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**Interagency
Intelligence
Memorandum**

Egypt: Sadat's Domestic Position

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NIO IIM 76-025

June 1976

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June 1, 1976

EGYPT: SADAT'S DOMESTIC POSITION*

MAJOR JUDGMENTS

Though Egyptian President Sadat remains in control, there are grounds for concern about the strength of his domestic position. Reports from a variety of sources over the past several months have conveyed a mixed picture of the stability of his regime and the degree of support for his leadership.

On one hand, Sadat appears to enjoy widespread popular backing and senior Egyptian officials responsible for security have expressed confidence that the regime can handle any subversive elements, civilian or military.

The military establishment appears to be loyal and continues to provide the main underpinning for Sadat's regime. As long as it backs him, he can probably remain in power. Yet the officer corps is not immune from the influence of the activities of leftist elements, the resurgence of rightists of the

* *This memorandum was prepared under the auspices of the National Intelligence Officer for the Middle East. It was drafted by State/INR and was coordinated at the working level among CIA, DIA, NSA, State/INR, Treasury, and intelligence organizations of the Armed Services. Review of the draft and provision of helpful comments by the US mission in Cairo are also gratefully acknowledged.*

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Moslem Brotherhood, the continued appeal of Nasserism, the alienation of its Soviet arms supplier, and the impact of economic stagnation and inflationary pressure on the urban poor and working classes. Should Sadat's principal Arab rivals collaborate with the Soviets in a common front against him, his position could be severely shaken. This coalition, however, could not topple him from power as long as the Egyptian armed forces remained behind him.

At the same time, [REDACTED]

[REDACTED] he is genuinely popular and has no visible rival who could hope to command the broad spectrum of support that he currently enjoys. He still controls the nation's sole political party and the parliament; his internal security services have a reputation for efficiency in ferreting out coup plotters.

On balance, short of an assassin's bullet, or another heart attack, we see no immediate threat to Sadat. There are, however, some disturbing trends which eventually may raise serious problems for the regime. [REDACTED]

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~~SECRET~~DISCUSSIONIntroduction

1. The central role that Egypt plays in the process of achieving a just and lasting peace in the Middle East puts a premium on the continuing stability of President Sadat's regime. On the surface, his government enjoys widespread domestic support, and his popularity remains high. Yet the regime is faced with inadequate economic growth, inflationary pressures on lower and middle income groups, and the prospects of more serious economic dislocation as economic liberalization gets underway. The regime also faced the deterioration of Egypt's military capability resulting from Sadat's alienation of the Soviets, the revival of what Egyptians term the communist movement, and, perhaps more ominous over the longer term, the resurgence of the right-wing Moslem Brotherhood.

2. In looking at Egypt's domestic scene, it is well to bear in mind that, despite its relatively large population (roughly 35 million), only a small percentage of Egyptians have any influence over the course of events. These include the professionals, intellectuals, bureaucrats, politicians, labor and religious leaders, and most importantly the military. Egypt's Coptic Christians, numbering between four and five million, its rural peasantry in the Nile Delta and upper Egypt, numbering around 17 million, and much of its urban poor, probably numbering 10 million or so, count for little in terms of political power.

3. Of Egypt's institutions, the most important is the military establishment which provides the underpinning of Sadat's regime and was the vehicle for late President Nasser's rise to power. Other politically important institutions include the Arab Socialist Union (ASU), which is Egypt's sole legitimate political party, the swollen bureaucracy, the Moslem religious leadership, the universities, and the communications media. The labor unions and the parliament have not yet developed significant, independent political clout, but there are signs that both may be beginning to do so.

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4. The leaders of the Egyptian security forces seem confident of their ability to control dissidence:

-- In early May, [redacted] stated that the morale of the armed forces was good, that they are considered totally reliable, and that the impact of shortages of spare parts had been blunted by efforts to acquire parts and new equipment from other sources. Although there were some troubling problems with inflation and the cost of living, he pointed out that the officers still did considerably better than their civilian counterparts.

-- [redacted] assured Ambassador Eilts that the government had identified domestic agitators and could deal with them. [redacted] conceded, however, that the new five-year austerity program that Sadat called for in his speech on March 14 might prompt some disturbances. [redacted] foresaw the trade union elections this summer as the next danger point.

