U.S. Interference in Saudi Internal Affairs?

Informed U.S. foreign policy sources, as well as leading Western press, have strongly hinted recently that the Rockefeller interests are engaged in "dirty tricks" interventions into the internal Saudi debate to influence its outcome. Various press have recently begun warning of King Khalid's premature death, and Mideast diplomatic sources have reported an unusually high incidence of assassination threats against the life of Sheikh Yamani. The New York Times, itself a proclaimed supporter of Prince Fahd, noted in a recent editorial that Yamani, not a member of the royal family, could be dismissed from his post summarily.

According to a well-informed Harvard source, Prince Fahd has been maneuvering to fully usurp King Khalid's power ever since the King succeeded to the throne following the assassination of King Faisal. Fahd has made a special effort to organize members of the Saudi family behind his policies, which include keeping a ceiling on Saudi oil production, and using the nation's monetary reserves for financial rather than industrial purposes. In so doing, Fahd hopes to win the necessary "consensus" at court.

A pivotal player in this palace intrigue is Crown Prince Abdullah. As the commander of the Royal Guard, largely composed of representatives of various contending bedouin tribes, Abdullah's political allegiance effectively determines who controls the reins of power. Fahd is known to be an arch enemy of the older and more conservative Abdullah, an ally of Khalid. A few months after the death of Faisal, Abdullah's position in the Saudi ruling hierarchy was bolstered at the expense of Fahd.

In recent weeks there has also been a resurgence of scenario-mongering in the western press over the prospects of heightening tensions in the Persian Gulf between Iran and Saudi Arabia, particularly as a result of the two tier oil pricing system, which initially cut into Iran's output of oil. A source at the New York Council on Foreign Relations has speculated that under the burden of waning oil revenues Iran might be induced into a military venture against the Saudis, and according to the French daily Les Echoes, this is the justification Fahd and company are using to block the go-ahead of the increased oil production and Aramco nationalization.

But the latest indications are that OPEC is about to reach a compromise on the split pricing system, which will be rounded out at about a 7.5 per cent price increase for OPEC as a whole over 1976 prices. During the last OPEC meeting in December the Saudis and the United Arab Emirates only went for a 5 per cent increase while the other 11 OPEC members declared a 10 per cent hike. According to the Rockefeller connected oil consulting firm of Walter J. Levy, the compromise would act to delimit Saudi production. However, reports of the agenda of the OPEC economics committee meeting to be held in Vienna next week indicate that the question of a cartel-wide step up in production is a priority; this would give the Saudis the backup to continue in their planned program of stepped up oil output, and takes the pressure off Iran.

Similarly, the British government, with traditional colonial ties to the Persian Gulf states, is working with the Saudis to militarily neutralize the area and minimize the potential for regional flare up. Last month, the government of the tiny Sheikhdom, Bahrain, suddenly called on the U.S. to remove its only naval facility in the Gulf — in operation since World War II — by no later than mid-1977. Two weeks later, the Iranian government withdrew 3,000 troops from Oman at the mouth of the Gulf, a clear signal from the Shah that his aspirations of military domination of the area — carefully built up by former Secretary of State Henry Kissinger — are diminishing. All of this was followed by an announcement from the British that it will vacate the strategic island of Masirah off the mouth of the Persian Gulf in the Indian Ocean by March 31. At the same time, the London Sunday Times reports that the Sultan of Oman has ruled "out of the question" the prospects of the U.S. replacing the British.

EXCLUSIVE

Why The Riots Happened:

Behind Sadat's Open Door

Egyptian President Anwar Sadat is currently undergoing the most severe test yet in his six-year reign as a result of a remarkably unsuccessful attempt to impose unpopular International Monetary Fund "economic reforms" on Egypt's population. The reaction to the announced new measures in mid-January was so intense that Sadat has in calculated self-defense launched a bitter anti-Communist crusade throughout the country, introduced a series of repressive legislation, and begun to rely for political support on the extremist Islamic nationalist right-wing forces associated with the Muslim Brotherhood and related groups. This radical departure from the pro-Soviet, pro-development legacy of ex-President Gamal Abdel Nasser has now placed in jeopardy, Sadat's power, with all the serious implications that fact holds for instability in the war-torn Middle East.

