

At last Egypt seems to be on the move again. But it is unlikely to go very far.

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The Egyptian Enigma

'I don't claim to be the leader of the Arab and Islamic worlds, but neither I nor anyone else can deny that Egypt, with its people, civilisation, language, will, knowledge and al-Azhar (university) is such a leader.'

In a peculiarly Egyptian turn of phrase, 'no onecandeny. . .', Sadat neatly summed up the geo-political and cultural importance of Egypt to the region. In addition, his description of Egypt helps to explain the extent of interest of observers of the Middle East concerning Mubarak's recent pronouncements on the Palestinians and his moves towards political change at home. The sphinx appears to be waking after a two-and-a-half year sleep.

Not that Palestinians, or even Egyptians, expect the ponderous Hosni Mubarak to emulate the dramatic rough and tumble of the Sadat years, but the effect of initiatives from Egypt is considerable. Witness, for example, the result of Egypt's signing the Camp David accords — at one stroke Israel found that it had neutralised its most powerful enemy, the splits in the Arab world increased leaving Egypt ostracised, and the Palestinians were deprived of their most weighty defenders (though there is no correlation between weight and seriousness of intent).

Egypt and the PLO

Mubarak continues to struggle under the burden of Sadat's legacies, both externally and at home. However, there are changes afoot, on paper at least. In foreign affairs the President has stuck his head above the parapet: Egypt has been more open in its support of the Palestinians in the last year than it has at any time in the last ten. In detail this has ranged from Minister of Defence Kamal Hasan Ali offering transport for Arafat's flight from Tripoli, to Mubarak calling once more upon President Reagan to institute direct dialogue with the PLO in pursuit of a resolution to the Middle East problem.² Despite Mubarak's public refusal to rescind the agreement with Israel, he is thought privately to

consider the accord a dead letter — Israeli/Egyptian relations have been virtually frozen since the invasion of Lebanon.

There was no small amount of political perspicuity on Mubarak's part in securing the meeting with Arafat in Cairo after a period when Syria had overplayed its hand in its open backing of the Fatah rebels. This enabled Egypt to steal the march on the Syrians, which must have been particularly galling for President Assad, given Syria and Egypt's long-standing struggle for leadership of the Arab world, and earned Egypt a PLO vote during the recent decision of the Islamic Conference to invite Egypt to rejoin its ranks. Although not as important a body as the Arab League for Egypt, the country's re-entry to the Islamic fold may mark the first stage of its rehabilitation with the Arabs. There is now talk of Egypt taking part in trilateral talks with Jordan and the PLO sometime in March or April to consider the problem of the Palestinians.

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Pluralism

Internally, again on paper, the changes are manifest: Mubarak has stated his intention of coming to grips with Egypt's crippling debts and inflation, and has promised to root out the corruption that is rife throughout the Egyptian bureaucracy. The government has instituted a five-year economic programme, the first to be implemented since the second post-revolutionary five year economic plan foundered in 1965, which is designed to encourage home production, particularly in the industrial and agricultural sectors. Egypt is currently enjoying unprecedented press freedom, and a general election is scheduled for May 27. In addition, a Supreme Court ruling recently gave

permission for the New Wafd to function as a legal political party: the New Wafd has its roots in the pre-revolutionary Wafd party, which battled with the British occupation to wrest Egyptian independence. **The** reconstituting of the New Wafd is a significant step towards political pluralism, given that when the party tried to reform in 1978 it had to close down after four months of continuous vitriolic attack from President Sadat. The nature of the threat to the ruling National Democratic Party (NDP), of which Mubarak is chairman, is that the New Wafd claims the centre ground of Egyptian politics, also claimed by the NDP, and seems to exercise wide political support from the Egyptian populace.

