

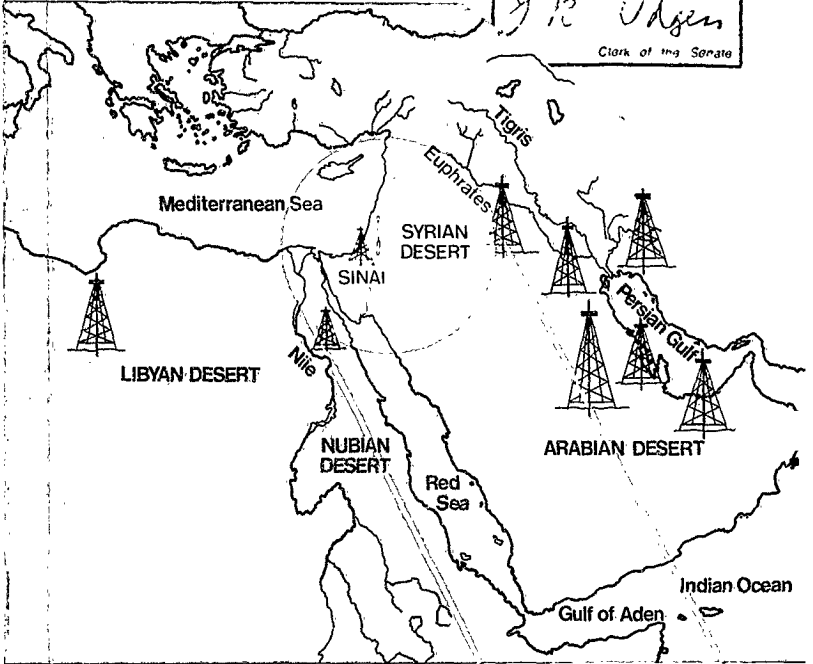
REPORT FROM THE JOINT COMMITTEE ON FOREIGN AFFAIRS AND DEFENCE

MIDDLE EAST

(17)

THE MIDDLE EAST Foreign Affairs and Defence Focal point the interests of

DEPARTMENT OF THE SENATE
PARL. NO. 211
DATE 2 JUN 1977
Presented by - 2 JUN 1977
<i>J R Unger</i>
Clark of the Senate



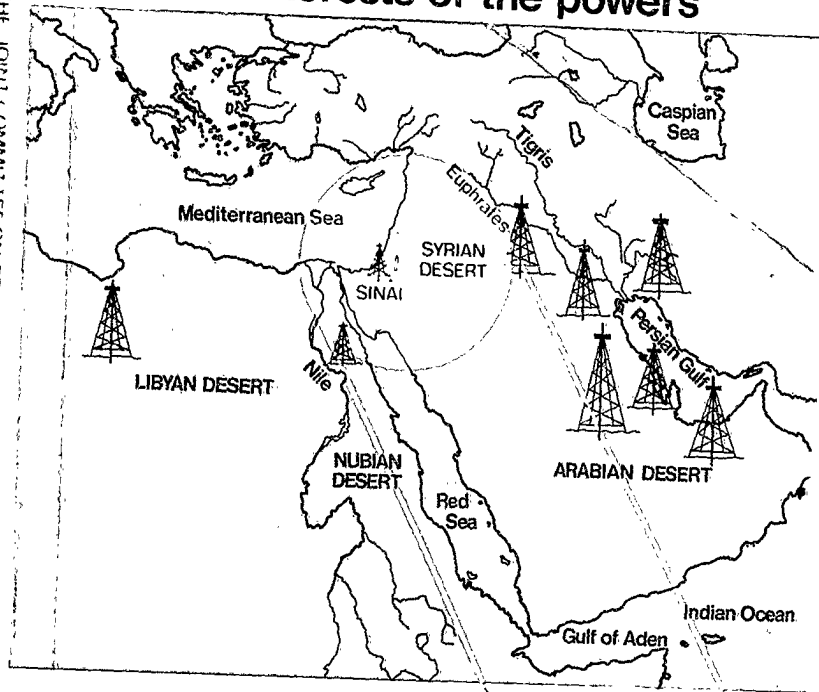
**An
Australian
Perspective**

THE PARLIAMENT OF
THE COMMONWEALTH OF AUSTRALIA

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ON FOREIGN AFFAIRS AND DEFENCE

THE MIDDLE EAST

Focal point of conflict -
the interests of the powers



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DEPARTMENT OF THE SENATE	
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<i>J.R. Vagen</i>	
Clerk of the Senate	

THE MIDDLE EAST

Focal Point of Conflict - The Interests of the Powers
An Australian Perspective

AUSTRALIAN GOVERNMENT PUBLISHING SERVICE

CANBERRA 1977

TERMS OF REFERENCE

"The significance of the domestic crisis in Lebanon for the fragile Middle East situation and the possible international repercussions."

On 2 December 1976 the Committee tabled "THE LEBANON CRISIS - Humanitarian Aspects" which is available from the Australian Government Publishing Service as a Parliamentary Paper (No. 331/1976 - 111 pages).

This second report surveys the "fragile Middle East situation and the possible international repercussions".

MEMBERS OF THE JOINT COMMITTEE
ON FOREIGN AFFAIRS AND DEFENCE

Chairman - Senator the Hon. Sir Magnus Cormack, K.B.E.
Deputy Chairman - The Hon. K.E. Beazley, M.P.

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Senator D.B. Scott	Mr D.J. Hamer, D.S.C., M.P.
Senator K.W. Sibraa	Mr R. Jacobi, M.P.
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Mr K.L. Fry, M.P.	

MEMBERS OF THE SUB-COMMITTEE ON THE MIDDLE EAST
(SUB-COMMITTEE B)

The following members of the above Committee investigated the terms of reference and reported to the whole Committee:

The Hon. K.E. Beazley, M.P. (Chairman)
The Hon. I.L. Robinson, M.P. (Deputy Chairman)
Senator D.B. Scott Senator K.W. Sibraa
Senator the Hon. J.M. Wheeldon Mr R. Jacobi, M.P.

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PREFACE

At the present time hopes, perhaps illusory, for peace in the Middle East focus on the possibility of the resumption of the Geneva Conference. Like everything else in the Middle East crisis, this leads to another impasse. It seems that Israel will not attend the Conference if the Palestinian Liberation Organisation is represented at Geneva.¹ It is probable that Egypt will boycott the Conference if the PLO is not there. Any Arab State entering into bilateral negotiations with Israel would lose face. Hence negotiations appear to be by proxy through the American Secretary of State, Cyrus Vance, who has recently visited the Governments of Israel, Jordan, Egypt, Saudi Arabia, Lebanon and Syria. He almost certainly was seeking to find out if these powers were prepared to take any concessions to Geneva.

The US and the West have an interest in peace in the Middle East. Western diplomacy must hold to human considerations, and not merely to ensure the continued movement of oil supplies vital to their economies. The Soviet Union appears to have an interest in denying these oil supplies to the West, and speaks to the Arab world encouragingly of the destruction of Israel. The Soviet's is a relatively simple diplomatic role yet Saudi Arabia is suspicious, the People's Democratic Republic of Yemen has

1. However it has been hinted that Israel may not look too closely at the credentials or composition of the individual Arab States' delegations.

twice expelled Soviet Ambassadors, Syria hardly followed the Soviet line when Syrian troops fought the PLO in Lebanon, and Egypt expelled 20,000 Soviet technicians in 1972. Egypt now looks elsewhere for arms.

Israel, however, is in a position of growing isolation. In 1972 Israel had aid missions in something like 70 countries with over 4,000 experts abroad. After the 1973 war nearly all of the missions were (not of Israel's volition) closed down.

Diplomatic, military, economic, ideological and propaganda pressures against Israel are immense. Yet in the long run the major problem for Israel may well be if a hostile Arab population developed within. The suggestion has been made by Tony Klug¹ that Israel should withdraw from the West Bank while she is free to do so on her own terms. Its population, he asserts, is a restive 99% Arab. "It may be", Klug writes, "that Israel will retain the physical power to rule over a hostile population, but the effect this will have on the internal cohesion and moral fabric of Israeli society is likely to be quite devastating". Klug notes that for Israel "Democracy is not just a method of electing representatives. It also incorporates a system of enlightened values which are fundamental to the ethos of Israeli society".

Klug suggests that withdrawal from the West Bank by Israel would challenge the PLO leadership to start

1. Tony Klug The Middle East Impasse: The Only Way Out (The Fabian Society of London, January 1977).

creating a workable society and settle their own differences. Klug suggests that Israelis could expect the Arab States to lose their unity once such a Palestinian State was achieved, and that Israel could expect the Palestinians to become divided amongst themselves. There is no evidence that this plan would be acceptable to the PLO in the sense that they would then, upon Israeli withdrawal from the West Bank, abandon the PLO claims to the whole of Israel. The utmost limit of possible Israeli concessions appears to be the unofficial but authoritative Allon plan.¹ This is unacceptable to the PLO, however, and although such a plan should be welcomed by the West, including Australia, if it satisfied Palestinian claims, there is no evidence that it would satisfy these claims.

Behind the prospects of the regional wars of the Middle East lies the possibility of a Third World War. If this occurred it would be more likely because the Great Powers stumbled into it, as in 1914, rather than because one Government deliberately planned war, as did Hitler in 1939. The Soviet Union seems to move military forces, as in Czechoslovakia and Hungary, if victory is certain and the risks of the conflict escalating are minimal. The Middle East is not a region satisfying either of these criteria; yet if a new theory is emerging in Soviet naval circles, as contended by P.H. Vigor² to the effect that a localised non-nuclear war with the West is feasible where basic

-
1. See para 3.39 for Allon Plan.
 2. P.H. Vigor The Soviet View of War, Peace and Neutrality (Routledge and Kegan Paul)

interests of the Soviet Union are not involved, as in the Middle East, the outbreak of general war over the Middle East becomes more likely. It would almost certainly escalate, and that Soviet naval view, if it exists, is a dangerous illusion. The war would be likely to become a war of nuclear weapons. In any event there is undoubtedly a desire for nuclear weapons in the Middle East itself, and Israel almost certainly possesses nuclear weapons already.

The civil war in Lebanon had important international repercussions. It heightened tension between Syria and Iraq, added to suspicion of the PLO, enhanced the prestige of Syria in States desirous of a settlement in Lebanon, exposed the unwillingness of member States of the United Nations to act for a settlement, and warned Israel again of the risk of a PLO presence within the nation, or in a non-Israeli West Bank (if the West Bank were restored to a Palestinian population controlled by the PLO). Jordan, anyway, was already a warning because of its internal conflict with the PLO in 1970. Lebanon underlined the warning.

The stakes are higher for Israel than for almost any other nation on earth - there may well be national extinction and genocide. The Ashkanasy (European) Jews have recent memories of genocide in Auschwitz, Belsen, Dachau and the Warsaw Ghetto. The Oriental Jews have memories of violence and expulsion from Arab States. The Jews will not again submit to genocide. They will not be helpless, as were so many of Hitler's victims.

The prospects of peace are reasonable if the PLO is not treated as a party entitled to negotiate while its aims are non-negotiable - Israel is to be destroyed and its population killed or driven out. If Arab States abdicate their rights to negotiate in favour of the PLO there are no prospects of peace unless the motives of the PLO radically change. Though Lebanon, Jordan and Syria have all fought the PLO, and Kuwait has acted against it, they still find it necessary to assert the PLO's right to Israeli territory.

One fact underlined in this report is the great sale of arms to the Middle East. The activities of the private manufacturers of arms - the celebrated "Merchants of Death" of the era of Sir Basil Zaharoff - pale into insignificance when compared with the arms peddling of Communist Governments to the Middle East. Billions of petro-dollars are earned feeding arms into situations of indiscriminate killing (as in Lebanon), into the attempted overthrow of Governments (Lebanon and Jordan) and into situations of potential and actual genocide. The Soviet bloc is the major seller of arms, but they are also authorised by Governments and sold by business from the US, Britain and France.

The Soviet Union persecutes all religions and there are paradoxes in a situation in which Jews who leave the Soviet Union under discriminatory pressure settle in Israel, and traditional Muslims resent the persecution of their faith in the Soviet Union. Suspicion of the Soviet Union arising from Soviet internal policies was admitted 20 years ago by the Soviet ideologist M.B. Mitin when he spoke

at the All-Union Conference Question of Scientific-Atheist Propaganda :

"In demonstrating the anti-scientific character of Islam, we must at the same time take into consideration the part it is playing under present day conditions, when under its banner there are a number of movements of great progressive importance, in particular the fight of the Arab peoples, led by Egypt, for their independence. In the Eastern countries there are still a large number of people whose religious sentiments fuse with their national sentiments. At the same time it is essential to keep in mind that the imperialists try to use Islam for their own purposes in order to stir up enmity between the peoples, in order to weaken their forces in the fight for independence From this it follows that our lecturers must have great political insight, a profound grasp of contemporary social processes, in order to carry on a proper fight against Islam."

That problem still exists for Soviet diplomacy, as the suspicion of Saudi Arabia shows, and Soviet relations with countries influenced by Saudi Arabia demonstrate the point. The position of 30 million Muslims in the USSR is not an asset for the Soviet Union in the Middle East, as its past maltreatment of Jews is not an asset in the West. The major asset of the Soviet Union is not its ideology, but its capacity to supply arms. Military occupation, not ideological persuasion, is Soviet policy in Hungary, Czechoslovakia, Poland and East Germany. Military supply, not ideology, is Soviet major policy in the Middle East.

Australia should not, for reasons of expediency, go with the tide at the United Nations and be silent about

1. Voprosy Filozofii Religion in the USSR ed. Robert Conquest 1957 No. 5, p. 224.

intended or actual genocide anywhere - Uganda, East Timor, Lebanon or Eritrea. The attitude of member States of the United Nations has reduced the United Nations to ignominy.

President Carter has struck sparks with his condemnation of violations of human rights and by his actions consequent upon such violations - banning aid and arms supplies to situations of cruelty. They are the sparks and reactions the United Nations should be producing. As it is, a majority in the United Nations goes out of its way to make the world comfortable for the Idi Amins, the terrorists, the violators of human rights. Australia should support President Carter's initiatives in respect of human rights. It should work to hold before the United Nations the questions of human rights, and the issue of genocide as condemned in the United Nations Charter and its conventions. The majority in the United Nations is not articulate for human rights, for democratic freedoms, or for the emancipation of human society from torture and persecution. There is a group within the United Nations which seems to want to use it as an instrument sanctioning or ignoring their wars.

A good deal of the report deals with the implications of the Middle East situation for Australia's energy needs and supplies. The points made in the report, the Committee believes, will if neglected, become issues of increasing urgency. Alternative sources of energy are imperative.

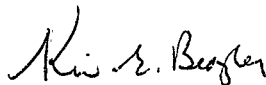
Slogans about "even handedness" do not deal with the human situations of Palestinian refugees, Lebanese refugees, or Jewish fears. A much more sensitive diplomacy is needed than that. The reasons for the failure to utilize the bulk of \$200 million in a United Nations fund for Palestine refugees demonstrates profound problems arising from sentiment, convictions and diplomatic expediency.

The resistance of Israel is infused with a conviction that those who died in the European holocausts should have fought back, as did the Warsaw Ghetto. It is immaterial to argue whether or not this was possible. What is pertinent is that there is a quality of total dedication to survive and to rescue, as in the Entebbe affair, an operation very similar to the French action, a few months earlier, to rescue French children kidnapped by guerillas in Djibouti near the border of Somaliland.

This report, like the Lebanon Report, is an attempt to be rational and humane in an explosive situation. Politics in the Middle East tend to become a demonology based on denunciatory, inflammatory, and de-humanizing terms to justify killing Jews, Christians, Kurds and other Muslims. The Soviet Union pontificates on "Zionism" and "Imperialism" as if people did not exist, and these de-humanizing expressions in fact justify massacre. Abstract nouns do not live in the area. People do. Despite all this there are distinct possibilities of a new spirit coming into the area as some governments become concerned for the life of their people, whose well-being would be vastly advanced by a welfare expenditure of even half of the billions wasted

annually on arms.

That new spirit needs to prevail if the Middle East is not to become a venue of massacre and confusion (of which Lebanon was a token foretaste) and even the spark point of a Third World War.



Kim E. Beazley
Chairman of the Sub-Committee
on the Middle East

26 April 1976

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INTRODUCTION

The resolutions of 17 and 18 March 1976 passed by both Houses of Parliament establishing the Joint Committee on Foreign Affairs and Defence empowered the Committee to consider and report on:

- a. foreign affairs and defence generally; and
- b. such matters as may be referred to the Committee by:
 - . the Minister for Foreign Affairs,
 - . the Minister for Defence, or
 - . by resolution of either House of Parliament.

On 4 May 1976, the whole Committee resolved "that a Sub-Committee to be known as the 'Sub-Committee on the Middle East' investigate and report on the significance of the domestic crisis in Lebanon for the fragile Middle East situation and the possible international repercussions". On the same day, the Committee appointed six of its members to the 'Sub-Committee on the Middle East'. The Hon. K.E. Beazley, M.P. was appointed as Chairman.

At this time it seemed that the Lebanon Crisis could have serious international repercussions as well as in Lebanon and there was a natural concern in the Australian Lebanese community for their kinsmen in Lebanon. Also in 1968, the Joint Committee on Foreign Affairs had reported to the Minister for Foreign Affairs on The Middle East

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Situation¹ and the Committee felt it would be desirable to report to the Parliament on the significant changes that had evolved in the troubled Middle East region since that time.

The Sub-Committee on the Middle East held its first meeting on 5 May 1976. It was decided that due to the sensitive nature of the inquiry that hearings should be held 'in camera', but some evidence has subsequently been published. It was considered that there was no need to advertise the inquiry in the national press and the Sub-Committee on the Middle East was able to obtain by invitation a large number of excellent witnesses expressing a broad spectrum of views. Informal discussions were also held with the relevant Ambassadors, Ministers of State, and persons with a first hand knowledge of the Middle East including the then critical situation in Lebanon.

Because of the human tragedy in Lebanon and its outreach for Australia, the Committee decided to give priority in its inquiry to the humanitarian aspects of the Lebanon Crisis resulting in its earlier report - The Lebanon Crisis - which was tabled on 2 December 1976. The Committee is pleased to note that several of its recommendations have been implemented since that time but notes that further action is required on a number of recommendations.

By the beginning of the Autumn Session of Parliament it became probable that the bulk of the internecine fighting in Lebanon was over. On 22 February

1. The Middle East Situation (Parliamentary Paper No. 62) tabled 28 May 1969.

1977, the Committee agreed that the Sub-Committee on the Middle East proceed with the preparation of a further report which would give emphasis to the continuing Arab-Israeli dispute, and to oil "diplomacy". As with the Committee's earlier Lebanon report, the latter part of this report concentrates on the outreach for Australia. Special emphasis has been given to the seriousness of Australia's oil situation and on Australia's dependence on the Middle East for our heavy crude oil imports.

The Sub-Committee on the Middle East has met on 24 occasions in Canberra or Melbourne. On 18 of these occasions the Sub-Committee heard evidence or held informal discussions with the persons and organisations listed in Annex J. The transcript of the Sub-Committee's private hearings has amounted to nearly 1,200 pages. The Committee was faced with a constantly changing situation particularly with regard to the potential of the Lebanon situation to affect the precarious status quo in the Middle East region. This report does not reflect events that have happened since 20 April 1977.

The report of the Sub-Committee on the Middle East was examined by the whole Committee at its meetings on 26 April, 28 April and 3 May 1977. The report was adopted on 3 May 1977.

3 May 1977

1. GEO-STRATEGIC FACTORS IN THE
ARAB-ISRAELI CONFLICT AREA

The Significance of the Fragile Middle East Situation

1.1 The Middle East is a focal point of conflict of interests, with a potential for war and for upsetting the balance between Great Powers. The interests of conservative Arab States such as Saudi Arabia, Jordan, Kuwait and the Gulf Emirates lie in negotiations but if negotiation does not result in settlement, then a fifth Middle East war may be inevitable. There is apprehension that the next war would involve a wider circle of Arab States, a rise in oil prices crippling to Western Europe and most of Asia and the possibility of an embargo by the Arab oil producers. The Great Powers could be drawn into the conflict as suppliers of military items for their respective client States; and suddenly the world would be plunged once again into a military, diplomatic, and economic crisis, in an area of perpetual strategic significance.

1.2 A fifth war could be worse than the war of 1973. The capacity of the Soviet Union for intervention is now more extensive and better geared for quick response; this includes forward deployments of a much improved Soviet Navy in the Mediterranean Sea and in the Indian Ocean, an expanded Soviet amphibious force of marines and paratroops, and a new awareness of US diplomatic hesitations and military vulnerability. European States may be more

directly involved in the conflict than last time, especially as military suppliers to Egypt and to the oil powers of the Persian Gulf.

1.3 Arab States possessing oil wealth now have an additional means of diplomatic pressure and economic influence - their vast reserves of petro-dollars. Israel, more isolated and vulnerable than ever, could find it necessary to react to every nuance of danger and to consider new strategic options. The US may find the problem of reconciling its obligations to its major allies (Europe and Japan), its minor ally (Israel), and its new friend (Egypt) too difficult. The Middle East is therefore important to Australia because the fragile Middle East situation makes demands on an ally - the US - on its diplomatic, military and financial resources. Therefore Australia's own strategic environment is influenced to Australia's disadvantage by any deterioration in the Middle East with its uncertain effects on superpower competition in many other areas of the world. A fifth Middle East war is at once an event with causes simple and easy to imagine, and yet unthinkable in its possible consequences.

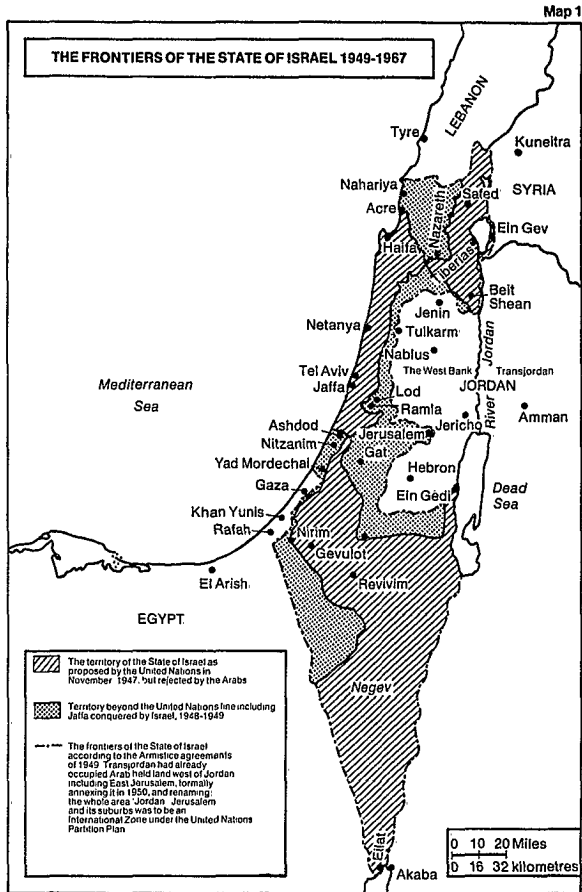
1.4 During the balance of 1977 there may well be mounting pressure, including pressure from the US, for Israel to withdraw from some or from all of the territory

Israel has occupied since the Six Day War in 1967. This pressure will not only be from the Arab or Communist countries but from many other countries who are feeling the effects of Arab "oil diplomacy", and from the US Government keen to sustain friendship with Egypt. In particular there is likely to be increasing pressure for Israel to allow the establishment of a homeland for the Palestinians on the West Bank and in Gaza, be it under the jurisdiction of Jordan or as a third State in the area. For Israel this would be fatal unless the PLO abandons its goal of destruction for Israel and probably for Jews in the Middle East. It is therefore important to understand the ramifications of several geographic and strategic factors of the Middle East situation which are discussed in this chapter. Due to the great significance of Middle East oil for the world - and Australia - it is appropriate to devote a separate chapter to this subject¹.

Significance of Secure Boundaries

1.5 It is worth remembering when considering Israel's security that Israel was a creation of the United Nations and that Australian representatives played a crucial role in the establishment of Israel in 1947-8. Paragraph 1 of United Nations Resolution 242 (1967) of 22 November 1967 (see Annex A) affirms for every State in the area "their right to live

1. See Chapter 6. On 1974 estimates, Middle East countries are endowed with approximately 62% of the world's oil reserves. Middle East countries tend to produce about 70% of that part of the world's oil which is exported.

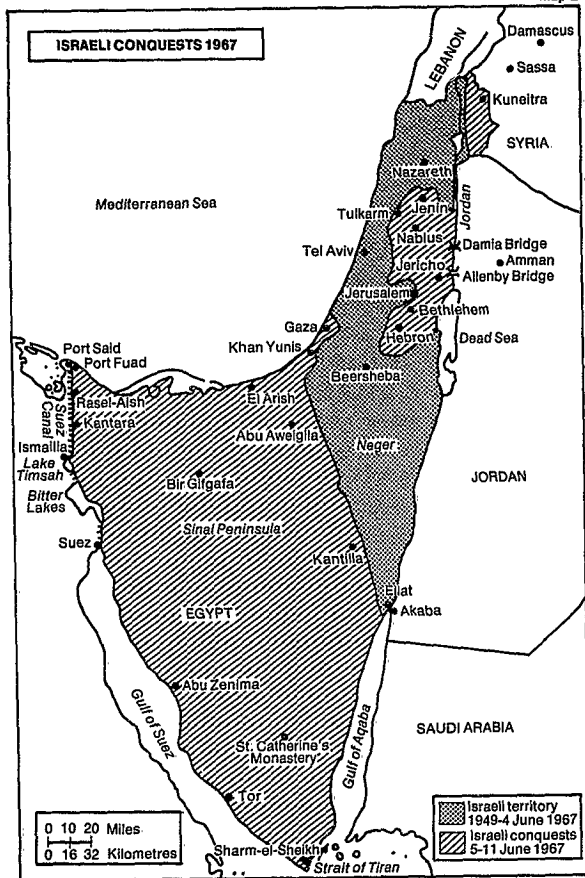


in peace within secure and recognised boundaries free from threats or acts of force".¹ It is highly desirable that political boundaries be clearly delineated and difficult to violate by being strongly defensive in character. Natural obstacles such as water, mountains or other broken terrain are important in this regard as they help to discourage the ground movement of offensive military forces, particularly armoured formations. This is not to suggest that Israel or any other State has an undeniable destiny to expand its frontiers to the most defensible line in the region, for it is acknowledged that many existing and recognised boundaries throughout the world are unnatural boundaries. Poland is the classic historical case of a country without "natural" boundaries. The chances of outbreaks of aggression are almost in direct proportion to a country's ability to carry it out, and secure and easily definable boundaries are generally an aid to keeping the peace, both militarily and ideologically. It will be seen from para 1.15 to 1.20 that there is considerable feasibility for secure boundaries in the Middle East conflict area if other important factors are conveniently ignored.

1.6 Israel's official case has put a special emphasis on secure boundaries and has defined insecure boundaries as those "which lack a natural separation between the armies of the two parties" and those which "present the constant temptation of quick and easy military achievement".²

1. See also United Nations Resolution 338 in Annex A.
2. The Meaning of "Secure Borders" published by Israelis Reply (Tel Aviv, 1973) page 6. Israeli official opinion frequently uses the term "defensible boundaries" rather than "secure borders".

Map 2



Israel's former Foreign Minister, Eban, has described secure borders in relation to Israel as those borders which would obviate the need for Israel to launch a pre-emptive strike (see paras 2.51 to 2.57 for a discussion on the temptation for a pre-emptive strike in a future Middle East war). Israeli negotiators consider themselves obliged by threats of extermination to regard any new boundary as the starting line for the next Arab attack and hence survival issues are paramount in their thinking.

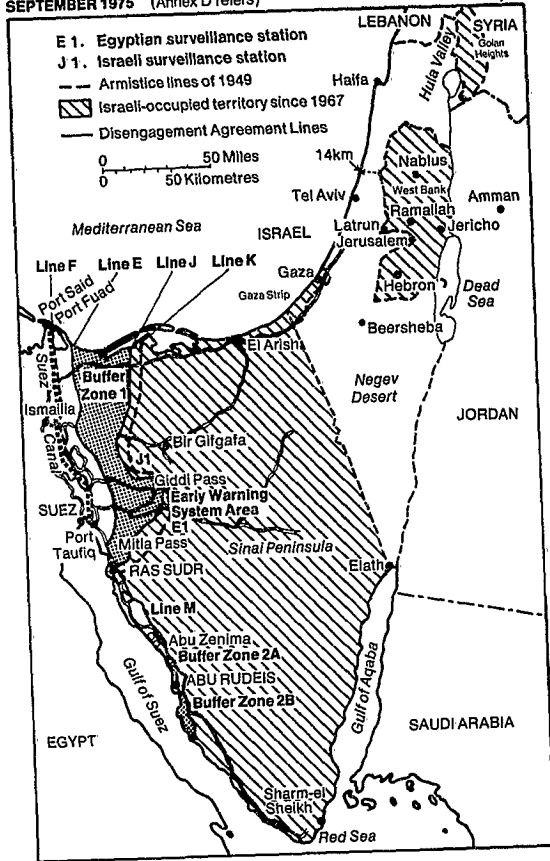
1.7 On the other hand the Arabs reject the whole concept of taking topographical issues (rather than historical claims) into account when considering border issues (see paras 3.22 and 3.23). A senior Arab representative before the Committee challenged the concept of secure boundaries on the basis that in 1973 when Israel had the defensible lines Israel has striven for, Israeli forces suffered initial reverses not experienced at any time since 1948. All the same, indefensible boundaries are a convenience for an intending attacker; and many Arab spokesmen equate the mere existence of Israel with "Zionist aggression", and attack on Israel as merely repulsion of aggression, it is hardly surprising Israel feels threatened. For further counter arguments see paras 3.37 and 3.38.

Limited Depth and Need for Offensive Action

1.8 The most striking feature of the Middle East area is the lack of depth of territory - particularly for Israel to absorb invading forces and for Israel to counter attack

**ISRAEL: BORDERS AND SECURITY
SHOWING EGYPTIAN-ISRAELI DISENGAGEMENT AGREEMENT
SEPTEMBER 1975 (Annex D refers)**

Map 3



before invasion reaches major Israeli population centres. Until the 1967 war, Israel probably had the worst ratio of territory to defensive perimeter (13:1) compared with any other country in the world. As a tiny state of 20,700 square kilometres (less than one third the size of Tasmania) Israel had hostile States on all land borders, which were then 990 kilometres long.

1.9 Before 1967, Israel was particularly vulnerable because the irregular bulge of Jordan's West Bank constricted Israel to a narrow waist along the coastal plain of Sharon only 15-30 kilometres from the Jordanian border to the Mediterranean Sea (see Map 3). This strip contains two-thirds of the Jewish population and half of Israel's industry. The heartland of Israel was therefore vulnerable to an armoured thrust from Jordan to the Mediterranean which could be achieved in less than an hour along any one or several of the 28 paved or 22 unpaved roads running from the Armistice lines to the Mediterranean Sea. Before 1967, Israel had three other important areas which were susceptible to being cut off by a quick thrust from three Arab adversaries:

- a. In the north, Syrian forces could detach the Hula Valley of Galilee which is only eight kilometres at its base (see Map 3).
- b. In the south, an Egyptian or Jordanian penetration of less than 16 kilometres could cut off Eilat, Israel's only sea outlet to the East.
- c. Jerusalem, surrounded by Jordanian territory on three sides could be cut off from Israel by a

pincer movement to the west of the Israeli capital.

1.10 Since 1967, when Israel quadrupled the area under Israeli control, Israel has reduced the length of her land boundaries by more than one third from 990 to 640 kilometres. Israel has achieved this mainly through control of the West Bank (and thus straightening the "boundary" with Jordan) and the 45 kilometre long Gaza Strip. This has increased Israel's area to perimeter ratio from 13:1 to 86:1. Israel's improved land-perimeter ratio still compares unfavourably with the ratio of two other countries facing border surveillance problems; South Korea's ratio is 256:1 and South Africa's ratio (excluding Namibia) is 223:1.

1.11 Israel now has about 150 kilometres of Sinai desert as a buffer facing Egypt; the Golan Heights and the West Bank can absorb Syrian and Jordanian forces before they can reach Israel proper. Currently therefore Israel has an improved territorial depth to allow the Arabs to strike first despite the significant tactical and psychological disadvantages for Israel that this would involve. Israel can also claim that this improvement was a consequence of intended aggression against Israel in 1967. Assurance of US support may require restraint on Israel's part; however since the assaults on Israel by Egypt and Syria on 6 October 1973, a considerable proportion of Israelis continue to feel that the costs of restraint are even greater than the penalties of a pre-emptive strike. Although Israel now has a reasonable ability to trade depth for time, Israel is likely

to retain the strategic doctrine that if a war breaks out the battle zone must be transferred to Arab territory as soon as possible. Such a forward strategy has been forced upon Israel since its inception, not by a desire to change the status quo but rather by the dictates of geography and the reaction to a long standing taunt by Israel's adversaries that the Jewish people "will be driven into the sea".

1.12 It is important to keep in mind that the Middle East adversaries are confined to a very limited area. The area bounded by Cairo - Sharm el-Sheikh - Amman - Damascus - Tripoli (north Lebanon) is much less than the size of Victoria. Distances by air between the major cities are very small:

Jerusalem - Amman	72 kilometres
Haifa - Damascus	153 "
Port Said - Tel Aviv	250 "
Cairo - Tel Aviv	419 "

(for comparison Sydney - Canberra 238 kilometres)

Therefore the direct flight times of fully loaded strike aircraft are generally less than twenty minutes.

1.13 The small size of the Middle East conflict area and the short breathing space it offers reduce the distinctions between offensive and defensive weapons, and between tactical and strategic weapons. For example, if US manufactured Hawk surface-to-air missiles (designed for air defence) could be deployed by the Jordanians on the pre-1967 lines on the West Bank they would cover most of the civil

and military airports of Israel. Similarly, artillery with a range of 27 kilometres sited on the West Bank can hit any factory in Tel Aviv. This lack of depth does not work only to Israel's disadvantage. Most of the major cities of the Arab "front line" States (Egypt, Syria and Jordan) are well within reach of Israel's proven strike capacity. In particular Egypt's recently reconstructed Suez Canal cities can be regarded as hostages to peace. Nevertheless Israel is alone in having survival at stake.

1.14 The doll's house scale of the Middle East conflict area, and the existence in it of borders not conducive to defence, constitute an incentive for both sides to seek a quick victory through a first strike. The short distances and brief flight times impose a need for hair trigger readiness at times of crisis. This readiness involves the deployment of immense resources which the potential combatants - Egypt and Syria, Jordan and Israel - can all ill afford. It can therefore be expected that Israel will be most reluctant to make further significant territorial concessions (thereby foregoing the life ensuring strategic depth won in 1967) without substantial guarantees, and an end to the ideology of "driving Jews into the sea" and "exterminating every man, woman and child in Israel". These utterances, stock in trade of some extremists, make concessions impossible, as does the almost total absence of an acknowledgment of the right of Israel to exist.

The Scope for Secure Boundaries

1.15 If the border areas between Israel and the Arab

"front line" States are examined without consideration of historical, political and demographic factors, then there is considerable opportunity for defensible boundaries. Such an examination gives an understanding of the considerations underlying Israel's limits of advance in the Six Day War of 1967.

1.16 The most striking geographical-strategic feature is a major fault line which runs the length of the region from north to south, known as the Great Rift, and incorporating the environments of the Jordan River, the Dead Sea, the Arava Valley, and the Gulf of Aqaba. It is the deepest continental crack in the earth's surface, and is edged for most of its length by chains of steep hills and escarpments on both sides. The vulnerable parts of this natural border are limited to about 32 kilometres. Within the Rift depression itself, military movement is impeded by the Dead Sea, Lake Tiberias,¹ the Jordan River, and wide expanses of desert valley abutted by steep hills. From the point of view of topographical defensibility, one could hardly imagine a better protective line than the Rift for Israel's longest border (298 kilometres) and indeed it has been the de facto line between Israel and Jordan since 1967.

1.17 The sparsely populated Sinai is a natural barrier between Israel and Egypt. However, the 1949 armistice line did not follow natural features but merely reinstated the arbitrary line struck between the British and Ottoman rulers in 1906 (with the exception of the Gaza Strip containing a considerable Arab population). In itself, this administrative line offers no protection to Israel from forces stationed across the border, though Egypt is

1. The biblical Sea of Galilee or Lake Kinnaret.

protected by the strongpoints and vastness of Sinai.¹ Conversely, if the line is struck at the Suez Canal end of Sinai as it was after 1967, the Jewish State is protected but Egypt's vital delta area has only the thin line of the Canal for protection. Thus, the topography of the Sinai offers considerable scope for either a defensible line near the midpoint that will give some of the desert to the defence of both parties, or two separated lines with a wide demilitarized zone (DMZ) between the forces of the two States with a mutually satisfactory arrangement for political administration in the DMZ. "If you want to keep the peace keep the nations apart" the cynic has observed. The Sinai desert can do just that.²

1.18 The hills of the Tyrian Ladder which have marked the border between Israel and Lebanon since 1949 (and earlier between the respective British and French mandates) offer good scope for defensive warfare, although part of the terrain has proved suitable for guerilla methods of infiltration.

1.19 The most difficult boundary from the point of view of military balance is the one between Syria and Israel. The Golan Heights offer much less scope than the Sinai Desert for lines of natural fortifications separating potential antagonists in this area. Apart from the Mount Hermon district, the area must be regarded as suitable terrain for

1. See references to the Sinai Passes in para 2.57 and Annex D.
2. For a detailed discussion of several alternatives on the Sinai and Golan fronts see Evidence of Dr S.J. Rosen in Committee Hansard, 18 May 1976, pages 84-95.

large scale mechanized military manoeuvre. The nightmare of a thousand Syrian tanks and numerous long range artillery pieces opening an offensive above Israel's Hula Valley is a frightening and all too real prospect for Israelis. The 1949 line allowed Syrian artillery positions to bombard northern Galilee settlements, and the main pumping station of Israel's national water carrier is within a vulnerable ten kilometres of this line. Furthermore a return to the 1949 line would enable the Syrians to divert away from Israel the Hasbani and Baniyas springs that feed the life giving Jordan River which is vital for Israel's water supply (see paras 1.53 to 1.56). It is apparent that no major Israeli political figure could agree to a withdrawal from the Golan Heights. He or she would not survive politically because the concession would be inimical to Israel's own survival, in default of a genuine acceptance of Israel's right to exist. However, from Syria's point of view the area is the original home of 100,000 Syrians who fled from there in 1967 and the Israeli presence represents both an affront to the nation and a threat to Damascus, about 60 kilometres away.¹

1.20 As indicated previously, topographical factors for defence are not the only aspect and they should not be considered in isolation from the moral, historical or demographic factors. While in topographical terms the

1. Damascus is however well protected by fortifications in the hills straddling the main approaches, and it is doubtful if Israel would ever attempt to occupy an Arab city with over a million inhabitants, quite apart from the unfavourable world reaction that would result to Israel's diplomatic and ideological detriment. After the 1973 war Israel returned Kuneitra - the main population centre on the Golan - to Syria.

boundaries of the 1949 armistice gave adequate security to the surrounding Arab States, it did not provide Israel with secure boundaries. The borders of 1967 have the undesirable effect from the Israeli point of view of putting under Israeli control an additional one million Palestinian Arabs. These constitute a factor of internal instability for Israel and inflict a political disadvantage on Israel by being unacceptable to Israel's Arab neighbors and unacceptable to many States outside the region. They are an ideological liability Israelis feel they must carry in the face of annihilation threats. Their one hope is to diminish the liability by correct, humane and effective rule.

Israel's "Interior" Lines

1.21 Despite the disadvantage of lacking strategic depth, particularly prior to 1967, Israel's compactness and location have given the Israelis some compensation for the advantage in numbers possessed by their Arab adversaries. Israel's central position separates the allied Arab forces into distinct sectors so that they have a limited capacity for the rapid transfer of forces from one front to another. If attacked on two fronts, Israel is able to practice the strategy of "interior lines", striking against one of her opponents by using the shorter distance to concentrate an attack against one of the enemy forces before it can be supported by the other. By massing at the point of greatest danger, Israel can achieve local superiority despite an overall numerical disadvantage, and then in succession move rapidly to other fronts in an attempt to bring about their

collapse.

1.22 Rather than the classic strategy of first concentrating against the weaker opponent, Israeli practice has been to take care of the most threatening opponent first (Egypt in 1967, but Syria in 1973) in the fear that even a limited breakthrough would give a psychological advantage to the aggressor and lead to the massacre of Jewish civilians in a temporarily occupied zone. The Israelis have the capacity to switch large forces with high speed and striking power from one point to another while the Arabs operating on "exterior lines" have to cope with the logistical demands of greater combined territory and the separation of Egypt by the waters of the Mediterranean, the Gulf of Suez and the Red Sea.

1.23 The handicap of the "exterior" position of the Arab States is accentuated by inadequate sea and land transportation between the geographically distant Arab States and the Arab "front line" States - Egypt, Syria, Jordan and possibly Lebanon (if under Syrian influence). The Arab States of North Africa remain without a connecting railway, and there is no rail link between Saudi Arabia and Jordan, or between Iraq and southern Syria. Furthermore the distant Arab States do not yet have sufficient military air transport to enable the rapid reinforcement of the Egyptian, Jordanian or Syrian fronts by air. However, such a reinforcement and deployment capability will be enhanced as Arab land, sea and air transportation expand with the rapid economic development made possible by petro-dollars.¹

1. See also paras 2.36 to 2.41 on the participation of other Arab States in the event of another Middle East war.

1.24 The larger Arab territories are vulnerable to diversionary threats or small raids by Israeli forces, and therefore in war Israel tactically can drain Arab resources, thereby reducing Israel's numerical disadvantage at key sectors of the front. For example the possibility of flanking attacks toward Damascus, alternatively through Lebanon or through Jordan, has caused Syrian dispersion of effort in these directions (Syrian forces are also distracted on the border with Syria's rival Iraq).¹ Furthermore the Israeli capacity for air - sea - land operations will pose an increasing threat to Arab coastal installations. Israel's demonstrated ability (at Entebbe) to strike at long distance targets provokes fear of an Israeli show of force deep in Arab territory, perhaps directed against oil refineries or oil installations. This consideration may act as a deterrent against the active participation in future wars of some Arab States which are more distant from Israel, and which have a great deal at stake.

Manpower Imbalance

1.25 A most striking geo-strategic factor in the Middle East conflict is the disparity in the populations of Israel and the Arab States. Table 1-1 indicates the populations of

1. For some of the reasons for the animosity between Syria and Iraq see The Lebanon Crisis para 1.23 and the evidence of Dr Nasseh Mirza in Committee Hansard pages 976-978.

selected Middle East countries, and it will be seen that Israel is surrounded by Arab States with populations exceeding 130 million people. In particular Israel's three million Jews¹ are outnumbered in a ratio of 16:1 by the people of the three "front line" confrontation States as follows²:

Egypt	38,040,000	
Syria	7,600,000	
Jordan	2,830,000	(includes about 710,000 on the West Bank)

1.26 The great population disparity is likely to continue in view of the higher rate of natural increase of the Arab populations (see Table 1-1) and because Israel is now proving less attractive for Jewish immigrants. Due to the relatively low Jewish birth rate, Israel has relied heavily on immigration in the past; however in 1976 the number of immigrants was matched by 20,000 emigrants - including a surprising proportion of native born Israelis - apparently disenchanted with Israeli living conditions.

1.27 This demographic factor has not yet been reflected fully in effective military manpower. For example, in the 1973 war the ratio of mobilized forces was 1.7 to 1.0 against Israel (for a fuller discussion of military manpower see paras 2.25 to 2.35). There are other factors, such as

1. This population figure does not include over 400,000 Arabs living within Israel's pre-1967 borders; these people are not required to perform military service.
2. Source: International Institute of Strategic Studies Military Balance 1976-77 (London, 1976).

budgetary constraints and educational standards, which limit the growth of Arab (especially Egyptian) military manpower. High technology warfare and complex military organisations require a high proportion of soldiers who have reached proficiency in technical skills and education. The quality of Israel's education and the intensity of the motivation for survival are undoubtedly high. Even when allowances are made for qualitative differences such as in education and technical skills, the Arab advantage remains substantial; for example, the combined enrolment at higher learning institutions in Egypt, Syria and Jordan is about six times as high as that in Israel. While full modernisation of Egyptian society will take years to complete, it can be expected that Egypt will steadily close the "technological gap", resulting in enhanced military performance.

The Potential for Guerilla Action and Internal Resistance

1.28 Israel's present boundaries offer less scope for guerilla incursions aimed at Israeli economic and strategic targets than did the pre-1967 boundaries. The inhospitable Sinai Desert to the south west and the great Rift Valley to Israel's east offer little cover for hostile guerilla activity directed against Israel, with the exception of the region south of Lake Tiberias. In contrast Israel's frontier with Lebanon offers suitable terrain for border incursions. As a consequence the region west of Mount Hermon in Lebanon has been the main training and staging area for the Palestine Liberation Organisation (PLO) and significantly in the wake of the Lebanon Crisis the PLO has tried hard to

TABLE 1-1

VITAL STATISTICS OF SELECTED COUNTRIES IN THE REGION

Country	a.	b.	a.	a.	c.	d.	e.
Area	Popula- tion 1976 - millions	Rate of Natural Incr. %	Life Expect.	Illit- eracy Rate %	Production of Crude Oil Metric tons (1975)	Nat. Income Per Capita US\$	
ALGERIA	2381741	17.33	3.2	51	74	44.93	425('73)
BAHRAIN	622	.26				3.06	909('70)
EGYPT	1001449	38.04	2.3('73)	53	74	11.40	245('73)
IRAN	1648000	33.81	2.9	50	77	268.03	1295('74)
IRAQ	434924	11.49	3.4	52	64	110.20	483('73)
ISRAEL	20700*	3.57	2.1('74)	72	84	5.57	3518('74)
JORDAN	97740	2.83+	3.3	52	56		334('73)
KUWAIT	17818	1.04	3.6	69	39	103.73	11182('74)
LEBANON	10400	2.95	2.0('73)*	12	12		786('72)
LIBYA	1759540	2.55	3.0	52	48	72.63	2599('73)
MOROCCO	446550	17.85	3.3	51	78	.02	290('73)
OMAN	212457	.79	3.1			17.00	292('70)
QATAR	11000	.09				22.05	3159('70)
SAUDI							
ARABIA	2149690	8.40	2.7	42	95	349.74	830('72)
YEMEN							
P.D.R.	287683	1.74	2.7	42			93('70)
SUDAN	2505813	18.20	3.1	48	80		143('74)
SYRIA	185180	7.60	3.2	57	46	9.41	335('72)
TUNISIA	163610	5.92	3.0	52	68	4.63	596('74)
TURKEY	780576	40.13	2.5('67)	54	45	3.11	435('72)
UN ARAB							
EMIRATES	83600	.66 ³				82.25	21,600('74)
YEMEN							
A.R.	195000	6.86	2.7	42			126('73)
c.f.							
AUST-							
RALIA	7686848	13.77	1.1('74)	71		20.19	5,884('74)

* Christians 1.3% Muslims 2.6%

+ Includes 710,000 on West Bank

See next page for Sources and Notes.

retain this area for continued operations against Israel. However the ideological passion of the PLO for the destruction of Israel has been diverted frequently in the past by their ideological passion to destroy conservative Arab governments, as their destructive efforts in Lebanon and Jordan testify. Now in southern Lebanon the PLO has to contend with a Lebanese Christian militia which has an increased determination to uphold Lebanese sovereignty against the Palestinians, and this further diminishes any PLO threat to Israel's northern border areas. Where sectors of the Israeli frontier are particularly vulnerable to

Sources and Notes for Table 1-1

- a. United Nations Statistical Yearbook 1975 (New York, 1976). For Rate of Natural Increase, data is given for 1965-1970 unless otherwise indicated.
 - b. The International Institute for Strategic Studies The Military Balance 1976-1977 (London, 1976).
 - c. Britannica Book of the Year 1976 (Chicago, 1976). Data mainly applied to population over 15 years.
 - d. United Nations World Energy Supplies 1950-74 (New York, 1976).
 - e. United Nations Yearbook of National Accounts Statistics 1975 Vol. III (New York, 1976); and United Nations Statistical Yearbook 1975 (New York, 1976).
- (1) Not including area occupied in 1967.
 - (2) From Jerusalem Central Bureau of Statistics. This figure does not include approximately one million Arabs in administered area.
 - (3) 1975 figure from Europe Publications from the Middle East and North Africa 1976-77 (London, 1976).
 - (4) Jewish population only.

guerilla action, the Israelis have sophisticated defensive measures supported by Jewish paramilitary settlements.

1.29 The post 1967 "borders" and Israeli counter measures have enabled Palestinian border incursions and Israeli casualties to be kept at tolerable levels, and fatalities are believed to have averaged about 25 in the years since 1971.¹ It can be seen therefore that the physical impact of the PLO on Israel has been far less than on Jordan and Lebanon where drastic military action was taken against the Palestinians to curb their interference in the internal affairs of both these Arab States. Kuwait had to take constitutional action. This situation is likely to change greatly if Israel surrenders the West Bank and the Gaza Strip to a Palestinian "fighting authority". This would be tantamount to the provision of sanctuaries and sally points in Palestinian population centres, with excellent prospects for action against nearby Jewish areas. It will be recalled that fedayeen operating in Israel from Gaza exacted a heavy human toll on Israel in 1955, provoking Israeli pre-emptive action against intended Egyptian supporting action during the Suez Crisis of 1956.

1.30 Although Israel's post-1967 "borders" have several advantages, they have increased the scope for internal resistance. Before the 1967 war, Israel's Arab minority of 300,000 was outnumbered by ten to one; within a week in 1967

1. When compared with the 47 murders and 659 road fatalities in Israel in 1974, then PLO action in Israel in recent years can be almost discounted as a minor addition to the hazards of life were it not for the tragic circumstances of those involved.

this ratio was reduced to only two to one. Given the higher birth rates of the Palestinian Arabs this ratio will continue to move adversely for the Jewish population so that if the present situation were to continue for any length of time, Arabs living within the area now controlled by Israel would outnumber the Jews even without admission by Israel of 1½ to 2 million Palestinians now living outside the area of Israel's control.¹

1.31 The one and a half million Arabs now within Israel's lines could develop into a considerable threat to the Israeli war effort quite apart from their potential for capturing world attention for their cause, as has been the case with Palestinian riots on the West Bank in 1976. Large scale civil strife could tie down a large part of Israel's forces which are so dependent on Reserve manpower, and there would be considerable scope for sabotage and disruption of Israeli lines of communication. Israel's and Jordan's "Open Bridges" policy gives an opportunity for the accumulation of arms by Arabs in occupied territories (see Map 2 for bridges²). It must not be imagined however that Israel's occupied territory offers a suitable terrain for guerilla warfare - as do parts of South-East Asia - and in the more open terrain the Israelis could be expected to block the

1. Rates of natural increase for the period 1970-74 were: Jews 1.7%; Muslims within pre-1967 Israel 4.4%, West Bank 2.8%, Gaza and Northern Sinai 3.1%. Using the above figures exponentially (and ignoring some other possible influences) Dr S.J. Rosen shows that even the Israeli Muslims within pre-1967 Israeli borders could outnumber the Jews there within about 70 years. See Committee Hansard evidence, pages 82-84.
2. The bridges referred to are the Allenby and Damia Bridges across the Jordan.

outlets from Arab urban centres of resistance if such centres were confined to a few towns, as they are now.

Vulnerability of Critical Commodities and Arms Resupply

1.32 A characteristic of Middle East armed conflicts has been the short duration of wars, but there is a possibility that there could be in future an extended period of hostility. Therefore the dependence of the likely confrontation States on critical imported supplies is an essential factor to be considered in the strategic balance in the region; this in turn creates the opportunities for blockade discussed in the next section. Due to their preponderance in manpower and natural resources the Arabs may be tempted to resort to a lengthy period of severe economic warfare - denying Israel essential materials including oil - independent of any policy of short bursts of armed conflict. Such a strategy would of course risk escalation into war once such measures started to cripple Israel and would necessarily be a preliminary to war.

1.33 In general Israel is more vulnerable to a blockade of essential supplies than are her possible opponents and this vulnerability applies particularly to the supply of bulky energy sources. Since 1975 when Israel returned to Egypt the main Sinai oil fields (at Abu Rudais and Ras Sudr - see Map 3) Israel has had to import about 90% of her energy requirements. In contrast with the Arab "front line" States, only Jordan and Lebanon are net importers of oil, and they can be supplied over land. Iran covertly sells oil

to Israel, and apparently assisted Dr Kissinger in gaining Israeli agreement for a withdrawal from the Sinai oil fields by guaranteeing future oil supplies from Iran for Israel. Although Iran must be under considerable pressure to cease this supply of oil to the Israelis, the Shah has always said that Iran will sell oil to any buyer. The Shah is unlikely to change this policy at a time when Iran is having trouble selling oil at "upper tier" prices. However, Israel cannot discount the possibility that a desire to improve relations with the Arab States may cause Iran at some future time to change this policy towards Israel.

1.34 Even if Iran continues to sell oil to Israel there is always the possibility of an Arab blockade at one of the several narrow straits through which tankers would have to pass (see para 1.41). Israel with US assistance has therefore taken several precautionary measures to counter an interruption of fuel supplies including:

- a. Israel has secured US assurance to make available for purchase Israel's oil needs, and to secure the means of transport to Israel for a period of at least six years from the time Israel notifies that the Israelis cannot obtain their oil using normal procedures; if the US also suffers from an oil embargo the US will still sell Israel a proportion of US oil supplies in accordance with an agreed formula;

- b. Israel has provided for a 200% increase in the 1976-77 budget for investment in underground storage reservoirs that will increase Israeli oil stocks to one year's supply;¹ this project has so far been hindered by technical problems; and
- c. Israel has intensified oil exploration including off-shore exploration,² using new but expensive deep drilling techniques (the 15 wells dug in 1976 trebled the number sunk each year in the period 1969-74); there is a consensus that if a major strike is not made within four years Israel will have to divert resources for the development of costlier alternative energy sources.

1.35 Middle East wars have been intensive in demands on equipment involving a high replacement rate for arms and ammunition, and making imperative a guaranteed source of supply. Hence Egypt's reaction against Soviet unreliability as a source. For the replenishment of depleted stocks and

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1. See paras 7.20 to 7.23 for comparison with Australia's limited stocks.
 2. Some of Israel's off-shore oil exploration has been carried out off Israeli occupied Sinai and this is a contentious issue with Egypt.

the supply of new weapons, Israel has always had to rely heavily on the US which launched a massive air resupply to Israel in the 1973 War (although few of these arms arrived in time to be used in the conflict). This US life-line to Israel was placed under great strain in 1973; of America's European allies only Portugal made refuelling facilities available. The new Portuguese regime is unlikely to make available again the Azores refuelling facilities during a wartime resupply of Israel. Against that factor is the consideration that since that time the US has improved techniques to obviate the need for refuelling stops between the US and Israel (for a discussion on how Israeli dependence on the US has limited Israeli options see paras 2.52 to 2.54).

1.36 Syria has managed to obtain almost unlimited arms from Russia. During 1974, Syria spent US \$2.1 billion on Soviet military "assistance", at bargain prices, more than enough to compensate Syria for her losses in the 1973 war. Syria has received the most advanced Soviet fighter planes to be deployed outside the Soviet Union. Now that Egypt has turned to the West for arms, Syria ranks as the largest recipient of Soviet arms in the non-aligned world. The Russians have an ability to launch a massive re-supply operation to their Arab clients despite Russia's current denial of spare parts to Egypt and the abrogation by Egypt in March 1976 of the Soviet-Egyptian Treaty of Friendship. There is every indication that Russia would be willing and able to supply arms to Egypt and Jordan, if these two countries wished to make themselves completely dependent on Soviet arms supplies and all that this would entail. The

Soviet Union may yet pay a high diplomatic price for this arrogance. Once Egypt, China, and Indonesia were strong spheres of Soviet influence but the desire to control has forfeited this advantage.

1.37 Despite Russia's diminished popularity in 1977, it should be remembered that in July 1972, the Egyptians ordered out of their country the 20,000 Soviet advisers, yet by the following March the Soviet Union resumed arms shipments at a much higher level than ever before, enabling the Egyptian and Syrian attack on Israel in October 1973. The Soviets have a much shorter resupply line to the Middle East countries than the US, with a short turn-around for Soviet shipping. It must also be kept in mind that the Soviets have built up a huge arsenal of key weapons in Libya, whose stock of tanks and planes is far in excess of Libya's needs or ability to man (see para 4.30 for details). In any future Middle East conflict these arms could be quickly transferred to Egypt despite the current rivalry between the respective presidents.

1.38 Nearly every State in the Middle East relies on food imports, Syria being the only net food exporter amongst the confrontation States. Israel produces only about 60% of the nation's food requirements, but self-sufficiency in food is increasing. Egypt and Jordan also import large quantities of food stuffs and the need for the Egyptian Government to divert resources to provide food at reasonable prices was well illustrated by the desperate Egyptian food riots of early 1977. An embargo on food to the needy Middle East

countries (as opposed to a blockade) is unlikely because of the large number of potential suppliers. Nevertheless food imports are a critical item in the Middle East economies and balance of trade, and the capacity to store food is very limited.

1.39 Israel's only indigenous metal in exploitable quantities for local mining is low grade copper, but Israel is better endowed with a few non-metallic minerals such as phosphates, potash and magnesium. It can therefore be seen that the spectre of an effective blockade of Israeli ports is decisive in Israeli thinking and planning. Israel is particularly dependent on imported raw materials because the Israeli economy is oriented to the processing of these materials, and it is significant that this applies to a most marked extent to Israel's arms industry. Israeli arms sales abroad amounted to US \$340 million in 1976, which represents 45% of Israel's arms output and an integral part of Israel's economy.

Opportunities for Blockade and Counter-Measures

1.40 While the current superiority of the Israeli Navy and Air Force makes it feasible for Israel to blockade the ports of the Arab "front line" States, the Arabs with their much greater strategic depth have a far better opportunity for blockade in the more distant areas beyond the radius of effective action by Israeli forces.

1.41 An Arab blockade of Israel's southern approach

(culminating at the port of Eilat) threatens Israel's future oil supplies from Iran which have to pass through some very narrow waters adjacent to Arab States including through the following three straits:

- a. Straits of Hormuz (entrance to Persian Gulf);
- b. Straits of Bab el-Mandab (entrance to Red Sea); and
- c. Straits of Tiran (between Sinai and Saudi Arabia).
(See Map 7).

1.42 Iran has adopted a dominating position astride the Straits of Hormuz to protect her oil exports, and Israel can be expected to protect Israeli shipping at the northern end of the Red Sea as long as Israel holds Sharm el-Sheikh. While two of the straits on Israel's southern approach should not be a problem for Israel, the narrows of Bab el-Mandab are likely to prove much more difficult. Already during the Yom Kippur War, in 1973, Egypt and "South" Yemen (which controls the island of Perim in the strategic Straits) maintained an effective blockade of Israeli-bound traffic entering the Red Sea. Arab influence is likely to be enhanced on the western side of the straits, for example in Eritrea. Furthermore, with the likely improvements in land based anti-shipping missiles and in Egypt's Red Sea fleet this area offers the best chance for an effective blockade aimed at Israel.