Sadat's current woes are not a sudden, unexpected development, but the lawful consequence of a consistent policy line adopted by Sadat since his 1970 accession to power — the attempted full re-incorporation of Egypt into the IMF-managed system of international loans.

The invariant theme of Egyptian President Anwar Sadat's six-plus years in office, underlying all the momentary, tactical twists and turns and internal balancing acts, is his evident intention to repeat the late nineteenth century historical tragedy in which Egypt became the showcase of "Third World" colonial looting. In the short time-span of his regime,Sadat has taken giant steps toward reversing the "Bonapartist" national economy, painstakingly established by Gamel Abdel Nasser. With a popular reaction exemplified in last month's riots, Sadat has brought the Egyptian economy to the brink of sheer collapse under the supervision of an international bankers' consortium modeled on the famous Commission de la Dette that paved the way for Britain's military occupation of Egypt in 1882.

The product of his own strange ideas about Egypt's development, nurtured and fed by International Monetary Fund-linked technocrats and by David Rockefeller, ex-Treasury Secretary William Simon and a host of other top U.S. monetarists, Sadat's "Open Door" dream for Egypt has now brought his regime to a profound crisis that could well lead the nation into both war and a Brazil-style dictatorship. The Open Door has become a universally recognized, dismal failure; its history and especially the recent popular explosions, stand as a lesson in the dangers of trying to roll back a people's deeply ingrained sense of the Idea of Progress and depend on the "good-will" of monetarists for development.

Phase One: The Rise To Power And Attack On The State Sector

For all his shortcomings in understanding financial and monetary questions, Nasser made an early and definite strategic decision to mobilize Egypt's population and resources behind a program for developing and expanding the national economy, relatively protected by restrictive foreign exchange regulations from New York bank currency and loan speculation. Nasser introduced nationalizations of foreign companies and banks, with strong support for the newly created state sector and close ties to the socialist bloc and Non-aligned. In the years leading up to the 1967 war, Nasser began to encourage a growing pro-socialist intelligentsia and cadre force.

Sadat's "Open Door" is a systematic attempt to roll back each and every one of these achievements through the relaxation of all legal controls against foreign encroachment into Egyptian sovereignty, and one by one, purge of those elements, whose outlook was founded by the Bonapartist strategy of the Nasser years.

Sadat, on the other hand, was an avid supporter of opening Egypt up to the Chase Manhattan-led international dollar credit system from the day he assumed power after Nasser's death. Sadat has represented a lumpy blend of right-wing Nasserist "balancing" politics and antagonism to Nasserist development commitments. Sadat distinguished himself by support for the whims of that wing of the Egyptian bourgeoisie rooted in speculative boondoggles and quick-money schemes, such as Sadat's in-law Osman Osman, a real estate speculator who is Minister of Housing and Reconstruction. Contrasting so fundamentally with Nasser, how did Sadat ascend to power in the first place? Here, only the bare rudiments of the story can be told.

After Egypt's defeat in the 1967 Arab-Israeli war, a wave of demoralization swept the country, seriously affecting Nasser himself. Nasser had two options, to locate Egypt's defeat in terms of a rigged war set up by the U.S. Rockefeller faction and thereby steer the country strategically further toward the Soviets and Non-aligned; or to appease the Rockefeller-Israeli conspirators by turning Egypt toward the U.S. as a bargaining tactic for economic aid and against Israeli expansionism.

Periodically disoriented and paranoid, Nasser was increasingly open to those of his close advisors, such as Mohammed Husseinein Heykal, editor of the influential Al Ahram, who called for the latter course. Worse, Nasser fell victim to a campaign of rumors and misinformation that led him to misread plots against his regime and to turn against long-time allies, such as General Amer, and to promote the real conspirators. The "discoverer" of the "Amer" plot, the virulently anti-Soviet Mohammed Ahmed Sadeq, was promoted by Nasser to the post of Director of Intelligence. A likely second source of chaos and confusion, Alexandria Police Chief Mamdouh Salem, maintained intact his powerful Rockefeller-linked police apparatus.

Sadeq became one of Sadat's main proponents for the seccession; Salem is today the increasingly powerful Prime Minister and self-installed Interior Minister. Sadat, the right-wing adventurist in Nasser's pre-1952 Free Officer Corps, was appointed Vice-President and became ruler of Egypt upon Nasser's death in September 1970.

