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TEL NO 440 OF 28 JULY

INFO PRIORITY WASHINGTON

SAVING TO TEL AVIV AMMAN, BEIRUT, DAMASCUS, JEDDA, UKMIS NEW YORK.

VISIT OF PRESIDENT SADAT.

1. SADAT'S VISIT TO LONDON AND WASHINGTON IS TAKING PLACE NEXT WEEK AFTER SEVERAL FALSE STARTS, BUT EVEN NOW THE TIMING IS SCARCELY IDEAL FROM HIS POINT OF VIEW. SADAT'S LAST VISIT TO

WASHINGTON. IN APRIL 1980, WAS MADE AT PRESIDENT CARTER'S INVITATION IN AN ATTEMPT TO SALVAGE THE AUTONOMY TALKS. WHEN THE ATTEMPT FAILED SADAT PINNED HIS FAITH ON A TRIPARTITE SUMMIT WITH CARTER AND BEGIN SOON AFTER THE AMERICAN ELECTIONS. HE ENTERTAINED A BRIEF HOPE THAT REAGAN MIGHT TAKE OVER THE COMMITMENT BUT WAS PUT OFF UNTIL AFTER THE ISRAELI ELECTIONS, WHICH THEN DEALT HIM A SECOND DISAPPOINTMENT, BUT THIS WAS NOTHING TO THE HUMILIATION OF BEGIN'S ORDERING THE RAID ON IRAQ - AND ESCALATING THE LEBANESE CONFLICT - ONLY DAYS AFTER SADAT HAD OBLIGED HIM WITH A PRE-ELECTION MEETING AT SHARM-EL-SHEIKH. AT HOME THE PROMISED DIVIDENDS OF PEACE CONTINUR TO BE PAID THROUGH MASSIVE SUBSIDIES FOR CONSUMERS (AND NEW WEAPONRY FOR THE ARMED FORCES), WHICH THOUGH COMFORTABLY FINANCED FROM BUOYANT REVENUE AND AMERICAN AID, MAY CARRY LONGER-TERM PENALTIES IN INFLATION AND UNDER-INVESTMENT. COINCIDENTALLY LAST MONTH SAW A RECURRENCE IN CAIRO OF THE SECTARIAN VIOLENCE THAT PRECEDED LAST YEAR'S VISIT TO WASHINGTON, BUT ON A MUCH MORE SERIOUS SCALE WITH OVER A HUNDRED CASUALTIES INCLUDING 15 DEAD. SADAT BLAMED THE RIOTS ON AGITATORS INTENT ON REPEATING THE EVENTS OF JANUARY 1977, AND HAS BEEN ATTACKING HIS CRITICS IN OTHER CONTEXTS. IT IS NOT ONLY HIS OPPONENTS WHO ARE NOW ASKING WHETHER SADAT IS STILL ON TOP OF EVENTS. MY JUDGEMENT IS THAT HE IS, BUT THAT PERHAPS WITHIN THE NEXT YEAR OR SO HE MAY FEEL OBLIGED TO CHANGE COURSE.

THE PEACE PROCESS

2. THE CURRENT MOOD WAS SUMMED UP BY THE MINISTER OF DEFENCE WHO REMARKED TO ME LAST WEEK THAT THE ISRAELIS WERE A BIGGER HEADACHE IN THIS RAMADAN THAN IN RAMADAN 1973. HE "AND HUNDREDS OF EGYPTIANS I HAVE SPOKEN TO" NOW BELIEVED THAT BEGIN DID NOT WANT PEACE, AND WERE TAKING ADVANTAGE OF THE TREATY TO ASSERT ISRAELI MILITARY SUPERIORITY NOW FOR FEAR OF BEING OVERTAKEN BY ARABS TEN YEARS HENCE. IF HE WENT ON LIKE THIS THE EFFECT IN EGYPT