1.43 The potential for an Arab blockade of the western approach to Israel through the Mediterranean is also growing and could threaten the bulk of Israel's non-oil trade. Libyan or even Algerian ports would appear to offer the best

scope and thus would give both these more distant States an opportunity to help the Arab fight against Israel. There are, nevertheless, some very real problems associated with a long distance blockade. Of the 2,600 merchant ships using the Mediterranean in 1971 only 5% were ships of the Israeli flag and over half of Israel's trade is carried in ships of non-Israeli flag. A blockade of Israel would therefore involve a coalition of relatively minor naval powers against a small trader in very busy sea lanes.

1.44 The nuisance that a long distance blockade would cause to the shipping of other powers would most likely result in their resistance to such measures, and because of the enormous task of checking so many ships the Arabs would be forced to concentrate their efforts against the few ships known to be involved in trade with Israel. Such measures could be expected to have a deterrent effect on trade with Israel; however the doctrine that a blockade must be legal to be effective, and the need of many powers for freedom of the seas, and Egypt's interest in the free movement of trade for Suez Canal revenues are all very great difficulties in the way of a distant blockade.¹

1.45 There are a number of "passive" counter measures that could be employed against an Arab Naval blockade. The covert transshipment in ports of Israel's less obvious allies, and provocation leading to the use of escorted convoys, perhaps even under protection of a Great Power, are

1. For a more detailed discussion of the prospects of an Arab blockade see evidence of Dr S.J. Rosen in Committee Hansard, pages 56-65.

problems for the blockader. However indications are that Israel would itself take more active measures¹ against opponent merchant fleets as well as against vulnerable land targets of any opponent States (for example Libyan oil installations). Such action would involve refuelling long range sorties. Israel could also employ a very effective counter blockade against closer ports such as Suez and Aqaba (Jordan's only port) with serious economic consequences for the Arab countries concerned. The vulnerability of the Suez Canal has been amply demonstrated.

1.46 The Committee has already stated that any extended denial to a people in the Middle East of essential supplies is likely to result in another Middle East war (with possible serious consequences extending well beyond the Middle East). Therefore in the event of a potentially crippling blockade of a Middle East country, some powers with an interest in Middle East peace may have to give serious consideration to sending an unarmed ship through a blockaded waterway. See also Recommendation 12 in Chapter 9.

The Suez Canal

1.47 Prior to the closure of the Suez Canal during the June 1967 Arab-Israeli war, the Suez Canal was a vital sea route between Europe and Asia and Australasia carrying 14% of the world's trade (see paras 8.31 to 8.33 for the Canal's

1. Egypt's closure of the Straits of Tiran was one of the overt causes of the 1967 war. For nine years prior to 1956 the straits were closed to Israel without serious economic consequences.

declining importance to Australia since that time). In the months immediately prior to its closure the Canal was operating at near capacity of 68 ships in transit per day, and it was an important source of revenue to Egypt. Following its closure, most shipping reverted to the route around South Africa.

1.48 Considering that the use of the Suez Canal has always been denied to Israel, the Israelis were not further disadvantaged by its closure in 1967, and the Israelis have developed good road and oil pipeline links between their southern port of Eilat and the Mediterranean. While Egypt has reaffirmed in international forums its obligation to maintain the Canal as an international waterway it has denied Israeli shipping from using it until there is a general Middle East peace settlement including solution of the Palestinian refugee problem.¹ Under the Second Sinai Agreement of September 1975 (Article VII) "non-military cargoes destined for or coming from Israel shall be permitted through the Suez Canal" but the Arab boycott barring from Arab ports ships carrying cargoes to or from Israel remains in effect; such ships (except tourist

1. Egypt feels entitled to do this as the Canal runs entirely through its territory. Israel's claim to use the Canal is based on the view that internationalisation of the Canal is the result of "a tacit regime derived from actual practice and significant declarations over a period of many years" dating back to the terms of the original Suez Concession granted by the Turkish Sultan in the nineteenth century.

vessels) may therefore not call at Egypt's Suez Canal ports.¹

1.49 The Sinai Agreements with Israel and economic necessity have allowed Egypt to move away from confrontation. Following the first disengagement agreement between Israel and Egypt in January 1974 and extensive clearing operations, the Suez Canal was reopened on 5 June 1975 after an eight year closure. This coupled with the reconstruction of Egypt's Suez Canal cities - Ismailia, Port Said and Suez - as well as repossession of the Sinai oil fields, return to Egypt valuable assets which can be regarded as hostages to peace. However confidence in the Canal by shippers returned only slowly and the goal in toll income for 1976 of \$400-\$500 million was not achieved. In the first year of operation, the earnings were just under \$230 million. The average daily number of transits has now reached 50-55 ships (the highest was 74 ships on 17 November 1976) and current earnings are now nearly US \$1 million per day and are expected to increase further. Cost savings due to reduced steaming time and lower bunker consumption are in many cases offset by Canal dues and associated costs, making

1. Since the Second Disengagement Agreement there have been passages of the Canal by ships bearing non-warlike cargo to or from Israel at the rate of about one per month. In some cases, the cargo is inter-Israeli, being shipped from the Israeli port of Eilat in the Gulf of Aqaba to Israel's Mediterranean ports. But no obviously Israeli-owned or registered ship has passed through the Canal since its re-opening. The question of the transit of Israeli-registered or owned vessels is one that might well be dealt with in the context of a reconvened Geneva Conference on the Middle East.

it no more convenient or cheaper to travel through the Suez.

1.50 The development of large vessels has also reduced the usage of the Canal. Currently the largest vessel capable of navigating the Suez is 60,000 tons fully loaded; in 1967 70% of the world's oil carrying fleet consisted of vessels below this size. Today oil tankers, container vessels, and bulk carriers are normally over 100,000 tons fully loaded. At present the Suez Canal is primarily useful for the relatively slower conventional liner services, which still can make worthwhile savings in time and costs by using the Canal. In order to solicit a greater portion of shipping, the Egyptians are undertaking a two-phase project to widen and deepen the Canal to be largely financed by a Japanese Government loan. The first phase, due to be completed in 1979, should accommodate vessels up to 150,000 tons fully loaded. The second phase is to enable vessels up to 260,000 tons fully loaded or 300,000 tons partly loaded to travel through, and this is expected to take a further three years. Pipelines to pump oil parallel to the Suez Canal and to major Egyptian cities are also being constructed.

1.51 The Egyptians particularly want to encourage oil tankers to use the Canal. Before 1967 nearly 80% of all cargo passing through was oil on its way from the Persian Gulf to Europe and North America and this provided 73% of the Canal's revenue. The closure of the Canal gave impetus to the construction of Very Large Crude Carriers (VLCCs) which have a deadweight of over 200,000 tons. The VLCCs' size more than absorbed the cost of travelling the 4,500 to

6,500 extra kilometres round the Cape. Today only 25% of the world's oil tanker fleet is small enough to go through the Canal fully laden. Even when the projects to widen and deepen the Canal are completed there will be no rush to use the Canal while there is a surplus of oil tankers (expected to last into the 1980s) which makes slow steaming around the Cape preferable to paying high Canal dues.

1.52 Use of the Canal in the future will be determined by such factors as the likelihood of another Middle East war, prevailing freight rates, transit dues, the urgency with which the cargo is required, and the Canal's navigational safety when enlarged for super tankers. It is significant that the Canal and its reconstructed Egyptian cities are very vulnerable to damage in the event of a fifth Middle East war; the Russians also have an interest in keeping the Suez Canal open, as it is the Soviet link between the Black Sea and the Indian Ocean.¹ It can therefore be seen that the opening of the Suez Canal and its profitability for Egypt has been a step towards peace. It appears the Egyptians are not too confident of permanent peace in the Suez Canal area, as for mainly military reasons Egypt has let contracts for the construction of tunnels underneath the 160 kilometre long waterway to further reduce it as an obstacle between the Egyptian heartland and Egypt's

1. The Suez Canal is unlikely to be usable by any power during a Middle East war or a world war. It was however extremely important for the Russian resupply of North Vietnam during the Vietnam war and the US was not over concerned to assist the Canal's re-opening at the time. An open Suez Canal significantly saves sailing times for ships from Europe trading with the Indian Sub-Continent and East Africa.

Sinai front.

Vulnerability of Water Supplies

1.53 The poetic references to water in the Bible should remind us that water is scarce and vital to nearly all the countries of the Middle East. Water resources are therefore often in dispute, as in the case of the Jordan River disputes. The River is critical to the human settlement and economies of Israel and Jordan.¹ The Jordan dispute is exacerbated by the problems of the Arab-Israeli dispute. Threats of diversion of water and the individual projects of the States adjacent to the river entail considerable waste of water and denial of potential hydro-electric power which the arid region cannot afford. The cost of competing individual schemes is far greater than the cost of a common project and regionally planned development as designed by an American mediator - Mr Eric Johnston - for the sharing of the Jordan and Yarmuk waters.² Sharing, of course, involves co-operation.

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1. Disputes about water in the region are not confined to Israel and her neighbours - the Euphrates waters are the subject of a dispute between Syria and Iraq.
 2. Under the proposed "Johnston Plan", Arab and Israeli technical experts approved of the allocation of 40% of the total water flow to Israel and 60% was to be given to Israel's Arab neighbours. The scheme was later rejected by the Arabs on political grounds. Legally, the whole issue hinges on the question of State succession, which is in dispute.

1.54 Israel can be expected to go to great lengths to protect her very limited water supplies. Over half of Israel has an average annual rainfall of less than 200 millimetres (about eight inches) and there are considerable seasonal and yearly fluctuations. Israel's population has more than trebled since 1948, and the increased population makes great demands on the limited available water. Obtaining water involves a substantial cost of development. It has necessitated strict water rationing, rigorously policed, and even a leaking tap can be punished by a fine. As Israel is making maximum use of all the limited water resources available - using the most sophisticated techniques - Israel's economy could not withstand the diversion of any one of the Jordan's main tributaries by one of the neighbouring Arab countries. On the other hand Israel would greatly benefit if some of the water currently surplus to Lebanon's needs from the Litani River was diverted into the Hasbani head-stream of the Jordan River.¹ However, the realities of the Middle East political climate and Lebanon's longer term requirements make such a scheme impossible. Israel can be expected to take a close interest in military and political control of southern Lebanon quite apart from reasons of military security. Water is a vital consideration.

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1. Such schemes for augmenting the flow of the Jordan have been included in several regional plans up to 1955. In 1968, Lebanon was using only 12% of the Litani River's water leaving the rest to flow into the Mediterranean. See C.A. Fisher (ed) Essays in Political Geography (London) page 234.

1.55 Three small rivers, the Hasbani, the Banias and the Dan have their headwaters in Lebanon, Syria and Israel respectively, meeting in Israel just south of the pre-1967 Syrian-Lebanese border to form the Jordan River. The Jordan's water is vital but by standards of many of the world's rivers the Jordan hardly produces a bountiful flow - the average annual volume of discharge from Lake Tiberias (the biblical Sea of Galilee) is only 550 million cubic metres. The same amount of water is discharged by the Nile at Aswan in nineteen hours on an average September day.¹ As Israel feels vulnerable to action by the Arabs to divert some of the tributaries of the Jordan she is likely to make this an important consideration in any attempted settlement with Syria regarding the Golan Heights.² It is relevant that the headsprings of the Banias are so close to Israel's pre-1967 border that Israel could take offensive action from within Israel against any engineering effort to divert this stream. Similar action has previously been taken by each of the adversaries in the Jordan River Dispute.

1.56 Many elements of the Middle East's vital water network (for example pumping stations) are vulnerable to attack by aircraft or missiles. In 1969 Jordan's main

1. C.A. Fisher (ed) Essays in Political Geography (London) page 232.
2. Israel also has cause for concern about Jordan's plans to dam the Yarmuk River which is another important tributary of the Jordan (south of Lake Tiberias). Israel is examining the possibility of building a costly Canal from the Mediterranean to partly offset the diminution of the amount of water in the Jordan River and the Dead Sea which will result from Jordan's likely action.

aqueduct, supplying half the irrigated area of the East Bank, was temporarily disabled by Israeli bombing in a major reprisal to force Jordan to curb Palestinian guerillas. Even more serious would be a modern equivalent of the ancient Middle East tactic of poisoning water supplies. Small canisters of toxic agents could be lobbed into enemy reservoirs, or rivers could be contaminated with dire effects on the populations. While each State has taken some precautions to protect its water supplies, the chances of absolute protection are becoming less and less with modern developments. Security against the inhumane chemical warfare implicit in fouling water supplies should rest on outlawry but may depend on mutually deterrent threats posed by each State. All the Middle East has a vital interest in life giving water, not death dealing fluid. Some additional comments by Mr R. Jacobi, M.P. on the Arab-Israeli conflict and the Jordan Waters are contained at the rear of this report.

A Precarious Strategic Balance

1.57 In this chapter some of the significant geo-strategic factors concerning the Arab-Israeli conflict area are discussed in broad outline in order to assist an understanding of the vital issues discussed later in the report. In particular this chapter seeks to give an insight into the strategic factors which will be important to the Israeli negotiators if and when Israel is expected to make concessions at any future Middle East settlement talks. The Committee has endeavoured to give an overview of the

precarious geo-strategic position as Israel must see it. This in turn may help to explain why the Israelis may choose to use a pre-emptive offensive on Arab territory whenever their country is faced with war. Surrounded by over 130 million Arabs, Israel's three million Jews live in a small area which until the 1967 war offered insufficient depth to enable Israel to trade space for time, to mobilize and deploy forces in the event of sudden and almost inevitable attacks. Israel is short of almost every natural resource, especially oil and water. Furthermore Israel is susceptible to a long distance blockade and to internal unrest from the large Arab population now under Israeli control. It is unlikely that Israel calculates on unlimited manpower or on her economy withstanding a protracted period of hostilities.

1.58 Israel has some important compensations for her quantitative limitations. Israel has an old alliance with the US, and the US has at present an expanding influence in the Arab world; Israel's central position enables Israeli forces to take advantage of "interior lines", and above all Israel has a highly motivated and a resourceful people who give their utmost to the nation when they feel threatened at a time of national crisis.

1.59 Until such time as all the people of the Middle East are prepared to live in harmony, and to Israel this means first and foremost accepting Israel's right to exist and the right of Jews to survive, any realistic peace settlement must take into account the relationship of geography and military balance - hence the strategic frontiers - without ignoring historical, demographic and

democratic factors such as the Arab population of the former Palestine Mandate. Unfortunately these factors are all difficult to reconcile. While Israel places great emphasis on secure borders, even the most "moderate" Arab Governments reject the whole concept of taking topographical factors into account. It is Israel's fear that the reasoning behind Arab attitudes is the destruction of the Jewish people. There are Palestine Liberation exponents who have no intention of reassuring them on this point. That is the most intractable problem. The attitudes of the disputing parties - particularly in regard to secure boundaries - will be considered further in this report but before then it will be useful to compare the military potential of the combatants.

2. THE CONTINUING ARMS RACE AND THE CAPACITY
OF THE COMBATANTS IN A FUTURE WAR

The Middle East Arms Race

2.1 After nearly 30 years of confrontation and conflict between Israel and the Arabs, there is certainly no end in sight for the Middle East arms race. Apart from the oil rich states surrounding the Persian Gulf, no Middle East state is remotely near an ability to afford an arms race. In 1975, Israel spent US \$3.5 billion on Defence - 29% of Gross National Product (GNP) - and this amount was exceeded by Egypt which spent US \$4.6 billion¹ (by comparison Australia frequently allocates less than 3% of GNP on Defence). The leading characteristic of the region is that ploughshares are beaten into swords. Procurement of the latest weapons is a constant and panic consideration and deemed to be a vital aspect of the military balance. Since October 1973, while continuing a huge and crippling arms expenditure, Israel has been at a great financial disadvantage in the Middle East arms race due to the sustaining of the Arab effort by the unprecedented wealth of a large part of the Arab world. The additional oil revenues of members of OAPEC (the Organisation of Arab Petroleum Exporting Countries) were US \$60 billion in 1974 compared with Israel's entire GNP of US \$12 billion in the following year.

1. Source: International Institute for Strategic Studies Military Balance 1975-6 and 1976-7 issues. The defence expenditure figures for both Israel and Egypt would include a sizable proportion of arms supplied or paid for from overseas sources i.e. not a direct burden on GNP.

2.2 While welfare spending and development suffered in all the confrontation States, the ability to wage war has not diminished, except perhaps in the case of Egypt which is in the process of seeking alternative arms supplies to avoid dependence on Russia. Egypt seems now to be subject to the pressures of a demand for higher living standards, and even

TABLE 2-1
IMPORTS OF MAJOR WEAPONS, BY SUPPLIER, 1950-73¹
(in constant US\$ million, at 1973 prices)

	1950	1955	1960	1965	1969	1970
	-54	-59	-64	-69	-73	-73
<u>MIDDLE EAST</u>						
						%
USA	33.5	242.5	199.0	1087.0	2041.0	3268.8 (29.1)
USSR	-	541.5	732.0	1587.0	2838.5	5373.6 (47.8)
UK	151.0	100.0	111.0	381.0	668.5	1238.4 (11.0)
France	26.0	235.0	232.5	181.0	142.0	775.2 (6.9)
Other	42.5	203.0	35.0	139.0	213.5	580.0 (5.1)
TOTAL	253.0	1322.0	1309.5	3375.0	5903.5	11236.0(100.0)
<u>NORTH AFRICA</u>						
						%
USA	-	1.5	4.0	75.0	66.5	120.0 (12.8)
USSR	-	-	66.0	200.0	47.0	309.6 (32.8)
UK	-	1.5	7.5	51.5	46.0	84.0 (8.8)
France	-	18.5	19.5	24.5	313.0	367.2 (39.0)
Others	-	neg.	10.0	37.5	19.5	62.4 (6.6)
TOTAL	-	21.5	107.0	388.5	491.5	943.2(100.0)

1. Source: Stockholm International Peace Research Institute.

food by Egypt's poor, and an increased interest of Egypt's educated youth in this internal change is accompanied by some loss of interest in hating Israel.

2.3 Table 2-1 shows the huge amounts that have been spent on arms by the Middle East countries in the years 1950-1973 as well as the major arms suppliers to the Middle East and North Africa. There is no sign of abatement in the trend shown in Table 2-1 as can be seen from Table 2-2 which gives details of the major arms deals for the period June 1975 to April 1976. It is evident that the US, Russia, Britain and France continue to be the main suppliers of arms to the increasing number of Middle East clients. Although Table 2-2 does not show sizeable Russian arms supplies on reasonable terms to countries like Syria, the figures reflect Russia's loss of influence in many Middle East countries. In previous years Russia has been the major arms supplier to Egypt as well as many other countries.

2.4 Procurement of arms is not only confined to the countries directly involved in the Arab-Israeli conflict; the countries of the Persian Gulf area are also devoting huge resources to a separate arms race, more directly connected with that oil rich region and not with the Arab-Israeli confrontation. The second Middle East arms race for the hegemony of the strategic Persian Gulf area is not restricted to the main contenders - Iran, Iraq and Saudi Arabia - but also to the smaller oil-rich States. A serious aspect for Israel is that several countries involved in the Persian Gulf arms race do not only contribute finance

TABLE 2-2

VALUE OF TOTAL ARMS IMPORTS (BY COUNTRIES), 1961-71¹
AND MAJOR ARMS DEALS, JUNE 1975 - APRIL 1976

RECIPIENT	VALUE OF TOTAL ARMS IMPORTS 1961-71 (million current US \$)	MAJOR ARMS DEALS, JUNE 1975 - APRIL 1976			
		SUPPLIER APPROX. DATE OF AGREEMENT	NAME OF SYSTEM	APPROX. QUANTITY	COMMENTS
Egypt	2,197	USA, April 1976	C-130 Hercules	6	Transport aircraft
		UK, late 1975	Swingfire	na	\$42 million; anti-tank guided weapon Helicopter
		UK, early 1976	Westland Commando	4	
		UK, March 1976	SRN-6 Hovercraft	3	Value \$1.5 million
		France, na	Mirage Alpha Jet	40 100	Fighter aircraft; Trainer aircraft; both deals worth \$25 million
Israel	936	China, March 1976	MiG engines and spares	30	
		USA, late 1975	Lance	100	Surface-to-surface missile; value of deal \$6.2 million
		USA, late 1975	Harpoon	100	Ship-to-ship missile; value \$13.3 million
		USA, mid-1975	F-15 Eagle	25	Fighter aircraft; value \$600 million; delivery from 1977
		USA, Dec 1975	E-2C Hawkeye	4	Reconnaissance aircraft; value of deal \$18.2 million

1. The above mentioned arms deals do not include immense quantities of arms supplied but for which no payment was required.

TABLE 2-2 (Cont.)

RECIPIENT	VALUE OF TOTAL ARMS IMPORTS 1961-71 (million current US \$)	MAJOR ARMS DEALS, JUNE 1975 - APRIL 1976			
		SUPPLIER APPROX. DATE OF AGREEMENT	NAME OF SYSTEM	APPROX. QUANTITY	COMMENTS
Syria	443	France, late 1975	SA-321 Super Frelon	15-40	Transport helicopter
Jordan	289	USA, Sept 1975	Redeye	na	Air-to-air missile with infra-red guidance system; value \$5 million
		USA, late 1975	Vulcan	8	Anti-aircraft vehicle; value \$90 million
Dubai	na	Italy, early 1976	Aermacchi MB. 326	4	Trainer aircraft
		Italy, March 1976	G-222	1	Transport aircraft
Iran	1,091	USA, Aug 1975	F-14A Tomcat	80	Fighter aircraft; delivery 1976
		USA, Aug 1975	Boeing 707 3J9	6	Tanker aircraft
		USA, late 1975	Boeing 747	6	Freighter aircraft; Value \$86 million
		USA, Dec 1975	Helicopter manufacturing plant	1	Value \$125 million
			Bell 214A (under licence)	400	Helicopter; production to begin 1977
		USA, na	Bell 214C	39	Helicopter; value \$21.7 million; delivery from Nov 1976
		USA, na	Harpoon missiles	na	Ship-to-ship missile
		UK, mid-1975	Fox	na	Scout car (cont.)

TABLE 2-2 (Cont.)

RECIPIENT	VALUE OF TOTAL ARMS IMPORTS 1961-71 (million current US \$)	MAJOR ARMS DEALS, JUNE 1975 - APRIL 1976			
		SUPPLIER APPROX. DATE OF AGREEMENT	NAME OF SYSTEM	APPROX. QUANTITY	COMMENTS
Iran		UK, mid-1975	Landing craft	2	
(cont.)		UK, late 1975	Rapier missiles	na	Surface-to-air missile; value \$372 million
		UK, Dec 1975	HF-200	8	Radar; value \$6 million
		France, Aug 1975	Falcon	4	Light transport aircraft; value \$1.34 million
		Germany, mid-1975	Support ships	2	
		Pakistan, Sept 1975	Barges	19	Value \$30 million
Kuwait	46	USA, Jan 1976	US training personnel	-	Cost of assistance \$1.3 million
		USA, early 1976	A-4 Skyhawk	na	Fighter aircraft
		USSR, Jan 1976	Arms industry	-	Value of contract \$1,500 million
		UK, Feb 1976	Chieftain	150	Main battle tank
Libya	210	USA, mid-1975	Air defence radar system	-	Value of contract \$200 million
		France, na	Mirage F. 1A/F. 1E	32	Delivery late 1976
		Italy, Dec 1975	Fast patrol boat	4	

TABLE 2-2 (Cont.)

RECIPIENT	VALUE OF TOTAL ARMS IMPORTS 1961-71 (million current US \$)	MAJOR ARMS DEALS, JUNE 1975 - APRIL 1976			
		SUPPLIER APPROX. DATE OF AGREEMENT	NAME OF SYSTEM	APPROX. QUANTITY	COMMENTS
Morocco	125	USA, late 1975	TOW	na	Anti-tank guided weapon
		USA, early 1976	F-5E Tiger II	24	Fighter aircraft; value of deal \$125 million
		USA, mid-1975 France, Dec 1975	Beech T-34C Mirage F.1	12 25	Trainer aircraft Fighter; delivery has begun
Oman	na	USA, Aug 1975	Bell 214A	5	Helicopter
		UK, March 1976	Radar communication system	na	
Qatar	na	France, Sept 1975	CN-90, F.1	20	Artillery; value \$20 million
Saudi Arabia	322	USA, Dec 1975	C-130 Hercules	10	Transport aircraft; value of deal \$90 million
		USA, Dec 1975	F-5E Tiger II	20	Fighter aircraft; deal includes maintenance facilities; value \$1,800 million
		USA, early 1976	Harpoon	na	Ship-to-ship missiles
		USA, March 1976	M-60, air-to-surface missiles, anti-tank missiles	250	Main battle tank; value of total deal \$1,200 million
		USA, March 1976	Bell AH-1	400	Helicopter

Source: International Institute for Strategic Studies.

derived from oil to help arm Arab confrontation States, but they can also transfer their newly acquired and sophisticated weapons to the Arab-Israeli conflict area. This also applies to Libya whose Government has pursued a policy of creating a huge arsenal of Russian arms which are obviously surplus to Libya's own defence requirements.

2.5 The advanced weaponry of countries involved in the Arab-Israeli conflict is in most cases no more than two years behind the superpowers (but see para 2.14 and Table 2-2 on recent introductions of advanced weapons). Either side would lose if it could not match the latest weapons of its potential opponents; yet it would appear that for the next few years in the absence of outside assistance, neither side could sustain operations for long enough to subjugate the other (the vulnerability of critical commodities and arms resupply has already been discussed in paras 1.32 to 1.39). It will therefore be worthwhile to examine the motives for sustaining the Middle East arms race - in particular the motives of the major powers which supply the hardware for the Middle East combatants.

Motives for the Arms Race

2.6 The competitive military build up is predominantly due to policies of conquest and to a feeling of insecurity which is discussed elsewhere in this report. Both sides fear that the other will resort to arms in a pre-emptive strike in order to achieve stated objectives, although the threat may sometimes be more imaginary than real. The Arabs accuse Israel of continued Israeli territorial aggrandisement, and

the Jews are haunted by Arab threats to annihilate the State of Israel, even the Jewish people. This causes policies of insurance against the worst possibilities. Israel prepares for wars involving a large Arab coalition (Israel expects new Arab participants in the next Middle East war) and both Egypt and Syria prepare for war against Israel without counting on help from the other. However there are other factors which contribute to the Middle East arms race.

2.7 Several if not most Arab governments depend on their military élites for their power and security (sadly Lebanon was an exception). If there is discontent in their power base the governments' most convenient way of appeasing the military is to allow extra military expenditure with more and better weapons; this has the added political bonus of causing them to be seen to be the most active Arab government against Israel. Another effect of the somewhat insecure Arab regimes is that a considerable portion of the army is usually within easy reach of the respective Arab capitals to protect (or overthrow) the current regime. This generates a need for larger armies or paramilitary forces and is a potentially disastrous component in foreign policy, leading to adventurism.

2.8 The motives of the main arms suppliers vary. The motives of Russia (which supplied 48% of the arms sent to the Middle East from 1950 - 1973 - see Table 2-1) and the US (29%) are more political than economic; unlike Britain (11%) and France (7%) whose motives are more economic and more

vitaly connected with oil diplomacy.¹ Russia and the US primarily wish to gain political influence within the Middle East and are even prepared to supply arms on very easy terms in order to gain a favourable diplomatic and ideological position in this strategic area of the world, or perhaps to gain access to oil, strategic ports or airfields. This support need not be limited to sovereign states as may be seen from Communist bloc support for ideological movements such as the PLO, and the Dhofar rebels in Oman. It is possible that the Soviet Union considers the PLO to be a weapon against conservative Arab regimes to instal regimes which will deny the West oil supplies, or be the means for the Soviet Union gaining access to strategic ports or air fields.

2.9 Sometimes a Great Power's support with military assistance has the aim of strengthening a ruling group, for example US assistance for the Saudi Arabian National Guard which has the primary role of protecting the conservative regime. Saudi conservatism is not important. Its willingness to supply oil to the West is important. Saudi Arabia's concern not to ruin Britain and Italy with oil price increases should be noted. While the US has a deep psychological commitment to Israel, which is partly attributable to internal political reasons, in most other cases Great Power support stems from a desire to maintain

1. For instance, within months of the 1973 Middle East war, France reportedly agreed to sell Saudi Arabia Mirage fighter-bombers, missiles and 250 tanks in return for a Saudi pledge to supply 800,000 barrels of crude petroleum a day for the next 20 years.

strategically placed friendly states. Sophisticated technology requires foreign advisers and/or training of cadres in the arms donor countries. It involves long term influence on a country's officer corps and a continuous dependence by the purchaser on the donor country for spare parts. This can give the donor country tremendous influence over the supported state, but it can also cause deep disappointments if not resentments against former suppliers. Israel could not get spare parts for the Centurion tanks due to the temporary British embargo on combatants in the 1973 war and Egypt can no longer obtain Russian spare parts without accepting what President Sadat regards as undue Russian influence.

2.10 France and the United Kingdom seek arms sales to achieve economies of scale for their own arms industry and to offset fluctuations in domestic demand. In contrast the Russian and US arms industries are largely viable without export sales due to their large-scale production (it is believed the Soviets produced 1,200 new fighter and fighter-bomber aircraft in 1976). Nevertheless the Soviets have been pleased to receive much needed hard currency for their arms exports to the Middle East.

2.11 There is another important benefit for the country supplying arms in that the Middle East is an important testing ground for the most modern weapons under combat conditions, somewhat similar to the Spanish Civil War in preparation for World War II. The Soviets did not have this opportunity in the Vietnam conflict in the same way as the

US. The US has received some compensation for her immense supply of weapons to Israel (US \$6.9 billion in the last seven years) by way of captured Soviet weapons and technology. Israel has given the Pentagon several recent versions of intact Soviet combat aircraft as well as Soviet surface-to-air missiles, tanks and other modern weapons; this is quite apart from first hand evidence on Soviet battle tactics, as demonstrated for example by the air-defence missile systems which the Soviets organised over the battlefield in 1973. The US has been able to learn more about Soviet equipment in the Middle East wars than in Vietnam.

Quantitative and Qualitative Aspects

2.12 The Middle East arms race has both quantitative and qualitative aspects. The quantitative aspects are illustrated by comparing the number of two key weapons - combat aircraft and tanks - on the inventories of Egypt, Syria, Jordan and Iraq with the number of Israeli combat aircraft and tanks in the following two tables:

TABLE 2-3

COMBAT AIRCRAFT - QUANTITATIVE COMPARISON¹

	1956	1967	1973	1976
Egypt, Syria, Jordan, Iraq	299	677	1222	1493
Israel	110	290	488	568
Arab Superiority Ratio	2.7:1	2.3:1	2.5:1	2.6:1

TABLE 2-4

TANKS - QUANTITATIVE COMPARISON¹

	1956	1967	1973	1976
Egypt, Syria, Jordan, Iraq	870	2395	4570	6065
Israel	400	800	1700	2700
Arab Superiority Ratio	2.2:1	3:1	2.7:1	2.3:1

The above tables take no account of qualitative factors but they illustrate the quantitative escalation of the Middle East arms race at the time of three Middle East wars and in 1976. It should be noted that Egypt fought alone in 1956 and that Jordan and Iraq had only a subsidiary role in 1973; nevertheless in all three wars Egypt itself had a numerical superiority over Israel in combat aircraft and tanks.

1. Source: Derived from figures in the International Institute of Strategic Studies Military Balance (London) various issues up to 1976-77.

2.13 Tables 2-3 and 2-4 assist with an understanding of the importance of qualitative aspects in both human resources and in the arms race. Despite the numerical advantages of the Arabs or Egypt alone, Israel has finished each of the short Middle East wars in a winning position (after the 1956 and 1973 engagements Israel withdrew from the territory gained during hostilities, unlike 1967 when Israel quadrupled the area under Israeli control). The 1973 war was the worst case for Israel in so far as the Egyptian and Syrian surprise attacks achieved initial successes and therefore a much needed boost to Arab morale not evident in previous wars. High quality manpower is also required to solve technological problems, maintain equipment, and prevent technical breakdowns which can be a consequence of the introduction of sophisticated military equipment and a barrier to the smooth operations of a military force. At times this has proved a problem for the Arab armies requiring a sometimes unwelcome presence of foreign advisers. A well-known Israeli General told the Committee that Israel also has problems in maintaining the large amount of weaponry that is required for Israel's security.

2.14 Israel quadrupled her number of combat aircraft and tanks between the wars of 1956 and 1973 and there have been substantial increases since then. This quantitative rate of increase has been successfully matched by the Arabs (see Tables 2-3 and 2-4). However quantitative escalation has been surpassed in qualitative terms in that the Middle East countries have been rapidly closing the technology gap between the Great Powers and the Middle East in regard to

conventional weapon systems. (The introduction of nuclear weapons in the Middle East is discussed later in this chapter.) The period between 1970 and 1973 saw the large scale introduction of missiles and electronic warfare in the Middle East and the participants in the two Middle East arms races now command weapon systems which are some of the most modern in use by the Great Powers, and well in advance of those possessed by Australia. This is evidenced by the commencement of United States deliveries of the most advanced fighter aircraft to Israel (twenty-five F-15 "Eagles") and to Iran (eighty F-14 "Tomcats"). Their Russian counterparts are available to Syria, Libya and Iraq. Even the smaller Persian Gulf States are joining the arms race, in some cases purely for prestige reasons. Nevertheless conflict in the area must heighten the sense of insecurity in all of them.

Attempts to Control Arms

2.15 The Committee is certain that the populations of the Middle East countries (and also potential recipients of petro-dollar aid elsewhere) would benefit much more if the bulk of their arms budgets was devoted to the development of the region and the welfare of the individual Middle East countries. Perhaps the population of Egypt is beginning to think this way. Table 1-1 shows the low per capita income of the non-oil exporting Arab States and the high illiteracy rates of many countries in the region. However the Committee is unable to suggest any realistic solutions for curbing the arms supply to the Middle East. Decisions in this field are

the prerogative of the population involved. The motives of the arms suppliers who also belong to opposing power blocs - economic, ideological and strategic - are such that some of them would rather fan the flames than work for peace.

2.16 The most comprehensive bid to restrict arms to the Middle East - the 1950 Tripartite Declaration of the US, France and the United Kingdom - broke down due to some large sales by France to Israel and due to Russia's acceptance in 1955 of the role of Egypt's arms supplier. Apart from the Tripartite Declaration of 1950 there have been unilateral efforts by the US Congress and the governments of several countries to restrict arms exports (for example the British arms embargo to combatants October 1973-January 1974). In some cases this has been to avoid an uncontrollable involvement or to give an impression of impartiality; in the case of the US the restrictions were designed so as not to allow a delicate balance to swing too far in favour of one side and to sustain US influence on both sides.

2.17 Unilateral restrictions tend not to act as any long term impediment to the arms supply of the Arab side because there are too many countries with a surplus capacity for arms production, or countries which wish to enhance their influence in the oil rich Middle East, or which simply need petro-dollars. On the other hand Israel, despite a significant domestic arms industry, relies predominantly on the US for those military equipments that have to be obtained from overseas. Therefore any general arms embargo

against Middle East combatants agreed to by the US (but not honoured by all countries) is likely to hurt Israel more than the oil rich Arab States.

Nuclear Weapons in the Middle East?

2.18 Israel's leaders have repeatedly stated that "Israel will not be the first to introduce atomic weapons in the Middle East"¹ but Mr Allon, Israel's Foreign Minister, has also said that while Israel would not be the first it would not be the second either. It is widely believed that either Israel already has made some atomic weapons or that Israel has the capacity to do so. Israel sees a need to be at least close to a nuclear capability in the belief that the large wealth of the Arabs will eventually enable at least one of the Arab powers to obtain nuclear weapons through one of the world's lesser nuclear powers. Some Arab leaders (Egypt's former President Nasser and Libya's Colonel Gaddafi) have made substantial offers to purchase the atomic bomb but so far without success. However, it is regarded as at least probable that one or more Arab States will have nuclear weapons within perhaps ten years.

2.19 It is difficult to imagine that Israel will ever use an atomic weapon unless the Arab armies are massing to penetrate Israel's heartland after the defeat of the

1. This was also said to a delegation of United States Senators who were refused an inspection tour of Israel's nuclear reactor at Dimona in the Negev Desert in November 1976. The Senators did not receive a direct reply to their questions about Israel's nuclear capability.

nation's conventional forces. To save Israel from extinction the Israeli leadership would without much doubt, as a last resort, feel forced to use every weapon at their disposal, no matter how unpalatable such a decision would be. On the other hand it is inconceivable for Israel to use nuclear weapons to defend the occupied territories, particularly when it is remembered that Israel has strained its economy and sacrificed development and living standards to maintain the capacity to exclude from Israeli territory those whom Israelis believe intend all-out massacre.

2.20 It was suggested to the Committee that the introduction of nuclear weapons could de-escalate the Arab-Israeli conflict. This view is largely based on the argument that the superpowers and the United Nations have never made real efforts to stop a Middle East war until such time as the Arabs are in danger of imminent collapse. Therefore the Arabs, aware of the lack of support for Israel, will keep coming for another round of conflict until such time as Israel has an obvious deterrent to extract so high a price that it makes irrelevant the Arab numerical superiority. On the other hand the Committee has no hope that massive destructive power in the form of atomic weapons in the hands of a militant government in the Middle East would in some mystic way produce sanity. Possession of such power would have a further de-stabilizing effect in the region. Even if Israel is assured of a capacity to retaliate, it will be no consolation for the bulk of the

Israeli population concentrated in a very small piece of territory, within range of the Soviet supplied Scud missiles, if the Arabs also receive nuclear warheads.¹

2.21 Israel's small size and limited scope for dispersal makes reliance on a second strike capacity by Israel very difficult and the possession of only a few ports will limit Israel's ability to avoid Arab detection of any Israeli warship to be used as a seaborne platform for a second nuclear strike. Nevertheless it will be a long time before either side in the Middle East conflict develops such an advanced weapons capacity as to ensure a completely successful first strike. That capacity would, in the Committee's view, completely destabilize the situation. Israel is not alone in presenting a concentrated target. The populations of Egypt, and to a lesser extent Syria, are also concentrated, and would be vulnerable to nuclear warheads delivered by Israel's Jericho missiles as well as by aircraft. Sanity is imperative, for the possession of just a few nuclear weapons by Israel could create a situation of potentially unacceptable losses, most tragically population losses but also losses of facilities, as for example the

1. In November 1973 it was announced that Egypt and Syria had received Soviet surface-to-surface missiles which can be armed with either high explosives or nuclear missiles. These Scud missiles have a range of 160 miles and can cover virtually all of Israel's territory if sited in the Suez Canal area and Syria. Like Israel's Jericho missile, the Scud has limited accuracy.

destruction of the Aswan Dam. That destruction would be an immediate catastrophe for Egypt.¹

2.22 The US is Israel's only reliable external source of conventional arms, but the US Government is constrained by law and popular opinion from supplying nuclear weapons to other countries. Israel will therefore be confined to the production of perhaps two 20 kiloton warheads per year at Dimona unless Israel can obtain fissionable material from South Africa, which has been rumoured. Even without further help from another country (France originally started Israel on the nuclear road) it is likely that Israel has had sufficient time and resources to build perhaps a dozen bombs. If this is actually so then Israel is in possession of a substantial last resort weapon. Because of the disastrous human, physical and ideological consequences it is to be hoped that the Israelis will never feel, or be so threatened that they will use a nuclear device - either tactically against a victorious Arab army poised against Jewish population centres or strategically against an Arab city or vital dam.

2.23 If Israel really has atomic weapons, then the US may consider it a good reason for supplying Israel with sufficient conventional weapons to obviate the use of an atomic weapon. Once the Arabs as well as Israel possess nuclear weapons it is likely to make it more difficult for Israel to retaliate in strength against Arab States which

1. Israel may only have a strategic nuclear capacity rather than a tactical one. Nuclear destruction of the heavily defended Aswan Dam would kill millions of Egyptians and would destroy many years of development.

allow terrorists to operate from their territory, because the consequences of escalation may be uncontrollable or at least far greater than they are today. In the same way it will also make both sides hesitate about launching a surprise attack using only conventional arms in case its very success leads to retaliation with tactical or strategic nuclear warheads.

2.24 As Middle Eastern powers begin to possess nuclear weapons it is probable that the most critical period will come when one side, realizing that the other is about to perfect a nuclear weapon, is tempted to pre-empt such a situation with what is euphemistically called a "surgical strike" against at least the source of potential nuclear capacity. People who start a war are in control of its beginning, but not its course or outcome. The Israelis have been wise not to disclose progress towards an effective nuclear capacity. Ambiguity is less provocative for the Arabs than flamboyance about power. On the other hand Israel may expect that the gradual development of an awareness of an Israeli nuclear capacity may deter attacks on the Israeli heartland. Such an advantage for Israel probably would be only a passing advantage.

The Manpower Assets of the Combatants

2.25 In 1976 Israel's Defence Forces (IDF) totalled 158,500 members including women and 123,000 conscripts. This full time component of the IDF is greatly outnumbered by the 637,400 men in the combined armed forces of Egypt, Syria and

Jordan. Egypt's 342,500 men alone outnumbered the Israelis by two to one. In addition the three Arab States have reserves totalling another 647,500 compared with Israel's reserves of 450,000. It is unrealistic to place too much emphasis on the large Arab reserves as though they could be deployed instantly. Unlike the Israeli reserves which on mobilization increase the Israeli Defence Force to 400,000 within 72 hours, Arab reserves would be slow to deploy. In contrast to Israel's reserves the Arab reserves have played a minor role in past wars because of the short duration of hostilities, and because of a less developed Arab infrastructure, particularly in communications. In any case any large scale Arab mobilization of reserves would force Israel into a pre-emptive strike and there is the risk from an Arab point of view that the war might be over before the Arab reserves could be utilized. Table 2-5 shows more details of the comparative strengths in manpower and main equipments of the Army, Navy and Air Force of the respective "confrontation" States.

2.26 An indication of the size and organisation of the armies of the Middle East confrontation States is shown in Table 2-6 which follows; it shows the main army formations of Egypt, Syria, Jordan and Israel. Table 2-6 shows clearly the reliance Middle East countries place on armoured and mechanized formations which are equipment intensive rather than manpower intensive. Both Tables 2-5 and 2-6 show the large proportion of the Israeli Army which needs to be "fleshed out" with vacancies to be filled on mobilization by integrating reservists.

TABLE 2-5
COMPARATIVE STRENGTHS OF THE MAIN MIDDLE EAST
"CONFRONTATION" STATES

	Egypt	Syria	Jordan	Total 3 Arab States	Israel
Population 1976	38,040,000	7,600,000	2,120,000 (excl West Bank)	48,470,000	3,510,000
Armed Forces (Full Time)	342,500	227,000	67,900	637,400	158,500 (incl 123,000 conscripts) on mobilization to 400,000 in 72hrs possible
Reserves	515,000	102,500	30,000	647,500	450,000
Military Service	3 years	2 1/2 years	2 years		men 3 years women 2 years (Jews and Druzes)
GNP Est. 1975 US \$	\$11.7 bn	\$4.7 bn	\$1.3 bn	\$17.7 bn	\$12.1 bn
Defence Expend. 1976-77 US \$	\$4.86 bn	\$1.00 bn	\$0.16 bn	\$6.02 bn	\$4.21 bn

(cont.)

TABLE 2-5 (Cont.)

	Egypt	Syria	Jordan	Total 3 Arab States	Israel
ARMY					
Personnel	295,000 (incl 75,000 Air Defence Command)	200,000 (incl Air Def- ence Command)	61,000	556,000	135,000 (incl women and 120,000 conscripts)
Tanks	1975 tanks incl 1100 x T54/55 820 x T62 25 x JS-3/T-10 30 x PT-76	2400 tanks incl 1400 x T54/55 800 x T-62 100 x T-34 100 x PT-76	490 tanks incl 290 x M-47-48/60 200 x Centurion	4815 tanks	2700 tanks incl 600 x M48 650 x M60 900 x Centurion 400 x T54/55 65 x PT-76
NAVY					
Personnel	17,000	2000	250	19,250	4500 (6000 on mobilization)
Main Ships	12 x Submarines 5 x Destroyers 12 x SO-1 Sub- chasers 13 x FPBG	13 x PPBG			5 x Submarines 6 x Reshaf FPBG (6 on order) 12 x Saar FPBG
AIR FORCE					
Personnel	30,000	25,000	6,650	61,650	19,000 (25,000 on mobilization)
Combat Aircraft	688 combat aircraft incl 200 x MiG-21MF (Air Defence Command) 30 x MiG-23 200 x MiG-21 25 x Tu-160/G 25 x IL-28 38 x Mirage III 120 x Su-7 50 x MiG-17	440 combat aircraft incl 20 x MiG-25 50 x MiG-23 220 x MiG-21 80 x MiG-17 10 x IL-28 60 x Su-7	66 combat aircraft incl 48 x F-5A/E 18 x F-104A	1,194	568 combat aircraft (plus 66 in reserve) incl 25 x F-15 Eagle (from 1977) 104 x F4E Phant 50 x Mirage III 33 x Kfir 250 x A-4H/N Skvhawk

Source: Adapted from statistics in the International
 Institute for Strategic Studies Military Balance
 1976-77 (London, 1976).

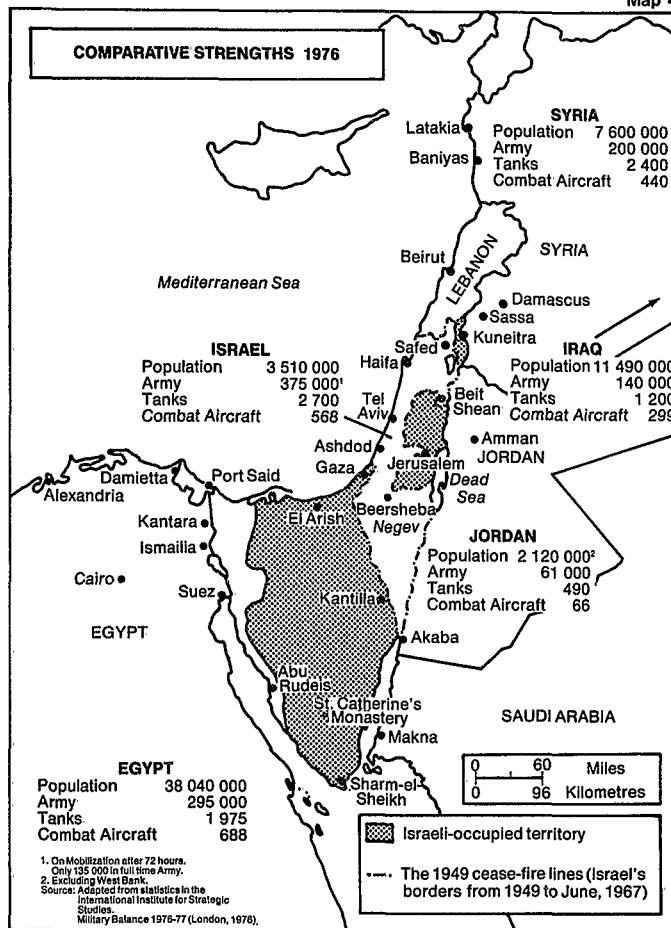
TABLE 2-6

MAIN ARMY FORMATIONS OF THE "CONFRONTATION" STATES¹

Egypt	Syria	Jordan	Israel
3 armd divs (each 1 armd, 2 mechanized brigades)	2 armd divs (each 2 armd, 1 mechanized brigade)	2 armd divs, 1 mechanized div, 2 infantry divs, 2 AA brigades	15 armd brigades (5 full strength)
3 mechanized infantry divs	3 mechanized divs (each 1 armd, 2 mechanized brigades)		9 mechanized brigades (4 between 50% to full strength, rest cadre)
5 infantry divs (each 2 infantry brigades)	1 mechanized brigade		9 infantry brigades (4 full strength)
1 Republican Guard Brigade (div)	3 infantry brigades		5 parachute brigades (2 full strength)
5 independent armd brigades	2 artillery brigades		9 artillery brigades (mainly cadre strength)
2 independent mechanized brigades			
2 airmobile brigades			
1 parachute brigade			
6 commando groups			
4 artillery brigades			
2 heavy mortar brigades			
2 SSM regiments (Scud)			

Abbreviations: armd - armoured AA - anti-aircraft
 divs - divisions SSM - surface-to-surface missiles

1. Source: Adapted from statistics in the International Institute for Strategic Studies Military Balance 1976-77 (London, 1976).



2.27 A numerical advantage in manpower is more significant (but by no means overriding) in the case of the respective armies than in the cases of the navies and air forces which are by their very nature even more equipment orientated than the opposing ground forces. It can be seen from Table 2-5 that Israel's highly efficient system of mobilization enables Israel to augment the Army to 375,000 within 72 hours, compared with 556,000 Arab soldiers. Thus currently Israel is able to reduce the Arab manpower preponderance on land to 1.48 to one, once Israel mobilizes. Furthermore after three days Israel has the ability to outnumber on the battlefield any of Israel's individual opponents - to outnumber the Egyptian Army by 1.27 to one. This capacity requires the ability to obtain early warning of an impending attack¹ and obliges Israel to take advantage of her "interior lines" to rapidly switch the Israeli Defence Force from one front to another (see also paras 1.21 to 1.24). When the Israelis had at most a few hours warning of the Arab surprise attack on the Jewish Day of Atonement, the Arabs achieved an advantage of twenty to one at the front in the opening hours of the October 1973 War. Paradoxically however, within three days the Israeli Defence Force was able to achieve manpower parity in contrast to their disadvantages in combat aircraft and tanks, in the possession of which Israel was outnumbered in 1973 by 2.6 to one and 2.3 to one respectively (see also Tables 2-3 and 2-4).

1. The Second Sinai Interim Peace Agreement between Egypt and Israel of 4 September 1975 has established a most sophisticated warning system at the strategic Sinai Passes which is manned by United States technicians - See Map 3.

2.28 Israel's armed forces have undergone steady expansion in recent years by a very high utilization of Israel's non-Arab population. Israel's mobilizable manpower represented 63% of men aged 18 to 45 in 1975, while Egypt utilized only 4% of the equivalent age group. This gives Israel the highest military participation rate in the world. However due to the age profile of Israel's population and negligible net immigration, expansion in the future will be at a much slower rate while the Arabs have comparatively immense reservoirs of manpower.¹ The only untapped Jewish manpower remaining in Israel is that very religious part of the population which is still exempt from any national service obligation, except perhaps prayer. The only options open to Israel to use scarce manpower more effectively would be greater use of equipment or an increase in the period of call up. However males are already called up for an initial three years and women for two years, with further service obligations lasting several months. Any further intensification in call up requirements would increase the emigration rate which is already concerning the government, and it would be unduly disruptive to the economy.

Constraints on Greater Utilization of Arab Manpower

2.29 The limits to the expansion of Arab military forces are quite differently based. A proportion of Arab

1. Israel is concerned with the low net immigration rate and is encouraging overseas Jews to migrate to Israel. There may be good prospects for attracting Jews from Latin America, especially from Argentina where there are 480,000 Jews.

manpower has not yet reached the standard of education and training required for many aspects of modern warfare. However it has already been shown in paras 1.25 to 1.27 that the Arab population and call up are so great, that even if qualitative differences are allowed for, the Arabs can still muster a preponderance of well educated manpower. In any case it would be unwise to confine consideration of potential military manpower to the more highly educated portion of Arab populations, because good leadership and morale are even more important ingredients for a successful army. Vietnam has surely warned us in this respect. Some of the less educated Arab manpower, provided it is well led, trained and motivated, could well enlarge Arab infantry and the logistic units in the absence of the other constraints mentioned below.

2.30 People can begin to demand dignity in life which precludes vast military expenditure. This seems to be a factor in Egypt. The most important restriction on increased mobilization of Egyptian manpower appears to be the financial demands of training and equipping modern military forces which tend to require expensive weapons, or in the jargon "to be capital intensive". The annual expenditure per serviceman exceeds US\$10,000 in the Middle East. It has been estimated that a million man army for Egypt would cost an estimated US\$13 billion more per year, which would be over twice the entire Egyptian GNP not already devoted to Defence. It can be argued that Egypt's immense manpower resources could be mobilized if there were available even greater donations from the oil wealthy Persian Gulf States

(mainly Saudi Arabia and Kuwait) than at present. However, while gaining the support of the affluent (and generally conservative) Arab States, Egypt has lost most of the Soviet military and economic subsidies it once had and is required to repay US \$14 billion in past Soviet loans. Any resumption of Soviet aid would risk offending conservative Arab governments, which are already making substantial financial contributions to Egypt and which may be tempted to reduce these subsidies and loans in the case of any Middle East country where Soviet influence prevails. The events of the past eight years have established the intention of Colonel Gaddafi of Libya and the Palestine Liberation forces to destroy Arab conservatism. Soviet influence may well be suspected together with a Soviet intention to deny Western access to the oil now within conservative Arab control, or to make it cripplingly expensive.

2.31 There are other claims besides Egyptian military expenditure competing for a share of the subsidies which might be made available from the Gulf States. The symptom of these demands was the violent food riots in Egypt in January 1977. Egypt needs to allocate more resources to the demands of a fast expanding population and to the development of a modern infrastructure. Arms expenditure of an excessive level prevents this. President Sadat yearns to keep his frequently repeated promises to improve the living conditions of the Egyptian people. The continued growth of Egypt's defence expenditure is uncertain if such promises are to be kept and financial constraints are likely to limit any growth in Egypt's already sizeable armed forces to a modest rate.

2.32 A military consideration much more important for the Arabs than merely enlarging their armies numerically has been the need to improve the quality and structure of the Arab command and leadership - particularly at the higher level. The social structure of many Arab countries has not made for the identification of, and opportunities for good leadership in the past, except perhaps in the Jordanian Army where the Bedouin tradition and prolonged British training makes for exception. In the past officers from the relatively small, well educated section of the population have not been prepared to undergo the same hardships as their troops with a consequent effect on morale. The Bedouin feudal tradition of solidarity and loyalty is not universal. In any case Arab soldiers, despite the Muslim tradition of the "jihad", or "holy war" have usually not fought with the same conviction as their Israeli opponents. Israelis are forced by circumstances to be convinced that if they ever lose a war it will mean not only their own extermination but the destruction of their State and the annihilation of their families as well. However in the 1973 war there was a marked change. The naturally hardy Arab soldiers were much better led at the lower levels than they had been heretofore, despite weaknesses in the higher command structure. They fought and held their ground much better than in previous wars and were able to inflict heavy casualties on Israeli armour by the skilful use of new short range weapons.

2.33 In 1973 the higher Arab military leadership still displayed inflexibility in tactics and an inability to exploit initial success, and it was quite some time before

Cairo became aware of the magnitude of the Israeli break-through across the Suez Canal. It is reasonable to assume that the Egyptian military leadership will show continued improvement in any future conflict once time allows the "new breed" officers to move into the senior ranks (Egypt, estranged from the Soviet Union, also needs these few years to develop another source of arms supplies if it makes the decision to go on allocating massive resources on arms and thereby reducing part of its population to unacceptable levels of poverty). Confidence developed in the Egyptian Army resulting from some initial successes in 1973. These might not be repeated in a future war if Israel is not caught unawares and if the Israeli Defence Forces can develop their usual élan and surprise moves at the commencement of a conflict. Entebbe was a characteristically bold and skilful enterprise.

Capacities to Absorb Losses

2.34 This part of the report has highlighted the numerical military imbalance favouring the Arab countries, and has noted that it might at present be offset by the attributes of Israel's population and by Israel's ability to organise a rapid mobilization. The smallness of Israel's population and the reality of massacre and holocaust in the Jewish experience in World War II have made the Israelis extremely sensitive to losses¹. In fact the losses of the

1. In contrast the Egyptians have been prepared to take much greater losses including 26,000 on the first day of the 1973 war according to Mohamed Heikal, The Road to Ramadan (London) page 41. In fact the Egyptians lost 15,000 killed over 18 days.

Israelis (as well as their Arab opponents) have been modest - 11,347 Israelis have died during all the hostilities since 1948 and this is only one third of one per cent of Israel's population¹. Israeli and Arab losses (not including the large number of Arab prisoners of war) are shown in Tables 2-7 and 2-8.

2.35 Although the Arab losses in the number killed (about 30,000) in the 1956, 1967 and 1973 wars have been about ten times as high as the Israeli losses, Arab losses have been very low compared with other conflicts around the world since 1945 and were less than the number of people killed during the Lebanon Crisis. When taken as a percentage of the respective populations the Arab casualties have been of similar proportion to those of the Israelis. This may help to explain Arab tolerance of casualties and the strategy of human attrition seemingly adopted by them in contrast to Israel's emphasis on destroying or capturing Arab equipment in a lightning war. An immobilized army is not necessarily a dead army and Israel has aimed to immobilize attacks by the destruction of material as a faster approach to victory than inflicting casualties. Israel, however, needs to be wary of a pyrrhic victory; this is shown in para 2.50 which gives an American estimate of likely heavy Israeli casualties in a fifth Middle East war in which Israel was expected to be "victorious".

1. For comparison, in two World Wars Russia lost the equivalent of 13% of the present Soviet population and Britain lost the equivalent of 4.5%. Nearly six million Jews are believed to have perished during World War II.

TABLE 2-7

ISRAELI CASUALTY RATES¹

Year	Total Jewish Population	Mobilized Military Personnel	Killed	% per Pop	% mil per-sonnel	Total Killed & Wounded	% per Pop	% mil per-sonnel
1948 (Nov 30 '47-Jan 7 '49)	650,000	60,000	7,456	1.1	na	21,078	3.2	na
1956 Sinai Campaign	1,626,400	50-60,000	190	.01	.4	1,080	.06	2.2
1967 June War	2,362,600	275-300,000	803	.03	.3	3,809	.16	1.3
War of Attrition (Suez front Apr '69-Aug '70)	2,506,800	10,000 ²	271	.01	2.7	1,014	.04	10.1
1973 Oct War	2,834,200	300,000	2,404	.08	.8	7,948	.28	2.6

1. For further details and sources for Tables 2-7 and 2-8 see evidence of Dr S.R. Rosen in Committee Hansard, 18 May 1976, pages 75-80.
2. Represents two brigades defending the east bank of the Suez Canal.

TABLE 2-B
ARAB LOSSES IN THREE WARS

<u>War</u>	<u>Egypt</u>			<u>Syria</u>			<u>Jordan</u>		
	<u>Killed</u>	<u>% of Pop</u>	<u>% of Reg Army</u>	<u>Killed</u>	<u>% of Pop</u>	<u>% of Reg Army</u>	<u>Killed</u>	<u>% of Pop</u>	<u>% of Reg Army</u>
1956	less than 3,000	.01	3.00						
1967	less than 12,000	.04	6.67	2,000	.04	3.31	1,000	.05	3.13
1973	15,000	.04	5.03	7,000	.10	5.30			
TOTAL 3 Wars (cf '73 popula- tion)	30,000	.08		9,000	.13		1,000	.05	

Participation of Other States in the Event of War

2.36 One remaining way for the Arabs to augment the fighting strength of their main participants - Egypt and Syria in 1973 - would be a greater involvement and a more rapid transfer of forces from the outlying Arab States. During the 1973 war, an Iraqi division of 20,000 participated on the Golan front as well as contingents from

Jordan, Morocco and Saudi Arabia. Libya sent an armoured brigade to Egypt and token forces were seconded to the front line States from Kuwait, Algeria and Tunisia. Israel does not seek, nor can it realistically expect, equivalent help in the way of military contingents from any state.

