

pressed by the Egyptians would mention a figure of up to \$27.5 million dependent upon the presentation of satisfactory projects.

Concurrences:

EUR feels strongly that the British should be consulted about the matter rather than merely informed that we have taken the decision to proceed forthwith. (Memorandum from Mr. Merchant attached hereto.) (Tab D) ³

³ *Infra.* -

No. 1244

67400 TA/11-1233

Memorandum by the Assistant Secretary of State for European Affairs (Merchant) to the Secretary of State ¹

SECRET

WASHINGTON, November 12, 1953.

Subject: Economic Aid to Egypt.

Discussion:

Reference Mr. Byroade's memorandum to you of today's date in which he recommends that you or General Smith call in the British Ambassador and inform him that we plan to initiate discussions with Egypt in the immediate future with a view to granting \$27.5 million in economic assistance. It is evidently proposed to tell the Ambassador that although we will consider any comments the U.K. may wish to make, we have taken our decision and feel obliged to move forward immediately.

EUR feels strongly that, as the Embassy at London reported in its telegram No. 2030 of November 10, "the British would regard it as gross breach of faith if we went ahead with economic aid to Egypt without prior consultation with the U.K." We do not expect, nor does the Embassy, that the British will oppose aid in principle unless it appeared that we were trying to use it to encourage Naguib to resist some given British proposal. The Embassy says, and this is also our judgment, that the nature of the British reaction will undoubtedly depend on the timing rather than on the substance of our program.

We fully appreciate the value of the program of economic aid to Egypt and we raise no question whatever in this regard. We do seriously question, however, NEA's recommendations that the Brit-

¹ This memorandum was drafted by Andrew B. Foster, Deputy Director of the Office of British Commonwealth and Northern European Affairs.