of some significance here.

MR. SHAMIR: Well, I would like to add something. We are worried. We do not advise you to cease efforts to changethe situation there. But by giving these arms - and there is a possibility that you will not succeed in changing their attitudes and their policies - and then what will be the result? Yesterday in some Israeli newspapers there was a headline "Arms for Saudi Arabia; nice words for Israel." That will be the result, approximately. And of course we are not sure. I don't know thatyou are sure that you will succeed with this policy.

MR. HAIG: Well, we are not sure of anything in this troubled area. But I think we have reasonable expectations. And the alternative is sterile. And the alternative in myview poses a greater threat to Israel than the course we are pursuing, and that alternative is a reversal of these trends which are temporary in character and must be seized in terms of opportunity. History never stands still.

MR. SHAMIR: Yes, I know that. I know that very well.

MR. HAIG: I think we visualize such a thing in what we have seen with the changes in Cairo. No one ten years ago would have even contemplated what is happening.

MR. LEWIS: Even three years ago.

MR. SHAMIR: That is different.

MR. HAIG: Again, I don't think any of us can kid ourselves that this is not a difficult and sometimes perilous route we are on. But we must not also be turned away because of these dangers, especially when one looks at the alternatives facing us, collectively.

You know, I could see very simply a rupture in American - Saudi relations in the near term which could have tragic consequences for us all, in the near term. I have talked at length about the advisability of avoiding what I call "oil diplomacy", preoccupation in the Western world with our vulnerability in energy. I don't have to tell you that our West European partners are less than impressed with that argument.

MR. VELLOTES: But they are stung by it, when you make it.

MR. HAIG: Yes, of course.

MR. SHAMIR: But we are worried.

Let's take another issue. I'd like to ask Mr. Kimche to speak on the

MR. KIMCHE: Mr. Secretary, during the visit of our Minister in Washington, he did raise very shortly the question of the possibility of a dialogue between us on the question of Africa. We believe we could be an important contributory factor to the strengthening of pro-Western and anti-Soviet postures of certain countries in the developing world, especially of Africa. There are a number of countries in Africa whose leaders feel greatly threatened both by internal radical forces and external radical forces, but they don't feel themselves capable of working against and of countering these threats of the radical forces. These leaders I would say are very greatly encouraged by the new policy thrust of the American administration up to today. But for a number of reasons they feel inhibited in ~~not~~ developing firmer relations with the U.S. One reason being because of their strong ties with one or another of the European countries. And we have seen that whereas these leaders of states have never had very close or intimate contacts with the U.S., they have had such contacts with us.

And even though we may not have diplomatic relations with some of them, today, we still maintain this very close and intimate relationship right up to the present time.

In the past, Israel has maintained intelligence ties with some 20 African countries and we trained and set up their intelligence and security services, and in fact some of the present heads of these services underwent courses here in Israel and have close ties with us right down to today. IN a number of other countries we maintained also very close relationships with their military establishments. We believe that this close understanding that we do have with these countries could be used to advantage within the wider context of the anti-Soviet and pro-Western global questions.

If we take one example, a country like Zaire, with its long border with Angola, on the one hand, with the proximity of Zimbabwe and Mozambique and the whole of the Southern Africa situation, and its closeness also to Chad, which is now Libyan dominated. We have extremely close relations with Zaire. We had long talks with President Mobutu just a couple of weeks ago, and just one example - which is certainly not for publication - he would be quite willing, for example, to put at our disposal a base for the training of guerrillas against Libyan dominated Chad or for any other purpose. We have that sort of relationship with him so that we could do this sort of work in Zaire. And he would be very happy if we could help to bring about a better relationship between his country and the new administration of the U.S. That is just one example which I thought I should bring.

In addition to this intelligence, security and military relationship, we also have a certain expertise in civilian domains and our aid

in the past in questions such as agriculture, rural development, public health, etc. has been quite large, and we believe it could be used extensively in cooperation with the U.S. in such regions as the Caribbean, Central and South America, in addition to African states. In the Caribbean for example, we have got on-going projects of this nature which could be used and enlarged upon.

I don't want to go into detail because the time is very short, but we do propose that these avenues be pursued in the proper channels which I think we should decide upon, if you are in agreement, either here or in Washington, with a view to establishing some form of special relationship between us so that such ideas could be further pursued within the global context of bringing such countries closer to the West and also to prevent further Soviet expansion in such exposed countries.

MR. HAIG: I very much welcome this intervention, because it gives me first an opportunity to say a word about our review in Southern Africa of what we are doing and our concerns with what I think President Sadat called the two belts of Soviet influence. We recognize that a number of black African states which have been recipients of Soviet largesse have been disenchanted. The inorganic character of that largesse being simply military hardware and devoid of economic development is now becoming a rather broadly held view. So our policies in Southern Africa must be carefully structured not to reverse that very favorable trend of the black leaders. We therefore on Monday sent our Asst. Secretary for African Affairs to the frontline states and he will go to Pretoria and from there to the Five in Europe, with the view towards moving forward in the Namibian independence objective, but in a way that takes somewhat more

cognizance of the undesirability in the short term of installing a Marxist outcome. And I have found some of our European partners are less concerned about that and more about achieving another candidate for the Nobel Prize. (laughter).