2.37 The effective and timely transfer of Arab forces from the "outer ring" States will require improved co-ordination and transportation facilities between the Arab States¹. This in turn will make larger demands on the Israeli Air Force to interdict distant communications during future hostilities. As explained in para 1.24 a strong Israeli Air Force with an ability to gain air superiority quickly will be a deterrent factor against large scale contributions from the "outer ring" Arab States. Co-operation of a military kind between Arab States involving contributions from the more distant Arab nations will have to overcome some serious strains in inter-Arab relations - Syria and Iran, Egypt and Libya, Morocco and Algeria. There is understandable hesitation in Syria and Jordan about allowing the entry of Iraqi forces on their soil even if their aim is to fight Israel. Iraq may aim to overthrow conservative Arab regimes, or at any rate is suspected of such an intention. Syria would be less enthusiastic about an Iraqi presence on Syrian or Jordanian soil than in 1973.

1. It is understood that Russia has now made available to Iraq fast tank transporters which will enable the rapid movement of Iraqi armoured formations to Israel's eastern boundary with Jordan.

2.38 In addition to the more distant Arab States, the Arab "front line" States can expect supporting units from several Communist and Muslim countries in a future war. Although Egypt will be reluctant to accept Soviet advisers in the foreseeable future, Syrian forces have traditionally received the support of such advisers. In the last war, a Cuban tank brigade was positioned for the defence of Damascus and there were rumours of North Vietnamese missile technicians. Pakistani pilots served in Egypt and even Iran (which has low key but important commercial ties with Israel) placed some transport planes at the disposal of the Arab cause. Since that time the chances of such further support may increase due to the economic and hence diplomatic power of the Arabs; this presupposes better relations between Arab States than at present. In 1976 it was reported that 3,000 Soviet and 1,500 Vietnamese, North Korean and Cuban personnel were working with the Syrian armoured and air defence corps¹. This has not meant that Syrian policy in Lebanon has necessarily been acceptable to the Soviet Union.

2.39 The participation of Jordan in another Middle East war would be critical due to Israel's longest border with Jordan. Although Jordan mobilized on the outbreak of the 1973 war (and therefore by that threat diverted Israeli military capacity) and Jordan sent troops to Syria, Jordan did not participate more vigorously because of an almost complete lack of air cover. This was accepted by President

1. Jim Hoagland "Foreigners Boost Syrian Buildup" Washington Post 30 January 1976, page 1.

Sadat because of Jordan's severe losses in the 1967 war including the entire territory on the West Bank of the Jordan River. Since that time the United States Congress has approved (after much controversy) the supply of Hawk missiles to Jordan, and pressure from other Arab States, especially from Syria, will make it difficult for Jordan to keep out of any future war against Israel. In any case the Jordanians believe that there is a strong likelihood that the Israelis will make an enveloping movement through the Irbid region of Jordan to outflank the strong Syrian positions facing the Israelis on the Golan Heights, and the Jordanians have accordingly strengthened their northern front with Israel. Jordan's Army is regarded as of a higher calibre than other Arab armies, but the Jordanian Air Force is not expected to be a match for its Israeli counterpart.

2.40 The possibility of large scale transfer of equipment to Egypt, Syria and Jordan and the associated political and communications problems have already been mentioned. Although this is a disturbing factor for Israel there are also related military problems for the Arabs. Some of the equipment from the "outer ring" Arab States will be non-complementary with that of the "front line" States, involving the necessity for training, and logistic complications. Furthermore the likely Israeli detection of any large scale pre-positioning of equipment and co-ordination of training by the associated Arab powers, especially movement from the outer powers, would act as an early warning to Israel, and might even run the risk of pre-emptive action by Israel before the intended aggressive dispositions are complete.

2.41 An enlarged Arab participation in any future Middle East war (compared with 1973 when Egypt, Syria and to a lesser extent Iraq were the main Arab contenders) would be much more critical for Israel if such a war were prolonged sufficiently to allow the forces or equipment of the "outer ring" States to be more fully utilized; in addition there are the economic pressures on Israel mentioned elsewhere in this report. Algeria, Libya and the Yemens could also exacerbate the problems of Israel's wartime economy by means of a long range blockade of Israel-bound shipping (see paras 1.40 to 1.43). Even more important than these factors would be the participation of Jordan, which could also encourage a more meaningful military contribution from Saudi Arabia whose forces have apparently improved considerably, and from Iraq whose substantial forces would have more room to deploy in Jordan than on Syria's narrow front with Israel. However, Iraqi participation could mean the end of Jordan's Government and independence.

In the Event of War in the Middle East

2.42 In this chapter the Committee has given details of the immense Middle East arms race. This arms race is not only confined to the Arab-Israeli conflict but is equally intense in the Persian Gulf area. There are indications, already referred to, that Israel has a "last resort" nuclear capacity which would only be used if Jewish survival were at stake. The Committee has speculated on the likely enlarged forces in a future combined Arab war effort, the possibility of which will place increased military and economic pressures on Israel in peace and in the event of another

war. However the Committee is not convinced that Egypt desires war, and even if Egypt desires war the Committee is sure that Egypt will not be ready for war for some time. Egypt will require at least another two years to establish an alternative arms supply except in the event of a return of Soviet influence - and huge arms supplies - as in 1973. Egypt has good relations with, and a degree of assistance from, powers like Saudi Arabia and Kuwait. The continued existence of their regimes is incompatible with enhanced Soviet influence.

2.43 Even if Egypt is not ready for war, it would be difficult for President Sadat not to become involved in another war if a Syrian led alliance established a "North-Eastern" front and the "front" thus created felt strong enough to precipitate a war with Israel. For such a "North-Eastern" alliance to be effective it would need to utilize the military capacity of Syria, Jordan, Iraq and the Palestine Liberation Army. In view of the animosities between these parties which were aggravated by the Lebanon Crisis, a "North-Eastern" alliance seems unlikely in the short term.

2.44 Israel has achieved an improved state of war readiness which has strained human and financial resources to the utmost, to the detriment of Israel's economy, causing chronic inflation. A number of factors, in particular very limited manpower, indicate that Israel needs to avoid a prolonged conflict if the State is to survive. This means Israel may need to defeat the full weight of an enlarged

Arab participation in a "next war" - a war which would need to demonstrate great Israeli victories in a short time. Israel cannot afford large-scale manpower losses. Such avoidance involves the temptation to launch a pre-emptive strike because of the strategic, tactical and morale advantages involved and is despite the consequences for Israel's alliance with the United States. United States influence inhibits pre-emptive strikes.

2.45 People concerned for the survival of Israel can take heart from Israel's performance in the Yom Kippur War. In October 1973, the army of a nation numbering three million people managed to repulse and later defeat forces whose combined strength was comparable to those of the combined European members at NATO. The Israeli forces managed this despite the fact that opposing forces gained the advantage of surprise, and despite some bad tactical errors by the Israeli command and despite considerable malfunction of logistic support for Israeli forces.

2.46 Since the 1973 war, Israel has obtained \$1,400 million worth of United States weapons per year compared with \$270 million worth in each of the previous years. Deliveries of the United States supplied F-15 "Eagle" have commenced. Israel's potential opponents have nothing so far to match the "Eagle" which is likely to be well

supported in the Israeli Air Force by the less powerful F-16¹. The early establishment of Israeli air superiority seems at present assured despite the numerical superiority in combat aircraft of the confrontation powers. This Arab superiority ratio is currently in the order of 2.6 to one (see also Tables 2-3 and 2-5). In 1973 Israel was compelled to expend much of Israeli air power against the Russian organised surface-to-air missile - "SAM" - sites. Israel now has the capacity to use improved tactics and weapons systems against the "SAM" sites, such as stand-off air-to-ground missiles (giving greater survival and attack capacity to aircraft) glide bombs and improved Lance surface-to-surface missiles. The Israelis have also given special attention to improving their artillery in order to suppress Arab anti-aircraft weapons, as well as anti-tank weapons. These Arab weapons were very effective in the 1973 war.

2.47 In the 1956 and 1967 wars the Israeli armoured thrusts relied heavily on close air support. This was not so constantly forthcoming in the 1973 war, when the Israeli air force had to run the gauntlet of the "SAM" sites while supporting their hard pressed Army during the initial stages of the war. Changed tactical concepts mean that ground forces would expect in a future conflict to do without close air support, until such time as the Israelis can destroy or

1. The Israelis are buying 25 F-15 Eagles from the United States and are making a bid to purchase 250 F-16. A controversial aspect of this second order is that the Israelis wish to assemble 200 of the F-16 in Israel and could then compete with United States exporters in third countries. The Israelis are also manufacturing a less sophisticated fighter - Kfir C-2 sired from the French Mirage which they are prepared to sell for US \$4.2 million each.

neutralize the "SAM" sites as well as opposing air forces. Arab Air forces have not proved a major problem in the past but this may change. The aim of the Israeli Defence Force would be to gain freedom over the battlefield, and once gained it can be expected that it would again seek to develop the mobile warfare at which Israelis excel. This type of warfare favours the indirect approach and obviates set piece frontal attacks involving the high human casualties which Israel cannot afford.

2.48 There have been some other changes in the Israeli Defence Force since 1973. The Israelis have adopted a corps organisation to assist in the control of their army whose mobilized strength increased from under 300,000 in 1973 to 375,000 in 1976. This large increase was mainly achieved by increasing the call up period of reservists including women. However it also resulted in the lowering of enlistment standards and there is now a shortage of technical personnel. The Israeli logistic system has also been revamped and it will no longer be so dependent on mobilized civilian vehicles. In 1973, the expenditure of ammunition exceeded all expectations causing severe shortages, and the United States has now supplied Israel with sufficient ammunition to fight for three weeks.

2.49 There has been a large growth in the numbers of Israel's artillery and armoured personnel carriers indicating an Israeli recognition of their need to improve the close support for Israel's tanks in the event of war and indicating an acceptance of the view that Israel may not

have complete air superiority in a future war¹. Changes in the weapons of potential enemies mean that Israel's vital and efficient mobilization system may suffer interference from improved air forces or from missiles. If such attacks exact a civilian toll, Israel has every ability to retaliate but there is hope that both sides will refrain from large scale bombing of cities. Helicopter borne attacks and the incitement of Arab internal resistance are also tactics that are likely to be attempted to disrupt Israel's lines of communication.

2.50 If Israel is not placed in a position where a pre-emptive first strike against the Arabs becomes a necessity, then Israel is likely to fight a holding action against Egypt while first trying to eliminate Syria. The Israeli Defence Force could seek to avoid a frontal assault on the Syrian positions opposite the Golan Heights and this makes an enveloping movement through Jordan or even Lebanon a highly likely strategy. An attack through the Irbid region of northern Jordan would have the added advantage of keeping the Iraqis away from Israel's eastern border; this is assuming that Jordan would again permit the presence of Iraqi forces, an assumption not without some elements of doubt. Simultaneously the Israeli Army would race the Egyptian Army to the strategic Sinai passes in the United Nations buffer zone in the hope of holding the Sinai until the full weight of the Israeli Defence Force could be deployed against Egypt. In 1975, Mr William Colby (the

1. In past wars the Israeli tank arm has not had the close support of infantry as in most other armies. This resulted in heavy tank casualties due to Arab short range anti-tank weapons.

former head of the CIA) told a Congressional Committee that Israel could win a fifth war against Syria in a week at an estimated cost of 2,000 dead and 6,000 wounded, and that Israel could defeat Egypt and Syria in three weeks at a cost of 8,000 dead and 28,000 wounded. Those who heard this opinion considered that such a result would really be a pyrrhic victory for Israel as such casualties would be a disastrous price to pay by Israel's small population. If the alternative were massacre the price would be paid.

The Temptation for a Pre-emptive Strike

2.51 The capacities of the likely combatants have been examined in this chapter. It remains to give an indication of how the capacity of each side is militarily enhanced by striking first. It is important to understand the advantages of a pre-emptive attack because if these advantages are substantial then it makes for a very unstable environment - especially in such a confined area as the Middle East conflict area. The term "pre-emption" used in a Middle Eastern context really refers to an Israeli first strike undertaken to disrupt and intercept Arab forces perceived to be preparing for an impending strike of their own. An Arab first strike is usually not regarded as "pre-emption" because the Arabs have always announced their basic thinking that Israel does not legitimately exist and that the Arabs merely fight for lost territory. There is therefore no such thing as the destruction of an entity called Israel. It has generally been accepted as an Arab article of faith that the Arabs would attack once they were strong enough to defeat the intruding "Zionist" forces. Furthermore because of the

consequences a pre-emptive strike would have in weakening or breaking Israel's American alliance, it would nowadays be almost unthinkable for Israel to launch an attack first in the absence of a clearly demonstrable Arab threat to launch a powerful military thrust against Israel.

2.52 The Middle East has provided classic examples of the benefits of pre-emption, in the successful Israeli first strikes of 1956 and 1967. It is now frequently said that changed circumstances since 1967 have reduced the military value and increased the political costs of pre-emption. The principal Arab military targets are now dispersed and hardened and they are protected by one of the most sophisticated air defence systems in the world; Arab early warning systems and radars deployed forward make surprise more difficult to achieve. Politically increased isolation has made Israel more sensitive to the restraining influence of the US, while increased American influence in the Arab world and continued fears of an oil embargo have made the US more determined to restrain Israel.

2.53 The evidence that Israel declined to launch a pre-emptive air strike in 1973 after a few hours warning of an impending Arab attack, seems to lend some support to the view that the incentives to strike first have been reduced however much the motivation in the decision was in order to avoid jeopardizing US support. Israel also had in the occupied territories sufficient strategic depth to be able to absorb the disadvantages of a first blow from the Arabs. The failure to take precautionary measures prior to the Arab attacks on 6 October was very influential in causing

Changes in the Israeli leadership after the 1973 war. The Prime Minister (Mrs Golda Meir) and the Defence Minister (General Dayan) did not attempt to retain their positions for long. General Dayan in particular was blamed for Israel's initial reverses, and it is difficult to imagine an Israeli Defence Minister again recommending restraint under similar circumstances.

2.54 It is worth noting that by the end of the first week of the 1973 war Israel's stocks of ammunition and weapons had become seriously depleted - a consequence of a desperate situation which could have been avoided by pre-emption. Yet, in spite of Israel's concern for American sensibilities, the US delayed the resupply of arms in an attempt to produce a military stalemate. In the end when Israel had the Egyptian Third Army encircled at Suez, it was denied a decisive victory, both by a Soviet threat to intervene, and by an American ultimatum to release the stranglehold despite the demonstration of Israeli restraint at the outbreak of war. The consideration that in 1967 pre-emption resulted in an easy victory while in 1973, following the decision not to pre-empt, Israel suffered unnecessary casualties and was denied decisive victory, is likely to loom large in future Israeli Cabinet deliberations during a crisis.

2.55 A crucial advantage of a pre-emptive strike by Israel is that the military advantages will mean a shorter war and the importance of this for Israel would also be apparent from other sections of this report. The following

factors are significant in this regard:

- a. Israel's limited manpower and sensitivity to human losses (see paras 2.25 to 2.28, 2.34 to 2.35);
- b. Outer-ring Arab States' forces and equipment will have less time to reach the front (see paras 2.36 to 2.41);
- c. The drain on Israeli stocks of arms, ammunition and other scarce economic resources would be less and Israel would be less dependent on US resupply (see paras 1.32 to 1.39);
- d. An Arab long range blockade of shipping bound for Israel (particularly a blockade of Israel's oil coming from Iran, the blockade sited at the southern entrance to the Red Sea) would need time to be effective (see paras 1.40 to 1.46);
- e. The economic costs of war and mobilization would be reduced. The alternative is to endure the crippling effects on the Israeli economy as after 1973;
- f. The Arab oil States would not have so much time to co-ordinate and make effective an oil embargo (see paras 6.10 to 6.18, 6.23 to 6.28); and
- g. The probability that the Israeli Defence Forces could accomplish military objectives on the ground - the elimination of the Arab threat by disabling the Arab armies - before a cease-fire is imposed by the superpowers; in a world where principles are ignored the only strategy for a small power is to get irreversible facts - including the fact of victory - on its side.

2.56 What then are the military advantages of pre-emption which could act as an incentive for Israel to strike first and reap such benefits in a short and successful war? In the first instance the Israelis will be seeking to ensure air superiority to facilitate subsequent close support for Israel's ground forces. This would involve a successful first strike at the Arab air forces as well as at the surface-to-air missile sites. The latter had denied the Israeli Air Force freedom over the battlefield during the first part of the 1973 war. Although the Arab targets are now heavily protected (to avoid a repetition of the Israelis' devastating first strike of 1967 which virtually eliminated the Egyptian Air Force) there have been extensive developments since 1973 in the technology for bursting concrete shelters at long range from the air.¹ It is believed that Israel has the necessary weapons to allow a successful first air strike which would then allow the Israeli Air Force to interdict the numerically superior Arab armoured forces while they were moving to the front, as well as giving close air support to the Israeli Army.

2.57 The successful interdiction from the air of the Arab forces preparing to strike at Israel would allow time for the reserve component of the Israeli Army to be fully mobilized, with the additional advantage of not depriving the economy of essential manpower earlier than absolutely necessary. There are of course many other strategic and tactical advantages of a pre-emptive strike. The war could

1. For example fuel air explosives modularized for stand-off air-to-ground missile delivery with terminal guidance.

be fought on the pre-emptive attacker's terms and if Israel were to attack first, her army would have the opportunity to re-occupy key strategic features such as the Gidi and Mitla Passes in the Sinai. The Israelis could take the initiative with a number of Special Forces raids (including raids deep in Arab territory) in order to draw off a disproportionately large number of Arab forces. Above all the side that attacks first has a tremendous psychological advantage demoralizing its enemy by creating an unexpected situation.

Instability Tempered by Constraints

2.58 It can be seen from the foregoing that there are many elements for instability in the Middle East situation which present serious problems for any peace making efforts - heavily armed nations at hair-trigger readiness aware of the advantages of a first strike (this is quite apart from any inherent instability due to the frustrations of the Palestinians to be discussed in more detail in Chapter 5). It should however become apparent that the weaker the perceived military position of Israel the greater the likelihood of precipitous action by Israel to compensate for any weaknesses. The US might logically conclude therefore that it can best bolster any voices of restraint within Israel by providing Israel with sufficient arms to defend itself at an acceptable cost, without the advantages which could be obtained by resorting to a pre-emptive strike. Possible annihilation is an overwhelming temptation to pre-emptive strike.

2.59 Although most Middle East countries are now far better prepared for war than ever before - with the notable exception of Egypt - the Committee has noted some powerful constraints on the outbreak of a major Middle East war, at least within the short term until about 1979. Some of the constraints - particularly Egypt's need to divert scarce resources from military expenditure to the solution of grave economic problems and Israel's sensibility to her American alliance - have been discussed in this chapter. They lead to some optimism that the coming twelve months may see some positive moves towards an overall Middle East peace settlement. Such a possible settlement is the subject of the next chapter.

3. THE PROSPECTS FOR PEACE BETWEEN ISRAEL AND THE ARABS

Constraints on War

3.1 Despite the continuing preparations for war described in the previous chapter there will be powerful constraints during the late 1970s on the resumption of broader hostilities in the Middle East. Apart from the Disengagement Agreements between Egypt and Israel arranged by Dr Kissinger, the abrogation by Egypt of its Friendship and Co-operation Agreement with Russia has left Egypt in a temporarily difficult military position compared with Israel. In addition Egypt's preoccupation with its grave economic problems lends credence to the view that Egypt will not actively seek another war with Israel under existing circumstances. A question arises also whether there is a change or difference in attitudes on the part of younger Egyptians. Hatred of Israel is not some essential interest of Egyptians in the sense that fostering Middle East divisions may be an interest of the Soviet Union if the Soviet Union aims at world hegemony, as the Chinese accuse it of doing.

3.2 The Committee noted in the two previous chapters that Egypt has a number of valuable hostages to peace - the reopened Suez Canal, the rebuilt cities in the Canal area and the Sinai oil fields returned by Israel. Furthermore Egypt hopes that peace and stability will bring the foreign investment necessary for Egypt's economic development. Egypt therefore does not have an interest in the Middle East

identical with that of the Soviet Union which is to render ineffective or eliminate altogether Western ties and interests in the area.

3.3 Syria - the major "confrontation" champion of the Arabs - has remained until now inflexible in its refusal to negotiate on substantive matters with Israel. However there are indications, such as Syria's containment of the PLO's strength in Lebanon by intervention on the Christian side, that Syria would prefer a negotiated settlement, if certain of its preconditions are met. It seems most unlikely that Syria with its continuing (but successful) preoccupation with Lebanon would be willing to undertake the very risky proposition of resuming hostilities against Israel without Egyptian help, even if Syria gained support from other Arab States. The hostility of Iraq to Syria is also a factor which may lead to a redefinition of Syrian foreign policy aims.

3.4 Saudi Arabia, Kuwait and other conservative Arab States have a minimal interest in war and instability. In the interests of world stability Saudi Arabia has resisted pressure to disrupt Western economies with oil prices even higher than at the moment, and it has no real love for Palestine Liberation forces which have been prone to interfere in the internal politics of some of the more conservative Arab States.¹ The moderation shown by the Arab

1. Despite this Saudi Arabia and Kuwait contribute heavily (US\$50 million per year) to the enormous Arab subsidies given each year to the PLO, making the latter the best financed revolutionary movement in the world.

States with oil wealth is also important because of their influence on Egypt which needs their financial support.

3.5 Although the moderating influence of Saudi Arabia is important, it must be borne in mind that Saudi attitudes towards Israel are particularly scarred by Israel's annexation of East Jerusalem - the ruling Saudi dynasty assumes responsibility for Muslim holy places - and Saudi Arabia is unlikely ever to accept anything less than international control of Jerusalem, although the Saudis would prefer Arab control. The future of Jerusalem will therefore continue to be a most difficult problem as only a small minority of Israelis will ever countenance their government relinquishing the "holy city", an ancient historic capital, as part of a general Middle East settlement. "If I forget thee, O Jerusalem, may my right hand forget her cunning"; "Tomorrow in Jerusalem" - these are poetic expressions ancient and modern showing the spiritual and ideological significance of the city.

3.6 Israel would be constrained from initiating hostilities because of the likely resultant international reactions - especially as another Arab oil embargo or sharp price rise would be feared - and because of the likely adverse reactions from the US, Israel's only important supplier of vital military and economic assistance. This constraint would break down if there were a clearly defined threat to Israel's security; such a threat would be a strong Syrian force equipped with major offensive weapons and located in southern Lebanon.

3.7 In spite of their competitive situation in the Middle East, the interests of the US and Russia (which as the major arms suppliers to the region have the ability if they agree to influence decisively the military balance of power) are not totally incompatible. Each has an interest in the Middle East situation not getting out of hand to the point of world war or serious threat of world war. Neither superpower wishes to be involved in a direct confrontation in the Middle East, or to see a resumption of hostilities that could provide a further destabilising and unpredictable situation. This has been illustrated in the next chapter which discusses superpower rivalry in the Middle East and during the Lebanon fighting.

3.8 During the Lebanon Crisis neither the US nor Russia firmly aligned themselves in direct competition behind the fighting factions in the political and military struggle in Lebanon. Both, for their own reasons, sensed the urgency for a negotiated peace in Lebanon, and have used such influence as they possess to attempt to dampen down a situation, which neither regarded as being advantageous to their overall interests in the Middle East region. The Soviet Union was dependent to some extent on Syrian attitudes, and Syria did not desire the destruction of Lebanon by forces which have shown some hostility to Syria's own government which has executed Palestinian terrorists.

3.9 Although there are major difficulties, there are clear indications of moves towards a general Middle East settlement in the years ahead. These moves centre on the proposed re-convening of the Geneva Peace Conference on the

Middle East; with this in mind the parties to the dispute are engaged publicly and privately in defining their positions on the possible content of a peace agreement. It will therefore be useful to report on some recent developments in the Middle East which reflect some genuine moves to obtain a peaceful settlement. The Geneva Conference can hardly come up with a formula for the elimination of Israel, however, and if the Palestinian Liberation Organisation view is for no recognition of Israel and no peace with a Jewish State, nothing at Geneva is likely to be achieved from their point of view.

Geneva Conference

3.10 The Geneva Peace Conference on the Middle East was first convened in pursuance of Security Council Resolution 338 (see Annex A) in the aftermath of the 1973 Arab-Israeli war. It met for only two days. The initiative passed to "step-by-step" negotiations under the aegis of Dr Kissinger which produced Israeli-Egyptian (two) and Israeli-Syrian bilateral disengagement agreements. With the successful implementation of these disengagement agreements through their successive stages, and continued periodic renewals by both sides of the mandates for the United Nations peace-keeping forces which supervise them, attention returned early in 1976 to multilateral negotiations towards overall Israeli-Arab peace arrangements. After the change in the Presidency of the US, it became clear in early 1977 that the new Carter Administration would not emulate, at least for the time being, the type of bilateral shuttle diplomacy practised by Dr Kissinger.

3.11 The Palestine Liberation Organisation (PLO) had in recent years acquired increasing international "respectability" reflected in its gaining observer status at the United Nations General Assembly in 1974, and in a corresponding outward de-emphasis, by the central PLO organisation at least, of its more violent methods and objectives. This enhanced the growing recognition of the vital importance to any prospective peaceful settlement by giving effect to the aspirations of the Palestinian people based on historical and demographic factors; that is that the Palestinian problem was not merely a "refugee" problem, but also a problem with territorial implications. The improved image of the PLO as perceived by many United Nations' members has been somewhat tarnished in 1976 - particularly because of the PLO's callous interference in Lebanon's internal affairs. PLO contempt for Lebanon's hospitality and interests has had such distressing results both for Lebanon and therefore also for the Palestinians who have taken refuge there after several Israeli-Arab conflicts.

3.12 The Soviet Union, co-chairman with the US of the 1973 Geneva Conference, proposed late in 1975 that the Conference be reconvened with PLO representation, in addition to the original parties. US response was cautious; no doubt the Americans were influenced by the Israelis who remained unwilling to condone dealings with the PLO because of its stated objective of destroying Israel (see Annex B for Palestinian National Charter). In the course of 1976, however, the proposal emerged in American - Soviet exchanges that the Geneva Conference might be reconvened in two

stages, the first, with the original participants, settling on an arrangement for Palestinian representation at the second.

3.13 At the 1976 United Nations General Assembly a resolution sponsored by Egypt called in general terms for the reconvening of "the peace conference on the Middle East" before the end of March 1977. It requested the United Nations Secretary-General to resume contact with the parties to the conflict (he had initiated discussions in April 1976 about possible multilateral talks between Israel and the Arab side which were not to be face-to-face but rather through United Nations intermediaries) and then to report to the Security Council on the situation. This resolution was adopted by a large majority, including Australia, on 9 December 1976.

3.14 In February 1977, the United Nations Secretary-General, Dr Waldheim, visited the major Middle East capitals in pursuance of the Egyptian sponsored United Nations General Assembly resolution. His efforts to achieve progress on the modalities for reconvening a peace conference came up against the major stumbling block of Palestinian representation. Dr Waldheim's visit to Israel took place in a somewhat negative atmosphere as Israeli leaders had shortly before reiterated their rejection of any role for the United Nations in achieving a Middle East peace; the Israeli attitude is undoubtedly due to the world body's large majority of Third World and Communist countries which have had a consistent anti-Israel voting record ever since Arab economic strength has manifested itself. The Arab

side, on the other hand, is likely to push for the Middle East to be considered by the Security Council if agreement cannot be reached on a return to Geneva; however President Sadat clearly accepted a delay in his original deadline of March 1977 because of the Israeli elections in May 1977. For further problems associated with the Geneva Conference see paras 3.48 to 3.54.

Effects of the Lebanon Crisis on Arab Alignments and Peace

3.15 The Lebanon Crisis is discussed in some detail in the earlier report¹ but it suffices to say here that Palestinian interference in the internal affairs of Lebanon added greatly to the bitterness both within Lebanon and between several Arab States. By mid-1976 it had become clear that Syria's military intervention in Lebanon was aimed not only at restoring peace in Lebanon (which President Assad regarded as part of "Greater Syria"), but also at imposing restraint on the activities of the PLO. After earlier apprehension Israel acquiesced in Syria's efforts to pacify those Palestinian forces supporting the "Leftists" in Lebanon - provided there was no Syrian military activity near Israel's borders. Israel's strong military position, and US influence on Israel and Syria assured restraint. The Palestinians had received support from Syria's seemingly implacable Arab rival - Iraq - as well as from other governments sympathetic to the "Rejection Front" such as Libya, and for a time from Egypt which wished to regain Arab favour after the Sinai Disengagement

1. The Lebanon Crisis especially Chapter 1.

Agreements with Israel. Syria also feared that Palestinian activity in southern Lebanon could involve Syria in a war with Israel which the Syrians could not hope to win without Egyptian participation.

3.16 The communal grievances - both political and economic - which gave rise to the Lebanon fighting have yet to be overcome. The end to the intensive fighting in Lebanon can largely be attributed to Syria's massive intervention and the retention of a dominant "peace keeping" force.¹ Although Syria has not yet achieved full control - the Palestinians (as well as some Christian militia) in Beirut and southern Lebanon still retain a large arsenal of weapons - the PLO now has less capacity for independent military action. Hence, although the Lebanon Crisis delayed any moves towards a Geneva peace settlement, ultimately the crisis curbed the PLO's military capacity and initiative and this is likely to have a significant bearing on any movement towards a Middle East settlement.

3.17 The recent fighting in southern Lebanon between Palestinians and Christians has allegedly caused Syria to revert to unofficial support of the PLO - or to favour a stalemate - in areas close to Israel's northern border. Israel regards this as a threat to her strategic interest and has given unofficial support to Christian militiamen in

1. The presence of the Arab Deterrent Force (in which Syria's up to 35,000 troops are paramount with small forces from Saudi Arabia, Sudan, the United Arab Emirates and the two Yemens) has been extended to October 1977.

order to create a security belt along Israel's northern frontier. There is grave danger that Israel will react to any large scale introduction of Syrian forces into southern Lebanon which Israel would regard as a threat to her strategic interests. So far Syria seems to have abided by a tacit agreement not to take such action. The sensitive situation on the Lebanese-Israeli border is likely to be a continuing threat to peace until such time as Lebanon can build up strong enough forces to curb the Palestinian forces in the area without outside assistance. In the meantime a peace-keeping force from disinterested powers may be the only answer (see Recommendation 10).

3.18 President Sadat has played a major role in stimulating current peace moves with a view to improving Egyptian living standards. Egypt wishes both to reduce the proportion of its budget spent on arms and war preparations (at present estimated at one-third) and to improve relations with the world at large, including major Western powers with an eye to aid and investment. It was Egypt that led in negotiating the post-1973 bilateral disengagements with Israel, and it was criticised bitterly by other Arab powers for doing so - not least by Syria, whose own subsequent disengagement with Israel differed from Egypt's in not including a form of undertaking not to resort to warfare in future. Ultimately the Lebanese Civil War narrowed the political gap between Egypt and Syria, and towards the end of 1976 the necessary reconciliation of policies between the two countries eventuated. Egyptian criticism of Syrian activities in Lebanon ceased, and Syria in return refrained from further criticism of Egypt's willingness to come to

terms with Israel. The Egyptian-Syrian reconciliation has been firmly underpinned by Saudi Arabia, which played a major role in bringing about the Riyadh and Cairo summits which culminated in the Lebanon cease-fire in November 1976. By gaining Saudi endorsement (and finance) for its Lebanon policies Syria has ended its period of isolation within the Arab world and it has reduced domestic tensions. Egypt for its part accepts that pan-Arab strategy cannot be formulated without the support of both Syria and Saudi Arabia. Moreover, looking to a future in which peace negotiations may have reached a stalemate, both Egypt and Syria are aware of the importance of their alignment with Saudi Arabia.

Jordan's Status Restored

3.19 The new Cairo-Damascus-Riyad triangle has been strengthened by the addition of Jordan, whose status in the Arab world since "Black September" 1970 (when King Hussein's Government expunged PLO interference which had intensified in Jordan following the 1967 war) has gradually been restored. King Hussein reluctantly accepted the 1974 decision of the Arab League Summit at Rabat that Jordan no longer had a claim to represent the Palestinian people, and that the PLO was to be regarded as the "sole legitimate representative" of the Palestinians. For their part other Arab governments recognize the central importance of Jordan in future territorial arrangements (as well as the need for Jordan to participate in a future Middle East war if that should prove necessary).

3.20 In mid-January 1977, King Hussein and President Sadat of Egypt issued a joint communique suggesting

substantial agreement on key issues including the need for Jordan to participate in negotiations, the desirability of close relations between Jordan and the West Bank, and the need for the PLO to participate in peace talks as an equal and independent party solely representing the Palestinians. President Sadat has since revived the idea of some formal link - perhaps confederation - between Jordan and a Palestinian State comprising the West Bank and Gaza. Egypt may need to consider the enhanced possibility of a "Greater Syrian" federation of Syria, Jordan and Lebanon if Jordan is humiliated, as at Rabat, in the interests of an unpredictable force of Palestinians.

Arab Attitudes and Negotiating Positions

3.21 Much has been written on the historical background (and on Arab attitudes) to the thirty year long Arab-Israeli conflict, and it is beyond the scope of this report to cover this subject. The Arabs regard the State of Israel as an "imperialist" intrusion into the Arab world; there is an historical and religious objection to a State with a largely "Western" culture which interferes with the militant pan-Islam concept.¹ The Arabs oppose Israel on the basis

1. The creation of Israel also thwarts the territorial ambitions of individual Arab States, such as the concept of "Greater Syria", noted elsewhere in this report.

that Israel was created on land that belongs to the Palestinians.¹ Arabs feel that they have been forced to sacrifice land to appease the conscience of the Western world for the treatment of the Jews. The Arabs are concerned that the "Zionists" have further territorial ambitions and they object to Great Power intervention in the Middle East - particularly when it is in support of Israel. In any consideration of Arab attitudes it must be remembered that the Arab States are not united except in their common opposition to the State of Israel, an opposition varying from hatred to an opportunist stance.

3.22 In view of the corollary to Palestinian aims to eliminate Israel - the Israeli emphasis on "secure" or "defensible" borders (Israel's reasons are amply stated in this report) - it will be useful to summarise the Arab attitude in rejection of the entire notion of secure borders. The Arabs profess to regard Israel's obsession with secure borders as a guise for expansion and as already noted in Chapter 1 they reject the concept of taking topographical issues (rather than historical or demographical factors) into account when considering border issues. Therefore no

1. According to the British Mandatory Power's official figures (Government of Palestine Survey of Palestine, 1946, page 257) at the time of the creation of Israel, over 70% of the land which was to constitute the Jewish State in 1948 was vested in the British High Commission, of this the greater part consisted of the Negev Desert. All this land was transferred to the State of Israel as the legal heir. Of the remainder 8.6% was owned by Jews, 16.9% was abandoned by Arab refugees and 3.3% was retained by Arabs who remained. Some of the Mandatory Power's land had been leased to Arabs and some was occupied by squatters.

systematic Arab position on topographical issues exists but some general arguments can be gleaned from their spokesmen. The few Arabs who are prepared to consider recognition argue that if Israel receives recognition, then Israelis will not need secure borders; furthermore they argue modern long range weapons (such as advanced missiles in the possession of Egypt and Syria) make "secure" borders irrelevant.¹

3.23 The Arabs of this moderate position also argue that the October 1973 War (during which they captured Israel's Bar-Lev line on the Suez Canal in their initial attack) proved that no defensive line is impervious to attack; such Arabs then usually point out that Israel's "secure" borders in 1973 did not save them from several reverses (these were in the first days of the war). Finally the Arabs of this opinion argue that any loss of advantageous territory can be compensated by Great Power (particularly American) security guarantees or possibly by demilitarised or limited force zones - provided these zones are on both sides of the final borders.²

3.24 The tactical Egyptian-Syrian-Jordanian negotiation goals at this stage can be summarised as follows:

- a. Israeli withdrawal from the territory occupied in 1967 - the Sinai Desert, the Gaza Strip, the Golan Heights, the West Bank and East Jerusalem; and

1. See para 3.38 for counter-argument.

2. See para 3.37 for Israel's attitude on these matters.

- b. The restoration in part of Palestinian national rights by the creation of a small Palestinian State on the West Bank and in the Gaza Strip.¹

3.25 The above negotiating goals fall considerably short of the frequently stated aims of more fundamental and militant Arab opinion. This includes the PLO (but see Note 2) and the governments of Iraq and Libya which have sought to reverse the events of the late 1940s by replacing Israel with a secular State of Palestine, ostensibly but not certainly for both Arabs and Jews. However a reading of the 1968 version of the Palestinian National Charter (see clause 6 of Annex B to this report) defines the eligibility of Jews for the proposed secular Palestine as follows: "the Jews who had normally resided in Palestine until the beginning of the Zionist invasion will be considered Palestinian". Although it is somewhat vague whether this clause refers to 1882, 1917 or even 1947 it leaves little doubt in Jewish minds of their lack of a future or even of a right to exist if the proposed secular state ever came to fruition. For this reason it would be reasonable to expect, but not to be misled by, some cosmetic changes to the Palestinian National Charter to make more Jews eligible to live in Palestine - nevertheless the hoped for changes did not eventuate during the 13th Session of the Palestinian National Council in March 1977.

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1. Syria has frequently stated support for the aspirations of the Palestinians as part of Syria's negotiating position, which can be construed that Israel is to give up more than the territory acquired after the 1967 war.
 2. A majority in the PLO is prepared to set up a Palestinian State in whatever part of the former Palestine Mandate Israel is prepared to evacuate.

3.26 There are also some indications that some sections of the PLO are moving to a re-assessment of its ultimate objective (as stated in the Palestinian National Charter) of achieving a "secular, democratic" Palestine, by violent means if necessary. Use of force is now circumscribed as a result of the Syrian intervention in Lebanon and the PLO is increasingly aware of the current irrelevance to Israel of PLO long-term military policies. No effective warfare can be launched on Israel without the participation of the Syrians and the Egyptians and the economic support of the oil producers - powers which are both suspicious of the PLO and determined for the Arabs to enter into peace negotiations. Any further Palestinian objection to going to Geneva on the basis of United Nations Resolution 242 of 1967 (see Annex A) is unlikely to be decisive with President Sadat. Egyptian impatience is evident from some unofficial comments which point out that if the Palestinians had been willing to accept the United Nations partition plan for Palestine in 1948, they would have received more than they would today if they were to form a State on the West Bank and Gaza, as many Palestinians are now willing to do.

3.27 Since mid-December 1976, and no doubt influenced by their worsening position after the Lebanese Civil War, the Palestinian Central Committee has been considering an independent State in the area of the West Bank and the Gaza Strip, as a more attainable alternative to regaining the whole of former Palestine. This was approved by the Palestinian National Council in March 1977 but only on the basis that it would be a step on the road to the "liberation" of all Palestine; Israel is unlikely to be

captivated by such a prospect of elimination by stages. Further details on the attitudes of the Palestinians are contained in Chapter 5.

Israeli Attitudes and Possible Negotiating Position

3.28 It should be obvious that the Israeli attitudes to their nation's future (including Israel's final borders) will be influenced by the struggle for survival of the Jewish people over hundreds of years culminating in Czarist pogroms, Nazi genocide, and current Soviet persecution. To the Jews the "Promised Land" is a fortress from the persecution from which Jews have suffered for so long, and it has enabled Jews to overcome an historic denial to them of "The Land". It is unfortunate that the Palestinian question was bedevilled by contradictory promises made by the British concerning the nature of the Palestine settlement during and between the two world wars.

3.29 Israel has not closely defined what it would see as a satisfactory peace settlement. The elements which it certainly regards as essential include explicit recognition of Israel's right to exist, secure borders and commercial relations. Israel does not wish to define its requirements in great detail at this stage, for example by specifying which borders would be defensible, although it is clear that Israel wants to retain Jerusalem (annexed by Israel) and some of the territory it occupied in 1967.

3.30 The Committee has already considered the rationale of Israel's requirement for secure borders in Chapter 1 (in

particular paras 1.5 to 1.20). The Israelis have always said that "everything is negotiable", except Jerusalem, but probably the clearest indication of what concessions Israelis are prepared to make can be gleaned from an article by Israel's Foreign Minister Mr Allon (parts of which are quoted in para 3.39) and from the pattern of Israel's paramilitary settlements in occupied territory - provided they have official sanction. The pattern is not in contradiction to the Allon Plan although the plan does not purport to represent Israel's official position.

3.31 Also important in judging what concessions any Israeli Government can make are the results of Israeli public opinion polls. Annex C contains opinion polls showing what proportion of Israelis have been willing to see a return of the various occupied territories. Although there is a shift towards a mood more favourable to concessions since 1971, there is particularly strong opposition against any concessions regarding East Jerusalem (78%), the Golan Heights (69%) and Sharm el-Sheikh (80%). Of significance also is that in 1976 only 29% of Israelis were prepared to concede the whole Gaza Strip. There seems to be a more flexible mood regarding the Sinai (only 16% will not concede anything) and the West Bank. In March 1976, 49% of Israelis polled would agree to something like the Allon Plan and another 14% were prepared to give up all the West Bank.

3.32 Israel opposes the creation of what it calls a "PLO State on its borders", claiming that such a State would be subject to Soviet influence and would serve as a base for subversive activities, not only against Israel, but also

against the moderate Arab governments. One Israeli argument is that the moderate Arab governments are, themselves, privately opposed to the creation of such a State, but are relying on Israel and the US to resist it. The leading Arab States may, however, be confident of their ability to exert the necessary controls to prevent damage to themselves, although some risk of continuing terrorist activities would seem unavoidable.

3.33 There are also doubts in Israel as to the ability of a Palestinian mini-state to absorb the large number of Palestinian refugees dispersed in refugee camps in countries bordering Israel. The Israelis would prefer any new State to be linked to Jordan which already has a large Palestinian population and the onus would then be on King Hussein to assert his authority over the Palestinians as he did in 1970 in response to Israeli retaliatory raids. There are also doubts as to the viability of a third State between Israel and Jordan. Such doubts would be subject to the counter argument that Israel would also not be viable without US support and that a Palestinian mini-state could hope for support from either the wealthy Arab States or from the Soviet Union. Israel has good reasons to fear the latter alternative.

3.34 If Israel withdrew from the West Bank (or most of it) Israel would have to insist on demilitarization or strong limitations on armed forces on the West Bank. This may be too much to expect from a new State with dissident elements, but it may be feasible in a joint Jordanian-West Bank Federal State. Israel would rely again on her ability

to take retribution on Jordan for not keeping its Palestinians under control should this become necessary, and a settled recognized Arab government of Jordan could be held responsible.

3.35 Reference has already been made (in para 3.25) to the PLO's professed aim - supported by at least radical Arab opinion - of establishing an independent secular State of Palestine which would only allow a limited number of Jews to remain. If there were ever any Jews with doubts about their status in such a Palestinian State then their doubts would most likely have been dispelled as a result of the Lebanese Civil War. Israelis can now argue that any concept of Islamic tolerance to other religions within their midst has been demonstrated to be very limited (this is not to say that the Christians of Lebanon were any more tolerant towards the Muslims). The Israelis can argue that the Christians of Lebanon would have suffered the same fate as other minorities in Arab countries, such as the Kurds and the Assyrians, if it had not been for the intervention of Syria. Syria had a variety of motives most of which were unrelated to the saving of Lebanon's Christians or to any ideas of religious toleration (see the Committee's Lebanon Report¹).

3.36 The Israelis can also draw attention to the fact that during the Lebanon Crisis there was very little action from the world on behalf of Lebanon's Christian community, including from the United Nations Security Council and from

1. The Lebanon Crisis paras 1.21 to 1.24.

Western countries which are predominantly Christian and with a large proportion of Roman Catholics (co-religionists of Lebanon's Maronites). In the likely event of persecution of the Jewish minority living in a secular Palestinian State, can these Jews then realistically hope for outside intervention on their behalf? Jewish suffering under the Nazis, which dominates Jewish experience, gives Israelis little confidence that the world will intervene on their behalf although they would not wish to belittle the substantial support that Israel has received from the US and a few other countries. Jews also see very little action by anybody but Jews in the face of Soviet religious persecution of Jews, and are not impressed by Christian action for Soviet Christians, which has been negligible in impact when contrasted with the exertions of Soviet dissidents.

3.37 As noted in para 3.23 some Arabs believe that Israel could be compensated if Israelis surrendered advantageous topography by Israel accepting limited forces zones and Great Power guarantees. The concept of limited forces zones is widely accepted in Israel but the Israelis are much more sceptical of Great Power guarantees. Israelis wish to be self-reliant rather than a protectorate of an ally. How long would Great Power or United Nations troops remain to police a settlement of the question of Israel's right to exist? Will not a moderate Arab leader who dares to agree to such arrangements be overthrown and be replaced by a regime that rejects previous agreements? The concept of "revolution" promulgated by the Soviet Union and terrorist organisations justifies repudiation of such agreements and the violent exploitation of concessions. The Israelis

remember the alacrity with which the United Nations moved their small forces from Sinai in 1967 when requested to do so by former President Nasser. The United Nations must have expected the withdrawal to mean disaster for Israel and it was the exertions of Israel itself which avoided disaster.

3.38 As to the Arab argument (in para 3.22) that secure borders are made irrelevant by modern long range weapons, the Israelis rightly point out that massive American air bombardment did not defeat North Vietnam, nor was Germany brought to its knees in this way, and that without an attack by ground forces which physically overrun the country involved, no war can be decisive. It is precisely this last eventuality which Israelis fear and this fear makes "defensible" borders such a priority in their thinking.

The Allon Plan

3.39 A description of a plan which allows Israel to make concessions - the return of occupied territory with significant Arab populations and as much occupied territory that can be given up whilst providing Israel with "secure" or "defensible" borders is given by Israel's foreign Minister Mr Allon in a recent article.¹ Because of the

1. Yigal Allon "Israel: The Case for Defensible Borders" Foreign Affairs - American Quarterly Review October 1976, page 38. The quotations are taken from pages 46 to 50 in Mr Allon's article. The "Allon Plan" normally refers to a plan that would surrender the populated centres of the West Bank to local autonomy or to Jordan (but not to the PLO) provided that Israel would retain a strip of relatively barren and sparsely populated land 20-30 kilometres deep along the Jordan River to serve as a security buffer. The Arab entity of the West Bank would have a land bridge to Jordan and to the wider Arab world through Jericho, but Arab military forces would be prohibited from the Israeli side of the River.

significance of the article the Committee considers it important that some details concerning territory are quoted directly (the Committee has inserted the headings for easy reference):

"A reasonable compromise solution can be found for all these weaknesses in the current geostrategic and demographic situation existing in the Middle East. Without going into details or drawing precise maps, an activity that must await direct negotiations between the parties themselves, in my opinion the solution in principle ought to be along the following general lines."

The West Bank

"Both to preserve its Jewish character and to contribute toward a solution of the Palestinian issue, Israel should not annex an additional and significant Arab population. Therefore the strategic depth and topographical barriers in the central sector, so totally absent in the lines preceding the 1967 war, cannot be based on moving these lines eastward in a schematic manner, even though this would be logical from a purely strategic point of view. Rather, apart from some minor tactical border alterations along the western section of "the green line", this same goal can be achieved through absolute Israeli control over the strategic zone to the east of the dense Arab population, concentrated as it is on the crest of the hills and westward. I am referring to the arid zone that lies between the Jordan River to the east, and the eastern chain of the Samaritan and Judean mountains to the west - from Mt. Gilboa in the north through the Judean desert, until it joins the Negev desert. The area of this desert zone is only about 700 square miles and it is almost devoid of population. Thus this type of solution would leave almost all of the Palestinian Arab population of the West Bank under Arab rule.

"Cutting through this zone, which continues from north to south, it would be possible to delineate a corridor from west to east under Arab sovereignty. This would permit uninterrupted communication along the Jericho-Ramallah axis, between the Arab populated areas of the West and East banks of the river. In this manner the only realistic solution becomes possible - one that also helps resolve the problem of Palestinian identity that could then find its expression in a single Jordanian-Palestinian State. (After all, the population of both banks, East and West, are Palestinian Arabs. The fact is that the great majority of Palestinians carry Jordanian passports while almost all of Jordan's inhabitants are Palestinians.)"

Jerusalem

"Jerusalem, Israel's capital, which was never the capital of any Arab or Muslim state, but was always the capital and centre of the Jewish people, cannot return to the absurd situation of being partitioned. The Holy City and adjacent areas essential for its protection and communications must remain a single, undivided unit under Israel's sovereignty. Because of its universal status, however, in that it is holy to three great religions, as well as the mixed nature of its inhabitants, a solution for the religious interests connected with it can be found, a religious and not a political solution. For example, special status could be granted to the representatives of the various faiths in the places holy to them, just as it might be possible to base the municipal structure of the city upon sub-districts that take ethnic and religious criteria into account."

1. "From the middle of the nineteenth century Jerusalem has had a Jewish majority. Today, the population consists of 260,000 Jews, 84,000 Muslims and 12,000 Christians."

The Golan Heights

"While the strategic zone in the central sector is crucial to Israel's security, so, too, is a zone on the Golan Heights. As past experience has demonstrated, a border not encompassing the Golan Heights would again invite the easy shelling of the villages below in the Huleh Valley, the Galilee Basin and eastern Galilee. More important than the danger of renewed Syrian shelling and sniping at Israeli villagers and fishermen below, which is basically a tactical question, is that Israel needs an effective defense line on the Golan Heights for two cardinal strategic reasons: first, to preclude any new Syrian attempts to deny Israel its essential water resources and, second, to prevent a massive Syrian attack on the whole of Galilee, either independently or in coordination with other Arab armies on Israel's other frontiers."

Gaza and North East Sinai

"In my view the city of Gaza and its environs, which is heavily populated by Palestinian Arabs, could comprise a part of the Jordanian-Palestinian unit which would arise to the east of Israel, and serve as that State's Mediterranean port. In this case, it would be necessary to place at the disposal of traffic between Gaza and the Jordanian-Palestinian State the use of a land route (as distinct from a land corridor) similar to that, for example, connecting the United States with Alaska. But Israel must continue to control fully the strategic desert zone from the southern part of the Gaza Strip to the dunes on the eastern approaches of the town of El Arish, which itself would be returned to Egypt. This strategic zone, almost empty of population, would block the historic invasion route along the sea coast which many conquerors have taken over the generations to invade the land of Israel, and further north."

"A number of border adjustments will also be essential to ensure security along sensitive areas of the 1949 Armistice line between Israel and Egypt. These must be made in such a manner as to permit full Israeli control in a number of sectors of crucial importance to its defense and which lack any value for the security of

Egypt. I am referring to such areas as those surrounding Abu Aweigila, Kusseima and Kuntilla, which comprise the principal strategic crossroads on the main routes from the desert to Beersheba, and to the Elath shore line which is the gateway to Israel's maritime routes to the Indian Ocean and the Far East."

Sharm-El-Sheikh

"An especially sensitive point is that of the area of Sharm-el-Sheikh at the southern tip of the Sinai Peninsula. Although, from this vantage point, there is no danger of a massive surprise attack on Israel proper, a very concrete threat to Israeli freedom of navigation does exist. It should be repeated that Egypt has twice imposed blockades against Israeli ships and cargoes seeking passage through the Straits of Tiran. And, in both instances, Israel was compelled to break this blockade mounted from Sharm-el-Sheikh by capturing the place. In one way or another, unquestionable Israeli control over this corner of the Sinai - and over a land route reaching it - is not only critical to Israeli defense, but also serves to neutralize a focal point that is liable to set the area on fire once again. Moreover, because of the threat of blockade to Israeli-bound traffic through the Bab-el-Mandab Strait, which connects the Red Sea with the Indian Ocean, full Israeli control over Sharm-el-Sheikh might serve as a countervailing deterrent against such blockade attempts."

Demilitarized and Security Zones

"As I have pointed out, border adjustments essential for Israel's security, and hence for the long-term stability of the entire area, must also be linked with mutually effective security arrangements designed to prevent surprise attacks by one side on the other, or at least to reduce to a minimum the danger of such attacks. In the geostrategic circumstances of the Middle East, to reduce the possibility of surprise offensives is, in fact, to reduce the danger of all offensives. I am referring to such arrangements as the delineation of both totally and partially demilitarized zones under joint Arab-Israeli control, with or without

the participation of a credible international factor; or such arrangements as the delineation of parallel early-warning systems like those functioning in the Sinai according to the terms of the 1975 Interim Agreement between Israel and Egypt.

"I will not enter here into the technical details of such arrangements, their nature, placement and scope. Not that they are unimportant or nonessential; on the contrary, without them, Israel could not permit itself to make the far-reaching territorial compromises which, in my opinion, it should be prepared to make within the context of peace agreements with its neighbours. Let me give one example, albeit the most important, in order to illustrate this point. According to the principles I have already outlined, if Israel were to forfeit the densely populated heartland of Judea and Samaria, it would not be able to forego - under any circumstances - the effective demilitarization of these areas. Apart from civilian police to guarantee internal order, these areas would have to be devoid of offensive forces and heavy arms. In the same way as any other country, Israel would be unable to abandon areas so close to its heartland if they were liable once again to become staging areas for full-scale, limited or guerilla attacks upon its most vital areas.

"In short, Israel cannot permit itself to withdraw from a large part of the West Bank unless the area from which it withdraws is shorn of all aggressive potential. For this purpose, absolute Israeli control, as proposed above, of a strategic security zone along the Jordan Basin will not be adequate. Effective demilitarization of the areas from which the Israel Defense Forces withdraw will also be essential. Here as elsewhere, the two elements are interwoven: without a security zone, Israel cannot be satisfied with demilitarization alone; without effective demilitarization, Israel cannot be satisfied with just the security zone.

"It should be clear from what I have said, that Israel does not hold most of the territories that fell into its hands in the war, which was imposed on it in 1967, as an end in itself. Despite the paucity of

its territory compared with the vast areas of the Arab countries, and despite the historical, strategic and economic importance of these areas, Israel would be prepared to concede all that is not absolutely essential to its security within the context of an overall peace settlement. It is holding most of these territories now only as a means to achieve its foremost goal - peace with all its neighbours."

The United Nations' Ability to Influence Peace

3.40 The United Nations as the legitimate successor of the League of Nations inherited the Palestine dispute because the League had conferred the mandate on Britain. Without wishing to denigrate the Organisation's beneficial work in the field of relief for refugees and the provision of the limited peace-keeping forces and observers on cease-fire lines, the Committee has serious reservations about the United Nations' capacity or will to settle the Middle East dispute. This is due to the inherent attitudes of the members of the United Nations as it now is, a body which has become immobilized by the politics and interests of its members and become transformed into an arena for Great Power rivalry and minor power declamation rather than diplomacy.

3.41 It is no wonder that Israel has become completely disenchanted with the organisation which created the Jewish State. Israel feels that today the General Assembly can be relied upon to adopt a majority position of consistent hostility towards Israel and to reject proven evidence which might favour Israel. The Arabs, with the guaranteed support of the Soviet bloc, China and most of the non-aligned powers

can expect permanent majority support on any issue involving Israel. Israel has noted that the United Nations is a body which has applauded Yasser Arafat as a liberator and recently carried anti-semitic resolutions bracketing Zionism with racism. Israel feels the United Nations pays more respect to the buffoonery of Uganda's murderous Idi Amin than to the representatives of Israel or the West. There is little doubt that the majority of nations in the United Nations would support a resolution demanding Israel's liquidation at any time the Arabs, their Soviet allies and third world supporters would deem such a resolution politically advantageous.

Soviet Ability to Influence Peace

3.42 The Soviet Union, for its part, is doing little more than encouraging the move towards Geneva; its relatively passive attitude towards the various Arab proposals is, no doubt, designed to preserve flexibility at a time when Soviet standing in some Arab countries has notably diminished. By cutting off relations with Israel in 1967, the Soviet Union has virtually eliminated itself as a direct mediator. The posturing implicit in this position is designed, no doubt, to eliminate from Arab memory that the Soviet Union was the very first State to recognise Israel.

3.43 This is not to say that the Soviet Union - despite its diminished influence - is not in a position to make a contribution towards peace. It will be recalled from Chapter 2 that the Soviet Union has been the major arms supplier in

the region. Syria (the leading "confrontation" State) as well as Iraq and Libya (the leading States in the "Rejection Front") rely primarily on massive Soviet arms supplies to underwrite the belligerent posture towards Israel which these three countries have chosen to adopt for a number of years. Also Egypt is importing unobtrusively some Soviet arms, although these are frequently shipped through third countries and are barely maintaining Egypt's 1973 armaments level.

The US Position?

3.44 It is recognised by all parties to the Arab-Israeli dispute that the US can be a dominant influence in a Middle East peace, but the Carter Administration has not at this stage finalized its public position on current settlement proposals. However, the US has long stated that it will not deal with the PLO officially¹ until the PLO recognises Israel's right to exist and rejects terrorism. On 16 March 1977 President Carter publicly urged the creation of a "permanent home for the Palestinian refugees" in the Middle East. It was the first time President Carter had publicly advocated what could mean the creation of a separate Palestinian State.

3.45 In March 1977, Mr Rabin, Israel's former Prime Minister, was welcomed by President Carter as the first of a number of Middle East leaders to visit Washington. During Mr

1. There were some informal contacts in Lebanon on the safe evacuation of US personnel.

Rabin's visit it was reported that President Carter publicly made the following points (Comment is from the Committee):

- a. America wanted Israel to have "defensible borders". Comment: This was said in a welcoming speech and not subsequently; it was apparently the first time an American President had used this phrase in an Israeli context; as explained in Chapter 1 the need for "defensible borders" has long been used by the Israelis as a reason for retaining Arab territories captured in 1967. Subsequent to President Carter's welcoming speech, US officials were quick to modify the impact of the President's remarks on "defensible borders" as apparently did President Carter himself at a subsequent press conference;
- b. An eventual Middle East peace would involve substantial withdrawal by Israel from territory occupied since the 1967 war, but the President declared that the peace process must begin with ensuring Israel's survival;
- c. Permanent borders in Israel would need to be recognised by other nations, but "defence lines may or may not conform in the foreseeable future to these legal borders. There may be extensions of Israeli defence capabilities beyond the permanent and recognised borders";
- d. Demilitarized zones occupied by "international forces" and electronic listening posts could "very well be part of an agreement". Final decisions on

the subject would have to be determined by the nations involved;

- e. A Middle East settlement, President Carter suggested, would have to include Arab recognition of Israel's right to exist in "a mutual commitment to complete peace in the Middle East" and resolution of the Palestinian question. Comment: This recognition of Israel's right to exist seems to have been for 30 years the crux of the Middle East problem;
- f. The first stage of a permanent Middle East settlement might include "minor adjustments" to Israeli territory. Israel's pull-back might be phased over 2 to 8 years or more. Comment: The leaders of Israel and Egypt immediately repudiated the notion of "minor adjustments" underlining the large difference in their respective positions. Egypt's President Sadat reiterated that "we do not accept giving up a single inch of our territory". The Egyptians feel they have already made an enormous concession if they are prepared to recognise Israel in exchange for the return of all territory won by Israel in the 1967 war; but the exchange of territory for national recognition which could be withdrawn at the twinkling of an eye is hardly a secure exchange.

3.46 President Carter's statements on the Middle East caused some confusion as different interpretations were placed on his remarks. Some observers judged the US

President's comments as a reflection of a scheme proposed by the Brookings Institution¹ in 1975. The Institution's own summary of the plan is included in Annex E to this report. The Brookings Plan includes phased Israeli withdrawal from occupied territory ("with only such modifications as are mutually accepted") which will be protected by the erection of demilitarized zones set between present Israeli positions and the agreed borders, joint patrols and arrangements under which Israel would temporarily "lease" Arab territory before it was finally returned.