American dependence

Despite the potential of current changes inside Egypt and concerning Egypt's regional influence, there are serious constraints on Mubarak's manoeuvrability, not the least of which is Egypt's economic and military dependence on the United States. Rather than being a fetish of the Egyptian Left, Egyptian dependence on the US is an economic and military fact: US exports to Egypt in 1982 totalled \$2.9 billion³, many of which were financed by the US economic and military assistance programmes. This places Egypt second only to Israel as the largest recipient of US aid. Before the 1973 war America's attitude to the two countries would hardly have been described as even-handed. However, after the expulsion of Soviet technicians and advisers in 1972, and the unexpected advent of the October war, Sadat was free to seek the mediation and support of the US. Since this time, America has pursued a vigorous ideological line towards Egypt, summed up by David Rockefeller:

I think that Egypt has come to realise that socialism and extreme Arab nationalism have not helped the lot of the 37 million people they have in Egypt.⁴

After ten years of American presence and support Egypt has a generation of US-trained military officers and university

teachers, and the Egyptian army has recently completed its second round of military manoeuvres with the US regional task force, code-named Operation Bright Star. A preponderance of US-trained technicians and academics can have no small effect on the policy-making capacity of the Egyptian regime. Closer to an Egyptian's heart, two out of every five loaves are now baked with American wheat.

The question must remain as to how much influence Egypt can expect to exert on an intransigent America which refuses to recognise the PLO, which signed a multi-million dollar accord with Israel during Shamir's visit to Washington in December, and which has historically and virtually unquestioningly supported Israel since its creation, while Egypt is dependent upon the US for bread and bullets. In the immediate future, Egypt can expect very little from President Reagan this side of the American elections. Despite Egypt's current diplomatic estrangement from Israel, how far could Egypt expect to distance itself from Camp David, given that it is an American-brokered accord? Even if Egypt,

once radical leader of the Arab world and scourge of imperialist powers, did find its way back among Arab brothers, it would join firmly with the 'moderates' most of whom have close alliances with the US.

Just as dependence upon the United States was a legacy bequeathed by Sadat, so are the constraints placed on Mubarak affecting internal political and economic development, the historical roots of which are as follows.

Sadat's *Infitah*

After Sadat had enhanced his political position with the performance of the Egyptian army in the 1973 war, he attempted to consolidate his political power at home with political and economic reform. This was an attempt to form his own political constituency. The package of reforms presented to the Egyptian people in 1974 was called the 'October Paper', directly making the link between forthcoming change and the recent success of the President in the October war. The most significant aspect of the October Paper was the role that it created for private capital within the economy, a direct break with the

state capitalism of the Nasser years. Law 43, an obligingly vague document, set out the regime's interpretation *oilnfitah*, or the 'opening up', of the Egyptian economy to foreign capital. Simplistically, it put forward the equation that Arab capital combined with Western technology and Egyptian labour would produce development. Foreign firms were tempted to participate in the Egyptian economy by being offered tax concessions — there were also plans for free trading zones, which would charge no tax on business transactions provided that no goods found their way on to the Egyptian market.

Economically *Infitah* was not a success under Sadat, with foreign businesses failing to be attracted to Egypt in sufficient numbers. Taking the figures for 1979, 65% of all *Infitah* projects were in services and distribution, with 41% of capital commitments to the enterprises coming from Egypt.⁵ The sectors of the economy which showed the fastest growth were the import/export and construction sectors. Almost overnight import millionaires and wealthy entrepreneurs burgeoned. The political consequences of *Infitah* far outweighed the economic significance — Sadat had given the numerically small but vociferous middle classes their head; these people had found the last years of Nasser, with their political repression and economic stagnation, suffocating and were straining for liberalisation. Faced with the choice of accelerating Egypt's socialist plan, which had foundered under Nasser, or diversifying away from it, Sadat followed his personal instincts, and gave free rein to liberalisation. At the same time Sadat instituted a return to parliamentary democracy as part of his policy of erecting a 'state of institutions' to guard against what many people saw as the arbitrary exercise of power by the few under Nasser. In this way he distanced himself from Nasser both politically and economically.

Impact of liberalisation

As could be expected, economic liberalisation was not in the best interest of the broad mass of Egyptians. Accompanying the deluge of consumer durables in the Sadat years was a widening rift between rich and



Sadat (right) and Mubarak (left)

Al-Ahram 29/1/80.

International Herald Tribune 15/2/84.

US Embassy in Cairo: economic trends report October 1983.

Interview in *New York Times* 8/2/74.

Nazih Ayubi 'Implementation Capability and Political Feasibility of the Open Door Policy' in *Rich and Poor States* eds Kerr and Yasin (Cairo 1982) p366.

poor, endemic corruption of those in positions of power, and staggering inflation. And the conditions got worse: partial liberalisation of the economy brought about its own dynamic and pressure for more liberalisation, to accord to Egyptian capital the same privileges as had been granted to foreign capital. Not only were privileges so granted, but the regime began to take on the ideological and economic leviathan of the state sector — in 1975 49% of public companies' stock was offered for sale. Latterly, public sector companies were allowed to participate with foreign capital in joint ventures, where they were legally classified as 'private' companies under law 43, and exempted from tax in the same way wholly private ventures would be.

