

INSTITUTE OF CURRENT WORLD AFFAIRS

WWU - 35
 UAR III: ECONOMICS & NEUTRALITY

Shepherd's Hotel.
 Cairo, United Arab Republic.
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Mr. Richard H. Nolte.
 Institute of Current World Affairs.
 366 Madison Ave., New York 17, N.Y.

Dear Dick:

I have now resigned myself to the interconnection of economics with political neutrality so in the UAR I deliberately sought out a number of people with ideas on the subject.

I mentioned Dr. Mohamed A. Selim earlier (WWU-33). He was getting his Ph.D in irrigation engineering on the University of California's Berkeley campus when I was getting my A.B., around 1941-1943. He was chairman of the International House student council and I was on the board. Selim was tall and commanding in presence even then. And today, at the age of 44, he is more so than ever. Selim is the son of a land owner (I said "farmer" and he straightened me out) and knew precisely what he was up to in seeking an advanced degree in America. He returned to become a professor of engineering at Cairo University, proceeded to design the High Dam,



NILE FELUCCA AT CAIRO: Further upstream the Aswan Dam will conserve these waters



SELIM AND NO. ONE SON

became the first head of the National Production Council (an early national planning endeavor) and now is not only a director of both the Aswan Dam and Suez Canal Authority, but also managing director of the new National Petroleum Authority, the UAR's overture to finding and exploiting its own oil. I had once seen Selim's picture in the New York Times Sunday Magazine section under a page devoted to the bright young men of Nasser's Egypt. I wrote ahead to him, not even sure of the correct way to Anglicize his name, and certainly not sure that he would remember an old "I House" inmate. As I mentioned earlier, he did. And when I met him at the regular Tuesday Rotary lunch at the Hilton I didn't need to be told that he was a past president. Every word we had together was interrupted by another handshake. But afterwards, we did have some time together. Selim took me to his apartment (fairly modest for an official so high but its profusion of French brocade suggested that Farouk's old furnishings might now be more usefully employed) to meet his wife and two young

sons.

Naturally I wanted to know how an alumnus of American schooling looked on America's role in the High Dam. "You lost your chance, at least for the first stage," he declared. "The Russian loan is for 40 years at 2½ per cent interest. It is in both equipment and technical help and they have made about \$35 million available for the first stage. Another \$35 to \$58 million will be raised locally and the rest will be from foreign exchange. The first stage should be completed by 1964 (actual construction is scheduled to start in January). We did not mortgage our cotton, as was said in your papers, in order to pay for the dam. The Canal now brings us £40 million (Egyptian) a year. Originally, this was allocated for the High Dam. Now we have aid for that so we can invest the money somewhere else."

Selim also said he thought there were still "lots of good projects in petroleum under which the U.S. could be interested -- instead of it all being German. We need to have your Point Four and it is now beginning to expand. But if there are conditions, you have no chance. We deal with anyone as long as there are no conditions. The preference will be given for he who can help. We don't take it free. If there is technical assistance, we are happy. I think everybody now understands that we mean business. Our main purpose is to raise the standard of living."

As I've been given the aid scoreboard, Russia has extended to the UAR \$175 million in credits (at 2½ per cent interest over a 12-year term) and one-third of this already has been drawn down; also the \$92 million so far contributed by Russia to the first stage of the Aswan Dam; and some \$15 million in East German credits. From the West, Adenauer's Germany has extended \$126 million in credits (at the much stiffer rate of 7 to 8 per cent, over a 10-year term and repayable in hard currency); the U.S., some \$106 million in P.L. 480 surplus crops since last December (when the initial \$40 million was announced by the U.S. with great fanfare over improved U.S.-UAR relations, the UAR turned around and announced an almost identical agreement with Russia), plus various technical assistance projects; Japan, \$30 million in credits; France, \$29 million. This list is by no means complete. For instance, there may be some Polish economic aid, in addition to the sale of Polish submarines to the UAR, but I have been unable to button this down. And the U.S. at this moment is in the process of boosting its aid considerably.

Dr. Ahmed Mahrouki, the Central Minister of Agriculture, like Selim, is another University of California alumnus. He also went to Cornell, getting his Ph.D. there. In all, Mahrouki had six years in the U.S., from 1938 to 1944. He is now a balding, but nonetheless youthful looking, 50. He worked his way up to the top of his Ministry, post by post, getting his present eminence only last year.

"We have a population of 23 million with an increase of 3½ to 4 per cent a year. Every acre has to feed, cloth and give all conveniences of life to 4 of our people. That's too much," Mahrouki declared. "The High Dam will mean about 2 million more acres. And we're also drilling wells in the Western desert, and experimenting with better seed. The High Dam will mean more rice, our second largest export product. We do not want to depend



MAHROUKI

upon cotton alone, even though cotton will remain our most important crop. We are the only country in the world that is making restrictions on production." Mahrouki explained that Egyptian farmers plant only one-third of their holding in a particular type of cotton so as to prevent overproduction. I noted that Indian Prime Minister Nehru, in trying to push cooperative farming (WWU-13), has had his troubles trying to achieve a planned production without making regulations compulsory. What about the UAR? "People are law abiding," Mahrouki declared. "People have to follow this. Nobody is allowed to do otherwise."

