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THE WHITE HOUSE
Office of the Press Secretary

BACKGROUND BRIEFING
BY
SENIOR ADMINISTRATION OFFICIAL
ON THE VISIT OF
PRIME MINISTER PERES OF ISRAEL

October 9, 1984

The Briefing Room

2:00 P.M. EDT

SENIOR ADMINISTRATION OFFICIAL: Well, it's almost a pleasure to be back with you, ladies and gentlemen. (Laughter.)

Let's look at the headings, first of all, in the President's departure statement just to set the framework for questions, anything you want to follow up. As you know, the President spoke of our talks focusing on several issues. He listed the economy first and the discussions with the Prime Minister about revitalizing the Israeli economy and putting it on the road to sustained recovery, and how vitally important a strong economy is to national security; the Prime Minister's plans for increasing the competitiveness of Israel in world markets; further economic subject on the free trade area. Then we talked about the situation in Lebanon.

As the President said near the end of his statement, that he had reaffirmed our fundamental commitment to Israeli national security and maintenance of the qualitative edge for Israel. A number of security-related issues that would be discussed between Secretary Weinberger and Defense Minister Rabin when the Secretary visits Israel next week.

The President concluded with comments on the support for -- of the United States for the peace process, the steps taken in Resolution 242, Camp David Accords, and the Egyptian-Israeli peace treaty. He reaffirmed his initiative of September 1. The Prime Minister stressed that Israel is also determined to move the peace process forward.

A word on the tone of the White House meetings today. I would characterize them as very open, very warm and really extraordinarily wide-ranging. A lot of topics and details were touched on beyond the subjects that you heard about in the departure statement.

I heard the Prime Minister refer to a new level of harmony and understanding between Israel and the United States and the lasting friendship of the United States and, of course, his personal compliments to the President.

The other subjects were covered -- of course, in considerable detail, the economy. That started with the first meeting yesterday with Secretary Shultz at the hotel. That has continued in further discussions last evening, the Secretary's home this morning, and I'm sure there will be further exchanges on the issues connected with the Israeli economy in discussions at the Department this afternoon and a final session tomorrow morning.

The free trade association was discussed. Its status is that you still have a number of details to be negotiated, but both sides felt confident that by putting a time limit of 30 days, that

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signaled it could be wrapped up and initialed off.

Other subjects which came up in the White House sessions were quality of life program, which the Prime Minister raised; quality of life effecting the Palestinians on the West Bank; Israeli desires -- Israel's desires for improved relationship with Egypt, and for dialogue with Jordan.

On Lebanon, there were no surprises. What you have heard about the Israeli position is that they are committed. They have decided upon a unilateral withdrawal without linking their withdrawal to those of other forces, provided security arrangements for Israel's northern border can be worked out.

We raised the question -- beyond the questions of our varied and very fruitful relations with Israel, the relations that we intend to pursue with America's Arab friends in the area, and we had a good exchange on that.

I have some detail on the Joint Economic Development Group which was referred to in the departure statement. And perhaps if I presented that before we went into questions, that might set the economic -- the framework of the economic discussions that we had in a little clearer perspective. We have consulted periodically with Israel on the Israeli economy and on American assistance to Israel. Israel is facing serious difficulties and the new Israeli government that's just, I think, 20 days old today -- the new Israeli government is one of national unity, which under the leadership of the Prime Minister and Vice Prime Minister Shamir, plans to carry out a far-reaching economic recovery program.

And we recommended that in support of this effort, it would be useful for the United States and Israel to strengthen the dialogue on the Israeli economy, including ways of promoting economic growth and development, and for that purpose we have established this group called the Joint Economic Development Group. It will examine and exchange views on the means of expanding Israeli economic growth and development through increased trade and investment between our two countries. It will examine the appropriate role for U.S. economic assistance in support of the government of Israel's economic objectives.

It would have a steering group led on our side at the Undersecretary level and by an official of comparable status on the Israeli side. There would be technical level working groups. There would be a number of U.S. agencies participating, such as State, Treasury, AID, OMB, CEA, the NSC, and there maybe others added as the organization has its first sessions.

