PN-AAP-795
ien: 34272

Egypt's Retreat From Economic Nationalism

The "Open Door" Economy and Its Roots and Welfare Consequences

by

Fouad Ajami

234-7240

A paper for discussion in the Princeton-Egypt Income Distribution Project Conference, Lisbon 31 October - 3 November, 1979.

"Qadri Risq was a respectable and loyal follower of the July revolution. It may be impossible to define him in light of working principles but it is easy to do so in light of the Charter: he believes in social justice as much as he believes in private ownership and incentives, in scientific socialism as much as he does in religion, in homeland as much as he does in Arab unity in the heritage as much as he does in science, in the popular base as much as he does in absolute authority."[1]

Najib Mahfuz, al Maraya

"...And he said: 'Socialism is an expression of ressentiment toward those who excel; our rulers usurped authority with weaponry rather than knowledge.' So I asked him what do you think of the problem of poverty in Egypt? He answered with naiveté, 'Everyone's status is decided according to their abilities and such is Allah's wisdom, praise be to Him.'"[2]

Najib Mahfuz, al Maraya

"We discussed our economic problems with our Arab friends and colleagues and we have had discussions with the IMF, the World Bank, the U.S. government, Western Europe governments, the EEC, Tokyo, and Iran. In all these discussions we tried to indicate our seriousness about improving our economic conditions and solving our economic problems."[3]

Abdul Moneim Qaisuni

"At the secondary school I came to realize for the first time what city dwellers here and what class officers meant...My classmates were naturally better dressed than I was but I never suffered because of this. Many of my friends came from wealthy families and lived in luxurious houses, yet I cannot recall ever wishing to possess what they had."[4]

Anwar el Sadat

Qadri Risq - a character in the fiction of Egypt's most distinguished novelist, Najib Mahfuz - embodies the ambiguities and contradictions of the Egyptian order that emerged out of the Free Officers' revolt in July of 1952. The revolution's symbols were all-embracing: there was plenty for those in search of radical orders to bless and sufficient ammunition for those who saw nothing but the rise of a new class and the persistence of old arrangements.

The sensibility of Qadri Risq - his desire to be all things to all people - lives on. As though to underscore the gift of Najib Mahfuz as Egypt's most penetrating social historian, the Secretary General of President Sadat's new political party announced its establishment in the summer of 1978 by describing it as a "national, democratic, socialist, popular, scientific, faithful, revolutionary, nationalist, (Pan-Arab) and humanist party." Its goals he said were "social peace, national unity, and socialist democracy...But our socialism is one of affluence, not poverty; one of prosperity, growth and construction, not of destruction."[5]

The opinions expressed in the second passage are those of another of Mahfuzes characters: an industrious, respectable physician whose work was "disrupted" by the socialist legislations of the Nasser years. Once impervious to politics and secure in his belief in wealth and ownership the physician became the victim of agrarian reform, losing five hundred acres of land to the state. He felt hatred for the state apparatus which also denied him the deanship of the medical college which he believed he deserved. But he lived to witness the defeat of the apparatus in June 1967. It was a national defeat to be sure but there was a consolation of sorts. The uncouth, repressive elements that had played havoc with the order of things were defeated; perhaps the old works could be restored and the pecking order be set right again.

The third passage is from one of Egypt's most respected economic policy makers, a former deputy, prime minister for financial and economic affairs. The Egyptian elite no longer bothers to hide behind the trappings of autonomy. Egypt has come a long way from the nationalist instincts and assertions of Gamal Abdul Nasser:

> For all practical purposes, Egypt has become a ward of the international community. At one point the Paris based Consultative Group on Egypt had 25 members - states, development funds, international institutions. The new Egyptian dependency was dramatically illustrated during the 1979 Tokyo economic summit of the major industrial countries: the summiteers received a request from President Sadat for a foreign aid package of $18 billion.[6]

The claim was that the package was essential for "development," but development was no longer the issue: the aid was essential to finance a crippling trade deficit, to pay for costly imports, and to provide a minimum economic floor. When the major Western countries once worried about the radicalism of Nasser, Egypt and its assult on Western economic interests they now had to worry about Egypt's weakness. Egypt had to be floated if peace in the region was to have a change. On the Egyptian side there has been a peculiar coming to terms with this dependency. President Sadat has presented this dependency as an indication of Egypt's - and his own - importance to the civilized world. Since October 1973 economic salvation for Egypt has been seen to lie outside its boundaries. The Egyptian elites have held before the citizenry - and perhaps before themselves as well - a rareity of grand schemes. It began with an "Arab Marshall Plan," then shifted to a "Carter plan," and then finally to an appeal to the trilateral countries as evident in the gesture to the Tokyo summit. Along the way, the Egyptian decision-makers assigned crucial supportive roles to Iran, the conservative Arab oil states, and the Western countries. Foreign policy considerations generated new resources; but there were concessions and changes to be made in the country's economic policies, in its trading system with inevitably significant welfare and distributive consequences.

The final passage is President Sadat's reconstruction of his own childhood: an invitation to others to acquiesce in the natural distribution of things and to do it without rage and envy. In President Sadat's universe, hiqd, resentiment, is a Nasserite legacy, an imported doctrine, hoisted on Egypt that "razed everything to the ground." The fact that President Sadat has come to speak the language of the respectable physician in Mahfuze's fiction explains the thorough reassessment of the Egyptian revolution - its class character, its commitments, its support base - that Egyptians and non-Egyptians alike have been recently engaged in. For scholars there are interpretive and analytical questions; for those who lived the experiment there is both the task of making sense of it all and, perhaps the more fundamental question of what that experiment has left behind and what is to come. Cumulatively, there is a judgment that a future different from that visualized by Nasser and the participants (spectators might be a better term) in his enterprise beckons Egypt, that there has been a thorough de-radicalization of the Egyptian experiment, a contraction of its populist model. This conclusion is all the more difficult to escape because the custodians of the Egyptian order have, as of late, openly broken with the symbols of that radical interlude in recent Egyptian history and they will be steadily forced to do so if they wish to legitimate new policy and to avoid too sharp a schizophrenia between deeds and pronouncements. The memory of how the young officers overthrew the monarchy is every now and then brandished in the face of "those who would want to take the country back to the first" -- a reference to those on the bourgeois right who can more easily and more naturally assume the mantle of a parliamentary, multi-party system that President Sadat claims he wishes to restore - but the intervening eighteen years between the officers' revolt and Sadat's presidency are no longer the bright years they once were. This act of historical reconstruction is more than an idle, disinterested re-writing of history: it provides the ideological justification for concrete policy changes of home and abroad. Altogether a different sensibility is now at the helm of the Egyptian polity: the political space for issues of equity and distribution has been drastically altered. In this study we consider two inter-related themes suggested in the opening passages: the de-radicalization of the Egyptian state and the regional and international context of its choices.

II

In his In a Moment of Enthusiasm, Leonard Binder gives a helpful summary of the changes that have been recently affected in the Egyptian polity. He sketches three conceivable pictures, ideal types, for the country and often wisely ruling out a full bourgeois, democratic option, focuses on the two that are in the cards: the first program entails the "de-Nasserization" of Egypt while the second is the old Nasserite formula. The de-Nasserization plan would entail what follows:

> ....the ASU [Arab Socialist Union] must be dismantled, a multiparty system instituted, freedom of expression must be guaranteed to those who can pay for it - at least, corporationism is to be diminished, the public sector of the economy is to be denationalized and agriculture is to become more highly capitalized and less labor intensive. The class base of such a regime would require a coalition of the urban bourgeoisie and elements of the rural middle class....Internationally such a policy would expect and probably receive support from the United States, from the conservation regions of the Persian Gulf and from some European states.[7]

In contrast the Nasserite formula is primarily mobilizational:

> Its goals are modernization and development, with particular emphasis placed upon enhancing the state administrative and military organizations. The devices are those of increasing the size of the public sector, integrating economic and bureaucratic sectors, controlling political activity through a national union, maintaining a government monopoly over the media, and organizing the occupations and professions in corporativist structuring....Internationally, this policy would receive support from the Soviet Union, from the more radical of the Third World countries, and in particular from the radical Arab states.[8]

Other evaluations of the Egyptian order also sustain the reading of a drastic shift in policies. In this volume Waterbury describes the urban policy as approximating a "triage" of the urban poor. Saad Ibrahim sees an overall pattern of retreat and offers a helpful periodization of the Egyptian experiment: in his view the regime of the three officers went through five distinct phases: 1) a hesitation phase; 2) an economic conciousness phase; 3) socialist transformation; 4) stagnation; 5) socialist retreat.

Two analyses, one by Galal Amin[9] and the other by Gouda Abdel Khalek,[10] see a radically different foreign economic policy at work. The Egyptian economy is being more fully subordinated to the worldmarket system: the result is a dependent economy where loans do the task once assigned to local savings, foreign imports replace local products and the result is inflation, maldistribution of income and dependency upon outsiders Both Galal Amin's interpretive essay and Abdel Khalek's more useful empirical study recall an important chapter in Egyptian history - the thwarting by European states and industry of Muhammad Ali's experiment with modernization in 1841. Both see the new "open door" economic policy as a re-enactment of that old theme: a society long at the receiving end of the power of others once again abandoning its quest for autonomy.

Of course there is one possible line of interpretation that the recent changes in Egyptian policies are less drastic than they seem, that the Free Officers' regime never really intended to re-structure social and economic relations, that Sadatism, so to speak, grows out of the womb of Nasserism. This, essentially is the perspective of some Marxists. Thus Samir Amin in his discussions of the recent changes in economic policy in Sadat's Egypt traces them back to their Nasserite roots. Of what he sees as the mounting inequalities under Sadat he observes:

> It was the ambiguous and contradictory choices of Nasserism which had created the pre-conditions for inflation and these inequalities. Its bureaucratic style reinforced a class, a part of which eventually revealed itself as openly reactionary. The liquidation of the popular organisations facilitated the transfer of power. Right from the middle of the sixties it was obvious to the more lucid communists that the modernisation and industrialisation strategy could lead only to bankruptcy, that the failure of the five year plan, the emerging inflation and the fragility of foreign dependence represented not just marginal errors but the objective limits imposed by the regime's class nature.[11]

Much of what has come to pass in Egypt presents no serious problems for Samir Amin's analysis. Right at the height of the Nasserite experiment with state capitalism and nationalization, Samir Amin's L'Egypte Nasserienne had depicted the Nasser regime as an instrument of the haute bourgeoisie and had noted its reliance on the support of the rich peasantry.[12] There is no surprise then. Such was the "class" character of the regime: "petty bourgeois" as it was, its class character decreed its objective limits.

Samir Amin's perspective is too mechanical and wholesale. My own objection to it stems from a general intellectual aversion to historical inevitabilities, to iron laws of development to which all societies and classes must succumb. There is no telling where a given social experiment will end up. To be sure, there are limits-geographic, cultural, philosophical, national - within which all societies operate. There is such a thing as a "national situation" - the location of a national society in the world, the resources at its disposal, etc. There are also patterns of culture which vary in their attitudes toward authority, equity, power and cultures have their own notions of fairness. But much happens within those limits; choices are made; traditions are improvised upon and re-interpreted; the power of the state is made and re-made. There are also the accidents of leadership, foreign defeats, the schemes and desires of allies, neighbors, and more powerful societies. A path opens up, and, conversely, others are blocked and leaders go beyond their class origins and their original intentions. Sometimes critical choices are decreed by others - powerful domestic groups, more powerful states - who refuse to cooperate and push a leader elsewhere for support and ideas. And of particular relevance to the Egyptian experiment, an awesome leader who once intimidated social classes, and juggled alliances suffers a devastating military defeat: the classes he once kept at bay suddenly recover; the ideas with which he once mobilized his constituency and intimidated his rivals lose their lure. Then the radical schemes have to be shelved if the order is to survive and the politics of survival are hardly conducive to great undertakings. Others follow in the leader's footsteps and they make their own hard choices: they either intensify the radical components of policies or they come to terms with now assertive classes - squeeze populist gains and welfare subsidies in the name of economic austerity and efficiency.

In the Egyptian case we glimpse the quintessential dilemma of a "populist" economy as groups, hitherto dispossessed, are brought into the economy:[13] the newly enfranchised lend support to the regime, but populism eventually generates, as Huntington and Nelson note in a relevant discussion, its own "vicious circle." The gains which expand a regime's support base become a drain on the economy "as more groups become participants and attempt to share in a stagnant, or slowly growing economic pie."[14]

Egypt's populist interlude had extended substantial gains to the lower and middle status in the society: there was a growing state and that meant openings in the bureaucracy and an expanded functional system: there was surplus land expropriated from large landholders and from the dynasty of Muhammad Ali; there were the possiblities opened up by the departure of the "local foreigners" - the Greeks, the Iranians, the Lebanese, Syrian and Jewish communities.[15] Finally there were substantial infusions of aid generated by the diplomatic skill of Nasser, playing off one camp against the other, receiving aid from both . One camp gave because it initially assumed that the Egyptian order represented a dike against Communism; the Communist camp gave because it was a rising system bidding for a place in the sun and because it came to accept Nasser's so called "non-capitalist path to development."

