

# The Key to Egypt's Future Is The American Economic System

*The driving force of the 2011 revolution in Egypt is the global mass strike of the youth generation, in reaction to the collapse of the monetarist financial empire that has brought humanity to ruin. In the following interview, a leading player in the Egyptian revolution that began with mass demonstrations in Cairo's Tahrir Square on Jan. 25, 2011, provides his unique and personal insights to EIR's Michele Steinberg. This individual responded, by e-mail from Egypt on June 10, to EIR's questions, on condition of anonymity, due to his active participation in the ongoing events in Egypt. While he, himself, is from an older generation, he has been a critical advisor to leading figures within the January 25th Movement, the youth-led movement that has repeatedly turned out millions of Egyptian citizens onto the streets of Cairo, Alexandria, Port Said, and other cities and towns, in peaceful*

*demands for a secular, democratic, and modern nation-state.*

**EIR:** On May 27, millions of people in different cities of Egypt peacefully demonstrated once again to make sure that the old corrupt ways don't prevail, and to show unity in the face of the violence that erupted between Muslims and the Coptic Christians. What was special about those demonstrations, and why are people still inspired to turn out in a mass-strike process?

**Egyptian:** May 27 was an important day in the revolutionary process that started in Egypt on Jan. 25. It showed the strength of the youth grouping, since it was one of the days of the largest protests throughout the country, and since it was opposed by the Islamic organizations. This process, chaotic as it is, boils down to three main forces: the military, the democratic groups,



*“May 27 was an important day in the revolutionary process that started in Egypt on Jan. 25. It showed the strength of the youth grouping, since it was one of the days of the largest protests throughout the country, and since it was opposed by the Islamic organizations,” the Egyptian source said. Shown: Tahrir Square, Cairo, May 27, 2011.*

and the Islamic organizations, mainly the Muslim Brotherhood (MB) and several groups of the Salafis.

The political fight is intense. The ideal of the majority of the youth is a secular country that respects the rights of all its citizens alike, and allows a degree of checks and balances to oversee the performance of the bureaucracy, and to guarantee the rule of the law and the ability of the population to accept, refuse, and propose these laws.

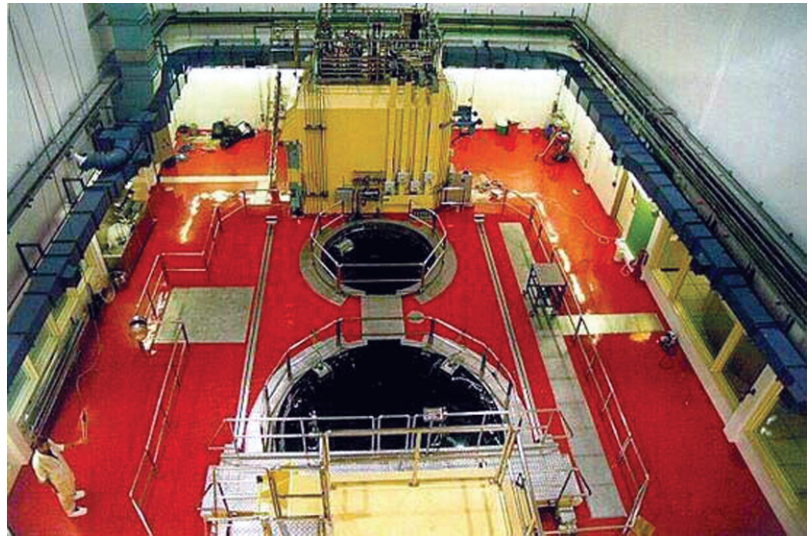
The military is toying with the idea of keeping power in its hands; the Muslim Brothers are planning for a President from their members, and for a majority in the parliament; and the Salafis are building up their bases in different places, and dreaming of a Saudi-like religious police and the rule of Sharia.

The major hurdle [for them], however, is the urban middle class, which has a strong belief in democratic values. Yet it would be misleading completely to reduce the difference to the ideological sphere. There is the decisive factor of the degree of economic development and the presence of—or lack of—a national unifying project where the population believes in its achievability. . . .

This last element requires leadership, and unfortunately, there is none as of today. By the word “leadership,” I mean new, inspiring ideas, and the vehicles to convey them to the population, and start a constructive national debate about them. Without that, the debate will remain in the tight ring of “Islam or no Islam.” This formulation of the current debate is doomed from the start, as I believe, as a Muslim, that Islam is a religion of progress.

