

Soviets Analyze Egyptian Events: The Issue Is Industrialization

The Soviet Union was quick to respond officially to widespread reports in the West that underground communists were being blamed for the large demonstrations and clashes in Egypt last week. *Pravda* Jan. 22 carried an analysis by A. Vasilev of the "social roots" of the Egyptian crisis. The Soviet writer's observation was that such unrest is the lawful outcome of economic policies which prevent expansion of industrial investment in a country. In the case of Egypt, this is what the government's "Open Door" policy for the attraction of Western capital has done. Vasilev elaborated:

"It must be said first off, that the "open door" policy has as yet been unable in fact to attract any significant private capital investments, although a few state loans have been obtained. According to Ministry of Economics data, orders have been approved for approximately 400 million Egyptian pounds from private means, for 285 projects. But only one twentieth have been implemented."

Foreign banks have set up shop in Cairo:

"But they have not made a single major investment either. They merely seized the majority of monetary operations in the country."

Vasilev specified the World Bank (IBRD) as the chief culprit, leading the way in looting the Egyptian economy through loans with political strings attached. He detailed subsequent increasing demands from "foreign private capital", the devaluation of the Egyptian pound, and alterations in domestic labor and taxation policies. *Pravda* emphasized Egypt's deteriorated trade balance and its burgeoning debt to the West.

The Soviet paper addressed the issue of Egyptian debt to the Soviet Union as well, something much hue and cry has been raised about in Western publications. In this case too, industrialization is the issue:

"Egypt repays credits extended by the USSR by deliveries of its goods. Trade Minister Taufik has stated that if economic relations with the Soviet Union were disrupted, 300,000 people in Egypt would be out of work. Soviet-Egyptian cooperation projects help the growth of production in key branches of the economy, where foreign capital — private or state — does not want to go. It is important to note that all the facilities built with USSR aid are entirely the property of Egypt."

Pravda observed that the open unrest of the population is not the only manifestation of World Bank and IMF policies in Egypt. "...a part of the Egyptian national bourgeoisie has felt infringed upon and demanded changes in the "open door" policy. The reason for this is that the liberalization has been mainly to the advantage of speculators and parasitical circles."

Further indication of the kind of pressure the Soviet Union is applying to Anwar Sadat's government came in the weekly *Literaturnaya Gazeta* on Jan. 19. The paper lambasted Sadat's toying with the question of peace in the Middle East by priding himself on being party to the

"step-by-step" Sinai agreement of Henry Kissinger. *Literaturnaya Gazeta* pointed out that Egypt today faces a challenge similar to that Gamel Nasser faced 20 years ago:

"Just as during the Suez crisis, when the U.S., attempting to exert political pressure on President Nasser, negotiated about 'step-by-step financing' of the Aswan dam, so today Egypt is dealing with a tactic pursuing the same goal: to drag the country into the orbit of Western policies and force degrading conditions of peace with Israel on it and prevent its cooperation with the socialist countries..."

The Observer:

"The Shadow of Revolution Lay Over Egypt"

The following is excerpted from an article written from Cairo by Gavin Young of the British daily, The Observer which appeared Jan. 23.

The long-suffering poor of Egypt last week rose up and shook President Sadat's bourgeois society until its teeth rattled.

The shadow of revolution lay over Egypt for at least two days. Things were quiet here yesterday, but it was the strange quiet that follows the bursting of a bomb... Police say they have seized a plan, drawn up by a secret organization called the "Communist Labor Party" to burn down Cairo and various installations. The Government is inveighing against "an organised Communist campaign of sabotage and destruction"... If the communists continue to be blamed for this popular revolt, they will reap much undeserved benefit. The people will congratulate them. Sadat is now huddled with his advisers. He may make a public statement today or tomorrow. If he continues to blame the Communists without recognizing the real social discontent, the future for Egypt will be perilously unsettled.

Events:

Egypt's Deep Social Problems Must Be Solved

The following is excerpted from an article in the latest issue of the Lebanese magazine Events.

...One of the major problems is the amount of weaponry spread amongst the general Egyptian population. Police and security services are using outdated inefficient equipment while rival gangs have some of the best light weaponry on the market. These armaments have been dispersed during Egypt's recent wars... The Egyptian government is urgently discussing possible solutions to the situation, but it is doubtful

whether a mere tightening of security will be sufficient. There is obviously a need for solutions to deep social problems. Egypt's new democracy will not survive if people cannot live without a shadow of fear hanging over them.

