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COPY NO. 96

OPERATIONS COORDINATING BOARD
Washington 25, D. C.

October 11, 1955

MEMORANDUM FOR THE BOARD ASSISTANTS

FROM: QCB Secretariat Staff

SUBJECT: Detailed Development of Major Actions Relating to the
Near East (NSC 5428) From April 17, 1955 through
October 7, 1955.

The attached is a detailed statement of actions by the operating agencies relating to the implementation of NSC 5428 during the period April 17, 1955 through October 7, 1955.

This statement was prepared and concurred in by the working group in connection with the development of the semi-annual progress report to the National Security Council and is a compilation of reports received from the Departments of Defense and State, including ICA, and the U. S. Information Agency, all of which were represented on the working group. In addition to the foregoing, CIA was represented on the working group.

This document will not be submitted for the formal action of the Board Assistants or the Board. It is being made available on an informal basis to the OCB member agencies, the NSC staff and other agencies for purpose of background and reference in connection with the progress report and to assist in briefing the principals who act on the report.

Attachment:

Subject Paper dated 10/10/55.

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Authority <u>NSC F88-246</u>
<u>NAFJ MR 88-20</u>
By <u>CAZ</u> NARA, Date <u>5/2/90</u>

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Authority <i>NSC F88-246</i>
<i>NNFTMR 88-20</i>
By <i>002</i> NARA, Date <i>5/2/90</i>

OPERATIONS COORDINATING BOARD
Washington 25, D. C.

October 10, 1955

DETAILED DEVELOPMENT OF MAJOR ACTIONS
RELATING TO THE NEAR EAST, NSC 5428)
FROM April 7, 1955 THROUGH October 7, 1955
(Policy approved by the President July 23, 1954)

General Courses of Action

Para. 13: The United States should:

- a: "Assume an increased share of responsibility toward the area, acting in concert with the United Kingdom to the greatest extent practicable, but reserving the right to act with others or alone."

The statement by the Secretary of State on the Arab-Israel dispute represents a willingness to increase our responsibility in the area. It was developed in close association with the British and has their full support. The Secretary spoke with the authority of President Eisenhower, and made three main offers:

- (1) The U.S. would contribute towards an international loan to permit Israel to pay compensation to the 900,000 Arab refugees and would assist in the realization of development projects facilitating resettlement of the refugees;
- (2) The U.S. would help the parties in reaching agreement upon permanent boundaries between the Arab states and Israel;
- (3) If solutions were found to other related problems, the U.S. would join in formal treaty engagements guaranteeing the boundaries agreed to.

USIA provided wide dissemination of the speech through press, radio, and newsreel coverage. Special efforts were made to reach the Palestinian refugees directly through distribution to them of the speech in pamphlet form.

- b: "Capitalize on such elements of strength as remain to the British in the area by such support of United Kingdom positions as may be consistent with U.S. principles and policy objectives."

The U.S. recognizes the special British position in Iraq and Jordan and continues to coordinate its action in these countries with the United Kingdom. The U.S., also, continues to support the special British position in the Persian Gulf sheikhdoms.

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c: "Win the Arab states to a belief that we sympathize with their legitimate aspirations and respect their interests."

d: "Increase its efforts to achieve a settlement of the political differences among the States of the area, and between them and the Western nations."

The statement by the Secretary of State is intended to inaugurate serious discussions leading to a settlement of the political differences between the Arabs and Israel, the primary source of tension in the area.

USIA gave support to the Secretary's August 26 speech by disseminating the full text to the area in special Arabic, Hebrew and English broadcasts, as well as to other parts of the world in English and vernacular; by including in the unattributed newsreel which goes to the area selected footage taken at the time the speech was made; and by distribution of 50,000 copies of a pamphlet comprising the speech and photographs to opinion leaders and refugees. Subsequently, USIA's press and radio materials to the area have included daily round-ups of balanced world comment.

e: "Seek to guide the revolutionary and nationalistic pressures throughout the area into orderly channels not antagonistic to the West, rather than attempt merely to preserve the status quo."

f: "Stimulate measures of self-help, encourage the expansion of private investment, and provide somewhat increased economic and technical assistance,"

The United States continues to provide developmental and technical assistance to Israel and the Arab states, although during Fiscal Year 1956, there may be a reduction in some cases, particularly in the larger programs in Egypt and Israel. The exact size or aid allocations by country and the proportions which may be offered on a loan basis are not yet determined. There has been a continuation of the encouragement of private U.S. investment in the area as well as encouragement to make loan applications to the IBRD. The Bank has now agreed to a loan of \$27 million to Lebanon and is studying major projects in Egypt and Syria.

