

CONSEIL DE L'ATLANTIQUE NORD
NORTH ATLANTIC COUNCIL

EXEMPLAIRE N° 524
COPY

N A T O S E C R E T

ORIGINAL: ENGLISH/FRENCH
29th November, 1971

DOCUMENT
C-M(71)68(Revised)

THE SITUATION IN THE MEDITERRANEAN
MAY-NOVEMBER, 1971

Report by the Council in Permanent Session

The attached Report is submitted to Ministers for consideration under Item I of the Agenda.

2. This Report, prepared by the Ad Hoc Group on the Mediterranean, was the subject of an exchange of views in the Permanent Council and was approved for submission to Ministers on 23rd November, 1971.

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N A T O S E C R E T

DEVELOPMENTS IN THE MEDITERRANEAN
MAY 1971 - NOVEMBER 1971

1. At their meeting in Lisbon on 3rd and 4th June, 1971, Ministers noted a report on the situation in the Mediterranean (C-M(71)34(Revised)), prepared on their instructions by the Council in Permanent Session. In paragraph 12 of the Ministerial Communiqué, the Ministers requested the Council in Permanent Session to continue to consult on this subject and to report back to them at their next meeting.

2. In compliance with these instructions, the Council in Permanent Session has had the following Report prepared on the situation in the area. This Report, which should be regarded as part of the continuing review of and consultation on the situation in the Mediterranean, begins with an account of new facts and developments since May 1971 and then goes on to describe how these events have affected the situation and its implications for the Alliance as presented in previous reports of the Council to Ministers.

I. NEW DEVELOPMENTS IN THE POLITICAL, MILITARY AND ECONOMIC SITUATION

A. Political

3. In the period under review, a series of events took place in the Arab world which, while having no fundamental effect on Soviet penetration in this area, nevertheless had certain repercussions which were not always in the Soviet interest.

Federation of Arab Republics ✓

4. The Constitution of the Federation of Arab Republics, which comprises Egypt, Syria and Libya, was signed on 20th August following the Damascus Conference, and approved by a referendum held on 1st September in each of the countries concerned. Despite the majorities in favour of the Federation in these referenda there seems to be little popular enthusiasm for the idea. While incorporating the principles of the Benghazi Declaration of April 1971 this Constitution goes further on a number of points. Without aiming to amalgamate member states into a single unit like the former Syrio-Egyptian union, it is more ambitious than the Tripoli Charter which did not provide for an organic union, but only for a revolutionary front. The Federation will be governed by a presidential council, a federal ministerial council and a federal legislative assembly. Islam was declared the official religion. One of the main clauses stipulates that peace and war and, for a period of two years, all issues regarded as important by one of the signatories, will be decided by a unanimous vote (only a

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majority vote was contemplated during the preparatory work). The Federation will also have authority to conclude international treaties, for which there was likewise no provision in the Benghazi Declaration. The question of a unified military command has not been settled. Provision has simply been made for the creation of a military command responsible for training and operations. The clause providing for automatic intervention in the event of sedition in a member country - mentioned in the previous report - is retained. In view of its possible applications the political importance of this clause is obvious. In addition, the three Heads of State, in a joint declaration in Damascus have stated: no peace treaty, no negotiation with Israel and no relinquishing of territory.

5. However, to date the ambitious plans for co-ordination have been implemented only to a modest degree. There are also serious divergences between the member states, the sharpest of which is the question of a political solution to the dispute with Israel. Egypt has privately (although not publicly) stressed the view that the Federation provides no constitutional barrier to her pursuit of such a solution, but Cairo is under considerable pressure from Libya and perhaps Syria, opposing a political solution. The Sudan, which took part in the preparatory work, has indicated that for reasons on internal policy, it would not join the Federation for the present.

6. As stated in the previous report, the experience of past attempts to create Arab unions, many of which have miscarried, will make any observer reserve judgment on the cohesion of the new grouping and on the rôle it can play on the Middle East's political chessboard.

Egypt U VSR

7. President Sadat has taken a number of steps to consolidate his authority as Head of the State. Several of his ministers, in particular Mr. Gomaa and Mr. Sabri, were brought to trial on a charge of having plotted against the President. The plotters, well known for their pro-Soviet sympathies, were also known to be hostile to the new Arab Federation and to a negotiated solution to the Israeli-Arab dispute. In addition, a wide-spread purge, undertaken without Army opposition, hit all those whom the Sabri-Gomaa faction had - according to the President himself - put in key positions in the political structure which has been completely recast, including the leading elements in the Arab socialist Union. Simultaneously, President Sadat took a number of steps to liberalise his régime, and these are reflected in the new Egyptian Constitution. These reforms, on which he is relying to win the support of the middle classes, move the Egyptian régime further away from the system of people's democracy which the opposition might have wished to introduce.

8. These events and the purge which was to weed out some of its leading supporters in Egypt were inevitably a cause for concern to the USSR which hastened to despatch President Podgorny to Cairo. The outcome of this visit was the signature on 27th May, 1971 of a treaty of friendship and co-operation which is the first of its kind signed with a Third World country. This treaty, which is for fifteen years, contains provisions for the training of Egyptian military personnel and for continued co-operation between the two countries in the military field on the basis of existing agreements. Article 2 stipulates, inter alia, that this co-operation is designed "to provide the conditions required for the preservation of future social and economic achievements in their respective countries". Provision for consultation in the event of threats to peace is contained in Article 7. Article 9 stipulates that neither of the contracting parties shall take any action directed against its partner.

9. Mr. Mahmoud Riad visited Moscow in July and President Sadat paid a relatively rapid visit to Moscow from 11th to 13th October. He was accompanied, as is customary, by a full range of advisers in political and military affairs. The lengthy joint communiqué following the visit gives the impression that - rather than achieving any fundamental resolution of the issues between Cairo and Moscow - both sides were determined to maintain the appearance of close relations and to keep signs of disagreement to a minimum.

