

Foreign Policy Breakfasts/National Security

Foreign Policy/National Security Developments,
10/80-12/80.

Kalpa...

ISRAEL

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EXD018
MILADDE HANDLE SPECAT EXCLUSIVE
E.O. 12865: ROS-4 10/16/80 (LEWIS, SAMUEL W.) OR-M
TAGS: PROR, REPR, IS, SY
SUBJECT: GOLAN ANNEXATION
REF: A.TEL AVIV 18862 (NOTAL), B. DAMASCUS 86505

1. (COLENTIRE TEXT.)

2. THIS CABLE PROVIDES OUR LATEST ANALYSIS OF THE POLITICAL MACHINATIONS HERE CONCERNING THE GOLAN ANNEXATION ISSUE. WITH THE KNESSET BACK IN SESSION, THE QUESTION OF ANNEXATION HAS BECOME THE NUMBER ONE INTERNAL TOPIC OF DEBATE HERE. WHILE THE PROPOSAL DOES NOT HAVE THE SAME EMOTIONAL FORCE AS DID THE JERUSALEM BILL, WE ARE STARTING TO SEE A DISTURBINGLY SIMILAR PATTERN OF BEHAVIOR TAKING SHAPE, AS PROponents OF ANNEXATION SEIZE THE MEDIA HIGH GROUND WHILE OPPONENTS AND FENCE SITTERS START TO CONSTRUCT ELABORATE ESCAPE CLAUSES FOR THEMSELVES AND SEEK REFUGE IN "THE KNESSET IS SOVEREIGN" LINE. WHILE THE ODDS AT THIS POINT ARE STILL FAIRLY HEAVILY AGAINST AN ANNEXATIONIST OUTCOME, THE SITUATION IN THE KNESSET OVER THE NEXT FEW WEEKS COULD GET OUT OF HAND, ESPECIALLY SINCE BEGIN, AS

*****WHERE COMMENT*****

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per 7/24/04 NSC HK.
NLJC-06-073
BY BDE NARA, DATE 8/7/06

WE NOTE BELOW, IS BEING CUTE -- KEEPING HIS OPTIONS OPEN AND TRYING TO STAY ON THE GOOD SIDE OF THE GOLAN SETTLERS AND THEIR SUPPORTERS. THUS, AS WE INDICATED YESTERDAY IN ANOTHER MESSAGE, THE TIME HAS COME, IN OUR OPINION, TO PUT IN BLUNT TERMS TO ISRAELI LEADERS THE GRAVE CONSEQUENCES THAT SUCH A MOVE ON THEIR PART WOULD HAVE, I.E.:

- -- MEAN THE EFFECTIVE END OF THE AUTONOMY NEGOTIATIONS AND THE CAMP DAVID PROCESS;
- -- TURN ATTENTION OF THE OUTSIDE WORLD AWAY FROM THE GULF WAR AND THE SOVIET THREAT TOWARD ISRAEL;

- -- HAVE A MOST NEGATIVE IMPACT ON ISRAEL'S BILATERAL RELATIONS.

3. AMBASSADOR LEVITS CONVEYED OUR VIEWS ON GOLAN ANNEXATION TO MFA DIRGEN KIMCHE THIS AFTERNOON (SEPTEL). AN APPOINTMENT HAS ALSO BEEN SET WITH FOMMIN SHAMIR FOR OCTOBER 22. IF THE SITUATION AS WE READ IT BY EARLY NEXT WEEK WARRANTS, WE WILL ALSO REQUEST MEETING TO TAKE UP GOLAN ANNEXATION WITH PM BEGIN.

4. OUR ANALYSIS OF PRESENT SITUATION FOLLOWS. GOLAN SETTLEMENT COUNCIL LEADERS YEHUDA HAREL AND SHIMON SHEVES MET WITH PRIME MINISTER BEGIN YESTERDAY, OCTOBER 15, TO SOLICIT HIS SUPPORT FOR GOLAN ANNEXATION. WHILE BEGIN GAVE THEM NO ASSURANCES THAT HE WOULD SUPPORT THE ANNEXATION BILLS NOW BEFORE THE KNESSET, HAREL NONETHELESS TOLD REPORTERS FOLLOWING THE MEETING THAT HE WAS "CONFIDENT THAT THE BILL WOULD BE PASSED WITHIN TWO MONTHS." BEGIN HAD "GIVEN THEM THE FEELING THAT HE WOULD NOT STAND AGAINST THE MEASURE," HAREL SAID, AND GIVEN THE MAJORITY SUPPORT IN THE KNESSET FOR ANNEXATION, THAT WOULD BE "ENOUGH." ASKED ABOUT THE EFFECT OF THE RECENT LABOR PARTY POLITICAL COMMITTEE DECISION PROHIBITING LABOR MKS FROM SUPPORTING THE BILL, HAREL NONCHALANTLY PREDICTED THE PARTY WOULD CHANGE ITS STANCE IN TWO OR THREE WEEKS, SINCE BOTH THE SETTLEMENT MOVEMENT AND A LARGE SECTOR OF THE PARTY SUPPORTS ANNEXATION. HAREL PREDICTED THAT AT LEAST 15 LABOR MKS WOULD EVENTUALLY VOTE FOR THE GOLAN BILL DESPITE THE PARTY DECISION TO THE CONTRARY, PERHAPS EVEN RISKING A PARTY SPLIT TO DO SO.