MR. VELLOTES: Maybe we can then divert them from the Palestinian issue.

MR. HAIG: Sometimes it's the same appetite in the same capital. (laughter).

But be that as it may, I think we hope to conduct this thing in a very realistic way which is an extremely sensitive thing, it being against our basic purposes. In the case of Zaire, I know Mobutu well.

MR. KIMCHE: He sent his regards.

MR. HAIG: I sat in mind boggling perplexity in Brussels watching the U.S. policies evolve in respect of that area. Incidentally, I am concerned because we have seen recent reports that perhaps in Katanga problems may resurface, and clearly Zaire today is in an economic shambles.

We do have to get a dialogue going, and I think we can work together with you more carefully. I would welcome also an assessment of your basic view on the situation in Ethiopia which I have never concluded was a lost cause. Although we have pursued policies which might have suggested that we had concluded that a few years ago. I know you have been close over the years in intelligence and other circles, and I understand you still maintain good contacts. I wonder what your assessment is on Ethiopia.

MR. SHAMIR: Our time is running short.

MR. HAIG: Let me pass an initiative here, Mr. Minister, on this subject, on the regional problems we have been talking about. I would

like very much to start a broadened strategic dialogue between Israel and the U.S., not to leave it exclusively in the military channels that it's been conducted in in the past, but broadened to a political - military channel. To encompass in its objectives, first the development of a regional strategy. Let me emphasize that the mosaic we would create regionally would be designed at the right time to accomplish the impossible, which I don't believe is impossible, if we succeed. To have it include the African continent and vulnerabilities there, and not only in the face of Libyan activity but to assure that we are concerted together in this respect on that activity, and with other powers who are equally desirous of doing so. And I think the interrelationship of this activity, not only in a bilateral sense, but in a broader sense, would be invaluable. And I would like very much to get started on that. In fact, I intend to designate two or three individuals to work in this area. I will talk to Cap Wineberger about having a somewhat elevated approach from the Defense Department's point of view as well. And I have brought along here, you will notice, Mr. McFarlane and Gen. Walters, who are going to be key players in the Department of State in this area. In the case of the Israeli dialogue, I think we'd like to have Mr. McFarlane get together with whoever you designate and to broaden it to include a defense representative, and to get on with this task early on.

MR. SHAMIR: Can you indicate a date?

MR. HAIG: I think we could do it within two weeks.

MR. EVRON: In Washington, is that what you mean?

MR. HAIG: We can alternate. And again, I emphasize that these men will be involved in similar activities with other local and European powers so that the interrelationship must - and this is extremely sensitive - must be

carefully guarded. But it must be launched with an attitude of mutual confidence between the two of us. I think the opportunities are very, very exciting to me.

MR. SHAMIR: Thank you very much. Do we have some other issues?

MR. HAIG: Let me just conclude with one thing that may be of interest. As you know, Mr. Minister, you talked to me at some length about Israel's economic needs, and it hasn't been raised here, but I want you to know we are extremely conscious of it. You raised the issue of the defense procurement. I think I am authorized to say today that we can offer a series of interrelated programs that should bring your American purchase of goods and services to at least the \$200 million annual level. It happens to be built as an evolutionary objective, and it would provide you with U.S. funding and technical assistance to help modernize segments of the Israeli industry in order to increase their competitiveness in the U.S. market. It would involve assistance in strengthening the Israeli marketing efforts in the U.S. It would involve provision of U.S. funds to help defray the costs of qualification tests on equipment in which U.S. military services have shown an interest. This I know has been an obstacle. It would involve expanding the scope of the current Memorandum of Agreement between the U.S. and Israel on defense trade in general. It would allow Israeli industry to bid on requirements being financed by MFS, in those cases in which at least 50% of the components are of U.S. origin. We will actively encourage U.S. defense contractors to make greater use of Israeli industrial resources in the form of subcontracting opportunities, licensing agreements, etc. To help accomplish these objectives, we will develop a more liberal technology transfer policy.

(Meeting adjourned at 10:35 a.m.)

on posting himself.

I want to tell you that I have not given up on the question of the burden of additional credits to Israel in the context of the P-15, 83-84, 600 million. I intend to talk to the President about this to see if we can achieve more favorable terms than just to increase your debt burden. I have not given up on it. I unfortunately could not get a favorable resolution before my trip. And I want to again emphasize that we are extremely conscious of the debt situation in Israel. We are extremely conscious of the need to keep the qualitative superiority that you now enjoy. And that is a firm commitment from President Reagan, and there is no equivocation about our intention to follow through. I do want you to know that, and we will keep Ambassador Vernon fully posted. He does well meeting these goals.

I regard this proposal as a serious and genuine effort on our part to respond to your request, Mr. Minister, raised at the time of your visit and reinforced by your Ambassador in Washington. We intend to continue visits and reinforce our Ambassador in Washington. We intend to continue to explore additional areas for defense cooperation that can be responsive to your requirements without imposing unacceptable hardships on the U.S. defense sector.

