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Folder Title: Contacts with member countries: Egypt - Correspondence 03

Folder ID: 1771022

ISAD(G) Reference Code: WB IBRD/IDA 03 EXC-10-4549S

Series: Contacts - Member Countries files

Sub-Fonds: Records of President Robert S. McNamara

Fonds: Records of the Office of the President

Digitized: June 28, 2013

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Washington, D.C.

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McNamara Papers

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Contacts with member countries: Egypt - Correspondence 03

Contracts
Egypt (1975-1976)

Folder 3

DECLASSIFIED
WBG Archives

OFFICE MEMORANDUM CONFIDENTIAL

TO: Files

DATE: September 8, 1975

FROM: E. Y. Asfour, EMENA CP1A *AK***DECLASSIFIED**SUBJECT: EGYPT - Meeting of Egyptian Delegation with
Mr. McNamara, September 5, 1975**MAR 20 2013****WBG ARCHIVES**

1. The Egyptian delegation, composed of Minister El Shafei, Ambassador Ghorbal and Messrs. Zandou, Shindi and Adly Abdel Meguid, met with Mr. McNamara at 9.00 a.m. on September 5. Present from the Bank were also Messrs. Knapp, Benjenk, Wapenhans and Asfour.
2. Dr. El Shafei transmitted to Mr. McNamara the regards and best wishes of President Sadat. Mr. McNamara expressed his congratulations on the action on peace and his satisfaction with the progress made on the economic front, and on the matters mentioned in the Prime Minister's letter of June 5 to him which the Minister had reported earlier to the Bank. He confirmed the Bank's readiness to help monitor and to report every three to four months on economic progress. The Minister expressed gratification with Mr. McNamara's answer to the Prime Minister and stated that the latter will be sending a further letter in continuation of the dialogue.
3. The Minister asked Mr. McNamara if the Bank would establish an office in Cairo, in view of the needs of the large number of Bank missions that are visiting the country, to facilitate the processing, coordination and follow-up of lending activities and to follow the progress of the economic developments and aid activities. Mr. McNamara said he had no objection in principle to the Bank setting up an office in Cairo and would support it if he found such an office could adequately meet important needs both of Egypt and the Bank. The practical aspects, however, have to be carefully studied. He was not sure how far an office would replace and reduce the need for missions from Headquarters. Some of the matters that it may have to deal with (monitoring of economic policy developments, advice, technical assistance and aid coordination) are of such importance that a careful study will have to be made of staff requirements. Mr. McNamara gave the example of the Indonesian mission which gave excellent results but was large enough to replace Headquarters' staff and dealt with less complex a situation than in Egypt. He concluded that the matter of setting up an office in Cairo is to be left open for the time being, pending a study of these questions which Messrs. Benjenk and Wapenhans would make.
4. The Minister stated that in his discussions with Mr. Robinson the question of aid coordination was raised and that they agreed that the Bank is best placed to help in aid coordination. He stated that the Prime Minister will be writing to Mr. McNamara concerning the possibility of setting up a Consultative Group for Egypt. Mr. McNamara agreed that the large size of external assistance would justify setting up a Consultative Group. The Bank would of course have to find out whether other donors would want to join such a Group.

5. The Minister asked if the EDI would organize a project preparation and evaluation course to help the Egyptian technicians in this area. Mr. McNamara expressed special support to such an idea and asked Mr. Wapenhans to follow up on this.

6. Mr. McNamara asked the Minister on his part to use Egypt's contacts and influence with OPEC countries, particularly Saudi Arabia, Kuwait and Abu Dhabi, and with the US to emphasize the importance to Egypt and other developing countries of their contribution to IDA replenishment and a selective capital increase that would allow keeping up the level of Bank lending. This may be an opportune time to press the US, whose aid to Egypt is increasing and whose attitude on international interdependence and international assistance has changed since the Paris meeting in June, as expressed in the speeches of Mr. Kissinger, Mr. Simon and President Ford. The Minister promised to help as much as possible.

7. The Minister ended by thanking Mr. McNamara for his support of the development of Egypt and thanking his staff for their efforts.

Cleared with & cc: Mr. Paijmans

cc: Mr. McNamara's Office (2)

cc: Messrs. Knapp, Benjenk, Wapenhans

EYAsfour:js

BIOGRAPHICAL SKETCH

Dr. Zaki Shafei
(Governor, IBRD)

Appointed Minister of Economy and Economic Cooperation in April 1975, Dr. Shafei is in his fifties. A trained economist with a Ph.D. from Princeton, he taught economics at the Cairo University for 18 years and was the Dean of the Economics Faculty at the University for four of those years. He has also taught at the Arab University in Beirut. Dr. Shafei was formerly an adviser at the UN and prior to joining the Government in April of 1975, was the Assistant Secretary-General of the Arab League responsible for economic affairs.

Dr. Wagih Shindy

Appointed as Undersecretary, Ministry of Economy and Economic Cooperation in July 1975. Prior to that he taught economics at the American University, Cairo, and before that at King Abdel Aziz University in Riyadh. He has also worked at the Egyptian Embassy in Washington, D.C.

Mr. Ahmed Zandou
(Governor, IMF)

Governor of the Central Bank. He has served previously in various Government capacities in finance, economics and industry affairs; becoming Minister of Economy before appointment to the Central Bank. Although not a trained economist, he is identified more as a technician than a politician.

Dr. Fuad El Saraf
(Alternate Governor, IMF)

First Undersecretary, Ministry of Finance. Has been a career public servant throughout. Educated in Switzerland.

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OFFICE MEMORANDUM

TO: FILES

DATE: October 24, 1975

FROM: Sriram Aiyer, Acting Division Chief, EMENA CPIA

SUBJECT: EGYPT - Dr. El Ghandour's Meeting with Mr. McNamara

1. On October 23, 1975, Mr. McNamara received Dr. Ahmed El Ghandour, Egypt's Deputy Minister of Economy and Economic Cooperation. The meeting was attended by Dr. Adly Abdel Meguid, Economic Minister, Egyptian Commercial and Economic Office, New York, Mr. Adl El Garhy, Economic Counsellor, Egyptian Embassy, Dr. Al-Atrash, Executive Director, and the writer. This memorandum summarizes the discussion:
2. Dr. El Ghandour expressed appreciation for Mr. McNamara's efforts towards development of Egypt, other countries in the Middle East and of LDC's in other parts of the world. He stressed Egypt's commitment to follow the "open door" policy, evidenced in part by President Sadat's visit to the US and other Western Countries; the need for rehabilitating and expanding infrastructure to facilitate development, and the flow of private capital and hence the draft 1976-80 Plans' emphasis on infrastructure, even though such projects would be slower in yielding economic returns than directly productive projects; the need to remedy the balance of payments; the fact that the present bureaucratic structure was too cumbersome to cope with the transition that Egypt was going through and that the Government was trying to create new institutions parallel with existing ones, ultimately to replace the present set-up; and the importance of Bank assistance in project preparation, evaluation and implementation. At Dr. Al-Atrash's suggestion, he reminded Mr. McNamara of Egypt's interest in having a Resident Mission in Cairo to help Egypt accomplish its development objectives, to help in preparing projects, and in assisting with organizational requirements to achieve the Government's objectives.
3. Mr. McNamara responded that the quarterly economic missions requested by the Government would report to the Bank and to potential donors on progress of the economy, including the Plans, and he doubted if Resident staff would be able to do more. As for assistance on projects for Bank/IDA financing, he felt that besides the budgetary implications, in view of the variety of expertise required, this would be better provided from Washington and that a small resident mission would not be able to service the range of needs. He suggested, however, that the Region discuss in detail the Government's suggestions on the possible areas of activity and follow up the matter, including any need for organizational assistance, as was provided for Venezuela; he suggested that this be discussed with Mr. Kearns.

October 24, 1975

4. Mr. McNamara also mentioned to Dr. El Ghandour the desirability of officials of Egypt, a recipient of IDA funds, making clear to officials of capital surplus countries the importance of an adequate Fifth IDA Replenishment.

5. In response to Dr. El Ghandour's inquiry about the Third Window facility, Mr. McNamara explained that it was small, not yet effective, and that no attempts have been made as yet to determine country allocations.

cc: Messrs. Wapenhans, Paijmans, Dubey, Asfour (o/r), Kearns, Burmester (2)

MSAiyer:hj/mh

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: October 17, 1975

FROM: W. A. Wapenhans, Vice President, EMENA Region

SUBJECT: EGYPT - Background Paper

1. This paper presents background briefing material on Egypt for any discussions you may have with President Sadat during the luncheon on October 28 and any meeting that may be arranged for you.^{1/} It would also be useful for your discussions on October 21, 1975, with Mr. Heikal, former editor in chief of Al Ahram.

2. Mr. Heikal's biodata is attached as Annex I. He is visiting as a private citizen but, because of his prior positions, is being accorded facilities by the Egyptian Embassy. The present editor in chief of the Al Ahram, Mr. Ali Hamdi El Gamal, will be travelling to the US with the President. Heikal will be leaving Washington the day before Sadat's arrival. Heikal is extremely well informed on political developments in the Middle East and other countries. His discussions tend to be political/geopolitical and ideological; he continues to be consulted on occasion and is regarded as an important spokesman. His discussions with you are likely to be a tour d'horizon with some economic perspective.

Political Developments

3. The salient developments on the political scene are: Sadat's decision to reopen the Canal on June 5, 1975; the second disengagement accord on the Sinai, agreed with Israel in September 1975; the cementing of relations with Saudi Arabia, Kuwait, Abu Dhabi and Qatar and the significant improvement in relations with Western countries, Japan and Iran. Egypt's relationships with the Soviet Union are in a fluid state. Egypt is continuing to press the Soviet Union for rescheduling of civilian and military debt with little success. It is making efforts to diversify its sources of armaments towards France, Germany, and the UK, with financial help from its richer Arab neighbors. (Sadat's speech to the nation on September 28, 1975, giving the background to his present stance, is attached as Annex II.)

4. Following the domestic political unrest in early 1975 (which resulted in Mamdouh Salem, former Minister of Interior and close associate of Sadat for years, replacing Prime Minister Hegazy), the Vice President, Hosny Mobarak, chief of the air force until April 1975, is seen to be the common choice of the armed services -- a major power base -- and, equally important, of Sadat, to be groomed for succession. Sadat is publicly seen to be involving the Vice President in all important domestic and external activities. Another personality whose power has increased, although not necessarily his popularity,

^{1/} We expect to know by Monday, October 20, as to which other officials will be accompanying President Sadat.

is the Minister of Foreign Affairs, Mr. Fahmy. One of the former advisors to whom Sadat remains very close is the Speaker of the Assembly, Mr. Sayed Marei (whom you met last year in Cairo). Some say that Sadat's agreement to the second interim peace accord was in some measure guided by his interest in avoiding further domestic political unrest. There is little doubt, however, that a major force was his interest in increasing external confidence and mobilizing capital towards Egypt.

General Issues

5. There are three general points of Bank-wide interest which you could raise in your conversations with both Sadat and Heikal:

(a) Activities in Arab Countries The activities of the Bank/IDA in Arab League developing countries have expanded rapidly from an average of \$181.9 million over FY69-73 to \$563.6 million in FY74, and rose again to \$614.7 million in FY75. With the prospect for peace in the area and the increased focus of the countries on development, it is hoped that the high level of lending can be sustained. You may also mention that cofinancing by the four Arab funds (Abu Dhabi, Arab, Kuwait, and Saudi) reached \$429.9 million in FY75, thus contributing to transfers of over \$1,000 million of resources to needy developing countries. During the past year, the oil surplus countries have also been major sources of Bank borrowings. Furthermore, over the past year, technical cooperation with Saudi Arabia has intensified covering a wide range of activities. Technical assistance to the United Arab Emirates, which has been limited to the power sector, could also expand in the future.

(b) Third Window You may mention the concept of the Third Window and its effect on releasing IDA funds to poorer member countries relatively soft funds to blend countries with high debt service ratios such as Egypt. When it becomes operational, Egypt could be the beneficiary of a certain amount of Third Window funds in FY76 provided projects can be processed. You might enlist the support of President Sadat for the Third Window and for contributions from rich countries towards the interest subsidy fund.

(c) IDA Replenishment You may stress the need for contributions from oil surplus countries (whose leaders Sadat is in frequent contact with, and Heikal at a different level) to permit increased transfers of soft funds to the poorest developing countries with per capita incomes below \$200. The erosion in the real value of IDA funds as a result of international price movements argues strongly for a substantially increased contribution for the next IDA replenishment.

Developments in Egypt

6. In discussions with Sadat in March 1974 you had indicated that you would be prepared to consider Bank lending to Egypt on the basis of its medium- and long-term potential provided: (i) short-term debt was reduced; (ii) a corresponding foreign exchange budget was prepared; (iii) planning

received greater focus and an Interim Plan (July 1974-December 1975) was prepared; and (iv) capacity utilization in industry and agriculture were improved. The last three conditions were met but the first was not initially, although progress has been made.

7. External Debt Egypt's external debt profile worsened considerably in 1974 almost entirely as a result of its borrowing extremely short-term funds at high rates of interest (in the form of bank credit facilities).^{1/} Bank credit facilities obtained (including undisbursed) amounted to \$2.7 billion at the end of 1974, compared with about \$1.1 billion at the end of 1973. Outstanding debt to foreign banks (i.e., disbursed amounts) amounted to \$1,083 million compared to \$497 million at the end of 1973. However, during 1975, in addition to expected Arab grants of \$950 million, long-term cash loans at concessionary terms totalling \$1,200 million (\$500 million from Kuwait, \$600 million from Saudi Arabia, and \$100 million from Qatar) have been obtained to provide a solution to Egypt's external liquidity problem resulting from the excessive use of bank credit facilities in 1974. The level of short-term credit outstanding and disbursed is expected to be reduced from \$1.08 billion at the end of 1974 to about \$480 million at the end of 1975. In addition, the undisbursed credits at the end of 1974, most of which are expected to be used during 1975, totalled \$1.6 billion and the Government expects these to be reduced to less than \$1.0 billion at the end of 1975. Long-term aid commitments during calendar year 1975 from Western countries, Iran, Japan and development institutions are expected to total \$1.25 billion during 1975 (USA \$442 million, EEC \$200 million, Iran \$200 million, Japan \$177 million, IDA/IBRD \$132 million, Arab Development Funds \$100 million). Many of these commitments would be in the form of concessional, rapidly disbursing commodity aid to meet Egypt's import requirements. Thus, on the whole, developments in the past year have served to gradually improve its debt profile, balance of payments position and creditworthiness.

Planning

8. Since 1974 Sadat has been calling for a "vision of Egypt in the year 2000." A 1976 draft Plan has been prepared and was discussed by the Cabinet on September 30. Prior to its preparation, an approximate input-output model was made of Egypt's economy in the year 2000 (using Japanese and other coefficients), which could form the basis for policy actions over the next five-year period and thereafter. The Government is now convinced that the potential for expansion of the agriculture sector's contribution to GNP is limited; assuming a population of some 65 million (based on a 2.0 percent to 2.3 percent p.a. growth) in 2000, if per capita income is to be doubled, the industrial sector's contribution will have to grow threefold, and to triple per capita income, industry will have to grow sevenfold with corresponding growth of services and construction. Given limited availability of land, and the expense of reclamation (which will have to proceed nevertheless), the increased focus on vertical expansion of agriculture, which the draft Plan includes, would appear justified.

9. The draft 1976-80 Plan now being prepared within this context for completion by the end of the year will be significantly different from

^{1/} The increased reliance on banking facilities was because of slower disbursements on long-term loans and was used to finance imports of raw materials and intermediates which had a beneficial effect on utilization of capacity.

earlier plans (where centralized planning was the premise), and be indicative. To place the country on a stable financial footing, it calls for almost doubling of exports over the 1975 level to LE 1961 million (including invisibles) and to have all recurrent import needs met by export earnings with capital imports being financed through borrowings. Most of the increased exports will have to be in non-traditional goods. The Plan will call for a 10 percent p.a. GNP growth, with investment expenditures reaching LE 2000 million by 1980. National savings which are presently very low (at 6 percent of GDP) are to be boosted to LE 1615 million and Government revenues raised by 40 percent to LE 2200 million, both by 1980. It envisages a reduction in subsidies for supply of commodities from the 1975 level of LE 636 million to LE 380 million (in accordance with the Bank/IMF recommendations) and for the elimination of the deficit in the Government budget, both by 1980.

Bank Group Activities

Economic Management

10. The Summary and Conclusions of the Green Cover Economic Report of the May/June mission are attached as Annex III. Following the exchange of letters between you and the Prime Minister in June/July 1975 on economic management, an economic mission is presently in Cairo to review actual developments in 1974, tentative figures for the first half of 1975, and the 1976 draft Plan and budget.

Lending

11. The FY75 lending program for projects (other than Imports loan/credit) identified and appraised by the Bank, totaling \$157 million had a significant catalytic effect in that they permitted transfers of some \$300 million from other donors, notably from Arab sources, and in particular the Saudi Fund for Development.

12. The Government's processing of the FY75 was on schedule, the loans/credits were declared effective largely on time, and disbursements on ongoing projects have accelerated from the level of \$16.5 million as of December 31, 1974, to \$83.3 million as of September 31, 1975 (when commitments stood at \$252.1 million and \$403.1 million, respectively, excluding the first Suez Canal loan of 1959). Also in the course of last year, the dialogue has extended to a variety of areas in which the Government seems to be placing its confidence in the Bank for advice on policy actions and investment priorities and decisions:

(i) The Agricultural/Industrial Imports Loan/Credit includes surveys of each of the six subsectors of industry, two of which have begun, with the rest to start by the end of this year; (ii) the Railways II Loan includes a National Transport Sector Survey covering all modes which should begin by the end of this year; (iii) the Bank has agreed to act as executing agency for a National Power Sector Survey to be financed by UNDP which will begin in early 1976; (iv) most recently the Bank has been requested to act as executing agency for a proposed UNDP-financed Master Plan for Water Uses which will also focus on agriculture and irrigation due to start in early 1976; (v) in the context

of the proposed Second Industrial and Agricultural Imports Project, the Government has requested that the Bank assist in a comprehensive program to develop the policy and institutional measures needed down to the enterprise and product level aimed at increasing Egypt's exports of industrial products; (vi) IFC is now considering a few projects with a view to lending/equity participation and has also begun work on Capital Markets (interest rates and banking). The strategy proposed for the future will continue largely unchanged, at providing technical assistance at the macroeconomic and sectoral levels, and lending principally for projects aimed at increasing exports/imports substitution, and rehabilitation and expansion of infrastructure (with a second and possibly last imports operation in FY76).

Issues for Discussion on Egypt

Dialogue

13. You may express satisfaction to the President at the strengthening of relationships at the working levels that has developed since your last visit and express the hope that a continuation of the dialogue and an objective analysis of the problems will contribute in some measure to accelerating Egypt's development at this important juncture when Egypt's economy is being significantly restructured.

Consortium/Consultative Group

14. The idea of an aid group may be broached by the President or his entourage. Since the return of the last economic mission to Egypt in June 1975, in view of Egypt's immediate liquidity problems while Egypt had been working towards replacing these obligations with longer term loans from Arab sources (see para. 7), the US Government received data from the Region on the balance of payments outlook which was used by the US to mobilize commodity aid pledges from the EEC, Japan and Germany. So far, the EEC has pledged \$250 million, Japan signed a \$50 million agreement in September, and Germany is also expected to provide an equal amount. We understand that in June 1975, Mr. Charles Robinson, Assistant Secretary of State, proposed to the Egyptian Government the idea of a consortium or consultative group. Egypt's relations with the IMF was stalled at that time and Robinson had suggested that the Bank chair such a Group. Since that time, however, the Government has agreed to a Fund mission to visit in late October to discuss drawings under the oil facility and under a standby arrangement. The membership of any aid group for Egypt would have to include Arab donors. In any event, we would suggest you express interest in the idea, but leave the decision until further discussions between the Bank, the Fund and the Government as to whether a consortium or a consultative group would be most appropriate since it is important to determine what would be expected from the Bank as chairman of such a group, and since our substituting for the IMF might at this point ~~would be detrimental~~ rather than beneficial.

