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A

# ITINERARY

# AND

# AIRPORT STATEMENT

# VISIT TO EGYPT, February 27 - March 2, 1974

| DATE | TIME | GMT | | | REMARKS |
|---|---|---|---|---|---|
| Feb. 26 Tues. | 2100 | 0100 | Depart Washington (Dulles) | | PA106 (747) |
| Feb. 27 Wed. | 0800 | 0800 | Arrive London | | |
| | 1000 | 1000 | Depart London | | PK712 (707) |
| | 1935 | 1735 | Arrive Cairo | Sheraton Hotel | Paris GMT 1105-1200<br>Rome GMT 1350-1450 |
| Feb. 28 Thurs. | a.m. | | Bank Staff | | |
| | | | Minister Hegazy (T) | | |
| | | | President Sadat (T) | | |
| Mar. 1 Fri. | | | Visit Canal area (T) | | |
| Mar. 2 Sat. | 0745 | 0545 | Depart Cairo | | MS781 (707) |
| | 1105 | 1005 | Arrive Frankfurt | | |
| | 1205 | 1105 | Depart Frankfurt | | TW735 (707) |
| | 1625 | 2025 | Arrive Washington (Dulles) | | |

AL
February 25, 1974

Annex A

## Itinerary

A detailed program for your visit will be provided in the field.

The Egyptians are working on it and Messrs. Votaw and Davar, who will be in Cairo on February 26 and 27, will discuss and finalize it, prior to your arrival.

It is expected that President Sadat will want to meet you on Thursday, February 28. Meetings with other ministers and officials will be arranged, taking into account the timing of the meeting with the President.

Although Friday, March 1, is a holiday, the Egyptians will arrange meetings for that day also. It is also expected that they will want you to visit the Canal War Zone in the morning, which will probably take about one-half day.

President Sadat and you may wish to have a wrap-up meeting in the morning of Saturday, March 2. The tentative plan is to try and enable you to leave by the first convenient flight in the late morning or afternoon on Saturday.

## Airport Statement

The Information Department has been requested to prepare a Statement, which is expected to be provided to you prior to your departure.

EMENA Region
February 22, 1974

B

BACKGROUND COUNTRY NOTES

# EGYPT

## BACKGROUND NOTES

## PROFILE

### Geography

AREA: Including the approx. 22,500-sq. mile Israeli-occupied area of the Sinai peninsula, 386,000 sq. miles, (slightly larger than California, Nevada, and Arizona combined). CAPITAL: Cairo (pop. 5.5 million). OTHER CITIES: Alexandria (pop. 2 million), Port Said, Suez, Ismailia.

### People

POPULATION: 35 million (1972 est.).

ANNUAL GROWTH RATE: 2.7%. DENSITY: 90 per square mile. ETHNIC GROUPS: Egyptians, Copts, Bedouins, Nubians.

RELIGION: Sunni Muslim (90%), Christian. LANGUAGES: Arabic, English, French. LITERACY: 35%. LIFE EXPECTANCY: 53 years.

### Government

INDEPENDENCE: 1922. TYPE: Republic. DATE OF CONSTITUTION: 1922.

FLAG: Composed of three horizontal stripes—red, white, and black from top to bottom—with a golden hawk in the center stripe.

BRANCHES: Executive—President (Chief of State); Prime Minister (Head of Government). Legislature—People's Assembly (unicameral), 350 members elected for term of 5 years and 10 appointed by the President. Judiciary—Court of Cassation.

### Economy

GDP: $5.87 billion (FY 69/70). ANNUAL GROWTH RATE: NA. PER CAPITA INCOME, $175.

AGRICULTURE: Labor—50%. Land—3%. Acres per capita—0.2%. Crops—Cotton, wheat, rice, corn.

INDUSTRY: Labor—11%. Products—textiles, processed foods, tobacco manufactures, chemicals, fertilizer, and petroleum and petroleum products.

TRADE: Exports—$780 million: cotton, rice, petroleum, manufactured goods. Partners—U.S.S.R., East European countries, Italy, Federal Republic of Germany, India. Imports—$940 million: Foodstuffs, capital goods. Partners—U.S.S.R., Federal Republic of Germany, France, the United Kingdom, Italy.

MEMBERSHIP IN INTERNATIONAL ORGANIZATIONS: U.N., Arab League, the Organization of African Unity (OAU), General Agreement of Tariffs and Trade (GATT).

ECONOMIC AID DISBURSED: Soviet Union, U.S. ($912.2 million between 1946-67).

## GEOGRAPHY

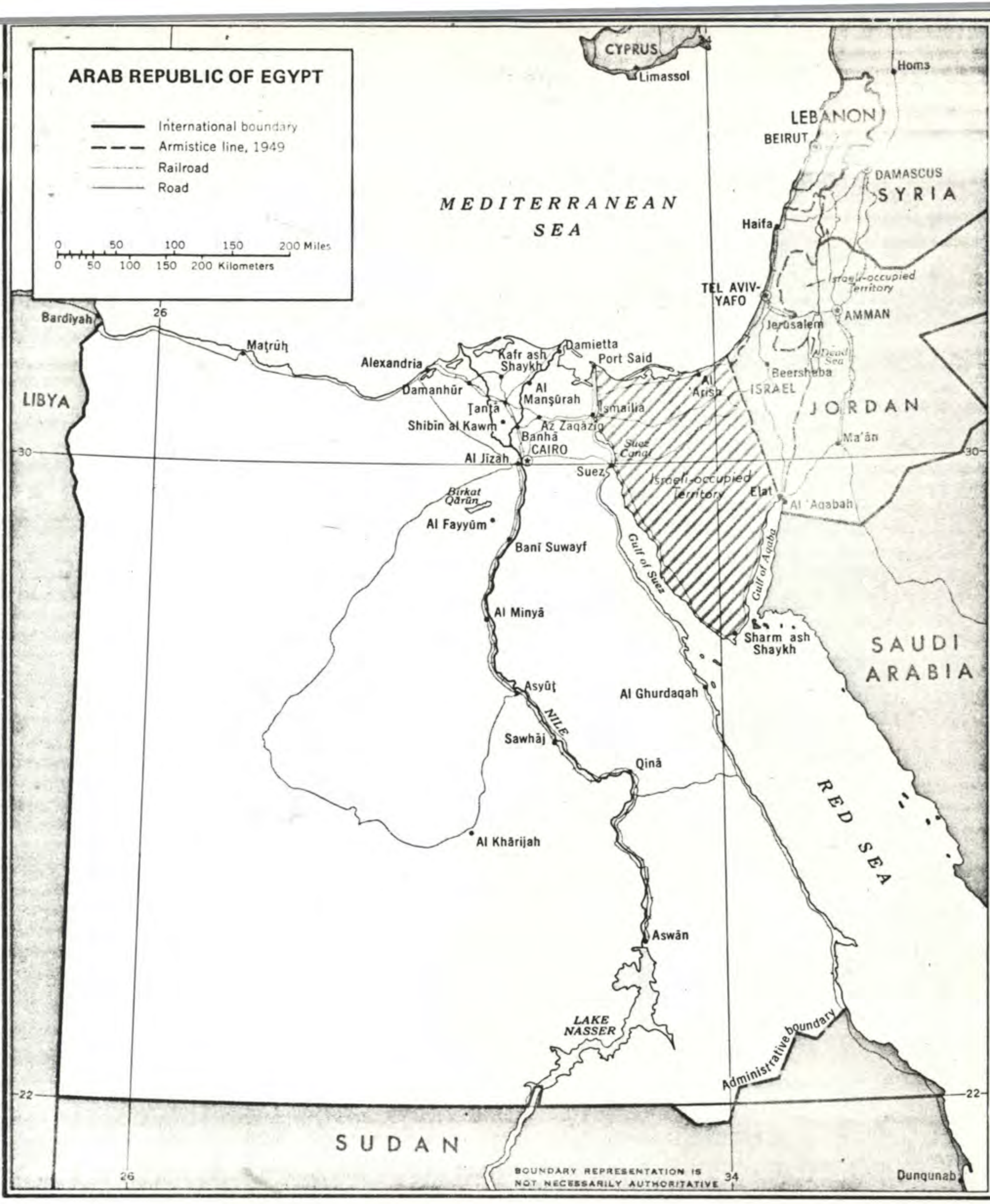
The Arab Republic of Egypt, referred to as Egypt, is located in the northeastern corner of the African Continent. It is bound on the north by the Mediterranean Sea; on the west by Libya; on the south by the Sudan; and on the east by the Red Sea, the Gulf of Suez, and the State of Israel. Only about 10,000 square miles of the area—consisting of the ribbon-like Nile Valley, the Nile delta north of Cairo, and a few oases—are cultivated. Water from the Aswan High Dam is expected to increase the cultivable area eventually to about 12,500 square miles.

Egypt is an almost rainless block of desert consisting mainly of high plains and some rugged hills and mountains in the east along the Red Sea coast and along the valley of the Nile River. The country's existence depends almost exclusively on the Nile River, which rises in Ethiopia and Uganda and flows northward through Sudan into Egypt where it stretches almost 550 miles from Aswan to Cairo.

Extending south from the 32d parallel to below the Tropic of Cancer, Egypt has a warm, arid climate. Winter temperatures at Cairo normally range between 40° and 65° F. and summer temperatures between 70° and 100° F. Rainfall is almost entirely limited to the northern coastal area, where it averages 8 inches per year. South of Cairo (where annual rainfall averages 1 inch), precipitation drops to nearly negligible amounts. The highest point is Mount Catherine in the southern Sinai—8,600 feet above sea level. The lowest is the Qattara Depression, a basin in the western desert of about 10,000 square miles, the floor of which is some 400 feet below sea level.

## THE PEOPLE

With an estimated 35 million people, Egypt is the most populous country in the Arab world and the second most populous on the African Continent (after Nigeria). Although population density for the




country as a whole is approximately 90 persons per square mile, 99 percent of the people are compressed into 3.5 percent of the country's area of the Nile Valley and its delta, making a population density there of more than 2,500 persons per square mile—one of the highest in the world. About 40 percent of the people are rural, but this proportion is decreasing as job opportunities in the urban centers are drawing more people to the cities. The cities of Port Said, Suez, and Ismailia, which lie along the Suez Canal and had a combined population of 700,000 before the 1967 war with Israel, have been largely evaucated as a result of the war.

Because the Egyptians dislike to emigrate and the average life expectancy has risen to 53 years as diseases have come under control Egypt's annual rate of population increase now stands at close to 2.7 percent. The imbalance between resources and a growing population is the most serious obstacle facing the nation in its drive to raise the standard of living of its people. The Government has begun a program to reduce the birth rate, but it has had a minimal effect so far.

Lying at the crossroads of Asia, Africa, and the Mediterranean basin, Egypt has developed a fairly homogeneous population. Basically Egyptians are of Hamitic origin with some admixture in the north with people from the Mediterranean and Arab areas and in the south with the Nubian groups from black Africa. However, the vast majority of Egyptians remain as they were when the pyramids were built, essentially a single people sharing a common ancestry and culture. Indigenous minorities include more than 3 million Copts, who have retained their historic Christian affiliation; the 50,000 Bedouins, who are basically nomadic; and the Nubians in the south who originally came to the Nile Valley from Sudan. Only a small number of foreigners reside in Egypt.

Since 1952 grade school attendance has risen from 40 percent to 90 percent.

## HISTORY

Egypt has a continuous recorded history of 5,000 years, the longest in the world. The country has alternated between periods of strength, when neighboring territories fell under its domination, and periods of weakness, when it came under foreign rule. Egypt was a united kingdom from about 3200 B.C. until Alexander the Great conquered it in 333 B.C. From then until the 20th century it was under continuous foreign domination—by the Romans, the Persians, the Arabs (who introduced Islam to Egypt which had been one of the first countries to adopt Christianity), and the Turks. The last period of foreign rule began in 1882, when the British occupied that area; in 1914 it became a British protectorate.

### Suez Canal

In the mid-1800's, while Egypt was under nominal Turkish sovereignty and Europe was experiencing industrial and commercial growth, the French took the initiative in providing a link for a shorter trade route between Europe and Asia. They obtained a 99-year concession from the Egyptian ruler to build and maintain a canal between Egypt and the Sinai Peninsula, thus providing a waterway between the Mediterranean and Red Seas. With European capital the French organized the Suez Canal Company, and construction on the canal began in April 1859. The Suez Canal was opened for navigation on November 17, 1869.

The British Government obtained effective control of the canal in November 1875 by purchasing more than 150,000 shares of stock from the Suez Canal Company for about $20 million. This purchase left France and the United Kingdom as the majority stockholders. The Convention of Constantinople of October 29, 1888, provided that the canal was to be open to vessels of all nations, although the Egyptians closed the canal to Israeli shipping after 1948 by invoking article X (which authorized closure if necessary for the maintenance of public order).

In 1956, the new Egyptian regime, headed by President Gamal Abdel Nasser nationalized the canal in reaction to withdrawal of Western promises of aid in building the Aswan High Dam. The Suez crisis eventually led to war in October and November of that year, at which time Israel invaded the Sinai and was joined subsequently by the United Kingdom and France who attacked the Suez Canal area. During this war the canal was blocked by sunken ships. It was reopened to international traffic 5 months later, and in July 1958 the Egyptian Government and the new company, called the Suez Canal Authority, agreed to reimburse $64 million to the former stockholders. The final payments were made in July 1963.

In June 1967 the canal was again closed as a result of war between Egypt and Israel. While it remains closed, Egypt is receiving a subsidy from the Arab states of Saudi Arabia, Kuwait, and Libya to compensate for the loss in revenue.

### Independence and Revolution

Although an Egyptian nationalist movement developed in the 1870's against British and French domination of the Government, the country did not gain its independence until post-World War I. In 1922, Egypt became a monarchy under King Fouad I. The British, however, retained extensive powers as well as a major military presence in the Suez Canal Zone, which was used as a major Allied base of operation during World War II.

Under the leadership of Lt. Col. Gamal Abdel Nasser, a group of military officers (the "Free Officers") staged a coup d'état on July 23, 1952, and exiled King Farouk, who had ascended the throne on the death of King Fouad in 1936. The Free Officers declared Egypt a republic on June 18, 1953. They were motivated by a desire to remove elements that traditionally had exploited the country. The regime they founded sought to raise the standard of living, develop the country's military and economic strength, and unify the Arab world under Egyptian leadership.

Pursuit of these objectives at times has led Egypt into collision with the West. Under Egyptian pressure, the British agreed to evacuate the Suez Canal Zone in 1954. The year 1955 found Egypt opposing the Baghdad Pact (4 years later to be recreated as the Central Treaty Organization), a Western-supported defense arrangement which included Iraq, Egypt's rival for leadership in the Arab World. Later in 1955 Egypt accepted military assistance from the U.S.S.R., and in 1956 it accepted the Soviet offer of aid to construct the Aswan High Dam after the U.S. withdrew its offer to help finance the first stage. Egyptian-Soviet military and economic relations have continued to grow since that time.

President Nasser's leadership and identification with Arab nationalism and social aspirations acted as a powerful magnet during the early years of the regime. The union of Egypt and Syria as the United Arab Republic was proclaimed on February 1, 1958, and was subsequently ratified by plebiscite. The union was troubled by economic and political incompatibilities, however, and Syria seceded in September 1961. Egypt nevertheless continued to call itself the United Arab Republic.

In April 1971 Egypt agreed to join Libya and Syria in a supranational federation to be called the Confederation of Arab Republics. Arrangements were made to draft a constitution and submit the federation plan to plebiscite in the three countries on September 1, 1971. On September 2, 1971, announced results showed that the formation of the Federation of Arab Republics was approved in Egypt, Libya, and Syria by some 10 million voters—98.1 percent of those eligible for the ballot. On the same day the United Arab Republic became the Arab Republic of Egypt. The federation will have overall responsibility in the foreign and defense fields and will coordinate military, economic, and other aspects of national planning.

## Wars with Israel

In 1948-49 Egypt played a major role in a war between the Arab states and the newly established State of Israel. A truce was brought about under U.N. auspices, and in 1949 four armistice agreements were negotiated and signed at Rhodes, Greece, between Israel and Egypt, Jordan, Lebanon, and Syria. Egypt assumed the administration of the Gaza Strip, a small area of the original Palestine mandate bordering on the Sinai, to which many of the Arab refugees had fled.

By 1955, however, the armistice had deteriorated seriously and the Egyptian-Israel armistice line was the scene of armed hostilities launched from both sides. The crisis launched in July 1956 by the withdrawal of U.S. aid for the Aswan High Dam project, followed by President Nasser's nationalization of the Suez Canal for the stated purpose of using its revenues to finance the dam, climaxed in the 1956 Suez war. Israel's invasion of the Sinai Peninsula at the end of October was followed by British and French landings at Suez in November, which were made with the stated purpose of separating the combatants and preserving the international character of the Suez Canal. The canal, was nevertheless, closed to all shipping as a result of the hostilities.

A cease-fire was quickly arranged, and British and French forces were replaced by the end of December with forces of the United Nations Expeditionary Force (UNEF). The Suez Canal was cleared and reopened in March 1957, following withdrawal of Israeli forces.

Although the Egypt-Israel line remained relatively quiet following the 1957 settlement, incidents of terrorism and retaliation across the other armistice demarcation lines with Israel became progressively more serious during 1966 and 1967. Consequent to the rise in Arab-Israel tension, the arrangements with regard to navigation in the Gulf of Aqaba and for the stationing of U.N. troops between Israel and Egypt came apart in May 1967. Egypt moved armaments and about 80,000 troops into the Sinai Peninsula and asked the U.N. Secretary General to withdraw the U.N. forces from Sinai and the Gaza Strip. On May 22 President Nasser declared the Strait of Tiran closed, thereby blockading the Israeli port of Eilat.

Hostilities broke out on June 5 between Israel and Egypt, which was soon joined by Jordan and Syria. At the end of 6 days of fighting, when all parties had accepted the cease-fire called for by the U.N. Security Council resolutions, Israel controlled the Sinai Peninsula, the Gaza Strip, and areas in Syria and Jordan, and the Suez Canal was once again closed to shipping.

Since the June 1967 war, efforts have been made continuously to reach a peaceful settlement of the Arab-Israel dispute that would include withdrawal of Israeli troops and reopening the Suez Canal.

## GOVERNMENT

The Arab Republic of Egypt has a strong, presidential-type government. Under the Permanent Constitution proclaimed on September 11, 1971, executive authority is vested in the President (Chief of State). He is popularly elected to a 6-year term and must receive an absolute majority of the votes cast. The President appoints the Vice-Presidents, the Prime Minister (Head of Government) and the Council of Ministers (cabinet). When the People's Assembly is not in session he rules by decree. However, legislation promulgated during that period must be submitted for approval by the Assembly on its resumption. Non-submission of decrees to, or their rejection by, the Assembly deprives them of force of law. In normal circumstances the President may veto a bill or draft law and return it to the Assembly within thirty days of its enactment. If the specified time limitation is exceeded or the Assembly again passes it by a two-thirds majority it becomes law. If a temporary event occurs to prevent the President from exercising his functions, the Vice-President deputizes for him. If the President resigns, he addresses his resignation to the People's Assembly. In case of permanent vacancy in the position of the President of the Republic, or occurence of permanent disability to the incumbent, power is assumed by the Speaker of the People's Assembly. If the Assembly is dissolved at the time, power is assumed by the President of the Higher Constitutional Court (Al Mahkamah Ad Dusturiyyah al 'Ulyah). This is conditional on their not being candidates for the Presidency at the time.

The unicameral People's Assembly has 360 members - 350 elected from the 175 parliamentary constituencies and 10 appointed by the President. The term of the assembly is 5 years. At least half of the members must be workers or peasants (fellahin). Under the Constitution the People's Assembly has the sole authority to enact legislation while it is in session.

Egypt's judicial system is based on European (principally French) legal concepts and methods. The highest court is the Court of Cassation whose judges are appointed by the President.

Egypt is divided into 25 Governorates, or Provinces, each headed by a Governor appointed by the President. While policy is determined at Cairo, the Government is making efforts to delegate an increasing share of the implementation of policy to the Governors.

## POLITICAL CONDITIONS

Political parties in Egypt were outlawed in 1953. The regime has sought to replace them with a single mass organization which would support the regime and its policies. The first two efforts, the National Liberation Rally and the National Union, were not successful. The present organization, the Arab Socialist Union (ASU), was established in 1962, and subsequently reorganized in 1966 and in 1971.

President Gamal Abdel Nasser dominated virtually every aspect of life in Egypt from 1952, when the Free Officers seized control of the Government, until his death in September 1970. He was looked upon as a leader among the Arab states as well. Following Nasser's death, Anwar Sadat, one of the 1952 revolutionary group, was nominated President by the governmental and ASU organs and elected by national plebiscite. His term began in October 1970 for a full 6 years. The last People's Assembly elections were held in October 1971.

