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THE MIDDLE EAST AT THE CROSSROADS

REPORT

OF A

STUDY MISSION TO ISRAEL, EGYPT, SYRIA, AND JORDAN

JULY 5 TO 15, 1977

TO THE

COMMITTEE ON INTERNATIONAL RELATIONS U.S. HOUSE OF REPRESENTATIVES

NOVEMBER 9, 1977

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FOREWORD

House of Representatives,
Committee on International Relations,
Washington, D.C., November 9, 1977.

This report has been submitted to the Committee on International Relations by Hon. Lee H. Hamilton and Hon. Benjamin S. Rosenthal, members of the Committee on International Relations, Hon. Abner J. Mikva, a member of the Committee on Ways and Means, and Hon. David R. Obey, a member of the Committee on Appropriations, who undertook a factfinding mission to the Middle East between July 5 and July 15, 1977.

The findings in this report are those of the study mission and do not necessarily reflect the views of the membership of the Committee on International Relations.

Clement J. Zablocki,
Chairman.

COMPLIMENTS OF YOUR CONGRESSMAN

LEE H. HAMILTON

LETTER OF TRANSMITTAL

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, D.C., November 9, 1977.

Hon. CLEMENT J. ZABLOCKI,
Chairman, Committee on International Relations,
Washington, D.C., November 9, 1977.

DEAR MR. CHAIRMAN: I enclose a report on a study mission to Israel, Egypt, Syria, and Jordan which I conducted with Congressman Benjamin S. Rosenthal, Congressman Abner J. Mikva of the Ways and Means Committee, and Congressman David R. Obey of the Committee on Appropriations from July 5 to July 15, 1977.

This report deals with current efforts to promote peace talks on the Middle East, reduce tensions there, and hopefully initiate a peace process which can lead to a just and lasting settlement of the Arab-Israeli conflict.

We believe this report will be useful to Members of Congress and all persons interested in this important foreign policy issue confronting the United States.

The findings and recommendations of this report are entirely ours. They present a general consensus of the members of the delegation. Each member is at liberty to restate or amplify specific statements and recommendations in the report to accord more precisely with his particular views.

Your comments and those of any of our colleagues would be most welcome.

Respectfully submitted,

LEE H. HAMILTON, *Chairman,*
Subcommittee on Europe and the Middle East.

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THE MIDDLE EAST AT THE CROSSROADS

INTRODUCTION

From July 5 to July 15, Congressman Lee Hamilton (Ind.), chairman of the House International Relations Subcommittee on Europe and the Middle East, led a delegation of four Members of Congress on a study mission to the Middle East. The delegation included Congressmen Abner Mikva (Ill.), David Obey (Wis.), and Benjamin Rosenthal (N.Y.).

The delegation sought a better understanding of the principal issues relating to the Middle East peace process, including the nature of the peace and normalization of relations, security and boundary issues, and the Palestinian question. Other purposes of the trip were to scrutinize large U.S. economic and military aid programs; survey area geographical disputes; assess the political, economic, and military situation of the countries involved in the Arab-Israeli conflict; and evaluate the mood of the countries involved in the conflict and the prospects for progress toward a Middle East settlement.

Members of the delegation visited Israel July 6 to 9, Syria July 9 to 10, Jordan July 10 to 11, and Egypt July 11 to 14. They discussed Middle East peace issues with high government officials and leading citizens in each of the countries. Meetings were held with Prime Minister Begin of Israel, President Asad of Syria, King Hussein of Jordan, and President Sadat of Egypt. Congressmen Hamilton and Obey also met in Cairo with Yasir Arafat, leader of the Palestinian Liberation Organization.

The Ambassadors and U.S. Embassy staff in each of the Middle East countries were extremely helpful and courteous as well as valuable sources of information for the members. Upon their return to the United States, the delegation met with Secretary of State Vance to discuss its assessment of the Middle East situation.

The impressions which the delegation received, conclusions it reached, and its recommendations follow in this report. The members hope this will contribute to the dialog on one of the most important international issues with which the United States has to deal.

They were accompanied by Michael H. Van Dusen, staff director of the International Relations Subcommittee on Europe and the Middle East, Michael Marek, a staff member of the House Appropriations Committee, and representatives of the Department of State and the Department of Defense.

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RECOMMENDATIONS

(1) The principal problem facing the United States in the next few months is not simply reconvening the Geneva Conference on the Middle East but rather how the Conference, once started, can avoid failure, promote progress, and might best be made to serve the goal of a just and lasting peace.

(2) In order to enhance the prospects for a settlement, the United States should undertake the following:

(*a*) Refrain from making policy statements on the Middle East which might be interpreted as trying to dictate the terms of a future agreement to be negotiated among the parties to the conflict.

(*b*) Seek assurances from all parties that they will forgo provocative actions and statements in the coming weeks on issues related to the negotiations.

(*c*) Attempt to lower any expectations among the parties that rapid progress can be achieved at the Conference. Geneva will be a process which perhaps will take months of negotiations in working groups in order to produce progress.

(*d*) Try to insure the accurate representation of the views of the Palestinians at the Conference ideally through the presence and participation of responsible Palestinian leaders.

(*e*) Encourage an early formulation of the procedures, and a narrowing of the substantive principles, on the basis of which the Conference can be convened.

(3) In discussions and dealings with parties, the United States should be guided by the following principles:

(a) The need to preserve our special miltary and economic relationships with Israel in order to maintain existing military relationships in the Middle East.

(*b*) The urgency of flexibility by all of the parties, if any lasting settlement is to be reached. In particular, a rethinking of positions must be taken by Israel on the issue of boundaries and by the Arabs on normalization of relations. This must be done in the context of U.N. Resolutions 242 and 338 which envision a trade-off between territory and peace.

(*c*) The importance of having the parties refrain from any unilateral action which might be interpreted as prejudging the outcome of the negotiations. Such prejudicial actions might include an expansive Israeli settlements policy, non-technical violations of existing understandings and agreements, a failure to extend the life of the United Nations peacekeeping forces, or attempts to undermine the standing of any of the parties in any international organization.

(*d*) The willingness to offer binding, long-term guarantees or other defense arrangements if desired by the parties and essential to peace.

(*e*) The need to stress to all the parties that the United States will not and cannot, even if it so chose, impose a lasting peace settlement on any party. No party should sit back and do nothing, waiting for the United States to pressure the adversary.

(*f*) The desirability of encouraging Arab states to work together in the search for a peaceful settlement of the dispute.

(4) As prospective cochairman of the Geneva Conference, the Soviet Union should be fully informed of, and to the extent possible, participate in, all major decisions made in arranging and conducting the conference. The Soviet Union may be called upon to play a role in any security arrangements worked out by the Arabs and Israelis.

(5) In fiscal year 1978, the United States will provide approximately $3.09 billion in grants, loans, and credits to Israel, Egypt, Jordan, and Syria. An appropriate level of assistance enhances the political and economic stability of the Middle East and should be maintained. In the case of Jordan and Egypt, however, this assistance might profitably be channeled away from budgetary support and commodity imports toward carefully planned major development projects with greater local visibility. This conforms with the "new directions" guidelines recently mandated by the Congress. In Jordan model projects might include the Potash Development Program and the Maqarin Dam. Aid to the Palestinian refugees on the West Bank and the Gaza might increasingly be undertaken under the auspices of American Private Voluntary Organizations supported by AID. This might develop American-Palestinian ties.

(6) The interest of the United States in limiting Soviet influence in Africa and promoting friendly relations between Africa and the United States could be furthered by the continued sale of relatively unsophisticated military equipment to selected states, perhaps including Egypt.

(7) The United States must continue to emphasize that it can neither impose a settlement on any of the parties nor refrain from offering ideas which might facilitate such a settlement. As a mediator in the dispute, the United States has a responsibility to encourage a dialog among the parties themselves. To be lasting, an agreement must enjoy the support of all of the parties. On the other hand, the United States is uniquely placed to make suggestions which might narrow the gaps which currently separate the parties.

CONCLUSIONS

(1) Prime Minister Begin of Israel, President Sadat of Egypt, King Hussein of Jordan, and President Asad of Syria strongly wish to convene a Geneva conference on the Middle East at the earliest possible date, although each leader seems to have a different expectation of what a Geneva conference will consider and develop.

(2) In general, Arab leaders feel that the Geneva Peace Conference will produce quick results. They expect to arrive at a settlement in a few weeks. On the other hand, the Israelis are worried about proceeding too rapidly, and they see a Middle East peace conference as long and painstaking. Parties to the conflict are only slowly coming to realize that a Geneva Conference could take a long time, with several working groups meeting on different issues over several months or longer.

(3) The parties generally acknowledge that the three prinicpal issues of a peace settlement are: the nature of the peace and normalization of relations; the definition of security and borders; and the future of the Palestinians. All parties appreciate the complexity of the peace process since these issues are critically interrelated.

(4) For the Israelis, the principal issue is the nature of the peace and normalization of relations. They feel that the Arabs' sincerity in moving towards real peace must be tested over time, and they envisage the peace process as a long one.

(5) The Arabs consider withdrawals from the Occupied Territories to be the principal issue. They do not like to consider a trade-off between territory and peace, because they do not believe that one can bargain on what is considered one's own territory. However, they need to recognize that a strict definition of the nature of peace and withdrawal from Occupied Territories are complementary. (It remains an axiom of Middle East peace efforts that the more thorough and precise the nature of the peace, the greater the withdrawals.)

(6) The Arabs make a distinction between the end of the state of belligerency and the normalization of relations with Israel. They feel that an end to the state of belligerency can only occur once agreed-upon withdrawals are completed. Normalizing relations, they generally believe, must follow the ending of the state of belligerency.

(7) Most Arab leaders now are willing also to undertake a process of normalization of relations once a peace agreement is signed. However, they are not explicit about:

—What constitutes the beginning of the process of normalization of relations;

—What aspects of the process, if any, should be provided for in a peace agreement; and

—What elements of the process must remain the prerogative of each sovereign state.

The Arabs feel that sovereign states should have the right to decide freely and separately on certain aspects of the normalization of relations between states, particularly formal recognition and diplomatic exchanges. They like to use the Vietnam example to support their position. In their view, the United States has negotiated an end to the state of belligerency between Vietnam and the United States, yet exercises its prerogative as a sovereign state to refuse to recognize and establish diplomatic ties with Vietnam. Arab leaders do not exclude commercial relations with Israel sometime after the conclusion of a peace treaty, but they feel the decision to trade is a prerogative of free nations and cannot be mandated in a peace agreement.

