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RELEASE IN PART 1.4(B),B1,B5,1.4(D)

From: Sullivan, Jacob J <SullivanJJ@state.gov>
Sent: Monday, August 27, 2012 8:04 AM
To: H
Subject: Fw: Report on Egypt

FYI

----- Original Message -----

From: Hormats, Robert D
Sent: Monday, August 27, 2012 05:55 AM
To: Sullivan, Jacob J
Subject: Report on Egypt

Hi Jake,

I will be in Cairo on August 27 and 28 to lead an economic delegation to pursue the commitments made by S and the President for economic assistance to help the Egyptians close their \$12 billion budget deficit and foster economic growth throughout Egypt.

I will be joined by Bill Taylor, Caroline Atkinson, Assistant U.S. Trade Representative Dan Mullaney, OPIC Vice President Robert Drumheller, and Treasury Deputy Assistant Secretary Andy Baukol.

I am coordinating closely with Anne Patterson on private and public messaging and other central elements of the visit.

We expect to (1) begin to deliver upon U.S. bilateral assistance to financial relief to Egypt from its current fiscal and balance of payments pressures; (2) support multilateral funding for Egypt, including an IMF agreement; and (3) promote a closer commercial relationship between Egyptian and American businesses to expand two-way trade and investment.

[Redacted]

B5

[Redacted] Bill Taylor and AID Assistant Administrator Mara Rudman will stay on after our ministerial meetings to negotiate the conditionality and benchmarks for the cash transfer before we submit the congressional notification. [Redacted]

1.4(B)
1.4(D)
B1

[Redacted]

While in Cairo, we will highlight other bilateral initiatives, including a \$250 million OPIC loan guarantee facility for small and medium-sized businesses and the formation of the U.S.-Egypt Enterprise Fund, led by Jim Harmon.

We also plan to express support for a robust IMF agreement. We have been getting continuous updates from the IMF, including a detailed readout following Lagarde's visit. The Fund tells us that the Egyptian Government still lacks internal consensus on the format of an IMF program. President Morsi supports a more robust program for \$4.8 billion to include subsidy and job creation reforms. By contrast, the Central Bank Governor and Minister of Finance, who have been central to prior negotiations, simply want to rely on previous negotiations, in which they participated, and increase the agreement from \$3.2 billion to \$4.8 billion. The IMF tells us, however, that neither the Fund nor other international actors would find a higher-value agreement credible if it were not accompanied by meaningful budget reforms.

We also plan to promote closer trade relations between our two countries, including a potential investment principles and a Trade Facilitation Agreement, and to highlight the upcoming U.S.-Egypt Business Council and American Chamber

of Commerce business delegation to Egypt for September 8-11. Tom Nides delegation will include more than 90 representatives of more than 45 U.S. companies. This visit will provide an opportunity for the Egyptian Government to explore ways to enhance investment and job creation in Egypt significantly with people who are already committed to Egypt.

Will keep you and S informed throughout.

Please pass this to S if you think it useful to her.

Many thanks,
Bob