

11 March 2015

See Guccifer-provided confidential reports by Tyler Drumheller to Sidney Blumenthal which are quoted as "sources" in these memos:

<http://cryptome.org/2015/03/guccifer-drumheller-blumenthal-memos.pdf>

CONFIDENTIAL

August 8, 2012

For: Hillary

From: Sid

Re: Euro fear and loathing: Aftermath of the August 2, 2012 European Central Bank (ECB) meeting/future plans

SOURCE: Sources with access to the highest levels of the Governments and institutions discussed below. This includes political parties and regional intelligence and security services.

1. In early August, 2012 German Minister of Finance Wolfgang Schaeuble and Chancellor Angela Merkel are closely watching what they fear will be increasing social and political unrest in Greece, Spain, and Italy as the Euro-zone economic crisis continues and the various governments attempt to deal with their sovereign debts, slow growth, and increasing unemployment. Schaeuble also advised his staff to expect anti-German statements from politicians in these troubled countries, supported by press coverage. His greatest concern is the possibility of these statements leading to hostile actions against German citizens and interests in Southern Europe. Following discussions with Schaeuble, Merkel has ordered German Embassies and the Stations of the Federal Intelligence Service (Bundesnachrichtendienst—BND) to collect intelligence associated with these threats and the entire, complicated economic situation, particularly in Greece, Spain, and Italy.

2. (Source Comment: A particularly sensitive source added that during late July 2012, BND President Gerhard Schindler, and Vice President General Norbert Steir informed Merkel and Schaeuble that the BND Operations Center (Abteilung GL) received reporting that media outlets owned by former Italian Prime Minister Silvio Berlusconi intended to begin attacking German government policy toward the Euro-zone in August 2012, calling the Merkel administration, among other names, the “Fourth Reich.” The Chancellor was particularly angered by this reporting. According to Schaeuble, personal attacks of this type make it difficult for his staff to withstand the calls for increasingly nationalistic policies from certain officers of the Chancellery. Officials of Merkel’s ruling Christian Democratic Union/Christian Social

Union/Federal Democratic Party (CDU/CSU/FDP) have also learned that the opposition Social Democrat Party (SDP) plans during the 2012 national election campaign to accuse Merkel of mismanaging fiscal and monetary policy, setting the stage for increased inflation and unemployment inside of Germany. )

3. At the same time, after reviewing the results of the August 2, 2012 European Central Bank (ECB) meeting, and his late July discussion with United States Secretary of the Treasury Timothy Geithner, the German Minister of Finance told his senior staff members that they must be prepared to deal with the crisis in the Euro-zone with little hope of effective action in the foreseeable future from the ECB, the Eurogroup, or the European Union (EU) itself. According to an extremely sensitive source, Schaeuble is convinced that the seventeen (17) nations of the Euro-zone are incapable of making the hard choices needed to address the current economic crisis and can be expected to rely on symbolic moves and positive public statements to manage the situation. The Minister noted that this conclusion became clear to him from the results of the late June EU meeting in Brussels, as well as the August 2 ECB conference. In both cases the parties involved agreed on broad statements and limited action, when, in Schaeuble's opinion, they must address the serious structural and institutional weaknesses in the Eurogroup, and the EU in general. Schaeuble is now preparing for the September 3 finance ministers meetings, where he believes that actions regarding Spanish and Italian Bonds will be hotly debated. This session will be followed closely by the next ECB meeting on September 6, where Draghi will again be under pressure to take some action.

4. This individual added that, as these meetings approach, Schaeuble now believes that needed reforms will not take place until the members of the Euro-zone are faced with real disaster, including the collapse of the Euro, serious increases in unemployment, and multiple bank failures. Schaeuble and Merkel are equally frustrated by what they view as the failure of France, Spain, and Italy to consider seriously the possibility that German internal politics make it impossible for the Berlin government to accept broader growth/relief packages for troubled economies, without real EU structural reforms. Schaeuble believes that both Geithner and ECB President Mario Draghi now realize that with national elections scheduled for 2013 German voters will insist that the Merkel administration press the other members of the Euro-zone to accept responsibility for their situations before supporting substantial relief packages. For his part, Schaeuble now has no doubt that the levels of growth in the U.S. and Chinese economies will not increase at rates capable of encouraging European growth until at least 2014.

5. Accordingly, in the opinion of this particular source, Schaeuble and his advisors continue to approach the crisis on a day by day basis, reacting to political and economic problems as they develop. While they are not confident that progress can be made on the Euro-zone crisis, they will also look for indications that the French government of President Francois Hollande and its allies in the Eurogroup are prepared to make the compromises on structural reform that will allow the German government to support a comprehensive relief program for the problematic economies in Southern Europe. At the same time Schaeuble will work closely with

Draghi and Eurozone President Jean-Claude Juncker, the Prime Minister of Luxembourg, both of whom discreetly support his position in this matter. Like Schaeuble, Draghi and Juncker are concerned that conservative political appointees in the German Chancellery Economic Section (Wirtschaftliche Abteilung – WA) will press Merkel to become increasingly vocal in expressing her frustration with the other members of the Euro-zone as the 2013 German elections approach. Schaeuble believes this increasingly nationalist position will become appealing to Merkel if she fears losing control of the Bundestag in 2013.

6. (Source Comment: In the opinion of a very sensitive source, Schaeuble's staff is preparing to deal with the negative reaction they believe will develop when the world financial markets realize that optimistic public statements made by officials of the ECB and the Euro-zone states do not reflect the reality of the current situation. According to this individual, Schaeuble is particularly frustrated with Italian Prime Minister Mario Monti in this regard. He has also advised Draghi to avoid repeating his actions in July, first making seemingly optimistic statements about the Euro, followed by his cautious actions at the August 2 ECB meeting. Schaeuble believes that, while Germany must have a clear straightforward position supporting the Euro, they must prepare for the possibility that the Currency Union may change in makeup and structure as Greece, Spain, and other troubled states are faced with the prospect of having to leave or modify their relationships with the Eurogroup. )

7. Schaeuble added that on September 3, if he can persuade the other Euro-zone finance minister to support idea of structural reform in tangible terms, he can persuade Merkel to go along with the idea of using the European Stability Mechanism (ESM) to purchase sovereign bonds. In the opinion of this individual, Schaeuble believes that by the time the German Constitutional Court (GCC) rules on the legality of German participation in the ESM in mid-September the crises in Spain and Italy will have reached serious stages, where action must be taken. That said his greatest challenge will come if no compromise can be reached on language regarding structural changes to the Euro-zone. In that case Schaeuble states that the Merkel government will be hard pressed support the ECB program.

8. According a sensitive source, Schaeuble's advisors feel that the actual function of the ECB, maintaining price stability, has faded into the background during the crisis. Under German influence, the ECB has taken its duty of combating inflation seriously; however, pressure is growing on the mid- and long-term policy decisions which could complicate this position. The German officials, both in the Ministry of Finance and the Chancellery fear that the greater the quantity of questionable sovereign bonds on the books, the higher the potential losses. Schaeuble and his advisors believe that even worse is the potential damage to the bank's reputation; in a worst case situation the ECB could become subordinate to finance ministers in crisis-stricken countries. Schaeuble added that in Italy such a situation was the norm for decades and the result was chronic inflation. He is warning Draghi to guard against accepting a repeat of history. In the short term, it might bring relief in the debt crisis, but in the long term it will create an even greater crisis involving inflation and high levels of unemployment.

CONFIDENTIAL

August 14, 2012

For: Hillary  
From: Sid  
Re: Two memos, Morsi's moves

Memo 1

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.

1. (Source Comment: During the week of August 6, 2012 Mohammed Badie, the Supreme Guide of the Egyptian Muslim Brotherhood (MB) told senior advisors that he and the Supreme Guidance Council of the MB had underestimated newly elected President Mohamed Morsi, particularly his personal ambition. In discussions with Saad al-Katany, the MB/Freedom and Justice Party (MB/FJP) speaker of the lower house of the Egyptian Parliament, Badie added that it is clear that Field Marshall Mohammed Hussein Tantawi, the interim Head of State and commander of the Supreme Council of the Armed Forces (SCAF), made the same mistake. The Supreme Guide noted that both the MB and the SCAF believed that Morsi was a bland but often irascible politician, interested primarily in the inner workings of the FJP. Instead, he appears to be a sophisticated strategist who recognized before other government officials the strong desire of the majority of the Egyptian population for a period of peace and stability following the eighteen months of revolution and political turmoil. Accordingly, in Badie's opinion, Morsi outmaneuvered both the Supreme Guidance Council and the SCAF, while resolving long standing conflicts with the leadership of the Salafist al-Nour party, establishing himself as the most powerful figure in Egypt.)

2. According to a source with access to the highest levels of the MB/FJP, Badie and al-Katany had several heated meetings with Morsi during late June and early July 2012, after they realized he had established a secret contact with the SCAF, replacing the series of talks held between Badie's staff and Tantawi's advisors for the past two years. They were particularly upset to learn that Morsi was adopting certain aspects of the military's constitutional plan, particularly the establishment of the President as the Head of State and Head of Government. The MB plan, drafted in April 2012, called for real power to rest with a Prime Minister and the MB dominated Parliament.

3. At the same time this source reports that MB/FJP polling throughout the country indicates that the population is relieved to have a new civilian government and does not want to wait for the drafting of the Constitution and the possible election of a new Parliament before life returns to normal. With this information in hand Badie decided in late July to adopt a low profile and allow Morsi to take the dominant position in the MB/FJP. At the same time, this individual adds, Morsi promised to consult Badie on all major policy decisions. In the opinion of this individual Badie is convinced that it is highly unlikely Morsi will follow through on this promise. Badie also believes that Morsi's ability to deal with foreign leaders and diplomats strengthened his hold on power. He noted in private, however, that Morsi will face difficult times in maintaining a ruling political structure, and the Guidance Council will watch carefully for any signs of faltering on his part.

4. (Source Comment: According to a particularly sensitive source with access to the leadership of the MB, Morsi will now focus on dealing with the chaotic state of the Egyptian economy, reassuring foreign businessmen, governments, and investors that the revolutionary period is over, and life is returning to normal. For this reason he decided to end his early, problematic statements on Islamist policy, criticizing both the United States and Israel. In fact, working through his new military commanders Morsi is also establishing a working relationship with Israel, initially focused on the security situation in the Sinai Peninsula. This individual believes Morsi is looking at the current situation in Libya, and is convinced there are real opportunities for Egyptian firms and technical experts to fill the void left by foreign workers in the oil and oil services industry, replacing those who fled during the Libyan revolution in 2011.)

5. A source with excellent access to the leadership of the SCAF stated in private that the normally volatile Morsi did not overreact to the military's efforts to establish their role in the political structure during June 2012. Instead he reached out to younger generals on the SCAF and in Military Intelligence (MI -Mukhabarat el-Khabeya). Morsi went out of his way to build a working relationship with General Abdel Fatah al-Sissi, the then Chief of MI. At the same time he blamed problems in the Sinai, including the ambush and killing of sixteen (16) border police

by tribal militants, on the civilian General Intelligence and Security Service (GIS- Al-Mukhabarat al-'Ammah), long time rivals of the military and ordered a reorganization of that service.

6. In the opinion of this individual by early August, General al- Sissi indicated to Morsi and his advisors that he was prepared to step in and replace Tantawi as the senior military official in the country and take on the role of Minister of Defense. He named General al-Assar as his deputy and told Morsi that he would cooperate in undoing the June proclamations. In return for this support, al-Sissi demanded tangible assurance from Morsi that the Army and its leaders will retain their special, privileged place in Egyptian society. The President also promised to protect Tantawi, his deputy General Sami Anan, and other senior officers from prosecution for corruption or actions taken against demonstrators during the 2012 revolution. Morsi stated that he will continue to turn to Tantawi and Anan as advisors, although, as is the case with Badie, al-Sissi does not believe he will ever actually call on them for assistance. Finally, al-Sissi told Morsi that he and al-Assar have excellent, discreet relations with their Israeli counterparts and will continue to work with them. This sensitive source believes Morsi will use these discreet military contacts as channels for maintaining positive relations with Israel and the United States.

7. (Source Comment: In the opinion of this individual, Tantawi and Anan were not given advance notice from the Office of the President regarding their forced retirement. This source also believes, however, that the move came as no surprise to the Field Marshal, who had been given advance knowledge by al-Sissi, in an effort to avoid complications and as a sign of respect. As this individual noted, Tantawi and the SCAF have no interest in ruling the country; rather they want only to protect themselves from the fate suffered by former President Hosni Mubarak after his resignation and arrest for corruption and murder. Once al-Sissi was able to reassure them on this point they cooperated. During the second week of August SCAF staff officers discussed rumors of a potential military coup d'etat by Special Forces and Intelligence Para-Military units, but this threat never became serious, especially when reports from commanders in the field indicated that up to 90 per cent of the conscript soldiers who make up the vast majority of the Army, would side with Morsi and the MB/FJP. )

8. A separate, particularly sensitive source stated in secret that Badie and his supporters on the Guidance Council will continue to watch for any signs of weakness or ineffective management from Morsi. Badie is particularly interested in the possibility that the Constitutional Court may invalidate many of Morsi's moves; however, he did note that Morsi acted to preclude this by naming Mahmoud Mekki, a senior judge, to be his vice president. Finally, Badie urged his supporters to watch Morsi's actions as he comes under increasing pressure to improve the

Egyptian economy. He noted that Morsi has a volatile temper and in the past has not reacted well when people disagree with him. Badie believes that will be his major test; for the moment he believes Morsi, through decisive action has control of the political and security situation in Egypt.

## Memo 2

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.

1. (Source Comment: In the opinion of an individual with access to the leadership of the Egyptian Muslim Brotherhood (MB) and Freedom and Justice Party (FJP) speaking on condition of strict secrecy, President Mohammed Morsi sees the April 5 ambush of Egyptian border police by dissident tribesmen in the Sinai Peninsula as a turning point for his new government. While the President will remain committed to the idea of Egypt as an Islamic state, he now sees that he must control the violent dissident groups that oppose the government in Cairo, no matter who they might be. At the same time the incident allowed Morsi to deal with the country's aging and highly politicized military leadership, replacing them with younger generals with good working relationships with the United States, Western Europe, and Israel. Finally, the poor performance of the civilian General Intelligence and Security Service (GIS- Al-Mukhabarat al-'Ammah) during this period also led him to replace and reorganize its leadership. This source noted that Morsi had seen the GIS as a potential threat to his regime, and feared they might work to undermine his authority. According to this individual, Military Intelligence (MI -Mukhabarat el-Khabeya) is now the dominant security service in Egypt, particularly as its former commander, General Abdel Fatah al-Sissi is now the Minister of Defense and the dominant figure in the national security apparatus.)

2. This individual added that the attack in Sinai was staged by a group of radical dissidents recruited from the impoverished Sawarki Bedouin tribe. These nomadic raiders feel no loyalty to Cairo, are extremely hostile to Israel, and, in the opinion of Egyptian and Israeli security officials, easy targets for recruitment by radical groups looking to attack Israel or simply complicate the relationship between Egypt and Israel. This individual believes that al-Sissi and the MI will work with the Israelis to address this problem, but warns that the Sawarki have been brigands for one thousand years and will not be easily defeated or deterred. Morsi is now concerned that this situation in Sinai will deteriorate as the country's economic problems continue, and may create problems for him both in Cairo and in the relationship with Israel.

3. According to a source with access to the MI, the August 5 attack began when armed militants approached an Egyptian checkpoint near the town of Sheikh Zuweid. The attack came at sunset when the Egyptian border policemen were preparing to eat their evening meal as part of their observance of the Islamic holy month of Ramadan. The policemen had no opportunity to protect themselves, and after the 16 men had been killed the raiders took their vehicles and attempted to cross the Israeli border. Israeli military officers reported to the Egyptians that one vehicle exploded and the second was successfully targeted by an air strike. In briefing Morsi, al-Sissi reported that this was the most deadly assault on Egyptian forces in Sinai for at least twenty years. He added that he and the MI believe that this attack is the first move in an increased period of activity by radical dissidents.

