

Egypt on a short fuse to political blowup as economic crisis worsens

by Muriel Mirak-Weissbach

Egypt, the most populous Arab country and the West's most faithful Arab ally, is about to blow sky high. Unless a radical policy change is effected within Egypt, and from the West, especially the United States, vis-à-vis Egypt, it is only a matter of time before the Mubarak government is overthrown and a radical Islamist wave overwhelms Cairo, thence sweeping across the Maghreb.

The situation in which Egyptian President Hosni Mubarak finds himself is akin to that of Shakespeare's King Lear; on the malicious advice of evil counsellors, he has disowned his only worthy following—the Egyptian people and the Arab nation—and in return is being subjected to a process of progressive stripping of his following. The International Monetary Fund (IMF) and World Bank, like Lear's unworthy, flattering daughters Goneril and Regan, are insatiably dwindling his resources and alienating his following until he stands near naked on the heath. And the storm is just commencing. What else can he do, but blame "the gods" and lash out in impotent fury?

Egypt today is in a state of undeclared, yet virtual civil war. For the past year, Islamic militants from the radical groups el-Gamaat el-Islamiya and Jihad, have staged terrorist attacks against government buildings and personnel, as well as innocent civilians, including tourists, whose foreign currency has become a major source of revenue in the gutted economy. Mubarak's response to the insurgency has been to lay the blame on "outside forces," specifically on Iran and Sudan, accusing them of backing an "Islamist fundamentalist" drive to erect a Khomeini-like regime. This was the gist of comments he made to the press during his late March-early April tour through Europe and the United States, which included his statement that "there are powers outside the country, who want to exploit the negative effects [of economic reforms], to destabilize the country."

He has also backed up his allegations with actions. In mid-March, Egyptian security forces sent back several Sudanese citizens travelling to the country through Libya, and arrested hundreds of others. "These measures have been taken in the wake of information that the military regime in Sudan and Iran are involved, through assisting and training

terrorists, in the implementation of attacks against tourists," an Egyptian security official told the London *Times*. Days earlier, the Egyptian press reported on Mubarak's threats to move militarily against Sudan if Egypt's southern neighbor were to allow Iranian warships port rights at Port of Sudan. "I will not be mild in facing threats to our country," Mubarak was quoted as telling the official newspaper *Al Jomhourijya*. "If Iranian warships enter Port of Sudan, they will be attacked." Then, in late April, Sudanese government officials denounced the existence of a plot hatched in Cairo to mount a coup against the Sudanese government of Lt. Gen. Omar Hassan Al Bashir. Special Egyptian units were to land in Port of Sudan with helicopter support and move on the capital. At the same time, Egypt heated up an age-old border dispute by moving military forces into the oil-rich Halaib region, historically administered and inhabited by Sudanese, but claimed by Cairo. Khartoum responded with a declaration of general mobilization. Further escalating tensions with their southern neighbor, Egyptian military units reportedly began maneuvers as if in preparation for aggression.

Force has not curbed terrorism

Mubarak is indeed facing a crisis unparalleled since the 1981 assassination of his predecessor Anwar Sadat. Irregular warfare attacks do occur almost daily, tourists are targeted, as well as military personnel and police. Last October, a British subject was killed and two others wounded when extremists shot a tourist bus in the Assiut region; in November, five German tourists were shot at in another bus. In 1992, about 116 people are reported to have died in the spiralling violence. March of this year has been the bloodiest month to date, with bombs going off at central cafés, museums, and pyramids—all tourist sites—in Cairo, Aswan, and elsewhere. Tourism has dropped by 50% as a result.

Yet Mubarak's response domestically, to treat violence with violence, has been to no avail. Although security forces have carried out raids over the last months in Alexandria, Cairo, and Upper Egypt, killing or wounding hundreds and throwing thousands of suspected terrorists into jails, where torture is alleged, the insurrectionist forces have not given

signs of weakening. Even the gunning down of 29 suspects in Cairo, and Mubarak's more recent decision to sentence seven to death, has not stopped the uprising.

Thus, Mubarak is caught in an ostensibly inextricable bind: He is damned if he does continue to defend his regime with police-state measures, and damned if he doesn't. As region specialists point out, the "law of revenge" which rules particularly in Upper Egypt, will guarantee that thousands of Egyptians, even those not formally associated now with the Islamist movements, will flock to their cause, even at the risk of death, to join in avenging deaths meted out by the security forces. "Mubarak has responded with blood," said one Arab analyst, "and he will get blood." If he were to opt for military aggression against Sudan, in hopes that this would rally nationalist support for his regime, all hell would break loose, perhaps providing conditions domestically for opposition elements in the Army, the bulwark of the state, to replace him.

