

THE DIRECTOR OF CENTRAL INTELLIGENCE

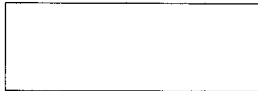
WASHINGTON, D. C. 20505

National Intelligence Officers

4 January 1977

MEMORANDUM FOR: Mr. Rick Inderfurth

Attached are five copies of the paper Dr. Brzezinski requested on the Middle East. It was prepared by CIA/DDI.



Richard Lehman  
Deputy to the DCI for National Intelligence

Attachments:  
As stated

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January 4, 1977

THE SITUATION IN THE MIDDLE EAST:  
THE ARAB PEACE OFFENSIVE\*

The principal developments in the Middle East over the past several months have been:

- the reconciliation of Egypt and Syria;
- the willingness of Saudi Arabia to break with its OPEC partners on oil pricing and to use OPEC as a forum for underscoring the necessity for progress on the Arab-Israeli dispute;
- the imposition of a more durable cease-fire in Lebanon;
- the resignation of Prime Minister Rabin and the scheduling of early national elections in Israel.

These developments have set the stage for the launching of a major Arab peace offensive led by Egypt and Syria and backed by Saudi Arabia. The Arabs have overcome the divisions in their ranks brought on by Syria's military intervention in Lebanon in March 1975 and they are now in a position to adopt a coordinated approach toward peace negotiations. They are prepared to press the US to reconvene the Geneva conference and to accept the participation of the Palestinian Liberation Organization in future negotiations. The key Arab states are seeking the creation of a Palestinian ministate comprising the West Bank and Gaza and are urging the PLO leadership to endorse this goal and to abandon their military strategy against Israel.

\* This memorandum has been prepared in CIA's Directorate of Intelligence. Any questions or comments may be directed to [redacted]

Rabin's resignation was a calculated gamble aimed at undercutting the challenge to his leadership from his principal rival, Defense Minister Peres, and at securing broader backing from the rank and file of the ruling Labor Alignment. Rabin will remain as the caretaker head of a minority government until the elections planned for May 17 and, in the interim, will not be able to commit Israel on substantive negotiating issues. Nevertheless, he is likely to strike a relatively moderate posture on negotiations and will be attempting to consult and coordinate negotiating strategy with the new US administration, partly with an eye to securing his own electoral victory. The Labor Party convention planned for February to select a prime ministerial candidate and the ensuing national elections are likely to be the most significant political developments in the Middle East in the coming months.

Against this background, several conclusions emerge about the prospects for negotiations:

- The Arabs will expect the Geneva conference to convene, with the Palestinians present, soon after the Israeli elections in May. Without a US or Israeli initiative on the Palestinian representation question, however, there is no prospect for negotiations at Geneva or in any other forum.
- If the representation issue is resolved, Israel and the Arab states would agree to reconvene the Geneva conference. Egypt and Syria probably could win Palestinian agreement to participate in a joint Arab delegation if that were acceptable to the US or Israel.
- PLO Chairman Yasir Arafat appears willing to settle for a truncated Palestinian state made up of the West Bank and the Gaza Strip.
- Rabin might agree to a ceremonial reopening of the Geneva conference before the Israeli elections, but only if the Palestinians were not invited to attend at that stage.
- If Rabin remains as prime minister after the elections, he will have slightly more leeway in negotiations. If Rabin is unseated and a national unity government is formed, progress in negotiations will be more difficult.

- Neither the Arabs nor the Israelis are presently prepared to make significant concessions on fundamental issues in any new round of peace talks, but this does not preclude movement on some questions that previously appeared intractable. Significant substantive progress would require massive participation in the negotiating process by the US.
- A continuing stalemate in negotiations would lead to an estrangement between the US and Egypt and Syria. Saudi Arabia is coordinating its actions with the Arab confrontation states, and is likely to increase the price of its oil in 1977 if no progress is made in peace negotiations. Saudi Arabia almost certainly will not take direct action, such as an embargo, against the US during the coming year.
- Even with a stalemate, the Arabs are not likely to initiate the next round of military hostilities during 1977. Egypt's military supply problems and Syria's involvement in Lebanon have increased Israel's military advantage, which has grown still further since 1973.
- The USSR will continue to press for a Geneva conference, where it believes it can best promote its own interests. The Soviets will follow the Arab lead on substantive and probably on procedural issues related to negotiations.

