Free-zone system for Egypt or an industrial buildup?

by Judith Wyer

EIR's continuing investigation into the assassination of Egyptian President Anwar Sadat has turned up evidence that conflicts between his regime and the multinational banks may have contributed to his demise.

Three weeks before his assassination, Deputy Prime Minister for Finance and Economy Abdel-Razaak Abdel-Meguid, under Sadat's directive, called a meeting on Sept. 14 of the multinational banks, known as the Egyptian Bankers' Club. Abdel-Meguid told the bankers that Egypt was tired of the banks' "speculating" on Egypt's economy. U.S. Treasury Department sources, in Egypt at the time, report that Abdel-Meguid forcefully demanded that the banks "stop taking more money out of Egypt than they are bringing in."

The Bankers' Club meeting was the culmination of a year-long effort by Sadat to restrain the country's free-enterprise zone of offshore banks. According to the same Treasury source, these banks, which enjoy no regulation by the Egyptian government, "have been making a financial killing in Egypt."

The free zones were one byproduct of a policy Sadat initiated in 1974, known as the open-door policy, to make foreign investment in Egypt's then-crisis-ridden economy "attractive."

In the summer of 1980, Sadat began to realize that this open-door policy was not delivering the badly needed industrial development to Egypt. About that time, he undertook a number of corrective measures, including a crackdown on Egypt's burgeoning drug trade, the black market, and the offshore banks. He also stepped up his drive to install eight nuclear plants in Egypt, and created a new state-controlled banking structure to facilitate funding for development projects.

Whether Sadat knew the nature of the beast he was taking on when he made his turn away from the open-door policy in 1980 is very unlikely. That international cabal of bankers and financial elites promotes "free enterprise" as a means of securing their own top-down control of financial markets, and the liberty to push drugs and other illicit, but very profitable commodities.

Egypt's economic free zone was an integral part of the Camp David Treaty, which was created by David Rockefeller and a mafia of drug-tainted banks associated with such corporate figures as Edgar Bronfman of Seagram and former Carter Mideast envoy Sol Linowitz, a member of the board of the notorious United Brands Company, a drug- and gun-running front, and the Club Mediterranée. In turn, included within the ranks of the Club Mediterranée are elements of organized crime including Intertel, the private-intelligence subsidiary of the Bahamas-based Resorts International, in which David Rockefeller holds a large share, another major conduit for laundering dirty money internationally. Other well-known supporters of "free enterprise" for Egypt include Max Kampelman, now with the State Department, and Philip Klutznick, Commerce Secretary under Jimmy Carter. This circle of "men above suspicion" centered around Bronfman has been exposed by *EIR* as working closely with Israeli intelligence personnel allied to Israeli Defense Minister Ariel Sharon, personnel who knew weeks in advance that Sadat would be assassinated.

As *EIR* has also exposed, these same Israeli-connected intelligence circles have maintained close ties to the emerging Muslim Brotherhood movement in the Middle East using these fanatics to destroy the sovereign nations of the region, as the Brotherhood's Ayatollah Khomeini has done in Iran.

David Rockefeller and Henry Kissinger had sold Sadat this free-enterprise model as early as 1973, by convincing him that, should he accept a bilateral peace with Israel at the expense of Egypt's relations with the Arab world, Rockefeller and company would deliver economic renewal to Egypt.

Sadat, known for his lack of sophistication on economic matters and prone to opportunism, accepted the deal. He agreed to break with the state-directed development policies of his predecessor, Gamel Abdel Nasser, in the hope that Egypt's economic troubles would end.

But from 1974 to 1977, the open-door policy flopped, despite flashy public relations aimed at winning foreign investment. By 1977, Egypt was unable to pay its foreign debt, and felt the first shock wave of violent food riots after Sadat temporarily heeded the International Monetary Fund's demand to halt food subsidies. During that year the Carter administration, in pursuit of the policies set by Rockefeller and Kissinger, reached an agreement with Sadat that Egypt would sign the Camp David Treaty with Israel and, in turn, Sadat would further loosen Cairo's controls on foreign investors by establishing an unregulated free-enterprise zone.

