

RELEASE IN FULL

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July 14, 2012

For: Hillary

From: Sid

Re; Egypt internal politics

SOURCE: Sources with access to the highest levels of the Muslim Brotherhood in Egypt, The Supreme Council of the Armed Forces, and Western Intelligence and security services.

THE FOLLOWING INFORMATION COMES FROM AN EXTREMELY SENSITIVE SOURCE AND SHOULD BE HANDLED WITH CARE.

1. As of early July 2012 secret meetings continue between senior officials attached to the Guidance committee of the Muslim Brotherhood (MB) and officers of the Supreme Council of the Armed Forces (SCAF). In the wake of the election of the victory of Mohammed Morsi, the MB/Freedom and Justice Party (MB/FJP) as President of Egypt, these sessions have revolved around the selection of a committee to draft a national constitution, which will define the roles of the various players in the new Egyptian political structure. The SCAF officers continue to

emphasize that their commander, Field Marshall Mohammed Hussein Tantawi, and the other commanders of the Military do not want to rule Egypt; instead they are demanding assurances that their status in Egyptian society will be clearly defined and respected. This includes control of their budget, personnel, and organizational structure. In return they limit interference with the MB's efforts to reorganize civilian society under Islamic principles.

2. For their part, Morsi and the MB/FJP leadership intend to continue to press the SCAF to turnover control of the country to their new government. Morsi's call to reconvene parliament came as a surprise to the SCAF, and in a series of sometimes extremely tense secret meetings they expressed their frustration, but stopped short of threatening action. Instead the SCAF concentrated on the ruling by the Egyptian Supreme Court invalidating aspects of the parliamentary elections held in early 2012. In the end, according to a sensitive source, Tantawi and his advisors agreed to allow the parliament to sit for now, as long as its members mount no serious legislative threats to the military, or attempt to limit the rights of other political, ethnic, and religious groups. Both sides agreed that it was inevitable that members of parliament will make statements critical of the SCAF, but that no serious actions will be taken to limit the position of the military. After the meeting, in the opinion of this source, individual MB and SCAF officers agreed informally that it will be the end of 2012 before the constitution is drafted, at which time the structure and role of parliament, and the new administration will be settled. They also agreed that no matter what is decided on the final structure of the administration, Egypt will have an Islamic government, but one that can carry on as a member of the world community.

3. (Source Comment: In the opinion of extremely sensitive sources, both the SCAF and the MB are extremely concerned about future relations with the United States and the major European countries, and are continuing to work to maintain an impression of stability in the country. That said the leaders of the two groups can be expected to gain the support of these foreign powers as they meet with the Egyptian leaders in private sessions.)

4. In separate conversations a particularly sensitive source stated that the SCAF officials are watching carefully as the MB works out its own power structure. In the opinion of this individual, Supreme Guide Mohammed Badie and

FJP speaker of Parliament, Saad Al-Katany are growing frustrated with Morsi, whom they see as a last minute stand-in as their presidential candidate. They believe that, having won the election, Morsi is attempting to establish a position as the actual head of state and government, acting in conflict with their agreed strategy of supporting a constitutional structure that rests the powers of

the government in parliament and a Prime Minister, with the President acting as a ceremonial head of state. The SCAF officers are watching the situation through their discreet sources and believe this conflict will become increasingly heated as the Constitutional Committee gets under way.

5. In addition, according to this individual, Badie is concerned over what he sees as Morsi's combative personality and his long standing personal conflicts with the leaders of the Salafist al Nour party. According to al-Katany, this relationship will remain important, even if a new parliament is elected, since the MB/FJP must depend on al Nour member of parliament to hold a three fourths majority of the seats, which will allow them to make the hard decisions that they see ahead in 2012-2013 as they organize the civilian administration.

6. In addition, according to this individual, Morsi has a problematic relationship with the leaders of the Kingdom of Saudi Arabia, who are longtime supporters of the Salafists, particularly al Nour. Since the revolution the Egyptian Government has run high deficits while the country's foreign exchange reserves are nearly depleted. Saudi Arabia has provided emergency loans to the country's interim military rulers but, this may end if Morsi antagonizes the Salafists. That said this individual is not convinced that Saudi assistance can stabilize Egypt even under the best of circumstances. Egypt is carrying a trade deficit of at least \$3 billion a month, and with other sources of revenue reduced by the political chaos, the country's annual financial needs exceed \$20 billion. Egypt is the world's largest importer of wheat and depends on imports for half its nutritional requirements. Egypt could restrict fuel imports in an attempt to curtail its trade deficit, but gasoline has been in chronic short supply for the past year. Shortages appear to be getting worse. Accordingly, given the Saudi mistrust of Morsi and certain other MB leaders, Badie will work to maintain their relationship with al Nour and the Salafists, while carrying on their dialogue with the SCAF.

7. According to this extremely sensitive source, the relationship between the MB and the SCAF will continue, albeit under increasing tension, particularly if the SCAF comes to believe that the civilian government may begin to encroach on their control of their own destiny. In November 2012, the SCAF and the Brotherhood struck a deal to avoid violent Tahrir Square protests in exchange for the SCAF's agreement to hold parliamentary elections on time. But the pact broke down in March, when the SCAF first threatened to dissolve the parliament and, in response to the growing strength of the al Nour candidate, the MB dropped its promise that it would not run a presidential candidate. In the opinion of this individual, the MB will be increasingly unlikely to accept long-term limits on the authority that it has won in the elections. In private conversations, Badie and the MB leaders state that ultimately they believe that the army is owned by the people, and they are convinced that in the future the civilian population

will demand oversight of the military. At that point the real conflict will develop between the MB and the SCAF.

8. (Source Comment: This particularly sensitive source adds that the long-anticipated confrontation between the SCAF and Brotherhood has been delayed, much to the relief of many Egyptians. MB and SCAF leaders have backed away from the situation of a few weeks ago, when tens of thousands of mostly Islamist protesters came to Tahrir Square, some declaring themselves ready to die if retired General Ahmed Shafik was named president. However, the current calm and the MB's attempt to appear inclusive while also accommodating the SCAF will not last forever. The Brotherhood will use this period of calm to build its legitimacy as Egypt's next ruling party and resume its push for more authority once the temperature cools down. The SCAF and the various parties in opposition to an MB/FJP/al Nour administration will hold on to the knowledge that although the Islamists control over 75 per cent of the parliament, Morsi won the presidency by an extremely narrow margin against a former general who had a problematic reputation, even with Tantawi and the commanders of the SCAF. This individual, who is familiar with both the SCAF and the MB, believes that the MB led administration can develop an effective, democratic administrative structure, but they are working against a timetable dictated by political tensions beyond their control.)

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