

6371/108433

JE 1192/482

CONFIDENTIAL

INDEXED

FROM CAIRO TO FOREIGN OFFICE

Cypher/OTP

FOREIGN OFFICE AND
WHITEHALL DISTRIBUTION.

Sir R. Stevenson
No. 1269
September 14, 1954.

D. 6.46 p.m. September 14, 1954.
R. 8.17 p.m. September 14, 1954.

IMMEDIATE
CONFIDENTIAL

Addressed to Foreign Office telegram No. 1269 of
September 14

Repeated for information to: B.M.E.O.
Midcast
M.E.A.F.

JE 1532/54

Your telegram No. 1498: negotiations.

I had quite a useful meeting with Egyptian Prime Minister today. Egyptian Foreign Minister was present, and for part of the time Salah Salem (who has apparently been received back into favour) joined us. In view of the points which the Egyptian Prime Minister raised in connexion with the drafting of the main Agreement, and of the progress which we made in other directions (oil, Meascar and the claims wash-out), it was decided to postpone the delegation meeting arranged for September 16 (my telegram No. 1209). It was also agreed that the Egyptian Prime Minister and I should meet again as soon as I had received your reactions on the various points contained in my immediately following telegrams, and the sub-committee, which is going to examine the Meascar-Ismailia area, has reported.

JE 1190/436

2. I was encouraged by the Prime Minister's evident determination to make the Agreement work. He has I think genuinely abandoned his earlier suspicion of us and our motives, but the volume of criticism of the Agreement which has reached him, has convinced him that so much suspicion still exists, particularly among the politically conscious portion of the population, that if the Agreement is to have a chance of working, the greatest care must be taken not to give even apparent grounds for it. He is convinced that the only way of creating the new relationship which both Governments desire is to bring the Agreement into force as soon as possible, and to show results.

73. I am



CONFIDENTIAL

Cairo telegram No. 1269 to Foreign Office

3. I am certain that he was speaking the truth when he assured me that the Egyptian Government were not trying to whittle away the heads of agreement. They would stand by every word and would hold to the spirit of them as well. He hoped however that we would be able to meet them in the drafting of the final Agreement, so as to obviate in this country any suspicions, however childish they might seem to us. He did not seek to deny or belittle your political difficulties, but emphasized the fact that 70 years of occupation had left an indelible stamp on Egyptian mentality and that, as a result, reason had little to do with their reactions.

4. I think Nasser's concern is genuine. The régime are making strenuous if clumsy efforts to discredit the Moslem Brotherhood in the Press, and to assert that the Agreement is acceptable to all good Egyptians, but the Brotherhood are apparently making great play with a tabulated criticism of considerable popular appeal and the Government are clearly rather startled at the success they are having. It is entirely to our advantage to shorten the period before the Agreement comes into force, during which the opposition has its best opportunities for agitation and the creation of incidents; it is also to our advantage to meet Nasser as far as possible over points in regard to opposition arguments which can be disarmed. I hope therefore that sympathetic consideration can so far as possible be given to the points which he has raised in this contact.

ADVANCE COPIES:

- Sir I. Kirkpatrick
- Private Secretary
- Mr. [Name]
- Head African Department
- Resident Clerk



FO

371/108433

11/164

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FROM FOREIGN OFFICE TO CAIRO

Cypher/OTP

FOREIGN OFFICE AND
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No. 1590

September 24, 1954

D. 4.59 p.m. September 24, 1954

IMMEDIATE
CONFIDENTIAL

Addressed to Cairo telegram No. 1590 of September 24.
Repeated for information to B.M.E.O.

My immediately preceding telegram [Consultation].

Following is suggested text of a letter from Egyptian Prime Minister of which you would take note.

Begins.

"I have the honour to refer to Article 11 of the Agreement signed today, which reads as follows;

'This Agreement shall remain in force for a period of seven years from the date of its signature.

During the last twelve months of this period the two Governments shall consult together to decide on such arrangements as may be necessary upon the termination of the Agreement.'

