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REPORT ON THE SITUATION IN THE MEDITERRANEAN
MAY 1972-OCTOBER 1972

The Ad Hoc Group on the Mediterranean, which met from 17th to 20th October, 1972, under the chairmanship of Mr. R. Meuwis, discussed a report on the above subject prepared by the International Staff in collaboration with the International Military Staff.

2. Following the discussion, the Ad Hoc Group reached agreement on the attached report which is submitted for consideration by the Council.

(Signed) Joseph M.A.H. LUNS

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N A T O S E C R E T

DEVELOPMENTS IN THE MEDITERRANEAN
MAY 1972-OCTOBER 1972

1. At their meeting in Bonn on 30th and 31st May, 1972, Ministers noted a report on the situation in the Mediterranean (C-M(72)24(Revised)) which had been prepared in accordance with their instructions by the Council in Permanent Session. In paragraph 17 of the Communiqué, the Ministers requested the Council in Permanent Session to follow closely the evolution of the situation and to report to them at the next meeting.

2. In compliance with these instructions, the Council has had the following report prepared on the situation in the Mediterranean. 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 1972 and then goes on to describe how these events have affected the analysis of the situation and its implications for the Alliance as presented by the Council to Ministers in its previous reports.

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

A. Political

3. President Sadat's decision to expel the Soviet military advisors in Egypt was a setback to the Soviet policy of penetration in the Middle East. This setback may not be permanent, however, and it has in no sense reversed this Soviet policy.

Egypt

4. On 18th July, 1972, President Sadat announced the following decisions, to take effect from the previous day:

- (i) the Soviet advisors and experts were to cease their duties and would be replaced by Egyptians;
- (ii) all the military equipment and installations established in Egypt after the June 1967 war were to become the exclusive property of Egypt and would be placed under the administration of the Egyptian armed forces;
- (iii) President Sadat proposed a meeting to be held with the Soviet leaders within the framework of the Treaty of Friendship between the two countries with a view to defining a new and more effective style of co-operation for the future.

5. The crisis in Soviet-Egyptian relations had been in the making for some time. There was keen resentment in Cairo over the fact that Moscow was not supporting it more actively in its dispute with Israel, either diplomatically in the quest for a negotiated settlement or militarily by providing offensive weapons they sought. This latter refusal was a particularly sore point. In fact, the Egyptians had gradually come to the conclusion that the USSR was maintaining a "no-war, no-peace" situation which served its political-strategic objectives in the area. This feeling of frustration reached its peak in mid-July 1972 and explains the impromptu visit paid by Prime Minister Sedki with a mandate to give the Russians a final warning. This mission, like Sadat's previous visits to the Soviet capital, proved fruitless. Its failure brought to a head the exasperation of the Egyptian army which was becoming increasingly irked over the interference of Soviet officers who tended to behave as if in occupied territory. President Sadat was under strong pressure from the army that led him to fear an imminent coup d'Etat. It was to ward off this danger that he resolved to loosen his ties with the USSR without apparently having weighed up all the consequences of this decision. It must be added that Egyptian right-wing circles, to which Sadat had been increasingly inclined, were exerting pressure along the same lines as the army. President Gadafy's insistence apparently contributed to the Egyptian volte-face. Cairo was reportedly irritated by the Soviet-Iraq treaty of friendship which seemed to reveal Soviet distrust of the Egyptian alliance. The Nixon-Brezhnev meeting was probably also a source of disappointment inasmuch as it did not give as high a priority to the present deadlock as the Egyptians may have desired.

6. The USSR complied with Sadat's demands immediately and the vast majority of Soviet personnel, together with the more sophisticated items of military equipment, were rapidly withdrawn. Moscow refrained initially from any political comment and simply stated that since its experts had completed their assignment it was quite natural that they should go home. Shortly afterwards, however, barbed remarks began to appear in the official press of the two countries. Mr. Heikal's articles in particular were to provide confirmation of the Egyptian leadership's grievances against the USSR.

7. Mr. Ghaleb has been replaced as Foreign Minister by Mr. El Zayat (former spokesman and Minister for Information). Partly as a result of mediation by President Assad of Syria following his impromptu visit to Moscow, the ground was prepared for the mission of Prime Minister Sedki to the Soviet capital on 16th October with a view to opening a new dialogue between the two countries.

Libya

8. On 2nd August, 1972 in Benghazi, Egypt and Libya reached an agreement providing for the complete unity of the two countries by 1st September, 1973 at the latest. The initiative had been taken by Gadafy in February 1972 and Sadat had asked for five months in which to think it over before coming to a decision. There seems to be no doubt at all that the Egyptian President was dragging his feet. At the end of the five-month period, his Libyan colleague pressed him for a decision. Sadat's final acquiescence can be explained by the fact that in the interval his breakaway from the USSR had led him to make this spectacular link with an ally. There was also his need for access to Libya's vast oil revenues to cushion against any possible reduction in Soviet financial aid and to find new sources of finance for arms purchases.

9. Undoubtedly, Libya and Egypt complement each other in a number of ways. Egypt could channel some of its surplus population into Libya and find outlets there for its exports. The overflowing coffers of Tripoli would provide funds for Egyptian development projects. A closer look, however, shows that the obstacles to this union are equally impressive. They spring primarily from the difference between the two countries in mentality, political evolution, stage of development, size of population and types of institution. Libya would probably be submerged in a union with Egypt.

10. Then, too, the political climate in the two countries does not appear conducive to this union. Gadafy is not without opponents in the Revolutionary Council who are hostile to an Egyptian hegemony. The Libyan population is already resentful of the growing number of Egyptian advisors who as of now have a large say in administering the country and in running its economy. It would undoubtedly take a poor view of any extension of these Egyptian inroads which it could well regard as a disguised form of colonisation. There is reason to believe, moreover, that the opposition to the proposed union was at the basis of last July's trial of strength within the Libyan Government which ended with the division of power between Gadafy and Jalloud. The latter was appointed Prime Minister and presides over a mainly civilian cabinet as Gadafy wanted. As for Egypt, while it should in theory get the best out of the deal, the right-wing and army elements, on which Sadat will have to rely even more than in the past, may well feel some alarm at the idea of a close link with so impulsive a character as Gadafy, who, they fear, could involve them in some unforeseeable venture. This is not merely a hypothetical danger given Gadafy's persistently bellicose attitude on the Israeli issue and his impassioned anti-Communism.

