

The Economic Club of New York

His Excellency, Muhammad Anwar El Sadat
President of the Arab Republic of Egypt

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Questioners: Richard A. Debs
First Vice President and Chief Administrative Officer
The Federal Reserve Bank of New York

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New York University.

Introduction

Chairman Charles C. Tillinghast, Jr.

May I have your attention please. President Sadat, distinguished guests, members of the Economic Club, welcome to what I believe will be a particularly interesting program this evening. Our distinguished speaker this evening is joining us after having addressed the General Assembly of the United Nations earlier today, just two days after an historic meeting with President Ford at the White House.

However, before I formally introduce him, I would like quickly to comment on the question period which, as most of you know, is a feature of these meetings. This evening's questioners are Richard A. Debs, the First Vice President and Chief Administrative Officer of the Federal Reserve Bank of New York and Dean Bayly Winder, Director of the Hagop Kevorkian Center for Near-Eastern Studies at New York University. Mr. Debs has a longstanding interest in Egyptian affairs going back to his student days in the early 1950s when he was a Fulbright Scholar in Cairo. More recently, as a Federal Reserve official concerned with financial matters, he has had a particular interest in the financial aspects of the Middle East, especially the question of petro dollar flows, and he has been the principal Federal Reserve representative in contacts with central banks and monetary authorities in the Middle East.

Dean Winder is Dean of the Faculty of Arts and Sciences at New York University and Professor

of Near Eastern languages and literature. He is treasurer of the American Research Center in Egypt and on the Board of Trustees of the American University in Cairo, and of the American Friends of the Middle East. He is also a former-President of the Middle East Studies Association.

Now having dealt with form, let me turn to substance. This is another very historic occasion for the Economic Club for once again we bring to our constituency one of the world's leading statesmen. And it is a particular privilege for me since the company with which I am associated has been deeply involved in Egypt for well over a quarter century. Because of our involvement there, I have been particularly conscious of the extraordinarily complex problems that beset the Middle East and of the difficulty of solving them. And I've been very conscious of the very vital part which Egypt plays in this tremendously historic area. The Egyptian nation throughout history has been a key to Middle Eastern events. What Egypt thinks, says, and more importantly what Egypt does has a very significant influence, not only on all of the neighboring nations, but increasingly on all of the nations of the world.

Our speaker this evening is a man whose vision and courage have brought the Middle East to the threshold of peace for the first time in recent history. He has continually demonstrated his extraordinary skill as a diplomat and as a statesmen on both the international and the domestic scene. President Sadat was one of the leaders of the 1952 revolution and has been directly involved in a wide range of significant leadership roles in his country since that time. His experience and training have been broad indeed.

Since he assumed the presidency of Egypt in 1970, Anwar El Sadat has been a major force in establishing not only increased political stability, but at the same time increased economic stability for his nation. Recognizing the role that international trade has historically played in bettering understanding between nations, he has encouraged investment in Egypt, going so far as to guarantee foreign investors against losses from nationalization. And he recently reopened the Suez Canal to world shipping after it had been closed for eight years.

The complexities of Middle Eastern affairs are extraordinary. The relationship between the Arab nations and Israel is a uniquely difficult problem. The courage exhibited by our speaker in dealing with this potentially explosive situation has been one of the major factors in the progress which has been made to date. Indications of his determination to bring peace and economic growth to this vital area were his signing of a second Sinai disengagement accord with Israel and his recent decision to come to the United States to meet directly with President Ford to discuss additional steps hopefully leading to a final peace settlement.

President Sadat, we are very happy that you have come here. At this critical moment in the world's history, we're extraordinarily fortunate to have you speak to us this evening. Ladies and gentlemen, it's a great honor and a great privilege to present to you, His Excellency, the President of the Arab Republic of Egypt, Muhammad Anwar El Sadat. (Applause)

His Excellency, Muhammad Anwar El Sadat

President of the Arab Republic of Egypt

Mr. Chairman, distinguished guests, ladies and gentlemen; I would like to thank you for such a warm reception and for affording me this opportunity to share with you some thoughts on matters of common concern and mutual interest. I am particularly pleased to notice the presence of many friends in your midst this evening, who are well versed in the field of economics and quite abreast with the latest developments of the world economy. I gladly accepted your invitation because I believe that economics is the real key to constructive relations and healthy interaction among nations.