Reported Dissidence

5. Despite these assertions that all is well, intelligence reports in recent months suggest that problems remain. [redacted] in late March, for example, that Egypt's armed forces were encountering significant morale and logistical problems.

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- Officers were growing resentful because of reductions in weapons supplies, in their political power, and in the perquisites that they had enjoyed under Nasser.
 - Because the withdrawal of Soviet technicians has left the army with major maintenance problems which Chinese and Yugoslav assistance cannot solve, officers feared that the armed forces would be unable to play more than a defensive role in the future.
6. Similar concerns had been reflected in other reports of dissidence within Egypt's armed forces.

-- On March 30, [redacted]

[redacted] there had been unrest among Egyptian air force and army personnel at several bases about two weeks earlier in opposition to Sadat's policies and his "betrayal" of the Arab cause. Elements of Egypt's Second and Third Armies reportedly had been moved back from the Canal Zone, where some of the alleged troubles had occurred, in order to preclude the spreading of anti-regime sentiment.

-- On April 1, [redacted]

[redacted] there had "recently" been rioting in the air force and army and that 50 officers from both services had been arrested in two incidents. The reasons given for the rioting were "low morale" caused by Sadat's "no-war-no-peace" posture, his alienation of Moscow and the concomitant deterioration of Egypt's military capabilities, the failure of military salaries to keep pace with the rising cost of living, and the displacement of the military from first to last place in the government as a result of the "sell-out" to the civilians.

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7. Although these reports of unrest in the armed forces cannot be confirmed, it is likely that the military establishment does face morale problems. That Sadat is aware of these dangers is suggested by the fanfare surrounding recent attempts to secure arms from non-Soviet sources and by recent efforts, at Foreign Minister Fahmi's urging, to prevent the further deterioration of Cairo's relations with Moscow. While Sadat probably hopes to acquire Soviet arms through third countries, his personal phobia against the Soviets continue unabated.

8. Following his abrogation of the Soviet-Egyptian friendship treaty in mid-March, Sadat had extended to 10 days a scheduled four-day visit to the troops in the Canal area. His addresses to various units there were designed to raise morale by praising the military for their heroism in the 1973 fighting and by promising that he would make a maximum effort to replace their Soviet equipment.

Other Potential Trouble Spots

9. Although the military is the ultimate guardian of Sadat's regime, other elements of Egyptian society could undermine his position, including his standing among the military.

The Right

10. Egyptian society is basically conservative. Rightist elements historically have been powerful; for example, it was only with great difficulty that Nasser succeeded in suppressing the main political arm of conservative Moslems, the Moslem Brotherhood (Ikhwan). The abortive putsch at the Cairo military cadet academy in 1974, it should be remembered, was led by a putative Islamic zealot who mobilized middle class youth. The Moslem Brotherhood seems recently to have grown in influence, especially in the military and in government agencies. Supported by money (and arms as well) from Libya, its long-term aim is to exploit the shortcomings of Sadat's regime.

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11. The Brotherhood has traditionally derived most of its strength from families of merchants and shopkeepers and from the peasantry, but it also includes many intellectuals. Xenophobic in outlook, its aim has long been to combine a fundamentalist Islamic political system with modern social reforms.

12. Last March, senior Egyptian security officers

[redacted] had doubts about the dependability of the army for action against the Brotherhood, particularly if the army were called on to suppress rioting in population centers. The officers commented that, for the first time since Nasser executed the Brotherhood's leaders in 1954, the movement now has as its head a viable public figure, Kamal al-Din Husayn, who has a power base.

13. Kamal al-Din Husayn is a former Vice President and Free Officer (the Nasser-led group that overthrew King Farouq in 1952).

[redacted] he is the present leader of the secretive military wing of the Brotherhood. Another prominent member of that wing is Husayn al-Shafi'i, one of the few, along with Sadat and Kamal al-Din Husayn, surviving members of Nasser's Revolutionary Command Council (Sadat dismissed Shafi'i ingloriously from his position as Vice President a year ago). Of the two Brotherhood leaders, the 54-year old Kamal al-Din Husayn probably represents the greater potential threat to Sadat's leadership.