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11. The programme for the implementation of the union which was drawn up at breakneck speed bears the stamp of Gadafy's impatience. If he had had his way, the merger would even have come into effect immediately. This haste is at odds with the caution which governed the gradual introduction of the organs of the Arab Confederation, a less far-reaching enterprise since the autonomy of member countries is protected. There are grounds for wondering moreover whether the merger will not have very serious implications for the establishment of the confederation given Syria's cool attitude (see paragraph 14). Be that as it may, in postponing for thirteen months the entry into force of the union, President Sadat has given himself time to see which way the wind blows.

12. The USSR, for its part, can hardly welcome the merger which is likely to boost extreme Arab nationalism and resistance to Soviet influence.

Syria

13. On 9th August, 1972, President Assad made it quite plain that he had no intention of following the Egyptian lead and of expelling the Soviet experts (who, in contrast with the situation in Egypt, are mainly instructors with Syrian contracts). Assad, whose main concern had been to lead Syria out of its previous political isolation, seems to want to steer a middle course, without getting embroiled either with one side or with the other. Despite pressing requests from Moscow, he has for example so far refused to enter into a treaty of friendship with the USSR, arguing that the growing friendship and co-operation between the two countries does not need to be formalised. He apparently intends to make the most of Soviet aid (dam over the Euphrates, economic and military aid) without losing his freedom of manoeuvre. This desire for relative non-involvement is borne out by the feelers which he has extended towards pro-Western Arab countries, an instance of which is the notable improvement in his relations with two conservative régimes, namely Saudi Arabia and Kuwait, as well as with certain Western countries.

14. As stated above (paragraph 11), Syria regards the proposed union between Egypt and Libya with obvious mistrust. It has not the slightest intention of becoming a party to that union. Even if it wanted to, the Syrian Communist Party with its two seats in the Cabinet would oppose such a development. Assad probably feels that Gadafy's aggressive anti-Communism would be a major obstacle to the amicable relations which he wishes to keep up with the USSR. He is likewise maintaining a distinction between his own position and that of Sadat.

15. In the framework of relations with the Soviet Union, President Assad paid an official visit to Moscow early in July. This visit produced a series of agreements between the two countries in the technical, economic, cultural and military fields. The extension of contractual relationships marks a new phase in the strengthening of Syria's defence potential which had been agreed during Marshal Grechko's visit to Damascus in May 1972. In pursuance of past Soviet policy, Syrian air defence capability in particular was probably further increased in August and the rate of delivery, again apparently of air defence equipment, was speeded up in September, perhaps in connection with Israeli action against Fedayeen installations in Syria following the events in Munich.

16. The attack on Israeli athletes by the Fedayeen of the extreme "Black September" organization during the Olympic Games in Munich, which caused a wave of indignation in the West, has also given rise to renewed tension in the Middle East. The Syrians reacted to an Israeli reprisal raid and lost three fighter aircraft in the process. Damascus continues to keep a close watch on the Fedayeen and has even moved them away from the Israeli-occupied areas, but it has nevertheless recently adopted a political position more favourable to the Palestine resistance movement, whose commandos have important operational bases on its territory. In the Lebanon, a powerful Israeli raid in September destroyed some Fedayeen bases but also led to heavy civilian casualties and provoked determined Lebanese Army reaction. Since then, the authorities seem to be doing their best to keep the Palestinians in check, despite obvious difficulties.

Iraq

17. President Bakr, returning Mr. Kosygin's visit to Baghdad last April for the signing of the friendship treaty, paid an official visit to Moscow in mid-September at the head of a large Government delegation and accompanied by his Chief of Staff. This trip had been prepared during talks between General Schehab, Minister of Defence, and Marshal Grechko which took place at the end of August and which were concerned with the strengthening of military and economic co-operation. Contacts between the two countries in general have become much more frequent since the signing of the friendship treaty, owing to the large number of economic development projects which have been set in motion with the help of the USSR, particularly in the oil sector. Because of Iraq's pride of place in Soviet Middle East policy, President Bakr's visit was of special importance. The Soviet leaders reaped the first fruits of their efforts at penetration last spring when two Communist Ministers joined the Iraqi Government (though in secondary posts). The Kremlin leaders would like to go a step further, namely the creation of a national front consisting of the Ba'ath movement, the Communist Party and the Kurdish Democratic Party, on the Syrian pattern. This would provide them with a way of consolidating the present Government team in Baghdad which is so well-disposed towards them.

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18. Baghdad's reaction to the proposed unification of Egypt and Libya was even cooler than Syria's. The Iraqis regard it as a further source of disagreement in the Arab camp which could complicate their relations with the Soviet Union.

Sudan

19. The former rebel elements in the South have accepted integration in the country's structures and particularly in the army. There are still problems of aid to the Southern provinces but the principle of national reconciliation seems to have been accepted. The resumption of diplomatic relations between Khartoum and Washington and Bonn shows that the Israeli/Arab dispute has become of less concern to the Sudanese leaders. It is now clearer than ever that under the Nimairi régime Sudan will not join the Arab Confederation. Khartoum, which has withdrawn its troops from the Suez Canal, seems to be turning away from the Arab world and towards Africa. Relations between Sudan on the one hand and Libya and Egypt on the other have deteriorated in recent months. Relations with Peking have continued to be friendly and Chinese experts, numbering about 400, have replaced the Soviet advisors.

Jordan

20. Although Jordan remains politically somewhat isolated in the Arab world, the King's position internally remains strong. There have been no significant developments since May.

Morocco

21. The root causes of the most recent abortive attack against King Hassan are no different from those which led to the tragic events at Skirhat last year. The King has made no real attempt to eradicate corruption and to change his methods of government as he had promised. The need for the introduction of radical reforms is more pressing than ever. A regularisation of the situation will depend on the understanding which Hassan can reach with the opposition parties with a view to preparation for the forthcoming elections. The purges in the army, however, seem to point to the adoption of a harder line by the Head of State which could alienate him from the elements which he will need if he is to remain in power. In the absence of any early change in present methods of government, fears for the stability of the régime seem justified.

Israel

22. While the Israelis are solidly behind their leaders on all matters relating to major foreign policy decisions, the possibility that Mrs. Golda Meir may stand down of her own accord at some future date has prompted a number of public figures, particularly General Dayan, to adopt positions which

are not always in line with the views of the present Head of the Government whose hand is still firmly on the tiller. Following incidents that have marked the resettling of Arab refugees in the frontier villages, there was some soul-searching among Israelis over the attitude to be adopted towards displaced persons of Palestinian origin living on Israeli territory. The profound shock caused in Israel by the assassination of the Israeli athletes in Munich, and most official Arab reactions, dissipated conciliatory tendencies and confirmed Israeli scepticism about the possibility of reaching a durable peace agreement with the Arabs.

