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unnamed West German shipbuilding companies for invesments. Meanwhile Saudi Arabia has established a series of joint shipping companies with Japanese and European interest. These ventures include the Saudi Arabian Shipping Company, the Arabian Maritime Company, the Hispanarabian Tanker Company, the Saudi Arabian Maritime Company (Samarco), the Saudi Orient Maritime Company, and the Red Sea Saudi Arabia Maritime Company. Mitsui OSK of Japan holds 40 percent share in the Saudi Arabian Shipping Company. Samarco has the U.S. firms of Mobil and Fairfield Maxwell as shareholders. Research and Development Corporation has agreed with Tor Line of Sweden to create the Saudi Maritime Transport Shipping Company. P and O and Shell have recently agreed with a Saudi concern to create the Saudinaft Tankers Company in which each will have a 23.5 percent participation and both compa

The biggest project undertaken by OPEC is the Bahrain dry dock. With initial capital of $500 million allocated in 1974, the Bahrain supertanker drydock off Muharrag Island will be ready to go into operation by the end of this year. Lisnave of Portugal will manage the supertanker dry-dock in Bahrain which will have the ability of handling up to 600,000 dwt. It is expected that in five years the Bahrain dry-dock will be one of the largest construction sites for LNGs (tankers carrying natural gas), and LPGs (petroleum carriers).

Moreover the Arab countries have established strong connections with the Europeans on the question of gas transport. The high cost of building modern LNGs has pushed Arab companies to seek participation from European shipyards. In Kuwait for example, the Kuwait Gas Tanker Company with KOTC has four LPGs of 70,000 cubic-meter, each costing up to $90 million ordered from the French shipyard La Ciota with delivery due at the end of this year. Actually Kuwait is a major investor in La Ciota through their shared control of the Beirut based Intra-Investment Company. Discussions are taking place between La Ciota by the Middle East Gas and Petrochemicals for four more orders. La Ciota also based in Kuwait was formed by the Kuwaiti Government, Bridgestone of Japan and the Multinational Gas and Petrochemical Company, a subsidiary of Phillips Petroleum. In the meantime Middle East Gas and Petrochemicals has placed orders for at least three LNGs of 52,000-cubic meters and other LGNs up to 30,000-cubic meters with Japanese shipping yards.

In the area of gas transport, Algeria leads the Middle East. The Algerian National Company CNAN has two gas carriers with a capacity of 36,557 tons, and five other LNG carriers are due for delivery in the next years. However, Algeria's plans for the development of natural gas and petrochemicals transport have run in to problems because of the lack of funds, and the unwillingness of some European countries to take the lead in such projects. CNAN, has complained that their financing conditions are unfavorable compared to some European companies and has argued that the nations building the vessels — those who will be importing the gas — ought to revise their finance policies to make significant reductions in the cost to themselves of gas transport. A major new port for handling natural gas built by Philipp Holzmann of West Germany at a cost of $400 million, provided by the Banque Nationale d'Algerie and the Finance ministries of Kuwait and West Germany, will be ready to go into operation by the middle of 1978.

Egyptian Economy On The Brink

EGYPT

Egypt's economy is in a dismal state, crippled by massive indebtedness, the beginnings of Chile-style super-inflation, and the decay of its fixed capital and infrastructure. This state of affairs is in part a function of the progressive collapse of the dollar-based monetary system in the 1973-77 period and of Egypt's maintenance of an astronomical defense budget, currently eating away at 40 percent of annual revenues. The disintegration is more directly attributable, however, to the anarchy that has prevailed under the country's reckless "Open Door" economic policy of the past three years, a policy increasingly overseen and managed by Chase Manhattan and the International Monetary Fund.

David Rockefeller and the IMF are applying intense pressure on the Sadat government to implement the same austerity measures that provoked large-scale popular uprisings throughout the country in mid-January. Abdel-Moneim Kaissouny, the Chase-backed Deputy Premier for Economic Affairs who rushed through the January measures behind the backs of the rest of the Egyptian cabinet, is now in the United States for meetings with Chase and the IMF, and announced before leaving Cairo that the reform measures, including reduction of food subsidies by $1 billion and the conversion of the Egyptian pound to a unitary convertible (50 percent devalued) level, would be put into effect. Kaissouny is now slated to be head of an Egyptian version of New York City's Emergency Financial Control Board. The IMF wants to use April 22 Paris meetings of Egypt's creditors in order to form an EFCB-type oversight board to manage cuts in consumption.

