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McNamara Papers

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Contacts with member countries. Egypt - Correspondence 01

Contacts
Egypt (1968)

Folder 1

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EGYPT

(EGYPT)
UNITED ARAB REPUBLIC

1. 5/1/68 Mohammed Awad El Kony, Egyptian Ambassador to the United Nations
2. 5/14/68 Dr. Ashraf Ghorbal, Minister Plenipotentiary, Head, UAR Interest Section
3. 7/10-13/68
(Cairo) Messrs. McNamara and Benjenk Memos of Misc. Conversations:
Dr. H. El Sayeh, Under Secretary of State, Ministry of Economy and Foreign Trade
Dr. Nazim Abdel Hamid, Governor of the Central Bank of Egypt
Dr. Sayyid Ahmad Marei, Minister of Agriculture
Dr. Muhammad Bakr Ahmed, Minister of Land Reclamation
Ibrahim Zaki Quinnawi, Minister of Irrigation
Dr. Ali Zayn Al-Abidin Salih, Minister of Transport
Dr. Mahmoud Gaballah Al-Sayyid, Minister of Planning
Dr. H.A. El-Tobgy, Under Secretary for Research, Ministry of Agri.
Dr. Malek El-Nomrossy, Chief Statistician of the National Family Planning Program
Ambassador Semiah H. Gunver, Turkish Ambassador to the UAR
4. 7/11&7/13/68
(Cairo) Dr. Hassan A. Zaki, Minister of Economy and Foreign Trade
5. 7/13/68
(Cairo) Ahmed Mashour, Chairman of the Suez Canal Authority
6. 7/13/68
(Cairo) President Gamel Abdul Nasser (*Filed in RMR office*).
7. 7/10/68
(Cairo) Mahmoud Fawzi, Special Assistant to the President (former Deputy PM)
7/10/68
(Cairo) Ford Foundation Luncheon:
Dr. Mustafa A.E. Ahmed, Senior Staff Member of the Executive Conference Program
Dr. Malek El-Nomrossy, Chief Statistician of the National Family Planning Program
Dr. Hussein Said, Chancellor of the American Univ. in Cairo and former Minister of Higher Education
Dr. Ahmed E. Sarhan, Dean of the Institute of Statistical Studies and Research, Cairo University
Dr. Youssef Ikram Sayed, Acting Chairman of the Board, National Institute of Management Development, Cairo
Dr. H.A. El-Tobgy, Under Secretary for Research, Ministry of Agri.
Dr. H.K. Topozada, Chairman of the Department of OBS/GYN, Faculty of Medicine, Alexandria University
8. 8/5/68 Dr. Ashraf Ghorbal, Minister Plenipotentiary, UAR Interest Section
8. 9/30/68 Hassan Abbas Zaki, Minister of Economy and Foreign Trade
Hamed A. El-Sayeh, Under Secretary, Ministry of Economy and Foreign Trade
Dr. Ashraf Ghorbal, Head, UAR Interest Section, Washington, D.C.
Abd El Rahman Hammoud, Commercial Counselor, UAR Interest Section
9. 1/17/69 and
1/22/69 Ibrahim Nafie, Economic Editor of "Al Ahram"

10. 3/10/69 Dr. A.M. Kaissouni, former Prime Minister
3/25/69 " " " " " " "
11. 4/11/69 Mahmoud Fawzi, Special Assistant to the President (former Deputy PM)
Dr. Ashraf Ghorbal, Minister Plenipotentiary, UAR Interest Section
Abd El Rahman Hammoud, Commercial Counselor, UAR Interest Section
12. 6/30/69 Dr. A.M. Kaissouni, former Prime Minister
Dr. Ashraf Ghorbal, Minister Plenipotentiary, UAR Interest Section
Abd El Rahman Hammoud, Commercial Counselor, UAR Interest Section
13. 6/30/69 Dr. H. El Sayeh, Under Secretary of State, Ministry of Economy
and Foreign Trade
14. 9/19/69 Dr. Abdel Aziz Hegazi, Minister of the Treasury
15. 10/2/69 Hassan Abbas Zaki, Minister of Economy and Foreign Trade
Dr. H. El Sayeh, Under Secretary of State of the Ministry of Economy
and Foreign Trade
Abd El Rahman Hammoud, Commercial Counselor, UAR Interest Section
3/18/70 Dr. Ashraf Ghorbal, Minister Plenipotentiary, UAR Interest Section
16. 9/2/70 Dr. Ashraf Ghorbal, " " " " "
17. 9/23/70 Hasan Abbas Zaki, Minister of Economy
(Copen.)
3/24/71 Dr. Ashraf Ghorbal, Minister Plenipotentiary, UAR Interest Section
18. 6/7/71 " " " " " " " "

EGYPT

19. 9/30/71 Mohamed A. Merzeban, Minister of Economy and Foreign Trade
Sherif Lotfy, Under Secretary of State, Ministry of Economy and
Foreign Trade
Dr. Ashraf Ghorbal, Minister Plenipotentiary, Head, Egypt Interest
Section
7/3/72 Dr. Ghorbal -- farewell call
8/2/72 Dr. Fouad Hashem Awad, Faculty of Economics and Political Science,
Cairo University, Orman, Ghiza -- at reception for professors
attending Middle Eastern Seminar
Dr. Hazem El-Beblawi, Professor of Economics, University of Alexandria,
Shatby, Alexandria -- at reception
20. 9/29/72 Muhammad "Abdallah Marzaban, Deputy Prime Minister
Ahmed Zandou, Governor of the Central Bank of Egypt
7/25/73 Ibrahim Nafie, Al Ahram
12/10/73 Ambassador Ashraf Ghorbal

- 2/24/74 Ambassador Ghorbal)
Ismail Fahmi, Foreign Minister) Lunch at Egyptian Embassy
21. 2/28/74 Dr. Abd al-Azia Muhammad Hegazy, Deputy Prime Minister in Charge
(Cairo) of Financial and Economic Affairs
Sherif Lotfy, Undersecretary for Economy and Foreign Trade
Ahmad Osman, Minister of Reconstruction
Ibrahim Salim Mohamadein, Minister of Industry
Mohamed Zaki, Minister of Agriculture
Ahmad Hasan Helal, Minister of Petroleum and Mineral Wealth
Mr. Sultan, Minister of Power
Mr. Mashour, Chairman, Suez Canal Authority
Gamal El-Nazer, Finance Ministry
- 2/28/74 President Anwar Sadat
(Cairo)
22. 3/1/74 Dr. Abd al-Azia Muhammad Hegazy, Deputy Prime Minister in Charge
(Cairo) of Financial and Economic Affairs
Sherif Lotfy, Undersecretary for Economy and Foreign Trade
23. 4/17/74 Mr. Sayeed Marei, Assistant to President Sadat
(Bank-UN)
24. 10/3/74 Dr. Taher Amin, Chairman, Government Agency for Arab and International
Economic Cooperation
Ahmed Zandou, Governor, Central Bank of Egypt
Rafek Sueilam, Under-Secretary, Agency for Arab and International
Economic Cooperation
Mohamed Fouad El Sarraf, Under Secretary of State for Foreign
Exchange Affairs, Ministry of Economy and Foreign Trade
Shokry El-Nahal, Economic Minister, Egyptian Embassy
- 2/19/75 Mr. Meguid, Under Secretary to the Prime Minister of Egypt
25. 9/5/75 Mohamed Zaki Shafei, Minister of Economy and Economic Cooperation
Ahmed Zandou, Governor, Central Bank of Egypt
Wagih Mohamed Shindi, Under Secretary, Ministry of Economy
Adly Abdel-Meguid, Chief of the Egyptian Economic Mission to the U.S.
Ambassador Ashraf Ghorbal
26. 10/23/75 Ahmed Al Ghandour, Deputy Minister of Economy
Dr. Adly Abdel Meguid, Economic Minister, Etyptian Commercial and
Economic Office, New York
Abd El Garhy, Economic Counsellor, Egyptian Embassy
27. 10/28/75 President Anwar al-Sadat: 1) Secretary Kissinger's Luncheon
2) At Blair House (alone)
3) President Sadat's dinner for President Ford
- 10/21/75 Mohamed Hassanein Heikal - (At R. Evans' dinner)
28. 1/30/76 Ambassador Ashraf Ghorbal
29. 4/16/76 Dr. Helmi Abdel Rahman, Adviser to the Prime Minister

