



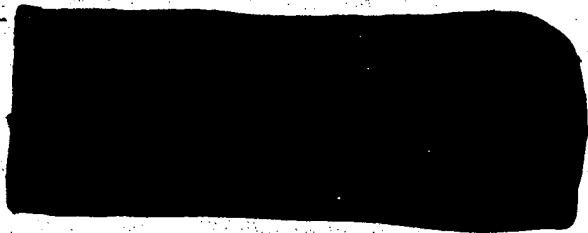
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Egypt: Regional Issues and Relationships

An Intelligence Assessment

APPROVED FOR RELEASE
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April 1983

Egypt: Regional Issues and Relationships

Key Judgments

Information available
as of 1 April 1983
was used in this report.

The Mubarak government's top foreign policy priorities are to broaden Arab participation in the Middle East peace process and to achieve rapid progress toward a comprehensive Arab-Israeli settlement. Only if these goals are met can Egypt resume what it regards as its rightful Arab leadership role while maintaining its peace agreement with Israel.

Cairo considers peacemaking an urgent task. It believes that Israeli settlement activity is leading to de facto annexation of the West Bank, and that US attention soon will be diverted from the Middle East by the Presidential election campaign. Egypt has been encouraging Arab support for the Reagan initiative, which it regards as the most promising basis for a settlement.

Egypt will not return its Ambassador to Tel Aviv without an agreed timetable for withdrawing Israeli troops from Lebanon. Egyptian leaders are concerned that a stalemate regarding Lebanon might delay an overall settlement, but they recognize that the Gemayel government cannot afford to flout the Arab majority by making major concessions to Israel.

In addition to the Lebanese issue, Egyptian-Israeli disagreements include the Taba border dispute and Israel's complaints about Egyptian unwillingness to increase trade, tourism, and other bilateral exchanges. The current low level of economic and cultural relations partly reflects the decisions of individual Egyptians not to deal with Israel. We believe, however, that the Egyptian Government has condoned some anti-Israeli actions—including virulent press criticism—in order to dissociate itself from Israeli policy.

The recently resumed Egyptian-Israeli talks on Taba and trade are unlikely to show significant results unless there is progress toward solving the Lebanese and Palestinian problems. In the meantime, we believe the Mubarak government will cooperate with Israel only to the minimum extent required by the peace treaty.

Egyptian-Arab relations have improved, but Egypt's full reintegration into Arab ranks will depend on further progress in resolving Arab-Israeli problems and thus probably is at least several months away. Moderate Arab governments generally favor normalization of relations with Cairo but are unwilling to move without the support of a clear Arab consensus. Most of the moderates are deferring on this issue to Saudi Arabia, which is reluctant to normalize ties in the face of strong radical opposition.

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Mubarak rejects any preconditions to reintegration and will wait for the other Arabs to take the first step to restore relations. Cairo is in no hurry to resume formal diplomatic ties because it already has substantial political, economic, and military links with most Arab countries and the PLO. Iraq has moved especially far in repairing relations with Cairo because it depends heavily on Egyptian arms in its war against Iran. [REDACTED]

Public opinion in Egypt generally supports Mubarak's regional policies. Like their government, most Egyptians are disillusioned with Israeli policies, want to stay out of war, and intend to return to Arab ranks only on Egyptian terms. At the height of the Lebanon crisis, however, Mubarak was under pressure to take even stronger action against Israel than he did. [REDACTED]

The US role is critical to the achievement of Egypt's regional goals. Although the Mubarak government is pessimistic about Washington's willingness to coerce Israel into making concessions, it nevertheless is counting on such pressure as the key to a comprehensive peace. [REDACTED]

We believe that Egypt will continue the main lines of its regional policy during the next few months even with continued stalemate with Israel. Mubarak realizes that to abandon the US-led peace process would jeopardize economic and military aid from the United States. Another provocative Israeli action, such as an armed attack against an Arab state, probably would lead Cairo to break diplomatic relations with Israel but not to give up all hope for a comprehensive peace. Other Egyptian options would be to interrupt oil shipments to Israel, bar Israeli ships from the Suez Canal, or move armed forces into the demilitarized zones of the Sinai, but the risk of an Israeli military response makes these steps unlikely. [REDACTED]

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Egypt: Regional Issues and Relationships

The Arab-Israeli Peace Process

The government of Egyptian President Hosni Mubarak is trying to reconcile two different roles for Egypt in the Middle East. One is that of Arab leader, a position to which Egypt has long laid claim by virtue of its size (as the home of one-fourth of all Arabs), strength, and location. The other is that of partner to Israel and the United States in an effort to settle the Arab-Israeli dispute. These two roles have conflicted ever since Egypt's agreement with Israel resulted in its ostracism from Arab ranks.

Cairo's aspiration to Arab leadership is strong, but so is its commitment to the Egyptian-Israeli peace treaty. Mubarak has never wavered from his position that Sadat's historic agreement with Israel must be the cornerstone for any comprehensive Arab-Israeli peace. Mubarak has publicly stressed that Egypt must abide by the treaty and the Camp David accords because they are the only documents that commit Israel to respect Arab interests. Thus, he argues, they provide the only viable option—in the face of Israel's military superiority—for pressing Tel Aviv to make further concessions.

The Mubarak government is counting on progress toward a comprehensive peace to remove the tension between these different strands of its regional policy. Such progress would show the Egyptian people that Camp David was a success and not a separate peace. It also would increase moderate influence in Arab politics by facilitating Egypt's reintegration into Arab ranks, defusing the Palestinian issue, and reducing the USSR's opportunities for gaining influence in the region.

For all these reasons, Egypt's primary foreign policy goal in 1983,

is to broaden Arab participation in the peace process. Without such participation, Egypt refuses to resume the talks on autonomy in the West Bank and Gaza.

One way Egypt has tried to bring other Arabs into the peace negotiations has been to promote a US-PLO dialogue. Egypt has been serving as a conduit for transmitting the PLO's views to Washington, most recently during Mubarak's visit to the United States in January. Last November Mubarak began publicly urging the PLO to recognize Israel in order to make possible a direct dialogue with the United States. Mubarak has dropped this advice, although he still says the PLO must play the "trump card" of recognition at the "appropriate moment."