Resident Mission

15. Following the 1975 Annual Meetings, the Egyptian press indicated that a Resident Mission would be opened in Cairo. For over a year now, the Government has requested the Bank to open a Resident Mission in Cairo in view of the increased level of activities and the need for assistance from

October 17, 1975

resident staff at short notice. You have expressed interest in principle but said that you were not persuaded that any budgetary savings could be made compared with providing assistance from headquarters missions. We expect to present shortly a further paper on this subject analyzing costs and possible benefits. If the subject is raised, you might respond that the matter is still under consideration and that you are awaiting further evidence as to what such a mission could achieve compared with the cost it would impose on our budget. ←

Exports

16. The President's entourage may mention Egypt's objective of balancing export earnings with the costs of recurrent imports by 1980, which is laudable. Import substitution could be achieved by raising agricultural production, but increases in exports will have to be in the form of industrial goods. In current prices, industrial exports rose by 13 percent in 1973, and by 45 percent in 1974; in these years the rise in private sector exports was 40 percent and 80 percent, respectively. Results for the first half of 1975 indicate that the trend will be maintained. However, exports to the Eastern bloc countries form about 70 percent of the total. An important development is that trade agreements with clearing currency areas are being revised to convertible currency transactions. Since mid-1975 imports from, and exports to Romania are payable in hard currency; the same will apply to trade with Hungary beginning 1976, and with Poland beginning 1977. In time the Government expects to extend this to the remaining Eastern bloc countries. Egypt has the potential for increasing exports for convertible currency trading although this will require a package of measures from the institutional and policy levels down to production technology and product design. If proper measures are implemented, Egypt could well replicate Korea's experience in the Middle East. We propose to include, at the Government's request, a program of assistance aimed at increased exports under the proposed Second Agricultural and Industrial Imports Project scheduled for FY76. The starting point for this exercise will be the studies of individual industrial subsectors (including an analysis of the distortions caused by subsidized inputs and controlled prices of finished goods) to be carried out under the first imports project which should lead to policy and investment recommendations. When these are available, however, the Government will have to be prepared to take what might be difficult decisions on inefficient public sector enterprises and decisions on improving the competitiveness (in terms of quality and price) of Egyptian products in convertible currency markets. We hope, however, that the result will be a rationalizing of industrial enterprises' performance as a whole, which is essential if they are to become efficient and competitive. ←

cc: Messrs. Knapp, Köpp/Paijmans (o/r), Dubey, Wyatt, Asfour (o/r)

MSAiyer/mh

BIODATA

Mohammad Hassanein Heikal

Former Editor in Chief
Al Ahram

The considerable influence of 52-year-old Mohammad Hassanein Heikal, editor in chief of Al Ahram since 1957, and his career as the Arab world's leading journalist apparently ended when President Anwar al-Sadat removed him from his position on February 22, 1974. Heikal's editorials were considered the most accurate indication of Gamal 'Abd el-Nasser's political opinions, and he apparently performed a similar function for Sadat's government until his removal.

In the early days after the October 1973 War, it was generally understood that Heikal did not support Sadat's plans for peace or his "open door" policies; in fact, his articles, usually published in the Beirut press, harked back to the days of Nasser. Subsequently, however, there was a reconciliation of relationships and a few months after his removal from the position of editor in chief of Al Ahram in February 1974, Heikal was appointed as one of several advisors to the President in the Fall of 1974. The advisors were used principally as sounding boards to sharpen and advance particular ideas that Sadat or his Cabinet colleagues had or wished to pursue. During 1974, Heikal left the impression that his advice was not given the importance that it deserved. He was considered by some to be a contender for the presidency. In April 1975, all positions of advisor to the President were abolished.

Heikal was born in Cairo. He received diplomas in law, advertising and economics from Cairo University and studied journalism at the American University at Cairo. He became a crime reporter for the Egyptian Gazette in 1942 and then worked with other newspapers before joining the weekly Akhir Sa'a, of which he became editor in chief in 1951. By that time he was well known for his spirited style of journalism. When the UAR Press Establishment was formed in 1965, Heikal was appointed to its board of directors.

Heikal is married and has children. He speaks fluent English.

«When I was getting ready to meet you in your capacity as the highest authority in the country, the ASU Central Committee and the People's Assembly, in fact the whole executive authority, I was concerned over the amount I wished to place before you — there was plenty.

«I was all the more concerned since the re-elections of the ASU members from the base to the top and to the Central Committee had taken place a few months ago, and it is the right of the Central Committee and of the People's Assembly to have me place before them a full report on the foregoing period.

«When the period at issue is the five years that have followed the death of Nasser at the end of which we meet today to commemorate him.

«I also wished to concentrate fully on Nasser. It is high time to speak frankly. Then I wanted to speak about the world situation, as pertaining to the super-powers, the Arab world and the rest of the International domain.

«Then again, there is our own cause, for which Nasser lived and for which he died.

«So I was undecided as to where to begin. It is perhaps, best to start with the events of the last five years since Nasser died.

MATURITY

«The review of these five years may cast light on the progress of our Revolution of July 23, 1952 under the leadership of Abdul Nasser. Nothing would honour Abdul Nasser more than the fact that the Revolution and the course he set are still proceeding and developing towards maturity and, as circumstances necessitate, will correct its course.

«We have lived through grave events in the past five years. On this anniversary of Abdul Nasser's death, we, as a people and I, personally as a colleague, friend and comrade in arms of Nasser are aching with many feelings. «It is natural everywhere and throughout the history that a great personality like that of Abdul Nasser, who bring about change that involves both destruction and reconstruction, should have made deep friendships and encountered bitter enmity. After such a personality, the arguments will go on for years and generations.

NASSERISM

«I don't want to restrict the discussion of Abdul Nasser and Nasserism, I merely wish these discussions to take a rational form so that benefits and a worthwhile lesson may be drawn from them.

«Today there are many strange currents of opinion. Some are perhaps naive while others are surely not. There are, for instance, those organisations which made a career in the past of fighting Abdul Nasser, yet today are trying to make use of his heritage as a pretext for attacking Egypt.»

«We also find other people attempting to erect a shrine called Nasserism surrounded by sanctity and secrecy so as to appoint themselves as priests of this shrine, the only keepers the sole interpreters; the only judges of what is right or wrong.»

NO IDOL

«I do not say only that I lived with Nasser and shared with him most of his, as well as my, lifetime. I also say that Nasser never tried to erect a solid construction called "Nasserism" I would more say that those who today claim that there is something called "Nasserism" and something called "Sadatism" are mistaken. Their judgements are subjective personal ones, not objective. There are those also who curse yesterday and if the circumstances allow will curse tomorrow, and so forth.

In my judgement there is no "Nasserism" or "Sadatism". But there is the 23rd of July Revolution or the Egyptian national experience. These are the topics and headlines to be dis-

cussed. All scholars of the nations' history should know that the individual role, however, great it may be, originates from the land, the accompanying circumstances and the people.

«To idealise or degrade Nasser's personality would be wrong. Nasser himself did not want to be an idol. On the contrary, he was a model of involvement with reality and life. He was flexible in dealing with the variables he faced.

BLIND ALLEYS

«Consequently, the issue is not one of Nasserism or Sadatism. To discuss things in such a manner would result in losing one's way in blind alleys of personal emotion and ill-feeling. While we discuss the July 23rd Revolution, or rather the Egyptian national experience, one should link the struggle of the leaders and the people the ruler and the people.

«Abdul Nasser was a human being, hence it is not belittling him if we say that he did right things and he did wrong things. There were goals which he achieved. There were others which he did not achieve. There is no doubt that I, too have mistakes. Whoever faces high responsibilities, in tough circumstances amidst different trends does both right things and wrong things. Excepted are those who prefer to keep on the safe side and, consequently, stagnate and contract.

«In a previous speech, I referred to the struggle of Ahmed Orabi, Mustafa Kamel, Mohamed Farid and Saad Zaghlul. Some people were surprised. They had accused the July 23rd Revolution of having removed the names of these nationalists from history.

A FALSEHOOD

«This was a false accusation against the July 23rd Revolution. Books continued to be written on them, the teaching in schools of their struggles did not stop. The difference was that before the Revolution they taught that Khedive Tewfik for example, who summoned the British, was the nationalist and that Orabi, the Egyptian farmer and hero, was responsible for the occupation. When the Revolution came it put everything in its correct place in the teaching curriculum.

«There was nothing strange in my previous speech. I intended to give a lesson on the need to respect our history and to evaluate it objectively without exaggeration, decoration, or defamation. But I was understood. Once again some took the chance to glorify the age prior to the Revolution, depicting it as a paradise and the Revolution as a curse and torture.

«But I tell you frankly, "No" people cannot be deceived. What was there before the July 23rd Revolution? There was imperialism, coercion, monopoly, and minority privileges. With the July Revolution began the age of the Egyptian rule. Egyptian leadership, Egyptian resolutions, and the effort to restore the rights of the oppressed majority of the Egyptian people. Had Egypt before July 23rd, been as prosperous as certain people claim, then why was there a need for a revolution? Why did millions of people, from the very first moment, bless and support it? Why did they feel as though they were waking from a nightmare?

ASPECTS

«The review of positive and negative aspects of a regime should not be interpreted as an exploitation of either of these aspects for particular purposes.

«Once more I would like to affirm that we are not up to an examination of personalities. The circumstances of national struggle before July 23rd were completely different and hence its achievement was scanty. The utmost achieved by the party regime, over 23 years was the 1936 Treaty which was termed "the treaty of honour and independence."

It was a treaty under which the British army remained in the heart of Cairo with its headquarters in the Kasr el Nil barracks the site of which is the very building in which we are meeting now.

«The highest hope embodied in the agreement was to get the British to stay at the entire Suez Canal and Egypt to be linked to Britain for ever.

THE BRITISH

With regard to home affairs the British and the Palace had maintained control over all the country's affairs until the Revolution broke out.

«The real authority was in

the hands of the British High Commissioner, in the first place, and then in the British Embassy later.

«Perhaps we remember that up to a few weeks before the outbreak of the Revolution when the British Ambassador declined to meet the Egyptian Prime Minister the Cabinet would fall.

«A few days before the outbreak of the Revolution the Palace was paid half a million pounds to change the Cabinet and the Cabinet was changed. All these are historical facts.

SOCIAL CAUSE

«In the sphere of the social cause, all parties had rejected any even, moderate, project for agrarian reform.

«In the sphere of development, the rate of growth had almost ceased to exist while industry had been confined to individual and sporadic attempts. The only big project which all parties had been envisaging for 30 years was the second expansion of the Aswan Dam and the generation of power.

«In spite of this, the project had not been carried out as a result of corruption, and partisan bargaining. The measure up to one tenth of the High Dam alone. Nevertheless, power was also generated from the old Aswan Dam.

JUDICIARY

«I say that the old partisan life, at the end of World War II, went bankrupt in various fields.

«From that time on and until the Revolution took place, everything was disturbed. This included the country's economy and security. The Government and the authorities shared in murders as though they were gangs. Accusations were made haphazardly. The sacredness of the judiciary was violated through the establishment of prosecutions. While I was in prison, I suffered from them. A tribune such as that of Hussein Tantawi served as the upper hand of the Political Police. Prisons were filled. The country most of the time had to face curfew and censorship. Corruption reached its peak.

DEVIATIONS

«Unfortunately, such had been the situation and such were the features which debased the country's dignity and were the primary motive for staging the July 23 Revolution.

«But the July 23 Revolution also had its negative aspects. I am exercising such self-criticism from a responsible position. Yes, there have been deviations and there have also been prisons and detention camps. And though exceptional measures are naturally adopted by any revolution, those of the July 23 revolution remained longer than they should have and were extended to fields they should have not reached.

«There have been measures and actions lacking revolutionary legitimacy. Centres of power grew and gained more power. I frankly state that not all of the Charter has been implemented. Moreover, some have tried to "Marxise" the Charter

and interpret it in Marxist terms although this very Charter frankly stresses the vital differences between our own theory and Marxism.

MARXISM

«But when the centres of power originated and grew in the absence of the state's organisations, the Charter turned into a Marxist theory. Nasser was not a Marxist and he declared that at the Charter. He talked about the essential differences between the theory of the people's alliance and Marxism.

«The 30th of March Manifesto was never put to action and we are all witnesses to that. In general, the sixth of the 23rd of July Revolution's goals concerning the people's restoration of political freedom and the establishment of sound democracy, was never executed.

«I admit the negative aspect as I said, from the position of sharing the leadership of the revolution since I was a young man and the position of assuming full responsibility about its march. I had been practicing this self-criticism and reporting these shortcomings for five years.»

SELF-CRITICISM

«This leads me to talk about the corrective revolution of May 15. You may remember that I used to insist on using the term «Movement of May 15» but, now as the aims are reached I could say that it is a complete revolution.»

«What is the significance of the revolution of May 15?»

«Firstly: it is a unique experiment in self criticism, real self criticism, and not just verbal criticism. The criticism which I exercised was directed against shortcomings in a bid to make up for them, against deviation in order to correct them. Only this method deserves to be called self criticism.»

«Secondly; practical self criticism of this corrective revolution was done in the framework of the July 23 revolution. It was not imposed upon us by a power outside the revolution or by elements foreign to the revolution. This means that it was not a counter revolution, but it was a revolution for the sake of correcting the course of the mother revolution, for the sake of restoring it to its original state and for developing it so as to match developments that took place during the last twenty years.»

MAY 15

The May 15 Revolution is a new chapter, but it is a new chapter in the book of the July 23rd Revolution. The correction did not only evaluate deviations and eliminate harmful accumulations. It was a correction in the positive sense of the word. It added, renewed and developed the Revolution. It was a continuation from the first state ment, which included the principles, the Charter and the March 30th manifesto. We added to it an important document, document basic to development and correcting the Revolution. That was the October paper. There was also the paper on the development of the Arab Socie-

minutes from Cairo, was operating in the depth of Egypt.

«They, in Israel, said that they hit Dahshour, 15 minutes from Cairo, and that the sky of Egypt was open before them... It was essential that we hurry to get the new rocket. We had only the SAM I and the SAM II, and they are only effective against aircraft in higher altitudes.

SOVIET CREWS

«Hence was Nasser's keenness that Soviet crews should come to operate these rockets during the period, February-March 1970, when we received the rockets, until the time our Egyptian crews finished their training in August, 1970.

«The Soviet crews actually arrived with the missiles. And, as I told you in my previous speech, when Nasser returned from the Soviet Union he was happy for the Soviets not only approved the supply of Sam-3 missiles, but also approved two other demands: the first I spoke about earlier — the electronic warfare demand — and the second a deterrent weapon.

«That was the core of our difference with the Soviet Union, from Nasser's time till I assumed office, and then until I terminated the Soviet experts' presence in Egypt in 1972. Abdul Nasser came. The rockets arrived and so did the Soviet crews. However the rest did not arrive.

GREEN SIGNAL

«On May 1, 1970, on Labour Day while we were at Shubra el Kheima, Abdul Nasser, as part of his address, officially and before the whole world, directed his speech to President Nixon. This address is still available since it was recorded and registered. The United States is a party in our problem. If it is not the main party then it is a party. The US supplies Israel with everything, from bread and butter to guns, tanks and aircrafts. It was the US which, in 1967, gave the green signal to begin the attack against Egypt. Whoever neglects this fact would be neglecting a basic fact in the struggle in which we live today.

«Abdul Nasser, addressing Nixon, asked the US to define its stand, be it negative or positive. He wanted the US to say it, even if it would say that it was not in a position to do anything.

ROGERS

«The Rogers initiative then emerged. One month after this speech, emerged what was termed as the Rogers initiative from the USA. The initiative bore two basic issues, the first was the withdrawal and the second was the ceasefire for 90 days.

The war of attrition started from 1969 and not 1970. In July, 1969, Israel used the air force as a means of attacking us and as a means of deterring us.

«As I said, what developed next was that the Israeli Air Force started to penetrate our borders, in the early 1970s till it reached Abu Zaabal and it had been penetrating into Egypt till it reached Alexandria.

USSR LINKS

«Roger's initiative embodied two main principles: withdrawal and a ceasefire to last 90 days (three months). I have earlier stated that Abdul Nasser left for the Soviet Union late in January 1970 and returned early in February. In July of the same year he made another trip to the Soviet Union. Roger's initiative had then been announced and the US was waiting for our reply while the war of attrition continued. We had carefully planned for this second visit. The Soviets like everything to be ready if they are to take any decision before a guest arrives in their country.

«The Soviet Ambassador in Cairo was the late Vinogradov who was a good friend to Egypt. He held several meetings with me to make things clear as we were making an assessment of the situation. Relations severed with the US, we had no one but the Soviet Union. In addition our relations with the entire Arab world were almost severed too. The same applied to Western Europe. We depended entirely on the Soviet Union at the time.

SAM 3 MISSILES

«I actually agreed with Abdul Nasser and set every Monday at 11: a.m. to meet him, with no previous notice. This was registered there in the Soviet Union. With no previous appointment, he came every Monday till he died. From 1967 till 1970 we held meetings to re-evaluate the situation.

«Before Abdul Nasser's visit in June, we spent a whole month

preparing for it and as I told you basically we wanted electronic warfare devices and deterrent weapons. They promised him to supply Egypt with such weapons in January.

«They sent Sam 3 missiles and Soviet crews and nothing more. We got ready and waited for a complete month. Even before Abdul Nasser's visit I told him that in my view, everything should come to an end for everything was clearly in the hands of the Soviets a month ago.

NO REPLY

«Abdul Nasser left for Moscow and gave no reply to the United States concerning the Rogers initiative. He travelled and sat with them. During his trip, I was the chairman of the Political Committee of the ASU Central Committee. I called the Committee and after a thorough study of the Rogers initiative we unanimously resolved to reject the initiative. This is recorded. When we held the meeting Abdul Nasser had been in Moscow as he stayed there for more than 20 days.

«Abdul Nasser came back and I saw him illuminating and in good health. He entered a sanatorium there. I believed that his morale had always been high when he felt that his demands were met, for the battle was inevitable and all concentration and efforts centred on it.

«He was in an excellent physical condition but terribly depressed. I asked him what the matter was. He replied that unfortunately we were facing a hopeless case.

«Why I asked him, 'haven't we been preparing for this trip for a complete month, wasn't everything supposed to be ready'.

He replied, I quote: 'It means one of two things, either they did not receive the information you prepared, discussed with the Soviet envoy, and reported to me about or they (the Soviet government) intentionally ignored the information'.

«He really was terribly depressed.

ROGERS PLAN

«He told me that he had to announce before the three Soviet leaders at the negotiation table, his acceptance of Rogers' initiative. He thought that they either did not have any information on the subject, or they knew about it, but neglected it.

«He told me that he had to announce it at the negotiation table in the Kremlin and that Brezhnev was very angry. Abdul Nasser told Brezhnev that he had to accept Rogers' initiative due to the kind of treatment he was receiving from the Soviets. Abdul Nasser came back and explained the situation to me. I told him that I had called a meeting of the Political Committee and that we were expecting a recommendation to reject the Rogers initiative.

«He declared his acceptance of the Rogers initiative here in Egypt after the three Kremlin leaders announced their acceptance of it there around the negotiations table.

«Abdul Nasser could not at all reach this decision easily, especially, as I said that his lines were cut off with all parties, with America, with Western Europe, with Arabs, with so many parties in the world.

There was no one except the Soviet Union and thus there was limited or no space at all for manoeuvring, whereas he was a manoeuvrer the matter which left him in a bad psychological state and which made him take this decision.

«There was such a great uproar in the Arab world against us similar to that which is going on today in the wake of the conclusion of the second disengagement agreement. The uproar against Abdul Nasser and Egypt was even greater than that of today. Abdul Nasser was unable to explain to me, why he accepted this. Today I am telling you the story. I present it as a gift to every human being in the Arab world and to our brothers to whom the Soviet Union is drawing up plans giving information and defining situations.

NASSER'S CLOAK

«There was an uproar in the Arab world — not the whole of it of course — but our Palestinian brothers were fiercer than ever in this respect and did hurt him. They hurt the feelings of the late Nasser God bless his soul.

«Of course the attack was not launched against Nasser alone, but against Nasser and Egypt, the same story as that which took place after the second disengagement agreement.

«We accepted the Rogers initiative and Nasser said that once the word "withdrawal" is mentioned it should occupy our thought and action and that such a chance should never be lost. Any withdrawal from territory should be accepted.

«I am telling you this story because today the Soviet Union has become one of those who wear Nasser's cloak. So many wore this cloak before, those who had cursed Nasser and of whom I had spoken, the organisations and the makers of undercurrents as well as the Baath parties in Syria and Iraq and everywhere.

«Whatever has been said is well-known and has been published in the press to which reference can be made. But today, among those putting on Nasser's cloak, is the Soviet Union.

A TRAP

«After Nasser things changed. Some had certain interests to realise. We accepted Rogers' initiative. The Jews were shocked that we accepted the initiative. They had accepted it believing that Nasser would for sure reject it. In fact, Nasser was silent for more than a month and a half. The Arabs are so used to saying no...no... and are used to baseless excitement.

«The Jews were already involved by accepting the initiative and they wanted just to get rid of it, as it contained the word "withdrawal." They were under the impression that Nasser, who had been silent for a month and a half, will not accept it. Our brothers around us excitedly declared their full rejection.

«The Jews were deceived... They agreed but when Nasser also agreed, they changed their mind. Later they invented the story of moving the missiles from their positions which they claimed contradicted the Rogers Initiative. The west, as well as the east bank are our territory, consequently the missile claim was baseless. But they wanted to get rid of the "withdrawal" clause in which Nasser trapped them by accepting the initiative.

NASSER'S DEATH

«Violent manoeuvres were then staged and at that time we had no links with the outside world and especially with the US, the country with the biggest assets in the issue.

«The US communicated the Israeli propaganda to the effect that Nasser had violated Roger's initiative. At that feverish time the Arabs and particularly the Palestinians were fiercely attacking Egypt and Abdul Nasser. And while the Americans and the Israelis were planning to destroy the initiative, Nasser died on the 23rd of September 1970.

«I came to power and I had to keep it up. I have told this part of the story because it is but a link in a chain. They are waiting over Nasser. Abdul Nasser had accepted the initiative and we have gone along the same course but, taking into consideration the changes relative to each stage.