14. Sadat's regime has sought to capitalize on the reservoir of Islamic sentiment in Egypt by encouraging Muslim leaders to carry out propaganda attacks on Egyptian leftists and to seek to counter leftist influence among students. The government-orchestrated call for a return to Islamic values is a two-edged sword, however, since a "back-to-the mosque" movement risks arousing public denunciation of the secular aspects of Sadat's social, political, and economic "open door" policies.

-- On May 12, the US Embassy in Cairo noted that a new conservative ground swell in Egypt was generating support for the Islamization of the nation's juridical structure. The Embassy opined that the recent increase in self-confidence among religious

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elements was the price the government would have to pay for seeking to use them in combating leftist political views.

- On April 6, People's Assembly Speaker Mar'i, a Sadat in-law, told the People's Assembly that six communist students from a secular university had gone to Cairo's al-Azhar University (the Islamic world's premier university) to encourage students to march on the Assembly to demand abrogation of the constitution and the substitution for it of the Islamic legal system (the Shari'a). Mar'i warned that the leftists were endeavoring to achieve their ends by exploiting "religious questions."

13. Despite Sadat's overtures to conservative elements, his chosen vehicle for the expression of conservative views is off to a slow start. In March, Sadat announced that three political forums (minbar) would be set up within the framework of the Arab Socialist Union. One of these forums, the Liberal Socialists' Organization, headed by Mustafa Murad, is the designated conservative faction.

[redacted] his forum is having difficulty attracting ASU members. Even Murad's parliamentary supporters have been reluctant to join his group. They apparently believe that their interests will be better served by joining the centrist forum, the Arab Socialist Organization (ASO), headed by Prime Minister Salem, which includes most of the government establishment.

The Left

14. Extreme leftists -- old-line communists and assorted Marxists -- are few and could not by themselves mount a coup. Communists in Egypt are pariahs to all but the relatively small intellectual class and some labor and student elements. Their atheism is an ineradicable blemish on their ability to create a mass movement, unless they disguise their true colors. The security apparatus

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closely monitors the illegal but recently revived Egyptian Communist Party and what local security officials call the Egyptian communist movement.* Sadat jailed his main pro-Soviet rivals in 1971 and has kept most other prominent leftists on a short leash. Nevertheless, Marxists and other leftists are influential in the communications media and among university students.

15. The third and last forum which Sadat authorized in March is the Progressive National Unionist Organization (PNUO). Sadat asked an eminent, elderly Marxist, Khalid Muhi al-Din, to head the PNUO. [redacted] the major reason for creating the forum was to lure the leftist opposition into the open.

16. Assembly Speaker Mar'i told visiting American dignitaries in mid-April that many leftists understand Sadat's strategy and, as a result, have joined the centrist ASO forum to avoid showing their hand. Mar'i accused the Soviets of trying to turn the PNUO into an effective campaign organization for Moscow's propaganda purposes by providing money and equipment.

17. Senior Egyptian security officials, [redacted] do not consider the PNUO as a serious threat to the government in the near future. Even though there are a number of so-called communists in the PNUO secretariat, these officials believe that infighting among the political opportunists who comprise the bulk of the PNUO's membership will keep the organization from ever becoming effective.

18. The main danger from the leftists is that they can agitate among pro-Soviet elements in the military and among students, workers, the urban poor and the disgruntled middle class. A major objective of the leftists, as the government is well aware, is to identify or create issues on which they can join forces with the rightists, who are more numerous, in opposition to Sadat.