4. Egyptian police stations and the army posts have been targeted by radical Islamic groups several times in the past year, and the gas pipeline from Egypt to Israel has been attacked many times, according to a senior MI officer. Morsi believes that this situation is the result of the chaos in the Egyptian government and security apparatus since January 2011; he was particularly critical of the GIS for its efforts to report on dissident activity in Sinai during this period. Al-Sissi also warned him that while these dissident groups are often made up only of the tribal people of Sinai their recruits are now coming from across Egypt and the region.

5. The Sawarki and other tribal groups are also involved in smuggling between Sinai and Gaza and as such have clandestine relations with Hamas security forces in Gaza. That said, al-Sissi noted that it does not appear that Hamas played a role in the August 5 incident. In response to this incident al-Sissi has ordered elite Special Forces troops into the region and the Egyptian Air Force has also been used to target militant hideouts. According to this source, al-Sissi and the Egyptian Army and intelligence units are coordinating their operations in this region with their Israeli counterparts; both to gain intelligence and to avoid accidental contact with Israeli Special Forces troops operating in the same area.

6. (Source Comment: An associate of the President added that the use of Egyptian Special Forces Units also gets them out of the Cairo region. Morsi has been warned by al-Sissi that some of these professional military units are not pleased with the transition to civilian rule.)

7. A source with access to al-Sissi states that up to twenty militants have been killed in the subsequent fighting. After reviewing the August 5 attack, al-Sissi and Morsi plan to raise the idea of modifying the 1973 peace treaty with Israel, allowing the Egyptian Army to station forces and helicopters in Sinai on a permanent basis. Under the current agreement, once specific operations are concluded, the troops must return to the west bank of the Suez Canal. The Egyptian forces based in Sinai are the lightly armed and often poorly trained border policemen, whose colleagues were the victims in the August 5 attack. Advisors to Morsi add that at present it is highly unlikely Israel will agree to amend the treaty.

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CONFIDENTIAL/PROPRIETARY

CONFIDENTIAL

September 18, 2012

For: Hillary  
From: Sid  
Re: Assad's plans

SOURCE: Sources with access to the highest levels of the Governments and institutions discussed below. This includes political parties and regional intelligence and security services.

1. During mid-September 2012 a sensitive source stated that while Syrian President Bashar al Assad remains convinced that his military forces can defeat the forces of the rebel Free Syrian Army (FSA), his closest family advisors are discreetly working on plans for a retreat to the Alawite homeland around the cities of Latakia and Tartus. Although Syrian military commanders believe that the lack of unity among the factions of the FSA and the rebel Syrian National Council (SNC), added to the continuing support of the governments of Russia and China for Assad, give them a real advantage over the rebels they realize that the situation could change rapidly if the rebels score major victories to follow up on their successes in July 2012. In particular, the continued defection of Sunni Arab supporters undermines Assad's Alawite based regime; with the Alawites controlling only approximately twelve (12) percent of the population.

2. (Source Comment: This particularly sensitive individual stated that Assad does regularly visit Latakia, which serves to inspire reports that he has or is about to permanently flee Damascus. This source believes that this step will come only when it appears the Army has turned against him or is falling apart in the face of FSA attacks.)

3. In the opinion of this individual, the reverses suffered by the Syrian Army in July have been offset by increased military supplies from their foreign allies, particularly Russia. This source adds that the support from Russia for the Syrian helicopter forces has been particularly important. At the same time, the Assad family and their closest supporters realize that if the FSA does capture Damascus they will face violent retribution for their activities during the civil war. While Bashar al Assad remains confident, his wife, and several other close relatives are focused on the fate of Assad's former ally Muammar al Qaddafi of Libya, who was captured and killed by rebel forces while attempting to flee to his home territory of Sirte. These individuals say in private that they do not want Assad to make the same mistake and wait too long to retreat to a

secure area. This individual repeated that Assad had not, in his opinion, reached the point where he is willing to abandon Damascus, and begin any possible partition of Syria.

4. (Source Comment: According to a particularly sensitive source, President Assad is not interested in fighting to the death, and is watching the situation in Damascus with great care. However, for the present he is convinced that his forces are making advances against his enemies. This source believes that Assad worries that to a certain extent he is the prisoner of his father's legacy and there is a very real risk the Alawite commanders of the Army would move against him if he does not continue to show resolve. Assad does realize that if he is eventually forced to flee Libya and is unable to reach Russia or another allied state, he will be detained and face a trial for human rights violations at the International Criminal Court (ICC) in the Hague.)

5. A separate sensitive source added that Assad's contingency plans take into consideration the fact that Latakia Province is the heart of Alawite region. The village of Qardaha, located just outside of Latakia in the al-Alawiyin Mountains is the Assad family's ancestral home, where Assad's father Hafez al-Assad and his eldest brother, Basil, are buried in the family crypt. The Assad family tightly controls an area of about 60 miles around Qardaha, in what was the short lived Alawite State set up during the French mandate prior to Syrian independence in 1946. This region includes the city of Latakia and the port of Tartus with its Russian naval base protected by 2,500 elite marines. The Assad family advisors believe that if necessary the President, his family, and closest advisors can retreat to this region, where they can continue to receive supplies via the Russian naval base for a period of time. They also believe that the foreign supporters of the FSA will be reluctant to take direct military action in the region around the Russian base, fearing a serious international incident if Russia facilities or personnel are attacked by mistake.

6. (Source Comment: A particularly sensitive source added that the planning for a fallback position for Assad became more intense following July 18 attack on the National Security Building in which Assad's brother-in-law and other senior officials were killed. But the President is for the present reassured by the increased success of the Army, the continuing support of Russia, and the failure of the FSA to form a united front, despite the efforts of Turkey, Qatar, and Saudi Arabia. That said Assad's family advisors are also talking to Hezbollah leaders, who have promised to support the Syrian President if he is forced to withdraw to Latakia, working out of their bases in the nearby Bekka valley in Lebanon. According to this plan, the Assad clan could try to hold on to the strip of coastal and mountainous land between the northern border with Turkey and the southern Lebanese frontier. )

7. According to a very sensitive source, Assad realizes that a retreat to the Alawite region will be a very temporary solution at best. Even the President's closest advisors do not believe that they can set up a separate Alawite state, and see any move in this direction as a last stand, from which Assad's supporters could try to mount an insurgency against an SNC revolutionary government in Damascus. At the same time it will provide the President and the ruling family with a secure escape route via the Russian Naval base at Tartus.

8. (Source Comment: One particularly sensitive source added that Assad's closest advisors are convinced that if the fighting goes badly for his government, the President will hang on in Damascus until there is absolutely no chance for a successful counter-attack. They contend that he realizes that a retreat to Latakia will be the beginning of what will be a very short lived

endgame in the revolution. At this point this source believes that Assad is still convinced his forces can maintain their advantage over the FSA until internal conflicts in the SNC, and between Qatar and Saudi Arabia, undermine the revolution.)

CONFIDENTIAL

August 23, 2012

For: Hillary  
From: Sid  
Re: New president of Libya

SOURCE: Sources with direct access to the Libyan National Transitional Council, as well as the highest levels of European Governments, and Western Intelligence and security services.

1. During early August, 2012, Libyan National Transitional Council (NTC) President Mustafa Abdel Jalil held discreet meetings with Mohammed Yussef Magariaf, the then leader of the newly elected General National Congress (GNC), who Jalil learned was to be named interim President of Libya when the NTC stepped down. During these sessions the two leaders worked out the transition to a new, elected interim Government for Libya; focusing on the need to restore stability and security by disarming the militia units which fought in the 2011 revolution against former dictator Muammar al Qaddafi. According to a source with excellent access to both parties, Jalil came away from the meeting convinced that Magariaf is intent on becoming Libya's first elected president following the overthrow of Qaddafi. Jalil was pleased to learn that Magariaf strongly supports the three-party Cairo Declaration negotiated between the NTC and the Governments of Tunisia and Egypt in late July allowing for increased trade and a relaxation of existing travel restrictions.

2. According to this individual, Jalil and Magariaf agree that Tunisia and Egypt hold the key to Libya's future economic success, with Libya providing the funding for new projects, while Egypt and Tunisia provide technical expertise. Magariaf stated privately that this relationship marks a departure from the Qaddafi years when Libya's natural resources fell under the control of foreign firms and governments. Jalil added that Magariaf will welcome investment and cooperation from American and Western European banks and corporations, but believes Libya, supported by the new governments rising out of the Arab Spring, must maintain control over all aspects of the industries involved in exploiting its natural resources. In this regard, with the support of both Jalil and Magariaf, the Libyan Ministry of Finance is increasing the level of Libyan investment in the Cairo stock exchange. In turn, Magariaf and Egyptian President Mohamad Morsi discussed increased Tunisian and Egyptian investment in the Benghazi stock exchange as the economic situation in Libya becomes more orderly.

3. In commenting on the new Interim President, Jalil added that Magariaf's current position is bolstered by the fact that he is not tied to any particular faction. At the same time he has maintained the respect that is attached to his role as the first Libyan leader to direct an armed revolt against Qaddafi. This fighting was carried out by the rebel Libyan National Army in 1981. Magariaf is an academic and diplomat with well established Islamist credentials and good relationships with business and government leaders in the United States and Western Europe. A separate sensitive source noted that one interesting issue to watch is Magariaf's relationship with General Khalifa Belqasim Haftar, the commander of one sections of the new Libyan Army. Haftar has been at odds with many of the militia commanders and is currently leading Libyan forces in the Kufra region, attempting to end local tribal fighting and block the smuggling of arms and supplies to pro-Qaddafi militias by supporters based in South Sudan. In the years between 1981 and 1990 Haftar (then Colonel Haftar) commanded the rebel Libyan National Army, under Magariaf's National Front for the Salvation of Libya (NFSL). One source notes that Magariaf's opposition to Qaddafi was based on the dictator's betrayal of Islamic principles, a position that, at that time, was supported by the Western Allies.

4. According to this individual, Jalil also spoke with former Prime Minister Mahmoud Jibril, who indicated that he and Magariaf agree on many issues, including the belief that they can build an Islamic state in Libya that can function in the world economy and the international diplomatic community. He did note that he believes Magariaf's view of the role of Islam in the day to day function of the government is more conservative than his, but these are differences that can be sorted out in the GNC. In the opinion of this individual Jibril is well aware of the fact that, while his National Force Alliance (NFA) controls a solid bloc of thirty nine (39) seats in the GNC and Magariaf's National Front Party (NFP) holds no seats in its own right, the interim President has established good working relationships with at least 100 of the 120 independent members of the GNC. Magariaf received 113 votes in his election as Interim President. Again these independent deputies respect Magariaf's role in fighting the Qaddafi regime.

5. (Source Comment: This particularly sensitive individual stated in strict confidence that Magariaf sees his role as establishing an efficient interim government, while overseeing the drafting of a new constitution and election law. This individual believes that Magariaf is very interested in winning the presidency under this new law. Besides meeting with Jalil and Jibril, Magariaf is talking to liberal politicians including former Oil and Finance Minister Ali Tarhouni, and the leaders of the Muslim Brotherhood's (MB) Justice and Construction Party (JCP), including Mohamad Sowan.)

6. This individual adds that Jalil believes Magariaf will face a very difficult period as he addresses the many issues left unresolved by the NTC and the interim regime of Prime Minister Abdel Rahman el-Keib. Jalil has been highly frustrated by el-Keib's inability to disarm the many militia units left over from the 2011 revolution against Qaddafi. At the same time he has advised Magariaf to move quickly in replacing el-Keib's cabinet while deciding which ministers to retain. The new interim government is facing a problem of lawlessness and attacks against foreigners, including representatives of the Egyptian Government; this at a time when the new Muslim Brotherhood government of Egypt is reaching out to increase business and diplomatic contacts between the two countries. According to a sensitive source, Libyan military intelligence officers believe these attacks are the work of Qaddafi loyalists, while former NTC officials fear

that they may be carried out by dissident Islamist groups, frustrated with the results of the national elections, which many of them boycotted.

7. (Source Comment: An extremely sensitive source stated in confidence that Libyan Military Intelligence officers reported to Jalil and later Magariaf that a series of bombings in Tripoli and Benghazi appear to be the work of Qaddafi loyalists looking to create tension between the Libyan and Egyptian Governments. These attacks included the car of an Egyptian diplomat, which was blown up near his home in Benghazi, a day after several deadly bomb attacks in the capital Tripoli. At the same time, a homemade bomb exploded under the vehicle of the Egyptian consulate's first secretary Abdelhamid Rifai in one of the Tripoli's most affluent neighborhoods. No one was hurt during this attack. Earlier in August, three car bombs exploded near the Ministry of Interior in Tripoli, killing two people and wounding three others. This sensitive source added that security officers arrested 32 members of what they describe as an organized network of Gaddafi loyalists linked to the attacks. During this period, the Red Cross suspended its activities in Benghazi and Misrata after one of its compounds in Misrata was attacked with grenades and rockets. In late July seven Iranian relief workers associated with the Libyan Red Crescent were kidnapped by tribal troops still loyal to the Qaddafi family. Security officials have no word on the whereabouts of these relief workers.)

8. According to this source, while the Cairo Declaration received a positive reception among Libyan political and business leaders, it also created a drastic increase in the number of Libyans applying for Egyptian visas under the new, simplified process. This workload has created a backlog of applications, and in mid-August, a group of Libyan nationals frustrated with the Egyptian visa process attacked the interior of the Egyptian consulate in Tripoli. These Libyan applicants were angry about the time it was taking to receive visas to enter Egypt and were demanding that the staff work past their stated hours of operation. A sensitive source noted that a number of Libyans destroyed the furniture in the main waiting room and attacked the consulate. The Magariaf Government has assured the Egyptian ambassador that additional security personnel will be assigned to guard the Embassy, at least until the visa backlog is reduced.

CONFIDENTIAL

September 3, 2012

For: Hillary  
From: Sid  
Re: Georgia election/US election flashpoint

I just had a conversation with John Kornblum, who raises an issue that could be a potential hot spot a month before the US election. Kornblum is working with the political party in Georgia opposing Saakashvili, called Georgian Dream. The Georgia election is October 1. Kornblum suggests that a politically beleaguered Saakashvili might ratchet up tensions with Russia before the election, drawing Republican attention and creating a cudgel to beat the Obama administration as soft on Russia.

Without comment, I have enclosed below Kornblum's memo, the letter sent to you from the Georgian Dream leader (which Kornblum sent me), and an article from The Economist.

1. John Kornblum memo

-- By running in the parliamentary elections as a unified democratic coalition, Georgian Dream has energized the opposition in a way which has never happened before in Georgia. The population is extremely angry at Saakashvili, but in the past he could always out maneuver the divided opposition. Now he can't.

-- This time it will be different. There is a real chance Saakashvili could lose. He is doing everything possible to avoid that indignity, including harassing Georgian Dream in ways described in the letters. (Note 150,000 Euros fine.)

-- At the same time, there are continued tensions with Russia and considerable instability in the region. If Saakashvili clearly steals the election, there could be public discontent, violence and maybe a "wag the dog" scenario with Russia.

-- Our point to the US is not that we are the best (even though we are) but that Georgian Dream has begun a new dynamic which has put Saakashvili under pressure and is causing him to react in authoritarian ways, which in themselves are heating up the climate.

-- All this could burst out in the final four weeks of the American election. This is the last thing the President needs. The best and only way to stop it is for the US to tell Saakashvili publicly (he ignores private warnings) to cut it out. Nobody else counts Only the US.

( Privately Saakashvili is expressing great dissatisfaction with the lack of open support from the administration. My private feeling is that he is being stirred up by the US military, who see him as their client in a very difficult region. But to support Saakashvili the way they want would turn Georgia into a Caucasian Cuba and make sure we never had a reasonable security relationship with Russia. This means consequences for policy toward Iran, Afghanistan, Korea etc.)

## 2. Letter to you from Georgian Dream leader

The Honourable Hillary Rodham Clinton  
Secretary of State  
U.S. Department of State  
Washington, D.C.

Dear Secretary Clinton:

I am grateful that you have recently visited our country to learn personally about the historic political transformation that is now underway. I quote often your statement that Georgia's future depends primarily on the quality of its democracy.

