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A Case Study in Non-Alignment: Nasser's  
Policy of Seeking Foreign Aid to Egypt,  
1952 - 1960

by

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## PREFACE

When I started to write this thesis, my intention was to tell what appeared to me as a relatively simple story of how President Nasser got foreign aid from two major donors, the Soviet Union and the United States. As the research progressed my focus blurred and as a corollary the amount of research increased. Pre-conceived notions that I had once considered to be basic research landmarks gave way to doubt in light of evidence that this topic could not be dealt with from only one point of view.

With this awareness strict self-limitations were placed on the topic. I soon realized that the domestic economic situation in Egypt was only one motive for seeking foreign aid. There were others and their existence implied an increasing complexity. The nature of this problem was precisely the many motives which drove Nasser to seek foreign aid. Therefore I took further liberties in limiting myself when it came to a discussion of the motives governing his decisions in the field of foreign aid.

There are at least four general motivational categories, each with numerous subsections which may describe what prompts a decision maker in an underdeveloped country to seek foreign aid. These are the economic, psychological, political and defense categories. One category does not work to the exclusion of the other three. At least two of the categories seem to be in constant interaction.

The most frequent combination is a bewildering synthesis of all four. In the economic category a nation may seek aid for the most obvious reason: it is underdeveloped and its future is bleak unless economic ills are isolated and attacked. The onus of being a stagnant nation may drive men to rectify economic shortcomings. At the same time a weak nation is vulnerable to attack from outside and rebellion, fed on hunger, from within. The psychology of a national leader seeking foreign aid is equally complex because it influences the other three categories. A leader born of humble origin may use an entirely different technique in acquiring aid than a man born to wealth. A leader may find certain advantages in trying to outmaneuver the two giant donors and pit them against each other. Not only does this help his stature within the country but also within the region, and to expand one step further, the world forum as well. But when brute force is applied to power politics by either the donor or the recipient as it may be in foreign aid, the sense of rebuffal and urgency may force a leader to take steps whose impact reverberates throughout the world. The months immediately following the American withdrawal of her offer to finance the High Dam is but one example. The concept of motivation becomes even more complex when a nation in Afro-Asia has declared its neutrality. Factors leading up to this proclamation, if it is a new stage in the nation's foreign policy, may include a heritage of foreign domination and the earnest desire to be controlled by no one. Thus the political motivation may often be linked to the psychological and the ideological and

grounded on the ever present demands of economic necessity. Finally, the question of defense as a motive for seeking foreign aid is acute in regions where discord, rather than harmony, is the norm. Through the mechanics of military aid a nation may be tied to the policy of its former imperial overlord. For many nations freedom lies in the right to defend oneself as it sees fit. The enemy of a nation seeking foreign aid may not necessarily be that of a donor.

In a thesis covering nearly a decade of Egyptian foreign and domestic affairs, I could not hope to write an analysis exclusively based on Nasser's motivations. Therefore I worked from a basic set of assumptions. These were six in number.

1. Nasser developed a policy vis-a-vis a given situation. He did not come to power with a policy to implement.
2. Nasser is a proud nationalist leader who sought to impart a certain dignity to Egypt.
3. Nasser sought aid because the conditions in Egypt warranted external assistance.
4. Egypt had the most potential, in terms of exportable political power, of any nation in the Arab World. Given certain situations, Nasser would try to use this to his advantage when seeking foreign aid.
5. Nasser did not want to be used by either bloc.
6. The Soviet Union and the United States were interested in Egypt for political as well as economic reasons. Often their motives for extending foreign aid were a reflection of the strategic lines of the Cold War at the time.

What one has in this thesis is a constantly changing triangular power structure in which Nasser seeks foreign aid. With these

limitations I have attempted to explore the political bargaining situation in which Nasser had to deal. Although Nasser is my focus, he cannot be treated as an isolated entity. At times the bargaining process is a dialogue between one donor and Egypt. At other times it may be a dialogue between the donor and Egypt on one plane and on another, a Cold War contest between the two donors. The emergence of this triangular relationship necessitated the frequent shift of focus from Nasser to either Moscow or Washington. But one must not assume that these sorties into other camps means a comprehensive analysis of Soviet-Egyptian-American relations.

The Introduction and the following chapter are concerned with a background analysis of the history of Soviet and American foreign aid as a part of foreign policy and the concept of foreign aid as seen by the United States, the Soviet Union and a recipient country. Without knowing to what end each participant uses foreign aid, much of Nasser's search for foreign aid would be meaningless in the context of this thesis. The next three chapters cover the period of July 1952 through December 1956. It was during this period that Nasser began seeking aid from both the Soviet Union and the United States. The following two chapters describe Nasser's swing from being dependent upon one donor for aid to the final period wherein he was able to establish relatively amicable aid relations with both donors. The final chapter offers my conclusions.

I have encountered several problems in doing the research for this thesis. Until quite late in the period covered by the

thesis, most of Nasser's speeches and press interviews were not translated. Therefore I had to depend upon translations in secondary sources. To overcome this obstacle I relied in particular on an authoritative and well documented Western newspaper, The New York Times. The Embassy of the Soviet Union in Beirut was not cooperative. Since I could not get statistical data from them, I had to rely either on secondary source material primarily Western in origin. To counteract this I have assumed that articles appearing in Pravda, New Times, Kommunist, Izvestia and other publications may be considered as primary source material since they reflect the official Party line. Exceptions to this rule have been pointed out in the thesis. Finally, I have not been able to get copies of all the American foreign aid transactions discussed in the thesis. On such occasions when forced to use statistics I have tentatively accepted the accuracy of the source, trying where possible to double check figures. The documentation used to describe the Czech Arms Deal is the most thorough compilation available. Again, due to the nature of the transaction, the statistics stand as they are. Perhaps in time a more accurate description will be available to students of this question.

The conclusions drawn from this study of political bargaining in Egypt with the two donors during the years of 1952-1960 are at best tentative. The subject is still too recent a topic for key participants to reveal much of the necessary background information. On several occasions, given some of the facts, I have drawn inferences without, of course, claiming that these are absolutely valid. In

the sequence of events, they appear not only possible but probable. Hopefully another student of this topic will either prove or disprove some of my hypotheses.

The term "Middle East" refers to the countries of Egypt, Syria, Jordan, Lebanon, Iraq, Saudi Arabia and Israel. The "Arab World" refers to the same countries with the exception of Israel. The "West" refers to the countries of western Europe, with particular emphasis on Britain and France, and the United States. The "Soviet bloc" refers to the Soviet Union plus the countries of eastern Europe with the possible exception of Yugoslavia. The "Non-West" is a term coined by Vera Micheles Dean to describe the countries of Afro-Asia and Latin America which have particular eco-political problems that distinguish them from the Soviet bloc and the West. The choice of the word "underdeveloped" versus "developing" is intentional. The trend now among economists is to give the economically wanting country the benefit of the doubt; "developing" sounds less demeaning than "underdeveloped". I have chosen the latter term to emphasize the serious economic problems Nasser faced in his drive to secure foreign aid for Egypt. Finally, I have continued to use the word "Egypt" to describe the United Arab Republic since 1958.

I would like to acknowledge some of those individuals who have helped me, either directly or indirectly with this thesis. The latter category includes Professor A. Denis Baly of Kenyon College, Gambier, Ohio, who encouraged my interest in the Middle East while still an undergraduate; Dr. J. Wilson Gaddis, Mr. David H. Gillard,



Mr. Virgil C. Crippin and Mr. Edward W. Overton for sharing with me some of the insights they gained from living in the Middle East; and finally my family who has provided me with unlimited encouragement and guidance.

The opportunity of being able to study under Walid Khalidi, my advisor for the past nine months, has provided me with the most stimulating period of my entire academic career. The time given and patience shown has been deeply appreciated. Nevertheless, the content of this thesis is my sole responsibility.

P.K.R.

Beirut, Lebanon  
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## INTRODUCTION

### THE EVOLUTION OF AMERICAN AND SOVIET FOREIGN AID POLICIES

Nasser's policy of seeking foreign aid cannot be understood except in light of American and Soviet foreign aid policies. This chapter is devoted to a general history of the development of foreign aid as seen by these two major powers. The time span covered in this chapter runs from 1945-1960 with particular emphasis on the period, 1952-1960. It is only through analysing these two foreign aid policies that one gets a glimpse of the eco-political problems with which Nasser was faced in dealing with these two donors.

From the end of World War II until the present the American concept of foreign aid has grown and matured as "a clear-cut national policy."<sup>1</sup> Excluding the Lend-Lease Program, this maturation process has passed through five stages. In this process there has been an overlapping of one stage into the other. Despite this an attempt will be made to interrelate the highpoints of the foreign policy in each stage to the foreign aid policy of that particular period. With only a brief allusion to the Lend-Lease Program, the immediate concern will be with the following stages:

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1. U.S. Senate, Foreign Aid, The Special Committee to Study the Foreign Aid Program, S. Res. 285, 84th Cong. and S. Res. 35, 85th Cong. (Washington: Government Printing Office, 1957), p. 3

Post-War Relief	1946 - 1948
Marshall Plan	1948 - 1951
Point IV	1950 - 1961
Defense Support	1952 - 1961
Start of Development Loans	1958 - 1961

The Lend-Lease Act was initiated in March 1941. Prior to America's entrance into the war, the Lend-Lease Act underscored the American policy of keeping "the war from the United States."<sup>2</sup> This was done by supplying the non-belligerents with cash and some material in return for "specific benefits", a congressional loop-hole clause allowing the President greater freedom of action than that described by the Act. When the United States entered the war the Lend-Lease Act was extended to run the duration of the war. By 1945 this had cost the United States \$41 billion and it had been a highly successful "weapon of victory."<sup>3</sup>

The United States emerged from World War II virtually unscathed. American policy makers tended to be optimistic. It was hoped that the wartime alliance between the free nations, especially that between the United States and the Soviet Union, would carry over and be the foundation for the post-war world. From February 1945, and the Yalta Conference, a mood bordering on "supreme exaltation" prevailed.<sup>4</sup> But this was primarily an American phenomenon. The Soviet Union viewed the situation differently.

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2. William A. Brown and Redvers Opie, American Foreign Assistance (Washington, D.C.: The Brookings Institution, 1953), p. 37

3. Ibid., p. 83

4. John W. Spanier, American Foreign Policy Since World War II (New York: Frederick A. Praeger, Publishers, 1960), p. 17

In 1946, the Soviet Union violated the 1942 Tripartite Treaty of Alliance and left troops stationed in Iran in the hope that the Communist controlled Tudeh Party would successfully subvert the legal government. In June 1945, Russian pressure was brought to bear on Turkey. The Soviet Union made several demands, both territorial and political. If these had been fulfilled, Turkey would have become a satellite. In August 1946, Greek Communist guerilla activity was renewed after a lull brought on with the landing of British troops toward the end of the war. Since the Communist countries of Yugoslavia, Bulgaria, and Albania border on Greece, the prospect of a long drawn-out war was possible.

The United States and Britain reacted to the Soviet pressure. The Soviet Union complied with the 1942 Treaty after it became apparent that her wartime allies might use force. An American task force was sent to Turkey on a "goodwill" mission and the situation in Greece was watched closely. The American reaction was a stopgap measure; it was not part of an overall policy.

In February 1947, Great Britain announced that she could no longer assist both Greece and Turkey. President Truman realized that unless the United States intervened, these two countries might fall to the Soviet Union. This challenge was met with the Truman Doctrine enunciated on March 12, 1947. This doctrine reflected two things: the new policy of containment, and the need for a greater peacetime involvement in western Europe, one which led to the Marshall Plan.

The policy of containment was based on the assumption that piecemeal reactions in the face of a determined opponent with a world goal were inadequate. It proposed: "policies no less steady in their purpose, and no less variegated and resourceful in their application, than those of the Soviet Union itself."<sup>5</sup> The Truman Doctrine embodied the concept of containment and applied it to the world but primarily to Europe. Truman believed that American policy must be one designed

"to support free peoples who are resisting attempted subjugations by armed minorities or by outside pressure ... we must assist free peoples to work out their own destinies in their own way ... our help should be primarily through economic and financial aid which is essential to economic stability and orderly political processes."<sup>6</sup>

Thus from the stopgap measures applied to Greece and Turkey the United States became involved in a prolonged peacetime effort.

The Marshall Plan was announced in June 1947, at Harvard University. It was predicated on the belief that unless Europe was rebuilt, the United States would be vulnerable to the Soviet designs. Its emphasis on the reconstruction of Europe indicated that the Post-War Relief Program had not achieved its goal. On November 9, 1943, the United States joined the United Nations Relief and Rehabilitation Administration (UNRRA) in the belief that aid channeled through this organization would help the allied nations in recovering from the war. After the war, Britain received a loan to rebuild and retool, money designed to get the home industries going

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5. Ibid., p. 28

6. Ibid., p. 32

and thus return the nation to her former position in world trade. The Post-War Relief Program and UNRRA were basically short term measures. Approximately \$3.4 billion had been channeled through the United Nations Relief and Rehabilitation Administration in addition to a \$3 billion loan to Britain. This was not enough to repair the vast human and material damage in Europe.

Europe had been ravaged. Industrial centers both on the Continent and in Britain had been heavily bombed. In February 1947, German production was 29 percent of the 1936 level.<sup>7</sup> There was not enough food and trade had declined to below pre-war levels. Industry could not provide for the hungry; after the brutal winter of 1946 - 1947, neither could agriculture. Coal was needed for the steel industries; steel was needed for reconstruction; reconstruction meant jobs; there was little coal. Dollar reserves were being used to purchase food rather than equipment. In France and Italy the Communist parties played on local discontent in "peacetime" Europe.

In light of the failure of the UNRRA Program the purpose of the Marshall Plan was to restore Europe through the extensive use of dollar grants as opposed to loans. However, European recovery was predicated upon European economic cooperation, aimed at integrating the European economy. The Europeans took the initiative in the summer of 1947 and created the Organization for European Economic Cooperation (OEEC). This organization was composed of

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7. Ibid., p. 36

seventeen members plus Trieste.<sup>8</sup> The OEEC estimated that it would take \$17 billion to bring about European recovery. This was to be done in four years. The Economic Cooperation Act of 1948 reviewed the OEEC figure and the Marshall Plan was underway. The Soviet Union refused to participate on the grounds that the OEEC would "interfere with Soviet sovereignty."<sup>9</sup> With the lines of the two camps firmly drawn, western Europe turned to the problem of recovery.

By 1950 the Marshall Plan had helped put Europe on the road to recovery. Overall, European production was 25 per cent higher than the 1939 levels and German production was up to the 1936 level.<sup>10</sup> The European Coal and Steel Community had been proposed and was on the road to implementation. The West German and French economies were now linked. Neither France nor Germany could manipulate their coal and steel industries to the detriment of the other. A new substructure had been created in Europe, an economic footing upon which a unified European house might rest. In addition, the Communist threat was waning in France and Italy. But the more ambitious hopes of the American and European planners had not been realized. The European economies had not become fully integrated. The European Coal and Steel Community and the rise of exchange convertibility were steps in this direction. But it was not until

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8. Ibid., p. 42

9. Ibid., p. 43

10. Ibid., p. 43

the Treaty of Rome, proposed in the latter part of the decade, that economic integration among the lines conceived in 1947 would occur. Despite the shortcomings in economic integration a step toward military integration had taken place.

The North Atlantic Treaty Organization was created in April 1949. Europe had been moving in this direction since the signing of the Treaty of Dunkirk in 1947, and the Brussels Pact in 1948. The Treaty of Dunkirk linked France and Britain in a mutual defense system should Germany return to a "policy of aggression."<sup>11</sup> The Brussels Pact combined the Benelux countries, Britain, and France into a collective self defense organization which became the "military counterpart to OEEC."<sup>12</sup> NATO contained twelve countries, West Germany finally being incorporated into NATO in 1955.

American presence in Europe in the form of NATO was supposed to have stopped possible Soviet expansion through the policy of deterrence. This policy threatened the Soviet Union with an atomic bombardment if they were to start a war. The Strategic Air Command (SAC) was relied upon to do this job. In the short run this was less expensive than maintaining both the army and the navy at full combat capacity. However, the policy of deterrence was soon called into question when in September 1949, the Soviet Union exploded an experimental atomic device.

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11. Ibid., p. 45

12. Ibid., p. 46



Meanwhile with the emphasis in the immediate post war years on the recovery of Europe, little attention had been paid to the non-west<sup>13</sup> and the developmental problems of countries in Asia, Africa, the Middle East, and Latin America. Although the problems differed from country to country, there were several common factors distinguishing the underdeveloped countries from the richer nations in Europe, North America, Australia and New Zealand.

The "vicious circle of poverty" was common to all but in some countries it was less intense. Basically it meant that the country was unable to develop of its own accord. It was too poor to save and invest in the future, unable to grow an adequate food supply to deal with the soaring population, and too weak to concern itself with anything except the immediate problems of survival. By 1955, it was estimated that the vicious circle of poverty kept the underdeveloped country from rising above a "low level of per capita gross national product, in monetary value usually below \$250."<sup>14</sup> Everything earned in this situation is used for subsistence. If anything is left over after the daily requirements have been met, this surplus is more often spent than saved. Although the excess is reinjected into the economy, it is too slight to offset the massive problems facing the country.

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13. Vera Micheles Dean, "Preface," West and Non-West: New Perspectives, ed. Vera Micheles Dean and Harry E. Harootunian (New York: Holt, Rinehart and Winston, 1963), p. iii
  14. The University of Chicago, The Research Center in Economic Development and Cultural Change, The Role of Foreign Aid in the Development of Other Countries, S. Res. 285, 84th Cong. and S. Res., 35, 85th Cong. Number 3. (Washington: Government Printing Office, 1957), p. 6. Hereafter referred to as The Role of Foreign Aid.

The underdeveloped country is characterized by other factors which impede development. First, there is a high degree of illiteracy. Without the necessary education, skilled workers cannot be trained and industry is hampered. In the public sector there are not enough bureaucrats properly trained in the use of authority and there is an insufficient supply of secondary administrative personnel. Second, health facilities are substandard. The supply of trained medical personnel is inadequate but this may have its brutal advantages. In those countries beginning to receive the benefits of modern medicine, the death rate is falling while the birth rate remains constant or in some cases such as Egypt, it increases. Science may save lives but it also increases the number of mouths to feed. A third important factor is the fact that most of the population live in the rural areas of the country. These people are more often than not, engaged in non-productive forms of agriculture. Yet for many there is no other alternative but to farm or die. Third, it may be shown that the economy "has shown little capacity to grow during the last three decades."<sup>15</sup>

This then is an underdeveloped country. Frequently too young and in too desperate an economic condition to finance its own development, it must turn outward for help. For many of these countries help first appeared in form of Point IV Technical Assistance.

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15. Ibid., p. 3

It is the period beginning with the Point IV Program and running through the start of Development Loans in 1958 that the concept of foreign aid becomes blurred from the coherent image once created by the Marshall Plan. Foreign aid programs began overlapping and the role of armaments as part of foreign aid was emphasized after the outbreak of the Korean War in 1950. The United States felt a sense of urgency both toward western Europe and the underdeveloped world. This in turn created a certain amount of confusion. The techniques used in the Marshall Plan were inapplicable in the underdeveloped world. Regional cooperation could not be counted upon, the Republican Party promised to reduce foreign aid expenditures unless definite results could be obtained and the recipient countries were, for the most part, unwilling to give strict unerring obedience to the letter of the American foreign aid laws. Perhaps it was the vague explanation first given to the Point IV Program with which this began.

In the fourth point of his inaugural address, President Truman recognized the increasingly articulate demands of the underdeveloped countries for their share of aid. He stressed the need to share "the benefits of our scientific advances and industrial progress ... for the improvement and growth of underdeveloped areas."<sup>16</sup> Although this idea was presented in January 1949, it was not implemented until May 1950, when the Act for International Development

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16. The Objectives of United States Economic Assistance, op. cit.,  
p. 11

was approved by both Houses of Congress.<sup>17</sup> Only \$35 million was authorized for expenditure in the first year. The underdeveloped countries were amazed at the paucity of this amount. It soon became apparent that the content of the Point IV Program, technology and skills, would not result in extensive economic development. Technical assistance had its role but what was needed was capital investment on a scale which the United States, at that time was unwilling to underwrite. But this does not gainsay the significance of the Point IV Program. American policy was now committed to the development of the economically underdeveloped countries of the world.

Barely two years after the Act for International Development became law, American foreign aid policy shifted once again, this time to the policy of Defense Support. Several factors necessitated this move. The strategy of deterrence had not stopped the Soviet Union from assisting Communist China during the Korean War. Nor had it eased the pressure on the French in Indo-China. It was in the interests of American security to increase and define the United States defense commitments overseas.

The Mutual Defense Assistance Act of 1949 had laid the foundation for further American participation. The Act was designed "to promote the foreign policy and provide for the defense and general welfare of the United States by furnishing military assistance to

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17. American Foreign Assistance, op. cit., p. 394

foreign nations."<sup>18</sup> Title I of the Act channeled military assistance through NATO wherein collective defense was emphasized. Title II extended this assistance to Greece, Turkey, and selected countries in Asia. By March 31, 1950, \$4.8 million had been spent out of a total appropriation of \$1,314.0 million. One year later \$549.2 million had been expended from a total appropriation almost five times as large. In both years the NATO countries had received the largest share: \$1,000 billion in 1950 and \$5,504.0 billion in 1951.<sup>19</sup> However, it became apparent in 1952 that the European economy, vastly improved but still not completely sound, could not bear the burden of increased rearmament without the aid of the United States.

The Mutual Security Act of 1951 provided for this shortcoming. It integrated three programs: Point IV, the Economic Coordination Administration (Marshall Plan), and the Mutual Defense Assistance Program. This was done on the grounds that all three programs were complementary in the sense that each contributed to the preservation of American security. Of the five titles to the Act, four dealt with specific geographic regions: Europe, the Middle East and Africa, Asia and the Pacific, and Latin America. Of the four titles, this thesis is concerned with the second, the Middle East and Africa. In this vast area, three countries became the focal point: Iran, Greece and Turkey. The President was empowered to spend \$396,250

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18. Ibid., p. 463

19. Ibid., p. 483

million for military assistance plus another ten percent of this amount for any other country in the area whose defense and economy needed bolstering.<sup>20</sup>

Thus Defense Support as part of the Mutual Security Act emerged during the period of 1952-1961. The entire foreign aid program was now wrapped up in one package. This had been done on the assumption that using Europe as an example, a country could not become economically viable and support a large defense establishment without external aid. The timing of the Mutual Security Act and the rise of the concept of Defense Support was significant in light of the "warmth" of the Cold War. The immediate threat was military but a country could not survive unless its economy were sound. Yet frequently the economy could not support the burden of additional defense without help. The pattern that had been established in the Mutual Security Act of 1951 was to dominate the scene until 1958 and the start of development loans.

The development loans were intended to be specific and sizeable. Whereas Point IV had provided the recipient with tools and technical assistance, the developmental loans were designed to have a maximum impact on the economy while at the same time utilizing the content of Point IV. Large loans were to be given for use on specific projects, jobs that could not be undertaken without adequate long term financing. Yet if the concept of developmental loans was

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20. Ibid., pp. 513-14

clear-cut, the political situation in the underdeveloped world in which they were to be applied was not. The rise of a neutral bloc and the failure of brinkmanship provided a new set of variables within which developmental loans were to be applied.

In the six years between the inception of the defense support program and the start of development loans, several factors appeared which resulted in an increasingly apparent need for a review of American foreign assistance policy. The most outstanding factor was the appearance of the Soviet Union in the field of foreign aid in late 1954. At the same time a groundswell of opinion against American foreign aid was being voiced in Afro-Asia. After the Bandung Conference of 1955 and the Czech Arms Deal of the same year, it was obvious that some of those nations which had once sought foreign aid from the United States were now going to use the latitude afforded a neutral to receive aid from both camps. Since this appeared to be the wave of the future something had to be done to modify the strict requirements that had been placed upon the recipients of American foreign aid under the Mutual Security Program. It had taken the United States nearly eight years to realize that the development of an underdeveloped country would need more than mere technical assistance and some grants in aid. It would require large doses of developmental capital and thus an apparently endless commitment to the concept of foreign aid. Although the above factors were important taken as a whole, the most significant development was the inability of the United States to contain or control Russia.

Dulles advocated the policy of brinkmanship and liberation. The former turned out to be containment under a new name. Dulles advised drawing a line dividing American and Russian spheres of interests. The line was extended by means of alliances wherein NATO and SEATO were eventually linked through the Baghdad Pact. Military support was to be given to the alliance countries but the ultimate nuclear deterrent was to remain in the hands of the United States. This did not prevent the Soviet Union or China from interfering in Indochina, Berlin, or Hungary. Nor did it stop the non-aligned world from requesting and getting aid from Russia. The policy of liberation was designed to "liberate" European countries under Soviet domination. However when two satellite countries rebelled in 1956, the United States merely condemned the Soviet intervention. No practical steps were taken to support the rebels.

The Suez crisis of 1956 and the subsequent isolation of Egypt by the United States and the Western bloc emphasized the criticism, both domestic and foreign, of the United States aid policy. It was in response to this criticism and the Soviet successes that the concept of development loans was promoted.

During the first half of the decade of the 1950's neutralism began to appear in the underdeveloped world. Although the United States had dealt with neutrals before (Spain, Switzerland and Sweden in World War II), this was the first time that the American policy makers were confronted with governments whose heritage did not include the liberal European tradition. Many of these countries



were in areas strategically vital to American security. How to deal with them was a source of dismay to the United States. Was it feasible to spend large amounts of money in countries whose allegiance could not be counted upon? This question did not provide a ready answer. Some Congressional leaders advocated letting a neutral go his own way without American support. Others wanted to curry his favor pointing out that neutral countries could form a bloc whose presence would help to break down the Soviet-American polarity. However a considerable body of thought on the Hill agreed that the neutrals were not proclaiming their "new" stand in international politics to spite the East and the West. Rather, these countries did not want to become involved in the East-West conflict. For a nation whose independence day was only yesterday, domestic, political, and economic problems were far more pressing. Nasser's turn to the Soviet Union after having been promised American aid was, in part, an indication that the neutrals were going to follow their own path. In 1957 and 1958, the question of neutrals and how to deal with them was acute in Washington.

The solution was to continue the Mutual Security Act but provide aid to the neutral countries. The rationale behind this move was simple. Either the United States offered competitive programs including developmental loans, or the neutral countries would have to place increasing reliance upon the Soviet Bloc and Communist China. The manipulation of the loans, interest rates, repayment in kind, etc., was left to the discretion of the President who would

dispense these funds in the interests of the national security. Thus in November 1959, Syria received a \$700,000 loan for a woolen mill in Damascus and in the following month Egypt received a loan to finance a television network and supporting facilities.<sup>21</sup> In order to get these neither Egypt nor Syria, as members of a federal state, had disavowed their neutrality. This was not "the" precedental case for giving American loans to neutrals. Rather they were part of a new phase in American foreign aid policy.

Thus by 1960 the United States had had fifteen years experience in the field of foreign aid. From concentrating nearly all its efforts in Europe under the Marshall Plan the United States evolved a policy which included the underdeveloped world. But as shown, it was this second phase that produced more problems. The constants that were taken for granted in Europe were not available in the underdeveloped countries. American foreign aid policy reflected this. Goals and the means to achieve them were no longer clear cut. At the height of this "crisis" the Soviet Union, to which we now turn, entered the picture with an apparently clear cut foreign aid program designed to woo the very countries with which the United States was having trouble developing a policy.