It is not only the world of facts, figures and statistics, but more importantly, it is a world of visionary prediction of the future of mankind. Also, I have always enjoyed talking to economists and listening to them, as they tend to be practical, realistic, and to the point. They are inclined to address themselves directly to the core of the problems facing us and apply their ingenuity to solving them. With this note, I want to give you an idea of how I conceive of developing our economy and conducting our economic relations with the outside world.

As you may well know, Egypt, which was traditionally thought of and classified as an agricultural society, was among the first states to introduce industry to our region. By the 1930s, we were able to lay the foundation of a modern, industrial base capable of propelling us later into

the contemporary industrial revolution. Thus, when we embarked on a vigorous drive in the 50s and 60s to revitalize our system of production and widen the scope of our manufactured commodities, the transformation was a natural and smooth one. As we went along, we discovered the need for making adjustments here and there, and I believe we have been quite flexible. Those among you who are acquainted with us know that we are open-minded and willing to do everything we can for the success of our experiment and the good of our people.

We continued to develop our agriculture and the past few years have witnessed a vigorous drive on our part with the aim of increasing production and rejuvenating the system. We are accelerating the rate of mechanization, introducing higher yield varieties of grain, and doubling our production of fertilizers. We are spreading light industry and handicrafts in the countryside. Together with that, we have been focusing on the need for social development in over 4,000 Egyptian villages. Schools are being built every day, medical centers established, family planning units set, running water is replacing canal water for human use, and last but not least, electricity is changing the quality of life altogether in the country.

Today, agriculture remains the largest sector of the Egyptian economy, accounting for 30% of the gross national product and providing for almost one-half of the labor force. Industry contributes 20% of the gross national product and employs 13% of the labor force. We are developing our economy in both sectors simultaneously and along parallel lines.

Perhaps you are aware that one of the main fruits of our industrialization drive has been the training of a skilled labor force capable of absorbing and assimilating new technological techniques and processes. In fact, this skilled labor force is one of the pillars of development in the entire region, not only in Egypt.

Without getting into details of our development plans, suffice it to mention a few words about our open-door economic policy which is a cornerstone in our endeavor to rejuvenate the Egyptian economy. This policy is designed to encourage and stimulate more capital investment, be it local, regional, or foreign capital. To reach this end, we are liberalizing our laws, eliminating restrictions, combating bureaucracy, and rewarding initiative. The objectives of that policy have not been fully attained yet and some remnants of the past still persist. But we are working very hard on it with determination, for we know that reforming an established structure could be much more difficult than creating a new one. As we go along in the implementation of this policy, we make the necessary adjustments, amendments, and accommodations. We would like our economic system to have its built-in correctives. We also realize the need to strike a balance between stability and flexibility and that is precisely what we are doing.

We realize as well the need to reassure foreign investors and convince them that they are not taking any risk while investing in Egypt in this era. At a time when runaway inflation is rampant and recession is overshadowing many parts of the world, capital could be scarce and hard to get. But we are doing everything we can to make Egypt an attractive spot for investors. So long as

their objective is mutual benefit and not exploitation, they will find us most responsive and attentive to their needs. Any economic activity has to fit in our overall plans for economic development which sets the priorities of our national endeavor.

We are not forfeiting our economic independence or mortgaging our economy. But we welcome a profitable and rewarding partnership from which both sides would benefit. We promulgated a law, No.43 for the year 1974, for regulating foreign investment and free zones. It granted foreign investment numerous immunities, privileges, and exemptions. Foreign investors are now immune to nationalization, sequestration, expropriation, and seizure. The law also guarantees the free repatriation of profit and capital.

