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# The Middle East: Toward Geneva

1 [The Arab-Israeli talks on a peace settlement appear likely to begin in Geneva on 18 December as scheduled, although problems keep cropping up that could force a delay or impede the negotiations. As of Thursday, the two main Arab participants, Egypt and Syria, seemed set for the unprecedented encounter, having coordinated their strategy during President Asad's visit to Cairo early this week.]

1 [Egypt had been reluctant to start the talks before the troop disengagement issue was resolved, but finally decided to leave this to the Geneva discussions. Now, Israel is threatening to ignore the Syrians at the conference unless Damascus first releases a list of Israeli prisoners. Jordan remains undecided about whether to send delegates, despite the fact that in its initial stages the conference will not treat the Palestinian issue that the Jordanians find so troublesome. Many other details of the conference are still to be worked out, including the precise role of the UN, the composition of the various delegations, and, presumably the agenda.]

1 [As Secretary Kissinger tours the Middle East in the final days before the conference meets, all the parties are looking to him to resolve outstanding issues:

- Israel seeks some assurances on the return of prisoners held by Syria.
- Syria looks for some promise of progress toward a withdrawal from all Syrian territory occupied by Israel.
- Egypt wants a pledge that the troop disengagement called for in the cease-fire accord arranged in November by Secretary Kissinger will be the first item on the Geneva agenda.
- Jordan requires reassurance that the Jordanians rather than the fedayeen have the

right to bargain for the occupied West Bank of the Jordan River]

## Egypt on the Eve...

2 [Egypt announced last weekend, after a series of meetings with the US and Soviet ambassadors, that it would go to Geneva despite the breakdown in the disengagement talks between Egyptian and Israeli military representatives at Kilometer 101. The announcement came in the course of a lengthy government policy statement delivered by Deputy Prime Minister Hatim before the People's Assembly.]

2 [Hatim cautioned, however, that the Egyptians will have their "fingers on the trigger" to prevent Israeli "procrastination" and "treachery." He outlined three principles that will guide Cairo's policy at the conference:

- Egypt will not permit the conference to degenerate into the deadlock that existed before 6 October.
- Egypt will not bargain over Israeli withdrawal from all occupied territories or over Palestinian rights.
- Egypt believes that Palestinian participation in the conference will be a "firm expression by the international community of their legal existence" and a recognition of their rights.]

1 [The statement is little more than a reiteration of long-standing Egyptian policy and, despite its tough tone, permits the Egyptians some latitude in their dealings at Geneva.]

132 [Hatim devoted the majority of his address to domestic matters, adopting a business-as-usual attitude designed in part to redirect attention to the home front as Egypt begins a protracted period of negotiations. His presentation was probably also aimed at convincing the Egyptian people

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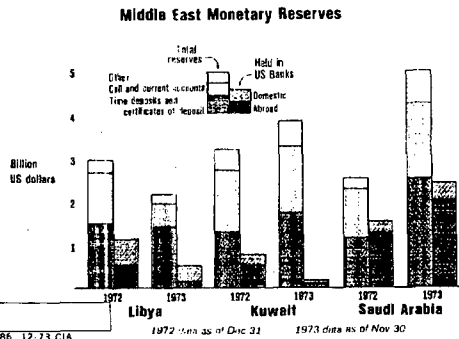
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**ARAB DOLLARS (9-12)**

Wealthy Arab states have not responded to the Arab League's call on 6 December to withdraw some of their holdings in US and West European banks to finance development projects in the Arab world. The bulk of Arab funds continues to be held in dollar-denominated deposits, primarily in Western Europe. Saudi Arabia, Kuwait, and Libya had failed to implement an earlier agreement to withdraw their assets from the US and to convert their dollar holdings to other currencies.

Arab reserve policies since the October war have been extremely cautious. To protect against a possible asset freeze by the US, the Arab states have shifted some funds to Western Europe without a loss of earnings. Kuwait and Saudi Arabia have reduced time deposit and bond holdings in the US as these investments mature. Sizable transfers in call account funds from New York banks to their European branches have also been noted.

Rhetoric to the contrary, Arab oil producers so far have not been willing to use money as a weapon. In fact, the strengthening



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of the dollar since the war has resulted in some movement of Arab money from other currencies into dollars.

Despite cutbacks in oil production, Arab monetary reserves will continue to grow rapidly because of rising oil prices. Domestic investment opportunities in the Middle East will not be enough to absorb more than a small percentage of oil revenues. The growing strength of the dollar and the low prices of US securities will make the US market particularly attractive for Arab investors.

