

OFFICE OF THE VICE PRESIDENT
WASHINGTON

Memo No. 561-80

file: Israel
~~SECRET~~

August 26, 1980

MEMORANDUM FOR THE VICE PRESIDENT

FROM: Denis Clift *DC*
SUBJECT: Lunch With the President -- Israel

Working with Al Moses and Robert Hunter, I have drafted the attached talking points for you to draw on in your luncheon with the President today.

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REVIEW ON AUGUST 26, 2000

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NLC-06-089
AS DC 5/25/06 NLC 078
BY *SA* NARA, DATE *6/9/06*

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STRATEGY FOR ISRAEL

President's Meeting with Jewish Groups

- Al Moses tells me that you have a good schedule of meetings with Jewish groups in the near future. This is excellent. The more contact you can have with such groups personally, e.g., your scheduled meeting with the Conference of Presidents, your September 4 B'nai B'rith speech, photo sessions in the Oval Office, the more positive impact you will have.

Israel's Security

- The issue of prime importance to Jewish-Americans is Israel's security. This transcends even the month-in/month-out developments in the Camp David peace process.
- We have to demonstrate that we are not only committed in word to Israel's security but that we are following through in action.

US-Israeli Oil Agreement

- Access to oil is seen as a vital element in Israel's security.
- While ensuring that the agreement is sound in every respect from the U.S. standpoint, we must demonstrate that we are sensitive to Israel's concerns and that we want to conclude successfully the negotiations on the oil supply agreement.
- Following last Friday's breakfast, I have talked to Charles Duncan, and he has indicated (Tab 1) that if the U.S. negotiators resume talks with Israel in September, there are two areas where he believes we can offer greater flexibility in our position:
 - Concurrence in Governments. The Israelis balk at the provision presently in the U.S. position that activation will be "subject to the concurrence of governments" even after the triggering criteria are met.
 - Since the criteria for activating the Memorandum of Agreement would rule out activation except under difficult market conditions, Charles believes and

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BY Q NARA DATE 6/09/06

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I strongly concur that the concurrence concept makes little practical difference. He says it can be dropped. I recommend that the delegation be instructed to inform the Israelis that we are dropping this provision.

- Replacement Cost. Our current position pegs Israel's replacement cost to the average landed cost of the most expensive 10% of U.S. crude imports (\$41.02 in July).
- This is the most expensive light crude. Charles makes the point that we would probably sell Israel the cheaper, heavier crudes and that our negotiators could be instructed to advise the Israelis -- as a fall back on the second day of the negotiations -- that we are prepared to peg replacement cost to the most expensive 10% of U.S. imports of similar quality -- i.e., the heavier crudes (\$33.04 per barrel in July). I recommend that our delegation be instructed to exercise this additional flexibility.
- These two steps would not break the integrity of our negotiating package. They would eliminate provisions that are disturbing to the Israelis, and this would in turn have a positive impact here in the United States.

Other Steps of Importance to Israel's Security

- Jewish-American voters are very sensitive to the fact that we have highly visible training exercises with the Egyptians, we are negotiating facilities access with Oman, current headlines are reporting a possible 400-million-dollar price tag for transforming Ras Banas into a base for the rapid deployment force.
- Despite the military assistance we are giving Israel, Jewish-Americans feel that we are tilting militarily in favor of the Arabs.
- Visit by General Jones. Davie Jones is scheduled to visit Saudi Arabia in September.
- I think it important that Jones also visit Israel, a separate visit later in September. Consultations between the Chairman of the Joint Chiefs and the Israeli defense force generals would be highly visible, in keeping with Israel, and would receive good coverage in the U.S. and Israeli press.

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- F-4 Training Mission. General Jones' visit to Israel could include an announcement that the U.S. and Israel have agreed to have a non-stop F-4 training mission from the United States to Israel in October. This would be a tangible result of the Jones mission to Israel. Again, it would be highly visible. It would not have to involve any basing, or prolonged stay in Israel by the aircraft.
- Weizman Visit. Ezer Weizman will be coming to the United States in October. I understand he has an excellent itinerary, and he can be expected to speak out strongly in favor of you and your Administration.
- If you have taken the above steps, they will reinforce the vigor and enthusiasm Ezer will demonstrate in his support of the Administration.



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This document consists of 11 pages
No. 1 12 Copy Series IA-A

THE SECRETARY OF ENERGY
WASHINGTON, D.C. 20585

August 26, 1980

Dennis Hall

MEMORANDUM FOR: The Vice President

FROM: Charles W. Duncan, Jr.

SUBJECT: Status of U.S.-Israel Negotiations on
Oil Supply Agreement

Ch. Duncan

Background

This memorandum responds to your request for additional information on the U.S.-Israel oil supply Memorandum of Agreement (MOA), (attached at Tab A), which was negotiated in parallel with the peace treaty between Israel and Egypt in 1979. Further talks in 1979 and 1980 have dealt with the appropriate conditions of activation and implementation. Assistant Secretary of State Deane Hinton and my Assistant Secretary for International Affairs, Les Goldman, have co-chaired the U.S. negotiating team. The most recent discussions were held in Jerusalem from June 30 to July 2. Israeli Minister of Energy and Infrastructure Modai participated in most of the discussions. These talks focused on the activation issues, principally the price and supply tests necessary to trigger the agreement.