(8) The Arabs also appear to distinguish between recognition of the right of Israel to exist and live in peace in the Middle East and formal recognition and establishment of diplomatic relations with Israel. They can accept recognition of Israel's right to exist and live in peace as being part of a peace agreement, but envisage diplomatic recognition as a development that can occur only after the agreement.

(9) Further evolution in Arab thinking about the process of normalization of relations is essential if the peace process is to be successful. Arab leaders will have to determine precisely what concrete actions they would be willing to take with regard to establishing full peace with Israel, should negotiations produce substantial Israeli withdrawals.

Some of the actions involved in ending the state of belligerency and normalizing relations might include, although not necessarily in this order:

—ending the Arab boycott of Israel;
—ceasing anti-Israeli propaganda;
—allowing Israeli stamps in passports of third-country nationals;
—free navigation throughout the region;
—free movement of third-party goods and services directly between countries;
—a mutual freezing of arms levels;
—direct transportation and communications between states;
—removing bans on direct trade;
—allowing travel between states; and
—development of consular relations.

Such a list merely presents some examples of what might be done as the parties end the state of war between them and build peace. Arab leaders will have to address many of these issues as they determine what ending the state of belligerency and building peace involve.

(10) The gap between the Israeli and Arab positions is the greatest on the issue of withdrawals and final borders. Publicly, the Israelis insist they will never withdraw to the June 4, 1967, lines, while the Arabs demand the return of all lands occupied in June 1967. These public positions seems to leave little room for compromise. However, some Arabs are reconciled to minor adjustments of the 1967 lines, while some Israelis talk about substantial withdrawals on some fronts.

(11) Israeli withdrawals from the Golan Heights and the Sinai will be easier to achieve than territorial adjustments on the West Bank, for reasons of both security and history. This situation is truer today than several months ago given the Likud Party leadership's long-held views

on retaining the West Bank. A conflict seems to exist, however, between the desire of many Israelis to maintain the Jewish character of their state and their reluctance to give up areas with large Arab populations, like the West Bank.

(12) While it appears that many Israelis would support major withdrawals in exchange for real peace, they are sensitive about returning the West Bank to Arab control because they believe that even the most sophisticated military and electronic equipment cannot compensate for Israel's vulnerability without control over the West Bank's security.

(13) Many Israeli and Arab officials appreciate that a final settlement could require guarantees by states which are not parties to the conflict. Other possible supplemental security arrangements include demilitarized zones, zones of limited forces with verification procedures, stationing of troops in the area, and sophisticated electronic early warning and sensor technology.

(14) While the parties do appreciate that security arrangements may be necessary as part of a final settlement, they disagree on two aspects of these security arrangements. First, the Arab States would want reciprocity—what exists on the Arab side should also exist on the Israeli side—while Israel believes that its small size would make reciprocity impossible. Second, the Israelis believe they should be involved in any patroling and policing functions, while the Arabs would insist on exclusively third-party involvement. Modification of positions on these issues is essential if supplemental security arrangements are to be made.

(15) The future of the Palestinians who live or used to live in the regions will be a difficult problem to solve. While it is recognized that Palestinians should be involved in those aspects of a comprehensive Middle East settlement which affect the Palestinian people, no agreement exists among the parties to the conflict on who represents the Palestinians. The Palestine Liberation Organization (PLO), headquartered in Beirut, is not recognized by Israel, or the United States and does not itself accept Israel's existence. Twice this year, the Palestine National Council refused to repeal articles IX, IV, and XIX of its Covenant which call for the destruction of the State of Israel.

Elected mayors and other municipal officials on the West Bank and in Gaza sometimes speak for local Palestinian constituencies. Because the Israeli occupation has afforded little opportunity for the development of area-wide political leadership, no local Palestinian political organization exists as a ready alternative to the PLO.

(16) The Israeli Government adamantly opposes the creation of a separate Palestinian state on the West Bank and in Gaza. Most Arab leaders are willing, consistent with the principle of self-determination, to support substantial links between the Palestinians and the Jordanians. The issues which need to be resolved are how and when such links will materialize, the nature and strength of those links, and whether Israel can undertake negotiations with an Arab or Jordanian delegation which includes members of the PLO.

(17) Movement has occurred privately among some PLO leaders toward a recognition of the right of Israel to exist within secure and

defined borders, but little has developed publicly which might alleviate basic Israeli apprehensions over the intentions of certain Palestinian groups that have claimed responsibility for terrorist activities inside Israel and against Israelis and Jews abroad.

(18) The Israelis are confident of their military power and position in the Middle East. There is only modest military pressure on the Israelis to resolve the conflict. Since 1973, Israel's military position has improved steadily relative to the Arab States. Egypt is receiving little equipment from the Soviet Union, although much has been ordered from, and will eventually be delivered by, Western Europe. Syria, which has a signficant part of its army preoccupied in Lebanon, has improved its military position thanks to Soviet arms shipments and supply agreements. While the large arsenals of Iraq, Libya, and Saudi Arabia worry Israelis, they feel that threats from those nations are not imminent.

(19) U.S. security supporting assistance to Israel, Egypt, Jordan, and Syria appears to be strengthening ties between the United States and those states. In Egypt and Syria, in particular, the rapid initiation of these assistance programs required selection of projects whose development impact may be marginal. But these projects do give tangible evidence of the U.S. commitment.

(20) Syria and Egypt are beset by staggering economic and political problems which could be ameliorated by peace. In Egypt, the leadership has forged a series of new economic policies and requires some success if it is to withstand pressure from the right and the left to alter drastically the policies and ideological orientations of that country. The leadership in Syria is similary constrained. Moreover, it faces a hostile government in Iraq.

(21) President Sadat is convinced that, as he says, the United States holds almost all of the cards in the Middle East game and is able to produce peace. This perception, however far from reality it is, places added pressures on the United States.

(22) Without further progress toward a settlement in the coming months, the situation in the Middle East could deteriorate, and the ability of the United States to maintain a great degree of influence on events in the region could be severely damaged. Arab Governments might even be tempted to resort again to the oil weapon to achieve their political goals. The United States is engaged in important dialogs with Egypt, Jordan, Syria, and Saudi Arabia which may not be sustainable indefinitely without progress toward peace. Events in the Middle East tend to become less manageable the longer they are allowed to stand still.

(23) Nothing is sacred about the year 1977. Progress toward a settlement might come this year, or next. What is crucial to the parties is that there be some impression that movement towards a peace settlement is occurring in the coming months. The process appears to have started. The parties need to forsake their domestic, regional, and international squabbling and concentrate their energies on a peace conference.

PEACE PROCESS AND PEACE ISSUES

Peace and the Normalization of Relations

In 1967, the United Nations Security Council passed U.N. Resolution 242. It has served as a basic document for trying to construct a framework for Middle East peace talks ever since. During the past decade, enormous changes have occurred in the Middle East, particularly in the attitudes of the parties to the conflict towards some of the issues addressed in U.N. Resolution 242.

In the immediate aftermath of the 1967 hostilities, the Israelis were primarily concerned about a formal commitment to peace from the Arabs. They wanted the Arabs merely to say: "we want peace." But there was, at that time, an ambivalence in the Arab world towards this question reflecting an indecision over whether or not to continue the campaign to eliminate Israel.

While this indecision remains in parts of the Middle East, and while some Arabs may not say they want peace, Arab thinking on the issue of peace has evolved over the last few years.

The Jordanian leadership affirms that it wants peace and is willing to live in peace with Israel. Some Saudi leaders will give similar positive indications privately. Egypt and Syria, under their present leaderships, are also willing to be more forthcoming. Herein lies the basis for hopes that progress toward a settlement can be achieved in the near future.

But there have also been changes in Israeli thinking about what peace involves. Israel's concept of peace now contains tangible manifestations of what peace and normal relations with its Arab neighbors could mean.

These shifts, however tentative and qualified some of them may be, do represent an unprecedented move toward further defining a concept of peace. In many respects, U.N. Resolutions 242 and 338 were meant to provide an outline for a peace agreement. Many details, within the framework of those resolutions, may well require further active and positive steps.

The trade-off between territory and peace is a basic concept underlying U.N. Resolution 242. For Israel, the nature of the peace and normalization of relations represent the key issues. For the Arab States, territorial withdrawal is the primary concern. These positions and attitudes reflect the passionate concern about security which exists in Israel and the equally passionate concern in the Arab world about Israeli borders.

During the last few months, Arab leaders, for the first time, seem to have begun thinking about ways to normalize relations with Israel. The Arabs do not reject a process which would involve substantially more than the signing of a peace agreement. President Sadat is no

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longer talking about peace as something only to be achieved by further generations. Jordan also supports peace during this generation, while Syria has begun to focus, albeit with some hesitation, on what specific steps peace may involve. These steps, in the minds of Arab leaders, are relative to Israeli willingness to make desired withdrawals.

Thinking about the process of peace, which has just started in the Arab world, is still developing. It is ongoing and hopeful. Yet it needs further development and stimulation. As the process unfolds further, some questions which will need to be explored include:

—what is meant by an end to the state of belligerency and by normalization of relations;

—what constitutes the beginning of the process of normalization of relations;

—what aspects of a process of normalization of relations might be included in a peace treaty;

—what essentials of that process, if any, must remain the prerogative of each state; and

—in what ways can the process of normalization of relations be phased over time and related to withdrawals.

Arab thinking is now distinguishing between an end to the state of belligerency, which Arab leaders would agree to in a peace treaty, and normalization of relations, which they view as a process that would occur after a peace treaty is concluded. The Arabs often try to draw an analogy between their relationship with Israel and that of the United States with Vietnam.

Some Arab leaders are also willing to consider many elements of a peace-building process as contributions helping to end the generation-long state of belligerency. (For example, measures like an end to the Arab boycott and easing of restrictions on third-country nationals' contacts directly between states are elements of a peace-making process which the Arabs might see as part of ending the state of belligerency.)

The Arabs also stress that an end to the formal state of belligerency could come only after territorial withdrawals by Israel. In effect, the willingness to end the state of belligerency with Israel is the Arabs' major asset in negotiations, and they would not give it up without obtaining what they want most, Israeli withdrawal from the Occupied Territories.

Many leaders in Egypt, Syria and Jordan are willing to conceive of a phased implementation of a peace treaty. While this does not meet the Israelis desire for peaceful intentions to be tested over time, it does reflect a willingness to consider a dynamic process of peace.