All this sustained an expansionist economy that was bound, sooner or later, to make the difficult choice between economic orthodoxy and contraction or going further down the road of socioeconomic radicalism. To the "normal" difficulties of a populist course must be added converging pressures from outside: the costs of the Yemen War (into which Egypt stumbled in the early 1960s) and the withdrawal of U.S. aid (in 1965). For the Egyptian economy 1964/65 marks a turning point in performance. Dependent as it was on a high import component, the country's import substitution and industrialization faltered with idle capacity reaching a level of 25% of productive capacity; gross fixed investment which had shown an appreciable rise during the first four years of the five-year plan plummeted.[16]

Now by a strict economic status, this was a real turning point and we leave it to economists to make or sustain that argument. But we focus instead on a more political explanation: the decline of "Bonapartist" power, the concessions to more resourceful classes, the general de-radicalization of the Egyptian state. It is clear that there was an economic slump, but it is an altogether different matter to argue that the economic slump would have had to be tackled in the manner which unfolded after 1967 and, particularly, after 1973. Even the economic analysis of Robert Mabro concedes the point:

> In Egypt, the Revolution attempted to raise the investment ratio in order to implement its initial development objectives. High rates of economic growth did obtain as long as the balance-of-payment deficit could be financed. But economic growth ground to a halt because the gestation periods of major projects delayed their expected benefits for too long and because aid, in the form of grants or very cheap long-term loans, a temporary phenomenon. The economy will eventually be able to reap the fruit of its past long-term investments and put to use excess capacity in industry, electricity, and other sectors. The redeeming feature of ambitious investment programmes is that they endow the country with durable assets which may become profitably productive after a time.[17]

It was the June 1967 defeat that broke the back of the Egyptian state and helped alter the terms of state-society relations. Not only were the military to be re-armed (the defense burden rose from 5.5% of GNP in 1960-62 to 1% after 1967), but there was a substantial change in the regime's maneuverability. The weakness of the regime was underscored by massive student unrest in late 1967 and early 1968, by a more assertive parliament that had been largely quiescent and irrelevant.

Where the Yemen War had been financed out of personal consumption. The post 1967 situation was to be defused at the expense of investment. During the Yemen War private consumption declined from 72% to 68% of GNP; it stayed at a steady 67% after the June defeat. Gross investment which stood at 18% of GNP prior to the June war fell to 13% in its aftermath.[18] This was a political decision: the regime was in a bind. If it squeezed too hard it would trigger outright rebellion; if it did not, it would have to compromise developmental goals. The political process being what it is the regime opted for the second path. The call for austerity was repeatedly made in the aftermath of the defeat, but it did not materialize. Of the LE 286 million of world currency slated for imports in 1967/68 LE130 million went for consumer goods, LE85 went for intermediate goods only LE75 million for capital goods.[19] The wisdom of that kind of position was questioned at the time but the political leadership made a critical decision in favor of maintaining private consumption and as we shall see, in favor of the middle and upper strata. The private sector was given all kinds of breaks and incentives in 1967 so as to help it with export promotion. This was accompanied by a massive assault against the public sector - hitherto beyond the limits of criticism.[20] There was criticism in the media, in the parliament of the public sector's inefficiency, of its losses, of the "illegitimate gains" of the men who were leading the public sector. This was to be but a dress rehearsal for future changes in economic policy, and for changes in the symbols of the Egyptian order.

The wind was blowing from all directions. On one extreme was the call for domestic austerity, a war economy, and a "people's war of liberation." On the other were the enemies of the regime - both the skeptics and critics at home and its conservative rivals in the region - who saw in the defeat an opportunity to roll back the changes of recent years. In between there was the politically critical bourgeoisie whose support the regime had to bid for. In more confident times, when the state apparatus and its leader had greater autonomy the middle class had to toe the line and go along. The ever-present threat was that the leader could tilt to the left, genuinely mobilize the workers and peasants and strike at the privileges and moral universe of the middle class. Such a confrontation is easy enough to rule out were one to take seriously the injunction about "objective limits" and the "class character" of the regime. But insecurity of social classes vis a' vis the state is the hallmark of a Bonapartist order: the leader has the freedom to choose among allies and the state can go in a number of directions. What the defeat did was to shackle the power of the stateand erode its autonomy. With that, it was easy enough for the more resourceful classes to capture state power and check its ambitions. And it is here the "retreat" of the state should be situated.

There were to be tangible as well as symbolic concessions to the more affluent strata. At the same time the state drastically curtailed its role in public housing [21] all the way from 21,300 units in 1962/63 to 20,500 units in 1965/66, to a low of 5,300 units in 1968. There was a phenomenal rise in the import of private automobiles.[22] Pulled between those who wanted an "intensification of social transformation" - and there were plenty of those in the ASU, among the students - and those who wanted a more steady conservative course, Nasser (and, later, his successor) went with the latter. Nasser reasoned that the left had no place to go and that it would have to stay with him for the alternative would be a more conservative option, that the left was weak anyway, and that the stability of the social order now depended upon the support of the middle and upper strata.

Anwar el Sadat's "revisionism" and hindsight reference to the important March 30 Declaration - issued in March 1968 in response to student unrest and parliamentary critics - as a "sponge" is too cynical and simplistic.[23] The March 30 Declaration was part of the new bargain between the state apparatus and the more resourceful strata. Three inter-related features stand out in the provisions of the declaration: a greater commitment to political pluralism, to science and technology, a new emphasis on productivity and efficiency in economic matters. The imbalance between the "red" and the "expert" was being rectified in favor of the latter; private initiative was given new and added legitimacy. In a break with the Nasserist conception of earlier years, the importance of "political liberty" was affirmed in the declaration: an "intimate connection" was seen to exist between "political freedom" on the one hand and "socio-economic freedom" on the other. Homage was paid to the multiplicity of institutions, to the independent role of the legislature, etc.[24]

A unique source that helps illuminate the change in the self-defined role of the Egyptian state in the aftermath of 1967 are the three-volume memoirs of Sayyid Marei,[25] an ancien regime parliamentarian who served as Minister of Agriculture and Agrarian Reform under Nasser, then lost his position on charges of corruption, returned after 1967 and went on to become one of the pillars of Sadat's order. Born in 1913,

to a rural gentry background, the fortunes of Marei say a great deal about the twists and turns of recent Egyptian politics. Mr. Marei was elected to parliament in 1944, managed to cooperate with the new order (despite the fact that he struck Nasser as a snob, part of a smug, self-satisfied world) by lending it his skills and education as an agricultural engineer, barely survived the radical moment of enthusiasm when the apparatus was bent on penetrating two countrysides, then lived on to prosper in Sadat's order, serving as Speaker of Parliament and enjoying close links to President Sadat cemented through the marriage of his son to President Sadat's daughter. Because of his crucial domain in agriculture and agrarian reform, Marei was a target of the apparatchiki who saw him as part of the old order prone to side with the landholders, hostile to the re-structuring of social and economic relations in the countryside. A mere few months before the June defeat, Marei and his family were being investigated by the Committee on the Liquidation of Feudalism - a body set up by the apparatchiki after the famous Kamshish incident when a rich landholder was charged with the murder of an ASU official. The Kamshish incident had served as a pretext, as well as a genuinely felt incentive, for those who wanted a "new revolution" in the countryside. Marei and his class had survived and prospered in Nasser's Egypt, but there were many who took the revolution seriously who were bent on resolving the revolution's ambiguity by attacking the interests of Marei and his kind. For several years in the political wilderness on charges of corruption, unable to gain even an audience with President Nasser for a long period of time, Marei knew the capricious side of a Bonapartist order and experienced the radical dimension of an ambiguous social experiment. But the June defeat gave Marei a breathing spell: only two weeks after the defeat a new cabinet formed and Marei ended up with two ministries. At the swearing in of the new cabinet, President Nasser would say to Marei that "we committed a lot of errors and the committee on Feudalism was one of them."

Some years back Nasser and Marei had clashed on the possibility of a revolution in the countryside: Nasser had maintained that he wanted agrarian cooperatives to serve as the "nucleus of a new society" while Marei had made the typically conservative argument that it is impossible to revolutionalize an old society, that the best you could is introduce some minor reforms. The times had changed: the populist charismatic leadership was hemmed in; its troubles had borne out Marei's conservative skepticism. Marei and others like him bounced back after 1967: they returned armed with the certitude that their way was the right way, that the radicals who had played havoc with the world had had their day and that history had proven them wrong. The right man was again in his proper place at Agriculture and

Agrarian reform: Muhsin Abu al Nur, an officer, an appartchiki (who was later purged in President Sadat's "corrective movement" of May 1971), lost that critical portfolio.

Marei's account helps clarify the frustrating and earnest debate about the continuity and discontinuity between Nasser's Egypt and Sadat's. Many of the things that Sadat was to embrace were faced by Nasser, but always with great hesitation. Restoration would have been too much for Nasser to contemplate and live with: that awaited his successor. What Nasser did was to rein in the radicals, to accept a subdued coming to terms with the world. Full-scale restoration was Sadat's choice, a choice more in accord with his temperament than with Nasser's. Nasser brought Marei back into the Cabinet: Sadat made him a relative and a pillar of his order.

It was Nasser himself, however, who initiated the de-radicalization. Much has been made of the de-sequestration of land under Sadat as an indication of a drastic shift in policies. But it was Abdul Nasser himself who began it only one month after the June defeat when he ordered the de-sequestration for 88 individuals who were targets of the Committee on the liquidation of Feudalism. He did it against the advice of many in the party and bureaucracy who felt that it was important not to show weakness of that critical juncture and not to suggest to the critics of the state that the state is no longer willing to "protect the social revolution." The bulk of what the Committee had done was undone by Nasser: of the 335 cases that had been singled out by the Committee, only 25 cases remained for Sadat. The rest were dealt with in Nasser's last three years as really a separate stage of his political career. It was Nasser who urged the toning down of radical symbols: time and again in the sessions of the ASU and the cabinet recalled by Marei, it was Nasser who intervened to ask members of the apparatus to drop their references to "feudalism" and "revolution," to pay greater attention to efficiency and profits: "We must," he observed in one of these sessions, "think of management for if management is not sound the people would turn away from socialism."

Two symbols battled one another for ascendancy in the aftermath of 1967 - "the revolution" and "eliminating the consequences of aggression"-and Marei would allow comfort from the tilting of the balance in favor of the national question. Time and again in the meetings of the ASU Nasser's prestige was thrown in against those who argued that there was a counter-revolution in the making and that the symbols of national unity were being used to undermine the social achievements of the revolution. Nasser's spokesman in the media, Mohamed Heikal, hammered away at the same themes: the need for "scientific management," the importance of toning down the talk about counter-revolution: "It is not true to say that profit - if it is legitimate - is a crime; that the sovereignty of the law is a limit to revolutionary activity; that the private sector must be absorbed by the public sector."[26]

The Marei memoirs reveal an interesting fight with somewhat predictable symbols: the continuity of the revolution on one side, "scientific management," "rationalizing the public sector" on the other. The advocates of the first position were engaged in a holding effort: here and there they were able to score some victories, but the battle definitely favored the "liberalizers." In 1968, the "left" had made it a difficult for Zakaria Muheiddin -one of the most powerful figures in Nasser's Egypt, a man who was said to favor a Western connection for Egypt and orthodox economic policies - and his partner in the cabinet, Abdul Munim al Qaisumi to put through conservative monetarist policies. Muheiddia and Qaisumi had to go because their programs were blatantly unacceptable: they lost out to the more standard, public sector, expansionist views represented in the cabinet by Aziz Sidqi and favored by the ASU appartchiki. But this and other victories were minor in the context of a gradual and steady liberalizing course.

In agricultural cooperatives, rich and middle peasantry secured a major victory in their effort to water down radical schemes by stipulating that four-fifths of the membership in the boards of cooperatives had to be drawn from those who owned no less than ten feddars, by adding a literacy requirement, by securing a promise from the state not to challenge the rights of ownership.[27] Mr. Marei's view that he wanted "complete stability" in the countryside carried the day. The rich and middle peasantry had been the principal beneficiaries of the agricultural policies of the regime: the post-1967 situation only worked to further weaken the state, keep at bay those in the political machine who wanted to penetrate into the countryside, challenge the rights of ownership, and push for drastic land reform.

To the general de-radicalization at home must be added a policy of regional accomodation with the conservative oil states. It began with a toning down of the Arab cold war in return for modest aid to Egypt. The volume of aid went up under Sadat, but the conditions attached to it were to be more demanding - a change in the country's economic policies. The oil states wanted the ideological battle that raged in the 1950s and 1960s, to be brought to its rightful conclusion: In "weaning" Egypt away from radicalism, there would be proof that the conservative ways of the oil states were the right and proper ones.

III

The theme of de-radicalization can be pulled together with the help of a brilliant work by Franz Schurmann, The Logic of World Power. Two long quotes are worth citing because they tell us a great deal about the fate of the Egyptian experiment and the relation between state and society. The first passage addresses the question of radical ideology that enters a society through the state:

> The key character of ideologies is that they come from below, from some segment of those who are disadvantaged in society. All, even the mildest have some kind of revolutionary character. All reflect a revolutionary process which continues even while it may not produce spectacular outbursts. Operationally, ideology enters the social fabric through the state, and specifically, if funneled through the pinnacle of state power, the chief executive. It becomes institutionalized in its minimal and most mundane form through the creation of new bureaucratic structures, which consume a share of the state budget. In other words, a small-scale redistribution of income takes place which is designed to satisfy the demands of the new ideology. In its maximal form, ideology enters the social fabric by taking over the state entirely, destroying class and bureaucratic interests and creating an entirely new state power. In either case, a remaking of state power has taken place. Since conservatives have no desire to remake the state (they own property and interests and merely wish to retain and expand them) and since bureaucracies only tend to expand their own interests rather than create new ones, the only source of bureaucratic change is ideology. And the predominant ideologies of the world are those calling for change, most importantly that the exploited, the oppressed, the poor, those with little or no property, be given a greater share of the scarce property of society.[28]

Equally significant for an understanding of the course of Nasserite radicalism is Schurmann's depiction of relation between state power and property relations and what he describes as the "merging" between dominant interests and the state.

