

Egypt Puts IMF On Notice

Heralding New Era Of Economic Development

The political and military command structure of Egypt last week put the International Monetary Fund — architect of Egypt's austerity programs — on notice and outlined a course for the industrialization of the country through nuclear energy.

The Egyptian move, in the context of the recent historical accord between West Germany and the Soviet Union, signals that the basis now exists for a regional development plan for the Arab world and Israel, a plan that would provide the foundation for a lasting political settlement in the Mideast.

Reversing policy, President Sadat reshuffled the Egyptian cabinet, ousting the former Minister of Economics and Finance, Abdel Moneim el-Kaissouny, and creating a new Ministry for Economic Planning. The

long-rumored ouster of Kaissouny represents Egypt's virtual abrogation of the IMF's heretofore dominant role in Egypt's economic policy making.

Debt Payment Versus Development

Kaissouny's removal took place at a time when the Egyptian cabinet was deeply split over whether to implement a further round of IMF-ordered austerity measures which led to nationwide riots and the near overthrow of the Sadat regime in January 1977. At that time the Egyptian government announced that subsidies would be removed from food and other necessities, thus putting pressures on Egypt's poor.

According to the May 10 *New York Times*, Prime Minister Mamdouh Salem and Kaissouny "clashed over the issue of state treasury subsidies to keep basic consumer prices within reach of low-paid workers and peasants. Dr. Kaissouny wanted the subsidies trimmed as a step to help balance the budget. Mr. Salem, as Prime Minister, had to cope with the riots that broke out in January 1977 after an attempt was made to eliminate some food subsidies. He was reluctant to see the program tampered with."

The internal cabinet debate, though, is only a reflection of international and related Arab maneuvers to weaken the IMF's hold on the Egyptian economy. As the same *New York Times* article reported, "The Egyptian economy has been shored up by huge infusions of foreign aid. Such aid totaled slightly less than \$3 billion in 1977 alone, nearly a third from the United States. An even larger amount was provided by the Arab oil-producing countries, particularly Saudi Arabia and Kuwait, which formed a consortium called the Gulf Organization for the Development of Egypt." The GODE is known to be opposed to having its money flushed down the bottomless hole of Egypt's foreign debt-payment requirements. Egypt's foreign debt is estimated to be \$18 billion with debt service of over 25 percent per year.

International Economic Support

The centerpiece of Egypt's new economic policy is nuclear energy. The clearest statement of this commitment came from an April 26 conference of over 500 Egyptian scientists and engineers. A proposal was adopted by the conference to have the Arab League draw up a plan for a long-term Arab energy strategy in which "economical" and clean nuclear energy would play a central role.

According to sources at the West German Economics Ministry, Cairo has proposed that West Germany consider the construction of a series of nuclear power plants in Egypt to provide energy for industrial growth, and the West Germans are currently in contact with Washington to work out a cooperative effort on the project.

Egypt's Scientists Call for Nuclear Energy

Following their meeting in Cairo on April 26, the Egyptian Nuclear Science Association issued the following press release:

In its recommendations today the conference on nuclear applied science, which was organized by the Egyptian Nuclear Science Association in cooperation with the Atomic Energy Authority, called on the world's advanced states to work for the non-proliferation of all types of nuclear weapons. The conference also called on these states to prevent the production of the neutron bomb, which is a weapon for mass killing. The conference recommended that the Middle East should be free of nuclear weapons.

Concluding its sessions today, the conference recommended that the Arab states coordinate their plans and programs toward a unified strategy in the field of long-term utilization of energy, including nuclear energy, and direct the manpower and material resources into the Arab countries to serve these programs.

The conference, which was attended by 500 scientists and researchers from various scientific organizations and centers in Egypt, supported the state's plan to establish nuclear power stations as being more economical and better preservers of the environment than other, traditional methods, which failed to meet the country's energy needs.

The conference also recommended intensive prospecting and production of uranium and promotion of applied research in fields which serve development plans.

Behind the nuclear effort, Egypt has launched a nationwide mobilization of its labor and resources. The slogan of the new Egyptian government is: "Increase production, increase wages, and decrease prices!" As its first act, the new government directly contradicted the austerity dictates of the IMF by issuing an order granting a bonus of 10 days' wages to all workers in the Egyptian state sector which is the bulk of Egypt's workforce.

