

JPRS-NEA-91-058  
10 SEPTEMBER 1991



# ***JPRS Report***

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# **Near East & South Asia**

***EGYPT***

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# Near East & South Asia

## EGYPT

JPRS-NEA-91-058

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10 September 1991

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## International Affairs

### Column Sees No Hope Against U.S.-Israeli Alliance

91AA0561E Cairo AL-AHRAR in Arabic 8 Jul 91 p 4

[Article: "Attention: Uncle Sam and Mrs. Uncle Sam"]

[Text] The cunning, conspiratorial, and persistent nature of the Jews has joined forces with the tremendous military capabilities of the United States. The aim of this alliance was to make Israel stronger than all the Arabs. It was an achievable goal, because modern warfare requires firepower, not numerical strength. As a result of that alliance, the Arabs were successively defeated, most recently in 1967. Israel's occupation of Arab territory continued for 25 years, during which settlements were built and Jews from all over the world emigrated to Israel. The demographic makeup of the West Bank and Gaza was changed, and now Shamir is brandishing his weapons and rejecting all appeals for peace.

To that situation, one may add the fumbling, the dissension, and the internecine fighting which are taking place on our Arab side. The battle in the Gulf was the latest episode in that series of episodes which are destroying the Arabs' material and spiritual resources. As we stand on this quicksand, the United States asks Israel to be flexible, and Israel acts coyly. As President Bush extends the limits of his patience, the Arabs become alarmed and mutter, "There is no power save in God." The Arabs may clamor and go into convulsions, but the road that lies ahead for them is a dead end road.

Let us put it bluntly: As long as Israel is allied with the United States and as long as the relationship between these two countries is as close as that between husband and wife in a Catholic marriage, the Arabs will get nothing out of this deal but crumbs.

So what is the solution? Once again, let us be blunt about that. As long as the Arabs cannot find some way to drive a wedge between the United States and Israel, a solution that will make them happy and bring joy to their hearts remains hopeless. (May God have mercy on you, al-Sadat.)

If the Arabs cannot do that, the only thing they can do is accept what is happening and what will happen and be content with what exists and what will exist. That is all the Arabs will be able to do until that time when a generation of Arabs can somehow attract the United States and get that country to be on their side or at least make it neutral. (Manifesting the civilized, democratic aspect of themselves may be one way to accomplish that.) The day will then come when people will be given the help they need and pressed together as equals.

### Ghali Interviewed on Nomination for UN Secretary

91AA0559A Cairo AL-AHRAM AL-DUWALI in Arabic 25 Jul 91 p 8

[Interview with Dr. Butrus Ghali, deputy prime minister, by Muhammad Salmawi: "In Interview with AL-AHRAM, Butrus Ghali Says That UN Will Need New Kind of Secretary General in Coming Period;" place and date not given]

[Text] The designation of deputy prime minister and minister of state, which has been associated with Dr. Butrus Ghali's name in the world media has been changed recently. Dr. Ghali is now "the Egyptian candidate for the position of UN secretary general." In this interview, the veteran Egyptian diplomat speaks openly about the international circumstances which surrounded his nomination as the first Egyptian, the first Arab, and the first African candidate for one of the highest political positions in the world. Dr. Ghali speaks openly about his chances of being appointed to this position and about the international changes which presuppose that the nature of the international organization's secretary general be different from that of the two secretaries general who served the organization during the past 45 years.

When the interview got started, my question to the first Egyptian candidate for the position of UN secretary general had to do with how he came to be nominated for that position. Dr. Butrus Ghali's nomination may have taken many people by surprise.

[Ghali] Reports sent by our ambassadors in different African countries over the past few months informed us that my name was being proposed as a candidate for the position of UN secretary general. The answers which President Husni Mubarak used to send though indicated that Egypt was not thinking of that now. After two such answers were sent, it became clear to everyone that the president did not support this nomination which coincided with my promotion in the cabinet from minister of state to deputy prime minister.

I went to Abuja after that to attend the African summit on behalf of President Mubarak. When I was there, and that was recently, Nigeria's President Ibrahim Babangida presented a list of African candidates for the position of UN secretary general, but all the candidates on that list came from one cultural group, namely, the group of English-speaking, African countries. The presidents of other African countries, the French-speaking countries in particular, protested vehemently and exclaimed, "What about the Arabic-speaking African countries, and what about the French-speaking African countries? Why is it that the list of candidates has no one from East Africa and no one from North Africa?"

I was publicly called upon by the president of a central African country during the session and asked what I was waiting for to declare myself a candidate. "Don't put me in a difficult position," was my answer to him. "The

president of my country does not support this candidacy." The African president then said, "I will discuss this matter with President Mubarak." But I asked him not to do that, and I told him that I would discuss this matter myself with President Mubarak when I go back to Cairo.

When I returned to Cairo, I went to the president and met with him. I conveyed to him the message from the African presidents as well as their decision to include him in the five or six-member committee which they were going to form to compile a new list of African candidates for the position of UN secretary general.

The president eventually approved the nomination, and the campaign got started. The campaign got underway from Latin America to the Far East and from north Europe to South Africa. It became evident to us that many countries were supporting this nomination. It was only yesterday that I received an official letter from Uruguay confirming that country's support for the Egyptian candidate.

[Salmawi] A question about having one's name appear on a list of candidates had to be asked. I asked, "Don't you think that the chances of appointing an African candidate to that position are weakened by the fact that there is more than one African candidate for that position?"

[Ghali] Not at all. Quite the opposite in fact. The idea behind having a list of candidates is this: If the Security Council has one candidate to consider, council members may find that the candidate does not have the required credentials. That would put an end to an African candidate's chance of getting that position for the first time. The list gives council members a better opportunity to make a selection.

Furthermore, nominating one candidate may give the wrong impression. It may give the impression that we are trying to impose our chosen candidate on the international organization.

[Salmawi] Has a limit been set on the number of candidates whose names will appear on the list of African candidates?

[Ghali] Not yet, but I don't think there will be more than six names on that list.

[Salmawi] To your knowledge, who are the other candidates who are not from Africa?

[Ghali] It is still too early to tell, and not all the cards have been laid on the table. But following the events of the last few years in Europe, for example, it is possible that a candidate from eastern Europe will be chosen for that position. A black horse candidate or a surprise candidate about whom no one knew anything is always a possibility.

[Salmawi] The world has known two kinds of UN secretaries general during the past 45 years. The first

kind, the man with initiative, Dag Hammarskjold, is characterized by his leadership qualities. The second kind, exemplified by U Thant and Perez de Cuellar, prefers quiet diplomacy and following the prevalent trend among the member countries. Which approach will you follow if you get that position?

[Ghali] We must not place undue emphasis on the secretary general's role in the coming stage. That role will be radically different from what it was during the previous political ages which the organization experienced over approximately 50 years.

In the next stage the secretary general will have to be an expert in international politics and a capable diplomat. At the same time his management skills will have to be top-notch. The new secretary general will implement the resolutions which the member countries agree to, and when the Security Council considers international problems, he will use his personal relationships to help Security Council members reach a unanimous agreement.

Because of recent changes in the world order, I believe that we need a new kind of secretary general, one who is quite different from the two kinds you mentioned in your question.

The cold war of the past required the secretary general to play a specific role between the two superpowers. Now, however, these days are gone, and the spirit of cooperation has replaced that of confrontation which was prevalent in the past. It is this spirit of cooperation which is now prevalent between the superpowers, and that became crystal clear in the Security Council during the Gulf crisis. What role can the secretary general play given this agreement between the superpowers?

A secretary general who is looking for a part to play is not what we need now, but what we need now is a secretary general who can put the machinery of the United Nations to work so it can confront the major challenges we are facing now in the last decade of the 20th century. These challenges, like the problem of disarmament and adhering to it, the problem of guaranteeing human rights, and the problems of poverty and famine which have become widespread throughout the world, are challenges which affect all the countries of the world.

It is problems like these which aroused my enthusiasm for this position whose job description now differs from what it was in the past.

[Salmawi] I followed the race for the secretary general's position in New York in December of 1971. I saw the People's Republic of China, which had just joined the United Nations for the first time, exercise its veto against every candidate that the Soviet Union approved of. That prevented the council from reaching agreement on U Thant's successor. That situation continued till mid December when the council reached agreement on Waldheim. Did you conduct the necessary contacts to

ensure that a veto will not be used against your candidacy in the Security Council?

[Ghali] I believe that significant change has occurred since 1971. Because of the confrontation between the superpowers at that time, it was the General Assembly that carried weight in the international organization. At that time regional associations in the General Assembly could stand up to the superpowers. Now, however, the balance has shifted. It is the Security Council that carries weight now because of the spirit of cooperation between the five superpowers who have the veto power.

We contacted all 15 members of the Security Council recently. I can say that the initial reaction was promising even though most countries prefer to wait at this stage. They prefer to find out what other countries think, and they want to get a sense of the direction in which the international consensus will go.

[Salmawi] There are indications that in one of the superpowers one strong pressure group, which harbors feelings of hostility for the UN organization, has flatly rejected the notion that an Egyptian or an Arab hold the position of UN secretary general. And now statements are actually being made in these superpowers expressing the view that since Egypt is a principal player in one of the most important disputes which will be on the United Nations' agenda in the coming period, it may be better to have a new secretary general from a country which is not associated with this dispute. What do you have to say about that?

[Ghali] First of all, the experience I've had over the past 14 years suggests that a solution to the Middle East question will more likely be found outside the framework of the United Nations rather than inside that framework. You may recall that the inception of the peace treaty between Egypt and Israel took place outside the United Nations. That treaty was also discussed and signed outside the United Nations. The United Nations declined our request to play a part in concluding this agreement, and we were almost pleading with it. It is likely that this will happen again.

On the other hand, I believe that I have the experience as well as extensive knowledge about all the particulars of the problem, and that makes me better than another candidate who knows nothing about the Middle East.

Furthermore, it is a UN tradition that the nationality of the secretary general becomes a non-issue as soon as he becomes an officer of the international organization. Once that happens, nothing is said about his being Egyptian, Norwegian, or Austrian.

[Salmawi] In your own view what are the most important strong points you are counting on to be in favor of your candidacy? Are you counting on African support for your candidacy or on the approval of the superpowers? Are you counting on the support you are getting from

Third World countries because you are from Egypt, or are you counting on this support because of your personal credentials?

[Ghali] I cannot actually rule out any of these factors which you listed. French and Arabic speaking African countries are now supporting my candidacy, and support for the Egyptian candidate is starting to come in from the remaining African countries. These African countries know the Egyptian candidate personally because he was the one who was responsible for Egyptian-African relations for over 14 years. During those years I established the Egyptian Fund for African Development in 1980 with a budget of 36 million pounds, and in 1985 I also managed to persuade Japan to join Egypt and Africa in a trilateral cooperation program.

On the African continent, the poorest of all the continents, we find the largest number of countries in the international organization. With 52 African countries that are members of the United Nations, recognition of Africa's role is needed, now that other continents have had their turn with their representatives having served in the position of UN secretary general.

On the international stage our relations with the superpowers have never been better. I came to know a continuous stream of U.S. officials during the past 14 years, and I dealt with them closely when I served as the head of the Egyptian-Soviet Friendship Society.

But as far as Egypt is concerned, there is Egypt's special role which stems from its unique place in international politics. It is that which enabled Egypt to bring various parts of the world together and to advocate that people from different parts of the world talk with each other.

It was Egypt that stood behind the 1955 meetings in Bandung where the first talks between Africa and Asia were held. It was Egypt that stood behind the establishment of the Organization for African Unity [OAU] in 1963 which held talks between north and south Africa. It was also Egypt which contributed to the talks between Latin America and Africa. The eighth such conference was held in Mexico two weeks ago. Egypt also contributed to the talks that were held between Arabs and Europeans, and it contributed to the talks that were held on the Middle East problem.

Egypt has had a long and respectable history in international politics. Because of my association with this country, this is the strongest point I am counting on in my candidacy for the position of UN secretary general.

#### **Japanese To Visit in Sep, Discuss Investments**

*91AA0561C London AL-SHARQ AL-AWSAT in Arabic  
18 Jul 91 p 12*

[Article: "Increasing Japanese Investments in Egypt To Be Discussed"]

[Text] A Japanese economic delegation is to visit Cairo next September to discuss the future work plan which the

joint Egyptian-Japanese Committee is to follow during the coming period. The delegation will meet with a number of Egyptian investment and trade officials to discuss increasing Egyptian exports to Japan and increasing Japanese private investments in Egypt. Mr. Muhammad al-Sayyid, secretary general of the Federation of Egyptian Chambers of Commerce, stated that the Japanese delegation will include the chairman of the Japanese Economic Committee, the president of Nissan Motor Company, the president of the Tokyo Chamber of Commerce and Industry, the secretary general of the Japanese-Egyptian Economic Committee, and the general manager of the International Division for the Japan and Tokyo Chamber of Commerce and Industry.

Mr. al-Sayyid indicated that Japan is now taking action to increase its foreign investments in different countries. He said that an agreement was reached during a recent meeting of the Egyptian-Japanese Committee about the possibility of Japanese financing for some joint Egyptian-Japanese projects which are run by the Japanese in Egypt for the purpose of exporting these products.

It is worth noting that, in 1988, Egyptian exports to Japan amounted to approximately \$234 million. Total government and private Japanese investments in Egypt during the same year amounted to \$65 million. That amount represents 4.8 percent of total foreign investments in Egypt.

### Russia Repudiates the Name of Lenin

91AA0506C Cairo AL-AHRAM AL-DUWALI in Arabic  
6 Jul 91 p 6

[Article by Dr. Mustafa Mahmud]

[Text] In the 1950's, the winds of socialism blew over most countries of the Third World, bringing ruin, collapse, and political corruption which left them in ruins. The banner of those changes, which resemble the collapse of the immune system—political AIDS—was carried aloft. Names we remember well—'Abd-al-Nasir, Asad, Saddam, Numeiri, Hussayn Irshad, Siad Barre, Mengistu, Enver Hoxha, Tito, Ortega, Castro—they all brought this contagion of foreign thinking to their countries—like organ transplants.

As usual, the operations ended with the rejection of the transplanted organ and the collapse of the country's social and political structure. This happened everywhere socialism was introduced. And death marched on until he reached Mother Russia, which was still rusting away from within until it was nearly gone. Its rulers had a reawakening of conscience; Gorbachev stood up and said that Russia had chosen the wrong way, and the socialist economy had wrecked the country. Only then did we open our eyes to the truth.

It was a shock that shook the world, in whose wake followers fell and were scattered like loose beads; most recently Mengistu, expelled to Zimbabwe. The string of explosions continues, and the remaining adherents of socialism are still falling one after the other.

The latest we've seen on television was an Ethiopian peasant beating a statue of Lenin with his shoe.

But communism, which entered Russia with arms and bloodshed, which was built on terror, prisons, and detention camps, which sank its roots into the social structure, can be expunged only with blood, struggle, and suffering all over again. The fifteen Soviet republics that make up the USSR are coming apart as the cement that holds them together crumbles—that cement was nothing but a dictatorial iron fist, and now the iron fist is looser. The central regime in Moscow has weakened; leaders are cropping up in every republic, seeking independence and secession. With price rises, unemployment and the disappearance of goods, every republic is trying to enjoy its own resources, maintain its own economy and end its commitments to the central government.

There is no permanence for corruption, or for evil, no matter how many armies muster to support it, or how many military men gather around it, or books support it. No more books written to glorify Marx and Marxism and the commentaries composed by the pens of professors in our own universities, and of professors in Western universities, which elevated this theory to the level of unerring law.

There was a time in our country when whoever criticized Marx was thrown into prison and not seen again for years. Censors eliminated both the phrase "material philosophy" and the person who wrote it, if there was criticism involved.

Evil was protected for twenty years, because rulers had an interest in supporting it. Then times changes, their clique was shaken, the world changed, and thinking went from one extreme to the other. Some writers fell silent and other writers appeared; some faces vanished and other faces appeared.

We too began to know that critical moment being experienced by Russia and Gorbachev, to suffer the same conditions that had required the transition from a planned economy to a free economy, from the laws of dialectical materialism to the law of the marketplace, and from the rule of the individual to democratic rule. What Gorbachev said he would do in fifty days, we said we would do in a thousand days—and there is no turning back now.

Because Russia was the source of the trouble, and because it pushed the world into this dead end, it will pay the highest price of all.

We and the other small socialist countries are in better shape; our capacity for reform is greater, as long as we have bold and upright leadership and creative policies.

Doctors of economy, faced with such major transformations, find that their traditional solutions and old books

are useless, along with their conservative consultations and fearful, hesitant advice. In these crucial moments, creative minds, untraditional policies and calculated risks are called for; fear is no good, and compromises get in the way and accomplish nothing.

We are not like the Soviet Union, which is made up of fifteen republics, now coming apart and falling in on the occupant of the Kremlin. We are not like Russia, whose economy has been strangled by the iron fist of central planning for seventy years. We should thank Sadat for his wonderful acumen in taking us half the distance by breaking that all-encompassing grip and freeing the private sector—he was ahead of Gorbachev, having liberalized back in the 1970's.

All the present government has to do is to set out on this daring policy, without fear or hesitation, and go the rest of the distance.

Our country is rich in resources.

There are copper, manganese, cobalt, silicon, emeralds, carnelian, and quartz in the Sinai Peninsula. The Sinai coasts are a touristic prize, and their pristine sands can be used in the manufacture of the finest types of crystal.

The Red Sea, the Mediterranean, and our lakes are rich in fish, and are tourist treasures.

The Nile, the valleys, and our groundwater are agricultural riches.

Upper Egypt has iron and uranium; Aswan, Luxor, and Giza have half the antiquities of the world. And there is the intrinsically valuable and creative Egyptian mind.

Egyptian workers are hardworking and patient; Egyptian soldiers are among the best in the world.

A country such as ours can never be bankrupted except by a bankrupt system; can never go backwards unless led by backwards leader, because riches are its nature and its destiny.

Even so, we watch with horror at what is happening in Russia, and think it is going to happen to us if we quicken our pace towards reform, even though we made those reforms twenty years before Russia did. There are no grounds for comparison.

A former minister of education announces that this has nothing to do with free comprehensive education, when he knows that it is comprehensive corruption, that it is not free and it is not education. It is budget-busting with nothing in return; it has no decision from his government; from a government that lives in a cemetery and still governs us from there.

His excellency the minister is afraid that turning back from free education will mean a revolution, even though the opposite is the case. Thousands of graduates of failed

universities surging into the unemployment market, to idleness, drugs, and extremism—this is what causes revolutions.

Turning back from free education for a failed student is the least that can be done. It means justice that does not equate a failed student with a successful one, or success with failure. That is an equality that, should it prevail, will mean the consecration of corruption; why should any student try to succeed after that, when failures eat for free at the same trough? We do not know what the new minister of education will say.

"Fifty percent workers and peasants" is another decision from the cemetery government.

And so on and so on.

All we ask is to be governed by living beings who will do their jobs instead of merely being part of a new cabinet; we want ministers who fear only God.

Change is coming, with or without them; the alternative, if change does not occur, is destruction: the destruction of the economy, and thus of all hope of reform.

The policy of patching, of loans, of postponing confrontations and leaving problems to political successors! Every prime minister leaves his problems for his successor, and buys his brain. That means that the government has become a lounge for employees, where employees pass files back and forth to one another and avoid responsibility. The result is that no one knows you are there. Everything moves backwards. There is a policy of statements and slogans and no sincere effort to help the people.

It is a hard test, requiring good minds, skillful politics, untraditional solutions, and a cabinet which is not content to be an employees lounge where they raise their hands in approval of every suggestion, nor an honorary cabinet that carries out most of its duties at the airport.

In my repeated encounters with foreign visitors and tourists, many tourists, of various nationalities, have told me that the dream of their lives is to spend one night in the sarcophagus of Cheops in the Great Pyramid; that they are ready to give all they own for that one night. But unfortunately the Tourist Authority does not permit this. I listen to them in amazement as they describe that night as being comparable to a ride in a spaceship—a ride into historic space—an embrace of mysterious secrets—and much obscure poetic talk.

There are people in the world crazy about that sarcophagus and its secrets, crazy about the Pyramid and its secrets, crazy about Akhnaten and the Sphinx. If I were the minister of tourism I would find a thousand and one ways in which to sell dreams to this world that thirsts for them. All we would need to do is to abandon bureaucracy and think with more creativity and vision, and to act less conventionally.

In America, they are already booking tickets for moon voyages years from now. They know how to sell dreams to the right customers.

Our country is the richest in the world in dreams, treasures, and legends.

What we need is unconventional thinking, a creative mentality, and flexible policies.

Are we more communist than China, whose universities are no longer cost free? All its universities now charge tuition and all its hospitals now charge fees. And China is the poorest country God made. Why do we cling to error, why are we afraid of reform—why do we allow the American University to charge \$5,000—about 20,000 Egyptian pounds—tuition from an Egyptian student, while we do not permit our universities, which beg for a tenth of a tenth of that amount, to do so? How will we improve education and develop laboratories; how can we encourage inventions when the university budget is below the poverty line? Proposed solutions are, as usual, the conventional ones: asking for charitable donations and begging for loans and contributions. And as usual all those funds go down the drain without a word from the ministry of non-education; and emaciated generations graduate, to occupy the coffeehouses and street corners.

Education is the muscle of the future. We cannot take control of our future without knowledge, or with universities in this condition.

The respected advisors who always insist that free education is one of socialism's great gains, one which cannot be encroached upon, know perfectly well that it is one of socialism's greatest losses, which should be eliminated entirely. But fear ... the worship of the same idols our forefathers worshipped ...the mentality of the squatting Egyptian employee. Instinctively we avoid confrontation, pass our problems on to whoever comes after us and prefer to rely on changing nothing, not tampering with anything. This mentality cannot lead us because it lacks the courage needed for decision making.

Nor is there any room for that mentality at times of historic challenge and times of changing course, in political twists and turns that demand the adoption of new policies.

The test is hard and there is not much time left in which to answer; and time is passing quickly.

Of this historic era there remains just one hour until the bell, when papers will be collected.

Traditional answers will not do.

The policy of loans and begging is futile.

And the employee lounge mentality will not solve Egypt's problems.

## Regional Affairs

### Labor Minister on Egyptians Still in Iraq, Gulf

91AA0546A London AL-MAJALLAH in Arabic  
26 Jun 91 pp 54-55

[Interview with Egyptian Minister of Manpower 'Isam 'Abd-al-Haqq by Ashraf Sadiq: "We Filed a Complaint Against Iraq with the ILO [International Labor Organization] Bureau to Guarantee Egyptians' Rights"]

[Text] [passage omitted] [Sadiq] The Gulf crisis, with all its dimensions, has demonstrated the disadvantages of Egyptian labor leaving the country without organization or work contracts. Have you devised a new plan to regulate the foreign travel of Egyptian labor?

[Abd-al-Haqq] I am for the law and for regulating the labor force abroad, even if it means limiting work opportunities, because such regulation would provide more security for any citizen going abroad.

The Egyptian Labor Ministry, however, cannot stop anyone from going abroad, because the Egyptian constitution stipulates in Article 52 the right to free travel and movement for the work force. There are four countries—Jordan, Yemen, Iraq, and Libya—that do not require a visa to enter the country.

Therefore, citizens going abroad without a work contract are taking a chance, because they may succeed or they may fail and get into trouble, in which case the ministry's role is to protect their rights within the bounds of international agreements. This is because they would not have a personal contract to guard their rights according to the well-known rule, "a contract is the law of the contractors."

### Eliminating the Middleman

[Sadiq] What is the best way for employers in the gulf to fulfill their need for Egyptian labor without getting into trouble or opening themselves to fraud?

[Abd-al-Haqq] The new law, Number 1 for 1991, recently enacted by the People's Assembly, regulates this process and provides for the elimination of travel agencies that act as a middleman for foreign travel. The law commissions the Ministry of Labor as the key responsible party, along with joint-stock travel companies with a minimum capital of 100,000 Egyptian pounds, with regulating foreign travel for labor. Accordingly, I say that the Ministry of Labor is a ministry that serves citizens wishing to work abroad as well as those who wish to hire Egyptian labor. We welcome any businessman from any Arab or foreign country who comes to hire labor through the ministry. But the Gulf economy, which is based on private sector companies, has the right to seek the labor it needs from anywhere. We welcome this, whether it is done through the ministry or travel agencies, for it makes us happy to see these companies do more than the ministry in this regard.

[Sadiq] Why is the Gulf labor market, which is open to Egyptian labor, still limited, and why not open new markets in Africa and other countries of the world?

[Abd-al-Haqq] Labor markets in Africa require foreign language proficiency, because Africa speaks English and French and the labor force in Egypt that speaks a foreign language is limited. Africa has Egyptian labor, but only at the advisors' level. We have many workers in Zimbabwe, Kenya, Nigeria, and other African countries, and are now providing language and technical training to our work force with a view to finding open markets for it in many countries.

As for the EEC, we have many workers in Greece and Italy. We have an agreement with Greece that regulates the employment of Egyptians there, and we are trying to conclude an agreement with Italy.

With regard to permanent expatriate emigration, there are Egyptians in all over the world, in the advanced industrialized countries—Germany, Australia, America, Canada, France and England—in particular. Egyptians in these countries are very productive and a source of honor and pride to us.

The Gulf countries, however, are still the best market open to Egyptian labor at all levels of expertise and qualifications, and Egyptian labor is the best for the Gulf countries linguistically, socially, and economically.

#### Number of Egyptians Abroad

[Sadiq] There have been conflicting figures on the number of Egyptians working abroad. What are the actual figures of Egyptians abroad?

[Abd-al-Haqq] Our available figures, which are the closest to the truth, put the number of Egyptian workers in Arab and foreign countries as follows:

- Saudi Arabia: 800,000, which is the largest number for Gulf countries.
- Libya: 600,000, which is the current number, but in accordance with bilateral agreements between the two countries, one million farmers will be settled at the Egyptian-Libyan border in Marsa Matruh.
- UAE: 90,000.
- Kuwait: 180,000 before the Iraqi invasion and close to 50,000 presently. This number is expected to double by the end of this year.

There are several thousand more in the other Arab countries, and 500,000 Egyptian expatriates.

[Sadiq] Turning to the problems of Egyptian labor at home, what solutions has the ministry devised to deal with the problem of unemployment suffered by many people, university graduates particularly?

[Abd-al-Haqq] First, let me emphasize that unemployment figures being circulated in Egypt are exaggerated and contain a good measure of alarmism. The true number is no more than two million, because every year

the ministry appoints 130,000 graduates from the colleges of education, medicine, dentistry, and pharmacology, and the schools of nursing, liberal arts, language, and science. The problem, however, is that we have 100,000 university and 350,000 secondary school graduates every year who cannot be accommodated in government positions. Since the government is not the only employer, the unemployment rate is not that disturbing, given the presence of the investment sector, the trade sector, the private sector, and the cooperative sector.

Right now, the government is devoting its attention to creating work opportunities in newly-constructed cities; in sectors experiencing a labor shortage, such as the education, nursing, engineering and technical sectors; or in foreign markets. [passage omitted]

[Sadiq] What about the issue of salaries and prices and ways to resolve it?

[Abd-al-Haqq] The government is making every effort to raise salaries. As of 1987, it had raised them by 20 percent in 1987, and by 15 percent in 1988, 1989, 1990, and 1991. In other words, salaries have risen 80 percent in four years, and the economic reform path the Egyptian Government is following is aimed at bringing salary levels closer to price levels and curbing inflation by issuing money into the market in the absence of actual production.

I believe that the economic crisis is on the way to being solved, and in the next five years Egyptian citizens will sense the benefits of the economic solutions that are being implemented at this time.

#### Officials Concerned Over Number of Egyptians in Iraq

91AA0515A Cairo AL-WAFD in Arabic 3 Jul 91 p 3

[Article by Muhammad Raghieb: "No News About 1 Million Egyptians in Iraq"]

[Excerpts] [passage omitted] For the last five years, the Egyptian labor force has been subjected to cruel pursuit and abuse at the hands of the Iraqis—both people and government—that resulted in the death of many Egyptian workers who were returned in body bags—over 1,000 bodies as of last year, until collisions came to a head right after Iraq invaded Kuwait last August and Iraqi authorities forbade them from sending remittances home, impounded their earnings, and forced them to take part in military action, etc., compelling huge numbers to flee Iraq. As of the outbreak of war last 15 January, the number of returnees was 230,271 workers, leaving behind, according to Ministry of Labor estimates, only 30,000, while several sources put that number at about one million Egyptian nationals. Whatever the correct figure, this issue has to do with the Egyptian citizens' dignity and protection, both inside and outside the country. Since the war ended some months ago, the government's role ought to be devoted to the discussion of issues that affect its nationals in Iraq.

We do not know how these people are living, where they are right now, or whether they are dead or alive.

The severance of diplomatic relations between Egypt and Iraq, because of our just position vis-a-vis the crisis, must not stop the government from keeping up with news about Egyptians in Iraq through known diplomatic channels. Nor should it be an excuse concealing the government's failure to move in this direction. All the government has to do is read the story with us and let us know what steps it is taking to reassure the public about the absentees.

#### Search Requests Number 1,500

Grievances by the absentees' families are still coming in. Such grievances are submitted to the Foreign Ministry, on one hand, and to the International Red Cross' Cairo branch, on the other hand.

At the Red Cross office in Cairo, the office director said: "Grievances from the families of absentees in Iraq keep coming in, bringing the number in recent months to 1,500, in addition to the ones the Foreign Ministry refers to this office." [passage omitted] The office director said Red Cross employees are facing some obstacles, i.e., banning Red Cross representatives in Baghdad from going into prisons and police precincts, not to mention the requirement to submit absentee search requests to the Foreign Ministry before resuming the search. These matters constitute an obstacle to the process of looking for Egyptian workers and ascertaining their whereabouts.

Since the government does not take care of its people abroad, as Dr. Ibrahim Dissuqi Abazah, chairman of the Wafd Party expatriate committee, maintains, this is viewed as an inducement to exploit and mistreat the Egyptian work force in Iraq. [passage omitted]

Dr. Abazah said: "On several occasions, the Egyptian work force has been subjected to harsh abuses, including employment through intimidation and threat in civil wars, as was the case with the Iraq-Iran war, when Iraq forced these workers to join the Popular Army or undertake military action at the front in support of the war, such as transporting troops and material, and building military fortifications, which resulted in Iran capturing thousands of Egyptians."

He emphasized that "before the war, there were about 2 million Egyptian workers in Iraq, two-thirds of whom returned before the Gulf war, and a little under one million, including married people and permanent residents, stayed behind. There is no doubt that they are being mistreated right now, just as they were mistreated before and during the Gulf war because of Egypt's just position vis-a-vis the crisis." [passage omitted]

#### Interests Section

Ambassador 'Abd-al-Mun'im Ghunaym, former chief of the Egyptian Interests Section in Baghdad, said: "I

imagine that there are about half a million Egyptians left in Iraq now, some of whom are permanent residents and some of whom are temporary workers in Iraq. Most of the clashes between Egyptians and Iraqis are caused by individual behavior that may develop into major confrontations that are referred to the competent authorities for investigation. It is common knowledge that most of the Egyptian labor force returned before or during the war, and I think they will receive their earnings when things get better."

He emphasized that "in order to protect the workers in Iraq and secure their rights after the severance of diplomatic relations, interests sections ought to be established in Iraq and Egypt to watch over Egyptian workers, in compliance with international law provisions. When relations with Iraq were cut from 1978 to the end of 1987, the Turkish embassy took care of Egyptian interests in Iraq, but there was an Egyptian interests section and an Egyptian consulate. The number of Egyptians in these sections was greater than the number of employees at any major embassy in Baghdad."

#### International Contacts

Ahmad al-'Amawi, chief of the Egyptian Labor Federation, affirmed that contacts via the Foreign Ministry are underway to protect workers in Iraq, especially after the recent rupture of relations, but so far, the ministry has not put out any communiques on this issue. "We can keep up with news about our workers there through the ILO, the Arab Labor Organization, and the International Confederation of Arab Workers."