On September 11, 1971, Egypt's Permanent Constitution, based on studies by the ASU and the People's Assembly, was passed by general referendum. It embodies the goals and principles of the revolution and henceforth serves as the basis of Government.

The declared long-range objectives of the Egyptian Government are to bring the benefits of education, representative government, and modernism to all the people of Egypt. One of its major actions has been a restructuring of the socio-economic system. Through a program of nationalization of major industrial and commercial companies, sequestration of foreign owned properties, breaking up of large estates, and exclusion of traditional leaders from influential positions, the Government has largely displaced the old landowning aristocracy. In its place there has emerged a new elite of technicians and army officers.

## ECONOMY

Egypt's gross national product (GNP), which increased at a rate of approximately 6 percent in the period immediately following nationalization of the major segments of industry and finance (during the first 5-year plan, 1961-65), has since decelerated. The earlier rate of growth was based to a certain degree on substantial foreign borrowing; by 1965 this and other imbalances had begun to affect continued economic expansion and the rate of growth began to decline. Egypt's economic losses as a result of the 1967 war dealt the economy a further serious blow from which it is only now beginning to recover. GDP in FY 69/70 was U.S. $5.87 billion, or approximately $175 per capita. Of this, agriculture contributed about 29 percent, government and other services 28 percent, industry 22 percent, and transportation 5 percent (reduced from 9 percent as a result of the closure of the Suez Canal).

### Agriculture & Industry

The Egyptian economy is basically agricultural, as it has been for centuries. About half of the total labor force of 10 million is engaged directly in this sector, and many others are engaged in processing or trading agricultural products. Thus, the majority of the country's 35 million people depend on some 6 million acres of high fertility soil in the Nile Valley and delta areas for their means of support.

The climate permits multiple cropping (several crops a year on the same piece of land) and doubles the actual crop area in any one year, but farming is generally inefficient by modern standards. Production is for the market with very little subsistence agriculture. Cotton, wheat, rice, and corn are the principal commodities; cotton provides almost one-half of all export earnings.

To limit development of a one-crop economy, the Government restricts the planting of cotton to one-third of each owner's land. Although wheat is less profitable than several other crops, the law requires most landowners to plant at least one-third of their land in wheat. Nevertheless, the annual shortfall between cereal production and consumption averages 2.5 million tons.

Whereas in 1947 half of the cultivable land was held by less than 2 percent of the landowning population, maximum holdings have been reduced to 100 acres per family, and some 300,000 families (8 percent of the rural population) have received land under agrarian reform distribution.

Since the per capita resources of water and cultivable land are limited, the regime has concentrated on industrialization as a means of raising productivity. As the regime has assumed larger and larger managerial responsibilities, the role of the small entrepreneur class has dwindled. Since the nationalization of the early 1960's, all major industries and public utilities have been run by organs of the Central Government. Nevertheless, the principle of private enterprise continues to be recognized and most agricultural land as well as a large proportion of trade remains privately owned.

A steel mill was completed at Helwan (south of Cairo) in 1959 and is presently being expanded into an industrial steel complex with assistance provided by the Soviet Union.

## Natural Resources

Egypt has few natural resources other than the agricultural capacity of the Nile Valley. The major minerals found are phosphates, petroleum, and iron ore. Petroleum production is moderate from offshore fields in the Gulf of Suez and some recently discovered strikes in the Western Desert. Egypt has become an exporter of small quantities of petroleum despite the loss, at least for the present, of its Sinai oil fields and has hopes that further petroleum discoveries will be made in the future.

## Trade & Balance of Payments

In recent years Egypt has had regular and substantial deficits in its foreign trade; that is, imports have exceeded exports. Since 1967 stricter import and export controls have reduced the deficit, but not eliminated it. In fiscal year 1971 exports totalled $780 million (45.3 percent) while imports were $940 million (54.7 percent) of total trade. Cotton is by far the most important export from Egypt, accounting for more than 50 percent of total earnings. Rice, petroleum, and manufactured goods, however, are assuming increasing importance. Foodstuffs (especially wheat—almost 2.5 million tons a year) and capital goods have accounted for a substantial share of Egypt's imports. In recent years Communist countries have taken about 50 percent of Egypt's exports and supplied about 35 percent of its imports.

During the years immediately prior to 1967 the United States was the principal source of Egyptian imports. In large measure this resulted from U.S. sales of wheat for which Egypt paid in Egyptian currency rather than in U.S. currency (under Public Law 480—Food for Peace—program). When these sales stopped in 1966 Egyptian imports from the United States declined sharply, although Egypt still buys more from the United States than it sells to it.

In 1971 U.S. exports to Egypt amounted to $62.9 million, vegetable fats and oils accounting for the single largest trade commodity, while imports totalled $19.1 million.

Until the June 1967 war, earnings received from Suez Canal revenues and tourism made up a substantial proportion of Egypt's trade deficit. In 1966 Suez Canal earnings amounted to about $220 million. Despite the special subsidy payments from some other Arab states totaling about $250 million annually, the A.R.E. is still dependent on substantial additional inflows of foreign capital to finance its economic growth.

## Public Finance

Egypt's budget for the fiscal year ending June 30, 1972, allocated $4.7 billion for current expenditures and $775 million for investments, and development aimed at increasing industrial, transport and communications, and agricultural production. To align the Egyptian budget with the rest of the confederation members—Libya and Syria—a transitional budget of six months ending December 1972 was adopted in July. The supplemental extension provides for an expenditure of over $2.3 billion. Thereafter the state budget will follow the calendar year starting January 1. To meet expenditures the Government has the income it receives in taxes, other fees and duties, and proceeds of government-owned enterprises; the special subsidy paid it by Kuwait, Libya, and Saudi Arabia; and the proceeds of foreign and domestic borrowing.

## Economic Development & Assistance

The High Dam near Aswan is Egypt's largest single development project. In December 1958 negotiations were completed with the Soviet Union for the first two loans totaling $325 million in the form of long-term loans for equipment and technical assistance. The dam, which was completed in 1971 at a total cost of $1 billion, will eventually provide enough water to irrigate more than 1 million acres of new land. In addition, about 700,000 acres of basin-irrigated land are being converted to perennial irrigation, and an electric power grid will be set up throughout the countryside to bring the hydroelectrical power generated at the dam to the villages as well as to industrial sites. Although the dam's construction has created or worsened certain ecological problems for Egypt, the country is already reaping significant net economic benefits.

The United States provided economic assistance to Egypt between 1946 and 1967. During this period the aid amounted to $912.2 million, almost $700 million of which was within the framework of the PL 480 (Food for Peace) program. Other loans and grants were made by the Agency for International Development (AID) and its predecessor agencies and by the Export-Import Bank for power, transportation, food and agriculture, and health and sanitation projects.

## Transportation & Communication

The main transportation facilities in Egypt follow the pattern of settlement along the Nile. The major line of the nation's 4,000-mile railway network runs from Alexandria to Aswan; other important lines run along the north coast to the Libyan border and eastward to the Suez Canal. More than 14,000 miles of motor roads (5,000 miles of which are hard surfaced) cover the Nile Valley, delta, and Red Sea coast. The Nile River system of approximately 1,000 miles, plus another 1,000 miles of navigable canals, are also extremely important for inland transport. The major ports are Alexandria and Port Said (the latter, however, has been inactive since the 1967 war). All major cities have airports, of which Cairo International is the most important.

Radio Cairo, a government monopoly, is the most important communications facility in the Arab world and beams its broadcasts to all Middle East countries. Television was introduced in 1960 and can be viewed in 95 percent of the Republic. The Cairo and Alexandria press are very active and Cairo newspapers and books are read throughout the Arab world. The Egyptian film industry, once the Arab world's leading one, has become less active but is still important.

## FOREIGN RELATIONS

The Arab Republic of Egypt is acknowledged as the leading state in the Arab World, and its attitudes affect inter-Arab affairs from the Atlantic to the Indian Oceans. The population, industry, and armed forces of Egypt, are the largest among the Arab countries. The Egyptians are also Arab leaders in, among other spheres, the arts, literature, publishing, and movie production.

Egypt is influential in various other international contexts. From the 19th and early 20th centuries, when France and the United Kingdom competed for predominance in Egypt and guided the building of and managed the Suez Canal, Egypt has retained a special importance for those two nations. Following the 1967 war Egypt's relations with the U.S.S.R. grew increasingly close. Egypt also plays an important role as a Mediterranean state. It has been very active as a third-world nation and, through a special relationship which evolved in the 1950's and 1960's with Yugoslavia and India, is looked upon by many in Africa and Asia as a leader of the nonaligned group of states. The A.R.E. has developed its cultural ties as well with the substantial Muslim population of sub-Sahara Africa and has extensive influence in that area.

The main themes of Egypt's foreign policy are Arab nationalism, Arab socialism, and the championship of the Arab cause vis-a-vis Israel. President Nasser caught the imagination of many Arabs as the first important Arab leader in the post-World War II era to espouse anti-colonialism, sharply reduce foreign influences in Egypt, and vitalize dreams of unification of the Arab world as a single nation. Through dynamic leadership the new Egyptian regime in the 1950's and early 1960's became the personification for many Arabs of a movement for (a) Arab unity, (b) reduction of foreign influence, and (c) modernization. For the Egyptians, however, insistence on pan-Arab nationalism has gone hand-in-hand with a strong sense of pride in their own Egyptian nationality, a stronger feeling of identity than is found in the other Arab countries.

Arab socialism, as espoused by President Nasser and adhered to by his successor, was developed gradually by the Nasser regime in response to the economic and social needs of the population. The Arab socialism of Egypt is not rigidly Marxist, rejects the doctrine of class struggle, and does not oppose private ownership of property. It is centered on state capitalism, raising living standards through industrialization, and bringing about a broader distribution of wealth. Nasser's propagation of Arab socialism brought him into sharp ideological conflict with the governments of more conservative Arab countries in the period before the 1867 war.

The importance of the Arab-Israel dispute in A.R.E. foreign policy has varied over the years, depending on the extent of tensions with Israel and the vicissitudes of Egypt's disagreements with other Arab countries. Since the 1967 war it has been Egypt's all-encompassing external concern. Egypt accepted U.N. Security Council Resolution 242 of November 22, 1967, calling for a peaceful settlement of the Arab-Israel conflict, but it has never abandoned the option of attempting to regain its territories occupied by Israel in 1967 through recourse to a military solution if no progress is made toward a peaceful setlement. Egypt has interpreted the resolution as requiring the total withdrawal of Israeli forces from all occupied territory. While continuing to reject Israel's demand for face-to-face negotiations, the Government shifted in 1970 and early 1971 to more flexible positions on several of the disputed issues, such as the need for the conclusion of a peace agreement with Israel. It is still unclear, however, whether the deep suspicions on both sides can be overcome and a settlement be achieved.

Egypt has continued to try to maintain a nonaligned stance in international affairs, despite its current dependence on the U.S.S.R. for arms and economic assistance. The extent of Soviet political influence on Egypt is difficult to gauge. The Egyptian Communist Party officially is illegal and party activities remain minor and unimportant, but the Soviet Union has won sympathies in various elements of A.R.E. society through its unflagging support since 1967 of the Egyptian cause in the Arab-Israel dispute.

Egypt was one of the original members of the United Nations and is active in at least 14 U.N. specialized agencies.

## U.S.-A.R.E. RELATIONS

Under its new leadership since late 1970, Egypt continues to make U.S. policy on the Arab-Israel problem the determining factor in its bilateral relations with the United States, an Egyptian policy since the 1967 war. From the U.S. viewpoint, the few bilateral problems that exist with the A.R.E. are relatively minor and surmountable.

Before 1967 U.S. relations with Egypt went through several cycles. The United States attempted to cooperate with the new Egyptian regime when it came to power in 1952. Relations were soon soured, however, by differences over such matters as U.S. friendship with Israel, U.S. refusal to finance the Aswan High Dam, the Baghdad Pact, and U.S. arms supply in the Middle East. Relations between the two countries began to improve late in 1958, and the United States provided technical assistance, development loans, and large quantities of agricultural commodities to Egypt. In 1964 relations began to deteriorate again, primarily over questions relating to third countries rather than strictly bilateral problems. When the "6-day war" broke out in 1967, Egypt accused the United States of being actively involved in the hostilities on the side of Israel and broke relations on June 6, 1967. (President Nasser subsequently admitted that this charge was based on misinformation).

Since 1969 U.S. officials have made it clear to Egypt publicly and privately on a number of occasions—including several times since President Nasser's death in September 1970—that the United States is prepared to restore diplomatic relations without conditions. The A.R.E. has invariably replied that the moment is not ripe and has indicated that more progress toward an Arab-Israel settlement is needed first. The post-Nasser leadership has been showing interest in maintaining an official dialogue between the two Governments. At the same time, it has criticized U.S. policy concerning the Arab-Israel dispute.

Thus, formal diplomatic ties remain broken. But the extensive cultural relations between the two countries dating since before World War II have been relatively unaffected by changes in the political climate, with many scholars traveling between Egypt and the United States. Also, private U.S. investment in the A.R.E., largely in the petroleum sector, has increased since the 1967 war. As of the end of 1971 there were more Americans resident in Egypt than before the 1967 war.

There is a small U.S. Interests Section at Cairo, staffed by U.S. personnel and officially a part of the Spanish Embassy. The Egyptian Interests Section at Washington, D.C., is a part of the Indian Embassy.

## PRINCIPAL GOVERNMENT OFFICIALS

President/Prime Minister—Anwar Al Sadat

Vice Presidents—Husain Al Shafei, Mahmoud Fawzi

Minister of Foreign Affairs—Mohammad Hasan Al Zayyat

Minister of War—Ahmad Ismail Ali

Ambassador to the U.N.—Ahmad Esmat Abdel Meguid

Chief, Egyptian Interests Section—Ahmad Khalil

The A.R.E. maintains an Interests Section in the Indian Embassy at 2310 Decatur Place, N.W., Washington, D.C. 20008.

## PRINCIPAL U.S. OFFICIAL

Minister in Charge of U.S. Interests Section, Embassy of Spain—

The U.S. Interests Section in the A.R.E. is located at 5 Sharia America Al Latiniyyah, Garden City, Cairo.

## READING LIST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DEPARTMENT OF STATE PUBLICATION 8152, Revised July 1973

Office of Media Services, Bureau of Public Affairs

C

MAP OF EGYPT

IBRD 10047
ARAB REPUBLIC OF EGYPT
4-lane divided highways
Hard-surfaced roads, 2-lane or wider
Hard-surfaced roads, single lane
Other roads and desert trails
Railways, double track
Railways, single track
Navigable canals
Rivers
Cultivated area
International airports
International boundaries
Administrative boundary
0 25 50 75 100
MILES
0 50 100 150
KILOMETERS
The boundaries shown on this map do not imply endorsement or acceptance by the World Bank and its affiliates.
Mediterranean Sea
Red Sea
Gulf of Suez
Gulf of Aqaba
LAKE NASSER
QATTARA DEPRESSION
LIBIA
ISRAEL
JORDAN
SINAI
SAUDI ARABIA
ALEXANDRIA
Abu Qir
Marsa Matruh
Siwa
DAMANHUR
Sidi Salim
EL MAHALLA EL KUBRA
EL MANSURA
PORT SAID
Qantara
ISMAILIYA
BENHA
Bilbeis
DELTA BARRAGE
EL GIZA
CAIRO
Helwan
SUEZ
El Shatt
El Arish
Eh Shu'ayra
Beersheba
Gaza
Nakhl
Aqaba
Ma'an
Ras Zafarana
Abu Zenima
Ras Gharib
El Tur
Dahab
Sharm el Sheikh
EL FAIYUM
Sinnuris
El Wasta
BENI SUEF
Beni Mazar
EL MINYA
Mallawi
Bawiti
BAHARIYA OASIS
Farafra
Abnub
ASYUT
Abu Tig
El Badari
Tahta
Sohag
Akhmim
El Balyana
Nag Hammadi
Dishna
QENA
Qift
Thebes
Armant
Esna
IDFU
Al Nasser City
Kom Ombo
ASWAN
Sahara City
El Qasr
DAKHLA OASIS
El Kharga
Baris
Hurghada
Port Safaga
Quseir
Marsa Alam
Berenice
Wadi Halfa
To Khartoum
Mediterranean Sea
ARAB REP. OF EGYPT
ATLANTIC OCEAN
INDIAN OCEAN
AUGUST 1972

# LIST OF CABINET MINISTERS

# AND

# SENIOR OFFICIALS LIKELY TO BE MET

D

Annex D

## MEMBERS OF THE ARAB REPUBLIC OF EGYPT CABINET AND GOVERNMENT

| NAME | TITLE | |
|---|---|---|
| 1. Anwar El-Sadat | President and Prime Minister | |
| 2. A. Hatem | Deputy Premier for Culture and Information and Acting Prime Minister in Absence of the President | |
| 3. M. Salem | Deputy Premier and Minister of the Interior | |
| 4. A. Hegazy (Dr.) | Deputy Premier and Minister of Finance Economy and Foreign Trade | * |
| 5. A. Kamel (Dr.) | Deputy Premier for Religious Affairs | |
| 6. General A. Ismail | Minister of Military Affairs | |
| 7. Dr. M. Riad | Minister of Communications | * |
| 8. D. S. Gab Allah | Minister of Planning | * |
| 9. A. Nouh | Minister of Civil Flights | |
| 10. A. Sultan | Minister of Electricity | |
| 11. D. M. Galet | Minister of Information | |
| 12. Dr. A. Ratah (Mrs.) | Minister of Social Affairs | |
| 13. D. A. Sabry | Minister of Planning | |
| 14. Ismail Fahmy | Minister of Foreign Affairs | |
| 15. A. Abd El-Razik | Minister of Education | |
| 16. A. Saad | Minister of Irrigation | * |
| 17. O. Badran (Dr.) | Minister of Land Reclamation | |
| 18. Dr. M. Mahfooz | Minister of Health | * |
| 19. S. Gareeb | Minister of Labour | |
| 20. A. Abu-Magd | Minister of Youth Affairs | |
| 20a. Osman Ahmed Osman | Minister of Reconstruction | |

| | |
|---|---|
| 21. General A. El-Badry | Minister of Military Production |
| 22. Y. El-Sabaey | Minister of Culture |
| 23. F. Abd El-Nabry | Minister of Justice |
| 24. M. Zaki (Dr.) | Minister of Agriculture * |
| 25. A. Moby El-Deen | Minister of Local Governing |
| 26. M. Abd El-Hafez (Dr.) | Minister of Housing |
| 27. A. Helal | Minister of Petroleum |
| 28. A. Mohamedeen | Minister of Industry * |
| 29. D. H. El-Sherif | Minister of Social Securities |
| 30. A. Thabet | Minister of Supply and Internal Trade |
| 31. VACANT | Minister of Tourism * |
| 32. A. Eaesa | Minister of Azha Affairs |
| 33. M. Lila (Dr.) | Minister of High Education |
| 34. A. Ismail | Minister of Maritime |
| 35. E. Abd Elliteef | Minister of Transportation |
| 36. A. Salama | Minister of People's Council Affairs |

Other Senior Officials Likely to be Met

| | |
|---|---|
| 37. Mohammed Hassanem Heikal | Ex-Editor, Al-Ahram |
| 38. Dr. Sherif Lotfy | Until recently, First Undersecretary, Finance and Economy Ministry (Alternate Governor-IBRD), just appointed Chairman, Arab International Economic Cooperation Agency |
| 39. Aziz Sidqi | Advisor to President Sadat (and ex-Prime Minister) |
| 40. Sayed Marei | Ex-Advisor to President Sadat, ex-Secretary General of ASU and ex-Deputy Prime Minister (Agriculture) (He may not be in Cairo |
| 41. Taher Amin | Deputy Chairman, General Organization for Industry |
| 42. A. Shaker | Chairman, General Organization for Construction and Building Materials |

| | |
|---|---|
| 43. Ahmed Abdel El-Ghaffar | Chairman, Bank of Alexandria |
| 44. Abdel Moneim Kaissouni | Chairman, Arab International Bank for Foreign Trade and Development |
| 45. Hamed El-Sayah | Chairman, National Bank of Egypt |
| 46. Ali Amin | Editor, Al-Ahram |

EMENA Region
February 22, 1974

E

## BIOGRAPHICAL DATA

## OF KEY PERSONALITIES

1. President Sadat
2. Deputy Prime Minister Hegazy
3. Deputy Prime Minister Hatem
4. Ex-Presidential Advisor Marei
   (may be in Cairo during your visit)
5. Presidential Advisor Sidqi
6. Industrial Minister Muhammadein
7. Agriculture Minister Zaki
8. Reconstruction Minister Osman
9. Foreign Minister Fahmi
10. Abdel Kaissouni, Chairman, Arab International Bank for Trade and Development
11. Sherif Lotfy, Chairman, Arab and International Economic Cooperation Agency
12. Mr. Hassanem Heikal, Ex-Editor, Al-Ahram
13. Mr. Ali Amin, Editor, Al-Ahram

Annex E

BIOGRAPHICAL DATA

PRESIDENT ANWAR SADAT

Anwar Sadat became the President of Egypt after President Nasser's demise in 1970.

