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The Eastern Arab World

Submitted by

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THE EASTERN ARAB WORLD

THE PROBLEM

To assess the present situation and the outlook for the eastern Arab world over the next two or three years.¹

CONCLUSIONS

A. For the last year or so, the Arab states have generally been more concerned with domestic problems than with such inter-Arab matters as the conflict between conservative and radical governments or rivalries among the radical leaders. However, the odds are against a long continuation of this inter-Arab detente. The Arab states are generally susceptible to sudden political turmoil. An upheaval in any one of them, or the death of a ruler, could easily precipitate a collision of forces not only within that state but among others. Much still depends on Nasser who, though unlikely to regain the paramount influence he once had, remains the most important Arab leader. (*Paras. 1-12*)

B. In the Arab-Israeli dispute, neither side is likely to initiate major hostilities, but neither will move toward a basic settlement. Border tensions will occasionally flare up, and the arms race will lead to increasing pressures on the US to supply expensive modern weapons. (*Paras. 27-32*)

C. The socialist programs of the UAR, Syria, and Iraq are beset by economic difficulties, stemming from more ambitious development efforts than resources justify. The conservative governments, most of them blessed with oil revenues, are better off. In virtually all cases, government, rather than private enterprise, will be the directing force in the economies. Inter-Arab economic cooperation is likely to be

¹This estimate deals principally with the Arab states from Libya eastward; the three Maghreb countries of Tunisia, Algeria, and Morocco are considered only insofar as they are involved in eastern Arab affairs.

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limited, although oil-rich states are beginning to finance Arab economic and military schemes. (*Paras. 13-19*)

D. Arab oil production will grow, and so will pressures on the oil companies for more revenue and greater control over production. Strong competition in the world oil market, however, sets limits on how far either side can go in this respect, and outright nationalization is unlikely. (*Paras. 20-26*)

E.]

F. Tendencies toward Arab detente have helped the US position in the area. However, US relations with the Arab world will remain troubled by the general Arab conviction that the US is basically pro-Israel, by the Arab radicals' belief that the US favors the conservatives, and by the conservatives' feeling that the US should support them more than it does. (*Paras. 39-40*)

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DISCUSSION

I. THE ARAB POLITICAL SCENE

1. The past year or so has seen significant changes in the Arab world. There has been a distinct muting of the conflict between radical and conservative leaders which has been a principal feature of politics in the Arab Middle East for more than a decade. Even within the radical camp, the controversies between Nasser and rival leaders have been toned down. Old hostilities and conflicts of interest have not basically been resolved, but for various domestic and external reasons it has suited the needs or convenience of the chief antagonists to suppress these differences.

2. This tendency was evident in the tone of the three Arab Summit conferences in 1964-1965, and was highlighted by the agreement on Yemen between Nasser and King Faisal of Saudi Arabia in August 1965. By this agreement, Nasser sought to relieve the UAR, more or less gracefully, from the expensive burden of its military commitment to the republican regime in the stalemated Yemeni civil war, and Faisal sought the removal of Egyptian forces and influence on his southern borders. Presented publicly as a statesmanlike compromise, it in fact amounts to a retreat by the leading exponent of radical nationalism and Pan-Arab unity, and it is so viewed in the Arab world generally.

3. Although the clear division between conservative and radical regimes remains, there is little close association or sense of common purpose among the states in either group.² The drive for Arab unity, which was a prominent feature of the late 1950s, has lost its momentum. The one significant move toward cooperation has been in the field of military preparations against Israel; the United Arab Command (UAC), founded in 1964 and nursed along by the subsequent Arab Summit agreements, continues to make a certain amount of progress in strengthening and standardizing Arab military forces, using funds from the richer states. But the UAC, though led by the UAR and representing a form of increased Arab solidarity, emphasizes inter-state cooperation rather than Arab unity.

The Radical Camp

4. The year 1965 was a bad one for Nasser. When it began, some 50,000 UAR troops were bogged down in the Yemen stalemate with no end in sight. Early in the year, Nasser sought to force the other Arab states to take strong diplomatic action against West Germany because of the latter's arms deal with Israel; in this he failed conspicuously. His external problems were compounded by domestic economic dislocations and by the necessity of spending

² The discussion of Arab unity, of the role of the military, and of the basic forces at work in the eastern Arab world contained in NIE 36-64, "Main Trends in the Arab World," 8 April 1964, remains valid.