In 1945 the Soviet Union stood in the winners circle with the Allies. But the price of victory for the Soviet Union was high. Approximately six million buildings had been destroyed including 98,000 collective farms. Industrial production was thirty percent

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21. U.S. AID Mission, Cairo, U.A.R., U.S. Economic Assistance to United Arab Republic, A Report Prepared by the U.S. AID Mission, Cairo, U.A.R. (Cairo: Mimeographed, 1961), p. 3

of the 1940 level and 39,000 miles of railroad track was unusable. Estimates ran between fourteen million and thirty million military and civilian casualties.<sup>22</sup> Despite this savage internal destruction, the Soviet Union as a Big Four power was second only to the United States.

In the period of 1945-1960, the leaders of the Soviet Union sought three goals: the consolidation of power at home and war reconstruction; the consolidation and control of the satellite countries; and finally, the extension of Soviet foreign policy outside the bloc countries often to the detriment of the West. Although these goals are clear-cut there was much overlapping in the phases which led up to their attainment. For instance while the Soviet Union was being rebuilt in the immediate post-war years the European satellites were being subverted and the West realized their post-war hopes of cooperation could never be attained in the atmosphere of the Cold War.

The year 1949 is the first landmark in the fifteen years covered in this section. It marks the rise of the Cold War to a post-war high, the consolidation of Eastern Europe under the Soviet Union, and the explosion of a Soviet atomic bomb. In the previous section American reaction to Soviet pressure in the Eastern Mediterranean was noted. The Soviet Union gained a great amount of territory in 1945. The pressure on Greece, Turkey, and Iran was

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22. Warren B. Walsh, Russia and the Soviet Union - A Modern History. (Ann Arbor: The University of Michigan Press, 1958), p. 526

intended to bring more land under her sway. The Truman Doctrine and subsequently the Marshall Plan prevented this. Nevertheless, by February 1948, and the Communist coup in Czechoslovakia, the events indicated that the "Sovietization of Eastern Europe" was all but completed. In October 1947, Mikolajczyk, President of the Polish People's (Peasant) party fled Poland. By December of the following year Poland was a Communist state, the opposition having been crushed.<sup>23</sup> With the coup in Prague in February 1948, another government fell and Premier Gottwald succeeded President Benev who died in the fall of that year. In the same year the Hungarian Social Democrats merged with the Communists and the political structure of Hungary became comparable to that of Poland and Czechoslovakia. The Rumanians did not fare any better. King Paul of Rumania was forced to abdicate in November 1947, and the Communist leaders Ana Pauker and Gheorghe Gheorghiu-Dej filled the vacuum.<sup>24</sup> Bulgaria had been undermined as early as November 1945 and by August 1948, the Socialist Party passed under Communist control. Tito crushed the opposition to his regime in 1946-1947 and thereby established his Communist regime. There was no problem in East Germany. It had been under Soviet military control since the end of the war. Thus the political consolidation of Eastern Europe was complete. The next step was to coordinate and consolidate Soviet control over the satellite economies.

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23. Donald W. Treadgold, Twentieth Century Russia (Chicago: Rand McNally & Company, 1959), p. 417

24. Ibid., p. 419

Some steps had been taken in this direction as early as the summer of 1947. As we have seen, Molotov backed out of the Marshall Plan on the grounds that it would endanger Soviet internal hegemony. In January 1949, the Council for Mutual Economic Assistance (COMECON) was founded to counter the ERP. However, while the ERP stressed cooperation and integration, the COMECON stressed integration and reconstruction along the lines Moscow deemed necessary. Steps were taken to collectivize agriculture, and expand heavy industry while at the same time bringing all economic functions under state control. There were some setbacks, especially the peasant reaction to forced collectivization, but these were controlled with local forces.

Thus, by 1950, the western flank of the Soviet Union was secure. Pressure had been brought to bear on the Eastern Europeans from the East and the West. The Iron Curtain had been rung down. Western pressure in the form of NATO prevented further expansion westward and Soviet pressure in the form of puppet regimes and the Soviet army prevented any seditious activity aimed at re-establishing autonomy. However, the apparent stalemate in Europe did not prevent Soviet backing of the North Korean/Chinese Communists in the Korean War.

With the death of Stalin in early 1953, and the end of the Korean War, another landmark appears. The Soviet Union began changing its attitude toward the West and the underdeveloped countries.

The outline of Soviet intervention in Eastern Europe which has just been completed indicates that perhaps the primary motives

for post-war consolidation were geopolitical. They give little insight into the basic Soviet creed from which the foreign policy stems.

Soviet foreign policy is governed by the doctrines of Marx and Lenin. These shall not be analysed in detail. Instead the focus will be on those constants that justify Soviet participation in foreign affairs. In 1945, V.P. Potemkin asserted that "Soviet diplomacy is fortified by a scientific theory of Marxism-Leninism."<sup>25</sup> This theory contends that the world is in a state of conflict between those who control the means of production and those who do not. The "haves" are exploited by the "have nots." Eventually, as history progresses along the lines described by Marx and Lenin, the "have nots" will destroy the capitalists (haves) and implement a world order wherein the means of production are owned for the good of the nation as a whole, not a small class. The conflict between the Communist system and capitalism is inevitable and "inherently irreconcilable."<sup>26</sup> It is the Communist party, well disciplined and well organized and acting on behalf of the people, which will usher in the new era. However, the Communists admit that the capitalists

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25. Vernon V. Aspaturian, "Soviet Foreign Policy," Foreign Policy in World Politics, ed. Roy C. Macridis (Englewood Cliffs, N.J., Prentice-Hall, Inc., 1962), p. 142
26. Harvard University, Center for International Affairs, United States Foreign Policy: Ideology and Foreign Affairs S. Res. 336, 85th Cong. and S. Res. 31, 86th Cong. Number 10. (Washington: Government Printing Office: January, 1960), p. 14. Hereafter referred to as Ideology and Foreign Affairs.

will not give up easily. Instead, the capitalist seeks colonies in less developed countries to exploit. This imperialism indicates the advanced decay of the capitalist countries.

The Cold War divided the world into two blocs, East and West. Within this framework the Soviet Union paid little attention to economic relations with the underdeveloped countries. The most immediate task was reconstruction in the Soviet Union and the consolidation of control over the satellites. The Soviet Union did sign some trade agreements with the underdeveloped countries but these were a negligible amount in her overall trade dealings.<sup>27</sup> With the emphasis on the satellite countries, intra-bloc trade grew and the advantages derived therefrom became apparent. Shortcomings in the Soviet economy could be bolstered from within the bloc; at the same time, the satellite countries were aided with imports from the Soviet Union. This experience with trade at the intra-bloc level impressed Stalin to such an extent that the Soviet policy of autarky (economic self-sufficiency) began to wane. This occurred almost at the same time when the "hard line" policy of political agitation in the underdeveloped countries gave way to support of the "nationalist bourgeois".

Several factors led to this change in political policy. First, the hard line equated the Soviet Union and the Communists with ene-

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27. Roger Hilsman, The Sino-Soviet Economic Offensive Through June 30, 1962, Department of State Bureau of Intelligence and Research, Research Memorandum RSB-145, (Washington: September 18, 1962), p. 3

ther form of imperialism. Young nationalists who were trying to eradicate traces of French or British rule did not want to substitute one foreign rule for another. Second, although the hard line brought results in China, it resulted in a compromise in Korea and another in Indochina. Even though the United States did not use its nuclear weapons, it had encouraged the rest of the members of the Western bloc to rearm and meet force with force. There was no indication that the United States would reduce its arms supply until the Cold War cooled down somewhat. Another factor weighing heavily in favor of change was the apparent success the Western countries were having in trying to aid former colonies and protectorates. India received money from Britain and even Tito was getting aid from the United States after Stalin tried to isolate him in 1948. Although these factors played an important role in switching from one policy to another, the most important event for inducing change was the death of Stalin in 1953. Gone was the man who had ruled the Soviet Union with tyrannic force. The policy of moderation as well as that of foreign aid to the underdeveloped countries came into being gradually from 1953 until 1956 when it was formally adopted.

In light of the preceding background paragraphs on Communist ideology Soviet foreign aid grew slowly in this three year transition period. One of the reasons for this slow growth was the power struggle in the Kremlin. Stalin did not leave an heir. Within ten days after his death Malenkov emerged as the apparent



leader with Beria and Molotov ranking second and third respectively. Khrushchev was made Party Secretary. By January 1955, Beria and Molotov were no longer participants in the power struggle. Beria had been executed for crimes against the state and Molotov had quietly slipped into the background. In February 1955, Khrushchev ousted Malenkov, accusing him, in part, of having performed "a belching of the Rightist deviation."<sup>28</sup> With the question of leadership no longer in the forefront the attention of the Kremlin was turned to the satellites.

The Warsaw Pact was signed in May 1955. It brought the satellite armed forces under the control of a Russia Marshal. In June Khrushchev and Bulganin, now number two in the Soviet hierarchy, went to Belgrade and thus recognized Tito. In July the Geneva foreign ministers conference was held and moderation of East-West relations became the key for a while. The Austrian Peace Treaty was signed and in September Dr. Adenaur's government was recognized by the Kremlin, the same month in which the Czech Arms deal to Egypt broke on world headlines.

It was at the Twentieth Party Congress of the Soviet Union in February 1956, the third major landmark, that the policy of foreign aid and cooperation with the neutrals was proclaimed. At this Congress, Tito had been formally reinstated and Stalin and the "cult of personality" damned. Khrushchev argued that the sudden rise of the neutrals worked against the world market designs of the impe-

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28. Treadgold, op. cit., p. 471

rialists. The logical corollary of this, according to Leninist principles, was that the imperialists no longer had a sound economic foundation from which to launch a war aimed at crushing the Soviet Union, a thesis to which Stalin had firmly held.<sup>29</sup> To aid them was to weaken the opposition, in this case, the United States. Therefore, "they (underdeveloped countries-mine) need not go begging to their former oppressors; they can get it from us."<sup>30</sup>

What had been a trickle of foreign aid now turned into a small but ever widening stream. Burma, Egypt, Afghanistan, India, and Syria to name but a few began to receive aid. From the outset the nature of this offensive appeared to be radically different from that of the United States. First, the Soviet Union extends credits for economic development whereas the United States was more insistent upon grants until the change in 1958 and the advent of American development loans. For the most part Soviet credits go into capital construction: dams, roads, factories, shipyards, etc. Credit is given for those items or projects deemed necessary by the recipient country. However, this should not imply that as soon as a credit is given it is used up by the recipient. Instead the Soviet Union will allot a specific amount which must then be obligated to a specific project.<sup>31</sup> The timing is important in this process. The allotment may appear to be rather sudden whereas the

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29. Ibid., p. 478

30. CBS News Correspondents et al, The Ruble War (Buffalo, New York: Economica Books, 1958), p. 56

31. Joseph S. Berliner, Soviet Economic Aid: A Background Book (London: The Bodley Head, 1960), p. 40

actual obligation to a specific job may take months. As we shall see in the case of Egypt and the Aswan Dam, a vague amount was promised in 1956, but it was not until 1958 when the total amount was obligated by both parties to the aid agreement for the Dam and secondary projects.

The Soviet Union rarely uses grants per se. A grant is an outright gift, usually money. Instead, they prefer to use credits. A credit is a business transaction, something undertaken between equals whereas a grant is a gift from the rich to the poor. By de-emphasizing gifts and promoting credits, the Soviet Union gains a twofold advantage. First it is looked upon as a businessman who wants nothing more than his fair share of the business deal. He emphasizes this by giving a credit with liberal repayment terms. Second, when the Soviet Union gives a gift this departs from the normal process just described and gains propoganda value because of its uniqueness and the spirit in which it is given. Both Nehru and Nasser received airplanes whereas other leaders have received farm machinery, stadiums and hospitals to name but a few. The propoganda value gained from giving gifts is high whereas the monetary value is small in comparison to the overall allotment: "\$10 - \$20 million in value"<sup>32</sup> out of a combined total of \$7.2 billion worth of credits and grants.<sup>33</sup>

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32. Ibid., p. 47

33. Hilsman, op. cit., p. 8

Finally, military assistance as described in the opening pages of this chapter, is a major part of the Soviet aid program but it is difficult to know how much has been delivered and the value of the deliveries due to the secrecy shrouding such transactions. It is known that some military transactions have been paid by long term loans with the interest rate established to the advantage of the recipient. If the loan is not to be repaid in the soft currency of the recipient, it may be repaid by exports. If the latter process is used, it may result in a trade reorientation to the Soviet Union which may be detrimental to the economy of the arms recipient.

## CHAPTER I

### THE TRIANGULAR AID RELATIONSHIP

With the historical background presented in the previous chapter, one is now able to present the fundamental aid relationship dealt with in this thesis. The concept of aid and then the object of aid as seen by both the donor and the recipient will be dealt with as a prelude to the triangular relationship that has emerged in the body of this thesis. This relationship is composed of two donors and one recipient. General aid categories are reviewed in order to emphasize the donor-recipient relationship.

The concept of aid may be defined from the point of view of either the donor (USA or USSR) or the recipient country. Each views the concept of aid differently. Yet both parties have something in common. Both would agree that "... the principle use of aid is to promote the convergent interests of the giver and the receiver."<sup>1</sup> Thus the question arises, what are the interests of the giver and what are the interests of the receiver?

It may be argued that an "act of foreign aid is a political act."<sup>2</sup> The economic or military ingredients included in such an

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1. Massachusetts Institute of Technology, The Center for International Studies, The Objectives of United States Economic Assistance. S. Res. 285, 85th Cong. Number 1. (Washington: Government Printing Office, 1957), p. 35. Hereafter referred to as The Objectives of United States Economic Assistance.
  2. Hans Morgenthau, "The Political Objective," U.S. Foreign Aid, ed. Grant S. McClellan, (New York: The H. W. Wilson Company, 1957), Vol. XXIX No. 5, p. 44

act are secondary to the primacy of the political end. The two principal donors view this end in entirely two different ways according to the government. The United States hopes that by giving foreign aid to a country, this will "strengthen (the country-mine) so that it will be genuinely independent, independent of America as well as of Russia."<sup>3</sup> Within this framework of independence it is hoped that the recipient will be able to develop peacefully without endangering the American notion of what constitutes international and national security. On the other hand, the primary end of the Russian foreign aid is to promote the independence of the recipient country only within the framework of the overall Soviet strategy designed to implement the Communist system at the expense of the other governments. Thus whereas the United States sees aid as a political act designed to enable the recipient to act independently in accord with what the United States believes to be a responsible manner, the Soviet Union sees foreign aid as a stepping stone leading to the implementation of their world goal. Both believe in independence; the United States believes in the independence of the recipient per se; the Soviet Union believes in independence within the world Communist framework.

The recipient of aid (receiver in the above definition) wants aid because the conditions within his country warrant it from his point of view. The economy may need developing in order to meet

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3. Ibid., pp. 25-6

the economic demands created by an expanding population; additional foodstuffs, an increase in the number of sources of employment, additional social and capital overhead, and other similar factors. The government may also feel it necessary to improve the existing defense system because of regional conflict or internal instability. For example Egypt needed arms to confront the Israeli threat from February 1955 onwards, and President Batista of Cuba needed arms to counter the Castro guerilla offensive prior to January 1958.

In this desire for help the recipient realizes that by accepting aid his action has led him into the Cold War conflict. He has two major donors, each with essentially identical content in their deliveries; commodities, arms, financial and technical assistance. He must weigh the immediate economics of his situation against the future political advantages and disadvantages overshadowing his choice. In this respect he may choose from that side which will provide immediate economic and/or military aid in the hope for a possible rapprochement with the other donor whom he may have offended to such an extent that he could no longer be provided with aid from that source. In 1955 Nasser needed arms and turned to the Soviet bloc as the last possible alternative. This aggravated relations with the United States. After the Suez crisis American aid was stopped for a period of roughly eighteen months. In the interim until it was renewed, the development of the Egyptian economy was dependent upon aid. Therefore Nasser turned to the Soviet Union fully aware of their ulterior motives. By 1960 Egypt was in a situation wherein both donors were giving aid.

In this thesis there is a triangular relationship between the two donors and the recipient. The donors watch each other and the recipient watches the donors in competition with each other and as isolated countries.

It is assumed from the outset that the two donors are political enemies each viewing the other as the major threat to his national security.

Both the donor and the recipient realize the possible reactions surrounding the decision to sign an aid agreement. Depending upon the nature of the agreement in this thesis (economic vs. military) the donor can assume a certain gain vis-a-vis his opponent. No longer does either side have exclusive rights to the country, especially with the recipient being a neutral. The Soviet Union drove home this point in the fall of 1955 in Egypt. The donor can also assume that there is now ground for tacit agreements with the recipient on thorny problems whose public discussion might be embarrassing to either party. There was speculation about a tacit understanding between France and Egypt over the dual question of French arms deliveries to Egypt and Nasser's support of the Algerian rebels. It is quite likely that France risked continuing this form of aid in the hope of getting Nasser to back away from his commitment.

Ostensibly the economic well-being of the recipient country is first in the minds of the donors, politics ranking second. In this triangular relationship, this is not the case. A foreign aid program provides the donor with a certain foothold which may work



to the disadvantage of the competing donor. As pointed out, the competitor can no longer consider his program absolutely secure in the recipient country. The recipient has the advantage of being able to address the competing donor. This raises several questions. First, is he dissatisfied with the content of the deliveries and second is he attempting to maneuver both donors into a position wherein they are competing against each other for the recipient? If the recipient is dissatisfied with the content of the delivery then it is to his advantage and the advantage of the competing donor to enter into an agreement. The recipient benefits, the new addressee has loosened his competitors hold on the country and at the same time cast doubts as to the worthiness of the delivery. The original donor must now intensify his efforts to make up for ground lost. This may project the entire relationship into the ideal situation from the point of view of the recipient: two donors in active competition with each other.

Once addressed, the donor must ascertain as to whether he can give the recipient what he wants. This is not as easy as it appears. For the United States, the request raises questions of regional security (if it is a military request), questions surrounding Congressional action on the request, and finally, if country X is helped, will this create problems with neighbouring countries not on good terms with the potential recipient? Ostensibly the United States was unwilling to supply arms to Cairo because this would sway the regional balance of power in favor of Egypt. This

was only one aspect of the problem. Since Cairo was unwilling to join a Western defense pact it would have been almost impossible to push through Congress an amendment to the Mutual Security Act; at the same time it would have meant additional parity expenditures to meet the Israeli requests for additional arms in order to readjust the balance of power. On the other hand the Soviet Union advertises that it is willing to fulfill a demand on the assumption that if the recipient feels it necessary for his development and/or security, it will be given to him. The nature of the Soviet government enables them to take this stand. There is no public review of foreign aid expenditures and the successful implementation of their world goal is predicated on gaining an entry into the underdeveloped countries. Furthermore if the recipient's "shopping list" contains items such as heavy capital equipment whose delivery may conceivably impair the Soviet growth rate, these requests can be fitted into the annual economic plan of not only the Soviet Union but also the satellite countries. This reduces the burden on the donor's economy while at the same time it provides the recipient with what he needs. In the case of the United States an aid request can be refused on "economic" grounds but the truth of the matter is that sometimes the United States expected a greater political return by taking this action. This is obviously the case in the sudden withdrawal of the Anglo-American offer to finance the High Dam at Aswan on the grounds that it was "economically" unfeasible. This action was intended not only against Nasser but it was also aimed at calling the bluff

of the Soviet Union at a time when there appeared to be a split between the members of the Soviet praesidium who wanted to push consumer goods and those who advocated heavy emphasis on domestic capital development.

There are primarily two types of aid with which the donor and the recipient have to deal: development and military aid. The latter, which includes defense support, may be defined as: "aid the purpose of which is to permit a country to support a larger military effort than it could otherwise support."<sup>4</sup> Development aid is "aid undertaken to permit a more rapid rate of economic growth than would otherwise occur."<sup>5</sup> Although there are two types of aid, a foreign aid program may be either one or the other or a mixture of both. Egypt receives developmental aid from the U.S. and both programs from the U.S.S.R.; if a military aid program is undertaken it is almost always necessary to undertake a developmental program. The cost of modern armaments is too high for an underdeveloped country to finance on its own. If the recipient tries to do so it will mean a reallocation of resources which should be used for economic development. If this is done the country may find itself with a modern armed forces but the economy will be in shambles. Europe faced this prospect right after the outbreak of the Korean War. Had Europe rearmed along the lines described by NATO with no

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4. The Objectives of United States Economic Assistance, op.cit.,  
pp. 29-30

5. Ibid., p. 12

outside help, the dollar reserve that had been carefully built up for economic development would have been drained. Therefore specific armaments were supplied while at the same time financial assistance was given in order to allow the Europeans to retool and expand their own armaments industries. The advantage in this approach were twofold. First economic development could continue at a rapid pace and second direct assistance was given to the armed forces whose needs generated in turn an expansion of the economic base to include the armaments industry. In the case of economic development the primary purpose of aid is to increase the growth rate in all sectors in order to start the country down the path toward self-sustaining growth. Many underdeveloped countries require extensive amounts of aid not only in the form of capital equipment, direct financing, but surplus food commodities. The aid and the technological assistance may not bring immediate results. The problems which beset the recipient are deep-rooted and only after perhaps a decade or more of development can any major changes be seen. But without the impact of aid the economy of the underdeveloped country is doomed to stagnation and perhaps even backsliding; with aid there is a chance for improvement and a better way of life.

Although both the United States and the Soviet Union have foreign aid programs, they differ in one major respect. Soviet developmental aid is concentrated primarily in the form of "major

lines of credit."<sup>6</sup> Until quite recently, a period largely beyond the scope of this paper, the United States preferred grants as opposed to credits. Soviet credit may be used to finance the technical assistance required for a specific project which may be either military or economic or it may be used to finance the actual project with the recipient country providing the necessary technicians. In some cases there has been a mixture: joint financing of a project and the joint use of technicians.

Soviet trade with the underdeveloped countries is a vital factor in their overall economic development programs whereas it does not play as important a role in the American development programs. The means of trade are government owned and directed in the Soviet Union while in the United States trade (including government controls) is part of the free enterprise system. The purpose of American trade with the underdeveloped countries is twofold. First trade is undertaken because of certain profit advantages which are a part of commerce. Second, trade makes demands upon local markets which in turn stimulate development. If a country can meet the demands of trade, this may take the pressure off large aid expenditures. The Soviet Union trades with the underdeveloped countries in order to obtain both political and economic ends. Trade provides the Soviet Union with the raw materials needed for her internal development. At the same time it provides the Soviets with a

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6. Thomas L. Hughes, The Communist Economic Offensive Through 1963, Department of State Bureau of Intelligence and Research, Research Memorandum RSB-43, Department of State (Washington: 1964), p.6

political entrance. Many newly independent underdeveloped countries have heard of the Soviet Union only from their former colonial overlords. The image they created was more of a caricature than a true to life representation. The Soviet Union realizes this and plays the handicap to her advantage. By appearing as a nation eager to buy surpluses the caricature breaks down and the image of the friendly business dealer takes its place. This in turn may produce a situation wherein it is feasible for both the Soviet Union and the trading partner to establish diplomatic relations not only with Moscow but other bloc countries as well.

Soviet military aid, although similar perhaps in content to American, is given in an entirely different vein. At no time has the Soviet Union placed a stipulation on the recipient to use the arms solely for internal policing action or defense, a clause which is frequently found in American military aid commitments.<sup>7</sup> It is given apparently free of "strings" thus allowing the recipient to use it according to his own wishes. The pricing and conditions surrounding arms deliveries "vary considerably among recipient countries."<sup>8</sup>

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7. In October 1960, while Nasser was at the United Nations he had the opportunity to talk briefly with President Eisenhower. The question of arms to the Middle East was raised. Nasser is supposed to have said, "There are no such things as defensive and offensive weapons. Weapons are weapons." The New York Times, October 13, 1960, p. 11

8. Hughes, op. cit., p. 11

## CHAPTER II

### FOREIGN AID AND THE SUEZ AGREEMENT;

#### AN INTERRELATIONSHIP

At the time of the coup, Egypt needed foreign aid in order to bolster her faltering economy and strengthen her weak army. This search for foreign aid led the new government into unique circumstances. American foreign aid would be given only when an Anglo-Egyptian agreement concerning the British bases in Suez was signed. At the same time, while Nasser was seeking aid from the United States, trade relations with the Soviet Union increased. This chapter begins with the coup and ends a few weeks before the initialling of the Heads of Agreement with Britain.

The events which led to the overthrow of the Throne have been described in several well written accounts, both by outsiders and members of the Free Officers group. The purpose here is not to reiterate. Suffice it to say that in the early morning of July 23, 1952, the Free Officers struck in Cairo and captured the senior military officers who had been ordered to round-up men suspected of being Free Officers. Later that morning Cairo was secure and the first radio bulletin announced a fait accompli. There was no resistance in Cairo.

General Naguib, now the recognized leader of the coup, wrote that there were three objectives in seizing power. They were:

"Our first objective would be to seize power and appoint a Prime Minister who would be sympathetic to our cause. Our second objective would be to allay the fears of the British, the Americans, and other foreigners ... Our third objective would be to get rid of the King as soon as we had established ourselves in power."<sup>1</sup>

For the purposes of this thesis, the second objective is important. Although Britain and the United States had pushed Israel into being, the American Ambassador, Jefferson Caffery, was respected. In fact, during the night of the revolution one of the first foreigners to be notified was the American Air Force attache, Colonel David L. Evans. He was contacted by Squadron Leader Ali Sabry, one of the original eleven Free Officers, and informed that "the coup was a purely internal matter affecting Egyptians only."<sup>2</sup> Evans then contacted Ambassador Caffery who in turn contacted the British Charge d'Affaires who was in Alexandria with the government. Ambassador Caffery was contacted for three reasons. First the Free Officers were afraid that if they contacted the British, force might be used against them to restore the throne; second, he was the dean of the diplomatic corps; and third, he was respected. Ambassador Caffery was thus in a position to work with the Free Officers. He did not disappoint them.

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1. Mohammed Naguib, Egypt's Destiny: A Personal Statement (New York: Doubleday & Company, 1955), p. 32  
2. Ibid., p. 119



King Farouk, in the meantime, pleaded with Ambassador Caffery to urge Britain to come to his rescue. Caffery refused apparently on Washington's orders. However, he assured Farouk that the King and his immediate family would suffer no harm if it looked as if their lives were endangered. General Slim, the commander of the British Troops in Egypt, also refused to undertake a rescue operation. In the hectic three days following the coup, Caffery had in effect made a major contribution to the stability of the young regime. On July 26, 1952, the day of the King's departure into exile, Ambassador Caffery was at the dockside. Several years later the New York Times ran a squib on a conversation which occurred soon after Farouk's departure.

"Colonel Nasser met him (Caffery) and asked whether he was a friend of Farouk. When Mr. Caffery said he was, Colonel Nasser replied that Mr. Caffery was the first person he had encountered who was honest enough to say so and asked, 'Will you now be a friend to us?' Mr. Caffery again said 'Yes.'"<sup>3</sup>

That affirmative reply at a time of crisis did not go unnoticed. It would enable Ambassador Caffery to play an increasingly important role in Egyptian internal affairs during the next two years.

