

stopped sending their money back to Turkey because they are fearful of taking a loss once the devaluation goes through, so that is creating worse foreign currency problems...

I think that the military is going to move in. The violence, the unrest — I don't think the army is going to tolerate it much longer. Once austerity is announced, I am sure that there will be even more violence, riots, all kinds of protest. The IMF is trying to work out a sneaky way to implement austerity. If the IMF gives it to the Turks too strongly, Turkey will just explode, so the Fund is trying to fashion the package to be as mild as possible.

As far as I know, Demirel did make some kind of deal with the IMF and people in Washington, that after the elections he would go ahead with implementing austerity. I don't think Ecevit had that kind of com-

munication with the IMF, though I suspect he might have had some contact and did not oppose austerity. Both Demirel and Ecevit know that they have to implement it.

Chase Manhattan, of course, is nervous. But what choice does it have? What does Chase think it can do? Call in the debt? You can call and call all you want, and I can guarantee you won't get anything. Not until the IMF gets things in order.

We are all wondering why Citibank is so bullish on Turkey. Citibank has the biggest stake in the convertible lira scheme. Yet, I understand that they are not that frightened by the situation. We think they may have inside information that we don't have. Maybe they figure — or have received assurances — that the U.S. won't let Turkey go down the drain, and that may why they are not rushing to pull out. I don't know, though. It's not clear.

## Will The IMF's New Austerity Measures Topple Sadat?

The Egyptian government is planning to soon announce cutbacks of subsidies for a wide range of vital commodities. The austerity measure will be a scaled-down version of the January, 1977 subsidy cuts which resulted in days of rioting in Egypt's urban centers that nearly toppled the regime of President Anwar Sadat. The International Monetary Fund, which ordered the January cuts, is privately worried that this demand for further austerity may finish Sadat off.

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### EGYPT

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By announcing the measures, Sadat and his economic planners will have publicized their intentions to steer Egypt down the path toward the no-growth 19th-century-style austerity economy demanded by the IMF, World Bank, and Chase Manhattan. Sadat is thereby running on a collision course with wide sectors of the population who take a deep national pride in the strides toward progress and national sovereignty made during the regime of former President Nasser.

Confidential World Bank documents confirm that the new program of subsidy cutbacks and ensuing "price rationalization" is only the first step in a planned comprehensive "re-structuring" of the entire Egyptian economy. The basic facets of this "restructuring," as corroborated this week by Egyptian Economic Ministry officials, will include severe measures of "family planning" population control, "re-distribution" of the Cairo-centered urban population to new "development towns" and to labor-intensive agricultural projects, emphasis on manufacture for export combined with slashes of imports. The restructuring will also involve the placement of Egypt's extensive protected public sector onto the "international capital market" as collateral for loans.

These measures form the core of a new 1978-82 Five-

Year Plan drawn up in late August by the Sadat government. They will supercede the 1976-80 Plan. The new Plan was worked out in close coordination with the IMF.

Sadat and his Saudi backers are leaving no stone unturned in their search for means to preempt the unrest anticipated with the implementation of the measures. Rockefeller family and Carter Administration personnel have deployed to Egypt to coordinate with Sadat the application of both the IMF reforms and new domestic security measures. Jacob Javits, the Senator from Chase Manhattan, was in Egypt in mid-July; Coca-Cola magnate and Carter funder J. Paul Austin followed one month later. In between, Kamal Adham, the head of Saudi Intelligence and the controller of the Rockefeller-connected "Saudi-Egyptian axis," arrived in Egypt for consultations with Sadat.

Next week, when the food subsidies announcements are made, U.S. Secretary of the Treasury Michael Blumenthal will be in Cairo.

From the Egyptian side, Abdel-Moneim Kaissouny, the country's IMF-connected Minister for Economic Coordination and top austerity czar, will be in Washington next week for extended consultations with the IMF and the Carter Administration. Kaissouny spent almost the entire month of July in Washington.

#### *Saudis Buy Time for Sadat*

Evidencing Saudi intentions to give Sadat leeway to unleash the austerity package, Egypt's financial situation has been stabilized *in the very short term* by extensive outlays of funds from the Gulf oil-producing states during the past few months. This effort has included the redeployment of \$1.6 billion in aid from the Gulf Organization for the Development of Egypt (GODE), originally earmarked for the financing of development projects, to the support of Egypt's payments deficits. The Saudis have also guaranteed a \$25 million payments deficit support loan for Chase Manhattan. Other members of the World Bank-coordinated "consultative group" of Egypt's creditors,

including notably the U.S. government, have also decided to redeploy aid money to Egypt originally targeted for development purposes to help maintain the flow of Egyptian debt repayments. These monies have plugged this year's Egyptian payments gap estimated to have been well over \$5 billion at the beginning of 1977.

