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THE SECRETARY OF STATE  
WASHINGTON

October 13, 1983

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MEMORANDUM FOR: THE PRESIDENT  
FROM: George P. Shultz  
SUBJECT: Our Strategy in Lebanon and the Middle East

OCT 14 1983

The ceasefire in Lebanon, a major achievement of our diplomacy, means that the struggle in Lebanon now shifts to the political arena. This phase will be as difficult and as potentially dangerous to our interests as the situation before the ceasefire.

Soon we will be faced with a number of important operational decisions. For example:

- What do we do with our forces in Lebanon? Maintain present levels? Build up, or reduce the number of ships or the number of Marines offshore or on the ground? Under what circumstances will we be able to remove the Marines?
- Should we modify the Rules of Engagement now for contingencies if the ceasefire breaks down?
- What role should we play in the Lebanese reconciliation negotiations? What kind of outcome should we favor, or oppose?
- How should we respond to the Soviet military buildup in Syria, particularly the new SS-21s?
- What should we be talking about with the new Israeli government? What should we be asking of them, and what should we consider doing for them? What should we do with regard to their conduct in Lebanon, their West Bank activities, their military needs, and their economic problems?
- Can we encourage new movement by King Hussein in the peace process, now that Arafat has been weakened by Syrian pressures?
- ~~How do we proceed with the Jordan Logistics Program in the face of Israeli opposition?~~
- What else can we do with respect to the Palestinians?

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-- Should we reconsider our posture of strict neutrality in the Iran-Iraq war?

Some of these are broad issues; some are narrower ones. In either case, they can be addressed most sensibly in the framework of an overall strategy. The basic thrust of our strategy is set forth below, but sharp variations are possible: Should we disengage from active involvement in Middle East politics, limiting our aims to defense of our oil interests and arms supply to Fortress Israel? Should we go all-out to confront Syria and its Soviet backers? Should we find other means to curb Syria while maintaining a dialogue with it?

#### Overall Middle East Objectives

Over the next year or so, we have two key objectives: First, we want to ensure the emergence of a broadly-based, friendly Lebanese government with which we can work to extend its authority throughout the country, including the ultimate withdrawal of foreign forces. Second, we want to shape the conditions that will eventually make possible a Jordanian-Israeli negotiation in accordance with your September 1 initiative. At the same time, we have the broader objective of maintaining American dominance of Middle East diplomacy and reducing the Soviet role in the area.

All these objectives are interrelated. Success in one dimension strengthens our position generally. A setback in one area makes the achievement of our objectives elsewhere that much harder.

#### The Basic Problem in Lebanon

In Lebanon, even with the ceasefire, a basic underlying problem remains.

The Gemayel government came into office a year ago when Israeli military power was dominant. We committed our prestige to that government. Since then, Israel has decided that it is not prepared to try to remove the Syrians by force or to take casualties for the sake of influencing the political future of Lebanon. Israel has now pulled its forces back unilaterally, as a result of domestic pressure to withdraw. This has created a vacuum, which we have been drawn into to sustain the GOL. Israel has seemed to be in a defensive posture, willing to let the US assume the burden of sustaining Gemayel, and no longer acting as an effective counterbalance to Syria. It is this shift in the balance of forces in Lebanon that underlies our difficulties there.

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The stakes are high -- they go far beyond Lebanon. The Syrians aim at cancellation of the May 17 Israeli-Lebanese agreement that we helped negotiate; they seek the removal of our Marines (also a key Soviet objective) and the installation of a government more friendly to them than to us or Israel. A Syrian success in Lebanon -- if it is seen as a humiliation of the United States -- would strengthen Syria's position in the Middle East, tilting the balance of forces in the Arab world in favor of the radicals and rejectionists at the expense of the moderates. This would weaken the position of our friends in Egypt, Jordan, and Saudi Arabia and make them less willing to take risks for peace. In the long run, while no comprehensive peace can be achieved without Syria's involvement, it is equally true that an ascendant Syria, under its present regime, would work ruthlessly to sabotage the peace process as we know it.

The Soviets have played a major role in this, in that their extraordinary rearmament of the Syrians -- the SA-5s and now SS-21s -- are boosting Syrian self-confidence and impressively demonstrating to the Arabs the value of siding with the Soviets. This runs counter to our fundamental interest, which is to demonstrate constantly to the Arabs that they are better off in association with us, not the Soviets.