Thus a near bloodless coup had been executed. The Free Officers came to power with the hope of rebuilding Egypt and restoring her once again to a position of international respect and regional power. But the exact mechanics of how this was to be achieved were vague. Nasser dreamed of "a strong liberated Egypt." But there were compli-

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3. New York Times, December 6, 1954, p. 1

ations. To achieve the dream in light of the reality was "most complicated." There was no shortcut to "liberation and power."<sup>4</sup> Unfortunately, during the days of the Free Officers clandestine activity, little thought had been given to the actual problems of governing a country. Their role seems to have been to revolt, eject the most obvious symbol of decadence, and then turn the country over to responsible men who would continue the purge. But it soon became apparent that there were few responsible men. The problem of governing a country now fell to a group of men who had never intended to govern, men who had never intended to assume the full burden of planning and the corresponding responsibility.

The problems facing the Free Officers were described by Nasser: "a ruined treasury, an unbalanced budget, and a corrupt government."<sup>5</sup> The condition of the economy necessitated drastic action to stave off disaster. In July 1952, the population of Egypt was approximately 21 million people who lived on roughly six million feddans. The net population increase was estimated at 400,000 a year whereas the amount of arable land grew only infinitesimally. Furthermore, although the last cotton crop had been exceptionally good, there was a glut on the world market and the Alexandria market had been tempered with under the old regime.<sup>6</sup> To further complicate matters, there were dangerous deficits in both the budget and the balance of payments. The immediate economic task confronting the

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4. Gamal Abdel Nasser, Egypt's Liberation: The Philosophy of the Revolution (Cairo: Information Department, 1954), p. 30

5. Keith Wheelock, Nasser's New Egypt: A Critical Analysis (London: Stevens & Sons Ltd., 1960), p. 142

6. Ibid., p. 142

Free Officers was to tackle these problems. But if the problems were self-evident, their solution was not. None of the Free Officers prior to the coup "had a clearly thought-out economic philosophy."<sup>7</sup> This meant that they had to depend upon responsible economists, men who had not been included in the original Free Officers group. Some were found but by and large the vast majority of civil servants were irresponsible. The old regime feared any purely professional initiative which might have undermined their hold on the country. New men had to be found to do new jobs.

At the time of the coup, Egypt was receiving aid and trade from both the Soviet Union and the United States. On May 5, 1951, Ambassador Caffery and Prime Minister M. Salsh el Dine signed a 3 year Point IV agreement. Ratification by the Egyptian Government brought it into force on August 15. The agreement provided for the usual "interchange of technical knowledge and skills." Through an exchange of notes on February 21 and 25, 1952, Egypt agreed to abide by the statutes of the MSA Program and the Charter of the United Nations.<sup>8</sup> The latter step had been taken because the United States announced it was withholding aid from Egypt and other countries since they had not conformed to the specifications of the MSA. This was announced in Washington on January 23, 1952, three days before the bloody Black Saturday riotings in Cairo.<sup>9</sup> One month

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7. Charles Issawi, Egypt in Revolution: An Economic Analysis (London: Oxford University Press, 1963), p. 51
  8. U.S., Technical Cooperation, Agreement between the United States of America and Egypt (Washington: U.S. Government Printing Office, 1951, TIAS 2479), pp. 1 and 7.
  9. The Times (London), January 24, 1952, p. 3

later on February 24, the Soviet Union entered into a major wheat-for-cotton deal with Egypt. The timing of this deal is extremely significant not only in light of the American withdrawal but also in light of the fact that Stalin was still firmly in power. It is probable that this agreement is the first major Soviet trial balloon in trade relations with Egypt during the period of this thesis. Subsequent probes followed on the success of this one. In this agreement signed under the Aly Maher government, 500,000 cantars of Egyptian cotton were bartered for 200,000 tons of Russian wheat. Egypt was thus able to rid itself of some surplus cotton.<sup>10</sup>

Although there was some economic aid/trade coming into Egypt in July 1952, there was no military aid. The United Kingdom had been Egypt's main armaments supplier. After the unilateral abrogation of the 1936 Anglo-Egyptian treaty in the fall of 1951, Britain stopped all arms deliveries. Egypt needed arms. First, Israel had six fully equipped divisions armed with the latest weapons from the West. In July 1952, Egypt was depending upon "three old fashioned" divisions for her defense.<sup>11</sup> Second, it would soon be obvious that the Free Officers would form the basis of the "new society" in Egypt. It was around this group that the country would function. It was from this group that any future leader would draw his support. Both Naguib and Nasser were to realize this factor in less than eighteen months. With this need for military aid in mind, the Free Officers turned to the United States.

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10. *Ibid.*, February 25, 1952, p. 6

11. Jean and Simone Lacouture, *Egypt in Transition* (London: Methuen & Co., Ltd., 1958), p. 214

Ambassador Caffery had declared his willingness to work with the Naguib junta. This was extremely important because Egypt could not turn to any other donor. Neither Britain nor the Soviet Union was under consideration. The Free Officers wanted to withdraw Egypt from direct Western influence. With British forces stationed on Egyptian soil the chances of a successful withdrawal were slight if suddenly Britain and the United States saw an influx of Soviet weapons into Egypt. Furthermore, it was doubtful in 1952 that the Soviet Union would be willing to supply Egypt with arms. Soviet policy had to evolve to a point wherein an uncommitted country could receive arms with the much lauded "no strings attached" approach. During a flying visit to the Gaza garrison, Naguib stated that Egypt "would be willing to receive foreign military aid if attacked, provided it was in accordance with her full independence."<sup>12</sup> This was an attempt to pave the way for Egyptian-American talks on the question of American military aid. With no alternative, Ali Sabry was sent to the United States in August 1952.

Sabry's mission was to purchase arms for the purpose of replacing used and outmoded material. The United States was slow to commit itself but finally it agreed to a small purchase. The list was drawn-up only to be cancelled. Supposedly the United States was reluctant to accept a soft currency in repayment. This was probably not the real reason. More likely, the United States was willing to supply arms through an aid agreement but this would have

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12. The Times (London), August 23, 1952, p. 4

meant Nasser/Naguib would have had to adhere to the MSA provisions governing arms deals. Had they done this, their viability would have been reduced and Egypt would have been drawn into a Western defense pact. Even under Farouk Egypt was unwilling to join any kind of a Western defense system. After Sabry's failure, further military aid negotiations, with the United States, as well as economic, were held up until the Suez Canal base evacuation agreement was signed in October 1954.

The significance of this event was not that the Egyptian government had failed to buy arms. Rather it showed them that the West would not negotiate on the question of armaments without being guaranteed something in return. Both Nasser and Naguib were afraid to commit themselves in order to get arms. With this experience in mind, the Free Officers turned to other problems. The question of arms had not been forgotten. Rather, it had been placed in the background. While Sabry was in Washington, Naguib approached Britain on two questions: the future of the Sudan and the question of the British troops in Suez.

The signing of the Suez Canal Agreement in October 1954 was a milestone in modern Egyptian history. The solution of the question of Sudan's future relationship with Egypt had paved the way for the "big" negotiation:- the question of British troops in the Canal Zone. The Treaty of 1899 established an Anglo-Egyptian condominium over the Sudan. Twenty five years later, Egypt's share of the Sudan was withdrawn as a reprisal for the murder of the British Governor of

the Sudan. In the quarter of a century until the coup in Egypt, Britain worked to bring about an autonomous Sudan; the Egyptians worked in the opposite direction. King Farouk was made King of the Sudan as well as of Egypt in October 1951. In 1952 the Free Officers turned to the question of the Sudan. Their tactic was to work for a free plebiscite in the Sudan in the hope that the vote would be in their favor. In the meantime however, negotiations had begun on the question of British troops in the Canal Zone.

The British bases in Suez were a symbol of a former tutelage. Large, well equipped, and well armed, it reminded the Egyptians of a time past when Britain controlled Egypt. In 1952 Egypt wanted Britain to evacuate the base. Britain wanted to negotiate on two main points: the manner of the evacuation and future "maintenance of the base."<sup>13</sup> Egypt's demands centered around an "unconditional" evacuation of the base with no clausal stipulation that evacuation would be contingent upon joining some sort of Western defense system.<sup>14</sup> The negotiations began in November 1952 at Egypt's request. Britain moved slowly.

The British Middle East defense system was based out of Suez. Within a matter of hours airborne troops could be airlifted to key centers in the Middle East: Iraq, Jordan, the Gulf States and Sudan. Furthermore, her trade and oil depended upon free access to the canal. In the first series of meetings Britain agreed to evacuate the base

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13. Ibid., p. 205

14. Keith Wheelock, op. cit., p. 213

on two conditions. First, in times of emergency, British forces could re-occupy the base; second, British military personnel would have the right to maintain the military installations: airstrips, tank revetments, fuel and ammunition dumps and the communications system. Egypt balked at this point. The last thing the Free Officers wanted was a trace of British control. Furthermore, the British demands smacked of an alliance with a Western power. When the Middle East Defense Organization had been proposed in 1951 Egypt declined on the grounds that this type of a defensive alliance would be an infringement on her national sovereignty. Also, Russia was a distant enemy. The West was far more despised. The negotiations broke down and Nasser threatened a commando war to oust the British.<sup>15</sup>

With this background, the government turned to the problems of the new year. The year 1953 was to provide them with a series of trials: Nasser and Naguib would clash, Washington would promise aid contingent on an Anglo-Egyptian agreement, Egypt would swing toward neutralism.

On January 1 Britain, at Egypt's request, released ten million pounds (sterling) from Egypt's blocked sterling balances.<sup>16</sup> Now Egypt had some money with which to trade. Perhaps by coincidence on January 5, the Egyptian Finance Minister Dr. Abdel Guelil al Emary, announced that Egypt and Communist China had signed a cotton deal. This was the first major trade transaction of the new year.

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15. Ibid., p. 214

16. The Times (London), January 5, 1953, p. 6



The nature of this transaction was not disclosed.<sup>17</sup> In light of Egypt's negotiations with the British at this time and in light of the Korean War, this agreement appears to be purely economic in nature. Communist China was emphasizing economic development and she needed cotton. Egypt had a cotton surplus and Peiping was a ready market. Three weeks later Secretary of State Dulles went before the Nation to deliver his first major policy speech as Secretary of State.

He referred in one portion of his address to the strategic value of oil and worried about the possible consequences of Middle Eastern oil passing into the hands of "potential enemies." But the classic statement concerned the Communists in the Middle East: "we find that the Communist's (Sic) are trying to inspire the Arabs with a fanatical hatred of the British and ourselves."<sup>18</sup> This portion could not have been a slip of the tongue. Its short-sightedness infuriated some Arabs and cast doubts on the future course of the Republican Administration foreign policy. The Communists did not have to "inspire" the Arabs with a dislike of the British. Anglo-phobia existed in the nineteenth century, years before the Russian Revolution. The United States had not wooed the Arabs by backing the state of Israel. But Dulles' speech did not result in publicly strained relations between the two countries. Rather, the United States looked with favor upon the events of February.

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17. Ibid., January 5, 1953, p. 6

18. Ibid., January 28, 1953, p. 6

Early in February a "Note on Strategy" had been presented for Western perusal. This Note assumed that the West was primarily concerned with the possibility of the Canal falling into Soviet hands should a war break out. Arguing that it was up to the West to worry about the dangers closer to home than Suez, the report ended with "the presence of British troops in this zone is definitely useless."<sup>19</sup> This analysis corresponded to the private opinion of many American policy makers: the Suez bases were no longer a key link in the free world defences. The Republican policy wanted to rim Russia. Strategically the line of demarcation could be pushed closer to Russia thus making the Suez bases unwieldy. While Britain was analysing the Note, the negotiations over the Sudan were brought to a successful close. A Sudanese Legislative Assembly was to be established in November. In 1956 the Sudan was to vote on the question of independence. There were two alternatives: an independent state of Sudan or "a form of union with Egypt."<sup>20</sup> All parties concerned were hopeful. The British hoped the Sudan would not opt for union with Egypt. The Egyptians hoped they would and the Sudanese were free to choose either way. In the final analysis Egypt lost. But the solution to the Sudan question enabled the Egyptians to negotiate with the British on the Suez problem.

During March there were hints that the Anglo-Egyptian negotiations would be resumed. In the meantime on March 8 Egypt signed a barter deal with three Soviet bloc countries: the Soviet

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19. Lacouture, op. cit., p. 204

20. Ibid., p. 200

Union, Bulgaria, and Poland.<sup>21</sup> Egypt was to exchange an undisclosed amount of Egyptian cotton for 115,000 tons of wheat. Nasser probably accepted this transaction on economic grounds. Egypt needed wheat and the bloc countries needed cotton. But there were also political overtones to this transaction. Egypt was the underdog in her negotiations with Britain. Nasser wanted something from Britain; Britain wanted something from him. Neither side would budge. However greater pressure could be brought to bear on Egypt through trade. Egyptian cotton was a hard currency earner. Britain had long been the traditional market. If cotton imports were reduced by Britain, Nasser would be left with a cotton surplus and a need for hard cash to get basic commodities such as wheat. The Soviet barter deal took some of the pressure off Nasser. Nasser may now have realized there were alternate markets. This provided him with a certain viability.

At the end of the month the Soviet Ambassador, Mr. Kozyrev, visited the Egyptian Foreign Ministry. Ostensibly, he was thanking the Egyptian government for offering condolences on the death of Stalin. Other matters were also discussed, presumably the Soviet attitude toward the evacuation negotiations. The Soviet Union was in favor of the negotiations but it considered Egyptian commitment to a defense pact as a hostile act.<sup>22</sup> Nasser presumably realized that the hostile act to which the Soviet Union referred would not be an act of war. Instead, the Soviet bloc could suspend negotiations

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21. The Times (London), March 11, 1953, p. 8

22. Ibid., March 18, 1953, p. 7

for further trade thereby placing the Egyptian economy at the mercy of the West. Nevertheless, the evacuation negotiations began in April.

The talks began on April 27 and ended on May 6. Nasser stipulated from the outset that Egypt would not join a defense system in order to get the British to sign the agreement. Naguib had led the delegation but Nasser was defining the strategy. The negotiations collapsed. Churchill rose in the House of Commons and accused Naguib of being a puppet dictator; Naguib did not rule out war.<sup>23</sup> The issues were clear cut: Britain wanted some guarantee that the bases could be used for future defense; Egypt said such a commitment on her behalf would be a self-defeating infringement upon Egyptian sovereignty.

Secretary of State Dulles arrived in Cairo in the latter part of May to get a firsthand view of the critical situation in the Middle East. Upon his return to Washington Mr. Dulles admitted that the time was not ripe for a Middle East defense system. This was a victory for Nasser and a blow to the British. Now Britain knew that the United States would probably exert pressure on her to attempt a compromise solution. With an agreement, Nasser could turn his attention to the growing agricultural crisis in Egypt. At the time of the Dulles visit the local markets were wanting for

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23. Mohammed Khalil, The Arab States and the Arab League. A Documentary Record (Beirut: Khayats, 1962), Vol. II. p. 726 "The British Position Regarding the Suez Canal: Excerpts from the Address by the Prime Minister (Winston Churchill) in the House of Commons, May 11, 1953," and "The Egyptian Position Regarding the Suez Canal: Address by the Prime Minister to the Egyptian People, Cairo, May 19, 1953." p. 727

some vegetables and other produce. Several factors were responsible for this. The weather had been particularly bad during the past winter, imports were trickling in for want of hard currency, and the fellahin did not like the government's new price controls and "compulsory delivery" policies.<sup>24</sup>

Informal negotiations were begun in July only to be broken off in October. During this period Nasser led the Egyptian delegation but he refused to participate any further when it became apparent that Britain had not modified its stand.

On July 15 Eisenhower wrote General Naguib. In his letter Eisenhower stated that the United States "would consider favorably Egyptian requests for armaments and economic aid immediately following the signing of a Suez settlement."<sup>25</sup> This might have been a reply to an undated letter from Naguib to Eisenhower in which the Egyptian President said he looked forward to a settlement of the Anglo-Egyptian issue in order that Egypt might be in a position as an independent sovereign country to negotiate with the West as an equal. In his letter Naguib referred to the need for arms and economic assistance. Concerning the latter, the proposed High Dam at Aswan was mentioned as well as other secondary projects.<sup>26</sup> Thus the United States had applied the carrot-and-stick technique to goad Egypt into a compromise situation. Britain now knew the United States felt the Suez base to be strategically indefensible in a nuclear war and therefore would not fully back Britain's claim to reentry.

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24. Ibid., May 18, 1953, p. 8

25. Wheelock, *op. cit.*, p. 214

26. The New York Times, February 14, 1954, p. 1

Naguib accepted Eisenhower's offer.<sup>27</sup> By the middle of 1953 the regime knew that the major problems confronting Egypt were economic. Unless something was done to pull Egypt out of her economic plight the coup would have been executed for nothing. The old regime had done little to improve the lot of the fellaheen. The new government wanted to do something, but they did not have all the necessary means with which to work. Eisenhower was playing on Naguib's apparent need. Naguib, realizing that the United States had been a key factor in their negotiations with Britain, apparently decided to come to grips with Britain and then turn to the question of economic and military aid.

In the meantime, another trade agreement was signed with the Soviet Union on August 19. This time the agreement was somewhat larger in scope than the last one. Phosphates and manganese ore were added to the Egyptian list; machinery and rough timber were added to the Soviet.<sup>28</sup> Again the content is economic but, the timing raises questions. The two previous agreements had been at crisis periods in the Anglo-Egyptian negotiations. So was this one. It became increasingly evident to the Kremlin that an evacuation agreement would mean a restoration of confidence in the young regime and at the same time a new era for the West in Egypt.

Nasser was impatient. He wanted to end the negotiations. Yet neither side budged. Now instead of courting the West, Nasser

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27. Ibid.,

28. The Times (London), August 19, 1953, p. 5

threatened neutrality and thereby hoped to have the West court him.<sup>29</sup>

But neutralism was frowned upon in the West. It appeared that a neutral country in the non-West was merely one step from being a Communist country according to the simple logic that if the country was not with one it had to be against him. In October while Nasser was considering neutralism as a basis for his foreign policy, the Soviet government recalled its Ambassador to Cairo and replaced him with Danil Semenovich Solod, an experienced diplomat.

Ambassador Solod was not new to the Middle East. The Soviet Union had appointed its foremost Middle East analyst to the key post in Cairo. He was quiet and unobtrusive and he seemed to condone Nasser's hints at neutrality. Ambassador Solod sought to back Nasser's nascent "nationalist line". By supporting it he knew his interests and Nasser's would probably coincide. Both wanted an end to Western influence in the region and in Egypt. Solod's basic assumption was: "If the West came to terms with nationalism instead of the governments" the Soviet Union would stand to lose.<sup>30</sup> But

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29. Wheelock, op. cit., p. 215

30. Tom Little, Egypt, (New York: Frederick A. Praeger, 1958), p. 273. Joel Carmichael argues an interesting point. The Soviet Union would be in a position to provide interested Arab leaders "with an institutional model for the internal development of their state" plus aid for the developing nation. Nasser needed aid for economic development. Using the Soviet model coupled with aid, Nasser may have assumed that by utilizing the Soviet sources, a shortcut to development could be obtained. The West could not provide such a spectacular model. See Joel Carmichael, "The Nationalist-Communist Symbiosis in the Middle East", in John H. Kautsky (ed.), Political Change in Underdeveloped Countries: Nationalism and Communism, (New York: John Wiley & Sons, Inc., 1962), p. 314

Western policy seemed oriented to supporting individual leaders rather than the broad nationalist movement. Individual leaders could be influenced and perhaps even controlled. The nationalist movement could provide no such guarantee. The Soviet Union was willing to take the risk.

In December Nasser decided to recall several key Ambassadors to discuss the question of neutrality. The Ambassadors from Pakistan and India were consulted on their views as to how each of these countries was faring as a neutral. The Egyptian Ambassador to Moscow was asked to give his views on the probable Soviet reaction on any future evacuation agreement and "the possibilities of compensating Egypt through the development of economic relations with Russia for the sacrifice of the assistance which Britain and the United States could give."<sup>31</sup> Washington did not let Nasser's challenge pass unheeded.

The State Department noted that Egypt was receiving Point IV aid under the agreement signed in August 1951. Roughly \$16 million had been earmarked for fiscal year 1953 ending in June 1954.<sup>32</sup> In light of the need for developmental economic aid, the State Department announcement may have impressed Nasser. If he turned toward neutralism at this stage it was quite likely the United States would terminate aid for the time being, as of June 1954, thereby leaving Egypt to her own fate with a clean conscience. The 1951 aid agreement would have run its course.

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31. The Times (London), December 31, 1953, p. 6

32. Ibid., December 31, 1953, p. 6



Ambassador Caffery warned Egypt of the possible consequences of a move to neutrality. According to the American Ambassador "the atmosphere at this time" between the two countries did not encourage further American aid to Egypt if this step were taken.<sup>33</sup> At the same time, the Egyptian Ambassador to Moscow, General el-Masri, reported Moscow would be willing to bolster Egypt's faltering trade with Britain through selective imports. But there were strings attached. Egypt was not to join any defense system/agreement which might be aimed at the Soviet Union.<sup>34</sup>

Keith Wheelock argues that Nasser's move toward neutrality was a tactical move at this stage of the negotiations.<sup>35</sup> This argument is open to question. On the political plane Nasser may still have been more than tacitly pro-West in his conversations with Western diplomats. However, on the economic plane he may have realized the advantages of not being dependent on either the United States or the Soviet Union. By using Soviet trade he could break his dependency on the West. This could result in an alienation with the West but Washington looked in the other direction as Britain traded with the Soviet Union. Nasser's decision therefore may have been based on two assumptions. First, if he declared himself to be an avowed neutral at this stage of the Anglo-Egyptian negotiations, he would only slow them down and give Britain an

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33. The New York Times, January 7, 1954, p. 4

34. Ibid., January 5, 1954, p. 5

35. Wheelock, op. cit., p. 216

additional excuse for lingering in their bases. Second, if he used Soviet trade sources he would be establishing a certain basic parity in trade relations with the two power blocs. If he could straddle these two blocs in terms of trade, then he would have laid the economic foundations for his neutralism.

During January, the Soviet Union began to swing toward the Arab bloc in the United Nations. This was first seen at the end of January 1954.<sup>36</sup> On January 22 the Soviet delegate to the Security Council vetoed an anti-Arab resolution on the Syrian-Israeli water rights dispute. With the West at bay and the possibilities of neutrality being discussed in Cairo, Nasser certainly realized that Egypt had a possible functional ally in the Soviet Union. The threat of neutrality carried over into the hectic month of February 1954. On February 11 Major Salah Salem, Minister of National Guidance, announced that Egypt was determined to remain neutral in the East-West polarity. Furthermore Egypt was negotiating with the Soviet Union for major projects in both "the industrial and agricultural fields." In enumerating them they appeared to be similar to those discussed in the Naguib-Eisenhower correspondence of July 1953.<sup>37</sup>

In the middle of February Egypt accused the United States of dumping American surplus cotton on the Italian market to the detriment of the Egyptians. Nasser took this as another sign of

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36. The New York Times, February 13, 1954, p. 2

37. Ibid., February 11, 1954, p. 6

American unwillingness to cooperate with Egypt. An unidentified American diplomat in Cairo told a New York Times reporter: unless the United States could make the Egyptian government realize that it was not trying to pressure them into an agreement with Britain "they may turn against us with a real vengeance."<sup>38</sup> A few days later Salah Salem reminded the press that Egypt was going to cooperate with the East and the West on an equal footing. Egypt would "discriminate" against those nations denying her support on either the political, the economic plane, or both.<sup>39</sup> Within this framework of growing hostility the Naguib-Nasser controversy broke into the open.

The purpose here is not to relate in detail the series of intrigues which led up to the ousting of General Naguib. Rather, the analysis will center on the reasons for this step. Mohammad Naguib was brought into the Free Officers group for purely practical reasons. The Free Officers needed a "front man" who could appeal not only to the public but also to the anti-regime elements in the army. Naguib fulfilled his role well. He was a popular man capable of handling the public with ease and warmth. To the public he appeared to be the "grand old man" of the Revolution. To Nasser, once Naguib felt himself indispensable, the grand old man became a threat to the unity of the Free Officers. In his apologia/auto-biography, Naguib states:

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38. Ibid., February 14, 1954, p. 2

39. Ibid., February 14, 1954, p. 2

"I suggested that he allow me to run things for a few years until he had acquired the experience necessary to succeed me, at which time, I assured him, I would gladly resign in his favour."<sup>40</sup>

These were strong words directed to a man who had given birth to the idea of a military coup, nurtured the fledgling group, and finally directed it to act. Nasser wanted to move fast. Naguib wanted to move slowly with broad popular support. Nasser realized the necessity of popular support but he also realized that the search for support might slow down the revolution and hand it, in fact, to Naguib who by 1954 was, in his own words, "so associated in the people's mind with the revolution, it seemed, that few Egyptians were willing to support it any longer without at least my tacit approval."<sup>41</sup> Nasser could not afford this. It was only after the proclamation of a Republic on June 18, 1953 that Naguib tried to take powers which although technically were his, were not those which the government had intended him to have. A series of conflicts developed within the ruling clique. Naguib resigned and this resulted in public disturbances. He was brought back into the government but after a succession of maneuvers authority now rested firmly with Nasser.

With the internal political problem solved for the moment, Nasser turned once again to the question of aid. In March the Soviet Union and Egypt raised their diplomatic missions to the Embassy level, Moscow having initiated the request. In light of

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40. Naguib, op. cit., p. 214

41. Ibid., p. 225

the above swing toward neutrality, this seems to have been a logical move. To be neutral one had to deal on an equal footing with both sides. But the interesting note is who requested the move. It may have been that Nasser did not want to give full Embassy status to the Soviet Union for fear of provoking the West further. But in light of the volume of trade which had been contracted between the two countries plus the increased political support on such vital issues as the Palestine problem, the move appears to be fully warranted. Now the Soviet Union was an equal diplomatic contender with the Western powers.

In April Nasser was ambivalent toward the United States. A Point IV aid agreement was signed on April 3 for "education, health and rural training measures" but ten days later at a land distribution ceremony at Faroukia Nasser scored the Point IV Program branding it as "American colonial penetration in the Middle East."<sup>42</sup> This attack on American foreign aid policy indicated Nasser's growing disenchantment with the United States. No longer could Nasser count on Ambassador Caffery's good offices. Caffery had been working toward the evacuation agreement but he was hampered when neither side would compromise. Toward the end of the month Nasser hinted at his willingness to come to terms with the West in the Cold War but only on the condition that Britain evacuate the zone. He scorned the word "neutrality" because it had no practical meaning when a country could not defend itself or its chosen stand.

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42. The New York Times, April 14, 1954, p. 12

But "cooperation" with the West was different. Nasser argued that a country was "free to cooperate or not" but this latitude of choice did not necessarily mean neutrality.<sup>43</sup>

The stalemate between Britain and Egypt continued through April, May and into the middle of June. Nasser wanted to get to the domestic problems but he knew that he could not undertake any major developmental programs that might upset the rural social structure without first having a major accomplishment to show the people. Nasser, now Prime Minister, was generally not as popular compared to Naguib.

Late in April word leaked from Washington that the United States was withholding an undisclosed amount of aid at Britain's request.<sup>44</sup> The aid had been allocated in October 1951. When Britain realized the evacuation treaty would not be written on her terms, she asked the United States to withhold further disbursement until a treaty was signed. At first Washington was willing to comply with London's requests. In the late spring Washington was reluctant to keep her promise with Britain. The Foreign Aid Bill was scheduled for final review and the Department of State wanted to make sure that Egypt would continue to receive aid, including that which was promised to Naguib the previous year.

