

ening forward-looking regime through substantial grant economic assistance on development projects.

CAFFERY

No. 1358

774.5 MSP/8-3054

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

SECRET

WASHINGTON, August 30, 1954.

Subject: Effects of Egyptian Decision Not to Request US Grant Military Aid

Caffery reports (Tab A)² that the Egyptians have decided not to request US grant military aid at this time because of the anticipated adverse public reaction to the type of agreement required by MSA legislation. The Foreign Minister asserted that the decision does not indicate a change in Egypt's intention to work towards closer alignment with the West and he requested an increase in economic aid in substitute for the military aid.

The British Cabinet has decided to lift the embargo on commercial exports of arms to Egypt.³ Shipments will continue to be subject to the NEACC procedures and will be in accordance with the Tripartite Declaration.

Recommendations:

In your conversation with the Secretary at noon today, it is recommended that you make the following points:

1. We share Caffery's belief that it is still possible to work towards improving the US position in Egypt. The decision on military aid emphasizes the need to move slowly.

2. We should make every effort to increase the amount of economic aid to Egypt.

3. Israel pressure should be considerably alleviated. Israel has objected strenuously to arms aid to Egypt, not only on the grounds that it would increase Egypt's military strength but because of the psychological effect.

4. We might be able to postpone the special assurances requested by Israel. If it is decided to proceed with such assurances, they

¹ This memorandum was drafted by Burdett.

² According to the record copy of this memorandum, Tab A was telegram 268 from Cairo, Aug. 29, *supra*.

³ Department of State officials had been given this information earlier that same day in a conversation with R. W. Bailey, First Secretary of the British Embassy. (Memorandum of Conversation, not printed; 474.418/8-3054)