



Director of
Central
Intelligence

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Approved For Release 2004/07/08 : CIA-RDP79T00975A031100170002-6

~~Top Secret~~



National Intelligence Daily (Cable)

21 February 1979

State Dept. review completed

~~Top Secret~~



Approved For Release 2004/07/08 : CIA-RDP79T00975A031100170002-6 *Copy* 563

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SPECIAL ANALYSIS

ISRAEL-EGYPT: Domestic Climate and Negotiations.

[REDACTED]

Domestic pressures in Egypt and Israel on the eve of the new talks at Camp David will encourage both sides to maintain tough negotiating positions. A campaign by Israeli hardliners to force Prime Minister Begin to modify the autonomy plan for the West Bank and Gaza Strip that he agreed to last September has reduced Foreign Minister Dayan's already limited room for maneuver. Egyptian domestic opinion continues to support President Sadat's policy, but cynicism about Israeli motives has deepened and the lack of progress on a treaty and economic problems are eroding the optimism that was prevalent last fall.

[REDACTED]

Begin is still the ultimate arbiter of Israeli cabinet debates, but right now he feels he has little choice but to conciliate and placate important opponents of his autonomy plan in his own Likud bloc and in the National Religious Party, his indispensable coalition ally. The Prime Minister so far has succeeded in parrying the hardliners' most extreme demands by approving new settlements on the West Bank and in Gaza and by agreeing to future cabinet discussions of autonomy.

[REDACTED]

The hardliners sense that the loss of momentum in peace talks increases Begin's susceptibility to their pressure. They probably think a prolonged stalemate--especially in the current atmosphere of growing Israeli concern over threats to regional stability posed by events in Iran--will encourage the public and Begin's coalition to become further disillusioned with autonomy.

[REDACTED]

Agriculture Minister Arik Sharon, a vocal figure on the right wing of Likud, along with Education Minister Zeyulun Hammer and others in the National Religious

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Party's hawkish youth faction, are the most prominent hardline spokesmen. They fear implementation of Begin's autonomy plan in its present form could lead ultimately to Israeli military withdrawal from the West Bank and Gaza, curtailment of Israeli settlement activity, and eventual establishment of a Palestinian state. [redacted]

The hardliners are skeptical of Begin's willingness to stand firm against US pressure for further concessions linking an Israeli-Egyptian treaty to future negotiations on autonomy for the West Bank and Gaza. Several argue that the US has abandoned its role as a mediator in favor of full partnership with Egypt and that Israel, as a result, must take action of its own to assure its continued control over the West Bank and Gaza. [redacted]

[redacted] the US Embassy in Tel Aviv describe the information recently leaked from a government report on Israeli options under autonomy as the most restrictive of several alternatives outlined in the paper. [redacted] the leak appeared designed to embarrass the government and further stymie negotiations. The leaked recommendations--which parallel those advocated by Sharon and his allies--propose a dominant Israeli military and security presence on the West Bank and in Gaza, control by Israel of water sources and nearly 20 percent of the land on the West Bank, and freedom for Israelis to settle in both areas. [redacted]

In a public address last week, the Israeli Foreign Minister referred to the Palestine Liberation Organization as a factor to be taken into consideration in securing a treaty with Egypt and eventually in reaching a comprehensive peace. Dayan subsequently sought to qualify his remarks in the face of strident criticism from the coalition and the opposition Labor Party. [redacted]

//It is unclear at this point why Dayan chose publicly to depart from the past refusal of Israeli leaders to take account of the PLO's relevancy to the negotiation process. Some observers speculate that Dayan was trying to counterbalance the negative impact on the peace talks and on his own limited negotiating authority caused by

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the leaks from the government's study on autonomy. Dayan, by intimating his personal flexibility and willingness to take a major political risk, may also be attempting to place himself in a better tactical position for Camp David in the hope of deflecting some of the anticipated US pressure for concessions. [REDACTED]

President Sadat does not yet appear to be under serious domestic pressure to speed treaty negotiations with Israel, although Egyptian public disillusionment is likely to increase the longer the stalemate continues. The great majority of Egyptians greeted the Camp David accords with considerable enthusiasm. When the pace of negotiations slowed near the end of last year, Egyptians became even more supportive of Sadat's policy. They viewed his insistence on a comprehensive peace agreement as refuting Arab charges that Egypt was willing to conclude a separate and dishonorable peace. Egyptians also were deeply gratified over US support for Cairo's negotiating stance, and believed that peace was close at hand despite the delays. [REDACTED]

The hopes of the Egyptian public for an eventual breakthrough probably have been sustained by the US Government's continuing close involvement in the peace process. The possibility of another round of summit talks after the ministerial level discussions will reassure many Egyptians of the US determination to help forge a viable peace agreement. [REDACTED]

Egyptian extremists of the left and right have had difficulty in seriously criticizing Sadat's negotiating stand, and this is likely to continue as long as Sadat does not appear to be capitulating to Israeli demands. Nonetheless, Islamic fundamentalists, particularly those among Egypt's restive student population, remain a potential source of serious opposition to Sadat's policies. [REDACTED]