30. 5/17/76 A. Azim Abul-Atta, Minister of Agriculture and Irrigation
Ambassador Ghorbal
31. 6/11/76 Osman Ahmed Osman, Minister of Housing and Reconstruction
Ambassador Ghorbal
32. 10/7/76 Mohamed Zaki Shafei, Minister of Economy and Economic Cooperation
(Manila) Dr. Wagih Mohamed Shindy, Under-Secretary, Ministry of Economy
and Economic Cooperation
10/13/76 Ambassador Ghorbal
12/15/76 Esmet Abdel Meguid, Ambassador to the UN
(New York) (At luncheon hosted by Amb. Akhund of Pakistan)
33. 12/17/76 A. M. Hegazy, former Prime Minister
Ambassador Ghorbal
34. 3/7/77 Abdul El-Kaissouni, Deputy Prime Minister for Financial
and Economic Affairs
Hamid Abd Al-atif El-Sayeh, Minister of Economy and Economic
Cooperation
Dr. Abdel Razak Meguid, Head, Egyptian Foreign Investment Authority
Dr. Abdel Rahman, Planning Advisor to the Prime Minister
Dr. Ashraf Ghorbal, Ambassador to the U. S.
35. 4/19/77 Prof. Alex Moller, Adviser to President Sadat
36. 7/14/77 Dr. Ibrahim M. Badran, Minister of Health
37. 9/28/77 Abdel Moneim El Kaissouni, Deputy Prime Minister for Financial
and Economic Affairs
Fouad Hussain, Adviser to the Deputy Prime Minister
Samir Koraiem, Under Secretary, Ministry of Economy and Economic
Cooperation
Mashhour Ahmed Mashhour, Chairman, Suez Canal Authority
Abdel Rahman Montasser, Director, Suez Canal Authority
Ambassador Ashraf Ghorbal
38. 1/13/78 Ibrahim Shoukry, Minister of Agriculture
Ambassador Ashraf Ghorbal
+1
1/17/78 Ambassador Ashraf Ghorbal (Lunch)
39. 1/20/78 Dr. Hafez Ghanem, Deputy Prime Minister for Social Affairs
(Cairo) Dr. Ibrahim Badran, Minister of Health
Mrs. Osman, Minister of Social Affairs
Sad Muhammad Ahmed, Minister of Manpower and Vocational Training
Mustafa Kamal Helmi, Minister of Education
Mr. Iskander, Chef de Cabinet of Deputy Prime Minister
Dr. Bindary, Director, Population and Family Planning Board

40. 1/21/78 Abdul Atta, Minister of Irrigation
(Cairo) Mr. Hagrass, Deputy Minister of Agriculture
Mr. El Ghamry, Director of Drainage Research Institute
Mr. El Guindy, Deputy Minister of Irrigation
41. 1/19 and Dr. Abdel Moneim El Kaissouni, Deputy Prime Minister
1/23/78 Hamid Abd-Al-atif El-Sayeh, Minister of Economy and Economic Coop
(Cairo) Mr. Hanafi, Deputy Minister of Planning
Mr. El Ganzouri, Director of the Institute of Planning
Mohamed Abdel Fattah Ibrahim, Governor of the Central Bank
Mr. Koraiem, Undersecretary, Ministry of Economy and Econ Coop
42. 1/18-23/78 RMcN Notes (*Filed in McN Office*).
43. 9/26/78 No Memorandum of Conversation Prepared
(Annual Meeting)
44. 10/30/78 H. E. Dr. Mamdouh Kamal Gabr, Minister of Health
Dr. Ibrahim Badran, former Minister of Health
Dr. El-Sayed, Senior Adviser, Ministry of Health
Dr. Hassouna, Senior Adviser, Family Planning, Ministry of Health
Dr. El-Nahal, Counsellor, Embassy of Egypt
- 45.* 3/27/79 President Anwar Sadat
(Embassy)
46. 10/2/79 H.E. Hamed El Sayeh, Minister of Economy, Foreign Trade
Belgrade and Economic Cooperation
Mr. Mohamed Abdel Fattah Ibrahim, Governor, Central Bank
Mr. Samir Koraiem, Under Secretary of State, Ministry of
Economy, Foreign Trade & Economic Cooperation
Mr. Aly Mohamed Negm, Sub-Governor, Central Bank
Dr. Said El-Naggar, Executive Director
- 7/2/80 H.E. Kamal Hassan Ali, Deputy Prime Minister
(Reception at Linowitz')
47. 12/8/80 Dr. Abdel Razzak Abdel Meguid, Deputy Prime Minister for
Economic and Financial Affairs
48. 1/14/81 Ambassador Ashraf Ghorbal, Minister of Health Dr. Mamdouh Gabr
(Lunch) at Embassy



Messrs. McCloy, Black and Woods - former
presidents of the World Bank.

Battle - Lucius Battle - American Ambassador
to Egypt.



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U.S.A.

OFFICE OF THE PRESIDENT


May 1, 1968

MEMORANDUM FOR THE RECORD

At my initiative I called this morning on the Egyptian Ambassador to the United Nations. My purpose was to indicate to him, without directly saying so, that I would be quite willing for the Bank to play a part in resolving the conflict over the reopening of the Suez Canal, and further, to reestablish relationships between the Bank and the UAR. Although I did not put these points to him directly, I did state that I planned a visit to Bucharest in early July and possibly to Western Europe during the latter part of May, and that in connection with either one of these trips I would be happy to consider stopping in Cairo if his government thought such a visit would be useful.

He reacted immediately and favorably -- he asked the specific dates of my potential trips and duration and interrogated me upon my willingness to visit the UAR. When we parted he was most cordial and stated he would inform President Nasser of our discussion.

Prior to arranging for my ^{meeting} with the Ambassador, I had informed Messrs. McCloy, Black, and Battle of my intention to do so. All agreed that such a move would be wise.


Robert S. McNamara

May 14, 1968

MEMORANDUM FOR RECORD

At his request, I met this afternoon with Dr. Ghorbal, representing the UAR, who was accompanied by Mr. Hammoud. He reported to me, as had Ambassador to the UN El Kony, that, acting on my statement that if it would serve any useful purpose I would be willing to visit Cairo on my return from Bucharest early in July, his Government was anxious for me to make the visit. He implied that, in addition to discussing a possible resumption of relations with the Bank, his government might also wish to discuss the Suez Canal. He suggested that I plan to spend more than two or three days in Egypt, possibly a week, and stated that his government hoped Mrs. McNamara would accompany me. He added he would be happy to make whatever detailed arrangements would facilitate my visit. He concluded by stating he would inform his Government of our conversation.

Robert S. McNamara

MEMORANDA OF MISCELLANEOUS CONVERSATIONS IN CAIRO
7/10-13/68

1. Special Assistant to the President Fawzi, formerly Deputy Prime Minister
 - a. The conflict in the Middle East will never be settled until the US and the USSR impose a solution upon the parties.
 - b. Moscow has pushed the UAR toward a peaceful settlement.
 - c. The parties should avoid inflammatory statements.
 - d. The UAR has encouraged Moscow to talk to the US, and Gromyko's recent speech indicated the USSR's interest in talking to the US.
 - e. The UAR should not limit its friendship to any one group. He would not want to see the UAR choose between hugging the bear or hugging the eagle.
2. Secretary of Agriculture Mari
 - a. There is need to establish a corn laboratory. At present corn yields per acre are low.
 - b. There is an opportunity to increase wheat yields per acre and reduce wheat imports.
 - c. "The course of history would have been changed had the US or the World Bank financed the High Dam."
 - d. The Sahia project has been cut back substantially and he believes it now warrants financing.
3. El-Tobgy
 - a. The problem of agriculture is a limitation on the amount of cultivatable land. The High Dam will add only 1.2 million acres (about 20%) and the additional area will be largely sandy soil, so it is not a major solution to their problem.
 - b. They are importing 60% of their wheat requirements.
 - c. The Ford Foundation is now trying to resume wheat and corn research programs which should be very beneficial to them.
 - d. UAR wheat yields can never reach the high levels of certain other areas of the world because optimum wheat yields require temperate climates. Nevertheless, UAR wheat yields can be increased 50%; rice yields can be increased 50%; corn yields can be increased 100%.
 - e. The UAR needs to develop its research facilities. They have enough local currency for this purpose but they need \$1 million per year of foreign exchange.
4. El-Nomrossy
 - a. The UAR's population is increasing at a rate of 2.7% per year. He believes it could be cut to 2.2% per year in perhaps 5-10 years. (They "plan" to do it in 3 years.)
 - b. They now have 400,000 participants in the contraceptive program out of 2.8 to 3.2 million women aged 20-40 having two children or more.
 - c. Part of the reduction in the birth rate which they hope to achieve will be offset by a reduction in the mortality rate currently 15 per 1000, which they believe will drop to 11 per 1000 in 1980. The birth rate is currently 32 per thousand and they hope to cut that to 30 per thousand by 1975 in order to reduce the annual population increase to 2% per year. He believes this can be accomplished. "Legalized abortion could be part of the plan but this would be very difficult."

5. The Turkish Ambassador to the UAR stated:

- a. Neither Nasser nor any other UAR political leader could conduct direct negotiations with Israel. It would be political and physical suicide to do so.
- b. "Nasser is a prisoner of his own policies; not with his own people, but with other Arabs."
- c. The Soviets are attempting to take over control of the Egyptian Army and in particular they are trying to separate the soldiers from the officers.
- d. The Government of the UAR had made a particular effort to be hospitable to me (McNamara) and to let their people know I was welcome in Egypt. For example, for the first time they have sent a child to the airport with flowers to meet a Western visitor.
- e. "The people look upon Nasser as a cross between a king and a god."
- f. "It is not possible to ask of these people new concessions each day."