He added: "Unfortunately, we have not received any information about Egyptian nationals since the war broke out—I believe their number is 40,000. Of course, their treatment now is similar to the way they were treated during the war." [passage omitted]

Kamal Qinawi, public relations director at the Ministry of Labor, said that the Ministry of Labor is coordinating with the General Federation of Egyptian Workers to get in touch with international organizations to discuss the affairs and problems of Egyptians in Iraq. Contacts with Iraqi authorities have been halted because of the severance of relations, thus making it impossible to keep up with their news and conditions now.

Consequently, the government is supposed to get in touch, via diplomatic channels, with the government that is taking care of Egypt's interests in Iraq to ask for reports on the condition of Egyptian workers there and keep up with their news so that their families may be reassured.

He emphasized: "We have not received any information or reports on the conditions and status of workers in Iraq, and we are very concerned about them. I believe that their number is no more than 30,000 since 230,271 workers returned when their remittances were cut back

during the gulf crisis. The Foreign Ministry is supposed to be appealing to any country to take up the matter of Egyptians in Iraq."

### **Kuwaiti Crown Prince on Arab Relations, War Lessons**

91AA0592A Cairo AL-AHRAM AL-DUWALI in Arabic  
14 Aug 91 p 3

[Interview with Kuwaiti Crown Prince and Prime Minister Shaykh Sa'd al-'Abdallah by Ibrahim Nafi' in Kuwait; "Kuwait Supports an International Peace Conference Based on Security Council Resolutions Nos. 242 and 338. Rumors that Kuwait Has Closed Its Doors to Egyptians and Egyptian Firms Are Meant To Be Divergent. The Crisis Taught Us Several Lessons. We must Distinguish Between Real Friends and Feigned Friends," date not given]

[Text] [Nafi'] How do you see chances for peace in the region in view of the proposed peace conference with Israel that persists in its expansionist policies of resettlement?

[al-'Abdallah] We in Kuwait have stated more than once, on more than one occasion, that Kuwait is in favor of an international peace conference to consider the region's present and future as well as the causes of the Palestinian people, provided that Israel is willing to accept and abide by Security Council resolutions Nos. 242 and 338 and provided that the Palestinian people is willing to accept the outcome of its negotiations at that conference.

[Nafi'] Now that a year has passed since the Gulf crisis, how do you see the domestic situation in Kuwait? What real changes did Kuwaiti policies, or even the Kuwaiti people itself, undergo?

[al-'Abdallah] Significant changes will of course occur in all areas, if they have not already done so. This is especially true of security in the widest and most comprehensive sense of the word. By this I mean national security for all of Kuwait in the aftermath of the treacherous Iraqi attack on my people and my country. Changes will also be inevitable in the composition of the Kuwaiti population in order to better serve Kuwait's political, social, and economic interests.

I will not be able during this interview to define the aspects and dimensions of this policy but the "population composition" is receiving a great deal of government attention.

[Nafi'] How about the second part of the question; about Kuwaiti citizens themselves—are they the same as they were prior to the invasion or have they changed?

[al-'Abdallah] Kuwaiti citizens have in fact learned more than one lesson about sharing, about cooperation, and about the pursuit of a uniform path that would realize for our country more prosperity, more stability, and more law and order. We must work for stronger relations

with our brethren and friends who courageously stood by us and played a distinguished role in liberating our country.

I assure you once again that we have learned a lot and have benefited by that hard lesson. We must now distinguish between real friends and those who feign friendship towards us. We must also strengthen ties of good relations with our brethren and friends.

[Nafi'] Is it safe to say, a year after the Kuwait crisis began, that Arab nations have comprehended their harshest lesson ever? In other words, have the Arabs rearranged their priorities, pondered relations with each other, and reexamined the way they deal with the outside world?

[al-'Abdallah] I hope that all of them have learned from the lesson of Iraqi aggression against Kuwait and have been able to clearly understand the dimensions of that aggression and its expansionist goals. I wish from the bottom of my heart, as a Kuwaiti and as an Arab, that the Arab brethren have also learned a lot of other lessons.

(As smoke from burning oil wells and the stench of destruction continued to fill the air, our conversation turned to the issue of rebuilding what aggression has destroyed and reconstructing what tyranny and treachery have wrought.)

[Nafi'] Do you believe that Egypt—its companies and individuals—is being given a role in the reconstruction of Kuwait that is in line with the new philosophy you just outlined?

[al-'Abdallah] I will respond to this question very explicitly and candidly because I want my answer to be a message from me to the brethren in Egypt and to the Egyptian people as a whole.

I say: On returning to our country and thoroughly scrutinizing our reconstruction strategy, I talked with brother Amin Nimr, Egypt's ambassador to Kuwait. I told him: We wish you to initiate contact now with Egyptian officials and company presidents in order that Egypt may have a primary, principal, and prominent role in all phases of reconstruction in Kuwait. The Egyptian ambassador so cabled officials in Egypt the same day, I believe. We were visited by a large Egyptian delegation which included brother engineer Hasaballah al-Kafrawi, Minister of Housing and Reconstruction. They [members of the delegation] inspected all sites and toured all areas and fields. The end result of all this is that some Egyptian companies have arrived and have begun implementing the projects they were awarded.

Rumors circulated in the past few weeks that Kuwait has closed its doors to Egyptian companies and contractors. Such rumors are intended to sow dissension and cause friction by blowing minor problems out of proportion.

The doors are open to all our brethren in Egypt. Let them come to this their country of Kuwait and work with us for its reconstruction. A large number of Egyptian

teachers arrived last week in time for the school year which begins at the end of this month. More Egyptian teachers will also be coming.

I will be visiting Cairo in the near future, God Willing, after I finish reviewing the tremendous effort required in Kuwait. I feel whenever I visit Egypt that I am in my own homeland and with my own family and brothers.

[Nafi'] Let us turn the pages of Arab relations together.... How do you envision future relations with Iraq and with other Arab countries that took its side and supported its aggression against Kuwait?

[al-'Abdallah] As to the first part of your question..I believe that this region will enjoy no security or stability as long as that person, meaning Saddam Hysayn, continues in control of Iraqi destiny. We have heard that man make many promises and commitments but he disregarded the rights of neighbors and neighborliness. His treacherous aggression against Kuwait has [demonstrated his] scorn for his pledges and commitments as well as all bilateral agreements, Arab covenants, and legitimate and international laws.

(He added bitterly:) It is difficult, my friend, to forget what Iraqi aggression has wrought upon us. Even if we managed to do so, will the Kuwaiti citizen be able to forget when he had been displaced, killed, looted, plundered, ravished, and violated? Ask any Kuwaiti in the street and you will hear a similar response, or maybe even a harsher one. The wound, my friend, is still very deep.

[Nafi'] How about the second part of the question relating to your stance towards countries that stood by Iraq and supported it?

[al-'Abdallah] Here is my answer to the countries that sided with Iraq and came out in support of outrage. Having sided with the tyrant against righteousness and with the aggressor against the victimized, it is now up to them [to make up for their action]. Such countries must take stock and must return to their senses and follow the right path.

[Nafi'] Don't you agree with me that the Arab League is destined to play a major role in bringing the Arabs together in order to formulate a uniform Arab charter; and that we must give the League an opportunity to fulfill that envisioned role?

[al-'Abdallah] We are closely following the visits of our brother Dr. 'Ismat 'Abd-al-Majid and his good offices for conceiving more than one model for a united Arab position and stance. We wish him success from the bottom of our heart. We still believe that the League should continue [in operation] after it is regenerated.

[Nafi'] But what course should we the Arabs take that would ultimately lead us to security and stability for Arab populations?

[al-'Abdallah] I wish to respond to this question plainly. To accomplish a united Arab stance we must all travel a uniform path that would guarantee our Arab nation more vigor, security, stability, and cooperation in all areas, especially in the "security field" and in the "military field."

But let me be candid about the truth. The treacherous Iraqi aggression against Kuwait has distorted that wonderful image that occupied every Arab's mind and that we had hoped to turn into a reality as soon as possible in order that we may all stand united against the schemes and ambitions of one common enemy.

We as Gulf Cooperation states have of course agreed to the concept of cooperation in security and military affairs and have been joined by the brethren in Egypt and Syria. Agreement in principle on the Damascus Declaration was reached last month at a meeting in Kuwait. It now remains to translate that agreement into a working plan for formulating preliminary agreements and protocols.

Let me also tell you. We have [entered into] very many joint defense agreements. I was told that when he addressed the Arab summit in Baghdad, Saddam Husayn talked of tranquility and security and said that Iraq had no plans or intentions to interfere in the internal affairs [of others] by military force. He told the heads of Arab states that should Iraq one day attack any Arab country, "I ask you to herald your armies and fight me." That was in May of 1990, a mere three months before he entered Kuwait as an invading tyrant.

The issue, then, is sincerity and commitment. It is not a question of mere agreements.

[Nafi'] How can we, as an Arab nation with tremendous potential, learn from this bitter experience?

[al-'Abdallah] As far as we in Kuwait are concerned, the Iraqi invasion has struck us at the heart and its impact will be hard to forget. It would be difficult to ask Kuwaitis to forget what happened and open a new page all that easily. This will take a long time.

[Nafi'] I am not talking of Kuwaiti relations with Iraq. I am talking of the tremendous Arab potential and how it can be exploited through collective Arab action, even if limited to the group that demonstrated true Arab outlook during the Gulf crisis.

[al-'Abdallah] Yes. Joint action by countries that sided with righteousness and came forward at Arab League meetings, regional and Islamic conferences, and in the foreign ministers' meeting and in the Security Council. We welcome cooperation with those countries. There are several ways in which such cooperation can be fostered in various areas and fields.

The Crown Prince and Prime Minister of Kuwait stood up to shake hands and bid me goodbye, saying: "Welcome to your homeland. We shall be visiting you in beloved Egypt, God willing."

I departed beloved Kuwait which is still licking wounds inflicted by tyrannical Saddamist aggression but a most important question remains:

Have we, the nation of Arabs, learned a lesson? Do we understand how to deal with each other as peoples and as governments? Will we reexamine our political, economic, and social priorities? Will we nobly rise above the pain, even if we all hurt to the quick? Shall we forget our sorrows and pay attention to the events around us and to what [others are] planning for us? Have we really learned our lesson?

Only time will tell.

### Reports Differ on Treatment of Citizens in Kuwait

91AA0568A London AL-SHARQ AL-AWSAT in Arabic  
29 Jul 91 p 2

[Article: "Most Crossed the Borders Fleeing Allies' Air Assault"]

[Text] A diplomatic source in the Egyptian Foreign Ministry has said that the ministry has received no complaints of torture, mistreatment or any incidents of the kind described by some Egyptians in statements to Egyptian newspapers last Friday.

In an exclusive statement to AL-SHARQ AL-AWSAT, the source said that the truth of the matter is that dozens of Egyptians who happened to be in Iraq in areas of military operation, or threatened by bombardment, did, in fact, flee towards Kuwaiti territory without any documentary proof of identification.

The source explained that Kuwaiti authorities stopped some of them and arrested others after they crossed the Kuwaiti border, pointing out that because of the current tense conditions in Kuwait at this delicate juncture, the detention of some of the Egyptians was prolonged, in addition to which, their living conditions were inadequate.

The Egyptian diplomat said that the Egyptian Embassy in Kuwait had agreed with relevant Kuwaiti authorities that the people would be sent back in groups immediately after the conclusion of inquiries ascertaining that they were not involved in any activities against the law or public order in Kuwait.

He mentioned that Faruq Hidayat, the Egyptian consul general in Kuwait, was personally inspecting the Egyptians' conditions in the Kuwaiti prisons, and visiting them from time to time to check on the progress of their legal status.

He indicated that there are 70 Egyptians presently held in Kuwaiti prisons, 30 of whom had arrived about one month ago, with a second batch of 24 arriving last Friday, according to the agreement by the Egyptians and Kuwaitis.

He mentioned that Egyptian opposition newspapers had claimed that the number of Egyptians detained in Kuwaiti prisons varied from 170-300. This was denied by Amin Nimr, the Egyptian ambassador in Kuwait, who said that the correct number was only 70 citizens.

A private Egyptian airplane carrying 24 of the Egyptians detained in Kuwaiti prisons returned to Cairo last Friday evening. They had crossed the Kuwaiti-Iraqi border during the Gulf war, fleeing the allied forces' intense aerial bombardment of Baghdad, and were then detained by Kuwaiti forces.

Some of those coming home spoke, in statements published in the Egyptian newspaper AL-JUMHURIYAH, of what they termed "mistreatment" at the hands of Kuwaiti authorities and their detention at a number of sites converted into prisons, among them schools and damaged buildings. They also asserted immediately upon arrival at Cairo Airport that they had been unable to contact the Egyptian Embassy in Kuwait.

### Article Criticizes Husayn for Meeting With Israelis

91AA0511A Cairo AL-WAFD in Arabic 25, 26 Jun 91

[Commentary by Ayman Nur]

[25 Jun p 7]

[Text] His excellency King Husayn, the hesitant and the embarrassed!

Hesitant, because he is caught between satisfying the Americans—who cut off \$27 million in annual aid to Jordan until Husayn recognizes Israel's right to exist and enters negotiations with it—and satisfying the Islamic current, which refused to enter the new cabinet, "because this trend is not honored to join hands with a government whose entire mission is dialogue with the Zionist entity."

Embarrassed, as seen in the king's address to all the Arab masses, from the Mediterranean to the Gulf, in which he states:

"The Arabs must combine all of their capabilities against our common enemy, Israel." When we said that the royal Jordanian brokerage was striking roots in the Arab backbone in terms of harmony between the interests of Husayn in the sultanate of "Jordan" and the aspirations of the Zionists in the "occupied homeland," they accused us of brokering for the Arabs, which is an honor, not an accusation, if they are differentiating.

Our bewilderment regarding the king is escalating and becoming complex, as we seek protection from the "secrets of King Husayn's meetings" with leaders of Israel.

### King Husayn Woos Golda Me'ir

Several days ago, Knesset Member Simha Dinitz told Avi Bettelheim (MA'ARIV, 7 June 1991) that "I cannot forget what I saw in the past—King Husayn holding Golda Me'ir's arms, as if he were a family member!" From the love between the rulers of Jordan and the Israeli entity to Husayn's love of men, by which we mean "Yitzhaq Rabin, who always recalls the king's shining eyes when he took him in a helicopter on a night tour above Tel Aviv, which prompted King Husayn to say: "I hope to eat in the morning in this city." (MA'ARIV, 7 June 1991).

The king's meetings in Tel Aviv, Eilat, perhaps in the Knesset, and perhaps elsewhere, did not stop with special, domestic good wishes for the children and family of Yitzhaq Shamir, Golda Me'ir, Moshe Dayan, Shim'on Peres, Hayim Bar-Lev, Ya'aqov Hertzog, Moshe Ben-Aharon, Yig'al Allon, and Aba Eban.

These names make up only a small part of the list of Husayn's meetings with Zionists, which took place everywhere, from civilian areas to Israeli combat "missile boats" in Mediterranean waters and near Paris and London.

According to King Husayn, these meetings aimed to achieve full peace with Jordan [based on an Israeli withdrawal] from all of the territories which Israel occupied in the 1967 war and withdrawal from East Jerusalem, up to the last centimeter!

### Wedding Ceremonies

As Jordan returns to the focus of American and Israeli concerns, a question suddenly arises as to why Israeli leaders wish to disclose the meetings with Husayn and expose his positions, "which were national, patriotic, and revolutionary during the Gulf crisis." Also, "why did America reveal its ugly side in its treatment of Jordan by announcing last Thursday afternoon in the Israeli settlement in Washington, the "Congress," the conditions for the authorization of payment of \$27 million to Jordan, which is no more than pocket money for his excellency the king's family in a European health resort during the summer!

In the face of the devastating failure that sorely tried American Secretary of State James Baker in his shuttle visits in the Middle East, the American administration began to forge the Jordanian iron after heating it in the Israeli media furnace to make it malleable. This is precisely what is now happening with Jordan.

[26 Jun p 7]

[Text] If the American administration found in King Husayn a chance to transcend the failure of Baker's shuttle visits by forging the Jordanian iron after it had been heated in the furnace of the Israeli media, the

Jordanian iron was not placed forcefully in the Israeli furnace. Rather, the king signaled his acceptance of the matter through:

1. The change in the Jordanian cabinet, which has many implications. Observers of various orientations agree that perhaps the most salient of these implications is that this cabinet will assume responsibility for conducting a direct dialogue with the Israeli entity in the framework of preparing for the near future. This, in itself, is the result of the recent meetings held between Baker and Tahir al-Masri (the current Jordanian prime minister), and between Baker and King Husayn.

2. The start of a change in the king's policy toward the Islamic current, as seen in the attack he launched against what he called extremist behaviors and persons ignorant of the affairs of political activity. Regarding the fundamentalists who refused to join the cabinet, the king stated, in the afternoon of 19 June 1991, after Tahir al-Masri's success in forming a government: "Some among them have never before engaged in political activity. Some among them have recent experience that has not permitted them to acquire knowledge of and familiarity with it." The king also signaled his resolve to take measures: "A matter like this requires a vigilant stance by all of us, by which one breach is studied, corrected, and remedied here, and another closed there." Then, the king expressed his opposition to the Islamic current's program on the Palestinian problem. He stated: "We are not lovers of bloodshed, because we are a nation that has been sent to spread good, love, and peace among all peoples of the earth."

Therefore, the king is preparing, in light of his entry into the Israeli glass cage as he rides the American camel litter, to rid himself of the mischievous "guests" of the Islamic current and those who oppose the policy of transforming the secret meetings into open meetings. It is not important that the king is entrenching the reality of an "alien ruler who is governing a people that is not his people," which we clarified in a previous analysis on the 500 hours of discussions between the king and Israeli leaders over the course of previous years.

The concern of Israel and America (in the framework of their unannounced cooperation) with Jordan's position has aimed primarily to extricate peace efforts from the dark tunnel and move them toward "inaugurating the first public Arab-Israeli meeting, to be followed by other Arab-Israeli meetings." America showed no bashfulness in inducing Jordan to accept this goal. The Israeli settlement in Washington threatened to "cut off aid to Jordan." Moreover, it went so far in its arrogance to the point where President Bush pledged that "this sum serves American national security interests, and that he himself (i.e., President Bush) would see to it that Jordan commit itself to conducting bilateral, direct negotiations with Israel and recognize Israel's right to exist."

Even though President Bush has not, to date, criticized the "style of the Congressional settlement," he is nonetheless resolved to "pressure the parties to accept a new peace formula." To date, it seems that "pushing Jordan toward holding direct negotiations with Israel is the beginning of the new formula." Therefore, there will be no pressure on the parties [read: Israel], if we consider that Israel is pursuing a dialogue with any Arab official, even if he is from Eritrea, which is seeking Arabs to recognize its independence. Rather, the pressure will focus on the Arab parties alone. Therefore, let Mr. Bush correct his statement to something like "pressure on the Arabs to accept a new formula to preserve Israeli national security."

One who contemplates events pertaining to the American role and interactions which Jordan is witnessing can derive a number of conclusions that have become given facts. Chief among them are the following:

1. King Husayn has begun to be persuaded (whether based on an internal desire or because he is being pressured) to provide the Arabs with a model for accepting face-to-face talks with Israel along the lines of "there is no shame in sitting together, face to face, with the Israeli entity, as long as we seek peace." It is assumed that Tahir al-Masri's government will assume responsibility for the matter and will subsequently enter into "history," or walk slowly into the domain of "Arab tragedies."

2. The Jordanian-Israeli dialogue will benefit neither of the two parties unless it is the start of the legitimization of a bilateral dialogue between Israel and the Arabs, inasmuch as the two sides have engaged in dialogue and consultations and have had relations for a number of years at all levels, especially economic cooperation. Regarding the latter, there are documents that prove that this economic cooperation has exceeded the dimensions of cooperation between Jordan and any other Arab state or government (as we will show subsequently).

3. Some Arab parties will not regard Jordan's new course as a betrayal of the cause. Rather, they will engage in intentional disregard, so as to show the American friend, which bears the concerns of peace on its shoulders, support for the Jordanian course in view of the fact that it is, on one hand, a "realistic normalization" and, on the other hand, a prelude to convincing their peoples of the "necessity" of dialogue for the sake of peace with the Zionist enemy.

4. The United States—which proposed the idea of peace in President Bush's letter dated 8 March 1991, and which sent Baker, Cheney, and Richard Clark, the assistant secretary of state for military affairs, to the countries of the region, but failed in these efforts to produce results in a way that proves to the world the United States' ability to impose peace on the relevant parties—will begin to legitimize the imposition of a fait accompli, whether through pressures, enticements, or brandishing [threats], or any lever to demonstrate its credibility to

Americans themselves regarding "its ability to implement what the government promises to the American people and the world."

Therefore, we are in a new phase in which the America will bare its "long fangs" and not hesitate to sink them into any hard position to soften it or to even cause it to bleed, compelling the affected party to seek treatment to avoid complications. Of course, the United States will close all of the pharmacies and medicine distributors, except the American White House pharmacy.

If Jordan, based on King Husayn's attitudes, is unable to hold out against the enticements or threats of the American settlement, it will permit the American side to taste, if only with the tip of its tongue, the sweetness of its victory in implementing its new plan to resolve the differences between the parties to the peace problem.

5. Among the results which are now interacting secretly are those that pertain to several aspects of economic, scientific, and industrial cooperation between Israel and several Arab countries. This represents a natural prelude to political dialogue or a "political marriage." In this respect, we can mention, for example, the enormous dimensions of the bonds of economic cooperation between Jordan and Israel, which are compounded yearly in keeping with Israel's concern for King Husayn and to entrench Husayn's idea regarding his efforts to hold meetings with Israeli leaders of different orientations.

#### Algerian Events Send Message to Government

91AA0576A Cairo AL-AHALI in Arabic 24 July 91 p 10

[Article by Amin Huwaydi: "Important and Serious Message From Algeria"]

[Excerpts] [passage omitted] What is happening in Algeria is not a clash between the Islamic Salvation Front [FIS] and the authorities. Rather it was public anger that has found expression through the violence to which the FIS resorted, on one hand, and through the [pro-government] support and blessing the silent majority has voiced, on the other, including support from scores of parties that have been allowed to get involved in the political game. Otherwise, officials of the ruling party, its cells, and its organizations would have been compelled to confront the violence of the opposition front, contain it, and destroy it. Thus, they have spared the government the use of the armed forces in a political confrontation, in which case the government's existence would become dependent on the use of force. [passage omitted]

The other message the events in Algeria convey to us is that there is a need to open the legal channels for changes in the government. What is the difference between the monarchist regimes and the republican regimes that have been set up on the remains of monarchic governments, if power remains autocratic? In the midst of the charged atmosphere and continuing clashes, Algeria will

embark on presidential elections in which many candidates will compete. Why is it that power in our countries is not transferred on a clear basis that is respected and approved by everybody? Power is not an inheritance which the ruler bequeaths unto himself for life: It is a mandate from the people for a limited period of time. The one elected will be the people's choice. Eventually he gives up his post and leaves behind a clean record if he performs well or a black record if he goes astray.

### **Parliamentary Study Says Water May Cause Future Wars**

*91AA0575A London AL-SHARQ AL-AWSAT in Arabic  
28 Jul 91*

[Report from Cairo: "Arab Affairs Committee of Egyptian Parliament Warns Next War Will Be Over Water"]

[Text] The Arab Affairs Committee of Egypt's People's Assembly (parliament) emphasized in an important study of the Arab water crisis that the struggle for water is most intense in Africa and the Arab nation, that the water issue has become more fraught with danger than petroleum, that the nineties will be the decade of water, and that future wars in the Arab region will be over water.

The parliamentary study explained that Arab nations face a shortfall of 44 percent in supplying their water needs. Eight non-Arab countries control more than 85 percent of the sources of water resources in the Arab nation, not to mention Israel, which controls a large segment of those resources and hungers to usurp more water in order to support its huge influx of emigrants. Experts forecast that Israel will need an additional 800 million cubic meters of water annually by the year 2000. This may prompt it to wage a war in order to solve its water problems, especially since the 1967 war yielded it 500 million cubic meters of [West] Bank waters and 800 million cubic meters from the Lebanese rivers it seized by occupying the south of Lebanon.

The study added that the volume of water stolen by Israel from Arab water sources has risen to about 1,300 million cubic meters annually. Israel also constantly explores for subterranean water. One of its studies affirms that in the desert adjacent to the Egyptian-Israeli border, there is an underground water reservoir of great depth and with an estimated capacity of some 200 million cubic meters.

The Arab Affairs Committee of the Consultative Council revealed in studies of the water crisis in the Arab region that the 1967 War was significant water-wise, in that it enabled Israel to improve its water situation by occupying the Golan Heights and the West Bank, thereby making it impossible for the Arab countries to divert Jordan River tributaries. Cease-fire lines furthermore allowed Israel to control half the length of the Yarmuk River, whereas it only controlled a mere 10 kilometers prior to the war. This would make any Jordan River development impossible without Israeli consent.

As Arab projects came to a halt, the study added, Israel found a suitable opportunity to solve its water crisis at the expense of the Arab territories it occupied after the war. The Israelis diverted the Yarmuk in order to increase the flow into Lake Tiberius. Israel withdraws as much as 100 million cubic meters of Yarmuk water, according to Jordanian estimates.

The parliamentary study of the Arab water crisis also dealt with the struggle over the Euphrates River, calling upon both Iraq and Syria to quickly seek an empirical solution by entering into an international water-sharing agreement that would guarantee the future needs of both countries. Turkey's decision to stop Euphrates water from flowing into both Syria and Iraq for one month was described by the study as one link in the chain of struggle, and an action that openly and directly threatens Syrian and Iraqi interests and poses a new threat to Arab national security as a whole. The report added that this problem requires Arab action on the national level to seek a fair and practical solution by approaching Turkey, which has strong ties with several Arab states, in order to reach agreement on the volume of Euphrates water it would be willing to pledge to Syria and Iraq.

The water study by the Arab Affairs Committee of the People's Assembly described international relations among countries of the Nile basin as relatively stable, and added that despite diligent effort to conserve and control water resources, Egypt has a constantly rising need for additional sources of water to serve needed land reclamation projects as well as an ever-growing population. It further added that Egypt has an essential role to play in Nile basin countries by creating interest in and awareness of the need for joint cooperation in developing Nile water sources.

The study emphasized that Egypt must explore for and develop alternatives to river water, and must pay attention to technological research in the fields of seawater desalination; the utilization of solar energy, which abounds in countries of the Middle East and Africa; and the possible use of seawater for irrigation. There is emerging world technology for the direct irrigation of strategic crops, such as wheat, with salt water or with treated sewage. The study also called on Egypt to increase its use of underground water, develop water resources, exploit and dam flood plains, optimize the utilization of rain water on the northern coast, and avoid losing river water to the sea.

### **Editorial Raises Questions of MB External Financing**

*91AA0529C Cairo AL-JUMHURIYAH in Arabic  
9 Jul 91 p 5*

[Editorial by Dr. Faraj Fawdah: "Writ of Indictment Against the Muslim Brotherhood: 'Here Is the Evidence That Your Funding Comes From Abroad'"]

[Text] I have always been one of those advocating absolute freedom in forming political parties, and I have

always openly supported the establishment of one or more religious political parties. I have also been one of those people who publicly supported the establishment of a Muslim Brotherhood [MB] party, despite my personal feelings of hostility to that party and despite my declared hostility to it in my published articles and books. But these are two separate issues. Democracy is the first issue, and having different ideas is the second.

This position is established in the books and articles I wrote and in the opinions I expressed in symposia and lectures. I do admit now, [however], that I was misguided in taking that position. I thought that an MB party would be like other political parties: it would conduct its business in the country, it would be financed by its supporters in the country, and its decisions would be inspired by issues that concern people in the country and by the hopes that are entertained by people in the country. It never occurred to me that I would be supporting a call to establish "a political boutique" guided and funded by people outside the country. It never occurred to me that the party's decision makers would take their cues from leaders who may be located in Egypt today but who may be located elsewhere in the future.

The question of funding is what is serious here, and what is required is evidence which I now have in my possession. In presenting this evidence to everybody, I ask everyone to formulate his position on the basis of that evidence. Freedom has its checks and balances, and political activity has its values and norms. Egypt will never follow in Lebanon's footsteps: its political parties will never be funded by outside sources, and they will never serve the interests of others outside the country. Egypt will never experience the devastation that Lebanon experienced, nor will its citizens immigrate to other countries.

To make a long story short, the MB organization in Kuwait, which was dissatisfied with the position of the MB organizations in Egypt, Jordan, and elsewhere, issued a coherently argued and an eloquently expressed statement reacting to the positions taken by leaders of the MB organization in Egypt and laying out all the facts of the case. Without going into details, let me present to the reader an excerpt from the statement which gave me pause and which I pondered at length. I do not think the reader would ever disregard this excerpt or easily overlook it.

AL-MASA' newspaper published that paragraph from the statement in its 3 July 1991 issue. It went as follows: "Your Excellency, Grand Master: As you know, the international organization has a large monetary fund whose growth is due to its biggest contributors: fellow Kuwaitis. This fund is backed by good investments in the West and by a bank, the al-Taqwa Bank, which does business in western countries. Every regional organization is entitled to a share of the money in this fund in good times as well as in bad times. When Kuwaitis lost their source of income after their property was seized, their banks were stolen, their currency changed, and

their businesses disrupted, the international organization should have done something to help the victims of this tragedy in Kuwait. It should have done what it did in the past to help Syrians, Egyptians, Palestinians, and others."

The grave facts which are revealed by this statement are as follows:

1. The international MB organization is financed by a large monetary fund and by good investments in the West.
2. The largest contribution to these resources and investments was made by some Gulf countries.
3. The al-Taqwa Bank, which does business in western countries, is one of the principal sources of financing for the MB's activities in Arab countries.
4. Every regional organization, such as the MB organization in Egypt, is entitled to a share of this money.
5. Regional organizations are entitled to a share of this money in good times as well as in bad times.
6. These funding institutions did in the past finance MB organizations in Syria, Egypt, and Palestine.

We have the following comments about the fact that MB organizations in Syria, Egypt, and Palestine received funding from this source:

1. Al-Taqwa Bank was established in the seventies. Accordingly, the funds it provided to finance MB activity in Egypt were provided after that date. We do not think the Muslim Brothers in Egypt experienced hardships during that period. We think these funds found their way to one of four recipients or to all four of them:

- The funds found their way to the pockets of MB leaders and followers.
- They found their way to political parties which allied themselves with the MB in Egypt.
- The funds were used to finance election campaigns for Muslim Brothers in Egypt.
- Or the funds found their way to radical terrorist organizations.

2. To the best of our knowledge, the al-Taqwa Bank, which is the only source of funding for the MB that we know of, was founded by a few MB leaders and a few well-known religious leaders. These include His Eminence Shaykh Yusuf al-Qardawi, a well-known scholar who has clout and prestige. Were these leaders aware of the goal behind establishing the bank? Did they know that the goal was to finance the religious, political tendency all over the world?

3. Recognizing that goal may provide us with an explanation of some of what happened in Egypt in the past two decades. Publishers who are affiliated with that tendency have been very active, and many authors and thinkers sold their conscience and received a lucrative return for the publication of essays and books and for publicizing discussions, lectures, and advocacy statements all over the world. The MB society and religious

institutions received tremendous support, and scores of individuals who are affiliated with this tendency became millionaires in a record period of time. This financial return was also accompanied by a political return.

4. Now that these facts have been revealed, would the leaders of the coalition with the MB organization in Egypt agree that this coalition should survive? Will their national conscience let them support such activity? Supporting this activity when they do not know where the funding is coming from would be disastrous, but it would be an even greater disaster if they supported this activity knowing where the funding is coming from.

5. Publication of these facts puts the Muslim Brothers in Egypt on the defensive, but they do not have to defend themselves in court. Defending oneself in a court of law is another issue, and there are ways and procedures to be followed in doing that. The Muslim Brothers, however, do have to defend themselves in front of the Egyptian public and in front of every honorable nationalist with a conscience.

