

THE MIDDLE EAST AFTER PARTIAL PEACE:
WHAT LIES AHEAD?

The 33rd Annual Conference
of
The Middle East Institute

Washington, D.C.

October 5-6, 1979

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A Summary Record

October 5-6, 1979

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The Middle East Institute
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THE MIDDLE EAST AFTER PARTIAL PEACE:

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33rd Annual Conference of the Middle East Institute in conjunction with the
School of Advanced International Studies of The Johns Hopkins University

The Mayflower Hotel
Washington, D.C.
October 5-6, 1979

PROGRAM

Friday, October 5

9:30 a.m.

Opening Remarks

L. Dean Brown
President, The Middle East Institute

and

George R. Packard
Dean, the School of Advanced International
Studies, The Johns Hopkins University

9:45 a.m.

Keynote Address

Hermann F. Eilts
recently Ambassador to the Arab Republic
of Egypt

10:45 a.m.

Panel I

HAS A TRANSITION TO FULL PEACE BEGUN?

Presiding: *Michael C. Hudson, Executive*
Director, Center for Contemporary Arab
Studies, Georgetown University

Michael E. Sterner, Deputy Assistant Secretary
of State for Near Eastern and South Asian
Affairs, U.S. Department of State

*William B. Quandt, Senior Fellow, The
Brookings Institution*

*Robert J. Cummings, Graduate Associate
Professor, African Studies and Research
Program, Howard University*

12:45 p.m.

Adjournment for Lunch

2:00 p.m.

Concurrent Panels

Panel II

EGYPT: THE BENEFITS AND BURDENS OF "PEACE"

Presiding: *Peter K. Bechtold, Chairman for
Near East and North African Studies, Foreign
Service Institute*

*Khalid Ikram, Senior Economist, Bureau of
Middle East and North African Region, The
World Bank*

*Thomas W. Lippman, Edward R. Murrow Fellow,
The Washington Post*

*Richard P. Mitchell, Professor of Near Eastern
and North African History, University of
Michigan*

*William N. Stokes, Principal for International
Development, A. T. Kearney Company*

Panel III

ISRAEL: WHAT WILL BE DONE TO EXPAND "PEACE"?

Presiding: *Bernard Reich, Chairman, Department
of Political Science, The George Washington
University*

*Wolf Blitzer, Washington Correspondent,
The Jerusalem Post*

*John Norton Moore, Director, Center for
Oceans Law and Policy, University of
Virginia School of Law*

*John P. Wallach, Foreign Affairs Editor,
The Hearst Newspapers*

*David E. Pollock, Visiting Assistant
Professor, Department of Political
Science, The George Washington University*

3:45 p.m.

Panel IV

A TIME OF TRANSITION: CHANGES IN THE
AMERICAN RELATIONSHIPS WITH FRIENDS AND
ALLIES

*Presiding: James P. Piscatori, Assistant
Professor, The Woodrow Wilson Department
of Government and Foreign Affairs, University
of Virginia*

*James A. Bill, Associate Director, Center
for Middle Eastern Studies, University
of Texas at Austin*

*R. Bayly Winder, Professor of Near Eastern
History and Languages, New York University,
and Chairman, East-West Group, Ltd.*

*Tawfig Y. Hasou, Assistant Professor, The
Woodrow Wilson Department of Government
and Foreign Affairs, University of
Virginia*

*James H. Noyes, Visiting Senior Fellow,
Institute of International Studies,
University of California at Berkeley*

7:00 p.m.

Cocktails and Banquet

*Speaker: George W. Ball, Senior Partner,
Lehman Brothers, former Undersecretary
of State*

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Saturday, October 6

10:00 a.m.

Panel V

THE ENERGY CRISIS AND AMERICAN ECONOMIC
INTERESTS IN THE MIDDLE EAST

Presiding: *Dayton S. Mak, Consultant*

*Sarah Jackson, Office of International
Affairs, U.S. Department of Energy*

Perry Ketchum, U.S. Editor, Mideast Markets

*Abe J. Moses, Vice President and Managing
Director, Mideast/Africa/Latin America
Advisory Groups, Chase Manhattan Bank*

11:45 a.m.

Break

12:00 noon

Summation

*Seth P. Tillman, Resident Fellow, American
Enterprise Institute for Public Policy
Research*

12:45 p.m.

Adjournment of Conference

L. Dean Brown

3:00 to 5:00 p.m.

Reception at the Middle East Institute

KEYNOTE ADDRESS

Some Reflections on the Middle East

Hermann F. Eilts

Twice in these past twelve months has portentous change shaken the Middle East. The two to which I refer -- the demise of the Pahlavi dynasty in Iran and its replacement by a fundamentalist, theocratic regime and, on an entirely separate plane, the successful negotiation of a contractual peace between Egypt and Israel -- have truly been seminal changes in terms of their strategic significance. Though dissimilar in their respective thrusts and unrelated, each is nothing short of revolutionary. Each, in its own way, has profoundly altered the balance of forces in that turbulent area. And, not surprisingly, each has required American, European, Soviet and other leaders to reassess some of the basic premises upon which their policies toward the Middle East have for years been predicated. Within the area, as well as outside of it, each has evoked sharply mixed reactions -- hope, concern, apprehension and dissension, depending upon the point of view of the beholders.

Yes, the past year has been an extraordinary one for the troubled Middle East. Definitive judgments on the longer term impact of these developments may still be premature, but it will be the business of this conference to begin to probe some of their political, strategic and economic implications. A few general observations, by way of introduction, may therefore be in order. They represent personal views and have no standing beyond that.

The United States Government is viewed by many, both inside and outside the area, as bearing responsibility for these two disparate developments -- both convulsions in their own right -- one the convulsion of a presumed stable order, the other the convulsion of peace, or, as your conference brochure calls it, partial peace. Yes, the establishment of peace in the Middle East can be convulsive -- and no one should have expected otherwise. Both events are viewed, usually with distorted logic, as American handiwork and new mythologies are already taking shape as to American

purposes. This is to be expected. However phantasmagoric the alleged American motivations may appear, they should not unduly trouble us. It is the price we pay for the pervasive American involvement and presence in the Middle East that has developed in the past two decades.

Nevertheless, it does behoove us to re-examine our lack of successes as well as our successes in the Middle East as lessons for the future. An old army general for whom I once worked used to say, "Judgment comes from experience and experience comes from bad judgment." No criticism of the exceptionally dedicated and able people who work on the problems of the Middle East, nor of those who have done so in the past, is intended when I say that this adage has applicability to governments as well as individuals.

Let me turn first to Iran. For a quarter of a century, American policy makers have been conscious of the regional power aspirations of the now deposed Shah of Iran. They have at times been deeply troubled by them. I recall more than one occasion when senior officials of our nation spoke bravely of constraining the seemingly insatiable appetite for military equipment of the deposed Iranian monarch. Seldom did such determination endure. Personable, opinionated but eminently rational, persistent, speaking English -- always an asset with American public leaders -- the Shah was imperially persuasive. He offered security of a sort to the northern and eastern flanks of the volatile Middle East. In the absence of objective criteria on the nature of the military threat to Iran, his estimate of force requirements was as good as any. Such doubts as existed were swallowed as successive administrations found it expedient more or less to accede to his equipment demands.

With the departure in the late sixties of the British from the Persian Arabian Gulf, or simply the Gulf, whichever you prefer, Iran, under its ambitious ruler, was perceived by American policy makers as a new sheet anchor of security in that economically important area. He could fill the power vacuum that had been created by British withdrawal. Translated into practical terms, this meant restraining radical Iraq in the Gulf.

Iranian petroleum offered further leverage to the Shah in dealing with the United States, especially so as American interest in Middle East petroleum shifted in the early seventies from producer to consumer dimensions. Even when the Shah was among the first to demand substantial price increases in 1973, other Middle East oil producers could more conveniently be blamed for this disturbing -- but certainly inevitable -- development. Yes, the Shah played it

skillfully with American and other leaders, and it must be acknowledged that the United States received a good measure of strategic value in thus dealing with him -- for as long as it lasted.

But all was not well. Inadequate weight was given the Shah's growing isolation from his subjects. The Iranian people, as opposed to their former ruler, have traditionally been neutralist. They have been endowed with a full measure of xenophobia. Having long opposed Russian and British involvement in Iran, the new American connection was hardly likely to be more congenial to them. It was shortsighted to believe otherwise. American benevolence was not the issue; an overwhelming foreign -- read American -- presence increasingly came to be resented. The sizeable and growing American expatriate community -- numbering at one time some 50,000 -- deployed to meet the training and servicing requirements of newly introduced sophisticated military equipment, inevitably grated on national sensibilities. Granted, the purpose of that presence was to help and help it did. By the same token, the high American profile and the graphically different way of life it projected in a basically impoverished society -- not to mention the inevitable prejudices which travel with large American communities abroad -- served to emphasize the disparity of cultures and engendered bitterness. It was bound to arouse frictions. Worse still, critics of the Shah could use it to imply American sanction for the internal oppression which marked the Shah's regime, however repugnant this was to many Americans living in Iran. The "Green Revolution," by adding a "modernization" dimension to the Shah's policies, may have salved the consciences of official and private American economic development buffs. There was precious little appreciation in Washington, however, of the limited absorptive capacity of the supposed beneficiaries of this imperial bounty. Because it was "modernization", it was reckoned by Americans -- official and many academicians -- to be inherently good. Like old-fashioned New England medicine giving, it was believed that the more bitter the medicine, the better it was for one. It took a fundamentalist Islamic revolt to teach Americans that excessively forced modernization can have a repellent effect.

In short, sound analysis of Iran and its complex political dynamics, of the seething discontent just beneath the surface, of the power potential of rightist Shia religious leaders, of the negative public reaction to a high American profile, was sadly slow in developing. Had there been greater perception, it might have been conceivably possible to try to ameliorate the situation, but even this is uncertain.

The sudden demoralization and concomitant indecisiveness of the Shah in the last six months -- so uncharacteristic of this customarily

forceful leader -- was a shock to all who had known him. Was it the strain of office or did he suddenly recognize more clearly than outsiders his own isolation and the strength of the neutralist, religious forces arrayed against him and his own isolation? Perhaps he will in due course write his autobiography and provide us with belated enlightenment on this crucial point.

The United States, inevitably, has received its share of brickbats -- from friend and foe alike -- for what happened in Iran. Opponents of the Shah censure us for having uncritically supported him. There is some measure of truth in this. Others in the area, more well disposed toward us and toward the Shah, profess puzzlement as to why the United States did not act to save him. They translate the Shah's demise into a lack of American will or capability to help beleaguered friends. American credibility in the area has indeed been weakened. Such a charge obviously lacks substance since there was little that could have been done by anyone in the Shah's last year to save him. The cumulative effect of years of public complaints and bitterness could no longer be redressed by short term corrective measures. It was too late for that. But the impression persisted and must be redressed.

Regrettably, unnecessarily secretive handling of the United States role in the final weeks of the Shah projected an image of confusion and indecision. This sowed seeds of suspicion in the minds of worried Middle East friends about true American purposes. Nor did the American handling of the Shah's request to live in the United States endear itself to friends in the area. There may have been good reasons for it, but these were never explained to area leaders who were interested and concerned.

We must now seek to build a new relationship with the present government of Iran. Whether this is possible with the Khomeini regime is in doubt. It will in any event take a long time. Any efforts we may make to do so should entail a fundamental rethinking on our part of Iran and its role. First, we should remember that Iranians make better neutralists than allies and constructive neutralism has a place in our world. Second, support should be proffered, if requested, but should be given with discrimination and in a manner which avoids offense to the sensibilities of the Iranian people. Third, we should avoid a recurrence of the previous unhelpfully high American profile. The latter, in political terms, is unhealthy -- not only in Iran, but elsewhere as well.

If there is any satisfaction in the Iranian tragedy, it is that the Soviets are doing no better than we in dealing with the new regime.

Let me now turn to the peace between Egypt and Israel. It represents one-half of the comprehensive peace edifice envisioned in the Camp David accords. The other half, West Bank and Gaza autonomy as a first step toward a meaningful resolution of the tragic Palestinian problem, has yet to be achieved. I believe that the three leaders who signed the Camp David accords -- President Sadat, Prime Minister Begin and their host, President Carter, though their views on what West Bank/Gaza autonomy should entail fundamentally differ -- are equally sincere in wanting this problem resolved.

The negative Arab reaction to the Camp David accords -- and, by extension, to the peace treaty between Egypt and Israel -- is disappointing, but not surprising. It was predictable for a variety of reasons. It is regrettable but true that the collective Arab approach to a Middle East peace has for too many years been based on lowest common denominator concepts. The bold action of President Sadat in breaking out of this mold, after American inability to obtain agreement from his Arab associates on the conditions of a Geneva conference, was bound to elicit Arab criticism. By the same token, it was also understandable. Egypt has throughout the past thirty years made the greatest sacrifice of any Arab state in the Arab/Israeli confrontation. It could hardly be expected to remain indefinitely hostage of indecision -- "auctioneering", as one Arab leader has called it, on the part of lesser Arab participants on practical means to bring to an end once and for all this protracted conflict and the inestimable loss of life and treasure that it has entailed.

As for American leaders, they have by now learned that involvement in the turbulent Arab-Israeli equation is fraught with hazards and false imputations. Their task is indeed awesome. Achieving some measure of equity between seemingly incompatible Israeli and Arab aspirations has been the challenge of American policy makers for years. It will continue to be so before a final solution is in sight, if indeed such is possible.

Camp David, whether one likes its accords or not, was a cardinal event in the history of the Middle East. It built upon Sinai I and II. It may not have warranted the euphoria that it initially evoked in some American circles, but it was by all odds a major achievement.

No American president has given more of himself to bring about a just and a durable Middle East peace than has President Carter. No American president has sought to learn as much about the complex Arab/Israeli problem or has striven to maintain a sense of balance

between conflicting claims and counterclaims. I find it unconscionable, therefore, that the President, in some circles at least, is denied the credit which is his due.

Since my return to the United States, I have been astonished to hear suggestions that Egypt and Israel could have worked out by themselves their points of dispute without presidential intervention. Earlier Egyptian/Israeli bilateral talks, proponents of this view contend, had made significant progress and there was allegedly virtual agreement on a declaration of principles. Another public version would have it that the conveyance to the Egyptian side of Israeli intelligence reports about threats to President Sadat allegedly clinched the deal. President Carter's involvement only delayed settlement.