Prior to that, he was the Vice-President of the then United Arab Republic.

Born in 1918, he trained for an army career at the Cairo Military College. He was one of the group of army officers, who along with Nasser, deposed King Farouk and established the Republic of Egypt in 1952. Since then, he remained a trusted confidante and friend of Nasser and served him in a variety of offices before becoming Vice-President. These included being the General Manager of the "Al Jumhuria" and "Al Tahrir" newspapers, the Secretary-General of the Islamic Conference (1957), the President of the National Union (1957-61) -- which is Egypt's only political party now called the Arab Socialist Union, Member of the Presidency Council (1962-64) and President (Speaker) of Egypt's National Assembly (1964-66).

President Sadat is married to a lady of Egyptian-Anglo descent and has two daughters and one son.

EMENA Region
February 22, 1974

Annex E

BIOGRAPHICAL DATA

DR. ABDEL AZIZ HEGAZY

Dr. Hegazi has been the Deputy Prime Minister for Economic Matters since February 1973. He also holds the portfolio of the Minister of Finance, Economy and Foreign Trade. The Ministries of Finance and Economy and Foreign Trade were separate, until they were merged under Dr. Hegazy.

In January 1974, he was asked by President Sadat to form a new Cabinet. However, in early February, the decision to have a new Cabinet has been postponed.

Before becoming Deputy Prime Minister, Dr. Hegazy was the Minister of Finance since 1970. Prior to that, he headed his own private firm of chartered accountants, and has also been the Dean of the Commerce Faculty at the Ain Shams University (one of the four state universities in Egypt).

Dr. Hegazy is 51 years old. He is a graduate of the Commerce Faculty of the Cairo University and also holds a Ph.D. in commerce from UK. He is a budget and fiscal technician of first rank, both by training and experience. His English is excellent and he has authored several articles and research papers on cost and management accounting and other financial matters.

Dr. Hegazy has a strong and forceful personality. He commands respect in the Arab world today, and has the ear and confidence of President Sadat.

EMENA Region
February 22, 1974

Annex E

## BIOGRAPHICAL DATA

## MUHAMMAD 'ABD AL-QADIR MUSTAFA HATEM

'Abd al-Qadir Hatem, 55, became Deputy Prime Minister for Culture and Information in March 1973. He was also named chairman of the newly established Information Committee and designated to chair Cabinet meetings in President Anwar al-Sadat's absence. He had previously served since May 1971 as Deputy Prime Minister and Minister of Information and, concurrently since September 1971, as Minister of Culture.

Mr. Hatem was born in Alexandria. He graduated from Abbassia Military Academy in 1939, with a B.A. degree in military science, and from the Military Staff College in 1948. After leaving the military service, with the rank of colonel, he undertook graduate studies at Cairo University, receiving M.A. (1953) and Ph.D. (1960) degrees in political science. While attending Cairo University he held various positions in the government. Hatem retired in 1967 and remained out of public life until joining the Cabinet in 1971.

A soft-spoken man, Hatem speaks fluent English and French.

EMENA Region
February 22, 1974

# BIOGRAPHICAL DATA

## SAYED MAREI

Until January 1974, Sayed Marei was the Adviser to President Sadat. He has been one of his closest confidantes and advisors. When Sadat became President, Sayed Marei was named the Deputy Prime Minister for Agricultural Affairs, besides holding the portfolio of the Minister of Agriculture. In August, 1972, President Sadat made him the Secretary-General of the Arab Socialist Union, in order to see through the significant party reforms that he wanted implemented. In February 1973, Mr. Marei became the Presidential Adviser.

Mr. Marei, aged about 60 years, is a trained agriculturalist and holds a Bachelor of Agriculture degree from Fouad I University. His earlier career has been concentrated in the field of agriculture. In 1952, he became the member of the Higher Committee for Agrarian Reform; in 1955, Chairman of the Agricultural Cooperative Credit Bank; in 1956-57, Minister of State for Agrarian Reform; and thereafter from 1957-61, the Minister of Agriculture and Agrarian Reform. He is one of the architects of Egypt's land reforms, and an author of books on agrarian reform and agriculture in Egypt.

In the sixties, he got deeply involved with the work of the Arab Socialist Union until he became Minister of Agriculture again in 1967, and then the President (Speaker) of the National Assembly.

He commands respect in the Arab world, has President Sadat's implicit trust and confidence and has been a demonstrated friend of the Bank.

EMENA Region
February 22, 1974

BIOGRAPHICAL DATA

AZIZ SIDQI

Aziz Sidqi, 53, was named a Presidential Adviser in March 1973, 5 days after his resignation as Prime Minister. President Anwar al-Sadat, who apparently requested his resignation, assumed the post of Prime Minister in the Cabinet shuffle that followed.

Mr. Sidqi, the son of a physician, graduated with distinction from the Faculty of Engineering of Cairo University in 1955. After working for 2 years as a demonstrator (lecturer) in the Faculty of Engineering of Alexandria University, Mr. Sidqi came to the United States to study architecture at the University of Oregon, where he received an M.S. degree in 1947. He then went on to Harvard University, where he obtained M.S. and Ph.D. degrees in city planning, in 1949 and 1951, respectively.

A government official for 20 years, Mr. Sidqi has held several ministerial portfolios. He was the Minister of Industries under Nasser, and regards the growth of the industrial sector as his cardinal contribution to Egypt. Just before becoming Prime Minister in January 1972, he was First Deputy Prime Minister in charge of Economic Affairs, besides having the portfolio of the Minister of Industry, Petroleum and Mineral Resources.

Mr. Sidqi has the reputation of being pro-Russian. A highly intelligent and capable man who has been in politics, he hardly has a political following of his own. Until 1972, Sidqi was not particularly well-disposed towards the Bank, although his attitude has considerably softened after the commencement of an active IDA program in Egypt. Sidqi speaks excellent English and French.

EMENA Region
February 22, 1974

BIOGRAPHICAL DATA

IBRAHIM SALIM MUHAMMADEIN

Ibrahim Salim Muhammadein, about 54, was named Minister of Industry in March 1973. He had served as chairman of the Board of Directors of the Egyptian Spinning and Weaving Company, since February 1967.

Mr. Muhammadein graduated from Cairo University's College of Engineering in 1942 and began work as an engineer in the mechanical department of the Egyptian Spinning and Weaving Company at al-Mahallah al-Kubra. He went to Manchester, England, on an educational and scientific scholarship in 1955 and remained there until 1958. Sometime after 1958, he became head of some of the factories of the Spinning Company.

Muhammadein has traveled extensively. He has participated in industrial conferences in Spain, India and Japan. He is fluent in English.

EMENA Region
February 22, 1974

Annex E

BIOGRAPHICAL DATA

MUHAMMAD MUHIB ZAKI

Muhammad Muhib Zaki, 49, was appointed Minister of Agriculture and Agrarian Reform in March 1973. Previous to this appointment, he had served since 1971 as Presidential adviser and Governor of Jarbiyah Governorate.

Born in Cairo, Dr. Zaki obtained a B.A. degree in Agriculture from Cairo University in 1946. Later he attended the University of London, where he obtained a Ph.D. in insecticide chemistry in 1951. In 1959, he obtained an academic grant for 2 years' study in the United States. He chose to study and do research on insecticides at the University of California. His first known position was as a lecturer at the Faculty of Agriculture at Ayn Shams University, where he eventually became professor of chemistry and insecticides. It is unclear when he left his teaching post. In May 1968 he was appointed Governor of Sawhaj. Dr. Zaki is a member of the Egyptian Academy of Scientific Research.

EMENA Region
February 22,1974

# BIOGRAPHICAL DATA

## OSMAN AHMAD OSMAN

Osman Ahmad Osman, about 53, was appointed Minister of Reconstruction in October 1973. Mr. Osman, the largest building contractor in the Arab world, has a reputation for completing projects on time and within cost estimates. He became a national hero in Egypt when his company was on time--and within the contract price--in completing the Aswan High Dam, one of Egypt's greatest resources and a symbol of national pride. By naming Mr. Osman to the newly created Reconstruction Ministry, President Sadat hopes to harness his expertise and efficiency in the forthcoming effort to reconstruct the Egyptian economy.

Osman received a degree in civil engineering from Cairo University in 1940 and then worked as an engineering consultant until 1946. At that time, he started his own company, which gained in reputation and size throughout the Arab world over the years. The pinnacle of his achievements was the above-mentioned completion of the Aswan Dam project, for which President Sadat decorated him with the nation's highest civilian medal; in addition, he was made a Hero of Soviet Labor.

Osman is fairly fluent in English, and has an outgoing personality.

EMENA Region
February 22, 1974

Annex E

BIOGRAPHICAL DATA

ISMA'IL FAHMI

Isma'il Fahmi, 51, was named Acting Minister of Foreign Affairs in October 1973 and confirmed in the post in November. He also retains the Tourism portfolio, which he received in March 1973. A veteran of more than 25 years in the Foreign Ministry, Mr. Fahmi, prior to his first Cabinet appointment, had been Under Secretary in that Ministry since September 1971.

Mr. Fahmi graduated from Cairo University with a B.S. degree in political science in 1945 and shortly thereafter joined the Foreign Ministry. He was named to Egypt's Permanent Mission to the United Nations in 1948, and much of his career has been concerned with UN affairs. In 1957, he represented Egypt at the International Atomic Energy Commission in Vienna, and in 1968 he returned to Vienna as Ambassador. He served in that post until he was appointed Under Secretary in 1971.

He speaks excellent English and French.

EMENA Region
February 22, 1974

Annex E

BIOGRAPHICAL DATA

ABDEL MONEIM KAISSOUNI

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Dr. Kaissouni is currently the Chairman of the Arab International Bank for Trade and Development, a bank outside the purview of the Central Bank of Egypt, established in 1971 to foster Arab and foreign investmentsin Egypt.

Born in 1916, he obtained a Bachelor of Commerce degree from Cairo University and studied economics at the London School of Economics. He commenced his career with the Barclays Bank in UK and later by teaching economics at Cairo University. Thereafter he also worked in the IMF, before resuming a career in Egypt at deputy ministerial and later ministerial levels; He became the Minister of Finance and Economy (1954-58), the Minister of Economy (1958-62), the Minister of Treasury and Planning (1962-64), the Deputy Prime Minister for Economic Affairs (1964), the Vice President of UAE and again the Planning Minister in 1967. Between 1969 and 1971, he left Egypt to act as the Economic Adviser for some of the Gulf States. In 1971, he returned to be named to his present post.

He is close to President Sadat, who often uses him for advice on economic and banking matters.

EMENA Region
February 22, 1974

# BIOGRAPHICAL DATA

## SHERIF LOTFY

Dr. Sherif Lotfy, 42, was appointed head of the newly created Arab and International Economic Cooperation Agency in February 1974. He had previously been First Under Secretary at the Ministry of Finance, Economy and Foreign Trade since 1971.

A native of Alexandria, he graduated from the Alexandria Commerce University in 1952. He acquired a doctorate in economic development at Budapest University in 1959. He worked at the Foreign Ministry from the time he returned from Budapest until 1960. He also went for a year to Harvard in the early sixties, to study economics and public administration. He then joined the National Bank of Egypt as Director of Economic Research and remained there until 1970. At that time, he was appointed Under Secretary of the then Ministry of Economy and Foreign Trade. In that post, he was responsible for negotiating and coordinating all of Egypt's external borrowings and negotiating debt-rescheduling or credit arrangements.

A quiet, diplomatic and extremely intelligent man, Dr. Lotfy has been an excellent friend of the Bank, who has assisted considerably in re-establishing close relations between Egypt and the Bank.

He is married to an American. He is fluent in English.

EMENA Region
February 22, 1974

Annex E

BIOGRAPHICAL DATA

MOHAMMED HASSANEM HEIKAL

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Until early 1974, Mr. Heikal was the editor of the 100-year-old Al-Ahram newspaper, and a powerful moulder of public opinion in Egypt and the Arab world. Since Sadat became President, Heikal has been one of his closest advisers and confidantes on domestic and international political matters, although differences of opinion between the two were beginning to be reported since mid-1973.

Born in 1924, Heikal does not have a university education. He, however, launched into a journalist's career in the late fifties and is renowned for graceful and astute writing. He is reputed to be an extremely intelligent, shrewd and capable man. He was a Minister of Information under Nasser, and had always been close to him.

EMENA Region
February 22, 1974

Annex E

BIOGRAPHICAL DATA

ALI AMIN

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Mr. Amin was named the editor of the Al-Ahram newspaper in early February, by President Sadat. He assumed this post, after returning from a self-imposed exile abroad after 1966/67.

Born in 1914, he was educated as an engineer in Egypt and UK. He, however, veered to a newspaper career in 1927, by writing under a pen name. Meanwhile, he worked in varying capacities in the Egyptian civil service, until he resigned in 1944, to join his twin brother Moustapha Amin to found and edit their widely-circulated daily paper "Akhbar El Yom".

In the mid-sixties, his brother was accused by Nasser of being implicated in passing information to the CIA. Amin thereafter left Egypt, until his recent return.

EMENA Region
February 22, 1974

MR. VOTAW'S MEMO ON PROPOSED APPROACH

FOR MR. MCNAMARA'S DISCUSSIONS

F

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION **Annex F**

# OFFICE MEMORANDUM

**TO:** Mr. Robert S. McNamara

**DATE:** February 22, 1974

**FROM:** Gregory Votaw, EMENA, CPD-I

**SUBJECT:** EGYPT - Your Forthcoming Trip to Cairo, February 28 - March 2

1. We view your visit to Egypt as an opportunity to explore - and perhaps establish - the framework for a new relationship. It is clear that the Egyptian authorities do not have any precise idea of what to expect - or what President Sadat expects - from the talks, nor are we in a position to offer definitive proposals; neither side seems to be at a stage to talk specific operations but both wish to consider what sorts of possibilities exist for a future in which peace is realistically expected in the region for the first time in many years.

2. The opportunity and the uncertainty both arise from the new and still fragile prospects for peace and from special circumstances (e.g., oil price increases) peculiarly associated with both the peace and the region. There are several major considerations which the new framework in Bank Group/Egypt relations must include:

(a) Peace in itself will bring new opportunities for development. A meaningful peace should result in the release of government resources from military to civilian purposes; moreover other, especially Arab, investment resources are expected to feel 'bullish' about Egypt.

(b) The Suez Canal needs some resources to ensure restoration of efficient service at the 1967 level and very substantially more financing to proceed with enlargement plans.

(c) Along the Canal ambitious schemes have been proposed to create new urban-industrial centers, requiring substantial infra- and super-structure investment and introducing the possibility of opening up a new agricultural hinterland.

(d) Abundant opportunities exist in the rest of the economy both to make up for underinvestment (running down of facilities) in the last decade and to implement new projects deferred by lack of resources and the preoccupation with military affairs.

(e) In all of this the scarcity of investment resources is reflected in import bottlenecks which are especially severe. A good deal of Egyptian trade is tied to the East Bloc. Of the balance, food import requirements have an overwhelming priority; the purchase of food in the past few years is also one major reason Egypt now carries a substantial 'commercial credit' and other relatively short-term borrowings, which represent further, possibly snowballing, pressure on the balance of payments.

3. Each of these areas requires much further study by Egypt and ourselves before precise, let alone balanced, action programs are defined.

Open the economy + introduce more efficiency into it.

Nevertheless, certain undertakings can be offered at this time to illustrate the dimensions of our intent for the future.

(a) Although salvage and mine clearance appears to have been arranged, the Suez Canal Authority needs about $130 million in equipment and facilities to restore operations to pre-1967 efficiency. We propose to begin appraisal of this package in about a month's time with a view to assisting Egypt in raising funds to cover these costs (of which roughly half are thought to require expenditures in foreign exchange). Active assistance by the Bank Group at this time is recommended not merely as a token of our good will and larger intentions for the future (although this in itself is of great importance in establishing the new framework) but also for several more tangible reasons:

(i) We believe our technical advice and procurement techniques will help optimize the design of facilities and selection of equipment.

(ii) Bank/IDA participation, even if only modest financing (say $20 million) on our part is involved, will help define and arrange appropriately concessional terms for the larger financial package.

(iii) We consider it extremely important to proceed quickly with definitive economic studies on the enlargement plan, which Egypt was ready to begin in 1967 and wishes to reactivate as soon as the Canal is reopened. A far greater degree of cooperation with those studies can be expected if they are financed as part of a Canal reopening project rather than separately. These studies are important to establish not merely the justification but also the proper phasing, tariff policy and other important aspects of the enlargement plan.

(iv) Equally urgent are proper Master Plans for not merely the reconstruction but also the proposed urban-industrial developments on the shores of the Canal; again these studies could be more properly pursued within the framework of Canal reopening than as a separate project.

(v) It has been suggested that the Bank should play the same role as in the Indus Basin for this large complex of investments in the Canal region (viewed as 'peace insurance' by many Egyptians, Israelis and outsiders). Thus, an active role in next few months would provide the best possible climate for exploring with potential creditors and with Egypt the possibilities of organizing a major international effort to develop the Suez Region. We do not yet know to what extent President Sadat has thought of this possibility, let alone whether or not he or potential creditors would view it with favor.

(b) Bank lending is likely to come up at various levels in your discussions in Egypt; it is by no means a new suggestion, but the new situation gives new importance and urgency to our reply.

(i) It is clear that, even if replenishment were assured the annual IDA allocation of $65 million (for FY75-77) would have far greater impact if blended with, say, twice as much Bank money. A program of about $200 million would represent a 'critical mass' of importance both to major investment projects (and the development program as a whole) and to other potential sources of large scale development finance (such as Arab oil producers and D.A.C. members).

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(ii) It is also clear that some Bank lending might be justified immediately upon conclusion of peace talks as 'reconstruction' finance and for enclave projects, (most notably the Suez Canal). However, this approach would tend to avoid a central issue in Egypt's overall development prospects - namely, creditworthiness.

(iii) I would argue that Egypt's interest in a larger package of Bank Group financing (and perhaps Bank Group leadership in arranging Indus Basin type financing for ambitious development schemes) should be used to try to focus President Sadat's attention on creditworthiness problems. It is very much in Egypt's interest to break the present creditworthiness constraint, and the possibility of Bank finance is merely a symbol of the much improved development prospects for the country once this problem is dealt with.

(iv) I expect to be in a position to give you much more material on the 'creditworthiness syndrome' in Cairo when additional data being collected by Karaosmanoglu and Armstrong are available. But we already know that it will involve the familiar package of domestic policies (e.g. increased domestic, especially public savings; much higher agricultural production, to reduce food imports and increase export earnings; more efficient management of the industrial sector, including meaningful incentives for private investors; better economic statistics and policy formation in Cairo) and measures to improve the balance of payments (e.g., possibly exchange rate adjustments and other stimuli to exports; stretching out the debt repayment profile).

(v) On the question of external debt there is no question that the current situation ($1,400 million equivalent in payments due in 1974 alone) represents a major constraint in Egypt's balance of payments management and development policy. It is very clear that the terms of external financing must be improved dramatically if Egypt is to make real progress toward development in the next decade; it is not at all clear that this is well understood in Cairo (let alone in Riyadh). Forced for some years to follow hand-to-mouth policies in expectation of war, Egypt now needs to recognize equally compelling but quite different exigencies of peace. A tough policy of insisting on concessional terms for future aid, which IBRD could endorse and help monitor, will be essential in breaking the present balance of payments constraint.

(vi) What is lesss clear (in fact we cannot agree among ourselves as yet) is the role which debt rescheduling might play. We know that much 'debt' falls due in the next few years, and we all agree that this type of obligation must be replaced by longer-term development finance. However, much of what is due is in the form of 'bankers facilities' and fixed-term bank 'deposits' as well as supplier credits that are difficult, if not impossible, to reschedule on a large scale; moreover, Egypt has been quite successful in bilateral rescheduling negotiations for the past few years, and it is not clear that a multilateral approach would produce significantly better results. We are still studying this problem, but my preliminary conclusion is that for the Bank to become involved in a rescheduling effort might well be more trouble than it is worth to Egypt; on the other hand, it would make very good sense to establish appropriately concessional terms for future aid and certify these through a major effort to raise development finance for Suez Reconstruction (in the broadest sense) and the Egyptian Development Plan as a whole (when it is properly updated).