Yet for the international business community to accept that Egypt is a country unattractive for development-oriented investment would be to accept a myth, notwithstanding official — if semi-confidential — assessments from Chase that Egypt is not viable for investors until it is radically "re-structured." Egypt has the incipient potential to be the industrializing heartland of the North Africa-West Asian region. Its strategic

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location establishes it, in a rationally ordered system, as a major potential transport and mediation point for the trade of three continents. It has a not insignificant industrial capacity, both in medium and heavy industry-size scale in steel, auto assembly, textiles, etc.; this requires new capital investment and re-tooling. With appropriate capital investment, Egypt has immense land reclamation and irrigation potentialities, an extension of the capabilities introduced by the completed High Aswan Dam. Egypt has a vast pool of educated manpower, now stagnating in a 4.5 million-man bureaucracy and in a standing army of several hundreds of thousands. Finally, but by no means least important, is the subjective factor of a national will to progress nurtured in the Nasser years and still hegemonic for most of the population.

There is a growing tendency among European industrialist spokesmen to view Egypt's development potential with interest. The leading West German industrialists' daily *Handelsblatt*, on Dec. 22 of last year, called for the transformation of Egypt and Algeria into the industrial giants of northern Africa. A more recent piece in the French industrialists' newspaper, *Les Echos*, called for an investment program in Egypt in the tens of billions of dollars to reverse the country's decayed economic state and advance industrial take-off.

Increasingly, the European and Japanese business interest in Egypt has turned toward cooperation with the Egyptian public (or state) sector industries, which had originally been built with Soviet aid in the 1957-67 decade, but which have since been de-emphasized and gradually dismantled by the Sadat regime, under insistent prodding from the IMF and Rockefeller-connected banking interests. The above-mentioned *Handelsblatt* piece calls for re-invigoration of the public sector as the means of accomplishing Egypt's industrialization. (A cataloguing of European-based industrialists' collaboration with Egypt's public sector industries appears in the concluding section of this report).

The predominant attitude from the U.S., by contrast, is to insist that Egypt make its currency convertible, at a uniform rate, streamline its bureaucracy, and remove legal impediments to profit-making investment, *before* a development process with U.S. aid can be initiated. This approach has been substantially defined by Chase Manhattan directly and accepted by U.S. based industrialists, several representatives of whom co-exist on the channelling institution for U.S.-Egypt economic relations, the U.S.-Egypt Business Council, with David Rockefeller, George Ball, and top executives from several other New York banks.

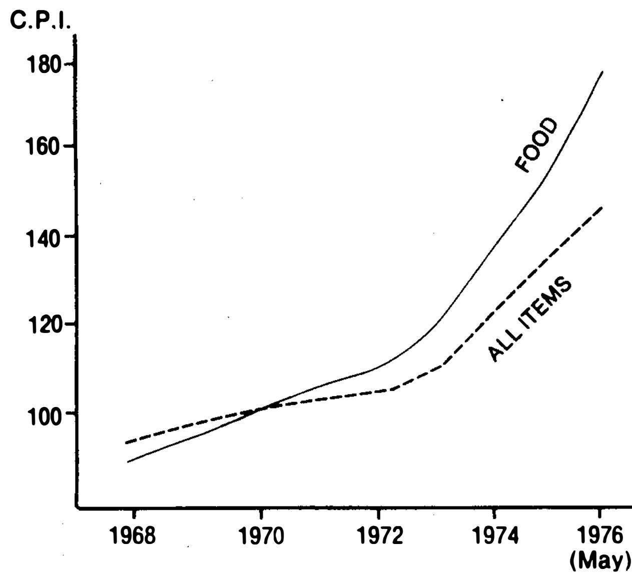
A semi-confidential Chase study written in mid-1976 by former Chase Vice-President Lauren Suter *discourages* investment until the Egyptian government undergoes radical restructuring. The Suter study served as the basic pressure point exerted by David Rockefeller in an October 1976 trip to Egypt and had much to do with the appointment of Kaissouny as Egypt's economic czar in November. But the Suter approach has been echoed elsewhere. A mid-1976 Department of Agriculture study authored by economic research consultant William Scofield stresses the legal, bureaucratic, and currency impediments to investment and relegates discussion of the country's infrastructural capacity and problems to a few words in the last paragraph. Similarly, the most ambitious investment overview yet authored in the U.S., written by an Allis-Chalmers feasibility team, demands currency reform as a prior condition, before a program of 24 diverse investment projects, capitalized at a total of $2 billion, can get off the ground. So far, there have been no takers for any of the 24 projects.