U.S. Position for Previous Round

The President approved a U.S. position for the Jerusalem talks, specifying that if oil were available on the world market, the MOA could not be triggered unless both of the following criteria are met:

- at least 75 percent of Israel's oil is obtained on a short-term, indirect purchase basis, e.g., spot market (40 percent of Israel's oil was obtained on this basis January-June 1980); and
- the average price of Israel's oil imports is higher than the average price of the top 10 percent of U.S. crude oil imports (\$39.52 per barrel in July).

In addition our position provided that:

- activation would be subject to the concurrence of each government; and
- loss of either Mexican or Egyptian contractual oil supplies for reasons beyond Israel's control would create a strong presumption that conditions for activation of the MOA had been met.

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(Original Authority)

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As a general position, the United States maintains that the MOA is not designed to provide protection against high prices, while recognizing that price, as a reflection of supply, is an element in determining oil availability.

Our formula for the price we would charge Israel for any U.S. oil involves a notional replacement cost equivalent to the average cost of the most expensive 10 percent of crude oil landed in the United States (\$41.02 per barrel in July).

Israeli Reaction to Date

The Israelis responded that they should not have to buy oil under terms significantly different from the normal terms that apply to other nations. The MOA should be activated, they argued, when any one of the following conditions are met:

- if they purchase more than 40 percent of their oil on a short-term, indirect basis (their actual figure for the first half of 1980 was 41 percent);
- if they pay an average price higher than 10 percent above the average price for all U.S. imports (currently \$37.26). The Israelis paid about 6 percent above for the first half of 1980; or
- if either of Israel's long-term contract suppliers, Egypt or Mexico, reduced their shipments to Israel by more than 15 percent (Israel receives 59 percent of its oil from these two sources).

Modai emphasized during the talks that while Israel was, according to its definitions, at the threshold for activation on short-term indirect purchases, and almost at the price threshold, he had no intention to activate the MOA under current circumstances. Although there were some tense moments, the Jerusalem talks were amicable and reflected general agreement on the types of criteria for activation and pricing. However, we remain far apart on the numbers.

The Israelis interpreted our phrase "subject to the concurrence of each of the governments" as meaning that even if the criteria are established and met, the United States might for any extraneous political or economic reasons refuse to activate the MOA. Modai spoke emotionally that this was virtually a "nullification" of the MOA, and that this clause would make criteria useless. They also adhered to their interpretation of replacement cost which would be equivalent to the average cost of U.S. oil imports (\$33.87 per barrel in July).

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Modai insisted on having another round of talks in July or August. Our delegation told him that both sides should review their positions with a possibility of resuming discussions in the fall.

U.S. Position for the Upcoming Round

Ambassador Lewis recommended in the attached cable (Tab B) that we incorporate more flexibility in our position on activation and that we meet with the Israelis in September. Stuart Eizenstat also supports this approach. On the other hand, the State Department favors no change in our position on activation, but believes we should meet with the Israelis in September.

I am concerned that a September meeting will not be productive enough to offset the risks of confirming a continued disagreement. I would therefore prefer to postpone any meeting until November. If a meeting does take place in September, however, I would be willing to make the following two modifications in our position:

- concurrence of governments: the phrase "subject to the concurrence of governments" clearly disturbed the Israelis more than any other part of our proposal. Since the criteria for activating the MOA would rule out activation except under difficult market conditions, and it still takes positive action on our part to send any oil to Israel, inclusion of the concurrence concept makes little practical difference. It therefore can be dropped.
- replacement cost: our position has been that if we could not determine the actual cost to U.S. refiners of replacing oil sent to Israel, we would charge a "notional" replacement cost equivalent to the average cost (landed) of the most expensive 10 percent of U.S. crude imports (\$41.02 in July). However, since the most expensive 10 percent of U.S. imports consists mostly of light crudes and since we would probably sell Israel the cheaper, heavier crudes it needs, we believe that pegging the price to the average cost (landed) of the most expensive 10 percent of U.S. imports of similar quality would more accurately approximate the true replacement cost (depending on the components of such a market basket, perhaps as much as \$33.04 per barrel in July).

Attachments: Tab A - Memorandum of Agreement
Tab B - Cable from Ambassador Lewis

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June 22, 1979

MEMORANDUM OF AGREEMENT
BETWEEN THE GOVERNMENTS OF ISRAEL AND
THE UNITED STATES

Pursuant to the Memorandum of Agreement between the Governments of the United States and Israel signed March 26, 1979, Israel and the United States have entered into the Oil Supply Arrangement set forth herein as follows:

1. Israel will make its own independent arrangements for oil supply to meet its requirements through normal procedures. In the event Israel is unable to secure its needs in this way, the United States Government, upon notification of this fact by the Government of Israel will act as follows:

(a) If the oil Israel needs to meet all its normal domestic requirements is unavailable for purchase in circumstances where no quantitative restrictions exist on the ability of the United States to procure oil to meet its normal requirements, the United States Government will promptly make oil available for purchase

by Israel to meet the shortfall in the aforementioned normal requirements of Israel. Oil will be made available to Israel as soon as practicable after notification; the United States will make every effort to ensure this period is less than 60 days.

