

Chief, NEA
Attention: Chief, SE

3 December 1953

INFO: []

Operational/PARAM

OBOFUS - Situation Report and Recommendations
for Action

REF: [] 246; [] 299; [] 312

1. RNCASTING's position remains substantially as it was pictured in [] 246, [] 299, and [] 312. The Egyptian Government is out to get him, just as they are slowly tightening the screws on the Muhammad Ali dynasty. They don't like him because: (1) he is royalty and a friend of the former king, (2) they suspect that he has been in contact with elements hostile to the present regime, and (3) they suspect he used his diplomatic privileges to evade currency laws and customs duties. The present regime, in its attacks on and prosecution of the former ruling house and political parties, has followed a definite pattern: a series of charges and more charges, capped by trial, imprisonment and/or confiscation. It appears at this point that the Egyptians have no intention of releasing RNCASTING until they have taken their pound of flesh, and ODYORE could save him only by active intervention. RNCASTING says he has given several indications to the Egyptians that he will make a settlement on any reasonable claim against him. Despite this, the Egyptians have made no attempt whatsoever to arrive at a mutually satisfactory settlement. Instead of accepting his offers to negotiate, they have preferred to withhold their charges until the last moment, and then to announce them in a flurry of adverse press comment. Considering the state of the Egyptian press today, this campaign is fairly obviously inspired by the government itself. This suggests very strongly, considering the time and the place, that they have no real intention of quietly settling the matter and permitting RNCASTING to depart.
2. The charges against RNCASTING are of three types. As indicated by clippings sent previously, they accuse him of having used his privileges to bring goods into the country duty free, and of having then sold them. Certainly, if he did this, he was in clear violation of the law. Foreign diplomats are permitted to bring goods in duty free, but once they are sold to a person not holding diplomatic privileges, duties must be paid. The second charge is that RNCASTING has not paid any taxes since he has been here. RNCASTING has denied having had any taxable income or having engaged directly or through intermediaries in any profitable enterprise. The Egyptians do not believe

him, and are

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him, and are seeking evidence to the contrary. RNPENNON informed us that RNCASTING at one time bought a house in Alexandria, later selling it at a great profit, and RNCASTING does admit that he did not pay taxes on this sum. The third charge, which has not yet been formalized, is that he used his privileged position to smuggle money and valuables out of the country. The fact that he has reduced his fluid capital in Egypt by 80% plus the fact that he has bought a house in the U.S. gives the Egyptians a considerable reason to believe that RNCASTING has somehow taken money out of the country. The fact that this may have been done legally at a time when RNCASTING enjoyed diplomatic status would not hinder the Egyptians in the slightest from bringing a case against him on this point. The revolutionary regime has been little concerned with questions of legality. From the above, it can be seen that the matter of RNCASTING's gold is but one consideration of several, and is not at all the key to the situation.

3. At present, only one charge has been formally presented against RNCASTING, the matter of L.E. 10,000 plus a fine on articles which he brought to Egypt duty free, and which he later sold on the market. Once the Fiscal Parquet or other legal or administrative bodies make formal decisions, it will be difficult, if not impossible, to extricate RNCASTING without financial loss.

4. At present, we see only three channels through which we might be able to bring succor to RNCASTING:

(A) Intervention by RNPENNON. This has been attempted without a signal amount of success. In view of the many other weighty problems which involve ODYOKE prestige, RNPENNON is reluctant to intervene more actively and we can understand his viewpoint. Hence, he will put more pressure on the Egyptians only on instructions from ODACID, and not on our request. ODACID, moreover, is not likely to issue orders to RNPENNON on this matter, but would probably follow his judgement as to what is appropriate. Furthermore, unless so instructed, RNPENNON will not enter into financial negotiations for the release of RNCASTING, although he is anxious that the latter be extricated. As will be seen below (paragraphs 6 and 7), there is a slim ray of hope for the success of a further informal intervention by RNPENNON. However, if the matter goes so far that we must reveal to the Egyptians that RNCASTING has a connection with KUBARK type operations, ODACID would be extremely unwilling to have a representative of theirs admit this knowledge to the Egyptian Government.