6. Miscellaneous observations

- a. In the rural areas everyone appeared to be working. They gave the appearance of being hard working people "with the love of the land in their blood," as Mari said.
- b. The attack on the cotton leaf worm was a good example of their administrative capability. In each of 4,000 villages there are agricultural extension workers. In those villages facing the cotton blight, the Minister of Agriculture ordered mobilization of the children to pick by hand the worms from each cotton leaf. The children are organized in groups of 25 and the results of their work are reported daily to the Minister in Cairo.
- c. Many of the governmental leaders with whom I met, for example, the Supreme Court Justice, Mari, and Zaki, spoke with great feeling of their people and the need for the government to bring to them education, health and economic growth.
- d. The Governor of the Delta projects which I visited was an educated, dedicated, able administrator.
- e. Typical of the attitude of many of the governmental leaders toward communism was the comment of one of the Governors that his country had more college graduates than jobs, and "if you don't give such young people jobs, they will become communists."
- f. There seemed to be general agreement that the first priority in agriculture was drainage improvement. It was stated this would yield the largest increase in productivity per acre and would allow the application of additional fertilizer which, with present drainage, is near the maximum.
- g. The UAR produces 800,000 tons of fertilizer and imports 700,000 tons per year. Their plan to expand fertilizer production, according to Mari, is one of their most "solid" projects.
- h. Their hydraulic research activities, for example on the effect of a shift from silted to clear water as a result of the High Dam, was impressive. At the Research Center they are doing consulting work for Nigeria.
- i. Mari believes that individual ownership is the key to effective farming. He does not believe in collectivization of farming. He has been able to achieve efficient production while retaining group ownership of small (in some cases 1/3 acre) plots by requiring that all farms in a given 25- or 50-acre area concentrate at any one time on production of a single crop.
- j. Zaki on several occasions stated Nasser believed that he had been misled by the US; for example, he understood that if he were to retract his erroneous statement regarding participation of US aircraft in attacks on Egyptian troops, the US would be more forthcoming toward the UAR. Nasser publicly retracted his statement, but the US attitude hardened instead of softened.
- k. In Bucharest Boerma told me he believes that the additional water made available to Egypt by the High Dam will only support the existing agricultural population. Therefore, Egypt's serious population problem must be met by expansion of its industry.

Boerma went on to add he was pessimistic about possibilities in the Congo; he was optimistic about India, although it faces a serious problem of "agricultural waste" toward the solution of which the Bank can contribute; he believes Turkey has an excellent potential for agricultural development (not in wheat, but in forestry, fruits, food processing, etc.)

1. In Zurich the Swiss bankers told me they are confident interest rates won't go down for the next few years. They added Switzerland is the only country which can forecast balance of payments surpluses for the next ten years.

P R O J E C T S
OF THE MINISTRY OF IRRIGATION

As the economy of the United Arab Republic depends entirely on agricultural production, all efforts were directed towards its development. The aim is not only confined to the expansion of the cultivated area, but also to have a surplus of production for export.

For this purpose, the Government made great efforts to exploit all lands available for cultivation and to expand their area on further water supplies. These efforts are not confined to the expansion of the area of cultivation, but also aim at the enhancement of its productivity and diversity of its products, thus considerably increasing its revenue.

This, of course can only be achieved by improving the irrigation and drainage systems of the country.

During flood the discharge of the Nile is far in excess of the actual requirements of irrigation and has to be allowed to go to waste in the Mediterranean Sea. On the other hand the discharge of the river is low in summer and by no means adequate for the requirements of cultivation. Beside these seasonal variations the annual total discharge varies considerably from year to year.

The first project for Nile Control was the construction of the Delta Barrage to raise the level of the river in the low stage so that the main Delta Canals could provide water for cotton & other summer crops.

As a consequence of the extension of cultivation, the whole summer supply was being used and measures had to be taken in order to store some of the excess water in flood to supplement the discharge of the Nile in the months when it is normally deficient. This was achieved by building the Aswan Dam in 1902 and then twice heightening it in 1912 & 1933 and by the construction of several Barrages and the building of Gebel Aulia Dam in 1937. By this means the area of land under perennial irrigation exceeded 5 million acres.

A general scheme of Upper Nile Projects - based on the principle of over-year storage of the clear waters of the Nile which have their source in the Equatorial Lakes was approved in 1949. The scheme comprised reservoirs in Lake Victoria, Albert & Tana as well as the Jonglei Canal to divert the water coming from Victoria & Albert away from the swamps of the southern Sudan, where, at present, half of it disappears by evaporation & transpiration. Of these projects, one of the major works, Lake Victoria Dam at the Owen Falls, was built in 1952, but the benefit from this is negligible without the other components which involve works of a size that will take many years to execute and so cannot produce any early benefit.

On the advent of the revolution it was realized that Egypt could not further expand its cultivation on the available storage. In the meantime the situation due to the rapid rate of increase of population was becoming very critical, and the scheme of major Nile Projects was therefore re-examined. It was decided therefore to turn to projects for storing the flood waters, which are wasted into the sea, as a means of producing an early return and beginning a first stage towards the complete utilization both of the clear and silty waters of the Nile. A short description of the main project is given herewith : -

I. HORIZONTAL AGRICULTURAL DEVELOPMENT.

The 1959 Water Agreement between the U.A.R. & the Sudan for the full utilization of the Nile waters, stipulates that after the full operation of the Sadd el Aali, the share - as at Aswan - of the U.A.R. in the net yield of the Nile is 55½ milliards & that of the Sudan is 18½ milliards.

To make use of Egypt's share, a thorough classification of the cultivable lands was made taking into consideration: -

- i- The suitability of the soil & its response to cultivation.
- ii- Water duty
- iii- Required lift for irrigation.
- iv- Amassing the lands in reasonable areas which will

- allow the coordination of reclamation works & the execution of irrigation & drainage projects.
- v- Easy access or proximity to inhabited places
 - vi- Priority given to reclamation of lands where irrigation, drainage & building schemes cost least.

In the light of this study it was found that the area of barren land that can be brought under cultivation on our share, plus the 1½ milliards given by the Sudan as a loan to the U.A.R., as mentioned in the 1959 Agreement, is about 1,254,000 acres of which 452,800 acres were developed in the first 5-year plan (1960/61-64/65) as well as 144,800 acres in the last two years (1965/66-1967/68).

It is proposed to reclaim 176,100 acres in the two years 1968/69-1969/70 and 481,00 acres in the third 5-year plan (1970/71-1974/75)

The total cost of the irrigation & drainage projects, including pumps for the horizontal expansion is about £140 millions of which £31 millions have already been spent in irrigation & drainage system and pumping stations. This does not include the cost of reclamation.

II. CONVERSION OF BASINS

As all the waters of the flood will be stored in the Sadd el Aali Reservoir, it was only natural that the projects for the conversion of the Upper Egypt basins (1973,000 acres) into perennial irrigation, should be carried out simultaneously with the building of the Sadd el Aali.

The project considered, as one of the biggest that has been carried out, was designed to provide field irrigation not by free flow but by lift for the purpose of conserving the fertility of the land & economising irrigation water.

The project consists of 3 main canals of a total length of 560 Kms :- (Eastern Nasser : 225 Kms., Western Nasser : 125 Kms

N a s r i a C a n a l : 210 Kms in addition to 3 other main canal whose total length is 280 Kms). Thus the total length of all the main canals is 840 Kilometres.

In addition to this there is a network of 900 distributary and branch canals of a total length of 3400 Kms. as well as 9000 irrigation ditches.

Beside these canals, there are about 3100 constructional works Viz. regulators, bridges, syphons and aqueducts as well as 3 Pumping Stations on the Nile and 4 on the main canals.

The project will cost about £100 millions of which £65 millions for the irrigation projects & £35 millions for drainage which will start after 1970. Of the £100 millions about £55 millions have been spent so far.

It is expected that the conversion of this area into perennial irrigation will increase its present productivity by 40% .

819,000 acres of basin land have been converted & are now served with summer water. The conversion of the remaining 154,000 acres is now in hand & is located as follows : -

Governorate	Area Under Basin Irrigation. (in thousand acres)	R E M A R K S
Sohag	34	This area is actually fed by El-Khyam Pumping Station erected in 1941. It is planned that this area would derive its water requirements through the new Kelabia Canal, as a preliminary measure to dispense with the services of the station, when it completely gets out of service.
Minia	76	The area is located on the western bank of Bahr Youssef through which it will derive its water needs.
Beni Suef	44	- ditto -
Grand Total :	154	

The total cost of the remaining area of 145, 000 acres amounts to 10 million Egyptian pounds distributed as follows :-

E.:

Millions

- 5 for earth and water control works
 - 3 " expropriation costs.
 - 2 " wages and production requirements.
-
- 10 of local currency, with the exception of the equivalent of L.E.300,000 in foreign currency to cover the purchase of cranes, iron sheet pilings and other equipment.

