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Intelligence Memorandum

New Policy Directions in Egypt

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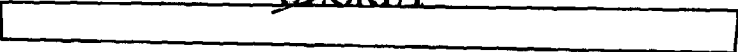
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NEW POLICY DIRECTIONS IN EGYPT

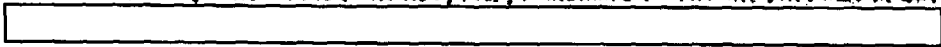
Summary

Egypt is currently reorienting its approach to both domestic and international issues and enunciating a new "philosophy" for President Sadat's government. Basic Egyptian goals remain the same: domestically, to alleviate the severe economic difficulties that plague the country and cause chronic discontent; internationally, to regain Egyptian territory from Israeli occupation. But Sadat is experimenting seriously with new or newly resurrected means to these ends.

Much of Sadat's activity in this direction is a groping rather than a clear drive along well-determined lines. Much of his effort will be fruitless. Many of his moves evoke a sense of *deja vu*; Sadat has announced domestic policy reforms before and has undertaken repeated diplomatic initiatives in the past, and these have largely come to naught. But a new set of circumstances both at home and abroad surrounds this latest effort, gives it a new impetus and seriousness of purpose, and offers it some hope of success.

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Relations with the Superpowers

Sadat's policy reassessment is the product largely of US-Soviet detente and specifically of the June 1973 Nixon-Brezhnev summit. Sadat had long wanted to move away from the Egyptian military reliance on the Soviets that characterized his predecessor's regime, and he did in fact move dramatically in this direction. He has nevertheless retained hopes for increased Soviet military assistance and a greater show of Soviet political support.

The summer's round of US-Soviet diplomacy has added conviction to a long-held Egyptian suspicion that this assistance and support will not be as forthcoming as Cairo would like. Moreover, Sadat feels that the Soviets, far from offsetting US backing for Israel, have, by striving to maintain good relations with Washington, only facilitated US efforts to assist the Israelis.

Sadat has now reconciled himself to a certain coolness in his relations with Moscow. Ready to accept, if necessary, what he regards as Soviet niggardliness but unwilling to give up all hope of assistance from Moscow, he has decided to maintain the relationship as it presently exists. He has stressed, in his own public statements and through the Cairo media, the need for continued friendship with the Soviets equally with the new theme of third-world disengagement from a too-close dependence on the superpowers.

Although the Soviets look with some anxiety on the darker side of this balance, Sadat himself has taken a relaxed view of his relations with the USSR. Having extricated himself from a client-state relationship with the Soviets that he saw as furthering only Soviet interests, he probably derives a certain satisfaction from Moscow's concern for those interests. He is not prepared deliberately to provoke a further deterioration of relations, but he is ready to move in his own direction without his former regard for Soviet sensibilities.

His current diplomatic campaign and his renewed emphasis on domestic reform constitute his effort to move in that new direction and to improve his position against Israel. The reforms are embodied in Sadat's "ideological document," which he views as a policy guideline for Egypt for the next 20 or 30 years. Although not yet completed, the document—initially drafted in July, currently under debate in political circles, and scheduled for final adoption later this fall—is essentially a statement of nonalignment, or, better, of non-dependence on the superpowers.

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Its chief direction is away from the left; its chief message is that the Arabs, unable to rely on the superpowers, must rely on their own efforts. It defines a policy of "economic openness" that will ease Egypt, politically as well as economically, away from socialism. For the Arabs in general, it outlines a program of political and economic self-help, a program of dependence on what Sadat calls "intrinsic Arab power," that envisions the construction of an Arab nation able to compete on more equal terms with Israel. Sadat has already begun to act on many of the document's principles.

In his efforts outside the Arab world, Sadat is most immediately interested in using the Algiers nonaligned summit conference and the fall 1973 UN General Assembly session to put Egypt forward as a leader among the nonaligned nations. He also hopes to expand on the support Egypt gained for the Arab position at the UN Middle East debate last summer and to capitalize on the isolation he believes this debate brought for the US and Israel. More concretely, Sadat is attempting to consolidate existing relations with Western European nations and to expand his ties with smaller socialist states. In most cases, what he has sought is military equipment and economic assistance, but in all cases his ends are political as well.