It is out of fear for the future of this democracy that I am writing you today. For the first time in Georgian history, a broad citizen's movement has formed around the Georgian Dream political coalition to build a consensus among democratic forces in Georgia. We are fighting together to achieve the first peaceful transfer of power in Georgian history. Our goal is to lay the foundations for an institutionalized democracy in which the government acts according to the rule of law.

I also want to reassure you that Georgian Dream is fully committed to deepening Georgia's integration with the West and eventually joining NATO and the European Union. The coalition and I strongly support Georgia's troop deployment in Afghanistan and elsewhere, as well as Georgia's role in supporting logistical operations in Afghanistan. However, we must admit that Georgia's NATO and EU aspiration cannot be realized until Georgia becomes a true democracy and rids itself of authoritarianism.

A modern civil society has been a cherished goal of the Georgian people since we regained our independence twenty years ago. Unfortunately, old habits are hard to overcome. Our nation is still controlled by single-party institutions in the hands of a leader who rejects the most basic principle of democracy – that he must someday leave office. He has declared himself personally to be indispensable for the further development of the nation. This belief is unfortunate.

In limited cases, the Georgian government has reversed its assault on the opposition and democracy when publicly and specifically criticized by the U.S. government or other international actors. However, in general, despite the many demands by yourself and other Western leaders for free elections, President Saakashvili is ignoring you and the established standards for elections; weakening the chances that our election on October 1 will be free, fair, and truly competitive.

The election law is being misinterpreted in a manner that makes it almost impossible for opposition parties to campaign. The OSCE Parliamentary Assembly pre-election observation mission recognized this during their recent visit to Georgia and expressed serious concerns about the government's actions undermining a free, fair, and competitive election, as well as ongoing erosion of Georgia's rule of law.

We launched our campaign optimistically, crisscrossing the country and spreading our vision to reverse Georgia's massive unemployment rate through economic growth, provide healthcare and education to all Georgians, and reduce tensions with Russia while further deepening Georgia's relationship with America and Europe.

Unfortunately, the government of Mikheil Saakashvili is using every method available to it to undermine the election process. The government has launched an aggressive campaign to suppress the democratic opposition, including imposing over \$125 million in illegal fines against Georgian Dream and its supporters; imprisoning, interrogating, and firing from government jobs opposition leaders and supporters; and suppressing the independent media and the opposition's access to voters. And, of course, my own rights as a native-born Georgian citizen were taken from me only days after I agreed to lead the Georgian Dream coalition.

Most recently, the government seized all of the funds in the campaign's bank accounts and has blocked us from receiving new donations, effectively stopping our ability to campaign in the last month of the election. While there are indications the government may suspend seizing new donations, campaign donors are continuously harassed and fined, and their homes have been seized and auctioned.

Madam Secretary, I am sure you are aware that more is at stake in our parliamentary election than the future of Georgia. The Caucasus region is riddled with conflicts and pressures for change are growing. The current government's projection of Georgia as a military bulwark against Russia in the Caucasus region is making the situation worse. President Saakashvili's use of Cold War rhetoric is neither in Georgia's interest nor in that of the West. It makes a healthy Western security relationship with Georgia and thus with the Caucasus almost impossible.

You have much wider interests in our region that require cooperation with Russia, no matter how difficult that may appear to be at the moment. A freeze in relations between Russia and Georgia cannot serve your longer-term goals. Our goal is to help rebuild links with Russia by pursuing a new sort of diplomacy in our region, based on the vision you stated so eloquently during your visit to Georgia.

I set forth my personal convictions in an article that appeared recently in the *Wall Street Journal Europe*. Introduction of a diplomacy that combines strong defence with a program of dialogue and reconciliation would be Georgia's most important contribution to cooperation in our dangerous region. Georgian Dream's program for peace in the Caucasus will build on the experience of the peaceful revolutions that restored democracy in Central Europe and ultimately led to the fall of the Soviet Union itself. Our vision will be the

antidote for traditional rivalries which flourish in the authoritarian societies of our region. The tens of thousands of persons who attend our peaceful rallies are the heirs of the democratic movements begun by the Solidarity movement in Poland thirty years ago.

The Georgian people are waiting for a clear signal that America understands and supports their dreams for democracy.

Domestically, the first step back to the path of democracy must be an open and fair election that offers the hope of a peaceful transfer of power. Recent polls suggest that Georgian Dream can make this happen, if the authorities give democracy a chance. You can help by making clear publicly to the current government that you will not tolerate its obvious efforts to undermine the October 1 election.

I hope with this letter that I have been able to open a dialogue with you that will enable us further to explore our mutual goals of building democracy and peace in our strife torn region. Georgian Dream's commitment to a democratic future for Georgia is a permanent one. We are ready to do whatever you believe is useful to make our dream a reality.

Respectfully,

Bidzina Ivanishvili  
Founder, Georgian Dream Political Coalition

### 3. Article from The Economist

## Georgian politics

### Blood feud

Jul 13th 2012, 18:39 by G.E. Tbilisi

<http://www.economist.com/blogs/easternapproaches/2012/07/georgian-politics?zid=307&ah=5e80419d1bc9821ebe173f4f0f060a07>

IS Georgian democracy in trouble? The government claims that the “Russian-influenced opposition” could subvert Georgia’s parliamentary elections in October this year. In contrast, Bidzina Ivanishvili, the founder of Georgian Dream, an opposition party, complains of systematic discrimination at the hands of an increasingly authoritarian regime. New polling results show that only 38% of Georgians think that Georgia is now a democracy, compared with 49% in February.

Georgians may have too pessimistic a view of their own country. As a [recent pre-electoral assessment](#) from the National Democratic Institute (NDI) points out, Georgia has implemented several key democratic reforms in recent years. New institutions ensure the accuracy of the voters’ list or regulate party financing. Amendments to the electoral code in late 2011 and early 2012 introduced a raft of positive changes although the failure to redraw electoral districts

(which range from 6,000 to 158,000 voters) means some votes are worth less than others. Recent “must carry” provisions will improve opposition parties’ access to the media by obliging cable providers to transmit all television channels with news programmes during the sixty-day campaign period. In all, the “2012 electoral process is more formalised and regulated compared to past elections”, the NDI concludes.

Even so, the dark side of Georgian politics, which Thomas de Waal has likened to [“a blood feud”](#), has been all too evident since Mr Ivanishvili entered politics in October last year. Georgia’s richest man remains without Georgian citizenship, an absurd situation of which most of his compatriots disapprove; the sooner that is resolved, the better. The Chamber of Control stands accused of levying disproportionate fines on the Georgian Dream movement, which Mr Ivanishvili has refused to pay. (It has responded by seizing some of his assets). And before Parliament adopted the must carry provisions, Channel 9, a new television station co-owned by Mr Ivanishvili’s wife, and Global TV, the only broadcaster that carried it, [suffered from almost continuous harassment](#).

Both sides continue to vilify each other, complaining of harassment, improper campaign spending, attempted bribery of state officials and abuse of administrative resources. A [debate](#) in the European Parliament on 4th July about Georgian politics reached similar extremes. As punch-ups during Georgian Dream campaign meetings in the central Georgian villages of [Mereti](#) on 26<sup>th</sup> June and [Kareleti](#) on 12<sup>th</sup> July suggest, it could get nastier still.

Yet Mr Ivanishvili’s political awakening has also awoken Georgian voters. Huge, peaceful rallies have taken place across the country, far beyond anything seen in recent years. Many more Georgians (75%) now plan to vote in October’s elections than intended to so in September last year (51%), polls show. And the political debate is increasingly focused on issues that matter to ordinary Georgians, not just personalities.

Georgian Dream unveiled some of their plans in May: cutting utility costs, investing in agriculture, free universal health-insurance and increased pensions. Vano Merabishvili, the former interior minister who became prime minister in late June, announced the government’s [four-year post-election programme](#) shortly after taking office. He too wants to boost pensions, provide universal health-insurance, and invest in agriculture. Mr Merabishvili has also set up a new ministry to tackle unemployment (roughly 34% of Georgians say they are unemployed, compared with an official rate unemployment rate of 16%), and promises to provide each family with vouchers worth \$600.

Does Mr Merabishvili’s appointment indicate that Mikheil Saakashvili, the president, is unlikely to become prime minister once his term in office expires in early 2013? As one of the few big beasts of Georgian politics, Mr Merabishvili would certainly be hard to shove aside. At any rate, slightly more Georgians would oppose such a job-swap à la Putin than would approve of it.

Reassuringly, 55% of Georgians surveyed think the elections will be well conducted, and only 21% fear falsification. But there is little room for complacency. Mr Ivanishvili has said that if he has any evidence of vote-rigging by the authorities, he will call for street protests. For most foreign observers, and many Georgians, that would be a step backwards. Yet 27% of those polled say he would be justified in doing so. Come October, that sentiment could matter.

While most Georgians are focused on who will win, Georgia’s allies say the credibility of the electoral process is key. As the NDI states, “further development of democratic institutions and practices offer the best chance for western integration and for long-term prosperity and stability.”

With the political temperature likely to rise further in coming months, Georgia's politicians would do well to bear that in mind. Will they?

CONFIDENTIAL

September 4, 2012

For: Hillary  
From: Sid  
Re: Intel on Merkel/German Euro policy; two memos

SOURCE: Sources with access to the highest levels of the governments and institutions discussed below. This includes political parties and regional intelligence and security services.

Memo #1

1. Over the weekend of September 1, 2012 German Minister of Finance Wolfgang Schaeuble spoke privately with Chancellor Angela Merkel, preparing her for the European economic meetings scheduled for the first week of September. Schaeuble stated that in a discreet exchange, European Central Bank (ECB) President Mario Draghi led him to believe that the German government should not expect any dramatic announcements or initiatives from these economic sessions. According to a well informed individual, Merkel again expressed frustration over the reality that there is no apparent solution to the crisis in the Euro-zone. Schaeuble reminded her of his past warnings on this matter, and the need to avoid showing their impatience with the situation.

2. In the opinion of this knowledgeable source, speaking on condition of secrecy, Schaeuble thanked Merkel for continuing to make diplomatic statements regarding the future of the Euro-zone, while allowing him to prepare for a worst case scenario with the very real possibility of a restructured currency union. This structure may well begin with newly defined roles for the troubled countries of the southern tier, including Greece, Spain, Portugal, Ireland, and even Italy. For her part, Merkel agreed that at this time the most important step is to prevent more panic in the world markets regarding the Euro. To this end, Merkel, Draghi, and all of the other concerned European leaders must continue to make positive, if vague statements about protecting the Euro at all costs, while preparing to move into a new, more manageable structure without raising concerns regarding a potential collapse of the Euro-zone.

3. In the opinion of this highly sensitive source, while Schaeuble was talking to Merkel, staff officers of the Ministries of Finance and Foreign Affairs, working with Chancellery economic advisors, drafted contingency plans based on discussions with their contacts in the ECB and reporting from German embassies and intelligence officers throughout Europe. These Ministry of Finance staff officers believe, with a degree of confidence, that a decisive sovereign debt purchasing agreement, similar to last year's Securities Market Programme (SMP), will not be unveiled on 6 September. They point out that such an agreement remains controversial; and any consensus likely will remain vague.

4. (Source Comment: During early September 2012, in a private conversation with his senior advisors, Schaeuble stated that Draghi also indicated to him that the ECB is considering a variety of bond purchasing programs. According to a sensitive source, Schaeuble also informed Merkel that the ECB Executive Board has drafted options for the sovereign debt purchasing agreement first proposed by Draghi on 2 August. Schaeuble added that this list includes at least four major elements: yield targets, asset classes, funding instruments and lending terms. Specifically, sovereign bond yields versus German bond yield spread targeting, short- versus long-term government debt purchasing and European Financial Stability Facility (EFSF) or European Stability Mechanism (ESM) funding. Proposed lending terms likely will resemble International Monetary Fund (IMF) letter of intent conditions. The Minister added that after speaking privately with Draghi, he believes recent public comments by ECB Board member Jörg Asmussen and IMF Deputy Manager David Lipton, raising the possibility of IMF funding, are part of an effort to reassure the markets, and that such moves are unlikely at this time.)

5. A separate sensitive source added that Draghi also warned Schaeuble that a final program decision of any kind is not likely until the day of announcement, September 6. Schaeuble accepted this, noting that there are twenty-two governors who will vote on the purchasing program, and there is no consensus on this decision. At least six publicly support a conditional lending program: Mario Draghi, Benoît Cœuré, Peter Praet, Luc Coene, Christian Noyer, and Ewald Nowotny. At least two more, Asmussen and Kaas Knot, President of De Nederlandsche Bank, support a strict conditional program. One governor has opposed any program: Jens Weidmann, President of the Bundesbank. Schaeuble's advisors, and contacts among central bank officials throughout the European Union (EU), confirm intelligence reports that the governors are sharply divided on the nature and scale of a purchasing program. This source expects a contentious, and vague decision, coming at the end of the ECB meeting.

6. According to the same sensitive source, Schaeuble has informed Merkel that Draghi believes no legitimate path forward exists for the ECB without German support. This is partially a political matter: in the past, German leadership has consistently supported economic union. It is also part financial: Germany is the largest contributor into existing European rescue funds, accounting for about €211 Billion of the EFSF's €780 Billion financing. Germany also has the largest European borrowing capacity. Central Bank sources regularly remind Schaeuble's advisors that despite an eighty percent debt-to-gross domestic product ratio, German short-term borrowing costs remain below U.S. levels. Merkel added that she is often frustrated by Weidmann and realizes that his failure to ultimately support an ECB program would be crippling, raising more doubts about the Euro's viability. However; The Chancellor continues to emphasize in private meetings with Schaeuble and her other economic advisors, speaking in the strongest

possible terms that Germany must have assurances that some of its concerns will be addressed in a realistic manner.

7. (Source Comment: In the opinion of this extremely sensitive source, two key factors drive Merkel's opposition to a new debt purchasing program. Weidmann, like many within the Bundesbank, believes such a program's fiscal implications make it the preserve of parliamentary, not monetary authorities. At the same time Merkel and Schaeuble are focused on the fact that public support for bailout measures polls poorly in key national opinion surveys. Schaeuble notes that, while support for Merkel remains steady, her position is delicate: she realizes that he must stabilize the Euro without damaging her domestic political position. Thus, though Merkel has come out in favor of a conditional purchasing program, she has remained quiet as other German leaders have criticized Draghi's proposals. Schaeuble, added that he, Merkel and Draghi continue to work together discreetly, but with all of these factors, a decisive agreement on September 6 is unlikely.)

8. At the same time a separate source notes that the entire Euro crisis will increasingly be driven by domestic politics in the member nations. According to this source, the Merkel and her government are focused on the upcoming elections in the Netherlands on 12 September. The Dutch government, led by right wing party, Volkspartij voor Vrijheid en Democratie (VVD), is struggling against the left-wing Socialistische Partij (SP) in polls. The SP has pledged to roll back domestic austerity measures and leave the ESM and EU bailouts. The Germans are well aware of late August polling by Intomart GfK, a Dutch market research group, giving the VVD a slight lead, but the election outcome is uncertain. Merkel and Schaeuble, supported by reporting from the German Embassy in The Hague, are convinced that the Dutch Government is unlikely to press for a detailed purchasing program agreement until after a new government is formed.

9. At the same time, according to this source, Schaeuble is watching the situation in Italy. The Italian government, led by technocrat Mario Monti, is also struggling at the polls. The German Embassy in Rome reports that surveys by SWG-Agora, an Italian market research group, show that Monti's personal popularity has fallen by half since he took office and that his centrist coalition has slightly less than fifty percent support. The Embassy and officers of the German Federal Intelligence Service (Bundesnachrichtendienst—BND) report from separate sources that Monti is considering calling snap elections this fall, ahead of general elections scheduled for April 2013. These same sources indicate that under these conditions Italy is unlikely to use the purchasing program until after new elections. Schaeuble noted that after private discussions, he believes Draghi shares this view. Monti will not burden his coalition allies with a bailout before general elections.