I suggest that a senior level of a U.S. - Israeli steering group be established to coordinate these efforts and increase progress towards

M E E T I N G

Between

The Prime Minister of Israel, Mr. Menachem Begin
and delegation

and

The Secretary of State of the USA, Mr. Alexander Haig
and delegation

Monday, April 6, 1981, 10:50 a.m.
Cabinet Room, Prime Minister's Office
Jerusalem

For Israel

Prof. Y. Yadin
Mr. Y. Shamir
Mr. Y. Aridor
Mr. A. Sharon
Amb. E. Evron
Mr. M. Zipori
Mr. Y. Maayan
Gen. R. Eitan
Mr. E. Sadan
Gen. A. Tamir
Mr. D. Halperin
Gen. N. Sharoni
Gen. Y. Sagi
Gen. Y. Adam
Mr. D. Pattir

For USA

Ambassador S. Lewis
Mr. James Buckley
Mr. R. C. McFarlane
Gen. V. A. Walters
Mr. N. Velliot
Mr. M. Draper
Mr. G. Kemp
Mr. D. Fischer
Mr. S. Goldberg
Mr. C. Hill
Mr. Wm. Brown
Mr. M. Sterner
Mr. H. Sicherman

MR. BEGIN: Mr. Secretary, gentlemen, with your permission I will open the second session of our common discussions and exchanges of views. This morning, after yesterday's very successful dinner, as representatives of the permanent American - Israeli allies, we will start with presentations by the commanders of our army on the main issues we face as far as our national security is concerned.

The first will be Gen. Natan Sharoni, who will make a presentation on the proportions of the forces, the looming dangers and the issues

of arming in the Middle East, as far as the Arab countries are concerned.

GEN. SHARONI: As the Prime Minister has mentioned, our presentation deals with the Israeli security and defense conception. (Slide). It is the mission of the defense establishment to provide an adequate answer to the threats we are faced with. I will touch very briefly on the Middle East, go into our defense conception and to our force structure as a result of all these.

When we deal with the threats, we deal basically with three groups of countries: the first are the Eastern front direct confrontation countries; the second are the peripheral Arab countries, and the third is Egypt.

We refer to the Eastern front as such because we have seen after the Second Bagdad Convention that in spite of all the ideological and traditional differences that exist between the three countries - Iraq, Syria and Jordan - they succeeded in coordinating themselves militarily against Israel. So when we relate to our force structure and to our defense posture, we have to take that into account. We have seen that in 1973 Jordanian troops were fighting on Syrian soil in spite of what happened in September 1970. So for that reason we do relate to those three countries as a militarily coordinated front vis-a-vis Israel.

(Slide). The trend in the Eastern front is as follows: there is a continued military build-up; there is an increase in the size of the military capability, and an accelerated qualitative improvement in force structure. There is a continuing transformation from infantry defensive-oriented type of army into a mechanized, armored offensive type army, and an offensive mode of training.

When we deal with the peripheral countries, with the outer circle countries, here we get into a whole group of countries, starting in North Africa and reaching the Persian Gulf. And the threat of the peripheral countries can be presented in three main parameters: 1) It is the huge arsenal of weapons that exists in the peripheral countries, especially countries like Libya and Saudi Arabia. This arsenal of weapons can be released to countries at war with Israel, or can be pre-positioned in the direct confrontation countries before war occurs; (2) It is the expeditionary force that will reinforce the direct confrontation countries in time of war, some of which can be pre-positioned in the direct confrontation countries before war occurs. We have seen Saudi troops in Jordan being pre-positioned. We have seen Iraqi troops on Jordanian soil, and 3) there is the threat to the lines of communication, especially along the Mediterranean, the air or naval lines of communication to the State of Israel at time of war.

To try and quantify the Arab threat in figures, I will talk about the ground forces, and these are figures of hardware; not formations or tanks manned by crews, but this is the potential as far as hardware is concerned, and these are figures just to get a feeling of what the size and scope of the threat is.

(Slide). I will come back to these figures later to show the qualitative trend that exists in the Arab countries.

MR. BEGIN: Please read out the main figures.

GEN. SHARONI: It is a total of 12,200 tanks in 1981; expected to be 14,700 in 1986. APCs is 11,000; expected to be 15,000 by 1986, and 8,825 artillery pieces; expected to be over 10,000 in 1984.

And these are the air force and naval force figures. (Slide). In a minute I will be more specific as to the qualitative factor that does exist and the trends that exist.

(Slide). What I'd like to point out is that we see among the Arab states in 1981, 41% of modern tanks, that refers to T-62 and M-60 families. It's going to be 57% by 1984. When we talk about APCs, it's the same trend. The same is true with artillery pieces, the qualitative factor of self-propelled artillery and modern APCs will be higher in 1984. The same goes for the air force. Again when we talk about aircraft, we talk about the Mirage F-1, F-5E and MIG-23 as top quality and the rest of them below. So we can see again the trend to go into the advanced systems, major weapon systems, by 1984, and the same goes for helicopters and SAM batteries.

I will touch very briefly on the region. The region is characterized by instability, and it has a kind of balance of weaknesses, which can very easily be disturbed, as it was in the Iranian-Iraqi conflict, as it almost was disturbed in the Syrian-Jordanian events. And it carries an inherent danger; once it is disturbed it creates an environment which the Soviets are best equipped to take advantage of. This is the inherent danger that exists here by having instability in this part of the world.

