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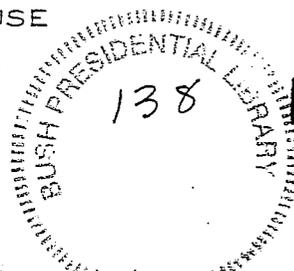
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THE WHITE HOUSE

WASHINGTON

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MEMCON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Foreign Minister Esmat Abd el-Meguid of Egypt (U)

PARTICIPANTS: Brent Scowcroft, Assistant to the President for National Security Affairs
Richard N. Haass, Senior Director for Near East and South Asian Affairs, NSC staff
C. David Welch, Director for Near East and South Asian Affairs, NSC staff (Notetaker)

Esmat abd el-Meguid, Egyptian Foreign Minister

Abd el-Raouf El-Reedy, Egyptian Ambassador to the U.S.

Osama el-Baz, Presidential Advisor

Ahmed Abu el-Ghait, Chef de Cabinet to the Foreign Minister

DATE, TIME AND PLACE: January 19, 1990, 9:30 a.m. - 10:05 a.m.
General Scowcroft's Office

Foreign Minister Meguid: We had a good meeting yesterday afternoon with the IMF. The call from (Secretary) Brady was very effective. We detected a good feeling there, and I think their response was positive. We had a one-and-a-half hour talk. There is a Bank (IBRD) mission to Cairo which should finish its work at the end of the month; I will see Barber Conable today to discuss the mission. The Bank has presented a very positive report on the economy and our reform package. The IMF will consider the report from the Bank, and then send a mission to start drafting the standby agreement. I think Camdessus is receptive to our proposals on the exchange rate, the interest rate, and liberalization of the economy. Liberalization is now firmly part of our government policy. In fact, our team here includes a member of our private sector. If the private sector moves, it will solve a lot of problems. We are very pleased with (Secretary) Baker's intervention. I reported in full on this to President Mubarak this morning and he is very pleased. (S)

General Scowcroft: It is important to explain to Brady today what you are doing in detail. He has the banker's perspective to this, one that we lack. He needs to know how far you have come. We can explain the political part. (S)

Dr. el-Baz: I agree -- he needs to know the technical points.

(S)

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Foreign Minister Meguid: Our economist, Dr. Obeid, will be with us to explain, while Dr. Kamel, the private sector representative, can give the perspective of the private sector. (S)

General Scowcroft: Brady is our normal contact with Camdessus. Our view is that any agreement should be the most you can do economically that is sustainable politically. (S)

Foreign Minister Meguid: Yes, the social and political impact must be considered. (S)

General Scowcroft: I have talked to Jim Baker and I must say that I am encouraged by what I've heard on the peace process. I was discouraged before -- there was a real danger of going on and on talking with no results. (S)

Dr. el-Baz: Which would have meant a loss of momentum. (S)

General Scowcroft: Perhaps you can give me a sense of the PLO politics in all of this right now. (S)

Foreign Minister Meguid: Arafat was in Cairo for talks with the President, Osama (el-Baz), and myself. The PLO is ready to produce a list of Palestinians but is afraid of the divisions inside the organization. So we came up with the idea of a list of criteria. I think we have an agreement on this list based on a meeting between Dennis Ross and Osama el-Baz: (S)

-- the delegation would be composed of insiders and outsiders and East Jerusalemites; (S)

-- it would include only persons involved in political action; and, (S)

-- there would be no eminent PLO personalities. (S)

If we apply these criteria we could get names and I think Arafat is ready. In our next talks with them we will ask for a few names. (S)

Dr. el-Baz: These would be "samples." (S)

Foreign Minister Meguid: On the agenda, you have had the idea of handling it through an opening statement. Second, in interpreting the negotiating process, you could say that the Egyptian 10 points are part of it. Regarding the process itself, the two phases should be interlocked. The Palestinians want assurance on that point. If there is a common ground, then progress can be made. The assurances the Palestinians are asking for are ones that the United States has made publicly before, for example the four points that were in the Mubarak departure statement and your views on settlements. This would help Arafat

move ahead. He has in front of him very strong forces who are not involved in the peace process; there are great differences inside the organization. Some actions by the United States have embarrassed Arafat. The cut in your contribution to UNRWA -- about \$18 million -- affects people inside the Occupied Territories and you have traditionally supported UNRWA. (I realize that your cutbacks are across the board, but that did not lessen their impact on Palestinians). Second, there is the decline in the contribution to the FAO, even after we were successful in changing any reference to a Palestinian state along the lines the PLO wanted. Food aid will be cut, so your reduction was very basic. Third, you criticized the USSR when it raised the status of the PLO office to an embassy, to balance raising the level of the Israeli office. Arafat said that he was embarrassed by these steps. We are your friends so we tell you this honestly. (S)

Dr. Haass: What we have done publicly should not come as any surprise to the PLO; it is entirely consistent with what we have told them privately in Tunis, before we acted. (S)