The remaining area will be converted to the perennial irrigation system during the fiscal years 68/1969 and 69/1970, according to the following programme :

Governorate.	Date of Execution of Basin Conversion Projects		
	68/1969	69/1970	TOTAL
	(in thousand acres)		
Sohag	10	24	34
Assiut	-	-	-
Minia	50	26	76
Beni Suef	-	44	44
	60	94	154

Economical benefits and evaluation of the Project :

- 1) Supply of summer " Sefi " irrigation waters at low cost.
- 2) Vertical expansion through the creation of a new "Sefi" agricultural rotation in the vast converted areas, which used to produce only one winter crop all the year round. This is equivalent of horizontal expansion in nearly 50% of the converted land.

- 3) Promotion of cotton productivity by at least one kantar^① per acre, as a result of giving enough time for the plant to get fully grown, instead of hurried unseasonable gathering to avoid inundation by flood waters; thus, saving much of the gathering costs.
- 4) Improvement of the cotton grade, as a result of timely gathering of full grown plants.
- 5) Increase of the production per acre, of the Guinea corn, as a result of being adequately watered, planted and cropped in the proper time.
- 6) Feasibility of early planting of winter crops, without waiting for flood water recession.
- 7) Feasibility of early growing of Clover " Berseem", for cattle feeding; thus, increasing the livestock.
- 8) Feasibility of practising two instead of one hewing rotation. of " Berseem", prior to cotton planting.
- 9) Feasibility of practising, in certain areas, 3 agricultural rotations a year, to grow, for example, Berseem, maize or Indian millet and cotton.
- 10) Feasibility of developing orchard plantation in the converted areas.
- 11) Providing work to ten thousand of labourers and technicians, who will be employed for the implementation of the project, and training of skilled workers.
- 12) Connecting villages and public utility services with canal banks; thus, facilitating the storing of crops and developing social services (education, public health and security).
- 13) Increasing the cultivated area of sugar-cane by about 50 thousand feddans; thus, ensuring the supply of raw materials to the new factories.
- 14) Increasing the national income by at least L.E. 4,5 millions per annum.

①

1 Kantar = 100 lbs.

III. OPEN DRAINAGE

Experience has shown that even the best land tends to deteriorate under perennial irrigation. This necessitated the creation of a drainage system which, up to the first quarter of this century, included only a few main drains which discharged freely either into the lakes or the sea.

Because of the first World War, only 3 drainage stations were installed up to 1920. When, however, conditions were settled, many other stations were erected. In 1952 their number in Lower & Upper Egypt reached 40 stations serving an area of 2,750,000 acres, not including 1,500,000 drained by free flow.

In 1955 the Drainage policy was reconsidered to provide 1.25 metres depth of drainage at the heads of the field drains.

This policy comprises : -

- a) The widening & deepening of all main & branch drains.
- b) Erection of new Drainage pumping stations to replace the existing ones which cannot cope with the present drainage water, due to the new areas that have been added and to the increased drainage depths.
- c) Providing the lands with field drains to ensure the drainage of the whole area.
- d) Conversion of private drains into public drains to ensure their maintenance by the Government.

In the light of the above policy the cultivated area, under perennial irrigation, has been divided into zones drained either by free flow or by pumps.

The total cost of the Projects of Open Drainage, implemented since the first 5-year plan (1960/61) to the end of the third 5-year plan (1974/75), is about £72.5 millions of which £48.5 are ear-marked for civil works which comprise the digging, deepening & widening of the main drains, £24 millions for the erection of 28 new pumping stations & the renewal of 26 existing stations serving about 3,000,000 acres.

The total expenditure up till now amounts to £20.5 millions of which £11.7 millions were spent for civil works & £8.8 millions for the mechanical ones.

So far 11 stations were erected during the period from 1952-1960, 26 new stations are now being installed, some of which have started working while the remainder will be ready by the end of the present year.

IV. WADI RAYAN PROJECT.

Lake Qarun is the natural collector of the drainage water of Fayoum. Lately, however, the rise of the Lake levels has caused the flooding of the neighbouring lands and the deterioration of their crops.

The programme of development in the Fayoum comprises the reclamation of 40,000 acres, increasing the area under rice to 60,000 acres and bringing under cultivation of an area of 32,000 acres of fallow land scattered in the cultivated area of the Fayoum.

As the lake is unable to cope with further drainage water it became necessary to find an escape for the extra water and that by using the Wadi Rayan depression. This entails the construction of a tunnel $8\frac{1}{2}$ Kilometres long and 3 metres in diameter. This would make it the longest tunnel in the country and would need expert advice for its execution as it will have to be cut in different layers of soil limestone, clay & alluvium.

The cost of this project is about £4 millions of which £300,000 have already been spent on preparatory work.

The resulting increase of revenue of this project is estimated at £3 millions per annum.

V. TILE DRAINAGE.

Though agricultural production is the result of several interconnected factors, yet it has been proved that providing the land with a network of drains - both open and field drains is the main factor in increasing its production.

Statistical analyses of the yield of crops in the areas provided with tile drains have shown - that after the first year, there was about 50% increase in the production.

For this reason the government has taken steps to provide all the cultivated lands with tile drains.

The estimated cost is about £200 millions.

In the first 5-year plan 250,000 acres were provided with these drains costing £7.650 millions, while in the second 5-year plan 120,000 acres were provided with these drains in the last 3 years. This has cost £4 millions.

The Ministry of Irrigation has put up a "time table" for installing tile drains in one million acres starting from the fiscal year 1968/69 and ending in 1974/75 at a cost of about £35 millions.

For the purpose of installing these drains mechanically, 20 machines costing £220,000 have been bought as a nucleus for a number of machines that will be locally manufactured.

MINISTRY OF IRRIGATION

Statement for total cost of different projects

	Area served acres		C O S T			
	Total	Completed up to 30.6/68	Remainder up to 1974/75	Spent up to 30.6.68	Remainder	Foreing currency
Horizontal Agri- cultural development	1,254,000	597,000	657,000	31,000,000	109,000,000	15,000,000
Open drainage	3,000,000	1,000,000	2,000,000	20,500,000	52,000,000	8,000,000
Wadi Rayan	200,000	-	200,000	300,000	3,700,000	1,000,000
Tile Drainage	1,400,000	400,000	1,000,000	11,500,000	34,500,000	5,000,000
Conversion of basins	937,000	783,000	154,000	55,000,000	45,000,000	2,000,000

N.B. 1- Sums required for the completion of ^{open} public drainage projects after 1974/75 at 15 million pounds out of which 2 million pounds in foreign currency.

2- Sums required for the completion of ^{tile} public drainage projects after 1974/75 are 150 million pounds out of which 2 million pounds in foreign currency.

Introductory Note
on
U.A.R. Agriculture

I. Land & Population

1. Area under cultivation about 6 million feddans (2.5% of the total area of the country). Cropped area over 10 million feddans as cropping rate about 1.68 per annum.

2. Population about 33 million. Annual rate of increase about 2.8%. Rural 63% urban 37%.

Relation between population and land increase paradoxical. From the beginning of the century land has risen only from about 5 million feddans to about 6 million feddans, whereas population jumped from about 9 million to approximately 33 million (i.e. 20% for land against 250% for population).

II. Role of Agriculture in the Economy

Agriculture contributes:

- 1/3 of the national income
- 2/3 of national wealth
- 50% of the active labour force
- 70% of exports

III. Features of U.A.R. Agriculture

1. Agrarian Reform which limits maximum size farm to 100 feddans per family.
2. Charge-free irrigation water and drainage.
3. Crop rotations combined with acreage-allotments for the three major field crop cotton, wheat and rice to strike a balance between food and non-food crops.
4. Interest-free agricultural credit for production purposes.*
5. A network of village-based cooperatives through which all agricultural and rural services are channelled to the farmers.
6. Cooperative marketing of major crops.
7. A developed and integrated agricultural research and extension system.

*Note: According to the Minister of Economy an interest rate of ~~4%~~ 11% will now be levied on agricultural credit.

I. Irrigation & Drainage Projects

1. Conversion of Basin Lands

The basin irrigation system allows only for the cultivation of one crop after the fall of the flood water, while the perennial irrigation system allows for the cultivation of 2 to 3 crops a year. The area under basin irrigation amounts to 973,000 feddans in Upper Egypt. With the construction of the High Dam, it was decided to convert the basin lands into perennial irrigation.

The introduction of the perennial irrigation system entailed the digging of many canals as well as the construction of a number of banks and the building of several regulators. The project comprises 3 principal canals of a total length of 560 kms and 3 main canals with a total length of 280 kms. In addition to this there is a network of 900 distributary and branch canals of a total length of 3400 kms., 9000 irrigation ditches, 3100 constructional works (regulators, bridges, syphons and aqueducts), 3 pumping Stations on the Nile and 4 on the principal canals.

Costs reach about L.E. 100 million of which L.E. 65 million for irrigation works and L.E. 35 million for drainage works, the latter to start after 1970.

Around 819,000 feddans of basin lands have been converted to perennial irrigation by the end of June 1968. The remaining areas of 154,000, will be converted during the fiscal years 1968/1969 and 1969/1970.

