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The Secretary's Meeting with Egyptian President Morsi

RELEASE IN PART
B1, 1.4(B), 1.4(D)

CONTEXT



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REVIEW AUTHORITY: Archie Bolster,
Senior Reviewer

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Classified by: NEA Acting Assistant Secretary Beth E. Jones
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KEY OBJECTIVES:

(SBU) Congratulations: Offer our congratulations to Morsi and to the Egyptian people for this milestone in Egypt's transition to democracy.

(SBU) National Unity and Stability:

- **(SBU) We know that Egypt is transforming, and we need a transformed relationship for the 21st century.**
- **(SBU) We stand behind Egypt's transition to democracy. This is not only the right thing to do. It is in our interest as well. The Middle East needs a strong Egypt at its heart. And the only way there is through a successful transition to democracy.**
- **(SBU) We are ready to work with you, in the spirit of mutual respect and mutual interest, to help Egypt make this difficult passage.**

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- **(SBU) From our perspective, steady progress toward a full democratic transition will depend on political and economic stability. Avoiding further economic shocks in particular will be essential to addressing your Egypt's fiscal challenges, getting the economy moving, and bringing investors and tourists back. And resolving complicated questions related to the transition through dialogue rather than confrontation – as you've been trying to do – can help keep things on the right track.**

(SBU) Protection of Rights and Inclusive Governance:

- **(SBU) We welcome your public commitment to national unity, an inclusive and accountable government, and the protection of the rights of all Egyptians, including women and religious minorities.**
- **(SBU) You have taken a wise approach with your messages. Concrete steps in these areas will help unify the Egyptian people at a critical moment for the country. They will strengthen political support for your**

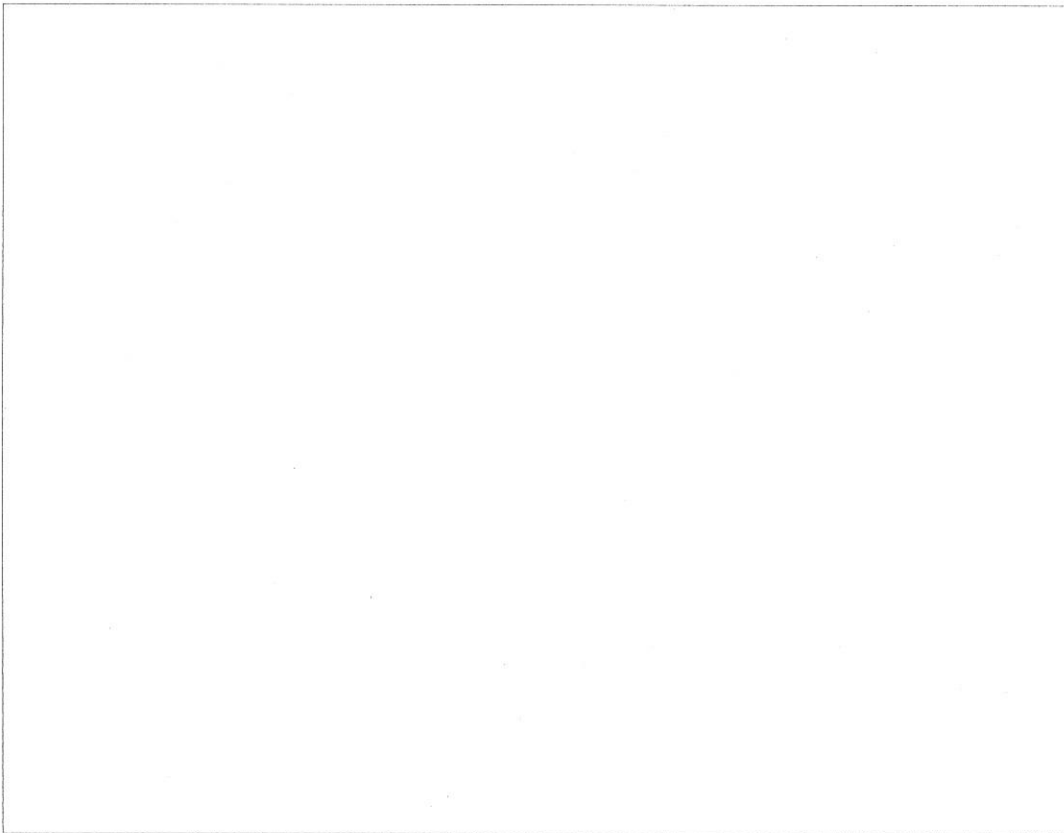
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government at home and abroad and reassure important communities about their place in a new Egypt. And they will send a very important signal that encourages economic growth and foreign investment and strengthens Egypt's democratic transition.

