

## Middle East Report by Mary Lalevée

### IMF joins 'Islamic' threat to Egypt

*International Monetary Fund caught red-handed helping the Islamic terrorists try to overthrow a U.S. ally.*

**I**f you lose Egypt, you will lose everything in the Middle East," warned the Egyptian defense minister, Marshal Abu Ghazala, in an interview with the *Wall Street Journal* on Nov. 5. But at the very moment Egypt was trying to quell Islamic-fanatic riots, Wall Street's pals at the International Monetary Fund (IMF) put the squeeze on the country for more austerity. This will fuel the unrest, and may topple the moderate government of President Hosni Mubarak.

In an unexpected move on Nov. 9, President Mubarak dismissed the entire cabinet, firing Prime Minister Ali Lufti and replacing the economic and finance ministers. The action came in the middle of Lufti's negotiations with an IMF team in Cairo. Egypt is negotiating for a \$1 billion standby credit from the IMF, but the IMF is insisting on massive austerity measures.

Egypt has been in "cessation of payment" since December 1985. The budget deficit doubled between 1983 and 1984, becoming a quarter of the GNP by 1985, with the foreign debt rising to \$36 billion. More than 40% of the Egyptian population lives below the poverty line, and relies on government subsidies to purchase essential food; such subsidies amount to 20% of the national budget.

The fall in the oil price has undercut Egypt's income from oil exports (down \$1.2 billion this year), as well as the revenues sent back to Egypt by Egyptian workers abroad, to \$400 million in 1985 compared to \$1 billion in 1984.

The IMF recipes for this amount

to the usual medicine: devaluation of the Egyptian pound, higher domestic interest rates, and cuts in the subsidies. There are conflicting reports on how far former Prime Minister Lufti was prepared to go in implementing these demands. While some indicate that Lufti had not gone far enough, the *London Times* on Nov. 10, quotes sources saying that Mubarak "was worried that Mr. Lufti was going too far to meet the demands of the IMF bankers. He had reportedly already agreed to a demand for high bank interest rates and a new foreign exchange rate, a decision that Mr. Mubarak feared would result in so sudden an increase in prices that he might be faced with civil unrest on a scale similar to that faced by President Sadat during the 1977 food riots."

In fact, when Lufti came into office in September 1985, he had imposed "drastic measures" which led directly to price increases. This created violent discontent, expressed in last February's riots, in which 107 people were killed.

However, it is far from clear what difference there will be between the policies of Lufti and his successor. Prime Minister Atef Sitki, an economist who has headed the central auditing agency for the last five years, is reportedly in favor of cutting the subsidies, and a new exchange rate. If this is the case, the dismissal of Lufti will prove to be another of the IMF's dirty tricks.

Meanwhile, it is clearly a desperate attempt by President Mubarak to buy time. Both the statements of Mu-

barak and of Setki, after the reshuffle, were ambiguous: Setki announced that subsidies would continue but that he would make sure that only those who needed them benefited from them. President Mubarak warned that the Egyptian population should expect a "program of austerity" to overcome the economic crisis, and called on opposition parties to cooperate in dealing with the crisis.

The IMF's demand, sure to build support for the anti-government fundamentalists, came as the government was attempting to halt the spread of "Islamic" insurgencies. Serious riots erupted in the Upper Egyptian city of Asyut on Nov. 1, and similar disturbances broke out in Cairo and Alexandria. At least one person was killed in Asyut. Police authorities blamed the violence on "provocations by Islamic extremists" in the mosques of the city. Over 100 arrests were made.

Interior Minister (and former governor of Asyut) Maj.-Gen. Zaki el Badr said on Nov. 3 that "foreign powers" were responsible for the riots, pointing out that the "Gamaat Islamiyya" (the Egyptian equivalent of the Iranian Komitehs) have received major financing from abroad. He didn't specify which countries were financing the fundamentalists, but Libya and Iran are the likely culprits. How helpful of the IMF to join their cause.

Women students have been banned from wearing chadors in the universities (the wearing of the Islamic dress was demanded by extremists). Government newspapers are campaigning to stop the use of loudspeakers in the streets by mosques under the control of the Islamic radicals. And on Nov. 3, Prime Minister Ali Lufti told an international business conference: "Islamists will not be allowed to destabilize Egypt."

Days later, Lufti was sacked.