It is my understanding that our two Governments will undertake the consultations provided for in this article in the new spirit of friendship created by the signature of the Agreement today. Such consultations will cover, among other things, the arrangements to be made with regard to British-owned property. Should, however, no accord be reached, the Agreement will terminate and the United Kingdom Government will dispose of this property as they see fit."

Ends.

bbbbb

10371/108433

Registry No. JE 1192/486

CYPHER

TOP SECRET X
 Secret XXXX
 Confidential.
 Restricted XX
 Open X

Date and time (G.M.T.) telegram should reach addressee(s).....

EMERGENCY
 IMMEDIATE
 PRIORITY
 ROUTINE
 DEFERRED

(Date) 31-8-54
 Despatched 8-47 P

Draft.
Telegram to:

CATZO
 No. 1560
 (Date) 21/9/54

[Security classification] Confidential
-if any

[Codeword-if any].....

And to:-

Addressed to CAIRO
 telegram No. 1560 (date) 21/9

repeated for information to... B.M.E.O. Mid East,
 M.E.A.F. JE 1192/486

Repeat to:-
 M.E.O. (Flag) 1668 (Hand)
 Mid East
 M.E.A.F.

Your telegram No. 1272 [of September 14: withdrawal].

You should say that we wish this to remain in the main agreement. The Egyptians must know that we are as anxious as they that the withdrawal should take place in an orderly manner and of course within the appointed time and they know moreover that this withdrawal has already begun despite the fact that the agreement has not yet been signed. In these circumstances we really think that it is carrying old suspicions too far to suggest ^{best imputations} ~~implications~~ against our good faith in this particular matter could not be ~~confidentially dealt with~~ ^{disposed of} by the Egyptian Government.

via Glair.
Codex
Cypher

Distribution:-
 F. O. 7 Whitehall
 Negotiations.

Copies to:-
 EW
 2/15

NOTHING TO BE WRITTEN IN THIS MARGIN.

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 11/9/54
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Handwritten signature

CYIPHER

Registry No. JE 193/685

~~XXXXXXXX~~
~~XXXXXXXX~~
Confidential.
~~XXXXXXXX~~
~~XXXXXXXX~~

~~XXXXXXXX~~
IMMEDIATE
~~XXXXXXXX~~
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~~XXXXXXXX~~
without
~~XXXXXXXX~~

Date and time (G.M.T.) telegram should reach addressee(s).....

(Date) 2/9
Despatched 8 30

Draft.
Telegram to:

Cairo
No. 1559
(Date) 24th 21st 54
And to:—

[Security classification] CONFIDENTIAL
—if any

[Codeword—if any].....

Addressed to CAIRO

telegram No. 1559 (date) 2/9

repeated for information to B.M.E.O.

Repeat to:
B.M.E.O. (Fayed)
1667. Flag No.

NOTHING TO BE WRITTEN IN THIS MARGIN.

~~XXXXXXXX~~
~~XXXXXXXX~~
Code
Cypher

F.O. Wh. l. et al.
Distribution:—
DEPARTMENTAL
NEGOTIATIONS

Copies to:—

Your telegram No. 1273 [of September 14: Main Agreement, Article 2].

We are still not happy about this ^{draft} clause since it ^{might} well be taken here as a recognition by us of the Egyptian claim to have abrogated the Treaty in 1951.

^{we must stick to one draft or}
2. ~~I think we must try to~~ find a different ^{acceptable} wording. Provided that it would not prejudice the claims washout (~~your telegram No. 1219~~) please seek Egyptian agreement to an article which would state that the two governments "recognise" or "agree" that the 1936 Treaty with the agreed minute ^(etc) is no longer in force.

JW
20/9

7.8.54
31/9/54
LD

RECEIVED 1954

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FROM FOREIGN OFFICE TO CAIRO

Cypher/OTP

FOREIGN OFFICE AND
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No. 1559

September 21, 1954

D. 8.30 p.m. September 21, 1954

IMMEDIATE

CONFIDENTIAL

Addressed to Cairo telegram No. 1559 of September 21
Repeated for information to B.M.E.O.

