



AN ADDRESS

Dr. Aziz Sidky

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Reviewed by: J. J. Foote Date: 8 Feb 63

**INDUSTRIAL COLLEGE OF THE ARMED FORCES  
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AN ADDRESS

29 November 1962

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Reporter--Grace R. O'Toole

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INDUSTRIAL COLLEGE OF THE ARMED FORCES

Washington 25, D. C.

~~AN ADDRESS~~

29 November 1962

CAPTAIN FOOTE: Gentlemen;

In our studies to date we have not had an opportunity to examine in any depth the economies of our foreign neighbors. We will, of course. After we do I think you might conclude that the industrial economy of the United States is probably the most unplanned economy on this globe. The fact that this generally is not the case elsewhere I think merits a thoughtful look into the forces and conditions that make other nations come to the conclusion that a planned industrial economy is the way for them to increase their per capita GNP in face of the population explosion.

We are indeed fortunate at this moment in having a gentleman who has had years of being intimately involved with his country's planned efforts to improve its industrial capability.

It is a pleasure to introduce to this class Dr. Aziz Sidky, Minister of Industry, United Arab Republic.

DR. SIDKY: Thank you very much. I am glad to have the opportunity to talk to you.

May I start by saying that I will try to forget officiality and will talk very informally to you, so that I can convey to you the ideas and whatever experience we have had in our country.

It is fortunate that I have been in this country for several years, so I know

~~the kind of society and the kind of economy that exist in this country.~~ In my explanation I would like to tell you how the economies in other countries, due to different conditions, may have to operate. Maybe it is better to give you a brief background about the conditions in our country.

The population today is about 26 million people. It has been growing at the rate of 3 percent per year. Ten or fifteen years ago we were very heavily relying on our agricultural production. It was the main item in our economy. In our agricultural production we were relying on the waters available from the Nile, and as such the cultivatable area was distributed to that which could be cultivated through the possibility of the amount of water that we got from the Nile. That was about 6 million acres. It had been almost static for many years in the past, although we had developed a very efficient system of irrigation to make the best use of the available water from the Nile.

That shows you that with the continuous increase of population at a very high rate and the fact that our economy was relying on agriculture, which could not be expanded beyond a very small margin due to the limitations of the waters of the Nile, it meant by necessity a continuous decline in the standard of living of the people.

When the new government came in 1952 that was one of the basic problems we had to face. In fact, that is the answer to why the revolution came in 1952. It came because of those conditions and because of the fact that little had been done about these problems--the standard of living and all the facts of life affecting the people, such as health, education, position, and all these things which

~~were continuously on a decline for the masses of the people.~~

~~That was the major problem we had to face. What could we do to face these problems and solve them? First, it was obvious that we had to think of developing agriculture to the maximum within the possibilities, and the high dam was a very important project for us because it meant that we could expand our cultivatable area by one-third.~~

~~Also, we went out looking for underground water in the desert, and we succeeded in proving that there is plenty of water in the western desert. Right now we have a project that we call the New Valley in the western desert, which will be cultivated from the underground water through pumping.~~

~~However, all these expansions were calculated against the high rate of increase of population. They would never be able to raise the standard of living as such, but they might be able to keep it as it was for a few years to come, and afterwards the decline would start again.~~

~~With this background it was obvious that we had to look for other types of development which would add to the possibilities of our country. Of course industry was an asset of our economy that was not properly exploited.~~

~~To give you an idea--when I was in secondary school I was told that Egypt was an agricultural country and that industry could not succeed because we did not have iron ore, coal, or any of the main factors necessary for successful industrialization. When I looked backward to what I had been told, I found I was misled in what I learned, because, actually, when we made a proper survey of our possibilities we found out that there were great possibilities for industrialization.~~

~~In a country where there are resources, either agricultural or mineral,~~  
definitely ~~there is a scope for successful industrialization in one way or~~  
~~another.~~ For instance, ~~if we are growing cotton, which is our main crop, defi-~~  
~~nately one would think of studying the possibility of developing the textile indus-~~  
~~try in that country. In 1952 we were importing some of our needs for consumption~~  
~~from foreign countries. In 1962 we are producing now twice the local consump-~~  
~~tion needs, which are much greater than they were in 1952, and we are export-~~  
~~ing the balance, about 60,000 tons of cotton yarns and textiles, and to those same~~  
~~countries which we used to import textiles from--England, Germany, the United~~  
~~States, and other countries.~~

