

Immediate
cc Mr Powell, m 10
pm

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OCMIAN 1224
RESTRICTED
PP CAIRO
PP TEAVI
PP AMMAN
PP KHART
FM FCOLN TO CAIRO
091830Z SEP
GRS 591

RESTRICTED
FM FCO
TO PRIORITY CAIRO
TELNO 320
OF 091830Z SEPTEMBER 86
INFO PRIORITY TEL AVIV, AMMAN, WASHINGTON, UKMIS NEW YORK, KHARTOUM
SAVING BEIRUT, TEHRAN, BAGHDAD

MR RENTON'S CALL ON EGYPTIAN PRIME MINISTER

1. MR RENTON PAID A HALF HOUR CALL THIS AFTERNOON ON THE EGYPTIAN PRIME MINISTER, WHO SAID HE LOOKED FORWARD TO SEEING HIM IN CAIRO LATER THIS MONTH. ON SUBSTANCE, A SUPERFICIAL RUN-THROUGH OF CURRENT INTERNATIONAL PROBLEMS, TOUCHING ONLY BRIEFLY ON EGYPT'S ECONOMIC DIFFICULTIES.

PEACE PROCESS

2. LUTFI DENIED TODAY'S AGENCY REPORTS THAT THE LATEST ROUND OF NEGOTIATIONS ON TABA HAD ENDED IN FAILURE. THERE WOULD BE A FURTHER SESSION THIS EVENING, WHICH HE EXPECTED TO LEAD TO AGREEMENT IN THE NEXT DAY OR TWO ON THE NAMES OF ARBITRATORS AND BORDER MARKERS. THE WAY WOULD THEN BE CLEAR FOR A PERES/MUBARAK SUMMIT, THE RETURN OF AMBASSADORS, AND, AT A LATER STAGE, AN INTERNATIONAL CONFERENCE. MR RENTON UNDERLINED THE IMPORTANCE OF MAKING PROGRESS BEFORE ROTATION IN ISRAEL, AND REMINDED LUTFI OF THE NEED FOR THE TERMS OF REFERENCE OF ANY

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INTERNATIONAL CONFERENCE TO BE CLEARLY DRAWN. BIG CONFERENCES WERE NOT NECESSARILY THE ANSWER TO BIG PROBLEMS.

IRAN/IRAQ

3. LUTFI SAID THAT THE GULF CONFLICT THREATENED THE STABILITY OF THE ENTIRE REGION. THE POSSIBILITY OF AN IRANIAN VICTORY WAS WORRYING FOR THE ARAB WORLD, BOTH MILITARILY AND ON ACCOUNT OF THE DAMAGE WHICH COULD BE DONE IF KHOMEINI'S IDEAS WERE TO GAIN WIDER SUPPORT. IRAN HAD CONSISTENTLY REJECTED IRAQI PEACE OVERTURES. THE INTERNATIONAL COMMUNITY, PARTICULARLY THE GREAT POWERS, SHOULD HELP FIND A SOLUTION. MR RENTON SYMPATHISED. THE PROBLEM WAS HOW TO HELP THE UN SECRETARY GENERAL'S EFFORTS TO BROKER A SOLUTION.

LIBYA

4. EGYPT HAD NO QUARREL WITH THE LIBYAN PEOPLE, LUTFI SAID, BUT FOUND IT IMPOSSIBLE TO DO BUSINESS WITH QADHAFI, WHO WAS MAD. MR RENTON ASKED WHETHER THE EGYPTIAN GOVERNMENT HAD AN ALTERNATIVE LEADER IN MIND. THE PRIME MINISTER SAID HE HAD NOT, BUT BELIEVED THAT IT WOULD BE POSSIBLE, IN COOPERATION WITH THE US, TO SELECT AND PREPARE A CANDIDATE. CONCERTED ACTION SHOULD NOT, HOWEVER, INCLUDE FURTHER MILITARY STRIKES AGAINST LIBYA, WHICH PLACED MODERATE ARAB STATES IN A DIFFICULT POSITION. MR RENTON COMMENTED THAT THE US MILITARY ACTION IN APRIL HAD WEAKENED QADHAFI'S POSITION AND CONTRIBUTED TO A LULL IN TERRORIST ACTIVITY.

SUDAN

5. LUTFI DREW ATTENTION TO THE ENORMITY OF SUDAN'S DIFFICULTIES, NOTABLY IN THE SOUTH. IT WAS IMPORTANT NOT TO DESERT SADIQ EL MAHDI AND FORCE HIM TO TURN TO QADHAFI.

LEBANON

6. HERE TOO, LUTFI ARGUED, THE STABILITY OF THE REGION WAS THREATENED. FULL ISRAELI WITHDRAWAL WOULD HELP. SO TOO WOULD A BRITISH TROOP CONTRIBUTION TO UNIFIL. MR RENTON DREW ATTENTION TO THE CURRENT LEVEL OF OUR SUPPORT FOR UNIFIL. INTERNALLY, THE BEST HOPE FOR PROGRESS LAY IN REVIVING THE SYRIAN-SPONSORED TRIPARTITE AGREEMENT.

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EGYPTIAN ECONOMY

7. LUTFI SAID HE PLANNED TO DISCUSS EGYPTIAN ECONOMIC NEEDS IN DETAIL WITH MR RAISON AND THE PRIME MINISTER. MR RENTON STRESSED THE IMPORTANCE OF REACHING AGREEMENT WITH THE IMF. BRITAIN WAS READY TO SUPPORT EGYPT IN MAKING THE NECESSARY ECONOMIC ADJUSTMENTS. LUTFI SAID THAT EGYPT WAS READY TO SIGN, IF ONLY THE IMF WOULD ALLOW A TWO OR THREE YEAR ADJUSTMENT PERIOD RATHER THAN THE ONE YEAR CURRENTLY PROPOSED. THE SPECIAL TERMS RECENTLY AGREED WITH MEXICO PROVIDED A POSSIBLE MODEL.

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PS
SIR D MIERS

MR E FERGUSSON

PS/PUS

PS/MR RENTON

PS/MR RAISON



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