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THE OUTLOOK FOR EGYPT
AND THE NASSER REGIME

Submitted by the
DIRECTOR OF CENTRAL INTELLIGENCE

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Concurred in by the
INTELLIGENCE ADVISORY COMMITTEE

on 12 November 1957. Concurring were The Director of Intelligence and Research, Department of State; the Assistant Chief of Staff, Intelligence, Department of the Army; the Director of Naval Intelligence; the Assistant Chief of Staff, Intelligence, USAF; and the Deputy Director for Intelligence, The Joint Staff. The Atomic Energy Commission Representative to the IAC and the Assistant Director, Federal Bureau of Investigation, abstained, the subject being outside of their jurisdiction.

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THE OUTLOOK FOR EGYPT AND THE NASSER REGIME

THE PROBLEM

To estimate: (a) the changes in Egypt's position since the Suez crisis; (b) the chances for survival of the Nasser government; and (c) probable future developments in Egypt's internal situation, and its regional and international position.

SUMMARY

1. Nasser has achieved a position of virtually unchallenged authority in Egypt. Foreign policy and events have served both as a distraction and an excuse for the regime's failures to fulfill its promises of social and economic reform. Although it is almost certain that the regime will be unable to make appreciable progress in solving Egypt's staggering economic problems, it is unlikely that the regime will be overthrown in the next few years.

2. Nasser has wide popular support throughout the Arab world as the symbol of the resistance of radical Pan-Arab nationalism to Israel and to Western "imperialism." This enables him to exert heavy pressures upon the conservative Arab governments through their own peoples. Nasser, however, may be concerned that the role of the Soviets in Syria and the independent policy of the Syrian government will prejudice his position as leader of the Arab world. It is almost certain that Nasser will not acquiesce in an over-all settlement which

Israel would be willing to accept. On the other hand, he is unlikely during the next year or so deliberately to initiate a war with Israel.

3. Nasser's position has been strengthened and his objectives have been advanced by his association with the Soviet Bloc. Nevertheless, he has stopped short of political alliance and, although he has accepted heavy economic obligations, he has sought to offset economic dependence upon the Bloc with revived and increased trade relations with Western and other Free World states. However, Egypt is likely to become more dependent upon the Bloc over the next few years if the demand for Egyptian cotton in the non-Communist world continues to be low. Egypt's determination to maintain access to a source of arms which would be open in the event of war with Israel will also tie it to the Bloc. Furthermore, political and psychological pressures favor closer relations with the Bloc because it appears to be championing the Arab point of view.

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4. Nasser is convinced that the US desires his downfall. He believes that the US hopes to combat Soviet influence and advance its own interests by exercising dominant influence over the area states and that it is unlikely to accept and deal with him as a neutral. Nasser may hint of a desire for US moves toward reconcili-

ation, but he is likely to concentrate on improving relations with other Free World and neutral states. However, he is unlikely to make any significant changes in his neutralist policy in order to improve relations with the US or other Free World states.

DISCUSSION

INTERNAL AFFAIRS

5. The revolutionary military regime which overthrew the corrupt and unpopular Egyptian monarchy in 1952 quickly established itself as the protagonist of a radical form of Arab nationalism, secular and reformist in character and aimed at ending the exploitation of the country by feudalism from within and by "imperialism" from without. Gamal Abdel Nasser, who emerged as the real leader of the regime, developed and applied this policy with a vigor and success which attracted attention throughout the Arab states. He soon succeeded in identifying himself and his policy with Pan-Arab rather than exclusively Egyptian interests, which enabled him to revive traditional Egyptian pretensions to area leadership.

6. The military regime instituted a bold program of social and economic reform which impressed much of the public with its good intentions. In the field of government, it introduced a new note of efficiency and honesty, and promised a transition from military to constitutional and representative government.

7. However, after five years the Egyptian military regime has succeeded in no important respect in realizing its domestic goals. As a consequence the regime's ability to stay in power rests principally upon: (a) control of the armed forces and police; (b) the response of the radical Arab nationalists to Nasser as the symbol of dynamic Pan-Arab nationalism and to Nasser's vigorous foreign policy; and (c) a residue of respect for the regime's re-

formist intentions and apparent incorruptibility. Meanwhile, Egypt's basic, long-range problems remain almost untouched.

8. *Government:* The revolutionary regime has appropriated all executive and legislative functions unto itself, leaving only routine administrative functions to the established institutions of the government. During the past two years Nasser has advanced from the position of chairman and senior member of the Revolutionary Command Council to chief-of-state with near absolute power.