(c) Closely linked to the creditworthiness and balance-of-payments problem is Egypt's need for industrial imports to make better use of existing capacity as well as to modernize existing plant. In the previous wartime situation, we could not consider program lending seriously; real peace in the region would set the stage for a hard look at Bank Group responsibilities in this area. Simply to understand present economic circumstances and prospects we need to have a reliable estimate of the amounts required for this purpose and a realistic assessment of the potential for additional production and exports which could result quickly from an increase in industrial imports. The Egyptians have done some studies on this, and the Bank staff has started to review their studies with a view to having our own assessment incorporated in the work of the economic mission planned for April. There seems to be a prima facie case for 'commodity assistance' as part of a program to revitalize Egyptian industry; needless to say, even when we go beyond the prima facie case to more reliable estimates of requirements, there will be the separate question of how the Bank Group should participate, if at all, (along with IMF, bilateral and other financing).

(d) Bank staff is, of course, available to answer any reasonable request Egypt may make for assistance in formulating economic policies and investment projects. So far, in connection with Suez plans and in scheduling work to make a preliminary assessment of reconstruction-cum-urban-industrial-development needs in the Canal area, we propose to work within existing manpower budget allocations; this is also true for economic work. However, there may come a time, even before the end of this fiscal year, when additional authorizations may have to be considered. What will be more important to explore with President Sadat is the relevance he sees, if any, for Bank staff to be resident in Cairo. Again it is too early to make any definite recommendation on this; but because of the political questions involved, it would be worthwhile to take the opportunity during your visit to raise the subject informally. Would a resident mission help or hinder the Government in the transition from war to peace, from hand-to-mouth budgeting to a major development effort? More specifically, would Dr. Lotfy's new agency benefit at all from temporarily seconded advisers, at least in the first months of its operation? I repeat, I am in no position now to recommend resident staffing, but because of the possible political implications of such a decision I believe the subject merits informal discussion long before it is an 'immediate issue'.

4. Political cross-currents are my major concern in this trip. Egypt, and the whole Arab world, benefits from a new sense of confidence and independence. Too hasty action on our part could be misconstrued as 'crowding' or as a clumsy effort to 'get control of oil money' or to channel development funds to Western suppliers, consultants and contractors. There is also the fear that Bank experts have a tendency to reduce the scope of or delay projects. Precisely because our motives are quite different, we need to guard consciously against the danger of misunderstanding. At the same time we cannot afford to be too coy. Egypt needs a greater sense of purpose in economic affairs and Bank 'discipline' in economic and project matters. The problem next week will be to find the proper balance between our sense of urgency, opportunity and economic discipline on the one hand and Egypt's sense of having a position of leadership in the Arab world and having reasserted control over her own national destiny. Ambassador Ghorbal has a wonderful metaphor to describe my concern; he says there is a real danger of burning the roast but it would be even more mistaken to try to cook it with a candle. I believe we have kept the correct balance these last few months, but as peace prospects improve we shall have to turn up the heat. We should also have a bigger roast to work on for as you and presumably President Sadat know, there have been negative net flows to Egypt for a decade and only a trivial positive transfer in the current year, despite substantial IDA commitments during the last few years. Also in this area of 'net transfers' existing commitments mean we are entering a new era indeed if commitment levels can be expanding to include a blend with Bank money and/or we play a larger role in mobilizing and managing others' funds - for example, in the Suez Canal Region.

cc: J. Burke Knapp, W.A.Wapenhans, A.Karaosmanoglu, O.Maiss, A.Davar, N.Horsley, M.P.Benjenk (o/r)

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# POST NASSER POLITICAL BACKGROUND

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Annex G

## POST-NASSER POLITICAL BACKGROUND

### Introduction

1. Following President Nasser's death, Anwar Sadat became President in 1970. On the personal side, he faced from the onset, the task of becoming "his own President" in view of the aspirations to the Presidency of those who acted as "king makers" and installed him as a "temporary compromise."

2. Besides this, on the domestic front, he inherited a complex political situation in which, (i) Egypt's only political party (the Arab Socialist Union - ASU) consisting of persons of varying political hues, was used by Nasser as his instrument for personal control; (ii) the National Assembly of the ASU (akin to a western parliament) was not elected, but hand-picked by Nasser; (iii) a Higher Executive Committee of the ASU (also hand-picked by Nasser from the members of the National Assembly) and headed by him, took all major policies in Egypt instead of the Cabinet; (iv) cabinet ministers basically functioned as senior civil servants, and (v) the internal security and police organization was a dominant weapon for political control within Egypt.

3. On the international front, Sadat faced (a) a middle-eastern deadlock, which sapped Egypt's economic vitality because of high military expenditures and at the same time, seemed to have little prospects for resolution without the involvement of "major powers"; (b) increasing Egyptian reliance on USSR for political and military support, and (c) bitter opposition from the heads of influential Arab states such as Saudi Arabia and Libya, although Egypt was wedded to the goal of Arab unity.

4. The following paragraphs sketch the afore-mentioned situation which Sadat initially faced, so that one can appreciate more fully the extent of the changes he effected in a space of less than three years, besides getting some flavor of how he achieved them. Unlike the Bank's economic or project work where judgments can be based on concrete data, an analysis of the political situation has to be based on press reports and discussions in the field, and is therefore necessarily subjective and broad-brushed. However, with this reservation, one can also say that the trends discerned so far indicate Sadat's capacity to effect changes, through innate political agility, instinct for survival, controlled use of power, and an uncanny ability to plan moves and countermoves carefully in advance. Besides his political astuteness, it also demonstrates his strength of character in calmly taking scorn and skepticism that was his lot until recently, while he quietly and firmly moved towards his personal and his country's political objectives.

### Domestic Political Situation around 1970

5. Egypt's democratic political framework based on a one-party system, commences with "local councils" elected at the village level~~s~~. These councils elected the "governorate councils" in each of the 24 governorates which, in turn, acted as electoral colleges for electing the ASU's national council. President Nasser selected the country's National Assembly ~~from this council~~. From the National Assembly, ~~he also personally~~ selected a 10 to 12 men Higher Executive Committee of the ASU (with himself as the head), which in fact effec-

tively ruled Egypt. Only 3 or 4 Cabinet members were on this Committee. Indeed, the Cabinet hardly ever met in the late sixties; most of the ministers implemented the Committee's decisions and functioned essentially as senior civil servants.

6. Although economic and trading relationship with the communist bloc grew from the late fifties, Egyptian communists were subjected to persistent attacks through public trials or imprisonment without trial. Partly as a result of Nasser's continued attempts to suppress communism at home and partly as a means of retaining control over forces inimical to him, a widespread network of police and internal security grew. This network was in the charge of Interior Minister Goomah, who acquired great influence and power, but was apparently not wedded to any political "isms." Because of the use of security forces to pursue anti-communist policies within Egypt, many communists shed their party affiliation as a means of escape, joined the ASU and got elected to one of the several councils within the ASU's political machinery. The impact of their "socialist thinking" began to become increasingly manifest from the early sixties, in the deliberations of the ASU. Egypt's growing reliance on the communist bloc for economic and trade relationships, gave further impetus to a powerful leftist lobby in the ASU, whose head at the time of Nasser's demise was Vice President Aly Sabry.

7. The National Assembly, and more so the Higher Executive Committee of the ASU, was almost evenly balanced in 1970 with Sabry's or Goomah's "men." The relatively weaker "middle of the road" or "western-oriented" groups, were represented by Egypt's elder statesmen---the highly respected Mohammed Fawzy, Sayed Marei and their supporters. The military, which was hardly enthusiastic about Goomah's powerful security machinery, was represented on the said Committee by the War Minister General Fawzi. In this environment, Sabry or Goomah found an equal, but not decisive, matching of strengths in their quest to become President after Nasser's death. The result apparently, was their decision to act instead as "king makers" and until either found the right moment to emerge as President, to put what each thought was a manipulable and colorless man, Anwar Sadat, into that high office.

Prevailing External Situation around 1970

8. Since the mid-sixties, Nasser had estranged himself from Saudi Arabia's King Faisal in a bitter personal feud. Algeria and Iraq constantly launched vehement attacks on Nasser and Egypt. The abortive civil war in Yemen, one of the most uninfluential of Arab countries, made clear even the Yemeni dislike of Egypt. Tunisia under Bourghiba, voiced the need for Arab unity, but not through Nasser's methods and with an appeasement of Israel. The Arab world proclaimed a common aspiration for unity and defeat of Israel and recognized Egypt's pivotal role for its achievement, but yet was opposed to Egypt and divided by intense sectional and personal rivalries.

9. With the departure in the sixties of Nehru and Sukarno, Nasser's co-architects for the "non-aligned third bloc," the influence of the third bloc in international politics began to wane. With this development, Nasser's policy of non-alignment for Egypt began to loose much of its teeth. He found it even more difficult to play this game after the June 1967 war with Israel. Because

of their pro-Israeli stance, Nasser cut diplomatic relationships with the US, UK and Germany, which action further lost him his leverage and ability to pursue a policy of economic alignment with the Soviet Bloc, without political reliance on it. With the collapse of these diplomatic relationships, even the modest economic aid which flowed before 1967 from western countries stopped. Egypt found itself forced to rely even more on the Soviets, now not merely for economic and military aid and trade, but also for political support. At the same time, increasing reliance only on one power bloc, left him without a means of resolving the middle-eastern conflict, except through a war with Israel--for which Egypt was ill-equipped at that time.

10. This, in brief, was the portfolio Sadat inherited.

Sadat's Domestic Political Moves towards
Establishing himself as President

11. Sadat's first pre-occupation on assuming the Presidency was to become his own President, against powerful odds. His first move was to appoint the highly respected Fawzy as Prime Minister and the pro-Soviet Sabry as Vice President. He then skillfully juxtapositioned personalities opposed to each other, Goomah (who wanted the Presidency), Sidki (pro-Soviet) and Marei (west-oreinted), as deputy prime ministers. He made all of them members of ASU's Higher Executive Committee, again with Fawzy as chairman. At the same time, he began the process of emasculating this Committee's role by making major political and economic decisions, more and more through an "inner cabinet" (consisting of these five persons, War Minister Fawzy, Al-Ahram editor Heikal and himself).

12. While professing adherence to Nasser's goals and making jingoistic statements about war with Israel, Sadat also began advocating policies which included: negotiation by Egypt alone, if necessary, of a middle-eastern settlement with Israel; Egypt's economic development with both eastern and western assistance; relaxation of domestic security controls; providing an effective voice to the people according to the original ideals of ASU; seeking a rapprochement with Saudi Arabia, Algeria, Syria, Libya; a more even-handed political stance vis-a-vis USSR and the US, etc. Each of these policy principles gave the juxtapositioned forces in the "inner cabinet" and the said Committee, a weapon to strike against and weaken the other. The opposing forces of Sabry and Goomah were apparently also alarmed by the trend of these policies and the responsive support they seemed to evoke in favor of Sadat. The hawkish War Minister Fawzy was alarmed by the possibility of a settlement with Israel. Meanwhile, Sadat sought and obtained the military's support through General Sadek, popular in the military ranks and who also had access to "intelligence" through being the past head of military intelligence. In May 1971, with the use of this help, Sadat "uncovered a coup" and imprisoned Goomah, Sabry, Fawzy and their key supporters.

13. Having done this, and conscious of the leftist voices and USSR's political and military importance to Egypt, he balanced Sabry's removal by naming the pro-Soviet Sidki as the "first deputy prime minister." In fact, however, he continued to rely increasingly on the advice of the middle-roaders like Fawzy, Marei, Heikal and Hatem (his new Information Minister) and Hafeez Ismail.

Towards Reform in the Political System

14. Having ensured a firmer seat in the Presidency, he turned his attention towards reforming the political machinery in Egypt, undoubtedly with an eye to also securing popular support for himself. To ensure success of his plans, he put in his trusted lieutenant Sayed Marei as ASU's Secretary-General (Marei became Presidential Adviser only in 1973). He got the existing National Assembly to write a new constitution in September 1971, enshrining the principles of the rule of law, freedom of speech, freedom to own property, etc. He had the constitution approved by popular referendum. In October/November 1971, he arranged for an election of a new 360 member National Assembly, in contrast to the past practice of the Egyptian President selecting it himself. Again in contrast to past practice of the President selecting ASU's Higher Executive Committee, he called upon the National Assembly to do so.

15. He then moved away even more rapidly than in previous months, from involving this Committee in major policy decisions. Instead, his "inner Cabinet" began taking such decisions, through regular meetings. These meetings were then gradually replaced by regular meetings of the full Cabinet.

16. Sadat adopted the policy of his Ministers reporting periodically to the newly-elected National Assembly and subjecting themselves to its detailed questioning, as in western parliaments. International agreements and treaties were referred to it for approval and recommendations sought for legislation which could be considered. A system was started under which the Assembly appointed committees to discuss and make recommendations to the President on broad country issues or "to make investigations of any popular issue," a practice with a vague parallel to the US congressional committees. Ministers were encouraged to visit various governorates regularly to discuss and listen to popular views, as expressed through the various local and governorate councils. Ministries in "popular" sectors like agriculture, health and education, were asked to prepare "policy papers" outlining the strategy for the sectors' development. These papers in turn were made subjects of "public debates" in the country. While these papers were not profound, they achieved their public relations purpose for Sadat. A gradual liberalization of political and social life in Egypt was becoming evident.

Sadat's International Moves

17. On the Arab front, Sadat began by putting Egypt into a new, loose confederation (the Arab Republic of Egypt) with Syria and Libya. This gave him some room for demonstrating his intention to weld the Arab world into an economic partnership and to seek a joint solution to the conflict with Israel. With this step, he also managed to loosen the Libyan purse strings somewhat, but had to avoid Ghaddafi's pressure for an Egyptian-Libyan merger. By skillfully keeping Ghaddafi dangling on one hand and striking a posture of cutting him down to size on the other, Sadat played on the apathy felt by King Faisal and President Boumediene of Algeria towards Ghaddafi, and managed to pull both closer to him. He succeeded in overcoming their feuds with Egypt and nursed their confidence to a point where they gave Egypt not only their shrewd advice and financial backing (in the interest of Arab unity), but also their political backing in resolving the middle-eastern conflict on the basis of Sadat's policy of forcing the major powers to make Israel negotiate a settlement.

18. On the international front, Sadat deftly applied his policy of balancing forces and events to obtain what he sought. While signing the treaty of friendship with USSR in 1971, he intensified pressure on the US to help with a middle-eastern settlement. In late 1971, he took the politically difficult decision to reschedule debts to the US (stopped by Nasser since the June 1967 war) and followed with a systematic rescheduling of debts owed to Germany, Italy, UK, Japan and others. This was a signal of Egypt's intention to look as much to the west as to the communist bloc, for the country's economic development. Meanwhile, Sadat kept placating Soviet fears, by elevating pro-Soviet leaders like Sidky to the Prime Ministership and other high offices. At the same time, he neutralized them, by putting technocrats or western-oriented politicians owing allegiance to Sadat, in the Cabinet. His gesture of throwing out the Soviet advisers in August 1972, was probably a move as much designed to demonstrate Egypt's desire to look to the US for a middle-eastern solution, as to inch into the confidence and secure the political backing of the bitterly anti-USSR King Faisal. Despite this step, he nevertheless continued to nurse Soviet interest in Egypt by a constant stream of visits by generals and highly placed Egyptians to Moscow. Some of his actions were undoubtedly not well-timed and were so unorthodox by western criteria that they were many a time derided as meaningless maneuvers. However, step by step, Sadat was deliberately setting the stage for pressures and actions which he felt would move the deadlocked middle-eastern situation off-center and achieve his objective of peace with Israel and attention to his country's economic development.

19. The assumption by Sadat in early 1973, of the office of Prime Ministership in addition to that of the Presidency, presaged some dramatic moves in these directions. The brief October 1973 war and its aftermath, were obviously those moves. The conscious and careful military and political planning that apparently preceded these moves, and which are only now becoming apparent, casts some light on the careful and astute ways in which Sadat operates. Through these actions, Sadat has not only engineered the first tangible demonstration of unity in a traditionally fissiparous Arab world, but has also made prospects of middle-east peace brighter than at any time in recent years. In place of cynical skepticism which the international community and many of his own countrymen so far displayed towards him, Sadat now commands popular support at home and respect among Arab and other nations.

20. Overall, political life and institutions within Egypt and the middle-eastern situation are today significantly different from what they were in 1970, when Sadat became President. He has been the main instrument of change.

EMENA Region
February 22, 1974

# ECONOMIC BACKGROUND

# AND

# COUNTRY DATA SHEET

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# Economic Background

## Institutional Changes

1. In the first half of the twentieth century, per capita income in Egypt declined -- perhaps by as much as 20 percent. After World War II, the economic position improved and income per head began to rise slowly, despite a rapid increase in population growth which began at that time.

2. At the time of the Revolution of 1952, Egypt's economy was essentially a free-enterprise, market system. The Free Officers (including Anwar Sadat) who came into power at that time were not originally committed to State control over the economy. Indeed, in the first years of their rule, their economic and social policies were directed mainly at improving the conditions in which private enterprise could flourish. The principal early innovations of the new regime were a major land reform program and an increased emphasis on agricultural development. This period witnessed the approval of large land reclamation schemes such as the High Dam and New Valley projects.

3. The next stage in the evolution of Egypt's post-Revolution economic and social policy came about not as a result of ideological commitment on the part of the regime, but rather because of the Suez War of 1956. This war resulted in a consolidation of the new regime's authority, and led to a large reduction in the influence of the considerable foreign community in the economic life of the country. The Suez War led not only to the nationalization of the Suez Canal, but also to the sequestration of British and French property. Thus, the Government acquired control over the main part of the banking and insurance systems, and over some other business enterprises as well. Then, in 1957, the Nasser Government announced its commitment to comprehensive planning, to begin three years later. In the interim, an industrialization program was begun, and the role of the State in promoting long-term growth increased substantially. By 1960, the Government had already assumed responsibility for about 90 percent of total investment, whereas before 1952 it accounted for less than a quarter.

4. The early 1960's comprised still another phase in Egypt's transition to a socialist system with comprehensive control over the economy. In 1960, a Five-Year Plan was launched with the aim of achieving a growth rate of GDP of about 7 percent annually. In 1961, the Government nationalized the bulk of industrial, commercial and financial enterprises -- both foreign and Egyptian. Land, housing, internal trade and transport were not much affected by these nationalizations, though the Government did redistribute more land and imposed rigid controls over foreign trade, wholesale trade, and transport. State control over agriculture was also strengthened through Government-managed producers' cooperatives and other institutions. Small industry and some services (including housing) have remained in the private sector. But these too are subject to pervasive price controls and rationing which have largely displaced market forces as determinants of resource allocation.

5. The mid-1960's were marked by Egypt's growing involvement in the Yemen civil war. Mainly on account of this involvement, the Second Five-Year Plan, prepared for the period 1965/66 to 1969/70, was never implemented. The war of June 1967 had a further disruptive effect, and resulted in the abandonment of medium-to-long term planning. Planning since then has been on an ad hoc, short-term basis. While reference is made to annual plans, in practice the annual budget and a frequently-revised foreign exchange budget have been the main instruments of policy since the mid-1960's. Various drafts of a third Five-Year Plan have been under discussion for several years, but political and economic uncertainties precluded the adoption of another multi-year plan. The latest version of a (draft) Plan was completed in 1972; this constituted a Ten-Year Plan for the period 1973-1982, broken into two Five-Year Plan periods. The 1973-77 draft Plan was discussed by the Cabinet and Peoples' Assembly in 1972/73, but was not adopted. The main outlines of this Plan (which has only limited relevance to 1974 conditions) are described in the annexes attached to the report of Messrs. Karaosmanoglu and Armstrong's mission which primarily deals with macro-economic policy and creditworthiness issues. (This report is attached as Annex P of this Brief.)

Structural Features of the Economy

6. The only economic units currently left outside public ownership or control are those which are small or unimportant to fit into the hierarchy of controlling boards. Banks, insurance companies, transport, exporting and importing firms, and virtually the whole of the mining and manufacturing sectors are now state-owned and managed. So also is wholesale trade, although retail trade, or what is left of it outside (government) consumer cooperatives and the nationalized larger stores, remains largely in private hands (but subject to detailed regulations on prices, purchases, and profit margins). Some freedom is also allowed in agriculture, although from July 1969, the maximum perimitted area of a private holding was reduced to 50 acres from the previous level of 100 acres. Limits are imposed on holdings, rotation, marketing and rents. An active policy is being pursued to spread the organization of agricultural cooperatives. Private enterprise accounts for the bulk of the construction industry, and is also significant in textiles. After the 1967 war, it was decided that more encouragement would be given to the private sector, especially in tourism, in the hope that this might contribute more to export earnings. By 1970, this policy was beginning to pay some dividends. The private sector has been given further encouragement by President Sadat, and in 1973 a parallel foreign currency market was established to encourage foreign and domestic private investment.