Ultimately, what I fear most is that day when we might find ourselves repeating the statement Marwan ibn Muhammad, the last Umayyad caliph, made when he was surrounded by the armies of the 'Abbasids. When asked by his servant to explain what had happened, Marwan said, "He who allows small problems to fester and grow deserves this and more."

#### **AL-AHRAR: 'All Israelis in Egypt Are Mosad'**

*91AA0561D Cairo AL-AHRAR in Arabic 8 Jul 91 p 6*

[Article by Agricultural Engineer Mahmud Fawzi, member of the party's executive council; "Agriculture: A Zionist Plan To Strike Egypt Economically and Politically"]

[Text] There is a very dangerous Zionist plan whose aim is to strike Egypt economically and politically. The economic blow will start in the field of agriculture: its aim will be to destroy Egypt's agricultural production and starve the Egyptian people. Egypt would beg for its food from abroad to make up for one feddan of payments [as published]. Imports would rise, exports would decline, and the economy would be thrown into confusion.

The political blow will come by infiltrating the National [Democratic] Party without revealing that there is a plan to do that. Despite their loyalty to their country, some people who can be steered without their knowledge will be placed in leadership positions and then used as unwitting instruments to carry out a plan for destroying or delaying any activity to benefit Egypt. This plan will also attempt to waste Egypt's material and human resources so that the state of economic disarray in the country can continue and all activities would be disrupted.

Diseases have been introduced into Egypt to destroy agriculture. Some Jews are controlling much of the new land, and the Einstein Institute is managing the site established at kilometer 55 on the Alexandria Highway for overseeing this plan. We all know that all Israelis in Egypt are Mosad or Israeli intelligence agents.

Will this plan be allowed to destroy Egypt? Will it be allowed to destroy Egypt's economy and the Egyptian people? Our hope now lies with Dr. Yusuf Wali, deputy prime minister and minister of agriculture. He is the one who can actually put an end to this plan because he is bold and patriotic. With instructions from President Mubarak, who is working for Egypt and for its future, Dr. Yusuf Wali has the power to stop this plan in its tracks.

### **Internal Affairs**

#### **Opposition Call For New Constitution Loses Support**

*91AA0529A London AL-SHARQ AL-AWSAT in Arabic 15 Jul 91 p 2*

[Article: "Differences Within Egypt's Opposition Parties; No Communications on Draft Constitution"]

[Text] Official sources in Egypt's opposition parties told AL-SHARQ AL-AWSAT that opposition party leaders had not communicated with the rank and file at these parties' central location or at their branch locations in the governorates. They said there had been no correspondence on the new proposals for the proposed draft constitution which party leaders had announced at a press conference last week.

These sources said that preparation of these proposals had been confined to a group of legal experts and that only party leaders had agreed to that. Such an arrangement is quite incompatible with the simplest rules of democratic practice within these parties.

The sources pointed out that leaders of these parties were widely criticized by all levels of their parties' rank and file who had not participated in studying these proposals and had not commented on them before they were announced to the public. That fact confirms the extent to which people on different levels within a single party are divided.

On the other hand, a large number of workers and farmers who are members of these parties threatened to resign en masse from these parties to express their rejection of any attempt to take back the gains they had made. Those gains had been announced in 1952.

A large number of workers and farmers who are members of these political parties challenged party leaders to a face-off or a debate. They set one condition to such a debate: it was to be seen by the Egyptian public so that all the facts can be brought to light.

At the same time Egypt's parliamentary circles reacted to the new proposals on the Egyptian constitution which were made by the opposition parties. Many members of the People's Assembly and the Advisory Council affirmed that they found this intervention by parties which are not represented in parliament totally unacceptable. They rejected what they described as pressure on the public to amend the present constitution or to declare a new one. They affirmed that amending the existing constitution or declaring a new one was the exclusive responsibility of Egypt's parliament and Shura [Advisory] Council, the two bodies representing the legislative authority in Egypt.

Representatives in Egypt's legislature accused a group of opposition party leaders of turning democracy in Egypt into a saleable commodity. They declared they would reject any twisted proposals which would stir up public opinion at this time when the country is going through an important turning point during which it is focusing on economic reforms and on achieving higher rates of development in Egypt.

A group of representatives declared that they would not hold any talks with leaders of these parties at this stage, especially if talks with those leaders were to cover these alleged constitutional amendments.

#### **Source Analyzes Discord Among Opposition Parties**

*91AA0506B Cairo AL-AHRAM AL-DUWALI in Arabic 6 Jul 91 p 8*

[Text] The major leader of a leftist party has disclosed to AL-AHRAM AL-DUWALI the reason Egyptian parties failed to agree on a national program deemed crucial to those parties.

The major party leader said that the expression "national program" is by definition an ambitious expression signifying consensus on the bases of a political order and its guiding principles, such as the form of government and the type of constitution sought, and agreement upon political, economic, and social policies.

This major party leader flatly stated that experience had proven the impossibility of Egyptian parties and movements reaching agreement on these topics; it was impossible for the extreme religious right, the extreme political right, and the left to agree.

He cited as an example the fact that everyone wanted and was demanding changes to the constitution, but the left sees in the called-for amendments the need to give more democratic rights to citizens and to preserve the all the constitution's gains for the masses. They would not keep the provisions that oppose socialism and the public sector.

At the same time, the left supports efforts to reform the democratic nature of the constitution in so far as it does

not grant the president extraordinary powers or allow him to be elected in any unreasonable or unacceptable way.

The Wafd wants to amend the constitution in order to delete everything pertaining to socialism, the public sector, agricultural reform, and popular rights.

The Muslim Brotherhood also wants to amend the constitution, by shackling it with provisions imposing the Islamic Shari'ah, according to their own concept of it and according to their own self-interest.

These conflicts ended up producing numerous scenarios. It is very difficult to imagine any hope of preparing a scenario for a single subject that could reconcile these conflicts and policies.

Party differences are not limited solely to the topic of the constitution. They include such basic issues as agriculture, education, health, and industry.

The only program that can be agreed upon is the program of democracy and public freedoms.

#### **Report Tracks Attempts To Found Nasirist Party**

*91AA0576B Cairo AL-AHALI in Arabic 24 Jul 91 p 7*

[Article by Majdi Hasanayn]

[Excerpts] The story of the Nasirist party is similar to the drama of Sisyphus in ancient Greek mythology who was condemned forever to roll a rock uphill, whence it rolled back down again.

Over a decade and a half, Egypt witnessed seven attempts to form a Nasirist party. The question is: What are the Nasirists doing? Are these attempts a sign of the fragmentation of the Nasirist trend, or are they steps aimed at evading legal restrictions in order to establish their existence and to interact with the people?

The latest report on these attempts, issued by commissioners of the state council, was written by counselor Tariq al-Bashari. This dealt with the application to establish the Nasirist Democratic Party proposed by Diya'-al-Din Dawud.

The report affirms that the Nasirist Democratic Party is quite distinct from the rest of parties and political currents. This refutes the argument by the Committee on Parties regarding earlier attempts by the Nasirists to declare a Nasirist party.

Attempts to form a party began in 1976, when Kamal-al-Din Rif'at tried to found the Nasirist Socialist Forum. In 1977, Kamal Ahmad tried to establish the Alliance Vanguard, and in 1980, the Nasirist People's Organization. More than 200 leading Nasirists were then arrested on the charge of forming this organization. Toward the end of 1983, Kamal Ahmad tried again to establish the Organization of the Alliance of the People's Forces. In

1990, it was ruled that the attempt to form this organization was unlawful. Shortly afterwards, Farid 'Abd-al-Karim and others tried in 1984 to form the Nasirist Socialist Arab Party (under formation). Later, in 1990, Diya'-al-Din Dawud tried to form the Nasirist Democratic Arab Party. The latest in the seven attempts was the notification Usamah Tal'at submitted last June to the Minister of Interior informing him that he was ready to establish the Nasirist Nationalist Party. This attempt was the closest thing to the attempt by the Nasirist Socialist Arab Party (under formation), to form a party.

Journalist and writer 'Abd-al-Halim Qandil, member of the Committee on Programs and Culture in the Nasirist Socialist Arab Party (under formation) divides the seven attempts into two groups. One group endeavored to establish a realistic party, as is the case of our National Progressive Unionist Grouping [NPUG] party. Those attempts coincided with a certain degree of loosening in the political situation, and benefited from some loopholes in the law. The other group pursued the traditional way of submitting their applications to the Committee on Parties. These were all rejected and referred to the Parties Court. This was the case in most of the attempts to establish parties.

'Abd-al-Halim Qandil said that not all the blame should be put on the Egyptian Government. A considerable amount of blame should be put on the Nasirists, too, for their steps lacked coordination and the pursuit of a single path.

Farid 'Abd-al-Karim, agent of the founders of the Nasirist Socialist Arab Party, does not think much differently. He says the authorities in Egypt, backed by the evil forces in the world and the Arab reactionary forces, do not want an official Nasirist party to present itself to the public and to be honestly judged by it.

He said the establishment of a revolutionary party does not depend on the views of the authority, whether this authority lies in the Committee on Parties set up by the NDP or any other committee. But, he added, we want to prove to the public that the alleged plurality in Egypt is not a real plurality, because it is subject to the satisfaction of the ruling party. All these efforts are being made in order to prove to the public that the alleged democracy in Egypt is a false and unreal democracy. [passage omitted]

Diya'-al-Din Dawud, the initiator of the sixth attempt, involving the Nasirist Democratic Party, believes that all the attempts to declare the establishment of the Nasirist Democratic Party originated from one source, and that the Nasirists have declared their readiness to join any attempt to form a party. However, this does not prevent the existence of different views and ideas on organizational matters and the modus operandi, over which some people may differ. The same goes for the Nasirist movement outside Egypt, which, although not organized in a single organization, looks toward the Nasirist movement

in Egypt as the political and organizational source and the strong support for all the Nasirist movements in the Arab homeland.

On the other hand, Diya'-al-Din Dawud denied knowledge of the recent attempt in which Usamah Tal'at notified the Minister of Interior of formulating of the Nasirist Socialist Party's program and basic concepts. He affirmed that there is no attempt other than the attempt he has already made and which currently is being studied by the Egyptian judiciary, which he submitted on behalf of the Nasirist forces in Egypt.

On the other hand, Kamal Ahmad said that the Nasirists are accused by their enemies of being illegitimate and able to act only with the approval of the authorities, be it fair or coercive. [passage omitted]

Kamal Abu 'Aytah, member of the NPUG General Secretariat, points out that Diya'-al-Din Dawud made his attempt without consultation or participation with the existing Nasirist leadership. As for the recent attempt, which came on behalf of the Nationalist Nasirist party, it was for the purpose of preempting others who were trying to proclaim a party carrying the same name. [passage omitted]

#### **Misr al-Fatah Party Head Outlines Initiative, Views**

*91AA0552A Cairo MISR AL-FATAH in Arabic  
24 Jun 91 p 3*

[Interview with Misr al-Fatah Party President 'Ala-al-Din Salih by Tahani Turki in Cairo; date not given: "I Call for an Arab Summit To Work Through the Current Differences"]

[Excerpts] [Turki] During the Gulf crisis, you put forward an initiative to overcome Arab disunity. This became known as the Misr al-Fatah [Young Egypt] initiative. Do you have any new positions concerning the events of the crisis?

[Salih] Before dealing with the idea of new positions, we must first review our fundamental position, so that if it was changed or superseded, the idea of updating will be present in our mind. During the crisis we took two positions toward Iraq. One was condemnatory. We criticized the occupation of a country, especially when both countries were Arab. The other was supportive. We opposed America's imperialist attack on a fraternal country. Had the anti-Iraq coalition been 100 percent Arab, our position would have been different: we would have considered the opposing Arab coalition to be the military embodiment of the principle of condemning occupation, and we would have sided with the condemners.

As Young Egypt's position crystallized, we headed the list of those who opposed a cunning imperialist country that dragged the world behind it and to its right and left—not to mention Security Council resolutions—to

cast a cloak of international law over its imperialistic behavior. The United States has been the main supporter of Zionist usurpation. From the time Israel rose on the ruins of an Arab state until the present, America's political and military positions have remained those it took in 1967 and 1973, in addition to its economic positions that created Israel and supported its power planted in the heart of the Arabs.

So when the "usurping" States of America led the forces of war against Arab Iraq, the Arab view had to change. Our condemnation of the invasion of an Arab state, whether named Kuwait or something else, cannot prevent us from opposing any Western hand, especially when it is a deceitful imperialistic hand at the end of the Zionist arm. [passage omitted]

[Turki] Why have you termed the American intervention an "invasion"?

[Salih] America did not come to oppose and undo the effects of the aggression and then withdraw. Rather, it was an invading country that clothed itself in rationalizations and excuses in order to settle down in the region to realize its evil goals. We know that for many years before the Gulf crisis the Arab world had three fortresses: Egypt, Iraq, and Syria. They were like the Arab world's insurance policies against American and Israeli imperialist aspirations. [passage omitted]

Without doubt, the three Arab fortresses are still the safety valve of the Arab nation. Otherwise, all the Gulf countries, with Saudi Arabia heading the list, would have become Americo-Zionist protectorates, and the Gulf would have been overrun from top to bottom, especially because the Red Sea separates the Arab East from the Arab West.

[Turki] Does this mean that American policy aims at eliminating the three Arab fortresses to serve Zionist expansionist goals?

[Salih] [passage omitted] Israel gives military action priority over economic action and has begun to prepare for it by acquiring nuclear force and working to see that the Arabs do not possess such force. This was the hidden goal behind striking Iraq and the open goal of striking Libya. Why do we persist in being stupid in handling our affairs? When we say that Israel is going to attack the Arabs, it is not idle talk. When we say that Israel is going to demolish the Arab fortresses, Israel actually tried through America to demolish the Iraqi fortress. For all these reasons, I ask what justification there is for Israel to exempt the Egyptian fortress, especially since that was the fortress that crossed the canal in the October 1973 war, destroyed the myth of the Bar-Lev Line, and humiliated the Zionists in the mud of Sinai.

So let us agree that the Israeli-Egyptian battle is going to take place some day. Specifically, Israel is strengthening its naval power not to control the Mediterranean coast, but to control its south, and not to control the Gulf of Aqaba, but to control the entire Red Sea up to Bab el

Mandeb. Otherwise, give me one justification for its infiltration into Ethiopia! [passage omitted]

[Turki] You've spoken about Zionist goals. What about the American goals?

[Salih] [passage omitted] In fact, I am against nuclear disarmament as long as Israel possesses nuclear weapons. If the High Dam is threatened by a nuclear bomb, it means that all Egypt is threatened. How can this threatened dam not possess a nuclear bomb?—not just to defend its structure and the map of Egypt in northeastern Africa, but to be a shield and deterrent against whoever is tempted to such insolence. I mentioned this in a party statement during the People's Assembly campaign. I said that the fight between Egypt and Israel would take place between 2015 and 2020. But changes in the Arab region during and after the Gulf War have led me to move the date forward. I don't think it will be more than five years from now—for a number of reasons:

- First, to take quick advantage of the region's new situation before muscles grow flabby or the spirit of war abates and peace becomes normal for the community;
- Second, before American influence in the Arab and Gulf region wanes;
- Third, before the Gulf countries awake from their slumber and, embarrassed by the Arab trumpets surrounding them, become aware of the Arab or nationalist breach.

[Turki] You have predicted war soon between Egypt and Israel. Where do you expect the fight to take place?

[Salih] I do not think it will be in the north (Sinai), nor will it be in the south (Bab el Mandeb). It will involve a number of areas due to the entry of Arab military factors on the side of Egypt. In other words, there will be a replay of the Gulf war, with the ranks arranged differently. The surprise will be that the Iraqi army will stand in the battle line beside the Egyptian army and beside the Syrian army. In other words, things will again be as they ought to be, and the military picture will be totally different.

[Turki] Does the destruction of Iraq's strength mean the collapse of one of the Arab fortresses?

[Salih] First, I must state that Iraq did not collapse and was not defeated. It was subjected to brute force that struck its strength. But the Iraqi people proved their bravery, their heroism, and the nobleness of their blood. Saddam Husayn did not fall. The Iraqi people preferred to die under bombardment, rather than abandon their leader—their symbol and emblem of defiance. This is a primary mark of noble nations, that they do not abandon their leader in the time of trial.

[Turki] In other words, you do not admit that Iraq was defeated!

[Salih] Absolutely! Whoever says so, has abandoned his Arab honor. Look, the Iraqi people are being led by their

president. The difference between attack and defeat is great. Defeat requires first that there be a balance of contending forces. If the fight is between the whole world and one country, the logical result is determined by arithmetic, not by dynamics. On the contrary, the country that defied the entire world for four months was victorious over the whole world by the force of this defiance. [passage omitted]

[Turki] What is your comment on Security Council Resolution 699 obliging Iraq to destroy its nuclear and chemical weapons and dismantle its nuclear installations at its own expense?

[Salih] The resolution is a purely Zionist one that serves Israel. I do not think that the position of Egypt as an ally agreed with it; for such agreement, if it signaled anything, would signal servility, baseness, and a betrayal of Arabism. I do not think the Arab peoples would allow rulers of such character to survive. If the desire is to abort Iraq's nuclear and chemical capacity, the "usurping" States of America should start with the State of Israel. Weapons like the ones they want to destroy exist in Israeli cellars and also in American depots on the soil of occupied Palestine. The resolution is aimed at a number of things:

First, it would utterly humiliate the Arab nation and strip it of any military force if Israel attacks it in its coming expansionist wars. It virtually prepares for the Arab nation a catastrophic future defeat whose features are readily apparent.

Second, the expense of the destruction—from \$200 million to \$800 million—is meant to cause economic ruin in Iraq, thereby strongly inciting the people, who now support their leader, to rise against him.

One can see this intention in the decision by Bush and British Prime Minister John Major that the destruction must take place at Iraq's expense without Iraq's being allowed to sell any oil. I call on all Arab leaders to wake up to what is happening while they are at the helm, for history will record it as a shameful stain on the forehead of each of them.

[Turki] To return to the Young Egypt initiative that has been published—what practical steps have been taken regarding it?

[Salih] We sent a copy of the initiative to all Arab ambassadors in Cairo. The Iraqi ambassador, Dr. Nabil Najm, came as a welcome guest to my office, conveying the appreciation of his president, Saddam Husayn, for the initiative. He informed me that the Iraqi media were interested in broadcasting the initiative.

Libya's position has also been greatly influenced by our initiative. A Libyan initiative with the same features as the Young Egypt initiative has even been launched. Kuwait and Saudi Arabia have kept silent. I think the Kuwaiti regime, which was living abroad, was concerned

only with returning behind any weapons. As for Saudi Arabia, it got itself into real trouble by summoning the Americans onto its soil.

[Turki] It might be useful for us now to review the initiative. What are its most important points?

[Salih] The initiative includes a number of important points involving the framework for inter-Arab cooperation:

1. Cancellation of Arab debts between Arab debtor and creditor countries. This has actually to some extent been implemented.

2. Establishment of the principle of Arab mutual responsibility, with rich Arab countries undertaking to pay the international debts of poor Arab countries.

3. Creation of an Arab monetary fund to fund development in Arab debtor countries so that indebtedness will not resume its role.

4. A start toward a unified state, passing through the stage of a federated state. It would be based on three tiers:

a. The African republic tier, composed of the Arab republics on the African continent,

b. The Asian republic tier, composed of the Arab republics on the Asian continent, and

c. The monarchy tier, composed of the Arab monarchies and emirates on the Asian and African continents.

Each tier would be headed by a council composed of the heads of its states. They would elect a president for each year from among themselves. The united country's supreme council would be formed by the three presidents; it in turn would elect from its three members a president each year to head the united country.

Financial, economic, cultural, and media law would be unified as soon as the united country is created, so as to create one Arab people, not several united Arab peoples. The united country will thus establish its presence. The united country's supreme council would decide the starting date, the presidency, and the form of the united country, as well as determining the features of the Arab constitution.

[Turki] Has reaction to the initiative from within Egypt or abroad been supportive?

[Salih] As I already mentioned, President Saddam Husayn deputed Iraq's ambassador in Egypt to express support of the initiative. The Libyan media welcomed it. In my conversation with President Mu'ammarr al-Qadhafi during his meeting with heads of opposition parties at Qasr al-Qubbah, I brought up the plan with him in his capacity as one of the earliest proponents of Arab unity. During my recent visit to the Sudan, I

discussed the idea with Lieutenant General 'Umar al-Bashir in the presence of Engineer Ibrahim Shukri. I also discussed it with Yasir 'Arafat, the head of the state of Palestine.

However, I have received no reaction to the initiative within Egypt.

[Turki] Is the party's initiative on Arab unity still receiving support from your side?

[Salih] Arab unity is an expression of Arab strength and of determination to defend one's honor and realize security in all its senses—military, political, economic, and psychological. Above all, security is the security of one's honor, of one's heritage, and of Islam; for the Arab state is the legitimate home of the Islamic religion. Can we imagine a greater Arab state that does not profess Islam? Islam is in fact the primary Arab identity. When we speak of the security of one's heritage, I am referring to Zionist colonialism that aims at placing the Arab intellect under mandate and subjecting Arab thought to tutelage. This calculated attack on the Arab brain requires of the occupier or invader that the heritage from which the Arab mentality has sprung be destroyed. That is why in our party platform we stressed the need for Arab media integration and the creation of an Arab information broadcasting system like the one recently inaugurated.

[Turki] Recent changes in the Arab region in general and in Egypt in particular have raised many questions about how the effects of these changes should be treated. Are there any new features in the party's position on these changes?

[Salih] The "usurping" States of America has indeed been able to disperse and break up Arab unity to its advantage and to Israel's. The disunity naturally has led to disunity within each Arab country between government supporters and opponents. Fragmentation has become a general characteristic to which all Arab governments and peoples have succumbed. [passage omitted]

I would say that since its inception, Young Egypt has been an opposition that offered solutions. It is a constructive opposition that offers alternatives to bad government policies. An opponent who can offer no alternative is in principle unfit to govern, and one who is unfit to govern is all the more unfit to be an opposition. An honorable opponent is someone of whom one can say, "Your friend is someone who tells you the truth." Since rulers need advisers and friends, why can't these come from the ranks of the opposition?

Some people interpreted the focus on President Mubarak in my weekly article as a sign of estrangement between us. But I want to stress that I talk to him as a friend. A friend ought to be frank with his friend. I need only say that Mubarak is the unfortunate heir who cannot sleep because deep in his heart he curses the day he became president. [passage omitted]

[Turki] So much for your criticism on the domestic level—what about the foreign level, either regarding Saudi Arabia or Kuwait?

[Salih] [passage omitted] I am entitled to address a frank question. If blame is directed toward King Fahd for having summoned the American forces, the blame also includes those who supported him.

One must hand out blame to all the Arab players equally, particularly after America unveiled its despicable face, and Israel with it. Saudi Arabia itself took the same position against Egypt after the signing of the Camp David agreement, when America tricked us into sitting down with Israel. If now we do not hold to the considerations of logic, truth, justice, and intelligence, we shall create justifications for the American presence with our own hands and by our own positions.

[Turki] What about Kuwait?

[Salih] Our position on Kuwait has not changed. It is a longstanding, established position, though with slight changes. I have high regard the Kuwaitis because they are an Arab people. It is none of my business where the Arabs' oil is spent. However, the regime there has adopted American nationality, even now that the effects of the invasion have ended. So it must be resisted on the Arab level for the Arab welfare. We have no hope for its reform. It has become completely isolated from Arab feelings. Kuwait has become a geographical appendix that nourishes itself by vomiting oil.

[Turki] What do you suggest in order to unite ranks within Egypt or on the pan-Arab level?

[Salih] First, as regards Egypt, unity is needed so that the government is not in one trench and the opposition in another. How can we call for comprehensive Arab unity while we are torn apart internally? As the poet says: "Do not censure a way of behaving while you do the same yourself. Great disgrace to you if you do so!" [passage omitted]

Let us assume, for example, that President Mubarak gave up his office and asked all the opposition groups to take over. What would the opposition have to offer that is new? Naturally, some groups are not prepared to govern, but other groups have ideas and solutions. We, for example, espouse the New Nile project, which will increase the agricultural area by 6 million feddans. This will help free the Egyptian economy from foreign subservience. It will rescue the Egyptian pound from its current low level, and will even increase its purchasing power and multiply the effective income of Egyptian citizens. It will free us in the future from international indebtedness and bring about self-reliance.

Without doubt, Egypt's economic liberation will liberate Egypt's political and military decisionmaking. Egypt, the main fortress in the Arab entity, will become free, and as

a result the Arab protectorates that now revolve in the American firmament for the benefit of Israel will become free. [passage omitted]

[Turki] What about ways to unite Arab ranks?

[Salih] I in fact met with the Sudanese ambassador in Cairo and asked him to talk to Lt. Gen. 'Umar al-Bashir about holding an Arab summit on the basis of the party's initiative to which we have referred. I also sent to inform Colonel Mu'ammarr al-Qadhdhafi, one of the strongest proponents of unity, of the initiative. I met the Jordanian ambassador to arrange an appointment to meet King Husayn. I also met with the Saudi ambassador and informed him of the content of the Young Egypt initiative and of the need to meet with the Saudi king.

I have received an open invitation from President Saddam Husayn to visit Iraq, after having showed a Ba'th party official—during my visit to Khartoum—the texts of the Young Egypt initiative. He in turn promised to show them to the president of Iraq. I have also informed President Mubarak of the initiative. [passage omitted]

#### Mufti Interviewed on Islamic Groups, Leftists

91AA0556A Cairo AKHIR SA'AH in Arabic  
10 Jul 91 p 18

[Interview with Dr. Muhammad Sayyid Tantawi, Mufti of the Egyptian Republic; date and place not given]

[Excerpts] [passage omitted] Dr. Muhammad Sayyid Tantawi, Mufti of the Republic, first spoke about the relationship between Islam and politics:

[Dr. Tantawi] If politics means looking after the interest of the nation, caring for its affairs, seeking to promote freedom and the principles of consultation, nurturing moral excellence among the people, and promoting justice among members of the community—if this what politics means, then it is the core of Islam and one of the mainstays of its law [shari'ah].

But if politics means hypocrisy, clannishness, haggling, and compromising, which are contrary to justice and morality, then in this case, Islam has nothing to do with such policy. [passage omitted]

[AKHIR SA'AH] What is your comment on the current bloody events, in light of your views on the future of the ideological trends engulfing the Arab world today? Do they reflect intellectual maturity and cultural wealth, or is it the complete opposite?

[Dr. Tantawi] Personally, I am not satisfied with much of what is happening in the Arab and Islamic world, because I see that large numbers of those who belong to the religious groups do not understand Islam correctly. Lack of correct understanding leads to wrong judgement, which leads to turning right into wrong and wrong into right; it would also lead to lack of understanding of the spirit of the Islamic law. [passage omitted]

My personal experience during the Gulf crisis convinced me that many of those who supported the Iraqi regime and its tyranny have shown that their correct understanding of Islam is doubtful. I believe that their understanding of the Islamic religion is patchy.

All I would ask for from those who belong to the religious groups is to get their understanding and knowledge from God's book and to refer to "specialists" in religious studies in order to learn from them. This is not unusual, for above every knowledgeable man there is a learned man, as the Koran says. The Koran also says: 'Question the people of the remembrance if you do not know.' [Koran 21:7]

[AKHIR SA'AH] Following the collapse of communism, the so-called "Islamic left" emerged stronger than before. What is the origin of this appellation in Islam?

[Dr. Tantawi] I have no knowledge of the origin of this appellation. But Islam and Islamic law are one and the same. There is nothing in Islam called Islamic right, Islamic left, eastern Islam, or western Islam. Islamic law is suitable for all times and all places. It should be the authority to which we should all turn as Muslims, whether we live in the east or the west or in the farthest south or the farthest north.

[AKHIR SA'AH] In light of this, what is the distinction between "religiosity" and "extremism"?

[Dr. Tantawi] There is a vast difference between religiosity and extremism. Religiosity means that man should preserve the sound ideologies, maintain the rituals of worship which God the Almighty ordered us to perform, and adhere to moral excellence.

As for extremism, it means adhering to the extreme end of things. Adhering to extreme stands rather than to middle ground is a stubborn zeal and exaggeration. Extremism means man being driven to a particular side which is not truly from the "medium" which God the Almighty ordered us to adopt. The Almighty said: 'Some people worship God from the fringes.' That is, they stand on the edge of things. Extremism is one thing and religiosity is another

[AKHIR SA'AH] What are the most dangerous types of extremism from his eminence the Mufti's point of view?

[Dr. Tantawi] The most dangerous type of extremism, in my view, is when man believes in a certain ideology which both outwardly and inwardly is contrary to the sound Islamic ideology. You advise such a man to listen to you and to get his religion from the book of God and the words [sunnah] of the Prophet. Yet he persists in adhering to the ideology in which he believes, even if it is wrong. In my view, this is the ugliest kind of extremism.

[AKHIR SA'AH] Concerning Egypt's position on implementing Islamic law in the Islamic world, do you agree

that, in the midst of events surrounding the area, Egypt is the best country in terms of calm, stability, and remoteness from violence?

[Dr. Tantawi] [passage omitted] I fully agree that, despite all that is happening, Egypt is a country that is the most stable, the calmest, and the most remote from violence in the Islamic world. [passage omitted]

[AKHIR SA'AH] What is the extent of the freedom of thought, as it is defined by Islamic law?

[Dr. Tantawi] Freedom of thought in Islam is guaranteed to the maximum, as long as this freedom is within the bounds of right, justice, and objectivity that is not subject to caprice, grudge, rancor, malice, and calumny.

[AKHIR SA'AH] Since the religion is one, why are there so many reform movements and so many reform programs in this age?

[Dr. Tantawi] Of course, the religion is one. But these movements, or rather, these differences are over matters on which there is no text. It is different when there is a text. The Koran said: 'O ye who believe kneel down, prostrate, worship your God, and do good.' [Koran 22:77] There is no difference over this. The Koran also said: 'O ye who believe, when you stand up to pray, wash your faces and your hands up to the elbows' [Koran 5:6]...and so on. The text here brooks no interpretation. But differences of view occur on matters about which there is no definite text and which are open to differences in views. For example, from my point of view, exit should be through this door, and from your point of view exit should be through the other door. These are viewpoints. But as long as these viewpoints, numerous as they may be, are intended to come to the right conclusion, then we welcome such differences. The Prophet said in his tradition [hadith]: If a ruler interprets, passes judgment and was right, he will be rewarded twice. But if he interprets and makes a mistake, he will be rewarded once.

[AKHIR SA'AH] How do you visualize the future of Islam in tomorrow's world? It is said that it began as an alien and it will end in the same way. It is also said that the signs of its coming to an end during this age have actually begun to appear.

[Dr. Tantawi] Personally, I am optimistic and see that the future is for Islam as long as the Muslims practice the methods that God prescribed for success. As long as they cling to God and observe His teachings in their words and deeds, and as long as they believe in knowledge and in the fact that knowledge is light, and pursue knowledge and progress, then the future will be for Islam. The Koran referred to this scores of times, among which the Almighty says: 'We shall help our messengers and to those who have believed in life on earth and in judgment day.' [Koran 40:51]

[AKHIR SA'AH] What is your opinion about the sales tax that has been imposed on certain commodities recently?

