1. It is time to take stock of where we stand on this problem. We have passed through Phase One, when the possibility of a package deal involving all passengers and aircraft might have been feasible. Fact that all but 50 and in have been released, split in fedayeen ranks, presents us with new situation. There is question of continuing ICRC role, possible role of GOJ in this situation, and possible eventual Israeli "contribution" to any solution.

2. The Palestinians seem still bent on moving towards a solution which splits the Europeans from the Israelis and Americans. The price for the European hostages has already
been budgeted by the Europeans who will at early time recognize that their people are being used in an effort to obtain the release of Americans and Israelis. It will be increasingly more difficult to maintain a united front under these circumstances, though this is the all important and continuing objective of our policy as best way to secure release of all remaining hostages. 

3. The U.S. (Greenhill) has already indicated belief that the U.S. contribution to a solution would be to persuade the Israelis to give up Palestinian prisoners in order to complete the exchange.

4. It is evident that the Israelis recognize that they will have to participate (they have already indicated willingness to release two Algerians and some Israeli diplomats have hinted at something more). At the same time the GOI must maintain its stand on principle. It seems therefore that the Israelis will not act until (a) the Palestinians make precise demands, and in particular
submit a specific list of fedayeen prisoners, and (b) they can cite overwhelming pressure (especially from U.S.) forcing them to take part in the exchange.

5. For the next day or so, we cannot know clearly how to proceed until some of the following elements clarify. In particular we need to know:

   a. Precisely which prisoners the PFLP wish returned to Israel;

   b. The security situation in Amman and the capacity of GOJ to be helpful;

   c. The length of time the Europeans would be prepared to negotiate in common without breaking ranks;

   d. Whether the ICRC will send its top-flight negotiator back to Jordan.

6. We must continue the prudent, cool approach we have
thus far followed successfully. Unity of group continues to be essential as we await concrete demands of PFLP, and we explore whether GOJ can play increasingly helpful role. We should apply maximum pressures on ICRC to stay in picture; they cannot leave as we approach crunch. We have succeeded in getting 90 percent of the prisoners; next phase is no more political, or no more "outside ICRC" humanitarian mandate than previous phase. There has been no criticism anywhere of ICRC role.