The Suter report defines a hostile attitude toward the public sector: "The heavy concentration of industry in the public sector and the advantages and incentives provided the public sector companies create an unfair advantage over the private sector companies...There is some concern that if there is a recession...the government may generate even more favorable discriminations in favor of the public sector. This dual world of state-operated, state-subsidized industries trying to operate side-by-side with private enterprise is something with which most American businessmen don't want to cope." Not commenting at all on the deleterious effect the Sadat regime's relative de-emphasis on the state sector has already had on Egypt's economy, the report elsewhere warns of "possible competition between private and public sectors" leading to "confusion and lack of interest on the part of foreign investors."

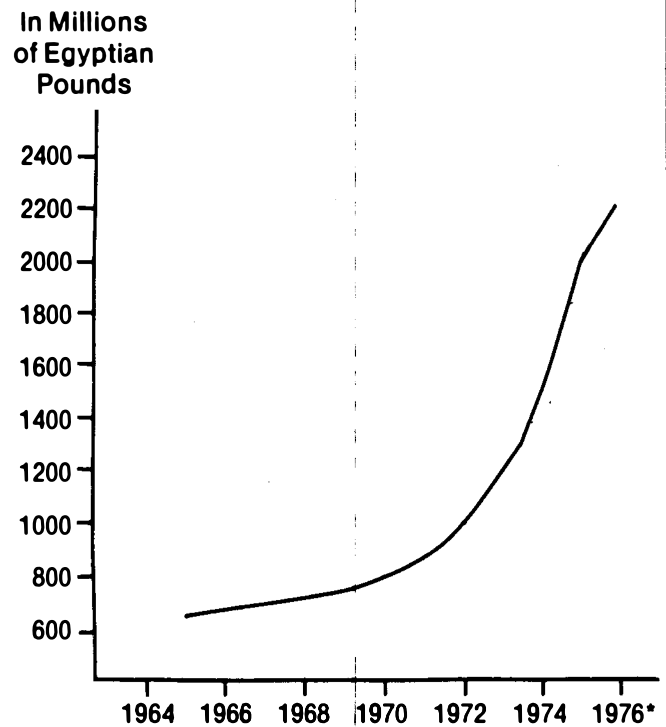
There is likely to be a widening divergence in the coming days between Europeans and most U.S. interests on the critical subject of Egypt's debts, as the April 22 date approaches for a Paris meeting of Egypt's leading creditors. While the U.S. government, the IMF, and representatives of the U.S. banking community will undoubtedly present stern demands for austerity and repayment, contrary signs are developing across the Atlantic. The cited *Handelsblatt* piece stressed the importance of converting Egypt's short-term obligations to long-term. This week, the West German government itself is initiating a cabinet-level review of Egypt's debt situation, in the context of conciliatory statements on Third World indebtedness generally by new Development Minister Marie Schlei. In December, the Italian government granted Egypt a moratorium on $80 million of debt obligations.