10. (Source Comment: In the opinion of an individual with direct access to the highest levels of the German Government and the ECB, speaking on condition of absolute secrecy, Merkel believes that Draghi's August 2 announcement and subsequent public statements have calmed debt investors' fears of Spanish and Italian insolvency. Since early August, Italian and Spanish yields have fallen dramatically from their late July highs. Spanish two-year yields have fallen from 6.5% to 3.7% as of 31 August. Italian two-year yields have fallen from 5.1% to 2.8%. Ten-year debt yields have seen similar declines. Further, Italy's debt auction last week was seen by the Germans as a success, raising over €7Billion. Both Spain and Italy are shifting to short

maturity debt, however the longer maturity yields are significant: Schaeuble stated privately that industry observers widely see seven percent to be the sustainable borrowing threshold. The Minister also believes that so long as yields remain at current levels, pressure for immediate ECB action will remain muted.

11. (Source Comment: According to a source with sensitive access, Schaeuble stated in private that Weidmann's recent resignation offer is likely a ploy to gain ECB negotiating leverage. This is consistent with views expressed in private by senior advisors to Draghi, who characterize Weidmann's public statements as seeking to limit the scope of any debt purchasing agreement. According to this sensitive source, the recent move to give the ECB regulatory oversight of all European banks is part of an attempt to gain Weidmann's support for the bond purchasing program. Schaeuble added that Weidmann's public opposition is an attempt to drive a hard bargain for a new purchasing program and is likely to continue until an immediate detailed agreement is required.)

Memo # 2

Re: German Constitutional Court/ESM/Euro

1. Over the weekend of September 1, 2012 German Minister of Finance Wolfgang Schaeuble informed Chancellor Angela Merkel that sources associated with the German Constitutional Court (GCC) had informed him in secret that the Court staff is drafting a proposed final decision on the Social Democratic Party (SDP) case regarding the legality of German participation in the European Security Mechanism (ESM). According to these sources, this decision will support the legal status of Germany's participation in the ESM. Schaeuble cautioned that this finding must survive a final vote of the full court on September 10/11, but he and the Chief Judge are optimistic it will prevail. The source cautioned that this information is extremely sensitive and any exposure of this material could create a crisis in the German Government. Schaeuble concluded by stating in secret that the Chief Judge advised him that the decision will in one area address the SDP's position by including additional conditions requiring basic parliamentary insolvency impact assessments before approval can be provided to EU bailouts.

2. (Source Comment: Speaking under conditions of strictest secrecy, a source with access to Schaeuble commented that, while the disorganized nature of the situation in the Euro-zone is personally annoying for the Minister, he agrees with the staff analysis that a meaningful relief program is unlikely to be adopted until after pending Dutch and Italian elections or Spanish or Italian yields spike. In a particularly sensitive note Schaeuble told his closest advisors that the Chief Judge of the GCC secretly informed him and the Chancellor that the Court is highly unlikely to strike down or critically curtail the ESM. Schaeuble added that when this decision is announced on September 12 it will allow the German Government focus its positions on the troubled Southern tier countries, including Greece, Spain, and Italy.)

3. According to an extremely sensitive source, when the GCC rules on the legality of the June 2012 ESM legislation, the Judges will address the arguments of the plaintiffs, including the

former Communist Party and the German Association of Family Businesses. These groups argue that the ESM breaches Maastricht Treaty Article 104b. This states that no EU members will be liable for other EU members' debts. At this time the Chief Judge believes it likely that this argument will fail, noting in a private conversation with Schaeuble that similar arguments had not succeeded in prior cases. According to this very sensitive source, German leaders strongly believe the legislation will be upheld because Germany has legally transferred similar powers to the EU in the past.

CONFIDENTIAL

September 12, 2012

For: Hillary  
From: Sid  
Re: Magariaf and the attack on US in Libya

SOURCE: Sources with direct access to the Libyan National Transitional Council, as well as the highest levels of European Governments, and Western Intelligence and security services.

1. During the afternoon of September 11, 2012 new interim President of Libya Mohammed Yusef el Magariaf spoke in private with senior advisors, including the members of the Libyan Muslim Brotherhood, to discuss the attacks by demonstrators on U.S. missions in Tripoli and Benghazi. According to a sensitive source, el Magariaf was shaken by the attacks, and gave permission to commanders on the ground for security forces to open fire over the heads of the crowds in an effort to break up mobs attacking the missions. During this session, a senior security officer told el Magariaf that the attacks on that day were inspired by what many devout Libyan viewed as a sacrilegious internet video on the prophet Mohammed originating in America. The Libyan attacks were also inspired by and linked to an attack on the U.S. mission in Egypt on the same day. At the same time, el Magariaf noted in strong terms that the atmosphere that made fostered these incidents in Libya is the product of widespread publicity regarding the security situation in the country between 2004 and 2010 and the cooperation that developed between a number of Western Intelligence services and the regime of former dictator Muammar al Qaddafi.

2. This source added that el Magariaf's advisors believe that this situation adds to the President's growing concern over the unpredictable effects that will follow current covert efforts by his political opponents to link him directly to foreign intelligence services. According to a separate sensitive source, el Magariaf noted that his opponents had often tried to connect him to the U.S. Central Intelligence Agency (CIA) through the National Front for the Salvation of Libya (NFSL), a group established in opposition to former dictator Muammar al Qaddafi, which el Magariaf led in the 1980s. In the opinion of this individual el Magariaf believes that he can survive potential negative publicity in this regard, but if this situation continues to develop in this manner it will complicate his efforts to establish an orderly administration in the country. Again, he stated that the attacks on the U.S. missions were as much a result of the atmosphere created by this campaign, as the controversial internet video.

3. At the same time, this individual noted that several of el Magariaf's advisors share his concerns in this matter, pointing out that the return of Qaddafi's intelligence chief Abdullah al-Senoussi for trial in Libya has heightened public interest in the liaison relationships conducted by the CIA and British Secret Intelligence Service (SIS) with Qaddafi's intelligence and security services. These same individuals note that they believe Islamist militia forces under the command of General Abdelhakim Belhaj captured files and documents describing this relationship from Qaddafi's offices in Tripoli. This fascination with Western intelligence operations in Qaddafi's Libya is also driven by Human Rights Watch (HRW) and its efforts to tie Western governments to human rights violations committed under Qaddafi. In this regard HRW has interviewed at least fourteen (14) individuals claiming that they were turned over to Qaddafi's forces by the Western powers. Belhaj is included in this group.

4. (Source Comment: In the opinion of a very sensitive source, el Magariaf's enemies are working to take advantage of his suspected links to the CIA at a time when Western intelligence services are under scrutiny in Libya. They also fear that this situation will only grow more complex as Qaddafi's son Saif al Islam Qaddafi and al Senousi are brought before Libyan courts to answer for their crimes under the old regime, particularly during the 2011 revolution. These individuals believe both men will be linked to Western Intelligence during their trials. )

5. According to this individual, el Magariaf is working with the Muslim Brotherhood and other Islamist groups to defuse this situation. He is particularly concerned by the level of violence between Sufi Muslims and Salafists, and

believes he must maintain his reputation for impartiality if he is to defuse this growing problem. As he works to organize the government, and disarm the militias, he cannot afford to lose the respect and trust of the Libyan people, especially at a time when cultural clashes between followers of the mystical Sufi tradition and ultra-conservative Salafis have taken central stage in the new Libya. This source adds that these religious conflicts were largely unknown during Qaddafi's rule.

6. (Source Comment: This source added that the individuals interviewed for the HRW report were former members of the Libyan Islamist Fighting Group (LIFG), an Islamist group formed in opposition to Gaddafi's controversial interpretations of Islam. These LIFG fighters fled the country in the late 1980s and went to Afghanistan to join the fight against the Soviet Union while also gaining training and experience for their own struggle. A separate source adds that messages to Libya from the CIA and SIS were found among the Tripoli Documents published by HRW, indicating that the United States and Britain were eager to help Libya capture several senior LIFG figures, including its co-founders, Belhaj and Sami al-Saadi.)

7. As Libyan authorities struggle to control the armed rings that refuse to surrender weapons following last year's civil war, Salafis, who say Islam should return to the simple ways followed by Mohammed, have established their own armed gangs in post-Gaddafi Libya. They view Sufi practices as idolatrous. Since the start of the Arab Spring uprising across the region, a number of Sufi sites have been attacked in Egypt, Mali and Libya. Magariaf is determined to establish a democratic state based on Islamic principles. This individual adds that Magariaf remains dedicated to the idea of building a tolerant Islamic state in Libya. El Magariaf's opinions continue to be shaped by his experience with Qaddafi, whom he felt built a cult of personality in violation of all of the basic ideas of Islam.

CONFIDENTIAL

September 13, 2012

For: Hillary  
From: Sid  
Re: More Magariaf private reax

SOURCE: Sources with direct access to the Libyan National Transitional Council, as well as the highest levels of European Governments, and Western Intelligence and security services.

1. On September 12, 2012 Libyan President Mohammed Yusef el Magariaf told senior advisors that the death of the U.S. Ambassador at the hands of Islamist militia forces represents a threat to the future of the newly elected General National Congress (GNC) Government. According to a sensitive source, el Magariaf believes that the primary goal of this and other attacks on Western facilities is to demonstrate that the GNC cannot protect its non-Islamic friends. Libyan security officials believe that the attack was carried out by forces of the Islamist militia group calling itself the Ansar al Sharia brigade; working out of camps in the Eastern suburbs of Benghazi. These officials added that their sources indicate that this group is led by former members of the old Libyan Islamic Fighting Group (LIFG), some of whom are loyal to Islamist General Abdelhakim Belhaj. The same officials were quick to point out that they have no evidence that Belhaj had any direct involvement in this attack. They also have no direct information as to whether this assault has anything to do with the death of Libyan born al Qai'da leader Abu Yahya al- Libi, but they are pursuing this theme. These officials do believe that the attackers having prepared to launch their assault took advantage of the cover provided by the demonstrations in Benghazi protesting an internet production seen as disrespectful to the prophet Mohammed.

2. According to this source, the immediate events were set in motion by a statement made by a Muslim Cleric in Egypt saying that the internet film was going to be shown across the United States on September 11 in an effort to insult Muslims on the anniversary of the attacks on the New York World Trade Center in 2001. This statement inspired increasingly hostile demonstrations at the U.S. Embassy in Cairo, and at diplomatic facilities in Libya. In Benghazi, reporting from security sources states, approximately twenty one (21) Ansar al Sharia fighters left their base in East Benghazi just after sundown infiltrated the crowd of about 2,000 demonstrators at the U.S. Consulate. These forces, operating under cover of darkness, opened

fire on the consulate, eventually setting it on fire with rocket propelled grenades. These fighters then withdrew to their camp. El Magariaf ordered security officials to identify and arrest the attackers, adding that he had been in touch with Egyptian President Mohammed Morsi, and the two agreed that their intelligence and security personnel will cooperate in this matter. (Note: Some of the Libyan officials believe that the entire demonstration was organized as cover for the attack, however; they point out that there is no evidence of such a complex operation at this time.

3. (Source Comment: In the opinion of this individual, Libyan security officers also informed el Magariaf that the attacks had been planned for approximately one month, based on casing information obtained during an early demonstration at the U.S. consulate in Benghazi. The attackers were, in the opinion of these individuals, looking for an opportunity to approach the consulate under cover in a crowd. These officials add that government security officers admitted to el Magariaf that they do not have the physical capacity to locate, attack, and destroy the Ansar al-Sharia brigade, among others. They describe these forces as well-trained, hardened killers; many of whom have spent time in Afghanistan and Yemen. These fighters are located in camps in Eastern Libya; and Libyan officials doubt they can penetrate these camps because the militia's are better armed than the forces of the new National Army.

4. In the opinion of a separate source El Magariaf continues to believe that the attacks were planned and carried out in a political atmosphere where a portion of the Libyan population is focused on past cooperation between Western intelligence and security services, and the regime of former dictator Muammar al Qaddafi. According to this source, el Magariaf realizes that the death of the U.S. Ambassador dictates that he must find tangible solutions to the problems tied to disarming the militias, dealing Salafist violence against the followers of Sufi beliefs, and efforts to discredit his government through linking him to Western intelligence services. El Magariaf instructed his security officials to cooperate with their U.S. counterparts. He also warned all of his advisors to be prepared for U.S. retaliation against the suspected perpetrators of this attack, and the angry public reaction that is sure to follow.

5. (Source Comment: A separate, particularly sensitive source added that in private conversation el Magariaf stated that if his government cannot protect a senior diplomatic official, foreign businesses will not be willing to risk opening up new operations in Libya. According to this sensitive source, el Magariaf believes that a number of the Islamist militias are now being influenced al Qai'da and other radical groups; working out of camps in the Eastern and Southeastern parts of the country. These groups are receiving aid and weapons from supporters in Sudan. In the end, el Magariaf added that while he does not expect U.S. officials to focus on this point, he believes the attacks against the interests and citizens of the U.S. and other Western states are aimed first at overthrowing his government, and replacing it with a strict Islamic Republic dominated by Salafist leaders. Magariaf also warned that tribal militias loyal to the Qaddafi family continue to present an equally dangerous threat to the new Government.)



CONFIDENTIAL

September 14, 2012

For: Hillary  
From: Sid  
Re: Morsi's private conversations & coordination with Magariaf

SOURCE: Sources with direct access to the Libyan National Transitional Council, as well as the highest levels of European governments, and Western Intelligence and security services.

1. Late in the day on September 14, 2012, Egyptian President Mohamad Morsi told senior European diplomats that he is increasingly concerned the current anti-U.S. and anti-Western violence spreading through Cairo and into the rest of Egypt may be part of an effort by his Salafist political rivals to destabilize his government, which many of them believe is too moderate in its positions regarding Islam, Israel, and the non-Muslim world. According to this source, Morsi, who is in Brussels for meetings with the European Union (EU), was particularly concerned over a message from Army commander General Abdel Fatah al-Sissi, that Islamist guerrillas, believed to be drawn primarily from the Sawarki Bedouin tribe, had launched an attack on a base of the International Peacekeeping Force (IPF) in the Sinai. The General reported that the 1500 United Nations troops at the base, including some U.S. forces, were under heavy attack and casualty figures were not yet known. Morsi stated that this fight was an example of radical anti-government forces and Salafist Islamist dissidents taking advantage of the current situation to carry out attacks that demonstrate his government is unable to protect Western personnel and facilities in Egypt. Morsi stated that the success or failure of his regime is directly tied to his ability to establish a moderate Islamic state that can work with western business interests.

2. (Source Comment: In the opinion of this individual, the current wave of violence is related to an ongoing struggle between Salafist and Sufi Muslims throughout Egypt. What makes it more frustrating for Morsi is that much of the violence appears to be inspired by members of the Salafist al Nour Party, the coalition partner of Morsi's Freedom and Justice Party (FJP) in the new Egyptian Parliament. According to this individual, Morsi delayed condemning the initial attacks on the U.S. Embassy out of concern that his opponents would use such a statement to move against his government. Late on the evening of September 13, 2012, Mohammed Badie, the Supreme Guide of the Egyptian Muslim Brotherhood (MB), sent a message to Morsi warning that he and the Supreme Guidance Council were concerned that the

situation around the U.S. Embassy was getting out of control and that, difficult as it might seem, he had to take tough measures against the demonstrators, and protect the interests of the U.S. and other Western Governments. In a telephone discussion with Saad al-Katany, the MB/Freedom and Justice Party (MB/FJP) Speaker of the lower house of parliament, Morsi admitted that he had felt constrained from acting, given his past history of poor personal relations with the leaders of al Nour. Al-Katany urged him to gain control of the situation.)

3. On September 14, Morsi also stated to an EU official that he had received extremely forceful messages from both the U.S. State Department and the Office of the U.S. President, leaving no doubt in his mind that the U.S. –Egyptian relations and more than \$1 billion in U.S. aid were at stake in this matter. Morsi added that since much of this aid goes to the Egyptian Army, he and al-Katany agreed that actions that put it in jeopardy would also damage the new Egyptian administration's current good relationship with the Army. Accordingly, Morsi instructed the military and security forces to use all necessary force short of lethal measures to protect U.S. and Western facilities. In a private conversation, Morsi stated that he felt he is losing control of the political situation and fears that if the current fighting results in deaths, either of demonstrators, U.S. diplomats, Egyptian security personnel, or UN peacekeepers, the situation may spin out of control and his government could fall. Al-Katany agreed, but said that taking no action would guarantee disaster. They agreed that when the situation calms down they will have to deal with the al Nour party, which they fear will, in the future, take advantage of circumstances to try to destabilize Morsi's administration. With this in mind, Morsi ordered al-Sissi to direct the commanders of Military Intelligence (MI -Mukhabarat el-Khabeya) to step up operations collecting information on the activities of the al Nour leadership, focusing on any contacts with potentially violent Salafist dissidents.