Furthermore, Egypt adhered to the Convention on the Settlement of Investment Disputes through the World Bank. Besides, we have concluded bilateral agreements with several countries providing for an added protection for the investments of their nationals. An example is the Investment Guarantee Agreement between Egypt and the United States. Also we have just concluded a convention for the avoidance of double taxation which aims, among other things, at the elimination of obstacles to international trade and investment. Still, we are prepared to respond to any constructive suggestions and make the necessary adjustment as we proceed ahead in this process.

It was in this spirit that we welcomed a few days ago in Alexandria, a seminar sponsored by the

Ford Foundation on the legal and economic aspects of foreign investment in Egypt. Moreover, we listen to investors and businessmen, individually and collectively with a view to establishing a workable accommodation with them that is just and fair for both sides. Thus, we were glad to receive several groups of American businessmen in the past few months. Discussions were held and opinions exchanged to the effect that each party became better acquainted and more informed of the other's thinking. We are also reviving the stock exchange, which remained defunct for about 15 years.

Mr. Chairman, let us take a look into the near future and let me explain our concept of the role of foreign investment in Egypt and the optimal functioning of the mechanism governing the relations between the parties involved.

We must bear in mind that development is not purely economic. It does encompass social development and institution building. We are gearing our development efforts to these aspects as well; especially the latter where we are evolving new institutions which are both flexible yet stable, capable of adjusting to the rapid rate of change which has become the hallmark of our time. They are designed to provide the continuity and stability needed to avoid the traumatic upheavals that have shaken some modernizing societies. Such institutions also avoid the development of a dualistic society which allows only a segment of the nation to reap the fruits of progress.

Economic development, in our view, is the promotion of growth and structural change of the Egyptian economy. For this, we need both capital and human resources. But above all, we need a massive transfer and adaptation of technology. Therefore, we propose to invite foreign investors to bring not only their capital, but also their know-how. We invite them to do that, within the framework of our development objectives, so that they may join us in a new partnership.

Instead of conflict, we propose cooperation, and instead of administrative controls, we propose accountability – the same accountability that management owes the stockholders. Through joint ventures, the Egyptian people, whether via public or private participation, would be a stockholder in these enterprises. The formula of the joint venture may be bilateral or tri-lateral where regional capital may be coupled with the know-how to join local resources in specific projects.

This trilateral formula is particularly appealing. Where it has been applied, it has proven a great success. The region's vast accumulated capital resources, together with the modern know-how and technology, brought to a well-established base of investment opportunities, provide an excellent combination.

Thus, although our present laws allow other forms of investment, the logic of the joint venture formula imposes itself with striking clarity. By providing for the mutual benefit of the parties involved, we ensure that the imported technology is part of an ongoing stream, not a single short

operation. As new production technology or managerial and marketing know-how is created, it will be in the investor's interest to bring it to Egypt. The investor will have a stake in building a viable competitive industry which builds on comparative advantage and uses the most up-to-date equipment and know-how.

The Egyptian state will also bring much to this partnership. In addition to the many privileges, immunities, and guarantees provided, we can bring some capital and equity participation in kind. We are building and renovating our infrastructure, thus improving our competitive capability. We are also developing our human resources by introducing more technical education and vocational training geared to keep our workforce abreast with the latest in technology. Finally, we offer the advantages of a geographic location at the heart of the fastest-growing region in the world. Our land is one of bountiful opportunities. Our people have been known throughout their history as being hardworking, creative, and enterprising.

With the peace structure we are building, the situation will certainly be more promising and conducive. We are doing everything we can to reinforce and accelerate the process of peace, at some cost occasionally. But we are determined to pursue this road for the good of our people and in the interest of other nations. At a time when there were some discouraging signs, I took my decision to reopen the Suez Canal. I did that as a unilateral contribution on our part to world trade and prosperity. We firmly believe that all nations have much to gain and nothing to lose by doubling their exchange and intensifying their transaction. To this goal, we are committed and

devoted and I am sure that you are too. Thank you. (Applause)

QUESTION AND ANSWER PERIOD

CHAIRMAN CHARLES C. TILLINGHAST, JR: Thank you Mr. President. We will now have the first question.

