

No. 1363

774.5 MSP/9-954: Telegram

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

SECRET PRIORITY

CAIRO, September 9, 1954—2 p. m.

317. Re Deptel 382 September 4 fourth paragraph.

1. Although we have been doing our best, with some success, to convince the Egyptians of the utility of agricultural surpluses in the economic aid program now under formulation, it is now crystal clear that we will not be able to achieve the 60 percent target indicated reference telegram. To press them beyond what is feasible will not only be contra-productive but will jeopardize our long range objectives here.

2. Extent to which US agricultural surpluses might be used to generate local currency for development projects discussed September 8 with new Minister Finance, El Kaisouni, also member Egyptian US aid negotiation team. His reaction was as follows:

a. At this stage economic development Egypt does not desire to increase consumer goods imports above present level.

b. Would welcome on grant-aid basis for purposes local currency generation hard currency imports including crude oil imports from Bahrein for which LE 5 million equivalent in foreign exchange must presently be found.

c. Previously, wheat imports in this connection would have been desired but no need therefore this year, in fact, lack of storage facilities would alone prevent it.

d. Imports of most other agricultural commodities of which US has surplus now obtained from soft currency areas. If these replaced by imports from US, would mean either loss foreign markets for Egyptian cotton or increased restriction on imports of US non-agricultural commodities to force their purchase from soft currency areas.

3. We repeatedly stressed fact law requires specified amount of US aid in form surplus commodities. El Kaisouni finally agreed to have prepared list on most generous basis possible agricultural commodities in US surplus category, together with quantities thereof, which might be imported for purpose local currency generation, but will add also other commodities which might be used for this purpose and indicated such list could do little more than reflect 1953 imports. Will discuss further on his return Sunday from Alexandria.

4. Department will recall that promise of US aid was held out as inducement to Egypt to come to settlement of Suez base question and that all aid was withheld for more than a year in absence such settlement. In view of this background, and especially since they