

could be given in undramatic fashion and could be considerably less forceful than might have been necessary if we had extended arms aid to Egypt. (I plan to submit to the Secretary today the text of a possible statement to Israel.)

No. 1359

774.6 MSP/8-3054: Telegram

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

SECRET PRIORITY

CAIRO, August 30, 1954--2 p. m.

271. In light Egyptian rejection military assistance and limitations imposed by Section 503 (b) (1) Mutual Security Act 1954, ¹ I consider utmost importance US attitude re economic assistance be framed produce maximum political impact here as well as maintain and accelerate latent pro-West orientation present Egyptian Government.

Department doubtless appreciates that rejection military aid will inevitably be interpreted in Egypt in manner unfavorable to US. Furthermore, continued US efforts to encourage Iraqi participation area defense arrangements outside Arab League framework will be interpreted as challenge to Egyptian leadership in area. ² Grant of substantial development assistance would, however, appreciably mitigate these adverse reactions.

Consequently, I request authority inform Egyptian Government in course forthcoming economic negotiations US prepared provide up to 40 million dollars during FY 55 provided adequately justified projects submitted.

CAFFERY

¹ The Mutual Security Act of 1954 was signed into law as Public Law 665 on Aug. 26, 1954. (68 Stat. 832)

² For documentation regarding U.S. efforts to encourage Iraq's participation in area defense arrangements, see Documents 1876 ff.