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EGYPT IS STUDYING U. S. OFFER OF AID

Envoy Submits Washington's Conditions for Economic and Military Help

Special to The New York Times.

CAIRO, Aug. 2—The conditions under which the United States will grant military and economic aid to Egypt were under study today by the Government here.

The signing of the agreement between Britain and Egypt last week settling the future of the Suez Canal zone ended the principal dispute between Egypt and the West and removed a reason for withholding aid from the United States.

There were indications that both sides were eager to conclude an agreement advantageous to Egypt to help the present military regime neutralize criticism of the Suez agreement that now is being voiced by extreme leftist and fanatical Nationalist circles.

Both Egyptian and United States sources denied reports from Israel that Egyptian assent to a formal peace treaty or nonaggression pact with Israel had been advanced as a prerequisite to eligibility for United States help.

United States Ambassador Jefferson Caffery called today on Dr. Mahmoud Fawzi, Egyptian Foreign Minister, to pursue discussions of the aid question.

U. S. Submits Requirements

According to an official Egyptian source, the forty-minute conversation today concerned the principles governing a United States offer of military and economic assistance. The United States diplomat is reported to have presented documents outlining the varying requirements for eligibility for the two types of aid. These are virtually the same as those in effect in more than thirty countries already receiving aid.

It was not expected that Egypt would find these conditions onerous. In the economic field, they ask recognition on the part of the recipient nation that United States aid is designed to supplement domestic resources rather than replace them and that funds shall be spent in such a way to provide maximum benefits to the people.

To qualify for military aid, Egypt probably would have to accept terms similar to those offered to Iraq last spring. She would have to undertake to use United States weapons only for defense, specifically renounce the right to transfer weapons received under the aid program to a third country and make some sort of declaration indicating clearly that she shares United States concern for the defense of the free world.

The Egyptian official source acknowledged that Mr. Caffery had expressed the United States, hopes for peace in the Middle East, but had stopped far short of setting Egyptian agreement to make peace with Israel as a price for aid.

Dr. Fawzi is reported to have replied that the current armistice agreement with Israel was sufficient guarantee against a renewal of hostilities by Egypt.

Meanwhile, security officials were watching carefully efforts by Communists, the Moslem Brotherhood, a fanatical religious organization, and some remnants of the Wafd, former majority party, to attack as a "sell-out" the recent British-Egyptian agreement.

Clandestine handbills, crudely drawn and crudely reproduced, are being circulated by the Communists. One of these showed Lieut. Col. Gamal Abdel Nasser, Premier of Egypt, and one of his fellow officers of the ruling junta doing a minuet to a tune beaten out by President Eisenhower on a dollar sign.

In the canal zone itself, there has been a notable lessening of tension since announcement of the agreement July 27. Egyptian authorities authorized members of British forces to visit the canal zone cities of Port Said, Ismailia and Suez for the first time in many months.

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