The Debt and Interest Rate Explosion

Precise figures on Egypt's foreign indebtedness are nearly impossible to come by, as figures are juggled and often used to conceal the actual state of affairs. Chase Manhattan, which late last year was confidentially admitting that Egypt had defaulted on its obligations, estimated in January of this year that Egypt's total foreign debt was $18 billion, a $5 billion jump from March 1976 estimates. The jump partially reflects uneven accounting activity but also a significant jump in high-interest short-term 30-60 day loans to pay for food imports and suppliers' credits. A recent *London Times* feature, citing "reliable" estimates, arrived at a near-$20 billion figure for Egypt's foreign debt. The most recent IMF statistics, for January 1977, do not present a comprehensive detailing of Egypt's debt situation, but do demonstrate that the combined obligations of Egypt's central and commercial banks have risen 500 percent from 1972 to third quarter 1976, with a seven-fold increase in the high-interest (16-25 percent) short-term category during this period. While exact figures for short-term debt are unavailable, it is reliable estimated that in 1975,



(source: UN Bulletin of Statistics, Feb. 1977)



Rise in money supply through 3rd quarter, 1976, does not reflect hyperinflationary printing of bank notes through latter half of year. A crisis in excessive liquidity has been predicted for the latter half of 1977.

Egypt paid almost $2 billion to service its short-term debt, and in 1976 almost $3 billion, including at least $400 million in the latter year for interest payments alone. Debt service ratio for 1976 was estimated to be well over 30 percent.

The interest rate picture is a story unto itself. The first concerns to come crashing through Egypt's Open Door have been foreign banks, mainly Chase and other New York establishments. Through joint venture and offshore arrangements expedited by changes in Egyptian law, the foreign banks were able for the first time since Nasser's 1961 nationalizations to deal freely in local currency and in loans to Egyptian industries — at progressively higher interest rates.

According to an Arab journalist, this process led to "heated discussions by economic experts" in Egypt, who emphasized the risk that it could establish a "firm grip on the country's threat" and "force local banks into bankruptcy." By 1975, with Egypt's balance of payments deficit veering into the billions, the country began receiving loans at 19-25 percent interest. Resistance to this was manifested at the highest levels of government, including the architect of the Open Door, Prime Minister Hijazi, who advocated an increase in medium-term borrowing to finance a 9 percent national growth rate. Hijazi, however, was replaced as Prime Minister in April 1975, by the Interior Minister and former police chief of Alexandria Mamdouh Salem, who accepted the 20-25 percent rates with hardly a murmur. A new Minister of Economics, Zaki Shafei, fought within the Egyptian Cabinet for new joint venture banks to have free rein in establishing interest rates. Shafei also expedited the legal arrangements for bringing new offshore facilities to Egypt for funding imports and suppliers' credits, at rates at times approaching 25 percent.

Economy Pays the Price

The consequences of the 1972-77 experiment in "Open Door" economics are revealed in several key indicators of Egypt's economic performance.

One is inflation. Conservative estimates are that Egypt's inflation rate is now slightly above 30 percent. Graph A shows inflation figures as revealed in price fluctuations over the past few years.

Also revealing is Graph B of the money supply, but this only tells part of the story, and more recent figures would likely be telling. In the summer of 1976, the government initiated a large-scale expansion of treasury bill notes in order to work for as long as possible by deficit financing; at the same time, Latin American-style printing of money was begun. In 1975, the government's debt to the banking sector had already risen by 67 percent to $5.5 billion. By late 1976, the London Financial Times was reporting a "gigantic treasury deficit" of more than $2.6 billion, likely to increase substantially during this year. The Times also worried that the "most important effects of this year's uncontrolled note and treasury bill issues should be felt towards the end of 1977 as the wildly excessive liquidity filters through the economy."

Obviously the government was trying to meet a vastly expanding foreign payments bill, which may not have necessitated recourse to hyperinflationary means if not for the fact that simultaneously experts were barely holding their own, imports were rising astronomically (see balance of trade Chart I), and production internally was undergoing a profound crisis.

The rise in the import bill is mostly attributable to the rise in food imports, as indicated by the more than 1000 percent rise in food imports, at dollar value, from the U.S. to a 1976 level of $800 million, since 1972. Obviously, food costs were rising internationally since the 1973 fourfold rise in oil and other commodity prices, but the Egyptian situation was exacerbated by an internal crisis in agriculture that has progressively worsened. Since 1972, when Sadat decided to wind down Egypt's relations with the Soviets, the internal cohesion of state sector economic relations has disintegrated. Food refining and storage facilities have decayed for lack of spare parts and capital refurbishing, and there has been a gradual reversal of state-run cheap credit and fertilizer supplies to farmers, lowering fertilizer usage since 1972.