The U. S. Government has increased its efforts to get across the story of U.S. aid through (1) stimulation of the local press in the area to report tangible evidences of progress (USIS-arranged press

trips to going projects provided one means); (2) press releases; (3) films; (4) radio programs; (5) pamphlets); and (6) discussion meetings. Through use of information media, attention has been given to building up self-confidence. The benefits of American private investment in the area have been reported, especially through stories in the News Review.

g: "Render limited military assistance."

The U.S. Government has:

- (1) Implemented its grant military assistance program in Iraq. The total aid programmed for the FY 1950-55 period is \$10.9 million, of which approximately 40 per cent will be off-shore procured in the United Kingdom.
- (2) Approved an Egyptian request for reimbursable military aid. The U.S. has offered to provide a total of \$11 million in equipment.
- (3) Approved Saudi Arabian requests for reimbursable military aid equipment, including 6 B-26 aircraft and 18 M-41 tanks.
- (4) Provided reimbursable military assistance to Israel.
- (5) Accepted students from Egypt, Syria, Saudi Arabia, Iraq, Lebanon and Israel in U.S. service schools.

h: "Encourage the development of indigenous regional defense arrangements which will increase the stability and strengthen the security of the area. Be prepared eventually to participate in such arrangements, when the political climate in the area makes this practicable."

The United States is continuing to encourage, as it seems advisable, the formation of the "northern tier" defense arrangement. It is not encouraging further adherence to the Turkish-Iraqi Pact by Arab states until steps in the settlement of the Arab-Israel dispute create a more satisfactory climate for collective security arrangements in this area. The U.S. has informed the United Kingdom that it cannot adhere to the Baghdad Pact until there has been a further lessening in the tensions between the Arab states and Israel. We have, further, informed them that we do not consider our adherence to be an urgent matter since we already enjoy close relations with the adhering states and plan to establish close formal liaison when the Pact Council is formed.

USIA has done much to foster the concept of collective security against external aggression by stimulating the writing of indigenous articles on the subject and then cross-reporting them to other countries throughout the area.

- i: "Support leadership groups which offer the best prospect of orderly progress towards free world objectives. Seek to increase the participation of intellectuals in Western-oriented activities."

The Educational Exchange programs of the State Department have continued to emphasize the importance of the Western-orientation of intellectuals through educational and leaders and specialist grants. In FY 1956, the U.S. provided for a substantial increase in the number of grants for leaders and foreign specialists for the countries of the Near East, in some cases doubling the number of such grants available to the country. This is particularly true in Egypt and Iran. We have provided for an increase in the number of grants to scholars from these countries to come to the United States for research and study. A program in Yemen will be instituted for the first time in FY '56, and will provide 2 grants for Yemenite students to study for a year in the U.S. A program has been re-established in Saudi Arabia which will provide two student and one leader grant for Saudis. Our program in the Sudan has been stepped up with an emphasis on Sudanese students and leaders. In Israel funds for a Fulbright program are provided for the first time, and the bilateral agreement establishing the program is expected to be signed momentarily. In Egypt, the Fulbright program ended in FY 55. The decrease in the number of grants for Egypt in FY 56 as compared to FY 55 results from the elimination of the American student grants which are made only under a Fulbright program.

Political, military and labor leaders, news editors, intellectuals and students have received special attention both by personal contact and through presentation of doctrinal publications, as well as copies of the New York Times, New York Herald-Tribune, and various American intellectual and news magazines. USIA's media output has been keyed to these groups.

- j: "Make clear to the nations in the area the basically hostile intentions of the Soviet regime."

USIA has continued to inform the people of the Near East through all available media of the insidious nature of international communism. Cooperation has continued with the Iraqi Government in its anti-communist campaign, much of the basic material being furnished by USIS. Anti-communist material was furnished by USIS/Cairo for inclusion in several books published by the Ministry of Information. Through judicious use of copyrighted articles, the USIS in Damascus has been able to place with the Syrian press more material unfavorable to the Soviet. Two indigenous anti-communist books written mainly from USIS source material have been published and are now on sale in Syria. Many of the photographs in the book were also supplied by USIS. Translation and publication of eight additional anti-communist books has been accomplished during the period.