(B) Intervention through the SINUCUS channel. This would be satisfactory in that we could securely transmit to the Egyptians the information that RNCASTING has been involved in KUBARK operations, and request his release as a favor to KUBARK. However, on the negative side, such action would be putting a premature and excessive strain on such good-will as may have been built up by the SINUCUS operation. The success of SINUCUS will depend in large measure upon the respect which the Egyptians hold for KUBARK as an efficient organization. Their opinion of RNCASTING is so low that any revelation of his connection with KUBARK would probably have some degree of adverse effect

on the success of SINUOUS. In view of its importance, it would be highly undesirable to use this channel.

- (C) Intervention through a special representative sent directly from ASCHAM in Washington. Such a representative could reveal himself as a KUBARK member without jeopardizing any going operation. He could negotiate the financial terms of RNCASTING's release, should such a release call for a gold exchange. (This, incidentally, is something that RNPENNON could not do. It would be very nearly impossible to bury the \$300,000 involved, considering the overt nature of ODACID and, particularly, TPELIDE accounting and finances.) This representative could use the full prestige of ASCHAM, et al., to (a) get RNCASTING to accept a reasonable settlement and (b) to get a little more information out of RNCASTING on his real financial situation.
5. While intervention by ODYOKE seems now the only way to extricate RNCASTING, it is not at all certain that such intervention would be successful. ODYOKE prestige in Egypt is, in many ways, at a low ebb. For the past three weeks, ODYOKE has been the target of constant attacks, both in utterances of public figures and in the press. This campaign, caused by increasing exasperation with ODYOKE, is obviously government inspired. Moreover, the Egyptians could, if they chose, ignore the intervention, secure in the knowledge that ODYOKE is not going to worsen its relations with the leading Arab state by using any more forceful measures than diplomatic protests.
6. On the positive side, there are two slight rays of hope. First, on 28 November, the Deputy Prime Minister issued a statement that the Revolution Council will not order the confiscation of the assets and property of any individual except of those convicted by the Revolutionary Tribunal, which will cease to function as soon as it has finished the few cases before it. This statement, while encouraging, still does not rule out a form of legal confiscation in the shape of duties, taxes and fines which might be imposed on RNCASTING through the ordinary channels of government. Another encouraging point is that should sizable economic assistance be granted to Egypt in the near future, ODYOKE prestige and stock of good-will may rise sufficiently as to permit further, and more successful, intervention on behalf of RNCASTING.
7. In view of the above, we made the recommendation contained in [] 312, calling for the possible sending of a special KUBARK representative to deal with the Egyptian Government in this matter. As indicated in that communication, we should want RNPENNON to make at least one more effort before we called in outside help. On the other hand, should RNPENNON fail again, this representative should be prepared to move on very short notice so that we could take advantage of good-will based on economic aid. The rather mercurial nature of Egyptian politics is such that intervention too long delayed after the first wave of renewed amicability, might be destined to failure.
8. Even if we feel that representations on our part would have some degree of

success in extricating RNCASTING, there are certain factors we should consider before committing ourselves. For one thing, ODYOKE prestige here is not departmentalized. For the Egyptians, ODACID and KUBARK are part of the same government, and prestige we draw on for this case must come from a common pool which is pretty heavily committed on other and more important matters. A related point is that sending a special KUBARK representative would not completely separate the RNCASTING affair from SINJUS. Decreased respect for KUBARK in the one would be reflected in decrease respect in the second. In this case, we should be faced with the unpleasant task of making certain admissions. We should have to admit that we do not have enough detailed information ourselves to prove or disprove the charges of illegal transactions. Further, for the sake of ODYOKE relations with Egypt, we might have to deny knowledge of RNCASTING's various contacts with elements hostile to the present regime. This, in turn, implies a lack of control over RNCASTING. In view of all this, we feel that any decision to send a special KUBARK representative must come from Headquarters, after weighing the possible adverse effects on Egyptian operations of such a step, against the importance of RNCASTING to the URAGUAY operations.