> While historically states have often arisen through external conquest, more common in recent times is the rise of new state power through revolutionary pressure from below. At first, the function of the state is the integration of the propertyless people of society into the society as a whole, something it does, because of its nature, along national lines. The state normally arises in opposition to ruling classes and ruling interests. Riding on the strength of popular movements, the new state has an ideological character (nationalist, socialist, fascist, democratic, even religious). However, once in power, it seeks accommodation with the ruling classes and interests, and, conversely, those interests seek to capture the state. The state arises as the realm of ideology but almost immediately is subject to infiltration from the realm of interests, the interests of the classes of property. Thus, the normal course of the formation of state power, a process which occurs very frequently in the life of a nation, is the creation of ideological, political, and military power, which results in a broad class of the dispossessed being integrated into the national entity, followed by a rapid merging with the dominant interests, essentially economic, within the society.[29]

In Schurmann's terms and conception the Egyptian state that emerged out of the Free Officers' revolt could be classified as a radical state. Radical ideology entered it through the "chief executive"; it fulfilled certain redistributive functions. But then the state sought accommodation under fire as a consequence of both its defeat - an addition to Schurmann's perspective - and as a result of its "merging" with the dominant interests.

Much of the discussions of the Egyptian state by Marxists, and sometimes by others, make a great deal of the innate conservatism of the Free Officers, and much has been made of their early conservative views and roots. Miles Copeland's The Game of Nations[30] gave an insider's account of the close links between the Free Officers and the CIA. It is well known that the first victims of the new regime were two labor activists who were hanged in August 1952; new memoirs establish that the motive behind the execution of the two workers was the strong desire by the Revolutionary Command Council to "re-assure" the foreign investors, and to "guarantee stability."

Stripped of the great romance that came to surround it, and of the sound and fury it generated, the thrust of the post-1952 order was to integrate Egypt into the world system on more favorable terms. The state stepped in to arrest economic stagnation, to offer a more favorable investment climate. That required - in today's jargon - a "hard state": one that could provide a dike against chaos and wild-eyed radicals, that could provide the needed discipline to intimidate workers, to force an appropriate rate of savings and investment.

That was what the new Egyptian state proceeded to do. It started out with orthodox economic policies. All its spokesmen repeatedly reiterated their faith in the private sector. They took care to distinguish between their land reform and their overall economic policy. The land reform was presented as the only way of dealing with a major historical predicament; it was not to be part of a broader assault against wealth and property. The private sector was offered the bargain that the "hard state" is best equipped

> the state would invest in infrastructure and it would leave the more profitable activities to the private sector. Thus, from 1952-1956, 61% of the new required investment went into land reclamation and irrigation and 39% into transportation and electricity. There were also incentives for the private sectors in the form of loans to industry tariff protection and the like, and favorable investemnt codes for the foreign investor.[31]

With hindsight, it is easy to see that the new order represented an "enlightened capitalist path." Only two thousand landholders were affected by agrarian reform. None of the policies or symbols of the new regime came close to a radical attack against the relations of production and ownership. Local capital, however, did what it had always done (and what is generally normal) in moments of insecurity: it went into real estate speculations which showed a phenomenal rise in the years 1954, 1955, and 1956. If the plan was to have the private sector shoulder its responsibility in maintaining an enlightened capitalist path, ; this had clearly failed by 1956. The "accidental radicalism," if you will, was born out of the failure of dominant domestic interests to assume their responsibility. It takes restraint to avoid the problem of the "free rider," to get those who matter to pay their fair share toward keeping an economic order intact. The invitation extended by the new regime was turned down: the conservative beginnings of the junta ran into the unwillingness of the privileged strata to play by new rules.

A particularly astute analysis of this impasse is provided by Rifa'at al-Said (writing under the pseudonym of Muhammad Farid Shuhdi) in Ta'ammulat fi ol Nasiriyan, Thoughts on Nasserism.[32] What obtained between the post-1952 order and the dominant economic interests was a truce: Then the truce broke down on the issue of agrarian reform. Hard as the new regime would try to reassure the industrialists that the agrarian reform was not an economic or philosophical assault against private property; it would fail to do so. This, as Said notes, had to do with the fact that the same individuals straddled both the agrarian and industrial sectors - which precluded playing off the industrial elite, against the rural aristocracy: "Thus, the blow that was aimed at the landed aristocracy was also aimed, if unintentinally, at big capitalists who took it in silence and pretended to cooperate in order to gain time." The truce was doomed from the start. Leading Egyptian capitalists had no trust in the officers who had confiscated their agrarian holdings, dissolved the political parties through which the capitalists had worked while calling upon them to undertake the industrialization of Egypt.

This forms an essential background to understanding the accidental radicalism of the Egyptian state: the state had invited the private sector to lead the developmental effort; turned down by the private sector, the state had to do it itself. The "socialism" of the regime emerged out of societal stalemate: There was no "ideological clarity"; a path opened up and it was pursued. The new course was pushed along by the temperament of the man at the helm. It may be wrong to root ideological changes in psychological theories of "unsettledness," and in the temperament of individuals, but personal accidents do make a great difference. From recent Egyptian memoirs, particularly a detailed set of memoirs by Abdul latif al Baghdadi, one of the more powerful of the Free Officers who served in several cabinets and as a Vice President and was forced out by 1964, it would appear that Nasser himself was more radical than the mainstream of his colleagues.[33] Even after they had passed the socialist legislation of 1961, there still was no clarity in the ruling group, and no consensus among them. Basic differences surfaced at that stage: Kamal al Din Hussein and Abdul latif al Baghdadi repeatedly expressed their concern over Nasser's gradual "susceptibility" to Marxism, and gave the standard indictment of socialism: its incompatibility with Islam, with the tradition of the people. Socialism, they both insisted, would not stick on the ground, would offend the sensibilities of the people. But both men were squeezed out and Nasser prevailed. He went on to organize the ASU with which he aimed to strengthen the mobilizational system; he admitted the communists into the ruling alliance and the ASU presumably become his instrument for checking the power of vested interests he worried about.

But the ambiguity that seems to have been the hallmark of Nasser's political career asserted itself. He formed the ASU but constantly interfered to clip its wings and limit its power. Then, too, as Binder tells us in his analysis, the ASU, like so many other radical schemes, was shackled by rural notables - the second stratum - who made their way into it. They made sure they were amply represented in the ASU and that the power of the central apparatus was checked. The ASU wanted a "political approach" to prevail, but it became a center of power among competing centers of power. Its central apparatus, constantly watched and checked by Nasser,was later emasculated and then finally dismantled by Sadat.[34] The urge to turn things upside down had exhausted itself after 1967. To the extent that the ASU did provide a vehicle for the more radical elements in the society, the demise of the ASU is part of the broader phenomenon of de-radicalization. There was very little patience and energy left after the defeat to fight over social questions. Student demonstrations and labor unrest raised the spectre of pre-1952 disorder. The accent was now on accomodation and social harmony and that is the world that Nasser's successor opted for. A preview of the much-trumpeted foreign investment laws passed in 1974 was offered in 1971 (with law number 65), and the discussion of al infitah (the opening) was launched in April 1973. The post-1973 order was not as new as its proponents and critics make it out to be.

Above and beyond the politics of defeat and accomodation, the course of the Egyptian state reveals the dilemmas of state capitalism of the kind that developed in the Third World over the last quarter-century. Briefly the genre we are dealing with emerges out of a particular societal crisis: the upper orders fail to pull off a revolution from above; the bourgeois model is not a possibility because the bourgeoisie is not loyal to its own political pretension and because the international system often intrudes and overwhelms domestic forces. The state then has to step into that vacuum if it is to arrest economic stagnation.

State capitalism of the Egyptian society seemed triumphant in the 1960s. It fulfilled tangible economic functions - integration into the world economy, greater autonomy, the expansion of employment, etc. There were also a whole lot of non-economic factors working to its advantage; the lure of nationalism, the desire for a place in the sun. For all the polemics of liberal internationalism against the state, it is the state that serves to create a domestic market and to improve a nation's position in the world economy.

More lately, state capitalism, Third World style, has run into what seem to be fundamental troubles. Whether in Peru, Algeria, Egypt or in the older experiment of Mexico, there are few victories to be found. At home the model has come up against the phenomenon of the new class; internationally many of the states that opted for state capitalism seem to have succumbed to deeper and new forms of dependency. This has led to a revisionism about the entire model. Mahbub al Haq, director of policy planning at the World Bank, once a firm believer, expresses this kind of revisionism about the mixed economy relied upon by state capitalism:

> In most cases, such a choice has combined the worst, not the best, features of capitalism and socialism. It has often prevented the developing countries from adopting honest-to-goodness economic incentives and using the free functioning of the price system to achieve efficiency in a capitalistic framework, if not equity. In reality, there have been too many inefficient administrative controls and price distortions. At the same time, the choice of the mixed economy has prevented these societies from pursuing their goals in a truly socialistic framework, since mixed economy institutions have often been more capitalistic than not. The end result, therefore, has often been that they have fallen between two stools, combining week economic incentives with bureaucratic socialism. Neither the ends of growth nor equity are served by such confusion in social and political objectives within the framework of a mixed economy.[35]

IV

The failures of the mixed model will, in ul Haq's view, force many states to become "either more frankly capitalistic or more genuinely socialist." States of course might have to do neither. They may continue to muddle through, combining capitalist practices and socialist incantations, allowing the "market" to decide the distribution of spoils, but intervening now and then to keep things from falling apart. Each model inflicts its own wounds and generates its own troubles. If socialism Egyptian style ended in bureaucratic feudalism, the advent of a capitalist economy might fall prey to speculations, and to the historic incapacity of the Egyptian elites to develop a genuine and responsible capitalist path. The harvest of the shift might turn out to be greater cultural dualism between the sectors that respond to the new opportunities and those not strategically placed or equipped to do so; a growing and politically dangerous imbalance between the rewards of labor and those of speculation; a weakening of the industrial and economic foundations - however fragile and problematic - developed during Egypt's relatively successful experiment with planning.

The troubles of the Egyptian economy have a built-in intellectual risk of leading observers to conclude that Egypt has for a long time had to live with dependency, that its savings rate has been generally low, that it has always to finance investments from outside sources. But scales do matter; dependency is always a relative condition. Deficit financing which stood at 3.8% of national income in 1953 rose to 17% in 1975; foreign financing of new investments which was a source of weakness in the late 1960s rose from 35% in the late 1960s to nearly 75% by 1975.[36] There is a great deal of difference between the low figures and the high ones. There are also equally troubling if only "softer" indicators: there is a new legitimation of a culture of dependence on outsiders in Egyptian society today.

The new dependency which has become a pillar of the open door economy has deep roots in Egyptian history. To the extent that the post-October 1973 revived old propensities toward dependence, then this must be taken into account in any serious effort to grapple with political and economic change since October 1973.

The open door economy is a step-child of the 1973 oil revolution and it bears its mark: faith in technology, a belief in new possibilities, inflated expectations. Its harvest has been wild rents,land speculations, inflation, and the corruption born out of new possibilities.

A view of the post-1973 culture and its ramifications for questions of equity and welfare is provided by the astute analyst Mohamed Heiklal.

> People saw, too how power in the Arab world was passing to new men. For a generation the men who directed the course of events in the Arab world had been ideologists or officers from the armed forces - or sometimes officers who turned into ideologists or ideologists who tried to behave as if they were officers. Such were Sadat, Assad, Ghadaffi, Boumedienne, Michel Aflaq, Sadam Hussein and many others. Many of these were still there, but they were now being joined by the first installment of a new breed of power brokers, the middlemen, the arms dealers, the wealthy merchants who flitted between East and West, between royal palaces and the offices of oil companies - men like Kamal Adham, Mahdi Tajjir, Adnan Khashoggi and others - and by royalty itself, for who in the Arab world now exercised more power than Prince Fahd or Prince Sultan of Saudi Arabia? Could not individuals such as these, it was argued, achieve more for the Arabs than mass movements and radical revolutions?
>
> It is not surprising if in this changed atmosphere men and women in Egypt and Syria felt that the time had come for them too, to see some improvement in their material circumstances. They had known hardship; now they looked for their reward - for more to eat and for better houses to live in. Of course money would have to be found to pay for this, but who would dare to suggest that the Arabs were short of money? It was being said that the Arabs possessed the power to bring the rest of the world to starvation; surely they must have the power to feed themselves? So eyes turned to the oil-producing countries. Oilfields began to loom far bigger in the public mind than battlefields; thawra (riches), it was said, had begun to take over from thawra (revolution).[37]

In the states at the periphery of the oil revolution, it was reasoned that shackled economies could not compete in the new regional order and these states (true of Egypt as it is of Syria) responded to the new opportunities. Their response was typically bureaucratic: scrap yesterday's laws, ease the hold of the state on the economy, change to symbols of the political order. There were state elites anxious to make the transition to the new climate and to break out of the bureaucratic mold. The doctrinaire distinction between public and private sectors breaks down far easier than the faithful imagine for as some limited data to be presented at a later stage in this analysis will show, there were many state-based elites in Egypt (and we presume the case to be the same in Syria) who would now use their position in the state bureaucracy to make the leap into the private sector. The classic illustration of this syndrome is the Mexican pattern where the public sector of one regime is the private sector of the next.