9. Nasser is surrounded by concentric rings of officials and advisers appointed by himself. The inner circle of top advisers is probably made up of men of military background: 'Abd al-Hakim 'Amir, who confines himself largely to military affairs; 'Ali Sabri, chief foreign policy adviser and director of foreign intelligence; Zakariya Muhi al-Din, Minister of Interior, who may have suffered a loss of influence due to the unsatisfactory outcome of the recent parliamentary elections and 'Abd al-Latif al-Baghdadi, President of the National Assembly and chairman of numerous ministerial committees. Nasser dominates these men, who appear to be absolutely loyal to him. Outside this small nucleus is a group of twenty-five or thirty important officials and advisers which includes some members of the original RCC, and outside that a much larger group of some hundreds of technicians, and other functionaries who run the machinery of the regime and who owe their place and prestige to the regime.

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10. There have been rivalries and differences within the top echelons of the regime and some of Nasser's older colleagues resent the present prominence of new advisers. Nasser appears to be in control, however, and no group or clique is believed to exist in the top echelons which aspires to seize control from Nasser.

11. The regime's attempt to provide an institutional foundation for its power has been a failure. Nasser is unlikely, however, to yield any power in order to broaden the base of his government. The Liberation Rally, a substitute for independent political parties, never attracted popular participation. The extent of the political failure became evident only in July 1957, when the regime attempted to make good on its promises to restore a national assembly. In carefully staged and controlled elections the regime's political machine proved to be weak and no match for the influence of local notables who secured the election of candidates of the type sent to Parliament under the former regime. Elements in the National Assembly will probably try to embarrass the regime, but Nasser is in a position to control them.

12. Until the Suez crisis the regime strongly emphasized an impressive and expensive social reform program designed to rebuild Egyptian society and rally it behind the revolutionary cause. All the most important projects — including land reform, village improvement, and the Liberation Province reclamation and resettlement scheme — have as a result of financial stringencies and the resistance of Egyptian society to change, virtually come to a halt. Although the public is still generally convinced of the regime's good intentions, the progress made on state welfare programs is insufficient to contribute to the regime's political stability.

13. *The Economy:* The Nasser regime, despite its efforts, is no more likely than its predecessors to cope with the basic economic problems arising from the effects of heavy population pressure on severely limited resources and from heavy dependence on a vulnerable cash crop — cotton. The regime has raised popular expectations for improvement in the stand-

ard of living, but, barring major technological advances or the unexpected discovery of exploitable resources, Egypt does not possess the means to fulfill these expectations. Projects adequate to raise, or even to maintain, the standard of living are probably not within Egypt's present capabilities.

14. Nasser's long-range program includes development of the industrial as well as the agricultural sector of the economy. This would require large amounts of foreign capital, but his present policies inhibit the flow of funds from Free World sources. His apparent unwillingness to go as far as Syria in relations with the USSR may limit the availability of Soviet assistance. Nasser also aspires to gain access to Arab oil revenues as a source of development capital, but is unlikely to make much progress in this direction.

15. The regime has, however, dealt fairly successfully with the short-run dislocations and problems occasioned by the Suez affair. The shortage of foreign exchange occasioned by the blocking of Egypt's funds in the West has been partially surmounted by assistance from Saudi Arabia, by the imposition of stringent import controls, and by a \$30 million drawing from the International Monetary Fund. Revenues from the reopened canal have added substantially to the exchange holdings and barter deals with the Bloc have eased requirements for Western currency.¹ Essential imports have been obtained and the shortages of manufactured and luxury goods have not had much impact. The state of Egypt's economy, however, will depend in large measure upon Egypt's ability to market its cotton abroad.

16. The Suez crisis and its aftermath have facilitated the pursuance of the government's underlying objective of "Egyptianizing" the economy. In view of the preponderant role long played by foreign firms, the program of "Egyptianization" seems likely to enlarge markedly the scope for Egyptian enterprise. On the other hand, "Egyptianization" and other anti-foreign and anti-minority policies have caused some emigration of valuable managerial and entrepreneurial skills and has

¹ See Table I.

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discouraged the inflow of foreign capital. These developments have contributed to a significant increase in government ownership and control of economic enterprises, especially in the petroleum industry.

17. *Dependence on the Bloc:*² Egypt's economy has become increasingly dependent on the Sino-Soviet Bloc, and has thereby become subject to significant Bloc economic pressures. In the first eight months of 1957, 37 percent of Egypt's total trade was with the Bloc, compared with only 11 percent in 1954. This increase is due in part to Egyptian and Bloc policy decisions, but in large measure to the decline of Western demand for Egyptian cotton and the existence of a rising requirement for cotton in the Bloc.