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scarce foreign exchange for food, due to cessation of US PL-480 shipments. Discontent in Egypt, seldom a serious problem for the regime, nonetheless grew as a result of these troubles, and Nasser was disturbed by the discovery of an extensive Moslem Brotherhood movement directed against his regime. Faced with these difficulties and unable to win on the ground in Yemen, Nasser felt impelled to come to terms with Faisal. All these considerations led Nasser to turn his attention inward; he brought in a new Prime Minister and reshuffled the cabinet to tackle increasingly obvious administrative and economic problems at home.

5. In the past year, the other radical governments, like Nasser's own, have for their own reasons also tended to turn inward and to concentrate on domestic problems. The tendency is clear in the case of both Iraq and Syria. Iraq is preoccupied with the Kurdish war and the related tension with Iran, as well as with the problem of establishing a government more effective than the military junta which has run the country without notable success for some years. Those civilian Iraqis who are beginning to exert influence are less disposed than are the Iraqi military leaders to establish close ties with the UAR. In any case, the Egyptians and Iraqis are now talking of unity only in perfunctory and ritualistic terms. In Syria, the socialist Baathist government has been effective in suppressing both conservative and pro-Nasser opposition, but it is preoccupied with divisions inside the Party over civilian versus military leadership and other questions of policy and administration.

The Conservative States

6. The easing of tensions among the Arab governments has, at least for the short-run, improved the position and security of the conservative regimes. The strident propaganda from Cairo, Baghdad, and Damascus against the Arab monarchs has lessened substantially; and the customary subversive campaigns by the radicals aimed at harassing or overthrowing the monarchical regimes have been toned down or suppressed. Moreover, the monarchs themselves have improved their positions at home and in the Arab world. This is most notable in the case of Saudi Arabia, where King Faisal—a far more astute and energetic ruler than his deposed brother—is making progress in modernizing and rationalizing Saudi government and society. He is also showing himself an effective defender of Saudi interests and of moderate conservatism in the area at large. King Idris in Libya seems somewhat more secure from radical attack. While Libya's large and increasing oil revenues are in time sure to bring new problems, Libyans are at present more occupied with enjoying their new prosperity than with worrying about their political future. The ruling family of Kuwait has made skillful use of the state's vast oil revenues, both to eliminate economic grounds for political discontent among Kuwaitis and, by judicious loans to other governments, to blunt radical nationalist criticism from outside. Aided by relative prosperity, even King Hussain of Jordan has been enjoying domestic political respite for almost two years.

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7. In a broad sense, the Arab monarchies are of course on the defensive. Essentially, they derive their principal support from traditionalist and wealthy elements in their societies, while the bulk of politically conscious Arabs in the more modern sectors of society are antagonistic to them. Like Faisal, the kings can reduce their vulnerability by selective concessions to modernism, and by public postures in support of popular themes like neutralism or hostility toward imperialists and Israel, but their long-term survival involves a difficult dilemma in balancing firmness and concessions at home and abroad. Concessions and reform frequently antagonize the conservative forces supporting the monarchs, without satisfying radical opponents. Indeed, the latter are often simply encouraged to demand more, which tends to alarm the rulers into reverting to repression, which in turn feeds popular dissidence.

8. *The Maghreb.* The centrifugal tendencies apparent in the Eastern Arab world have been complemented and reinforced from the Maghreb. Tunisia and Morocco have never been actively interested in Pan-Arab unity or in the anti-Israel cause. Tunisia in particular has disassociated itself more than ever from Eastern Arab affairs—a trend made explicit in mid-1965 by Bourguiba's unprecedented public advice to the Arabs to accept Israel's existence. The downfall of Ben Bella in Algeria deprived Nasser of his chief ally in the Maghreb. Boumedienne, the new Algerian leader, is more concerned with his country's domestic problems than with inter-Arab politics.