An unattributed film for showing to Near East government leaders was made, in cooperation with the British, featuring Czechoslovakian diplomat Sedlacek who defected from his position as Commercial Officer at the Czech Legations in Beirut and Damascus. Emphasis was on Communist plans to infiltrate and subvert the Middle East.

To assist in counteracting the Soviet cultural offensive in Egypt, funds have been allotted for a bi-national cultural center in Cairo and negotiation of an agreement with the Egyptian Government for the Center's establishment is in progress. A Special Cultural Representative has been assigned to the USIS staff in Cairo to deal with educational and cultural leaders in the country.

k: "Strengthen cultural, educational and information programs."

During this period, USIA strengthened its field programs in the Near East by the assignment of seven additional American employees. Allotments to Syria, Iraq, Jordan and Egypt were increased materially to provide for activities planned for enhancing the effectiveness of the program.

The program to demonstrate on a continuing basis the advantages of the peaceful uses of atomic energy has been stepped up. Scheduling the Agency's comprehensive exhibit on the subject for showings in Near East countries this fall and winter was a priority activity. Continuing tenaciously to demonstrate accomplishments in the area achieved in cooperation with the United States, our films, news releases, and broadcasts have emphasized economic and defense developments. Also America's moral, religious, economic and political strength was presented through the information media with emphasis on our hope and intent for peace.

New radio activity was provided by the inauguration of a daily English-language broadcast to the Middle East. Also, since no Hebrew broadcast emanates from the VOA, agreement was reached to furnish Station KOL ISRAEL in Tel Aviv with package programs of news, commentary and music. One of the Americans added to the Near East component was a Regional Radio Officer, stationed in Beirut, who gathers information of special interest to the area and material for broadcast behind the Iron Curtain.

A major effort was made to increase personal contact with the press in placing materials furthering U.S. policy objectives. In Jordan alone, this resulted in a three-fold increase in the quantity of materials used by the newspapers. A new monthly labor bulletin published by USIS/Tel Aviv has proved popular and has already provoked caustic comment in the left-wing press.

Libraries in the area added several thousand new members during the last six months and also increased the circulation of books and other materials.

The English-teaching program has been facilitated by a visit to the area by USIA English-teaching consultant and by plans made for expanding the program in several countries this fall. Effects of the recent assignment of a Regional Translations Officer are being felt in the publishing of additional books designed to carry out our objectives.

Cooperation was extended and publicity given to such private undertakings as the Near East-Asia Town Hall Mission to the U.S., Salute to Israel by the Salt Lake City Symphony Orchestra, and the Middle East Medical Assembly in Beirut, as well as to the President's Fund musical and sports attractions sent to the Near East. The President's Emergency Fund provides a means of assisting American artistic performers and American amateur athletes to visit and perform in this area. There has been a substantial increase in the performances of these artists and athletes in most of the countries of the area and plans for FY 56 will carry forward this trend.

1: "Conduct covert activities in support of U.S. objectives."

This will be separately reported to the Board.

Specific Courses of Action

Para. 11: a. Saudi Arabia. "United States should strengthen its special position with respect to Saudi Arabia to an extent compatible with general U.S. policies in the area."

In general, relations between Saudi Arabia and the United States have continued to improve over recent months. The approval by the United States of Saudi Arabian requests to purchase B-26 aircraft and tanks has contributed to this improvement. Nevertheless, there are still serious differences which obstruct the achievement of a completely harmonious relationship.

(1) The King, personally, because of his dynastic dispute with Iraq and his fear of a Syrian-Iraqi union, continues to oppose the "northern tier" defense concept and the Baghdad Pact. Led on, perhaps, by his Arab-nationalist advisers, he continues to render financial assistance to anti-Western elements in Syria, Lebanon, and Jordan.

(2) An offer to establish diplomatic relations and to supply arms by the Soviet Union has created certain pressures in the Kingdom for a neutralist policy. The desire of the armed forces to expand rapidly and acquire new equipment beyond their true ability to absorb it has created some dissatisfaction with the timing of U.S. reimbursable aid.