RICHARD A. DEBS: Mr. President, I think you know from your warm reception how delighted we are to have you here with us and how much we appreciate this opportunity that you're offering us to ask you some of the very many questions we have, that are on our minds about Egypt. On behalf of all of us in the audience, I'd like to thank you for being with us and extend a very warm welcome to you. ...(Speaking in Arabic)...(Applause) On the economic side which I'd like to focus on, I think perhaps the foremost question that most of us have in mind has to do with your present trip to the United States. We know that you said the purpose of this trip is a very general one, not only to meet with government officials but also to get around the country as you have now and to cement relations between Egypt and the United States. You indicated that you didn't have any specific economic proposals in mind, that you don't have any shopping lists as it were. But I'm sure that you have some items in mind as you carry on your discussions here. And I wonder if you could give us an idea of what some of those items might be, or what you would like to see as the results of this visit, particularly in the economic sphere?

PRESIDENT ANWAR EL SADAT: Well, when I met President Ford last June in Salzburg, we discussed the possibility of my visit here, if a second disengagement agreement can be concluded between us and Israel. And it has been concluded. To tell you the truth, I came here really with great hopes. As I said, I didn't bring a shopping list in my pocket for armaments or so, because what concerns me mainly now, it is not armaments, but what concerns me is the state of our economy. With all honesty, I can tell you that in October '73, our economy was below zero. Our Arab colleagues, after the October war, helped us but to a certain extent. In the last 20 years, we have voluntarily built an iron curtain around us. As a result of this, we have been separated completely from the new developments, the know-how, the new technology all over the world. There was something wrong in the system, this is true. For that I have started the open-door policy in 1974. And last March I was faced by a very grave situation, that we need liquidity of 1.5 billion Sterling Pounds. It has been accumulation since the 60s really because, as you know, I have been working in the revolution since it started 23 years before and I was one of the nine who started it. All our difficulties and problems have been accumulating since the 60s because we have always put ambitious plans. And as I told you, we have voluntarily built an iron curtain around us and we thought at one time that we can build our economy by ourselves only, separated from the whole world. This proved to be wrong. No one can be separated in this world of today. And the big example for this is that the Soviet Union, who reached the moon, and the high technology and the hydrogen bomb, and the atomic bomb, and all the arms, is now asking for the technology, and also asking for the new methods for agriculture. No one can separate themselves from the world at all. We were wrong and the accumulation, as I told you, became

very acute, especially after the war of June '67 and during seven years after that, we received nothing at all. We were bleeding, our economy was bleeding. So, as I told you, in October '73 we reached below zero. I have come here with all hopes that we can reach such arrangements by which we can have a blood transfusion to our economy. I was always telling my people, my aids in the government that, for instance, a very important factor in rebuilding Germany after the Second World War were the banks and the initiative and the spirit of pioneering. Well, because of the iron curtain I told you about, our banks needed again to practice correctly. For that we have already concluded agreements with the First National City Bank and with Chase Manhattan. And I hope not before long, before the end of this year, they will be functioning in Cairo. But as I told you what concerns me mainly is how to have this blood transfusion for our economy. We need your help with the technology, the know-how, either as I said through joint ventures bilaterally or trilateral. As I said, we have accumulation of capital in our area now as you know. All these, I came with all these hopes. And I feel that I shall be returning to my country feeling very spirited by what I have seen, especially after I met you – all these distinguished guests who represent the economy here – I shall return to my country really spirited and stimulated. And let us hope, as I said, by working together and trying to solve whatever we face of problems, I think we can do a lot together and we can achieve many goals. The country is full of assets. The country is not bankrupt. We have agriculture. We have industry. Lately we have the Suez Canal. Before ten days, when I visited Ismailia, I visited the headquarters of the Suez Canal Authority. And there I learned that the cargo that passes now through the canal has reached the same amount that used to pass through the canal before '67,