5. THE GOLAN SETTLERS' OPTIMISM NOTWITHSTANDING, THE LABOR PARTY POLITICAL COMMITTEE DECIDED OCTOBER 14 BY A RESOUNDING 40 TO 1 VOTE, THAT THE LABOR PARTY WOULD NOT BACK, AND ITS MKS WOULD NOT VOTE FOR ANY BILL TABLED BY

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LIKUD, NRP OR TEHIYA MKS CALLING FOR ANNEXATION OF THE
GOLAN. THE DECISION IS BINDING AS A MATTER OF PARTY
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DISCIPLINE ON LABOR MKS. THERE IS, HOWEVER, ROOM FOR
POLITICAL MANEUVERING WITHIN THE COMMITTEE GUIDELINES.
FOR EXAMPLE, THE DECISION BINDS LABOR MKS ONLY NEGATIVELY,
I.E., THEY MAY NOT VOTE FOR THE MEASURE, BUT LEAVES OPEN
THE POSSIBILITY OF ABSTENTION. SHOULD LABOR MKS ABSTAIN,
AN ANNEXATION BILL COULD STILL PASS WITH A MAJORITY OF
MEMBERS PRESENT AND VOTING. WHILE PARTY CHAIRMAN SHIMON
PERES PERSONALLY ENDORSED VOTING AGAINST A GOLAN BILL,
HE LEFT IT TO THE PARTY'S KNESSET FACTION TO DECIDE ON
THE ABSTENTION POSSIBILITY. FURTHER, THE COMMITTEE
RULING REFERS ONLY TO BILLS TABLED BY MEMBERS OF OTHER
PARTIES, THUS LEAVING OPEN THE THEORETICAL, BUT UNLIKELY,
POSSIBILITY OF A PRIVATE LABOR MK BILL CALLING FOR
ANNEXATION, OR A LABOR PARTY PROPOSAL FOR SOME ADDITIONAL
MEASURE OF ISRAELI CONTROL ON THE GOLAN SHORT OF ANNEXATION.

6. LABOR MK YOSHI SARID TOLD POLOFF KULICK THAT THE
LOOPHOLES IN LABOR'S POSITION ARE MORE APPARENT THAN
REAL AND WERE INCLUDED FOR PURELY INTERNAL POLITICAL
REASONS. SARID SAID THAT THE DECISION PROHIBITS ANY
PRIVATE MEMBER INITIATIVES ON THE GOLAN BY LABOR MK'S
WITHOUT THE ENDORSEMENT OF THE ENTIRE PARTY FACTION. SINCE

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BY SARID'S RECKONING THERE ARE ONLY 7 LABOR MK'S WHO FAVOR SUCH ACTION (ROSOLIO, HILLEL, ARBELI-ALMOSLINO, AMIR ESHEL, KATZ AND KATZ-OZ), SUCH APPROVAL WOULD NOT BE FORTHCOMING. EVEN INVETERATE PARTY HAWKS LIKE MK AMOS HADAR AND MOSHAV LEADER ARIK NEHEMKIN ARE AGAINST ANY MOVE TO ANNEX THE GOLAN FOR THE FORESEEABLE FUTURE AND YITZHAK RABIN TOOK THE SAME POSITION IN A RADIO INTERVIEW YESTERDAY. SARID ACKNOWLEDGED THAT ABSTENTION BY LABOR MK'S HAS NOT BEEN RULED OUT, BUT IF, AS HE EXPECTED, ONLY THE HARD-CORE GOLAN-LOBBY MK'S WERE TO ABSTAIN, THERE WOULD BE ENOUGH NEGATIVE VOTES ON THE COALITION SIDE -- ESPECIALLY AMONG THE LIBERALS -- TO DEFEAT THE MEASURES NOW BEFORE THE KNESSET. SARID ACKNOWLEDGED THE THEORETICAL POSSIBILITY THAT LABOR COULD INTRODUCE A BILL OF ITS OWN, BUT SAID THAT THIS COULD BE CONSIDERED ONLY AFTER THE PARTY'S SETTLEMENT COMMITTEE HAD EXAMINED THE ISSUE, A PROCESS WHICH HE SAID WOULD TAKE SEVERAL MONTHS.