10. A key element in the communiqué was agreement "specifically on measures aimed at further strengthening the military might of Egypt". This statement suggests that at least the Kremlin continues to recognize the necessity of keeping up arms supplies to Egypt simply to preserve Soviet standing with Cairo. The two sides strongly condemned anti-Communism and anti-Sovietism, and the communiqué also noted that they "exchanged opinions" on further joint steps in the Arab-Israel context.

Jordan

11. King Hussein has completed the suppression of uncontrolled Fedayeen activities begun in September 1970. The last of the areas controlled by the latter have now been cleared. In future, Fedayeen groups will be allowed only in regions specified by the Jordanian State. The Hashemite King has said that he is prepared to respect the spirit of the Cairo and Amman Agreements signed in September and October 1970 but only on condition that Jordanian sovereignty is preserved. A number of suspect members of the government services and of the forces have been dismissed. As a mark of protest, Iraq, Syria and Algeria broke off or suspended diplomatic relations with Jordan at the end of July. In addition, Jordan's action was condemned at the Tripoli mini-summit meeting called at the

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request of Colonel Qaddafi and attended only by the Heads of State of the Federation and of the two Yemens. Efforts made under the auspices of Riad and Cairo for the sake of Arab unity to bring about a reconciliation between Jordan and the Fedayeen have thus far been a failure.

Sudan

12. The pro-Communist coup d'état which carried Colonel El Atta to power at the end of July was abortive. Three days later, General Numeiry, with the support of the Sudanese Army and of the Egyptian and Libyan Governments, was back in the saddle. In disregard of international convention, the Libyan leaders diverted an aircraft carrying two of the main leaders of the short-lived Sudanese régime. The reprisals immediately taken by General Numeiry greatly weakened the Sudanese Communist Party, which was the strongest in Africa.

13. Soviet discontent was voiced only through diplomatic channels and by warnings in the official Soviet Press. President Numeiry showed his irritation by unilaterally denouncing the agreement for financial and technical co-operation with the USSR and by expelling some Soviet experts. Moscow asked the Egyptians and the Syrians to use their good offices to mediate with Khartoum.

14. The possibilities of Sudan acceding to the avowedly Islamic Federation of Arab Republics are closely connected, among other reasons, with the unsettled situation in the southern - and Christian - portion of the country.

15. In July, a Sudanese ministerial delegation visited Peking where it obtained the promise of appreciable economic aid.

Morocco

16. The attempted putsch by a group of dissident generals on 10th July was nipped in the bud. The plot seems to have been inspired primarily by domestic considerations - in particular the desire to enforce a greater measure of probity in the conduct of the country's affairs. There may also have been an intention to establish a Libyan-style republic. None the less, there is no indication that the Libyan leaders had any hand in the preparation of the coup. The Libyan offer to help the rebels - put forward immediately after the plot in disregard of the moderating counsels of President Sadat and Colonel Boumedienne - led to the breaking off of diplomatic relations between Libya and Morocco. The stifling of the plot has led to a rather uncertain domestic situation which could jeopardise the future, although King Hassan remains in a strong position.

17. Soviet interest was shown by Mr. Kosygin's visit to Morocco in September, following which two agreements were signed looking towards the enlargement of economic and commercial relations between the two countries.

Libya ✓

18. Imbued with a pan-Arab vision and apparently aspiring to succeed Nasser as the acknowledged leader of the Arab world, Colonel Qaddafi played an active part in the creation of the Arab Federation. The automatic intervention clause in the Federation's Constitution gives him, in theory, relative protection against internal difficulties - particularly those which might be inspired by pro-Maghreb factions. However, the main threat to Qaddafi lies in his own unstable character, one manifestation of which was his most recent offer to resign (later withdrawn). His willingness to spend Libyan money on other states in the area and the unfavourable reaction of part of the public to his opening of Libya to Egyptian influence may produce adverse effects. Nevertheless, the fact that he has so far held his position suggests that his colleagues in the Revolutionary Command Council are still not confident of carrying on without him. His stand against Hassan II and Hussein, combined with the virulence of his anti-Communist pronouncements and his rigidity on the Palestine issue, have proved an embarrassment to President Sadat and his muted form of diplomacy.

Syria ✓

19. The Syrian leadership appears to want to follow a cautious political line. Its decision to join the Federation can be explained by the desire to break out of the isolation to which the unbending extremism of Mr. Atassi had condemned it. Furthermore, General Assad regards it as a means of consolidating his position in the Baath party which has set its sights on Arab unification.

Malta ✓

20. A new Labour Government, with a parliamentary majority of one, took over in Malta in June. This Government, led by Mr. Mintoff, who professes neutralism and who has espoused closer ties with his Arab neighbours, especially Libya, forced the NATO NAVSOUTH Headquarters to withdraw from the island. The Malta Government might permit the establishment of a resident Soviet Embassy in Valetta, and in the United Kingdom's defence agreement negotiations they have taken the position that courtesy Soviet naval visits should also be permitted. In close consultation with the other member countries of the Alliance, whose participation is taking the form of financial contributions or projected bilateral economic aid on the part of some of them,

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the United Kingdom Government is pursuing negotiations with the Maltese Government with the aim on the one hand of guaranteeing the availability and use of the military installations on the island for its forces and those of its Allies, and, on the other hand, denying their use to the Soviet Union. Libya has given Mr. Mintoff some immediate financial help and is believed to be ready to give him more, if required, on certain conditions.

Yugoslavia-Albania

21. It is still too early to decide whether Mr. Brezhnev's visit to Yugoslavia in late September will have any repercussions on the situation in the Mediterranean. On the Yugoslav side, the main purpose of this visit was apparently to obtain Soviet confirmation of Mr. Khrushchev's 1955 and 1956 commitments regarding the right of each country to choose its own road to socialism. For their part, the Russians may have thought that an improvement in Soviet-Yugoslav relations was necessary to counter the growth of Chinese influence in the Balkans.