«With the Corrective Revolution we have managed to make a big leap forward. There had been so many things which had to remain suspended until after the liquidation of the consequences of the aggression.

«Under such feverish conditions I assumed responsibility. On one side there were the Arabs who were fiercely attacking us, on the other there were the US and Israel who were trying to destroy the initiative. The 90 days were to end in November. I gathered responsible officials and we adopted a decision ensuring another ceasefire of 90 days. Mahmoud Riad the then-Foreign Minister went to the UN and the 90 day ceasefire was decided. However, it was agreed that there was going to be no more extension of the ceasefire.

«The conflicts that were going on in the country following Nasser's death were of a most violent type. I have registered them and I am keeping them for they are part of its history. We had to pull ourselves together at home and it was for this reason that we decided to extend the ceasefire for another 90 days to end to February 4, 1971.

JANUARY

«The only alternative to Rogers' initiative was to start a war of attrition at once. For as I told you in August when we accepted the second part of the initiative, ceasefire stopped for

(Cont. on page 4)

lis, Union and the basic statements I have made to you or before the ASU National Congress. These defined national action, its goals and its stages from now up till the end of the century. Now, to turn to the practical side of the matter.

«You might have read recently my memoirs of this same day five years ago, September 28, 1970, when Nasser died. I have not been able to publish everything for so many things govern me first and foremost of which is the supreme interest of the homeland.

«I was unable to speak in these memoirs which you read about everything and to send to the press everything I have recorded about five years of suffering.

«But I do thank the Almighty that I meet today with you at a conference as the highest leadership in the country. I thank God at after these five years of suffering I put before you a full report as I said at the opening of this talk.

THE BEQUEST

«You are all aware of the circumstances which followed the death of Abdul Nasser. The country was split by struggles and dissensions. There were centres of influence. Everyone wanted to get a share of the bequest.

«When I refer to suffering, I mean that I suffered in the first place from the envy and spite spread in the country. The Egyptian family was taken into pieces. Some were injured and others bore spite and ill-will, while still others were lost.

Above all, Israel was in front of us on the East Bank of the Suez Canal. To begin action, I had to place two main goals in front of me: to remove this envy, ill-feeling and spite through the removal of the struggle and the centres of power and, consequently, correcting the course of the Revolution. And, at the same time to keep my attention constantly focused on our occupied land, our Armed Forces and the future battle.

BEGINNING OF 1970

«And hence was the suffering. Here I care for linking the chains of our history I would go back to the beginning of 1970 because, as I said in one of my previous speeches, our history goes in chains that link perfectly with each other and are not detached from one another or else we, and the coming generations, will suffer hard if we do not know our history or if our history were not really well-linked.

«Back to 1970 — At the beginning of that year, as you may have read, Nasser, may God bless his soul, travelled to the Soviet Union, at the end of January after the bombing of the Abu Zaabal area and concluded an agreement to provide us with SAM III missiles, and agreed also that Soviet crew would come to operate these rockets until the Egyptian crew finish training.

«It was estimated that the Egyptian crew will finish training in August... We all remember that Israel by bombing Abu Zaabal and Dahshour areas, 15

May 15 new chapter in July 23 book

(Cont. from page 4)

90 days and when this initiative was to expire a war of attrition would start again.

"In January, I summoned the Higher Executive Committee whose members were almost all from out "brothers" of the centres of power. I summoned them at the Command Headquarters in Nasr city, in Abbassia. I put forward to them the whole matter with the Armed Forces Commander in Chief and the Chief of the Intelligence attending.

"I told them to express their opinion for we were in January and February was coming and that we had to either renew the initiative — or to terminate it and all its consequences and asked them for their opinion.

At that time, the manoeuvres of the centres of power had reached a climax.

"It seemed they thought that was enough for me, which means that the period I stayed as President up till January was enough for me. They began to work for my relief. The Americans and British and everyone gave me a period of four or seven weeks succeeding Abdul Nasser.

"The manoeuvres started while we were at this meeting. You all remember that we started the war of attrition in September 1968 stopped it and then resumed it in 1968 and 1970.

"You all recall what happened to the big Nagaa Hamady power station which I then went to see, the bombing of the Qena Bridge and of Nagaa Hamady Bridge.

"At that time when Nasser was still there we agreed with the Soviet Union to send us rocket batteries to defend our installations in Upper Egypt, that is the three main bridges of Isna, Nagaa Hamady and Assiut and the other main bridges.

"This happened between the end of 1968 and until January 1971, the time I am talking about, the rocket batteries had not arrived. From September 1968 until January 1971 there was no sign of the rocket batteries.

"The discussion at that meeting started and a certain trend materialised clearly before me. The collective power centres were thinking. How then can we get rid of him. Why not have him engaged in a losing battle." Therefore they thought of adopting a firm stand of starting an attrition war.

ARTILLERY

"Friday, February 5th. On February 4th, the second ninety days ended. On Friday, February 5th, we were to begin the war of attrition. From July 19th, the enemy sent in his Air Force in reply to our artillery. Our Artillery had the upper hand. When the enemy was exhausted he sent in his air force. In July, 1969, and in 1970, the enemy launched an air raid against Abou-Zaabal in the depth of the country. The enemy said that our skies were open, but for the Sam-3, batteries of which had not arrived for Upper Egypt.

An electric power station, the Kena Bridge and the Nag Hamadi Barrages were raided. All this happened on moonlit nights by means of long-range helicopters coming from Ras Mohamed in Sinai. A glance at the map, shows that the distance between Ras Mohamed and Upper Egypt is very short. Thus with long-range helicopters, they were able to raid and return. We had to have defence. We organised a civil defence. But this was insufficient. There were three barrages and the Nag Hamadi bridge which linked two governorates. If the bridge were blown up, then the two governorates would have been completely cut-off from each other.

MISSILES

"The missile batteries did not arrive to begin the war of attrition on Friday, February 6. Therefore I refused and told them I had no hesitation in rejecting the Rogers initiative, but I would not begin the war of attrition without my batteries while Upper Egypt was vulnerable. They could say whatever they liked but I was not ready. I told them. All opinions, the majority were of the opinion to begin the war of attrition. I ended the meeting. On February 4 I had spoken at the People's Assembly and announced my initiative. I thank God the Israelis did not accept it because



PART of the joint meeting of the ASU Central Committee and the People's Assembly attentively listening to the President's speech.

and the other on the 22nd, I was relieved that the equipment would arrive before the beginning of March. That meant we would have time to transport the batteries to Upper Egypt to defend the strategic targets. Then we would be free to start in the certainty that half of the country was safe.

USSR VISIT

"Then came February 18 and February 22 and nothing came at all, not even a notice on the reason of postponement or delay or when the warfare equipment would arrive. I sent them a message by the end of February.

"On March 1 and 2 I paid my first visit to the Soviet Union as a President of the Republic secretly. On March 1 and 2 I met with the three Soviet leaders and asked them why all this happened. You know that I set March 7 as a deadline. How could I have ignored Upper Egypt. I asked for the batteries and they said they would deliver them soon. They thought that as soon as we receive the batteries we would wage a war they do not want.

"They did not refuse, but never sent anything. I spent March 1 and 2 there accompanied by one of the greatest centres of power and the former Minister of War Mohamed Fawzy. They listened to what I had to say to the Soviet leaders in the minute.

TECHNIQUE

"I called for the Higher Executive Committee to a meeting again and explained the situation. At that meeting I was speaking not only of the Upper Egypt rocket batteries but also of the deterrent weapons agreed upon with Nasser since January, 1970 and which had not been received. Nasser died and the rockets still never came.

"The most unbridgeable difference between us was that of the technique adopted. I told them that that attitude was unacceptable to anyone. I implored not to be kept ten steps behind Israel while I was aggressed upon. I asked to be two steps behind not to mention that I should be ten steps ahead.

"Israel very flagrantly said she had the longer arms for she could reach our depth with her phantoms and I had no weapon to deter.

I argued that I would not use the weapon except for Defence and when attacked but it was no use. It was a hot argument and a violent discussion.

"I informed the Higher Committee of it then and the meeting was attended by General Fawzy, the then C-in-C and a conspicuous pillar of the centres of power. The time will come when I tell you the details

of people on one side, carrying the picture of Abdul Nasser and every now and then they used to raise it. Would this annoy me?"

IN KHARTUM

"When I visited the Sudan for the first time the people of Khartoum received me holding up pictures of Abdul Nasser only. They did this out of faithfulness to Abdul Nasser and to me. It was a courtesy of them to meet me with the pictures of Abdul Nasser and I thanked the people of Sudan. In 1967 after the defeat Abdul Nasser though he was defeated was given a very warm welcome in Khartoum during his visit to the Sudan. This was reported by the "Times and Newsweek papers."

"Those people thought that holding up the pictures of Abdul Nasser would annoy me. At the end of that speech they were surprised by what I said namely that I was not prepared to permit at all the existence of strife and centres of powers, etc.

"This came as a surprise to them because they did not expect me to say so. The following day I deposed Aly Sabry; on May 2 changes took place, they feverish while I kept waiting until I went to the Armed Forces on May 11 and 12. On May 13, I deposed Shaarawy Gomaa, leader of that group and I thought I would wait and see. You all know of the developments which took place afterwards."

RESIGNATIONS

"They all resigned at 11 o'clock p.m. They submitted the resignations at two minutes to eleven to give no chance for announcing the news on the 11 o'clock bulletin. However, I demanded that these resignations be announced at the end of the news bulletin. On the 14th, the People's Assembly isolated the centres of power headed by the Assembly Speaker at that time.

"On the 15th I had to take the first essential step towards correcting the course of the Revolution. I did away with the centres of power. I was surprised at some news from the Soviet Union. I tell you all these facts in detail because I want you to be equipped with the whole truth about the situation and to know how that stage developed and all the suffering I went through during the past five years.

ALY SABRY

"Podgorny came to see me. As I told you, I was always keen on conferring with the Soviet Ambassador every Monday. From 1967 until 1970, I used to confer with the Soviet Ambassador for two hours each Monday. We discussed and solved problems. We had none to help us at that time save the Soviet Union which gave us good arms.

"I was surprised since when

against what the West and its press would seek to impress upon you, that Moscow's first man in Egypt is liquidated, and so on. Don't think it is all over. No. You are dealing with us as a government, not with individuals.

"I asked him whether or not that message had reached them a month and half earlier. I wondered then why it was so urgent to sign the treaty. I said I was of the opinion we should wait until July. But all means of conviction were useless and he insisted that we are friends and allies and talked of the West and so on.

"I said that if that is the problem and if that is what keeps our friendship I agree. Let's sign a treaty. I then called upon Mahmud Rad to make arrangements. We signed the agreement before his departure, as he was at the airport.

OCTOBER '71

"Prior to his departure from Cairo, I told him that we had to trust each other and that the weapons I have asked for in March ought to reach me soon. He said that five days after his arrival the equipment demanded would reach me and there would be an end to all that fuss.

"The Treaty was concluded and not only five days passed but a month, two and three and nothing came. Then there was a communist coup in the Sudan towards which we adopted a certain attitude. The relations with the Soviet Union worsened in spite of all my endeavour to improve them. The result was that they refrained from sending any replies to my messages until October.

"It was upon his promises to me and in the light of the treaty I concluded with them that I had declared that year was to be the year of decision. At that time we dropped Rogers Initiative and then we had either to accept the state of no war and no peace or activate the situation. The situation was only to be activated by war.

"I declared it a year of decision and yet they left me till October and then only to tell me that the Soviet leaders were ready to meet me on the 11th and 12th of October, 1971. I was extremely annoyed. However, I replied that I was ready to go.

DEFEATISM

"Their negligence and their not answering me was the same thing they did with Abdul Nasser in 1967 after they sent us the first shipment of weapons. Abdul Nasser lost his nerves at the time; asked Tito who was in Alexandria on August 10, 1967, to go to the USSR and "tell them that I don't like this way of conduct". Abdul Nasser told him.

Soviet experts, officers and men from the batteries of Sam 3 now that our own officers and men have received the training necessary for operating these 18 batteries.

"The discussion was immediately heated. Brezhnev said that such a situation would influence their prestige before the world. He referred to the Russian-manned batteries as a kind of Soviet presence. This sounded strange to me for it meant that the Soviet who enter my country are not likely to leave it.

"I insisted that they withdraw their crews and be replaced by our own. Therefore he suggested to give me another 18 batteries to be manned by Egyptian crews. I welcomed the suggestion whereby I obtained 18 batteries and the Soviet presence remained. I said I did not mind any Soviet presence as long as I obtained the weapons I want. I did not sustain any fears from Soviet presence. He said he would give me everything.

NO ARMS

"As usual and exactly as had happened in March, they handed me a paper which said the Government of the Soviet Union had decided to supply me with weapons and equipment as indicated in an appended list.

"But when were such weapons and equipment to arrive and I had earlier declared 1971 to be the year of decision? They promised to supply us with such weapons towards the end of the year October went by and November went by too and till the end of December there was no mention of any ship arriving or even information of the prospective arrival of any ships.

INDO-PAK WAR

"On December 8, the Indo-Pakistani war started and the Soviet Union was a party in it. How could I have launched my own offensive which there was a war between India and Pakistan? How could I have launched my war which the required had not arrived. I wanted such weapons in October and November so that by January at most I would have been able to start the war.

(Text of the President's speech to be continued tomorrow). — GSS

seven weeks succeeding Abdul Nasser.

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MISSILES

"The missile batteries did not arrive to begin the war of attrition on Friday, February 6. Therefore I refused and told them I had no hesitation in rejecting the Rogers initiative, but I would not begin the war of attrition without my batteries while Upper Egypt was vulnerable. They could say whatever they liked but I was not ready. I told them. All opinions, the majority were of the opinion to begin the war of attrition. I ended the meeting. On February 4 I had spoken at the People's Assembly and announced my initiative. I thank God the Israelis did not accept it because we needed to fight the battle.

"I had called for Israel to withdraw voluntarily while I opened the Suez Canal and Jarring undertook to reach an agreement within six months. As long as Jarring was working out the agreement, we would agree to a six-month ceasefire to be renewed if required. But because of Israel's arrogance the initiative was rejected."

FEB. 4

"I had announced on February 4 that we were not committed anymore to the Rogers initiative and that we would allow a month that is from February 5 to March 7, for everybody to discuss the problem and start shouldering his responsibilities."

"The objective was to announce our own initiative... to tell the whole world to move for a solution. We wanted peaceful solution but the Jews rejected this and answered Gunnar Jarring arrogantly.

"March came. Before that I sent to the Soviet Union asking for the Upper Egypt's rocket batteries. I have the barrages, each of which stands for a half a million feddans. The Russians would answer. On the way to you. One day the Commander-in-Chief of the day Mohamed Fawzy, told me that the Russians had officially informed him that the ships would arrive, one on February 18

PART of the joint meeting of the ASU Central Committee and the People's Assembly attentively listening to the President's speech.

and the other on the 22nd. I was relieved that the equipment would arrive before the beginning of March. That meant we would have time to transport the batteries to Upper Egypt to defend the strategic targets. Then we would be free to start in the certainty that half of the country was safe.

USSR VISIT

"Then came February 18 and February 22 and nothing came at all, not even a notice on the reason of postponement or delay or when the warfare equipment would arrive. I sent them a message by the end of February."

"On March 1 and 2 I paid my first visit to the Soviet Union as a President of the Republic secretly. On March 1 and 2 I met with the three Soviet leaders and asked them why all this happened. You know that I set March 7 as a deadline. How could I have ignored Upper Egypt. I asked for the batteries and they said they would deliver them soon. They thought that as soon as we receive the batteries we would wage a war they do not want."

TECHNIQUE

"I called for the Higher Executive Committee to a meeting again and explained the situation. At that meeting I was speaking not only of the Upper Egypt rocket batteries but also of the deterrent weapons agreed upon with Nasser since January, 1970 and which had not been received. Nasser died and the rockets still never came.

"The most unbridgeable difference between us was that of the technique adopted. I told them that that attitude was unacceptable to anyone. I implored not to be kept ten steps behind Israel while I was aggressed upon. I asked to be two steps behind not to mention that I should be ten steps ahead.

"Israel very flagrantly said she had the longer arms for she could reach our depth with her Phantoms and I had no weapon to deter.

"I argued that I would not use the weapon except for Defence and when attacked but it was no use. It was a hot argument and a violent discussion.

"I informed the Higher Committee of it then and the meeting was attended by General Fawzy, the then C-in-C and a conspicuous pillar of the centre of power. The time will come when I tell you the details of this meeting Inshallah.

AT HELWAN

"I returned and as usual they issued a statement at the end of the meeting to halt their talks in which they said that the Soviet Government had agreed to supply you with the following items (and then they give the items they had selected). They used this system with me as they used it with Abdul Nasser and the clients there."

"Any one in our position could not object to such things. New additions to our force and weapon are to be accepted. But I registered this against them at the meeting. I said that I completely refused this way of dealing from the very first meeting I paid on March 2 and 3. This was a turning point between me and the Soviet Union.

"I left many particulars during those five years. After my return, the centres of power wished to advance the strife at the time we just started to talk about the confederation between Egypt, Syria and Libya."

"When I delivered a speech in 1971 at Helwan they had planned to bring the meeting to mediocrity but they were surprised when it turned out to be very successful. Their moves were clear on TV to all people. They seated a row

of people on one side, carrying the picture of Abdul Nasser and every now and then they used to raise it. Would this annoy me?"

IN KHARTUM

"When I visited the Sudan for the first time the people of Khartum received me holding up pictures of Abdul Nasser only. They did this out of faithfulness to Abdul Nasser and to me. It was a courtesy of them to meet me with the pictures of Abdul Nasser and I thanked the people of Sudan. In 1967 after the defeat Abdul Nasser though he was defeated was given a very warm welcome in Khartum during his visit to the Sudan. This was reported by the 'Times and Newsweek papers.'

"Those people thought that holding up the pictures of Abdul Nasser would annoy me. At the end of that speech they were surprised by what I said namely that I was not prepared to permit at all the existence of strife and centres of powers, etc.

"This came as a surprise to them because they did not expect me to say so. The following day I deposed Aly Sabry; on May 2 changes took place, they feverish while I kept waiting until I went to the Armed Forces on May 11 and 12. On May 13, I deposed Shaarawy Gomaa, leader of that group and I thought I would wait and see. You all know of the developments which took place afterwards."

RESIGNATIONS

"They all resigned at 11 o'clock p.m. They submitted the resignations at two minutes to eleven to give no chance for announcing the news on the 11 o'clock bulletin. However, I demanded that these resignations be announced at the end of the news bulletin. On the 14th, the People's Assembly isolated the centres of power headed by the Assembly Speaker at that time.

"On the 15th I had to take the first essential step towards correcting the course of the Revolution. I did away with the centres of power. I was surprised at some news from the Soviet Union. I tell you all these facts in detail because I want you to be equipped with the whole truth about the situation and to know how that stage developed and all the suffering I went through during the past five years.

ALY SABRY

"Podgorny came to see me. As I told you, I was always keen on conferring with the Soviet Ambassador every Monday. From 1967 until 1970, I used to confer with the Soviet Ambassador for two hours each Monday. We discussed and solved problems. We had none to help us at that time save the Soviet Union which gave us good arms.

"I was surprised since when he came, Podgorny said the Soviet Union wanted to conclude a treaty with us. I recalled that Abdul Nasser tried twice to conclude a treaty with the Soviet Union but the latter refused. During his last trip to the Soviet Union, in 1970, Abdul Nasser asked to conclude a treaty or sign a pact. The Soviet Union, however refused.

"I told Podgorny that the timing for the treaty was not sound. I told him to wait pending ASU re-elections and the ASU National Congress on July 23, 1971.

"Podgorny told me that the Politbureau had taken a decision and that he was entrusted with concluding a treaty with me.

"I told Podgorny that, before the liquidation of those people, Aly Sabry in particular, I had informed the Soviet Union. I said to the Soviet Union, two and a half months earlier, that Sabry was not fit and that he should not continue to be in the leadership since I do not allow struggle at the stage through which we were passing. I allowed difference in opinion but not struggle. Sabry wanted struggle. Although he was an internal affair, yet I was keen on informing the Soviet Union about it.

"A month and a half earlier I sent you a message warning

against what the West and its press would seek to impress upon you, that Moscow's first man in Egypt is liquidated, and so on. Don't think it's all over. No. You are dealing with us as a government, not with individuals.

"I asked him whether or not that message had reached them a month and half earlier. I wondered then why it was so urgent to sign the treaty. I said I was of the opinion we should wait until July. But all means of conviction were useless and he insisted that we are friends and allies and talked of the West and so on.

"I said that if that is the problem and if that is what keeps our friendship I agree. Let's sign a treaty. I then called upon Mahmud Rad to make arrangements. We signed the agreement before his departure, as he was at the airport.

OCTOBER '71

"Prior to his departure from Cairo, I told him that we had to trust each other and that the weapons I have asked for in March ought to reach me soon. He said that five days after his arrival the equipment demanded would reach me and there would be an end to all that fuss."