4. (Source Comment: A separate sensitive source also noted that General al-Sissi is warning Morsi about press reports that the person who made the controversial internet film at the heart of this situation is an Egyptian Coptic Christian. The General cautioned that as this report gains wider circulation, the government and the Army must prepare for violent attacks by Islamists against that community, which makes up ten (10) percent of the Egyptian population.)

5. A separate sensitive source noted that for his part, al-Sissi is prepared to have his troops take harsh measures against any demonstrators who attack Western personnel and facilities. The General is also concerned that the al Nour leaders are even more dangerous than Morsi realizes, and he has ordered the MI to increase technical and physical surveillance of these individuals. In addition, he stated in private that Morsi and al-Katany spoke with Libyan President Mohammed Yusef el Magariaf, and they had all agreed that military and security officials in Egypt and Libya will cooperate in an effort to track links between the violence in Cairo and Benghazi. Al-Sissi has ordered Special Forces units to step up patrols in the Egypt-Libya border region, while the MI will monitor communications between dissidents; primarily Salafists, in both countries. According to this source the General is convinced that these dissidents are seizing the opportunity presented by the current unrest to move against the governments of Morsi and al-Magariaf. He also received permission from Morsi to step up cooperation with his counterparts in the U.S. and Western Europe to deal with this situation and

al-Sissi believes al-Magariaf has given similar instructions to Libyan military and security officials.

6. (Source Comment: According to a separate sensitive source, al-Sissi believes that, given his new orders from Morsi, the Army can, for the most part, protect Western facilities and personnel in Egypt. But the General is concerned that the security services can never completely eliminate the threat from small well organized bands looking to carry out terrorist attacks. Following discussion with Libyan security officials he believes they have the same concerns.)

CONFIDENTIAL

October 3, 2012

For: Hillary  
From: Sid  
Re: Turkey v. Syria (plus Iran)

SOURCE: Sources with access to the highest levels of the Governments and institutions discussed below. This includes political parties and regional intelligence and security services.

1. On October 2 and 3, 2012, Turkish and Syrian forces exchanged fire across their border near the Turkish town of Akcakale; several Turkish civilians (including children) were killed, while Syrian casualties are not yet known. According a sensitive source with access to the General Staff of the Turkish Army, the commanders of the Turkish National Intelligence Service (TNIO) and the Intelligence section of the Turkish National Police (TNP) are warning President Recep Tayyip Erdogan that the Syrian Government of Bashar al Assad is trying to draw Turkey into the fighting in Syria with the goal of giving Syria's ally Iran a reason to engage in the Syrian civil war in a more aggressive manner. This sensitive individual does not believe the Iranians will send their regular forces to Syria, but the deteriorating situation between Syrian and Turkey gives them cover to step up the number and level of activity of Hezbollah and the Iranian Revolutionary Guard Corps (IRGC) forces, some of whom are already working with the Syrian Army.

2. Erdogan's political advisors are telling him that the Turkish people do not want war, believing it will damage their very successful economy, but they are quite worried about the potential economic and security problems associated with the 100,000 Syrian refugees currently living in camps inside of Turkey. That said, this sources notes that Erdogan is now caught up in the momentum of the situation, and the Turkish Army commanders are pressing for stronger retaliation against Syria in response to the Akcakale incident. They are pressing the idea that this action must be taken for the honor of the Turkish Army, which they believe is attached to the security of the country. At the same time, Erdogan is sensitive to the views of the Army after his government pursued legal action which sent several of its former commanders to prison for coup plotting.

3. In the opinion of this source the Turkish General Staff will not launch a direct attack against Syrian forces without coordinating with their NATO allies, but they will step up aid to the particular factions of the Free Syrian Army with whom they are comfortable. Instead, this source believes the Turkish commanders will increase Special Forces operations in Syria, and conduct selected shelling of military targets by their heavy (155 mm) guns just above the Syrian border. If the situation along the border between Turkey and Syria continues to deteriorate, the Turkish commanders may also take steps to close the air space along their border to Syrian air craft. At the same time, the General Staff has an existing contingency plan to move 15 km inside of Syria, to establish a buffer zone. According to this individual, the Turkish commanders could take this action without NATO support or coordination, however; Erdogan has not decided to move, weighing the internal political and economic issues involved.

4. (Source Comment: A sensitive source notes that Erdogan is aware of the possibility that a war between Turkey and Syria will have serious effect in Europe; this comes at a time when the countries of the Eurozone are working to maintain a stable international environment and to solve their debt/banking crisis. According to this individual, the government of French President Francois Hollande has been particularly active in urging Turkey to avoid allowing the current situation to deteriorate into open fighting.)

5. According to a particularly sensitive source, if the Syrians, backed by the Iranians, take additional action inside of Turkey, Erdogan, pressed by the General Staff, will feel forced to retaliate on an increasing scale. Although many, if not most Turks want to avoid war, they are very patriotic, and more Turkish deaths at the hands of the Syrian Army will only serve to stir these feelings. This individual notes that it is not that difficult to stir up Turkish nationalism when Arabs or Kurds are involved on the other side of the matter

6. (Source Comment: A sensitive source states that anyone watching the situation along Turkish/Syrian border should always remember that Turkey has approximately 1.3 million highly trained troops and ready reserves, equipped with the latest weapons and technology from the United States and NATO. As always, this source adds that perhaps the most important indicator regarding Turkish military activity will be the disposition of elite Special Forces and airborne units based near the Presidential palace in Ankara. These troops will be the spearhead of any force that moves on to the offensive in Syria.)

CONFIDENTIAL

October 6, 2012

For: Hillary

From: Sid

Re: Libya cabinet politics

SOURCE: Sources with direct access to the Libyan National Transitional Council, as well as the highest levels of European Governments, and Western Intelligence and security services.

1. As of October 5, 2012 Mohammed Yussef el Magariaf, the new interim President of Libya told senior advisors that the abortive efforts to form a cabinet under new Prime Minister Mustafa Abushagur represent the first step in the next phase of the struggle for control of the new Libyan Government. According to a sensitive source Magariaf is concerned that Abushagur, supported by the Muslim Brotherhood's (MB) Justice and Construction Party (JCP), as well as certain of the other more traditional Islamist groups, is looking to establish day to day administrative control the new government while defining Magariaf as a ceremonial Head of State.

2. According to this individual, the President, who is not affiliated with a particular party holding seats in the General National Council (GNC), spoke with the new Prime Minister immediately after Abushagur was elected by the GNC on September 12. At that time Magariaf advised him to include in his government members of former Prime Minister Mahmoud Jibril's National Forces Alliance (NFA), Abushagur having only narrowly defeated Jibril in the GNC vote. At that time Magariaf was not aware of the fact that Jibril had already demanded 9 cabinet seats for the NFA; however, he did point out that even Jibril's more moderate followers were committed to the idea of a modern Islamic state and would fit into the new cabinet . The

President came away from this discussion with the impression that Abushagur and his supporters intend to marginalize Jibril and the 39 Members of Parliament (MP) controlled by the NFA, concentrating instead on working with the 120 independent MPs in the GNC, looking to establish a more conservative administration. This individual added that Abushagur made it clear that while the President was free to choose his Vice President and staff, the Prime Minister would choose the national cabinet, supported by the GNC.

3. (Source Comment: According to this individual, Magariaf is allowing the current crisis in the Abushagur administration to play out without direct interference. He is convinced that the desire of the Libyan people for peace and stability, which brought him to power, added to the need to balance the regional and political rivalries throughout the country, will lead to the formation of a cabinet that is acceptable to all parties. Magariaf also believes that these developments will eventually leave him as the dominant figure in the government.)

4. In addition, this individual added that Magariaf is seized with the national security situation, the ongoing effort to disarm militia units, and the investigation of the murder of the United States Ambassador. All of these efforts are related to what he sees as his most important role, rebuilding the confidence of the international business community in its ability to operate in Libya safely and efficiently. To this end he does agree with Abushagur that it is important to replace the cabinet of former Prime Minister Abdel Rahman el-Keib, particularly Minister of Oil Abdulrahman Ben Yazza, whose connections to the regime of former dictator Muammar al Qaddafi, and the Italian Oil firm ENI made him unacceptable to the JCP and other conservative parties. That said, this individual notes that Magariaf was surprised and not pleased with the appointment to the ministry of Mabrouk Issa Abu Harroua, another technical expert, who previously worked for Libya's Zueitina Oil Company as well as in the oil sector abroad. Magariaf feels that Abu Harroua does not have the standing among the foreign oil companies that Ben Yezza enjoyed, although he was more acceptable to a number of the conservative members of the GNC.

5. Magariaf was pleased that the Prime Minister, after dramatic confrontations with MPs and demonstrators who entered the GNC chamber, withdrew his cabinet nominations. The President again advised Abushagur to name former Oil and Finance Minister Ali Tarhouni to the

Oil Ministry post; however, he fears that that Ali Tarhouni is seen as too close to Western governments to gain acceptance in the GNC. Magariaf is concerned that, while the new cabinet Abushagur plans to put forward on October 7 may contain some members of the NFA and other moderate groups, it will still be dominated by the JCP and conservative elements, and will again fail to gain acceptance, leading to a real government crisis.

6. According to this individual Magariaf and his advisors knew in advance that more than 100 protesters planned to enter the GNC session on October 4, in an effort to prevent MPs from convening to vote on the new cabinet. While Magariaf did not directly influence these protesters he did nothing to warn or advise Abushagur on the developing situation. In particular, the protestors objected to the failure of the Prime Minister to name any minister from the Zawiyah region. Although the demonstrators eventually left the hall, a number of the independent MPs, who had said they would support the new cabinet, were shaken by the incident and changed their positions. In the end, according to this individual, Abushagur's efforts to rally their support failed, and he was forced to withdraw all of the nominees, promising to submit a new list on October 7, one that would take into account regional and political considerations.

7. In the opinion of a particularly sensitive source, the failure of Abushagur to name any NFA ministers to the new cabinet will continue to complicate the matter. For his part Magariaf is concerned over international perceptions regarding the nature of the new Libyan government. In this regard, he fears that the Western press is too sharply focused on the fact that the NFA holds the largest single bloc of votes in the GNC (38), missing the fact that the real power in the parliament lies with the 120 independent deputies, who tend to be somewhat conservative on religious and social matters, while focusing primarily on local political issues. Magariaf believes that the appointment of Ali Tarhouni, or another liberal not associated with the NFA, would serve to reassure Western business and government leaders while demonstrating political balance to the Libyan people. Although he continues to make this point, the President has no indication that Abushagur will follow his advice. He does expect Abushagur to again select a majority of cabinet ministers associated with the MB and the JCP.

8. (Source Comment: In the opinion of this individual, Magariaf will remain focused on the security situation, particularly as he is having some success disarming the militias following

the death of the U.S. Ambassador. According to this individual, Magariaf believes he must end the power of the regional militia forces before the Libyan economy can improve. The President knows that foreign companies are the key to Libyan oil production, but he fears that they will not increase their commitment to Libya until the government can insure the security of their personnel and facilities. In a final note, this individual added that the Italian government is stepping up its activities in Libya, and the President expects them to pressure to Abushagur appoint an individual like Ben Yezza to the Oil Ministry, where he can favor ENI and other Italian firms.)

CONFIDENTIAL

October 25, 2012

For: Hillary  
From: Sid  
Re: Latest Libyan Leadership Private Discussions & Plans

SOURCE: Sources with direct access to the Libyan National Transitional Council, as well as the highest levels of European Governments, and Western Intelligence and security services.

1. During mid-October 2012 Libyan President Youssef el Magariaf stated in private that he and Prime Minister Ali Zidan have ordered National Libyan Army (NLA) Chief of Staff General Youssef al Mangoush to establish a more coordinated operational relationship with Misrata and Zintan militias in order to support expanded army operations throughout the country. According to a sensitive source, prior to the death of the United States Ambassador on September 11, 2012 Mangoush resisted greater reliance on these specific large militias, believing that such a move undercuts the government's efforts to disarm and demobilize all of the militias left over from the 2011 civil war. At this point, however, Mangoush agreed with Magariaf that the situation in the country is becoming increasingly dangerous and unmanageable. Accordingly, the Chief of Staff stated that he will work with Ousama al Jouwali, the leader of the Zintan forces to step up operations against the other militias, (supported by the Misrata troops), that also come from the mountainous region of Western Libya. At the same time he will instruct NLA troops under ground force commander General Khalifa Belqasim Haftar to pursue operations against tribal forces fighting on behalf of the Qaddafi family in Southern and Southeastern Libya.

2. (Source Comment: In the opinion of this individual, Magariaf and Zidan agree that Libya's future depends on the success of their efforts in this militia demobilization operation over the next six months. While they believe that the involvement of Ansar al Sharia forces, with the assistance of al Qai'da in the Islamic Magreb (AQIM), in the assassination of the U.S. Ambassador has focused the world business and diplomatic community on the reality of the security issues surrounding the militias, the President and Prime Minister also fear that the situation is far worse than Western sources realize. Mangoush informs them that AQIM and radical Salafist groups are increasing their efforts to take advantage of the frustrations of the various militias with the government, using the attack on the U.S. Consulate in Benghazi as an inspiration for their activities. Just as Ansar al Sharia began as a militia supporting the federalist claims of Eastern tribal leaders, and was then infiltrated by AQIM radicals, Mangoush believes

many of the other regional and ethnic militias around the country could follow the same path, if his troops do not succeed in the disarmament program. He also agrees with Zidan that they must move quickly since Libya's tradition of avoiding the Sunni-Shia conflict that dominates most of Middle East is beginning to erode during this period of chaos.)

3. A particularly sensitive source noted that NLA operations have already begun against Ansar al Sharia forces south of Benghazi, after members of that militia/terrorist group killed four national policemen during a grenade attack at a roadblock in the Sousa Mountains. Under orders from Haftar Libyan troops surrounded more than 100 Ansar al Sharia fighters in the region of the town of Sousa. According to this sensitive source, the NLA suffered relatively heavy casualties in the fighting, but believe they captured a number of AQIM operatives and one of Ansar al Sharia's senior commanders, Sufian bin Qamu, who they believe ordered the attack on the police. Mangoush also reported to Zidan that Qamu had been previously captured by United States forces and imprisoned at the Guantanamo Bay facility.

4. At the same time the Libyan army and forces from the Misrata militia entered the town of Bani Walid approximately 100 miles south of Tripoli, in an area still loyal to the Qaddafi family, engaging in close fighting with pro-Qaddafi forces. During the fighting Haftar dispatched troops with heavier arms to support the Misrata forces. According to this source, the NLA downplayed the level of the fighting, in an effort to reassure the supporters of the Government. That said the NLA/Misrata force had captured the city center and the airport after suffering significant casualties. The Government forces entered the city after shelling opposition positions around the city hospital, using heavy mortars and motorized guns.

5. (Source Comment: In the opinion of this knowledgeable individual, while Magariaf and Zidan remain optimistic about the future of Libya, they believe that the security situation will remain tenuous throughout 2013. Magariaf also sees the national election scheduled for mid-2013 as a potentially complicating factor. According to this source, Mangoush and Haftar focused on Bani Walid under pressure from the Misrata commanders. These militia leaders were, according to a knowledgeable source, angered over the death of one of their senior officials, Omran Shaban, at the hands of pro-Qaddafi forces in Bani Walid. The Misrata commanders report that Shaban was one of the organizers of the Misrata militia unit that captured and executed Qaddafi in 2011 outside of the town of Sirte. The Misrata leaders, supported by the General National Council (GNC), demanded the surrender of the men who arrested and killed Shaban. As the fighting expanded through late September and early October, Magariaf and his advisors came to see Bani Walid as an important symbol of their commitment to disarm the militias and anti-government groups, and increased their involvement accordingly.)

