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TO IMMEDIATE MOSCOW

TELEGRAM NUMBER 267 OF 13 MARCH

FOLLOWING TELEGRAM NOW REPEATED TO YOU AT REQUEST OF DEPT WAS

RECEIVED FROM WASHINGTON TELEGRAM NUMBER 896 OF 12 MARCH

FOLLOWING FOR PS, PS NO. 10 (DUTY CLERK)

INFO IMMEDIATE CAIRO TEL AVIV AMMAN

PRIORITY DAMASCUS TUNIS ALGIERS JEDDA JERUSALEM UKMIS NEW YORK

PRESIDENT MUBARAK'S VISIT TO WASHINGTON: BILATERAL ISSUES SUMMARY

1. ATMOSPHERICS GOOD. NEW ECONOMIC AGREEMENTS SIGNED. US TO CONSIDER, WITHOUT COMMITMENT, EGYPTIAN REQUESTS FOR ADDITIONAL AID AND DEBT RELIEF. NO EGYPTIAN RESPONSE TO US REQUEST TO ALLOW TRANSIT OF SUEZ CANAL BY NUCLEAR-POWERED WARSHIPS. DETAIL
2. DUNFORD (STATE DEPARTMENT DIRECTOR FOR EGYPT) HAS GIVEN US A PRELIMINARY BRIEFING ON MUBARAK'S TALKS IN WASHINGTON. HE HAS HAD TALKS AND LUNCH TODAY WITH PRESIDENT REAGAN, WHO, IN BUSH'S ABSENCE, IS TO HOST A DINNER FOR HIM THIS EVENING. HE ALSO SAW SEPARATELY SHULTZ, WEINBERGER AND BAKER, AND MET MEMBERS OF CONGRESS AND OF THE US JEWISH COMMUNITY.
3. DUNFORD SAID THAT THE VISIT WAS GOING SURPRISINGLY WELL. MUBARAK HAD BEEN REASONABLE AND FLEXIBLE AND THE ATMOSPHERICS GOOD. (IN CONTRAST TO HIS LAST VISIT WHEN HE CALLED PUBLICLY, AND IN REAGAN'S PRESENCE, FOR A US/PLO DIALOGUE.)
4. FOUR AGREEMENTS HAD BEEN SIGNED, COVERING THE NEXT STAGE OF THE CAIRO WATER AND SEWERAGE PROJECT; PROVISION OF DLRS 200 MILLION UNDER THE COMMODITY IMPORT PROGRAMME; A CASH TRANSFER OF DLRS 100 MILLION; AND A DLRS 20 MILLION PRODUCTION CREDIT PROGRAMME FOR IMPORT OF US GOODS BY THE EGYPTIAN PRIVATE SECTOR. ALL THESE REPRESENT DRAWINGS ON EGYPT'S FY 85 ESF ALLOCATION. THE AMERICANS HAD ALSO AGREED TO HELP FINANCE A FURTHER UNIT OF THE SHOUBRA CONVENTIONAL POWER PLANT (THIS HAD BEEN HELD UP PENDING ACTION BY THE EGYPTIANS TO INCREASE ELECTRICITY PRICES). AND AN EXCHANGE OF LETTERS HAD REMOVED THE LAST MAJOR OBSTACLE TO THE CONCLUSION OF A BILATERAL INVESTMENT TREATY.
5. MUBARAK HAD PRESSED EGYPT'S REQUEST FOR ADDITIONAL ECONOMIC AID (DLRS 870 MILLION SUPPLEMENTARY AID IN FY 85) AND FOR RELIEF OF THE FMS DEBT BURDEN. HE HAD BEEN REMINDED THAT THE ADMINISTRATION WERE ALREADY ASKING CONGRESS FOR ADDITIONAL AID FOR EGYPT IN FY 86; IT WAS DIFFICULT TO DO MORE WHEN US DOMESTIC PROGRAMMES WERE BEING FROZEN OR CUT. REAGAN HAD RECALLED THAT HE HAD JUST VETOED ADDITIONAL ASSISTANCE TO US FARMERS; BUT HAD UNDERTAKEN TO GIVE THE EGYPTIAN REQUEST CAREFUL AND SYMPATHETIC CONSIDERATION, SUBJECT TO US BUDGETARY CONSTRAINTS. DUNFORD ADDED THAT THE ADMINISTRATION WANTED TO AVOID A DECISION ON SUPPLEMENTARY ASSISTANCE FOR EGYPT UNTIL THEY HAD DECIDED WHAT ACTION TO TAKE ON THE SIMILAR ISRAELI REQUEST.
6. DUNFORD SAID THAT CANCELLING EGYPT'S FMS DEBTS, OR A CHANGE IN THE APPLICABLE INTEREST RATE, WOULD BE COSTLY, AND WOULD REQUIRE LEGISLATION. THE ADMINISTRATION RECOGNISED THAT DEBT REPAYMENT WAS A GROWING BURDEN FOR MANY FMS RECIPIENTS. THEY HAD ASSURED MUBARAK THAT THEY WOULD LOOK AGAIN AT HOW THE PROBLEM MIGHT BE TACKLED. THE EGYPTIANS MEANWHILE HAVE REPAID THE ARREARS DUE IN RESPECT OF THE PERIOD JUNE - SEPTEMBER 1984.
7. MUBARAK HAD REVIEWED SECURITY ISSUES WITH WEINBERGER. THE EMPHASIS HAD BEEN ON COOPERATION. A FURTHER QUOTE BRIGHT STAR UNQUOTE EXERCISE WOULD BE HELD LATER THIS YEAR. PRESIDENT REAGAN HAD RAISED THE QUESTION OF TRANSIT OF THE SUEZ CANAL BY NUCLEAR POWERED US WARSHIPS (THE EGYPTIANS WERE UPSET BY PUBLICITY HERE FOR ONE SUCH TRANSIT LAST YEAR, AND HAD REFUSED TO APPROVE FURTHER TRANSITS). MUBARAK HAD MADE NO DEFINITE RESPONSE, BUT DUNFORD EXPECTED AN EGYPTIAN REPLY IN DUE COURSE. HE WAS NOT CONFIDENT THAT IT WOULD BE FAVOURABLE.
8. FOR DISCUSSION OF ARAB/ISRAEL ISSUES SEE MIFT.

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