

Top Secret 203
(Security Classification)

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NATIONAL INTELLIGENCE DAILY CABLE

Wednesday January 19, 1977 CG NIDC 77-015C

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NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

Top Secret
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EGYPT: Widespread Rioting

[REDACTED] After violent demonstrations yesterday over price rises resulting from austerity measures imposed on Monday, Egyptian officials announced last night that they are "ready to review" the measures. Although this may help to defuse popular discontent, rioting in Cairo and Alexandria has been so widespread that only a reversal of the measures and much stronger police action are likely to restore order.

[REDACTED] The Interior Ministry issued a statement last night after demonstrations had died down threatening to use force to quell future disturbances.

[REDACTED] Faced with the need to reduce an enormous state budget deficit, Egypt announced on Monday that it would lower price subsidies on many consumer goods and impose much higher tariffs on others. Although a smaller deficit will reduce inflationary pressures in the longer term, the immediate impact of austerity measures has been sharply higher retail prices on many goods.

[REDACTED] //Proposed curbs on military spending as an alternative to civilian austerity are believed to have been successfully resisted by the defense establishment.//

[REDACTED] The government's move came without warning and without any effort to ease the blow to consumers. No effort was made until last night to explain the need for further austerity. The government also has not emphasized that the budget calls for increases in salaries and cost-of-living allowances.

[REDACTED] There is in fact some reason to believe that the government deliberately moved too forcefully and rapidly in order to demonstrate to the International Monetary Fund, which has been urging reductions in price subsidies, that such reductions are politically infeasible.

[REDACTED] There seems little economic or political justification for the sudden subsidy reductions unless the government wanted to impress the dangers of the move on IMF officials, who are currently in Cairo. President Sadat and Prime Minister Salim have until now resisted IMF demands even for gradual imposition of economic reforms lest this increase popular dissatisfaction.

[redacted] Whatever the government's motivation, the intensity and spontaneity of the riots were undoubtedly a surprise. Despite threats of forceful police action, more demonstrations are likely unless the austerity measures are quickly rescinded. Continued chaos could threaten even President Sadat's position.

[redacted] The demonstrations, made up primarily of thousands of workers and students, apparently began relatively peacefully yesterday morning in Cairo, Alexandria, and Hulwan, an industrial town south of Cairo. By afternoon, however, demonstrators had begun burning vehicles, looting and attacking stores and buildings, and throwing rocks at police.

[redacted] Large numbers of police in Alexandria were reported injured by rock-throwing rioters, and six policemen there are reported to have been killed.

[redacted] Vice President Mubarak's summer residence in Alexandria reportedly was sacked and burned, as were several police stations in Cairo and Alexandria. Posters of Sadat were torn down and burned by demonstrators chanting slogans calling for his downfall. Cairo police indicated at one point last night that there were continuing demonstrations in "all the streets."

[redacted] Although the government has claimed that leftist agitators provoked the demonstrations, the US consulate in Alexandria reports that the demonstrators seemed to have little organization or leadership. The same was apparently true in Cairo, indicating an alarming degree of spontaneity and a widespread depth of feeling over economic grievances, which had been growing before the austerity measures were imposed.

[redacted] In this atmosphere, political activists should have little difficulty stirring up further trouble. Leftist agitators, who have long tried to play on economic grievances, will now try to feed on the existing demonstrations to maintain the momentum of the riots.

[redacted] Egyptian officials have taken some steps to cool the situation. University and high school classes have been suspended for today and tomorrow. Officials have been worried for some weeks that student demonstrations would erupt in January--traditionally a period of student turmoil in Egypt--and it is

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likely that schools will remain closed beyond this week. Public transportation has been stopped between many key cities to prevent movement of demonstrators. [redacted]

[redacted]

SYRIA: New Flexibility

[redacted] Syrian President Asad, whose interview in *Time* magazine this week indicated a new public flexibility on Palestinian participation in peace negotiations, was even more forceful in his private remarks, according to *Time* correspondent Wilton Wynn.

[redacted] In his interview, Asad said that refusal by the Palestine Liberation Organization to attend the Geneva conference would not "cause paralysis" among the other concerned Arabs. Wynn says Asad was more vehement in private in declaring his determination to prevent the Palestinians from blocking progress toward a settlement.

[redacted] Indicating some impatience with the PLO's inability to devise a clear-cut policy on either negotiations or future Palestinian statehood, Asad said he favors establishment of an independent Palestinian state in the West Bank and Gaza "as long as the Palestinians want it." Asad's published and private remarks are a marked departure from his position of a year ago, when he demanded that any Arab-Israeli territorial negotiations must involve the PLO.

[redacted] The Syrian President's willingness now to negotiate without the PLO if need be--and his willingness to put the organization on public notice that he will not wait long for it to accept negotiations--are an indication of the increased confidence he feels after the Lebanon intervention and Palestinian setbacks last year.

[redacted] A further indication of Asad's flexibility came in another Wynn interview, not yet published, with Zuhayr Muhsin, leader of the Syrian-controlled Saiqa fedayeen organization. Muhsin said that it might be possible, in order to end the current impasse over PLO participation at Geneva, to hold the conference without the PLO.

[redacted]

[redacted] The Arab states and Israel could negotiate at Geneva, Muhsin reportedly said, and at a later stage the PLO could discuss its "status"--presumably meaning independent statehood or a linkage with Jordan--directly with the Arab states.

[redacted] Mushin's position is likely to be totally unacceptable to PLO leader Yasir Arafat and to the remainder of the PLO. Muhsin's views, however, are close to Asad's, and his position provides an indication of the line Asad is trying to press and the lengths he is willing to go to indicate his impatience with the PLO.

[redacted] Egyptian President Sadat, who recently has been attempting to force concessions on the PLO, still publicly insists, without qualifications, that the PLO must attend the Geneva conference and must gain independent statehood. Sadat and Asad are probably not far apart, however, in their positions on the Palestinian issue. Except for minor tactical differences, Asad's public remarks express Sadat's private desires, and Asad's move in going public will make it easier for Sadat to pursue his efforts to bring the PLO to a more accommodating position. [redacted]

USSR-US: Arms Control

[redacted] Soviet General Secretary Brezhnev called yesterday for progress on arms control issues between the US and USSR. The Soviet leadership also has apparently instructed Soviet news media to present favorably the appointments by President-elect Carter in the field of national security.

[redacted] In his speech at Tula, Brezhnev called for the completion of a SALT II accord "in the nearest future." He said the USSR is also prepared to conduct "businesslike talks" on the Nonproliferation Treaty and mutual force reductions in Central Europe. Brezhnev noted that discussions on the latter could be held "at any level and at any venue: in Vienna, in Bonn, in Washington, in Moscow--anywhere."

[redacted] The Soviet leader also termed allegations of Soviet efforts to reach military superiority as "absurd and totally unfounded." "We are bored," he said, "by this jabbering." Soviet domestic media have hitherto ignored the fact that a central issue in the US debate on arms control is whether Moscow is trying to achieve military superiority.