(3) Growing evidence that the Saudis will demand a higher price for any renewal of the Dhahran Air Base agreement. Negotiations may

re-open late this year when the Saudis are expected formally to advise us of their desire to revise the agreement.

(4) Saudi feeling that we are not giving them support in their dispute with the British on their southern boundary. The British, on the basis of what they feel to be unsatisfactory experiences in the Buraimi arbitration, have rejected a Saudi proposal to arbitrate or negotiate the entire southern border. We continue to hope there will be no serious disturbances over this question while the Buraimi arbitration is taking place.

- b: "The United States should take all appropriate measures to bring about the cancellation of the agreement between the Saudi Arabian Government and Onassis for the transport of Saudi Arabian-produced oil and, in any case, to make the agreement ineffective."

The Onassis arbitration procedures are taking place and both sides have now filed briefs.

Para. 15: Arab-Israel Tension

(The paragraph references in the following are to the numbered paragraphs in the Supplementary Statement of Policy on the Arab-Israel Problem, pages 10-15, NSC 5428.)

Suppl. para. 10: "If in the opinion of the U.S. an armed occurs, the U.S. should be prepared to take the following steps either simultaneously or in stages:

- a. Discontinue U.S. Government aid to the aggressor.
- b. Embargo trade between the U.S. and the aggressor.
- c. Prevent the transfer of funds from any source in the U.S. to the aggressor directly or indirectly.
- d. Urge other countries, as appropriate, to take similar measures.
- e. In the event none of the above courses of action are successful in causing the aggressor state to desist from armed attack and to withdraw within its own borders, consult (without prior commitment) with the U.K., and to the extent practicable with other powers, on whether to take concerted action to:

- (1) Establish a blockade of the attacking state.

(2) Use military forces to compel the attacking state to relinquish any territory seized and to withdraw within its own borders.

f. Make every effort at the outset to secure UN sanction and support for the above measures; but, if it appears that UN action will not be forthcoming promptly, be prepared in an urgent situation to take such measures without delay."

During the period under review no large-scale attack by the Israelis on the Arabs, or vice versa, has occurred which would make it necessary to carry out the courses of action envisaged in this paragraph.

Suppl. para. 11: "In collaboration with the U.K.; and to the extent desirable and feasible with France and Turkey, develop plans, including military plans as appropriate, to support the measures in paragraph 10 above."

No action.

Suppl. para. 12: "At a time and in a way deemed appropriate, make the policy in paragraph 10 above known to Israel and individual Arab states privately."

No action.

Suppl. para. 13: "As appropriate, enlist Congressional support for the measures in paragraphs 10 and 12 above."

No action.

Suppl. para. 14: "Pursue actively, both directly and through the UN, measures to establish tranquillity along the Arab-Israel armistice line, working in collaboration to the extent desirable and feasible with the U.K. and France."

During the flare-up in the Gaza area in August, the United States intervened directly with both Israel and Egypt to attempt to discourage violence on the border. The U.S. cooperated with the U.K. and France in calling a Security Council meeting on the matter.

Suppl. para. 15: "Use U.S. influence to secure Arab-Israel boundary settlements, which may include some concessions by Israel."

The statement of August 26 by the Secretary of State mentioned specifically the possibility of border adjustments.

Suppl. para. 16: "Cooperate in seeking a fair settlement of the status of Jerusalem and the Holy Places in Palestine, acceptable to the states directly involved and to most nations of the free world."

No progress has been made on the Jerusalem problem, although the Secretary referred to it as one requiring ultimate consideration in his August 26 statement.

Suppl. para. 17: "Maintain both the fact and appearance of impartial friendship with the Arab states and Israel, avoiding preferential treatment of any state and demonstrating equal interest in the well-being of each."

The U.S. continued to exercise impartiality between the Arab States and Israel, not only in economic, but also in military assistance. The Secretary's statement was intended to further emphasize our impartiality and our desire for a just settlement of the differences between the two groups.

Suppl. para. 18: "Seek by all appropriate means to secure an agreed and equitable division of the waters of the Jordan river system between Israel and the interested Arab states and the establishment of an international control authority. Take such steps as may be feasible to ensure that neither party prejudices the allocation of the available waters by an international control authority. Link the development of the Jordan Valley to Arab refugee resettlement to the maximum extent practicable."