2. Wadi Rayan Project

The rise of water level in Lake Qarun which is the natural collector of drainage water in Fayum has caused the flooding of the neighbouring lands and the deterioration of their crops. The project envisages the drainage of the extra water from the lake to Wadi Rayan Depression by the construction of a $8\frac{1}{2}$ kms long tunnel and 3 meters in diameter. The cost of the project is estimated at L.E. 4 million of which L.E. 300,000 have been already spent on preparatory work. The construction of the project will result in reclaiming 40,000 acres, increasing the area under rice to 60,000 acres and putting an area of 32,000 acres of fallow land under cultivation. The revenue of the project is estimated at L.E. 3 millions annually.

3. Tile Drainage

Experiments carried out have proved that the introduction of tile drainage yields an increase in production of about 30%, which may be termed as another "high dam in agriculture". The Government, therefore, plans to provide all lands under cultivation with tile drains.

So far about 370,000 feddans have been provided with tile drains at a cost of about L.E. 11.650.

It is projected to install tile drains in an area totalling about 1 million feddans during the period 1968/1975 at a cost of about L.E. 35 millions.

II. Land Reclamation Projects

The Government's program for land reclamation and development covers an area of about 2.2 million feddans of which about 1.7 million are in the Nile Valley. So far about 700,000 feddans have been reclaimed. The rest totalling approximately one million are to be reclaimed during the period 1968-1975. Proposed crop pattern includes major fields and horticultural crops along with the development of livestock production.

Land development and settlement schemes have among their main objectives, the creation of a rural community enjoying a decent standard of living through the implementation of a number of supplementary developmental and welfare projects, including livestock and poultry breeding as well as the establishment of plants for the processing of farm products and the promotion of rural handicrafts dependent on locally available agricultural raw materials. This is intended to develop farm productivity and provide additional source of employment for settlers. On the social side, the schemes include the construction of model villages providing modern housing facilities together with various public utilities. Educational health, social and recreational facilities are also provided.

Settlers are normally selected from the densely populated areas. Each settler usually receives a piece of land ranging between 2 and 5 feddans depending on the size of the family and the quality of the land. The settler is also given a house, cattle and various agricultural requisites. Loans are granted by the Cooperatives to enable him to meet the obligations of his new life.

The following table gives the major land reclamation projects in the U.A.R.

Location	Total Reclaimed Area	Reclaimed Areas
1. Salhia	447.000	10,000
2. Kafr El Sheikh and Lake Bourolous Area	162.100	151,150
3. El-Beheira: Edkou, El-Busely, Nubaria Extension, El-Hager, Abbis, Furhas, El-Dabaa, El-Alamein	368.700	102,000
Tahrir:		
Southern Sector	113.000	25,000
Northern Sector	348.000	22,000
4. Ismailia: El Manayef, El-Fardan, El-Malek	29.369	9,369

III. Grain Silos & Flour Stores

The project provides for the establishment of a network of silos and horizontal stores throughout the country at a total cost of about L.E. 96 million. An agreement was concluded with the U.S. Government in April 1962, whereby AID would provide a loan totalling \$77 million reimbursable over a period of 40 years with an interest of 0.75%, plus a grant of L. E. 7,520,000 under PL 480. Designs and specifications were put by a U.S. firm. International bids were invited, but the project was suspended due to arguments raised against the offered bids and the desire of some firms not to offer bids for the whole project but rather for specific aspects i.e. constructional; electrical; mechanical etc.

Production of Major Crops
1964 - 1967

in 1000 M.T.

Crop	1964	1965	1966	1967
Cotton (lint)	504	521	455	437
Cottonseed	912	961	820	758
Rice	2,036	1,788	1,679	2,279
Corn	1,934	2,141	2,376	2,163
Millet	740	806	859	881
Wheat	1,500	1,272	1,465	1,291
Sugar-cane	4,890	4,739	5,192	-
Groundnuts	46	50	40	32
Sesame	23	22	11	7
Horse beans	366	344	381	188
Onions	646	668	702	587
Potatoes	376	441	324	278
Tomatoes	1,193	1,242	1,366	1,230
Garlic	66	80	118	76
Water-melon	841	976	1,138	1,001
Oranges	329	340	487	530
Mango	97	78	90	75
Dates	327	386	317	319

World Order of U.A.R. with respect
to Yield of Field Crops

Crop	World Average Tons per Fed.	U.A.R. Average Tons per Fed.	Order
Lentils	2.27	4.34	1
Sesame	1.22	3.72	1
Millet	0.29	1.22	1
Groundnut	0.47	0.82	2
Cotton	0.15	0.27	3
Rice	0.85	2.11	3
Broad Beans	0.41	0.63	3
Sugar cane	-	39.11	4 ⁺
Onions	4.96	6.39	5
Barley	0.58	1.05	12
Wheat	0.49	1.02	15
Corn	0.87	0.91	15

⁺ Determined according to yield attained by major producing countries

Area of Major Crops

1964 - 1967

in 1000 Feddan⁺

Crop	1964	1965	1966	1967
Cotton	1,611	1,900	1,859	1,626
Rice	962	848	844	1,075
Corn	1,660	1,450	1,575	1,485
Millet	495	501	518	523
Wheat	1,295	1,144	1,291	1,245
Sugar-cane	134	129	133	-
Groundnuts	50	54	49	41
Sesame	55	52	29	22
Horse beans	408	402	398	300
Potatoes	55	58	53	42
Tomatoes	186	191	204	210
Garlic	13	15	19	13
Water Melon	78	90	104	94
Oranges	76	84	97	106
Mangos	21	22	23	23
Dates	-	-	-	-

⁺ One Feddan = 1.038 acres.

OFFICE MEMORANDUM

TO: Memorandum for the Record

FROM: M. P. Benjenk

SUBJECT: Mr. McNamara's Visit to the U.A.R.

DATE: Istanbul, Turkey
July 15, 1968

Mr. McNamara visited the U.A.R. from July 9 to July 13. He was accompanied by Messrs. W. Clark, Benjenk and Steckhan. During his stay Mr. McNamara had conversations with President Nasser and with many members of the Cabinet and senior officials. The present memorandum summarizes these conversations except for the talks with President Nasser and with Presidential Adviser Mahmoud Fawzi. Mr. McNamara saw President Nasser alone and was accompanied by Mr. Clark at the meeting with Mr. Fawzi. All other meetings were attended by Messrs. Clark and Benjenk. Mr. Steckhan attended most of the meetings.

1. Meeting with the Under Secretary of State, Ministry of Economy and Foreign Trade, Dr. H. El Sayeh and the Governor of the Central Bank of Egypt, Dr. Nazim Abdel Hamid .

This meeting was mainly conducted by the Under Secretary, while the Governor of the Central Bank said very little. Dr. El Sayeh expressed his satisfaction at Mr. McNamara's visit and his hope that it would lead to greater Bank activity in the U.A.R. since the past record had been one of disappointment.

At this meeting, as at some of the others, Mr. McNamara explained the reasons for his visit to Egypt, which together with Indonesia and Turkey were the only developing countries which he had visited since taking over the Presidency of the Bank. He considered the U.A.R. as a very important country and was very desirous for relations with the Bank to become more active. However, there were some obstacles, the first of which was the fact that IDA had not yet been replenished. There was also the fact that the U.A.R. had to rely on its neighbours for important subsidies and, finally, there was the question of rescheduling of the U.A.R.'s debt, on which Mr. McNamara wished to know the latest position.

During the discussion which took place on Egypt's external economic position, the Under Secretary made two important points, namely (a) that his Government considered the subsidies provided to the U.A.R. by the other Arab States under the 1967 Khartoum agreement would continue to be forthcoming as long as the Canal was closed. There was, as of this time, no terminal date set for these subsidies; and (b) that the U.A.R. had rescheduled almost all its commercial arrears with other countries, and had offered to do the same with regard to the U.S.A., and on the same terms as had been done for others. There had, as yet, been no reaction from the U.S.

2. Meeting with Dr. Hassan A. Zaki, Minister of Economy and Foreign Trade.

The first part of this meeting was private and was attended only by Mr. McNamara and the Minister. In the second part, the Minister described the changes in emphasis of the U.A.R.'s economic policy in the last few

weeks. The main purpose of these changes was to give more flexibility to the economy and, at the same time, to introduce some austerity in consumption and bring prices more in line with reality. In particular, the Government was determined to make nationalized enterprises self-supporting and to get out of areas of business which it could not make profitable. With this aim in view, the Industrial Bank had been instructed to become more active in encouraging small private enterprises with its loans. Some taxes on consumption goods had been increased, as had some prices of the products of nationalized industries. The Government was sternly discouraging recourse to suppliers' credits and hoped that the Bank's future activities in the U.A.R. would lessen the need for such expensive forms of credit.

