

are deeply apprehensive deterioration Egyptian situation which would ensue in this eventuality.

4. Under such circumstances would be necessary US revise tactics and concentrate on long term efforts to induce RCC accept British terms and in meantime refrain from precipitate action against British.

5. This would be most difficult and our effectiveness distinctly limited. If effort to have chance we would need to proceed with extension economic aid which Eden requested us withhold temporarily while UK made further effort to determine if agreement possible at this time.

SMITH

No. 1285

661.74/2-1654: Telegram

*The Chargé in the Soviet Union (O'Shaughnessy) to the Department of State*<sup>1</sup>

CONFIDENTIAL

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1002. Deptel 522.<sup>2</sup> Last mention Moscow press Egyptian economic delegation was reception Egyptian Legation February 12 attended by usual trade brass at such affairs including Mikoyan and Kabanov. Also mention visit Leningrad February 4-8 where saw factory making generators for Kuibyshev hydroelectric power station. Member Egyptian Legation states group also visited steel mill and tractor plant Stalingrad and Stalin auto works, Moscow, had planned to leave for Cairo via Bucharest and Rome February 17, but may still make visit to Kiev. This source says that trip has been exploratory and that no agreements will be considered until return Cairo. Less official attention than given British or Argentine delegations and as yet no Soviet announcements on results of visit or prospects of large scale assistance.

Seems likely that Egyptian announcement premature and designed to force western hands, and that any Soviet propositions still in preliminary stage. Is possible that Soviets are incorporating technical assistance features in desirous trade agreement similar to India. While USSR capable of building specific factories, ability or desire to assist in large development projects more dubious.

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<sup>1</sup> Repeated to London as telegram 137 and to Cairo as telegram 2.

<sup>2</sup> Telegram 522 to Moscow, Feb. 12, not printed, was sent to Cairo as telegram 922. See footnote 2, Document 1283.