Balderdash! The President's personal involvement was critical to an agreement. Without it, there would have been none. The Dayan/Tuhami meetings in Morocco, which have been leaked into the public domain, produced no results that could possibly have given either side cause for satisfaction. There was no virtual agreement on a declaration of principles. As for passing a threat estimate to Egypt, while an appreciated gesture, it was but one of many such acts by interested and concerned friends. It clinched nothing and was in fact skeptically received. None of these few direct contacts, to my knowledge, brought about the major change in relations needed to arrive at an agreement. I repeat, without the personal intervention of President Carter and the enormous personal effort that he put into bringing the parties together, there would today be no peace treaty. To believe otherwise is whistling in the dark.

This in no way understates the critical roles of President Sadat or of Prime Minister Begin. Camp David confronted each of them with serious decisions, decisions which were bound to evoke domestic and external criticism. Yet they did so. Despite censure by their critics at home or abroad, they succeeded in establishing peace between Egypt and Israel and also committed themselves to a broader peace process. Since I know President Sadat better than I do Prime Minister Begin, I am perhaps more conscious of his contribution to peace. Over the past five years, I can personally attest, he has consistently and strongly fought for a comprehensive peace and for Palestinian rights. He has never wavered on these points. He has repeatedly urged that the United States enter into a dialogue with the PLO and continues to do so. His statesmanship and courage is matched only by his patience and quiet persistence. Larger political structures, he understands, must painstakingly be built through the

placement of smaller building blocks. A large part of President Carter's success in brokering the Middle East peace -- as, I am sure, he would be the first to admit -- is due to President Sadat's understanding and his unstinting help in critical situations. Leaders such as Anwar al-Sadat are rare anywhere. He deserves our continuing support in full measure and I hope we will continue to give it.

Some in the Middle East and elsewhere castigate the treaty as a separate peace. They charge that it has divided the Arabs and that it has set back the quest for a comprehensive peace. Camp David and the treaty, perhaps because they have overturned a situation which had for long come to be viewed as a "natural" state of affairs in the Middle East, namely a state of belligerency, has indeed been greeted in some Arab circles by negative reaction. From the rejectionist states, this was inevitable. From friendly, moderate Arab states, one might have wished for more understanding, but given the realities of the situation, one should not really have expected it. The likely reaction of friends was misgauged by all the participants, the United States included.

It is not axiomatic, as some planners believed, that whatever Egypt and Israel accept, others must also accept. This is likely to be true only if the substance of negotiated bilateral arrangements is also at least passably acceptable to the Palestinians -- those in the occupied territories and those in the diaspora.

In the same manner, while United States/Saudi Arabian relations are close, it is a mistake to overestimate United States influence on Saudi Arabia in matters where Saudi interests are not adequately understood or weighted. There may have been no intention of taking the Saudis for granted, but this impression was unfortunately projected.

Much the same holds true for Jordan, although Jordan was invited to participate in West Bank/Gaza autonomy talks. It has opted not to do so -- at least for now. President Sadat believes Jordan may join next year. Perhaps so, but Jordan's present posture is wait and see. Clearly, much will depend on the progress of the West Bank/Gaza autonomy talks.

We need a better dialogue with the Saudi Arabians and with Jordan. This should be accompanied by a sympathetic understanding of their concerns. Saudi Arabia has repeatedly sought to be helpful to the United States in petroleum matters, often at the risk of courting unpopularity with some of its fellow OPEC members. The recent Saudi decision to continue a higher level of oil production for another

three months -- a decision made by King Khalid and Prince Fahd -- should be welcomed rather than branded, as some have sought to do, as blackmail. The Saudi government, no less than any other foreign government, has a right to seek to influence the government of the United States on matters of direct and immediate concern to the former. This is consistent with the close and long standing relationship that the two countries have enjoyed. The rights of the Palestinians and the East Jerusalem problem, whether one agrees or not, are genuine Saudi concerns. There is no reason why they should not express them to their American friends. I have enough confidence in the wisdom of American leadership to believe that it will continue to pursue American interests and honor American commitments in the Middle East in terms of what it, the American Congress and the American people deem to be right.

It is regrettable that the American relationship with Saudi Arabia remains a bit strained. This should be corrected. Among other things, we would be well advised to desist from shortsighted bluster or threats of using military force to "protect" the Gulf oil fields. Such talk is idle rhetoric -- except in times of the gravest national emergency -- and simply embarrasses or alienates traditional friends. It provides grist for the mill of our ill-wishers in the area.

It has been suggested that the principal deficiency in the Camp David peace structure is the inadequacy of its Palestinian component. This may be true, although the final readings are not yet in.

In a sense, it is ironic that this should be the case. No American president before President Carter has recognized so clearly the centrality of the Palestinian issue in a real Middle East peace and has said so publicly. Both he and President Sadat exerted major efforts to realize maximum Palestinian participation in the determination of their own future. They fought for -- and succeeded in getting -- agreement that the Palestinian problem had to be resolved in all -- I repeat, all -- of its aspects. They fought hard to obtain appropriate framework language to enable this to happen.

The Camp David General Framework document, the basis for the West Bank/Gaza autonomy talks now underway, may not have been as specific or all-embracing as they would have liked. Camp David was a negotiation -- an agonizing negotiation for all of the leaders concerned. No party obtained its maximalist demands. Diplomatic negotiation rarely leads to precise, clearcut answers. Many items that cannot be resolved at the time must be deferred for future

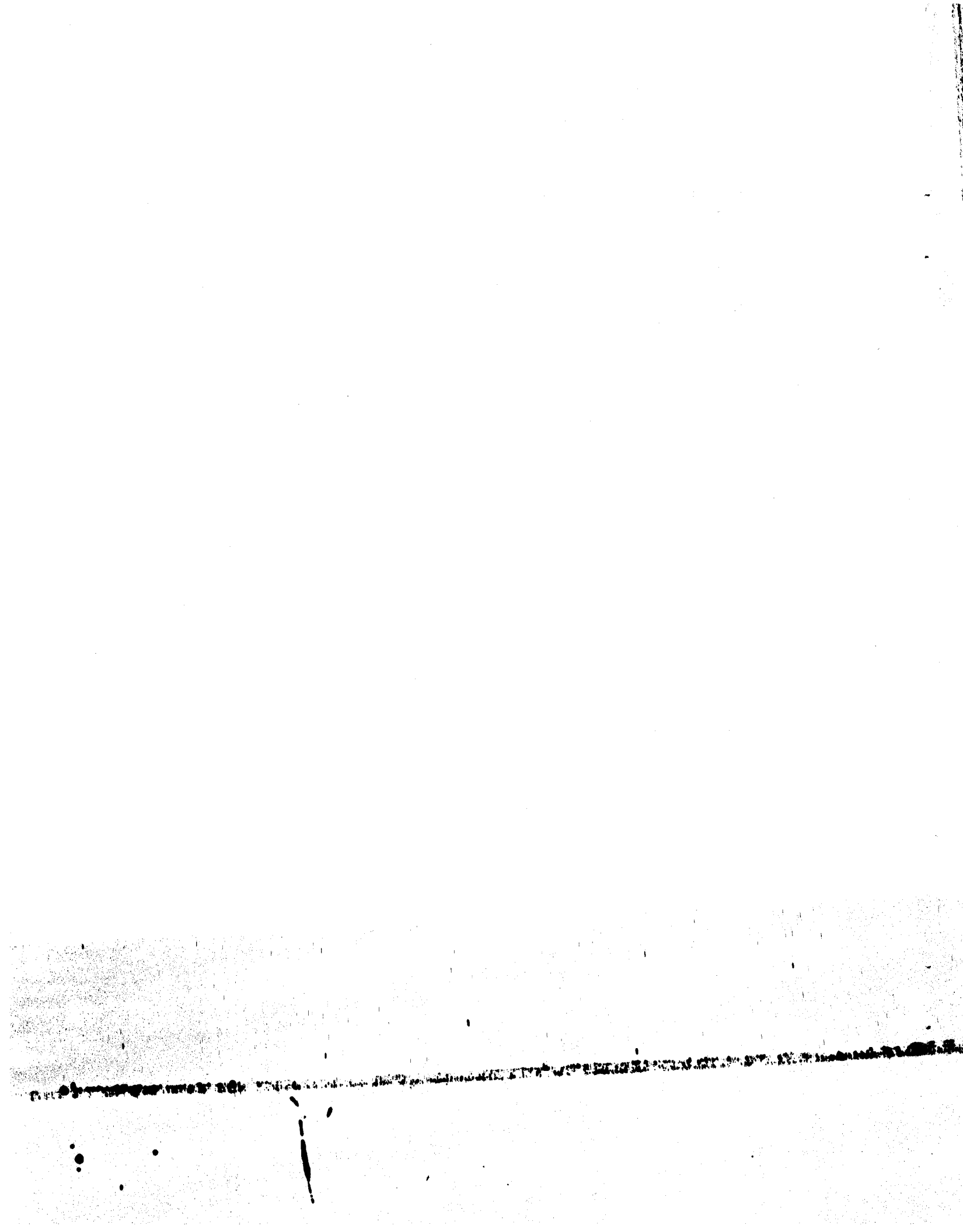
consideration and negotiation. The Camp David General Framework was no exception, especially with respect to the Palestinian issues.

Yet it did provide for a measure of participatory opportunities for Palestinians in establishing West Bank/Gaza self government -- a self government which, if it can be established and if it works well, could be a major factor in determining the future of these territories after the five year transitional period. In this sense, it offered more of a practical nature to a deprived community than have any United Nations Resolutions. Regrettably, but again not surprisingly, the proposed participatory structure has been branded by critics as sham. Its vagueness -- the inevitable result of extensive and repeated redrafting -- inevitably reduced whatever impact the drafters hoped it might have.

But even then it might have been passably attractive to Palestinians, I am convinced, if it had been accompanied by a longer term settlements freeze in the West Bank and Gaza. President Sadat, not to mention President Carter, it cannot be emphasized enough, signed the Camp David accords believing that such a settlements freeze had been agreed upon. The misunderstanding on this point, not discovered until a day after signature, was certain to make the General Framework language on Palestinian participatory arrangements weak in Palestinian and Arab eyes. Prime Minister Begin's public statement immediately after Camp David, setting forth his view that the Camp David participatory language was no more than the essence of the earlier Israeli autonomy plan, seemed to confirm Palestinian and Arab skepticism. It was not the view of the Egyptian or American sides, but it was hardly conducive to encouraging Palestinian participation in the current round of West Bank/Gaza autonomy talks.

These are now being conducted, in their preliminary stage, by ministerial representatives of Egypt and Israel and by Ambassador Robert Strauss, representing President Carter. For Gaza, this may be feasible since Egypt has residual, pre-1967 status in that territory. For the West Bank -- Judea and Samaria in Israeli lexicography -- which is really the crux of the Palestinian territorial issue -- Jordanian abstention, coupled with the refusal of West Bankers to participate, give a metaphysical quality to the negotiations. Is it really feasible to negotiate Palestinian autonomy without Palestinian participation? In Gaza, perhaps, yes; in the West Bank, hardly.

If one accepts the criticality of an acceptable Palestinian solution to any durable and comprehensive peace, and not all do so, the question immediately arises of how can Palestinians be persuaded to participate now or later, to take a chance, admitting all of the



There may be no legal linkage between the two Camp David documents, but there is -- and remains -- a strongly emotional overlap. I am convinced that Egypt will honor its essential normalization obligations toward Israel, but failure of West Bank/Gaza autonomy talks will at the very least weaken the quality of that incipient bilateral relationship.

At some point, in my judgment, the United States will once again have to submit proposals of its own to try to break what seems certain to become an impasse. These ideas, when advanced, will, I hope, espouse broad powers and responsibilities for the self governing body. President Sadat, no less than Arab critics of Camp David, expect this from us. President Sadat has reason to do so.

In the meantime, the Israeli government's decision to allow the purchase of land in the West Bank and Gaza has aroused new concerns as to Israeli intentions. It was regrettable, untimely, and hardly consistent with the spirit of Camp David. The distinguished Foreign Minister of Israel expressed surprise that there should have been negative American reaction and recalled that it had been proposed by the American side at Camp David that Israelis should be allowed to purchase land in the West Bank and Gaza. Surely this was in the context of an eventual agreement between Israel and the proposed West Bank/Gaza self governing body and not in the present situation in which the Israeli military government authorities are all powerful. If Arabs wish to sell land to Israelis, this should clearly be their legal right. But if Israel also wants a settlement of the Palestinian issue, a sine qua non of good as opposed to merely correct relations with Egypt, and I believe it does, it is incumbent upon her to prevent forced or coerced land sales prompted by Gush Emunim against the interest of Palestinian residents of the West Bank and Gaza. Arab land sales in the West Bank and Gaza warrant close monitoring if potential abuse is to be avoided. I am sure that Ambassador Strauss and his associates will be alert to this potentially disruptive element.

The role of the PLO continues to evoke sharp controversy, as well it might. The PLO, whether one likes it or not, was formally designated at the Rabat summit conference of 1974 to be the sole spokesman for the Palestinians. That designation has never been repudiated. President Sadat, one of the American partners in peace in the Middle East, despite his displeasure with the negative attitudes of the strife-ridden PLO, has not done so. To attempt to ignore this fundamental fact, as we have for so long, has an ostrich-like, head-in-the-sand quality about it.

Ambassador Andrew Young clearly recognized this fundamental fact in entering into a dialogue with the PLO observer at the United Nations. It cost him his job and has produced a serious split between the American black and Jewish communities. The issue of whether or not a dialogue should be conducted with the PLO has, in my judgment, been blown out of all proportion to its intrinsic significance. The question should not be dialogue for the sake of dialogue, but how to get Palestinian participation in the peace process.

Few would deny that PLO attacks against Israeli women and children and other non-combatants have been reprehensible in the extreme. Even in a wartime context, they deserve severest censure. And one would hope that the Reverend Jesse Jackson and his colleagues will make this crystal clear to their PLO interlocutors and not only make it clear, but follow up on it.

But this does not alter the fact that the PLO is a political force, one which neither the Syrian Tel Za'atar massacre nor fierce and incessant Israeli raids into South Lebanon has been able to extinguish. It is a force that would-be peace-makers must reckon with.

