

Middle East Report by Judith Wyer

Will the U.S. lose Egypt to the IMF?

The actions of the Fund and the Eximbank are the most effective way to destroy an ally.

The U.S. Export-Import Bank dealt Egypt a blow in August when it rejected requests for credit from two American firms interested in building Egypt's first nuclear energy plant. The Eximbank's stated reason: Egypt is uncreditworthy. Eximbank went so far as to cable export credit agencies around the world, warning them that Egypt was "a bad risk."

Exim's actions are tantamount to sabotage. They imperil not only Egypt's energy program, but Egypt's relations with the United States. Without a quantum leap in domestic energy production, Egypt's economic problems will soon overwhelm the pro-American government of President Hosni Mubarak.

Eximbank's duplicity in dealing with Egypt is underscored by its new love affair with Khomeini's Iran following Teheran's repayment of almost half a billion dollars in back debt. Eximbank is putting out the line that Iran's honoring of its debts "offsets" Mexico's and Brazil's late payments and will probably make a new hike in U.S. interest rates unnecessary.

The International Monetary Fund is working with Eximbank to break Egypt. Following annual talks with Egyptian officials at the beginning of August, an IMF team left Cairo claiming that, in order to receive up to a \$300 IMF loan, Egypt is softening its resistance to imposing of the IMF economic austerity measures.

Since the bloody food riots of January 1977, sparked after the Cairo

government agreed to IMF demands to cut subsidies on food, Egypt has been one of the most forthright opponents of the IMF. Now, with a marked downturn in foreign exchange earnings, and a worsening balance of payments deficit, Egypt is edging toward a financial crisis which is like that which preceded the 1977 riots.

Egypt's foreign exchange earnings in oil, foreign worker remittances, and Suez canal transit fees are falling. Over the past 12 months, the debt has climbed from \$14 billion to \$17 billion; banking sources in London anticipate that Cairo will have no choice but to accept the conditionalities of the IMF, as it did in the early 1970s.

Then, as now, Egypt is being forced to borrow short term to finance vital food imports and manage its balance of payments. This year Egypt's foreign food import bill is expected to be upwards of \$5 billion and the cost of subsidies over \$2 billion. The IMF is demanding that the Mubarak government slash such expenditures in order to balance its books, no matter what the political consequences. Since taking office in 1981, Mubarak has repeatedly affirmed that he will not adhere to such demands.

Mubarak continues to uphold his stated policy that Egypt's economy is his number one priority, and he is currently crafting a foreign policy aimed at preventing a replay of 1977. His strategy is to strengthen economic ties with not only Western Europe and Ja-

pan, but also the Soviet Union.

A well-placed Egyptian official recently revealed that Cairo is becoming increasingly concerned about the policy of the U.S. State Department's Agency for International Development (AID), a close collaborator of the IMF, toward Egypt. Recently Cairo approached the United States with a proposal that U.S. markets be opened to Egyptian exports in order to begin to cut the massive trade deficit Egypt has consistently run with the United States. But the AID office reportedly intervened and smashed the proposal. Egypt is now on a drive to find new export markets in order to increase its foreign exchange earnings.

Both the minister of State for Foreign Affairs, Butros Ghali, and the Egyptian foreign minister, Hassan Ali, have reaffirmed that Egypt will soon reopen relations with Moscow. The planned exchange of diplomats between Cairo and Washington is motivated not only by Mubarak's desire to appear more non-aligned, not an exclusive ally of the United States. It is also motivated by Egypt's need for the economic benefits that would accrue from renewed relations with the U.S.S.R. In recent weeks, Moscow and Cairo have signed new economic and trade protocols in anticipation of reestablishing formal relations.

Washington's refusal to heed Mubarak's repeated request that Egypt's \$1 billion a year in U.S. aid be used for industrial development is a crucial reason that America's strongest Arab ally is now looking elsewhere for new partnerships, including the Comecon. At this point, Egypt has no choice. Repayments on loans for food imports have reportedly begun to come in late, and certain continental European banks are attempting to sell Egyptian debt, for fear that eventually Cairo will not be able to pay.