The United States itself needs to think out with all the parties what the substance and process of peace and normalization of relations are. We should work with the Israelis in defining what specific, possible expressions of normal relations they would want built into the normalization process and how sincerely and extensively the Israelis feel the other parties' positive intentions would have to be manifested. If the peace process leads to serious negotiations, Israel will also be faced with the problem of deciding precisely how far they are willing to withdraw in return for the kind of peace and normalization of relations it seeks.

The United States will need to explore with the Arabs what their concept of an end to the state of belligerency means, and how far they would be willing to move towards normalizing relations in a peace agreement.

In this peace-building process, it might be useful to look at the current state of "no war and no peace," and then think of a possible continuum of actions which would lead to full diplomatic relations among the states concerned. We need to flesh out this continuum with the Arabs so that they might think about how much of the continuum they feel they might be able to follow.

The continuum might look like this (although the order of events might not necessarily be the same):

—refraining from provocative acts and statements;
—halting anti-Israel propaganda;
—permitting free navigation throughout the region;
—mutual freezing of arms levels with hope of reducing them eventually;
—agreeing to arrangements for preserving a settlement;
—ending the boycott;
—allowing Israeli stamps in passports of third-country nationals;
—permitting free movement of third-party goods and services directly between countries;
—instituting transportation and communications between states, perhaps initially through third-country carriers;
—removing barriers to direct trade;
—allowing travel between states;
—initiating various levels of diplomatic relations, starting with the development of consular relations; and
—establishing full diplomatic relations.

All parties and the United States should also address related matters such as the pace of the normalization process, the form of assurances that the process will continue, and the procedures necessary to deal with complaints about performance on any such assurances.

The pace of this entire process is of particular concern to all parties. Implementation of the process must be rapid enough, especially for most Arabs, so that patience is not lost, yet be slow enough, especially for most Israelis, so that each side's good faith can be properly tested. How can assurances on such a process be made? Can some be private, others public? Can some be contained in a peace treaty and others in separate agreements? Can a schedule of their implementation be arranged in advance?

These questions are aspects of the peace process which cannot be easily dealt with. Positive thinking on the peace-building process, however, has started. The parties and the United States must insure that this process receives continued encouragement. In the interim, we will have to ask ourselves how much each party's suspicions and perceptions of the other's intentions should control the process and influence American policy.

The United States should also be prepared to consider what it should do if it becomes evident that any or all parties are attempting to obstruct negotiations.

Borders and Security

In Middle East peace negotiations any consideration of the nature of the peace and normalization of relations affects, and is closely linked to, consideration of final borders and security arrangements.

The gaps between the Israeli and Arab positions are greatest on the issue of withdrawals and final borders. The Israelis maintain that they will never withdraw totally to the June 4, 1967, lines, while the Arabs insist on return of all lands occupied in June 1967. Behind these public positions little give seems to exist. Some Arabs are reconciled to minor adjustments in the 1967 lines, while some Israelis talk about very substantial or even near-total withdrawals on some fronts.

The Arabs approach this issue of the negotiations by demanding the return of what they believe to be their land. While it appears that most Israelis will support territorial withdrawals in exchange for real peace, it is evident that they are far more sensitive to a return to Arab control on the West Bank than they are to major territorial concessions on the Golan Heights and in the Sinai.

The Israeli sensitivity to territorial adjustments on the West Bank stems from security as well as historical and religious considerations. This sensitivity is more acute under the new Likud government. Most of the senior members of the Likud Party are firmly convinced that Judea and Samaria, terms preferred by the Israelis when referring to the West Bank, are part of Israel religiously, culturally, and historically. The desire to keep the West Bank for these reasons, however, seems to conflict with the strong feeling in Israel that the Jewish character of the state should be maintained. A large Arab population, including the more than 600,000 Palestinian Arabs who live on the West Bank, would reside in a Jewish state should the West Bank be retained.

Other members of the new Israeli Government base their opposition to returning the West Bank on security reasons. Many Israelis view the West Bank as a fist plunged in Israel's heartland. They consider deployment of sophisticated military electronic equipment or demilitarization on the West Bank as inadequate means of compensating for the security now afforded Israel by its present control over the West Bank. According to this view, any non-Israeli control of the West Bank means that Israel faces a permanent threat and could be dissected with ease by its enemies' modern weapons at points where formerly less than 10 miles separated the West Bank from the Mediterranean Sea.

Clearly, if the Israelis are to consent to major withdrawals from the West Bank, the nature of the peace as defined and agreed to in a treaty must be to their liking. In addition, methods will have to be devised in order to preserve a settlement and institute mutually agreeable ways of protecting one party from what it may consider the bad faith of the other.

For Israel, there will have to be viable substitutes for the security lost due to withdrawals from the territory occupied in 1967. For the Arab States, there might have to be a common-border buffer zone.

Several methods have been suggested to deal with the issue of security, some of which may eventually be acceptable to the parties. These include:

—multilateral or bilateral guarantees either inside or outside the United Nations system;
—arrangements to enhance the parties' faith in guarantees or treaties, including the presence of "hostage" or "tripwire" forces, ship or aircraft visits, and the stationing of American forces;
—international peacekeeping forces;
—technological peacekeeping devices comparable to the electronic equipment operated by the United States Sinai Support Mission;
—demilitarized zones;
—zones of limited forces with verification procedures; and
—diplomatic peacekeeping devices such as prior notification of military maneuvers and changes in force levels and structures.

The idea of a guarantee of a settlement has been discussed for some time, but it has scarcely been considered in detail by the parties. Questions arise concerning the roles of the United States, the Soviet Union, and the United Nations in a guarantee, whether or not the guarantees would be needed for both sides, and what would be the effect of a guarantee compared to an equally protective measure like a defense treaty.

Other ideas have been suggested to enhance security and to buttress a settlement. Arms limitations or military reconfigurations could be weaved into a peace-building process. In addition, a distinction could be made between final borders and security borders.

Many of these ideas are being discussed in the Middle East today. Some may eventually be acceptable to the Israelis, but in the final analysis, given the history of the conflict, Israel will remain chary of any substitute to real peace and to its own security measures.

While there may be agreement among the parties that several security arrangements will be necessary as part of a final settlement, there is disagreement on two aspects of such arrangements. First, the Arab States want reciprocity—what exists on the Arab side will also exist on the Israeli side. Israel believes that, because of its smallness, reciprocity is impossible. Second, the Israelis believe that they should be involved in patroling or policing functions, while the Arabs insist on third-party involvement. Compromise on these points is essential if appropriate security arrangements are to be worked out.

In the coming months, Israelis and Arabs need to think further concerning borders and security arrangements. How far will the Israelis withdraw if the entire nature of the peace is to their liking? What types of security arrangements, perhaps involving Israelis, are acceptable to the Arabs in exchange for near-complete Israeli withdrawals? The United States must reflect upon the various security arrangements currently being discussed and the implications of those involving a direct American role.

The Palestinians

The future of the Palestinians may be the most difficult problem to solve in the Arab-Israeli conflict. One factor that makes this issue so complex is that the Palestinian people are scattered. Some 600,000 of

them live on the West Bank today, another 350,000 in Gaza, and almost 400,000 more (Israeli citizens) within the pre-1967 borders of Israel. Today, however, close to 1.5 million Palestinians, the largest concentration, live in Jordan and represent just over half of Jordan's population. An additional 500,000 live in Lebanon, Syria, and elsewhere.

A second complicating factor is determining who speaks for the Palestinians. While it is recognized that Palestinians should be involved in those issues of a Middle East settlement affecting them, there is no agreement among the parties to the conflict on who represents the Palestinians.

The Palestine Liberation Organization (PLO), headquartered in Beirut, is not recognized by Israel and does not itself accept Israel's existence. Elected mayors and other officials of the cities and towns on the West Bank and in Gaza sometimes speak for local constituencies there, but because the Israeli occupation has not permitted the development of political leadership there, no local political organizations have been able to vie with the PLO to represent Palestinians on "national" issues.

A third factor which complicates the situation concerns the appropriate role, if any, of the PLO in peace talks. The PLO wants a state on any portion of the Occupied Territories from which Israel withdraws. Some PLO officials have said privately that they will settle for a ministate on the West Bank and in Gaza, agreeing to live there in peace with Israel, but such statements are not made in public. The PLO has yet to recognize Israel's existence or right to exist in explicit terms and to state its acceptance of U.N. Resolutions 242 and 338 which have been the basis for all recent negotiating efforts. The PLO has also not yet accepted publicly the right of self-determination for the Palestinian people once a settlement is reached.

The Israeli Government rejects the very idea of any independent Palestinian entity. While there are some Israelis who are willing to consider return of some parts of the West Bank and Gaza, most Israelis feel strongly that any return should not be total. Other Israelis want to maintain the Jewish character of their state, are willing to relinquish populated areas, but want to retain a security border along much of the Jordan River.

Jordan wants Israeli withdrawals, after which it is prepared to accept the results of Palestinian self-determination. Most Arab leaders, including some PLO representatives, recognize that any Palestinian entity would have to have close links with Jordan. The issues which have not yet been resolved are how and when such links will materialize, what role the PLO will have in this linkage, and whether the Israelis can undertake negotiations with an Arab or Jordanian delegation which includes members of the PLO.

The parties are far apart on the issues of Palestinian representation and the future of the Palestinians. Some of the crucial elements necessary to consider to resolve finally this issue are:

(*a*) Palestinian involvement in the aspects of the negotiations which directly relate to them;

(*b*) Tangible results for the Palestinians from a settlement so that they can support an end to the conflict;

(*c*) A stable situation for all Palestinians, and some type of homeland for the refugees;

(*d*) Close links between Palestinians and Jordanians;

(*e*) Some form of compensation to those Palestinians who lost property when they left Israel, as well as some form of compensation to the Jewish citizens of Arab States who emigrated to Israel and left property behind. It will be difficult to determine who deserves compensation and what standards should be used; and

(*f*) Assurances that whatever arrangements are made for the Palestinians, instability in the region does not result.

Considerable attention to the Palestinian issue is a sine qua non of successful peace negotiations. Although the procedural problems may now be prominent, they will be much easier to resolve than the substantive issues. The key dilemma to be confronted is the degree to which, and the framework within which, all parties can allow a people that has suffered so greatly to determine its own destiny.

The parties may want to consider the concept of an interim arrangement for a period of years for occupied territories in the West Bank and Gaza.

