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MY TEL NO 286: TOKYO SUMMIT: EGYPTIAN PROPOSAL FOR MIDDLE EAST
DEVELOPMENT PLAN

SUMMARY

1. THE EGYPTIANS HAVE PREPARED A 'NON-PAPER' FOR CONSIDERATION AT THE TOKYO ECONOMIC SUMMIT, PROPOSING A DEVELOPMENT PLAN FOR THE MIDDLE EAST. THE EGYPTIANS ENVISAGE THE PLAN EMBRACING COUNTRIES SUCH AS JORDAN AND SUDAN AS WELL AS EGYPT, THE WEST BANK AND GAZA. THE PLAN HAS NOT YET BEEN DISCUSSED WITH THE JORDANIANS: NOR WITH THE SAUDIS AND OTHER GULF COUNTRIES.

DETAIL

2. THE EGYPTIAN FOREIGN MINISTER SAW THE REPRESENTATIVES OF COUNTRIES ATTENDING THE ECONOMIC SUMMIT IN TOKYO AND THE EC DELEGATE LAST NIGHT IN ORDER TO HAND OVER THE TEXT OF A DRAFT PAPER PREPARED BY THE EGYPTIANS FOR A TEN YEAR ECONOMIC DEVELOPMENT PLAN FOR THE MIDDLE EAST (TEXT IN MIFT). MAGID DESCRIBED IT AS A 'NON-PAPER', AND EXPRESSED THE HOPE THAT THE LEADERS OF THE COUNTRIES ATTENDING THE TOKYO SUMMIT WOULD AGREE TO LOOK AT IT AND PERHAPS USE IT AS A BASIS TO EVOLVE FURTHER IDEAS ON A DEVELOPMENT PLAN FOR THE MIDDLE EAST. HE SAID HE HAD ALREADY DISCUSSED SOME OF ITS CONTENTS WITH THE CANADIAN FOREIGN MINISTER ON HIS RECENT VISIT HERE AS WELL AS WITH THE ITALIANS AND THE AMERICANS: HE HAS OF COURSE ALSO PAISED THE SUBJECT WITH ME (MY TUR).

3. MAGID SAID THAT A PLAN ON THESE LINES STRETCHING OVER A TEN YEAR PERIOD WAS BADLY NEEDED FOR POLITICAL AS WELL AS ECONOMIC REASONS IN ORDER TO ARREST THE DETERIORATING SITUATION IN THE AREA. ONLY THE WESTERN COUNTRIES WERE IN A POSITION TO ACT IN ORDER TO PREVENT A FURTHER DEGREDDATION OF THE MIDDLE EAST SITUATION AND TO RELIEVE THE COUNTRIES OF THE AREA OF SOME OF THE CONSEQUENCES OF THE

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FALL IN OIL PRICES. HE VERY MUCH HOPED, THEREFORE, THAT THE TOKYO MEETING COULD AT THE VERY LEAST GIVE THE GREEN LIGHT TO CONSIDERATION OF A PLAN ON THE LINES THE EGYPTIANS WERE PROPOSING. THERE WAS OF COURSE SIMILARITY BETWEEN EGYPTIAN AND ISRAELI THINKING, BUT THE WEAKNESS OF THE PERES PLAN WAS PRECISELY THAT IT CARRIED AN ISRAELI LABEL: IT WOULD BE MUCH BETTER IF THE LABEL COULD BE AMERICAN OR THAT OF THE COUNTRIES MEETING IN TOKYO.

