

## Middle East Report by Thierry Lalevée

### Worse than a 'cold shower' for Mubarak

*There won't be a peace process without a change in U.S. economic policy.*

**T**he chance for a breakthrough in Mideast peace negotiations, which began to emerge around Saudi King Fahd's Feb. 10-15 visit to the United States, is now in serious jeopardy. The agreements with Mideast moderate leaders that were carefully constructed by Defense Secretary Caspar Weinberger will be smashed if there is not a drastic shift in administration economic policy.

The State Department, with its pursuit of a "New Yalta" deal with Moscow and its consequent boosting of Syria, is the principal obstacle to progress in the peace effort.

Rumors are rife in Washington that the Reagan administration may cut economic and military aid to Cairo—reports that were confirmed on March 6 by Deputy Undersecretary for Defense Gen. Kenneth Burns, who told Congress that Egypt's inability to repay some \$285 million in debt service on loans last year, means that Cairo will fall by early summer under the category of the "Brooks amendment," which halts all economic aid to a country unable to pay its debt.

Even worse, Egyptian Defense Minister Marshal Abu Ghazala was in Washington the week before and was told nothing about this impending move. Three days before the arrival in Washington of Egyptian President Hosni Mubarak, this was seen in Cairo as not merely a "cold shower"—as the daily *Le Monde* described it—but a diplomatic affront. *Le Monde* added that a few days before, President Mubarak had publicly voiced strong "dis-

satisfaction" with the way the White House was handling the aid package to Egypt.

As Mubarak will put it bluntly to Washington bureaucrats, although Egypt is not yet paying on the principal, but only on the interest of the loans, this amounts to close to \$450 million for the military component alone. Add to that another \$450 million for the civilian credit, which is 25% of the income of all Egyptian exports, and you have close to a \$1 billion in debt payments for interest alone, while Egypt is requesting this year some \$1.7 billion in aid. Hence Egypt will directly request a debt moratorium and that \$1.1 billion of military aid be considered as non-reimbursable grants.

Short of such a gesture, Washington will give Egypt the very same treatment it gave Sudan some three weeks earlier.

Israel will not be spared a similar bashing. An unnamed State Department official was quoted on Radio Jerusalem on March 7 declaring that "anyway, the Israeli economy is in such a mess that any additional economic aid will be useless."

More officially, Undersecretary of State for Monetary Affairs W. Allen Wallis announced that Israel had not done enough yet to restructure its economy and impose austerity to deserve further aid. Washington and Israel signed a free-trade agreement which means the opening of Israel's economy to Dope Inc., in the same way that the Red Sea resort of Eilat is

soon expected to become a free zone which, far from promoting industrial activities, will be a hothouse for casinos, gambling, and drugs.

These facts are essential to understand why Washington has remained so silent on the Middle East since the visit of King Fahd to Washington, during which he proposed a \$40 billion plan for the economic development of the entire Mideast region, including Israel. The project would be financed by the United States, Western Europe, and the oil-producing states of the Mideast, and would provide an ideal means for underwriting a peace settlement.

Contrast the State Department's statements on economic policy with the visit of Vice-President George Bush to Africa, where he told the Sudanese about an American plan for great projects in the region, including the building of new irrigation dams. The State Department is still withholding \$150 million in economic aid to Sudan.

The resolution of the implicit fight between the State Department and the White House will determine whether there is a chance for peace in the region. President Mubarak has now been mandated by both the Palestine Liberation Organization and Jordan to organize a meeting between an American delegation and a joint Jordano-Palestinian delegation. But the proposal was immediately rejected by Secretary of State George Shultz, who stressed that there would be no meeting with the PLO as long as it "does not acknowledge the U.N. Resolution 242 explicitly and recognize Israel."

Such a session would be only a first step toward direct discussions between the Israelis and a similar Jordano-Palestinian delegation, which Israeli Prime Minister Shimon Peres said he was ready to "meet any time, anywhere."