

MIDDLE EAST: ADVANCE COPIES

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TELNO 43 OF 28 JANUARY

SAVING AMMAN, BAGHDAD, BEIRUT, DAMASCUS, JEDDA, KHARTOUM, TEL
AVIV, TRIPOLI, TUNIS, PARIS, UKMIS NEW YORK, WASHINGTON.

MUBARAK'S VISIT TO BRITAIN : 2-3 FEBRUARY.

SUMMARY.

1. IN 15 MONTHS PRESIDENT MUBARAK HAS CONSOLIDATED HIS POSITION
AT HOME AND ABROAD. BUT PEOPLE ARE BECOMING RESTIVE AT HIS
FAILURE TO DEAL DECISIVELY WITH EGYPT'S ECONOMIC PROBLEMS, AS
WELL AS AT EGYPT'S UNCHANGED ISOLATION WHILE THE REAGAN INITIATIVE
MARKS TIME. MUBARAK DEPENDS ON THE US AND THE WEST FOR POLITICAL
AND ECONOMIC SUPPORT. BRITISH INTERESTS LIE IN DEMONSTRATING OUR
SUPPORT, MAINLY BY PRESSING FOR EARLY PROGRESS ON LEBANON, PEACE
NEGOTIATIONS AND ISRAELI SETTLEMENTS. WE ALSO NEED TO PROMOTE
OUR COMMERCIAL INTERESTS.

DETAIL.

AGENDA IN LONDON.

2. THE FOREIGN MINISTER WHOM I SAW ON 25 JANUARY
EXPECTS THAT PRESIDENT MUBARAK WILL WISH TO COVER SOME OR ALL OF
THE FOLLOWING SUBJECTS IN HIS TALKS WITH THE PRIME MINISTER.
(I) THE REAGAN INITIATIVE AND THE SITUATION IN LEBANON. MUBARAK'S
ASSESSMENT, AFTER HIS TALKS IN WASHINGTON, OF THE CHANCES OF PRO-
GRESS THIS SIDE OF THE US PRESIDENTIAL ELECTION. HIS VIEW OF THE
EUROPEAN ROLE.
(II) THE IRAW/IRAQ WAR.
(III) AFRICAN QUESTIONS (THE SUDAN AND THE HORN, AND THE OAU) AND
EGYPT'S ROLE AMONGH THE NON-ALIGNED.
HE ALSO HOPES TO HEAR THE PRIME MINISTER'S VIEWS ON:

HE ALSO HOPES TO HEAR THE PRIME MINISTER'S VIEWS ON:
(IV) THE PROBLEM OVER THE ARAB LEAGUE DELEGATION VISIT TO LONDON
AND OUR MOVES TO RESOLVE IT.
(V) US/EUROPE, EAST/WEST RELATIONS, AND THE NEW SOVIET REGIME.

3. MUBARAK IS UNLIKELY TO RAISE ANY PURELY BILATERAL ISSUES.
WE SHOULD NEVERTHELESS REGISTER OUR DEFENCE AND COMMERCIAL INTERESTS
ESPECIALLY SINCE WE MAY NOT HAVE MUCH NEW TO SAY ABOUT ARAB/ISRAEL.
THE MOST IMPORTANT ARE:

(A) DEFENCE SALES. WE HAVE A GOOD CHANCE OF CONTRACTS WORTH ABOUT
£300 MILLION FOR SHIPS AND OTHER EQUIPMENT. DETAILS ARE CONTAINED
IN MY TELNO ACA/ZHC/ZMD/Z3G OF 21 JANUARY TO THE MOD.

(B) OUR COMMITMENTS IN AID (£50 MILLION) AND EXPORT CREDITS (£100
MILLION) TO THE CAIRO WASTEWATER SCHEME. THE FIRST CONTRACTS SHOULD
BE LET THIS YEAR.

(C) WILLIAM PRESS'S LEADING ROLE IN THE NATURAL GAS DISTRIBUTION
PROJECT.

(D) THE INTEREST OF SEVERAL BRITISH COMPANIES IN FURTHER JOINT
VENTURES IN EGYPT IF BUREAUCRATIC OBSTACLES CAN BE OVERCOME.

MUBARAK'S POSITION.

4. AFTER 15 MONTHS IN OFFICE MUBARAK'S MOST DISTINCTIVE ACHIEVEMENT
REMAINS THE PROFOUND CHANGE HE HAS BROUGHT IN THE STYLE OF
THE PRESIDENCY, AND THUS IN THE POLITICAL ATMOSPHERE OF
THE COUNTRY. HIS APPROACH TO GOVERNMENT IS PRAGMATIC AND, ABOVE ALL,
CAUTIOUS. THE NEW STYLE HAS ITS ADVANTAGES: HIS SPEECHES ARE SHORTER
AND FEWER THAN SADAT'S AND FREE OF RHETORIC AND VAIN PROMISES. HE
CONSULTS WIDELY AND REGULARLY, AND HIS PERSONAL INTEGRITY IS
UNQUESTIONABLE.