## DISCUSSION

The principal Arab states, having overcome the paralyzing divisions produced by the Egyptian-Syrian quarrel over Sinai II and Syria's intervention in Lebanon, are now in a position to apply effective diplomatic pressure for an early reconvening of the Geneva conference. Egypt and Syria, backed by Saudi Arabia, have achieved a coordinated negotiating strategy that they should be able to maintain through the summer of 1977 and probably beyond. There is no likelihood that Egypt, Syria, or Jordan will break ranks to attempt separate negotiations with the US and Israel, nor does there appear to be any substantial danger that the main Arab confrontation states, singly or in combination, will go to war in 1977 to achieve their territorial goals.

The Egyptians are fueling high expectations of diplomatic movement in 1977, and are attempting to marshal as much Arab and international support as possible to press the US and Israel to resume serious, comprehensive peace negotiations. Although there are fundamental constraints on the flexibility of the Arabs, their strategy in the coming months will be to project an image of reasonableness on such key issues as the future of a Palestinian state, the end to the state of war, and oil pricing. Despite lingering mutual suspicion, Presidents Sadat and Asad are likely to be able to maintain sufficient unity both to resist any pressures to resume the step-by-step negotiating process in lieu of Geneva and, perhaps, to sell previously unpalatable positions to their Arab colleagues, at least on matters of procedure and implementation.

Asad has learned from the confrontations of the past year that Syria's interests are best served when it works in harmony with Cairo and Riyadh. By winning their endorsement of Syria's prominent role in Lebanon at the Riyadh and Cairo summits, Asad ended Syria's diplomatic isolation and eased the financial burden of its Lebanese campaign. Reconciliation with Cairo also paid off in reduced domestic tensions and

prepared the way for what Damascus believes will be further substantial financial assistance from conservative oil states. Sadat, in turn, learned that he could not challenge Asad so long as Asad has Saudi backing and that he could not lead in formulating pan-Arab strategy without the support of both Syria and Saudi Arabia.

Should negotiations reach a stalemate because of US or Israeli positions, there would likely be no disruption of Egyptian-Syrian coordination. Instead, failure to achieve whatever the Arab side considers substantial diplomatic progress by the end of 1977 almost certainly would lead to an estrangement between the US and both Egypt and Syria, to Saudi support for further oil price increases, and to renewed Arab preparations for at least a limited war to achieve their political objectives.

#### Preparing for Geneva

Both Egypt and Syria have called for a resumption of the Geneva conference by March. The Egyptians probably do not intend that this date should be taken literally, but propose it to underscore the seriousness and urgency of the Arab peace offensive. The Syrians privately are almost certainly even more skeptical than the Egyptians that rapid movement is possible; Asad has a less optimistic appraisal than Sadat of the limits of Israeli flexibility and the extent to which the US is able to influence Israel.

Nevertheless, the key Arab leaders will expect some immediate movement toward the convening of a Geneva meeting soon after the Israeli elections planned for May 17, regardless of their outcome. A particularly important juncture may come at the next OPEC ministers meeting scheduled for July. If by then the Saudis are disappointed with the US response on peace negotiations, they probably will go along with the 10-15 percent oil price hike demanded by most other OPEC members. Hence, the first six months of 1977 will be a critical period during which the Arabs will not necessarily demand substantive progress, but will be seeking signals

from the new administration that it will not perpetuate a negotiating stalemate through this year.

The commitment of Egypt and Syria to a "peace offensive" does not mean they will be more flexible on substantive matters if negotiations in Geneva should resume. Both countries probably now have a realistic appreciation that any comprehensive negotiations will be protracted, and Asad apparently now shares Sadat's willingness to discuss the end of the state of war with Israel. Neither leader, however, is currently prepared to reach a peace settlement as defined by the Israelis, one that would include diplomatic recognition, commercial intercourse, and an end to hostile propaganda. The Arabs' overall negotiating goals still are Israel's withdrawal from the territory occupied in 1967 and the restoration of Palestinian national rights.

Although Asad and Sadat differ in their interpretation and willingness to make sacrifices for Palestinian "national rights," both appear agreed on the ultimate goal of creating a Palestinian ministate on the West Bank and Gaza, and on the current need to find a formula for including the Palestinians in the negotiating process. Without a resolution of the issue of Palestinian representation at Geneva, there is now no prospect that any of the Arab confrontation states will alone, or in combination, negotiate for territory. Sadat cannot risk negotiating a third Sinai agreement without Syrian and Saudi endorsement--which is unlikely unless there is concurrent movement on a Golan agreement--and Asad, despite his quarrels with the Palestinian leadership, maintains that the question of returning Syria's Golan territory is bound with the Palestinian issue.

For the moment, Egypt is on record as proposing that the Palestinians should have a separate delegation at Geneva. There is little doubt, however, that Cairo would endorse Syria's recently announced preference

for a single, joint Arab delegation. Arafat, who privately has long been willing to go to Geneva if invited on acceptable terms, would be hard pressed to reject a formula acceptable to Syria and Egypt.