Other countries

23. The idea of "the Mediterranean: sea of peace" concept continues to be pressed principally by Algiers, Belgrade and Tunis. Proposals for a Mediterranean Conference have been made but those countries which support this initiative do not yet appear to have reached agreement either on the modalities of the Conference, or on its objectives. Moscow, for its part, has clear reservations. As for Yugoslavia, this country apparently intends to defend the interests of non-European Mediterranean countries at a CSCE.

Israeli/Arab dispute

24. This question will be dealt with (in Part II of the report under the heading "Assessment") only from the standpoint of its possible effect on Soviet penetration in the Middle East.

B. Military

25. The development which most influenced the military situation in the Mediterranean has undoubtedly been the deterioration in military co-operation between the USSR and Egypt and consequent weakening of Soviet capabilities in aerial reconnaissance and cover in the Central and Eastern Mediterranean. Soviet naval forces, however, continue to operate in strength.

Soviet Military Evacuation from Egypt

26. Following the announcement by President Sadat on 18th July, the sea and air evacuation of Soviet personnel and of the more sophisticated items of Soviet equipment proceeded rapidly. The withdrawal - which involved a considerable number of military transport flights on the usual route across Yugoslavia - appears to have been largely completed by mid-August.

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27. The total of Soviet military personnel remaining in Egypt is estimated at under 1,000. Of these, about one-third are probably involved in SOVMEDRON shore facilities and most of the remainder are employed in instructor posts, possibly under contract to the Egyptian Authorities. The total number of Soviet military personnel in Egypt prior to the evacuation has been estimated at 16,000.

28. Of the Soviet autonomous units previously stationed in Egypt (see Annex A), the following components have left:

- (a) all elements of the Soviet naval air group, except for ten BADGER-G bombers at Aswan. These ASM variants have probably been transferred to the Egyptians, less their KELT missiles;
- (b) the most recent versions of the Soviet-manned MIG-21 FISHBED fighters;
- (c) all FOXBAT high altitude interceptors (used in a reconnaissance rôle); and
- (d) all SA-4 (GANEF) and SA-6 (GAINFUL) missile systems.

The status of the following items of equipment is still not clear:

- (a) the older versions of the Soviet-manned FISHBED fighters;
- (b) the ten FLAGON (SU-11) fighter bombers;
- (c) the self-propelled ZSU 23/4 light anti-aircraft guns; and
- (d) the Soviet-manned SA-3 (GOA) sites, although some of these sites are reported to have been dismantled.

29. There has been no basic change in the use of Egyptian ports by Soviet naval elements since Sadat's announcement. Surface combatants left for a short time, but returned later. This indicated that the Soviets have retained access to the ports of Alexandria, Mersa Matruh and Port Said. It seems, however, that Soviet port facilities are now under Egyptian control. This must be further assessed in the light of future developments.

Naval Situation

30. The strength of the Soviet Mediterranean Squadron (SOVMEDRON) during the period 1st January, 1971, to the end of September 1972, is given at Annexes B, C and D. A comparison of the past six months with the corresponding

period in 1971 indicates that the overall strength of the Soviet Mediterranean Squadron has shown little change, with a slight decrease in the number of surface combatants and auxiliaries and a marginal increase in the number of submarines.

31. While submarine activity was constant, the activity of Soviet surface combatants has been generally at a low level except for intelligence collection, hydrographic operations and the continued surveillance of Allied naval units, particularly of aircraft carrier groups. There have been no large-scale naval exercises during the period under review, the major features of exercise activity having been:

- (a) the annual combined Soviet/Bulgarian ASW exercise which this year took place West of Crete in late June;
- (b) a combined Soviet/Syrian amphibious exercise in early October.

32. COMSOVMEDRON has recently made two visits to Latakia, Syria and Soviet combatants and auxiliaries visited both Latakia and Tartus at the time of the amphibious exercise in October. The Soviets may have been evaluating these ports for future use and the presence of the surface force, the largest yet seen in Syrian waters, may have been intended to demonstrate Soviet support for Syria at that time. Regular Soviet naval visits to Annaba, Algeria, have continued, with the duration of visits and force composition apparently remaining within the limits imposed by the Algerian Government in 1971. In October a Soviet naval group visited Dubrovnik, Yugoslavia.

Air/Missile Situation

33. Since 25th July, Soviet naval air activity over the Mediterranean has ceased completely, thus confirming the withdrawal of the Soviet naval air group from Egypt. All Soviet air surveillance means based in Egypt as well as the ASW and strike capabilities formerly provided by the KELT air-surface missiles of the BADGER-G bombers having been removed, the operational capabilities of the SOVMEDRON have been reduced. The withdrawal of the Soviet surface-to-air missile units and of the most recent versions of the Soviet-manned fighters together with the exit of Soviet military personnel has also weakened the whole Air Defence System of Egypt.

34. Although regular flights to Egypt by Soviet transport aircraft virtually ceased on 14th August, Soviet airlifts to Syria in August and September involved a total of some 12 medium and 14 medium and 5 heavy transports respectively. Cargoes carried almost certainly included SA-3 missile-associated equipment.

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35. The period has again seen an increase in Syrian air defence capabilities involving continued deliveries of fighter aircraft, including MIG-21 FISHBEDs as well as surface-to-air missiles (SA-2 and possibly SA-3). This is possibly related to the construction of two airfields within the framework of Bulgarian technical aid already mentioned in the last report.

36. In late August, the government of Libya established two new large permanent danger areas in international airspace over the Mediterranean, North of Cyrenaica, in addition to the large air-firing range it already possesses North-East of Tripoli.

Soviet Bloc Arms Deliveries

37. Apart from the deliveries of aircraft and surface-to-air missiles already mentioned, Syria has received tanks, tank transporters, armoured personnel carriers, and artillery, probably as a result of Marshal Grechko's visit to Damascus in May 1972. Until July, Egypt continued to receive the bulk of Soviet Bloc arms deliveries including Soviet and Czech-built tanks (T-54/55 and T-62), Soviet and Czech-built armoured personnel carriers (some amphibious), miscellaneous artillery equipment and aircraft including SU-7 FITTER fighter aircraft and MI-4 HOUND helicopters. In Iraq, after the conclusion of the Treaty of Friendship, the USSR, while continuing to try to avoid raising Iranian fears, has increased its military aid, especially in the naval field with the delivery of three or four missile patrol boats in July. It is also rumoured that the Soviets will soon establish a surface-to-air missile system in Iraq. In late August, Libya received 42 medium tanks possibly of the T-54/55 type. This delivery is likely to represent part of an earlier order for 120 Soviet tanks. Other Arab countries do not appear to have received substantial arms deliveries during the period.