7. COMMENT: AS A VEHEMENT OPPONENT OF GOLAN ANNEXATION, AND A HARD-HEADED POLITICAL REALIST, SARID WOULD HAVE NO REASON TO MINIMIZE THE SHAKINESS OF LABOR'S POSITION UNLESS HE HAD ASSESSED THE SITUATION OBJECTIVELY. THUS, ALTHOUGH COMPLACENCY IS BY NO MEANS WARRANTED, THE LABOR PARTY SIDE OF THE EQUATION AT LEAST IS ENCOURAGING FOR THE TIME BEING.

8. KVGAXIOBON THE COALITION SIDE IS HARDER TO ESTIMATE AT THIS POINT. ALTHOUGH MOST LIBERALS AND MEMBERS OF THE DM, AS WELL AS ASSORTED OTHER COALITION MK'S, UNDOUBTEDLY RECOGNIZE THE FOLLY OF ANY GOLAN LEGISLATION, SO DID THEY CONCERNING THE JERUSALEM LAW. THIS DID NOT PREVENT THEM FROM GOING ALONG WHEN THEY HAD TO STAND UP AND BE COUNTED. AT THIS POINT WE WOULD HAVE TO REGARD OPPOSITION FROM WITHIN THE COALITION AS UNRELIABLE. HOWEVER THE VOTES FINALLY LINE UP, WE BELIEVE THE MOMENT OF TRUTH WILL COME WHEN THE BILL COMES UP FOR ITS "PRELIMINARY READING", PROBABLY IN NO MORE THAN A MONTH. SHOULD THE BILL PASS THIS STAGE, IT WILL HAVE ALREADY GAINED SUCH MOMENTUM THAT THERE WILL PROBABLY BE NO STOPPING IT. AS OUR EXPERIENCE WITH THE JERUSALEM BILL DEMONSTRATED, ANY HOPE THAT THIS LEGISLATION CAN BE SMOTHERED IN MK DAVID GLASS'S LAW AND CONSTITUTION COMMITTEE, TO WHICH IT WOULD BE SENT, ARE LIKELY TO BE FORLORN. WE AGREE WITH AMBASSADOR SEELYE (REF B) THAT THE TIME TO ACT IS NOW. LEWIS
BT

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MEMORANDUM

OFFICE OF THE VICE PRESIDENT
WASHINGTON

Memo No. 1214-80

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October 3, 1980

MEMORANDUM FOR THE VICE PRESIDENT

FROM: Denis Clift 
SUBJECT: Foreign Policy/National Security Developments

I. DEVELOPMENTS RELATING TO IRAN-IRAQ CONFLICT

Following the foreign policy breakfast on Friday, October 3, the SCC met to review the status of:

- consultations with the allies and
- defense assistance to the Saudis.

These meetings, in my judgment, continue to be characterized by a fundamental split between State on the one hand and Defense/NSC/the President on the other.

Consultations with Allies. The US will meet at the political directors level (George Vest) in Paris on Monday with the British, French and Germans to coordinate our political/military contingency planning, particularly with regard to ensuring passage through the Strait of Hormuz. At the navy-to-navy level, the British have made a destroyer available to proceed to the Persian Gulf region. The French have deployed units from Djibouti to the region, and US-French Navy planning is taking place aboard the carrier USS EISENHOWER.

Assistance to the Saudis. Following up on last week's NSC meeting, the AWACS have deployed to Saudi Arabia, and we are now examining additional steps to be taken with the Saudis. Draft instructions to a State/Defense team that would depart on Monday, October 6, are at Tab A. State is not in agreement at this point on points 2 and 5. Muskie believes he has a commitment to the USSR, made to Gromyko in New York, that the US will not take advantage of the Iran-Iraq conflict to build up our forces in the region. Defense/NSC believe that the points in the draft instructions are basically in keeping with

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CLASSIFIED BY A. DENIS CLIFT
REVIEW ON OCTOBER 3, 2000

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per 7/24/06 NSC H.
NLTC-06-073
BY: BAS NARA, DATE 8/7/06

what the President has already approved over the past several months in terms of US-Saudi relations and more recently in terms of actions to deal with the Iran-Iraq conflict. It was agreed that an interagency team would work on the instructions with a view to ironing out wording differences. If any differences remain they will be sent to the President over the weekend.

