

tually given up its earlier peace momentum under Prime Minister Rabin, who has capitulated — for the time being— to the war hawks led by Defense Minister Peres. This, thinks Vance, is his ace-in-the-hole in dealing with Egypt.

But without emergency aid to Egypt and a workable plan to reconstruct the shattered Egyptian economy, there looms a very real possibility that Sadat, and his "Open Door" policy, may no longer be sitting atop Egypt by the time Vance leaves Washington.

## IMF Demands Could Trigger Egyptian Return to Nasser-Era Policy

Egypt, at the center of Middle East politics and finance is now on the verge of a social uprising unprecedented in the country's modern history. Veteran observers of the Egyptian scene are warning that last week's nationwide riots, provoked by the government's decision to implement International Monetary Fund demands to raise prices on vital commodities, are only the first shot in an explosion that could topple the pro-U.S. government of Anwar Sadat and-or bring Egypt back to the policies of its Nasser-era leadership of the Arab sector and the Third World. The same observers stress that it is the IMF itself which will light the fire on this powderkeg if it insists over the coming days that Sadat impose — in a cosmetically different form — a new set of austerity demands in return for badly needed credit from western capital markets.

The effect of the explosion has been to dramatically strengthen left and Nasserist forces in Egypt who support aligning Egypt with the European and Arab governments now moving rapidly toward creation of a new international monetary system based on gold and the Comecon Transferable Ruble as the new media of international exchange.

Former Planning Minister Ismail Sabri Abdallah, current head of the National Institute of Planning and member of the Nasserist National Progressive Union, called for a gold-based monetary system and blasted IMF Third World policy at an international conference of economists in Cairo earlier this month.

Following last week's outbreak of violence, National Progressive Union head Khaled Mohieddine told the Jan. 27 London *Times* that Egypt needs a "radical change," a "step-by-step" return to the policies of Nasser, and the strengthening of the role of the Soviet-built state sector in Egypt.

If Egypt does shift strongly into opposition to the IMF, this will doom the debt repayment strategy of Egypt's creditors, led by New York's Chase Manhattan bank. At the same time, because of the high stature of the late President Nasser among the non-aligned Third World nations, a shift back toward his policies is certain to catalyze rapid further steps toward a new framework for global economic relations.

On the other hand, should Sadat attempt to work out a new set of austerity arrangements with the IMF — plans for such a package are already being discussed — he is certain to face a repeat of last week's explosion. From all indications, last week's upsurge was well organized

and coordinated by a broad spectrum of left and Nasserist forces, notwithstanding the government's attempts to pin the blame on the Communists.

The consensus is that Sadat cannot survive such an explosion. His rule is already dangerously compromised in the wake of last week's use of the restive and deeply split army against demonstrators, an action so unpopular that *Al Ahram* itself printed an editorial declaring that the army must be used only for "national defense" and not against the population. Moreover, certain fundamental tenets of the Nasser years, including the primacy of national development and the maintenance of the living standards of the urban poor and working-class, are deeply held among the population. The declaration of the ending of subsidies was viewed by the Egyptian populace as virtually an act of treason against the 1952 "Egyptian Revolution" and everything it stands for.

The *Baltimore Sun* reports that Sadat, after intensive consultations with his closest advisers, has been on the verge of unveiling an "action program" for the economy, but that this has now been reduced to a series of homilies about what the government will *not* do. For the time being, the *Sun* states, Sadat is withholding *any* statement on the economy, further "disappointing" the population. An informed Washington source recently returned from Cairo expects Sadat to reverse his "open door policy" and replace it with a "closed door policy," a siege, austerity economy "independent" of the IMF and dependent on friends from the Gulf States. But this approach will tap the same anti-austerity rage demonstrated in last week's riots.

The Egyptian left-Nasserist forces have received support from both Western European and socialist sector forces. West Germany's *Frankfurter Rundschau*, which had earlier identified European technological assistance to build up the Egyptian "labor force and infrastructure" as the means to resolving the collapse of the Egyptian economy, on Jan. 24 identified the 1956 Suez crisis as one of Europe's landmark "mistakes" in dealing with the Arab world. The *Rundschau* demanded a sweeping policy re-orientation for the coming year. France's *Le Figaro* warned Jan. 24 of the ominous parallels between the current situation in Egypt and the 1954-56 period, when U.S. economic pressure resulted in the disastrous French-British confrontation with Egypt. This time around, *Le Figaro* urged, Egypt needs massive economic aid, without conditions.

The Soviets, for their part, have praised Nasser's "principled approach" in resisting John Foster Dulles' "economic dictates," and have identified the Egyptian industrialization policy which characterized Egyptian-Soviet ties under Nasser as the only legitimate process for the repayment of debt. A Jan. 26 *Pravda* commentary itemized the content of IMF arm-twisting of Egypt, and concluded that it is "unacceptable for Egypt in the present period, above all for political considerations" to give in to the IMF.

