

## No. 1047

714.56/12-1152: Telegram

*The Ambassador in the United Kingdom (Gifford) to the  
Department of State*<sup>1</sup>

SECRET

LONDON, December 11, 1952—5 p. m.

3251. EmbOff yesterday talked to FonOff re econ and mil assistance to Egypt along lines Deptel 3860 Dec 9. FonOff appreciative this statement Dept's views and said it wld look forward further discussions on this subj when Egypt memo on econ assistance recd.

Altho official to whom we spoke appeared understand Dept's views re impracticability giving priority econ assistance to Egypt, he expressed concern re Egypt's ability pay for arms [garble] equipment which it might desire from the West. He cited as case in point recent Egypt cancellation request for 20 Balliol advanced trainers on grounds it unable pay for them. FonOff official felt we wld encounter increasing problems arising from Egyptian inability to pay for arms. EmbOff said it might well believe that we wld encounter many such problems, but even indication of willingness to facilitate arms purchases might have beneficial effect in promoting understanding and paving way our common objectives.

FonOff official said that UK is proceeding with its study of ways in which UK might be able to help Egypt with its econ problems. Among alternatives being considered are: (1) further sterling releases; and (2) possibility HMG stockpiling cotton. Official reiterated previous indications that objections to bringing pressure to bear on raw cotton auth [garble] take that line of action impracticable, since, (1) it wld create precedent of introducing polit factors into RCC activities, which HMG anxious avoid as principle (2) it wld create demand for similar favorable treatment by such countries as Pak and Brazil which are also encountering difficulty in disposing of their crops and (3) RCC wld certainly insist that HMG guarantee it against any loss as result any subsequent drop in price cotton. Latter factor raises strong Treas objections and might require special parliamentary approval. Further objection is that UK trend has been away from stockpiling. Nevertheless HMG continuing examine stockpiling as possible line of action and understands USG also considering it.<sup>2</sup> Official somewhat skeptical efficacy further

<sup>1</sup> Repeated to Cairo as telegram 165.

<sup>2</sup> In telegram 3478 from London, Dec. 23, not printed, the Embassy in London reported that the Foreign Office had told American officials that the British Government had concluded that it could not purchase Egyptian cotton for stockpiling for the reasons advanced in telegram 3251. (874.2321/12-2352)