

gotiations and emphasizing the importance from the US point of view of early agreement.

"If the Suez Base talks start satisfactorily the US would begin negotiating with Egypt the necessary cover agreements required before US assistance can be extended. It is understood that these agreements would not be signed prior to signature of the Heads of Agreement between the British and the Egyptians on the Suez Base. Should protracted delays result due to unforeseen circumstances further consultations might be required regarding the extension of US assistance.

"The US agreed that, while there should be no legal connection between the Suez Base agreement and the US assistance agreements, a way would be found to indicate to the Egyptians that US assistance would be conditioned upon Egyptian fulfillment of the Base Agreement. This should be accomplished in a manner which would not indicate to the Egyptians an advance distrust that they would in fact not live up to the agreement.

"The US also agreed to support publicly the principle of freedom of transit through the Suez Canal to be reaffirmed by the British and Egyptians."

DULLES

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No. 1338

741.56374/7-954: Telegram

*The Ambassador in the United Kingdom (Aldrich) to the  
Department of State*<sup>1</sup>

TOP SECRET

LONDON, July 9, 1954 —1 p. m.

143. Limit distribution. Foreign Office informed Embassy today in strict confidence that Stevenson putting new British proposals on Suez base to Egyptians tomorrow.<sup>2</sup> No announcement will be made and British hope for absolute secrecy for next few days. Churchill is meeting with group of Conservatives July 13 to explain proposals. It expected Butler and Head (Minister of War) will participate in this discussion but not Eden, in order stress proposals have full Cabinet support rather than being merely Foreign Office inspired. Next day some sort of announcement will probably be made in House Commons.

In effort improve atmosphere for resumption of talks British decided release pounds 10 million Egyptian sterling balances and Stevenson has so informed Egyptians. According to report just re-

<sup>1</sup> Repeated priority to Cairo as telegram 3.

<sup>2</sup> Ambassador Aldrich reported in telegram 12, July 1, not printed, that the Foreign Office was sending instructions to Stevenson to be prepared to approach the Egyptians after Eden's return, which was expected on July 6. (641.74/7-154)