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15

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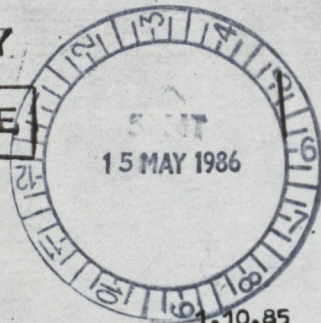
NO. 10 DOWNING STREET

CABINET OFFICE DIO

File

ADVANCE COPY

IMMEDIATE



PUSD (2)

NEWS DEPT

RESIDENT CLERK

CONFIDENTIAL

FM CAIRO

TO IMMEDIATE FCO

TELNO 331

OF 150830Z MAY 86

AND TO PRIORITY MODUK, AMMAN, TEL AVIV, WASHINGTON

AND TO ROUTINE DAMASCUS, JERUSALEM, RIYADH, UKHAS NEW YORK

MODUK (DN ROW 2)

EGYPT/MIDDLE EAST

SUMMARY

1. PRESIDENT MUBARAK'S REPLY TO THE PRIME MINISTER'S MESSAGE IS PROMISED FOR EARLY NEXT WEEK. MUBARAK'S POLITICAL ADVISER IS PESSIMISTIC ON ALL FRONTS AND INCREASINGLY WORRIED ABOUT THE DEBT PROBLEM, IN PARTICULAR THE MONEY OWED TO THE UNITED STATES FOR PAST MILITARY PURCHASES.

DETAIL

2. I SAW OSAMA AL BAZ (PRESIDENT MUBARAK'S SPECIAL POLITICAL ADVISER) ON 14 MAY IMMEDIATELY AFTER HIS RETURN FROM A PRIVATE VISIT TO WASHINGTON, WHERE HE SAID HE HAD HAD TALKS WITH US OFFICIALS.

3. AL BAZ SAID THAT PRESIDENT MUBARAK WOULD BE SENDING A FORMAL REPLY TO THE PRIME MINISTER'S MESSAGE (YOUR TELNO 146 OF 23 APRIL, NOT REPEATED) EARLY NEXT WEEK, SO THAT IT REACHED HER WELL BEFORE HER DEPARTURE FOR ISRAEL. THE MESSAGE WOULD CONCENTRATE ON EGYPTIAN IDEAS CONCERNING THE PEACE PROCESS.

4. AL BAZ SAID THAT, BECAUSE OF HIS ABSENCE IN THE US-- HE HAD NOT ACCOMPANIED MUBARAK FOR HIS MEETING WITH KING HUSSEIN AT AQABA. HE UNDERSTOOD THAT THERE HAD BEEN NO SIGN OF GIVE IN THE KING'S POSITION VIS A VIS THE PLO. HUSSEIN HAD APPARENTLY BEEN VERY BITTER ABOUT ARAFAT AND THE REST OF THE PLO LEADERSHIP AND WAS NOT WILLING TO RECONSIDER HIS DECISION TO BREAK WITH THEM. AL BAZ ADDED THAT EGYPT WOULD NEVERTHELESS CONTINUE TO WORK FOR A RECONCILIATION, REALISING THAT THIS COULD NOT HAPPEN QUICKLY.

5. AL BAZ WAS EQUALLY PESSIMISTIC ABOUT THE TABA TALKS

5. AL BAZ WAS EQUALLY PESSIMISTIC ABOUT THE TABA TALKS (SEE ALSO MY TELNO 329 OF 13 MAY) AND THOUGHT A BREAK-THROUGH HIGHLY UNLIKELY. HE PUT THE BLAME ON DIFFERENCES BETWEEN LABOUR AND THE LIKUD.

6. NOR COULD HE SEE MUCH CHANCE OF PROGRESS ON THE PEACE PROCESS AS A WHOLE. THE INHABITANTS OF THE OCCUPIED TERRITORIES WERE UNWILING TO BE ASSOCIATED WITH ANY ISRAELI INITIATIVE. ALL THAT COULD BE DONE FOR THE MOMENT WAS TO CONCENTRATE ON IMPROVING CONDITIONS FOR THE INHABITANTS AND AL BAZ UNDERSTOOD THAT THE AMERICANS HAD RECENTLY PRESENTED THIRTEEN POINTS DEALING WITH THE QUALITY OF LIFE IN THE OCCUPIED TERRITORIES TO THE ISRAELIS. AL BAZ SAID THAT FOR HIS PART HE HAD URGED IN WASHINGTON THAT THE AMERICANS SHOULD NOT REGARD THE "QUALITY OF LIFE" MEASURES AS SUFFICIENT IN THEMSELVES; IT WAS IMPERATIVE THAT PROGRESS SHOULD ALSO BE MADE ON THE WIDER POLITICAL ISSUES.

7. PERHAPS AS A RESULT OF HIS TALKS IN WASHINGTON, AL BAZ SEEMED CONCERNED LEST THE ADOPTION OF SOME VARIANT OF PERES' ECONOMIC PLAN FOR THE REGION MIGHT AFFECT THE US AID PROGRAMME TO EGYPT. GIVEN EGYPT'S ECONOMIC DIFFICULTIES, IT WAS ESSENTIAL THAT EXISTING US BILATERAL AID SHOULD NOT BE TOUCHED. AL BAZ WENT ON TO REFER TO THE GROWING BURDEN OF EGYPT'S MILITARY DEBT REPAYMENTS TO THE US. EGYPT HAD BORROWED USDOLLARS 4.3 BILLION FROM THE US FOR MILITARY PURCHASES; BY THE TIME INTEREST OVER TEN YEARS WAS ADDED TO THE ORIGINAL FIGURE, SHE WOULD BE PAYING BACK USDOLLARS 14 BILLION. THE DEBT REPAYMENT TO THE US THIS YEAR ALONE AMOUNTED TO USDOLLARS 800 MILLION (THIS IS ALMOST AS MUCH AS EGYPT WILL RECEIVE FROM THE US IN CIVIL AID OVER THE SAME PERIOD). IT WAS AN IMPOSSIBLE BURDEN FOR EGYPT TO CARRY IN HER PRESENT FINANCIAL SITUATION. BUT THE MOOD OF CONGRESS WAS NOW SUCH THAT AL BAZ SAW LITTLE CHANCE THAT THEY WOULD AGREE TO ANY EASING OF THE LOAD; NOR DID HE SEE HOW THE ADMINISTRATION COULD SIDE-STEP THE CONGRESS ON THE ISSUE.

8. MY MEETING WITH AL BAZ TOOK PLACE BEFORE I HAD RECEIVED YOUR TELNO 163 (NOT TO ALL, BUT I HOPE TO BE ABLE TO MAKE THESE POINTS TO MUBARAK OR MAGID.

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