At the same time, there has been a deployment of internal investment funds *away* from agriculture and related irrigation projects. While for years under the Sadat regime agriculture has gotten proportionately less current and capital expenditures than other sectors, in the 1976 budget there was a 48.9 percent *drop* in expenditures on agriculture and irrigation, from 90.2 million Egyptian pounds to 46.1 million, and the most recent 1976-80 target budget provides for austerity cuts in fixed investment for agriculture from the originally projected 710 million to a revised 410 million Egyptian pounds.

Even before the investment cuts, agriculture was showing a crisis. Cotton production, which peaked to 1580 bales in 1972-73, had dropped to 1355 in 1974-75 and 1138 in 75-76, with a very slight rise predicted for the next period. Rice production, at a yearly 1970 level of 2.6 million tons, dropped to 2.27 million and 2.24 million tons respectively in 1973 and 1974. Sugar, produced at a 633,000 metric level in 1971, plummetted to 572,000 in 1973, 577,000 in 1974, and 522,888 in 1975.

For the immediate future, with the investment cuts and no substantial present investment projects in this category, the agricultural picture looks very bleak. Much of the Nile Delta is faced by a rising water table, the so-called "waterlogging" syndrome, caused by equalization of hydrostatic pressure built up behind the Aswan Dam, which is reducing the yield of crops. Capable of being reversed by the necessary capital investment, the problem is worsening as a World Bank project to combat it is reportedly way behind schedule. Meanwhile new arable land — Soviet experts have estimated that 8 million acres in the Western Desert, more than current total usage, are capable of being transformed into arable terrain — is not being developed; the 1976 U.S. Agency for International Development report for Egypt tersely reported that "cultivation in desert areas (surrounding the Nile) can only be accomplished at very high cost."

A parallel self-feeding process of collapse is unfolding in the infrastructure—transport and communications—sector. While Egypt has 3600 km. of railroad track and a dense network of Nile Delta lines, a prolonged period of under-investment has left the track, signalling, telecommunications and rolling stock in a state of obsolescence. The decaying system of internal distribution has periodically held up supplies of basic commodities in the cities, and has helped trigger periodic outbreaks of unrest. Similarly with communications: French press sources report that a call from one part of Cairo to another is virtually impossible, since rats have eaten away at most of the cables! Yet the 1976 budget showed a 44.4 percent *decrease* in investment outlays for transport and communications.

Finally, the picture of Egypt's economic collapse cannot be complete without an overall view of the decimation of the state sector in the past three years. In late 1975, Sadat abolished most of Egypt's "general organizations," comprising more than 300 state sector companies, replacing them with "supreme sectoral councils," a not very subtle effort to prepare much of the state sector effectively for eventually being auctioned to New York banking interests, and the lead edge of a general process of decentralizing Egypt's industrial process, a process that has gone so far as to try to route potential investment into Egypt *away from* the populated cities of Cairo and Alexandria and towards "investment free zones" in newly built-up cities. This process has been labelled "capitalism run wild" by one knowledgeable western financial observer and has been attacked internally in Egypt as "incompatible with well-organized planning." The proponents of the latter argument have pointed additionally to the 50 percent idle

Chart 1 — Egypt Import-Export

(MILLIONS OF DOLLARS)

	IMPORTS	EXPORTS
1968	$666	$622
1969	638	745
1970	787	762
1971	920	789
1972	899	825
1973	917	1117
1974	2352	1516
1975	3751	1402
JAN-SEPT 1975	2302	1116
JAN-SEPT 1976	2634	1259

SOURCE:
UN BULLETIN OF STATISTICS, FEBRUARY 1977

state of the large Helwan iron and steel complex and the near-complete idleness of 137 other Soviet-built industries as a negative consequence not only of the deterioration of Soviet-Egyptian relations, but also of the failure to maintain upkeep and capitalization in these industries. The idle industries are as well costing Egypt minimally $2 billion in export-earning reserves, according to reliable estmates.

The Basis for a Reversal

Aside from continued Soviet technical and other assistance in at leat 105 projects spanning the areas of electric power, machine tools, lubricating oils, and others, the support for state sector and state-run heavy industry has come increasingly from European interests.