(b) If the oil Israel needs to meet all of its normal requirements for domestic consumption is unavailable for purchase in circumstances where quantitative restrictions through embargo or otherwise also prevent the United States from procuring oil to meet its normal requirements, the United States Government will promptly make oil available for purchase by Israel in accordance with the International Energy Agency conservation and allocation formula as applied by the United States Government, in order to meet the shortfall in Israel's essential requirements. Oil will be made available to Israel as soon as practicable after notification; the United States will make every effort to ensure this period is less than 60 days.

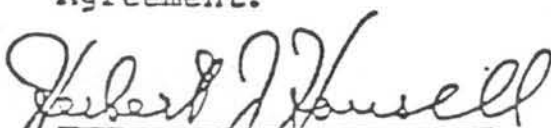
(c) If Israel is unable to secure the necessary means to transport to Israel oil made available pursuant to this Agreement, the United States Government will make every effort to help Israel secure the necessary means of transport.

2. Prices paid by Israel for oil provided by the United States hereunder shall be comparable to world market prices current at the time of transfer. Israel will, in any event, reimburse the United States for the costs incurred by the United States in providing oil to Israel hereunder.

3. Israeli and United States experts will meet annually or more frequently at the request of either party, to review Israel's continuing oil requirement and to develop and review any necessary contingency implementing arrangements.

4. This Memorandum of Agreement is subject to applicable United States law. The United States administration may seek additional statutory authorization that may be necessary for full implementation of this Memorandum of Agreement.

5. This Memorandum of Agreement shall enter into force on November 25, 1979 and shall terminate on November 25, 1994. The oil supply arrangement of September 1, 1975 between the Governments of Israel and the United States shall be in force during the period from the date of this Memorandum of Agreement to November 25, 1994 and shall be performed and implemented in accordance with the provisions of this Memorandum of Agreement.


For the Government of
the United States


For the Government of
Israel



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Department of State

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DEPARTMENT FOR UNDER SECRETARY COOPER AND ASSISTANT
SECRETARY HINTON; PASS DOE FOR ASSISTANT SECRETARY GOLDMAN
FROM AMBASSADOR LEWIS

E.O. 12065: RDS-3 07/25/95 (LEWIS, SAMUEL W) OR-M

TAGS: ENRG, IS, US

SUBJECT: U.S.-ISRAEL NEGOTIATIONS ON THE OIL MOA-NEXT STEPS

REF: A) JERUSALEM 02159, B) JERUSALEM 02140,
C) JERUSALEM 02117

1. SECRET ENTIRE TEXT.

2. SUMMARY: WE WERE ABLE TO GET THROUGH THE RECENT
ROUND OF OIL MOA TALKS WITHOUT A BIG BLOW-UP WITH THE
ISRAELIS BECAUSE THEY STILL HAVE HOPE THAT A NEW ROUND
OF DISCUSSIONS WILL BE INITIATED SOON AND THAT OUR
POSITIONS ON CERTAIN KEY POINTS WILL BE MODIFIED. THE
GOI WOULD LIKE TO BE ABLE TO ACTIVATE THE OIL SUPPLY
AGREEMENT IN OIL MARKET CONDITIONS NOT SIGNIFICANTLY
MORE DIFFICULT THAN THOSE PREVAILING TODAY. THEY PERCEIVE
OUR CONDITIONS FOR ACTIVATION TO BE SO STRINGENT THAT
THEY COULD BE SATISFIED ONLY IN A CATASTROPHIC SITUATION.
ENERGY MINISTER MODAY AND HIS COLLEAGUES ALSO OBJECTED
VIGOROUSLY TO THE CONCEPT THAT A FINAL POLITICAL JUDGMENT

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MLJC-06-089

AS PER 5/25/00 NISC LTR

BY On NARA, DATE 6/9/00



Department of State

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TELEGRAM

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PAGE 02

TEL AV 13639 02 OF 02 251524Z

TOUGH THE CONDITIONS ARE FOR ACTIVATION AND HOW MUCH U.S. POLITICAL JUDGMENT THE GOI MIGHT CONCEIVE IS REASONABLE.

--OUR POSITION THAT LOSS OF EITHER MEXICAN OR EGYPTIAN SUPPLIES WOULD LEAD TO A STRONG PRESUMPTION FOR ACTIVATION WILL PROBABLY NEED REFINEMENT OF THE DEFINITION OF "LOSS" TO MAKE IT LESS THAN 100 PERCENT.