The current phase of the revolutionary process is pregnant with different and contradictory outcomes. But it is almost certain in my mind, that without the proper leadership and platform that reshapes the debate, we will not reach the right outcome, by which I mean, a political equation that guarantees the peaceful coexistence and balance between the different political trends, and at the same time, keeps itself open to further progress in its structure.

The reason why, is that I believe that the current situation is indeed very transitional in nature, and could develop in a positive direction, but only if there is a



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*“Important firms which were built with the sweat of a generation of Egyptians were soon turned into the bank accounts of a gang of investors, international banks, and corrupt officials.” For Egypt to recover, it will need tremendous amounts of energy. This Soviet-supplied Inshas Nuclear Research Center in Cairo represents the type of energy required to provide Egypt with the power to fuel an economic recovery.*

comprehensive economic plan to change the topography of the field.

### The Economic Debate

**EIR:** Since the ouster of President Hosni Mubarak, Egypt has been asking for debt forgiveness from the IMF and from the United States, and the answer has been, essentially, pay your debt! What is the importance of a debt moratorium? At the same time, the transitional government has been seeking investment from private interests such as the Arab oil producers, China, Japan, Russia, etc., with little positive result.

There are important historical precedents from the American Revolution, specifically the U.S. Constitution and the National Bank of the United States, set up by America’s first Treasury Secretary, Alexander Hamilton, who truly understood that the British had to be defeated a second time through real economic development. Are these precedents widely known, and how could these shape the future in Egypt?

**Egyptian:** The issue of debt forgiveness is not the essential issue to be debated now in Egypt. In fact, the debate is centered on the more comprehensive issue of what is the economic course that Egypt should take. The debate started with loud and very confident aca-

demics defending the continuation of the “inevitable” free market and free trade, as if they are religious decrees issued from above.

The picture has changed now, with a fierce debate, where I and some of my friends introduced Alexander Hamilton and the credit system to the discussion. The funny thing is, that we received some help from some wings of unexpected forces, like the Muslim Brothers and the leftists.

The objection of the MBs to a free banking and credit system was based on the prevention of usury. These guys did not remain long with us, as some academics proved the hypocrisy of their position by detailing the system of Islamic usury adopted by the British-made Islamic banks. This “Kosher” system is called *Murabea*. *Murabea* means essentially sharing the profits. There is only one catch: These profits are presupposed at a specific rate (be it 15% or 16% annually) and are added in advance to the sum of the loan.

Now, the debate is going on still, particularly around the issue of Egypt’s relations with the IMF and the World Bank. We are fortunate, because the suspicion among the population toward these two institutions was already abundant before the fight began. The circulating theme of the academics is that the U.S. and Western Europe need to develop Egypt into a real capitalist society, to turn it into a new born tiger, à la the Asian Tigers, therefore, we should all wait for the coming blessings of globalization, which has become, in their minds, a metaphysical force.

Why does the West feel obliged to develop Egypt? Simply because it needs stability in the Middle East and particularly in Egypt, where one-fourth of all Arabs live. The West needs secure and stable energy supplies, and that means a secure and stable region.

But such a goal cannot be obtained with Egypt having unemployment rates of over 35%, and a flood of newcomers to the labor market every year! I do not disagree with their premises, but I certainly oppose their conclusions, which boil down to proposing that we dress up sexy, with full make-up, and wait for the new Pasha to come and pick us over all the others lined up and showing larger parts of their skin, as I commented at a long lecture that was given in Cairo in defense of globalizing Egypt.

The IMF is offering us loans of about \$4.5 billion, and the World Bank is looking at an additional \$2 bil-

lion, and the European Union, up to \$40 billion over ten years. *But the early installments will go mostly to cover the deficit in our budget and repay interest on previous loans.*

In return, Egypt has not prepared a national development plan that could preserve our national interests in face of the infamous conditionalities of the international financial institutions. The academics are not much help. They do not debate even the basic interests of the Egyptians that should be preserved and protected under the new wave of investments that they talk about with large smiles.

When we raised the Indian model of relations with the world markets as an example we can learn from, they dismissed it right away, under the pretext of the particularities of each country, and without talking in any specific terms about the particularities of Egypt, or our bitter previous experience with the IMF.

