

are not seeking arms aid at present, Egyptians have in mind much more substantial economic assistance than the \$50 million figure mentioned Embtel 271 August 30. It is therefore, not my present intention that this figure be quoted GOE in early stage negotiations. I had in mind, however, that as specific projects qualifying for US aid were worked up and Egyptian interest therein grew, GOE might come to accept \$40 million figure.

5. If it turns out that even this minimal amount is to be circumscribed by insistence that GOE take large percentage in form US surpluses, for which there appears to be limited requirement, there may be repercussions adversely effecting our position in whole Middle East. <sup>1</sup>

CAFFERY

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<sup>1</sup> Ambassador Caffery reported in telegram 324, Sept. 10, not printed, that the Egyptians had expected \$50 million in military aid and an additional \$50 million in economic assistance, and since they were no longer intent on getting military aid, they expected to receive \$100 million in economic assistance. (774.5 MSP/9-1054)

### No. 1364

OCB files, lot 62 D 430, "Egypt"

*Memorandum by the Operations Coordinator (Radius) to the Acting Secretary of State* <sup>1</sup>

TOP SECRET

WASHINGTON, September 28, 1954.

Subject: Status Report Item 7(b)—Military Assistance to Egypt

Attached (Tab A) is the briefing memorandum from Mr. Jernegan recommending that you concur in the proposals of the *ad hoc* working group.

Mr. Nolting does not concur in this proposal on the grounds that it will not remain secret and he does not approve the precedent.

Also attached (Tab B) is a memorandum for the OCB from Mr. Staats summarizing the discussions and suggestions of the working group. These coincide closely with Mr. Jernegan's recommendations. The question of source of funds may be subject to further discussion. It should also be noted that the \$10,000,000 figure is an upper limit.

Mr. Jernegan and Mr. Nolting will participate in the briefing session to enable you to reach a decision as to the position to be taken at the OCB meeting.

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<sup>1</sup> The Operations Coordinator was located in the Office of the Under Secretary of State.