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SUBJECT

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RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND THE PRESIDENT
OF THE ARAB REPUBLIC OF EGYPT AT 10 DOWNING STREET AT 1130 on
MONDAY 3 AUGUST 1981

Present: Prime Minister
Mr. Clive Whitmore

President Sadat of Egypt
Dr. Osama El Baz

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Arab/Israel

The Prime Minister said that she was very grateful to President Sadat for taking time to come to London to talk to British Ministers before his momentous visit to Washington. She had discussed the Middle East with President Reagan when they had been in Ottawa for the Economic Summit. She regarded the Israeli attack on Beirut as a wholly disproportionate response to anything the PLO had done. Those who tried to be friends of Israel were finding things very difficult at present and it was hard not to be critical of Mr. Begin. She had the impression that President Reagan had not yet decided what the next steps in the peace process should be but what was clear was that the return to Egypt of the rest of Sinai by April 1982 had to be secured. She would be very glad to know how President Sadat saw the present position and how he thought matters should be carried forward.

President Sadat said that he was very glad to be in London and to have the opportunity to explain to the Prime Minister his view of the Arab/Israel problem. The situation was a very fast moving one. Changes were occurring very rapidly at present and anything could happen. The position in Iran was full of uncertainty; and that in turn caused a sense of insecurity in the Gulf. It was not easy to see how the Iran/Iraq war would be resolved. In the Lebanon not only were Israel and the Palestinians involved but so was Syria. The activities of Libya were another unpredictable ingredient. And behind everything the Soviet Union were busy.

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The recent cease fire between Israel and the Palestinians was a very important event. Never before had it been possible to bring the Palestinians into an agreement of this kind. He believed that they had finally accepted that the Arab/Israel problem would not be solved through military action but that a diplomatic solution had to be found. That was why they had said they would respect the cease fire. We now had to seize the opportunity presented by this new development and to build on it. He was sure that the way forward lay in the resumption of the Camp David process. The peace between Egypt and Israel was the one solid fact in a shifting world in the Middle East and we had to bend all our efforts to stabilise that peace, for this was the only approach to a comprehensive settlement. Far from being gloomy about the prospects, he was optimistic. The original Camp David negotiations had shown that Mr. Begin could be brought to accept an agreement, even if a great deal of pressure had to be exerted upon him in the process. It might be necessary to do the same again. Once President Reagan had met Mr. Begin in September negotiations should start at Ministerial level between Egypt, Israel and the US. He hoped that they would be able to reach tripartite agreement on full autonomy, though he thought it likely that there might be an intermediate stage where the US and Egypt reached agreement and then virtually blackmailed Mr. Begin into accepting the agreement by threatening to expose the unreasonableness of his position to the world.

He thought that Saudi Arabia might have a useful role to play in the next stage of the peace process. They had shown in the Lebanon cease fire agreements that they could deal with the Syrians and the Palestinians. They could apply the pressure which money provided, and Egypt could not. He wanted the Americans to persuade the Saudis to help build on the cease fire. He did not object to Saudi participation in the process. For him it was not a matter of prestige but of peace.

Another possible approach he had in mind, which was designed to make things easier for Mr. Begin, was to propose that when agreement had been reached on full autonomy for both Gaza and the West Bank, it should be applied in the first instance only to Gaza.

Moving towards a comprehensive settlement - for that was the

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objective - would take time. The problem remained a very big one and it could not be solved in one step. Nonetheless, he was, as he had already said, optimistic. Contrary to what other Arab governments said, Egypt was not isolated. He was "full of manoeuvrability", as his visits to the European Parliament, the UK and, later, the US showed.

The Prime Minister said that she agreed that a new situation had come about in the Middle East. Nobody could foresee how events would turn out in Iran, where she feared the Tudeh Party were gaining ground. Nor did anybody know how to bring the Iran/Iraq war to a conclusion. Mr. Begin's military operations in the Lebanon before his election and the bombing of the Iraqi nuclear plant had also profoundly affected the general situation. She also believed that there was a commonality of interests between the US and Saudi Arabia that brought them close together, and we had been urging Saudi Arabia to use its influence with the Americans. All these developments had created the new situation she had mentioned earlier and she agreed with President Sadat that we should take advantage of it. She wondered whether President Sadat could say a little more about the timetable of events, as he saw it.

President Sadat said that he hoped that, following President Reagan's meeting with Mr. Begin, it would be possible to prepare for another summit meeting on the lines of Camp David. This time, however, it was essential that there were appropriate preparations. If there were not, the meeting would fail. In this process it would be important to have the full weight of the UK and the other European countries behind the US and Egypt. With this kind of impetus it should be possible to reach agreement. A decision for full autonomy would be a decision for a comprehensive settlement. This was the last big issue; and if the preparations for the negotiations lasted into 1982, that was acceptable to him. They were so important that we should not be harrassed by time.

President Sadat continued that he wanted to refute the allegation that after Israel had completed the withdrawal from Sinai in April 1982, Egypt would change its position on the Arab/Israel dispute. This was totally untrue. The Egyptian position would remain unchanged after final Israeli withdrawal. This was a responsibility of Egyptian leadership in the Arab and Muslim world.

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Soviet policy in the Middle East and the Gulf

President Sadat said that President Brezhnev had made it clear publicly that the Soviet Union was trying to reach the warm waters of the Gulf. There was now an imminent danger surrounding the countries of the Middle East and the oil fields which the West needed. Moreover, Libya on Egypt's western border was a Soviet arsenal. The Libyan armed forces were of no significance in themselves but they used mercenaries from East Germany, Cuba, Yugoslavia and Syria. Soviet penetration needed a check from all of us, but this would be difficult to achieve without an Arab/Israel settlement first. It would be wrong to postpone a solution to the Arab/Israel problem in order to look for a strategy for dealing with Soviet penetration. To the ordinary Arab Israel was the immediate danger and not the Soviet Union, which was hundreds of miles away. Nonetheless, he had said publicly that Egypt was ready to give the US any military facilities they needed to help them deal with any danger to Arab and other Muslim states; and he was ready to give the UK the same kind of facilities. If anything happened in the Gulf, it would be a terrible blow for the West.

The Prime Minister said that if there was a threat to the oil supplies from the Gulf, the economy of the West and with it the freedom of the West would be at stake.

Oil supplies

President Sadat said that in two or three years time Egypt would be exporting large quantities of oil, perhaps 20 million tons a year. Even so he was not happy with the price of oil. If it went up, commodity prices rose, and this brought new problems in its train. We should deal with this situation by means of an agreement between the oil producers and the oil consumers. He could not see why such an agreement could not be reached. The oil producers needed Western technology, and the West needed the oil. They should be partners and work as such. He had discussed this with the President of Mexico who shared his view.

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Visits to Egypt

The Prime Minister said that she was very grateful for the hospitality which President Sadat was extending to the Prince and Princess of Wales.

President Sadat said that he very much hoped that the Prime Minister would be able to find the time to visit Egypt. Winter would be the best time to come.

The Prime Minister said that she would very much like to visit Egypt.

The meeting ended at 1210.

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3 August 1981

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