Foreign Minister Meguid: We tell you this as friends. You have a point; but then so do they. We will now go back to the Palestinians and try to get the tripartite ministerial organized; that would lead to the dialogue in Cairo. We want to keep momentum. Baker is trying very hard. (S)

General Scowcroft: How is your relationship with Syria developing? (S)

Foreign Minister Meguid: It is coming along. Syria has many problems. Asad is intelligent and shrewd and he is trying to come out of his isolation. If this is a step for moderation, then we should welcome it. The situation in Lebanon is worrying us. We have nothing against General Aoun; on the contrary, we initially supported him. But now, with the President in power and the legitimacy of the republic restored, Aoun should come out in a quiet, face-saving manner. Syrian withdrawal is a legitimate issue, and Aoun is not alone in demanding this. Progress should be made for Syrian withdrawal. (S)

General Scowcroft: Do you think Syria is ready to leave? (S)

Foreign Minister Meguid: I don't know; the foreign ministers of the Arab League Tripartite Committee are working on this. (S)

General Scowcroft: That would be helpful. The situation has been very tense. A few weeks ago, I thought Syria was on the verge of moving militarily. (S)

Foreign Minister Meguid: I would also like to mention Libya. We are watching the situation there very closely, without much illusions. There are no diplomatic relations between us -- no office even -- and we are not running after them. Qadhafi is careful now, because he is concerned to keep his relations with

Mubarak and Egypt. But we can never be sure. Our influence on him is for good behavior, but we cannot be responsible for his good behavior. (S)

General Scowcroft: We do not have a high level of trust in him. I have seen some disturbing reports recently of progress at Rabta. (S)

Foreign Minister Meguid: We should stay in touch on this [REDACTED] (b)(1)
[REDACTED] We may be able to help. (S)

General Scowcroft: We want to communicate to Libya our extreme concern about this plant; it is intolerable. (S)

Foreign Minister Meguid: The situations in Sudan and Ethiopia are worrying us. Both places are vital to Egypt; we want stability and peace there. In Sudan, we are trying to convince the parties to come to Cairo for talks. In Ethiopia, there are rumors regarding Israeli involvement, including in some Nile projects. We communicated with Israel and they denied the reports. They should not do these sorts of things. There is also an interest in the issue by Egypt's Parliament. There are huge problems in Ethiopia, with serious internal divisions. Mengistu may not survive. (S)

Dr. el-Baz: They are doing very badly; indeed, it is lousy. (S)

Foreign Minister Meguid: Early on, Mengistu had such confidence; but suddenly there was a coup attempt while he was in Berlin. We want stability in Ethiopia but the news is very disturbing so far. (S)

General Scowcroft: We have no other information to add to yours. I agree Mengistu's situation is precarious. The assessment is pessimistic that he will have the military ability to hold off an assault. (S)

Foreign Minister Meguid: Have you raised with Israel what they are doing? (S)

General Scowcroft: Yes. Their verbal reaction was positive. (S)

Foreign Minister Meguid: Verbal -- I like that word. I will speak to Arens and Peres. We hope they are not tempted. (S)

General Scowcroft: Israel's association with certain kinds of regimes hurts them. (S)

Dr. el-Baz: What about Gorbachev's position? Also, what is your readout of the Rabin talks? (S)

General Scowcroft: On Gorbachev, his problems are very serious and not improving. We don't think he is in personal danger right now, but if secession really happens it is hard to predict what

action the Central Committee will take. We think they are prepared to at least let Lithuania go. I think Gorbachev does not understand the force of nationalism very well; as a central Russian, he has had little exposure to it during his life. The situation in the south -- Armenia and Azerbaijan -- is less dangerous to him because it is internal, and not directed against Moscow. Overall, the economic situation is not improving. His latest steps seem backward, not forward. (S)

Foreign Minister Meguid: I have met him. He is an impressive man. He was quite worried in our talk about fundamentalism. He underestimated the problem of nationalities. (S)

General Scowcroft: For many years, the Soviets denied anything other than cultural nationalism. Remember Gorbachev was raised in central Russia. (S)

Dr. el-Baz: He is perhaps overly self-confident. He runs too fast. (S)

General Scowcroft: We are doing what we can, but there is not much we can do. (S)

Dr. el-Baz: The economic problem is mammoth; not even you can help. (S)

Foreign Minister Meguid: I saw George Kennan on TV, testifying. He was very cautious, appropriately so. (S)

General Scowcroft: I think he's right. On Rabin, I would say that it was satisfactory and unspectacular. (S)

Dr. Haass: Rabin is creative, perhaps the most creative man in the Israeli Government. He gave ideas for how to move things. The question is whether those ideas are enough for the Palestinians to move but not too much for Israelis at home. The combination of Rabin's visit and your meetings was very good. We have moved a few millimeters ahead, and that's not bad for the Middle East. (S)