

GR 540

CONFIDENTIAL

CONFIDENTIAL

DESKBY 040800Z

FM WASHINGTON 031920Z JUNE 81

TO IMMEDIATE FCO

TELEGRAM NUMBER 1707 OF 3 JUNE

INFO PRIORITY, BRUSSELS, BONN, PARIS, THE HAGUE, COPENHAGEN, ROME, OTTAWA, TOKYO, JEDDA, TEL AVIV, CANBERRA, UKREP BRUSSELS, KUWAIT, ABU DHABI.

YOUR TELNO 40 TO LIBREVILLE: OBSERVER STATUS FOR PLO AT IMF AND IBRD.

1. RASHISH (STATE DEPARTMENT) ASKED ME TO CALL UPON HIM AT SHORT NOTICE THIS MORNING. HE SAID THAT THE US AMBASSADOR WOULD BE CALLING UPON YOU TOMORROW TO SEEK YOUR AGREEMENT TO THE LINE THE US PROPOSED TO TAKE ON THE QUESTION OF PLO OBSERVER STATUS AT THE IMF/IBRD ANNUAL MEETINGS. HE WISHED TO GIVE ME ADVANCE NOTICE OF THIS LINE.

2 RASHISH SAID THAT THE ISSUE WOULD BE PLACED ON THE AGENDA OF THE WORLD BANK FOR DISCUSSION ON 9 JUNE AND THE IMF FOR DISCUSSION ON 12 JUNE. ALTHOUGH THE US HAD NOT YET COMPLETED THE DRAFT OF THE PROPOSAL THEY INTENDED TO PUT FORWARD, THEIR GENERAL LINE WOULD BE THAT IT HAD NOT BEEN POSSIBLE YET TO FIND AN APPROACH WHICH WOULD COMMAND BROAD SUPPORT AND THAT THE BOARDS SHOULD DECIDE THAT THEY WERE NOT YET ABLE TO REACH A CONCLUSION AND SHOULD ACCORDINGLY REPORT TO THE GOVERNORS THAT THEY WERE KEEPING THE MATTER UNDER REVIEW WITH A VIEW TO MAKING A REPORT UNDER THE SEPTEMBER 1980 RESOLUTIONS AS SOON AS POSSIBLE. PENDING SUCH A REPORT, THE RESOLUTION ADOPTED ON 19TH SEPTEMBER 1980 SHOULD REMAIN IN FORCE.

3. RASHISH HAD SAID THAT THE US WAS APPROACHING MEMBER COUNTRIES WHOSE VOTES WOULD BE SUFFICIENT TO PRODUCE A MAJORITY IN THE BOARDS. HE CLAIMED THAT AUSTRALIA, CANADA, NETHERLANDS AND THE FRG HAD AGREED TO SUPPORT THE US LINE, THAT THE JAPANESE HAD INDICATED THEY WOULD NOT BE OPPOSED TO IT, AND THAT THE US WAS OPTIMISTIC THAT FRANCE WOULD AGREE (THEY WOULD DISCUSS IT WITH CHEYSSON THIS WEEK). HE SAID THAT THE SAUDIS WERE TAKING AN AGNOSTIC VIEW (BUT SEE TELNO 367 FROM JEDDA). IN RESPONSE TO MY QUESTIONS, RASHISH AND HIS COLLEAGUES TOOK THE LINE THAT IT WAS NOT POSSIBLE AT THE PRESENT TIME TO FIND A COMPROMISE WITH THE ARABS AND THAT US FUNDS WERE MORE IMPORTANT TO THE IMF AND THE IBRD THAN WERE ARAB FUNDS. THE US WAS BASING ITS ACTIONS UPON SECURING A MAJORITY IN THE BOARD RATHER THAN SEEKING BROADER AGREEMENT.

4. I ASKED ABOUT THE FRG DECISION. RASHISH SAID THAT VON STAADEN HAD CONVEYED IT DURING MEETINGS HERE IN THE IMMEDIATE AFTERMATH OF SCHMIDT'S VISIT. RASHISH SAID THAT FAILURE TO DEAL WITH THE PLO

CONFIDENTIAL

/155200

CONFIDENTIAL

ISSUE IN A WAY SATISFACTORY TO THE US WOULD NOT ONLY HAVE ADVERSE EFFECTS UPON THE ATTITUDE OF THE ADMINISTRATION BUT COULD ALSO HAVE A CRITICAL IMPACT IN CONGRESS, ADVERSELY AFFECTING THE PASSAGE OF THE IDA AUTHORISATION AND APPROPRIATION LEGISLATION. HE ADDED THAT THE PRESIDENT FELT STRONGLY ON THE ISSUE AND, IF IT WERE NOT SETTLED SATISFACTORILY, THIS COULD ALSO ADVERSELY AFFECT THE ADMINISTRATION'S ATTITUDE TO THE NORTH/SOUTH DIALOGUE.

5. IT SEEMS APPARENT THAT THE US IS PREPARED TO RUN THE RISK OF A CONFRONTATION BY SEEKING THE AGREEMENT OF THE WESTERN COUNTRIES WITHOUT ATTEMPTING FURTHER CONSULTATIONS WITH THE ARABS OR THE OTHER DEVELOPING COUNTRIES. MOREOVER, THEY MAY WELL BE PRESENTING AN OPTIMISTIC ACCOUNT OF THE REACTIONS THEY HAVE RECEIVED FROM OTHER WESTERN COUNTRIES. OBVIOUSLY IT WOULD BE DESIRABLE TO CARRY OTHER COMMUNITY COUNTRIES WITH US IF WE ARE GOING TO CHALLENGE THE PROPOSED US LINE OF ACTION.

6. THIS EPISODE DOES ILLUSTRATE, IF ILLUSTRATION IS NEEDED, HOW STRONGLY THIS ADMINISTRATION IS GOING TO REACT, AT ANY RATE IN THE EARLY STAGES, ON ANYTHING TO DO WITH ISRAEL AND THE PLO; AND NO CHANCE IS MISSED OF RUBBING IN HOW DEEPLY THE PRESIDENT HIMSELF FEELS PERSONALLY.

FCO PLEASE PASS TO TREASURY, BANK OF ENGLAND AND ODA.

HENDERSON

[DANNED AND RELOCATED]

MONETARY  
ERD.  
MED  
NENAD  
EED(B)  
NAD

2.  
CONFIDENTIAL