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FROM TEL AVIV 031335Z MAY 83

TO PRIORITY FCO

TELNO 135 OF 3 MAY 1983

INFO PRIORITY AMMAN, BEIRUT, CAIRO, DAMASCUS, WASHINGTON, JEDDA,  
JERUSALEM, AND MODUK.

INFO SAVING OTHER MIDDLE EAST POSTS, UKMIS NEW YORK, PARIS AND ROME.

MY TELEGRAM NO 134 AND WASHINGTON TELNO 1198: ISRAEL/LEBANON

1. MINISTER/COUNSELLOR AT THE US EMBASSY CONFIRMED TODAY  
(3 MAY) THAT SHULTZ CONTINUED TO INCH FORWARD. HE DESCRIBED THE  
MAIN OUTSTANDING DIFFICULTIES AS FOLLOWS:

A) SECURITY. THE ISRAELIS WERE STILL INSISTING THAT HADDAD SHOULD  
BE COMMANDER OF THE SOUTHERN REGION OR AT LEAST THE SOUTHERN  
BATTALION. THE LEBANESE WERE OFFERING HIM THE POST OF DEPUTY  
COMMANDER OF THE SOUTHERN BATTALION WITH SPECIAL RESPONSIBILITY  
FOR INTELLIGENCE. FLATEN THOUGHT (PLEASE PROTECT) THAT THE KEY  
TO THE HADDAD PROBLEM, AS WELL AS TO OTHER OUTSTANDING ISSUES IN  
THE FIELD OF SECURITY, LAY IN WHATEVER COVERT ARRANGEMENTS FOR  
INTELLIGENCE COOPERATION COULD BE WORKED OUT. THE LESS SAID ON THIS  
SUBJECT THE BETTER. BUT THE AMERICANS WERE CURRENTLY PROBING  
HOW FAR THE LEBANESE COULD GO TO SATISFY THE ISRAELI REQUIREMENT  
FOR INTELLIGENCE ON SOUTHERN LEBANON SEMICOLON

B) UNIFIL. FLATEN CONFIRMED OUR IMPRESSION THAT THE ISRAELIS  
WERE READY TO SETTLE FOR SOME UNIFIL PRESENCE TO PROTECT THE  
REFUGEE CAMPS. BUT HE ADDED THAT THE ISRAELIS WOULD WISH FOR  
CAREFUL SAFEGUARDS TO ENSURE THAT UNIFIL DID NOT SERVE AS A  
SHIELD FOR TERRORIST ACTIVITY BASED IN THE CAMPS. (FLATEN SPOKE  
FIN TERMS WHICH IMPLIED THAT ARRANGEMENTS ARE BEING WORKED OUT FOR  
PROTECTION OF THE PALESTINIAN CAMPS AS A JOINT  
RESPONSIBILITY BETWEEN THE LEBANESE ARMY AND UNIFIL, POSSIBLY  
WITH THE LATTER IN A BACK-UP ROLE) SEMICOLON

C) MOVEMENT OF GOODS. AS WE KNEW, THE MAIN LEBANESE CONCERN WAS  
TO ENSURE THAT THEY COULD ARGUE CONVINCINGLY TO THE OTHER ARABS  
THAT THEY WERE NOT SERVING AS A CHANNEL FOR ISRAELI EXPORTS TO  
THE ARAB WORLD. THE LATEST FORMULA THEY WERE FLOATING WAS THAT  
THE IMPORT FROM ISRAEL OF GOODS PRODUCED AND EXPORTED BY LEBANON  
WOULD NOT BE PERMITTED. (FLATEN MENTIONED THAT THE ISRAELIS HAD  
UNILATERALLY REINED IN THEIR OWN EXPORTERS SEMICOLON BUT HE SAID  
THAT THEY HAD BEEN MUCH DISTURBED BY RECENT WARNINGS BY THE  
LEBANESE AUTHORITIES TO WERCHANTS IN SIDON TO CEASE IMPORTING  
ISRAELI GOODS.) SEMICOLON

D) ARAB BOYCOTT. FLATEN SAID THAT THE ISRAELIS WANTED A LEGAL  
INSTRUMENT. THE LEBANESE WERE ARGUING THAT THE FACT OF TRADE  
BETWEEN ISRAEL AND LEBANON DEMONSTRATED THAT THE BOYCOTT NO LONGER  
APPLIED.

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2. FLATEN CONFIRMED THAT THE AMERICANS HAD PUT FORWARD IN WRITING SOME IDEAS TO BRIDGE THE OUTSTANDING GAPS. BUT, SO FAR AS HE KNEW, THIS DID NOT DEAL WITH THE PROBLEM OF HADDAD, ON WHICH THEY MEANT TO KEEP THEIR POWDER DRY. FLATEN SAID THAT ON OTHER ISSUES TOO THE AMERICANS WOULD NOT SEEK TO PROMOTE DETAILED FORMULAE UNTIL THEY JUDGED THAT AGREEMENT COULD BE CLINCHED.

3. ASKED ABOUT THE POSSIBILITY OF A UNILATERAL ISRAELI WITHDRAWAL TO THE AWALAH RIVER (YOUR TELEGRAM NO 163 TO BEIRUT) FLATEN SAID THAT HE DID NOT KNOW WHETHER SHULTZ HAD RAISED THIS IN THE CURRENT ROUND OF NEGOTIATIONS. BUT HE DID SAY THAT THE AMERICANS HAD TOLD THE ISRAELIS REPEATEDLY THAT THEY WERE STRONGLY OPPOSED TO ANY UNILATERAL PARTIAL WITHDRAWAL: HABIB HAD DONE SO IN THE BLUNTEST TERMS. FLATEN PERSONALLY WAS CONVINCED THAT THE ISRAELIS WOULD NOT FALL BACK UNILATERALLY UNLESS THEY CONCLUDED THAT THE PRESENT NEGOTIATIONS HAD FAILED. (THIS IS MUCH THE SAME AS US AMBASSADOR WAS SAYING: MY TELNO 134). THEREAFTER, THEY MIGHT SHORTEN THEIR LINES IF IMPLEMENTATION PROVED IMPOSSIBLE BECAUSE OF THE SYRIANS: BUT FLATEN THOUGHT THAT THE ISRAELIS WOULD BE PREPARED TO SIT TIGHT FOR QUITE A WHILE YET.

4. FCO PLEASE ADVANCE TO LEAHY, EGERTON AND NENAD.  
PLEASE PASS SAVING ADDRESSEES.

(ADVANCED AS REQUESTED)

MOBERLY

BT

(REPEATED AS REQUESTED)

MIDDLE EAST

STANDARD

NENAD	MAED
MED	ESSD
NAD	ERD
SAD	ESID
UND	CONS D
EESD	CONS EM UNIT
ECD	MR EGERTON
WED	MR THOMAS
RID	MR HAYES
SEC D	CABINET OFFICE

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ARAB/ISRAEL DISPUTE

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