* *It should be noted that Egyptian security authorities are often imprecise in distinguishing among leftist factions, frequently interchanging the terms "Marxists," "leftists," and "communists."*

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~~SECRET~~Nasserists

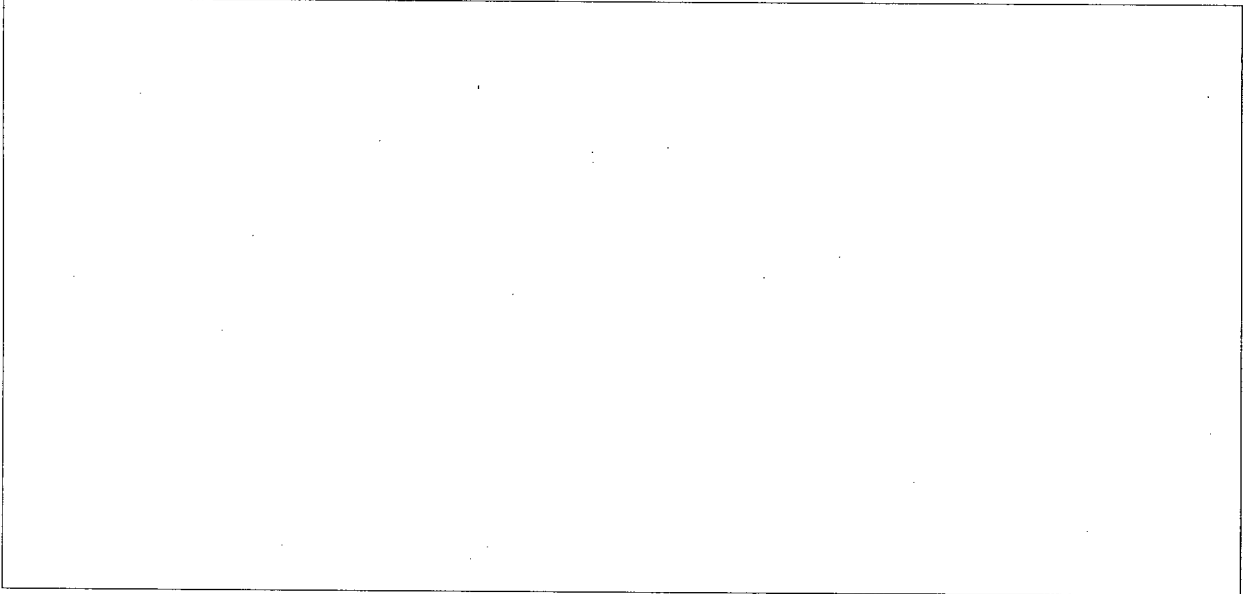
19. Most Egyptian politicians, including Sadat, proclaim that they are Nasserists, i.e., followers of Gamal Abdul Nasser and his revolution. Many "orthodox" Nasserists, however, charge that Sadat has betrayed Nasser's ideals of Arab unity and Arab socialism.

- They regard the Sinai II accord with Israel as evidence of Sadat's disloyalty to Pan-Arabism.
- They view his opening of Egypt to foreign private investment as a deviation from the proper socialist path.

20. These orthodox Nasserists, largely but not entirely leftist, are particularly strong among workers and journalists and in the universities and the bureaucracy, and are also represented in the military. Kamal Ahmad, a member of the ASU Central Committee and a heretofore little known representative in the ASU of Alexandria's yeast workers, has received considerable media attention since the end of March as the leading spokesman for Nasserists.

21. Ahmad has maneuvered, thus far unsuccessfully, to gain control of the PNUO from Khalid Muhi al-Din in order to give orthodox Nasserists a forum of their own; Sadat has refused to countenance the formation of a fourth, explicitly Nasserist forum on grounds that all Egyptians are Nasserists.

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24. [REDACTED]

[REDACTED] Partly because of Nasserist objections, for example, Sadat decided against substituting a multi-party system for the ASU. Instead, he sought the middle ground through the establishment of the three "forums." Moreover, when prominent right-wing Egyptian journalists attacked Nasser's memory last winter, Sadat felt constrained to rebuke them publicly.

25. Despite the fertile field that Nasserist sentiment offers to Libyan and Soviet provocateurs, Sadat probably can continue to manipulate and mollify most Nasserists who lack cohesive unity and leadership.

26. Nasserists and the Elections. Egypt will hold parliamentary elections in October. Campaigning would normally begin in early July after the end of the current session of the People's Assembly. However, thanks to the energy of the leftists, especially Kamal Ahmad's Nasserists, the campaign is already well under way. Establishment politicians who had planned to be on vacation in August are now getting nervous. They believe that Nasserism remains the natural tool of Sadat's opponents.