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that their economic grievances will not be forgotten while the government concentrates on military preparedness and diplomatic negotiations. Hatim touched on government plans for virtually every sector of the economy, from foreign trade to the production of "popular furniture" for local consumption. He reiterated the plans for "economic openness" and "flexibility" that Cairo had strongly emphasized in the months before the war as a means of moving away from Egypt's socialist, Nasirist economic policies.

On 12 December, Egypt conducted a major military shake-up, removing Chief of Staff Shazli.

He had been credited with masterminding the 6 October attack but more recently was increasingly criticized for failing to exploit Egypt's initial military successes. Shazli has been replaced by General Gamasy, Egypt's chief negotiator at the Kilometer 101 disengagement talks. Among others replaced in the reorganization were the commanders of the Second and Third armies, probably for permitting the establishment of an Israeli presence on the west bank of the Suez Canal. Their replacements had been regimental commanders and leaders of the successful Egyptian crossing of the canal on 6 October.

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...And Israel

1 Prime Minister Meir's government will attend the opening session of the Geneva talks in the shadow of its coming parliamentary elections. Not prepared to make substantive decisions, Tel Aviv may still hope to arrange for immediate bilateral talks with Egypt on troop disengagement and with Syria on POW releases.]

2 The politically sensitive issue of Israeli POWs held by Syria is currently of great concern to Mrs. Meir and her associates. Defense Minister Dayan told the Knesset on 10 December that the government had decided to have no discussions with the Syrians at Geneva unless Damascus produces a list of prisoners and allows the Red Cross to verify that they are being treated in accordance with the provisions of the Geneva conventions. If Syria met these demands, Dayan continued, Israel would then insist that an exchange of POWs be the first item on the agenda.]

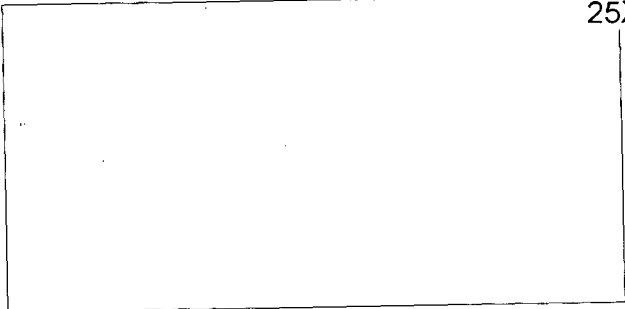
1 Israel holds 367 Syrian POWs and lists 102 Israelis as captured or missing on that front. Tel Aviv had earlier submitted formal complaints to the Red Cross alleging that Syria had murdered, tortured, or mutilated 42 Israeli POWs. This week, the Israelis submitted another formal complaint to the Red Cross charging Egypt with the murder and mistreatment of 28 Israeli POWs.]

NO QUIET ON THE FRONTS

1 With diplomacy now in the forefront, talk of war has abated somewhat, but forces on both the Egyptian and Syrian fronts remain poised for action. Deliberate cease-fire violations are a daily occurrence.] For three days running, for example, 2 Syria opened fire on Israeli engineering units reinforcing positions near the cease-fire lines.]

2 Egyptian forces on both banks of the Suez Canal continue their attempts to improve and advance their positions. In an apparent effort to keep tensions at a high pitch in advance of the

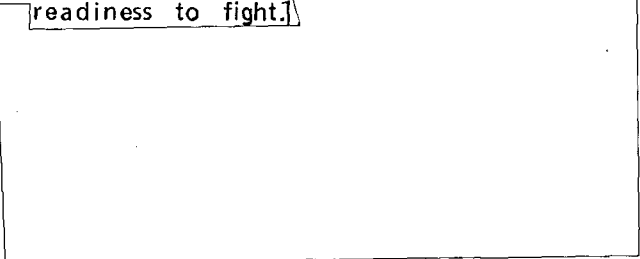
peace conference and to remind the Egyptian people that the army is still a viable force unwilling to let down its guard, Cairo media over the past week have even been repeating UN reports of Egyptian-initiated incidents in violation of the truce. These small-scale incidents are generating a daily influx to the hospital in Suez City of about 20 wounded Egyptian soldiers, most of whom are from the encircled Third Army.]