3.47 The shape of negotiations in the months ahead will depend largely on Israel's response to any US pressure towards a compromise. The US - as Israel's substantial friend, economic benefactor and arms supplier - is in a unique position to "apply pressure" on or "to influence" Israel; such pressure is somewhat constrained by US public opinion² and the influential Jewish vote in the State of New York. If America reduces its long time support for Israel too much, there is also a danger of a loss of credibility regarding other US commitments around the world. Ultimately however, Israel's Government (ever responsive to the wishes

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- 1. The Brookings Institution is a private "think tank" which has fed ideas into successive Democratic Administrations. The President's National Security Adviser, Brzezinski, was a member.
 - 2. US public opinion polls continue to show that a preponderance of Christian Americans are sympathetic to the Israeli cause against the Arabs by margins of between five and ten to one in all regions of the country, among all sub-samples by age, employment, and educational attainment. This broadly based support is reflected in the US Congress.

of the Israeli people on matters concerning the security of the nation) will make the decisions on any concessions that relate to the survival of Israel. The Israelis will be ever mindful that their sensitivity to US interests stopped them from launching a last minute, but most likely effective, pre-emptive air strike in 1973, and subsequently deprived them of a victory sixteen days later when Israel's enemies were on the brink of collapse (see para 2.54).

The Problems of the Geneva Conference

3.48 President Sadat's February 1977 statement (despite the 1974 Arab decision at Rabat¹) that a new West Bank-Gaza State for the Palestinians should be linked with Jordan is aimed at narrowing the gap between the Arab side and Israel, and is also a concession to his Jordanian ally. Israel has always considered that the Palestinian problem should be settled in a Jordanian context for the reasons mentioned - paras 3.32-3.34. This may not help solve the thorny problem of Palestinian representation at Geneva. It is difficult to imagine the PLO being content to be represented by their old adversary, King Hussein. In any case the latter has declined to do so, but that attitude, a response to Rabat, could scarcely be taken as proving that King Hussein has willingly given up any aspirations to the West Bank which Jordan had annexed after the partition of Palestine and had lost to Israel in 1967.

1. The 1974 Arab Summit at Rabat recognised the PLO as the sole representative of the Palestinians.

3.49 There has been some movement on the issue of direct Palestinian representation at Geneva (which has always been opposed by Israel and the "Rejectionists" in radical Arab opinion) although as yet there is no agreement on a formula which would clear the way for reconvening the conference. Israel has said it will not examine too closely the credentials of the members of Arab delegations, implying that Palestinian (perhaps PLO) representatives could be included in one of them. Egypt and Syria seem to be moving away from the idea of one combined Arab delegation including a PLO contingent (unacceptable to Israel on the grounds that it departs too much from the former Geneva formula). The Americans have been proposing that an initial plenary session at Geneva break up quickly into working groups, in some of which Israeli representatives would presumably come face-to-face with PLO representatives.

3.50 Such Geneva Conference working groups would presumably deal with such aspects of a settlement as territorial withdrawals, demilitarization, guarantees, the Arab economic boycott and the role of the United Nations and the US. This working group structure could also reduce the public posturing and procedural wrangling likely at a continuing plenary conference. But there is no conclusive evidence at this stage that the Palestinians will settle for the West Bank plus Gaza in coexistence with Israel, nor that Israel will either accept the creation of a separate State for the Palestinians or be willing to withdraw from all the territory on the West Bank and in Gaza, occupied since 1967, which the proposals for such a State encompass (but see Allon Plan para 3.39). There is also no conclusive evidence

at this stage that the Palestinians accept the right of Israel to exist, or even the right of Jews to live in their Palestine, or even safe conduct for withdrawal.

3.51 Firm Israeli positions will be hard to achieve until Israel's internal political situation is resolved as a result of the May elections, and there is little question of a peace conference reconvening before that happens. The Israeli Prime Minister's action is limited by his party platform which prohibits any commitment to major agreements without first taking the specifics to the people in a general election. In any case, it is not yet clear how much can be achieved at Geneva. Arab governments may be prepared to accept that movement towards a complete settlement of the Arab-Israeli dispute will not be rapid. But if there is no discernible progress within the next twelve months, alternatives to negotiation, and notably the military and oil options,¹ will undoubtedly be considered.

3.52 Israelis stagger under the burden of enormous taxation levels, huge defence expenditures, nearly life long military service obligations and they are surrounded by hostility. The Committee believes that there is little doubt that Israelis would therefore welcome a genuine peace agreement. However, Israelis cannot be convinced that any settlement being urged upon them which returns the commanding heights of the Golan to the Syrians, brings the Egyptians 160 kilometres closer to Tel Aviv, and puts the PLO on the West Bank in close proximity to the bulk of the

1. See paras 6.23 to 6.28.

Jewish population, will not in time create a much greater threat to Israel than exists now. Israelis are ever mindful that the policies of Arab States can change drastically with a change of leadership and Israel will always have to be alert to a military threat. It is a paradox that although Israel is in a strong military position today, the defence expenditures and mobilization requirements of Israel under the proposed Geneva settlement terms will need to be increased rather than reduced. In particular the Israelis fear that a PLO State alongside Israel would become a client of the Soviet Union and that the Arab States would eventually have to support its irredentist aims against Israel. Israel, to sum up, fears genocide of the Jews at the hands of Arabs, and PLO utterances are not reassuring.

3.53 Current optimism about a general peace settlement in the Middle East is largely based on the fact that the Arab "front line" States - Egypt, Syria and Jordan - with Saudi Arabian endorsement, appear to be showing considerable enthusiasm for the negotiating process. Such optimism for successful negotiations cannot realistically be matched by Israel as long as the Arabs demand "every inch" of Israeli occupied territory or as long as there is the possibility of PLO control in territory alongside Israel. Although the Committee would like to see an early and lasting peace settlement in the Middle East, it is concerned that a Geneva Peace Conference and President Carter's optimistic statements about peace in the Middle East may build up false expectations. This may result in serious disillusionment with America's Middle East policy in moderate Arab States and may cause Egypt to again welcome large-scale Soviet

military supplies which would make feasible in due course another combined Arab round against Israel.

3.54 The Committee therefore believes that Australia should support by all available means any realistic American peace initiatives - including the resumption of bilateral "step-by-step" negotiations between the adversaries - in the event that there is no real progress at a Geneva Conference. The problem with a renewal of the "step-by-step" approach involving phased Israeli withdrawals - "a piece of land for a piece of peace" - on certain fronts is likely Arab opposition. The Arab States (including Egypt) will be seeking simultaneous Israeli withdrawals on all fronts (even if these are phased). This will primarily be for the sake of Arab unity and so that Syria can reap some benefits - Israel cannot offer Syria much on the constricted Golan Heights front (unless Syria accepts economic aid from the US in lieu). Egypt has already come under criticism from other Arab countries for twice coming to an agreement with Israel; although there is certainly more scope for Israeli withdrawals in the Sinai Desert when Egypt believes the time is opportune for another bilateral agreement.¹ It would therefore appear that the best chance for a meaningful "step-by-step" agreement would be between Israel and Jordan provided King Hussein and the Palestinians can come to an understanding on this matter. Such an agreement would have

1. It is interesting that prior to the 1973 war, the then Israeli Defence Minister, General Dayan, offered Egypt the territory President Sadat "gained" after the 1973 war. Due to the attitude of the other Arab States, President Sadat apparently felt that he could not accept these territories from Israel until the Egyptians had fought for them.

to take account of Israel's security needs and the realistic requirements of the Palestinians.

Australian Responsibilities

3.55 The Committee deplors the political tendency to skirt around real thinking with pious platitudes about even-handedness. Australia is not involved in the Middle East war and should not be. It should also not be a kind of international nuisance in refusing to recognise that for some people the issues are life and death, and Australia should not imagine that cliches solve anything. What is undoubted is Australia's growing dependence on Middle East oil, but that dependence should not change any moral issues. The Committee recognises the political and economic implications of this dependence.¹

3.56 Australia has a moral responsibility to continue to support the survival of Israel, it has also recognised the moral claims of the Palestinians to a "homeland alongside Israel".² It should not assert that this "homeland" is not part of Jordan. There is no reason why Australia should refuse to acknowledge that for years Australia regarded "Palestine" as having been divided into Israel and Jordan.³ Arab tactical reasons for ignoring

1. See Chapter 7.

2. See statement by Minister for Foreign Affairs to Parliament on 15 March 1977 in para 5.35.

3. The Committee is referring to the fact that the West Bank was administered by Jordan from 1948 to 1967.

Jordan's claim have nothing to do with Australia. As shall be shown later in this report Australia has growing economic links with the Middle East (including our dependence on heavy crude oil). These interests and responsibilities conflict and it is necessary that Australia continues to maintain a balance between the dictates of economic realism and the principles of humanity and freedom, including freedom from the threat of genocide. The Committee believes the Australian people, if given a choice, would wish their Government to give the greater emphasis to the latter principles and to the lethal issues at stake when making a positive contribution to the Arab-Israeli conflict.¹ As will be confirmed in the following chapter, the US is at this time the most influential power in the Middle East and Australia's best interests may be served by giving full support to the forces of moderation in the Middle East, and to the negotiating process initiated by the US and aimed at achieving peace in that troubled region.

1. See also Australian Gallup Poll statistics in Annex H.

4. SUPERPOWER RIVALRY IN THE MIDDLE EAST

The Significance

4.1 The previous chapters have discussed the conflicts, threats, and competition endemic to the Middle East situation, the emphasis having been on the Arab-Israeli conflict and on the contest for leadership between the rival factions in the Arab world. There is also a need to report more fully on the rivalry between the US and the Soviet Union which has focused on the Middle East region. This is important for Australia because of Australia's relations with the US - as already noted the Middle East situation has made heavy diplomatic, military and financial demands on Australia's major ally. Even if Australia's interests in the Middle East were only peripheral (and the Committee's report tends to contest so limited a view) then Australia still has an overriding interest in the avoidance of a fifth Middle East war and the concomitant use of the oil weapon by the Arabs.

4.2 For the US and its allies there are the added risks that a new war might place a divisive strain on the NATO alliance; it could well lead to fanatical or uncompromising forces taking over some moderate Arab States and a resultant loss of American influence in the region, and could provide the patiently awaited opportunity for the Soviet Union to rebuild its position of influence in the region. Worse still there is always the daunting spectre of a nuclear confrontation between the superpowers. This

chapter concentrates on the role of the superpowers in the Middle East while making references to the other levels of conflict, for it is the role of the US and the Soviet Union that can, on the one hand, provide the momentum for a settlement to this debilitating and dangerous conflict or, on the other hand, provide the armaments for another war.

4.3 The great significance of the Middle East for the US and the Soviet Union and the nature of US and Soviet societies have made their involvement in the region inevitable. Situated at the crossroads of Europe and Asia, the Middle East provides essential communications between the two continents. In particular the re-opened Suez Canal furnishes a shortcut for trade and a route for any increased Soviet diplomatic, military and ideological impact in the Indian Ocean. Ideologically, it is possible that the dismissal of Indira Gandhi's Government by the electorate has diminished the Soviet influence in India, hence in the Indian Ocean. The Middle East is at the one time both the Soviet Union's "soft under-belly" and NATO's southern flank: from the seas that surround the region the US can strike at the Soviet heartland; from the air bases and ports of the Middle East the Soviet Union can supply the necessary air cover and maintenance facilities for its Mediterranean squadron. Most importantly, in the sands of the Middle East lie the oil deposits that fuel the industries of Western Europe and Japan and the money that has accrued to the Arab oil States from these deposits has now made them the major source of new investment for the Western world. In short, the Middle East is an area of significant interest to both superpowers and consequently they are each concerned to

prevent the other from achieving hegemony over the region since such hegemony could pose a severe threat to a vital interest be it oil, communications or defence.

4.4 One sign of the importance of the region to the Soviet Union is the fact that at the height of Moscow's involvement in the Middle East (early 1972) it maintained 20,000 advisers in Egypt - the largest commitment of Soviet personnel in any country outside the Warsaw Pact. American interest is evident in the disproportionate amount of aid that now goes to Middle East countries - over 50% of the 1976 Foreign Assistance Programme.

China and the Middle East

4.5 This chapter pays no further attention to the other superpower, China. Although China is widening its contacts with Arab countries it is only a marginal influence in the Middle East at this time; but the Chinese can be expected to take an increasing interest in any "National Liberation" movements should the opportunity to edge Russia out arise. It would be fairly safe to say at this time that China is not displeased with the US curtailment of Soviet influence in the Middle East, in the same way as China has welcomed the election result in India.

4.6 China has moved quickly to take advantage of the opportunities provided by the worsening relations between Egypt and the Soviet Union by way of an agreement to give military, agricultural and trade assistance to Egypt. However military aid promised by China will assist Egypt

only in a very limited way in maintaining the serviceability of some of its aircraft and other military equipment. China is not in a position to provide spare parts or maintenance support for the more modern of Egypt's military equipment, and it will not in the foreseeable future be in a position to replace the USSR as the major supplier of arms. Egypt requires increasingly more technologically advanced weapons, which China is not able to develop, produce or deliver in the quantities and at the speed that are required in the conditions of high attrition of equipment experienced in previous Middle East wars.

The Bids for Influence

4.7 The nature of superpower operations in the Middle East is competition for influence, ideological penetration by the Soviet Union, and avoidance of any situation which may draw the superpowers into actual conflict. Since the currency of influence is military, economic and political aid, and since the Arab-Israeli conflict has sharply increased the dependence of the States in the region on such aid, the Middle East has as a consequence become the arena for serious superpower competition (see also paras 2.1 to 2.14 for details of Great Power arms supplies to the Middle East and the motives for it). Accordingly in 1955 the Soviet Union was able to break into the region by concluding an arms deal with President Nasser at a time of increasing tension between Egypt and Israel. This was followed by the 1956 Suez Crisis which served to consolidate the Soviet position of influence because the forced withdrawal of

British, French and Israeli forces from the Suez Canal and Sinai provided President Nasser with a tremendous political victory over the forces of "imperialism". Although the withdrawals from Egyptian territory were prompted by US pressure, it was the Soviet Union which had the greatest immediate gain in prestige in Egypt.

4.8 Inter-Arab rivalry during the years between the 1956 Suez Canal Crisis and the 1967 Six Day War assisted the Soviet Union in the cultivation of its position of influence. This is despite the fact that Communism has not had much ideological success in the Middle East. It has had to compete with Arab Nationalism and Islam and there has also been a cultural barrier. The Arab elites have tended to be educated in Europe or the US and they tend to be able to speak English or French, rather than Russian. The Arab world became split between the Nasser-led radical States of Egypt, Syria and Iraq and the traditional, conservative regimes of Saudi Arabia, Jordan and Libya.¹ This polarisation was exacerbated by Western plans to "contain" Communism through the establishment of a Middle East Defence Organisation in one form or another, which only served to provide the Arab nationalists with more grist for their "anti-imperialist" mill, willingly powered by Soviet military, economic and political support.

1. Subsequently conservative rule in Libya was overthrown by the radical Colonel Gaddafi who was a great admirer of President Nasser but who has been in conflict with President Sadat, President Nasser's more moderate successor.

4.9 The US and its NATO allies felt obliged to respond by matching the Soviet aid to the radical States with military and economic aid to Jordan, Saudi Arabia, Iran, Turkey and Pakistan (as well as Israel) to bolster the positions of the Middle East "moderates". For similar reasons the US agreed in 1958 to land marines in Lebanon in support of the status quo. Thus in supporting the radical camp the Soviet Union had been able to help the decline of Western paramount influence in the Middle East, to enhance its own position of influence and to develop an ability to sustain tension in the region on three different lines: between the Arabs and Israel; between the Arab radicals and the traditional Arab rulers; and between the Arab radicals and the West. Soviet influence depended upon fishing in all these troubled waters.

The 1967 Experience

4.10 The 1967 Six Day War resulted from this exploitation of the various lines of tension in the Middle East. The USSR concerned about the future of the pro-Soviet regime in Syria, fed false reports to President Nasser of Israeli troop concentrations near the Syrian border. The Egyptian President was at the time, both sensitive to Syrian claims that Egypt had deserted the "anti-Zionist" cause and keen to achieve some political gain that would bolster his waning position of leadership in the Arab world. While the closure of the Straits of Tiran and the removal of the United Nations Emergency Force from the Egypt-Israel border seemed likely to provide President Nasser with the victory he

needed, these moves also encroached on Israel's vital interests in freedom of navigation in the Gulf of Aqaba and in a demilitarised Sinai. The inability of the Soviet Union to control President Nasser's actions once it had supplied the impetus, together with the inability of the US to redress the situation in accordance with its commitments to Israel, left both the superpowers powerless to prevent the war.

4.11 The two superpowers derived different lessons from the 1967 experience; lessons which created serious dilemmas in their policy formulation in the six year period that preceded the 1973 October War. For the Soviets, the humiliating defeat of its Arab clients produced an interest in preventing another outbreak of war which might lead to a replay of the events of 1967. At the same time the Kremlin leaders appreciated the fact that their position of influence in the region had become ever more dependent upon the supply of weapons, to enable the Arabs to redress the new status quo by regaining their lost territories. Thus the dilemma the Soviet Union faced was how to consolidate Russian influence through the supply of arms without providing the Arabs with a capability to provoke a war which might end in defeat, or worse still, result in a superpower confrontation produced by Soviet intervention to save its clients.

4.12 On the other hand, US support for Israel in the 1967 war had led to a serious deterioration of American influence in the Arab world and the US was confronted with the problem of how to rebuild its Arab connection while

ensuring the survival of Israel. The answer lay in a negotiated settlement that would end the conflict and obviate the need to choose between relations with the Arab world and support for Israel. However, the Arabs refused to negotiate with the Israelis until they withdrew from the territories they occupied in the 1967 war, and Israel refused to entertain the idea of withdrawal until the Arabs came to the negotiating table. Herein lay the dilemma for American policy: the US could only exert leverage over Israel (in the face of the Arab refusal to meet the Israelis) by denying Israel arms and economic support. Yet such a policy conflicted with the essential precondition for negotiations: a strong Israel that would effectively deter the Arabs from seeking the return of lost territories in another war.

The War of Attrition 1969-70

4.13 The dilemmas of the superpowers were deepened by the War of Attrition that raged between Israel and Egypt through 1969 and up to the American negotiated cease-fire of August 1970. President Nasser had launched the War of Attrition with the two-fold purpose of pressuring Israel to withdraw from the east bank of the Suez Canal and encouraging the superpowers to intervene and impose a settlement. Israel responded by using its newly acquired American F4 Phantoms as "airborne artillery" and by the end of 1969 had adopted a policy of in-depth strategic bombing in an attempt to force Nasser to accept a cease-fire. Instead President Nasser turned to the Soviet Union and by

January 1970 the USSR had agreed to supply Egypt with an integrated air-defence system comprising surface-to-air missiles, some 20,000 advisers and Russian piloted Mig 23s.

4.14 The Soviet Union had been forced to intervene to preserve President Nasser's regime, which it had come to depend upon for its influence in the Arab world. In doing so, the USSR had taken a dangerous and unprecedented step which raised the spectre of superpower confrontation in a new war because of the direct involvement of Soviet personnel on the ground in Egypt.

4.15 The USSR urgently required an escape route from its Middle Eastern dilemma that would reduce the danger of war yet consolidate its influence in Egypt. The Soviet Union therefore acquiesced in the American proposed cease-fire of August 1970 which ended the War of Attrition and reduced the dangers of a general war. But with the death of President Nasser and the succession of President Sadat, Soviet policy makers faced a new problem: Egypt might now enter into negotiations with the US for a political settlement that would reduce Egyptian dependence on Soviet military aid, the currency of Soviet influence in the region. Thus the USSR adopted a policy of preserving the "no war - no peace" situation, by supplying Egypt with some arms and holding out the promise of more - a promise that apparently they did not intend to fulfil. By restricting arms supplies the Soviet Union would prevent Egypt from going to war and also prevent it from achieving the "position of strength" necessary for negotiations involving the US. In this way the Soviet Union could exercise control over Egypt's belligerent aspirations

while preventing a deterioration in its position of influence. This diplomatic finessing has proved impossible as a technique for success in that objective.

4.16 Meanwhile, events in the region had also forced the US to resolve its dilemma. During the War of Attrition the Nixon Administration had attempted to achieve momentum through consultations with the Soviet Union about the shape of a settlement and through pressure on Israel to adopt a flexible attitude to withdrawal. The failure of American attempts to secure Egyptian and Israeli agreement to the Rogers Plan¹ for a political settlement, and the movement of Soviet advisers, missiles and planes into Egypt, presented the administration with a new situation to which it felt it had to respond resolutely. The first American response was low-keyed: Israel was supplied with electronic counter-measures and deliveries of F4 Phantoms were stepped up.

Jordan's Crisis in 1970

4.17 In August 1970 a crisis in Jordan elicited a much stronger reaction from the US. King Hussein's loyal Bedouin army had been ordered to suppress the Palestinian guerilla organisations operating in the kingdom; not only were the Palestinians the cause of Israeli reprisal raids on Jordanian territory but the guerillas were interfering in Jordan's internal affairs. When Syrian tanks were despatched

1. Mr William Rogers was US Secretary of State from 1969-73.

to protect the Palestinians, the Americans perceived the Syrian move as a new drive by the Soviet Union to extend Russian influence to Jordan by toppling the pro-American regime. The Sixth Fleet was ordered into the Eastern Mediterranean, the Soviet Union was warned in the strongest terms and Israel was asked to mobilize on the Golan Heights to deter Syria from further intervention.

4.18 The net result was that the Syrian forces were forced to withdraw and King Hussein was able to expel the Palestinian guerillas - their move to Lebanon was to be an important contributing factor to the Lebanon tragedy. President Assad came to power in Syria by accusing the embarrassed Syrian leadership of "adventurism" in Jordan (this may explain his cautious initial advance into Lebanon). The Jordan Crisis was an occasion when Israel proved of strategic worth to her powerful American ally.

Soviet Agreement to Military Relaxation (1972)

4.19 Israel's capacity to maintain stability with American arms provided an interim solution to the American dilemma. In the face of the Arab refusal to negotiate without a prior Israeli commitment to withdrawal and Israel's refusal to budge on its demand for direct negotiations, settlement attempts seemed futile. Better, so the argument went in the US Government, to preserve Israel's deterrent strength and thereby prove the futility of Arab military action and in time the necessity of a negotiated settlement. As has already been shown, the USSR appeared to acquiesce in this policy by restricting the supply of arms

to Egypt. Thus in 1972 the superpowers agreed to place the Middle East in the background while they tended to the problems of Europe, South East Asia and their own strategic relations. In May, Nixon and Brezhnev emerged from the Moscow Summit to declare, among other things, their mutual support for a peaceful settlement and relaxation of military tension in the Middle East.

President Sadat Decides on 1973 War - Reasons

4.20 While the new status quo suited the superpowers and Israel, it certainly did not suit Egypt. President Sadat had come under increasing pressure to take action because of a stagnating economy, internal unrest and widespread questioning of his own credibility, especially from an army anxious to avenge the defeat of 1967. The Moscow Summit in 1972 had made it clear that unless President Sadat took independent action the status quo would be maintained. Accordingly, in a bold but calculated move, President Sadat ordered the immediate removal from Egypt of the 20,000 Soviet advisers.

4.21 Overnight the Soviet position in the region had undergone upheaval and the prospect of further deterioration now threatened if President Sadat decided to go to war and Egypt was to sustain another defeat. In this situation the best the Soviet Union could do was to provide Egypt with arms sufficient to obviate Soviet intervention and thereby prevent any new outbreak of war from engulfing the superpowers. The worst the Soviet Union could do was to give President Sadat an opportunity to blame a new defeat on

Soviet reluctance to supply arms - that would lead to further humiliation.

4.22 With the expulsion of the Soviet presence from Egypt, Soviet interest in "military relaxation" in the region had been reduced for it had now become clear that a policy of maintaining the status quo would cost the Soviet Union dearly in terms of influence. Moreover, the withdrawal of Soviet personnel had reduced the dangers of superpower confrontation since the Soviet Union was no longer involved on the ground. Thus after President Sadat had unilaterally announced, in December 1972, the renewal of the three year agreement on Soviet use of port facilities in Alexandria, Mersa Matruh and Port Said, the Soviet Union resumed arms shipments. This time they included some of the sophisticated weapons that had previously been withheld. The shock that President Sadat had administered by expelling the Soviet advisers had been sufficient to convince the Soviets that Egypt was determined to go to war, alone if necessary. In that situation Soviet interests dictated a policy of military assistance and arms supplies increased enormously as Egypt prepared for her surprise attack of October 1973.

4.23 On the other side, the US remained unjustifiably confident of Israel's ability to deter the Arabs from the course that they were now planning. The Soviet expulsion had been interpreted as the ultimate confirmation of the policy of bolstering Israel's deterrent strength: the spectre of superpower confrontation appeared to have been eliminated with the departure of Soviet personnel and Egypt appeared incapable of military action. Accordingly the Rogers Plan

(for a political settlement) and attempts to pressure Israel through the withholding of arms were abandoned. Neither the US nor Israel had perceived that Egypt and Syria could deploy weapons that would neutralise Israel's air superiority, reduce the effectiveness of its tanks and thereby nullify its power of deterrence. More importantly neither the US nor Israel perceived that President Sadat possessed the determination to change a status quo so inimical to Egypt's interests, and the skill to exploit Soviet sensitivities to ensure adequate arms supplies for his endeavour. Thus when Egypt and Syria launched their co-ordinated attack on 6 October 1973, the US was taken by surprise and Israel had only a few hours warning.

4.24 The fact that the Middle East was plunged yet again into war on Yom Kippur 1973 had much to do with the competition between the superpowers for influence in the region. Both the US and the Soviet Union had attempted to consolidate their positions of influence by bolstering a stability based on Israel's maintenance of the status quo. Egypt had disrupted their plans by proving to the Soviet Union that such a policy could only be pursued at the cost of Soviet influence and the USSR responded with the massive arms supplies which made the war possible. The mere fact that President Sadat went to war demonstrated to the superpowers that stability in the Middle East could not be guaranteed just by the maintenance of Israel's deterrent strength while ignoring Egypt's interests.

Effects of the 1973 War

4.25 The October 1973 War did much to change the equation of international relations in the Middle East:

- a. Egypt's dignity was restored as her forces (despite subsequent reverses) had managed to seize the east bank of the Suez Canal;
- b. Israeli forces were denied a decisive victory by the intervention of both the superpowers, and Israel's new isolation heightened dependence on the US;
- c. The Arab oil embargo placed severe strains on the NATO alliance and enhanced the importance of the Arab world to the West; the US was concerned also with the threat to the Japanese economy;
- d. President Sadat decided he could now concentrate on Egypt's grave economic problems, and his willingness to negotiate bilaterally with Israel (resulting in the two Sinai Agreements) threatened Egyptian leadership of the Arab world; and
- e. President Sadat came to believe that only America could exercise sufficient leverage for peace and decided to bypass the Soviet Union in negotiations, thus opening the way for the restoration of US influence in the Middle East.

4.26 The last mentioned effect was probably the most significant and it enabled US Secretary of State Dr Kissinger to conclude successful disengagement agreements on the Egyptian and Syrian fronts. Israel has not only

withdrawn from the Suez Canal, it has also withdrawn from the strategic Gidi and Mitla Passes in the Sinai and has relinquished to Egypt the Sinai oilfields. In exchange, Egypt has undertaken not to resort to the use of force for the next three years and has committed itself to an ambitious programme of economic reconstruction predicated on continued stability. The Suez Canal has been reopened and Israeli cargo, though not Israeli shipping, has been allowed through. A copy of the Second Interim Peace Agreement between Egypt and Israel is shown at Annex D.

Superpower Influence on Peace

4.27 The Committee has reported in the previous chapter that many of the perennial obstacles to a peace settlement still remain - not least of all superpower rivalry - and these can easily undo the strenuous efforts of Dr Kissinger in the years following the 1973 war. How will the changed positions of the US and the Soviet Union affect the prospects for peace? In answering this question it would be dangerous to assume that the nature of superpower policies has changed, for the US and the Soviet Union continue to pursue vital interests in the region. Moreover, recent American successes and Soviet setbacks, notably the breaking of all but diplomatic relations between Egypt and the Soviet Union, will have the effect of exacerbating the competition as the USSR tries to recoup its influence and the US tries hard to consolidate its new position.

4.28 For both superpowers much depends on the type of negotiating process as their interests appear to be diametrically opposed. For the Soviet Union there is little to be gained (and much has already been lost) from "step-by-step" diplomacy - as practised so ably by Dr Kissinger - which excludes the Soviet Union from the negotiations and appears to be predicated on the assumption that the further Egypt moves away from the Soviet orbit the heavier will be American pressure on Israel to withdraw from occupied territories. The Soviet Union has little alternative but to wait on the sidelines in the hope that American diplomacy will not be able to achieve another break-through and thereby further enhance US influence in the Middle East.

4.29 As the rift with Egypt has grown, the USSR has sought to increase the penalty for President Sadat's pro-American leanings by restricting and then halting the supply of arms and spare parts to Egypt¹ while making extravagant shipments to Syria on easy terms. These arms supplies bolstered Syria's challenge to Egyptian leadership of the Arab world by lending credibility to the charges made by Syria (until late 1976) that President Sadat was squandering Arab political resources and selling-out the Arab cause. Since the October 1973 War, the Soviet Union has also embraced the PLO by declaring its support for the "national rights" of the Palestinians.

1. Recently Soviet arms assistance has been unobtrusively renewed on a limited scale.

Soviet "Footholds" In the Middle East

4.30 The Soviet Union has undertaken a serious effort to broaden the base of its Middle East policy by strengthening relations with Iraq, Libya and the People's Democratic Republic of Yemen (formerly the British Protectorate of Aden)¹. Russia has concluded a major arms deal with Colonel Gaddafi's once avowedly anti-communist Libya² (a deal said to be worth some \$800 million and rumoured to include an agreement on Soviet use of Libyan port facilities); it has finalized a lesser arms deal with Kuwait (a country which has not previously bought arms from the Soviet Union but which does spend some \$380 million annually on American arms) and unsuccessfully offered an air-defence system to King Hussein who has been traditionally pro-Western.

1. The Russian influence in "South Yemen" (PDRY) strengthened the Soviet position at the strategic entrance to the Red Sea as the Soviets are alleged to have base facilities in Somalia and they have recently replaced the US as arms supplier to Ethiopia. However "South Yemen" expelled its Soviet military advisers, and both in 1975 and 1976 successive Soviet Ambassadors were asked to leave. This would be a reflection of increased Saudi Arabian influence throughout the Arabian Peninsula. Russia still has considerable influence with the Marxist leaning PDRY Government.
2. In Libya the Soviet Union has taken the unprecedented step of establishing large military depots, probably under Soviet control, stocked with some 1200 T-62 tanks, 3,000 armoured troop carriers, several hundred heavy and light guns, anti-aircraft batteries, spare parts, engines for MiG-21 and MiG-23 fighters and all the equipment for a 60,000 man army. The Libyan Army has a strength of only 22,000 men.

4.31 Although Russian influence in the Middle East appears to be waning at the moment, few elements in the Middle East scenario have altered as often and as rapidly as that of the Soviet involvement. The basic motive of the Soviet Union is Soviet power and authority and this has provoked resistance in Eastern European Communist countries let alone among independent minded Arabs. One should not rule out the possibility of a Soviet-Egyptian rapprochement, although this appears unlikely in the short term. Should President Sadat become disillusioned with his American connection or be forced by inter-Arab politics to change the direction of his policy, and especially if he fails to secure a change in the American attitude to the PLO or if there is no progress towards a general Middle East peace settlement, then patching-up relations with the Soviet Union may become a priority, unless Egyptian preoccupation in future becomes primarily domestic. In this regard, Syria is likely to play a crucial role in Soviet fortunes for if President Assad were wholeheartedly to accept the US mediating role, and perhaps US aid (in exchange for Syrian "concessions" in regard to Israel), it will represent a severe blow to the Soviet Union's prestige and its reputation as champion of the Arab cause.

4.32 Fearing such an eventuality, the USSR can be expected to obstruct the Americans by demanding that all negotiations be on the widest terms to include the intractable questions of the Palestinians, the West Bank and Jerusalem, rather than to allow Syria's attentions to focus on the return of all or part of the Golan Heights. By calling for the negotiation of a full settlement the Soviet

Union may be able to demonstrate American inability to provide for the most basic Arab aspirations, but there is the accompanying risk that such negotiations will also reveal that the Russians can do even less. A more likely scenario is that there will be no progress on Syrian demands in the near future, and this will enable the USSR to maintain its position of influence amongst the radical and "rejectionist front" elements of the Arab world. The Soviets can hope that frustration with the negotiation process leads to a desire by one or more of the Arab "confrontation" States to seek a viable war option, and this forces others to fall into line. In short, the Soviet Union has little interest in a "Pax-Americana" but cannot do much to prevent it other than to rely on the intractable nature of the conflict to cause new setbacks in American policy.

Superpower Rivalry and the Lebanon Crisis

4.33 The Committee has already noted (in para 3.8) that both the superpowers, for different reasons, regarded the Lebanon Crisis as disadvantageous to their position in the Middle East. The crisis presented an immediate threat to the US policy of bolstering the moderate forces in the Arab world because it provided an opportunity for the radicals and moderates to outbid each other in the defence of the Arab cause (see paras 3.15 to 3.18).

4.34 Russia had a number of pragmatic, rather than humanitarian, reasons to be concerned about the Lebanon Crisis:

- a. The crisis was harmful to Arab unity, it deflected Arab attention away from their political offensive against Israel and thereby relegated Russia to an outside corner;
- b. Soviet-Syrian relations came under strain as Russia's key Arab ally became heavily involved in Lebanon, free of Soviet restraint;
- c. The Lebanon fighting reduced the prestige and military potential of the PLO - one of the Soviet's long-term trump cards in the Middle East - and any Russian pressure on President Assad "to go easy on" the PLO ran the risk of driving the Syrians towards the option of US support; and
- d. The Riyadh Summit, which was instrumental in the Lebanon cease-fire, concerned those Arab States - Saudi Arabia, Kuwait, Egypt and Syria - which were either hostile to the Soviet Union or were moving away from it; in contrast Russia was in no position to influence any decisions.

US Policy the Result of a Dilemma

4.35 With the Soviet Union waiting in the wings, America's move on to the centre stage in the Middle East is fraught with difficulties and dangers. The US urgently needs a settlement in the Middle East to enable it to retain its improved relations with the economically and strategically important Arab world, while continuing to adhere to the moral commitment of support for the security and survival of

Israel. The new American position in Egypt, symbolised by the replacement of Soviet military advisers with American civilian technicians to man the early-warning systems in Sinai, together with Dr Kissinger's success in persuading Israel to withdraw, has enhanced the standing of the US in most parts of the Arab world. Yet the maintenance of this position depends primarily on continued demonstrations that America can force Israel to withdraw.

4.36 Somewhere along the road to peace, and it appears likely to be soon, the US may prove unable to convince Israel to exchange territory that it regards as vital to its security for intangible political commitments. If that happens, credibility will be lent to the cries of the Arab radical camp that American efforts cannot satisfy their minimum objectives and pressure will be placed on the Arab "moderates" to abandon the negotiations and prepare for another war to force a change in the status quo.

4.37 Obviously the US will want to postpone the judgement day as long as possible in the hope that time and continued American efforts will produce the flexibility necessary for a compromise based on the trade of territories for peace, of tangibles for intangibles. The minimum requirement for the success of such a strategy is first, continued stability in the region which must be predicated for lack of any viable alternatives, on the maintenance of Israel's deterrent posture and secondly, the promotion of moderation amongst the Arab States. The two policies are complementary and amount to an American attempt to establish a Middle Eastern detente as the prelude to a peaceful

settlement.

4.38 The rationale behind the first policy is that the demonstration of American willingness to maintain Israel's military strength will undercut the cries of the radicals for the destruction of the Jewish State and lend credibility to those Arab leaders who are now calling for the transformation of the conflict and the continuation of its conduct by means other than war. In the short run, while the process of detente is slowly evolving, Israel's military preponderance forces responsible Arab governments to exercise caution for fear that another round of war will lead possibly to their defeat and perhaps the loss of their newly acquired gains.

4.39 The second policy, of bolstering the Arab moderates, is less certain because inter-Arab rivalry and domestic pressures can force the moderates to change their policies for the sake of their own survival. So long as Egypt remains determined to give priority to the reconstruction of its economy and the raising of living standards for its poor, and makes progress in this regard through the assistance of the West and the support of Saudi Arabia and other Arab oil States, its moderation could well be assured, at least in the short term. The Committee has already noted that Egypt does not wish to embark on a policy of confrontation with Israel which may:

- a. jeopardize the revenue Egypt receives from the re-opening of the Suez Canal;

- b. destroy the huge investment in Egypt's rebuilt Canal cities;
- c. lose the Sinai oil fields which Israel has returned; and
- d. discourage the hoped for flow of Western investment and technology for which Egyptian stability is essential.

4.40 Nevertheless the uncertainty of Egypt's economic recovery, combined with the accusations levelled at President Sadat that he is selling-out the cause of the Palestinians for selfish gains, create serious countervailing pressures to this policy of moderation. Such pressures have been less marked since the end of the Lebanon Crisis and the Egyptian-Syrian rapprochement.

Moderation Prevails - at the Moment

4.41 The history of superpower involvement in the Middle East indicates that the US and the Soviet Union will work for a solution to the Arab-Israeli problem only if a serious situation threatens to draw the two Great Powers into the actual conflict - a situation they have always sought to avoid. The superpowers have also worked to ensure that their clients are not subjected to serious defeats.

4.42 For the time being at least, the forces of moderation - with American encouragement including economic and technological aid - have prevailed in the Arab world;

stability in the region is at the moment being maintained and the negotiation process still remains viable. Whether this will continue to be the case in the future depends on many imponderables:

- a. Will Egypt maintain its course of moderation?
- b. Will Syria take the American option?
- c. Will the US be able to steer all the Middle East parties towards further agreements which provide for Israel's security at the same time as they redress Arab grievances?
- d. Will it be possible to bring the PLO into the negotiating process?
- e. Will the Soviet Union be content to remain on the sidelines?

These are all problems for US diplomacy. If the answer to each question can be in the affirmative, it appears to the Committee that peace will be secure and there will be a moral rightness about the settlement.

4.43 There is an indication in this chapter that moderation will predominate in the short term but there are no certain answers to questions regarding the Middle East. So long as the US remains determined to provide Israel with sufficient military preponderance to deter the Arab States from war, so long as the Arab moderates are offered sufficient encouragement to maintain their course, and so long as Russia is content to be on the sidelines, then detente is likely to prevail in the Middle East and this will at least make a settlement possible, even if still somewhat remote.

5. THE PALESTINIANS

The Significance of the Palestinian Question

5.1 It should be clear from this report so far that if the Arab world remains adamant in its present attitudes the question of the Palestinians' future must be resolved before the Israeli-Arab problem can be finally solved. Those who seek the elimination of Israel do so on behalf of the Palestinians. It is frequently said that the Arabs cannot make war without the Egyptians and that they cannot make peace without the Palestinians. To intensify the campaign Jordan has in fact been denied the right to speak on their behalf. Reference to the Committee's earlier report¹ should also convince that the resolution of the Palestinians' future is vital for Lebanon as their presence in Lebanon and interference in that country's internal affairs was a major contribution to the Lebanon tragedy. They are still a threat to internal order. About 50% of the time of the United Nations General Assembly is devoted to the Middle East problem and it is usually the Palestinian question which is brought up in such debates. Whatever the rights and wrongs of the Arab-Israeli dispute, since 1948 the authentic Palestinians have suffered by far the most, and this must be

1. See The Lebanon Crisis, paras 1.11 to 1.17. The enlarged presence of 250,000 to 300,000 Palestinians in Lebanon (due to King Hussein's action against the PLO during "Black September" 1970) when superimposed on Lebanon's other problem areas, proved to be a vital factor in the Lebanon Crisis. Particularly Lebanon's Maronite community resented Palestinian infringement of Lebanon's sovereignty.

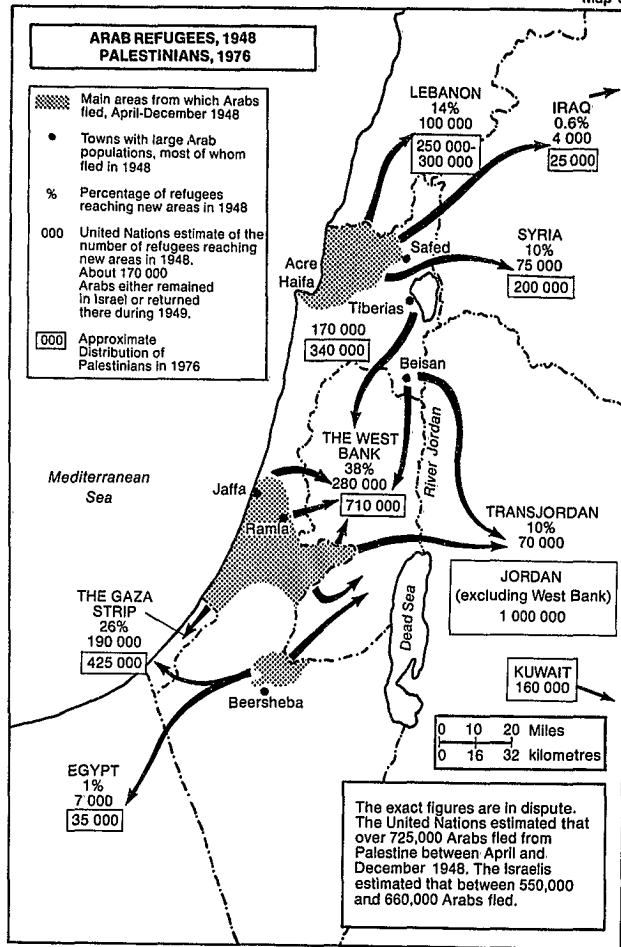
a worry to many Israelis in view of their own tragic experiences.

How Many and Where

5.2 When the Palestine Mandate was partitioned in 1948, the Arab population numbered 1,398,000, of these 550,000 to 725,000 (the figure is disputed) fled during the fighting that ensued after the Arab States attacked the new State of Israel.¹ With a population growth rate of 2½% to 3% per annum the number of Palestinians is now believed to number between 3 and 3½ million but precise figures are hard to obtain due to their dispersal - see Map 5. The Palestinians are believed to be distributed as follows (figures approximate particularly in Jordan):

Israel (pre-1967 borders)	340,000-420,000
Gaza Strip	425,000 ²
West Bank	710,000 ²
Jordan (excl. West Bank)	1,000,000
Lebanon	250,000-300,000
Syria	200,000
Kuwait	160,000
Egypt	35,000
Iraq	25,000

1. 550,000 to 660,000 is the Israeli estimate. Some estimates have stated that up to 725,000 Palestinians fled in 1948 (see Map 5 showing United Nations estimate).
2. About half the Palestinians now in the West Bank and Gaza Strip had fled in 1948 from what is now Israel.



The remainder are scattered mostly in other Arab countries, Europe and the Americas.

5.3 It should be noted that the Palestinians make up about half of Jordan's East Bank population and about 30% of all Palestinians live there. Approximately another 35% of Palestinians live on the West Bank and Gaza. If the latter two areas were to have an association with Jordan (as has been suggested by Egypt and Israel) then the Palestinians would outnumber the Jordanians two to one.

5.4 More than 1.6 million Palestinians are registered as refugees with the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA). About half live in refugee camps which, over the years, have become squalid semi-permanent shanty towns. Australia is a long-standing contributor to UNRWA: its 1975-76 contribution of \$A286,000 was raised to \$A340,000 for 1976-77. The Committee believes that Australia should continue to make these contributions until there is a permanent solution to the Middle East problem (see also Recommendation 6 in Chapter 9).

Extent of Integration

5.5 The Palestinian refugees by and large have not been assimilated into the host populations. Many of the refugees themselves have resisted assimilation in host countries in order to preserve their Palestinian identity and to further the cause of a return to Palestine. To this

end, the Arab League decided at quite an early stage that the Arab States should not facilitate integration and should oppose Palestinian refugee emigration outside the Middle East. Instead the refugee camps were sited close to Israel's borders. Unfortunately this has not precluded their violent attempts to manage the host countries in their own interests and even to try to overthrow host governments.

5.6 The Arab host countries are still reluctant to take the political risks involved in the integration of large numbers of Palestinians. The Arabs have preferred to use the Palestinians as a political weapon against Israel and have also resisted their integration because of the problem of adding large numbers of people to their already over-burdened infra-structure, even though some have oil wealth. Nevertheless there are large concentrations of Palestinians in managerial positions in Kuwait, Saudi Arabia and Jordan, for example. The Palestinians have always placed emphasis on education and they are in a position to assist the under-developed Arab nations because of their skilled manpower.

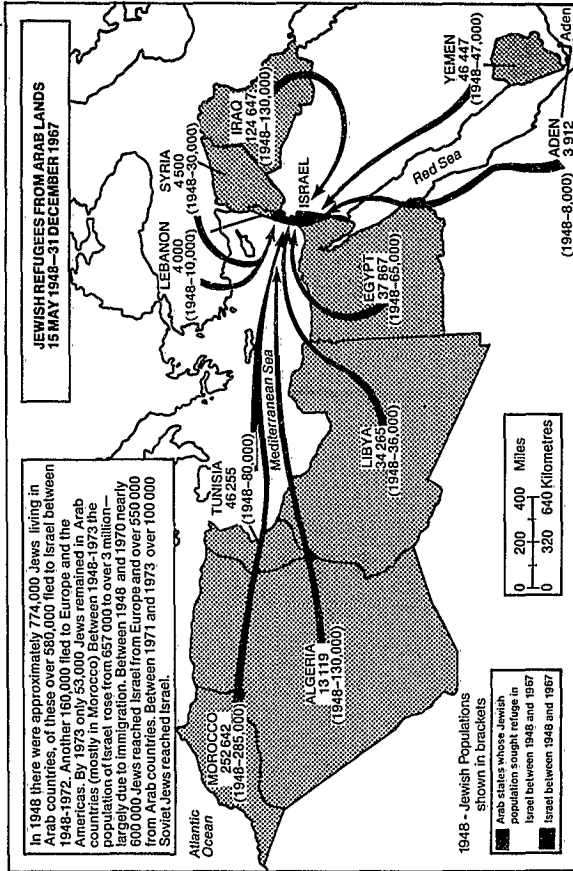
The Question of Repatriation

5.7 The Palestinians (supported by the Arab world) contend that they have been forced out of their homeland and therefore that the only just settlement for them is settlement in and almost exclusive entitlement to Israel. On the other hand the Israelis argue that due to extremist attitudes of some Palestinians they cannot risk taking them

back, quite apart from the fact that it would result in the Jews being outnumbered by people whose aim is the eventual destruction of the Jewish State (see paras 1.30 and 1.31 for demographic details). The Israelis point out that the predicament of the refugees originally resulted from the policy of the Arab High Command. In 1948, when the Arabs confidently expected the destruction of the Jews, a large number of Arabs living in what became Israel left their homes and retreated behind Arab lines (see Map 5). They expected to return with victorious Arab forces which were attacking the new State, but subsequent to Arab defeat and Israel's establishment they became exiles. The Jews have consistently refused to readmit the bulk of the refugees to Israel, taking the view that they had voluntarily deserted the country. This technicality is a rationalisation of the real reason - fear of their dedication to the destruction of Israel. About 170,000 Arabs who remained were accepted as Israeli citizens and they received full citizen rights but, because of doubts of allegiance, were not obliged to join the Israeli armed forces.

5.8 Within a few years of the Palestinian refugees leaving Israel and their consequent exclusion from Israel, about 580,000 Jews¹ arrived from Arab countries influenced by the intolerable conditions under which they were forced to live - an Islamic persecution. Israelis point to the successful integration of these "Oriental" Jews (although there are some continuing problems regarding the retarded economic development of many such Jews). Israel could

1. It has been estimated that a further 160,000 Jews fled from Arab countries during the same period (1948 to 1972) to Europe and the Americas.



contend that its acceptance of the destitute Jews of Arabic culture driven out of such States as Morocco (253,000), Iraq (125,000), Yemen (46,000) and Algeria (13,000) - see Map 6 - demonstrates that Arab States with total cultural affinity with the displaced Palestinians could have overtly accepted them as citizens.

5.9 As a consequence of the Jewish immigration and large scale changes in the development of Israel, Arab refugees would now be unlikely to find their former homes intact after 30 years. Israel has recognised the moral force of claims by the refugees and has maintained a fund in order to pay compensation for the land abandoned by them within the framework of an overall peace settlement (the adequacy of such compensation has been disputed). However the Arab nations have refused to discuss this question and have refused United Nations Resettlement Schemes as they do not wish to prejudice the return of the Palestinians to Israel, nor to forego their main ideological weapon against Israel.

5.10 The Israelis point out that during the British Mandate period, the idea of a separate Palestine State won little support amongst the Palestinians who claimed this was an "imperialist" device to divide the Arabs. In this regard it should be noted that the nation-state is a post-war phenomenon throughout the Middle East despite the strength of Pan-Arabism since Ottoman rule. One of the reasons for the development of Palestinian nationalism was the refusal of the governments and peoples of the neighbouring Arab countries to absorb and assimilate their kinsmen from

Palestine. A second was a deliberate decision by Arab governments to maintain refugee camps for use as a weapon against Israel immediately in the propaganda sense, and potentially in the military sense.

5.11 The Jewish claim that the Arabs could have resettled the Palestinians - as was done for nearly ten million German refugees who fled to West Germany and many millions after partition in the Indian Sub-Continent - is supported in the 1957 Report of the Commission on International Affairs of the World Council of Churches by its adviser on refugees, Dr Elfon Rees who wrote:

"I hold the view that political issues aside, the Arab Refugee problem is by far the easiest post war refugee problem to solve by integration. By faith, language, race and by social organisation they are indistinguishable from their fellows of their host countries. There is room for them in Syria and Iraq. There is a developing demand for the kind of manpower they represent. More unusually still, there is the money to make their integration possible. The United Nations General Assembly, five years ago, donated a sum of \$200,000,000 to provide, and here I quote the phrase, "homes and jobs" for the Arab refugees. That money remains unspent, not because these tragic people are strangers in a strange land - because they are not, nor because there is no room for them to be established - because there is, but simply for political reasons."

5.12 The Israelis have expressed a willingness to extend limited repatriation to Arabs separated from their families and have in fact permitted tens of thousands of refugees in this category to return. However Israel has refused to contemplate a mass repatriation of refugees into Israel which both Arab and PLO leaders make no secret, would represent the first step towards the "dezionisation" of

Israel, which Israelis fear is a euphemism for extermination of Jews.

A Palestinian Homeland

5.13 As the Palestinian problem is increasingly recognised as the major outstanding obstacle to Middle East peace, plans for a lasting settlement to the Middle East dispute often suggest the formation of a new Palestinian State "alongside Israel". Currently an area combining the West Bank and the Gaza Strip is under consideration. These territories are not contiguous and although occupied since 1967 by Israel, they had been administered in the period 1948 to 1967 by Jordan and Egypt respectively. It is doubtful whether such a truncated State would be economically viable. Already the 3484 square kilometres of the West Bank contain about 710,000 Palestinians, while the Gaza Strip, with about 425,000 people living on a mere 225 square kilometres, is one of the most overcrowded areas of the world.

5.14 On the other hand, it can be argued that the economic viability may be of relatively little consequence, the importance of a Palestinian State being its political existence as a homeland to fulfil the aspirations of the Palestinian people. After all Israel, Jordan and Egypt are all heavily dependent on economic aid from other countries. Similar sums of money as are contributed towards the Arab war effort by the oil rich Arab States could solve the problem of the economic viability of a Palestinian State.

5.15 It is reasonable to ask whether a West Bank-Gaza State could fully resolve Palestinian aspirations. Could the fledgling State absorb a large influx of people without serious disruption of its economy - currently closely tied with Israel because many West Bankers have jobs there. On the other hand not all Palestinians will want to move from their present location to the West Bank unless their present situation in a refugee "camp" is really desperate; after all they may not be improving their situation very much initially, nor in most cases will they be returning to their former homes.

5.16 Israel would have continuing anxiety that at least the "Rejectionists" (with arms support from the Communist bloc) would continue their violent efforts to destroy Israel and that their actions could not be controlled by the Palestinian leadership in a West Bank State. The Committee has already noted the causes for Israel's anxiety about a West Bank State and Israeli attitudes to a Palestinian secular State¹. On the other hand Israel might possibly not be so averse to a West Bank-Gaza entity that would be linked to Jordan, on the assumption that the Jordanians could be expected to prevent PLO excesses against Israel (see also Allon Plan para 3.39).

The Palestine Liberation Organisation

5.17 The PLO was founded in 1964 with the encouragement of the Arab League. Essentially an umbrella organisation for

1. In paras 3.32 to 3.36.

groups of many ideologies, the PLO is pledged to the establishment of a secular, democratic state on land embracing all the territory which was formerly the British Mandate of Palestine, which would therefore include all of Israel, the West Bank, the Gaza Strip and East Jerusalem. As will be seen there are differences within the PLO's factions as to how PLO goals will be achieved.

5.18 Many countries including all the Arab States have recognised the Palestine Liberation Organisation (PLO) as the sole legitimate representative of the Palestinian people. By July 1975, the PLO had representatives (or agreements to accept them) in more than 40 capitals, including Moscow, Peking, Paris, Rome and Vienna. It was accorded permanent "observer" status at the UN in late 1974, admitted to the Non-Aligned Group in August 1975, and in January 1976 accepted as a member of the "Group of 77" developing nations. Israel has refused to negotiate with the PLO on the grounds that it is unrepresentative and that it is a terrorist organisation.

5.19 The Arab defeat by Israel in 1967 gave the PLO the opportunity to break free from the control of Arab governments and assume the role of guarantor of Palestinian interests. It began to expand its influence over the Palestinian resistance movement as a whole. By 1969 the PLO was dominated by Al Fatah, which now controls the Palestine National Council (regarded by many as the Palestinian Parliament in exile), and the PLO Executive Committee, its policy-forming body. Since 1969 Yasser Arafat, Al Fatah's leader, has been the PLO's Chairman.

5.20 The Palestinian National Charter (see Annex B) opposes the existence of Israel and calls for the "liberation of Palestine" stating that "armed struggle is the only way to liberate Palestine" and "the Palestinian Arab people, expressing themselves by the armed Palestinian revolution, reject all solutions which are substitutes for the total liberation of Palestine". Under Yasser Arafat the PLO has formed a "National Authority" in order to prevent any territory evacuated by Israel falling into the non-Palestinian hands as happened in 1948 when Jordan took over the West Bank and Egypt commenced its administration of the Gaza Strip.

5.21 Although Arafat can be considered less extreme than the "Rejectionist" factions in the PLO, up until now his paramount influence of the PLO has been insufficient to change the PLO's long-term goals, if in fact he has ever attempted to do so. This uncompromising line has seriously undermined the PLO leadership's efforts to become involved in Arab negotiations with Israel. It has also prevented wider recognition of the PLO among those countries which support Israel's right to exist.

5.22 The PLO's principal organisations and the fedayeen ("sacrificial" commando groups) reflect a wide spectrum of ideologies marked by shifting allegiances and personal rivalries. Of the larger groups Al Fatah, with its nationalist and pragmatic ideological stance, controls about 7,000-9,000 troops. Its approach has become a little more moderate recently, at least ostensibly, preferring negotiations to terrorist operations. Terrorist actions have

for some time been mostly the work of extremist fringe groups. Al Fatah has called for the setting up of a Palestinian State on whatever part of the former Palestine Mandate Israel may evacuate. However, Al Fatah leaders have been ambiguous about whether and how the struggle to liberate the rest of Palestine - that is Israel - might be pursued. Presumably they are being opportunist.

5.23 The PLO's regular army, the Palestine Liberation Army (PLA) has an estimated strength of 5,000-6,000. The PLA is largely dependent on host States, the largest component being stationed in Syria, and it is therefore under strong Syrian influence.

5.24 Another of the larger groups, Sa'iqa (led by Zuheir Muhsin) is also largely under Syrian control and has been in the vanguard of Syrian intervention during the Lebanon Crisis. Sa'iqa opposes the Egyptian-supported proposal to establish a Palestinian government-in-exile which it sees as a threat to Syrian influence in the Palestinian movement. In Lebanon, Syria has shown itself determined to achieve dominance over the PLO in order not to risk being manoeuvred into having to fight a war with Israel on unfavourable terms. Syria might exert pressure on the Palestinians to drop their more extreme demands. Syria's aims could be to enable negotiations with Israel to proceed with the dual objectives of establishing a homeland for the Palestinian people and to shrink Israel's territorial control back to within its pre-1967 boundaries.

5.25 There are many small groups within the PLO, many of these harbour views much more extreme than Al Fatah. For instance, the Popular Front for the Liberation of Palestine (PFLP) claims to adhere to a Marxist-Leninist ideology, asserting also that the Palestinian problem is one of Western imperialism. The PFLP heads the "Rejection Front" which opposes any political settlement with Israel. It is vigorously supported by Iraq, Libya and Algeria (when the latter is not diverted by its dispute with Morocco). The leader of the PFLP, Dr Habash, has accused the PLO leadership of co-operating with "capitulationist Arab regimes", which support a political settlement. The PFLP is the most energetic faction in its insistence on the liberation of all former Palestine (not merely the West Bank and Gaza Strip).

5.26 The various arms of the PLO are held together by a fairly loose organisational structure headed by the Palestine Liberation Organisation Executive Committee, presided over by Yasser Arafat. It is the highest executive authority within the PLO, and is elected by the Palestinian National Council (PNC). The Central Council, composed of 40 PNC and Liberation Organisation Executive Committee members, acts as a link between the two bodies. The 150 seats of the PNC were approximately doubled for the March 1977 Cairo meeting mainly in an effort to further reduce the influence of the "Rejectionists". They are distributed between the commando organisations, representatives of Palestinian organisations such as trade unions and independents (but see also para 5.31).

Sponsors of Terrorism

5.27 Although the PLO has done much in recent years to highlight the humanitarian issues implicit in the plight of the Palestinian refugees, this has been overshadowed by its image as a sponsor of terrorism executed by some of the fedayeen groups. As already discussed in paras 1.28 and 1.29 the post-1967 "borders" of Israel and counter measures have enabled Palestinian border incursions and Israeli casualties to be kept at tolerable levels and the PLO has had less physical impact on Israel than on Lebanon and Jordan. Nevertheless PLO terrorism has not tried to discriminate between soldiers and civilians (including groups of children) in Israel. In the period June 1967 to March 1971, for example, 120 Israeli civilians and 183 soldiers were killed inside Israel. A further 1,574 people were wounded. It was estimated that Israeli security forces killed 1,873 of the assailants inside Israel and imprisoned over 3,000 in the same period.

5.28 There is no death penalty in Israel; this has acted as a temptation for the PLO to take hostages in order to arrange the release of Palestinians imprisoned for terrorist activity against Israelis. Israel has tried to curb terrorist activity within Israel and against Israelis abroad by severe reprisal raids - particularly in southern Lebanon. Unfortunately this has also resulted in civilian casualties. Indiscriminate terrorist activity has not been confined to the more extremist or "rejection" groups in the PLO. The well publicised operations of Al Fatah's Black

September Movement in 1971-74 (of which Al Fatah's leader - Yasser Arafat - would have been aware) included the killing of Israeli athletes at Munich and a number of hijackings of aircraft.

5.29 The international and indiscriminate nature of terrorism is vividly illustrated by terrorist action at Israel's Lod Airport on 10 May 1972 when over a hundred people were mowed down, of whom 27 were killed. The operation was planned by a Palestinian (PFLP) using terrorists recruited in Japan (United Red Army). They had been trained in North Korea and in a refugee camp in Lebanon. Their weapons were Russian but they were acquired in Italy by an Algerian diplomat using Libyan money. They arrived on a French aircraft. It was a tragic irony that 21 of the killed victims were Christian pilgrims from Puerto Rico. It is this type of action which has produced indiscriminate retaliatory air raids by Israel against villages believed to be inhabited by the PLO, involving the deaths of people, including women and children who could not possibly be terrorists.