CONFIDENTIAL

November 12, 2012

For: Hillary  
From: Sid  
Re: Petraeus/October Surprise

My operative theory on Petraeus scandal is that it became an October Surprise that failed. Forcing the scandal public and his resignation would have been the trifecta--leaks, Benghazi, then Petraeus--allowing Romney to argue that Obama had created a national security collapse. It would have overtaken the end of the campaign.

My thought is that Leahy should be in this now and that Feinstein should be made aware, if she is not already, of the October Surprise scenario.

Some questions:

Are there agents and other employees at FBI in regular contact with Republican members of the House outside the regular channel of the House Intelligence Committee?

Exactly how soon was Cantor contacted by FBI sources after Petraeus was exonerated by the investigation?

What was the decision making process of those involved in contacting congressmen Reichert and Cantor? Who exactly in the FBI was involved in that discussion? How many people? What was their connection to the investigation? Or was it a single rogue individual?

Did Cantor ever notify Speaker Boehner that he had been contacted and that he had contacted Mueller? Why not? What does Boehner have to say about what Cantor did?

Did Cantor or any House staff member speak about the matter with any member of the Romney-Ryan campaign?

Claims that Cantor was simply alerting the FBI of the investigation by contacting Mueller are

absurd on its face. The FBI knew it was conducting the investigation. What is Cantor covering up? Was he attempting to create pressure to force Petraeus' scandal into the public and his resignation before the election?

What was the connection between those involved in contacting Cantor and those involved in contacting Bob Woodward about a "Benghazi" story?

If there were irregularities in the investigation, the disgruntled FBI agents or employees should have contacted the FBI Inspector General. They did not. Was it because there were no irregularities? No one has suggested any. Did they know it is a felony to disclose an espionage investigation?

Will the FBI agent(s) and employee(s) who leaked the espionage investigation to congressmen Reichert and Cantor be the targets of a Justice Department criminal investigation? Will a grand jury be empaneled?

CONFIDENTIAL

December 8, 2012

For: Hillary  
From: Sid  
Re: Intel: Badie, Morsi and the Opposition

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

1. During the evening of December 7, 2012 Egyptian President Mohamad Morsi, speaking in confidence, told senior advisors that he remains focused on establishing a lasting Egyptian regime under the Muslim Brotherhood (MB) and its associated Freedom and Justice Party (FJP). At the same time, according to an extremely sensitive source, Morsi added that although the ongoing demonstrations against his declaration of emergency powers will continue, and, if anything, become more violent, he firmly believes that at least 60 per cent of Egyptian voters continue to support his efforts to eliminate the last vestiges of the regime of former president Hosni Mubarak. That said, Morsi admitted that the current level of violence could not continue, and might lead to more serious conflicts across the country between MB/FJP activists, and the secular/liberal anti-government demonstrators. In the opinion of these individuals MB Supreme Guide Mohammad Badie advised Morsi to moderate his immediate position on presidential authority. Badie wants Morsi to meet with anti-government leaders to see what he would have to do to calm their activities. According to Morsi, Badie and other MB leaders advised that the solution for the current situation lies in identifying the minimum he will have to give in compromise in order to regain control the situation.

2. According to this source, Badie reminded the president that during the 2011 parliamentary and presidential elections he had warned Morsi to control his FJP activists who were intimidating Christian and secular/liberal voters. Badie pointed out that Morsi's failure to

accept his advice in that situation had led to unneeded tension and international criticism, just as the new government was standing up. In the opinion of this individual Morsi and his advisors spent much of the week of December 3 developing a new strategy to deal with the current situation. For the present Morsi and Egyptian Army commander General Abdel Fatah al-Sissi agree that the MB leadership must continue to do what they can to control the movement's activists. While Morsi believes that it is important for MB supporters to demonstrate in support of the government, he agrees that they must control the number of people involved since these numbers to be directly proportional to the level of violence, according to the operatives of the Military Intelligence Service (MI -Mukhabarat el-Khabeya) sent by al-Sissi to follow the demonstrations. According to an extremely sensitive source, these MI operatives are also photographing and creating files on the leaders of the secular/liberal demonstrations, for potential future use.

3. (Source Comment: According to a sensitive source, Badie and the leadership of the MB believe they are on the verge of reaching the goal of their eighty-five (85) year campaign to gain control of the Egyptian government. While Badie and FJP parliamentary leader Saad al Katany often find Morsi a difficult partner, they are convinced that he can achieve their goals; their main concern at this time is that the judges and other administrative holdovers from the Mubarak regime could slow their efforts, far more than the secular/liberal opposition. At the same time they are also concerned that the Salafist al Nur party, their nominal parliamentary ally, might attempt to expand its authority in the government. All of these concerns relate to the belief of these MB leaders, including Morsi, that the new government must be able to reassure foreign government and business leaders that the MB/FJP regime will be a good partner in the international world. Badie told associates that Morsi had overplayed his hand by moving so abruptly to expand his position, but now there is a possibility that this overreach will work in his favor as he negotiates with opposition figures to reach an agreement to stop the violent demonstrations.)

4. According to an extremely sensitive source, Morsi's first step in this effort to gain control of the situation was to support the move by election officials to postpone the scheduled early voting for the draft constitution. Advisors to Morsi also notified contacts in the secular/liberal opposition that it was possible that the entire election could be postponed until a new, more inclusive draft constitution had been developed. In the opinion of this knowledgeable individual the key issue is a reassurance that these opposition figures will not interfere with Morsi's efforts to weed out the Mubarak appointees from all levels of the government. Al Katany for one believes this is possible since the secular/liberal leaders are also hostile to the Mubarak legacy. Al Katany added that he believes Morsi plans to offer the possibility of prosecuting or re-prosecuting some of the Mubarak officials, a move that also will be popular

with the opposition. Only the former military leadership would be excused from this process, as all sides want to avoid putting al-Sissi in the position of having to defend his mentors.

5. (Source Comment: According a knowledgeable individual, Badie has instructed MB/FJP activist organizers to practice restraint, as large groups of MB supporters gathered at Mosques around the country on the afternoon of Friday December 7. The Supreme Guide asked these groups to avoid confrontation with their opponents, at least for the time being. At the same time, senior MB officials stated in confidence that Ismail Hamdi, the chairman of the national election commission, secretly met with senior advisors to Morsi during the week of December 3 and then announced a delay in the early voting on the new constitution. This move was kept secret and came as a surprise to most observers and the press. The MB/FJP publicity officers moved quickly to portray this move as the basis for a compromise in the crisis.)

6. In the opinion of this individual Morsi was disappointed but not surprised when the opposition rejected talks aimed at compromise. Some of the opposition leaders called for a sit-in demonstration at the presidential palace, but Morsi and his staff believe that they can overcome this initial reaction if they can identify opposition leaders who might be more flexible. In the meantime, Minister of Legal Affairs Mohammed Mahsoub stated that he is considering several options, including cancelling the referendum, and moving the entire process back to the parliament for a compromise and a new draft. He also hinted that Morsi could dissolve parliament; forming a new body through a special election. Morsi developed this position in an effort to set the basis for negotiation. His confidence is based on MB/FJP polling indicating that sixty to sixty five per cent of the voting public will continue to support their control of the government.

7. (Source Comment: In the opinion of this individual Morsi, his Vice President Mahmoud Mekki and Badie are convinced that democracy advocate Mohamed el Baradei will join in compromise negotiations eventually. They note that el Baradei heads the National Salvation Front (NSF), a secular/liberal umbrella group opposed to Morsi's decrees, while encouraging the protests in Cairo. While el Baradei continues to reject offers to negotiate, Badie is convinced that the former diplomat's ambition will drive him to accept the offer eventually. In the same vein one of Morsi's greatest concerns is identifying the real leaders of the opposition.)

8. According to a particularly sensitive source, Morsi, Badie and the rest of the MB/FJP leadership realize that they must adjust their tactics for the immediate future, but they will stand by their goal of establishing long-term control of the government administrative structure, while disposing of Mubarak supporters. They will look for acceptable compromise positions, but in

the end are convinced that they will emerge from this process as the leaders of Egypt. At present they continue to count on the support of al-Sissi and 60-65% of the voting populace. Their short-term goals are to gain control of the current security situation, while reassuring the foreign business and diplomatic community that although the current situation is part of a messy post-revolutionary period, the MB/FJP, and the Islamist government of Egypt will be a reasonable partner for the international community.

CONFIDENTIAL

December 10, 2012

For: Hillary  
From: Sid  
Re: Libya, Benghazi, Oil

SOURCE: Sources with direct access to the Libyan National Government, as well as the highest levels of European Governments, and Western Intelligence and security services.

1. During early December 2012 Libyan Prime Minister Ali Zidan and President Mohamed Magariaf concluded a series of discreet meetings with selected tribal leaders from Eastern Cyrenaica region (Barqa in Arabic), after which they agreed that the problem of the growing Barqa federalist movement is gaining strength and will again become a major issue in early 2013. At the same time National Libyan Army (NLA) Chief of Staff General Youssef al Mangoush warned Zidan that the Eastern tribes have rearmed and reequipped in the past three months and are preparing to reassert their desire for a degree of autonomy in early 2013. Mangoush also advised that the situation in the region between Benghazi and the Egyptian border may become increasingly complicated as Salafist fighters from Egypt continue to arrive in Benghazi. Mangoush reported that his staff officers have been advised in secret by aids to Egyptian Army Chief of Staff, General Mohammed al-Sissi, that, acting under instructions from Egyptian President Mohammed Morsi, military and security forces are taking steps to detain or neutralize extreme Salafist para-military groups and that a number of these fighters are fleeing to Libya. According to the Libyan commander, these Salafist fighters are comfortable in Benghazi, where many of them served with Libyan revolutionary forces during the rebellion against former dictator Muammar al Qaddafi.

2. In the opinion of this individual, Zidan and Magariaf, after consulting with Minister of Oil Abdulbari al-Arusi, decided to move forward with a plan dating back to the administration of former Oil Minister Abdulrahman Ben Yezza dividing the National Oil Corporation's (NOC) production and exploration divisions into two separate firms. With this in mind, al-Arusi began discussing the matter with concerned parties in late November and early December. Included in these discussions were meetings with members of the local federalist council in Benghazi and tribal officials from Barqa. In these sessions Al-Arusi described a new structure managing all existing oil-related firms, while building new operations and raising funds from investors outside of the country. This firm will be divided into two branches, one in Benghazi and one in Tripoli.

Al-Arusi added that the cost of this project will range between fifty (50) and sixty (60) billion dinars.

3. (Source Comment: According to a separate sensitive source, this concept came as a surprise to most of the local officials in Tripoli and Benghazi. This individual added that while the Western officials continue to have some questions about the matter, the Benghazi/Barqa leaders were, in al-Arusi's opinion, positive, if not enthusiastic about the new initiative. According to al-Arusi, doubts on either side relate to the mistrust that remains between the two regions, but he is determined to move ahead in this matter and is supported by Zidan and Magariaf. According to this source, the president and prime minister are convinced that they must deal with this internal East-West issue before they can bring a stable security environment to the country, and disarm the remaining independent militias in each part of the country. This individual added that in private discussions al-Arusi stated that the tentative name for this new oil entity will be the National Corporation for Oil Refining and Petrochemicals Industry, with its headquarters in Tripoli, and substantive offices in Benghazi. Like the NOC, the new firm will fall under the Ministry of Oil and Gas.)

4. In addition, this sensitive source noted that Al-Arusi is also discussing the creation of a company specializing in mechanical construction related to the oil and gas industry. This firm would be based in Benghazi. The minister stated in private that he believes such a company can be developed to compete with international firms in this very complex field. He also believes that such a firm must be managed by experienced, scientifically-qualified Libyans, with reputations for honesty. He noted that until as such a cadre is developed it may be desirable to use experts from Egypt to fill the immediate needs of the firm. Al-Arusi believes this firm should have offices in all of the oil fields and loading facilities. The minister also plans to establish an office in Benghazi, similar to Tripoli's oil institute, a facility that will train students looking to pursue oil-related studies. In addition, al-Arusi is making plans to reopen the Higher Petroleum Institute in Tobruk, which was closed by Qaddafi at the beginning of the revolution. He told a sensitive source that he expects the Tobruk institute to produce thousands of skilled engineers to provide Libyan managers for the future operation of the oil sector. Once the final details are set the Zidan regime will submit the entire package for parliamentary approval and financing

6. (Source Comment: Advisors to Magariaf state in confidence that, in their opinion this comprehensive plan for the oil industry will face opposition from individuals with links to foreign oil firms, primarily foreign trained engineers who hope to see greater privatization in the oil and oil services industries in the wake of the revolution. According to a particularly sensitive source, Zidan is particularly concerned about this possibility, noting that these individuals see this issue in strictly business terms, not considering the political issues, and the East – West situation, that are all part of the overall picture in Libya. At present al-Arusi believes that foreign oil firms remain concerned about the unsettled security situation throughout Libya, however; he is convinced that this new plan will help address this situation. At present, he noted that the large Italian oil firm ENI is stepping up its operations throughout Libya, and, with the support of the Italian Government, will continue to increase its investment in Libya in an effort to get ahead of the other foreign firms concerned in Libya.)

CONFIDENTIAL

January 4, 2013

For: Hillary  
From: Sid  
Re: Comprehensive Intel Report on Libya

SOURCE: Sources with direct access to the Libyan National Government, as well as the highest levels of European governments and Western intelligence and security services.

1. In reviewing the events of the past year, as well as their plans for 2013, Libyan President Mohamed Magariaf and Prime Minister Ali Zidan discussed their frustration over the pace of efforts to define the relationship between the legislature and the interim government, establish the authority of this national government throughout the country, and deal with security issues that have lingered since the fall of former dictator Muammar al Qaddafi in late 2011. Speaking on condition of absolute secrecy, a source with access to the Office of the President stated that during late December 2012 Magariaf and Zidan agreed that they must move quickly to deal with these problematic issues before they can address their long term strategy of developing productive diplomatic and business relationships with their neighboring states in North Africa, Western Europe and the United States.
2. (Source Comment: According to this source, while Zidan and Magariaf often disagree on the mechanics involved in establishing the authority of the government, they are making a concerted effort to avoid allowing their political differences to complicate their efforts to govern the country. This individual notes that the two men opposed each other in the August 2012 presidential election and they have not yet addressed the issue of how best to work together in the next national election, scheduled for mid-2013. However; they realize the fragile nature of the current Libyan government and are determined, for the present, to work together on the large national issues, leaving the day to day political infighting to the members of the General National Council--GNC. This individual believes these structural problems cannot be addressed in a serious manner until the President and Prime Minister are able to define their specific roles.)
3. For his part Zidan believes that the government and the National Oil Company (NOC) can eventually establish new relationships with Western oil firms, allowing Libyans to be trained to fill jobs at all levels of that industry, including positions previously reserved for foreign experts

during the Qaddafi regime. The Prime Minister stated that this program will cement his popularity with the Libyan people and allow him to consolidate the role of the government across the country. Zidan realizes that he does not have enough time to make significant progress on this matter before the next round of national elections, however; he believes that positive steps in this direction will be popular, and allow him to gain enough support to establish a basis for a more effective administration.

4. In the opinion of this individual Magariaf supports Zidan in this matter and is particularly interested in resolving the ongoing issues regarding the federalist movement in the Eastern Cyrenaica region (Barqa in Arabic). The President is convinced that finding a reasonable solution to the demands of the Eastern political and tribal groups will allow the current government to move to complete its program of disarming the independent militia units left over from the 2011 revolution. At the same time this will allow the National Libyan Army (NLA) and police forces to deal with militia units that have established contacts with opposition Salafist groups, as well as Al Qai'da in the Islamic Maghreb (AQIM). Magariaf continues to cite the development of Ansar al Sharia as an example of how a militia or group of militias can establish a relationship with AQIM and other radical organizations, eventually turning to attack Western interests in the Benghazi region. Magariaf bases his concerns on the best information available and while he believes that the NLA has made progress against Ansar al Sharia and similar groups the Army is still limited by the relative weakness of the government.