Early in June the prospects for an agreement between Britain and Egypt seemed bleak. Washington was anxious not to have the breach between Egypt and Britain widen. Perhaps her anxiety acted as a catalytic force. Britain and Egypt renewed their negotiations with vigor

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43. Ibid., April 20, 1954, p. 2

44. Ibid., April 29, 1954, p. 13

### CHAPTER III

#### THE AMERICAN AID AGREEMENT AND THE CZECH ARMS DEAL:

#### TURNING POINTS

In this chapter Nasser made two major aid transactions. The first, in November 1954, was with the United States and the second, in September 1955, was with the Soviet Union. Because of his inability to obtain all the aid he felt necessary from the United States, Nasser had to turn to the Soviet Union. The Czech Arms Deal was to become a major turning point in his career.

Four days before the Anglo-Egyptian Heads of Agreement was initialled on July 27, 1954, Britain urged Spain to stop an arms shipment to Egypt. Spain had contracted to supply Egypt with \$3.5 million worth of light artillery. The crates were about to be shipped from Balboa when Spain agreed to stop the shipment. Franco complained that this would hurt his hard currency earnings. The United States pointed out that Franco's deal was in violation of the MSA clause which prohibited the trans-shipping of arms to a third country.<sup>1</sup> The British arms embargo of October 1951 was in effect a NATO embargo. Nasser tried to circumvent this by dealing with Spain. Spain was not part of NATO but it was receiving American

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1. Keith Wheelock, Nasser's New Egypt - A Critical Analysis. (London: Stevens & Sons Ltd., 1960), p. 1

economic and military aid. The significance of Nasser's move was that in trying to obtain arms, he stayed within the Western world. The size of the transaction leads one to believe that this initial purchase was merely a feeler. It would have been to the advantage of both parties if arms could be gotten through Spain without incurring the displeasure of either Britain or the United States. Nasser would have been rearmed but not at the expense of alienating the West. The timing of the withdrawal is also significant. Had Nasser received the arms, he would have been able to enter the final negotiations from a stronger position. With Spain providing armaments, the United States, according to the Naguib-Eisenhower correspondence of July 1953, would provide economic aid. It is doubtful whether the United States would have taken this maneuver as an affront. The United States wanted to maintain good relations with Nasser. If armaments could be provided from a non-controversial source and developmental aid from the United States, then neither Nasser nor the United States would have suffered any loss. But the withdrawal forced Nasser, on the eve of the initialling, to rely solely upon the agreement that Naguib had established with Eisenhower a year before. In effect, the Spanish withdrawal was a tacit admission by Britain and the United States that they would use Nasser's need for aid to their own ends.

The Anglo-Egyptian Heads of Agreement was initialled on July 27, 1954.<sup>2</sup> It was a compromise. Britain was to withdraw

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2. Mohammed Khalil, The Arab States and the Arab League (Beirut: Khayats, 1961), Vol. II, p. 729



slowly, British civilian as opposed to military personnel were to man the technical installations and finally, Britain was granted the right to return to her former bases if, within seven years, Turkey or any Arab League state was attacked by an "outside power".<sup>3</sup>

Two forces helped bring about this agreement. First, American pressure on Britain and second Nasser's willingness to compromise in the face of an apparently interminable deadlock. The United States agreed with Egypt that the Suez Canal bases no longer fitted into the Western concepts of strategic world defense; a network of alliances surrounding Russia would. It was hoped that by a mutually satisfactory evacuation agreement, Egypt would consent to joining some type of modified Middle East defense system. Nasser need to compromise. Conceivably he could hold out against Britain but the stakes were too high. First, the Americans had been promising aid for over a year. Second, if an agreement were not signed, the man in the street might listen to the Moslem Brotherhood and the remnants of the Wafd. As it was, Egyptian public opinion, although muffled, was not overly enthusiastic about the agreement. Despite the political flirtation with the Soviet bloc and hints at neutrality, in initialling the agreement Nasser had turned West. On July 28, Ambassador Solod notified the Egyptian Foreign Ministry that he was returning to Moscow on "vacation."<sup>4</sup> Less than a week after the Ambassador returned home, Pravda accused Nasser of "supporting

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3. Ibid., pp. 729-730

4. The New York Times, July 29, 1954, p. 5

American plans for a Middle East command." This referred specifically to the clause allowing Britain re-entry into her former bases. By allowing this clause, the agreement was "a direct threat to the cause of peace in the Middle East."<sup>5</sup> By implication, since Nasser had initialled the agreement, he was siding with the West against the interests of the Arab world.

Nevertheless Nasser now turned to the long awaited American offer to supply aid. The outlines of the agreement were presented by the American Ambassador to the Egyptian Foreign Minister. Economic aid was to "supplement domestic resources rather than replace them" with all funds working to "maximum benefits to the people." This outline was normal and it appeared favorable to the Egyptian Foreign Minister. However, military aid was another problem. There were specific demands placed on Egypt as to usage, both domestically and in the future (no transfer clause to third parties) and "some sort of declaration indicating clearly that she shares the United States' concern for the defense of the free world."<sup>6</sup>

On August 11 the American policy of supplying arms to the Arab world was described in a personal letter from Assistant Secretary of State for Congressional Affairs to Representative Emanuel Celler (Dem., New York). Celler was worried about the impact of Western arms in Egypt and the future of Israel. Secretary Morton made four

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5. J. Alexandrov, "Anglo-Egyptian Agreement and U.S. Plans in Middle East," Pravda, August 8, 1954, p. 4, in Current Digest of the Soviet Press, VI, No. 32, pp. 17-18

6. New York Times, August 3, 1954, p. 4

general points. First, "intra area problems" needed settling but the danger of the Soviet threat was immediate. Therefore, the United States would "foster defensive strength" where it saw fit. Second, according to "reports from many sources" there was no evidence at the time that "any Arab state is desirous or capable of sustaining an aggressive move against Israel." Nasser knew that if he put an army into the field against Israel it would probably meet with the same fate as the Egyptian army in the Palestine War. Third, Israel had submitted a request for arms but Morton added, expert opinion felt that "Israel's present military posture is not one of weakness." This was a diplomatic way of saying that Israel's armed forces were superior to the Egyptian. Nasser knew this too. Morton's last point hinted at the Baghdad Pact. He felt that there could be a regional security system which would not tip the "balance against Israel."<sup>7</sup> Thus in August 1954 American arms policy was clear-cut. Either Egypt became a part of a Western defense system and received arms or she would not get arms from the Western bloc. Notwithstanding, toward the end of August Nasser recognized the Soviet Union as a threat to the Middle East.<sup>8</sup> On August 30 the British Ambassador told Mr. Fawzi that his government had lifted the arms embargo in existence since 1951, with the understanding that they would not be used for aggression.<sup>9</sup>

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7. Ibid., September 8, 1954, p. 14

8. Ibid., August 22, 1954, p. 6

9. Ibid., August 30, 1954, p. 2

Early in September the New York Times called Nasser's government "the most promising that has come up in decades" and agreed that because of the evacuation Egypt would need more arms.<sup>10</sup> Two days later Nasser published a limited distribution White Paper acknowledging that Egypt stood with the West in the fear that the Soviet Union was the major external threat to the Middle East. But in the same document Nasser asked for time. He did not want to rush into a Western alliance only days after the British influence had been eradicated. He called for a "period of complete independence during which mutual trust is built up between Egypt and the Western powers."<sup>11</sup> It would only be after such a period that Egypt could look to closer ties with the West.

The Soviet Union did not like the label Nasser had attached to them. Less than a week later Pravda questioned the wisdom of Nasser's statement by pointing out that Soviet policy was merely one of "cooperating with all countries which so desire." To illustrate this point they referred to the trade agreements already signed in 1954. Pravda acted the role of the hurt suitor; after all weren't "trade relations between both countries based on equality and mutual advantage?"<sup>12</sup> Not only was this a defense of her position to date, but the Soviet Union was reminding Nasser of the days when he was not an equal partner with the West and the Soviet Union had stood by him.

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10. Ibid., September 1, 1954, p. 26

11. Ibid., September 3, 1954, p. 1

12. Observer, "On the Threat to Egypt, Real and Imaginary," Pravda, September 8, 1954, p. 4, in Current Digest of the Soviet Press, XI, No. 36, p. 15

This article was well-timed. The foreign assistance legislation in the United States was now up for review. For the fiscal year 1955, the entire Middle East and Africa had been allocated \$115 million. During the last fiscal year three states had used \$125 million. Unconfirmed reports said that the best Egypt could hope for was \$25 million, with Jordan, Iran, and Israel receiving approximately the same amount as they had in the past fiscal year.<sup>13</sup>

Nasser was understandably disappointed. From July 1953 Nasser had been led to believe that the United States would provide millions more, perhaps even \$50 million. The Egyptian developmental program called for a \$1 billion expenditure over the next ten years on developmental aid alone. Nasser admitted that his government could only provide a small portion of the needed revenue. The rest had to come from foreign sources. Dr. Mohammed Ahmed Salim, the Secretary-General of the Permanent Council for Developing National Production, said Egypt needed approximately \$140 million to "give us a good enough economic push." That was more than the entire allocation to the Middle East and Africa for fiscal year 1954-1955. By September 1954 Egypt had allocated \$7.8 million for the current fiscal year but Salim doubted whether Egypt could "pay local costs of projects set up under the aid program."<sup>14</sup>

In October Dr. Salim led a technical mission to Washington to discuss the nature of the impending American aid. Six major

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13. New York Times, September 8, 1954, p. 15

14. Ibid., September 8, 1954, p. 15

project categories were considered: land reclamation, construction of heavy industry, oil prospecting, development of inland transportation, creation of light processing industries for paper and sugar and the construction of an ammonium nitrate fertilizer plant. These categories paralleled those mentioned in the Neguib-Eisenhower correspondence. During the discussions the United States admitted that it could not provide the \$100 million Egypt hoped for. However a spokesman for the Foreign Operations Administration said the undisclosed amount would be "about as much as Egypt can usefully absorb at this early stage in her economic development plans."<sup>15</sup>

On November 6, 1954, the United States and Egypt signed a \$40 million developmental assistance grant. On the day of the signing in Cairo Dr. Fawzi lauded the agreement and called it a "symbol of cooperation" adding that any further aid by "friends" was an investment in the future of Egypt. Ambassador Caffery, said the agreement demonstrated American confidence "in the economic future of Egypt."<sup>16</sup> During the signing ceremony Dr. Fawzi hoped that the United States would use its prestige to enable Egypt to borrow from the International Bank for Reconstruction and Development (IBRD) in order to finance the High Dam at Aswan, a \$600 million construction project designed to provide electricity and water for land reclamation. No further comment was made at the time on this

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15. Ibid., October 22, 1954, p. 1

16. Ibid., November 7, 1954, p. 6

specific project. However, the Soviet press reacted to the Egyptian-American aid agreement.

In a leading article entitled "Under Flag of American Aid" Izvestia attacked both the Egyptians and the Americans. The Americans were described as having two main motives in extending aid to Egypt. First, they wanted to "crowd out" Britain in their drive for markets and then place Egypt in a position wherein Nasser had to depend upon the United States for his economic welfare. With Nasser thus ensnared, the second motive became apparent. Egypt would be drawn into a military bloc in the Middle East, siding with the people who had restricted her for the past seventy years. Egypt had humiliated herself. She had opened up her files to the Americans and "special American 'representatives' would .... dictate to Egypt a policy suiting Washington." By signing the agreement Egypt had become a vassal of the United States.<sup>17</sup> The Soviet attitude was to change when it became apparent that Nasser did not want to join a Western security system but develop, instead, a regional security system based on the Arab League Collective Security Pact with the West supplying the material. In the last issue of 1954, Pravda was well aware of Nasser's intentions and crooned their support:

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17. K. Petrov, "Under Flag of American Aid," Izvestia, November 16, 1954, p. 4, in Current Digest of the Soviet Press, VI No. 46, pp. 18-19

"the Arab peoples, struggling against the establishment of aggressive blocs, for deliverance from the imperialist yokes and for a lessening of international tension, know very well who is their enemy and who is their true, selfless, friend."<sup>18</sup>

Thus by the end of 1954 Nasser had succeeded in obtaining two objectives. First the Anglo-Egyptian Agreement had been signed. Second, the United States had fulfilled part of its promise in providing aid contingent upon this signing. Nasser was assured of developmental assistance but the problem of arms had not been solved. Nasser wanted to purchase arms as opposed to getting them in the form of military aid. The United States was unwilling to sell unless it could be assured of getting something in return. American policy makers wanted Nasser's support, if not overt then at least tacit, for their area defense plans. Nasser wanted time before he made his next move but the events in the area worked against him.

On January 12, 1955, Nuri as-Said announced that Iraq would join the Turkish-Pakistan Security Pact. Nasser had been watching both Turkey and Pakistan for more than a year. After Turkey and Pakistan signed their Mutual Security Pact Nasser's attention was focused on Iran and Iraq. Without either or both of these countries, the Western scheme would falter. When Iraq made its announcement Nasser reacted swiftly. It now appeared that the United States was bypassing him. His request for time had not been heeded. Instead, with Nasser "solely" dependent upon the West for arms, the United

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18. V. Medvedev, "Who Threatens Peoples of the Arab East," Pravda, December 28, 1954, p. 6, in Current Digest of the Soviet Press, VI. No. 52, p. 30



States felt that it could maneuver into position and then deal with Nasser, presenting him, as it were, with a fait accompli. Iraq acceded to the Mutual Security Pact on February 24. Baghdad was to receive American arms and American training personnel. Four days after the signing on February 28, Israeli regulars attacked Egyptian forces in the Gaza Strip. General Burns, Chief of Staff of the United Nations Truce Supervision Organization wrote:

"Total casualties on the Egyptian side were thirty-six soldiers and two civilians killed, twenty-nine soldiers and two civilians wounded. This was the most serious clash between Egypt and Israel since the armistice had been signed, six years before."<sup>19</sup>

Since the coup the army had been the source of power for Nasser. The brilliance of the Israeli attack laid bare the weakness of the Egyptian army. The officer corps wanted arms in order to avoid another humiliation at the hands of the Israeli's. Nasser now had two choices. Either he could join the Baghdad Pact and obtain arms and supervisors from the United States or he could try and obtain them from another source. Although the decision was clear cut, Nasser did not immediately turn to the Soviet bloc. He would have been perfectly justified had he done so in light of the Gaza raid. Instead he needed time to evolve a policy.

In March Nasser referred to "positive neutralism" as a means whereby Egypt could avoid being played by one block against the other

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19. Lt. Gen. E. L. M. Burns, Between Arab and Israeli (London: George G. Harrap & Co., Ltd., 1962), p. 17

but he did not elaborate upon this idea. Britain announced her willingness to join the Baghdad Pact in the same month. Nasser knew that Britain would probably act as a bona fide representative for the United States. The United States could not join the Pact without signing a treaty with the Pact members. This treaty would have to be ratified by the Senate. The pro-Israeli bloc would fight this move until Israel had been given assurance that the Pact would not be used against her. There was no chance that the Baghdad Pact would ever be used against Israel but if the United States had moved in this direction, Iraq would have backed out. Iraq was one of the two key countries in this defense system. With the concept of positive neutralism still not fully articulated and the Baghdad Pact rapidly taking shape, Nasser left for the Bandung Conference in April.

The Bandung Conference was called to discuss the problems of many Afro-Asian nations. Nasser had left Egypt with only a faint idea of what his future foreign policy would be. Chou En-lai began courting him soon after his arrival with the Egyptian delegation. According to Western press reports, President Nasser "continued to steer an independent course" throughout the conference.<sup>20</sup> Although the conference provided Nasser with some ideological support, Chou En-lai offered material support. Not only were trade relations to be increased, but the Chinese Communist Premier, picking up Nasser's

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20. New York Times, April 26, 1955, p. 3

hint, extended an offer for arms from the Soviet bloc. According to Mohammed Hassanein Heikal, the authoritative editor of Al-Ahram, Nasser met with Chou in the evening of April 15. The conversation centered on regions of tension throughout the world. The question of the Gaza raid was raised and jointly, Egypt's inability to get arms to meet the external threat. Nasser asked Chou whether the Russians would sell him arms if he asked. Chou replied: "If you allow me I will go and find out. I believe they won't object."<sup>21</sup> The matter was dropped for the time being. The importance of this brief conversation lies in Nasser's addressing the Soviet Union through Chou. No longer was there a question in his mind of relying solely upon the United States. The clauses surrounding any arms transaction were stated explicitly in November. The emergence of the Baghdad Pact in February, still in foetal form, warned him that either he agreed with the United States or he turned to another supplier. After the Bandung Conference Nasser returned to Egypt to a growing cotton crisis.

By the middle of May Egyptian cotton exports were 35 percent lower than during the same period in 1954. Egypt needed to export cotton in order to acquire foreign currency and drain her huge surplus. The world market was sluggish. There was a rumor that the United States was going to get rid of some of its surplus cotton and worldwide buyers were waiting to see how this would affect the

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21. Mohammad H. Heikal, Psychological Complexes that Govern the Middle East. In Arabic. (Cairo: Arab Publishing Co., 1958), p. 152

world market price. Egypt could not wait. Her exports had decreased while the production of Egyptian cotton had increased. Nasser was left with two alternatives. Either devalue the Egyptian pound and dump the cotton fast or turn to the Iron Curtain markets and arrange to trade on a purely barter basis; Egyptian cotton for Iron Curtain credits and commodities. While Nasser was weighing this problem, Ambassador Solod approached him with an arms offer:

"He ... asked me whether my government would be disposed to buy arms from the Soviet Union. In the case of an affirmative reply, he would inform Moscow ... I replied, in the same tenor, that this suggestion appeared very interesting indeed and that I was ready to enter into negotiations in this spirit."<sup>22</sup>

This was the major breakthrough. In further undated negotiations Nasser admitted that he could not purchase them with hard currency but the Soviet Union did not seem to mind.<sup>23</sup>

In June Nasser turned once again to the United States. He hinted to Ambassador Eyroade that if the United States did not supply him with arms the Soviet Union might. The Department of State was not sure whether this was a bluff or an actual policy statement. However on June 30, the Americans agreed "in principle" to Egypt's demands. But again, the problem of payment indicated that the negotiations might be prolonged. In a Senate hearing in 1957 the former chairman of the JCS, Admiral Radford, was questioned about the negotiations. The problem of pricing was raised. Admiral

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22. Walter Z. Laqueur, The Soviet Union and the Middle East (London: Routledge & Kegan Paul, 1959), p. 217

23. Keith Wheelock, pp.cit., p. 230

Radford did not think that the price was the reason the United States would not sell the weapons. Rather, Egypt wanted certain types of weapons which the United States was unwilling to supply.<sup>24</sup>

Nasser now had to make a decision. He was not blind to the ulterior motives of the Soviet Union. Russia wanted something; she was not venturing into the Middle East for purely philanthropic reasons. Khrushchev reportedly once said that Russia should get into the Middle East to protect itself. There was a move to consolidate Western control in the Middle East. The Baghdad Pact attested to this. Khrushchev reasoned that if Russia did not establish a bridge-head somewhere in the Middle East, she would not be able to reduce the number of armies against which it someday may have to fight.<sup>25</sup> Thus Egypt and the Soviet Union were on the same bargaining plane. Both knew what the other wanted. Heikal said at the time: "Russia had her benefits; we had ours."<sup>26</sup> They moved toward each other. In this framework the editor of Pravda arrived in Cairo in July.

Shepilov arrived in Cairo on July 21, 1955 to participate in the third anniversary of the July revolution. He was friendly, courteous and interested in what the Egyptians were trying to do. He admired the strides which Egypt had taken in the direction of reform and economic development and he expressed "the sympathy of

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24. Ibid., p. 229

25. Mohammad H. Heikal, op. cit., p. 157

26. Ibid., p. 158

the Soviet people is all with the aspirations of the Egyptian people."<sup>27</sup>  
He sat through the commemorative parade on July 23 and watched the array of Western armaments. For the purposes of comparison these will be listed. One year later the change in emphasis is rather significant. According to the New York Times sources, the following weapons were displayed:<sup>28</sup>

Aircraft

36 Vampire jets (UK)  
24 Meteor jets (UK)

Artillery

27 60 ton Centurion tanks (UK)  
100 Sherman tanks (USA)  
4 155 mm field guns (FR)  
? 120 mm Brandt mortars (FR)  
? anti aircraft weapons  
20 mm Erlikons  
40 mm Bofor  
87 25 lb. field pieces divided  
into three regiments of  
29 guns each  
8 self-propelled 25 lb. cannons

Presumably during Shepilov's visit the pending arms deal with the Soviet Union was discussed. But it was not until late in August that rumors indicated the Soviet Union was going to supply arms to Egypt.

Before the news began to leak in late August of an impending arms deal, the Cairo press was talking about the "multi-million

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27. Walter Z. Laqueur, op. cit., p. 219

28. New York Times, July 24, 1955, p. 22. The Centurion tanks cited above are overweight. A Mark 10 Centurion tank (1960 model) weighs only 51 tons fully loaded including the crew. Stevenson Pugh, Fighting Vehicles and Weapons of the Modern British Army (London: MacDonald, 1962), p. 34

dollar" cotton deal with Communist China.<sup>29</sup> The details were not disclosed and had they been, they would have been shadowed in the growing mystery ... was Nasser going to get arms from the Soviet Union? Secretary of State Dulles referred to this question at a press conference on August 31. He said that there were "indications" that the Soviet Union had made an "offer" to Egypt to supply them with military equipment. During the conference he was visibly "concerned" with the matter but he refused to elaborate.<sup>30</sup> On the previous Saturday a French newspaper Les Echos said Ambassador Solod met with Major Salem to explain his government's position on the matter of arms. He declared that his government was willing to extend both economic and military aid and would assist Egypt in building "an armaments industry". Nasser conveyed the content of this conversation to the American Ambassador. Moscow would not confirm the leak.<sup>31</sup> A leading Egyptian newspaper Al-Jumhurriya, quipped, "We would prefer neither to deny nor confirm the report."<sup>32</sup>

The important word at this time is "offer". Nasser had not signed an arms agreement. He merely referred to there being the possibility of other suppliers. Washington knew that the Soviet Union had made inroads in Egypt but Dulles was still uncertain as to whether this was a bluff or not. Nasser wanted the arms on his terms. If he were bluffing and the United States fell for this ruse, it would be a major diplomatic defeat and a precedent for other

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29. Ibid., August 10, 1955, p. 4

30. Ibid., August 31, 1955, p. 1

31. Ibid., August 31, 1955, p. 3

32. Ibid., September 1, 1955, p. 3

non-aligned nations. Washington weighed the alternatives for three weeks and then on September 26, one day before Nasser announced the Czech Arms Deal, it was made known that the United States would sell arms to Egypt "on credit" if only to keep Nasser from buying from the Soviet Union. Nasser reacted favorably but on the following day he announced the Czech Arms Deal. He spoke at the Officers Club but he addressed himself to "all Egypt".<sup>33</sup> In keeping with Egypt's "independent policy" Nasser had sought arms from many capitals:

"We went to every quarter to get weapons for the army. We went to Britain; we went to France; we went to America; we went to the rest of the states to get weapons for the army in the interest of peace and defense. What did we get? We got only demands. They wanted to arm the troops after we had signed a document or after we had signed a pact. We declared that even though we had wanted and had decided to arm our troops, we would never sign a document ... We declared that we would not arm our troops at the expense of our freedom."<sup>34</sup>

He described what each of the Western powers wanted from him. Again and again, it was some sort of a commitment to Western interests in return for weapons. Finally:

"We received a reply from Czechoslovakia saying that she was prepared to supply arms in accordance with our needs and those of Egypt's army on a commercial basis, the transaction to be considered like any other commercial transaction. We agreed and last week Egypt signed a commercial agreement with Czechoslovakia to supply us arms. This agreement permits Egypt to pay in Egyptian products such as cotton and rice."<sup>35</sup>

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33. Carol A. Fisher and Fred Krinsky, Middle East in Crisis: A Historical and Documentary Review (Syracuse, N.Y.: Syracuse University Press, 1959), p. 131

34. Ibid., p. 132

35. Ibid., p. 133



But the arms deal did not imply "Russian influence or foreign influence in Egypt or the Middle East." Rather the Czech Arms Deal "means the eradication of the foreign influence which so long oppressed and dominated us."<sup>36</sup> This acquisition would allow Egypt "to go forward as a free independent power with her own foreign policy, motivated by her own interests and not by the interest of any of the foreign camps."<sup>37</sup> Cairo was jubilant; the West was appalled. The Baghdad Pact had not been signed but the Soviet Union had built upon the mistakes of the West. Moscow had vaulted the very defense system designed to keep her out of the Middle East.

Nasser was careful to note in his announcement that the transaction was of a commercial nature as opposed to an adherence to a political pact. This still left him some latitude with the West. But the content of the Czech Arms Deal was impressive. The details of payment and content surrounding this transaction have been, of necessity, kept secret. Egypt was extended credit of approximately \$250 million against "future cotton shipments." The arms were priced at below bloc market value with repayment spread over a ten year period. The original plan also included technical aid. Below is an unclassified Department of State summary of the deliveries and content. The document from which this was obtained did not disclose its sources.

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36. Ibid., p. 134

37. Ibid., p. 134

<u>Delivery Date</u>	<u>Content</u>
October 10, 1955 May 1956	133 cases of Czech arms. 180 fighters and 20 trainers (UMIG-15) and 40 bombers (IL-28). Planes produced by AVIA in Czechoslovakia according to Soviet models, shipped from Odessa, USSR.
April 19, 1956	19 Czech motor torpedo boats.
April 28, 1956	4 Soviet minesweepers.
April ?, 1956	6 Soviet submarines of 250 tons each.
June, 6, 1956	Sale of two warships; destroyer-minelayers of the 2200 ton Skerky class, max. speed of 38 knots, a main armament of four 5.1 inch guns and carrying 80 mines.
Up to October 1, 1956	Egypt reported to have received additionally, 10 IL-14 transports; several MIG-17 fighters; about 300 medium and heavy tanks (including T-34's); more than 100 self-propelled guns; about 200 armored personnel carriers; "a substantial assortment" of rocket launchers and bazookas; radar and wireless equipment; over 100 artillery pieces of various types.

Technical aid under the same agreement:

<u>Date</u>	<u>Content</u>
March, 1956	Egyptian officers, n.c.o.'s and troops being trained at Soviet bases in Poland and Czechoslovakia.
March 23, 1956	Czech military personnel are training forces in Egypt.
June, 1956	500 Egyptian air and naval officers to arrive in Poland for training.
By November, 1956	Over 1000 Soviet and Czech technicians (air crews and air mechanics) and instructors working with Egyptian forces.
? 1956	Egyptian pilots for jet fighters being trained in Odessa, USSR and some on Egyptian airfields by Russian experts. <sup>38</sup>

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38. U.S. Senate, Foreign Aid Program: Compilation of Studies and Surveys, S. Res. 285, 84th Cong., and S. Res. 35 and 141, 85th Cong. (Washington: Government Printing Office, 1957), p. 724

The reaction to the Czech Arms Deal will be discussed in the following chapter because it provides a background for Nasser's second confrontation with the West. This time he was not out for arms but for assistance in building the High Dam at Aswan.<sup>39</sup> Through a series of blunders the West had helped open the Middle East to the Soviet Union, something which neither Nasser nor the West wanted to do. Now there was a chance to heal the breach and build an edifice depicting Egyptian-Western cooperation.

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39. For a technical discussion of the High Dam and the economic benefits it will bring, see the following authors: (publishing details are in the bibliography): Erskine Childers, The Road to Suez, pp. 151-155; Charles Issawi, Egypt in Revolution: An Economic Analysis, pp. 129-130; and Keith Wheelock, Nasser's New Egypt - A Critical Analysis, pp. 173-182. Technical aspects of the High Dam will not be mentioned in the body of this thesis except in passing.