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WOULD BE VERY SERIOUS. ABU GHAZALA ADDED HOWEVER THAT IF BEGIN HAD ANY THOUGHT OF PROVOKING EGYPT INTO GIVING HIM A PRETEXT FOR NOT COMPLETING THE WITHDRAWAL IN APRIL 1982 HE COULD FORGET IT. THUS IT SEEMS CLEAR THAT UNTIL THEN SADAT WILL GO ON TURNING THE OTHER CHEEK COME WHAT MAY, THOUGH NORMALISATION WILL BE KEPT TO THE MINIMUM CONSISTENT WITH THE TREATY. THEREAFTER, FAILING A DEMONSTRABLE NEGOTIATING SUCCESS ON THE PALESTINIAN FRONT, HE WILL COME UNDER INCREASING PRESSURE TO ABANDON THE NEGOTIATIONS AND REJOIN THE ARAB CAMP. SADAT TOLD THE US AMBASSADOR IN TERMS LAST WEEK THAT HE WOULD NOT DO SO AND THAT THOSE WHO MADE SUCH PREDICTIONS DID NOT KNOW HIM. VICE PRESIDENT MUBARAK MADE THE SAME ASSERTION TO ME TWO DAYS AGO. EVEN SO, WHILE IT WOULD CERTAINLY GO AGAINST THE GRAIN FOR SADAT TO GIVE ANY GROUND TO THE REJECTIONISTS, I SUSPECT THAT HE MIGHT IN THE EVENT HAVE TO YIELD TO PRESSURE FROM HIS ADVISERS, RATHER AS HE DID IN SUSPENDING THE AUTONOMY TALKS LAST YEAR. IT IS SIGNIFICANT THAT THE EGYPTIAN REACTION TO THE ISRAELI ATTACKS ON LEBANON HAS BEEN TO HOLD PUBLICISED MEETINGS WITH THE PLO AND OFFER THEM (UNWELCOME) MEDICAL AID, AND TO ISSUE THE STRONGLY CRITICAL SADAT/NIMEIRI COMMUNIQUE (ALBEIT WITH SIDE-SWIPES AT THE SYRIANS WHICH PROBABLY REPRESENT SADAT'S REAL FEELINGS). HIS SUBSTANTIAL SHIPMENTS OF ARMS TO IRAQ MUST ALSO OWE MORE TO THE CLAIMS OF ARAB SOLIDARITY THAN TO HATRED OF KHOMEINI. ON THE OTHER HAND I CANNOT SEE SADAT'S PERSONAL POSITION BEING THREATENED BY ADVERSE PUBLIC OPINION ON THE ISRAELI ISSUE ALONE.

THE NEGOTIATING PROCESS

3. AS TO THE IMMEDIATE FUTURE, SADAT APPEARED TO HAVE FORMED NO NEW IDEAS WHEN THE US AMBASSADOR CONSULTED HIM LAST WEEK. HE WOULD WORK WITH BEGIN, BUT EXPECTED FRESH ELECTIONS WITHIN MONTHS, AND NO LONGER SPOKE CONFIDENTLY OF AN AUTONOMY AGREEMENT BY THE END OF THE YEAR. THERE WAS NO POINT IN RESUMING THE TALKS ON THE OLD (LINOWITZ) PATTERN WITH ELABORATE DRAFTS AND WORKING GROUPS. INDEED THE AMERICANS SEE NO SIGNS OF THE EGYPTIANS HAVING DONE ANY NEW HOMEWORK, AND APART FROM OSAMA AL BAZ THEIR TEAM HAS ENTIRELY DISPERSED. SADAT HAS HOWEVER BEEN MUCH ENCOURAGED BY A REPORT FROM HIS AMBASSADOR IN TEL AVIV THAT SHARON (OF ALL PEOPLE) IS ANXIOUS TO REACH AGREEMENT ON AUTONOMY BY APRIL 1982, AND IS PROPOSING PRIVATE TALKS WITH ONLY 2 OR 3 MINISTERS A SIDE TO AGREE ON PRINCIPLES INCLUDING SECURITY, THE SOURCE OF AUTHORITY, VOTING RIGHTS FOR ARABS, LAND, WATER ETC, I.E. ALL THE ISSUES THAT THE ISRAELIS HAVE HITHERTO BURKED. MUBARAK TOLD ME THAT DESPITE THE TRANSPARENT PERSONAL MOTIVE THE EGYPTIANS WILL GO ALONG WITH SHARON'S PROPOSAL, PERHAPS AT A MEETING IN ALEXANDRIA BEFORE BEGIN VISITS WASHINGTON. AN AGREEMENT IF REACHED MIGHT THEN BE CONSECRATED AT A TRIPARTITE SUMMIT: THIS IS OF COURSE TYPICAL CLUTCHING AT STRAWS. A MORE REALISTIC AIM WILL BE TO MARK TIME UNTIL THE NEXT ISRAELI ELECTION. THIS IS ALL THAT THE US AMBASSADOR HAS BEEN ABLE TO RECOMMEND TO WASHINGTON, WHERE HE HAS DETECTED NO

