

gested no further approaches to the British for the time being. He felt that Stevenson should bring the idea to the attention of the Foreign Office himself. In view of the strong pressure recently applied to the British on the subject of Egypt, I am inclined to concur that further approaches at this time would not be productive.

With respect to the extension of aid by the US, I believe that economic aid should not be extended at this moment. The principal reasons for this are:

1. Ambassador Caffery has not made a case that economic aid would affect favorably the base negotiations.

2. The neutralist campaign in Egypt. Extension of aid at this time would make it appear that the US was acting under threat and would tend to encourage extremists and neutralist tendencies in other countries of the area. I am particularly concerned over the possible reaction in Saudi Arabia, Iraq and Syria to the extension of large blocks of aid to Egypt unless it is simultaneously quite clear that the "neutralist campaign" was a tactical maneuver which has been dropped.

Once we have reached the conclusion that there is no longer any hope of an agreement at present, we might consider extending some aid in a final effort to retain Western influence in Egypt.

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No. 1269

894211/1-954: Despatch

*The Ambassador in Egypt (Caffery) to the Department of State*

CONFIDENTIAL

CAIRO, January 9, 1954.

No. 1604

Ref: CERP 10-13-52 D-15; Embdesps. 1496, Dec. 21; 1319 Nov. 29; 1274, Nov. 23 and 1247, Nov. 20, 1953. <sup>1</sup>

Subject: Discussions by IBRD Representative, Mr. Dorsey Stevens, with Egyptian Officials Regarding the High Aswan Dam and the Proposed Fertilizer Plant.

*Scope and Purpose of Mr. Stevens' Visit*

Mr. Dorsey Stevens, Middle East representative of the International Bank for Reconstruction and Development, arrived in Cairo from Beirut Saturday, January 2, to ascertain informally from Egyptian officials the status of the High Aswan Dam project. The proposal for a fertilizer plant at the present Aswan Dam was also discussed in this connection. He visited officials of the National Production Council (including Dr. Mohamed Selim, Secretary, and

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<sup>1</sup> None printed.