At Geneva

It is unlikely that there will be rapid or significant progress in negotiations this year even if the Geneva conference is reconvened. We see no signs that the principal Arab states or Israel--despite the "peace initiatives"--are now prepared to make the new concessions that would permit such progress. In addition, it is virtually certain that wrangling over procedural issues and public posturing by both sides would continue and delay progress at Geneva. Nevertheless, we consider that neither the Arabs nor the Israelis believe it to be in their interest to force--or to be held responsible for forcing--the collapse of negotiations as long as talks on substantive issues are proceeding.

The negotiating circumstances at Geneva most conducive to sustained, serious talks, and least susceptible to breakdown over relatively superficial issues, probably would include the early abandonment of plenary sessions in favor of several small working groups. These might provide for bilateral talks between representatives of Israel and each of the Arab states, or for the discussion by small groups in which all parties were represented on different aspects of the general settlement problem, such as territorial withdrawals, demilitarization, guarantees, verification, the boycott, propaganda, and the role of the United Nations and the US. Discussing a range of issues in a variety of forums would not necessarily speed progress on all issues, but it probably would allow progress to be made on some, and would at least delay failure and the perception of failure.



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Although the procedural issue of Palestinian representation must be resolved to permit the Geneva talks to proceed, such a resolution would not assure progress on the substance of the Palestinian and West Bank issues, including the intractable Jerusalem problem. Syria would press Palestinian claims vigorously, but tie progress on Palestinian and West Bank issues to the return of Syrian territory occupied by Israel. For its part, Jordan would be neither interested nor capable of moving ahead of Syria in negotiating a solution to the West Bank and Palestinian problems, even if Israel made an attractive offer.

### The Palestinian Problem

The major problem for Egypt and Syria will be to force the Palestinians to accept formally a truncated state comprising the West Bank and Gaza and coexistence with Israel. The repair of the Egypt-Syria rupture has reduced Arafat's room for maneuver and sharply reduced his potential for disrupting any negotiating strategy agreed upon by the key Arab states. The complexities of Egyptian-Syrian-Palestinian relations will tend to limit the pressure on the PLO and lead to disputes between Egypt and Syria over the degree to which either should exert control over the Palestinians.

Arafat is not yet in a position to deliver the entire Palestinian movement on Egypt and Syria's terms. But the debacle suffered by the Palestinians in Lebanon apparently has led him to conclude that the PLO should moderate its political stance, at least on the surface, as a means of deflecting pressure from Sadat and forestalling Asad's efforts to replace him with a pro-Syrian leader. Arafat  would accept a Palestinian state in the West Bank and Gaza, and his position has been publicly echoed by other Palestinian spokesmen.

Arafat's goal in the coming months will be to achieve a united Palestinian position to present to the various parties to the Geneva conference. Recent discussion of forming a government-in-exile--a move long

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urged by the Egyptians--is one indication of this, as is the call for a session of the Palestine National Council. Arafat, however, will continue to meet stout resistance from the various fedayeen "rejectionists" and bickering among the disparate factions is likely to preclude a unified Palestinian position. Nonetheless, complete unanimity among the Palestinians is not a necessary precondition for their participation in the peace process. Arafat still speaks for the majority of the Palestinians and Sadat and Asad are likely to lean heavily on the PLO leadership to support him.

Asad would prefer to replace Arafat with a leader more amenable to Syrian influence, but there is no other leader who could hope in the short run to exercise a comparable degree of authority over the Palestinian movement. In the meantime, Syria will work to undermine the rejectionist fedayeen movement. Much of the recent fighting in Lebanon is the result of the efforts of Syrian forces or Syrian-backed PLO elements to weaken the rejectionist groups' military capability and to arrest or assassinate some of their leaders.

Coordination of negotiating strategy between the PLO and Egypt and Syria has barely begun and will be a complex, quarrelsome process. The outcome, however, is likely to be influenced by two major lessons the moderate Palestinians have learned from the Lebanese civil war:

- none of the key Arab states is going to sacrifice its national interests by backing maximum Palestinian goals or endorsing fedayeen radicalism;
- Syria's prohibition of cross-border operations from Lebanon has forced the Palestinians to abandon a military strategy against Israel in favor of negotiations for the return of a portion of Palestinian territory.

This does not mean that some Palestinian elements will not continue to oppose negotiations by continuing to attempt terrorist acts against both Israel

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[REDACTED]

and the conservative Arab states. Nor does it mean that Palestinian irredentism has been curbed; Arafat and other so-called moderates doubtless are willing to settle for a small state now because they believe that long term demographic trends are in their favor.