7. Sectoral policies and controls are exercised mainly by public organizations (of which there are over 50), which control the firms and plants engaged in actual business. Other socialist laws entitle workers to 25 percent of net profits, ensure their representation on the boards of their companies, and limit annual pay to individuals to ĿE5,000. The mass of smallholding farmers were excluded from taxation in 1973.

8. The predominant role of the public sector in the Egyptian economy is also indicated by the fact that public consumption now accounts for nearly 30 percent of total consumption, while public investment accounts for about 90 percent of total investment. In such a centrally directed economy, the lines are blurred between fiscal, pricing, and wage policies. Costs and prices are administered not so much towards achieving economic efficiency as towards achieving the Government's goals respecting income distribution and resource mobilization. Savings as well as investments are largely directed through the budget; for example, nearly all savings generated by the public authorities and economic organizations are transferred via the Treasury. Investment financing for the business sector is provided mainly by Government loans or participations, while household savings mobilized through financial intermediaries and contractoral savings schemes are also channelled through the budget. Thus, Egypt's public finance decisions are crucial not only with respect to mobilizing and allocating resources for economic growth, but they also bear heavily on issues of income distribution, price stability, and balance of payments management.

9. Agriculture remains Egypt's most important sector in terms of its contribution to GDP (about 30 percent), its provision of employment (about half of total employment) and its generation of foreign exchange earnings (about 55 percent of total exports in unprocessed form, about 80 percent including processed farm products). The growth rate of value added (in real terms) in agriculture has averaged about 3-1/3 percent annually over the past fifteen years. Egypt has already attained quite high levels of physical productivity in agriculture (yields per hectare) even without having introduced the new high yielding strains of wheat and rice. But the growth rates of both yields and labor productivity have declined in recent years. Part of this decline was no doubt related to the 1967 war and its aftermath, and part to the related reduction in the growth of fertilizer applications. On the whole, however, there are grounds for optimism concerning the prospects for further improving productivity and for raising the contribution of the sector to export earnings, domestic savings and employment. Significant progress has been made recently towards a better integration of agricultural policy. This is reinforced by an appropriate shift in investment priorities, from expensive new land development to integrated projects and programs which promise higher short-term returns. These include drainage and soil amelioration, land and cropping consolidation projects, further adjustments in the cropping system in favor of summer crops and vegetables and fruits, improved seeds and increased fertilizer use, and the expansion of protein food production -- especially poultry and fish. However, the impact of this change in priority is yet to be felt, and the scarcity of capital will remain a major constraint limiting the undertaking of these needed programs. A number of other planned projects are highly complementary to agricultural development. These include the rural electrification program, expansion of the fertilizer industry and of the textile and other agricultural product processing industries, and investment in rural education, storage and marketing facilities.

10. Since the nationalization of industry in 1961, the Government's industrial policy has emphasized import-substitution and self-sufficiency targets. The development of some capital-intensive basic industries has also been stressed. Iron and steel manufacturing and transforming industries, together with crude oil extraction and refining, have continued to receive highest priority. It seems doubtful, however, that this inward-looking orientation has been optimal. Owing to its agricultural and other natural resources, its geographical location, the structure of domestic demand, the availability and skill endowment of its low-wage force, and the technical and managerial capacities of its trained personnel, Egypt is well equipped to develop a wide range of industries directed both to export and domestic markets. Moreover, its continuing balance of payments difficulties emphasize the need for its pattern of industrial development to be geared to take advantage of these resources. The extreme degree of centralization in administrative control over pricing and allocative decisions has largely done away with the signalling and clearing functions of market forces, and has contributed both to the high cost of industrialization and to inefficiency in planning and management. There were some portents of changes in policy in 1971, pointing to a somewhat more outward-looking approach. There have also been indications that there is now a lesser degree of interference in industrial policy and management on the part of Government officials.

11. Egypt's industry has great potential for future growth, and is counted upon to remain the leading sector in the country's development. The domestic market will provide a substantial base for enlarged production -- particularly if the civilian economy regains momentum. A factor of significance in this context is that there appears to be a greater equality of income distribution in Egypt than in most countries at a similar low level of per capita income. There are also good export prospects in goods where Egypt has a demonstrated comparative advantage, as in textiles, food, leather, and engineering goods industries. Moreover, important new comparative advantages are emerging -- partly as consequences of oil and gas discoveries and completion of the Aswan Dam -- in other resource-based industries such as fertilizers, cement and building materials, petrochemicals, and electricity-consuming industries. The prospects for expanding production and exports of crude oil -- a key factor for the economy because of the immediate need for foreign exchange earnings and savings -- are uncertain. However, it is thought by most observers that the medium-to-longer term prospects for increased oil extraction are reasonably bright. In any event, the new gas and electricity resources constitute valuable new inputs for further industrialization.

12. Egypt has a vast potential for tourism development, by virtue of its historical sites and treasures, its modern cities, its climate and beaches, its hospitality to foreign visitors, and its moderate prices for tourist services. Its special attractions for Arab visitors are obvious, and its geographical situation is also favorable with respect to tourism from both West and East. In the years 1968-70, however, the number of tourist nights spent in Egypt was less than half the levels reached in 1965 and 1966. There was a strong resurgence of tourism in 1971 and in the first months of 1972, reflecting some easing of tensions in the Middle East. Tourism could be a leading sector in Egyptian development if peace were restored.

Constraints to Growth

13. The overriding determinant of Egypt's economic performance in recent years has been the conflict with Israel. This has affected nearly every aspect of the economy, including the share of defense spending (recently about 35-45 percent of total Government expenditures, 15-20 percent of GNP), deficits in the balance of payments, the direction of trade, sources and levels of capital financing (both domestic and foreign), the sectoral allocation of resources, employment and price levels, tourism and transport development, and prospects for political and economic cooperation in the region.

14. The most severe constraints to Egyptian economic development have been: (a) the defense burden; (b) the lack of convertible foreign exchange (including funds not tied to new investment projects); (c) the debt burden (notwithstanding some recent reschedulings); and (d) the rigid and arbitrary nature of the decision-making process, wherein a highly centralized administration regulates nearly all production, distribution, employment and financial decisions, leaving little room for the market mechanism or for individual incentives to play a role. Rapid population growth also looms as a critical constraint.

15. The balance of payments situation has been the most critical constraint to Egypt's short-run development. Although transfer receipts from Arab countries were more than sufficient to offset the loss of Suez Canal revenues, the overall availability of foreign exchange has not been sufficient to finance both the servicing of debt and a level of imports consistent with the requirements of rapid and balanced growth of the civilian economy. While a number of Egypt's major investment projects continued to be supplied and financed from Russia and other Eastern countries, the continuing scarcity of convertible exchange still resulted in a hand-to-mouth financing of imports from convertible currency countries. The foreign exchange problem continues to underlie continuing delays in debt service, shortages of spare parts and replacement equipment, and a low level of overall investment (about 12 percent of GDP since the 1967 war). In addition to the need to replace existing capital stock in some sectors (especially transport), some new infrastructural investments are badly needed - especially those associated with urbanization generally, and more specifically with reconstruction of the Suez Canal cities. Congestion in Cairo is already a major problem. With the labor force growing by about 3 percent annually, it is evident that urban unemployment and under-employment are likely to become increasingly serious problems in future.

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# COUNTRY DATA - EGYPT

| AREA | POPULATION | DENSITY |
|---|---|---|
| 1,002,000 km$^2$ | 35.0 (1972 - Estimated)<br>Rate of Growth: 2.5% (from 1960 to 1970) | 35 per km$^2$<br>over 950 per km$^2$ of inhabited area |

**POPULATION CHARACTERISTICS (1970)**

| | |
|---|---|
| Crude Birth Rate (per 1,000) | 35.6 (provisional) |
| Crude Death Rate (per 1,000) | 15.0 (provisional) |
| Infant Mortality (per 1,000 live births) | 119 |

**HEALTH (1970)**

| | |
|---|---|
| Population per physician | 2,025 |
| Population per hospital bed | 470 |

**NUTRITION**

| | |
|---|---|
| Calorie intake as % of requirements: | 103% (1970) |
| Per capita protein intake (grammes): | 83.5 (1969) |

**EDUCATION**

| | |
|---|---|
| Adult literacy rate %: | 40% (1971) |
| Primary school enrollment %: | 70% (1970) |

GNP PER CAPITA in 1971 1/ : US $ 220

| GROSS NATIONAL PRODUCT IN 1970/71 2/ | US $ Mln. | % | ANNUAL RATE OF GROWTH (%, constant prices) 1960-65 | 1965-70 | 1971 |
|---|---|---|---|---|---|
| GNP at Market Prices | 6,970 | 100.0 | 6.3 | 2.3 | 4.0 4/ |
| Gross Domestic Investment | 868 | 12.5 | -14.9 | -3.9 | -12.2 |
| Gross National Saving | 369 | 5.3 | - | - | - |
| Current Account Balance | -216 | -3.1 | - | - | - |
| Exports of Goods, NFS | 965 | 13.8 | 5.7 | - 3/ | 4.7 |
| Imports of Goods, NFS | 1,412 | 20.3 | 11.2 | - 3/ | 12.5 |
| Transfers, net receipts | 272 | 3.9 | - | - | - |

**OUTPUT, LABOR FORCE AND PRODUCTIVITY IN 1970/71**

| | Value Added | | Employment | | Value Added Per Worker | |
|---|---|---|---|---|---|---|
| | US $ Mln. | % | Mln. | % | US $ | % |
| Agriculture | 1,780 | 29 | 4.06 | 49 | 438 | 59 |
| Industry | 1,794 | 29 | 1.31 | 16 | 1,369 | 185 |
| Services | 2,589 | 42 | 2.95 | 35 | 878 | 118 |
| Total/Average | 6,163 | 100.0 | 8.32 | 100.0 | 741 | 100.0 |

**GOVERNMENT FINANCE**

| | Central/Federal Government | | |
|---|---|---|---|
| | (LE Mln.) | % of GDP | |
| | 1970/71 | 1970/71 | 1969-71 |
| Current Receipts | 899 | 29.1 | 28.4 |
| Current Expenditure | 897 | 29.0 | 28.2 |
| Current Surplus | 2 | 0.6 | 1.0 |
| Capital Expenditures | 358 | 11.6 | 11.7 |
| External Assistance (net) | -2 | -0.1 | -0.4 |

---

1/ The Per Capita GNP estimate is at 1971 market prices, calculated by the same conversion technique as in the 1973 World Atlas.

2/ GNP and savings are defined here inclusive of net transfer receipts, most of which consist in payments from Arab countries to compensate Egypt for the loss of Suez Canal dues.

3/ Accurate constant price growth rates are not available owing to insufficient information concerning trade deflators. Moreover, the export growth rate for this period is biased by the drop in Suez revenues after 1966/67. Between 1967/68 - 1970/71, exports (in current prices) rose on the average by 12.5 percent annually, imports by 10.6 percent annually.

4/ Figure refers to GDP at factor cost.

## COUNTRY DATA - EGYPT

| MONEY, CREDIT and PRICES | 1965/66 | 1968/69 | 1969/70 | 1970/71 | 1971/72 |
|---|---|---|---|---|---|
| | | (Million LE outstanding, end period) | | | |
| Money and Quasi Money | 912 | 1005 | 1106 | 1108 | 1189 |
| Bank Credit to Government | 870 | 1028 | 1133 | 1232 | 1346 |
| Bank Credit to Non-Government Sector | 397 | 435 | 456 | 491 | 505 |
| | | (Percentages or Index Numbers) | | | |
| Money and Quasi Money as % of GDP 1/ | 37 | 37 | 37 | 36 | .. |
| General Price Index (1964/65 = 100) | 102.9 | 108.2 | 110.4 | 111.6 | .. |
| Annual percentage changes in: | | | | | |
| General Price Index | 2.9 | 1.3 | 2.0 | 1.0 | .. |
| Bank credit to Government | 8.8 | 5.2 | 10.2 | 8.7 | 9.3 |
| Bank credit to Private Sector | 4.7 | 7.4 | 4.9 | 7.6 | 2.9 |

### BALANCE OF PAYMENTS, 1968/69 - 1970/71

| | 1968/69 | 1969/70 | 1970/71 |
|---|---|---|---|
| | (Millions US $) | | |
| Exports of Goods, NFS | 833 | 936 | 965 |
| Imports of Goods, NFS | 1037 | 1274 | 1412 |
| Resource Gap (deficit -) | -204 | -338 | -447 |
| Factor Payments, net | -32 | -31 | -41 |
| Transfers, net | 288 | 320 | 272 |
| Balance on Current Account | 52 | -49 | -216 |
| Medium and Long-Term Loans | -68 | -18 | +18 |
| Disbursements | (176) | (249) | (349) |
| Amortization | (244) | (267) | (331) |
| Other Capital, net | 34 | 61 | 42 |
| Overall Balance (deficit -) | 18 | -6 | -156 |
| Errors and Omissions | 5 | -5 | -25 |

| Reserve Position, end of: | 1969 | 1970 | 1971 | 1972 |
|---|---|---|---|---|
| Gross Reserves | 260 | 275 | 259 | 288 |
| Net Reserves | -413 | -493 | -692 | -633 |

### MERCHANDISE EXPORTS (AVERAGE of Period: 1968/69 - 1970/71

| | US $ Mln | % |
|---|---|---|
| Raw cotton | 339 | 46 |
| Cotton yarn and textiles | 118 | 16 |
| Rice | 92 | 12 |
| Onions | 16 | 2 |
| All other commodities | 179 | 24 |
| Total | 744 | 100.0 |

### EXTERNAL DEBT, DECEMBER 31, 1972

| | US $ Mln |
|---|---|
| Public Debt, incl. guaranteed | 1,566 |
| Non-Guaranteed Private Debt | - |
| Total outstanding & Disbursed | 1,566 |

### DEBT SERVICE RATIO for 1971/72 2/

| | % |
|---|---|
| Public Debt, incl. guaranteed Balance of payments data | 28 |

### RATE OF EXCHANGE

Through Jan. 1973
US $ 1.00 = LE 0.435
LE 1.00 = US $2.30

From Feb. 1973
US $ 1.00 = LE 0.390
LE 1.00 = US $2.56

### IBRD/IDA LENDING, (Jan. 31, 1974)(Million US $):

| | IBRD | IDA |
|---|---|---|
| Outstanding & Disbursed | 5.5 | 25.3 |
| Undisbursed | - | 105.8 |
| Outstanding incl. Undisbursed | 5.5 | 131.1 |

1/ End period stock as % of period GDP.

2/ Ratio of debt service to exports of goods and non-factor services plus transfers.

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1. STATEMENT OF BANK AND IDA LENDING

2. PRO-FORMA IDA 5-YEAR LENDING PROGRAM
(as suggested for the ongoing CPP exercise)

# THE STATUS OF BANK GROUP OPERATIONS IN EGYPT

## A. STATEMENT OF BANK LOANS AND IDA CREDITS
(As of January 31, 1974)

| Loan or Credit Numbers | Year | Borrower | Purpose | | Amount in million US Dollars Less cancellations Bank | IDA | Undisbursed |
|---|---|---|---|---|---|---|---|
| Ln 243 | 1959 | Suez Canal Authority | Suez Canal Expansion | | 56.5 | - | - |
| Cr 181 | 1970 | UAR | Nile Delta Drainage | | - | 26.0 | 20.6 |
| Cr 284 | 1972 | ARE | Railways | | - | 30.0 | 10.3 |
| Cr S13 1/ | 1972 | ARE | Cotton Ginning Eng. | | - | 0.2 | - |
| Cr 393 | 1973 | ARE | Upper Egypt Drainage | | - | 36.0 | 36.0 |
| Cr 412 | 1973 | ARE | BOA | | - | 15.0 | 15.0 |
| Cr 423 | 1973 | ARE | Cotton Ginning | | - | 18.5 | 18.5 |
| Cr 437 2/ | 1973 | ARE | Population | | - | 5.0 | 5.0 |
| Cr S15 2/ | 1973 | ARE | Talkha Fetilizer Eng. | | - | 0.4 | 0.4 |
| | | | | | 56.5 | 131.1 | 105.8 |
| of which has been repaid | | | | | 51.0 | - | |
| Total now outstanding | | | | | 5.5 | 131.1 | |
| Amount sold | | | | 6.0 | | | |
| of which has been repaid | | | | 6.0 | - | | |
| Total now held by Bank and IDA | | | | | 5.5 | 131.1 | |
| Total undisbursed | | | | | - | 105.8 | 105.8 |

## B. STATEMENT OF IFC INVESTMENTS
(As of January 31, 1974)

Nil

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1/ To be refinanced under Credit 423, which was declared effective on Feb. 15, 1974
2/ Not yet declared effective

Annex I

EGYPT -- ACTUAL AND PROPOSED IDA LENDING THROUGH FY79 1/
($ million)
(As Proposed for the Ongoing CPP Exercise)

Population: 35m. (1972 estimate); 2.5% p.a.
Per Cap. Income: $221 (1971); 3.0% p.a. (1968-71)
Area: 1,002,000 sq. km.
Literacy: 40% adult population (1971)

| | | Through | | Actual | | | | Current | Proposed | | | | | Totals | Totals | Totals |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | FY68 | FY69 | FY70 | FY71 | FY72 | FY73 | FY74 | FY75 | FY76 | FY77 | FY78 | FY79 | FY65-69 | FY70-74 | FY75-79 |
| Nile Delta Drainage 1 | IDA | | | 26.0 | | | | | | | | | | | | |
| Upper Egypt Drainage I | IDA | | | | | | 36.0 | | | | | | | | | |
| Soil Improvement I | IDA | | | | | | | | | | | 20.0 | | | | |
| Agri. Credit and Fruit/Veg. Production and Marketing | IDA | | | | | | | | | 15.0 | | | | | | |
| Agri. Credit/Agro-Industry | IDA | | | | | | | | | | | 20.0 | | | | |
| Irrigation | IDA | | | | | | | | | | | | 25.0 | | | |
| Rural Development | IDA | | | | | | | | | | | | 15.0 | | | |
| BOA I | IDA | | | | | | 15.0 | | | | | | | | | |
| BOA II | IDA | | | | | | | | | 15.0 | | | | | | |
| Textile Rehabilitation/BOA | IDA | | | | | | | | 20.0 | | | | | | | |
| BOA III | IDA | | | | | | | | | | | 20.0 | | | | |
| Industrial Credit or Fertilizer (Possibly Rock Phosphate) | IDA | | | | | | | | | 30.0 | | | | | | |
| Cotton Ginning Rehabilitation: Engineering Credit | IDA | | | | | | 0.2 | | | | | | | | | |
| Cotton Ginning Rehabilitation I | IDA | | | | | | | 18.5 | | | | | | | | |
| Cotton Ginning Rehabilitation II | IDA | | | | | | | | | | | | 20.0 | | | |
| Free Zone Estate | IDA | | | | | | | | | 20.0 | | | | | | |
| Talkha Urea Fertilizer: Engineering Credit | IDA | | | | | | | 0.4 | | | | | | | | |
| Talkha Urea Fertilizer | IDA | | | | | | | 20.0 | | | | | | | | |
| Tourah Cement Expansion | IDA | | | | | | | | 20.0 | | | | | | | |
| Sponge Iron | IDA | | | | | | | | | | 30.0 | | | | | |
| Industrial Credit | IDA | | | | | | | | | | | 30.0 | | | | |
| Industry (unidentified) | IDA | | | | | | | | | | | | 25.0 | | | |
| Population I | IDA | | | | | | | 5.0 | | | | | | | | |
| Population II | IDA | | | | | | | | | | 10.0 | | | | | |
| Telecommunications 2/ | IDA | | | | | | | | 20.0 | | | | | | | |
| Water/Sewerage (Canal Cities) 3/ | IDA | | | | | | | | | | 25.0 | | | | | |
| Cairo Urban Stabilization | IDA | | | | | | | | | | | 15.0 | | | | |
| Tech/Vocational Education | IDA | | | | | | | | | | 20.0 | | | | | |
| Railways I | IDA | | | | | 30.0 | | | | | | | | | | |
| Railways II | IDA | | | | | | | | 25.0 | | | | | | | |
| Transportation (unidentified) | IDA | | | | | | | | | | | | 20.0 | | | |
| Suez Canal | IBRD | 56.5 | | | | | | | | | | | | | | |
| Operations Program | IDA | | | 26.0 | | 30.0 | 51.2 | 43.9 | 85.0 | 80.0 | 85.0 | 105.0 | 105.0 | | 151,1 | 460.0 |
| | No. | | | 1 | | 1 | 3 | 3 | 4 | 4 | 4 | 5 | 5 | | 8 | 22 |
| Lending Program | IBRD | 56.5 | | | | | | | | | | | | 56.5 | | |
| | IDA | | | 26.0 | | 30.0 | 51.2 | 43.9 | 65.0 4/ | 65.0 | 80.0 | 85.0 | 90.0 | | 151,1 | 385.0 |
| | No. | 1 | | 1 | | 1 | 3 | 3 | 3 | 3 | 4 | 4 | 4 | 1 | 8 | 18 |

As comparison

| | FY74 | FY75 | FY76 | FY77 | FY78 | FY79 | Totals |
|---|---|---|---|---|---|---|---|
| Lending Program approved at November 27, 1972 CPP Review: | 45.0 | 55.0 | 55.0 | 55.0 | 55.0 | - | 265.0 (FY74-78) |
| | 3 | 2 | 3 | 3 | 3 | - | 14 |

1/ Differs somewhat from the Proforma Table dated February 4 attached to Egypt CPP Initiating Memorandum, to take account of some of the suggestions received during and after the Initiating Meeting, from EMENA Projects and Central Projects Departments.
2/ This project could be dropped, if necessary, after discussions with the Government, in favor of Suez Canal Clearance and Reopening Project.
3/ In view of the urgency, project needs to be processed in FY75 to a point that only Board presentation and approval is scheduled for the first half of July 1975, to make this an FY76 project.
4/ The EMENA Region's planning figure is still $65 million and only 2 projects; the increase to 3 projects within $65 million, suggested in view of the readiness of 4 projects for appraisal, still remains to be considered and approved by EMENA's management.