The Egyptian response to the era of petrodollars was a rush to demonstrate a break with the populist interlude. Thus in 1975, the Egyptian bureaucracy reported with great pride that 102 laws had been enacted to create a new economic order.[38] The legislations covered the full range of economic activities: Law 43, the centerpiece of the legislations, paved the way for the foreign investors and gave a generous set of provisions and exceptions: Ministerial Decision number 1058 liberalized import laws, and the import sector was shifted to an open licensing system;

banking which had been nationalized was thrown open to foreign banks resulting in 25 new banking ventures; Foreign exchange transactions were shifted from the official market (LE = U.S. $255) to the parallel market LE = 0.70 = U.S. $1). Most of the crucial legislation was enacted in 1974/75 at the height of the euphoria with the post-October 1973 order A little later there had to be an intensification of liberalization. The logic was more of the same. The proponents of al infitah would repeatedly persist in their view that "capital is cowardly," that there had to be more incentive for foreign interest and "hidden local capital." Indeed it was the mandate of one cabinet headed by Prime Minister Abdul Aziz Hijazi to implement the open door economic policy and, when that failed, the task fell to Mamduh Salem - a man with a background in the Police services, a former Governor of Alexandria - to achieve what Hijozi's government has failed to do. In President Sadat's words, "Mamduh [Salem] is today blowing up all the rules and obstacles that impede the freedom of economic affairs."[39] To the proponents of al infitah intervention by the state is an obstacle and all obstacles should be removed.

The relentless attack against the state in the Egyptian liberalizers' arsenal is in part an unwillingness to pay the public costs of the political order. It is also a bit of political and cultural mimicry - an attempt to be more Western than the West - that reflects an inability to understand the rules of the game in OECD countries. The result is a "more royalist than the King" kind of situation. While OECD countries regulate their economies, those who wish to appeal to the West urge dismantling of many of the economic functions and responsibilities of the state. And in the aftermath of the October war the proponents of the new policy based their arguments not only on a vastly changed regional and international configuration - petrodollar, Egypt's geostrategic importance to the U.S. design - but also on the widely perceived failure of what passed for socialism.

To follow the voluminous debate on al infitah and on the broader questions of basic economic choices, as we did for this study, one is struck by a curious simplification of economic issues: Economic conditions seem to be of two kinds, infitah (opening) and ingilaq (closure). Egypt tried the latter and it presumably failed; thus it is time to go for an overhauling of the system. In the proponents' depiction of the issues, to oppose al infitah is to fall prey to a "fear complex." This fits in with the interesting psychologizing of politics in Sadat's Egypt where politics reduces itself to the search for identity, where all of Nasser's policies are explained by Nasser's "complexes" which President Sadat always refers to but does generously refuse to reveal. The "fear complex" appears in President Sadat's important programmatic statement, the October Paper (April 1974) in connection with the role of foreign capital. The world after 1973, the Egyptian President observed, is not the way it was before: Egypt is strong to rid itself of the "fear complex" vis a' vis the outside world.[40] The same psychologizing - serving as an escape from concrete discussions - figures in an all-too typical statement by Mahmoud Abu Wafia, a member of parliament, a brother-in-law of President Sadat who until the food riots of January 1977 served as Secretary General of the Arab Socialist Union: In a discussion of a joint Egyptian/Saudi/Kuwaiti enterprise, one member of parliament asked whether the terms of the venture violated the gains of the workers and the previous labor legislations, Abu Wofia's response was to attack what he called "the foreigner's complex." Egypt, he said must rid itself of "all the complexes that imperialism implanted in our generation."[41]

The political process that brought about the "102 legislative changes" maintained throughout that it was Egypt's laws that stood between the country and access to foreign capital. Here and there dissident voices were heard, but the bureaucracy and interest that pushed those legislators were locked into that proposition. Behind liberalization stood the prestige of the Presidency: the authority of President Sadat's October Paper and his promise of a new era of prosperity. And in an authoritarian political setting the interests that favored the new policy had their way. If critics of the regulatory agencies in the U.S. focus on the way the regulators end up being "captured" - John Kenneth Galbraith's term and imagery - by the interests and industries they are supposed to regulate, Egypt presents a yet more extreme case. The would be regulated (multinationals, their domestic representatives) helped to make the basic economic policies; the bureaucrats, who are generally entrusted with regulation, had a different mandate in the Egyptian case: that of "blowing up" the rules and promoting the interests of the regulated.

Thus the Investment and Free Zone Authority (whose domain covers Foreign investments and joint ventures) was never seen as a regulatory agency. Its task was to "package" the country to pave the way before the foreign investor. Bureaucracies being what they are, the Investment and Free Zone Authority became a domain from which careers could be advanced by those who placed their bets on the new economic policy. Predictably the authority's indicators were to show its diligent pursuit of its defined objectives. Consider the following introduction to its glossy brochure (the brochure was printed in Beirut as if to underscore the impact of the open door economy on local industry):

> The General Authority for Investment and free Zones has embarked on its new task on the 14th of October 1972 with convening the first meeting of its Board of Directors. Since that day, and until the end of December 1977, the Board held 45 meetings in which they approved 534 projects to be set up in land and in the private free zones. The project's capital amounts to LE 2132 at first estimation. The Board of Public Free Zones approved 206 other projects whose capital amounts to LE 208 million...[42]

The word "approve" gives away the tactic of the proponent of _al infitah_ as they held out the promise of massive foreign investment awaiting a favorable political climate. Thus in 1974, it was announced that LE 500 million were approved while the actual committed capital was only LE 383,000, in other words less than 1 percent of approved projects. It was also in the same vein that Prime Minister Mamduh Salem announced that one of the achievements of his government was the approval in 1975 of 349 projects with a capital of LE 390 million and that another 150 projects were under study. Some of this was wishful thinking; some was a deliberate effort to suggest that a new, and possible future beckons for Egypt.

That the basic policy of _al infitah_ was made by the regulated and by its direct beneficiaries and that its basic pillar was the dismantl of state regulation is borne out by the proceedings of a number of important workshops of multinational business executives and state officials that those took place over the 1975-1977 period and by the parliamentary sessions which ratified the key economic decisions. Both these sources afford us a view of the interests represented in the making of the policy (as well as those left out) and of the philosophical base of the policy.

All the workshops on Legal and Economic Aspects of Foreign Investment held in October 1975, Exchange Control and the Open Door Policy held in April 1976, Banking Control and the Open Door Policy held in December 1976, and finally the Workshop on Proposed Changes to Law 43 held in February 1977) are dominated by an un-examined faith in the efficiency of the market.[43] All the workshops ritually recommend that primacy should be assigned to removing state barriers. What is immediately evident in all these meetings is the absence of not only those who might favor different economic choices but even of those sectors of the bureaucracy - i.e. Ministry of Industry officials - who might be committed to a measure of economic nationalism and might have a vested interest in protecting local industry. The Egyptian officials present at these meetings are invariably the same individuals: representatives of the Investment Authority as well as those of the Ministry of Economy and Economic Cooperation. The officials of the Ministry of Industry, let alone the representatives of affected labor unions, were shut out of the process. Lopsided and pliant majorities in parliament then ratified the key decisions. In none of the workshops were distributive and welfare questions seriously raised. The reigning economic philosophy can be discerned from the recommendations made. For example the Workshop on Legal and Economic Aspects of Foreign Investment recommend that

> "the structure of relative prices be thoroughly examined and attention be given to the task of making market prices in Egypt more nearly reflect social costs and benefits....It is recognized that private foreign and private domestic investment respond much more to market prices than to direct decisions by the government. It is also noted that public companies are being given more freedom to respond to market incentives. It is therefore necessary that the same review of the relative price structure in Egypt be undertaken that will lead to proposals that make market prices more nearly reflect social costs and benefits."

Behind the tortured verbiage was the familiar call upon the state to "rationalize" things by terminating subsidies - an added bit of pressure to that applied by the IMF and the Arab oil states. More of the same emerges from the Workshop on Banking Laws that was attended by virtually the entire foreign banking sector. This time the issue was the convertibility of the Egyptian pound and the exchange rates. It was "recognized" by the participants that there was a "movement to greater reliance on the private sector and the market mechanism." It was concluded that the "current exchange rate policy was a major obstacle, perhaps the major obstacle to private investment entering Egypt." That too was the position underscored by the Workshop on Exchange Control and the Open Door Policy that recommended floating the Egyptian Pound and shifting imports from the official to the parallel rates: "It was appreciated that the open door policy represents a marked shift in development strategy from that prevailing over the two decades prior to the early 1970s. This shift from the old to the new imposes a variety of demands on the policy maker to effect this transition. At the same time there is a lack of data and full comprehension of how the economy in its present stage will function as new policies are introduced."

One could go on with this, but the cumulative message is clear. It adds up to a fairly powerful lobby with no countervailing powers. That this lobby's arguments are neither compelling in terms of logic, nor fully thought out makes no difference whatsoever. The business interests were (naturally) pushing for the most favorable terms they could get and they invariably came up with the very laws under which they were supposed to operate. The state bureaucracy went along. A sense of the symbiosis between the regulators and the foreign economic interests is conveyed by the following datum: Muhammad Ibrahim Dakruri, the member of parliament who headed the parliamentary committee that pushed through the proposed changes to the foreign investment legislations in May of 1977 (changing Law 43 to Law 32) was to show up a while later as a president of one of the banks authorized under the Foreign investment codes - Misr - America Bank in which the Bank of America holds 40% interest, Kuwait 9%, and Egyptian investors the remaining 51%.[44]

The vital changes in foreign investment laws drawn up by a workshop of foreign executives, investment lawyers, and officials of the Ministry of Economy were known to the business community long before they were submitted to parliament. Egypt Report, a newsletter published by an investment lawyer Ahmad Shalkany had summarized the changes for its subscribers in February 1977 - more tax exemptions, more favorable exchange rates, no limits on the repatriation of profits. Mr. Shalkany attended the meetings that came up with the new legislation: He and other lawyers in his firm (which represents and advises foreign enterprises) lobbied for the most generous of exemptions, in effect for the total absence of state regulation. Mr. Shalkany's newsletter asserted that it was "believed" that the "introduction of these amendments will remove the obstacles that have hindered the flow of investments into Egypt up to the present time and create the appropriate investment atmosphere in the Arab Republic of Egypt."

None of this shows a firm understanding of the nature of international political economy, of the dynamics of foreign investment decisions and how they are made. The real problems are wished away. What is at work is faith, an incapacity to realize that economic nationalism asserts itself in countries of conventional "leftist" ideology like Algeria and "rightist" ones like Brazil. Having gambled with great exuberance and certitude on the flood of investment awaiting the dismantling of socialism that supposedly frightened away the foreign investor, the proponents of al infitah held on to their faith, in the face of sobering evidence to the contrary.

The parliamentary debates on these matters further reveal the workings of the system: the more reasoned arguments came from the critics; faith and absolutes were the material of the proponents and they were in the overwhelming majority of that body. Some independent members had specific things to say: Khaled Moheiddin questioned the excessive faith in legislation. He rightly noted that the experience of Third world countries confirms that foreign investment is directly correlated with the level of domestic savings and that for Egypt the critical questions were its savings rate, the reform of its infrastructure, and a serious plan for the economy. Unless these are tackled, foreign investors will stay away. The few who will come in will do so in sectors of the economy - banking, consulting firms, fast food chains, - that fail to address the basic needs of the society.[45] The relentlessly independent Muhammad Hilmi Murad focused on the generous tax exemptions.

Not only were those unfair - what is the justice behind taxing the worker and the employee while exempting investment firms commercial representatives? - but they were also the wrong issue. Foreign investors, he observed, do not stay from a particular country or invest there because of taxes. Taxes are one factor among many; it is the overall health of an economy that sways the foreign investor. How does Egypt, he asked, intend to maintain its economy while it erodes its tax base? How will the economy as a whole function when foreign investors have privileges not extended to the Egyptian investor? If foreign investment laws were passed to bring in international technology and capital then why allow foreign insurance companies to come in when their previous record indicates that they "accumulate domestic savings to serve foreign economies?"[46]

The "official" position had of course many defenders. The views of two members of parliament may be selected as an indication of the dominant current: one is the position of Dr. Gamal Uteifi, a deputy speaker of parliament and a man who could be said to represent liberal professions; the other is that of Kamal Mustapha Murad, a former Free Officer who seems to speak for the interests of importers. In defense of the open door policy, Uteifi reveals its sources of inspiration. He informed his colleagues that he had just returned from a trip to Singapore, Thailand, Indonesia, and the Philippines - countries which are flooded by foreign investment in order to understand the secret of their success and that he was now firmly convinced that Egypt is amply qualified to attract foreign investments:

> In reality the problem that faced foreign investment in Egypt is providing the right atmosphere that guarantees security for those investments. Now that we have finished our quick comparisons....we have concluded that Egypt is totally prepared for foreign investment; more prepared than any other country. Let

> us remind the foreign investor of the fate of foreign investments in Ethiopia, Portugal, Pakistan and in many Latin American countries which are subject to daily disturbances and military coups.[47]

Egypt's comparative advantage is then its stability. That Utefei uses the "New Society" of President Marcos and the Indonesian "New Order" and the typical case of Singapore as examples of what Egypt should pursue may tell us a great deal about the conception of equity and its fate in the post-October 1973 political economic order. The journey that Uteifi took to these countries left no deep impression on him. The troubles of Indonesia and the Philippines, their scale of corruption and inequity, the political repression it takes to secure and maintain these orders do not appear in Uteifi's testimony. Nor is there a serious, sustained inquiry into the relevance of Singapore to Egypt's needs. There is only the over-worked reference to the security of the investor, to his need for the right guarantees.