The Political Outlook

9. It is difficult to predict how long the present tendencies toward detente and concern with separate domestic problems will persist. On the one hand, virtually all the Arab states have important domestic economic or political problems. This is especially the case with the activist republics, and to the greatest degree with Nasser. He still wishes to reduce his costs and commitments in Yemen, and this desire will be a strong factor favoring continued detente. In addition, the several Arab governments have learned something of the difficulty of intervening in the affairs of their fellow Arab states.

10. On the other hand, detente among the Arab states is abnormal in terms of the history of the past two decades. Sooner or later, conflicting national and dynastic interests, as well as the pervasive incompatibility of outlook between conservatives and radicals will disturb, if not shatter, the present calm. The Arab states are generally susceptible to sudden political turmoil. An upheaval in any one of them, or the death of a ruler, could easily precipitate a collision of forces not only within that state but among others. The UAR-Saudi agreement on Yemen has yet to be carried out, and both Faisal and Nasser have lively suspicions of each other's intentions. The agreement could easily become a dead letter, with consequent risks of renewed hostilities in Yemen and an accompanying clash—directly or by proxy—between Faisal and Nasser. Cairo has already expressed some criticism of Saudi purchases of Western arms and is concerned that Faisal is working for the formation of a conservative Islamic

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bloc hostile to the UAR. Trouble with Israel, which in some respects impels the Arabs toward greater solidarity, also serves often to sharpen and dramatize their differences over how to cope with the problem realistically. The balance of factors does not favor long continuation of an effective inter-Arab detente.

11. The attitude of Nasser, who is chiefly responsible for the present detente, will have much to do with how long it lasts. His domestic problems, and his continuing desire to press against British special positions in the area and to build up Arab strength against Israel, will make him want to moderate inter-Arab frictions. Yet when he does not harry rival Arab regimes, they tend to consolidate their positions and even to trespass on what he regards as his own. Nasser's frustration at this state of affairs is likely to grow and eventually to contribute to the ending of the truce.

12. We believe that Nasser will remain the single most influential Arab leader, but time and circumstances have set limits on what he can achieve; he is not likely again to attain the influence and prestige he had in the late 1950s, when he personified the Arab revolutionary movement. To be sure, he has rebounded before from serious defeats, but the general situation has changed. Nasser is no longer the only Arab nationalist leader capable of facing up to the West, of getting aid from the Soviets, and of carrying out major social reforms. The other Arab states, once overshadowed by Nasser or on the defensive against his movement, have successfully resisted UAR efforts to run their affairs. They now find themselves more secure from his pressures and more independent of his influence. This is true of both the conservative governments and the rival radical regimes. The Baathist movement in particular, which not only controls Syria but has branches in most of the Arab states, will resist any effort by Nasser to reassert his former domination of Pan-Arab nationalism—even though in other respects the broad goals of Nasser and the Baathists are similar.

II. ECONOMIC PROBLEMS

13. Virtually all the Arab countries have put considerable effort into economic and social development during the past decade or so, relying variously on oil revenues, foreign assistance, and such domestic resources as have been available. Significant economic progress has been achieved. However, the growth has been uneven, often concentrated among relatively small segments of the population or in particular sectors of the economy, notably oil. Indeed, oil revenues have been virtually the sole cause of economic growth in the Arabian Peninsula, Libya, and Iraq.

14. In recent years, the radical Arab states have found themselves in increasing economic difficulties. The application of various socialist ideas in the UAR, Iraq, and Syria has worked indifferently. In addition, each of these states has tried to do more in such fields as economic development, industrialization, increased education, and military expenditures than its resources justified or its administrative skills permitted. The UAR has been faced with an accumulation

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of difficulties—rapidly rising consumption, government mismanagement, and shortages of foreign exchange. A fairly long period of stagnation in Iraq, due to a chaotic political situation, has been compounded by efforts to put virtually all industries, banks, and services under a single authority. In Syria, widespread nationalizations in recent years have caused economic dislocation and flight of capital.

15. Such difficulties have caused these states to reconsider their economic policies. While maintaining a central role for the state in their economies, they have been driven to make various adjustments in putting socialist ideas into practice. This change has been most dramatic in Egypt, but Iraq and Syria have also made changes which give somewhat greater scope to small business. However, these governments are far from admitting that socialism has proven the wrong path. They remain ideologically opposed to capitalism, which they associate with imperialism, and which they feel is inadequate to solve their economic and social problems.