- **(SBU) You have spoken before about how actions, not words, are the true measure of our new relationship. We feel the same way, and we are prepared to do our part. These issues matter to the United States and to many in the international community.**
- **(SBU) One quick win that would command support across the political spectrum would be to mount a campaign to end female illiteracy. This would serve the new Egypt in many ways.**



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(SBU) Morsi's Travel:

- **Saudi Arabia:** I understand you were recently in Saudi Arabia. I'm interested in your impressions and your thoughts about building ties with the Gulf Cooperation Council.
- **AU Summit:** I understand you are leaving tonight. What are you looking to do when you head off to the Summit?

(SBU) Economic Assistance:

- **(SBU)** We want to help deliver the economic assistance you need.
- **(SBU) IMF Agreement:** As Deputy Secretary Burns discussed with you last week, we believe the only way Egypt can sustainably address its \$12 billion financing gap - and avoid a dangerous economic crisis - is through a unified effort, led by Egypt and the IMF, with participation from Egypt's partners, especially those from the region.
- **(SBU)** The essential first step is to develop an economic stabilization and reform program that has the broad buy-in of the Egyptian public and can be supported by the IMF.
- **(SBU)** Concluding an agreement with the IMF as soon as possible will help restore confidence in Egypt's economy among international lenders and potential donors. We do not anticipate the IMF will impose onerous conditions for a loan. It will also assist your efforts to provide the Egyptian people the jobs, economic security, and good governance they seek and you have promised.
- **(SBU)** We hope your visit to Saudi Arabia was successful. Were the Saudis prepared to provide generous support? We believe that early progress on an IMF agreement would help unlock assistance from Gulf states.



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- **(SBU) Technical Assistance:** We know you have ambitious economic and social programs. We have a wide range of technical expertise and technical assistance – both government and private sector – that we can offer to help you implement them.

- **(SBU) We have some ideas for potential projects:** vocational and technical education, an Innovation Center to support research and development in key economic sectors such as water and agriculture, and ports modernization. Our economic delegation can engage with your government to discuss the overall concept and, if you agree, the projects that best support your priorities.
- **(SBU) Enterprise Fund:** We are poised to launch the Egyptian-American Enterprise Fund, which will be a private-sector initiative to drive small business growth and job creation in Egypt. The Fund will be a partnership between U.S. and Egyptian investors to identify

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promising businesses and inject capital into Egypt's economy. The Fund will be launched with an initial investment of \$60 million, and we intend to seek future congressional appropriations and target the Fund's capitalization at \$300 million over five years. The Fund will be led by a private-sector board of Egyptians and Americans. We have selected James Harmon, CEO of Caravel Management and former president of the Export-Import Bank, as chairman of the board.