If Uteifi, a thoughtful, educated legislator, lets the issue of equity fall by the way-side, Kamal Mustapha Murad's position is yet more extreme. Here we see a pre-New Deal kind of logic at work and we confront the purposes to which <u>al infitah</u> was put. For Murad, and for many others like him, <u>al infitah</u> served as a way of attacking any limits on the freedom of capital and the rights of property: there should be no limits on profit margins; the state should go for maximum exemptions for in doing so it would unleash "hidden local capital." What was applied in the 1960s, said Murad, "cannot be applied now for we are in the second half of the 1970s and we should not speak the language of twenty years ago but the language of the time....Capital is abundant around us and the annual surplus in the oil states is US $50 billion.... I ask the members to approve this plan and as soon as possible for the Consultative Group meeting in Paris needs such a law....The press services are awaiting an approval."[48] Between Egypt and prosperity stand some "formalities", to use Murad's term - and the legislations of the 1960s. Dismantle those and all would be well: both hidden local capital and surplus petrodollars would solve Egypt's problems. The extent of the wisdom about economic affairs was evident in parliament on another occasion when the import laws were being scrutinized. As a proponent of liberalization put it: "The door should be opened before all to import and export as they wish...We will see that prices will go down and that there will be no deviations.

To go into the debate at such length and to select such passages may seem a bit unkind, but I have insisted on these passages (without selecting the most extreme ones) to unravel the manner in which the new economic policy was formulated and defended. The new economic policy promised salvation to an impoverished society that had been through some very difficult times. Its proponents depicted an external environment of plenty that was Egypt's for the asking if only the "anachronistic" policies of yesterday were pushed aside. At the juncture, both domestic Egyptian interests and foreign economic interests converged. For the former there were new opportunities. For the latter the stakes in Egypt were more substantial than the Egyptian market itself. At stake was the health of the international monetary system, the stability of the Middle Eastern order and Egypt's unique place in the Arab system. In the aftermath of the October war, the fight between the Arab oil states and the radical ones hadbeen over for sometime, concluded after 1967 in favor of the oil states. The phenomenal wealth at the disposal of the oil states that nationalized after 1973 only served to further deepen the dependency of the oil-less Arab lands on the aid of the oil states. Egypt's repudiation of its previous radicalism and its adoption of a pro-American policy stood as the clearest embodiment of that victory.

The promises extended to Egypt by President Richard Nixon, by his secretary of Treasury William Simon, by David Rockefeller, by the Shah of Iran and by Saudi Arabia, all of whom had inputs into the new policy,were part of a larger game. The particularities of the Egyptian case were of little interest to them. Nor were welfare and distributive questions high priority items to the Shah of Iran or to William Simon or to the decision makers in Saudi Arabia. The Shah's record in Iran speaks for itself; William Simon's sermons on private initiative place him on the far right of the ideological spectrum in the United States itself. As for Saudi Arabia, its economic philosophy reflects the accident of its wealth, its isolation from world currents, and its unsophisticated social structure. In the Saudi worldview, concerns with equity and redistribution (beyond the Islamic codes on Zakat, alms) are synonymous with communism. Saudi Arabia was willing to invest in the new Egyptian policy if Egypt would see its way out of its previous "confusions," abandon its "imported" economic doctrines and join Saudi Arabia in a "stabilization" scheme for the Arab world as a whole.

V

But the motives of foreign interests were only one side of the equation. To the global and regional pull, there was a powerful, domestic push. No society is a helpless pawn of others. This much at least could be said of a post-colonial world. Even poor, vulnerable states make their own choices. Third World nationalism may have failed to deliver all that was pinned on it, but it has placed a great deal of sovereignty within the state and thus it has undermined the view of Third World states buffeted by winds and pressures beyond their control. We have already sketched the arguments of the proponents of the open door policy in the troubles and developments of the late 1960s.

More yet can be learned about the open door economic policy (both its social base and welfare consequences) through a different route: the lists of investors in the companies authorized by the foreign investment codes. These are exhaustive lists, titles of incorporation published in al Waga'i al Misriyya and al Jarida Rasmiyya (The Official Gazette). A thorough analysis (more systematic than the one attempted here) of these lists may yield significant data about and insights into elite linkages, private/public sector relations, and the relation between international commerce and state elites. The lists make for interesting reading: predictably they cover a small set of elites and if the charge of one member of parliament that eight hundred families have become the principal beneficiaries of the July 23 Revolution of 1952 is true, it is here where the weight of the affluent families is felt. The lists (we checked the full records of 1975 through 1978) substantiate the "merging" of the pre-1952 interests with the beneficiaries of the post-1952 political order. Some old pre-1975 families re-emerge; new ones who worked through the Egyptian state after 1952 rise to the top. The lists thus confirm a "restoration" of sorts combined with the rise of a new class through access to state power.

(1) Restoration: A great deal of commentary on the Egyptian order is in agreement that a political and social "restoration" of sorts has taken place in recent years. The old interests were pushed aside during the Nasserite interlude, but they survived. Checked against the names of those who were subjected to the socialist and rationalization measures of 1961/1962, the new lists (the 1975-1978 lists of investors) offer a poignant commentary on the fate of many radical claims in the so-called revolutionary experiments of the Third World.[49] The one major difference between the older lists and the new ones is the absence of the "local foreigners" who were so prominent in the old lists. The Greek, Syrian, Lebanese, and Jewish names, so abundant on the first list, do not appear on the new lists. But many native Egyptian families that had substantial assets in 1961/1962 re-appear as beneficiaries of the new investment laws. Some examples are in order: Muhammad Munir Sharif Sabri, Zainab Sharif Sabri, Aisha Sharif Sabri held large stocks in two concerns that were subjected to the 1961/1962 measures. They appear as local partners of a Swiss concern represented by an investment of LE 150,000. Dr. Muhammad Oweiss Ibrahim Oweiss and Samin Oweiss of the 1961/1962 lists appear as investor (with LE 220,000 capital) in a tourist-related enterprise authorized August 11, 1977. The Shalkany family present on the old list, had a total of LE 325,000 invested in four new concerns. The same is true of Hasballahs, the Mareis etc. who also appear on both lists.

By far the most interesting case is that of Uthman Ahmad Uthman who doubles up as the country's leading contractor and a frequent minister of housing (his son is married to President Sadat's daughter) and who often seems in The Economists's words to be "in charge of all Egyptian construction." Mr. Uthman's firm came under the nationalization laws of 1961/1962. At the time, the stocks in his firm were valued at LE 400,000 and were held by himself and members of his family: Uthman Ahmad Uthman LE 80,000, Hussein Ahmad Uthman LE 28,000, the heirs of Muhammad Ahmad Uthman LE 76,000, Ibrahim Uthman Ahmad Uthman LE 19,444, etc.[50] As characteristic of the half-hearted approach of the Egyptian experiment, Mr. Uthman was left in charge of his own firm. Thanks to his business operations in the Persian Gulf states and to the peculiarities of the intersection of the private and public sectors in Egypt, Uthman thrived even during the heyday of radicalism. But it was in post-October 1973 Egypt that Uthman has done exceedingly well. His bucyant belief in private enterprise and his dynamism stood out in marked contrast to the seeming inefficiency and lethargy of the public sector. Uthman was a man who could get things done in a country where things always seem to stall break down. With his position in the bureaucracy, his links to President Sadat, his international connections, Uthman was one of the prime movers and symbols of the post-October 1973 order and, it would appear, one of its principal beneficiaries.

The tentacles of Mr. Uthman reach deep into the open door economy. A joint Iranian/Egyptian firm authorized in November of 1975 had a LE 500,000 investment by Mr. Uthman's firm. Two of its directors are relatives of Mr. Uthman: Hussein Ahmad Uthman and Muhammad Salah al Din Hasballah. A concern authorized in 1978, with a capital of LE 400,000 was owned by Mr. Uthman and his family. So was a polyester enterprise with LE 250,000 capital. Fifteen % of the Egyptian company for construction and development (a joint British/Egyptian firm) was owned by one of Mr. Uthman's companies, Specialized Contracting and Industries, a firm capitalized at LE 1 million (50% Egyptian, 50% registered in Luxemborg) is another of Mr. Uthman's enterprises: its Egyptian shares were held by Muhammad Uthman Ahmad LE 85,000, Muhammad Hussein Ahmad 40,000, Umro Hussein Ahmad 40,000, Israel Ibrahim Ahmad 20,000, Hadia Uthman Ahmad 20,000, etc. This time the titles of incorporation were a bit more elaborate than usual: the members of the board of the directors were Umro Hussein Ahmad, 23 years of age, Ibrahim Uthman Ahmad, age 25, while its chairman of the board was the 29-year old Muhammad Uthman Ahmad. This is the phenomenon that Dr. Mahmoud al Quadi - an independent member of parliament - refers to as the "young geniuses," sons and sons-in-law of the leading men in Egypt reaching the upper layers of administration and finance in their early twenties; or what Gouda Abdel Khalek labels "family capitalism." For all the mumbo-jumbo of ideology, there seem to be very few substitutes to being born to the right family. This is as true of Egypt, as Qadi and Abdel Khalek tell us, as it is true of the U.S. as the controversial research of Christopher Jencks and his associates persuasively demonstrates;[51] it is also true of the U.S.S.R. where members of the bureaucracy and the party pass on to their children the privileges of the new class.

Uthman's construction firm was also the stockholder of a large tourist/hotel investment. This was capitalized at LE 4 million and the Uthman controlled share was 40%; the Uthman share represented 50% of an aluminum-related investment project capitalized at LE 2,240,000. Two of Mr. Uthman's concerns had an investment of LE 525,000 in a joint British/Egyptian project capitalized at LE 1,500,000.

Mr. Uthman straddles the private and public sectors. His "clan" is amply represented in both; he is linked to the President; an associate of his, Ali Anwar Abu Sahli, a lawyer who was blacklisted under Nasser, was reinstated in recent years and appointed in October 1978 as the country's public prosecutor. We learn of the extent of Uthman's reach from a detailed statement made by Dr. Mahmoud al Qadi in parliamentary debates: cousins, nephews, and sons-in-law of Mr. Uthman sit on the board of several joint ventures with foreign companies; they go in and out of the bureaucracy as deputy ministers, heads of public concerns, prosecutors, creating a powerful network of interlocking directorates. Mr. Uthman's defense of his activities against the charges of Dr. al Qadi was put in the re-assuring language and symbolism of "the family." All the 35,000 employees of his firms were his "relatives, sons and loved ones." As for his nephew Ismael Uthman, "the young genius," his success was attributed to his being a "bright student." Egypt, said Uthman, had too much to do to be consumed by <u>hiqd</u>, <u>resentiment</u>, and to succumb to alien doctrines.[52]

(2) The public sector of one era is the private sector of the next. The classic case of this model is that of Mexico - a country whose revolution and its outcome bear more than a superficial resemblance to the Egyptian case. Access to state power provides an opportunity for capital accumulation and extremely valuable experience in mastering the rules of the game. Then the official classes plunge into the private market: the fervor they once displayed for planning and state intervention is channelled into the private market. Official experience thus becomes the base for a new career in the private

sector.

Since October 1973 there has been an elite personnel shift of considerable magnitude from the public sector in Egypt to the private sector. Some of those who have made the shift are among Egypt's most powerful and prominent figures. This is the way an Egyptian Businessman describes the new competition in the marketplace. "The market is now full of former prominent officials; two former prime ministers in addition to twenty two former ministers and tens of former heads of public sector companies, deputy ministers and governors."[53]

The businessman just cited adds that it is this group that concludes the big commercial deals and that has a corner on commercial representations of foreign multinationals. The limited data we have substantiate the businessman's claim. We have already encountered the unusual example of Mr. Uthman, but there are others. The two former prime ministers are Aziz Sidqi who is the representative of Fiat Motor Company[54] and Abdul Aziz Hijazi, principal architect of the open door economic policy and prime minister from 1973-1975 who is the local partner of a Saudi/Egyptian investment concern.[55] Former deputy prime minister, Muhammad Abdullah Marzuban, under investigation in 1979 in a case involving the sale of Boeing jets to Egypt Air owns 6.25% of the stock of Colgate Palmolive Egypt with an investment of LE 45,250.[56] An Egyptian/Iranian/Abu Dhabian firm capitalized at $6 million and authorized in July 1977 an Egyptian share of LE 1,800,000 held by Raouf, Yahia, and Fuad Kamel Mursi; the same Fuad Kamel Mursi shows up, in January of 1977, in a presidential appointment as Deputy Minister of Civil Aviation.[57]

The investment codes and opportunities may have been new, but this is an old theme. For as Mahmoud Matwali tells us in his book on the historical roots of Egyptian capitalism, access to state power has been one of the main sources of capital accumulation in Egyptian society.[58] The aspirations of new classes and individuals are expressed through the state; then there is the merging of old and new interests of the kind depicted by Schurmann.