Whatever his proclivities, Sadat at first had to tread cautiously in an Egypt still strongly "Nasserist." A mild foretaste of what was to come was Sadat's December, 1970 order to newly installed Prime Minister Mahmud Fawzi to begin legal processes toward liquidating the sequestrations of foreign property that had taken place during Nasser's reign.

Sadat's first major political move was the purging and jailing of a group of powerful men in the Arab Socialist Union, Egypt's only party, centered around leftist Ali Sabry, under the contrived pretext of "discovering a Soviet-led plot" against his regime. In reality, Ali Sabry's circle, which badly outnumbered Sadat's supporters in the Executive and Central Committees of the ASU, was the intellectual and political nerve center of the Egyptian state sector. That sector had been built up almost exclusively with Soviet technological assistance. In the 1965-67 period, Nasser had increasingly begun to lean on and nurture this group to mobilize Egypt's workers, peasants, students and intelligentsia in a more consciously socialist direction. From 1967 through the middle of 1977, the group played a decisive, if increasingly defensive, role in keeping aflame popular support for a powerful state sector as the prime instrument for social and economic progress. Its role as an alternate government is personified in Sabry's position as Vice-President.

On May 14, 1971, Sadat "revealed" the plot in one of his hallmark addresses to the nation. Sabry was booted out of office and sentenced to death. Held-over Ministers from Nasser's Presidency, Interior Minister Sharawi Gomaa, Minister of State Sami Sharaf, and Minister of War Mohammed Fawzi, as well as ASU Secretary-General Abdel Mohsen Abul Neur, were forced out of office. A general purge of the administration, especially of the leftist hard core of the ASU, ensued.

According to an informed Lebanese source, a "determining role" in the purge and especially in the dismantling of the ASU hard core was played by Mamdouh Salem, who quickly usurped control of the police and intelligence services after Gomaa's forced resignation. Salem was named Interior Minister in the new Cabinet appointed by Sadat on May 14 of that year.

Sadat could make this whole affair credible ultimately only by accompanying it with expansive economic promises, which meant "liberalizing" the economy to be more "attractive" to U.S. banks. On May 31, a law aimed, in the words of one Arab journalist, at "reestablishing a climate of confidence to encourage the expansion of the private sector," was promulgated. The law juridically overturned Nasser's executive sequestration prerogatives. On Sept. 20, Sadat established the Egyptian International Bank for Foreign Trade and Development to handle the inflow of Arab aid money in "free, convertible currencies" not subject to the tight exchange controls imposed by Nasser. The bank made deposits tax-free and loans subject to no regulatory laws, thus expediting speculative inflows. The appointed bank chief was Abdel-Moneim Kaissouny, who had been removed from the office of Economics Minister and sent into exile by Nasser in 1965 for advocating austerity policies that, Nasser warned, would precipitate a rightist putsch. Kaissouny is today Deputy Premier overseeing economic and monetary affairs under Sadat. He is the foremost advocate of the IMF "reform" measures.

On Sept. 24, 1971, a corresponding series of measures were enacted that established "free trade" and "free financial" zones throughout Egypt and set up new codes governing foreign investment. These measures, too, rolled back the safeguards Nasser had instituted against foreign speculation and looting.

The Twists And Turns of '72

Not surprisingly, the "liberalizing" measures added to the distrust of Sadat prevalent in several layers of the Egyptian population, who were equally wary of the increasing stridency of Sadat's periodic verbal forays against the Soviet Union. Throughout 1971, Sadat had played a calculated time-buying game by promising the restive population that that year would see the "end of the war — no peace stalemate with Israel" and the "liberation of Arab territory" from Israeli hands. But as the Egyptian army was in no position to go to war, the bluster soon wore thin. By Jan. 1972 Sadat had to inform an expectant populace that the strategic situation created by the India-China squabbles had prevented Egypt from going to war!

Sadat's demagogy and affronts to Nasserist, pro-Soviet sentiment was creating an incendiary situation in the country. Unrest in the universities was becoming endemic and was spreading into the working-class and armed forces.

As a result, in early 1972, Sadat launched a crazy-quilt policy of austerity and anti-austerity measures and wooing-rejecting diplomacy with the Soviet Union. Underlying the flips and flops was the fact that Sadat was continually making concessions to the centers of power adverse to his pro-U.S. "liberalizing" tendencies.

