



OVERSEAS DEVELOPMENT ADMINISTRATION  
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(2)

CC PC  
BUP

Time Minister  
relevant to your  
meeting tomorrow.  
CDP 9/9

9 September 1986

*From the Minister*

Charles Powell Esq  
10 Downing Street  
Whitehall  
LONDON SW1

Dear Charles

**CALL BY MR RAISON ON PRIME MINISTER OF EGYPT, DR LUTFI**

Dr Lutfi, who is seeing the Prime Minister tomorrow, had a meeting with Mr Raison this afternoon.

Dr Lutfi's main concern was that Britain should support Egypt in its negotiations with the IMF. He said that the Leader of the IMF Mission now in Cairo is fully satisfied with the economic actions taken by the Government but the difference in Egypt's two exchange rates remained the key problem. The IMF wanted them to be unified in a year's time. Dr Lutfi said this was impossible; 2-3 years were needed or there would be a 30 per cent increase in prices which would be politically unacceptable. He hoped that a little political pressure could be applied to the IMF to help secure an agreement with Egypt. He believed that an IMF agreement with Mexico had been secured in this way. He hoped Britain would be able to help. Mr Raison said he well understood the political difficulties of meeting the requirements of an IMF agreement. But he stressed the importance of an agreement being reached and he hoped that the Egyptian Government would feel able to come to an accommodation with the Fund. Since the negotiations involved bilateral discussions between Egypt and the Fund he did not see that Britain had a particular role to play at this stage. But Mr Raison undertook to report the strength of Dr Lutfi's feeling to his Treasury colleagues.

Dr Lutfi asked for more aid funds to be made available for potential professors to come to Britain to take their PhDs. He argued that training of this sort made a particularly valuable contribution to cultural relations and better understanding between the two countries. Mr Raison agreed about the value of this training. He pointed out that the FCO had recently increased the allocation for training awards but he said that the Prime Minister's request would certainly be given further consideration.

The Egyptian Ambassador raised the question of the second phase of the Cairo Wastewater project. He said - and the Prime Minister confirmed - that the Egyptians were ready to go ahead with the second phase. Mr Raison took note but commented that it was unlikely that Britain would be able to make available funds on the scale that it had provided to Phase I. A British contribution from the Aid and Trade Provision, linked with ECGD credit, would be a possibility to be considered. The Prime Minister took note of this.

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I am copying this letter to Robert Culshaw (Foreign Secretary's Office), Alex Allan (Chancellor of the Exchequer's Office) and Peter Westmacott (Mr Renton's Office).

Yours sincerely  
M J Dinham

(M J Dinham)  
Private Secretary

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