5. (Source Comment: Also in December Zidan, Oil Minister Abdulbari al-Arusi and Italian oil firm ENI's CEO Paolo Scaroni met at the Prime Minister's office to discuss ENI plans for developing new operations in Libya. According to an extremely sensitive source, these talks went very well. After the meeting Zidan noted that Scaroni was obviously extremely anxious to develop a new, special relationship with the post-revolutionary Libyan government and intended to gain an advantage on other Western firms looking to do business in the country. This source added that, according to Zidan's staff, Scaroni proposed a plan calling for an \$8.5 billion investment in both ongoing production and new exploration spread over 10 years. Later, in discussing the meeting, Zidan and his aides agreed that Scaroni had the full backing of the Italian government in this matter. Zidan added that his contacts in Rome report that the Italian administration believes this investment in Libya will help them deal with the long term economic problems they are facing during the current European debt crisis.)

6. According to this sensitive source, the Libyans and Scaroni worked out a rough draft of an initial Memorandum of Understanding, covering an initial investment of approximately \$420 million, which will be finalized before Zidan's planned visit to Rome in late January 2013. Before the Tripoli meeting ended the Prime Minister requested that Scaroni consider committing ENI to work on additional operations in the downstream sector under a new office of the Libyan National Oil Corporation, which the Oil Ministry plans to establish in Benghazi. Zidan noted that ENI began working in Libya in 1958, and, in his opinion remains the most important international oil company operating in the country. When Zidan briefed Magariaf on the meeting with Scaroni, the President agreed that the ENI proposal is an important matter for the new Libyan government, however; he cautioned that the recent resignation of Italian Prime Minister Mario Monti might complicate the affair. Zidan stated that his contacts in Rome assure him that the importance of the new ENI proposal for Libya transcends the ongoing political infighting in

Rome. Both the Prime Minister and President agreed that with the prospect of new ENI operations and personnel in Libya, the Army and police forces must be able to improve security conditions for Western interests throughout the country.

7. (Source Comment: In the opinion of this sensitive source, while Magariaf and Zidan have established a relationship that allows them to work together for the present, they will be unable to build an effective government administration until they define clearly the roles of the President and Prime Minister in the post – Qaddafi era.)

8. During late December 2012 Libyan Prime Minister Ali Zidan complained in private to President Mohamed Magariaf that the General National Council (GNC) had placed the interim government in an awkward position by enacting legislation demanding that National Libyan Army (NLA) Chief of Staff General Youssef al Mangoush move to close the country's borders by deploying his troops, along with loyal Tripoli based militia units, to patrol the borders, in an effort to prevent external groups from supporting anti-government forces, including the remaining supporters of former dictator Muammar al Qaddafi. According to a source, speaking in strict confidence, Magariaf assured Zidan that he had no hand in this decision, and that the GNC had acted on its own initiative based on internal political considerations. The President added that he continues to support Zidan's recent efforts to establish security relationships with neighboring states, and acknowledged that the GNC action would complicate this process.

9. (Source Comment: According to this individual, Zidan believes that the factional/regional parties in the GNC took this step in an effort to gain a greater voice in foreign affairs. The legislation complicates the implementation of diplomatic agreements regarding border security arranged by Zidan during a recent trip to Chad, Niger, Algeria and Sudan. These agreements were established in coordination with Magariaf's earlier security initiative involving the new revolutionary governments of Tunisia and Egypt. According to this source, the neighboring states agreed to increase border patrols and to monitor their shared borders with Mali. Speaking privately, Zidan told his closest advisors that the GNC plan to seal Libya's southern borders would complicate this process and confuse the North African states regarding who in the Libyan government is responsible for foreign affairs and security issues.)

10. In the opinion of this sensitive source Magariaf remains committed to the regional security agreements he reached with the governments of Tunisia and Egypt, and is working with Zidan to manage the effect of the GNC on their efforts to prevent foreign assistance from reaching dissident militia groups inside of Libya. As it now stands, the GNC action requires the NLA to act unilaterally and seal the entire southern border, create a military district along that border, and assign a military governor with authority under martial law to arrest or detain wanted criminals and dissidents. In private discussions with Zidan, General Mangoush acknowledged that the southern region continues to be used by groups smuggling drugs and arms, as well as human traffickers, adding that his best troops began operating in the region long before the GNC action. The general pointed out that this area is also used by groups still loyal to the Qaddafi family. At present many of the NLA's best mechanized units are deployed along the border with South Sudan in an effort to block the shipment of weapons and supplies to these groups. Mangoush also added in confidence that, in his opinion, this GNC decision was driven by political calculation rather than concern over security threats, and signals a potential crisis where GNC

deputies attempt to take advantage of institutional weaknesses in the government administration to assert a degree of authority over security and foreign policy.

11. (Source Comment: According to this source, Zidan shared his frustration with Mangoush, assuring him that neither he nor his aides had any role in the GNC action. The general was particularly angered by the fact that assembly's plan was created without consultation with him or his staff, and did not include any realistic consideration of the NLA's ability to carry out this expanded mission. Mangoush also noted that a number of GNC deputies criticized the decision as rushed and without proper internal discussion. In a separate conversation, Mangoush told a senior associate that he believes Zidan may still suspect that Magariaf had a hand in the GNC action, in an effort to gain a dominant position in the government. In the opinion of this source, the fact that the GNC action came shortly after Zidan's visits to the neighboring states to discuss security issues indicates to Mangoush that Magariaf may be moving to ensure that the GNC, rather than Zidan and his cabinet control the vital issue of southern security. Mangoush added that, in his opinion, despite Magariaf's reassurance, the GNC plan, if left as it stands, effectively removes Zidan as the leading policy-maker on security matters.

12. According to this individual, Zidan is taking a low key approach in reacting to the GNC action, choosing not to take any step that might indicate infighting between himself and Magariaf. At the same time the prime minister continues to focus on preserving the validity of the agreements recently negotiated with Libya's neighboring states. Speaking in private Zidan noted that foreign and security policy are his responsibility, rather than that of the GNC. This includes the authority to appoint a commander to oversee the southern military operations. Zidan did note that his choice for military governor of the South would have to be approved by Magariaf.

13. According to a very sensitive source, the serious nature of the security situation in Libya was highlighted in early December 2012, when Mangoush received reporting from the French external intelligence service (Direction Générale de la Sécurité Extérieure – DGSE) that in early May 2012 in Northern Mali a mutual cooperation agreement was concluded between terrorist groups operating in North Africa. The meeting was led by al Qai'da in the Islamic Maghreb (AQIM), Boko Haram of Nigeria, and al Qai'da in East Africa (primarily al Shabaab of Somalia), and was designed to launch the final phase of a project intended to establish a "caliphate" along an extended strip stretching from South Sudan, through Libya to Mauritania. These French officials also warn that subsequent reporting indicates that this effort to concentrate Islamist forces in the region is meeting with a degree of success. They also warn that these forces are dedicated to "religious cleansing" aimed at the governments in that area. The DGSE officials noted that they believe the central figure in this effort is a Somali associated with al Shabaab; Sheik NUR BARUD.

14. In the opinion of this sensitive source the DGSE report highlights the increasingly complex nature of the security situation in Libya, particularly as regional security continues to deteriorate. Mangoush is urging both Magariaf and Zidan to present a united front on the issue of national security, and avoid being caught up in the political infighting in the GNC.

15. (Source Comment: At the same time, this sensitive source states that the debate over the GNC security legislation is an excellent example of the difficulty Zidan is facing in establishing a working government administration and effective cabinet. According to this source, Zidan has done a good job disguising this problem from foreign diplomats and businessmen, but it will be difficult for him to properly organize the government until these political issues have been addressed. In addition, Zidan's efforts are complicated by the ongoing legal problems of former National Transitional Council (NTC) leader Mustafa Abdul-Jalil, who will be questioned by both military and civilian prosecutors regarding his role in the July 2011 assassination of General Abdel-Fattah Younis, Gadhafi's former interior minister and one of the first major defectors from the old regime. Jalil and 10 other NTC officials have been charged with Younis' death, though none have been arrested. This individual notes that a significant number of the advisors and cabinet officials working with Zidan are also former associates of Jalil under the NTC. This individual believes that this matter further complicates the prime minister's efforts to establish an efficient, respected administration before the mid-2013 national elections.)

16. (Source Comment: At the height of the 2011 revolution against the Qaddafi regime, extremely sensitive reporting indicated that in July and August 2011 NTC security officers discovered evidence that Younis was in secret contact with Saif al Islam Qaddafi. In response to this report a sensitive source stated that Jalil ordered NTC security officers to assassinate Younis while en route to a meeting at NTC headquarters. Jalil then reported that Younis had been killed by Islamist dissidents among his troops.)

CONFIDENTIAL

January 15, 2013

For: Hillary  
From: Sid  
Re: Libya internal government discussions

SUBJECT: Libya (13/4)

SOURCE: Sources with direct access to the Libyan National Government, as well as the highest levels of European Governments, and Western Intelligence and security services.

1. (Source Comment: On the morning of January 15, 2013 Libyan Prime Minister Ali Zidan was informed by Interior Minister Ashour Shuwail and Minister of Foreign Affairs and International Cooperation Mohamed Abdulaziz that Italy plan to close its consulate in Benghazi and reduce the size of its embassy in Tripoli following attacks on the consulate itself and the Italian consul general. Shuwail reported that the attacks were carried out by Eastern militia forces associated with Ansar al Islam, which, although put under pressure by the National Libyan Army (NLA) following the attack on the U.S. consulate in Benghazi in September 2012, continues to operate in and around that city. Abdulaziz warned Zidan that he should expect this situation to be raised by Italian officials and the chief executive officer (CEO) of the Italian oil company ENI when the Libyan Prime Minister visits Rome in late January 2013. The Minister of Foreign Affairs added that his sources in Rome report that the Italians will repeat their willingness to take risks in starting up operations in Libya, but they will ask for evidence that the new Libyan government is taking steps to improve its ability to protect foreign workers and facilities in Benghazi, and throughout the country.

2. This individual noted that Zidan was visibly upset during the conversation, expressing frustration over this turn of events, and stating that the relationship with ENI must serve as a sign to the managers of other foreign companies that they can operate in Libya in safety under the General National Council Government (GNC). According to a very sensitive source, Zidan is concerned that these latest incidents in Benghazi, taken in combination with the January 4, 2013 assassination attempt against President Mohamed al Magariaf at the Southern town of Sabha, will convince foreign diplomats and businessmen that Libya remains in a state of chaos. Zidan and Magariaf differ on a number of policy issues, not the least of which is the relative authority

of their two offices, but the Prime Minister told Shuwail that they must do everything they can to protect the life of the President if they are to maintain a stable post-revolutionary government.)

3. According to this individual, Zidan and his ministers spoke during their visit to Doha, and later discussed the matter with Libyan intelligence chief General Salim Hassi and NLA Chief of Staff General Yousef Mangoush, ordering them to take all steps necessary to deal with Ansar al Islam and its associated groups. For his part Hassi warned that Ansar al Islam has a significant following in Eastern Benghazi and in the territory between Benghazi and the Egyptian border. He and Mangoush agreed that they will step up operations in that area, noting that they also will reach out for assistance from Egypt and the Western powers in an effort to improve the training of their personnel and develop an international plan to limit the flow of illegal arms into Libya. Hassi noted that he is making progress on the issue of dealing with fighters loyal to the family of former dictator Muammar al Qaddafi, especially through cooperation with the French external intelligence service (Direction Générale de la Sécurité Extérieure – DGSE). The intelligence chief noted that French military operations against rebel forces in Mali have been valuable in this regard. Both generals agreed to follow Zidan's orders, and maintain good relations with their counterparts in Italy as well.

4. For his part Zidan, according to this source, stated that he will raise this matter in his conversations with Qatari premier, Sheikh Hamad bin Jassim bin Jaber Al-Thani, and its Foreign Minister, Sheikh Mohammed bin Nasser bin Jassim Al-Thani. Zidan will ask Qatar to assist the GNC government efforts to organize and fund a program to improve the quality of its military, police, and intelligence personnel. In the opinion of this individual Zidan plans to point out to the Qatari leaders that Libya needs their assistance to protect the victory of the revolution against Qaddafi. Zidan wants Qatar to assist in training security personnel, while also opening centers to train young Libyans to take on positions in the oil industry previously held by foreign workers.

5. (Source Comment: Prior to their departure for Doha, Mangoush and Zidan discussed the security situation and agreed that the NLA must seek assistance in tracking the movements of the independent militias, as well as the arms that are smuggled to them from Mali in the South West and South Sudan in the South East. Mangoush stated that he was in touch with the military commanders in the appropriate countries, including Egypt, and he plans to reach out to the Western powers in an effort to gain support and training. For his part Zidan complained that Magariaf should not have attended the Sabha meetings, given the strength of Qaddafi supporters in that region. Zidan added that, while he realized that the President is anxious to demonstrate that the GNC government is gaining strength throughout the country he must be realistic about the nature of the threat facing both him and the government. According to this source, Mangoush chose to avoid being drawn into this discussion of the President.)

6. According to a very sensitive source, General Hassi disagrees with the NLA analysis that the Sabha attack was not aimed at Magariaf specifically, noting that there were five prior assassination attempts against Magariaf in 2012, and that he is a target for a diverse collection of enemies, including former Qaddafi forces, groups like Ansar al Sharia, and even his political adversaries in the GNC. Accordingly, Hassi intends to establish new programs to train a detachment of presidential bodyguards, and his own anti-terrorism personnel.

CONFIDENTIAL

January 18, 2013

For: Hillary  
From: Sid  
Re: Latest French Intelligence Reports on Algerian Hostage Crisis

Report 1:

1. According to a very sensitive source, individuals with access to officers of the French external intelligence service (Direction Générale de la Sécurité Extérieure – DGSE) working in Mali and Algeria during the January 17, 2013 hostage crisis, stated in private that the Algerian government of President Abdelaziz Bouteflika was surprised and disoriented by the attacks. According to sources with access to the Algerian DGSE, the Bouteflika government reached a highly secret understanding with Belmokhtar after the kidnapping in April 2012 of the Algerian consul in GAO (Mali). Under this agreement Belmokhtar concentrated his operations in Mali, and occasionally, with the encouragement of the Algerian DGSE, attack Moroccan interests in Western Sahara, where the Algerians have territorial claims. The Algerian security officials fear that January 17 attacks might mark a resumption of the 20 year civil war and resolved to deal with the situation with extreme force. Their goal in this, according to this source, is to destroy the “Signed in Blood” group, delivering a message to Belmokhtar and his allies. According to these sources, the fate of the hostages is a secondary consideration in this decision.

2. Extremely sensitive sources add that in this matter Belmokhtar is reacting to a direct request from the Malian rebels, via AQIM, to make a statement as French military forces attack the rebels. AQIM viewed the well-organized Belmokhtar as the fighter best placed to strike immediately at Western interests. Algeria allowed French planes to fly over their territory enroute to Mali, and Belmokhtar noted that there is real emotional link between France and Algeria that adds to the impact of the attack. These sources note that Belmokhtar can draw on a cadre of 5,000-10,000 anti-government fighters inside of Algeria.

3. According to these sensitive sources, the attacks were carried out by “Signed in Blood” Katiba, led by Mokhtar Belmokhtar, which is the latest group organized by the long-time Algerian rebel. Belmokhtar and his followers are, according to the French DGSE, part of the Movement for Unity and Jihad in West Africa (MUJWA), formed in May 2012 in Mali. MUJWA is the result of a mutual cooperation agreement between terrorist groups operating in North

Africa. Al Qa'ida in the Islamic Maghreb (AQIM) organized the agreement, which includes Boko Haram of Nigeria, and al Qa'ida in East Africa (primarily al Shabaab of Somalia), the Islamist Rebels in Mali, and Belmokhtar. Through this organization AQIM is preaching the concept of a "caliphate" along an extended strip stretching from South Sudan, through Libya, Algeria, and Mali, to Mauritania. These French officials also warn that subsequent reporting indicates that this effort to concentrate Islamist forces in the region and is meeting with a degree of success. They also warn that these forces are dedicated to "religious cleansing" aimed at the governments in that area. The DGSE officials noted that they believe the central figure in this effort is a Somali associated with al Shabaab; Sheik NUR BARUD.