## CHAPTER IV

### POLITICS AND FOREIGN AID:

#### THE FINANCING OF THE HIGH DAM

The reaction to the Czech Arms Deal led ultimately to the Suez Crisis of 1956 and the Eisenhower Doctrine of early 1957. This chapter will trace Nasser's efforts at financing the High Dam from the fall of 1955 through the nationalization of the Suez Canal Company in 1956. The attention will then shift to the decline of American aid from July 1956 through the end of the year. The London Conferences, the Suez Canal Users Association proposal and the invasion will be mentioned only in passing.

#### THE ANGLO-AMERICAN OFFER

The immediate Western reaction to the Czech Arms Deal was one of near panic. In his drive to secure arms, Nasser had outflanked the Baghdad Pact and helped expose the Middle East to direct Soviet influence. Secretary of State Dulles immediately sent Assistant Secretary George V. Allen to Cairo with a strong protest. Nasser was in no mood to be bullied. Rumors from Washington indicated that the United States might stop the American aid program. An Embassy official arrived at Nasser's office prior to Allen's arrival and was told: "If your representative comes to me in my office and says one word, I will expel him from the office ... Threaten anything and

I shall announce it."<sup>1</sup> Secretary Allen arrived, waited, saw Nasser and left knowing that the Czech Arms Deal was going through whether the Western alliance liked it or not. This meeting established the atmosphere in both Cairo and Washington for the month of October.

Early in October Nasser spoke at a graduation ceremony in the Military Academy. He claimed to have a list of arms supplied to Israel by France. Writing with the advantage of hindsight, the implication was obvious: NATO offshore arms procurements were being sent to Israel with the tacit consent of the United States. Washington was silent at first; this added to the mystery. No one was too sure whether this was a cover bluff for the Czech Arms Deal or an actual intelligence coup. Later word was leaked from Washington: Nasser had closed the arms gap but Israel was still the stronger of the two countries. Finally on October 5, an official at the American Embassy hinted that the United States would not consider any more arms negotiations with Egypt "pending determination of how much Israel's military lead over the Arabs will be reduced" as a result of the arms deal.<sup>2</sup> In the meantime Washington faced a major decision.

Could the United States continue to aid Israel without infuriating the Arab world? One can assume the Department of State realized that the Soviet Union would probably increase their activities in the Middle East in proportion to the mistakes the West

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1. Mohammad Khalil, The Arab States and the Arab League. A Documentary Record (Beirut: Khayats, 1962), Vol. II, p. 757
  2. The New York Times, October 5, 1955, p. 8

made. At the same time there were domestic considerations. Pro-Israeli lobby groups expressed concern lest the United States withdraw from Israel even though Nasser was in no position to start a war, either at the moment or for a few more years. They argued that if the United States courted Nasser to regain his confidence, the United States would in effect be condoning an anti-Israeli war. With the new weapons he could easily pass from the role of an anti-Israeli orator to a revenge seeking warrior. While this argument, one among many, was being weighed, the United States assuaged Nasser's earlier fears. American economic aid to Egypt would not be terminated in retaliation for the Czech Arms Deal. Assistant Secretary of State Allen referred to the deal as a "commercial deal" thereby putting the transaction in an economic rather than a military category.<sup>3</sup> Nasser had admitted that now he was "obliged to give defense priority over development"<sup>4</sup> and Allen's phraseology may have helped to reduce the image of Nasser being a power hungry junta Colonel. Egypt had bought arms as part of a commercial transaction; the Soviet Union had not given her arms which, academically, would have been another question.

Nasser must have appreciated the American reaffirmation to continue its aid program. Had American aid been cut-off at this critical point in Egypt's economic development, the repercussion would have intensified rather than pacified the aftermath conditions

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3. George V. Allen, "Address", in Department of State Bulletin, Vol. XXXIII No. 853 (Washington: Government Printing Office), October 31, 1955, p. 684

4. New York Times, October 9, 1955, p. 4

created by the arms deal. With the American position declared, Nasser no longer had to assume a belligerent stand to defend the deal. An indication of the detente between the two powers occurred on October 17 when Egyptian Ambassador Hussein informed the Department of State that Egypt was interested in having the International Bank for Reconstruction and Development (IBRD or World Bank) and the United States finance the High Dam at Aswan rather than the Soviet Union.

Hussein hinted that the Soviet Union had made a firm offer: thirty year financing at two percent interest for the initial \$200 million; Egypt would repay in cotton and rice.<sup>5</sup> Occuring so soon after the arms deal, this request raises certain questions. Was Nasser now playing the role of an economic neutral, i.e., aid from both sides but no commitments to either, or was he afraid that the arms deal would exclude him from any further aid/transactions with the United States? Although neither question is mutually exclusive, it is probable that he did not want the Soviet Union to be his sole source of economic and military aid. Furthermore he may have realized that his position as a neutral was still in doubt in the West. Had he turned to the Soviet Union immediately after the arms deal, there are indications that the West would have seen this as a total capitulation to the Soviet bloc. Neither Nasser nor the West wanted this to happen. Therefore Dulles may have used this

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5. Ibid., October 18, 1955, p. 3

situation to bolster Western interests in the Middle East. In the fall of 1955 it is too early to argue that Dulles used Hussein's request for revenge. Instead, Nasser had breached Western hegemony in the Middle East with the arms deal. The Dam was a chance for the West to offset the Soviet gains and retrieve the initiative that had been momentarily lost.

Consultations began in Washington. Eugene Black, President of the World Bank, wrote an executive memorandum to senior Bank officers dated October 21. From the outset, the Bank was not overly enthusiastic about the project. Black had several reservations, the most important being the question of price stability throughout the entire construction period. Previously the Bank had stated, in a limited circulation memorandum, that it did not like the way Egypt was spending on long-run development projects "without fully taking into consideration the resources which would be available to finance them."<sup>6</sup> On October 21 Black wondered whether Egypt could finance the High Dam project without mobilizing a "large amount of money from its own resources throughout the construction period."<sup>7</sup> Egypt might be able to mobilize the necessary resources, according to him, "but only if it adopts sound methods of financing the project and rigorously adheres to sound fiscal and economic policies."

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6. Morris L. Cooke, Nasser's High Dam - Panacea or Politics? (Washington: Public Affairs Institute, ? date), p. 14

7. Ibid., p. 13



Eugene Black was looking at the project apart from the man Nasser. The President of the World Bank had made his reputation as an individual capable of making a sound investment in apparently shaky projects. As a result he had learned to question every factor going into any major transaction.

While the Bank pondered its next move, four ships arrived from Odessa carrying the initial consignment of Czech arms. Rumors indicated that Egypt had bought the arms at a fraction of cost price: MIG's went for \$50,000 each and submarines for only \$1.5 million.<sup>8</sup> None of this could be confirmed; but it was obvious that the Soviet Union had not bluffed in her apparent willingness to deliver arms.

The Czech Arms Deal had brought a new dimension into the traditional Arab-Western diplomacy. The West could no longer dictate policy. In turn, a new power structure emerged. Britain was withdrawing from the Suez Canal but she joined the Baghdad Pact. The Soviet Union was worried about the Baghdad Pact. This worry paralleled Nasser's but for different reasons. The Russians wanted to enter the Middle East on the heels of the British evacuation -- Nasser did not want another type of imperialism to deal with. At the same time, Nasser could not be too reticent about dealing with the Soviet Union. In terms of aid, Nasser had an alternative to the West. From this he gained strength in various forms: support of the Arab masses in the Middle East, the wary "respect" of the

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8. New York Times, October 26, 1955, p. 6

Arab leaders, and the respect that one gives to a man feared by the Israeli's.

Militarily Egypt had the potential of being the strongest nation in the Arab World. However, Hanson Baldwin of the New York Times pointed out, the ability to use the Czech weapons "lies in the future; it is not imminent."<sup>9</sup> Despite his bellicose statements, in the opinion of an expert, Nasser was not an overt threat to the stability of the region. Economically, he could not afford a war; in terms of military parity and strike potential, Israel was far superior. Furthermore, Israel had established a formidable reservoir of good will in the West. Nasser was the most powerful Arab leader in the Middle East in the fall of 1955 but he did not have this critical psychological advantage. Rather, his ascent to power may have worked against him.

Washington was still not convinced of Nasser's recent emergence as a neutral. One school of thought argued that by flirting with the Soviet Union Nasser was merely seeking a power position from which to deal with the West. Another looked beyond the immediacy of the moment and argued that Nasser was basically pro-Western but that he would have to seek his own modus vivendi with the West, one which would entail the evolution of a policy rather than the implementation of an already coherent doctrine. The third school asserted that his foreign policy must reflect the

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9. Ibid., November 11, 1955, p. 9

ideals of the Bandung Conference. From this it was likely that he would emerge as a neutral, his policy reflecting the dissatisfaction at being a "pawn" in the bi-polarity of the Cold War conflict. It was against this background that the Egyptian Minister of Finance went to Washington for discussions on the financing of the High Dam.

The joint communique issued at the end of the High Dam discussions in December was bland. Acting Secretary of State Herbert Hoover, Jr., British Ambassador Sir Roger Makins, Mr. El Kaisouni and World Bank President Eugene Black were present. Mr. Kaisouni was "assured" that the United States and Britain would "support" the project

"which would be of inestimable importance in the development of the Egyptian economy and in the improvement of welfare of the Egyptian people. Such assistance would take the form of grants from the United States and the United Kingdom toward defraying foreign exchange costs of the first stages of the work. This phase, involving the Coffier Dam, foundations for the main dam, and auxilliary work will take from four to five years. Further, assurance has been given to Mr. Kaisouni that the Governments of the United States and the United Kingdom would, subject to legislative authority, be prepared to consider sympathetically in the light of then existing circumstances further support toward financing the later stages of supplement World Bank financing.

Final understandings with the British and American Governments and the World Bank will await Mr. Kaisouni's consultation with the Egyptian Government."<sup>10</sup>

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10. Mohammad Khalil, op. cit., pp. 737-38

Eight months later Nasser described the Washington discussions as "lengthy and bitter."<sup>11</sup> The World Bank agreed to provide the \$200 million after the first five year stage. This amount was not to be given in a lump sum; each installment would have to be negotiated. The World Bank had four basic conditions to cover the transaction; it would act in concert with the United States and Great Britain; the Bank would have the right to review Egyptian development programs; the right of review would also be extended to any other sizeable economic negotiations; the implementation and organization of the High Dam project "should be subject to agreement between the Egyptian government and the Bank."<sup>12</sup> Roughly \$270 million were available to Nasser: \$70 million from Britain and the United States and \$200 million from the World Bank.

From the outset Nasser did not like this. Ostensibly the aid proffered was economic in nature for a specific project. But in order to get it, the economy of Egypt had to be placed under World Bank review. Nasser argued that the future of Egypt would be placed in the hands of someone else. Perhaps the offer to finance the Dam had been a tactical maneuver by the West to offset the Soviet gains made by the Czech Arms Deal. The West wanted to be back "in"; they were willing to pay the price. At the same time they wanted a lever which could be used to their own end should the need arise during the next ten years. Nasser realized this. Unless

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11. Ibid., p. 760

12. Ibid., pp. 760-61

he gave more than tacit consent to Western policy, he would stand the chance of having aid to the Dam cut-off during the long construction period. Black had stated as much in a letter to Nasser: "You should know that arrangements with the Bank for assisting in (the) carrying out of the project are undoubtedly subject to review should there be exceptional circumstances."<sup>13</sup> The "exceptional circumstances" were not enumerated but they presumably included political as well as economic factors. At this point Nasser realized that he would have to bargain hard to get what he wanted: assured financing without the onus of "strings". This basic assumption carried him over into the new year.

Early in January 1956 Premier Nasser, indicated that he was still very much interested in Western aid on the Dam project. Since the project appeared to be technically sound, why didn't the two Western powers go all the way and "commit themselves to aid the entire project?"<sup>14</sup> The idea of bidding on the various stages of the project was scorned. The World Bank and the Western governments wanted sealed competitive bids on the first stage with more to come. Nasser argued that if this were the case, the Eastern bloc countries would try and undercut their competitors. In the West private industry would compete for the project; in the East, Communist governments would. For the latter, cost was of little importance. This argument again reaffirmed Nasser's desire to have the West in on the project. After having laid so much groundwork this new turn

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13. Ibid., p. 761

14. New York Times, January 7, 1956, p. 3

of events must have been somewhat galling to Ambassador Soled on the eve of his departure. Meanwhile, the annual battle of the Foreign Aid Bill was underway in Washington.

Eisenhower was interested in the possible modification of the foreign aid program to include long term financing of large projects.<sup>15</sup> The Soviet Union had made inroads in the concept of aid; it was hoped that this measure would stem the tide. The High Dam was to be a trial project. By the end of January the Foreign Aid Bill had bogged down in committee. Future aid commitments were dependent upon the size of the aid that might be given to the High Dam. As this question was being debated, Eugene Black left for Cairo at Nasser's invitation.

Black was invited to discuss the details of the High Dam financing. On January 28 he lauded the project: "an inspiring project that will be of tremendous importance to the development of Egypt's economy or we would not even have considered making such a loan."<sup>16</sup> The negotiations lasted for two weeks. Both parties to the negotiations knew that a Soviet offer had been made. Again, as in December, the negotiations did not go smoothly. Nasser did not want any infringement upon his sovereignty. He claimed to have a "complex" about loans and this carried over into the realm of politics. Black understood this but despite Nasser's urging, he said the World Bank could not "sign a final agreement ... because there were (certain) legal matters."<sup>17</sup> These matters concerned the

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15. Ibid., January 16, 1956, p. 1

16. Ibid., January 28, 1956, p. 13

17. Mohammed Khalil, op. cit., p. 763.

question of the Sudan and her right to the Nile waters. Instead of a final agreement, an agreement in principle was signed. On February 13, President Black returned to the United States.

Nasser was still worried about the ulterior motives of West. Despite the inability to come to a final agreement, Black left with the impression that Nasser was not leaning toward the Soviet Union: Nasser "is friendly to the United States."<sup>18</sup> Friendly perhaps, but not subservient. The very fact that Nasser had induced the West to pledge aid without dropping the Egyptian policy of positive neutrality was a gain for him. While Nasser was pondering his conversations with Black, the Twentieth Party Congress of the Communist Party was convened in Moscow.

It was at this Party Congress that the Soviet bloc formally changed course. No longer was the image of the Soviet Union and the Communist Party to be that of a menacing aggressor. Instead the Communist countries were to appear as friends of the underdeveloped countries throughout the non-West. Khrushchev developed the idea that the social order of any given country was its own "internal affair". As an example, support would be extended to those countries in the Middle and Far East that chose to stay out of military blocs. Egypt was one of these countries. Her stand against the Baghdad Pact was regarded as an act of peace. Switching to the question of aid to underdeveloped countries, Khrushchev scorned American aid. He asserted that most American aid was arms

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18. New York Times, February 13, 1956, p. 3

deliveries. As a result this placed the recipient at the mercy of the United States. Ultimately the arms expenditure reduced the standard of living. To break this vicious circle economic aid was requested thereby putting the recipient permanently in debt to the United States. The political overtones were apparent: the recipients had to uphold American policy whose aim was "world domination or world leadership, as the American imperialists call it."<sup>19</sup> Instead of seeing the recipient fall prey to the United States, Khrushchev offered aid to non-Socialist countries "free from any political or military obligations." This was the major breakthrough. The new line was to be "peaceful coexistence" with the non-West as opposed to the Western idea of "let us arm".<sup>20</sup>

Dulles testified before the Senate Foreign Relations Committee on February 24. Commenting on Khrushchev's new policy, Dulles felt that the Western world had forced the Soviet Union to admit defeat.<sup>21</sup> Whether Dulles feared this new one or not is unknown. However one has the impression he thought the Soviet economy was in trouble. By trying to appear as the number one peacemaker in the world, the Soviet Union had turned to the underdeveloped countries to get the materials they so vitally needed. Thus while Dulles was analysing the shortcomings in the Soviet system, the

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19. N.S. Khrushchev, "Report of the Central Committee of the Communist Party of the Soviet Union to the Twentieth Party Congress," Pravda, February 15, 1956, p. 8, in Current Digest of the Soviet Press, VIII No. 4, (1956) pp. 3-5

20. New York Times, February 25, 1956, p. 8

21. Ibid., February 25, 1956, p. 7. Dulles commented: "One thing is certain: The Unity of the Free World has caused the Soviet policy to fail and right today they are trying to figure out a better one."



Soviet Union was trying to identify its interests with those of the Middle East, particularly Egypt.

After the dismissal of John B. Glubb (Glubb Pasha of the Arab Legion) on March 1, 1956, Britain began to withdraw slowly from Nasser. Nasser was becoming the man behind every wrong in the Middle East. He attacked Britain for its role in the Baghdad Pact and for what he considered to be Whitehall's increasingly hostile attitude toward the Arabs. France did not get off lightly. The Algerian War was raging. Both sides were suffering heavy losses; the French suspected Nasser of aiding the rebels. With two of the major Western powers alienated the United States was also growing wary.

On April 2 Nasser announced that Egypt had not rejected the vague Soviet offer to build the Dam. He underscored the offer not "as a threat or as a bluff", an attitude paralleled to that which he held in the previous spring during the search for arms.<sup>22</sup> It is not absolutely clear why Nasser made this statement at this time.<sup>23</sup> On one hand he knew the Soviet Union was now out to "woo" the underdeveloped countries. He was a strategic leader in the Kremlin's eyes. On the other, however, by "accepting bids" on the first stage he had made himself more amenable to the interests of the West. Either something had occurred in March which caused him to question

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22. Ibid., April 2, 1956, p. 1

23. Ibid., February 17, 1956, p. 5. By the middle of February word leaked out of Cairo that during the negotiations with Black in January, Nasser agreed to comply with the IBRD suggestion that competitive bids be placed for all stages of the Dam. Nasser was against this at first. He wanted to select the contractors for the project. What made him change his mind has not been disclosed. It is possible, but not necessarily probable, that Nasser was informed that irregardless of what bids were submitted, the West would build the dam.

the Western offer and thus move toward the Soviet bloc, or he was attempting to get both sides to bid against each other, thereby giving him the right to choose his donor on economic grounds satisfactory to him. However this comment concerning the Dam did not arouse as much attention as his interview with a New York Times correspondent on the previous day. This interview may have reflected his growing concern over Egyptian relations with the West.

The interview covered a wide range of ideas from the future of Egypt to his dealings with the Soviet bloc countries. It is significant that the emphasis was on the latter. He explained why he had to approach the bloc for arms and why he could not fear the Communists blindly. He had to deal with the Communist bloc to keep the revolution going in its early stages. Furthermore, he knew the Russians were courting him: "The Russians are very clever. They know what I want to say and they please me by saying what I want to say."<sup>24</sup> His pleas were to the West, to the United States in particular. The United States was called "the greatest country in the world" but it would backslide if it did not live up to its own original revolutionary philosophy. It had to. Nasser argued that the concept of war had changed. No longer were tanks and bombs effective against the enemy. The new war according to him was a psychological war based on the nationalist struggle. Only by supporting it would the forces of the West lead to victory.<sup>25</sup>

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24. Ibid., April 2, 1956, p. 1

25. Ibid., p. 1

Three years earlier Ambassador Solod had used this basic premise for his policy toward Egypt: support the nationalist struggle; the West will not.

Two days after this revealing interview, Secretary of State Dulles held a news conference. American policy to the Middle East was based on "peace and independence" for the area as a whole. Dulles said Nasser concurred in these views. In his opinion, Nasser was not going to break with the West and "accept anything like vassalage to the Soviet Union."<sup>26</sup> This was three months before the withdrawal. With Nasser's position declared vis-a-vis the West and Dulles' reaction, the Soviet Union then declared its policy on the Middle Eastern situation.

Izvestia (April 6, 1956) began the trend with a warm review of an Egyptian film. A few days later the principle of "non-interference in the internal affairs" of the Middle Eastern countries was declared implying that the Soviet Union would remain neutral in the regional disputes yet uphold the concept of peace.<sup>27</sup> This was too ambiguous. On April 17 a major policy declaration was made. The shift from an impartial stance to a pro-Arab was marked. But on the vital question of Palestine the Soviet statement was equivocal; it supported both sides and called for a "peaceful settlement ... on a mutually acceptable basis."<sup>28</sup> The Arab reaction to

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26. Ibid., April 4, 1956, p. 8

27. M. Mikhailov, "Plans for Armed Intervention Under Pretext of 'Peace Making'," Izvestia, April 8, 1956, p. 3, in Current Digest of the Soviet Press, Vol. VIII No. 14 (1956), p. 23.

28. \_\_\_\_\_, "What Game are the British Playing," Jewish Observer and Middle East Review, Vol. V No. 18 (May 4, 1956), p. 11

this was lukewarm. This in turn may have encouraged Izvestia to make a very strong pro-Arab stand four days later. It was argued that American and British policy was designed to make the Arab states colonies whereas the Soviet Union believed in the Arab "struggle for national independence."<sup>29</sup>

By the end of the month the Soviet Union, the United States and Egypt had made their positions clear. Khrushchev and Bulganin had been on a state visit to Britain. The question of disarmament in the Middle East was raised. Neither the Soviet Union nor the Western alliance countries wanted to see an arms race in the Middle East. With this background the attention once again turned to the High Dam.

The Chairman of the Senate Foreign Relations Committee, Senator Walter F. George (Dec., Ga.) was against the Dam on two counts. In general he did not like the idea of long term aid and he did not approve of the High Dam project being the prototype. Specifically he did not want to back Egypt because there was danger the Arab states might follow Nasser's lead. Furthermore, the Aswan Dam would provide two million acres that could be used for cotton cultivation.<sup>30</sup> This argument was extremely dangerous for Nasser. Within a few weeks it would spread. In the same period Nasser did little to encourage a rapprochement with the West. Dulles was unusually silent on the Middle East.

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29. Observer, "For Ensuring Peace and Security in the Near East," Izvestia April 21, 1956, p. 4, in Current Digest of the Soviet Press, Vol. VIII No. 16, pp. 16-17

30. New York Times, April 28, 1956, p. 1

THE CRITICAL PERIOD: PRELUDE TO THE WITHDRAWAL

Early in May Nasser was worried about the sudden "hands-off" policy on the Middle East. In an article written for Al-Jumhurriya Anwar Es-Sadat reflected this. He scored American, British and Soviet attempts at interfering in the area in order to reduce tension. Imperialism would be eliminated, Sadat argued, only through the efforts of the area; the drive for independence would be achieved by the local patriots.<sup>31</sup> Meanwhile Intourist (USSR) and the Misr tourist company negotiated for reciprocal visits between the Soviet Union and Egypt. This was a minor event compared to the major diplomatic move in the middle of the month when Egypt gave full diplomatic recognition to Communist China.

There have been many attempts to explain Nasser's move. He had heard on May 12 that the Israeli's were receiving French Mystere jet fighters. The decision for this move occurred during the NATO Council Meeting in Paris in April. At this time Dulles was backing an arms build-up in Israel. Canadian Sabre jets were to be sold to Israel and Pineau announced that a number of other arms were to be sent to Israel.<sup>32</sup> This occurred immediately after the April declarations of the various powers on peace in the area. Perhaps Nasser was afraid that the Soviet Union might reach a gentleman's agreement with the West and stop arms to the Middle East. This was

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31. Jewish Observer, *op. cit.*, May 4, 1956, p. 11

32. Terence Robertson, Crisis: The Inside Story of the Suez Conspiracy. (London: Hutchison and company, 1964), p. 56

unlikely. However, from his point of view it was an outside possibility. Nevertheless, the timing of Nasser's move was inopportune. Too many factors could be used against Nasser if the West so desired. The Foreign Aid Bill was in the final phase of analysis. Nationalist China was a favored "son" of the United States. It was an election year. The Democrats concentrated much of their attack on the Administration's foreign policy. On May 18 Ambassador Hussein met with Secretary Dulles prior to his recall to Cairo. Their discussion centered on four main points, one of which was the Dam. Dulles was non-committal but Ambassador Hussein knew that the tide of public opinion concerning the Dam was running against the Administration.

Soon after the Ambassador returned to Cairo, Dulles had his first news conference since the Egyptian recognition of Communist China. Secretary Dulles said it was an "action that we regret". He recognized Nasser as the spokesman for Egyptian nationalism and sympathized with him but he would not condone those actions which seem "to promote the interests of the Soviet Union and Communist China."<sup>33</sup>

This was a major turning point in the financing of the High Dam. Public opinion began to grow against the Dam. There were few dissenters in the anti-Nasser wave. Dulles refrained from making any comments. Perhaps it was his policy to adjust to public sentiment once it became coherently stated. Privately he may have speculated

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33. New York Times, May 23, 1956, p. 14

on Nasser's credit "worthiness". Dulles perhaps thought Nasser was bluffing on the Soviet offer to which he alluded earlier in the year. Had an offer been made or was the Soviet Union merely encouraging Nasser to confront the West and then intercede should the West make one false move? When Nasser recognized Communist China he put the Republic Administration in a very difficult position.

One of the key planks of the Republican platform pledged to combat Communism in any form. If the Administration were to support Nasser they would be open to charges of inconsistency. This was too dangerous a stand in an election year. Yet at the same time his move provided them with a new avenue of attack. Nasser was unreliable. He had recognized a powerful nation that the United States had not. Economic pressure could not be brought to bear on him through the offer to finance the High Dam. If Nasser could not be bought, then something had to be done. From the middle of May until the middle of July, Dulles and Nasser were on a collision course. In the first week of June Nasser spoke before the General Co-operative Conference. It was a lengthy speech with only ten minutes devoted to a rather bland analysis of foreign affairs. The rest emphasized how much needed to be done economically.

The following day on June 9, Secretary Dulles delivered the commencement address at Iowa State College. His speech dealt primarily with the economics of foreign affairs. The primary pur-

pose of economic aid was to help the newly independent nations of the world "maintain their independence as against the plotting of international communism." Aid was justified to the graduates on the grounds that it contributed to American "enlightened self-interest." He emphasized that "not a single dollar is sought for this program for any other than an American reason."<sup>34</sup> His analysis of aid was given in light of his opinion on neutrality. By and large neutrality was invalid, "it is an immoral and short sighted conception."<sup>35</sup> The scope of the speech reached far and wide. Nasser must have been informed of it; it was read on the Hill where the Foreign Aid Bill was now the center of attention.

Early in June the House of Representatives voted to continue aid to Tito and Nehru. There was a move to stop aid to Tito because of his rapprochement with the Kremlin. This was voted down on the grounds that Tito was not working against the United States. Speaker of the House Sam Rayburn scoffed: it is "far better to have neutrals than to have enemies."<sup>36</sup> Little did he know how significant his words would become within the next few weeks. In the meantime, while the House was working on foreign aid, Mr. Shepilov, the newly appointed Soviet Foreign Minister arrived in Cairo for the Suez Evacuation celebrations.

