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FM CAIRO

TO IMMEDIATE FCO

TELNO 182

OF 091300Z APRIL 87

INFOR ROUTINE ABU DHABI, AMMAN, JERUSALEM, KUWAIT

INFO ROUTINE MOSCOW, RIYADH, TEL AVIV, TUNIS, UKMIS NEW YORK

INFO ROUTINE WASHINGTON

YOUR TELNO 117 (NOT TO ALL): EGYPT/MIDDLE EAST

SUMMARY

1. MUBARAK THANKS THE PRIME MINISTER FOR HER MESSAGE, CONGRATULATES HER ON THE SUCCESS OF HER VISIT TO THE SOVIET UNION AND COMMENTS ON RECENT MIDDLE EAST DEVELOPMENTS.

DETAIL

2. I DELIVERED THE PRIME MINISTER'S MESSAGE TO PRESIDENT MUBARAK ON 9 APRIL. HE DID NOT READ THE TEXT WHILE I WAS WITH HIM, BUT SAID HE HAD FOLLOWED VERY CLOSELY THE PRESS REPORTS ON THE PRIME MINISTER'S VISIT TO THE SOVIET UNION. IN HIS VIEW GORBACHEV BELONGED TO A NEW GENERATION AND WAS AN ENTIRELY DIFFERENT TYPE OF LEADER FROM ANY OF HIS PREDECESSORS. HE CONGRATULATED MRS THATCHER ON THE OUTSTANDING SUCCESS OF HER VISIT AND THANKED HER FOR REPLYING PROMPTLY TO HIS MESSAGE.

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3. I DREW PRESIDENT MUBARAK'S ATTENTION TO THE FACT THAT YOU HAD UNDERLINED TO THE SOVIET FOREIGN MINISTER THE IMPORTANCE OF ENSURING THAT THE SEARCH FOR UNIYT WITHIN THE PLO DID NOT BREAK WHAT REMAINED OF THE BRIDGE BETWEEN THE PLO AND KING HUSSEIN. THIS LED THE PRESIDENT TO COMMENT ON THE PRESENT DIVISIONS WITHIN THE PLO. MUBARAK SAID THAT HE HAD FOR SOME TIME BEEN PUTTING THE MAXIMUM PRESSURE ON ARAFAT TO RECOGNISE THE TWO UN RESOLUTIONS IN ADVANCE OF A MIDDLE EAST CONFERENCE. HE HAD TOLD ARAFAT AGAIN AND AGAIN THAT HE WAS IN REAL DANGER OF MISSING THE BUS, AS THE PALESTINIANS HAD DONE SO OFTEN PREVIOUSLY, IF HE COULD NOT BRING HIMSELF TO DO THIS. HOWEVER THE FACTIONAL FIGHTING GOING ON WITHIN THE PLO AURGUED BADLY AND THERE MUST BE A REAL DANGER THAT THE PLO WOULD END BY EXCLUDING THEMSELVES FROM AN INTERNATIONAL CONFERENCE AND THAT KING HUSSEIN WOULD CHOOSE OTHER REPRESENTATIVES TO ACCOMPANY HIM TO THE CONFERENCE TABLE. IN SPITE OF THE PLO'S SHORTCOMINGS (AND THE PRESIDENT HAD SOME VERY UNCOMPLIMENTARY COMMENTS TO MAKE ABOUT STATEMENTS BY ABU JIHAD AND ABU IYAD IN RECENT DAYS) ARAFAT REMAINED THE MOST MODERATE OF THE PLO LEADERS: HE WOULD MAINTAIN HIS EFFORTS TO BRING HIM ALONG, HOWEVER HOPELESS THE TASK SOMETIMES SEEMED.

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LIBYA

4. MUBARAK SAID HE BELIEVED THAT EVENTS IN CHAD WOULD IN DUE COURSE BRING ABOUT QADHAFI'S DOWNFALL: CHAD WAS HIS VIETNAM. EGYPT HAD GIVEN ALL THE HELP SHE COULD TO CHAD AND HAD ENCOURAGED THE AMERICANS TO DO THE SAME: HE CLAIMED THAT AT THE TIME OF THE US BOMBING OF TRIPOLI: HE HAD TOLD THE AMERICANS THAT THIS WAS NOT THE WAY TO TOPPLE QADHAFI AND THAT THEY WOULD DO BETTER BY HELPING THE CHADIANS WITH MILITARY SUPPLIES. MUBARAK THOUGHT THAT THE CASUALTIES SUFFERED BY THE LIBYAN ARMED FORCES IN CHAD HAD CAUSED WIDESPREAD RESENTMENT WITHIN LIBYA AND THAT THIS WAS INCREASINGLY MAKING ITSELF FELT, ALTHOUGH HE COULD NOT OF COURSE TELL HOW LONG IT WOULD BE BEFORE QADHAFI FELL.

EGYPT/SOVIET UNION

5. MUBARAK WAS EVIDENTLY WELL PLEASED BY THE LATEST ROUND GYPTIAN ECONOMIC NEGOTIATIONS WITH THE RUSSIANS (SEE INNES' TELELETTER OF 9 APRIL). HE SAID THAT THE RUSSIANS HAD ORIGINALLY REQUESTED 2 PER CENT RATE OF INTEREST, BUT BY PERSISTING THE EGYPTIANS HAD EVENTUALLY PERSUADED THEM TO WAIVE INTEREST PAYMENTS FOR A LONG PERIOD.

US MILITARY DEBT

6. IN CONTRAST, NO SOLUTION WAS YET IN SIGHT TO THE PROBLEM OF THE HIGH INTEREST RATES ON EGYPT'S MILITARY DEBT TO THE US. HE HAD REPEATEDLY TOLD THE AMERICANS OF THE NEED TO FIND A SOLUTION WHICH DID NOT IMPOSE AN UNBEARABLE BURDEN ON EGYPT, WHOSE STABILITY WAS VITAL FOR THE WHOLE AREA. IT WOULD BE TRAGIC IF THE MISTAKES MADE IN THE 1950S BY THE WORLD BANK IN WITHDRAWING AID FOR THE HIGH DAM WERE TO BE REPEATED IN A DIFFERENT FORM.

7. MUBARAK SAID HE HAD APPROACHED A NUMBER OF GULF STATES (HE MENTIONED IN PARTICULAR ABU DHABI AND SAUDI ARABIA) TO SEE WHETHER THEY WOULD BE WILLING TO TAKE OVER THE DEBT AT A MUCH LOWER RATE OF INTEREST, FOR EXAMPLE 4 PER CENT. THE RESPONSE HAD NOT BEEN ENTIRELY NEGATIVE: BUT MOST OF THEIR FUNDS WERE LODGED IN US BANKS IN ANY CASE AND SUCH A SOLUTION WOULD NEED US AGREEMENT.

8. MUBARAK SAID THAT AT ONE POINT HE HAD POINTED OUT TO THE AMERICANS THE CONTRAST BETWEEN THE UNDERSTANDING BEING SHOWN BY THE RUSSIANS AND THE DIFFICULTIES THE US WERE CREATING FOR EGYPT.. IT WAS AGAINST THE AMERICANS' OWN INTEREST THAT EGYPT SHOULD BE BURDENED WITH THIS EXCESSIVELY HIGH RATE OF INTEREST AT A TIME WHEN SHE FACED SO MANY OTHER ECONOMIC DIFFICULTIES.

-2-
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9. I AM REPORTING SEPARATELY MUBARAK'S COMMENTS ON THE RECENT EGYPTIAN ELECTIONS.

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-3-
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