Another article in Events titled "Egypt: on the brink of a disastrous explosion," states that "What happened in Egypt last week is a totally different matter. It is no longer a question of letting off steam or sporadic anger. This time it is tantamount to a national revolt; a revolt against the way in which Egypt is being run, and the price Egyptians are having to pay to make ends meet... Egypt has an ever-increasing left-wing force that is flourishing in the present atmosphere of discontent.

Baltimore Sun:

Sadat on the Defensive

The following is excerpted from an article written from Cairo in the Baltimore Sun of Jan. 27.

President Anwar Sadat's attempts to recover the political momentum after last week's food riots here appear to be faltering badly.

The president and his advisers have not been able to put together a new economic strategy, and Mr. Sadat was forced to cancel an already much delayed address to nation last night to give him more time to develop a new program.

Earlier he yielded to demands that his brother-in-law Mahmoud Abu Wafieh be fired as secretary general of the centrist Arab Socialist party — the first political casualty of the riots. Government authorities, meanwhile, have expanded their charges that alleged Communists and other leftists were responsible for inciting many of the disturbances, which spread throughout the country after the government increased prices of food and other basic commodities.... But the crackdown on the suspected Communists and other leftists, though many were undoubtedly involved in the three days of disturbances, is viewed by many Egyptian and foreign political observers here as an effort to divert attention from the government's failure so far to redress the basic grievances of the poor workers and peasants except to suspend the austerity program and price increases.

President Sadat held lengthy consultations over the weekend with top advisers and government officials, but the only concrete decisions emerging from them — no new austerity measures that would make poor poorer and no reduction of the new political freedom here — were anticipated.

What Egyptians are waiting for now is what one newspaper columnist called "an action program," but Sadat's options are limited.

Economically, his only hope of salvaging his five-year development program which would have brought Egypt to the brink of real growth is large infusions of cash most probably from Saudi Arabia and other oil-rich Arab countries, but so far he has only promises of more aid — and rather under strict conditions being insisted upon by the IMF...

The following is excerpted from Le Figaro, Jan. 24:

History always repeats itself in a certain way. In Cairo today, people have the impression they are back in 1954, '55, '56 when John Foster Dulles was enough of a bad politician to refuse the arms and money the young Nasser was requesting. Nasser was only a petit-bourgeois nationalist. He had forewarned the U.S. ambassadors of his coup d'état intentions. He did not want to make a revolution. But Dulles forced him to call on the Soviets. Today, if the Western world does not understand Sadat's desperate appeals, Egypt may once again tip over to the other side. Nasser had been able to turn to Moscow. Sadat will refuse to do so, but he will be swept away by some unknown figure, much more dangerous than Nasser ever was. Let us not forget either that Sadat is the man of peace in the Middle East.

The rich Gulf countries seem to have understood the situation. Saudi Arabia's King Khalid has informed Sadat that he could count on him. Sadat needs \$20 billion over the coming five years. He has been saying so for three years...

Khaled Mohieddine Calls for Return to Policy of Nasser

Following is a Jan. 27 interview with National Progressive Union Party head Khaled Mohieddine.

The present regime is in need of a radical change. If President Sadat does not take a lesson from the events of Jan. 18 and 19, it will be very bad for the future of Egypt.

The real meaning of the troubles is that the present government policy has failed. We have to go back step-by-step to the policy of Gamal Abdel Nasser. The gap between rich and poor is increasing and at present there is no possibility of economic development or social justice in Egypt...

We should stop trying to liberalize the economy. The role of the state has got to increase, not diminish. In any underdeveloped country, there is no chance for the people to progress unless the role of the state in supervising the economy is strengthened. Last week showed the failure of the Government's policies.

No one knows who's responsible, but it was not the left. The government knows that very well. They are not trying to find the cause of the problem.

The Generals Are Very Dissatisfied With Sadat

The following is a Jan. 27 interview with a former U.S. State Department official in Middle East affairs.

Q: Two months ago, you said that Egyptian President Sadat will have serious problems with the army if unrest broke out among the population. What is your evaluation for the present situation?

A: The Egyptian situation has followed a terrible trend for many years. If the International Monetary Fund decides to push its austerity programs, the country will have to pay the price. The country's collapse will be imminent, and I mean the country's collapse, not Sadat's government.