Note: Gross Disbursements and Net Transfer figures not provided, in view of likely changes in amounts for Operations and Lending Programs up to RVP Review stage. These figures will be incorporated after that Review in time for the CPP Review by the Bank's Management.

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## BRIEFS ON ONGOING PROJECTS

1. Nile Delta Drainage (FY70)
2. Railway Rehabilitation and Modernization 1 (FY72)
3. Cotton Ginning Engineering (FY73)
4. Upper Egypt Drainage (FY73)
5. Bank of Alexandria (FY73)
6. Cotton Ginning Rehabilitation (FY74)
7. Population (FY74)
8. Talkha Urea Fertilizer Engineering (FY74)

J

ONGOING PROJECT

1. Project: Nile Delta Drainage

2. Signed: April 17, 1970

3. Credit Amount: $26,000,000

4. Borrower: Egypt

5. Sub-Borrower: Nile Delta Authority for Tile Drainage Projects (succeeded in February 1973 by Egypt Public Authority for Drainage Projects (EPADP) )

6. Effective Date: December 22, 1970

7. Closing Date: December 31, 1976

8. Estimated Project Cost: $147,000,000

9. Credit Covered: 100% of foreign exchange component
   0% of local currency component
   18% of total Project Cost (at time of appraisal; with anticipated increase in project cost about 14%)

10. Project Description: Installation by manual methods and equipment of tile drainage in 950,000 feddans, remodelling of about 1,700 kilometers of open main drains, construction of 11 pumping stations and one transformer sub-station, procurement of construction equipment, drainage pipe manufacturing and laying the machines, workshop machines and equipment for the agricultural extension services and tile drainage maintenance; consultant services are provided to advise management and for training.

11. Project Implementation Unit: EPADP

12. Problems, if any, to be Resolved:

(a) The Project was placed on the Problem Projects list in January 1972, because of the unsatisfactory rate of implementation primarily resulting from organizational weakness, including inadequate management and shortages of qualified staff. Following high level discussions with the Government, the Nile Delta Drainage Authority was reorganized, by combining the Nile Delta and Upper Egypt drainage works under a new Egyptian Public Authority for Drainage Projects (EPADP). A new chairman and several new key officials were appointed. The July 1973 supervision mission reported a definite improvement in the project performance during the first half of 1973 and indicated that the project had at last achieved the ability to proceed on the revised schedule. The tile drainage installation scheduled for that period had been accomplished, construction of pumping plants was ahead of schedule and procurement of imported equipment was progressing well.

(b) Despite this progress, the July mission reported that a shortage of local funds had arisen which threatened to curtail activities for the final six months of the financial year, unless supplementary financing was provided.

13. Actions Taken/Contemplated to Resolve Problems: The matter was followed up by cables and discussions, including Mr. Votaw's in September. The Bank was assured that local currency adequate to meet payments was being arranged and local contractors had also been persuaded to undertake new drainage works. During Mr. Davar's visit in December 1973, the Deputy Prime Minister Hegazy again assured him that adequate local currency had also been budgetted for the project for 1974.

14. Disbursements made up to January 31, 1974: $5,500,000

15. Anticipated Disbursements:

| FY | 1974 | 1975 | 1976 | 1977 |
|---|---|---|---|---|
| US$ mill. | 5.4 | 8.5 | 2.1 | 0.1 |

16. Rate of Return: 18%

EMENA Region
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Annex J

ONGOING PROJECT

1. Project: Railways Rehab. & Improve. I
2. Signed: Feb. 9, 1972
3. Credit Amount: $30 million
4. Borrower: Egypt
5. Sub-Borrower: Egyptian Railways (ER)
6. Effective Date: July 17, 1972
7. Closing Date: Dec. 31, 1974, except for signalling equipment/CTC which will be on Sept. 30, 1976
8. Estimated Project Cost: $134 million
9. Credit Covered: 46% of foreign exchange component
   0% of local currency
   22% of project cost
10. Project Description: Project constitutes Phase I of ER's 5-Year (1973-77) Rehabilitation and Improvement Program (estimated during appraisal, to cost about $319 million), and consists of all investments in fiscal years 1972 and 1973 and signalling up to 1976. It includes relaying of about 500 km. of tracks, acquisition of 43 diesel locomotives, 300 freight cars, 25 electric rail car sets, 5 breakdown cranes, 270 passenger cars, modernization and construction of marshalling yards, reconstruction of workshops and acquisition of road vehicles, improvement of training facilities and consultancy services for financial matters. Of this project, IDA financing covered track relaying, 18 diesel locomotives, airbraking equipment, signalling equipment, spare parts for rolling stock and technical assistance.
11. Project Implementation Unit: ER
12. Current Status: The credit has been fully committed; nearly two-thirds of the equipment covered by the Dec. 31, 1974 closing date has been procured; however because of the delay in commencing the project until after the credit agreement was signed in February 1972, and delayed supplies, the project is about one year behind schedule.
13. Problems, if any, to be Resolved:
   (a) Delays in compliance with covenants concerning conversion of government debt into equity;
   (b) Settlement of mutual debts by the Government and ER;
   (c) Revaluation of fixed assets.

14. <u>Action Taken/Contemplated to Resolve Problems:</u> Agreement reached to complete all above matters by March 31, 1974.

15. <u>Disbursements made up to January 31, 1974:</u> $19,767,096

16. <u>Anticipated Disbursements:</u>

| Calendar | 1974 | 1975 | 1976 |
|---|---|---|---|
| US$ Millions | 5.7 | 2.4 | 2.1 |

17. <u>Rate of Return:</u> 14% for the 5-Year Program

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ONGOING PROJECT

1. Project: Cotton Ginning Rehab. Eng.  2. Signed: Nov. 17, 1972

3. Credit Amount: $175,000

4. Borrower: Egypt  5. Sub-Borrower: None

6. Effective Date: June 15, 1973  7. Closing Date: Nov. 30, 1973

8. Estimated Project Cost: $225,000

9. Credit Covered: 100% of foreign exchange component
0% of local currency component
78% of project cost

10. Project Description: Engineering and consulting services for the detailed feasibility, initiation of the design and engineering and preparation of tender documents for Phase I of a program for the rehabilitation and modernization of the cotton ginning industry in Egypt.

11. Project Implementation Unit: Egyptian Cotton General Organization

12. Current Status: Project and disbursements completed. The credit is refinanced under the credit for the Cotton Ginning Rehabilitation project.

13. Problems, if any, to be Resolved: None

14. Actions Taken/Contemplated to Resolve Problems: None

15. Disbursements made up to January 31, 1974: $175,000

16. Actual Disbursements: 1973: $175,000

EMENA Region
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## ONGOING PROJECT

1. Project: Upper Egypt Drainage
2. Signed: June 6, 1973
3. Credit Amount: $36,000,000
4. Borrower: Egypt
5. Sub-Borrower: Egyptian Public Authority for Drainage Projects (EPADP)
6. Effective Date: November 28, 1973
7. Closing Date: December 31, 1979
8. Estimated Project Cost: $123,800,000
9. Credit Covered: 100% of foreign exchange component
   0% of local currency component
   29% of Project Cost
10. Project Description: The Project provides for the installation of buried tile field drains throughout 300,000 feddans in Upper Egypt, remodelling of existing and construction of new open main and branch drains, construction and remodelling of five pumping stations, and reclamation of 22,500 feddans of severely saline land. The project includes the procurement of construction equipment, drainage pipe manufacturing and laying machines, vehicles office and workshop equipment and equipment for the agricultural extension service and for tile drain maintenance. In addition, it includes equipment, technical assistance and materials for a four year program to control Bilharzia in an area of 900,000 feddans, with a population of 3 million, where the disease is most prevalent and where the irrigation system is suitable for effective snail control.
11. Project Implementation Unit: EPADP for drainage and Health Ministry for the Bilharzia Program.
12. Problems, if any, to be Resolved: There was an initial delay of two months in declaring the Credit effective. The October 1973 war, coupled with a shortage of local funds, appear responsible for slow progress to date. EPADP has, however, meanwhile prepared terms of reference for the employment of consultants; the Health Ministry has made inquiries for the supply of molluscicides for the Bilharzia control program.
13. Actions Taken/Contemplated to Resolve Problems: A supervision mission scheduled for March 1974, will discuss with the Authority the revisions necessary in the work program, etc., because of the delayed start to the project.

14. Disbursements made up to January 31, 1974: $0.0

15. Anticipated Disbursements:

| Calendar | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|---|---|
| US$ mill. | 1.0 | 6.4 | 9.6 | 8.0 | 7.4 | 2.9 | 0.7 |

16. Rate of Return: 20%

EMENA Region
February 22, 1974

ONGOING PROJECT

1. Project: Bank of Alexandria

2. Signed: June 29, 1973

3. Credit Amount: $15.0 million

4. Borrower: Egypt

5. Sub-Borrower: Bank of Alexandria (BOA)

6. Effective Date: November 29, 1973

7. Closing Date: September 30, 1977

8. Estimated Project Cost: $15.0 million

9. Credit Covered: Foreign exchange component of sub-projects financed by BOA, to the extent determined by that Bank.

10. Project Description: Provision of foreign currency requirements for the financing of equipment of those private and public sector industrial projects processed by BOA as part of its development finance activities.

11. Project Implementation Unit: BOA

12. Current Status: There has been some lag in the submission of sub-projects. Only two small projects amounting to $119,000, have been authorized by BOA. The recent supervision mission (Feb. 9-14), however, found that 23 projects with a foreign exchange component of $13.1 million had been studied and were being readied for submission. Another group of projects with foreign exchange requirements amounting to $18.0 million have been received by BOA for consideration.

13. Problems, if any, to be Resolved: The basic problem revolves around the inexperience of BOA's commercial bank-oriented staff, in promoting and expeditiously processing projects. Technical assistance is needed in this area.

14. Actions Taken/Contemplated To Resolve Problems: Arrangements are at an advanced stage, to provide technical assistance through UNDP. ICICI has consented to make an experienced man available as an advisor.

15. Disbursements made up to January 31, 1974: Nil

16. Anticipated Disbursements:

| Calendar | 1974 | 1975 | 1976 | 1977 |
|---|---|---|---|---|
| US$ mill. | 0.5 | 3.0 | 7.5 | 4.0 |

EMENA Region
February 22, 1974

ONGOING PROJECT

1. Project: Cotton Ginning Rehab. 2. Signed: July 30, 1973

3. Credit Amount: $18.5 million

4. Borrower: Egypt 5. Sub-Borrower: Egyptian Cotton Ginning Organization

6. Effective Date: February 15, 1974 7. Closing Date: June 30, 1978

8. Estimated Project Cost: $40.4 million

9. Credit Covered: 100% of foreign exchange component (about $18.0 million)
2% of local currency component (about $0.5 million)
46% of project cost

10. Project Description: The project comprises Phase I of a three-phase program for modernizing and rehabilitating Egypt's antiquated cotton ginning industry and includes
(i) the construction of four new ginneries,
(ii) the rehabilitation of ten old ginneries,
(iii) the consultancy services for design/engineering and supervision over construction,
(iv) technical assistance and training, and
(v) a program for the retraining and re-employing displaced workers.

11. Project Implementation Unit: Egyptian Cotton General Organization

12. Current Status: Although the effective date of the credit had to be extended twice, the work of design/engineering and preparation of tender documents financed by the 1972 engineering credit has proceeded satisfactorily. Some tenders are now being issued.

13. Problems, if any to be Resolved: The Project Implementation Unit still remains to be fully staffed with engineers.

14. Actions Taken/Contemplated to Resolve Problems: The recent supervision mission has suggested that the General Organization for Industrialization could assist in securing the required engineers.

15. Rate of Return: 25 percent

16. Disbursements made up to January 31, 1974: Nil. However, with the Credit declared effective on Feb. 15, 1974, the entire amount, $175,000 of the engineering credit is expected to be financed by end February.

17. Anticipated Disbursements:

| Calendar | 1974 | 1975 | 1976 | 1977 | 1978 |
|---|---|---|---|---|---|
| US$ mill. | 2.8 | 4.4 | 4.7 | 4.5 | 2.1 |

EMENA Region
February 22, 1974

Annex J

ONGOING PROJECT

1. Project: Population — 2. Signed: Nov. 6, 1973

3. Credit Amount: $5,000,000

4. Borrower: Egypt — 5. Sub-Borrower: None

6. Effective Date: March 6, 1974 — 7. Closing Date: June 30, 1977

8. Estimated Project Cost: $10,500,000

9. Credit Covered: 100% of foreign exchange component
0% of local cost component
47% of project costs

10. Project Description: The project provides for the construction, equipping and furnishing of 22 general health centers, 12 polyclinics, three centers for training nursing teachers and three centers for in-service training of family planning and other health personnel. One hundred and fifty multi-purpose vehicles will be provided, to improve mobility of family planning services. Also included are a study on the maintenance of health facilities, three evaluation studies of family planning acceptors, an experimental home visiting program to inform and motivate people on family planning, and assistance in the production of health education materials useful for family planning information and motivation.

11. Project Implementation Unit: Project Coordinating Committee within the Health Ministry

12. Current Status: The Project Coordinating Committee has been established; Project Coordinator and Assistant Project Coordinators have been appointed. A draft contract with consultant architects has been negotiated, and following review by IDA, is expected to be signed shortly. A draft contract with the Institute of National Planning to prepare detailed plans for a home-visiting program has been negotiated, and following review by IDA, is expected to be signed shortly. The progress of the project is encouraging.

13. Problems, if any, to be Resolved: The Credit Agreement has not yet been ratified and the legal opinion necessary to declare the Credit effective has not been received by IDA.

14. Actions Taken/Contemplated to Resolve Problems: The Government has been urged in end January and again last week to take the necessary actions.

15. Disbursements made up to January 31, 1974: Nil

16. Anticipated Disbursements:

| Calendar | 1974 | 1975 | 1976 | 1977 |
|---|---|---|---|---|
| US$ mill. | 1.2 | 2.4 | 1.2 | 0.2 |

EMENA Region
February 22, 1974

ONGOING PROJECT

1. Project: Talkha Urea Fertilizer Eng.    2. Signed: Nov. 20, 1973

3. Credit Amount: $400,000

4. Borrower: Egypt    5. Sub-Borrower: None

6. Effective Date: March 29, 1974    7. Closing Date: March 31, 1975

8. Estimated Project Cost: $465,000

9. Credit Covered: 100% of foreign exchange component
0% of local currency component
86% of project cost

10. Project Description: Financing of the technical advisory services (for a period of about 12 months commencing around Nov. 1973) for selecting the appropriate manufacturing process, developing design criteria and initiating the detailed design/engineering and construction work of the proposed Talkha Urea Fertilizer project.

11. Project Implementation Unit: El Nasr Company for Fertilizers and Chemicals

12. Current Status: The consulting firm of Cremer and Warner, UK, has been appointed as Technical Advisors; they have completed their initial work of developing sufficient design and cost data to complete the appraisal of the proposed Talkha project, and are now initiating work for selecting the general contractors and preparing tender documents for procurement of equipment.

13. Problems, if any, to be Resolved: None, except to make the credit effective. The initial effective date of Feb. 18, 1974 has been extended to March 29, 1974

14. Actions Taken/Contemplated to Resolve Problems: Government urged to complete the steps of ratifying the credit documents and submitting a legal opinion to IDA, to enable the credit to be declared effective.

15. Disbursements made up to January 31, 1974: Nil, although the Government has paid the consultants fees so far.

16. Anticipated Disbursements: 1974: $400,000

EMENA Region
February 22, 1974

BRIEFS ON POSSIBLE FUTURE IDA PROJECTS

1. Talkha Urea Fertilizer (FY74)
2. Tourah Cement Expansion (FY75)
3. Railway Rehabilitation and Modernization 2 (FY75)
4. Telecommunication Improvement and Expansion 1 (FY75)
5. Suez Canal Clearance and Reopening (FY75)
6. Fruit/Vegetable Production and Marketing (FY76)
7. Textiles Modernization (possibly FY76)
8. Port Said Free Zone Estate (possibly FY76)

K

POSSIBLE FUTURE PROJECT

1. Project: Talkha II Urea Fertilizer

2. Fiscal Year: 1974

3. Project Description: Installation of (i) a urea fertilizer plant with a capacity of 570,000 metric tons per year (TPY) of urea (262,000 TPY of nitrogen) at Talkha, 135 km north of Cairo, (ii) a single-stream 1,000 or 1,200 TPD ammonia plant, and (iii) technical advisory and general contractors services. The project will use natural gas from nearby Abu Mahdi gasfields piped to Talkha.

4. Estimated Project Cost: About $125 million, if the project is built with a 1,000 TPD ammonia plant and about $131 million if the larger 1,200 TPD ammonia plant is provided.

5. Estimated Foreign Exchange Cost and IDA Financing: Foreign Exchange Cost:

$88 million, with a 1,000 TPD ammonia plant option
$92 million, with a 1,200 TPD ammonia plant option

Of this, IDA proposes to provide $20 million towards the technical advisory and general contractors' services, besides compressors, high pressure equipment, erection equipment, structural and other steel, and instrumentation. The balance foreign exchange, to be applied towards equipment procurement, is being arranged by the Arab Fund; tentatively, the Arab Fund, Kuwait Fund and Abu Dhabi Fund are likely to loan $20 million, $15 million and $10 million respectively, and provide the remainder by raising Notes in Qatar and Libya.

6. Borrower: Egypt

7. Project Authority/Implementation Unit: El Nasr Company for Fertilizers and Chemicals, assisted by a General Contractor.

8. Problems: (i) Firm financial commitments from Arab co-lenders, on the basis of plant options and acceptable price escalation contingencies; (ii) Securing financing terms for their lending, which do not add to Egypt's debt service burdens.

9. Anticipated Timing for Processing:

| | |
|---|---|
| Appraisal: | Completed |
| Negotiations: | late April 1974 |
| Board: | June 11, 1974 |

EMENA Region
February 22, 1974

# POSSIBLE FUTURE PROJECT

1. Project: Tourah Cement Expansion

2. Fiscal Year: 1975

3. Project Description: Extension of the cement producing capacity of the Tourah Cement Company (TCC), 15 km south of Cairo, by 700,000 tons per year, to increase its total production capacity to 2.1 million tons a year. The extension, using the wet process as used by the existing capacity, would require quarrying and transporting equipment for raw materials, a limestone crusher, a wash mill, two raw mills, a rotary kiln and cooler (capacity of 2,000 tons/day), 3 cement grinding mills, a gypsum crusher, 2 packing machines and storage facilities at various points. The project may include some cement distribution facilities and equipment, and technical assistance for formulating a viable plan for the conversion of the cement distribution system in Egypt from bagged to bulk sales.

4. Estimated Project Costs: About $50 million.

5. Estimated Foreign Exchange Cost and Likely IDA Financing: Foreign exchange cost likely to be around $27 million, of which IDA likely to finance between $10 million to $15 million.