Warsaw Pact Military Personnel in Arab Countries

38. The period has seen the dramatic withdrawal of the vast majority of Soviet military personnel from Egypt. No major changes in the number of Warsaw Pact military personnel serving in other Arab countries has been reported but the apparent increase in Soviet support for Syria, especially if the delivery of sophisticated weapons is confirmed, may well have resulted in the arrival of more Soviet advisors and instructors. A slight increase in the total of Warsaw Pact personnel serving in Iraq may also be expected.

C. Economic

General

39. In the economic sphere, Egypt remains heavily dependent on the Soviet Union, the rôle of which is decisive in the context of the 1973-1977 Egyptian Five-Year Plan. The Soviets are already providing, or are committed to providing, economic and technical assistance for virtually every sector of the Egyptian economy; other Eastern countries are also extending a certain amount of aid. In 1970, the last year for which full statistics are available, 30% of Egypt's exports went to the Soviet Union and 19% to the other Communist countries. Over the last few months a determined effort has been made to diversify the foreign assistance on which Egypt is so dependent for its economic development, cases in point being the stepping up of trade with and technical assistance by the Federal Republic of Germany, France and the United Kingdom, the conclusion in May of a preferential trade agreement with the EEC covering the period 1973-1978 and the agreement with Italy settling outstanding financial questions and extending the time limits for the repayment of Egyptian debts.

40. On 2nd August, Egypt and Libya agreed in principle to a full-scale union of the two countries. For Egypt, this could bring big economic benefits. Libya has a per capita national product (estimated at around \$1,920) ten times higher than Egypt, huge currency reserves (over \$3 milliard) and a revenue from oil of between \$1,700 million and \$2,000 million a year after 1971. Access to some of these assets, which cannot be profitably used in Libya and are invested abroad, would enable Egypt to overcome its chronic shortage of foreign currency and offer a genuine alternative to dependence on Eastern economic assistance. The advantages to Libya are much less obvious. The skilled labour which Libya requires could be obtained from other Arab countries, particular the Maghreb. In this connection the influx of Egyptian immigrants, who already number over 100,000, has been received with mixed feelings by the population. From the standpoint of economic development, Egypt is unable to provide the equipment and knowhow which Libya has the wherewithal to obtain from the West.

41. Since the partial relaxation of State control over the economy, Syria has experienced a period of unprecedented expansion. The trade deficit, however, continues to grow: it was \$244 million in 1971, with only 44% of imports covered by exports. The nationalisation of the IPC oil pipeline and infrastructure further deteriorates the balance of payments because of the temporary interruption of toll payments of between \$90 and \$100 million a year. Indeed, there is disagreement between Syria and Iraq as to the amounts to be paid in respect of Iraq's oil transiting Syrian territory. So far,

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economic co-operation with the Soviet Union seems to have developed more slowly than political and military co-operation. Although it is participating in a vast range of development projects, the Soviet Union, in 1971, accounted for only 6.25% of Syrian imports and came after the Lebanon, Italy, France, the United States, the Federal Republic of Germany and Canada. However, the Soviet Union is Syria's best customer after Italy: in 1971 it took 15% of Syria's exports compared with only 9% in 1970. This is because the Russians buy agricultural produce which is difficult to sell elsewhere and the Syrians have to reimburse in kind the mainly military assistance they receive. In this connection, it appears that as a result of President Assad's visit in July the Soviet Union is committed to providing Syria with military and economic assistance to the tune of \$700 million. China granted a £17 million loan in June. These developments indicate that the Communist countries will be playing a bigger rôle in the Syrian economy.

42. In Iraq, the nationalisation of the IPC (but not of its two sister companies which also operate on the spot), by reducing oil output, has had an adverse effect on the economy and led to a drop in State revenue. In 1971, Iraq obtained from the IPC and its subsidiaries £350 million including £272 million for the operation of the nationalised Kirkuk wells. This income, which was the country's main source of foreign currency, would appear to have accounted for 22% of national revenue, 35% of the ordinary State budget and 93% of the development budget. The souring of relations with the IPC and the efforts made to develop the nationalised oil sector have facilitated economic penetration by the Eastern countries. Their activities in this sector, and the aid they are providing towards the development of industry and infrastructure, have increased to the point where it appears that Iraq, at its own request, has been granted observer status with COMECON. However, the Iraqis appear to wish to maintain, as far as possible, their commercial and economic links with the non-Communist countries.

43. In the Maghreb, Israel, Jordan and the Lebanon there have been no noteworthy economic developments since the last report.

Oil

44. Negotiations with Saudi Arabia, the spokesman for the Arab countries of the Gulf, about these countries' participation in the local activities of the concessionaire oil companies, resulted, on 6th October, in a provisional agreement according to which the level of Arab countries' participation would grow by stages from 25% in 1973 to 51% in 1983. The agreement, however, has not met with the approval of all the countries concerned, which have decided to raise the matter in OPEC. This move may well be a last-minute attempt to obtain some supplementary concessions. In any case, the terms of any possible agreement will be the determining factor in shaping future decisions by the oil companies regarding their investments in the Gulf and will have a bearing on ability to increase deliveries to the West.

45. Oil from Iraq accounts for a little under 9% of all Western Europe's crude oil imports. The serious disruption of a large part of these supplies was not, however, felt by the consumer because supply has been exceeding demand for some months now on the oil market(1). Although the Iraqi leaders have made much of the recent oil deliveries to Communist countries from the Rumaila and Kirkuk oilfields, they are well aware that the latter cannot in the foreseeable future take a significant proportion of the output of northern Iraq (59,000,000 tons a year) or become the sole customer for the Rumaila wells, with their planned production of 18 million tons in 1975 and 36 million tons in 1980. Moreover, the Eastern countries trade on a barter basis instead of paying in convertible currency. The problem therefore arises of marketing the oil in the West. The future of oil production, which Iraq is striving to step up (target: 120 million tons in 1980), will depend on the way this problem is solved.

46. Libya continues its policy of cutting back production. The figures for the first half of the year were 55.4 million tons, a drop of 21.5% compared with the first half of 1971. The Libyans have concluded agreements with the East, about which no details have been revealed, for the sale of oil taken from BP. Russia seems to be committed to buying 2.75 million tons a year, Bulgaria and Rumania together 2.25 million tons and Yugoslavia between 500,000 and 1 million tons.

