

to continue his policy of slow annexation.

The game is to have Israeli politics revolve around an agenda—the Reagan “initiative”—set by Kissinger, eliminating the possibility of a faction emerging in Israel promoting a regional peace package based on economic development. The battle lines emerging are the “pro-Reagan” faction, led by Labour Party leader Shimon Peres, who is calling for a national debate on the issue, and the “anti-Reagan” faction, associated with Prime Minister Begin but really led by Defense Minister Sharon. Under these circumstances, the many Israelis who are genuinely suspicious of Kissinger, Shultz, and their “peace plan,” are herded to follow the lunatic Sharon. Polls in Israel show that, if an election were to be held at this time, Begin would easily win.

Two days earlier, the Israeli cabinet had announced it had approved funding for construction of 10 new settlements on the West Bank. The plan, which came out of a proposal submitted by the newly named Minister of Technology, Yuval Neeman, one of Sharon’s fiercest supporters, also calls for moving Israeli high technology firms to the West Bank for the first time.

Since Reagan’s speech, Sharon has ordered a violent escalation against the Palestinian Arabs on the West Bank. The announcement of the establishment of the first three settlements in the militant Palestinian town of Hebron sparked strikes. Sharon aims to push Palestinians out of the West Bank and Gaza into Jordan, which Sharon has declared “the Palestinian state.”

In Lebanon, Sharon and Shamir have stated that unless Gemayel signs a peace treaty with Israel, Israel will not pull its forces out of south Lebanon. But the Saudi-backed Muslims of West Beirut who opposed Gemayel’s election are saying that they will fight Gemayel if he accedes to Israel’s pressure to sign a peace treaty. Sharon has personally overseen the outright takeover of the economy of southern Lebanon, distributing the profit from the highly lucrative drug trade there among his mafioso partners, Meyer Lansky and Meshulam Riklis.

On Sept. 6 Sharon declared that if Gemayel did not agree to sign a peace treaty with Israel, Lebanon would have a “different status,” i. e., Israel would not withdraw its troops. Israeli troops are already fully prepared to stay in Lebanon through the winter; over the past two weeks they have begun installing prefabricated houses for an extended stay.

Throughout the American Zionist lobby there has been a positive response to the new Washington initiative and a mild criticism of Begin’s immediate rejection of the plan. While American Zionists appear to be backing Peres as the next Israeli Prime Minister, there are signs that Peres may be no less intransigent on negotiating the West Bank, Gaza and Jerusalem questions as Begin. Peres’s endorsement of the Reagan plan is an election ploy which is at odds with his actual policies.

The dead-end nature of the Reagan “peace” initiative

was cynically highlighted in an article in the Sept. 10 *Wall Street Journal* by Jack Kemp’s controller, Irving Kristol. Kristol argues that the entire “peace” initiative by Reagan, though not bad in the abstract, is doomed to fail, because the only visible option for the United States is to recognize that there is no “refugee” problem in the Middle East. The Palestinians displaced by several wars must simply be forced to settle in the existing Arab countries, he says. The Reagan administration is trying to overthrow Begin, Kristol says, with the illusion that Peres will be friendly to the Reagan initiative. But, he concludes, Peres will, if he comes to power, quickly be forced to disassociate himself from many aspects of the Reagan plan, angering the Arabs, and dooming the plan.

The Persian Gulf connection

The war in the Persian Gulf is now on the verge of a new escalation (see Mideast column) which threatens to affect territory outside the Iran-Iraq war zone. By London’s calculations, flare-ups on both sides of Saudi Arabia, in the Gulf and in Lebanon, will confirm the total failure of Washington as a mediator in the region and perhaps fatally weaken the two strongest allies of the United States, Saudi King Fahd and Egyptian President Hosni Mubarak. Thus London will find it easier to re-establish itself as the premier foreign power in the Mideast. Like Sharon, the Ayatollah Khomeini is acting to push the United States out of the Mideast.