Cairo's other effort to broaden the peace process has been to encourage Jordan and the Palestinians to agree on a formula for jointly entering negotiations with Israel. Mubarak consistently supported the Hussein-Arafat talks and to this end dispatched his adviser, Usama al-Baz, on repeated missions to Amman. In February al-Baz delivered a message to King Hussein promising "whatever support Jordan needs" to enter the peace process on the basis of the Reagan initiative,

Although Egyptian leaders probably still hope that the PLO can be brought directly into negotiations, lately they have been looking more toward non-PLO figures as the most likely negotiators for Palestinian interests.

the recent visits to Egypt by moderate West Bank and Gaza Arabs (such as Bethlehem mayor Elias Freij, who met with Mubarak in February) reflect a deliberate Egyptian effort to strengthen these Arab leaders and to provide visible backing for any agreement they may be able to work out with Jordan.

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Egypt believes that President Reagan's peace initiative is the most promising basis for a comprehensive settlement.

[REDACTED] Mubarak has publicly stressed the positive aspects of the plan and has stated that the negative ones can be discussed over the negotiating table. [REDACTED]

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Mubarak said in a November speech that other peace proposals—notably the Arab League's Fez declaration and the Egyptian-French UN initiative—agree with the Reagan plan in their general approach and can furnish useful ideas. Mubarak has indicated that the Fez plan is unobjectionable but does not go far enough. It is a statement of principles that provides no mechanism for implementation; in Mubarak's words, it is "a car without an engine."

As for the Egyptian-French initiative, Egyptian officials occasionally allude to it as a backup that could be activated should the US initiative bog down.

Egypt intends to play a major role in future peace negotiations no matter what track they follow. A senior Foreign Ministry official recently observed that once the Palestinians are in the negotiations, they will need Egypt's help even more than Jordan's, at least initially.

Despite its pessimism about the peace process, the Mubarak government has emphasized the need to achieve visible progress soon. According to numerous public statements by Egyptian officials, the chief reasons for urgency are:

- Israeli settlement activity, which Mubarak has repeatedly warned is accomplishing a de facto annexation of the West Bank.
- The US Presidential election campaign, which Egyptian leaders have said will make an energetic US role in the peace process increasingly infeasible after this autumn.

Lebanon

Egypt refuses to return its Ambassador to Tel Aviv—and, by implication, to resume bargaining with Israel over the future of the West Bank—in the absence of an agreement on withdrawing Israeli troops from Lebanon.

Despite their concern that a stalemate in Lebanon will delay a solution to the Palestinian problem, Egyptian leaders do not favor major concessions by Lebanon solely for the sake of getting the Israelis out. Mubarak has told US officials he agrees with Lebanese President Gemayel that Lebanon, being weaker than Egypt, cannot afford to flout the Arab majority at this time by making a full peace with Israel. Mubarak further stated, however, that to obtain a troop withdrawal Lebanon must take some limited steps toward normalizing its relations with Tel Aviv. Moreover,

Egypt would welcome the company of another Arab state moving toward normalization with Israel.

Cairo realizes it has only marginal influence on the Lebanese-Israeli negotiations, but it is providing what help it can to the Gemayel government. Al-Baz and Minister of State Butrus Ghali have visited Beirut twice since December.

the purpose of these trips was not to tell the Lebanese how much they should concede but instead to offer "technical advice" on negotiating with Israel.

Egypt anticipates that Lebanon's predicament will lead to substantially closer Egyptian-Lebanese relations. Egyptian government believes full diplomatic ties can be restored this year, although not before foreign forces are withdrawn from Lebanon. There

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are good grounds for such optimism: the US Embassy in Beirut reports a broad consensus in Lebanon, both inside and outside the government, in favor of expanding relations with Egypt.

the absence of Egyptian influence as a counterweight to Syria was one of the major causes of Lebanon's recent troubles.

Lebanese-Egyptian relations already have warmed appreciably during the past several months. In several meetings with senior Egyptian officials, President Gemayel has voiced strong support for a resumption of Egypt's Arab leadership role. Lebanese and Egyptian diplomats each have pointed out to US officials, however, that to move too fast toward normal relations could elicit a negative reaction from Syria and complicate efforts to get Syrian forces out of Lebanon.

Discord With Israel

The Egyptian-Israeli relationship has rebounded only slightly from the low point it reached last summer. It is still, in Butrus Ghali's words, a "cold peace." The occupation of Lebanon is the most immediate impediment to improved ties; but each side has a litany of complaints it has voiced in diplomatic channels, in the media, and in the United States. Egypt's principal grievances, apart from Lebanon, have been:

- Continued Israeli settlement activity in the West Bank.
- Israel's rejection of all recent peace initiatives.
- The territorial dispute over Taba on the Sinai border.
- Annexation of East Jerusalem and the Golan Heights.
- The Israeli bombing of the Iraqi nuclear reactor in June 1981.

Cairo contends that each of these violates the spirit of the Camp David accords. Moreover, Mubarak has asserted that the invasion of Lebanon violated both the spirit and the letter of Article III of the peace treaty, which obligates the parties to observe the UN Charter and other principles of international law.

Israel's complaints against Egypt include:

- The Egyptian Ambassador's absence from Tel Aviv

- Attacks against Israel in the Egyptian press.
- The moribund state of most joint committees and commissions.
- The low level of Egyptian-Israeli commerce (other than oil sales) and the discrimination against Israeli firms by publicly owned Egyptian companies.
- Military and security violations in the Sinai.
- The failure to invite Israeli participation in several international events in Egypt.

Egypt and Israel disagree even on the extent of their disagreement and on the reasons for it. Foreign Minister Ali recently charged that Tel Aviv is portraying the relationship as worse than it really is. He said Israel is attempting to show that barebones normalization is insufficient to achieve peace and that Israel thus needs even more extensive agreements with Lebanon than it obtained from Egypt. For their part, some Israeli leaders disbelieve Mubarak's assertion that withdrawal of his Ambassador was the least he could do in the face of strong Arab and Egyptian revulsion over events in Lebanon.