### The Other Arabs

However discomfited the Palestinians may feel in going along with the conservative Arab states, they will receive no effective support from the more radical Arab states such as Iraq and Libya. Both are against negotiations, but they are effectively isolated from the Arab mainstream and could do little diplomatically to disrupt the negotiating process.

Libya's President Qadhafi may have been chastened by the Egyptian military buildup on his border, and no longer appears to be attempting to subvert Sadat. Iraq is, however, actively working to undermine the Asad regime, and Iraqi-sponsored subversion teams are likely to pose a continuing danger to Asad. Indeed, the assassination of Asad or the loss of Sadat would at least disrupt and possibly end any early progress toward comprehensive negotiations.

Next to Egypt and Syria, Saudi Arabia will play the most important role in the Arab peace offensive. The willingness of the Saudis to risk undermining the long-time Saudi political goal of OPEC unity is in part a result of the peace offensive of Egypt and Syria. The Saudis have worked [REDACTED] to ease Egyptian-Syrian differences and to help bring about a tenuous peace in Lebanon. They believe the Egypt-Syrian peace initiative has a real chance--provided the new US administration cooperates. They think their action to hold down prices has created an obligation on the part of the US to understand and cooperate with Arab efforts. The Saudis' action was not solely motivated by their desire to support and encourage the peace offensive; they also hoped to prevent an unfavorable US response in other areas affecting Saudi interests, specifically with regard to antiboycott measures and arms sales.

Nonetheless, the net effect of the Saudis' action is to underscore the fact that they can provide the financial leverage to support Egyptian and Syrian diplomatic pressure. Egypt and Syria can expect the Saudis to back them with a further rise in oil prices if Riyadh concludes this is necessary to spur the negotiating process. The Saudis almost certainly would take such a step although they probably would not take direct action--such as an embargo against the US--in 1977. Moreover, they would continue to exercise some restraint on future OPEC price rises, primarily because they fear the effects of a very large price hike on Western political and economic stability.

Jordan's role in the peace offensive will be largely limited to supporting Egypt and Syria [redacted]

[redacted] King Husayn can take no territorial negotiating initiatives on his own, and he is unlikely to contest adherence by Egypt and Syria to the Rabat summit resolution of 1974 that empowered the PLO to negotiate the return of the West Bank.

Jordan's role will become important only when negotiations are underway on the formation of a Palestinian state. Jordan's Palestinian connection is a major reason for its diplomatic importance and the roughly one million Palestinians in Jordan comprise the largest single group of expatriate Palestinians anywhere in the area. King Husayn is likely to continue to seek some form of confederation or other close political association with a new Palestinian state, either with Jordan singly or with the Eastern Front Arab states--Jordan, Syria, and Lebanon.

President Sadat's recent suggestion that any future Palestinian state be linked with Jordan is not necessarily indicative of an Arab intention to press for such an arrangement once negotiations begin. This is not a new idea with Sadat. In an effort to facilitate peace negotiations in 1974, Sadat urged the PLO to allow Jordan to negotiate with Israel for the return of the West Bank, on the understanding that the territory

might be turned over the Palestinians as an independent state or a semiautonomous region linked to Jordan. This proposal was defeated at the Arab summit in Rabat in 1974 and Sadat is unlikely to push for a reversal unless he can secure the cooperation of Syria in forcing the Palestinians to accept something less than full independence.

The leaders of Egypt, Syria, and Jordan are likely to consult frequently in the coming months, but they are unlikely to give a concrete form to their joint approach by pushing a formal Egyptian-Syrian merger or a Syrian-Jordanian confederation. The plans for eventual unity between Egypt and Syria announced on December 21 at the close of Asad's visit to Cairo will probably never come to fruition. The announcement was intended to underscore to the US and Israel the two countries' determination not to be divided again on Middle East negotiating tactics. Moreover, Asad's desire to strengthen relations with Egypt in preparation for a new round of peace negotiations has led him to mute further talk of federation with Jordan. It is now apparent that Asad and Husayn are more interested in fostering a strong political alliance than in establishing a formal union.

#### The Situation in Israel

With a national election now set for May, the Israelis will press for a postponement of serious substantive negotiations until at least midsummer. To give the impression of flexibility and to bolster the Labor party's chances at the polls, however, Prime Minister Rabin might welcome an earlier ceremonial reopening of the Geneva peace talks, provided only the original participants were invited.

Rabin, in fact, is depending on participating in pre-Geneva consultations with the US and hoping for an early meeting with President-elect Carter to help bolster his domestic position. His [redacted]

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[redacted] action in forcing an early election was taken in hopes of forestalling a challenge to his party leadership by Defense Minister Peres and of arresting the growing strength of the new moderate party headed by former chief of staff Yigael Yadin.