The Special Representative of the President, Mr. Eric Johnston, is currently engaged in the fourth round of negotiations on the Unified Plan for the Development of the Jordan Valley.

Suppl. para. 19: With respect to Israel:

- "a. Take such measures as are feasible to convince the Israelis, and their U.S. supporters, of the inadvisability, from the standpoint of Israel's national interests, (1) of trying to win a better situation in the Near East by force; (2) of resuming large-scale Jewish immigration into Israel; (3) of doctrines implying an intent to dominate the Near East."

In the case of the Gaza flare-up, the U.S. intervened directly to discourage retaliation by the Israelis. Israel will again be

confronted with the need to resume mass immigration of North African Jews. Estimates for the coming year range from 30-50,000 immigrants and the majority of these persons will likely be settled along the Israel-Jordan border and along the Gaza frontier. Financing will be borne by the Israel Government (IL 19.9 million) and the Jewish Agency (IL 10.9 million). Israel's policy of fostering continuous immigration arouses Arab fears that it will ultimately lead to the need for territorial expansion by Israel at the expense of her Arab neighbors.

- "b. While progressively reducing the amount of economic aid furnished to Israel, so as to bring it into impartial relationship to aid to others in the area, exert pressure on Israel to adopt the financial measures necessary for progressing as rapidly as possible toward a self-sustaining economy, and continue to assist Israel toward viability."

Israel has, in the past year, adopted financial measures designed to progress as rapidly as possible toward a self-sustaining economy. The amount of U.S. aid is, accordingly, being progressively reduced. Reports of the discovery of oil in the Negev gave further impetus to hopes of Israeli self-sufficiency.

- "c. Continue to urge Israel to accept a limited number of Arab refugees and to work out promptly arrangements for the release of blocked Arab funds and for the payment of reasonable compensation to the Arab refugees at an appropriate time, preferably in connection with actual resettlement or repatriation."

Repatriation and arrangements to facilitate Israel's compensation to Arab refugees were mentioned as possible solutions to the refugee problem in the Secretary's statement of August 26.

Suppl. para. 20: With respect to the Arab States:

- "a. Attempt to move forward as rapidly as is practicable on the Arab refugee problem by such means as resettlement in the Arab states or outside the Near East. To the extent feasible, work through the UN Relief Works Agency."

A project which may eventually involve the resettlement of 50,000 refugees in the Sinai Peninsula is currently under study. If the project appears feasible, negotiations will take place between Egypt and UNRWA for its establishment. The refugee problem, further, was

recognized as one of the major items in any solution of the Arab-Israel conflict in the Secretary's statement of August 26.

- "b. Continue economic and technical aid in conformity with paras. 18-a, c, and d of the above general policy statement on the Near East, emphasizing projects facilitating the resettlement of Arab refugees."

Economic aid is being extended as indicated in the other pertinent paragraphs.

- "c. Extend military aid in conformity with para. 17-e of the above general policy statement on the Near East. Inform the Arab states that the U.S. may state publicly that their assurances against aggression are applicable to all countries, including Israel."

Military aid has been extended to Iraq and reimbursable aid to Egypt, Saudi Arabia, and Lebanon. No statement to the Arab states specifically concerning aggression against Israel is being contemplated at the present time. All military assistance agreements contain clauses prohibiting the use of the equipment for external aggression.

- "d. Work for eventual elimination of the Arab economic boycott of Israel; resist Arab efforts to impose a secondary boycott on U.S. trade with Israel; continue support for the Security Council resolution calling for removal of Egyptian restrictions on Suez Canal traffic to Israel; help to restore normal commercial intercourse, and surface and air transportation between Israel and the Arab states."

The United States, in cases which arise, is continuing to refuse to recognize Arab nation belligerency and their right to boycott. Action on decisions in individual cases involving American companies are, in general, left for the companies to decide, although the U.S. offers diplomatic support when requested to do so.

- "e. Make clear to the Arabs that we cannot accept their negative attitude toward proposals involving recognition of the existence of Israel and their refusal to consider the possibility of an eventual settlement. While reminding the Arabs that peace is the ultimate objective, exercise caution lest stress on this goal prevent Arab acceptance of the necessary intermediate steps."