If we touch on the Arab- Israel conflict, it is best characterized by the asymmetry that exists between the Arab countries and the State of Israel. It is asymmetry in the size of the territory, in the geostrategic depth we lack, which will become worse by April 1982 when we go back to the international borders with Egypt. It is asymmetry in manpower resources, in economic resources where our situation becomes worse while the Arab countries gain economically. It is the political weight that the Arab countries carry. The political system and decision-making process of Israel, being a democratic country, and our sensitivity threshold relating to casualties to our population and infrastructure.

With the asymmetries and the instability of the region in mind, we have to establish our defense conception. And it is based on three assumptions: 1) that the philosophical gap that does exist between the Arab way of thinking and ours will stay in this region for a relatively long time; 2) that the transition period from a state of war to a state of peace is a relatively long period, and 3) that when a war will happen, in many cases even if it will be won by Israel militarily, in the long run strategically it may work in Israel's disfavor. For these reasons, the main goal of our defense establishment and our defense conception is to prevent war. And at the same time to be that strong that if we fail to prevent it, we can win it.

And from here to arrive at the basic elements of this defense conception (Slide): 1) a defensive basic strategy. This can be kept as long as we are militarily posted on the Judea and Samaria mountains and on the Golan Heights, and as long as we are strong enough. I want to emphasize that the West Bank, the Judean and Samarian mountains and the Golan Heights are the backbone of the State of Israel as far as its defense is concerned, not only for the deployment of troops but for its early warning capability, command and control capability and anti-air defense system. As long as we have our military troops posted there we can adopt a defensive strategy.

We have to have 2) a rigid defense system that gives back no land in order to gain time. And 3) we have to maintain a certain deterrence that exists and must be upgraded. There is no complete deterrence in this part of the world. 4) We are going to have a militia type army, because our social and economic structure call for that. We can't afford the size of regular army that we need and that is opposed to standing armies on the other side of the border.

5) We have to have a very efficient early warning capability, and the Head of Intelligence will touch on that later. 6) We have to have the size of an army to accomplish our war aims, which means we have to be able to incapacitate the enemy's attack capability on the ground and in the air and to get hold of enemy territory that will become of value and negotiable after the war. 7) We have to have an efficient mobilization system. 8) A regular air force that will provide defense to friendly skies to cover our civilian population and infrastructure and mobilization capability. We have a regular navy because of the fact that the length of wars are such that it will take too long from a dry-docking to an operational situation. 9) We have to have a strong territorial defense, along the borders, with the people who live there, with the fortifications, with the weapon systems, with the communications, all that is given to them to have these people on the first line all year long. 10) We have to have an offensive-oriented army, and that is the reason why it is based mainly on armored divisions. 11) And we have to have a long range capability to make the countries even at a distance of 2,000 km. consider what will be the target list that they are going to decide on, and for that reason we have to have this long range capability.

(Slide). This boils down to an Orbat of 11 armored divisions, 13 infantry brigades and 10 territorial brigades, 56 self-propelled artillery battalions, and I am not touching on the towed or additional units, but the basic formations that do compose our force structure.

(Slide). The air force orbat is that it has about 630 aircraft with a certain mix of high quality and low quality, that can provide the capability to perform the air force missions. And so many helicopters, utility and transport aircraft.

(Slide) And a naval orbat of this size.

After reassessing the balance of forces of Israel vis-a-vis the Arabs, after signing the peace treaty with Egypt, we decided for the time being to stick to the existing figures and to put the main emphasis on upgrading our quality and capability by phasing out old equipment and upgrading existing equipment which will stay in the inventory until the mid-90s. Just to get a feeling of what we have to phase out within the next five to six years (Slide), these are the major weapon systems that we have to phase out in order to maintain the qualitative gap that does exist. The same goes for this looted Soviet equipment that was integrated into our Orbat, and which will have to be phased out in the middle of this decade - that's the T-62 tanks, T-54, the 122 mm. towed artillery. And we still carry in our inventory half-trucks that are no longer in production. This has to be phased out, and we are expecting either new equipment to come in or upgrade existing equipment in order to be able to fulfill our missions. This also holds true for the air force and the navy. These missile boats at the bottom of the slide are the first Cherbourg missile boats whose life cycle is over by the middle of this decade.

Here, sir, I would like to conclude by saying that by upgrading the capability, by phasing out old equipment and bringing in new, and by putting the right emphasis on early warning capability is where the heavy burden of the defense structure is being inflicted on our country's economy.

MR. BEGIN: We will now hear from Gen. Sagi, the Chief of Military Intelligence.

GEN. SAGI: I will try to be brief and I mainly want to explain how vital early warning is for this country, especially taking into account

the asymmetry Gen. Sharon pointed to. I'd like to say that unfortunately we are surrounded by countries whose regimes are not democratic. This is one of the reasons why from an intelligence point of view, from an early warning point of view, as the intelligence people, the ones responsible for giving this country an early warning, we cannot rule out the possibility of a reversible process even in countries with which we have signed a peace treaty, until that will be proved otherwise. That is the reason why from an early warning point of view, even Egypt in our eyes is still under suspicion and should be examined over the range of time to be sure that we are not going to be surprised.