Among the projects now under active consideration is the immense Qattara Depression development scheme in Egypt's western desert, involving the creation of a new salt-water inland sea for power generation, desalination, and irrigation, as well as fishing and recreation. The West German government announced in Bonn May 10 that the \$20 billion project is now going ahead, and that U.S. support would be sought for the plan. Scores of new factories and housing projects are also in the works for the Suez Canal corridor and Alexandria, and a major re-vamping of Egypt's decrepit infrastructure is planned.

The reorientation of Egypt's economic policy could not have occurred without international support. And now the climate created by the Brezhnev-Schmidt talks in Bonn, where one of the main agenda items was the implementation of a real North-South dialogue for economic cooperation, spotlights Egypt as a possible testing ground for just that.

If the might of West German industry is to help restore Egypt's economy, the French government has already staked its claim in the political and military areas. The crucial role of France was underlined by War Minister Gamassi of Egypt, who told an interviewer this week that the backbone of Egypt's efforts to rebuild its shattered army would be French-built Mirage jets. Egypt and Saudi Arabia are collaborating with France and West Germany for the construction of a complete aerospace industry in Egypt called the Arab Organization of Military Industries. Informed sources report that this project, extremely capital-intensive in nature, will require the virtual overhaul of Egypt's educational system and industrial infrastructure. Adding that the French Mirage jet was the "spinal column" of the Egyptian airforce, Gamassi said that the token shipments of American F-5E jet fighters to Egypt were "not vital," and that the arms deal with the U.S. was purely political in character.

Although the United States has remained somewhat reticent on direct economic intervention in Mideast development, the recent statement by First National Bank of Chicago Chairman Robert Abboud at a May 10 American-Israel Chamber of Commerce and Industry meeting is a signal that key industrialist and banking circles in the U.S. are collaborating with the recent policy objectives outlined during the Schmidt-Brezhnev talks. Declaring that an "economic solution is the only hope for a meaningful peace in the Mideast," Abboud called for a common market and a common currency to foster trade and development throughout the Mideast and into Pakistan and India.

—Mary Jane Coates

IMF Faces Hard Times

Egypt's break with the IMF and its concomitant dialogue with the West Germans have already triggered anti-IMF policy moves in neighboring Sudan and in Turkey to the north.

West German Economics Ministry sources in Bonn have announced that the BRD is planning to fight for some form of moratorium on Egypt's debt at meetings planned in June of the "Donors' Group" of institutions and countries to which Egypt is indebted. In tandem with debt alleviation for Egypt, the West Germans are actively pushing for a moratorium on most of Turkey's \$13 billion debt. They are tying these proposals to the creation of new development arrangements involving the employment in new projects of Turkish skilled workers returning to Turkey from West Germany. Turkish Prime Minister Ecevit is now in Bonn to discuss these arrangements.

Following Egypt's lead, neighboring Sudan has informed the IMF that it is displeased with the Fund's austerity policies, and a special delegation has been dispatched to Saudi Arabia to seek financial aid for Sudan's prodevelopment efforts. The future breadbasket of the Mideast and Africa, the Sudan has long been the target of West German, Saudi, and Rockefeller circles for large-scale agriculture development projects. Chicago banker Abboud alluded to this program when he stated that plans were being drawn up to make this area a major food producer whose products could be shipped notably to West Europe, but also eastward to the impoverished countries of Pakistan, India, and Southeast Asia.

Trade & Development — Way To Mideast Peace

A. Robert Abboud, chairman of the First National Bank of Chicago, spoke at a meeting of the American-Israeli Chamber of Commerce and Industry on Monday May 10. Excerpts from his speech, entitled "The Key to Middle East Peace is Economic Development," are reprinted below:

Since the beginning of history, the Middle East has been a crossroads — a crossroads for different civilizations, a crossroads for trade, and, unfortunately, a battleground for the peoples from three continents. Recent history has been more of the same....

Diplomacy, even in its most refined state, will... not produce peace. Diplomacy can establish channels of communication, but it is no substitute for substance. Diplomacy is only useful to settle grievances where the relationship of substance already exists.

The only possible solution for a meaningful peace in the Middle East is economics. Trade and investment must be made to flow freely throughout the region, creating interdependencies which transcend the cultural differences among the various peoples. A common currency, a common market, and free investment flows on a regional basis are the only possible catalysts for