22. Albania remains closely aligned with the People's Republic of China. Recent approaches by Tirana to Yugoslavia and the establishment of diplomatic relations between Albania and Greece are evidence of a less inward-looking attitude.

The Maghreb and other countries

23. The recent trend towards closer co-operation among the countries of the Maghreb has lost its momentum. These countries still show generally pro-Western or at least non-aligned sympathies and, in this connection, the recent oil settlement between France and Algeria is likely to encourage a moderate attitude on the part of Algiers. The Algerian Government is understood to have rejected recent Soviet moves aimed at obtaining greater use of naval facilities in Algeria. There have been no major political developments in the other Mediterranean countries during the period under review.

The Israeli-Arab confrontation

24. As this question is essentially a matter for the United Nations, it will be dealt with only from the standpoint of its possible effect on Soviet penetration of the Middle East (in Part II of this report under the heading "Assessment").

B. Military

25. Since May 1971, the military situation in the Mediterranean area has developed as follows:

Naval Situation ✓

26. The strength of the Soviet Mediterranean Squadron during the period 1st January, 1969 to 31st October, 1971 is given at Annexes A and B. The average surface ships and submarine strength has generally remained at the same level during the last six months as during the corresponding period in 1970. The only noteworthy change arises from the simultaneous presence, between 18th August and 29th September, 1971 of two C-class nuclear propelled guided missile-equipped attack submarines in place of one, possibly indicating a new Soviet trend towards increasing the submarine missile component in the Mediterranean.

27. Soviet Mediterranean squadron exercise activity remained, during the period under review, at a generally low level. Major features outside the continued surveillance of Allied naval units, particularly aircraft carriers and small scale ASW exercises, have been the maintenance of a high level of hydrographic activity in the Sicily Straits, a naval presence in the Lampedusa and Alboran areas, the continued improvement of logistic support afloat, the increased use of the port facilities at Marsa-Matruh, recently constructed by the Soviet Union, and the higher number of port visits paid by Soviet surface combatants and submarines to Annaba (Algeria) to obtain supplies. Because the Soviets have made excessive use of this concession, the Algerian Government has been compelled recently to impose with immediate effect the following restrictions: duration of stay is to be limited to the minimum technically necessary, two weeks advance notice is to be given, not more than three units are to enter the port at the same time. Furthermore, it has been reported by a reliable source that Soviet Premier Kosygin during his recent visit to Algeria expressed the wish that the port of Mers-El-Kebir should be made available, at least temporarily, to Soviet naval units. President Boumedienne categorically refused and said that any further discussion on the matter would be useless.

28. The refitting for Albania of four W-class Soviet built submarines by Chinese technicians for operations in the Mediterranean has been reported. Yugoslavia has started the construction of a new series of 600-ton submarines. Bulgaria has very probably increased the amphibious capacity of her navy by the receipt from the USSR of certainly three and possibly six additional VYDRA class landing craft, thus raising the number of this type of vessel in her service from three to six or nine.

Air/Missile Situation

29. The capabilities of the Soviet Naval Air Squadron in Egypt have been increased. The deployment in November of at least five ASM-configured Badger (TU-16G) medium bombers, each capable of carrying two KELT (AS-5) air-to-surface missiles, gives the Soviet Naval Air Squadron a strike capability against NATO naval forces in the Mediterranean and the Red Sea. Also the Squadron's ASW capability has been increased during the period under review through replacement of the four MAIL (BE-6) aircraft of the ASW force by four MAY (IL-18 variant) aircraft. The improved capability of the MAY aircraft has increased the likelihood of continued and intensified Soviet ASW operations West and North of Sicily, as has been observed in the past few months. Of the fifteen Egyptian-marked Badgers now in the Soviet Naval Air Squadron, six are configured for reconnaissance.

30. Four to six FOXBAT Mach 3 high altitude interceptors which the Soviets are using for reconnaissance in Egypt, together with at least one Squadron of FLAGGON-A (supersonic, all-weather, short-range, high altitude interceptors) have been introduced into Egypt, probably during the Soviet airlift of March-April 1971. About one hundred FISHBED (MIG-21) are thought to have been delivered by the USSR to Egypt since September 1970. One reason for those increased shipments of FISHBED may be the reported high number of Egyptian aircraft lost or seriously damaged by accidents due to inadequate safety procedures in the Egyptian Air Force.

31. The Egyptian air defence system has been extended in the Canal and Delta areas as Soviet deliveries of SAM equipment continued to arrive during 1971. Throughout Egypt there are now some 70 GUIDELINE (SA-2) and 50 GOA (SA-3) battalions, comprising a total of 420 and 400 launchers respectively. Of these all but 40 GOA (SA-3) battalions, totalling 320 launchers, are operated by the Egyptians. The GAINFUL (SA-6) mobile missile arrived in Egypt during March 1971 and has been deployed near Aswan.

32. As far as other Arab countries are concerned, it is estimated that, in the first half of this year, some 37 fighter aircraft, mostly FISHBED (MIG-21) and two HOUND (MIG-4) helicopters have been delivered by the USSR to Syria. Soviet and Egyptian fighter units, as well as Czech jet-training aircraft, have been reported on Syrian airfields. In the Sudan, the first appearance of GUIDELINE (SA-2) missiles has been reported as well as the existence near the Egyptian border of a Soviet aircraft assembly plant. Libya and Algeria continue to move forward with aircraft acquisition or modernization programmes. Libya, which seems to be interested in the purchase of 25 Yugoslav GALEB jet trainers and currently has 25 pilots undergoing training in Yugoslavia, has contracted with a Swiss/Italian civil engineering company to build a modern airport at Kufra primarily for military purposes. A report indicates that the Libyan Government is in contact with a Western European firm with a view to ensuring the maintenance of the Wheelus base. The Algerian Government has concluded a new arms

deal with the USSR whereby the Algerian Air Force will receive 24 FISHBED (MIG-21) and seven transports, probably CUB (AN-12). This will increase the FISHBED force to approximately 50 and the AN-12 transport to 15.