For the moment, Rabin has succeeded in throwing Labor's domestic opponents off balance and forcing Peres to reassess his chances of unseating him. The outlook for Labor and Rabin, however, is anything but clear. The last opinion poll, taken just before Rabin ousted the National Religious Party (NRP) from his coalition cabinet, showed a high degree of voter dissatisfaction with both the Labor Alignment and the opposition Likud bloc. Nearly 50 percent were undecided or considering abstaining.

Much is likely to depend on whether Rabin is able to stave off or win a contest with Peres for the party leadership when Labor holds its convention in late February. If the prime minister succeeds in rallying the party around him, he will probably seek a moderate party platform plank on Middle East peace negotiations --sufficiently vague to mollify party conservatives, yet conciliatory enough in tone to satisfy Labor doves and Labor's longtime left-wing coalition partner Mapam.

Mapam leaders have been threatening for months to break with Labor and run their own slate of candidates in the next election unless Labor adopts a more explicitly dovish position on peace negotiations. They are pleased with Rabin's break with the NRP and are probably ready to support him if Rabin makes some reassuring gesture. Should Peres defeat Rabin, however, Mapam would almost certainly split with Labor.

By adopting a moderate stance, Rabin probably also hopes to stem the drain in Labor's popular support to Yigael Yadin's new Democratic Movement party. Historically, new parties have not fared well in Israel, but there seems to be a greater fluidity in the

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the electorate this time that Yadin is hoping to capitalize on. Unless Labor and the Likud bloc can somehow turn the situation around, some observers believe Yadin's list could pick up from 12 to 25 seats, putting Yadin in a pivotal role in the formation of the next cabinet.

The Labor party also faces the prospect of a stronger Likud bloc if the National Religious Party decides to align itself with Likud. At present, the NRP's moderate old-guard leadership would be reluctant to establish more than a tactical working relationship with Likud, but the militant and influential youth faction is likely to press hard for a formal alliance--possibly even a merger of the two groups--especially if Rabin begins to falter.

Should Rabin's gamble pay off in spite of all this and Labor emerge from the election marginally stronger or at least no weaker, Rabin would feel he had a negotiating mandate. This does not mean he would necessarily be any more receptive than now to full PLO participation in the peace talks, only that he would have more room to maneuver on this and other issues where he differs with Israeli hawks.

If his strategy backfires, however, after the election Labor could be forced to accept a national unity coalition government led either by Peres or by Likud leader Begin. Such a government would find it even more difficult to negotiate with the Arabs, and would be inclined to take more rigid positions, especially on West Bank territorial concessions. This would probably destroy any prospects for further progress toward further agreements.

#### Moscow's Perception

The Soviets remain concerned that they will again be excluded from Middle East peace talks and that the United States will be able to score another breakthrough, resulting in a further decline in Soviet prestige in the area. They are thus anxious to stress the

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utility of their participation in such talks and to keep proposals constantly open for renewal of the Geneva conference, which they consider the best forum in which to promote Soviet interests.

The Soviets have used two methods to underscore the necessity of their involvement in peace talks. The first has been direct and diplomatic--renewed calls for a Geneva conference combined with hints of flexibility concerning such a conference. The second has been to increase Soviet involvement with antisettlement forces in the region, specifically Iraq and Libya. A variety of motives is at work in each of these relationships, but the common element is that they provide proof of a Soviet presence in the Middle East--a demonstration that the USSR must not be ignored as a force in the area and that it retains the ability to undermine stability. The Soviets will continue to be handicapped by the fact that they do not have the capability to strongly influence either the direction or result of peace negotiations.

The Soviets are likely to follow the line of the confrontation states as it develops in the coming months, but will remain several paces behind the Arabs. On the substance of peace talks and even on matters of procedure such as PLO participation, the Soviets are unable to urge either concessions that might alienate their more radical Arab clients, or rigid positions that might brand them as obstructionists in the eyes of those Arab states that seek a settlement.

Over the longer term, the Soviets may anticipate that if a Geneva conference does convene, the prospects for a peace settlement will still be highly questionable, and that the failure of such talks could work to Soviet advantage. They may reason that the United States could then be made to bear the principal onus for failing to deliver to the Geneva talks an Israel flexible enough to meet minimum Arab demands. They may calculate that US prestige throughout the Arab world would then decline, and that opportunities for an improvement in the weak Soviet position in the region might increase.