[Dr. Tantawi] There is nothing wrong with sales tax because it is the right of the ruler, after consultation with knowledgeable and experienced people, to take steps that would protect his country and economy and enable it to repay its debts, so that it will not beg for aid. These are domestic issues governed by the law. As long as the purpose is to serve the nation, then they are permitted and there is nothing wrong with them. [passage omitted]

#### Article Notes Appearance of Christian Extremists

91AA0546B Cairo AL-MUKHTAR AL-ISLAMI  
in Arabic Jun 91 pp 18-19

[Article: "Christian Extremism"]

[Excerpts] A few months ago, a book by the journalist Ahmad 'Abdallah was published under a subtitle dealing with Christian extremism in Egypt, as represented by a suspect foreign group active in Egypt called "Jehovah's Witnesses." I understood from the author that he was taken to task about this subtitle by a well-known party, as if this group does not acknowledge the presence of Christian extremism in Egypt and believes that the mere mention of this matter is a violation of the law and an assault on national unity. I also understood from the author that he responded to his questioners by saying that his book included chapters dealing with [Coptic] Pope Shanudah's opinion of this Christian sect, which has contacts with Israel and America. [passage omitted]

Irreligious people tell us that extremism (or piety) is the product of prevailing economic, social, intellectual, educational, and other circumstances. We wonder if such circumstances are coupled with transcendental qualities that make them influence only Muslims, to the exclusion of all other groups living under the same circumstances, be they Christians or followers of secular political cults who do not exhibit any signs or symptoms of extremism [passage omitted].

We declare that fanaticism in secular and Christian circles is extremism directed against the Islamic religion and its believers. The state sometimes finds itself faced with this blatant extremism, but chooses to ignore it or to treat it with delicacy and weakness because of political considerations. Maybe this is because it is under the influence of powerful secular circles and, at the bottom of its heart, does not feel strange or threatened by this type of extremism, but feels threatened by piety, devotion, and Islamic commitment, which it hastens to describe as extremism, fanaticism, or terrorism.

It is not logical, just, and accurate that only Muslims and Islam are ascribed with extremism, and that this description is strongly dismissed for others who are truly extreme and fanatic [passage omitted].

**Writer Mounts Defense of Fundamentalists**

91AA0557A Cairo AL-AHRAM AL-DUWALI in Arabic  
23 Jul 91 p 7

[Article by Fahmi Huwaydi: "Defending the Fundamentalists"]

[Text] It seems that this is "Islamist whipping season," when groups of writers and storytellers emerge to fill people's ears with tales of the evil spirits that have possessed the Islamists and turned them all into perverted beings haunted by violence and terrorism.

We have learned from our experience that the season, which has no fixed time, is linked to the presence of certain conditions or occurrences. Events in Algeria were the latest example of such favorable circumstances that seemed to announce the opening of a season and encouragement to whip Islamists.

In the beginning, the talk was about the fundamentalists in Algeria. In the end, the discourse was generalized to include all Muslim fundamentalists wherever they may be. In the end, "fundamentalist" became an accusation or mark of disgrace, notwithstanding the fact that 15 years ago a fundamentalist was a person who enjoyed a certain amount of respect among the learned as one who possessed knowledge of the fundamentals that are the cornerstone of Islamic jurisprudence.

This was not the only illogicality. The so-called fundamentalists in Algeria, now that the term has been refashioned to apply to committed Muslims generally and to those involved in political activity specifically, are distributed among nine Islamic political parties. The Salvation Front [FIS] is but one of these parties, even if it is the most famous of them and the one with the largest following and media coverage. I noted last week that the eight other parties rejected the stand of the FIS in the recent confrontation and issued public statements attesting to their stand.

It might be more exact and honest to attribute events in Algeria to FIS members, not to the fundamentalists as a whole. One can hardly find a convincing objective reason to generalize the stand of the FIS people to others. One can hardly think kindly of such an arbitrary procedure.

The other illogicality is that the only Algerian political party that supported the FIS position toward the government throughout the crisis was an extremist Marxist-Trotskyite party led by Mrs. Louisa Hannoun—the Socialist Workers' Party.

Elements as important as these were missing from political discourse in the media, which concentrated on condemning fundamentalists in Algeria and outside Algeria, with no attention to classification or precision.

In the London-based AL-HAYAH you find our colleague Mr. Hazim Saghiyah's sharply worded articles against "Arab fundamentalists" that have been coming out since

12 June. In one of these commentaries, published on 18 June, he said that Arab frustration was responsible for the emergence of the phenomenon of fundamentalism. Then he added: "When someone is present who is fundamentally backward—and such par excellence is the fundamentalist—there is no longer any need for a lawyer."

In another article, by our colleague the illustrious Kuwaiti writer Mr. Muhammad Musa'id al-Salih, I read: "While the Islamic political trend dominates the Arab political scene, we must expect new setbacks and internal fights such as those we experienced under the shadow of secularist or nationalist parties. The Arab world is therefore heading toward many disasters." (SAWT AL-KUWAIT, 2 July).

In a third analysis, published by the Center for Political and Strategic Studies at AL-AHRAM, Mrs. Halah Mustafa concludes that events in Algeria raise many questions "about the Islamic movement's overall position toward democracy." The analyst formulates these questions in two basic points:

1. Although this movement (she means the FIS) is trying to take advantage of the processes of democratic change occurring in several Arab countries, it will be the first to turn against the democratic experiment.

2. Under the summons to an Islamic holy war, violence has become a legitimate path of political strategy for any Islamic movement. (AHRAM AL-JUM'AH, 12 July).

These are merely examples of a method of discussion that starts with the assumption that "Islamic fundamentalism" is a disaster that has afflicted the nation. If there were room, I would quote dozens of texts by the people I referred to as reciters and storytellers—texts that follow the same method and reach the same notions.

**Prosecution, Not Dialogue**

We have six observations to make about such discourse.

1. It falls into the trap of accusing all committed Muslims. It would seem to be condemning religious commitment per se, which is a dominant trait of the masses of our nation. Now that the term "fundamentalist" has been invested with its Western (or rather American) sense, it is no longer an epithet for learned men. It has become a label for those who call for adherence to basic teachings or a return to fundamentals.

The danger of such linguistic usage is that it lumps all religious people into one category, with no distinction between moderate and extreme. This almost implies that the real problem lies in religiousness itself—or, to speak unambiguously, in religion itself. This is an idea that some people are promoting by a variety of signals. For example, a report by the Center for Political and Strategic Studies on the state of Islam in Egypt explicitly states: "The increase in religious media and permission for the spread of nonpolitical religious groups, along with

the increase in privately owned mosques, help to absorb the resentment of young members of Islamic groups. At the same time, these things lead to the diffusion in society of a general religious atmosphere that aids the rapid spread of religious ideas. More importantly, it facilitates political action on a religious basis." (Arab Strategic Report for 1988, p. 525).

2. It is a descriptive, rather than analytic discourse. It is interested in branding Islamic fundamentalism as backward, violent, hostile to democracy, and evil in every way. Although some of it parades as research and knowledge, it does not maintain the required degree of neutrality and objectivity. On the whole it has therefore been like a prosecutor's brief out to condemn the accused. Because the process has been a trial where the prosecution alone speaks, rather than research, dialogue, or even honest investigation, we find none of the writers asking: Why has this happened on the Islamic scene? What has brought us to this evil pass? What can we do regarding this growing fundamentalist phenomenon?

3. It has seen only the empty half of the glass and has completely ignored its other half or quarter that is full. We acknowledge that the extremist, violence-prone side hostile to democracy and progress is present on the Islamic scene, but we assert that something else is also present. The very Algerian model used to level charges against all fundamentalists strengthens what we say, inasmuch as eight Islamic parties and groups rejected and condemned the stand of the FIS.

If one says that the masses respond more to the voices of provocation and extremism, the duty of any fair-minded person is to ask what has filled the masses with indignation and anger and turned them into elements charged with resentment and ready to explode.

4. This discourse deals with extremism, violence, and their adjuncts by deeming them blights or moral blemishes in the Islamic tendency, and not social phenomena with their own causes and concomitants. The prosecutorial method has led us to the notion that these are inherent characteristics in Islamists. This wrongful simplification of the problem ignores the fact that moderation and extremism are the sort of states that occur to groups and individuals under definite conditions. Sometimes conditions come together that foster moderation; at other times they exert pressure that generates waves of extremism.

5. By becoming engrossed with a prosecutorial stand and detaching the phenomenon of Islamic extremism from the map of reality and its facts, this discourse omits from its account the actions of governments and regimes and their role in forming public consciousness. We have heard from Shaykh Dr. Yusuf al-Qardawi—he, by the way, is a fundamentalist who leans toward democracy and pluralism—that during the past year, which he spent heading the Islamic university in Algeria, he was confronted wherever he went in universities or conferences with one question: Is democracy a sin and unbelief? The

prevalence of the question means, among other things, that those young people had never in their lives seen democracy. They had only heard about it!

It the same context, it seems strange that some writers about the Islamic phenomenon concentrate only on the violence of the street or the groups. They never mention the violence of the regimes and institutions. I hold that the latter were the first to use coercion and took the initiative in planting the seeds of violence in society.

6. Finally, this discourse reads the Islamic phenomenon as if it had been born in the seventies. The decade indeed saw the emergence of a number of extremist groups in Egypt (al-Takfir wa al-Hijrah, Jihad, etc.), but this discourse completely ignores the entire record of the Islamic revival since the beginning of the century. At the beginning of this history stand the highly regarded fundamentalist figures Jamal-al-Din al-Afghani, Muhammad 'Abdu, and Rashid Rida, and the broad stream whose channel they dug in the Arab and Islamic world.

#### Accused Forever

These observations have applied basically to the method of dealing with the Islamic or fundamentalist phenomenon. On the objective level, one cannot suppress one's bewilderment and surprise at the insistence upon discrediting all Islamists without exception and on hounding them with various suspicions and doubts. At the same time, the Marxists, for example, are handled with a considerable amount of tolerance, exoneration, and forgiveness—notwithstanding the fact that extremism constitutes an extraneous misinterpretation of Islam, while in Marxism it is an intrinsic part of the theory, which relies on revolutionary violence to bring about the dictatorship of the proletariat and rejects everything else as bourgeois. This, in reality, is a kind of political declaration that certain people are "unbelievers."

When by conviction or necessity Marxists now take a stand in the court of the liberals, they are accepted: people make room for them, give them precedence, and forget their past. But liberal and democratic Islamists, even though they are so at root, must be looked at askance. The assumption is that they harbor unending hostility to democracy. Even if experience convinces them of the need to join the march of democracy and they actually choose this path, their past continues to be scrutinized. Past mistakes remain hung on their necks and written on their foreheads forever. Whatever happens, they must be classified with other Islamists from the extremist groups.

In other words, the Islamist—the fundamentalist—is not innocent until proved otherwise, as the rules of justice decree. Nor is he guilty until he proves otherwise, as the customs of injustice decree. Unlike everyone, he is guilty until—he proves that he is guilty!

We have propounded all this in order to end with a reminder of certain truisms that have been overlooked or intentionally hidden in dealing with the question of fundamentalism.

One of these, for example, is the fact that Islamic fundamentalism in the modern sense is a spiritual-cultural endowment that expresses deep faith and true cultural independence. It is therefore a value or force deserving to be welcomed and should serve the mission of religion and its goals of equity, justice, and community advancement. But like any value and force it can be employed in contradiction to the mission of religion and can consequently become a source of many evils if wrongly exploited. The duty and responsibility of society is to remain the protector of the mission of religion and promote the realization of its lofty goals.

Also, fundamentalists are human beings like everyone else. Some of them are good and some are bad; some are moderate and some are extreme. Both can be found in our Arab and Islamic reality. It is therefore very important to classify and distinguish types of Islamists and to provide moderation opportunities to be present and active.

Also, Islam remains an undeniable ideological and cultural fact in our reality. It is fruitless to declare war on it. That being so, one must try to establish a healthy, positive relationship with this fact—one that will be a path toward the integrity and progress of the community.

We need to agree on these truisms quickly, because there are other important details that should follow from them. Without such agreement, we shall continue to revolve in a vicious circle and make no progress at all.

### **Shaykh Rebukes Citizens for New Year's Excesses**

*91AA0548C Cairo AL-MUKHTAR AL-ISLAMI  
in Arabic Jun 91 p 15*

[Article by Muhammad al-Ghazali]

[Text] I would not have thought that the cost of sin would be so high; its immediate cost is exorbitant! As for its deferred results, no one but God knows their extent.

I read a certain news item which described a New Year's party; then a profound thought came to me. The news item said: "For New Year's, prices are not subsidized! A bottle of whiskey for 340 Egyptian pounds, and the dinner for 250 pounds."

A single bottle of liquor is bought for 340 pounds? That amount would buy 6,800 loaves of bread!

One pig sips a drink of sin, the cost of which is enough to feed a village of peasants? Why did I say one pig? There might be a couple getting drunk with him, listening to the popular song that goes: "Every time I said to him 'Here,' he'd say 'Hand it over.'"

The dinner costing 250 pounds offered with this ram-bunctious party was arranged by six university graduates greeting life after long toil, drinking themselves senseless in a black evening. The women there had shed the furs that had been on their bodies, thus becoming the flesh that a devil from the world of spirits or men would deal in. They left some bits of clothing on for some reason, but in any case it was not to cover their private parts!

As for the perfume, the reporter said, "It makes whoever smells it dizzy, while the guests, men and women, watched a dancer playing well the part of a serpent in twisting and stretching."

The reporter said, "During the dance, this dancer would emit sounds which disturbed the wives and distracted the husbands."

The lights went out at midnight for three minutes, as is the custom at celebrations at year's end, as the new is received. Everyone was ready for this artificial darkness, for the men to fool around and the women to do unheard of things with their hands and legs. Jesus, Moses, Muhammad, and the rest of God's prophets reject these melodramas and sins both in whole and in part. On this red night, clubs and hotels turn into jungles overflowing with idolatry, iniquity, and disobedience.

I know that Western civilization does not look to the heavens or think of the hereafter, but it is a victorious civilization, and victory has an intoxicating aroma that causes reasonable people to lose their minds from time to time.

My question to the defeated Arabs and the vanquished Muslims is this: What dragged you to these parties? What forced you to participate in their shameful and vulgar acts?

Why have you agreed to the loss of honor and pride and surrendered to the shame that has descended and still descends upon you?

The vibrant youth in Palestine are buried alive or have their bones ground up that they may remain alive while dead!

The battle of Islam against Communism in Afghanistan consumed thousands of martyrs, and is still demanding more!

Both your religion and your world are threatened with capture and by stagnation and dessication and all kinds of material and literary degradation, which in this miserable age cannot be distinguished from following another religion.

What have you done to your past and your heritage? What are you doing with your present and the issues thereof?

If the victor dances and gets drunk, do you dance with him and lose your minds, you who are defeated in the field of science, production, and matters of life as a whole?

How true it is what someone said about all of you:

"I sold my religion to them in my world, until they plundered my world after having done the same to my religion."

**Article Profiles Human Rights Organization Chief**  
*91AA0566A Cairo AL-YASAR in Arabic Jul 91 pp 18-19*

[Article by Salah 'Isa: "People in the News: One Step Forward, Two Steps Back"]

[Text] It came as no surprise that Muhammad Ibrahim Kamil was the recipient of the largest number of votes when elections were held last 31 May to choose a new board of trustees for the Egyptian Organization for Human Rights. The man's history, the positions he took, his local standing, and his standing on the Arab and international scenes are such that no introduction is required. Mr. Muhammad Ibrahim Kamil has needed no introduction since he was a first year student in the College of Law, resisting the British occupation out of anger over the fact that the country's rights were being violated with impunity. He continued to need no introduction until he resigned from his position as minister of foreign affairs to protest al-Sadat's surrender of Arab rights during the negotiations which ended with the signing of the Camp David Accords.

Ever since he was elected in 1985 as chairman of the Board of Trustees of the Egyptian Organization for Human Rights, Mr. Kamil has been proving every day that he is one of the few to whom the saying, "the right man in the right place," applies. Independent of political parties and removed from political tendencies, he is not tormented by an unbridled ambition to gain fame, nor is he driven by an appetite for power. He is, therefore, not impelled to keep his name on the ministers' roster. In fact, he would have preferred, as he said once, to spend his old age reading, writing, and reflecting on the past and on what is yet to come. And yet, this "good man" could not turn his back and walk away when he was asked to lead an organization whose principal mission is defending human rights. Ever since the days of [King] Minos, who united the kingdoms of northern and southern Egypt, most regimes which governed the country have found it convenient and acceptable to violate human rights. Although these regimes differed in every respect—in their religion and religious denomination, in their economy and politics, and even in the foreigner from whom they received their orders—human rights continued to be violated from that time and up to the days of 'Abd-al-Halim Musa, the cunning and devious minister.

Given the cruel, vicious, and deep-rooted nature of the hostility to human rights, the people who got together to

establish the Egyptian Organization for Human Rights—and most of them are Egyptian democrats in whose midst we find leftist factions and figures—may have realized from the outset that the most violent storms which will hit the organization and the most destructive earthquakes that will shake it to the core will not be coming from outside the country. Instead, these storms and earthquakes will rather come from a rampant cancer which Egyptians acquired as a result of the contamination of the waters of the Nile by recurrent waves of tyranny. This tyranny and the relentless torture which accompanied it destroyed their collective effort and forced them into a deadly self-interest that affected everyone. It was rare for anyone not to be affected by it on some level. "No one flies into a rage, says Mr. al-'Aqqad, "unless he himself is affected by tyranny or whips are unleashed on the backs of his closest relatives. No one makes a move if his neighbor is victimized by tyranny or if his enemy is touched by it. Eventually, the force of tyranny catches up with everyone even as everyone remains unmindful of the fact that violating human rights is like drinking sea water: the more tyrants indulge, the more thirsty they become."

The people who got together to establish the Egyptian Organization for Human Rights realized from the outset that a newly established organization like theirs, offering something new to the Egyptian spirit and mind set, would neither grow nor gain a firm foothold under the general conditions of the country unless they guaranteed it protection from this self-centered approach and this coexistence with tyranny. They realized they will have to strive for the organization's independence and neutrality, and they realized that working for the organization will have to continue to be voluntary in nature. People who work for the organization must be driven by a vigilant and sensitive human conscience that seeks no gain for itself or for its family or political tribe since such gain can be achieved in other areas. The people who got together to establish this organization realized that the notion around which everyone has to be mobilized was that of the organization becoming an actual fact, arousing in people a feeling of unbridled rage when any human right, no matter how small, is violated. They realized that this organization must require those whose destiny brought them to positions of power to respect those rights. Those who are in power must respect a person's right to live in dignity, his right to be free from hunger, and his right to privacy. They must respect a person's right to believe what he wishes to believe, to express his views without any restrictions, and to choose his religion without being threatened by gallows or intimidated by crematories.

During those years, the organization proved itself true to this goal, and membership grew from several dozen to several hundred. Although it did not receive official recognition and was somewhat harassed by security measures, the organization won the respect of public opinion in Egypt. And yet, its desire to assert its independence and neutrality led it to ignore the campaigns

that were being waged against it. These campaigns sought to portray the organization as one that was closed to leftist factions, chiefly Nasirists and Marxists. And yet, the organization remained keen on defending everybody's rights and on attracting to its ranks people from all tendencies, movements, and parties. Eventually, everyone became convinced that the organization's independence was no illusion and that its neutrality was no pretense. Everyone became convinced that the organization was neither an anti-government opposition front nor a coalition of political parties, but that it was a public, national organization of people who are in agreement about their interest in human rights: these include people whose rights had been violated and people who are enthusiastic about giving the principles of human rights a firm foothold in the country.

Impelled by poor judgment, however, and by their failure to learn from experience, a group of leftists formed what may be called an election bloc, which managed to keep essential tendencies out of the organization's new board of trustees. Foremost among those who were kept out were members of the Wafd Party, key figures in the Islamic political movement, and public figures with clout, including leftists. This group of leftists did what they did because they thought, among other things, that there was a counter-election bloc whose aim was to keep leftists out of the board of trustees. They cast doubts about how sincere those who are affiliated with the Islamic tendency were in their support for the question of human rights, or they alleged that others were going to do the same.

All these excuses are flimsy, and those who came up with them know that there is no logic to back them up. It may be that those who came up with these excuses did not stick to them until the results were made public and they found out for themselves the consequences of what they themselves had done. Members of the Wafd Party threatened to withdraw, and their newspapers deliberately left out discussions about the outcome of the elections. A candidate from the Islamic tendency withdrew, and anger prevailed among members of the organization, even among the leftists themselves.

The real reason for what happened, however, is this "self-centered" approach which we inherited from the tyranny which has permeated the waters of the Nile for centuries. What happened may also be attributed to this siege which afflicts all Egyptian groups and parties as one of the effects of this tyranny. This is what induced some political associations to seek illusory victories in areas other than those in which they ought to be fighting and scoring victory. They fought and sought victory over presumed enemies or those who are not their main enemies at this particular point in time. And that created far-reaching confusion between activities by political parties and activities by trade unions. It also created confusion between activities by groups, such as cultural associations, and those of an organization like the Human Rights Organization, an organization which may

be more important than many Egyptian political parties because of its influence and effectiveness.

The real culprit, however, is fanaticism, which is rooted in muddled thinking and causes some members of political tendencies to make the mistake of "idolizing the organization." They become interested then in promoting their own causes, not achieving their goals. Like the wolf who did not learn his lesson before his head was chopped off, they continue to confuse form with substance and the impersonal with the personal. The differences then are obliterated, everything becomes a blur, and we find ourselves once again going back to a hateful self-centeredness that achieves no goals and takes us nowhere.

It is true that it is not too late and that it is still possible to correct the mistake that was made. This is one thing which the new board of trustees must do.

But it is also true that after the Egyptian Organization for Human Rights took one step forward, those who were responsible for the mistake made it take two steps back.

#### Changes in Revolution's Ideals Noted

91AA0572A Cairo AL-AHRAM AL-DUWALI in Arabic  
31 Jul 91 p 7

[Article by Salah-al-Din Hafiz: "What Is Left of the July Revolution? The Breakdown of the Revolution and the Triumph of Wealth"]

[Text] "What if I had been one of the officers of this July Revolution?" I suddenly asked myself as I was being drawn deeper and deeper into the serialized program, "Madha Tabaqqa min Thawrah Yuliyu" [What Is Left of the July Revolution]. "If I had been one of those officers and if I were still alive as the revolution starts the 40th year of its life (And long may the surviving officers of the revolution live!), what would be my true feelings? What would be my judgment of what happened and what is happening? What would be my evaluation of the revolution's achievements and failures? To put it briefly, did the revolution succeed in achieving its goals, or did it fail?"

The difficulty of coming up with truthful and honest answers to such questions is almost painful. The truth, in this case, is stranger than fiction, given some of the things which have been happening. They suggest that there was no revolution in the first place.

When leaders of the blessed movement declared the movement's well-known principles in 1952, they undoubtedly held out the promise to Egypt, to the Arabs, and especially to the Third World of bold principles and of a new stage. That new stage would be based on rejecting slavery, resisting colonialism, counteracting subordination, and opposing domination. Leaders of the movement held out the promise of freedom of speech and action, and freedom to work and express oneself. They held out the promise of freedom to own property

and to earn a living. They held out to people the promise of being set free at a time when overpowering local and foreign forces were in control, in power, and holding sway.

In Egypt the power of "the palace" was allied with the force of occupation; the occupation force was working with the power of feudalism; and the power of feudalism was marching to the beat of the same drum that the power of political parties was marching to. In Egypt everybody was working under the umbrella of one political, ideological, social organization whose members were in agreement and in accord inside the country and abroad. This organization, which was hiding behind a veil of liberalism, is the organization which aborted the liberalism whose seeds had been sown by the 1919 Revolution.

When the revolution broke out on 23 July 1952, it was called "the blessed movement of the army." It was an unequivocal, radical coup against that organization, and it held out the promise of a new organization whose motto was, "Stand tall, brother, and hold your head up high. The days of colonialism and enslavement are gone." The motto signified that the monarchy was being abolished, corrupt political parties were being disbanded, and land ownership was being limited so that feudalism can be abolished. Abolishing feudalism would be a step toward nationalization. Institutions would be turned over to Egyptians and run by them, education would be free, workers' and farmers' rights would be safeguarded, the country would be industrialized, the Suez Canal would be nationalized, and the High Dam would be built. This would be done in defiance of the forces of monopoly and enslavement in the world.

There is no doubt that the socio-economic, ideological organization which the revolution engendered brought about a change in the quality and the way of life in Egypt. There is also no doubt that this daring organization became a source of some inspiration in Third World countries. Those who learned from it gained from what they learned, but those who failed to be receptive to it failed.

And there is also no doubt that one of the leading factors behind the success of the blessed movement, which was led by the Egyptian army on 23 July 1952, was its ability to change quickly from being a typical, traditional military coup d'etat, like scores of others in the underdeveloped world, to become an integrated revolutionary program with implications of social, economic, and ideological change based on the notion of using the revolution to redistribute wealth. This was to be done in a country whose wealth was owned by one-half a percent of its people, while the remaining 99.5 percent had nothing more than the clothes on their back, back-breaking labor, and humiliation.

"Be honest," [I was admonished]. "Now that the revolution is starting its 40th year, how would you face yourself if you had been one of its proponents? How

would you evaluate its steps, as it teetered back and forth between success and failure? How would you evaluate its movement back and forth as it vacillated between hope and despair, between victory and defeat, and between moving forward and suffering setbacks? Would you absolve yourself of responsibility and declare the revolution a success, or would you bow your head in defeat, frustration, and depression because of everything that has happened?"

"All right, I will answer on your behalf. I will maintain that a revolution is a human concept whose aim is to deliver the oppressed from injustice. It is a historic phenomenon which is not to be measured by short-sighted yardsticks but rather according to long-acting and historic yardsticks and implications. It was three years ago that the whole world joined France in celebrating the bicentennial of the French Revolution, the mother of all revolutions for liberation and independence. The French Revolution is a revolution that advocated the principles of fraternity, equality, and liberty. Everyone boasted that the principles of human rights, of free speech, of a free press, and of citizens' rights and responsibilities were the natural outcome of this great humanitarian revolution. And yet, all the celebrants forgot or pretended to forget about all the bloodshed and the hundreds of thousands of lives that were lost. They also forgot or pretended to forget about the hate campaigns whose victims were guillotined. Monarchists and the enemies of the revolution were not the only victims of these hate campaigns which also claimed the revolution's supporters, thinkers, leaders, and speakers.

The hatred is gone, and the blood that was shed has dried up. What remains are the revolution's major humane achievements: liberty, fraternity, and equality. They are historic milestones which symbolize the success of the French Revolution, the greatest revolution of all times, the revolution that produced liberty in modern times.

Did any of the principles which were forged and immortalized by the great French Revolution survive in the Egyptian Revolution, which is one year short of becoming 40 years old?

Without being biased, I believe that much of what has survived in the Egyptian Revolution is inspiring and reflects its accomplishments. The Egyptian Revolution changed the course of life in this country despite the sense of frustration it caused and despite its excesses, failures, and defeats. People still remember all that, but the one and only person they blame for all this is Jamal 'Abd-al-Nasir.

What is truly worrisome and bewildering, however, is that we are now going through a pivotal, historic stage during which it seems clear that revolution as a human concept in a society which has no wealth, given its resources, has been defeated while wealth has triumphed. The revolution came about to distribute the wealth among the poor and destitute, to make education accessible to their children, to protect the weak against

the strong, to fly the banner of liberation and independence against colonialism and domination, and to put an end to the days of enslavement, monopoly, and scorn. All these are lofty, humanitarian principles conveyed by divine religions and messages and conveyed also by the major revolutions for humanitarian reform.

But at a time when wealth is making inroads into all revolutions, none of these things which the revolution had set out to do is being done.

We will not use the example of what is happening in the Soviet Union, where the communist revolution and its Marxist ideology are collapsing. We will, however, look here under our own feet to see the new way and the new methods that are being used by one half of one percent of society to position themselves to control the remaining 99.5 percent. We can see how money, regardless of its source, is becoming what work and production used to be: a standard of honor. We can see how smugglers, swindlers, and adventurers have enriched themselves at the expense of ordinary people and poor, illiterate people who have been duped. We can see how values of honor, morals, conscience, excellence, and work have given way to strong-arm tactics, kickbacks, and swindles which are practiced in the name of liberty sometimes, in the name of religion other times, and also in the name of progress.

Does all this indicate that things are out of balance, or does it indicate that they are not? Does all this mean that the revolution's values have given way and that the revolution has betrayed its trust with the oppressed, the deprived, and the defeated? Or does all this mean that there are new values and new ideas for a new age? Bewildered by these questions, I awoke from my reverie, and I stopped reflecting on the revolution.

**Writer Suggests Topics for National Development**  
*91AA0549B Cairo AL-AHRAM AL-IQTISADI in Arabic*  
24 Jun 91 p 23

[Article by Engineer Muhammad Labib 'Abd-al-Rahman]

[Text] A precise analysis of the international changes that are occurring in the climate of existing and soon-to-emerge international economic blocs requires every patriotic Egyptian to give unsparingly, so that Egypt can get back on its feet. Also, anyone who contemplates Egypt's course in recent years and the many changes that have occurred in Egypt regarding various aspects of life and the general, new climate, would herald the advent of a new dawn and a comprehensive renaissance, God willing.

Students of the revivals, peoples, and countries throughout history accept that progress cannot be revived by focusing on just one area, such as industry or agriculture, in a race with time toward progress. Rather, a revival must comprehend all aspects of activity in society. Such comprehensiveness is not a luxury. Rather,

it entails the cohesive integration that is needed to effectively race against time to achieve true, stable, enduring development.

In the following, we summarize the basic, general principles of the revival in Egypt:

An abundance of political freedom and democratic practice is, without a doubt, the main starting point for reforming any aspect of activity in Egypt. Political freedom and democracy guarantee freedom of thought, through which it is possible to obtain the most correct opinion and safeguard the continuation of any progress or development.

#### **Security and Stability**

These are the true guarantees of progress in Egypt's business sector. They provide for the rule of law, justice, and the creation of a secure climate for capital and investors.

Also, social justice is a basis for all social classes and individuals to feel a sense of justice and fairness and the absence of iniquity and oppression.

Sound religious awareness, in any religion, guards against fanaticism or deviation, and it is a motivating force to make the ideal prevail and to prevent material or moral corruption.

The feeling of identification with Egypt will be the outcome of the previously mentioned factors and others. It lies behind every innovation and selfless act in doing one's duty and exercising one's rights. Moreover, it is the basis for unleashing the capabilities which God has granted every human being.

#### **The Basic Principles for Building the Structure of the Revival in Egypt**

- A policy of higher education that yields a return on the investment made in students.
- The eradication of illiteracy: Illiteracy, which is still at a rate of 60 percent, is the shame of the era and precludes the unleashing of the energies of all Egyptians.
- Technical education: It is the basic foundation for achieving any industrial or agricultural development.
- University education: the shifting of university education toward practical, rather than theoretical, colleges and the development of programs based on society's needs.
- Research centers: emphasis on the development of research centers; visits to specialized and applied research centers to catch up with international technological progress.
- Public health: the application of the principle that an ounce of prevention is better than a pound of cure regarding the following: Endemic diseases, such as bilharzia and others; environmental pollution, which is the bane of the modern age; and sewage in drinking water.

- Legislation and laws: Legislation and the law are the basic building blocks for any progress.
- Labor relations: review of the different labor laws.
- Tax regulations: unification and simplification.
- Sorting through the laws: review, unification, updating.
- Simplification of litigation: Slow justice is hidden iniquity.
- The state's financial and economic structure:

—a solution to the problem of foreign debts with the World Bank and the IMF, and the rescheduling of the remaining debts after reducing them by almost 50 percent.

—borrowing from abroad: Borrowing from abroad should be restricted to purposes of funding of large, well-studied projects, which should be strictly supervised.

—the trade balance and the balance of payments: They can be corrected through sensible planning budgets, the encouragement of exports, the reduction of imports, and the controlling of expenditures.

- Project financing and the banks:

—Focus on financing small projects, because they provide the broad base on which large projects are based.

—Granting of freedom of the banks to provide credit facilities and the elimination of bankers' fears.

—Liberation of the banks from laws and regulations and the encouragement of banks to establish large projects.

- The state, the government, the public sector, and the private sector:

—The elimination of the centralized planning of investments in favor of endorsement planning and policy outlining.

—Only the state should undertake large programs such as the expansion of the Suez Canal, phosphates extraction from Abu-Turtur, roads and bridges, communications, and public utilities. However, the state should not engage directly in the production of goods and services, and it should abandon the policy of price intervention and begin to use the market mechanism system.