An Arabist at the Brookings Institution who keeps day-to-day contact with British embassies in the Persian Gulf states told *EIR* that the unchecked spread of Khomeini’s fascist Islamic fundamentalism may find the most “fertile ground” in Egypt. The source affirmed that if Iraq fails to put down Khomeini, the “growing Islamic ferment in Egypt will sweep the secular government there away.”

Mubarak could slam financial ‘Open Door’

by Judith Wyer

For the second time in eight months, Egyptian President Hosni Mubarak this month shuffled his cabinet, replacing his economic ministers. The Sept. 1 cabinet shake-up affected seven ministries and followed a heated cabinet debate over the issues of cutting back state subsidies for food and other vital commodities and limiting certain food imports. Those ministers who were removed had argued in favor of the cuts

in order to trim Egypt's growing payments deficit, echoing a longstanding demand of the International Monetary Fund. The cost of food imports, estimated at \$4 billion a year, and of the annual \$2 billion subsidy, is straining Egypt's balance of payments, which this year, according to Mubarak, will reach a record deficit of \$5.8 billion. Earlier this year the Egyptian central bank took its first loan since 1977 in order to meet balance-of-payments obligations.

Following the ouster of the cabinet members, Mubarak repeated the pledge he made in July during the celebrations for the 30th anniversary of Egypt's revolution, that food subsidies on basic goods would remain.

With an average per capita income of \$520, the majority of Egyptians cannot afford bread, the basic staple, without the subsidies. Mubarak remembers the bloody food riots that erupted in January 1977, when Abel Moneim Kaissouni, the then economics czar (he is called the "Talleyrand of Egypt"), followed the IMF's orders and ended the food benefits.

The Open Door

The reason Egypt barely has the foreign exchange it needs, and its agriculture remains underdeveloped, is the "Open Door" policy begun in 1974. Later the companion piece to the Camp David accord crafted by Henry Kissinger, and pushed by David Rockefeller, that policy of allowing free-enterprise speculation has subjected Egypt to inflationary real estate speculation, organized crime domination, and the drug trade. The free-enterprise zones which were established to attract foreign businesses seeking cheap Egyptian labor have been found to be no more than sites for warehouses filled with illegal contraband and illicit drugs.

Since 1974 Egypt has become a funnel for hot money, primarily from the Persian Gulf, as offshore unregulated banks set up shop under the Open Door scheme. It is estimated that as of 1981 the free-wheeling private business and banking sector had four times the liquidity as the credit-hungry government and public sector.

So severe was the capital flight last year, when Egypt's economy took a downturn, that Sadat himself took limited measures to sanction the banks. It is said that Anwar Sadat was contemplating further action against the banks before his murder. The clampdown was short-lived, and today the banks remain an escape hatch for foreign exchange.

Will Mubarak act in time?

An Egyptian diplomat reports that Mubarak and his inner circle are cautiously attempting to close the Open Door and return to the state-capitalist system of agro-industrial development begun by Nasser. The slow pace at which Mubarak is moving may prove to be his undoing and Egypt's, however. The mounting budget deficit, in combination with declining income from oil, tourism, and foreign workers' remittances, means that Egypt will again be forced to return to

the open market for loans. The international strategists who want to destroy Egypt's potential leadership role on behalf of industrial development are hoping this process will land Egypt in the same short-term debt squeeze which led up to the 1977 food riots.

Kaissouni, the IMF agent who triggered those riots, is part of a clique of Egyptian bankers associated with the Arab International Bank who are still pressuring Mubarak to gradually cut the subsidies. Though Egypt's banks are still formally subject to Nasser's bank nationalization of 1956, Egypt's freewheeling private and offshore financial community is more than qualified for a purge. Bankers and financiers who have used Egypt as a playground for capital flight, speculation, and drug trafficking could be ordered to leave or invest their money productively.

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