Underlying the current discord are differing Israeli and Egyptian conceptions of normalization. Israel's complaints suggest a view of normalization that includes active cooperation in political, economic, cultural, and other fields. By contrast, Egyptian leaders' public statements on normalization interpret it to mean only mutual recognition, the establishment of embassies and other mechanisms for negotiating agreements, and treatment comparable to that accorded other states. Egyptian officials have repeatedly

Excerpts from the Protocol Concerning Relations of the Parties, annexed to the Egyptian-Israeli peace treaty of March 1979.

The Parties:

- Agree to establish diplomatic and consular relations and to exchange ambassadors upon completion of the interim withdrawal.
- Agree to remove all discriminatory barriers to normal economic relations and to terminate economic boycotts of each other upon completion of the interim withdrawal.
- Recognize a mutuality of interest in good neighborly relations and agree to consider means to promote such relations.
- Will cooperate in promoting peace, stability, and development in their region.
- Shall seek to foster mutual understanding and tolerance and will, accordingly, abstain from hostile propaganda against each other.

stated that the peace treaty is a foundation on which a friendship can be built only through the gradual evolution of good will and trust, and they frequently criticize what they see as Israel's proclivity to spell out every detail of a relationship in advance. These officials deny that their relationship with Israel is "special." Egyptians have never accepted the Israeli view that one of the major decisions reached at Camp David—to omit explicit linkage between the bilateral treaty and the negotiations on the West Bank and Gaza—means that Egyptian-Israeli relations should be insulated from regional events that affect the prospects for a comprehensive peace.

Israeli actions over the past four years—and particularly last year's invasion of Lebanon—have virtually destroyed Egyptian confidence in the Begin government as a credible and willing negotiating partner, even though they have not overturned Cairo's commitment to the peace treaty. They also have dampened Mubarak's hopes for Egypt to mediate between Israel and the Arabs.

[redacted] We believe the Mubarak government still judges that Tel Aviv can be led to adopt more flexible policies but that this will require greater pressure from the United States and world opinion. [redacted]

Cairo seems resigned to working indefinitely with the current Likud government. Early Egyptian hopes that Sharon's surrender of the defense portfolio would strengthen Israeli moderates quickly cooled when it became apparent that Sharon would remain in the Cabinet and its key committees, another hardliner would become Defense Minister, and Begin would remain firmly in power. [redacted]

Israeli-Egyptian economic and cultural relations showed signs of improvement after the return of the Sinai in April 1982 but have stagnated since the start of the Lebanese crisis. Apart from the nearly \$500 million per year in Egyptian oil sales to Israel, bilateral trade—which never was large—has dwindled to a trickle. Tourism in both directions has dropped sharply since June. There still are many fewer Egyptians visiting Israel than Israeli tourists coming to Egypt. [redacted]

Tel Aviv accuses the Egyptian Government of deliberately curtailing commercial contacts for political reasons. Cairo replies that the low level of nonoil trade and tourism reflects the choices of individual Egyptians and Egyptian enterprises and is not the result of governmental manipulation. We believe there are elements of truth in both arguments. Except for oil, Egypt has few products that meet Israeli needs. Israel produces a much greater range of items that could be used by Egypt but has been frustrated by Egyptian unwillingness to replace previous suppliers. [redacted]

[redacted] Anger over the events in Lebanon has further reduced the inclination of Egyptians to visit or trade with Israel. [redacted]

In any event, the curtailment of contacts has suited the Egyptian Government's purposes as a signal of its opposition to Israeli policies. Cairo has considerable

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latitude under its economic agreements with Israel to facilitate or discourage commerce through such discretionary actions as the granting of visas and import licenses. We believe that, for the most part, senior Egyptian leaders have not issued explicit directions to reduce intercourse with Israel but have quietly permitted or encouraged actions by lower level officials having this effect. [REDACTED]

The line between business and politics blurs when publicly owned Egyptian companies decide not to trade with Israel. The Egyptian Government denies Israeli charges that it has directed such companies to boycott Israeli firms. We believe this denial to be substantially correct, but it is unclear whether the antiboycott provisions in the peace agreements apply to the companies' own decisions. In the most controversial recent case, an Israeli shipping firm failed to receive a contract to ship wool from New Zealand even though it had submitted the low bid. An Egyptian official cited various technical reasons for this decision but also acknowledged that the Egyptian companies involved did not want to become targets of the Arab boycott. [REDACTED]

We believe that criticism of Israel in the Egyptian press—like the low level of nonoil trade—has been condoned but not orchestrated by the government. Egyptian journalists need little prodding to write harsh things about Israel. We believe the virulent attacks, sometimes with anti-Jewish overtones, that have appeared in Egyptian newspapers during the past year would have been even more extreme if the Egyptian press were completely free from government influence. The opposition weeklies generally are continuing their venomous comments about Israel and its leadership, but since October the establishment dailies—evidently with government guidance—have toned down their attacks. [REDACTED]

We believe that military and security violations along the Egyptian-Israeli border are not deliberate provocations by Cairo. The multinational observer force in the Sinai reports that both sides—particularly Israel—have committed numerous infractions of the peace treaty's terms, but that neither has seriously violated its intent. The incidents of terrorist infiltrations reported by Israel are almost certainly the result

of Egyptian inability to police the border adequately because of the large area involved and because some of the guard force may be inept or bribable. It is in Cairo's interest to try to prevent terrorist incidents in order to demonstrate that Israel can enjoy security within its pre-1967 boundaries. [REDACTED]

Israel and Egypt resumed negotiations on Taba in early March. The dispute concerns a small parcel of land at the northern end of the Gulf of Aqaba that Israel refused to relinquish when it withdrew from the rest of the Sinai a year ago. There is little prospect for settling this dispute soon. The Israelis consider Taba to be one of their few remaining levers against Egypt. Tel Aviv probably will withhold concessions unless there is movement in the Egyptian-Israeli trade negotiations that opened later in March. Cairo agreed to the trade talks in return for Israel's willingness to discuss Taba, but it refuses to make an explicit linkage between the two sets of negotiations. The Egyptians are convinced that their claim to Taba is valid and that the issue is one of sovereignty and of Israel's willingness to fulfill its commitments. Egyptian officials have said that a favorable settlement of the dispute is needed to demonstrate to other Arabs the efficacy of negotiating with Tel Aviv. [REDACTED]