18. We estimate that Egypt can liquidate the remainder of its obligation for arms received from the Bloc prior to 1957 with about ten percent of a normal year's cotton exports — about \$30 million — each year for the next six years, which is believed to be the contract period for payment. This is likely to be difficult, but is probably manageable. Although any purchases of additional arms from the Bloc would increase the debt burden, the impact upon the economy would depend largely upon the terms of payment. Egypt has contracted with the Bloc for an additional \$17 million in industrial and other projects now under way. Some portion of this indebtedness has probably already been paid off. Aside from the arms purchases, however, Egypt has a favorable trade balance with the Bloc.

19. Egypt will probably continue to seek to restore and develop trade with Western and other Free World nations in order to offset this dependence upon the Bloc. However, if Free World demand for Egyptian cotton continues at its present low level or declines, the Bloc will be in a position to make Egypt increasingly dependent upon it both as a market and as a source of imports.

20. *Public Attitudes Toward the Regime:* Unable to point to successes in the field of domestic policy, the Nasser regime must rely for public support upon the appeal of its foreign

policy and upon public approval of the general lines of its radical brand of Arab nationalism. External events, such as the attack on Suez and Sinai and the freezing of Egyptian funds by the Western powers, have often distracted attention from and have been accepted as an excuse for the regime's lack of significant progress at home.

21. Most of Nasser's active political support, both civilian and military, comes from the partially educated and partially Westernized Moslem middle class which includes most of the politically conscious urban population. This group appears to believe that the course of events has generally vindicated Nasser's policy and has proved the truth of his warnings of the treachery of Israel and the Western "imperialists." They also believe that the policy of neutralism has paid off in the Suez crisis. Nasser's propaganda campaign to turn the military defeats of late 1956 into victories was successful because it appealed to the Egyptian public's inherent compulsion to save face. Nasser's influence is also bolstered by endemic suspicion and distrust of outsiders, which is expressed in fears that Egypt and its brother Arab states are being threatened by the "imperialist" enemies of Arab nationalism.

22. Adverse reactions to the authoritarianism of the Nasser regime have been relatively insignificant. One of the regime's most popular policies has been the harassment of foreign residents and foreign enterprises, which has opened the way to greater opportunities for Moslem Egyptians. The urban Moslem middle class has benefited from the regime's discriminatory policies against foreigners and local non-Moslems and for this reason, among others, has become more strongly bound to the regime since the Suez affair. Any effective alternative to the present government would probably have to come from this same class.

23. The principal focus of the present opposition to the regime is in the conservative group which takes a view generally in accord with that of the conservative regimes of Saudi Arabia, Jordan, Iraq, and Lebanon. This conservative group is composed of almost all the upper class — about five percent of the popu-

² See Table II.

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TABLE I

EGYPT'S ESTIMATED FOREIGN EXCHANGE HOLDINGS BEFORE AND AFTER
ADOPTION OF WESTERN EXCHANGE CONTROLS ON 28 JULY 1956 AND ON
1 AUGUST 1957

(Figures in millions of US dollar equivalents)

	<u>Before Blocking</u>	<u>After Blocking</u>	<u>1 August 1957</u>
<u>Free Exchange</u>			
Gold *	173.92	173.92	188.27
Sterling	41.04	—	0.29
US Dollars	53.96	10.05	27.38
Other	38.75	38.75	78.35
Total	<u>307.67</u>	<u>222.72</u>	<u>294.29</u>
<u>Blocked Exchange</u>			
Sterling	287.29	328.33	266.34
US Dollars,	—	43.91	30.62
Total	<u>287.29</u>	<u>372.24</u>	<u>296.96</u>
GRAND TOTAL	<u>594.96</u>	<u>594.96</u>	<u>591.25</u>

* Designated for currency backing and not readily available for other use.

TABLE II

EGYPTIAN TRADE WITH THE SINO-SOVIET BLOC 1954-1956

<u>Period</u>	<u>Exports</u>	<u>Percent of Total Exports</u>	<u>Imports *</u>	<u>Percent of Total Imports</u>
1954	56	14	27	6
1955	106	27	38	7
1956	139	34	77	14
1957 (first eight months)	161	47	89	27

* Values in million US dollars.

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lation. It includes the former big landlords, successful business and professional men, and those associated with them. Many of these have personal, economic, and cultural ties with the West. The conservative opposition is drawn together by the fact that Nasser's radical nationalism is a threat to their wealth, their position in society, and their political and social beliefs. Its greatest strength lies in the remnants of the once-powerful Wafd Party. As the July elections appear to have demonstrated, the Wafd at the local level retains an efficient political organization responsive to central control.

