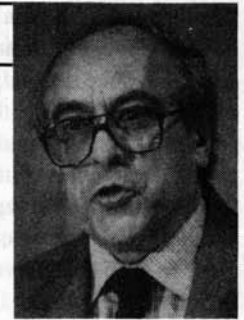


Adel Hussein



The IMF's 'reforms' brought economic ruin to Egypt

Dr. Adel Hussein, Secretary General of the Labour Party of Egypt, spoke to the May 17 Schiller Institute Development Conference. Dr. Hussein is an Arab intellectual, author of many books including a study of the Egyptian economy. His political movement and his newspaper As Sha'ab led the Muslim opposition to the U.N. conference on population in Cairo in September 1994. He was in the United States to lobby for the exoneration of Lyndon LaRouche.

My speech will be some quick comments and remarks about what's going on in the Egyptian economy, within the context of what is being discussed in this conference.

You know, Egypt, for more than two decades now, has been permanently under extreme pressures from international institutions headed by the International Monetary Fund to restructure the Egyptian economy; and it was a long process. If we emphasize, in particular, the period since the 1980s, the pressures at that time increased against the Egyptian government, and, accordingly, against those who are responsible for the economic procedures and functions.

But the pressures didn't succeed (I mean didn't succeed crucially), except in the early 1990s, and this was not by chance, this was in the period after the Gulf war. The Gulf war, as you may know, radically changed the balance of forces in the region; and, accordingly, this affected Egypt also; and what the IMF was not previously able to push and to press, was feasible after the Gulf war.

So, in the 1990s, the Egyptian government signed the agreement with the IMF for three years. The three years were focused, like the normal agreements with the IMF with all underdeveloped countries (the experience of Latin America is quite well known to you), and it is not very much different from what was planned also for Egypt and other Arab countries in the area.

The first phase of that so-called reform, was mainly concerning financial and monetary policies; and, as you know, the IMF emphasizes, on these kinds of reforms, on the assumption that this is the precondition for development, and development is derived from the needs of the financial and monetary assumed reforms.

But we see that development should come first, and any financial or monetary policies, should be derived from the

needs of development, and should cope with the needs of this development.

Anyhow, this first phase ended, starting from 1993. The second phase of the so-called reform started, and this was the most crucial one, which was concerned with restructuring the economy and industry, and coping with privatization on a large scale; and accordingly, the very core of the Egyptian economy was at stake. Accordingly also, the patriotic positions and national positions within the government and within other political parties, were getting higher and tougher, and accordingly, a lot of visitation happened in implementing the second phase of that reform.

This was concluded, or was faced by extreme economic measures against Egypt. The pressures meant that, in short, extra loans, and extra economic aid were prevented. It was expected that a high percentage of the Egyptian loans would be dropped, and the other part would be rescheduled; all this either was cancelled or postponed. As a pressure, they said that these agreements for dropping some of the loans, and for rescheduling the others, would not be implemented, except after the positive signal from IMF.

So, the IMF, of course, wrote very bad reports concerning the Egyptian behavior in economic policies, and that we are not very faithful to our agreements. So, their loans were not dropped, and this was a very serious pressure against our resources.

Also, many things which looked odd happened. For example, our revenue from tourism: It was said at that time, and still is said, that because of terrorist acts, etc., tourism has declined in the country. But by any rational analysis, it was not so, but it was manipulated that tourism should decline in the country, so as to affect foreign currency, and, accordingly, to affect policymaking.

The same happened for our cotton, and even for our wheat. All our investigations show that the decline in both cotton and wheat, was not by chance. Our cotton is the main commodity for export, and accordingly, any decline in the harvest, would affect our foreign resources again. Wheat is our main item in import; so also, the decrease in the production of Egyptian wheat, affects, again, the balance of payments.

So, all these different pressures were accelerating the rate

of implementing the second phase of economic reform, and precisely for privatization.

In short, even though our government did not accept or did not implement all that the IMF and World Bank tried to impose, still, the results and the consequences are comparable for what is known for you here in Latin America. The rate of growth in the last six years, has been either negative or below the rate of growth of the population. This means that the average per capita income has declined for the last six to seven years.