"The Treaty was concluded and not only five days passed but a month, two and three and nothing came. Then there was a communist coup in the Sudan towards which we adopted a certain attitude. The relations with the Soviet Union worsened in spite of all my endeavour to improve them. The result was that they refrained from sending any replies to my messages until October.

"It was upon his promises to me and in the light of the treaty I concluded with them that I had declared that years was to be the year of decision. At that time we dropped Rogers Initiative and then we had either to accept the state of no war and no peace or activate the situation. The situation was only to be activated by war.

"I declared it a year of decision and yet they left me till October and then only to tell me that the Soviet leaders were ready to meet me on the 11th and 12th of October, 1971. I was extremely annoyed. However, I replied that I was ready to go.

DEFEATISM

"Their negligence and their not answering me was the same thing they did with Abdul Nasser in 1967 after they sent us the first shipment of weapons. Abdul Nasser lost his nerves at the time; asked Tito who was in Alexandria on August 10, 1967, to go to the USSR and 'tell them that I don't like this way of conduct'. Abdul Nasser told him.

"Suppressing my anger I went there on October 11 and 12 and asked them why they behaved in such a manner; 'you asked to conclude a treaty of cooperation and I accepted I waited for four days but nothing happened; I sent you afterwards and waited for a month, two months, three, and four, until at last in October you asked me to come; I also told them, 'our relations should be so and so; what am I to do about the year of decision' and they said, 'tell us why have you declared the year of decision'."

"Why do I want the year of decision? ", I asked, "I want to liberate my country, my land and if I keep silent on this state of affairs, it will be the best situation Israel and America wishes for, namely that the situation remains like this until I collapse". I told them.

"Moreover, publicity in the world as well as between ourselves at the time was that of defeatism which is a painful fact; for all writings and analyses were publicising the spirit of defeatism; our self-confidence was passing away whereas the spirit which should prevail at the time should be that of steadfastness."

USSR EXPERTS

"In order to activate them, I demanded the withdrawal of

Soviet experts, officers and men from the batteries of Sam 3 now that our own officers and men have received the training necessary for operating these 18 batteries.

"The discussion was immediately heated. Brezhnev said that such a situation would influence their prestige before the world. He referred to the Russian-manned batteries as a kind of Soviet presence. This sounded strange to me for it meant that the Soviet who enter my country are not likely to leave it.

"I insisted that they withdraw their crews and be replaced by our own. Therefore he suggested to give me another 18 batteries to be manned by Egyptian crews. I welcomed the suggestion whereby I obtained 18 batteries and the Soviet presence remained. I said I did not mind any Soviet presence as long as I obtained the weapons I want. I did not sustain any fears from Soviet presence. He said he would give me everything."

NO ARMS

"As usual and exactly as had happened in March, they handed me a paper which said the Government of the Soviet Union had decided to supply me with weapons and equipment as indicated in an appended list.

"But when were such weapons and equipment to arrive and I had earlier declared 1971 to be the year of decision? They promised to supply us with such weapons towards the end of the year October went by and November went by too and till the end of December there was no mention of any ship arriving or even information of the prospective arrival of any ships.

INDO-PAK WAR

"On December 8, the Indo-Pakistani war started and the Soviet Union was a party in it. How could I have launched my own offensive which there was a war between India and Pakistan? How could I have launched my war which the required had not arrived. I wanted such weapons in October and November so that by January at most I would have been able to start the war.

(Text of the President's speech to be continued tomorrow). — GSS

SINAI CRITICS HIT AT NASSER ON ROGERS PLAN

THIS is the second and last instalment of the speech which was made by President Anwar el Sadat at a joint meeting of the ASU Central Committee and the People's Assembly on Sunday evening on the fifth anniversary of the death of Gamal Abdul Nasser. The first instalment was published yesterday.

SOVIET AMBASSADOR

"And the 'decisive year' had been missed. This had become quite clear after the start of the India-Pakistan war in which the Soviet Union was a partner. They asked for certain facilities which I offered them but it was quite clear that the decisive year had gone.

"I told the Ambassador, with good intentions, that the 'decisive year' had been missed with the start of the Indo-Pakistan war because even if all the weapons offered had been received I could not launch an attack except in the coming spring. We had to find a way out of this impasse and I did not know that the matter was premeditated by them.

"I told him to inform the Soviet leader that I was ready to visit them in December and we issued a statement to cover up the 'decisive year' ... This was on December 20 1971. On December 28 the Soviet ambassador told me that the Soviet leaders were ready to receive me on February 1 and 2.

REGISTERED

"My intention was to cover up the decisive year. I took into account that my country would trust me and if the decisive action had not taken place surely knew what the cause was.

"Early in 1972, the whole country was against the Soviet Union and this prompted me to go to the People's Assembly to deliver a speech in which I defended the Soviet Union. The speech is registered and was published by all papers. I warned every one working with me to accept or resign. I was on the peak of rage and fury. They were not ready and their timetable was not either before February 1 and 2.

STUDENT MOVES

"In 1972 there cropped up the students events ... the defeatists ... the liquidatory solutions ... and the like demonstrations and so on. The students occupied the premises of the Higher Council for Universities and formed the Higher Student Committee. The operation is over..."

"As you know the leftists led the movement. I concealed my fury and I went to the People's Assembly and delivered a

before the visit of Nixon. Late in April when Grechko went back, the Soviet Ambassador asked for a meeting. He told me that the Soviet leaders wanted me for 24 hours at the Kremlin, very urgently. It was quite clear that they wanted me to go to them to show Nixon that Egypt was a Soviet satellite although I had gone there three times in less than one year.

"I agreed and went there before May and I said to myself that the Soviet Union wanted to make a showdown with USA.

"I reached there and in that time Vietnam had launched a large-scale offensive which started in January 1972 and the USA had been against attending the Paris conference. After that large-scale offensive, the USA was obliged to attend the conference.

NIXON VISIT

"Nixon's visit to Moscow had been fixed in May and it was the focus of my talks at that meeting. I told them the USA arrogantly withdrew from the Paris conference and after the large offensive it changed its stand in the face of the fait accompli and the military move. Not only this, Nixon could go to Moscow too knowing that this large-scale offensive was effected through Soviet armament.

"I told them that the problem would not be solved. There was only the peaceful solution in their minds and I told them that the peaceful solution would not be feasible except through a military move. Without a battle there would be no use.

"Brezhnev said that he fully agreed with me on this analysis. I asked him if he imagined that Nixon would bring anything with him. I explained that 1972 was the election year and that the tradition in the USA was that the President should not bind himself with any promises in the election year so as not to commit the new President. "We agreed that the US attitude would either be bad or worse and would never be favourable. I stayed there 24 hours and the only thing was the announcement that the Egyptian President had been there before Nixon.

AGREEMENT

"Then came the meeting and our agreement was that they would send me the arms after it. Brezhnev agreed with me that no peaceful solution would take place except after a military move as was the case in Vietnam. I told him that after Nixon's visit, there would be 15 months for the US Presidential elections and I asked them to send us the items for which we had been crying since Abdul Nasser's days. I explained that with these arms we would be speaking from a position of strength and the Americans or the Jews would not respect us unless they

leaders. I asked that the Soviets inform me when the ships carrying the arms would arrive so that I could make preparations and make accommodation for the ships at Alexandria harbour.

TERRITORIES

The Soviets did not communicate with me for two weeks after Nixon's visit to Moscow. And when I asked the Soviet ambassador to ask the leaders to tell me when the arms were coming they kept silent for one full month. Thus one and a half months of the five months were wasted.

Then I received the Soviet reply but it did not tell me when they were sending the arms or when the ships were arriving. Their reply fell in two foils and a quarter. They talked about the efforts of the Soviet Union to convince the Americans to work for a peaceful solution. They said they supported Arab rights and the withdrawal of Israeli forces from Arab territories. But I did not want statements. I wanted to know when the

while there was no contact between the Soviet Union and myself whatsoever.

"Time came for universities to start. Our leftist brothers then began to create trouble in the universities. Then came a sectarian intrigue.

"Foreign correspondents in Cairo sent reports to their papers that Egypt was finished because of sectarian intrigues, students' demonstrations, expulsion of the Soviet experts, meaning that Sadat could not enter a battle.

"Egypt's image from the Autumn of 1972 onwards was very bad.

SAND EMBANKMENT

"As I told you, I asked the Minister of War to inform the Supreme Council of the Armed Forces of my orders, and to get the Forces ready for action November 15th. Two days later, he told me that everything would be ready by the first of November.

"At the end of October, I called the Supreme Council for a meeting at which I discovered that the Minister of War

the Americans contacted us. The first contact with Kissinger occurred in February, 1973. It was not a meeting behind closed doors. It was an open meeting.

KISSINGER'S TUNE

"When Ismail returned from the United States and told me about what Kissinger said, I did not like Kissinger's tune. Kissinger simply told Ismail that whether Egypt wanted to wage war or not it was her own business but that the Americans are sure that Egypt would be the loser. Kissinger asked Ismail to inform of what he said and, meanwhile, to advise me to be practical the way the Americans are.

"Kissinger said that the US would do something for Egypt within reason and according to circumstances preventing Egypt from winning any war against Israel. Kissinger advised us not to start any movement since any movement would mean a serious blow that would end Egypt.

I didn't like the advice conveyed to me from Dr. Kissinger.



ships carrying arms were arriving. In five lines at the end of the message they said that from their experience they wanted to say that we would not be able to prepare for battle in five months. There was no mention of when the ships or the arms were arriving.

SOVIET EXPERTS

"For two hours and half I kept listening to the contents of the letter. However, there was no reference whatsoever to the letter also stressed

had not informed. To justify his stand, he whispered in my ear telling me that he wanted the orders to be confidential. I told him that it was the Supreme Council which ought to have worked out the plan and that there were no secrets in so far as the Supreme Council was concerned. These are a few of the sufferings which I had to endure in the last five years.

"I regret to say that our defence plan, handed over to me by Gamal Abdul Nasser before he passed away was not fully based on giving as

er by Hafez Ismail when he returned from Paris. It meant that we should accept the defeat and make no move.

At that time the late General Ahmed Ismail returned from Moscow with a deal for arms. That took place eight months after the termination of the Soviet experts' presence in Egypt when they were assured that the decision was no stab in the back and no agreement with the Americans.

To show good will they started on a quick supply of the deal. After Hafez Ismail return-

"As I used to I paid my yearly visit to the forces at the front and on June 5, 1973, it was my chance to give final orders to the commanders, for as I told you the plan was complete and I ratified it at Kattamia Airport where I was holding a meeting with the pilots in one of their shelters indirectly asking them to be ready.

"While conducting that meeting I was told that there was an urgent phone call and asked Ismail to get it. He returned to tell me the Soviet Ambassador was on the phone and had an urgent message for me.

"I asked him to take the message saying there was no hurry for I was going to finish my talk with the pilots.

SUPREME SOVIET

"On our way back Ahmed Ismail told me the Ambassador wanted an urgent date for the Soviet have decided to send Podgorny, Chairman of the Supreme Soviet, to visit Egypt as a kind and important initiative by the Soviet Union and asked if June 11 was convenient for me.

"In an earlier visit to Turkey Podgorny had attacked the Arab Armed Forces and the Arabs and it was published, in an American magazine and was not denied by the Soviet Union. That was done by the same man who signed the treaty with me and spent four days here. So I asked Ismail to reply that at that time we were busy.

"During the summer of 1973 we were preparing for the war. I had gone to Saudi Arabia and Qatar and ended my year in Syria where October 6 was set in agreement with President Assad. In September we attended the Non-Aligned Conference and so the atmosphere on all fronts was made ready for the war and we were strongly backed by all Africans, Arabs and Non-Aligned countries.

OCTOBER 6

"In August of that year the Supreme Command Council of the joint Egyptian and Syrian Armed Forces met here for the first time. The details of the meeting are of course a military secret. But later the fate of the war was fixed between myself and President Hafez Al Assad.

"In December, 1972 I had gone to the People's Assembly and had put the riotous students before the prosecution and in January I relieved 120 journalists of their posts, but did not dismiss them. I just told them they had to stop working against their own country.

"I gave them work at the State Information Department for my punishment was only moral. I wanted the efforts of every man in the country to be geared for my own sake, but for that of the country.

"On September 28, 1973 I reinstated all the journalists and issued an amnesty for all the students, sending them back to their universities.

ence and to oblige them he introduced the word comrade to be used among the ranks of the Baath Party.

"They tried to use the Baath Party as an instrument to strike at Abdul Nasser. In May 1967 when I was then Speaker of the National Assembly — I was on a visit to Moscow and they officially informed me that Israel was concentrating 10 or 12 brigades on the borders of 'struggling' Syria which was left alone to defend the Arab world.

"I am not going to stress on this point in detail. The Committee which has been formed under Hosny Mubarak will soon start to investigate on all that happened during the 67 war.

CEASEFIRE

"The same thing is happening again. The USSR trying to use Assad as an instrument for hitting Sadat. As I took the ceasefire decision I was afraid of the Soviet Union as much as of the US.

"Fourteen months after the battle still nothing had come from the Soviet Union as I had expected. In the same time, Syria — which had lost all its tanks and almost all of its air force — was compensated for all its losses before the ceasefire.

Up to this minute, not a single weapon has been compensated. What I received in January 1975 was overdue shipments from 1973 and 1974 contracts and even these have not yet been completed up to this day.

DECISIONS

"On more than one occasion I made it clear to them that Egyptian decisions must be taken by Egypt. In order to deal with the Israeli bulge on the west bank of the Canal I had to secure at least 400 tanks. President Boumediene-Cod bless him immediately supplied 150 and President Tito supplied 140. We also took a hundred tanks from Libya.

Though the Libyans got them back, one has to be objective and grateful and admit everyone's aid in the shortest possible time there were almost 400 tanks surrounding the bulge.

"I had had 100 or 200 tanks at the time the bulge was made. I could have liquidated it in no time. Russian tanks began to arrive as late as the time of the ceasefire and the penetration into Suez attempted by the Israelis.

This also reminds me of the incident of a Russian ship that was due on October 5, a day before the War. When the Russians learned from Assad that the war was to start on October 6, the ship 'somehow' lost its way at sea. And as soon as news of our remarkable victories were ascertained, the same ship suddenly found its way to the Alexandria harbour.

HAFEZ ISMAIL

"Then Kissinger came to tell me something to say completely different from what had been said to Hafez Ismail. Kissinger said that now that the situation has been changed by force, a just peace must be sought.

ed everything to him.

"Then came my meeting with President Ford at Salzburg and Kissinger came back to the area and the storm was raised again.

"In spite of all that has been attributed to President Assad, I still hold the man in great respect for he was the one who shared with me the responsibility of the October 6 decision. It was the first time two Arab leaders jointly took a decision against the will of the Big Two.

"It is unfortunate indeed that the Baath Party is unwilling to have the round completed. They said that Egypt had bought a piece of land in return for the Palestine cause. The Palestinians were thus instigated in the same manner as they had been instigated during the later days of Abdul Nasser.

BAATH PARTY

"Today we find the Baath Party wearing Abdul Nasser's cloak when none had so firely and unjustly attacked Nasser during his lifetime as the Baathists had done. Hafez el Assad is dear to me and I believe he has always been sincere. Therefore, I do not believe he has said what has been attributed to him and if he has said any such things I feel it is my duty to make the necessary correction.

"El Assad is reported to have said that Egypt could cancel the agreement with Israel in the same way as Nabhass Pasha had cancelled the agreement he himself had signed with the British.

"I blame El Assad if he has ever said so for I had never advised him on any of his country's domestic affairs or his Baath Party. Egypt is mature enough to manage her own affairs. It is also reported that El Assad said that Jordan has rejected an agreement similar to the Sinai agreement.

PALESTINE FLAG

Following the Rabat conference King Hussein of Jordan could not accept any agreement with Israel. Because of joining us at the Rabat conference in declaring that the Palestine cause was the responsibility of the Palestinians.

The Rabat conference appointed a five-man committee of King Hassan (of Morocco), King Hussein, myself, President Hafez el Assad and Yasser Arafat. The committee was entrusted with solving the problem between the Palestine resistance and King Hussein.

It was my opinion, and I declared that in Alexandria when King Hussein visited us in the summer of 1974, that King Hussein should agree with the Palestinians on a definite relationship. It was my opinion that King Hussein could bring the Palestinians land on which could raise the Palestine flag. When we declared this the Palestinians were angry. We went to the Rabat conference and handed whole issue to them.

STRANGE ATTITUDE

We said that the Western Bank of River Jordan was a trust in the hands of King Hussein.

and so on. The students occupied the premises of the Higher Council for Universities and formed the Higher Student Committee. The operation is over..."

"As you know the leftists led the movement. I concealed my fury and I went to the People's Assembly where I delivered a speech in which I covered up the attitude of the Soviet Union which was exposing me to enemy attacks. I also went to them on February 1 and 2."

"The first question I asked while I was talking to them was: 'who delayed the arms and why do you act like that. Am I a friend or an enemy?' This is only done with the enemy". And they knew of it because there was an agreement with India and they knew that something would happen in December between India and Pakistan as Indira Gandhi was on a tour of the world to prepare for war. The Soviet Union was 100 percent sure the war would begin because it was a partner in it and sent the supplies to India.

USSR ARMS

"I asked them why they did not tell me about that when I was with them in October so I could be prepared for another operation."

"Brezhnev replied that he was responsible for this. When I asked why, he answered 'the routine in our country'. I told him that although I was not convinced I wanted to make it clear that if this happened in future it would put a limit and would mark a turning point in our relations. This was on February 1 and 2, 1972. This was the third time, March 1 and 2, 1971, October 11 and 12, 1971 and February 1 and 2, 1972. 'I came to you three times and this time, I say that if this is repeated it will be a turning point in our relations' I said. 'Kosygin said that this would never happen again and that he himself would supervise the supplies. Then the list came out at the end of the meeting and only the arms which they wanted to give were included. I accepted the list and came back. 'At that time the first meeting between the USA and Soviet Union was fixed and it was agreed that Nixon should visit Moscow in May 1972 as a result of the detente reached by Kissinger."

SUKHOL-17

"I said that I should wait for the arms. You remember that the Soviets, when they had a Communist Party meeting, did not send the batteries needed for us until after the meetings. So I said that I should wait until after the end of Nixon's visit to Moscow because they did not relish to do such a thing."

"Towards the end of April they sent Grechko 20 days before Nixon's visit. He came with a statement with him from the Central Committee and he brought with him an aircraft called Sukhol-17."

"In the statement, the Soviet Union said that they had supplied Egypt with long range fighters and with new weapons and so on and so forth."

"The operation was that they wanted to show that they had a presence in the Middle East

Nixon's visit, there would be 15 months for the US Presidential elections and I asked them to send us the items for which we had been crying since Abdul Nasser's days. I explained that with these arms we would be speaking from a position of strength and the Americans or the Jews would not respect us unless they know we were strong. What would come to us would be known to all and what would go to Israel would not be hidden to us."

"Nixon visited Moscow and they were supposed to send me the results of the visit as they had promised. But the basic agreement was that they should not waste any minute and send the supplies which I summed up in seven points."

LAST STRAW

"Nixon went to Moscow and spent a week there and the statement on the visit promised a military relaxation in the region. The USA and the USSR agreed to the military relaxation in the region. How, that and the situation will move from bad to worse and how the Soviet Union would have agreed to a military relaxation."

"This would have been alright if Egypt and Israel were on equal footing in connection with armament and if Egypt were not occupied. A military relaxation would mean that my lands would remain occupied for ever. I became furious — this was the last straw."

RELAXATION

I was surprised that the communique issued on the visit of Nixon to Moscow said that the United States and the Soviet Union agreed, on "military relaxation" in the area."

How could I accept military relaxation when I was ten or 15 points behind Israel. I wondered how the Soviet Union agreed to military relaxation. That would have been acceptable if we had been on the same footing with Israel as far as armament was concerned and if my land was not occupied."

Military relaxation meant that my land would continue to be under occupation I was stunned. That attitude, as the Arab proverb says, was the straw which broke the camel's back."

STRENGTH

The Soviets told me that the American attitude remained unchanged. They said they had persuaded the Americans to see that Security Council Resolution 242 be carried out. They said they had agreed on "military relaxation" and the implementation of Security Council Resolution 242. The Soviet message was delivered to me by the Soviet ambassador in Cairo."

I asked the Soviet ambassador to tell Soviet leaders that the coming five months should not be wasted. I said that when the U.S. President was elected in November I wanted the United States and Israel to feel that we were talking for a position of strength. I wanted them to know that we were ready for a peaceful solution and we were also ready for war. The Soviet ambassador communicated this to the Soviet

remie Council which ought to have worked out the plan and that there were no secrets so far as the Supreme Council was concerned. These are a few of the sufferings which I had to endure in the last five years."

SOVIET EXPERTS

"For two hours and half I kept listening to the contents of the letter. However, there was no reference whatsoever to arms. The letter also stressed the risk of war."

"I immediately said that the letter was rejected in form as in content and affirmed that I would not accept the Soviet style of dealing. I also issued the decision that all Soviet experts must leave within a week. Soviet installations in Egypt were either to be left, sold or withdrawn."