On Jan. 3, in reaction to a huge U.S. arms sale to Israel, Sadat appointed a core of three advisors around him that included a prominent Foreign Minister under Nasser, Mahmoud Riad, a former Ambassador to Moscow, Murad Ghaleb, and former Foreign Minister and former Ambassador to Britain, Italy and France Hafez Ismail. On Jan. 16, an entire new Cabinet was appointed, with Ghaleb as Foreign Minister with special responsibility for coordinating relations with the Soviets, and with former Industry Minister under Nasser, Aziz Sidky, made Prime Minister.

Sidky at least symbolized a commitment to growth which Sadat cultivated to provide maneuvering room for austerity and "siege economy, wartime" controls over commodities. At one crucial conjuncture during the year, Sidky attempted to introduce measures to raise living standards, even though these remained insignificant within Egypt's overall economic stagnation. Sidky played a more meaningful role in stabilizing relations with the Soviets, which otherwise reached disasterous proportions in July with Sadat's expulsion of 20,000 Soviet military advisors from the country.

The most interesting demonstration of the Sidky-Riad-Ghalib influence was Sadat's 1972 appeal to Europe for diplomatic and economic aid. In a striking and instructive parallel to recent diplomatic events, Egypt decided in early 1972 that western Europe especially Britain and France, could play an active role in breaking the Middle East stalemate by forcing the U.S. to exert influence on Israel for an overall Mideast peace settlement. According to a 1972 feature in New Middle East magazine, Egypt wanted to "see Europe exert pressure in two directions: by emphasizing the common interests of the Arab world and Europe in oil; and the desire for a peaceful Mediterranean, not under the tensions of Soviet-American naval rivalry."

Concrete progress in relations occurred during the first half of the year. A long-stalled negotiating process over European construction of the Suez-Alexandria (SUMED) pipeline was completed in April 1972 with a French-led consortium signing the contract. Later in the same month, Egypt signed a preferential trade accord with the European Economic Community. By late summer, relations were to have been more closely coordinated through a tour by Murad Ghalib across the continent.

During this period, European leaders were beginning to seriously consider tighter relations with the Arab states, but probably moved too slowly to provide Egypt with the diplomatic breakthrough it sought. The real crusher, however, to Egypt's diplomacy was that year's Munich Olympic massacre.

A combined operation of West German, Israeli, and Jordanian intelligence, this ghastly affair had the desired effect of enginnering an immediate crisis in West German-Egyptian relations and, more generally, on European-Arab relations, as mutual recriminations flew across the continent, much to the delight of the Israelis. New Middle East magazine remarked that the Munich operation "could not have come at a more inconvenient time—or place—for Egypt," as its case has been weakened in Europe and Israel has been given a "significant psychological advantage." The Financial Times noted that the Cairo press "depicted the political goal of the commando assault at Munich as undermining the proposed diplomatic offensive by Egypt...in West Germany in particular for the sake of a Mideast settlement."

Foreign Minister Ghaleb was made the sacrificial lamb of the shattering of Sadat's Europe option, and in the same month was replaced by Mohammed Hassan Zayyat, a veteran diplomat with extensive U.S. ties.

1973: The "Opening" — And The War

Perhaps in reaction to the September events, on October 1, Law 53 was passed ordering the liquidation of the nationalizations effected under an earlier 1964 law during Nasser's presidency.

But it was not until the first months of 1973 that Sadat decided to make significant moves toward "opening the door" of Egypt's economy to the U.S.

With growing student unrest, with the economy stagnant, with U.S. arms sales to Israel, and a stalemate with Europe blocking regional diplomacy, and with Sadat himself consistently undercutting progress in relations with the Soviets, Sadat on March 26 removed Sidy from the premiership and installed himself as both Premier and as military governor of Cairo, an appointment conferring on Sadat the ability to declare martial law in case of unrest.

Sadat immediately confirmed suspicions that these gestures were aimed at internal repression and mobilization for war. In April, he embarked on a nationwide crackdown against leftist intellectuals, journalists, and ASU members and began to speak more insistently on the Egyptian war option.