The second point I'd like to raise is that we have a lot of experience with alignments and disalignments of Arab countries in this area, and we cannot say if today the Arab countries are divided that this situation is going to remain with us for a long time. It can be changed in a very short time and very rapidly.

The third point I'd like to raise is the fact that the circle of confrontation states or so-called peripheral states is growing all the time and not narrowing with time. Ten years ago we didn't consider Libya even as a confrontation state. Now the map that Gen. Sharoni showed before indicates that Algeria, Morocco, Tunis and Libya and Sudan, and who knows who will be next, are beginning to create a threat to our country. And because of that, our electronic horizon from Israel is a little bit too short to achieve an early warning in these cases.

The fourth point is that we signed a peace treaty with Egypt, and by doing so accepted restrictions on our early warning means to get the information that we need in order to know where Egypt stands. That has

especially affected our air photography capability in this part of the world. Of course, we had before that the problem of taking photos over countries like Iraq or others. We have done it in the past, but each time we decide to do so we realize the political obstacles that might be raised by doing so. I cannot rule out the possibility that in the next decade there may be - and I hope there will be - more arrangements or agreements or peace treaties with other countries. But this trend from an early warning point of view is a burden on the intelligence community.

So because of all these factors or assumptions, and taking into account that 35% more or less of our early warning is based on air photography, I would like to raise our major problem today of having an air photography capability where our electronic horizon is too short to bring us information where we need it, because of peace agreements and because of political restrictions, in order to be sure if we are going to give this country an early warning or not. That is what I wanted to raise, and if you have any questions I'd be glad to answer.

MR. BEGIN: Now we shall have a question period, so if you have any questions to put to these officers, they will be glad to answer.

MR. HAIG: Mr. Prime Minister, I guess I tend to feel at home. I clearly share the concern that early warning is a fundamental aspect of sound defenses for Israel. There is also the aspect of political decisions associated with those warnings, and they both go hand in glove. I am very much impressed with the new modern environment and the electronic integration of air, ground and warning, and management capabilities in that context. And I wonder how you feel your qualitative edge is in that regard. We had some critiques after the 1973 conflict, suggesting we had let some imbalances

develop which were costly. And I have been a student for a while of many analyses that were made of that situation which were quickly remedied. I wonder if we could have a comment on that, as you see the future, a) your qualitative situation with respect to the integration of electronic battlefield, and b) where your main concerns rest. Probably in the warning area.

(The Chief of Staff, Gen. Eitan speaks in Hebrew, and is translated by Gen. Sharoni):

GEN. EITAN: First, I will apologize for the need for translation, and my reply is as follows. First of all, there is a relationship between the size of the territory and the technological edge. The smaller the size of the territory, the greater the need for a technological edge. The Arabs suffer from no restrictions as to what they can get and where, either from East or West. Their way of thinking is such that they do tend to get the best technology, knowing that they can hardly compete with our manpower qualitative coefficient. That is where the Arabs concentrate the main thrust of their effort. Our answer to that is in the form of considering the whole country as a front and the whole nation as an army, and we put our efforts in that direction. Because no conventional military thinking or tactical, operational thinking will fit our situation. And to that we must add the capability of the Eastern front, even Libya, to fire ground to ground missiles up to ranges of 900 km. today which can hit our territory. We also have to consider that there is a change or may be a change in the trend of thinking as to the role of chemical warfare in a conventional war, knowing that some of the Arab countries are equipped with chemical weapons and capability.

All these elements combined make our problem of deterrence a difficult one and the early warning capability so essential. For that reason, we think once we have the early warning system that will allow us to adopt a

defensive strategy. Take that away, and the defensive strategy fades out.

We have to assume that the motivation of the Arabs to initiate hostilities or war against Israel will pick up, the more they are equipped with better equipment and the more they gain confidence in what their weapon systems can perform.

We have to emphasize that Syria and Libya serve as huge arsenals of arms. They are pre-positioning equipment there in figures we cannot account for. About 30% of the Syrian armor corps is unmanned, and they are organized in shelter facilities in such a way that we cannot see how the Syrians can man them, unless they are manned by Russians or proxys, and the same goes for Libya.

MR. BEGIN: The Chief of Staff mentioned figures, he said 1,000 in Syria and 2,000 in Libya, excess, stored.

MR. HAIG: Which is also an interesting interrelationship between that and the high level of Soviet advisors that maintain and train them.

GEN. EITAN: Including MIG-23s and 25s in Libya which are still in the original packing as delivered, without being operational.

On top of all this, we are kept busy with a war against terror which is an unending war. And this terror is aimed at us from one center - Lebanon. Not only against us, but in Lebanon they provide international terrorists with training, facilities, etc. And there is still another base that trains terrorists to which we have no access, in Russia, where basic training is given to international terrorism.

So in conclusion, the main points are the early warning capability and on the other hand, the major effort to maintain the qualitative gap I mentioned, which means to create a national effort, with aid from the outside in order to keep this edge, which we must have since there is no way by which

we can match figures. And this is the only way we can maintain the superiority which enables us to exist here.

