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SUBJECT: Middle East: Impact of Gorbachev's Initiatives  25X1

NESA M 87-20022

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Central Intelligence Agency



Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

6 March 1987

Middle East: Impact of Gorbachev's Initiatives [redacted]

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Summary

Efforts by the Gorbachev regime to capitalize on stagnation in the Arab-Israeli peace process and to upgrade relations with key US allies in the Middle East--Egypt and Israel--are having some limited success. [redacted]

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Most Arab states have supported the Soviet proposal for a preparatory committee meeting to precede an international peace conference. The initiative serves the interests of moderate Arab states by maintaining the illusion of movement, bolsters Moscow's goal of being an active participant in the process, and puts pressure on the United States and Israel to demonstrate their own commitment to the peace process. [redacted]

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The Soviets have raised the possibility of improved relationships with Israel and Egypt by increasing contacts and conveying an impression of flexibility. Nothing tangible has been accomplished thus far, but the Israelis almost certainly would upgrade relations if Moscow makes concessions with respect to Jewish emigration, and Egypt will likely expand ties if Moscow sets aside the unresolved question of the military debt. The Soviets would use incremental gains in relations with these key US allies to further the perception that the US position in the region is

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eroding and that their own position is being enhanced.

[redacted]

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Since coming to power in March 1985, the Gorbachev regime has undertaken a number of initiatives to improve the USSR's international standing. A new flexibility in Soviet foreign policy became particularly apparent after Foreign Minister Gromyko was elected to the Presidency in July 1985. In the Middle East, Moscow's principal initiatives have been to revive and modify the earlier Soviet call for an international conference on the Arab-Israeli dispute and to make overtures to both Israel and Egypt.\* The Soviets apparently hope to enhance their credibility and influence with all parties to the Arab-Israeli dispute, to lessen suspicions of their intentions, and to improve their overall position in the region relative to that of the United States. [redacted]

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Soviet leaders probably do not expect rapid or dramatic returns from their efforts. They may anticipate, however, that, by projecting an image of vitality and flexibility, they will be able to benefit from a continuing decline in the US position. Any erosion of US credibility is, in itself, a net gain from the Soviet point of view. Any corresponding enhancement of their own image or improvement in their bilateral relationships would be a bonus. [redacted]

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We believe that Moscow's efforts to project itself as a legitimate mediator and force for stability is one facet of a broader two-track policy. Its most successful tactic, the provision of military support to its Arab clients that oppose Israel, has given it the capability to put military pressure on Israel and to undermine peace talks as well as credibility as an Arab ally. This tactic has also given the Soviets reason to prefer continued tension in the region and to oppose negotiations from which they are excluded. The inherent contradiction between this reality and the other facet of Moscow's dual policy--its efforts to be part of any viable peace process--has not prevented the Soviets from pursuing both approaches. The peace process has never progressed far enough for Moscow to have to face this

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\*Other recent Soviet gestures in the region have been a call to declare the Mediterranean a nuclear weapons free zone, Moscow's first offer to pay its share for support of UNIFIL forces in southern Lebanon, and efforts to improve relations with moderate Persian Gulf states. [redacted]

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dilemma. In 1973, when they were part of the process, the Soviets did try to play a constructive role, however, and they probably would do so again if the alternative was exclusion from what appeared to be a productive and successful endeavor. [Redacted]

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The Peace Process

During the past year, the Soviets have tried to exploit the stagnation that has beset the peace process since King Hussein abrogated his accord with PLO leader Arafat in February 1986. Recently they have sought to capitalize on moderate Arab unhappiness with US arms sales to Iran. For example, the Soviet press has highlighted the negative Arab commentary which greeted US envoy Richard Murphy during his January 1987 visit to the Middle East. Both Hussein and Egyptian President Mubarak criticized US policy in the wake of the visit, charging that the United States had lost credibility in the region. Both subsequently have indicated that they will not proceed with planned visits to the United States because of unhappiness with US policy. [Redacted]

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When the Soviets renewed their call in July 1986 for an international conference to resolve the Arab-Israeli dispute, they added the suggestion that such a conference be preceded by a meeting of a preparatory committee composed of the permanent members of the UN Security Council.\* Moscow's proposal plays to the need of the moderate Arab states--particularly Egypt and Jordan--to maintain at least the illusion of momentum in the peace process and to put pressure on the United States and Israel to be more flexible. The proposal has been endorsed by most Arab states as well as the PLO. It was included in the annual UN resolution calling for a peace conference on the Middle East, which passed in December 1986 with only three negative votes. Egypt successfully sponsored a similar proposal at the Islamic summit in Kuwait in January 1987. [Redacted]

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We believe that the Soviet proposal is intended to demonstrate that Moscow is a dynamic, positive actor in the region and that the United States is obstructionist. Moscow must be pleased by evidence of Israeli differences over possible