The Mubarak government has tried to keep the door open to better relations. For example, its decision to allow Israel to open a pavilion at the Cairo international trade fair in March was a gesture to improve the atmosphere in the bilateral relationship, according to a senior Foreign Ministry official. Cairo sees little political advantage, however, in being significantly more cooperative with the Israelis than the peace treaty obligates it to be. [REDACTED]

Iraq and the Persian Gulf War

Next to the set of issues involving Israel, Lebanon, and the Palestinians, the Iraq-Iran war is Egypt's chief regional concern. Cairo is providing substantial support to Iraq (see box) partly to counter the danger it believes the Shia revolutionary regime in Iran is posing to Arab governments throughout the Persian

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Egyptian Military Aid to Iraq

Since early 1981 Egypt has sold as much as \$1 billion worth of military equipment to Baghdad. Although these sales are excluded from official Egyptian data, they represent Egypt's largest export commodity after oil. We believe they have provided foreign exchange to the Egyptian military for its own overseas purchases of arms. In addition, the exports to Iraq have increased economies of scale in the Egyptian arms industry and have enabled Cairo to dispose of some of the Soviet-made arms it is replacing with Western equipment.

In addition to weapons, Egyptian support for the Iraqi war effort includes Egyptian advisers in Iraq, instruction in Egypt of Iraqi staff officers, and intelligence exchanges. Numerous public and private statements by senior Egyptian officials indicate that Cairo has resolved not to send its own combat forces to Iraq, even though Baghdad requested troops, according to Mubarak. Some Egyptian citizens, however, are serving in the Iraqi armed forces. Most of these probably were civilian workers already in Iraq when the war began. There are indications that the Iraqi Government pressured some of these workers into joining the war effort, but

there also are genuine volunteers, most of whom evidently are attracted by the high pay and bonuses. Cairo has given early discharges or retirements to some members of the Egyptian armed forces to enable them to go to Iraq as civilian volunteers.

Gulf area. In addition, support to Baghdad is easing Egypt's reentry into the Arab world by ingratiating Egypt both with Iraq and with the other Gulf states, which share the concern about Iran.

Egypt evidently does not expect—and probably would not want—the Iraqis to achieve a clear military victory.

Egypt's assistance was intended only to stave off an Iranian victory until Tehran realized it would have to accept a mediated settlement. Cairo

also may hope that its aid will lessen Baghdad's dependence on the USSR. Mubarak said to UN officials in February that he believed Iraqi President Saddam Husayn would be willing to pay a heavy price to Moscow as long as he needs Soviet help in the war.

Egyptian-Iraqi political relations have warmed considerably over the past year. There have been several high-level contacts, as well as such steps toward normalization as resumption of the sale of Egyptian newspapers in Iraq. Egyptian-Iraqi friendship is tenuous, however, because it depends so much on Iraq's need for help in the war. Egypt and Iraq historically have been rivals for Arab leadership, and the rivalry could reemerge if Saddam gets out of his current plight or is deposed. Nonetheless, the friendly gestures that Iraq already has made have special significance because they come from a state that led the outcry for anti-Egyptian sanctions after Camp David.

Reintegration Into Arab Ranks

The political climate in the Arab world gradually has become more favorable for ending Egypt's isolation, as Cairo's diplomatic strategy succeeded in regaining the Sinai, alternatives to the US-led peace process have failed to develop, and the Arabs have acknowledged Egypt's necessarily important role in the region. Inter-Arab divisions, however, so far have prevented the emergence of a consensus in favor of resuming full diplomatic relations and readmitting Egypt to the Arab League. The radical Arab position, expressed most forcefully by Syria, is that the sanctions against Egypt should continue (see appendix A). Moderate Arab governments generally favor normalizing relations with Cairo, but each one is hesitant to take the lead and thereby become vulnerable to charges of fracturing Arab unity, violating Arab League decisions, and being disloyal to the cause of Palestinian self-determination.

Cairo pins much of the blame for its continued isolation on Saudi Arabia.

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[REDACTED]

We agree that Saudi Arabia is a key player in determining when Egypt reenters the Arab world. The smaller Persian Gulf states are inclined to follow Riyadh's lead on this matter, and the dependence of Morocco, Jordan, Iraq, and Lebanon on Saudi assistance makes these states reluctant to get very far out of step either. While the motives that Egypt ascribes to Saudi Arabia may be partly valid, we believe that Riyadh's main concern has been to avoid a radical backlash and additional Arab disunity. At the Arab League summit last September in Fez, the Saudis played their traditional role as conciliator, and King Fahd stressed that reintegration of Egypt should come about only through the collective action of the Arab League. The Saudis claim that there still is neither a consensus in favor of reintegration nor a scenario for achieving it. [REDACTED]

The Mubarak government sees no particular urgency in restoring diplomatic relations with the Arabs, largely because it enjoys considerable cooperation with most Arab states even without formal ties (see appendix B). Egyptian leaders have stated publicly that they would welcome renewed ties but that it is up to the states that broke relations to take the initiative to restore them. Mubarak and his advisers have made clear that Egypt will not renounce Camp David or accept any other preconditions to reintegration. We believe that, despite the difficulties Egyptian leaders have encountered in the peace process, they judge that events since 1978 have shown that Egypt was right and the Arabs who opposed accommodation with Israel were wrong. Egyptian leaders can see the Arab states already moving in Egypt's direction, and we believe that they consider it unnecessary and unjustified for Egypt to change its policies now. [REDACTED]

Furthermore, the Mubarak government believes that to press the issue of reintegration could be counterproductive. Egyptian leaders, despite their annoyance with Saudi Arabia, share some of Riyadh's concern about preserving Arab unity. [REDACTED]

[REDACTED]

