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Foreign and Commonwealth Office

London SW1A 2AH

9 June 1980

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Dear Michael,

The situation in the Israeli occupied territories

You asked for a note on the situation in the occupied territories and its possible wider implications in the Middle East.

Mr Begin's policies in the occupied territories since 1977 have hardened the already strong nationalist views of the Palestinians there. Prominent among the reasons for this has been their perception that Mr Begin has no intention of ceding ultimate Israeli control of the occupied territories. This has been reinforced by his conduct of the autonomy negotiations and by his policy of greatly accelerated settlement (often carried out by extremist Israeli groups), particularly in Arab inhabited areas on the West Bank, including a recent decision to establish an Israeli presence in the centre of Hebron.

Against this background the Palestinian attack in Hebron on 2 May in which six Israelis were killed is unprecedented in the occupied territories in recent years. Minor terrorist incidents have been common: small bombs, Molotov cocktails, and so on. But the Hebron incident was a direct attack apparently by a well organised group and was clearly well planned and well executed. The perpetrators have not yet been caught.

Fatah have claimed responsibility for the Hebron raid. They have for several years been committed to a policy of armed resistance in the occupied territories. Their decision now to raise this to a new level may be connected with the apparently increasing difficulty they have found in operating in Israel proper, and with the strong Lebanese reaction they have encountered when raids mounted across that border have led to large-scale Israeli retaliation involving Lebanese civilian casualties. We know of no Fatah operation in Israel since April 1979 (they were not responsible for the

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attack on the Misgav Am kibbutz). It may also be that they believe that increased resentment among West Bankers over Israeli policies creates a climate in which terrorists can more safely operate with the co-operation of the local people; their success in Hebron seems to bear this out. If this is so, and if Fatah can sustain further such successes, the level of violence will reach a new high plateau.

The repercussions are already being felt. Israeli counter-measures (expulsion of West Bank Mayors, repressive security measures, limitations on movement and press restrictions) have further increased resentment among West Bankers. The bomb attacks on Arab Mayors on 2 June have now aggravated the situation even further. It is almost certain that they were perpetrated by extremist Israelis who had vowed vengeance for the Palestinian attack in Hebron. One such group has claimed responsibility, declaring as its aim the removal of the whole Arab population from 'Eretz Israel'. This of itself can be expected to provoke Fatah retaliation.

The implications of all this for West Bank attitudes are worrying. While most West Bankers support the PLO and have rejected Camp David, the experience of occupation and the realisation that compromise is necessary to bring it to an end, have put the majority of them at the moderate end of the Palestinian spectrum. This majority would probably support a settlement based on Resolution 242 recognising Israel's right to exist but with adequate provision for Palestinian rights. The deported Mayors, for example, denounced by Israel as extremists, told FCO officials as much this week. Given the opportunity of exercise self-determination the majority would probably also support some form of close connection with Jordan. This is precisely the sort of moderate Palestinian opinion which we wish to encourage. The escalation of violence, and the feeling that the West is unable to ensure a reversal of Israeli policies on the West Bank, could have the opposite effect.

The wider reactions from the Arab countries are still coming in. We are asking the JIC to assess the implications more thoroughly. In the short term we would expect these to be political rather than military. We already have the unhelpful Security Council debate on the West Bank car bombings. We can also expect Arab demands for an EC initiative to be stepped up with increased pressure on Europe to distance itself from failed US policies and to

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move further and more quickly than may be politically possible. The immediate risk is that with emotions running high on both sides / (I attach the record of Mr Begin's intemperate speech in the Knesset on 2 June), reason - such as there is - will fly out of the window. If so, the delicate path of respecting US sensitivities and maintaining our credibility with the Arabs will be even more difficult to walk.

West Bankers are predicting a long hot summer. We do not on present evidence expect violence on any scale approaching civil war. The West Bankers do not have the means or, probably, the will to mount a general insurrection and would fear wholesale expulsion if they did. Moreover, the Israelis, while unable to prevent individual violent incidents, continue to maintain a tight grip on the territories and indulge in a little sabre-rattling themselves. The situation is clearly very worrying and we may well have entered a new phase in relations between the Israelis and the West Bankers.

Yours etc

Paul

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