~~That idea explains that it can be applicable to many other items. If we are~~  
~~growing sugar cane, of course we can develop the sugar industry. If we are~~  
~~growing vegetables, we can start a canning industry. And so on. In the mean-~~  
~~time we had to explore the possibilities of our mining resources, our mineral~~  
~~resources, and we were fortunate to search for certain minerals that we had sus-~~  
~~pected would be available. We have been successful in finding many of them.~~

For instance, we looked for iron ore. We already knew from past studies  
that there existed in the Aswan area reserves which amounted to about 20 million  
tons. So right from the beginning, in 1952, we decided to establish an iron and  
steel factory which would need about a half-million tons per year. We thought  
then that the iron ore would be sufficient for the duration of about 40 years. But,  
in searching for iron ore in other parts of the country, we proved that we have a  
reserve of iron ore deposits in other parts. In the western desert we found 300

million tons of iron ore, 200 million tons of which are of good quality, with about 45 percent content of iron, and the other 100 million tons of a lower grade, with about 32 or 30 percent of iron. And we found other minerals. The coal that we were told was not available in our country we found in the Sinai area in the eastern desert. These reserves that have been proven definitely up to now amount to 60 million tons of good coking quality coal. We have found other ores, like copper ores and lead and zinc, and, of course, manganese and phosphates, and so on.

So by that kind of approach we have defined to a certain extent the possibilities which in themselves would be the basis for proper industrialization.

Again, through the hydroelectric project in the present Aswan Dam, we produced electricity which was in itself a factor of starting a fertilizer plant at Aswan, using the cheap electricity, and now we are producing from that plant 400,000 tons of fertilizers which we used to import from abroad.

I don't want really to go into details about these matters, because I am sure that that is not what you are interested in. But why are we doing this? In fact, in my opinion, in a healthy economy there should be a word that would mean the proper exploitation of all the possibilities available to that country, including manpower. When you do it what way, you change available manpower from an existing problem, when it is unemployed, into an asset, when it is available to be employed. That is one of the objectives of any responsible society, to supply decent work for the growing population.

Not only that--when people find work in agriculture the average pay is much

lower than that offered by industry. It is normal because of the marginal profits which can be achieved in industry against those in agriculture. That mere fact in itself means a participation in the effort to raise the standard of living. Also, when you start a factory in an agricultural area, that in itself means the introduction of another kind of life in that area.

I am talking now about countries which have been deprived of proper development in the past, like ours. If you go to the countryside you will find that there are many places that have been deprived of the necessity of proper health services or educational services, or lighting facilities—power for lighting, and so on. But when a factory goes into one of those places it brings with it those services.

That means that through industrialization we are starting to change the whole structure of our economy and also the whole structure of our society. This in general explains the effort we have made. We have developed what we call the first five-year plan. I explained the reasons for thinking of developing a plan, because, actually, when we decided that we should develop our country, we had different ways to do it. There is the laissez-faire system--let it happen the way it can happen. Of course if we set that theory in a country like ours, where the means to do it are limited, we would be doing nothing more than what had been done in the past. But, by studying and developing a well integrated plan in which we calculated the possibilities which/could get and which we could use, and then deciding on what fields and aspects and projects for development should be included in the plan, with certain priorities, that meant that we would be using the

possibilities available to us to their best use.

That, in a society like ours, as I explained before, with limited resources, explains why we felt the need for planning. I know that in this country years ago there was much discussion about planning against free enterprise and a free economy, I remember, if I remember correctly, what I learned here about the National Resources Planning Committee and the National Planning Board, that they were formed in 1939 or 1940, or something like that, and at that time that was a complete effort from the Government to try to study the possibilities of developing a plan. I remember that there was so much argument about the TVA as a plan and whether or not it would go correctly with the system of business that was in this country. But I believe that in time planning in one degree or another has been accepted as a reasonable and healthy solution and approach to at least deciding what to do for the best interests of all the people.

In a case like ours it is even more so, it is more essential to us to know what we want to do, so that when we do something we know that it has priority in the needs of the country, and we know in our minds that what we are doing will mean a certain result at a certain date. This is very important. In this country you may not feel it very much, because this country has got great means, great resources. It has been developed through many years in the past to the extent that it has now the largest and the most important productive system in all the world. That in itself means a higher standard of living, in my opinion maybe the highest in the world, for all the people, of course varying from one person

to another, but in general it is the highest in the world. So the feeling for planning your expenditures or planning your development is not as much felt a necessity as it would be in a country like ours.