II. ASSESSMENT

A. Political

47. The expulsion of the Soviet advisors from Egypt was probably not part of some grand political design carefully thought out by President Sadat, although it was a development which had been building up for some time. Internal pressures were probably the immediate cause of his decision, which also reflected long-term disagreements between Soviet advisors and their Egyptian charges, as well as Egyptian dissatisfaction at what Cairo saw as inadequate Soviet military and political support for Egypt. Given the choice, Sadat would probably not have announced his decision at a time when the international situation was unfavourable to him. In fact, this decision, which was in the nature of a diversionary move, highlights some weakness in his position at home and abroad.

(1) Output in the non-Communist world during the first half of the year (1,048,000,000 tons) was up by only 2.3% compared with the same period of 1971.

48. It is too early to predict whether the dramatic change in Soviet-Egyptian relations will increase the chances of a peaceful settlement of the Arab-Israeli dispute. A resumption of hostilities appears even more unlikely in view of the significant lowering in the operational effectiveness of the Egyptian Army. Similarly, the risk of a direct confrontation between the United States and the USSR has been reduced. However, Egypt's bargaining position has almost certainly been weakened, at least as matters stand now.

49. In the short-term, President Sadat has been able to re-embellish his image by falling in with the demands of the army and Egyptian right-wing elements. However, the favourable domestic impact is likely to be short-lived: the country still faces the same dilemma. Sadat's longer-term objective remains to find room for manoeuvre. It is with this in mind that he has launched a diplomatic offensive aimed at securing political support and economic assistance from Western Europe, so far with only a limited degree of success. Similar moves are taking place at the United Nations. This need for Sadat to broaden his support is all the more pressing because Egypt remains closely dependent on the Soviet Union both militarily (supplies of spare parts and ammunition) and economically: in the economic sphere, the success of the many economic and industrial development projects initiated with Soviet assistance will depend on the continuation of Soviet credits and therefore on the goodwill of the Kremlin. Consequently, Sadat seeks to maintain both economic and military links with the Russians, but on his own terms. To the extent to which the Egyptian President succeeds in regaining his freedom of manoeuvre, he can then turn to East or West, according to circumstances. The denial to the Soviet Union of naval base facilities may be a card which Sadat can still play.

50. Much depends on the attitude the Soviet Union takes up towards Egypt. Immediately after the withdrawal of its advisors, the USSR visibly sought to adopt a low-key approach, despite the slanging match which broke out in the Russian and Egyptian press. Even if Sadat's initiative represents a resounding diplomatic defeat which would normally cause bitter feelings, the Soviet Union, with its usual pragmatism, will probably manage to swallow its pride in order to salvage as much as possible of the vast and varied investment it has made in Egypt over the past fifteen years. If this is the Kremlin's line of thought, then it could probably accommodate Sadat's views.

51. Sadat probably anticipated that Brezhnev would take a decision more rapidly on his proposal for a summit conference to re-examine relations between the two countries. In actual fact, the Egyptian Government had to make the first move and send Prime Minister Sedki to Moscow on 16th October. His talks with Podgorny and Kosygin were short and the Communiqué was not especially revealing. It says little regarding Soviet intentions towards Egypt: it merely refers to the decision to step up mutual contacts but reaffirms the attachment of both parties to the Treaty of Friendship. The three Soviet leaders have agreed to visit Cairo at a date to be decided later.

52. Whatever attitude the Russians finally adopt towards Egypt, it is quite clear that they are already determined to strengthen their relations with Iraq (following up earlier initiatives) and, if possible, with Syria. In Iraq, as a precaution against difficulties with Egypt, the Soviets had been careful to gain a footing, notably through the conclusion of the Treaty of Friendship on 9th April, 1972. They are well placed to increase their hold because of the tendency, shown by the Iraqi Authorities, to co-operate with them. The possibility of naval facilities in the Basra region may also in time prove attractive to the Soviet Union, for the reasons given in the last report, i.e. to secure military access to the Indian Ocean. They have all the more reason for reinforcing their position in the region of the Arabian Peninsula because political developments in several countries of the area have been unfavourable to them recently, particularly in the two Yemeni Republics.

53. In Syria, the Soviets have so far found it difficult to increase their penetration because of President Assad's independent attitude. In all logic, though, this should be a major aim of theirs mainly in order to gain greater access to the port facilities at Latakia and Tartus would Egypt's ports be denied them. One cannot help being struck by the intensified contacts between the Soviet Union and Syria, and by the large deliveries of armaments, some of which has even been made by air.

54. In the same context, it is interesting to note that Moscow has recently been trying to reconcile the two rival ruling Ba'athist factions in Baghdad and Damascus. The Russians may be seeking, in the countries of the Fertile Crescent, a lever which will allow them to exert pressure on Egypt.

55. Several recent developments, which Damascus fears may cause it to revert to the previous political isolation from which it had so much difficulty in breaking out, might drive President Assad to make more use of the Soviet card:

- (i) the proposed union between Egypt and Libya, which by undermining the Confederation of Arab Republics, makes Syria fear that it will be left out in the cold;
- (ii) Damascus is also worried about Egypt's diplomatic offensive in the West and about the current rumours - officially denied by Amman - of a separate peace between Israel and Jordan. There would be serious misgivings in Damascus if the ground were being prepared for a political settlement which might very well disregard Syria's interests (recovery of the Golan Heights), all the more so as Syria, unlike the other two Arab countries concerned, has scarcely any bargaining counters;

- (iii) Israeli raids might make Soviet protection more desirable.

56. On the subject of the Fedayeen, the sudden visit to Moscow by George Habash, leader of one of the extremist movements, has caused some surprise in view of the fact that, some time before, Moscow, via Pravda, had called upon the resistance groups to eschew terrorism and build up a united political front. It remains to be seen whether the object of these talks with Habash is to rub in this moderating advice or whether Moscow is about to give more active support to the Palestinians.

57. The fresh outbreak of Fedayeen activity, with its political and military aftermath including the Israeli reaction, has complicated the efforts of those governments which are inclined to seek a diplomatic solution in the Middle East and has set back moves to reach even an interim arrangement. The effect of this situation has been to increase the scepticism of both sides in the Arab-Israeli dispute about the possibility of reaching a durable settlement.

B. Military

58. In addition to the expulsion of Soviet military personnel from Egypt, the period under review has seen some reduction in Soviet naval exercise activity in the Mediterranean although little change in the overall strength of the Soviet naval presence. The Soviet Black Sea fleet continues to constitute a ready source of rapid reinforcement. It would appear that the Soviets, more than in the past, are operating the SOVMEDRON in an economical manner, dispersing their ships throughout the Mediterranean, with long periods at anchor. This is designed to achieve two major objectives: first, to assert in the framework of their global peacetime strategy, their right and capability to operate where they choose; and second, their ability to collect intelligence and to conduct surveillance operations against Allied naval units at any time.