9. Should the decision be reached to intervene on behalf of RNCASTING, the problem of the gold purchase might arise again. As noted above, we do not at all feel that this is the key, but the following are a few remarks to assist Headquarters in its planning. As indicated in CAIR 299, the crux of the matter is that under any plan, RNCASTING would be transferring capital in one form or another out of Egypt. The Egyptians would be reluctant to allow a person of RNCASTING's status to do this. SIBLING's offhand proposal reported in [] 299 was obviously offered on the spur of the moment as a means of allowing the Egyptian Government to acquire RNCASTING's gold against payment with blocked pounds. What SIBLING forgot, and the factor which may cause the offer to be withdrawn once he gets professional advice, is that the Egyptians would gain nothing. While ODYOKE would use the pounds from the blocked account for payments in Egypt, it would correspondingly reduce its purchases of pounds for dollars through normal channels. This would mean that Egypt would lose dollars, which for exchange purposes are as good as gold. Even assuming that the Egyptians would live up to SIBLING's offer, the mechanics of transfer would be difficult. What it boils down to is that the Egyptians would pay RNCASTING for his gold with a blocked account. ODYOKE would, in turn, purchase RNCASTING's blocked account with dollars. We are not sufficiently knowledgeable on large scale financial transactions to know how we could arrange the actual transfer of the blocked account from RNCASTING to TPFLIDE. As noted in [] 299, public knowledge of such a transaction would be prejudicial to ODYOKE prestige.
10. It should be noted that while the Egyptians would gain nothing from this transaction if they paid the current going price of gold coin, they would gain considerably if the price were set artificially low by the Egyptian Government. We cannot know if this is what SIBLING had in mind at the time he made his proposal, although it is doubtful. Such details would have to be worked out at the time of the transfer.

11. A factor which has been touched on only briefly heretofore is the possibility that the Communists are making a deliberate attempt to discredit RNCASTING, perhaps in the awareness that he is already engaged in activities against them. Several points suggest this:

- (A) [] 189 conveyed a SI-KRAFT report which stated that two particular members of the Egyptian Government are responsible for the actions against RNCASTING, and that the motivation for this is allegedly supplied by the Soviet Legation in Cairo.
- (B) NDCA-1022 transmitted a newspaper story which appeared in two newspapers, both of which have given previous evidences of Communist influence. The article showed considerable research and preparation, and it is notable that long as it was, it was reprinted in full in the second newspaper.
- (C) [] 312 described a note received by RNPENNON from a friend of Mrs. RNCASTING in the U. S. This letter stated that RNCASTING's Long Island estate had been damaged by "Communists". (On re-examining the note, we believe that it may have been the opening of the campaign requested in [] 245. Many thanks.)
- (D) On 5 November, a Franciscan padre told [] that he visits Mrs. RNCASTING regularly, and that he had seen her just two days before. At that time, Mrs. RNCASTING expressed fear for the life of her son, stating that RNCASTING had learned that Communist agents had recently arrived in Alexandria, and that they might make a kidnap attempt on the boy. If Mrs. RNCASTING's statement is true, it is remarkable that RNCASTING himself has not passed the information to us.

12. Paragraphs 6, through 10, above are based on the possibility that decisions taken by ODYCKE in coming weeks will result in economic assistance for Egypt, which, in turn, might temporarily increase ODYCKE prestige to the extent that we could help RNCASTING materially. On the other hand, if such assistance is not forthcoming, ODYCKE relations with Egypt are likely to deteriorate to the point where RNCASTING's situation will be only one of many of the problems facing ODYCKE in general, and KUBARK in particular, and for which the solution will not be found in ordinary measures.

Distribution:

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