"The man didn't believe his ears at first. But I told him that these were official decisions. I told the Prime Minister (Aziz Sidky at that time) to go to them and tell them that these decisions were final and to keep up whatever remained of our friendship. It was possible for a joint statement to be issued to the effect that the two countries had agreed to terminate the services of Soviet experts in Egypt. However, they rejected this offer."

POLITICS, MORALS

"It was thus that our relations with the Soviet Union entered a new stage. The decision was communicated to the Soviet Ambassador on July 8 and on July 9, President Hafez el Assad came to Cairo and I acquainted him with the situation in detail."

"As he told me he had succeeded in obtaining arms from the Soviet Union I told him that he was completely free to maintain his relations with them."

"The decision for the withdrawal of Soviet experts from Egypt caused various reactions in the Arab world. Some went as far as to say that I ought to have informed America of this step to cash its price from it."

"If it is the conviction of some that politics knows no morals, I would like to affirm that for me morals are the basis of any action whatever. It would have been immoral for me to stab the Soviets in the back by concluding an agreement with the Americans. I may go as far as to give an electric shock but I never think of stabbing anyone especially those who have backed us in difficult times."

U.S. ELECTIONS

"I afterwards gave orders that our Armed Forces should be ready by November. I also told Sayed Marei, at the time ASU Secretary, that we should be ready to move in November. At that time, Mamduh Salem was in charge of the people's resistance, in addition to his post as Deputy Premier and Minister of the Interior. I told him, too, that we should be ready for action in November."

"I told Hafez Ismail then Counsellor for National Security, that the Americans were to contact us hence he should be ready. We wanted to see what could be done after the US Presidential elections."

"Actually, two weeks later, Kissinger asked to meet officials in Cairo. Summer passed

and I returned with a deal for arms. That took place eight months after the termination of the Soviet experts' presence in Egypt when they were assured that the decision was no stab in the back and no agreement with the Americans."

To show good will they started on a quick supply of the deal. After Hafez Ismail returned to Moscow I sent for the Soviet Ambassador to deliver a message to his Government requesting the presence of their National Security Minister, Andropov, who was recommended to me by the late Ahmed Ismail as one who was friendly to him and who offered to help overcome difficulties that may arise, to avoid anything similar to the experts incident which harmed relations between the two countries."

RUMOURS

"Unfortunately, I could not say at the time that orders were made haphazardly and that Israel was in a position to enter into the West Bank."

"Unfortunately, one of our papers adopted rumours and continued to talk about haphazard orders, sectarian plots and students' demonstrations. It suggested also that soviet experts be expelled and that there was no war to take place. If you would have read foreign papers in October, November and December, 1972, you would have thought that Egypt had collapsed."

"I appointed the late Ahmed Ismail and I asked him to work out the defence plan before anything else. At the end of November, Ismail told me by telephone that the Defence Plan 200 was ready."

"Ismail spent twenty million pounds to prepare for the attack. At that time, the Jews said that the Egyptians were fond of building Pyramids. As a matter of fact; the late Ismail built a Pyramid of sand in front of every Israeli strong point. The Israeli Forces thus were exposed to us. Meanwhile, I solved the problem of the sectarian intrigue through a visit to Azhar and the Coptic Patriarchate."

EXPULSION

"In December, I spoke at the People's Assembly. I said that from that time on, I would not allow such negligence. While I spoke in the evening by the next morning all the elements which created confusion were detained and referred to the Prosecution."

"In 1973, Ahmed Ismail began to work out the skeleton of the plan. In February 1973, Ahmed Ismail visited the Soviet Union. Hafez Ismail went to meet Kissinger for the first time."

"Three weeks after the expulsion of the Soviet experts,

State Information Department for my punishment was only moral. I wanted the efforts of every man in the country to be geared not for my own sake, but for that of the country."

"On September 28, 1973 I reinstated all the journalists and issued an amnesty for all the students, sending them back to their universities."

"At that time there were several interpretations which said that President Sadat was retreating and was after a national reconciliation, but no one thought that there were only two or three weeks left to start the battle."

"Anyway it was October 6 when the sons of this country surprised the whole world and stupefied everybody as they destroyed the Israeli myth which lived for 25 years that Israel is an invincible power, and so on."

I sent an official message through the Ambassador requesting a meeting with the Minister of National Security whom I wished to inform that the long and the short of Dr. Kissinger's talks was that without changing the status quo nothing could be done to help. March and April passed and we received some arms agreed upon by Ahmed Ismail and I thanked God that he was carrying out the plan properly."

"With regard to the Arab situation, I had decided to attend the African Summit which was held in May and took a marvellous resolution. We also had to take a Security Council resolution."

SECURITY COUNCIL

"Following the assassination of the three Palestinians in Beirut the issue was raised at the Security Council and a resolution was taken in our favour by 14 votes to one, that of the US. The situation thus pointed towards war."

"At home the late Field Marshal Ismail had the plans ready since March and the training of forces started off as best as could be. But I waited for Mr. Andropov to come but he neither showed up nor was there any explanation why he did not come."

"I told the Soviet Ambassador that the matter was urgent and that as allies and friends there were things I wanted to tell them and to consult them about."

SOVIET ENVOY

"The Ambassador said he would send his government a message, but when two months passed and nobody arrived I called for the Ambassador once again and asked him to cancel the invitation saying that I had forgotten that I was addressing a super-power, thinking we were friends and allies."

"On June 5 everything was ready and I went to the Command Headquarters where I saw the sand table and everyone of the Commanders explained to me his task which was to be carried out in accordance with the latest military techniques in the world."

"The Soviets had sent part of the arms during the months of February-March and April and held the rest of it until Podgorny's visit to the United States in May was completed. I was sure it was no use urging them before the visit ended."

ascertained, the same ship suddenly found its way to the Alexandria harbour."

HAFEZ ISMAIL

"Then Kissinger came to tell me something to say completely different from what had been said to Hafez Ismail. Kissinger said that now that the situation has been changed by force, a just peace must be sought."

"I spoke about the Israeli bulge and stressed my intentions to liquidate it and expressed my hope that America would not intervene. However, Kissinger stated that the issue of the bulge was provided for in the disengagement agreement."

"The Syrians talked much about the bulge. I wished they had read what General Beaufre of France who was also the Director of the Institute of Strategic Studies in France had written about it."

"The late General Beaufre had described it as the 'television battle'. The Israelis had penetrated six and half miles to the west in the land between two Egyptian armies. As soon as fighting was to be resumed, the Israelis in the bulge would have all been destroyed."

FOUNDATIONS

"The bulge had no strategic foundations whatever. It was only meant to effect a sort of balance in the situation. As soon as Division No. 21 was prematurely moved to the east to ease the pressure on the Syrian front upon Syria's own persistent call, the Americans sent photographs to the Israelis and advised them to arrange for a breakthrough at the site evacuated by the division."

"Kissinger made it clear enough to me that should I attempt to liquidate the bulge, the US would strongly intervene. How was I to fight the US together with Israel on one front and having the Soviet Union as my back as well?"

NASSER PUNISHED

"I feel I must reveal a secret I have tried to conceal for various considerations. I was facing not only America and Israel on the front, but also the Soviet Union at my back. The airlift of ammunition that was due in 1969 only began to arrive during the October war. They punished Abdul Nasser for disobeying them and bringing the war of attrition to a halt by denying him the ammunition they had earlier promised."

"It was thus that I started the war with ammunition for my artillery barely sufficient for a few days while Syria had abundant ammunition. This fact became known to our brothers in Syria only during the October War. If to this we add the old bridges whose laying requires five hours, we would come to a better understanding of the miraculous achievements of our armed forces when they assaulted over the water obstacle of the Suez Canal and stormed the Bar-Lev Line."

"In the wake of my decision for the withdrawal of Soviet experts from Egypt, the Soviet Union began to flirt with Syria. History repeats itself. The Soviet Union is used to the ousting of getting Arab regimes to hit at each other. They brought Salah Gaddid under their influ-

King Hussein could bring the Palestinians land on which could raise the Palestine flag. When we declared this the Palestinians were angry. We went to the Rabat conference and handed whole issue to them."

STRANGE ATTITUDE

"We said that the Western Bank of River Jordan was a trust in the hands of King Hussein just as the Gaza strip was a trust in our hands. But the Palestinians were angry. A few weeks ago a joint command was set up by Syria and Jordan. No Palestinian voice was heard in protest. A strange attitude."

"At the meeting of the five man-committee I said that if King Hussein could reach a disengagement agreement and liberate one inch of the West Bank of River Jordan he should hand it over to the Palestinians to raise the Palestine flag over it. Two years before the October war. Then I invited the Palestinians to set up a provisional government. If they had done that they would have received recognition of all world by now."

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FINAL SOLUTION

It was rumoured that King Hussein had been offered a disengagement agreement. But he said he had not been offered a disengagement agreement but a final solution. Israel offered to give Jordan passes through the settlements on the Jordan River into the West Bank up to a certain depth and a final solution. I told him that a final solution was not acceptable. And the five of us rejected that. President Assad was quoted as having said that King Hussein had been offered an agreement similar to the Egyptian agreement. This is not true. I know that President Assad is a man of truth and I do not wish that such a story be attributed to him."

A VICTORY

Our second agreement in Sinai is not an agreement to pass in passes through Israeli settlements such as those situated on the Jordan River. I am taking back a complete territory. We shall take back 5,000 square kilometres of our land containing strategic positions including the (Gidi and Mitla) passes and the (Abu Rodeis) oil fields which belongs to Egypt."

"Kissinger suggested that the line of October 22 be restored by a disengagement agreement. It is thus that the US has come to change its attitude towards the Middle East. The war has brought about the change and the sincere quest for peace. The US was a principle party in the issue and could not be ignored."

FIRST ACCORD

"The first disengagement agreement was reached and there was such a storm. The Syrians said that Egypt had concluded a separate agreement and had abandoned the battle."

"As I have relayed earlier, I was as much interested in a disengagement on the Syrian front. I had even contemplated the line of disengagement on the Syrian front before I ever thought of its counterpart in Egypt."

"A disengagement agreement on the Syrian front was also reached. The same storm was raised again in 1975 when Egypt was considering a second disengagement agreement. There was the same ado and the same false claim that Egypt had concluded a separate treaty."

"Kissinger failed in March and those who had been crying were surprised by Egypt's saying 'no'. I later conferred with President Assad and I blamed him for what had been said and explained

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"Text of the President's speech"

7/27-30/75

(Cont. from page 4)

signed the first agreement. But we do not view matters through a party vision but through a national vision. The latest Sinai agreement is a victory for Egypt, for nationalism, for our cause and for Palestine. If the others do not realise this by now, they will realise it sometime later.

MARCH 30th

Though the past five agonising years we drafted the Permanent Constitution and issued the March 30 Manifesto (which I said was not fully carried out). We closed all detention which had existed for 40 years before the Revolution. We restored freedom and tranquility to every Egyptian. We waged the 1973 battles and removed the nightmare of Soviet experts who had maintained that war was impossible. They even wrote a statement which they signed saying that our losses would be between 40,000 to 60,000 men. They wrote a signed statement to (now Vice President) Hosny Mubarak (who was Commander of the Air Force) saying that the losses in the first Air Force strike would be 30 per cent and the strike would be a successful 30 per cent. In the first air strike we lost five or six planes out of 222. This estimates that the air strike was 99 per cent successful. I have the honour to say that my brother (Atef el Sadat) was one of the first five pilots who were killed in action in the October war.

OIL WEAPON

I was facing developments at home and on the international level. But great achievements were accomplished. The centres of power were destroyed. The Permanent Constitution was promulgated. The sovereignty of law was established. The judiciary were respected. Security prevailed, honour and money became secure. In the (October) war had it not been for Egypt there would have been no battle. If I had accepted the offer which came to me through the Soviet Union from Syria three times to cease fire the (Arab) oil weapon would not have been used and we would not have had time to complete the glorious victories which we have achieved.

The centres of power have gone. The March 30 Manifesto was issued. The October Paper was issued. Detention camps were closed. When the (October) war broke out not a single Egyptian was detained. I do not think that any one can claim that he is living under martial law as was claimed by certain students and journalists and some Arab at one time. This I have tolerated. Great achievements have been accomplished during the past five years.

On the fifth anniversary of Abdul Nasser's death we have concluded the second disengagement agreement in Sinai under which we take back the passes and the oil field in Sinai. The agreement is only a step towards a final solution. Those who raise dust about the agreement and resort to outbiddings should read the clauses of the agreement. It is a step towards an overall solution in which all parties, including the Palestinians, will take part.

U.S. PLEDGES

I had not revealed before the pledges which I received from U.S. President Ford. I have a pledge from President Ford that Israel will not commit an aggression on Syria. I have a pledge from the U.S. President to bring about a second disengagement on the Syrian front simi-

lar to the first disengagement. I have a pledge that the Palestinians will take part in a settlement. If there are any secret clauses — and I say this within hearing of the Syrian Baath Party and the Palestinians — then these are the secret clauses.

In the middle of the frenzied atmosphere and attacks, Egypt has accomplished great achievements. The October Paper has outlined our strategy for development up to the Year 2000.

There are those who are trying to wear Abdul Nasser's shirt abroad. Those who wear Abdul Nasser's shirt at home are trying to appoint themselves priests in an Abdul Nasser temple and claim that they alone know the teachings of that temple.

ACHIEVEMENTS

But our course is clear. We shall complete the march. It is sufficient to say that our people have discarded hatred which had been bred in this country for a long time. We are all again one family. Every one is now secure. Those who are in the opposition can say their word, and do not fear detention. It is sufficient to say that we are adopting an economic open-door policy. I shall discuss this policy at a later occasion.

The achievements we have accomplished are part of the struggle which we began on July 23, 1952. We rejuvenated the Revolution on May 15, 1971, and again on October 6, 1973. These achievements have been accomplished in all fields of national action and they are inter-related. We should observe the relation between the decision to wage war and to continue reconstruction up to the Year 2000. We should notice the relation between adopting an economic open-door policy and rejuvenating and developing the Public Sector. We should note the relation between releasing public freedoms and the development of the Arab Socialist Union and offering different forums and the strengthening of constitutional institutions.

STRUGGLE

These accomplishments show that we have drawn the features of a new society which is the outcome of the July 23 and the May 15 Revolutions, the October battle and the revolutionary thinking which takes into consideration the requirements and variables of the age.

But this does not mean that we should relax. We are required to exert more effort and continue the struggle. Egyptian and Arab land has not been fully liberated yet. The liberation of land continues to be our first and basic responsibility. Also we have not yet provided for the Egyptian citizen the standard which we wish to provide for him.

I pray Almighty God that when we celebrate the next anniversary of Abdul Nasser's death we would have achieved more progress. I hope that love and cordiality will prevail among us all. — GSS

SUMMARY AND CONCLUSIONS

i. President Sadat's 1974 "October Working Paper," which was approved in a national referendum in May 1974, continues to provide the basic principles which guide Egyptian development. These envisage consolidation of state-owned enterprises, liberalization of the private sector, incentives to private foreign investment and expanded economic cooperation with Arab countries. Accordingly, in 1974 and the first half of 1975, Egypt initiated a number of steps in furtherance of these principles, which are expected to lead to a significant restructuring of the economy. In particular, steps were taken to remove some of the heavy restrictions on private business activities, to encourage foreign private investment and to expand exchange transactions outside the official rate. It should be noted, moreover, that this policy of economic liberalization was pursued in a largely unfavorable international political and economic environment.

Recent Economic Developments

ii. Egypt's economy in 1974 and the first half of 1975 was dominated by pressures that originated in the external sector but spilled over into the rest of the economy. On the external side, these included the slow progress towards peace in the Middle East; the steep rise in the prices of Egypt's main imports, the recession in the OECD countries; and the slow disbursements of concessional assistance and private external capital. On the domestic side, the escalation in the world prices of food led to an almost three-fold increase in the net budgetary subsidies on the items of mass consumption, as the Government attempted to maintain the domestic price of imported foodstuffs.

iii. The deficit on the balance of payments was met largely by the use of bank credit facilities, which reached a level of LE 1,055 million (\$2.7 billion) ^{1/} at the end of 1974. The debt structure worsened considerably and the short maturity period associated with bankers facilities created severe problems of liquidity. The heavy subsidization of the items of mass consumption, together with the slow growth of tax revenues, squeezed public sector savings and increased the Government's borrowings from the banking system. This resulted in a 29 percent increase in money and quasi-money in a year where output in real terms is estimated to have increased only by about 6

^{1/} Including undisbursed amounts.

percent. Almost inevitably, inflation continued at a high rate. Thus, the Egyptian economy entered 1975 in a very vulnerable state, with both external and domestic resources fully stretched.

iv. In the first half of 1975, the Government made efforts to prevent a major expansion in the use of bank credit facilities. It also sought to obtain long-term loans from Arab countries in order to "fund" the bank facilities. These efforts succeeded in raising LE 470 million (\$1.2 billion) on concessionary terms from Saudi Arabia, Kuwait and Qatar and a start has been made towards reducing the level of banking facilities. The pressure on the balance of payments was moderated and the debt structure improved. On the other hand, the net cost-of-living subsidies in 1975 were budgeted at LE 493 million (\$1.26 billion) -- an increase of almost 50 percent above the actual figure for the previous year. Public sector savings -- and hence, because of its size, total domestic savings -- for 1975 will remain low. Unless a serious effort is made to contain consumption expenditures in the future, it is difficult to see how Egypt will fill the domestic resource gap without having recourse to additional debt. The 1975 Plan, in fact, implies that a considerable part of external resources will be used merely to generate domestic currency.

v. Production and Investment. 1/ Economic growth in 1974 is estimated at about 6 percent in real terms; with industry (largely because of greater utilization of capacity) and services (including construction and tourism) being the leading growth sectors. Investment expenditures increased from LE 470 million in 1973 (which was only marginally above the 1965/66 level) to LE 740 million in 1974 (in current prices), which is about 18 percent of GDP. The 1975 Plan envisages gross fixed investment of LE 1154 million, of which LE 1056 million will be in the public sector. The 1975 Plan has the following priorities: (i) reconstruction in the Suez Canal area (mainly in housing and related infrastructure); (ii) completion of ongoing projects; (iii) replacement, renewal, and better utilization of idle capacity; and (iv) new projects considered essential for economic development, such as for producing fertilizers and cement. The Plan also proposes tripling investment in the private sector to LE 98 million, almost all of which will be in service activities and commodities production.

1/ All estimates for 1974 are provisional.

vi. The Domestic Budget. Preliminary budget figures for 1974 show a rise in the deficit to LE 652 million compared with LE 387 million in 1973, largely because of a 370 percent increase in the cost of living subsidies (to LE 330 million) ^{1/}, while current revenues increased by less than 10 percent. The 1975 budget projects a large deficit (LE 925 million), despite an estimated 40 percent increase in current revenues (arising principally from a doubling of revenues from customs duties, including collection of arrears). Direct bank financing of the budget deficit is projected at LE 125 million, but total lending by the banking sector to the Government may exceed this level.

vii. Balance of Payments. Egypt's deficit on its commodity trade amounted to LE 685 million (\$1,754 million) in 1974 (more than twice that experienced in 1973). Egypt's balance of payments difficulties were further compounded by a slow disbursement of medium- and long-term loans committed during 1973 and 1974 and a high level of debt servicing of LE 255 million (\$654 million) in 1974; this resulted in a net outflow of LE 52 million (\$133 million) on official medium- and long-term capital. Substantially increased Arab grants (LE 477 million (\$1,220 million) in 1974) helped to reduce the current deficit but the overall deficit on the current and the medium- and long-term capital accounts nevertheless amounted to LE 180 million (\$460 million), which was met by the use of bank credit facilities. Net utilization of bankers' facilities is estimated at LE 228 million (\$584 million) in 1974.

viii. Estimates of Egypt's balance of trade and services in 1975 indicate a deficit of about LE 900 million (\$2,700 million). Repayments of about LE 215 million (\$550 million) have to be made during the year on outstanding medium- and long-term loans and suppliers' credits. The resulting deficit (of about LE 1095 million -- about \$2,800 million) is expected to be financed largely through Arab grants, commodity loans, project loans and suppliers' credits.

^{1/} Almost entirely due to the increase in international prices of imported foodstuffs (largely flour, maize, sugar and edible oils).

- iv -

Constraints on Development

ix. The most severe constraints on Egyptian development are: (a) the heavy defense burden; (b) the pressing shortage of foreign exchange; (c) the external debt burden; (d) the rigid economic decision-making process; and (e) the rapid population growth, increasing the problems of food supply, unemployment, underemployment, and urban congestion. Moreover, the new economic strategy sketched out in the October Paper might give rise to potential policy conflicts which in themselves could act as a brake on development. The main areas of such potential conflict can be identified as: an equitable income distribution as against the incentives to be provided for the growth of the private sector; the protection to be given to industry and its results on economic efficiency; the rationalization of the price system (including both domestic prices and the foreign exchange rate) on the one hand, and price stability and reduced public sector savings (resulting from higher cost-of-living subsidies and the increased requirements of debt servicing) on the other; and the decentralization of decision-making versus the need to maintain some centrally determined social goals.