The statement by the Secretary of State is designed to implement this objective.

Suppl. para. 21: "In addition to the foregoing, use political, economic, and psychological measures to bring about in the long run a progressive reduction in tension between the Arab states and Israel leading to conditions under which ultimate peace may be secured."

Para. 16: Egypt. The United States should:

"a. In concert with the United Kingdom and Egypt, seek an early negotiated settlement of the Suez Canal base and related defense questions. Such a settlement should provide for withdrawal of British forces, but under conditions to insure the continued maintenance of the base and its availability to the Western Powers in the event of hostilities or grave threat thereof."

The implementation of the Anglo-Egyptian agreement on the Suez Canal is proceeding satisfactorily. No action has been required on the part of the United States.

"b. Take such steps, and secure the necessary commitments, as to best insure that the Suez Canal remains open to international trade."

There have been no new cases involving transit rights in the Suez Canal.

"c. As progress in reaching an Anglo-Egyptian settlement warrants, extend economic aid and military assistance to Egypt."

Economic assistance is being extended to Egypt. Military aid in the form of reimbursable assistance has been authorized. Egypt has not taken advantage of this, however, because of problems over payment.

Para. 17: Area Defense. The U.S. should:

"a. Develop secretly plans for the defense of the area with the UK, Turkey, and such others as may be desirable."

U.S.-U.K. military planning talks are continuing in Washington.

Secret talks were also held in Iraq in August between Pakistan, Iran, Iraq, and Turkey, with the U.S. and U.K. observing.

- "b. Conduct secret military-political conversations in the near future with the U.K. regarding development of the "northern tier" concept as an indigenous movement, not linked formally at this time with the Western Powers or with Western defense organizations except through the participation of Turkey."

See action under para. 17-a, above.

- "c. Encourage when appropriate the adherence of Iraq and Iran to the Turkish-Pakistan Pact, avoiding pressure but endeavoring to create political conditions which will make adherence possible and attractive."

Iraq and Turkey have signed a Pact which, in effect, supersedes the Turk-Pakistan Pact as the core of Middle East collective security. Pakistan has adhered to the Pact and there are indications that Iran will adhere in October.

- "d. Associate Egypt with the defense arrangements should she so request, and make clear to her that the "northern tier" concept does not derogate from the importance the U.S. attaches to strengthening Egypt. Neither encourage nor discourage other Arab states from asking to participate in regional security arrangements. In order to avoid creating harmful friction, treat sympathetically any overtures made, but bear in mind the importance of maintaining the indigenous nature of the organization and the desirability of concentrating available U.S. military assistance. Pending the settlement of Arab-Israel tensions, refrain from supporting requests from Israel to join such defense arrangements."

Egypt has not, to the present, indicated an interest in formally associating with Western-sponsored collective security. We have continued to emphasize, however, that the formation of the "northern tier" does not in any way exclude the nations to the south from eventual participation in area defense. At the moment the tension between Egypt and Iraq and the difficulty over the mode of payment for Western arms prevents closer cooperation of Egypt.

- "e. Continue military aid to the states forming the "northern tier" (Turkey, Pakistan, Iran and Iraq) and undertake military assistance to Egypt when developments regarding the Suez Base warrant it. Render military assistance at an appropriate later date to other Arab states depending on (1) their willingness to contribute to regional defense arrangements; (2) the effectiveness of such assistance in creating political and military strength; (3) the status of the Arab-Israel conflict. In addition, military assistance may be provided where it may be necessary to further specific U.S. security interests such as transit and base rights. Control the scope, character and phasing of military assistance to minimize the possibility of its use for aggressive purposes; and furnish military aid only after receiving appropriate guarantees against its use for aggression. Consider the politico-economic situation in plans for military build-up which might require appropriate measures to prevent damaging political and economic effects."

The U.S. is currently giving grant military aid to Iraq, Turkey, Pakistan, and Iran. Egypt is authorized to receive reimbursable aid, but has, instead, decided to purchase arms on a barter basis from the Soviet orbit.

- "f. When politically feasible, seek to obtain transit and base rights where required within the area, and, upon the threat of and during general hostilities, the right to operate forces in the territories of the various nations of the area."

