

PRIME MINISTER

MEETING WITH EGYPTIAN DEFENCE MINISTER

Field Marshal Ghazala is coming for half an hour. He is here to attend the British Army Equipment Exhibition, where we hope he is a buyer (using our money).

Ghazala was much in evidence during your visit to Egypt. He is generally reckoned to be number two to Mubarak and his most likely successor, though his prestige took a knock from the botched assault on the Egyptian aircraft in Malta, and the conscript mutiny.

After courtesies about your visit to Egypt, the main subjects which you will want to discuss are:-

- (i) Arab/Israel. You have already given an account of your visit to Israel to Mr Al-Baz. But you might go over the ground briefly, dealing with practical steps on the West Bank, Gaza, the involvement of the Palestinians in peace negotiations, reconciliation between Syria and Iraq, and the Iran-Iraq war. You might also ask his assessment of the prospects for a solution on Taba.
- (ii) Egypt. You will want to sympathise with current economic difficulties and ask how he sees the Government coping with them.

(iii) Defence Sales. There is a £150 million ECGD credit for defence sales which has to be committed by 30 June (it was £300 million, but we reduced it last year because the Egyptians never got round to using it). You will want to encourage him to sign orders to take up the credit. But if he reverts to unrealistic ideas about a tank factory, you will want to be cautious.

[Please now see note of his meeting with Mr. Younger. This problem seems to be resolved.]

You will want to end by saying that if President Mubarak is passing through London in the autumn, you would be very happy to see him for a talk (but you will want to avoid the impression that you are actually inviting him to pay a visit with all the trappings).

C.D.P.

Charles Powell

23 June 1986

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cc RC  
LTOP



Foreign and Commonwealth Office

London SW1A 2AH

23 June 1986

CAP  
23/6

Dear Charles,

Call on the Prime Minister by the Egyptian Deputy Prime Minister

I enclose a brief, concerted with MOD officials, for the Prime Minister to use when she sees the Egyptian Deputy Prime Minister and Minister of Defence, Field Marshall Abu Ghazala at 1100 on 24 June.

He is calling on Sir Geoffrey Howe immediately before his meeting with the Prime Minister. I shall try to telephone you about any important points that arise.

I am sending a copy of his letter and its enclosures to John Howe.

Yours ever

(R N Culshaw)  
Private Secretary

C D Powell Esq  
10 Downing Street

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CALL ON THE PRIME MINISTER BY FIELD MARSHAL ABU GHAZALA,  
EGYPTIAN DEPUTY PRIME MINISTER AND MINISTER OF DEFENCE,  
1100-1130 ON 24 JUNE

OUR OBJECTIVE

- To maintain contact with President Mubarak's most obvious heir apparent and to probe his views on Egypt's internal security and Arab/Israel questions.
- To urge immediate signature of defence contracts.

ARGUMENTS TO USE

- Value recent bilateral contacts on Middle East, especially with EC Presidency in mind. [If raised] Hope to see President Mubarak if he visits Europe in autumn.

BRITISH ARMY EQUIPMENT EXHIBITION

- Hope you found visit to BAEE worthwhile. Urge you to sign contracts before UK line of credit expires. Extension of 30 June deadline not possible.

- Arab/Israel: Peace process and conditions in Occupied Territories key themes of my visit to Israel. Follow up with Osama Al Baz and Hussein. Hope for practical improvements in Occupied Territories but recognise risks of stalemate on wider issues. UK ready to help. Your view of prospects?

- Egypt internal: Relieved February riots resolved so quickly. But economy a worry: balance between needed reforms and risks to stability.

- Your visit to US: any progress on military debt? Prospects for Egyptian Planning and Finance Ministers' current visit to US?

TACTICAL ARGUMENTS

- Defence sales: ECGD credit on table for last four years. Egypt's failure to use it has already caused it to be halved last year to £150 million; should meet immediate needs.

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- Egyptian economy: Might not benefits of bold measures outweigh political risks? Early progress with IMF would boost overseas confidence in Egypt's ability to overcome crisis.

## HIS OBJECTIVE

- To reassure the Prime Minister about Egypt's stability. Possibly to urge increased UK aid.

- Possibly to seek extension of ECGD credit deadline and/or restoration of £300 million ceiling to accommodate new spending on tank factory.

## OUR RESPONSE

- Further ECGD credit difficult given state of Egyptian economy and failure to use existing credit.

[If necessary] See difficulties over financing tank factory, but would consider any proposals (as I told you in Cairo).

- Sympathy with Egypt's economic problems. Constructive UK aid will continue. Full UK contribution to multilateral aid programmes. [If raised] Proposal for Middle East Regional Economic Plan raises difficult questions (overlap with role of IMF etc).

## PRESS LINE

Field Marshal Abu Ghazala is in Britain at Mr Younger's invitation to attend the British Army Equipment Exhibition. His call on the Prime Minister continues recent high-level bilateral contacts with Egypt on a range of issues, including the Arab/Israel dispute and defence cooperation. Abu Ghazala described the current internal situation in Egypt and the Prime Minister expressed sympathy with Egypt's growing economic problems. There was a close identity of views on Middle East questions.