Seeking outside help

Mubarak knows this only too well. His response has been to seek outside assistance to keep his fragile regime in place. Thus his trip via Bonn and London, to Washington, where he held the distinction of being the first Arab leader to meet the new President. What he offered in exchange for further financial and political backing from Europe and the United States, was mediation in the Middle East "peace talks," a subject he discussed before leaving Cairo with Syrian President Hafez al-Assad and Palestine Liberation Organization leader Yasser Arafat. Following that trip, Israel allowed repatriation of a group of Palestinians who had been denied that right for 25 years. Although this was played up as a significant "concession" on the part of Israel and enhanced the PLO's standing, it could only fuel further rage among the Islamist Palestinians, as 400 of their leading representatives, deported to southern Lebanon in December, have still not been allowed to move. The peace talks, which reopened April 20, have yielded no significant results.

Mubarak got from the Clinton administration part of what he wanted—continuing foreign aid to the tune of \$2.1 billion a year, which nearly matches the \$3 billion a year Israel officially receives. The Egyptian leader was greeted with massive press coverage and Clinton lent him verbal support against the Islamist opposition, stating that the United States and Egypt were "determined to counter Iranian involvement in terrorism and its active opposition to the Middle East peace process." Mubarak echoed this, saying that he discussed with the new President "ways of strengthening our cooperation in combatting . . . terrorism." According to insiders, this refers to a contract already in existence among the CIA, the Egyptian government, along with Algeria and Tunisia, to train personnel in Israeli counter-terrorism techniques, to combat militant Islamists. (The bill is reportedly footed by the Saudis.)



President Hosni Mubarak: If he wants to save his political neck and his nation, he must declare a debt moratorium.

Apparently not satisfied, Mubarak embarked on a second trip in May, this time to the rich Persian Gulf states, with two demands: that they join Egypt in a Desert Storm-style coalition against Iran, held to be behind the Islamists worldwide, and that they, particularly the Saudis, cease financial flows into the opposition groups. It is known that the Saudi dynasty has supported the Islamists in an attempt to undermine Egypt's role. Similar demands had been raised by the Egyptians and Tunisians at a foreign ministers meeting of the Organization of Islamic Conference (OIC) in Karachi. The tour was, however, inconclusive, as many Gulf powers do not want to alienate Iran.

By the time Mubarak returned to Cairo in mid-May, conditions had worsened, not improved. Although, apparently on the suggestion of the CIA, whose chief James Woolsey visited Cairo, Mubarak had sacked Interior Minister Abdel Alim Moussa and replaced him with Gen. Hassan al-Alfi in a cosmetic move to allay the opposition, the violence has not abated. In fact, the new death sentences were issued following this reshuffle.

If Mubarak seems committed to strapping himself onto a bucking bronco and lurching left and right to stay in the saddle, some strategic policy centers in the West may be rethinking their policy toward his regime, because of the implications not only for Egypt, but for Algeria, Tunisia, and the Islamic world most broadly. As the *International Herald Tribune* editorialized, commenting on Clinton's first

100 days in office, Washington had pledged continued support for Mubarak, seeing him as a bulwark against a geopolitical threat: "an Islamic world united under the banner of Iranian-style fundamentalism in essential struggle with the infidel West. Egypt is key to this Saladin versus the Crusaders project. As the largest and most important Arab state, Egypt's fall would precipitate the transformation of the Islamic world into a zone of constant conflict with the West." Thus Clinton's continued backing.

British bailing out

The same can not be said of British Prime Minister John Major, however. The signs of British rethinking were evident when Mubarak stepped onto the stage in London. Instead of welcoming him as a staunch western Arab ally, the media panned him, and the authorities did not even organize a press conference for him. The *Independent* asked bluntly: "How long will the President survive?" The British, according to the *Independent* on April 3, blamed Mubarak for having failed to open a political dialogue with his Islamist opposition. The government-linked *Telegraph* was more explicit: though torn over its desire for political stability in the oil-rich region, the West was also "concerned" about the lack of "democracy" there. The military coup which had halted the Islamists' rise to electoral power in Algeria had made that country a "tinderbox" and now Egypt under Mubarak was making the same errors, by refusing to grant the relatively moderate Muslim Brotherhood status as an electoral political party. "Yet it is with such moderate forces," the *Telegraph* editorialized, "that a democratic future for the Middle East lies. By his intelligent handling of the Brotherhood, King Hussein of Jordan has set an example to his Arab neighbors."