24. Organized opposition groups with some backing within the armed forces exist, but without significantly improved planning, support, and leadership are almost certain not to be able to mount an effective political offensive against the regime or to carry out a coup d'etat. Any opposition to Nasser suffers from vulnerability to charges of treachery to the Arab cause. The conservative stand on basic issues has little political appeal to the urban middle class. Furthermore, Nasser is alert to the possibility of conservative moves against him and has effective weapons at his disposal with which to combat them. The greatest weaknesses of the conservatives, however, are lack of determination and courage and lack of an appealing alternative to Nasser.

25. Other opposition to the regime is scattered widely and includes people in all classes of society who oppose the regime's reformist policies. Many of these are former members of the Wafd Party or are followers of important Wafd leaders. The Moslem Brotherhood, once a formidable opponent of the regime's secular and modernist policies, retains a large number of sympathizers. Since the execution of its leaders by the regime, the Brotherhood has probably not been organized for political action and is unlikely to initiate anti-regime activities. Ethnic and religious minorities, both Egyptian and non-Egyptian, are generally hostile to the regime but have little political influence.

26. The Egyptian Communist movement still illegal, divided, and still with a membership of four or five thousand, apparently continues

to support the regime's foreign policy while opposing its ban on political party activities. The regime, despite its cordial relations with the Bloc, continues to harass low-level local Communists, partly in order to convince both the local opposition and the West that it is neither pro-Communist nor under the thumb of the USSR. There are, however, several persons with Communist connections or leanings in the middle level of the government and in important positions in the government subsidized press. In the July elections, the Communists demonstrated for the first time aggressiveness and competence in anti-regime political activity, although no known Communist was elected. The Communist Party cannot be counted as a permanent part of the opposition forces in Egypt because of its presumed responsiveness to orders from Moscow. Under present circumstances the Communists could add considerable strength in street fighting and subversive activity to any move for or against the regime which it chose or was ordered to support.

27. *Stability of the Regime:* A continuation of present economic and political trends is likely to increase public discontent. The regime, however, can probably continue for the next few years to hold the sympathy of the majority and retain the loyalty of the armed services and the police.

28. With the armed services and the police on its side, the regime can almost certainly forestall or defeat any likely attempt against it from within the country. If Nasser were removed from the scene, we believe that despite constitutional provisions there might be a contest for supremacy among his lieutenants, but one or a committee of them would probably gain control and seek to carry out Nasser's general policy line.³ If both Nasser and his top advisers were removed, some form of extreme radical nationalist coalition would be likely to be set up, probably military and probably less cohesive than Nasser's. It is conceivable that an alignment hostile to the present revolutionary group could maintain it-

³The constitution provides for succession to the presidential office by the President of the National Assembly, at present 'Abd al-Latif al-Baghdadi.

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self in power after the disappearance of Nasser and his associates, if it could neutralize or win over the military. Such a regime, however, would have to appear not to be the instrument of a Western power and would be obliged to pursue an anti-Israel and neutralist policy.

THE ARMED FORCES⁴

29. The Nasser regime is still basically dependent upon the armed forces for its ability to remain in power, although it has dropped many of its military characteristics and connections. Military personnel approve of what Nasser has done to raise their standing in the country and provide arms, and practically all approve his radical nationalist policies and the way he applies them. There are some officers still in the armed forces, particularly among those with conservative backgrounds, who would probably lend their support to an anti-Nasser move, but the regime keeps a careful and probably effective check on military personnel suspected of disloyalty. If public dissatisfaction with the regime became widespread, the armed services would certainly be affected, but would remain loyal longer than other elements of the population. In general,

⁴The Egyptian ground forces are now estimated to have a total strength of 100,000 men with approximately 70,000 of them in combat units. The army has three infantry and one armored division headquarters, which perform only administrative duties. The seven infantry brigades and the four armored groups are the largest Egyptian combat units. The Egyptian Air Force (EAF) is estimated to possess about 295 aircraft, including at least 90 MIG-15s and 17s (Fagots/Frescoes) and 35 IL-28s (Beagles). (See Annex B for lists of Soviet Bloc equipment held by Egypt.) There are about 30 other jet fighters of Western origin. While no accurate information as to the number of squadrons is available, it is believed that up to 6 fighter squadrons, 2 light bomber squadrons, 2 transport squadrons and miscellaneous training units have been organized. The EAF is estimated to contain 4,450 officers and men, including 400 pilots. The Egyptian Navy is composed of 4 destroyers, 3 submarines, 6 patrol escorts, 1 submarine chaser, some 25 motor torpedo boats, 8 minesweepers, 3 auxiliaries, 4 small service craft and 6 small landing craft. Personnel strength is estimated at 8,000.

the present level of morale in the services is fair and has shown some improvement over the low point reached after the British-French-Israeli invasion.