The economic system in Egypt has a long history of a state role. It is not an alien concept. We are proposing a national development bank, owned by the government, that guarantees a flow of subsidized credits to accomplish specific national projects. An example of these projects is, turning the urban artisanal sector into concentrated clusters where higher-level machinery is used in cooperatives owned by the artisans themselves. We raised bluntly the need for protectionist measures, in spite of the academics’ intensive effort to turn the word protectionism into an obscene word.

Another measure is to carry out major projects like Dr. Farouk El-Baz’s development corridor. A third is to finance the small start-ups. A fourth is to enhance Egypt’s productive capacity of fertilizers and veterinary medications. A fifth is the construction of one major nuclear reactor in Dhabaa on the North Coast, which is a site prepared some 30 years ago for a reactor that never happened—for reasons that nobody exactly knows.

## **Death by Privatization**

As for our experience with the IMF, there is a lot to say. The privatization process was indeed scandalous by any reasonable measures. Some of the privatized firms were closed once they were sold to foreign or Egyptian investors, in order to sell their properties to real-estate developers. The sale usually brought a hefty profit, part of which used to go to the government of-

FIGURE 1  
**Proposed Development Corridor**



*A key feature of a development program for Egypt is Dr. Farouk El-Baz's proposal for a development corridor, as seen in the map, along a superhighway west of the Nile, from the Mediterranean Sea to Lake Nasser.*

ficials who authorized the no-bid sale in the first place.

Important firms which were built with the sweat of a generation of Egyptians were soon turned into the bank accounts of a gang of investors, international banks, and corrupt officials. The steel firm of Alexandria, and textiles, fertilizer, cement, agriculture tractors, pharmaceutical, boilers, land reclamation, and construction companies were gone in a matter of a few years, followed with the major national banks. These were the firms about which we used to have national songs to inaugurate them in the 1960s. All the speeches about increasing the efficiency of these firms under the new private owners evaporated. The Egyptian banking sector was unable to participate in the sale of all this simply because it was sold itself.

The government of Atef Ubaid (1999-2004), who presided over the process of selling Egypt, accomplished the mission and received high marks in all the

annual reports of the IMF. Ubaid himself was appointed later as the head of a major bank (the Arab International Bank).

The Government Accountability Authority, an official arm, established to oversee the government performance, formed in the 1960s, issued a famous report stating bluntly that Egypt had not seen any prime minister as corrupt as Ubaid for a long time. (It was Ubaid who would later organize the transfer of the wealth of the Mubaraks and their cronies abroad, during the Egyptian uprising of Jan. 25.)

The picture at the end was very bleak, contrary to what is said in IMF annual reports. Two hundred and thirty-six major companies were sold, with a total price of EGP33 billion [\$5.5 billion], while the lower limit of their real value was estimated by a group of professors in the Egyptian university to be EGB290 billion [\$65.5 billion].

Twenty-seven textile factories were closed and sold to real-estate developers. The contract of selling the Bank of Alexandria was the subject of many complaints in Egypt at the time, but it was already signed. To make things worse, the government accepted to pay the compensation of the sacked workers, and for training the remaining labor force in these firms, and to pay the previous debts of the sold firms. The end result was that the net gain of the privatization process was almost nonexistent. What were left are thousands of workers without work (450,000), and new areas of luxurious villas built where we were building our country.

Our story with the IMF was not a happy one, and if we accept the cowardice of the academics, we will be doomed to repeat this sad story once again. We have a big place for international investment in projects that are essential to our country's ability to produce goods, and sustain life, and contribute to the prosperity of the world's population.

And I hope we will give no place to looters working on the basis of "f\*\*k and run." We have been f\*\*ked for so long now, and it is high time to stop for the sake of a prosperous and stable Middle East.

### **Egypt's Dream Crushed**

**EIR:** Who killed Egypt's dream? In the early 1980s, there were plans for nuclear power, for making Egypt a breadbasket for Africa and the Middle East; it was food self-sufficient at the time, full of promise. How did this dream get lost, and how did this betrayal



*Following the famous exchange of letters between President John F. Kennedy and President Gamal Abdel Nasser, there were negotiations between the two countries to build a chain of nuclear reactors. But the project was shelved when the 1967 Arab-Israeli War erupted.*

relate to the Egyptian revolution that is still going on?

**Egyptian:** I do not know who was directly responsible for killing the dream. I met Dr. Maher Abaza (see box) in Paris, in either late 1982 or early 1983, and he told me that “they crushed it.” By “it,” he was referring to his project to build a chain of nuclear power stations in Egypt. I pressed him to elaborate, but he did not want to do so.

