

sterling release which wld not strike at heart of problem, namely movement of cotton crop. Moreover, further release of pounds 10 million will be made next month in any event under existing agreement and this shld relieve sterling shortage problem.

FonOff official gave impression FonOff working levels appreciated difficulties involved in Eden's suggestion re division responsibility between US and UK re econ and mil assistance and realized that such division between US and UK is in fact impracticable. Emb of opinion Eden's suggestion was probably spur of moment idea prompted by concern re limitations on UK ability to help economically because of its own econ and fman situation. On basis working level reactions, Emb doubts UK will continue push this idea.

GIFFORD

No. 1048

7745 MSP/12-352

The Secretary of State to the Secretary of Defense (Lovett)

SECRET

WASHINGTON, December 12, 1952.

MY DEAR MR. SECRETARY: I refer to Mr. Matthews' letter of November 21, 1952, and to Mr. Foster's reply of December 3, 1952,¹ concerning a possible program of military assistance to Egypt and the list of military equipment desired by the Egyptian Government. It is noted that the Departments of the Army and Air Force have been asked to select from the list items valued at approximately \$10,000,000 which might be available for shipment by March 1, 1953, or 90 days after appropriate arrangements have been made with the Egyptian Government.

This Department believes that the furnishing of military assistance to Egypt is an essential element in negotiations for the settlement of the Anglo-Egyptian dispute on the Canal Zone Base and Egypt's adherence to and participation in the proposed Middle East Defense Organization. It is the view of this Department that

¹ Deputy Secretary of Defense Foster, in his letter of Dec. 3, not printed, requested that "the Department of State furnish us with a recommendation from the political point of view as to whether Egypt should now be made eligible for grant military aid". Foster added that if the Department of State recommended extending grant aid to Egypt at that time, the Department of Defense would also want to know if the Department of State desired to furnish such aid in accordance with normal procedures and after receipt of the Section 511(a) assurances required by the Mutual Security Act of 1951, as amended (66 Stat. 141), or whether the situation warranted the use of Section 513 of the Mutual Security Act, as amended. (7745 MSP/12-352)