before the canal was shut. And we are hoping more because the number of ships are less, but the cargo is the same because the ships are more bigger now. The responsible people in the Suez Canal told me that by the end of this year, they hope they will reach the number of ships from 55 to 60 that used to cross the canal. With this big size and cargos and the new tolls, I think we shall be having about \$500 million a year. With oil, that I'm regaining from Israel in two weeks or so, we shall be self-sufficient in oil. And by next January, we will be exporting a very small amount, but still we shall be self-support. And this is very important in the world of today when energy raises all these problems. This is a glimpse of the whole situation, but I hope that we can have more details when we sit together in Cairo and discuss specific ventures or specific ideas.

(Applause)

RICHARD A. DEBS: Last year, Mr. President, the United States and Egypt got together on organizing a joint commission, a bilateral commission which was organized to facilitate and provide for closer cooperation in the economic area on a government to government basis which was somewhat novel for us. Could you give us your views on how successful that joint commission approach has been? And how successful this idea of a government to government effort has been and what the role of the private sector has been in that connection?

PRESIDENT ANWAR EL SADAT: This joint committee already has convened very lately I think. And after that I heard that there's a complaint that they have already met those of the public sector and they didn't meet the private investors. Well, we have my Minister of Economy

here. He can give us a report on this because he has been there with them.

EGYPT'S MINISTER OF ECONOMY: Thank you. Thank you Mr. President. The Joint Egyptian-American Committee which was established between the United States government and the Egyptian government held two meetings. And from these two meetings, a program of action and an organization was established for the working of the committee. One of the fruits of this committee, of the work of the committee, is a treaty which has been signed for avoiding double taxation. The committee is expected to meet in the future in order to organize economic and financial relations between the two countries. Of course, this government to government cooperation in the field of economic matters does not extend itself to the private sector, or to business sector in general, because the cooperation on business level is left to the Egyptian-American Council which has convened two weeks ago in Cairo. Under this council, the cooperation is furthered between the two countries. So coming to your question precisely, I believe that the joint government Egyptian-American Committee has made a good start and that the future for its work is promising. (Applause)

RICHARD A. DEBS: I think all of us here in this audience, Mr. President, are very much interested in this question of transfusion, as you put it, of American know-how, of American capital, of American expertise, and in direct investment in Egypt. I wonder if you could give us some guidance in terms of the priorities that you see, the areas in which you would like to see American business go into Egypt.

PRESIDENT ANWAR EL SADAT: Again I think this is, it has a technical aspect that our Minister...(Laughter) They have put the plan in the Cabinet and I think he call tell you about this plan and the priorities.

EGYPT'S MINISTER OF ECONOMY: Of course, under our plan priority is given to strategic sectors – the main sectors where there are bottlenecks which are impeding further growth in production. Secondly, we are much interested at present in export, in export-directed industries. Owing to our foreign exchange problems, we are interested in foreign exchange earning industries. Of course, we would admit industries which cater only to the local market provided that it would be foreign exchange seeking. But definitely we give priority now for industries which as such is to release and relieve the country of bottlenecks and industries which would promote an increase in our exports. (Applause)

RICHARD A. DEBS: I'd like to turn the questioning over to Dean Winder who has some more general questions.

DEAN WINDER: (Speaking in Arabic)...(Applause)

TRANSLATOR: But you have to translate for them...(Laughter and Applause)

DEAN WINDER: Anyone who doesn't understand...(Speaking in Arabic), isn't entitled to any salvation. (Laughter) Mr. President, I'd like to ask you a very general question which goes beyond what Dr. Debs asked, but also involves relations between the United States and the Arab Republic of Egypt. I'd like to ask you what your hopes and goals for relationships between Egypt and the United States are after these immediate problems – political and economic? How do you see the long term relationship between Egypt, situated as it is in the crossroads of the world, and this great North American country?