Unexpected, tight coordination of Nasserist-leftist cells was sharply in evidence in last week's demonstrations. With near-military precision, demonstrators in the key urban centers and several working-class suburbs simultaneously initiated mass action, chanting identical praise of Nasser and criticizing the current regime. These Nasserist networks, it is reliably reported, extend to the highest echelons of the Egyptian military, including the General Staff level.

The general population is heavily armed with material left over from old Arab-Israeli war stocks. According to *Events* magazine, 1200 heavy machine-guns were uncovered by authorities in one Egyptian village. Other sources report that there are whole regions in Egypt that are outside of Sadat's effective control.

#### *Concessions to Leftists*

Sadat has already made significant political concessions to Egyptian nationalist and leftist factions. Jan. 26, his brother-in-law, Mahmoud Abu Wafieh, was removed from his post as Secretary-General of the Arab Socialist Union. On the same day, Amin Hafez, attacked by the Soviets earlier this month for his close ties to the CIA, resigned from his post as Deputy Secretary-General of the Arab Socialist Union.

According to the Jan. 28 *Le Monde*, Egyptian Prime Minister Mamdouh Salem, the original architect of Sadat's "Open Door," is likely to resign in the near future. Lending greater credence to this possibility, the Italian Communist Party paper *Unita* the same day reported that Sadat is now viewing his Open Door policy as a disaster and is seriously considering reversing it.

Throughout the week, Sadat has come close to disavowing a campaign emanating from his own Interior Ministry, from right-wing religious circles, and from the editorial board of the daily *Al Akhbar* that has called for a national witch-hunt against "Communists" for allegedly leading the riots. Last weekend, Sadat told a Norwegian television audience, in comments picked up by West Germany's *Frankfurter Rundschau*, that it was not Communists who are to blame for the unrest, but rather Egypt's lack of agricultural output, industrial investment, and housing. Similar comments, with a less explicit appeal for aid in industrializing Egypt, were made in an interview Jan. 25 with France's *Le Monde*.

#### *IMF Hard-Line*

Although expressing awareness of Sadat's plight, the IMF is set on a no-compromise path of imposing harsh austerity policies in the Third World; Egypt, the IMF has made clear, is to be no exception.

Sadat received first-hand verification of this reality earlier this week when the IMF refused to meet Egyptian requests for a — pathetic in the circumstances — four-year 41 billion aid package. The refusal, embarrassingly for Sadat, followed reports in the semi-official *Al Akhbar*

newspaper that a visiting high-level IMF delegation was already committed to lending Egypt the money. Sadat had prepared an address to an expectant population for Jan. 27 on the basis of the hoped-for momentum created by the loan acquisition.

But in the actual IMF-Egyptian Economic Ministry negotiations, the Jan. 26 London *Times* reported, IMF delegation head John Gunter went no further than "appreciating" Egypt's economic plight and adamantly refused to confirm reports that the loan had gone through. The same night, Sadat cancelled his address to the nation, further discrediting his already shell-shocked regime.

The pro-IMF faction within Sadat's own corps of advisors is liberally represented in the government after the November-December formation of a new Cabinet. Its leader is Deputy-Premier Abdel-Moneim Kaissouny, whose pro-IMF proclivities had to be tightly reigned in by Nasser during his years of service under the late President in the latter 1950s.

Kaissouny at this moment is still fully committed to all the essential points of the IMF restructuring program. This week, in fact, he reached an accord with Gunter for the ending of Egypt's two-tier currency system. The new "single currency" system, the Jan. 25 *Financial Times* of London pointed out, would include cuts in "import subsidies." If ratified by Sadat, this agreement will provoke a replay of last weeks' riots, likely on a higher order of intensity.

The Jan. 26 *Journal of Commerce* reported that this and related measures are expected to go into effect by March 31 and that a meeting of Egypt's creditors, led by Chase Manhattan, that had been due to meet in March to "review" Egypt's economy, has now been postponed until April, after the "reforms" are already in place.

The IMF also has the support of factions and agents within Egypt who are linked to right-wing international intelligence networks of the Rockefellers. The same writers in *Akhbar*, who have been supporting IMF-style labor-intensive projects in Egypt, twin brothers Mustapha and Ali Amin, are now calling for a nationwide repression campaign against the left. Their calls have been echoed by members of the deeply-split *Al Akhbar* editorial board. Acting virtually autonomously, the Interior Ministry has in fact initiated a crackdown against Egyptian Communist Party, Egyptian Communist Labor Party, and other leftist cells, which has received blaring front-page play in the Egyptian press, even though it is widely recognized as diversion from the real sources of last week's protests.

Ordinarily, it would be expected that these rightists would be funded and mobilized by the Saudis and other Gulf states. This is likely the case now as in the past.

But a major question in the present international climate is whether a faction within Saudi Arabia, in order to stabilize Egypt, will wink at and even covertly encourage a minimal resurgence of Nasserist sentiment in Egypt. This possibility is suggested by reports that there is growing factionalization within the Saudi ruling family on the question of considering opening up diplomatic relations with the Soviet Union.

In the present circumstances, the IMF pressure may prove to be the final straw pushing Egypt of Euro-Arab monetary initiatives.