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SUBJECT: EGYPT: Problems for Mubarak

NESA M# 86-20015

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Central Intelligence Agency

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Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

30 January 1986

EGYPT: Problems for Mubarak

Summary

We do not believe that opposition to President Mubarak is strong enough to topple him, but it is growing and causing him serious concern. The intensified criticism of the president stems largely from his dealings with Israel and the US, whose actions against terrorists since October have troubled many Egyptians. More demonstrations have erupted in the past four months than in as many years, opposition politicians on the left and right are more vocal, and governmental infighting has sharpened. [redacted]

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Mubarak has lost considerable standing, and his position may erode further. Economic conditions, a key cause of domestic grumbling, will almost certainly grow worse in the next six months, particularly in the wake of the precipitous decline in world oil prices. The president will face debt rescheduling and subsidy reform decisions that could lead to an upsurge of street violence. At the same time, his popularity will remain hostage to any Israeli and US actions perceived in Egypt as anti-Arab. [redacted]

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Foreign policy crises--Israel's bombing of the PLO headquarters in Tunis, the US diversion of an Egyptian plane, the hijacking of an Egyptian aircraft to Malta, and border tension

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This memorandum was prepared by [redacted] the Egypt Branch, Arab-Israeli Division, Office of Near Eastern and South Asian Analysis. It was requested by Ambassador Robert Pelletreau. Information as of 30 January 1986 was used in its preparation. Questions and comments should be directed to Chief, Arab-Israeli Division, [redacted]

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with Libya--have cost Mubarak much public support in recent months. When students demonstrated against government policy toward Israel and the US in early October, official opposition groups backed the regime in a show of national unity. When, however, the Egyptian commando attack on the hijacked airliner ended in 60 deaths--after Cairo had praised the operation as successful--responsible opposition leaders publicly challenged the government moves. Mubarak's failure to retaliate against Libya--after he publicly blamed Qadhafi for the hijacking and moved troops to the border--probably reinforced an image of government indecisiveness [redacted]

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The apparent suicide of Sulayman Khatir, the Egyptian security guard imprisoned for killing seven Israeli tourists in the Sinai, has worsened Mubarak's problems. Since the guard purportedly hanged himself in early January, Egyptians have demonstrated in his home province and in Cairo. A US Embassy source says that the cynical Egyptian public suspects the government arranged his murder with Israeli help and US encouragement. Right-of-center Wafdists and leftist parties had opposed Khatir's trial and are exploiting this emotional issue at Mubarak's expense. Cairo's attempts to block a court-ordered independent autopsy have heightened the public's suspicions.

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The Consequences

The several crises have put the regime on the defensive and generated governmental infighting. For the first time in years, the military--Mubarak's most important constituency--has been criticized. The Egyptian leader moved quickly to squelch opposition demands for the resignation of Defense Minister Abu Ghazalah and for an investigation of the bungled operation at the Malta airport, but the aftermath has left strains among top military officials and between themselves and the president. US Embassy sources say the Defense and Interior Ministries have recently accused each other of poor performance in the Khatir affair--the military with negligence and the Interior Ministry for mishandling the protest demonstrations. Opposition newspapers claim the Prime Minister, frustrated by the internal squabbles, has threatened to resign. [redacted]

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Domestic criticism has also crippled Mubarak's flexibility with Israel, forcing him to slow the pace of normalization with Tel Aviv. He had referred enthusiastically to a summit with Prime Minister Peres once Israel had agreed to arbitration of the Taba dispute. [redacted]

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Short Term Outlook

We believe Mubarak will find it increasingly difficult to maintain public confidence and support through the summer. The credibility of his regime hinges largely on its economic

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performance, and Egypt's economy is steadily worsening. At the same time, his popularity remains hostage to any Israeli and US actions perceived as anti-Arab, while his opportunities to score foreign policy successes are diminishing. [redacted]

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The Economy. Even before the recent decline in world oil prices, Egypt's capacity to meet its external financial obligations was deteriorating. A drop in world oil prices to the \$20 per barrel level will, for example, result in a \$650 million loss of Egyptian government revenue in 1986--an almost 30 percent reduction in hard currency oil earnings from the previous year. For a country already in trouble over arrears to international creditors, revenue losses of this magnitude will worsen debt repayment problems and push forward the likely date for a rescheduling agreement. [redacted]

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An IMF-supervised adjustment program and the specter of foreigners dictating Egyptian economic policies would give opposition groups a potent issue. An accelerated level of economic reforms, including subsidy reductions and price increases, would fuel discontent within Egypt's lower and middle classes and possibly lead to an explosive political situation. The government might be able to deflect some criticism from itself and assign blame to the IMF and the United States. This would require, however, a rare combination of political resolve, skillfully crafted economic policies, and deft public relations handling for the Mubarak regime to emerge unscathed. [redacted]