What is certain, is that the U.S. offered to build several reactors in the 1970s, and the offer ended with serious negotiations to build a small 5-megawatt preliminary reactor, but it was fiercely opposed by Israel, for whatever reason, and the program never happened. I also believe that there were negotiations with the U.S. to build a chain of reactors during the 1960s, after the famous exchange of letters between President John F. Kennedy and President Gamal Abdel Nasser. But later, the project was shelved when the 1967 [Arab-Israeli] War erupted, and was followed with a period of tension in the relations between the two countries.

In 1992, Egypt revived the nuclear project, and signed a deal with Argentina to build a 22-MW reactor, but George H.W. Bush’s Administration made it clear to Cairo that the project was a no-go. Many conditions were put forward (and in fact, all met), but problems remained particularly in financing.

Egypt was one of the first countries to allocate resources to nuclear power, as was obvious with the establishment of the Nuclear Energy Administration in 1955. We had the first research reactor in the region (2 MW) from Russia that began in the 1950s, and went online in 1960 in Anchass, near Cairo. It was later upgraded and is still working today.

But this whole issue of nuclear power should be placed in the context of the overall aspiration to develop and industrialize the country. I simply do not believe that we were ever given the chance to do that during the 1960s, and did not have the determination later on, when the country was opened to the so-called international financial institutions. The turning point in the progress towards industrialization was the June 1967 War. That war was not about Israel and Palestine and the security of the maritime passages in the Red Sea, as it is commonly said. It was, in my view, about the role of Egypt in the region, viewed in the context of the Cold War.

In any case, it ended all industrialization aspirations, and in fact, it ended Nasser’s regime.

As for Dr. Wali’s efforts in land reclamation (see box), you will have to deal with the issue on social bases, not merely economic bases. By that I mean that turning the desert into green land is positive in itself, but it would mean little to the population of the country if it were done in the framework which Dr. Wali had

adopted, that is, giving large plots of land to a few investors and companies. The land was turned green by planting fruit trees exclusively for export to Europe. The seeds come from Europe, and the fruit is sent to Europe; then the money is deposited in European banks. All this was taking place in a tube that connects the importer and the exporter, with no result to the larger population.

This description is indeed over-simplified, I admit. Wheat and other crops were planted on some of the reclaimed land, and there was some degree of benefit to the larger population. But at the end of the day, these new ranches were far from the picture drawn outside. The new land used minimum labor, but this could have been much more positive to the overall economy if it were regulated.

The agriculture problem in Egypt requires a separate space to discuss, as it should be seen on different levels. The credit system, the irrigation technology, the availability of energy and transportation systems, and the type of ownership that exists now in the valley (which is based on owning small plots of land, hence preventing mass agriculture)—all these are issues to be looked at. But briefly, I think that while Dr. Wali's efforts were a positive step, it was emptied of any meaningful content with the fever of free trade and free market.

## The March Dialogue

*Less than a month after the ouster of President Mubarak, reports surfaced that Saudi forces were pouring huge amounts of money into Egypt, to build up Islamic fundamentalism in order to destabilize the country and to attempt to prevent a true republican direction for Egypt. The Saudi funding is especially directed to the Egyptian Salafis, who have been identified in violence against the Coptic Christians. Asked about these developments in March 2011, here is the reply:*

**Egyptian:** Under the category of fundamentalist organizations in Egypt, there are two main groups: the Muslim Brotherhood and the Salafi Group. The MB has been going through many internal pressures. On generational bases, it is divided into layers.

The first is the elders, who are now most of the members of the leading bodies. These are the guys who lived through the years of *Mehna*, i.e., the Tribulation of the '60s. They are generally conservative and emphasize the Islamization of society versus participating in the political life of Egypt.

The second layer is what is usually described as the '70s generation. These constitute the middle cadre of the organization (though some of them reached a higher rank). They are usually educated, adopt a mixture of the old doctrine of the organization, and a more open view.

## Who Killed the Egyptian Dream?

The two interviews excerpted here were published by *EIR*, Jan. 25, 1983. The first quote is from Maher Abaza, Egypt's then-Minister of Electricity, from an interview with *EIR*, conducted in Cairo, Dec. 17, 1982:

“At the end of the century, hydropower will be the source of 10-15% of energy; 10-15% will be gas-powered stations; 15% will be coal-powered stations; and 15% will be diesel-powered stations. The rest, which is 40%, we expect to be nuclear power stations. We do not want to have all our

eggs in one basket.”