59. The following conclusions can be drawn at this time regarding Soviet strength and capabilities in the area:

- (i) The loss of Soviet air facilities in Egypt with its impact on air reconnaissance, air defence and air-to-surface missiles (ASM) strike capabilities, has decreased to some degree the operational capabilities of the Soviet Mediterranean Squadron.

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- (ii) Although port facilities are not essential for the maintenance of the SOVMEDRON, since the Soviet Navy has freed itself to a great extent from the need for fixed bases, its efficiency is increased by the widest possible access to refuelling and repair facilities ashore, as well as facilities for shore leave. Consequently, if the Soviets wish to maintain the former level of effectiveness of the SOVMEDRON, in particular through the provision of naval air support, they must find new ways of meeting the challenge presented by their withdrawal from Egypt. The recent flow of war material to Syria and visits to Syrian ports by the COMSOVMEDRON could indicate that the Soviets hope to lean more heavily on Syrian facilities in the future, even though these would be an inadequate substitute for Egyptian facilities.

60. The following can be said of Soviet assistance to the Egyptian armed forces, of which the political implications are obvious:

First: Soviet military aid in the form of equipment and of advisors who actually had an executive rôle, has improved the capabilities of the Egyptian forces. This assistance, however, has not enabled the Egyptians to overcome their basic deficiencies: a shortage of capable staff officers, technicians and logistic support and, most important, a lack of effective commanders above battalion level. As a result of these shortcomings, the operational efficiency of the Egyptian forces is limited and they are not capable of sustained operations.

Second: The presence of Soviet naval combatants in Egyptian harbours and of Soviet air combat units, has increased the deterrent capability of the Egyptian forces.

61. All components of the Egyptian armed forces will clearly be affected by the Soviet withdrawal, the adverse effect being greatest in the field of air defence. As a result, the Egyptians, although now freed of direct Soviet control, cannot undertake anything more than small-scale operations East of the Suez Canal. Command and Control can also be expected to deteriorate as well as the maintenance and supply systems, since the Egyptians will continue to depend on the Soviets for replacements and spare parts. These factors have in the past affected the combat readiness of Egyptian armed forces and will now do so to an even greater degree.

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62. As regards the establishment by Libya of two new large permanent danger areas, in international airspace over the Mediterranean, an analysis of the available data and known circumstances leads to the following conclusions: although the establishment of "special use" airspace over international waters is not uncommon, a combination of the size of these danger areas and the fact that they are effective continuously and at all altitudes, makes them unusual. Further, it is not clear why Libya, which has only a limited number of aircraft capable of air-to-air gunnery or missile firing, should require additional air-to-surface firing ranges over and above the extensive national airspace available and the large range in international waters she already possesses North-East of Tripoli. The impact of the Libyan action would be considerable if NATO countries decided to suspend all flights through these areas on a permanent basis. With a sizeable portion of airspace over the Mediterranean already reserved for commercial air routes and other "special use", the Libyan danger areas would add significantly to the difficulties of aircraft carrier flight operations.

63. To conclude:

- (a) The balance of naval strength in the Mediterranean has in the past been estimated as favourable to the Alliance. The Soviet withdrawal from Egypt has, at least for the moment, enhanced that favourable balance; but it remains to be seen what, if any, compensatory steps the Soviets will take. In this connection, several factors will bear careful watching, among which are: the level of Soviet submarine presence in the Mediterranean; any increase in the level of use by the Soviet Navy of Syrian ports; and the extent to which the Soviet Navy continues to enjoy the use of Egyptian port facilities.
- (b) With regard to the danger of a resumption of hostilities in the Middle East, with their possible implications for the Alliance, the Soviet military withdrawal from Egypt might be seen as a reduction of the Egyptian capability to conduct sustained operations and a possible indication of an Egyptian preference for political over military means to solve the Arab-Israeli problem. On the other hand, it must be recognised that the former presence of Soviet military personnel and units in Egypt had a deterrent effect on Israel.
- (c) With regard to Soviet intentions for the near future, it is not possible to give a more precise forecast than to say that they will certainly take all necessary measures to safeguard their presence in Egypt and to extend it in other Arab countries, particularly in Syria and Iraq.

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64. The Warsaw Pact countries have done much to buttress their position in Iraq and have stepped up their economic penetration of Syria. The ups and downs in the relations between Egypt and the Soviet Union have not affected the economic and trade links between the two countries; Soviet financial and technical assistance is again in great demand. For their part, the Soviets, during their quarrel with the Egyptian leadership, seem to have tried to avoid applying economic pressures in too obvious a fashion, as this would have revealed the political and military motives behind Communist aid to the Arab countries and blunted their efforts to penetrate the area.

65. With regard to oil, a new relationship between the Arab producing countries and the consumer countries has still to be hammered out but some encouraging signs are beginning to emerge from the current negotiations. Oil revenue is vital for Iraq's economic development. Since the Communist countries cannot be a major outlet, Iraq is seeking, with some success, to sell its oil to a number of non-Communist countries; however, the tonnage in question is small compared with Iraq's output. This probably explains why Baghdad - followed in this respect by the IPC - has not completely severed contact with the concession-holder and has accepted the current efforts at mediation.

III. IMPLICATIONS FOR THE ALLIANCEA. Political

66. The expulsion of the Soviet military experts from Egypt changes the diplomatic chess-board in the Middle East; it may develop in a way favourable to the West. A wide geographical area, corresponding to the pivotal point of Soviet penetration in the Middle East, is no longer under as direct a Soviet military influence. It is too early yet to gauge all the implications of this development since Soviet policy towards Egypt is still evolving. Egypt's dependence on the Soviet Union limits, however, its freedom of manoeuvre. At any rate, the basic objectives of the USSR have not changed; the Soviets still aim to secure a lasting political, economic and military presence in the Mediterranean. However, their means of achieving this have become more uncertain. Moscow would probably wish to offset its loss of influence in Egypt by seeking to bolster its position in other Arab countries, particularly Iraq and Syria. But these countries may have hesitations about becoming more closely linked with the Soviets, just when Egypt has reduced Soviet influence.