6. Borrower: Egypt

7. Project Authority/Implementation Unit: General Organization for Building Materials/Tourah Cement Company.

8. Problems: (i) Lack of sufficient demand data (current and forecast demand and distribution pattern), possibly because of Egypt's understandable sensitivity to divulge end use (defense?); however, market study being done by the Institute of National Planning, should be ready in time for appraisal.(ii) Several new plants and extensions are planned in the current 10-year plan, but information on likely start-up is uncertain, because some of the plants were to be financed with USSR assistance about which the prospects are not now clear to the Government; information is expected to be made available by the time of appraisal. (iii) In view of limited IDA availabilities, there is a need to arrange complementary foreign exchange financing. The Arab Fund has expressed some interest. Otherwise, another co-lender will need to be found.

9. Anticipated Timing for Processing:

| | |
|---|---|
| Completion of Identification: | Completed |
| Completion of Preparation: | March 1974 |
| Appraisal: | early April 1974 |
| Negotiations: | August/September 1974 |
| Board: | October/November 1974 |

EMENA Region
February 22, 1974

# POSSIBLE FUTURE PROJECTS

1. Project: Railway Rehabilitation and Modernization 2

2. Fiscal Year: 1975

3. Project Description: The project constitutes Phase II of the Egyptian Railways 5-Year (1973-77) Rehabilitation and Modernization Program and will cover the needs of this Program for the years 1974, 1975 and 1976. The project will include: (i) improvement of automatic telephone system on ER, (ii) relaying about 400 kms. of new track, (iii) acquisition of track laying and maintenance equipment, (iv) 27 diesel locomotives 2200 HP, (v) 30 diesel locomotives 1000 HP, (vi) 25 diesel shunting locomotives 600 HP, (vii) 820 freight cars, (viii) 355 passenger coaches, (ix) modernization of marshalling yards and workshops, (x) spare parts for existing fleet of locomotives, (xi) training of ER staff. Project components to be financed by IDA, will be finalized during appraisal.

4. Estimated Project Cost: $225 million (Total revised cost of the Program is now estimated at $355 million instead of $319 million estimated during the appraisal of the Railway I project in 1970).

5. Estimated Foreign Exchange Cost and Likely IDA Financing: $130 million, of which IDA likely to finance $30 to $40 million.

6. Borrower: Egypt

7. Project Authority/Implementation Unit: Egyptian Railways (ER)

8. Problems: (i) Covenants agreed during negotiations concerning revaluation of fixed assets, conversion of Government debt to equity and settlement of substantial mutual debts have not been complied with on time. Compliance with the covenants along lines discussed between the Government and the preappraisal mission was stated as essential to the sending of an appraisal mission. (ii) Establishment of a firm financing plan, particularly sources from which the balance foreign exchange of about $100 million will be forthcoming.

9. Anticipated Timing for Processing:

| | | |
|---|---|---|
| Completion of preparation | : | March 1974 |
| Appraisal | : | April/May 1974 |
| Negotiations | : | September 1974 |
| Board | : | October 1974 |

EMENA Region
February 22, 1974

# POSSIBLE FUTURE PROJECT

1. Project: Telecommunication Improvement I

2. Fiscal Year: 1975 (unless deferred in preference for the Suez Canal Clearance and Reopening Project)

3. Project Description: 1974-76 timeslice of the Five Year (1973-1977) Telecommunications Improvement and Expansion Program of the Arab Republic of Egypt Telecommunications Organization (ARETO). Project will include: (i) installation of 100,000 lines of exchange equipment, (ii) connection of about 80,000 subscribers lines, (iii) laying of local distribution and inter-office cables, (iv) long-distance transmission equipment and exchanges with about 4,000 terminations, (v) teleprinter exchanges with about 3,000 lines and (vi) about 1,000 teleprinters. Items (i), (ii) and (iii) will essentially be installed in Cairo and Alexandria. A related part of the project, but not financed by the Bank, is likely to be the Libyan-financed Egypt-Libya microwave link.

4. Estimated Project Cost: $150 million. (Five-Year Program estimated to cost $276 million).

5. Estimated Foreign Exchange Cost and Likely IDA Financing: $37 million, of which IDA likely to finance $20 million to cover the cost of distribution cables ($13 million), coaxial cables and equipment ($6 million), teleprinters ($1 million); the remaining balance of $17 million covers purchase of copper ($4 million) for cables and components sub-assemblies, etc., ($13 million) for telecommunication equipment, both manufactured in Egypt.

6. Borrower: Egypt

7. Project Authority/Implementation Unit: ARETO

8. Problems: (i) Conversion of past Government loans to ARETO of about $23 million into Government-held equity in ARETO; otherwise ARETO has excessive debt-equity ratio. (ii) Determination and mutual settlement of other outstandings between ARETO and Government. (iii) Arrangement of complementary foreign exchange financing ($17 million) for the project.

9. Anticipated Timing for Processing:

| | |
|---|---|
| Completion of Preparation: | March/April 1974 |
| Appraisal: | May 1974 |
| Negotiations: | October 1974 |
| Board: | December 1974 |

EMENA Region
February 22, 1974

Annex K

# POSSIBLE FUTURE PROJECT

1. Project: Suez Canal Clearance and Reopening

2. Fiscal Year: 1975

3. Project Description: The clearance of wrecks and mines from the Canal and some dredging work (estimated to cost $45 million) is proposed to be undertaken by Egypt from April onwards, with financing from Kuwait. However, to reopen the Canal for efficient navigation to the pre-June 1967 level, the following are needed: (a) Civil works, such as dredging, reconstruction of service roads, buildings and workshops, fresh water supply and repairs to employee housing; and (b) Equipment and facilities including workshop materials and tools, navigational aids and communications, floating craft and minor ancilliary equipment such as vehicles and tugs. The proposed project would also include a study to determine the optimum timing and phasing of deepening and widening the Canal to accommodate larger vessels.

4. Estimated Project Cost: $130 million (costs tentative, and do not include contingency allowances).

5. Estimated Foreign Exchange Cost and Likely IDA Financing: The estimated foreign exchange cost is $70 million. The Bank Group would finance this cost as a Bank project, or alternatively determine what it could finance with $20 million of IDA financing, which could be made available by dropping the FY75 Telecommunications Project.

6. Borrower: Either Egypt or the Suez Canal Authority, depending on the nature of Bank Group financing provided.

7. Project Implementation: Suez Canal Authority

8. Problems: (i) The Canal Authority already has plans for deepening and expanding the Canal in approximately three years time. There is no central planning, coordinating the investments in (a) the Canal and (b) the Sumed oil pipeline. The studies proposed to be financed under the loan are therefore vital to ensure that the Canal is not expanded before this is absolutely necessary. (ii) Financing plan even for the Clearance and Reopening Project will need to be worked out, if only IDA financing were to be made available.

8. Anticipated Timing for Processing:

| | |
|---|---|
| Completion of Preparation: | March 1974 |
| Appraisal: | March/April 1974 |
| Negotiations: | September 1974 |
| Board: | October 1974 |

EMENA Region
February 22, 1974

## POSSIBLE FUTURE PROJECT

1. Project: Fruit & Vegetable Production and Marketing

2. Fiscal Year: 1976

3. Project Description: Project could include provision of credit (for inputs such as fertilizers, seeds, seedlings, etc.) and extension services for the production of off-season fresh fruits and vegetables, for marketing for export to Europe. It could also include: (a) construction of collection centers for fruits and vegetables in suitable growing areas, (b) equipment of the existing packinghouse in Alexandria with pre-cooling, cold storage and degreening facilities, (c) provision of about 400 refrigerated trailers and about 100 tractors to be used for transport of fruits and vegetables from Alexandria to the great consumption centers in Europe, (d) provision of two ferryboats for transport of the trailers from Alexandria to Trieste or other appropriate European ports.

4. Estimated Project Cost: Very preliminary estimate is $35 to 40 million.

5. Estimated Foreign Exchange Cost and Likely IDA Financing: Likely to be between $25 to 30 million. Portion likely to be financed by IDA about $15 million

6. Borrower: Egypt

7. Project Authority/Implementation Unit: To be determined.

8. Problems: (i) Lack of clearly established responsibility in Egypt for a multi-ministerial project such as this. At present, the Ministries of Agriculture, Industry, Economy and Foreign Trade, and Supply share decision making in various stages of fruit and vegetable production, processing and export; (ii) Egypt's marketing system is inefficient with no improvements over the last decade. In order for Egypt to compete on the West European markets with some of the other Mediterranean countries, a considerable financial and organizational effort will be required; one solution could be the securing of a European partner to handle the marketing and sale of the products in Europe. (iii) Most of the project investment could be undertaken by sub-borrowers, receiving funds through the Agricultural Bank, whose current interest rates for agriculture credit average 4-1/2%.

9. Anticipated Timing for Processing: Staff constraints are the major determinant of processing timing. We hope to be able to send a small mission to review the project concept and make arrangements for preparation in April/May 1974. If we agree on using IBRD/FAO CP preparation support, their tentative schedule would be to follow up the April/May mission with a full identification/preparation mission in mid-June and a final preparation mission February 1975. Assuming their preparation report is completed by beginning of May 1975, appraisal could take place in June/July 1975.

EMENA Region
February 22, 1974

# POSSIBLE FUTURE PROJECT

1. Project: Textile Modernization

2. Fiscal Year: 1975 or 1976

3. Project Description: The project, just identified, forms part of a long-term program to rehabilitate and modernize four leading textile companies within the public sector (Egyptian General Organization for Spinning and Weaving). The four companies (ESCO, El Beida, Kafr El Dawar, Mahalla El Kobra) manufacture about 50 percent of the yarn and fabrics and account for 25 percent of the exports of Egypt's textile industry. The program will include installation of approximately 8,000 modern looms, 400,000 new spindles plus auxiliary equipment, as well as textile finishing equipment (dyeing and printing machines). As most of the present equipment needs to be replaced, the net increase in capacity might be of the order of 25 percent. What is to be put in Phase I of the project remains to be determined, and will depend on a review of a draft feasibility study being prepared by an Egyptian team, and which is expected to be ready by May/June 1974.

4. Estimated Project Cost: Since the project has just been identified, the cost estimates are very preliminary. A first phase (1976-1979) to cover the most urgent investments could cost about $128 million.

5. Estimated Foreign Exchange Cost and Likely IDA Financing: A very preliminary estimate of the foreign exchange cost of the first phase is about $92 million. Likely IDA financing, if provided, to be determined, but likely to be limited to $15-20 million.

6. Borrower: Egypt

7. Project Authority/Implementation Unit: Most likely, the Egyptian General Organization for Spinning and Weaving.

8. Problems: (i) Completion of a textile sub-sector review, which provides a satisfactory framework and setting for a modernization program of this magnitude. (ii) In view of the likely substantial total and foreign exchange cost of the first phase project, it is unclear whether the project would be suitable for IDA, with its limited availability of funds for such a project. Alternatively, substantial co-lending arrangements, as done for the Talkha Urea Fertilizer Project, will have to be explored and arranged. (iii) Appropriate export arrangements for a different mix of textile products which may result after the project, in contrast to what is currently produced. (iv) The program may lead to some unemployment, which might need to be tackled along the lines in which a similar problem was tackled for the Cotton Ginning Rehabilitation Project.

9. Anticipated Timing for Processing:

| | |
|---|---|
| Completion of feasibility work: | July 1974 |
| Completion of Preparation work: | November 1974 |
| Appraisal: | December 1974/January 1975 |
| Negotiations: | April/May 1975 |
| Board: | late June or July 1975 |

EMENA Region
February 22, 1974

POSSIBLE FUTURE PROJECT

1. Project: Port Said Free Zone Estate

2. Fiscal Year: Possibly 1976

3. Project Description: Egypt passed legislation in 1971 to encourage the establishment of free zones, to attract overseas investors and establish industrial units or warehousing/distribution facilities in Egypt for exports. A UNDP/UNIDO project has been commenced, under which the immediate objectives are to consider possible locations in the north-western coastal region, examine feasibility of the proposed Free Zone, and advise on legislation for incentives. As a means of earning scarce foreign exchange and as part of the strategy to stimulate economic life in the war-devastated Canal Zone, the Government desires to make use of Port Said's excellent geographical position to establish a Free Zone Estate for both industrial production and warehousing/distribution for exports, as in Panama and Singapore. The project, which has yet to be identified and prepared, could include the engineering and establishment of an estate complete with main roads, public utilities, port facilities, and technical assistance for an Estate Authority to promote and run the estate.

4. Estimated Project Cost: To be determined.

5. Estimated Foreign Exchange Cost and Likely IDA Financing: To be determined.

6. Borrower: Egypt

7. Project Authority/Implementation Unit: To be determined.

8. Problems: (i) Lack of feasibility data. (ii) Uncertainty as to foreign investors likely to be attracted into the Estate and nature of activities they would prefer to undertake at Port Said.

9. Anticipated Timing for Processing:

| | |
|---|---|
| Reconnaissance: | After preliminary data submitted by Egypt, around April/May 1974. |
| Remaining Steps: | Will be determined after reconnaissance; appraisal and subsequent steps unlikely to be undertaken before early FY1976. |

EMENA Region
February 22, 1974

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AGRICULTURAL SITUATION, INCLUDING DEVELOPMENTS

AND TRENDS IN AGRICULTURAL EXPORTS/IMPORTS

# EGYPT

## AGRICULTURAL SITUATION, INCLUDING DEVELOPMENTS AND TRENDS IN AGRICULTURAL EXPORTS/IMPORTS

### The Sector

1. Egypt's population of about 35 million, growing at 2.5% annually, is squeezed into the 3% of its area adjacent to the Nile and in the Delta. Population density in this area is almost 1,000/$km^2$, among the highest in the world. Fifty-eight percent of the population is rural and half is employed in agriculture. Agriculture accounts for 29% of GNP and raw and processed agricultural products make up 75% of exports. Agricultural output grew at 3 to 3.5% during 1950-1965 but has since slowed to 2% or less.

### Present Situation and Short-Term Prospects

2. The completion of the High Dam was expected to boost production in the last half of the sixties, but the 1967 war, capital shortages, problems associated with utilization of the High Dam's waters -- rising water tables and the need for drainage especially -- and institutional and structural constraints limited growth. Production recovered the 1966/67 level by 1969/70, but has risen slugishly in 1970-73. Cotton production has averaged 1.4 to 1.5 million tons. Wheat production has increased from 1.5 million tons in 1970 to 1.8 million tons in 1973. Rice output has stagnated at 1.7 million tons. Sugarcane and fruit production (both citrus and other) have increased repidly as they did throughout the sixties. Vegetable production, which grew rapidly from 1960 to 1968, increased slowly after 1970. The livestock sector, seriously strapped by limited feed supplies, has increased at 2 to 2.5% annually, barely keeping pace with population growth and continually encroaching on other crops.

3. Short-term agricultural possibilities are constrained by limited land (6.5 mil. irrigated acres), population density, capital shortages and organizational and structural impediments. The high man/land ratio, irrigation, location and favorable climate indicate intensive production methods, with a large labor input, as the direction of future growth. In the near-term, however, rapid movement in this direction is impeded by:

a) the widespread belief in Egypt and outside, that the country is already intensively farmed;

b) inflexible institutions in agriculture and those dealing with agriculture; and,

c) a segmented and fragmented farm structure.

4. Agricultural production is dominated by cotton, maize, wheat, rice and berseem (clover) grown in an intricate rotation. These crops account for three-quarters of the 6.5 million physical acres and two-thirds of the 10.5 million acres multiply cropped. Cotton and rice are the major export crops. Their yields are relatively high and the potential for future increases is limited. Wheat, the major food import, and maize yields are low for irrigated crops in an Egyptian environment.

5. Fruits and vegetables, important for guture growth, and livestock, a major deficit sub-sector, are handicapped by the dominant production pattern -- especially cotton, which occupies one-third of the better crop land at all times and has been the government's major agricultural concern. Through the cooperative organizations, to which all farmers belong, Government has largely concentrated on structuring agriculture to produce as much high quality cotton as possible. It provides the necessary inputs and markets cotton through structured input and sales prices which provide the maximum revenue to the national economy, but closely limit farmer's profits from cotton.

6. Agriculture is divided into three segments:

a) the Agrarian Reform Lands, consisting of about 1 million acres granted to farmers in holdings of about five acres from larger holdings broken up during the fifties and sixties;

b) the Old Lands, about 5,~~000~~ mn? acres, where most farms are 1 acre or less but can be as large as 50 acres per farmer and 100 acres per farm family; and,

c) the New Lands, now roughly 500,000 acres, consisting of lands reclaimed with High Dam water and often organized into 50,000 acre state farms with heavy capital investments and a strong bias toward mechanization.

7. Each of these areas is under a separate agricultural administration although they are not contiguous. Government has concentrated its resources on the New Lands and on irrigation works including the High Dam. The Agrarian Reform Lands are better provided for by Government than are the Old Lands. Linkages among these separate groups are minimal, as are linkages between agriculture, and the food and agricultural service industries.

8. Government policy is to maintain low, stable basic food prices and to structure farm prices accordingly. This has depressed incentives to produce wheat and other basic foods. Prices of livestock products, fruits and vegetables are not as effectively controlled, which partly accounts for their continued growth despite constraints.

9. Under these constraints, short-term prospects for agriculture are not likely to improve substantially. The present five-year plan seeks to regain an annual growth of 3.5%, but growth is likely to be closer to 2 to 2.5%, allowing little improvement in the diet. Cotton output is expected to grow marginally, and progressively larger food imports can be expected, especially wheat. Larger imports of meat and poultry and vegetable oils would materialize if foreign exchange permitted.

Recent Agricultural Trade Developments and Short-Term Prospects

10. Egypt's agricultural exports are dominated by cotton, cotton products and rice. Cotton and products account for over 60% of total export value and rice accounts for another 10 to 11%. Total agricultural exports averaged $900 million during 1963-65 and reached $1 billion in 1966. They fell to $638 million in 1969 but recovered to average $900 million in 1971-72 In 1973 they were close to $1 billion, with sharply higher cotton and rice prices (Table 1).

11. Agricultural imports averaged $200 million during 1963-67, but fell to $209 million in 1970 because of the loss of U S PL 480, limited foreign exchange and difficulties with alternative suppliers. They rose sharply to $295 million in 1971, $380 million in 1972 and over $400 million in 1973, due to increased quantities and higher prices. Food imports are dominated by wheat, over 50%, and animal fats and vegetable oils (15%). Wheat imports increased progressibely from 1.5 million tons in 1960 to 2.7 million tons in 1967. They then fell to 1.2 million tons in 1970 but increased to 3.4 million tons in 1972 and 1973 (Table 4).

Export Markets

12. The quantity of cotton exported changed relatively little during the sixties but export earnings grew with better quality and higher prices. Cotton exports fell from 1.47 million bales in 1969/70 to 1.37 million bales in 1971/72. They increased slightly in 1972/73 and are expected to be at about the same level in 1973/74. Spectacular price increases have boosted recent export earnings sharply however. Initial prices for 1972/73 crop Giza 45, the highest grade, were 81.72 US¢/lb and the final price was 124.98¢/lb. Initial prices for the same variety for the 1973/74 crop were 171.4¢/lb, up 111% over the initial 1972/73 price. Increases for lower grades were even higher, reaching 200% for "good +¼". Egypt produces long-staple cotton which enjoys a somewhat separate market.

13. There has been a subtle adjustment away from the USSR and some East European countries in recent years (Table 2). In 1969/70 these countries and China accounted for 62% of cotton exports while in 1972/73 they took only 51%. These reductions have been selective, however. China, Czechoslovakia, Hungary, Bulgaria and Romania have maintained or increased their cotton imports from Egypt, but exports to the USSR, East Germany, Poland and Yugoslavia have declined substantially - the USSR from 558,000 bales in 1969/70 to 380,000 bales in 1972/73. This decline reflected the general decline in Egypt's cotton exports and a shift to Western Europe -- notably Federal Republic of Germany, Spain, Switzerland and the UK -- and Japan.

14. Rice exports rose sharply from 346 to 772 thousand tons between 1966 and 1969 with rapidly rising prices, but fell to 456,000 tons in 1972 as prices declined (Table 3). Sharply higher 1973 and 1974 prices are expected to raise export earnings but quantities are not expected to increase as steeply. Rice exports during the peak years 1969 and 1970 went heavily to the USSR and other Communist countries. Through 1972 little shift to other markets had taken place as exports fell.

15. In the shadow of cotton and rice exports, exports of fruits, especially oranges have risen extremely fast -- from 3,000 tons in 1965 to 138,000 tons in 1971 and from 150,000 to 200,000 tons in 1973 and 1974. The USSR has been the dominant buyer, around 65%. East European and to a lesser extent West European countries have imported most of the remainder. Quality problems and lack of good marketing linkages partly explain very low prices for Egyptian oranges in Western Europe by comparison with prices for other imported oranges there and by comparison with reported prices paid by the USSR and East European countries (roughly LE 27 in West Europe and LE 74 in the USSR and East Europe).