33. Whereas the Yugoslavs, who already possess 70 FISHBED (MIG-21) from earlier agreements, are also turning to the USSR for the replacement of their ageing F-36 and F-84 fleet, they have however continued to reject Soviet requests for the use of Yugoslavia's airspace in order to better protect the Soviet Mediterranean Squadron. Certain overflight privileges have been confirmed for the Budapest to Cairo airlift being utilized for the transport of military aid to Egypt. Albania has apparently entered the supersonic age, since it is reported to have received about 15 of the Communist Chinese variant of the FISHBED (MIG-21).

Warsaw Pact military personnel in Arab countries ✓

34. Although no very recent figures are available, it is estimated that the total of Soviet military personnel in Arab countries has remained approximately the same as it was in early 1971 (in Egypt 13,500 and in Syria 1,500), but there has been a modest increase in Egypt and a pronounced increase in Syria. A certain number of Hungarian and Czechoslovak radar technicians are reported to have joined the Soviet instructors in Egypt. The participation in the Egyptian air defence system of Soviet pilots and SAM specialists emphasizes Soviet involvement in the area.

35. In Libya, where the foreign advisors to the ground forces are almost entirely Egyptian, the presence of Czech instructors at the armoured fighting vehicles maintenance depot at Behghazi has been reported. Soviet pressure has also reportedly been brought to bear on Libya to accept Soviet technicians if the Libyans themselves wish to receive further deliveries of Soviet spares for equipment purchased. Officers and cadets of the Libyan Armed Forces as well as the majority of the enlisted personnel of the Libyan Air Force are trained abroad, but in non-Warsaw Pact countries, and mainly in Egypt as far as the ground forces are concerned.

Soviet bloc arms deliveries to Arab countries ✓

36. In addition to the deliveries of aircraft and surface-to-air missiles already mentioned above, Soviet bloc area deliveries to Arab Armed Forces have continued at a high level to Egypt and Syria and in a lesser proportion to Algeria, Iraq, Libya and the Sudan. Lebanon, which is reported as intending to spend 65 million US dollars to improve its defence capabilities, has received bids from Western countries but also from the USSR, Czechoslovakia, Bulgaria and Yugoslavia. Despite

the fact that the Lebanese Defence Minister visited Moscow in July 1971 and also the visit of a Soviet military delegation in Beirut to negotiate a 15 million US dollar arms purchase, it is generally considered that Lebanon will limit this purchase to small arms, particularly in the light of the long-standing Lebanese reluctance to permit Soviet or Soviet bloc instructors within the country.

C. Economic

(a) General Economic Trends

37. In Israel the economy grew by 7% in 1970 as a result of full utilisation of capital and labour. However, the position of the balance of payments is deteriorating due to a growing trade deficit. Inflationary trends have been stimulated by the devaluation of the Israeli pound and entailed increasing social unrest and prolonged strikes.

38. In Egypt, Sadat started a new trend toward a more pragmatic economic policy, including encouragement of foreign capital investment. Although Egypt's economy is still heavily linked to the USSR in trade, in military assistance, and as a source for development capital, Sadat has also sought to expand economic ties with the West. For example, Egypt's recent agreement to reschedule her defaulted debt to the United States will regularize Egyptian credit status with various multilateral lending agencies which have held off investing in Egypt for this reason. A free-trade bank was recently established to deal with hard currency investment in Egypt; the bank will not be subject to normal Egyptian currency restriction and is thus designed to attract foreign, especially foreign Arab, investment. An agreement to construct the oil pipeline between Suez and the Mediterranean was signed in July but financing arrangements (the non-Egyptian portion of this is to come essentially from Western sources) are not yet completed. The pipeline will have an initial capacity of 80 million tons a year which will later be raised to 120 million tons. Egypt's national income is expected to increase by just over 5% in the fiscal year 1972 and the trend of domestic product per capita which previously was decreasing has been reversed. Although its economy is growing at a respectable rate, Egypt's capital shock is run down and the country is in serious need of large-scale injections of capital investment.

39. In Syria the projected average yearly growth of the economy, 8.2% according to the third development plan (1971-75), seems high when compared to the actual growth of 5% annually during 1966-70. In the Lebanon, the economic situation has improved, but political stability has been weakened owing to strong opposition to fiscal measures planned by the Government. Jordan is still in difficulty as a result of the interruption of Arab assistance, except that of Saudi Arabia, and the closure of most neighbouring frontiers.

40. In Iraq, progress has been made towards a settlement of pending problems between the Iraqi authorities and the international oil companies operating in the country (IPC). In consequence government income is increasing substantially and IPC's activities may grow faster.

41. Libya has lifted her embargo on natural gas sales to Spain and Italy. The new Federation between Libya, Syria and Egypt may result in some additional financial contributions from Libya to the economic development of her less favoured partners. In the Maghreb, Tunisia's aim is to reach an economic growth rate of 6.6% to 7% this year, as against 3.6% in 1970, owing to the support of improved agricultural production and tourism. Morocco, despite a heavy deficit on the current account, has recently announced a small balance of payments surplus resulting from a substantial capital inflow.

42. In Algeria, the negotiations between the national oil company and the French oil companies have been successfully concluded. A rather unexpected development has been the recent decision of the Algerian authorities to stop one-third of the exploration for oil. This decision may be attributable to lack of financing.