U.S. Role in Negotiations

At the moment, all the parties to the Arab-Israeli conflict look to the United States to help mediate differences and promote peace negotiations. For Israel, no other country in the world other than the United States has the clout and willingness to play anything close to a constructive and honest broker's role.

For the Arab States, there is a widespread feeling that while the Soviet Union can sell them arms and help them to a degree, only the United States can assist them in achieving the political goals they seek in a Middle East settlement. These perceptions have led Egypt and Syria to rely on the United States to the point that they have become overconfident in our ability to bring results and "deliver" Israel. In fact, there is a feeling among all the principal Arab States that the United States rather than the Soviet Union can achieve progress.

Such widely held perceptions add both pressure and responsibility on the United States in the process of negotiations. U.S. statements must always attempt to be carefully balanced, clearly stimulating the movement, flexibility, concessions, and bargaining necessary from all the parties involved. If we cannot help achieve results in a short timeframe, it is feared that Saudi Arabia, Egypt, and other Arab States may drift away from current policies, thus endangering U.S. interests and increasing chances of renewed hostilities, should political solutions produce no fruits. The fear of such developments helps motivate the United States in promoting the peace process.

In the present climate in the Middle East, one of the major assets the United States has is the high quality of its diplomatic representation and the remarkable dialogs its ambassadors have been able to establish with the leadership in Israel, Egypt, Syria, and Jordan. This situation did not always exist in the past. This current ability to communicate directly with key leaders has helped the United States play an important role in the dispute and produce what many Arabs and Israelis call the best opportunity in nearly three decades to achieve progress towards a settlement of the conflict.

Some dangers and pitfalls can perhaps be avoided if the United States quickly corrects any misjudgments about its role and if the United States pursues a course at Geneva which maximizes the advantages it currently enjoys with all parties.

The United States must continually stress to the Arabs that they cannot sit back and expect the United States to "deliver" Israel or to produce some quick easy solution in Geneva. Geneva, once started, will be a lengthy process. While the United States can offer suggestions and try to help the parties, the Arabs must be convinced that the United States does not have the ability or will to impose a settlement.

The Israelis must be assured that our statements on the Middle East and our suggestions and ideas to the parties are not an attempt to dictate terms or impose an American peace plan, but rather a genuine effort to try to narrow the gap between the parties. The Israelis need to realize that such a role is part of the unique position of the United States vis-a-vis the Middle East at the moment.

On any agenda for peace in the Middle East, it would appear that an agreement on general principles is crucial—a statement that creates a realistic set of guidelines or a framework for initiating detailed negotiations. These principles should cover the three important issues of the Middle East conflict: the nature of the peace; borders and security; and the Palestinian question.

The problem that ultimately arises is what the United States should do if the Arabs and Israelis cannot or will not mend their differences by themselves and cannot agree to a set of principles on the basis of which negotiations can proceed. All the parties are apprehensive about how the United States will approach this type of impasse. Such a predicament, however, is only one manifestation of the great opportunity any Geneva-type conference presents for the United States. The United States should feel free to offer proposals and accept responsibility in resolving negotiating problems. But the United States must also understand that it cannot be heavy-handed and push the parties further and more quickly than they are willing to go.

For the immediate future, the focus must be on getting the Geneva process off to a mutually acceptable start. The U.S. role should be to encourage the parties to proceed with negotiations. The gaps in positions are enormous in some instances but they can only be tested and resolved in detailed negotiations. Furthermore, if U.S. participation in helping achieve true peace and a lasting settlement requires that it agree to make guarantees to the parties, it should do so and even spell them out precisely. However, any such guarantees to the parties involved should be left for the final phase of negotiations and the determination of how extensive these guarantees are to be should be left to the parties to decide themselves in the course of negotiations.

Finally, the parties, as well as the United States, are aware that the overwhelming burden of military expenditures in the Middle East has a negative impact on their societies and the well-being of their people.

IMPRESSIONS OF COUNTRY VISITS

Israel

POLITICAL SCENE

With the surprise victory of Menahem Begin's Likud Party in the May 17 parliamentary elections, the Israeli political landscape is changing. The Labor Party, which had been the senior partner in every Israeli Government since the establishment of the state in 1948, saw its representation in the 120-seat parliament (Knesset) drop from 54 to 32 seats. Much of the Labor Alignment's loss was attributable to the performance of the Democratic Movement for Change (DMC) led by Yigael Yadin. The DMC won 15 seats in the Knesset, mostly at the expense of the Labor Party. The Likud won 43 seats. After the May 17 elections, the Likud and the DMC began negotiations to form a coalition, but agreement was difficult to achieve. Two religious parties and a few independents helped the Likud form a new government initially.

Whereas the Labor Alignment's support comes from the Histadrut, the Kibbutzim, and the middle- and upper-middle classes of European or Sabra (native-born) origin, the new government draws much of its support from a different constituency, the Sephardic community of Oriental Jews who came to Israel after the founding of the state, primarily from North Africa, Yemen, and Iraq. In addition, the new government enjoys the support of the religious community and much of the younger generation, including the youth in the armed forces who gave 44 percent of their votes to the Likud and 21 percent to Labor.

The Likud victory can be interpreted as resulting from a long-term demographic process in which the Sephardic community has come to represent a majority of Israelis. In conjunction with the defection of a large part of the middle- and upper-middle classes from the Alignment to the DMC and with the failure of the Alignment to develop a constituency among Israeli youth, this demographic process could be significant in the future.

Likud support, over the years, has come largely from the Sephardic community. These Jews, having emigrated mainly from Muslim countries, have constituted the "other Israel," poor, less educated, often with large families. In spite of attempts by Alignment governments to improve their lot (free education, health insurance, etc.), the Oriental Jews have usually felt themselves deprived of equal opportunities in, and discriminated against by, society in a number of ways.

An intense nationalism and a tendency to articulate a more militant and less academic Zionism characterize the Sephardic community. It also is more adamant toward's Israel's Arab neighbors than are other sections of Israeli society.

A majority of Israelis believe that domestic economic and social problems were the major reasons for the outcome of the elections. Labor Party leaders put it simply: the country was ready for a change.

If foreign policy issues and relations with the United States were a factor in the elections, their principal effect was to swing some undecided voters away from Labor in the last weeks of the campaign. Several policy statements made in Washington, in response to statements or actions by Israeli politicians during the campaign, may have contributed to this shift.

The Labor Party feels that it lost the elections more than the Likud won them. The Labor Party has recognized that it has much rebuilding to do, particularly among the youth.

Since the elections, Prime Minister Begin has emerged as a skilled politician. It would be a serious miscalculation to think his government will be short-lived. During the smooth transition period between election day and the official formation of the government, Begin and his associates firmly took charge and appeared to be running an efficient administration.

Many Israelis are apparently unhappy about the concessions Begin has had to make to his coalition partners, the religious parties. They are also concerned that the DMC did not joint the Government sooner. Formed in response to demands among many for domestic economic, social and electoral reforms, the DMC differs with Begin mainly on some of his foreign and West Bank policies. The views of the Begin government about the West Bank and its philosophy on settlements are clear. It was thought that once the DMC entered into a government with Likud, it would have a moderating influence, lessening other pressures on Likud to approve new settlements, and adding flexibility to the Likud's overall policy toward the Arabs.

Since 1967, there have been more than 70 settlements established by Israel in the Occupied Territories, involving about 5,000 Israelis. There are as many as 25 settlements in the Golan Heights, 20 in the Sinai and Gaza, and 40 on the West Bank. Many senior Israeli officials are uncomfortable merely discussing the sensitive matter of new settlements.

In Jerusalem, the study mission met with several Arab mayors from towns on the West Bank and, in Gaza, with the mayor of the city of Gaza. Several impressions emerged from these visits and meetings.

First, elected and appointed officials from the West Bank and Gaza are pragmatic. Many have business backgrounds and, while loyal Palestinians and unhappy with Israeli occupation, they work with the Israelis when they have to, for they are deeply preoccupied with insuring the welfare of their people.

Second, while many West Bankers and Gazans have benefited economically from 10 years of Israeli occupation, they remain nationalistic and want self-determination. They say that the Palestine Liberation Organization (PLO) speaks for them on "national" Palestinian issues, but privately they make it clear that they have reservations about the PLO and that their support for the PLO is qualified.

Third, these Arab officials have little time for their brethren abroad who clamor for and are willing to finance revolution and violence. They say that they do not have time for such activities. They travel abroad and want money from, and maintain contacts with, the rest of the Arab world, but remain constantly aware of the constraints of Israeli rule.

Fourth, some of these officials seek closer ties with the United States and value any U.S. assistance they can receive, either through international organizations or private voluntary groups.

Finally, while an alternative Palestinian leadership may exist to the PLO on the West Bank it has not been allowed to develop freely. What position and influence these officials can assume over the short-run within the Palestinian community-at-large remains unclear. What is clear is that they are now doing as well as they can under difficult circumstances.

ISRAELI ECONOMY

An important factor in the defeat of the Labor Alignment in May 1977 is the economic situation in Israel. GNP has remained stagnant since 1974, while inflation soared to 56 percent in 1974, 24 percent in 1975, and 38 percent in 1976.

Israel's foreign debt has reached approximately $9 billion (among the highest per capita in the world), while foreign exchange reserves remain at approximately $1.1 billion.

The Israelis are among the most highly taxed people in the world and rely heavily on public and social services to maintain a high standard of living.

Israel's extraordinary defense burden is the cause of most of its economic problems. In the Israeli fiscal year 1976, defense expenditures accounted for 39 percent of Israel's $11 billion budget. GNP in that year totalled approximately $12 billion.

With limited natural resources and manpower, Israel has always had to rely heavily on imports to meet its large defense needs. Immigration has supplied skilled labor. However, in 1976, total immigration to Israel equaled emigration from Israel and the population remained at 3.5 million.

In late 1974, the Labor government announced a series of austerity measures, including the devaluation of the Israeli pound, designed to reduce inflationary pressures and safeguard foreign exchange reserves. The Government's policy had been to continue to devalue the pound incrementally—a maximum of 8 percent every 4 months—to maintain or increase export profitability by offsetting the differential inflation rates between Israel and its main trading partners. The new Begin government is continuing these measures. It only recently announced another devaluation, a 2 percent rise in interest rates and a net budget cut of $0.1 billion Israeli pounds. Two-thirds of the budget cut was made possible by price increases on fuel, water, electric power, public transport, and basic foodstuffs.

