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MEMORANDUM FOR: THE PRESIDENT

FROM: , Kenneth W. Dam, Acting Secretary

SUBJECT: Lebanon Negotiations: Next Steps

Where We Stand

The gap between the Lebanese and Israeli positions remains wide, but we have not yet done all that we could do to close that gap. Indeed, although Israeli demands, at the behest of Sharon, have steadily escalated, there is evidence of flexibility on both sides, and on both key issues -- normalization and security -- that we can exploit.

Granted, Israel (and specifically Sharon) may see delay in Lebanon as a way of forestalling your September 1 initiative. Nevertheless, pressure is building in Israel, and within the Israeli Cabinet, to show progress on Lebanon.

The Kahan Commission Report, which may damage Sharon, is due out shortly. Plus, over the last two weeks, Lebanese assertions of sovereignty have proved that Sharon was wrong in predicting that Lebanon would accede to the Israeli draft agreement.

Consequently, now is an opportune time for us to push our diplomacy to its limits and seek accommodation, not confrontation.

How to Proceed - The Next Round:

We have had a thorough review of the situation with Phil, and have agreed upon the following immediate scenario:

- Phil will meet with Begin next Wednesday to seek agreement on the basis of an updated version of the U.S. proposal that Phil presented, and the Israelis dismissed, on his last trip.
- If Begin is receptive, Phil would remain to seek agreement involving the maximum realistic normalization and security arrangements. He then will get Gemayel, and his Muslim colleagues, on board.

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- If Begin is unresponsive, Phil would seek agreement with Gemayel on a draft which Lebanon would then table with our public support. Phil would press Gemayel to make his best offer on both normalization and security.
- In either case, Phil would go to Syria and Saudi Arabia to assure firm support for whatever Gemayel intends to accept.

Key Issues

The key issues are: a timetable for withdrawal of all foreign forces, security arrangements, and normalization arrangements.

The key on withdrawal is for Lebanon to receive, and publicly announce that it has received, firm assurances of Syrian and PLO willingness to withdraw.

On security, we still prefer a role for UNIFIL in the South. If Israel objects, however, we should be ready to offer as a fallback the MNF with U.S. participation in the security zone. (Previously we have only discussed an expanded MNF along the highway east of Beirut.) Although such an offer entails high risks with Congress and the public, it will demonstrate the extent of our commitment to Israeli security, may yield trade-offs on normalization, and may attract Begin while isolating Sharon.

On normalization, the Israelis must understand that the Lebanese might provide some de facto normalization, but not de jure -- and still maintain internal consensus and wide Arab support. But with our urging, and Saudi support, the Lebanese may be able to go farther than they have offered thus far.

During Phil's Mission

We hope that Israel will now agree to work with us toward common goals. However, while Phil is in the area, we should consider what steps we might take if agreement is not reached. In particular, if our diplomatic efforts fail, we may want to consider shifting the focus to the Peace Process (specifically, West Bank settlements), where our hand may be stronger, and the rewards greater, than in Lebanon.

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