4. MAGID ENVISAGED THAT THE PLAN SHOULD EMBRACE COUNTRIES SUCH AS JORDAN AND SUDAN WHICH WERE FACING SEVERE ECONOMIC DIFFICULTIES, AS WAS EGYPT. THE EGYPTIANS HAD NOT SO FAR DISCUSSED THEIR PROPOSALS WITH THE SAUDIS OR OTHER GULF COUNTRIES. THEY HAD HOWEVER SPOKEN TO ARAFAT DURING HIS RECENT VISIT TO CAIRO AND HE WAS NOT OPPOSED TO SOMETHING ON THESE LINES, ESPECIALLY IF IT COULD HELP THE INHABITANTS OF THE WEST BANK AND GAZA. HOWEVER, THE EGYPTIANS HAD BEEN CAREFUL TO OMIT ANY SPECIFIC MENTION OF THE PLO IN THEIR DRAFT TO AVOID EMBARRASSING OTHERS; HENCE THE REFERENCE IN PARA 4(A) TO 'A REPRESENTATIVE OF THE PALESTINIAN BANK ON THE WEST BANK OR IN GAZA' RATHER THAN TO THE PLO ITSELF. MAGID ADDED THAT THIS PARAGRAPH FITTED IN WITH THE IDEAS OF MAOYR SHAWWA OF GAZA, WHO WAS KEEN TO CREATE AN ARAB BANK IN GAZA. HE WOULD BE VISITING CAIRO IN THE NEXT TEN DAYS TO DISCUSS THESE MATTERS (MY TELNO 283: NOT TO ALL). IN GENERAL, THE EGYPTIANS WISHED TO DO WHATEVER THEY COULD TO HELP IMPROVE THE 'QUALITY OF LIFE', AS THE AMERICANS CALLED IT, IN BOTH THE WEST BANK AND GAZA: MAGID AGAIN RECALLED HIS USEFUL DISCUSSION OF THIS WITH SHULTZ IN ROME ON 26 MARCH. WHAT WAS IMPORTANT WAS TO GIVE HOPE TO YOUNG PALESTINIANS AND TRY TO AVOID THEIR TURNING TOWARDS TERRORISM.

5. IN REPLY TO QUESTIONS, MAGID SAID THAT SHAWWA WAS NOW DUE IN CAIRO ON 7 OR 8 MAY. AS MAGID TOLD ME ON 23 APRIL, SHAWWA HAD BEEN COMING SOONER, BUT RUMOURS OF A UNILATERAL ISRAELI MOVE ON GAZA HAD COMPLICATED MATTERS AND SHAWWA HIMSELF HAD SUGGESTED POSTPONING HIS VISIT IN ORDER TO AVOID ANY WRONG CONCLUSIONS BEING DRAWN FROM IT. ARAFAT HIMSELF FAVOURED SOME FORM OF MOVE FORWARD ON GAZA. BUT MAGID EMPHASISED THAT

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IT WAS NECESSARY TO PROCEED WITH GREAT CAUTION AND CARE ON THIS MATTER. THE EGYPTIANS HAD NOT, FOR EXAMPLE, YET DISCUSSED GAZA WITH THE JORDANIANS AND DID NOT WANT THEM TO THINK THAT THE EGYPTIANS WERE IN ANY WAY INVOLVED IN AN ATTEMPT TO SEPARATE THE GAZA ISSUE FROM THAT OF THE WEST BANK. BUT IT WOULD BE A STEP FORWARD TO HAVE SOME SORT OF PALESTINIAN ADMINISTRATION IN THE AREA IF THIS COULD BE ACHIEVED.

5. I AM REPORTING SEPARATELY MAGID'S COMMENTS ON JORDAN/PLO RELATIONS AND ON THE RECENT VISIT TO CAIRO BY A LIBYAN EMISSARY.

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TOKYO SUMMIT: EGYPTIAN PROPOSAL FOR MIDDLE EAST DEVELOPMENT
PLAN

1. FOLLOWING IS TEXT OF EGYPTIAN DRAFT PAPER:

BEGINS

TOKYO SUMMIT: EGYPTIAN PROPOSALS FOR MIDDLE EAST DEVELOPMENT PLAN

(DRAFT)

ECONOMIC DEVELOPMENT IN THE MIDDLE-EAST

(ON THE BASIS OF A TEN YEAR PLAN)

1. GENERAL

- A. THE INDUSTRIALIZED COUNTRIES WILL ESTABLISH A SYSTEM FOR ECONOMIC DEVELOPMENT OF MIDDLE EAST.
- B. THE SYSTEM WILL BE PURELY ECONOMIC.
- C. THE SYSTEM WILL BE OPENED TO THE WHOLE REGION.
- D. THE ESTABLISHMENT OF THE SYSTEM AND ITS NAME WILL BE DECIDED UPON AFTER A SERIES OF EARLY CONTACTS BETWEEN THE INDUSTRIALIZED COUNTRIES AND THE COUNTRIES OF THE REGION.