The gist of ongoing British policy deliberations seems to be that the time has come for the West to examine options for the heretofore unthinkable eventuality that Mubarak may not survive the conflict. The *Independent* was straightforward in suggesting an alliance with the "moderate" Islamists against the radicals: "The Muslim Brotherhood may not be the ideal mechanism for this—but one of its first tasks should it ever acquire power would be the crushing of el-Gamaat." A piece in the May 15 London *Economist* floated another option. Citing broad popular discontent with Mubarak's government, including within the advisory board known as the Shura Council, the British magazine forecast that Mubarak may be forced to call in the Army. It comments: "Some Gamaat activists hope that the Army will decide that Mr. Mubarak himself is the source of instability. In this fundamentalist dream, the generals would then depose the President and, lacking public support, would seek to legitimize their coup by making Egypt a theocracy like Iran." Duly noting that the "Army's thinking is unknown," the *Economist* concludes with an ominous observation that the Egyptian President, "alone on top of the pyramid," has so isolated himself as to have failed to designate a successor. "This

disregard for the succession could turn out to be the most destabilizing factor in Egyptian life. . . . If something should happen to him, there might be no institution prepared to take over. Other than the Army."

Although such policy option debates—whether to back the "moderate" Islamists, or the Army (as they did in Algeria), or stick with Mubarak's untenable rule—denote awareness that the current deadlock cannot hold over time, none of the wise strategists in London or elsewhere have given signs of willingness to recognize the underlying dynamic which has created the current dilemma for Mubarak. They are playing with political forces as one would play with chess pieces, without realizing that the game has changed.

The demonization of Islam

There are two fundamental processes fueling the dynamic in the Islamic world. One is the demonization of Islam, inaugurated in Desert Storm and carried to genocidal proportions in the Serbian war of aggression against Bosnia. As former German military intelligence head Gen. Paul Albert Scherer (ret.) warned in a May 11 policy statement: "Were the West to tolerate the destruction of the Bosnian state and the mass slaughter of its citizenry, this is likely to become the trigger of a new wave of Islamic anti-western feeling that goes well beyond anything we have seen so far. It would not be a cheap piece of anti-western propaganda, but it would address the truth of western complicity in the slaughter of an Islamic people on the European continent."

The other, more fundamental process, is the erosion of the physical economy as a direct result of western-imposed International Monetary Fund conditionalities on countries like Egypt and Algeria. Islamist forces here, as well as in Tunisia, Jordan, and elsewhere, have swelled their ranks over the past two years not only in response to the outrage perpetrated against Iraq in Desert Storm and against Bosnian Muslims, but most importantly because they have become identified as the resistance against economic exploitation by those privileged partners of Hosni Mubarak: London, Washington, and the looting mechanisms of the IMF. The Muslim Brotherhood in Egypt had virtually taken over leadership in the major professional associations, the guilds of doctors, lawyers, and engineers, because of its appeal to economic and social justice. The el-Gamaat el-Islamiya had succeeded in virtually establishing a dual-power situation in Egypt's cities, by organizing social services to meet the needs of a population abandoned by a corrupt, bureaucratic, and inept state apparatus. It is this economic dimension which is, indeed, the lead player in the Egyptian drama, a player that none of the would-be protagonists, whether in Cairo or in Washington and London, will acknowledge. To grasp the real, underlying dynamic of developments in Egypt (as in Algeria and so forth), to understand why Islamist movements have come to embody the hopes of the disinherited masses, one must face the hard facts.

Who destroyed the Egyptian economy?

Egypt, contrary to the poor image its cities and countryside present today, is a rich country, or had the potential to become one. Over the past 20 years, the International Monetary Fund has wrecked it. In the 1970s, Egypt was self-sufficient in food production, whereas today, it imports 60% of its requirements, one-half of that from the United States. As the Wehrkunde publication *Europäische Sicherheit* in its first quarter 1993 issue remarked in a feature on Egypt, "The food deliveries from the United States make sure that the Egyptian population does not starve." Thanks to IMF intervention, the policies introduced under the Nasser Institute of Land Reform, which had enhanced agricultural production, were reversed, fostering the return of large private landholders. In addition to taking over the role of grain supplier to Egypt, the United States apparently edged the Egyptians out of the cotton market as well. Statistics show that in 1981-82, Egypt exported 899,000 bales of cotton, but in 1989, the figure dropped to 196,000. During the same period, American cotton exports rose from 12,000 bales in 1981-82 to 425,000 bales in 1989-90.