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\*Moscow previously had favored involvement of the Security Council's permanent members only to guarantee any agreements--an arrangement that would limit Chinese involvement. Its new proposal may reflect, in part, its current efforts to improve relations with Beijing. [Redacted]

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approaches to a conference\* as well as by apparent USS-Israeli differences which surfaced during Prime Minister Shamir's visit to Washington in February 1987, when Shamir dismissed the idea of an international conference as a Soviet tactic. [redacted]

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Broad Arab endorsement of Moscow's idea, the support for a conference expressed by the European Community's foreign ministers in February 1987, and the attendant favorable publicity, as well as the isolation of Israel and the United States in opposition to the proposal constitute a success for Soviet policy. But the Soviet initiative remains rhetorical and Moscow's utility to the peace process limited. Moscow's clients have endorsed the concept, but there is little prospect that the Soviets could prevail upon Damascus to come to the negotiating table unless the Golan Heights is on the agenda. Similarly, there is little reason to expect that Moscow could win a seat at the table for the PLO or persuade the latter to endorse a conference from which it is excluded. But rhetoric and the appearance of movement have their uses and, to the extent that these complement and serve Arab interests, Moscow's image as an active player is being bolstered. [redacted]

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The Israeli Connection

The absence of diplomatic relations with Israel since 1967 has made it difficult for Moscow to claim a legitimate role in the peace process [redacted]

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[redacted] For the Soviets, however, several constraints remain to re-establishing relations--their own repeated assertions that relations will not be restored until Israel has withdrawn from the occupied territories,\* the risk of

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\*Former Prime Minister Peres endorsed the concept of an international framework for the peace process in his speech to the UN in the fall of 1985. In September 1986, he and Mubarak agreed on the desirability of an international conference. But he coupled it with demands that Moscow increase Jewish emigration and resume diplomatic relations with Israel, and he probably considers the conference a rhetorical and political device rather than a genuine policy. Both Labor and Likud remain committed to the idea of direct talks between Israel and its Arab adversaries, but both Peres and Shamir have expressed a willingness to allow the Soviets into the process if they resume diplomatic relations and increase Jewish emigration. [redacted]

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\*Soviet First Deputy Foreign Minister Vorontsov told a press conference on 7 January 1987 that conditions for restoring diplomatic relations would appear when the causes that had

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losing credibility with Arab clients, security concerns that would be raised by an Israeli embassy in Moscow, and disagreement with Israel over such issues as Jewish emigration from the Soviet Union. [redacted]

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Despite these complications, the Gorbachev regime began exploring an expansion of ties to Israel in the summer of 1985, with contacts between the Soviet and Israeli ambassadors to France in Paris. Since then, they have given a number of signals that they are interested in upgrading the relationship. They

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have intensified bilateral contacts, have expressed an interest in exploring consular matters with Israel, and must have given their approval the establishment of interests sections by Israel and Poland in 1986. [redacted]

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It is not clear how far the Soviets intend to go in their overtures to Israel, but they probably hope to upgrade relations enough to demonstrate their legitimacy and relevance to the peace process and to lessen some aspects of anti-Soviet opinion in the United States--without paying the costs of full diplomatic relations. [redacted]

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We believe that it is possible, but less likely, that Moscow is prepared to establish full diplomatic relations with Israel and is simply seeking a face-saving formula which would include Israel's agreement to an international conference. A third possibility, which we also believe is unlikely, is that the Soviets have no intention of upgrading relations and are only trying to demonstrate flexibility while putting the onus for lack of progress on Israel and the United States. Soviet policy has gone far beyond the rhetoric which would be the basis of such a strategy and has included modest but viable proposals which Israel is fully capable of accepting. [redacted]

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If the Soviets' objective is indeed a modest expansion of ties, they have been frustrated to date by Israel's insistence on dealing up front with the issues of Jewish emigration and establishment of full diplomatic relations. In the spring of 1986, [redacted] the Soviets proposed a Soviet-Israeli meeting to discuss issuing Soviet passports to former Soviet citizens residing in Israel and resolving the

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brought about their rupture were removed. On 16 January, a Soviet foreign ministry official repeated these conditions in a meeting with a US embassy official. [redacted]

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status of real estate in Israel still owned by the Orthodox Church and the Soviet government. Israel agreed to a meeting in Helsinki in August 1986, but put on its agenda the question of Jewish emigration from the USSR.

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In early 1987, the Israeli and Soviet Ambassadors in Washington met several times and discussed the questions of upgrading relations and increasing Jewish emigration from the USSR. They agreed that the number of Soviet Jews who emigrate to the United States is too high, and the Israeli press subsequently reported that Israel was asking Soviet authorities to allow Jews leaving the USSR to fly directly to Israel.