—The issue of the public sector should be decided in favor of the private sector.

Measures that can be taken in the following important areas:

- Agriculture: Agriculture will remain Egypt's primary field of activity for a long time. Food has become a weapon of the age.

—Desertification: We have only 6 million feddans at most under cultivation, which is only 2.5 percent of Egypt's total area. The best and only fast solution to the food and unemployment problem is to transfer the ownership of land to youths at a small cost, or even at no cost, after the state establishes the necessary utilities.

—Modern agricultural technology: the adoption of new, up-to-date agricultural methods to increase agricultural productivity.

—Agriculture for export: the directing of a large portion of the new agriculture toward export.

- Tourism: Tourism is characterized by a rapid return, and it is a major source of foreign currency. Egyptian tourism has relatively major advantages internationally.

—The private sector should undertake all tourism activities.

—the expansion of existing areas of tourism and the development of new areas.

—The state should establish the main utilities and provide only general services.

—Tourism can provide more than 50 percent of our hard currency needs.

#### Industry

- It is necessary to focus on industries based on agricultural production to exploit Egypt's relative advantage in this field, such as spun cotton thread and cotton textiles, and to open the door widely to the private sector, small industries, and feeder industries.

—The adoption of modern, technological methods and the introduction of volume production.

—Giving first priority to export industries.

- Oil and mining: Hopes augur well in this field. Oil will continue for a long time to be a primary source of energy in the world.

—The field of mining in Egypt has not advanced as much as it should.

—The petrochemical industries are the true basis for exploiting oil in the form of refined products, rather than the exportation of crude oil.

#### Finally:

Egypt is truly approaching the new dawn of a glorious future. As patriotic Egyptians, we must all exploit our favorable circumstances and many capabilities to create a better tomorrow for Egypt in all respects. In addition, through this program, Egypt will automatically relieve itself of such burdens and obstacles as lack of commitment, deviation, extremism, unemployment, and other problems.

### Minister Discusses Natural Gas, Abstention From OPEC

91AA0491A Cairo AKHIR SA'AH in Arabic  
26 Jun 91 pp 7-8

[Interview with Egyptian Oil Minister Dr. Hamdi al-Banbi by Suhayr al-Husayni: "Bottled Gas Crisis Ends, Increased Production Shuts Down Black Market; So Far, We Have Not Gotten Work in Kuwait's Oil Fields; Local Consumption of Oil 26.5 Million Tons, Increasing 5 Percent Annually;" place and date not given]

[Excerpts] [passage omitted] [Al-Banbi] So far, national bottlegas bottling plants have been established in Talkha, al-Mansurah, Kafr al-Dawwar, and al-Buhayrah, in addition to transportable units presently dispersed in the areas of al-Tur, Bir al-'Abd, Rafah, al-Ghardaqah, Ra's Gharib, Fayid, al-Qanatir Gharb, Basandilah in al-Daqhaliyah, and Matruh. In the next two months, we will also open the most modern bottlegas bottling plant, located in al-Qatamiyah, with a capacity of 3,600 cylinders per hour. With that, it will no longer be necessary to transport gas by truck over the main roads, and accidents will be avoided. A gas pipeline will be in operation from [Shuqayr] to Suez, and then to al-Qatamiyah, a distance of 360 kilometers. In addition, gas will be transported over the [Shuqayr]/Asyut line. This will increase efficiency of distribution in the governorates, reduce transportation costs, and lessen the severe pressure on road traffic. A gas pipeline will also be completed from Ra's [Shuqayr] along the Red Sea to Suez City, in order to ship the quantities of gas which are now being transported only by ships. After the completion of this line, gas will be shipped over this line, in addition to being transported by ship.

[Al-Husayni] What is the goal with regard to amounts of gas shipped over the new pipeline?

[Al-Banbi] The goal is to cover requested needs. The fact is, we cannot define a number. This depends on the stages of pumping, which has not yet been clarified.

[Al-Husayni] What is our current local consumption of petroleum products?

[Al-Banbi] Local consumption has now reached approximately 26.5 million tons a year. The oil sector plan is aimed at providing petroleum products for local consumption, taking into consideration a consumption increase fluctuating between 3 and 5 percent per year. Therefore, we are working to increase available refining capacity to meet increasing needs and relying on natural gas in factories and electricity power plants to reduce consumption of crude oil, so that a portion of it can be exported and the rest preserved for future years.

With regard to the use of gas, I urge all citizens that it is necessary to replace copper gas regulators with new regulators available at butane supply places. This is for their safety and to insure their protection, after studies have proved that the new regulator is safer.

### Increased Gas Prices

[Al-Husayni] Are the copper regulators being replaced by new regulators free of charge?

[Al-Banbi] Yes, free.

[Al-Husayni] Is the new regulator also made of copper?

[Al-Banbi] No, and because of that, some think that the Ministry wants to get the copper regulators, because they are more expensive, and give them the cheaper kind. Most assuredly, that is not the case. We take the old regulators, destroy them in the governorates, and give them the copper fragments. We assure the citizens that the process is not commercial, but is for their safety and to assure their protection, as studies have proved. The new regulator is more durable and safer.

[Al-Husayni] When did you start the process of exchanging regulators?

[Al-Banbi] A while ago, but—unfortunately—we have not had compliance by the citizenry at the desired rate, even though we expanded production of the new regulators. [passage omitted]

[Al-Husayni] What is the percentage increase in prices gas consumed in homes, and how is it calculated?

[Al-Banbi] The increase that occurred unexpectedly in gas prices last May included the highest consumption rates. There was also the announced increase in pipe prices. Those who consume 15 cubic liters or more are calculated at the highest price. Generally, Law No. 230 of 1989, issued in March 1991, set gas consumption prices for homes as follows:

- Up to 30 cubic meters; 10 piasters per cubic meter
- From 30 to 60 cubic meters, 20 piasters per cubic meter
- More than 60 cubic meters, 30 piasters per cubic meter [passage omitted]

[Al-Husayni] What about the new oil discovery we made during the past few days in the area east of the al-Badri field, and what is the volume expected from that?

[Al-Banbi] There are good signs regarding the new oil discovery made during the past few days in the area east of the al-Badri field. Tests conducted on the first well gave good results—some 10,000 barrels per day, which is a good omen for production from a new oil field.

[Al-Husayni] The western desert is one of the areas rich in new oil resources. What is your evaluation of the production expected from this region? [passage omitted]

[Al-Banbi] We hope that the western desert will contribute more than 10 percent of Egypt's oil production during the next three years, within the framework of our goal, which is national oil security.

### **Egypt's Reserves—Six Billion Barrels**

[Al-Husayni] What is the amount of Egypt's oil reserves now? [passage omitted]

[Al-Banbi] In general, Egypt's oil reserves now range between 5.8 and 6 billion barrels, approximately.

[Al-Husayni] What are your expectations with regard to the future of Egypt's crude oil reserves?

[Al-Banbi] Since our goal is to produce oil without harming the subterranean reservoirs, we are working to increase extractable reserves to ensure that the state will continue to be supplied with its oil requirements. The oil reserve is a dynamic number, as I said, which develops as a result of new discoveries, the development of those discoveries, and by following up the behavior of underground reservoirs. It is also an economic number, affected by the costs and prices of available oil and technology. [passage omitted]

### **Negotiations for Egyptian Participation in Kuwait**

[Al-Husayni] Why doesn't Egypt participate in OPEC now?

[Al-Banbi] This is a matter that is not under study at the moment. Egypt is a member of the Organization of Arab Petroleum Exporting Countries [OAPEC]; we are not a member of the international organization.

[Al-Husayni] Why doesn't Egypt join the world organization, so long as we are satisfied with it and can work through it?

[Al-Banbi] Yes, we are satisfied with the world organization, and can work through it, but there are restrictive obligations imposed on member states when one joins the organization. This is natural; there are definite member obligations in any organization.

[Al-Husayni] Does that refer to Egypt being committed to specific political directions?

[Al-Banbi] No, these commitments have no connection with the political orientations of the member states.

[Al-Husayni] What is the nature of these obligations that prevent Egypt from joining OPEC?

[Al-Banbi] Foremost, these obligations are of a material and economic nature.

[Al-Husayni] A delegation from the Oil Ministry recently went to Kuwait. Have agreements been reached with the Government of Kuwait concerning Egyptian companies sharing in the work of restoring oil well operations there?

[Al-Banbi] From the start of the Gulf war, and the return of the Kuwaiti Government, Egyptian-Kuwaiti contacts have been conducted by Engineer Hasaballah al-Kafrawi, the minister of housing, utilities, and new communities, who is the official spokesman for the

Egyptian Government as a whole. We—as an oil ministry—are prepared to carry out any agreements concluded between the Egyptian Government and the Government of Kuwait in this regard.

[Al-Husayni] Have the Ministry of Oil and Egyptian companies undertaken any operations in Kuwait as of now?

[Al-Banbi] We have not obtained any work regarding oil in Kuwait so far. Nevertheless, the area of agreement is still open, and a mission to Kuwait from the Oil Ministry composed of oil field workers and accompanied Eng Hasaballah al-Kafrawi, is being sent to evaluate the work that might be done and to study the areas in which Egypt might help rebuild the oil wells and oil facilities in Kuwait.

### **Goals of Next Stage**

[passage omitted] [Al-Husayni] What are the goals that you will work to achieve in the next stage of the oil sector's long-term strategy?

[Al-Banbi] There are a number of goals that we will work to achieve in the coming stage. They include:

Continuing to intensify operations to explore for oil, through ratifying oil agreements with specialized world companies, because a diversity of various schools of thought with regard to oil technology are available through these companies, which can risk capital. They have the knowledge and technology. In addition, we have a basic and effective element in the trained Egyptian cadre, who can make sound decisions, and have international expertise. All this is necessary, because we have in fact begun to be interested in areas that have not yet been adequately explored.

Continuing to apply the policy of guiding the consumption of petroleum products in various sectors, through the activities of the energy planning system and in cooperation with the various sectors.

Intensifying the search for natural gas to increase national resources and increase reserves of energy sources, to expedite development of discovered gas fields, and to derive maximum benefit from the gases associated with crude oil in all areas of its production. We want to bring it all together and substitute natural gas for more petroleum products.

Applying the most modern international systems to develop fields in order to increase production from them at economic rates and increase reserves to meet natural, gradual decreases in these fields' productivity and prolong their production lives.

Discovering more of Egypt's mineral resources by encouraging international companies, in accordance with principles and bases developed for contracting with these companies, within the framework of the state not carrying the financial burden of exploring for its mineral wealth, while guaranteeing a satisfactory profit for the

nation. That will be done through the mineral resources sector, which includes the Egyptian General Board of Geological Surveys and Mineral Projects, and the Sinai Coal Company, which has really achieved tangible accomplishments.

[Box]

#### Minister's Tour in the Oil Sector

- Dr. Hamdi al-Banbi earned a petroleum engineering degree with honors at the University of Cairo in 1958.
- He completed general studies in the economics of petroleum engineering in Tulsa University in America.
- He received his doctorate of petroleum engineering from Texas University in America in 1963.
- He returned to Egypt to begin his career as a production engineer in the Bala'im fields in 1963, for three years. This was the beginning of Egypt's entry into the field of marine drilling, searching for oil in the Gulf of Suez through other companies.
- He taught at al-Azhar University for two years.
- After that, he went to work for the WEBCO [expansion not given] Company, and gradually moved up until he assumed the post of deputy chairman of the board.
- He was next appointed president of the Gulf of Suez Oil Company, JABCO, for 12 years.
- In November 1988, he was appointed president of the Oil Board, and he stayed in that post until he was selected as minister of petroleum and mineral resources in the recent cabinet shuffle.

#### Oil Minister Bans New Drilling Near Red Sea Resorts

91AA0584A Cairo AL-AHRAM AL-DUWALI in Arabic  
8 Aug 91 p 5

[Article by 'Adil Ibrahim]

[Text] So that tourist activity on the Red Sea might not be affected by the threat of oil pollution as a result of oil drilling and production operations, Dr. Hamdi al-Banbi, minister of petroleum and mineral resources, issued emergency directives, measures, and decrees to protect the environment and preserve the beaches of the tourist villages and establishments around al-Ghardaqah. This came on the heels of a symposium attended by investors, owners, and managers of tourist villages and establishments, and observed by Mr. Fu'ad Sultan, minister of tourism and civil aviation; Maj. Gen. Muhammad Salah-al-Din Misbah, governor of the Red Sea Governorate; geologist Shawqi 'Abidin, president of the Gulf of Suez Petroleum Company (GUPCO); geologist Salah Hafiz, vice president of the Petroleum Authority for Petroleum Agreements; and Engineer Mas'ad Ahmad Mas'ad, vice president of the Petroleum Authority for Production.

The investors made observations and asked questions about oil pollution and its effects on tourist activity,

especially since passing ships and oil tankers engage in uncontrolled dumping of residual and waste mineral greases and oils around the Red Sea. Meanwhile, the minister of petroleum and mineral resources took emergency measures at the end of last month to protect the beaches north of al-Ghardaqah from oil slicks coming from the residues of passing ships, inasmuch as oil pollution removal teams set out to remove all types of residue from the beaches and water north of al-Ghardaqah. Maj. Gen. Muhammad Salah-al-Din Misbah, governor of Red Sea Governorate, and Mr. Samir 'Abd-al-Fattah, owner of the [Shadwan] village, thanked the minister of petroleum and mineral resources for responding immediately to protect the tourist beaches and their cleanliness from all kinds of residue.

Dr. Hamdi al-Banbi has issued a number of emergency decrees that include a halt to granting new licenses for oil exploration, drilling, and production in offshore regions opposite the tourist villages and establishments in al-Ghardaqah. They would end the terms of the agreement of the [Dimanex] company—who has part of its facility located in shallow water facing the shore around Ra's Abu Sawmah, with only its rig on land in the eastern desert—or compensate it with another region. They would do the same with another agreement with the Canadian company so as to restrict it to land and compensate it with another region. They also stipulate that when oil is discovered in any region north of al-Ghardaqah, it would be transported by pipeline to the region of Jabal al-Zayt south of the Gulf of Suez, and that when these lines are extended, they would bypass coral reef areas. The minister also decreed a ban on building any oil installations near the tourist beaches, so that these installations would be set up at an appropriate distance into the eastern desert, in accordance with special rules drawn up for the agreement with the American Esso company on oil exploration and production north of al-Ghardaqah. Geologist Shawqi 'Abidin, president of the Gulf of Suez Petroleum Company, confirmed that Maj Gen Muhammad Salah-al-Din Misbah, governor of the Red Sea Governorate, and Mr. Samir 'Abd-al-Fattah, owner of Shadwan village in al-Ghardaqah, had expressed their thanks and appreciation to Dr. Hamdi al-Banbi for his efforts and immediate response in ending the effects of oil slicks that came from residues of a ship passing through the Red Sea and threatened the region north of al-Ghardaqah. Teams from the Gulf of Suez Petroleum Company and the Public Petroleum Company had taken part in removing all types of residue from the water and beaches north of al-Ghardaqah.

Regarding programs and systems to preserve the environment and protect Egyptian beaches and water from oil pollution during drilling operations carried out by largest oil companies in the world, which operate in Egypt, Mr. Tariq Subhi, president of the Shell Companies in Egypt, explained, "Since there is no detailed legislation for complete protection of the environment locally, and since there has been recent (relatively, in

Egypt) concern for saving the environment from the causes of pollution, Shell is not waiting for the completion of legislation to protect the environment, nor for detailed rules on carrying out oil exploration and production to preserve the environment. Shell has decided to draw up the first detailed code to regulate environmental preservation during all activities pertaining to oil exploration, production, and development. This code will include elaborate and well-defined administrative and technical rules to preserve the environment during exploration, drilling, field development, production, and transport. This code will be implemented by next September, and it will begin to be applied to all operations of the company and its contractors. This model will be offered to all Shell companies and to companies in Egypt which might see the benefit of this effort in their operations."

### **Banker Discusses National Budget Deficit**

91AA0545A Cairo AL-AHRAM AL-DUWALI in Arabic  
19 Jul p 6

[Commentary by Dr. Hazim al-Biblawi, chairman of the Export Development Bank: "Budget Deficit Financing by Inflation or by Treasury Bonds"]

[Text] The Egyptian economy suffers from a number of structural imbalances, of which the budget deficit is perhaps the most serious. Year-end statements, which show actual deficit levels in contrast with budget figures, which are merely projections that may never come true, reveal that the actual budget deficit has grown so much that it sometimes exceeded 16-18 percent of the gross national product. Action is required to correct this imbalance, which is among the most severe in the world.

It is recognized that a fundamental approach to this chronic deficit would be to narrow the gap between revenues and public expenditures.

The government has recently been striving to raise general revenues by more efficiently collecting taxes and fees and by imposing new burdens [taxes] on financiers.

In general, it seems that we are approaching the limits of general taxation on citizens. Taxes and fees are so high that, in most cases, they would be difficult to raise without negatively impacting economic performance and even the receipts themselves, not to mention possible negative social consequences. In reality, it is possible to re-examine the general philosophy of taxation in order to boost revenues in the medium and long terms, even though a shortfall is a possibility in the short term. Some believe that reducing taxes, not raising them, would boost revenues through higher productivity and fewer instances of [tax] evasion. Revenues could be boosted over the medium and long terms through a balanced tax policy that would lower tax levels while cutting down on tax exemptions. Naturally, the initial impact of such a policy would be a temporary decline in revenues, since tax evasion can not be expected to abate until there is confidence in the continuity of this new

policy of moderation. Nevertheless, it seems difficult under the current tax system to increase public revenues to any significant degree without negative consequences that could be quite harmful.

The government is also working to reduce expenses, or rather contain their rapid growth. It has begun to review subsidies and do away with many of them. It is also attempting to control capital spending and limiting it to retooling and renovations. The growth rate of public spending has slowed down as a result, even though spending continues to climb in absolute terms.

The issue calls for fundamental changes in the economic and social structures, and maybe even in the political system.

This is why the budget deficit has survived the effort to eliminate it, albeit at less massive and ominous levels than in the past.

The government continues on this road to gradually narrow the gap between revenues and expenditures, and it must therefore address the problem of financing this chronic deficit.

The government is pursuing a new strategy of deficit financing by borrowing from individuals and the banking system through treasury bonds, veering away from the inflationary financing practice of borrowing from the central bank and increasing the volume of currency in circulation. Both methods have limitations and pitfalls.

In the past, the government covered the budget deficit through inflationary financing, i.e. by borrowing from the central bank, which would in turn increase the currency in circulation to allow the government to meet its expenses. As the name implies, this type of financing leads to inflation because it increases the currency in circulation without a corresponding increase in production. The result is higher prices, continued inflation, and higher prices still. The national currency would continually lose value, prompting flight to foreign currencies, such as the dollar, in search of consistent value and to escape the perpetual erosion of national currency values. Meanwhile, rising prices undermine the ability to determine costs and returns, as money loses its function as an economic accounting tool. With the loss of that function, individuals hesitate to undertake ventures, since there is no greater risk to investment than uncertainty and doubts about the future. Ultimately, continued inflation and rising prices mean the erosion of individual income in real terms, which is particularly burdensome to the poor and those on fixed incomes; lost savings opportunities because of declining incomes; and the flight of high-income individuals' savings into foreign currencies to seek refuge from continued erosion in value. Inflationary financing is therefore fraught with pitfalls and poses risks to the national economy.

It must be pointed out, however, that inflationary financing in the aforementioned manner offers presumed and illusory advantages to the state, frequently tempting and enticing governments to take that easier course. Perhaps the most obvious of these presumed advantages is that inflationary financing is, in fact, a form of hidden or covert taxation allowing the state to share the fortunes and incomes of citizens. It conforms to the concept of taxation in that it is not reimbursable or repayable.

On the other hand, debt financing avoids the above-mentioned inflationary pressures but represents a future burden to state resources since it obligates the government, as a borrower, to repay the debt with interest. Contrast this with inflationary financing, where the government borrows from itself (through the central bank). Interest paid on the loan (to the central bank) eventually returns to the treasury in the form of central bank profits. Inflationary financing, as a form of covert and non-refundable taxation, is therefore very tempting to governments and an easier course for them to take. Interest paid on treasury borrowing from the central bank are usually concessionary and revert back to the public treasury, in any case. Another false illusion is that this method gives the appearance that the economy is experiencing an under-utilized surplus of liquidity. This is frequently assumed to be savings available for investment, since increased government spending means that money continues to circulate in the marketplace, ending up as excess liquidity with commercial banks. Many officials have been deceived into the mistaken belief that the availability of this surplus liquidity with banks is a manifestation of under-utilized savings potential in the economy. Rather, excess liquidity is, in fact, a consequence of budget deficits, or negative government savings. The advantage of treasury bond borrowing is that the government does not finance its budget deficit by issuing new money. Rather, it borrows from the banking system and from individuals by issuing treasury bonds that mature every three months. The government, by following this new course, avoids the dangers of inflation since the deficit no longer increases the volume of money in circulation. On the contrary, it tends to blot up excess liquidity available to the banking system and is therefore considered a definite step forward from the method of inflationary financing.

We must be aware, however, of the consequences of deficit financing and of its future impact on public finance. Perhaps the first thing to note is that it is a form of borrowing and therefore imposes on the public budget a future obligation (every three months) to repay treasury bonds with interest. This obligation escalates with increases in the size of borrowing (treasury bonds issues) and with rising interest rates. It is also to be noted that the volume of treasury bond issues is growing week after week and that interest rates have continued to rise to their current annual level of almost 20 percent. This means that, to the extent that it prevents inflationary pricing, this method of financing imposes future budgetary obligations which must be kept in mind.

It would not be surprising if domestic debt service (treasury note and treasury bonds) turned out to be a major item of future expenditure. That is why national debt is considered deferred taxation under the principles of public finance. The state would be unable to continue issuing bonds (borrow) for deficit financing unless its future revenues rise through taxation or some other means. Otherwise, it would have to admit defeat and revert back to inflation financing!

It is to be further noted that state borrowing from individuals and the banking system (treasury bonds) mean that the government and the production sector would compete for available liquidity and would push interest rates up, increasing future burdens on the public budget on the one hand, and slowing down private investment on the other.

It is obvious, therefore, that borrowing can not be used to finance the deficit indefinitely. Rather, it should be preparatory to confronting the budget deficit problem itself.

#### **Endemic Public Sector Problems Transfer to Joint Sector**

*91AA0563A Cairo AL-WAFD in Arabic 13 Jul 91 p 3*

[Article by Tal'at al-Maghrabi]

[Text] The joint production experiment, which means cooperation between the public sector and private sector, is one of the nascent economic experiments in Egypt; it was established in the mid-1970's. Despite the importance of the experiment and its success in several capitalist countries such as Germany, Britain, France, and the United States, it has failed utterly in Egypt. Even the National Democratic Party [NDP] government has admitted that 82 percent of those companies have not achieved the desired results. The public sector problems have been transferred to the joint sector companies, including problems of bureaucratic administration, overdrawn bank accounts, and all the other defects and mistakes. Also, workers in these companies have gained benefits in the form of wages, incentives, awards, and profits without being accountable or without economic performance being evaluated. This has led to successive losses and to defaulting on debts and, at the same time, to these companies being unable to collect their debts from other government departments and from the remaining private-public sector companies. This is the view Dr. Muhammad 'Abd-al-'Azim, economics professor at the al-Sadat Academy, holds. He attributes the failure of the joint projects to the fact that the purpose of establishing them was to find a job for the chairman of the board when he retires from the original public company, for which he will receive allowances, rewards, privileges, and major profits that were not available to him in the original company.

Among the reasons for the failure of this experiment, he said, is that the management of joint projects looks at them as an enterprise from which it can take products for

personal use without paying for them and can also obtain privileges and products without paying their cost, since under the investment law, these projects are not subject to control by the various government oversight departments. Among the other reasons for failure is that the management of these projects is based on increasing expenditure and obtaining loans from the banking system in order to cover investment expenses whose value exceeds capital, thus exposing it to the risk of being unable meet the debts and pay the interest due.

On the other hand, the public sector participation in these projects created an imbalance. This has prompted the private sector workers to strive, in the face of competition by the partner public sector, to obtain the biggest benefits possible, without regard to the production achieved or the profits and gains that could benefit the national product.

Meanwhile, we find that these joint companies have merely been a means to transfer old technology from other countries at an exorbitant price, without this technology covering its expenses, thus harming the local labor force because increased mechanization has led to less need for local labor. In the meantime, there has been an increase in foreign labor that is necessary to operate the technology. All these defects which previous experiments and the studies on this subject have exposed, have led the economic authorities to come to an important conclusion, namely that joint companies constitute a burden on the national economy because their negative aspects outweigh their positive ones.

Dr. Ibrahim al-Dassuqi Abaza, rapporteur of the Wafd Party's economic committee, said the idea of joint production is sound in principle. But he believes that it is not appropriate for use in Egypt in view of the current conditions the public sector is experiencing because of poor administration, mismanagement, and corruption. This is in addition to the fact that the economic laws governing these projects are incompatible with modern economy.

There was an ulterior motive behind the idea of joint production, namely the government's attempt to save the collapsing public sector by transferring part of the consequences of this collapse to the private sector. The result was the failure of most of the joint projects that were established in the past 10 years. The failure was natural because the public sector's organizational structure was absolutely incompatible with that of the private sector's. The experiment also failed because the bodies overseeing implementation of the idea sought to exploit the lack of control on the public sector by assessing the joint assets below their current real value in order to benefit from commissions and other advantages.

Dr. 'Abd-al-Qadir Hammam, professor of administration at the al-Sadat Academy, says the joint production experiment has failed because the financing structures of work installations in the experiment were deficient. In other words, the public sector companies in Egypt suffer

from financial difficulties, that is, the inability to meet obligations and to make interest payments on time. Thus, this means poor investment potential to deal with the factors of a growing society.

It is to be noted, he added, that the joint production experiment in Egypt was a back door for the public sector's higher administration to evade control and inspection, since these projects are subject to control only by general assemblies, which in fact consist of shareholders in these companies. In other words, the public sector is self-controlling. The evidence of this is the reports published by the state, which indicate that 82 percent of these companies did not achieve the desired results. In other words, they failed and lost their capital, which was actually appropriated from the public sector's budget. In light of this, any form of joint participation is doomed to failure. This calls upon the public sector companies to rearrange their financial portfolio. I believe that the new law on the business sector provides for this, but what matters is the implementation.

The joint projects experiment is very clear where local projects are concerned, but according to the Accounting Department's report, more than 90 percent were losing projects.

#### Sixteen Small Banks To Merge Under New Law

91AA0548A Cairo AL-JUMHURIYAH in Arabic  
17 Jul 91 pp 1, 3

[Article by Isma'il Badr]

[Text] The Egyptian Central Bank has finished setting up a plan to merge small banks with one another or with larger banking units so that they might become competitive.

A responsible source in the Central Bank stated that the merger plan included the merger of all the national development banks in the governorates, of which there are 16, with the main National Bank in Cairo, such that they would become branches subsidiary to it, and not independent banks. Thus the capital of the National Bank would become appropriate and competitive. With regard to the National Bank in al-Daqahliyah, which is considered independent and not under the main National Bank because its shares in the National Bank do not exceed 5 percent, it must also merge with these banks.

Regarding the agricultural credit and development banks, the plan agreed upon between the Egyptian Central Bank and the Ministries of Agriculture and Economy was for all agricultural credit banks in the governorates, [administrative] centers and units, and commissions to be turned over to the private sector so that the farmers dealing with them would own capital in accordance with the shares they held.

American aid worth \$372 million has been allocated for this purpose, and it will be turned over to the private sector over a period of only two years.

The source added that no bank will merge or increase its capital until after the new banks and credit law is enacted, after being amended and passed as a law or issued as a state decree. Otherwise, the alternate solution is to cover these banks if the new banking law is not enacted.

He said that the new law stipulates that the minimum capital of private sector and investment banks be increased to 100 million pounds paid as a minimum level and not discounted. He also said that the capital of public sector banks reached two billion pounds for the al-Ahali Bank and the Bank of Egypt, about 900 million pounds and one billion pounds paid out for the Cairo Bank and Alexandria Bank, and 650 million pounds paid out [as published].

Tharwat Hasan, secretary general of the national banks in the governorates, stated that the National Bank has no objection to the merger of the 16 governorate banks, whose capital varies between 3 and 4 million pounds, but whose reserves and shareholder rights are large, exceeding the capital. However, the merger cannot take place unless stipulated by law, thus it is necessary that the new banks and credit law be enacted. The capital of the 16 regional banks is up to 40 million pounds, compared to 100 million for the main bank.

A responsible source in the Ministry of Economy stated that there are many small banks that must merge with larger banks, especially those holding shares in the larger banks. The priority of merging each of two small banks would be to increase their capital after the merger.

#### Minister Interviewed on Exporting Manpower

91AA0572B Cairo AKHIR SA'AH in Arabic 24 Jul 91  
pp 12-13

[Interview with Mr. 'Asim 'Abd-al-Haqq, minister of manpower and training, by Suhayr al-Husayni: "Minister of Manpower Talks with AKHIR SA'AH: How Will Egyptian Workers Become Permanent Residents in Libya? What Is Behind the Wholesale Return of Egyptians Who Were Working in Yemen? Travel Arrangements for Egyptian Workers Who Will Be Working Abroad To Be Handled by Joint Stock Companies as of Next October;" place and date of interview not given]

[Text] What is behind the wholesale return of Egyptians from Yemen? How and when will Egyptian workers become permanent residents in Libya? Is there anything new in our agreement with Libya that made us consider going through this experience again after the failure of our first such experience with Iraq in the sixties? Why is it that Egypt has not started disbursing the funds which are due to Egyptians from Libya, even though \$4 million have so far been received from that country?

What does the Ministry of Manpower have to say about the phenomenon of hiring workers on a temporary basis and denying them unemployment insurance? This phenomenon, which is no longer limited to the private sector, has been extended to the government and the public sector. Does this phenomenon require an amendment to the Egyptian labor law? Also, what does the ministry have to say about private sector companies which employ public sector workers under contractual agreements with them? Would not this be considered holding two jobs, and are not these people taking away work opportunities from young people? Did the minister of labor really issue a decree barring people who are not educated from traveling abroad to work? And finally, how did the new labor law deal with the shortcomings of the travel bureaus which handle travel arrangements for Egyptians who go abroad to work?

AKHIR SA'AH wanted plain and clear answers to these questions, so it tried to meet with the man who is responsible for employment in Egypt, Mr. 'Asim 'Abd-al-Haqq, the minister of manpower and training. When we met with him, we presented our questions to him and then waited for the answers. "The wholesale return of Egyptians from Yemen does not represent a political stance against Egyptian workers," Mr. 'Abd-al-Haqq said. "What happened, however, was the result of the economic conditions which Yemen is experiencing now. Although 1,800 Egyptians have returned, 30,000 Egyptians are still working in Yemen." The minister added, "What Egypt is experiencing in the process of Egyptian workers becoming permanent residents in Libya is quite different from the experience we had in the past with Iraq. That is why we hope our experience with Libya will succeed. Funds due to Egyptians who worked in Libya will be disbursed when Libya pays the balance of the \$6 million it owes to those Egyptians." The minister also affirmed that no decree was issued barring Egyptians who are not educated from traveling.

The first issue that was raised with Mr. 'Asim 'Abd-al-Haqq, the minister of manpower and training, was that of the wholesale return of teachers who were working in Yemen. We asked him to explain this to us, and we asked him if that situation would have an effect on political relations between the two countries.

['Abd-al-Haqq] First of all, there are 30,000 Egyptian citizens working in Yemen in different occupations, including teaching. Some of the teachers who are there went to Yemen by way of the government, that is, they are on loan from the government. Others have personal contracts with the government of Yemen. The number of people who came back from Yemen this month is approximately 1,800. All of them are elementary education teachers, and all of them were there on personal contracts.

[al-Husayni] Why did the government of Yemen terminate their contracts in this wholesale manner?

