

THE WHITE HOUSE
WASHINGTON**MEMCON**

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Shimon Peres of Israel (S)

PARTICIPANTS: Brent Scowcroft, Assistant to the President
for National Security Affairs
Notetaker: C. David Welch, NSC

Shimon Peres, Israeli Deputy Prime Minister
and Minister of Finance
Nimrod Novick, Political Adviser
Avriham Gil, Media Adviser
Oded Eran, Deputy Chief of Mission

DATE, TIME September 27, 1989, 3:40 p.m. - 4:05 p.m.
AND PLACE: General Scowcroft's Office

Deputy Prime Minister Peres: The most important thing that is needed now is a clear U.S. position. (S)

General Scowcroft: A clear position regarding what? (S)

Deputy Prime Minister Peres: A clear position should be articulated on the (Egyptian) 10 points and the Government of Israel's plan. It is today one package. The sooner things happen, the more will happen. Egypt has now suggested guidelines for a Palestinian delegation that offers the possibility, the opportunity, of a Palestinian partner. The perception in certain quarters in Israel is that this will emerge as a PLO delegation because this effort has the approval of the PLO. Some others are not as bothered by that. I will be meeting Mubarak this week and I will tell him that the 10 points can be the basis of the Palestinian position; we do not need to sign on to them. (S)

Deputy Prime Minister Peres: I know that there is a worry here regarding the possibility of a crisis in Israel and the fall of the coalition government. My view is that action will save the government; inaction will endanger it. This is a golden opportunity before us. The Soviets are outside the process. Jordan is distracted with its internal situation. Syria is imbedded in Lebanon. Somehow, Egypt has managed to engage the PLO. While the involvement of the PLO is not an ideal thing, it is better that the PLO agree than that it shoots people. Each of the two major Israeli parties would need to seek coalition partners it does not like in order to form a coalition; for this

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reason, I do not think either party has the chance for a narrow coalition. I had a trauma with the London Agreement, so I don't want to miss this opportunity. (S)

General Scowcroft: I agree that this is a moment of opportunity and we want to be active. But we don't want to be in a position to interfere in internal politics. We wholeheartedly back the Israeli government's initiative. I do not think that we should directly endorse the 10 points, since that is the platform for the Palestinians. The critical point now is to get a Palestinian delegation formed in a way acceptable to you and without a PLO stamp of approval. Is there any possibility that 1-2 deportees could be included as members of the delegation? (S)

Deputy Prime Minister Peres: Some of us already agree to it. Rabin and I do not reject this. There are different sorts of deportees. Perhaps we should just agree on "agreed deportees." For example, Muhammad Milhim's name has been mentioned. Though he is not involved in violence personally, he is a member of the PLO Executive Committee, and thus unacceptable. In fact, under current Israeli policy some deportees are able to return in accord with their behavior. The agreement on a Palestinian delegation is something that should be done now. (S)

General Scowcroft: The important thing, you're right, is to get the delegation in order to move to the next step. Is there value in a Mubarak-Shamir meeting? I know Mubarak holds back. (S)

Deputy Prime Minister Peres: How can I say anything but yes? But Mubarak looks upon it as an incentive. This incentive is for the delivery, not for a promise. If Mubarak asks me tomorrow, then I would say yes. Let me remind you that we were instrumental in arranging a meeting (for Shamir) with another senior Arab. Did it help or not? I don't know. (S)

General Scowcroft: What can we do? (U)

Deputy Prime Minister Peres: The things you said and asked about the Palestinian delegation should become a clear U.S. call for action. We are talking about peace, not partisan politics. There must be a timetable, also. (S)

Deputy Prime Minister Peres: The second point I wanted to raise is regarding the Russians. They want trade with us. For our part, we are interested, because trade can spread our people throughout the USSR. With our large concentration of Russians, Israel is ideal in terms of being able to understand the Russians. They want three things from us: cooperation in agriculture; medical scanners; and cargo planes (sic). In this last one, there is a problem. We could use Soviet cargo planes to take our goods to the USSR, and return with Soviet Jews. However, these Soviet planes are only good for Russian pilots; we want to Westernize them. (S)

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General Scowcroft: Would you own the planes? (S)

Deputy Prime Minister Peres: Yes -- they would be ours. With your permission we would like to put on U.S. engines and other equipment. If anything else is done with the aircraft, we would ask your permission as required by law. The Soviets know this -- I told them that we would need your permission. They have invited me to Moscow. On the Middle East, they show interest but I do not feel that they have a coherent involvement. The small Israeli Communist Party is old-fashioned -- it has not had a glasnost. (S)

General Scowcroft: We would have no problem in looking at this aircraft issue, if they are to be yours. (S)

Deputy Prime Minister Peres: The third point I wanted to raise is Soviet emigration. We have reached an agreement with the Jewish community that going to Israel will get a priority. Israel needs these Jews more than they do, and they need Israel. We are glad that the immigration decision will be in Moscow. We estimate that 100,000 Jews will want to come out over the next several years. To absorb them will cost \$3 billion, and \$2 billion of that will come from our budget over the next three years. It is expensive, but the value is greater than the cost. Jewish fund campaigns here can raise \$500 million over the next three years. We need to fill the shortfall, and one source is guarantees for housing investment. We would like to get \$400 million in U.S. AID housing investment guarantees. This would be an off-budget item, since Israel always pays its debts. (S)

DCM Eran: Our preliminary check is that it would have zero budget implications. (S)

General Scowcroft: We can look into this idea. Our resources are very limited. (S)

Deputy Prime Minister Peres: If Palestinians go for elections it will be a great example for the area. The first consideration is the time element; there must be an inner target. (S)

General Scowcroft: I agree, but there is a limit to what we can do. (S)

Deputy Prime Minister Peres: We don't know how far Mubarak can go. He is not terribly strong on the fine print and not great on our internal politics, either. (S)

The meeting adjourned. Mr. Peres remained behind for a few minutes to make some private points. (U)