5. BUT WHAT WAS AT FIRST AN ASSET MAY HAVE BECOME A LIABILITY.
THERE IS NO SIGN THAT HE HAS COMMUNICATED HIS OWN WORK ETHIC TO
HIS FELLOW COUNTRYMEN. HE APPEARS TO HAVE ABANDONED ANY SERIOUS
ATTEMPT TO PROMOTE ECONOMIC REFORM OR TO REDUCE EGYPT'S SUFFOCATING
BUREAUCRACY. HIS MINISTERIAL APPOINTMENTS HAVE BEEN UNINSPIRING,
SOMETIMES DISMAL. THE CAMPAIGN AGAINST CORRUPTION, PARTICULARLY THE
PROSECUTION OF SADAT'S BROTHER, HAS WON WIDESPREAD APPROVAL, BUT HAS
DONE LITTLE TO DISPEL THE SUSPICION THAT THE REALLY BIG FISH ARE
SWIMMING FREE.

FOREIGN POLICY

6. MUBARAK'S CHIEF OBJECTIVE IN FOREIGN POLICY IS REAL PROGRESS
IN WIDENING THE PEACE PROCESS BECAUSE:

(A) IN THE ABSENCE OF ACTIVE NEGOTIATIONS TOWARDS A COMPREHENSIVE
SETTLEMENT THE SEPARATE PEACE TREATY WILL ALWAYS BE VULNERABLE TO
ATTACK. SO WILL THE EGYPTIAN LEADERSHIP.

(B) THE ISRAELI INVASION OF LEBANON, WHICH MOST EGYPTIAN BELIEVE
HAD TACIT US APPROVAL, GENERATED STRONG ANTI-AMERICAN FEELING AND
SEVERE PRESSURE FOR A COMPLETE BREAK WITH ISRAEL, TO THE ACUTE
EMBARRASSMENT OF THE REGIME.

(C) MUBARAK WOULD LIKE A RAPPROCHEMENT WITH THE MODERATE ARABS.
THE LATTER ARE UNLIKELY TO RESTORE FORMAL RELATIONS WITH EGYPT
WITHOUT EITHER A PRICE IN TERMS OF EGYPTIAN/ISRAELI RELATIONS
(SUCH AS EXPELLING THE ISRAELI AMBASSADOR OR RENOUNCING CAMP DAVID,

(SUCH AS EXPELLING THE ISRAELI AMBASSADOR OR RENOUNCING CAMP DAVID, BOTH OF WHICH ARE UNACCEPTABLE TO MUBARAK) OR PROGRESS TOWARDS A WIDER PEACE.

7. MUBARAK BELIEVES THAT ONLY THE REAGAN PLAN HAS ANY CHANCE OF SUCCESS, SINCE IT IS BASED ON CAMP DAVID, STILL THE ONLY PEACE AGREEMENT TO WHICH THE ISRAELIS ARE COMMITTED. HE IS WORRIED THAT IT WILL BE BLOCKED BY ISRAELI (AND SYRIAN) PROCRASTINATION IN THE LEBANON WITHDRAWAL TALKS. HE HAS THEREFORE BEEN URGING THE AMERICANS TO INSIST ON AN EARLY START TO WITHDRAWAL, AND DECLARED THAT MEANWHILE EGYPT WILL NOT RESUME PEACE NEGOTIATIONS. BUT HE HAS ALSO DECLINED TO SUPPORT HABIB'S ATTEMPTS TO MEET ISRAEL'S DEMANDS FOR A QUID PRO QUO FOR HER WITHDRAWAL. HE HAS CONSISTENTLY CALLED FOR MUTUAL AND SIMULTANEOUS RECOGNITION BETWEEN THE PLO AND ISRAEL, FOR A US/PLO DIALOGUE AND (GOING BEYOND CAMP DAVID) FOR US RECOGNITION OF THE PALESTINIANS' RIGHT TO SELF-DETERMINATION. RECENTLY, HOWEVER, MUBARAK HAS ILUNTLY URGED THE PLO (WITH WHOM HE IS IN CLOSE TOUCH) TO RECOGNISE ISREAL UNILATERALLY: "IF YOU HAVE ONLY ONE CARD, PLAY IT BEFORE IT LOSES ITS VALUE". HIS ADVISERS FIND THIS SHIFT AS INCOMPREHENSIBLE AS FDO THE REST OF US.

