

# Egypt and the IMF: Is a break coming?

by Thierry Lalevée

While the recent summit of the Organization of African Unity (OAU) in Addis Ababa, Ethiopia, and the preliminary Non-Aligned gathering in Luanda, Angola, heard multiple denunciations of the International Monetary Fund, Egypt, greatly suffering under the IMF, has remained strangely silent. In effect, it has missed a chance to assert the kind of continental leadership which Foreign Minister Butros Ghali defined several years ago as Egypt's foreign policy goal.

President Hosni Mubarak did mention the question of the foreign debt during his speech at the United Nations General Assembly, and is expected to have a fruitful meeting with Peruvian President Alan García there; however, Egypt is allowing others to man the front lines in this fight—even though the nation's very survival depends on the outcome. Either the IMF is destroyed, or Egypt, like so many others, surely will be.

At the roots of this lack of initiative has been a purge of many of the leading members of the government in Cairo over the past 18 months—a purge conducted under pressures from the international banking community and the IMF itself. In late August, Prime Minister Gen. Hassan Ali resigned along with the entire cabinet. At the initiative of President Mubarak, a new government led by the Swiss-trained Dr. Ali Lufti was formed, with the express purpose of dealing with Egypt's economic problems as a national priority.

However, that is easier said than done. Ali Lufti's government is not homogeneous, but a compromise government in which varying political factions have achieved equal status. Ali Lufti himself speaks for the IMF, and was an economics minister during the heydays of the *Infitah* ("Open Door") policy of President Anwar Sadat, which opened the country to speculative capital inflows and basically promoted all sorts of illicit and black-market activities.

But several new deputy prime minister posts have been created. Defense Minister Abu Ghazala is now a deputy prime minister, as is Foreign Minister Abdel Meguid, while the new economic minister, Sultan Abu Ali, of the same economic school as Ali Lufti, was not the recipient of such an upgraded post; the ministers of planning and agriculture, Dr. Kamal al Ganzouri and Dr. Yusif Wally, were also named deputy prime ministers, a recognition of their achievements

in their respective fields. Such achievements are quite the opposite of the *Infitah* policy and those of the IMF.

Will Egypt break with the IMF, or capitulate and die? The institutions of usury to the north are not certain. Therefore, their warnings have grown harsher. The Sept. 9 *Financial Times* of London spoke for them: "Unlike 1977 [the period of food riots—ed.], Mr. Mubarak cannot be confident that this time the Gulf states will provide an emergency \$2 billion, and it is to the United States that he will look for a significant increase in . . . aid.

Reagan and other Western governments will be influenced by the speed and determination with which the new government appears to be contributing to a solution, the broad lines of which are contained in all IMF studies of the past decades!" Failure to comply with the IMF demands for lowering or elimination of food-price subsidies and similar government expenditures, an experiment which produced the 1977 riots, will mean worse economic conditions "certain to be exploited by Islamic extremists . . . and by external enemies such as Col. Qaddafi."

In short, a warning from the City of London that bankers will not hesitate to implement a little political destabilization to bring Cairo to its knees!

Such an ultimatum would be rejected outright were it not based on some solid means of blackmail. One such means, besides the policy of the Reagan administration of blindly following the IMF genocidalists, has been the betrayal of the Gulf countries. Countries like Saudi Arabia and other members of the Gulf Cooperation Council, which had secretly pleaded to Cairo for help in the first years of the threatening Iranian revolution, have begun laying off Egyptian workers and technicians in their countries en masse. They apparently think it cheaper to appease the Iranian fanatics, depriving the Egyptian economy of several billion dollars in remittances.

The Saudis have also done their best to undermine Egypt-Sudan relations, and took an outrageous position at the Non-Aligned meeting in Luanda, urging the other countries to "pay all their debts." As a leading contributor to the IMF, Ryahd has once again put its own misperception of its interests before those of all others. Thus, the Saudis, whose investments in Egypt have been restricted to real estate—and those distractions the princes cannot obtain at home—have become a problem for Egypt.

Facing such Arab hostility, not to mention the Libyan threat, Cairo had little choice in its dealings with the IMF but to choose compromise to gain time.

Egypt will not take the point, but at least it will follow the leadership of the Ibero-Americans, or better, the Peruvians, at the U.N. and the IMF's October meeting in Seoul, Korea. A recent tour of Ibero-America by Butros Ghali, and his signing of a bilateral agreement with Peru, indicates that the Egyptian authorities have first-hand information on García's intention of breaking with the IMF, and prompting others to do likewise. In this, lies Egypt's hope.