

This determination shall remain secret until an appropriate time for its disclosure is reached in discussions with the Egyptian Government.

The Secretaries of State and Defense and Director of the Bureau of the Budget are to be notified by you of this determination. You will also notify the Committee on Foreign Relations of the Senate, the Committee on Foreign Affairs of the House of Representatives and the Committees on Armed Services of the Senate and the House of Representatives.

DWIGHT D. EISENHOWER

No. 1357

Z74.5 MSP/8-2954: Telegram

*The Ambassador in Egypt (Caffery) to the Department of State*¹

SECRET

CAIRO, August 29, 1954—3 p. m.

268. Minister Foreign Affairs told me last night that after careful consideration Egyptian Government has decided not to ask military aid from US at this time. He said Egyptians realize US legislative requirements would necessitate MSA agreement along lines of draft which now in their hands but fear adverse public reaction to such agreement. Although full implications for the future difficult to assess, Fawzi insisted this decision does not affect GOE's policy of working toward closer alignment with west but is based solely on internal political considerations which require government to move slowly. He strongly urged that, in view of decision not to request military aid, US raise amount of economic aid for Egypt. He asserted substantial economic aid (a) would have very beneficial effect on public attitude toward US and (b) would permit Egypt make modest start on building up its strength by purchasing arms out of its own budgetary resources.

Fawzi then asked me to meet with him Tuesday evening to begin negotiation of economic aid agreement. I agreed.

Comment. This development not surprising in view GOE's domestic political problems. Furthermore it relieves US of commitment to extend arms aid to Egypt. In terms of US relations with Egypt, this decision (a) removes prospect that necessarily limited arms aid program would have provoked adverse reaction, and (b) it does not alter excellent opportunity to improve US position while strength-

¹ Repeated to London as telegram 68, to Paris as telegram 6 for Reinhardt, and unnumbered to Bonn for Satterthwaite, and to Rome, Ankara, Karachi, the Arab capitals, and Tel Aviv.