[Abd-al-Haqq] There are several reasons for that. First, Yemeni citizens majoring in elementary education have started graduating from college. In addition, there are economic factors which Yemen is going through. There are some institutions in Yemen which used to receive their funding from the government of Kuwait. These institutions are no longer receiving any support from the Kuwaiti government because of the position which the government of Yemen took on Iraq's aggression against Kuwait and the Gulf war which followed. Therefore, these institutions started terminating the contracts they had with foreigners from many countries, and that includes Egyptian teachers. That position is not a political one against Egypt or Egyptian workers, but it is a position imposed on these institutions by the economic conditions which Yemen is experiencing now. Bear in mind that the Egyptians who are returning from Yemen received all the money which they were entitled to before their departure from Yemen.

#### Why Are Egyptians Coming Back From Yemen?

[al-Husayni] Were the Egyptian teachers' contracts terminated because of shortcomings in the personal contracts they had with these institutions?

[Abd-al-Haqq] No, there was nothing wrong with the contracts. There are two ways one can have a contract. The first way, as far as teachers are concerned, is to be on loan from the Ministry of Education in Egypt. In that case the terms of being on such a contract and the teachers' salaries are determined by the educational agreement which is signed by the two countries. An Egyptian teacher who has a contract to teach in Yemen on that basis receives 4,300 Yemeni riyals. The second way for getting a contract is to execute a personal contract in Yemen. In most cases teachers who are working under such personal contracts receive salaries that are significantly lower than those which are received by their counterparts who are sent by the state in Egypt to work in Yemen for a certain period of time.

[al-Husayni] Is there no way for safeguarding the rights of Egyptian workers in general, especially those who leave Egypt and go to Arab countries to work under personal contracts?

[Abd-al-Haqq] The nature of personal contracts is such that the term of a personal contract is usually one year. If the two parties agree, a contract may be extended for another term on an annual basis. However, if either party does not wish to extend the term of the contract, the contract is naturally terminated when it expires. With regard to looking after and protecting Egyptian workers in Yemen, there is an office there which represents workers. Its function is to safeguard the rights of Egyptians and to solve the problems which they encounter there. There are similar workers offices in all the Arab countries.

#### Egyptian Workers Becoming Permanent Residents in Libya

[al-Husayni] During your recent trip to Libya you discussed with the Libyan government the subject of Egyptian workers becoming permanent residents in Libya. How will that be done?

[Abd-al-Haqq] Several agencies and ministries, including the Ministry of Manpower and Training, the Ministry of Social Affairs, the Ministry of Interior, the Ministry of Agriculture and Land Reclamation, and the National Center for Social Studies, are involved in the process of giving Egyptian workers in Libya permanent residence status. At the present time duly qualified committees are looking into the legal bases for the status of Egyptian families who will be living on Libyan territory. The text of the Permanent Residence Act in Libya gives Egyptian workers all the rights which Libyan citizens enjoy, with regard to education, health, housing, and land ownership.

[al-Husayni] Will Egyptian citizens who will become permanent residents of Libya acquire Libyan citizenship?

[Abd-al-Haqq] These matters are being considered now by technical committees. At any rate Egyptian law does not prohibit dual citizenship. This means that Egyptian citizens may keep their Egyptian citizenship after they become citizens of another country.

#### Our Unsuccessful Experience With Iraq

[al-Husayni] Your excellency, the experience that Egypt had in the past with Egyptians becoming permanent residents of Iraq turned out to be unsuccessful. Is there something new with Libya that made us consider going through this experience again?

[Abd-al-Haqq] The fact that Iraq is far away from us undoubtedly had something to do with it. In addition, the different nature of the Libyan people makes us hopeful about a favorable outcome. I believe that compared to our experience with Iraq in the sixties, the experience we will have with Egyptians becoming permanent residents of Libya will be successful. There are several reasons for that, most importantly, the common borders between Egypt and Libya, a fact which manifests itself in the customs and traditions which the Libyan people and the Egyptian people share and in the social ties and family ties which some Egyptian tribes, who reside in Marsa Matruh on [Egypt's side of] the border, have with some tribes who reside on [the Libyan side of] the border.

Furthermore, the deliberate study which is being carried out by different technical agencies in both countries holds out the promise of a favorable outcome. To date, executive measures have not been started. We are still studying this matter.

[al-Husayni] What did the Ministry of Labor do about the claims of Egyptians who were working in Libya in

1985? These people had their contracts unexpectedly terminated by Libyan authorities, and they were not given the money that was due to them. You stated that the crisis was over, but these people have not yet received satisfaction on their claims.

[Abd-al-Haqq] In 1985 approximately 3,000 Egyptian citizens did in fact come back from Libya unexpectedly. They returned en masse without getting the money that was due to them. The Ministry of Manpower compiled a list of all the money that was due to them at that time, and the Federation of Egyptian Workers filed a complaint with the International Labor Organization and requested payment of the money that was due to these workers. The complaint went through the organization's channels, and eventually it was time to present it to the organization's board of directors for its decision to award those Egyptians the funds that were due to them and to punish Libya for its failure to pay the Egyptians who were working in Libya the money that was due to them. At that time—this was last year—political relations between Egypt and Libya improved, and the Federation of Libyan Producers (Libya's Workers' Union) requested that the complaint be withdrawn because it was being settled amicably. A settlement was actually reached with the Libyans. When we compiled a list of all the money that was due to Egyptians, we found that approximately 3,000 Egyptian citizens had returned from Libya and that their total claims came to \$6 million. The Libyans remitted \$4 million of this sum, and the rest will be remitted as soon as possible. We can then close the books on the problem of these workers.

#### Where Are the Claims of Egyptians in Libya?

[al-Husayni] Why were the funds which were remitted by Libya deposited in the bank? Why haven't these funds been disbursed to those who are entitled to them?

[Abd-al-Haqq] When Libya remits \$2 million, the balance of the total amount which is due to Egyptians in Libya, the ministry will disburse those funds to the workers in accordance with the documents they will present. The ministry will do this so that all the sums which are due to all those from whom rightful payments had been withheld are paid back once and for all. That is why as soon as the balance is received, it will be deposited in an Egyptian bank, in Misr Bank to be specific, because that bank has many branches in all the governorates. When all the money is received, it will be converted to Egyptian currency and every citizen will be able to receive what is due to him without having to travel from the town where he lives. This will make matters easier for these people. The same thing was done with the grant which was sent by Kuwait.

[al-Husayni] Your excellency, one problem which many Egyptian workers in the country are suffering from now has to do with the fact that workers who are hired on a temporary basis have no insurance. This phenomenon,

unfortunately, is no longer limited to the private sector. It has been extended to the public sector and to the government.

[Abd-al-Haqq] The Ministry of Manpower issued a warrant barring anyone in the government or the public sector from hiring any graduate before the members of his class are hired. While some agencies obeyed this order, some did not. As far as we are concerned, however, we are trying to tighten the control on violators. The problem, however, is that some agencies hire an employee on the basis of a temporary contract until the time comes for his class to be hired. This means that back doors are being used to hire people at the expense of those classes of graduates whose turn has come to be hired. We are opposed to that.

[al-Husayni] Your assertion that new graduates are not to be hired in the government and the public sector unless the time has come for members of their class to be hired represents an obstacle to young people, particularly since getting hired through the Manpower Office could be delayed for many years.

[Abd-al-Haqq] As far as hiring graduates is concerned, graduates who are hired by the ministry at the present time are hired to fill real jobs in areas where there is a shortage. In some instances graduates of the class of 1990 have been hired. But in those fields where there is a glut of people who are not needed by the labor market, graduates may have to wait many years before they are hired, just as you mentioned. If any agency were allowed to hire any graduate regardless of the year in which he graduated, the principle of equal opportunity would be violated. Therefore, the Central Agency has issued instructions to government units and public sector units asking them to adhere to hiring no one but graduates of the class whose turn has come to be hired.

#### Unemployment Insurance in the Private Sector

[al-Husayni] What about workers in the private sector who are hired on a temporary basis and denied unemployment insurance?

[Abd-al-Haqq] The private sector has the right to hire graduates from any class. We set no conditions for the private sector except those found in the regulations for hiring workers in accordance with Law Number 137. We hope that the private sector can place as many graduates as possible because, as you know, the number of graduates during the past 10 years has doubled. Our reading of the data shows that at the present time the Office of Manpower places 40 percent of the graduates in jobs. This is a large number. Our reading of the data also shows that approximately 60 percent of the graduates find work in the domestic market, either in the private or in the investment sector. In addition, some of them also find work abroad. It is our hope that in the coming years this glut of graduates who wait for the Office of Manpower to place them in jobs will be 10 to 15 percent of all graduates.

[al-Husayni] But many of these people who are hired in private sector jobs lose all their rights and what they are entitled to because they are hired on the basis of temporary contracts and have no unemployment insurance.

[Abd-al-Haqq] Some private sector agencies are undoubtedly hiring graduates on the basis of temporary contracts for limited periods of time. This is an attempt on their part to avoid paying for insurance. I believe that people in the insurance industry are now working energetically in this area with labor bureaus to insure those workers.

[al-Husayni] If an employer fails to provide insurance for a worker who then proves that he was employed at that establishment, can that worker then claim from the Labor Bureau the benefits to which he is entitled?

[Abd-al-Haqq] If that worker was not insured by the employer, he will naturally not receive unemployment insurance. That is why we advise any citizen who is not insured and who is employed anywhere in the private sector to go to the Labor Bureau and to inform officials there that he is working on the basis of a permanent or a temporary contract and that he is not insured. Everyone who is employed anywhere is entitled to have insurance. Unfortunately, however, some employers shirk the responsibility of insuring their employees.

[al-Husayni] In most cases though workers dread going to the Labor Bureau to complain about the employer because they don't want to be fired from their jobs.

[Abd-al-Haqq] When officials of the Labor Bureau go to any establishment for inspection purposes, they do not tell officials in that establishment the name of the person who had gone to the bureau. There is more than one way for the Labor Bureau to ascertain whether or not workers in a given establishment have been insured. It is possible to check the payroll or the employer's journal, especially since such inspections are carried out by the Labor Bureau unexpectedly and without notice. In fact, the Labor Bureau will sometimes conduct inspections at night.

### The Problems of Temporary Workers

[al-Husayni] Given the state's disposition to have more young people hired by the private sector, don't you think that what we need now is to add new controls to the existing labor law so that we can do a better job of safeguarding the rights of workers who are employed in this sector?

[Abd-al-Haqq] The 1981 Law, Law Number 137, is undoubtedly a well-rounded law which requires no amendments or additions. We find no problems when this law is applied in large private sector institutions. In small, private sector establishments, however, where five or a smaller number of workers are employed, we always find problems. These workers who work there are not steady workers. What happens then is that the owners of these shops or stores try to benefit by hiring these

workers without providing them with insurance. Such employers are always thinking that a graduate will be working for them for one or more years until the time comes for him to be placed and hired along with members of his class.

Owners of large establishments, however, cannot do this. In other words, this problem is not found in a factory that has 100 or 200 workers, despite the fact that these large establishments can hire workers on the basis of temporary contracts, and the law allows them to do that. When a construction firm, for example, wins a contract bid to build a school or a hospital, that firm can hire 200 temporary workers during the period of construction, and it can then lay them off. There are seasonal workers who are hired to work during the cotton spinning or harvesting season, for example. However, in a firm where the nature of the work is continuous and steady, a worker who was hired on a temporary basis must have his status changed to a permanent worker after being employed as a temporary worker for a period of time. He must also be insured.

### Holding Two Jobs

[al-Husayni] There is also another negative phenomenon. Some private sector firms hire public sector workers with whom they have contracts, and they have them work on shifts for which they are paid right away. First of all, public sector workers who do that are considered to be holding two jobs. Furthermore, they are taking away employment opportunities from young people.

[Abd-al-Haqq] This is certainly a negative phenomenon, and the ministry is trying to put an end to it. A worker in this case is holding two jobs, and he is doing that at the expense of young graduates, but private sector employers are always trying to get experienced workers. At any rate, the ministry is trying to do what it can to remedy this situation. A firm that is caught doing something like that is cited immediately and fined.

[al-Husayni] What is done about a worker who holds two jobs at the same time? Isn't he penalized so that we can check the spread of this phenomenon?

[Abd-al-Haqq] Actually, a worker is not penalized because when we go to the ultimate employer, who is the government or the public sector, to find out whether or not that worker has a permit to do this additional work, we find ourselves facing two matters: either the worker did get a permit in advance from the ultimate employer, and he has the right to do that under the law, or he did not. In that case, the employer has the right to fire the worker.

[al-Husayni] A report published by one of the opposition newspapers stated that you declared that people who are not educated would not be allowed to travel abroad to work. And yet, most farm workers and most construction workers are not educated. How true is that news report, and what are your reasons for that?

[Abd-al-Haqq] There is absolutely no truth to that report. No such decree or statement was issued or made by me or any official in the ministry. We have many experienced technicians and craftsmen who are not educated, and no one can prevent them from traveling.

#### Joint Stock Companies To Make Arrangements for Workers To Travel

[al-Husayni] Your excellency, application of the 1981 Law, Law Number 119 regarding bureaus which make travel arrangements for workers who travel abroad to work, revealed the shortcomings of that law. How did the new law remedy these shortcomings?

[Abd-al-Haqq] The new law, Law Number 10, which deals with the placement of Egyptian workers abroad, determined the following ways to be the only ones that are to be followed when arrangements are being made for workers to travel abroad: Arrangements can be made through the Ministry of Manpower and Training, or arrangements can also be made through joint stock companies, partnerships limited by shares, and limited liability companies that specialize in placing Egyptian workers in jobs abroad. These companies must obtain a permit from the Ministry of Manpower authorizing them to become engaged in this activity, and they must pay fees before receiving that permit. These companies must be wholly owned by Egyptians, and the capital of each one of them must not be less than 100,000 pounds. Such a company must submit a letter of credit for 50,000 pounds issued by one of the banks, payable to the Ministry of Manpower. That letter of credit is to remain in effect for five years, throughout the period during which the permit is valid.

The aim of this law is to see to it that the firms which place Egyptian workers in jobs abroad are large firms which have resources and can therefore provide employment opportunities for these workers. The aim of the law is to guarantee that these companies are subject to the control of the Administration of Companies and the Ministry of Manpower which can ascertain that these companies are serious about the business of finding real work opportunities for workers. That is how we can put an end to brokers and middlemen who mislead people who wish to travel. People who wished to travel were misled in the past by some of the travel bureaus which did not adhere to the provisions of the law. The doors of approximately 90 of these bureaus which violated the law were shut down by the ministry.

[al-Husayni] Does this mean that there are no more bureaus making arrangements for workers who go abroad to work?

[Abd-al-Haqq] The law gave these bureaus a six-months grace period so they can settle their affairs. That period started on 27 April 1991, the date the law was published in AL-JARIDAH AL-RASMIYAH [The Official Gazette]. In accordance with the new law these bureaus are to change [their status] from private offices to joint

stock companies, to partnerships limited by shares, or, as I mentioned, to limited liability companies.

#### The Return of Egyptians to Kuwait

[al-Husayni] Is there an agreement with the government of Kuwait about the return to Kuwait of Egyptian workers who were employed there before the invasion, or is it only teachers who will be going back?

[Abd-al-Haqq] Egyptian workers engaged in all the fields of work are arriving daily in Kuwait. And yet, we are always rushing things. Normal life will return to Kuwait gradually, in due time. The cleaning up stage is over, and the stage of refurbishing and rebuilding has started. Government agencies in Kuwait, like the ministries of justice, culture, tourism, and education, have started asking for the return of Egyptian workers. Demand for Egyptian workers in the private sector will follow, but the private sector's need for workers will not become clear until conditions become quite stable.

We cannot find out anything now about the return of all Egyptian workers who were working in Kuwait before the invasion. That will depend on the employer. Will that employer be back in business, and will he need those workers or not? I do believe, nevertheless, that most of the workers who were in Kuwait will go back. In fact, demand for Egyptian workers will be greater.

[al-Husayni] What about the claims of Egyptian workers who were working in Kuwait at the time of the crisis? What about the money that is due to them? The Kuwaiti government promised that these funds will be paid back. When and how will that happen?

[Abd-al-Haqq] In the course of our contacts with the Kuwaiti government we received assurances from officials in Kuwait about Egyptians' claims there and about the money that is due to them. Disbursement of funds due to Egyptian workers from bank accounts and savings accounts has in fact been started by the state of Kuwait. The disbursements are made by Egyptian banks which contact the Central Bank of Kuwait with a request that funds be remitted to those people who are entitled to them in Egypt. The number of Egyptian workers who came back to Egypt from Kuwait during the crisis was approximately 179,500 citizens, and their total claims on the Kuwaiti government are 15.743 billion pounds. This figure comes from data collection forms which were completed by the ministry. People who have claims on these funds have actually started receiving payments.

[al-Husayni] How much money has been disbursed by the Kuwaiti government so far?

[Abd-al-Haqq] We cannot determine that figure now because these funds are remitted and are disbursed after the Egyptians themselves make personal contact with Egyptian banks. The ministry is staying in touch with Egyptian national banks so it can track and follow this matter and find out how much money has been remitted so far.

### The International Labor Organization

[al-Husayni] What has been done about Egyptians' claims on Iraq? We know that the Ministry of Labor filed a complaint with the International Labor Organization. What has been done so far about that?

[Abd-al-Haqq] Egypt filed a complaint with the International Labor Office demanding payment of the funds which are due to Egyptian workers, approximately 232,271 citizens, who left Iraq during the Kuwait crisis. These claims include \$260 million in bank accounts; approximately \$682.9 million in uncovered warrants of payment that are valid till 6 September 1990; \$720 million in savings accounts which, to date, have not been transferred; and \$2.362 billion in material losses. These data come from the data collection forms which were compiled by the ministry from people who came back from Iraq and who submitted documents to corroborate those claims. This statement which was filed with the International Labor Organization does not include severance pay for these workers, nor does it include the compensation that would be due to the heirs of workers who died in Iraq and whose death was not due to natural causes.

[al-Husayni] What measures have been taken so far to restore to these people the funds which they are entitled to?

[Abd-al-Haqq] The Security Council issued a resolution granting the request of the director of the International Labor Organization to establish a fund that would compensate workers and countries which were adversely affected by the Iraqi aggression against Kuwait. A committee is to be formed at the organization's headquarters in Geneva to see to it that workers' wages are paid on a priority basis from the payments which Iraq has to make for the damage it caused. Iraq will have to pay 30 percent of its total revenues from oil sales. That International Labor Organization committee has started meeting to lay down the rules for disbursing these damages.

Egypt is not the only country that is involved in this matter. All the workers who were employed in Iraq or Kuwait, and they represent people from over 100 nationalities, are involved in this. The problem will be settled on that basis.

[al-Husayni] How many Egyptians were adversely affected in that manner by Iraq?

[Abd-al-Haqq] Approximately 430,000 Egyptian citizens.

[al-Husayni] Which class of graduates has now moved to the top of the list for job placement by the Manpower Office?

[Abd-al-Haqq] Members of the class of 1990 who majored in some areas for which demand in the domestic market does exist are now being placed in jobs. At the present time, for example, all the graduates of al-Azhar University, the class of 1990, and the 1990

graduates of the Institute for Social Service are being placed in jobs. The 1990 graduates of the Legal Department and the Irrigation and Drainage [as published] Department at the Institute for Secretarial Work as well as 1990 graduates of all the foreign language departments at the universities are also being placed. In general, students who graduate with these majors graduate in June and are appointed by September.

That is why we are advising young people, now that the results of the secondary school examination are about to be announced, to choose the fields they wish to study from the colleges whose graduates are needed by the labor market: the colleges of education, for example; language departments at the universities; and the intermediate institutes for social service. It is only now, for example, that we will start placing people who earned their Bachelor's degree in social service in 1984, whereas those who earned a diploma in social service when they graduated in 1990 from the intermediate institute have actually been placed in jobs already. Graduates of al-Azhar University are also in demand. They are hired to fill vacant teaching positions in the institutes of al-Azhar and in the ministries of education and Awqaf. Graduates of the colleges of fine arts and applied arts are also in demand.

### Ministry Allots 45 Million Pounds for Health Care

91AA0561B London AL-SHARQ AL-AWSAT in Arabic  
20 Jul 91 p 10

[Article: "45 Million Pounds To Develop Public Hospitals in Egypt"]

[Text] Egypt's Ministry of Health has authorized the use of 45 million Egyptian pounds for renovating and refurbishing hospitals and health centers in the governorates. The renovation and refurbishing plan, which is to be implemented this year, covers completing renovations at 52 public and central hospitals in the governorates at a cost of 25.5 million pounds. The plan provides four million pounds to complete the construction of 20 health centers in 12 governorates, to furnish these centers, and to start construction on seven new health centers in six other governorates.

The Ministry of Health's plan for fiscal year 1991-1992 includes five million pounds which are earmarked to complete renovating and refurbishing 31 health services facilities in 13 governorates. These facilities are to be turned into rural hospitals. The plan also includes starting renovations at nine other health services facilities in six governorates; renovating and refurbishing health offices in the Alexandria, Port Said, Ismailia, Suez, and Red Sea areas; strengthening two dentistry research centers in Cairo and Alexandria; and upgrading laboratories at technical health institutes and at secondary nursing schools. In addition, courses taught at these institutes and nursing schools are to be upgraded in accordance with the latest developments in medicine.

### Markets Face Critical Shortages of Medicine

91AA0575C London AL-SHARQ AL-AWSAT in Arabic  
28 Jul 91 p 10

[Report from Cairo: "Expensive Foreign Exchange Cause Shortages of Medicine in Egyptian Markets"]

[Text] Egyptian markets currently suffer shortages of pharmaceuticals and medicine for such chronic conditions as heart and liver diseases, diabetes, asthma, and stroke. Baby formulas are almost extinct from Egyptian markets, since most are imported with foreign exchange which is not available at a reasonable cost.

A report by the Chamber of Commerce in Cairo said that prices of Egyptian medicine rose an average of 20 percent over the latter part of last year.

The report also mentioned that the price of medicine used for the treatment of heart conditions shot up between 10 and 30 percent. Prices of asthma medications also rose by 18 percent.

The report added that baby formula prices rose by 67 to 114 percent because of escalating import and foreign exchange costs.

Prices of medicine for the treatment of diabetes rose by 14 to 27 percent. However, prices remained stable for most analgesics used for stomachaches and pains, with the exception of hydrogen [as published], whose prices rose by 25 percent.

### New Public Sector Law Explained

#### Industry Minister Outlines Law

91AA0519A Cairo AKHIR SA'AH in Arabic  
3 Jul 91 pp 8-9,11

[Interview with Egyptian Minister of Industry Engineer Muhammad 'Abd-al-Wahhab by Suhayr al-Husayni: "Business Sector Law To Strengthen, Not Liquidate, Public Sector; Government Monitors Prices, Will Not Interfere in Pricing Policy for Products; Law Nullifies Government's Authority to Intervene in Companies' Business; After Transferring 117 Companies to Business Sector, What's Ministry of Industry's Job?," place and date not given]

[Excerpts] [passage omitted] [Al-Husayni] Is the new business sector law an alternative term for the public sector law?

['Abd-al-Wahhab] Yes.

[Al-Husayni] Are holding companies another term for public sector organizations?

['Abd-al-Wahhab] Yes, holding companies are a new form of organization, which will replace the public sector's system of organizations. That does not mean that the process is merely a change of names, as some are

saying. [passage omitted] While the public sector organizations do not have separate capital, they supervise companies, have sections in the budget, and follow the validations of the state's general budget. They do not have a general meeting.

[Al-Husayni] The new public sector system, is it the system currently being used in European countries that own public sector companies, such as Germany and England?

['Abd-al-Wahhab] This system is used basically in Italy. In general, the Italian system is the closest to the Egyptian system, although the Italian system is used with two kinds of holding companies. One type is called major holding companies. These large companies are subordinate to a group of other holding companies. But in Egypt there is no need for this. The business sector law is applicable to 27 to 28 holding companies, which have 280 subordinate companies. One should note that this number of companies is susceptible to increase or decrease when application begins.

#### Twenty-Eight Holding Companies

[Al-Husayni] What is the basis for determining holding companies? Have they been divided on a specific basis, that is, according to type of activity in each company, or on an integrated basis, between companies' activities?

['Abd-al-Wahhab] The second article of the law stipulates that the holding companies replace public sector organizations subject to provisions of Law No. 97. Moreover, the subordinate companies replace the companies that these public sector organizations supervised. This is as from the date the law becomes effective, without the need for any other action. Later, it will be possible to make internal changes, to merge one company with another, or divide a company into two companies. This will become clear when the law is applied.

[Al-Husayni] However, there are more than 27 public sector organizations in Egypt.

['Abd-al-Wahhab] Every public sector organization will not be converted into the business sector. There are 27 or 28 organizations that will be subject to the new law. There are organizations that have special laws, such as supply organizations, oil, and war production companies.

As regards whether the division will be specific or integrated, the law has not defined that. This will be done at a later stage. The law has set a period of three months to issue the implementing regulation, and then six months to issue regulations pertaining to the holding and subordinate companies. They will be completely revised from Laws 97 and 48 pertaining to workers in the public sector. Each company will be under the regulations pertaining to it—regulations on salaries and the employment structure, as well as financial regulations, etc.

### Status of Deficit Companies

[Al-Husayni] What is the position of the new law vis-a-vis deficit companies? Will they be sold or reformed before being attached to the holding company?

[Abd-al-Wahhab] Current companies will be transferred as is. They will be corrected or reformed later, or rather, it will be the holding company's first object of concern to reform or financially restructure the companies subordinate to it.

[Al-Husayni] Some blame the new business sector law for not dealing with defects in financial structures and for not lifting the burden of indebtedness from private sector companies, which will increase the material burden on holding companies.

[Abd-al-Wahhab] Indeed, this represents a burden on holding companies, but I think that the law, with its existing details, makes it clear that the holding companies will have freedom of action in correcting financial structures, because the government cannot reform these financial structures.

[Al-Husayni] Why?

[Abd-al-Wahhab] Reforming the companies' financial structures means paying the amounts that these companies need. The government can only get these amounts by loans and debt and, thereby, increase the budget deficit. Should we look for more budget deficit? Therefore, this law has given holding companies the right to issue bonds or shares, or to sell part of the company to take care of the deficit. This is the logic of the business sector.

[Al-Husayni] Does the holding company have the authority to sell or liquidate subordinate companies?

[Abd-al-Wahhab] The law stipulates that whenever there is a company whose losses represent a large percentage of its capital, it must be liquidated. Indeed, Law 97 stipulates that as well.

[Al-Husayni] Doesn't the law regulate holding companies' processes of selling or liquidating companies, in terms of prices and the percentage of companies permitted to be sold, so that these holding companies cannot go too far in liquidating the public sector?

[Abd-al-Wahhab] The law does not define this. However, the cabinet will formulate guidance in its decision on the state's economic condition. The higher economic benefit will tell, for instance, if it is in our interests to sell a company. By the profit from this sale, can we ameliorate the conditions of a number of other companies, or not? When it is determined to sell at any price, we will sell. [passage omitted]

### Return of the Stock Exchange, Stimulating the Money Market

[Al-Husayni] What is your view concerning the statement that the application of the new business sector law is privatizing public sector projects?

[Abd-al-Wahhab] As the prime minister declared in the People's Assembly, this law is not a privatization law. When we want to enact a privatization law, it will have a form different from this law. However, this law gives companies freedom to act within the money market in Egypt. This means that if a company wants to increase its capital, it can declare that stock is available to the private sector, or the holding company could sell part of a subordinate company to strengthen activities in another company. This would be a sale to strengthen, not to liquidate the public sector. There is a difference between freedom to sell—for companies to take action to safeguard their portfolios with a goal of total growth for these companies—and contracting or decreasing the size of the public sector. This means that the holding company has the goal of changing from a rigid system supervising an organization to a company able to take the initiative with regard to shares, reserves, and property rights of subordinate companies, initiating an economy dictated by the business sector. For example, if the holding company finds that there is a strong subordinate company with large reserves, it would be very possible to take a part of those reserves for the purpose of reforming another company whose economic condition was deteriorating, so long as funds used like this yield a larger profit. This is an economic decision, and the holding company has the freedom to deal in the money market. The law stipulates that companies subject to this new law be registered on the financial stock exchange. We have a big role to play in stimulating this stock exchange, and in stimulating the securities market. This is Egypt's hope. [passage omitted]

### Where Is the Role of the Industry Minister?

[Al-Husayni] After application of the new business sector law, will industrial companies continue to be subject to Ministry of Industry control?

[Abd-al-Wahhab] The goal of the new business sector law is to get rid of administrative subordination. This means separating the ministries from the companies. When you read the law, you will find that the minister concerned with the public sector cannot interfere at all in the business of the subordinate companies. The concerned minister will have the right to supervise the holding companies only. It is supervision aimed at directing general policy; it is not intervention by the minister in the company's daily operations.

[Al-Husayni] When 117 industrial companies are shifted from the Ministry of Industry to the supervision of the public sector minister, what will the minister of industry's role be after that, in light of this new system?

[Abd-al-Wahhab] The minister of industry has a role in all industrial companies, both public and private sector. He exercises this role through the governing apparatus in the Ministry, in addition to encouraging investors to invest in the industrial field and solving their problems. He also monitors industrial exports and their growth, and follows up on Egyptian industry abroad, the level of technology in Egypt, and the extent of world technological progress. In other words, he formulates industrial policy. This is the basic role of the minister of industry. [passage omitted]

[Al-Husayni] Does this mean that the Ministry of Industry will concentrate the largest percentage of its dealings on the private sector?

[Abd-al-Wahhab] With the application of the new law, we will begin to concentrate on industrial development processes in the public and private sectors equally. [passage omitted]

#### Five Pricing Categories

[Al-Husayni] With regard to pricing policies, will they be subject to market elements, or will they be set by the Policy Committee, as is done now?

[Abd-al-Wahhab] There is no role for the Policy Committee in pricing. This was announced in the government's program. With regard to industrial goods—which is what I can discuss now—they have been divided into categories. There are five categories, or lists. The first, second, and third have been completely freed, and will be subject to market mechanisms to set their prices. The remaining fourth and fifth lists are goods that are either a monopoly, or goods with components manufactured of raw materials or other requirements that have large state subsidies. Consequently, it would be illogical for us to allow the company to set the price; so long as the goods are getting a governmental subsidy, we must control them.

[Al-Husayni] Is it possible to give us an example of goods that will continue to be subsidized by the state?

[Abd-al-Wahhab] As an example, aluminum and thread. Spinning companies obtain cotton cheaper than at world prices. Would it be acceptable, then, to put thread for sale in the domestic market at the world price? This is illogical; so long as it is obtained from the government by subsidy, its price must be controlled. In this case, price control is not for the purpose of detrimental pricing, but rather, for the purpose of ensuring the price is economically sound. This is only applied to the fourth and fifth categories.

[Al-Husayni] Do basic and heavy industries belong to the fourth and fifth categories?

[Abd-al-Wahhab] Certainly, the basis of these categories are basic industries, such as spinning, but not weaving. Aluminum will also be controlled, as well as cement. Cement still gets a large subsidy due to the petroleum

materials that are used, such as gas. Nevertheless, even this is a temporary program. Within three years, all categories and all prices will be freed. [passage omitted]

We will work through the holding companies to separate ownership from intervention in the company's daily operations. The government owns 100 percent of the holding company, and the law does not allow any non-governmental person to have shares in these companies, because the function of the holding company is to administer the government-owned securities portfolios. Therefore, these companies are government property. However, economic logic will govern them, along with managing the work. The holding company will also be considered a buffer between the governmental, with its government agencies, and the subordinate companies. This means that the holding company is 100 percent public money, but is operated by the logic of the business sector. This is the innovation in the new law.

The holding company's general assembly is at the top of the formation, then comes a board of directors for the subordinate companies. Since the summit of this organization is the general assembly of the holding companies, which is chaired by the business sector minister, this is the sole link between the government and its agencies, and all of this organization.

