

PRIME MINISTER

MEETING WITH PRESIDENT OF EGYPT

You are to have a very brief meeting with President Mubarak at the Elysée on Friday afternoon.

The subjects suggest themselves:

- Arab/Israel. You will want to discuss the implications of Likud's recent moves and the possibility that Labour will leave the coalition. It's all the more important for the PLO to hold firm to their moderate policies. If they abandon them now, we only lose leverage on the Israelis;
- Lebanon. You have given your full support to the Arab League Committee of Three. We want to keep the issue away from the UN Security Council. We have misgivings about Iraq's involvement and hope Egypt will restrain the Iraqis;
- Libya. Egypt has recently started to normalise relations. We remain very concerned about Libya's continued activities in support of terrorism and destabilisation;
- Sudan. The Egyptians are well placed to assess the new regime;
- Egyptian Economy. Discussions with the IMF continue, but according to IMF staff are still some months away from agreement, with differences between the Egyptians and the IMF on budget deficits, money supply and exchange rates. The most you could say is that we sympathise with President Mubarak's predicament, but it is in no-one's interest to have another weak programme.

There is a fuller note in the folder.

CDP
(C. D. POWELL)

11 July 1989



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Dea Charles,

French Bicentenary: The Prime Minister's Meeting with
President Mubarak of Egypt

Further to my letter of 10 July, you will wish to be aware of recent activity in Egypt's negotiations with the IMF.

Recent press reports that Egypt is close to an agreement with the IMF have been denied by IMF staff. A draft document has been transmitted to the IMF for consideration. The Egyptian Foreign Minister has asked G7 Ambassadors for their Governments' support for the proposals it contains and hopes that these might be discussed positively in the margins at Paris. President Mubarak may also raise the matter with the Prime Minister. The IMF's initial reaction, which we share, is that the Egyptian paper contains some positive proposals but that an agreement is still some months off.

The Prime Minister could welcome the increased collaboration between the IMF and Egypt, and the recent implementation of some economic measures to control expenditure and the introduction of some new taxes. She could add that she understands that there are still key areas of difference especially on budget deficits, money supply and exchange rates. She might say that while she sympathises with Mubarak's current political predicament, it would be in nobody's interests to agree to another weak programme that would then have to be withdrawn.

I am copying this letter to Alex Allan (HM Treasury) and Trevor Woolley (Cabinet Secretary).

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Private Secretary

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