Next Tuesday or Wednesday a meeting will be scheduled to review our longer term interests with the Saudis (e.g., taking into account the lesson of Iran, of pouring too much too soon in terms of military equipment on a society which cannot handle such attention successfully). The Secretary of State attaches great importance to this meeting. Already, the basic lines of argument have been drawn:

- On the one hand don't put too much into Saudi Arabia, remember Iran;
- On the other remember Iran and put US men and equipment in Saudi Arabia, don't ask the Saudis to try to do it on their own.

* * * * *

I would offer you my view that State presents a weak case presently in these meetings. First, the President has taken the basic decisions to move ahead with the Saudis, and State's position in questioning some of the proposed steps is foot-dragging at best. Secondly, I think we continue to be hurt as a government by the lack of capable, policy level Soviet experts at State to assist Christopher and Muskie in presenting a balanced argument that supports US objectives vis-a-vis the USSR. The Secretary of State owes the President his best advice on how to contain the Soviets worldwide, more particularly in Southwest Asia, advice looking beyond the details of our consultations with Gromyko on Iran/Iraq. It is safe to say that Soviet planning for the region is not based on the brief give and take between Gromyko and Muskie last week in New York. State is coming across in a negative way in these meetings. This translates into State's positions basically being swept aside by the President.

* * * * *

Iran/Iraq Conflict. As of Friday, October 3, the Iraqis had slowed the pace substantially. They appear to be consolidating their position. They don't want more casualties than necessary.

They are ready for the bargaining phase, but the Iranians are not.

* * * * *

Consultations with Iran. On Friday, October 3, Deputy Secretary of Treasury Carswell met with two representatives of Iran's Central Bank, who are in Washington for the IMF meetings and who indicated that they wish to discuss our freeze of Iranian assets. The meeting was not seen as a negotiation. Carswell was to hear them out.

II. MIDDLE EAST

Oil Talks with Israel. On Friday, following consultations with Owen, Hunter and Eisenstat, I relayed the state of play via John Matheny and Penny to you including a recommended message from you to the President supporting Option 3. Owen's memorandum for the President is at Tab B.

World Conference on United Nations Decade for Women. Our delegation to this conference objected to pro-PLO political maneuvers, and with those objections considered continued with the work of the conference. As is normally the case, the results of the conference are now coming before the UN General Assembly for a normal adoption by unanimous consent resolution. Al Moses, Robert Hunter and I have been working together to ensure that State handles this properly. It has been agreed that the US will consult with Israel, to ensure that our two delegations are satisfied with the way the UNGA handles the issue.

USS LIBERTY. The State Department has just decided that now is the time to present the Israelis with our bill for the attack on the USS LIBERTY in June 1967. The Israelis earlier this year indicated they were willing to receive our claim. The claim starts at \$6 million, with State and Treasury wanting to add compound interest bringing it to \$17 million. Better timing might have been chosen. It is my understanding that nothing will move on this from the US side for the next several weeks.

Defense Briefing for Howard Squadron. Harold Brown is meeting with Squadron on Monday, October 6. Al Moses has been looking for ways to dress up that meeting, and in this process suggested that Brown might advise Squadron that we are beginning contingency planning on access to Israeli bases.

This of course is a major issue, one that the President would prefer to address in the broader context of a Middle East settlement. Hunter consulted with me on the subject; I noted that General Jones will have concluded a day of meetings in Israel on Sunday, October 5 and that Brown's meeting with Squadron could provide the occasion for a briefing of Squadron on the substance of the Jones mission.

III. SHAGARI VISIT

President Shagari has expressed dismay that he will not have the opportunity to meet with you during his visit. Accordingly, State has recommended that you call on Shagari at Blair House on either the morning or the afternoon of October 8. I have forwarded this recommendation to Penny and Jim.