Your telegram No. 1273 [of September 14: Main Agreement, Article 2].

We are still not happy about this draft since it might well be taken here as a recognition by us of the Egyptian claim to have abrogated the Treaty in 1951.

2. We must stick to our draft or find a different acceptable wording. Provided that it would not prejudice the claims washout please seek Egyptian agreement to an article which would state that the two governments "recognise" or "agree" that the 1936 Treaty with the agreed minute, etc. is no longer in force.

bbbbb

10371/108433
Registry No. JE7192/485

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SECRET
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RESTRICTED
SECRET

Immediate

Date and time (G.M.T.) telegram should reach addressee(s).....

EMERGENCY
IMMEDIATE
PRIORITY
ROUTINE
SECRET

(Date) 21-9-54
Despatched 8-45 P

Draft.

Telegram to:

Cairo
No. 1561
(Date) 21/9/54
And to:—

[Security classification]..... Confidential.....
—if any
[Codeword—if any].....
Addressed to..... Cairo.....
telegram No. 1561 (date) 21/9
repeated for information to..... B.M.E.O.....

Repeat to:—
B.M.E.O. (Fogia)
1669.
Flag B.

Enclature
Cypher

Distribution:—
Foreign Office
Departmental
Negotiations

Copies to:—
"Article C"
Flag M.
20000000
29000

705pm
21/9/54
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NOTHING TO BE WRITTEN IN THIS MARGIN.

Your telegram No. 1276 [Ratification].

The Egyptian arguments are not convincing, because the main provisions of the agreement take effect from the date of signature and this is clearly set out in the Heads of Agreement. The opposition have not been successful in upsetting the agreement during the detailed negotiations and it is difficult to believe that the mere inclusion of a ratification clause would enable them to do so.

2. I should not be prepared to reduce the submission of the agreement to Parliament to an empty gesture. You should therefore continue to press the Egyptians to agree to the formula (for "Article C") contained in your telegram No. 927.

3. ~~A possible alternative would be to sign the agreement ad referendum and to append final signature after the debate in the House. You are authorised to offer this to the Egyptians.~~

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ARABO-EGYPTIAN COMMUNIQUE

Lyne

(CAIRO RADIO), THE FOLLOWING JOINT OFFICIAL STATEMENT WAS ISSUED AFTER THE MEETING OF PREMIER AL-NASIR AND THE BRITISH AMBASSADOR SIR RALPH STEVENSON:

PREMIER AL-NASIR TODAY MET THE BRITISH AMBASSADOR AND DISCUSSED WITH HIM THE PRINCIPAL QUESTIONS OF THE DRAFT AGREEMENT. IT WAS DECIDED TO HOLD ANOTHER MEETING SHORTLY. IT WAS ALSO DECIDED TO POSTPONE THE MEETING WHICH WAS DUE TO BE HELD NEXT THURSDAY, SEPTEMBER 16TH.

OUR REPORTER ASKED MAJOR SALAH SALIM ABOUT THE REASONS FOR THE ADJOURNMENT OF THE MEETING OF THE TWO SIDES SCHEDULED FOR NEXT THURSDAY. HIS EXCELLENCY SAID THAT THE BRITISH AMBASSADOR, AFTER EXCHANGING VIEWS WITH THE PREMIER ON SOME POINTS CONCERNING THE AGREEMENT BETWEEN THE TWO COUNTRIES, ASKED FOR THE ADJOURNMENT OF THE MEETING OF THE TWO SIDES SO THAT HE COULD CONTACT HIS GOVERNMENT TO LEARN ITS VIEWS ON THESE POINTS.

PREMIER AL-NASIR CONTINUED HIS MEETING WITH VICE PREMIER JAMAL SALIM AND SALAH SALIM FOR ABOUT HALF AN HOUR AFTER THE JOINT MEETING.

