a 35-day delay on short-term loans."

Rockefeller answered that "due to Egypt's conditions, I do not believe the private sector could raise in a consortium more than $200-300 million in short-term loans. The one thing I can't do is promise you something I cannot deliver on. Mr. President, you need advice by experts in the international arena. Officials at the World Bank and the IMF are what you need." Rockefeller then presented Sadat with a personal message from Israeli Defense Minister Shimon Peres, whom Rockefeller visited in Israel during his own private March Mideast shuttle. The message read, "You can assure him that he will have no problems on our part militarily. We will not provoke and we would want dialogue."

In Israel, Peres pleaded with Rockefeller to marshal the international community in defence of the Sadat regime.

Arriving back in the U.S., Rockefeller wrote Sadat on March 15 that "you may rest assured that I will help you within the limits of my ability to do so. I have had talks upon my return with Henry (Kissinger), Bill Simon, Bob McNamara and several others." Rockefeller implied that he was putting a special assistant on the Egyptian case. He concluded by noting that "Nelson and Happy" were about to take a "quick trip" but "regretted" that they would not stop in Egypt.

(It is interesting that the Egyptian magazine Rose el-Youssef has recently claimed that on April 3, 1976, Simon Treasury assistant Edwin Yeo told the Detroit Economic Club that the current Egyptian leadership was "not qualified" to carry out necessary economic reforms. The magazine identified the Yeo speech as part of a U.S. "billionaires' plot" to "overthrow our regime.")

Soon afterward, a confidential memo was passed through the Chase executive strata by a leading CIA Middle East veteran, who concluded that although Sadat's position was "fairly solid," the economic situation "is the key to the problem," with the IMF "fairly optimistic that by 1982 Egypt will be out of its worst period." The "prognostication," the note stressed, is "that if Sadat were to be assassinated, he would be replaced by someone of similar beliefs, except that he would probably be neutralistic and less pro-American. The American love affair is strictly Sadat's and will disappear when he does." Finally, the note stressed the "short-run danger" of a military coup by "senior Egyptian officers" if it became apparent after the U.S. elections that Sadat had been ' "had' by the Americans."

By autumn, 1976, the Suter report was completed, and in October David Rockefeller returned to Cairo, Shortly after he left, a London Financial Times piece datelined Cairo leaked the fundamentals of the Suter report and estimated that floating Egypt's pound, while creating "immense problems, "would probably have the greatest single impact of anything the Egyptian government could do to attract foreign investment." The Times noted that the Suter report attacked Egypt's Foreign Investment Authority for failing to do this, but welcomed the recent Kaissouny appointment as "encouraging the possibilities of implementation." Rockefeller, the Times reported, utilized the Suter report to put pressure on Sadat to make the necessary changes. "Since the report was presented to Sadat," the paper continued, "Egypt's Cabinet has been re-shuffled in a way which indicates that the President will respond to some of the recommendations as best he can." The Kaissouny appointment itself and "persuasion" to get him to take the post were attributed to "American influence."

A knowledgeable British source in November reported that Kaissouny returned to Egyptian official life only because he was promised a "free hand" to use his "extensive network worldwide of personal high-level business and financial contacts" in order to "re-structure the financial and economic system of the country." Confirming widespread suspicions, the source commented that "his appointment was hastened, if not actually instigated, by a confidential report by Chase Manhattan Bank for the Egypt-U.S. Business Council that severely criticised virtually every phase of Egypt's investment and monetary operation and organization."

Iraq: A Centralized Economy Breaks Out Of An Oil Siege

IRAQ

Despite its status as a nation under siege by Rockefeller oil companies, of all Mideast countries which possess petrodollars, Iraq has emerged as the only country which has followed a national development strategy according to plan. Unlike Saudi Arabia and other oil-rich countries, contracts signed by Iraq for development projects, are not cancelled.

The Iraqi government under President Ahmed Hassan al-Bakr and Vice Chairman Saddam Hussein have centralized the economy and maximized the reinvestment potential of Iraq's oil resources. They have succeeded in upgrading the population's skills and the economy through education, mechanized agriculture, improved infrastructure, with a firm foundation in heavy petrochemical and other industries.

The Iraqis received crucial support from Japanese, Italian, French and other Western European corporations and governments, along with the close cooperation of the Soviet Union. U.S. industry has followed, to its own loss, the advice of the New York banking community against investment in what they term the "totalitarian" Iraqi economy. The European and Japanese have recognized the efficiency of dealing with a centralized economic planning body in a developing nation and today stand in a far better position to benefit from Iraq's oil, gas and agricultural riches.

