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SUBJECT CC MASTER

10 DOWNING STREET

From the Private Secretary

24 June 1986

Dear Robert,

PRIME MINISTER'S MEETING WITH THE EGYPTIAN MINISTER OF DEFENCE

The Prime Minister had a talk with the Egyptian Minister of Defence this morning. Field Marshal Abu Ghazala was accompanied by the Egyptian Ambassador.

The Prime Minister asked Abu Ghazala to convey her warm regards to President Mubarak. She hoped that there would in due course be a chance to resume her discussions with him.

Defence Sales

Abu Ghazala said that he had been very satisfied with his visit to the British Army Equipment Exhibition at Aldershot. His subsequent discussions with the Defence Secretary had enabled him to sort out problems over the use of the line of credit for purchases of defence equipment from the United Kingdom. This no longer presented any problem.

Situation in Egypt

The Prime Minister commented that Egypt faced a number of difficult problems, notably over the economy and the mutiny which had taken place among conscripts. She would welcome Abu Ghazala's frank assessment of the situation.

Abu Ghazala said that the riots had been over specific grievances related to the conscripts military service and had no sinister implications. There had been no external forces behind it. The Prime Minister could be sure that Egypt was stable and that the armed forces as a whole were loyal to the country and loyal to the President. The Prime Minister asked to what extent Islamic fundamentalism was a problem. Abu Ghazala said that fanaticism was linked closely with Egypt's difficult economic situation. If the Government succeeded in overcoming its economic problems, there would be no need to fear fanaticism.

Abu Ghazala continued that he had had some discussion of Egypt's economic problems during his visit to Washington. The Americans had been helpful, in particular over reducing the rate of interest on the FMS debt. He believed that, with the help of the Western world, Egypt could overcome its main economic difficulties over the next two years. But a

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number of factors had come together to make the present situation extraordinarily difficult. The fall in oil prices reduced revenues and also hit remittances from Egyptian workers abroad, while terrorism had reduced tourism by almost 50 per cent. There might be delays in some Egyptian payments in the next few months: he hoped that the United Kingdom would be tolerant. Egypt deserved help.

Sudan

The Prime Minister said that the situation in Sudan did not seem to be improving. Abu Ghazala said that the main problem about Sudan was its size and poor communications. The central government knew nothing of what was going on in the rural areas. Successive governments had failed to tackle Sudan's real problems. He did not expect the present government to last more than a year.

Libya

The Prime Minister said that one benefit of the fall in oil prices was that the Libyan government would have less money to spend on subversive activities. Recent reports suggested that Qadaffi was in poor shape. Abu Ghazala agreed that Qadaffi's position was shaky, but he would probably survive. Like a good Bedouin he was bowing to the storm. There was no substitute for him in sight. Jalloud would be even worse. His eventual successor was likely to be a military man. But for the time being the armed forces were split. Abu Ghazala continued that he would like to see the Western powers keep up pressure on Libya, in particular through Chad. A small amount of military assistance to Hissan Habré could create considerable problems for Qadaffi. He would also like to see more extensive economic sanctions against Libya.

Iran/Iraq

The Prime Minister said that she was increasingly worried at the failure of the Iraqis to eject the Iranians from Fao. Earlier assessments that the Iraqis would be able to hold out indefinitely against Iran no longer looked so secure. Abu Ghazala said that he was also surprised at the Iraqi failure. The basic problem seemed to be their unwillingness to incur casualties. Poor commanders were also a factor. But Saddam Hussein might have some more devious reason for not pressing hard against Fao. While the Iranians were on Iraqi territory, it was easier for him to extract money from other Arab governments and to maintain himself in power.

Arab/Israel

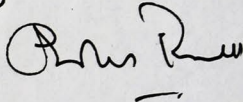
The Prime Minister said that sadly it was unrealistic to expect any fresh US initiative on Arab/Israel before the Congressional elections, although she was constantly badgering the United States Administration to be more active in the Middle East. Abu Ghazala commented that the world would not forgive the Americans if they did not make a more

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serious effort to achieve a solution. The Prime Minister said that she had some impression from King Hussein that President Asad was in trouble domestically and therefore more pliant. Abu Ghazala commented that he found it almost inconceivable that there could be a reconciliation between Syria and Iraq. He thought King Hussein's attempts to achieve this unrealistic.

I am copying this letter to John Howe (Ministry of Defence).

Yours sincerely


(C. D. POWELL)

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