Under the Labor Alignment, Israel was a semi-Socialist state dominated by public and trade union-owned enterprise. The economic platform of the Likud advocates, however, a free-market economy in which government and trade union intervention in economic life would be minimized. The most controversial economic proposal of the Likud coalition is to enact a law requiring compulsory arbitration of labor disputes in vital services. Since the establishment of Israel, the trade union movement has dominated labor relations. The Labor Alignment

victory in the June 21 Histadrut elections, in which 1.4 million Israelis were eligible to vote, is seen by the Labor Alignment as an endorsement for the continuation of its economic, social, and labor policies rather than for those of the Likud coalition government.

It is unclear precisely how the new government's economic policy will develop. In its first economic policy decisions, the Government sought to attack inflation by reducing Government spending and dampening demand. According to some Israeli economists, it is possible that the new government may seek to deregulate some imports, sell some state lands, and reform some state enterprises, including the aircraft industries.

Selected Economic Indicators—Israel[1]

[Dollars in billions]

	1976 estimate
Gross national product (in current prices)	$12.1
Total imports of goods and services	$7.9
Direct defense imports	$1.6
Commodity imports from United States	$0.9
Total exports of goods and services	$4.6
Direct defense exports	$0.30
Commodity exports to the United States	$0.40
Current account deficit	$3.2
Government budget (fiscal year 1976 beginning April 1)	$11.0
Defense expenditures as percentage of budget	$39.0
Defense expenditures as percentage of GNP	$35.0
Increase in consumer price index (percent)	38
Foreign debt (at end of year)	$9.0
Foreign debt servicing (principal and interest)	$1.0

[1] State Department sources.

NOTE.—All data in Israel pounds were converted to dollars at the exchange rate of IL 7.96 equals $1.

UNITED STATES-ISRAELI RELATIONS

The United States provided Israel with $1.785 billion in military and economic assistance in fiscal year 1977. Israel had requested $2.3 billion in assistance. The Ford administration in turn asked Congress for $1.5 billion. President Carter then increased this request by $285 million, the entire increase being for economic assistance.

The main points of contention between the United States and Israel in recent months have centered around the U.S. military supply relationship and the issues of territorial withdrawal and of a Palestinian homeland, in the event of Arab-Israeli peace negotiations.

In Israel, the United States has been perceived as reevaluating its commitments to supply Israel with certain classes of sophisticated weapons. The request for CBU–72's concussion bombs was denied earlier this year (their export has been banned worldwide). The sale of Forward-Looking Infrared Radars (FLIR's) and the granting of coproduction rights for the McDonnell-Douglas F–16 aircraft are under consideration. Israel also sought U.S. financial assistance for the production of an Israeli tank, the Chariot, and coproduction rights with Grumman Aerospace Corp. for two hydrofoil attack ships. Financial support in the amount of $107 million for expanded production of the Chariot tank has been approved. The hydrofoil attack ships will be built by Grumman, one in the United States and one in Israel.

Despite problems on specific arms supply issues, Israel is today extremely confident of its military position and feels that, since 1973, its military relationship vis-a-vis its Arab neighbors has vastly improved. This belief is due in part to U.S. supplies, in part to the slow improvement in the principal Arab military establishments.

Of more long-term concern to Israel are the present U.S. administration's recent statements on certain aspects of an Arab-Israeli settlement. Prime Minister Begin has been most vocal in his disagreement over the use of such terms as Palestinian "homeland" and "withdrawal to the pre-1967 borders" by Americans. Most Israelis are increasingly concerned about what they see as erosion of U.S. support for Israel's bargaining positions vis-a-vis the Arab States and the Palestinians.

While initial relations between the new Israeli Government and the United States did not go smoothly, and many in Israel expressed shock at some of the American press' initial characterizations of Prime Minister Begin as a terrorist, recent efforts at maintaining the American-Israeli special relationship, including Begin's visit to Washington, have helped to establish new dialogs and channels of communication, so that some differences on some policy issues do not affect all ties.

Part of the problem in United States-Israeli relations after the May elections was due to the simple fact that over the years the United States had had little contact with the opposition. Now that the former opposition is in power, the United States has had to make up for lost time quickly. It is unlikely that this mistake will be repeated.

Egypt

POLITICAL SCENE

United States-Egyptian relations have improved dramatically in recent years. This improvement was the result, in part, of the success of U.S. efforts in supporting disengagement agreements between Israel and Syria and Egypt after the 1973 war. Further negotiations between Egypt and Israel, again with U.S. encouragement, led to the signing of the Sinai II Agreement in September 1975. Today, the United States and Egypt have a close working relationship and our Ambassador in Cairo has excellent access to the Egyptian leadership. If anything, President Sadat has placed too much confidence in the United States.

President Sadat was reelected without opposition to a second six-year term on September 16, 1976. Over the past year, Egypt has been steadily moving towards a multiparty parlimentary system. In Egypt today, there are three political parties, which represent the left, right, and center of Egyptian politics. In addition, independents are permitted to run for the People's Assembly. The Government controls the center party, which has a large majority in the People's Assembly.

Most recently, the People's Assembly has liberalized the political party system. Any 20 members of the Assembly can now form a legal party, if they can distinguish themselves from the three existing parties and if their platform falls within the broadly applied constitutional description of the state as democratic and socialist.

Criticism of the Government is permitted in the People's Assembly, and parliamentary debates are frequently lively. In addition to liberalizing the political system, President Sadat has restored judicial due process, banned torture and other cruel treatment of arrestees, and encouraged the independence of the judiciary. The human rights situation in Egypt has been relieved of much of the police state atmosphere of the past.

Egypt has recently shown an increasing interest in events in Africa. In addition to favoring strongly majority rule in southern Africa, it has been supportive of moderate African governments. The assistance sent to Zaire when it was under guerrilla attack is an expression of this strong support. Egypt also has been concerned with events in the Horn of Africa and efforts by Libya to destabilize the Governments of Chad and the Sudan.

Prior to 1972, Egypt had an extremely close relationship with the Soviet Union, and the Soviet Ambassador to Cairo was somewhat of a proconsul. The Soviet Union was Egypt's principal arms supplier and contributed substantial economic assistance. Many Soviet military and technical advisers were resident in Egypt.

In July 1972, Sadat expelled about 20,000 Soviet military advisers from Egypt. After the 1973 conflict with Israel, Sadat claimed the Soviets failed to replenish his stocks of military materiel.

In February 1976, Egypt unilaterally abrogated the Egypt-U.S.S.R. Treaty of Friendship and Cooperation, and compelled the Soviet Navy to terminate its use of Alexandria's port facilities by the end of March of that year. Relations with the Soviet Union have remained poor since then in spite of several attempts to improve them. Many Egyptian leaders have strong anti-Soviet feelings.

In the last year, it would appear that President Sadat's popularity has declined somewhat at home. To be successful, President Sadat needs progress in three areas: economic improvements; upgrading of the military; and progress towards a Middle East peace settlement.

The realities are not encouraging. Progress on the peace front is slow at best, and Sadat has little to show as a result of his working relationship with the United States. His military claims that it is ill-prepared for new hostilities. The military, always a key figure in Egyptian politics, may become restive if new supplies do not arrive. To many, Sadat's hostility to the Soviet Union and rupture of the military supply relationship compromised his effectiveness in the Arab world. France has signed military agreements with Egypt, but there is little to show for them to date. The United States remains reluctant to enter into a full military relationship with Egypt. However, Saudi Arabia, Kuwait, and the United Arab Emirates have indicated the intention of setting up a multibillion weapons development and production program for Egypt. Little progress has been made on this project to date.

Finally, there has been little demonstrable improvement in the economy. The riots in January emanated from a general economic and political malaise. Nevertheless, President Sadat and his advisers continue to forecast an economic turnaround in 1980.

The key to continued internal stability in Egypt may be whether or not the vocal and sometimes violent opposition forces on the right and the left can remain isolated and disjointed. If they were ever to unify themselves or undertake some type of joint action or joint political program, they could be more disruptive trouble in Egypt.

Since the low point in his popularity, registered at the time of the January riots, President Sadat has made some recovery, but it has not been as quick or impressive as his most vocal supporters had hoped it would be. The next several months remain crucial for the Egyptian leadership as it endeavors to show progress on its principal policies.

ECONOMIC PROBLEMS AND U.S. ASSISTANCE

Egypt is a country with severe economic problems. The country has a high rate of population growth, chronic balance-of-payments difficulties, a large external debt which requires constant refinancing, a high rate of inflation, and high subsidies on basic goods.

The U.S. assistance program is in part aimed at alleviating balance-of-payments deficits through a combination of Commodity Import Program Loans (which are tied to the purchase of U.S. goods) and

Public Law 480 programs. Our economic and food aid will total about $1 billion this year.

With these programs, we have been able to relieve the Egyptians of some of the pressure on their dwindling foreign currency reserves. The major part of our aid program is project assistance, aimed at long-term development of Egypt's economy.

The announcement in January 1977 by the Egyptian Government of a series of price increases on subsidized staple commodities caused widespread rioting in many cities. The situation was brought under control when the increases were canceled.

The United States, in an effort to show its support for Egypt, shifted a large portion of its aid program for fiscal year 1977 from project assistance to commodity assistance. The need for commodity assistance should diminish over the next few years, allowing an increasing portion of our program to be devoted to project assistance.

Egypt receives substantial balance-of-payments support from the wealthy Arab States, as well as smaller amounts of assistance from other nations.

A recent meeting of the donor nations under the auspices of the World Bank ended with Egypt agreeing to undertake the basic reforms in its economic system necessary to solve its long-term economic problems.

Egypt, in development terms, is, in effect, a small agricultural nation with serious population pressures, limited natural resources, a small industrial base, a stifling bureaucracy and an inadequate infrastructure. The country is saddled with a large external debt it is unable to meet through export earnings (repayments scheduled for 1977 total more than one-half of probable export earnings). On the plus side are prospects for oil revenues, income from service sectors, Suez Canal revenues, a reservoir of an educated citizenry and remittances from Egyptians working in the Persian Gulf.

In this framework of limited resources Egypt is attempting to (*a*) hold open its economy to higher consumption levels; (*b*) put together new development project activities; and (*c*) maintain an expensive military establishment—all more or less at the same time and all very costly. It is reliably reported, however, that the Saudi Arabian Government has agreed to underwrite Egyptian defense expenditures for the next 5 years.

Given resource availability, the Egyptian Government needs to establish priorities in meeting those requirements, as well as take effective action to begin curbing the rate of population growth.