2. OBJECTIVES

THE MAIN OBJECTIVES OF THE SYSTEM ARE:-

- A. THE DEVELOPMENT OF ECONOMIC GROWTH WELFARE AND PROSPERITY OF THE REGION.
- B. THE STABILIZATION OF THE ECONOMY IN AREAS WHICH ARE IN DISTRESS.
- C. TO EASE THE BURDEN OF PAST DEBTS BY RECYCLING THEM AS LONG-RANGE DEVELOPMENT LOANS, AND ENHANCE THE ABILITY TO INCREASE FOREIGN CURRENCY EARNINGS.

3. THE SPHERES OF THE ECONOMIC DEVELOPMENT

ON THE BASIS OF A TEN-YEAR PLAN (1986/1996)

- A. AN ADVANCED ECONOMIC INFRASTRUCTURE AND INDUSTRIAL PROJECTS.
- B. AN ADVANCED AGRICULTURAL INFRASTRUCTURE AND PROJECTS.

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- C. WATER PROJECTS AND AQUADUCTS.
- D. ENERGY PLANTS.
- E. TRANSPORTATION SYSTEMS, AND TOURISM PROJECTS.
- F. FREE TRADE ZONES, AND OTHER FOREIGN CURRENCY GENERATING PROJECTS.
- G. DEVELOPMENT OF ADVANCED SERVICE AND DISTRIBUTION SYSTEMS.
- H. IN THE ABOVE MENTIONED SPHERES INDIVIDUAL AS WELL AS JOINT PROJECTS BY MEMBERS WOULD BE CONSIDERED.

4. THE COMPONENTS OF THE SYSTEM

THE SYSTEM WILL BE COMPOSED OF:-

A. THE ECONOMIC COMMISSION

THE COMMISSION WILL INCLUDE ONE REPRESENTATIVE FROM EACH MEMBER WHICH WILL BE OF THE RANK OF AN ECONOMIC MINISTER OR BANK CHAIRMAN. THE COMMISSION WILL ALSO INCLUDE A REPRESENTATIVE OF A PALESTINIAN BANK IN THE WEST BANK OR GAZA. THE COMMISSION WILL ELECT A CHAIRMAN FROM AMONG THE INDUSTRIALIZED COUNTRIES AND FOUR DEPUTY CHAIRMEN FROM THE OTHER MEMBERS, ALL OF WHOM WILL ROTATE ONCE A YEAR.