[Redacted]

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Soviet spokesmen recently have indicated plans to increase the flow of Jewish emigrants from the Soviet Union. Such a policy would be consistent with Moscow's current human rights campaign, would complement efforts to court public opinion in the United States and Europe, and probably would produce a favorable response from Israel. The Israeli representative at the UN indicated in early March that Aviv is now ready to allow the consular visit the Soviets have been seeking; they are also probably prepared to increase contact and consultation if Jewish emigration does, in fact, increase. This improvement in relations would reinforce the Soviet Union's image as a dynamic regional actor and a relevant participant in the peace process.

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Courtship of Egypt

As the Gorbachev regime looked for ways to improve its position in the Middle East, upgrading relations with the moderate Arab states must have looked tempting. Egypt was a particularly attractive target of opportunity because its gradual move back into the Arab fold was consistent with Moscow's long-term goal of encouraging a united Arab approach to the conflict with Israel.

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Under Egyptian President Mubarak, there has been only glacial improvement in Soviet-Egyptian relations; Mubarak has continued to see Egypt's interests best served by close ties to the United States and is aware that to go beyond flirtation with Moscow could damage his relations with Washington. Moscow does, however, provide a useful counter for Egypt in bargaining with the United States. When the peace process stagnates, Cairo can use Soviet initiatives to prod the United States into action. Similarly, when Egyptian-US debt negotiations are going poorly,

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Cairo can remind Washington that the USSR may prove more flexible. [redacted]

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The main obstacle to improved Soviet-Egyptian relations has been disagreement over repayment terms for Egypt's large military debt to the USSR. Egypt has refused to make payments on the debt, and Moscow has made such payments a precondition to delivery of spare parts for Soviet-made military equipment and to improved commercial relations. Forgiving the debt, as Egypt has demanded, is not an attractive option for Moscow because of the money involved (over \$2.5 billion), the precedent it would set for other debtor nations, and the uncertainty over how much bilateral relations would subsequently improve. [redacted]

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The Soviets began making overtures to improve the climate of relations with Egypt in the fall of 1985, and, during the next year, there were numerous exchanges of visits and messages of good will. The appointment of a high-level foreign trade official as Ambassador to Egypt in September 1986 gave new impetus to the search for a solution to the debt obstacle. In his first press conference in Cairo, Ambassador Zhuravlev affirmed the high priority Moscow accorded economic issues, and immediately initiated a series of visits with Egyptian economic officials. In late November, a high-level economic delegation headed by the President of the Soviet State Bank visited Cairo for negotiations which lasted three weeks. Despite apparently intense talks, the only officially announced result was the signing of a trade protocol, and [redacted] differences over the debt issue remain.\* [redacted]

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\*In January 1987, however, the Egyptian magazine Al-Musawwar reported that Egypt and the USSR had reached agreement on the basic outlines for resolving the debt problem. The magazine claimed there would be a six-year grace period on repayment followed by a 19-year repayment schedule. It said that the Soviets had agreed to the old interest rate of 2 percent, but that Egyptian President Mubarak had asked that Moscow consider eliminating interest completely. The magazine claimed that the Soviets were currently considering that request and studying an Egyptian proposal that 75 percent of the accumulated Egyptian trade surplus be used to pay part of the military debt with the remainder to be settled in cash. We believe that this account reflects internal Egyptian debate over the best way to approach Egypt's severe economic problems, which include the issues of repayment of both US and Soviet debts. Indicating that the Soviet debt problem is about to be resolved may be a way of putting pressure on the United States. [redacted]

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The Soviets are continuing efforts to appear flexible and to separate other economic issues from the question of the debt. In late December, the Chairman of the Egyptian Iron and Steel Industrial Board reported that the Soviets had agreed to help modernize the iron and steel industries in Egypt. In mid-January, press reporting indicated that Mubarak had received a message from Soviet leaders indicating that Moscow was willing to replace old turbines at the Soviet-built Aswan dam and to send experts to supervise that process if Egypt agreed.

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Cairo has used the initiatives to its own advantage by permitting enough improvement in the atmosphere to increase its leverage with the United States. In early February 1987, the Egyptian Foreign Minister announced that the Egypt-USSR Friendship Society would resume relations shortly. He said that Egypt and the USSR were united by their efforts to achieve universal peace and by their shared view of the need to convene an international conference on the Middle East.

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Beyond the atmospherics, however, the economically hard-pressed Egyptians seem unlikely to move much farther in their ties with Moscow until the Soviets make significant concessions on the debt issue.

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We believe that Egypt-Soviet ties will remain limited by Mubarak's conviction that Egyptian interests are best served by strong ties to the United States. But any enhancement of the relationship would serve Soviet interests and suggest a weakening of the US position. Should Moscow prove willing to offer significant concessions on the debt or to ignore the debt and offer generous military or economic assistance, Cairo would probably be prepared to increase the Soviet presence in Egypt and to step up economic and military contacts. It is possible, for example, that Cairo would agree to an exchange of military attaches as Moscow has requested.

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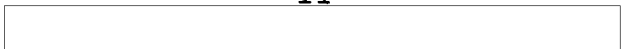
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