From all accounts, including those from our closest Arab friends -- among them President Sadat -- there are sensible men in the PLO leadership ranks. Whether they can still assert themselves against extremists in the PLO conglomeration, they have yet to prove. A cautious dialogue strikes me as essential if only to test the bona fides of avowed PLO claims to want a peace. Whatever symbolism there may be in a dialogue, it does not constitute formal recognition; nor does it mean acceptance or endorsement of PLO views. If unsatisfactory in content, it can always be terminated or suspended.

Our friends and allies in Europe and elsewhere are acutely aware of the quandary non-dialogue poses for us. They find our posture puzzling and sterile. Mr. Dayan, one of the most fertile and imaginative minds among the peacemakers, recognizes that the PLO is a fact and has publicly acknowledged that it has a role to play, much to the annoyance of his Cabinet colleagues. He is a realist, who perceives more clearly than some of his colleagues the political dynamics of the Palestinian movement. Members of the American Congress have conducted dialogue with PLO figures, though it must be admitted that not all have found such meetings edifying in terms of identifying negotiating flexibility. Why should not the executive branch engage in direct dialogue with the PLO for the sake of probing peace

prospects and, one would hope, of persuading the PLO to curb its guerrilla raids on Israel.

The PLO leadership must by now be fully aware that the cost-effectiveness of its raids, in terms of altering the Arab/Israeli equation, is absolutely nil. As in the past, Israeli retribution will be swift and drastic.

There is of course the so-called Kissinger commitment of 1975 not to enter into a dialogue with the PLO unless it recognizes UN resolution 242 and the right of Israel to exist. It was part of the price the United States paid for Sinai II. Whether the commitment is as iron clad as strict constructionists insist, or whether it is more along the lines of Mr. Weizman's recent explanation of what "consult" means in the use of American arms in South Lebanon, is a subject for debate. But whatever it means, the commitment should in its essence be honored.

Efforts to obtain such a PLO undertaking, through Egypt and Saudi Arabia, failed in 1977. Pro-Syrian and rejectionist elements in the PLO executive committee banded together to assure non-acceptance. That was a lost opportunity for the PLO, but the search for a mutually satisfactory formula which honors the American commitment to Israel but still enables a dialogue, should be continued. Any attempt to resolve the Palestinian problem in all of its aspects must take into account the PLO. Few Arab leaders may want an independent Palestinian state, but the phrase "Bye, Bye PLO" represents a pious wish rather than a recognition of the realities of the situation.

And then there is Lebanon, how can one discuss the Middle East without a word on Lebanon, that scenically beautiful, once prosperous but tragic land with a demonstrated penchant for national suicide? Lebanon, and especially south Lebanon with its Palestinian refugee camps and its PLO bases, has suffered severely from Israeli reprisal and preemptive raids.

As in Israel, innocent civilians have been among those killed in the process. American supplied weapons have been used, much to the chagrin and distress of the United States government. It has been a frustrating experience for harassed American officials. Their efforts to bring about peace in south Lebanon have been like punching a pillow. American protests and requests for clarification about the use of American arms have, I fear, come to have the credibility of Confederate currency. They have fallen on deaf ears. It would be better not to make such demarches unless they are backed by a

determination to do something about it. If they are for the record, fine -- but they have long ago ceased to make an impression on Arab friends.

It is difficult to see how there can be a solution to the problem of Lebanon until there is a solution to the Palestinian problem. Without this, Lebanon -- and particularly south Lebanon -- is likely to remain in turmoil for a long time.

Yet, sad as it may be, the Middle East has learned to live with a Lebanon in agony. Lebanon has not disrupted the peace process, as some had feared it might. It has indeed produced Israeli/Syrian tensions, which have a potential for escalation. Yet, I believe that both Israel and Syria will strive to keep these tensions within manageable limits, as they have in the past.

Lebanon, I suspect, will continue to be the victim of its own confessional divisions, of weak leadership and of the Palestinian expatriates whom it unhappily hosts. The United States should continue its efforts to ameliorate Lebanon's immediate agonies, but we should not beat our breasts if there is a limit to what our government can do. For Lebanon, a comprehensive peace is a sine qua non for a return to that controlled abnormalcy that always characterized it.

When all of the din and recrimination have subsided -- they will never entirely end -- and leaders of that benighted part of the world can once again revert to rational thoughts as opposed to emotions, they must still consider their options for the future. They, and they alone, must decide what their stands will be. Neither the United States nor the Soviet Union nor anyone else can do this for them.

Their basic options are limited -- they may explore peace prospects or they may continue belligerency. A continued state of belligerency, as a political and economic proposition, is doubtless tolerable. Granted, it faces them with the burden of having arms expenditures as arms costs spiral. The Soviets may be willing to help, but even for political reasons can hardly welcome indefinite piling up of unpaid arms obligations. National economic development will suffer, but this too may not be an unacceptable risk to the highly regimented Syrian and Iraqi leadership elites.

But one point should give them pause. Without Egypt, their long term prospects for military success, never good, are non-existent. Their short term prospects are hardly less promising. They face more personnel and equipment losses in aerial and ground skirmishes,

such as the four Syrian MIG's downed recently. The martial spirit may be there, but the capability to overcome superior Israeli forces is not. And, with no disrespect to the nations and peoples concerned, it will not be there for many years to come.

The alternative is to choose a path of peace, real peace, not merely a return to the status quo ante 1967. This will mean facing the hard decisions needed to arrive at an accommodation with Israel. Trying it may not mean liking it, but it should not be beyond the capacity of men of good will to reach honorable settlements. United States help will be essential in any such effort.

The states of the Middle East, Iraq and Libya excepted, still profess to want peace. They also assert that they will not participate in any process based upon or derived from President Sadat's initiative. That is their right, but it seems self-defeating. They may hope for a drastic reordering of Egyptian policy, including an unravelling of the Egyptian/Israeli peace treaty, either by President Sadat, disillusioned with hardline Israeli policies, or by his successor. For those who harbor this thought, it could be a long wait.

There are differences between Egypt and Israel over the Palestinians, profound and perhaps unresolvable differences, but the Arab states should by now know that Egypt, while Arab, is a law unto itself. The Arab states, by their own anti-Egyptian actions, have brought out the Pharaonic in the Egyptians. They have evoked a sense of public outrage at Arab temerity in criticizing Egypt, which has for so long been the mainstay of the Arab cause.

Arab criticism may have the opposite effect from what those who have levelled it hope. It could drive Egypt into a closer association with Israel.

In my judgment, if the United States can somehow galvanize its sluggish AID mechanisms, and if Egyptian economic management sets itself actively to the task, it should be possible to show to the Egyptian people an economic peace dividend. And if Israel shows flexibility in its West Bank/Gaza negotiations, the relationship between Egypt and Israel will strengthen and will enjoy more and more Egyptian public support. The Arab confrontation states may find themselves out in the cold.

A more sensible course of action for them, in my view, would be to work to build upon the peace between Egypt and Israel, to broaden it so that Syria and Jordan may be included. A parallel

peace treaty exercise is a reasonable objective, if the will exists to attempt it.

Let the Palestinians be the test case if a demonstration of the seriousness of the Israeli desire for peace is necessary. But in the meantime let them encourage the Palestinians to try the negotiating waters.

Perhaps in the current Arab state of mind this is too much to hope for. Yet more than ever, this is a time for statesmanship rather than continued emotional hangups. Present Israeli negotiating positions on West Bank/Gaza autonomy should not be regarded as a permanent deterrent. Initial negotiating positions, on all sides, can always be expected to be hardline. Only through active negotiations -- not through aimless rhetoric directed at each other -- do positions change and this has yet to come.

The coming year will be no easy one for American policy makers and executors in the Middle East. Election years never are and this one could be exceptionally difficult. The joint letter signed by President Sadat and Prime Minister Begin concurrently with the peace treaty calls for a grant of one year after exchange of ratifications. By that time, the preliminary autonomy structure should be in place so that elections can be held shortly afterwards. I hope that this goal can be met.

But if the experience of the past few years has taught anything, it should be that deadlines, timetables and the like are best avoided. They are seldom met, yet tend to be cast by the media as success or failure criteria. If it proves impossible to meet an April or a May goal, the effort to achieve agreement should nevertheless go on. Only if acceptable -- and I mean acceptable to the Palestinians -- self government agreements are forged can one hope to progress on a comprehensive peace.

The Camp David accords, with all of their imperfections and the peace treaty are real contributions to that Middle East peace which has for so long eluded all of us. I would hope that, in time, they might be more fully appreciated by Arab skeptics, including Saudi Arabia and Jordan. But this will depend upon the outcome of the West Bank/Gaza autonomy talks and on active efforts to resolve the Palestinian diaspora and Eastern Jerusalem problems. We have a long way to go before the Middle East can enjoy the blessings of a real, comprehensive peace -- one in which all states of the area -- Israel and Arab states alike -- enjoy political independence, territorial integrity and cooperation among them. And I include in this the

legitimate rights of the Palestinians -- not merely a community of displaced refugees but one which includes fine, able and dedicated people capable of making a contribution to the problems of mankind in the challenging period ahead. It will require the sustained best efforts of the highest levels of this government, of Israel and of the Arab governments of the area. It is a tall order, but the task is not impossible if the willingness exists to attempt it.

HAS A TRANSITION TO FULL PEACE BEGUN?

Rapporteur: Elizabeth M. W. Pratt

Since the passage of UN Resolution 242, in 1967, there has been an evolution of attitudes of the parties engaged in the Middle East conflict that has brought them closer to the concept of peace: most Arabs have come to accept UN Resolutions 242 and 338 and Israel's existence and are turning away from military hostility and belligerence; the Israelis and the international community now view the question of the Palestinians with not merely a humanitarian concern for their refugee status, but also with a recognition of their need for political expression, at least in the West Bank and Gaza. The PLO itself during the past months seems to be tentatively moving away from a total dependence on a military strategy toward a political one. Above all, the success of the negotiating process has proved that negotiations can work, as seen in the disengagement agreements, the struggle to arrive at the Camp David framework and the peace treaty. In view of these changing attitudes, what are the chances for a settlement, acceptable to the parties involved and the Palestinians, in the West Bank-Gaza autonomy talks by the May 1980 deadline?

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The present lack of progress in the talks, unfortunately, has spurred accusations by critics that a comprehensive peace in the Middle East has never been the ultimate aim of the peace negotiations. However, at no time have the parties involved sought only a "separate" peace between Egypt and Israel.

Essential to an assessment of the process is an understanding of the events leading to the Camp David accords. President Carter, at the outset of his administration, brought a new outlook to the role of the US in the struggle for peace in the Middle East. He rejected the notion that peace could be achieved by the accumulation of small agreements, such as Sinai I and II. While these served a purpose, they could not ultimately lead to overall stability in the region. Carter saw the need to spell out the broad equation of peace and to seek substantive support for the rhetoric proclaiming the wish for peace by the involved parties. For the Arab states, it meant detailing the commitments they were prepared to undertake

for peace, and for the Israelis, it meant indicating their willingness to withdraw from the territories occupied in 1967. The underlying assumption was that the greater the credibility of the Arab commitment, the more likely was Israeli withdrawal from the occupied lands in the context of adequate security arrangements. President Carter emphasized that, as the peace process moved forward, the question of the Palestinians, and their right to a homeland, must be addressed. At no time did the administration assume that the peace process could proceed simultaneously on all fronts. Despite the preference for engaging as many parties as possible, by the summer of 1978 it became evident that Egypt and Israel were to be the pacesetters and were the only two parties prepared to talk directly about peace.

The Carter administration favored progress with Egypt and Israel rather than the collapse of the peace initiative and hoped that if they could achieve results, others might eventually join. Accusations that Israel, Egypt and the US were intent only on a separate peace were reinforced by the disparity between the two Camp David agreements arising from the negotiations. The more specific accord between Egypt and Israel contrasted unfavorably with the general principles laid out in the West Bank-Gaza framework. This latter agreement said little more than that Palestinian autonomy in the West Bank and Gaza would proceed along two stages: there was to be a transitional period of five years during which Israeli military occupation would end and a self governing set of institutions would be created; at the end of this time, by negotiation, the final status of the West Bank and Gaza and the Palestinian issue would be resolved based on all the principles of UN Resolution 242. The framework was open-ended and designed for the future participation of Jordan and the Palestinians. However, the lack of explicit interdependence, or "linkage", between the two accords was viewed by critics as proof that Egypt, Israel and the US sought only "separate" peace rather than a comprehensive settlement. The error of the US in assuming that the Camp David process would parallel a freeze on settlements in the West Bank and Gaza further harmed the credibility of the Camp David process.

The present slow pace of the autonomy talks reinforces the scepticism of the Camp David critics. It is perhaps presumptuous for Egypt, Israel and the US to be dealing with questions of vital concern to the Palestinians, but present talks must proceed despite Palestinian non-participation. Though highly critical, the Palestinians have not ruled out the talks entirely, and are waiting to see if genuine change in the West Bank and Gaza can be achieved. Concrete answers to questions concerning the governing of the area and how future negotiations are to proceed must be given. If the answers are too vague, or imply that there would be little change in the status quo, their distrust will increase.

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Progress in the West Bank-Gaza autonomy talks is crucial to keeping the peace process alive. All parties concerned would suffer from failure. For the Palestinians, it would, at the very least, mean a stalemate and a continuation of the "creeping annexation" of the occupied territories; for the Israelis, lack of progress would undermine the valued peace with Egypt; for the Arabs, new tensions between radicals and moderates would arise, possibly allowing further Soviet exploitation of the area, and for the United States, the achievement of other objectives in the region would be threatened.

Severe difficulties face the peace negotiations. The Arabs are highly sceptical of the chances of reaching a comprehensive settlement and their harsh stand taken at the Baghdad summit conferences precludes, for the present, their direct participation. Some Israeli policies tend to undermine the possibility of a successful outcome in the talks: Israeli preemptive military strikes into Lebanon have led Secretary of State Cyrus Vance to inform the US Congress on two occasions that Israel "may have been" in violation of the Arms Export Control Act, and Israeli settlement policies in the West Bank and Gaza have intensified distrust of their objectives. Moreover, the present state of a weakened Israeli leadership, with the Begin government beset by domestic political and economic problems, hinders progress. In addition, at present, there seems to be no single source of authority to speak for the Palestinians on the West Bank and Gaza. Finally, as the US approaches an election year, Carter must be wary of criticism from international sources and from domestic political opponents.

