World Bank Reports Reveal Gear Up For Looting Of Egypt

Two confidential World Bank reports on Egypt, one written in early 1976 and the second a year later, indicate that Bank officials have shifted from a posture of hopeful expectations of austerity reforms in that country into a program for full-blast looting of Egypt's vulnerable economy. In both reports, the full cooperation of Egyptian President Sadat is taken for granted.

In the earlier, January, 1976 study, the Bank report focused on an evaluation of Sadat's 1974 October Working Paper" that had set in motion the "liberalizing" reforms of the Open Door.

The Bank noted that the "new economic strategy" of Sadat "envisaged consolidation of state-owned enterprises, liberalization of the private sector, incentives to private foreign investment and expanded economic cooperation with Arab countries," which in combination would lead to a "significant restructuring of the economy."

The report welcomed the "considerable decentralization of decision-making, especially in the public sector," which would be a "sine qua non of the liberalization process." Summing up, the report noted: "The Egyptian economy is moving away from rigid controls towards a more open and liberal direction. This strategy seems appropriate in view of the changed international environment, and the increased opportunities available to Egypt, including access to external capital. However, the movement will require a considerable change in attitudes, policies, and the structure and role of economic institutions."

Among the major problems faced by Egypt in meeting these goals, the Bank identified "the steep rise in the prices of Egypt's main imports, the recession in the OECD countries, and the slow disbursements of concessional assistance and private external capital." Further, "the escalation in the world prices of food led to an almost three-fold increase in the net budgetary subsidies on the items of mass consumption, as the Government attempted to maintain the domestic prices of imported foodstuffs... The debt structure worsened considerably and the short maturity period associated with bankers' facilities created severe problems of liquidity. The heavy subsidization of the items of mass consumption, together with the slow growth of tax revenues, squeezed public sector savings and increased the Government's borrowings from the banking system."

Elsewhere, the report focused on "the heavy defense burden"; "the pressing shortage of foreign exchange"; the "external debt burden"; the "rigid economic decision-making process"; and "the rapid population growth." In this section, the report complained about the "protection" given to industry as working against "efficiency."

The report contains recommendations sprinkled liberally throughout. For example:

* "A serious effort to contain consumption expenditures in the future has to be made in order to reduce the domestic resource gap without having recourse to additional debt."

* A call for "decentralization," for "rationalization of consumption subsidies," and "rationalization of the external debt situation and implementation of a debt management program."

The tone of the report, it is seen, is critical but tentative. This was decidedly not so with the report written in early 1977.

The later report blasted the "failure" of the Egyptian government to "decentralize the public industries," which has "aggravated the huge debt" from the second half of 1976. The Sadat government, the Bank insisted, has to "give up" the "responsibility of supporting the public sector... as the only way of saving expenditures."

The public sector is also attacked for not contributing to "the need for increasing labor productivity and operational efficiency in enterprises."

The Bank noted that Egypt needed almost $6 billion in aid for payment of short-term debt and for imports of vital necessities in 1977 alone. To find funds for such levels of importation, the government must "move towards decentralization," which will "allow the Egyptian industrial centers to find loans in the free market."

Further, "food subsidies must be cut" in order to save foreign exchange for imports. But such cuts must come "gradually... to avoid disturbances like the ones that took place last January."

Finally, the growth of the population must "slow down," because it "aggravates" the needs for food consumption. A serious "Family Program" must be taken up and "the migration of farmers and other workers to Cairo must stop... because of a lack of employment." At the same time, the government bureaucracy must be cut back sharply.

The report's conclusions were utilized as a working paper for the May, 1977 "Consultation Group" creditors meeting in Paris, which resolved to buy the Sadat government a year's time in return for a 100 percent commitment to "restructure" the Egyptian economy.

The Bank is now preparing a new dose of suggestions. A top-level Bank delegation was in Egypt for several weeks during this summer and is preparing yet another confidential memorandum.

The Bank is meanwhile suppressing a study done by Massachusetts Institute of Technology professor Lance Taylor which argues against cutbacks in the Egyptian economy. The Taylor report also warns that "it may not be possible for any government in the future to retract to a large degree what has been given to the people and stay in power."