Since then, Egypt has earned a modicum of nominal wealth, primarily from the oilfields that Israel returned and from Suez Canal tariffs, but the open-door policy has produced no industrial investment to sustain long-term economic growth.

The pre-assassination period

The same week of the Sept. 14 Banker's Club meeting, the largest drug bust in Egypt's post-World War II history was made in Alexandria, capturing hashish worth nearly $40 million. Earlier this year, Sadat had ordered his law-enforcement officials to work with the U.S. Drug Enforcement Administration to clamp down on growing drug addiction in Egypt, beginning with the Asyut region. Days after Sadat's Oct. 6 assassination, it was revealed that the killers were headquartered in a fanatical Muslim Brotherhood holdout in Asyut.

Months before, Sadat had ordered a number of unprecedented measures to restrict speculation by the banks, beginning with adjustments of Egypt's complex foreign-exchange laws to subdue a massive switching of Egyptian pounds into foreign currency via the black market. Earlier the government placed a lid on the issuance of bank notes, a prime means of exporting hard currency, and at the same time put limits on the offshore banks' participation in the lucrative letter-of-credit business.

Over the same 12-month period, Sadat began to make a number of state-to-state agreements with the U.S., Britain, France, and West Germany, opening the way for the purchase of eight nuclear plants which he aimed to have working by the year 2000. Sadat envisioned placing the plants on the Mediterranean near Alexandria, powering desalination systems to expand irrigation and land reclamation. The other site was to be about 60 miles south of the Suez on the Red Sea, as the energy base for new petrochemical and fertilizer industries, as well as for the city of Cairo.

But a corrupt faction of Egypt's elite which handsomely profited from the free-enterprise policy loudly opposed Sadat's nuclear plan in favor of investment in tourism, hotels, and casinos. The governor of Alexandria, Naim Abu Taleb, declared in April that the nuclear plants were an "environmental threat" to his province, and halted Cairo's efforts to draw up plans for installing the plants in Alexandria. Abu Taleb is a close collaborator of the Global 2000 population-reduction promoters within the State Department's AID office, which has mobilized to sabotage Egypt's industrial development (See *EIR*, Oct. 27).

While Sadat's nuclear program was a step in the right direction, it falls far short of meeting Egypt's projected energy needs for the balance of the century, assuming even a modest rate of renewed industrialization. With the largest force of trained scientists and engineers from the Mideast to southeast Asia, second only to India, Egypt could support a full-scale nuclear-based city-building program along the lines of the "nuplex plan" now being developed by *EIR* founder Lyndon LaRouche.

The state-controlled banking system initiated during the summer of 1980 could facilitate a flow of funds into a full-scale economic development program; the most likely source of funding for this endeavor would be Saudi Arabia and the other oil-exporting states of the Gulf. Over the past year, Egypt and Saudi Arabia have intensified behind-the-scenes contacts with the aim of increasing Saudi financial support for Egypt. Sadat's successor, Hosni Mubarak, himself a member of the Higher Council for Nuclear Energy, was Sadat's chief liaison to the Saudis.

During a late-October visit to West Germany by Egyptian Minister of Technology Abu Azza, Saudi Arabia's number-two man, Crown Prince Fahd was also present in Bonn. The Egyptian delegation discussed the prospects of ordering at least two 1,000-megawatt reactors from the German firm Kraftwerke Union. Over the past 18 months, Saudi Arabia has dramatically stepped up its deposits of petrodollars into Germany, as well as its purchase of German debt. Through this indirect channel, Saudi Arabia is likely to finance the Egyptian purchases.