The "reforms," to which Mubarak often refers as "creating difficult adjustments," were standard IMF fare: State subsidies to productive sectors, as well as to crucial social services, were cut; interest rates were jacked up, creating runaway inflation. In May 1990, prices on basic food items, including rice, flour, cooking oil, electricity, and domestic gas and petroleum products rose 10-100%. The inflationary tendency was further fueled by a 10% sales tax. One social reflection of collapsing living standards is the 70% illiteracy rate; another is unemployment, estimated at up to 85% in some cities.

The only sector of the economy which the IMF and World Bank have shown any interest in developing is tourism. World Bank financing has been made available, in fact, for "infrastructure," like luxury hotels, etc. Thus the concern in financial circles about terrorist attacks on tourism. As the Madrid daily *El País* reported, the massive losses in foreign exchange tourist revenues due to the political violence, "will have dramatic repercussions on the economic reform program which the IMF is demanding. Without reforms, says the IMF, the monumental poverty of Egypt is destined to become irreversible."

As a direct result of IMF looting policies, per capita income for Egypt's 59 million citizens has dropped from \$750 to \$600 a year. In 1983, when the figure was \$750, Egypt ranked in 110th place worldwide. Before the Persian Gulf war, Egypt's foreign debt was \$49 billion. Even though \$20 billion was written off, as a payoff for Egypt's role in the "coalition" against Iraq, the country now is carrying \$32.2 billion in foreign debt, with only \$3.8 billion in export earnings, and a whopping \$11.8 billion in imports. The IMF strategy is to fill the gap with revenues from tourism, which accounts for about \$2.6 billion, and was expected to rise to

twice that by 1991-92, had the violence not broken out. Other revenues come from canal fees (about \$2 billion) and remittances from workers employed abroad. The Gulf war, which led to over 1 million Egyptian workers leaving Iraq and other Gulf states, dealt a heavy blow to Egypt's financial accounts.

There can be no doubt, given the facts, that the agency responsible for pulling the string that has unraveled the fabric of Egypt's economy, and society, is the IMF, backed up politically by the same forces in the United States and Europe who are in a bind as to what to do to prevent social instability from jeopardizing continuing payment on their usurious debt.

No choice but a debt moratorium

In this situation, neither a cosmetically "Islamicized" moderate government, nor a military junta per se can solve the problem. The question is not who will rule Egypt, but what policy will be implemented. If it is the IMF whose policies have created the economic dislocation in Egypt, within which Islamists have gained political credibility—precisely because of their resistance to IMF usury and their attempts to create a social net to provide services which the central government can no longer offer—then the IMF must be held to account and the source of the problem eliminated. Mubarak could, if he were of the stuff of a Nasser, challenge the IMF and rid his country of servitude. Like Shakespeare's tragic character Lear, Mubarak actually knows who is responsible for the ills that have beset him. It was the same Hosni Mubarak who shocked the world years back by declaring publicly that the IMF conditionalities had been responsible for the utterly unnecessary deaths of over 500 million people.

To save his political neck and his nation from further IMF devastation, Mubarak would have no other choice but to declare a moratorium on the foreign debt and reorganize the entire Egyptian economy around sovereign national banking structures, in cooperation with other nations of the region. He would have to create credit, not for tourism, but for rebuilding industrial and agricultural productive capacities. Judging from past performance, however, there is virtually no reason to believe that the Egyptian leader will do so. As Arab insiders have reported, when Mubarak was presented with the option of agricultural cooperation with Sudan to turn the two countries into the breadbasket of Africa, his response was, "Who will buy the American wheat?" Indeed, the remark points to the other horn of the dilemma: If Egypt were to shift policy toward defense of national interests, it would require that the United States abandon its commitment to IMF, malthusian policies, and promote economic recovery policies, domestically and worldwide.

Washington would do well to examine the Egyptian crisis more intelligently, with the thought in mind, that as goes Egypt, so goes Algeria, Tunisia, Morocco, and, yes, perhaps even Saudi Arabia.