

No. 1077

874.00 TA/1-1053: Telegram

*The Secretary of State to the Embassy in Egypt*¹

SECRET NIACT WASHINGTON, January 13, 1953—6:50 p. m.
1388. Re Deptels 1369 Jan 9,² 1287, also urtels 1407, 1409,³
1518.⁴

Dept agrees to urgent need for immed econ assistance to Naguib regime and approx \$10 million available this purpose over and above TCA approved program. This amt can be made available immed for wheat shipments at market, not at IWA prices. GOE in accordance usual practice when this type aid provided wld deposit equivalent amt Egypt currency in special counterpart fund acct, this fund to be used subsequently for econ development projects in Egypt. Current thought here is that local currency thus provided shld be used for implementing irrigation projects although counterpart might also be used in related fields particularly road improvements, drainage, land reform implementation etc., as set forth Naguib request.⁵ Dol funds will be available obligation immed subj to approval in principal by govt of Egypt to utilize local currency counterpart for econ development projects mutually agreed upon. Field negot of agreements covering specific use of counterpart fund cld take place as soon as agreement covering wheat purchases executed.

Dol funds for wheat purchases wld be made available under Sec 503 of Mutual Security Act of 1951 as amended as def support operation, e.g. designed facilitate creation of regional def arrangements in which Egypt wld participate. Since Sec 511(a) above Act requires special assurances eligibility for econ assistance to further mil effort, we wld propose avoid necessity seeking these assurances from Egypt at this time by use of authority in Sec 513(b). (Discussions being held with DMS looking toward Presidential determination as required by Sec 513(b).)⁶

Gen lines this proposal have approval of President. You urgently requested comment this proposal and usefulness this sum this juncture.

¹ Repeated priority to London for Byroade as telegram 4644.

² Not printed; see footnote 1, Document 1072.

³ Not printed; see footnote 1, Document 1046.

⁴ Not printed; see footnote 4, Document 1054.

⁵ In telegram 1637 from Cairo, Jan. 14, not printed, Ambassador Caffery described this idea as highly constructive and suggested that initially the counterpart funds should be spent for a 400,000 feddan reclamation project which the Egyptian Government was prepared to launch shortly. (874.00 TA/1-1453)