Our dialogue with Syria should be maintained as a useful channel of communication. Unfortunately, we are not in a position to offer "carrots" or positive incentives for better Syrian behavior. It is difficult to see how Israel could be enticed into negotiations over the Golan; nor can we offer Syria economic aid.

Our overall strategy, therefore, must be to accumulate all possible counterweights to Syria to block its gains and set limits to its ambitions, while seeking to engage it in constructive solutions.

#### Actions in Lebanon

We accept that Syria has legitimate interests in Lebanon, and that throughout the history of independent Lebanon it has exerted a major influence over Lebanon's political scene. But we should have no illusions about what the Syrians are up to in the Lebanese "reconciliation" negotiations. We can expect that they will use these negotiations to push for a pro-Syrian government that will kick out the Marines, repudiate the May 17 agreement, and bring back the PLO fighters under Syrian control. Our own objective, in contrast, is to use the new political process as a vehicle for Gemayel to broaden the base of his government, detaching the Druze and Shia leaders, in particular, from the Syrian embrace.

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A satisfactory outcome to the Lebanese political negotiations should be our priority objective, since so much depends on it -- our standing in the Middle East and our prospects for bringing the Marines home in honorable circumstances. Other issues should be viewed in relation to this objective. Our strategy of accumulating counterweights to Syria, therefore, will meet its first test in these talks.

Maintaining the Balance: To ensure a tolerable outcome, it will be more important than ever to maintain the balance of forces so that Syria cannot intimidate the other parties and steamroll the conference. The United States must remain actively involved behind the scenes. We must keep the New Jersey there and not give any hint that we are eager to take our forces out except for some quid pro quo. Reducing our forces unilaterally would send the wrong signal and have harmful repercussions in the negotiations.

We should bear in mind that a breakdown of the ceasefire would create complicated problems for us with the MFP partners, with the Saudis, and perhaps with the Congress. Thus, the threat to break the ceasefire is a powerful weapon in the hands of the Syrians in the talks. Now is an appropriate time to consider broadening the Rules of Engagement for our forces, so that there will be more of a sense that we are still there to be reckoned with if the ceasefire should break down.

Support for Gemayel: We must maintain our support for Gemayel, to strengthen his hand in the negotiations. We must maintain our economic aid, our program to modernize and expand the LAF, as well as our military presence and our active involvement in the political process behind the scenes.

We must continue to use our leverage with Gemayel (and the Phalange) to urge on them the necessity of political accommodation within Lebanon. At the same time it is important that this accommodation take place as a Gemayel initiative, strengthening his position by broadening his base, not as a collapse of all pro-Western forces under Syrian pressure. Therefore our pressures on Gemayel (and the Phalange) to compromise should be balanced by the understanding that the greater problem may turn out to be inducing the Syrians and their friends to moderate their excessive demands.

Troop Withdrawal: Our credibility in the Arab world and Gemayel's credibility in Lebanon depend on keeping open the prospect of further unilateral Israeli withdrawals, at least from populated areas. Therefore, in appropriate circumstances a further Israeli turnover of territory to the LAF may strengthen Gemayel and facilitate his efforts to coopt the Shia

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and the Druze. At the same time, I am concerned that further unilateral Israeli withdrawal -- if it seems the product of Israeli loss of will and yielding to pressure -- could also have the effect of removing a psychological counterweight to Syria and thereby weakening Gemayel more than helping him. The key is whether we, Gemayel, and the Israelis seem to be acting from strength and thereby commanding a quid pro quo from those who are now our opponents, or whether it only emboldens the Syrians and strengthens their hold on the Shia and the Druze. It is essential at present that the Israelis show some staying power, especially on Jebel Saruk and in the Bekaa. In general, it is in our interest to maintain the impression in the Arab world that Israel will not leave Lebanon without a price, e.g., a tolerable political outcome and adequate assurances of security.

The May 17 Agreement: The fate of the May 17 agreement will be a key barometer of whether Syria achieves its objectives. The agreement represents not only a major commitment of US prestige; it represents the second moderate Arab country to negotiate with Israel under our auspices, and it is the only extant arrangement for ensuring both Israeli withdrawal and Israeli security. Faced with the prospect that the agreement may not be implemented, Israel is hedging its bets by making its own local deals in Lebanon to protect its northern border. Nevertheless, formal renunciation of the agreement by the present or future Lebanese government will be a blow to Israel's hopes for better relations with its neighbors. Therefore, the United States cannot modify or abandon the agreement without Israeli consent -- or else we risk a blow-up in US-Israeli relations.

