Egypt gets 'Philippines treatment': IMF economic pressures and riots

by Thierry Lalevée

For the first time since January 1977, Egypt experienced food riots on Sept. 30, as violent protests erupted in the small city of Kafr al Dawwar, about 30 kilometers from Alexandria. The trigger for the riots, which went on for a full day and left at least three persons dead, was a government test of a "two-tier" bread system: a subsidized bread of a reduced quality, and a more expensive, higher-quality bread, which most Egyptians couldn't afford. Introduced only in Kafr al Dawwar and immediately revoked by President Hosni Mubarak hours after the beginning of the riots, the experiment had been undertaken as a result of pressures from the Washington offices of the International Monetary Fund (IMF) and World Bank.

Though limited in scale compared to the three days of riots which erupted in 1977, the Kafr al Dawwar riots represent a warning to the Egyptian government of what it will mean to capitulate to the Anglo-American forces associated with Henry Kissinger and his representative in Egypt, U.S. Ambassador Nicholas Veliotes. The State Department policy toward Egypt is very much like the State Department policy toward the Philippines of Ferdinand Marcos and toward the Iran of the Shah. Indeed, as an Egyptian source noted, a certain Mr. Precht, who was director of the Iranian Desk at the State Department under Jimmy Carter, has been sent to the Cairo embassy.

Egypt's strategic significance in the Mideast parallels that of the Philippines in Southeast Asia—it is the linchpin U.S. ally in the region. In both cases, U.S. policy, by enforcing the ferocious austerity demands of the IMF, is destroying allies—Marcos and Mubarak—whose loyalty to the United States is above reproach.

The assault against the Egyptian economy

Paving the way for the Sept. 30 riots were months of warfare against the Egyptian economy and a systematic sabotage by the IMF, the State Department's Agency for International Development (AID), and the U.S. Treasury Department of Egypt's industrial and economic development program. Repudiating previous political and economic agreements, the American Export-Import Bank on the advice of AID announced late in 1983 that it was refusing to guarantee credits for Egypt's program to build five nuclear plants. The decision forced the Westinghouse Company to withdraw from the projects altogether, compelling Cairo to "postpone" the program for five years. The postponement may actually mean the program's death, despite Egypt's urgent need for nuclear power to support both large-scale desert land reclamation and city-building projects.

Then, through the "Children of Sadat"—private bankers who have been allowed to operate a black market since the implementation of the "Open Door" policy toward foreign investment in 1976—the government effort to crack down on the black market and the mafia, an effort to curtail the monstrous growth of a parallel and unproductive economy, was sabotaged.

The crisis exploded in July when economics minister Mustafa al Saeed announced his decision to unify once and for all the official and black-market dollar exchange rates. Worth 72 Egyptian piasters on the official market, the dollar was worth 112 piasters on the black market. Saeed decided to fix the official rate at 120 piasters, in an effort to thus draw dollars otherwise used speculatively toward the public sector. The private bankers managed to defeat this policy by buying the dollar at 118 and selling it at 112, transactions made at a loss as part of a show of strength against the government-controlled public sector banks.

In subsequent weeks, Saeed had to deploy police against black marketeers as well as bankers, even including the arrest of the managing director of one of Cairo's five largest banks, the Jammal Trust Bank, who was caught speculating against the public sector. Saeed addressed the issue publicly at the end of July, denouncing "those bankers" who are plotting against the state, and "plotting to get rid of me. . . ."

These bankers have been for years the strongest advocate of the full implementation of IMF austerity programs, including the cut of government subsidies on food. This is indeed no coincidence. Their war against the government was directly guided from the IMF offices in Washington, and consistently ignores the obvious fact that if the government cut the subsidies, it would have to increase the taxes on the private sector, in order to generate the revenues to create jobs for the masses of poor and unemployed who are currently kept alive by government subsidies. Until now, under the "Open Door" policy, there is little to no tax pressure on private enterprise.

In coming weeks, the government will sponsor a national conference on the issue of the subsidies, but it made clear in September that despite IMF pressures, it will not eliminate the subsidies, underlining the point by announcing an increase of 20% in subsidy allocations.