MR. HAIG: That was very, very helpful. Mr. Prime Minister, as you know, we have started to highlight the implications of international terrorism, the Soviet role and responsibility in it. And I believe in the period ahead - and this is of great concern to the Soviet Union, we know it because we are reading their discussions among themselves - they are anxious and one of their key intelligence objectives is to find out whether the U.S. is doing it for an initial propaganda ploy or whether we intend to carry on with a very systematic program to highlight Soviet responsibility for this activity. And we have had problems in our own intelligence family in the U.S. where I have had intelligence officers tell me they had no firm evidence of Soviet responsibility for this activity. And this gives you an idea of how deep the disillusionment and misjudgements have developed in our own country, in the U.S. And we are working on this problem. It may require some new men at new desks. But I think this is a vitally important aspect of our joint approach to the Soviet threat.

MR. BEGIN: We have certificates written in Russian and English from Soviet military courses and schools given to members of the PLO, stated that they finished the military course and are qualified to be officers, etc. We have the documents in our hands. There is no doubt whatsoever that they get training in the Soviet Union.

MR. YADIN: Recently through the satellite countries, the PLO is getting tanks, and other equipment. We have air photos now for the first time. Directly, from Hungary.

MR. SHARON: Mr. Secretary, I would like to emphasize some points. First, I would refer to Saudi Arabia as part of the Eastern front. For years, the Saudi government kept troops in Jordan, and altogether I think that from our point of view we have to look at Saudi Arabia as part of the Eastern front.

The second point I would like to emphasize again is what the Chief of Staff just said, about these unmanned arsenals of equipment. Not that we are happy about manned equipment, but actually you get the idea and understand what is the purpose of it. But when you have a situation where you have thousands of tanks and when you look at the map these tanks are concentrated in countries encircling what you call moderate Arab countries, and if you take into consideration that for many years we took for granted that the Soviets would not intervene themselves - we knew they would send experts, or others, like Cubans, as they have in Ethiopia - but now after Afghanistan we learned that when the Soviets believe they can do it, they intervene. And we have to take that into consideration. We are speaking here about thousands of tanks, maybe you can call them "ghost tanks", unmanned tanks. We are speaking about hundreds of modern jets, and they are prepared for something, or someone.

The third point I'd like to emphasize refers to the weapons that the East and the West are supplying to Arab countries. You have to realize that our advantage lies in our manpower, the quality of our soldiers. And we managed to defeat the Arab armies for years and years because they were unable to come to close combat. And you can go from the lowest level to the highest level. But once you supply them with the most sophisticated weapons,

that immediately closes the gap, and that is our problem. And I would like to say that that is exactly the kind of weapon that the Arab countries do not need. And permit me to say it in a very direct way, as a farmer. I am a farmer, a peasant. Don't expect the Arabs to fight Soviets. They will never fight Soviets. They are unable to. The weapons that they need for their purposes - let's say what happened in Saudi Arabia about a year and a half ago, they need it for anti-subversion operations or for a kind of warfare that might happen like between Syria and Jordan which could have happened a few months ago or did happen in 1970. They are not going to fight the Soviets. On the other hand, we did. We are the only ones in this part of the world who were fighting the Soviets, and the only ones that were confronting the Soviets for 25 years. Now we hope that with the present administration there is going to be a change. And we see there is a change. But until now we were the only ones. Therefore, for instance, I never use the term, I never try to convince anyone that Israel is a strategic asset. We are not mercenaries. For us it was a question of life or death. We don't do it for anyone, but for ourselves. We were fighting the Soviets. And having been the commander of the Southern front, and I did it partly during the war of attrition, we fought the Soviets; we shot down Soviet jets.

MR. ZIPORI: Five MIGs.

MR. S HARON: We used to attack surface to air missile sites manned by Soviet experts. We were the only ones and it is not that I am trying to convince you - as I said, I never use this term of strategic asset. Because we don't do it for you or for anyone but for ourselves.

MR. HAIG: Of course, General, but Americans need to hear that.

MR. SHARON: Therefore I was very pleased that the Prime Minister invited me here, so for two hours I could leave the responsibility for

tomatoes and cucumbers, eggs and carrots, and in a way come back to the field I was so active in for 28 years, maybe my best years.

So coming back to this question, we understand that the Arab countries should get weapons. We understand the situation, we understand the strategic set-up that you are trying to build up here. But take it for granted that they won't fight the Russians. They will hardly fight each other, but they will fight us, and they did it. And this kind of weapon you are giving them can help them only in fighting us, because they won't fight anyone else. And that is what makes our situation harder. Because we have complete superiority when we have to fight Arabs and we are ready to fight again in case of need. We'd like to have peace but in case of need we will fight. But I think it's a severe mistake to supply the Arabs with these sophisticated weapons. a very, very severe mistake. Weapons, I understand, big quantities, maybe. But not the kind of weapons that enable them, I would say, to bridge the gap and to overcome their disadvantages.

We know that the Soviets enter into places where the background has been prepared by subversion, and therefore, for instance, we will not allow a Palestinian state in Judea and Samaria in order not to enable them to enter there. Because that's the way how to do it, by subversion. But you have to take into consideration that the Soviets have changed their strategy and concept and in case of need or when they believe they can do it, they will intervene themselves. Thank you.