A member of the Egyptian delegation told *EIR* earlier this month that Cairo was considering doubling the number of reactors it buys from West Germany. One reason given was concern that under François Mitterrand, France would be unwilling to sell the technology to Egypt. Cairo and Paris signed an accord to transfer nuclear technology shortly before President Giscard was defeated by Mitterrand. Since then, Saudi-French financial ties have loosened considerably.

A challenge for Mubarak

Whether the Mubarak government will be able even to realize the modest plans Sadat initiated for nuclear energy will depend upon the new President's ability to break Egypt away from corrupt free-enterprise schemes and return to Nasser's strong state-directed policies. This means that private investors would indeed have a role to play in Egypt, but would have to cooperate with government programs for industrial development as opposed to speculative investment.

Though the new regime has pledged to stick to the letter of the open-door policy, business sources concur that Mubarak will try to maintain the initiatives begun by Sadat.

The Egyptian Parliament is now considering tough legislation to regulate the offshore banks. It includes proposals that no more offshore licenses be issued until the central bank conducts a thorough study of the free zone, and that any licenses issued to new offshore banks must include a commitment by the banks to invest in Egypt's development. There is also talk of requiring that 50 percent of the banks' deposits and investments be kept in Egypt to counter the flight of hard-currency profits resulting from unregulated banking operations.

In a speech delivered to the ruling National Democratic Party shortly after Sadat's death, Abdel-Meguid described Egypt as caught between the open-door, free-enterprise model and the nationalist development perspective toward which Sadat had moved.

No one who knows Egypt from the inside expects Mubarak to give the banks the treatment Nasser gave them in 1957 when he nationalized them all. Instead, it appears that Cairo is trying to "kick the banks into line." How successful Mubarak will be depends on political and economic support from the industrial nations; and thus far only Japan and West Germany have given appropriate economic backing. Egypt is a lesson for President Reagan in the pitfalls of free enterprise. The administration could back up the President's stated commitment to Egypt's stability by surpassing Japan and Germany in providing American high technology and knowhow and making economic development the basis of future Mideast policy.

Conference Report

Islam and the West looks to new dark age

by Luba George, European Correspondent

Only one week had passed since the assassination of Sadat by the Muslim Brotherhood, when members from the pro-Muslim Brotherhood organization "Islam and the West" met in Paris to plot and coordinate "Iranizations" throughout the Muslim world and Muslim communities—including the Soviet Union.

On the first day of the conference, an open welcome was given to the first international gathering of "Islam and the West"—limited to 200 participants—by former French Finance Minister Jean-Pierre Fourcade, President of the French section of Islam and the West.

Alain Poher, President of the French Senate, Maarouf al-Dawalibi of Saudi Arabia, and President of Islam and the West International Habib Chatti, of Saudi Arabia, all paid tribute to the French Foreign Minister, Claude Cheysson who was present for the opening of the conference. This acclaim took on special significance as Cheysson had caused an international uproar when, during his attendance at Sadat's funeral, he remarked that "the assassination of Sadat was the removal of an obstacle" to peace in the Middle East.

Despite insistence by conference organizers that the event was "purely cultural," the aims and objectives of the conference gathering were clearly advanced that same afternoon by Club of Rome founding member Aurelio Peccei and former head of the United Nations Fund for Population Activities, Lord Caradon.

Peccei, representing the Italian (Venetian) section of Islam and the West, gave a speech at the conference attacking the "narrow hegemonic interest of sovereign nation-states" emphasizing that the "guiding principle" behind the work of Islam and the West should be the "law of regionalization"—the Club of Rome codeword for "Iranization" and "regional wars." Peccei said that countries of the Middle East and Africa should be organized along "theocultural and religious" lines and "not on territorial boundaries of existing nation-states. The first exigency is that of adopting regionally or globally inspired approaches, policies, and strategies—like the European-Arab dialogue—beyond the normal national policies as an initial basis for action," added Peccei. Peccei then pledged that his Club of Rome is "fully committed to help in the coordination of the work of Islam and the