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Sum, Earmarked for Economic Aims, Emphasizes Highway, Rail and Water Projects

By ROBERT C. DOTY
Special to The New York Times.

CAIRO, Nov. 6—The United States agreed today to grant Egypt $40,000,000 in development assistance in support of the Egyptian Government's current effort to modernize an economy that has changed little basically since the pyramids were built.

The Egyptian Foreign Minister, Dr. Mahmoud Fawzi, and the United States Ambassador, Jefferson Caffery, met at noon to sign an agreement fulfilling President Eisenhower's promise to extend aid to Egypt as soon as an agreement was concluded with Britain safeguarding the future of the strategic Suez Canal Zone.

The United States grant—less than the Egyptian officials had requested and more than they expected would be available when the discussions began — will be spent on projects that will have a direct and dramatic effect on the daily lives of millions of Egypt's fellaheen or peasants.

Current plans call for devoting as much as one-third of the amount to bring supplies of pure fresh water for the first time to 3,000,000 Nile Valley farmers.

Other uses for the funds under discussion between the Government and officials of the Foreign Operations Administration include the improvement of roads to facilitate the marketing of farm products, the renovation of the state railway system and the maintenance and extension of the inland water transport network.

All these activities are foreseen as essential preliminaries to the major industrialization effort that is considered to offer the only hope of solving Egypt's increasingly critical demographic dilemma. This is the problem presented by a population increasing too rapidly to be maintained by an agricultural economy on the amount of arable land available.

Project for Big Dam

This problem centers around the project for a high dam in the 600-yard-wide gorge of the Nile twenty-five miles north of Aswan. Keystone of the Government's ten-year plan of economic development, the dam would bring under cultivation 2,000,000 more acres of land—a third of the present arable area—and provide ultimately up to 10,000,000,000 kilowatt hours of cheap electric power for industry.

Looking beyond the current outright grant of aid for peripheral programs, Egyptian officials hope for United States support, material and moral, in applications for loans from the International Bank for Reconstruction and Development to finance this $600,000,000 construction.

Meanwhile, however, Dr. Fawzi said today's agreement stood for a "symbol of friendship and the trend of constructiveness and concreteness in cooperation" in the effort to build up all elements and ingredients of human dignity and human welfare.

"Any help which is extended to us by friends in this respect is an investment for the future and is naturally deeply appreciated by each and every Egyptian," the Foreign Minister said in a statement following the signature of the exchange of notes setting forth procedures for collaboration between the Government and the representatives here of the Foreign Operations Administration.

Mark of U. S. Confidence

"By this agreement the United States demonstrates its confidence in the economic future of Egypt," Ambassador Caffery said.

From the political standpoint it is hoped that United States aid will permit the current military regime, which is counted as basically friendly to the West, to produce concrete benefits for the people and thus consolidate its position in the interest of stability.

Lieut. Col. Gamal Abdel Nasser, Egypt's Premier, and his associates are expected to move ultimately toward closer economic and military cooperation with the West but apparently believe that public opinion, conditioned by seventy-two years of opposition to British domination, would not now support them in an overt defensive alliance. It is for this reason that the Government has made no application for United States military assistance.

Officials here are working hard to prepare a convincing docket of industrialization possibilities. At present these appear to be limited to the expansion of textile production and certain light manufacturing.

Although valuable prosphate deposits have been mapped and traces of other minerals discovered there has yet to be a full-scale exploration of Egypt's desert areas to establish the presence of large commercially exploitable quantities of raw materials on which to base a major industrial development program.

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