IV. GREEK REINTEGRATION INTO NATO

As Zbig reported to the President on Friday, the only critical issue which now blocks Greek re-entry is Aegean military air command arrangements. The Turks, we understand, have come close to agreeing to a formula which postpones a final air command agreement; the Greeks want a change of language which would prejudice the final result in their favor. General Rogers has sent back a strong cable asking Washington and our European NATO allies to remain in the background until he has carried his negotiations as far as he can -- hopefully to success. He is seeing General Evren on Monday. The Greek ultimatum and publicity on closing of American bases by January 1 if reintegration is not accomplished have caused disquiet among the Turks, who fear that the issue will become entangled in the U.S. elections, resulting in unfair pressure on them. While the Turkish military leadership is more free to act on this issue than politicians would have been, it cannot appear to be giving in to Greek pressure exercised through the U.S. political process. If the Turks were to set new conditions themselves the whole reintegration process would be derailed.

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(S) As agreed by West/Jones and the Saudis, we are sending a small technical team which will be headed by an O-6, will be staffed mostly from EUCOM, will arrive in Saudi Arabia on Saturday, and is supposed to help the Saudis better to lash up their present air defense equipment, illuminate deficiencies which can be quickly fixed, and facilitate hookup of the Saudi system to AWACS.

(S) There will be another team to arrive a day or two later which is now supposed to be a politico-military team. I'd like your concurrence on the following objectives for this team:

1.-- Improvement of Saudi air defenses, expedition of spares, etc.

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OTT*
In effect it would expand the work of the technical team, with that providing staff support.

*by NSC
only contingency
if others*
2.-- Engage in planning with respect to deployment in the event of a major threat to Saudi Arabia of F-15s, F-14s, KC-135s, and/or Hawk battalions including relevant prepositioning sufficient to permit such deployment to proceed rapidly and to achieve earliest combat capability once deployed. (The Saudi position expressed to General Jones is that such deployments are not now required; contingency planning would be conducted on that understanding.)

*OK @
WAFET*
3.-- Explore (with Saudis) the feasibility of an integrated regional air defense system, linking Saudi Arabia air defense with that of the Gulf States.

*OK with J-7
if need SA-6
in*
4.-- Explore further Saudi participation in naval freedom-of-navigation patrol to which the Saudis have agreed in principle.

5.-- Explore prepositioning, overbuild, etc. beyond that implied by contingency planning indicated above.

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(S) We believe the foregoing will not only improve our capability to move quickly but also give us an entree on prepositioning, etc. for the longer run. We have an opportunity on which we should capitalize before the F-15 enhancement items return to plague us.

~~SECRET~~

Oct 5,

THE WHITE HOUSE
WASHINGTON

5418

~~SECRET~~

October 3, 1980

MEMORANDUM FOR: THE PRESIDENT

FROM: HENRY OWEN *HO*

SUBJECT: Oil Supply Agreement with Israel (U)

Our negotiations with Israel to define conditions for activating and operating the Oil Supply Agreement will resume Tuesday, October 7. In addition to our negotiating team, Energy Minister Modai seeks to meet with Secretaries Muskie and Duncan to press them for an immediate, formal agreement. (C)

State and Energy propose a further liberalization of the US negotiating position for next week's talks. This and related considerations are presented in the memorandum from Dick Cooper and Les Goldman (DOE) to me at Tab A. While the memorandum offers the option of standing pat on the position we took in the September 23-24 negotiations, none of your advisers recommends this. (S)

State and Energy propose in the attached memorandum that we amend both of our proposed market tests of Israel's inability to obtain adequate oil:

(1) reduce from 75% to as low as 66% the required proportion of Israeli dependence on short-term, indirect purchases of oil (Israel wants a 50% test; in the tight market of 1979 it reached 53%);

(2) lower the price criterion (on Israel's average oil import payments) from the highest 10% of US oil imports to the highest 20% (Israel proposes the top 30%);

State and DOE propose to make these concessions provided Israel agrees to a substantially longer period of meeting these tests than it has thus far. (We want at least a 90-day measurement period, Israel has moved up from 30 days to 60 days. (S)

We would, under the State-DOE proposal, continue to insist that both criteria must be met. (Israel wants to be able to call for US supply when either criterion has been met; State and DOE believe Israel could manipulate the spot market test and trigger the agreement almost at will.) (S)

In addition, our present proposal assures Israel that its loss of a major supplier (Mexico or Egypt) would, in and of itself, create a "strong presumption" in favor of activation. (S)

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Review on
October 3, 1986

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per 7/24/06 NSC/H
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BY *BAE* NARA, DATE 8/7/06