Development Prospects

x. Despite the current economic difficulties, Egypt's economic potential over the long run is promising. The reasons for this assessment may be briefly summarized: (i) the country has a large market, a skilled population, low wages, varied raw materials, and a key geographical location, which makes it a natural base for industries that wish to supply the domestic market and the growing regional market. It is realized that the development prospects in the medium-term hinge to a large extent on the country's ability to attract external capital and technology. For this purpose, Egypt has promulgated Law No. 43 of 1974, which provides an incentive package for foreign investment, and is making major and apparently successful efforts to attract bilateral and international aid; (ii) Suez Canal revenues are estimated conservatively to reach a level of around LE 300 million per year by 1980; these could increase to a possible LE 500 million per year as a result of physical expansion and greater usage of the Canal; (iii) the improved prospects for oil production, which is put (by the oil companies) at one million barrels a day by 1980-82

(the return of the Sinai oilfields would raise this figure by about 100,000 barrels a day); (iv) considerably increased earnings from tourism; (v) a much more intensive utilization of agricultural land, with greater emphasis on the higher value-added crops; and (vi) an increased flow of remittances from Egyptians working in the richer Arab countries of the region.

xi. However, the realization of the long-term potential hinges upon a number of complex factors, some of which are not entirely within Egypt's control. The most important of these is a definite movement towards an equitable and permanent peace settlement in the Middle East. Moreover, the attainment of Egypt's prospects requires the transfer of large amounts of capital from abroad; this, in turn, must be preceded by a considerable amount of work on preparing a suitable portfolio of projects for the consideration of potential investors (whether private or official). And finally, it requires fundamental changes in economic policies and institutions. Hence, a realistic estimate of the time required to make up the neglect of the past and to achieve a significant restructuring of the economy would be of the order of at least 5-10 years.

xii. Furthermore, an inappropriate response to the short-term difficulties may jeopardize or postpone the realization of the long-term potential. The Government has, therefore, formulated an economic management program to steer its way past the short-term obstacles. The main elements of this program are (i) improved coordination in economic policy-making; (ii) improved public sector efficiency through decentralization and other measures; (iii) rationalization of consumption subsidies and increased national savings, while protecting lower income groups through appropriate price, fiscal and monetary policies; (iv) promotion of efficient resource allocation through widening the parallel foreign exchange market and pursuing price policies that would better reflect economic scarcities; and (v) rationalization of the external debt situation and implementation of a debt management program.

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- v -

Structure of Report

xiii. This Economic Memorandum consists of three chapters. The first outlines the new direction that the Egyptian economy is expected to follow over the next few decades, and the government's management program for dealing with the short-term economic problems. The second describes recent developments in the economy, including the Plan for 1975. The third chapter analyzes the policy implications of the new economic strategy, and discusses some of the more important areas in which the quest for the new goals may come into conflict with other, equally important, objectives.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

OFFICE OF THE PRESIDENT

4 APR - Meeting with Sabat - 15/4/75

Need to restrain consumption because of impact
on import bill

✓ = this might be
sum

Budget deficit - (subsidies on tea, flour,
cereals, sugar, etc must be cut now)

73	1.2	deficit, incl. subsidy	7.42
74	1.6		.9
75	4.3		1.3

politically diff. but economically necessary
(might return necessities with red. sale on
basic ration)

to turn a controlled to a liberal economy leads
to consumerism

II Absolute req. for foreign aid -
 even with sub. cuts, need large quantities
 of for. aid for several yrs for consumption
 import fin & debt service
 absolutely vital - needs 1/2 b in comm. in each
 yr (used for X(?))
 they must press with Arab countries
 contribution of help?

III There are very encouraging signs if the
 "machine" can be kept going for few yrs -
 1) a sub. impact from Phosphate proj. (304502) & etc.
 2) support of labor (4 i. remittance)
 3) sugar 4) Tourism 5) high

OFFICE MEMORANDUM

TO: Mr. R. S. McNamara

DATE: January 29, 1976

FROM: W. A. Wapenhans

SUBJECT: EGYPT: Background Paper

1. This paper sets out some of the points which you may wish to raise during your luncheon with Ambassador Ashraf Ghorbal tomorrow.

Planning

2. The Prime Minister's letter of June 5, 1975, to you stated that the Government would, by November 1975, prepare an annual plan for 1976 within a five-year plan framework for 1976-80. The economic mission which is in the field has reported receiving a draft 1976 plan. We also learned that the 1976-80 draft plan is behind schedule and unlikely to be ready before May 1976 (cf Mr. Haq's memorandum of January 27, 1976). This delay is disappointing, because without a well-developed plan, raising capital abroad will be more difficult. In addition, unless Egypt lays out for itself at an early stage a meaningful development strategy consistent with available resources and tackles the kind of policy measures needed to mobilize resources and restructure what has hitherto been an extremely controlled economy, even large amounts of external assistance can be frittered away and its development efforts will not follow the most efficient pattern.

Debt Management

3. One major constraint to Egypt's development efforts and to the improvement of its creditworthiness is its heavy short-term debt burden. In his letter, the Prime Minister undertook to set up a debt management unit and to refinance existing short-term credits through medium-term loans from friendly countries. We understand that despite large cash inflows from Arab states and Iran in 1975 (\$1.2 billion) the short-term debt outstanding (including undisbursed) was only reduced by \$200 million in 1975 from the 1974 level of \$2,700 million. We were pleased to hear this week that a debt management unit has been set up in the Ministry of Finance and that it is now operational.

Exchange Rate

4. The Prime Minister's letter undertook to make frequent adjustments of the parallel market rate of exchange in 1975 but no adjustments took place so far. It contained an assurance that imports through the parallel market and "own imports scheme" would be widened from the mid-1975 level of about 10 percent of imports (excluding supply items) to about 20 percent by the end of 1975, and for all imports except supply items by the end of 1977. Progress has been slow; the end-1975 level was about 15 percent. The Government has therefore to take drastic and prompt measures to achieve the 1977 target.

*Fragmentation of econ. mgt at highest levels
lack of coord among ministries
no strong over-all econ. leadership*

*don't
down size
rate - 52600
outburst
econ. particularly
among high-
inc.*

January 29, 1976

Economic Management

5. We had asked and the Government agreed in the letter to set up a secretariat in the Prime Minister's office, staffed by Egyptian nationals, to improve coordination of economic measures and policies and act as the secretariat to the interministerial Supreme Planning Committee. This has not yet been set up although recruitment of a few economists and administrators has begun. Progress on this should be more rapid and we trust that the secretariat will be established as early as possible because we consider this to be a potentially important instrument in highlighting to the Prime Minister the trends in the economy and recommending actions for his consideration.

Aid Coordination

6. We understand that there may have been recent exchanges between Egypt and the US on the establishment of a consultative group. The Ambassador may bring this up. Our position has been that if we receive a formal request from the Government for organizing such a group, we would want to be assured that most of the major potential donors are interested in joining the group.

Bank Office in Cairo

7. The Ambassador may ask where we stand on this question. You may want to reiterate our view that there is no strong justification for setting up an office at the present time, since such an office could not replace technical missions from headquarters and that the quarterly economic missions and ad hoc operational missions have produced very adequate communication and dialogue.

8. I hope to touch upon these points during my forthcoming visit in February but it would be useful if you could mention some of these to the Ambassador so that actions can be initiated on them in Cairo during the next month.

9. Lastly, I understand that the Ambassador is wondering whether the Bank is dragging its feet with respect to its program in Egypt. If he repeats this, you may wish to mention your interest in seeing Egypt take measures to achieve sustained development and restore its creditworthiness at the earliest date. Egypt has the potential to do so provided some serious decisions are taken quickly. You may also mention that meanwhile we plan to recommend to the Board a program at about the total level of FY75 (\$230 million). The Port of Alexandria loan (\$45 million) is to be negotiated in February and a fruit and vegetables project (\$50 million Third Window) in April. Several other projects are being processed including a drainage project in Upper Egypt and a textile project in Kafr El Dawar and El Beida.

cc: Messrs. Knapp, Horsley/Paijmans (o/r), Dubey

MSAiyer/EYAsfour/mj

29.

OFFICE MEMORANDUM

TO: Mr. R. S. McNamara, President
 (Thru: Mr. W. A. Wapenhans, Vice President, EMENA Region)

FROM: Martijn J.W.M. Paijmans, Director, EMENA CPI *J*

DATE: April 14, 1976
cc: Mr. Knapp

SUBJECT: EGYPT - Visit of Dr. Helmi Abdel Rahman at 2 PM on April 16, 1976

1. Dr. Helmi Abdel Rahman is at present Adviser to the Prime Minister of Egypt on Planning and Economic Affairs (biodata is attached). Until March 19, he had been Minister of Planning. He has just been to a meeting of the "Tinbergen Group" in Philadelphia, which is a private group of international experts who meet from time to time to discuss the "new world economic order." (See attached press clipping.) During his meeting with you, Dr. Rahman may raise the following topics.

Technical Assistance for Planning

2. During the recent visit of Messrs. Wapenhans and Asfour to Cairo, Dr. Rahman, then Minister of Planning, reiterated a request for technical assistance on the macroeconomic and econometric aspects of Egypt's 1976-80 Plan, which he was preparing, and for a review of the agricultural and industrial draft sector plans. The Bank responded by sending a four-man mission headed by Mr. Wouter Tims (findings to be transmitted on its return about April 16). Dr. Rahman had also indicated that he would be looking to the Basic Economic Mission, which will go in early May, for a review of the draft Plan, so that its findings could be reflected in subsequent revisions of the plan document. It is possible that Dr. Rahman may ask the Bank for further assistance for planning and policy.

The Arab Fund for Egypt

3. Following the February visit of President Sadat, which Dr. Rahman joined, to Saudi Arabia and other Arab countries, it was announced that a Fund for economic development of Egypt would be set up by Saudi Arabia, Kuwait, Qatar and UAE. The Finance Ministers of the four Arab countries met in Riyadh in early March to pursue the matter but details of the size and precise functioning of this Fund are still not known. One of the early announcements by President Sadat mentioned the possibility of the Bank's participation in the Fund as a technical advisor. It is possible that Dr. Rahman may give more details and pursue this question further* We would be glad to consider participating in an appropriate manner if both the donor countries and Egypt ask the Bank to do so.

Program Loan

4. Dr. Rahman may ask about the proposed Program Loan (of \$70 million) which had been appraised in October 1975. In a cable of March 24 to you,

* Die Welt of April 5 reported from Cairo that the Finance Ministers of Egypt, Saudi Arabia, Kuwait, Qatar and the UAE reached agreement on establishment of a \$10 billion fund to restore Egypt's economy.

Dr. Zaki Shafei, Minister of Economy, urged the Bank to consider extending a program loan to Egypt at an early date. Mr. Wapenhans replied to the Minister, as he had previously explained verbally, that before submitting a program loan to the Board of Directors, the Bank would require to review a five-year development plan and its supporting economic and financial policies. The timetable for the plan that was discussed with Mr. Wapenhans in Cairo envisaged a draft plan to be submitted to the Cabinet in May, cleared by the Political Party Committee in July, and submitted in its final version to the People's Assembly in September/October. It was explained to the Government that this timetable for the plan made it difficult to complete the processing of the program loan in FY76, but if the timetable were adhered to and an adequate and "appraisable" medium-term plan and policy package were prepared according to schedule, we would consider submitting the program loan to the Board in early fall. You may also wish to express our satisfaction on the progress made in Egypt's discussions with the IMF. While not a condition for our lending, a Standby agreement with the IMF would facilitate continuation of our support to Egypt at high levels and in the most appropriate form.

General

5. You may wish to express satisfaction at the excellent relations and frank dialogue developed between Bank staff and the Egyptian authorities, and that we are following closely progress made by Egypt in implementing economic policy measures aimed at restraining consumption and budget deficits, rationalizing prices and reducing the large short-term banking credits. You may also wish to express your trust that with Dr. Rahman's new appointment, economic policy coordination will be strengthened and progress towards these goals will be accelerated.

KIkram/EAsfour/mj

DR. IBRAHIM HELMI ABDEL RAHMAN

Dr. Abdel Rahman was born on January 5, 1919, in Sharkia Province, Egypt. He took a B.Sc. with honors in science from Cairo University in 1938 and subsequently a Ph.D. from England in astronomy. He lectured at Cairo University and was an assistant professor when the revolution took place in 1952. He was chosen to be the Secretary General to the Council of Ministers in 1959. He joined as Undersecretary of Ministry of Planning and prepared the first plan for the industrial sector (rather than a plan for the whole economy because of his conviction that the data were lacking). In 1961, he was appointed economic adviser to the Vice President. His subsequent assignments included Dean of Planning in the Economics Department of Cairo University, UNDP expert helping to establish a planning institute in Chile in the Office of the UN Secretary-General. He was appointed Director-General of UNIDO, a post that he left in 1974 to become adviser to the Prime Minister on science and technology. In April 1975 he was appointed Minister of Planning in Egypt and in the Cabinet reshuffle of March 1976, he became Adviser to the Prime Minister on Planning and Economic Affairs.

EM1DA
4/13/76

World Bank

News Service of the Department of Information and Public Affairs

This news item appeared on page 1 of the April 13, 1976 issue of:

- THE NEW YORK TIMES
- THE WASHINGTON POST
- THE WALL STREET JOURNAL
- THE JOURNAL OF COMMERCE

- THE TIMES
- THE FINANCIAL TIMES
- THE GUARDIAN

SCHOLARS FAVOR GLOBAL GROWTH

Members of Club of Rome Say Further Rise Is Needed to Fight World Poverty

By LEONARD SILK

Special to The New York Times

PHILADELPHIA, April 12—The Club of Rome, which aroused intense controversy three years ago by the report it commissioned on "The Limits to Growth," now recognizes that further global growth is essential if the problems of world poverty and threats to world peace are to be solved.

At an international conference of scholars and businessmen here at the University of Pennsylvania, Aurelio Peccei, founder of the Club of Rome and former managing director of Olivetti, stated that the limits-to-growth report, which sold more than 2 million copies worldwide, had served its purpose of "getting the world's attention" focused on the ecological dangers of unplanned and uncontrolled population and industrial expansion.

The original study, based on a computerized model developed at the Massachusetts Institute of Technology, warned of a disaster to humankind within a century if present growth trends continued.

Vice President Rockefeller, in a speech prepared for last night's session, attacked "no-growth" economic and social philosophy, saying, "It has always retarded some of the traditional dynamic thrust of the nation."

Mr. Peccei said in an interview here that the M.I.T. group had "punctured the myth of exponential growth" but that it was now essential to find solutions to the problems of which their report had warned.

Any effort to do so, he said, would require "puncturing a second myth—the myth of national competence."

This meeting in Philadelphia in honor of the American Bicentennial was used by the Club of Rome to draw the veil partly back from a new, major study it has commissioned the Nobel Laureate, Prof. Jan Tinbergen of the Netherlands, to do on the creation of "a new international order." Professor Tinbergen is working with 20 other experts from developing and developed countries. Their study, called by the acronym RIO "Reviewing the International Order", is to be released next October.

The call for a "new international economic order" was made at the sixth and seventh special sessions of the United Nations General Assembly. Although the meaning of the term is vague, it has generally been taken to signify a world order that would better serve the interests of developing countries, and in particular their poor masses.

The Tinbergen report will set forth concrete proposals for achieving ends in 10 major areas:

¶The international monetary system. The report is expected to call for additional creation of monetary reserves for the purpose of financing more rapid development of the third world.

¶Income redistribution and the financing of development. The report will probably call for substantial increases in transfer payments to third world countries, especially the poorest, with particular attention on the use of these resources for directly addressing the poverty problem. The Tinbergen report will openly endorse the principle of greater equity for the poor nations, which it regards as an essential principle for the achievement of world peace.

¶Industrialization, trade and international division of labor. The report is expected to call for closer collaboration among regional blocs and for more "multilaterality" rather than bilateral relations in trade. It will also call for reduction of import impediments to industrial products from the third world.

¶Food production and distribution. The report favors implementation of decisions made at the World Food Conference in Rome for adequate stockpiling, to be furthered by the pressure of agricultural organizations on the governments of industrialized countries.

¶Energy, ores and minerals. The report favors extra efforts for research on fusion, nuclear, solar and geothermal energy, possibly to be coordinated by a World Energy Research Authority.

¶Environmental programs and ocean management. The report favors preparation of a 1977 conference on the law of the sea by a group of experts, with concentration on building a federation of international organizations.

¶Transnational enterprises. Mr. Peccei favors the internalization of multinational corporations. He recognizes that this may be difficult to do in the short run, but he feels that it is urgent to separate multinational corporations from the national governments of their home countries.

¶Scientific research and technology. The report favors a system of subsidizing the prices at which technological expertise is made available to third world countries.

¶Arms reduction. The Tinbergen study will call for reinforcement of the United Nations peace force and the exertion of pressures on the superpowers (the United States and the Soviet Union) to redirect military expenditures toward development, since "underdevelopment constitutes a more serious threat to world peace than the other superpowers."

¶A general category that includes increasing the efficiency of the United Nations.

The thrust of the Tinbergen report will be to substitute in-

ternational economic planning for the uncontrolled play of market forces. Mr. Peccei indicated that this would doubtless mean building the new order on regional and industrial groups—including not only the European Common Market or the Andean Pact but even the Organization of Petroleum Exporting Countries. "We have got drunk on cheap oil in the industrialized world," he said.

John R. Bunting, an unorthodox Philadelphia banker who is chairman of the First Pennsylvania Corporation and who served as host of the Club of Rome conference in Philadelphia, agreed with Mr. Peccei on the necessity of long-range planning—for the United States as well as for the world economy.

"The market, essential as it is," Mr. Bunting said, "is myopic; it is good for dealing with problems that lie only five or seven or possibly 10 years ahead, but our most serious problems are long-range problems."

"All the economic textbooks, including Adam Smith," Mr. Bunting added "did not conceive of the possibility of our running out of resources." He thought that while this might not literally be the case in the next century, the enormous costs of exploiting mineral nodules under the sea, ocean water and other minerals deep in the earth's crust made the problem of conservation of resources and slower economic growth actual and urgent.

This news item appeared on page **A-12** of the **April 12, 1976** issue of:

- THE NEW YORK TIMES
- THE WASHINGTON POST
- THE WALL STREET JOURNAL
- JOURNAL OF COMMERCE

- THE TIMES
- THE FINANCIAL TIMES
- THE GUARDIAN
- THE W. STAR

Carl T. Rowan

Frightening figures of world population

This troubled planet passed a notable milestone recently. I know of no one who was celebrating.

On March 28, according to the Population Reference Bureau, world population reached 4 billion. By now it approaches 4,003,000,000 since 195,000 more inhabitants are added every day.

Those are startling — even frightening — figures, especially when considered in historic perspective. It took all of recorded history for the world to produce its first billion inhabitants, around 1850. Then 80 years were needed to pass the 2 billion mark (1930) and another 31 to reach 3 billion (in 1961).

But only 15 years were required to add the fourth billion, and at the present growth rate only 13 years will be needed to reach 5 billion.

We are all too well aware of what this population explosion has meant in terms of food shortages around the world. A study supported by the United Nations Fund for Population Activities says we should not lose sight of other critical dimensions of the population problem — unemployment, illiteracy, inflation, deforestation, ill-housing, curtailment of individual freedom.

"In effect, the population problem is not one, but many," says the report. "Its many facets often interact, amplifying each other . . . nearly all have one thing in common. They can be expected to get worse before they get better."

I recently spent some time in Mexico. There, you can clearly see the ramifications of rapid population

growth — along with the progress and problems that go with any program to curtail that growth.

Mexico's population is increasing at one of the fastest rates in the world — 3.5 per cent a year. (The U.S. growth rate is 0.8 per cent annually, the world average, 1.8 per cent.) To make matters even more difficult, over half of Mexico's 60 million people are under the age of 15.

Mexico has worked hard and made considerable strides in improving its economy, creating new jobs, building schools and houses, increasing agricultural production. But that country must run unceasingly just to stay in place, for the population is growing faster than the schools, the jobs and the homes. One example: On the average, a new classroom is built in Mexico every 50 minutes, but during the same short time 246 new children are born.

The impact of rapid growth is felt beyond Mexico. Millions of that nation's jobless wind up, legally or illegally, in the United States.

President Luis Echeverria campaigned in 1970 in favor of increased population. But in 1973 there was an unexpected about-face: Mexico's leaders admitted that a pro-natalistic policy was harmful to the country.

The Mexican constitution was modified to guarantee every couple the right to plan their family freely, responsibly and with adequate information. A family-planning program was begun, working in three fields — information, education and medical services.

Billboards, magazines, radio and television are now filled with slogans such as "The Small Family Lives Better." Sex education has been introduced in secondary schools and birth control training in medical schools. Family-planning information and services are offered in hundreds of clinics throughout the country.

Political and intellectual leaders in Mexico seem to be solidly behind the program, though they stress that it must be strictly voluntary and must maintain the dignity of the people. The Catholic church (Mexico is over 95 per cent Catholic); though not promoting family planning, is not actively fighting it. (Some liberal young priests are said to be encouraging couples to take part.) An estimated 1 million Mexican women are now practicing birth control.

That is the encouraging news. At the same time, Mexico illustrates the tremendous difficulties faced by even the best-intentioned family-planning program in a developing nation.

