

When Vance Arrives in Cairo - Will Sadat Still be in Charge?

The popular uprisings in Egypt last week have transformed the entire constellation of forces in the Middle East. Although the smoke has begun to clear in Cairo and throughout Egypt's urban centers, the underlying issues that touched off the explosion are far from resolved, and most observers predict a new outbreak of violence and disorder that might yet topple the regime of President Anwar Sadat.

With an almost frantic speed, the Sadat regime is scrambling for a compromise formula that can resolve the conflicting — and seemingly irresistible — pressures bearing down on the Presidential palace. On the one hand, the International Monetary Fund and Egypt's Western creditors have refused to budge an inch on their demands for more of the very austerity measures that provoked the riots and strikes of last week. But on the other hand, Egypt's working class and unemployed masses in the cities — and the Nasserist and Communist networks that command their loyalty — cannot be expected to tolerate any further reductions in the already abysmal standards of living. As Sadat must know, no compromise exists to resolve this conflict.

With each passing hour, the crisis becomes more acute for Sadat, and his indecision is feeding the rumor mill. There are reports of a deeply split Egyptian military general staff, and the Egyptian population continues clamoring for a program of national action to give Egypt a direction.

Sadat's predicament — whether or not to break with the IMF — has thus potentially become a catalyst for the growing momentum of Western Europe, the socialist countries, and the Arab sector toward a new monetary system. A declaration of national economic emergency and an Egyptian debt moratorium directed at the IMF would provide a strong impetus for Arab, European and Soviet political action to topple the Dollar Empire.

The Egyptian crisis has terrified the neighboring Saudis, who are themselves split as to how to deal with the matter. At least one important section of the Royal Family is reportedly considering an opening toward the Soviet Union, and this group — which includes King Khalid himself — can be expected to back Sadat in a decision to cut Egypt's deadly ties with the IMF.

The entire Arab world, led by the oil-producing states, has become an integral part of the worldwide motion toward a new world economic order. A proliferation of trade deals, including oil-for-technology arrangements between Western Europe and the Arab world, is fast

creating a web linking all parts of the Mediterranean region. Hence, the case of Egypt has emerged as the most explosive problem for the pro-development alliance of the Mediterranean.

The triangular nature of the Mediterranean region's politics is obvious at a glance. While the Europeans seek "a dialogue" with the Arabs — the next meeting of the Arab-European Dialogue is set for Feb. 10 in Tunis — the Soviet Union is quietly acting to improve its formal economic ties with the Arab world as well, especially Iraq, Libya and Algeria, all of which have been approached to associate with Comecon, the socialist countries' economic union. Egypt and their Saudi bankrollers, are the lynchpin in these relationships, which is why so much hangs on Sadat's decisions in the next days.

Virtually the sole remaining stumbling block to a successful resolution of both the Egyptian crisis and the larger issue of a New World Economic Order is the dangerous relationship of Israel to the Palestine Question. As in 1967, the threat of an Arab-Israeli war is the chief bludgeon by which a U.S. Administration hopes to prevent the Arabs from leading a break with the U.S. dollar. The potential for such a disaster is reflected in Egypt's post-Nasser "Open Door" policy to the multinationals and the Rockefeller-controlled multinational oil corporations operating in Saudi Arabia.

The priority given to the Middle East crisis is evidenced by the fact that Secretary of State Cyrus Vance, West German Foreign Minister Hans Dietrich Genscher, French Foreign Minister Louis de Guiringaud, and UN Secretary-General Kurt Waldheim will each tour the Middle East in February.

The trip by Vance, announced this week by the Carter regime, has one purpose: To prevent a Geneva peace conference and dupe the Arabs into continued toleration of the step-by-step diplomacy started by Henry Kissinger. Israel, Jordan and Syria have already accepted this policy, and only Egypt and the Palestine Liberation Organization are hold-outs. Thus, the urgent tactical goal of the Vance tour will be to try to overcome Egyptian insistence on Geneva, and convince Sadat to abandon his support for the PLO. Egypt, which sees the PLO as an important vehicle for its foreign policy aims, including improved relations with the USSR, is not likely to drop such a strategic part of its policy.

Israel, under heavy pressure from Carter, has vir-

tually given up its earlier peace momentum under Prime Minister Rabin, who has capitulated — for the time being— to the war hawks led by Defense Minister Peres. This, thinks Vance, is his ace-in-the-hole in dealing with Egypt.