6. TWO OTHER POINTS OF DIFFERENCE IN OUR POSITIONS ARE THE PRICE ISRAEL WOULD HAVE TO PAY FOR OIL IT RECEIVES FROM US AND THE BASE PERIOD FOR CALCULATING WHETHER PRICE AND SUPPLY CONDITIONS FOR TRIGGERING HAD BEEN MET. ON PRICE, THE FULL REPLACEMENT COST CONCEPT IS ENTIRELY DEFENSIBLE AND I BELIEVE THE ISRAELIS, AFTER HARD BARGAINING, WILL ACCEPT THIS IF THE REST OF OUR PACKAGE MEETS WHAT THEY CONSIDER THEIR MINIMUM NEEDS. CALCULATION OF REPLACEMENT COSTS, HOWEVER, COULD BE MODIFIED TO TAKE INTO ACCOUNT THEIR ARGUMENT THAT THE HIGHEST PRICED U.S. IMPORTS ARE OF A HIGHER QUALITY THAN THE OIL ISRAEL PROBABLY WOULD BE RECEIVING FROM US. THEREFORE, SOME PRICE ADJUSTMENT FOR QUALITY DIFFERENCES WOULD SEEM APPROPRIATE IF MARGINAL COSTS RATHER THAN REPLACEMENT COST PRICING IS USED. THE STATISTICAL PROBLEM ABOUT BASE PERIODS FOR CALCULATING AVERAGE SPOT MARKET PURCHASES AND PRICE SHOULD BE FAIRLY EASY TO RESOLVE. A COMPROMISE OF ABOUT 90 DAYS PROBABLY COULD BE REACHED.

7. THE POLITICAL LANDSCAPE OVER WHICH THESE NEGOTIATIONS WILL RANGE DURING THE NEXT FEW MONTHS IS FILLED WITH BOOBY TRAPS AND CREVICES. WITH THE UNSTABLE INTERNAL POLITICAL SITUATION IN ISRAEL, A STEADILY MORE DEFIANT BEGIN GOVERNMENT PSYCHOLOGY REACTING TO UN CENSURE SESSIONS, SADAT SPEECHES, ETC., PLUS THE MERCURIAL

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OFFICE OF THE VICE PRESIDENT

WASHINGTON

September 5, 1980

M.E.

Iron

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MEMORANDUM FOR THE VICE PRESIDENT

FROM: RICHARD MOE

SUBJECT: TALKING POINTS FOR LUNCHEON WITH THE
PRESIDENT -- MONDAY, SEPTEMBER 8, 1980

Economic
John
W. Jones

I. Report on Trip

- o Political assessment
 - Iowa
 - California
 - Oregon
 - Washington
 - Wisconsin
- o Unity efforts succeeding
- o Types of questions you're getting from press

*Congress
West*

*Calif.
West Coast*

II. This Week Will Go to Illinois, Ohio, New York State

LL III. Debate Strategy

IV. New York/Liberal Party

V. Middle East (see attached)

VI. USSR/TNF (see attached)

VII. Nigeria (see attached)

VIII. US-China Relations (see attached)

E.S.C.

SECRET ATTACHMENT

Greg Air Sales
Paleno - Air - etc.

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INSERT FOR VICE PRESIDENT'S LUNCHEON WITH THE PRESIDENT
Monday, September 8, 1980

Middle East

- Following your first phone call to Sol Linowitz last Wednesday and my departure from Washington for Iowa, events unfolded rapidly:
 - Linowitz' announcement of the resumption of Autonomy Talks,
 - The announcement that you and Begin would meet in November, followed by
 - The probable November 3-way summit, all very welcome news.
- Sol's reporting cables (Tab A) provide a vivid description of Begin's current mood.
- The fact that the Israelis apparently have backed away from the move to annex Golan, and apparently will not force the East Jerusalem issue over the next few weeks, is also welcome, if true.
- This morning's meetings with the leaders of the Jewish-American community were very valuable.

USSR/TNF

- I see from reports of our Charge's meeting with Gromyko that the Soviets are taking a good run at having us include forward based systems (FBS) in the TNF discussions.
- It will be useful to have Ed Muskie meet with Gromyko at the UN later this month to drive home our position in person.
- The Soviets continue to look for wedges to drive between us and the Europeans. I thought your letter to Brezhnev reminding him that it is a Soviet program that has forced this issue upon us in the first place and, further, that we should deal with the land based missiles first, set the right tone.

Nigeria

- Zbig's note to you last week forwarding a report of President Shagari's satisfaction with the results of my visit in July, to me was another signal that the Nigerians

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CLASSIFIED BY A. DENIS CLIFT
REVIEW ON SEPTEMBER 5, 2000

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NL/C-06-082

FOR 5/20/00 NSC LETTER

BY 2 NARA, DATE 6/6/00

are eager to continue to improve relations, they are eager to demonstrate their support for you, and Shagari personally wishes to do this during his October 7 visit to Washington. The Nigerians have seen the reception Mugabe was accorded by you. As the most powerful black nation in Africa, and one of such great importance to us, it would be a mistake tactically not to give Shagari similar attention -- this would hurt him at home when his press compares his reception to that of Mugabe. Both for foreign policy and domestic reasons -- I know Louis Martin and Anne Wexler fully agree on the latter point -- I recommend that you receive Shagari at the official visit level, hosting a dinner in his honor. I sincerely believe this will pay important dividends both domestically and internationally.