SIGNS OF NEW THINKING EITHER. THE MOST PRACTICAL WAY OF MARKING TIME IN HIS VIEW WILL BE FOR THE UNITED STATES TO UNDERLINE ITS COMMITMENT TO EGYPT BY BEEFING UP ITS MILITARY AID PROGRAMME TO A LEVEL MORE NEARLY COMPARABLE WITH THAT FOR ISRAEL. THE ADMINISTRATION WILL ALSO HAVE IN SADAT A READY AUDIENCE FOR ANY NEW IDEAS THEY MAY HAVE ON REGIONAL SECURITY AND THE SOVIET THREAT.

4. AS FOR THE EUROPEAN ROLE SADAT CONTINUES TO SUPPORT THE VENICE DECLARATION (OF HIS LUXEMBOURG SPEECH AND MORE RECENT STATEMENTS), BUT HIS MAIN CONCERN IS THAT WE SHOULD WORK WITH THE AMERICANS, RATHER THAN E.G. PUT PRESSURE ON THEM- THAT SHOULD BE RESERVED FOR ISRAEL. WHILE IN THEORY HE IS ALL FOR RECIPROCAL RECOGNITION BETWEEN THE PLO AND ISRAEL HE WOULD PROBABLY BE RATHER PUT OUT IF THE PLO PLAYED THAT CARD (OF HIS REACTION TO THE AMERICANS' ABORTIVE SECURITY COUNCIL EXERCISE IN 1979). SADAT'S PREFERRED NOSTRUM IS THAT THE PALESTINIANS SHOULD DECLARE A GOVERNMENT-IN-EXILE, WHICH HE KNOWS IS EQUALLY UNLIKELY BUT WOULD HAVE THE MERIT OF PUTTING THEM ON THEIR OWN, AND REDUCING THEIR VULNERABILITY TO SYRIAN/SOVIET PRESSURE.