There is, however, a public price to be paid for the private success stories. The large commissions earned by the higher echelons of the state bureaucracy bring public ruin in their train. They either deliver the society into the shackles of foreign dependence - as elites try to generate new resources by trading in on a country's geo-strategic importance - or they end up jeopardizing the productive wages of a national economy by eroding its industrial base with a flood of imports that bring in quick profits and large commissions. Large commissions require grandiose, costly projects - while the development needs of a poor society call upon more modest, basic undertakings. Moreover, there are non-economic kinds of costs associated with large commissions. Engendering as they do a sense of unfairness about how the economic game is played, about the balance between the toil of the many and the good luck of the few, commissions, commercial representations, and large bribes either invite outright rebellion and ruin of the kind that recently played themselves out in Iran and Lebanon, or simply perpetuate stagnation and decline. What one observer called an "Egyptian Watergate" - the Boeing scandal, the Westinghouse affair involving an alleged payment of more than US $300,000 to Deputy Prime Minister Ahmad Sultan, al Amiryya project, a grandiose polyester/textile factory and the Pyramid Oasis project, an ambitious tourist/related project - has already taken its political toll.[59] The excuse that the system will come through and will cleanse itself is a lame offical explanation. What

Egyptians refer to as Nazahat al Hukm (the integrity of the political process) has become one of the main political issues in recent years. The "demonstration effect" supplied by the comings and goings in the oil states was bound to spill into Egypt; it ruptured previous limits and encouraged the men in power to go for big stakes. It has always been difficult to practice austerity in a climate where others can hoard and flaunt what they have. The trouble with a man like Uthman Ahmad Uthman, this writer was told by a member of parliament, is not that he is corrupt, but that he is corrupting. Setting the example that he does, Mr. Uthman (like the more successful Saudi middle-man and financer Adnan Khashoggi) invites others to emulate him. None of the attempts to pin corruption on particular cultures, on things like national character, are particularly persuasive. What matters is the situation in which men find themselves. Private enrichment is a wholly understandable response to the demise of the public order. It takes political will to instill discipline (always relative, always vulnerable to some violations) in a political order. It takes some fairly good and austere examples at the top of the political system. These have not been in abundant supply in Arab polities as of late; this may be one of the prime political casualties of the era of petrodollars in the Arab world.

In all the grandiose projects listed above, large commissions were made by few individuals; there was also much pomp and ceremony and talk of a new era of prosperity and "civilization." In all the cases, the public interest seems to have suffered. If the aim of social and economic thought is to locate a country in the world, to define its existential and political predicament, all these projects foster thin illusions and make it possible for the few to escape from Egypt's troubles into some imaginary land. Under the Khedive Ismael (ruled 1863-1879), the dream was to make Egypt part of Europe. Some of the proponents of al infitah aspire to no less and act out their own version of progress, their own version of what Europe and America are all about - in total defiance of the accumulated wisdom about development about the options open to poor societies in the world system.

Consider some of the debris: One of the most prestigious grandiose projects is a tunnel under the Suez Canal- to be dug by a British firm, Tarmac, in partnership with Mr. Uthman - leading as The Economist put it into a "fairy city" in the Sinai desert. Here is the Economist's detailed analysis of a project costing more than a $100 million dollars:

> Immensely sophisticated and largely untested, digging equipment was brought from West Germany; simpler and more labor intensive method might have suited the Egyptians better. Egyptian steel from Helwan was not strong enough to line the tunnel. Concrete segments were used instead, but it turned out that these had to be made from imported, not Egyptian cement.
>
> Fatal accidents, including the electrocution of a number of distinguished Egyptian engineers, have dogged the project. Mr. Sadat proposes to use the equipment to build two more tunnels under the canal. When engineers wonder at how such space-age stuff can be moved, the President speaks of the pyramids.

The Pyramid Oasis project was another piece of showmanship, and again, private gains and public costs. This was to be a vast 10,000 acre development near the Gizo pyramid set aside for luxury hotels and villas. This, as the grandiose ambitions had it, was to be the "spearhead for foreign investment," a supposedly US $500 million project. It was authorized in 1975 as a partnership between Southern Pacific Properties, a firm incorporated in Hong Kong, and a public Egyptian agency. Southern Pacific Properties was to commit 2,040,000 US $ million of capital; the Egyptian side was to participate in the venture with its commitment of land. But Southern Pacific was mostly a paper entity set up by two Canadian businessmen, Peter Munk and David Gilmore, with a trail of shady deals and legal troubles behind them. Munk and Gilmore proceeded to turn the project around and offer the land for sale to real estate developers. Three interested buyers were located: none other than Saudi tycoon and middle-man Adran Khashoggi who put up a $12 million investment to acquire 28% of Southern Pacific and two Saudi princes who acquired 23% interest in return for US $15 million. In addition to the financial irregularities, the project was vulnerable on archaeological, and ultimately on strict economic grounds: it represented a clear threat to the area around the pyramids. By building within the "circle of influence" around the pyramids, it would have prevented further archaeological discoveries. Nor would turning the area into a vast real-estate development project have aided the cause of Egyptian tourism. Once again, the would-be regulators in the Egyptian state had personal interests at stake: a one-time deputy minister of tourism, Dr. Salah Abdul Wahab, was the representative of Southern Pacific and the chairman of the board of the project. The fight over the project became a symbol of the underlying battle between the speculators, the middle-man, and the "growth-men" behind al infitah and those worried about the economic and cultural consequences of what has come to pass for a "liberal" economy. Into the fight entered some broader regional considerations: the weight of the Saudi investors and their influence, the need not to do anything that might "frighten" them and other investors away. Under fire, President Sadat eventually cancelled the project.

Roughly the same themes emerge in al Amiryya project - a large textile/polyester combine undertaken as a joint venture between Bank Misr and the American firm Chemtex. This time, however, the stakes were bigger - the project required a capital outlay of LE 530 million -, the extent of the potential danger considerably greater, and the irregularities a bit more stark. This, in summary form, is what emerges as the record of that project: (1) It took only four days to approve the project. Bank Misr, a public sector bank, applied to the Investment Authority on March 23, 1977. Its application was approved on the 27th of March. Approval was granted without consulting the General Organization for Industrialization, the Ministry of Industry, or the existing textile units in the public sector whose output and visibility would be seriously affected by the project. (2) The project, a quite large public investment, had not been part of the 1978 plan or the five year plan that the government is committed to implementing. (3) There was deliberate falsification in the session of the Investment Authority that approved the project. The proponents of the project claimed that they had the backing of the General Organization for Industrialization; in reality that agency had been totally opposed to the project. (4) For a joint venture of this scale, the foreign partner had only committed US $3.2 million; the rights were being assumed by Bank Misr. Chemtex, the foreign partner, had nothing to lose; the project stipulated a sale by Chemtex of US $58 million of machinery to the project. The same machinery had been offered to public sector units in Egypt for US $38 million. (5) There were extremely large commissions made by a number of individuals, involving clear and outright conflict of interest. Engineer Sayyid Oweiss was Bank Misr consultant and project director for al Amiryya; his son Muhammad Sayyid Oweiss was a commercial representative of Swiss and German concerns supplying machinery to the project. Mr. Oweiss's commission was something like US $1.6 million; four other individuals made commissions totalling more than US $4.5 million. (6) There was no serious feasibility study. One U.S. based consulting firm received US $4.5 million for the study. For an unusually high fee, the product was a superficial analysis that gave the proponents of the project the praise and results they wanted. (7) The project was initiated against the combined advice of the experts at the Ministry of Industry and those of the World Bank who both agreed that there was no foreign market for the projected output and that Egypt would enter into a tough field and would have to compete against such established exporters as Taiwan and South Korea. (8) At the time of the project's inception the public sector in Egypt had a surplus of textiles valued at LE 140 million. (9) The project called for a skilled labor force of 28,000 technicians while the public sector units were suffering from a shortage of skilled manpower. It was clear that luring technical talent away from the old textile firms would be ruinous to the whole industry, and that is why the labor unions joined the fight against the project.[62]

VI

Beyond the data (some of it fairly tedious) and the scattered projects lies a more fundamental issue: it is the old question of domestic industrialization, imports versus manufactures, and a country's position in the world economic system. The real danger of the open door policy is its impact upon local industry, and this upon native welfare and employment. The debate for and against industrial protection and economic nationalism is an old one that could neither be settled, nor reviewed here.[63] The case for economic nationalism has been made by men like Friedrich List, Alexander Hamilton, Charles de Gaulle. In extreme formulations, protection of infant industry and economic nationalism rest not only on economic grounds but also on matters of political autonomy and cultural integrity. For some, these are absolute matters. The dilution of economic sovereignty leads to political subjugation and cultural dependency. The "ideal-type" liberal interpretation can be equally extreme in its advocacy of an open world economy and its denunciation of things that impeded the mobility of men, capital, and technology. Both sides are capable of marshalling a great deal of evidence. The economic nationalists can point to a tough world where societies should not be at the mercy of others, to factor's such as a society's level of skills, technological base that make a mockery of the laissez-faire game and rig it to the advantage of the strong. The case of the liberals is a familiar one: the protection of infant industry perpetuates inefficiency. In recent times, the advocates of liberalization can point to the poor record of protectionism and import substitution, to the fact that many cases of import substitution have failed, that far too many were inspired by national prestige and that they amounted to the substitution of imports (finished products) by other products (raw materials and capital goods).

It is by the strictures of a moderate version of economic nationalism - that underpins this analysis - that the open door economy can be faulted. The case for economic sovereignty should not be an absolute one and in our world that is an impossible thing to aim for, for sovereignty is, as Stanley Hoffmann graphically notes "leaking out on all sides." But one does not have to be an uncompromising Gaullist - nation ... grandeur, the right of the state to do what it wants - to note the negative costs of the scale of dependency that Egypt has ended up with. Two things can be singled out: the impact upon national industry - hence upon employment and mass consumption - and the subordination of an economy of debts and deficits to the dictates of others (in Egypt's case the IMF, the oil states). We take up the question of industry first.

With the severe ecological limits on its agriculture, the search for a viable industrial base has been a powerful, almost instinctive, theme in contemporary Egyptian history. This was Muhammad Ali's quest until it was thwarted by European power in 1841; it was also the dream of Tala'at Harb and the Bank Misr group under British occupation in the 1920s and the 1930s. The Free Officer regime was heir to the same tradition. The slogan "from the needle to the rocket" expressed the ambition of giving Egypt a viable industrial base. Sadat's October Paper continued in the same vein. "The future of Egypt," observed Mr. Sadat, "is linked with industrialization....our primary hope in securing food for the increasing millions is for Egypt to export enough of its industrial production so as to enable it to import what it needs in food supplies."[64] The case for the open door economic policy rested on Egypt's need for more effective, less cumbersome access to outside capital and technology. The proponents of the new policy looked toward the markets of the Persian Gulf states: not only would an industrial boom satisfy Egyptian needs, Egypt would also become an "export platform" - combining outside technology with cheap Egyptian labor.

But the reality of the policy has been an altogether different matter. A sophisticated industrial base takes a great deal of time to develop; it calls upon a good deal of social discipline, a willingness to serve, a capacity to compete in foreign markets (after securing the domestic market) at a time of intense global competition for markets. The quick-kill mentality that moved the post-October 1973 order ruled out the possibility of such an industrial transformation. Nor were the outside markets so easy to penetrate. The abundance of capital in the Persian Gulf states, the hungry competition for those markets by OECD exporters, the kinds of technologies and gadgets that Saudi Arabia, Kuwait were importing, reduced the Egyptian scheme to another of the aborted dreams and possibilities entertained after 1973 by those (the Arab states and Iran) who were convinced that a new world was in the making.

Thus the laws that were passed to enable Egypt to capture outside markets reduced themselves to what should have been an easy thing to predict; an "import mania" in the Egyptian market, a steady undermining of much of what had been accomplished in Egyptian industry after two decades of systematic bias in favor of industrialization. The relentless attacks - some justifiable, some motivated by personal interests - against the public sector had done their job: the political consensus essential to protect native industrialization was undermined, and the result amounted to a charge in the country's view of its economic possibilities, Egypt would generate hard currency through export of its labor to the Arab oil states, from tourism and the Suez Canal and from politically-motivated foreign aid; in return it would rely on imports. Strategically placed elites would conduct the transaction; in the process, they would hide behind a laissez-faire ideology that they presume and say to be at work in rich, capitalist societies. They would also (rather like the Lebanese elites before them) invite those who can not be absorbed in agriculture to emigrate: make their fortunes elsewhere and return to engage in trade, perhaps open a boutique, a travel agency, etc. Yesterday's populist experiment had stacked the bureaucracy and the public sector with university graduates to secure the stability of a critical segment of the population. Armed with what they depicted to be the dismal record of the populist experiment, the "liberalizers" came back with no policy at all, only with an attack on yesterday's populism and its inefficiency.

The bias in favor of industry has been replaced with a bias in favor of the importer. This more accurately refelcts the superior political resources of the importers and the middle-men and their proximity to political power. As Issam Rifaat, a seasoned analyst at al Ahram al Iqtisadi observes, the tariff structure is "killing" local industry: "it has changed from an instrument of protection for infant industry to an instrument for burying the public sector." In several key industries the tax on raw materials is 10-30% of value while finished products are subject to a tax of 5%. The import tax on finished generators is 2% but 35% on raw materials, and spare parts; 12% on tractors but 17% on spare parts; 20% on light bulbs but 30% on raw materials.[65]

There are abundant examples of industries (as well as agricultural products) in trouble as a result of the unrestricted import laws passed in the 1974-1976 period; the tire, textile, plastics, and paper industries to name a few. The strategic banking sector is also in trouble; foreign banks were supposedly brought in to help finance investments, but they ended up engaging in regular banking transactions and diverting Egyptian savings outside the country.

The problems of the local tire industry came to light in an exchange between Minister of State for Economic Cooperation Gamal Nazer - whose bureaucratic unit is an active proponent of the new economic policy and Muhamad 'Ahmad al Faqi, the head of a public sector concern that manufactures tires. The local tires had previously met the requirements of domestic consumption and had a decent volume of exports to Arab and African markets when surpluses materialized. But under the new import laws, the public sector was overstocked with tires it could not dispose of. Bureaucratic fragmentation (even within the public sector itself) appears to have aggravated the problem as different bureaucratic fiefdoms scrambled for their own interests. The whole public sector/ministry of transportation units were using foreign loans (in this case Japanese loans) to buy imported tires. Thus in 1977/1978, only one half of the local tire production was disposed of. Lax enforcement of the free zones was another contributing factor: tires were finding their way, via smuggling, from the free zones into the zones for market.[66] The troubles of the textile industry in the face of cheaper imports from Taiwan and South Korea were again similar and typical.