The recent appearance of a contingent of North Korean pilots in Egypt is a prime example of this effort. Vice President Saafi and a military delegation are currently visiting China, North Vietnam, and North Korea to consolidate diplomatic relations and, undoubtedly, to seek further military assistance. Earlier efforts this year with the Chinese may have resulted in a relatively low-level training agreement and arms deal. Egypt's interest in better ties with China was highlighted by a recent, probably authoritative, Cairo editorial that pointedly compared China's border problems with those of the Arabs.

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Recently expanded diplomatic relations with West Germany and the enactment of measures to encourage Western investment in Egypt are also indicative of Sadat's interest in equalizing ties with East and West.

Inter-Arab Relations

More vital to Sadat, in terms of both Egypt's own position and that of the Arab world in general toward Israel, are his renewed efforts to achieve Arab unity but a selective unity of tangible, mutually beneficial cooperation that would give some substance to the otherwise elusive and unrealistic

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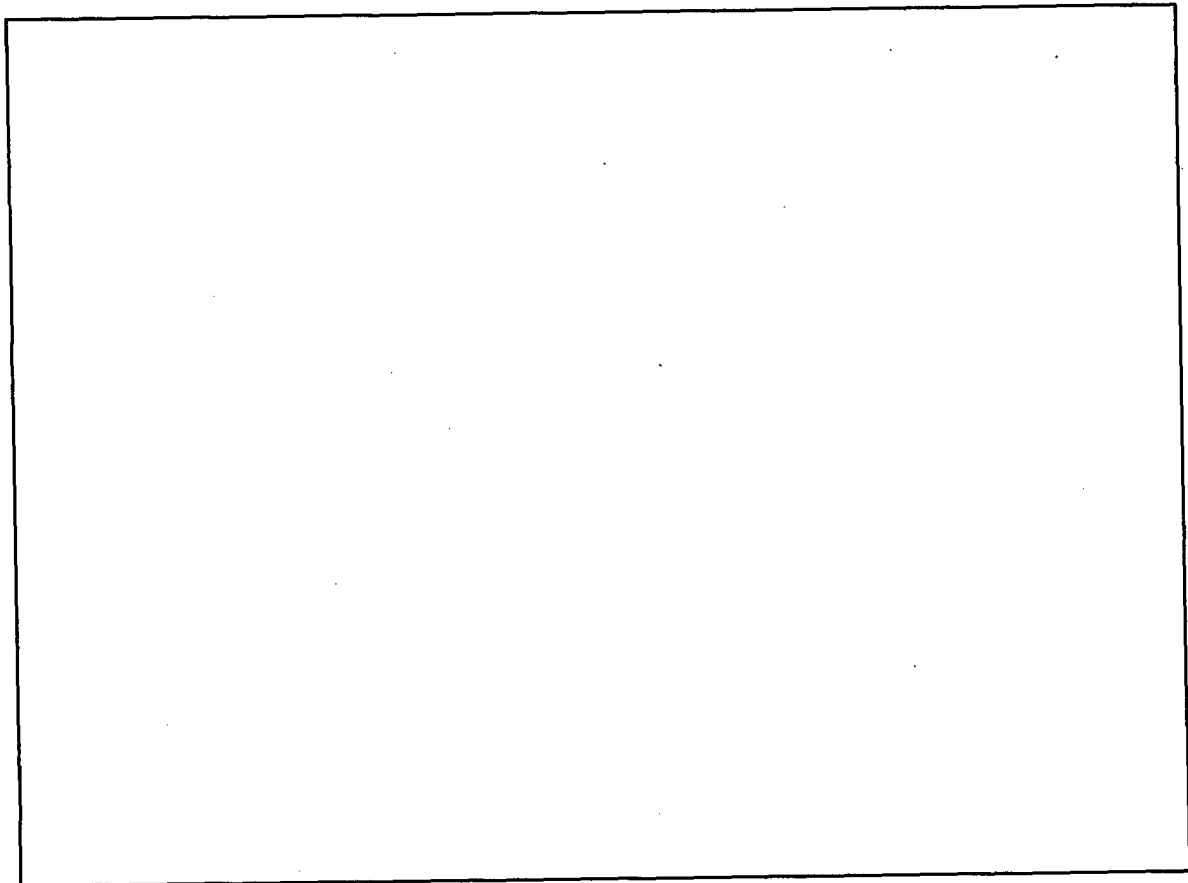
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goal of all-embracing unity. Sadat recognizes that full spectrum Arab unity is unrealizable, or available only on essentially meaningless terms. His latest effort is directed at the attainable. He is looking primarily east in the Arab world, toward the Persian Gulf oil producers and toward Egypt's sister "confrontation" states, rather than west, where the Maghreb states have no more than a peripheral, if vocal, interest in the Arab-Israeli conflict and where Libya, despite its wealth, is more bother than benefit. Sadat's efforts to give content to the ideal of mutual Arab collaboration do not specifically exclude any Arab state; they are simply concentrated on countries able to cooperate and willing to do so on terms he can accept.