END. BBC. MON. 1734 EDV. 14:9 -KY-

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FROM CAIRO TO FOREIGN OFFICE

Cypher/OTP

JE 1192/483

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Sir R. Stevenson
No. 1271
September 14, 1954

INDEXED
D. 5.50 p.m. September 14, 1954
R. 7.08 p.m. September 14, 1954

IMMEDIATE
CONFIDENTIAL

JE 1532/54

Addressed to Foreign Office telegram No. 1271 of September 14.
Repeated for information to: E.M.E.O. H.Q. M.E.A.F.
Mideast Egyptor

Your telegram No. 1498 paragraph 3(11).

Egyptian Prime Minister advanced all the stock arguments against the contractors inhabiting Moascar, and added that it would sour the atmosphere between contractors and Egyptian army if officers of the latter were debarred from good Moascar houses because contractors were living in them.

2. He agreed however eventually to examine the possibility of a partition, and I am arranging for a visit tomorrow of two Egyptian representatives and two of our delegation to discuss this on the spot.

3. I suspect Nasser's additional reason quoted in my paragraph 1 above is what really irks the Egyptians. We shall do well to go a long way to mollify them on this point in the contractors' own interests. (cf. paragraph 3 of your telegram No. 1471).

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JE 1192/484

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FROM CAIRO TO FOREIGN OFFICE

Cypher/OTP

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Sir R. Stevenson

No. 1272

D: 7.16 p.m. September 14, 1954

September 14, 1954

R: 8.39 p.m. September 14, 1954

IMMEDIATE

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Addressed to Foreign Office telegram No. 1272 of September 14.

Repeated for information to B.M.E.O. Mideast MEAF.

My immediately preceding telegram. JE

Article 1 of Main Agreement (MINES/S - 1 of September 1).

Egyptian Prime Minister said that he could not (repeat not) agree to the inclusion in the Main Agreement of the second sentence of paragraph 7 of the Heads of Agreement. He said that the sentence was open to the criticism that any alleged failure by the Egyptians to provide any facility requested by the British forces might be relied upon as an excuse for delaying their withdrawal. The Egyptian Government were willing to cooperate and to provide the necessary facilities. He said, however, that the most they could agree to would be the inclusion of the sentence in the Annex on withdrawal.

2. On this point I have made full use of the arguments in paragraph 1 of your telegram No. 1460, but to no avail.

3. If the sentence were transferred to the Annex without material alteration, the change would be one of form rather than substance. In the circumstances I recommend that we should agree to the transfer of the sentence.

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Head of African Department
Resident Clerk

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FROM FOREIGN OFFICE TO CAIRO

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No. 1560

D. 8.47 p.m. September 21, 1954.

September 21, 1954.

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Addressed to Cairo telegram No. 1560 of September 21
Repeated for information to B.M.E.O. Mid East
M.E.A.F.

Your telegram No. 1272 [of September 14: Withdrawal].

You should say that we wish this to remain in the main agreement. The Egyptians must know that we are as anxious as they that the withdrawal should take place in an orderly manner and of course within the appointed time and they know moreover that this withdrawal has already begun despite the fact that the agreement has not yet been signed. In these circumstances we really think that it is carrying old suspicions too far to suggest that imputations against our good faith in this particular matter could not be disposed of by the Egyptian Government.

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FROM CAIRO TO FOREIGN OFFICE

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JE 1192/985

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Sir R. Stevenson

INDEXED

No.1273

D.7.34 p.m. September 14, 1954.

September 14, 1954.

R.8.58 p.m. September 14, 1954.

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Addressed to Foreign Office telegram No.1273 of September 14

Repeated for information B.M.E.O. Mideast HQ MEAF

JE

My immediately preceding telegram: Main Agreement.

Article 2.

Prime Minister agreed that this Article could end with the words "is terminated" instead of "is abrogated". Subject to satisfactory provision for a "claims wash-out" and for the commencement of all relevant arrangements for immunities etc. from the date of signature of the agreement, I presume that the text with this change, though not perfect, would be acceptable.

2. Prime Minister also agreed to deletion of "or understandings" from "all other consequent agreements or understandings."