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## ANNEX A

## CONSTRAINTS ON THE ARAB STATES

Although the key Arab states are not in a position to maintain a relatively united front, there are a variety of constraints operating that will inhibit their performance and could produce at least some cracks in their unified facade. Sadat, for example, is under great political and economic pressure to secure progress in negotiations, but his credibility among the Arabs was so damaged by the second Sinai agreement in 1975 that he has lost some of his influence in Arab councils and is not able to press positions with which the other Arab states disagree.

Asad, although strengthened by his successful handling of the Lebanese crisis, faces potentially serious opposition at home that may prevent him from playing an innovative role in the negotiating process. The situation in Lebanon itself is still so unstable that Syria might again take steps that would alienate the Saudis and Egyptians. The still uncertain Lebanese-Palestinian relationship and the Palestinians' internal problems will complicate the process of coordinating the negotiating strategy of the Palestinians with the other Arabs.

Finally, there are external factors that could adversely affect Arab coordination. For example, the passage of strong antiboycott legislation in the US Congress could both contribute to Arab rigidity and prompt the Saudis to support higher oil prices without reference to Egyptian and Syrian desires to link the oil issue to progress in peace negotiations.

Sadat's Position

The two disengagement agreements following the 1973 war brought widespread anticipation in Egypt that a respite from preparations for war would give the government time to concentrate on revitalizing the economy. President Sadat encouraged these hopes, but in the intervening period the lot of the average Egyptian has declined. Strikes and demonstrations are more frequent, and political agitators

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are effectively exploiting economic problems to stir up further discontent. Even the military establishment, the government's chief prop, is increasingly affected by the economic squeeze, and there is evidence of further, and more serious, grumbling among the military over Egypt's declining military capabilities.

Sadat's opposition is not well organized or united, and there is probably no danger of his being overthrown by revolutionary activity at least through the end of this year. But his position will become increasingly tenuous--and the threat of a move to overthrow him will rise markedly--if there has been no visible improvement in the economic situation or some substantial movement in peace negotiations by the end of 1977. Progress toward a peace settlement would reinforce Sadat's credibility, lessen the military's urgency about securing new sources of arms, and divert popular attention from economic grievances.

#### Asad's Problems

President Asad has emerged from the Lebanese crisis in a strong position at home and within the Arab world. Yet the nearly successful assassination attempt on Foreign Minister Khaddam and the discovery last month of a coup plot, allegedly involving over 100 junior army officers, are reminders that he still faces some potentially serious problems growing out of Syria's military intervention in Lebanon.

A high rate of inflation (near 30 percent), basic commodity shortages, and the growth of official corruption have also caused widespread popular dissatisfaction. In addition, Asad has had to contend with an increase in Iraqi-inspired sabotage and subversion and a resurgence of sectarian hostilities and of factionalism within his own power base, the Alawite Muslim sect.

It is difficult to determine the degree of slippage in Asad's support within the Alawite community and the army. Fragmentary evidence suggests that his opponents, individually or in any likely combination, are still too weak to pose a strong challenge to Asad or to shake his

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determination to pursue negotiations with Israel. Indeed, Asad's reconciliation with Sadat and other moves to strengthen Syria's negotiating position seem designed to keep his domestic opponents off balance.

Assassination is still a possibility. Asad's death would, at a minimum, disrupt Syria's participation in peace negotiations until a new leadership became established. At worst, it could result in Syria's complete withdrawal from peace talks and its realignment with the Arab radicals.

#### The Situation in Lebanon

The Lebanese cease-fire agreement worked out by the principal Arab states in Saudi Arabia in mid-October and backed up by some 30,000 Syrian peacekeeping troops offers the first real hope of an end to the fighting. None of the combatants is in a position to resume major hostilities, and most have grudgingly accepted the mandate Syria received at the Arab summit to impose a truce. Nevertheless, the prospects for a permanent resolution of the conflict appear bleak unless there is some tangible progress in broader Middle East peace negotiations.

The Lebanese civil war was largely precipitated by the pressures exerted on Lebanon's delicately balanced political system by the emergence of a Palestinian state within a state, and there will be no permanent settlement of the quarrels between Lebanese Muslims and Christians until there is a substantial exodus of fedayeen from Lebanon. Despite their acceptance of the cease-fire agreement, the Lebanese Christians--who hold the key to a durable peace--are convinced as a result of the war that they can no longer co-exist with the large Palestinian community in Lebanon, and that they cannot afford to make major concessions to any Muslim group that is a real or potential ally of the Palestinians. Under pressure from the Syrians, the Christians will probably continue to abide by the truce and enter into settlement talks; however, their fundamental distrust of the Palestinians almost certainly will preclude anything other than a Syrian-monitored modus vivendi.