43. In Malta, the satisfactory economic development of the last few years has slowed down. In August, the local currency was revalued by 5%. Over the next years the growing gap between the negative balance of goods and services and the official transfers from abroad would have to be made good by capital inflows. Malta, however, has a comfortable reserve position (\$185 million in May 1971). The association agreement with the EEC which took effect on 1st April, 1971 could bring about some improvement.

(b) Oil Sector ✓ *Ad*

44. The Organization of the Petroleum Exporting Countries (OPEC) made it known in September that it expects negotiations to start soon between the international oil companies and the producing countries about state participation in local concessions. Some producer countries, including Libya, have taken steps to protect themselves from the full impact of the de facto devaluation of the US dollar in which the posted prices of crude oil are expressed. OPEC has indicated that its members proposed to increase posted prices to recover losses due to the depreciation of the dollar. OPEC has also decided that its members will open discussions with the oil companies with a view to participating - i.e. taking over a share - in the old style concessions. Libya is reported to be pressing for a 51% share, following the precedent of Algeria.

45. Following the conclusion of the Teheran and Tripoli agreements and the complementary settlements regarding the Eastern Mediterranean supply points, the immediate risk of interruptions to the flow of petroleum supplies to the West was removed (although the pipelines through Syria and Jordan remain hostage to extremists). Over the last few months, the supply restraints which contributed to last winter's oil crisis have eased considerably and there is now sufficient excess tanker and production capacity to make up any short-run or partial shortfall which might occur in the event of a crisis in the upcoming oil company-producer country negotiations.

46. Crude oil production from the major Mediterranean suppliers dropped sharply in the first six months of 1971; in Libya it declined by 16.5% from 1970 to 70.5 million tons, and in Algeria by 19.2% to 18.5 million tons. This drop was caused by Libyan production restrictions, Algerian nationalization of French oil interests, and an increased availability of tankers which made the relatively high-price North African oil competitively unattractive. In contrast, production in the Middle East (principally the Persian Gulf) expanded considerably during the same period, rising 20% above the figure for the same period in 1970, to 410 million tons.

II. ASSESSMENT

A. Political

47. Soviet diplomacy, which has been almost uniformly successful in taking advantage of the "anti-imperialist" politics of the Middle East and of the Arab-Israel dispute to establish their presence and extend their influence in the area has been thrown at least temporarily on the defensive by events in the period under review. This does not mean Soviet influence is on the wane nor does it mean their long-term aims have changed. So long as the Arabs, and particularly the Egyptians, continue to need their support, both political and military, in the confrontation with Israel, the Russians will continue to exploit their privileged position in the interests of their own long-term strategy. Soviet diplomacy has shown great versatility in adapting to circumstances and thereby retaining the hold it has gained in the area. In the events in the Sudan, for instance, Moscow did not hesitate to give its strategic interests precedence over considerations of solidarity between Communist parties. In spite of the setbacks to its influence and even the humiliation it suffered at the hands of General Numeiry, Moscow has been at pains to avoid a break with the strategically important Sudan. Moreover, there is nothing new in anti-Communist repression in the Arab countries, and past persecutions of the Egyptian and Syrian Communist parties have never held up Soviet penetration. In any event, these tactics prove Moscow's determination not to endanger the bridgeheads which will enable

it to maintain its position in the Arab countries, particularly in Egypt, even if a peaceful settlement of the Middle East question should make its military assistance less necessary and, consequently, cause some weakening of its links with these countries.

48. The course of events in Egypt must also be seen in the same context, although it may be advisable to await future developments before passing final judgment, since it is still too early to assess what seem, at first sight, to be somewhat contradictory implications. President Sadat's purge of his rivals - including those who were widely (and correctly) regarded as friends of the Soviets - which is designed to consolidate his power, has led to at least a short-term reduction in Soviet influence on Egyptian policy. However, it is unlikely that this move by President Sadat foreshadows a change in Egyptian foreign policy, since the country is far too dependent on the USSR to make any such change in course immediately feasible. Soviet political support and military assistance are more than ever necessary. The fact that the Army backed Sadat in his purge means that it will have to be kept happy. It may also be that President Sadat's measures are intended to bolster his position vis-à-vis the other Arab countries. By making it clear that he intends to remain master in his own house, he may be trying to show his partners and his own countrymen that his alliance with Moscow is not unconditional.

49. Reports indicate that discussion during Sadat's visit to Moscow appears to have been unusually frank. The phrasing of the Communiqué seems to indicate that the parties failed to agree on a political and military strategy for the immediate future. The visit accomplished the purpose of refurbishing the public image of good relations between the two countries, and probably resulted in some kind of new Soviet arms commitments to Egypt. At the same time, it is doubtful that basic differences were resolved. The Soviets will probably remain wary of Sadat's demonstrated independence of thought and action, while the Egyptians seem destined to persist in wanting more Soviet backing than they are likely to get.

50. The Soviet-Egyptian Treaty of Friendship and Co-operation signed on 27th May, 1971 (but which had been in the offing for some time) may well have enabled the Soviet Union at least to redress the situation. Both sides will undoubtedly seek to interpret and implement the Treaty to serve their own interest. The Soviets may well consider that Articles 2 and 7 of this Treaty give them a right of intervention and at least a say in Egypt's domestic affairs. The Egyptians, on the other hand, almost certainly see the Treaty as a means of obtaining Russian support so long as they need it. In any case the Treaty sets the seal on the special Soviet-Egyptian relationship and underlines

the fact that Russia remains the privileged ally of the major Arab State. These events are, however, too recent to make it possible to draw any further conclusions concerning the room for manoeuvre that President Sadat really enjoys. Be this as it may, there is no doubt that the Treaty provides the basis for the continuance and possibly the extension of Soviet military assistance to Egypt. The Russians are now more than ever able to operate an independent military force in Egypt, a situation which inevitably places a powerful political lever in their hands. Nevertheless, it is worth noting that the signing of this Treaty did not deter in Cairo the purges, the trials of former leaders and the reform of the Arab Socialist Union. In the Sudanese affair in particular President Sadat adopted an attitude which was also not in line with the Soviet interest. He rejected Moscow's demand for speedy recognition of the El Atta government. Sadat probably thought that a Communist Sudan could have given renewed strength to the pro-Soviet faction. Then, too, a pro-Soviet régime in Khartoum would have significantly tilted the power balance in the area in Moscow's favour.