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The Afro-American involvement in the search for peace, growing out of the Andrew Young initiative, reflects their deep concern over the conduct of US foreign policy. The link between international upheaval and national interests is clearly seen in the oil shortages, inflation and unemployment which directly affect the American black community. It is vital to the national interests of the US to achieve a peace in which all parties can participate, including the PLO. The US must reconsider its present refusal to seek a dialogue with the PLO. Israeli intransigence on this issue is counterproductive. The strong links of friendship between the US and Israel will not be threatened, but the US must examine its priorities in the region. Afro-American participation in this process is now at a new high level, and that will continue to grow.

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The US, as well as Egypt and Israel, can do more to attract the future participation of Saudi Arabia, Jordan and the Palestinians, and to convince the Syrians that the process can serve their legitimate needs. As a full partner in the peace negotiations, the US must actively seek their cooperation, and not leave the burden of a successful outcome to Egypt and Jordan alone.

If no real progress can be achieved by May 1980 in the autonomy talks the process must be reassessed. An alternate strategy should be pursued -- a strategy based on the principles initially articulated by President Carter of the need for real peace, Israeli withdrawal and security, and justice for the Palestinians.

EGYPT: THE BENEFITS AND BURDENS OF "PEACE"

Rapporteur: Sally Ann Baynard

The treaty of peace between Egypt and Israel has important implications beyond the realm of international relations. It is almost certain to have ramifications in the economic and political situation inside Egypt, as well as Egyptian relations with the United States.

In order to assess the economic benefits and burdens of peace for Egypt, it is necessary to examine the present state of the Egyptian economy, how it has changed in the last five years, its weaknesses, and the present and future effects of economic relations with the other Arab states. The Egyptian economy has clearly become stronger in the last five years: the growth in the Gross Domestic Product (GDP) jumped from four per cent in 1967-73 to about eight per cent in 1974-78, the investment ratio is about double that of 1973, and the balance of payments deficit decreased from about \$2.5 billion in 1975 to about \$1.6 billion in 1978. The improvement in the economy is attributable to aid from outside as well as to Egyptian efforts. Increased revenue from Egyptian sources included, in 1978: \$730 million from petroleum exports, \$1,760 million in remittances from Egyptians working abroad, \$700 million from tourism and \$515 million from the Suez Canal. Other positive factors include Egypt's completion of a Five Year Plan and a streamlining of the aid coordination mechanism. Weaknesses which continue to plague the Egyptian economy include: a population growth rate which has increased to approximately 2.8 per cent; domestic budgetary problems, including both a large deficit of about \$4 billion and a relatively inflexible taxation system which is not responsive to inflation; deficiencies in project identification and implementation; the massive, often-cited inadequacies of the infrastructure; administrative and bureaucratic delays, and problems in coordination of economic policies.

The Arab states have played an important role in the Egyptian economy. Their aid to Egypt averaged \$1.6 billion per year between 1974 and 1978 (with wide yearly fluctuations) and by 1979 these aid flows had nearly stopped. Although Egyptian trade with these states is relatively unimportant, visitors from the Arab nations account for over half of the total nights spent in Egypt and probably at least \$400 million of the \$700 million Egypt earned in 1978 from tourism.

While private Arab investment in Egypt may continue, public investment, such as the major arms manufacturing organization from which Saudi Arabia and Kuwait have now withdrawn, is coming to a halt. So far the Arab countries have decided not to take any action against the Egyptian citizens working in Arab states who have provided most of the over one and three-quarters billion dollars Egypt received in remittances in 1978. The question of Arab deposits in Egyptian banks is still unresolved. The Arab contribution to the Egyptian economy has been substantial and the impact of any action by the Arab states will be equally substantial, although probably not in the next year or two. For the present, the Egyptian balance of payments deficit has been steeply declining and appears to be manageable through 1980. There may be serious timing and cash flow problems, however, if Western aid, even if sufficient in quantity, is not in the right form and at the right time.

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Questions about Egypt's internal political situation in the wake of the treaty with Israel seem to take the form of the query, "Will Sadat last?" While there is no clear answer to this, a number of factors must be considered in addressing it. First and perhaps foremost, Sadat has a good record of running Egypt and preserving his own position, and it appears that if he is vulnerable, it is not on foreign policy issues. Sadat is a skilful politician and has a popular touch which the Shah of Iran never had. On the negative side, however, there is the notion that Sadat may be losing his knack with the people as well as the almost insurmountable infrastructure obstacles to making gains in domestic reorganization and reconstruction. Also, despite the relative disinclination on the part of the Egyptians to become exercised over foreign affairs at the present, there is some degree of malaise about the break with the other Arab states. The most serious threat to Sadat and to Egyptian stability probably lies in his failure to provide a viable institutional framework for Egyptian politics, illustrated by his latest party system and the heavy-handed manipulation of the 1979 parliamentary elections.

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Concerning the nature of US-Egyptian relations, never before has there been a closer and deeper friendship -- on both an official and a popular level. This relationship has been a major goal of Sadat since he assumed the Presidency and is based on the notion (widely shared among Egyptians) that the United States "holds all the cards" in relation both to the Arab-Israeli conflict and Egypt's economic situation. Sadat believed that the United States could use its power

to make Israel come to a suitable compromise and that this would be followed by a massive infusion of American, and then European, aid to Egypt. He had grown impatient with the other Arabs, among whom the Gulf states were providing Egypt with just enough aid to keep afloat but never enough for substantial progress. To some degree Sadat's change in foreign policy direction was a reëmergence of an almost Pharaonic, Egypt-first mentality, which struck a responsive chord among the Egyptian people, tired of war.

Despite the intimacy of Egypt and the United States at present, however, there are serious threats to the continuation of good US-Egyptian relations. The first area of jeopardy is in the Middle East itself, where much depends upon what Egypt delivers from the Palestinian autonomy talks with Israel and where increasingly bitter verbal exchanges are taking place between Egypt and the other Arab states. It is not impossible that, in such circumstances, Egypt could take action which might jeopardize American interests in Oman, Sudan, Libya or elsewhere. Another potential danger to Egyptian relations with the United States lies in the serious domestic economic problems which, despite some improvement in recent years, remain unresolved. Sadat sold the Egyptians a policy of "peace equals prosperity" and there are strong expectations among Egyptians of a massive level of US aid which will be impossible to fulfill under any conditions. The most difficult problem facing the Egyptian-American relationship is that of Sadat's perception of his own position. He is, perhaps, not the careful politician of the early years of his Presidency; he is now the "leader of the corrective revolution," the "hero of the crossing" (of the Suez Canal in the 1973 War), and the "hero of peace." The dangers to Sadat of an "Imperial Presidency" isolated from political reality by sycophants and a hand-picked parliament are also dangers to the strong and friendly relationship that has developed between the United States and Egypt.

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With all of the weaknesses of the Egyptian economy and the dangers of the Egyptian domestic political scene, it must be borne in mind that Egypt has undergone dramatic changes in recent times -- from a centrist to a market economy and from Soviet to Western-style aid programs -- and there is a need for time to make the appropriate adjustments. Western observers must also take care not to view the problems of Egypt through Western eyes: the gap between rich and poor in Egypt exists within a political system where the population is both more homogenous and more malleable than in most Western nations.

The benefits and burdens of the peace treaty are, for the most part, still unclear in the case of Egypt. While it is possible that the new relationship with the United States and with Israel will provide tangible economic and political gains for Egypt, it is equally possible that the loss of Arab support, and the political problems which have coincided with, and grown out of, the peace treaty, will prove to be a heavier burden than Egypt -- and its present leadership -- can bear.

ISRAEL: WHAT WILL BE DONE TO EXPAND "PEACE?"

Rapporteur: Kathleen H. B. Manalo

The greatest strengths of the Camp David Accords are the step-by-step approach and the aspirations for an overall settlement. The current positions of the parties indicate that Israel rejects an autonomy that would lead to sovereignty for the Palestinians. The Egyptians, as President Sadat stated to the Knesset on November 20, 1978, look to the right of the Palestinians to self-determination. The US speaks of the legitimate rights of the Palestinian people consistent with the US commitment to the security and well being of Israel. The US is convinced that progress will be made on this question over time. It is within the framework of these positions on the question of peace in the area and specifically the future of the Palestinians, that one examines the relationships of Israel with the United States and with Egypt.

US-Israeli relations can be termed normal; they are severely strained but the strain is a part of the normality. It does not mean that the US commitment to Israel has faltered. The relationship has had its ups and downs over the years. The Americans and Israelis are now focusing on those issues that they have never agreed about, but also have never talked about. For more than 30 years they have focused on the generalities of peace, and Israeli security, the desirability of Israeli welfare and improved US relationships with Israel and all the states of the region. Now they are talking about how to do that, how to deal with the thorny issues of Jerusalem, the question of the Palestinians, the allocation of water resources, and the development of settlements. And there has always been disagreement on these issues, but now they are a focal point of the peace process.

Neither side wants the relationship to deteriorate. Peace is in the interest of both parties. As a result, Israel and the United States have established something of an agreement on the areas of disagreement. There are parameters to the relationship beyond which neither party wants to go. These fall into the category of "influence and reassurance." The United States tries to influence Israel to make changes in its position when it deems it desirable but it does that within the framework of trying to reassure Israelis that if they do it it will be in their interest as well. Generally, the Israelis consider

the relationship to be good. F-15 and F-16 deliveries were made earlier than promised. Huge aid requests were approved by margins of support that the Israelis were surprised to see. Such concrete examples of good relations are more important than statements of disagreement. So, within a framework of influence and reassurance, US-Israeli relations are normal. They move forward slowly in the peace process in hopes that over time perceptions will change, and peace will become more of a reality.

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The Israeli-Egyptian relationship on the other hand is neither normal nor regular and it is not following the patterns of the past. In the past that relationship was one of war. They have moved in a more positive direction, not very fast and certainly not very far, but there is an exchange between Israel and Egypt. A human dimension is being developed as illustrated by Sadat and Begin. There is little progress in the economic dimension, however. The economies of the two countries are parallel rather than complementary. The most promising cooperation would be that in agriculture, in the conservation of water resources, crop patterning and marketing. But more important than their direct trade is the peaceful environment for the introduction of third party business ventures.

A peaceful environment has begun to grow. "No more war" has been declared between these two states and, perhaps, more positive movement in the direction of peace will follow. In this regard Israel's view of a comprehensive settlement is crucial because their view will help to determine whether that direction and momentum will be maintained. The Israelis today are confused. They have never been presented with either the opportunity or the challenge that now exists for them. If there is peace with Egypt, there is little risk of war, and therefore time to work out problems. Many Israelis feel that if relations with Egypt are cemented, the question of the Palestinians will have very little importance, and they feel that the Egyptians will agree with them. But in order to keep relations with the United States in a positive framework they realize that they must make some movement toward a comprehensive settlement.

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So, the Israelis are still deciding what to do, and how to handle the new situation. But this is, perhaps, part of a fairly normal process when suddenly and most certainly all one's underlying political assumptions have been somewhat changed, and in some cases dramatically changed. Israelis know generally what they want, but they

must convince others of it as well. As part of that process they must deal with their two most important allies, the United States and, in a very real sense, Egypt. All of this must be done within the framework of the Camp David Accords and the treaty which provide the basis for a continuing relationship which is supposed to be, after all, only the first step. The Israeli-Egyptian treaty is only one element of a comprehensive settlement that Israelis, Egyptians and Americans hoped for at Camp David.

A TIME OF TRANSITION: CHANGES IN THE
AMERICAN RELATIONSHIPS WITH FRIENDS AND ALLIES

Rapporteur: C. Darald Thomas

The 1978-79 Revolution in Iran has forced American decision makers to reappraise their policy toward not only Iran but also toward our other traditional allies, Saudi Arabia and Jordan. A period of reflection and stocktaking is in order if we are not to run the risk of being mesmerized by yesterday's scenarios.

Iran has been an extraordinarily difficult country for the West to understand. This is no more clearly illustrated than by the continued distortions of the Iranian Revolution by the Western press. A clear case of grinding oppression, corruption and a lopsided distribution of economic benefits brought on a period of extreme political turmoil which pitted the national population of Iran against its king and his military shield. Ultimately, the political system collapsed with over 100,000 casualties.

Although the post-Shah regime has been dominated by conservative religious elements led by Khomeini, he has not been alone. The small group of leaders who rose to preëminence did so because they had the ability to transcend class line and to hold, at least temporarily, the system together. Furthermore, these leaders have served as unifying figures during the transitional phase of the struggle, but they have only a very limited ability to construct a new Iranian political system. The building of such a system must rest ultimately on a coalition of major segments of the society that have not yet emerged to assert their influence against the conservatives. The disillusioned and decapitated military may be forced by the Kurdish insurrection to recrystallize as an important instrument of national unity. If stability is to return, the progressive religious elements will have to take an increasingly important role in the decision making process. Finally, the progressive middle class, although consisting of only approximately 15 per cent of the population, must be reintegrated into the political mainstream. Without this group's active participation, it will be impossible to run Iran effectively. It must also be recognized that

the Revolution may not have fully run its course, and that the situation may get worse before it gets better.

What have American policy makers learned from the Iranian episode, if anything? First, there still exists a significantly large reservoir of latent good will toward the United States in Iran despite the mistakes of the Kissinger inspired diplomacy which linked the position of the American government inextricably with that of the Shah. In the future, we must admit our mistakes and attempt to create a new relationship with the people of Iran, not solely with any particular group of leaders. Iran has made it quite clear that it intends to be the client of neither the Americans nor the Soviets.

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Unlike the Pahlavi dynasty or the Hashimite's in Jordan which are essentially twentieth century phenomena, the Saudi dynasty was already a quarter of a century old at the time of the Boston Tea Party. Thus in terms of political legitimacy, the Saudi regime is well established and is undergirded by a distinct Arabism and fundamental Islamic orientation. This has allowed the regime sufficient psychological support to stand up not only to Nasser but also the US when its interests are threatened.

Notwithstanding the generally positive and certainly prosperous relationship that has existed between the US and the Kingdom of Saudi Arabia since World War II, American policy makers may have taken that nation for granted in light of the differences that have emerged over the Camp David agreements. The Saudis have been unwilling to take their cues from the US without the questions of Palestinian representation and the status of Jerusalem being resolved to their satisfaction. Thus as a result of the disagreements over Camp David, the shocking inability of total American support to save the Shah, and the unhealthy high American profile in Arabia (about 35,000 Americans), the "apparent" client relationship is being reduced. American economic interest will remain, and the Saudi orientation will continue to be toward the US. As is illustrated by the recent opening toward the USSR and "Camp Baghdad," however, they intend to maintain their independence and, in the long run, may have a brighter future than one so closely tied to the United States.