The chairmanship would rotate. We would call on distinguished private American and private Israeli economists to also participate in the group as advisors to the steering group and as advisors to the technical level working groups. The intent is to have this group meet bi-annually. The initial meeting would be in Washington. Meetings thereafter to alternate between Israel and the United States.

Now, officials of both governments will have to get together to work out more precise terms of reference and procedures based on that sketchy outline I've just given you.

Well, I'd be happy to take questions relating to the visit and anything else.

Q Two questions, if I may. First, does this now replace the Eagleburger-Kimche contact group?

SENIOR ADMINISTRATION OFFICIAL: No. That's -- no, that's an entirely separate affair. This would be devoted

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exclusively to economic development and -- in both economic development, economic growth in Israel. That's both far more specialized, but involving a far more varied membership than the Eagleburger -- former Eagleburger, Kimche group. That will continue with Armacost and Kimche.

Q The second question -- on Lebanon, a U.S. official who sounds a lot like you is being quoted as saying in the meetings yesterday that there is different music -- different sounds coming from Damascus. Are there any indications that the Syrians would go along with any sort of withdrawal arrangements, security arrangement in Southern Lebanon?

SENIOR ADMINISTRATION OFFICIAL: I think there are indications, but I think much remains to be seen. Much remains to be put to the test. I think you will recall a statement, to those of you who subscribe to Le Monde, by President Assad back in July, that the question of Lebanon should be handled separately from the general Middle East peace -- Middle East peace issues. That's an indication.

Q Do we have here essentially an agreement in principal for the United States to provide whatever help might be necessary for Israel in rebuilding its economy?

SENIOR ADMINISTRATION OFFICIAL: Let me try to tackle it this way: We see two classes of problems, and that they're very closely interconnected. The first class of problem is for Israel to get control of its budget, its monetary arrangements, the rate of inflation. A related problem, once these steps have been taken, is to develop additional areas to stimulate a dynamic healthy growth in the Israeli economy. We discussed both questions.

The government of Israel described to us, the Prime Minister described to us, the steps that his government has already taken. These are positive steps. We consider them positive steps. And the Prime Minister told us that his government intends to continue its efforts to formulate plans on broader reforms and broader plans for development. We will be following these plans with the greatest interest.

Now, the fact that Congress has completed appropriation of the economic support fund for fiscal '85 means that there will be immediately available \$1.2 billion. That sum will enable the government of Israel to undertake its short and long-term programs without having to pay undo attention to balance-of-payments problems.

It has already addressed these in part through restrictions such as limiting the amount of funds Israeli citizens may spend abroad. The Prime Minister was very open about the longer term programs. They are still be formulated. And the appropriate mix of American support for restructuring, for example, has to be very carefully thought through.

We're going to work closely with the government of Israel on all of these questions in the framework of the Joint Economic Development Group. Should there be a question of additional funds needed, or other forms of support, we would hope to be in a position to make a recommendation to Congress when it returns. We do not see any problems we cannot deal with.

These talks have demonstrated our full intention to be supportive of the government of Israel.

Q Do you expect that, therefore, that there will be a request for additional funds once Congress returns, and I assume you mean next year?

SENIOR ADMINISTRATION OFFICIAL: We honestly don't know. A lot of this is going to depend on the progress of the reform program in Israel, the use that it makes of the \$1.2 billion in the economic supporting funds. There are a large number of ideas being

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developed within the government of Israel. A lot of them have yet to be, I guess, decided at the Cabinet level; but there is certainly a ferment of thinking going on. And just how their economic needs, and what need they will have for American support will develop, at this stage, at this point in time, neither of us can predict. I know there have been a lot of sums cited in the press over the last days, over the last several weeks. These

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are just, maybe, call them approximations. They're not the result of serious hard thinking through of the programs and of the -- what will be the effect on the economy as the government moves against inflation, moves to stimulate growth, moves to work out a -- what I believe they're calling a "social compact" within Israeli society, between labor, government and the industrialist -- the business sectors.

Q But you are talking about 1985 would be the time frame for any supplemental request of a --

SENIOR ADMINISTRATION OFFICIAL: If that were to come, yes, it would be later.