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27. Sadat, who is elected by the Assembly subject to ratification by a national plebiscite, has not yet accepted the parliament's nomination for a second six-year term beginning in October. There seems little doubt that he will run again and win.

28. There is general agreement that the economy will be the major election issue. Newspaper editors of both the right and left claim that the Nasserist demand for junking the "open door" and returning to Nasser's "socialist path" will compound Egypt's economic problems. On the other hand, they believe that much of the Nasserists' appeal will be blunted because there is widespread revulsion against the most flagrant abuses of governmental authority under Nasser. There is also a feeling of relief that Sadat has permitted freedom of expression to flourish.

Labor

29. Egypt's trade unions were tamed under Nasser and have remained docile. Nasserism, however, is a strong force in the labor movement, and there are indications that the urban poor and industrial workers are impatient with hardships caused by the inflation since the 1973 war and fearful lest Sadat's rejuvenation of Egypt's private sector jeopardize the benefits of Arab socialism. Labor union elections tentatively scheduled for June and July should reveal more about the attitudes of this sector.

Youth

30. Egypt's universities have traditionally been focal points of unrest. Even in Nasser's days, some of the worst disturbances originated on, or quickly spread to the campuses. Leftists and rightists are both vying for influence among the students. Sadat recognizes the importance of the universities and can be expected to continue to head off or suppress dissidence from this source.

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The Bureaucracy

31. Egypt has a huge, unwieldy bureaucracy, largely a legacy of Nasser, who guaranteed that every university and technical school graduate -- and there are tens of thousands of them each year -- could have a government job if no other were available. The swollen bureaucracy has thwarted Sadat's efforts to promote Western investment, not only through inertia and red tape, but also through deliberate obstructionism by those bureaucrats who fear that Sadat's policies will cost them their jobs or who are ideologically opposed to Sadat's policies.

Rivalries within Sadat's Entourage

32. The rivalries and personality clashes that exist within the inner circle surrounding Sadat serve to inhibit anyone close to him from challenging his leadership. On the other hand, the feuding and jealousies have also contributed to Sadat's isolation from a continuing flow of information about what is going on in all vital sectors of Egypt's economic and political life. The lack of timely and reliable information could -- especially in a crisis -- jeopardize Sadat's ability to control and manipulate the reins of power.

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~~SECRET~~Egypt's Economic Situation

34. Egypt's economic plight is serious. It has a large and expanding population that it cannot feed without foreign aid. The economy is sluggish with an annual growth rate of less than five percent. Egypt is mired in debt and lacks sufficient foreign exchange to service its external obligations and to finance necessary imports for consumption and for development projects.

35. Since the 1973 war, the overall cost of living has risen sharply:

- Increases of 35 percent for lower and middle-income groups included a 69 percent jump in food costs alone, an especially heavy burden for the poor.
- Incomes of most Egyptians have remained relatively stable since 1973, thus lowering their standard of living. Domestic inflation, coupled with conspicuous consumption by wealthy and well-connected Egyptians (including members of Sadat's entourage who are widely suspected of corruption) and by foreign Arab tourists and investors, has prompted considerable grumbling among many less fortunate citizens, civilian and military alike.

36. The government continues to subsidize certain basic commodities, such as bread, tea, rice, and cotton cloth, but frequent shortages of some staples have undercut the subsidy program and added to the discontent. The government now finds itself under heavy pressure from foreign and international lenders to rationalize its expenditures by terminating most subsidies and taking other unpopular steps. Sadat is well aware of the political impact of eliminating the subsidies on basic items and will seek to limit the effect of his austerity program on the masses who can ill afford further belt-tightening.

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37. Sadat's efforts to secure private foreign investment, part of his "open door" policy, have borne little fruit. Although the prospect of joining Arab money, Western technology, and Egyptian skills has attracted considerable interest, actual investment has been deterred by bureaucratic lethargy and the quagmire of conflicting regulations that partial liberalization has created in Egypt. Bureaucratic problems have also slowed drawdown of project aid and of lines of credit available to joint investment and construction firms formed by Egypt with OPEC partners.

