

has described as "total warfare." The *Star* reported that Rabin will soon undertake an aggressive peace campaign.

Eban's efforts to steer Rabin into campaigning on a solid pro-peace platform are coordinated with moves by Justice Minister Chaim Zadok, an Eban ally who engineered Rabin's resignation move. In addition, former prime minister Golda Meir has come out of retirement to campaign for Rabin.

Italian pro-development layers are also pushing Rabin. Bettino Craxi, General Secretary of the Italian Socialist Party, will arrive shortly in Israel to meet with Rabin, Allon and the pro-socialist Mapam wing of the Labour Party alignment to persuade these forces to seek a settlement with the Palestinians. The Craxi visit follows meetings between Mapam and the Italian Communist Party. Mapam has hinted strongly that it will pull out of the Labour Party coalition if Peres is awarded the Labour Party nomination in February, the *Jerusalem Post* reported.

The Soviet Communist Party daily, *Pravda* warned in a Dec. 22 commentary that while events in Israel demonstrate "growing splits" in the ruling parties, any changes will be only cosmetic transformations by "bankrupt intriguers" who have heightened regional tensions, unless concrete efforts are made to replace Israel's "militarized garrison state" with a regime committed to peace. The following day, the official daily of the German Democratic Republic, *Neues Deutschland*, welcomed the Rabin maneuver as a "tactical chess game" against "militarist generals" Yadin and Sharon that could "augur positive changes" if it were accompanied by a Rabin-led fight for a "just peace... and against austerity."

Any stalling by Rabin on mobilizing for an overall peace settlement will only reinforce the forces in the Arab sector—like Syria's Hafez Assad—who are bent on maintaining regional tensions and supporting Israel's

stubborn opposition to an independent PLO presence at Geneva.

Rightwing Going for Showdown with Rabin

The Peres-Dayan faction (Rafi) of the Labour Party, in coordination with Likud, is beginning to mobilize for a showdown with Rabin. Peres and Likud leader Begin have met frequently, according to the *Jerusalem Post* to conduct a "tour d'horizon" and discuss meetings that each has recently had with Carter national security adviser Zbigniew Brzezinski. Rumors abound of the possible formation of a Rafi-Likud coalition should Peres fail to win the Labour Party nomination. Dayan, meanwhile, publically threatened to pull Rafi out of the government if the Labour Party's electoral platform calls for substantial territorial concessions to neighboring Arab states. In a boost for Peres, Dayan warned the Labour Party to choose a prime minister not based on "power and the backing of party branches," that is, Rabin, but "within the realm of competence."

In a parallel attempt to dampen the momentum toward peace, the *New York Times* reported on Dec. 28 that Israel does not perceive any forward motion by the PLO in becoming more peaceful and moderate. The *Times* quoted Foreign Ministry director Shlomo Avineri: "Without a basic and fundamental change in the Palestinian movement, it cannot be expected that this moderation will be regarded in Israel as anything more than a tactical move."

Similarly, the agent head of the Histadrut trade union confederation is deliberately attempting to sabotage Rabin by calling early Histadrut elections in the hopes that this would destabilize the Labour Party. A counter-Eban movement is also springing up, with Chairman of the Knesset (Parliament) Finance Committee attacking Eban last week for "demeaning himself and the party."

Such attacks and threats will succeed only if Rabin fails to rally the Israeli population around a peace platform.

Egypt Seeking Investments for Development, Bucking IMF

Exclusive to NSIPS

Over the past few weeks Egypt has manifested interest in increasing Euro-Arab trade relations and in seeking state and private investments from leading European industrial countries as an alternative policy to the austerity demands being pressed upon it by the International Monetary Fund. Simultaneously Egypt's leadership has delivered a direct and major setback to the IMF by refusing to comply with their demands, rather than risk the social upheaval which is certain to result if those demands are implemented.

Key features of the reforms being demanded by the IMF, abolition of food subsidies, making the Egyptian pound convertible, and cutbacks on foreign borrowing and internal deficit financing, are all presently being

ignored by the Egyptian government because Egypt's situation does not permit the government to implement them, and because the Egyptians are, in fact, not willing to impose such drastic measures on their population. Egypt's resistance is so stiff that the crucial talks scheduled for mid-January, 1977, between Egypt and its main creditors, the IMF, the International Bank for Reconstruction and Development, Western states and Chase Manhattan Bank, have been postponed for at least two months. Furthermore, President Sadat, according to the *Jerusalem Post*, has commissioned an economic review to take account of what Egypt owed and to whom.

Two weeks ago the IMF announced that it was dropping its demand that the pound be made convertible. Convertibility, said one investment banker, "would

benefit the investor but would have devastating effects on Egypt."

That Egypt has not cut back on foreign loans is evident by the fact that it has just received a \$250 million Eurodollar loan and the \$300 million from the Gulf Investment Authority this month to pay off \$360 million on overdue payments for December. So, although the reforms are not getting underway, and despite efforts by David Rockefeller to enforce a credit cut-off, the money to bail Egypt out is still rolling in, ironically, because the U.S. and Egypt's other creditors have not alternative. Indeed this month Italy granted a debt moratorium on \$80 million in Egyptian credit.

A recent speech by Premier Mamduh Salem on the economy was remarkable for its lack of any demands for zero growth and his brother Arabs to pull in their belts. Salem actually called for maintaining a basic standard of living so that "social peace prevails and national unity reigns." While paying lip-service to all the IMF streamlining demands, Salem actually spelled out the real economic situation and said that Egypt is committed to alleviate the plight of the population.

The West German economic daily *Handelsblatt* said last week that what Egypt needed was a debt moratorium, and that debt relief would open the way for large-scale investment in industrial projects. The Germans clearly voiced what the rest of Europe is thinking: that the industrial development of Egypt would

be the cornerstone for development of the entire Mideast. That Germany should have the nerve to openly discuss development in territory long the looting ground of the U.S. is another sign of the seriousness with which Egypt's potential is being viewed. While many trade and development deals are still under negotiations, the British have actually moved confidently ahead, and Britain's Massey-Ferguson has formed a joint company with the Egyptians to manufacture desperately needed tractors and trucks which will increase Egyptian tractor production five-fold. This will probably be followed by a car manufacturing plant by Fiat, it is rumored.

Egypt is also looking for maneuvering room by taking an active part in the Arab Economic Council which met recently in Cairo to discuss the formation of an Arab financial market.

But one thing should be clear to the Egyptians: the idea of searching for desperately needed foreign investment on a deal-by-deal basis can never solve the problem of debt and development. The solution lies in obtaining a package deal, with the assurance of Europe, the Soviets and the U.S. on a peace agreement for the Mideast combined with an open break with the dollar and support for a new international monetary system. Ominously hanging over the heads of the Egyptians are the IMF demands; as an Egyptian Embassy official said, "the demands have only been postponed. Who knows in what form they will be brought out again, and when."