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FROM CAIRO TO FOREIGN OFFICE

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Sir R. Stevenson

No. 1274

D:8.10 p.m. September 14, 1954

September 14, 1954 R:9.21 p.m. September 14, 1954

IMMEDIATE

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Addressed to Foreign Office telegram No. 1274 of September 14

Repeated for information to : B.M.E.O.

Mideast

MRAF

My immediately preceding telegram. JE

Main Agreement.

Article 11.

Prime Minister said that the second sentence of this Article made the agreement look as though it were open ended and that this was not the intention of either party. Therefore, he offered the alternative of

(A) omitting the second sentence or

(B) adding after that sentence the second sentence of paragraph 1 of the agreed minute accompanying the Heads of Agreement.

2. I rejected (A), but since the sentence from the agreed minute contemplates the possibility of renewal of the agreement after the end of the period of seven years, I recommend that we should accept alternative (B).

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Sir I. Kirkpatrick

Private Secretary

Mr. J. G. Ward

Head of African Department

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No. 1589

September 24, 1954

D. 4.30 p.m. September 24, 1954

IMMEDIATE
CONFIDENTIAL

Addressed to Cairo telegram No. 1589 of September 21

Repeated for information to B.M.E.O.

Your telegram No. 1274 [of September 14: Main Agreement, Article 11].

(A) would of course be unacceptable. I am also not happy about putting (B) in the Main Agreement. The agreed minute was unpublished and the inclusion of this sentence might be interpreted as putting a gloss on the Heads of Agreement.

2. We recognise that we are bound by the agreed minute; but could not the difficulty be overcome by having a separate published minute or exchange of letters on the lines of the draft in my immediately following telegram?

3. From the point of view of presentation to opinion in this country (since publication will be necessary) I would prefer a letter from Egyptian Prime Minister as showing Egyptian authorship. You will observe that the draft of my immediately following telegram does not follow the precise wording of the agreed minute. This minute constitutes an apparent gloss on Paragraph 2 of the Heads of Agreement which may well look very bad when its existence has to be revealed in Parliament. For Parliamentary reasons it is important to avoid the word "withdrawal" in regard to the plant and equipment at the base, although this material will obviously have to be disposed of by Her Majesty's Government if no further arrangements can be agreed upon before the 7 years expire. I hope that you will be able to persuade the Egyptians that "disposed of" obviously covers "withdrawal".

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FROM CAIRO TO FOREIGN OFFICE

Cypher/OTP

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Sir R. Stevenson

No. 1276

September 14, 1954.

D. 9.07 p.m. September 14, 1954.

R. 10.27 p.m. September 14, 1954.

INDEXED

IMMEDIATE
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JE 1192/488

Addressed to Foreign Office telegram No. 1276 of September 14

Repeated for information to B.M.E.O.

Mideast

M.E.A.F.

My immediately preceding telegram.

Main agreement.

JE

Article 16

Prime Minister said that delay in the formal coming into force of the agreement would create insuperable difficulties. The opposition factions in Egypt would consider that during the period before ratification there remained a chance of preventing the agreement from coming into force and they would take every opportunity to do what they could to that end.

2. Accordingly he proposed the deletion of the ratification article. Whether Her Majesty's Government felt bound to submit the agreement to Parliament for ratification or not was entirely their affair, but the insertion of an article as suggested would jeopardise the agreement itself.

3. If the Prime Minister's proposal were accepted I am advised that the agreement would come into force on signature and that so far as the binding effect of the agreement is concerned submission to Parliament would be an empty gesture. On the other hand, the provision for ratification is proving a real stumbling block and I believe that there is much substance in the Prime Minister's fears. Moreover, it has become increasingly apparent during the negotiations that the provisions of the agreement must in fact be effective from the date of signature.

4. In this connexion the Prime Minister said that the Egyptian people would not understand the subtle distinction

/between

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CONFIDENTIAL

Cairo telegram No. 1276 to Foreign Office

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between the agreement "having effect" from the date of signature and "coming into force" on ratification. As a further argument the Prime Minister pointed out that the Sudan Agreement came into force on signature.