#### *What the Bankers Say*

Most New York bankers interviewed this week were uncharacteristically optimistic about Egypt's short term, 60 to 90 day financial prospects. According to one source, virtually all of Egypt's American and Canadian creditors have suddenly agreed for the first time to an Egyptian Central Bank request to extend the period of short term import financing credit from 180 to 360 days. These agreements, he noted, followed bankers' reports that Egypt had reduced its period of debt repayment arrears from an average of six months to two to three months.

Similarly, the Middle East coordinator of a leading Rockefeller-connected New York bank exclaimed that "Egypt's foreign exchange liquidity looks good, they're getting a lot of funding from the Gulf. There's been a dramatic improvement on their payments to us. Those guys are for the first time being flush on funds!"

But, these sources agree, by the end of 1977 and into early next year, Egypt will be facing another major payments crunch — under the further pressure of expected widespread discontent over the soon-to-be-unveiled austerity package.

#### *Gearing Up or A Crackdown*

Unlike in January, when the food subsidies measures were announced before the National Assembly without prior warning, the Egyptian ruling echelons are taking elaborate precautions to, first, psychologically manipulate the population into passively accepting austerity, and, second, crank up a well-oiled security apparatus to nip discontent in the bud. This apparatus has positioned itself to usurp governmental authority if Sadat's unpopularity reaches unmanageable extremes.

Throughout the past month, U.S. State Department sources report, Sadat's government has begun a "real education campaign to get people to accept a reduction of subsidies." This campaign, the *Baltimore Sun* noted last week, has a limited time fuse since the subsidy cutbacks are scheduled to be brought before the National Assembly for approval by next January at the latest.

Both World Bank and Egyptian government officials report that the government is analyzing each commodity scheduled for a subsidy cutback with the utmost care to calculate the likely impact that cutback will have on the population as a whole! This "case by case" approach, an Egyptian Economics Ministry official commented this week, is being duplicated in the government's efforts to discover which public sector companies can be "opened up to the external capital markets for financing without provoking too much popular anger."

To further siphon off potential discontent, Egyptian Prime Minister Mamdouh Salem has instituted a Gestapo-type network of "food security units" to closely monitor the pricing actions of Egyptian merchants. According to the U.S. State Department, these units are

intended to "create the feeling that action is being taken to see that merchants aren't involved in the black market and profiteering." Salem's campaign, in actuality, will neatly fulfill both the IMF's demands that Egypt "rationalize its pricing structure" and Kaissouny's call last month for "efforts to mobilize popular resources" behind the austerity plan.

Salem, Interpol-connected top cop for the past 25 years, who now doubles as Egypt's Interior Minister has also ordered special training measures for high-level internal security officers. According to the mid-August Egyptian press, Salem was regularly holding special sessions with these officers to prepare them for an expanded range of duties over the next months.

Salem is reportedly working closely in this project with Defense Minister Mohammed Gamassy, who has redeployed some of Egypt's most qualified military intelligence coordinators into domestic intelligence coordination duties. According to several sources, Gamassy's political status in Egypt has risen remarkably throughout this year, not only with the chiefs of staff and heads of the police forces but also with a handful of Egypt's leading businessmen. One well-informed source connected to leading Egyptian military circles forecast that Gamassy would de facto move to control the state apparatus in the coming weeks. The currently vacationing Sadat, this source mused, might soon extend his vacation into a permanent one. Another knowledgeable Egyptian source this week predicted that "the military will say, 'Go!' and Sadat will go; he'll step aside and Egypt will have a military regime."

#### *Tinderbox*

All the ingredients are in place for an explosion of immense proportions in Egypt.

A telling indicator in this regard is the recently released estimate that only one quarter of Egypt's 40 million plus-population is now earning a living — and 50 percent of these are only seasonally employed!

Exacerbating this problem is the defiant reemergence over the past month of the reactionary WAFD Party, a 1977 remake of the party that frequently ruled Egypt in the era preceding the 1952 Nasser coup. The new WAFD has suddenly reconstituted itself as a party, claiming the adherence of at least 65 National Assembly parliamentarians, and thereby giving itself the numerical strength it needs to qualify as a legal party.

While Sadat — a participant in the 1952 coup against King Farouk — has attacked the reconstituted WAFD in public declamations, most Egyptians know that the WAFD could not have reemerged without Sadat's seven-year flirtation with the decadent ruling elements of the Farouk era and with a decadent "new aristocracy" made rich by Sadat's corrupt "Open Door to the U.S." policies of the past few years.

In fact, both the London *Financial Times* and France's *Le Monde* have speculated in recent days that the WAFD's reemergence is being regarded as a dire challenge to the legitimacy of Sadat's rule. *Le Monde* anticipated a mobilization of Egypt's Nasserites to squelch the Wafdist reemergence.

— Mark Burdman