This, of course, again means that I have to explain to you that it is not only a matter of trying to raise the standard of living as such. We are not interested in figures to be happy with. We are more interested in what the figures mean. In a country like ours--and I think this is true in many countries that are in the same situation--there are problems. When people are poor and when they don't have the services that they need, there are certain theories in different parts of the world. There are certain ideologies in different parts of the world. In my opinion, fighting the harmful ideologies does not come by slogans, does not come by talking about freedom. It comes through giving the people what they are looking for. What do people want? They want to live in a decent manner. They want to have enough to eat, to be well dressed, to have a decent health service, to have a decent education. If they don't get it and if they don't have the hope that they will get it, that will be a very attractive society for harmful ideologies, I am sure. So, actually, by developing a country like ours, you are not only achieving the material results I am talking about but also you are dealing with the moral background which is, in our opinion, very important.

I am glad to say that what we have done in our country can be considered to be remarkable. When I say "remarkable," of course, I am talking about our country, with its size and with its possibilities. The smaller the possibilities the more difficult it is to do something. We have done something that many other

~~countries are looking up to as a good example.~~

~~I was telling Mr. Dillon this morning that many other countries' officials come to us in Cairo and ask us to help them do the same thing, because they are facing the same problems. They have been under the domination of foreign powers for so long. I am not going to talk about it, but we all know that very little has been done in many countries to develop them properly. So that now they have conditions that are much lower and much less accepted than those in many other countries. When they saw what happened in our country, which was in a similar condition, and that we succeeded in doing something about it within our means, they came to us and asked us how we did it.~~

It shows you that all over the world it is the same basic problem. Every responsible government feels that its main job, its main target, is to do something for the people. The problem with them is how to do it within their limited resources. Sometimes those resources are big, but the availability to exploit them may be little.

As I explained, in 1952 we did not know that we had coal, we did not know that we had iron ore to that extent, we did not know that we had underground water in the western desert, we did not know that we could economically and materially develop a big program like the one we have undertaken.

To be frank with you, I was appointed Minister of Industry in July 1956. That was the first time we had a Minister of Industry in our country. As I told you, there was no need for one. We were told that industry could not succeed in our country, so there was no need for a Minister of Industry. And I tell you

~~that after I was appointed I sat down and thought to myself, "What is my job?"~~  
~~This is very important. You know that in an existing ministry the next morning~~  
~~the secretary will come in with the mail, and you have something to do. But~~  
I had nothing.

~~Really, this is the problem that is facing all these countries. We had to~~  
~~think, "What do we want to do?" I was supposed to develop industry in our~~  
~~country. How was I going to do it? That is how I decided that there should be~~  
~~a plan. I could not just wait for someone to come to me in my office and say,~~  
~~"I want to build a factory to produce sugar, or steel," or whatever it is. If~~  
~~that would be so it would have happened before, so I would be adding nothing to~~  
~~the existing effort. How would I know that this was the most important thing~~  
~~for our economy that was being proposed?~~

In my opinion there were two ways to tackle the problem. First, we had  
to make a proper survey of our possibilities and also of our needs. That meant:  
What were we consuming locally? How much? Where did we get it from? By  
studying all our possibilities we might come out with pointing out those impor-  
tant items which we were still importing and which we might have the possibil-  
ities and means to produce locally. This meant also that we had to develop a  
plan so that we would know our obligations, how much investment was needed  
for that plan, how much we expected to get out of it, and that accordingly we  
would be safe in going ahead with our project.

A very important factor to consider in planning is not to be very optimis-  
tic. That was a very harmful approach in some countries which adopted the idea

of planning. ~~When we started we were very conscious of that fact. We said,~~  
"If we are going to develop a plan, we can create all our revenues, all our possibilities, and then we are supposed to have a plan where we can invest all our revenue either in the form of services to the people or in development for production. But in doing so we are calculating year after year the revenues we expect from our investment, and if that revenue does not come in the proper magnitude calculated in the plan and at the time estimated in the plan, we will be already committed to the investments that are taking place, and this will mean that we will be in trouble, that we have commitments and we have not received the opposite revenues which we expected to meet these investments or commitments. "

So right from the beginning we were very conscious of this point. I said, "We will have always to have a factor of safety." The factor of safety in calculating the amount of investments meant that if we thought it would cost 100 we would put in a plus of 10 percent as a factor of safety. With regard to the revenue, or the returns from that investment, that meant that we calculated that a factory, for instance, would produce 100,000 tons. We didn't say that it would produce 100,000 tons in the first year, or in the second year. Actually, what we did was we put down zero production for the first year, 50 percent in the second year, 80 percent in the third year, and it continued like that. We never put it as 100 percent efficiency in any of the projects. In our opinion we thought, if it was better than that which we thought it would be, then it would be all right, and we could add to the program as we went. If some of the projects

~~either were delayed in production or we could not arrive at sufficient produc-~~  
tion at the time prescribed in the plan, we would still be safe due to the in-  
creasing production from other projects in the plan.