Again: For the same policies as in other countries, the rate of unemployment is increasing a lot. Before the so-called reform, it was about 12%; now it is 20%. Also, the income distribution is getting worse. In the early 1980s, the percentage of people living below the poverty line was about 30%; in the early '90s, (1990-91), it was 40%. And now, new studies indicate that it is worse than that.

So, all the traditional indications which other countries suffer from, are also seen in my country; and all this is counted and calculated according to the traditional methods. But if we rely on the better method, proposed by Mr. LaRouche, that is, the measures of physical economy, then the picture is much, much worse. Because even when we say that the Gross Domestic Product shrinks, or at least does not increase or expand to the desired extent, if we measure things by the real economy, by the physical component of this economy, so it is clear that industrial production, in quantitative analysis and counting, is declining year after year. And the same is true of agriculture. And if the GDP seems to indicate a better picture, this is due to the revenue coming from unproductive sectors, like the Suez Canal or the like.

In the country, all patriotic forces are now quite aware that the recommendations of the IMF and the World Bank are not for the benefit of our country or for its development. And accordingly, we are now launching a serious political campaign against such a policy.

I mentioned that even the Egyptian government was not very sympathetic to the agreements it signed with these institutions; but the Egyptian government at present is too fragile to hold with such opposition, and it is very difficult for the present Egyptian government to withstand the pressures. I referred to some of them in the economic field; of course, there are some extra pressures in the military and political arenas.

So this means, of course, a more political, firm position, which we are lacking. But the most important thing which is lacking, is another alternative, another vision, for how real economic reform can be done, and what is the vision for a new strategy for development.

Here again, I must admit that the studies which are proposed here, by Mr. LaRouche and his colleagues and students, really propose for us some very illuminating ideas about what the needed alternative may be. His ideas about physical economy and its concept and mechanisms, I think,

are very important in formulating the needed program for our country.

Sure, I may add here, that the approach of LaRouche in political economy is organically linked with a certain philosophy, which puts man in his proper place, as he mentions: man as the image of God. This philosophical or, I may say, religious vision, is very important. And what can be derived from this basic idea concerning comprehensive development, either in human terms or in capital and material terms?

This basic concept, which, as I said, is religious, is very important in our area. In Egypt and in the Arab region at large, we have something which you may have heard about, called the "Islamic Revival," which is a new search for identity. We are now in the mood to conceive that authentic development should start from our religious beliefs, which leads us to real humanistic ideas, reflected in proper and adequate economic development.

That's why the ideas of LaRouche really fit in our own concepts and, to my own understanding, I think it is quite parallel with what we think to be an Islamic economic development. Economic development within the concept of Islam, I think, is quite comparable; and accordingly, can benefit a lot from the studies I heard here and I read about.

I might mention, that for the first time in Egypt, that your people here, and the LaRouche School, started to be famous in my country, when we met together, hand in hand, during the [U.N.] population conference which was held last September. This was, as you know, a very important campaign on all different continents. In our region, it was very, very important for religious reasons, geopolitical reasons, for developmental reasons, and our party launched a harsh political campaign. Luckily, it was quite successful, in the sense that it could gather all the national forces in the country, around our slogans, against this conspiracy and this genocide.

For the first time, all religious people in the whole world moved hand in hand. It happened for the first time, that the Vatican was cooperating fully with different Muslim organizations and states, and this never happened before, that they campaigned with each other, hand in hand, against one enemy, and for one purpose. The concepts were accepted by all the participants in this campaign between all religious people, whatever the religion may be; and within all that, the campaign by *EIR* and its representatives in the conference, and before the conference, and on a nationwide scale, reached us, and I admit that we benefitted a lot from the results.

I say: The conference, which was a very serious conspiracy against the future of mankind, ended to be a real victory for all believers, for all friends of life, and accordingly, it was a real triumph for all those who believe in a healthy and real humanistic development for human beings as a whole. Let us hope that this cooperation between all good people and honest people and true believers, will be stronger and higher in the future.