38. These problems leave Cairo heavily reliant on an uncertain flow of cash aid from OPEC sources. Because of their desire to keep Sadat in power, conservative OPEC countries, especially Saudi Arabia, have been generous. Thus far, however, their aid has been mainly disbursed on an ad hoc basis to avert financial crisis -- a practice that has increased uncertainty and impeded economic planning in Egypt.

39. A number of misgivings have prevented other Arabs from underwriting the Egyptian economy on a long-term basis. The Saudis in particular are apprehensive about Egyptian financial shenanigans and have warned repeatedly that a long-term commitment is dependent on the institution of financial controls, preferably under the supervision of a consortium or a multilateral agency. At the same time Arab donors are somewhat reluctant to finance the buildup of Egypt's industrial and military strength to a point where Egypt, under a more radical successor government, could dominate the area militarily. The most serious deterrent to increased subsidies may be the suspicion since signature of Sinai II that Cairo can no longer be relied upon to pursue the "battle" against Israel alongside other confrontation states.

The External Dimension of Sadat's Domestic Position

40. Sadat's domestic position depends to a considerable extent on his international and intra-Arab stature. Signing the second Sinai agreement diminished perceptibly Sadat's position in the Arab world. Though some Arab

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leaders have acquiesced in this action, no Arab leader except Sudan's Numayri has openly supported it. [REDACTED]

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[REDACTED] Sadat is also aware that his recent tour of the Arabian Peninsula was only moderately successful in economic and political terms because most Peninsula leaders had misgivings about Egypt's ability to use effectively the funds they have provided and about his Middle East negotiating strategy. He did, however, get considerable military aid funds.

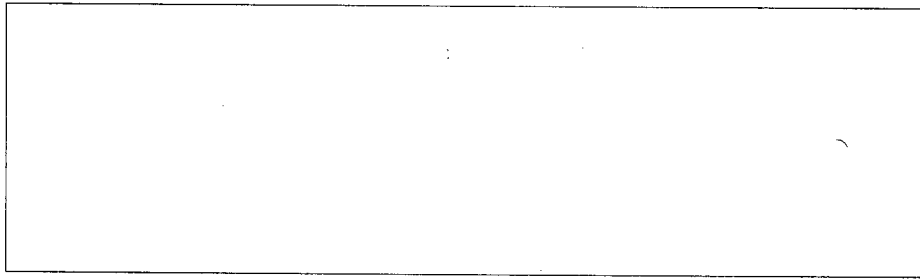
41. The relative isolation of Egypt, which has long been accustomed to a leadership role in Arab circles, tends to undercut Sadat's position at home. Libyan strongman Qadhafi, avowed enemy of Sadat, has sought to take up Nasser's pan-Arabic mantle. Qadhafi's agents, rather than Cairo, now control many Lebanese Nasserists, for example, and are doubtless encouraging subversion among both religious conservatives and disgruntled Egyptian Nasserists who are disheartened by the decline of Egypt's prestige in the Arab world.

42. Following the abrogation of the friendship treaty, Soviet propaganda was quick to try to stir up anti-Sadat sentiments among Egyptians, accusing Sadat of breaking ranks with his Arab brethren and the Nasserist tradition at Washington's behest. Although Moscow is apparently making efforts among the military to promote subversion against Sadat, its potential for success is limited. Should Sadat's principal Arab rivals collaborate with the Soviets in a common front against him, his position could be severely shaken. This coalition, however, could not topple him from power as long as the Egyptian armed forces remained loyal.

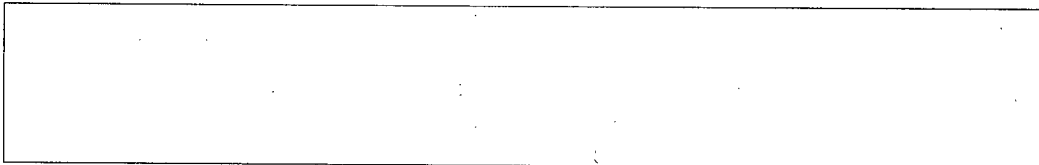
Sadat's Assets

43. Sadat has substantial assets in coping with these formidable challenges.

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- His genuine popularity, although economic problems have tarnished the lustre he acquired from the 1973 war: His "Egypt-first" reputation has struck a responsive chord among many of his fellow countrymen, who have long felt that Egypt has carried too much of the burden of the Arab-Israeli conflict and Nasser's adventurism. His expulsion of Soviet military advisers in 1972 and the termination of the friendship treaty in March 1976 have also been popular with the people at large.