5.30 Some activist groups, such as the Popular Democratic Front for the Liberation of Palestine (PDFLP) led by Na'if Hawatmeh have opposed the PFLP policy of international terrorism, preferring to limit such violent activities to the occupied territories. This type of activity is expected to increase, and reported exhortations to this effect were made at the 13th Session of the Palestinian National Council in Cairo.

Palestinian National Council's Cairo Meeting

5.31 Before its meetings in Cairo in March 1977 there were world wide hopes as well as indications within PLO circles that more "moderate" views would prevail at the Palestinian National Council (the Palestinian Parliament which had not met since 1974). "Moderate" PLO views, as the Council meetings were subsequently to show, must still be regarded as very extreme compared with the broader spectrum of Arab views apart from the "Rejection Front". Nevertheless efforts were made to widen representation to include more "moderates" from Kuwait, Syria and the West Bank (but the latter did not receive Israel's permission to attend).¹

5.32 The success of the efforts to "stack" the Palestinian National Council with more "moderates" can be seen by the voting pattern at Cairo. The Arafat grouping (moderate by Palestinian standards) seemed assured of 172 votes out of 291 as indicated by the vote for the pro-Syrian moderate who was re-elected as President. It is believed that the 69 votes for the "rejectionist" candidate was higher than might be expected because some of these votes were cast as a protest against the role played by Syria in the Lebanon fighting (see Committee's earlier report²) in which the military capacity of the PLO was severely curtailed. On subsequent issues the "Rejectionists" tended

1. Israel did not wish to give the impression of acquiescing in the activity of an organisation which it regards as extremist. Israel does allow West Bank delegates to attend meetings with Jordanian authorities.
2. See The Lebanon Crisis, paras 1.18 to 1.44.

to muster far fewer votes.

5.33 Some of the decisions at Cairo took a "tougher" stance than expected on issues important to peace negotiations and as the Palestinian National Council has formal authority over the PLO some of the decisions reported from the Cairo meeting should be noted:

- a. Adoption of a programme calling for the establishment of an independent Palestinian State and reaffirming the strategic aim of dismantling Israel; this implied that there would be no Palestinian recognition of Israel and no peace with the Jewish State even after the establishment of an independent Palestinian State in territories vacated by Israel;
- b. The programme which stated that the PLO had the right to attend all international conferences on the Middle East spelt out the conditions under which the PLO would sit down at the negotiating table (which are unlikely to be acceptable to Israel); it ruled out Palestinian attendance at a reconvened Geneva Conference under the present terms of reference - United Nations Resolution 242 which defines the Palestinian issue as a refugee problem;
- c. The programme allowed PLO attendance on the basis of a 1974 United Nations General Assembly resolution reaffirming the Palestinian right to self-determination, national independence and

sovereignty - the same United Nations resolution also affirmed the right of Palestinians to return to homes and properties lost in 1948;

- d. Palestinian delegates to a Geneva Conference may possibly be members of a single Arab delegation (this is a concession from the previous stance of insisting on a separate PLO delegation); and
- e. No changes were made to the Palestinian National Charter of 1968 (see Annex B).

The full political communique issued by the 13th Session of the Palestinian National Council at the close of its 10 day meeting is shown at Annex F.

5.34 It would appear that at Cairo the PLO, despite the world attention that was focussed on it, made no visible gesture of pacific intent that might foster optimism for a general peace settlement in the near future. The Committee suspects that no Palestinian leader would survive if he attempted to show moderation towards Israel.

Australian Attitude - Need for Compromise

5.35 The recent attitude of the Australian Government on the Palestinian question was set out in a statement on 15 March 1977 by the Minister for Foreign Affairs (the Hon. Andrew Peacock) who said in Parliament:¹

1. House of Representatives Hansard, page 206.

"Australia has lent its support to United Nations resolutions 242 of 1967 and 338 of 1973, seeing them as giving absolute recognition to the right of Israel to survive as a nation, and as also recognising the need for Israel to withdraw from occupied territories. One change in the situation since 1967 is that the Palestine problem has come to be seen generally as not merely an issue of refugees, but of the need for any settlement to take account of the legitimate rights of the Palestine people. Proposals are now being advanced from the Arab side relating to the setting up of a Palestinian state on territory to be vacated by Israel on the West Bank of the Jordan and in Gaza. It is an entirely legitimate concern in Israel that whatever entity is in control of these territories should live in peace with its neighbours, and abjure threats or acts of force, as required by resolution 242. This can not be said of the long-established platform of the Palestine Liberation Organisation, and so long as the PLO can not be seen to have abandoned its earlier written rejection of Israel's right to exist, the road to peace will be blocked. A reciprocal proposition is that recognition of the legitimate rights of the Palestinian people will also require action by Israel in one form or another. If, as a result of negotiations, there is agreement on the establishment of a Palestinian homeland alongside Israel, this will have Australian support. All this is a matter for negotiation among the parties directly concerned."

The Committee would add that it is also a matter for effective guarantees.

5.36 The Committee believes that Australia should take seriously the position of the Palestinians and the need for solving their problems. The Committee agrees in principle with the content of the Government policy statement quoted above but also believes that a solution to the Palestinian problem is not likely to be forthcoming until the

Palestinians themselves evolve a leadership which can set itself realistic and attainable goals, and recognises that many States cannot support those who currently oppose Israel's right to exist. Without this aim of Israel's annihilation the way would be open for Israel to grant recognition to the PLO and this diminution of tension would significantly help any conference seeking a general Middle East peace settlement.

6. MIDDLE EAST OIL AND PETRO-FUNDS -
A SOURCE OF POWER IN WORLD AFFAIRS

Significance of Middle East Oil

6.1 Since World War II, oil has become the basic energy source in the industrialized Western countries and Japan; it currently supplies about 50% of the non-Communist world's energy requirements. This situation has occurred as a result of a variety of factors, including oil's versatility as a fuel for transport and industry, its use as a source of feedstock for the petro-chemical industry, its comparative ease of handling, and the fact that oil has been cheaply and readily available until the Arabs used oil as a weapon in October 1973. Consequently until an equally suitable alternative energy source becomes widely available, the access to reliable oil supplies is vital for the continuation of industry and the way of life in the Western world and Japan (Australia's main trading partner). Comparatively cheap oil is also essential to the developing nations because of its use in chemical fertilizers. The importance of secure oil supplies for Australia is discussed in the next chapter.

6.2 The world's total known oil reserves vary somewhat from year to year as oil is extracted and new reserves are found. However, as at 1 January 1976 the estimated world crude oil reserves amounted to 658,600 million barrels. Of this 407,000 million barrels were located in the Middle East

compared to 103,400 million barrels in the Communist countries and only 33,000 million barrels in the US - see Table 6.1. It will be seen from this table that the Middle East has approximately 62% of the world's total reserves and it is estimated that these are only sufficient for fifty years production at 1975 levels. Of particular significance is Saudi Arabia with 22.5% and Kuwait with 10.3% of the world's oil reserves.

6.3 Table 6-2 gives details of the world's crude oil production. It will be seen that in 1975, the Middle East and North Africa produced 51.6% of the non-Communist world's oil production. OPEC's share of the non-Communist world total was 62%. Even more important is the fact that the Middle East exports most of the oil that it produces providing about 70% of the world's exports. Table 6-2 also shows the significant reductions in Middle East oil production once the world's economic recession and greatly increased oil prices had their effect on the world's oil consumption.

6.4 America's exploration for crude oil peaked in 1956 and production levelled off in 1970 and has declined in recent years. By 1975 US oil imports had jumped to 39% of domestic requirements (the share of imports is now approaching 50%) and 10% of total US consumption has been obtained from the Arab countries especially from Saudi Arabia. Consequently, America has a vital interest in a stable Middle East situation which will ensure a reliable supply of oil. Western Europe, Japan and many of the developing countries are in a more serious position than

TABLE 6-1
PROVEN PUBLISHED WORLD CRUDE OIL RESERVES AS AT
1 JANUARY 1976
 ('000 million barrels)

MIDDLE EAST AND NORTH AFRICA	RESERVES	YEARS OF PRODUCTION AT 1975 LEVELS	% OF WORLD
Saudi Arabia	148.6	58	22.5
Kuwait	68.0	101	10.3
Partitioned Zone	6.4	35	1.0
Iraq	64.5	33	9.8
Abu Dhabi	34.3	42	5.2
Qatar	29.5	57	4.5
Bahrain	5.9	37	0.9
Dubai	0.3	14	0.05
Sharjah	1.4	15	0.2
Oman	1.4	93	0.2
Syria	5.9	48	0.9
Algeria	2.2	35	0.3
Libya	7.4	21	1.1
Egypt	26.1	48	4.0
Tunisia	3.9	40	0.6
Tunisia	1.1	31	0.2
MIDDLE EAST AND NORTH AFRICA TOTAL	406.9	50	61.8
OTHER LEADING PRODUCERS	RESERVES	YEARS OF PRODUCTION AT 1975 LEVELS	% OF WORLD
Other OPEC			
Venezuela	17.7	20	2.7
Nigeria	20.2	31	3.1
Indonesia	14.0	29	2.0
Ecuador	2.5	43	0.3
Gabon	2.2	30	0.3
TOTAL OPEC	447.3	45	67.9
Rest of World:			
USA	33.0	9	5.0
Canada	7.1	11	1.1
Mexico	9.5	35	1.4
United Kingdom	16.0	*	2.4
Norway	7.0	101	1.1
USSR	80.4	23	12.2
USSR	3.0	21	0.5
Eastern Europe	20.0	42	3.0
WORLD TOTAL	658.6	33	

* Not applicable

1. Source: Adapted from Oil and Gas Journal. Reserve figures are subject to wide margins of error, and there are considerable differences between sources of information - including oil companies and governments.

TABLE 6-2
CRUDE OIL PRODUCTION¹
 (million barrels per day)

	1965	1973	1974	1975	1974/75 % Change
Middle East OPEC:					
Saudi Arabia	2.025	7.345	8.350	6.970	-16.6
Kuwait	2.170	2.755	2.275	1.840	-19.2
Partitioned Zone	0.370	0.535	0.560	0.500	-7.9
Iraq	1.910	5.895	6.065	5.395	-11.1
Iraq	1.315	2.020	1.975	2.230	12.8
Abu Dhabi	0.280	1.305	1.410	1.400	-0.6
Qatar	0.235	0.570	0.520	0.435	-15.8
North Africa OPEC:					
Libya	1.225	2.180	1.525	1.490	-2.2
Algeria	0.575	1.095	1.040	0.965	-7.2
Other OPEC:					
Venezuela	3.505	3.460	3.065	2.410	-21.3
Nigeria	0.275	2.055	2.260	1.785	-20.9
Indonesia	0.485	1.335	1.395	1.315	-5.9
Ecuador	0.010	0.240	0.175	0.160	-9.0
Gabon	0.055	0.460	0.200	0.200	0.4
Other Middle East and North Africa:					
Oman	-	0.295	0.290	0.340	17.9
Dubai	-	0.220	0.240	0.255	5.0
Sharjah	-	0.030	0.040	0.040	35.8
Bahrain	0.057	0.068	0.056	0.051	-7.6
Syria	-	0.110	0.134	0.171	27.6
Egypt	0.130	0.259	0.230	0.270	18.3
Tunisia	-	0.076	0.080	0.095	18.8
Turkey	0.030	0.070	0.065	0.060	-6.3
Other Producers:					
USA	9.015	10.950	10.480	9.995	-4.7
Canada	0.935	2.115	2.000	1.735	-13.5
Mexico	0.360	0.550	0.640	0.795	24.6
Trinidad and Tobago	0.135	0.165	0.180	0.205	13.9
Colombia	0.200	0.195	0.170	0.160	-6.4
Argentina	0.270	0.420	0.415	0.390	-6.0
Brazil	0.095	0.165	0.175	0.170	-1.7
United Kingdom	neg	neg	neg	0.025	-
Norway	-	0.035	0.035	0.190	442.9
USSR	4.885	8.455	9.075	9.700	7.3
China	0.215	0.845	1.085	1.305	20.4
Eastern Europe	0.305	0.345	0.395	0.400	1.5
WORLD TOTAL	31.750	57.845	58.170	55.095	-5.4
NON-COMMUNIST WORLD TOTAL	26.345	48.200	47.615	43.650	-8.5
OPEC TOTAL	13.240	30.952	30.795	27.095	-12.1
OPEC % NON-COMMUNIST WORLD TOTAL	50.3	64.2	64.7	62.1	-2.6
MIDDLE EAST AND NORTH AFRICA TOTAL	10.322	24.729	24.635	22.517	-9.3
MIDDLE EAST AND NORTH AFRICA % NON-COMMUNIST WORLD TOTAL	39.2	51.3	52.2	51.6	-0.6

1. Source: Europa Publications The Middle East and North Africa (London, 1976) pages 92-93.

America as they import nearly all their oil. As their oil and energy requirements grow, their dependency on the Middle East for oil will increase even more, especially as other smaller oil sources become depleted.

6.5 The Communist nations' consumption of petroleum liquids has also been increasing but both the Soviet bloc and China are self-sufficient. The USSR is believed to have considerable unproven reserves. About one quarter of Soviet total production is exported, of which 50% goes to Eastern Europe and 10% to other Communist countries. However, by 1980 Eastern Europe and other Communist countries are likely to be requiring Arab oil as their demands for oil become greater than the amount of oil Russia would be able to export. In the meantime the Soviet Union's diplomatic and strategic interests have probably been furthered by the fact that the West suffers from costly oil imports; as Arab exports they have also enabled the Arab countries to pay in hard currency for Soviet arms supplies.

6.6 Overall world consumption of petroleum products increased nearly six-fold between 1950 and 1973, as a result of an almost unbroken period of economic expansion, plus the steady displacement of coal from its markets by low cost oil. Table 6-3 gives details of the world's oil consumption including the high percentage of oil usage in total primary energy consumption in 1975 - US (44%), Japan (70%), Italy (69%), France (65%). While there was a general surplus of oil during the 1950s and 1960s, the steady increase in world demand meant that by 1972 demand for petroleum products was greater than production. To bridge this gap Saudi Arabia,

TABLE 6-3
OIL CONSUMPTION¹
(million barrels per day)

	1974	1975	OIL AS PERCENTAGE OF PRIMARY ENERGY CONSUMPTION IN 1975
USA*	16.150	15.845	43.9
Canada	1.785	1.735	39.4
Total N America	17.735	17.580	43.4
Belgium/Luxembourg	0.560	0.545	57.4
Netherlands	0.725	0.710	48.9
France	2.460	2.240	64.6
W Germany	2.760	2.665	53.1
Italy	2.015	1.925	69.2
United Kingdom	2.145	1.875	45.0
Total W Europe	14.180	13.540	56.0
Latin America	3.595	3.660	56.7
Middle East	1.355	1.390	67.7
Africa	1.020	1.050	42.7
S and SE Asia	2.100	2.190	43.0
Japan	5.270	4.905	70.3
USSR	6.905	7.480	36.0
E Europe	1.660	1.725	21.0
China	0.970	1.105	14.3
World Total	55.745	55.375	43.9
Non-Communist World Total	46.210	45.065	50.5

* US processing gain has been deducted from total domestic product demand.

1. Source: The British Petroleum Company Limited BP Statistical Review of the World Oil Industry 1975 (London, 1976) p.8.

Iran, Iraq and Abu Dhabi increased their production significantly. By 1973 the Middle East oil-producing countries suddenly found themselves faced with enormous increases in demands for their oil with the prospects of these demands increasing indefinitely. The Arab oil-producers were not only in an ideal position to demand a higher price for their oil, but they were also able to use oil as a weapon to achieve their political ambitions, thereby obtaining a new diplomatic influence on the international scene.

Pressure by Oil Producers Prior to 1973

6.7 The new influence of the world's main oil producers was enhanced because of the earlier formation of the Organisation of Petroleum Exporting Countries (OPEC) in 1960, to co-ordinate their action and pricing policy. Furthermore the independence and power of the international oil corporations was steadily eroded due to nationalisation or greater participation by the Middle East countries, leaving the corporations no longer in total control of the oil fields as they were in the 1950s. By the end of 1972 the nations holding the oil held the power to determine levels of production, to designate - or even embargo - export destinations, to direct investments and to set prices.

6.8 Prior to 1973, partial oil restrictions were imposed during the two previous Arab-Israeli wars, in 1956 and 1967. These failed to produce significant political

results despite the fact the action caused temporary disruptions in the world oil trade. The comparative ineffectiveness was because the restrictions were too limited in scope and because of their application during the short periods of active hostilities in 1956 and 1967.

6.9 Throughout the early 1970s the Arab countries confronting Israel frequently called for Saudi Arabia and the other oil-producing nations to use the oil weapon as a means of political pressure to reduce the support that the US and other industrial nations were giving Israel. For instance, in early 1973 President Sadat called on the oil rich Arab nations to apply pressure on the US to abandon its support for Israel. Libya's Colonel Gaddafi, also during 1973, called for oil to be used "as a weapon of Arab self-defence". These calls for the use of the oil weapon were based on political motives - mainly to erode support for Israel. They were largely independent of the pressures of supply and demand for oil. The fact that world demand was in excess of supplies (and that oil prices had been unrealistically low) was the most significant cause of spiralling oil prices in late 1973 and 1974, not the oil diplomacy urged by President Sadat and Colonel Gaddafi. Only just prior to the October 1973 War, negotiations between the oil-producing countries and the major international oil corporations had broken off because no agreement could be reached on proposed price rises.

The 1973 Oil Crisis

6.10 As the Arabs have frequently stated that they would use the oil weapon again in the event of a fifth Middle East war, it may be useful to briefly examine their action in 1973-74. During this time the Arabs did effectively utilize oil as a weapon, in conjunction with the Egyptian and Syrian attacks on Israel resulting in the Yom Kippur War, 6-24 October 1973. In 1973 the Arab countries restricted oil supplies on a far larger scale than during the previous Arab-Israeli wars by both decreasing production, and by implementing total or partial oil embargoes on certain countries. The impact of these measures was greatly magnified by the steep increase in prices for crude oil dictated by OPEC during November and December, 1973, but which were already foreshadowed before the 1973 fighting due to market forces. The 1973 production cuts and embargo took place against the background of a pricing dispute between the major oil companies and producer governments. There was a realisation among the oil companies and the producer governments that the security of oil supplies was emerging as a greater potential problem for the companies than the demand for such oil. The balance of power lay with the producers.

6.11 The Organisation of Arab Petroleum Exporting Countries (OPEC) decided to reduce their production of petroleum on 17 October, by at least 5% progressively each month, until Israeli forces had withdrawn completely from territories occupied in the June 1967 war and the legal rights of the Palestinians were restored. The reduction in

oil production was implemented by most of the OAPEC countries, and also by Dubai. Furthermore, Arab oil exports were initially affected by the closure of the Syrian terminal of the Iraq Petroleum Company's pipeline, and by the reduction of supplies from Saudi Arabia by means of the Trans-Arabia Pipeline to the Lebanese terminal at Sidon.

6.12 In addition a number of Arab countries imposed total or partial embargoes on various countries. Shipments of oil were withheld from the US, especially after America's decision to supply Israel with US\$2,200 million worth of arms. Late in October 1973 a total ban was also placed on oil shipments to the Netherlands in view of that country's allegedly pro-Israeli policies and on 28 November Portugal, Rhodesia and South Africa were also totally embargoed. During October and November supplies of oil were reduced to the rest of Western Europe and Japan, and other parts of the world. These decisions were envisaged as a political gesture, aimed at drawing the attention of Western public opinion to the determination underlying the Arab cause, and placing pressure on the US and its allies which were likely to be particularly hard hit by the reduced availability of oil.

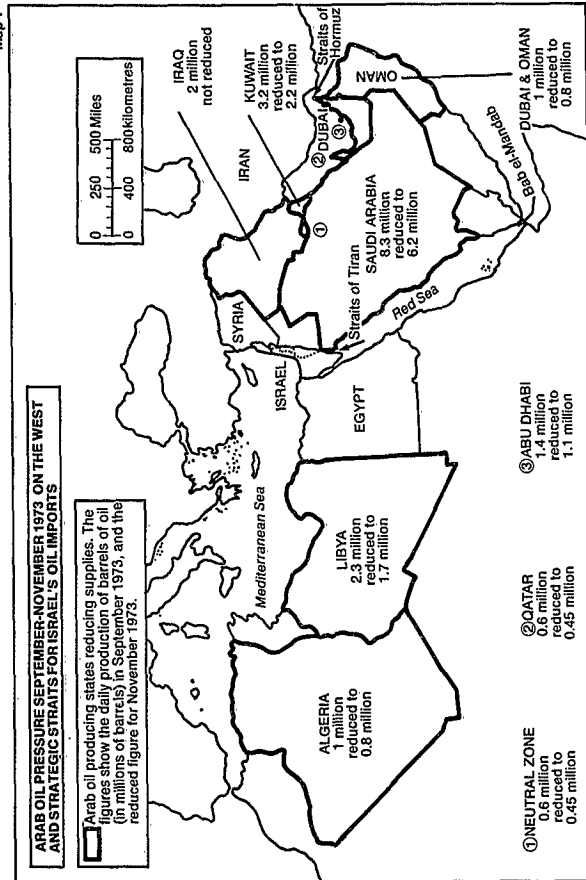
6.13 The severity of the oil reductions meant that a number of countries which were heavily dependent on Middle East oil responded by taking a more sympathetic stance towards PLO claims and Egyptian interests, particularly those nations most vulnerable to the embargo. The European Economic Community (except the Netherlands) issued a resolution on 6 November which called on both sides in the

Middle East war to "return immediately to positions they occupied on 22 October in order to facilitate a solution to other pressing problems concerning prisoners of war and the Egyptian Third Army". They also called on Israel to end the territorial occupation which it had maintained since 1967, and recognized that any settlement must take account of the "legitimate rights of the Palestinians". Japan issued a comparable statement on 22 November, which was also seen as a move to placate the Arabs. The outcome of these moves was that the European Economic Community was exempted from the further 5% production cut scheduled for December 1973 and Japan was accorded special treatment in order to protect the extremely vulnerable Japanese economy. During late November and December other countries willing to "sympathise" with Israel's opponents were also granted favourable treatment.

6.14 Further production cuts were agreed to by the Arab Oil Ministers, meeting in Kuwait on 4-5 November 1973, when they decided that the implementation of the November 5% cutback should be expressed in terms of an overall 25% cutback inclusive of reductions arising from the embargo of all supplies to the US and the Netherlands. There was also to be a further reduction of 5% in December, provided that this did not affect the share of any friendly country.

6.15 The uncertainty generated by the war and the production cuts exacerbated the pricing situation. As a first step, on 4 November 1973 (the day preceding the announcement by OAPEC of reductions in output) OPEC decided unilaterally to raise the posted price of oil from US \$3.00

Map 7



to US \$5.12 per barrel. On Christmas Eve OPEC further increased posted prices, causing a barrel of light Arabian crude, for example, to soar to \$11.65 with effect from 1 January 1974. Thus the price of crude oil rose approximately four-fold during 1973. On the other hand the oil shortage was eased slightly on Christmas Day when OAPEC production cuts were reduced by 10%. By 1 January 1974 the most severe part of the crisis was over, except that the embargoes on the US and some other countries continued for another 3 to 8 months.

The Impact of the 1973 Crisis

6.16 In practice the combined production cuts were not as severe as OAPEC's declared intentions. Total cuts (including embargoes) were nearer 22-23% (less than the 25% November target). The impact of the crisis varied greatly throughout the world, the crucial influencing factors being the individual country's pattern of energy consumption, the availability of alternative sources of crude oil or other energy fuels, the availability of transport, and whether or not a country was the specific target of an OAPEC embargo. In general, the impact was mitigated by programmes to reduce consumption, an exceptionally mild winter, and an overall downturn in industrial activity. Japan suffered only a shortfall of around 3%. The European community lost about 19% of their anticipated petroleum consumption, but individual countries suffered more. For instance, the consumption of oil was down by 21% in the Netherlands and

26% in West Germany. This was much more severe than the 7% cutback (due to the embargo) suffered by the US.

6.17 Politically, the 1973 international energy crisis dramatically altered former assumptions about the balance of power in international politics. While it did not change the overall balance, it did shift the balance in the direction of those oil producing countries which possess abundant oil reserves. The less-developed Arab countries proved that they could successfully utilize their oil wealth to bargain in international affairs and the confrontation underscored the fact that the international economic system rests on a network of mutually interdependent relationships.

6.18 The 1973 oil crisis also emphasised to the Western countries that it was essential for them to ensure a steady supply of energy if they were to avoid their industries and private motor vehicles coming to a standstill. In the short term this has meant ensuring a steady flow of oil from the producing countries to the consuming countries at tolerable prices. Thus it has become essential for the West to devise means of minimizing the impact of another oil embargo. In the longer term this makes it imperative that alternative sources of energy are developed including those that do not rely on extractive industries. If use of the Arab oil weapon hastened the development of realistic energy policies, then it can be said that the 1973 oil crisis had some beneficial effects.

Continuing Role of the Major Oil Companies

6.19 In normal circumstances the exploration, development, distribution, refining and retailing of oil is still handled primarily by the major international oil companies. At present, only a very small proportion of world trade in oil (outside the Eastern Bloc's COMECON) is arranged between governments.

6.20 Diplomatic activity in oil matters relates for the most part to concern among consumer governments to seek arrangements to ensure the adequacy of their nation's oil supplies during the transition period from oil to other energy sources. Because oil production policy is determined by governments in OPEC and most other oil producing countries, government-to-government arrangements are usually sought. The responsibility for putting these arrangements into practice lies with the major oil companies and/or government controlled or sponsored oil companies.

6.21 In the context of government-to-government discussions, concessions may be sought through diplomatic channels on such matters as the cost of oil purchased under government-to-government arrangements, the terms of payment and arrangements for transportation. Although increased interest in oil arrangements has been shown by consumer governments since the oil crisis of late 1973, the role of the major oil companies is likely to remain of central importance to the distribution of oil supplies. On present indications, there is every likelihood that the availability

of oil and alternative energy sources will fall behind aggregate demand. It has been predicted in a report by the US Central Intelligence Agency that if the world's use of oil continues at present rates, demand will exceed international production by the mid 1980s. When this happens, greater involvement of governments in the distribution mechanism is likely.

6.22 The intermediary role of the major oil companies tends to restrict the ability of producer governments to monitor and control the final destination of their oil exports - though a significant degree of control exists because of the change in relations between the oil companies and the host governments, whereby the latter now exercise the right to determine maximum production levels. The need of the companies to retain assured sources of supply has forced them to demonstrate their sensitivity to the political views of their host governments, but the experience of 1973 when oil companies managed distribution to embargoed countries also suggests an element of flexibility in the distribution system beyond the control of producer governments. In the event of any future oil embargo the Arab governments are likely to try to prevent such flexibility.

Future Use of Oil as a Weapon

6.23 In many ways another embargo may not be a sound tactic for the Arabs. Western Europe and Japan, the most vulnerable to an embargo, have been since 1973 at pains to avoid the appearance of undue sympathy with Israel, and

bilateral agreements which have been struck between these States and various oil producers would be violated in spirit if not in letter by an embargo aimed at them. The US, which would be regarded as the most vital target of an embargo because of its support for Israel, and US ability to influence Israel now imports over 25% of its total oil imports (or 10% of total US oil consumption) from OAPEC countries. However US buffer stocks have grown, and non-Arab members of OPEC (such as Venezuela, Iran and Indonesia), with a shut-in or excess capacity that now exceeds total Arab exports to the US are likely to exploit the opportunities created by an embargo. The Arab action would in any case strain relations between the conservative dynasties of the Gulf and the leading Western State. Finally, the possibility of American countermeasures in the event of an effective embargo cannot be discounted (see paras 6.29 to 6.32).

6.24 Although an oil embargo may be thought by Western powers to make little sense, it is an axiom of US policy in the Middle East to expect selective embargoes to be enforced automatically upon the eruption of a fifth Middle East war. It is a tactic which Arab producers would be obliged to adopt in their role in the coalition against Israel, even if it is a tactic not effective in itself. To this end the OAPEC countries have already announced that in the event of another war the oil weapon will be employed once again. It is reasonable to assume that those Americans who have been charged with the responsibility for hastening the Middle East negotiating process will be ever mindful of the Arab commitment to use the oil weapon again.

6.25 It has been said that when Saudi Arabia (along with the United Arab Emirates) refused to agree with a decision by OPEC countries in December 1976 to raise oil prices by more than 10% (and a further 5% in June 1977), the Saudis were trying to demonstrate - apart from their consideration for the West's economic well being - that the Arabs have the oil price weapon which can break the popularity of Western leaders (including President Carter) if they do not support the Arab cause. If the Saudis were to support oil price rises of say another 30% in the event of another Middle East crisis this would severely hit the recovery of Western economies, making an embargo unnecessary.

6.26 On the other hand there are strong constraints on the use of oil prices as a political weapon. The disruptive effect of sudden massive increases in oil prices on both developed and developing countries (the political support of the latter group is important to the OPEC countries), and the concern of Saudi Arabia and other "moderates" in OPEC to avoid a recurrence of this situation, make the deliberate use of oil prices as a political weapon unlikely. Large increases in oil prices - if these can be sustained in real terms - could also have an adverse longer term effect on exporters of heavier crudes, as potential consumers would have an added incentive to make an earlier change to other fuel sources, notably coal.

6.27 If other Middle East countries found it was necessary to impose production cuts to sustain the raised market price for crude oil, the co-operation of Saudi Arabia

would probably be necessary because of the extensive reserves of Saudi Arabia and its ability to expand production rapidly. It is highly unlikely that non-Arab members of OPEC would agree to share reductions in output as a means of increasing oil prices, let alone agree on an arrangement which would overcome present Saudi opposition to such a device. Nevertheless the Saudis are likely to agree to production cuts and selective embargoes (as opposed to steep price rises) in the event of another Middle East war.

6.28 In 1973 Kuwait entered the international tanker trade and OAPEC started plans to create an Arab tanker fleet as well. At this stage only a very small proportion of the world's tankers are owned by the Arab producers (there is a surplus tanker capacity expected to last at least until the early 1980s). However as the Arabs expand their tanker ownership in the years to come, they could be tempted during another oil crisis to stipulate that their oil tankers be used to capacity, imposing a further burden of idle tanker shipping on some Western countries, and giving the Arabs greater control over the distribution of a scarce resource.

Possible Retaliatory Measures Against the Oil Weapon

6.29 Former US Commerce Secretary in the Ford Administration, Mr Elliot Richardson, said on 29 July 1976 that another oil embargo, similar to the one imposed in 1973, could force the US into a "major military struggle".¹

1. Speech before the International Platform Association as reported by United Press International.

Mr Richardson also said another embargo would have such a devastating impact on the nation in terms of jobs and economic growth that "pressures would mount for a prompt international solution". "Some, no doubt, would argue for abandonment of our traditional support for the State of Israel. Others would demand forceful intervention against the Arabs", Mr Richardson continued. "Either course of action could fundamentally destabilise the international balance of power - and threaten ultimately to involve the US in a major military struggle". There appears little doubt that the US and her Allies have examined the military takeover of Arab oilfields as a retaliatory measure against another oil embargo or severe production cut. There are a number of reasons for discarding such an idea.

6.30 The military takeover of Arab oil fields would be likely to result in a prolonged interruption to the flow of Arab oil. The Arabs, faced with a military attack that was about to be successful could easily set fire to or otherwise demolish their oil installations. To extinguish a major oil fire could take a long time, as could repairing pump stations, oil jetties and storage facilities.¹ Furthermore, it would not be possible for a foreign power to occupy successfully all the centres of oil production in the Middle East. Therefore, those Arab countries not affected could cut off all oil exports or destroy their own installations in retaliation, a move which in itself could easily precipitate economic chaos. The Arabs have access to other damaging

1. Saudi Arabia has apparently prepared her oil fields for demolition, any subsequent repairs would take 3-6 months.

retaliatory measures such as the withdrawal of funds held in Western countries, implementing an outbreak of terrorist activities, holding non-Arabs as hostages, and disrupting lines of communication in the Middle East region. Western military action could also have the serious consequence of tempting Russian military involvement on behalf of the Arabs, and hence escalation into world war. It should be emphasised that this paragraph discusses a nightmare calamity, not a likelihood.

6.31 In a situation of calamity, another possible retaliatory measure to an oil embargo would be to deny the Arab countries their traditional imports from the Western world and possibly from Japan. Despite limited facilities to store large reserves of food in the Middle East, a food blockade is unlikely to be successful, as food is a commodity which can be bought from a multitude of suppliers. North America, Australia and Europe are important food suppliers to the Middle East but they do not dominate the world food market in a way OPEC countries do in regard to oil. While the Arabs have enormous purchasing power it is unlikely that the threat of a partial denial of commodities to the Arab States would be successful in dissuading the Arabs from an oil embargo. More serious for the Arabs would be the denial of Western technology and armaments which would throw them back in the waiting arms of the Soviets with whom most Arab regimes have become disenchanted. Finally, the Arab Governments are responsible partners in creating a sane world and developing trade. They have important reasons for not adopting the politics of calamity.

6.32 A third possible retaliatory measure in this nightmare scenario would be for the West to refuse to pay interest on Arab money. By the end of 1974, following the four-fold price rise of crude oil in 1973, the combined current-account surplus of the major oil exporting countries had risen from \$6,000 million in 1973 to \$66,700 million. Although this subsequently dropped to \$35,000 million by the end of 1975 the Arabs still have a large monetary surplus, much of which is on loan in the short-term money markets of Western nations. The Arabs could respond to a refusal to pay interest by withdrawing their money and moving their deposits around from bank to bank and country to country; such action would cause havoc on the world money markets but the Arabs would be deprived of a stable investment climate for their surplus petro-dollars. Also Arab countries face the possibility, if funds were to be considered a disruptive weapon, of a freeze of their Western located bank accounts.

Co-operative Measures

6.33 As noted in the preceding section, the options for retaliation by Western countries against an oil embargo are however largely self-defeating. Consequently the US and her allies have adopted since 1973 a policy of co-operation with most oil-producing countries rather than a confrontation attitude. The oil-consuming countries are now taking a more sympathetic stance than previously towards the Arabs in relation to the Arab-Israeli conflict. This has been done by pursuing "an even-handed" policy towards both sides, as in Germany and the Netherlands (a large refiner of oil), or by ceasing to support the Israelis, as is Japan and France.

Most importantly (as noted in Chapters 3 and 4) the US has been engaged directly in the task of seeking to achieve peace between the Arabs and Israel, and the Americans have now largely replaced Soviet influence in the Middle East - at least for the short term.

6.34 Closer trade relations are also being developed between the industrialized nations and most of the Arab oil producers so that there is a growing economic interdependence between the two groups. If the Arab countries are to develop and industrialize their countries and establish infrastructures not dependent on oil (see depletion rates in Table 6-1) it is the Western industrialized countries that are best able to provide the Arab States with the capital equipment and technology. Moreover as described in paras 6.19 to 6.22 the oil companies are as yet in overall control of shipping, refining and marketing of oil.

6.35 The Arab countries have come to realize that the disruptive effect on economic growth in real terms, combined with the likely damage which an embargo situation would cause to economic confidence of major oil consumers, would also rebound on the interests of the Arab oil producers. Not only do Arab development plans depend on the West but their defence expenditures are based on assumptions of stable or expanding real incomes, and their liquid assets (held mostly in short-term deposits in Western financial institutions) would be eroded by a further round of inflation and economic stagnation.

6.36 It will be recalled from Chapter 2 that the Western countries have been replacing the Soviet Union in several Arab countries as a major supplier of military equipment. For instance, recently France agreed to provide Egypt with 200 Mirage fighter aircraft, and to contribute technology and licences for an autonomous Arab arms industry sited in Egypt and financed by Saudi Arabia and other Gulf States. Iran - a major non-Arab oil supplier - has become particularly dependent on US arms. Paras 2.8 to 2.11 examine the motives of the arms suppliers to the Middle East and it was noted that these were very much related to oil diplomacy in the case of some Western countries.

Conservation of Oil

6.37 The conservation of oil will not only retard the depletion of oil, but should also lessen the impact of oil restrictions. Government incentives for a switch to smaller cars, imposition of speed limits and improving fuel economy in automobiles are some ways by which the consumption of oil can be reduced. Lowering the temperature buildings are heated to, reducing unessential lighting and promulgating building regulations which save heat are other examples of means for saving scarce energy resources. Those conservation measures that could be implemented quickly were called for by President Carter to help overcome the energy crisis faced by America during its exceptionally cold winter of 1976-77, and other measures were proposed by President Carter in April 1977 as part of a more comprehensive energy conservation programme.

6.38 Following the oil crisis of 1973, there was for the first time since 1942 a decline in oil consumption during the years 1974 and 1975. World consumption fell 1.2% in 1974 and 1% in 1975. This decline occurred primarily in the non-Communist industrialized countries as a result of the world recession during 1974-75 and mild winters; however the impact of the 1973 crisis led to some conservation of oil. With the lifting of the world recession, during the first half of 1976, the demand for oil increased again.

Stockpiling

6.39 Stockpiling oil is undoubtedly an effective means of dampening the impact of a short-term oil embargo. Since 1973 steps have been taken by many countries to enlarge their stockpiles. In fact the oil-consumer organisation, the International Energy Agency (IEA) resolved on its establishment in November 1974 that 60 days supply of oil, excluding indigenous crude, should be maintained by each participating country as an act of common security. Ninety days supply was the longer term goal. An oil-sharing scheme was also agreed to in the event of a shortfall in supplies of 7 per cent or more affecting any or all of the IEA member countries. Towards the end of 1975 IEA further resolved that

70 days worth of stocks should be achieved by 1 January 1976.¹

6.40 For countries such as Japan which is dependent for about 99% of her oil consumption on imports - with imports from the Middle East contributing a decisive element - the accumulation of petroleum reserve stocks is particularly important. Since October 1974, Japan has been aiming to boost reserve stocks up to a volume of 90 days consumption by the end of March 1980, although this target is proving difficult to achieve because of the heavy capital costs involved. The Japanese proposal to achieve the stockpile target is particularly important for Australia as Japanese industries are heavy users of Australian raw materials.²

Non Arab Oil Sources

6.41 One way of being less dependent on Arab oil, and to enlarge the quantity of available oil, is to find and utilize other sources of oil. The US has had limited success

1. The International Energy Agency was established within the framework of the 24 nation Organisation for Economic Co-operation and Development. It was composed of the US and 15 other nations to pool energy in an emergency. France did not join, arguing that the consumer nations should be negotiating with the oil exporting States rather than forming a bloc that would antagonize them. France has preferred to play a leading part in the "North-South" dialogue between the developed and developing nations - including the oil producers.
2. Japan is considering the use of a "mobile reserve" of oil tankers to be anchored at a Pacific island.

in this regard. Although US import demands (39% of total US consumption but in a recent period nearly 50%) have become more dependent for fulfillment on OPEC countries¹ since the 1973 embargo, supplies from Arab members of OPEC account for only 25% of US imports (or 10% of total US consumption). Also the new Alaska oil-pipeline is expected to be ready for use in July 1977. In Europe, oil from the North Sea is another new source of oil; it is probable that Britain and Norway will be largely self-sufficient once the North Sea oil field is in production. Offshore oil in other regions is another significant potential source, but it should be noted that the world's total reserves were estimated (1 January 1976) at only 33 years of production at 1975 levels (see Table 6-1). As the price of oil increases, reserves that were previously uneconomical to extract will become financially profitable. This increased production is likely to be more than offset by increasing rates of consumption unless drastic measures are taken to conserve a scarce resource.

Future Outlook

6.42 In spite of oil conservation measures, the likely discovery of additional oil reserves, and the utilization of currently uneconomical oil resources, by about 1985 there is likely to be a marked dependency on the Middle East oil (estimated 62% of world reserves) following the depletion of other sources of oil. At that stage world reserves generally

1. An increase from 70% to 82% of US imports from OPEC countries since 1973.

are likely to be low and protection from an Arab oil embargo would be best ensured by transferring wherever possible to one or more other energy sources. In fact such a step would be inevitable even if good relations with the Arab world were assured. Known world oil reserves at current usage are only expected to last until the end of the 20th Century.

6.43 Possible alternative sources of energy include the greater use of depletable energy sources already supplying energy such as natural gas, coal and geothermal energy. Potentially, greater energy sources would appear to be nuclear energy, solar energy and hydroelectric power. Usage of hydroelectric power is well below capacity and there is considerable scope for its greater utilization in the developing countries. Both nuclear and solar energy loom as major sources of energy, although extensive research and development are required before these sources can be widely and safely exploited. In the meantime, as the world continues to rely on Middle East oil, this troubled region will almost certainly be an area of intensified Great Power competition. Conflict between Israel and the Arabs could become world conflict.

Arab Ability to Influence Western Financial Markets

6.44 Having examined the use of oil as a possible diplomatic and economic weapon by the Arab producers, there remains a need to survey also the possibility of disruptive actions in the financial markets of the non-Communist industrial nations. Examples of possible disruptive actions

would be: substantial sudden withdrawals of Arab owned funds from any market, or switches of such funds between markets; and disruptive actions in foreign exchange markets such as sudden substantial shifts of funds from one currency to another. Table 6-4 dealing with Current Account trends of Middle East members of OPEC, amongst which the Arab States may be noted, indicates the order of magnitude of the shift in financial resources towards OPEC countries after 1973 and the subsequent adjustment by some countries to a higher level of imports, significantly reducing their current account surpluses or reverting to a deficit.

TABLE 6-4

CHANGES IN CURRENT ACCOUNT (excluding official transfers)
MIDDLE EAST MEMBERS OF OPEC¹
 (\$US million)

COUNTRY	1973	1974	1975	1976*
Algeria	- 870	950	-1,990	-1,950
Iran	1,090	12,695	4,320	2,600
Iraq	470	2,980	1,150	1,640
Kuwait	1,520	8,090	7,165	7,040
Libya	- 600	2,190	1,345	2,735
Qatar	140	1,585	1,225	1,065
Saudi Arabia	3,120	26,390	20,140	24,190
United Arab Emirates	290	5,620	4,865	6,180

1. Source: US Treasury Report, 6 July 1976. * Projected.

6.45 The potential for Arab oil producing countries to affect the financial stability of Western economies derives of course from the dominance of the oil producers' cartel - OPEC - in the supply of internationally traded oil and in the disposition of the surplus funds they acquire from oil sales. Decisions concerning the disposition of funds are likely to continue to be made by the individual producers, and the effects of movements of assets from one market to another could be significant depending on the sums involved and the timing of the transfers. However, Arab solidarity (in regard to investment strategy) over any significant time period is likely to depend on the ability of the members to suppress conflicting interests and to minimize political differences originating in their widely differing development needs, disparate earning potentials, and, to some extent, their differing ideological and political alignments.

6.46 Early fears that the massive shift in 1973-74 of financial resources towards OPEC countries might result in excessive strains on the international monetary and banking systems have not, in general, been borne out. While there were initial strains associated with the need to recycle large sums from surplus to deficit countries, and with the inexperience of OPEC countries generally in managing massive financial investment portfolios, the financial markets have adjusted well to the drastically changed world financial situation. This has required some assistance from international institutions such as the International Monetary Fund.

Responsible Management of Arab Funds

6.47 Despite some early forebodings, it is now generally accepted that the Arab oil exporting countries have managed their surplus funds responsibly in the world's financial markets. They have generally proved to be conservative and canny investors, with an initial tendency to hold fairly liquid investments. Their choice of investment seems to have been affected by normal criteria and there is no evidence that shifts from one form of investment to another, or from one country to another, have taken place for other than financial reasons. The only significant outlets for OAPEC petro-surpluses, apart from the international financial organisations, are Western financial and capital markets. Table 6-5 indicates the preponderance of US, British and European (the major "other countries") markets as repositories for OPEC surplus funds.

6.48 The capacity of the individual markets to absorb funds and the need for countries with a surplus to achieve balance in their investment portfolios - including suitable maturity date profiles - has meant that surplus funds have been spread widely among the available outlets. Any significant attempt to shift funds out of a particular market is likely, in the case of securities, to affect adversely the price at which they change hands, and in the case of deposits, the ability of the depositing country to find suitable alternative investment opportunities. It is therefore in the financial interest of OPEC countries generally, (and any other large holder of funds) not to

TABLE 6-5

ESTIMATED DEPLOYMENT OF OIL EXPORTERS' SURPLUSES¹
(\$US billion)

	1974 Year	1975 Year	1976 (provisional)
United Kingdom:			
British government stocks	0.9	0.4	0.2
Treasury bills	2.7	-0.9	-1.2
Sterling deposits	1.7	0.2	-1.4
Other sterling investments(a)	0.7	0.3	0.5
Foreign currency deposits	13.8	4.1	5.6
Other foreign currency borrowing	1.2	0.2	0.8
	21.0	4.3	4.5
United States:			
Treasury bonds and notes	0.2	2.0	4.2
Treasury bills	5.3	0.5	-1.0
Bank deposits	4.0	0.6	1.6
Other (a)	2.1	6.9	6.7
	11.6	10.0	11.5
Other countries:			
Bank deposits	9.0	5.0	5.5
Special bilateral facilities and other investments (a) (b)	11.9	12.4	9.7
	20.9	17.4	15.2
International organisations	3.5	4.0	2.0
TOTAL	57.0	35.7	33.2

(a) Includes holdings of equities and property etc.

(b) Includes loans to developing countries.

1. Source: Bank of England's Quarterly Bulletin December 1976.

disrupt the operations of these markets. Such investment may, indeed, incline OPEC countries towards more cautious foreign policies.

6.49 For similar reasons it is not in the interests of these countries to undertake disruptive actions in the foreign exchange markets. The commercial transactions which give rise to their oil revenues and import requirements, as well as the subsequent investment transactions, are overwhelmingly carried out in one or other of the major international currencies. Any action on their part which would disrupt the smooth functioning of the currency markets would, at best, be uncertain in its outcome and would more probably produce a result in which international traders and investors generally would be disadvantaged. The changed direction of flows of liquidity which were inevitably associated with higher oil prices may in themselves have had some effect on the stability of currency markets in recent years, but there has been no evidence that this has been due to direct intervention in the markets - even less deliberate disruptive action - by oil surplus countries.

Fears of Massive Takeovers Unfounded

6.50 Early fears of massive OPEC takeovers of industrial and other undertakings in Western countries have also proved unfounded. Although direct investment by OPEC countries in industrialized countries has increased, it still represents only a very small fraction of the total investment picture. While reliable information is not

available, this would appear also to be the case in Australia. In most cases where significant investments in industry and real estate have taken place, Arab investors have consulted with the relevant authorities beforehand. Although there was an initial disposition in a number of industrial countries (such as the US, the UK and Germany) to consider the possible need for controls on such investments, action to implement formal controls has not, in general, been considered necessary. However, it could be said that the potential for imposing such controls may act as a constraint on the investing country. Moreover Arab equity investments in Western industrialized countries generally, including investments in the petroleum industry "downstream", would provide a greater incentive for Arab countries to ensure stability of oil supplies and prices. The profitability of Arab investments in Western countries will be enhanced by avoiding their erosion because of a high rate of inflation. It therefore follows that there are good reasons for assuming long term Arab investment in Western economies is a factor of stability rather than the reverse.

Oil Producers Ability to Affect Western Economies

6.51 The effects on prices, on the level of economic activity and the balance of payments of industrialized countries (and non-oil producing developing countries) of a further major increase in oil prices similar in magnitude to that experienced in 1973-74 could well be as serious as those which followed the 1973-74 increases. There has not yet been complete adjustment to the earlier price increases

in all countries and, in some at least, the scope for making relatively easy, low-cost adjustments may have already been exhausted. A further large crude oil price rise would set in train new rounds of wage and price increases in oil-importing countries. Some countries would be forced into adopting additional measures to offset deterioration in their external accounts. Output and employment growth in non-oil exporting countries would also suffer to the extent that the transfer of purchasing power to several Arab oil producing countries could not be fully used by the recipients.

6.52 The Table 6-6 below sets out OECD estimates and forecasts of movements in the current account balances of major country groupings since 1973 and is indicative of the enormity of the shift in command over real resources toward the oil exporters resulting from the 1973-74 oil price

TABLE 6-6
CURRENT ACCOUNT BALANCES OF MAJOR COUNTRY GROUPINGS¹
(\$US billion)

	1973	1974	1975	1976	1977
OECD	2½	-33	-6½	-22½	-17½
OPEC	3½	65½	34½	42	36½
Non-oil Lesser Developed Countries	-2½	21½	-32½	-24	-26½
Other	4	-6½	-14	-12½	-14½

1. OECD Economic Outlook (Paris, 1974-76 Issues)

increases.

6.53 Despite the potential for Arab oil producers to inflict heavy damage on Western economies by various means, the Committee has noted in this chapter some strong reasons, including self-damage, which might be expected to constrain Arab governments from such action. Nevertheless all nations for whom a secure oil supply is vital would be wise to plan for the contingency of disrupted oil supplies in the event of another Middle East conflict. The need for Australia to do so will become more apparent in the next chapter.

7. THE PROBLEM OF AUSTRALIA'S INCREASING RELIANCE
ON MIDDLE EAST OIL

The Importance of Middle East Oil for Australia

7.1 In Chapter 6 the Committee discussed the paramount importance of the Middle East as a supplier of oil to the Western industrialized nations, and to Australia's main trading partner - Japan; the vulnerability of these countries to a renewed use of the Arab oil weapon - in its various forms - was also noted. As petroleum products provide about half the energy used in Australia (a much higher proportion in some States) a secure oil supply is as important to this country as it is to the other industrialized nations of the world. Australia's dependence on Middle East oil is likely to increase greatly in the coming years until Australia develops alternative sources of energy. It will therefore be necessary to survey the demand for petroleum products in Australia, the availability of indigenous supplies to meet the demand, and the action Australia could take to minimize the effects of a partial or large scale interruption of Middle East oil supplies to this country.

Forecasts of Australian Crude Oil Production

7.2 It is estimated that crude oil production from the existing fields will peak in 1976-77 at an average of 421,000 barrels per day (bpd). Production from these fields

will fall to 396,000 bpd in 1980-81 and 301,000 bpd in 1984-85. As 6 to 10 years are necessary to bring an oilfield into production, any new discoveries in the next few years could not begin to contribute to the crude oil supply position until the early 1980s. Estimated production and the proportion of likely demand that this would meet is set out below in Table 7-1.

TABLE 7-1

FORECAST INDIGENOUS CRUDE PRODUCTION
AND ITS PROPORTION OF LIKELY DEMAND₁

Financial Year	Crude Production (millions of barrels)	Proportion of Demand Met %
1976-77	155	61-67
1977-78	154-156	58-66
1978-79	153-157	54-63
1979-80	152-156	51-61
1980-81	150-155	47-59
1981-82	144-151	46-57
1982-83	136-145	41-55
1983-84	126-138	37-51
1984-85	114-127	32-45

1. Source: Royal Commission on Petroleum, Fourth Report (Canberra, 1976) page 216.

Products from Indigenous Crude Oil - the Shortfalls

7.3 About 93% of motor spirit, almost 100% of distillate but only 20% of fuel oil consumed in Australia was available from locally produced crude oil in 1974-75. No production of lubricants or bitumen is available from Australian crude oils. Table 7-2 shows assessed out-turn of petroleum products from Australian crude oil production, compared with estimated demand for those products, for the years 1980-81 and 1984-85.

Restructuring Refinery Output in Event of Embargo

7.4 Earlier in the report the Committee stated that there were constraints on war in the Middle East for about another two years and the Committee has noted that the Arab oil producers have clearly stated their intention of using the oil weapon in another Middle East war. It is therefore necessary to examine the estimates (in Table 7-3) for 1980-81 which show what the output from Australia's current refinery pattern as a whole would be if restricted by an embargo to available production of local crude (Case 1). Refining technology allows some flexibility within the system to lower gasoline production and increase output of kerosenes and diesel fuels (Case 2). In an emergency, kerosenes, diesel fuels and furnace fuels are partially interchangeable, with the exception that fuel oil produced from Bass Strait crude oil is unsuitable for ships' bunkers because of its high pour point. However if diluted with sufficient of the lighter fractions it might be usable in

TABLE 7-2
AUSTRALIAN INDIGENOUS CRUDE OIL SUPPLY AND PRODUCE DEMAND¹
(Thousand Barrels)

REFINED PETROLEUM PRODUCTS	1980-81		1984-85	
	ESTIMATED		ESTIMATED	
	Assessed Product Output from Locally Produced Crude Oil	Forecast Consumption of Petroleum Products	Assessed Product Output from Locally Produced Crude Oil	Forecast Consumption of Petroleum Products
LPG (Refinery only)	3,530	5,000	2,682	5,751
GASOLINES	74,506	108,940	56,606	127,855
KEROSENES (Including Avtur)	13,411	27,563	10,189	35,744
AUTO DISTILLATE & DIESEL FUEL	34,302	59,115	26,061	69,489
FUEL OIL	9,953	64,747	7,562	46,228
BITUMEN AND LUBES	-	7,270	-	8,050
OTHER PRODUCTS	1,490	8,657	1,132	9,686
REFINERY FUEL	7,480	22,970	5,683	24,754
TOTAL	144,672	304,262	109,915	327,557

1. Source: Department of National Resources. Based on the simplifying assumption that processing is done to maximize output of light products.

some vessels and in the longer term others might be equipped with heaters to keep the fuel oil in a liquid state.

7.5 It has been assumed for Table 7-3 that the present refinery out-turn pattern will operate in 1980-81. Restructuring refinery out-turn within the limits of inherent flexibility could of course be instigated to meet any immediate embargo on Australia's oil supplies. The kerosenes and diesel fuels mentioned in Table 7-3 would have to be used for aviation turbine fuel, some ships bunkers, and in diesel engines for road, rail and power generation purposes.

TABLE 7-3

AUSTRALIA - MAIN PETROLEUM FUELS, INDIGENOUS SUPPLY,¹
1980-81
(Thousand Barrels/Day)

	DEMAND (CASE 1)		% OF DEMAND	# (CASE 2)	% OF DEMAND
GASOLINE	298	182	61	133	45
KEROSENES AND DIESEL FUELS	238	120	50	170	71
FUEL OIL*	177	59	33	59	33
REFINERY FUEL	63	35	55	35	55
TOTAL	776	396	51	396	51

* This fuel oil is suitable for ships bunkers only after modifications to tanks and engines.

Represents restructuring of refinery output.

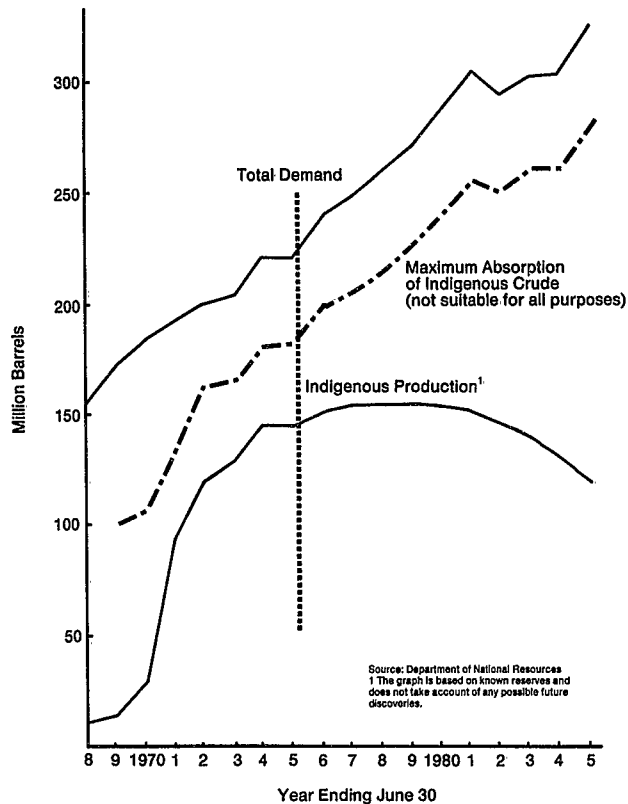
1. Source: Department of National Resources.

7.6 It will be seen that restructuring of refinery output would be unable to reduce the serious shortfall in Australia's fuel oils which would still only be able to meet 33% of demand; this would be a serious threat to employment in Australia's manufacturing sector in the event of an embargo (see paras 7.29 to 7.34). Whether such a drastic cut-back in motor spirit production as implied in Case 2 (reduced to 45% of demand only) would be tenable requires further evaluation. Rationing, to restrict pleasure motoring and other non-essential uses of motor spirit, is already implied in the level of motor spirit demand which could be satisfied from local crude from Case 1.

The Necessity to Import Oil

7.7 In 1966-67 the input of local crude oil to Australian refineries as a percentage of demand for petroleum products amounted to 2.6%; by 1971-72 it had risen to 60% and in 1974-75 it was 65%. By 1980-81 it will have fallen to 48% and, in the absence of further discoveries of crude oil, will drop to around 33% by 1985 when demand for petroleum products is expected to reach 327 million barrels. The gradual shortfall of indigenous production compared with consumption is graphically illustrated in Figure 1. The graph also shows that the shortfall between total demand and maximum absorption of indigenous crude was least in the year immediately following the steep oil price rise of 1973. Australia was indeed fortunate in this regard but Australia can not gamble again on another major oil discovery a few years prior to the next crisis.

FORECAST Figure 1
AUSTRALIAN CRUDE OIL PRODUCTION AND DEMAND 1968-1985



Source of Oil Imports of Refinery Feedstocks

7.8 The Middle East has historically been the main source of Australia's crude oil imports. South East Asian crude oils tend to approximate the light character of indigenous crude so that in recent years an even higher proportion of imports has been of those Middle East crudes and other refinery feedstocks from which fuel and bunkering oil, bitumen and lubricants can be produced. In 1974-75 the Middle East was the original source for 97% of our imported refinery feedstock. These totalled 64.0 million barrels. Table 7-4 shows the country of loading for Australian bulk petroleum imports for the year 1975-76. The table shows the importance of the five countries as a source of imports, especially Saudi Arabia, Kuwait, Bahrain, Iran and Iraq. Much of the oil shown to be loaded in Singapore also came from the Middle East. Three quarters of Australian imports came from OAPC sources (the Arab members of OPEC). By 1980-81 there will be a shortfall in local crude oil supply of 160 million barrels. The shortfall in 1984-85 without new discoveries will be 218 million barrels (see Tables 7-1 and 7-2).

Alternative Sources of Oil Imports

7.9 One of the avenues for minimizing the impact of an oil embargo would be to diversify the source of imports. Table 6-2 shows that sources outside the OAPC members are limited. Traditionally, the oil companies have been allowed to import, without direction, crudes which

TABLE 7-4

ORIGIN OF BULK FRESHEN INCOMES REPORTED BY THE OIL
COMPANIES TO THE OIL PRICE COMMISSION
(Country of Loading)
(Thousand Barrels)

COUNTRY OF LOADING	CRUDE OIL AND OTHER REFINERY RESIDUUM		AVIATION GASOLINE	MOTOR SPIRIT FUEL	AVIATION TURBINE KEROSENE	LIGHTING KEROSENE	INDUSTRIAL DIESEL FUEL	INDUSTRIAL DIESEL FUEL	FUEL OIL	LUBRICANTS	OTHER PRODUCTS	TOTAL
Bahrain ¹	1,896			2,332	26	4	330	3,910		423		8,911
Iran ¹	5,746		237	391	2	137	112	1,460		96		8,381
Iraq ¹	6,602											6,602
Kuwait ¹	11,753			46			54	3,335				15,189
Qatar ¹	2,109											2,109
Saudi Arabia ¹	26,335		107	46	2	119	256	29				28,187
United Arab Emirates ¹	181			192				885				1,377
Other Middle East	2,090											1,702
												2,090
Total Middle East	59,403		344	3,207	30	260	752	9,619		519		73,134
Singapore	2,314		158	883	582	149	1,604	3,776	25	42		10,667
Indonesia*	306											306
USA												404
Japan				193	15	16						220
Other Asia				52								517
Netherlands Antilles				868	26							967
Other							16			117		133
			502	5,512	633	425	2,372	1,194	13,355	371	852	86,239

* OPEC Members
1 OASPEC Members

balance their refinery input and output streams, and Australian Governments have adopted the policy that imports by the oil companies are part of normal commercial arrangements with which they should not interfere. The Committee believes that such an important matter such as secure energy supplies which could greatly affect Australian employment and even life style, requires greater government involvement in so far that the major oil companies may need active encouragement to diversify the sources of imports despite the limited scope for such action.