In an interview with *Newsweek* upon assuming the premiership, Sadat stated: "I have just completed contacts with all the Big Five, including China, with West and East Europeans, and the Non-aligned countries. There is only one conclusion — if we don't take our case in our own hands, there will be no movement, especially given Washington's ridiculous ideas....All West Europeans are telling us the same thing. And what's more they are right. Everyone has fallen asleep over the Mideast crisis. But they will soon wake up to the fact that the Americans have left us no other way out....The U.S. will be committing the gravest error in its history if it continues to believe we are crippled and can't take much action. The situation here will — mark my words — be much worse than Vietnam because here your vital interests are at stake." Asked about further peace moves, Sadat confessed, "I did my best. I've run out of ideas."

Sadat, however, had one idea: March, 1973 represents the real beginning of the "Open Door" as a conscious, enunciated policy. In his re-shuffled Cabinet, Sadat decapitated the left: Ghaleb was demoted to an innocuous post, avowed Marxist Minister of Supply, Fuad Mursi, was removed from the government. Long-standing Treasury Minister Abd al-Aziz Hogazi was promoted to the posts of Deputy-Premier and Minister for Finance, Economy and Foreign Trade. An informed Beirut source labeled Hijazi a "sort of spokesman for the private sector and a staunch advocate of economic liberalism." He was also a "prominent architect of the 'economic opening'." The New York Times described Hijazi as "an orthodox financial expert known for his advocacy of austerity" who was "constantly overshadowed by Premier Aziz Sidky, with whom he was often at odds."

By July, the Cabinet was approving a series of "liberalization" measures to ease foreign exchange regulations and to reverse the Nasser era's nationalizations. At the end of the month, Hijazi announced the "forthcoming reorganization of foreign exchange transactions" and established a Higher Planning Board for Foreign Trade to "define the objectives of Egypt's foreign trade and economic relations." The politics behind the verbiage was stated bluntly by the August 1973 Middle East Economic digest, which noted that Hijazi's "reforms...could eventually exclude much of its present trade with the Communist states." A digest article from that month is entitled, "End of Barter Trade (with the Socialist sector—ed.) Seen."

On Sept. 1, Hijazi introduced a "parallel foreign exchange market," by which the Egyptian Central Bank could buy and sell convertible currencies outside of the former monitoring process of the Finance Ministry. The "twin aims" of Hijazi's move was neatly summed up in the Cairo economic journal Al-Ahram al-Iktisadi, paraphrased in the Middle East Economic Digest: "to increase the rate of foreign capital inflow as a result of a *realistic exchange rate reflecting the real purchasing power of Egyptian currency;* and to encourage exports, especially of those non-traditional exports which are largely affected by flexible supply and flexible demand in a way which would mean a "free market for Egyptian currency, i.e., *the floating of the Egyptian pound where the value of the currency is determined by the forces of supply and demand without interference from the authorities."* (emphasis added).

But one grave obstacle stood in Sadat's way: the restiveness of those same layers of the population that had always been aroused by the twists and turns of his policy. Sadat said publicly that the sacrifices of "opening the door would fall on the population and that those sacrifices would be long and arduous. The President-Premier knew that a psychological rallying point would be the only way to gather popular momentum behind his de-Nasserization policies.

What emerged was the "limited war" option against Israel. A real war was out of the question, since the Egyptians would lose, and Sadat knew it. But a managed war, with the recovery of kilometers of the Sinai occupied territories, including its oil reserves, would give Sadat just the maneuvering room he needed.

Sadat successfully wooed Saudi King Feisal to the use of the "Arab oil weapon" as a bargaining ploy against the U.S. The U.S. would be compelled to force the Israelis or at least those Israelis around then-Defense Minister Moshe Dayan, to accept a cosmetic "Egyptian military victory" in a short war. The Rockefeller faction had its own well-documented reasons for wanting such a war, the ensuing rise in oil prices and creation of billions of petrodollars, which it used to bludgeon Western Europe and prop up the faltering dollar. Only days before the war began, David Rockefeller arrived in Cairo. Sadat had won his case.

While 1973 began the momentum for "opening Egypt's door," a well-informed Arab source notes that 1974 "may be regarded as the year of the'economic opening,' Since the October, 1973 War engendered the political conditions favouring this evolution through reinforcing the population's confidence in the regime."

That "confidence" was to be very short-lived.

Hijazi Out, Salem In, Debt Up

The period from the end of the October war to the present is characterized by one overriding fact — the massive explosion of Egyptian indebtedness, in particular the burgeoning of short-term, 90-180 day debt owed to the New York banks. The Egyptian debt level was estimated by recent Chase Manhattan memos at $12 billion and Chase officials doubt it can be collected.