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King Husayn of Jordan, considered to be one of America's staunchest allies in the Arab world, has seen his efforts to moderate the sentiments of his fellow Arabs fail for lack of sustained American

support. On more than one occasion since 1970, Husayn has stated that Israeli withdrawal and the establishment of Palestinian representation are absolute necessities if there is to be any hope of a possible durable peace. Husayn initially accepted Sadat's position with the hope that he would be able to lead the Arab nation to a comprehensive peace. Not only has Camp David not met these expectations but the inquiries by the King seeking assurances of American support for long term Arab demands have not been adequately answered.

American policy with regard to this region seemingly is suffering from a loss of confidence and a perhaps severely debilitating political flailing about in search of scapegoats. In terms of actual losses, we can count among them the loss of certain military facilities, reliable spare parts, ground and sea support for US forces in an emergency and a constriction of the oil flow.

As a balancing factor in the situation, we can note that a broadened PLO power base could reduce dependence on terrorism and increase its political role. Additionally, all states in the Gulf littoral have an incentive to restrain the exportation of revolution and chaos because they all equally share a classic vulnerability to an escalation of ethnic separatism. Finally, we may observe and ponder the price the Soviets are paying in political and economic terms for their beachheads in the PDRY, Ethiopia and Afghanistan and their past embroilments in Somalia, Egypt and even Iraq.

A first priority for the US is not to risk overreacting to the collapse of Iran's role of policing the Gulf. While useful, it has not proven to be essential. More critical is the necessity not to risk squandering our political capital by unwisely showing our military might. The loose talk of military intervention, quick response forces, and an over-the-horizon presence may be useful in capturing the attention of the American public in an election year, but it may become extremely dangerous should the public make a linkage between inflation and the solution to it by some form of Gulf intervention.

BANQUET ADDRESS

From Partial Peace to Real Peace

George W. Ball

The theme of this conference is "The Middle East After Partial Peace: What Lies Ahead?" I find that an optimistic formulation. An episodic war is now in progress between Palestinians and Israelis in Lebanon, with the principal victims the Lebanese civilians, and there is hardly a Mideastern country that is not experiencing, if not the first tremors, at least some intimations of instability.

For America in October 1979, the strategic center of the world is the Persian Gulf, and I shall try to relate my comments this evening to the effect of Middle Eastern developments on the security of that area. Certainly, nothing that has occurred within the past few months is reassuring. Iran is ruled by a regime -- one can hardly call it a government -- that practices an indigenous form of fascism with a medieval Islamic overlay. Its basic outlook is xenophobic; it opposes Western concepts of progress and, therefore, the West itself -- and particularly the United States.

How long that regime will stay in power is anybody's guess, but I do not see it as a permanent feature of the Persian landscape. Its ability to maintain control will no doubt depend largely on the degree to which various centers of opposition remain fragmented. There are disparate elements on the left; the Tudeh Party -- the old Communist Party that was largely wiped out in 1953 -- is cautiously trying to reorganize and extend its influence through an extensive cell structure. There are leftist workers' committees in the oil fields. The Khomeini regime has turned its guns on the two terrorist groups who helped bring down the Shah. Though the Tudeh Party is presumably orchestrated from Moscow, many Marxists in Iran are anti-Soviet, some Maoist rather than Leninist. Nevertheless, in the pervasive chaos that now prevails, the ultimate victor is likely to be the group with the most discipline and conspiratorial talent and the best developed institutional structure.

The most probable alternative to a leftist takeover is probably a right-wing coup that would bring to power a new Reza Shah, but that would require that the army first pull itself together. Though the Khomeini regime now keeps the military on a tight leash for fear they may become a rival power center, it may be forced to remove restraints in order to repress the various separatist movements around the edges of the country -- not merely the Kurds but the Baluchis, the Turkamen, the Arabs of Khuzistan, and so on. The revolutionary guards, a rag-tag crew of untrained fighters, is not likely to be adequate to that task.

One would hope, of course, for the accession to power of a Western-oriented democratic government drawn from the center -- the old National Front -- but that does not appear likely, since the enlightened professional classes which constitute this group either date from the days of Mossadegh and are thus too old to be effective or have been kept out of the national life for the whole twenty-six years that the Shah ruled after 1953 and are thus inexperienced.

One could predict a longer tenure for the present regime if there were not already signs of factionalism and even fragmentation among the Islamic leaders. When something finally happens to the seventy-eight year Khomeini, it is difficult to see where a similarly charismatic figure can be found to replace him.

What makes the present regime particularly disturbing to Middle East stability is that the Ayatollah is by no means an Iranian nationalist. Instead, he sees himself as the head of a great Shiite community which knows no national boundaries. Thus, he is threatening revolution in Bahrein, where the population is 70 per cent Shiite, and is causing unrest in Kuwait, where the Shiite population is 20 per cent. Until last June, he was actively stirring up the Shiites in Iraq, who constitute 52 per cent of the population, while the Iraqis, on their part, were smuggling arms to the Arabs in Khuzistan, a major oil-producing area of Iran; the Arabs constitute roughly 20 per cent of all the oilfield workers.

For the moment, there seems to be some dampening down of agitation on both sides, but one cannot rule out the possibility that relations between Iran and Iraq could, at some point, result in serious conflict. Iraq, lamentably, is no longer the solid regime it appeared to be a year or two ago; though Saddam Hussein appears, for the moment, to have consolidated his position by the brutal liquidation of rival leaders and the repressions and expulsion of many Shiites, he is still troubled by the existence of a majority Shiite population, together with thousands of discontented Kurds.

Nor is the Assad regime in Syria without its troubles, as was evidenced by the murder of the Alawite cadets three and a half months ago.

Lebanon, finally, is no longer a country, but, in Matthew Arnold's phrase, "a darkling plain where ignorant armies clash by night."

Nor is there complete tranquility in the Sultanates and Emirates along the Gulf. Though the earlier revolution in Dhofar was effectively put down with the help of Iranian troops, it could again be revived through agitation from South Yemen. Saudi Arabia, as well as the Gulf states, was badly shaken by the Shah's disappearance, since the overthrow of the largest absolute monarchy might be seen, though dimly, as a presage of future events elsewhere.

The Soviets' beachheads in Ethiopia and the Horn of Africa, the strengthening of its presence in the Indian Ocean, together with its growing activities in South Yemen and its adventures in Afghanistan, have resulted in an increasing claustrophobia -- a fear that the whole Gulf area is being encircled.

This pervasive sense of disquiet has been greatly intensified by the continuance of the Arab-Israeli struggle and the schism in the Arab world created by the Camp David accords. That is particularly true for Saudi Arabia -- a small state forced to make an excruciating choice between Egypt, on the one hand, and the rejectionist states, on the other. Thus, in searching for the elements of tranquility in the Middle East, we must rigorously examine the Arab-Israeli relationship existing during this protracted post-Camp David period. The Camp David agreements were, in the eyes of the other states in the area, an Egyptian-Israeli arrangement worked out under American sponsorship that has resulted:

First, in a bilateral Israeli-Egyptian deal which means to the other states that President Sadat has made a separate peace with Israel in disregard of his commitments to the rest of Arabia; and,

Second, negotiations within a framework devised by the Americans for the West Bank and Gaza Strip, based on Prime Minister Begin's proposals for autonomy, which now seem destined to bog down in futility.

In my view, the second part of the Camp David Accords was, from the beginning, doomed to failure, since the other Arab states

in the area had not participated in this development, nor did the Accords contemplate bringing in the PLO as spokesmen for the Palestinians. To most Arabs in the area, the offer of autonomy appeared as little more than a proposal for a five year period in which the Palestinians might be given some authority in purely local affairs but remain under the effective control of the Israeli army who would retain responsibility for maintaining "internal order," with no promise of self-determination at the end of those five years. The Accords even left Israeli territorial claims to the occupied areas unresolved.

Few people in the countries neighboring the West Bank were convinced that the electoral apparatus of the Camp David Accords could produce a group of respected Palestinians capable of representing the interests of their people; it was, most of them felt, a futile exercise to try to create a group of interlocutors for the Palestinians apart from the PLO, who have spoken for so long in the Palestinian name. Thus, I could never understand the surprise in America when neither Jordan, nor any of the other Arab states with the greatest stake in the settlement, was prepared to support these proposals.

Meanwhile, as the Sinai negotiations have proceeded, the Begin government has, by repeated statements, made clear that it regards the proposals for autonomy as offering little more than a regrouping of Israel's occupying forces, with some meager transfer of local responsibilities. Meanwhile, it has -- by ostentatiously pursuing its settlements policy -- given the clear impression that it would prefer to let the whole second half of the Camp David Accords fail and disappear. The United States, for its part, has contributed to Arab disillusion with the accords first, by making clear its determination not to talk to the PLO; second by ruling out the ultimate emergence of an independent Palestinian state.

Thus, events have given increasing credence to the widespread Arab suspicion that Camp David will, in the end, amount to nothing more than the realization of a long-held tactical objective of Israel -- to divide the Arab world and, by neutralizing Egypt, achieve a recasting of the military balance in the area that precludes a recurrence of future two-front wars. Under those circumstances, Israel feels little pressure to try to find a solution to the Palestinian problem, or to any of the other substantive problems between the Arabs and Israel.

Quite understandably, the Arabs find the most persuasive confirmation of these suspicions in the attitude of the Israeli government toward the occupied areas, and particularly from that

government's settlements policy. Let us face the reality that, so long as settlements continue to be established while the United States makes only feeble protests, no serious progress can be made in resolving the Palestinian problems.

I say this because the settlement issue cannot be divorced from the longer-range West Bank policy as declared by Israel's leaders. Prime Minister Begin has made repeatedly clear that he feels deeply committed to the retention of what he insists on referring to as Judea and Samaria, based in large part on title deeds reflecting a gift of real estate recorded in the Old Testament. The settlements are an expression of that claim. They constitute, as Israelis candidly say, the creation of "new facts." To the Palestinians and the rest of the Arab peoples, they are further evidence that Israel is, as they contend, an expansionist state that has, by military means, substantially expanded its territory since its original establishment in 1948, all at the expense of the Arabs. Thus, the good faith of Israel's offer of autonomy is being seriously undermined by its continued preemption of Arab lands. Though I have not found it possible to develop any accurate statistics on the amount of land in the West Bank now claimed by the Israeli government, either for settlements or security purposes, it amounts to a substantial part of the West Bank's farming and grazing lands. In addition, the settlements, with total population of 7,000, now use one-third of the area's total irrigation water -- in a place where water is always in short supply. If its insistence on the continuance of new settlements were not enough, the Israeli government has now voted to authorize Israelis to renew purchase of Arab lands. The West Bank has become -- in the eyes of many Arabs -- Israel's Soweto. Israel has done little to develop agriculture and industry in the area, which have remained stagnant or, in some sectors, declined. And, though Palestinian per capita income has risen under occupation, that has resulted largely from the remittances by Palestinians working in Jordan and the Arab countries and from the wages of one-third of the area's total work force that now performs largely manual labor in Israel.

But if Israel continues to take actions inconsistent with its ultimate withdrawal from the occupied areas, what does it hope finally to achieve with respect to these areas? I have in the past put this question to several Israeli leaders, including on two occasions Mr. Begin himself, without receiving more than a dusty, rhetorical response.

Let us assume that the occupation continues indefinitely. What will be the consequences of this?

-- Obviously, it will be extremely costly to Israel, and I shall say something in a moment about the Israeli financial situation.

-- Violence is almost certain to intensify as the Palestinians are pushed, by continued frustration, disillusion and a sense of being forgotten and neglected, into more and more psychotic outbursts.

-- Western nations, including the United States, will become increasingly aware of, and disturbed by, the continuance of a colonialist situation that seems quite out of phase with history. Discomfort will be particularly felt in the United States, since it is we who are subsidizing the continuance of such a policy -- at very great cost. Such events as the visit of Dr. Jesse Jackson to the occupied areas can only be regarded as a foreshadowing of increased awareness of this situation on the part of the American people.

Yet, if an indefinite continuance of the occupation does not seem feasible, what are Israel's alternatives? One, of course is outright annexation which was called for, as I recall, in the platform of Prime Minister Begin's own party.

Annexation, however, even though it could be achieved without military force, would seem to be ruled out by demographic considerations. If the 1,275,000 Arabs in the West Bank and Gaza Strip should be added to the more than 500,000 already in Israel, the total population of Israel would be more than one-third Arab and, given the fact that the Arab population is increasing at almost exactly twice the rate of the Israelis, the Arabs would, within a relatively few years, amount to 50 per cent of the population. That would certainly call into question the concept of a Jewish national home. The situation is rendered even more urgent by the fact that Israel is now losing population by net emigration.

But suppose, as at least some in the Israeli government appear to hope, the present Israeli settlement policy will gradually persuade more and more Arabs to leave the West Bank. There is some basis for this belief; in the past year something like 22,000 Palestinians did leave. To the extent that the settlements policy preempts the best land and water facilities, it could, over time, hasten this emigration. The Minister of Agriculture, Mr. Ariel Sharon, who is in charge of the policy, told me two years ago that he expected there would be 2,000,000 Israelis in the West Bank by the turn of the century. I asked him how this was demographically possible, and he replied that by the year 2000 the total Israeli population would rise to 4,200,000. When I pursued the question as to what would happen to the Palestinians, who would be increasing at a much faster

rate, he broke off the conversation.

Obviously, I am not suggesting that all -- or even many -- Israelis think tactically in terms of a creeping annexation. There is every variety of opinion in Israel, and a growing element who are unhappy with Israel's retention of the occupied areas, which they find not only unwise but offensive to the ideals on which the nation was founded. So what emerges from a search for an Israeli policy toward the occupied areas is the discovery that there is really no policy at all, but a profusion of vaguely defined hopes and ambitions compounded by a real fear that any solution of the problem would endanger Israeli security. Unhappily, the extraordinary factionalism that characterizes Israeli democracy -- the great disparity in views deeply held and vigorously expressed -- tends to reduce such policy in operative terms to its lowest common denominator, and its lowest common denominator means simply a continuance of the status quo in the vague hope that something good will come out of it.