US-China Relations

- I was pleased to read Ed Muskie's report last week that we have initialed a Maritime Agreement with the Chinese but are holding public announcement for the time being. I strongly concur in Ed's suggestion that you have a Rose Garden signing ceremony on September 18 when Chinese Vice Premier Bo Yibo is here to highlight the several fields of progress in US-Chinese economic relations (I understand this will include not only the Maritime Agreement but possibly a textile agreement, a counselor agreement, an exchange of notes on taxation, and a civil air agreement).
- Nothing could dramatize better the real results being achieved from your China policy.

THE WHITE HOUSE

WASHINGTON

~~SECRET-SENSITIVE~~September 4, 1980
As of 6 AMTHE SITUATION ROOM CHECKLIST

1. Ambassador Linowitz' Report to the President on Meetings With Begin: In his September 1 meeting, Linowitz states he found Begin at his hardest and not prepared to do anything to help restart the negotiations with Egypt. Begin was obsessed with not paying "any price" public or private to Sadat. There was a sharp exchange during which Begin accused Linowitz of threatening him. Clearly taken by the tough line of the previous day, Linowitz found the atmosphere at his second meeting with Begin much improved. He agreed to the proposed statement for release on Thursday, but characteristically he did not go very far on the issues of greatest concern to Sadat. Begin indicated Linowitz could tell Sadat that the political ramifications of moving his office to Jerusalem were understood and would be considered. Even though Sharon had confirmed that only four more settlements will be announced by the government Begin would not allow that to be told to Sadat as coming from him. He authorized Linowitz, however, to quote Sharon. Begin indicated he does not take seriously the Knesset maneuvering on annexation of the Golan Heights and in any case he said nothing could be done there until November. However, he would not directly say he was opposed to such a move. Begin prefaced his remarks on the "Gaza first" option by asking that they not be repeated to Sadat. Begin liked Linowitz' suggestion that an agreement be implemented first in Gaza while talks continue on the West Bank and indicated willingness to submit it to the cabinet. Begin said such an approach could "show the way" and be a "precedent" for the West Bankers. Linowitz was surprised since it was precisely the "precedent" element which has turned Begin off from the "Gaza first" idea. (Cairo Nodis Cherokee 19407, 19408; PSN 7430, 7459) (S)
2. Prospects For Annexation of the Golan Heights: Ambassador Lewis believes that Ambassador Linowitz's conversations with Israeli political and media leadership has reduced considerably, though not completely, the chance that the Knesset will act to annex the Golan Heights in the near term. Responding to Linowitz's stern warnings on the disastrous diplomatic consequences for Israeli if such a

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REVIEW ON SEPTEMBER 4, 2000

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BY Q NARA, DATE 9/6/00~~SECRET~~

move occurred, Labor leaders Peres and Rabin assured him of their firm opposition to any such move. Peres noted that such a move to annex the Golan Heights was against the Labor Party's platform on negotiations and felt that the political leadership would back his position. Rabin also was explicit in his opposition to such a move and echoed Peres' confidence that the Labor Party would overwhelmingly oppose such an action. Prime Minister Begin was less explicit, dismissing the idea as not serious, but not flatly promising to oppose such a move. Ambassador Lewis believes Begin is not particularly committed to the Golan question and views it in terms of an issue to exploit within the domestic political scene; however, since the Likud majority would most likely split over this issue so as long as the Labor Party does not push the Golan issue, it is unlikely any legislation will be passed. (Tel Aviv 6347, PSN 6980, 6987) (S)

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SECRET SECTION 01 OF 02 CAIRO 19407

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CHEROKEE

FOR THE PRESIDENT AND THE SECRETARY OF STATE FROM
AMB, LINOWITZ

E.O. 12065: RDS-1 9/3/00 (LINOWITZ, SOL M) OR-M

TAGS: PEPR, IS, EG, XF, US

SUBJECT: MEETING WITH PRIME MINISTER BEGIN SEPT. 1

1. (S-ENTIRE TEXT)

2. SUMMARY: IN OUR FIRST MEETING PRIME MINISTER BEGIN WAS NOT PREPARED TO DO ANYTHING NOW TO HELP RESTART THE NEGOTIATIONS. DURING OUR THREE-HOUR MEETING, HE SEEMED RESIGNED AND READY TO ACCEPT, IF NECESSARY, THE NEED TO STAND AGAINST THE OUTSIDE WORLD. HE WAS DETERMINED IN HIS INSISTENCE THAT HE WILL NOT PAY "ANY PRICE" -- PUBLIC OR PRIVATE -- TO SADAT FOR A RESUMPTION OF NEGOTIATIONS. BURG AND OTHERS ARE TRYING TO BE HELPFUL, BUT I DOUBT THEY WILL HAVE MUCH LUCK WITH BEGIN IN SUCH AN AGGRIEVED FRAME OF MIND. END SUMMARY.

