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DCI BRIEFING
FOR THE HOUSE APPROPRIATIONS COMMITTEE

NASIR

I. Nasir's Port Said diatribe against US aid last December probably was an outward manifestation of his domestic and foreign frustrations. The Egyptian economy is in trouble because of a number of factors.

A. There is a severe shortage of hard currency foreign exchange stemming from an overambitious development program, a rising standard of living accompanied by increased consumption, complicated by a high birth rate which makes for about 750,000 more mouths to feed each year.

B. An additional burden is Nasir's attempts to behave like a great power--the maintenance of a large army, a worldwide diplomatic service with its intelligence and propaganda counterparts and foreign ventures--Yemen and the Congo are examples--without great power resources. Up to 1961 this was financed by about $1 billion in foreign

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exchange reserves on hand when Nasir ~~couped~~ threw out Farouk in 1952. Instead of taking corrective measures the regime resorted to short-term credits, an emergency drawing from the International Monetary Fund and defaulting on bank loans. He has persuaded the Soviets to ease the payments on debts owed by Egypt. The euphoria and self-confidence of the earlier years are shaken.

C. Nasir may have concluded that the chances are better than even that he will get no more aid from the US and he intended the speech to prepare the Egyptians for a belt tightening and blame all of their troubles on Washington. (Four out of five loaves of bread consumed in the cities are made from US wheat--the countryside little more than feeds itself.)

D. Nasir is a trapeze artist in politics and his foreign-financed development program may be said to depend on his exploitation of the international scene. An example of this clever exploitation is the United Arab Command.

1. This supranational body ostensibly is aimed at Israel and is supposed to coordinate Arab armies in case of a war with Israel over the Jordan waters. Since its formation last January under the direction of an Egyptian general, Nasir has utilized the command as a means to foist Soviet-made arms onto Jordan and Lebanon--Syria and Iraq already are Soviet armed. This has put King Husayn on the spot and he has countered with a request to the US for equivalent US arms--including supersonic aircraft.

2. Our dilemma is that if we accede to Husayn's request the Israelis will pressure us for additional arms. This would get us directly into the arms race in the Middle East. If we refused, the pressures on Husayn probably would be so great that he would feel forced to take the Soviet arms with their accompanying Egyptian, and possibly Soviet, instructors.

E. Nasir's clash with the US over the Congo stems from his belief that Tshombé is an American-Belgian stooge. Nasir was a great backer of Lumumba and Lumumba's widow lives in Cairo. Nasir along with the Algerians has shipped several hundred tons of arms through the Sudan to the Congo rebels. The Soviets are believed to have replaced these in Algerian and Egyptian stocks. It is doubtful that we can reach an understanding with Nasir over the Congo.

F. The UAR has nearly 50,000 troops bogged down in the civil war in Yemen. Nasir promised Ambassador Bunker almost two years ago that he would begin withdrawing these forces, and repeated the agreement to Saudi King Faysal last September. He appears to be in no position, however, to honor his commitment.

1. The titular leader of the Yemeni Republicans, President Sallal, is kept in office only by the Egyptian military presence. Other Republicans have asked

Nasir to remove him, and resentment of the UAR by the Republicans now virtually matches that in the royalist camp.

2. Nasir wants to retain political dominance in Yemen, not only against the Saudis, but in order to retain a base for the campaign of subversion and terrorism he is directing against the British in Aden and the South Arabian Federation.

3. The Yemeni royalists have scored some military successes in recent months, and UAR forces are using strong measures to check them. They have used bombs containing a lethal concentration of tear gas, and mines reportedly filled with mustard gas.