But without emergency aid to Egypt and a workable plan to reconstruct the shattered Egyptian economy, there looms a very real possibility that Sadat, and his "Open Door" policy, may no longer be sitting atop Egypt by the time Vance leaves Washington.

IMF Demands Could Trigger Egyptian Return to Nasser-Era Policy

Egypt, at the center of Middle East politics and finance is now on the verge of a social uprising unprecedented in the country's modern history. Veteran observers of the Egyptian scene are warning that last week's nationwide riots, provoked by the government's decision to implement International Monetary Fund demands to raise prices on vital commodities, are only the first shot in an explosion that could topple the pro-U.S. government of Anwar Sadat and-or bring Egypt back to the policies of its Nasser-era leadership of the Arab sector and the Third World. The same observers stress that it is the IMF itself which will light the fire on this powderkeg if it insists over the coming days that Sadat impose — in a cosmetically different form — a new set of austerity demands in return for badly needed credit from western capital markets.

The effect of the explosion has been to dramatically strengthen left and Nasserist forces in Egypt who support aligning Egypt with the European and Arab governments now moving rapidly toward creation of a new international monetary system based on gold and the Comecon Transferable Ruble as the new media of international exchange.

Former Planning Minister Ismail Sabri Abdallah, current head of the National Institute of Planning and member of the Nasserist National Progressive Union, called for a gold-based monetary system and blasted IMF Third World policy at an international conference of economists in Cairo earlier this month.

Following last week's outbreak of violence, National Progressive Union head Khaled Mohieddine told the Jan. 27 London *Times* that Egypt needs a "radical change," a "step-by-step" return to the policies of Nasser, and the strengthening of the role of the Soviet-built state sector in Egypt.

If Egypt does shift strongly into opposition to the IMF, this will doom the debt repayment strategy of Egypt's creditors, led by New York's Chase Manhattan bank. At the same time, because of the high stature of the late President Nasser among the non-aligned Third World nations, a shift back toward his policies is certain to catalyze rapid further steps toward a new framework for global economic relations.

On the other hand, should Sadat attempt to work out a new set of austerity arrangements with the IMF — plans for such a package are already being discussed — he is certain to face a repeat of last week's explosion. From all indications, last week's upsurge was well organized

and coordinated by a broad spectrum of left and Nasserist forces, notwithstanding the government's attempts to pin the blame on the Communists.

The consensus is that Sadat cannot survive such an explosion. His rule is already dangerously compromised in the wake of last week's use of the restive and deeply split army against demonstrators, an action so unpopular that *Al Ahram* itself printed an editorial declaring that the army must be used only for "national defense" and not against the population. Moreover, certain fundamental tenets of the Nasser years, including the primacy of national development and the maintenance of the living standards of the urban poor and working-class, are deeply held among the population. The declaration of the ending of subsidies was viewed by the Egyptian populace as virtually an act of treason against the 1952 "Egyptian Revolution" and everything it stands for.

The *Baltimore Sun* reports that Sadat, after intensive consultations with his closest advisers, has been on the verge of unveiling an "action program" for the economy, but that this has now been reduced to a series of homilies about what the government will *not* do. For the time being, the *Sun* states, Sadat is withholding *any* statement on the economy, further "disappointing" the population. An informed Washington source recently returned from Cairo expects Sadat to reverse his "open door policy" and replace it with a "closed door policy," a siege, austerity economy "independent" of the IMF and dependent on friends from the Gulf States. But this approach will tap the same anti-austerity rage demonstrated in last week's riots.

The Egyptian left-Nasserist forces have received support from both Western European and socialist sector forces. West Germany's *Frankfurter Rundschau*, which had earlier identified European technological assistance to build up the Egyptian "labor force and infrastructure" as the means to resolving the collapse of the Egyptian economy, on Jan. 24 identified the 1956 Suez crisis as one of Europe's landmark "mistakes" in dealing with the Arab world. The *Rundschau* demanded a sweeping policy re-orientation for the coming year. France's *Le Figaro* warned Jan. 24 of the ominous parallels between the current situation in Egypt and the 1954-56 period, when U.S. economic pressure resulted in the disastrous French-British confrontation with Egypt. This time around, *Le Figaro* urged, Egypt needs massive economic aid, without conditions.