Open Oil War

The political downgrading of Iraqi oil development potential escalated after the 1973 war, but dates from the 1960s. During that period, of a world oil glut, Exxon, Mobil and Shell (which held 47.5 percent of the Iraq Petroleum Company (IPC) and controlled most of the country's production) deliberately held down production to favor the
Venezuelan concessions. Iraqi production was cut to lower the world sales potential of the British and French national companies, British Petroleum and Compagnie Français des Petroles, which held the other 47.5 percent of IPC. Due to suppression of exploration data, Iraq's total reserves have been consistently estimated at the 1960s figure of a mere 40 billion barrels. Recent authoritative reports suggest the real figure is close to or surpasses the Saudi Arabian figure of 150 billion barrels.

In 1968, then State Department Director of Fuels and Energy, James Akins revealed that not only was there "no new investment" in Iraqi oil production but there was in fact substantial "disinvestment." He reported that as much oil as possible was being taken out of the country without any investment whatsoever.

This situation led directly to the Iraqi government's nationalization of the IPC in 1972, which was settled with compensation to involved companies in early 1973. During the 1973 war, however, the Iraqis singled out Exxon and Mobil for expropriation without compensation for their remaining holdings in the Basrah fields because of their continued limits on production. To force Iraq to rejoin the Exxon-Mobil sales network, Rockefeller subjected Iraq to open warfare. The resultant financial drain was intended to produce either social crisis or Iraqi borrowing on the Eurodollar market, a policy of dependency which Iraq has always eschewed.

From late 1973, the Iraqi government has dealt with the CIA's "Kurdish rebellion" directed by U.S. Ambassador Richard Helms in Teheran. Iraqi oil flow through the key Kirkuk pipeline through Kurdistan was slashed by 40 percent forcing the government to begin construction on two entirely new pipelines.

Syria, under Washington-New York promptings, sharply reduced the flow of water to Iraq from the Euphrates River in early 1974. This resulted in the shutdown of farm production and close to a 20 percent drop in agricultural output during 1974-75.

Exxon and Mobil refused to either market Iraqi oil or allow other companies to do so in markets where they had the leverage, closing Iraq out of 40 percent of the world industrial market. In the same vein, West German, Japanese, and other corporations and governments were directly pressured not to sell industrial goods to Iraq or engage in Iraqi development projects, oil industry sources report.

Some quantifiable effects of this pressure on Iraq's economy have been:

*Severe rise in expenditures on food imports in the fourth quarter 1975 after two consecutive harvests hit by the Euphrates diversion (Table 1)

*Flattened oil production at 2 mbd in 1974-75 compared to present rising capacity at 3 mbd, and a severe fall in production during the first half of 1976 to 1.1 mbd. Production averaged 2 mbd for 1976 as a whole, compared to a planned 3 mbd 1976 output, which cost the country some $5 billion in losses of expected revenues towards its 1976-80 development plan.

* Drain of foreign exchange reserves from $3.3 billion in the fourth quarter of 1974 to $2.4 billion in the first quarter of 1976 (Table 1).

Table 1— Iraq: Basic Trade Statistics

	1973	1974	1975				1976		
			I	II	III	IV	I	II	III
IMPORTS (MILLIONS OF DINARS)	270.3	700.1	115.5	217.6	212.4	699.3	111.0	204.3	224.7
EXPORTS (MILLIONS OF DINARS)	653.6	2,059.4	552.2	625.0	652.8	666.8	597.2	489.4	685.4
BALANCE OF TRADE (MILLIONS OF DINARS)	423.3	1,359.3	436.7	407.4	440.4	- 32.5	486.2	277.1	460.7
RESERVES (MILLIONS US DOLLARS)	$1,553.1	3,273.2	2,910.6	2,593.9	2,403.4	2,727.3	2,364.9	2,883.5	3,409.7

Development Deals

The result has been to force the Iraqi government to fight even more rigorously for oil markets based on superior, *long-term* stable oil contracts on a government-to-government basis with Europe and Japan.

In 1974, Japan granted Iraq a $1 billion long-term credit for an oil for plant and equipment barter deal, and locked up 9 million tons of Iraqi crude, Japan's first major oil deal independent of the Exxon-Mobil companies.