7.10 There is some scope for a realignment by refineries of the source of crude oils processed; and as Australia's production of crude oil declines as a proportion of demand, there will be an increased need for lighter imported crudes, such as South-East Asian crudes (notably Indonesia) which yield a larger proportion of light products. Indonesia has about 2% of the world's oil reserves - about 43 years of production at 1975 levels and Australia has a large trade surplus with her Indonesian neighbour. While Indonesia's light oils cannot meet Australia's shortfall in heavier oils (now obtained from the Middle East), once Australia's oil reserves become depleted Indonesia would be a likely source for Australian light crudes and transport costs from Indonesia should also be relatively low. Unfortunately Australia may meet strong competition as Indonesian oil exports move almost entirely to Japan and to the west coast of USA (see also Recommendation 23 in Chapter 9.)

7.11 Of the other non-Arab members of OPEC, Iran (the second largest producer in OPEC) is a reliable source of suitable oil for Australia, but Australia is already taking 10% of her oil imports from Iran. On the other hand, Nigeria and Venezuela have their regular markets in the USA and Europe and in case of an embargo it seems unlikely that much of their supplies could be diverted to Australia. Development of crude imports from these countries would not be economic at present as both their cost and the freight to Australia are higher than in the case of Middle East crudes.

7.12 The possibility of importing Chinese oil (3% of world's reserves) has been investigated. Oil companies in Australia have found Chinese oil to be unsuitable due to either its wax or its sulphur content. Utilisation of Chinese oil would require heavy capital investment in modifications or new plant.

7.13 At present the scope for importing non-Middle East crudes into Australia is limited. Indigenous fields provide about 70% of the input to Australian refineries in 1975, and of the remainder a considerable proportion is required for manufacturing lubricating oil or bitumen. Imported crude must therefore have characteristics suitable for making these products to Australian specifications, using the equipment already installed which generally has been designed for processing Middle East crudes. This is a severe limitation; for example the wax content of Taching crude from China renders it quite unsuitable for bitumen production and is a severe disadvantage in manufacturing lubricating oil as the wax must be completely removed.

7.14 The trend in Australia is likely to be towards import of a light crude as more fuel oil is displaced by natural gas, as well as the trend to Australia's increasing dependence overall on all imported crudes. It would also be possible to import heavy crude oils and use catalytic cracking to maximise output of light products, but adaptation to such a changing situation would normally be left by Australian Governments to the major oil companies and to their overseas affiliates. During any future embargo, or during production cuts of Middle East oil, Australia will be in unequal competition with the US for far away Venezuelan and Nigerian oil, and with Japan for Indonesian and Chinese oil. In any case crudes from Indonesia and China are unsuitable for Australia's requirements in the short term.

End Use of Petroleum Products and Alternatives

7.15 Table 7-5 shows the end use sector break-up of the demand for petroleum fuels in Australia to 1984-85. The table shows that transport is the largest user of petroleum fuels. In 1974-75 it accounted for 57.4% of petroleum fuels used. After 1980-81 usage by transport is forecast to increase to 63% of total petroleum fuels by 1984-85. Meanwhile, natural gas is expected to reduce the demand for fuel oil in the manufacturing sector between now and 1985. Table 7-5 shows that the manufacturing sector's share of the petroleum fuels market is forecast to fall from 25% to 20% over this period with a slight rise in the intervening years.

TABLE 7-5
AUSTRALIAN DEMAND FOR PETROLEUM FUELS BY SECTOR¹
(Thousand Barrels)

SECTOR	1974-75		1980-81		1984-85	
	1	%	1	%	1	%
Agriculture	8,378	4.0	10,866	3.7	13,170	4.2
Mining	4,670	2.2	8,578	3.0	8,902	2.9
Manufacturing (incl refining of minerals)	52,538	25.0	76,509	26.4	63,512	20.4
Electricity Generation	3,168	1.5	7,291	2.5	6,155	2.0
Gas Production and Distribution	2,985	1.4	385	.1	435	.1
Transport (incl private cars)	120,608	57.4	165,041	57.0	196,142	63.0
Domestic, Commercial and Public Administration	17,889	8.5	21,123	7.3	23,130	7.4
TOTAL	210,236	100.00	289,793	100.0	311,446	100.0

7.16 In the short term there are a number of constraints on the ability to substitute alternative fuels. Among these are the price of alternative fuels, the flexibility of installed equipment, the availability of supply of alternative fuels, and also the reliability of supply. In the event of an across the board shortage of petroleum fuels, change to another fuel would depend on the

1. Source: Department of National Resources.

incidence and effect of these factors. Both stationary internal combustion engines and motor vehicles require a specification product for their operation, and are thus restricted at this time to petroleum fuels, with a similar constraint applying to non-fuel petroleum products such as lubricants. The demands of the internal combustion engine are likely to rise to 212 million barrels in 1984-85 (about 65% of estimated total demand). The estimated demand in 1984-85 for petroleum fuels in the alternative fuels area is only 99 million barrels. It has been estimated that by 1984-85 56% of Australia's specification fuels demand (no alternative fuel available) will have to be met from overseas supplies.

7.17 It is beyond the scope of this report to examine alternative fuels which would make Australia less dependent on oil from the Middle East or other sources in the years to come. Any switch to alternative fuels would be expensive as shown by the following two examples provided to the Committee:¹

- a. Liquefied petroleum gas can be used to replace motor spirit for it can be used in the present engines at a conversion cost of around \$400 per car. However, supply facilities and equipment are not available in the large quantities required on the scale to make this significant. From 1

1. Of interest also is a CSIRO research project on the manufacture of a product with similar qualities to crude oil from a cactus which can be grown in Australia's marginal wheat lands.

November 1974 a Federal Tax of 9.092 cents per gallon was imposed on liquefied petroleum gas used for propelling road vehicles. This has made the economics of converting less attractive. Of course the tax could be repealed (see Recommendation 20 in Chapter 9).

- b. A West German mission has submitted a proposal that Australia should build a \$900 million petrol-from-coal plant. The plant would be able to produce 500 million gallons of petrol a year from black or brown coal. This would represent 12% of motor spirit consumption in 1984-85. This is the most advanced proposal put forward to date. As well as the \$900 million investment mentioned above, this process would also involve very heavy capital investment for the establishment of the large scale mining facilities for production of the 10 million tons of black coal (or equivalent brown coal), needed for conversion to petrol.

Dependence on Petroleum by Australian States

7.18 In terms of the demand for primary fuels there is a varying degree of dependence on petroleum fuels from State to State. In New South Wales, where coal is the dominant fuel (55%), petroleum follows closely with 42%. By 1980-81 petroleum will satisfy an expected 36% of the market and natural gas will account for 5.5%. In Victoria in 1974-75 the main primary fuels were brown coal (40%) petroleum products (43%) and natural gas, (13%). In 1980-81 petroleum

will still have 40% of the market and natural gas 20%. South Australia's energy is derived from coal (25%) petroleum (47%) and natural gas (24%). By 1980-81, petroleum's share is expected to fall to 40%.

7.19 In Queensland where the natural gas market is inhibited by inadequate reserves, petroleum (48%) and black coal (35%) are the main fuels. Petroleum is forecast to retain this share up to 1980. Western Australia shows a situation of almost complete dependence on petroleum products, 72% in 1974-75. In 1980-81 its need is forecast to be 74%. The Northern Territory is fuelled entirely by petroleum products, and in Tasmania the market is split between petroleum products and hydroelectricity.

Limited Australian Stocks of Petroleum Products

7.20 In Australia there is no mandatory level of stock holdings of petroleum. This is regulated by the oil industry as an internal matter. However, the Australian Government has the power to control the level of stockholdings under the Liquid Fuels (Defence Stocks) Act. Despite some apparent legal defects the Act has been left on the Statute Book in order that it might be invoked in an emergency (see Recommendation 22).

7.21 In considering the possible interruption of overseas oil supplies, it is important to note that Australia holds no strategic stocks of imported crude oils,

although there is some allowance for shipping delays. Table 7-6 shows the stock of main fuels held at refineries and seaboard terminals (excluding crude oils) for 1 January 1974 and 1 June 1976. Much of the time stock holdings represent only about half the oil industry's total storage capacity. Although stocks vary up and down each month it can be seen there was no appreciable difference in Australian stock levels in the 2½ year period after the Arab oil embargo. The less than 30 day cover shown in Table 7-6 for motor spirit is likely to be augmented by stocks in inland terminals (3 days), service stations (8 days) and contract customers (2 days). This total represents a holding much less than the maximum storage capacity for motor spirits; this has been largely attributed to industrial action. Stocks of the main petroleum products vary greatly between the Australian States. NSW stocks tend to be considerably lower than those of other States.

7.22 If Australia were subjected to an OPEC embargo, Australia's vulnerability would be located with those products which cannot be produced from indigenous crude. These are, heavy fuel oil, lubricants and bitumen. Stocks of lubricants and bitumen, in terms of number of days cover, is of the order of 60-90 days consumption while stocks of heavy fuel oil (including marine bunkers) give around 33 days cover (see also next paragraph). This last item in particular is of concern to the Committee because of the possible effects on employment in the manufacturing sector, and on the ability for Australia to fuel the ships which carry the nation's exports. It has been assumed that if there is an

OPEC embargo on Australia than it would be applied simultaneously to those countries with which Australia has trade relations.

TABLE 7-6
STOCK OF MAIN PETROLEUM PRODUCTS -
AUSTRALIAN REFINERIES AND SEABOARD TERMINALS¹
(Excluding Crude Oils)

	1 January 1974		1 March 1976		1 June 1976 ^β	
	'000 bbls	days cover*	'000 bbls	days cover*	'000 bbls	days cover*
Motor Spirit	6,059	29	5,796	26	6,239	28
Aviation Turbine Fuel	1,221	43	1,418	46	1,229	40
Heating Oil	745	56	979	61	1,295	81
Automotive Distillate	3,387	43	4,379	50	4,040	46
Industrial Diesel Fuel	981	36	867	31	881	31
Fuel Oil	4,151	30	6,075	51	4,938	42

* Represented by stocks of finished products only - crude oil and other refinery feedstock are excluded.

β Estimated.

1. Source: Department of National Resources.

7.23 For comparison with the estimated duration of Australian stock holdings, it should be noted that the International Energy Agency recommends 90 days stockpile of petroleum (crude oil and derived products). As already noted Japan has set a target date of 1980 to achieve this duration of reserve stocks and is considering six months cover. The US plans to increase stockpiles to 150 million barrels of crude in the next three years, and to one thousand million barrels in 10 years - equivalent to an estimated six months import in 1985 - are under consideration (see also paras 6.39 and 6.40). The Committee believes that to insulate Australia from economic damage immediately a conflict breaks out in the Middle East, the Australian Government should take steps to increase Australian stockpiles of petroleum products - particularly stocks of fuel oil used in the manufacturing sector. The target should be, preferably, the 90 day stockpile figure recommended by the International Energy Agency. Such measures to become independent from Middle East (and other overseas) sources will become increasingly important as Australia's own crude oil reserves near depletion. The fact that Australia does not possess at present a capacity to store reserves sufficient to tide Australia over periods of boycott, conflict, and communications difficulties is a serious deficiency in the provision for what could be vital interests, including a defence interest of the greatest significance (see Recommendation 21).

Effects of an Arab Short Term Oil Embargo

7.24 In regard to crude oil supply, Australia is still basically in a similar position to that ensuing in October 1973 (when OAPEC announced production cutbacks and an embargo on supply to certain countries as discussed in Chapter 6). It is therefore necessary to report on the effects of the 1973 situation in Australia. At that time Australia was not greatly inconvenienced and to a degree the international oil companies were able to redistribute available supplies to minimize local shortages. More importantly Australia, because of what the then Australian Government called an "even-handed" approach to the Arab-Israeli conflict, was favourably regarded by OAPEC and was supplied quantities nearly up to the limit of normal supplies.

7.25 Shortages in such products as fuel oil for ships' bunkers were largely due to attempts by companies, which did not normally obtain supplies in Australia, to buy in Australia when their other sources of supply were reduced or cut off entirely. The consequent administrative controls which were established during the crisis period were adequate for the problems encountered. The Oil Industry Supply and Shipping Committee provided the Government with comprehensive information on estimated forward stocks, and a special oil industry bunkering committee was created when problems arose in relation to the bunkering of ships involved in Australia's wheat shipments. Also, the then Government quickly established tight control, which the

present Government still exercises, over all exports of petroleum.

7.26 The other area in which some difficulties were created was in exports of petroleum products to neighbouring countries. Part of Australia's refinery capacity is used in supplying products to the Pacific and Indian Ocean islands and to New Zealand. The policy was adopted of maintaining as far as possible the normal level of exports, but any increase in exports to these countries (to compensate for shortfalls from other sources) was not possible without a corresponding increase in crude oil supplies to Australia.

7.27 Prior to 1973, Australia enjoyed good commercial relations with the Arab oil producers, though political and diplomatic contacts were fairly limited. Australia's standing in the eyes of these countries was in part a consequence of Australia's position as a major supplier of foodstuffs to the Middle East, particularly to Egypt. On the foundation of this firmly-based commercial relationship, and with the dispatch of an Ambassador-at-large to the oil exporting countries in late 1973, Australia was able to secure the agreement of the Arab oil producers to maintain shipments of oil to Australia at September 1973 levels of shipment throughout the crisis.

7.28 Since 1973 Australia's exports (particularly food) to the Arab countries have increased and Australia has strengthened her diplomatic and commercial relations with the oil producers - particularly Saudi Arabia. There is

little reason to believe that the mostly conservative governments of the Middle East oil exporting countries would include Australia on a selective list of embargoed countries. However, indirect problems could result, for instance with ships and aviation bunkers, even if the embargo were selective in not including Australia.

Serious Effects of a Long Term Oil Embargo - including Unemployment

7.29 It will be fairly evident from the information in this chapter that if the Arab countries ever did impose a longer embargo to include Australia, its impact would be very serious once it exceeded 4-6 weeks. The seriousness will increase as Australia's dependence on imports increases to a marked degree in the 1980s (see Table 7-1). Because of Australia's limited holding of fuel oil (about 33 days) the effects on production and employment would quickly become drastic. Although it has been difficult for the Committee to obtain precise information about the quantitative effects on the Australian economy of an interruption of Middle East oil supplies, the Committee was provided with an appraisal of the unemployment effects. It was estimated that if supplies of Middle East oil to Australia were interrupted for more than three months Australia would suffer an additional half a million unemployed. In the more conceivable event of a partial reduction of heavy oil supplies (as suffered by some countries in 1973) the estimate of extra unemployment would be reduced (from 500,000 persons) in proportion to the cuts in Australia's allocation.

7.30 The extra unemployment would fall most heavily in areas of Australia where industry depends on furnace oil, or where there is integration with industries requiring Middle East heavy oils. Important examples in this category are cement production, processing of non-ferrous metals and oil refining itself. Transport - sea, road and rail - would also be seriously affected by fuel oil scarcity (see para 7.34 for effects on transport and the motor car industry) and shortages of lubricants would have adverse effects right across industry and commerce.

7.31 The fuel oil portion of Australia's petroleum requirements will be derived from imported crude to the extent of 88% of forecast demand by 1980-81 compared with 70% at present. This estimated deterioration is after taking account of the substitution of natural gas for fuel oil for which there is scope in certain areas. Natural gas has now become available to the Sydney industrial market and will gradually be extended to other industrial areas in New South Wales. Liquefied petroleum gas (LPG) also offers some potential for replacing fuel oil, limited however by the amount of LPG available, by the number of pressure tanks available for storage and by delivery facilities. Australia is at present exporting one million tonnes of LPG a year from Bass Strait to Japan.

7.32 An Arab embargo on other Western countries would also have important indirect effects on Australia - depending on the coverage and duration of the embargo. Proportionate to the severity of such restriction the

effects would be transmitted into our domestic economy through the balance of payments as world trade slowed down and as international investment fell because of increasing lack of opportunities and confidence.

Effects of an Embargo on Transport and Counter Measures

7.33 During the 1980s an oil embargo would reduce the transport sector of Australian consumption with increasing severity (for explanation see Tables 7-2, 7-3 and 7-5). As a result of the 1973 oil crisis there was accelerated re-structuring of the motor industries in some Western countries. Once Australia also becomes more dependent on imports for lighter oils as well as Middle East type crudes, then any uncertainty or higher cost of such supplies would also tend to enforce a preference for smaller cars, with concomitant effects on and need for adjustment in Australia's motor car industry, which is a large employer of labour.

7.34 A summary of estimated direct energy consumption by various modes of domestic transport and by Australia's international transport is shown in Table 7-7. The Bureau of Transport Economics has estimated that about 54% of energy consumption of cars and station wagons is for wholly private purposes, whilst an additional 26% is used up in travel to and from work. As passenger cars consume approximately 55% of direct transport energy usage there would appear to be possibilities for rationing in this area should an emergency situation arise in respect of petroleum supplies. It seems

TABLE 7-7

SUMMARY OF ESTIMATED DIRECT ENERGY CONSUMPTION
 Part A - BY MODES OF DOMESTIC TRANSPORT, 1970-1971¹
 (in billion (Aust) Kilo joules)

MODE	Personal Travel			Goods Movement			TOTAL
	Urban	Non-Urban	Total	Urban	Non-Urban	Total	
Cars and station wagons	188.9 (38)	82.0 (16)	270.9 (55)	-	-	-	270.9 (55)
Motor Cycles	1.0 (<1)	0.5 (<1)	1.5 (<1)	-	-	-	1.5 (<1)
Commercial vehicles	9.0 (2)	5.6 (1)	14.7 (3)	51.8 (10)	47.0 (9)	98.8 (20)	113.4 (23)
Buses	4.4 (<1)	2.7 (<1)	7.1 (1)	-	-	-	7.1 (1)
Tram	0.7 (<1)	-	0.7 (<1)	-	-	-	0.7 (<1)
TOTAL Road	203.9 (41)	90.8 (18)	294.9 (59)	51.8 (10)	47.0 (9)	98.8 (20)	393.7 (79)
Train	11.5 (2)	6.4 (1)	17.9 (4)	-	21.0 (4)	21.8 (4)	39.7 (8)
Air	-	23.1 (5)	23.1 (5)	-	2.8 (<1)	2.8 (<1)	25.9 (5)
Sea	-	-	-	-	41.9 (8)	41.9 (8)	41.9 (8)
TOTAL DOMESTIC	215.4 (43)	120.3 (24)	335.9 (67)	51.8 (10)	113.5 (22)	165.3 (32)	501.2 (100)

Part B - AUSTRALIA'S INTERNATIONAL
TRANSPORT MOVEMENTS, 1970-71

MODE	PASSENGER	FREIGHT	TOTAL
Shipping	n.a.	200	n.a.
Air	18.2	4.8	23.0
TOTAL	n.a.	204.8	n.a.

Note: Figures in parenthesis represent percentage of total.

1. Source: Bureau of Transport Economics Transport and Energy in Australia, August 1975.

that some such rationalisation would be possible without seriously affecting commerce or Australia's productive capacity; sectors depending on the motoring industry, including the tourist industry, would be the hardest hit.

7.35 Subject to legal requirements, it is believed that a substantial and immediate contraction in the level of usage of automotive fuels could be achieved employing such measures as emergency reduction of legal speed limits and rationing of supplies to service stations. The Committee believes that draft legislation that may be required to implement emergency measures (including legislation concerning the size of reserve stocks) should always be in an advanced state of preparation (see para 7.20 and Recommendation 22).

7.36 Provided that rationing is held at modest levels, public transport should be able to cope with a moderate resultant increase in the demand for its services. It is unlikely that rail freight operations could be reduced to any significant extent as a short-term measure without adversely affecting domestic industry and export commitments. Carriage of rail passengers occurs in two States mainly on electrified lines so reduction of public transport services already electrified would involve minimal oil fuel savings.

7.37 Reduction in the demand for aviation fuels can be achieved by restriction of services without reducing passenger movements to a proportionate extent. It would not be expected that domestic commerce and industry would be

adversely affected by a 20-25% reduction in services as it is believed that essential movements of a business or commercial nature would still occur. For instance, stricter rationalisation of domestic air services would achieve fuel savings of over 4%, but further cutbacks in aviation fuel consumption could be achieved by substantial cancellation of services to shippers and the travelling public. If it were necessary to impose a cut in aviation fuel consumption of 10% it is estimated there would only be a traffic loss of 3%. If the cut were 30% the losses would be 14%. This level of reduction in usage could be arranged mainly to affect movements of people travelling for recreation purposes. A reversion to the wartime question - "Is your journey really necessary?" might be called for in a supply crisis.

7.38 Special difficulties are foreseen for the shipping industry in the event of an interruption of the supply of Middle East heavy oils lasting more than six weeks. Fuel oil, which constitutes about 85% of total shipping fuel usage, is derived mainly from Arab crudes. Departmental estimates indicate that stocks normally held in Australia are sufficient for shipping to continue for about six weeks at current operating levels before the consequences of shortages would be encountered.

7.39 However, shipping only accounts for about 30% of total fuel oil consumption, and it may be possible to maintain essential shipping at the expense of other (non-transport) users without great dislocation of their affairs. Shipping is most important to the Australian

economy in terms of freight carriage, meeting about 40% of the domestic non-urban freight task. This is mainly in specialised freight, including bulk transport, and it could be difficult to organise alternative means of shipment quickly.

7.40 Virtually all overseas trade is dependent on shipping, but the extent to which that shipping would rely on Australia as a bunkering source in an emergency situation is not clear. As indicated earlier this will depend on which of Australia's trading partners and which major shipowners are affected by reductions in, or cessation of, Arab oil supplies.

Impact of Sharp Price Rises in Arab Oil

7.41 While most of the non-communist¹ countries of the world received a severe shock during the 1973 oil crisis, the impact on Australia - including the impact on the general price level apart from imports - was less marked. This was because Australia produced then, and now produces, about two-thirds of its petroleum requirements (but see Table 7-1 for depletion rates), and because the price of domestic crude is not directly influenced by import parity. (At the time of writing the arrangement under which indigenous crude oil is priced considerably below imports was under Cabinet review). The oil import bill rose from \$196 million in 1973 to \$648 million in 1974 and \$734

1. The Soviet bloc and China are currently self-sufficient in oil.

million in 1975. On the export side the oil price rises probably had little direct short-term impact on our export prices, but have probably improved Australia's longer-term potential as an exporter of such alternative energy sources as uranium, natural gas, steaming coal and liquified petroleum gas. Increased oil prices may also encourage further exploration/exploitation of Australia's own oil potential.

7.42 A serious aspect of the 1973 oil crisis, however, was that higher oil prices contributed to the general acceleration in world inflation in 1974 and therefore increased the cost of Australia's non-oil imports and thus led to an increase in the general domestic price level. They were also an important factor in the recession in world economic activity, and this in turn affected Australia's export markets and had an impact on the level of domestic activity. Whether in the longer term Australia's overall balance of payments and net economic welfare is likely to benefit from the higher level of oil prices depends on the final balance of the impact of these various factors. The picture is by no means clear, one way or the other, for the impact on Australia's trading partners is difficult to project.

7.43 The effects on the world - and therefore indirectly on Australia - of further major oil price rises of a similar magnitude to the price rises in 1973 would be serious in their inflationary and balance of payments impact. The direct impact of the 1973 oil price increases

added 3% to the price levels of our trading partners in the Organisation for Economic Co-operation and Development (OECD). The indirect effects - through the impetus given to the wage/price spiral and to inflationary expectations generally - were considered to be of the same order suggesting a total impact of from 6 to 8%.

7.44 The direct impact of the oil price increases in reducing the overall GNP in OECD countries in 1974, taking into account increased OPEC imports from OECD countries, was estimated at about 1½%. Allowing for additional restrictive actions by some governments to counter the inflationary effects of higher energy prices, the effect was probably much greater. The OECD, in comparing "pre-crisis" forecasts with the actual outcome, considered that GNP in 1975 may have fallen short of potential by some 11% - more than two years' "normal" growth. (The impact on non-oil exporting developing countries was thought to have been of the same order of magnitude.) The above mentioned effects will be felt more seriously in Australia as we become more dependent on imports of oil but in any case Australia cannot escape any ill effects in the economies of our major trading partners, for Australia is pre-eminently a trading nation.

Minimizing the Likelihood of an Interruption of Oil Supplies

7.45 It will have already become apparent from this report that the best ways of minimizing the likelihood of an interruption of oil supplies to Australia will be to adopt a policy of intelligent understanding of the Arab countries

and the development of secure Australian food exports to the region. This is already happening through greatly increased Australian-Middle East trade (see paras 8.4 to 8.30) and through enhanced diplomatic relations (see paras 8.36 to 8.40) with the Arab countries. In recent years Australia has endeavoured to develop a serious relationship with Arab countries whereby the oil producers, particularly the dominant producer (Saudi Arabia) become more closely linked with the Australian export effort. This closer relationship should enhance the possibility of a moderating role for Australia in Middle East disputes.

7.46 The Committee was informed that conservative Arab governments placed far more emphasis on Australia being a reliable supplier of foodstuffs than on the fact that Australians were sometimes accused of tending to favour Israel rather than the Arabs. In this connection "favouring" is a name for believing Israel has the right to exist, for it cannot be argued Australia has ever done much for Israel. Egypt's large wheat purchases from Australia also help Australian relations with the conservative Arab governments. A further way of achieving inter-dependence with the Arab oil producers would be to encourage their equity investment in Australia. This would give Arab investors an interest in Australia's economic well-being, and a responsible interest in world stability.

Minimizing the Effects of an Interruption to Oil Supplies

7.47 The Committee believes it is absolutely important

that Australia takes steps to minimize the effects of interruptions to Australian oil supplies. Although the Committee has already expressed its view (in para 7.28) that it would be unlikely that Australia would be on a select list for unfavourable treatment, any steps taken by Australia to minimize the effects of oil import cuts would also prepare this nation for the inevitable and not far distant day when the world's oil is virtually exhausted - not far distant, that is, in terms of the life of a nation.

7.48 The Committee has already examined (in paras 7.9 to 7.12) the possibility of diversifying the source of Australia's oil imports. Although there is only very limited scope to do this, the Committee nevertheless believes that Australia should make every effort to diversify its source of imported oil rather than leave it entirely to free market factors and the decisions of companies not ultimately bearing responsibility for the life of the nation. Much more important would be significant oil finds in Australia, and the conservation of existing energy resources from rapid depletion. See Recommendations 17 to 23 for a number of ways to minimize the effects of an interruption to oil supplies.

The Need for More Oil Exploration

7.49 Australia's dependence on Middle East oil could best be broken by significant oil finds in Australia. For this to happen the level of oil exploration needs to be greatly increased. Judging by the present low level of

exploration, significant government incentives would appear necessary as onshore discoveries are expected to be discoveries of relatively small fields located in difficult environments.

7.50 It is generally believed that new discoveries of crude oil are most likely to be found offshore in even deeper waters, for example Exmouth Gulf, than those at present being explored or worked. It will take considerable time and money first to find reserves and then to bring the new fields into operation. The Royal Commission on Petroleum considered that it would take six years from the date of initial discovery for onshore oil to be marketable as a petroleum product, and approximately ten years for offshore oil discoveries to be similarly marketable. The Committee recommends greater government incentives for the discovery of oil and the discovery of other potential energy sources. There should also be greater incentives to extract known reserves of oil which may possibly include prices higher than the present level which was fixed before the world's oil crisis.

Australian Oil Prices

7.51 Australian oil from the Bass Strait fields (over 90% of local production) at the time of writing was priced at \$2.33 per barrel despite a free market value of \$12 per barrel. This subsidises the consumers of a scarce energy source - a politically popular course and also an

anti-inflationary one - and encourages increased consumption. Furthermore, evidence available to the Industries Assistance Commission (IAC) indicated that under import parity pricing, Australia's known recoverable reserves would be increased by about 20% (about two years demand), if adjusted prices were obtainable¹. Australia's oil pricing policy also has the effect of delaying investment in substitute energy resources.

7.52 Abolition of the price control on Bass Strait oil has been suggested as a possible policy to stimulate Australian production. It would increase the price of petrol at retail level by 40%, increasing the consumer price index by an estimated 2.5% and this does not allow for any multiplier effects. Any Government considering this is clearly in a dilemma between the need to reduce inflation and the need to become less dependent on Middle East oil. The more unpredictable the Middle East situation becomes, the more the Government will be pressed by events to support some such policy as the recommendation of the IAC Report on Crude Oil Pricing 1976 - a progressive price increase in domestic crude oil from the Bass Strait fields to 49% of import parity by September 1980. A proportion of the higher price might then be allocated by the government to further oil exploration, to the development of alternative energy resources, and to increased storage capacity for the types of crude oil normally imported from the Middle East. Such a policy would certainly mean that the industry would be

1. Industries Assistance Commission Report Crude Oil Pricing (Canberra, 1976).

stabilizing itself to meet the problems of an uncertain future, but clearly it would be a course of action politically unpopular unless the Australian public saw inescapable reasons for it.

Other Methods of Conserving Australia's Oil

7.53 There are a number of other methods of conserving or supplementing Australia's scarce oil reserves (so that they will last until alternative energy sources are developed) apart from raising the price of indigenous oil. The following are some examples:

- a. The granting of a high priority and encouragement for research and development of suitable technology for the recovery of a higher proportion of crude oil from Australia's existing fields (possibly only about one fifth is being recovered at the moment).
- b. A measure the Australian public would regard as draconian and Governments would regard as a political liability is the introduction of fiscal disincentives to reduce high petrol consumption by cars and station wagons (users of 55% of energy used for transport in Australia) such as:
 - (1) higher petrol tax;
 - (2) higher sales tax or registration fees (as in Singapore) for larger cars; and

(3) higher registration fees for persons owning more than one car.

- c. The introduction of the following measures to save motor spirit:
 - (1) lower speed limits on highways;
 - (2) demands for greater car efficiency in the form of mandatory car tune-ups; and
 - (3) modification of exhaust emissions and gasoline lead regulation.
- d. The use of diesel engines in new ships in the Australian trade. This would mean that dependence on Middle East oil would be reduced as the diesel oil can be produced from Australian crudes (at the expense of the share of other users).
- e. The introduction of a continuously available long-range navigational aid system such as Omega would lead to an estimated 1-2% saving in ship days (approximately 200,000 tons of fuel saving per year).
- f. Lubrication oils (which cannot be produced from Australian crude) can be saved by increasing the periods between grease and oil changes (those recommended by vehicle manufacturers apparently allow scope for increasing the period except under adverse conditions). Greater use could also be made of recycled lubricants.
- g. Bitumen (which is used on most Australian roads and produced exclusively from imported crude oils)

could perhaps be replaced by alternative materials such as concrete, or naturally occurring asphalt, of which there are considerable undeveloped quantities in various parts of the world.

h. The introduction of modern rolling stock would enable railways to carry significantly more freight and thus reduce the consumption of fuel by road vehicles. In any event, railways generally do not consume as much energy as road transport in the movement of a given unit of freight, and in an emergency situation it would be possible to conserve fuel by transferring some of the usual road freight tasks to rail.

i. The electrification of the suburban rail networks in Adelaide and Brisbane would, if implemented, result in a saving of some 27,000 tonnes of distillate each year plus a further saving as a result of the anticipated diversion of city travellers from car to public transport.

j. The introduction of measures to prevent waste of energy resources in buildings such as:

- (1) building regulations which apply national thermal standards for new homes and offices with particular emphasis on better insulation;
- (2) fiscal incentives to improve heat retention of existing homes (which lose up to 40% of heat due to poor insulation);

(3) mandatory installation of remote control switches on water heaters and air conditioners;

(4) reduction of unnecessary lighting and heating of government buildings.

These points, of course, depend on whether or not the source of power is ultimately oil. There is not much relevance, for instance, in j.(3) and (4) if the source of power is hydroelectricity.

7.54 As with the switch to alternative fuels (see para 7.17), the implementation of some of the above mentioned conservation methods would be expensive or would entail administrative and political difficulties. Nevertheless the adoption of such measures should be encouraged in the interests of reducing Australia's dependence on Middle East oil (which will largely be depleted before the end of this century). Clearly an important economic and defence measure is increased Australian capacity for storage (see Recommendation 21).

The Need for an Australian Energy Policy

7.55 There is an urgent need for Australia to develop a comprehensive energy policy that will harness other potentially abundant energy reserves (see para 6.43) and that will conserve our scarce oil resources until alternative energy sources can be developed. This must be regarded as a realistic policy to deflect from Australia some of the consequences of conflict in the Middle East - not merely Arab-Israeli conflict - as we may well have been

forewarned by experiences in the Second World War, and in recent years by the nature of upheavals in Lebanon and Jordan, and tensions in Kuwait and the countries of North-Eastern Africa (see Recommendations 17 and 18).

8. AUSTRALIA'S INTEREST IN THE
MIDDLE EAST - APART FROM OIL

Significance of the Middle East for Australia

8.1 In the Joint Committee on Foreign Affairs' Report on the "Middle East Situation" tabled in 1969 the Middle East was considered to be of "diminishing importance" to Australia.¹ Doubtless this was a consequence of the crisis over the Suez Canal's closure, which had not, as feared, destroyed Australian trade. Today this cannot be said. Though Australia no longer imports 70% of her oil requirements from the Middle East as in 1968, Australia's need for Middle East oil is certain to grow rapidly as Australia's oil reserves (as well as the world's) become depleted. This has led Australia, together with the other industrialized Western nations, to seek to develop closer ties with the Arab countries through diplomatic and trade channels, and through aid agreements. The Australian people's moral support for the State of Israel, whose establishment Australia supported, is not under significant challenge and seems secure. This sympathy has to be reconciled with our growing trade and economic relations with the Arab countries. The uncompromising hostility directed against Israel has therefore been of concern to Australia.

1. The Middle East Situation (Parliamentary Paper No.62) tabled 28 May 1969, page 30.

8.2 Although Australia would not be directly involved in an Israeli-Arab war, the threat of the renewed use of the oil weapon - in its various forms - and the threat of confrontation between the Soviet Union and the US - Australia's ally - are grave issues. A Middle East war could possibly shatter the international consensus in terms of destroying good relations between major powers and disrupting the world economic order and well-being. Thus while Australia's relations with the Middle East are not of primary importance, Australia does have a continuing concern about the Middle East situation. Australia in 1914 was not directly involved in the crisis between Austria and Serbia, nor in the 1939 crisis between Nazi Germany and Poland, yet Australia became deeply involved in consequent wars.

8.3 It will be seen later in this chapter that there are important reasons for Australian interest in the Middle East. It is a significant communications link between Europe and Australia and Australia has growing trade relations with the countries of the region. Australia is also linked to the Middle East by way of several ethnic groups. Not only does Australia have a sizable Jewish community with an enduring interest in the welfare and survival of Israel but this country has also received a large number of migrants from several countries in the region (see Table 8-2). Many of these migrants have come from an area of conflict such as Lebanon or Cyprus. The human suffering in Lebanon and its outreach for Australia caused the Committee to give priority to these aspects resulting in its earlier report - The Lebanon Crisis - Humanitarian Aspects.

Overview of Australia's Trade with the Region

8.4 A summary of Australia's expanding trade with Middle East countries is given in Table 8-1 together with details of Australia's main exports to and imports from these countries in 1975-76. The table illustrates that the value of Australia's exports to the Middle East has increased by more than 600% over the six year period since 1969-70. The significance of this increase can be seen when contrasted with the increase in value of 132% recorded for Australia's total exports to all countries in the same period.

8.5 In absolute terms, Australia's exports to the area were valued at \$520 million in 1975-76 and comprised 5.4% of Australia's total exports to all countries in that year. It can be concluded, therefore, that while countries in the area are providing rapidly increasing outlets for Australia's exports, overall exports to the area are not as yet vital in terms of Australia's total exports to all countries. As shown in Table 8-1 the major items in Australia's exports to the Middle East area are bulk and processed foodstuffs. At this stage, Australia's exports to the area of minerals and manufactured goods are relatively small.

8.6 Australia's imports from the countries listed in Table 8-1 were valued in 1975-76 at \$667 million. They increased by 267% over a six-year period; this reflects the substantial rise in oil prices since late 1973, as

TABLE 8-1
AUSTRALIA'S TRADE WITH MIDDLE EAST COUNTRIES
(\$A000)

Country	Australia's Exports 1975-76	Australia's Imports 1975-76	Major Exports	Major Imports
Arab Republic of Egypt	162,754	92	Wheat, wool, beef and veal, chemicals (alumina)	Textiles, fruit and vegetables
Bahrain	25,586	86,921	Chemicals (alumina), beef and veal, wheat	Petroleum and petroleum products
Iran	89,296	83,582	Iron and steel, mutton and lamb, sheep	Petroleum and petroleum products, textiles
Iraq	55,177	69,059	Wheat, agricultural machinery	Petroleum and petroleum products
Israel	7,428	17,089	Wool, gold	Diamonds, chemicals (alumina) non electrical machinery
Jordan	4,518	-	Iron and steel, mutton and lamb	Nil
Kuwait	34,674	125,817	Wheat, sheep, mutton and lamb	Petroleum and petroleum products
Lebanon	8,190	234	Wheat, iron and steel	Fruit and vegetables, Textiles
Libya	9,712	1	Prefabricated buildings, tractors	-
Maghreb				
- Algeria	4,597	1	Butter	-
- Morocco	4,022	1,759	Butter	Phosphates, fruit and vegetables
- Tunisia	874	32	Butter	Textiles
Oman	8,638	10,431	Ghee, flour, butter	Petroleum and petroleum products
Qatar	5,293	9,416	Wheat, wire, sheep	Petroleum and petroleum products
Saudi Arabia	39,539	236,020	Wheat, small boats and launches, cheese	Petroleum and petroleum products
Sudan	2,481	291	Vehicle Springs, wheat	Gum Arabic
Syria	127	6	Wool	Fruit and vegetables
United Arab Emirates	30,324	12,189	Flour, iron and steel, mutton and lamb	Crude petroleum
Yemen A.R.	23,592	-	Wheat, agricultural machinery, motor vehicle parts, cheese	Nil
Yemen P.D.R.	2,886	13,942	Petroleum products, wheat	Petroleum and petroleum products
TOTAL 1975-76	539,902	666,882		
c.f. 1969-70	74,146	181,779		

Source: Department of Overseas Trade

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Australia's major imports from the region are petroleum and petroleum products. Generally, it can be said that, apart from the export of products associated with their oil industries, these countries are in the early stages of industrial development and at this stage they have not the industrial products available for export which would find markets in Australia. Industrial production, while increasing rapidly in a number of countries in the area, is currently largely absorbed by domestic demand. Brief summaries of Australia's trade with individual Middle East countries are contained in the following paragraphs.

Trade with Individual Countries - Egypt

8.7 Australia's exports to Egypt in 1975-76 were valued at \$162.8 million. Egypt has been traditionally a significant outlet for Australian wheat (valued at \$116 million in 1974-75) and draws about one-third of its requirements from Australia. The Egyptian Government is known to place importance on regular and assured supplies from Australia. Other Australian exports to Egypt include wool, beef, veal and inorganic chemicals. In contrast Australian imports from Egypt were valued at only \$92,000 in 1975-76. Australia maintains resident trade representation in Cairo and the post is currently also responsible for Libya and the Sudan.

Saudi Arabia

8.8 Australia's exports to Saudi Arabia were valued at

\$39.5 million in 1975-76, the main items being wheat, dairy products, meat, flour and machinery. In 1975-76 Australian imports were valued at \$236 million and consisted wholly of petroleum and petroleum products. A resident Trade Commissioner was appointed to Jeddah in February 1975.

8.9 In July 1975 Saudi Arabia announced details of its second five-year development plan aimed at reducing the country's dependence on oil and providing for expenditure of some A\$114 billion on infrastructure, industrial, agricultural and mineral development over the five year period. There is a possibility that an Australian Company will build a steel mill at Jeddah.

8.10 Saudi Arabia is looking to Australia for assured supplies of foodstuffs, particularly wheat for flour mills planned for the future. Interest has also been expressed in supplies of raw sugar when refineries are built, and in continued supplies of meat, live sheep and dairy products. Substantial quantities of grain sorghum have also recently been exported to Saudi Arabia. Saudi Arabia is also looking to Australia for agricultural development expertise and some Australian companies are currently involved in agricultural development and grain storage projects in the area.

Lebanon

8.11 Until Australia's pattern of trade with Lebanon was disrupted due to the 19 month crisis, Australia's export trade with Lebanon was dominated by wheat. Some 37,000

tonnes were supplied in 1973-74 and 88,000 tonnes in 1974-75. These wheat sales (as apart from food aid since the beginning of the Lebanon Crisis) are of importance to Lebanon and can thus be expected to resume during Lebanon's continuing post war reconstruction. However, prospects for other Australian exports, with the exception of meat, are considered to be small. The country's importance as a centre for entrepot trade and as a financial centre has been severely eroded by the civil war. Australian imports from Lebanon have not been significant.

Syria

8.12 So far Australia's trade with Syria has been very small. Syria's foreign trade is mainly in the hands of State trading companies. The Government has implemented a five-year development plan and aided by an increase in oil revenues, strong economic growth is being experienced. Prospects for Australian exports include foodstuffs, livestock, agricultural and food processing equipment. These prospects seem to be enhanced as Syria inclines more towards the West in its political and economic outlook.

Jordan

8.13 Australia's exports to Jordan were increased four-fold to \$4.5 million in 1975-76, the major items being iron and steel, railway sleepers, mutton, lamb and cheese. No imports were recorded from Jordan. During the visit of

King Hussein to Australia in March 1976 general discussions were held concerning prospects for closer co-operation between the two countries. The scope for Australian participation in agricultural and industrial projects in Jordan is being investigated.

Iraq

8.14 Australia's exports to Iraq were valued at \$55.4 million in 1975-76, the major items being wheat and agricultural machinery, mutton, lamb, cheese and wool. Iraq's foreign trade is mainly in the hands of State trading companies. Iraq, a major oil producing country, is currently implementing a new five-year plan providing for greatly increased development in all sectors of the economy. In addition to the supply of foodstuffs, opportunities exist for Australia to participate in agricultural development projects, and in the supply of industrial equipment and minerals.

8.15 A Trade Commissioner post has been established in Iraq this year. Shipping delays and congestion at Gulf ports and the absence of a direct service to the Iraqi port of Basrah is a major obstacle to trade with Australia. Imports from Iraq (valued at \$69 million in 1975-76) were mainly petroleum and petroleum products.

Iran

8.16 Australia's exports to Iran in 1975-76 were valued

at \$89.3 million, comprising mainly iron and steel, live sheep, mutton and lamb and inorganic chemicals. Imports from Iran in that year were valued at \$83.6 million, the major item being petroleum and petroleum products. Australia maintains resident Trade Commissioner representation in Tehran.

8.17 Following the rise in Iranian purchasing power due to the increase in oil revenues accruing to Iran since late 1973, Australia is emerging as an important supplier of foodstuffs, particularly meat and live sheep, to Iran. A joint venture between interests in both countries has been established and is currently trading in agricultural products. Iran's development is guided by a five-year development plan which provides for substantial investment in agricultural, industrial and mineral expansion and infrastructural needs such as roads, ports, housing, hospitals and education. Good opportunities exist for Australian exporters to participate in this development particularly in areas such as agriculture, minerals (including uranium), housing and construction. Trade relations with Iran were strengthened by the signing of a Trade Agreement in September 1974, and the subsequent establishment of a Joint Ministerial Commission, which held its inaugural meeting in Tehran in August 1976.

The Arab Countries of the Persian Gulf

8.18 Kuwait, Bahrain, United Arab Emirates, Qatar and Oman - most of which are in receipt of large oil revenues -

have embarked on ambitious development programmes which provide good opportunities for Australian exporters. Australia's exports to these countries in 1975-76 were valued at over \$100 million and the main items were meat, dairy products, processed foodstuffs, sheep, wheat, machinery, and inorganic chemicals (Bahrain). Imports were valued at \$257 million and comprised mainly petroleum and petroleum products. The Trade Commissioner post in Bahrain covers this area.

The Yemens

8.19 Neither the Arab Republic of Yemen nor the People's Democratic Republic of Yemen have oil and their economies are based primarily on agriculture. Each has established priority areas for development but implementation is heavily dependent on external aid. There are indications that the amount of aid from neighbouring Arab States will be increased in the future (to replace aid from Communist countries) and this will no doubt form the basis for increased infrastructure development. Australia's exports to the Yemens accounted for \$26.5 million in 1975-76 consisting mainly of wheat, dairy products and agricultural machinery. Imports totalled \$13.9 million and consisted mainly of petroleum products from the BP refinery at Aden in the Peoples Democratic Republic. The Trade Commissioner in Jeddah covers the two Yemens.

Libya

8.20 Libya is emerging as an important market for Australia and it is proposed to establish resident Australian Trade Commissioner representation during 1977 but this appears to be dependent on Australia establishing diplomatic relations with Libya. The Committee recommends this.¹ Australia's exports to Libya were valued at \$9.7 million in 1975-76, the main items being agricultural machinery, wire, seeds and prefabricated buildings. Imports were negligible from Libya.

8.21 A major oil producer, Libya has embarked on a new five-year development plan providing for substantial investment in agricultural and industrial projects, and in infrastructural developments such as housing, transport, communications and education. Australia is currently co-operating with Libya in the development of agriculture and both the South Australian and Western Australian Governments are currently undertaking farm projects in Libya. A Libyan mission recently visited Australia seeking substantial quantities of live sheep and meat.

Sudan

8.22 Australia's exports to the Sudan were valued at \$2.5 million in 1975-76, the main items being wheat, vehicle springs, and agricultural equipment. Indications are that the Sudan will develop as an important agricultural producer for the region with the aid of Arab investment funds. Good

1. See Recommendation 13 in Chapter 9.

prospects appear to exist for Australian exporters and consultants to participate in existing and planned agricultural development. Imports from the Sudan at present are virtually restricted to gum arabic.

The Maghreb States

8.23 Australia's exports to Algeria, Tunisia and Morocco totalled \$9.5 million in 1975-76, while imports from the area were very limited. The most promising sectors for future trade development are probably those involving agriculture and livestock programmes, particularly in Algeria. Opportunities exist not only for the sale of seeds, agricultural machinery and breeding stock, but also for the use of Australian consultancy services in related developmental projects. There are also openings for Australian mining equipment, as has been illustrated by the recent success of a Sydney firm in winning a major contract for the installation of a phosphate conveyor in Tunisia. Australia's Trade Commissioner in Paris is responsible for our trade representation in the Maghreb.

Israel

8.24 Australia's exports to Israel in 1975-76 were valued at \$7.4 million. The major item exported to Israel over a number of years has been wool. Imports from Israel in 1975-76 were valued at \$17.1 million. The main imports from Israel have been diamonds but other imports include

chemicals, tyres and tubes, textiles and clothing. Australia established resident trade representation in Tel Aviv in February 1975.

8.25 Australia has not been a supplier of foodstuffs to Israel but recent indications are that Israel may look to Australia for part of its requirements for meat and grains. Australia is likely to reverse its current unfavourable trade balance with Israel with foodstuffs and coal (the latter for the new Hadera Power Station) being the best prospects. Israel has some defence items for sale (for example the "Reshef" long-range patrol boat) which may well be worthy of Australian evaluation.

Future Prospects for Trade

8.26 Because both Australia and the Middle East trade primarily with the major centres of world trade - Europe, North America and Japan - Australia's total trade with countries in the Middle East area is significant but not paramount in terms of Australia's total trade with the rest of the world. However, countries in the area are looking to Australia for assured supplies of foodstuffs and probably this situation will be reflected in increased trade.

8.27 There are indications also that countries in the area are turning to Australia for technical co-operation in implementing their agricultural programmes. Because of the similarity of the climate in Middle East countries with the climate in parts of Australia, techniques developed in

Australia in dry land farming and in the use of irrigation have particular relevance to the Middle East.

8.28 Australia could also emerge as an important supplier of minerals to the area. A number of Middle East countries have plans to develop new steel and aluminium industries, or to expand existing ones, thus providing opportunities for sales of iron ore and bauxite/alumina. Plans for the introduction of nuclear energy plants in Iran have led the Shah to look to Australia as a possible source of uranium. This, of course, depends on the outcome of the current uranium mining and export controversy and investigation in Australia.

8.29 In the field of manufactures (other than processed foodstuffs) Australia is emerging as an important supplier of agricultural machinery, but sales of other commodities, while increasing, are relatively insignificant at this stage. An important feature of the development programmes being implemented in Middle East countries is their preference for "turnkey" projects which require the formation of consortia, preferably with government support, to supply all the necessary expertise and equipment to complete the project. The Department of Overseas Trade is currently considering ways and means by which Australian firms can be assisted to form consortia to bid for "turnkey" projects,¹ and the Department regards development of this

1. A contract for a "turnkey" project would be for the complete project, for example for a complete power station which would include all buildings, steam and turbo-generators, and all ancillary equipment.

concept as an important means of increasing sales of manufactured goods to the area.

8.30 The Committee is sure that the developing dependence of Middle East countries on Australia is a desirable trend for a number of reasons; probably the most significant reason is that it will lead to an Australian understanding for the problems of Middle East peoples and a concerned interest in the wellbeing and peace of the area. The continued availability to Australia of scarce Middle East oil until alternative sources of energy can be developed is a key economic and political interest.

The Suez Canal and Australia

8.31 The diminishing strategic importance to Australia of the Suez Canal - but not for some other Powers - has already been noted in paras 1.47 to 1.52. The Suez Canal provides the shortest route between Australia and important trading partners in Europe and also in the Mediterranean countries. Prior to its closure in 1967, the Suez Canal was seen as being vital to Australia as it was the main shipping route between Australia and the UK/Europe. At the time it was estimated that additional shipping costs incurred by voyaging round southern Africa were \$5,500 per voyage for a 10,000 deadweight ton (dwt) conventional vessel.

8.32 With the introduction of container transport in 1969, and the increase in the size of tankers (incapable of the Canal passage) the overall cost of travelling via the

Cape of Good Hope is now much the same as travelling through the Suez. Since the Canal was re-opened in 1975, it has mainly been used in the Australian/European trade by conventional liner services. Container lines have continued to move via the Cape or via the Panama Canal. This is due partly to the fact that the confidence of Australian shippers in the Suez Canal has been slow to be restored. In January 1977, the Executive Director of the Australian Shippers' Council expressed the Council's concern about the serious effect on the availability of cargo space that could result from the trapping of even one container vessel in the Canal in the event of another Middle East conflict. Also until the proposed enlargement to the Suez Canal has been effected (see para 1.50), the larger types of vessels cannot negotiate the waterway with safety. Therefore shipping companies have to resort to smaller conventional vessels to maintain sailing schedules through Suez. Traffic through the Canal is expected to increase when the proposed improvements to it are completed.

8.33 Australia's trade with the Middle East and our oil supplies from the area were never seriously affected by the closure of the Canal, as 61% of our exports (by weight) and virtually all of our imports are shipped to and from ports south and east of the Suez Canal. Should the Canal again be closed, the situation is likely to be the same - our trade with the Middle East would only be marginally affected. However shipping costs between Australia and Eastern Mediterranean countries would increase.

Overflight Rights in the Middle East

8.34 The continuation of overflight rights through the Middle East is essential if Australia is to be able to fly to Europe by direct routes. The outbreak of conflict involving any of the countries flown over by Qantas or the other Europe-Australia flights means that these flights would need to be re-routed. This will first require government negotiations between Australia and the governments of the country over which Australia would wish direct Australian air traffic. Agreements for such an eventuality should be made beforehand. The three main transit steps Qantas makes at present are Bahrain, Damascus and Tehran but flights to Tehran will cease from 15 June 1977. Flight routes pass over Saudi Arabia and Iraq as well as over Bahrain, Syria and Iran.

8.35 In order to fly over Saudi Arabia along certain routes and also over Syria, the Australian Government or Qantas have to obtain permission at regular intervals from Saudi Arabia and Syria respectively. This is because Saudi Arabia and Syria have not accepted the multilateral "International Air Services Transit Agreement", under which each contracting State grants to the other, in respect of scheduled international air services, the privilege to fly across its territory without landing and the privilege to land for non-traffic purposes. A possible effect of this factor is that if Australian aircraft are prevented because of a regional conflict from landing for example at Damascus (at least one landing in seven overflights has been agreed

with Syria) then Australian aircraft may not be able to overfly any Syrian territory. Although Iraq has accepted the Transit Agreement, the Iraqi authorities still require Qantas to obtain permits to overfly Iraqi territory. Special commercial agreements have been concluded between Qantas and the flag carrier of Iran, with the approval of the governments concerned, relating to Qantas' exercise of traffic rights in that country. Australia also has air service agreements with Lebanon and Egypt, but neither Cairo nor Beirut are being utilized by Qantas at present.

Australian Representation in the Middle East

8.36 Prior to 1973, Australian representation in the Middle East was limited to embassies in Egypt, Israel, Lebanon and Iran with a Consulate-General in Bahrain. Trade Commissioner posts were mentioned in the section on trade with individual Middle East countries (paras 8.7 to 8.25). Australia's Embassy in Cairo - the longest established of our Middle East missions - has been the springboard for the development of Australia's relations with the Arab group of nations, but there is also a clear Australian commercial interest in the relationship because of Australia's significant wheat sales to Egypt. The reliability of these wheat supplies contribute to Egypt's stability, and this in turn contributes to Australia's good relations with Saudi Arabia, because of Saudi Arabia's ties with Egypt.

8.37 Australia's Embassy in Tel Aviv (established in 1949) has helped maintain Australia's friendship with and fostered understanding of Israel. Relations with Israel are subject to some conflict of political pressures. The traumas of the holocaust in Nazi Germany and concern for the plight of Soviet Jewry have, on the one hand, created sympathy for Israel among the Australian community; on the other hand Australia has economic and strategic interests in major Arab oil supplying countries - in effect in the availability of such supplies. In this situation the presentation of Australian policy to the Israeli Government requires sensitive diplomacy. Australia's increasing trade links with the Arab countries need to be balanced by a continuing development of this country's links with Israel. Australia needs to be much more aware of developments in Israel's internal affairs, and much more perceptive about its external policies because of their influence on the fragile Middle East situation. Israel's primary concern is now absolute survival in a potentially hostile environment - survival of the refuge of a Jewish people, the victims of irrational hate and persecution, past and present.

8.38 Since the 1973 Oil Crisis however, Australia has been seeking to improve relations with major Arab States. Australia certainly needs to reach a greater understanding and to obtain a basis for an independent Australian assessment of developments in the region. Too long we have looked at events through British or US eyes. As a result of such conviction a number of diplomatic posts have been opened recently in the Middle East. Perhaps the most significant of these initiatives was the establishment of an

Embassy in February 1974 in Saudi Arabia, the largest oil producer and currently a major force in Arab affairs. Embassies have also been opened in Algeria, and, since this inquiry began, in Iraq (September 1976). Kuwait, the United Arab Emirates, Jordan and the Sudan have non-resident Ambassadors accredited to their countries.

8.39 In its Lebanon Report the Committee recommended the opening of an Australian Embassy in Damascus. This was recommended for political reasons as well as for the temporary reasons of a humanitarian nature (assistance to Lebanese displaced persons with relations in Australia). As shown earlier in this report, Syria as the leading confrontation State is the linchpin for any aggressive alliance against Israel (be it composed of "moderate" or radical Arab States). Damascus is therefore a sensitive post from which to gauge the mood and trends of the region - likely to be just as valuable in this regard as Iraq which was given priority for an embassy over Syria. The Committee was therefore pleased to note that (at a time when Australia closed four overseas posts and was reducing overseas representation) the Government acted promptly to staff an embassy in Damascus on 13 February 1977, the staffing including an Immigration Officer. "Staff ceilings" and "economies" could well be out of place and self-defeating in the region if they impede Australia's comprehension of the Middle East.

8.40 The Committee is also pleased that Australia has resumed resident representation in Beirut (May 1977). This

will facilitate the post-war family reunion of Lebanese in Australia and Australian assistance to war-weary Lebanon. It will also obviate the great expense incurred by Lebanese having to travel to Cyprus and other Middle East countries to apply for entry to Australia. The Committee welcomes and urges moves to extend diplomatic representation¹ in a number of Arab countries and is hopeful that a better understanding of the Arab world will result (see paras 8.44 to 8.47 regarding the attachment of Armed Services Attaches). The purpose of "understanding" should be to further the cause of peace and stability in the Middle East. The absence of these is a threat to world peace. "Understanding" is not intellectual comprehension alone; it includes compassion, friendship and responsible policy.

Australian Defence Considerations

8.41 Australia's former strategic interest in the Middle East was largely due to the region's importance as a communications area for the defence and trade of the British Empire. For some years now British military assistance to Australia has not been feasible nor contemplated. Therefore apart from the threat to Australia's oil imports, our security is unlikely to be directly threatened by a military conflict in the Middle East, and it is unlikely that Australia's defence forces would become directly involved in the region, except as part of the United Nations

1. In para 8.20 the Committee has recommended the establishment of diplomatic relations with Libya.

peace-keeping forces. However, a world war could originate in the Middle East. A German invasion of Poland in 1939 later indirectly set off a Japanese invasion of New Guinea in 1942. Peace may still be indivisible and war ubiquitous.

8.42 Should the worst happen and a Middle East conflict escalate beyond the region, the US - Australia's ally - would be likely to be involved. Even in a localised war, heavy diplomatic and military resource demands are made on the US. Increases in tension in regions such as the Middle East, where the superpowers' strategic interests are great and where their policies are interwoven and may conflict, tend to increase Australia's own strategic uncertainty and insecurity. Therefore it is in Australia's interests to foster peace and stability in the Middle East region; this can best be achieved by good offices through diplomatic action and encouragement so that military action would be less likely to be contemplated.

8.43 Australia has contributed to United Nations Observer teams in the Middle East and has been prepared to make other contributions to peace-keeping forces. Since July 1976 Australia has contributed four Iroquois helicopters with their crews and maintenance staff for United Nations peace-keeping duties in the Sinai area. This represents in microcosm the sort of good offices for which calls upon Australia may be made. (See Recommendation 11).

8.44 In Chapter 2 the Committee commented in some detail on the immense arsenals of modern weapons in the

Middle East. The truth is that there are as many combat aircraft and tanks in this troubled region as there are in the possession of NATO forces. Furthermore the fact is that the weapons are periodically tested in short but fierce Middle East wars. Australian diplomacy should actively discourage this callousness. It seemed to the Committee that Australia must comprehend the military facts of the region and this calls for the presence of Armed Services Attaches in Israel and some of the Arab countries - preferably Egypt and Syria¹ - in order to assess not only equipment and tactical doctrine at first hand, but the strategic realities.