~~Our calculations went right. Actually, the results we are getting from our~~  
program are all ahead of those anticipated in the plan. As I said, it was fore-  
seen from our side. Due to that fact we have been adding new projects to the  
program as we have gone by over the last six years.

There is a very important point with regard to all this. In a country like  
ours we have great unemployment. Most of it is hidden unemployment. We  
don't have skilled workers who are asking for jobs and can't find them. To the  
contrary, at this minute we are having a shortage of workers who have learned  
any trade. Anyone with a trade in our country has been employed in the projects  
of the program. But we still have hidden unemployment in the countryside.  
Two hundred people live on a piece of land which would take, say, 50 people to  
cultivate. This means hidden unemployment. It also means, of course, a very  
low standard of living for those people in that area. So that is a very important  
point which was in our minds all the time--that our national planning should ab-  
sorb all the existing unemployment, whether regular unemployment or hidden.  
And, of course, the continuous increase in population at this very high rate, as  
I explained, makes that figure a big one for our country.

However, industry has participated to a great extent in solving the problem.  
The expansion in agriculture and, of course, the expansion in our trade to serve  
both the development sectors, and accordingly the expansion of our services,

~~in either health or education, are increasingly absorbing more numbers of people according to the plan, and in my opinion we are somehow in some sectors ahead of the plan with regard to that point.~~

I tried to ~~give you a general idea about what we have done.~~ To give you some figures, the first five-year plan, when we first made it, called for an investment of 250 million pounds over five years. When we first developed it they said in my country that the Minister of Industry was dreaming. Where were we going to get the 250 million pounds? The normal rate of investment in industry up to that time never went beyond 15 million pounds per year. So, if we were undertaking to develop a program which would need 250 million pounds over five years, it meant that in the average it would call for 50 million pounds a year. This was a big jump. At that time it was thought to be unreasonable.

By the third year we had already executed the first five-year plan, and we have added to it to the extent that the first five-year plan has in its final shape cost 330 million pounds. The first plan sector was the five-year plan for industry. Through the conviction of the value and the success that happened in that sector, the government adopted the idea, and we developed a national plan. That meant planning in all sectors of our economy--agriculture, transportation, industry, services, trade, and all sectors. In the second five-year plan the allocation for industrial development was 730 million pounds.

That brings to the picture the question: Why does the government step into the industrial sector? As I told you, private capital in our country is not

~~available, as it is in the United States. Here you think of carrying out a project that is worth \$1 billion, and you can get it. Private capital is there and you can finance it. In our country, as I explained, the best it could do in the past was at the rate of 15 million pounds per year.~~

~~In this new plan in some years we are investing about 200 million pounds. This year we are supposed to invest from 110 to 130 million pounds. As you know, in planning the figure for investment increases as you go, because it takes some time for the preparation of specifications of projects and ordering the contents, and so on. The actual investment normally comes in the latter years of the program.~~

~~So this means that we will need in the average about 150 million pounds per year. If private capital could supply only 15, and by encouragement would supply 20 or 30 million pounds, somebody had to finance the balance. Who is somebody in any country, other than the government? That is what we had to do. The government is not eager to do it. No one wants to be burdened with greater responsibilities. Personally, as the Minister of Industry, I would be very happy without that plan and without that program, but being responsible in the government, we are responsible for certain work to be done and certain results to be achieved, and we have found out that such a program is needed for the country. So we had to find out how to finance it. If private capital could supply only a certain amount we let them work with the maximum possibilities, and we have to step in with the balance. That's what we have been doing.~~

~~The question arises here--of course all this development means great~~

~~demands for foreign exchange, capital, and so on. We had to think of that prob-~~  
lem. What we did actually is what you are doing here in the United States.  
When you buy a home you pay over a period of years by credit. We are doing  
the same. We contract for a project. If we paid in cash that would mean that  
our speed in developing our country would be limited to whatever cash was  
available in every one year, but, by a credit system, we can pay a certain  
amount over a period of years, and of course it is calculated in the program  
that certain results will be achieved by each project, which in turn will be  
plowed into the plan to finance other projects.