Q Would you --

Q Did the Prime Minister actually ask the United States to become involved on a more basis in mediating with Syria on the question of providing the guarantees necessary for Israel's withdrawal from southern Lebanon? And, if so, why has the United States not yet agreed to do so?

SENIOR ADMINISTRATION OFFICIAL: Has he made a formal request? You -- that was a pretty complicated question --

Q Did he ask you to do it? I mean --

SENIOR ADMINISTRATION OFFICIAL: Did he ask us to do it?

Q Yes.

SENIOR ADMINISTRATION OFFICIAL: No, he met -- I, rather -- I met with the Prime Minister -- or this unnamed official, sorry, met with the Prime Minister in Jerusalem two weeks ago following a visit to Damascus. I was able to share with him some impressions I had of Syrian thinking. The trip was, to use a fresh and vibrant word, exploratory. It remains that. We have not made any decision to mediate. And, to your specific question, there hasn't been a formal request of the government of Israel that we do so.

They, in a variety of ways, have made their positions public on -- you're aware of issues effecting UNIFIL, issues effecting the movement of Syrian troops, infiltration through and around Syrian lines. But that has not -- we have discussed these. We have exchanged views and the President has not reached any decision on a deeper or more active American role in the process.

Q What sort of security guarantees does Israel want for its northern border, in order to withdraw? And is there a role for the United States in helping to provide that?

SENIOR ADMINISTRATION OFFICIAL: Israel has not spelled out to us precisely what it wants in terms of security arrangements. Our discussion has been on the level of -- that there must be adequate security for the northern border before there is full Israeli withdrawal.

I think what has come through, quite clearly, is that Israel has options other than full withdrawal if it cannot secure adequate arrangements.

Q Are these arrangements to be diplomatic deal with Syria or is it to find some way to teach the Vahad group how to patrol the border? Or what's the -- what do they want?

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SENIOR ADMINISTRATION OFFICIAL: They want force along the border that they can have confidence in. That's, I suppose the basic requirement.

Q Will they be going back to the same strip of land like they did with Lahad before -- along the --

SENIOR ADMINISTRATION OFFICIAL: There's been no such precision in talking to us.

Q Is there anything to this idea of putting the Lahad group into the -- giving it some status within the Lebanese army?

SENIOR ADMINISTRATION OFFICIAL: Well, you'll recall, that was, I think, worked out in the words of the May 17 agreement, that they would somehow, the former group would be, somehow incorporated and turned into a territorial brigade, I think was the term.

Q What I'm asking is, do you think that willingness, expressed then, exists today on the part of the Lebanese?

SENIOR ADMINISTRATION OFFICIAL: Well, I think if you see the Beirut press you've had some very strident attacks on the Lahad force -- it speaks for itself. That's a sticking point, obviously.

Q Did the Prime Minister make known his concerns this morning about U.S. military assistance to Arab states in the region, and the --

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and his concern that this process erodes Israel's qualitative weapons advantage. And if he did make those concerns known, what was the response of the American side?

SENIOR ADMINISTRATION OFFICIAL: Actually, we raised the question. That we have a very wide and close intimate relationship with Israel; and, as I think I said, to the effect that we intend to have close relationships with a number of our Arab friends as well. And just -- just, I don't want to characterize the Prime Minister's position on that, but I think that, as you've seen, there's been no complaints about the supply of arms to Egypt. The difference is you have a peace treaty. There was some passing comment that they would prefer to see Soviet arms because of the lower quality.

Q Sir -- did --

Q On getting back on the economy, did the Prime Minister ask for any kind of specific guarantee along the lines of what he wanted for the Israel -- that the United States stands behind the Israeli currency on the Israeli economy?

SENIOR ADMINISTRATION OFFICIAL: No, nothing -- nothing sweeping like that. I jotted down some ideas when I spoke of the need to get control of the budget, the monetary arrangements, the rate of inflation. I think the whole approach has been to try to find a way to deal with the overall problem -- problems -- in the Israeli economy. And we didn't -- that approach, from our side, was welcomed and accepted, and that has led to the Joint Economic Development Group.

