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pg. 4

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Cairo Told Shift From West in Canal Zone Dispute Might Endanger American Aid

By ROBERT C. DOTY
Special to THE NEW YORK TIMES.

CAIRO, Jan. 6—The Egyptian Government has been informed that its current tactical flirtation with a policy of neutralism endangers its chances of obtaining United States economic and diplomatic assistance.

This was made clear yesterday in an interview between Jefferson Caffery, the United States Ambassador, and Dr. Ahmed Hussein, Egyptian Ambassador to Washington. Dr. Hussein had been recalled to Cairo to participate in conferences on the future course of Egyptian foreign policy.

Dr. Hussein said he had learned from Mr. Caffery that "the atmosphere at this time" is not of a nature to encourage granting of immediate economic aid by the United States to Egypt.

Thus the trial balloons launched over the last two weeks threatening that Egypt would withdraw into the neutralist camp in her disappointment over the failure to reach an agreement with Britain on control of the Suez Canal Zone, have had in effect exactly opposite to that intended. In the opinion of most observers, recent official hints of early recognition of Communist China and closer links with other Soviet satellites were intended to induce Washington to increase pressure on London for greater concessions to the Egyptian point of view on the deadlocked Canal Zone dispute and perhaps to speed the granting of economic aid.

Ties to Reds Denied

Dr. Hussein has denied that his Government had taken or was about to take any decisions on ties with Communist China. He also denied that Egypt might vote with the Soviet bloc in the United Nations on issues' on which Cairo disagreed with the Western powers instead of abstaining as she has done in the past in such cases.

Statements emanating from the Foreign Ministry indicating that such actions were imminent were unauthorized and inaccurate, he said.

Diplomatic observers here assert that the facts of geography and the known convictions of Maj. Gen. Mohammed Naguib, Egypt's President and Premier, and his deputy, Lieut. Col. Gamal Abdel Nasser, made it extremely unlikely that Egypt could ever be effectively neutral in an emergency.

Dr. Hussein said Egypt still wanted to reach an honorable agreement on the Canal Zone that would remove the principal irritant to relations with the Western states. He and Mr. Caffery discussed possibilities of finding a new formula to bring Egypt and Britain together on the two issues still in dispute.

Conditions Creating Issue

These are the definition of conditions under which British troops would be permitted to reoccupy the vast military installations once the zone was returned to Egyptian rule; and Britain's insistence on the right of 4,000 of her military technicians to wear their uniform while helping Egypt maintain the base for a period of seven years after the evacuation of the main British garrison.

If in the absence of an agreement, 80,000 British troops continued to occupy the Canal Zone, Egypt's leaders would have to choose between two courses of action. First, they could make an attempt to oust the British by force, an attempt that in the opinion of most observers would be doomed to failure and probably would result in the collapse of the present regime.

Second, they could adopt a policy of non-cooperation with Britain and the West. It would be unreasonable, Egyptian leaders suggest, to expect Egypt to swallow the disappointment of her aspirations and to accept international leadership of the nation that was responsible. It would also be unfair, they add, to confuse such a policy of non-cooperation, adopted in desperation, to a policy of neutralism inspired by ideological conviction.

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