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1 The Syrians and the Egyptians are keeping their options open on whether to renew hostilities if diplomatic efforts bog down; meanwhile, they are maintaining at least the appearance of instant readiness to fight.] 25X1

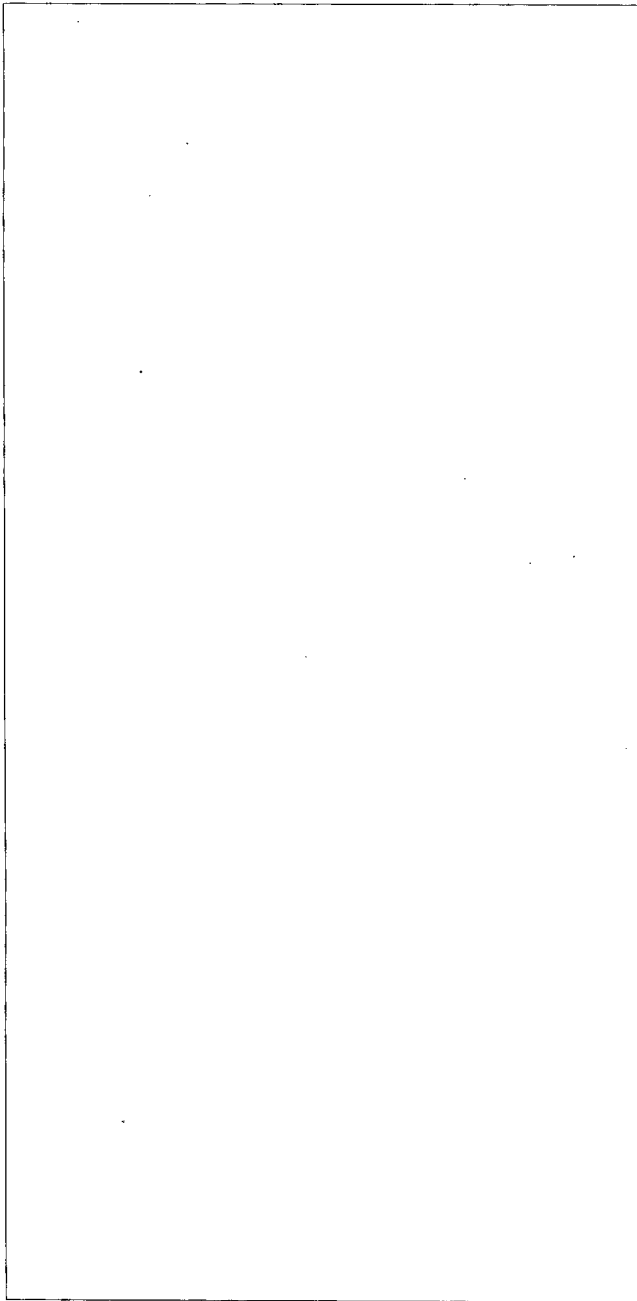


5, 6 In Egypt, news commentators persist in their strident talk of the inevitability of further fighting if Israeli "stalling" does not cease. In an

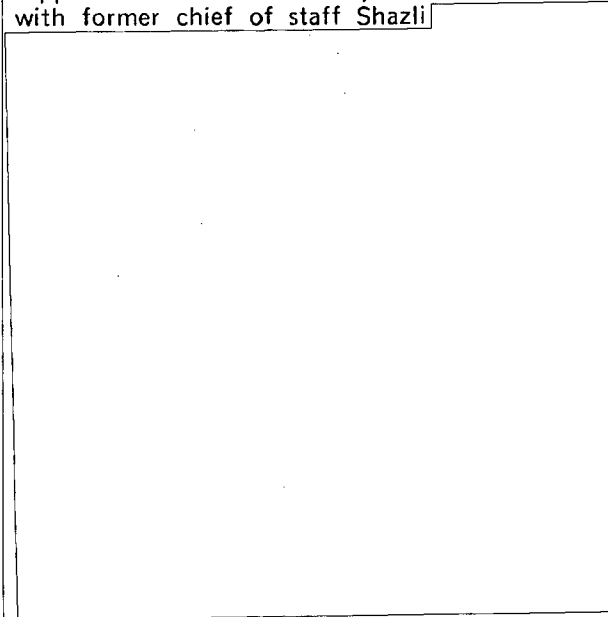
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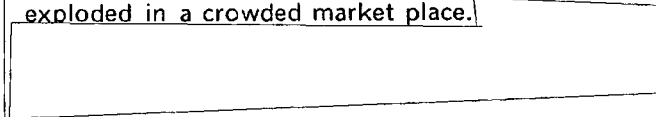


apparent effort not to seem to be softening, the Egyptian Government late last week deliberately suppressed a Western correspondent's interview with former chief of staff Shazli



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Meanwhile, on the West Bank of the Jordan, terrorism has increased markedly, and Israel has taken severe measures to counter the upsurge. The Israelis imposed a curfew in Nablus, the West Bank's major town, following an attack on the Israeli military governor. In addition, eight Arab residents of the West Bank—including a mayor—were deported to Jordan for alleged cooperation with Palestinian guerrillas. Demonstrations protesting the deportations have occurred in at least two villages during the week. On 12 December, the fifth terrorist incident in a week occurred in another major West Bank town, where a grenade exploded in a crowded market place.



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