51. As stated in the earlier reports, Moscow uses the Israeli-Arab conflict to strengthen its position in the Mediterranean. In this respect, Moscow has an interest in maintaining the situation in a state of controlled uncertainty, since such circumstances enable it to continue its military assistance and, in so doing, its political penetration. However, since it wishes to avoid a resumption of Israeli-Arab hostilities, which could lead to a direct clash between itself and the United States, Moscow has chosen not to oppose current American diplomatic efforts. At present, the outlook is bedevilled by the conflicting Israeli and Egyptian positions.

52. Tactical negotiating requirements probably had something to do with recent moves by President Sadat to put his own house in order and also with the new Arab Federation. It should be noted that Russian reactions to the Federation were lukewarm. After Nasser's death, Sadat probably felt the need for official consecration by his peers and saw that the Federation could give him the necessary prestige. Its establishment, and the assertion of Sadat's domestic authority, could give greater weight to the Egyptian President's diplomatic proposals in connection with the on-going talks. On the other hand, by associating itself within the Federation with more hard-line countries (which have not accepted Security Council Resolution 242, for instance) Egypt could be said to have lost some of its freedom of action. By virtue of the Constitution of the Federation, Egypt seems to have accepted the double veto of Libya and Syria as regards a settlement. However, most observers agree that these implied constraints will not prevent Egypt from seeking a negotiated solution.

53. In a number of recent speeches President Sadat has committed himself to saying that 1971 "will be a year of decision for peace or war". The Israeli leaders have emphasised that such statements must be taken seriously. It would therefore seem that the Egyptian Head of State is gambling heavily on the future and committing himself politically. Although it would not appear that President Sadat and his military advisers have belligerent intentions, the disarray and rivalry which have further divided the Arab countries during the last few months weakens their position vis-à-vis Israel in peace negotiations. In any event, the fact that recent violations of the Canal cease-fire (which has been in force now since August 1970) did not lead to more violent clashes is in itself an encouraging sign, inasmuch as it reflects the desire of both sides not to jeopardise the prospects for negotiation.

54. There have been equally encouraging developments in other parts of the Arab world. In the context of the settlement of the Israeli-Arab conflict, the restoration of King Hussein's authority in Jordan would seem a positive factor. In this connection, it is interesting to note, for a better understanding of the deep-seated trends in the Arab world, that the Hashemite King was able, despite protests from several Arab capitals, to eliminate in particular the pro-Marxist resistance groups without hindrance. The de facto neutrality of the other Arab countries is explained by the fact that the destruction of these two organizations, which are bent on the overthrow of the existing order in the Arab world, is the unavowed wish of most Arab leaders in power. It is significant that King Hussein has emphasised his readiness to co-operate with the moderate El Fatah, provided that Mr. Yasser Arafat does not interfere in Jordan's domestic affairs. Similarly, the meeting at Jiddah to reconcile Jordanians and Palestinians, even if it was fruitless, did provide an example of the moderating influence which President Sadat can exercise in the new Arab Federation. He succeeded in calming Colonel Qaddafi, who said he wanted to invade Jordan. In a rather different context, the rapprochement between President Sadat on the one hand and King Faisal and the Shah of Iran on the other, is also worth highlighting, since it proves that, as on the domestic front, the Egyptian Head of State is also seeking to enlist the support of the conservative forces around him.

55. Recent events have underscored the relative fragility of the Allied positions in the western Mediterranean. Potential difficulties connected with developments in Malta should also be viewed in this context. At the same time, Soviet "Westpolitik", including its interest in moving towards a Conference of European Security in 1972, might act as a temporarily restraining factor in Soviet Mediterranean policy.

B. Military ✓

56. The period under review could be generally considered as a consolidating phase of the operational potential and readiness of the Soviet Mediterranean Fleet. However, the period has seen Soviet ASW capability encroaching on the Western Mediterranean, the introduction into the Soviet Naval Air Squadron in Egypt of ASM-configured aircraft capable, inter alia, of supporting the Soviet Mediterranean Squadron, an increased presence of surface ships in the Lampedusa and Alboran areas, a slight improvement in logistic support at sea and in Arab ports mainly in Marsa Matruh and a certain increase in the Soviet Mediterranean Squadron's use of Annaba (Algeria). The regulations recently introduced by the Algerian Government concerning the use by the Soviets of the Annaba port facilities must however be considered in this context. As a result of the presence of a limited number of FOXBAT and of at least one FLAGON A fighter squadron in Egypt, there has been a limited strengthening of Soviet air defence potential which may also provide some air cover over the eastern Mediterranean in the future. The Soviet bloc presence in Arab countries bordering the Mediterranean as regards military personnel seems generally to have shown no substantial augmentation although there was an increase in non-Soviet Warsaw Pact personnel. The dependence of most of these countries on the bloc for the development and the maintenance of their armed forces has, however, again increased, due to new deliveries of arms and equipment. No fundamental change of the military posture of Arab countries mentioned in this report can be concluded from information available.

C. Economic ✓

57. The assessment given in the last report (C-M(71)34(Revised)) of the threat to the economic position of the West in the area is still valid. The recent OPEC requests for State participation in the oil companies' activities in the producing countries - coming so soon after the Teheran and Tripoli agreements - further erodes the freedom of operation of the concessionnaires. Although the immediate risk of interruption of the flow of oil supplies has been removed, tension could ensue as a result of this new development, and also from recent OPEC demands for compensation of the de facto devaluation of the US dollar.