16. In contrast to the three republics, the monarchies are doing rather well economically. In Saudi Arabia, Kuwait, and Libya, this is due to massive oil revenues; in Jordan, to increased tourism, Western help, and good rainfall. The rulers of the oil-rich states are making efforts to spend their revenues effectively, although their performance has been less impressive than their intentions. The monarchies will continue to favor private commercial and entrepreneurial interests, which the kings feel have a stake in the monarchy and thus serve as one of its main supports.

17. Except in the case of Lebanon and except for the foreign oil companies, however, the state will continue to be the predominant financier, builder, and owner of large economic enterprises in all the Arab countries. The state has far larger funds at its disposal than private persons or firms. Moreover, nationalizations in the republics of Iraq, Syria, and especially Egypt have greatly reduced the funds and the opportunities available for private investment. They have also greatly increased the age-old distrust which the businessman of the region has for his government. All in all, private enterprise seems likely to play a distinctly subordinate part in the economic life of the eastern Arab world in coming years.

Arab Economic Cooperation

18. Arab economies are not complementary; their primary exports are raw materials for which there is only small demand within the region, and which are thus exported to more advanced industrial states in return for manufactured goods. When Arab states turn to industry, each builds what it feels it needs in the way of factories for cement, shoes, cloth, and the like, without regard to what its fellow Arab states may manufacture. Inhibitions in the way of political unity prevent both the stimulus and the conditions for greater economic cooperation.

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19. In one respect, however, a measure of economic cooperation among the Arab states is appearing. Kuwait's Fund for Economic Development has loaned \$108 million to eight Arab countries, and the state has made loans for more frankly political purposes amounting to more than \$250 million—mostly to Iraq and the UAR. It is likely that other relatively weak Arab states with large oil incomes will come to see the political expediency of doing likewise, although probably on a modest scale initially. Libya will probably see the wisdom of such a move fairly soon. The newly rich sheikhdom of Abu Dhabi in the lower Persian Gulf, which is acquiring conspicuously large amounts of money in relation to its size and population, will probably have to follow suit sooner or later.

III. OIL³

20. Steady and sizable rises in production and dramatic new finds of major petroleum reserves are twin features of the current Arab oil scene. Crude oil production in the states covered by this estimate has risen from about 2.5 million barrels a day in 1955 to 7.7 million in 1965, and now accounts for 30 percent of Free World production. The bulk of this oil still comes from the Persian Gulf area, where Saudi Arabia and Kuwait continue to be the leading producers. Among the smaller Persian Gulf states, Abu Dhabi has exceeded the quarter-million barrels a day mark, and by 1967 the Sultanate of Muscat and Oman is likely to begin producing oil at a rate of about 100,000 barrels a day.

21. Of newer sources in other parts of the area, Libya is now a major exporter of crude oil, averaging well over a million barrels a day. There have also been important oil discoveries by Western oil firms prospecting in the UAR's offshore areas of the Gulf of Suez, and exploration is proceeding in the Western Desert. Finds to date suggest that by 1970 the UAR will be producing two to three hundred thousand barrels a day. This will result in substantial savings of foreign exchange for the UAR's hard pressed economy. Present indications are that oil production in the states covered by this estimate is likely to increase at a rate of about seven percent annually during the next several years.

22. The Organization of Petroleum Exporting Countries (OPEC),⁴ in which the Arab states play an important part, has been a major factor in enabling the host countries to extract increased revenues from the oil companies, even at a time when world oil supply greatly exceeds demand. With respect to the older concession agreements, the method of applying the long-standing "50-50" profit-sharing formula has been changed so that the host country in effect now receives about 60 percent. In the newer agreements, different formulas are resulting in a profit split on the order of 75-25 percent in favor of the host country,

³ It should be remembered that, although oil producing countries both east and west of Suez are dealt with in this estimate, it does not include two important producers in the general area—Iran and Algeria.

⁴ OPEC's Arab members are Kuwait, Saudi Arabia, Iraq, Libya, and Qatar. Non-Arab members are Iran, Venezuela, and Indonesia.

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although it has to put up half the capital investment for the operation if oil in commercial quantity is discovered.