The U.S. is proceeding informally to determine the possibility of acquiring transit rights for tactical aircraft in Iraq.

- "g. If formal U.S. commitments with respect to the regional defense arrangements, or association of the arrangements with other defense organizations of the Western Powers, should appear desirable, appropriate proposals should be submitted for Council consideration."

During the period under review it has not been necessary to undertake the action specified. The present U.S. position on adherence to the Baghdad Pact is outlined in Paragraph 13 h.

Para. 18: Economic Aid. The United States should:

- "a. Give somewhat increased economic aid so as to provide a base for necessary economic development, encourage the concept of self-help and mutual cooperation, and contribute to the settlement of disputes in the area. Maintain flexibility in the use of available funds on a regional basis so as to take advantage of changing developments in an unstable area."

It is not likely that aid will be substantially increased under present budgetary limitations. Exact allocations of aid are, for the present, being delayed until comments have been received from the various governments on the Secretary's August 26 statement.

- "b. Encourage Near Eastern governments to recognize that the bulk of the capital required for their economic development can best be supplied by private enterprise and public banking facilities, and that their own self-interest requires the creation of a climate which will attract private investment."

See statement under para. 13 f.

The IBRD turned over to the GOE an evaluation of the Egyptian economy that the Bank made in connection with its survey of the High Aswan Dam Project. The Bank stated that the High Dam Project was technically and economically feasible and offered to help the GOE work out a plan to finance and implement the Project. However, IBRD is not likely to agree to finance the Project before a settlement is reached between Egypt and the Sudan on the division of the Nile waters.

The GOE reported a Soviet offer to finance the High Dam and further announced it would rely on its own resources if Egypt did not secure funds from abroad for the Project. It will be difficult for the U.S. to refuse to support the Project should the GOE decide to proceed without IBRD financing and consequently in the continued absence of a Egypt-Sudan water agreement.

- "c. Continue to provide limited financial assistance towards the settlement of the Arab refugee problem."

See statement under Supplemental paragraph 20-a.

- "d. Continue limited technical assistance with emphasis on increased food production, and better health, education, communications, and transportation. Encourage private foundations and industry to provide technical assistance

for the same purposes."

The United States continued extensive technical assistance programs in all Near Eastern countries except Syria and Saudi Arabia during the reporting period. Allocations for FY 1955 for technical cooperation were: Lebanon, \$1,995,000; Egypt, \$2,924,000; Israel, \$1,475,000; Jordan, \$4,293,000; and Iraq, \$2,859,000.

"e. Encourage the wise use by each country of its oil royalties to promote a more stable and viable economy. In this regard, consideration should be given to the establishment of an area-wide development fund, in which the West would participate, and through which states having no oil resources might benefit from those who have."

U.S. participation in Iraq's development program contributes directly to the wise use of the oil revenues in that country.

"f. Progressively reduce the amount of economic aid furnished to Israel, so as to bring it in to impartial relationship to aid to others in the area."

U.S. aid to Israel for FY 1955 totaled \$41,475,000, including the technical assistance allocation. Of this, \$18,045,500 was on a loan basis and was used for the purchase of surplus agricultural commodities under the provisions of PL 665. An additional \$1,954,500 of the total was also a loan.

Aid to Egypt in FY 1955 totaled \$40 million. Out of this, the U.S. approved the letting of contracts by the Egyptians for the purchase of locomotives and other railroad equipment costing \$16,163,000, of water system pipe costing \$6,430,000, and of dredging machinery costing \$4,320,000. In addition, the U.S. financed the purchase of highway equipment, flour, and newsprint for Egypt costing \$6,286,000. \$7,500,000 of the total is to be on a loan basis.

A \$5 million loan under MSA provisions has been offered to Lebanon to help finance the Lebanese part of the Beirut-Damascus highway for which a project agreement was signed in June.

U.S. grant aid to Jordan for FY 1955 totaled \$7,293,000, including technical assistance funds. Practically all of the \$5 million in grant aid was used to buy coal for sale in the U.K. for sterling which was in turn converted into Jordanian dinars for project use in Jordan.

In September, the American Embassy at Damascus was authorized to open negotiations with the Government of Syria for the PL 480 sale of U.S. surplus wheat not in excess of \$2 million.

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By CAZ NARA, Date 5/3/92