For example, in *oil*, owned by the state Egyptian General Petroleum Authority, British Petroleum, Italy's AGIP, West Germany's Deminex and Japan's Egypt Petroleum Development Corporation are among the leading concerns in exploration and production towards the stated aim of 1 million barrels of oil a day within 2-3 years. Italy's Montedison has been mapping out with EGPA the feasibility of an Egyptian petro-chemical processing capability, and Italian construction interests were at the head of a French-financed consortium that has just completed the Suez to Mediterranean (SUMED) pipeline project that will begin pumping 25,000 tons of oil from its point of departure to its Mediterranean outlet.

In other *energy* production developments, the French are slated to build two or more nuclear power generating plants, and have recently completed the Aboukir electricity generation plant. The U.S. based Westinghouse has signed a letter of intent with the Egyptian government for a nuclear power plant.

In *iron* and *steel*, leading Japanese state trading companies in September of last year discussed the use of Japanese steel-making technological expertise in expanding the Helwan works, and a Japanese-Egyptian trade protocal removing legal restictions to bilateral trade was signed late last year.

In the field of *aerospace* and *electronics*, currently non-existent in Egypt, French and British companies, with France's Dassault in the forefront, have been trying to get motion underway to concretize an Arab Military Industries Organization on Egyptian soil, the first such high-technology enterprise anywhere in the Arab sector. Dassault intends to aid in re-tooling current Egyptian industrial capacity and, with other French concerns, building whole new factories in Egypt in order to assemble 150 airplanes in the Mirage line. Discussed during French President Giscard d'Estaing's January visit to Saudi Arabia, the financing for this project awaits an April decision by the Saudi Arabians to provide the necessary funds.

EXCLUSIVE

The Inside Story On Chase Manhattan Moves To Take Over Egypt

The following special report is based primarily on confidential transcripts received from Egyptian government sources, discussions and related documents.

By early 1976, the fear had begun to grow in informed U.S. circles that the Sadat regime was in trouble as a result of the increasing economic anarchy in Egypt and the failure of the Open Door to produce concrete results. A confidential February 1976, Treasury Department detailed Egypt's "economic woes": a severe balance of payments deficit, the lack of investment capital, antiquated and underutilized productive capacity, the "lack of a competitive spirit," and the "unrealistic and unworkable perceptions" of Egyptian officials. The memorandum confided that "unless the Egyptian government makes a major effort that succeeds in getting a major U.S. investment into Egypt soon, it will be difficult to hide from the Egyptian public, or world, the fact that the 'Open Door policy' has utterly failed."

The memorandum concluded that "it is very important that in the very near future we see the start-up of one or two major investment projects to help attract other investment and to demonstrate that the "Open Door policy has not failed" — but this in turn depends on the Egyptians' "major effort" to "attract" this investment.

On March 5, 1976 David Rockefeller arrived in Cairo for private meetings with Sadat and Salem. Sadat began the meeting by blasting, "When the Soviets said I would crash in 1975, I laughed," but continued that "as it turned out, if not for the $1.1 billion I received from the Saudis and Kuwaitis I would have crashed." Sadat then stressed that he needed "five years," after which time Suez Canal tolls and oil export revenues would provide export earnings, but in the meantime, "We need short-term loans ... We need help." He told Rockefeller, "Dave, we put before you what we have reached. We need the World Bank and your side to join in studying our plan."

Salem at that point cut in and stressed that Egypt needed $32 billion for the next five years, $22 billion "from the outside." Salem pleaded, "I am out $890 million on our short-term facilities. We are taking drastic action. Our deficit in foreign exchange is $2.2 billion. We need 632 million Egyptian pounds for debt service. We must have a repayment schedule for past debts." Sadat jumped back in to emphasize that he would not "pay $1 to the Soviets" in debt service, but also noted that "we have

a 35-day delay on short-term loans."

