

## Twentieth Anniversary Soref Symposium: Michael Stein Address on U.S. Middle East Policy

Jun 7, 2005



Brief Analysis

**O**n May 20, 2005, Ahmed Nazif addressed The Washington Institute's Twentieth Anniversary Soref Symposium. Prior to becoming Egyptian prime minister in July 2004, Dr. Nazif served as the country's first minister for communications and information technology. In that capacity, he was widely credited with establishing Egypt's free internet connectivity plan and improving public access to computers. The following is an edited and condensed version of his remarks as prepared by the Institute. [Read a full transcript. \(templateC07.php?CID=242\)](#)

Let me try to structure my address to you talking a little bit about what's happening in Egypt, how that relates to what's happening in the Middle East and how that reflects on the relationship between Egypt and the United States.

### Reform at Home

Egypt has been passing through phases of change. We started our economic reform program over twenty years ago. Political reform started during Anwar Sadat's time. Why is reform becoming so evident? Because we're living in a different world. We are subject to a lot of external factors that are affecting our lives. The war on terrorism is real and has now come to the stage of confrontation. Egypt is not new to that. We started our war on terrorism much earlier than the rest of the world and we thought that we won. Unfortunately, just a few months ago we had a bombing in Taba. And just a couple of months ago, we had an incident in downtown Cairo. Of course, if we don't work together, we will not win that war.

In Egypt we're getting stronger economically and politically. This government was asked by President Mubarak last July to accelerate economic reform. Our people were getting weary of their living conditions and were asking for change. We took some very bold actions. In September we introduced our first major customs reform package, which overhauled our customs system completely, making it simpler and much cheaper to bring things into the country. We cut our corporate taxes from 42 percent to 20 percent. We cut personal income taxes to 20 percent. And we even raised the exemption threshold for taxes. To get the economy moving, we had to restore confidence and present a better business environment. In the past nine months foreign direct investment not counting oil exceeded a billion dollars. In the whole of the year before it was about \$400 million. Everything is improving. Tourism has been doing well. Oil and gas are doing well, and other sectors are picking up quickly. Inflation is down from 14 percent to 6.5 percent. We still have the challenge of creating more jobs, but the economy is starting to respond.

President Mubarak's initiative to change the constitution—something that's going to referendum for the people on May 25—is a huge step in deepening democracy in Egypt. For the first time, Egyptians will be electing the president through a process of choice, not a process of approval. I believe that it is going to set the example for the rest of the region.

We still have a lot of poor people that need to be subsidized. We have widespread subsidies in Egypt that cover almost all aspects of life and we intend to change that into a form of social contract that would still support the poor.

Egypt, the Region, and the United States

Egypt has been a stout ally of the United States in working together to set certain objectives regarding peace, prosperity, and antiterrorism in the region. Those issues are what we want to work together on in the future.

Egypt has been instrumental in the Palestinian-Israeli issue. The Sharm al-Sheikh meeting was the first in four years. Thanks to President Mubarak's personal efforts to bring both Prime Minister Sharon and President Mahmoud Abbas to Sharm al-Sheikh, we now have a better environment and a better chance for peace. With the lowering of the level of violence—I would say the total stopping of violence, but it will never happen; what will happen is a calming down process—and with the presence of a Palestinian political process that is more accepted by all parties, we have a real chance for peace.

With Prime Minister Sharon's plans to withdraw from Gaza and dismantle the settlements, we have a chance. We have to make sure that this is the start of a process, not the end goal of that process. The Palestinians are still skeptical about the Gaza withdrawal. They think this is a payoff so that they won't ask for the West Bank and the dismantlement of settlements there, which is a more difficult task. It's okay to start with the less difficult task, but it should be very clear that this will not solve the problem alone. I think that the confidence-building measures that have been taken are a good step along the way. Egypt will continue to work with the United States, with the Israelis, and with the Palestinians to make sure that we do not lose sight of that way.

I believe that there are three main things that we have to focus on. The first is security. You have to make sure that the Palestinians can and will keep the peace there. We are helping them in training the police force, securing the border, and other things; all aspects are being negotiated and worked on continuously.

The second is inclusion. None of the Palestinian factions should be left out. Once we define a process, we ask them to join in that process on their terms. That's why in Egypt we got thirteen Palestinian factions to sit together and agree to a process. Anybody we leave out will cause problems later.

The third issue is the economy. What happens in Gaza after the withdrawal is as important as the withdrawal itself. These are people who will need jobs, who need infrastructure, and it's up to us—the United States, Egypt, Israel, and the rest of the world—to make sure that there are enough capital injections and investments. Public works, for example, will have a double effect. They will create jobs for the people and, at the same time, improve their standard of living. I know for a fact that the Israelis, before anybody else, want that to happen, and I hope they can work together. Egypt cannot inject its own money there, but we can help in many ways. We have been building our own country and our own infrastructure, so we have the know-how.

The three principles that I just mentioned for the Palestinians would also apply to Iraq. We need to quickly get the Iraqis to a point where they can secure their own environment, which would enable the United States to bring its soldiers back home. But at the same time, we can't afford to do that unless we're sure that we can leave the country intact. We've offered to train Iraqi police forces in larger numbers than we're actually doing now. Inclusion is also important in Iraq, and the Sunnis should be given a second and third chance. We have to have an open mind to allow inclusion. Iraq will also need a lot of money to rebuild the country. Unemployment there runs at about 50 percent, and that would not allow a peaceful existence. People need to start seeing the hope of improving their lives.

I do believe, again, that we all need to work together. I'm an optimist by nature. Given that the United States, the world leader; Egypt, a regional leader and powerhouse; and others are focusing on winning this war on terrorism and bringing peace and prosperity to the Middle East, we shall overcome. ❖

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