Youssef Wali, Egypt's Agriculture Minister at the time, was asked about Egypt's plans for reclaiming the desert, and helping Sudan and all of Africa to develop agriculturally and into a “new Japan”:

“That's right. It is along the same lines that your magazine has written in its recent cover story: ‘Egypt's Fight To Become the Japan of the Middle East.’ I agree with that concept. It is a very smart approach to take. We have to fight, though, to become the new Japan. It is not an easy game. Our transformation into a new Japan will not be served to us on a golden platter. We will have to work hard; we must be organized; we will have to avoid mismanagement, to avoid corruption, to avoid miscommunication, to become the Japan of the Middle East. I agree 100% with your vision.”

They are active in professional unions (lawyers, engineers, doctors, etc.), and more popular than the traditional figures in the leadership.

A third layer was in the making before the recent uprising and gained many new members during and after the uprising. These newcomers are still not fully indoctrinated; they are now making a lot of noise about the undemocratic nature of the MB's organizational structure.

The other main Islamist group (the Salafis) is usually underestimated, but it is effective, and extremely backward. The Salafis did not participate in the uprising. Sheikh Ahmed Farid, one of the most prominent leaders of the group, explained this position by saying that democracy is un-Islamic, and it is also un-Islamic for boys and girls to demonstrate together. The group believes that Egyptian Copts should pay *Jizya* (an additional capitation tax paid by non-Muslims who live in Muslim societies). This group worked closely with the secret police (State Security) during the years of Mubarak, in order to confront the MBs.

The Salafis believe that the MBs are degrading Islam by working in politics. Some voices tend to dismiss the possibility of this group achieving a good rate of growth in the next few years. While this possibility depends mainly on what will happen in general, and in the economic sphere in particular, I think that this group should not be underestimated at all, especially in poor areas. As the road ahead will certainly go through many bumps and twists, a general atmosphere of heavy oppression and economic crisis may very well lead to a speedy advance of this group among desperate segments of the population.

The group is relatively small compared to the MBs; nonetheless, they are very active now among the bottom layers of the society, with some participation of disillusioned ex-members of the Muslim Brotherhood.

There are several other factors that contribute to the uncertainty, such as the remains of the National Democratic Party (NDP) of Mubarak and his businessmen thugs. Their operations room was divided into two parts. The Shafiq government, which was forced out shortly after the Jan. 25 protests, and the State Security forces, which collapsed after protesters burned their offices, and the new government had to freeze their activities.

These initial blows greatly weakened this camp, but it would be a big mistake to disregard this group. They

have been built up for over 30 years, and they exist in villages, administration, media, universities, and everywhere else. They are preparing to run in the next Parliamentary elections. If these elections are held in three or four months, they may win a good portion of the next Parliament. This is why some very influential figures call now for postponing the elections to perhaps next year.

The Supreme Military Council (SMC), which runs the country now, does not want to remain in power for long. These 19 generals have two objectives: to preserve the interests of the military in any future regime, and to hand the country to a regime that can provide stability. The interests of the military will be preserved in any new regime for the foreseeable future. But the second objective is a bit tricky. Stability can be achieved through a combination of a representative political structure which allows political forces to exercise their rights and implement the rule of law and a comprehensive development plan.

Egyptians now have a good idea about the political system they want, but the economic development plan is still subject to debate....

### **The Fight Has Just Begun**

What will happen next? The situation is very fluid. But what will happen will be certainly better than what was happening. Things are moving towards a Turkish model. But any model will be meaningless without comprehensive economic development in Egypt.

As for the fear that is being marketed in the international media that the MBs are coming, I will just say that they have always been there. They were very active, side-by-side with the Mubarak regime. This regime was unsustainable. Any other similar regime will be unsustainable as well. It is foolish to put the choice in the narrow equation of either another Mubarak or the MBs. Mubarak did not stop the growth of the organization.

The fight in Egypt has just begun. In similar fights during the '40s, the MBs always lost. They will eventually lose this time as well. It will take time, but this is the only way to defeat their line of thinking. But this fight will be miserably lost if its contents are debates and speeches. The only content that can play the decisive role in defeating all these backward ideas is a vast economic development in this corner of the world.