The CONTINUING DEADLY ESCALATION OF THE ISRAELI-PALESTINIAN CONFLICT THREATENS TO BECOME AN ALL-OUT WAR WITH DEVASTATING CONSEQUENCES FOR BOTH COMMUNITIES. WHAT MAKES THIS SITUATION PARTICULARLY TRAGIC IS THE FACT THAT THE FORMULA AND THE WILL FOR NEGOTIATING A MUTUALLY SATISFACTORY AGREEMENT TO END THE CONFLICT REMAIN IN PLACE. The negotiators were able to come very close to agreement in Taba last January, and the two populations are still open to a negotiated agreement if they could be convinced that the other side can be trusted.

The breakdown in negotiations and the resulting cycle of violence led to the reemergence on both sides - in classical mirror-image fashion - of the belief that there is no negotiating partner on the other side, that "they" do not want to make the compromises required for peace, and that the only language "they" understand is force.

Counteracting these beliefs requires a clear endorsement by the leadership on each side of a political solution that would meet the basic needs of the other. The dynamics of escalating violence prevent the leaders from speaking the words and taking the actions that would reassure the other, lest they be seen as weak and yielding to violence. Moreover, Ariel Sharon's strategy and Yasser Arafat's tactics make it particularly difficult for them to make an unambiguous commitment, in advance, to the kind of political outcome on which the resumption of fruitful negotiations now depends.

Under the circumstances, outside parties, especially the United States, can make a unique contribution, not only by encouraging the parties to resume serious negotiations but by offering a vision of the broad outlines of the final agreement to which these negotiations must be directed. Following up on Secretary of State Colin Powell's constructive policy address, this vision should be based on the historic compromise that was implicit in the Oslo agreement.

Anchored in UN Resolutions 242 and 338, this compromise has the added advantage of international legitimacy. It is predicated on an agreement to end the conflict by sharing the land both peoples claim, through the establishment and peaceful coexistence of two states, in which the two peoples can fulfill their respective rights to national self-determination, give political expression to their national identities, and pursue independent, secure, and prosperous lives.

The vision of such a historic compromise must spell out three implications for resolving outstanding issues in the conflict. Each of these implications is painful to one or both parties, but they follow directly from the essence of the compromise.

First, the historic compromise must enable Palestinians to establish an independent, sovereign state consisting of the West Bank and the Gaza Strip. To be viable and governable, the state must have contiguous territory within each of its two units and a secure corridor between them. It cannot, therefore, accommodate Israeli settlements with extraterritorial rights, a separate network of roads, and protection by Israeli forces.

Second, the historic compromise implies Palestinian acceptance of the legitimacy of Israel as a Jewish-majority state (with full democratic rights for its Arab minority). Therefore, to maintain its Jewish character and its cohesion, Israel cannot accommodate an automatic, large-scale return of Palestinian refugees to the country.

Third, the historic compromise calls on the two peoples to share Jerusalem, as an open city, containing the capitals of both states and ensuring full access to the holy sites of all religious communities.

Within the broad parameters of these three principles, it is necessary and possible to negotiate mutual accommodations central to the narratives and the internal cohesion of the two societies. Thus, on the issue of settlements, negotiations need to take cognizance of the domestic turmoil that dismantling large numbers of settlements would create for Israel and consider exchanging small segments of the West Bank that have a heavy concentration of Israeli settlers for Israeli territory of equal size and value.

On the issue of refugees, recognizing its centrality to the Palestinian identity and narrative, negotiations need to agree on language whereby Israel would acknowledge its share of responsibility and express regret for the plight of the refugees and on a comprehensive program of resettlement and compensation for refugees, including return of a limited number to Israel. On the issue of Jerusalem, negotiations need to work out arrangements for sharing sovereignty and use of both holy sites and public spaces vital to both communities and for providing governance, security, and municipal services on a citywide basis.

Formulas for dealing with many of these issues in a mutually satisfactory way have already been explored in previous negotiations, although
further efforts are required to shape them into a comprehensive package. That work must and can be done by the parties themselves. Where the United States can make an indispensable contribution is in bringing the parties back to the negotiating table by offering a broad vision of the historic compromise toward which the negotiations must be directed.

Herbert C. Kelman directs the Program on International Conflict Analysis and Resolution at the Weatherhead Center for International Affairs at Harvard University.