EGYPT INTERNAL

5. IT IS DIFFICULT TO GET AN ACCURATE READING OF THE POLITICAL SCENE IN LATE RAMADAN WHEN THE NATION IS IN A STATE OF TORPOR, COMPOUNDED THIS YEAR BY THE SUMMER HEAT AND UNPRECEDEDLY LAVISH GOVERNMENTAL HAND-OUTS. THERE ARE SOME SIGNS OF MALAISE. ALTHOUGH THE RIOTING IN MID-JUNE BETWEEN COPTS AND MUSLIMS IN A POOR QUARTER OF CAIRO WAS PROBABLY NO MORE POLITICALLY MOTIVATED THAN THAT IN LIVERPOOL, IT MUST HAVE BEEN FED BY A MIXTURE OF RELIGIOUS INTOLERANCE AND SOCIAL DEPRIVATION THAT COULD BE INFECTIOUS. ONLY YESTERDAY SADAT PROMISED A FULL PARLIAMENTARY DEBATE ON HIS RETURN FROM ABROAD, WHICH SUGGESTS HE HAS BEEN BROODING ON THE IMPLICATIONS. THERE WAS THE SCANDAL OF THE RESIGNATION OF DEPUTY PRIME MINISTER OSMAN, EGYPT'S LEADING TYCOON AND SADAT'S CHIEF CONFIDANT, FOLLOWING THE PUBLICATION OF HIS LIBELLOUS ANTI-NASSER MEMOIRS THE EFFECT OF WHICH SADAT: SERIOUSLY MISJUDGED. ONE HEARS STORIES OF UNHAPPINESS THE OFFICER CORPS AT THEIR DECLINE IN SOCIAL ESTEEM SINCE A CAREER IN PRIVATE BUSINESS BECAME SO ATTRACTIVE, WHICH MAY BE CONFIRMED BY THE ANNOUNCEMENT OF NEW HOUSING AND OTHER PERKS FOR THE FORCES. FOLLOWING EARLIER ATTACKS ON DISSIDENT EGYPTIAN JOURNALISTS WRITING ABROAD, AND THE SOCIALIST LABOUR PARTY FOR ABUSING THE ROLE OF AN OPPOSITION, SADAT HAS LATELY PUSHED HIS QUARREL WITH THE LAWYERS' SYNDICATE TO EXTRAORDINARY LENGTHS, REQUIRING THE PEOPLE'S ASSEMBLY TO INVESTIGATE THEIR ALLEGED DISLOYALTY AND TO LEGISLATE THE DISMISSAL AND REPLACEMENT OF THE ENTIRE BAR COUNCIL (OUTLAWING THE LAWYERS, AS ONE OF THEM PUT IT TO ME). HE ACCUSED THE LAWYERS OF COMPLICITY IN A RECENT REPORT ON EGYPT BY ABC TELEVISION, CLAIMING THAT IT WAS DESIGNED TO

DISCREDIT HIM DURING HIS AMERICAN VISIT BY COMPARING HIM TO THE SHAH(TO WHOSE TOMB, INCIDENTALLY, HE PAID A PUBLICISED VISIT YESTERDAY ON THE ANNIVERSARY OF HIS DEATH, TOGETHER (WITH THE SHAHBANOU AND HER SON). AMONG THE DOGS THAT DID NOT BARK WAS THE BITER OF THE AMERICAN HAND THAT FEEDS, BUT IT WAS NOT WAGGING ITS TAIL EITHER : GRATITUDE IS EVIDENT ONLY AT THE TOP ,AND THERE HAS BEEN SURPRISINGLY STRONG RESISTANCE TO THE IDEA THAT THE MULTINATIONAL FORCE MIGHT GIVE THE AMERICANS A PERMANENT Foothold IN SINAI.