30. The Egyptian armed forces have replaced the manpower and equipment lost in the Suez-Sinai campaign. The army's combat effectiveness has probably been returned to pre-Sinai levels. The air force lost few, if any, trained personnel during the fighting of November 1956 and its tactical capabilities have probably increased since that time as a result of further aircrew training in the USSR and the satellites, Bloc supervision of EAF training programs in Egypt, and improvement in air facilities. The receipt of three submarines from the Bloc will increase naval capabilities against Israel.

31. The armed forces are capable of maintaining internal security but are probably still a poor match for the armed forces of Israel in terms of proficiency in the employment of weapons and aircraft, in combat aggressiveness, and in morale. Egypt's forces, even with continued Soviet assistance and training, will probably not have the capability to stop an Israeli ground attack short of the Suez Canal at least for the next year or so. Egypt will require a considerably longer period before it will have the capability to mount and sustain a major invasion of Israel. However, Israel is and will remain vulnerable to surprise air attack by Egypt, and in less than a year its shipping will be vulnerable to Egyptian submarine attack.

32. The rate of improvement in the Egyptian armed forces will continue to be relatively slow, but if Soviet assistance should continue at roughly the present level, and should outside military aid to Israel remain limited, the military power of Egypt — aided by Syria — will become an increased threat to Israel.

33. About 40 percent of the arms of the Egyptian Army are of Soviet origin. Moreover, Egypt is dependent on Soviet support for considerably more than 50 percent of the Army's requirements in spare parts and ammunition, although the Egyptians claim to have adequate supplies for five years. The Egyptian Air Force is even now heavily de-

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pendent on the Bloc for maintenance of its air strength, as is the Navy for maintenance and operation of 28 ex-Soviet warships. While there are spare parts for most items of Western origin units equipped with them could not sustain operations requiring their extensive use. Continued development of the Egyptian armed forces is heavily dependent upon the numerous Bloc advisers and technicians now in Egypt,⁵ and upon training programs being conducted in Bloc countries.

EGYPT'S EXTERNAL RELATIONS

34. The major aims of Egyptian foreign policy under Nasser have been (a) to free Egypt and the other Arab states from foreign — i.e., Western — influence and control; (b) to achieve a settlement of the Israeli problem on Arab terms; and (c) to unit the Arab states under Egyptian leadership and to extend Egyptian influence over Moslem Africa. Nasser's policy of "positive neutralism" has enabled him to make considerable headway toward the first of these objectives and has given him a hold over a majority of the politically conscious Arabs throughout the area, even though their conservative rulers withhold acknowledgement of Nasser's leadership. These policies have also encouraged Soviet Bloc activity in the area.

35. *Relations with the Soviet Bloc:* The Bloc approach to Egypt has been designed to give the impression that its interests, in contrast to those of the West, run parallel with those of Egypt and the radical Arab nationalists throughout the area. The Bloc has sold Egypt arms, apparently without stipulating conditions.⁶ It has provided Egypt with essential petroleum and wheat imports since the Suez crisis. In return it has taken cotton which Egypt has been unable to dispose of in the West. It has supplied technicians and ap-

⁵ Reports vary widely — from several hundred to two thousand — on the number of Soviet Bloc personnel in Egypt and on the kinds of activity in which they are engaged. We estimate that as of mid-1957 non-diplomatic Bloc personnel in Egypt totalled about one thousand, of which the majority was probably engaged in activities supporting the Egyptian armed forces.

⁶ See Annex B.

pears to have accepted Egyptian trainees in accord with Egyptian specifications. It has provided technical, financial, and material assistance for several industrial projects. The Bloc has greatly increased its information service and cultural activities in Egypt. It has provided diplomatic and propaganda support for the Nasser regime to the extent of threatening the UK, France, and Israel and publicly discussing the dispatch of "volunteers" to the Near East at the time of the Suez crisis.

36. Relations between the Soviet Bloc countries and Egypt are apparently kept with scrupulous care on a government to government basis and the Bloc personnel in Egypt have apparently confined themselves to their business as advisers and technicians. Egyptian Communist organizations probably play little or no role in the new Egypt-Bloc relationship. Nasser has continued to voice his opposition to local Communism and his Minister of the Interior continues to direct sporadic raids on Communists, releasing one group in order to make room in the jails for another.