#### Government's Authority Over the Companies Abolished

[Al-Husayni] How does the minister, representing the government, intervene in holding company affairs? Is he the one who replaces and appoints the chairmen of the companies' boards of directors?

[Abd-al-Wahhab] The minister might be able to change the chairman of the board of a holding company if he differed with him, but in this case, the minister would be heedless of the new role with which he has been charged. Nevertheless, the minister can only replace the head of a holding company under the oversight of the general assembly.

[Al-Husayni] Since the minister chairs the general assembly, wouldn't he therefore have the power to replace the chairman of the board?

[Abd-al-Wahhab] For that reason, we will put experts in as members of holding companies' general assemblies. They will not be employees of these companies. This is a guarantee in itself, and is the reverse of the general assembly in the old law, which was composed of two experts with a group of employees who were either company heads or officials who worked in other ministries. All of them sat in the general assembly, waiting to hear what the minister will say, so that they can agree with him. Under the new law, there will not be a single representative from any government agency in the general assembly. All of them—14 in number—will be experts. These experts are independent businessmen. The minister cannot influence all of them! All these regulations are to prevent government interference in the operation of the companies. [passage omitted]

[Al-Husayni] Therefore, the minister will follow the affairs of subordinate companies through reports submitted to him through the holding companies. This is a vast responsibility, especially when these companies number some 280.

[Abd-al-Wahhab] Through the system of integrated management, called the M.I.S. system, the minister will be able to follow all the companies easily. He will not interfere in daily operations; this large number of companies will not give him an opportunity to intervene. This is the objective. However, under the present system, we find that one minister has 117 companies, while another minister has 20 companies. In addition, the minister can use these companies to execute his policies, which might not always be in the company's best interests. This is contrary to the company's economic goal and runs counter to the state's higher economic interests.

After application of the new law, we will be working hard for the companies' economic interests. They will be considered sacred; no one will be able to interfere in its business or its policies. These companies will be managed totally through holding companies, governed by free market mechanisms. Competition is basic. We cannot apply a system of market mechanisms based on competition unless the rules of competition are uniform for everyone, whether public, private, or investment sectors. Accordingly, the principle has begun to gradually incorporate some of these laws with others.

[Al-Husayni] Is there a possibility of appointing more than one minister for the public sector?

[Abd-al-Wahhab] The law does not specify that. The power to appoint ministers—either one or more, and define their jurisdictions—solely belongs to the president of the republic.

#### The Law and the People's Assembly

[Al-Husayni] The new law has given holding companies the right to appoint chairmen of the boards for subordinate companies. However, if this company is operating under a successful chairman at the time of transfer, will the holding company have the right to replace him?

[Abd-al-Wahhab] Certainly. The holding company has the power to appoint the board of directors of subordinate companies. Nevertheless, I think that it would be logical that there should be justifications for any appointment. Whenever there is a successful chairman of the board, and his company is successful, then anyone who tried to replace him would be lacking in judgment and the ability to make sound decisions.

[Al-Husayni] Is there the possibility that the current chiefs of public sector organizations could be appointed as chairmen of the boards of holding companies?

[Abd-al-Wahhab] The possibility is certainly likely, especially if the current organization chief has been

successful in his position, and has shown previous competence in his work. [passage omitted]

#### Former Minister Weighs Pros, Cons

91AA0519B Cairo AKHIR SA'AH in Arabic  
3 Jul 91 p 10

[Article by Diya' 'Abd-al-Hamid: How Will the New Business Sector Succeed; Economic Experts Emphasize That Problem is Implementing Law"]

[Excerpts] [passage omitted]

#### Law's Many Advantages

Tawfiq 'Abdu Isma'il, former minister of tourism, says that the goals of the new business sector law become clear in its details. [passage omitted]

Ministerial jurisdictions, which are concerned with economic activity, have been separated from the business of these units. As an example, we find that the Ministry of Industry supervises considerable activities concerned with all industrial facilities. At the same time, it supervises public sector units. This is unsound, because the governing authorities' decisions and the public sector's view could be against the other private and investment sectors' interests.

Every unit has been given the right to make its own regulations, most especially workers' regulations. Undoubtedly, this was extremely unfortunate before. It is impossible to treat workers in a company like iron and steel the same as workers in hotels, for example, inasmuch as there is considerable difference in the nature, hours, and methods of work.

The law also stipulates that appointments of members of the board of directors be for three years only. The term may be renewed after that if they have been successful in managing the company. Consequently, those directors will try to prove their ability with regard to successful operation.

The fourth advantage is liberating management, especially in controlling agencies and agencies in contact with companies, particularly since investigations in public sector units were done by a number of workers inside the unit, and for those performing a specific function through the administrative prosecutor. Accountability is by disciplinary trials in the Council of State. Employees in the legal department of the company are not subject to the company's system, nor to the applicable system of employment. They are an investigatory agency subordinate to the Ministry of Justice, with the rights of other regulatory agencies to write reports and request statements from the company. This is a matter that will completely cease in the new law.

#### Liberating Management, Market Economy

Concerning negative aspects and gaps that must be rectified in this law, Tawfiq Isma'il's opinion is that the

most important problem to be faced when applying the law is that we have liberated management but we have not given it the tools that must be provided to work in a market economy. The most important of these tools are:

"1. The financial structure. The People's Assembly approved a previous recommendation to use the Finance Ministry's balance of installment funds and interest on cancelled loans, which have been transferred to the Ministry's account with the Central Bank to rectify the financial structure of these units before exposing them to competition. I don't believe that their exposure to the market in the present circumstances will be successful in creating this reform.

"2. It is necessary to repay the government's debts to public sector units which, for example, in the contractor sector alone, amount to more than 2 billion Egyptian pounds.

"3. A very serious point is that the public sector in Egypt is being divided into two parts: Public sector companies, which will be subject to the new law, and public economic organizations. Unfortunately, these organizations are draining off the largest portion of public investment, and they earn hardly any profit, with the exception of the Suez Canal Company and oil. The majority of these organizations achieve an annual deficit of hundreds of millions. Examples are the railroad and commodity supply organizations. It would be better to apply the law to these organizations from the start, and not in the future, as is stipulated in Article 9 in the law, as issued.

4. The law, as issued, includes the transfer of current workers in public sector organizations, and their companies, to holding companies and subordinate companies. It would be better to create a nucleus for each unit that would be responsible for creating its management from among workers in public sector organizations, because, if the present law is applied, it would mean only changing the name plates with the titles of public sector organizations to the holding companies. It would mean that workers and directors in the organization will interfere in systems and regulations and, consequently, will gain jurisdictions and powers that would be totally outside the idea and goal behind this new system.

"5. There is a point that I called for in 1983, when Law Number 97 was promulgated, and that I still propose in 1991. I propose that the public sector companies not be converted into holding companies, in the sense that they not be a minimum of 51 percent owned [as published], but that they be public investment companies, because the holding company that owns a majority cannot refrain from intervening in management." [passage omitted]

**Professor Says Loans Poorly Used, Mismanaged**  
91AA0549A Cairo AL-AHRAM AL-IQTISADI in Arabic  
24 Jun 91 pp 8-11

[Article by 'Isam Raf'at]

[Text] Egypt has miraculously escaped from the debt trap. We have concluded an agreement with the IMF,

gone to the Paris Club, and had half our debts cancelled for three years and the rest rescheduled over 30 years. However, we must continue to dwell on a serious question: What can we do to prevent another debt disaster from occurring?

The answer to this question is contained in a book published by AL-AHRAM AL-IQTISADI in early November 1989 entitled *Egypt's Debts and the Debts of the World*, by Dr. Muhammad Mahrus Isma'il, the chairman of the economics department at the Alexandria Business College. We will review pages 26 and 32 of this book to become familiar with the conditions that must be met if we are to avoid falling into this trap again.

In his book, Dr. Mahrus states:

"Most of the foreign debt problems in Egypt are attributed to internal factors, i.e., factors that concern all of us—individuals, government officials, and officials of the private and public sectors. We shall enumerate these factors in a somewhat condensed manner as follows:

1. The rapid increase in the population. The population increased from 35.4 million in 1973 to about 52 million in 1986, which is an annual increase of 2.8 percent. Officials of the National Population Agency (based themselves on the last census, which was conducted in 1986) emphasize that the population growth rate is increasing. We will not dwell at length on this point, being content with the reader's familiarity with the disadvantages of the population increase, especially in a country with so few resources—agricultural land in particular, which is in extremely short supply in Egypt—where we inhabit only 4 percent of the country's total area.

2. The drop in the national savings rate. Statistics indicate that the total savings rate fluctuated between 14 percent of GDP in 1965 and 16 percent of GDP in 1985. In other words, over 20 years, the national private and public savings rate increased slightly, despite the high average individual income, especially during the economic opening period in 1975-1985.

According to Keynesian analysis (and the Keynesian consumption function), the savings rate begins to increase whenever income moves upward, but not as the result of an increase in foreign borrowing to offset a drop in the domestic savings rate. It would perhaps be useful if we gave some figures regarding the savings rate in several developing countries which have achieved modern economic revivals, such as Korea and Singapore. In 1985, the total savings rate as a percentage of GDP was 31 percent in Korea and 42 percent in Singapore.

3. A drop in the proceeds of exports and an increase in the value of imports. This leads to a large deficit in the trade balance. Payments for expected imports totalled about 6.4 billion Egyptian pounds in 1982-1983,

whereas the proceeds of exports totalled 2.7 billion Egyptian pounds, resulting in a deficit of 3.7 billion Egyptian pounds. In 1986-1987, payments for imports totalled 8 billion Egyptian pounds, whereas the proceeds of exports had dropped to only 2 billion Egyptian pounds, resulting in a trade balance deficit of 6 billion Egyptian pounds. It is worth mentioning that our exports are based primarily on oil exports, followed by raw cotton. The great extent of this reliance leads one to ask: Where are investments in industry? Are they all being channeled to the domestic market? Are they based entirely on the importation of machinery, raw materials, spare parts, and foreign expertise? If that is the case, is that the correct way for matters to proceed in our country? How long will this situation continue as we prepare to enter the 21st century?

4. The large increase in civilian and defense spending, far in greatly of our capabilities and resources. This appears clearly in the large deficit in the general state budget. Experts, chief among them the late professor Dr. 'Abd-al-Mun'im al-Qaysuni, have stated that the apparent deficit in the general state budget is much smaller than the actual or real deficit. In other words, the loans which the state is able to arrange during the budget drafting process, whether from domestic or foreign sources, are included as budget sources, which has the effect of limiting the visible budget deficit to the sums that will be covered during the budget implementation period by loans in domestic currency from the banking system or foreign currency from foreign sources. The great expansion in spending is leading without doubt to a great expansion in domestic and foreign borrowing, at a time when we do not have sufficient economic resources to repay these obligations in the future.

5. The misuse of foreign loans. This is manifested by:

a. The use of foreign loans for consumer purposes, i.e., to finance the purchase of food and other consumer goods. Perhaps a brief glance at the development of our food imports, especially wheat and flour, proves our argument, inasmuch as we now depend on imports for 80 percent of our wheat and flour needs. In addition, we now import at least 60 percent of our food needs in general, and we are financing all or most of our purchases through foreign loans. It is especially dangerous to continue this trend, because it will reduce our incentive to introduce revolutionary changes to Egyptian agriculture.

b. The use of foreign loans to offset the drop in the domestic savings rate, instead of using foreign loans to increase the rate of national investment. In other words, because the national savings rate did not increase during the decade of the economic opening (when incomes increased significantly), foreign loans now help, indirectly, to increase domestic consumption.

It is worth mentioning that developing countries that experience debt-servicing difficulties also suffer from this phenomenon. Therefore, when foreign loans petered

out following the world debt crisis in 1982, the investment rate in these countries began to drop.

c. A decline in the adequacy of new investments. The adequacy of a new investment is usually expressed by a ratio designated the production/capital ratio, which increases or stays the same. We note that countries that face debt-servicing difficulties, including Egypt, typically have a low production/capital ratio compared to countries that borrow from abroad but do not have debt-servicing problems because of the high adequacy of new investments made in them. A manifestation of the low adequacy of new investments in Egypt is the fact that most new projects in Egypt, both public and private, are exposed to losses, such as the al-'Amiriyah projects for spun thread and textiles, the National Iron and Steel Company of Alexandria, the Schweppes Company, and the Suez Cement Company, and there are many other such companies. If new projects are experiencing losses and production stoppages, simple people ask: What is the solution? Why take out foreign loans or even establish these projects. As long as they cannot service their debts, how can these new projects provide net added value to the national economy?

d. The use of a significant portion of the capital that entered Egypt during the economic opening period to finance the following activities:

1. The purchase of capital assets abroad, including real estate and shares in industrial and commercial companies.

2. The smuggling of capital abroad for different political and other reasons.

3. The use of a large amount of foreign capital to finance the drug trade and other illegal activities. This factor was behind the dollar's high rate from time to time.

4. Very little or no use was made of foreign loans to support export industries, as indicated by the fact that Egyptian exports continued to be based largely on oil, while the exportation of manufactured goods remained extremely limited and did not increase unit after 1985-1986, and then only slightly, after the drop in revenues from oil exports, when the state began to put its weight behind the promotion of manufactured and agricultural products for export. If foreign loans had been partially directed toward encouraging industrial exports during the decade of the economic opening, the picture would be completely different now. At the very least, each new project would be responsible for servicing its foreign debts, which would lighten the burden now weighing on the state.

5. A substantial portion of Egypt's foreign debts stemming from soft loans provided by governments, especially the U.S. Government, are surrounded by numerous negative aspects, which reduce their effectiveness, including the following:

a. A significant portion of the value of these loans is returned to the country providing the loan (especially the United States) in the form of costly feasibility studies and fees for the services of experts. The cost of feasibility studies and the salaries of American experts regarding the sewerage project in Alexandria totalled about \$90 million. It is worth mentioning that the government that provides the loan determines these figures, which are usually excessive compared to the costs of studies for which Egypt's oil sector, for example, arranges funding and conducts negotiations, inasmuch as this is done through negotiations with offices that specialize in providing international expertise, which results in a good study at a reasonable price. However, there is a perception that studies done in connection with projects funded by soft loans are part of the loan. The government providing the loan usually overestimates the costs of the study, and the Egyptian Government, which receives the loan, underestimates. It would be very possible to conduct negotiations with American or other officials in an attempt to curtail research expenditures. However, governmental officials and Egyptian experts are not attempting to do so, because they are afraid of losing their positions and the direct benefits, including frequent foreign abroad, which they derive from these studies.

b. Another portion of the loans comes in the form of agricultural and other equipment and machinery unsuited to the nature of our country. We frequently see this machinery broken down and cast into warehouses here and there, indicating a lack of seriousness on the part of the loan providers and carelessness on the part of Egyptian Government officials.

c. The United States and other countries that grant soft loans are determined to use their own means of transportation (ships and other means) to transport the goods financed by soft loans which they provide. It should be noted that the cost of shipping on American ships is the highest in the world.

Finally, it has been proven that two thirds of every American aid dollar granted to Egypt returns to the United States.

However, the value of the entire loan is credited to Egypt, even if Egypt actually benefits from only one third of it. We cannot blame the other side (America or others) alone. Rather, we bear a significant measure of the responsibility for this neglect and indifference.

The result is that the benefit derived from official loans is much less than the benefit that had been hoped for. Consequently, it is necessary to amend the comparison between "unrestricted" commercial loans and "restricted" official soft loans, inasmuch as a party that provides a commercial loan frequently desires the good use of that loan, because of its high cost, and the results are indeed good in many cases. This stands in sharp contrast to soft loans, which also entail an enormous political price which the debtor state must pay.

d. Excessiveness and rashness in taking out foreign loans. These loans are frequently in excess of our current needs and are taken out at inappropriate times. This is indicated by the fact that a long period elapses before a loan taken out with a specific country or bank, even the World Bank, is drawn down fully or partially. Also, the mere signing a loan contract entails the payment of a commission of about 50 percent of the value of the loan, which is paid from the portion of the loan that is not drawn.

For example, in 1987, Egypt took out a loan for \$100 million with the African Development Bank. This loan has not been drawn down to date. However, each year, we pay, unnecessarily, loan costs of \$.5 million in foreign currency. Examples of this type are many. If they indicate anything, it is the anarchy that prevails in foreign borrowing.

6. Economic mismanagement. Manifestations of economic mismanagement are, briefly, as follows:

a. A major expansion of public and private spending due to erroneous, expansionary monetary and fiscal policies.

b. Erroneous pricing policies, i.e., the prices of many goods produced by public-sector companies are set at less than the economic cost of these goods, which exposes public-sector companies to losses. For example, agricultural commodities are priced much lower than similar commodities in the free market, which reduces the farmer's incentive to plant these crops.

c. Erroneous interest rate policies. For example, the interest rate on savings is much less than the inflation rate prevalent in the national economy. If the average interest rate is about 11 percent annually, and the official inflation rate is 25 percent, the real interest rate equals 14 percent. This of course weakens the incentive to save and moreover encourages increased consumption.

d. Erroneous exchange rate policies, i.e., the exchange rate of the currency is valued at higher than its true value. The Egyptian Government has made great strides recently to correct this imbalance.

e. The imposition of severe restrictions on foreign trade. These restrictions weaken the incentive to improve the quality of domestic products and affect exports adversely.

f. Public sector problems. These are many and well-known.

7. Mismanagement of the foreign debt:

This has many aspects, as follows:

a. The large increase in public-sector borrowing due to the continuous increase in the deficit in the general state budget. Frequently the loans taken out for this purpose have exceeded actual needs.

b. The inability of public sector or private sector authorities to monitor and record foreign loans, which has resulted in a loss of control over borrowing policy. We have found that high-cost commercial loans are frequently used instead of full use being made of loans from official sources, whose terms are usually softer. Also, the lack of coordination sometimes results in a rush by several state agencies, under the pressure of the public's need for vital, strategic goods (such as food and medicine), to take out short-term, high-cost loans, instead of turning to long-term or soft loans.

c. The lack of supervision over loans taken out by the private sector has led to an expansion to this sector's reliance on short-term, high-cost loans. The accumulation of these debts has made servicing them extremely difficult.

d. The multiplicity of agencies that borrow has made it difficult to determine the total volume of loans. This became patently clear during the rescheduling negotiations, when the loan figures of debtor states (such as Egypt) turned out to differ considerably from the creditor states' debt figures. A lack of centralization on the part of the borrowing party results in many loans being taken out with governmental agencies and international financial organizations, with some of them not being used at all or only partially. At the same time, we find different governmental agencies taking out new loans. This indicates a lack of awareness among many developing countries of the dangers posed by the accumulation of foreign debts.

e. The lack of an adequate central agency to negotiate loans, and the fact that every ministry and public organization engages in negotiations itself. In many cases, this leads to a failure to obtain the best terms regarding interest rates, the loan period, the forgiveness period, and different loan expenses.

f. Given the absence of a centralized agency responsible for foreign loans leads, there is also an absence of an appropriate timetable for the repayment of loan installments. Thus, the central bank or the Finance Ministry are themselves unable to handle requests for loan installment or interest payments. This compels them to contract loans quickly, perhaps from costly financial markets, to repay loan installments in arrears. The Central Bank of Egypt has faced many similar cases.

A centralized agency in charge of borrowing, such as the central bank or the International Cooperation Ministry, supported by elements from the ministry benefitting from the loan, would be a strong link between the borrowing process and the loan servicing process, resulting in the establishment of control over new borrowing processes and the obtainment of the best terms."

Thus conclude remarks published in a book in 1989. Have we learned our lesson!?

### Factors Impeding Exports Reported

91AA0612A London AL-SHARQ AL-AWSAT in Arabic  
23 Aug 91 p 10

[Article by Sahar Hamdi: "Exports to Arab Countries a Mere 6 Percent"]

[Text] Despite numerous economic decisions in Egypt recently aimed at reforming the economy and solving investment, import and export problems, the volume of Egyptian exports is still down against imports. Commodity and service exports, for example, were worth nearly \$9 billion in 1990, while commodity and service imports for the same year amounted to \$14.7 billion. The rate of exports to the Arab countries also declined, accounting for only 6 percent of Egypt's total exports.

Most Egyptian exports went to U.S. and EC markets as the result of the number and the diversity of the demand and increase of consumption in those markets.

The problems facing exporting in Egypt have multiplied, beginning with freight, transport, discrimination between the private and public sectors, and the lack of information and reports about foreign markets, in addition to insurance and tax problems.

Abu Sa'ud Sultan, President of the Public Division of Exporters in the Federation of Chambers of Commerce, has this to say about the problems of freight and transport facing the Egyptian commodity export process: "The basic problem facing the export process is typified by the lack of sufficient means of freight and transport provided for the movement of Egyptian goods and products to foreign markets, particularly in the case of a commodity requiring refrigerators or coolers with special specifications."

What exporters usually run up against is the problem of the lack of sufficient space on aircraft in the case of air transport. He thus has two options, to send part of his shipment and leave the other, not fulfilling his commitments, or turning to other, more expensive airlines, thus raising product costs. He cannot engage in price competition. Nor are there, even now, regularly scheduled flights for transporting goods to the Arab and African countries.

Abu Sa'ud adds that there are many complications in sea transport arising from demand coupled with the absence of a maritime fleet large enough to meet this demand. Thus exporters resort to overland transport, which takes time: from 18 to 20 days for a single shipment. And the number of containers is insufficient to meet export demand, especially in the case of perishable commodities such as fruits and vegetables. So exporters must resort to using coolers from neighboring countries such as Jordan, which adds to costs and wastes time and effort.

Abu Sa'ud Sultan says that a special national fleet must be established quickly for the transport of Egyptian goods to foreign markets, whether by land, sea or air.

And there is the necessity to organize flights to Arab and African countries so that we may be able to open more markets there and enter into competition. Abu Sa'ud Sultan also proposes joining neighboring countries to build a collective fleet to serve more than one country.

Mamduh Thabit, a member of the Public Division of Exporters in the Federation of Chambers of Commerce, says that the new import-export law had played a part in solving many of Egypt's export problems, especially the problem of procedural complications, but there were still many difficulties standing in the way of the export process, most importantly the problem of discrimination between the way public and private sectors are treated. This is seen in issuing of negative lists, which must be cancelled so that there may be equal opportunities for investment, exporting and competition.

Also, there is a major obstacle to exporters: the absence of an information center specializing in exporting, providing needed information and statistics about foreign markets and their capacities and requirements, and competing prices in foreign markets. This would be a vital resource for exporters, so that they might know what is happening around them.

This is in addition to the absence of a comprehensive export strategy in Egypt, including coordination and planning the export process with the goal of organizing and directing it. Mamduh Thabit says that some commodities exported abroad must be supported so that they might compete price-wise with the exporters of other countries. In addition to the need for abolishing the "t.s." license—the export license that criminalizes exporters who does not turn in their proceeds, and which does not distinguish between honest exporters who must deal with circumstances beyond their control, and dishonest exporters; the two are lumped together under the law.

'Abdu Badawi, a member of the Public Division of Exporters in the Federation of Chambers of Commerce, says that the fundamental obstacle to exporting from Egypt is the imposition of high taxes on export activity. There are several taxes levied against exporters, such as the 32 percent commercial and industrial profit tax, the public import tax, the resource development tax and the multiple profit tax. Export activity must be freed of all these taxes in order to encourage exports.

Dr. 'Adil Rashid, President of the Export Development Center, adds that the fundamental problem facing export activity in Egypt is the absence of a comprehensive policy on insurance to protect exporters from risk, especially after the heavy losses borne by some exporters during the Gulf war.

That is on top of the lack of flexibility in the field of insurance services, in terms of the speed of practical insurance steps in more than one place, and speed in paying compensations.

Dr. Hamdi Radwan, Professor of Economics at 'Ayn Shams University, says that export problems in Egypt start in the production process, which must be developed so that we can engage in first-rate competition with the rest of the countries of the world and open new markets in the countries of the outside world, as most Egyptian exports go to the U.S. and EC markets because of the diversity of tastes and standards and increased rate of consumption in those countries.

### **First Private Foreign Exchange Company Opens**

*91AA0561A London AL-SHARQ AL-AWSAT in Arabic  
24 Jul 91 p 9*

[Article: "First Private Foreign Exchange Company Opens Its Doors for Business in Cairo Tomorrow"]

[Text] Dr. Yusri Mustafa, Egypt's minister of economy, issued a decree on Monday, two days ago, granting the first permit to an Egyptian foreign exchange company and authorizing it to trade foreign currency in the free market. This company, which is to open its doors for business tomorrow, Thursday, is the Egyptian Company for Currency Exchange and Financial Business, a private sector company.

The decree, which granted the company its permit, requires foreign exchange firms to notify the Central Bank of Egypt when any change is made in the firm's executive director, its managing director, or its administrator. Any change in any of these positions must be approved by the Central Bank of Egypt before it can be recognized.

The activities of the foreign exchange firms shall be limited to buying and selling foreign currency and buying, collecting, and selling travelers' checks. Foreign currency exchange firms may also serve as brokers for those who wish to transfer available funds in foreign currency accounts.

At the same time Muhammad al-Sabagh, vice president of Cairo Bank, affirmed that the introduction of currency exchange firms into the free market broadens the scope of trade in the market. He expected the price of the dollar to become more stable where there is competition, and he also expected that differences between bank exchange rates and rates in currency exchange firms will not be large, and that they will be in the range of fractions of piasters. Mr. al-Sabagh said there were no fears that speculators would drive the price of the dollar up, since all import needs are covered by banks. These firms are also required to maintain an operating balance which they may not exceed. Anyone who pays more than the market price to buy dollars will also have to sell at a price higher than the market price, and that will cause factors of stability and equilibrium to dominate free market rates.

It is worth noting that the currency exchange and financial business firm to whom the permit was issued is a

firm that is 100 percent Egyptian. Its estimated capital is one million Egyptian pounds.

An official economic source stated that 125 currency exchange firms had received preliminary approval to proceed with the measures they were taking to establish a currency exchange joint stock company. To date, the Administration for Companies has approved [the applications of] eight of these firms. The remaining measures which these companies must go through to obtain the final permits to enable them to go into business are now underway.

The introduction of currency exchange firms into the free currency market is expected to lead to more price stability. Expanding trade in the market will lead to competition between the banks and these firms. It was emphasized that rate differences between these firms and the banks will be in the range of fractions of one piaster.

#### **Tax Evasion Reaches 1.5 Billion Pounds in Six Months**

*91AA0589A Cairo AL-AHRAM AL-DUWALI in Arabic  
11 Aug 91 p 5*

[Article by Amal 'Allam, in Cairo: "1.5 Billion Pounds in Tax Evasion in Six Months; Employees Pay Only 4 Percent of Tax Proceeds"]

[Text] What do the tax evasion figures say?

In just six months, January to June 1991, the figure for tax evasion reached 1.5 billion Egyptian pounds.

Last year this figure was about 3.5 billion pounds. In 1989 it was 2.24 billion pounds.

These figures, taken from official sources, raise a number of questions. Who are the tax evaders? Is it true as commonly asserted that artists of all types are the group most inclined to evade taxes? Conversely, are employees with limited incomes the only ones who do pay taxes? How long will evasion, basically the attrition of state resources, exist? What are the proper means of dealing with it?

At the outset, Major General Ahmad al-'Adili, chief of evasion investigations, stresses that although the agency he heads is small by comparison with the tax community, especially operating as it does at the national level, it does have a strategy to target large tax evaders under a scientific plan trying to cover all activities across the nation. With resources of only 100 officers, the agency has been able to [lacuna in text] of which 820 are documented cases of tax evasion, none of which is under 1 million pounds. The size of revenues concealed by evaders in these cases is 3.5 billion pounds compared to 2.24 billion pounds during 1989.

During the period from the first of January to the end of June 1991, 496 cases of documented tax evasion were arrested, with total concealed revenues of 1.5 billion pounds.

According to Maj. Gen. Ahmad al-'Adili, the most important activities subject to evasion are land division and sale, and such professional activities as law, medicine, general contracting, and some artists.

These are the figures and some of the activities included in tax evasion. Is this the true picture, or are there some other facts beyond these numbers?

This is the question Fathi 'Abd-al-Baqi, head of the public tax authority, answered. He stressed that these numbers may appear large since they mean evasion in terms of the number of business transactions in which the taxpayer evaded or hid a portion. This number is translated into a net profit used as a basis for calculating the taxes and penalties. A simple calculation shows that the evasion number will not be more than 200 million pounds by the most generous estimate.

The head of the tax authority adds: "The tax evasion phenomenon is worldwide, yet I believe that Egypt is the country with the least evasion. The evader, whether a large taxpayer or small, is treated under the laws and regulations for combatting evasion. The penalties under this law are deterrent in nature and consist of the following:

"The evader pays the value of taxes due, plus a 150 percent fine on the amounts he evaded or concealed. This occurs when a lawsuit is filed against the taxpayer, and it is before the public prosecutor.

"If there is a guilty verdict, the taxpayer pays the taxes plus 300 percent of their value, in addition to other penalties.

"While some explain evasion by saying that the tax brackets are high," the head of the public tax authority says, "these brackets are not considered a justification for evasion, particularly since a large number of taxpayers observe them and pay the taxes they owe. Moreover, there are many countries whose tax brackets are considered much higher than Egypt's. Despite that, we carefully watch some private activities, such as industry and export.

"As for saying the employee category is the greatest payer of taxes, this is not true, and the numbers confirm it. The statistics indicate that government employees pay no more than 200 million pounds of tax receipts averaging 5.5 billion pounds, or about four percent of the authority's total receipts. The remainder is paid by the tax community out of commercial or investment company profits, noting that the number of taxpayers has now risen to 3.5 million. Another 500,000 taxpayers have been identified recently."

Fathi 'Abd-al-Baqi says: "Artists are unarguably a national treasure, but some of them do not report all of

their income. Some artists place a condition that the producer give them a contract of a lower value than that actually received. As a result we investigate carefully the truth of the income they receive. The same is true of those who work in night clubs and weddings. Monitoring agencies within the authority have been able to identify them using evasion inspectors and investigators."

In the context of a discussion of tax evasion, we must admit that there are loopholes in some of the laws that are used by some for evasion, thereby making it legal evasion. This is confirmed by Dr. 'Ismat 'Abd-al-Karim, director general of the tax authority, in the research paper he presented to al-Zaqaziq University. He says that Article 8 of the investment law stipulates that there can be no nationalization or confiscation of ventures, no blocking, confiscation, seizure, or freezing of their funds, and no holding or imposition of sequestration on them unless done through the court.

This article is a loophole that has caused many problems with the Tax Authority regarding the extent to which it can administratively block the funds of established investment companies to pay amounts they owe for violating provisions of the law on income tax, especially provisions concerning deduction, addition, and collection for the tax account; taxes these companies are obliged to collect from others and pay to the Authority, such as salary and wage taxes collected from company employees; and the stamp tax which is collected from others on behalf of the authority. This is especially so now that many of these companies have started collecting such sums, but fail to turn them over to the Authority. Moreover, Article 21 of the new investment law makes it illegal to file a public lawsuit against investment ventures for tax crimes until the opinion of the General Organization for Investment has been sought. This is a limitation on the right of the Minister of Finance to request that public lawsuits be filed against companies subject to the law. Its implementation also leads to delay in filing public lawsuits against the officials of companies subject to this law who have committed tax crimes.

Thus, Articles 8 and 21 of the law jointly contribute in a major way to exposing amounts owed the authority to loss, noting that liquidation of investment ventures, their flight from the country, and their conversion to ventures not subject to the investment law once the tax holiday has passed, are considered evasion, even though this takes a legal form.

Moreover, some companies subject to the investment law may try to move to the new [industrial park] communities where they can combine two exemptions (a five-year exemption and a ten-year exemption). Although the Authority has issued instructions based on a decree of the Policy Committee making it illegal to combine the two exemptions, it is still necessary to amend the investment law by including a clear provision stating it is illegal to combine exemptions guaranteed by

the investment law and those contained in the law regarding the new communities.