3. I OPENED OUR DISCUSSION WITH A LENGTHY AND VERY CANDID DESCRIPTION OF THE GROWING ALIENATION BETWEEN OUR TWO COUNTRIES. AS YOU AND I DISCUSSED, I ASSURED HIM OF YOUR COMMITMENT TO ISRAEL, BUT IN THE PLAINEST TERMS TRIED TO MAKE HIM UNDERSTAND THAT RECENT ISRAELI ACTIONS, AND SADAT'S PREDICTABLE REACTIONS, WERE DAMAGING NOT ONLY TO THE NEGOTIATIONS BUT TO OUR RELATIONSHIP. IT BECAME CLEAR AS WE TALKED THAT BEGIN SEEMED RESIGNED TO THE LIKELIHOOD OF U.S.-ISRAEL ALIENATION AND I THEREFORE TRIED TO MAKE THE POINT IN BLUNTER FASHION. THIS LED TO A SHARP EXCHANGE. BEGIN HAD REFUSED TO AUTHORIZE ME TO CONVEY TO SADAT ANY POSITIVE ISRAELI STEPS -- EVEN ITEMS WHICH ALREADY ARE IN THE PUBLIC DOMAIN -- AND I RESPONDED

***** WHSR COMMENT *****

ZB, AAR, DEN, VP

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NLYE - OG - 082
FOL 5/30/06 NSC LETTER
BY CL NARA, DATE 6/6/06

1a

THAT HE SEEMED DETERMINED NOT TO HELP CREATE A GOOD ATMOSPHERE AND THAT HE WAS ASSURING THAT THIS WOULD BE MY LAST TRIP; NEGOTIATIONS WOULD BE ENDED. I SAID THE FAULT WOULD BE HIS. BEGIN RESPONDED HOTLY THAT I WAS THREATENING HIM, THAT I HAD NO RIGHT TO SAY SUCH THINGS TO HIM. HE WANTED ONLY PEACE. WHAT DID THE WORLD WANT OF HIM? I SAID I SPOKE AS A FRIEND WHO WAS ACUTELY CONSCIOUS THAT A BREAKDOWN IN THE PEACE PROCESS WOULD HURT ISRAEL MORE THAN ANYONE ELSE. BEGIN CALMED DOWN AND SAID HE UNDERSTOOD THAT I WAS INDEED SPEAKING AS A FRIEND.

4. THROUGHOUT OUR DISCUSSION, I TRIED TO DRAW BEGIN AWAY FROM HIS OBSESSION WITH NOT "PAYING A PRICE" TO SADAT. REVIEWING THE THREE AREAS OF SADAT'S GREATEST CONCERN -- EAST JERUSALEM, SETTLEMENTS AND TREATMENT OF PALESTINIANS -- I SUGGESTED THAT BEGIN COULD HELP ON JERUSALEM BY ASSERTING AGAIN HIS OWN 1977 LANGUAGE OFFERING TO CONSIDER A SPECIAL PROPOSAL ON ADMINISTRATION OF THE HOLY PLACES. BEGIN REREAD THIS LANGUAGE AND REJECTED REPEATING IT NOW, ON THE GROUNDS THAT IT IS NO LONGER RELEVANT, THAT CHANGED CIRCUMSTANCES (INCLUDING THE COHEN LAW) HAD MADE SUCH A PROPOSAL UNNECESSARY. ON SETTLEMENTS BEGIN CONFIRMED TO ME -- AND SAID I SHOULD CONVEY TO YOU -- THAT HE HAD ONLY FOUR MORE IN MIND, THOUGH OTHERS WOULD BE EXPANDED, AND THAT ALL FOUR WOULD BE ANNOUNCED IN THE NEXT MONTH OR TWO. (HE ALSO CLEARED UP THE CONFUSION IN THE PRESS ABOUT WHETHER SIX OR NINE ALREADY HAVE BEEN AGREED IN CABINET: IT IS SIX.) I ASKED IF I COULD CONVEY THIS LIMIT FORMALLY TO SADAT, PARTICULARLY SINCE BEGIN HIMSELF ON U.S. TELEVISION HAD SAID THAT THERE WOULD BE ONLY TEN MORE. BEGIN REFUSED AND SAID, "LET HIM READ IT IN THE PAPERS." I TRIED BUT COULD NOT BUDGE HIM ON THIS. CONCERNING SADAT'S THIRD AREA OF CONCERN, IMPROVING ISRAELI TREATMENT OF PALESTINIANS, I HAD GIVEN A LIST OF FOURTEEN POSSIBLE ITEMS TO BURG AUGUST 31 AND BEGIN SAID HE WAS AWARE OF THE LIST AND WOULD DO WHAT HE COULD. I ASKED IF I COULD TELL SADAT OF SOME OF THESE THINGS -- SUCH AS THE RELEASE OF TWENTY PRISONERS IN GAZA WHICH BEGIN HAD TOLD SAM LEWIS WAS IMPENDING. BEGIN AGAIN REFUSED. HE SAID AGAIN THAT HE REFUSED TO "PAY A PRICE" TO SADAT AND ADDED THAT SUCH THINGS HAVE NOTHING TO DO WITH THE NEGOTIATIONS.

