
Interview: Joseph Wheeler

U.S. AID official: 'We are helping Egypt to end industrial growth'

In early October, the weekly Egyptian economics magazine *Al Ahram Al Iktasadi* began a series of articles which were the first ever in the official Egyptian press to attack the U.S. State Department's Agency for International Development (AID). *Al Ahram* charged the massive AID bureaucracy in Cairo, the largest AID office in the developing world, with "penetrating" every aspect of Egyptian life and using researchers and consultants to gather information on the nation's economy, trade unions, and other institutions.

These articles could not have been published without approval from the highest level of the Egyptian government, since *Al Ahram* is known to speak from the government. Their appearance is evidence of the simmering dispute between Cairo and Washington over the operations of AID in Egypt.

Egyptian President Hosni Mubarak voiced his displeasure with the AID program during his visit to Washington, D.C. in February of this year. Mubarak was reported to have urged the White House to "free up" the \$1 billion-a-year grant to Egypt through AID and to allow Egypt to use these U.S. foreign aid funds free of AID's control.

Cairo would like U.S. funds to go to such large development projects as the Qattara Depression or the nation's nuclear energy development program, for which financing is currently a problem. Funds channeled through AID cannot be used for nuclear development, according to AID's charter.

This constraint indicates how AID operates as an arm of the International Monetary Fund, the World Bank, and these institutions' population-reduction policies, in constricting funds to industrial and infrastructural development projects in the Third World. Numerous AID officials, such as former AID Deputy Administrator Joseph Wheeler (see interview below), have voiced their disdain for Egypt's stubborn determination to carry through with projects like the Qattara Depression, and large-scale land reclamation to build new cities and expand agriculture. In fact, the AID program started up on a large scale in Egypt to support the transformation of Egypt into a Hong Kong-style free-enterprise economy through Henry Kissinger's Open Door Economic policy. AID even helped facilitate the establishment of the free-trade zones which have been exposed since Mubarak came to power as havens of illegal drug and contraband smuggling.

In late October, the editor of *Al Ahram al Iktasadi* gave an interview to the *Washington Post* in which he stressed that his newspaper's AID exposés were not meant to stir up anti-Americanism in Egypt. He urged that the Reagan administration establish a direct dialogue with Egypt on the nation's development objectives, and eliminate the mediation of AID in U.S. grant disbursements.

When Mubarak visited the United States last February he stated that he would return in early 1983. But Arab diplomatic sources now question whether Mubarak will come, since his second visit was premised on an improvement in Egyptian-U.S. relations, particularly economic. Mubarak may instead make an early 1983 visit to Japan.

The following interview was granted to *EIR* in October 1981, when Joseph Wheeler was number-two man at AID.

Q: Mr. Wheeler, you headed the U.S. delegation to the January 1981 Aswan Donors Conference, in which Egypt's creditors demanded economic reform and population control. What was the response by President Sadat?

A: He was concerned about the problem of population growth and promised to do more, but explained to us that it is very difficult in Egypt to push family planning; it creates political resentment against the government.

Q: But many experts say that it is the reverse, that excess population growth causes political instability. Is that what is happening in Egyptian cities now?

A: We've been saying for some time now that overpopulation and high growth rates are a major cause of political instability in Egypt and elsewhere. We've been saying that expectations have been created which cannot be satisfied. Mrs. Sadat, who is working with us on the population question, has said it, and badgered her husband about it. She's still working on it.

Q: Is the Egyptian government more ready to listen to this argument after the instability has become reality?

A: Clearly an event like this which shows how deep the problems go, changes the consciousness of political leaders. We're in a race against time. The fact is that there are popu-

lation pressures all over Egypt. The fact is that there are three times as many people in Cairo than the city was designed for. The sewers are flooded, the infrastructure is collapsing. We have been trying to explain this for years to the Egyptian government.

We've shown them our computer economic simulation, the "Rapid" program, [exposed in the May 12, 1981, issue of *EIR*—ed.] which explains what population growth will do to their economies, how the breakdowns will occur.