Those families which have accepted control so far are mainly from better educated, wealthier, urban areas. It will be much more difficult to reach the poor, uneducated rural population. Machismo, the large-family tradition, illiteracy and a shortage of trained health personnel are among the barriers.

Mexicans acknowledge that another 2 million women out of the 13 million of child-bearing age must be covered before there will be a visible impact on the

growth rate. Even then, it will be decades before growth eases off significantly. And by then Mexico's population could very well double or triple, wiping out hard-earned social progress and dooming millions to continued poverty.

Keep an eye on Mexico and its fledgling family-planning program. A lot is riding on its success or failure in a world which is heading all too rapidly toward the 5 billion mark.

OFFICE MEMORANDUM

TO: Mr. R. S. McNamara
THROUGH: Mr. W. A. Wapenhans
FROM: Martijn J. W. M. Paijmans

DATE: April 16, 1976

SUBJECT: EGYPT - Visit by Dr. Abdel Rahman

1. As a last minute brief for your 2 p.m. meeting today with Dr. Helmy Abdel Rahman, you should know the following important points reported by missions which returned to HQ this morning.
2. The Technical Assistance Planning mission was most successful, extremely well received, and has given the Government the basis for examining choices of development strategy. The Minister of Planning (Dr. Imam--an econometrician) is reportedly most satisfied and has worked very closely indeed with the mission.
3. Although the tools are now therefore available to the Ministry, it seems that it is not adequately equipped to depart quickly from its more traditional centralized method of planning with material balances. This will require continued assistance in improving planning techniques to enable them to highlight and analyze policy issues (such as pricing, income distribution). We will continue our follow-up with the Basic Mission next month.
4. I think you should know that our official point of contact in Egypt, the Ministry of Economy, has again proven to remain very weak and ineffective in coordinating all the actions related to our work and the follow-up on our lending operations.


MPaijmans:gg

cc: Mr. Wapenhans

OFFICE MEMORANDUM

CONFIDENTIAL

TO: Memorandum for the Record

FROM: Martijn J. W. M. Paijmans, Director, EMENA I 

SUBJECT: EGYPT - Visit by Dr. Helmy Abdel Rahman

DATE: April 19, 1976

DECLASSIFIED

MAR 20 2013

WBG ARCHIVES

1. Dr. Rahman, Planning Adviser to the Egyptian Prime Minister, visited Mr. McNamara on April 16. Mr. Wapenhans and I attended.
2. Mr. McNamara expressed his satisfaction with a number of measures taken by the Egyptian Government and stressed his support of and sympathy for the Government's commitment to implement the open-door policy. However, Mr. McNamara expressed his concern about what he considered two major problems affecting Egypt's economic recovery: overspending and administrative inefficiency. He elaborated on the latter point indicating that, although this was also his own evaluation, the same had been made and reported to him by a number of senior officials from all sorts of institutions other than the Bank. He asked the Minister to bring these points to the attention of the Prime Minister, but in the proper context of his constructive concern for the country.
3. Dr. Rahman responded that he fully accepted this--which he considered as constructive criticism, given the fruitful cooperation which existed between the Bank and Egypt. He indicated to share fully Mr. McNamara's evaluation and concern that Egypt had been administratively and financially overburdened and that the resulting problems were addressed only on a day-to-day basis. There was yet no comprehensive effort. In fact, there was not even a comprehensive assessment of how the current situation had evolved.
4. In this context, Dr. Rahman asked Mr. McNamara's support in the form of participation by some Bank staff to a totally informal meeting to be held later this year that would focus on making such an assessment. Mr. McNamara did give his support to this undertaking.

cc: Mr. Wapenhans
Mr. Asfour

MPaijmans:csc

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OFFICE MEMORANDUM

TO: Mr. W. A. Wapenhans, Vice President, EMENA Region DATE: May 13, 1976
(through Mr. de Lusignan, Acting Director, EMENA CPI) *SL*
FROM: E. Y. Asfour, Division Chief, EMIDA *W*

SUBJECT: EGYPT - Visit of Minister of Agriculture and Irrigation

1. We have been informed by USAID that Egypt's Minister of Agriculture and Irrigation, Eng. Abdul Azim Abulata, is scheduled to visit the US, arriving in Washington May 16 for a stay of three days. He will be accompanied by Eng. Saad El Guindy, Chairman, EPAD; Eng. Abu Zeid, Ministry of Irrigation; Mr. Abdel Ghani Hassan, Ministry of Irrigation; Dr. Salah Al Abd, Under Secretary, and two others from the Ministry of Agriculture. During his visit to Washington, the Minister and his entourage will have meetings with the US Departments of Agriculture and Interior to discuss matters related to agriculture and land reclamation, respectively. Following his visit to Washington, the Minister is scheduled to visit other parts of the US for about ten days.
2. We would propose that Mr. McNamara receive the Minister for a courtesy call during his stay in Washington. We hope this will be possible in view of the Bank's increasing involvement in drainage, its imminent participation in agricultural development and our hope for a dialogue on matters of policy affecting agriculture in Egypt. Moreover, Eng. Abulata's stature in the Cabinet has increased considerably since end-March when he was asked to take over the Ministry of Agriculture in addition to the Irrigation portfolio which he already held since April 1975. Eng. Abulata has become known for being a decisive and action-oriented Cabinet Minister and has shown considerable interest in and support for close cooperation with the Bank. A short brief for Mr. McNamara's meeting, together with biodata are attached.
3. We would also propose that you meet with Eng. Abulata either before or after his meeting with Mr. McNamara.
4. If you agree, we could try to arrange the meetings through USAID which is sponsoring his visit and handling his itinerary.

Attachments

MSAiyer:mh

POINTS FOR DISCUSSION

Drainage Program

1. The Egyptian Public Authority for Drainage (EPAD) has reported to Eng. Abulata since his appointment as Minister of Irrigation in April 1975. During 1975 there was a marked improvement in performance under the IDA-financed Nile Delta Drainage (Credit 181, April 17, 1970, \$26 million) and the Upper Egypt Drainage I (Credit 393, June 8, 1973, \$36 million) Projects. The problems that were faced in the past -- shortage of local currency and of engineers as well as inadequate management -- have been overcome.

2. Negotiations have been substantially completed on a credit and loan of \$40 million and \$10 million each for a Second Upper Egypt Drainage Project for presentation to the Executive Directors in June. Parallel financing of \$30 million is expected from USAID. In that project, for the first time, the Government has agreed to adopt international bidding for civil works to attract foreign contractors; also, the project will use plastic rather than cement pipe. Both these measures are aimed at accelerating the pace of implementation since the Government wishes to complete the national drainage program by 1985 instead of 1990. The economic rate of return of these projects is presently estimated at about 28 percent.

3. Mr. McNamara may mention the importance of maintaining the improved pace of implementation. The Bank is interested in seeing all its funds utilized rapidly and this would only be possible if procurement and implementation are carried out promptly.

Agricultural Policies and Projects

4. The agricultural sector report identifies the principal policy issues which need to be addressed. Simply stated, the sector suffers from excessive controls by the Government both at the input and output ends. The sector has been largely deprived of private initiative and incentives because of the heavy dependence on the Government for production guidance, capital and essential inputs. Supply of essential inputs have shown little improvement since 1965. Also, administration by the Ministry of Agriculture has been centralized and cumbersome. The effects of these constraints are elaborated and alternative strategies presented in the sector report dated March 18, 1976.

5. Production of fruits and vegetables, which has been free of Government price controls, has increased considerably. A Bank loan of \$50 million on Third Window terms for increasing production and exports of fruit and vegetables is scheduled for presentation to the Executive Directors in end-May. This is the first Bank Group participation in agriculture per se in Egypt. So far Bank financing of agriculture projects has also been difficult because of the limited number of well-prepared projects.

6. Eng. Abulata may be told that the Bank expects to increase its participation in this key sector and also hopes through its project financing to pursue a dialogue on policy measures. The discussion on sector policies has also been initiated through a different forum -- the economic policy discussions and the technical assistance for formulation of the 1976-80 Plan. Mr. McNamara may also mention that with the increase in available external aid, it is very important that project preparation be given more attention than hitherto. The Bank is assisting through an EDI Agricultural Projects course being held in Cairo since May 3, 1976.

EM1DA
May 13, 1976

BIODATA

ABDUL AZIM ABULATA
Minister of Agriculture and Irrigation

Prior to being appointed to his present position, Eng. Abulata served as Minister of Irrigation since April 1975. Early in his career he had been Assistant to the Director of Irrigation, as Assistant to the Chief Engineer, Owen Dam, Uganda, and as Chairman of the Executive Agency for Desert Projects. In 1963 he was appointed Director, Aswan High Dam office in Moscow where he monitored production of equipment in the USSR, and, after a year as Director General in the High Dam Ministry. In 1970 he became Vice Chairman, Land Reclamation Organization, and in 1971 became Chairman of the Organization for Land Reclamation and Agriculture Projects.

Eng. Abulata received a bachelor's degree in architecture from Alexandria University and a master's degree in irrigation in the UK.

He is about 50 years of age and speaks English reasonably well.

EM1DA
May 13, 1976

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: May 14, 1976

FROM: W. A. Wapenhans

SUBJECT: EGYPT - Visit of Minister Abulata

1.1 The Minister of Agriculture and Irrigation, Mr. Abulata, is visiting Washington from May 16 through May 18. He would like to call on you during this visit. We would recommend that you see him since:

- (i) he now is in charge of the recently combined portfolio of irrigation and agriculture;
- (ii) agriculture, including drainage, begins to figure more prominently in our program as well as in our policy dialogue; and
- (iii) Minister Abulata appears genuinely interested in closer cooperation with the Bank.

We would suggest a meeting on Monday, May 17 at 6 pm.

2. If the date and time is agreeable to you, Mr. Paijmans would accompany the Minister during his visit with you. A short brief, including points for discussion, is attached.

Attachment

cc: Mr. Paijmans

WAWapenhans:rs

OFFICE MEMORANDUM

CONFIDENTIAL

TO: Files

DATE: May 19, 1976

FROM: E. Y. Asfour, Division Chief, EMENA CP1A *EW***DECLASSIFIED**SUBJECT: Visit of Egyptian Minister of Irrigation and
Agriculture to Mr. McNamara on May 17, 1976**MAR 20 2013****WBG ARCHIVES**

1. Minister Abdul Azim Abul Ata, Egyptian Minister of Irrigation and Agriculture, accompanied by Ambassador Ghorbal, called on Mr. McNamara at 6:00 p.m. on May 17. Messrs. Paijmans and Asfour were also present. Mr. Abul Ata thanked Mr. McNamara for the Bank's support of Egyptian development, particularly in agriculture, and stated that the Prime Minister is personally following the Bank's program in Egypt. Mr. McNamara expressed his support for more rapid agricultural development in Egypt, which is essential to meet the needs of the Egyptian people; he also expressed anxiety about implementation rates and the need to improve preparation of projects in agriculture. The Minister expounded the importance of drainage and soil improvement to raise yields and said that the revised agricultural plan aims at raising output growth from 2.3 percent per year in recent years, to 4.8 percent in the next five years; the revised drainage plan aims at covering the whole country's needs of open drains in 1980 and field tile drains by 1985, five years ahead of the previous plans.

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2. Mr. McNamara referred to the economic management problems of Egypt and emphasized the importance of progress in this area, if the Bank is to have a large program in Egypt and if it is to be able to advise others. Assuming these problems can be resolved, we would like to continue a large program of \$200-250 million a year. Mr. McNamara emphasized that Egypt needs to improve economic management in its own interest and if it is to attract support; he realized that resolving such problems is politically difficult, particularly when they involve unpopular measures, but there was no alternative to the country helping itself.

3. Ambassador Ghorbal reported that the visit of Mr. Gunter of the IMF has been successful and that agreement was reached on many points raised by Mr. McNamara. Mr. McNamara said this was good news and that it would considerably help matters

4. The Ambassador reminded Mr. McNamara of his promise to visit Egypt. Mr. McNamara said he would like to visit the country, but that it is not timely to do so on his short trip to Saudi Arabia and Kuwait. The latter countries may ask about Egypt and talk about technical matters and projects. Mr. McNamara would like to visit Egypt after the Development Plan is ready. He had talked to the Prime Minister two years ago about the Plan, which is of prime importance because it sets an order of priority of the projects to be financed and it would ensure a balance between expenditures and available resources. It was clear that the support needed is greater than what is in prospect and various parties are waiting to see how the planned future would look.

May 19, 1976

5. The Minister asked Mr. McNamara's full support in undertaking a water master plan study for Egypt, in view of the large amount of water being wasted. (The potential usable water with the High Dam was 68 billion cubic meters, while crops needed only 51 billion; the full use of potential would make possible addition of 2.5 million acres to the 7 million now cultivated.) Mr. McNamara stated he would support the study and would be ready to intercede with UNDP if necessary to ensure that the project proceeds quickly. He asked the staff to discuss the question with the Minister and let him know if any obstacles appear.

Cleared with & cc: Mr. Paijmans
cc: Mr. McNamara's office (2)
Messrs. Wapenhans, Wyatt, Chadenet

EYAsfour:js

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara, President

DATE: June 10, 1976

FROM: Martijn J.W.M. Paijmans, Acting V.P., EMENA

SUBJECT: EGYPT - Visit of Minister of Housing and Reconstruction

1. You have agreed to meet, at the request of Ambassador Ghorbal, with Minister Osman Ahmed Osman on June 11, 1976 at 2:15 pm. I will be available to attend the meeting.

2. I regret the extent of this brief but in view of some most recent developments please find attached texts on the following:

- i) a brief for your discussion with the Minister, together with a bio data sheet;
- ii) a note reflecting the most important and recent developments pertinent to Egypt's relations with the Bank and IMF, which I think you want to be aware of in any case.

3. Although the Minister is reported not to be too much impressed by and involved with macro-economic issues, your meeting presents an occasion to reiterate to a Cabinet Minister and through him to the President to whom Minister Osman has direct access, the great importance attached by the Bank to the Government's taking the hard decisions needed to improve Egypt's creditworthiness and to realize its potential for economic development. Concern has been expressed at the Board on the debt situation and creditworthiness of Egypt and it is most important to dissipate doubt through concrete measures.

4. In any case the Ambassador may touch upon issues of vital importance to our relations (see the Note, para. 1).

Attachments (STRICTLY CONFIDENTIAL)

cc: Messrs. Knapp
Wapenhans (o/r)

MSAiyer/EYAsfour/MPaijmans:sap

Debt Mtg
Droel #12
Strumental Good

Consul 2/3

June 9, 1976

Brief for the Visit of Egypt's Minister of
Housing and Reconstruction
Osman Ahmed Osman
at 2:15 on Friday, June 11, 1976

Points for Discussion

1. Minister Osman is one of the more powerful members of the Egyptian Cabinet. Given his close ties with President Sadat, he could be asked to convey to him key messages. His main role until recently has been in Canal Zone development, but he is now also responsible for all regional, including urban, development planning. Furthermore, during his present visit he is also to solicit US agribusiness interest in investing in Egypt. When you last saw Minister Osman in Egypt on February 28, 1974, various Cabinet officials made presentations about the plans of their ministries, and Minister Osman sketched out a plan calling for global investments over a five-year period of some LE3 billion (\$7.5 billion), of which about half was said to be from the Government, for rehabilitation of the Canal Zone and Sinai. You indicated then that this was very ambitious in the macro-economic context of availability resources and of management and other facilities needed for implementation.
2. To his Ministry's credit, the three Canal cities - Suez, Ismailiya and Port Said - have been rehabilitated extremely quickly, largely with the help of grants from the Arab oil-surplus countries, and by end 1975 their population had already reached or exceeded the pre-1967 levels. It is reported that some 60,000 damaged housing units have been rehabilitated, 15,000 new units built, and a further 15,000 units are under construction. His Ministry is also now engaged in developing the Free Zone in Port Said, aimed at attracting foreign private investors. Total spending on the Canal Zone is reported at some \$250 million in 1974 and about \$500 million in 1975; a cut in allocated expenditures was made in the 1976 investment budget due to financial constraints.
3. The Minister may describe where the Canal Zone plans stand and his Ministry's plans to build an industrial city between Cairo and Suez and a new city between Cairo and Alexandria. He will probably express hope that the Bank will support these various efforts by extending loans for some of these projects. He may also ask for the Bank's support in the UNDP-financed plans and studies of the Canal Zone (paragraph 6).
4. In the context of the Plan, you may wish to stress the necessity that the Ministry of Housing and Reconstruction's plans for urban and regional development will be fully coordinated with, and integrated into, the national plan so as to be consistent with resource availability. Given Egypt's enormous debt burden, even if external loans were available for regional and urban projects, before embarking upon major public investments, it would be prudent to doubly ensure that they are properly timed and examine whether or not they could be phased.

5. Last week Minister Osman met in Cairo with Mr. von Hoffmann, IFC. They plan to meet again this Saturday in Washington. Mr. Cherif Hassan, IFC's representative in Egypt who attended the Cairo meeting has arrived at HQ. I have asked Mr. Hassan to provide you with a brief.

Canal Zone Studies

6. In the summer of 1974, the Ministry of Housing and Reconstruction, which had obtained a commitment of financing from UNDP, approached the Bank through UNDP to act as executing agency for the master plans of the three Canal Zone governorates. We declined to participate on the basis that a master plan for the whole Zone should precede detailed plans for each governorate, and that we did not agree with the terms of reference already issued by the Ministry. The three governorate plans were completed by various consultants on time in December 1975 and the overall master plan is expected to be finished shortly. The firms have been complimentary about the Ministry's emphasis on working to schedule, its administrative efficiency, and ability to circumvent bureaucratic obstacles (largely because of the staff's contracting background). Also the Ministry has had the US firm of TAMS as in-house consultant since mid-1974.

7. For the second phase of the Canal Zone studies, a list of some ten projects has been prepared - the feasibility of half of which is to be studied in detail by consultants, again with UNDP-organized financing. Pledges totalling about \$10 million, compared to the target of \$15 million needed for the master plans and studies, have been made by the US and OECD countries and Kuwait, Saudi Arabia and the UAE. At UNDP's request last year, the EMENA Region agreed to informally assist the UNDP in screening the project concepts, terms of reference and consultants' reports because of UNDP's shortage of technical staff. The Bank will not be seen to be visibly involved.

8. We have not been directly in touch with the Ministry on Canal Zone development, although we expect to work with it on preparation of sewerage studies in the proposed Alexandria Water Supply Project (FY78S) (since the Ministry is now responsible for all regional, including urban, development), and also in equipping some 20 vocational schools being built by the Ministry under a first Education Project now under preparation (FY77).

9. If the Minister asks the Bank for direct technical or financial involvement by the Bank in Canal Zone development, we suggest you repeat your view that Canal Zone or any other development in Egypt should be seen in the macro-economic context and of resource availability. You may wish to express readiness to consider specific priority development projects that come out from the Canal Zone studies (or other regional projects) in the same way the Bank treats other priority projects in Egypt and subject to the same preparation and appraisal procedures and the limits of our lending program. Because of the Minister's influence and our previous strained relations it may be useful to emphasize the Bank's strict criteria of economic as well as technical viability of projects it finances which sometimes require that projects be phased or scaled down (and sometimes enlarged) to satisfy these various criteria.

EMIDA
June 9, 1976

BIO-DATA

Osman Ahmed Osman

Engineer Osman Ahmed Osman was appointed Minister of Housing and Reconstruction in April 1974 under Deputy Prime Minister, Dr. Hegazy, and continued in that position when Dr. Hegazy was made Premier in October 1974, and in the last and the present Cabinets of Prime Minister Mamduh Salem. Under Premier Salem, i.e., since April 1975, he has also been made responsible for all Regional Development in Egypt. He was appointed Minister of Reconstruction by President Sadat immediately after the October 1973 war, to take charge of reconstructing and resettling the Canal Zone cities. This is a task that is widely recognized to have been carried out efficiently and promptly under Engineer Osman. In recognition of his persuasion and effectiveness, he accompanies or is often sent by the President on fund-raising tours in the Arab world and in Europe.

Engineer Osman, as president of the largest building contracting firm in the Arab world, Arab Contractors, has a reputation for completing works on time and within the original cost estimates. He became a national hero in Egypt when his company completed, on time and within the original cost estimate, the Aswan High Dam. He retains his title as head of the company, but it is being run by four vice presidents. The company is now active in Saudi Arabia, Kuwait and Libya.

Engineer Osman, who is 58, received a degree in civil engineering from Cairo University in 1940 and worked as a consultant until 1946 when he set up his own company. He is fairly fluent in English. One of his four sons is married to President Sadat's daughter.