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Cooper and Duncan believe this offer would be a forthcoming, reasonable response to Israeli dissatisfaction with our present position. Coupled with the substantial concessions that we made in the September negotiations, it constitutes a fair interpretation of our supply assurance. It continues to protect us from Israeli triggering in other than critical supply situations; thus it incurs a relatively low risk of adversely affecting our current efforts to get increased Arabian oil production to offset the Iraq-Iran curtailment. (S)

This position falls short of what is likely to be required to get agreement. While we cannot be sure of how firmly Modai will cling to his prior demands, he almost certainly will insist that compliance with either market criterion, rather than both tests, should be sufficient, and he probably will demand softer price and spot market tests than the revised offer proposed by State and Energy. (S)

An intermediate position that would not jeopardize our principles or risk unwarranted triggering of the agreement would be to lower the spot market purchase percentage to 60% and, if this did not produce agreement, to indicate that we were prepared to review our position, so as to keep the negotiations going. (S)

State and DOE believe, as do I and others concerned, that key considerations involved in this issue cannot be adequately covered in a memorandum. I strongly recommend that you meet with the Vice President, Stu Eizenstat, Charles Duncan, Dick Cooper, and me before making your decision. (S)

Options:

1. Stand on our previous position. (No agency recommends)

Approve _____

2. Adopt the liberalized position recommended by State and Energy, as outlined above.

Approve _____

3. Adopt the State-Energy proposal except authorize our negotiators to liberalize the spot market purchase criterion to 60% and, in the light of Modai's reaction, to indicate that we are prepared to review our position further in the course of continuing negotiations; direct our negotiators to seek your further instructions if it appears that this round of negotiations will end in acrimonious disagreement. (Owen recommends; State and DOE do not object.)

Approve _____

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4. Direct our negotiators to begin with the positions outlined above, but then to bargain for the best compromise they can reach with Modai next week, consistent with the concept of a supply assurance, including acceptance of the Israeli position that either the price test or the spot market test must be met.
(No agency recommends)

Approve _____

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UNDER SECRETARY OF STATE
FOR ECONOMIC AFFAIRS
WASHINGTON

October 2, 1980

MEMORANDUM FOR: Mr. Owen

FROM: Richard N. Cooper *RNC*
Leslie Goldman

SUBJECT: Oil Supply Agreement with Israel

Issue:

To determine the U.S. position for the October 7 discussions with the Israelis on the Oil Supply Agreement.

Essential Factors:

Israeli Energy Minister Modai will be in the US beginning October 7 on a fund-raising visit; he has requested meetings with Secretaries Muskie and Duncan to continue discussions on the conditions for implementation of the US-Israel Memorandum of Agreement (MOA) of June 22, 1979 on oil supply. Talks in Israel on September 23-24 resulted in some progress, but a considerable gap remains between the two nations' positions. The Israelis have implicitly threatened to make our differences public if agreement is not reached. Modai may do so during or after his visit. There have already been a number of articles in the Israeli press critical of our position on activation.

The key issues remaining are:

A. Conditions for Activation:

In the September talks, we held to the position put forward in June that if there was oil physically available to Israel on the world market, the MOA could be activated if Israel paid for all its oil an average price higher than the average of the most expensive 10 percent of US imports (\$38.76 in August) and obtained over 75 percent of its oil through short-term, indirect purchases. We allowed as a working hypothesis that if agreement could be reached on criteria for activation, we would drop our insistence on "concurrence of each government at the time" before activation could proceed. The Israelis made some movement toward our position, suggesting that they might be willing to

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BY BAE NARA, DATE 8/7/06

accept a 50 percent figure for short-term, indirect purchases (vs. their previous position of 40 percent) and an average price equivalent to the average of the top 30 percent of US imports (this is a tougher test than their previous position of the average price of US imports plus 10 percent). However, they insisted that satisfaction of either of these criteria, rather than both as in our position, would justify activation. This may be as far as the Israelis are willing to go. Their objective is to obtain terms which would give them the discretion to activate whenever their situation became difficult.

B. An Agreement or a Working Paper:

The Israelis want to sign a binding agreement implementing the MOA of June 1979. We told them that we considered the purpose of these discussions to be to develop "contingency implementing arrangements" as provided in Section 3 of the MOA and that this implied a non-binding working paper. The key point to the Israelis is whether the document produced can be cancelled or changed unilaterally or only by mutual consent. We believe that we can meet the Israelis' concern on this point by concluding an implementing agreement valid for a limited initial period and renewable thereafter or a long-term agreement with a clause for renegotiation and termination to take into account changing market circumstances.