Q When the President said, on Friday, Mr. Peres was quoted in Yediot Ahranot -- the Israeli paper -- as saying that he was coming with a specific request for up to \$5 billion in outright grants in the next fiscal year. Can you confirm that figure, sir?

SENIOR ADMINISTRATION OFFICIAL: There were a number of figures cited, but there was no -- no such specific request. And as I say, I think these are best described as early approximations. Let's study together, let's work together, let's see what is really needed. If -- and he, I might just cite briefly as what he listed as the government's program -- perhaps nothing surprising, but let me just -- perhaps it's not news, let me just tick it off rather quickly. That on the budget side, the \$1 billion in cuts agreed by the Cabinet and the last three words, of course, are critical, I gather, in the Israeli Cabinet. If you don't have it agreed, then I am going to take my share of the cuts, you don't have anything to go on. And the apportionment of those cuts, ministry by ministry, is almost complete. Reductions affecting the standard of living -- those involve cuts in subsidies on fuel, basic commodities, prohibiting luxury imports -- the one I'd mentioned, reducing foreign currency allowances for travelers; increased taxes on real estate other property. On inflation -- the government has to reach agreement on a social compact between all the sectors of Israeli society. It is working on that to ensure that all sectors share the burden of austerity equally. Apparently there is -- there are proposals now before the Cabinet, and it's hoped to reach a decision shortly on the social compact.

Finally, on renewed growth, the objective is to increase growth, to increase development. Now, from -- as you can see, as these proceed -- some are achievements, some are firm intentions, and it's precisely in that frame of mind that we met and that we interacted with our visitors.

MR. SIMS: May I have -- just one more, please.

Q Let me ask you about something in your answer, sir, when you said, "no such specific request" was that in response to the

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\$5 billion figure? Or no specific request whatsoever?

SENIOR ADMINISTRATION OFFICIAL: There were a number of figures cited as illustrative and what might be helpful, what might be useful. And we discussed -- we threw -- we discussed those quite thoroughly, and the result was that we need a lot more work, a lot more study together to see what should be done.

Q What is --

Q Only in general terms, rather than specific --

Q Would it be correct to say that you didn't shut the door on more dollars and cents aid in the future, but that essentially you are putting off hard and fast decision until the working group has a chance to hash it out?

SENIOR ADMINISTRATION OFFICIAL: Yes, which will, of course, go on at the same time as the work within Israel, by -- under Israeli leadership, to reshape, to restructure the economy.

Q On Lebanon -- when the President said that we would be willing to mediate if others want our help -- what is your sense of what the other parties would be willing to accept in terms of American help?

SENIOR ADMINISTRATION OFFICIAL: Well, it's that lack of clarity that has contributed to our lack of a decision.

Q Well, where does Damascus stand now on an American role?

SENIOR ADMINISTRATION OFFICIAL: Again, there have been some statements in public about interest in an American role on withdrawal, but precisely what that role would be, what they would be interested in is not clear. It's too early to say.

Q Is that the direction that we've told the Israelis we will now pursue -- to try to clarify what Damascus intends --

SENIOR ADMINISTRATION OFFICIAL: Well I'm not -- I'm just not going to get into any further discussions on what's really the frontier, where do we go from here, we haven't reached a decision.

Q On dialogue with Jordan -- on what basis did they express desire to have dialogue with Jordan -- on Camp David, or on the Reagan initiative, or what?

SENIOR ADMINISTRATION OFFICIAL: He has never, from his first speech at the Knesset the Prime Minister has never put a condition on the framework of a dialogue with Jordan. He just wants a dialogue.

Q Is there some new commitment on Israel's part to the September the 1st initiative? The last we heard, they'd turned that down out of hand

SENIOR ADMINISTRATION OFFICIAL: I was looking back to a statement made 26 September. The Prime Minister told Israeli TV that a distinction ought to be made between President Reagan's initiative to bring peace to the Middle East and the specifics of his plan. He welcomes the former. As to the plan itself, the Prime Minister pointed out that while the new government of Israel has not yet discussed it, there exists the decision of the former government to reject it.

Q Did he go beyond that today?

SENIOR ADMINISTRATION OFFICIAL: No.

THE PRESS: Thank you.