On the Government's general investment policy, the Minister emphasized a number of points:

1. With the High Dam in action, the U.A.R. would soon have a water and electricity surplus. Planning would have to ensure that these were put to good use. Hence the 5-Year plan included a number of land reclamation and irrigation projects, as well as expansion of industry.
2. The U.A.R. had a great deficit in fertilizers, although its own production was on the increase. The country still had to import large quantities of nitrogenous fertilizer (1967-68 output about 1,100,000 tons, consumption about 1,900,000 tons). The new plan would include a great expansion of fertilizer production, in particular since the increase in petroleum production made an efficient petrochemical industry possible in the U.A.R. The Bank's help would be most useful in this connection.
3. Inland transportation was becoming a bottleneck and the Government hoped for Bank support, both with regard to the re-equipment of the railways and to the Nubaria canal.
4. In agriculture, a great deal of experimentation with new seeds would be undertaken, although the advanced state of agricultural research in the U.A.R. made it unlikely that increases in production would be as impressive in the U.A.R. as had been the case elsewhere.
5. Efforts would be continued to make more effective the policy of population control.

The Minister subsequently handed to Mr. McNamara a memorandum outlining the main points of the Government's policy. (Annex 1).

3. Meeting with Dr. Sayyid Ahmad Marei, Minister of Agriculture and Dr. Muhammad Bakr Ahmed, Minister of Land Reclamation, and Mr. Ibrahim Zaki Quinnawi, Minister of Irrigation.

This was a joint meeting with the three Ministers, with Dr. Marei making the principal statement as to Government policy in the agricultural sectors, and the other Ministers speaking briefly.

Dr. Marei made a statement on the Government's policy in agriculture and on the principal projects for which financing is required. The statement was on the lines of the attached note (Annex 2), subsequently handed to the mission. Additional points made by Dr. Marei were the following:

1. The increase of fertilizer production was a top priority for the U.A.R. and was a field where local industry was efficient and competitive. Help from the Bank in this area would make a significant contribution to more efficient agricultural production and to the balance of payments.
2. The system of multipurpose cooperatives now being applied in the U.A.R. with land still privately held, but with crops being planted under a planned and supervised pattern over larger areas was leading to better production than previously, when most land was rented to tenants.
3. Water was still given free of charge to the farmers, but the Government had now begun to charge interest on credit. (~~1%~~ or 2.5% according to the type of credit).

The Minister dwelt at some length on the Salhia project, which had been previously discussed with Bank missions. The project had been considerably reduced in size, from 322,000 acres to 200,000 acres, by eliminating the areas with difficult soil problems. The Minister felt that this should make it more acceptable to the Bank, whose experts had been concerned with the soils problems. The reduced project would cost L.E. 99 m. of which 25 m. in foreign exchange. A note on the new project was handed to Mr. McNamara.

4. Meeting with Dr. Ali Zayn Al-Abidin Salih, Minister of Transport.

This was a brief meeting, which Mr. McNamara had to leave early, because of his next engagement. The Minister stressed the importance of the two projects submitted to the Bank, namely the railways or the Nubaria canal. When asked by Mr. Benjenk, which of the two had a higher priority, the Minister said that he considered both equally important, but that the arrears in track renewals had reached a point where that project had probably become even more urgent. Mr. Benjenk assured the Minister that, on the technical side, the staff of the Bank considered a railway project based on track renewal as quite feasible and that experts had been favourably impressed by the railway organization. A decision to go ahead with the project would depend on policy factors such as the national priority accorded to the project by the U.A.R. Government, the replenishment of IDA and a number of general matters now under discussion.

5. Meeting with the Minister of Planning, Dr. Mahmoud Gaballah Al-Sayyid.

This was a rather unsatisfactory meeting, partly because the Minister spoke in such a low voice as to be almost inaudible and partly because some of his responses to questions put to him lacked clarity. The following points were made by him during the meeting:

(a) The new Plan was aimed at correcting the main defects of the situation prevailing hitherto, namely overemployment (in specific organizations and firms) and overconsumption (in general).

(b) The level of investment would soon increase sharply, as against the policy of the recent priority given to building up exchange reserves.

.../..

(c) The Government would attempt to restrict the growth of services and give priority to production sectors, in particular agriculture and industry.

(d) The growth of Agriculture was expected to be at a rate of 2 to 2¹/₂% per year in the next five years.

The Minister promised to send an English resume of the Plan to the Bank within 3 weeks.

6. Meeting with the Chairman of the Suez Canal Authority, Mr. Mashur. (Memo to be prepared by Mr. Steckhan).

7. Meeting with Dr. El Sayeh, Under Secretary of State, Ministry of Economy and Foreign Trade.

This meeting was not attended by Mr. McNamara, but was arranged at his direction to allow the Under Secretary and Mr. Benjenk to review the various points made in the earlier meetings related to Bank financing of specific projects, their respective priorities and possible obstacles to their financing. Mr. Clark and Mr. Benjenk attended the meeting on the Bank side. The following conclusions were reached:

1. The Government feels that the railway project has the highest priority on the list of projects requiring Bank financing and would like the Bank to proceed with it as soon as possible. If this project could be combined with the Nubaria canal into a single transport package, the authorities would be happy, but they do not insist on this.

2. Next on the priority list are projects in the fertilizer fields. The U.A.R. Authorities believe that their fertilizer industry qualifies for the test set by the Bank for the financing of Government-owned industry, inasmuch as their management is efficient and their product can be produced competitively with world prices.

3. In agriculture, the Government attaches importance to the Salhia project, but considers the drainage projects perhaps as being even more important, since they can bring fertile lands into production without very expensive investments.

4. In response to a question from Mr. Clark, the Under Secretary said that the Government recognized the enormous potential of tourism and would welcome the carrying out of a survey of the tourist sector and its development possibilities.

5. The Under Secretary repeated his statement that the U.A.R. was ready to settle its outstanding debt to the United States on the same kind of terms as had been negotiated with other countries. This had been communicated a month ago to Mr. Bergus, the U.S. Charge in Cairo but no response had yet been received. In response to a question from Mr. Benjenk, the Under Secretary said there was no link between the U.A.R. offer and a resumption of diplomatic relations.

6. The Under Secretary also stated that the U.A.R. was discussing with the Dutch and Belgian authorities the two outstanding compensation cases. He felt that a settlement would be arrived at soon, and that discussions with the Governments concerned were more productive than talks with the firms themselves.

8. Other Meetings. During his stay Mr. McNamara also met with Mr. Lipscomb, Director of the Ford Foundation in Cairo, and with the Turkish Ambassador. He visited the Aswan Dam, Abu Simbel and Luxor, as well as Agricultural experimental and research stations in the Nile Delta. A number of official dinners were held in his honor.

General Impressions. Mr. McNamara's visit seemed to evoke a friendly response throughout the U.A.R. administration. All conversations were very cordial, in spite of occasional reminders of past inactivity by the Bank Group, to which Mr. McNamara responded by drawing attention to the fact that this was not the Bank's fault only. Nothing very precise was said about possible technical assistance, since everyone's interest seemed to focus on whether the Bank would or would not finance a first project in the U.A.R. However, one had the impression that the U.A.R. authorities would be receptive to suggestions on technical assistance, once the Bank Group has taken the decision to be financially active in the U.A.R. On the project side, the high priority attached to the fertilizer projects (next only to railways) was unexpected, as was the higher priority given to drainage as compared to the Salhia type projects. No mention whatsoever was made of grain-storage projects, indicating a somewhat low priority in the minds of the Government.

On the eve of his departure a press release was issued by Mr. McNamara, which was published verbatim in the local press the next morning.

Attachments

cc to Mr. McNamara
Mr. Knapp
Mr. Shoaib
Mr. Lejeune
Mr. Chadenet
Mr. Clark

MPBenjenk:rpo
IBRD

UNITED ARAB REPUBLIC
MINISTRY OF ECONOMY AND FOREIGN TRADE
THE MINISTER

SOME FEATURES OF THE ECONOMIC AND FINANCIAL
POLICY OF THE UAR

The UAR is a developing country which is faced with an acute problem of population growth (about 3% per annum). At the dawn of the 1952 revolution the country was in a feudalistic state with 1% of the population in control of most of the resources of the country and with a per capita income of about LE 40 per year (about \$ 100) which was even below subsistence level.

The government of the revolution therefore had to face and overcome tremendous social and economic problems. The Government dealt with these problems courageously and wisely. Through land reform and other measures of income and wealth redistribution by social means the state of feudalism was abolished. A policy of systematic economic development was adopted and together with the increase of social services the real income and standard of living of the common man were raised in spite of the high rate of population growth.

The basic infra structure requirements for development have been established. Roads, transportation and power facilities were among the first elements to get the attention of the government. Because of the low level of private savings and investments it was inevitable that the public sector takes the initiative in many fields if development was to take place at the required pace.

Because of the limitations of cultivable land it was clear from the beginning that industrialization and exploitation

- 2 -

of available mineral resources (oil, phosphates, manganese) is the only way open for raising the standard of living.

A great push was made towards development in all directions: Electrification of the old Aswan Dam and the establishment of the great High Dam to provide power and to help increase the cultivable area, establishment of various fairly large scale industries especially in textile and yarn, in cement, sugar, fertilizers, light mechanical and metal industries etc.