The new political crisis

Faced with such an assault, the Egyptian leadership clearly believes that it is unable to fight on all fronts simultaneously and that it is forced to compromise. One such compromise was the surprising leniency displayed on Sept. 30 by an Egyptian court toward some 300 Islamic fundamentalist terrorists who led the extremely violent riots in the upper-Egypt city of Assiut in 1981. Countless civilians and 66 policemen died in the well-organized riots, which were led by Sheikh Omar Abdel Rahman, spiritual leader of the Egyptian branch of Al Jihad, the same group which had claimed responsibility for the murder of President Anwar Sadat that took place a few weeks earlier. Despite a call by the general prosecutor for dozens of death sentences, more than 270 rioters were actually released on the spot, including Sheikh Omar himself! Only a few life imprisonments and some 6-16-year sentences were handed out.

It is symbolically important that these releases took place the same day as the food riots. Moreover, the official police declaration blamed the riots on "left-wing elements," never mentioning the leadership of the fundamentalists. This points toward a dangerous revival of the former Sadat policy of playing off the Islamic movement against the left, a policy made more dangerous still by the fact that most elements of the so-called left are not communists, but nationalists who could strengthen the regime and national stability, whereas the Islamic fanatics of the Al Jihad type only produce tension with the large Coptic Christian minority.

The newly elected Egyptian parliament now includes five official representatives of the fundamentalist Muslim Brotherhood (Ikhwan) within the Wafd opposition party, and there are growing calls for the full imposition of the Islamic law (Sharia) on the Sudanese model. Doing so is more than merely playing with fire; it is setting a time-bomb under the Egyptian regime. As has occurred in Sudan, imposition of Islamic law would produce a violent rebellion from Coptic quarters.

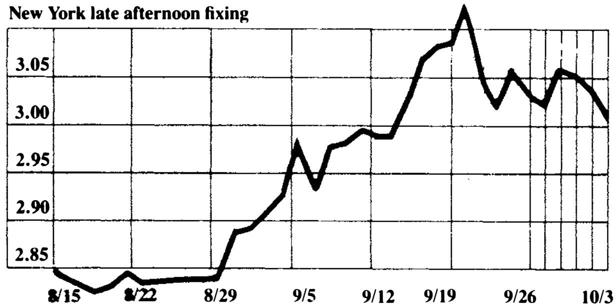
This is exactly what the Veliotes crowd in Cairo wants, as expressed last August in a series of articles by *Le Monde*'s Eric Rouleau, who warned of the "Lebanization" of Egypt. Most Egyptians recognized that these "warnings" were a precise scenario for which Rouleau, as he did before in Iran, is working, together with the U.S. Eastern Establishment and his friends in Egypt's Communist Party.

With the approval of the New Yalta negotiators, Moscow's calculations are that increased IMF pressures, a growing Islamization of the country, and a more and more aggressive Libyan regime, are the best cards to play to force Cairo to re-establish the relations with the Soviet Union which Sadat broke off in 1972.

Currency Rates

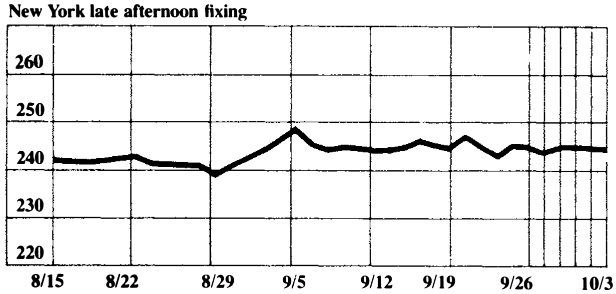
The dollar in deutschemarks

New York late afternoon fixing



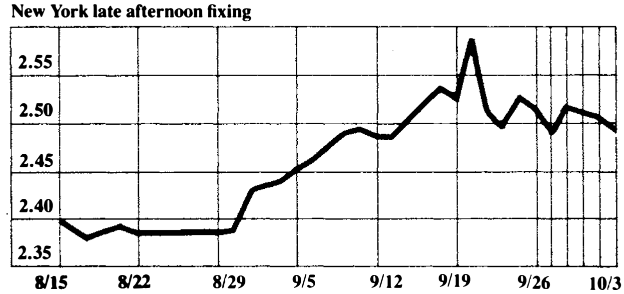
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dolla

New York late afternoon fixing