Debt service payments, at approximately a $800 million annual level in 1972, reached over $2.5 billion in 1975, partly because the government decided to close out a wide range of debt accounts, many of which had accrued during 1974. By 1976, this policy necessitated *new* lending to roll over newly accrued short-term obligations, and estimated debt service payments during the past year were well over $30 billion.

To this figure must be added the financing of Egypt's immense budget deficit. Sadat's banking mentors in New York have been lending to him at rates reliably estimated as between 10 and 20 per cent, setting in motion a wild spiralling of interest-on-interest indebtedness that is in turn met by new short-term debt, by opening up the printing presses, by running an inflation rate conservatively estimated at 35 per cent, and most recently and most dangerously, by trying to impose severe consumption cutbacks under IMF dictate.

Last spring, David Rockefeller created a "lenders' commission" of private banks that moved directly to override Egypt's national sovereignty by overseeing the collection of Egypt's debts and the reorganization of Egypt's economy to expedite "liberal" lending capabilities. Only in return for compliance with such measures — Rockefeller has instructed Sadat — will Egypt get credit. The enforcer of the commission's orders has been the IMF.

The commission periodically refuses to meet until they have received word from the IMF that Sadat has complied with the report's demands for making the Egyptian pound fully convertible, for eliminating subsidies on vital commodities for most of the population, and for dismantling the Egyptian bureaucracy set up during the Nasser years.

Sadat himself would be the first to jump to carry out the IMF's policies, were it not for the unrest that such measures provoke. It is no surprise that the rioters of mid-January chanted slogans against "Sadat the Khedive," after the Khedive Ismail who ruled Egypt during the period when British and other European banks took over Egypt in the period leading up to the 1882 British occupation.

Sadat's eagerness to comply with David Rockefeller today is no less evident than in 1974 when he moved to "open" Egypt up. By December 1973, the SUMED pipeline contract was transferred over to a U.S. consortium motivated by the New York investment house, Kidder-Peabody and financed by First National City Bank. The deal was widely recognized to be a *political* expression of Sadat's turn away from Europe and toward the U.S.

Starting in the same month, and extending through July 1974, a series of laws were put forward and passed to further "de-Nasserize" Egypt. The 1974 budget proposed in late 1973 called for 49 per cent of the capital of state-owned organizations to be offered to private Egyptian or Arab investors and for the revival of the Egyptian stock exchange. These proposals, officially aimed at "giving a more active role to the private sector of the economy," were followed by the lifting of sequestrations, the restitution of seized private property, and the "denationalization" of cinemas, which were given back to their former owners.

On Feb. 10, Sadat created the Arab and International Economic Cooperation Organization to supervise foreign trade and coordinate foreign investment projects. The organization was put under Hijazi's control. The *London Financial Times* of March 1 welcomed it as the "main clearing house for the new economic liberalizing plans." On the same day, Sadat created a Higher Council for Arab and International Economic Cooperation.

On March 30, Hijazi announced the formation of an International Company for Trade and Investment, one of whose owners was the Arab International Bank, the new title for the 1971 investment bank run by Kaissouny.

On May 15, Sadat's "October Document" program mapping out his "twenty years" designs for Egypt, most prominently including "the economic opening," "the encouragement of the private sector," and the "easing of restrictions on foreign capital investment," were ostensibly approved by "99.5" per cent of the Egyptian people.

The watershed date for the entire year however, was June 10, the date of passage of Law 43. The Law 43 extended the fiscal exemptions granted for foreign investments, exempted foreign companies from Egyptian regulations requiring workers' participation on boards of directors — a landmark policy of the latter Nasser years — authorized foreign financial institutions to open branches in Egypt, permitted foreign capital to participate in the creation of domestically oriented banks operating in Egyptian currency, and established the "General Organization for Arab and Foreign Investment and Free Zones." One of the drafters of the law boasted that it would "change the political features of Egypt for years to come."

The Law 43 paved the way for the June-July visits to Egypt of U.S. President Nixon, the first visit ever by a U.S. leader, and of U.S. Treasury Secretary Simon, who used the occasion to demand that Sadat eliminate food subsidies for the population, reverse the nationalizations of the Nasser era, and expedite U.S. investment into Egypt. Simon set up a joint U.S.-Egypt committee, one of whose top members was David Rockefeller.