CRUDE OIL PRODUCTION
in thousands of barrels per day

	1950	1955	1960	1965	1970 (forecast)
Kuwait	39	1,091	1,624	2,170	2,600
Saudi Arabia	547	965	1,247	2,025	2,400
Saudi-Kuwait Neutral Zone		24	132	360	1,000
Iraq	136	329	967	1,313	1,800
Libya				1,239	2,200
Bahrain	30	30	45	56	56
Qatar		115	174	194	200
Abu Dhabi				282	500
Muscat-Oman					200
United Arab Republic	44	35	62	126	200-300
	<u>796</u>	<u>2,589</u>	<u>4,251</u>	<u>7,765</u>	<u>11,300</u>

23. Another method of seeking to increase the revenues for the producing states is OPEC's effort to establish production quotas as a means of controlling supply and thus maintaining or even raising prices. This effort is being fought by the companies, which contend that their concession contracts give them control over their own production. Moreover, each host country faces the dilemma that a production control system would restrict its own opportunities to get greater revenue. In addition, the OPEC countries now face increasing competition from newer producing states. Hence, OPEC as an organization will favor production controls, but resistance of individual member states is likely to prevent the adoption of meaningful controls for the foreseeable future.

24. Many Arab states are also trying to acquire some voice in production and marketing operations. For several years now, most new agreements have involved some form of host country participation, often permitting the country to become a partner in the producing company after oil is found. Some Arab countries are also establishing their own production and marketing companies. Syria is contracting with foreign firms to put in a pipeline and other facilities for its presently unexploited fields; it probably will be the first Arab state to produce and market oil on its own, although the quantities will be small. National oil companies have also been formed in Iraq, Kuwait, Saudi Arabia, and the UAR. Moreover, a 20-year agreement between Kuwait and Spain has set a precedent for agreements between an oil-producing country and a consuming one which provide an assured market for a specified quantity of oil. Agreements of this nature are likely to become more common.

25. In a parallel move, host countries have pressed for the release of concession areas which are not being exploited. The Iraqi government and the Iraq Petroleum Company have been disputing this issue for several years; the Kuwait Oil Company has surrendered about half of its concession; and Aramco has turned back two-thirds of its unexploited area.

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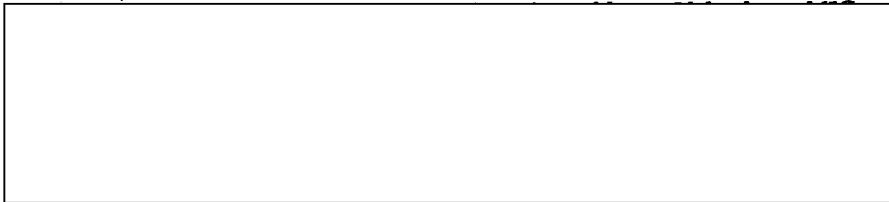
26. Certain Arab states will seek to increase their revenues by invoking the spectre of nationalization. Some governments will almost certainly move unilaterally to reduce the older companies' concessionary privileges. However, we do not believe that any of the host governments will press a company so severely that it would feel compelled to abandon operations. Finally, we think that outright nationalization of a producing company is unlikely, at least during the period of this estimate.

IV. THE ARAB-ISRAELI QUESTION

27. Over the past year or so, the Arab states have shown considerable restraint and pragmatism in dealing with the problem of Israel. They have, especially in the decisions adopted at the third Arab Summit conference, accepted the fact that they cannot now stop Israeli diversion of water from the Jordan valley. Work on projects in Syria and Lebanon to divert headwaters of the Jordan River has virtually ceased. The Arab leaders decided to concentrate on strengthening their armed forces over a period of several years, a decision which has given a new impetus to the arms race in the area. The Summit conferences also launched the Palestine Liberation Organization, designed to convince the Palestine refugees and others that the major Arab states are still backing the struggle against Israel.