Yet nothing good can come out of the continuance of a situation that has already dragged on far too long and can only get progressively more dangerous. What is most likely, in the end, to bring this home to the Israelis is the shocking deterioration of their economy. Israel's economic situation is unique in the world; no other nation's economy even vaguely resembles it. No other country has a net budget that is almost as high as its GNP, or an external debt that is roughly equal to its GNP; its external debt per capita is the highest in the world, while its balance of payments deficit for this year will amount to \$4.5 billion. No other country commits 40 per cent or more of its GNP to defense. This illustrates the point that territorial expansion has not led to security. Indeed, the expansion of its territory as a result of the 1967 War only increased the defense drain; between 1967 and last year, its defense costs increased over thirty-nine times. Today, the costs of its defense manpower alone will consume 10 per cent of the national budget.

Obviously, Israel's extraordinary rate of national expenditure has been at the cost of its economic development; ever since the 1973 War, the economy has been nearly stagnant, growing at only infinitesimal rates, while the Israeli people are the most highly taxed in the world. It is hardly surprising under these circumstances that, in spite of the government's vigorous efforts to promote immigration, more people have been leaving the country during the past three or four years than have been entering it.

Today Israel is able to continue on its present course only

because of continued vast subsidies from the United States. Distasteful as this must be to Israelis, the nation has become a ward -- a kind of welfare dependent -- of America. At the present time, the United States is providing annual subsidies out of the public sector which amount to the equivalent of \$7.50 per day for every man, woman and child in Israel, and the amount of the subsidy will necessarily be greatly increased by the American payment of the costs of Israeli withdrawal from the Sinai. In addition, of course, there are the huge sums paid every year to Israel out of the admirable generosity of the American Jewish community, for which there is no precedent in history.

It is, I think, a sense of this dependence -- necessarily irksome to a proud and brilliant people -- which makes the Israelis so resistant to American suggestions. The result is a pattern of relations humiliating to both sides. Though the United States now routinely condemns actions that clearly reduce the possibility of a West Bank agreement -- the announcement of new Israeli settlements, the Israeli use of American equipment in its retaliatory raids against Lebanon and the announcement of such measures as renewed permission for Israelis to buy West Bank land -- such American protests are brushed off just as routinely. Israelis have been so long conditioned to the conviction that America will continue its support for Israel even though the Israeli government cavalierly disregards American advice and American interests that they accept this extraordinary ritual as quite normal.

Israel's Foreign Minister, General Dayan, made this clear the other day, when he praised the Carter administration as Israel's great friend, pointing out that, even though there had been some harsh exchanges, the Carter administration had never once made a threat to slow down the outpouring of economic and military aid to Israel.

Obviously, this is not a healthy aspect of the relations between our two countries, and as long as it persists, Israel will lose even more respect for America than is now the case. That such respect is at a low ebb was demonstrated by a recent incident reported by The New York Times which involved a late evening exchange between Israeli Defense Minister, Ezer Weizman, and an Assistant Secretary of State, in which General Weizman vigorously made two points. The first was that America was a "loser" and the second was that America was "weak". Though I could not agree with the General's first comment that America is a "loser", (in this context, he might do well to recall the American airlift), I can well understand his view that America is "weak". Never before in my recollection

has a major nation so docilely accepted from a small state which it was supporting the repeated rejection of its advice and suggestions, even though the large state's own national interests were prejudiced by such rejection.

I say all this not to be critical of Israel -- a nation for which I have great sympathy and admiration -- but to suggest that the Israeli government is living in a "Never-Never Land" if it thinks that the present state of affairs can indefinitely continue. If the neutralization of Egypt has changed the balance of military power in the area, the world oil crisis has changed the political balance. Prior to 1973, it was possible for the United States to pursue a policy of complaisance toward Israel with only marginal concern for its own interests. Since the rise of OPEC as a major factor in world affairs, and particularly since the Western nations' new awareness of their dependence on the policies and actions of the Arab oil-producing states, America's interests have become vitally and directly involved in a speedy settlement of the Arab-Israeli conflict. Already, the splitting of the Arab world by Camp David has created tensions and complications in our relations, not merely with Saudi Arabia but with the other oil-producing states as well. This has been given increased importance by the disappearance of Iran as a totally reliable oil supplier.

I think, therefore, that the time has come for a new understanding between the United States and Israel. I am too old a hand to be unaware of domestic political realities, and I know that no significant initiatives can be expected from our government until after our presidential elections. (We pay heavily for the expanding time-span preempted by our quadrennial electoral orgy.) Such delay is unfortunate, for a continuance of the present situation will progressively complicate our relations in the area. In any event, whatever new administration emerges, whether under President Carter or someone else, will make a tragic mistake if it does not face up to the new realities.

What should be American policy toward the Arab-Israeli dispute? In my view, we must recognize that the so-called step-by-step diplomacy that we have pursued since the 1973 War has been based on a faulty premise. The operative assumption underlying that diplomacy -- or, perhaps the rationalization for pursuing it -- has been that, by attacking at the periphery of a sensitive problem and producing a series of small gains, we could achieve sufficient momentum to enable us to deal effectively with the hard, substantive issues.

Sinai I was not really a part of this tactical approach, since

that was, in essence, a kind of battlefield arrangement -- an effort to pull two contending armies apart to avoid the resumption of fighting. But Sinai II was of a different order, and the Camp David Accords will, in my judgment, end up as a rough equivalent of Sinai III.

What these diplomatic efforts have demonstrated is that, rather than gaining momentum by concentrating on peripheral issues, we have exhausted our bargaining leverage for marginal gains. Meanwhile, we have provided Israel with the argument that nothing more should be asked of it, since it had made its full quota of concessions, and we have hardened the position of the remaining -- and disaffected -- Arab states against any solution of the substantive issue.

Sinai II and Sinai III have been enormously costly in financial terms. In a sense, they represent the largest real estate transaction in history, for we have spent huge amounts to buy parcels of the desert from the Israelis and then paid the Egyptians large sums to accept it. But our greatest cost may not have been our financial contribution but political concessions which I find quite inappropriate.

In a late-night session toward the conclusion of Sinai II, Secretary Kissinger agreed that the United States would not negotiate with the PLO, and after President Carter assumed office he decided -- after some consideration -- to honor that commitment. As he rephrased the commitment, it meant that we would not negotiate with the PLO, at least until they had modified their protocols to eliminate the pledge to destroy Israel and had agreed to accept Resolution 242. In my view, we cannot afford to let this extraordinary position get in our way of practical diplomacy. We have too big a stake in the issue. I find it quite inappropriate for a great nation to engage itself to a much smaller nation that it will not even talk to a group whose participation is, in the long run, indispensable to a settlement.

Moreover, if we are to continue to try to bring about a settlement, our government must do whatever is necessary to assure that Israel ceases its settlement policy, which, in the view of American authorities, is illegal. We are acting in a manner unbecoming a great nation, when we continually condone conduct that is not merely offensive but which undercuts progress toward an objective that vitally concerns our national interest. This should also be made quite clear: the American national interest is not in all respects congruent with the policies of the Israeli government. That is essential to a healthy relationship. Up to this point, any suggestion

that the United States might react to Israel's obduracy -- in disregard not only of our interest but its own -- has been met by loud protestations that we must not put pressure on Israel. That is a misleading formulation. The issue for the United States is not one of putting pressure on anybody; it is how we can best spend our resources, financial and political, to advance our national interests. It seems self-evident that we should not spend our political capital and American taxpayers' money to support policies that are contrary to our interests and -- in this case -- contrary to the long-range interests of Israel as well.

Once we have engaged in frank discussion -- and I am not employing that word as it is used in diplomatic communiques but as it is meant in the real world when applied to normal human converse -- we shall have cleared the air. Then we can -- and, indeed, we must -- direct our diplomatic efforts at trying, in a realistic way, to deal with these recalcitrant and complex issues that lie at the center of the Arab-Israeli problem -- primarily the issue of the Palestinians and, ultimately, of Jerusalem.

That means, in the first instance, being prepared not only to talk directly with the PLO but to say to them that the United States will support an arrangement providing self-determination to the peoples of the occupied areas, provided they, in return, are prepared, as a part of the final arrangement, to recognize the legitimate rights of the people of Israel to territorial integrity within the pre-1967 borders, subject to such minor rectifications as may be negotiated -- and are prepared to agree to necessary measures of restraint to reinforce Israeli security. That will mean that we Americans are returning to the principle of self-determination we have long espoused yet have recently qualified by excluding the idea of a Palestinian state. Only when we frankly offer support for self-determination can we hope to gain the support of other Arab states in the area which have themselves accepted Resolution 242; only then can we expect the peoples now living in the West Bank and Gaza Strip to respond in a manner that will enable the more moderate leaders of the PLO to agree to participate in a serious diplomatic effort.

Adopting this line of policy obviously places the practical burden on us of finding the ways and means to assure the security of Israel. But by combining a number of measures that should not be beyond human ingenuity. Among other measures are the demilitarization of a new Palestinian state for at least an agreed term of years while relationships develop, the possible presence of American military in the area, elaborate technical arrangements for surveillance that will assure Israel against the possibility of surprise attack, and

so on. Moreover, once peace is in sight, we should be prepared to provide Israel with economic and military assistance at even a higher level than that now maintained.

In the current state of the military art, there is no such thing as a totally secure border between hostile states; in fact, there never has been one. The slogan during the French revolution of achieving what was called a "natural frontier" for France was used by Napoleon to legitimize his subsequent conquest overrunning all of Europe, but, Napoleon's conquests, far from assuring France "natural frontiers," only paved the way for ultimate defeats. "Natural frontiers" or, in other words, "secure borders" can be achieved only be the development of peaceful relations on both sides. The time-honored cliché is, of course, our border with Canada.

In order to avoid the accusation that, in recommending that we talk with the PLO, I am, in effect, condoning their brutal terrorism, let me make quite clear that, as with anyone who is committed to the humane principles of the West, I find terrorism as repulsive as the next person -- whether that terrorism is a bomb in a Jerusalem market or blowing up the King David Hotel. But if one cannot condone terrorism, one can, at least, identify its roots -- and terrorism has historically been a psychotic response to a military occupation. Thus, the way to end terrorism is to remove the cause. The longer the conditions that produce such a response are permitted to continue, the more difficult will be its eradication, for it is dangerous to let a whole generation grow up conditioned to terrorism as a way of life.

I have dwelt at great length on the Arab-Israeli struggle as a principal element in the complex politics of the Middle East, for I feel a deep sense of urgency that we get on with an Arab-Israeli settlement and thus eliminate that single most important cause of political instability. We should have learned enough in the last thirty years to recognize that in our bipolar struggle still continuing with the Soviets, Moscow's great opportunity for mischief is the exploitation of situations of discontent that arise from other causes, and to let discontent persist in what is clearly the strategic center of the world today would be an irresponsible rejection of reality. We face many tasks in the Middle East of which the final settlement of the Arab-Israeli conflict is merely the most important. We must also assure the military security of the Persian Gulf, which means not merely increasing our naval presence in the Indian Ocean but greatly beefing up our capacity for quick response. If we should have learned one thing from our experience with Iran, it is the fatuity of the Nixon Doctrine, the idea that America can, by

stuffing arms into a relatively backward country, create a strong nation that will act as our champion in a key area -- that was a fantasy, as experience has shown. We can assure the protection of the Persian Gulf only if we ourselves develop adequate capabilities to defend our interests as well as build the political relationships in the area which an attentive diplomacy should make possible.

The course of conduct I have suggested during these comments will involve difficult political decisions. But we should not fail to take them. We no longer have the luxury of indecision. The dangers are too great and time is not on our side.

THE ENERGY CRISIS AND AMERICAN ECONOMIC
INTERESTS IN THE MIDDLE EAST

Rapporteur: Helen D. Mak

The recent Islamic revolution in Iran and the subsequent brief cut off of oil exports from that nation brought to the forefront, once again, public recognition that the US economy is heavily dependent upon oil, a non-renewable resource whose price reflects the laws of supply and demand. Consumption of oil within the US and other industrialized nations continues to rise against a world supply of oil that is finite. The Iranian oil shut off has sensitized both the American public and the US government to the economic realities of our dependency on that resource.

Although the public appears to have slipped back into complacency as oil and gas have become available, though at considerably higher costs, the US government has taken some action to alter America's energy habit. The process is painstakingly slow, but a consensus is forming within Congress as to how to cope with the very serious problem of energy resource shortages. Conservation of energy resources, the development of unconventional energy sources, and increased dialogue among the oil consuming industrialized nations, each enters into the solution of the energy crisis equation.

As the US consumption of oil rises, oil import costs increase, and the US balance of payments situation continues to worsen. A major export drive to further sale of US goods and services abroad would seem a logical way to improve the deteriorating position of US balance of payments. With increasing dollar expenditures for Middle Eastern oil and with ambitious economic development plans underway in many of the Middle East states, US recapture of some of the petrodollars through export to those markets has great appeal for both US government and business. For a variety of political and economic reasons, however, current American business efforts within the region are not meeting with great success. Instead, US sales to the Middle East have declined, and prospects for an upturn of the current situation do not look good. That the US percentage share of annual expenditures for construction contracts in Saudi Arabia has declined from nine per cent of \$10 billion in 1975 to three per cent of \$23 billion in 1978 is illustrative of the problem.

Further, US sales to Iran for 1979 are projected to be down by one third to one half the sales of the previous year.

Whereas the position of US business in Saudi Arabia and Iran is one of declining participation, the picture for American business in Egypt is prospectively much brighter. American business participation in Egypt is expected to grow as a consequence of the close political ties between the two countries and of Sadat's desire to forge ahead in economic development. Yet, business optimism accompanying the recent peace treaty is shaded somewhat by the recognition that Egypt's economy is in a shambles. Inflation is running at 40 per cent per year, the population is increasing rapidly, the country's infrastructure is poor, and the Egyptian bureaucratic red tape facing both foreign and domestic businesses is massive.