5. I realise that there would be serious difficulties in dropping the ratification article because of the various undertakings that Parliament would be given a further opportunity to debate the agreement and the reference to ratification made by Lord Reading on December 15, 1953 (Hansard col. 69). Nevertheless, I wonder whether it would be possible for Her Majesty's Government to reconsider their position on this question.

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Mr. J. G. Ward
Head of African Department

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C371/108433

15/9/54
MNE/F/2-6th Meeting
September 8, 1954.

ANGLO EGYPTIAN NEGOTIATIONS

FINANCIAL COMMITTEE

E 1192/505

MINUTES OF THE SIXTH MEETING

1. The Sixth Meeting of the Financial Committee was held on Wednesday, September, 8, 1954 at 5 p.m. in the Egyptian Foreign Ministry, Cairo.

There were present:-

For the United Kingdom

- Sir Ralph Stevenson (H.M. Ambassador)
- Mr. Murray
- Mr. Garvey
- Mr. Geraghty
- Mr. Milner
- Mr. Clarke
- Mr. Vallat
- Mr. Clowser
- Mr. Drinkall
- Brigadier Hayes
- Mr. Andrew (Secretary)

For Egypt

- Dr. Fawzi (Minister for Foreign Affairs)
- Dr. Kaissouny
- M. Iutfi
- Dr. Abu Afia
- Col. Korra
- Dr. El Sayeh (Secretary)

POINTS OUTSTANDING FROM IMMUNITIES SUB-COMMITTEE

2. SIR RALPH STEVENSON began by saying that there were a number of points still outstanding from the Report of the Immunities Sub-Committee and suggested that these might be considered first.

(a) N.A.A.F.I. QUOTA

Dealing with this question, SIR RALPH STEVENSON recalled that he had at the last meeting made a proposal for the index figure to be fixed at P.T. 150 and 16 ozs. of tobacco. He asked whether the Egyptians were prepared to accept these figures. DR. FAWZI made a counter-proposal of P.T. 150 and 15 ozs. of tobacco. After some further discussion it was agreed that the index figure should be fixed at P.T. 145 and 16 ozs. of tobacco

(b) EXCISE CONCESSION

In reply to a question from SIR RALPH STEVENSON, DR. FAWZI confirmed that Excise Concession would be granted on supplies of local beer. It was agreed that this concession should operate from the date of signature of the Agreement.

(c) DUTY ON TOBACCO

SIR RALPH STEVENSON stated that investigations had revealed that before the war customs duty on imports of tobacco in excess of the quota figure had been paid at the actual rate and not at the flat rate. It was agreed by the British Delegation that this practice should continue during the Withdrawal Period.

(d) Contractors Immunities

SIR RALPH STEVENSON stated that this subject was still being studied by the Joint Sub-Committee set up to deal with it.

CONFIDENTIAL

.../PRIVATE CLAIMS

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PRIVATE CLAIMS

3. SIR RALPH STEVENSON recalled that he had promised at the previous meeting to give further information to the Egyptian side on the nature of BRITISH Private Claims. Full details had not yet been received from the Foreign Office but it appeared that the Private Claims in question would fall into the following categories:-

- (a) Claims arising out of the detention of ships in the SUEZ CANAL and seizure of their cargoes.
- (b) Claims arising out of the riots in EGYPT in 1945, 1946 and 1948.
- (c) Claims by individuals in respect of losses sustained as a result of political circumstances after October 15, 1951.

It might be that further categories would have to be added when information was received from the Foreign Office. He hoped that this information would shortly be available.

4. DR. FAWZI said that when fuller information was available, the whole question would have to be thoroughly discussed. He agreed that there should be a Sub-Committee set up to deal with the claims, but pointed out that many of them must be regarded as "obsolete" or "unreceivable" - terms which he promised to explain in due course. He added that there were political and other considerations to be taken into account. It might be that many of the claimants should have made application to the Egyptian Courts at the time of their claim. Other claims, e.g. those connected with the Suez Canal, might raise questions of international law. The fact that the Egyptian Delegation agreed to the setting up of machinery to sift the claims did not imply acceptance of any claims. He pointed out that the British Claims Commission had been established primarily because there were no facilities for recourse to normal means. On the Egyptian side this factor did not apply. SIR RALPH STEVENSON said that he appreciated the Egyptian point, but assumed that provided there were claims which were not so barred, the Egyptians would set up machinery to deal with them. DR. FAWZI agreed that machinery would be set up and would deal with any "fair" claims.