When Iraq was forced to arrange its first Eurodollar standby credit of $500 million after the late 1975 drain in reserves, the Japanese government began negotiations for another $1 billion credit. Iraq never took up the Eurocredit. Iraqi-Japanese deals in the works total $4 billion, for the construction of liquefied petroleum gas plants, thermal power stations, desalinization plants, petrochemical plants, and other heavy industry in Iraq.

After the 1972-73 nationalizations, the USSR's Techneport helped Iraq's major capacity expansion from 2 mbd to 3 mbd, including the expansion of the Rumalia fields from 200,000 bpd to 1 mbd.

Iraq's two new pipelines were Italian and French built. In only 22 months to December 1975, the Iraqis and ENI of Italy built a reversible flow "strategic pipeline" 810 kilometers long from the southern Persian Gulf to the Mediterranean with 1 mbd capacity.

Iraq and the French consortium Entrepose meanwhile completed at similar breakneck speed the Iraq-Turkey pipeline, with over 1 mbd capacity, which opened in January, and connects with the reversible line.

Iraq has allocated $1.32 billion for agricultural development and irrigation projects in the 1977 budget; approximately $9 billion has been allocated for 1976-80.

This figure was calculated on the basis of a sustained oil price of $12 a barrel, but because of shortfalls in production due to political sabotage, Iraq has become a net food importer. Iraq is focussing its effort to improve yields and production by working major long-term problems of water logging and salination of the once-fertile Euphrates-Tigris basin and the Basrah delta area. The intended Five Year Plan, now delayed for a year due to uncertainties in oil revenues, was aimed at increasing cultivated areas from 10 million acres to 12 million, a 20 percent increase. Wheat production in 1976 reached 1.3 million metric tons, a huge 40 percent increase over 1975, mainly by the regulation of the major rivers previously being tampered with by Syria.

Infrastructure

The second major investment area is infrastructure which will get an even bigger boost, Saddam Hussein announced last November. Iraq will hold back from heavy industrial development, Hussein reported. Instead housing, electric power capacity, transportation, bridges, and communications will get new investment. In 1976 plans were to increase the national generating capacity from 1,181 megawatts to 3,500 megawatts by 1980, a tripling of capacity. A contract signed December 1976 with Mitsubishi to build a giant thermopower plant near Basrah will provide 800,000 kilowatts. This "crash program," said Sabah Kachachi, Director General of the Industrial Department of the Japanese Ministry of Planning, "has the same potential as the TVA program in the states during the Thirties."

Increased utilization of the rivers for transportation will be greatly helped by the dredging, widening, and deepening of 1,200 kilometers length of river. There are also plans to turn the Tigris River into a major route for heavy barges carrying goods now off-landing at the Gulf ports. A new navigation canal in Basrah will cut through a river connecting Hammer Marsh with Khor Zabair through the Persian Gulf, shortening the distance from Basrah to the Gulf by 180 kilometers. The same project will provide irrigation water to revive the once fertile delta area.

Approximately 223,750 one-family units will be built over four years for both rural and urban areas, 68,750 more a year than the long-term 1976-80 plans had intended.

Industry

Iraqi planners have steered away from heavy industrial projects for the immediate future due to manpower shortages and a general underdeveloped population. Last year Iraqi planners were talking of heavy industrial investment at the same time as oil production was plummeting. Then in May, 1976 five heads of ministries, including the Minister for Industry and Housing and the Planning Minister, were replaced and new posts were created for Public Works, Housing and Labour, and Social Affairs, indicating a major shift in government emphasis for the 1976-80 plans. While news has been made public that the industrial development budget for 1976-80 will be around $15 billion, it may be an exaggerated figure. Indeed for 1977, it is $3.384 billion.

Existing industry in Iraq is mainly based in construction. Cement output fell behind during the construction boom of 1974-76, but it is now being geared up so that cement production by 1980 will rise to 7.2 million tons a year to meet the needs of increased educational and health facilities and housing. Consumption is expected to be steady at 5 million tons, leaving 2 million tons for export. For all other construction production materials, Iraq must import metal parts and is also importing semi-automated and automatic machinery. The "Caterpillar" tractor is now a household word throughout the country.

The other major industrial area aside from petroleum is textiles. Using locally produced wool and synthetic fibres plans are to be self sufficient in clothing material. Presently textile and hosiery production provide 14 percent of industrial production and it is estimated that $300 million in 1977 will go into new mills but more importantly, will go to replace outmoded machinery.