III. IMPLICATIONS FOR THE ALLIANCE

A. Political

58. The unfavourable consequences for Allied interests of continued Soviet penetration of the Mediterranean have been referred to at length in earlier reports. Although the USSR has had to tread carefully in certain Arab countries, its determination to pursue the long-term aims underlying its penetration remains obvious. The Soviet Union continues to

exploit the Arab-Israel dispute. The Soviet-Egyptian treaty may be a new and important addition to the arsenal of measures used by the Soviet Union to consolidate and even extend its military foothold in the most important Arab country. It will be necessary to pay close attention in the coming months to the implementation of this treaty, which was the subject of a preliminary meeting between Mr. Mahmoud Riad and Mr. Gromyko in July. In view of Soviet efforts to strengthen its ties with the Arab world, it is desirable that Allied countries should concentrate on political measures designed to put a stop to the constant erosion of their positions.

59. It has already been stated that the continuation of the Israeli-Arab confrontation obliges the Arab countries to maintain close relations with Russia, a situation which the latter uses for its own ends. It has also been made perfectly clear that, for Moscow, the Middle East conflict is not an end in itself, but a means of perpetuating what it hopes will be a dominant political and military position in an area from which it was absent less than twenty years ago, and in so doing to pose a permanent threat to the Southern flank of the Alliance. Moscow has shown no readiness to push its pawns into positions which might lead to an armed clash with the United States. However, the Allies should continue to do everything in their power to encourage a negotiated settlement of the Israeli-Arab conflict. A gradual return to normal in the area and, a fortiori the restoration of peace, would enhance the ability of the Allies to counter Soviet expansion. It is therefore necessary that every effort be made and every effort be supported, for an equitable, durable and peaceful solution to this dispute as envisaged by the Security Council Resolution 242. However, in present circumstances, the search for and the achievement of a partial agreement on re-opening the Suez Canal could contribute to lowering tension and to creating a more favourable psychological climate.

B. Military

60. Despite a slight improvement in the operational potential of the Soviet forces in the Mediterranean area and an increased presence of Soviet vessels in the Western Basin indicating that the Soviet outflanking trend continues, the general impression left by developments during the past six months is one of consolidation on the part of the Soviet bloc. Therefore, provided that there is no major change, for instance with regard to Malta, the implications for the Alliance, as described in the preceding report, remain valid.

C. Economic

61. As a response to the growing involvement of producing countries' governments of the area in the production of petroleum, the NATO member countries may consult among themselves, and with other interested countries of the non-Communist world, for ways and means of achieving the safety and regularity of critical supplies of energy. The need to develop alternative sources of energy is very real. The fact that a rapid development of new sources and relatively new types of energy may involve considerable capital outlays could justify joint action by members of the Alliance.

General Conclusions

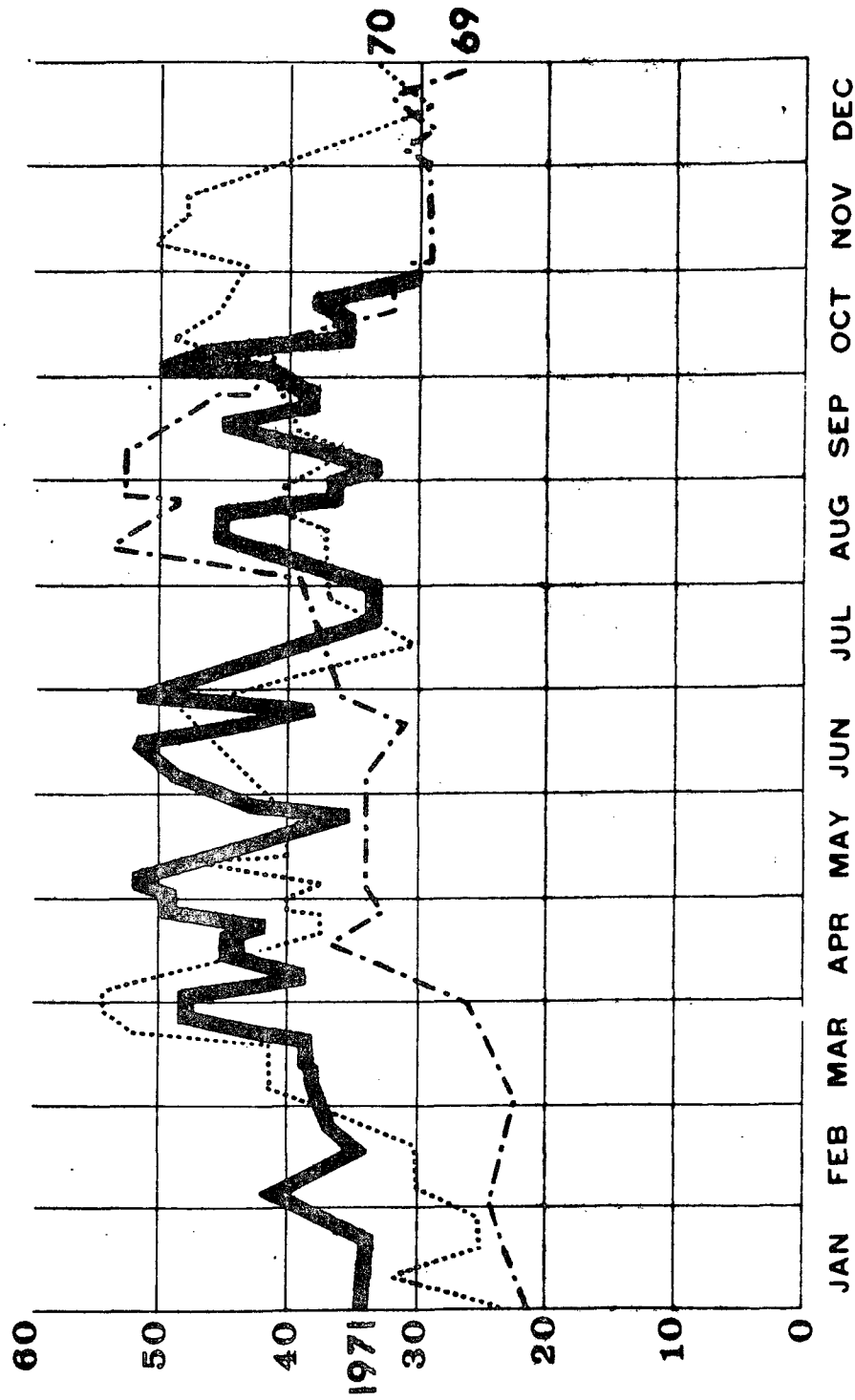
62. Soviet political, military and economic entrenchment in the Mediterranean area show no signs of weakening. In the political field, Allied countries should work for peace and stability in the region and also for establishing and maintaining friendly relations with all states concerned. Although the improvement of the Soviet position has not yet reached a point where Soviet forces constitute an unmanageable military threat to the Alliance, it is nevertheless necessary that adequate steps be taken to counter this unfavourable trend in order to avoid a deterioration in the balance of forces. As far as economic matters are concerned, the Allies in particular should take steps to safeguard their oil supplies.