The Egyptian Government believes, and we agree, that Egypt's formal acceptance into Arab ranks depends above all on future progress in negotiations with Israel and that this means reintegration probably is at least several months away. [REDACTED]

Domestic Politics and Opinion

Involvement in wars, employment in foreign countries, and exposure to the electronic media have sensitized Egyptians to major developments in their region, even though most of them lack detailed knowledge of the issues involved. Several themes in Egyptian public opinion set general limits to the policies the government can adopt toward Israel and the Arabs. [REDACTED]

Most Egyptians perceive Egypt as the center and leader of the Arab world. This concept is grounded in nationalist pride and has been reinforced by years of official propaganda, particularly during Nasir's rule. The estrangement of Egypt from other Arab states thus causes some resentment, at least among intellectuals. Unsophisticated segments of the population are less concerned, but they do not understand why Egyptian-Arab relations have not returned to their pre-1979 status. Most Egyptians look forward to reintegration not only as a means of restoring Egypt's

¹ There is no scientific polling of public opinion in Egypt. Evidence of the opinions discussed in this section comes mainly from informal samplings by US Embassy personnel and from Egyptian sources with broad contacts in intellectual and professional circles. [REDACTED]

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regional leadership role but also as the key to obtaining Arab petrodollars in exchange for Egyptian skills and expertise.

Like their government, however, most Egyptians do not seem eager to press the issue of restoring relations. They believe that the Arabs need Egypt more than it needs the Arabs, and that it is up to the Arabs to make the necessary conciliatory moves. Moreover, there is a residue of bitterness against the Arab states for having adopted anti-Egyptian policies in the first place.

Egyptian unwillingness to make sacrifices on behalf of other Arabs is apparent in attitudes toward the Palestinian problem. Egyptians believe that they already have borne more than their fair share of the fight for Palestine by leading the Arab side in four wars against Israel. Although some members of the Egyptian military favored taking in some of the Palestinians who were driven out of Beirut, most Egyptians show little enthusiasm for admitting a large new Palestinian contingent into Egypt. They seem to believe that such a presence would mean added competition for jobs and housing and a potential for the same sort of trouble the Palestinians brought to Lebanon.

Egyptian attitudes toward Israel turned sharply negative after the Israeli invasion of Lebanon in June 1982, and again after the massacre in the refugee camps. The public mood during these crises almost certainly would have supported severe anti-Israeli measures, including a severing of diplomatic relations with Tel Aviv. Most Egyptian anger was directed at the Israeli Government and particularly at Prime Minister Begin and Defense Minister Sharon. The blistering anti-Israeli commentary in the Egyptian press, however, may have lingering effects on how Egyptians perceive all Israelis.

The invasion of Lebanon made Egyptians markedly more pessimistic than before about the future of the peace process. Even most Egyptians who have supported the Camp David accords now believe that the Begin government does not want a comprehensive

peace and probably never did. A widespread perception is that Israel duped Egypt into demilitarizing most of the Sinai in order to give the Israelis a free hand in Lebanon.

Despite the gloom about prospects for an overall Middle East settlement, Egyptians do not want another war with Israel. This sentiment is particularly evident among military officers, some of whom still are disappointed by the outcome of the 1973 war despite the official Egyptian portrayal of it as a great victory. Even Egyptians who have been highly critical of the peace treaty with Israel and of its failure to lead to a broader peace seem to accept and appreciate that the treaty has brought Egyptian-Israeli fighting to an end.

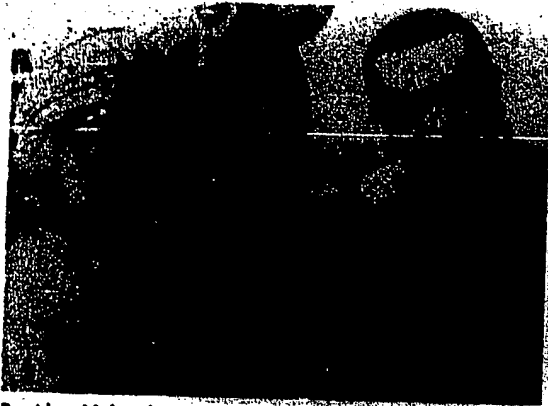
Egyptians also want to stay out of wars elsewhere in the region, including the Iraq-Iran conflict. Most Egyptians sympathize with Iraq but would oppose sending combat troops. There are still strong memories of the Yemeni civil war, in which Egyptian forces sustained heavy casualties. Some Egyptian intellectuals also fear that to fight against Iran could rile Islamic fundamentalists within Egypt.

The political opposition in Egypt has been unable to use regional issues effectively to weaken Mubarak's popular support, largely because the opposition itself is divided. Leftist parties tried to exploit revulsion over the events in Lebanon last summer by organizing pro-Palestinian demonstrations and demanding withdrawal of the Egyptian Ambassador from Tel Aviv. As on many other issues, however, the effects of the leftists' activity was limited by their inability to join forces with the Islamic right.

The secular parties themselves have divided over the US peace initiative. The moderate Liberal Party has noted positive aspects of the US plan and seems satisfied with the government's response to it. The leftist Socialist Labor Party initially took a similar approach but later said it could accept no plan that was unacceptable to the PLO. The Socialist Labor

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President Mubarak greets Omani Sultan Qaboos bin Said at Nonaligned Summit



President Mubarak greets Jordanian King Hussein at Nonaligned Summit

leadership may have calculated that it could score political points by keeping its distance from the government on this issue and also that it could not afford to be outflanked by the other leftist party, the National Progressive Unionist Grouping, which has consistently opposed the US initiative.

Despite their divisions, the opposition parties will continue to serve as a modest check on Mubarak's regional policies by focusing and articulating popular sentiment on issues on which the government could become vulnerable. The Palestine National Council's endorsement of Egyptian "national forces" gave at least short-term encouragement to the opposition.

Opposition figures who attended the PNC meeting in Algiers came back "gleeful" and confident that Mubarak would henceforth have to pay greater attention to their demands. Mubarak's subsequent rebuttal of the Algiers statement, however, was widely applauded in Egypt.