B. THE MIDDLE EAST DEVELOPMENT FUND

- 1) AT THE HEAD OF THE DEVELOPMENT FUND WILL BE A BOARD OF DIRECTORS WHICH WILL INCLUDE A REPRESENTATIVE AND AN ALTERNATE FROM EACH MEMBER.
- 2) THE BOARD WILL HAVE AT ITS DISPOSAL A MECHANISM FOR PROJECT VIABILITY, FINANCIAL IMPLEMENTATION AND FOR FOLLOW-UP ON THE PERFORMANCE OF THE PROJECTS.
- 3) THE FUNCTIONS OF THE BOARD
 - A) TO OPERATE THE INTERNATIONAL FUND FOR THE DEVELOPMENT OF THE MEMBERS IN THE REGION.
 - B) TO ENLIST THE FINANCIAL RESOURCES.
 - C) TO DETERMINE THE FUNDS PARTICIPATING IN THE PROJECTS PROPOSED BY THE INDIVIDUAL MEMBERS FROM THE REGION, IN LIGHT OF THE POLICY SET BY THE COMMISSION.
 - D) TO ALLOCATE THE FUND RESOURCES FOR THE IMPLEMENTATION OF THE PROJECTS.
 - E) TO MAINTAIN A FRAMEWORK OF INSURANCE AGAINST POLITICAL RISKS FOR PRIVATE INVESTORS IN THE REGION.
 - F) TO PROMOTE AND ENSURE THE INTERNATIONAL TRANSFER OF TECHNOLOGY REQUIRED FOR ECONOMIC DEVELOPMENT.
 - G) THE COMMISSION WILL ELECT A CHAIRMAN OF THE BOARD AND FOUR DEPUTY CHAIRMAN WHO WILL ROTATE PERIODICALLY.
 - H) THE DIRECTOR GENERAL AND THE PRINCIPAL OFFICE BEARERS WILL BE APPOINTED WITH THE APPROVAL OF THE MEMBERS OF THE BOARD FOR THE PERIOD OF A NUMBER OF YEARS.
 - I) THE COMMISSION WILL ESTABLISH A SET OF RULES IN ORDER TO ELECT THE DIRECTOR GENERAL, DEPUTIES AND PRINCIPAL OFFICE BEARERS OF THE BOARD.
 - J) WITHIN THE FRAMEWORK OF THE PLAN WILL BE ENCOURAGED INTERNATIONAL INVESTMENT FIRMS - TO INVEST PRIVATELY IN THE REGION: SUCH FIRMS WILL ENJOY THE FACILITIES OF THE FUND SUCH AS FINANCING AND RISK INSURANCE.
 - K) PROJECTS SUBMITTED BY AN INDIVIDUAL MEMBER IN THE REGION AND APPROVED BY THE BOARD WILL BE ELIGIBLE TO ALL BENEFITS DUE TO APPROVED INVESTMENTS UNDER THE LAWS OF THE SAME MEMBER.

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5. NEEDS AND RESOURCES

- A. THE FUND WILL BE BASED ON THE COMMITMENT OF 25-30 BILLION DOLLARS OVER 10 YEARS (2.5-3 BILLION DOLLARS PER ANNUM).
- B. 10% OF THE TOTAL AMOUNT (250-300 MILLION US DOLLARS) WILL BE CONTRIBUTED BY THE REGIONAL MEMBERS AND 20% BY THE INDUSTRIALIZED COUNTRIES AS EQUITY.
- C. AN ADDITIONAL AMOUNT OF 10% (250-300 MILLION DOLLARS) A CONTRIBUTION BY THE REGIONAL MEMBERS AND 20% BY THE INDUSTRIALIZED MEMBERS, FOR THE CREATION OF A SPECIAL RESERVE FOR RISK INSURANCE AND PROVISION FOR BAD DEBTS.
- D. CONTRIBUTIONS UNDER B AND C BY THE REGIONAL MEMBERS MAY BE PAID OUT OF DEBT REPAYMENT INSTALLMENTS TO THE INDUSTRIALIZED MEMBERS.
CONTRIBUTIONS OF THE INDUSTRIAL COUNTRIES WOULD BE THROUGH GRANTS AND LOANS AT A MODERATE RATE.
- E. THE REMAINING PART WILL BE OBTAINED BY:-
- + BOND ISSUES BY THE FUND TO BE SOLD ON THE INTERNATIONAL MONEY MARKETS, GUARANTEED BY THE INDUSTRIALIZED MEMBERS AT THE FIRST STAGES.
 - + SYNDICATED LOANS FROM COMMERCIAL BANKS.
 - + CO-FINANCING WITH OTHER INTERNATIONAL OR REGIONAL ORGANISATIONS, AND BILATERAL AID.

6. IMPLEMENTATION AND EXECUTION OF THE PLAN

SHOULD THE PLAN BE DEEMED ACCEPTABLE TO A MEMBER OF KEY INDUSTRIALIZED COUNTRIES (U.S.A., ITALY, G.B., FRANCE, JAPAN, WEST GERMANY AND CANADA) IT WILL BE THE RESPONSIBILITY OF THESE COUNTRIES TO ENSURE THAT THE PLAN WILL BE DISCUSSED AND APPROVED BY THE MEETING OF THE INDUSTRIALIZED COUNTRIES, AFTER INFORMAL CONSULTATIONS WITH THE REGIONAL COUNTRIES.

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