8.45 While acknowledging that the region is an important source of military information, the Committee received counter-arguments that such information has been obtained from the regular exchange of information with friendly countries, from which Australian ambassadors have compiled reports. Furthermore it was argued that the appointment of Australian Armed Services Attaches could arouse suspicions about our interests in the area and would perhaps provide false hopes for Australian assistance in military training and supplies, without providing compensating benefits. Australia has been seen to confine its relationship with the Middle East on a mainly commercial and impartial basis, and of this the Committee approves. Dependence on derived military information or misinformation however can be disastrous.

1. The largest recipient of Soviet military assistance outside the Communist bloc.

8.46 Further, the Committee feels that objections to appointing Australian Armed Services Attaches in the Middle East are outweighed by the fact that it would be unlikely that our allies would be assessing the military situation in Israel and the Arab countries in terms of the lessons that need to be drawn from an Australian perspective - the perspective of a comparatively small power with a potential military manpower shortage as is the case with Israel. In conflict, or in a precarious military balance in peace, the valid assessment of strategic and military factors is one key to understanding the politics, the policies and the potential dangers in a region.

8.47 During the Yom Kippur War in 1973, for instance, Australia would have had an excellent opportunity to obtain independently up-to-date information on some of the world's most sophisticated weapons and their tactical employment, including information on Western equipment which might be under consideration for Australian purchase. The only persons who can perform a thorough evaluation are those who possess the relevant expertise; Australia would be unwise to rely completely on the assessments of our potential arms donors as it would be unrealistic to expect them to stress the shortcomings of any of their equipment that Australia may wish to purchase. (See also Recommendation 14 in Chapter 9).

Desirability of Arab Investment in Australia

8.48 Initially the Middle East oil exporters tended to

hold their surplus funds in expendable holdings. As their investment managers turn their attention to more long-term productive investment, their attention can be expected to turn to Australia. This has not happened to any significant extent so far, although it is understood that Kuwait has invested \$45 million in Western Australian enterprises. The Committee has already noted the desirability of achieving economic inter-dependence between the Middle East and Australia. Arab economic interests in Australia and the world outside the Middle East should give to Arab investors world perspectives wider than persistent confrontation of Israel and some interest in Australia's well-being. Such perspectives would lessen the chances of Australia and the world being subjected to Arab "oil diplomacy". It would also in Australia's case provide financial and capital resources for development projects in this country. Indications are that the Arabs need encouragement to invest in such countries as Australia and they appear to place importance on seeking government assurances that their equity capital is welcome.

Australia's Ethnic Connection with the Middle East

8.49 Table 8-2 gives an indication of the large number of people in Australia who were born in the Middle East or who had at least one parent born there. It can be seen that Australia's Lebanese community is the largest of the Arab communities living in Australia. The numbers of the Lebanese community will be further augmented by the Lebanese who have

arrived in recent months (7409 in the period 1 July 1976 to 31 March 1977) as a result of the Lebanon Crisis, and the large consequent immigration that may take place in the years to come because Lebanese in Australia tend to have a high nomination rate.

TABLE 8-2

PERSONS IN AUSTRALIA BORN IN THE MIDDLE EAST
OR ONE PARENT BORN THERE

Country	Persons in Aust born overseas (to 30-6-75) (a)	Persons in Aust with at least one parent born there (to 31-12-74) (b)	Total (a + b)
Lebanon	37,000	18,728	55,728
Egypt	32,000	19,908	51,908
Turkey	24,000	2,998	26,998
Cyprus	20,800	11,642	32,442
Iran/Iraq	3,600		3,600
Jordan)			
Saudi Arabia)			
Kuwait)	1,500	-	1,500
Oman)			
Yemen)			
Syria	2,700	-	2,700
Israel	6,100	2,215	8,315
	127,700	55,491	183,191

1. Source: Department of Immigration and Ethnic Affairs.
2. The figures for Egypt give an inflated impression of the number of former Egyptian nationals living in Australia. The number of settler arrivals with Egyptian nationality between January 1959 and June 1975 was only 11,168. Several other nationalities came from Egypt to Australia.

8.50 Also interested in the Middle East situation but not shown in Table 8-2 is Australia's Jewish community. The Jewish community numbers about 72,000, but only about 6,000 were born in Israel. Australia's Jewish community has a deep concern for Israel and there is no issue comparable to Israel's survival which motivates and unites Jewish people of otherwise differing class and nation of origin, both in Australia and overseas.

Lebanese "Refugees"

8.51 The number of permanent arrivals from Lebanon in recent years is shown in Table 8-3. The Committee gave priority to the humanitarian aspects of the Lebanon Crisis and devoted a large part of its earlier report¹ to the plight of Lebanese "refugees" (see also the recommendations for a more humane administration of "refugees" which can be referred to in Annex I to this report). The Committee therefore will not cover the same ground in this report.

8.52 The Committee believes that now the serious fighting in Lebanon is over, Australia's efforts regarding our Lebanese community should be devoted to the integration of the Lebanese who have arrived in Australia during the Lebanon Crisis. Many Lebanese displaced persons nominated by Australians arrived in Australia with few means of support. Lebanese in Australia who have nominated their kinsmen have already spent heavily (even borrowed) to support their families in Lebanon, then afterwards in Cyprus while waiting

1. See The Lebanon Crisis Chapter 3.

to come to Australia and then paid for air fares. Consequently many of the new arrivals are forced to rely on Australian social welfare benefits in the likely event that they cannot find employment. Special attention needs to be given to the availability of interpreters, to the instruction in English for both children and adults, and to assistance with job placement - all these matters being inter-related. It requires an inter-Departmental approach by the Australian Government, and close co-operation with State instrumentalities.

Transfer of Foreign Quarrels to Australia

8.53 The Committee in its consideration of the likely impact upon Australia of an increased number of Lebanese immigrants (as well as immigrants from other countries in the Middle East), found it necessary to look for any obvious signs that the destructive factionalism of the Lebanese situation and the conflicts of the Middle East generally, were reflected to any extent in Australia, especially in the form of incitement to conflict in the Australian media. The Committee in its earlier Lebanon Report¹ reported on disturbing allegations from both members of the Lebanese and Jewish communities of inflammatory comment on certain radio stations in Australia, as well as in some ethnic newspapers. Of the stations mentioned in the previous report the Committee has had no further complaints about the stations

1. See the Lebanon Crisis Chapter 4 and also the Recommendations which are contained in Annex I to this report.

TABLE 8-3
PERMANENT ARRIVALS
COUNTRY OF LAST RESIDENCE - LEBANON

MONTH	1974		1975		1976		1977	
	Total	Assisted	Unassisted	Total	Assisted	Unassisted	Total	Total Unassisted
January	195	105	57	162	53	24	77	898(a)
February	182	89	39	128	100	99	199	1371(a)
April	234	81	42	123	18	86	104	963(a)
May	291	85	22	107	6	118	124	
June	311	80	28	108	9	155	164	
July	331	99	42	141	3	302	302	
August	319	103	33	136	1	268	269	
September	287	50	19	69	-	430	430	
October	265	39	42	81	-	785	785	
November	238	108	45	153	2	1111	1113	
December	194	98	44	142	-	1228	1228(a)	
Year ended December	3178	1050	446	1496	255	4706	4961(a)	3282(b)
Year ended June(a)	3444	1248	1160	2408	749	807	1556	7409(c)

(a) Provisional statistics and subject to revision.
(b) Up to 31/3/77
(c) July 1976 - March 1977

Source: Department of Immigration and Ethnic Affairs

under the jurisdiction of the Australian Broadcasting Commission (ABC) including station 3ZZ. The Committee has not been assured by the Minister for Post and Telecommunications that satisfactory monitoring systems have been introduced for all the three categories of stations named in the Committee's report.

8.54 The ABC has now accepted in principle the Government's invitation to assume responsibility for ethnic broadcasting in Australia and is currently conferring with the newly formed National Ethnic Broadcasting Advisory Council before taking control of the existing stations, 2EA and 3EA. The Government's invitation to the ABC requires the Commission to establish a separate unit within the organisation (similar to Radio Australia) and to observe the criteria listed in Annex G for ethnic broadcasting. The Committee agrees with this set of criteria. As all radio stations have a moral obligation not to disseminate racial or religious incitement, the Committee would be pleased to see the management of Melbourne's community access radio station 3CR voluntarily observe the new criteria established for ethnic radio.

8.55 In the Lebanon Crisis the Committee gave examples of incitement to rouse prejudice and communal conflict from a regular programme "Palestine Speaks" broadcast from station 3CR. The Committee was also informed that there has been a significant growth in the dissemination of anti-Jewish literature since the rise in numbers in the local Arab speaking community over recent years and its increasing politicisation by radical spokesmen. The more

extreme examples of this propaganda, which are freely available in a number of shops and restaurants in both Melbourne and Sydney, and appear in English as well as Arabic, cannot possibly be defended on the grounds that they merely represent anti-Israel political comment. The Committee condemns this type of propaganda believing that any transfer of foreign quarrels (in this case from the Middle East) is harmful for the Arab and Jewish communities in Australia, and is unwanted by Australians generally. The Australian community is not immune from anti-Semitism, however, and the Australian student body needs to look at the utterly uncritical adoption of causes in the Middle East by student leadership without consultation with the student body at large - unselective adoption of PLO attitudes for instance.

Admission of PLO Representatives

8.56 Fortunately the Middle East tensions have only rarely (then mostly at University campuses) erupted into overt tension between the Jewish and Arab speaking communities in Australia. One of the few occasions where violence has occurred was in Melbourne in May 1975 when young Jewish demonstrators clashed with a group of PLO supporters. Apparently the main initiators of the violence were persons from student circles - their slogans did not suggest intense Middle East studies - who encouraged their Arab co-marchers in a May Day procession to use violence. The occasion for the demonstration was the visit of a PLO

student leader, Mr Eddie Zananiri, who deserved a hearing but not a violent attempt to bludgeon consent to his arguments.

8.57 Australia is likely to receive further requests to allow the entry into Australia of PLO representatives; the Committee has listed therefore some reasons given by a leading spokesman for the Australian Jewish Community why the Australian Government should continue (until the PLO change their policies) to refuse entry to PLO representatives unless it is clear they are not advocates of terrorism:

"It would add legitimacy to a terrorist organisation which aims to destroy Israel, a sovereign independent state which has had friendly relations with Australia for 28 years. Australia is committed to support Israel's independence. If an official delegation of the PLO came here the seriousness of that commitment would be called into question;

It would further encourage the PLO to believe that terror pays. Australia's spokesmen have denounced the use of terror as a means to settle international conflicts. If these statements are to carry any force Australia should not extend the privileges of our free society to the PLO which has made terror its chief weapon;

PLO leaders have proclaimed their determination to use terror to sabotage the prospects of any moves towards an Arab-Israeli settlement. Encouragement of the PLO, by allowing its members to come here, would hinder, rather than help, the movement towards peace in the Middle East. The PLO's spokesmen have in fact justified past attempts at disrupting a settlement by pointing to their UN support."

8.58 The Committee is of the view that all opinions on the Middle East question should be heard including those of the advocates of a new deal for the Palestinian people. However, until the PLO renounces its call for the annihilation of Israel - through the use of violence¹ - the Committee would agree that elements in the PLO which advocate or practice terrorism have not demonstrated their right to be granted international respectability. Too much of what is aimed at is horribly redolent of Himmler's "final solution". The Committee has no objections whatever to persons coming to Australia to advocate a Palestinian cause, and it has no right to such objections. The Committee firmly opposes entry of persons who have participated in or called for acts of terrorism. Furthermore entry of people who advocate terrorism is bound to lead not merely to demonstrations (which are a right) but to reciprocal violence at places where advocates of violence are scheduled to appear. An analogy exists with the Ulster situation. To advocate the unity of Ireland is defensible. Terrorism is not. It should be emphasised that the difficulty with PLO spokesmen is not their advocacy but their direct association at times with terrorism.

8.59 It is likely that a majority of Australians are concerned about PLO spokesmen, judging by the results of the Gallup poll taken in February 1975 after the former Government refused entry to five members of the PLO invited by Mr W. Hartley of Melbourne. In the poll 74% supported the Government's refusal and only 19% disagreed. See Annex H

1. See Palestinian National Charter in Annex B.

for details of Gallup polls related to Middle East matters.

Terrorism and Australia

8.60 International terrorism is a widespread and dangerously evil phenomenon in the world today. Almost all the major acts of organised destructive terrorism have been politically motivated, and among the main offenders have been the Palestinian terrorist organisations. Australians like every other national group are not immune from terrorist acts occurring, whether inside or outside Australia. This became very evident during the spate of Croatian bomb outrages which occurred in this country particularly in the early 1970s. The Committee has already made clear its strong support for the sympathetic handling of genuine refugees who may wish to live in Australia (see earlier report), but the Committee opposes the entry to Australia of known terrorists either from the Lebanon conflict or from "Palestinian" terrorist groups, or from any terrorist situation.

8.61 So far aircraft flying in the Australian region have been less susceptible to hijacking because of the distance from countries sympathetic to terrorists and which may offer them assistance including landing "rights" on the Entebbe model. This situation may of course change, but in any case Australians outside their country can be subjected to the indiscriminate terrorism which may be associated with hijacking.

8.62 As a member of the world community, Australia has a responsibility to participate fully in the development of international measures to counter terrorism. At present the two main obstacles which prevent international agreements on combating terrorism are first, the varied status accorded by some nations to wars of "national liberation" and secondly, to the treasured rights of some other countries to grant political asylum. In order to overcome these considerations and effectively combat terrorism, nations will have to co-operate. The first step in this direction has been taken with the adoption of a European Convention on the Suppression of Terrorism by the Council of Europe in November 1975. This agreement, however, still awaits wide ratification. The Committee recommends that Australia supports any such international measures which will combat and eradicate terrorism and produce an intelligent and effective world consensus against it. (See Recommendation 26).

Australian Diplomatic Initiatives for a Middle East Solution

8.63 Australia is not a major influence in the Middle East; however Australia can hope to exert a positive influence. A pre-requisite is a policy decision and will to that end. Australia should maintain a policy whereby Australia retains a commitment to the survival and recognition of Israel, and also seeks to solve problems of the Palestinians. This balanced approach was recognised in a speech welcoming the King of Jordan to Australia in March

1976, when the Prime Minister, the Rt. Hon. Malcolm Fraser, said "the just recognition and realisation of the legitimate claims of all groups in the Middle East constitutes the touchstone of our policy in the area". The Joint Communiqué issued at the end of the visit stated "both sides were agreed on the need for any settlement to take account of the legitimate rights of the Palestinian people, and the right of all States in the area to exist within secure and recognised boundaries"¹. In the United Nations Australia has frequently called for the urgent implementation of the United Nations Security Council resolutions - Australia has placed special positive emphasis on Resolution 242(1967) which unfortunately has become subject to varying and conflicting interpretations.

8.64 As a country desiring the reconciliation of the Arabs and Israel, Australia could aim at the ability to influence both sides. The recent increase in diplomatic representation in the Middle East provides Australia with greater opportunities to demonstrate friendship to the Arabs as well as to achieve a clearer perception of their needs and understanding of their viewpoints. As the US is the most influential power in the region at present, Australia should support any American efforts to achieve an enduring and stable peace.² It is not enough that Australia acquiesces in

1. See also para 5.35 for a more recent definitive statement on Middle East policy by the Hon. Andrew Peacock on 15 March 1977.
2. See paras 3.52 to 3.56 regarding prospects for Middle East peace, and on the US bilateral "step-by-step" approach, which in the opinion of the Committee is deserving of Australian support.

America's policy in the Middle East. It is important that Australia and other Western democracies firmly encourage both Israel and the Arab countries to reach an accommodation with each other. The Committee recommends that Australia should create an effective diplomatic force in the Middle East region to work towards a peaceful settlement of the dispute between Israel and the Arab nations. The *raison d'être* should be that every official action by Australia be directed towards reducing the destructive enmities of the Middle East situation.

9. CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

The Committee expresses the following conclusions resulting from its second report on its Middle East reference¹:

The Continuing Middle East Arms Race

1. There is no end in sight at present to the Middle East arms race, fuelled as it is by petro-dollar purchasing power of record proportions. While welfare spending and development suffer in all the confrontation States, procurement of the latest weapons is too often deemed to be a vital element of the military balance. The technology of war is a major Middle East preoccupation. The ability to wage war has been enhanced since 1973 except perhaps in the case of Egypt which has, apparently, begun to choose better living standards for the fellaheen. Either side in the Arab-Israeli confrontation would lose if it could not match the latest weapons of its potential opponents; yet it would appear that for the next few years, in the absence of outside assistance, neither side could sustain operations for long enough to subjugate the other.

(paras 2.1 to 2.3,
2.5, 2.12 to 2.14)

2. There is now a second Middle East arms race in the area of the strategic Persian Gulf. The main contenders are

1. The conclusions in this report are additional to those expressed by the Committee in its Interim Report The Lebanon Crisis 2 December 1975.

Iran, Iraq and Saudi Arabia but the arms race also involves the smaller Gulf States with purchasing power from oil. A serious aspect for Israel is that several countries involved in the Persian Gulf arms race not only contribute finance derived from oil to help arm Arab confrontation States, but they have the capacity to transfer their newly acquired and sophisticated weapons into the Arab-Israeli conflict area. This also applies to Libya whose Government has pursued a policy of creating a huge arsenal of Soviet arms which are obviously surplus to Libya's own defence requirements. Libya may be seeking a nuclear capability.

(paras 2.4, 2.18 and 4.30)

3. There is no cause for optimism that the Middle East arms race is likely to be curbed yet; this is because of the varying motives - economic, ideological and strategic - of the major arms suppliers which belong to different power blocs. Great Power fishing in troubled waters is a factor, at least to the extent of promoting arms sales. Unilateral restrictions tend not to act as any long term impediment to the arms supply to the Arab side because there are too many countries with a surplus capacity for arms production, or countries which wish to enhance their influence in the Middle East because of its oil resources, or which simply need petro-dollars. On the other hand Israel, despite a significant domestic arms industry, relies predominantly on the US for imported military equipment. Therefore any general arms embargo against Middle East combatants agreed to by the US - but not honoured by all

countries - is likely to disadvantage Israel to the greatest extent - to the extent of endangering its survival. As an exercise in realism, Australian diplomacy should note the motives of those countries making massive and indiscriminate supplies of arms to the Middle East.

(paras 2.6 to 2.11, 2.15 to 2.17)

Nuclear Capacity

4. It is widely believed that Israel either already has made some atomic weapons, or that Israel has the capacity to produce them swiftly. Israel sees a need to be at least close to a nuclear capability in the belief that the large wealth of the Arabs will eventually enable at least one of the Arab powers to obtain nuclear weapons through one of the world's lesser nuclear powers.

(para 2.18)

5. It is difficult to imagine that Israel will ever use an atomic weapon unless the Arab armies are massing to penetrate Israel's heartland after the defeat of the nation's conventional forces. In the event of nuclear proliferation in the Middle East it is likely to be more difficult for Israel to retaliate in strength against confrontation or hostile States which encourage terrorists to operate from their territory, because the consequences of nuclear escalation would be catastrophic.

(paras 2.19 to 2.24)

Likelihood of a Pre-emptive Strike

6. Because of the consequences that a pre-emptive strike would have in weakening or breaking Israel's American alliance, Israel would be extremely hesitant to launch a conventional first strike in the Middle East in the absence of a clearly demonstrable and imminent threat against Israel.

(paras 2.51 to 2.52)

7. If the Israeli Government became aware that large forces were about to attack Israel (as in 1973) then a number of factors would tend to force the Government to decide on a pre-emptive strike. These include the substantial military advantages which would have the crucial bonus for Israel of a shorter war. This would reduce Israeli casualties, and the economic costs of mobilization and war. It would also give less time for the forces and equipment of the "Outer-ring" potentially hostile States to reach the front.

(paras 2.53 to 2.57)

Israeli Capabilities

8. Despite the quantitative advantages of the Arab States in manpower and major military equipments, Israel can be expected to win a military victory (as opposed to a political victory) in the unfortunate event of another Middle East war, provided Israel can avoid a protracted war. Assisted by sophisticated weaponry the Israeli Defence Forces have steadily enhanced their ability to withstand

Arab attacks since 1973. Israel has an extremely efficient mobilization system and is able to switch her forces rapidly from one front to another. More important, fear of extermination causes Israelis to give of their utmost when they feel threatened at a time of crisis.

(paras 2.44 to 2.50)

Severe Consequences of Another War

9. In the always unpredictable Middle East situation a fifth war in the region - although less likely in the short term - is easy to imagine and yet unthinkable in its consequences which are likely to be more serious than in previous wars. Arab warnings of a renewed use of the oil weapon is a gloomy prospect for the non-Communist industrial nations. The Arabs now have an additional means of diplomatic pressure - their vast reserves of petro-dollars accumulated since 1973. The Soviet Union which has experienced reduced influence in the region, in the Far East and India, and remembering US diplomatic hesitation in the Middle East in 1973 may be tempted to make use of the Soviet's improved military capacity for intervention in the Middle East and thus risk a confrontation with the US.

(paras 1.1 to 1.3)

Geo-Strategic Factors

10. In any lasting Middle East peace settlement whereby all parties genuinely concede the right of every State in the area to live in peace and security (in

accordance with United Nations Resolution 242) there is a need to take account of a number of geo-strategic factors which are outlined in this report. These include:

- a. Israel's feeling of extreme vulnerability if confined to her pre-1967 boundaries;
- b. over one million Palestinians live in Israeli occupied territories who could be an increasing source of internal unrest and there are about another two million Palestinians who presumably aspire to the creation of a Palestinian homeland;
- c. the limited depth of territory in the conflict area which places a premium on offensive action;
- d. the large quantitative imbalance - particularly in manpower - between the warring parties;
- e. the vulnerability of Israel to blockade and action by irregular forces;
- f. the vulnerability of the region's scarce water supplies.

(paras 1.4 to 1.59)

Secure Borders and Israeli Concessions

11. Although there is considerable scope to make border arrangements for Israel which would give her greater security than Israel's pre-1967 borders, it is difficult for outsiders to ignore historical, political and demographic factors, particularly such factors as the aspirations of the Palestinians. Even the most "moderate" Arab leaders reject the concept of taking topographical factors into account. A plan unofficially proposed by Israel's Foreign Minister, Mr

Allon, (the plan is described in this report) would take considerable account of the demographic factor by transferring the populated centres of the West Bank and Gaza to local autonomy or to Jordan but not to the PLO. The Allon plan would also return most of the Sinai peninsula. The Committee believes that such concessions would be about as far as any Israeli Government would dare to go unless its right to exist were certainly acknowledged by the "confrontation" States.

(paras 1.15 to 1.20,
3.38 to 3.39)

Great Power Guarantees

12. Some Arabs believe that Israel could be compensated if Israelis surrendered advantageous topography, by Israel accepting limited forces zones and Great Power guarantees. The Israelis are sceptical of Great Power guarantees; Israel is reluctant to risk a situation whereby a moderate Arab leader who dares to agree to such security arrangements may be overthrown and be replaced by a regime that rejects previous agreements. Israelis wish to be self-reliant rather than a protectorate of a Great Power which may grow weary of its commitment. Israel would prefer not to be dependent on token forces of the hostile United Nations.

(paras 3.36 to 3.37)

The Palestinian Question

13. Whatever the rights and wrongs of the Arab-Israeli

dispute, since 1948 the Palestinians have suffered most and in view of the attitudes of all Arabs, the Palestinians' future must be resolved before the Israeli-Arab problem can be finally solved. There is widening support for a Palestinian homeland "alongside" Israel. While the Committee accepts such a concept it believes that Israel cannot be expected to allow a Palestinian State so close to the bulk of Israel's population until such time as the PLO accepts Israel's right to exist. Australia has a moral responsibility to continue to support the survival of Israel - a small State with a democratic tradition.

(paras 3.32 to 3.35,
3.56, 5.1 and 5.13)

14. Over 1½ million Palestinians, in areas outside Israeli control, by and large have not been assimilated into the host populations. Many of these former "refugees" have resisted assimilation in host countries in order to further the cause of a return to Palestine. To this end, some Arab States have not facilitated integration and have preferred to use the Palestinians as a political weapon against Israel. Unfortunately this has not precluded their violent attempts to manage the host countries in their own interests and even to try to overthrow host governments as in Jordan and Lebanon. The PLO has assumed that the whole Arab world should respond to the Organisation's wishes, but there is an increasing reluctance by some "moderate" Arab Governments to do so.

(paras 5.2 to 5.7)

15. At its Cairo meeting in March 1977, the Palestinian National Council did not take the opportunity to

change the PLO's frequently professed aim (expressed in the Palestinian National Charter) of establishing an independent secular State of Palestine which would allow only a limited number of Jews to remain. If there were ever any Jews with doubts about their limited future in such a Palestinian State then their doubts would have been dispelled as a result of the Lebanese Civil War. There was little action on behalf of Lebanon's Christians from the world community and the Israelis can argue that the Christians of Lebanon would have suffered the same fate as other minorities in the Middle East, such as the Armenians, Kurds and Assyrians, if it had not been for the intervention of Syria. The latter State had a variety of motives unrelated to the saving of Lebanon's Christians.

(paras 3.35, 3.36 and
The Lebanon Crisis
paras 1.21 to 1.24)

16. There are doubts as to the ability of a Palestinian mini-state to absorb the large number of Palestinian refugees dispersed in refugee camps in countries bordering Israel and also doubts as to the viability of a third State between Israel and Jordan. The Israelis would prefer any new State to be linked to Jordan which already has a large Palestinian population. If Israel withdrew from the West Bank (or from most of it), Israel would have to insist on demilitarization or strong limitations on armed forces on the West Bank. This may be too much to expect from a new State with dissident elements - which would be offered Soviet backing - but it may be feasible in a joint Jordanian-West Bank Federal State. Israel would hope to be able to shift home responsibility on to Jordan for not

keeping the Palestinians in such a Federal State under control.

(paras 5.13 to 5.16)

17. A solution to the Palestinian problem is not likely to be forthcoming until the Palestinians themselves evolve a leadership which can set itself attainable goals. Although Yasser Arafat can be considered less extreme than the "rejectionist" factions in the PLO, up until now his paramount influence on the PLO has been insufficient to change the PLO's long-term goals. This uncompromising line has seriously undermined the PLO leadership's efforts to become involved in Arab negotiations with Israel. It has also prevented recognition of the PLO among countries which support Israel's right to exist. Without the PLO's aim of Israel's annihilation the way would be open for Israel to grant recognition to the PLO and this would significantly help any prospects for a general Middle East peace settlement.

(paras 5.17 to 5.36)

18. The action of Syria in curbing the PLO's contribution to anarchy in Lebanon and the successful defence by Jordan and Kuwait against attempted PLO take-overs, have a world significance few realise. The extension of PLO anarchy into the strategic Persian Gulf area could have incalculably damaging effects.

(paras 3.15 to 3.16
and The Lebanon
Crisis 1.11 to 1.19)

The Lebanon Crisis and Peace

19. The communal grievances - both political and economic - which gave rise to the Lebanon fighting have yet to be overcome. The end to the intensive fighting in Lebanon can largely be attributed to Syria's massive intervention and the retention of a dominant Syrian "peace keeping" force. It was certainly not the will of Iraq, Libya or the PLO.

(paras 3.15 to 3.16)

20. After earlier apprehension Israel acquiesced in Syria's pacification efforts - particularly against the Palestinians - provided there was no Syrian military activity near Israel's borders. Israel's strong military position, and US influence on Israel and Syria assured restraint. Restraint was also a genuine Syrian interest once Syrian policy was directed to peace and unification in Lebanon.

(para 3.15)

21. Though the Lebanon Crisis delayed any moves towards a Geneva peace settlement, it also curbed the PLO's capacity for independent military action, and this is likely to have a significant bearing on any movement towards a Middle East settlement. Syria has not yet achieved full control in Beirut and southern Lebanon due to the inevitable retention of weapons by the Palestinians and Christian militias.

(para 3.16)

22. The recent fighting in southern Lebanon between Palestinians and Christians however has allegedly caused Syria to revert to unofficial support of the PLO - or to favour a stalemate - at least in areas close to Israel's northern border. There is grave danger that Israel will react to any large scale introduction of Syrian forces into southern Lebanon which Israel would regard as a threat to her strategic interests. So far Syria has abided by a tacit agreement not to take such action. Lebanon is not yet in a position to keep order or to pacify southern Lebanon, which is essential to the maintenance of postwar Lebanon's sovereignty.

(para 3.17)

23. The Lebanon Crisis greatly increased the bitterness between a number of Arab States, as well as the disenchantment with the Palestinians because of their destructive interference in Lebanon's internal affairs. Ultimately however the Lebanese Civil War narrowed the political gap between Egypt and Syria. This reconciliation has been underpinned by Saudi Arabia and is expected to assist peace moves in the Middle East.

(paras 3.15 and 3.18)

Arab Alignments

24. Exacerbated by the tragic events in Lebanon, a serious split has developed in the Arab world over the related issues of Israel and the Palestinians. The "moderate" bloc, led by Saudi Arabia and Egypt, and including Jordan, Sudan, Kuwait and the other oil States of

the Persian Gulf, seeks a negotiated settlement with Israel, while insisting that the PLO be included in the negotiations. This bloc may be satisfied with a truncated Palestinian State as a settlement for Palestinian claims. The "rejection" bloc, comprising Iraq, Libya, Algeria and the PLO¹, refuses to countenance a negotiated settlement with Israel and demands the liberation of all the territory of the former Palestine Mandate.

(paras 3.24 to 3.25)

25. Syria is the linchpin for Arab moves towards a peaceful settlement with Israel. A move by Syria towards either Arab bloc will seriously affect the balance of power in the Arab world and may determine whether the region turns again to war. A number of factors may tend to exert pressure on Syria to take a more moderate stance: Saudi Arabian financial backing, Syria's new relationship with Jordan and Syria's enmity towards Iraq. The offer of US investment and technology may clinch Syria's moderation but the Committee cannot be confident that Syria's opposition to Israel will not prevail again and push Syria into belligerent action and a hostile alliance.

(para 3.18 and 4.31)

1. There is really a third group as a majority in the PLO is prepared to set up a Palestinian State in whatever part of the former Palestine Mandate Israel is prepared to evacuate. This majority grouping desires to attend a Geneva Peace Conference but on its own terms. In the PLO the term "rejectionist" is normally reserved for members of the Popular Front for the Liberation of Palestine and the Popular Democratic Front for the Liberation of Palestine. (see para 5.33)

The Superpowers and the Middle East

26. US and Soviet involvement in the Middle East region is inevitable for a number of reasons including:

- a. The region holds the oil reserves that fuel the industries of Western industrial countries and Japan;
- b. The Arab oil States are a major source of new investment in the Western world;
- c. The Middle East is an essential communications link between Europe and Asia; the Suez Canal furnishes a shortcut for trade and is a route for any increased Soviet diplomatic, military and ideological impact in the Indian Ocean;
- d. The region is at the one time both NATO's southern flank and the Soviet Union's "soft under-belly" - from the seas that surround the region the US can strike at the Soviet heartland;
- e. The region is a major area of tension and a large scale recipient of arms.

(paras 4.2 to 4.4)

27. US and Soviet rivalry has focussed on the Middle East. The history of this superpower involvement indicates that the two Great Powers will work for a solution to the Arab-Israeli problem only if a serious situation threatens to draw the US and the Soviet Union into the actual conflict - a situation they have always sought to avoid. The superpowers have also worked to ensure that their client States are not subjected to serious defeats.

(paras 4.7 to 4.43)

28. It seems that a major interest of the Soviet Union in the Middle East is to render precarious the supply of oil to the West. The Soviet Union's relations with the region are made complicated by: the vicissitudes of Soviet relationships with Egypt, Ethiopia, Somalia and the two Yemens; the reservations felt by conservative Arab regimes about communism; the significance of the West as a market for the oil exporters and as a supplier of goods and technology. The US has difficulties because of its special relationship with Israel.

(paras 2.30, 4.27 to
4.32 and 6.5)

29. Of the Great Powers, the US is now the dominating influence in the Middle East except in the "rejectionist" grouping of Arab States. The shape of negotiations in the months ahead will depend largely on Israel's response to any US pressure towards a compromise. US pressure is not unrelated to US friendship with Saudi Arabia, and lately with Egypt, as well as US obligations to Western Europe and Japan who are dependent on Middle East oil. The Americans - as Israel's economic benefactors and source of arms - are in a unique position "to influence" Israel, but such pressure is somewhat constrained by political factors within the US. Ultimately, however, the Israeli Government will make the decisions on any concessions that relate to Israel's survival.

(paras 3.47 to 3.48,
4.35 to 4.36)

30. Soviet influence in the Middle East has greatly diminished since Dr Kissinger's successful "step-by-step" diplomacy in the region. This is not to say that the Soviet Union is no longer in a position to make a contribution towards peace by refraining from recent diplomatic strategies. In the period 1950 to 1973 the Soviet Union has supplied 48% of the arms sent to the region. Syria (the leading "confrontation State") as well as Iraq and Libya (the leading States in the "Rejection Front") rely primarily on massive Soviet arms supplies to underwrite a very belligerent posture towards Israel, which these three countries have chosen to adopt for a number of years. Egypt is receiving unobtrusively only a limited supply of arms from the communist bloc but there is no guarantee that the Soviets will not become again a massive supplier of weapons to Egypt.

(paras 3.42 to 3.43)

31. China is widening its contacts with Arab countries but is only a marginal influence in the Middle East at the moment. China cannot replace the Soviet Union as a major supplier of sophisticated weapons at the high rate of attrition demanded by Middle East conflicts. On the other hand the Chinese can be expected to take an increasing interest in any "National Liberation" movements should the opportunity to edge Russia out arise.

(paras 4.5 to 4.6)

The United Nations and Peace

32. The Committee has serious reservations about the

United Nations' capacity or will to settle the Middle East dispute. This is due to the attitudes of the members of the United Nations - a body which has become immobilized by the politics and interests of its members, and has become transformed into an arena for Great Power rivalry and minor power declamation rather than diplomacy.

(paras 3.40 to 3.41)

War or Peace in the Middle East

33. Despite the hair-trigger readiness for war in the Middle East confrontation States, there is optimism particularly among conciliatory Arab leaders, such as Egypt's President Sadat, that a Middle East peace settlement can be negotiated at Geneva within the next twelve months. This optimism is largely based on the belief that the US can persuade Israel to meet what some commentators assert to be the minimum negotiating goals of Egypt, Syria and Jordan: first, Israeli withdrawal from the territory Israel occupied during the 1967 war; and secondly, the restoration in part of Palestinian "national rights" and by the creation of a truncated Palestinian State on the West Bank and the Gaza Strip. There is as yet no significant sign that Israel, in her consequentially reduced area and defensive capacity, would be immune from further demands and later attack.

(paras 3.1 to 3.9,
and 3.24)

34. In return for Israeli withdrawals, the more conciliatory Arab States - presuming the conciliatory sentiment exists - should be prepared to grant Israel her

long cherished ambition - recognition of the right to exist, recognition with guarantees. Unfortunately Israel cannot be assured that the Palestinian Liberation Organisation (PLO) and its militant supporters (such as Iraq and Libya) will accept Israel's right to exist. In fact a large proportion of Israelis are sure that the return of such areas as the strategic Golan Heights to Syria, or the West Bank to the PLO would be a step towards national extinction, and would regard proposals to that end as a transparent trap.

(para 3.25, 3.31 and 3.52)

35. The Arabs are confident that they have time on their side due to their great preponderance of manpower and due to their oil wealth. Anything less than full scale Israeli withdrawal from the territories they won during the 1967 war is politically unacceptable to even the most conciliatory of Arab sentiment. The Arabs have a deep rooted objection to the existence of Israel. At worst they regard its existence as aggression and at best they regard it as an "outpost of Western Imperialism". Conciliatory Arab opinion would regard willingness to accept the existence of Israel in their midst as a huge concession; more common would be the view that acceptance of Israel was betrayal and treason. Here is the basis of Israeli fear.

(paras 1.25 to 1.26, 3.21 to 3.23)

36. For the moment - the passing moment - the Arabs must be aware that they are not yet in a position of military strength compared with Israel. Egypt, which has cut

itself off from Soviet arms support and from the control that support entails, cannot actively seek war with Israel. In any case President Sadat desires to fulfil his promise to raise the living standards of the Egyptian people. He has recognised that this is not possible while so much of Egypt's resources are devoted to military expenditure.

(paras 2.31, 2.42 to 2.50)

37. Syria, a key State in any Arab confrontation grouping against Israel, has until now been very inflexible in its unwillingness to negotiate with Israel. It seems most unlikely however that Syria with its continuing (but successful) pre-occupation with Lebanon would undertake a war with Israel without Egyptian help.

(para 3.3)

38. Egypt cannot be seeking to be in a position to make a major contribution to a war against Israel until the Egyptian forces are re-armed from a new source of military supplies. This may take 2-3 years unless the Egyptians become disenchanted with their new friend - the US - and again accept large amounts of Soviet military aid as in 1973. The break with the Soviet is not a step to war, but for the time being a guarantee of pacific action. Soviet aid was Soviet control, with the granting and withholding of supplies in an arrogant attempt to reward and punish policies, or political nuances, acceptable or unacceptable to the Soviet Union - the source of Soviet breaks with China and Indonesia as well as Egypt, and the root cause of Soviet military occupation of Hungary and Czechoslovakia.

(paras 2.42, 3.1 to

39. There are other reasons why Egypt does not want war. It would jeopardize the revenue Egypt receives from the re-opening of the Suez Canal; it would destroy the huge investment in Egypt's rebuilt Canal cities; Egypt would lose the Sinai oil fields¹ which Israel has returned; and it would discourage the hoped for flow of Western investment and technology for which Egyptian stability is essential. However the uncertainty of Egypt's economic recovery, combined with accusations that President Sadat is selling out the Palestinian cause, create serious countervailing pressures to this policy of moderation. In the long run, however, other nations cannot be expected to subordinate their lives and interests to the "Palestine cause".

(paras 4.39 and 4.40)

40. Despite Egypt's current policy, Israel may have cause to be uneasy about the policy of creating a "Greater Syria" - a new relationship between Syria and Jordan, and a possible turn to Syria's new dominance in Lebanon. This could eventually create a new hostile front to Israel's north and east. Syria and Jordan could receive support from several other Arab States and Egypt would find it hard to keep out of such a war.

(para 2.43)

41. Another Middle East war is likely to involve a much wider participation of Arab States and Jordan is unlikely to be able to avoid serious entanglement.

1. Near Abu Rudais and Ras Sudr (see Map 3 on page 8).

Large-scale participation by Iraq in a future Middle East war would be a particular threat to Israel. This would pre-suppose Syria's and Jordan's ability to trust Iraqi forces in their midst. Distrust between Iraq and Syria has been heightened as a result of the Lebanon Crisis and Syria's policy of seeking to unify Christian and Muslim elements in the Lebanese population, whose differences Iraqi forces and policies have sought to exacerbate.

(paras 2.36 to 2.41)

42. Israelis stagger under the burden of enormous taxation levels, huge defence expenditures, nearly life long military service obligations and they are surrounded by hostility. The Committee is convinced that Israelis would therefore welcome a genuine peace agreement. However, the optimism of the Arab "moderates" for successful negotiations at Geneva cannot realistically be matched in Israel as long as the Arabs demand "every inch" of Israeli occupied territory. It is a paradox that although Israel is in a strong military position today, the burdensome defence expenditures and mobilization requirements of Israel would need to be increased rather than reduced under the proposed Geneva settlement terms.

(para 3.52)

43. The Committee would like to see an early and lasting peace settlement in the Middle East but it is concerned that a Geneva Peace Conference and President Carter's optimistic statements about peace in the Middle East may build up a false expectation of concessions which Israel cannot afford to make. This may disillusion moderate

Arab States with America's Middle East policy, and may cause Egypt to welcome again large-scale Soviet military supplies, which would make feasible in due course another combined Arab round against Israel.

(paras 3.52 to 3.53)

44. The best prospects for avoiding war in the Middle East may result from a continuation of a "step-by-step" approach but not necessarily on all fronts. There is little scope for Israeli concessions on the Golan Heights. It is not unreasonable, however, to expect an agreement between Israel and Jordan, provided King Hussein and the Palestinians can come to an understanding on this matter.¹ Such an agreement would have to take account of Israel's security needs and the realistic requirements of the Palestinians.

(para 3.54)

45. There are indications that moderation in the Middle East will predominate in the short term but there are no certain answers to questions regarding the Middle East. US policy is in a dilemma. With the Soviets waiting in the wings, the US urgently needs a settlement in the Middle East to enable it to retain its improved relations with the economically and strategically important Arab world, while wishing to adhere to the moral commitment of support for the security and survival of Israel.

(paras 4.35 to 4.43)

1. Two agreements have already been reached between Egypt and Israel (see Annex D) and there would be scope for further agreements after settlements on the other fronts.

46. At some stage along the road to peace, and it appears likely to be soon, the US may be unable to convince Israel to give up what it regards as vital to its security for intangible political commitments. If that happens, pressure will be placed on Arab "moderates" to abandon the negotiations and prepare for another war to force a change in the status quo. For such an eventuality the US must maintain Israel's military preponderance in order to force responsible Arab governments to exercise caution for fear that another round of war will lead to their certain defeat and the loss of Egypt's newly acquired gains.

(paras 4.35 to 4.43)

1977-78 - An Opportunity for Peace

47. Despite the great difficulties described in this report, the next year or two is a particularly opportune time to launch a major peace offensive in the Middle East. President Carter is still in his post-election "honeymoon" phase and therefore in a better position to influence Israel; the Israelis, although politically more isolated, can bargain from a position of military strength, especially in relation to Egypt; the "moderate" Arab States¹ are in the mood to talk peace and are less constrained by the PLO which has at the moment little capacity for independent action. The parties concerned should use this opportunity. Israel will find the Arabs in a greater position of strength in the

1. Saudi Arabia, Egypt, Jordan, Sudan, Kuwait and the smaller oil States on the Persian Gulf.

early 1980s - due to their greatly enhanced financial wealth and their consequent ability to influence the West.

(paras 3.1 to 3.9)

The Early 1980s - A Dangerous Period

48. The world will be much more dependent on Arab oil from the early 1980s until such time as alternative energy sources can be developed. Israel will find the Arabs in a position of greater diplomatic strength due to their increased ability to wield the oil weapon. It may then be too late for Israel to make concessions to the Arabs, who are likely to have become disenchanted with US peace efforts if they fail to bring results by then. The Arabs will then have the choice between the war option or the oil option (as practised in 1973). Unfortunately for the peace of the world, the Arabs may combine both their options.

(paras 3.51 to 3.53,
4.40 to 4.43)

Oil has Shifted Balance of Power

49. Politically, the 1973 international energy crisis dramatically altered former assumptions about the balance of power in international politics. While it did not change the overall balance, it did shift the balance in the direction of those oil producing countries which possess abundant oil reserves - the Middle East countries possess approximately 62% of the world's oil reserves. The less-developed Arab countries proved that they could

successfully utilize their oil wealth to bargain in international affairs, and the confrontation brought home the fact that the international economic system rests on a network of mutually interdependent relationships, in which oil supply is vital.

(paras 6.1 to 6.17)

50. The Arab oil producers have made it plain that in the event of another Arab-Israeli war the oil weapon will be used once again. It is a tactic which Arab producers would be obliged to adopt in their role in the coalition against Israel, even if it is a tactic that will harm most of the non-communist world, including the Arab oil producers themselves. The latter depend on the West for capital goods, technology and as an outlet for investment of their surplus petro-funds.

(paras 6.23 to 6.28)

51. After 1973 the Western countries and Japan realised that it was essential for them to ensure a steady supply of oil if they were to avoid their industries and motor vehicles coming to a standstill. Australia has been much slower to realise this, because fortunately the Bass Strait oilfield reached maximum production in the intervening period. In the short term there is a steady flow of oil from the producing countries to the consuming countries at tolerable prices. This has resulted in intense diplomatic activity to ensure continuance. Thus, it has become essential for the West to devise means of minimizing the impact of another oil embargo or of oil production cuts. In the longer term it is imperative that alternative sources

of energy be developed, including those energy forms that do not rely on extractive industries.

(paras 6.18 to 6.22,
6.42 to 6.43)

Action that can be Taken by the West

52. Trade is two way in its advantages. There are a number of retaliatory measures which Western countries could be tempted to use against the possible destructive Arab use of the oil weapon in its various forms - selective embargoes, production cuts and steep oil price rises. Some of these retaliatory measures could lead to nightmarish situations and most of the measures are self-defeating. More effective is the development of closer relations based on the realization of interdependent economies and on sound trade relations.

(paras 6.29 to 6.36)

53. The Arab oil producers have also come to realize that the disruptive effect of the oil weapon on Western economic growth in real terms would also rebound on the interests of the oil producers themselves. Not only do Arab development plans depend on the West but their defence expenditures are based on assumptions of stable or expanding real incomes, and their financial assets (held mostly in short-term deposits in Western financial institutions) would be eroded in purchasing power by a further round of inflation and economic stagnation.

(paras 6.26, 6.35 to
6.36)

54. In the short term there are a number of measures which Western nations - including Australia - can and must take in order to make themselves less dependent on Arab oil. These are canvassed in the report and include a variety of conservation methods, an increase in oil stocks to dampen the effects of short term embargoes, and the diversification to non-Arab energy sources.

(paras 6.37 to 6.41,
7.9 to 7.54)

55. Before 1985 there is likely to be a marked dependency on the Middle East following the depletion of other world sources of oil. At that stage world reserves generally are likely to be low or inaccessible and immunity from an Arab oil embargo would be best ensured by transferring to one or more other energy sources. In fact such a step would be inevitable even if good relations with the Arab world were assured. There is a requirement for Western countries - including Australia - to develop comprehensive national energy policies. At the time when this report was going to print President Carter announced an energy conservation programme. This may prove a useful model for other countries including Australia.

(paras 6.42 to 6.43
and 7.55)

The Serious Outlook for Australia's Oil Sufficiency

56. Australia's oil supply situation over the medium and longer term is serious. Middle East countries supply most of Australia's requirements for heavier crudes but

imports of lighter oils from OPEC sources are also likely to grow rapidly over the next decade. In the absence of any new fields coming on stream, and in the light of growing demand, by 1985 Australian imports could rise from their present 30% to between 55% and 70% of total crude oil demand. Although Australia's known crude oil reserves could be augmented by the use of natural gas and liquefied petroleum gas, these will provide only a partial buffer to the ever-widening gap between anticipated indigenous supply and demand. Sharp increases in the price of oil exacerbate the problem of increased oil imports - for not a significantly greater amount of oil, Australian expenditure on imported oil rose from \$196 million in 1973 to \$748 million in 1975.

(paras 7.1 to 7.6,
and 7.41)

57. There are other reasons for concern with Australia's oil situation:

- a. The restructuring of refinery output of Australia's light crudes would not overcome the serious shortfall (of about 67%) in Australia's fuel oil, including bunkering fuel. There would be a serious increase in unemployment in Australia's manufacturing sector in the event of an Arab embargo or production cuts affecting Australia.
- b. Australian crudes are unsuitable for the production of lubricating oils and bitumen.
- c. Alternative sources to replace Australia's Middle East heavy crude inputs are not readily available.

- d. There are no mandatory stock holdings of petroleum products which has been left as an internal matter for the oil industry.
- e. Although the Australian Government has the power to control the level of stockholdings under the Liquid Fuels (Defence Stocks) Act, there are some apparent legal defects in the Act. The Act has been left neglected on the Statute Book in order that it might be invoked in an emergency.
- f. Australia holds no strategic stocks of imported crudes, although there is allowance for shipping delays of 4-6 weeks.
- g. The level of Australian stocks has not appreciably altered since the 1973 oil crisis. Holdings are much less than maximum storage capacity and there is therefore no apparent incentive for the industry to invest capital for increased storage.

(paras 7.6 to 7.23)

58. Another Arab oil embargo, or production cuts could have serious disruptive effects on the Australian economy both directly, if applied to Australia, and indirectly through the effects on the economies of our major trading partners such as Japan. The extent of the impact would depend on the geographical extent and the duration of the embargo. It has been estimated that if supplies of Middle East oil to Australia were interrupted for more than three months, Australia would suffer an additional half a million unemployed. In the more conceivable event of a partial reduction of heavy oil supplies (as suffered by some countries in 1973) the estimate of extra unemployment would

be reduced (from 500,000 persons) in proportion to the lessened severity of the cuts in Australia's allocation.

(paras 7.24 to 7.40)

59. In 1973-74, Australia's oil supplies from the Middle East were not significantly affected. Since that time Australia's exports (particularly food) to the Arab countries have increased and Australia has strengthened her diplomatic and commercial relations with the oil producers - particularly Saudi Arabia. The Committee believes that this trend should continue as it is the best way to minimize the likelihood of the interruption of oil supplies from the Middle East. There is little reason to believe that the mostly conservative governments of the Middle East oil exporting countries would include Australia on a selective list of embargoed countries. However, indirect problems could result, for instance with shipping and aviation bunkers, including those used by Australian ships and aircraft abroad, even if the embargo were selective in not including Australia.

(paras 7.27 to 7.28)

60. The effects on the world - and therefore indirectly on Australia - of further major oil price rises of a similar magnitude to the four-fold price rises of 1973 would be serious in their inflationary and balance of payments impact. The direct impact of the 1973 oil price increases added 3% to the price levels of our trading partners in the Organisation for Economic Co-operation and Development (OECD). The indirect effects - through the impetus given to the wage/price spiral and to inflationary

expectations generally - were considered to be of the same order suggesting a total impact of from 6-8% in the rate of inflation. The increased price levels were an important factor in the recession in world economic activity, and this in turn affected Australia's export markets and had an impact on the level of domestic activity. Australia and particularly countries such as Britain and Italy have reason to appreciate the action of Saudi Arabia and the United Arab Emirates in preventing further sharp increases in oil prices for 1977.

(paras 7.41 to 7.44)

The Need for Incentives for Oil Exploration

61. Australia's dependence on Middle East heavy crudes could best be broken by significant oil finds in Australia. For this to happen the intensity of oil exploration needs to be greatly increased. Judging by the present low level of exploration significant tax incentives would appear to be necessary. The more unpredictable the Middle East situation becomes, the more the Government will be pressed by events to support some such policy as the recommendation of the IAC Report on Crude Oil Pricing 1976 - a progressive price increase in domestic crude.

(paras 7.51 to 7.52)

Enhancement of Energy Export Potential

62. Greatly increased oil prices have probably improved Australia's longer-term potential as an exporter of such alternative energy sources as natural gas, steaming

coal, liquefied petroleum gas and uranium (if problems of safety can be resolved).

(para 7.41)

Australian Interest in the Middle East

63. Australia would not be directly involved in another Israeli-Arab war but the threat of the renewed use of the oil weapon - in its various forms - and the threat of confrontation between the Soviet Union and the US are grave issues for Australia. The Middle East situation has made heavy diplomatic, military and financial demands on Australia's major ally - the US. A Middle East war could possibly shatter the international consensus in terms of destroying good relations between major powers and disrupting the world economic order and well-being. Thus while Australia's relations with the Middle East are not of primary importance, Australia does have a continuing concern about the Middle East situation. The basic concern is that Middle East disputes are resolved without resort to arms.

(para 8.2)

64. There are several reasons for Australian interest in the Middle East apart from being a source of oil and conflict. It is a significant communications link between Europe and Australia, and Australia has growing trade relations with the countries of the region. Australia is also linked to the Middle East by way of several ethnic groups and Australia's Jewish community has an enduring interest in the welfare and survival of Israel. Australia has also received a large number of migrants from several countries in the region, many of these migrants having come

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from an area of conflict such as Lebanon or Cyprus.

(para 8.3, 8.34 to
8.35, 8.49 to 8.50)

Trade with the Middle East

65. Australia's total trade with countries in the Middle East is expanding rapidly. It is significant - over 5% of total exports - but not paramount in terms of Australia's total trade with the rest of the world. However, countries in the area are looking to Australia for assured supplies of foodstuffs and raw materials and this situation will be reflected in increased trade. This is a most desirable trend in view of Australia's dependence on Middle East oil. Further investigation into the food needs and tastes of the Middle East is likely to be worthwhile for our export trade.

(paras 8.4 to 8.30)

Suez Canal

66. The Suez Canal has been of diminishing importance to Australia in recent years. Traffic through the Canal is expected to increase when the proposed improvements to it are completed. Australia's trade with the Middle East and our oil supplies from the area were never seriously affected by the closure of the Canal, as most of this trade is shipped to and from Middle East ports south and east of the Canal.

(paras 8.31 to 8.33)

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Australia's Representation in the Middle East

67. Australia should continue to expand its diplomatic representation in the Middle East to improve understanding and trade with the region. This should include Australian Services Attaches in Israel, Egypt, Syria and perhaps in Iran, Iraq and Libya¹. Australia should not be dependent on other powers for information on the Middle East - politics, ideology, commerce, and military affairs require the accreditation of Australian diplomats who have a knowledge of Arabic.

(paras 8.36 to 8.40,
8.44 to 8.47)

Arab Investment in Australia

68. Arab investors have acted responsibly in Western capital markets. As their investment managers turn their attention to more long-term productive investment, their attention can be expected to turn to Australia. The Committee believes it to be desirable to achieve such economic inter-dependence between the Middle East and Australia. It would also provide financial and capital resources for development projects in this country. Indications are that the Arabs need encouragement.

(para 8.48)

1. Australia does not yet have diplomatic relations with Libya but see Recommendation 13.

Australia and the Lebanon Crisis

69. The Committee has already promulgated in The Lebanon Crisis a number of recommendations regarding aid to Lebanon, Australia's refugee policy, and the more humane administration of Lebanese coming to Australia as a result of the recent conflict. While many of these recommendations have been implemented the Committee considers the sponsorship of Australian medical teams to have been inadequate so far.

(para 8.51 and Annex I)

70. The Committee believes that now the serious fighting in Lebanon appears to be over, Australia's efforts regarding our Lebanese community should give priority to the integration of the Lebanese who have arrived in Australia during and after the Lebanon Crisis.¹

(para 8.52)

Transfers of Foreign Quarrels

71. Every effort must be made by responsible Australian instrumentalities to avoid the transfer of Middle East quarrels to Australia. The Committee is concerned that at least one radio station and some written material freely available have disseminated racial or religious incitement.

(paras 8.53 to 8.55)

72. Opinions on the Middle East question should be heard including those who advocate a new deal for the

1. In the 24 month period from 1 April 1975 to 31 March 1977, 9303 persons arrived in Australia from Lebanon.

Palestinian people. However the Committee firmly opposes entry of persons who have participated in or who have called for acts of terrorism. Furthermore entry of people who advocate terrorism is bound to lead not merely to demonstrations (which are a right) but to further violence.

(paras 8.56 to 8.59)

Australian Diplomatic Initiatives

73. The recent increase in diplomatic representation in the Middle East provides Australia with greater opportunities to achieve a clearer perception of Arab needs and understanding of their viewpoints. It gives further opportunities to reiterate Australia's continuing support for the survival of Israel. In addition Australia should support any American efforts to achieve an enduring and stable peace in the Middle East. Every official Australian action including that at the United Nations should aim to reduce the destructive enmity so prevalent in the Middle East situation.

(paras 3.55 to 3.56,
8.63 to 8.64)

74. Australian diplomacy at the United Nations and its agencies like UNESCO has had a tendency to abstain on issues between Israel and its neighbours. The security of Australian oil supplies has been a motivating consideration. Israel, however, has as a motivating consideration its existence and probably the very existence of its people.

(paras 3.55 to 3.56)

Australia's Defence

75. Apart from the threat to Australia's oil imports, our security is unlikely to be directly threatened by a military conflict in the Middle East and it is unlikely that Australia's defence forces would become directly involved in the region, except as part of the United Nations peace-keeping forces. However, increases in tension in regions such as the Middle East, where the superpowers' strategic interests are great and where their policies may conflict, tend to increase Australia's own strategic uncertainty and insecurity. At worst there is always the possibility that a world war could originate in the Middle East.

(paras 8.41 to 8.47)

RECOMMENDATIONS

The Committee has made already a number of recommendations in its Interim Report¹ (they are contained in Annex I for ease of reference). As a result of its inquiry, the Committee now makes the following additional recommendations:

1. Australia should continue to work in a sensitive way to assist movement towards a permanent and peaceful settlement. The basis of Australia's action should be recognition of Israel's right to exist in security, and encouragement of Arab initiatives to settle the displaced Palestinians. With regard to the proposal foreshadowed by "moderate" Arab States to establish a "Palestinian Homeland" in the West Bank-Gaza area, the utmost any significant Israeli has been prepared to concede is the unofficial Allon plan (see para 3.39). As the plan was prepared by Israel's Foreign Minister it should be regarded as authoritative.

(paras 3.55 to 3.56,
8.63 to 8.64)

2. Australia should work in international forums as well as in private consultations with friendly powers to support the efforts of the US - the most influential power in the region - to achieve a lasting Middle East peace settlement. This may require support for the resumption of US "step-by-step" diplomacy, should the parties to the dispute become disenchanted with the Geneva Peace Conference.

(paras 3.54 to 3.56)

1. The Lebanon Crisis 2 December 1976.

3. One of the objectives of Australian diplomacy should be to encourage the membership of the United Nations Organisation to allow that Organisation to fulfil its role to keep the peace, foster human rights and prevent any situations which could eventually lead to genocide in the Middle East. It is tending to become an organisation condoning the denial of human rights, ignoring genocide, and tending to endorse violent military settlements, not negotiation.

(para 3.40 to 3.41)

4. As a nation desiring the reconciliation of the Arab States and Israel, Australia should aim for the ability to influence both sides; Australia should continue to increase its representation in Arab countries to provide greater opportunities to demonstrate friendship and achieve a clearer understanding of their needs and viewpoints. At the same time, Australia must make clear that it would not approve of measures that may lead to the destruction of Israel; there must be no ambiguity to our policy in this regard.

(paras 8.36 to 8.40,
8.63 to 8.64)

5. Insofar as the the Palestinians are a displaced people, Australia should consider it an obligation (in common with other United Nations' members) to seek their settlement in conditions of dignity and security. Insofar as the Palestine Liberation Organisation is a force which has threatened countries with whom Australia seeks to have friendly relations including Jordan, Lebanon and Kuwait, and

has sought to impose its will on such societies, Australia should regard such actions as inimical to peace.

(paras 5.1, 5.35 to 5.36, 3.15)

6. Australia should continue to make contributions to the welfare of Palestinians through the United Nations Relief and Works Agency for Palestinian Refugees. Such assistance would be enhanced if it were devoted to the rehabilitation of those Palestinians who are living in squalid refugee camps in order that they may be given gainful employment in areas where there is a labour shortage. Australia should examine the possibilities for further assistance to the Palestinians which may also be directed through Jordanian authorities. Australia should seek to persuade the members of the United Nations to influence the Middle East States to set in motion programmes to be financed by the \$200 million United Nations refugee fund lying idle.

(paras 5.4 and 5.11)

7. Australian policy on the Middle East should take into account that criticisms of Israel's diplomatic positions ignore the fact that diplomacy in the traditional sense is impossible when, in effect, the demand is to accept the extinction of your State and the annihilation of your people. The use of dehumanizing terms such as "Zionist" and "Zionist State" as a propaganda ploy to conceal the fact that what is intended is the total destruction of Jewish people should not be allowed to shake the Australian position - Israel is an accepted and recognized¹ State by

1. the Soviet Union was the first country to recognize Israel.

the United Nations - and its people are entitled to live in peace. The "border problems" and "occupied territories" have come into existence because Israel has been attacked and has defended itself. It has been impossible for Israel to rely on the United Nations, the Great Powers, or any guarantees from any outside quarter, and impossible for Israel to ignore the fact that the Palestine Liberation Organisation has documented its position - Israel does not exist; what exists is "Zionist aggression" which should be exterminated.