28. The Arab rulers agreed at the first Summit conference in January 1964 to provide \$420 million over 10 years, to be used for building up the armed forces of Jordan, Syria, and Lebanon—the three countries within whose territories the projects for diverting the Jordan waters are to be located. This figure was raised to \$490 million at the second Summit conference, and at the third Summit a further increase was decided upon—probably on the order of \$100 million. We believe about \$50 million has actually been contributed, which has been used for increases in the armed forces of Jordan, Syria, and Lebanon in the past two years. However, none of these countries wants the forces of another Arab state stationed on its territory or is willing to give real authority over its own troops to the United Arab Command. We believe that this resistance will persist, and that, in consequence, the UAC is unlikely to achieve any very effective control over its members' armies.

29. Among the major items in the projected force buildup is the addition of three squadrons of supersonic aircraft for Jordan. The UAC has acknowledged Hussain's right to buy Western aircraft, but will supply money only on the basis of the much cheaper MIG-21 price. The UAC also argues the desirability of standardizing Arab military equipment, using Soviet materiel.



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30. Israel, for its part, will continue to consider that efficient, well-trained armed forces are essential to its survival. Israel and several of the Arab states are putting large amounts of scarce foreign exchange into arms purchases. To be sure, the Arab armies have other purposes than opposing Israel; they contribute to internal security and are factors in the inter-Arab contest for power and prestige—and it is for just these purposes that they have been used in recent years. Nonetheless, the rationale for the buildup is always Israel, and thus the arms race between Israel and its neighbors is likely to continue indefinitely.

31. Israel regards the UAR armed forces as the only important threat. The race between Cairo and Tel Aviv has reached into the rocketry field. The UAR's missiles, built largely of European components under the direction of German technicians, have been a costly failure so far, and, while a number of missiles have been test-fired, there have been extensive troubles with the program. We think it highly unlikely that any will be operational for several years at least.



32. We anticipate neither significant progress toward settlement of the Arab-Israeli controversy nor major hostilities during the next several years. Israel is generally satisfied with the territorial status quo, and the Arab states are aware they cannot change it by force. In these circumstances, the chief possibilities for trouble lie in Arab sabotage raids, Israeli nibbling at certain disputed border areas, and Syrian belligerence. Tensions along the borders will persist, and incidents are likely to occur from time to time.

V. THE ARABS AND THE GREAT POWERS

A. The Communist States^o

33. The Communist states have acquired a considerable presence in the Arab world over the past decade. The Soviets have supplied nearly \$2 billion worth of arms for the UAR, Syria, Iraq, and Yemen; they have also extended substantial amounts of economic aid to the area. In addition, the USSR has exploited and encouraged anti-colonial and neutralist sentiments. There have been some indications in recent years of the Soviets' disappointment that their efforts have not resulted in greater gains. The Arab governments remain wary

^o See NIE 4-66, "The Likelihood of Further Nuclear Proliferation," 20 January 1966, 

^o The fuller treatment of this subject in SNIE 10-2-65, "Soviet and Chinese Communist Strategy and Tactics in North Africa, the Middle East, and South Asia," 15 July 1965, remains valid.

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of the USSR, and even those which take Soviet aid suppress Communist movements and try to avoid over-dependence on Moscow. We believe that the Soviets will continue to woo the Arabs and will try to expand their presence and influence even in the conservative states. For their part, the forces of Arab nationalism will probably be able to continue resisting undue influence from outside powers and playing off East against West.

34. The share of the Communist states in Arab trade rose rapidly in the middle and late 1950s, but has tended to level off in recent years. Communist trade in the area is still largely confined to the UAR, Syria, and Iraq, the principal recipients of Communist aid. For example, 31 percent of total UAR trade in 1964 was with the Communist countries. Although the Communist states are usually able and often willing to absorb commodities the Arabs cannot sell elsewhere, each of the Arab states has greater trade with US and Western Europe than with the Communist World. For the area as a whole, trade with the West accounted for some 65 percent of imports and 60 percent of exports in 1964, while the Communist states account for only 10 and 6 percent respectively.⁷ These basic patterns of trade are likely to persist.

B. The Western Powers

35. The Arab view of the West is strongly colored by the fact that most of the Arab world was once dominated by European powers. This attitude is greatly reinforced by Western support for Israel over the years. But while the Arabs generally harbor suspicions of Western intentions, they are still strongly attracted by Western culture and by the products of Western industry.



⁷These figures exclude most imports of military equipment from both East and West. They include US PL-480 shipments—important chiefly in the case of the UAR.