The agreement has had the additional benefit of shielding us to some extent from pressures on troop withdrawal. Lebanese repudiation of the agreement would probably lead to revived and intensified Arab pressures on us to get Israel out unilaterally. We will have to go through the same pedagogical exercise as last year -- to convince the Arabs that Israel will not leave Lebanon except for a price. Therefore, our best posture is a vigorous defense of the agreement -- and an image of Israel as difficult to budge.

#### The Role of Israel

The missing ingredient in the balance of forces in Lebanon has been Israel.

Israel seems to be going through an unprecedented period of war-weariness, demoralization, and political and economic crisis. This presents us with a dilemma. Its new leaders,

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while somewhat more pragmatic in style than Begin and Sharon, are no more willing to be flexible on the West Bank and Gaza. This handicaps our peace diplomacy and weakens our position and that of our moderate Arab friends. At the same time, the perception of Israeli lack of will and assertiveness in Lebanon creates another kind of problem. As I noted, Israeli retreat in Lebanon is the crucial factor which has undermined the balance of forces there, making the Syrians bolder not only within Lebanon but in the Arab world generally. The Soviets, too, are bolder. This undercuts our moderate Arab friends as well.

Therefore, we face a two-fold necessity in our policy toward Israel. We must maintain our insistence on flexibility toward the peace process -- especially as King Hussein shows new interest in taking the plunge. At the same time, it is essential now to take steps to bolster Israeli strength and self-confidence so that Israel can become again a decisive deterrent to Syrian and Soviet ambitions. A closer relationship offers us better possibilities for coordination of policies. It will require, on our part, an integrated series of actions.

Coordination in Lebanon: It is time, I believe, to have a heart-to-heart talk with the Israelis at a high level about future strategy in Lebanon. We should discuss with them how they might be able to take a stauncher deterrent posture against the Syrians -- in coordination with us. We should urge them to take more responsibility for what happens north of the Awali -- using their leverage on the Druze and Phalange, deterring PLO reentry, and posing risks to Syria. It is absolutely essential that they use this leverage to support Gemayel and his efforts at reconciliation, not to promote Druze or Maronite separatism. They should be encouraged, for example, to permit the GOL to extend its sway in areas subject to Israeli control.

The Israelis seem already to be moving in the direction of a more active role. We should encourage this trend and encourage more coordination between us.

The Military Balance: At the same time that Israel seems in a withdrawn and defensive mood, Syria is continuing its determined effort to reach military parity with Israel. The new Soviet SS-21s are part of this effort. If Syria is ever able to blunt Israel's military edge, this will have ominous long-term implications for the whole Middle East and for us, as well as for Israel's security.

An appropriate response, in my view, would be to push through as some of the outstanding proposals for military

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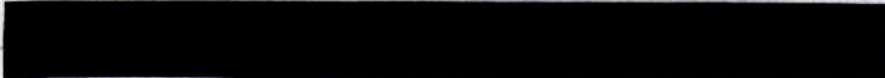
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cooperation with Israel. While these steps have the broader purpose of bolstering Israel, there is much to be said for linking them explicitly to the Soviet military buildup in Syria. A failure to respond to the most recent escalation -- the SS-21s -- is likely to invite further Soviet/Syrian boldness. DOD has been opposed to these steps, but I believe now is the time to move. For example:

- We should give priority treatment to all license requests for the LAVI fighter project, respond favorably to Israel's request for production technology which would permit the manufacture of specific LAVI-related items in Israel, and allow FMS financing of R&D for the LAVI in the U.S.
- In addition, DOD should not prohibit the present level of Israeli offset requirements in FMS-financed commercial contracts.
- We should also be able to be more forthcoming with respect to renegotiating the 1979 Memorandum of Agreement on defense cooperation and procurement.

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- We should urge General Vessey, who recently postponed a planned visit to Israel at the last minute, to go to Israel in the next month for a visit of sufficient duration to assure both symbolic and practical benefit.

Economic Cooperation: In the economic realm, we are in an intense and sensitive dialogue on ways to remedy the perilous state of the Israeli economy. Economic weakness inexorably weakens Israel politically and militarily. If the Israelis prove to be serious about basic, necessary, and painful economic reforms, we should be prepared to help. This will be a major political commitment, but it may also prove to be one of the most important components of our overall strategy of bolstering Israel, restoring mutual confidence, and fostering greater Israeli sensitivity to our concerns.

