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(1) Talks suspended - Inflammatory speeches - Naguib's promise to J. F. D. to hold situation - but says <sup>id</sup> that agreement now possible with B's - not so in month.

(2) Issue! Egypt demands prompt unconditional evacuation.

Britain (1) Phased withdrawal, with retention technical force.

(2) Provision for defense and joint maintenance canal

(3) Acceptance MEDO

(4) Economic and military aid for Egypt

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- (3) Political situation <sup>Naguib</sup> deteriorating  
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- (a) Wafd party re-activated
  - (b) Moslem Brotherhood.  
Extreme right ready for  
direct action against British
  - (c) Lack of land reform -  
drop cotten prices
  - (d) Anti-British incidents

25X1

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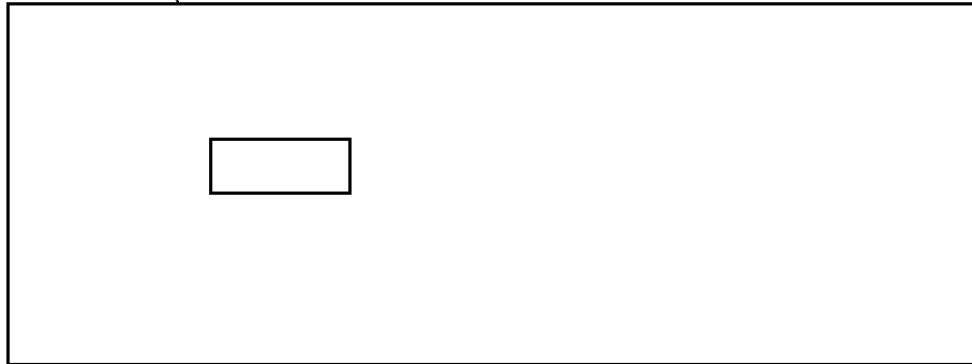


(6) Britain claims Suez last sure  
Western base in Middle East  
against Soviet.

Last stand of British prestige  
in area.

(7) { Soviet has assured Egypt of  
support against "Imperialist"  
domination.

{ Nehru for unconditional evacuation



25X1

(8) Unless compromise settlement  
reached quickly - situation  
may get out of hand with  
incalculable possibilities.