

Twentieth Anniversary Soref Symposium: Michael Stein Address on U.S. Middle East Policy (full transcript)

May 20, 2005



In-Depth Reports

On May 20, 2005, Egyptian prime minister Ahmed Nazif addressed The Washington Institute's Twentieth Anniversary Soref Symposium. The following is a full transcript of his remarks. [Read an edited, condensed version. \(templateC05.php?CID=2325\)](#)

You all know what's happening in the Middle East, so 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 U.S.

Egypt, as you know, has been passing through phases of change, and change is the key word. We have started our economic reform program over twenty years ago. Political reform started during Anwar Sadat's time. And of course, the peace process you know more about than I do.

But right now what's new? Why is change becoming so important? Why is reform becoming so evident? It's 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. Since 1997 we didn't have a single incident of terrorism inside Egypt. 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, two incidents. So it's still there. Maybe in a different form, but it still exists. And of course, if we don't work together, we will not win that war.

In Egypt we're getting stronger, stronger economically and stronger politically. This government was asked by President Mubarak last July to accelerate economic reform in Egypt, and we set out to do it. One important thing we wanted to do is to change the mood of the country, to change its mindset. Our people were getting weary of their living conditions. They wanted jobs. They want to be able to afford better things in their lives. They wanted better government services. And they were asking for change, and I think they did perceive this government and President Mubarak's move as a will for change.

We came in; we took some very bold actions. I've been blessed with an excellent economic team led by Minister Boutros-Ghali, who many of you know. They put together a plan and started implementation right away. In September we introduced our first major customs reform package that overhauled our customs system completely, making it simpler and much cheaper to bring things into the country. We introduced a tax bill that is the dream of too many people. We cut our corporate taxes from 42 percent to 20 percent. We cut personal income taxes to 20 percent. It used to go up to 40 percent. And we even raised the exemption threshold for taxes. So we're keeping more of the tax pounds in the pockets of the private business and of people. We thought we needed to get the economy moving, and we think that to do that, we had to do a few things, restore the confidence and present them with a better business environment.

From what has happened in those ten months, I can claim that we are well underway to those two objectives. The business community is reacting in a fine way. We're seeing investments pouring back into the country. In nine months the foreign direct investment not counting oil exceeded a billion dollars. In the whole of last year it was about \$400 million.

Everything is improving. Tourism has been doing well; barring those incidents, which hopefully will not affect us, we have a surge in tourism in Egypt. Oil and gas are doing well, and other sectors are picking up quickly. So I do believe that on the economic front, things are turning around. It gives hope to the people. Inflation is down from 14 percent to 6.5 percent. Again, something the man on the street could feel. We still have the challenge of creating more jobs, but the economy is starting to respond. One million new tourists in Egypt means 200,000 new jobs -- 1 million additional tourists, and we're getting about that much every year.

So the hope is there, but it can only happen if peace prevails and if we move not just on the economic front, but also on the social and the political front. I think that President Mubarak's initiative to change the constitution, something that's going to referendum for the people next Wednesday, 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 as to how to proceed toward more democracy.

We still have a lot of challenges in Egypt on the social front. We still have a lot of poor people that need to be subsidized. We're rethinking our whole social agenda, again, shifting it from the socialist concept to how to deal with it within a free-market economy. We have a very widespread subsidy in Egypt that covers almost all aspects of life, and we intend to change that into a form of social contract that would still support the poor, but also give them the responsibility to improve themselves.

That's the Egypt of today, an Egypt set for a better tomorrow. That Egypt has been a stout ally of the U.S. in the region in working together to set certain objectives that I don't think anybody would disagree with: peace and prosperity, antiterrorism. Those are where we want to work together and where we will continue to work together in the future.

Egypt has been very instrumental very recently in the Palestinian-Israeli issue. The Sharm al-Sheikh meeting was the first in four years, and thanks to President Mubarak's personal efforts to bring both Prime Minister Sharon and Chairman or President Mahmoud Abbas to Sharm al-Sheikh, we now have a better environment and a better chance for peace.

We think that with the lowering of the level of violence -- I would say the total stopping of violence, but it will never happen, but what will happen is the calming down process that took place -- and with the presence of a Palestinian political process that is more accepted and probably more respected by all parties, we have a real chance for peace. We think that with Prime Minister Sharon's plans to withdraw from Gaza and dismantle the settlements, we do have a chance. But we have to keep the whole thing in perspective. 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, I know, 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. This is still a long process, but I think that the confidence-building measures that have been taken and still must be taken are a good step along the way. Egypt will continue to work with the U.S., 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 can't have that kind of change without putting in the right security measures to allow it to happen. You can't just withdraw from Gaza and leave it to chaos. You have to make sure that the Palestinians can and will keep the peace in there. We will help them.

We are helping them in training the police force, securing the border, and other things, all aspects that are being negotiated and worked on continuously.

The second is inclusion. You cannot leave somebody out in that process. 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. We need to encourage this. We should not let anybody out. Anybody we leave out will cause problems later.

The third issue that I suggest to you is an important one is the economy. What happens in Gaza after the withdrawal is as important as the withdrawal itself. These are people that will need jobs, who need infrastructure, and it's up to us -- again, the U.S., Egypt, and the rest of the world, and Israel -- to make sure that there are enough capital injections and investments happening there, especially those that would create jobs. Public works, for example, roads, infrastructure, an airport, whatever it takes, because it will have a double effect. It will create jobs for those people and at the same time it will improve their standard of living. They'll feel the difference. It will give them hope for a better future.

And I know for a fact that the Israelis before anybody else want that to happen, and I hope they can work together. We are not a rich country. We cannot inject our own money in there, but we can help in many ways because we have been building our own country and our own infrastructure, so we have the expertise and the know-how. A lot of Egyptian companies have been there before. We've built the airport in Gaza before, and we can build it again. I think that the process has to go on.

Just a few words on Iraq as well. The three principles that I just mentioned for the Palestinians and for Gaza would apply to Iraq. The first issue would be, again, security. We need to quickly get the Iraqis to be able to secure their own environment, and thus be able to bring the U.S. soldiers back home. I think that this is a very important priority. It helps in many ways. It helps us all, and I'm sure all the U.S. families would like to see their young ones 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 or else we'll lose it all. That's something that we all have to work on. And, again, in Egypt we're serious about it. We've offered to train Iraqi police forces to larger numbers than we're actually doing now.

Inclusion is also important in Iraq, and I do believe that we should not penalize anybody for boycotting the election. The Sunnis should be given a second and third chance. Again, we stick to a process but we don't get weary with those who do not agree with us. We have to have the open mind to allow inclusion to happen because if we don't, then we will not reach the kind of uniform society that we'd like to see, and that's important.

Finally, Iraq will also need a lot of injection to rebuild the country. Unemployment there runs at about 50 percent and that would not allow a peaceful existence unless people start seeing the hope of improving their own lives.

They work everywhere, those principles, don't they? And I do believe, again, that we all need to work together. But I'm an optimist by nature. I do believe that given the kind of efforts that are there today, given that the U.S., the world leader; Egypt, a regional leader and powerhouse; and others are focusing on winning this war on terrorism, on bringing peace and prosperity to the Middle East, I think that we shall overcome. Thank you very much. ❖

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