4. These sources describe Belmokhtar (AKA 'One-eyed') as very shrewd person, who in the past bargained with the authorities in Mauritania regarding his reintegration into society. For a period Belmokhtar abandoned smuggling (in the area is known by the nickname of Marlboro for its trade of cigarettes). After he became leader of the Saharan faction of Al Qaeda of Islamic Maghreb (AQIM), he organized the importation of arms for the underground network from Niger and Mali, as well as the kidnapping of Western businessmen. Belmokhtar is, according to these sources, fascinated by the opportunities for aggressive Islamist forces in the new Libya.

5. The following is a sensitive history of the Belmokhtar groups:

BELMOKHTAR is based in the northern part of Mauritania, under the leadership of Mokhtar Belmokhtar (also known as: Khaled Abou al-Abbas and Laaouar among other noms de guerres), where they are involved with drug smuggling and other criminal activity. Most recently, the Mauritania Government, with the encouragement of Morocco, attempted to negotiate a settlement with Belmokhtar that would have allowed his followers to reenter normal society. These negotiations broke down, however, in the summer of 2010, and the Belmokhtar group has continued its operational support of AQIM throughout the region.

Abu Zayd Group: The Abu Zayd faction is currently one of the principal subgroups of AQIM, from the perspective of the Moroccan Government. The group is deeply committed to the jihadist struggle against what it sees as the "secularism" of Tunisia and Morocco. The Abu Zayd group is based in southern Algeria and northern Mali, under the direction of Abid Hamadu (also known as: Abou Abdellah, Abdelhamid Abu Zied, Youcef Abdel, and Abu Abdellah). This Group is one of the most active and important of the AQIM member groups, and it has the resources, personnel, and flexibility to support operations into Western Sahara and Morocco.

According to very sensitive sources, Abu Zayd is based in the Hoggar (Ahaggar) Massif, in the Tamanrasset region. (Note: This is a rugged mountainous plateau located 1,000 miles from the Atlantic Ocean, lying mostly in southern Algeria, on the Tropic of Cancer). On the eastern edge of this region, the Abu Zayd Group is active in assisting Islamic fighters traveling to the Horn of Africa, Iraq, and even Afghanistan. In the south it has established relationships with tribal leaders in central Africa, relationships that allow AQIM to move freely in and out of the sub-Saharan region.

Report 2:

1. According to sensitive sources with access to the Algerian army, the attack is being conducted by the group under longtime anti-Algiers fighter Mokhtar Belmokhtar, who established a relationship with al Qaeda in the Maghreb (AQIM) in 2009. They support each other, with AQIM providing funding and weapons to Belmokhtar in the fight against the Algerian government, which goes back twenty years. AQIM's goal in this region is to destabilize the governments of Mali, Mauritania, Morocco, and Algeria. In this regard they act to coordinate these often disparate rebel/terrorist groups. Belmokhtar's attack on the BP facility appears to be done at the request of AQIM in support of the Mali rebels. This individual believes that Belmokhtar was chosen because it was the group that was in position to carry out a major attack against a Western facility in the region on short notice and has little to do with the internal Algerian struggle. Belmokhtar owes AQIM for their past support and to a degree the attack adds to their long-term goal of demonstrating that the Algerian government cannot protect foreigners.

2. This same source notes that the Algerian army's initial assessment agrees with the AQIM/Belmokhtar claims regarding the deaths of 35 hostages and 15 of their captors on Jan. 17. They will not know the actual death toll until the incident ends, but they noted that Algerian special forces troops attacked the rebels as they tried to move from one location to another inside the complex.

3. (Source Comment: In the opinion of this source, Belmokhtar's forces, including the Khaled Abu al-Abbas Brigade and the Signed-in-Blood Battalion have existing contingency plans to attack Western facilities in Algeria and in Western Sahara. This agreement to support AQIM allies in Mali was a complicated matter for Belmokhtar, given the fact that during 2011 Libyan revolution Belmokhtar's followers supported the rebels fighting the forces of former dictator Muammar al Qaddafi, while many of the groups fighting with AQIM in Mali fought for Qaddafi as mercenaries. This incident highlights the existing threat to Western interests in Algeria and throughout the Maghreb, even in cases where the targets have little or no relation to events that are inspiring the attack.)

CONFIDENTIAL

February 16, 2013

For: Hillary

From: Sid

Re: Algeria/Libya/Terrorism

SOURCE: Sources with direct access to the Libyan National Government, as well as the highest levels of European Governments, and Western Intelligence and security services.

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

1. As of February 15, 2013 Algerian President Abdelaziz Bouteflika instructed the commanders of the Algerian external intelligence service (Direction Générale de la Sécurité Extérieure – DGSE) to provide Libyan intelligence chief, General Salim Hassi, with selected portions of the information obtained in the investigation of the terrorist attack on the facility at In Amenas. The president cautioned the DGSE commanders to manage the information being passed with

care, keeping in mind that he is not convinced the new General National Council (GNC) government of Libya will survive through 2013. He also warned them to avoid passing any information that might be interpreted to indicate that the Algerian government had not been properly prepared for the attack. Bouteflika added that they should move forward with this exchange as quickly as possible, since Libyan Prime Minister Ali Zidan was calling him every day to push for greater cooperation, particularly regarding contacts between the Mokhtar Belmokhtar (MBM) terrorist groups and groups and individuals in Libya.

2. After some debate the Algerian DGSE officers agreed to follow their president's orders and pass on sensitive information obtained from the interrogation of known and suspected MBM supporters detained in and around Algiers by the internal security forces. At the same time they informed Bouteflika's senior advisors that they would not provide the Libyans with the most worrisome reporting given to them by their liaison partners in the French DGSE. These Algerian officers also noted ironically that General Hassi and his staff did not realize that they had, for their part, provided the Algerian DGSE with intelligence that supported the French information.

3. According to a knowledgeable individual, the commanders of the Algerian DGSE reported to Bouteflika's staff that their work confirmed their initial suspicion that the MBM attack on In Amenas was related to French military operations in Mali, as part of a loose but growing coalition of Islamist groups, the Movement for Unity and Jihad in West Africa (MUJWA), which was formed in mid-2012 with funding and support from al Qa'ida in the Islamic Mahgreb

(AQIM). In the opinion of these individuals, MBM is a key member of this group and was best placed to strike at a Western facility in retaliation for the French operations in Mali. The Algerian officials also believe that Libya's Ansar al Sharia plays a role in this umbrella organization. The In Amenas attack allowed MBM to stage an operation to keep the Algerian government off balance. These officials also stated that while Algerian members of MBM had planned and led the attack, the guerrilla force included experienced fighters from Mali, Libya, Saudi Arabia, Somalia, and Egypt.

4. (Source Comment: Speaking on condition of absolute secrecy, this individual with sensitive access stated that the Algerians are keeping information received from the French DGSE confidential. According to the source, this information concerned the funding of the MBM operation and a possible link to the Ansar al Sharia attack on the United States Consulate in Benghazi Libya on September 11, 2012, during which the U.S. Ambassador was killed. This individual adds that this information provided by the French service indicates that the funding for both attacks originated with wealthy Sunni Islamists in Saudi Arabia. During July and August 2012 these financiers provided funds to AQIM contacts in Southern Europe, who in turn passed the money onto AQIM operatives in Mauritania. These funds were eventually provided to Ansar al Sharia and its allied militias in the Benghazi region in support of their attack on the U.S. consulate. The money was used to recruit operatives and purchase ammunition and supplies. This person adds that the same tradecraft was used to provide money used by MBM to organize the In Amenas attack. The request for these funds apparently originated in mid-January 2013, and the Algerians noted the speed with which the AQIM support network was able to pass them on to MBM organization leaders at their camps in Mauritania. In a separate conversation, the Algerian DGSE officers

note in private that Libyan intelligence officers tell them that the Benghazi attacks were funded by these financiers in Saudi Arabia. They did not tell the Libyans that they had similar reporting from France.)

5. In a separate, private conversation, the Algerian DGSE officers stated that they held clandestine meetings with MBM representatives in the Mauritania/Morocco/Algeria border region during early February 2013, using their established protocols. The Algerians note that this is not the first time MBM has violated their secret truce agreement, and they were particularly forceful in their meetings, pointing out that they had wrapped up much of the MBM support network in Algiers following the attacks. In response the MBM representatives apologized and assured the Algerians that AQIM left them no choice expect to cooperate. The Algerians dismissed this explanation, noting that MBM has a similar excuse every time they stage an attack in-country. In the end the MBM leaders assured the Algerians that they would refrain from similar attacks, noting that they do not want a return to all out civil war with the Algerian military. The Algerian DGSE officers pointed out the fact that the Algerian Army, particularly the special forces units, were anxious to strike at MBM, and if there was another attack they would do so, showing no mercy for the MBM fighters.

6. (Source Comment: According to this extremely sensitive source, the leaders of the Algerian DGSE believe that AQIM and its allies will continue to strike at Western facilities in the Maghreb, taking advantage of countries where the security structure is disorganized following the uprisings of the Arab Spring in 2011-2012. They believe that MBM is unlikely to carry out attacks in Algeria for

the next six months. This individual noted that the commanders of the Algerian Army do not agree with this assessment regarding Algeria, and continue to press Bouteflika to allow them to launch large scale operations against MBM and other allied groups in the Southwest border region. The Intelligence chiefs believe the president will move on this request only if MBM violates their clandestine agreement once again. They note that he is committed to avoiding a return to civil war; the last round of fighting having cost over 200,000 lives on both sides.)

CONFIDENTIAL

March 13, 2013

For: Hillary

From: Sid

Re: Morsi now

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

1. In the first week of March 2013, Mohammed Badie, the Supreme Guide and leader of the Egyptian Muslim Brotherhood (MB) stated in a private conversation that while ongoing unrest in the country is worrisome he believes that President Mohamed Morsi will remain in power for at least the next year. Badie noted that he has always considered Morsi to be a difficult and stubborn person, but at this time these traits will serve him well. Despite the controversies complicating life in the country, Morsi remains unshaken and confident that he is supported by up to sixty (60) per cent of the population, including the majority of the rank and file troops in the army. Badie added that he also believes that the secular/liberal opposition will never accept Morsi, and the current unrest will

continue, with the opposition boycotting elections, which will complicate the process of drafting a new constitution, and in turn will harden the resolve of all sides in the political debate over the new Egypt. Morsi is capable of moving away from a controversial policy, if it undercuts his authority, but Badie is convinced that he will never relinquish power because of political pressure.

2. (Source Comment: According to this individual, Morsi's Freedom and Justice Party (FJP) conducts regular polling that reassures him regarding the level of support. For his part Badie noted that although the President has decided to appeal the Supreme Constitutional Court decision to delay the national elections, planned for April 2013, until the election law can be redrafted, he believes that this development actually works in his favor. In the opinion of this source Morsi and his closest advisors are convinced that holding the election later in the year will allow them to gain some control over the security situation, while making tough decisions without interference from an aggressive parliamentary opposition. In this regard they are counting on an influx of money from the United States and the International Monetary Fund (IMF) to lead to an improvement in the Egyptian economy later in the year.)

3. In a confidential discussion Badie added that Morsi is working to develop policies to meet the conditions required to finalize a \$4.8 billion loan package from the IMF. Badie believes that this agreement will also lead to the release of much of the \$1 billion in assistance promised by the United States in 2012. He added that the President interpreted the U.S. Secretary of State's statements following his recent visit to Cairo as indications that the U.S. government recognizes that the

Morsi regime is working in good faith to reach an agreement with the IMF, and that this course offers the best chance for stability in Egypt. According to this source, Morsi recognizes that the U.S. expects him to take steps to strengthen the economy and build political unity. He was particularly pleased to learn that the U.S. will release \$190 million of the initial \$450 million portion of the U.S. pledge. Badie added that Morsi felt that he and his team had convinced the U.S. delegation that these funds were needed to allow planned reforms to go forward, and that the various opposition leaders do not offer credible alternative solutions. The release of the rest of the \$450 million and the other \$550 million tranche promised by the U.S. government is tied to the success of the promised reforms.

4. Speaking separately, an extremely sensitive source stated in confidence that Morsi was also pleased when U.S. diplomats announced a pledge of \$60 million for a new fund for direct support of democratic change, including Egypt's entrepreneurs and its young people. Morsi stated in private that he and the FJP are not worried that these funds will benefit secular/liberal opposition parties, noting that the payment shows confidence in the future of Egypt. Morsi added that even with extra funds these opposition parties cannot match the infrastructure of the FJP in preparing for elections.

5. (Source Comment: This individual, speaking on condition of absolute secrecy, added that Army commander General Abdel Fatah al-Sissi continues to support Morsi during this period. Al-Sissi recognizes that Morsi elevated him to his current position, and, unless the security situation is completely out of control, this individual believes al-Sissi will stand behind Morsi. For their part, Badie and his advisors were concerned by press reports and rumors in the diplomatic

community that the army might respond to calls from the opposition to overthrow Morsi. Although they continue to watch the military, these MB officials now believe that al-Sissi is not prepared to take any such action. The Supreme Guide noted that in dealing with the rioting in Port Said Morsi backed away from plans to give the army a greater role in civil government and activities normally reserved for the police, a move that was opposed by al-Sissi and his staff. This individual believes that the visit by the new United States Secretary of State served to reassure the General regarding Morsi's future. Although the US delegation reached out to the opposition National Salvation Front (NSF) and seemed to lecture Morsi on democracy, the idea that the meetings took place, and the U.S. then released money previously pledged to Egypt, actually strengthened his position with the military. According to this source, the fact that much of this aid will benefit the military was welcomed by al-Sissi's staff. At the same time they noted that the security services expect to purchase new equipment, including a substantial number of tear gas canisters for riot control.)

6. In a separate conversation Badie noted that NSF leader Mohamed Mustafa el Baradei continues to appeal to a coalition of secular/liberal groups, giving Morsi an advantage with the majority of the population that supports a moderate Islamic government. He added that former Vice President, and the current Egyptian Ambassador to the Vatican, Mahmoud Mekki, assured him that the NSF could not organize a serious national electoral threat to the Morsi regime, and can be expected to boycott any future elections in an effort to invalidate the FJP's efforts. Mekki stated that in his opinion el Baradei's ultimate hope is that the security situation continues to deteriorate to a point where the military and other concerned parties turn to him to assume power as a compromise candidate. Mekki

and Badi agree that, in their opinion, el Barradei does not have enough support in the Islamist community to make this feasible, pointing out that he does not appeal to either MB supporters, or members of the al Nour movement and other Salafist groups.

7. (Source Comment: In the opinion of an extremely sensitive source, al-Sissi continues to support Morsi, even as he anticipates continued unrest among opposition political groups. The General stated in confidence that these groups will build on regional and ethnic unrest, pointing out that the current rioting in Port Said is related to soccer violence. Al-Sissi did advise Morsi to resist calls to declare martial law in Port Said, noting that this is a dangerous course coming so soon after the revolution that overthrew former President Hosni Mubarak, who ruled under a military state of emergency. He did agree with the President that the army should support police operations in Port Said and remain prepared to take action if rioting threatens the Suez Canal. That turn of events would be a threat to national security and the General agreed the army should then be called in to protect the Canal. Al-Sissi added that some of the rioting seemed to threaten the canal but that condition had subsided for the present.)

8. Regarding el-Baradei, according to a sensitive source, al-Sissi continues to use the resources of the Military Intelligence Service (MI -Mukhabarat el-Khabeya) to monitor the activities of the NSF leader and his senior advisors. Al-Sissi plans to keep track of these individuals in an effort to protect the current government, while keeping himself informed of any increase in their popularity and influence. He is particularly interested in following how the activities of these individuals affect the status of the army and its senior officers. According to this sensitive source, al-Sissi's stance against increased military involvement in police

activities is supported by General Ahmed Wasfi commander of the army division in Port Said. After consultations with al-Sissi, Wasfi rejected calls for a return to direct military rule in the Port Said region. This source added that the military is playing a role in the security in Port Said and other canal cities, but under the authority of the civilian government.