

# The time is running out for Egypt

by Thierry Lalevée

The Egypt of President Hosni Mubarak is the latest of the U.S. allies that Washington is now sacrificing, as part of the new American-Soviet global “understanding,” and in accord with the austerity demands of the International Monetary Fund. The latest developments, including the cutoff of food, aid, and credit, are nothing new or unexpected, however. Egypt has known since the 1970s that it was in for such treatment, and that it would have to fight politically if the nation was to be saved. But now, particularly under conditions of drought and worldwide food shortage, time is running out.

For the Middle East as a whole, 1989 is considered a “make or break” year, with most of the present regimes scheduled to be changed. What these regional changes actually mean, is generally already known: closer relations between Washington and Teheran, at the expense of the Gulf countries and such traditional allies as Egypt and even NATO-member Turkey. The changes on the agenda also include a greater temptation by leading Western circles to reactivate their moribund “Islamic card,” based, in Egypt, on Sunni radicalism. They include the breaking up of entire nations, as the case of Lebanon bloodily demonstrates.

Just as the overthrow of the Shah of Iran in 1979 threatened to engulf the entire Middle East in madness, today it is the specific role that Egypt plays within the Middle East, the Islamic world, and Africa which is targeted. Egypt is the Arab world’s largest, most populous, and most industrialized country, with a strong national identity dating back to the years of President Gamal Abdul Nasser, who was one of the founders of the Non-Aligned Movement. Plunge Egypt into chaos, and you open the entire African continent, from Sudan on down, to endless civil wars. It is because the entire African continent is being led toward a course of destruction, that the gloves have been taken off, and that Egypt has been chosen as an example.

## The IMF bludgeon

Leading the attack on Egypt is the International Monetary Fund, which President Mubarak blasted on Sept. 7, during a rally in a Nile Delta town, while an IMF delegation was in

Cairo for talks with Egyptian government officials. Mubarak compared the IMF to an unqualified doctor, and charged that it prescribes a “huge dose” of medicine that will only make Egypt “sicker.” “This is exactly the IMF: one prescription for all,” he said. “If we do this, we shall sink.” He added, “We need economic reform, but I tell the IMF that this reform must be in line with our social and economic situation and our standard of living.”

The IMF delegation was demanding that Egypt increase energy prices 30-40%, restrain the budget deficit, and unify its various official exchange rates.

Under the sponsorship of the IMF, all leading financial institutions are cutting off credit to Egypt. The World Bank is withholding a \$250 million loan, under the pretext that Cairo has refused to raise its energy prices by 40%. The U. S. State Department’s AID is withholding \$330 million which should be going into several power projects. Using the pretext that Egyptian-IMF negotiations have gone nowhere since last year, the United States was the only country to veto a \$290 million loan at the recent meeting of the African Development Bank. Now Egypt has to return to the Paris Club for a second round of rescheduling of its government and government-guaranteed debt.

Strangled financially, Egypt is also being starved. At the beginning of September, the U.S. Department of Agriculture withdrew sales of wheat to Egypt, Tunisia, and Jordan because those countries would not pay the price. Yet, the following day, the United States announced a new record wheat sale to the Soviet Union at subsidized prices. The word is that wheat stocks for sale to Third World countries have diminished as a result of the U.S. drought, and that needy countries will have to fight it out—Bangladesh against Sudan against Egypt. Likewise, only a few days after the signature of a new protocol of intelligence cooperation among the United States, England, Australia, and New Zealand, Australia announced it was phasing out its sales of subsidized wheat to Egypt by 1992. The same decision had already been taken by Canada several months ago.

## What will Egypt do?

Embarking on a European tour on Sept. 24, President Mubarak hopes to convince European leaders and especially France, West Germany, and Great Britain to help him reject the IMF demands. Yet, time is running short. If none of these decisions is reversed in the coming weeks, Egypt will face a social and economic crisis of major dimensions. As the *Financial Times* of London noted on Sept. 21, Cairo was able to reverse the trend of its budget deficit over the last year, but only at the price of cutting down all imports, including spare parts and goods for its industries. Coupled with an energy crisis because of the low water level of the Aswan Dam during the summer drought, this has had created a desperate situation for its industries. Not since the early 1950s had Cairo witnessed regular electrical power cuts, as it does now.

# Currency Rates

The problem is that the Egyptian leadership has refused to take the necessary measures to deal with the crisis, which it has tried to postpone for decades. When *EIR* teams visited Egypt several times in the mid-1980s, it was obvious that there was a tremendous potential for bold political and economic initiatives. What President Mubarak finally said publicly only on Sept. 7, was common wisdom among all of the educated strata of Egypt by the late 1970s.