C. Other Issues:

1) US shippers are putting pressure on the USG to provide for their carrying 50 percent of any US oil sold to Israel (there is no legal requirement to do so). The Israelis want the flexibility to use their own shipping. We agreed to turn to this issue after we had made more progress on activation criteria. 2) The Israelis want to maintain a minimum of 6 months of stocks and do not want to draw them down below this level even if they were required to do so when we treat them as a hypothetical IEA member under Section 1(b) of the MOA. We should be able to work something out on this. 3) We offered the Israelis in September a new formula for pricing US oil sold to them under the MOA: if actual replacement cost cannot be determined, they would be required to pay a "notional" replacement cost equivalent to the average of the most expensive 10 percent (CIF) of similar quality crude imports to the US. Our previous position omitted the similar quality provision. The Israelis appreciated this revision and asked for time to study it; we believe they will accept it, thus resolving an important issue in the talks.

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International and Domestic Implications

A failure to reach agreement would become a significant issue within Israel. Israeli spokesmen could seek to portray this as a failure of the U.S. to live up to its commitment and could try to inject this issue into the U.S. election campaign in an effort to bring pressure for further concessions. The present situation in Iraq and Iran has heightened the Israelis' insecurity about their oil supplies and will make their reaction to our failure to give them the assurances they want even stronger.

If we reach agreement, there may be, in the current politically charged atmosphere in the Middle East, some negative reaction among Arab OPEC states. Though we do not believe that this in itself would cause production cuts or price rises, it could contribute to decisions to do so. Much will depend on how an agreement is handled; we would prefer to keep it low key.

We have had a few consultations with Congressmen on this subject and have detected little sentiment for making the terms of activation generous. (Some Congressmen have pressed for a very tough policy.) They readily admit that the sale of U.S. oil to Israel would be extremely unpopular with their constituents and, therefore, should not take place except in an emergency.

We intend to consult thoroughly with the Congress before reaching an agreement with the Israelis to help us determine what will be politically acceptable and to ensure that our exemption from export restrictions for sales of oil to Israel would remain in force.

Tactics

We plan to give the Israelis advance indication that we are not prepared to conclude an agreement on their terms during Modai's visit. This would avoid a misunderstanding such as that which occurred during the September talks when the Israelis chose to interpret Secretary Muskie's expression of a "hope that we would reach agreement soon" in a letter to Begin to mean that we were ready to agree to Israel's terms.

The Options

(1) Hold to the position given Israel in September 23-24. We would explain to the Israelis that we consider the MOA to be primarily a supply assurance agreement and, in that context, the proposals we have given them for activation

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in the absence of a physical shortfall are sufficiently forthcoming. We would place special emphasis on our proposal that loss of a major supplier (Egypt or Mexico) would create a "strong presumption" that the conditions for activation exist.

Pro:

-- Provides greatest possible protection against activation except in case of a genuine emergency.

-- Less risk of creating problems with oil producing states.

Con:

-- Would result in negative, public Israeli reaction.

(2) Give our negotiators flexibility to come closer to an agreement without changing our position radically. We would lower our criteria, if negotiations warrant, to a minimum level of (a) 66% for short-term, indirect purchases (the Israelis currently buy about 38 percent of their needs in this way; in the tighter market of 1979, they bought about 53 percent) and (b) a price higher than the average of the most expensive 20% of U.S. imports (the attached table compares the most expensive 10%, 20% and 30% of U.S. imports to the average cost of Israel's imports). We would maintain the linkage of the two criteria. Within the limits of this flexibility, we may offer to vary the criteria according to the period over which they would be measured, i.e., the Israelis would have to meet easier criteria for a longer period.

Pro:

-- Maintains substantial protection against unwarranted activation.

-- Shows the Israelis that we are paying some heed to their concerns.

-- Would keep the talks going and possibly avoid public recriminations, at least for awhile.

-- If the talks fail, demonstrates some flexibility on the U.S. part.

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Con:

-- Likely to be insufficient to lead to an agreement; the Israelis would press for more and a confrontation may be just postponed rather than avoided.

-- Reduces slightly the protection against unwarranted activation.

Preferred Position:

The Department of State and Secretary Duncan prefer Option 2.