N A T O C O N F I D E N T I A L

ANNEX A to
C-M(71)68(Revised)

SOVIET MED SQUADRON-SURFACE SHIPS

BATIMENTS DE SURFACE
DE L'ESCADRE SOVIETIQUE EN MEDITERRANEE



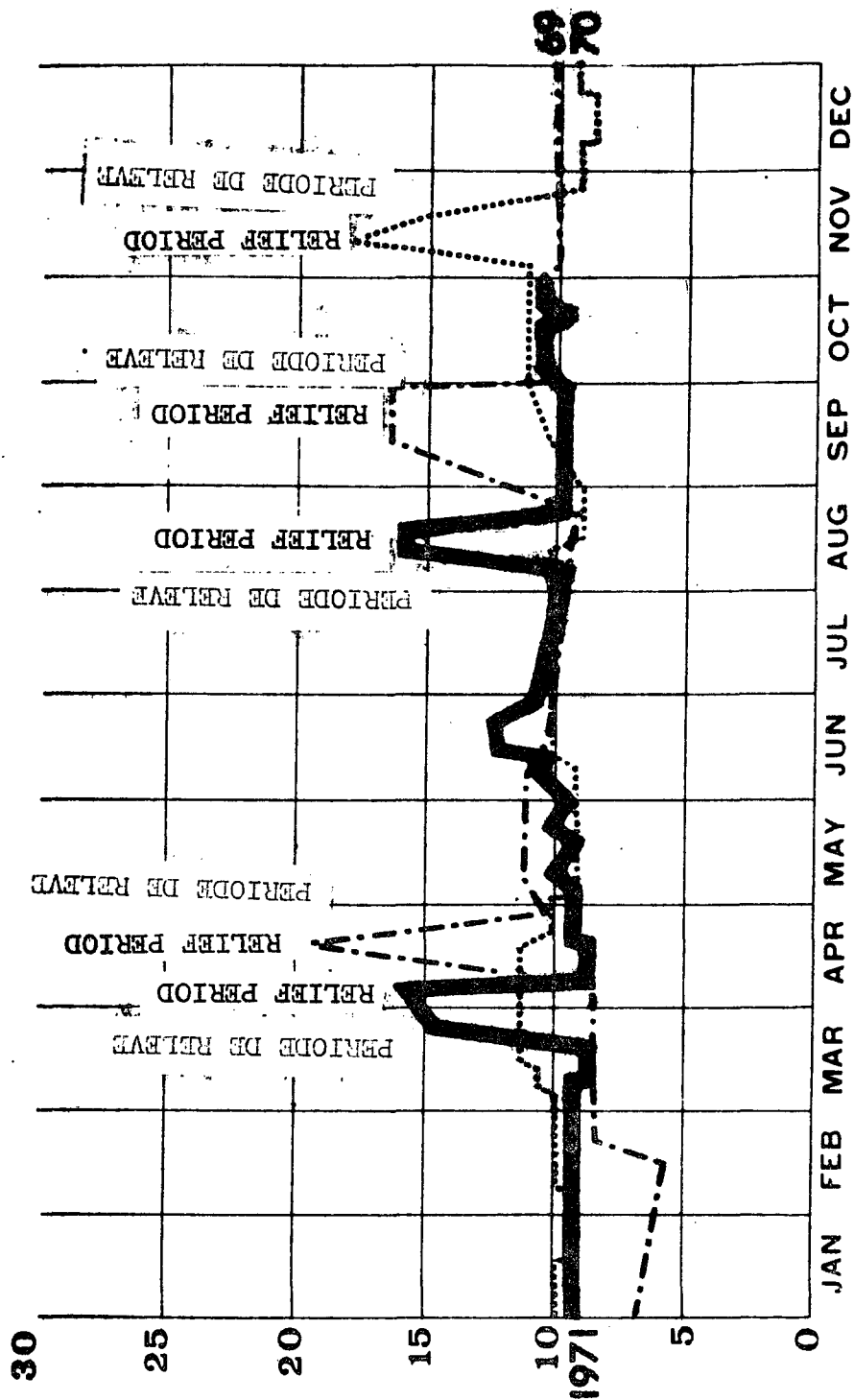
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N A T O C O N F I D E N T I A L

ANNEX B to
C-M(71)68(Revised)

SOVIET MED SQUADRON-SUBMARINES

SOUS-MARINS DE L'ESCADRE SOVIETIQUE EN MEDITERRANEE



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