On July 16 Chase Manhattan, First National City Bank, the Bank of America, and American Express were given authorization to open branches in Cairo and soon set up joint venture banks with Egyptian institutions. Much of the banking structure was reorganized along "offshore" lines to remove impediments to speculative lending and monetary recycling.

A Beirut bankers' newssheet commented, "The last obstacles standing in the way of the investment of Western capital funds in Egypt were thus removed. From then on, the state was to give priority to the reactivation of the Egyptian private sector."

This point was brought into the open with the September, 1974 appointment of Hijazi to the position of Premier, replacing Sadat.

But the severe popular discontent bubbling throughout the entire year began to surface in early 1975 in response to the massive inflation caused by the speculative adventures of the "new bourgeoisie" created by the Hejazi-Sadat measures. The suspicion began to grow that Sadat's "open door" was a clever confidence trick: the sense of distrust began to spread into the armed services, factions of which were also upset at the continued deterioration in relations with the Soviets and at the expanding awareness that the "victory of October, 1973" was a sham. Both Hijazi and Sadat were the targets of biting public attacks during student and worker demonstrations in January 1975.

To clamp down on the unrest, and to remove from the public eye the symbol of "openness," Sadat in April, 1975 again reorganized the government, bringing Salem in as Prime Minister and, in what was considered to be a major surprise, making a "new generation" army officer, Husni Mubarak, Vice-President. The latter move was recognized as an attempt to assauge the armed forces.

Along with Hijazi, most of the technocrats on his team were kicked out of the government, after having been officially scolded for not having reacted with sufficient dynamism in "promoting the economic 'opening.'"

Other noteworthy aspects of the government reorganization were the removing of the last vestiges of leftist and Nasserist influence. Marxist Ismail Sabri Abdullah was removed from his post as Minister of Planning and Sadat eliminated a presidential advisory board occupied by, among others, Sidky and centrist-Nasserist theoretician Heykal.

The new Finance Minister Ahmed Abu Ismail announced upon appointment that "the economic opening should not be directed solely to external trade, but equally to the domestic situation through the creation of joint stock companies financed by the private sector" in order to "make possible the mobilization of private capital in the financing of projects instead of being used only on consumption." It was noted in Cairo circles that this was the first time that an Egyptian official has mentioned the possibility of creating private companies, a system that Nasser had abolished in 1961.

Much of the 1975-76 period was marked by intense intra-ministerial squabbles over whether to comply with IMF austerity demands. Opposition to compliance reportedly extended up to the ministerial level in the fights between the Economic, Finance, Trade, and Planning ministries. Although compliance with IMF demands to eliminate food subsidies and streamline the bureaucracy were periodically reported during this period, Sadat nervously held back from pushing the measures through.

But IMF pressure mounted. In September and October of last year, deputy ministers from more than 10 Egyptian ministries were brought to the U.S. and were told that no investments would go into Egypt and implicitly that any consideration of an alternative new world economic order and debt moratoria would be met with a rapidly deteriorating regional political-military situation and possible Israeli "Entebbe-style" pre-emptive intervention.

In November, the resistance was virtually swept away. The IMF's main man in Egypt, Kaissouny, was made Deputy Premier for Economic Affairs. Too nervous to openly publicize what was afoot, the government early this year suddenly announced the lifting of subsidies and ensuing price rises for several vital necessities, such as flour, rice, and cooking oil. The riots which broke out were of unprecedented fury, in mid-January and Kaissouny even tendered his resignation.

But Sadat is committed to pushing on, and is now telling his population to "sacrifice for another four years" and is alleging that there exist "Communist plots to create unrest to prevent foreign investment from coming into Egypt." Salem has reassumed control over the Interior Ministry, a nationwide repression crackdown has begun, and leading intellectuals are warning that the country is headed for "Chileanization."

According to informed sources who recently returned from Cairo, Sadat is sometimes in despair and has expressed the wish to hide from the unrest and social chaos that his policies have unleashed. The Economist of London reports that Sadat falls asleep during Cabinet meetings when economic matters are being discussed. A Georgetown University source even reports that Sadat might replace Egypt's Open Door with a "Closed Door Policy."