As a veteran of six years in the U.S., where do you think America is remiss in understanding the UAR's needs? "They think we are still in the primitive stage, although many Americans know that we are producing the finest cotton. When I lived in America, they thought we moved around on camels and didn't wear suits. They were surprised to know we had automobiles. We are very much different from any country in this part of the world -- from India, Greece, Turkey, Rumania, Bulgaria." I noted that I had seen farmers outside of Cairo lifting the Nile waters to their muddy irrigation canals with the same painfully slow Archimedes screws and bucket-spiked wheels that were in use 2000 years ago. "Isolated cases," Mahrouki declared, dismissing the thought with a wave of his hand.

I suppose I am beginning to sound like a traveling alumni secretary, but I had a talk with yet a third University of California alumnus, Dr. Hassan Boghdadi, the Central Minister of Land Reform. I saw Boghdadi in his Abdin Palace office surrounded by four telephones, two sets of spectacles and some all-seeing doorman who whisked open the office portals the moment I thought of getting up to leave.



BOGHDADI

I wanted to know how East-West rivalry affected his need for foreign assistance. "We need £23 million Egyptian (about \$54 million) worth of tractors, bulldozers, scrapers and mechanized earth moving machines in the next 10 years. I can write it out right now. We have to push back the width of the Nile Delta (it varies from 5 miles at the Upper Nile at the Sudan border in the South to 200 miles at its northern outlet in the Mediterranean, averaging some 12 miles in width throughout its 1100-mile length). We first have to have the machines to level areas, dig drainage ditches and canals. Once that is done, we can lift the water from the Nile to new areas, build new housing. We used to have these machines from the West on credit. There was a complete break with Suez. The West supply stopped. Now we can get it only on hard currency. They won't accept our Egyptian products. Not so with the Russians. Their equipment has been coming in steadily. But we're not used to their tractors and earth scrapers. And they don't maintain their equipment. And we have to deal with a government instead of a commercial agent. There also are not enough Russian technicians. There is the language barrier. They don't speak English, French or Arabic and it costs the Russian government a lot to leave them here. Our cash crop is cotton and if the West doesn't buy it it means we don't have any foreign currency. The only countries which always help us are Italy and Spain. The West is buying Sudanese and Mexican long staple cotton."

What about your particular problems with land reform? "We now have 6 million acres under cultivation of of a total 60 million. Our pro-

gram is that 1 million more could be irrigated. (I am aware that I've just quoted Mahrouki to you saying 2 million more for Aswan alone, but who am I to play moderator between Ministers?) We limited the land holdings to 200 acres per person and 100 for children, or a total of 300 per family. About $\frac{1}{2}$ million acres were expropriated and distributed to 150,000 families, at about 2 to 5 acres per farm. About 1 million persons gained by this." Are you now going to lower the permissible limit and expropriate some more land for mass redistribution? "We are finished now. It ended last year. And there are still some 100,000 acres of bequeathed lands which have not yet been distributed."



ABOUL-ELA

Ahmed M. Aboul-Ela didn't go to the University of California, but he also is concerned with the economic end of non-alignment. Aboul-Ela, a wealthy Egyptian by birth, was Under Secretary of State for Finance from 1955 to 1956 and now is Sub (or Vice) Governor of the National Bank of Egypt.

Aboul-Ela stressed the UAR's need for foreign currency to buy manufactured goods and her dependency upon cotton as the one quid pro quo she could offer. He said his country has even taken such steps as the granting of a 21 $\frac{1}{2}$ per cent discount on the cotton price if it is bought in hard currency. Even so, he finds the West "prefers" to buy its long staple cotton from the Sudan, Peru and Brazil. Egypt then finds itself selling 63-64 per cent of its crop to Russia and the Eastern bloc. In the meanwhile, he said his country is concentrating on trying to produce better cotton at a higher yield per acre, in order to permit a price reduction. He didn't mention the damage to Egypt by the U.S. cotton export subsidy a few years back which brought about a 20 per cent price reduction in Western Europe, Egypt's main market at the time. Egypt then became increasingly dependent upon Eastern bloc customers. And she found herself accepting many more Eastern products as pay for her cotton. He also didn't mention Britain and France's curtailment of Egyptian cotton purchases.

Aboul-Ela took a crack at Dulles' statement regarding the reasons for the U.S. backing out of the Aswan Dam. "Actually our financial position in 1955 -- the year for which he had the figures -- was not bad. When we are forced we can live on very little. Our life can go on. Certain countries depend completely on foreign trade. In Egypt, we depend much less."

But I must confess the major part of my session with Aboul-Ela got side-tracked when he brought up Israel. "We hope that sooner or later they will find it useless to exist," he said in criticizing America for her aid to Israel. "If the U.S., France and England opened their borders everybody would leave Israel and the problem would be over in three years. (From what I learned elsewhere, there is no backlog of Israeli immigrants in any of these countries; and Israel herself has no restriction on people emigrating.) In the long run, either we don't exist or Israel doesn't exist. We Arabs can't unite with one small country in our midst. Why don't the Indians throw the Americans out of America? It's the same thing. The existence of Israel does not annoy us economically or commercially. But politically and strategically, yes." I asked if there wasn't some joint economic assistance the West could undertake for both countries, thereby reducing the tension. The answer was quick: "No." Then Aboul-Ela assured me he was not anti-Jewish. He said he took out a Jewish girl for the four years he was at the London School of Economics and "practically lived with her family."

Cordially,

Warren W. Unna