The first five year development plan was a remarkable success fulfilling about 98% of its targets and registering an annual growth rate of about 6 1/2% in spite of various internal disasters (including a crop failure in 1961). In spite of the increase in population per capita income increased to LE 70 per annum (about \$160).

However, as a result of this tremendous effort, the strenuous pressure on the resources, the resort to foreign financing, the increase of population and the rise in the standard of living, the country was faced with sizeable problems since the end of the first five year plan in 1965. Some inflationary pressures accumulated, consumption increased more than estimated, exports did not increase at the same rate with the increase of imports and a heavy burden of foreign debt service manifested itself. All this put a great pressure on the balance of payment and domestic financing.

The government has dealt actively with this situation since the end of 1965. More recently the government has

- 3 -

intensified its efforts to cope with these problems and has actually adopted economic and financial policies to serve this purpose. The following are some of the basic measures introduced in this connection:

To cope with the basic problem of balance of payments deficit:

1. Prices and wage policies have been adopted with purpose of limiting the rate of increase of consumption. This is not only intended to reduce the demand on imports but is broad enough to reduce consumption of local production and thus increase the surplus available for exports.
2. Special care is being accorded the increase of production of traditional manufactures such as rice in the agricultural field and yarn and textiles in the industrial field. Immediate results in increased exports are expected in this connection.
3. Special efforts are being directed towards exploration and exploitation of new oil concessions. Production has already increased sizeably and by the end of 1970, it is expected that present production (about 8 million tons) will be doubled. For the present fiscal year (1968/1969) exports of industrial goods are estimated to increase to about LE 400 million.
4. Payments for invisibles - for public and private purposes - are strictly controlled and savings in this item have been achieved.

UNITED ARAB REPUBLIC
MINISTRY OF ECONOMY AND FOREIGN TRADE
THE MINISTER

- 4 -

To cope with the foreign debt service problem the government has followed a policy of negotiating agreements with major creditors - including foreign commercial banks - to reschedule the payment of arrears and future maturities. The policy has been fairly successful and the situation could be summarized as follows:

1. Short term banking indebtedness has been rescheduled for repayment in three years with agreements with most major banks to re-extend new lines of credit on repayment of old debts. At present the problem of arrears with foreign banks has been eliminated and relations with foreign banks have been normalized.

2. Agreements to reschedule suppliers credits and a arrears have been concluded with France, Spain, Italy and major West German and Swedish companies amounting to about 100 million dollars. In addition there is an interim arrangement with U.K. creditors and negotiations with Japan and Mexico are on the way. Because of the present circumstances no arrangements have been made with U.S. creditors. However, the UAR government is willing to negotiate with these creditors agreements similar to those concluded with other creditors in Europe. It is worth noting that during the year July 67/June 68 the UAR had repaid about LE 200 million in foreign obligations.

3. Generally speaking, it is the policy now to limit dependence on short or medium term credits to the lowest possible level.

- 5 -

To increase the efficiency of the public sector the government has adopted the following policies:

1. Increase in wages is to be directly linked or governed by increase in production.
2. Profit is to be the measuring rod of success or failure of production units. Therefore, with the exception of public utility projects, those units which do not realize profits and persist in showing deficit, are to be liquidated.
3. Complete independence is provided now for production units in the management of their affairs.

These measures are intended to increase production and efficiency besides reducing the dependence of the public sector on the budget for financing.

In the field of public finance:

1. Current expenditures have been reduced to the minimum necessary for security and efficient running of the government business; this was accomplished mainly by limiting increase in wages and salaries and by increasing government efficiency.

Investment expenditure is being limited to an amount commensurate with financing through real resources rather than deficit financing.

- 6 -

In this connection, the activation of the participation of the private sector in economic development is under serious consideration. For this purpose the role of the industrial bank is being reexamined to help promote private business and finance private entrepreneurs who wish to establish industries. Special treatment will be provided for financing private investment for production for exports.

3. Real resources for public revenue have been increased in the present budget through the increase of taxes both direct and indirect and through the increase of prices of commodities and services provided by the public sector.

4. These measures have resulted in an estimated financing (of the present budget) through the banking system of about LE 50 million compared with more than 80 million in previous budgets.

Finally the government is giving all its attention to the examination of various means and ways needed to tackle various economic and social problems, with the purpose of resuming - under the most favourable conditions - economic and social development at the highest possible level which could be achieved with the internal and external resources available to the country.

4

MEMORANDUM OF CONVERSATION WITH MINISTER OF ECONOMY ZAKI
CAIRO - 7/11 and 13

1. Zaki's Under Secretary continually criticized the Bank for its failure to lend to the UAR after innumerable studies extending over 15 years. He said, "How can you expect us to welcome your visit for the purpose of continuing the endless discussions and studies which have led nowhere."
2. In contrast to the Under Secretary's attitude, Zaki said he understood the Bank could not lend to the UAR until IDA had been replenished. However, he believed that in the interim the Bank could do much to "create good relations" by starting to study and prepare potential IDA projects.
3. Zaki advised me to "make every effort to give Nasser confidence in the US and in its attitudes toward the UAR."
4. Zaki asked for our help in obtaining an Export-Import Bank credit "under the new law" for 5 Boeing aircraft. The UAR now plans to buy 2 Boeings for cash, to be paid in two installments; they wish to expand the order to 5 aircraft. I promised to check on this for Zaki.
5. On several occasions Zaki emphasized the UAR was ready to negotiate a settlement of debts with the US on the same basis on which it had settled with the UK, France, Italy and Germany. Zaki stated that:
 - a. In addition to the projects presently included in the UAR's new economic plan, there are major opportunities for investment and growth in tourism and oil.
 - b. The Sudan has great potentials for land reclamation, using for that purpose part of their share of the High Dam waters.
 - c. Iraq has great potential both for agricultural development and exploitation of its immense sulphur deposits.

MEMORANDUM OF CONVERSATION

July 19, 1968

Mr. McNamara's Meeting with Mr. Mashur, Chairman of Suez Canal Authority,
Saturday, July 13, at 1:00 p.m., Cairo

Mr. McNamara was accompanied by Messrs. Wm. Clark, Benjenk and Steckhan.

At Mr. McNamara's request, Mr. Mashur commented on the plans for the Canal prior to the Middle East conflict and its prospects at present. Mr. Mashur pointed out that the Minister of Industry had a study under way concerning a 42" pipeline between the Red Sea and the Mediterranean with an annual capacity of 50 million tons at a cost of \$130 million. Such a pipeline was supplementary to the plans for deepening the Canal and, in Mr. Mashur's view, did not provide any competition to the Canal.

At present the Canal is 38' deep and can accommodate tankers up to 65,000-67,000 tons. Before the closure of the Canal, the Government had initiated a study to deepen the Canal for use by tankers up to 240,000 tons. These plans call for a deepening of the Canal in two stages. The first stage to be completed in 1972, provides for deepening the Canal to 48' to accommodate loaded tankers of up to 120,000 tons and empty tankers of up to 240,000 tons. The estimated cost of this first stage amounts to Egyptian £45 million with a foreign exchange component of ££30 million. The Government has decided to go ahead with the first stage and work on the dry earth excavation was started in February. Funds for the first stage will be provided by the Government and so far about ££5 million have been spent. The second stage to be completed in 1975, provides for a deepening of the Canal to 62' to accommodate tankers of a total capacity of 240,000 tons. Total cost for the two stages is put at present at ££130 million, of which about one-half would be in foreign exchange.

Mr. Mashur stated that the optimum size for tankers is about 250,000 tons, because of limitations on harbor capacity, storage facilities and dock size.

Except for one order of six tankers of 312,000 tons in 1966, no further orders for tankers exceeding 250,000 tons have been placed. Studies made by the Canal Authority show that one tanker can make nine trips through the Canal but only four trips around the Cape and 6-1/2 trips a year one way loaded through the Canal and empty around the Cape.

Cost studies made by oil companies are kept secret. The Canal Authority calculates that it is cheaper to deepen the Canal to 240,000 tons than to build a pipeline. These calculations assume that in 1975 Europe will need 350 million tons of oil per year from the Gulf area.

Mr. Mashur reported that the Israelis have decided to build a 42" pipeline to replace an existing 12" pipeline without, however, planning to change the existing pumps and storage facilities. Apparently, the Israelis find it difficult to obtain sufficient oil supplies for their pipeline.

Mr. Mashur estimated that the cleaning and reopening of the Canal would take three months and require an outlay of ££10 million. He believed that the cost of reopening the Canal would not significantly increase with the passage of time. The danger of siltation was virtually nil and the Canal Authority would manage to keep all its personnel.

cc: Mr. Benjenk
Files

Rainer B. Steckhan
Rainer B. Steckhan

6

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

DE OF THE PRESIDENT

July 24, 1968

1) Mr. McNamara:

The Turkish Ambassador in Cairo whom you met sent, through the Turkish Embassy in Washington, the following message:

"I paid a visit on July 16 to Dr. Mahmud Fazil, Special Assistant to President Nasser for Foreign Affairs.

