

Middle East Report by Thierry Lalevée

Could Egypt follow Peru and Zambia?

After years of negotiations, the Mubarak government has given in to the International Monetary Fund's conditionalities.

A 42% devaluation of the Egyptian pound since the beginning of May has been the most dramatic and public sign that, after years of negotiations, Cairo has given in to International Monetary Fund (IMF) conditionalities. The next step may well be food riots of the kind which happened in January 1977 when the late President Anwar al Sadat had implemented similar measures.

An army unit, and scores of armored cars were necessary at that time to transport the IMF emissary from Cairo Airport to the presidential palace. By the time he left, President Sadat had repelled the measure, narrowly saving the country from a bloody civil war.

This time, it may be even more dramatic, both because of the extent of the conditions imposed by the IMF, and the degeneration of Egypt's internal situation.

Central to the crisis has been Washington's refusal to help its long-standing ally, the major pro-Western government in the Arab world and by far the most populous Arab state. Instead, Washington has ganged up with the IMF, using the all-too-effective blackmail of American monthly food deliveries to Egypt.

In return for signing the IMF Letter of Intent, the Mubarak government in Cairo hopes to negotiate a \$1.5 billion standby credit initiated several years ago. For Cairo, which has been unable to meet any of its foreign obligations since December 1985, the first "tranche" of some \$325 million, is like a drop in the ocean. Nonetheless, when

the creditor group of the Club of Paris meets on May 22, it expects to negotiate a rescheduling of some \$10 billion of Egypt's \$38 billion external debt.

According to Central Bank Governor Dr. Salah Hamed, Cairo expects a 15-year rescheduling. Western financial sources quoted in the May 18 *Financial Times* speak only of a ten-year period, with the first five years dedicated to interest payments only.

This is far from a generous offer, if compared to Moscow's decision to reschedule Egypt's \$6 billion military debt contracted under Nasser and the first years of Sadat, for 25 years at a 2% interest rate!

Besides the usual financial demands for a currency devaluation and a "free enterprise" type of economy, the Fund is requesting nothing less than the cancellation of basic-food subsidies, as well as a halt to major industrial programs. These include the land-reclamation projects, and the major steel, cement, and fertilizer plans, described by the IMF as merely "prestige projects."

If fully complied with, such demands are not only a recipe for civil disorder; they will destroy Egypt's chances to ever become self-sufficient in food production. Moreover, the land-reclamation projects are essential to lay the basis for new cities.

How the IMF can expect such measures to be implemented without provoking a new civil war, remains a mystery. With a new campaign being launched internationally against

Egypt's alleged overpopulation, only the most sinister design can be in the minds of the IMF bureaucrats.

Yet the Egyptian government has not yet found any direct alternative, and has backed off from taking political actions similar to Peru, Brazil, or Zambia. All three of those countries have called a halt to the looting of their economies by foreign debt demands, and are politically standing up to the IMF.

Instead, the Eastern option has become attractive once again, despite President Hosni Mubarak's repeated statements in the last month that Egypt would "not shift alliance [toward Moscow]." Besides rescheduling the Egyptian debts, the Soviet Union has signed a series of wide-ranging trade protocols which are increasing by 50%, in Egypt's favor, the trade balance between the two countries.

Also signed were new treaties of industrial and technical cooperation, enabling Soviet technicians to help modernize the already existing steel industries and create new chemical-coke plants. Equally important was the announcement in late April that Moscow would start delivering military spare parts again to an army which still uses 50% Soviet weaponry.

Between increasing trade ties with the East bloc, and becoming a Soviet ally again, there is an enormous gap that no Egyptian leader can easily contemplate. The alternative is to once again play for time.

The election of some 34 Khomeini-style Islamic fundamentalists to Parliament this past April is only the tip of the iceberg of a mass fundamentalist movement which, interestingly enough, remained silent on the issue of the IMF conditionalities during the election campaign. They knew that the International Monetary Fund was their best ally.