In general, there are major disadvantages which confront American firms seeking Middle East markets. Increasingly stiff competition comes from Korea, India, Taiwan and Japan in both low and high technology projects. Whereas many non-US firms receive considerable government support in the form of performance bonds and guarantees enabling them to afford the risks associated with Middle East ventures, US firms generally receive no such assistance. Secondly, the US tax code is structured in such a way as actually to "penalize" American citizens who work abroad for American firms. Section 911 and other related sections to the Internal Revenue Code have forced American companies pursuing business abroad to pay more in salaries or in direct tax payments in order to attract qualified people for overseas assignments. The effect of this has been to raise considerably the cost to American firms of doing business overseas, further serving to reduce their competitive status. US firms also suffer a competitive disadvantage when it comes to general project labor. For example, US labor costs are considerably higher than Korean labor costs.

Another well documented disadvantage to US firms conducting business in the Middle East concerns the anti-boycott regulations confronting US firms. Whereas some Arab governments have shown flexibility in their own business practices in order to meet American firms halfway, these Arab governments may become less willing to be flexible in view of current US foreign policy in the region.

On the political side, several problems for US firms arise. While there seems to be a genuine preference among Arab buyers for American goods, the US role in the Egyptian-Israeli treaty could affect adversely US trade interests in the area. The recent peace treaty is viewed by many in the Arab world as an insult to Arab pride. In some

cases, American proposals are not even being considered by Arab senior decision makers and mid-level civil servants. Further, the revolution in Iran has focused the attention of the Arab world on questions of appropriate development strategies, and on the wisdom of having a large and visible American presence within their societies. Clearly, the Iranian development strategy is not one to emulate, and such concerns have caused some Arab development planners to seek to lessen their country's dependence on the US. In Saudi Arabia where there are presently 35,000 Americans, numbering only 10,000 less than those who were in Iran at the time of the revolution, Saudi planners are trying to reduce US involvement in their country. The impact of these political factors upon US businesses in the region may be a much reduced US share of this market.

Under present US economic and government regulatory conditions, the prospects for increasing US business in the Middle East are not favorable. US government regulations have too often acted to undercut US businesses operating in the Middle East. Conditions within the US domestic economy have caused the competitive position of American companies to decline. Rising costs of labor, accompanied by a general decline in productivity, contribute to the loss of American firms' competitive positions with respect to that of their Asian and European counterparts. The proposed new tax laws which will make it more difficult for US oil companies operating abroad to get tax credits which would provide incentives for new oil exploration is one example of the impractical style of government intervention in business. While the proposed Ribicoff-Roth Bill calling for a separate Department of International Commerce is intended to bolster the position of US firms overseas, many in business believe that less and not more government intervention is required. On the other hand, some businessmen argue that American firms could benefit from such government support as is offered by the Japanese government to Japanese firms. An option that has been suggested by American entrepreneurs seeking contracts in the Middle East concerns the formation of trading company-like consortiums comprised of several firms representing a "total development project" approach. It is proposed that the US government function in a role supportive of US business by facilitating the formation of such consortiums and by reëvaluating the existing anti-trust laws and their application to US firms conducting business overseas. Further, some businessmen believe that if US business interests are to succeed in the Middle East, the US government must support American firms by playing a lead role through negotiation of contracts on a government to government basis.

In conclusion, no consensus exists regarding the extent to which the US government should become involved in US business ventures abroad. There is only general agreement that to date American government involvement which has been characterized by its regulatory role in international business has hindered rather than helped American firms seeking contracts abroad.

SUMMATION

Seth P. Tillman

My assignment is to summarize, review and distill the essences of the discussion. I was also granted permission by the Middle East Institute to add and intersperse some preachments of my own. I'm not sure that they wanted to do that. But knowing, as they do, all those of us who are involved in Middle Eastern affairs, they probably figured, "Well, he's going to do it anyway, so we might as well tell him that he can."

Dean Packard of the School of Advanced International Studies, whose own expertise is in Far Eastern affairs, came on the Middle East scene yesterday morning with the most salient observation that this was "the most critical year" as indeed, last year had been "the most critical year" in the history of the Middle East problem and the year before. And he predicted with complete confidence, which I fully share, that next year will be "the most critical year."

I'd like to try to identify several themes which seemed to me to have been preëminent in these discussions. They do not coincide exactly with the title of each panel, but I'll identify each theme and make a few short comments about it.

The Conference theme itself, which is what comes next in the wake of partial peace, seems to have elicited a consensus of something well short of high optimism. There was some optimism, but not a great deal. Ambassador Eilts observed yesterday morning in his keynote address that there had been seminal changes of profound strategic consequence: The Iranian revolution and contractual peace between Egypt and Israel and that that peace, like the revolution, was convulsive in its consequences.

Perhaps the most optimistic expression was that offered by Michael Sterner (Deputy Assistant Secretary of State for Near Eastern and South Asian Affairs) who noted that we were still in the preliminary stages of the second part of the Camp David peace process after four months of autonomy talks. But he expressed the hope that something more would come because the parties have a tendency toward long wind-ups. He anticipated, and many of us would share the hope, that gradually

the West Bank/Gaza issue will come under serious and successful focus in these discussions.

Bill Quandt (The Brookings Institution) observed, by way of defense of the Camp David peace process which has come under so much attack from so many sources, that it was, in his view, shallow and cynical to dismiss Camp David and the peace process as a mere cover for a separate peace involving no real attempt to achieve a comprehensive peace. If I may intersperse a personal observation, it seems to me that it's not been so much the sincerity of the Carter Administration's commitment to a comprehensive peace that has been questioned by many people, but the adequacy of the vehicle and the political capacity and determination to use that vehicle to an effective end. Or, if it fails, to devise another one.

All of the commentators, with no single exception, took note of the settlements issue as being most exceedingly mischievous, disruptive and unpredictable. In sum, therefore, on the question of the movement toward a comprehensive peace, I would say not too much hope or expectation for the foreseeable future on the part of the participants of this meeting.

The second theme that elicited a good deal of comment was the effect of the Iranian revolution. Ambassador Eilts noted that Americans had failed quite signally to foresee the disruptive effects of what he called "the excessively forced modernization of Iran." He also suggested forces had been at work in that country which were essentially beyond our control. He also observed, and it struck me as a very significant contribution, given our recent history in other parts of the world, that we should do some fundamental rethinking about Iran and avoid an unhealthy high American profile. He suggested the possibility that the Iranians might make better neutralists than allies.

Professor James Bill (University of Texas at Austin) was much more critical of the American approach in Iran, saying that oppression, corruption and inequality had been long established and that they broke through to the surface only in 1978-79, although they were thoroughly apparent to a careful observer. He said that the continuing chaos in Iran reflects not only the failings of the Ayatollah Khomeini regime, but also the failure of the old regime to leave in place any solid institutions with the result, among other things, that "a flashy but flimsy economy" was in collapse. Professor Bill noted by also drawing Iran into the Arab-Israeli equation that just about any foreseeable regime in Iran will be anti-Israel -- weighing in on the Arab side -- depriving Israel of what once had been a valuable ally in the Shah.

Jim Noyes (University of California at Berkeley) made a most interesting observation about the strategic posture of the US in the Persian Gulf suggesting that we might just possibly be over-reacting to the loss of the Iranian service in policing the Gulf. He said that we tend to be mesmerized by yesterday's scenarios, for example, the fear of South Yemen reigniting the Dhofar Rebellion. And he raised questions as to the urgent need of US bases and large-scale forces in the Gulf region, although, in fact, we are extraordinarily vulnerable to events in the Persian Gulf.

The third theme focuses on the Palestinians and the PLO and the central role which they have played or have yet to play in the peace process. Ambassador Eilts invited us to give due credit to President Carter for having worked so hard and long to bring the partial settlement that was achieved. He was quite firm in asserting that it could not have been achieved without the personal intervention of President Carter. Ambassador Eilts also pointed out to us that President Carter had shown greater interest in and a greater appreciation of the Palestinian problem than had any previous American president. And imperfect though it has been, the Camp David process, the product of an arduous negotiation, has brought the greatest practical advance that has ever been achieved for the Palestinians which may testify either to serious progress or to the utter lack of it in an earlier period.

Regarding the settlements, Ambassador Eilts pointed out that the misunderstanding following the Camp David agreement has been utterly disruptive in its effect on the Palestinians. He says that President Carter and President Sadat were confident at the end of Camp David that they had an agreement for the suspension of settlements -- not just for the three months that Prime Minister Begin later asserted -- but for the entire projected five year transition period. The failure of this understanding has had a very debilitating effect on the Palestinians and the prospect of Palestinian participation in the discussions. Everyone agreed that the PLO remains a force, although we didn't all agree on what kind of force. Most of the participants agreed that the PLO includes moderates and responsible leaders, although it is not always clear that they can prevail.

George Ball in addressing the Banquet was somewhat more pessimistic about the prospects of the autonomy talks of the Camp David peace process and the inclusion of the Palestinians. He suggested that, with no promise of self-determination, these talks seemed probably doomed to failure and that the US added greatly to the disillusionment of the Palestinians and of the other non-participating Arab countries

by refusing to talk to the PLO and by rejecting the idea of a Palestinian state should that be the result of a process of self-determination. The result, said Ball, has been the virtual realization of a long-standing Israeli ambition to divide the Arab world, to detach Egypt and to eliminate the serious possibility of a two-front war. The settlements in this context represent a visible assertion of what is perceived by Arabs as an expansionist policy on the part of Israel. If the occupation continues indefinitely, Ball continued, the effect will be utterly to frustrate the Palestinians and to increase violence.

Another theme that commanded considerable attention was the effect of the Camp David peace process on the rest of the Arab world, most particularly on Saudi Arabia and Jordan. Just about everybody -- including the defenders of the Camp David peace process -- conceded that the Arab objections are, in some degree, valid. We have tended to take Saudi Arabia and Jordan for granted in the past and this has been a serious oversight. We have shown a lack of sensitivity. In addition to Mr. Ball, Ambassador Eilts and Bill Quandt expressed that view. Ambassador Eilts also suggested that the Egyptians had little choice to break free of the restraints of Arab consensus because for so many years inter-Arab politics confined Arab initiatives to what he called "the lowest common denominator."

Bill Quandt pointed out that King Hussein has been particularly badly neglected by the United States -- for example, coming to New York last week and not having been invited to talk to the President. He also thought that we tended to take the Saudis for granted and have been timid in our dealings with the Palestinians.

On the subject of our relations with friends and allies, Professor Bayly Winder (New York University) made a particularly cogent observation in noting that the Saudis in the future would be deeply moved by things that are Arab and things that are Muslim. And, at the same time, they have a natural tilt toward the United States. This puts them in a most exceedingly difficult dilemma from which they want nothing more than to be extricated. Tawfig Hasou (University of Virginia), as did Bill Quandt, said that King Hussein had been snubbed and insulted by the US -- most particularly in recent days -- with almost inevitable complications for the future of the peace process. He noted, too, that in dealing with previous presidents King Hussein had worked hard to cooperate with the United States, to appreciate American interests, to moderate the views of Arab radicals and to commend the United States to them. As he put it, "the King is waiting and the US is treating the king in a very negative manner."

Coming back to the subject of the strategic interests of the United States in Saudi Arabia and the Persian Gulf, James Noyes observed that matters are complicated by the fact that Saudi Arabia has become far more important to the US than it has ever been before. This is exactly the time when Saudi Arabia's links with Egypt are all but severed and we are tightly bound to Egypt -- reiterating the theme of the division of the Arab world and the dilemma that it has forced on the Saudis. Virtually everyone agreed that the division of the Arab world over Camp David has had disruptive consequences for the peace process and for the national interests of the United States.

Let's turn to the state of mind of the two countries who have met peace -- the state of mind, the state of economy, the state of affairs -- of Israel and Egypt. In the first panel yesterday morning, Don Snook of Esso International asked whether there was any indication of an evolution of attitudes on the Israeli side commensurate with what the speaker suggested was an evolution of attitudes on the Arab side. That question was more nearly dealt with in the third panel in the afternoon where, following Professor Moore's (University of Virginia) legal analysis of the problems of peacemaking, several other commentators suggested that things in Israel are not very good and not very promising.

Wolf Blitzer of The Jerusalem Post did not wholly partake of that view. He thought that American-Israeli relations are about normal. I guess we can interpret that to suit ourselves. He noted that both Dayan and Weizman had considered US-Israel military relations to be especially good and that Weizman is quite pleased at present since Israeli military requests are generally being met. He would go so far as to include early delivery of some of the advanced aircraft (F-15s and F-16s) which were not scheduled for delivery until later. Israelis have been gratified, too, Wolf Blitzer said, by the ready acquiescence of Congress in accepting the high costs of the treaty with Egypt. He continued that the Israelis don't seem to mind all that much if we criticize their policies and condemn certain actions, such as the settlements. The real test of relations is the reliability of the United States as a source of aid and a source of support and, in this respect, they are well satisfied. The inference that I would draw from that is that persuasion is perhaps a less promising vehicle for bringing about changes than many of us might have hoped. Blitzer also cited that President Sadat pointed out to Ambassador Strauss quite recently that he opposed a US resolution on Palestinian rights because there was an established partnership between Israel, Egypt and the United States in dealing with the Palestinian issue. Furthermore, because Begin opposed it, Sadat, too,

opposed it -- not wanting to see any action taken outside of this Camp David partnership. Pertinent to that was Najeeb Halaby's question in the morning session yesterday as to who, indeed, gave these three partners the proxy to speak for the Palestinians. I am reminded, too, of a recent observation in an article by I. F. Stone who put it very succinctly. He said that if the Palestinians are to have self-government, who gave Carter the right to cast the first ballot?

John Wallach of the Hearst Newspapers was far from optimistic about the state of relations between the US and Israel, observing that Israel, in his view, had never been more isolated. He saw little prospect in the current autonomy talks suggesting that Egypt was disinclined to rock the boat now -- not out of genuine optimism -- but for fear of disrupting the time-table for Israeli withdrawal from the Sinai.

David Pollock (George Washington University) pointed to the divisions within the Israeli polity which, he said, are deep and violent. The Israelis were caught up in what he described as a kind of psychological inconsistency. Polls had shown, for example, that the great majority of Israelis supported the Camp David peace process and a great majority also expected it to lead to a Palestinian state and a great majority feared and opposed a Palestinian state. How these attitudes reconciled, no one could say. What David Pollock did suggest, in a hopeful direction, was that the peace process has the virtue of allowing time for attitudes to evolve through the development of peace with Egypt, for tensions to abate, for new states of mind to form on both sides, for Israeli fears to abate and for Palestinians to begin to perceive opportunities.