37. Most of the Egyptians who know about the relationship between the regime and the Soviet Bloc approve of it. Few Egyptians know much about Russia or have any comprehension of its record in dealing with small nations or of the meaning of Communism. Most tend to trust the Bloc states because they support the Arab-Egyptian position against the Western powers and Israel, and because they have no record of colonialism in the Middle East or Africa. They admire the Soviet Union for its rapid change from an underdeveloped country into an industrialized great power.

38. There has been some indication that on occasion the Nasser regime has become irritated with the Soviets for such reasons as delayed deliveries of promised goods and weapons, failure of goods to meet specifications, high-handed conduct of certain officials and technicians, Bloc resale of Egyptian cotton to Western markets, and exertion of economic pressures. It is probably also dissatisfied with some of the conditions of trade with the Bloc, particularly in barter arrangements. Reports

of dissatisfaction have to date, however, been remarkably few, considering the magnitude of the transactions between Egypt and the Bloc.

39. Nasser will almost certainly seek to remain a neutral and to be opposed to domination of any Arab state by either the Bloc or the West. Even if his relations with the US worsen, he is likely to endeavor to build up his associations with other Western and Free World states to offset his dependence upon the Bloc. However, Nasser is likely to find it difficult to maintain a neutral position. Although Nasser may be concerned about Soviet activities in Syria, he probably believes that Soviets interests run generally parallel to his own. Moreover, his need for arms and for a dependable outlet for Egyptian cotton exports are likely to tie him to the Bloc with increasing firmness. An additional factor is the propaganda which he has fostered in support of his policies and which has stimulated public attitudes favorable to relations with the Bloc and unfriendly toward the West.

40. *Egypt's Area Relations:*⁷ Nasser has been neither vague nor modest about his own conception of his role as area leader and he probably does have greater influence throughout the Arab world than any other leader. The Egyptian state radio and the Cairo press, which are completely in his hands, are the most influential and the most powerful propaganda instruments in the area. Nasser also has at his disposal Egyptian diplomatic personnel, military attaches, teachers, businessmen, and other Egyptian residents in every Arab country. He uses them to contact, instruct, encourage, and supply the extremists who are eager to assist the radical Arab nationalist cause. Nasser probably has, however, a fairly realistic understanding of his limited capability to direct these local extremists in any disciplined or controlled action. Palestine refugees, some of whom are organized in para-military groups, are particularly amenable to exploitation by Nasser.

41. Since the initiation of the Baghdad Pact in February 1955, Nasser has been attempting to organize a competing alliance of Arab states

⁷ See NIE 30-2-57.

under his own leadership. His efforts to enlarge this beyond its Egyptian-Syrian nucleus have proved ineffective in the face of divisive forces in the area, particularly the conflict between the leaders of radical and conservative groupings. Although individual issues and incidents involving non-Arab forces have brought a public rallying of Arab leaders in the name of Arab solidarity, Syria and Egypt are privately opposed by the leaders of the other Arab states.

42. As Egypt and Syria have emerged as the strongholds of radical Pan-Arab nationalism there has been considerable discussion of a union of the two countries. Indeed, a joint command structure has been established which is designed to control forces of both countries in coordinated operations. Most of the initiative for union has come from Syria. However, since the consolidation of the radical nationalist coalition, Nasser has been obliged to make a great show of solidarity with Syria. His dispatch of troops is probably due in part to his wish to counteract those Syrian leaders who are inclined to conduct a policy independent of his. Nasser may also be concerned that the growing importance of the Soviets in Syria will prejudice his position as leader of the Arab world.

43. Nasser regards the rulers of Jordan, Saudi Arabia, Iraq, Libya, the Yemen, and the Persian Gulf rulers as relics of the past who must eventually yield to the demands of the radical Arab nationalists. He is certainly keenly aware of the pressures which the radical Arab elements can exert upon the conservative regimes. He has taken advantage of the opportunities offered by the Arab-Israeli situation, the Gulf of Aqaba issue, the Oman rebellion, and the alleged external pressures upon Syria to force the conservative leaders to make gestures in favor of Arab solidarity.