Rockefeller answered that "due to Egypt's conditions, I do not believe the private sector could raise in a consortium more than $200-300 million in short-term loans. The one thing I can't do is promise you something I cannot deliver on. Mr. President, you need advice by experts in the international arena. Officials at the World Bank and the IMF are what you need." Rockefeller then presented Sadat with a personal message from Israeli Defense Minister Shimon Peres, whom Rockefeller visited in Israel during his own private March Mideast shuttle. The message read, "You can assure him that he will have no problems on our part militarily. We will not provoke and we would want dialogue."

In Israel, Peres pleaded with Rockefeller to marshal the international community in defence of the Sadat regime.

Arriving back in the U.S., Rockefeller wrote Sadat on March 15 that "you may rest assured that I will help you within the limits of my ability to do so. I have had talks upon my return with Henry (Kissinger), Bill Simon, Bob McNamara and several others." Rockefeller implied that he was putting a special assistant on the Egyptian case. He concluded by noting that "Nelson and Happy" were about to take a "quick trip" but "regretted" that they would not stop in Egypt.

(It is interesting that the Egyptian magazine Rose el-Youssef has recently claimed that on April 3, 1976, Simon Treasury assistant Edwin Yeo told the Detroit Economic Club that the current Egyptian leadership was "not qualified" to carry out necessary economic reforms. The magazine identified the Yeo speech as part of a U.S. "billionaires' plot" to "overthrow our regime.")

Soon afterward, a confidential memo was passed through the Chase executive strata by a leading CIA Middle East veteran, who concluded that although Sadat's position was "fairly solid," the economic situation "is the key to the problem," with the IMF "fairly optimistic that by 1982 Egypt will be out of its worst period." The "prognostication," the note stressed, is"that if Sadat were to be assassinated, he would be replaced by someone of similar beliefs, except that he would probably be neutralistic and less pro-American. The American love affair is strictly Sadat's and will disappear when he does." Finally, the note stressed the "short-run danger" of a military coup by "senior Egyptian officers" if it became apparent after the U.S. elections that Sadat had been ' "had' by the Americans."

By autumn, 1976, the Suter report was completed, and in October David Rockefeller returned to Cairo, Shortly after he left, a London Financial Times piece datelined Cairo leaked the fundamentals of the Suter report and estimated that floating Egypt's pound, while creating "immense problems, "would probably have the greatest single impact of anything the Egyptian government could do to attract foreign investment." The Times noted that the Suter report attacked Egypt's Foreign Investment Authority for failing to do this, but welcomed the recent Kaissouny appointment as "encouraging the possibilities of implementation." Rockefeller, the Times reported, utilized the Suter report to put pressure on Sadat to make the necessary changes. "Since the report was presented to Sadat," the paper continued, "Egypt's Cabinet has been re-shuffled in a way which indicates that the President will respond to some of the recommendations as best he can." The Kaissouny appointment itself and "persuasion" to get him to take the post were attributed to "American influence."

A knowledgeable British source in November reported that Kaissouny returned to Egyptian official life only because he was promised a "free hand" to use his "extensive network worldwide of personal high-level business and financial contacts" in order to "re-structure the financial and economic system of the country." Confirming widespread suspicions, the source commented that "his appointment was hastened, if not actually instigated, by a confidential report by Chase Manhattan Bank for the Egypt-U.S. Business Council that severely criticised virtually every phase of Egypt's investment and monetary operation and organization."

Iraq: A Centralized Economy Breaks Out Of An Oil Siege

IRAQ

Despite its status as a nation under siege by Rockefeller oil companies, of all Mideast countries which possess petrodollars, Iraq has emerged as the only country which has followed a national development strategy according to plan. Unlike Saudi Arabia and other oil-rich countries, contracts signed by Iraq for development projects, are not cancelled.

The Iraqi government under President Ahmed Hassan al-Bakr and Vice Chairman Saddam Hussein have centralized the economy and maximized the reinvestment potential of Iraq's oil resources. They have succeeded in upgrading the population's skills and the economy through education, mechanized agriculture, improved infrastructure, with a firm foundation in heavy petrochemical and other industries.

The Iraqis received crucial support from Japanese, Italian, French and other Western European corporations and governments, along with the close cooperation of the Soviet Union. U.S. industry has followed, to its own loss, the advice of the New York banking community against investment in what they term the "totalitarian" Iraqi economy. The European and Japanese have recog-