PRESIDENT ANWAR EL SADAT: Well, to start with I must say this. We have always admired the spirit of freedom that was the foundation of this country. And as a proof of this, when we started our revolution on the 22nd of July, 1952, the only foreign embassy that we got in contact after we got control of the whole country at dawn was the American Embassy. We send a messenger to the military attache there and informed him that we have started a revolution and we depend upon the spirit of the American understanding. Long before that and during the Second World War, we were working in our organization of the Free Officers. And as confirmation to what I told you, we have always followed with admiration the battles, the silent battles between the late Roosevelt and Churchill. Churchill was a colonizer. Roosevelt was representing the spirit of the United States. So for that reason, and as I told you for the spirit of the United States itself, the only foreign embassy we got in touch was the American Embassy at dawn, just a few hours after we got control of the whole country. Our relations, when after that we asked to buy arms from the state, from the United States here, we were denied in '53. After

that we have to break the monopoly of this arm. We went to the Soviet Union in '55, September '55, and concluded the first agreement between us and the Soviet Union. And since that time, at the time Dulles was in the State Department, and as all of you know, he was very orthodox.

(Laughter) And he thought that this is a crime, that we should get arms from the Soviet Union.

And he has always the theory of black and white. I mean that that who is not with America must be against America and this is not true. We should know that every country had its national

inspirations and its pride. And we are a very old country. We are 5,000 years. And the first

government has been there on the....(Applause) Since that time, you know what has happened

after that, about the building the High Dam and the confrontation that has been started also by

the State Department here and issuing a statement saying that Egypt cannot build the High Dam

because it is a bankrupted country. This was released officially from the State Department here.

Well, after that came the aggression of '56, Eisenhower was president, and he was a man of

principle. (Applause) In spite of the fact that the aggression was directed just a week before the

elections here and we all know your system here, Eisenhower really took a very historical stand

and helped us in removing the tripartite aggression on us in '56. After that, I'm just relating all

this because I must give the background of the relations between us because I'm a witness of it

all the time, after that came Kennedy. We had good relations with Kennedy. We didn't have, we

weren't of the same view in everything. We differed, but still there has been always

correspondence between President Nasser and President Kennedy. In spite of any difference,

there has been a link, a correspondence. After Kennedy came Johnson and a new era in our

relations started during Johnson's administration. He had cut the aid in '65 and he had sent an

ultimatum to us saying that he will be providing Israel with arms and if we attack him, he will provide more arms, and we must give the United States the right to inspect our armed forces and our activities and so on. No one can accept this at all. We refused and the confrontation started during Johnson's administration – a very sad confrontation really. Then after that came '67, and what has happened. After Johnson came Mr. Nixon. In the year 1970, Nassir, in his speech on the first of May, tried to start a dialogue with President Nixon at that time. And he died in September after what we all know about the Rogers Initiative has been issued and we accepted it. Nasser accepted at the time in the hope that we shall start a dialogue between our country and the United States. I have related all this history because I want you to live the background with me. In 1970, I was elected two weeks after Nasser died, in October '70. On 24th of December '70, just two months, I sent the first message to President Nixon at that time trying to open a dialogue and he answered. Because of this confrontation, as I said in one of my latest speeches, there has been created a theory in our country that there is a traditional friendship with the Soviet Union and a traditional enmity with the United States. I consider this completely wrong, not only because the United States is a very important part in the conflict, the Arab-Israeli conflict, as Israel receives everything from the United States, but because we should have balanced relations between the two superpowers and to follow a policy that fulfills our national aspiration without traditional enmity with anyone or traditional friendship with the other. I have tried my best really. In February '71, and I was only elected five months before, I started my initiative and Rogers visited me after that. But he wasn't up to his word and we started again another sort of confrontation until the October war came, and I received Dr. Kissinger for the first time in