(paras 3.28 to 3.38)

8. Australians involved with Middle East matters should bear in mind the following:

- a. Arab States recognize the PLO as, in effect, another Arab State and periodically seem to abdicate any right to speak on behalf of this "State", but then, as in PLO conflicts with Syria (in relation to Lebanon) and Jordan, the PLO seems not to be recognized as a "State".
- b. The right of the PLO to be accredited to the Geneva Conference should be from Australia's point of view conditional on its willingness to recognize Israel's right to exist. Australia should not put pressure on Israel to negotiate with or to recognize the PLO on impossible terms - the threatened extinction of Israel constitutes, from an Israeli point of view, an impossible basis of negotiation.

c. From an Australian point of view it would be indefensible to act at the United Nations, or in any relevant international conference, as if Israel had an option when its adversary does not accept its right to exist and uses the terminology of Israel's extinction in every public document. The intention to carry out the policy of extinction is clear enough, and accounts for the tension in the Middle East.

d. The Jews have lived with the catastrophes of holocaust in Europe and expulsion from the Arab States, and Israel has, as a consequence, been born from disaster. We have no right to join in pressure to demand that Israelis submit to further holocaust and expulsion.

(paras 3.48 to 3.56)

9. Australia should support the implementation of limited forces zones and support the concept of Great Power guarantees provided any State involved in the Arab-Israeli dispute is not forced to rely entirely on such measures for their continued existence.

(paras 3.36 to 3.37)

10. Until such time as Lebanon can build up strong enough security forces to curb Palestinian forces in southern Lebanon, Australia should support the establishment in Lebanon's troubled southern border area of an effective International Peace-keeping Force to be drawn from disinterested powers. Such a force must also be of sufficient strength to curb armed incursions to and from

Israel

(paras 3.16 to 3.17)

11. Australia should give continued support to United Nations' peace-keeping forces in the Middle East and, if requested, be prepared to enlarge its present limited contribution with the dispatch of a small balanced Army contingent of all arms.

(para 8.43)

12. Australia should support action, or any international guarantees, which ensure freedom of navigation through international waterways in the Middle East.

(paras 1.40 to 1.46)

13. To facilitate the potential for trade with Libya, Australia should establish diplomatic relations with Libya and ensure the early appointment of trade commission staff to that country.

(paras 8.20 and 8.40)

14. To ensure that Australia can independently assess the latest military tactics and technology used in the Middle East, Australian Ambassadors in Israel, Egypt, Syria, and perhaps in Iran, Iraq and Libya should have an Australian Armed Services Attache available to them.

(paras 8.44 to 8.47)

15. Australia should encourage long term productive investment in this country from the Middle East oil exporting States.

(para 8.48)

16. In addition to the aid already recommended to assist post-war reconstruction in Lebanon¹, Australia should increase its aid to the Middle East generally. Australia could assist stability where necessary with generous quantities of food and medical aid, it could assist with the sizeable project to improve the Suez Canal, and with the introduction of dry farming techniques in a number of Middle East countries.

(paras 8.1 to 8.40)

17. Australia should give urgent attention to the development of a comprehensive National Energy Policy that will harness other potentially abundant energy reserves and that will conserve our scarce oil resources until alternative energy sources can be developed. It must be regarded as a realistic policy designed to deflect from Australia some of the consequences of conflict in the Middle East. The Committee has suggested a number of ways of conserving energy which should be considered when conservation methods are incorporated in a National Energy Policy.

(paras 7.49 to 7.55)

18. Australian Governments must make the Australian public aware of the need to conserve petroleum products. The only effective way to do this would be the introduction of some of the fiscal measures as canvassed in this report. The introduction of such measures may take political courage.

1. See recommendations of Interim Report contained in Annex I.

President Carter has faced this issue, and has taken steps to introduce similar measures as listed in this report. They are worthy of the Australian Government's consideration, in view of the fact that the US Government, with greater oil resources in the US than has Australia, sees an emergency developing. It is obvious the same emergency will develop in Australia in the absence of alternative sources of energy.

(paras 7.51 to 7.55)

19. In the event that the Australian Government makes allowance for the unpredictable Middle East oil situation by supporting a progressive increase in domestic crude prices in order to save a scarce resource, then a significant proportion of higher royalties should be allocated to the following:

- a. to give tax incentives for further exploration;
- b. to the development of alternative energy sources - Australia has research interests in solar energy, coal, the safe handling of uranium and perhaps tidal generation of electricity¹;
- c. increased storage capacity for the types of crudes normally imported;
- d. the granting of a high priority and encouragement for research and development of suitable technology for the extraction of rapidly depleting

1. Although North Western Australia has an exceptional tidal range the most recent study suggests that the costs of electricity generation would be very high compared with conventional methods.

mineral resources and the recovery of a higher proportion of crude oil from Australia's existing fields.

(paras 7.16 to 7.17,
7.20 to 7.23, 7.49
to 7.54)

20. Australia should encourage the development of all feasible energy sources which can be used as alternatives to petroleum. The Federal Tax of 9.092 cents per gallon on Liquefied Petroleum Gas raises little revenue; it should be removed to encourage the replacement of motor spirit. Serious consideration should be given to increasing the use of relatively abundant LPG by subsidizing the costs of conversion. Subsidies could be given direct to the manufacturers of engines suitable for LPG.

(para 7.17)

21. Australia should progressively increase mandatory stock holdings of crude oil and derived products so that they will amount to 90 days reserves by 1981. Priority in the meantime should be given to improving stock holdings related to the defence capacity of Australia. The Government should give consideration to taking up part of any newly discovered oil fields so that it would constitute a valid defence reserve.

(paras 7.20 to 7.23
and 7.54)

22. Both Commonwealth and State Governments should have at all times in advanced preparation the necessary legislation to implement the conservation of scarce energy

products. Early priority should be given to the revision and amendment of the Liquid Fuels (Defence Stocks) Act.

(paras 7.20 and
7.35)

23. Australia should attempt to make itself less dependent on Arab oil supplies to lessen the possibility of heavy unemployment (it could be as severe as an additional half a million persons) should these supplies be reduced. Although it will be difficult to diversify the sources of our oil imports, Australia should arrange to increase our heavy crude imports from Iran. For the longer term Australia should perhaps seek to make arrangements with Indonesia to secure future oil supplies when Australia's domestic light crude reserves become depleted.

(paras 7.9 to 7.14,
7.29 to 7.34, 7.47
to 7.48)

24. Australia's efforts regarding our Lebanese community should give priority to the integration of the Lebanese who have recently arrived in Australia as a result of the Lebanon Crisis. Special attention needs to be given to the availability of interpreters, to the instruction in English for both children and adults, and to assistance with job placement - all these matters being inter-related. It requires an inter-Departmental approach by the Australian Government, and closer co-operation with State instrumentalities.

(paras 8.51 to 8.52)

25. Every effort must be made to avoid the transfer of foreign quarrels to Australia (see recommendations in Interim Report at Annex I). While various opinions on all Middle East questions should be heard, including from those that represent the views of the Palestinians, entry to Australia should not be granted to persons who have participated in, or who have called for, acts of terrorism.

(paras 8.53 to 8.59)

26. As a member of the world community, Australia should participate fully in the development of international measures to counter terrorism.

(paras 8.60 to 8.62)

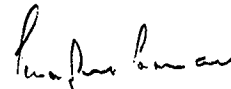
27. Middle Eastern and Islamic studies, as well as the teaching of Arabic, should be encouraged in Australia. This should include a number of scholarships for use in the Middle East. Australia should also sponsor students from Middle East countries at Australian learning institutions.

(paras 8.3 to 8.30,
8.36 to 8.40)

ACKNOWLEDGEMENT

The Committee would like to thank all those who have contributed their time, knowledge and experience to the inquiry or who have assisted the Committee in various ways by making available services or facilities. Special thanks is due to all those who appeared in person before the Committee and to those individuals and organisations providing written information to the Committee (see Annex J).

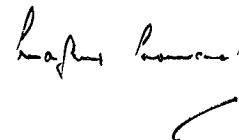
By Order of the Committee



Magnus Cormack, Senator

Chairman

3 May 1977



ANNEX A

UNITED NATIONS RESOLUTION 242 (1967)

Adopted by the Security Council at its 1,382nd meeting
on 22 November 1967

The Security Council,

Expressing its continuing concern with the grave situation in the Middle East;

Emphasizing the inadmissibility of the acquisition of territory by war and the need to work for a just and lasting peace in which every State in the area can live in security;

Emphasizing further that all Member States in their acceptance of the Charter of the United Nations have undertaken a commitment to act in accordance with Article 2 of the Charter;

1. Affirms that the fulfilment of Charter principles requires the establishment of a just and lasting peace in the Middle East which should include the application of both the following principles:

- a. Withdrawal of Israeli armed forces from territories occupied in the recent conflict;
- b. Termination of all claims or states of belligerency and respect for and acknowledgment of the sovereignty, territorial integrity and political independence of every State in the area and their right to live in peace within secure and recognized boundaries free from threats or acts of force;

2. Affirms further the necessity:

- a. For guaranteeing freedom of navigation

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through international waterways in the area;

- b. For achieving a just settlement of the refugee problem;
- c. For guaranteeing the territorial inviolability and political independence of every State in the area, through measures including the establishment of demilitarised zones;

3. Requests the Secretary-General to designate a Special Representative to proceed to the Middle East to establish and maintain contacts with the States concerned in order to promote agreement and assist efforts to achieve a peaceful and accepted settlement in accordance with the provisions and principles in this resolution;

4. Requests the Secretary-General to report to the Security Council on the progress of the efforts of the Special Representative as soon as possible.

UNITED NATIONS RESOLUTION 338
of 22 October 1973

The Security Council

1. Calls upon all parties to the present fighting to cease all firing and terminate all military activity immediately, no later than 12 hours after the moment of the adoption of this decision, in the positions they now occupy;

2. Calls upon the parties concerned to start immediately after the cease-fire the implementation of Security Council resolution 242 (1967) in all of its parts;

3. Decides that, immediately and concurrently with the cease-fire, negotiations shall start between the parties concerned under appropriate auspices aimed at establishing a just and durable peace in the Middle East.

ANNEX B

THE PALESTINIAN NATIONAL CHARTER*

1. Palestine is the homeland of the Palestinian Arab people; it is an indivisible part of the Arab homeland, and the Palestinian people are an integral part of the Arab nation.

2. Palestine, with the boundaries it had during the British mandate, is an indivisible territorial unit.

3. The Palestinian Arab people possess the legal right to their homeland and have the right to determine their destiny after achieving the liberation of their country in accordance with their wishes and entirely of their own accord and will.

4. The Palestinian identity is a genuine, essential and inherent characteristic; it is transmitted from parents to children. The Zionist occupation and the dispersal of the Palestinian Arab people, through the disasters which befell them, do not make them lose their Palestinian identity and their membership of the Palestinian community, nor do they negate them.

5. The Palestinians are those Arab nationals who, until/1947, normally resided in Palestine regardless of whether they were evicted from it or have stayed there. Anyone born, after that date, of a Palestinian father - whether inside Palestine or outside it - is also a Palestinian.

6. The Jews who had normally resided in Palestine until the beginning of the Zionist invasion will be considered Palestinians.

7. That there is a Palestinian community and that it has material, spiritual and historical connection with Palestine are indisputable facts. It is a national duty to

* Decisions of the National Congress of the Palestine Liberation Organisation held in Cairo July 1st-17th, 1968.

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bring up individual Palestinians in an Arab revolutionary manner. All means of information and education must be adopted in order to acquaint the Palestinian with his country in the most profound manner, both spiritual and material, that is possible. He must be prepared for the armed struggle and ready to sacrifice his wealth and his life in order to win back his homeland and bring about its liberation.

8. The phase in their history, through which the Palestinian people are now living, is that of national struggle for the liberation of Palestine. Thus the conflicts among the Palestinian national forces are secondary, and should be ended for the sake of the basic conflict that exists between the forces of Zionism and of imperialism on the one hand, and the Palestinian Arab people on the other. On this basis the Palestinian masses, regardless of whether they are residing in the national homeland or in diaspora, constitute - both their organizations and the individuals - one national front working for the retrieval of Palestine and its liberation through armed struggle.

9. Armed struggle is the only way to liberate Palestine. Thus it is the overall strategy, not merely a tactical phase. The Palestinian Arab people assert their absolute determination and firm resolution to continue their armed struggle and to work for an armed popular revolution for the liberation of their country and their return to it. They also assert their right to normal life in Palestine and to exercise their right to self-determination and sovereignty over it.

10. Commando action constitutes the nucleus of the Palestinian popular liberation war. This requires its escalation, comprehensiveness and the mobilization of all the Palestinian popular and educational efforts and their organization and involvement in the armed Palestinian revolution. It also requires the achieving of unity for the national struggle among the different groupings of the Palestinian people, and between the Palestinian people and the Arab masses so as to secure the continuation of the revolution, its escalation and victory.

11. The Palestinians will have three mottoes: national unity, national mobilization and liberation.

12. The Palestinian people believe in Arab unity. In order to contribute their share towards the attainment of that objective, however, they must, at the present stage of their struggle, safeguard their Palestinian identity and develop their consciousness of that identity, and oppose any plan that may dissolve or impair it.

13. Arab unity and the liberation of Palestine are two complementary objectives, the attainment of either of which facilitates the attainment of the other. Thus, Arab unity leads to the liberation of Palestine; the liberation of Palestine leads to Arab unity; and work towards the realization of one objective proceeds side by side with work towards the realization of the other.

14. The destiny of the Arab nation, and indeed Arab existence itself, depends upon the destiny of the Palestine cause. From this interdependence springs the Arab nation's pursuit of, and striving for, the liberation of Palestine. The people of Palestine play the role of the vanguard in the realization of this sacred national goal.

15. The liberation of Palestine, from an Arab viewpoint, is a national duty and it attempts to repel the Zionist and imperialist aggression against the Arab homeland, and aims at the elimination of Zionism in Palestine. Absolute responsibility for this falls upon the Arab nation - peoples and governments - with the Arab people of Palestine in the vanguard. Accordingly the Arab nation must mobilize all its military, human, moral and spiritual capabilities to participate actively with the Palestinian people in the liberation of Palestine. It must, particularly in the phase of the armed Palestinian revolution, offer and furnish the Palestinian people with all possible help, and

material and human support, and make available to them the means and opportunities that will enable them to continue to carry out their leading role in the armed revolution, until they liberate their homeland.

16. The liberation of Palestine, from a spiritual point of view, will provide the Holy Land with an atmosphere of safety and tranquillity, which in turn will safeguard the country's religious sanctuaries and guarantee freedom of worship and of visit to all, without discrimination of race, color, language or religion. Accordingly, the people of Palestine look to all spiritual forces in the world for support.

17. The liberation of Palestine, from a human point of view, will restore to the Palestinian individual his dignity, pride and freedom. Accordingly the Palestinian Arab people look forward to the support of all those who believe in the dignity of man and his freedom in the world.

18. The liberation of Palestine, from an international point of view, is a defensive action necessitated by the demands of self-defence. Accordingly, the Palestinian people, desirous as they are of the friendship of all people, look to freedom-loving, justice-loving and peace-loving states for support in order to restore their legitimate rights in Palestine, to re-establish peace and security in the country, and to enable its people to exercise national sovereignty and freedom.

19. The partition of Palestine in 1947 and the establishment of the state of Israel are entirely illegal, regardless of the passage of time, because they were contrary to the will of the Palestinian people and to their natural right in their homeland, and inconsistent with the principles embodied in the Charter of the United Nations, particularly the right to self-determination.

20. The Balfour Declaration, the mandate for Palestine and everything that has been based upon them, are deemed null and void. Claims of historical or religious ties of Jews with Palestine are incompatible with the facts of history and the true conception of what constitutes

statehood. Judaism, being a religion, is not an independent nationality. Nor do Jews constitute a single nation with an identity of its own; they are citizens of the states to which they belong.

21. The Palestinian Arab people, expressing themselves by the armed Palestinian revolution, reject all solutions which are substitutes for the total liberation of Palestine and reject all proposals aiming at the liquidation of the Palestinian problem, or its internationalization.

22. Zionism is a political movement organically associated with international imperialism and antagonistic to all action for liberation and to progressive movements in the world. It is racist and fanatic in its nature, aggressive, expansionist and colonial in its aims, and fascist in its methods. Israel is the instrument of the Zionist movement, and a geographical base for world imperialism placed strategically in the midst of the Arab homeland to combat the hopes of the Arab nation for liberation, unity and progress. Israel is a constant source of threat vis-a-vis peace in the Middle East and the whole world. Since the liberation of Palestine will destroy the Zionist and imperialist presence and will contribute to the establishment of peace in the Middle East, the Palestinian people look for the support of all the progressive and peaceful forces and urge them all, irrespective of their affiliations and beliefs, to offer the Palestinian people all aid and support in their just struggle for the liberation of their homeland.

23. The demands of security and peace, as well as the demands of right and justice, require all states to consider Zionism an illegitimate movement, to outlaw its existence, and to ban its operations, in order that friendly relations among peoples may be preserved, and the loyalty of citizens to their respective homelands safeguarded.

24. The Palestinian people believe in the principles of justice, freedom, sovereignty, self-determination, human dignity, and in the right of all peoples to exercise them.

25. For the realization of the goals of this Charter and its principles, the Palestine Liberation Organization will perform its role in the liberation of Palestine in accordance with the Constitution of this Organization.

26. The Palestine Liberation Organization, representative of the Palestinian revolutionary forces, is responsible for the Palestinian Arab people's movement in its struggle - to retrieve its homeland, liberate and return to it and exercise the right to self-determination in it - in all military, political and financial fields and also for whatever may be required by the Palestine case on the inter-Arab and international levels.

27. The Palestine Liberation Organization shall co-operate with all Arab states, each according to its potentialities; and will adopt a neutral policy among them in the light of the requirements of the war of liberation; and on this basis it shall not interfere in the internal affairs of any Arab state.

28. The Palestinian Arab people assert the genuineness and independence of their national revolution and reject all forms of intervention, trusteeship and subordination.

29. The Palestinian people possess the fundamental and genuine legal right to liberate and retrieve their homeland. The Palestinian people determine their attitude towards all states and forces on the basis of the stands they adopt vis-a-vis the Palestinian case and the extent of the support they offer to the Palestinian revolution to fulfill the aims of the Palestinian people.

30. Fighters and carriers of arms in the war of liberation are the nucleus of the popular army which will be the protective force for the gains of the Palestinian Arab people.

31. The Organization shall have a flag, an oath of allegiance and an anthem. All this shall be decided upon in accordance with a special regulation.

32. Regulations, which shall be known as the Constitution of the Palestine Liberation Organization, shall be annexed to this Charter. It shall lay down the manner in which the Organization, and its organs and institutions, shall be constituted; the respective competence of each; and the requirements of its obligations under the Charter.

33. This Charter shall not be amended save by (vote of) a majority of two-thirds of the total membership of the National Congress of the Palestine Liberation Organization (taken) at a special session convened for that purpose.

ANNEX C

GALLUP POLLS REFLECTING ISRAELI WILLINGNESS
TO RETURN OCCUPIED TERRITORIES

Area	(total percentage)		
	Mar-April ^a 1971	Jan ^b 1975	Mar ^b 1976
<u>Sinai</u>			
1. Concede everything	10	10	
2. Concede only part	58	63	
3. Not concede anything	31	16	
<u>West Bank</u>			
1. Concede everything	6	7	14
2. Concede only part	38	63	49
3. Not concede anything	56	29	38
<u>Gaza Strip</u>			
1. Concede everything	16	24	29
2. Concede only part	10	43	26
3. Not concede anything	70	33	46
<u>Sharm el-Sheikh</u>			
1. Return to Egypt	2	(20	(20
2. Return to UN	7		
3. Not concede anything	91	80	80
<u>Golan Heights</u>			
1. Concede everything	1		7
2. Concede only part	7		24
3. Not concede anything	92		69
<u>East Jerusalem</u>			
1. Not to keep	1		2
2. To concede part of E. Jerusalem so that it will belong to Israel and the Arabs	6		20
3. To keep	93		78
<u>Sources:</u>			
a. Abel Jacob, "Trends in Israeli Public Opinion 1967-72", <u>Jewish Journal of Sociology</u> , Vol 16.			
b. Israeli Institute of Applied Social Research preliminary data provided by Dr S.R. Rosen.			

ANNEX D

SECOND INTERIM PEACE AGREEMENT
BETWEEN EGYPT AND ISRAEL
(signed September 4th, 1975)

The Government of the Arab Republic of Egypt and the Government of Israel have agreed that:

Article I

The conflict between them and in the Middle East shall not be resolved by military force but by peaceful means.

The Agreement concluded by the parties January 18th, 1974, within the framework of the Geneva Peace Conference, constituted a first step towards a just and durable peace according to the provisions of Security Council resolution 338 of October 22nd, 1973.

They are determined to reach a final and just peace settlement by means of negotiations called for by Security Council resolution 338, this Agreement being a significant step towards that end.

Article II

The parties hereby undertake not to resort to the threat or use of force or military blockage against each other.

Article III

The parties shall continue scrupulously to observe the cease-fire on land, sea and air and to refrain from all military or para-military actions against each other. The parties also confirm that the obligations contained in the annex and, when concluded, the Protocol shall be an integral part of this Agreement.

Article IV

A. The military forces of the parties shall be deployed in accordance with the following principles:

1. All Israeli forces shall be deployed east of the lines designated as lines J and M on the map (see map 3 on page 8).
2. All Egyptian forces shall be deployed west of the line designated as line E (see map 3).
3. The area between the lines designated on the attached map (see map 3) as lines E and F and the area between the lines designated (see map 3) as lines J and K shall be limited in armament and forces.
4. The limitations on armament and forces in the areas described by paragraph 3 above shall be agreed as described in the attached annex.
5. The zone between the lines designated (see map 3) as lines E and J will be a buffer zone. In this zone the United Nations Emergency Force will continue to perform its functions as under the Egyptian-Israeli Agreement of January 18th, 1974.
6. In the area south from line E and west from line M, as defined (see map 3), there will be no military forces, as specified in the attached annex.

B. The details concerning the new lines, the re-deployment of the forces and its timing, the limitation on armaments and forces, aerial reconnaissance, the operation of the early warning and surveillance installations and the use of the roads, the United Nations functions and other arrangements will all be in accordance with the provisions of the annex and map which are an integral part of this Agreement and of the protocol which is to result from negotiations pursuant to the annex and which, when concluded, shall become an integral part of this Agreement.

Article V

The United Nations Emergency Force is essential and shall continue its functions and its mandate shall be extended annually.

Article VI

The parties hereby establish a joint commission for the duration of this Agreement. It will function under the aegis of the chief co-ordinator of the United Nations peace-keeping missions in the Middle East in order to consider any problem arising from this Agreement and to assist the United Nations Emergency Force in the execution of its mandate. The joint commission shall function in accordance with procedures established in the Protocol.

Article VII

Non-military cargoes destined for or coming from Israel shall be permitted through the Suez Canal.

Article VIII

This Agreement is regarded by the parties as a significant step toward a just and lasting peace. It is not a final peace agreement.

The parties shall continue their efforts to negotiate a final peace agreement within the framework of the Geneva Peace Conference in accordance with Security Council resolution 338.

Article IX

This Agreement shall enter into force upon signature of the Protocol and remain in force until superseded by a new agreement.

SUMMARY OF PLAN PROPOSED
BY THE BROOKINGS INSTITUTION

The study group reached five main conclusions:

1. US interests. The United States has a strong moral, political, and economic interest in a stable peace in the Middle East. It is concerned for the security, independence, and well-being of Israel and the Arab states of the area and for the friendship of both. Renewed hostilities would have far-reaching and perilous consequences which would threaten those interests.

2. Urgency. Whatever the merits of the interim agreement on Sinai, it still leaves the basic elements of the Arab-Israeli dispute substantially untouched. Unless these elements are soon addressed, rising tensions in the area will generate increased risk of violence. We believe that the best way to address these issues is by the pursuit of a comprehensive settlement.

3. Process. We believe that the time has come to begin the process of negotiating such a settlement among the parties, either at a general conference or at more informal multilateral meetings. While no useful interim step toward settlement should be overlooked or ignored, none seems promising at the present time and most have inherent disadvantages.

4. Settlement. A fair and enduring settlement should contain at least these elements as an integrated package:

- a. Security. All parties to the settlement commit themselves to respect the sovereignty and territorial integrity of the others and to refrain from the threat or use of force against them.
- b. Stages. Withdrawal to agreed boundaries and the establishment of peaceful relations carried out in stages over a period of years, each stage being undertaken only when

the agreed provisions of the previous stage have been faithfully implemented.

- c. Peaceful relations. The Arab parties undertake not only to end such hostile actions against Israel as armed incursions, blockades, boycotts, and propaganda attacks, but also to give evidence of progress toward the development of normal international and regional political and economic relations.
- d. Boundaries. Israel undertakes to withdraw by agreed stages to the June 5, 1967, lines with only such modifications as are mutually accepted. Boundaries will probably need to be safeguarded by demilitarized zones supervised by United Nations forces.
- e. Palestine. There should be provision for Palestinian self-determination, subject to Palestinian acceptance of the sovereignty and integrity of Israel within agreed boundaries. This might take the form either of an independent Palestine State accepting the obligations and commitments of the peace agreements or of a Palestine entity voluntarily federated with Jordan but exercising extensive political autonomy.
- f. Jerusalem. The report suggests no specific solution for the particularly difficult problem of Jerusalem but recommends that, whatever the solution may be, it meet as a minimum the following criteria:
 - there should be unimpeded access to all of the holy places and each should be under the custodianship of its own faith;
 - there should be no barriers dividing the city which would prevent free circulation throughout it; and

- each national group within the city should, if it so desires, have substantial political autonomy within the area where it pre-dominates.

9. Guarantees. It would be desirable that the United Nations Security Council endorse the peace agreements and take whatever other actions to support them the agreements provide. In addition, there may well be need for unilateral or multilateral guarantees to some or all of the parties, substantial economic aid, and military assistance pending the adoption of agreed arms control measures.

5. US role. The governments directly concerned bear the responsibility of negotiation and agreement, but they are unlikely to be able to reach agreement alone. Initiative, impetus, and inducement may well have to come from outside. The United States, because it enjoys a measure of confidence of parties on both sides and has the means to assist them economically and militarily, remains the great power best fitted to work actively with them in bringing about a settlement. Over and above helping to provide a framework for negotiation and submitting concrete proposals from time to time, the United States must be prepared to take other constructive steps, such as offering aid and providing guarantees where desired and needed. In all of this, the United States should work with the USSR to the degree that Soviet willingness to play a constructive role will permit.

Source: Submitted at hearings before the Sub-Committee on Near Eastern and South Asian Affairs - US Senate Committee on Foreign Relations 19 May - 26 July 1976.

THE POLITICAL COMMUNIQUE ISSUED BY THE 13TH SESSION OF THE PALESTINIAN NATIONAL COUNCIL AT THE CLOSE OF ITS 10 DAY MEETING IN CAIRO, MARCH 1977.

On the basis of the Palestinian National Covenant, and the resolutions passed at the previous sessions of the National Council; with insistence on the political achievements of the PLO on the Arab and the international level following the 12th session of the Council; following a discussion of the recent developments in the Palestine issue; and emphasizing the support of Arab and international circles for the national Palestinian struggle, the Palestinian National Council stresses the following points:

1. The Palestinian National Council emphasizes that the Palestinian issue is the root and base of the Arab-Zionist conflict, and that Security Council Resolution 242 ignores the Palestinian nation and its unchallengeable rights. The Council therefore emphasizes its opposition to this resolution and its refusal to negotiate on its basis in the Arab and the international arena.

2. The Council emphasizes the position of the PLO, which is unshakably resolved to continue the armed struggle and its concomitant forms of political and mass struggle, to realise those unchallengeable national rights.

3. The Council emphasizes that the struggle on the occupied soil, in all its forms - military, political and mass - is the central link in its plans to wage the fight. On that basis the PLO is striving to escalate the armed struggle on the occupied soil, and all other concomitant forms of struggle, and to provide all forms of moral assistance to the masses of our people on the occupied soil, so as to intensify this struggle and strengthen their stand to defeat and wipe out the occupation.

4. The Council emphasizes the position of the PLO which opposes all forms of American settlements of capitulation and all plans to blot out (the Palestinians). It emphasizes the determination of the PLO to act so as to thwart any settlement that might be made at the expense of our nation's unchallengeable national rights, and calls

upon the Arab nation to fulfil its national responsibility and mobilize all of its resources to resist these imperialist and Zionist plans.

5. The Council emphasizes the importance and the need of military and political national unity among all the factions of the Palestinian Revolution within the PLO, as a basic condition of victory. National unity must, therefore, be co-ordinated on the several levels and with the several activities, on the basis of adherence to resolutions and the formulation of blueprints for carrying them out.

6. The Council emphasizes its insistence on the right of the Palestinian Revolution to a presence on the soil of sister Lebanon, within the terms of the Cairo Agreement and its appendices, as ratified by the PLO and the Lebanese authorities. The Council emphasizes its adherence to the implementation of this Agreement to the letter, so as to safeguard the status of the revolution. The Council opposes any unilateral interpretation of the Agreement and its appendices, while it is solicitous for the sovereignty and security of Lebanon.

7. The Council greets the Lebanese nation, its heroic brother, and emphasizes the steadfast insistence of the PLO on the unity of its soil, its security and independence. The Council is proud of this heroic nation's support of the PLO which is fighting for the restoration of its national rights on its own soil, and its right to return to it. The Council emphatically stresses the need to strengthen the linkage between the Lebanese national forces and the Palestinian Revolution.

8. The Council emphasizes the need to strengthen the Arab front which is a partner in the Palestinian Revolution, and the reinforcement of links with all its partner forces in all the Arab states. It emphasizes the need to intensify the common Arab struggle and amplify the support for the Palestinian Revolution so that it may resist the imperialist and Zionist plots.

9. The Council has resolved to reinforce Arab solidarity and struggle on the basis of the fight against imperialism and Zionism. It has resolved to act for the

liberation of all the occupied Arab lands and to cling to the aims of strengthening the Palestinian Revolution, and restoring the permanent national rights of the Palestinian nation without peace (with Israel) or recognition (of Israel).

10. The Council emphasizes the right of the PLO to bear the responsibility (for the struggle) on the Arab and international level, and through every Arab state, for the liberation of the occupied soil.

11. The Council has resolved to continue the struggle for the restoration of the national rights of the Palestinian people, and foremost among them its right to return, to self-determination and to the establishment of its national independent state on its independent soil.

12. The Council emphasizes the importance of strengthening co-operation and solidarity with all socialist, non-aligned, Muslim and African states, and movements of national liberation throughout the world.

13. The Council welcomes the positions and struggle of all the states and democratic forces that have taken a stand against Zionism as a form of racism, and its aggressive conduct.

14. The Council emphasizes the importance of relations and co-ordination with Jewish democratic and progressive forces inside the occupied homeland, and outside, which are fighting against Zionism as an ideology, and against its conduct. It calls on all freedom-loving states and forces in the world which stand for justice and world peace, to stop all forms of assistance and co-operation with the racist Zionist regime, and to refuse to maintain contacts with it.

15. Considering the achievements attained on the Arab and the international level since the close of its 12th session, the Council has resolved as follows:

- a. It emphasizes its insistence on the right of the PLO to participate independently and on equal terms in all international conferences

and forums connected with the Palestine issue and the Arab-Zionist conflict, with the object of realizing our unchallengeable national rights as confirmed by the United Nations General Assembly in Resolution 3236 of 1974.

- b. The Council declares that any settlement or agreement which might injure the rights of our Palestinian nation in its absence is totally invalid. Long live the Palestinian Revolution. Long live Palestinian unity. Glory to our slain. Revolution until victory.

1. Source: As reported by the Middle East News Agency and Cairo Radio 20 March 1977.

CRITERIA FOR ETHNIC BROADCASTING
TO BE OBSERVED BY THE AUSTRALIAN
BROADCASTING COMMISSION

"Ethnic broadcasting should:

1. Provide a medium for presenting to non-English-speaking residents of Australia, entertainment, news and other information in their own languages;
2. Assist those from other cultures to maintain those cultures and to pass them on to their descendants and to other Australians;
3. Provide information and advice on the rights and obligations of residence in Australia and on other matters to assist the non-English-speaking migrant to settle speedily, happily and successfully;
4. Encourage and facilitate the learning of English;
5. Provide as adequately and equitably as possible for all ethnic groups including those which are numerically small;
6. Assist in promoting mutual understanding and harmony between and within ethnic groups and between ethnic groups and the English-speaking community;
7. Avoid political partisanship;
8. While avoiding institutionalisation of differences (e.g. by means such as the election of station managements), maximise the participation of ethnic groups and individuals."

ANNEX H

AUSTRALIAN GALLUP POLLS ON THE MIDDLE EAST¹

Age Poll published 25 March 1974.

Based on a sample of 2000 people in 80 electorates in all six states and the ACT.

ATTITUDES TO MIDDLE EAST CONFLICT

A. PREFERRED AUSTRALIAN POLICY

In the dispute between the Arabs and the Israelis, Australia should:

	Total (2000) %	Male (998) %	Female (1002) %	University Educated (159) %	Primary Educated (374) %	Will Vote ALP (804) %	Will Vote LIB (796) %
Support the Arabs	*	1	*	*	*	1	*
Support Israel	13	15	12	24	10	10	17
Remain strictly neutral	81	81	82	71	82	85	78
Don't know	5	4	6	5	7	4	4

B. COUNTRY MOST RESPONSIBLE FOR CONFLICT

The country (or group of countries) most responsible for the Middle East conflict is:

Israel	9	10	9	9	9	10	9
Arabs	34	37	32	45	24	33	38
Russia	20	19	21	13	24	17	22
United States	9	11	7	10	10	15	5
Don't know	27	23	31	24	33	26	26

1. Source: Gallup Poll statistics provided by the Parliamentary Library. Percentages rounded to nearest whole number.

* Indicates less than 1%.

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ATTITUDES TO MIDDLE EAST CONFLICT (cont)

C. ATTITUDE TO ARAB OIL EMBARGO

Statement closest to respondent's own feelings:

	Total (2000) %	Male (998) %	Female (1002) %	University Educated (159) %	Primary Educated (374) %	Will vote ALP (804) %	Will vote LIB (796) %
Arabs were justified in cutting off oil supplies which supported Israel	22	28	16	41	16	25	19
Whatever the situation, no country is justified in withholding vital energy supplies from other countries	70	65	75	52	71	68	74
Don't know	8	7	9	8	13	7	7
<u>D. PEOPLE FOR WHOM AUSTRALIANS FEEL MOST SYMPATHY</u>							
Respondents feel most sympathy for:							
Israelis	37	38	36	48	28	33	42
Arabs	5	6	4	8	5	6	5
Both equally	48	47	49	39	51	52	44
Don't know	10	9	11	5	16	9	10

Morgan Gallup Poll held during February 1975.

Based on a sample of 2,019 representative people aged 16 years and over.

PREFERRED AUSTRALIAN POLICY

	All people %	ALP votes %	L-CP votes %
Favour Australia's neutral policy	77	80	77
Australia should help Israel	13	9	16
Australia should help Arab countries	2	4	1
Don't know	8	7	6
TOTAL	100	100	100

DECISION NOT TO ADMIT PLO INTO AUSTRALIA

	Total %	Male %	Women %	ALP %	L-NCP %
Decision to refuse entry into Australia of PLO delegation					
Agree	74	68	81		
Disagree	19	25	15		
Don't know	7	7	4		
TOTAL	100	100	100		

Morgan Gallup Poll conducted 27 September - 4 October 1975.

Based on 1,915 representative people aged 14 years and over.

AUSTRALIAN PEACE KEEPING TROOPS

	Total %	Male %	Women %	ALP %	L-NCP %
Should Australia provide 300 support troops for peace-keeping in the Sinai, if the United Nations asks her					
Favour	48	58	38	43	54
Oppose	37	33	41	43	33
Undecided	15	9	21	14	13
	366				

THE COMMITTEE'S RECOMMENDATIONS
AS TABLED IN ITS INTERIM REPORT

On 2 December 1976 the Committee Tabled its Interim Report entitled The Lebanon Crisis - Humanitarian Aspects. In the Interim Report the Committee recommended that:

1. Australia should work in international forums as well as in private consultations with friendly powers to minimize interference by other powers, in the internal affairs of Lebanon and to support policies of limitation of arms to the combatants.
(paras 1.53 to 1.55)²

2. Australia establish a diplomatic mission in Damascus which would also be accredited to Amman. It could be accredited to Beirut as soon as normality returns to that city, pending re-establishment of full diplomatic relations with Lebanon.
(paras 1.51, 1.52)

3. As soon as approval is given for an Australian diplomatic mission in Syria, Australia should send ahead a migration team to Damascus to facilitate the handling of Lebanese "displaced persons", who meet the revised immigration criteria for Lebanese.
(paras 3.19, 3.20, 3.37, 3.38)

4. Australia should take seriously the position of the Palestinians and the need for solving their problems. All those represented as Palestinians are not Palestinians however, and there is little doubt they are being used as a weapon against Arab Governments. In the meantime, Australia should continue to make contributions to their welfare through the United Nations Relief and Works Agency for Palestinian Refugees until there is a permanent solution to the Middle East problem.
(paras 1.11 to 1.16, 1.49, 2.31)

1. The Lebanon Crisis (Parliamentary Paper No.331/1976).
2. Paragraph numbers refer to paragraphs in the interim report.

5. Australia should give generously to the current urgent four months programme of the International Committee of the Red Cross (ICRC) in Lebanon, which is estimated to cost A\$14 m., and to any subsequent appeals from that organisation to alleviate the suffering of the people of Lebanon.

(paras 2.22, 2.23)

6. Australia should seek additional ways to assist the ICRC to send aid to Lebanon and should urgently investigate all possible strategies of assistance. While impartiality between the communities in Lebanon is very important, Australia should bear in mind that effective aid to people in need is even more important.

(paras 2.22, 2.28 to 2.35, 2.41 to 2.43)

7. Australia should help the Lebanese community in Australia with the provision of transport for goods they wish to send to alleviate the suffering of their countrymen. This applies particularly to urgent items such as winter clothing, medical supplies and vaccines which should be air transported to Athens for impartial distribution onward to Lebanon.

(paras 2.29, 2.30)

8. Australia should change its aid policy so that relief operations through the Australian Council for Overseas Aid (ACFOA) and any of its 32 affiliates receive government support in addition to the usual developmental support.

(paras 2.41, 2.42)

9. The Australian Development Assistance Agency should channel increased support to Lebanon including to the November 1976 appeal by the World Food and Agricultural Organisation and that Australia should be prepared to contribute generously to the reconstruction of Lebanon, and should work in the United Nations and elsewhere for an international reconstruction effort.

(paras 2.43, 2.50, 2.51)

10. The Australian Government encourage and support non-government welfare organisations to despatch medical teams to Lebanon to work in any areas where they are needed and welcomed.

(paras 2.39 to 2.41)

11. Australia should initiate international action for a suitable medical care ship to assist with the alleviation of the medical and health crisis in Lebanon.

(paras 2.44, 2.45)

12. Australia develop an enlightened, humane and clear cut refugee policy that will enable intake targets to be set before a refugee situation develops, and facilitate a quick response during the early stage of an emergency.

(paras 3.22, 3.39 to 3.43)

13. The Minister for Immigration and Ethnic Affairs initiate a National Committee on Refugees in Australia which would pool the resources and knowledge of both government and international voluntary agencies represented in Australia; this would have the desirable effect of extending community involvement.

(para 3.22)

14. Australia should not insist excessively on the criterion of family ties with Australia, while avoiding the entry of violent and criminal elements. In dealing with hardship cases during Lebanon's reconstruction phase, preference should be given to families with young children and those families who have suffered traumatic experiences through no fault of their own and who require a new life elsewhere. A reasonable chance of integration in Australia should be one criterion but not too rigorously applied.

(para 3.22, 3.24)

15. Australia, when dealing with a refugee problem, should ensure that need and the ability to integrate are equal criteria with a bias to humane assistance

rather than use simple self interest in selection. Australians themselves should not seek to play ideological favourites by furthering the migration of elements deemed to be congenial to particular Australian political groups.

(paras 3.22, 3.40)

16. Provision should be made in the Department of Immigration and Ethnic Affairs so that on the onset of a refugee situation, normal staff ceilings do not prevent the efficient and humane handling of applications in overseas posts, as well as in Australia.

(paras 3.22, 3.26 to 3.28)

17. As a matter of priority the proposed Australian Broadcasting Tribunal hold an inquiry into the activities of both ethnic and community access radio stations with a view to seeking ways of reducing broadcasting that is inflammatory and divisive in the Australian community.

(paras 4.6, 4.7)

18. The Australian Broadcasting Commission should take an active interest in the selection of qualified and responsible organising committees for ethnic radio stations and that while censorship is not recommended, standards should exist to prevent incitement to race prejudice and communal conflict.

(paras 4.6, 4.8)

NOTE: Several of the above recommendations have been implemented.

LIST OF PERSONS AND ORGANISATIONS WHO
ASSISTED THE WORK OF THE COMMITTEE

Informal Discussions

The Committee is grateful for the opportunity to have had informal discussions with:

His Excellency Mr Ahmed W. Marzouk, former Ambassador of the Arab Republic of Egypt

His Excellency Mr Michael Elizur, Ambassador of Israel

His Excellency Mr Antoine Yazbek, Ambassador of Lebanon

The Hon. Andrew Peacock, M.P., Minister for Foreign Affairs

The Hon. M.J.R. MacKellar, M.P., Minister for Immigration and Ethnic Affairs

General (Res) Moshe Dayan, M.K.

Lt-Col R.I. Soumrany, Envoy of His Excellency, the President of the Republic of Lebanon

Dr T.R. Benkendorser, American Doctor working for "the Lebanese Red Cross"

Mr G. Kirby, British diplomat recently in Lebanon

Mr I.G. Bowden, Australian Ambassador to Iran

Mr F.R. Dalrymple, former Australian Ambassador to Israel, now First Assistant Secretary, (Western Division) Department of Foreign Affairs

Mr I.M. Haig, former Australian Ambassador to Saudi Arabia and Kuwait

Mr D.J. Kingsmill, former Charge d'Affaires, Australian Embassy, Lebanon, now Ambassador to Saudi Arabia

Mr R.J. Smith, Australian Ambassador to Israel

Witnesses

The Committee is grateful to all those who appeared in person before the Committee. The following witnesses have appeared before the Committee, in most instances after having presented a written Submission:

ANDERSON, Mr D.S. - Field Leader, Lebanon Evangelical Mission

BECHARA, Mr J. - President, Friends of Palestine Movement in Australia, journalist for Middle East newspapers in Australia

BONNAR, Commander R.S. - Joint Intelligence Organisation, Department of Defence

CHAHINE, Mr A.D. - President, Australian-Lebanese Association of Victoria

DOUEIHI, Mr J.C. - President, Regional Council of Australian and New Zealand World Lebanese Cultural Union

FARAH, Mr N.G. - President, Australian-Lebanese Association of New South Wales

GARTLAND, Mr C.F.J. - First Assistant Secretary, Hydrocarbons Division, Department of National Resources

GRAY, Commodore K.D., D.F.C. - Deputy Director (Military), Joint Intelligence Organisation, Department of Defence

HALLAM, Mr A.D. - Senior Lecturer, Department of Middle Eastern Studies, Faculty of Arts, University of Melbourne

HEWITT, Mr D.R. - Senior Research Officer, Petroleum Branch, Hydrocarbons Division, Department of National Resources

HUTTON, Mr P.N. - Assistant Secretary, Economic Organisation Branch, Department of Foreign Affairs, and former Australian Ambassador to Lebanon

INDYK, Mr M. - Research Scholar, Department of International Relations, Australian National University

JOHNSON, Mr B.A. - National Assessment Staff, Joint Intelligence Organisation, Department of Defence

LAWRENCE, Mr M.N. - Assistant Secretary, Petroleum Branch, Hydrocarbons Division, Department of National Resources

LEIBLER, Mr I.J. - President, Victorian Jewish Board of Deputies and Senior Vice-President, Executive Council of Australian Jewry

LINDENMAYER, Mr I.K. - Assistant Secretary, Planning and Research Branch, Department of Immigration and Ethnic Affairs

LIPSKI, Mr S. - Editor, Australia-Israel Publications and freelance journalist

McINTYRE, Sir Laurence, C.B.E. - Director, Australian Institute of International Affairs

MANNING, Dr R.C. - Assistant Secretary, Programmes and Appraisals Branch, Australian Development Assistance Agency, Department of Foreign Affairs

MIRZA, Dr N.A. - Senior Lecturer, Department of Middle Eastern Studies, University of Melbourne

MORDUE, Mr I. - Principal Research Officer, Petroleum Branch, Hydrocarbons Division, Department of National Resources

ROBERTSON, Mr R.H. - First Assistant Secretary, Management and Foreign Service Division, Department of Foreign Affairs

ROSEN, Dr S.J. - Senior Research Fellow, Department of International Relations, Australian National University

STAREY, Mr J.M. - former Charge d'Affaires, Australian Embassy, Lebanon, now Charge d'Affaires, Australian Embassy, Iraq

VOLKER, Mr D. - First Assistant Secretary, Planning and Program Review Division, Department of Immigration and Ethnic Affairs

WATERMAN, Mr C.L. - Chief Migration Officer, Selection and Review Branch, Department of Immigration and Ethnic Affairs, former leader of the Immigration task force in Cyprus

WILLMAN, Ms D.C. - freelance reporter in Beirut

WOODBERRY, Mr B.W. - Acting Assistant Secretary, Middle East and Africa Branch, Department of Foreign Affairs

Written Submissions

The Committee is grateful to the following individuals and government departments which have provided written material to the Committee, but have not given oral evidence:

ABOU KATER, Mr R.N., Melbourne Manager of "El Telegraph" newspaper

DEPARTMENT OF OVERSEAS TRADE

DEPARTMENT OF TRANSPORT

DEPARTMENT OF THE TREASURY

FRY, Mr I.R. - "Lifeline", Melbourne

KASPER, Dr W. - Senior Research Fellow, Department of Economics, Research School of Social Sciences, Australian National University

PRICE, Dr C.A. - Chairman, Refugee and Migration Committee, Australian Council of Churches

SPRINGBORG, Dr R. - Lecturer, School of Politics, Macquarie University

Other Assistance

The Committee acknowledges the valuable assistance it has received from:

DEPARTMENT OF DEFENCE (Joint Intelligence Organisation)

DEPARTMENT OF FOREIGN AFFAIRS

DEPARTMENT OF IMMIGRATION AND ETHNIC AFFAIRS

THE NATIONAL LIBRARY

THE PARLIAMENTARY LIBRARY¹

1. The Parliamentary Library has made available some of the source material used in this report including material adapted by the Committee in the compilation of maps and tables contained in the report.

THE ARAB-ISRAELI CONFLICT AND THE JORDAN VALLEY -

ADDITIONAL COMMENTS BY MR R. JACOBI, M.P.

(See Section of Report on Vulnerability of Water Supplies paras 1.53 to 1.56)

The key to the solution of the Arab Israel conflict will only be found when the problem of the distribution of the water resources of Syria, Lebanon, Jordan and Israel is resolved.

Water rights have long been the cause of quarrels between neighbours in one community, between Sovereign States in one country and between separate countries. We have only to recall cases we have known of private feuds and litigation between neighbouring farmers in any State in Australia, of the problems that confront the River Murray Commission in allocating water between three States of Australia, of the arguments in California over the rights of Los Angeles to take water from Northern California etc to realise the universality of this problem. "Squabbles over riparian rights and water use", said the late Ambassador Eric Johnston of the US Department of State, "are as common and often as violent as romantic quarrels between suitors". The quarrels over water rights extend from the Rio Grande to the Helmand in Afghanistan and Iran - and back again, and they are usually settled only when there is some impartial authority on the ground".

Water rights in the Jordan valley greatly influence all the thinking, feeling and decisions taken by all parties in the Arab-Israel conflict.

As noted in the report Israel is a small country covering 20,700 squares kilometres with a population of 3,573,000 people. It suffers from a serious shortage of water. Well over half the area of the country has an average annual rainfall of less than 200 millimetres with wide fluctuations in the annual quantity of precipitation. The rapid increase in the population of Israel and the great expansion of the irrigated areas from 65,000 acres in 1948 to more than 350,000 acres today have made great demands on the limited water resources of that country.

The kingdom of Jordan, like Israel, is in real need of the Jordan waters. This kingdom is taking its share of Jordan water by drawing continuously increasing quantities of water from the Yarmuk which is the largest tributary of the Jordan. The Yarmuk, which flows into the Jordan some 5 miles south of the Sea of Galilee almost doubles the annual volume of the Jordan, into which it brings an average annual quantity of 450 million cubic metres of water.

Lebanon is a well watered country and has at its disposal water resources much in excess of its maximum requirements. Of its potential water resources, other than the Hassain tributary of the Jordan, it is at present exploiting about 25%.

Syria has substantial water resources, only a small part of which are fully exploited. It still has a long way to go before it will require most of the potential water

resources, other than the Baniyas tributary of the Jordan, of its south-western region which borders upon Israel. Syria and Lebanon nevertheless are not prepared to forego any of their water for use by Israel or Jordan, jealously guarding their water rights.

Full use of the Jordan for irrigation and the production of electricity can be achieved only by the co-operation of all the States of the Jordan basin. Through such co-operation these States could benefit much more than by the individual projects in operation or planned for the future. Thus, by the diversion of the Yarmuk into the Sea of Galilee such would become the storage reservoir for the waters of the Yarmuk, the kingdom of Jordan could utilize 25-30% more water from this source than it could get from the present Yarmuk project. As noted in para 1.53 the individual projects of the riparian States entail considerable waste of water and potential energy, which this arid region definitely cannot afford.

It is by co-operation and not by competition that the States of the Jordan basin can get the river to make its maximum contribution towards the solution of their water and energy problems. The problem of how best to irrigate the Jordan Valley has not been seriously studied until comparatively recent times. Some details of the main plans follow.

1. The Point Four - United Nations Relief and Works Agency Plan - 1952

In 1952 a Point Four (United States Foreign Aid

Program) Engineer advocated a scheme of irrigation and hydro-electric works based on the use of the waters of the Yarmuk River. The plan was to construct two dams on the Yarmuk River for river flow control and power generation together with two irrigation canals in Jordanian territory. The scheme was confined solely to Arab territory and was therefore capable of execution without co-operation from Israel. The United Nations Relief and Works Agency (UNRWA) sponsored the scheme and the necessary preliminary agreements were signed between Syria and Jordan and between UNRWA and Jordan. Before commencing the project which would have involved considerable expenditure UNRWA sought the advice of the Tennessee Valley Authority (TVA) as the internationally recognised authority on water control.

2. The TVA (Main) Plan 1953 - Johnston Plan

The Tennessee Valley Authority looked at the Jordan basin as a whole and evolved a scheme for the unified development of the entire valley. They employed Charles T. Main Inc., a firm of Boston Engineers for these studies, hence the adoption of the term "The Main Plan". The Main Plan, which included a dam on the Yarmuk river in Jordan, the diversion of water from this dam into the Sea of Galilee which would serve as the main water storage, the building of two canals, one on each side of the Jordan River running towards the Dead Sea and a dam and power station on the Hassain River in Lebanon, required the international co-operation of Israel, Jordan, Syria and Lebanon. This was not forthcoming. The plan was objected to by the Arab countries who feared that by making the Sea of Galilee the

main storage Israel would be given virtual control of the whole project. Israel also objected, claiming that available water resources were not being used to the best advantage and that she should be given a greater share.

In an attempt to secure acceptance of this plan President Eisenhower appointed Mr Eric Johnston as his personal representative to promote this plan. The TVA or Main Plan henceforth became known as the Johnston Plan. In this plan it was estimated that nearly 240,000 acres of land now idle and unproductive could be put into the richest kind of production. Most of this land could yield three crops a year while in the course of parallel development more than 6,500 kilowatts of power would be made available.

3. The Arab League Plan 1954

A Technical Committee of the Arab League prepared a counter plan which from the Arab point of view was a great step forward. Its fundamental importance was that it recognised the principle of sharing the Jordan water with Israel, that there was a need for some programme in which both Israel and the Arab States would play a role and that it considered at least a limited use of the Sea of Galilee as a reservoir. The greatest difference between the original Johnston Plan and the Arab League Technical Committee Plan was in the amount of water distributed to each participatory State, notably a four-fold increase for Syria and a 44% reduction for Israel.

4. The Cotton Plan - 1954

A rival plan was put forward by Israel at about that same time. This was prepared by J.S. Cotton, a US Consultant Engineer and became known as The Cotton Plan. This plan included the utilization of the Litani River in Lebanon. There were thus, in May 1954, three rival plans for developing the water resources of the Jordan Valley.

COMPARISON OF THE JORDAN VALLEY DEVELOPMENT PLANS

	<u>TVA - Main Johnston Plan</u>	<u>Arab League Plan</u>	<u>Israeli Cotton Plan</u>
Durnams of Land to be irrigated			
Lebanon	-	35,000	350,000
Israel	416,000	234,000	1,790,000
Jordan	490,000	490,000	430,000
Syria	30,000	119,000	30,000
TOTALS	936,000	878,000	2,600,000

(1 durnam = approximately 1/4 acre)

Water Utilization in millions of cubic metres per annum

Lebanon	-	35	450.7
Israel	394	162	1,290
Jordan	774	698	575
Syria	45	132	30
TOTALS	1,213	1,047	2,345.7

KWH of power generated per year

	210,000,000	Similar to Johnston Plan	1,412,400,000
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Cost \$121,000,000 Similar to Johnston Plan \$470,000,000

Time to Construct

	10-15 years	Similar to Johnston Plan	25 years
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In 1955 Mr Johnston was able to negotiate a substantial measure of agreement for a modified TVA - Main scheme. Israel was willing to forego for the time-being the inclusion of the Litani River in a unified development scheme and was prepared to permit minimum neutral supervision of the plan in operation. It was also agreed provisionally to use the Sea of Galilee as a storage reservoir. The Arab States, in addition to making the major concession to the use of the Sea of Galilee in this way also withdrew their opposition to the use of water from the Jordan outside the watershed along Israel's coastal plains. They also were prepared to drastically reduce the amount of water they had at first demanded.

At the outset of negotiations each side had tended to view their water proposals with little or no regard for the claims of the other. Israel had somewhat pre-emptive ideas about taking Jordan water; Jordan on the other hand had equally pre-emptive ideas about the Yarmuk. The Arab States were as much interested in keeping water away from Israel as they were in obtaining it for themselves. Both sides, after months of negotiations eventually came to adopt a far more co-operative approach by accepting the concept of unified development and indicating a willingness to adjust their previous attitudes to an overall plan.

Johnston estimated that the successful implementation of the unified development plan would increase the agricultural productivity of the Jordan Valley of Jordan by seven to nine-fold. It would be a major contribution to alleviating tensions generated by economic and social instability in the area.

Eventually complete technical agreement was reached except for the matter of international control and the amount of Israel's share of the waters. The prospect of full agreement being reached however receded as Arab-Israel relations generally deteriorated and in September 1955 the Lebanese Chamber of Deputies resolved that no Lebanese river (the Litani) was to be included in any scheme designed to benefit Israel. The leaders of other Arab countries thereupon began to doubt the political wisdom of participating in the Johnston plan. Israel reacted to this development by announcing that in default of agreement being reached, Israel would proceed alone with works inside Israel. Prospect of a unified development scheme further receded in January 1956 when Syria and Jordan announced plans for a joint project on the Yarmuk.

It had been estimated that the successful implementation of the Johnston unified development plan could facilitate the resettlement of some 200,000 Arab refugees. Although the engineering details of the Jordan Valley unified development scheme had been well researched, little work had apparently been done on the social and human planning which must also be undertaken if the refugee resettlement objective were to be achieved. In Jordan there is a serious lack of information about land tenure. At present the ownership of about one third of Jordan's territory is in doubt or unregistered. After World War II the trend of land tenure in southern Jordan was towards concentration of large estates in the hands of rich merchants who had acquired their wealth from accumulated war

profits. To achieve the social ends of the Johnston Plan a resolution in the land tenure system would be a prerequisite. Such a drastic change is hardly likely in the immediate future.

Faced with the failure to obtain agreement for the Johnston Plan and the approach of a serious water shortage brought about by the rapid growth of the population and the expansion of the economy, Israel was forced to introduce basic changes in its original plans and produced a modified project which would be much less exposed to interference from Syria. In this project, known as the "National Waters Carrier" the waters of the Jordan are pumped from the north-west corner of the Sea of Galilee. It was started in 1956 and completed in 1964 and is much more costly to operate and less efficient than the unified scheme. The main purpose of the National Waters Carrier is to carry the water from the Jordan River southwards to the arable lands south of Tel Aviv. It has been designed to supply 320 million cubic metres of water annually from the Sea of Galilee.

Israel's total water resources, excluding that which can be obtained by desalination, have been estimated to have a total annual yield of approximately 1,500 million cubic metres drawn in the following proportions from the various sources including the Sea of Galilee:

Groundwater	54%
Rivers	33%
Reclaimed sewage	8%
Intercepted stormwater	5%

Some 80% of Israel's water consumption is used in agriculture, the main crop being the well-known Jaffa orange. In the early years of development the country relied heavily on its groundwater resources and in many instances overpumping of wells, with consequent failures, occurred. The first steps towards a countrywide water grid were taken in 1955 with the transfer of water from the Yarkon River and from springs east of Tel Aviv. The National Waters Carrier was the key however to providing a completely integrated and flexible water supply grid throughout the whole of the country.

By 1967 the total annual water consumption of Israel was 1,368 million cubic metres which is 91.2% of the estimated total of that country's annual water resources. It was then estimated that the total of all the water available would be required to meet the demand by the early 1970s.

To safeguard this situation Israel's water resources have been strictly controlled and a Water Law, giving the Government widespread powers to control and restrict the activities of individual water users has been passed. At the same time considerable effort and money has been expended in developing and experimenting with various desalination techniques and methods.

Studies so far undertaken reveal that if Israel is to produce water by desalination at a price which will be economical she must finance her desalination projects with cheap money - an interest rate of 2-2½% being about all that

Israel can afford to pay. It also appears that Israel's desalination units should be built in conjunction with nuclear power plants to achieve an economical price for the water produced.

Here a further problem for world peace arises. In associating desalination units with nuclear power plants the joint-purpose plant will inevitably produce plutonium in addition to water and electricity. Plutonium, the main component of a nuclear bomb, would thus become available to Israel as a by-product.

To an ever greater degree than to many other countries of the world, to the countries in the Jordan River Basin - water is life. Without its share of the Jordan water each country sees hardship, poverty, and even eventual death. Each is therefore suspicious of his neighbour, distrusts and fears him while jealously guarding his present "water rights".

Many of the key water installations, dams, pumping stations, storage reservoirs, major pipelines and canals are located quite close to national boundaries. They are consequently potentially vulnerable and so have very real military significance.

If a solution is to be found to the Arab-Israel conflict a solution must first be found to the problem of a thirsty Jordan Valley. For Israel particularly there would appear to be only two possible solutions:

1. The acceptance by Syria, Jordan, Lebanon and Israel of a co-ordinated sharing scheme of the total water resources of the area. Because of the political realities of the situation with its necessary social consequences, it is difficult to visualize such a scheme eventuating in the near future.

2. The development with outside financial and technical assistance of joint-purpose nuclear power generating stations with desalination units - with the consequent production of plutonium.