Suppliers of Imports

16. Egypt's sources of agricultural imports have shifted erratically since the 1967 war for political reasons and because of shifts in world sources of supply (Table 4). From 1960 through 1966 the US supplied from 50 to 63% of Egypt's agricultural imports, mostly wheat and flour under concessional PL 480 terms (Tables 1 and 5). With the break in diplomatic relations between the two countries, PL 480 shipments ceased. Relations have not yet been fully reestablished and Egypt is not now eligible for concessional PL480 shipments. Meanwhile US stocks of a wide variety of previously imported commodities have dwindled and prices have increased. US PL 480 shipments to all countries have dropped sharply.

17. In addition to wheat and flour, the US supplied much of Egypt's imports of feed grains, tobacco, vegetable oil, tallow, oilcake and meal and dairy products prior to 1967, practically all under PL 480 agreements (Table 5). In 1966 these shipments were valued at $143.6 million, but by 1968 they had dropped to $10 million. Egypt's agricultural imports dropped accordingly, from $343 million in 1967 to $194 million in 1969. During the years 1967-72 the USSR, France, Romania and Italy variously supplied Egypt with limited amounts of wheat and flour. Australia supplied 1 million tons in 1971 and 1.8 million tons in 1972 (see Table 6). Wheat imports in 1972 and 1973 were a million tons above the pre-1967 level.

18. The United States has gradually reemerged as Egypt's major supplier of agricultural imports, increasing from $10 million in 1968 to $123 million in 1973, coming close to the 1962-66 level but now almost exclusively on commercial terms. The commodity composition of 1973 US exports to Egypt is similar to that before 1967, but quantities are smaller, prices higher and terms more stringent (summarized in Table 6).

Long Term Production Possibilities

19. The physical area under crops in Egypt is not likely to expand from its present 6.5 to much beyond 7 to 7.5 million acres. The cropped area, because of double and multiple cropping, is expected to grow from the present 10.5 to 12 million acres by the early eighties. It could expand beyond 12 million acres with improvements in drainage projects IBRD has fostered in Egypt. A large drainage project in the Delta was approved in early 1970 and another in Upper Egypt in June 1973, but progress has been slow.

20 Despite the widespread feeling that Egypt already has a highly intensive agriculture, this can only be said for cotton and rice. Yields of wheat, maize, vegetables and fruits are quite low when compared with other countries with a similar climate and irrigation. Better varieties, larger quantities of fertilizer and other inputs, more credit and more intensive production techniques could greatly increase production of crops other than cotton and rice. Fertilizer rates in Egypt are half those of intensively farmed Asian countries and those prevailing in a number of West and East European countries. Resources to reach these levels of production -- including foreign exchange and domestic investment -- are needed, as is an adjustment in thinking. Whereas Egypt's past development both agricultural and industrial has depended heavily on cotton, future agricultural growth potential lies in import substitution, by expanding domestic production of wheat and livestock feeds and products, judicious imports of some items to

augment domestic supplies (feed grains and supplements) and a concerted effort to expand exports of fresh and processed fruits and vegetables.

21. The Nile Delta, where most of Egypt's land and pople are, is a relatively small triangle barely 150 km on each side. Its climate, location on the Mediterranian and natural conditions argue strongly for the development of this area into a highly intensive, integrated agricultural unit, producing a range of high value crops suitable for export to nearby markets in Europe and the Middle East, and to more distant, yet still relatively close, markets in Northern and Eastern Europe and the USSR.

22. To develop this, while maintaining existing levels of cotton production, agricultural institutions, increases in the resources and attention devoted to crops other than cotton, and considerably more attention to developing the production capacity of small farmers and groups of small farmers is needed. This would include:

a) a rethinking of the regulations which impede the movement of people and resources within agriculture and the choice of crops raised and production methods used;

b) a careful reappraisal of the relative merits of large-scale, capital-intensive State farms and poultry operations;

c) a rethinking of the potential of cooperatives, the resources they receive and the possibilities of developing them as units of specialized production; and,

d) developing an integrated system of agricultural institutions linking production units -- farms, cooperatives and state farms -- and a better system of coordinating and integrating agricultural production, processing and marketing so that Egypt can move beyond a basic cotton-rice export economy.

Long-Term Trade Possibility

23. Dependence on cotton exports and upon the USSR and other planned economies as export markets is a condition Egypt has gradually modified recently. There are constraints to a sharp alteration of this pattern however. It is doubtful that the US would be able, or would wish to, resume the kind of concessional trade relations which existed before 1967. Changes in world commodity supplies and commodity prices suggest a fairly tight situation for another year or two if not longer. Should surpluses develop again, the US might consider a return to export assistance, but this is not current policy. The USSR and Eastern Europe are growing markets despite convertible currency and other problems. They should continue to be good markets for Egypt. Also rigidities in Egypt's economy are partially matched by rigidities in the planned economies -- especially long-term planned development, heavy governmental management and controlled prices -- and by a willingness in both economies to overlook certain quality requirements.

24. A more rapid shift to other markets would, outside of cotton and rice which are simple to process and market, accentuate the need for major adjustments in production, processing and marketing practices. It could probably not take place without major efforts to assist Egypt in such an

adjustment and a willingness by Egypt to make it.

25. The major area for development of new markets lies in the careful development of production, processing and marketing links, which would improve the quality and competitiveness of new export commodities in Mediterranean and European markets. The existing system for handling and exporting cotton and rice could operate effectively in all markets. Serious consideration should be given, however, to projects designed to develop a well organized and managed commercial link between Egypt and various European and other markets in non-traditional commodities. Such a project would involve a serious joint effort at the production, processing and marketing stages and may involve joint ownership, financing and management arrangements.

26. There has already been a resumption of US-Egyptian agricultural trade on a commercial basis. Expansion of that trade seems to be desired by both countries. The US might be willing, should some weakening of commodity demand and prices develop, to find a variety of commercial or quasi-commercial devices to augment this trade. Egypt would benefit from increased supplies of less expensive food and feed grains, oilseeds and animal fats and vegetable oils. However a reverse flow of agricultural commodities is more difficult to foresee since most of Egypt's present and potential agricultural exports are competitive. Europe would gain considerably from Egypt's potential agricultural exports and a triangular trade relationship could be developed.

Past and Present Bank Efforts in Agriculture

27. Bank projects in drainage are designed to help correct a fundamental long-run impediment to future agricultural growth. The recent cotton ginning project will help improve the quality of cotton for domestic and export use. The Talkha fertilizer project, presently under appraisal, is designed to increase Egypt's production of a vital input to further agricultural growth. It may be possible, in the process of developing this project, to focus Egyptian attention on the possibilities for future agricultural growth through additional use of fertilizer.

28. The Bank's mission and Report on Agro-Industries and Rural Development in Egypt (delivered to Government in April 1973) focused attention on many of the issues discussed above, including;

a) expanding Egypt's agricultural production;

b) diversifying production and exports;

c) improving processing and marketing; and,

d) improving the participation of small farmers in agricultural production and thereby advancing rural development.

This report could serve as a useful point of departure for discussions between Egypt and the Bank on a wide variety of issues related to agriculture, agricultural processing and marketing and rural development. The recent fruit and vegetable project, discussed with Bank staff, seems to reflect a greater interest in the type of project this mission considered appropriate to Egyptian conditions.

EMENA Region
February 22, 1974

Table 1: EGYPT - TOTAL IMPORTS, AGRICULTURAL IMPORTS AND AGRICULTURAL IMPORTS FROM THE UNITED STATES 1963-72

| Year | Imports | | |
|---|---|---|---|
| | Total | Agricultural | From US |
| | $''000 | | |
| 1963 | 916,200 | 288,587 | 149,265 |
| 1964 | 953,200 | 301,425 | 190,798 |
| 1965 | 879,000 | 282,609 | 116,472 |
| 1966 | 1,070,500 | 317,322 | 143,551 |
| 1967 | 792,100 | 343,397 | 47,225 |
| 1968 | 666,100 | 243,357 | 10,583 |
| 1969 | 637,700 | 193,700 | 10,342 |
| 1970 | 785,470 | 208,800 | 26,306 |
| 1971 | 919,753 | 294,839 | 25,835 |
| 1972 /1 | 877,220 | 377,000 | 43,648 |
| 1973 | 1,000,000 | 420,000 | 123,000 |

Source: Total trade data from IMF, International Financial Statistics, and UN Trade Yearbook, Agricultural trade data from UN Commodity Trade Statistics, and FAO Trade Yearbook. Imports generally valued c.i.f.

/1 Estimated

Table 2. Egypt. Cotton Exports by Country of Destination

| Country of Destination | August - July 1969/70 | 1970/71 | 1971/72 | August - June 1971/72 | 1972/73 |
|---|---|---|---|---|---|
| | 1,000 bales | | | | |
| Albania | 5.2 | .6 | 0 | 0 | 0 |
| Austria | 8.0 | 8.8 | 18.1 | 17.9 | 16.3 |
| Bangladesh | 0 | 0 | 0 | 0 | 7.5 |
| Belgium | 16.3 | 7.7 | 6.8 | 5.4 | 11.9 |
| Bulgaria | 14.8 | 13.7 | 17.4 | 15.8 | 16.5 |
| China (Mainland) | 46.5 | 71.4 | 77.9 | 77.9 | 64.3 |
| Czechoslovakia | 80.4 | 96.2 | 85.4 | 72.6 | 87.2 |
| Finland | 4.0 | 1.0 | 2.1 | 2.1 | 2.1 |
| France | 42.4 | 40.2 | 45.0 | 44.3 | 45.3 |
| Germany, East | 20.4 | 16.9 | 14.6 | 14.6 | 10.5 |
| Germany, West | 33.7 | 51.1 | 73.0 | 68.6 | 58.2 |
| Greece | 28.9 | 34.6 | 29.8 | 29.8 | 25.3 |
| Hong Kong | .2 | 1.2 | 1.3 | 1.3 | .2 |
| Hungary | 29.1 | 13.2 | 26.2 | 23.1 | 21.6 |
| India | 141.7 | 155.0 | 111.5 | 82.4 | 72.4 |
| Italy | 69.0 | 63.2 | 57.5 | 55.6 | 71.7 |
| Japan | 106.4 | 129.8 | 124.8 | 115.8 | 182.0 |
| Korea Dem P.R. | 4.5 | 7.5 | 3.8 | 3.8 | 7.5 |
| Rep. of Korea | .6 | 4.0 | 2.0 | 2.0 | 5.3 |
| Mexico | .4 | 1.1 | .5 | .5 | .5 |
| Morocco | 3.4 | 6.1 | 1.0 | 1.0 | 0 |
| Netherlands | 1.3 | 1.0 | 2.4 | 2.4 | 1.0 |
| Philippines | .8 | .2 | .3 | .3 | 4.2 |
| Poland | 51.4 | 51.6 | 38.0 | 38.0 | 37.7 |
| Romania | 68.6 | 56.6 | 77.1 | 77.1 | 56.4 |
| Senegal | .3 | .2 | .7 | .5 | .3 |
| Singapore | 0 | .7 | .7 | .7 | 0 |
| Spain | 28.5 | 23.5 | 36.3 | 32.5 | 48.8 |
| Sri Lanka | 15.7 | 3.3 | 31.7 | 31.7 | 29.3 |
| Sweden | 2.1 | 2.0 | 1.4 | 1.4 | .5 |
| Switzerland | 12.9 | 17.4 | 22.8 | 22.5 | 33.0 |
| Thailand | 0 | 0 | .2 | .2 | 3.9 |
| Turkey | 2.5 | 1.2 | .4 | .4 | .3 |
| United Kingdom | 13.6 | 22.5 | 20.5 | 20.4 | 28.3 |
| United States | 8.5 | 6.7 | 8.9 | 8.6 | 5.0 |
| U S S R | 557.7 | 463.7 | 401.5 | 393.1 | 376.8 |
| Venezuela | 3.7 | 6.7 | 7.8 | 6.1 | 2.1 |
| Yugoslavia | 45.2 | 21.9 | 21.9 | 21.9 | 4.7 |
| Others | .5 | .4 | .4 | .4 | .2 |
| TOTAL | 1469.2 | 1402.9 | 1371.7 | 1292.7 | 1334.8 |

SOURCE: International Cotton Advisory Committee

Table 3. Egypt: Exports of Rice to Major Markets, Annual 1966-72

| Foreign Market | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 |
|---|---|---|---|---|---|---|---|
| | ----- | ----- | ----- | 1.000 Metric Tons | ----- | ----- | ----- |
| U S S R | 79 | 142 | 150 | 164 | 241 | 185 | 157 |
| India | 43 | 55 | 38 | 42 | 86 | 46 | 70 |
| Poland | 7 | 6 | 27 | 40 | 17 | 37 | 38 |
| Syria | 8 | - | 15 | 8 | 38 | 10 | 38 |
| Czechoslovakia | 24 | 15 | 33 | 32 | 24 | 33 | 31 |
| Italy | - | - | 3 | - | 21 | 2 | 11 |
| Jordan | 12 | 12 | 8 | 16 | 10 | 15 | 10 |
| Mali & Senegal | - | - | 22 | - | - | - | 10 |
| Libya | 3 | - | 2 | 5 | 5 | 1 | 99 |
| East Germany | 8 | 9 | 21 | 20 | 11 | 12 | 99 |
| Sudan | 55 | 6 | 8 | 77 | 12 | 5 | 7 |
| West Germany | 32 | 10 | 18 | 33 | 16 | 1 | 7 |
| Lebanon | 14 | 122 | 13 | 20 | 8 | 6 | 6 |
| Peoples R China | 30 | 10 | - | 4 | - | 5 | 5 |
| South Korea | - | - | - | - | - | 5 | 5 |
| Hungary | 6 | 5 | 10 | 10 | 10 | 3 | 5 |
| Finland | 12 | 11 | 14 | 13 | 9 | 4 | 3 |
| Yugoslavia | 10 | - | 6 | 52 | 11 | 3 | 3 |
| Romania | 10 | 4 | 9 | 6 | 12 | - | 1 |
| Cuba | 10 | 10 | 15 | 15 | - | 40 | - |
| Other | 33 | 128 | 158 | 285 | 143 | 102 | 31 |
| Total | 346 | 435 | 570 | 772 | 655 | 515 | 456 |

Sources: Monthly Bulletin of Foreign Trade, Central Agency for Public Mobilisation and Statistics and FAO Rice Trade Intelligence, June 10, 1973

Table 4.--Egypt: Grain imports by country of origin, 1964-72 and estimates for 1973

| Commodity and country | 1964 | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | Estimate 1973 |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1,000 metric tons | | | | | | | | | |
| Wheat: | | | | | | | | | | |
| United States | 836 | 759 | 1,156 | 150 | --- | --- | --- | --- | --- | 417 |
| Australia | --- | 41 | 15 | 26 | 13 | --- | --- | 1,082 | 1,805 | 625 |
| Canada | --- | --- | --- | --- | --- | --- | --- | 421 | --- | * |
| USSR | --- | 202 | --- | 995 | 304 | 238 | 109 | 244 | --- | --- |
| France | --- | 71 | --- | 68 | 654 | 606 | 336 | --- | 565 | 400 |
| West Germany | --- | --- | --- | 10 | --- | --- | 133 | 15 | 5 | 212 |
| Italy | --- | --- | --- | --- | --- | --- | 227 | 89 | --- | --- |
| Romania | --- | --- | --- | 337 | 451 | 27 | --- | --- | --- | 350 |
| Spain | --- | --- | --- | --- | --- | 165 | 28 | --- | --- | * |
| Mexico | --- | 145 | 170 | --- | --- | --- | --- | --- | --- | --- |
| Greece | --- | --- | 74 | 73 | 52 | --- | --- | 41 | --- | --- |
| Other | --- | 12 | 14 | 124 | 33 | 164 | 17 | 39 | 203 | 536 |
| Total | 836 | 1,230 | 1,429 | 1,783 | 1,507 | 1,200 | 850 | 1,931 | 2,578 | 2,540 |
| Wheat flour: | | | | | | | | | | |
| United States | 690 | 187 | 317 | 12 | --- | --- | --- | --- | --- | 50 |
| Canada | --- | --- | --- | --- | --- | --- | 11 | --- | 30 | --- |
| Spain | --- | 50 | 2 | 266 | 221 | 85 | 152 | 58 | 60 | * |
| Romania | --- | --- | --- | 20 | 61 | 17 | --- | --- | 2 | * |
| France | --- | 108 | 93 | 65 | 134 | 60 | 52 | 173 | 160 | 150 |
| West Germany | 54 | 126 | 107 | 91 | 69 | 6 | --- | --- | --- | 22 |
| Italy | 37 | 129 | 91 | 190 | 70 | 60 | 51 | 113 | 125 | 60 |
| Other | 0 | 10 | 0 | 7 | 5 | 0 | 9 | --- | 183 | 268 |
| Total | 781 | 610 | 610 | 651 | 560 | 228 | 275 | 344 | 560 | 550 |
| In wheat equivalent x 1.39 | 1,086 | 848 | 848 | 905 | 778 | 317 | 382 | 478 | 778 | 765 |
| Combined imports of wheat and wheat flour | 1,922 | 2,078 | 2,278 | 2,688 | 2,285 | 1,517 | 1,232 | 2,409 | 3,356 | 3,305 |
| Corn | 425 | 137 | 166 | 201 | 132 | 43 | 73 | 39 | 92 | 257 |
| Rice | --- | 9 | --- | 10 | --- | --- | --- | --- | 5 | --- |
| Sorghum | 8 | 13 | 2 | --- | --- | --- | --- | --- | --- | 18 |
| Total grain imports | 2,355 | 2,237 | 2,445 | 2,899 | 2,417 | 1,560 | 1,305 | 2,448 | 3,453 | 3,580 |

*Included in other.

Sources: Foreign Trade Statistics of Egypt, Grain Bulletin published by Commonwealth Secretariat in London and export statistics reported by the United States and Australia for 1973.

Table 5: UNITED STATES AGRICULTURAL EXPORTS TO EGYPT, ANNUAL 1962-72 BY VALUE

| Year | Wheat and Wheat Flour | Feed Grains | Tobacco | Vegetable Oils | Tallow and Lard | Meat | Other | Total |
|---|---|---|---|---|---|---|---|---|
| | | | | $ million | | | | |
| 1962 | 103.7 | 20.2 | 8.6 | 23.6 | 6.2 | 0.2 | 8.7 | 171.2 |
| 1963 | 115.5 | 10.0 | 10.2 | 0.6 | 8.2 | 0.7 | 4.1 | 149.3 |
| 1964 | 122.6 | 23.2 | 8.8 | 13.8 | 8.8 | 6.5 | 7.1 | 190.8 |
| 1965 | 56.8 | 6.2 | 11.0 | 6.9 | 7.5 | 1.8 | 7.0 | 97.2 |
| 1966 | 104.5 | 0.2 | 8.2 | 14.4 | 7.9 | /1 | 2.6 | 137.8 |
| 1967 | 7.9 | 1.8 | 1.4 | 7.8 | 9.0 | /1 | 4.6 | 32.5 |
| 1968 | /1 | - | 0.5 | /1 | 5.7 | /1 | 1.0 | 7.2 |
| 1969 | /1 | 2.6 | 2.0 | 6.1 | 7.2 | /1 | 1.2 | 19.1 |
| 1970 | /1 | 1.3 | 0.5 | 11.4 | 11.3 | /1 | 1.8 | 26.3 |
| 1971 | /1 | 2.3 | 1.0 | 18.5 | 11.0 | /1 | 1.7 | 34.5 |
| 1972 | - | 5.4 | 0.9 | 25.0 | 11.7 | /1 | 0.6 | 43.6 |
| 1973 | 50.3 | 15.9 | 2.5 | 31.0 | 20.5 | | | 123.0 |

/1 Less than $50,000

Source: Bureau of The Census, U.S. Department of Commerce.

Table 6. Egypt: Import Trade Terms of Foreign Suppliers

U.S. PL 480: Prior to 1967, PL 480 terms were repayment in local currency at zero interest. Also some PL 480 Title IV, which was long-term dollar loans, 20-year repayment, two years grace, at 2½% interest.

U.S. CCC: CCC credit terms, available prior to 1967 and in 1971-72, the last transaction was March 1973, required repayment in three years, equal installments at principal and interest at 4 to 6%.

U.S. Commercial Rates: These are reported to be cash transactions financed by Saudi-Arabia, but traders may make short-term credit agreements at commercial interest rates (about 9½% to 10½%).

Australia: Commercial terms with the possibility of one year credit at commercial rates (9% to 11%).