His effort is double-edged. He sees in a truly collaborative "Arab nation" the political strength that would permit the Arabs to confront the US and Israel without relying as in the past on the USSR. He also looks to Arab economic cooperation as a means both of buttressing Egypt's own weakened economic situation and of strengthening its military capabilities.

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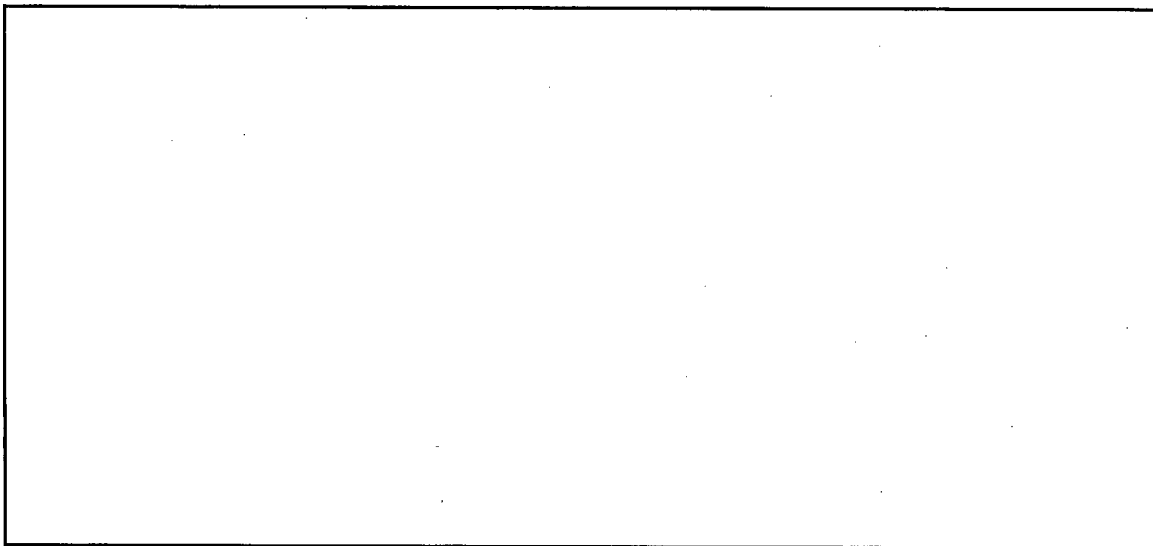
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Other matters are, for Sadat, more pressing: restoring diplomatic ties with Jordan to establish a working relationship among the confrontation states; using Arab capital to further inter-Arab economic projects, including even the Arab arms industry, whose establishment is envisioned in Sadat's draft policy document; and, most important, attempting to set the Egyptian economy on its feet. Each of these measures, Sadat feels, strengthens the Arab "nation" and, by the cooperative efforts involved, forges a substantive type of Arab unity in which each participating state has a stake. If his vision of using Arab capital to strengthen Egypt's economy is somewhat self-serving, he probably also believes--and hopes to convince his Arab benefactors--that a stronger Egypt means a stronger Arab front against Israel.

Domestic Policy

Sadat's renewed emphasis on domestic economic reform is motivated as much by political as economic concerns, and it is as significant for his foreign as for his domestic policy. Sadat has never been as enamored of Egypt's socialist philosophy as was its author, Nasir. He moved quickly after Nasir's death to eliminate some of its harsher manifestations, but he was hesitant to move decisively toward liberalizing the economy. The Egyptians have recently re-stated a series of economic reform measures intended to set the country on the non-socialistic course Sadat instituted but failed to pursue two years ago.

