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FM CAIRO

TO DESKBY 050930Z FCO

TELNO 585

OF 050842Z SEPTEMBER 85

**EGYPT: CABINET RESHUFFLE  
SUMMARY**

1. EGYPTIAN PRIME MINISTER RESIGNS AND IS REPLACED BY DR ALI LUTFI, A FORMER MINISTER OF FINANCE. ARRANGEMENTS FOR THE PRIME MINISTER'S VISIT TO EGYPT ARE UNLIKELY TO BE AFFECTED.

## DETAIL

2. THE FOURTEEN-MONTH OLD CABINET OF KAMAL HASSAN ALI RESIGNED LAST NIGHT. DR ALI LUTFI, CHAIRMAN OF THE RULING NATIONAL DEMOCRATIC PARTY'S ECONOMIC COMMITTEE AND FORMER FINANCE MINISTER, HAS BEEN APPOINTED PRIME MINISTER AND HAS ANNOUNCED THAT HE HOPES TO ANNOUNCE A NEW CABINET BY 7 SEPTEMBER.

3. THIS MOVE HAS COME AS A COMPLETE SURPRISE TO ALL OBSERVERS HERE. KAMAL HASSAN ALI'S HEALTH HAS BEEN POOR FOR SOME TIME, AS HAS HIS WIFE'S, BUT WE KNOW OF NO SUDDEN CRISIS TO CAUSE HIS RESIGNATION. IT IS WIDELY BELIEVED HERE THAT THE PRESIDENT HAS EITHER CREATED OR SEIZED AN OPPORTUNITY TO STRENGTHEN THE ECONOMIC PERFORMANCE OF HIS GOVERNMENT BY APPOINTING A PROFESSIONAL ECONOMIST AT ITS HEAD. THE FORTH-COMING MEETING OF WORLD BANK/IMF IN SEOUL IN EARLY OCTOBER COULD PROVE CRITICAL FOR EGYPT IN SEEKING STANDBY ARRANGEMENTS.

4. MR LUTFI (1979 LPR PAGE 53) IS AN UNEXPECTED CHOICE AS PRIME MINISTER. ALTHOUGH HE HAS CABINET EXPERIENCE, AS MINISTER OF FINANCE BETWEEN 1978 AND 1982, HE DID NOT PARTICULARLY DISTINGUISH HIMSELF AS A MINISTER AND HAS NOT BEEN AT THE CENTRE OF EGYPTIAN POLITICAL LIFE SINCE THEN. A STRICT MUSLIM, HE HAS COMBINED HIS POLITICAL CAREER WITH AN ACADEMIC ONE (AS PROFESSOR OF ECONOMICS AT AIN SHAMS UNIVERSITY IN CAIRO). HE HAS ALSO RETAINED INTERESTS IN BANKING AND INDUSTRY AND HAS EXPERIENCE IN THE PRIVATE SECTOR AS A TAX SPECIALIST.

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5. WE HAVE CHECKED WITH THE PRESIDENCY, WHO HAVE CONFIRMED THAT THE GOVERNMENT CHANGE WILL HAVE NO EFFECT ON THE ARRANGEMENTS FOR THE PRIME MINISTER'S PROPOSED VISIT TO EGYPT OF 16-18 SEPTEMBER. HOWEVER, THE NEW PRIME MINISTER WILL OF COURSE WANT TO REVIEW THOSE PARTS OF THE PROGRAMME IN WHICH HE IS PERSONALLY INVOLVED. WE WILL BE IN TOUCH WITH HIS OFFICE AS SOON AS POSSIBLE.

URWICK

LIMITED

WENAD

MED

NEWS D

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PS

PS/HR RENTON

PS/AUS

HR FREQUSSON

HR FERGERTON

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