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67. Given that Soviet aims in the Mediterranean have not changed, the countries of the Alliance should remain as vigilant as in the past. At the same time, they should also remain alert to other changes in the Middle East equation with a view to encouraging trends favourable to the attainment of the ultimate goal of a peaceful settlement to the Arab-Israeli dispute. It is not yet clear to what extent the change in Egyptian policy, taking into account the events which followed it (among others, the Munich incident and the Israeli reaction) is likely to affect the chances of such a peaceful settlement. It would appear to be in the interest of the countries of the Alliance both to encourage Egypt to steer a course independent of the Soviet Union and to consider appropriate measures to that end. Members of the Alliance should, as a matter of policy, support through diplomatic channels efforts offering some realistic hope of initiating a productive negotiating process, in the framework of UN Security Council Resolution 242.

B. Military

68. Their recent expulsion from Egypt is an undeniable setback for the Russians, because it weakens the military back-up for their policy of penetration in the Mediterranean. This check to the increasing improvement in their military potential and influence in the region has the effect of somewhat reducing, at least for the moment, the military pressure on NATO from the South. These events may seem favourable, but they in no way alter the fact that the presence of the Soviets in the Mediterranean continues and is expected to be used in the future as in the past to demonstrate their military power. The Soviets are already making efforts to extend their presence and influence in other Arab countries, particularly Syria and Iraq, in an effort to compensate for their setback in Egypt. At the same time they will certainly try to safeguard their remaining presence in Egypt at least as regards port facilities.

69. As regards the establishment of the new danger areas by Libya, NATO has a vital interest in unconstrained air and naval operations throughout the Mediterranean. Therefore, NATO governments should continue operating in these areas exercising due caution. (It is noted that SACEUR has authorised CINCSOUTH to execute his normal peacetime operations in the designated danger areas.) However, the issue should not be raised with the Libyans until it is known whether there will be a real problem since the raising of the issue may well encourage the Libyans to try to make it more of a problem. If the Libyans question continued NATO operations in these areas, they should be advised that NATO governments are aware of the areas and will exercise due caution but will continue operations as required. If they press the issue, the Libyans should be advised that announcement of such areas cannot deprive NATO nations of freedom of navigation and overflight under international law.

C. Economic

70. The political and military tensions reigning in the area continue to pose a threat to the economic interests of the Alliance. However, recent developments, and notwithstanding the nationalisation of the IPC, point to a better understanding by the Arab countries of the advantages to them of increasing their trade with Western Europe and North America; this is particularly true of the Maghreb and Egypt. The overriding problem for the West remains access to oil supplies and, in this connection, the conclusion of a general agreement with the Gulf countries would stabilise operating conditions and have a beneficial effect on the West's long-term supplies.

IV. GENERAL CONCLUSIONS

71. Despite the present setback suffered by the Soviet Union in its policy of penetration in the Mediterranean area following the reduction of its military presence in Egypt, Moscow clearly intends to pursue these aims. In the political field, the Allies should put to good advantage possible favourable tendencies towards a peaceful settlement of the Arab-Israeli dispute among all the countries concerned. In the economic sphere, it would be desirable for the countries of the Alliance to consider what action can be taken to meet the problems of readjustment which may confront Egypt as a result of the loosening of its ties with the Soviet Union. Similarly, it would be desirable to give attention to the economic needs of the Arab countries which Moscow is seeking to draw into its sphere of influence, with a view to countering these Soviet efforts. In parallel, special vigilance is necessary with regard to the safeguarding of Allied oil interests. As far as the military situation is concerned, Soviet operational potential in the Mediterranean remains strong, although its air element has been degraded. While perhaps temporary, the latter development favours the Allied countries. However, the situation remains very unstable and is such that the Allied countries cannot relax in any way the efforts already made to counter Soviet penetration in the Mediterranean.

SOVIET AUTONOMOUS ELEMENTS IN EGYPTSituation prior to SADAT
ultimatum of 18 July 1972Situation to dateSOVIET NAVAL AIR GROUP

TU-16 BADGER 10 ASM-strike

Probably transferred to the
Egyptian Air Force, less their
KELT air-to-surface missiles

4 Strike Support

Withdrawn to USSR

6 Reconnaissance

Withdrawn to USSR

IL-38 MAY 4 Anti-submarine
warfare

Withdrawn to USSR

AN-12 CUB 6 Electronic
countermeasures/
signal intelli-
gence and
transport

Withdrawn to USSR

FIGHTER-FIGHTER BOMBER and
RECONNAISSANCE UNITSMIG-21 FISHBED 70 (Five
Squadrons)Most recent versions withdrawn
to USSR - remainder status
unclear

SU-11 FLAGON 10

Status unclear

FOXBAT 5

Withdrawn to USSR

AIR DEFENCE UNITS

SA-3 (GOA)

Status unclear although some
of the SA-3 sites are
reported to have been
dismantled

SA-4 (GANEF)

Withdrawn to USSR

SA-6 (GAINFUL)