Domestic politics and opinion so far have not had a major independent effect on the Mubarak government's regional policies. For the most part, domestic sentiment has tended to reinforce what would have been the inclinations of Mubarak and his advisers anyway, since they share the Egyptian public's disillusionment with Israeli policies, its desire to avoid war, and its intention to return to the Arab world only on Egypt's terms. In the one instance in which the

mainstream of Egyptian public opinion diverged significantly from government policy—at the height of the Lebanon crisis—Mubarak resisted considerable pressure to take stronger action against Israel and stuck to his strategy for a negotiated peace.

Mubarak's political standing will depend less on foreign policy than on his ability to resolve Egypt's economic and other domestic problems. Foreign setbacks could cause Mubarak trouble, however, if they coincide with internal crises and help to catalyze popular frustrations. Conversely, progress on Middle East issues would pay him domestic dividends. We believe the limited rapprochement that has already been achieved with other Arab states, including Mubarak's highly publicized meetings with Arab leaders at the Nonaligned Summit, has strengthened somewhat his position at home. Any breakthrough in negotiations with Israel would be a major boost for Mubarak and would rekindle some of the hopes for a comprehensive peace that were prevalent in Egypt immediately after Camp David.

The US Role

The Mubarak government is relying heavily on the United States to help it attain its regional objectives, particularly by inducing Israel to be more flexible. Despite the Egyptian leaders' pessimism about what the United States will do to pressure Tel Aviv,

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Egyptian Government [REDACTED] remain convinced Washington can and should exert more leverage on the Israelis in order to move the peace process ahead. [REDACTED]

The Egyptians realize there is a limit to US influence over the Begin government and that direct Israeli-PLO negotiations probably lie beyond that limit.

[REDACTED] Cairo believes it would be counterproductive for the United States to press such negotiations on Tel Aviv because this would only cause a US-Israeli rift and weaken Washington's influence on other questions. Egypt believes that US pressure on the Israelis would be most timely and effective on the issues of withdrawal from Lebanon and settlement activity in the West Bank. [REDACTED]

Egyptian leaders have indicated that they also want the United States to influence Saudi Arabia to contribute more to moderate objectives in the Middle East. Mubarak told US Ambassador to the UN Kirkpatrick in March that the United States should persuade the Saudis to urge Hussein and the Palestinians to agree to negotiations. Other Egyptian officials have said they would like Washington to persuade the Saudis to use their clout with Syria as well in order to get Assad to be less obstructionist regarding the peace process and the situation in Lebanon. [REDACTED]

Cairo believes that a more energetic US diplomatic effort in the Middle East would complement, not replace, a regional leadership role for Egypt. Following Mubarak's visit to Washington, a senior Foreign Ministry official observed that the United States now recognizes how important it is for Egypt to use its contacts with other Arab governments and groups to encourage broader participation in the US-sponsored peace process. [REDACTED]

The nature of the US-Egyptian bilateral relationship significantly affects Cairo's ability to achieve its regional goals. The Mubarak government is insisting

that US-Egyptian military cooperation be strictly limited, not only to avoid domestic political repercussions but also to reassure other Arab governments that Egypt is genuinely nonaligned and not a stalking-horse for Washington. Moreover, US economic and military aid serves as an indicator to the Arabs of US willingness to support Arab interests. Egyptian leaders tend to assess US aid to Egypt in terms of how it compares with aid to Israel, interpreting both programs together as a barometer of US sympathies and intentions in the Middle East. [REDACTED]

Prospects for Change in Egyptian Policy

Mubarak has strong reasons to continue the main lines of his regional policy, despite his frustrations in dealing with Israel and the setbacks that Egypt has suffered since Camp David. Abandonment of the US-sponsored peace process would jeopardize Egypt's large economic and military aid relationship with the United States. Moreover, Mubarak currently sees no alternative policy capable of achieving a Middle East settlement. He has argued in recent interviews that disagreement between Egypt and other Arab states is not the main issue so long as the other Arabs disagree strongly among themselves. Arab disunity, he contends, is preventing them from gaining influence with the United States and from formulating a workable strategy to achieve peace. [REDACTED]

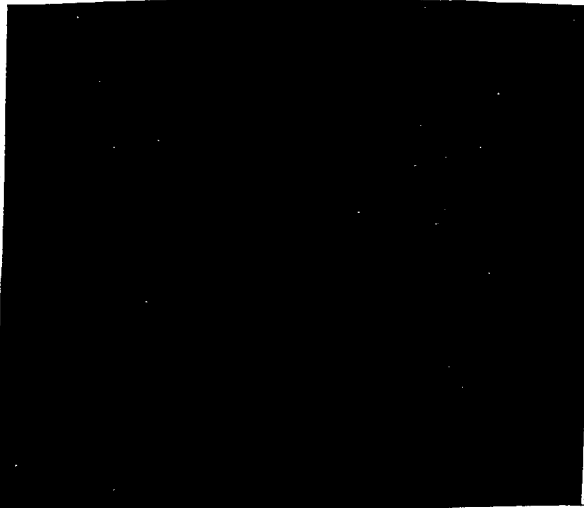
The perceived lack of alternatives underlies the mixture of hope and pessimism in the Mubarak government's dealings with the United States and Israel. Mubarak acknowledged to US Ambassador Habib earlier this year that Egypt is committed to negotiations as the only way to resolve the Arab-Israeli conflict. [REDACTED]

Mubarak's cautious temperament reinforces his inclination not to make sudden or drastic changes. He often has argued that Egypt needs stability, not more Sadat-style shock treatment. In Mubarak's domestic policies, stability has meant a tendency to muddle through and to avoid hard decisions as long as

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possible. We believe that this also will characterize Mubarak's regional policy during the remainder of this year, even if little progress is made toward solution of the Palestinian problem. Neither the US election campaign nor Israeli settlement activity—the principal reasons for Mubarak's sense of urgency—will compel him to make new decisions by some specific date. If domestic problems seriously eroded Mubarak's political standing, however, he might be tempted to make some bold stroke in foreign policy in an effort to shore up his popularity. [REDACTED]