A mere two years after the formulation of the new economic policy, the agony of local industry was already rupturing the superficial consensus behind the open door policy. The lines are increasingly drawn between cheaper imports and local manufactures. The political process favors the former, but that victory can be short-lived. The defection from the new policy has familiar features as local, national capitalists (who once hailed the open-door policy) begin to suffer its consequences and as sympathetic intellectuals take note of both the welfare consequences and of the sensitive issue of cultural dependency. We see this defection in the position of the

Egyptian Federation of Industries whose president, Hamed Hahib, came out against the hasty import laws favored by other sectors of the bureaucracy. Local industry, he warned was being undermined by a number of factors: 1) the import laws; 2) smuggling from the free zones; 3) the "import complex" which drives those with purchasing power to buy foreign goods as a badge of their own cosmopolitanism and sophistication; 4) the loss of East European and Soviet markets.

The concern with cultural integrity, always most intimately felt by the intelligentsia, has caused many to take a second look at the open door policy. The editors and staff of the influential al Ahram al Iqtisadi who once hailed the new policy appear to have joined its critics-gently and with great caution for they are part of the country's official media, but their steady coverage and their editorials leave no doubt as to where they stand. In a bitter and sarcastic commentary written in early 1976, its editor-in-chief Lutfi Andul Azim expressed cultural and economic grievances that the new policy will have to address if it is to avert a dismal fate. The opening he said, has been such a "remarkable success": there is plenty of German, Dutch, and Danish beer on the market and plenty of foreign cigarettes on the side-walks. The opening should be welcomed for there is an abundance of Kentucky Fried Chicken and foreign fast food chains changing the eating habits of the average Egyptian from eating ful (fava beans) to hamburger; plenty of elegant foreign-made cars relieving the crisis of transportation.

The most penetrating statement of defection by the same editor was made after the food riots of January 1977. Here his themes were the "new consumer society," the place of the poor masses in it, the alienation from an order which flaunts such waste and wealth in the midst of suffering. The regime's statement on the riots was President Sadat's description of the upheaval as or "uprising of the thieves" and a communist conspiracy. Abdul Azim gave a deeper explanation that was no doubt held by the majority of Egypt's intelligentsia. "Egyptian society," he observed, "is full of time-bombs; the majority of the Egyptian people has unfortunately come to feel that it is undesirable in the new consumer society." Few individuals, he said, were actively engaged in looting and burning but there was a "silent majority" that stood by and did not care. There is an "economic apartheid " between a new class that hoards all the opportunities and the vast majority of the people. Why should the average person, he asked, care whether the casinos on the road to the Pyramids were burned when he hears that a belly dancer makes in one evening what it takes a wage-earner a period of five years to earn?[67] The balance between effort and speculation has always bedevilled economies that live off services and international commerce. How to keep the stability of such an economy in the face of a glaring inequality of opportunity may turn out to be the Egyptian order's most taxing challenge.

VII

Eventually, ruinous and hasty economic policies have to be paid for. In Egypt and other Third World Societies caught in the debt trap (Peru, Zaire, Turkey, to name a few), states end up paying with their economic autonomy. The outstanding foreign debts accounted for by less developed countries rose from U.S. $48.4 billion to $206.8 billion in 1976; the external financing needs rose from $13 billion in 1970 to $56 billion in 1977.[68] In country after country, the "politics of creditworthiness" has more to say about the actual conduct of policy than any ideological exhortations. The crisis of foreign debts brings in its train new forms of intervention and dependence: formthat the nationalist leaders did not foresee a generation ago. Subscribing to a primacy of politics, the first generation leaders sought the trappings of statehood. Today those trappingsare therebut sovereignty turns out to be an empty shell. Foreign advisors are practically in control of Zaire's mis-managed economy. Turkey's governmentschange but they all end up succumbing to harsh economic reality as left-of-center governments adopt the policies of their conservative predecessors. Peru's populist experiment is now onaconservative course:exhausted in 1975, it took a turn to the right under Morales Bermudez and had to accept the "reform package" of the IMF to gair access to capital markets. In Egypt, the IMF missions come calling regularly with the usual deflationary package.[69] The IMF has some resources to offer, an important rubber-stamp of approval; but it also has intellectual capital as well: the familiar prescriptions of a credit squeeze, reduction in governmental expenditures and a very low opinion of state subsidies of services and consumer goods, and usually a devaluation of currency.

Power being what it is, the IMF guidelines subject weak and deficit countries to more powerful economies. The IMF has very little leverage over surplus countries like Germany and Japan. Germany and Japan it can advise; but it can coerce weak economies. This is the way a British economist puts it: "Access to the higher credit tranches in the IMF is only obtained at the cost of the effective elimination of the economic independence of the borrowing countries. This is as true of an industrialized country like Britain as it is for a peripheral country like Mauritius; in both cases internally determined economic priorities must give way to those established by the need to bring the balance of payments into equilibrium and to repay international credit when it falls due."[70]

The medicine that the IMF recommends can be tough to take. In Peru, Turkey, and Egypt, IMF guidelines had to be enforced by calling in the army. IMF guidelines (backed by the oil states) were behind the Egyptian governments decision to halve its food subsidies in January of 1977. The decision sparked a popular upheaval which was suppressed in a welter of blood and a loss of seventy nine lives. An excellent report for the U.S. Senate Foreign Relations Committee notes the connection between IMF guidelines and the grim game of governance in a situation of scarcity and constraints:

> The difficulty with these [IMF-recommended] policies is that while they may be the most effective way of rapidly bringing a deficit country's external accounts into balance, they may also lead to higher unemployment, cuts in social welfare programs, and a generally lower standard of living for the people, at least over the short term. And in desperately poor countries, where the majority of the population may already be living at a bare subsistence level, a decision by the Government to impose a program of stiff economic austerity can create social and political turmoil. The requirement that government spending be reduced and the private sector expanded may also conflict with the long-term social and economic goals of a government or of certain political factions within a country.
>
> If the IMF and the other creditors are not sufficiently responsive to these internal constraints, they may push a government into a position of having to choose between acceptance of the foreign creditors' terms-and perhaps having to use political repression to carry them through-or repudiation of the IMF, the banks, and possibly its debts.[71]

In defense, the IMF can point to the fact that it "confines its conditions to broad economic aggregates," that it does not "dictate details of taxes and spending" and that "the way individual governments choose to meet its conditions reveals much more about them than it does about the IMF."[72] There is no doubt that there is a great deal of merit to this view, but the distribution of power within Third World societies almost invariably dictates the typical way adjustments are made: at the expense of the poor, through cuts in subsidies rather than through vigilant and honest taxation of affluent classes. The way an Egyptian minister explained Egypt's decision on subsidies sums up how governments tackle adjustment problems: "Last year we had a budget deficit of over $2 billion. When we came into the cabinet, we decided this must be reduced. Of the four key budget items - military, investment, subsidies, and debt service - it was decided that the subsidies were the most expendable item."[73]

The relative political weakness of the poor and the ideology of "market pricing" constitute a vicious circle. Subsidies seem expendable because those who benefit from them are disorganized and those who so constantly criticize them are so sure of the efficacy of the medicine they propose. Cross-pressured between those who wanted to phase out the subsidies and the angry Egyptian masses who finally drew a line for their rulers in the January 1977 riots, the Egyptian government retreated and called on the U.S. to make "the IMF give way."[74] The President's strength lay in his weakness: If pushed too far, his regime might collapse.

It is clear from the above that much of Egypt's economic strategy is reliant upon a highly unpredictable and fluctuating foreign policy and geo-strategic game. It has been a dangerous trapeze act which in the aftermath of the Shah's collapse and a rupture between Egypt and Saudi Arabia, ended up with Egypt relying on an American net to keep the act from turning into disaster. The post-October 1973 Egyptian order exaggerated what others would and could do for Egypt: it under-estimated what the donors will ask for in return. The oil states were ready to give some help and they gave it between 1973 and 1977 - something like US $1.2 billion a year - for geo-political reasons.

Likewise they withdrew most of it when the Egyptian state wanted to go its own way on the Arab-Israeli front. The Baghdad summit held in 1978 should have been the moment of reckoning for a policy that put so much faith in outsiders. Egypt's wager was that Saudi Arabia would go along with Egyptian policy, but the Saudis went their own way and agreed at Baghdad to a fairly harsh set of economic measures against Egypt that included a ban on loans, deposits guaranteed, and contributions to the Egyptian government; and a ban on the purchase of Egyptian government bonds.[75] The uncertainties of diplomacy aside, it was wishful thinking to believe that the Arab oil states would finance Egyptian economic recovery. With its sparse population and a long history of Egyptian invasions into the Arabian Peninsula (in the nineteenth century under Muhammad Ali, in the 1960s under Ahmad Nasser) Saudi Arabia had no interest in shoring up Egyptian power beyond keeping Egypt barely afloat. "Whoever is responsible for another's becoming powerful," observed Niccolo Machiavelli in The Prince, "ruins himself." The Saudis were not interested in their own ruin and the rise of viable and autonomous Egyptian power. Nor were the expectations of Saudi investments in Egypt and other Arab states particulary realistic. Saudi and other Arab petro-dollars responded in an economically rational and predictable way: they went to the capital markets of the West. Of the investment behavior of the oil states, a U.S. Senate report notes:

> The OPEC countries have behaved like other prudent investors in disposing of their financial surpluses; that is, they have invested almost exclusively in low risk, high yield assets such as government securities in the hard currency countries, in stocks and bonds offered by Western corporations, and in deposits with the 15 or so largest multinational banks. Thus, according to the U.S. Treasury estimates, of a total of approximately $133 billion in financial

> assets accumulated by OPEC in the period 1974-76, that can be accounted for, and estimated $48 billion was invested in government paper, portfolio and long term direct investments in the industrial countries; another $9.75 billion was loaned to international organizations; and by far the largest amount, $49 billion, or 37 percent of the total, was deposited with private commercial banks, mostly in New York and London. Only $16 billion, or 12 percent of the total OPEC surpluses, went directly to the developing countries, mostly in the form of grants to Moslem countries. OPEC did increase its direct lending to developing countries in 1975 and 1976. But this increase may have been largely offset by a cut in 1976 contributions to official international lending institutions, whose chief beneficiaries are the LDC's. The remainder went to the nonmarket economies.[76]

Ideologically the open door policy was wrapped in the garb of "Westernization." But men and societies removed from the West rarely seem to understand what is at work in the world they wish to emulate. There is a massive gap between the free-for-all capitalism defended in Egypt and what obtains in today's international political economy. The "open" trading system created in the post-World War II years, sustained as it was by the U.S. economy, has broken down. The will of the pre-eminent advocate of the free trade system to assume the burden of the world system's organizer came to and end in April 1971 when President Nixon announced a new foreign economic policy for the U.S. and, in effect, a new international economic order.[77] This is fully understood in OECD countries. Compare for instance the official Egyptian views surveyed in this essay with the conclusions of an OECD report - the McCracken report - authored by eight prominent economists drawn from major OECD countries. There is, notes the OECD team, some danger that "the edifice of free trade, so carefully built may begin to disintegrate." Of the circumstances that sustained the post-World War II international political economy, the report observes: "This potential for rapid growth would not have been realized...had it not been for the favorable economic climate created by governments -- first by their assumption of responsibility for the achievement of high employment, and second through their commitment to economic integration in the framework of an open, multilateral system for international trade and payments."[78] The economic troubles plaguing OECD countries, warned the authors of the McCracken report, call upon more "disciplined" governmental policies if the goals of employment, price stability, and reasonable rates of growth are to be realized.

This (unfortunately) is not the first or last time that incantations in non-Western societies about progress and Westernization sharply differ from realities in the West. The curtailment in the role of the Egyptian state is at odds with the increasing role of the state in international economic affairs, a phenomenon repeatedly and fully elaborated upon in the works of Robert Gilpin. The things that brought about increasing inter-state economic competition are apparently here to stay:

> The reasons for this greater government participation in the private sphere are several: (1) the challenges posed by the energy revolution; (2) the increasing cost of technology, especially so-called "high" technology; (3) the concern over "stagflation" itself; and (4) new sets of social demands in areas of social welfare and environment which necessitate greater government intervention in the economy. This change in the role of the government not only has numerous economic consequences but it tends to "politicize" international economic relations. The tendency is for the free market to give way to inter-state negotiations regarding such matters as "orderly marketing agreements" and market shares for domestic industry.[79]

Great expectations pinned on others often culminate in bitterness and recriminations. The "generous Arab brothers" of 1974 and 1975 became in the words of a writer for the Egyptian daily al Akhbar, "shoeless goatherds"[80] only two years later. Of the large equation that underpinned the post-October 1973 order, there remained American support and American contributions. Whether the recriminations once visited on the Russian and then on the oil states eventually come to be visited on the U.S. remains to be seen. It is dangerous for patron and client for the client to expect so much of the patron. In today's international system, nations either pay their own way or they fall behind: they make all kinds of "adjustments" to decline and stagnation. Powerful groupshelp themselves to public resources; many of the gifted emigrate to other lands as despair sets in and the dominant order abandons any serious commitment to public welfare.