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34. John Foster Dulles, "Commencement Address at Iowa State College", The Suez Canal Problem: July 26 - September 22, 1956, (Washington: Government Printing Office, 1956), Department of State Publication No. 6392, pp. 37-38

35. Ibid., p. 34

36. New York Times, June 9, 1956, p. 1



Britain left the Suez Bases on June 13, five days ahead of schedule. Brigadier John S. Lacey saluted and remarked: "I am the last British soldier to leave Egypt."<sup>37</sup> In a few months his colleagues would be back. Shepilov arrived in Cairo four days later. He talked with Nasser first and then with the Egyptian Minister of Trade and Commerce. Nasser was presumably willing to listen in light of the growing signs that the Americans might not agree to the December offer. There are grounds for believing that during the initial discussions the question of the High Dam was raised and Shepilov offered to finance the project. His offer was couched in very general terms. The Soviet Embassy confirmed the offer but other sources gave the specific details. The Soviet Union would lend Egypt 400 million pounds (sterling) at two percent interest repayable over a twenty year period.<sup>38</sup>

If Shepilov had wanted to step into the bargaining ring, ample propaganda sources were available. Ostensibly he had arrived to celebrate the British evacuation. The celebrations were well covered by the world press. Instead of making a major pronouncement concerning the Dam, Shepilov was unduly silent. This silence could be an indication that he too was playing the game of "economic brinkmanship". His general offer had increased the stakes while at the same time it cast asides on the sincerity of the Western offer. American economic aid had been tested in the international

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37. Ibid., June 14, 1956, p. 1

38. Ibid., June 19, 1956, p. 1

forum; the Soviet's had not. In the latter part of June the two potential donors were competing with each other.

Nasser had to make a decision vis-a-vis the West; at the same time the West had to make the reverse process. Either way, Shepilov stood to gain. Once a decision was made, an element of uncertainty would be removed. If Nasser and the West came to terms and built the Dam with World Bank, British and American funds, the Soviet Union could show its support of the Nasser regime by offering to undertake other aid projects. If Western support were withdrawn, then presumably only details had to be filled in on the general offer made in June. Some financial analysts believed the Soviet Union would be able to finance the High Dam. The major portion of the loan could be delivered in the form of goods: \$800 million in consumer goods (oil and grains) and \$400 million in construction equipment. In return, Egypt would increase her cotton shipments to the Soviet Union.<sup>39</sup> After the first Shepilov-Nasser talks, a major foreign policy statement was made.

The Soviet Union wanted friendly relations with all her neighbors, including the Western alliance. The Kremlin was sympathetic to the Egyptian revolution and Nasser's stand on the Baghdad Pact. The Arab countries were urged to "rely on the Soviet Union as their unselfish, faithful and reliable friend."<sup>40</sup>

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39. *Ibid.*, June 21, 1956, p. 5

40. *Ibid.*, June 19, 1956, p. 1

Less than a week after Shepilov had met with Nasser presumably to discuss the financing of the Dam, Nasser requested on June 21, through official channels, for the United States to make its position absolutely clear. Nasser apparently did not like the Soviet offer. It is conceivable that at this late stage Nasser still did not want to rely completely on the Soviet Union for most of his aid. This argument seems more plausible when Nasser asked Eugene Black to see if he could persuade the United States to support the entire Dam project through all the stages. Department of State sources said that the United States could not do this but they would push Congress each year for an appropriation until the Dam was done.<sup>41</sup>

At the end of the month, while Shepilov was still in Cairo, the United States informed Nasser that the \$56 million allocated for the Dam could not be held any longer. The United States had not withdrawn the offer to help.<sup>42</sup> Rather, unless the \$56 million (earmarked) were allocated during the fiscal year which would close on June 30, the sum could not be carried over into the new fiscal year. At this point it appears that the United States was merely marking time.

If the United States were to finance the Dam, Nasser's positive neutralism would have to be accepted in fact as well as in theory. The December 1955 negotiations merely accepted it in theory. By supporting Nasser it would mean condoning his attitude on world

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41. Ibid., June 20, 1956, p. 5

42. Ibid., June 21, 1956, p. 5

affairs. This would be accepting neutralism in fact. Therefore, by late June the question was not when the United States would back-out but how.

Dulles knew the stakes were high. Any injudicious move might thrust the entire region into the Soviet lap. Neither Nasser nor Dulles wanted this to happen. But at the same time both men were adamant. Nasser predicated his foreign policy on neutralism; the United States, despite its lofty proclamations, wanted a neutral they could trust, an enemy clearly recognized, or an ally. Nasser was none of these in Dulles' eyes. He was a neutral that could not be trusted. Yet on the 27th of June Dulles indicated that he knew Nasser was willing to side with the United States on the financing of the Dam. Somewhat cryptically he said "perhaps Mr. Shepilov's visit did not produce quite all of the results which he hoped for."<sup>43</sup> It is possible that at this point Dulles was devising a strategy which would warn all neutrals and the Soviet Union that the United States would go to the "brink" in the field of foreign aid.

On July 4 the first Egyptian budget presented by the new civilian cabinet was announced. Gamal Nasser, now President by 99 percent of the vote, emphasized that Egypt was going to develop her industry and agriculture while maintaining a large army.<sup>44</sup> Two days later the Department of State announced that the High Dam

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43. Ibid., June 28, 1956, p. 4

44. Ibid., July 5, 1956, p. 9

funds would be included in the fiscal 1957 Foreign Aid Bill. Technically Nasser could get the money if he so desired. President Eisenhower could allocate resources from an emergency fund to cover the \$56 million promised by the United States. On July 9 Eugene Black wrote Nasser confirming his belief that the "economic conditions in Egypt warranted aid" by the World Bank.<sup>45</sup> Another instance of bad timing now appeared early in the critical month of July. With the emphasis on American-Egyptian relations at a critical point, a Soviet-Egyptian atomic energy agreement was signed in Cairo on July 12. This agreement was not an overnight phenomenon. The idea was first raised earlier in the year. The agreement called for the peaceful use of atomic energy; it was signed at a time when the mention of the Soviet Union in relation to Egypt was anathema to Dulles.

Three days before the withdrawal of the American offer to finance the Dam, Secretary Dulles testified before the Senate Appropriations Committee. Senator Bridges and Senator Knowland did not want any more military aid sent to Yugoslavia. Dulles was adamant that Tito should get aid. Mr. Dulles remarked that the withdrawal of aid would probably pressure Tito "irrevocably into the Soviet camp." In another portion of his testimony the Senate Appropriations Committee flatly refused to allow any Mutual Security funds to be used on the Dam:

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45. Ibid., July 24, 1956, p. 5

"The committee directs that none of the funds provided in this act shall be used for assistance in connection with the construction of the Aswan Dam, nor shall any of the funds heretofore provided under the Mutual Security Act, as amended, be used for this dam without the prior approval of the Committee on Appropriations.<sup>46</sup>"

Dulles' reaction was strange in light of the events of the past month. He could have accepted this decision and thus passed the burden of responsibility on to the Committee. Instead, he wrote Senator Carl Hayden, claiming that no further action on this matter would be taken without informing them. However, he added that the Administration did not "feel bound by the language of the ... report."<sup>47</sup> Did this indicate Dulles had an ulterior motive or was it merely an example of his diplomacy: constantly shifting between two extremes, damning and encouraging? This letter was vague on purpose. By the second week of July he must surely have known what he was going to do to Nasser but he shrouded this knowledge with a constant ambivalent position: one day he defended the Administration's right to deal with the problem of financing the Dam as they saw fit, the other he indicated that there was no hope.

On July 17 Ambassador Hussein returned to Washington with specific instructions from Nasser: accept the offer. In an interview six years later Nasser said that he knew there was little chance of getting the loan. But, in order to show that he had

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<sup>46</sup>. Ibid., July 17, 1956, p. 1

<sup>47</sup>. Ibid., July 18, 1956, p. 7

"acted in good faith, I instructed him to accept the American terms."<sup>48</sup> Yet more than acting in good faith, in the public eye Nasser had committed himself. If the loan offer were to be withdrawn, then it would be done according to normal diplomatic procedure; or so Nasser must have assumed. His assumptions were to prove false on the day of the American withdrawal of their offer to assist in the financing of the first stage.

#### THE WITHDRAWAL

Accounts vary as to what happened in Dulles' office on July 19. John R. Beal, Dulles' biographer does not treat this episode in detail. On the other hand, Terence Robertson says Dulles let Hussein state the purpose of his mission and then the Secretary proceeded to enumerate Nasser's various deals with the Soviet bloc. Ambassador Hussein was then handed the withdrawal note which had been released to the press while he was conferring with the Secretary of State.<sup>49</sup> Herman Finer in Dulles Over Suez gives a third version. Instead of arriving at 3:00 p.m. as Robertson asserts, Ambassador Hussein arrived at 11:00 a.m. Dulles, rather than Hussein, began the conversation with the difficulties he was having in trying to get the loan through Congress. It was only when the Egyptian Ambassador tried to use the supposed Russian offer as a lever that Dulles exploded and withdrew the offer out of hand.<sup>50</sup> In light of

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48. The Sunday Times (London), June 24, 1962, p. 21

49. John Robinson Beal, John Foster Dulles: A Biography (New York: Harper & Brothers, 1957), p. 67

50. Herman Finer, Dulles Over Suez - The Theory and Practice of His Diplomacy (Chicago: Quadrangle Books, 1964), p. 48

Dulles' dealings with Congress in the preceding week, it is more likely that Finer's version comes closer to the truth than the other two (however Finer's book is shot-through with errors in the first sixty pages, e.g., December 16 versus December 19, 1955 for the date of the initial Western offer to finance the Dam). Nevertheless, Egypt did not get the loan.

The Department of State withdrew the loan on two ostensible grounds: the question of the Nile waters had not been solved with the Sudan and second, Egypt's economy was unable to carry the burden of the construction:

"... the United States Government has concluded that it is not feasible in the present circumstances to participate in the project. Agreement by the riparian states has not been achieved, and the ability of Egypt to devote adequate resources to assure the project's success has become more uncertain that at the time the offer was made.<sup>51</sup>"

This was the official version. The unofficial version and the manner in which it was delivered provides a different perspective.

The style of the withdrawal was intended to provide a maximum impact in the major capitals of the world. Dulles withdrew the offer openly and with force. The wording of the press communique cast doubts not only on Egypt's economic worthiness but also on Nasser. The United States looked with favor upon the Egyptian people, a phrase which implied that Nasser did not have any internal support; he was a dictator with no grassroots appeal. Dulles had challenged Nasser. Had it been in the Middle Ages he would not

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51. New York Times, July 21, 1956, p. 8. Contains entire text.



have struck with a communique but with a mailed fist. This public humiliation from Nasser's point of view demanded a reaction.

Dulles withdrew the loan to "outbluff" the Soviet Union "in the game of economic competition" on the one hand and teach the neutralist nations a lesson on the other.<sup>52</sup> Dulles had been arguing for months that the Soviet economy was weak. The Soviet foreign aid program merely taxed her strength and caused undue fear in the Western alliance. The West was wealthier than the Soviet Union. It could afford to play the game of economic competition but in his opinion the Soviet Union could not. By withdrawing the offer Dulles immediately put the burden of proof on the Soviet Union... either pay up or get out of the game.

At the same time, the rise of the non-Western neutralist nations worried Dulles. They could not be counted upon. Sometimes they attacked the West, sometimes the East. But always, it appeared to him, they wanted to stand in the middle and be aided by both sides without delivering anything in return. Furthermore, traditional neutral nations stood apart from the world conflict. Switzerland, Sweden and Spain were conveniences in the Cold War rather than vociferous obstacles in the battle of Democracy versus Communism. Nasser, despite his statements early in April, had grown increasingly intransigent. Dulles knew France and Britain were alarmed at Nasser's increasing power in the area. Rightly or wrongly Britain attributed the shaky situation in Jordan to him and he was seen as

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52. John Robinson Beal, op. cit., p. 135

the man in the shadows in Aden and Bahrain. For France, a nation that had been at war since 1946 in Indochina, Nasser threatened the loss of Algeria by merely encouraging the rebels. Something had to be done to control him, to teach him and his neutralist friends a lesson that would not soon be forgotten. The offer to finance the High Dam was a weapon and Dulles wielded it brutally. Nasser had been "told." The world knew about it.

On July 20 Britain withdrew its offer and then informed the Egyptian Ambassador three and one half hours later. The World Bank withdrew its offer later. Nasser had been informed of the events in Washington as he flew home from a meeting with Tito and Nehru on Brioni. It had been a meeting of the Big Three neutralist powers. Dulles could not have chosen a more opportune time to emphasize his attitude toward the neutralists. The Arab press reacted vehemently but Nasser was quiet for almost a week after the withdrawal.

In Moscow, two days before Nasser made his first post-withdrawal speech, Shepilov denied that the Soviet Union was intending to build the dam.<sup>53</sup> On July 24 Nasser broke silence and accused Washington of misrepresenting Egypt and casting doubts on her worthiness.<sup>54</sup> Dulles undoubtedly expected this but he did not expect Soviet Ambassador Kiselev to announce to the press corps: "We are ready to finance the Aswan High Dam if Egypt asks for it."<sup>55</sup> For

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53. New York Times, July 23, 1956, p. 1

54. Ibid., July 25, 1956, p. 1

55. Ibid., July 24, 1956, p. 7

a moment the Department of State thought it may have miscalculated. Later the Soviet Embassy denied the statement but it was too late. The newsmen had filed it. Two days later, on July 26, Nasser retaliated to the Anglo-American withdrawal. The Suez Canal Company was nationalized.

At the time the attention of the Western press was focused on the Andrea Doria - Stockholm disaster. The importance of the sea and the waterways was a major topic of discussion. Nasser's nationalization speech caught Prime Minister Eden in a dinner party honoring King Feisal of Iraq. Dulles was in Latin America. Pineau scoffed that Nasser was at bay with the West.<sup>56</sup> Nasser's speech was long and vehement. The United States was attacked for its support of the French in Algeria and the truth about the Czech Arms Deal was bared; Russia was the supplier. Political independence was interrelated with economic independence. The Suez Canal Company was making \$100 million a year. Instead of siphoning these resources from Egypt, Nasser proposed to use them to finance the High Dam.<sup>57</sup>

#### THE SUEZ CRISIS AND AMERICAN AID

The next few months were to end in the invasion of Egypt, first by Israel and then by France and Britain. The Atlantic Alliance would be stretched to a near breaking point and the United States and the Soviet Union would cooperate to bring peace to the

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56. Ibid., July 27, 1956, p. 2

57. Mohammad Khalil, op. cit., p. 752. See pages 722-71 for the entire speech.

region. These main currents have been described in several extremely well-written accounts. They will not be treated in this portion. Rather it is my intention to follow a thread which has not been treated before. This is the flow of foreign aid to Egypt during the latter half of 1956.

On July 31 the American Government froze Egyptian Government assets, reportedly worth \$40 million, held in the United States "to protect the interests of the American holders of Suez Canal Company stock."<sup>58</sup> The American stockholders were the minority in the company, the French and the British constituting the majority. Certainly their well-being was kept in mind but this was not the only reason for freezing the Egyptian assets. Instead, Britain, France and the United States were acting in concert to overcome this new crisis. Any split in the ranks would be utilized by Nasser.

Egypt reacted immediately to the British seizure of Egyptian funds by preventing any Egyptian goods to be exported to Britain and the Commonwealth countries unless payment was made in an acceptable hard currency through a third country.<sup>59</sup> This hasty measure was dropped overnight; it indicated that Nasser knew his country would perhaps suffer in the next few months. On August 1 Khrushchev backed Nasser's nationalization move. Two days later Dulles pledged "success" to the nation as he left for London in an attempt to solve the growing Suez crisis for which he was in part responsible.

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58. Ibid., January 15, 1957, p. 1

59. Ibid., July 30, 1956, p. 1

On the day of his departure the International Cooperation Administration (ICA) was trying to ascertain whether the American freezing of Egyptian assets would affect aid shipments to Egypt.<sup>60</sup> There was no decision. However this is the first indication that perhaps American aid might be stopped during the crisis period. The decision was left up to the Department of State; they were waiting on the outcome of the London talks. On August 9 the Department of State again reaffirmed that Egypt would get the foreign aid mutually agreed upon but some shipments of "major items" would be subject to review before being shipped.<sup>61</sup> What these items were was not disclosed but the silence on their description is revealing: pressure could be applied where needed. This matter lay dormant until the end of the month.

On August 22, Communist China deposited \$4,668,000 in Swiss francs to the Egyptian account in Switzerland.<sup>62</sup> Though isolated by the West and worried about the possibility of war, Nasser still had allies. The following day the ICA announced that no additional men would be sent nor would any new aid projects be begun in Egypt until the Suez Crisis had passed. However, replacements and projects already underway would not be affected.<sup>63</sup> The slow-down had begun. The United States was acting in concert with her allies. Even commodity surplus shipments were affected.

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60. Ibid., August 3, 1956, p. 3

61. Ibid., August 9, 1956, p. 9

62. Ibid., August 24, 1956, p. 2

63. Ibid., August 24, 1956, p. 2

The Soviet Union stepped into the breach on September 5. Sometime during the American freezing of Egyptian assets and this new Soviet deal, Nasser approached the United States with a request for surplus wheat. Nasser said Egypt had "a stock of wheat enough for only one month, yet the U.S.A. refused to supply us with their surplus wheat unless it was paid for in dollars." When the United States refused, Egypt "then asked the Soviet Union for wheat ... They supplied us with 400,000 tons of wheat against Egyptian currency and not in foreign currency which, in fact, we did not possess."<sup>64</sup> Again, the Soviet Union was playing on the mistakes of the West. Nasser needed help and he had no other alternative but to turn to the Soviet bloc.

Some time after the wheat deal in early September intelligence reports in Washington indicated that there was a military build-up in France and Britain "not much less than general mobilization for outright war."<sup>65</sup> Nasser knew something was afoot. Early in October, the critical month, American aid to Egypt had slowed down noticeably. Technical personnel were waiting to go to Egypt but the outlines "of American policy regarding aid to Egypt seem to have become purposely vague."<sup>66</sup> The ICA denied all allegations that the aid program had slowed down on the grounds that the United States in this critical period did not want to appear to be applying economic pressures

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64. \_\_\_\_\_, Nasser's Speeches and Press Interviews, 1958 (Cairo: Information Department, 1959), pp. 367-68

65. Terence Robertson, op. cit., p. 94

66. New York Times, October 1, 1956, p. 1

to Egypt. Either this indicated the United States was trying to side with Nasser without shattering the Western alliance, or Dulles knew there would be ~~a~~ war and already a strategy was being devised to implement after the outbreak. This ~~may~~ not necessarily be sheer speculation. Dulles knew the mood in Paris and London favored war. It is inconceivable that American intelligence sources did not pick up the military buildup occurring in southern France, Britain and Cyprus. After October 16 there was a general news black-out from Paris and London to Washington. This, if nothing else, indicated that the United States was being excluded from a major operation in the Middle East.

The question of aid was forgotten when Israel penetrated into the Sinai desert on October 29, 1956. She was acting in concert with Britain and France according the alleged secret Treaty of Sevres signed in France on October 24.<sup>67</sup> The Sinai War was brief and bloody. Nasser's forces east of Suez suffered defeat. Key targets in Egypt were "softened up" by French and British planes prior to the combined Anglo-French invasion. Nasser did not commit his forces in light of the overwhelming opposition. Instead, the United Nations with the active support of the United States and the Soviet Union brought about a cessation of hostilities.

During the tense days of November 1956 Nasser watched the United States and the Soviet Union cooperate to end the war. Russia was late in reacting probably due to the critical situation in

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67. Terence Robertson, op. cit., p. 162

Hungary. Force was used in Hungary, reportedly on the advice of Mao Tse-tung, to quell the revolt.<sup>68</sup> Once this situation had been brought under control, Khrushchev could then turn to the Middle Eastern crisis. Russia wanted to send volunteers in on one day; on the next she wanted a joint American-Soviet task force to stop Britain and France. With this spectacle playing on world headlines, Nasser ordered all anti-American propaganda to be stopped. It was obvious that American pressure plus the Russian threat to use rockets forced Britain and France to cease their hostilities.

On November 15 the Egyptian Ambassador to Moscow thanked the Soviet Union for its efforts during the crisis: "The Soviet Union has won the hearts of the Egyptians forever."<sup>69</sup> But by early December American-Egyptian relations were at an all time high similar perhaps only to the period of July 23 - 26, 1952. Nasser assumed that the Americans had vindicated his policy by backing him even at the expense of the Western alliance. On December 27, Nasser met with nine Soviet journalists and accused Great Britain of being the real "bete noire" in the Middle East. They had been the ones who had prevented the acquisition of arms in 1955. In another speech Nasser referred to the "British" Baghdad Pact. The United States had only to capitalize on this euphoria and fill the vacuum left in the wake of the Anglo-French evacuation without pretending to do so. The entire question of aid to Nasser had been lost somewhere during the crisis. It was to be raised in early 1957.

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68. Edward Crankshaw, The New Cold War: Moscow V. Peking (Great Britain: Penguin Books, Ltd., 1963), p. 55

69. Mohammad El-Kouni, "The Soviet Union is the True Defender of Freedom and Independence of Peoples." Radio address by the Egyptian Ambassador to Moscow, Pravda, November 15, 1956, p. 4, in Current Digest of the Soviet Press, VIII No. 46, pp. 23-24



## CHAPTER V

### ISOLATION AND AMERICAN AID

The Suez Crisis brought in its wake many problems for President Nasser. In the period covered in this chapter the United States attempted to isolate Nasser. As a result Nasser had to depend on the Soviet Union for aid. There were shortcomings in this relationship. Both Egypt and the United States used this and other factors to bring about a rapprochement in the spring of 1958 prior to Nasser's state visit to the Soviet Union.

Late in December 1956 the Egyptian Finance Minister appealed to the American Ambassador in Cairo in order to get Egyptian funds released. This approach indicates Egypt's need for aid on the one hand and on the other her willingness to deal with the United States in light of the American role during the previous month. There was no comment from the embassy.

On New Year's Day, 1957, the Anglo-Egyptian Treaty of 1954 was unilaterally abrogated by Cairo retroactive to October 31 at 6:00 p.m., the hour British planes began bombing Egypt. London did not comment immediately but in light of the October-November debacle, there was little she could do. On the same day in Washington, President Eisenhower called a bipartisan conference of both Houses to discuss questions of "foreign policy, mutual security and mutual defense."<sup>1</sup> Secretary of State Dulles began by asserting that the

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1. The New York Times, January 2, 1957, p. 13

world-wide position of Communism had "deteriorated". As a result, the United States had "moved into a position of great opportunity for world leadership."<sup>2</sup> Concerning the Middle East, the President wanted support for a two-step approach to the problems of the area. First, he would propose a larger economic program financed by the President's Emergency Fund. Second, he called for support of a "congressional resolution which would be designed to deter Communist armed aggression in the Middle East area."<sup>3</sup> Sixteen months later, with the advantage of hindsight, President Nasser would refer to this policy as one "contrary to the attitude which she adopted during the aggression. The United States rashly indulged in a policy aiming at isolating Egypt and Syria."<sup>4</sup>

What was the basis for this change in American policy? The Suez campaign had seriously strained the fabric of the big three Western alliance.<sup>5</sup> The United States had thwarted the plans of France

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2. Ibid., January 2, 1957, p. 13

3. Ibid., January 2, 1957, p. 13

4. Nasser's Speeches and Press Interviews, 1958 (Cairo: Information Department, 1959) p. 338

5. Terence Robertson, Crisis: The Inside Story of the Suez Conspiracy (London: Hutchison and Company, 1964). The author describes one of the ways in which the United States brought pressure to bear on Anthony Eden. At the peak of the crisis, Britain was in financial trouble. The Department of State urged the International Monetary fund to abstain from granting Britain a loan. On November 6 the United States offered Britain a \$1,000 million loan if she would agree to a ceasefire. (264) Eventually Eden capitulated to joint US-UN pressure and received an American loan and a \$1,300 million International Monetary Fund loan which averted a sterling crisis. (321)

This maneuver is important for two reasons. First it shows that although foreign aid can be used as an instrument to gain a political end in a donor-recipient relationship, financial assistance in times of emergency may be used to enforce the policy of a leading nation in an alliance. In the fall of 1956 the United States had a powerful weapon and used it accordingly to bring the truant members back into line. Second, and as a result, France never quite forgave the United States for thwarting its plans. Without Britain France could not press the campaign as easily as she could with British participation.

and Britain. For the time being, neither London nor Paris had a voice in policy planning in the Middle East. The initiative, as far as the West was concerned, was left to Washington. Dulles had to provide a policy for the area that would fill the "vacuum" created by the Anglo-French withdrawal. Ostensibly the Soviet Union would step into this vacuum and supplant the West. Thus when Dulles spoke before a largely Democratic Eighty Fifth Congress, he emphasized that the President was seeking to counter only "overt armed aggression beyond Communist subversion."<sup>6</sup> But at the same time the proposed resolution (later to be called the Eisenhower Doctrine) would also meet the aggression of any country "that had become an "outright" agent of Communism."<sup>7</sup> The "outright agent" referred to was presumably Nasser.

In Dulles' mind Nasser seems to have become a tool of the Kremlin. He was not a neutral in the classic Western sense of the term. Therefore, the West had to coordinate to counteract this problem. By submitting this proposal to Congress Dulles began a rapprochement with his estranged allies, warned the Soviet Union and at the same time declared that the United States would, in effect, look with favor upon those countries in the Middle East that would align with her against Nasser. Domestic opponents to this proposal were few. But, Hanson Baldwin urged caution. The military strength of both Syria and Egypt had not reached a point wherein either of the

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6. New York Times, January 3, 1957, p. 6 in section IV

7. Ibid., January 3, 1957, p. 1

country's could be construed as a "military base ready for use by Soviet armed forces."<sup>8</sup> With these two countries inoperable, where could the threat come from? Again, it seems as if Nasser was the culprit in Dulles' mind. Nasser's appeal had spread to the masses and he had "meddled" in the internal affairs of other Arab countries, e.g., Jordan.

From the American point of view the policy was well-founded. But it overlooked two factors. First, there was no "vacuum" in the Egypt. As a result of the Suez Crisis Nasser was indebted to the United States. This did not mean he would abandon a policy of neutralism but it did mean that the United States could use its prestige in the Arab world. To strengthen Nasser at this time would have meant offsetting the Soviet influence gained from the Czech Arms Deal and her rocket rattling during November, 1956. But to isolate Nasser would force him to rely upon the Soviet Union thus proving the theory that he was basically a Communist and not an Egyptian nationalist. The other factor that was overlooked was the inapplicability of the proposal to the area. As was the case in the Baghdad Pact, the West saw the enemy in the Soviet Union; the Arab world did not fear Soviet aggression but it did have an enemy that was ignored by the proposal: Israel. To further complicate matters, the Eisenhower Doctrine "violated two cardinal principles of Arab nationalism; neutralism and unity."<sup>9</sup> By opting for the proposal Arab "unity" would be broken

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8. Ibid., January 3, 1957, p. 3

9. Richard Nolte, "Arab Nationalism and the Cold War," Yale Review, XLIX No. 1 (September 1959), p. 15

just as it had been with the Baghdad Pact; it would also mean commitment to one side in the Cold War. Within the framework of the Eisenhower Doctrine Nasser either had to seek foreign aid from the United States and thereby give consent to the new policy, or he would have to rely upon the Soviet Union. The condition of the Egyptian economy in January 1957 necessitated making a choice.