5. I THEN TURNED THE DISCUSSION TOWARD CONSIDERATION OF THE KIND OF STATEMENT I MIGHT MAKE, WITH BEGIN'S AND SADAT'S BLESSING, AT THE END OF MY TRIP. BEGIN HAD EARLIER REMARKED THAT SADAT'S DESIRE FOR A SUMMIT WAS ACCEPTABLE, EITHER BEFORE OR AFTER U.S. ELECTIONS, BUT

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THAT PREPARATIONS AND CONSULTATIONS WERE NEEDED ON THE
TIMING, VENUE AND AGENDA. I LED HIM THROUGH SOME LANGUAGE
WHICH REAFFIRMED THE COMMITMENT OF THE PARTIES TO THE
PROCESS, THE NEED TO STRENGTHEN THE FOUNDATION OF TRUST
BT

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC IMMEDIATE 2228
WHITEHOUSE WASHDC IMMEDIATE

SECRET SECTION 02 OF 02 CAIRO 19407

NODIS

CHEROKEE

FOR THE PRESIDENT AND THE SECRETARY OF STATE FROM
AMB. LYNOWITZ

AND FRIENDSHIP, AN AGREEMENT TO "TECHNICAL LEVEL" TALKS TO PREPARE FOR FULL RESUMPTION OF NEGOTIATIONS, THE CONTINUATION OF BILATERAL TALKS WITH THE U.S. AND A REFERENCE TO A FUTURE SUMMIT. BEGIN ACCEPTED ONLY THE REAFFIRMATION OF THE COMMITMENT AND THE STRENGTHENING OF THE FOUNDATION. HE REJECTED MENTION OF TECHNICAL LEVEL TALKS BECAUSE "THERE WILL BE NEGOTIATIONS OR NO NEGOTIATIONS," NOTHING IN BETWEEN. BEGIN ACCEPTS BILATERAL TALKS WITH THE U.S., BUT REJECTS INDIRECT TALKS WITH EGYPT THROUGH THE U.S. HE SAID THERE COULD BE NO REFERENCE TO A SUMMIT, BECAUSE TO AGREE WOULD BE TO ACCEPT SADAT'S POSITION. AT THIS POINT, WE HAD THE SHARP EXCHANGE MENTIONED ABOVE. BEGIN THEN FINISHED OUR TALK BY ASKING ME TO ASSURE YOU OF HIS RESPECT AND TO CONVEY TO SADAT HIS COMMITMENT TO PEACE. HE ALSO SAID HE LOOKED FORWARD TO MY MEETING WITH HIM ON SEPTEMBER 2, IN WHICH WE WILL DISCUSS THE DRAFT HEADS OF AGREEMENT DOCUMENT ON WHICH MY STAFF AND HIS HAVE BEEN WORKING WITH SOME SMALL SUCCESS. (IT IS EVEN POSSIBLE THAT THIS COULD MATURE SUFFICIENTLY OVER THE NEXT TWO DAYS FOR IT TO BE LEFT HERE, AND IN EGYPT, AS A FULLER PROPOSAL.)

7. COMMENT: THIS WAS BEGIN AT HIS HARDEST. AS WE BOTH EXPECTED, HE WAS DUG IN ON THE QUESTION OF RESUMPTION -- IT IS UP TO SADAT ALONE -- AND HE SEEMED ALMOST COMFORTABLE WITH THE IMPACT OF ALL THIS ON U.S.-ISRAELI RELATIONS. I CANNOT ASSUME THERE WILL BE ANY CHANGE TOMORROW, BUT ONLY TOMORROW WILL TELL.

8. SUGGEST DEPARTMENT PASS TO AMEMBASSY TEL AVIV AND

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AMCONSUL JERUSALEM. AHERTON
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TO SECSTATE WASHDC IMMEDIATE 2229
WHITEHOUSE WASHDC IMMEDIATE

SECRET SECTION 01 OF 03 CAIRO 19408

NODIS
CHEROKEE
FOR THE PRESIDENT AND THE SECRETARY OF STATE FROM
AMB. LINOWITZ
E.O. 120651 RDS-1 9/3/00 (LINOWITZ, SOL M) OR-M
TAGS: PEPR, IS, EG, XF, US
SUBJECT: MEETING WITH PRIME MINISTER BEGIN - SEPT. 2

1. (S-ENTIRE TEXT)

2. SUMMARY: THE ATMOSPHERE IN MY SECOND MEETING WITH BEGIN WAS MUCH BETTER THAN IN THE FIRST. HE HAD WARM WORDS FOR YOU, AND FOR SADAT, AND HE CLEARLY HAD BEEN MOVED -- AT LEAST IN HIS ATTITUDE -- BY THE TOUGH LINE I TOOK WITH HIM THE DAY BEFORE. BEGIN AGREED TO A STATEMENT THAT I PROPOSED THAT HE AND, HOPEFULLY, SADAT COULD AUTHORIZE TO RELEASE THURSDAY IN EGYPT (SEPTEL). THERE APPEARS TO HAVE BEEN A GREAT DEAL OF POLITICAL FERMENT IN ISRAEL THESE PAST TWO DAYS, AND THE COMBINED IMPACT OF THE SERIOUSNESS OF THE SITUATION, ACTIVE EFFORTS AT PERSUASION BY SOME OF HIS CABINET COLLEAGUES, AND MY OWN LONG TALKS WITH HIM THE DAY BEFORE, LED BEGIN TO TRY TO BE HELPFUL.