6. I RECITE THESE EXAMPLES MORE BECAUSE ONE CANNOT AFFORD TO IGNORE STRAWS IN THE WIND THAN BECAUSE I REGARD THEM AS FORESHADOWING AN EARLY STORM, LET ALONE JUSTIFYING COMPARISONS WITH IRAN. SADAT IS CERTAINLY SHOWING HIMSELF INCREASINGLY SENSITIVE TO CRITICISM AND OVER-REACTING TO IT. BUT IT IS NOT A NEW TRAIT, AND I WOULD PUT THE PRESENT MOOD DOWN MORE TO ANNOYANCE THAT EVENTS - THE US AND ISRAELI ELECTIONS, HIS OWN LOYAL OPPOSITION, THE COPTS, DOMESTIC RETAIL PRICES, THE EXCHANGE RATE - HAVE NOT CONFORMED TO HIS EXPECTATIONS THAN TO ANYTHING LIKE A LOSS OF CONTROL. ON THE CONTRARY, SADAT'S OUTSTANDING TALENTS - IN ADDITION TO THAT FOR THE COUP DE THEATRE - ARE HIS COMMON TOUCH WITH THE POPULACE AND HIS FLAIR FOR MANUPULATING POLITICIANS. (THE OUTLAWED LAWYERS ARE ALREADY COLLABORATING WITH THEIR SUCCESSORS.) ON THE OTHER HAND SADAT IS AN IMPROVISER, AND APART FROM HIS PEACE POLICY HE HAS FAILED TO DEVELOP A COHERENT POLITICAL PHILOSOPHY CAPABLE OF HARNESSING THE ENERGIES OF THE NATION AS DISTINCT FROM THOSE OF THE GET-RICH-QUICK BRIGADE (HIS NATIONAL DEMOCRATIC PARTY IS NOT LOOKING MUCH MORE PLAUSIBLE THAN THE SHAH'S RASTAKHIZ, THOUGH IT HAS CLEARLY LASTED LONGER). WHEN AND IF THE PEACE POLICY IS SEEN TO HAVE FAILED ,THE SHORTCOMINGS IN EGYPT'S POLITICAL, SOCIAL AND ECONOMIC SYSTEM MAY ATTRACT MORE POPULAR ATTENTION AND COMPEL SADAT TO CONSIDER A CHANGE OF DIRECTION IN DOMESTIC AS IN FOREIGN AFFAIRS. IT IS FUTILE AT THIS STAGE TO SPECULATE WHAT SUCH A CHANGE WOULD INVOLVE - IT COULD RANGE FROM A SIMPLE CABINET RESHUFFLE TO A SWING BACK TOWARDS CSOCIALISM AND A MORE DIVIGISTS ECONOMY TO REMEDY THE INEQUITIES THAT HAVE ENTERED BY THE OPEN DOOR. BUT WHATEVER FORM CHANGE TAKES I WOULD PUT MY MONEY ON SADAT'S ANTICIPATING THE NEED AND ADJUSTING TO IT, RATHER THAN WAITING TILL HE IS OVERWHELMED.

7. IF THERE IS ANYTHING IN THIS SKETCHY ATTEMPT TO THINK THE UNCOMFORTABLE IF NOT THE UNTHINKABLE I DO NOT (UNDERLINE) THINK IT GIVES ANY GROUNDS FOR RECONSIDERING OUR PRESENT POLICY OF POLITICAL AND ECONOMIC SUPPORT FOR SADAT'S EGYPT AND OF ENCOURAGING BRITISH EXPORTERS AND INVESTORS TO DO MORE BUSINESS HERE. I DO NOT EVEN SUGGEST THAT WE SHOULD EMULATE PRESIDENT REAGAN WHO I AM TOLD HAS AGREED TO READ SADAT A LECTURE ON THE NEED FOR LESS PRODIGAL FISCAL AND ENERGY POLICIES IN THE INTERESTS OF EGYPT'S LONG-TERM PROSPERITY. THE AMERICANS WOULD LIKE US TO , BUT WITH AN AID

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PROGRAMME OF OVER DOLLARS 2 BILLION A YEAR THEY CAN AFFORD HOME TRUTHS MORE THAN WE . I HAVE REHEARSED OFTEN ENOUGH EGYPT'S BASIC STRATEGIC AND POLITICAL IMPORTANCE TO THE WEST, AND IT CAN ONLY GROW WHEN SHE REJOINS THE RANKS OF THE MODERATE ARABS - AS MUST SURELY HAPPEN WITHIN A YEAR OR TWO , ASSUMING THERE ARE ANY MODERATE ARABS LEFT. WHATEVER ELSE HE DOES SADAT IS NOT LIKELY TO EXCHANGE HIS WESTERN ALIGNMENT FOR THE SOVIET UNION. MEANWHILE OUR BILATERAL RELATIONS ARE CLOSER THAN EVER BEFORE, AS SADAT HAS PUBLICLY TESTIFIED. ALL WE NEED TO DO TO SERVE OUR INTERESTS IS TO LOOKCONSTANTLY FOR WAYS OF GIVING THEM MORE PRACTICAL CONTENT, ACCOMPANIED BY POLITICAL ATTENTIONS SUCH AS THE PRESENT VISIT, WHILE KEEPING A WEATHER EYE OPEN FOR SQUALLS.

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