That is how it happened. I am happy to say that we could get many agree-  
ments with many countries in Europe--England, Italy, Germany, Holland--and  
Japan, the Soviet Union, and Czechoslovakia. You will be surprised to hear  
that we have in some certain cases refused some of the offers we got for more  
credit. In my opinion, in itself it was a sign that all those countries were con-  
vinced that there was a program that was on the way and they would like to par-  
ticipate by selling their production in the form of machinery to that country,  
and that they would have to compete with others. All we cared for was to get  
reasonable terms for payment, as many as possible years to pay, and as low as  
possible a rate of interest, as well as the proper competition.

We would like to have the chance to choose among the various offers we  
received. We have not done too much business with the American firms in the  
past because such arrangements were not available. I am hoping that through  
my contacts while I am here something will be done about it. I have found great

~~enthusiasm among business people when they understand what we are doing.~~ I am interested in succeeding in that effort because American industry, with all its possibilities, would be a great benefit to us to have in that competition which is going on in our country.

~~The final word which I would like to say, after describing this plan,~~ is on the results. The result up until now in the industrial sector is that industrial production, taking 1952 as the base year, has been more than doubled by 1961. Our country, which has been called an agricultural country, has an industrial production today which is worth 1300 million pounds. Our agricultural production today is worth about 700 million pounds.

This means that for the first time in our history we can call our country a basically industrial country and not an agricultural country, as we have been called.

To you it may look simple, because you have done it in the past, but to us it is not so. To us it means opening big hopes for the future. In 1956 or 1957, when I presented the program, they thought that the Minister of Industry was dreaming about what he could do. Now I am asked, "Why aren't you doing this?" Now they have too much hope for what can be done. It looked impossible in 1957. Now everybody thinks about industrialization as an easy job. We have succeeded in it, so why don't we do more? This is very good, because, as I explained before, what we need in a society like ours is to have people believe in what is being done, and that they will have hope for the future.

I am glad to say that for the first time in the history of that area there is

~~that hope. We live in a very unstable area. It has been so for many centuries. There has developed in our country the first and the most stable system and society that have existed in that area. This should concern you, because if there would exist stability in Egypt there would be stability in all that area. We have proved that stability can be achieved in any country by proper and sincere efforts to develop the country for the benefit of the people.~~

As I said before, ~~right now we have many delegations coming from various countries in Africa and Asia, from the Arab countries. They come to me and say, "We would like you to help us with your experts or through sending some of your people to our countries to develop industry in the countries." Or they come to the Minister of Agriculture and say the same thing about developing their agriculture along the lines that have been done in our country.~~

In my opinion this means that they have found in us the example, because, if they look to the United States there is no chance of comparison. What could be done in the United States is impossible to happen in their countries. But what can be done in Egypt can be repeated in their countries. That is what makes our experience and our experiment very important in their minds.

Many of the ministers that I meet, or officials, tell me that they have similar conditions but they don't know how to start. That is a very important thing. The most important thing in a development program is to know in which way you should go. Once you are on the right path what remains is a great amount of work, but the result can be assured, and one would be surprised to see ~~that~~

~~what is in the plan can be successfully carried out as you go.~~

I don't know whether I have given you a heavy dose about industrialization, but this is my job. I have tried to tell you what we have been trying to do in our country.

~~And I would like to tell you that I have lived long enough in this country--~~  
I have lived here 5-1/2 years--and I have met people in their homes, and I have many friends who are students, that I know the average American person, so that I can say we are basically alike, the American person and the regular Egyptian. Maybe we have lower standards of education and a lower standard of living than you do, but we believe in freedom. We believe that every country should have the freedom to choose its own system of government. We believe also in the fact that a person anywhere in the world should have the privilege of living well, of having a chance to live decently, as everybody in a developed country would have the chance to live. When this can be done all over the world there will be no chance for a harmful ideology to exist, because people don't eat slogans, people don't eat promises, but they do eat food, which you can supply only by development and by a sincere and a continued effort both by the people and by the government. Whenever that kind of society develops we will have achieved the principles that you have lived for in this country and which we are living for and looking forward to achieve in our country and which we hope will be available in many other parts of the world.

Thank you very much.

CAPTAIN FOOTE: Dr. Sidky, I am afraid we have have run out of time.

~~We'll have to forego the question period. On behalf of the Commandant and the student body, we certainly thank you for the time you have taken to give us a very frank and interesting talk. Thank you very much.~~