In an extensive review of the Egyptian economy, the New York Times concluded with this ominous warning: "Clearly the only thing that can halt this downward trend and help Egypt back on her feet is outside aid, particularly in the field of foreign currency."<sup>10</sup> The Egyptian economy was not facing bankruptcy. On the contrary, the cotton prices were high and "marketers are looking forward to a reasonable demand." But, rationing had begun in key household commodities and the import of certain consumer goods had diminished. Without the necessary foreign exchange reserves Egypt would probably have to barter her cotton. In the face of growing Western isolation, Nasser's only alternative was to depend upon the Soviet Union. The choice for Nasser was difficult but at the same time the "hidden power" in the Eisenhower Doctrine was formidable:

"The Administration is asking Congress to give it bargaining power - the power to offer aid and to withhold aid. It needs this power quickly. It needs it above all to deal with President Nasser, who has the power to delay restoration of Suez Canal traffic, who threatens to refuse to talk to the British and the French directly, who intimately influences Syria ... but whose future is threatened by great economic difficulties."<sup>11</sup> "

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10. New York Times, January 13, 1957, p. 6 in section IV

11. Ibid., January 13, 1957, p. 6

If Nasser were to capitulate in the face of his economic difficulties and accept the Doctrine, his stand on neutralism and his prestige in the Arab world would come to naught. Early in February the Soviet Union proposed a Peace Program - a counter move to the Eisenhower Doctrine.

The Peace Program was announced in Moscow on Tuesday, February 12. There were four main points: three dealt with Western military might in the Middle East (bases and the Baghdad Pact) and the fourth dealt with aid. The Soviet Union advocated an aid program "without putting forward any political, military or other conditions incompatible with the dignity and sovereignty of these countries."<sup>12</sup> This point, in the light of the American economic pressure, indicated that Nasser was not "courting" the Soviet Union. Rather, the converse was true. By March, as a result of American economic pressure, Nasser's "essential petroleum and grain needs" were being met by the Soviet Union and the bloc countries.<sup>13</sup> Of necessity, Egypt's trade pattern was shifting from the West to the East. Nasser, unwilling to become dependent on one bloc to the virtual exclusion of the other, had indeed become "dependent on Soviet economic support (so) as to make a mockery of the very sovereignty and freedom ... he seeks."<sup>14</sup> This position vis-a-vis Soviet support was maintained through the spring of 1957.

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12. Ibid., February 17, 1957, p. 1 in section IV

13. Ibid., March 17, 1957, p. 1 in section IV

14. \_\_\_\_\_, "Troubles on the Nile," Fortune, LV No. 3, (March 1957), p. 82

On May 1, Senator Hubert Humphrey (Dem., Minn.) met with Nasser. Upon leaving he indicated that Nasser may not be the bogeyman the Administration made him out to be. He was neither belligerent nor aggressive; he was more "unhappy" rather than "bitter" at not receiving aid.<sup>15</sup> In June there were signs that Nasser was trying to break the deadlock. He was displeased at the poor quality wheat and oil the Soviet bloc was sending. The Soviet Ambassador met with the Egyptian Finance Minister and then flew home for consultations. While the Ambassador was in Moscow, Nasser spoke at the first anniversary of the nationalization of the Suez Canal Company:

"We cannot forget the stand of the United States during the time of aggression. We cannot forget its help in the United Nations in getting the enemy to cease its aggression; but unfortunately this position ended and the American attitude changed after the withdrawal of Israel behind the armistice lines. It appeared the United States had another plan - a plan of pressure against Egypt by stopping the sale of wheat and oil. This plan was to realize by peaceful means what the aggressors had failed to realize by force.<sup>16</sup>"

The tone of this speech confirms Humphrey's earlier analysis. Nasser could have attacked the United States. Instead his speech seemed to indicate that he wanted a rapprochement with Washington. His specific mention of wheat and oil is significant in light of his dissatisfaction with the Soviet deliveries. Nasser had indicated his willingness to mend the Washington inspired breach between the two countries but apparently no further moves were made by either side until September.

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15. New York Times, May 1, 1957, p. 9

16. Ibid., July 27, 1957, p. 1

Early in September word was leaked from Cairo that Finance Minister Kaisouni would be sent to the United States in the fall to see if he could get some funds released. The outlook was bleak. American policy toward Egypt was described as "calculated indifference."<sup>17</sup> CARE applied to the Department of State for \$70 million worth of surplus foodstuffs to continue their feeding program in Egypt. Their request was refused. Nasser sought Salk Vaccine and said he was willing to pay in dollars. This too was refused and he turned to the Soviet Union.<sup>18</sup> By the middle of October, the United States had not indicated its willingness to soften its stand against Nasser. Perhaps as a result, Nasser ordered all branches of the government to assume a more neutral stand. Purchases were to be based on the lowest bidder and where possible cash, instead of barter deals, would be used. The press was instructed to be critical where necessary but not to over-emphasize shortcomings in Western policy vis-a-vis the Middle East and Egypt in particular.<sup>19</sup> Three days later the Egyptian Ambassador to Washington met with Secretary Dulles prior to the former's recall to Cairo. Apparently Dulles was non-committal; this was conveyed to President Nasser. Two weeks later, the Egyptian Minister of War, General Amer, was invited by Soviet Defense Minister, Marshall Georgi K. Zhukov, to come to Moscow. There was no reason given for this invitation but it was quite likely that Nasser sent one of his most trusted aides to the Kremlin in order to see if further aid agreements could be negotiated.

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17. Ibid., September 15, 1957, p. 19

18. Ibid., September 15, 1957, p. 19

19. Ibid., October 10, 1957, p. 1



General Amer arrived in Moscow during the latter half of November. On November 16 Soviet Marshall Rodio Y. Malinovsky remarked at an Egyptian Embassy reception that "Egypt had friends ready to give aid when you need it."<sup>20</sup> Compared to the intransigent attitude of the United States, this was practically a carte blanche. Two days later there was no doubt in the minds of political observers in Moscow. Bulganin admitted that Nasser had requested aid and that the Soviet Union would assist Egypt in "building up her national economy."<sup>21</sup> On the following day, Washington announced that it was releasing \$10 million in order to permit Egypt to maintain her Embassy in Washington and meet "commercial commitments made before the Suez dispute."<sup>22</sup>

The timing of this action is extremely significant. Had Washington reacted to Moscow or to Cairo? In one sense Washington was reacting to pressure from Cairo. Cairo requested help but was rebuffed. Therefore the only logical source of aid was Moscow to which Nasser turned when it became apparent that the United States would retain its policy of isolating Egypt. By seeking aid from Moscow Nasser had put the burden of an American-Egyptian rapprochement on Washington. In another sense, Washington was reacting to Moscow. Dulles probably realized that the American-led Western attitude toward Nasser was not paying off. Moscow would benefit from the

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20. Ibid., November 17, 1957, p. 3

21. Ibid., November 19, 1957, p. 1

22. Ibid., November 21, 1957, p. 1

West's having isolated Egypt. In terms of long range policy, Moscow would have more opportunity to dictate to Nasser should the occasion arise. If Nasser were to react at aid with "strings" from the Soviet Union, then he would have no other alternative to fall back on. In the same vein, if he were to appeal to the West he would be admitting on the one hand his inability to retain viability with Moscow and on the other his willingness, in light of the Eisenhower Doctrine, to come to grips with the Western policy.

Utilizing the triangular analogy established in an earlier chapter, Nasser probably forced both donors to take a stand. For both donors the decision was clear-cut. Moscow had to provide the necessary aid requested by Nasser. The Kremlin's reputation was at stake. Washington also had to react. Assuming they believed that Moscow would offer aid, the result would be a formidable counter pressure to the Eisenhower Doctrine in the Middle East. Whereas the Eisenhower Doctrine said in effect: "play with us and we will pay your way", Moscow said: "We believe in you; here is our aid to prove it". With the shortcomings of the Eisenhower Doctrine becoming more self evident as the year drew to a close, Washington had either to default in favor of Moscow, or indicate to Nasser that it was willing to talk. If the Department of State were willing to talk, then Nasser had achieved a certain amount of independence from both donors. Now neither donor could refrain from considering a request knowing that the other would undoubtedly give some indication as to their willingness to provide at least token aid in order to offset the possible foothold gained by the other.

Press reports subsequent to events in Moscow and Washington indicated the magnitude of the decision made in each of the three capitals. On November 21, Egyptian Minister of Industry, Aziz Sidky, said several Egyptian five-year plan projects would be financed with the Soviet loan. Mohammed Hassansin Heikal hinted that the Soviet Union's loan would be made at 2.5 percent interest. According to the New York Times, editorial comment in the Egyptian newspapers indicated that Nasser had made his decision only after finding it impossible to deal with the West.<sup>23</sup> A few days later the Cairo Press Review carried an interview with Nasser. In reply to a question on the pending Soviet aid deal, Nasser admitted that it was he who asked for help from the Soviet Union and that "this was immediately given to us and without political considerations."<sup>24</sup>

Meanwhile, back in Moscow Pravda published an interview between Heikal and Khrushchev which had taken place on November 18 at the latter's request. In effect it revealed the instructions which went out to the Soviet negotiations during the Amer visit. Khrushchev said that the Soviet Union wanted to develop its relations with "the Arab countries in strict accordance with the Leninist policy of co-existence and non-interference in one another's internal affairs."<sup>25</sup> The implication was obvious: the West interfered in the internal affairs of others but the Soviet Union did not; Egypt needed help and

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23. Ibid., November 22, 1957, p. 1

24. Keith Wheelock, Nasser's New Egypt - A Critical Analysis (London: Stevens & Sons Limited, 1960), p. 258

25. N. S. Khrushchev, "N.S. Khrushchev Interview," Pravda, November 26, 1957, p. 2, in Current Digest of the Soviet Press, IX No. 46, pp.8 -

the Soviet Union would stand with her. At an entirely different level, while Khrushchev and Nasser were negotiating, albeit indirectly, Foreign Minister Fawzi was in the United States. Fawzi's trip had been planned earlier in the fall; it should not be misconstrued as a follow-up in the thaw begun on November 19 with the token release of funds. The timing does not appear to be significant as events will show. However the beginning of the thaw certainly worked to his advantage. He could have landed and faced something far more severe than a mere "cool" reception at the Department of State.

The Egyptian Foreign Minister went to New York ostensibly to see Secretary Hammarskjold who had offered to mediate the conflict between the Suez Canal Company shareholders and Egypt. Prior to his departure from Cairo, all anti-American propaganda had been stopped. The day of Fawzi's departure a bi-partisan group from the House Foreign Affairs Committee met with Nasser and indicated that US-Egyptian relations could be improved. Fawzi's real mission, however, was to meet with Dulles. Dulles agreed to meet with Minister Fawzi but he did not think much would come of the meeting unless "positive steps" taken by Nasser would restore "an atmosphere of mutual confidence."<sup>26</sup> It may be assumed that the "positive steps" to which he referred was an allusion to some kind of acceptance on Nasser's behalf of the Eisenhower Doctrine. Dulles and Fawzi met on December 9, taking great care to deny that either side had requested the meeting. Dulles

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26. New York Times, December 2, 1957, p. 8

did not want to appear as an appeaser nor did Fawzi wish to be labelled as penitent. Department of State "sources" indicated that the United States would condone Egyptian neutralism only if Nasser would reduce his anti-Western propaganda and withdraw from his pro-Soviet policy.<sup>27</sup> From January through December, 1957, Nasser's pro-Soviet policy had been born of necessity. Either the United States did not realize this (which is inconceivable) or in a roundabout way the Department of State was indicating that if Nasser were willing to back away from the Soviet Union, American aid as indicated by the November release, would be forthcoming. This was a timely hint. By the end of December, the emphasis in Egypt was on economic development.

Finance Minister Kaisouni spoke before a group of economists meeting in Cairo. The emphasis of his speech was not on what had been done but rather what needed to be done. The impending Russian loan was a step toward the goal of a wide industrial base. He hinted at having broken the "economic blockade" with the result that Egypt now had built-up "a considerable reserve of foreign currency." With this background he turned to Egypt's economic problems. The population was growing at the rate of 2.5 per cent per annum. This necessitated using 80 million Egyptian pounds a year in order to maintain a static standard of living. Roughly 50 million Egyptian pounds, or the equivalent sum, was needed to maintain, not expand, "existing productive capacity." He concluded with:

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27. Ibid., December 10, 1957, p. 18

"the minimum annual level of new investments must not be less than LE 30 million, or, in other words, 13 percent of our national income, in addition to any desired investments in projects which would lead to an increase in our standard of living. As a result of this we can only welcome foreign loans provided they carry no political conditions."<sup>28</sup>

Aid therefore was a necessity. Nasser, through Kaisouni, admitted he needed help. At the same time he would not back away from his declared policy of neutralism.

The year 1957 had been difficult for Nasser. Help was expected from the United States but it did not materialize. Alone and isolated from the West, Egypt prevailed. Two days before the signing of the multi-million dollar Soviet technical agreement on January 29, 1958, President Nasser met with a group of American editors and commentators.

Nasser declared that the main problem the government was facing was that of raising the standard of living. In order to meet this challenge the government adopted "a system of controlled capitalistic economy."<sup>29</sup> This meant the government would extend into the public sector and provide those services which private enterprise could not. At the same time, private enterprise would be used for the good of the country, not solely for the benefit of the owners. The intended overtone was socialism but the word "capitalism" may have been injected to assuage the fears of some Western economists who thought the Egyptian economy was going downhill in the manner of post 1917 Russia. Turning to the question of American versus Soviet

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28. \_\_\_\_\_, "Economy Dictates Foreign Policy," Jewish Observer and Middle East Review, VI No. 49 (December 6, 1957), p. 5

29. Nasser's Speeches and Press Interviews - 1958, op. cit., p. 362

pressure, he said the United States was "always trying to impose her views on us" through economic pressure.<sup>30</sup> On the other hand, the Soviet Union "gave support." He said there was no indication that the Soviet Union was trying to use pressure on him to support their views. Were this to occur, he would retaliate. On the question of foreign policy, he astounded his American interviewers by comparing his foreign policy to that of George Washington in the Farewell Address. He was trying to do the same thing: remain independent with no physical or psychological occupation. American foreign aid was scored, specifically the Point IV Program. In his opinion there had not been a Point IV Program which had been "executed to the full."<sup>31</sup> The interview ended with a plea to the United States: "Neither the Egyptian government nor the Egyptian people want to take an antagonistic attitude towards the U.S.A." Prior to this assertion, almost in the same breath, he tactfully admitted that he knew of the economic benefits the United States had to offer. His assertion was unqualified: "It is in the interest of our country that friendly relations should exist between us and the U.S.A."<sup>32</sup> In a very subtle manner Nasser had thus put the burden of rapprochement on the United States. Two days later, on January 29 the long awaited Russian loan was signed.<sup>33</sup>

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30. Ibid., p. 365

31. This is probably an allusion to the stopping of American aid as a result of the Suez Crisis. I have not been able to find statistics in order to verify this.

32. Nasser's Speeches and Press Interviews, 1958, op. cit., p. 376.

33. Mohammad Khalil, The Arab States and The Arab League, A Documentary Record. Vol II (Khayats: Beirut, 1962). See pages 827-833 for the text.

The loan could have been signed earlier but Egypt was cautious. According to one report the final trip to Moscow was delayed for two weeks in order to double check all the clauses concerning pricing, quantity, quality of deliveries, and repayment schedules.<sup>34</sup> The agreement was signed in Moscow amid the usual fanfare. But Dr. Sidky made an interesting aside during the signing ceremony: "in this agreement we have acquired all that we need to develop our industry."<sup>35</sup> The emphasis here was on industry. The Soviet Union had provided roughly \$175 million in ruble credits to this end. It is possible that Sidky was making a casual invitation to other donors to come into Egypt and provide her with other types of developmental aid. With this large aid agreement signed, the Egyptian government turned to the problem of the unification of Syria and Egypt.

Syria and Egypt were joined in a federal state on February 1, 1958. It is generally agreed that this move was undertaken to prevent Syria from collapsing as a result of increased Communist pressure and some, although not as important, economic discord.<sup>36</sup> From this point until the end of the thesis, the question of Syrian-Egyptian federation and the problems arising therefrom will not be dealt with except in those instances that influence Nasser's problems of seeking aid from the Soviet Union and the United States.

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34. New York Times, January 30, 1958, p. 4

35. Ibid., January 30, 1958, p. 4

36. Oles Smolansky comments: "Nasser appeared genuinely worried by this instability of the Syrian nationalist government, by the extent of Soviet influence in Damascus, and by the increased strength of the Syrian Communist Party." Oles Smolansky, "Moscow-Cairo Crisis, 1959," Slavic Review, XXII No. 4 (December 1963), p. 717



At the end of March, Khrushchev announced that the Soviet Union was giving disinterested "real aid to the underdeveloped countries, so that they, by overcoming their backwardness, will become increasingly strong economically."<sup>37</sup> There is nothing new in this assertion but at the time it was delivered there were rumors that Washington would release Egyptian assets. Either Khrushchev believed this to be true and was therefore reminding Nasser (and perhaps other recipients) of the shortcomings in Western aid or he was waiting to see if the United States would unfreeze the assets while at the same time he took care to reaffirm the basis upon which Soviet aid was given. It may be assumed that Khrushchev realized that the West was going to get back into the aid game in Egypt. Therefore, the real intent was to remind the recipient countries of the political, as well as the economic, advantages of Soviet aid.

In April Dulles hinted that the American aid program would be resumed in the near future. There were certain questions still unresolved but secret negotiations occurring in Rome and Geneva indicated that both the French and the British were reaching an accord with Nasser over the problems resulting from the Suez Crisis. The United States could not wait too long to resume the aid program. Nasser was about to leave for Moscow on a state trip. The West was apprehensive lest he should commit himself to the Soviet bloc even more than he already was. Therefore before he left, \$400,000 worth of American road equipment and communications gear was delivered.

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37. N.S. Khrushchev, "N.S. Khrushchev Interviewed by Correspondent of French Newspaper Le Figaro," Pravda, March 27, 1958, pp. 1-2 in Current Digest of the Soviet Press, X No. 13, p. 26

This had been purchased under the 1956 aid program but withheld for nearly two years. CARE was finally authorized to inform Cairo that it would be able to resume its feeding program. Although CARE is a private non-profit organization, the surplus foodstuffs with which it operates are donated by the United States Government. The EARIS program was also affected. Cairo was advised that the United States "agreed in principle" to resuming the program. Dulles further helped matters in a news conference on May 1. In reference to future American-Egyptian relations he said: "we hope to get along in a correct and friendly way with the United Arab Republic."<sup>38</sup>

For all intense and purposes normal relations between the two countries had been established. Many factors had helped bring this about. From Nasser's point of view the Department of State's new stand provided him with another alternative to Soviet aid. Were the Soviet Union to attempt to put pressure on him, in either political or economic form, he could expose this and then wait to see what the United States would do. Without saying so, Nasser also knew that this rapprochement meant a serious defeat to Eisenhower Doctrine.

It acknowledged that Nasser was no longer thought to be a tool of the Soviet Union. Certainly Nasser's acceptance of the formation of the United Arab Republic, despite his personal misgivings,

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38. New York Times, May 2, 1958, p. 4. Egyptian assets were released around the time of the Dulles news conference. It was done quietly, presumably in order not to draw attention to the strained relations in 1957. Apparently both Cairo and Washington were ready to let bygones be bygones for the time being.

had helped to dispel the fear that he was working toward the fulfillment of Soviet interests in the area. Rather, by preventing a possible Communist inspired coup, he had worked against Soviet long range plans.<sup>39</sup> Washington was interested in a rapprochement not necessarily because Nasser had begun to "prove" himself, but primarily because she wanted to offset Soviet potential in the area. The United States was not gaining anything by withdrawing from the field of foreign aid. Therefore to retain some foothold in Egypt she had to compete. The competition ensuing from the April rapprochement was directed against Moscow. As a result Moscow could no longer consider her position absolutely safe in the field of giving foreign aid to Egypt. Certainly with the tension in the Middle East in the spring and early summer of 1958, the United States would not try to get back into the field of military aid and thus give the Soviet Union complete competition. But of American interest in economic aid to Egypt, there was no doubt. Therefore Moscow had to make sure that her bids to Nasser would be on the most favorable terms to him. There was no danger of Nasser swinging from his policy of neutrality to one of being pro-West. But there was the danger that he would publicly criticize Soviet aid and thus cast doubts on their intentions, a point on which the Soviet Union was understandably touchy in light of the invective the United States had received not only from Egypt but other underdeveloped countries as well.

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39. Oles Smolansky, op. cit., p. 717

Therefore, by May a definite triangular relationship had been established in foreign aid relations with Cairo. Nasser did not trust either donor but he was more lenient with the Soviet Union than the United States. He was now receiving aid from both donors. Both the United States and the Soviet Union were willing to compete; both were obligated to Nasser. Both knew that if the other missed a step and provided the recipient with a poor delivery, the other side would stand to gain, except in the field of armaments which was the Soviet's sole domain. The game of foreign aid had reached a new turning point. With this new configuration at hand, Nasser explained for the Soviet Union to begin a long delayed state visit.

Nasser's trip to the Soviet Union had originally been scheduled for the summer of 1956. Conditions at the time delayed his arrival in Moscow. This factor may have worked to his advantage. On the one hand a trip to the Soviet Union was a certain positive factor for any neutral and Nasser must surely have welcomed this opportunity to restate his opinions on major Cold War issues. On the other hand however, reports indicated that he was dissatisfied with the variety of credit terms surrounding his transactions with the Soviet Union and the high cost, in general, of basic military and industrial goods. The chance to meet with the Soviet leader meant a chance to seek a reduction in the hitherto agreed price schedule. There were unofficial "hints" in Cairo that Nasser was seeking up to a 30 percent reduction in the military category and

a 15 percent reduction in the industrial.<sup>40</sup> Nasser's post Moscow speeches do not indicate whether this was achieved. However it may be assumed that Khrushchev realized that the moment was pregnant with propaganda value for both parties concerned and therefore acceded to Nasser's wishes. If Nasser did not get all that he wanted, at least a working agreement must have been reached.

If one carefully reads the speeches President Nasser made while in the Soviet Union, he will find three constant themes: positive neutralism, aid without strings attached, and friendship with those nations friendly with him. He was cautious and non-committal.<sup>41</sup> On his return to Cairo he re-emphasized his foreign policy of positive neutrality and non-alignment. However, when he elaborated on this, he mentioned both American and Russian acceptance of his Cold War foreign policy. Prior to his departure he was informed that the United States was "adopting a new policy towards the United Arab Republic..."<sup>42</sup> The USSR did the same. Therefore, according to Nasser, victory lay in the fact that "the two biggest powers" had recognized his foreign policy. Subsequent press reports from Cairo played upon this theme.

Mustafa Amin, the editor of El-Akbar who was with the Nasser entourage, claimed that the Soviet Union was not a "ghoul" and by visiting the USSR they had not become "Communists."<sup>43</sup> This afterglow did not last long.

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40. New York Times, May 18, 1958, p. 1

41. Nasser's Speeches and Press Interviews, 1958, op. cit. See pp.152-187 for an English translation of the speeches delivered in the Soviet Union.

42. Ibid., p. 194

43. New York Times, May 18, 1958, p. 15

## CHAPTER VI

### THE SUSPECT DONORS:

#### A CRISIS IN SOVIET-EGYPTIAN AID RELATIONS

Early in June 1958 a new trend was begun in Nasser's aid relations with the two major donors. This time the ulterior motives of the Soviet Union were revealed. The tension between the Soviet Union and Nasser grew gradually through the summer of 1958 and reached a peak in the late spring of 1959. It began with Nasser's indirect criticism of Soviet aid in June 1958.

Early in June, the Egyptian press criticized Russia for withdrawing aid from Tito. The Yugoslav President had become a major influence in Nasser's life.<sup>1</sup> He had been "punished" because of "revisionism" and his failure to give more than passing lip service to the Kremlin. As the dispute between Tito and the Kremlin grew, Soviet literature was taken off the shelves in Cairo.<sup>2</sup> This was a sudden action for Nasser to take so soon after his return from Moscow. Apparently Nasser made his decision to support Tito out of respect for the Yugoslav leader. However, the fact that he was on friendly terms with the United States gave him a certain amount of

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1. Keith Wheelock, Nasser's New Egypt - A Critical Analysis (London: Stevens & Sons Limited, 1960), p. 296. In the spring of 1958 Nasser is alleged to have said: "Tito is a great man. He showed me how to get help from both sides - without joining either."
  2. The New York Times, June 6, 1958, p. 3

latitude with the Soviet Union. If Moscow had thought of retaliating and questioning Nasser's attitude, it would have been easier had not the United States resumed delivery of its aid items stopped in 1956. It is conceivable that Khrushchev was accustomed to Tito's theoretical weaknesses vis-a-vis the Kremlin line and could therefore deal with him in a manner that was not altogether new. Nasser's sudden questioning of Russian aid could be overlooked perhaps in the hope that he would realize that there was an entirely different power structure between the Kremlin and Belgrade as opposed to the relationship existing between the Kremlin and Cairo.

Nevertheless, during the critical month of July, Nasser visited Yugoslavia. One day after the Hashemite Monarchy in Iraq was destroyed, United States Marines landed in Lebanon at the Government's request in order to bolster a regime crippled by civil war. British paratroops were airlifted across Israeli air-space to strengthen King Hussein in Jordan. Lebanon had accused Syria, the northern region of the United Arab Republic, of sending armed infiltrators into her territory to foment trouble. The immediate reaction in the West to the overthrow of the Iraqi Government was to incriminate Nasser. The Soviet Union began making warlike threats and Nasser flew to Moscow on July 17.

There is a lack of information as to what the two leaders discussed. However the New York Times intimated that Nasser told Khrushchev to stay out.<sup>3</sup> In light of subsequent events this opinion

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3. Ibid., July 19, 1958, p. 1

has some validity. Without elaborating, Nasser referred to the meeting on July 22 in a public speech in Damascus.<sup>4</sup> Whether or not Nasser would have gotten troops if he had requested them is doubtful according to Edward Crankshaw, a specialist on the Soviet Union.

This author argues that the Soviet leader did not want to send troops to bolster the new Iraqi regime for fear that this action might precipitate a war between the West and the Soviet Union. Instead, in order to prevent the "liberation movement" from being destroyed, Khrushchev wanted to call an emergency summit meeting to discuss the situation.<sup>5</sup> It is possible that Communist China did not like Khrushchev's hesitancy. Later, when the Khrushchev-Nasser split appeared in the open over Communist influence in the Arab world, the significance of having lost face with China may have influenced the Soviet leader to take a bolder stand in light of the growing Sino-Soviet split. Khrushchev may have wanted to try and convince Peiping that he was capable of treating non-satellite countries harshly. This will be discussed later. But it will be argued that Khrushchev's dilemma in July 1958 was an influencing factor for future Soviet policy in the Middle East.

With the immediate crisis past, on August 13 Cairo and France reached an accord in Geneva after almost a year of secret negotiations.<sup>6</sup> A month later the Department of State announced that it would deliver

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4. Nasser's Speeches and Press Interviews, 1958 (Cairo: Information Department, 1959), p. 240

5. Edward Crankshaw, The New Cold Wars Moscow v. Peking (Great Britain: Penguin Books, Ltd., 1963), p. 80

6. New York Times, August 14, 1958, p. 2



\$5 million to the EARIS program.<sup>7</sup> In light of the mutual Western-Egyptian accusations this indicates that neither side was too serious in their vitriol. That is, not serious enough to return relations to what they had been in the immediate post-Suez months.