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IMPORTS OF SELECTED ARAB COUNTRIES, 1958 AND 1964
(in million US dollars)
(figures rounded to the nearest million)

	UNITED STATES		W. EUROPE		COMMUNIST STATES *		OTHER		TOTAL	
	1958	1964	1958	1964	1958	1964	1958	1964	1958	1964
Iraq	43	60	148	159	6	72	76	122	273	413
Jordan	8	31	40	58	5	15	42	46	95	150
Kuwait	43	61	104	142	..	4	37	76	184	283
Lebanon	31	63	129	269	7	34 ^b	71	117	238	483
Libya	21	68	66	180	1	16	9	29	97	293
Saudi Arabia	59	98	89	156	..	..	73	101	221	355
Sudan	5	18	92	128	8	33	70	86	175	265
Syria	18	15	108	106	25	39	54	76	205	236
United Arab Republic	51	278 ^c	289	328	231	189	91	161	662	956
Yemen .....	..	..	..	2	2	4	13	15	15	21

* Including Cuba and Yugoslavia.

^b 1963 figures—1964 N.A.

^c Includes PL-480.

EXPORTS OF SELECTED ARAB COUNTRIES, 1958 AND 1964
(in million US dollars)
(figures rounded to the nearest million)

	UNITED STATES		W. EUROPE		COMMUNIST STATES *		OTHER		TOTAL	
	1958	1964	1958	1964	1958	1964	1958	1964	1958	1964
Iraq ^c	23	5	382	623	3	13	159	198	567	839
Jordan .....	..	..	..	2	2	3	7	16	9	21
Kuwait ^c	168	52	936	940	..	..	217	366	1,321	1,358
Lebanon	2	8	8	99	3	6 ^b	22	36	35	149
Libya ^c .....	..	26	10	572	..	1	3	25	13	624
Saudi Arabia ^c	72	86	444	485	..	..	378	557	894	1,128
Sudan	4	6	70	96	9	30	42	58	125	190
Syria	4	3	32	35	38	72	43	67	117	177
United Arab Republic	9	20	135	134	221	269	105	113	470	536
Yemen .....	..	..	4	2	1	2	4	5	9	9

* Including Cuba and Yugoslavia.

^b 1963 figures—1964 N.A.

^c Petroleum accounts for almost all the exports of these countries.

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The US

39. US relations with the Arab world will remain troubled by the general Arab conviction that the US is basically pro-Israel, by the Arab radicals' belief that the US favors the conservatives, and by the conservatives' feeling that the US ought to support them more than it does. These attitudes tend to set limits on how far improvements in US relations with the Arab world can go. As long as the general truce among the Arab states persists, it will help the US escape involvement in inter-Arab disputes.

Even during a period of calm, however, the US will from time to time be attacked

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by Arab nationalists over such issues as Wheelus Field, support for the UK position, or US actions outside the Arab world.

40. Probably the most troublesome problem for the US lies in the field of Arab-Israeli relations—particularly the arms race. The US is gradually becoming a major supplier of weapons to both sides. Hawk surface-to-air missiles are now in Israel, are promised to Saudi Arabia, and have been offered to Lebanon. M-48 tanks have gone directly to Jordan from the US and to Israel both directly and through West German channels. Both the Israelis and certain Arab states are seeking advanced US aircraft. Supply of military equipment would give the US some leverage with the recipient. However, the US would find itself constantly charged with favoritism by one side or the other, border flareups will be accompanied by assertions that US arms were used, and these accusations will complicate US relations with both Arabs and Israelis.

Other Western Powers

41. Arab relations with the continental European states are much less important than those with the US, the UK, and the USSR. Nevertheless, from time to time Arab-European relations become a critical issue. For example, German arms supplies to Israel led to a rupture of diplomatic relations between Bonn and all the eastern Arab states but Libya. Economic relations with Germany have continued, however, and the chances are good that diplomatic relations will be restored in the near future. France's relations with the Arabs have improved since the end of the Algerian war. However, because France remains the major supplier of arms to Israel and is likely to continue to give a high priority to Israel's needs, French-Arab relations are likely to remain limited.

~~SECRET~~

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