## BACKGROUND

1. Abu Ghazala is the second most powerful man in Egypt and would be well placed to take over as President if Mubarak were ever to leave the scene. He is in the UK at Mr Younger's invitation to attend BAEE and is seeing the Foreign Secretary and MOD Ministers. A personality note and programme for the visit (which has received wide publicity in Egypt) are attached. President Mubarak's special adviser, Dr Osama Al-Baz, called on the Prime Minister and FCO Ministers on 5-6 June. Mubarak himself may propose to visit the UK in October (postponed from this month).
2. Abu Ghazala has just visited the US where he probably discussed Egypt's \$4.5 billion military debt to the US, on which \$800 million in repayments fall due this year. Current US military and civil aid totals \$1.3 billion and \$1 billion respectively.
3. Armed forces morale is unlikely to remain immune from Egypt's wider economic problems. These are acute, with mounting foreign debt (about \$40 billion), foreign exchange shortage (aggravated by the oil price fall) and 3% annual population growth. A recent IMF mission made no headway in persuading Egypt to implement radical economic reforms, which many in the Egyptian Government (probably including Abu Ghazala) believe would quickly provoke internal disorder. Egypt's Planning and Finance Ministers are in Washington to urge new US aid. Parallel appeals for EC aid are already underway. UK bilateral aid is set to drop (with capital aid falling almost to zero) and ECGD cover is increasingly tight.
4. ECGD credit reserved for defence contracts was halved to £150 million in June 1985 owing to its non-utilisation. As the Egyptians have been frequently reminded it is due to expire on 30 June. Egypt's economic slide has ruled out any extension of this deadline, but has also made it hard for Egypt to use up the full amount in time. A loan agreement worth £80 million to fund Egypt's domestic defence industry may be signed before the deadline but discussion on the balance is stalled. Abu Ghazala is unlikely to mention this, but may revert to his suggestion (made to the Prime Minister in Cairo in September) for an effective restoration of the £300 million credit ceiling. In current circumstances this is unrealistic.



FIELD MARSHALL MUHAMMAD ABDUL HALIM ABU GHAZALA

Deputy Prime Minister and Minister of Defence and Military Production (since 1982).

Born 1930. Entered artillery 1949. Trained in Soviet Union 1958-61. Saw action in 1956, 1967 and 1973 wars with Israel. Defence Attaché in Washington 1974-80, involved in major arms deals. Armed Forces Chief of Staff 1980-82. Became Minister of Defence after his predecessor died in an air crash. Was seated next to Sadat when latter was assassinated.

Impressive, self-confident and articulate. A bon viveur, blunt and impatient with colleagues but a shrewd political operator. A favourite of the current US Administration, cordial towards Britain. A soldier's soldier, he has improved the welfare of his troops. His loyalty to Mubarak and firm handling of the security police conscripts riots in February 1986 has enhanced his reputation as Egypt's law and order strongman. Though Mubarak's heir apparent, appears to pose no immediate challenge to the Presidency. Reluctant to lose his power base in the army by filling the (currently vacant) position of Vice President.

He speaks English and visited the UK in 1980 and 1984.

PROGRAMME

Friday 20 June

Dress: Civilian Clothes

Party arrives at Heathrow Airport - London.  
Timings to be confirmed.

Met in Hounslow VIP Suite by Colonel Osborne.

Drive to the Dorchester

Remainder of day free.

Weekend 21/22 June

Free. pm 22 move to Churchill Hotel

Monday 23 June

Dress: Uniform

0800 Leave hotel by car

0900 Arrive at British Army Equipment Exhibition

0930 Opening Ceremony

0945 Tour Exhibition

1200 Discussion with Secretary of State for  
Defence the Right Honourable George Younger MP

1230 Luncheon hosted by Mr C M Chandler,  
Head of Defence Export Services

1500 Engineer and Logistic Demonstration at Belmoor

1630 Leave British Army Equipment Exhibition  
by car

1747 Arrive Churchill

1900 Attend evening reception hosted Mr C M Chandler  
Head of Defence Export Services, Lancaster  
House (Dress; Lounge Suite)

Tuesday 24 June

Dress: Lounge Suit

0950 Leave hotel by car

1005 Arrive Foreign and Commonwealth Office,  
Downing Street West

1015 Call on the Right Honourable Sir Geoffrey Howe,  
QC MP, Foreign Secretary

1045 Depart Foreign and Commonwealth Office

1055 Arrive 10 Downing Street

1100 Call on the Right Honourable Margaret Thatcher,  
MP, Prime Minister

Remainder of Programme free.



Wednesday 25 June

Dress: Lounge suit

1100 Leave hotel by car

1120 Arrive Ministry of Defence (North Door)

1130 Call on the Lord Trefgarne Minister of State  
for Defence Procurement

1200 Call on the Right Honourable John Stanley MP  
Minister of State for the Armed Forces

1235 Leave Ministry of Defence by car

1240 Arrive Admiralty House, Whitehall, SW1

1245 Attend luncheon hosted by Minister of State  
for the Armed Forces

1415 Depart Admiralty House for hotel

1940 Leave hotel by car

1945 Arrive Dorchester, Park Lane, W1A 3AA.  
Attend dinner hosted by Field Marshal Sir  
Edwin Bramall GCB OBE MC

Depart Dorchester for Churchill Hotel

Thursday 26 June

Drive to Heathrow Airport, London  
(Hounslow VIP Suite)

Depart for Cairo