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CENTRAL INTELLIGENCE AGENCY
OFFICE OF NATIONAL ESTIMATES

15 June 1967

MEMORANDUM FOR THE DIRECTOR

SUBJECT: Nasser's Prospects for Survival

1. The loud demands in Egypt that Nasser continue in office, even though they may have been partly engineered by the leadership, had the intended effect of at least momentarily strengthening Nasser's popularity. The immediate traumatic effects of the staggering defeat impel the Egyptians to stick with Nasser and seek other scapegoats. The widely believed allegation of US and UK military involvement may offset the criticism which otherwise would have been directed at Nasser for the defeat. In the UAR, moreover, there is no obvious alternative to Nasser, nor do we have any reliable indications of plotting among the top ranks to replace him. We conclude that he is not likely to be replaced at least within the next month or so.

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2. Nonetheless, the military debacle has undoubtedly raised serious doubts about Nasser's leadership in important segments of the population and even diminished his authority among key figures of the regime. Despite the grant of extensive personal powers from the rubber stamp parliament, he may be forced to depend much more than in the past on the consensus of his top associates. The resignations of Abdul Hakim Amer and other senior officers indicate disagreements and conflicts within the officer corps and raise questions about the capability of the armed forces to provide Nasser the kind of support on which his authority has depended in the past. The wholesale changes in the military command are probably designed at least in part to head off unrest among the officers over Egypt's defeat. We know little of the political attitudes in the officer corps, however, and are unable to judge the extent of such unrest.

3. Over the longer term Nasser's chances for survival appear more questionable. He probably will not be able to convert this debacle into a positive political victory as he did in 1956. As the extent of Egypt's humiliation becomes known, resentment against him is likely to grow. We expect that at a minimum disillusionment over Nasser's performance will probably manifest itself in greater

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discontent within Egypt than he has hitherto faced. If this unrest becomes particularly strong within the military establishment it might in time even lead to a coup. Nasser is undoubtedly well aware of these dangers. For one thing he will seek to reequip the armed forces and will hope that this will help ensure their loyalty. He is also likely to seek to disarm his opposition by adopting a tough stance in the political and diplomatic arenas in an effort to identify his enemies with Israel and the West.

4. Nasser's longer range future will depend in some degree on how the problems raised by the present situation are sorted out. Unless he can appear to score political and diplomatic successes against Israel and the West, his standing inside Egypt will weaken further. In seeking any settlement there are clear limits to his freedom of maneuver. Any move by Nasser to come to terms with the Israelis, for example, would run counter to his efforts to recoup his stature among Arab nationalists generally, and would thus tend to weaken him within Egypt. It would also risk touching off a radical reaction within the Egyptian military, particularly as Nasser's control may have been weakened by the recent personnel changes.

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5. In the months ahead, the prevailing mood in the Arab world is likely to be one of extreme frustration. Arab solidarity will be severely strained under the pressures of self-interest of individual Arab states, recriminations over failures, and bickering over future tactics. Certain longstanding Arab controversies, suppressed during the crisis with Israel, will be resumed. These trends would of course add to Nasser's difficulties in maintaining his leadership at home.

Economic Aspects of the Situation

6. The Egyptian economy has for some time been laboring under a severe hard currency crisis. Inability to service the foreign debt of over \$2 billion* has made it almost impossible for the UAR to borrow further sums abroad. The UAR's gold and foreign exchange reserves dwindled to \$138 million in March 1967, as Cairo continued to sell gold to meet part of its obligations. Defaults on payments due to the International Monetary Fund have dimmed hopes for assistance from that source. These problems have been aggravated by the UAR's relatively poor cotton crop this year, with exports some \$50 million less than normal.

* Including \$1.2 billion in hard currency obligations to the Free World.

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7. While to the best of our information the war itself has done little damage to the country's agriculture and industry, it has worsened Egypt's hard currency problems. The UAR is currently suffering a loss of about \$30 million per month -- about half of its normal hard currency earnings. Closure of the Suez Canal deprives Egypt of about one-third of its hard currency earnings. When the Canal will be reopened is more a matter of political decision than of physical obstruction. The Israelis have captured UAR oil fields in Sinai which have been providing oil worth \$5 million a month in hard currency. Fields remaining under Egyptian control, including the new El Morgan field, meet only about 75 percent of the UAR's domestic oil needs. The UAR has also lost tourist receipts amounting to about \$5 million a month.

8. These losses from the war are in addition to the approximately \$25 million per month deficit Egypt has been incurring on its hard currency account over the past year. This shortage has been temporarily alleviated by grants of foreign exchange from Communist China (\$10 million) and Kuwait (\$28 million). Such sums should ease the impact of foreign exchange losses for at least a month. The UAR probably will receive some additional

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loans and grants in the weeks ahead from both Arab and Communist countries. Meanwhile, the UAR must face the problem of making some provision for its hard currency debt funding of almost \$250 million due in 1967.

9. The war itself has not seriously affected the UAR's food situation which was already tight. Soviet deliveries against a pledge of 400,000 tons of wheat will begin arriving this month, and Communist China has pledged 150,000 tons. In addition, Egypt's current wheat crop of 1.6 million tons is now being harvested. The domestic crop, plus scheduled imports, are probably enough to meet the UAR's grain needs until December. The USSR could cover Egypt's food needs for some time, especially in view of its bumper crop in 1966, but the Soviets would be reluctant to assume a long-term obligation in this respect.

10. By and large the Communist countries are not in a position to provide the kind and quantity of goods the UAR now gets from the West. The UAR still relies on the West for the supply of machinery and spare parts for most of the old established industries and most of its requirement for sophisticated electrical equipment, chemicals, and fertilizers, all of which

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must be paid for in hard currency. Since industry accounts for almost a third of GNP, an import curtailment from the West would have severe and fairly immediate impact on the modern sector of the economy.

11. If the Canal remains closed, if Israel retains control of Sinai, and if Egypt receives no substantial financial aid, economic difficulties will become considerably more onerous as time progresses. These will be largely manifest in the cities, where unemployment, shortages, and inflation will probably cause some unrest. While these troubles in themselves would not be likely to cause insurmountable problems of political control, they could add substantially to any pressures within the regime for a change of leadership.

The Soviet Role

12. It is clear from the above that Nasser's ability to cope with his various economic, military, and diplomatic problems depends heavily on the attitude of the USSR. We have no doubt that Moscow is now bent on restoring its influence in the Middle East. But it is by no means clear how far the USSR is prepared to go, particularly in terms of financial and military aid, to

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bolster Nasser's personal leadership. It is likely that Moscow is still reviewing the situation and is not yet prepared to make major and long-range commitments. While we believe that the USSR will decide to give Nasser substantial support, it may be that Moscow will view his demands for diplomatic backing and particularly for military and economic aid as excessive. The Soviets would thus have an incentive to move Cairo back toward normalization at least of its economic relations with the West. This would give difficulties for Nasser at present, but he might in time judge that he could move in this way and still survive politically.

FOR THE BOARD OF NATIONAL ESTIMATES:

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SHERMAN KENT
Chairman

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MEMORANDUM FOR: The Director

In preparing this Memorandum, we had the particular assistance of ORR; representatives of OCI and BDP/NE have expressed concurrence.

cc. adm. Taylor

SHERMAN KENT
Director
National Estimates

15 June 1967
(DATE)

FORM NO. 101 REPLACES FORM 10-101
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