November '73, two weeks after the cease fire. And as I said yesterday, one hour after our meeting I felt that, I felt as if I have known this man years before and we started this peace process. Parallel to this, it is very essential for my country, apart from any economic aid, apart from any armament deals, apart from anything at all, it is very essential to my country and to the interest of my country to have the best relations with the United States. This is a fact that has been proved during the visit of President Nixon last year. You must have followed this visit and you must have seen how the Egyptian people by millions hailed Nixon. They were hailing the return of the real scope of relations between Egypt and the United States for which they were yearning year after year. (Applause) So if my visit here results only of establishing these principles for our relations, I'm quite satisfied. I don't want any aid. I don't want any armaments because I can get the arms from Western Europe or from any other place. The aid, I can get the aid from our Arab colleagues. But if my visit here only results in putting our relations in its proper position, and I must tell you that in dealing with President Nixon and Dr. Kissinger, and then with President Ford, and Dr. Kissinger also, I must tell you that in dealing with them, they have been always up to their word with me. (Applause) My people know this and my people agree to this. If we can, as I said, as a result of this visit put this foundation, and it can be realized by the American people as it is realized by the Egyptian people already, I think we have achieved everything. (Applause)

DEAN WINDER: Mr. President, the applause which has interrupted and ended your remarks, I think, indicates what the response of this audience is to those really inspiring remarks. You made

a reference to the peace process. I'd like to move our questioning or discussion a little bit more to the problems of peace and war. What I would like to ask now is whether in your talks here in the last few days you have been encouraged in the possibility of a second disengagement between Syria and Israel on the one hand? Also how long a wait is a reasonable wait to see whether something will happen? And finally, whether the apparent split is a deep rupture between Egypt and Syria or whether it is something more tactical and local?

PRESIDENT ANWAR EL SADAT: Well, to start with the last item, between Syria and Egypt it is something that happens always in the Arab, inside the Arab family. It is quite natural (Laughter) and we need not worry about this at all. (Laughter) But as an answer to the first part of the question, since Salzburg, since I met President Ford in Salzburg, we have a complete survey of the whole problem and the whole situation and also some vision for the future. I can tell you that as he said yesterday, President Ford himself, he has said yesterday that he has already instructed the State Department to start its efforts to continue the peace process. And this means he has already given the green light to work on a disengagement agreement with Syria like what has happened in the first disengagement with Egypt that came after, the disengagement with Syria, and in the second disengagement agreement with us. Also the United States is more than willing to exert its good offices for Dr. Kissinger as he received these instructions from the president to start the same process for the Golan Heights. This is a fact, and it is up to our brothers there in Syria to decide.

DEAN WINDER: Thank you very much. Let me ask one more question before returning the microphone back to my colleague. The situation in Lebanon is really one which is extremely distressing to anyone who cares anything about the Middle East. I'd like to ask you about the policy of the government of Egypt from two angles insofar as the current situation in Lebanon is concerned. One is whether or not Egypt is playing or should play or might play any role of mediation in these events. And the second one is what the posture of the government of Egypt might be were our worst fears to be realized and some motion to take place, both from Syria and from Israel, as far as Lebanon is concerned.

PRESIDENT ANWAR EL SADAT: Well, the situation really in Lebanon is a great concern to us in Egypt and it is a tragedy. Really it is a tragedy. No one can imagine that these civilized people could commit what is happening there in Lebanon – killing, looting, all what's happening there. As an answer for the first part, there has been a meeting in Riyadh, the capital of Saudi Arabia, last April. In this meeting there were King Khalid, Hafez al-Assad of Syria, and me. And I told them the situation is very urgent and at any moment everything will flare up again, and at that time Lebanon was in a truce or something like that. But I told them the situation is very dangerous and we shouldn't wait. More than that, I prepared the Secretary General of the Arab League, Mahmoud Riad, and I made a proposal to King Khalid and Hafez al-Assad at that time that the Secretary General of the Arab League goes there to Lebanon and brings President Franjeh and Yasser Arafat of the PLO together and try and reach a solution from the roots of all what is happening. Well, they didn't agree to my proposal. And what is happening now? From