This is a viewpoint that many of us have heard expressed by some of the doves within Israel who had hoped, especially in the early months after Camp David, that it would evolve in that direction. I would say that this prognosis is a hopeful one -- one that should not be abandoned -- but one that does not, so far, seem to be borne out by events.

George Ball pointed to the quandary in which Israel found itself regarding the occupied territories. Israel was in a position where it virtually could not form a policy due to, among other reasons, internal divisions mentioned earlier. An annexation of the occupied territories is infeasible for demographic reasons. They would almost inevitably alter the character of Israel as a Jewish state. Israelis of all major political groupings feared virtually every available possibility for a solution with the result that they have been unable to settle on any solution. What brings all of this home, Ball pointed

out, is shocking deterioration of the Israeli economy. The occupied territories, far from yielding security, have vastly increased defense costs and have put Israel in a most insecure economic situation. Step-by-step diplomacy has not gained us the momentum that was hoped could be gained when Secretary of State Kissinger initiated it. On the contrary, we have spent much or most of our bargaining power. In this context, the Camp David peace process is best understood, not really as a move toward a definitive settlement, but as Sinai III. Ball noted that each of these agreements has been tremendously costly to the United States in economic terms and also has involved improvident political agreements to which I'd like to return in a few minutes.

I remember that at the time of Sinai II, when I was working for the Senate Foreign Relations Committee, a colleague of mine calculated the probable costs of the aid package connected with Sinai II. What he came up with was that each square mile of withdrawal from the Sinai was going to cost as much as Seward's purchase of Alaska in 1867. George Ball said that the United States is behaving in a manner unbecoming a great nation by tolerating the continuing settlements policy of Israel and other acts detrimental to the United States and US national interests. The relationship between the two has become, in certain respects, humiliating for both. But there again is the kind of psychological inconsistency on the part of the Israelis who defy the advice of the United States at the same time that they fall deeper and deeper into dependence on the US for their economic survival, as well as for their military survival. I recall some years ago a phrase used by Abba Eban who said that a nation must be capable of tenacious solitude. This inconsistency continues with Israel believing in the continuing tenacity of this solitude while, at the same time, it becomes more and more dependent on the United States.

Turning now to Egypt, contrary perhaps to many people's expectation, in the wake of the peace treaty, while things have not gone well for Israel, they appear to have gone fairly well for Egypt. The Egyptian economy has strengthened in the last year. Dr. Ikram of the World Bank has pointed out that as a result of aid from outside, of continuing remittances from Egyptian workers in other countries, rise in tourism, private investment by other Arabs -- none of which has decreased significantly. The loss of aid from the rest of the Arab world is bound to have a substantial effect, but does not seem to be felt very severely yet.

Tom Lippman of The Washington Post said that if Sadat is personally vulnerable, it's not over foreign policy issues. He's confronted by problems whose sheer size internally within Egypt make them almost insufferable. There is some discontent or malaise

now within Egypt about the break with the Arab world. But, Tom Lippman observed, Sadat is not a politician equivalent to the Shah. He is skillful. Even the gap between the rich and the poor should not be examined in the same terms that it would be in the United States.

Professor Mitchell (University of Michigan) suggested that American-Egyptian relations have never been better, which is, I think, probably an unquestionable observation. The big turn-around came when Sadat recognized that the United States held all the cards. Sadat's policy changes, in Mitchell's view, have been quite popular within Egypt and that if there is any threat to American-Egyptian relations, it's the possibility of the utter collapse or hopelessness of the autonomy talks or some major escalation of animosity between Egypt and the other Arab countries. That, however, is not in the very immediate future.

Mr. Stokes (A.T. Kearney Company) observed that the principle fruit of Camp David is hope within Egypt that there have been fundamental improvements and prospects for change in the economy -- especially by the adaptation from a centrist to a market economy and the shift from Soviet to American aid.

Another theme that came up in the course of the Conference was the new interest and role that Black Americans have come to play in the Middle East peace process. Professor Cummings (Howard University) observed that the attacks on Andy Young, because of their vehemence, suggested that there was probably something in what Andy Young was saying. If ever there was a prophetic warning extended, it was the one that Young gave Ambassador Yehuda Blum at the United Nations after his meeting with Mr. Terzi when he told Blum that Israel would be well-advised not to make a major political issue out of this meeting because it would create for the Palestinians a political constituency within the United States that did not previously exist. That has, so far, been borne out.

Young also brought up for discussion a good many matters that many people have been reluctant to discuss for various reasons in the past -- one being terrorism and the nature of terrorism and the causes of terrorism. This opens up the possibility of a consciousness-raising. We can now begin to discuss terrorism -- and George Ball also addressed himself to this point -- in something like the same terms that we talk about war itself -- not with unmitigated moral outrage -- but with something closer to analytical terms as to its causes and as to its meaning.

Professor Cummings pointed, too, to the impact of the Middle East crisis on domestic life in the United States, particularly for Black Americans, and that is a theme that I've always thought bears a good deal more attention than it sometimes gets -- the interplay for foreign and domestic problems and, in fact, the inseparability of them. Very often, on the Foreign Relations Committee, we used to try to talk about national policy so as to try to avoid dealing with the artificial distinction between foreign and domestic policy. George Ball had some doubts about the possible consequences of the discussion that is now going on in the Black community for fear that it would lead to an aggravation and an intensification of ethnic politics within the United States. Insofar as the Black community participated in the discussion of the Middle East problem -- and I would add parenthetically that I think everyone would agree that the notion that they shouldn't or were not qualified is contemptible -- this participation, so far as possible, ought to be on the basis of national interest of the United States and the interest of Americans rather than the interests of the different groups within the US including Blacks.

I will not have the temerity to review this morning's panel; everybody was here. The theme was clear. They said it better than I could. I would like now your permission to go on and make just a couple of other additional observations that do not derive directly from the proceedings.

A comprehensive peace requires by definition the inclusion of all of the major parties: belligerent and other outside parties with decisive influence. If I were to identify the missing parties who were most crucial, the first quite evidently are the Palestinians, the second, I would say, is the Soviet Union. I'd like to say just a little bit about each -- rather little about the Palestinians because it was so amply covered in these discussions.

By all available indices, including the observations of objective and careful observers, the PLO, whether anybody likes it or not, commands the loyalty and support of the Palestinians both within and outside of the occupied territories. And to the extent that that is true, the PLO is the crucial absent party in what President Carter defined to Congress as "the process of change." This was in a speech to Congress right after Camp David: "The process of change that would be," as he put it, "in keeping with Arab hopes." So far it has not been in keeping with Arab hopes -- very largely because of the inability to draw in the Palestinian representatives or representatives of the Palestinian people.

There seem to be two compelling evidences that the PLO and the wing of the dominant leadership of the PLO have evolved a very long way toward a willingness to make peace on the basis of the acceptance of Israel, the West Bank/Gaza state and international guarantees. I think that it is most unfortunate that for various psychological, political bargaining power reasons, neither side has been able to extract from the other the precise statements that are required. Neither has been willing, although traditional diplomacy would suggest the advisability of it, to accept statements made by euphemism, by indirection, by generalization that allow them to preserve bargaining power and to save face. But the indications of an evolution in the Palestinian attitude are very clear. They are in the articles by Palestinian intellectuals like Sabri Jiryis and Walid Khalidi. Arafat has spelled out his willingness to renounce violence and to recognize Israel de facto in interviews with many visitors, most particularly Congressman Paul Findley of Illinois.

Despite these overtures, the Carter Administration has felt itself so far unable, although I might mention that John Wallach predicted in his panel that we would be dealing on an official level with the PLO in the fairly near future. But so far, the Carter Administration has not been able to do that, always regarding itself as proscribed from that by the agreement of September 31, 1975, under which we agreed not to deal with the PLO unless they recognized Israel and Security Council Resolution 242.

Just how binding was that pledge? I'm not sure that the legalities are worth exploring because I think that the force behind it is political, rather than legal. But just to take account of the legalities, for what relevance they might have, it is worth recalling that that agreement was submitted to Congress in September of 1975 as part of a package of agreements. The pledge not to deal with the PLO was only one of a good many. These were very hastily drawn up in a very super-heated atmosphere in Jerusalem. While Secretary Kissinger was shuttling back and forth to Cairo to wrap up the details, those agreements were submitted, along with the proposal to send American observers to the Sinai, to the Foreign Relations Committee which was very wary of those. The Foreign Relations Committee was in its post-Vietnam mood and very much disposed to question any kind of binding commitment. They questioned the representatives of the Executive Branch very closely as to whether these related agreements, including the one dealing with the PLO, were binding Executive Agreements as we understand those in law. The State Department did everything possible to avoid defining those as Executive Agreements -- and did so only when pressed to do so by

Congress. In Secretary of State Kissinger's own testimony on these agreements on October 7, 1975, he said it was extremely important that in approving the assignment of US technicians to the Sinai, Congress "should take care not to create, inadvertently, commitments that were not intended." The Memoranda of Agreement, Kissinger said, "are important statements of diplomatic policy that engage the good faith of the United States so long as the circumstances that give rise to them continue, but they are not binding commitments of the United States." Congress, incidentally, in its legislation authorizing assignment of the technicians specifically disassociated itself from the related agreements. It does not signify the approval of the Congress on any other agreement or understanding.

Another point worth noting is that the power to negotiate with foreign entities and countries, is, under our Constitution, a presidential power. Any president can, if he wishes, disavow his own right to negotiate with one party or another. No president can make that binding on any successor. To the extent that the Ford Administration chose to regard itself as bound by the agreement not to deal with the PLO, it was entitled to do so. It had no authority in our constitutional law to ascribe that responsibility -- that same prohibition -- to the Carter Administration. The Foreign Relations Committee, in fact, in its report on the Panama Canal Treaties made the observation with regard to a similar clause: that neither side will deal with a third party without consulting each other. The Committee used this language. I just wanted to quote one sentence from that report: "The President may voluntarily commit himself not to enter into certain negotiations, but he cannot circumscribe the discretion of his successors to do so just as they may not be limited in so doing by treaty or by law."

There is no doubt, coming back to the politics which are undoubtedly more important, that the PLO whose consent is essential to Palestinian participation in the peace process is eager to negotiate with the United States. There seems to be little doubt that they are prepared to make peace with Israel on the basis of a West Bank/Gaza state with international guarantees. The obstacles to that at this point are political and not legal.

The other missing party is the Soviet Union. The United States over the years has never quite made up its mind whether it wants the Soviet Union in or out of the Middle East peace process -- whether the Soviet Union is to be regarded as an incorrigible predator or as a potential collaborator. At the same time we have remained uneasily alert to the fact that there was probably an irreducible

minimum below which Soviet influence could not be reduced, much less eliminated. Even at its lowest ebb, the Soviets retain the power to prevent partial peace from becoming full peace. Don Peretz (State University of New York) raised this question in the panel yesterday morning by asking when and how the Soviet Union might be brought into the peace process. Bill Quandt was not sanguine about those prospects, suggesting that the Soviet Union might play a useful role when and if Syria became involved. But the Soviets, in his view, had neither the inclination nor the capacity to play a constructive negotiating role, although they might play a role in legitimizing the final settlement. I personally would raise the question as to why and how the Soviets could be expected to play that role in legitimizing the settlement if they don't have a part in shaping it.

The Soviet aspiration through the years has been toward equality of status with the United States as a great power in the Middle East and other regions. The question of American policy is whether the gains that might be garnered by allowing the Soviets equality of status are worth the price of a voluntary giving up of the American paramount role. As we think about that question, it is worth looking back very briefly on the Soviet attitude toward Israel which has been one of consistent support for the right of Israel to exist as a state going back to 1947.

Even in May of 1947 the Soviets were just coming around to the idea of partition. The Soviet representative, Gromyko, said then in the United Nations General Assembly: "We must bear in mind the incontestable fact that the population of Palestine consists of two peoples -- Arabs and Jews. Each of these has its historical roots in Palestine." The Soviets were almost as quick as the United States in recognizing Israel in May of 1948 and even provided arms to Israel through Czechoslovakia during the First Arab-Israeli war. Soviets of course turned against Israel soon after the creation of the state. But at no time has the Soviet Union withdrawn its recognition from the Jewish state, called for its dissolution or challenged its right to exist.

In fact, the Soviets have on several occasions offered to participate in guarantees of Israel. On April 23, 1975, at a dinner for the Syrian Foreign Minister Hatem in Moscow, Foreign Minister Gromyko said: "Israel may get, if it so wishes, the strictest guarantee with the participation under an appropriate agreement with the Soviet Union." The expression of willingness to extend guarantees to Israel was reiterated in the aborted joint statement with the United States of October 1, 1977. American policy has been less

than constant in trying to exclude the Soviet Union from the diplomacy of the Arab-Israeli conflict, although that has been its main thrust. From time to time, notably with the Joint Statement of October 1, 1977, we have shown some interest for a short period of time in this kind of collaboration in what might be called a kind of great power condominium toward the achievement of a general peace settlement.

Proposals for American-Soviet cooperation have always been shot down. They have been shot down primarily because of Israeli, but also because of Egyptian, objections and also for reasons of our own domestic politics. It is perfectly natural for small countries involved in regional disputes to fear and resist the intervention of great powers in the bug-bear of an imposed solution. In addition to freedom of action that they derive from great power abstention, they also derive leverage in many cases from having the great powers set against each other -- to the extent, in some instances, of all but reversing the patron-client relationship.

Whether that is also to the interest of the great powers -- to say nothing of the interest of world peace and stability -- is something else again. These interests might well lead in a different direction -- not toward the imposition of a detailed settlement by the great powers, but surely toward a degree of great power cooperation to bring about a settlement and to guarantee it after it is made. The logic of Soviet-American partnership for a general settlement in the Middle East and for the enforcement is the logic of detente itself.

As long as the Middle East remains a potential flash point for conflict, there remains the danger of great power confrontation and with it the possibility, and it doesn't matter how big or small -- even small is dangerous -- of nuclear war. That danger can be eliminated in only one of two ways. One way would be the virtual abandonment by the great powers of their client states who would then be left without further support from outside to work out or fight out their differences with their own resources. That course for reasons of policy and for reasons of principle has been ruled out. The United States would under no conceivable circumstances leave Israel to an uncertain fate. The alternative is a measure of great power collaboration to make and enforce an equitable general settlement which goes beyond the partial settlement achieved so far. Thank you.