Well underway are the massive industrial complexes, namely the Khor al Zubair Iron and Steel works with a 1.8 million tons capacity: an aluminum smelter plant with a 16,000 tons-year production capacity. Another industrial complex is planned at Suwaira in central Iraq. Some 90 multi-purpose industrial projects were completed in 1976

One area which Iraq previously neglected is getting much-needed attention, fertilizer production. In February 1976 a contract was signed with a Belgian company for the production of phosphates. An integrated program in the western desert is now taking shape around an integrated township, a glass factory and a large cattle producing project. A chemical plant is planned here to produce 1 million tons of phosphate fertilizer a year. Iraq is also negotiating a second area plant with Mitsubishi. The first will be completed by 1978.

Unfortunately it may be these later projects that will suffer from the industrial investment cutbacks. Cutbacks may also prevent the foundation of a planned industrial city in the Basrah region for 100,000 people.

A look at development plans now underway shows a clear emphasis on increased social services, reducing consumer prices, and education. The education budget for 1977 has been increased from $582.08 million in 1976, to $631.04 million, with emphasis on sending 50 percent of the elementary school children to high schools and 50 percent to vocational schools. The number of graduates increased from 34,000 in 1975 to 70,000 in 1976 and expected 150,000 for 1980.

Iraq is suffering from not just a skilled labour shortage but a general labour shortage. With migration of rural populations to the towns where they are desperately needed, only 36 percent of the population now lives in a rural environment. The migration of 500 Egyptian farm families to Iraq where they will receive 12 acres of land, a down payment of 500 Egyptian pounds and a monthly payment of 60 Egyptian pounds, equipment, fertilizers and education in new farming methods will help to alleviate the problem.

In 1976 the government started a drive to move faster to agro-industries and towards state farms, of which there are now 21. Informed sources say that 20 percent of the 1976-80 plan will go to agriculture, while only 8 percent will go for industry.

Mr. Kachachi reports that the agro-industries, "The companies will dig canals, do land leveling, leaching and preparing the soil for cultivation and all the infrastructure that is required... They must train the Iraqi staff and so they will stay for two years after finishing the job."

Overall, thanks to a centralized economy, the government was able to pinpoint immediately the problems especially in the case of 1974-75 spending spree to "beat inflation" in the West which drained the foreign reserves from $3.273 million in the last quarter of 1974 to $2.910 million in the first 1975 quarter, a level that was not reached again until the third quarter of 1976.

Algeria: Basically Sound Despite Planning Problems

ALGERIA

The Algerian government has implemented a centralized planninng system for the economy to reinvest totally all available surplus from oil revenues into the development of heavy liquified natural gas (LNG) processing, petrochemical, steel and other industries, while developing infrastructure and agriculture. The 1974-77 Plan (Table 1) shows the impressive breakdown of investments scheduled in 1974, which has overall been adhered to, and which despite Algeria's international and domestic planning problems has produced excellent economic growth when compared to the chaotic situation in Saudi Arabia or Iran today. Of the $31.6 billion in long-term investments scheduled over 1974-77, fully $16.3 billion has been allocated for industrial development, over 90 percent of that in the state sector. Economic infrastructure at $4.1 billion, agricultural development at $2.3 billion, and education at $2.3 billion have also been heavily promoted.

Algeria has, however, been under considerable political pressure from its bankers since President Boumedienne began his leading role as proponent of the new international economic order with its included features of debt moratorium and a new monetary system. In reaction to this pressure, Algeria has moved closer to the Soviet bloc, with its central bank now one of the few Third World nations with a transferable ruble clearing account at the Comecon's International Bank for Economic Cooperation.

Despite its efforts Algeria has also developed significant planning problems, the major one being the purely external political constraint under which fully 50 percent of the planned liquified natural gas (LNG) export program has been kept from implementation by the refusal of the U.S. Federal Power Commission (FPC) to

Table 1 — Algerian 1974-77 Budget Plan: Table Of Investments

In millions of dollars

	TOTAL SPENDING AUTHORIZATION	PERCENT	COST OF THE NEW PROGRAMS
Industry	12,000	43.5	16,348
Agriculture	3,001	10.9	2,306
Water Power	1,150	4.2	1,210
Tourism	375	1.4	300
Fishing	39	0.1	14
Economic Infrastructures	3,880	14.0	4,124
Education	2,487	9.0	2,247
Social	3,653	13.3	4,082
Administrative Equipment	359	1.3	326
Studies-Diverse-Unforeseen	630	2.3	616
TOTAL	27,554	100.0	31,618