Foreign Policy Cooperation: In the political realm, similarly, we will be continuing our talks on US-Israeli political cooperation in Third World areas outside the Middle East, e.g., Central America and Africa. David Kinche has the idea of a development fund to finance Israeli technical and economic assistance in Third World countries; this could be locked at. Larry Eagleburger goes to Israel to discuss these issues with Kinche at the beginning of November.

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The Arab Moderates

Another vital element of our strategy must be to bolster our moderate Arab friends so that they, too, are a more effective counterweight to the Syrians. We should encourage efforts to bring Egypt back in the Arab fold, and we should encourage cooperation among Egypt, Jordan, Saudi Arabia, and Iraq.

Jordan: We must do all we can to demonstrate our support for Jordan, which is the key to the future of the peace process. Jordan will be under severe Syrian pressures, and we must be prepared to do battle in the Congress for economic and security assistance to Jordan, including the Jordan Logistics Program (JLP). The Israelis will object fiercely, but it is very much in our interest -- and theirs. Strengthening the Jordanian as well as the Lebanese armed forces is essential to containing the spread of radical Syrian influence and should be considered as complementary to keeping Israel strong rather than as threatening to Israel. King Hussein views the JLP as a vital test of our support, which will affect, among other things, his willingness to take risks in furtherance of our peace diplomacy.

Egypt remains crucial. Indeed, the American position in the Middle East depends to a great extent on the perception that Egypt has gained by its turn toward peace and toward us. We must encourage both Israel and Egypt to maintain their peace treaty as a centerpiece of their foreign policies and to work to overcome their differences.

Saudi Arabia has worked very hard for our common objectives in Lebanon; this, too, is a strategically important relationship. The Saudis want reassurance that we will maintain our deterrence of Soviet interference in the Middle East; they also want our evenhanded commitment to work for solutions in Lebanon, the peace process, and the Iran-Iraq war.

The Palestinians

Hopes for the peace process will ultimately depend on changes in two basic factors: first, the ideological rigidity on the Israeli side, represented by the present policies of the Israeli government on the West Bank and Gaza; and second, the structural rigidity on the Arab side, where the Syrians and radicals intimidate the moderates who would otherwise join our peace diplomacy. Our strategy of building counterweights to Syria is essential here too. In the meantime, we should keep the September 1 initiative on the table and make clear that we do not accept either Israeli annexation of the occupied territories or continued settlement activities.

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The turmoil within the PLO, and Syria's assault on Arafat, could have far-reaching consequences which we might be able to exploit. It could encourage moderate Arabs and Palestinians to break free of the rejectionist veto. Already, King Hussein has hinted at challenging the PLO's legitimacy as spokesman for the Palestinians. We should work closely with Hussein and encourage him to move in this direction.

In the meantime, we can demonstrate our continuing interest in the Palestinian problem by seeking ways of directly improving conditions of Palestinian life in the West Bank and Gaza. We have already begun to urge the Israeli occupation authorities to permit improvements in economic development and administrative practices in the territories. We must persist in this effort -- and also engage Jordan in it.

#### The Iran-Iraq War

Up to now, our dominant concern in the Iran-Iraq war has been to avoid pushing Iran toward the Soviet Union or taking steps that would inhibit the restoration of more normal US-Iranian relations when that becomes possible. With those concerns still in mind, it may be time, nevertheless, to modify our posture of strict neutrality in that war.

The Iraqis are becoming desperate and are very likely to use their Super Etendard aircraft and Exocet missiles (sold to them by France) to try to block Iran's oil exports. Iran is threatening that it would retaliate by closing the Gulf to all oil exports. Such a major crisis could get us involved militarily to keep Gulf oil flowing; even ineffective Iranian military action could shut off tanker traffic by causing insurers to refuse coverage and shippers to stay away. Together with some of our allies, we are trying to get both sides to acquiesce in a U.N. Security Council resolution that would exempt oil facilities from further attack -- allowing both sides to rebuild this vital sector of their economies. (This would be of great benefit to Iraq.) Since chances of success are small, we and our allies must look to the assets we have for defending the vital waterways of the Gulf in the face of Iranian threats.

There may be additional steps we could take, political or economic, to help strengthen Iraq in its struggle with Iran. The Saudis, Egyptians, and Jordanians would welcome this as a boost to the Arab moderates as a whole and as an additional counterweight to Syria. Given the problems the Soviets are having with Iran, the risks of pushing Iran toward the USSR seem reduced.

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