Withdrawn to USSR

ZSU 23/4 LAA SP

Status unclear

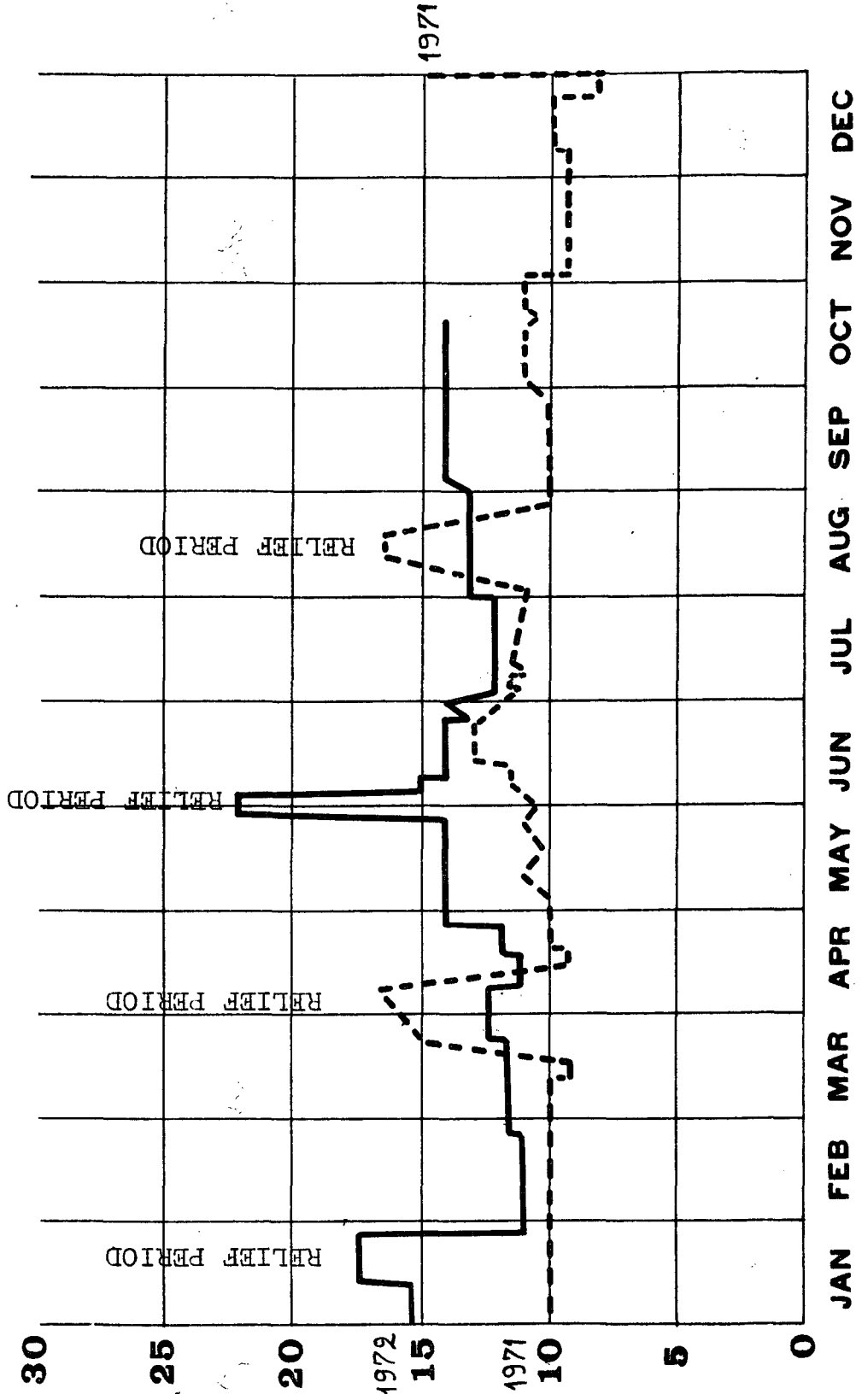
NAVAL SUPPORT FACILITIES
(Alexandria, Mersa Matruh,
Port Said)Retained but under Egyptian
control

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ANNEX B TO C-M(72)56

SOVIET MED SQUADRON-SUBMARINES

SOUS-MARINS DE L'ESCADRE SOVIETIQUE EN MEDITERRANEE

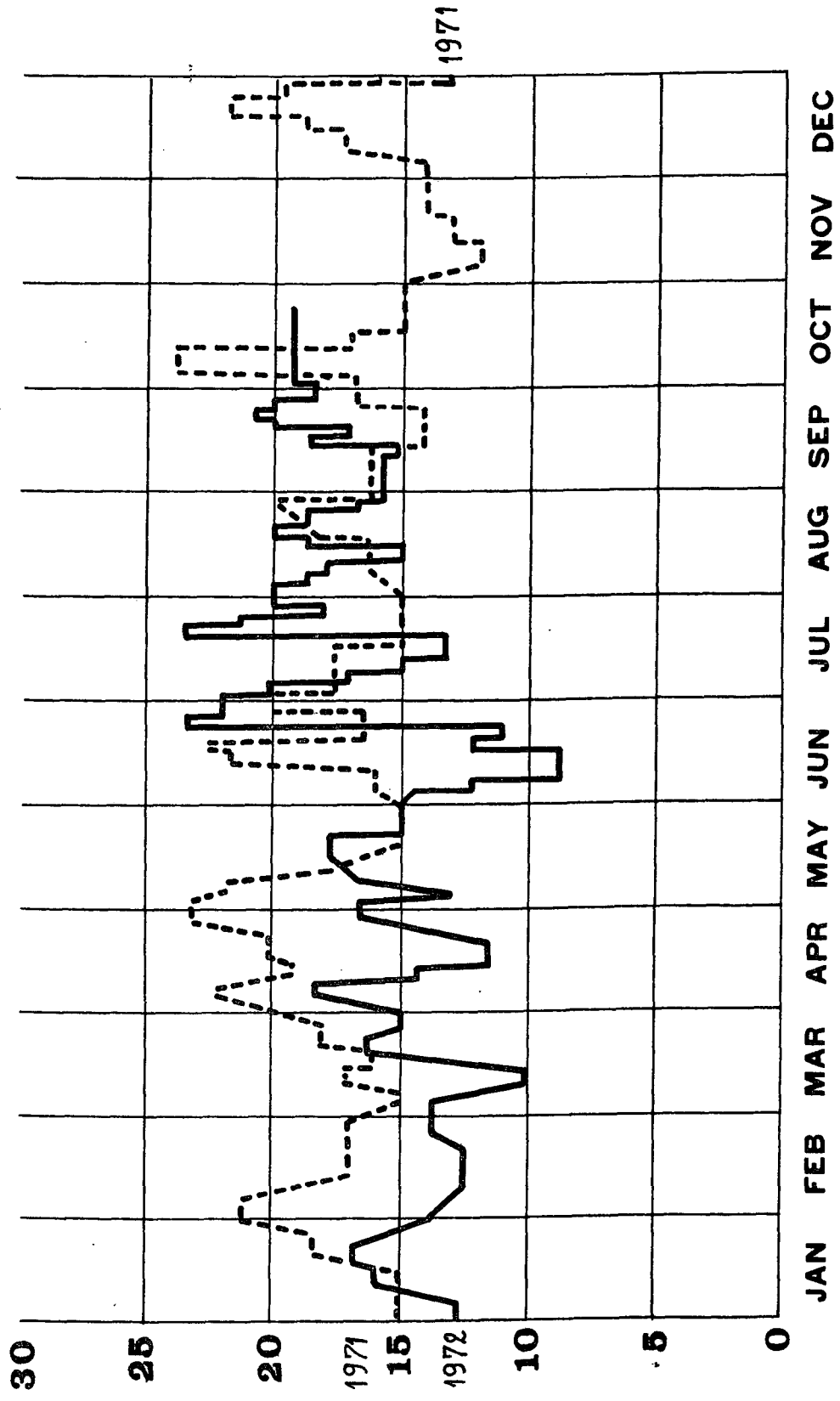


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ANNEX C TO C-M(72)56

SOVIET MED SQUADRON-SURFACE COMB

BATIMENTS DE COMBAT DE SURFACE DE L'ESCADRE SOVIETIQUE EN MEDITERRANEE



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ANNEX D TO C-M(72)56

SOVIET MED SQUADRON-AUXILIARIES

AUXILIAIRES

DE L'ESCADRE SOVIETIQUE EN MEDITERRANEE