As long as the Syrians continue to receive financial and political support from the other Arabs for their presence in Lebanon, they probably will be able to enforce the peace throughout most of the country. Because of Israel's sensitivities, however, they have not been able to establish effective control over southern Lebanon, where there are continuing tensions between Christians and Palestinians and growing numbers of radical fedayeen.

The new Lebanese government will continue to look to the US for assurances that Israel will not intervene on a large scale in the south, and for US help in finding an acceptable formula for sending peacekeeping troops into the area. In a broader sense, all Lebanese have come to see a direct link between resolution of their internal problems and the Palestinian question and they will expect US policy to reflect concern for their problems. Lebanon wanted to attend the Geneva talks when they were first convened, and Lebanese and other Arab leaders are again considering proposing that a Lebanese delegation go to Geneva.

## ANNEX B

## MILITARY BACKGROUND

Israel has increased the margin of its military advantage over its Arab adversaries since the October 1973 war, and is expected to retain military superiority over the next five years (see excerpts below of the Principal Judgments of NIE 35/56-1-76, Middle East Military Balance (1976-1981), August 1976). Contributing to the current favorable Israeli military position are a) Egypt's serious military supply problems resulting from its breach in relations with the Soviet Union and b) Syria's military involvement in Lebanon.

Largely as a result of the USSR's failure to replace Egypt's 1973 war losses completely and the sharp reduction in Soviet deliveries of weapons and spare parts in 1975 and 1976, Egypt's military capabilities have steadily declined over the last three years. As a consequence, and as a result of Israel's substantial military buildup and modernization program since the war, Egypt is unlikely to be able for the next several years to wage war against Israel as effectively as it did in 1973. Egypt will, however, still be able to mount a strong defense against an Israeli attack or sustain offensive action for a few days to achieve limited objectives in the Sinai.

It is likely that Sadat would not be ready, [redacted] militarily, to open hostilities this year if he lost hope of early progress in negotiations, and he would use many devices in 1978--resorting to the UN Security Council, for instance--to resist pressure for war. But he will have fewer devices, less flexibility, and less reason to expect results from negotiations in the future if they do not produce results in the near term. Thus, he could be led in these circumstances to take the risks involved in starting a war that might again spur progress toward peace talks.

Syria has committed the equivalent of two of its five divisions to operations in Lebanon. In addition, Damascus remains concerned over potential Iraqi military

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action against Syria because of friction with Baghdad over Syrian actions in Lebanon. As a consequence, Syrian forces deployed on the Golan sector have been spread thin. Until Lebanese forces are rebuilt and become capable of playing an effective internal security role, Syria will be extremely vulnerable to Israeli military action. A tacit understanding that allowed Syrian units to remain in Lebanon after their peace-keeping role is ended would pose new military problems for Israel. Over time, as Syrian units became entrenched in Lebanon, Israel would have to divert substantial military resources to counter a potential Arab threat from that sector. Coupled with continued improvements in military cooperation between Syria and Jordan, Israel would confront a more formidable threat on its eastern front.

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Principal Judgments of August 1976 Estimate of Middle East Military Balance

Israel has increased its margin of military superiority over its Arab adversaries since the war in October 1973. If hostilities were to resume in the near future, Israel would have a decisive advantage over the Arab forces. Israel is expected to retain military superiority over the next five years.

Despite Israeli superiority, we cannot exclude the possibility that the Arabs might accept the high risk of defeat and renew hostilities in order to achieve compensating political benefits. Israel, therefore, faces the possibility of war throughout the next five years.

The military advantage of Israel over the Arabs is due more to qualitative factors than to the weapons or weapons technology available to its forces.

--Israel's advantages over the Arabs in leadership, training, and the quality of manpower will remain manifest in the Israelis' superior ability to improvise, their skill at accomplishing military tasks, and their motivation.

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--Israel has increased its readiness levels, has upgraded its intelligence warning systems, and has fine-tuned its mobilization system, thereby further contributing to its advantage over the Arabs, whose efforts in these areas have been slow and uneven.

--The emphasis in Israeli military plans and doctrine on forces with high mobility and flexibility is likely to enable Israel to maintain its advantage over the relatively static and inflexible Arab forces.

--But even quantitatively, Israel is improving its stance relative to its Arab opponents.

Israel's inventories of key weapons will grow substantially between now and 1981 if it receives all or a large percentage of the military equipment requested from the United States. Arab inventories will also grow, but the increases are likely to be constrained by, among other things, limited technological resources, problems with arms suppliers, and, for some states, a scarcity of financial resources.

Both Israel and the Arabs will remain almost totally dependent on foreign suppliers for military equipment, but this factor would work far more to the disadvantage of the Arabs than Israel. The latter could fight and win any likely conflict of about four weeks' duration without foreign materiel support because of its large stocks of military supplies. Conversely, Arab forces, because of logistic weaknesses, would be hard pressed to fight a war of such length without foreign support.

