

we are not coming up with economic aid soon Egyptians will put into effect at least some of previously set out programs including recognition Commie China, East Germany, etc.

I am still actively endeavoring to persuade Egyptians to find an acceptable availability formula. Fawzi told me this morning that Egyptians might be able to do something about availability formula and even accept part of British viewpoint about uniforms if they were assured British would not bring up new subjects. He said that last night Stevenson pointedly brought up a new subject and a dangerous one, that is, he referred to the future status of the base in such fashion as to make clear that British have in mind merely reducing the garrison of a military base from 10,000 men allowed by the treaty to 4,000 in the guise of technicians. "That" he said "is entirely unacceptable to the Egyptians" (British garrison is over 80,000).

Stevenson told me later Fawzi's remarks are misleading.

As reported before, RCC is now merely killing time until their plan of action for actively harassing British in Egypt is ripe.

Paradoxically as it may seem RCC leaders by exception are definitely not neutralist minded and they would very much like to find some way out of the present impasse.

I do not recommend letter from President to General Naguib at this time.

CAFFERY

No. 1268

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*Memorandum by the Director of the Office of Near Eastern Affairs (Hart) to the Deputy Assistant Secretary of State for Near Eastern, South Asian, and African Affairs (Jernegan)*¹

SECRET

WASHINGTON, January 7, 1954.

Subject: Economic Aid to Egypt

The suggestion of Ambassador Stevenson (Cairo's 732)² was discussed by BNA with Ambassador Aldrich. The Ambassador sug-

¹ The following appears beside Jernegan's name on the source text: "O. K."

² In telegram 732 from Cairo, Jan. 2, not printed, Ambassador Caffery reported that Stevenson had seen him and said that he and Fawzi several days earlier had agreed that they should try to improve the atmosphere; therefore, Stevenson had recommended to London that 15 million pounds in blocked sterling balances should be released on Jan. 1. London, however, would agree to release only 5 million. Caffery thought this was unfortunate and recommended that the Department consider taking up the idea with the Foreign Office. (641.74/1-254)