Regardless of Mubarak's domestic standing, we believe that he again would come under domestic and Arab pressure to impose severe sanctions on Israel if Tel Aviv took some dramatic and provocative action, such as an armed attack against an Arab state or formal annexation of the West Bank. Given the current state of Egyptian-Israeli relations, there are only a few responses Cairo could make—such as intensifying media criticism of Israel or terminating the trade talks—that would not be clear-cut violations of the peace treaty and the Camp David accords. We believe that Mubarak would feel compelled to do more than this, even though he has argued repeatedly that to break the treaty would play into the Begin government's hands by enabling it to argue that Arabs do not want peace. His most likely response would be to sever diplomatic relations with Tel Aviv, which is what many Egyptians—and moderate Arab leaders, including King Hussein—urged him to do last summer. Other, less likely, options would be to interrupt oil exports to Israel, bar Israeli ships from the Suez Canal, or move substantial armed forces into the demilitarized zones of the Sinai. These latter steps—particularly any violation of the Sinai demilitarization agreement—would carry the risk of an Israeli military response. Whatever measures he took, Mubarak probably would issue a statement of regret that Israel had forced his hand and of hope that the peace process could be resumed and the treaty fully observed once Tel Aviv changed its policies. [REDACTED]



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**Appendix A
Relations With Radical Arabs**

Egyptian leaders have had the satisfaction of seeing a significant weakening of the once-solid front of radical Arab regimes (and the PLO) that led the opposition to Camp David. The enmity that Iraq and the PLO leadership once directed at Egypt has been dissolved by their needs for Egyptian military or diplomatic assistance. Egypt's relations with the Bendjedid government in Algeria show signs of normalization, such as the recent resumption of commercial air service between Algiers and Cairo. Egypt still lacks any relations with the Marxist South Yemeni regime, but it is peripheral to Egypt's principal regional concerns. Only Libya and Syria remain significant Arab adversaries of Egypt in the sense that they are effectively vetoing Egypt's reintegration into Arab ranks and taking other actions that jeopardize Egypt's regional goals. [REDACTED]

Even the Libyan regime—evidently trying to break out of its domestic and foreign isolation—has been indicating it wants to bury the hatchet with Cairo. [REDACTED]

Tripoli is interested in obtaining additional Egyptian technicians and laborers and would like Egypt to rein in Libyan oppositionists. [REDACTED]

The Egyptian response to Qadhafi's overtures, [REDACTED] has been to listen but to make no commitments. [REDACTED]

[REDACTED] the Egyptian Government does not trust Qadhafi and has concluded that a rapprochement at this time would benefit the Libyan leader more than it would Egypt. Talks between low-level military representatives, however, regularly take place along the border. [REDACTED]

Libya does not pose a significant direct threat to Egypt, but Egyptian leaders frequently have indicated concern about Libyan subversive and military activities elsewhere in North Africa, particularly in Sudan and, to a lesser extent, Chad. In the exchanges with Qadhafi's emissaries, the Mubarak government has stressed that it would not allow Libyan-sponsored subversion to threaten Nimeiri's regime. The coup plot that was exposed in February dimmed what little chance there was for improvement in Libyan-Egyptian relations, since it led the Libyan media to resume abusive criticism of Mubarak for the first time in several months. [REDACTED]

Egypt's relations with Syria are even worse than with Libya. Syrian media have incessantly criticized Egyptian leaders, and Damascus so far has remained implacably opposed to Egypt's policy of continuing and broadening the peace process. Syria has declared that Cairo must discard the "shackles" of its ties to the United States and Israel before it can be accepted back into Arab ranks. [REDACTED]

[REDACTED]

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Appendix B

Cooperation With Moderate Arabs

Despite severed diplomatic relations, Egypt's political, economic, and military ties with most Arab countries are significant and growing. Egypt has interest sections in all Arab capitals except Aden, Damascus, and Tripoli. Diplomatic contact is maintained through these missions, through the Arab states' interest sections in Cairo, and through official visits. Mubarak has communicated with other Arab leaders indirectly by special envoy and has met them personally at Saudi King Khalid's funeral in June 1982 and at the Nonaligned Summit in New Delhi this March. At New Delhi he held talks with Hussein, Gemayel, Qaboos, and the amirs of Bahrain, Kuwait, and Qatar.

Arab economic assistance to Egypt remains suspended, but trade and tourism have decreased only moderately since the Egyptian-Israeli peace treaty. According to the International Monetary Fund, Egyptian exports to Arab League countries in 1981 totaled \$148 million, down from \$201 million in 1978, the year of Camp David. Imports from the Arab countries during the same period declined from \$153 million to \$149 million. Egypt has coped with the Arab boycott by designating one trading company and one bank to handle most dealings with Israel.

Expatriate Egyptian workers, most of whom are in Iraq and the Arabian Peninsula countries, are an important economic and human link between Egypt and other Arab states. A senior Egyptian official estimated that Egyptians in other Arab countries total well over a million. Foreign employment of these workers has helped Egypt to export surplus labor and to earn foreign exchange and has enabled the host countries to meet labor shortages in oil, construction, and other industries. The demand for their services may be declining, however, as the economies of the oil-producing countries contract. Iraq recently reduced the proportion of earnings that foreign workers can send home, and Kuwait tightened up on the issuance of residence permits.

Egypt's closest Arab ally is *Sudan*. President Nimeiri broke away from the Arab League's ostracism of Egypt when Qadhafi's move into Chad in 1981 made an Egyptian security role in northeast Africa appear increasingly important. During the past year Mubarak and Nimeiri have been meeting at least monthly. Last October the two presidents signed a "charter of integration," which establishes an integration council, a Nile Valley parliament, and a fund for joint development projects.

most of the impetus for the charter has come from Nimeiri, who seems interested mainly in securing Egyptian military help.

Cairo has reservations about integration, given the weakness of Sudan's economy and Nimeiri's domestic political problems, but is deferring to Nimeiri because of its strategic interest in keeping a friendly regime on its southern border. In addition, the integration scheme reminds other Arabs of Egypt's interest in cooperation. We believe that Egypt will go to considerable lengths to bolster Nimeiri, as demonstrated by the military measures it took in February to foil a Libyan-sponsored plot to overthrow him.