the side of Egypt, it is a great concern because it doesn't happen in Lebanon with no other effect on the area. On the contrary, it has great effects on the area. But unfortunately, the Palestinians who are part of this conflict, they have joined camps with the Syrians against Egypt. So I am not neutral to work in this. I would have liked, and even I suggested that at any moment I am ready to go and bring President Franjeh with Yasser Arafat and do this thing because I know what is ailing Lebanon and what is ailing the Palestinians. And we can do it. And the Lebanese have the wisdom and everything to solve this problem. But I'm not neutral now. Not because I made myself this, but because the Palestinians put me like this, in this position. The problem in Lebanon has two aspects. The first aspect is there is something wrong in the system there. The Lebanese should sit together and decide for their system and their way without any foreign interference, either from any Arab country or from any other foreign forces. This is my idea. I declared it. And I declared it lately in my last speech one week before I came here. And I said; raise your hands off Lebanon – the Arabs and the foreign powers. Because the Lebanese can sit together and decide for themselves and do whatever to amend their system or to make a new system, whatever they like. They have the ability and they can do it. After that, the second aspect is between the Lebanese and the Palestinians. And also this, they should sit together without any foreign interference. Now arms are pouring in Lebanon. Something that no one can know or understand is happening there. Believe me, me myself, sometimes I ask myself, what is happening there? Why? I can't find the answer. So this is our stand, the stand of Egypt. And I said more than this, the situation will affect the whole area, not only Lebanon but the whole area.

(Applause)

RICHARD A. DEBS: Mr. President, we'd like to hear some of your views on the internal economic situation within Egypt. We know that Egypt has made great strides in its internal economic development since you took office. And, of course, all of us know that Egypt still has serious economic problems as most of us do and that you are very eager for Egypt to move ahead quickly. Defense expenditures over the past years have obviously imposed a very heavy burden on the economy. To what extent do you see a reduction in those expenditures as these peace efforts go forward? And as a result of that reduction, where would you see the resources that have been allocated to defense, where would you see them allocated? For example, do you see your priorities in the consumer sector? Or do you have overall plans for; say industrial development or agriculture as you mentioned? Where would you see the focus of your internal development program over the next few years?

PRESIDENT ANWAR EL SADAT: Well, for the first part, yes, the expenditure of the purchase of arms puts a very heavy burden on my economy. This is a fact. But I have no other way because one has to defend his land. I can't sit arms folded and leave my country unprotected while we didn't yet reach a peaceful solution. We are on the way. After the second disengagement agreement, there is a fact. This fact is that the tension or the bomb that was about to explode is diffused. And that's what I was always trying to ask America to do is to diffuse the bomb that's about to explode there in our area. Sure, this will relieve me to a certain extent, but it will not be sufficient. For the priorities, I have seen a very good experiment in Austria and they

have a social system which I like very much. And I sent my people to see this social system with the Chancellor Kreisky. We have to go parallel. You can't deprive your people their needs.

Kreisky told me that after the Second World War and thanks to Marshall's Plan, he has to follow the two ways in parallel. He has to bring ample food and give to his people and at the same time start building the new projects because if he starts only building for the production, it will take years and years to give its result. While the people are coming from, after a very hard time in the war, so he has to provide them with their necessities at least. So I'm trying now to do the same thing. I have already started it. I must provide my people with their necessities. I'm not asking for the luxuries at all – only the necessities. And in the same time I'm trying to either raise the productivity of some of our industries which we call dollar industries like cement or the fertilizers or so which can bring me capital and will save some of my foreign exchange that I have to buy fertilizer or cement for the reconstruction that I have already started one year before. So I have to go parallel in the two, I mean, items. But I must provide my people with their necessities on the first hand. If I am to choose, I must provide my people with the necessities because they have suffered a lot. (Applause)

CHAIRMAN CHARLES C. TILLINGHAST, JR.: Thank you President Sadat. I'm conscious of the fact that it is approaching 6:00 in the morning in Cairo. You've had a very long day and we are most grateful to you for sharing this part of your day with us and for answering so frankly and so interestingly the questions that have been put to you. Mr. Debs and Dean Winder, we thank you also for your part in the program. We stand adjourned. Goodnight.