"Dr. Fazil said Mr. McNamara's visit was a very useful one. They were much impressed by the sincere, honest and realistic words voiced by Mr. McNamara. Mr. McNamara's attitude inspired them with great hopes for the future and assured them that considerations of productivity and efficiency would have priority over political considerations in the financing of projects. They were much pleased that the World Bank would not wait for the settlement of the Middle East crisis before giving help to the UAR. Although they had in the past similar promises from former Presidents of the World Bank, they trust Mr. McNamara.

"I have the impression that the Egyptians hope and believe that World Bank assistance to the UAR would be very soon resumed.

"The comments in the papers were rather optimistic."

RBS
Rainer B. Steckhan

2) Mr. Rejanne / Mr. Benjenk

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: July 19, 1968

FROM: William Clark *W.C.*SUBJECT: Your Conversation with Mr. Fawzi

You began by giving an account of the origins of your visit to the United Arab Republic, stressing that the initiative originally came from you because you believed the World Bank ought to be interested in a country as important as Egypt, which was struggling for development.

Mr. Fawzi then began a very well mannered but fairly routine explanation of the Egyptian point of view on the Middle East. He said that it was in the interests of everyone to have a peaceful settlement. Their selfish interests not merely their idealistic interests were involved in this. But a new starting point was needed if we were to get anywhere. He felt that Egypt had tried to produce such a new starting point by supporting the Security Council resolution of November. If only there were peace, he said, we could exploit the Suez Canal, the oil in Sinai; tourism; the new industries that were just being built up before the June war; modernisation of agriculture. "The raison d'etre of this regime is producing a better living standard for all the people". This present situation threatened the very foundation of the regime. We were just beginning to cut the vicious circle between population growth and standard of living growth. The Ford Foundation was giving help in family planning and throughout the country there was the tendency in this direction.

Israel too needs peaceful and prosperous neighbours. "I deplore the heaping up of arms" which is a great mis-use of resources everywhere. The question is how to limit arms? (You intervened to say that this was the problem that faced the United States also).

The cycle of polemics must now be at an end, said Mr. Fawzi. We have put our point of view forward but Israel refuses to discuss a settlement unless it is fully recognised as a State. We say we would guarantee the security of Israel and recognise its frontiers; though the guarantee would have to be by all the great powers. There seemed to be few signs of any Israeli change of heart. Any document signed around a conference table with the Israelis by Arab leaders would be repudiated by the peoples; it would in fact be to sign their own death warrant. Yet we do want a guaranteed non-aggression pact - guaranteed by all the great powers. But no Arab leader can repudiate the rights of the Palestinian refugees. They, the refugees, should be asked what they want to do, are they prepared to leave their country, are they prepared to settle in Jordan or elsewhere. The United States is indeed fighting in Vietnam

to emphasise the principle that territory cannot be acquired by force. Egypt stands for the same principles.

In response to questions from you Mr. Fawzi said that there might be talks after a settlement had been reached on the basic matter of the aggression of last June. Such talks could deal with territorial adjustments. Mr. Rusk had said to him last year that territorial problems (with the exception of Jerusalem) could be settled fairly easily. However that was last year, and delays have made a settlement very much more difficult. Every day that a settlement was delayed they would become even more difficult.

You intervened to say that there was indeed a great freezing of the options as a result of delay and wondered how Mr. Fawzi thought that this could be eliminated.

He then said "if we leave it to the parties concerned there is no possibility of a successful solution ...what we need is an imposition by outside powers of a settlement; an imposition which must come from both sides." But such a solution must be in line with what is possible for the survival of Arab governments. He looked forward to seeing the Security Council giving some firm leadership and counsel to the Middle Eastern countries. He hinted that in fact Russia and America must be the principals in this move, each influencing the power that they were nearest to in alliance.

You mentioned that there were limits to Washington's influence.

Mr. Fawzi replied that still it was in the basic selfish interests of all the great powers to get some reasonable settlement.

I enquired whether he had drawn any conclusions from Mr. Gromyko's speech to the Supreme Soviet a few days earlier. Mr. Fawzi replied that he had found Moscow always insisting on a peaceful settlement. It had advised Egypt and its other allies to be very cautious in attempts to settle this dispute. He felt that Egypt had tried to bring Moscow and Washington together on this issue of settling the Middle-Eastern dispute along the lines of the Security Council resolution of November. Egypt was very anxious, he added, to avoid seeming to be committed solely to one side in the ideological division of the world. It was not so committed and did not intend to become so.

He then went on, partly in response to some remarks of yours about Moscow-Washington accommodation to say that he hoped we recognised the need to move forward, in the Bank and elsewhere, to a period of regional, and indeed world planning. There was no real hope for a decent and peaceful world unless the well-developed countries came to the aid of the less-developed countries, so that they could avoid stifling in their own wealth and we could avoid a gradual disintegration of society as a result of increasing poverty.

You responded by saying that one must recognise that there was a very considerable danger over the next three to five years of economic isolation on the part of the richer countries. This was not inevitable but it was a real danger. You then summed up the difficulties which lay in the way of immediate action by the World Bank in Egypt. They were:

- (i) there was as yet no IDA replenishment;
- (ii) the Suez Canal was closed, and a general air of conflict hung over the Middle East;
- (iii) the debt problems of the UAR made loans difficult. Nevertheless you hoped that these difficulties could be overcome and that the Bank could be, as you wished it to be, involved in the development of Egypt.

Under-Secretary, Sayeh, who had been present at our earlier meeting as well as this one, then began to urge on us that we should act now and not wait until peace. He seemed to have gained the impression that our difficulties were entirely those of awaiting for peace to break out in the Middle East, and that until this was so there would be no help from the World Bank. You made it clear that this was not the only difficulty, and that you were quite prepared to see Bank lending take place before there was peace in the Middle East, if other conditions could be met.

We broke up amicably after an hour and a quarter of discussion.

WDClark:sf



OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: October 9, 1968

FROM: Dieter Hartwich *DH*SUBJECT: UAR - Annual Meeting 1968

1. A meeting with the UAR delegation took place on September 30 at which were present:

UAR

Minister Zaki
Under Secretary El Sayeh
Mr. Gorbai
Mr. Hammoud

Bank

Mr. McNamara
Mr. Knapp
Mr. Friedman
Mr. Lejeune
Mr. Hartwich

2. Minister Zaki thanked Mr. McNamara for his visit to the UAR in July which in the opinion of the UAR authorities had been very successful in strengthening relations with the World Bank Group. He complimented Mr. McNamara on his address to the Board of Governors earlier the same day and expressed satisfaction about the reference to the UAR.
3. Mr. McNamara reviewed briefly the findings of the recent project identification missions to the UAR. He said that he had been glad to hear that the drainage project in the Delta was in a more advanced stage of preparation than had been expected. The railway project appeared to be ready for an appraisal in November and the mission had advised the Egyptian Railways on the further preparation which was required. Mr. McNamara went on to say that he thought that the drainage project was a very important one for the UAR to carry out at this time and that it would have a high rate of return according to our preliminary calculations. He suggested that we should concentrate primarily on this project and carry it forward to the stage of financing as quickly as possible. Minister Zaki agreed that the drainage project should have priority for financing from the available IDA resources. After some discussion about the further preparatory steps, Mr. McNamara said he hoped that an appraisal mission could go to the UAR in December. He added that drainage might be a field in which further lending by the Bank Group could be useful.
4. Mr. McNamara then referred to the need for a study of the best use of Aswan waters. He said that he realized the delicate nature of this subject and that the available information was perhaps of a confidential nature. It would be necessary for the Bank, however, to have a clear picture about the question of water use if we were to finance agriculture in the UAR over the longer run. Minister Zaki replied that he would be pleased to let us have the available information and that he would instruct the relevant UAR authorities to give further thought to this question.
5. As the next point, Mr. McNamara referred to Mr. von Hoffmann's visit in August in relation with a study of fertilizer projects. He said that the individual projects which might be considered by us would have to be seen in the framework of the overall plans for the fertilizer industry. Minister Zaki said that his delegation had brought some information on fertilizer production

President has seen

October 9, 1968

and consumption in the UAR and that any further information required would be made available. It was agreed that the visit of IFC staff to review the plans for the phosphorous fertilizer project should take place in October, as proposed by IFC.

6. Following a question by Mr. McNamara, Mr. El Sayeh said that the Government had begun preparations for a development plan for 1970-75. Until then, the UAR would proceed on the basis of annual development plans. Minister Zaki mentioned that the payments to the UAR by Arab oil producing countries were not limited for any specific period of time.

7. In response to a question by Mr. McNamara, Minister Zaki summarized the status of the Suez pipeline project. The tender documents were under preparation and a further study was underway on the comparative economics of pipelines and an enlarged Canal. The Government was in touch with various potential sources of financing, primarily in Western Europe, and with oil companies regarding the throughput which could be expected.

cc: Mr. McNamara
Mr. Knapp
Mr. Friedman
Mr. Lejeune
Mr. von Hoffmann
Mr. Benjenk

DHartwich/rpo:pw
IBRD