3. CHARACTERISTICALLY, BEGIN DID NOT GO VERY FAR ON THE ISSUES OF GREATEST CONCERN TO SADAT. ON THE MOVE OF HIS OFFICE, HE SAID THAT I COULD TELL SADAT THAT THE POLITICAL RAMIFICATIONS OF THIS ACTION WERE UNDERSTOOD AND WOULD BE CONSIDERED. BEGIN SAID HE DID NOT TAKE SERIOUSLY THE FERMENT IN THE KNESSET ABOUT ANNEXING THE GOLAN HEIGHTS AND, IN ANY EVENT, NOTHING COULD HAPPEN ON THIS UNTIL NOVEMBER. I AGAIN SAID HOW GRAVE SUCH A MOVE WOULD BE AND PRESSED HIM, BUT HE WOULD NOT SAY HE OPPOSED IT. ON SETTLEMENTS HE SAID I COULD NOT TELL

***** WHSR COMMENT *****

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SADAT THAT HE, BEGIN, HAD SAID THERE WOULD BE JUST FOUR MORE, THOUGH HE ACKNOWLEDGED THIS IS THE CASE. HE SAID I SHOULD QUOTE AGRICULTURE MINISTER SHARON WHO ALSO HAD CONFIRMED IT TO ME IN AN EARLIER MEETING. ON THE TREATMENT OF PALESTINIANS, BEGIN SAID I COULD TELL SADAT THAT HE, BEGIN, UNDERSTOOD THE SERIOUS POLITICAL IMPLICATIONS OF ACTIONS IN THIS AREA AND THAT ISRAELIS WANTED NOT TO HARM PALESTINIANS BUT TO LIVE PEACEFULLY WITH THEM.

4. WHAT BEGIN GAVE ON THESE ISSUES ALMOST SURELY IS NOT ENOUGH TO PERSUADE SADAT TO RESUME TALKS NOW. INDEED, IT MAY NOT BE SUFFICIENT FOR SADAT TO AGREE TO THE STATEMENT. HOWEVER, I WAS ABLE SHARPLY TO EMPHASIZE THE PROFOUND SEVERITY OF THE GOLAN AND EAST JERUSALEM OFFICE ISSUES AND HAVE GOTTEN SOME THINGS FROM BEGIN ON ISSUES INVOLVED IN THE AUTONOMY TALKS WHICH WILL HELP WHENEVER NEGOTIATIONS DO RESUME. WE HAVE MADE SOME GOOD PROGRESS ON THE HEADS OF AGREEMENT EXERCISE AND, WITH BEGIN'S AGREEMENT, I WILL LEAVE AN EXPANDED DRAFT TEXT WITH BURG BEFORE I LEAVE. WE ALSO HAD AN INTERESTING EXCHANGE ON THE POSSIBILITY OF AN AGREEMENT ON GAZA ALONE BEFORE AN AGREEMENT COVERING THE WEST BANK IS COMPLETED. END SUMMARY.

5. BEGIN RECEIVED ME WARMLY AND OPENED OUR SEPTEMBER 2 DISCUSSION BY AGREEING TO THE STATEMENT I HAD PROPOSED FOR RELEASE BY ME IN CAIRO ON THURSDAY IN HIS, AND HOPEFULLY SADAT'S, NAMES. (THE FULL TEXT HAS BEEN SENT SEPARATELY.) HE STRESSED HIS UNDERSTANDING THAT THE SUMMIT MEETING MENTIONED AS A POSSIBILITY IN THE STATEMENT WAS, OF COURSE, SUBJECT TO YOUR APPROVAL AND CONVENIENCE. BEGIN SAID HE WANTED TO CLEAR THIS STATEMENT WITH THE FULL CABINET AND DID SO, INFORMING ME BY TELEPHONE IN THE EVENING AFTER OUR MEETING. BEGIN THEN SPOKE MOST WARMLY OF SADAT AND SAID HIS AMBASSADOR TO EGYPT HAD JUST BROUGHT HIM A "GOOD, FRIENDLY" MESSAGE FROM SADAT. NEXT, BEGIN SAID HE WANTED TO DISCUSS THE HEADS OF AGREEMENT DOCUMENT, AS WE HAD PLANNED THE DAY BEFORE. WITHOUT GOING INTO DETAIL HERE, I FOUND HIS RESPONSES SUFFICIENTLY FORTHCOMING ON THE MODEST DRAFT WITH WHICH WE HAD BEGUN THAT I TOLD HIM WE HAD A FULLER, MORE IMPRESSIVE VERSION READY TO SHARE WITH HIS PEOPLE IF HE AGREED. HE DID, AND I WILL LEAVE A COPY WITH DR. BURG AND PROBABLY WITH THE EGYPTIANS, AS WELL.

6. I THEN TURNED THE CONVERSATION TO THE ISSUES OF CONCERN TO SADAT, DESCRIBING TO BEGIN THE KINDS OF QUESTIONS I EXPECT TO HEAR FROM SADAT AND ASKING BEGIN

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