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The Rising Costs of Camp David. The odds are at least even that Mubarak's standing at home will continue to decline over the next six months because of his identification with Israeli and US policies. A growing number of Egyptians seem to believe that US aid does not outweigh the affront to Egypt's prestige brought on by spectacular Israeli attacks against Arabs and by perceived US support of them. Israel's killing of some 70 Palestinian combatants and Tunisian noncombatants in retaliation for the earlier death of three Israelis in Cyprus has revived Egyptian hatred of Tel Aviv's reprisal policy. But Israel is unlikely to change its long standing policy of meeting Arab attacks with counter or preemptive force. President Mubarak is therefore likely to suffer politically for any dramatic show of Israeli force. [redacted]

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Even Tel Aviv's non-military actions could inflame anti-Israel sentiments among Egyptians and heighten disenchantment with Mubarak's regime. For example, the issue of ownership of Taba has gradually assumed symbolic proportions, and the longer Mubarak fails to retrieve it, the greater domestic anger at him and at Israel might grow. [redacted]

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Diminishing Foreign Policy Opportunities. The diplomatic recognition of Egypt by other Arab states would reduce domestic criticism of Mubarak, but the chances of such developments are

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slim. Arab governments ideologically opposed to Egypt's peace with Israel--Libya and Syria--will give no quarter. Other Arab states--including Saudi Arabia, Iraq, and Algeria--still see no direct gains in recognizing Egypt that would outweigh the political costs of breaking with the Arab consensus. [redacted]

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Indeed, Mubarak's enemies could weaken his regime through economic warfare. Recent incidents of terrorism have already hurt Egypt's tourist industry, which last year earned some \$400 million, and outbreaks of demonstrations in Cairo almost certainly would reduce Egypt's income further. [redacted]

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A dramatic breakthrough in the Arab-Israeli peace process would quiet some of Mubarak's domestic critics, but this appears unlikely in the next several months. Key parties--the PLO, Israel, and Jordan, for example--are still reluctant to make concessions that would ease mutual distrust and give the peace talks a boost. [redacted]

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Limited Options. [redacted]

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[redacted] recent events--beginning with his suppression of Muslim fundamentalist demonstrators last summer--have encouraged opposition from most segments of Egyptian society. [redacted]

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[redacted]

Mubarak may be increasingly tempted to take a tougher line against his critics. But a heavy-handed policy, reminiscent of former President Sadat's mass arrests in 1981, almost certainly would turn public opinion solidly against him and encourage radicals, particularly Muslim extremists, to attack him. [redacted]

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The President may also reshuffle the Egyptian Cabinet if infighting among his advisers persists. Such a cosmetic move, however, would not resolve the problems the regime confronts. [redacted]

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Meanwhile, Mubarak is likely to distance himself from any US policies that might be viewed in Egypt as anti-Arab. Privately, Cairo will maintain close ties with Washington; publicly, however, it will remain silent or perhaps even criticize US moves that have any chance of fueling domestic anger. [redacted]

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What if Mubarak leaves office?

Elections in 1981 made President Mubarak head of state until 1987. If he were to die or resign before then, the Constitution stipulates the Speaker of the People's Assembly, Rif'aat Mahgoub, would become the interim president in the absence of a vice president. Mahgoub, who was hand-picked by Mubarak, would play a major role in brokering the succession. Prime Minister Lutfi has neither the power nor the support of political heavyweights to contend seriously for the presidency. Defense Minister Abu


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Ghazala would be most likely to assert himself, but he could be challenged by the opposition for corruption and his pro-US stand. 


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An orderly succession would be likely, but a contentious one is possible. If Ghazala and other aspirants were unable to strike a deal in the back rooms of the high command, the military could become divided and opposition groups might try to exploit the situation. Following a probably brief period of uncertainty, political turmoil, and perhaps some violence, it is very likely a current or former military leader would become President. Indicators of this more contentious succession include: 

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- Two or more leaders contend for the presidency.
- Factionalism and indecision in the military over which contender to back leads to a temporary power vacuum.
- The Cabinet and ruling National Democratic Party dissolve into rival groupings in support of different candidates.
- Political rivalries are translated into popular activism; strikes, demonstrations, and riots ensue.
- The factionalized military quells the unrest but is itself badly shaken.
- Leftwing and Islamic fundamentalist groups openly challenge the regime and further organize and inflame toe anti-regime unrest.
- A candidate with military ties gains power, but the new government lacks the consensus enjoyed by its predecessor. 

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In either case, if Mubarak left office in an atmosphere of failure and recrimination, any successor would try to distinguish his own policies from Mubarak's. This could mean some loosening of ties to the US because Mubarak has relied heavily on this relationship for economic development, military security, and achievement of a Middle East peace settlement. Mubarak's failure in these areas would make the US connection appear less an asset than before. 

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