Despite President Sadat's desire for more private foreign investment in Egypt, and his attempt to liberalize the Egyptian economy, it remains difficult for private companies to do business in Egypt.

Implementation of the economic liberalization policy has been extremely difficult at the lower levels of the bureaucracy because the bureaucracy naturally resists change and because many Egyptian bureaucrats, groomed on the ideology of Arab socialism, implicitly distrust private enterprise. The prospects for U.S. business in Egypt are tied to an improvement in the Egyptian economic situation and should improve as the economy recovers and certain restrictive and outmoded laws are altered.

EGYPT—ESTIMATED INDICATORS FOR 1975 AND 1976[1]

	1975	1976
Gross national product (billions)	$11.5	$11.7–11.8
GNP real growth rate (percent)	2.2–3	
Population (millions)	$37.2	$38
Defense expenditures (billions)	$1.340	$1.329
Percent of gross national product (percent)	11.6	11.3–11.2
Exports (f.o.b.) (billions)	$1.6	$1.6
Imports (c.i.f.) billions)	$4.3	$3.5
Trade balance (billions)	−$2.8	−$1.9
Inflation rate (percent)	10	20
Unemployment (percent)	15–25	15–25

[1] State Department sources.

UNITED STATES-EGYPTIAN RELATIONS

Two of the most important issues in United States-Egyptian relations over the next several months and years will be the possibility of a further military relationship with Egypt and tempering Egyptian faith and confidence in the U.S. ability to produce quick results in peace talks.

During his visit to the United States in April of this year, President Sadat requested additional military equipment, including small arms, F–5 aircraft, and TOW missiles. He explained that Egyptians are most appreciative of continuing American economic assistance, but that they would also like to receive some military assistance.

In 1976, six C–130's were sold to Egypt under the Foreign Military Sales program. From that time until August of this year, no military sales were made to Egypt. In August, President Carter signed a new Presidential Determination finding that the sale of defense articles and services to Egypt would strengthen the security of United States and promote world peace and he notified Congress of plans to sell additional transport and paramilitary equipment as well as 12 Firebee reconnaissance planes.

At present, the major focus of our relations with Egypt is on efforts to encourage a Middle East peace settlement. Now that the Israeli elections are over, the Egyptians want action. No major problems exist at present in our bilateral relations, but what transpires on the peace effort during the next several months may have a decisive impact on the future of our relations for years to come.

President Sadat remains convinced that the United States holds about 99 percent of the so-called "peace cards" in the Middle East. His enormous confidence and trust in the ability of the United States to achieve progress puts added burdens and responsibilities on the United States.

The United States must convince the Egyptians that the United States cannot impose peace and cannot single-handedly write a peace agreement. At the same time, the United States must continue its important political dialog with Egypt.

JORDAN

POLITICAL SCENE

Jordan is a non-oil-producing country of 3 million people led by King Hussein, now celebrating the 25th year of his reign. Jordan has traditionally been a moderate in world and Middle East affairs and has long maintained close relations with the United States.

Jordan's central geographic location, its unresolved border with Israel, and large Palestinian population (1.5 million) have made it a constant and important factor in efforts to achieve a peaceful, negotiated settlement of the Arab-Israeli conflict. Jordan continues to be a moderating, Western-oriented, steadying influence among the Arab confrontation states.

Jordan has been a parliamentary monarchy. In 1970, however, at the time of widespread civil strife caused by the PLO presence in Jordan, and again in 1973, following the outbreak of the October war, a state of emergency was proclaimed. The state of emergency is still in force. Parliament was dissolved in 1976 so that elections, due to be held at that time, could be postponed, thereby allowing West Bank representatives elected previously to be retained in Parliament. New elections, which could have been held only on the East Bank, would have resulted in a Parliament representing only the East Bank. The Jordanian Government considers a Middle East peace settlement the single most important factor affecting its national security and internal stability.

The Jordan Armed Forces constitute an important element in maintaining the continued stability of the country. Headed by their Commander-in-Chief, Lt. Gen. Sharif Zaid bin Shakir, the Jordan Armed Forces number some 67,000 men. They provide important support for the Hashemite regime and are the largest employer, contractor and provider of social services in the country. The armed forces use U.S.-manufactured equipment primarily, and rely on our substantial military assistance programs.

JORDANIAN ECONOMY

Jordan's economy was severely dislocated by the loss, in 1967, of the fertile and prosperous West Bank, which was also a major source of tourism revenues. The East Bank today has a gross domestic product of just under $1 billion (about $500 per capita).

In 1976, domestic revenues covered half of governmental budgetary expenditures, with the balance financed through external assistance from the United States and other donors, mainly neighboring Arab States. Jordan's trade and budgetary deficits are chronic, with imports currently being about five times greater than exports.

The present economy, however, shows healthy signs. Jordan currently enjoys virtually full employment, receives nearly $500 million annually in remittances from 300,000 Jordanians working in the gulf, is experiencing impressive and ubiquitous new construction, is seeing a steady stream of foreign firms considering Amman as a regional headquarters, and has an ambitious new 5-year plan (1976–80) projecting 12 percent annual growth rates.

The 5-year plan, initiated and backed by Crown Prince Hassan, brother of the King and heir to the throne, concentrates on development in agriculture, natural resources, and industry, and anticipates large-scale foreign investment. The goal of self-sufficiency, however, is still a few years off.

Jordan's efforts to achieve this growth must be undertaken in the face of limited mineral resources (except for phosphates and possibly potash), environmental restraints on agricultural production, and a continuing drain of much of its skilled manpower to the oil-rich states of the Arabian Peninsula.

UNITED STATES-JORDANIAN RELATIONS

Jordan remains a moderate and constructive force in the Middle East and is an important factor in U.S. efforts to achieve a negotiated, peaceful settlement of the Arab-Israeli conflict. Our relations with Jordan have been traditionally close and friendly.

Fundamental to United States-Jordanian relations is a mutual concern and determination to achieve a just settlement of the Middle East crisis. The United States has a continuing commitment to maintain this relationship, reflected in substantial military aid and Security Supporting Assistance programs for Jordan.

In fiscal year 1977, for example, the United States provided Jordan with $55 million in grant military aid, $75 million in Foreign Military Sales Financing and $70 million in Security Supporting Assistance (the bulk of which is in grant budgetary support).

These programs are designed to assist Jordan in maintaining and modernizing its modest military establishment while preserving acceptable levels of domestic economic prosperity and growth.

In planning future Security Supporting Assistance programs, the United States appears to be cutting down the proportion of assistance given in budgetary support grants and raising the proportion of assistance going to concessional loans and grants for specific development projects. The purpose is to foster faster development of Jordan's infrastructure and human resources, eventually permitting Jordan to decrease its dependence on external financial support and to finance its development program from its own resources.

Two development projects currently under study by the United States, for which Jordan hopes to obtain partial U.S. funding, are the Maqarin Dam on the Yarmouk River—which forms part of Jordan's border with Syria—and the development of Dead Sea potash. In 1976, AID financed a $1 million feasibility study for the Maqarin Dam, which will regulate the flow of water from the Yarmouk River to the irrigated lands of Israel's Yarmouk triangle and the banks of the Jordan River Valley. This project poses the question of water

rights between Israel and Jordan that must be resolved before the United States will participate in the construction of the dam.

In 1976, the United States also supplied Jordan with a $6 million loan to finance a feasibility study and pilot project for Dead Sea potash development. When the results of this study and pilot project are available, a determination will be made concerning a U.S. role in developing this project further.

Both the potash and dam projects are sensitive politically as they are located on the dividing line between Israel and Jordan. Any further decision to go ahead with the dam project, in particular, will depend on progress made toward a Middle East peace settlement.

Since it would appear to be difficult for the United States to participate in these two enormous projects other than on a multiyear funding basis, it might be possible to start supporting these projects next year, without greatly increasing our aid levels, if the budget support portion of our aid were substantially reduced from the current $40 million level. These projects are large. The dam and associated downstream irrigation work may cost more than $500 million and our share of the potash development project may be $50 million. They can form the basis of American support for Jordan as budget support did over the past several years. In addition, there is the possibility of making the Maqarin Dam project a Middle East regional project much the way the Indus River project used to be treated.

Syria

POLITICAL SCENE

In the past 7 years, Syria has emerged from over two decades of internal political turmoil and social change, during which it was more often the object of rival forces in the region than the shaper of events, and hence a source of instability in the area generally. President Hafiz Asad, who has been in office longer than any Syrian leader since independence, is largely responsible for this increased stability.

Syria has a strongly centralized Government in which executive authority is vested in the President. Syria has a parliament, and elections will be held later this year for its 186 members. Asad became Prime Minister after a November 1970 coup, and was elected President in early 1971. The intricate mosaic of ethnic, religious and political groups within Syria produces diverse and centrifugal forces with which the Government must contend. Internal rivalries and factionalism are supplemented by the bitter animosities between the Syrian and Iraqi wings of the Ba'th Party.

President Asad has substantial support from the army, the Ba'th Party and the Alawite community. He has had to deal with relatively few political challenges to his control. Aside from occasional terrorist incidents in cities, tensions with Iraq, and the continuing problems in Lebanon, the main issues which influence the actions and policies of the Syrian Government are the economy and the Middle East peace process.

Special note should be made of Syria's relations with Lebanon, Egypt, Jordan, and the Soviet Union. President Asad and his top advisers remain very close to President Sarkis in Lebanon and have been able to work together on restoring law and order in the strife-torn country. While President Asad has a good working relationship with King Hussein of Jordan, he is not close to President Sadat of Egypt. Most Syrians simply do not, in the wake of the Sinai II Agreement in 1975, trust President Sadat and his actions very much.

The Syrian relationship with the Soviet Union today is guarded. It appears that there have been policy disagreements, and the relationship is in a sensitive period. Some Soviet economic advisers apparently have been withdrawn, although many military advisers remain in Syria advising down to the battalion level. The differences hinge on Soviet criticism of President Asad's role in Lebanon and Syrian hesitations regarding Soviet international actions in the area. However, Syria apparently recently concluded a $500 million arms deal with the Soviet Union.

SYRIAN ECONOMY

The Syrian economy is heavily regulated, in accordance with Ba'th Party socialism. From the late 1950's, and up through the late 1960's,

the Syrian Government undertook agrarian reform and nationalization programs which, because of a series of changes in government and stops and starts in programs, severely affected economic growth.