44. We believe Nasser's strategy will be to erode the support of the conservative governments and to force their leaders into difficult positions. In Jordan he will continue his efforts to undermine King Hussein and the conservative regime and re-establish a radical nationalist government like that dismissed by King Hussein last April. He will probably not

promote the dividing-up of Jordan, as this would almost certainly precipitate a general scramble in which Israel would feel compelled to participate and which would greatly increase the chance of great power involvement. In Saudi Arabia and Libya he will concentrate much effort upon attempts to strain and break the monarchs' ties with the West. He is likely to favor the Persian Gulf and the periphery of the Arabian Peninsula as locales in which to stir up conflict between Arabs and the "imperialists." In Lebanon and Iraq he will, in conjunction with Syria, conspire against the conservative governments.

45. *Israel:* The Egyptian view on Israel has not changed in its essentials. Nasser almost certainly believes that Israel continues to have aggressive intentions toward Egypt and the other Arab states. We believe that, although Nasser may show a willingness to discuss the Arab-Israeli situation, it is almost certain that he will not acquiesce in an over-all settlement which Israel would be willing to accept, or even a settlement of individual issues, including the refugee problem. He is likely to suspect that any Western move to bring about a general settlement is aimed only at providing security for Israel at the expense of the Arabs. Nasser might cooperate with the Soviets in a scheme to offer negotiation on the basis of UN resolutions in order to publicize Arab "reasonableness" and to embarrass the West. Nasser will probably try to keep the UNEF between him and Israel as long as he can do so without political loss. He is likely to continue to bar the Suez Canal to Israeli-flag shipping and vessels carrying strategic materials to Israel. He will continue to use the Israeli issue as a means of embarrassing conservative rulers in their relations with the West. For example, while Nasser has left the initiative in the Gulf of Aqaba to King Saud, he will be vigilant to see that Arab opinion is brought to bear on Saud if the latter appears to be relaxing pressure.

46. Nasser will take into consideration the response of the great powers to any move he might make against Israel and will be very cautious about deliberately initiating a war with Israel, at least until he feels he has obtained military superiority. At the same time

he might carry out harassing activities against Israel as a stimulus to Arab unity.

47. *Egypt's African Policy:* Egypt's primary objective in Africa is the assurance of a large share of Nile water. Negotiations with the Sudan, which has extensive projects of its own for the use of Nile water, have dragged on without coming to a conclusion. Egypt has not yet entered into negotiations with the other Nile countries, Ethiopia and Uganda, which will probably eventually insist that all Nile states agree on the division of waters. While Nasser is likely to seek an agreement with the Sudan, he will probably go ahead with his plans for Nile water use with or without an agreement.

48. Egypt's secondary objective is the establishment of cooperative governments in the African Arab states. Egyptian propaganda and bribery will probably be an important factor in the Sudanese Parliamentary elections scheduled for February 1958. However, it is unlikely that Egypt can get the kind of government it would like to have in the Sudan and Nasser will probably continue to bargain with the Sudan from weakness on the question of Nile water.

49. Egypt's third objective is to increase its influence and to harass Western "imperialist" interests in East Africa and in Africa south of the Sahara. In furtherance of this objective Egypt is carrying on an extensive propaganda campaign.

50. Libya, Morocco, and Tunisia have turned to the West to supply their needs for arms, development skills, and capital. If disappointed in this direction they would probably swing away from the West to the benefit of Egypt and the USSR. Egypt's influence is likely to be extended by Egyptian teachers, particularly in the field of Arabic and Islamic studies, in North African states and in Somalia. Libya is probably more vulnerable to Egyptian influence and subversion than the other North African states.

51. The emergence of Tunisia and Morocco to independent status has greatly reduced the reliance of the Algerian nationalists on support from Cairo. If Tunisia and Morocco eventu-

ally join the Arab League, as seems likely, their present governments would probably side with Iraq and Saudi Arabia against Egypt. So far, there is no indication in either Tunisia or Morocco of the development of an important opposition with which Egypt could form a subversive alliance.

52. *Suez Canal*: Egypt regards its control of the Canal as a matter of national prestige. It will seek to operate and develop the Canal in an efficient manner, particularly in view of the fact that it will have to seek outside financial assistance for necessary development of the Canal, and the importance of Canal revenues as a source of foreign exchange. Egypt is unlikely to interfere with traffic, other than Israeli, except under crisis conditions. Nasser will remain adamant on the question of the transit of the Canal by Israeli flag vessels or by vessels carrying strategic materials to Israel.

53. *Egypt and the West*: Since the Suez crisis there have been important changes in US-Egyptian relations. Before Suez, Nasser and his principal advisers had disagreed with the US on the subject of Israel, area defense — particularly the Baghdad Pact —, and on the conditions for obtaining US arms. They had come to the conclusion that the US was irrevocably tied to the UK, France, and Israel. Nevertheless, they hoped that the US would accept Nasser's policy of "positive neutralism" and agree to accept Egypt on the same terms as it did India and Yugoslavia.