MAINTENANCE OF INSTALLATIONS

5. SIR RALPH STEVENSON recalled that at a previous meeting (Minutes of the Fourth Meeting, para. 10) the Egyptian Delegation had made it clear that when they referred to "a substantial contribution" by the United Kingdom to the cost of maintaining installations handed over to the Egyptian Government, they in fact meant nothing less than 100 per cent of the cost, except in cases where direct benefit accrued to Egypt. He felt bound to inform them that in the view of H.M. Government there could be no question of payment by the United Kingdom for the maintenance of these installations. In the British view the value of the installations handed over more than offset any cost which might be incurred in maintaining them. However, the British Delegation was prepared to make an exception in the case of road and rail links to installations and was prepared to discuss the cost of maintaining these with the Egyptians. The Airfields at ABU SUEIR and FANARA represented special cases which the United Kingdom was prepared to consider separately. Since the use of these Airfields would be shared, H.M. Government was prepared to make some contribution towards the extra cost which arose out of their use by the R.A.F. But as a general rule, there would be no payment of maintenance costs for installations handed over to the Egyptian Government without the right of inspection.

CONFIDENTIAL

.../ 6. DR. FAWZI

10371/108433

CONFIDENTIAL

-3-

6. DR. FAWZI asked whether the road and rail links and the airfields mentioned by the Ambassador represented an exhaustive list of the exemptions from his general rule. He asked about the maintenance of telephone services. SIR RALPH STEVENSON replied that it had not yet been decided whether telephone installations in the Base should be sold to the Egyptian Authorities or operated by the Contractors.
7. DR. FAWZI then suggested that the installations handed over to the Egyptian Government might be considered in several categories. In the first place, there were installations which would produce revenue and Egypt could not reasonably ask for a contribution towards the maintenance of these. In the second case, there were installations which were useless or obsolete. At this stage, SIR RALPH STEVENSON pointed out that since the Committee was only considering installations required for the Base, none of these could be regarded as useless or obsolete. DR. FAWZI replied that there were installations which might eventually be required for the reactivation of the Base, but which were not immediately useful. As these installations were of no economic benefit to the Egyptian Budget he considered it only reasonable to ask for a cash contribution towards their maintenance. If the United Kingdom wished to keep these installations in readiness for reactivation, it would only be reasonable that it should pay for their maintenance. He pointed out that Egypt was not asking for any contribution towards the cost of guards or of the administration of the Area.
8. SIR RALPH STEVENSON suggested that when the Egyptians were deciding what installations to take over, they should balance the revenue-producing ones against those which did not produce revenue and consider the list as a whole. DR. FAWZI replied that this was unfair, since the revenue producing installations represented only a small proportion of the whole.
9. MR. MURRAY pointed out that there were a number of items which the Egyptian Representatives in the Installations Sub-Committee had asked to have transferred from the list to be maintained by the Contractors, to the list to be handed over to EGYPT. Some of these were not, strictly speaking, revenue-producing installations, e.g. the Depot at EL KIRSH and other installations near SUEZ. Presumably although these installations produced no revenue they must have some value for EGYPT, or no request would have been made to transfer them. DR. FAWZI replied that some of the installations were not being asked for on account of their economic value but for other reasons, such as to facilitate the better organization of the Base as a whole. He repeated that Egypt was accepting general responsibility for such matters as guards and considered that the United Kingdom should make contribution towards the cost of maintenance.
10. MR. MURRAY commented that if the installations in question had been handed over to the Contractors the United Kingdom would have had to pay for their maintenance, but would at least have been able to inspect them. There was no advantage to the United Kingdom in transferring these installations to EGYPT, in which case it would no longer be possible to inspect their maintenance. DR. FAWZI asked why there was this insistence on the right of inspection. Was it because of lack of confidence in the Egyptian technicians? SIR RALPH STEVENSON replied that this was not the reason; it was simply the need to have watch-dogs to ensure that public money was being properly spent.