Recent Government policies, however, have given an expanded role to the private sector, and it has been thriving. In the years since 1970, despite the disruptions caused by the 1973 war, the Syrian economy has undergone substantial growth, reaching an annual rate of about 12 to 13 percent in 1975.

Grants and loans from oil-producing Arab States and Iran, higher prices for Syrian exports, sounder economic planning, and improved weather conditions contributed to this improvement.

In 1976, however, inflation and expenditures associated with Syria's military involvement in Lebanon placed heavy pressures on Syria's balance of payments. A reduction in loans and subsidies from the petroleum-producing states aggravated the situation. The 1976 closing of the Iraq-Mediterranean oil pipeline meant lost revenues as well as sharp increases in the costs of imported oil.

These burdens have forced the Government to postpone or stretch out some of its major economic development projects. Also, Syria's growth rate dropped to between 6 and 7 percent in 1976.

Despite its recent economic problems, Syria is one of the few Middle East countries with a respectable resource base for economic development.

SYRIA AND THE UNITED STATES

For more than 6 years after June 1967, no formal direct contact existed between the United States and Syria. Because of our support of Israel, Syrian attitudes toward American policies in the Middle East were suspicious and openly antagonistic.

Not until January 1974, following Secretary Kissinger's efforts to achieve an Arab-Israeli cease-fire in the October 1973 war, did an American diplomat return to Damascus.

Since then, particularly since June 1974, when full diplomatic relations were resumed in the aftermath of efforts to facilitate a Syrian-Israeli disengagement agreement on the Golan Heights, United States-Syrian relations have improved gradually. Since 1975, communication and understanding between the United States and President Asad and his chief advisers have been improving.

Current relations are marked by regular communications between the Secretary and President Asad, by the excellent access our Ambassador enjoys to Asad and senior Syrian officials, and by growing Syrian interest in broadening economic and cultural ties with the United States.

For example, Syria took the initiative in concluding a new cultural agreement with the United States. Contrary to its Ba'thist ideology, the Asad regime also has reversed itself and concluded an OPIC agreement with the United States, insuring U.S. investments in Syria against political risk and providing U.S. Government guarantees of payment on loans made by private U.S. lenders to eligible projects in Syria.

United States-Syrian trade has expanded: American exports have risen from $20.7 million in 1973 to $127.8 million in 1975 and $272.2

million in 1976, and there appears to be sufficient interest in U.S. participation in the Damascus International Fair for the United States to establish permanent facilities.

U.S. economic assistance to Syria, which has averaged between $80 and $90 million in AID funding annually since fiscal 1975, gives tangible expression to our relationship. Including Public Law 480 programs, our total economic assistance has been averaging over $100 million annually, compared to roughly $800 million in aid from all donors.

A major portion of the AID program is placed where it can contribute to Syria's major economic development objectives, e.g., agricultural projects, water projects, and other infrastructure improvements essential to orderly economic growth.

While U.S. aid is helping in the construction of two major highway projects, it is expected that no further highway construction will be done with American assistance. Our training and participant programs, though modest in monetary terms, stimulate a wider knowledge of English and closer association of Syrian professionals and potential leaders with American research and technology.

A special aspect of United States-Syrian relations and a factor affecting United States aid to Syria is the status of the Syrian Jewish community and the prospects for those wishing to emigrate. During the course of the study mission's stay in Damascus, Members were able to meet privately, and without Syrian official presence, with members of the Jewish community's leadership.

The impression conveyed was that conditions have vastly improved for the some 5,300-person community, centered in Damascus, but with small groups in Aleppo and Qamishli, and that officially sponsored discrimination may have been somewhat reduced. Although religion is still listed on their identity cards and although, when they buy and sell real property, it must be registered with the Government, the Syrian Jews can travel widely in the country, choose schools and employment, work for the Government, import and export like other Syrian merchants, and live wherever they wish.

The new policies of the Asad government toward the community and a vastly increased and improved dialog with the Syrian Jewish community in the United States have helped to bring a new era to this community which has suffered so much in the past.

Nevertheless, problems remain. First, the community continues to fear that today's enlightened policies could change overnight and that new restrictions could be imposed. Second, the general prohibition on free emigration still exists.

Third, there is the special problem of some 500 Jewish women of marriageable age who cannot find husbands in Syria. While these women cannot freely emigrate, they can leave if they marry foreigners. In the coming months, procedures for marriages, proxy marriages, family reunifications, and other special arrangements will be considered. In individual cases, the Syrian authorities appear to be flexible, but the Jewish community clearly worries about the continued general ban on emigration, even to Europe and the United States.

APPENDIX 1

United Nations Resolutions 242 and 338

Security Council Resolution 242 (1967)[1]

"*The Security Council,*

"*Expressing* its continuing concern with the grave situation in the Middle East,

"*Emphasizing* the inadmissibility of the acquisition of territory by war and the need to work for a just and lasting peace in which every State in the area can live in security,

"*Emphasizing further* that all Member States in their acceptance of the Charter of the United Nations have undertaken a commitment to act in accordance with Article 2 of the Charter,

"1. *Affirms* that the fulfillment of Charter principles requires the establishment of a just and lasting peace in the Middle East which should include the application of both the following principles:

"(i) Withdrawal of Israel armed forces from territories occupied in the recent conflict;

"(ii) Termination of all claims or states of belligerency and respect for and acknowledgement of the sovereignty, territorial integrity and political independence of every State in the area and their right to live in peace within secure and recognized boundaries free from threats or acts of force;

"2. *Affirms further* the necessity

"(a) For guaranteeing freedom of navigation through international waterways in the area;

"(*b*) For achieving a just settlement of the refugee problem;

"(*c*) For guaranteeing the territorial inviolability and political independence of every State in the area, through measures including the establishment of demilitarized zones;

"3. *Requests* the Secretary-General to designate a special representative to proceed to the Middle East to establish and maintain contacts with the States concerned in order to promote agreement and assist efforts to achieve a peaceful and accepted settlement in accordance with the provisions and principles in this resolution;

"4. *Requests* the Secretary-General to report to the Security Council on the progress of the efforts of the special representative as soon as possible."

Security Council Resolution 338 (1973)[2]

The Security Council

1. *Calls upon* all parties to the present fighting to cease all firing and terminate all military activity immediately, no later than 12 hours after the moment of the adoption of this decision, in the positions they now occupy;

2. *Calls upon* the parties concerned to start immediately after the cease-fire the implementation of Security Council resolution 242 (1967) in all of its parts;

3. *Decides* that, immediately and concurrently with the cease-fire, negotiations start between the parties concerned under appropriate auspices aimed at establishing a just and durable peace in the Middle East.

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[1] Resolution 242 (1967), as proposed by United Kingdom, S/8247, adopted unanimously by Council on 22 November 1967, meeting 1382.

Reports of Secretary-General:

S/8259. Note by Secretary-General dated 23 November 1967.

S/8309 and Add. 1. Report by Secretary-General on progress of efforts of Special Representative to Middle East. dated 22 December 1967 and 17 January 1968.

[2] Adopted on October 22, 1973 by a vote of 14 to 0 (China did not participate in the voting).

APPENDIX 2

Schedule of Activities

Members of Delegation

Hon. Lee H. Hamilton, Chairman, Subcommittee on Europe and the Middle East, Committee on International Relations.
Hon. David R. Obey, Member, Foreign Operations Subcommittee, Committee on Appropriations.
Hon. Abner Mikva, Member, Committee on Ways and Means.
Hon. Benjamin Rosenthal, Member, Committee on International Relations.
Dr. Michael Van Dusen, Staff Director, Subcommittee on Europe and the Middle East, Committee on International Relations.
Mr. Michael Marek, Staff, Committee on Appropriations.
Mr. Robert Flaten, Department of State.
Mr. James Cheek, Department of State.
Lt. Comdr. Charles Wollerton, Department of Defense.
Lt. Comdr. Charles Peck, Department of Defense.

Tuesday, July 5, 1977

9:00 a.m.—Depart United States for Israel.

Wednesday, July 6, 1977

3:25 a.m.—Arrival at Ben-Gurion International Airport; proceed to Jerusalem.
3:00 p.m.—Visit Yad Vashem, Memorial and Museum.
4:30 p.m.—Embassy briefings on the political and economic situations.
8:00 p.m.—Working dinner hosted by Mr. Ephraim Evron, Director General, Ministry of Foreign Affairs.
Among the prominent Israelis participating were:
Dr. Moshe Arens, Member of the Knesset Foreign Affairs and Defense Committee.
Dr. Haim Barkey, Professor of Economics at Hebrew University and adviser to the government.
Dr. Mordechai Abir, Professor of Political Science at Hebrew University.
Mr. Moshe Alon, Assistant Director General, Israeli Foreign Ministry.

Thursday, July 7, 1977

7:30 a.m.—Leave Jerusalem for Southern Israel and Gaza Region.
9:00 a.m.—Visit Kibbutz Yad Mordechai near Gaza Region.
10:15 a.m.—Visit Gaza area and two refugee camps.
12:30 p.m.—Meeting with the Mayor of Gaza, Rashad al-Shawwa.
1:30 p.m.—Working lunch at Gaza with Israeli Military Governor of Gaza and his staff.
4:00 p.m.—Return to Jerusalem.
7:00 p.m.—Meeting with Dr. Yigael Yadin, Member of the Knesset and Head of the Democratic Movement for Change (DASH).
8:30 p.m.—Working dinner at the Consulate General of the United States with several prominent West Bank Officials:
Among those present were:
Mayor Muhammad Mulhim of Halhul.
Mayor Elias Freij of Bethlehem.
Mayor Ibrahim Suliman Tawil of Al Bira.
Mr. Antranig Bakerjiam, UNRWA Area Officer for Jerusalem.
Mr. Ibrahim Mattar, Mennonite Central Committee.

Mr. Zafar al-Masri, Deputy Mayor, Nablus.
Mr. Anwar Nuseibeh, Former Governor of Jerusalem, now prominent lawyer.