Nor was the agricultural sector excluded from the penetration of private capital — Sadat's regime allowed market forces to dictate the kinds of produce grown by farmers. With an eye on profits and less restricted by relaxed agricultural co-operatives, farmers turned more and more to the production of cash crops to the detriment of staples. While ten years ago Egypt was self-sufficient in food, it now imports nearly 50% of its food requirements; just as one example, Egypt used to be self-sufficient in sugar production but in 1980 it imported 35% of its sugar needs.⁶

One other significant political and economic change under Sadat was the facilitation of Egyptian labourers to work abroad in oil-rich countries. If Arab capital would not come to Egyptian labour, then Egyptian labour would go off in search of Arab capital. The government's attitude to the export of labour was summed up by the President of the Council of Ministers, who stated that Egypt's aim in exporting labour was the same as its reason for exporting rice or cotton.⁷ It was the remittances of hard currencies from Egyptians working abroad that allowed the Egyptian economy to sustain the flood of imports and the stagnant export sector; but at the same time, a large number of skilled workers have been removed from the Egyptian labour pool.

Mubarak's moves

This, then, is the inheritance weighing down Mubarak: a vigorous class of import/export entrepreneurs and businessmen who have vested interest in servicing the rampant consumerism they have helped to fuel, and a weak economy, crippled by debt and inflation and tied to the world capitalist economy.

The five year economic plan, initiated in 1981/82, has been heralded by the current

regime as addressing itself to these problems *Infitah* has caused the Egyptian economy. But, according to leading economists in Cairo, the plan is extremely tame and does not tackle the central difficulties. Rather than squeeze imports, the plan envisages a programme of import substitution by encouraging the industrial sector, in particular the public sector, to combine with private and foreign capital. Private capital, however, has not always shown itself willing to gravitate towards the production of necessities so much as luxury goods.

The housing plan has been judged totally unrealistic since, again, it relies upon the supposition that 94% of investment will come from private capital. Given the history of private investment in construction since *Infitah*, private capital has only shown itself interested in luxury flats and offices. The planned expansion of the agricultural sector has so far only resulted in the increase of poultry production. However, the plan does not deal with central problems like the collection of income tax, the revenue from which is minimal in relative terms, and which, if tackled seriously, would greatly contribute to solving the problems of the economy.

The obstacle seems to be not so much an economic as a political one: there is no shortage of talented economists in Egypt, many Harvard trained. The regime lacks the political will to antagonise the powerful middle classes who have so greatly benefitted from the liberalisation of the Egyptian economy. Mubarak did not only inherit a plethora of problems, he inherited a political constituency, and he has yet to find his own. He has not distanced himself from Sadat in the way that Sadat differentiated himself from Nasser. The regime never set out to change *Infitah*, but sought, rather, to curb its excesses. The basic thrust of the 'opening up' still seems to accord with the ideological outlook of the regime. This is hardly surprising, since the regime has remained basically intact, despite the removal of Sadat and the recent rhetoric.

Memories of militancy

Mubarak can have no doubts that he will have to deal seriously with Egypt's problems because the new class of entrepreneurs are not the only ones claiming the President's ear. When pressed, the Egyptian people have also proved themselves energetic in claiming their rights. A testament to their success is the failure of the Egyptian government to agree

the expected loan from the IMF late last year, which is probably largely due to the IMF's insistence that Egypt decrease its substantial food subsidies. The subsidies have proved the only protection for the Egyptian people against the vicissitudes of the economy and rampant inflation, and memories of the three days of demonstrations that followed the government's sudden price hike of basic commodities in 1977 must still be fresh in the minds of all government ministers. Nor was the uprising aimless — demonstrators systematically burned all the night clubs in the Pyramids road, which had become symbols of the corruption of the Sadat years. They overturned foreign cars, and attacked foreign businesses and banks, shouting: 'Hero of the crossing, where is our breakfast?'⁸ Dubbed by the outraged, but shaken, Sadat as 'an uprising of thieves', the demonstration was validated by the Supreme State Security Court at the time of the trial of the demonstrators:

'The government made the mistake of surprising the people with something for which they had not been prepared. They had in fact been expecting the exact opposite — some measure of relief rather than fresh burdens. Their anger was justified.'⁹

What surprised Sadat was that the Egyptian people had expressed a complete lack of confidence both in his handling of the economy, and in the behaviour of parliament in failing to safeguard their interests. Though set up as the 'People's Assembly', the Egyptian parliament had never shown its teeth in protecting the people, and was caught between its failure to protect the people and its failure to please the President. Sadat never learnt to brook criticism, no matter from what quarter, and by the time he was assassinated, most of his critics, from all shades of the political spectrum, were in prison.

The litmus paper

Whilst the forthcoming elections in May 1984 promise to be as free and fair as any that have taken place in Egypt, and may well be another step towards Sadat's 'state of institutions', observers inside and outside the country must be wondering whether parliament will really come to represent the people, and if it does, how far the current regime will allow parliamentary democracy to run its course unrestricted.

What relevance parliamentary democracy has for a country where 60% of the population is under voting age and a further 70% are illiterate is a question which remains to be asked. What is certain is that the quality of opposition the government

can expect from the New Wafd will cause them no problems — the Wafd are on record as supporting Camp David and the broad strategy of *Infatih*. There will be no debate about the wisdom of the ascendancy of capital, but rather, about the degree of its ascendancy.

What is more indicative of political pluralism in Egypt is the way the regime deals with the genuine opposition in Egypt, represented, paradoxically enough, by the Left and the Moslem fundamentalists. The Nasserists and Marxists in the National Progressive Unionist Party (NPUP), which has also subsumed many of Egypt's communists, are critical of both Camp David and *Infatih*. The party suffered years of harassment under Sadat, and frequently had its party journal, *al-Ahaly*, suspended from publication and the newspaper offices raided. The NPUP is very small, but influential, and *al-Ahaly*, with a circulation of 170,000 and a readership estimated at three times that figure, carries articles from Egypt's leading economists and thinkers. In a by-election in Alexandria on 4 January the Unionist candidate defeated the government candidate by 139 votes to earn the party's first seat in parliament. There can be little doubt that the reason the party failed to

secure a single seat in the 1979 elections is because they were rigged.

President Mubarak has already made personal and public warnings that journalists may go too far in their criticisms, and journalists from *al-Ahaly* are likely to be the first to suffer if there is a crackdown. It is ironic that although Sadat was an ex-Free officer, he was quite clear towards the end of his life what he thought of Nasserism and the NPUP.

'There is no difference between communists and those people who call themselves Nasser's heirs . . . What did Nasser achieve? Is surveillance what you want, expropriation, detention camps, Arab unity the Nasser way?'

The current regime has so far given little indication that its attitude to the National Progressive Unionist Party will be any different from Sadat's.

Trust in Allah

Like the Progressive Unionists, the fundamentalists have until recently rejected the government orthodoxy, to the extent of not wanting to participate in elections. Repression of fundamentalist groups after the assassination has now eased, and it appears that that the more moderate moslem groups are prepared to stand for election: indeed, the Progressive Unionist

candidate in Alexandria succeeded with the backing of the local fundamentalists. For the fundamentalists to be taking the forthcoming election seriously is an indication of the popular desire for democratic change, and an expectation that the elections will be fair.

So, despite the new Egyptian foreign initiatives and rumblings of change at home, an observer with some knowledge of the heritage of current changes would be justified in expressing scepticism as to their success. Bound by the Americans as much at home as abroad, Mubarak has yet to find a powerful enough base of support and enough personal legitimacy to push through radical change. And if his regime really intends to introduce reform and some amount of pluralism, then the fate of the Left and the fundamentalist groups will be the clearest indication of its intentions. In the meantime, given the constraints on the regime and its political orientation, one can only trust in Allah.

⁶ Quoted in Heikal *op cit* p220.
⁷ Nader Fergany *al-Higra ila'Inaft* (Migration to Oil), (Kuwait 1983) p12.
⁸ See the eye-witness account of the uprising in *Sadat* by Hirst and Beeson (London 1981).
⁹ Quoted in Heikal *op cit* p273.
¹⁰ Quoted in Hirst and Beeson *op cit* p249.

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