Albert Hirschman's work on "exit, voice,and loyalty" is depictive of one ominous Egyptian response to politico-economic decline;[81] the emigration of some of Egypt's most gifted youth. Choking off the voice option, the Egyptian order has been encouraging the exit option with negative consequences for the quality of the social order and for mass loyalty to the society at large. In one informal survey of university students, nearly 85% expressed a desire to leave Egypt upon graduation.[82] This trend set in after the 1967 war; it turned into mass exodus after 1973. The pull of oil wealth was one factor; but there were domestic factors as well. In Egypt as elsewhere emigration buys off a measure of stability by removing from the system potential dissidents; but it also removes from the society those who would have been more likely to resort to the voice option and to make some contribution to the public interest.

Traditionally Egypt was a society whose inhabitants were reluctant to venture to other lands. It possessed the stability of an agrarian order where men stayed, normatively and physically at home. Writing in 1835, E.W. Lane described in his classic <u>Manners and Customs of Modern Egyptians</u> the reluctance of Egyptians to leave their native land:

> Love of their country and more especially of home is [a] characteristic of the modern Egyptians. In general they have a great dead of quitting their native land. I have heard of several determining to visit a foreign country for the sake of considerable advantages in prospect; but when the time of their intended departure drew near, their resolution failed them.[83]

More than a century after Lane had made that observation, Jean and Simone Lacouture confirmed it in their book Egypt in Transition.[84] It was only in the past decade or so that mass emigration became a widespread Egyptian phenomenon. The private gains are easy to document: but the public costs to productivity and social stability, though harder to specify, are surely considerable. There is the shortage of skilled manpower felt in critical Egyptian industries; there is the cost in productivity that results from those biding their time, waiting to leave. As the Egyptian economic analyst Adel Husayn put it in an essay that attempts to come to terms with the impact of emigration upon Egyptian society: "It could be said that he who has not emigrated is preparing to do so; that is, he considers himself in transit and we can imagine the impact of such a phenomenon upon his productivity."[85] States can, as Hirschman argues, make it tempting for their citizens to stay at home. They can provide incentives and public services that encourage the citizen to remain. Of interest to this analysis, a fair income distribution is seen by Hirschman as one such incentive: "Social justice, too, may be a public good; individuals may find it enjoyable to live in a society where income distribution is comparatively egalitarian."[86] It then follows that a high level of inequality is an invitation to the more psychologically sensitive to pick up and go elsewhere.

VIII

At the root of any sustained fight against inequality lies a certain aesthetic revulsion toward it. This was a sentiment that Rousseau captured in his great work Emile long before Marx and Marxists gave the whole concern with inequality "laws" and "objective conditions". The struggle against inequality begins when some break with the prevailing sentiment and go against the standard, time-honored injunction that equality is not of this world. Those who make the effort usually know that great crusades may end in failure, that new forms of inequality will arise when you destroy old forms of inequality that old classes often hang on under new labels, but they make the effort nonetheless.

Whatever its ideological shortcomings, the Egyptian order made the effort under Abdul Nasser. The radicalism that moved Egyptian order may have been accidental-reflecting the personality of the ruler, the rise of new classes sensing new possibilities, the intrasigence of an old order, the pressure of a global system that pushed the experiment further than the Egyptian custodians may have initially intended. Then things took the turn depicted here and there was the resurgence of the old conservative sensibility about inequality: the kind that lives in all societies and more so in old civilizations that witness the rise and passing of all sorts of claims, the emergence and fading of movements that set out to change the world and then succumb to it.

In one of the most thoughtful analyses of the Egyptian experiment, the noted Egyptian writer Lewis Awad writes thatthe Egyptian revolution has "aged," that it needs a new social contract, a new sense of what it is dedicated to.[87] The dust that revolutions stir eventually settles down. By then revolutions would have either succeeded in transforming a social order or gone on to become sheer incantation, a cover for inequality, a way of pre-empting those who might be really interested in social change. All revolutionary changes produce their elites and "new classes."

History - even when brief and compressed - has a way of being unkind to all sorts of radical claims. It either provides testimony to what men claimed or it can show that their words outran their deeds, that the underlying social realities defied and eluded them. What the Mexicans call the "institutionalization" of their revolution - where revolutionary symbols go hand in hand with one of the most unequal patterns of distribution of the world - shows the fate of many radical quests that try to undo old orders. The Egyptians too have institutionalized their more recent revolution. And as in Mexico, that kind of order sets bounds (perhaps unbreakable) on social policies.

Essentially the whole concept of income distribution rested on the hopes of a generally buoyant era - the 1960s. In the 1960s it was believed that we could close the gap both within and among nations. Now, it is easier to see that income transfers have not worked and that the only large-scale global transfer (the change in the price of oil) took a political decision by a group of states and was done under favorable global circumstances. Likewise, we know that the 2% transfer of GNP within poor nations that the World Bank says is essential to tackle the problem of absolute poverty has not materialized either. Generally the sensibility of the 1960s believed in public politics. Today, we lack that belief, so men help themselves to what they can. The prospects for redistribution - within and among nations - are not particularly bright; the prospects for "stalled societies"[88] - like Mexico or Egypt - are more problematic still. Stalled societies escape the grim horrors of great crusades and - given the record of great crusades in our time - that must be judged a positive thing. What they suffer is what Barrington Moore[89] has aptly called the "appalling costs of stagnation."

[1]Najib Mahfuz, al Maraya, Cairo, 1972, p. 345.

[2]Ibid; pp. 157-158.

[3]Abdul Moneim Qaisuni, Middle East Economic Digest, 13 May 1977, pp. 4-6.

[4]Anwar el Sadat, In Search of Identity, New York, Harper & Row, 1978, pp. 8-9.

[5]Middle East Reporter, August 12, 1978, p. 13.

[6]The Economist, July 14, 1979.

[7]Leonard Binder, In A Moment of Enthusiasm: Political Power and the Second Stratum in Egypt, Chicago and London, University of Chicago Press, 1978, p. 399.

[8]Ibid; pp. 400-401.

[9]Galal Amin, "Some Problems Related to the Economic Opening in Egypt," Paper presented to the Third Annual Conference of Egyptian Economists, Cairo (23-25 March 1978); see also by the same writer a trenchent critique of the Arab worlds integration into the world market in al Mustaqbal Arabi, Number 5, 1979, pp. 4-16.

[10]Gouda Abdel Khalek, "The Important Signposts of the Open Door Policy" Third Annual Conference of Egyptian Economists, Cairo (23-25 March 1978).

[11]Samir Amin, The Arab Nation: Nationalism and Class Struggle, London, Zed press, p. 75.

[12]Hasan Riad, L'Egypte Nassérienne, Paris, Les Editions de Minnit, 1964.

[13]I use the term populism in the sense developed by Samuel Hargington and Joan Nelson, No Easy Choice: Political Participation in Developing Countries, Cambridge, Mass. Harvard University Press, 1976. They write of populism: "High and increasing levels of political participation go with expanding governmental benefits and welfare policies, increasing economic equality, and if necessary, relatively low rates of economic growth," p. 23.

[14]Ibid; p. 23.

[15]See M rius Deeb, "The Socioeconomic Role of the Local Foreign Communities in Modern Egypt," International Journal of Middle East Studies, Number 9, 1978, pp. 11-22; see also, for a more general discussion, Charles Issawi's Egypt in Revolution, London, Oxford University Press, 1963.

[16]See Galal Amin, The Modernization of Poverty, Leiden, E.J. Brill, 1974, and Robert Mabro, The Egyptian Economy, London, Oxford University Press, 1974.

[17]Mabro, Ibid; p. 231.

[18]See the excellent paper by Ibrahim El-Issawy and Muhammad Ali Nassér "An Attempt to Estimate the Economic Losses of Arab-Israeli Wars Suffered by Egypt Since 1967," Third Annual Conference of Egyptian Economists, Cairo (March 23-25, 1978).

[19]al Ahram al Iqtisadi, 15 July 1967, pp. 8-9.

[20]See the interesting parliamentary debates - proceedings of the National Assemby [henceforth Proceedings of Parliament] of February 7, 1968.

[21]Mahmoud Maraghi, in Ruz al Yussef, Volume 56, December 11, 1978.

[22]Heba Handoussa "Public Sector in Egyptian Industry: 1952-1977," Third Annual Conference of Egyptian Economists, Cairo (March 23-25, 1978).

[23]Anwar el Sadat, In Search of Identity, op. cit., p. 195.

[24]For a text of the March 30 Declaration see Wathasig Abdel Nasser, Cairo, 1973, pp. 371-380.

[25]Sayyid Marei, Awraq Siyyasia, (volumes I, II, III), Cairo, 1978.

[26]Mohamad Heikal as cited in Raymond Baker, Egypt's Uncertain Revolution Under Nasser and Sadat, Cambridge, Mass., Harvard University Press, 1978, p. 114.

[27]Fouad Mursi, This Economic Opening, Cairo, 1976, pp. 277-278.

[28]Franz Schurmann, The Logic of World Power, New York, Pantheon, 1974, p. 138.

[29]Ibid; p. 135.

[30]Miles Copeland, The Game of Nations, London, Weidenfeld and Nicolson, 1969.

[31]See the work by Mahmoud Matwali, The Historical Roots and Evolution of Egyptian Capitalism, Cairo, 1974.

[32]Muhammad Farid Shuhdi, Ta'amamulat fi al Nasiriyah, [Thoughts on Nasserism], Beirut, 1973.

[33]Abdul latif al Baghdadi, Memoirs of Abdul Latif al Baghdadi, (volumes I & II), Cairo, 1977.

[34]Binder (fn. 7).

[35]Mahbub Ul Haq, The Poverty Curtain, New York, Columbia University Press, 1976.

[36]See Ibrahim El-Issawy's contribution to this volume.

[37]See Mohamed Heikal, The Sphinx and the Commissar, New York, Harper & Row, 1978, pp. 261-262.

[38]See Fouad Mursi, (fn. 27).

[39]Ibid; p. 155.

[40]Muhammad Anwar el Sadat, Waraqat Uktubir [The October Paper], Cairo, 1974.

[41]Parliamentary Proceedings, January 18, 1974, p. 2326.

[42]Investment and Free Zones Authority, Report on the Arab and Foreign Investment Until 31/12/1977, 1978, p. 3.

[43]All the citations are taken from Ford Foundation files on the workshops available in the Cairo office.

[44]Proceedings of Parliament, May 10, 1977 and al Ahram, January 16, 1979.

[45]Moheiddins statement in Parliamentary Proceedings (May 10, 1977) pp. 34-36.

[46]Mumad's statement in Ibid; pp. 25-28.

[47]Ibid; p. 14.

[48]Ibid; p. 24.

[49]The sources for the new investors lists are al Waqali al Misriyya and al Jarida al Rasmiyya [The Official Gazette]. For the 1961/1962 list, I used those reproduced by Mahmoud Murad, Who Ruled Egypt? Cairo, 1975.

[50]See Murad, Ibid; p. 76.

[51]Christopher Jencks, et. al, Who Gets Ahead? New York, Basic Books, 1979.

[52]Proceedings of Parliament, February 10, 1976, pp. 4356 - 4357.

[53]al Ahram, August 7, 1976.

[54]Proceedings of Parliament, May 15, 1977, p. 5601.

[55]al Ahram, December 10, 1978.

[56]al Akhbar, December 25, 1978, and al Waqasai al Misryya, May 16, 1978.

[57]The Official Gazette, January 20, 1977, and July 21, 1977.

[58]Matwali [fn. 31].

[59]Saleh Hafiz "Watergate in Egypt" Ruz al Yussef, December 4, 1978.

[60]The Economist, July 14, 1979, p. 62.

[61]Sources on The Pyramid Oasis Project are The Economist, May 20, 1978. The Economist, June 3, 1978 and Namat Ahmad Fuad, The Pyramid Oasis Project, Cairo, 1978.

[62]Sources on al Amiryya project are Ruz al Yussef, December 8, 1978, al Ahram al Iqtisadi, January 15, 1979; al Umal newspaper on the position of labor unions January 8, 1979. For a good critique of the project see the article by member of parliament Muhammad Shamir Abaza in al Ahram al Iqtisadi, December 1, 1978.

[63]See Robert Gilpin's excellent discussion in his U.S. Power and the Multinational Corporation, New York, Basic Books, 1975, particularly pp. 215-262.

[64]The October Paper, op. cit. pp. 40-41. See al Ahram al Iqtisadi, January 15, 1978; also April 1, 1978.

[65]al Ahram al Iqtisadi, April 1, 1978.

[66]al Ahram, December 21, 1978.

[67]al Ahram al Iqtisadi, February 15, 1976, February 1, 1977.

[68]On debts and the debt crisis of the Third World see the extremely useful survey of The Economist (March 4, 1978), "Must Lend, Will Travel," pp. 1-82.

[69]The Economist's various reports on Zaire, Turkey, Peru, and Egypt provide the empirical basis for this discussion.

[70]E.A. Brett, "The International Monetary Fund, The International Monetary System and the Periphery," International Foundation for Development Alternatives Dossier 5, March, 1979 (Nyon, Switzerland), pp. 1-15.

[71]U.S. Senate Foreign Relations Committee, Subcommittee on Foreign Economic Policy, International Debts, The Banks, and U.S. Foreign Policy, U.S. Amendment Printing Office, Washington, D.C., 1977, p. 6.

[72]"After Wittereen's IMF" The Economist (June 3, 1978), p. 92.

[73]The New York Times, February 26, 1977.

[74]"Egypt: Impassivity Rules," The Economist (March 3, 1979), pp. 71-72.

[75]See The Economist's careful assessment in "Egypt Without the Arabs," The Economist, (July 14, 1979) pp. 62-64.