Friday, July 8, 1977

8:30 a.m.—Meeting with Prime Minister Menachem Begin.
10:30 a.m.—Meeting with Yitzhak Rabin, Member of the Knesset, former Prime Minister.
12:30 p.m.—Working luncheon hosted by the Mayor of Tel Aviv, Shlomo Lahat, and his Deputy Mayors:
Mr. Izhak Artzi, Deputy Mayor.
Mr. Yigal Griffel, Deputy Mayor.
Mr. David Schiffman, Deputy Mayor.
2:30 p.m.—Meeting with Shimon Peres, Member of the Knesset, Chairman of the Israel Labour Party and Leader of the Opposition.
3:45 p.m.—Meeting with Ezer Weizmann, Minister of Defense and Brig. Gen. Yehoshua Sagui, Deputy Director Military Intelligence, Israeli Defense Forces.
6:30 p.m.—Meeting with Arie Eliav, Member of the Knesset.
8:30 p.m.—Dinner given by Ambassador of the United States Samuel Lewis.
Prominent Israelis present included:
Prof. and Mrs. Moshe Arens, Member of Knesset.
Mr. and Mrs. Arye Dulzin, Treasurer, Jewish Agency.
Ambassador and Mrs. Ephraim Evron, Director General, Ministry of Foreign Affairs.
Mr. and Mrs. Moshe Sasson, Deputy Director General, Ministry of Foreign Affairs.
Mr. and Mrs. Moshe Ravin, Director North American Division, Ministry of Foreign Affairs.
Mr. and Mrs. Amos Eiran, Former Director General, PM's Office.
Mr. Arye Agron, Ministry of Foreign Affairs.
Ms. Ruhama Sapir, Ministry of Foreign Affairs.
Mr. and Mrs. Shalom Rosenfeld, Editor, Maariv.
Mr. Ari Rath, Editor, The Jerusalem Post.
Mrs. Hanna Zemer, Editor, Davar.

Saturday, July 9, 1977

8:30 a.m.—Meeting with Mordechai Ben Porat, World Organization of Jews from Arab Countries (WOJAC).
10:45 a.m.—Ben-Gurion International Airport.
1:15 p.m.—Arrive Damascus International Airport.
2:45 p.m.—Political, Economic and Military Briefings by U.S. Embassy staff.
5:30 p.m.—Meeting with Foreign Minister Abd al-Halim Khaddam.
8:00 p.m.—Working dinner hosted by United States Ambassador Richard Murphy.
Prominent Syrians present included:
Dr. and Mrs. Mohammed al-Imadi, Minister of Economy and Foreign Trade.
Dr. and Mrs. Mohamed Ayyoubi, Minister of Finance.
Mr. and Mrs. Hamud al-Shufi, Director of American Affairs, Ministry of Foreign Affairs.
Dr. George Jabbour, Director of Research, the Presidency.
Mr. and Mrs. Bichara Kharouf, Office of Protocol.
Dr. and Mrs. Dib Abu Assali, Director-General, Commercial Bank of Syria.
Mr. Hisham Ghazzi, Director of Petroleum Marketing.
Mr. and Mrs. Saeb Nahhas, Businessman.
Dr. and Mrs. Ahmad al-Adly, Businessman.
Mr. and Mrs. Jacque Hakim, Lawyer.

Sunday, July 10, 1977

8:30 a.m.—Meeting with leaders of Syrian Jewish community (Party accompanied by U.S. Deputy Chief of Mission Pelletreau and no Syrian Government officials).
10:30 a.m.—Meeting with President Hafez al-Asad.
12:30 p.m.—Depart from Damascus International Airport.

1:30 p.m.—Arrive Amman International Airport, Amman, Jordan.
2:00 p.m.—Working lunch hosted by Royal Scientific Society.
4:00 p.m.—Meeting with His Majesty King Hussein.
5:30 p.m.—Meeting with Crown Prince Hassan.
8:00 p.m.—Dinner hosted by United States Ambassador Pickering.
Prominent Jordanians present included:
Sharif and Mrs. Abd al-Hamid Sharaf, Chief of the Royal Court.
His Excellency The Minister of Education and Mrs. Abd as-Salam al-Majali.
His Excellency The Minister of Information Adnan Abu Odeh.
His Excellency The Minister of Labor and Mrs. Isam al-Ajluni.
Maj. Gen. Abdul Hadi Majali, Assistant Chief of Staff, Jordan Armed Forces.
His Excellency and Mrs. Anis Mou'asher, Mou'asher Bros. (former Minister of National Economy).
Mr. and Mrs. Ali Khasawneh, General Manager, Arab Potash.
Dr. and Mrs. Albert Butros, President, Royal Scientific Society.
Mr. and Mrs. Mamduh Abu Hassan, Central Bank Board.
Mr. and Mrs. Munir 'Attalah, Mack Truck Sales Officer.

Monday, July 11, 1977

7:30 a.m.—Working breakfast with American Embassy officials on political, economic and military situation.
9:30 a.m.—Meeting with National Planning Council.
10:30 a.m.—Depart for Egypt.
12:45 p.m.—Arrive Cairo International Airport.
3:00 p.m.—Political, economic and military briefings at United States Embassy.
6:00 p.m.—Visit to the Sphinx, Pyramids and Solar Boat in Giza.

Tuesday, July 12, 1977

8:00 a.m.—Depart Cairo for Suez Canal region by car. Accompanied by Dr. Mustafa Said, Director of Central Authority for Reconstruction, Ministry of Housing and Reconstruction.
9:30 a.m.—Meeting with Governor of Suez, Major General Mahmud Mahrous Abu Hussain. Briefing on reconstruction of Suez cities and Canal area.
10:30 a.m.—Visit damaged areas of Suez city and areas under reconstruction.
11:30 a.m.—Depart Suez.
12:00 p.m.—Visit construction site of Suez Canal tunnel.
1:00 p.m.—Arrive Ismailia. Briefing at UNEF Headquarters by UNEF Commander General Rais Abin (Indonesian).
2:00 p.m.—Working lunch hosted by Suez Canal Authority and briefing on Suez Canal operations.
4:30 p.m.—Return to Cairo.
6:30 p.m.—Meeting with Deputy Prime Minister and Foreign Minister Ismail Fahmy.
8:30 p.m.—Delegation attends individual dinners with Egyptian guests.
11:30 p.m.—Congressman Hamilton and Congressman Obey meet with Yasir Arafat, Head of the Palestine Liberation Organization.

Wednesday, July 13, 1977

7:55 a.m.—Depart Cairo by train for Alexandria.
10:30 a.m.—Arrive Alexandria.
11:00 a.m.—Meeting with President Anwar Sadat.
1:30 p.m.—Luncheon hosted by Speaker of People's Assembly Sayyid Mar'i.
4:30 p.m.—Depart Jianaclis Air Force Base.
10:30 p.m.—Arrive London, England.

Thursday, July 14, 1977

3:00 p.m.—Meeting with American Embassy Officials.

Friday, July 15, 1977

8:00 a.m.—Depart for United States.
12:00 noon—Arrive Washington, D.C.

APPENDIX 3

Statement of Congressman Hamilton and Congressman Obey on Meeting With Yasir Arafat

On July 12, Congressman Hamilton and Congressman Obey and Mike Van Dusen and Mike Marek met with Yasir Arafat, Head of the Palestine Liberation Organization. The meeting, which was arranged through the Arab Information Office in Washington, was held at the Meridien Hotel in Cairo, Egypt starting at 11:30 p.m. and lasting close to three hours. Four Palestinians, in addition to Mr. Arafat, were present: Dr. Sartawi, Sabri Jirjis, Abu Mazir, and Abu Hassan, a bodyguard.

Much of the conversation revolved around questions to Arafat asking whether the PLO recognizes the state of Israel, whether the PLO would be willing to negotiate for a state on the West Bank and in Gaza and whether the PLO would be willing to accept fixed borders and live in peace with Israel and its other neighbors.

Although Arafat never said explicitly that the PLO recognizes the existence of Israel, he did in a variety of ways indicate that his leadership accepts Israel. Some of his comments on this general issue can be paraphrased as follows:

—I only ask the United States to help carry out what it sought to do in the Partition Plan;

—We have said that we accept the facts on the ground. We never said we would throw the Israelis in the sea. Realities create the new facts.

—We are prepared to accept a state on any Palestinian land from which the Israelis withdraw;

—I want to be buried on my land. I want to work hard in my small state for the 20 years left in my life to make it self-sufficient;

—We offer a formula that will not coerce either the Israelis or the PLO;

—My people, the Palestinians, will be the bridge of the Israelis to the Arab world;

—Give me a small piece of land and I will be satisfied with it;

—We are willing to let others live in peace if they will let us live in peace;

—We cannot be belligerent if we are to build a state. Our generation can only try to feed the people;

—We want a voluntary solution acceptable to all parties; and

—It is not true we will move on to destroy Israel.

Arafat spent considerable time talking about the suffering of his people and about the way his people have been treated by the Arab world. He spoke of having to live constantly under the eye of Arab intelligence networks and of discrimination against Palestinians throughout the Arab world and said that his people would resist being part of any existing Arab State although he saw ties with Jordan in the future as natural. He was emotional in talking of the two great massacres of his Palestinian people in the last decade, in Jordan in 1970 and in Lebanon in 1976. He said that in Lebanon alone 47,000 people died and 20,000 were wounded.

Arafat expressed a strong desire for a dialog with the United States. He said that if the United States was able to talk to the Algerians before de Gaulle came to power, why couldn't the United States talk to the PLO? He wants the United States to do what it did in 1957, namely, force an Israeli withdrawal. He was reluctant to make any gesture toward the United States without the assurance of a dialog. He also said that despite good relations with the Soviet Union his people would not espouse communism. He contended that communism will never thrive in religious centers like Mecca, Jerusalem, and Rome.

Repeatedly, Arafat was asked whether he would be willing to say publicly that he would recognize Israel's right to exist and agree to U.N. Resolution 242 while

stating the PLO's reservation on the provision in that resolution dealing with refugees. Arafat tends to review U.N. Resolution 242 as a trap. He feels that even if he agreed to it there were no assurances that he could become a party to talks. He felt the PLO would be giving up in the process its principal negotiating card for nothing in return.

It was clear at several points in the conversation that the PLO is not united on how to proceed politically, that Arafat is under considerable pressure from the various factions in the organization and that the Palestinian leadership was having a hard time explaining its policy. This may be one reason for his inability to give clearcut answers to several queries. It is also a reason for why the Paris contacts between the PLO and certain Israeli peace groups were broken off. A strong rejectionist element within the PLO apparently resists any further accommodation to produce peace talks. Arafat thinks that his father's generation and that of former Palestinian leaders like Ahmad Shuqayri would be horrified by the PLO's willingness to accept a ministate in part of Palestine.

While the meeting was useful and informative, Arafat's answers were emotional and, at times, circuitous. Questions would be asked and much later, in the context of an answer to another question, partial answers would be given. Arafat was courteous to the group.

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