For this reason, Dr. 'Ismat 'Abd-al-Karim demands that the paragraph forbidding venture seizure in Article 8 be repealed, that ventures be obliged to continue their activity within the country for a period of time equal to the tax holiday received, and that there be a clear provision banning combining exemptions.

### **Loss of Tourist Revenues Due to War Reach \$6 Billion**

*91AA0568D Cairo AL-WAFD in Arabic 17 Jul 91 p 2*

[Text] Minister of Tourism and Civil Aviation Fu'ad Sultan has announced that the ministry's plan for the coming period will include developing the Egyptian air transport fleet in accordance with tourism operations.

He confirmed that tourism had been affected by the Gulf war. Tourism revenues fell to \$1.5 million for 1990-1991, and direct losses had reached \$6 billion, not counting supply losses. Fu'ad Sultan added that the ministry's strategy for the air transport sector would refurbish the airports to increase transport capacity and air travel safety, and would use computers to increase operational efficiency.

The minister of tourism and civil aviation made it clear that the program to develop Cairo International Airport was continuing with the object of upgrading its capacity to 12.5 million passengers. He added that the expansion of the Sharm al-Shaykh, Luxor and Aswan airports had been completed, with the goal of raising their capacity to handle international aviation.

### **Sales Tax, Leases Drive Up Tourist Expenses**

*91AA0568B London AL-SHARQ AL-AWSAT in Arabic 29 Jul 91 p 11*

[Report by Mustafa Abd-al-'Al]

[Text] The cost of apartments in Egypt's summer resorts has risen between 15 and 25 percent, especially in Alexandria Governorate, Ra's al-Bar, and al-Isma'iliyah, which represent more than 60 percent of business because of tourist interest in these regions.

The cost of renting a furnished three-bedroom apartment with a foyer in Alexandria Governorate has reached about 500 Egyptian pounds per week, compared with 300 pounds last year. Renting a two-bedroom apartment with a foyer now costs 350 pounds. Prices have decreased at some beaches and gone up at others.

R'as al-Bar, meanwhile, has seen the highest price increases this year; the cost of a well-appointed, two-bedroom apartment with a foyer has reached 200 pounds, with a three-bedroom apartment going for 320 pounds for one week.

Real estate agents attribute the increase to the rise in Arab tourism to Egypt this year, especially in July, August, and September, also the time for summer vacations in Egypt.

Car rental prices have also gone up between 10 to 25 percent, both for Egyptian and Arab summer vacationers. Rental companies have placed a number of restrictions on renters so as not to infringe public security and to insure the safety of both driver and car. The renter pays 500 pounds insurance, with his personal identification, in addition to a check for the value of the car. These papers, or guarantees, are specifically required of Egyptians.

For Arab tourists, there are further obligations, such as turning over a passport and an insurance card approved by a bank instead of personal checks. Should the car be damaged or repaired, the renter pays all costs, plus expenses for any material loss sustained by the company owner as a result of the damages.

Owners of these companies think that the best way of getting a car without guarantees is to rent one with a private driver, which spares the renter the pressure of several forms of guarantee, and also excuses him from any obligations, should the car break down or sustain damage. The price of renting with a driver has not gone up more than 10 percent.

Prices this year have varied between 100-200 pounds per day from large companies and hotels, including tax. A five-percent sales tax is calculated on the total upon payment. Prices vary with the condition of the car, its make and model; a Mercedes 200 is the most expensive, while a Fiat 128 costs the least. Rental costs fluctuate like those of any commodity in a supply and demand market; at times there are great discounts, as happened in the last months of last year. The relationship between the renter and the rental company influences prices; the more mutual confidence and repeat business, the better the rate.

Rentals in general, whether of apartments or cars, see the highest prices of the year in the summer months because of vacations and Arab tourism, while decreases come in winter with its dependence on foreign tourists only, who represent about 53 percent of total tourism in Egypt.

#### **NDP Committee Criticizes Government Supply Policy**

*91AA0575B Cairo AL-AHALI in Arabic 24 Jul 91 p 4*

[Article: "The Supply Committee of the National Party Criticizes Government Policies"]

[Text] Government economic policies were denounced by National Democratic Party [NDP] committees for the third time in less than one and a half months. The party's Supply Committee said that government economic policies pushed prices of goods upwards within a few weeks by an average of 20 to 50 percent.

The Committee, chaired by Ahmad Nuh, said at its meeting last Tuesday that prices of carbonated water products rose by 50 percent and that refrigerator prices went up by between 16 and 20 percent for no reason at all.

The Committee also called for a re-examination of sales tax collection procedures.

[The government's] credit policies were also denounced by the same Committee a little more than a month earlier.

The landlord-tenant bill also came under criticism at a meeting of the party's Housing Committee a month and a half ago.

#### **Cotton Productivity Per Feddan Drops 50 Percent**

*91AA0563B Cairo AL-WAFD in Arabic 13 Jul 91 p 3*

[Article by Ahmad Fu'ad and Usamah Haykal]

[Text] The Egyptian cotton has lost its throne in the international market and its productivity has dropped seriously. Egypt has become an importer of American short-staple cotton, while in the past, countries used to rush to import the Egyptian long-staple cotton. So what is the reason for the continued deterioration of the cotton crop, and who is responsible for this drop in productivity?

Egypt's cotton production used to be seven percent of the world's production. During the 1989-1990 season it dropped to only 1.7 percent. Some 65 percent of the world's production of long-staple cotton came from the Egyptian crop, then it dropped to only 12 percent. Egypt's share of the world's cotton trade was 12 percent; it has dropped to only one percent. According to Ministry of Agriculture statements, production per feddan during the past 10 years has dropped substantially. After productivity per feddan ranged between seven and eight qantars, it dropped to only four to five qantars. Consequently, total production in the past season dropped by 1.5 million feddans. Moreover, officials responsible for the agricultural sector would prepare fictitious reports about cotton-planted areas. For example, it would be announced that about one million feddans would be planted with cotton, while the area actually planted was about 1.1 million feddans. So, if production per feddan dropped, the average production would be calculated on the basis of the declared area, thus totalling eight or nine qantars per feddan, while if calculated on the basis of the area actually planted, the real productivity rate would show.

Year after year, the Ministry of Agriculture keeps transferring officials responsible for agricultural pests, which results in the recurring problem of having new officials. Therefore, is the problem one concerning officials or is it the question of the ministry pursuing an erroneous agricultural policy?

Certainly the guidance organs at the ministry have failed to enable the fellah to choose the ideal pest control method. Some of the fellahs use vegetable and fruit pesticides in the cotton fields.

Reports received by the Ministry of Agriculture from the various provinces confirm that the rate of attack by the cotton-stainer pest [as published] is higher than last year's, especially in lower Egypt, while the heat wave in upper Egypt has accelerated the hatching of the cotton worm egg. The farmers' efforts to contain the attack failed. Aphids also attacked the plants at the beginning of the agricultural season, thus adversely affecting the cotton fields. This will also weaken the season's crop production in the coming few months. Then the sequence of foreign cotton imports would begin again; it follows the drop in exports, the continuing deterioration in productivity, and the increase in local cotton consumption. Egypt has lost its lead in long-staple cotton production, for during the last year it exported 80,000 bales only, a drop of 60,000 bales in one year. Export to the EC countries dropped from 150,000 bales to 15,000 bales only. Meanwhile, imports have increased. Egypt imported 1.25 million qantars of American cotton during the same season in order to meet demand by Egyptian textile companies and compensate for the loss of production.

The drop in cotton productivity has led to net losses for the producers because of import prices. The loss totalled about 2.3 billion pounds. This is in addition to the loss in the industrial sector and in cooking oil production. Some 80 percent of our requirements for cottonseed oil used to be met from our local production. This is in addition to the loss in animal feed production and to Egypt losing its outstanding position as a long-staple cotton exporter.

We asked officials at the Ministry of Agriculture about the reasons for the drop in Egyptian cotton production last year. They stressed that aphids were a real danger to the cotton crop during the last three years. Aphids attack the plants, suck the plant's juice, and destroy its tissues. As a result, the crop suffers severe and total damage.

Agricultural economics experts affirm that return from cotton planting is no longer encouraging for the fellah, since current prices of cotton delivered [to the authorities] is only 66 percent of world prices. This has prompted the fellah to abandon cotton planting and take up clover planting instead, which has become more profitable than cotton.

The sources said that there is a need to increase prices of cotton and sugar cane deliveries, and that their prices should be on par with international prices in order to encourage the farmers to plant them. This can only be done by equalizing government prices for the crop with the international prices. It is inconceivable that the government should buy the cotton and then act like a greedy merchant and that the fellah should remain a captive of this anomalous situation.

What is strange is the fact that the Minister of Agriculture has come up with a statement confirming the government's intention to increase the prices of cotton and sugar cane delivered to the government during the next two years. But during the same period, world prices will have increased because of economic reasons relating to the drop in the dollar exchange rate internationally, and the drop in the pound against the dollar in Egypt. Also, prices of production supplies, such as seeds, pesticides, and fertilizers are shooting up, thus obliterating the marginal and small profits obtained from those crops.

A Ministry of Agriculture official responsible for seeds and cottonseed affirmed that seeds used for cotton planting are being cultivated at the ministry's research centers and are not imported from abroad. Indeed, it was discovered that a highly productive Egyptian cotton seed, which was stolen because of its good quality, is being planted in the lands of a neighboring country. The sources said that the damage caused to the seeds is due to defective storage.

Officials responsible for pesticides at the Ministry of Agriculture said the ministry's plan is based on reducing the amount of pesticides to be used this year, to rely heavily on hand picking, to use crop dusting strictly in highly infected areas, and to group the infected areas together in order to prepare the necessary landing strips.

The same sources also affirmed that there are severe shortages in the scout teams that used to hand-pick five feddans a year. Because of the reduced number of teams, they are now responsible for hand-picking 50 feddans a year, with the aim to cover the planted areas in all the provinces.

### **Bean Shortage Forces Importing, Affects Consumers**

*91AA0568C Cairo AL-WAFD in Arabic 12 Jul 91 p 3*

[Report by Sami Sabri]

[Text] The state has let the cultivated area and production of this strategic crop drop year after year. It has been devoured by pests while its marketing and sales are controlled by a group of giants that can be counted on one hand. They know how to hoard to get a monopoly on the market, forcing the state to import beans—with hard currency, unfortunately. The price per imported ton has risen to \$400!

Agricultural and economic reports confirm that in recent times the bean crop has been subject to government neglect, becoming yet another in a series of strategic crops damaged by the failed agricultural policy. While the cultivated area of beans in the mid-1980's was about 350,000 feddans, with an average per-feddan yield of between 12-15 ardebs [equals approximately 5.6 U.S. bushels], the cultivated area this year has fallen to 150,000 feddans—to less than half. The average yield per feddan is now seven ardebs. Thus local production of

beans has fallen to just 300,000 ardebs, while the rate of consumption has risen to one million ardebs. The price rise, increased demand and reduced supply have forced the government to import beans—an unprecedented phenomenon—from Poland, Australia, Belgium, Canada, and other countries to which Egypt once exported beans, as food not for people but for animals!

### Market Giants

This bitter truth has left clear effects on the chief commercial markets for this crop: the coast, Old Cairo, Bayn al-Surayn, and other markets outside Cairo in the provinces.

In the coast market, Sa'd Zaki Mahran, a grain dealer, says that the price of quality beans per ardeb has reached 300 pounds and in other regions it has reached 320 pounds, while last year it was 85 pounds. There are several reasons for this increase, among them the strong demand for top-quality small Upper Egyptian beans and broad al-Buhayrah beans, and also the rise in the armed forces' demand. Then there is the big game played by the giants of the bean trade every season, when they hoard beans in private, distant places far from the government's eyes, because by virtue of their relations with senior officials of the Chamber of Commerce, they are well aware of the market's needs and its ins and outs.

### Local Supply Insufficient

Mitwalli Qamar, President of the Grain Department of the Chamber of Commerce, sees the absence of a clear government marketing policy as the chief cause of the unexpected rise in the price of beans. Market indicators said that demand would increase this month, especially with the start of the school year, with local production insufficient to satisfy a quarter of average consumption. The Chamber of Commerce asked to import quantities from abroad to cover the local production deficit, which this year reached 300,000 ardebs as a result of the decrease of the cultivated area to 140,000 feddans, and the per-feddan yield to 5-7 ardebs. However, the government refused to import and so the price gradually began to rise.

Giving an example to support his view, Mitwalli Qamar says: "As a merchant, I applied in June 1990 to import large quantities from France at \$247 per ton. The officials turned down my request, so I submitted another request in September 1990, and they refused it too. And when the problem became critical, when things had gone beyond the point of no return in February 1991, the government agreed to import from Poland, Australia, Belgium and Canada at \$400 per ton! And when that imported quantity is exhausted, the market starts to suffer again, and up goes the price."

### Bread Remains Scarce in Cairo, Governorates

91AA0532A Cairo AL-WAFD in Arabic 10 Jul 91 p 3

[Article by Muhammad Raghieb: "Bread Lines Can Now Be Found in Villages; To Avoid Crowded Bread Lines,

People Use Connections To Buy Bread; Rural Residents Refuse To Separate Bread Sales from Production, Complain About Bakeries Closing in Afternoon"]

[Text] The bread shortage is as extensive and as severe in Egypt's governorates as it is in Cairo, the capital. The fact that rural residents are complaining bitterly of a flour shortage in the market is unusual, but that fact manifests itself in the large numbers of women, men, and children jostling each other in the long lines which they form in front of stores and bakeries where bread is sold in al-Buhayrah, al-Gharbiyah, al-Minufiyah, and in other governorates.

The sight of farmers rushing from one bakery to another to buy bread is the last thing we could believe, because farmers are supposed to supply bread, not import it. What happened to bring that about? It is most likely that the bread shortage in rural areas has two causes. The first one is that most farmers are not cultivating wheat, and the second cause is the severe shortage in the wheat crop this year. That is why the bread shortage took hold and became more severe, because the amount of flour in storage has diminished. According to bakery owners, "The only way out of this crisis is to increase the bakeries' quota of flour and to stop local councils from overseeing the sale of bread to the public."

AL-WAFD is using words and pictures to record the status of the bread and flour shortage in Egypt's al-Buhayrah, al-Gharbiyah, and al-Minufiyah governorates, where the shortage is manifesting itself in similar, recurring images and episodes. Lines in front of stores and bakeries where bread is sold are scores of meters long, and bakery owners complain about shortages in the quota of flour they receive. Bakery owners are also crying out for help because local authorities are interfering in their affairs.

Does it make sense for farmers to be suffering from a bread and flour shortage? That is the question, and it is a serious matter for which a candid stance is required. The cultivation of wheat and an increase in the wheat crop are to be encouraged because importing six million tons of wheat and flour every year makes no sense. Relying on those imports wastes millions of dollars which we desperately need now. The bread shortage is now everywhere in Egypt; it has become more prevalent in villages than it is in cities. What are we to do about it?

### 'A Day of Exile' in Front of Bread Stores

In the town of Ityay al-Barud in al-Buhayrah Governorate, Shawqi 'Asal, a tailor, said, "To us, buying bread is quite an ordeal. Although a lot of people live in the town, there are only about [number missing] bakeries to serve them. Because the quota of flour designated for these bakeries is small, they do not operate in the afternoon. And that is why people struggle with each other in front of the bread stores so they can get several loaves of bread for their empty stomachs."

Ahmad Sharaf-al-Din, a civil servant, adds, "We have a bread shortage because some bakery owners sell flour on the black market and produce only small quantities of bread. What amazes me most," said he, "is that we do not find the flour we need, even though we are in an area where wheat is grown. We don't have the flour we need because there is only one warehouse, which stays closed most of the time. How can poor people with large families live under such an intractable shortage?"

Yelling at the top of her voice amidst the very large crowd was Mabrukah Muhammad Khattab, a farmer. "Life in this town has become difficult," she said. "Can you believe that I stand in line every day for over three hours to buy five loaves of bread? Can you believe that we are not permitted to buy more than 10 loaves of bread? And yet, people who have connections can buy as much as they want of the best quality bread. And if we think of buying flour from the warehouse, there would be no flour to be found. How can we live under such conditions?"

"It is hard for us to get the bread we need," said Zaynab 'Abd-al-Nabi, a farmer, "even though our town has four automated bakeries, two bakeries for flat bread, one bakery for baguettes, and a flour warehouse. People go through so many ordeals and suffer so much humiliation in front of the stores where bread is sold, that the sale of bread is sometimes suspended to punish people for the congestion." She wondered, "Where do we go to get bread to feed our children?"

#### Using Connections To Buy Bread

An awesome crowd of men, women, and children were lined up in front of one store that sold bread in al-Gharbiyah Governorate, in Kafr 'Isam-al-Din in Tanta, to be specific. They were fighting each other as they stood under the hot rays of the sun. They appeared to be worn out, they perspired profusely, and their clothes were wet with perspiration. Anyone who managed to get a number of loaves got out of line muttering expressions of displeasure and disgust with conditions.

Al-Sayyid 'Abd-al-'Azim, a worker, got out of the line he was standing in. He gasped for a breath of air as he ran and said, "We have this awful congestion every day everywhere in Tanta. Everyone tries to get the bread he needs before the bakery closes, because most bakeries stop operating before two p.m., after they finish baking their quota. At that time people disperse without having bought their bread for the day. They just turn around and start looking for a bakery that is still operating."

Mr. 'Abd-al-'Azim added, "The Ministry of Supply ought to increase the flour quota for the bakeries, and it should give them the freedom to sell this flour under its supervision. The ministry should do this instead of having the local authorities oversee the stores where bread is sold. Separating the process of selling bread from the process of baking it is the reason for this congestion, because this system makes it possible for only a few people to buy the bread they need. Besides,

under this system, quality is lost and so are many of the characteristic features of the bread. Furthermore, people who have influence and connections get the best kinds of bread without having to stand in line with the people."

#### Bread for the Council

Speaking from inside the bakery he owns, Ayman Ibrahim Farghali said, "The bakery's quota of flour is only one ton. Although this is a small amount, the Tanta City Council gets 3,000 loaves of bread from the bakery's quota, and that comes to one-fourth of the amount. The other three quarters are sold by bakery employees from the store which is attached to the bakery, and that store is also subordinate to the council. Ever since the sale of bread was separated from its production, the council has been collecting five pounds from us for every 50 pounds in sales for the 3,000 loaves of bread the council gets. It also collects three pounds from us for every 50 pounds in store sales. And that is why we have heavy losses: The City Council collects more than 50 pounds a day from us. How can I pay workers their wages and make the payments which I have to make? How can I pay my electricity bill, my water bill, and my other bills?"

"The amount of flour is not enough to meet the consumers' demand," adds Mr. Farghali. "It takes us only five hours to bake bread with this flour. After that, the bakery closes its doors even if it is 12 o'clock noon. Before the sale of bread was separated from its production, the bread we baked was eaten by everybody. Now, however, one-fourth of the bread we bake goes to City Council which sells it in other areas while people here in this area go hungry."

Mr. Farghali affirmed that most bakeries receive additional amounts of flour. "Only people who have influence and who have connections get these additional amounts. People like us, however, have to turn to God. The amount of flour I receive," said Farghali, "consists of white flour in bags that weigh between 50 and 76 kilograms. The price of this flour is 322 Egyptian pounds a ton."

Ayman Farghali is calling for an increase in the bakeries' flour quota so they can meet the people's demand for bread. Any bakery owner who is caught selling flour in the black market should be punished and should have his bakery shut down. Mr. Farghali is also calling for a reduction in the sums of money and profits which are collected from bakeries by the City Council.

#### The Bakeries Are Closed

We noticed, while we were on our way back in al-Minufiyah Governorate, that most of the bakeries in some of the villages and towns were closed. We asked some people why these bakeries were closed, and they said, "The bakeries finish baking their bread from their quota of flour right after noon. Then they stop working." When we asked those people how they got bread in the afternoon, they said, "We wait till the following day.

That is why we store more bread so we can be sure that we will have bread for ourselves and for our children the rest of the day."

This is what a shortage is like, and this is the situation that people find themselves in. The shortage here in Cairo is no different from the shortage there in Egypt's governorates. In Cairo, however, bakeries operate round the clock.

### **Oil Use, Airline Privatization Plans Announced**

*91AA0548B Cairo AL-JUMHURIYAH in Arabic  
17 Jul 91 p 7*

[Article by 'Abd-al-'Aziz Khatir and Mu'min Majid]

[Excerpts] Last night, National [Democratic] Party committees and secretariats saw intense activity. The secretariat of commercial activity held a meeting attended by Dr. Hamdi al-Banbi, minister of petroleum and mineral resources. The transport and communications committee held a meeting attended by Fu'ad Sultan, the minister of tourism and civil aviation.

Dr. Hamdi al-Banbi announced that facilities and incentives would be granted to the private and investment sectors in the areas of production, manufacturing, and trade of petroleum products.

He said, "We will not use up the petroleum of future generations, and we will preserve the reserves for them. That will not happen unless a policy of excessive energy use is avoided and unless there is judicious use by the government."

He added that the Ministry of Petroleum is working to achieve a balance between present and future needs for petroleum products.

To the members of the commercial activity secretariat, headed by Dr. Fathi Muhammad 'Ali, he stressed the need to review energy price-fixing and standardizing the usage fee of all projects whether in the public, private, or investment sector. The secretariat asked for an increase in the fee for bottled gas distributors and gas stations by raising the commission on selling these products.

The minister of petroleum decided that a committee would be formed to study the bases of standardizing energy prices, as well as a committee to solve the problems of bottled gas distributors and agents in the various governorates. Work would start next month, and experts from the Ministry of Petroleum, the Investment Authority, and banking chambers of commerce would take part in it.

### **Transport and Communications Committee**

In the meeting of the transport and communications committee, headed by Engineer Muhi-al-Din 'Abd-al-Latif, Minister of Tourism and Civil Aviation Fu'ad Sultan announced that a third airfield would be built at the Cairo airport in order to increase its future capacity

and achieve flexibility in performance. He said it would be done through grants and easy loans, and that studies on it have already begun. [passage omitted]

Concerning the business sector law, Fu'ad Sultan said that the law does not apply to the air transportation agencies, and that studies are now ongoing to change Egypt Air to a holding company. If this plan is deemed feasible, the studies will be presented to the cabinet so it might issue a state decree on the matter. [passage omitted]

The minister announced that a plan is now being studied to use land near the airport to set up profitable investment projects whose investment activities would conform to the nature of the region. This would be done by establishing a free zone for light industries that would use air transportation for export, and building an international club and golf course in it.

### **Writer Urges Proper Marketing of Cotton**

*91AA0571A Cairo AL-MUSAWWAR in Arabic  
26 Jul 91 pp 14-15*

[Article by Ghali Muhammad: "Last Chance to Salvage Egyptian Cotton in World Markets; Will Egyptian Cotton Reclaim Its Export Markets?"]

[Text] This is a very difficult question to answer, because no one can predict the size of the new harvest and whether Egypt will have a surplus for export so that its cotton may retain its status in world market.

Egyptian cotton exports used to occupy the number-one position in Egypt's exports, but it is about to lose this position, especially in the wake of the drop in exports to about 250,000 qantars this year, 1990-1991, from 600,000 qantars marked for export.

Whatever the case and the projected cotton output for the 1991-1992 season, this year is the last chance for salvaging Egyptian cotton exports in world markets.

To be perfectly honest, if Egyptian cotton is not produced in sufficient quantities for world markets in the 1991-1992 season, it will have no status and its reputation will suffer, prompting foreign textile manufacturers to turn away from it, especially in view of the fact that competing cotton, the American Pima in particular, is supplanting Egyptian cotton.

### **The Complete Picture**

We will shed light on the total picture using the following figures that confirm that this year represents the last chance for salvaging the Egyptian cotton export status in world markets.

In the 1986-1987 season, Egyptian cotton exports amounted to 572,000 international bales (480 libra-4.5 qantars) while American Pima exports for the same year amounted to 109,000 international bales.

In the 1988-1989 season, the critical year for Egyptian cotton, Egyptian cotton exports dropped to 269,000 international bales and American Pima exports rose to 264,000 international bales.

In the 1989-1990 season, Egyptian cotton exports continued to drop to 190,000 international bales, while American Pima exports kept going up, to 431,000 international bales.

As for the current 1990-1991 season, Egyptian cotton exports have not yet exceeded 250,000 qantars, equal to 60,000 international bales, against 425,000 international bales of American Pima.

The upshot of these figures is that whenever Egyptian cotton exports fall back, American Pima exports advance, because this is the only competitor to Egyptian cotton exports.

#### **Egyptian Falls Back, American Advances**

Another noteworthy issue is that whenever the Egyptian cotton production goes up, so does American Pima production. In the early eighties, when Egyptian cotton production was at its peak, over 10 million qantars, American Pima production was about 150,000 international bales, 60,000-65,000 bales of which were consumed by American factories.

As of the critical year for Egyptian cotton, 1988-1989, when production and exports began to drop and prices began to rise, farm areas for the American Pima cotton began to multiply until the total American crop in 1988-1989 reached 300,000 bales and, in 1989-90, 660,000 bales, dropping in 1990-1991 to 480,000 bales due to a 1989-1990 surplus.

Thus, the relationship seems clear that whenever Egyptian cotton production drops in output and export, its primary competitor, American Pima, goes up.

#### **Market Conditions**

What makes this relationship complete is to relate some actual Egyptian cotton market conditions. In 1986-1987, Japan procured 120,600 international bales of Egyptian cotton and 7,000 bales of American Pima. In 1990-1991, the situation was reversed, with Japan buying 16,000 bales of Egyptian cotton and 119,000 bales of American Pima.

The same goes for Italy. In 1986-1987, it bought 94,000 bales of Egyptian cotton and 9,000 bales of American Pima, while in 1990-1991, it bought 2,000 bales of Egyptian cotton and 83,000 bales of American Pima.

As for Germany, in 1986-1987, it bought 25,000 bales of Egyptian cotton, but has not relinquished it and is meeting its total demand with American Pima.

#### **Pima Farmers Thankful**

About a month and a half ago, American Pima farmers in Los Angeles thanked the Egyptian cotton farmers for causing the American Pima boom.

An Egyptian official told me that the American announcement in Los Angeles was 100 percent true, because the slump in Egypt's cotton harvest is the key factor in the American Pima boom.

It is noteworthy that one factor that led to the improvement of the American Pima cotton is the hybridizing [or upgrading] of this variety, whereby new grades are produced every two years to improve its spinning properties and world market quality, while Egypt has not produced any new grades for the last ten years, hence the decline in spinning properties, save for the improvement in last season's harvest for reasons related to the harvest staying in the ground.

I have seen serious reports confirming the decline in the Egyptian cotton's spinning properties in recent years.

#### **No American Aid**

It is noteworthy that the United States is offering financial aid for research to upgrade all harvests in Egypt except for cotton, which has been excluded from aid for research.

This is the way things are right now, not to mention the 100,000-110,000 bales of Pima cotton cultivated annually in Israel for export.

#### **Thirty-Five Percent Rise in Export Price**

In addition to all of this, there are other factors that have led to higher export prices. This is based on the assumption that Egyptian cotton enjoys a world status and that foreign demand for it will persist regardless of prices of competing varieties. The object behind raising the price 35 percent over other competing varieties was to get as much hard currency as possible and to make up for the deficit generated by shortfalls. This, however, has prompted foreign spinners to turn to competing varieties. The sad thing is that, despite the small amount earmarked for export in the 1990-1991 season, 600,000 qantars, Egypt has been able to export only 250,000 qantars.

In numerical terms, the price of Giza-77 was about 235 cent libre [as published] and Giza-75, about 170 cent libre, while the competing American Pima was 130 cent libre and, in the last season, it sold for between 110 and 115 cent libre.

The person who set the Egyptian cotton export prices would have done well to read international conditions more carefully and to consider the fact that such exports are always available, especially since the incessant drop in production has been the main reason for this disaster.

### How To Salvage This Situation?

Confronted with this situation, we had to ask officials: "What are you doing this year to salvage Egyptian cotton exports to keep them from losing their markets forever?"

I met with the president of the Cairo Cotton Company, Muhsin 'Abd-al-Latif, to ask him this very question.

Muhsin 'Abd-al-Latif said that he is hopeful that Egyptian cotton will reclaim its markets through a number of factors, including:

- The need to meet the demand of traditional spinners who use the long-fiber cotton exclusively, whatever the harvest size this year or in coming years, and to make up the shortage for local spinning mills through other cotton imports. Muhsin 'Abd-al-Latif emphasized the importance of getting this process underway this season because, if the same thing were to be repeated this year, it will be the final blow for Egyptian cotton in world markets and no foreign spinner will think of buying any of it.
- The need to preserve the excellent properties of Egyptian cotton by producing new and improved grades and varieties that are in great demand in world markets, following the example of the American Pima. (Comment: If the Ministry of Agriculture does not have adequate funds to spend on research to grow new grades, why not reach an agreement with local spinning mills and cotton export companies to help finance such research instead of waiting for donations which will not materialize?)
- The need to compute the Egyptian cotton's world price, irrespective of any other factors, on the basis of spinning properties and prices of other similar foreign varieties, rather than on the basis of harvest shortfall and the scant quantities earmarked for export.

### Allocation of 1 Million Qantars

Our second meeting was with Ahmad Shuman, president of the Cotton Export Holding Company.

Ahmad Shuman said: "We do not deny that the status of Egyptian cotton in world markets has become critical due to a decrease in the quantities earmarked for export brought about by lower output."

He also said that "in the face of this critical situation, we have drawn up a plan to salvage Egyptian cotton exports by providing the quantities needed to meet foreign market needs, regardless of output. The quantity proposed for export is one million qantars, which the Supreme Cotton Council has approved and Dr. Yusuf Wali, deputy prime minister and minister of agriculture, has adopted, and which will be discussed by the ministers of agriculture, industry, and economy. We hope that local spinning mills will agree to this principle whereby production shortfalls would be made up through higher foreign cotton imports."

Ahmad Shuman went on to say "the important thing is that the ratification and allocation of at least one million

qantars of cotton for export every year will go up as output goes up, but will not go down when output goes down." (Comment: Local spinning mills are expected to refuse this proposition because wider use of imported cotton means a relative loss in Egyptian textile quality, beside the fact that it would be used in banned areas.)

### Favorable Prices

The second factor in the plan, according to Ahmad Shuman, is setting export prices at acceptable levels consistent with the spinning properties of Egyptian cotton and in keeping with world market trends and competing cotton price levels, so that past episodes would not be repeated.

The third factor, Ahmad Shuman said, is to initiate business transactions with world markets at an earlier date, because a delay would compel foreign spinners to turn to competing cottons. So far, and due to a variety of factors, business transactions which are supposed to be initiated in November do not get underway until December.

Ahmad Shuman added that it is important for Egyptian cotton to recapture its markets so that the treasury may recoup a large amount of foreign currency. Add to that the fact that the presence of Egyptian cotton abroad indirectly promotes Egyptian textiles.

In short, this year is the last chance for salvaging Egyptian cotton in world markets. But, before that, Egypt must stand united behind this year's harvest to realize the proper output, namely 8 million qantars, and to reach the \$300 million target for exports, a target that has not been met for several years. [Box, p 15]

### Plan To Deregulate Cotton

It is almost certain that the cotton marketing system will be deregulated to permit the private sector and individual dealers to enter the cotton market.

Ahmad Shuman, president of the Cotton Holding Company, said that the deregulation process, which is expected to get underway this season, will focus on buying cotton from growers at world prices; giving the private sector, as well as public sector cotton exporting companies and cooperatives, the freedom to market it, both in terms of buying it from growers and exporting it; and allowing local spinning mills to buy their needs directly from growers.

Ahmad Shuman also said that this will be followed by the return of the cotton stock exchange to Mina al-Basal. He also said that, in addition to the existing public sector cotton gins, the private sector will be allowed to set up its own gins, and that the principle of buying from growers at world prices is expected to be enforced this season.

Muhsin 'Abd-al-Latif, president of the Cairo Cotton Company, expressed his reservations about establishing the stock exchange before local production reaches 8 million qantars or, in other words, before supply exceeds demand.

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