For those very reasons, *EIR* founder and contributing editor Lyndon H. LaRouche had planned to go to Egypt to address the issues of large-scale infrastructural programs, ranging from city-building projects in the Sahara Desert to its energy program of several nuclear power plants. But it did not take too long for Egyptian officials to be warned by the U.S. State Department that they had to choose between sponsoring a visit by LaRouche, and their monthly wheat supply. In the typical misguided thinking that confrontation should better be avoided, the choice was rapidly made. But by making such a choice, the Egyptian leaders increased the blackmail powers of the State Department and others over their country—and in recent years, they have seen these powers used.

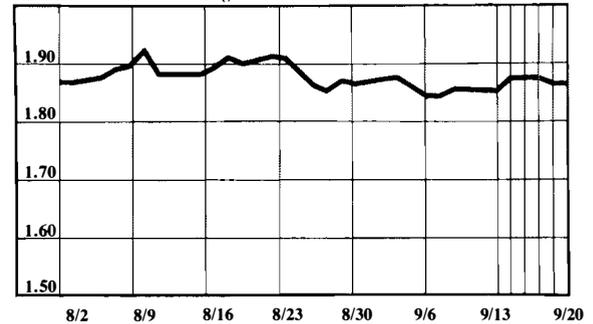
The Egyptian leadership is learning the hard way, that concessions and compromises with those out to destroy their country, lead nowhere but to catastrophe. Yet, they are now in a situation where, whatever they do, they have nothing—or very little—to lose. They played by the international rules, like everyone else has done. Like everybody else, they have been trying to postpone the crisis and play for time; but they are finding that this does not work anymore.

Washington does not consider itself bound by the sacrifices made by Egypt to preserve its relationship with the United States, least of all by the fact that Egypt is a co-partner in the Camp David peace treaty. Cairo cannot even attempt to play Moscow against Washington, because both are working together anyway. Moscow may be whispering sweet words to Egyptian ears, but its price is as unacceptable as the one demanded by the IMF.

Cairo can draw up as many political scenarios as it wants, but it has to face the fact that only a political offensive on the basic issues of debt, food, and survival will make any difference at this point. The Egyptians should take their own gloves off. They could provoke some interesting and healthy reactions, by making public the entire transcript of the Camp David negotiations, or the minutes of their meetings with IMF bankers. There should be more speeches like the one Mubarak gave in the Nile delta: The Egyptian leadership should put the issue directly to his people. Such an approach is also the only way to prevent the Islamic fundamentalist organizations—previously financed by Iran, and now by Libya to the tune of \$7 million—from capitalizing on the crisis. Because this is not the first time that IMF bankers and Libyan terrorists have converged in a common cause: wrecking havoc in Egypt.

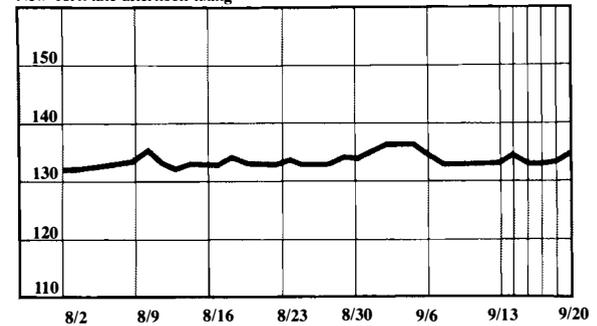
## The dollar in deutschemarks

New York late afternoon fixing



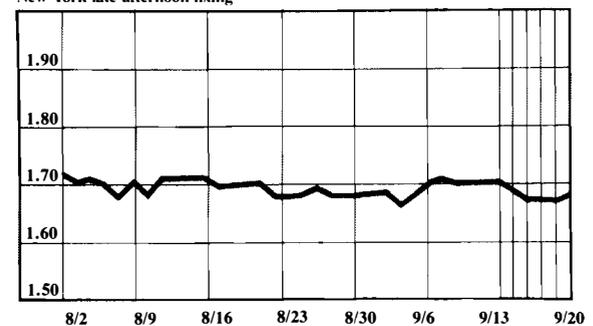
## The dollar in yen

New York late afternoon fixing



## The British pound in dollars

New York late afternoon fixing



## The dollar in Swiss francs

New York late afternoon fixing