8. MUBARAK HAS SOUGHT TO DISGUISE EGYPT'S EMBARRASSMENT ON THE ARAB/ISRAEL FRONT BY ACTIVITY IN OTHER AREAS. FRANCE HAS EMERGED AS A MAJOR PARTNER IN THIS, PROVIDING NOT ONLY THE FRANCO-EGYPTIAN "INITIATIVE" BUT ALSO ALPHAJET, A METRO FOR CAIRO, NUCLEAR POWER STATIONS, SURPLUS FOOD SUPPLIES (ALL ON GENEROUS TERMS) AND FREQUENT MINISTERIAL VISITORS. HE HAS RESPONDED WITH REPEATED STOPOVERS IN PARIS (THE FIRST AND LAST PORT OF CALL ON HIS PRESENT JOURNEY) AND WITH HIS LAVISH RECEPTION OF MITTERPAND FOR A STATE VISIT LAST NOVEMBER. OTHER INTERLOCUTORS AND AID-GIVERS, SUCH AS THE FRG, JAPAN, AND OURSELVES ARE VALUED IN PROPORTION TO THEIR CONTRIBUTION AND ATTENTIONS. MUBARAK IS ALSO SEEKING TO RESTORE EGYPT'S STANDING IN THE OAU AND AMONG THE NEUTRAL AND NON-ALIGNED, VISITING INDIA, ROMANIA AND YUGOSLAVIA, AND THERE IS INCREASING (59. OF RESUMING AMBASSADOR-LEVEL RELATIONS WITH THE SOVIET UNION (SADAT EXPELLED THE SOVIET AMBASSADOR IN SEPT 1981). A MAJOR MOTIVE IN ALL THIS, PARTLY IN RESPONSE TO POPULAR FEELING, IS TO DILUTE THE LAMOST TOTAL IDENTIFICATION OF EGYPTIAN WITH US INTERESTS THAT MUBARAK I.AHERITED FROM SADAT. BUT HE HAS TO PROCEED CAUTIOUSLY AS CONGRESS APPEARS SENSITIVE TO EVEN UNEXCEPTIONABLE MOVES.

INTERNAL/ECONOMIC.

9. MUBARAK STILL DEFINES HIS DOMESTIC PRIORITIES AS INTERNAL SECURITY AND THE ECONOMY. ON THE FORMER, BY A SHREWD COMBINATION OF CARROT AND STICK, THE REGIME HAS SUCCEEDED IN CONTAINING THE SPREAD OF ISLAMIC FUNDAMENTALISM ON THE UNIVERSITY CAMPUSES. BUT, WITHOUT PROGRESS IN OFFERING EGYPT'S YOUTH (ABOUT HALF THE POPULATION IS UNDER 16) A BETTER MATERIAL FUTURE THE RSPITE CAN ONLY BE TEMPORARY. NO-ONE NOW DISCOUNTS THE POSSIBILITY OF AN ISOLATED ACT OF VIOLENCE OR A RESURGENCE OF RADICAL 'ISLAM' IN OTHER FORMS OR AREAS.

10 THE ECONOMIC OUTLOOK IS EQUALLY CLOUDY. THE ECONOMY CONTINUES TO EXPAND AT AROUND 5 PERCENT P.A., BUT THE BALANCE OF PAYMENTS HAS BEEN HIT BY A DECLINE IN THE COUNTRY'S FOUR MAIN SOURCES OF

TO EXPAND AT AROUND 3 PERCENT P.A., BUT THE BALANCE OF PAYMENTS HAS BEEN HIT BY A DECLINE IN THE COUNTRY'S FOUR MAIN SOURCES OF FOREIGN EXCHANGE - OIL, REMITTANCES FROM OVERSEAS WORKERS, THE SUEZ CANAL AND TOURISM. MEANWHILE POPULATION GROWTH, AT 2.5 PERCENT P.A., IS STEADILY FORCING UP EGYPT'S HUGE EXPENDITURE ON FOOD IMPORTS AND CONSUMER SUBSIDIES. YET, GIVEN THE SIZE AND SOPHISTICATION OF THE MARKET, EGYPT REMAINS A GOOD PROSPECT FOR BRITISH INVESTORS AND EXPORTERS, PROVIDED OUR PRICES AND CREDIT TERMS ARE RIGHT.

BRITISH INTERESTS.

11. IT IS IN OUR INTEREST:

(A) THAT EGYPT SHOULD REMAIN A FRIEND OF THE WEST AND A FORCE FOR MODERATION IN THE MIDDLE EAST AND IN THE THIRD WORLD. HUBARAK'S PERSONAL COMMITMENT TO THE PEACE TREATY IS NOT IN DOUBT BUT HE BADLY NEEDS TO SHOW THAT HIS TIES WITH THE WEST ARE PRODUCING MOVEMENT TOWARDS A COMPREHENSIVE SETTLEMENT,

(B) TO PRESS UPON THE UNITED STATES THE URGENCY, FOR ALL THE MODERATE ARABS, OF PROGRESS ON WITHDRAWAL FROM LEBANON AND ON THE REAGAN PLAN,

(C) TO MAINTAIN OUR SHARE OF THE LARGE AND EXPANDING EGYPTIAN MARKET BY OFFERING AID AND CREDIT ON COMPETITIVE TERMS.

FCO PSE PASS RELEVANT SAVING ADDRESSEES.

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[REPEATED SAVING AS REQUESTED]

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