In a renewed Arab-Israeli conflict, the peripheral Arab states are capable of contributing greater forces than in 1973, but they would still not significantly affect the outcome.

The Soviet Union's first and most likely option for supporting the Arabs in a major Arab-Israeli war would be a swift and massive resupply. Such a war almost certainly would be too short for the Soviets to

introduce militarily decisive forces. Although the Soviets would have to weigh the risks carefully, they might choose to dispatch Soviet-manned tactical air and air defense forces, and they could also bring in light, airlifted ground forces. Introduction of ground forces capable of having a significant military impact, however, would be feasible only over a period of at least several weeks because of the limited availability of heavy airlift. The presence of Soviet forces would have important political and psychological effects, but their dispatch would be inhibited by the possibilities that the Israelis would attack them and that the US would also intervene. It is conceivable that the Soviets could take steps prior to hostilities, such as prepositioning heavy equipment in the Middle East, that would enable them to deploy large ground forces more rapidly. There is no evidence that the Soviets have done this.

All the four confrontation states (Israel, Egypt, Syria, and Jordan), are attempting to strengthen their arms industries. Israel has a long lead over the Arabs in this process. However, in the period of the Estimate, both sides will remain heavily dependent on outside support. Although the economic outlook is favorable as long as peace is maintained, Israel will need foreign assistance to cover its military purchases and the Arab states will require foreign support to meet both military and civilian needs.

In a series of analyses of hypothetical interactions based on current Arab-Israeli military forces and capabilities, we conclude that:

- Any Arab attempt, particularly by Syria alone, to engage Israel in sustained low-level conflict over the next few years would probably result in considerably higher Arab than Israeli casualties and run a high risk of a massive Israeli reaction leading to rapid Arab defeat.
- Israel could defeat Syria in any conflict that developed as a consequence of Lebanon.



- If Israel launched a preemptive attack on Syria, it could destroy the bulk of the Syrian army in about one week. If Syria preempted, the outcome would likely be approximately the same.
- Israel also is capable of countering a coordinated Egyptian-Syrian attack and defeating both armies in about two weeks.
- Even if the Arabs launched a coordinated, multi-front offensive, Israel would be capable of defeating their combined forces in two to three weeks, although its ability to maneuver at will and eliminate the military strength of its opponents would be impaired.

## ANNEX C

## ECONOMIC VIABILITY OF A PALESTINIAN STATE

An autonomous Palestinian state consisting of the West Bank and the Gaza Strip would not need substantial subsidies to maintain current living standards unless a large inflow of immigrants took place or Israel's economy were close to West Bank workers.

At the present population level of 1.3 million and with access to the tight Israeli labor market, which provides employment for nearly half of the labor force, an independent Palestinian state could maintain current living standards without major outside financial assistance. Per capita GNP has been expanding and in 1975 reached roughly \$750 in the West Bank and \$550 in Gaza--relatively high for a developing area. In addition, the area does not have balance-of-payments difficulties, primarily because of remittances received from workers in Israel, Jordan, and the oil-producing countries.

We assume that the formulation of any army would be precluded in any agreement establishing a Palestinian state, and that a new government therefore would have few additional foreign currency expenses. New sources of foreign exchange would also appear; in particular, exports of light industrial products to Jordan and the rest of the Arab world would be likely so long as road access were guaranteed.

A new Palestinian state could not afford to absorb a large number of immigrants without permanent outside financial assistance. The area has few natural resources, a low level of industrialization, and little unused agricultural land. Any major inflow of refugees out of the 1.7 million Palestinians living in Arab countries would be a major burden on the economy as well as a drain on remittances.

For the time being at least, Palestinians probably would not flock back to a new state from their high-paying jobs in Jordan and the oil-producing countries.

Lucrative wages now are luring Palestinian workers, especially out of the West Bank, and a durable peace in Lebanon probably would induce most Palestinians there to remain.

Relations with Israel and Jordan would be the key factor in the economic performance of an independent and landlocked West Bank. It would need a land link to Gaza or assurances that it could use Jordan's port to import goods. Entree into the Israeli and Jordan labor markets, however, probably would not be spelled out in such an agreement. With 50 percent of the West Bank labor force now employed in Israel, any mass layoffs or border closures by either side would be a severe economic blow, requiring large amounts of foreign assistance to keep the economy afloat.

Access to the Jordanian labor market--especially to the rapidly expanding economy in the Jordan River Valley--also would be important. Export routes to the oil states through Jordan would be essential; development of light industry in the West Bank has been held back since it was cut off from those markets by the Israeli occupation in 1967.