Q: What about the army; you always seem to believe that the army will overthrow Sadat?

A: I was very surprised that Sadat handled the situation so well with the Security Forces. When I learned that the Security Forces were engaged in battles with the demonstrators, I was positive that was the end of him.

Q: What is the exact opposition to Sadat from the army?

A: As I told you before, there is a great split among the generals in the Security Forces. They are very dissatisfied with Sadat's policies, because they have lost their bargaining power with the Saudis and the IMF. Before Sadat's moves towards the West, the Egyptian army always had the upper hand in Middle East politics, and especially towards Saudi Arabia. From the time that Sadat decided to go along with Kissinger, the Saudis have had Egypt in their pocket. The only bargaining position that Egypt has now is its imminent collapse.

"Sadat Needs External Aid"

The following is a Jan. 27 interview with a professor from the Georgetown University who was a recent visitor to Cairo.

Q: What is next for Egypt?

A: In my estimation, Sadat must work towards a comprehensive program, which will be called a "closed-door-policy" against higher prices. Sadat must now think about a very strategic program as to how he will get external aid. I don't think that he has any more hopes with the IMF; I think his direction will be towards the Arab oil producing countries, but the key country is Saudi Arabia. The question is, are the Saudis ready to bail him out.

Chase Manhattan:

"The Riots Were More Intense Than Anybody Expected"

The following is a Jan. 27 interview with a highly-placed Middle East officer with the Chase Manhattan bank.

Q: Where do things go from here in Egypt?

A: It all depends on what potential lenders to Egypt are going to do. Sadat's room to maneuver has been sorely restricted; the riots were more intense than anybody expected; they were general throughout the country. He will have to put off price rises for a while. Maybe this whole episode has convinced the IMF that he needs help. There is an unconfirmed report that the IMF has lent Egypt money. But Sadat has to do something other than raise prices. What he can do I just don't know. Something has got to give. We have to see if the Gulf States will give him money; this is likely. The Saudis have a lot to lose from a radical takeover. In fact, I could never understand why the Saudis didn't give him more money. Sadat is trying to get the message across.

Q: Do you think this week will lead to a possible moratorium, or rescheduling on debt?

A: Efforts to try to reschedule the debt have so far not been successful, and strangely, this talk has dropped off. It's awfully tight. And what bothers me is how spontaneous the riots were throughout the country.

Q: Do you think Carter is now going to funnel aid into Egypt?

A: I don't look for much from the Carter Administration. Possibilities do exist however from the Gulf countries. It's got to be another \$1 billion at least for Sadat for the short term; he is going to need \$2 billion.

Europe, Arabs, Comecon Seek New Monetary System

The meeting of the Euro-Arab Dialogue, scheduled to convene in Tunis on Feb. 10, will launch "a new period of achievement," in the words of *Events* magazine. The meeting's focus will be economic co-development and it will climax a whole series of meetings and initiatives which have been taking place between Arab, European, and Soviet representatives to clear the way for a new monetary system.

Reflecting the growing momentum away from the dollar, former Egyptian Planning Minister Ismail Sabri Abdalla, currently the director of Egypt's National Planning Institute, issued a call this week for a new monetary system linked to gold, to replace the International Monetary Fund and World Bank, issuing long-term credits for the developing sector. Saudi Arabian King Khalid, in direct opposition to the pro-U.S. faction around Prince Fahd, issued unprecedented recognition this week of the Soviet Union's support for the Arab world, noting that "we cannot ignore" the Soviet Union's greatness.

Khaled's statements (see below) coincides with Soviet overtures to Iraq, Algeria, and Libya to associate themselves with the USSR and Comecon to form a progressive cartel "because OPEC today is being subjected to pressure and trends from within that are not acceptable to the organization's progressive measures." In addition, Kuwait will make an announcement in the near future on its plans to purchase several hundred million dollars worth of arms from the Soviet Union, a deal that is receiving the backing of the Saudis.

Meanwhile, ties between the Arab World and Western Europe are strengthening. Italy's state-owned oil company ENI is in the process of creating a branch company especially designed for comprehensive trade arrangements with the Arabs and Eastern Europe, and recently signed a contract to build chemical fertilizer plants in Saudi Arabia. As part of Italy's drive to broaden ties with the oil-producing states, Montedison representative Ratti arrived this week in Saudi Arabia, to be followed soon by Foreign Trade Minister Ossola.