MR. BEGIN: To sum up this part of our discussion, I would like to say, not being a peasant, but still using common sense, as you could have seen from the numbers, we are outnumbered, out-tanked, out-gunned, out-planned. But we mustn't be out-brained, and outwitted.

Therefore I have two remarks to make. First of all, we must have the most sophisticated early warning system possible so we can mobilize our main reserves, which are the mainstay of our military power, I will say openly, once we are attacked. First we want to deter attack. If our enemies know they will lose, maybe they will be deterred. But then if they attack, we must have early warning. That is the only way to save our people.

Secondly, I suppose we mustn't only talk about the qualitative edge. You remember it was said about materiel and morale, a proportion of 3 to 1 between the two. But there is a certain amount of materiel which turns into good quality, especially here. Therefore we must also have a certain quantity, so this disproportion is not so deep a gulf between potential enemies and ourselves. The existing numbers cry out, there is an abysmal difference. So first of all we need the most sophisticated weapons, early warning system, and then as for all those weapons we need to change, we have to do so quickly. Most of the Soviet items we conquered on the battlefield are outdated, obsolete, and we have to change them. And the disproportion in quantity is also too great. We cannot of course reach equality in quantity but there must be some reasonable difference. The difference we saw today is unreasonable and very dangerous. Because we are a small nation and you know our sensitivity to casualties.

Now I'd like to give you this document in Russian and English.

MR. YADIN: It's a graduation certificate of a staff officer.

MR. BEGIN: Take it as a souvenir.

MR. HAIG: I appreciate that because it may help to educate some.

MR. BEGIN : I would now like to thank my friends, the Chief of Staff, Gen. Sharoni, Gen. Sagi and Minister Sharon for their participation. And I would like to thank you for your attention on this issue.

And I hope this discussion has not been in vain. I hope, Mr. Secretary, that we will have your understanding on it and that you will act on this grave issue of Israel's security.

(This part of meeting is completed at 11:50; several of the participants leave).

MR. BEGIN: We will now begin the portion on the economic situation, and we will hear from the Minister of Finance, Mr. Yoram Aridor.

MR. ARIDOR: My outline will be divided into three short parts; a general part, the long-term part, and the short term part. In speaking about the general part, I must stress that Israel's current deficit amounts to about five billion dollars. This is the main economic problem of Israel. The main reasons for this problem are the need for import of oil, the burden of defense and the burden connected with the withdrawal from Sinai. The main solution to overcome this problem is to expand our exports.

Going to this second part of my outline, I would say that Israel maintains a complex of industries and facilities which provide for some of our defense needs but these industries and service facilities must be maintained in order that Israel be assured of adequate technology for our own defense needs. We have a Memorandum of Agreement with the U.S. Government concerning the principles governing procurement and logistic support of selected defense equipment. This was intended to improve our exports, but unfortunately as I think all of us know, it is clear now that to achieve this improvement of our exports to the U.S. in the military field, a more adequate agreement has to be adopted. Therefore, our request is that there be an arrangement providing for the export of goods and services to the value of \$250 million

annually, with the provision for a 30-40 per cent increase, to be agreed upon. It should also be noted that any agreement to supply services for the U.S. armed forces should provide ample infrastructure for any such arrangement for prepositioning of U.S. arms and equipment in Israel. I think that any help connected with improving our defense exports to the U.S. and elsewhere would help not only to maintain the Israeli economy but to base it upon more solid ground in order that we shall be more self-maintaining for ourselves and also to help our allies.

The third part of my outline relates to the financial aid from the U.S., for which we are very grateful. We have a problem of a high debt service to the U.S. which amounts to about \$700 million in the current year, and we are sorry to say it is expected to increase to approximately \$900 million by the year 1984. And we have requested that the U.S. aid us by the amount of \$2.9 billion. We understand the budgetary constraints of the U.S. budget. But still, understanding that, we have a problem.

In the current administration's request there are about \$900 million in loans to be disbursed through the Federal Financing Bank, and according to the U.S. Administration's report, the real cost of such loans to Israel is about 19.5% per annum in interest, and this increases our annual debt every year very significantly. So we must do something about that. And one thing we do not want to do is to have a rescheduling of the outstanding debt in the future. We want to avoid this rescheduling. Therefore, it is essential that there be some change in the composition of the aid given to Israel by the U.S.

One point is a return to the principle that the military aid will be divided into equal proportions between loans and grants, thereby

increasing the grant portion by \$200 million, which means \$700 million in grants and \$700 million in loans.

Secondly, that a major part of the \$700 million of FMS loans should be in the form of direct budgeted loans based on the assumption that such loans bear low interest rates and long grace periods on principal.

All this refers - and I must stress that - to the American fiscal year of 1982. It will be very burdensome to Israel if these changes will not be made during this fiscal year of 1982. And there were talks in Washington with Mr. Stockman about 1982.

Now if the balance of forces in the Middle East continues to change to Israel's detriment, Israel will require additional military procurement which will have to be furnished, in our opinion, by grants only so that the burden of debt will not be too heavy for us to bear, and to avoid rescheduling of the burden of debt. Furthermore, the level of the annual assistance will have to reflect the expenditure necessary for absorption and maintenance of these additional procurements.