.../ 11. DR. FAWZI

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11. DR. FAWZI said that the Committee appeared to have run up against a major difficulty on the question of paying for the maintenance of the installations which Egypt was to have handed over to her but which would produce no revenue towards the cost of their maintenance. He suggested that there was some confusion on the question of inspection. In some installations it was understood that there should be no inspection but in others the British representatives appeared to be requesting it. SIR RALPH STEVENSON explained that the inspecting personnel who were to be attached to the Embassy, were only intended to inspect those installations which were to be run by the Contractors. MR. MURRAY suggested that the confusion was on the Egyptian side. The Lists of Installations had been drawn up by the BRITISH in the light of the Egyptian refusal to permit inspection. This had led to the shortening of the list of installations to be handed over to Egypt, which there could be no question of inspecting. He suggested that there was a contradiction in the Egyptian attitude in asking for more installations, but in rejecting the right of inspection, and in demanding payment which the United Kingdom could not concede.

12. DR. FAWZI summed up the situation, saying that it appeared to be the United Kingdom view that they would be willing to transfer to Egypt more installations were it not for the Egyptian attitude on the cost of maintenance and on the right of inspection. Egypt on the other hand contended that the need to keep the Base in a proper condition of efficiency for reactivation was in the interest of the United Kingdom as well as Egypt, and ^{that} the United Kingdom should bear a share of the maintenance costs. As far as inspection was concerned, there were political and psychological reasons why the Egyptian side could not permit the inspection of installations which were not merely held from the United Kingdom but which were the property of the Egyptian Government. For the moment, there appeared to be no way out of the deadlock between the two views.

13. SIR RALPH STEVENSON, commenting on DR. FAWZI's reference to the maintenance of the Base in the general interest of the two countries, pointed out that the capital value of the assets being handed over to Egypt represented a considerable sum and contended that in view of this the Egyptian Government should bear the cost of maintenance. DR. FAWZI disputed this argument contending that the installations "would not be worth a penny" were it not for the eventuality of reactivation. He said that for the moment no further progress appeared to be possible on this important question.

14. MR. MURRAY enquired whether it would be practicable for the Installations Sub-Committee to continue its work while no progress could be made on the financial issue. DR. FAWZI advised that the Sub-Committee should continue its work and as far as possible forget about the financial aspect.

SUEZ CANAL COMPANY CONTRACTS

15. DR. FAWZI asked whether the British Representatives had anything more to say on this subject. MR. MURRAY replied that installations which might have caused difficulty had all been removed from the lists, except for the Water Filtration Plant at EL KIRSH, and were being handed back to the SUEZ CANAL COY. DR. FAWZI asked for further details of the contracts on which these installations had been held. SIR RALPH STEVENSON replied that these contracts were a matter of private arrangement between H.M. Government and the SUEZ CANAL COMPANY. In accordance with obligations imposed by the

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contracts, the United Kingdom was now returning the installations to the company. He was not sure whether the detailed information requested by DR. FAWZI could be provided, but promised to find out. DR. FAWZI said that there were other means of securing this information if the British Delegation were unwilling to supply it. He asked that meanwhile no premature action should be taken in disposing of these installations, without informing the Egyptian Government. MR. MURRAY pointed out that most of the installations in question were small and remotely situated. It was possible that the liquidation of some of them might have to continue in order not to hinder the programme of withdrawal. With this reservation he agreed in principle with DR. FAWZI's request.

NEXT MEETING

16. It was agreed to hold the next meeting on Tuesday, September 14th, at 6 p.m. DR. FAWZI expressed the hope that both sides would come to this meeting with all the necessary information to enable progress to be made. The meeting was then adjourned at 6.15 p.m.

Cairo, September 8, 1954.

R. J. Murray
Secretary,
Financial Committee.

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