

Mubarak tries again for coherent government



New premier Atef Sedki—he faces an unenviable task, with President Mubarak (inset) expecting him to lead a unified approach to economic reform

THE surprise appointment of Atef Sedki as Egypt's new prime minister has thrust a backroom bureaucrat into the limelight. The 56-year-old academic has the unenviable task of rescuing talks with the IMF and selling an austerity package to a sceptical public.

President Mubarak's sudden dismissal of Ali Lotfi, after only 14 months as premier, was evidence of his growing frustration with the desultory progress of discussions with the IMF, Cairo diplomats say. The negotiations, through which Egypt is seeking a standby credit of up to \$1,000 million, are deadlocked because of differences about the level of domestic interest rates and movement towards a single free market exchange rate.

The outgoing cabinet is thought to have failed to reach a consensus on the IMF issue, and key economic portfolios have changed hands. Sedki, a former law professor and head of the central auditing authority, has named former associates to the key finance and economy posts. Mohamed Ahmed el-Razaz, a professor at Cairo university, has taken the finance portfolio, and Youssri Mustapha, Sedki's deputy at

the auditing agency, is the new economy minister.

The departure of Sultan Abu Ali from the economy ministry, where he has been largely ineffectual, comes as no great surprise. Far more striking is the departure of

President Mubarak's sudden dismissal of Ali Lotfi was evidence of his growing frustration with the desultory progress of discussions with the IMF

Ali Negm as governor of the Central Bank of Egypt and his replacement by Salah Hamed, finance minister in the outgoing cabinet. The sacrifice of Negm, who has played a pivotal role in the IMF talks, and Hamed's takeover after a lacklustre performance in cabinet, has shocked local observers.

Differences

Differences between Negm and powerful figures in the cabinet may have contributed to his fall from grace, bankers say. Hamed, by contrast, can be expected faithfully to echo whatever tone is adopted by the new cabinet in its dealings with the IMF.

As negotiations with the fund began in earnest in October, Negm made a series of statements to the effect that agreement was near. This impression was initially confirmed by IMF officials, but a more pessimistic view began to emerge as negotiations went on in Cairo in early November. Bankers also said they felt Negm was ready to contemplate multilateral rescheduling of Egypt's external debt as payments arrears have started to mount up.

The IMF puts total external debt at about \$38,600 million, with arrears estimated at more than \$4,000 million. With total servicing obligations put at up to \$5,000 million in fiscal 1986/87, and with the drastic fall in foreign exchange earnings from oil exports and remittances, the case for rescheduling is strong. Bankers say Egypt's debt problem is to come up for discussion at the Club of Paris in early 1987.

Vol. 30
No. 46**GOVERNMENT OF EGYPT****Head of state** President Hosni Mubarak

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Cabinet**Prime Minister** Atef Sedki***Deputy Prime Minister, Defence & Military****Production** Field Marshal Mohamed Abdel-Halim Abu Ghazala**Deputy Prime Minister, Foreign Affairs** Esmat Abdel-Meguid**Deputy Prime Minister, Planning & International Co-operation** Kamal Ahmed el-Ganzouri**Deputy Prime Minister, Agriculture & Land Reclamation** Youssef Wali**Cabinet Affairs, State for Administrative****Development** Atef Mohamed Obeid**Economy** Youssri Mustapha***Finance** Mohamed Ahmed el-Razaz***Interior** Zaki Badr**Petroleum & Mineral Wealth** Abdel-Hadi Mohamed Kandil**Electricity & Energy** Mohamed Maher Abaza**Housing & Utilities, New Communities**

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Abdel-Shahid Bashay*

* new appointment

The powerful cabinet figures who might have opposed Negm's view on the need for an early agreement with the IMF and on debt rescheduling have all retained their posts: deputy premiers Kamal el-Ganzouri and Youssef Wali, and Cabinet Affairs Minister Atef Obeid.

Key question

The key question being asked in Cairo is whether Sedki will fare any better than his

predecessor in generating a cabinet consensus. He is more closely associated with the Nasserite tradition in Egyptian politics, and his economic views have been described as interventionist.

This may make him more acceptable to figures like El-Ganzouri, Wali and Obeid, who are known to have profound reservations about the proposed agreement with the IMF.

The retention of Zaki Badr as interior minister has sent a clear message to the government's critics. Badr, appointed after the police cadets' riots in February, has a reputation for tough and often heavy-handed treatment of dissenters. An increase in the number of Islamic fundamentalists detained after Friday prayer meetings has given Badr a high profile in recent weeks. Despite his unpopularity, his dismissal would have been a disavowal of his policies and a sign of weakness, observers say.

The other cabinet changes are relatively minor. Nagi Shatla has been removed from his post as supply and home trade minister after a rough period in which he became associated chiefly with the disappearance of soap from local shops. The ministry has been renamed Supply & Foreign Trade, and is to be headed by Galal Abul-Dhahab.

The only other significant change has been the amalgamation of construction portfolios, with Hassaballah el-Kafrawi taking over housing and utilities, together with new communities, part of his previous portfolio. Land reclamation has been placed under agriculture.

Spontaneous decision

There is every sign that the decision to remove Lotfi was spontaneous. In changing his team of economic managers, Mubarak now expects a single, unified approach to economic reform. What that approach will be and how acceptable it will prove to the IMF is far less certain.

The new team looks an unlikely group for a radical departure. Sidki himself, as chairman of the shura council economic committee, has advocated only modest revisions to the structure of subsidies and price controls. Agreement with the IMF will require considerable political courage. Increases in prices are fundamental to the IMF strategy, and at least six years of austerity are required before such a policy is likely to bring tangible benefits. The appointment of a political unknown as prime minister poses more questions than it answers as to whether Egypt is ready to swallow the bitter pill.

PETER KEMP
in Cairo

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