What I have just outlined, Mr. Secretary, is the way by which the State of Israel is trying to overcome its burden of debt to the U.S., by expanding our exports to the defense forces of the U.S., and in this way to base the economy of Israel on more solid ground. But I must stress that Israel's requests serve not only our own interests. We are, and we are proud to be, a part of the free, democratic world, and our economic strength is therefore also a service to the interests of the free democratic world. Thank you.

MR. MAAYAN: I would like to just briefly scan the spectrum of possibilities of exports to the U.S. On the one hand, we have direct sales

of off-shore logistic support to the U.S. armed forces, and I am talking about storage facilities, for instance, or maintenance of equipment that we share in common. In our air force we fly F-15s, F-16s, F-4s, Skyhawks, and we have an excellent facility that maintains and overhauls all these wonderful aircraft, a facility that is easily enlargeable and that could accommodate much more service to the U.S. than we do today. Direct sales of main items of arms and ammunition that is not included in the current MOA, and by the way, direct sales of ammunition for instance could be used to pre-position and store some of the ammunition here in Israel by delaying shipments and arranging for some of the arms to be stored here. We produce here in Israel most of the spare parts for the American equipment that we operate in the Air Force and the Army, and we could produce more spare parts to the American logistic systems. Our industry could serve as a second source supplier to the American industry and a second source supplier not only of production but also of engineering and design work. We for instance were the ones that pushed ahead the on the fuel tanks of the F-15. We initiated the engineering work and we have excellent ideas for the improvement of the F-16, for instance, in the future and would like to see some of the engineering work done here in Israel. And we could review joint ventures as far as design and production are concerned.

We have a determination to ask for back to back contracts in our future MFS buys in the States so that we ensure a part of the work be done here in Israel by the local industry, and we see that as a condition in our next buys of F-16, F-15, F-18 and the future tanks, etc.

We could ask the U.S. to encourage and allow American companies to use and include Israeli main components and main items as part of their

number of things, so that would include additional U.S. funds, technical

which would be realized in an evolutionary way by the development of a

is that the President has authorized me to commit up to \$200 million annually

procurement of American procurement of Israeli goods and services. And that

session with Minister Shamir one specific answer to your request on off-shore

MR. HAGI: One thing, Mr. Prime Minister. We had passed on in the

And we will now have a short talk together.

MR. BEGGIN : Mr. Secretary, we come to the end of this session.

MR. MAYAN: Yes for the Mercava and for the redeployment.

MR. ZIPORI: This was done in the past.

our local production for our own use. Thank you.

for around \$100 million a year to be spent locally in order to enhance

a year of sales of services and goods. And on the other hand, we would ask

figures. One that corresponds to the figure mentioned already - \$250 million

discussion and study in detail these ideas. I would like to set out two

To sum up, I believe that we need to continue the dialogue and

50 of our desired stock levels, on the average.

own use than we produce today, and we have an orbit with I believe around

tion for our own forces. We are capable of producing much more for our

money locally here in Israel to enhance the production of arms and ammuni-

And last but not least, the possibility of using some of the aid

here in Israel.

a very capable industry and some extremely effective indigenous systems

sell its own system. And we have developed, due to a tremendous investment,

not have a competing system or in cases where the U.S. does not desire to

market our own products to third countries in cases where the U.S. does

MPS sales to third countries, and we would ask for the U.S. permits to

assistance to help modernize Israeli industry, in order to increase its competitiveness in the U.S. market, to assist Israel in strengthening its marketing efforts in the U.S., provide U.S. funds to help defray the cost of qualification tests of equipment which U.S. military services have an interest in, expand the scope of the MOU that you referred to. We will allow Israeli industry to bid on requirements being financed by MFS credits in those cases in which at least 50% of the components are of U.S. origin. We will actively encourage U.S. defense contractors to make greater use of Israeli industrial resources in the form of subcontracting opportunities, licensing agreements, etc. To help accomplish these objectives we will develop a more liberal technology transfer policy.

Now I think these are very serious and very promising first steps in the area of your concerns. Having just left the American aerospace industry as you know, I think American industry itself in the private sector can make important contributions. You know also, Mr. Prime Minister, we have already committed ourselves to a far more liberal policy in the export of your Kfir production, and we have I think moved rapidly in the case of one Latin American sale. And I can assure you that unless there is a major political objection, and I think you will be the first to note that, given the convergence of our strategic outlook, I think you will find us much more responsive in that area. I think there is a great deal more that can be done in co-production between American industry, by private decision. And I would urge you to work that street intensively, and where we in the government can be helpful, we are happy to do so.

MR. BEGIN: Please express our thanks to the President for the commitment you just referred to. But we shall still continue our dialogue. We

may have more needs and we will present them.

I would like to thank you again for giving us the opportunity to bring before you our problems, national and international, security and economic, and for the attention you paid to everything we had to say. Of course, this is only part of our dialogue and we shall continue it.

I want to thank you again for the visit, which was a very fruitful one. You showed both understanding and friendship, and we took note of the fact that yesterday you said publicly that we are allies, that there is a permanent alliance between us. On this both countries are going to build a future. Thank you very much.

--(Meeting adjourned at 12:10)---