54. However, after a short period during which they believed that the US role in the Suez crisis heralded a complete turn-about in US policy, the Egyptian regime turned against the

US. Gradually the US's attitude of aloofness and its continued economic pressures convinced Nasser that the US Government sought to isolate him and bring about his downfall. Nasser was particularly embittered by the freezing of Egyptian funds and the refusal of the US to resume sales of PL 480 wheat. Furthermore, Nasser has frequently stated that the American Doctrine offered the states of the area a choice of joining the Western alliance against the Soviet Bloc or of being isolated and cut off from the US and Western assistance. Viewed in this light, this policy would be a direct challenge to the Arab nationalist policy of "positive neutralism" with which Nasser had identified himself. He claims that, whereas his objective is neutrality, the US is driving him into closer relations with the Bloc.

55. Nasser is not likely to break with the US and at intervals will hint at a desire for US moves toward reconciliation, hoping to balance his relations with the Bloc. Nor do we believe that he would break with the USSR in return for American friendship and support. He will feel it of over-riding importance that he maintain access to the Bloc market for Egyptian cotton and to an arms supply which would remain open in time of war with Israel. Fear of dependence upon the Bloc is unlikely to cause Nasser to abandon his concept of "positive neutrality" as the instrument for attaining his goals. However, such fear may cause him to proceed at a more cautious pace; this, together with the impasse in US-Egyptian relations probably will cause Nasser to turn increasingly to other Free World states as a balance to both the US and the Bloc.

ANNEX A

EGYPTIAN AGREEMENTS WITH THE SINO-SOVIET BLOC

MILITARY AGREEMENTS:

Czechoslovakia, USSR	Sept 1955	At least \$250 million worth of Soviet Bloc arms and military technicians; repayment over 8-year period.
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ECONOMIC AGREEMENTS:

Czechoslovakia	1955-56	Construction of a ceramics factory, cement plant, Cairo water filtration plant, and a radio station; credit for the ceramics factory is \$1.1 million; value of other projects unknown.*
East Germany	1955-56	Construction of a power plant; value unknown.*
Hungary	1955-56	Construction of the Helwan bridge and small power plants; value unknown.*
USSR	Feb 1956	Establishment of a 20,000 kw reactor nuclear physics laboratory in Cairo; 15 Egyptians are studying nuclear physics in the USSR; value unknown.*

TRADE AGREEMENTS:

Bulgaria	Apr 1950	General trade agreement; manufactured goods for Egyptian raw material; indefinite period; re-export of cotton prohibited.
Communist China	Sept 1955	General trade agreement; indefinite period.
Czechoslovakia	July 1955	General trade agreement; indefinite period; includes provision for technical assistance.
Hungary	Feb 1947	General trade agreement; indefinite period.
Poland	Jan 1951	General trade agreement; renewed for indefinite period in 1955; renewal permits re-exports by mutual consent.
Rumania	Jan 1954	General trade agreement; indefinite period.
East Germany	Mar 1953	General trade agreement; indefinite period.
USSR	Aug 1953	General trade agreement; indefinite period.

* Estimated value of all Bloc projects now underway under existing agreements is \$17 million.

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ANNEX B

SOVIET BLOC ARMS HELD BY EGYPT AS OF
1 NOVEMBER 1957

<u>CATEGORY OF WEAPONS</u>	<u>INVENTORY OF WEAPONS</u>
<u>Army</u>	
T-34 medium tank	142
JS-3 heavy tank	40
BTR-152 Armored personnel carrier	132
BA-64 Armored personnel carrier	40
100mm self-propelled gun	69
122mm gun	20
122mm howitzer (USSR)	54
37mm antiaircraft gun	54
85mm antiaircraft gun	32
Quadruple mount antiaircraft gun	18
57mm antitank gun	100
Rocket launching vehicle	
132mm (32 tube)	24
132mm (16 tube)	9
<u>Navy</u>	
Destroyer	2
Submarine	3
Motor torpedo boat	19
190 ft. T-43 class minesweeper	4
40 to 60 ft. landing craft	6
<u>Air Force</u>	
MIG-17 jet fighter	} 90
MIG-15 jet fighter	
IL-28 light jet bomber	35
IL-14 twin engine transport	37
Trainer aircraft: Yak-11, U MIG-15, U-IL 28	small number of each
Early warning radar ("KNIFEREST-FISHNET")	several

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