- His ability to garner US and other external support which vindicates, to a degree, his foreign policy in Egyptian eyes. On the other hand, his Western connections heighten the expectations of many Egyptians far beyond Sadat's ability to fulfill them.
- The support of bourgeois elements of Egyptian society: These elements are still numerous despite suppression under Nasser, and have lauded Sadat's policies of opening Egypt's doors to foreign investments and goods and of providing wider scope for cultural interchange with the West. Egypt's bourgeoisie has long had a cultural affinity with the West and resented Nasser's socialism and closed society.

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- The lessened threat of war: Many young Egyptians are delighted that Sadat's policies since 1973 have reduced somewhat the danger of renewed fighting and thus the likelihood of their induction into the armed forces.

- The absence of an identifiable alternative to Sadat among his political opponents: They all lack the broad appeal he enjoys. Loyal followers control the ASU and the People's Assembly, and we believe that the top echelon of the military establishment still supports him, despite some misgivings about the effects of Sadat's policies on the capabilities of the armed forces. He does not permit ambitious insiders to acquire an independent power base.

- Sadat's sense of mission: He has a vision of what he wants Egypt to become and a strategy for achieving his goals, both in the Arab-Israeli context and in the Arab world at large.

- Since about January, the rapprochement between Egypt and the Palestine Liberation Organization has been gaining momentum. Although this

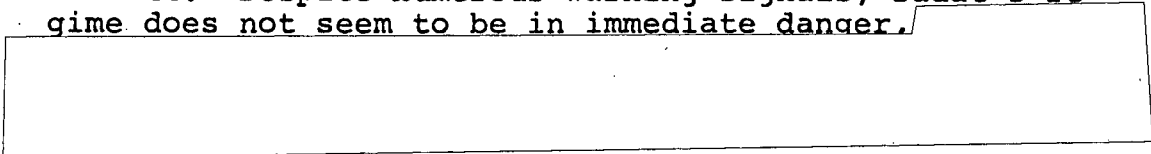
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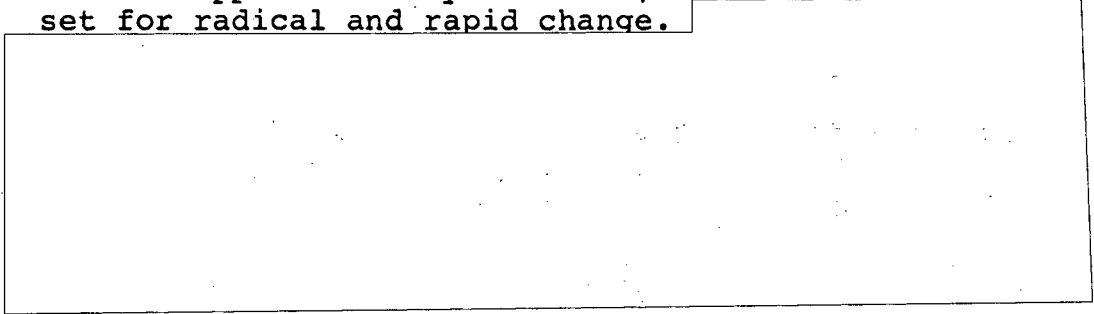
development is largely a factor of their reciprocal rivalry with Syria, any warming of relations between Sadat and the Palestinian resistance movement benefits Sadat. He can ill afford the opposition of Palestinian students in Egypt, or Palestinian activists abroad.

Summing Up

44. Despite numerous warning signals, Sadat's regime does not seem to be in immediate danger.



45. Of course, the possibility of assassination or physical collapse is always present. If anything should happen suddenly to Sadat, the stage could be set for radical and rapid change.

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