Oman and *Somalia* are the only other Arab League members that have full diplomatic relations with Egypt. The Egyptian-Omani relationship centers on security cooperation, which has included Egyptian training and advisory assistance to Omani forces and joint military exercises in Oman last autumn. In return for Egyptian military help, Sultan Qaboos has been trying to broker Cairo's return to Arab ranks, such as by attempting (unsuccessfully) to set up a meeting between Mubarak and King Hussein in Oman last year.

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Egypt has been furnishing limited military aid to Somalia, including used Soviet-made arms. We expect such aid to continue, although Cairo's main efforts in the Horn of Africa currently are directed toward mediating a settlement of the Ethiopian-Somali conflict. Egypt is trying to improve its own relations with Ethiopia—the source of most of the Nile water that flows through Sudan and Egypt—and to draw the Mengistu regime away from the Soviet orbit. [REDACTED]

Among the Arab states that lack formal diplomatic ties with Egypt, *Jordan* and *Morocco* are those that—in addition to Lebanon and Iraq—are cooperating most closely with Cairo. The rapid development of Jordanian-Egyptian relations over the last few months is an outgrowth of efforts to bring Amman into the peace process. Warmer Egyptian-Jordanian relations have become apparent in several ways, in addition to the frequent consultations on peace-related issues. Jordan permits the sale of Egyptian books and has agreed to share television broadcasts. A bilateral trade agreement also has been reached, with Jordan dropping restrictions on all Egyptian firms that do not trade with Israel. [REDACTED]

Morocco has been one of the most vocal supporters of closer Arab-Egyptian ties, partly because it values Egyptian support on the Western Sahara question and because it would welcome additional moderate influence in Arab councils. Egyptian-Moroccan political and security cooperation is extensive. [REDACTED]

Saudi Arabia cooperates with Cairo on several matters of mutual interest. The Saudis provide most of the financing for Iraqi arms purchases from Egypt. [REDACTED]

[REDACTED] Saudi Arabia has relaxed restrictions on investment in Egypt, and the flow of private funds has resumed to some extent. [REDACTED]

The Saudis probably still harbor some resentment over the insults that Sadat threw at them after the Arabs split with Egypt in 1979. The public tone of Saudi-Egyptian relations, however, has improved over the past few months. [REDACTED]

[REDACTED] Accordingly, Saudi newspapers have been emphasizing Egypt's support for the Iraqi war effort, and they favorably portrayed Mubarak's trip to the United States. At the Nonaligned Summit, Saudi Foreign Minister Sa'ud noted the Egyptian-Arab contacts that already were taking place and expressed hope for a further improvement in relations. [REDACTED]

The smaller *Persian Gulf states* clearly favor closer relations with Cairo, partly because they are interested in obtaining Egyptian help to counter Iranian or other threats to Gulf security. [REDACTED]

[REDACTED] offered [REDACTED] to provide military personnel to the Gulf states if Iran invaded Iraqi territory. We believe, however, that Egyptian aid to the Gulf states probably will remain limited to advisers and that the Gulf states would be unlikely to request Egyptian combat troops unless these states were in imminent danger of foreign invasion. Several of the Gulf states requested additional advisory assistance from Egypt during a visit in January by the chief of Egyptian military intelligence, according to a fairly reliable Arab source. [REDACTED]

Trade and investment ties between Egypt and the Persian Gulf countries are gradually being restored, particularly in the private sector. Businessmen from the Gulf states have formed an Arab Gulf Investment Company, which has headquarters in Cairo and is intended to stimulate Arab investment in Egypt. Egyptian officials warmly received company representatives last June and presented a long list of projects

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for possible Arab funding. Official financial ties with Egypt have not been repaired so rapidly. [REDACTED]

[REDACTED] Gulf state officials have expressed interest in resuming participation in the Arab Organization for Industrialization, the Egypt-based arms-manufacturing consortium from which they withdrew after the Egyptian-Israeli peace treaty. [REDACTED]

Relations between Egypt and North Yemen have visibly improved in recent months. [REDACTED]

Egypt's contacts with moderate elements in the PLO also have intensified during recent months, partly as a result of Cairo's efforts to promote a US-PLO dialogue. [REDACTED]

The Lebanon crisis caused Egyptian-PLO relations to become warmer than at any time since the Camp David accords. The PLO leadership appreciated the tangible assistance that Egypt provided, such as a communications link between Beirut and Cairo. Arafat has said that he will never forget the "compassion" he felt from Egypt at the height of the crisis. Although Cairo refused to accept any of the Palestinian fighters trapped in West Beirut, Arafat and other PLO leaders understood the reasons behind Egypt's decision. [REDACTED]

[REDACTED] Cairo believed that to have taken in the Palestinians without progress toward an overall peace settlement would merely have perpetuated their status as refugees. Mubarak [REDACTED] did not want to expose Egypt to the charge that it had colluded with Israel in the invasion of Lebanon. [REDACTED]

The principal impediment to further development of Egyptian-PLO relations is Arafat's need to avoid an open split with Palestinian radicals, some of whom implacably oppose the Mubarak government. Radical influence was reflected in the statement on relations with Egypt that the Palestine National Council issued in Algiers in February. The Council called on Cairo to abandon the Camp David accords and spoke of nurturing relations with Egyptian "national forces," an apparent reference to Egyptian opposition groups. The statement infuriated Mubarak, who publicly denounced the PLO leadership for interfering in Egypt's internal affairs and avoided contact with PLO officials at the Nonaligned Summit. This quarrel has dampened speculation that Arafat might soon visit Cairo and probably added to Egyptian doubts about the PLO's ability to reach agreement with King Hussein. [REDACTED]

[REDACTED] PLO spokesmen who came to Cairo after the Algiers meeting were harshly criticized by Egyptian officials. We do not believe, however, that these frictions will lead Cairo to abandon hope of bringing the PLO at least indirectly into the peace process. [REDACTED]

[REDACTED] the Egyptian Foreign Ministry [REDACTED] realize the Algiers declaration was designed mainly for internal consumption. [REDACTED]