Attachment:
As Stated

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Comparison of Price of US/Israel Crude Oil Imports

AVERAGE PRICE OF:						
MONTH	AVG PRICE OF US IMPORTS	MOST EXPENSIVE 10% OF US IMPORTS	MOST EXPENSIVE 15%	MOST EXPENSIVE 20%	MOST EXPENSIVE 30%	AVERAGE PRICE ISRAELI IMPORTS
1979						
APRIL	\$16.72	\$19.98	\$19.53	\$19.29	\$18.99	\$19.21
MAY	17.70	23.94	22.81	22.01	20.92	16.98
JUNE	19.80	32.46	29.33	27.45	25.37	19.40
JULY	22.15	32.77	29.92	28.32	26.70	19.51
AUGUST	22.03	30.93	28.83	27.53	26.14	25.75
SEPT.	23.01	33.25	31.42	29.73	27.67	24.31
OCT.	23.59	35.68	35.25	32.99	30.44	27.28
NOV.	24.86	40.80	37.63	34.89	32.01	23.29
DEC.	26.39	40.51	37.95	35.88	33.20	29.93
1980						
JAN.	29.41	39.20	37.75	36.73	35.32	32.77
FEB.	31.32	38.35	38.20	37.45	36.46	32.92
MARCH	31.58	38.61	38.13	37.57	36.62	35.98
APRIL	31.51	38.36	37.79	37.20	36.38	34.11
MAY	32.00	38.28	37.86	37.50	36.74	32.08
JUNE	32.95	39.16	38.73	38.33	37.78	31.72
JULY	33.36	39.48	38.90	38.47	37.98	
AUGUST	33.11	38.76		38.00	37.66	

Prices are in dollars per barrel, FOB.


OFFICE OF THE VICE PRESIDENT
WASHINGTON

Memo No. 960-80

~~SECRET~~/SENSITIVE

October 17, 1980

MEMORANDUM FOR THE VICE PRESIDENT

FROM: Denis Clift 

SUBJECT: Foreign Policy/National Security Developments

PRC on Iran-Iraq

On Thursday, October 16, Secretary Muskie chaired a meeting of the PRC with the two-fold purpose of reviewing our tactics at the United Nations over the next few days and, secondly, addressing the strategic implications of a build-up of U.S. military presence in Saudi Arabia and gulf states.

UN: Rajai has arrived in New York to represent Iran in the Security Council debate on the Iran-Iraq conflict. He has stated publicly that he does not intend to address the hostage issue while he is here. The U.S. is orchestrating a strong behind-the-scenes effort by many nations to impress upon Rajai the need to resolve the hostage conflict, with the basic line being "We want to help you, but the hostage issue must first be resolved. It is difficult to support an outlaw."

Don McHenry believes we will have strong support from other delegations in these efforts. He notes that the growing mood in the UN is that Iraq is at fault, that Iran deserves support, but that the hostage issue must be resolved.

We do not anticipate that Rajai will seek a meeting with the President or other U.S. officials. He is weak, in over his head, with no power base in Teheran. A meeting with Americans would hurt him domestically -- at least that is the view held by experts here.

U.S.-Saudi Cooperation: Following up on the SCC meeting of a week ago, Secretary Muskie again asked at the PRC meeting for careful consideration of the strategic implications of a further U.S. military build-up in Saudi Arabia. The long and the short of the discussion was: We should continue along agreed lines to increase our aid to Saudi Arabia and Oman.

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CLASSIFIED BY A. DENIS CLIFT
REVIEW ON OCTOBER 17, 2000

DECLASSIFIED
per 7/24/06 NSC 1A.
NLJC-06-023
BY BRL NARA DATE 8/7/06

We should separate this agreed strategy with the Saudi's from the need to intensify contingency planning for Soviet reactions to a protracted Iraq-Iran conflict, and we should press ahead with that contingency planning. Thus, as a result of yesterday's meeting, State is no longer challenging increased assistance to the Saudis.

In this regard, it was noted that Israel's reaction to our assistance to Saudi Arabia will influence the Congress and, in turn, our ability to provide that assistance. It was generally felt that while the Israelis will protest increased assistance it will not be generally troublesome to them provided the U.S. equipment is U.S.-manned.

Golan Heights Annexation

The next major problem on the U.S.-Israeli horizon is the prospect of a Knesset bill providing for the annexation of the Golan Heights. Sam Lewis has reported (Tab A) that the Golan issue is the number one issue of debate in the Knesset. He believes that the odds are still heavily against passage of such a bill, but we have the Jerusalem experience to remind us that passage is possible, particularly should the bill pass "preliminary reading" in no more than a month. Lewis recommends that we bluntly explain to the Israelis the grave damage that such a bill, if passed, would cause.

Intelligence Oversight Legislation

On October 14 the President signed the FY 81 Intelligence Authorization Act modifying Hughes-Ryan and Congressional oversight of intelligence activities (Tab B).



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