So we will use the fact of the new political situation in Egypt in any way we can to get them to speed up population control policies. We're going to try to show the "Rapid" program to President Mubarak again, to impress him with the seriousness of the situation. We've got Lennie Kangas from our population office over in Cairo now discussing new population programs. There will be the same types of family planning. Of course we've got to give President Mubarak time to consolidate, but we hope to move up the timetable if we can.

Q: What is the State Department doing to encourage this?

A: We are taking a hard look in international negotiations at their economic policy. Clearly in a country such as Egypt, which is using foreign aid poorly, we have a need not to give more aid, but to ask that it be used better.

Q: I understand that AID is funding most of the work of Dr. Phyllis Piotrow, the former director of the Draper Fund, who has just completed a study on the impact of industrial development on excess fertility. In contrast to the prevailing notion that development helps reduce population growth rates, as it has in the United States and Europe, she now believes that the first phases of development greatly increase population growth by lowering death rates and improving nutrition. Do you believe in this light that Egypt should continue its heavy industry program? or does that have to be reversed to fight overpopulation?

A: We do support Dr. Piotrow. Although I haven't seen her study personally, the answer is "Yes." In fact we have been doing some specific studies on Egypt on just this question of industrialization. Dr. Gustave Papanek, the head of the Economics Department at Boston University, has just been out to Cairo on this for us and reached similar conclusions. His study says that it is true that over the past 20 years Egypt has been able to increase real GNP fast enough to have a real rate of rise in wages—that is, until now, the economy has been able to absorb all the new entrants into the labor force.

However, if you look at this now, continuing the industrial investment program only encourages people in the labor force now to have more children, and the huge number of children in Egypt now, aged 15 and under, which is most of the population, soon will no longer be able to be absorbed.

What is really needed is policies which do *not* subsidize high capital formation, high capital imports, and high-energy forms of production, the so-called "capital-intensive" types

of industry. These provide few jobs. For example, Egypt built a huge steel industry. This is very inefficient. They shouldn't build any more steel mills. But they want to, and furthermore they're doing something even worse, they're building a whole new industry, a new aluminum industry, which is based on high-energy consumption and low employment. That's the most outrageous.

What we're proposing, in every forum—we proposed this at the Aswan Donors Conference, and the International Monetary Fund proposes it, and we're proposing it in bilateral negotiations—is that they take that money and put it elsewhere, into labor-intensive industries which are much better suited to Egypt's capabilities. Egypt should take the place of the labor-intensive economies of the 1950s and 1960s, which began from the ground up, like Hong Kong, Singapore, Japan. They have no business trying to jump into heavy industry. They should move into the lower-intensity markets that Hong Kong and others are now vacating, like garment-making, electronic assembly, agricultural commodities, and other labor-intensive light manufacturing.

The problem is, Egypt is muffing it, because they subsidize heavy industry—they subsidize everything, and what we're saying to them is this has to stop. They subsidize interest rates, so the big state industries get money cheaply to build and no one saves, because rates are too low. They subsidize their textile industry at the expense of the agricultural sector in cotton, because they slap in effect a 30 percent tax on the cotton farmer, who must sell his cotton to the textile mills at 30 percent below world prices. They subsidize food prices, so food is too cheap, food is way below world market prices.

Q: What exactly does the United States want done about this?

A: We're saying they spend over 4 billion Egyptian pounds, which at official rates is over \$4 billion U.S. dollars, in their budget every year for these subsidies. We're saying we won't pay for this forever, that it has to be reduced, that they have to move to a market system.

We want the Egyptian pound devalued to a more market-consistent rate, that will lower imports. We want their interest rates, which are now below 13 percent, raised to world market levels, which will bring in foreign remittances from Egyptian workers abroad. We want the food-subsidy program phased out, we want an end to general cheap food prices. They will have to import less food. That means they will have to start paying Egyptian farmers more to grow wheat, rice, and other food they now import. To do this, they will have to get rid of general subsidies and move to a much smaller program which gives out small, limited subsidies to the very poorest, like food stamps. They'll have to force the rest of the population to pay the real world price of wheat.

We're saying, "slow down the subsidization of a heavy economy which Egypt cannot afford, and you will slow population growth."