The measures include a further refinement of Egypt's system of multiple exchange rates, designed to attract additional savings from Egyptians living abroad and to increase tourist revenue. Efforts will be made to

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diversify Egypt's foreign trade ties, and consideration is being given to establishing a stock market to encourage the participation of private capital in quasi-public companies. In general, the program envisions the establishment of a better balance in Egypt's economic ties between East and West and the encouragement of greater private foreign investment.

In fact, many of the measures that have been portrayed as new are, after all, not new. There has been, for instance, a multiple exchange rate system for some years, and there have been laws on the books to encourage foreign investment. Many of the new measures are cumbersome and bureaucratic, and some increase rather than eliminate bureaucratic involvement in the private sector. The measures as they now stand require managerial changes that have not yet been evident in Egypt's economic planning, and there is still much of the hesitancy that characterized Sadat's initial moves toward desocialization two years ago. Sadat is clearly experimenting with a new economic approach, without definitely committing himself to it, in order to avoid foreclosing any options--in order, for instance, to keep both Libya and the USSR on the string while pursuing objectives that he and his new, conservative Arab benefactors believe desirable.

The program's political significance, however, is another matter. Together with the other measures for social liberalization that Sadat is contemplating, it constitutes the desocializing and essentially the further de-Nasirizing moves of a leader increasingly confident in his relations with many of the states, Western and Arab, whose help he seeks, and one who is increasingly assured of his domestic position.

Sadat is still not a popular, certainly not a charismatic, leader. He remains in office largely because there is no strong group in Egypt that wants to push him out. This is one among many reasons for his previous reluctance to pursue further the de-Nasirization program he began a few years ago and for his current emphasis on approaching the changes gradually. He has survived a number of crises, however--some of his own making--that would have brought down a less agile leader. He had not been in office for six months before he moved against a powerful group of rivals to establish his pre-eminence in the government, and he has moved slowly but consistently to remove other leftists of Ali Sabri's stripe. He has weathered repeated outbreaks of open dissatisfaction with the no-war/no-peace situation, caused sometimes by his own frequent empty pledges of imminent war. He has taken risks that Nasir would not have considered in moving toward negotiations with Israel. Having come through relatively unscathed, he is now more willing to take the greater risk of a more radical reorientation of his government's entire philosophy away from the path set by Nasir.

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Nasir's memory and Nasir's devotees will cause problems for Sadat, but he obviously believes that the problems, and the people, will be manageable. He is deliberately remaining aloof from the most petty of the squabbles that have developed over his de-Nasirization. Not the least of his problems is Libya's President Qadhafi, whose admiration for Nasir is well known and whose own admirers in Egypt are illustrious if not numerous. Chief among these is *Al-Ahram* editor Muhammad Hasanayn Haykal, who, alone among Cairo editorialists, openly advocated the "full and immediate" merger with Libya that was Qadhafi's consistent line. The failure of either man to push Sadat into a precipitate union is a measure of the self-confidence the Egyptian leader feels. Their lack of success will also serve to reinforce his confidence.

The Outlook

Where Sadat's new approach will take him and Egypt is problematic. It is clearly not assured of success. The pitfalls at home are many, the problems of generating effective Arab cooperation are stubborn, and the path of nonalignment is not necessarily a straighter way to Egypt's ultimate goal than was alignment with the USSR. Nevertheless, Sadat's experience with the Soviets appears to have taught him a pragmatism that has enabled him to set a course and a pace better suited to Egypt's capabilities.

Sadat's present undertaking is not the usual ephemeral effort to divert the Egyptian people by alternately promising war and peace. It is a candid admission that past policies have failed and an appeal for patience while new ones are tried. The new policies, by their heavy reliance on mutually advantageous cooperative efforts among the Arabs, avoid the illusory quality of past rhetorical calls for Arab unity; Sadat's refusal to follow through more than nominally with a patently ill-based Libyan union is indicative of his search for the substance rather than the mere form of unity. His policy is a frankly stated attempt to look toward the longer term. It promises neither war nor peace but, for the first time, it holds hope for achievements that have some chance of being realized.