EM1DA

June 9, 1976

June 10, 1976

Note on most important and recent developments
pertinent to Egypt's relations
with the Bank and IMF

DECLASSIFIED

MAR 20 2013

WBG ARCHIVES

Cable from Minister of Economy and Economic Cooperation
to Ambassador Ghorbal

1. We understand that the Ambassador has received a cable from the Minister of Economy and Economic Cooperation, mentioning the ongoing discussions between the Government and the Bank and Fund, and asking him to request the Bank and Fund to apprise other potential donors of these discussions, and of Egypt's financial needs, particularly in short term. The Ambassador is likely to bring this up in discussion. If he does, we suggest you express your hope that an agreement between Egypt and the IMF could be concluded. You may also wish to add that the Bank and other donors' readiness to assist Egypt would depend on Egypt taking the difficult measures needed to uplift its economy, and that we have and will continue to keep them apprised of the positive measures taken. The short-term financial needs, which are very much on the Egyptian Government's mind, are indeed serious and both the Fund and the Bank are trying to help through the standby arrangement and a program loan respectively; however, there remain a number of serious problems to be solved, some of which surfaced suddenly over the last days (see hereunder).
2. As the instruction to the Ambassador concentrates on the short-term situation, it will be the IMF who is supposed to be approached first. The expectation is that when formally asked, the IMF will accede to the request and organize - very soon, probably next week - a meeting. Such a meeting, according to the Fund, can however not be one of all creditor countries but should be one of the Executive Directors of interested countries. I fear however that - also for reasons of personalities involved - the Fund is not in favor of inviting the Arab E.D. who is an Egyptian national. If a meeting can be arranged, the Bank will most certainly be invited and we will proceed in line with proposals I made to you last week and which you approved (see memo of June 2 attached, para. 6).

Letter received from the Minister of Economy

3. We received on June 9 a letter from Minister Zaki Shafei referring to our earlier discussion on a Consultative Group for Egypt. The Government would now like to continue these discussions with a view to exploring in some detail the "modalities and procedures of such a Group and the documentation needs which would be required". The Minister requests that an appropriate Bank official visit Egypt to help clarify these matters which would "help the Government to expedite a formal request to initiate steps to set up a C.G. for Egypt".

4. We are awaiting the return of our economic mission over the weekend with whom this matter was raised to prepare a - positive - reaction.

IMF arrangements

5. Tomorrow, June 11, the IMF Board will consider the proposed Compensatory Finance (SDR 90 million) for Egypt.

6. We have been informed that some problems have surfaced with respect to the standby arrangement that was discussed by the Fund in Cairo.

- i) The IMF has informed the Government that a standby would be arranged in four tranches (SDR 58 m, 17 m, 35 m, 15 m, the last of which to be drawn in May 1977). This tranche arrangement has come as a total surprise and a blow to Minister Shafei who has led the discussions with the Fund and whose reaction - we learned by phone from our economic mission - is that under these circumstances the Government is not able to support the commercial rate for foreign exchange. The full-blast campaign in Egypt on the introduction of the commercial rate seems to be abruptly halted. The IMF expressed its surprise about the Minister's reaction as it is "well known that every standby is in tranches". These developments broke yesterday and we are following up closely. It is awkward to say the least that such a vital issue was not fully clarified during the Cairo discussions. The IMF however takes these developments without too much excitement and feels that Egypt will accept also because the Compensatory Financing will allow them to start a commercial market.
- ii) The parallel market rate was to the surprise of IMF and ourselves marginally upgraded this week from £0.675 to £0.665 per dollar; this is of course a nonsensical development under the prevailing circumstances. Also some developments have taken place with respect to other parts of the IMF package which puzzle the Fund and make them ask Cairo to keep them closely informed.

Medium-term Plan 77-81

7. As the result of very considerable pressure we have over the last ten days brought to bear on the Government there have been some good developments. The Cabinet has twice discussed this subject matter and our mission will receive on June 10 an outline of the Plan, hurriedly put in some sort of shape by the Minister of the Plan following Cabinet instructions. A full draft is not expected to be ready before September. You will recall that because progress was too slow and at the Government's request we had sent in April on 3 weeks notice a mission to help start Plan formulation. The economic mission now leaving Egypt has also discussed the Plan with the authorities. We hope that there will not be further delays.

Other points

8. Relevant most up-to-date information obtained from our mission in the field, from Mr. Cherif Hassan, IFC's representative in Cairo now at HQ, and from various other sources are:

- i) In spite of the weekly Ministerial Economic Committee meetings under the P.M., interministerial cooperation leaves much to be desired; the Minister of Economy and the Minister of Finance do not work well together; the IMF has negotiated mainly with the Minister of Economy, the Minister of Finance does not firmly support the standby package.
- ii) The evolving economic and political situation is delicate and characterized by "flotation". President Sadat, who may not be fully informed about the economic situation and action necessary to address it, appears frustrated by what is seen as a US-Syria rapprochement. The increase in the cost of living, current and to be expected from the IMF package if accepted, concerns many responsible quarters and there are doubts as to how far Egypt can go this route. The Government seems only now to be in the process of assessing the real impact of the IMF package.
- iii) It is understood in Cairo that Kuwait wishes the "Special Fund for Egypt" not to become effective before an agreement has been reached with the IMF. Saudi Arabia's attitude is perceived by Egypt as "softer".
- iv) There prevails a climate of lack of confidence:
 - a) Lack of confidence in the IMF, there are doubts in some quarters about the IMF having Egypt's interests really at heart.
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9. By necessity this note, reporting on information of the last few days only, has a short-term bias. Next to some worrisome developments (IMF standby, prevailing climate in Egypt) there have been some encouraging movements (requests for a creditor meeting and for C.G. discussions, progress on Medium-term Plan outline). We seem to be moving into a critical period and will have to consider appropriate action so that the momentum of movement into the right direction will not be lost.

MPaijmans:sap
June 10, 1976

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WBG ARCHIVES

June 2, 1976

THROUGH: Mr. Robert S. McNamara, President
Mr. J. Burke Knapp, Senior V.P., Operations
Martijn J.W.M. Paijmans, Acting V.P., IMENA

CONFIDENTIAL

EGYPT - Aid Coordination

1. On June 1, Mr. Rutherford M. Poates, Executive Assistant to the Deputy Secretary of State, called me to inform the Bank about the latest developments with respect to Egypt and to ask about our own recent experiences. Mr. Poates had heard from the IMF - Mr. Gunther - whom I had briefed on return that you had found interest in aid coordination in Saudi Arabia and Kuwait.
2. Mr. Poates told me that the U.S. was taking new steps in their attempts to suggest to the Egyptians that they should undertake action to put an Aid Group together for their country. One reason why the Egyptians had been hesitant in the past was - according to Mr. Poates - the uncertainty as to whether or not other Arab countries would participate in any aid coordination arrangement. The U.S. had most recently again advised the Egyptian P.M. and Minister of Economy to approach you with the specific request for the establishment of a Consultative Group. This time the U.S. had received a favorable reaction in principle. The reason for this positive reception, said Mr. Poates, lies in the fact that Egypt is realizing it cannot continue to count on the unconditional Arab largesse and that the international institutions and other aid donors are also insistent on Egypt taking the necessary internal measures while furthermore that Government starts running out of resources.
3. Mr. Poates then told me that the U.S. are in the process of making proposals to all donor countries involved to meet in Washington sometime before June 21st (prior to the forthcoming OECD Ministerial Meeting) together with the IMF and if possible the Bank. This meeting would be a one-time affair only to inform all creditor countries about recent developments in Egypt and in particular the obvious progress that country was making by taking the measures required by the IMF for reaching a standby arrangement. The purpose of the meeting would be to make the creditor countries "less reluctant" to immediately provide much needed program assistance to Egypt. The IMF would make a presentation at the meeting and the Bank was also to be invited and - if possible - to present its position with regard to program lending immediately ahead.
4. In response to some questions Mr. Poates said that the Arab countries were indeed also to be invited and that he had good hopes that a meeting could be put together. The timing was vital as the OECD meeting that will follow would present a good forum for further work to convince some Aaid donors. (Mr. Rigaud called me in the course of the same day and - during a conversation on Egypt - mentioned that through diplomatic channels in Cairo the U.S. was putting some gentle pressure on France to join a future program aid effort.) Mr. Poates or one of his colleagues intends to speak to Ambassador Ghorbal during one of these days on the subject of the U.S. effort to call a creditors meeting and again on the desirability that Egypt request the setting up of a C.G.

Mr. McNamara

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- 2 - MAR 20 2013

June 2, 1976

WBG ARCHIVES

5. Mr. Poates asked about relevant findings during your travel to the Mid-East and I have mentioned the favorable reactions you received on proposals for aid coordination and on the principle of the establishment of a Consultative Group and that Saudi Arabia as well as Kuwait are expected to contact us once the Special Fund for Egypt has been properly set up and discussed by them with the Egyptian authorities. I have mentioned that these preliminary steps may be completed by August. We also briefly discussed the Special Fund, its exact status, size, possible procedures, etc.

6. I would recommend that if and when the U.S. authorities succeed in putting together a Washington meeting, we accept the invitation that would be forthcoming and that we make a brief statement on

- i - our assessment of Egypt's current situation and medium-term prospects;
- ii - measures that we feel should be taken (a carefully worded reference to the medium-term plan would be needed);
- iii - what arrangements we make in and conditions we attach to our program loans (sector specific, performance oriented, etc.).

I would be grateful for your reaction.

cc: Mr. Wapenhans (o/r)

MPaijmans:sap

in the Summary of 6/2/76

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara, President

DATE: June 10, 1976

FROM: Martijn J.W.M. Paijmans, Acting V.P., EMENA *S*

SUBJECT: EGYPT - Visit of Minister of Housing and Reconstruction

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6/10 *C*

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MSAiyer/EYAsfour/MPaijmans:sap

Debt Mtg
Debt Plan
2 terms - interest bond

Consolidated

June 9, 1976

Brief for the Visit of Egypt's Minister of
Housing and Reconstruction
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at 2:15 on Friday, June 11, 1976

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WBG ARCHIVES

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EMIDA
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JUN 14 2013

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Medium-term Plan 77-81

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MPaijmans:sap
June 10, 1976

OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: June 11, 1976

FROM: Martijn J.W.M. Paijmans, Acting V.P., EMENA VSUBJECT: EGYPT - Visit to Mr. McNamara by Minister Osman Ahmed Osman,
Minister of Housing and Reconstruction

1. Minister Osman Ahmed Osman, Minister of Housing and Reconstruction of Egypt, together with Ambassador Ashraf Ghorbal and Mr. Osman, visited Mr. McNamara on June 11, 1976 at 2:15 p.m.
2. The Minister explained to Mr. McNamara substantial progress made in the rebuilding of the Suez Canal area and the establishment at Port Said of a free-trade zone which - he was certain - would have a favorable impact on Egypt's economy. He invited Mr. McNamara to come and see for himself the results achieved. Mr. McNamara responded that in the event that he would visit Egypt he would certainly include the Zone in his itinerary.
3. The Minister then explained that the priority project for him was the construction of a Port Said-Cairo highway and he asked the Bank to finance this project.
4. Mr. McNamara explained that when President Sadat and he two years ago had agreed on a course of action between Egypt and the Bank, it was understood that Egypt would attack a number of fundamental weaknesses hurting its economy while the Bank would make an effort to lend \$200-250 m to Egypt on an annual basis. The President said that, in his frank assessment and in spite of progress in some areas, serious weaknesses continued to exist, in particular with respect to debt management and too great delays with respect to the formulation of the medium-term development plan. He further explained that the Bank cannot keep moving ahead with an annual investment of \$200 to \$250 million without an adequate plan and that actually we did already go fairly far in the current year without having received full satisfaction. The President added that a highway project (mentioned by the Minister), in order to be considered by the Bank, would at least have to appear in a medium-term development plan that laid out Egypt's priorities.
5. There were other areas which were of concern to the Bank, Mr. McNamara stated, most of them concerning basic economic issues but more importantly even the lack of coordination among ministers. He explained to admire the courage of President Sadat but insisted on the need of a more action-oriented approach by the Government, referring to Minister Osman's achievement as a good example. Mr. McNamara indicated that, while he very much wanted to visit Egypt - and had hoped to be able to do so this summer - he saw no point in him visiting the country without a medium-term plan having been prepared and assessed by the Bank. He understood that a draft plan would now not be ready before mid-September. Because of the timing of the Annual Meeting this would necessarily further postpone a possible visit.

June 11, 1976

6. The Minister acknowledged the lack of coordination at Cabinet level and explained this to be caused mainly by problems inherited from the "previous regime's 20 years". He assured Mr. McNamara that there was progress, the national income had increased this year with E£ 400 million, the private sector was given encouragement and incentives, a main problem remained the very large and important public sector which cannot be cancelled out. Mr. McNamara said that a cleanup of the public sector was nevertheless an absolute necessity and the Minister reacted that this would happen but would by necessity take time. The Government plans to make changes in terms of bringing in new expertise and management in the public companies.

7. Minister Osman also mentioned that President Sadat was now insisting on agro-industrial development. A ministerial committee had been established under Minister Osman's chairmanship comprising of Minister of Agriculture and Irrigation and Minister of Economy. One of the purposes of the Minister's visit to the U.S. had been to make contact with the agribusiness sector, several of which companies had indicated to him that they were coming to Egypt to investigate possible investments in that field. The Minister also said that a number of agreements with private firms in Austria, Denmark and the Netherlands had already been signed. In this area Egypt was looking for management expertise and knowhow which the foreign companies should bring in together with small financial participation. Egypt would make available the land (20-50,000 acres per undertaking) and financial resources. Increase in productivity had been recognized as a main goal for Government's action.

8. The Ambassador expressed his belief that Mr. McNamara would be fully informed about progress of discussions between Egypt and the IMF and the fact that the Fund would be trying to arrange a donors' meeting in Washington. This initiative, he said, was strongly supported by Egypt. He also mentioned to Mr. McNamara Dr. Zaki Shafei's request to send a Bank official to Egypt to provide more information about a possible consultative group arrangement. Mr. McNamara responded that he was very much in favor of arrangements establishing a coordination mechanism, and that he had spoken to donors in Arab countries as well as in the OECD area, and that he had the firm understanding that several among these were becoming very reluctant to go ahead with their assistance to Egypt without a proper information and aid coordination arrangement. He felt that a consultative group might even be able to increase aid flows to Egypt and firmly stated that the Bank would do everything possible to establish such a group if requested.


cc: Messrs. Knapp
von Hoffmann
Horsley
Asfour

MPaijmans:sap

OFFICE MEMORANDUM

TO: Files

DATE: June 11, 1976

FROM: Cherif Hassan SUBJECT: EGYPT - Joint ventures for agrobusiness projects. Meetings with Deputy Prime Minister and Minister for Housing and Reconstruction, Dr. Osman Ahmed Osman and other personalities

In the course of his brief visit to Cairo last month, Mr. von Hoffmann met with Dr. Osman Ahmed Osman, Deputy Prime Minister and Minister for Housing and Reconstruction. I attended this meeting and, at Dr. Osman's suggestion, I joined him in a meeting with Dr. Sayed Marei and Engineer Marei Ahmed Marei, who is well known to the Bank, through Talha II Fertilizer Project.

Dr. Osman seems to enjoy President Sadat's growing confidence and trust, in view of Osman's performance in the reconstruction of the canal zone and his reputation all over the Arab world in executing huge construction projects.

Topping the list of major problems facing Sadat's regime, is the disastrous increase in the balance of payments deficit and Egypt's growing dependence on other countries for the import of basic foodstuffs.

In the course of a recent visit by the President, accompanied by Dr. Osman, to the eastern and western zones of the Delta, the messy conditions of the government-managed agriculture projects were recognized. Average yields were dwindling, soil neglected and salinity increasing in many fields adjacent to main canals. A decision was then taken to entrust Dr. Osman with the job of launching a broad program for the implementation of a number of agricultural and agroindustrial joint projects to be controlled by private concerns. A Presidential Decree will be soon issued forming a ministerial committee, with full power, headed by Osman and consisting of ministers of agriculture, irrigation, land reform and planning, to be in charge of agricultural development schemes on reclaimed soil.

The first phase of the program consists of selecting four areas of arid land, with homogenous soil types, of about 30,000 acres each, to be offered for long-term lease to foreign corporations, specialized in the business. Joint ventures with Egyptian private investors could be formed to cultivate the land. Basic infrastructure, water, electricity and possibly townships, will be provided by the Government. These private companies will enjoy full freedom in setting up their crop patterns and in marketing their products locally or abroad.

Dr. Osman thought that IFC can play a catalytic role in attracting specialized American and European corporations, to develop these projects. In addition, he thought that IFC can help in raising the required funds from various sources. He thought it desirable to try to include, in these projects, some processing or manufacturing activities.

Mr. von Hoffmann hoped that the selected areas were not presently occupied by people in view of the problems inherent to dislocation schemes. Dr. Osman said that the areas are mostly uninhabited, arid and unutilized land. Mr. von Hoffmann promised to sound the interest of specialized concerns who, if interested,

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Files

should have their own say in the various studies required, before any possible investment decision could be reached. This will definitely take some time.

In the meeting with Sayed Marei, a frightening account of the government's failure in carrying on land reform schemes, in the western Delta zone, was made. Dr. Marei felt that first priority should be given to program to deal with such problem. In Dr. Marei's view, this was a must and that foreign corporations should be invited to join in a recovery scheme, so that crops could be brought back to normal yields. This should be carried simultaneously with Dr. Osman's agrobusiness program.

I suggested that he contact institutions such as TVA, and solicit the World Bank's vast knowledge and experience in this field. On his trip to the U.S., he could approach the banks known to be interested in agricultural development (City Bank, Chase, Bank of America, etc.). These banks manage some Arab funds and they act as advisors to Arab financial interests. I told Osman that Mr. von Hoffmann will sound the reaction of the Yugoslavians, who gained some experience in this activity in Iran. At his request, we will talk to some specialized companies (Hawaii Agronomics, Castle and Cook, Alexander and Baldwin, Diamond A. Cattle, etc.). Dr. Osman will accompany President Sadat in his visit to Iran on June 15 and I suggested that he visit Khuzestan, to see the agribusinesses and explore the reasons of their successes and failures.

All such contacts and visits should enlighten him before coordinated and comprehensive studies could be made. Some of these are recommended by his consultants (Tippetts, Abbett, McCarthy, Stratton), in a recent report on potential land reclamation and systems of irrigation in the Ismailia and Suez zones. Mr. von Hoffmann's recommendation to him was that he should proceed with these studies after he had located the technical partner and Osman has fully agreed to that.

There is one fact on which everybody seems to agree: that Egypt, as compared to Iran, has a large cadre of agricultural technicians, who can be mobilized, by a sponsoring foreign corporation, for the implementation of projects.

Over a lunch in the Egyptian Embassy, yesterday, TVA representatives seemed to be eager to coordinate efforts with us in the exploration period to identify projects suitable for the purpose. The scheme merits further consideration, but the Egyptian authorities should keep in mind that the fruits of such scheme and its impact on Egypt's balance of payments will not be imminently felt.

cc: Messrs. von Hoffmann
Qureshi
Kreuter
Wapenhans
Paijmans (2)

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WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

CONFIDENTIAL

TO: Memorandum for the Record

FROM: Martijn J.W.M. Paijmans

SUBJECT: Mr. McNamara's Meeting with the Egyptian
Delegation on October 7, 1976

DATE: October 8, 1976
(Drafted by Mr. Paijmans
in Manila; typed on
October 14, 1976)

1. H.E. Mohamed Zaki Shafei, Minister of Economy and Economic Cooperation, and Dr. Wagih Mohamed Shindy, Under-Secretary, Ministry of Economy and Economic Cooperation, attended for Egypt. Messrs. Benjenk, Burmester and Paijmans attended for the Bank.
2. The Minister started by stating to look forward to Mr. McNamara's visit to Egypt. Mr. McNamara responded that he could not make any visit until satisfactory action had been taken by Egypt on a number of serious problems.
3. Mr. McNamara explained that in his meeting two years ago with President Sadat the latter had asked for a substantially increased lending program. His response had been that it would be impossible to justify such action unless the Government were to address a series of questions among which the control of debt, the formulation of development plans, the listing of priority projects and assurance of their financing, also action on domestic problems to ensure a balanced economy, etc. Mr. McNamara said he admired and respected the President for his wise and courageous leadership and his instructions to his Government to take these actions, but unfortunately sufficient action had been sorely lacking.
4. Mr. McNamara then explained that he personally and the Bank were in the greatest trouble vis-a-vis our Board as we had faithfully executed our part of the agreement while Egypt was clearly falling short on a great number of issues. He mentioned as examples the absence of a well-defined medium-term Plan, lack of action on the debt management unit, lack of progress in some projects such as Population, disbursement delays, etc.
5. The Minister was visibly shaken by the strong comments made and stated that some progress had been made and that he had, following the morning meeting with the Region, asked for an Aide Memoire spelling out the deficiencies in Egypt's operations so that he could impress upon the Prime Minister the need for more vigorous action by the technical ministries.
6. Mr. McNamara explained that he wanted to continue with a heavy program in Egypt because of his respect for President Sadat and his desire to see the people of Egypt move forward. However, this would only be possible if the country would take decisive action on a number of operational and economic issues. He then discussed with the Minister action to be taken, immediately following the elections, in the form of discussions by Mr. Benjenk with the Government in December and of discussions and agreement between the Government and the IMF. The Minister stated that the Government would be ready to sit down on these matters.

October 8, 1976

Post Mortem

7. After the meeting Messrs. McNamara and Benjenk decided that, on return to Washington, they would, soonest possible, invite Ambassador Ghorbal to discuss the events over lunch.

cc: Mr. McNamara's Office (2)
Messrs. Benjenk
Knox
Dubey
Humphrey
Köpp

MPaijmans:gg/sap