From September, through the latter part of October, there were indications that the Soviet Union was trying to interest Nasser in aid rather than the other way around. Nuritdin A. Mukhitdinov, a high ranking member of the Praesidium met with Nasser on September 27 to see whether he would reinstate the Communist Party. Nasser refused and the matter was not brought up again.<sup>8</sup> Mukhitdinov's request is probably an indication of future Soviet policy in the Middle East: the nationalist movement would still receive Moscow's support but an attempt would be made to elevate the Communist Party from its underground status. Khrushchev was interested in working with the Communist Party in Iraq and Mukhitdinov's interview may have been an attempt to see how far Nasser would support Soviet interests in the area. In October, a lead article in the Egyptian Economic and Political Review indicated that Nasser was leaning more to the West than to the Soviet Union for his economic transactions. The author intimated that possibly the Soviet Union was not as earnest as customer as she wanted to be: "The Russians are in no need of Arab oil ..."<sup>9</sup> Two weeks later the Russian Ambassador offered

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7. Ibid., September 18, 1958, p. 1

8. Ibid., September 28, 1958, p. 20

9. \_\_\_\_\_, "Positive Neutrality and Power Politics," Egyptian Economic and Political Review, XXXXII No. 11 (October 1958), p. 40

Soviet aid for the construction of schools, hospitals and other community services; again Nasser politely refused.<sup>10</sup> With the emphasis on economic development in the UAR this is a strange reaction. It is understandable, however, in light of Khrushchev's announcement at the end of the month that the Soviet Union would "participate" in building one section of the High Dam.

He offered a \$100 million loan for the first stage to Field Marshall Amer who was in Moscow.<sup>11</sup> In view of Nasser's preoccupation with the Dam, it seemed plausible that he had initiated the request. Nasser undoubtedly knew that the financing of the High Dam would leave him deeply indebted to the Soviet Union. Therefore, if more Soviet aid were to be offered, he was going to be selective and get what he wanted. With the United States unwilling to finance the Dam, Nasser may have assumed that the aid package should be divided among the donors: the Soviet Union would get contracts for large industrial projects whereas the United States and her allies would provide secondary projects and badly needed foodstuffs and other agricultural commodities.

The timing of this announcement is not indicative of any major fear on the part of the Soviet Union that Nasser would become increasingly dependent on Western aid as opposed to Soviet. Rather, negotiations for the Soviet loan must have occurred over a prolonged period. Some points may have been raised and weighed while Nasser

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10. New York Times, October 17, 1958, p. 6

11. Ibid., October 24, 1958, p. 1

was in Moscow in the spring. Dulles' reaction to the Soviet offer indicates that the United States was no longer worried about Nasser being sucked into the Soviet camp through the aid pipelines. In essence, Dulles' blase attitude probably indicates that the United States knew of the offer before it was announced and was therefore willing to apply other types of economic aid as a counter pressure. On October 28 Dulles remarked: "I don't think it is anything to get terribly excited about. It is something of which (sic) they are attempting to get a considerable propaganda value at the present time."<sup>12</sup> The "they" he referred to was the Soviet Union, again an indication that Nasser was not taunting the United States with the Soviet offer.

The question of aid, in the triangular relationship that has been established, dropped out of public sight until 1959. But on December 23, after the Soviet Union had committed itself to the Dam and Nasser had refused to allow the Communist Party to reappear in the UAR, Nasser lashed out at Communism and called it an enemy of Arab unity.<sup>13</sup> He was specific: he condemned only the Syrian Communist Party. But this sudden attack on the Communist World, by implication, was to provide a major turning point in Nasser's aid relationship with his two principal donors.

Early in 1959 there were indications that Nasser was cracking down on the Communist Party in Syria. Known Communists were arrested

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12. Ibid., October 29, 1958, p. 18

13. U.S. Senate, Foreign Aid Program: Compilation of Studies and Surveys. S. Res. 285, 84th Cong. and S. Res. 35 and 141, 85th Cong. (Washington: Government Printing Office, 1957), p. 1284

in Syria and two pro-Soviet publishing houses were closed down.<sup>14</sup> Ten days later Premier Fanfani of Italy held a news conference in Athens after meeting with the UAR President. He described Nasser as a strict "neutral". He implied that the West should look upon him not necessarily as a source of irritation in Middle Eastern affairs but rather as a potential source of stability.<sup>15</sup> One week later Egypt and Great Britain initialed an accord to cover the financial difficulties arising from the Suez Crisis. One more stumbling block had been removed in the drive for a rapprochement with the West.

Nasser's foreign policy by this time had become more coherent. It reflected a more stringent balance between the two opposing blocs. One analyst in the middle of January argued that Nasser wanted to maintain a semblance of political independence between both blocs while at the same time retaining full control of his economy. The latter indicated Nasser's pressing need for foreign aid from the West to offset the inroads the Soviet Union had made. The same individual argued that the Western attitude toward Nasser's policy could be considered as "standing by with approving nods, if not actively helping, so long as Cairo's current objectives do not run counter to long-range Western interests."<sup>16</sup> There appeared to be no counter argument to this analysis in the West. But in January the center of attention shifted to Moscow.

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14. New York Times, January 2, 1959, p. 1

15. Ibid., January 11, 1959, p. 6

16. Ibid., January 18, 1959, p. 4 in section IV

Khrushchev waited one month to publicly rebuke Nasser's December 23 speech. On January 27 at the Twenty First Congress of the Communist Party of the Soviet Union the Soviet Premier attacked Nasser. He called the criticism of Communism a "reactionary business" but added that he did not want ideological differences to endanger relations between the two countries. The word "reactionary" is of more than passing interest here. In the frequent diatribes between the West and the Soviet bloc the Communists refer to Western criticism as a "provocation", something that was generated between enemies. But the word "reactionary" implies that the critic has broken from an accepted fold, i.e., Tito and his ideological conflict with the Kremlin. Nasser did not want to be considered part of either camp. Therefore Khrushchev's terminology was both an insult and a warning unless he considered Nasser to be pro-Soviet in his neutrality. One further point was made which would become significant in a few months. He warned unnamed critics of the Communist Party not to play on the increasingly apparent Peiping-Moscow rift.<sup>17</sup>

Two days after Khrushchev's speech reached Cairo, Heikal told Khrushchev to stay out of Egyptian affairs. He distinguished between friends of the Soviet Union in Egypt and Communists. There were more of the former; it behooved Khrushchev to recognize this: "They do not believe in Communism as an ideology and system suitable

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17. Ibid., January 28, 1959, p. 7

for their country."<sup>18</sup> In effect, Heikal was reminding the Soviet Premier of his oft-repeated statement that the internal affairs of a country was a problem that did not concern the Soviet Union. Pravda two weeks later attacked Heikal as being an American pawn incapable of reflecting or discussing Arab sentiment. Their criticism of a man who unofficially reflected official thinking brought a new dimension into the growing war of words between the two countries. According to Pravda, Heikal had acquired "the profession of journalist at the American University in Cairo, where he was taught not only how to write but in whose interests to do it."<sup>19</sup> This article could be considered as an indirect attack on Nasser for appearing to be pro-West in that he criticized Communism.

Two days later, not necessarily as a result of this article but perhaps influenced by it, Nasser spoke at the first anniversary of the Syrian-Egyptian merger. He referred to a letter sent to Premier Khrushchev in which he had pledged a constant attitude toward the Soviet Union "regardless of any political circumstances."<sup>20</sup> Undoubtedly this portion referred to Nasser's recent attack on the Communists in Syria but it may also have assuaged Khrushchev's fears that someone may try to exploit the Sino-Soviet rift. One week after this speech, Egypt and Great Britain signed an accord settling their differences. The implementation was to begin on March 2 at which time Egyptian assets frozen in Britain would be released. In the

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18. Ibid., January 30, 1959, p. 2

19.           , Excerpt from an untitled Pravda article (February 19, 1959), in Nizan Newsletter, No. 3, March 1959, p. 8

20.           , Nasser's Speeches and Press Interviews, 1959 (Cairo: Information Department, 1960), p. 36

same month, the United States announced that it intended to release the remaining \$5.5 million of the aid program which had been stopped in 1956<sup>21</sup> Although this move had been promised as soon as the differences arising from the Suez Crisis had been settled, it could not have been made at a more favorable time. It was in March that Nasser intensified his attacks on Communism.

In a series of three speeches delivered in Syria (March 11, 13, and 17), Nasser became more pointed in his attacks. On March 11, in Damascus, the Communists were accused of being "agents who ... only do the bidding of outsiders."<sup>22</sup> The "outsiders" were not mentioned but the implication was rather obvious. Two days later the same "agents" were referred to as "the false prophets of nationalism and democracy" who, as was the case of the Egyptian Communist Party in Egypt, received "directives" from non-Egyptian sources.<sup>23</sup> Finally on March 17, Khrushchev was attacked directly. Nasser accused the Soviet Premier's support of the Communist movement in the Arab world as a "challenge to the will of the Arab people."<sup>24</sup> By far the majority of the attacks Nasser delivered in March were the direct result of Nasser's growing apprehension over increased Communist penetration in Iraq. Nasser appeared in the world forum as the leading exponent of Arab nationalism. Kassen, with Soviet support, was a direct threat to this position and by implication to Arab unity. By the end of March, both sides were fully committed

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21. U.S. AID Mission (Cairo), U.S. Economic Assistance to United Arab Republic (Cairo: Mimeographed, 1961), p. 2

22. Nasser's Speeches and Press Interviews, 1959, op. cit., p. 123

23. Ibid., pp. 133 and 135

24. Ibid., p. 159

and the chance of an immediate rapprochement was slight. There are indications that Khrushchev was entering into a new foreign policy phase in the Middle East.

Of the two leading Arab countries, Iraq and Egypt, the former was by far the wealthier of the two in terms of economic resources. Iraq was not as dependent upon economic aid as Egypt. But, whereas Egypt was strong in human resources: teachers, industrial and other technical personnel, Iraq was not. Therefore, in terms of long range planning, Moscow had an

"excellent chance to mold the presently underdeveloped and hence very pliable Iraqi educational system in the Communist pattern."<sup>25</sup>

The immediate ends desired by Moscow were more easily obtainable in Iraq than Egypt. The question of Nasser's leadership might also have been appraised by Moscow and the conclusion presumably reached that Nasser, although deeply indebted to the Soviet Union for aid, was not a "stooge". However, Khrushchev may have had other considerations.

By March 1959 the Soviet Premier was under fire from Communist China over the question of tactics to be used in the underdeveloped countries. The basis for this rift appeared as early as February 1956 when the idea of armed revolution was discarded in favor of peaceful coexistence and economic aid to the underdeveloped world. At the time Peiping went along with the new policy. However, by the summer of 1958 there were indications that Peiping was return-

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25. F. Harbison, "Two Centers of Arab Power," Foreign Affairs Quarterly Journal, XXXVII No. 4 (July 1959), p. 672



ing to the old policy. Therefore, it is possible that Khrushchev supported the Iraqi Communist Party in order to bridge the gap between the two Communist camps. In so doing he directly antagonized Nasser. During the troubles in the Levant in 1958 both Nasser and Khrushchev had been unable to stop Western intervention. This was a blow to their prestige; imperialism had made a successful reappearance in the area. Khrushchev's post July 1958 support of the Communists in the Kassem regime was also another form of imperialism. The conflict between the two leaders appears therefore to be extra-regional in one sense, and regional in another. Extra-regional in the sense that both leaders were questioning the stated worldwide foreign policy of the other and regional in the sense that the conflict was centered in the Middle East. Nasser publicly questioned Soviet foreign policy in the underdeveloped world. In the same vein Moscow implied that Nasser's neutralism was not fully appreciated by them. As a result, both leaders were now forced to take an adamant stand on their role in Middle Eastern affairs. A triangular relationship appears when it becomes evident that the United States could gain from this dispute by continuing to aid Nasser. By supporting Nasser at this critical period the United States could conceivably appear in the role of a "functional ally" in the Middle East. At the same time the Department of State would presumably welcome the Moscow-Peiping conflict. In light of Khrushchev's pending visit to the United States, a split Communist camp was safer than a monolithic unit.

Toward the middle of April, Nasser, in an interview with Indian journalist R.K. Karanjia, questioned the relevance of aid if the recipient lost his freedom as a result. He reiterated that Egypt had not "mortgaged" its economy to the Soviet Union: "We have sold them our cotton but not our independence."<sup>26</sup> This assertion reflects the long-standing concern at the dependence of the Egyptian economy on the Soviet bloc. Three days after this interview the Soviet Ambassador delivered a personal note from Khrushchev to Nasser. The contents were not disclosed. However the letter did not prevent Nasser from questioning Soviet policy on April 25. Speaking before the Officers Club in Cairo, he accused the Soviet Union of changing its policy toward the UAR after the July 1958 revolution in Iraq. From this Nasser inferred that "the policy of neutrality we had followed in the past no longer suited the Soviet Union."<sup>27</sup> The Soviet Union was unusually silent after this speech. However, in May the question of Soviet aid reappeared.

On May 15 the Egyptian Ambassador to Moscow delivered a note to Premier Khrushchev presumably in reply to the Soviet note of the previous month. Again, the contents were undisclosed. However, on May 21 Karanjia was in Moscow to interview the Soviet Premier. At this time Khrushchev declared: "the peoples of the UAR have no more sincere and true friend than the Soviet Union."<sup>28</sup> After six

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26. Nasser's Speeches and Press Interviews, 1959, op. cit., p. 545

27. Ibid., p. 224

28. New York Times, May 21, 1959, p. 11. This phrase "no more sincere and true friend" appeared several times in other articles not quoted in this thesis. Its recurrence leads one to believe that perhaps it has become another coined phrase in the Communist lexicon.

stormy months the Soviet Union had switched from the defensive to the offensive. It is possible that in this instance Nasser had the "trump card". Of the two most popular Arab leaders, Nasser and Kassem, the former was by far the more popular. Khrushchev had apparently veered away from Nasser when he gave support to Kassem. By backing the Iraqi leader he had aligned himself with a "minority" leader, one who had not gained stature by confronting the West in situations such as the Suez Crisis and the Czech Arms Deal. Khrushchev's attempts at playing the breach between the two Arab leaders had not paid off. Therefore, Nasser had to be re-approached. An article in Pravda on May 19 announced that the economic adviser to the Soviet Embassy in Cairo had called on the UAR Minister of Public Works to discuss new plans for the construction of the first section of the High Dam.<sup>29</sup> Either this was a coincidence in timing or the Soviet Union was attempting to heal the breach by reaffirming its support of Nasser's pet developmental project. While the Soviet Union was returning to the question of aid rather than the ideological differences that separated the two countries, the United States was continuing with its aid program.

In the final eighteen months of the period covered by this thesis, Nasser was confronted with few startling developments in the field of foreign aid. American aid deliveries continued to

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29. \_\_\_\_\_, "Plan for the Construction of First Section of Aswan Dam Presented to United Arab Republic," Pravda, May 26, 1959, p. 3, in Current Digest of the Soviet Press, XI No. 21, p. 18

grow throughout the fall of 1959. An 800,000 wheat and flour agreement was signed in Cairo and the Export-Import Bank loaned Egypt nearly \$10 million for the purchase of diesel locomotives.<sup>30</sup> Cairo and Moscow exchanged a few verbal salvos that were relatively mild compared to the brief exchange that occurred early in October when Khaled Bagdash, speaking in Peiping, attacked Nasser's attitude toward the Syrian Communist Party. An article published in an Azerbaidzhanian periodical criticised Nasser indirectly.<sup>31</sup> But Khrushchev in a November interview with Salah Salem of Al-Jumhurriya admitted that "the present situation in the Arab countries is not favourable for the emergence of a Communist system." Despite this, Khrushchev pledged to continue arms and loans to the Arab World.<sup>32</sup>

In December the Victory Day speech was delivered in Port Said. Whereas in the previous year the speech marked a downward turn in relations between Egypt and the Soviet Union, this year's speech indicated a definite improvement in Egyptian-American relations. Nasser admitted that in the past he had traded insults with the United States. But times had changed. Today the United States is "following with us a policy of peace and friendship ... we welcome it."<sup>33</sup>

Except for one brief instance in the late spring of 1960, aid relations between Cairo and Washington continued unimpaired. An amendment sponsored by Senator Paul H. Douglas (Dem., Illinois)

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30. U.S. AID Mission (Cairo), op. cit., p. 3

31. Rauf Seidov, "A Liar in the Role of 'Defender' of Islam," Bakinsky Babochiy (Azerbaidzhan) in Mizan Newsletter, II No. 1, (January 1960), p. 7

32. New York Times, November 11, 1959, p. 4

33. Nasser's Speeches and Press Interviews, 1959, op. cit., p. 515

and supported by Senator Lyndon B. Johnson (Dem., Texas) was designed to counter any nation who was "engaging in economic warfare against any nation that would benefit from the aid program."<sup>34</sup> Egypt prevented Israeli ships from transiting the Suez Canal. This was construed as "economic warfare". The amendment was on the floor at the same time when the International Longshoremen's Union and the Seafarers International Union was picketing the Egyptian ship Cleopatra in New York harbor because of the Egyptian refusal to allow Israeli ships through the Canal. Senator Fulbright (Dem., Ark.) leaped to the defense arguing that a "minority pressure group" had injected the "Arab-Israeli dispute into domestic politics".<sup>35</sup> Despite Fulbright's pleas for moderation the amendment passed by a vote of 45 - 39 on May 2. Senator Javits (Rep., New York) added as a hindsight that the amendment was merely a "policy statement" that could be used at the President's discretion.<sup>36</sup> Nevertheless a certain amount of damage had been done. On May 7 Nasser accused the Senate of being dominated by Zionism and on the following day while opening a cotton yarn factory that had been built with Soviet technical and financial aid at Damietta, he lauded the Soviet Union at never having threatened "to cut off such aid or taunted the United Arab Republic about such aid."<sup>37</sup> The reaction was predictable and relatively mild. Senator Fulbright went to Cairo on May 10 for a four day visit and met with Nasser for two hours on July 12.

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34. New York Times, April 29, 1960, p. 5

35. Ibid., April 30, 1960, p. 3

36. Ibid., May 3, 1960, p. 1

37. Ibid., May 9, 1960, p. 50

On the whole, relations between Cairo and Moscow had also improved. Construction on the first stage of the High Dam was begun on January 9 and the following day Nasser sent Khrushchev a letter to which the Soviet Premier replied one week later. The Soviet Union offered to build the second stage of the Dam. In his acceptance of the Soviet offer Nasser expressed satisfaction with the new agreement especially the "terms which ... contain no restrictions and no conditions."<sup>38</sup> It is likely that the financing of the second stage is a turning point in Nasser's career as a seeker of foreign aid. The Soviet Union had committed its prestige and pocketbook to the High Dam.

Although relations between the two countries were far from harmonious, the Soviet Union could not withdraw. A great deal of interest had been generated in the underdeveloped world when the Soviet Union agreed to finance the first stage in October 1958. If the Soviet Union were to withdraw the offer now, Soviet economic aid would be held in question in the very countries the Kremlin was courting. In a lead article, the New Times argued that Nasser had acted out of "self-preservation" by requesting Soviet financing of the second stage.<sup>39</sup> Perhaps the converse was more valid. The Soviet Union knew Nasser needed the Dam. Were they to withdraw and allow the West (were it willing) to finish it, the propaganda loss would be incalculable. By constantly increasing the stakes since the middle of 1958,

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38. \_\_\_\_\_, "To His Excellency Gamal Abdel Nasser President of The United Arab Republic," Pravda, January 20, 1960, p. 1, in Current Digest of the Soviet Press, XII No. 3, p. 27

39. Y. Zvyagin, "Aswan's Second Stage," New Times, January 1960, VII, p. 10

the United States had, in one sense, outbid the Soviet Union in the game of economic brinkmanship. With the faint echoes of the Nasser-Khrushchev quarrel still ringing, the Soviet Union had no alternative but to finance the Dam.

American and Soviet aid continued to flow into Egypt throughout 1960. A dynamic had been established which, barring unforeseen changes, would prevail. Both donors knew that Nasser could not be pressured into accepting policies which ran counter to his own. In return, Nasser accepted aid from both sides but he trusted neither.

He had swung, over the past eight years, from dependence upon the West for his aid to dependence upon the Soviet bloc. Now, at the turn of the decade, he was attempting to reach a common point midway between both donors. This economic neutrality was in large part a reflection of his political neutrality. Since neither donor could dictate policy, it behooved them to support his neutrality. Other than declaring a mutuality of interest between Nasser and the donors, one way of ensuring his stand as a neutral was to constantly provide aid thereby enabling him to have an alternative. In a sense, by seeking to establish a viability between the two blocs he was insured from being pressured by one or the other. If the West threatened to cut off aid, the Soviet Union would respond. Likewise, if it appeared that Nasser did not like being unduly dependent upon the Soviet Union for his economic wellbeing, the United States would reconsider its aid policy towards him.

Perhaps Senator Ellender (De., La.), an ardent critic of American foreign aid, expressed the sentiment of both the United States and the Soviet Union in trying to give aid to a vocal neutral such as Nasser. After having visited the UAR in the fall of 1960, Ellender recommended

"that the Soviet Union continue to assist the United Arab Republic. I feel sure that it will not take the Soviet dictators long to discover, as we have discovered, that financial assistance to so-called underdeveloped countries frequently results in very vocal expressions of ingratitude."<sup>40</sup>

This observation is both caustic and humorous. It underscores the problems with which a donor must deal when giving foreign aid to a recipient who needs help but is unwilling to become part of the Cold War bi-polarity. Ellender's comment is also a tribute to Nasser's policy of seeking foreign aid from both the United States and the Soviet Union. For both parties the history of foreign aid over the past eight years since the Revolution had been a maturing process. For Nasser this experience was to be a guideline for the coming decade.

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40. Senator Allen J. Ellender, A Report on United States Foreign Operations. 87th Cong. Document No. 20 (Washington: Government Printing Office, 1961), p. 631



## CONCLUSION

Nasser's policy of seeking foreign aid to Egypt went through several stages during the years of 1952-1960. In 1952 Egypt was willing to cooperate with the West in order to get aid. There was no question of Soviet aid at this time. When it became apparent that the West was going to use the withholding of aid as an incentive for Egypt to reach an agreement with Britain over the question of the occupation of the Suez Canal Zone bases, Nasser reacted by threatening to proclaim strict neutralism as his foreign policy instead of being tacitly pro-West. He never retreated from this position. In the winter of 1954/55 his inclination toward neutralism intensified. After April 1955 he emerged as a self-proclaimed neutral, respected in the non-West and the Soviet Union but suspected in the West. His first major aid transaction as a neutral was the Czech Arms Deal. September 1955 was a turning point in his policy of seeking aid. From this second stage onward he was determined to let neither power become his exclusive aid supplier. The aftermath of the Suez Crisis reduced his viability between the two blocs. He now had to rely on Soviet bloc aid. During this brief period he weighed the advantages and disadvantages of both Soviet and American aid. Once the West resumed its aid programs Nasser passed into the third stage, one wherein he was able to receive aid from both camps. However, by the fall of 1960, Nasser was well aware of the fact that there was no such thing as "aid without strings".

During the past eight years Nasser came to realize that both donors wanted something from him. The United States wanted either his cooperation with the West in implementing Western policy or, if this could not be obtained, his tacit acceptance of Western intentions. Nasser refused to comply with either. In the fall of 1958 through the winter and spring of 1959, Nasser knew that the Soviet Union also wanted something from him. The Soviet Union for example, needed Nasser's approval of their support for the Kassem regime. Nasser again refused. Although it can be said that Nasser has never trusted either donor, until the Soviet Union moved to curtail his prestige in the Arab World, he treated Moscow with more restraint than he had Washington. This occurred because Washington was more overt in the demands placed upon him.

With Nasser's emergence as a neutral in a part of the world that had been under direct Western control, a new pattern emerged. One of the reasons Nasser declared his neutrality was his desire not to be used in the Cold War by either of the two major powers. His neutrality helped, in part, to introduce a new phase of the Cold War: the economic war in the underdeveloped countries. Both donors and Nasser knew that a country could be controlled through foreign aid if only one power was the supplier. No longer could unilateral decisions affecting a recipient (e.g., freezing of Egyptian assets or the American withholding of aid until a Suez agreement was signed) be made in a donor's capital. Nasser worked toward this end: to retain the power of decision. This would only be achieved when

there were two mutually antagonistic aid contenders. If by skillful maneuvering these two could be pitted against each other, then he would benefit. Nasser knew that neither the Soviet Union nor the United States would capitulate to the other in an economic and politically strategic country. Therefore it was in the interest of each donor to support him for no other reason than to deny him to the opponent. With the Czech Arms Deal, Western aid hegemony in Egypt was broken. Confronted with a strong Soviet policy aimed at extending foreign aid to neutrals, the United States had to discard its policy which had been bolstered on the assumption that Nasser would court the West because there was no other alternative to their aid. By 1960 Nasser was receiving aid from both sides. Neither donor was thoroughly satisfied with his relationship with Nasser. Yet at the same time, neither could withdraw.

Nasser's aid relations with the two donors created a new relationship over the eight year period. He showed that the recipient is no longer at the mercy of the donor. Rather the donor and the recipient became mutually dependent. If the donor attempted to apply pressure on the recipient through an aid program, the recipient had an alternative source of supply. If the recipient were to depend upon one source to the virtual exclusion of the other, both he and the excluded donor would be restricted. The recipient could not retain his visibility which is a prerequisite for being non-aligned and the excluded donor would not have the opportunity, however remote, of influencing the recipient.

Soviet and American foreign aid policies in Egypt developed in relation to each other after the Czech Arms Deal. Before September 1955 the United States was providing aid and trade, the Soviet Union only trade. After the Czech Arms Deal both were in a position to provide aid and trade. But the Soviet Union had a critical advantage over the United States. Moscow could use the mistakes Washington had made in its relations with Nasser to the Kremlin's advantage. Whenever Nasser reacted to the American aid program, the Soviet Union used this as a warning sign to prevent making the same mistake. This policy worked well until Nasser reacted to Soviet interference in Arab affairs. Nasser's reaction and the subsequent war of words between Moscow and Cairo enabled the United States to use this period of strained relations between the two governments to improve American-Egyptian relations. Whereas both donors at times sought to use aid to their advantage, the Soviet Union did not stop its aid program to Egypt to achieve their ends. Instead there were indications that during the latter part of 1959 and most of 1960, the Soviet Union was trying to increase her aid relations with Cairo in order to improve relations. On the other hand the United States was clumsy at times in the manipulation of its aid programs during a period of political estrangement. Although both donors have a long-range goal as justification for aiding Nasser, Washington let political differences with Nasser reduce the propaganda effectiveness of their aid deliveries whereas the Soviet Union sought to minimize this.

Undoubtedly Cairo, Washington and Moscow realize that there is a series of commitments involved in foreign aid relations. The donors are committed to preserving their prestige not only with the recipient but also in relation to each other and the entire underdeveloped world. The recipient is committed to improving the lot of his fellow countrymen. Should he disregard their plight, the justification for a change lies in the misery arising from economic want. Farouk realized this the evening he sailed into exile. The recipient is committed therefore to the quest of foreign aid not only from humanitarian/economic motives but also as a means for justifying his government.

Yet there is a greater commitment, one which transcends the government of a day or a decade. Foreign aid and trade develop patterns of internal growth in the recipient country. The donor government is committed to this pattern. By 1960 both donors were supplying technical assistance, capital goods, foodstuffs and educational programs to name but a few categories. The Soviet Union was the sole arms supplier. How deep have these programs penetrated and to what extent is Egypt dependent upon one donor more so than the other? There is no final answer at this stage; there are only indications. Egypt will need foreign aid for another ten to fifteen years if she ever hopes to break the vicious circle of poverty. Should there be a change in government, will the donors follow the aid patterns which have been painstakingly built over the eight year period of this thesis and attempt to exert influence on a new regime? Again there is no answer. Each donor has a goal which is both economic and political in content. Nasser is fully aware of each goal. But for him, foreign aid is as vital to Egypt as the Nile. Both must be harnessed and made to work for a developing Egypt. Without either, he could not survive."

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