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Possible Effects on Arab Attitudes toward the Unified Plan and a Palestine Settlement, and Potential Effects on the "Cold War" Posture of Syria, Lebanon, Jordan and Iraq if Large-Scale Economic Aid is Given to Egypt at this Juncture.

The Egyptian Government has for some time been engaged in an intensely active "neutralist" and anti-Western propoganda campaign which has been particularly active in the past month (just before and since the Bermuda conference). The general theme of this campaign has been that Egypt and all Arabs should form a neutral "Third Force" Bloc, "relying on neither the East nor the West", and expelling all imperialist influences from their territories.

There is nothing new in all this, - it has been going on in Egypt since a few months after the present young military group carried out their coup d'etat in July, 1952. Similar tendencies exist in Iraq, Jordan and Lebanon. In each of these countries it is, however, the extremist opposition, not the government itself, which carries on the neutralist and anti-Western political and propoganda campaigns. In Syria the government of General Shishakli occasionally exhibits tendencies similar to those in Egypt, but less strong.

If large-scale economic aid is given to Egypt at this juncture, prior to a Suez settlement and during or immediately following the present particularly violent campaign against Western interests, the effects as regards attainment of our policy objectives in the other Arab states are likely to be most unfortunate. In the Arab states, in connection with the Unified Plan, we are attempting to operate on a basis of "relating" the granting of economic aid to the degree of reasonableness and moderation shown by the recipient states in the matter of taking at least tentative steps toward an eventual settlement of the Palestine problem through acceptance of the Unified Plan, or something like it. The essence of this approach is that moderation, reasonableness and some degree of cooperation by the recipients with respect to United States basic objectives will lead to substantial economic assistance; while on the other hand Arab (or Israeli) extremism and lack of cooperation will result in far less or no aid.

No Arab or Israeli is in any doubt as to what the vital U.S. objective in Egypt is. (It was publicly stated by the Secretary in Cairo in May, 1953 that the United States sought a Suez Base settlement which would leave the base available to the "free world" in the event of aggression.) If we now proceed

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to furnish substantial support to Egypt in the form of economic aid, in the face of Egypt's attitude toward this objective, it will have the effect in the other Arab states and Israel of causing every moderate to wonder if he is on the right track and every extremist to have redoubled confidence in himself and his methods.

In Iraq and Jordan many a politician and army officer will wonder if the best way to get U.S. support is not to abrogate their treaties with Britain (and the IPC concession) and engage on an all-out campaign against "imperialism". The idea will spread that the surest way to open Uncle Sam's pocketbook (and maybe his arsenals) is to move toward neutralism or "pro-Communism", and point out that your country is bound to fall to the Russians unless the U.S. steps in.

In Syria, any tendency which Shishakli may have to feel that he must seriously consider refugee resettlement, the Unified Plan, <sup>and</sup> eventual settlement with Israel, ~~will~~ <sup>may</sup> go by the boards since it will seem clear that U.S. support, whatever our words, goes in fact to those who threaten or take extremist action. In Lebanon, moderate elements like President Chamoun, will be most uncomfortable if things develop as pictured. Lebanon, with its half Moslem population, could not possibly by itself hold out for moderation if the moderate elements in Iraq and Jordan change their tune or are overthrown, and Shishakli imitated Egyptian methods.

I attach a recent despatch from Beirut (reports <sup>on</sup> ~~from~~ this have not yet come in from the Arab capitals), which emphasizes the embarrassment felt by moderate elements in Lebanon ~~and~~ current Egyptian efforts to commit all Arabs to "third-force-ism". The question is: how will they, and the Iraqis, Jordanians, Syrians and Saudi Arabians feel if Egyptian extremist methods seem to get U.S. blessing?

Also attached are quotes from Beirut Weekas which show the impact current Egyptian "neutralist" campaign is having ~~in-the-other-Arab-states.~~  
*there.*

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