- **(SBU) Business Delegation Visit:** We want to increase U.S. investment in Egypt significantly. With the U.S.-Egypt Business Council and the American Chamber of Commerce, we are organizing a high-level U.S. business delegation to Egypt for September 9-12. I am planning to send my Deputy to join the delegation. They hope to meet with you and your new government.
- **(SBU) OPIC Loan Guarantee Facility:** We want to use our Overseas Private Investment Corporation to provide loan guarantees to Egyptian banks and reduce collateral requirements for small businesses. We announced a program last July that would generate up to \$700 million in new lending. We are ready to move forward and deliver significant help to Egyptian small businesses, but for months now we have been waiting for Egypt's government to register the implementing organization, Cooperative Housing Foundation International (CHF), an experienced U.S. group that has managed similar facilities around the world. We would like your support to get this done and so that Egyptian businesses can start taking advantage of the facility to access capital, grow, and create jobs.
- **(SBU) Opening of Consulate General in Alexandria:** Our economic help is part of a larger effort to broaden our partnership with the Egyptian people. While I am here, I am opening our new Consulate General in Alexandria. We have been working closely with your Ministry of Foreign Affairs and greatly appreciate the cooperation we've received.
- **(SBU) (If Raised) Free Trade Agreement:** We are very supportive of Egypt's desire to expand its regional and international trade; this is the best path to lasting growth. We are eager to work with you on near-term steps to boost trade and create jobs, especially those I have mentioned. Our teams have been working closely on this. A free trade

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agreement would be a long-term process involving many reforms, and we should keep discussing it.

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(SBU) Israel:

- **(SBU) We appreciate your commitment to adhere to Egypt's international agreements and responsibilities. Egypt has a special leadership role to play in the region, and many look to you as a source of stability and strength. Maintaining peace with Israel is a fundamental shared interest and critical for Egypt's ability to address its economic challenges and enjoy international support as it consolidates its democracy. We may not have a common view, but we do have a common interest. The signals you send will be watched closely around the world and in America.**

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- (SBU) We strongly value close U.S.-Egyptian coordination in supporting Israeli-Palestinian efforts to resolve their differences and make real progress toward peace - a goal both President Obama and I are both deeply committed to. While we will have our differences, we believe that partnership can and should continue. And we both know how much they need our help. What is your take on how things are going and what can we do?

IF TIME PERMITS

(SBU) Syria

- (SBU) I also want to express my appreciation for Egypt's constructive role in supporting the Arab League's [July 2-3] Syrian opposition conference in Cairo. We were encouraged to see a broad and diverse spectrum of Syrian opposition members at the conference. What is your take on the situation there?
- (SBU) We believe it is now the responsibility of the international community to pressure both the regime and the opposition to accept and support Annan's six-point plan and the Action Group's principles and guidelines, including through the adoption of a new Security Council resolution that imposes Chapter VII consequences for noncompliance.

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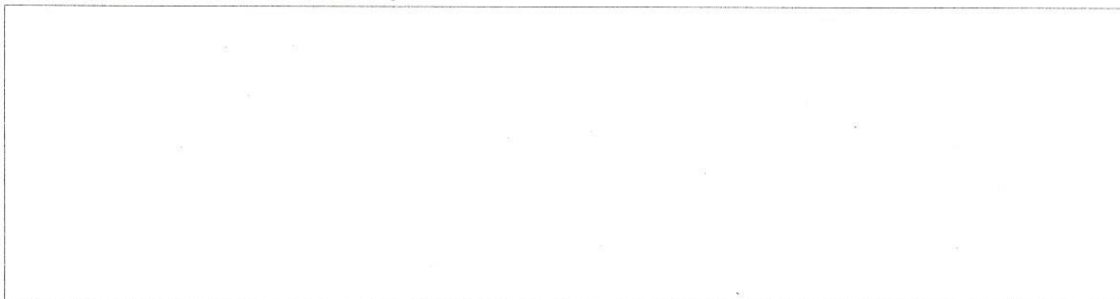
(SBU) Security Sector Reform

- (SBU) Another shared priority to explore is police and civilian security sector reform. We all understand the need to upgrade and reorient Egypt's police force toward serving the needs of a democratic people. This can help give the Egyptian people the security they are demanding while also protecting their human rights. If the Egyptian government is interested, a team from across the U.S. government could visit Egypt to discuss a framework for cooperation at an appropriate time. This could be done quite discreetly.

IF RAISED

(SBU) Asset Recovery

- (SBU) We are ready to send a team to work with Egyptian and European experts to help identify Egyptian sovereign assets in the United States. We hope your government will provide the detailed information necessary to do so.



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